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# **Water and Power Employees' Retirement Plan Investment Portfolio:**

## **Quarterly Report Executive Summary**

**September 30, 2008**

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## RETIREMENT PORTFOLIO SUMMARY

As of September 30, 2008, the WPERP Total Retirement Portfolio had an aggregate value of \$6.3 billion. This represents a (\$589.4) million decline in value over the last quarter. During the previous one-year period, the WPERP Total Portfolio decreased by (\$1,244.8) million.

### Asset Allocation Trends

As of September 30, 2008, the portfolio has a 56% allocation in Equities, 38% in Fixed Income, 1% in both Real Return and Private Equity, and 2% in both Real Estate and Cash. The WPERP Board approved new asset allocation targets earlier in the second quarter, which are set to be implemented during the first quarter of 2009.

### Recent Investment Performance Trends

During the most recent quarter, the WPERP Total Portfolio underperformed its policy benchmark by 70 basis points, gross of fees. The portfolio has trailed its policy benchmark over all extended time periods. On a positive note, for the current quarter and the trailing 1-year period, the portfolio finished above median versus a universe of other public funds. Underperformance during the longer-term periods can be attributed to poor relative performance from the Plan's International Equity portfolio as well as differences in asset allocation versus the median fund.

#### Recent Investment Performance Total Retirement

	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio*	-8.0	-14.1	2.6	5.7	5.2
Policy Benchmark	-7.3	-12.3	3.3	6.8	5.4
<b>Excess Return</b>	<b>-0.7</b>	<b>-1.8</b>	<b>-0.7</b>	<b>-1.1</b>	<b>-0.2</b>
Reference: Median Fund**	-9.2	-15.0	2.8	6.6	6.3
Reference: Net of Fees***	-8.1	-14.4	2.3	5.4	4.9

\*Gross of Fees

\*\*Mellon Total Funds Public Universe

\*\*\*Net of Fee returns are estimated based on existing WPERP manager fee schedule.

## Economic Review

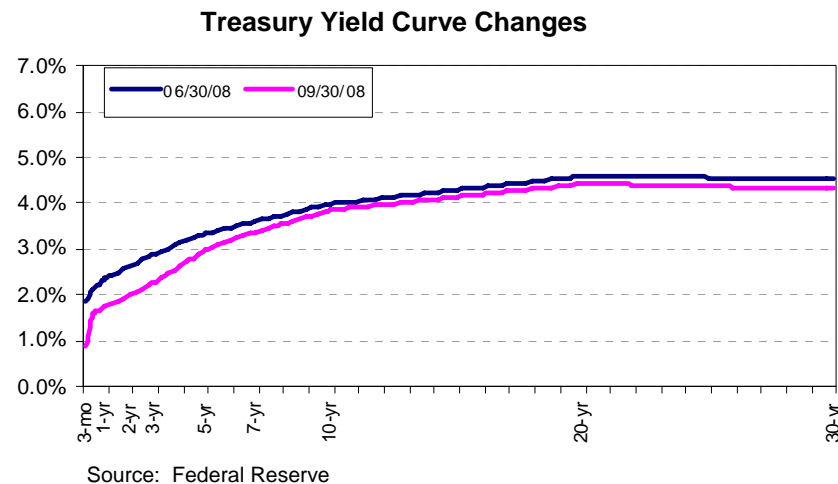
**Economic Growth** – The U.S. economy decreased at an annual rate of 0.3% during the third quarter of 2008. The decrease in real GDP reflects weak consumer spending, which fell 3.1%, as well as a turndown in business investment, and a drag on growth as a result of the continuing residential fixed investment problems.

**Inflation** – On a seasonally adjusted basis, the Consumer Price Index (“CPI”) decreased 0.1% in September, resulting in a compounded annual rate (using the latest 3-month data ending September 30, 2008) of 2.6%. In comparison, the compounded annual rate during the third quarter of 2007 was 1.0%.

**U.S. Dollar** – During the third quarter of 2008, the Yen depreciated 0.2% against the dollar, the Euro depreciated 10.9% versus the dollar, and the Canadian Dollar depreciated 4.8% against the U.S. Dollar.<sup>1</sup>

**Unemployment** – The domestic unemployment rate was 6.1% in September, up from the previous quarter’s rate of 5.5%. Employment rose in health care, and mining, while employment in manufacturing and construction, and retail trade continued to decline.

**Domestic Interest Rates** – During the quarter, the U.S. Treasury curve grew steeper as short-term yields decreased. At the September 16, 2008 meeting, the Federal Reserve decided to keep its target for the federal funds rate at 2.00%, holding steady from June. According to the Federal Reserve, over time, the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.



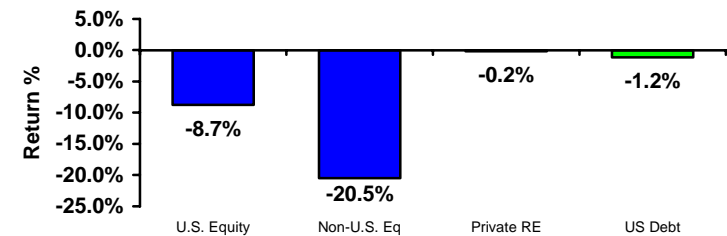
<sup>1</sup> Source: State Street Global Markets.

## Market Overview

### Capital Market Highlights<sup>1</sup> – Latest Quarter Ending September 30, 2008

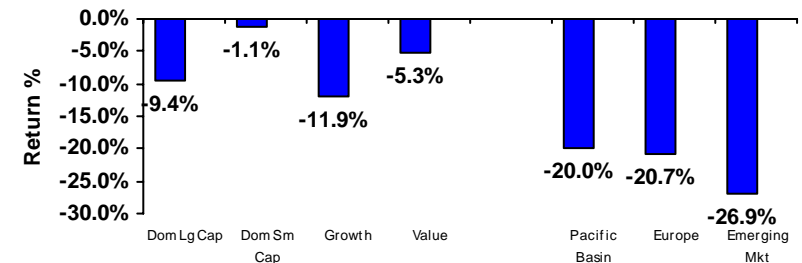
During the quarter, Equity Markets continued their decline...

- Worries of a global economic meltdown initiated a decline in commodity prices.
- Investors have been willing to accept lower returns in exchange for the safety offered by holding U.S. T-Bills.
- The U.S. Troubled Asset Relief Program (TARP) was approved by Congress.



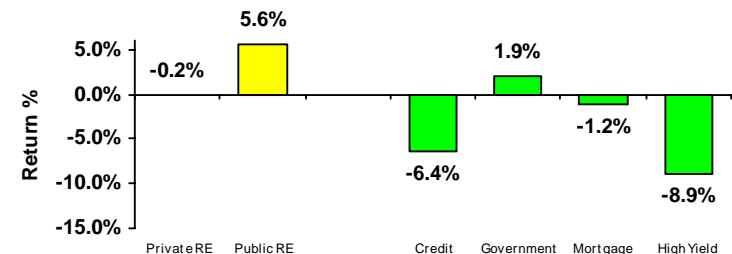
...with the European and Emerging Markets equity subcomponents declining...

- The U.S. equity markets outperformed the non-U.S. markets.
- Value continued to outpace growth during the third quarter.
- European governments sought to contain the deepening world financial crisis, with Britain stepping in to help its hard-pressed banks and Russia shutting down its biggest stock market for two days.



...while Government Fixed Income and Public Real Estate provided some principal protection.

- The U.S. 3-Month T-Bill yield to maturity reached its lowest level since 1954 on 9/17/08: 0.2%.
- Pending home sales rose 7.4% from July to August, in an unexpected piece of positive news, but declined by the close of August.

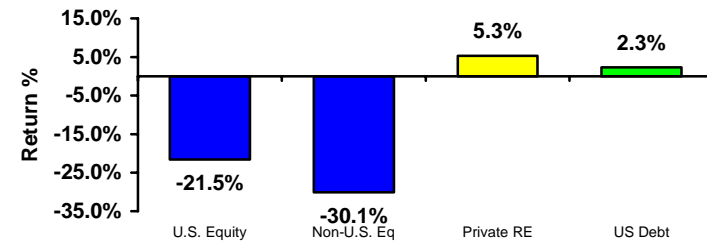


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest Year Ending September 30, 2008

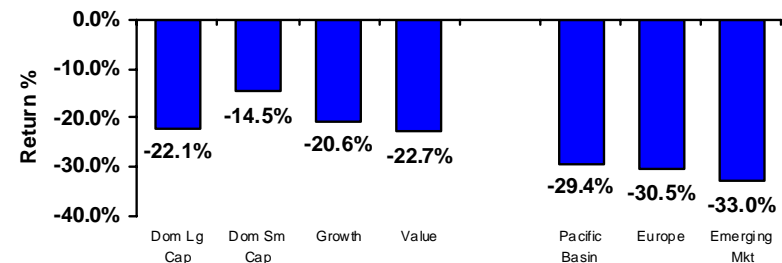
### U.S. Fixed Income was one of the only rays of sunshine...

- U.S. debt was still in positive territory.
- Credit conditions continue to tighten further from where they were 3-4 months prior.
- All 10 sectors in the MSCI All Country World (Equity) Index delivered negative returns in the first eight months of 2008.



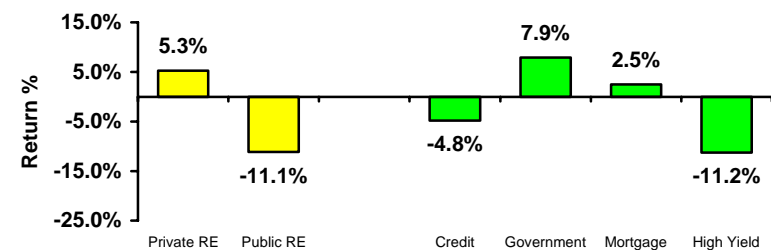
### ...with all Equity Markets providing dismal returns...

- Growth outperformed value.
- Investors preferred small cap equity over large cap companies.
- The global credit crisis has finally landed in Europe.



### ...and Government Fixed Income supplying strong returns.

- Investors preferred the safety of government securities.
- Existing-home sales were down in August following a healthy gain in July as tight mortgage credit curtailed activity.

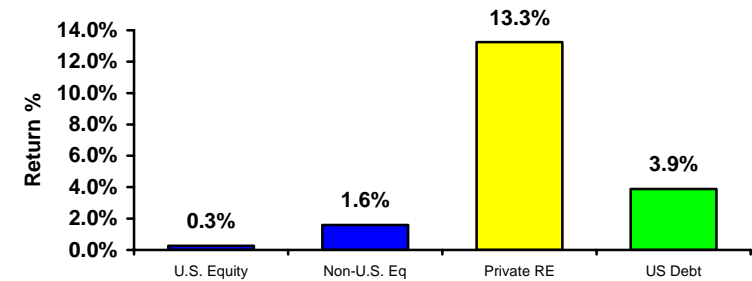


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest 3 Years Ending September 30, 2008

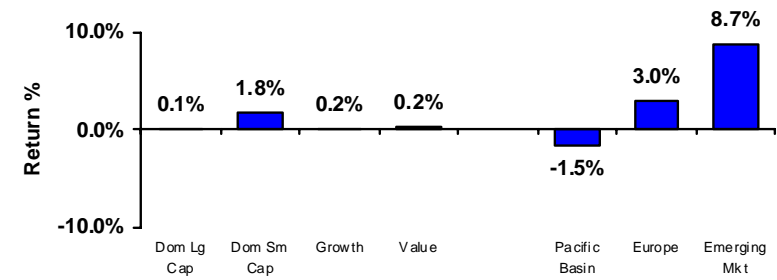
During the latest 3 years, Developed Non-U.S. Equity surpassed U.S. Equity ...

- Non-U.S. equity outperformed domestic equity, benefiting from a declining U.S. dollar.
- Private real estate surpassed equity and fixed income.



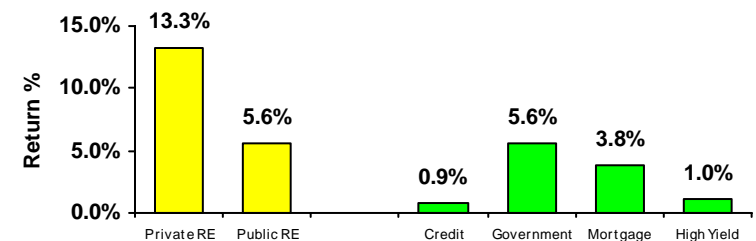
...as Emerging Markets was the highest performing equity subcomponent...

- All U.S. equity components provided modest, yet positive returns.
- The Pacific Basin trailed Europe and the emerging markets.
- U.S. growth and value stocks generated equivalent returns.



...and Government Fixed Income produced strong returns.

- Government debt and mortgage outpaced all other U.S. fixed income segments.

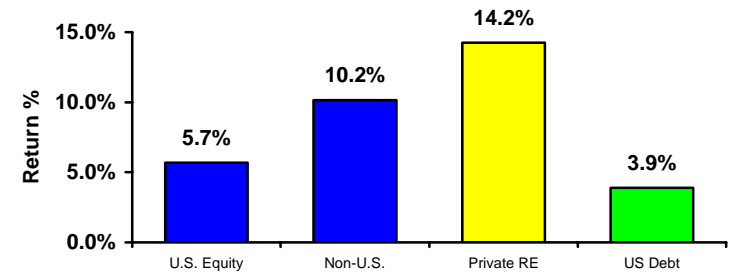


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest 5 Years Ending September 30, 2008

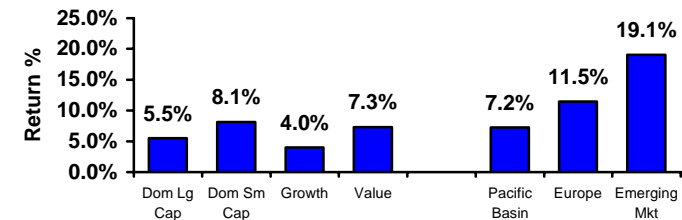
During the latest 5 years, Private Real Estate generated the highest returns...

- Non-U.S. equity outperformed U.S. equity.
- Fixed income generated solid returns.



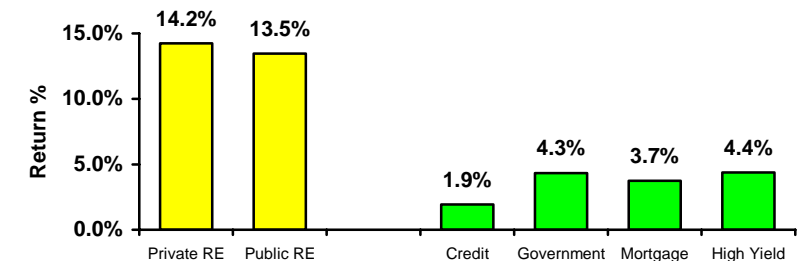
...with Emerging Markets outpacing all other equity sub-components...

- Europe and the Pacific Basin developed markets provided strong returns, but lagged the emerging markets.
- U.S. small cap and value stocks outperformed large cap and growth.



...and Public and Private Real Estate produced strong results over the latest five years.

- High yield and government outpaced all fixed income subcomponents over the latest 5-year period.
- Investors were not rewarded for credit risk.

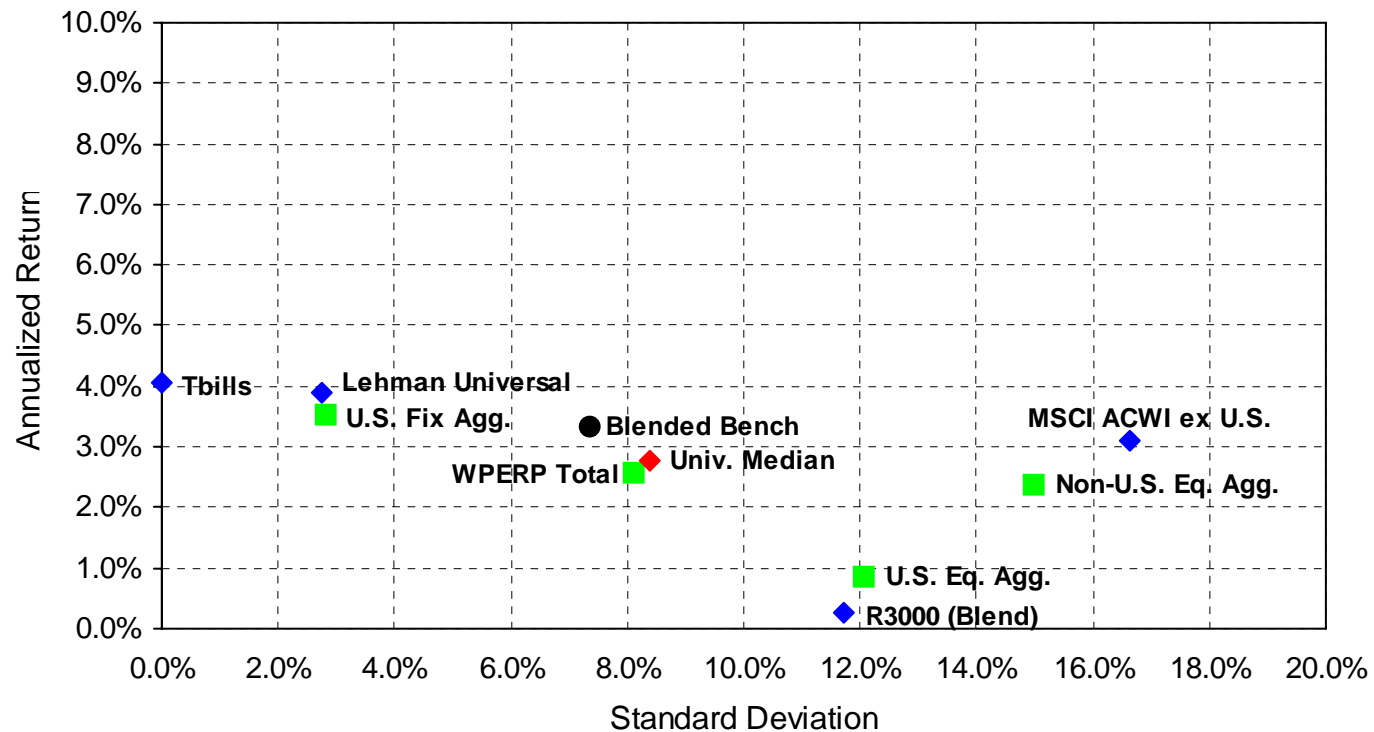


<sup>1</sup> See Appendix for benchmarks used in this section.



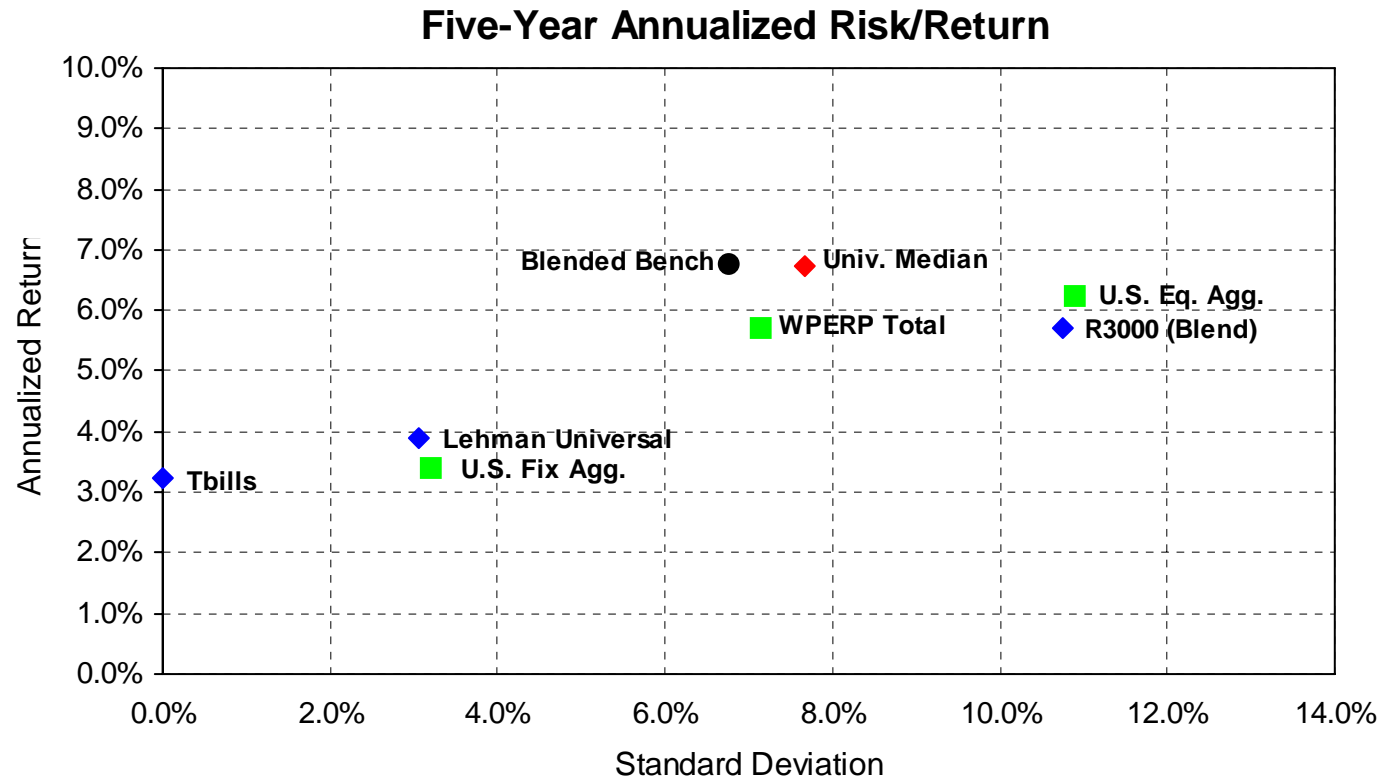
**WPERP Risk/Return Analysis**  
**Period ending September 30, 2008**

## Three-Year Annualized Risk/Return



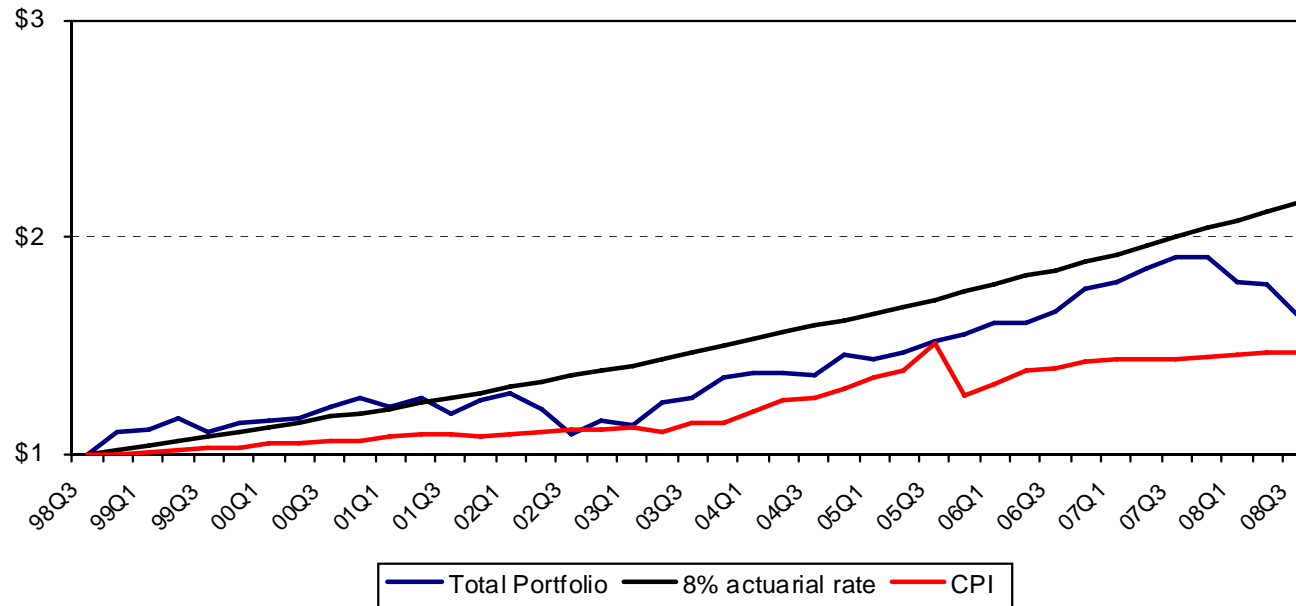
\*Median Fund in the Mellon Total Fund Public Universe.

**WPERP Risk/Return Analysis**  
**Period ending September 30, 2008**



\*Median Fund in the Mellon Total Fund Public Universe.

## Growth of a Dollar-Latest 10 Years Total Portfolio



## WPERP PORTFOLIO PERFORMANCE

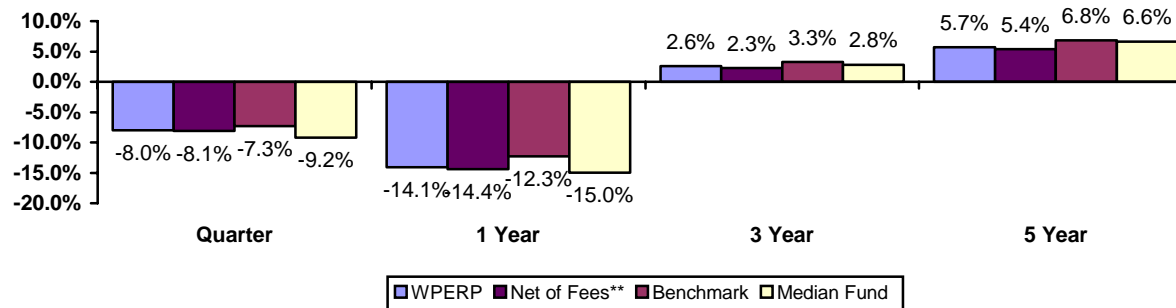
This section includes an overview of the performance of the WPERP investment portfolio and a detailed analysis of asset classes and specific mandates.

### Portfolio Performance Overview

During the latest quarter ending September 30, 2008, the WPERP Total Portfolio generated a return of minus (8.0%) gross of fees, underperforming the policy target benchmark<sup>1</sup> by (70) basis points but outperforming the median fund<sup>2</sup> by 1.2%.

During the latest 1-year period, the WPERP portfolio trailed its policy benchmark by (1.8%) but outperformed the median fund by 90 basis points. Over the latest 3-year period, the fund underperformed its policy benchmark and the median fund by (70) and (20) basis points, respectively. Over the latest 5-year period, the WPERP portfolio trailed the policy benchmark average annual return by (1.1%) per year and trailed the median fund return by (90) basis points per year. Underperformance during the longer-term periods can be attributed to poor relative performance from the Plan's International Equity portfolio as well as differences in asset allocation versus the median fund.

### Periods Ending September 30, 2008 (annualized)\*



<sup>1</sup> The Portfolio Benchmark consists of 35% BC Universal, 40% Russell 3000, 15% MSCI ACWI ex U.S., 4% NCREIF Lag, 3.4% Cambridge U.S. Private Equity Lag, 0.60% Cambridge U.S. Venture Capital Lag, 1% T Bill, and 1% Tbills +3% Lag.

<sup>2</sup> Median Fund is the Mellon Total Public Funds Universe.

\* WPERP performance reported gross of fees.

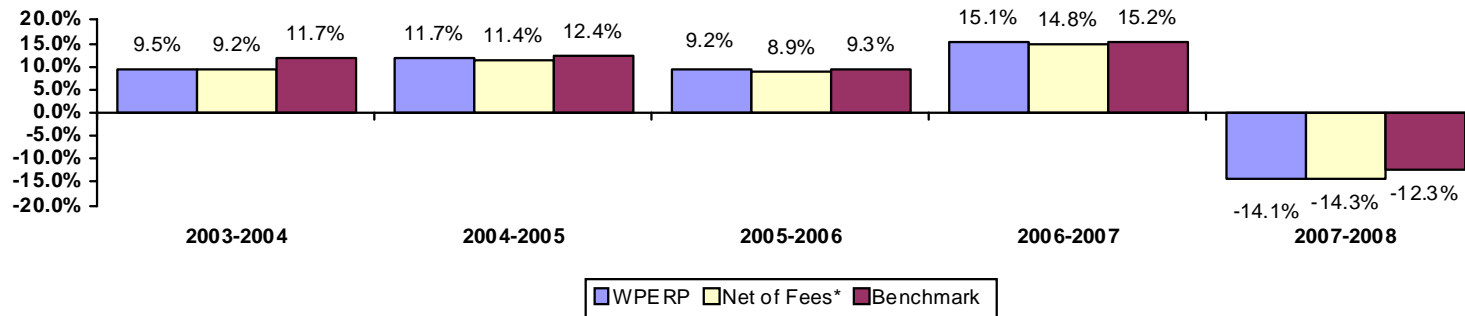
\*\*Net of Fees Performance estimated based on existing WPERP manager fee schedule.

# Quarterly Report

Q3-08

The Plan generated positive absolute performance results over four of the five trailing 12-month periods. However, the Plan underperformed its policy benchmark in all five 12-month time periods.

## 12-month Performance – Period Ending September 30, 2008



\*Net of Fees estimated based on existing WPERP manager fee schedule

## Portfolio Valuation

As of September 30, 2008, the WPERP Total Portfolio had an aggregate value of \$6.3 billion. This represents a (\$589.4) million decline in value over last quarter including minus (\$42.6) million in net contributions. During the previous one-year period, the WPERP Total Portfolio decreased by (\$1,244.8) million.

## Portfolio Valuation as of September 30, 2008, Gross of Fees

	<u>3Q 2008</u>		<u>1-Year</u>		<u>3-Year</u>		<u>5-Year</u>	
Beginning Market Value	\$6,902.1		\$7,557.5		\$6,339.5		\$5,583.6	
Net Flow	-42.6		-179.2		-534.3		-1,054.3	
<b>Investment Return in \$ (in%)</b>	<b>-546.8</b>	<b>-8.0%</b>	<b>-1,065.6</b>	<b>-14.1%</b>	<b>507.4</b>	<b>2.6%</b>	<b>1,783.4</b>	<b>5.7%</b>
Ending Market Value	\$6,312.7		\$6,312.7		\$6,312.7		\$6,312.7	

\*Dollar figures in millions (\$), differences due to rounding

\*\*Recent Quarter net flow per Mellon. 1-year, 3-year, 5-year net flows estimated per PCA

# Quarterly Report

Q3-08

## Actual vs. Target Allocations

With respect to policy targets, the portfolio ended the latest quarter **overweight International Equity, Fixed Income, and Cash**, while **underweight Domestic Equity, Private Equity, and Real Estate**. The public equity overweights directly offset the underweights in the difficult-to-fund Real Estate and Private Equity asset classes. Target allocations recently adopted by the Board will be reflected starting 1/1/2009.

## As of September 30, 2008

Segment	Actual (\$MM)	Actual %	Target* %	Variance
Total Portfolio	7,049	100	100	---
Total Retirement**	6,313	100	100	0
Domestic Equity	2,412	38	40	-2
International Equity	1,112	18	15	3
Fixed Income	2,410	38	35	3
Real Return	73	1	1	0
Private Equity	40	1	4	-3
Real Estate	124	2	4	-2
Cash	133	2	1	1
Health Plan	680	100	100	0
Domestic Equity	369	54	60	-6
Domestic Fixed	310	46	40	6
Cash/Short Term	1	0	0	0
Death Benefit	23	100	100	0
Domestic Fixed	21	90	96	-6
Cash/Short Term	2	10	4	6
Disability	34	100	100	0
Domestic Fixed	31	92	95	-3
Cash/Short Term	3	8	5	3

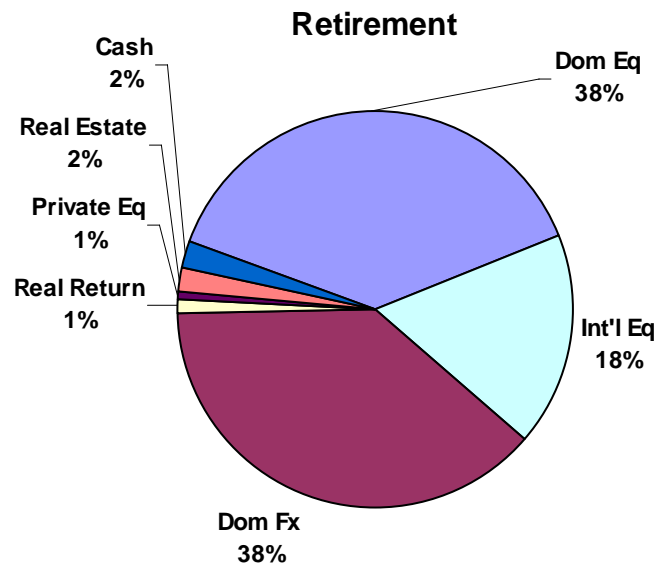
\*2008 asset allocation policy targets.

\*\* Including \$8.1 million in transition assets.

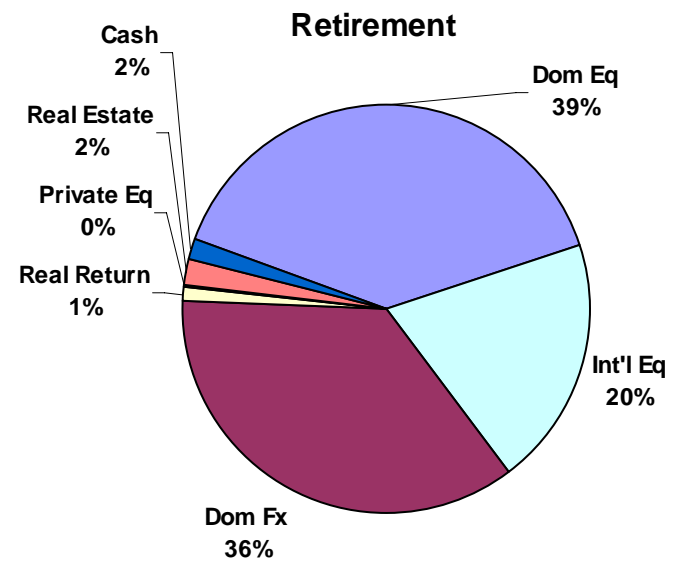
## Actual Asset Allocation Comparison – Retirement Portfolio

As of September 30, 2008, the portfolio has a 56% allocation in Equities, 38% in Fixed Income, 1% in both Real Return and Private Equity, and 2% in both Real Estate and Cash.

September 30, 2008

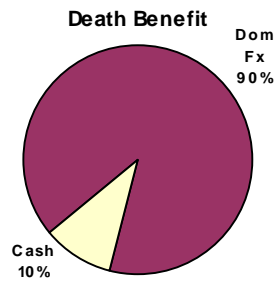


June 30, 2008

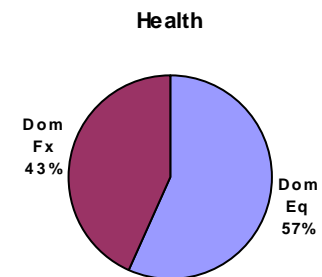
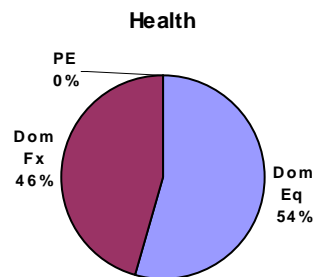
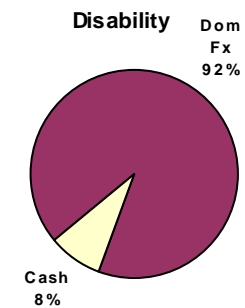
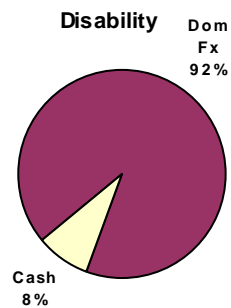
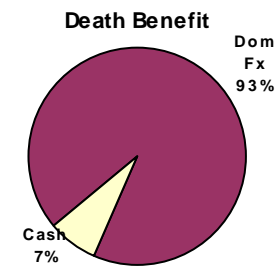


## Actual Asset Allocation Comparison – Death, Disability, Health Portfolios

September 30, 2008



June 30, 2008





## Asset Class Performance

The **Domestic Equity** asset class underperformed the policy benchmark's return during the quarter by (70) basis points, with a minus (9.4%) return. Over the latest 1-, 3-, and 5-year periods, the Domestic Equity portfolio outperformed its policy benchmark by 60, 50, and 50 basis points, respectively.

The **International Equity** portfolio outperformed its policy benchmark during the quarter by 3.9%, returning minus (17.9%). Over the latest 1-year period, the International Equity portfolio surpassed its policy benchmark by 2.3%. Four of the Plan's five International Equity managers outperformed their respective benchmarks during the current quarter and the trailing 1-year period. Over the latest 3-year period, the International Equity portfolio trailed its policy benchmark by (70) basis points. The Plan is currently in the process of restructuring the International Equity portfolio, which will potentially result in a new slate of managers as well as an increased exposure to emerging markets.

During the latest quarter, the **Fixed Income** portfolio underperformed its policy benchmark by (90) basis points, with a minus (2.1%) return. Over the latest 1-year period, the Fixed Income portfolio trailed its policy benchmark by (1.7%), due primarily to the underperformance of one of the Plan's core strategy managers. Over the latest 3- and 5-year periods, the Fixed Income portfolio trailed the policy benchmark by (40) and (50) basis points, respectively.

## Periods ending September 30, 2008

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Retirement	-8.0	-14.1	2.6	5.7
<i>Policy Benchmark*</i>	-7.3	-12.3	3.3	6.8
Domestic Equity	-9.4	-20.9	0.8	6.2
<i>Russell 3000 (blend)</i>	-8.7	-21.5	0.3	5.7
International Equity	-17.9	-27.7	2.4	---
<i>MSCI ACWI ex U.S.</i>	-21.8	-30.0	3.1	---
Fixed Income	-2.1	0.6	3.5	3.4
<i>BC Universal</i>	-1.2	2.3	3.9	3.9
Real Return**	4.0	5.4	---	---
<i>Tbill + 3%**</i>	1.1	6.4	---	---
Private Equity**	-10.3	0.7	---	---
<i>Cambridge USPE**</i>	-1.1	3.0	---	---
Real Estate**	0.8	8.4	---	---
<i>NCREIF**</i>	0.6	9.2	---	---
Cash	0.6	3.3	4.5	3.5
<i>Citigroup T-bills</i>	0.4	2.6	4.0	3.1

\*See Appendix for list of benchmarks used in this section.

\*\*Returns are lagged one quarter.

# Quarterly Report

Q3-08

## Manager Performance

### Domestic Equity – Periods ending September 30, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	1,028,796	Large Cap Core	-9.4	-22.2	0.1	5.6	5.3	8/2003
<i>Russell 1000 Index</i>	---	---	-9.3	-22.1	0.1	5.5	5.2	---
MFS	333,343	Large Cap Value	-6.0	-15.4	5.1	---	7.1	2/2004
<i>Russell 1000 Value Index</i>	---	---	-6.1	-23.6	0.1	---	3.8	---
T. Rowe Price	304,325	Large Cap Value	-5.4	-19.2	2.5	---	5.2	9/2004
<i>Russell 1000 Value Index</i>	---	---	-6.1	-23.6	0.1	---	4.0	---
Fred Alger	288,675	Large Cap Growth	-14.4	-23.2	1.9	---	4.2	2/2004
Intech	264,749	Large Cap Growth	-13.2	-21.8	-1.2	---	2.0	2/2004
<i>Russell 1000 Growth Index</i>	---	---	-12.3	-20.9	0.1	---	1.3	---
Earnest Partners	109,614	Small Cap Value	-4.3	-11.6	-0.4	---	3.7	11/2004
<i>Russell 2000 Value Index</i>	---	---	5.0	-12.3	2.0	---	3.2	---
Northpointe	37,660	Small Cap Growth	-12.1	-32.7	---	---	-11.1	9/2006
Paradigm	44,528	Small Cap Growth	-12.7	-22.8	---	---	-3.2	9/2006
<i>Russell 2000 Growth Index</i>	---	---	-7.0	-17.1	---	---	-0.7	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflect the month when portfolio received initial funding.

## Latest Quarter

During the third quarter of 2008, two of WPERP's eight reporting domestic equity managers outperformed their respective benchmarks.

WPERP's passive large cap core manager, **BlackRock**, ended the quarter with a minus (9.4%) return slightly underperforming the Russell 1000 Index by (10) basis points, which is in-line with expectations. **MFS**, one of the Plan's large cap value managers, generated a negative absolute quarterly return of minus (6.0%), but outperformed the Russell 1000 Value Index return by 10 basis points. Large cap value manager **T. Rowe Price** outperformed the Russell 1000 Value Index by 70 basis points with a minus (5.4%) return. **Fred Alger**, one of the Plan's large cap growth managers, completed the quarter with a minus (14.4%) return, underperforming the Russell 1000 Growth Index return by (2.1%). Sector performance in Information Technology, Materials, and Industrials detracted from performance. **Intech**, the Plan's other large cap growth manager, underperformed the Russell 1000 Growth Index by (90) basis points with a minus (13.2%) quarterly return. **Earnest Partners**, WPERP's small cap value manager ended the quarter with a minus (4.3%) return, trailing the Russell 2000 Value Index by (9.3%). The portfolio's overweight in poor-performing Energy and underweight in good-performing Financials detracted from relative performance. **Northpointe**, one of the Plan's small cap growth managers, finished

the quarter with a minus (12.1%) return, underperforming the Russell 2000 Growth Index by (5.1%). The portfolio's positioning within Technology and Industrials (both 25% of the portfolio) were the main detractors from performance. **Paradigm** completed the quarter returning minus (12.7%), trailing the Russell 2000 Growth Index by (5.7%). Stock selection in Energy and Biotechnology detracted from performance.

## Latest Year

During the latest 12-month period, **BlackRock** slightly underperformed its benchmark by (10) basis points with a minus (22.2%) return. **MFS** finished the latest 12-month period with a minus (15.4%) return and outperformed the Russell 1000 Value Index's return by 8.2%. Stock selection in Industrials, Energy, Technology, and an underweight position in Financials contributed to relative outperformance.

**T. Rowe Price** posted a minus (19.2%) return and outperformed the Russell 1000 Value Index's return by 4.4%. Stock selection in Materials and Energy benefited performance. **Fred Alger** posted a minus (23.2%) return, underperforming the Russell 1000 Growth Index return by (2.3%). Stock selection in Information Technology, Consumer Staples, Industrials, and Materials detracted from performance. **Intech** completed the latest 12-month period returning minus (21.8%) trailing the Russell 1000 Growth Index return by (90) basis points. **Earnest Partners** completed the latest 12-month period with a minus (11.6%) return and surpassed the Russell 2000 Value Index return by 70 basis points. **Northpointe** finished the latest 12-month period returning minus (32.7%), underperforming the Russell 2000 Growth Index by (15.6%) due primarily to poor stock selection across the portfolio. **Paradigm** underperformed the Russell 2000 Growth Index by (5.7%) with a minus (22.8%) return. The portfolio's stock selection in Information Technology and Consumer Discretionary detracted from performance.

## Latest Three Years

During the latest 36-month period, **BlackRock** performed within tracking expectations with a 0.1% return, matching its benchmark. **MFS** finished the latest 36-month period surpassing the Russell 1000 Value Index return by 5.0% with a 5.1% return. Stock selection in Industrials and Technology, as well as an underweight position in Financials benefited performance. **T. Rowe Price** posted a 2.5% return outperforming the Russell 1000 Value Index's return by 2.4%. Positive stock selection within Information Technology, Financials, and Consumer Staples benefited performance. **Fred Alger** posted a 1.9% return outperforming the Russell 1000 Growth Index return by 1.8%. Stock selection in Information Technology, Financials, and Energy benefited performance. **Intech** completed the most recent 36-month period with a minus (1.2%) return, underperforming the Russell 1000 Growth Index by (1.3%). The portfolio's sector weightings trended negatively in comparison to its benchmark. **Earnest Partners'** latest 3-year return of minus (0.4%) underperformed its benchmark target by (2.4%). Stock selection in Consumer Discretionary and Materials detracted from performance.

## Latest Five Years

During the latest 60-month period, **BlackRock** slightly outperformed its benchmark by 10 basis points with a 5.6% return.

# Quarterly Report

Q3-08

## International Equity – Periods ending September 30, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	359,343	Developed Markets	-14.9	-27.2	1.9	---	6.3	6/2004
<i>EAFE + Canada ND Index</i>	---	---	-20.7	-29.6	1.7	---	7.1	---
The Boston Company	275,901	Developed Markets	-15.9	-27.7	-0.3	---	1.5	3/2005
<i>EAFE + Canada ND Index (blend)</i>	---	---	-20.7	-29.6	2.3	---	4.6	---
Pyramis	338,476	Developed Markets	-19.3	-26.7	3.2	---	6.2	11/2004
<i>EAFE ND Index</i>	---	---	-20.6	-30.5	1.1	---	4.4	---
The Boston Company	71,586	Emerging Markets	-20.0	-26.2	8.0	---	13.0	3/2005
T. Rowe Price	66,979	Emerging Markets	-30.3	-36.4	7.5	---	14.4	3/2005
<i>MSCI EMF Index</i>	---	---	-26.9	-33.0	8.7	---	14.0	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflect the month when portfolio received initial funding.

### Latest Quarter

During the third quarter of 2008, four of WPERP's five reporting international equity managers outperformed their respective benchmark.

**Invesco**, WPERP's active core international manager, generated a quarterly return of minus (14.9%), outperforming the MSCI EAFE + Canada ND return by 5.8%. An underweight position and stock selection in financial companies contributed to relative outperformance. The Plan's active international value manager, **The Boston Company**, completed the quarter with a minus (15.9%) return, outperforming the MSCI EAFE + Canada ND Index return by 4.8%. The portfolio's limited exposure to commodity stocks, and positive country, sector, and stock selections across the portfolio benefited performance. **Pyramis**, the Plan's active international growth manager, completed the quarter with a minus (19.3%) return, besting the MSCI EAFE ND Index by 1.3%, driven primarily by relative outperformance in the European market, and stock selection in the Financials, Consumer Staples, and Energy sectors. **The Boston Company**, one of WPERP's two emerging markets managers, finished the quarter with a minus (20.0%) return surpassing the MSCI Emerging Markets Index by 6.9%. From a country standpoint, the portfolio was rewarded by its underweight position in the poor-performing Russia and Brazil and overweight in good-performing India. An under-allocation in Materials and overweight in Consumer Discretionary also benefited performance. **T. Rowe Price**, the Plan's other emerging markets manager, completed the quarter with a minus (30.3%) return, trailing its benchmark by (3.4%). Stock selection across the portfolio and an overweight position in the worst-performing country, Russia, accounted for the bulk of underperformance.

## Latest Year

**Invesco** finished its latest 12-month period with a minus (27.2%) return, surpassing its benchmark by 2.4%. An underweight position in Financials and the strong-performing Industrials and Telecommunication sectors contributed to relative outperformance. **The Boston Company** completed the latest 12-month period surpassing its benchmark by (1.9%), with a minus (27.7%) return. Positive stock selection added to performance. **Pyramis** completed the latest 12-month period with a minus (26.7%) return, surpassing its benchmark by 3.8%. Stock selection in the Financials, Materials, Industrials, and Energy sectors benefited performance. During the latest 12-month period, **The Boston Company** emerging markets portfolio produced a minus (26.2%) return besting the MSCI Emerging Markets Index's return by 6.8%. The manager's value bias is positioned for a turnaround. The **T. Rowe Price** portfolio generated a minus (36.4%) return, underperforming its index return by (3.4%). Stock selection detracted from performance.

## Latest Three Years

**Invesco** finished its latest 36-month period with a 1.9% return, besting its benchmark by 20 basis points. **The Boston Company** completed the latest 36-month period trailing its benchmark by (2.6%), with a minus (0.3%) return, due primarily to poor stock selection in Canada, France and Japan, and within the Consumer Discretionary and Financials sectors. **Pyramis** returned 3.2%, outperforming its benchmark target by 2.1%. Stock selection in Financials, Utilities, Industrials, and Energy benefited performance. **The Boston Company** emerging markets portfolio produced an 8.0% return but trailed the MSCI Emerging Markets Index's return by 70 basis points. The **T. Rowe Price** portfolio generated a 7.5% return and underperforming its index return by 1.2%. Stock selection detracted from portfolio performance.

# Quarterly Report

Q3-08

## Fixed Income – Periods ending September 30, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
ING	1,060,068	Core	-2.4	-0.6	2.8	---	3.4	7/2004
Wells	1,119,763	Core	-0.5	4.2	4.6	---	4.6	7/2004
<i>BC Aggregate Index</i>	---	---	-0.5	3.7	4.2	---	4.2	---
Loomis	116,695	High Yield	-10.6	-12.2	1.4	---	2.6	3/2005
<i>BC High Yield Index</i>	---	---	-8.9	-11.2	1.1	---	2.0	---
Wells	113,772	High Yield	-6.0	-7.1	2.8	---	2.7	11/2004
<i>BC High Yield Index</i>	---	---	-8.9	-11.2	1.1	---	1.7	---

\* Performance is calculated based on the first full month of performance since funding.

\*\* Inception date reflect the month when portfolio received initial funding.

### Latest Quarter

During the third quarter of 2008, two of WPERP's four fixed income managers either matched or outperformed their respective benchmarks.

**ING**, one of WPERP's two core fixed income managers, finished the quarter with a minus (2.4%) return, underperforming the BC Aggregate Index by (1.9%). **Wells**, the Plan's other core fixed income manager, matched the BC Aggregate Index with a quarterly return of minus (0.5%). **Loomis Sayles**, one of the portfolio's two high yield managers, finished the quarter with a minus (10.6%) return underperforming the BC High Yield Index by (1.7%). Security selection in investment grade financials was the primary detractor from performance. The other high yield manager **Wells** finished the quarter with a minus (6.0%) return, besting the BC High Yield Index by 2.9%. Outperformance during the quarter can be attributed to the portfolio's conservative credit selection and avoiding companies with high leverages.

### Latest Year

**ING** underperformed its benchmark by (4.3%) with a minus (0.6%) return over the latest 12-month period. The portfolio's exposure to mortgage-backed securities (MBS), especially residential mortgaged-backed securities (RMBS), detracted from performance. **Wells** outperformed the BC Aggregate Index by 50 basis points during the same period. **Loomis Sayles** generated a minus (12.2%) return over the most recent 12-month period trailing its benchmark by (1.0%), due primarily to losses suffered in the current quarter. **Wells** High Yield finished the latest 12-month period exceeding the BC High Yield Index by 4.1%, due to positive security selection.

### Latest Three Years

**ING** trailed its benchmark over the latest 3-year period by (1.4%) due largely to the portfolio's exposures to RMBS and debt of financial institutions. **Wells** finished the latest 3-year period outperforming the BC Aggregate Index by 40 basis points. High Yield manager **Loomis Sayles** completed the latest 3-year period outperforming its benchmark by 30 basis points. **Wells** High Yield posted a 2.8% return during the latest 3-year period outperforming the BC High Yield Index by 1.7%, due to positive security selection.

# Quarterly Report

Q3-08

## Real Return – Periods ending September 30, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Aetos Capital*	34,370	Hedge FoFs	1.9	-0.8	---	---	2.9	2/2007
PAAMCO*	38,911	Hedge FoFs	5.8	11.0	---	---	13.1	2/2007
Tbills + 3 %*	---	---	1.1	6.4	---	---	6.9	---

\* Returns are lagged one quarter

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

### Latest Quarter

During the third quarter of 2008, WPERP's two hedge fund managers both outperformed the Tbills+3% Index.

**Aetos**, one of WPERP's two hedge fund managers, completed the quarter with a 1.9% return outperforming the Tbill+3% by 80 basis points. **PAAMCO**, the Plan's other hedge fund manager, finished the quarter posting a 5.8% return, surpassing the Tbill+3% by 4.7%.

### Latest Year

**Aetos** generated a minus (0.8%) return underperforming its benchmark by (7.2%) over the latest 12-month period. **PAAMCO** completed the latest 12-month period with an 11.0% return, outperforming its benchmark by 4.6%.

# Quarterly Report

Q3-08

## Private Equity – Periods ending September 30, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Lexington Capital*	15,090	Private Equity	-3.6	5.9	---	---	11.6	6/2006
Cambridge U.S. PE*	---	---	-1.1	3.0	---	---	17.2	---
Landmark XIII*	17,770	Private Equity	-2.5	11.2	---	---	15.3	11/2006
Cambridge U.S. PE*	---	---	-1.1	3.0	---	---	14.8	---
HRJ Capital*	7,511	Private Equity	---	---	---	---	---	3/2008
Cambridge U.S. PE*	---	---	---	---	---	---	---	---
Fisher Lynch*	83	Private Equity	---	---	---	---	---	5/2008
Cambridge U.S. PE*	---	---	---	---	---	---	---	---
Landmark XIV*	---	Private Equity	---	---	---	---	---	9/2008
Cambridge U.S. PE*	---	---	---	---	---	---	---	---

\* Returns are lagged one quarter

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

### Latest Quarter

During the third quarter of 2008, both of WPERP's reporting private equity managers underperformed the Cambridge U.S. PE Index. Performance returns for the newly funded **HRJ Capital** and **Fisher Lynch** are lagged one quarter and will be shown in 4Q 2008. WPERP also funded a new manager, **Landmark XIV**, during the current quarter. Returns for this manager is lagged one quarter and will be shown in 1Q 2009.

**Lexington Capital** generated a quarterly return of minus (3.6%), underperforming the Cambridge U.S. Private Equity Index return by (2.5%). **Landmark XIII** posted a minus (2.5%) return, trailing the Cambridge U.S. Private Equity Index return by (1.4%).

### Latest Year

Over the latest 1-year period, **Lexington Capital** generated a 5.9% return, besting the Cambridge U.S. Private Equity Index by 2.9%. **Landmark XIII** completed its trailing 12-month period returning 11.2%, outperforming its benchmark by 8.2%.



# Quarterly Report

Q3-08

## Real Estate – Periods ending September 30, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Prisa*	57,697	Real Estate	0.7	7.9	---	---	11.7	12/2006
NCREIF*	---	---	0.6	9.2	---	---	12.3	---
Prisa II*	12,746	Real Estate	1.1	6.5	---	---	6.0	6/2007
NCREIF*	---	---	0.6	9.2	---	---	10.0	---
JP Morgan Strategic*	51,961	Real Estate	0.9	---	---	---	4.7	10/2007
NCREIF*	---	---	0.6	---	---	---	5.4	---
CB Richard Ellis*	1,214	Real Estate	---	---	---	---	---	6/2008
NCREIF*	---	---	---	---	---	---	---	---

\* Returns are lagged one quarter

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

### Latest Quarter

During the third quarter of 2008, all three of WPERP's reporting real estate managers outperformed the NCREIF Index. Performance return for the newly funded **CB Richard Ellis** is lagged one quarter and will be shown in 4Q 2008.

**Prisa** completed the third quarter of 2008 returning 0.7%, outperforming the NCREIF Index by 10 basis points. **Prisa II** generated a quarterly return of 1.1%, outperforming the NCREIF Index by 50 basis points. **JP Morgan Strategic** generated a quarterly return of 0.9%, surpassing its benchmark by 30 basis points.

### Latest Year

Over the latest 1-year period, **Prisa** returned 7.9% trailing the NCREIF index by (1.3%). **Prisa II** generated a 6.5% return underperforming its benchmark by (2.7%).

# Quarterly Report

Q3-08

## Health Plan Performance

The WPERP - Health portfolio ended the third quarter of 2008 with an aggregate value of approximately \$680.2 million.

### Health Plan - Periods ending September 30, 2008, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	-5.5	-11.8	---	---	-3.1	12/2006
Policy Benchmark*	-5.8	-12.4	---	---	-3.5	---
BlackRock	-9.4	-22.1	---	---	-8.8	1/2007
R1000 Index	-9.3	-22.1	---	---	-8.8	---
Wells	-0.4	4.2	---	---	4.9	1/2007
BC Aggregate	-0.5	3.7	---	---	4.3	---
Landmark XIV****	---	---	---	---	---	9/2008
Cambridge U.S. PE****	---	---	---	---	---	---

\*Policy benchmark consists of 60% Russell 1000 Index and 40%BC Aggregate Bond Index.

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

\*\*\*\* Returns are lagged one quarter

**Q3 2008** – During the third quarter of 2008, The Health Plan outperformed its policy benchmark return by 30 basis points. Both managers of the Health Plan posted benchmark-like returns. WPERP also funded a new private equity manager, Landmark XIV, during the quarter. Returns for this manager is lagged one quarter and will be shown in 1Q 2009. The benchmark portfolio consists of passively managed asset class portfolios held at the Health Plan's policy weightings.

**Longer Term** – Over the latest 1-year period, the Health Plan outperformed its policy benchmark by 60 basis points, as the portfolio's domestic equity manager matched its benchmark and its fixed income manager outperformed its benchmark.

### Health Plan – Asset Allocation as of 9/30/08

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio*	\$680,170	100	100	---
Domestic Equity	369,159	54	60	-6
BlackRock	369,159	54	60	-6
Fixed Income	309,576	46	40	6
Wells	309,576	46	40	6
Private Equity	---	0	0	0
Landmark XIV	---	0	0	0
Cash	1,086	0	0	0

\* Including \$350,000 in transition assets.

**Asset Allocation** – The Health Plan target allocation consists of 60% domestic equity and 40% domestic fixed income. By the close of 3Q 2008, there were three managers: BlackRock, Wells, and the newly funded private equity manager Landmark XIV. The total fund was 100% invested in these managers.

## Disability Plan Performance

The WPERP - Disability portfolio ended the third quarter of 2008 with an aggregate value of approximately \$33.6 million.

### Disability Plan - Periods ending September 30, 2008, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	-1.5	3.0	4.1	3.7	---	---
Policy Benchmark*	-0.4	3.6	4.1	3.8	---	---
Wells	-1.6	2.8	4.1	---	4.2	7/2004
BC Aggregate	-0.5	3.7	4.2	---	4.2	---

\*Policy benchmark consists of 95% BC Aggregate Bond Index and 5% Citigroup T-Bill.

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

**Q3 2008** – During the third quarter of 2008, the Disability Plan posted a minus (1.5%), underperforming its policy benchmark by (1.1%). The benchmark portfolio consists of passively managed asset class portfolios held at the Disability Plan's policy weightings.

**Longer Term** – Over the latest 1- and 5-year periods, the Disability Plan trailed its policy benchmark by (60) and (10) basis points, respectively. The portfolio matched its policy benchmark over the latest 3-year period.

### Disability Plan – Asset Allocation as of 9/30/08

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$33,596	100.0	100	---
Fixed Income	30,802	92	95	-3
Wells	30,802	92	95	-3
Cash	2,794	8	5	3

**Asset Allocation** – The Disability Plan target allocation consists of 95% fixed income investments and 5% cash. By the close of 3Q 2008, there was one fixed income manager, Wells. The total fund was 92% invested in this manager.

## Death Plan Performance

The WPERP – Death portfolio ended the third quarter of 2008 with an aggregate value of approximately \$23.2 million.

### Death Plan - Periods ending September 30, 2008, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	-1.4	3.0	4.1	3.8	---	---
Policy Benchmark*	-0.4	3.6	4.1	3.8	---	---
Wells	-1.6	2.9	4.1	---	4.1	7/2004
BC Aggregate	-0.5	3.7	4.2	---	4.2	---

\*Policy benchmark consists of 96% BC Aggregate Bond Index and 4% Citigroup T-bill.

\*\* Performance is calculated based on the first full month of performance since funding.

\*\*\* Inception date reflect the month when portfolio received initial funding.

**Q3 2008** – During the third quarter of 2008, the Death Plan posted a minus (1.4%) return underperforming its policy benchmark by (1.0%). The benchmark portfolio consists of passively managed asset class portfolios held at the Death Plan's policy weightings.

**Longer Terms** – The Death Plan trailed its policy benchmark by (60) basis points during latest 1-year period. The portfolio matched its policy benchmark over the 3- and 5-year periods.

### Death Plan – Asset Allocation as of 9/30/08

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$23,244	100	100	---
Fixed Income	20,906	90	96	-6
Wells	20,906	90	96	-6
Cash	2,338	10	4	6

**Asset Allocation** – The Death Benefit Plan target allocation consists of 96% fixed income investments and 4% cash. By the close of 3Q 2008, there was one fixed income manager, Wells. The total fund was 90% invested in this manager.

# Quarterly Report

Q3-08

## Managers Placed on Watch Status Return vs. Benchmark Since Watch As of September 30, 2008

Portfolio	Style Group	Concern	Begin Watch Status	Performance Since Begin Watch Status					
				First Month	First 3 Months	First 6 Months	First 9 Months	First 12 Months	Since Placed on Watch*
The Boston Company	Emerging Markets	Performance	9/1/2006	1.8	13.4	16.0	30.8	36.6	3.8
MSCI Emerging Markets	Emerging Markets		---	0.8	13.5	16.7	33.4	44.0	3.4
<b>Boston Perf. Vs. Target</b>	<b>MSCI EMF</b>		---	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>-7.4</b>	<b>0.4</b>
Wells	High Yield	Organizational	6/1/2007	-1.6	-3.2	-1.7	-4.4	-0.6	-6.0
BC High Yield	High Yield			-1.8	-4.0	-3.0	-5.3	-1.3	-9.6
<b>Wells Perf. Vs. Target</b>	<b>BC High Yield</b>			<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>0.7</b>	<b>3.6</b>
The Boston Company	Developed Markets	Organizational	9/1/2007	3.0	2.5	-8.2	-2.7	-23.8	-23.8
EAFE + Canada ND	Developed Markets			5.7	6.0	-3.7	1.7	-23.9	-23.9
<b>Boston Perf. Vs. Target</b>	<b>EAFE + Canada ND</b>			<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>0.1</b>	<b>0.1</b>
Intech	Large Growth	Performance	1/1/2008	-9.9	-12.7	-11.1	-22.9	---	-22.9
Russell 1000 Growth	Large Growth			-7.8	-10.2	-9.1	-20.3	---	-20.3
<b>Intech Perf. Vs. Target</b>	<b>Russell 1000 Growth</b>			<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>---</b>	<b>N/M</b>
Northpointe	Small Growth	Performance	2/1/2008	-7.0	-7.2	-6.4	---	---	-20.6
Russell 2000 Growth	Small Growth			-3.5	0.9	5.2	---	---	-6.7
<b>Northpointe Perf. Vs. Target</b>	<b>Russell 2000 Growth</b>			<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>---</b>	<b>N/M</b>
Invesco	Developed Markets	Performance	2/1/2008	0.0	4.8	-6.9	---	---	-18.2
EAFE + Canada ND	Developed Markets			1.8	5.9	-8.1	---	---	-21.3
<b>Invesco Perf. Vs. Target</b>	<b>EAFE + Canada ND</b>			<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>---</b>	<b>N/M</b>
ING	Core	Performance	8/1/2008	0.0	---	---	---	---	-1.6
BC Aggregate	Core			0.9	---	---	---	---	-0.4
<b>ING Perf. Vs. Target</b>	<b>BC Aggregate</b>			<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>N/M</b>	<b>---</b>	<b>N/M</b>

\*Performance based on data provided by Mellon

Periods marked as '---' do not indicate that returns are not available for these periods only that the manager in question has not been on watch status for these periods.

Periods marked as "N/M" indicate returns are not meaningful enough to fairly judge investment performance.

(See next page)

**The Boston Company (Emerging Markets)** was placed on watch status on 8/2/2006 due to short-term performance. Watch status was extended on 9/19/2007.

**Wells (High Yield)** was placed on watch status on 5/2/2007 due to organizational changes.

**The Boston Company (International Developed)** was placed on watch status on 8/1/2007 due to organization changes.

**Intech (Large Growth)** was placed on watch status on 12/31/2007 due to short-term performance.

**Northpointe (Small Growth)** was placed on watch status on 2/1/2008 due to short-term performance.

**Invesco (International Developed)** was placed on watch status on 2/1/2008 due to short-term performance.

**ING (Core)** was placed on watch status on 8/1/2008 due to short-term performance.

# Quarterly Report

Q3-08

## WPERP Estimated Performance Results Net and Gross of Fees Comparison For Quarter Ending 9/30/2008

Asset Class	Manager	Market Value	Performance, %**		Difference	
			Net	Gross	Percentage	Market Value
Domestic Equity						
Russell 1000 Index						
Passive	BlackRock	1,028,796,204	-9.38%	-9.37%	-0.01%	-102,890
Large Value	MFS	333,343,181	-6.09%	-6.01%	-0.08%	-266,888
Large Value	T. Rowe Price	304,324,549	-5.51%	-5.43%	-0.08%	-243,655
Large Growth	Fred Alger	288,674,694	-14.43%	-14.35%	-0.08%	-231,125
Large Growth	Intech	264,748,747	-13.35%	-13.25%	-0.10%	-265,014
Small Value	Earnest Partners	109,613,604	-4.45%	-4.30%	-0.15%	-164,667
Small Growth	NorthPointe	37,660,382	-12.25%	-12.06%	-0.19%	-71,691
Small Growth	Paradigm	44,528,213	-12.83%	-12.65%	-0.18%	-80,295
		\$2,411,689,574				
International Equity						
Active Equities	Invesco	359,343,000	-14.96%	-14.85%	-0.11%	-395,713
Active Equities	The Boston Co.	275,900,991	-16.01%	-15.92%	-0.09%	-248,535
Active Equities	Pyramis	338,475,617	-19.42%	-19.34%	-0.08%	-270,995
Emerging Markets	The Boston Company	71,586,153	-20.26%	-20.01%	-0.25%	-165,028
Emerging Markets	T. Rowe Price	66,978,620	-30.51%	-30.27%	-0.24%	-161,135
		\$1,112,284,381				
Domestic Fixed Income						
Core	ING	1,060,068,064	-2.48%	-2.45%	-0.03%	-318,116
Core	Wells	1,119,762,753	-0.47%	-0.44%	-0.03%	-336,030
High Yield	Loomis Sayles	116,695,010	-10.77%	-10.64%	-0.13%	-151,901
High Yield	Wells	113,771,898	-6.12%	-6.00%	-0.12%	-136,690
		\$2,410,297,725				
Real Return						
	Aetos	34,370,358	1.92%	---	-0.19%	---
	PAAMCO	38,910,725	5.85%	---	-0.25%	---
		\$73,281,083				
Private Equity						
	Lexington	15,089,843	-3.61%	---	---	---
	Landmark XIII	17,770,336	-2.52%	---	---	---
	HRJ	7,510,829	---	---	---	---
	Fisher Lynch	83,051	---	---	---	---
	Landmark XIV	-	---	---	---	---
		\$40,454,059				
Real Estate						
	Prisa	57,697,007	0.66%	---	-0.21%	---
	Prisa II	12,745,864	1.14%	---	-0.22%	---
	JP Morgan	51,960,984	0.86%	---	-0.12%	---
	CBRE	1,213,522	---	---	---	---
		\$123,617,377				
Cash						
		\$132,943,038	---	0.55%	---	---
TOTAL PORTFOLIO**						
		6,312,660,505	-8.03%	-7.97%	-0.06%	-\$3,610,368
Total Fund Policy						
			---	-7.31%	---	---

\*Total portfolio fees do not include Private Equity.

\*\*Returns and market values calculated using data from Mellon and LDZ

# WPERP

## Performance Summary and Total Fund Universe Rankings as of September 30, 2008

### Mellon Total Funds - Public Universe

	<u>Quarter</u>	<u>1- Year</u>	<u>3-Year</u>	<u>5-Year</u>
Maximum	-1.3	0.9	7.3	12.3
Percentile 25	-7.9	-13.0	3.5	7.7
Median	-9.2	-15.0	2.8	6.6
Percentile 75	-10.2	-16.4	2.0	6.0
Minimum	-15.8	-23.7	-1.0	3.5
Number of Portfolios	66	62	62	55

### LADWP Total Fund

Return	-8.0	-14.1	2.6	5.7
Quartile Rank	2nd	2nd	3rd	4th

**Notes:**

Sources: Universe Information; Mellon Total Public Funds

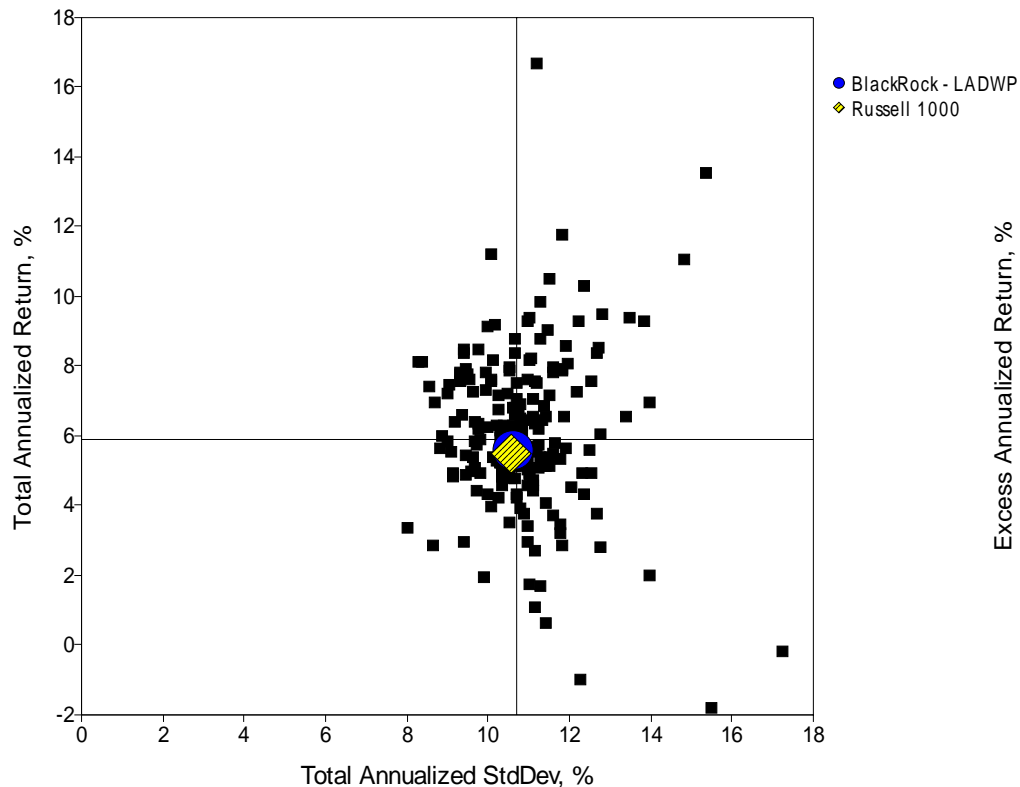
All performance is shown **gross of fees**.





# WPERP Large Cap Core Manager Comparisons as of September 30, 2008

5-Year Total Risk/Return



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
BlackRock - LADWP	5.59	10.60	0.53
Russell 1000	5.49	10.57	0.52
Large Cap Manager Universe Median	5.92	10.68	0.57

## Notes:

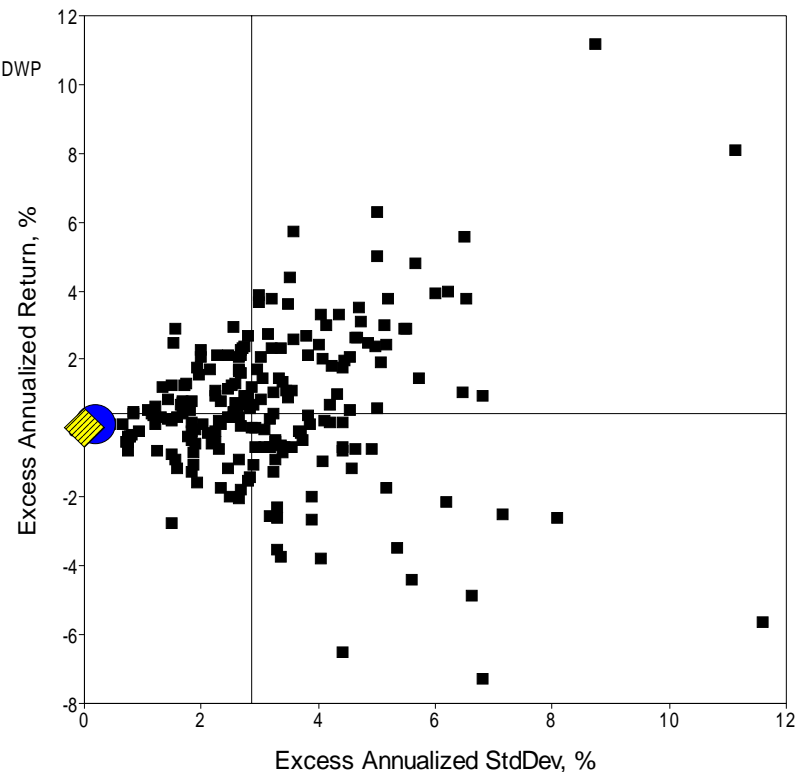
Sources: Data MPI/eVestment Alliance (index information).

All performance is shown **gross of fees**.

Performance and related statistics calculated using MPI software that geometrically linked and compounded returns.

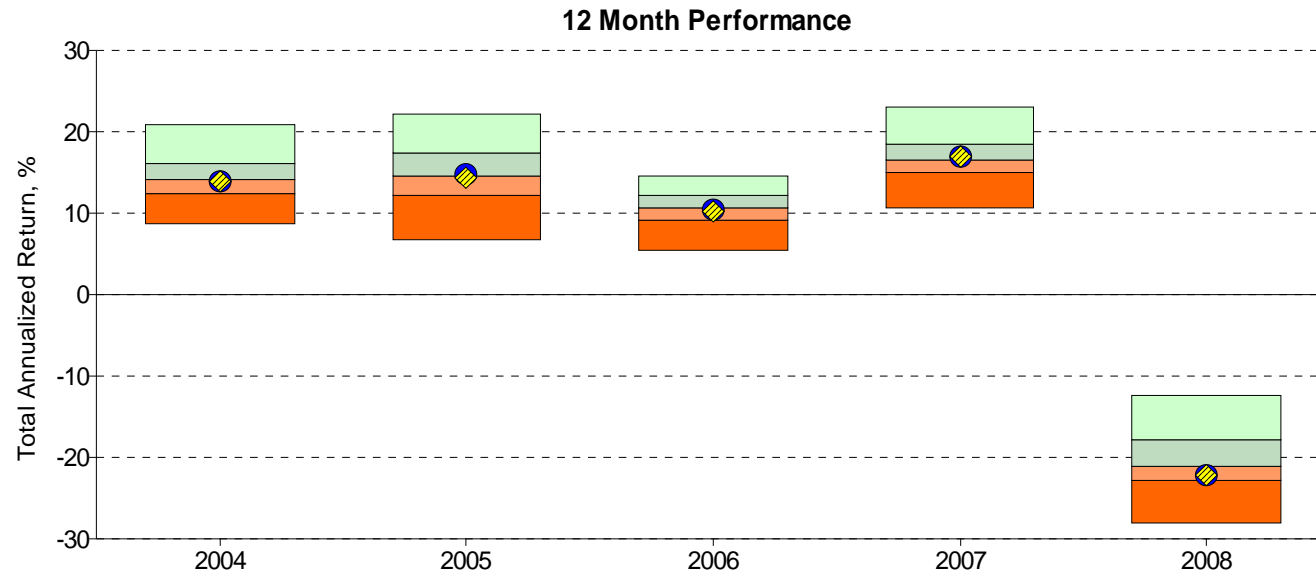
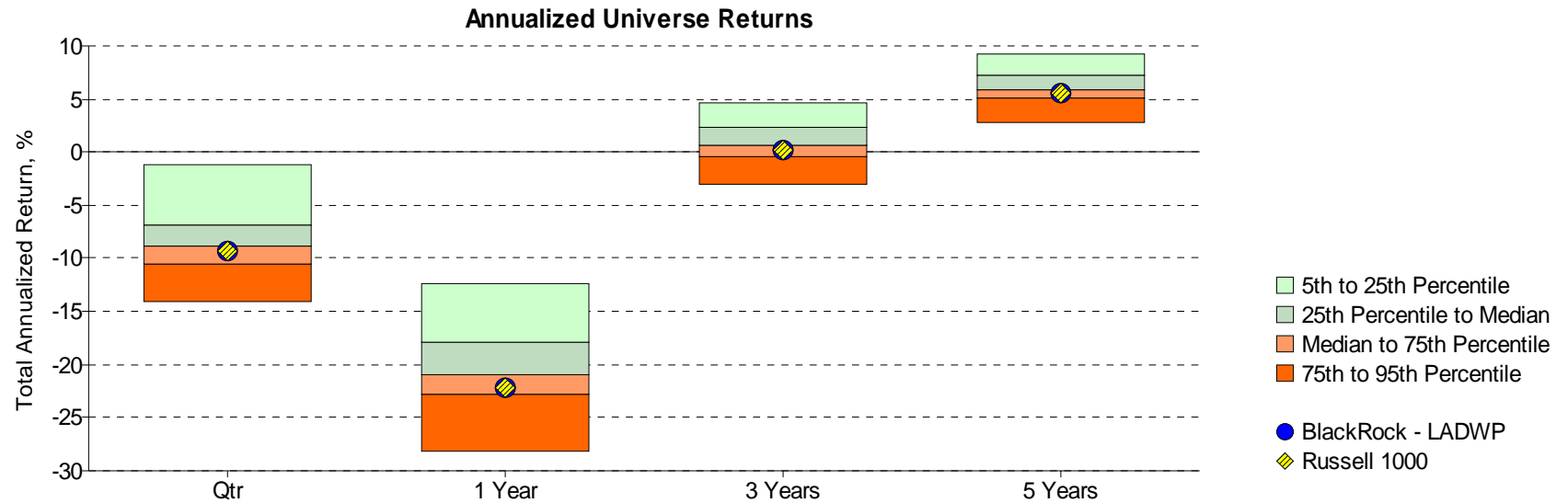
Differences due to rounding.

5-Year Excess Risk/Return

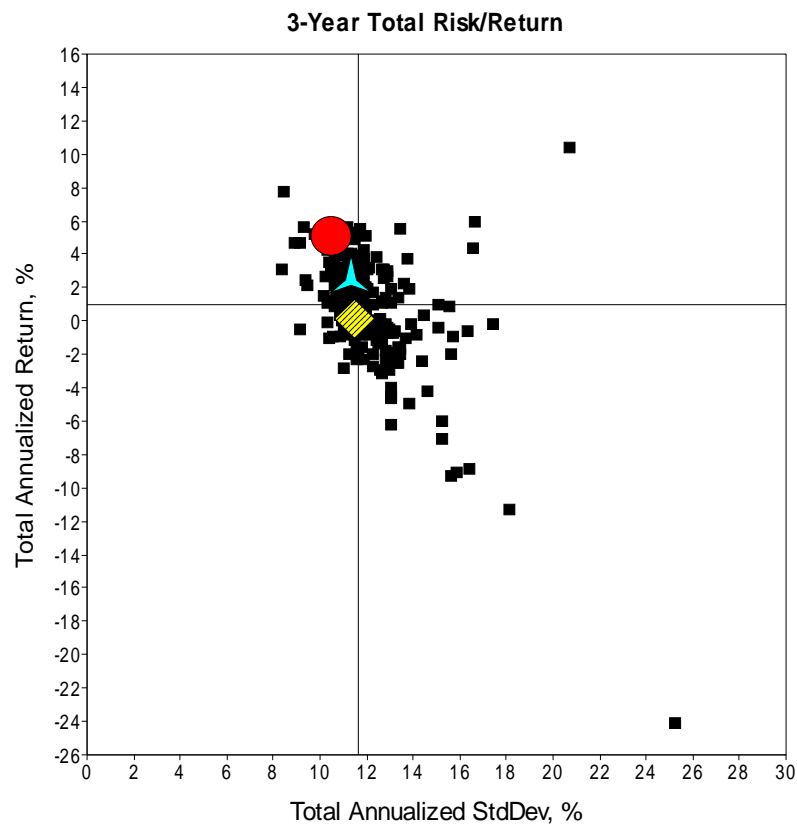


	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
BlackRock - LADWP	0.10	0.19	0.52
Russell 1000	0.00	0.00	NA
Large Cap Manager Universe Median	0.43	2.87	0.20

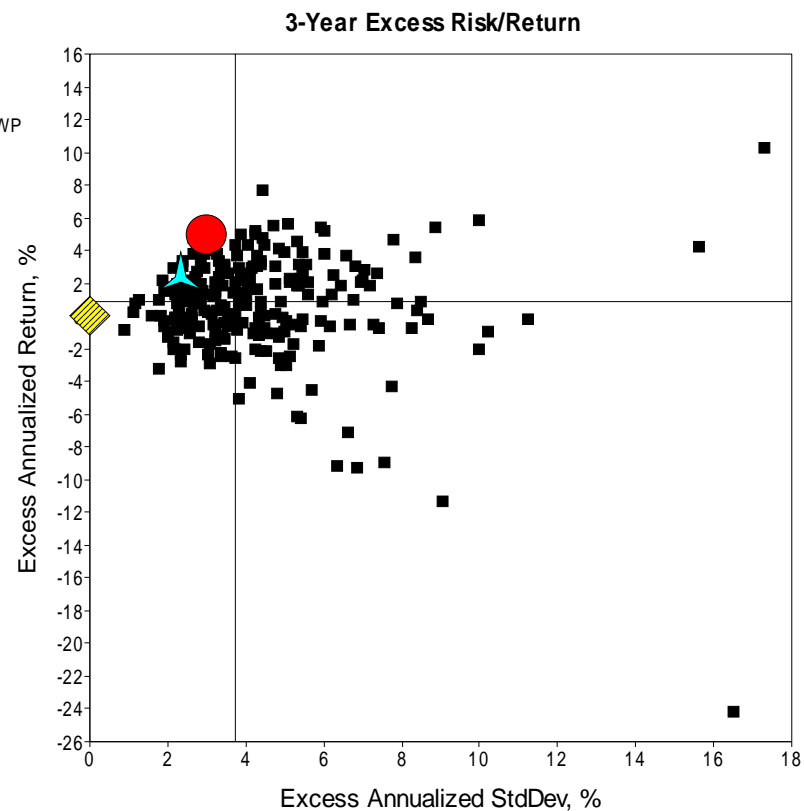
# WPERP Large Cap Core Manager Comparisons as of September 30, 2008



# WPERP Large Cap Value Manager Comparisons as of September 30, 2008



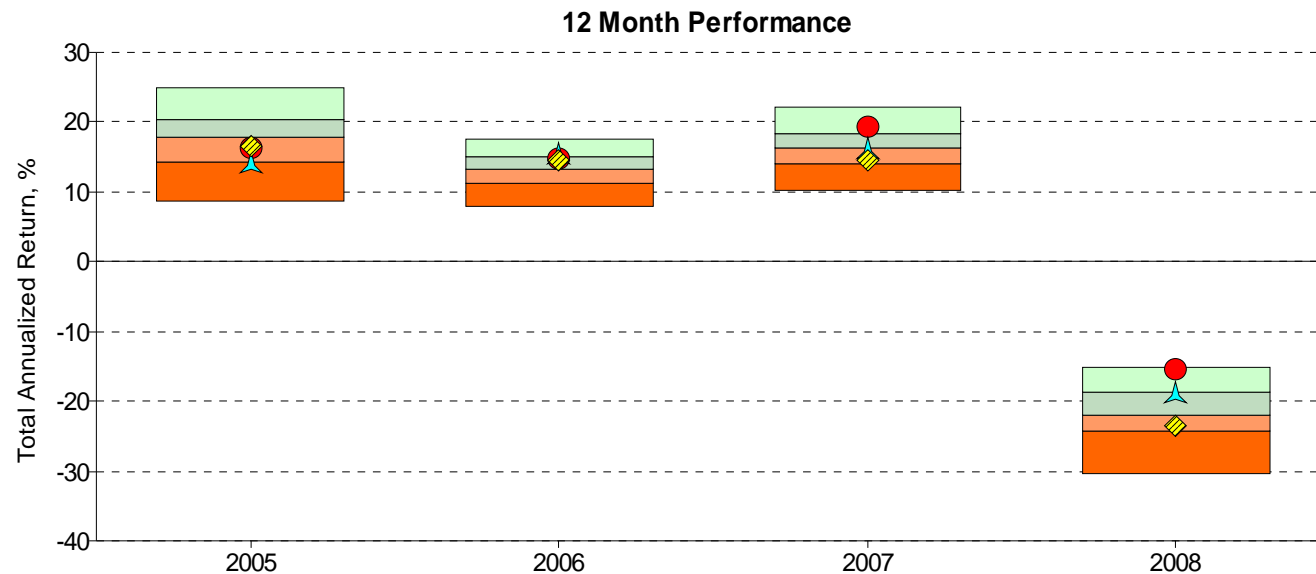
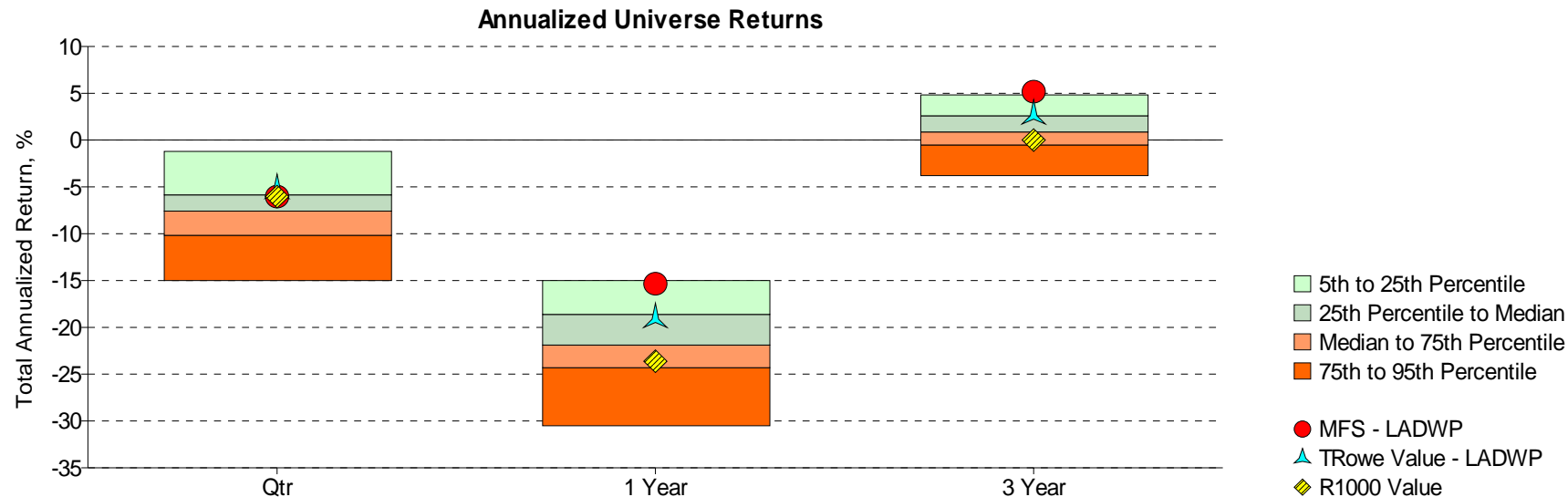
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
MFS - LADWP	5.11	10.44	0.49
TRowe Value - LADWP	2.51	11.30	0.22
R1000 Value	0.08	11.50	0.01
Large Value Manager Universe Median	0.94	11.67	0.08



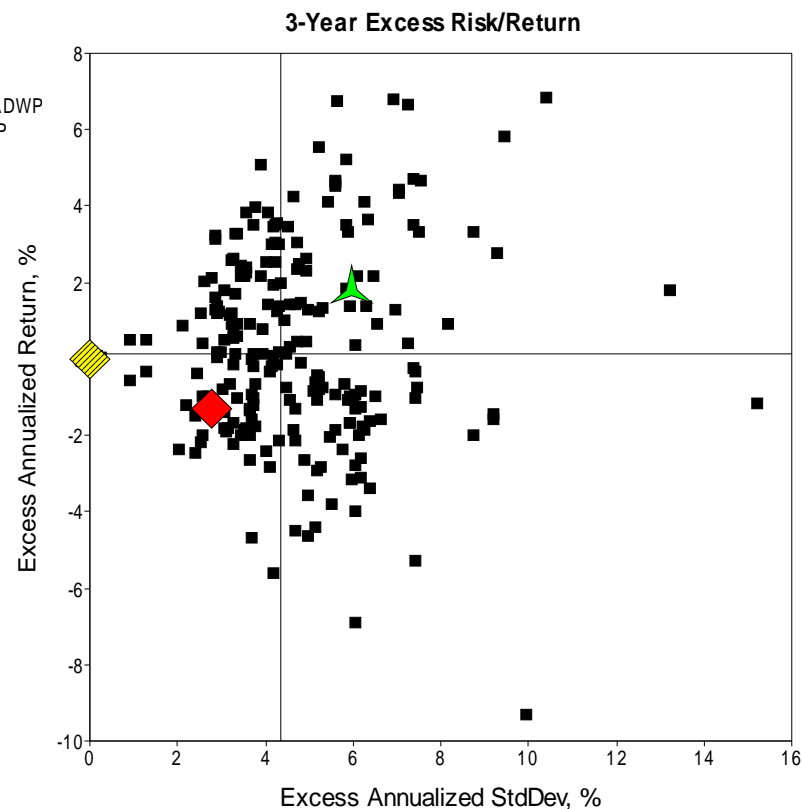
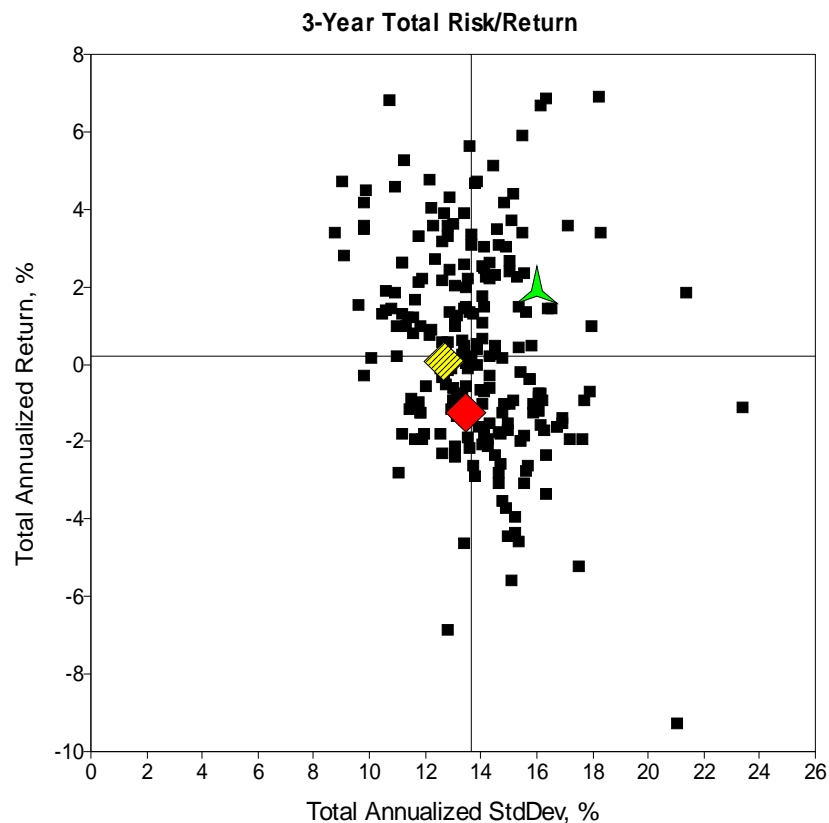
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
MFS - LADWP	5.03	2.97	1.70
TRowe Value - LADWP	2.43	2.32	1.05
R1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	0.86	3.74	0.29



# WPERP Large Cap Value Manager Comparisons as of September 30, 2008



# WPERP Large Cap Growth Manager Comparisons as of September 30, 2008

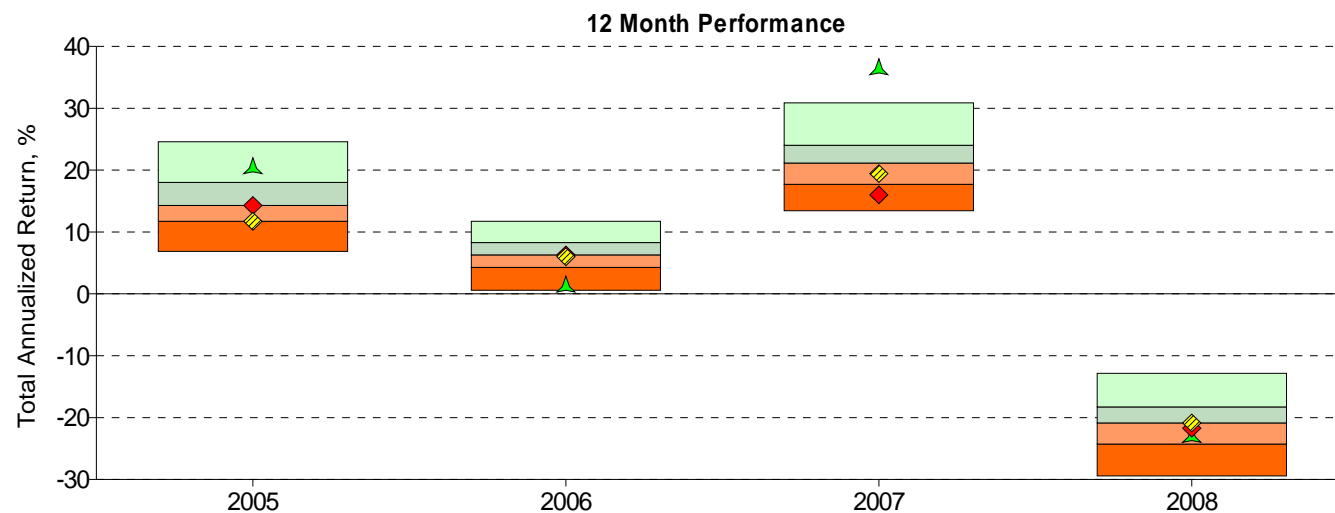
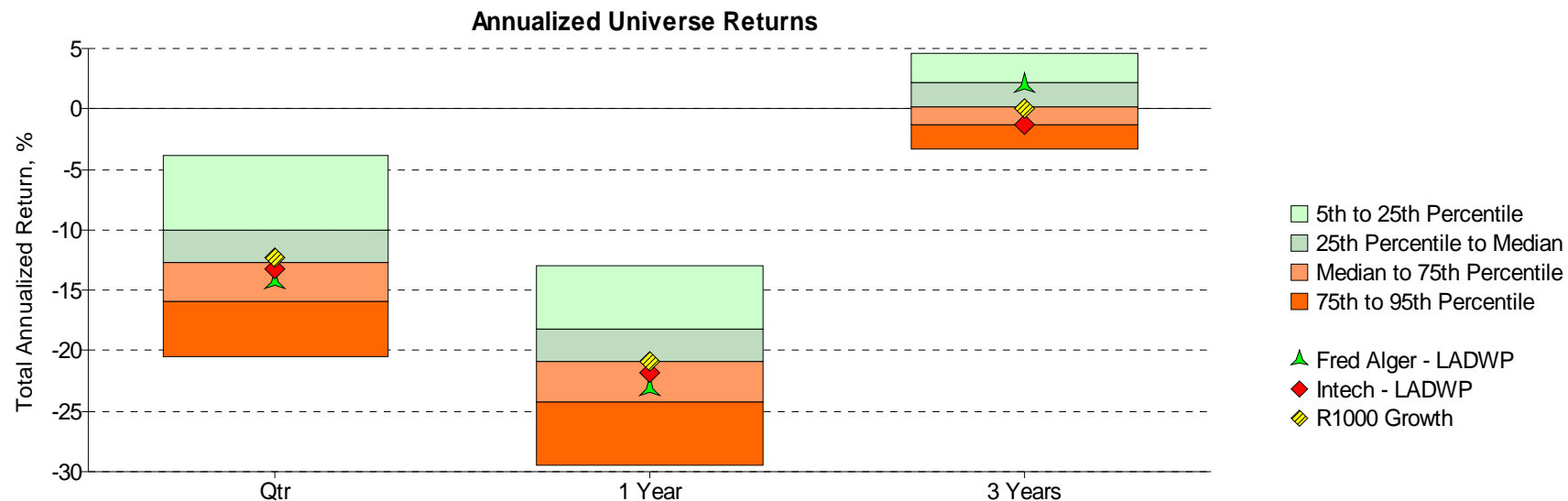


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Fred Alger - LADWP	1.87	16.01	0.12
Intech - LADWP	-1.24	13.45	-0.09
R1000 Growth	0.05	12.64	0.00
Large Growth Manager Universe Median	0.20	13.65	0.01

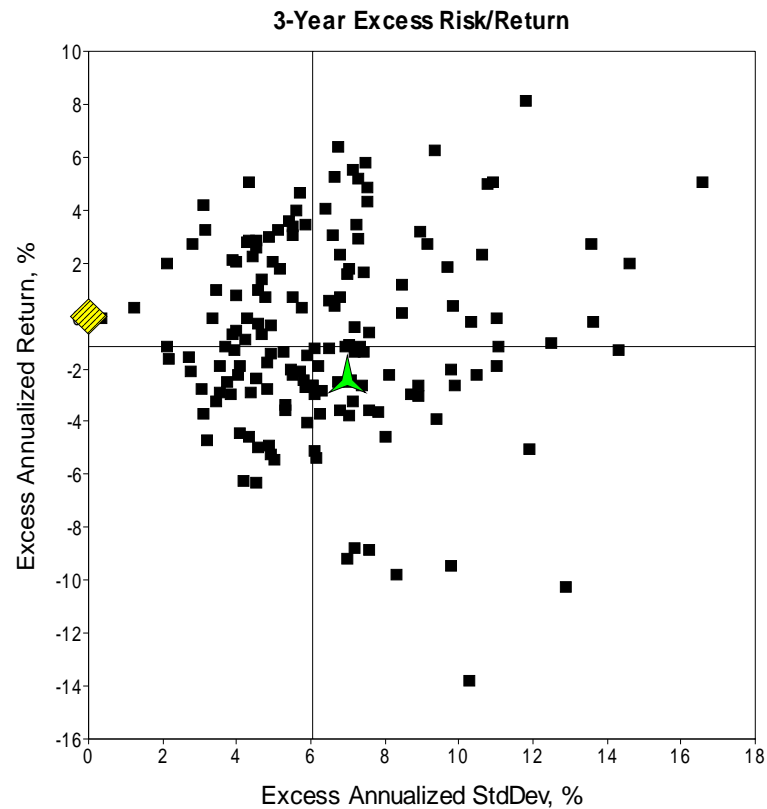
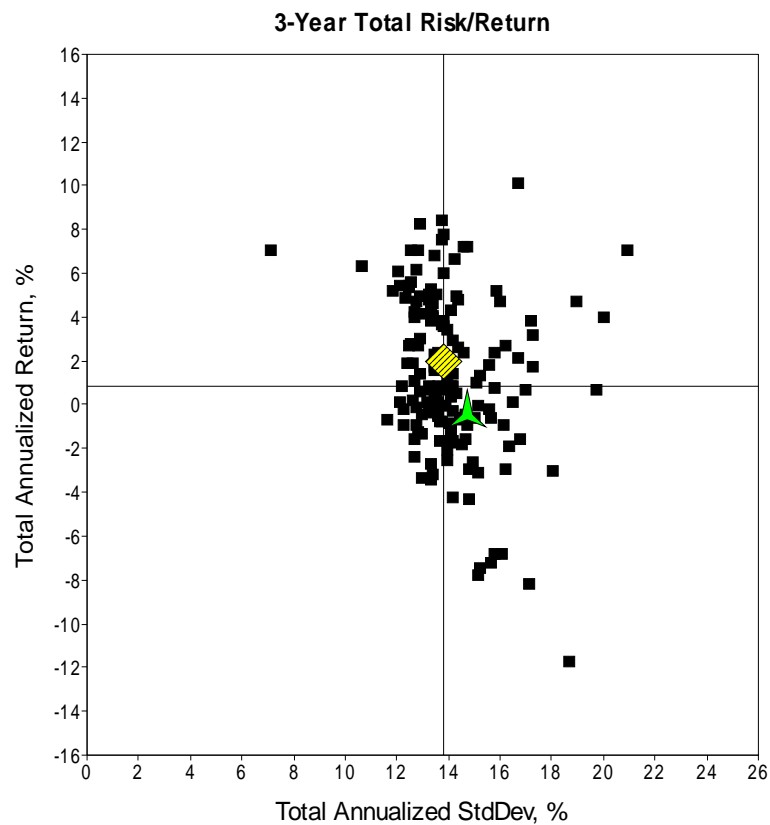
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Fred Alger - LADWP	1.82	5.96	0.31
Intech - LADWP	-1.29	2.78	-0.46
R1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	0.14	4.34	0.06



# WPERP Large Cap Growth Manager Comparisons as of September 30, 2008



# WPERP Small Cap Value Manager Comparisons as of September 30, 2008

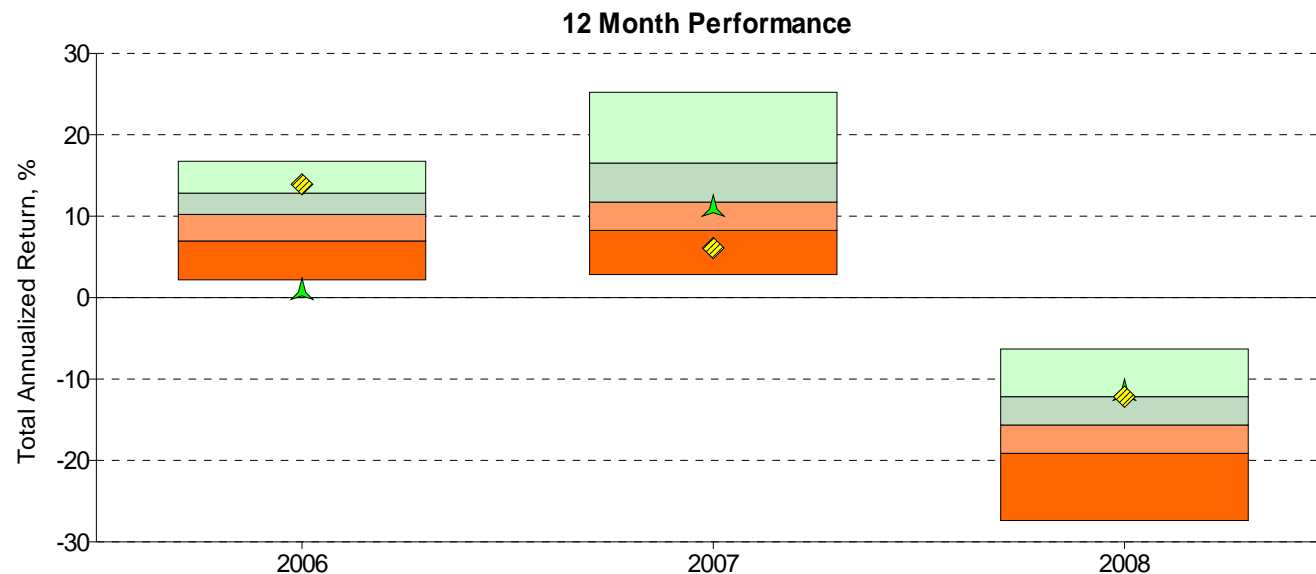
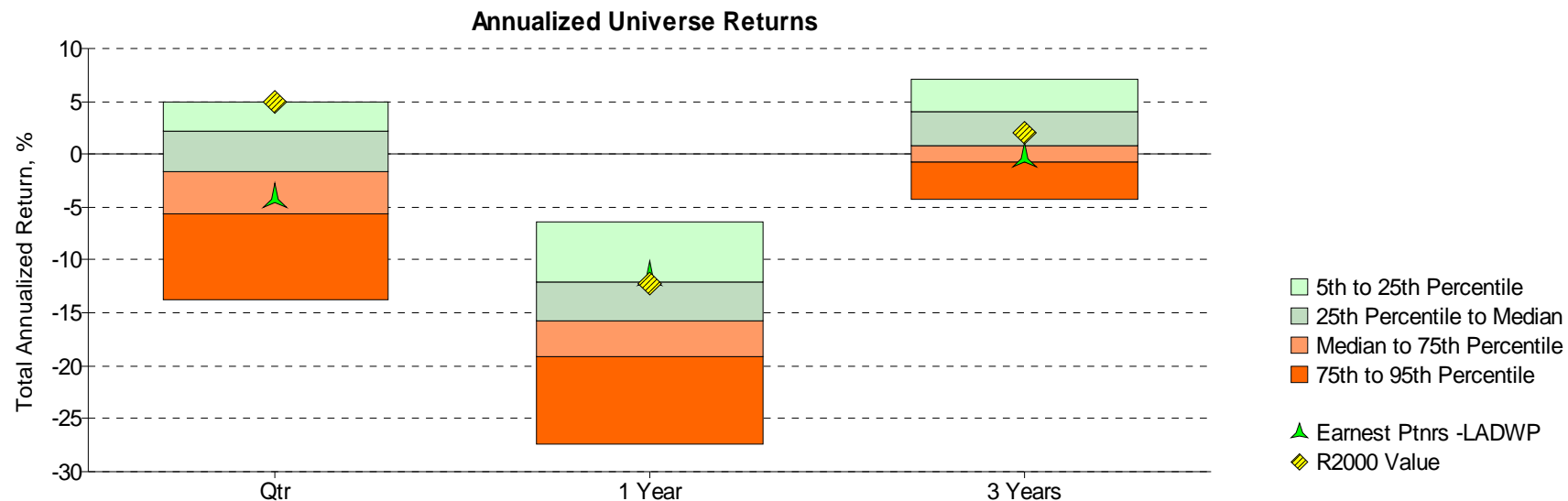


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Earnest Ptnrs -LADWP	-0.45	14.71	-0.03
R2000 Value	2.00	13.83	0.14
Small Cap Value Universe Median	0.84	13.81	0.06

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Earnest Ptnrs -LADWP	-2.45	6.98	-0.35
R2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	-1.16	6.07	-0.18

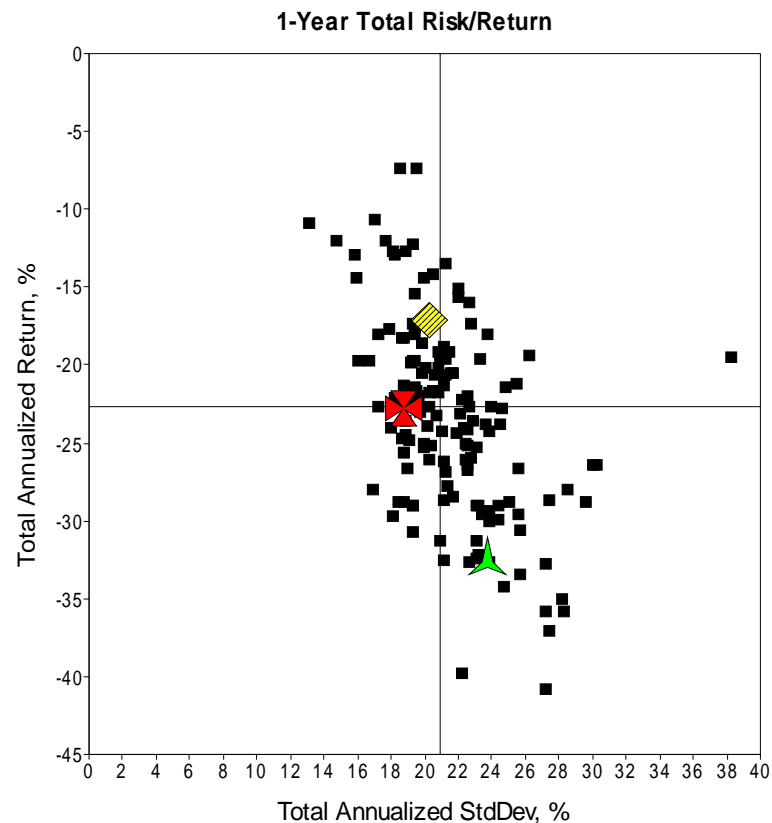


# WPERP Small Cap Value Manager Comparisons as of September 30, 2008

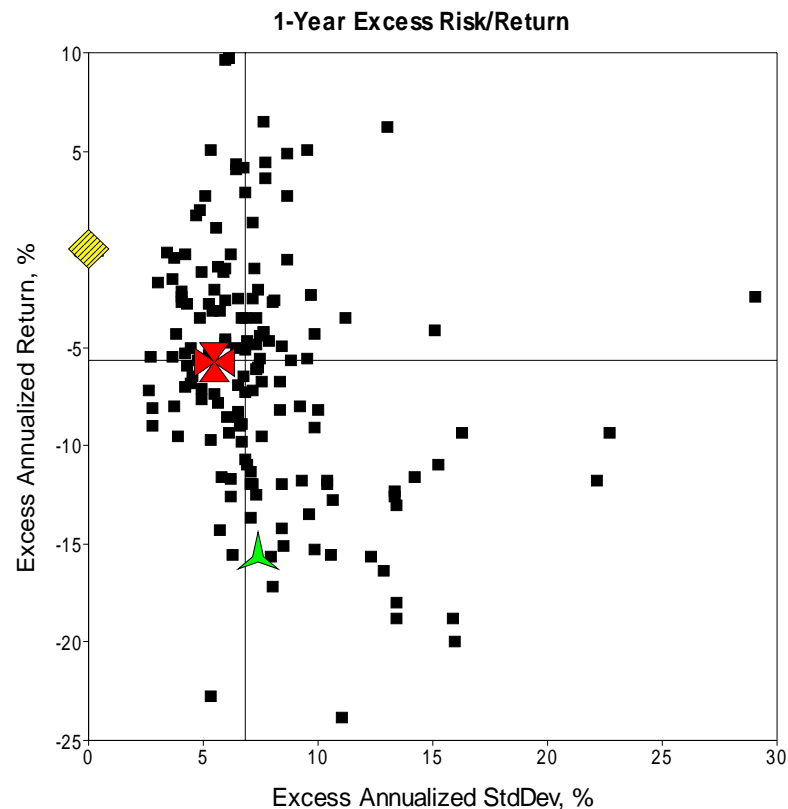




# WPERP Small Cap Growth Manager Comparisons as of September 30, 2008



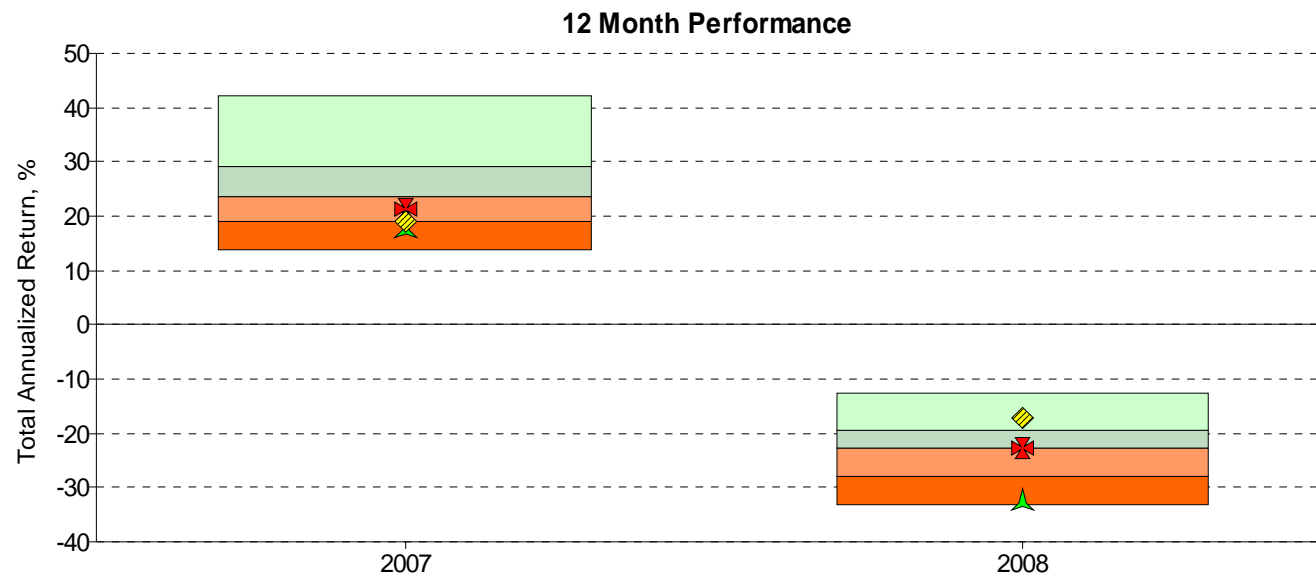
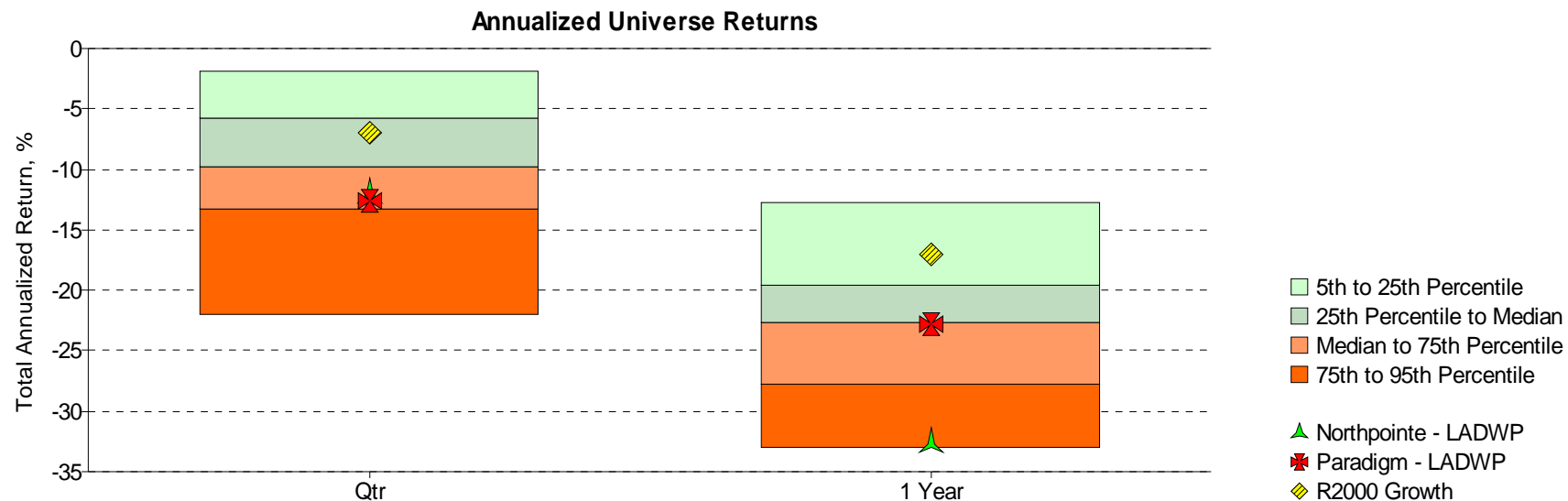
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Northpointe - LADWP	-32.67	23.73	-1.38
Paradigm - LADWP	-22.77	18.77	-1.21
R2000 Growth	-17.07	20.23	-0.84
Small Cap Growth Universe Median	-22.72	20.96	-1.10



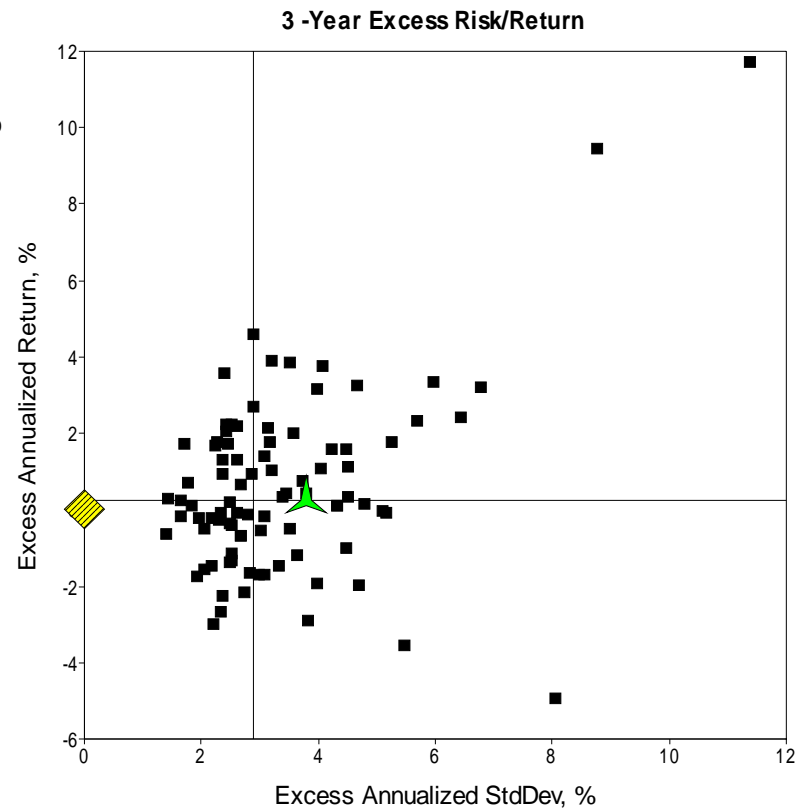
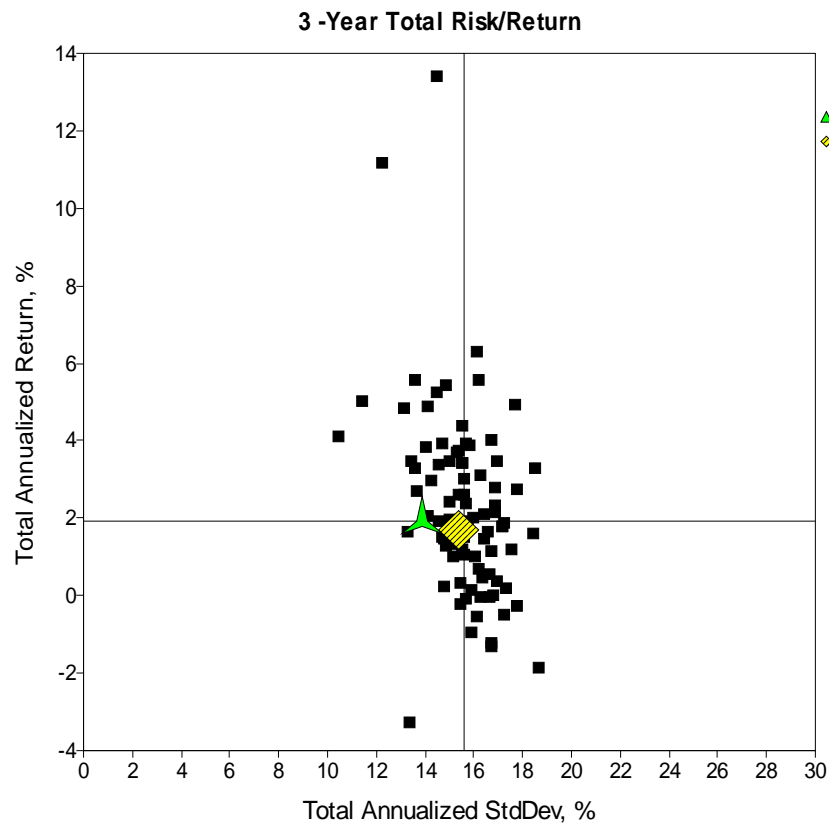
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Northpointe - LADWP	-15.60	7.38	-2.12
Paradigm - LADWP	-5.70	5.50	-1.04
R2000 Growth	0.00	0.00	NA
Small Cap Growth Universe Median	-5.65	6.84	-0.82



# WPERP Small Cap Growth Manager Comparisons as of September 30, 2008



# WPERP International Equity Manager Comparisons as of September 30, 2008

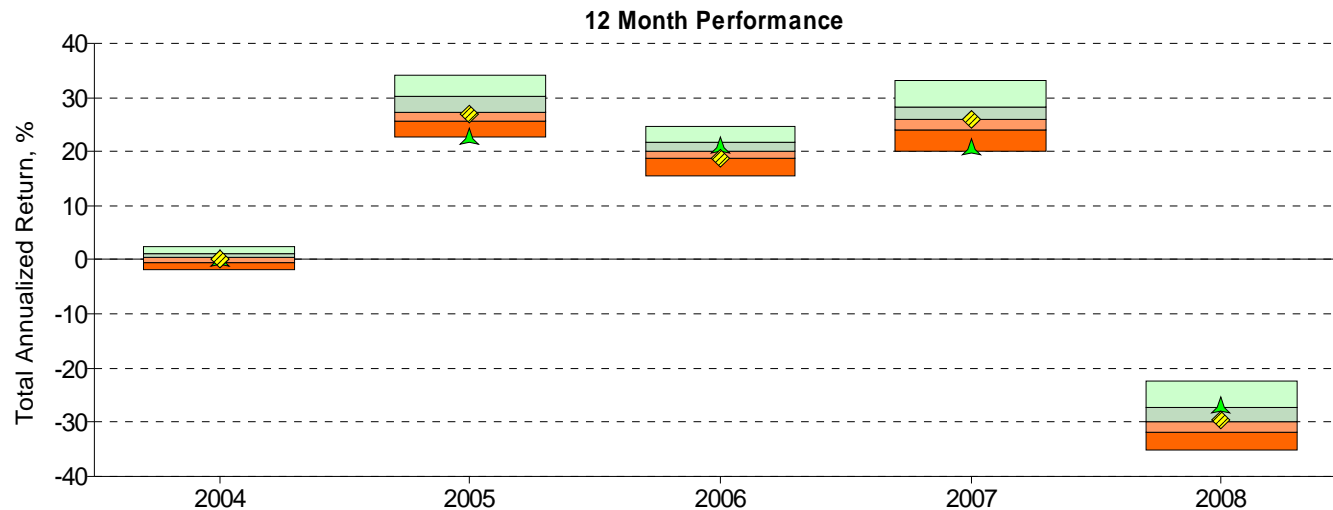
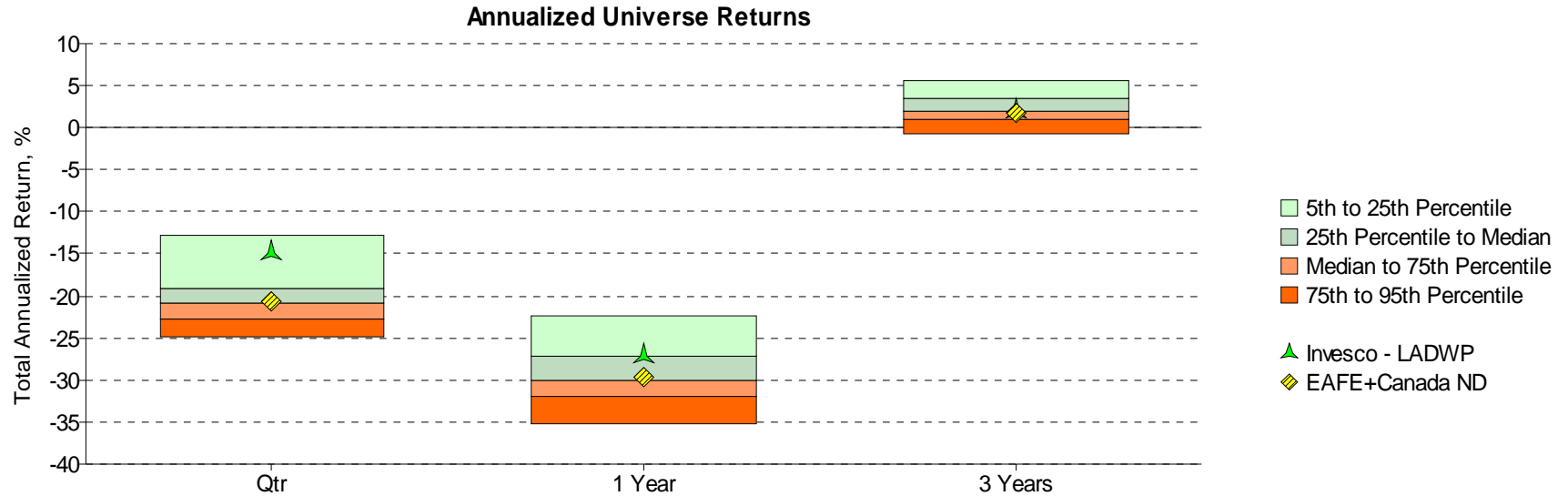


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Invesco - LADWP	1.95	13.87	0.14
EAFE+Canada ND	1.69	15.38	0.11
International Equity Universe Median	1.94	15.60	0.13

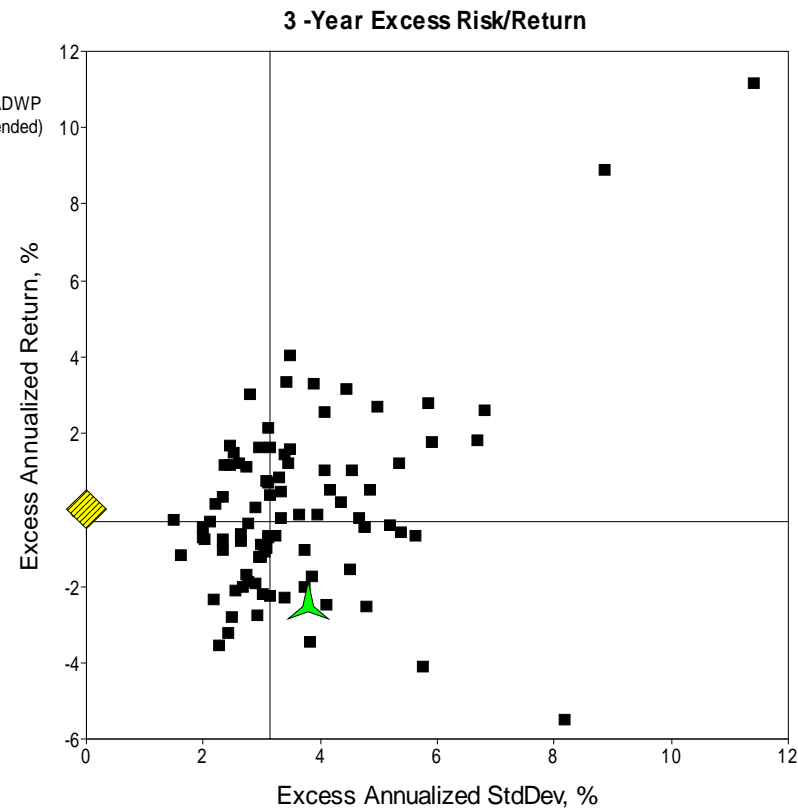
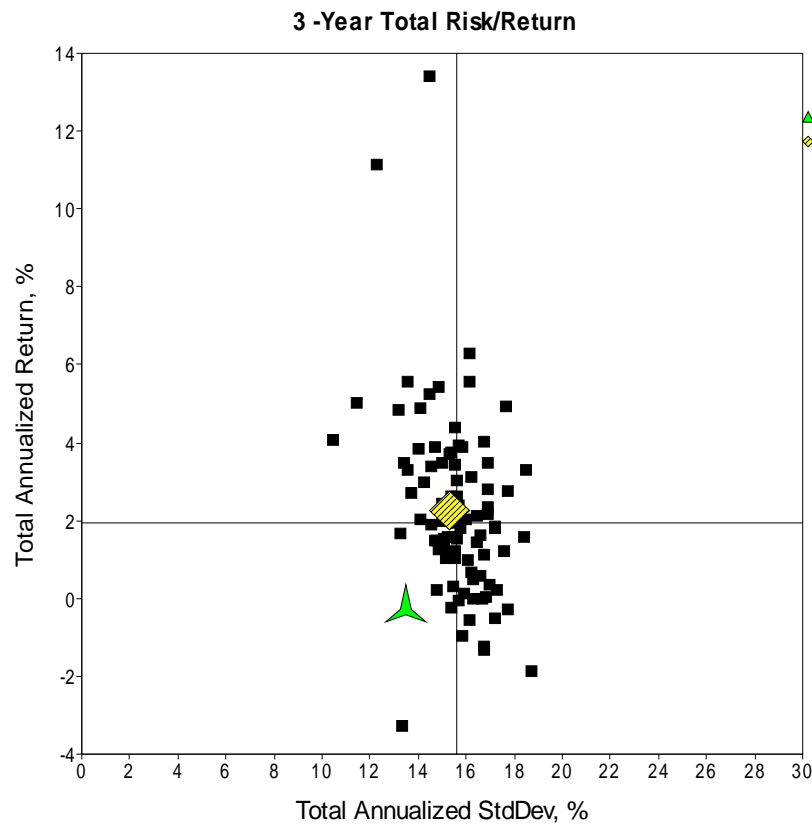
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Invesco - LADWP	0.26	3.79	0.07
EAFE+Canada ND	0.00	0.00	NA
International Equity Universe Median	0.25	2.89	0.09



# WPERP International Equity Manager Comparisons as of September 30, 2008



# WPERP International Equity Manager Comparisons as of September 30, 2008

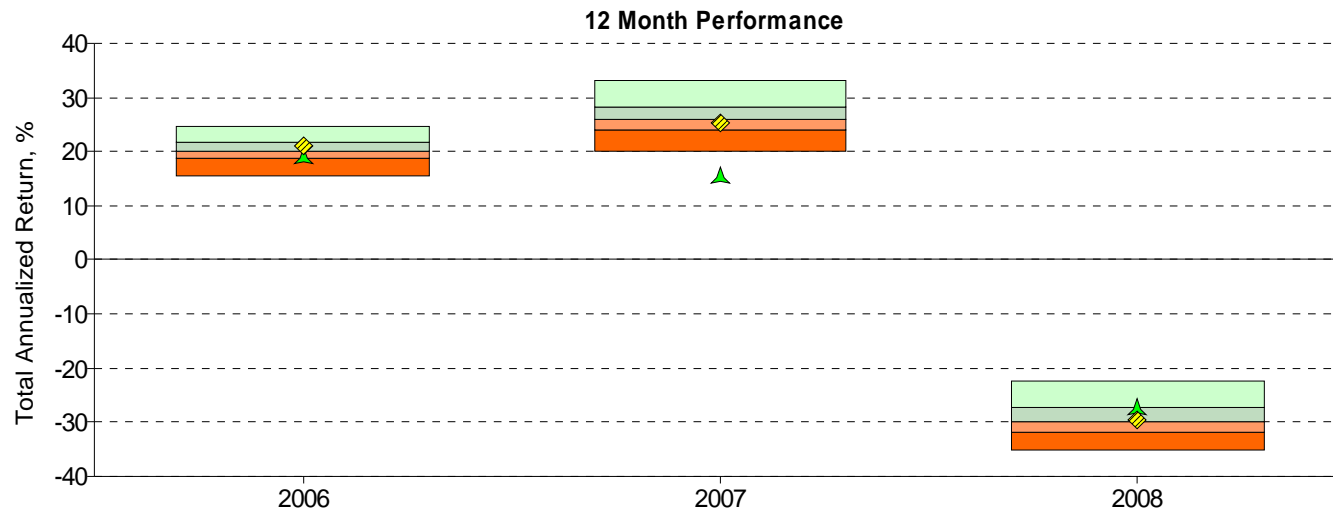
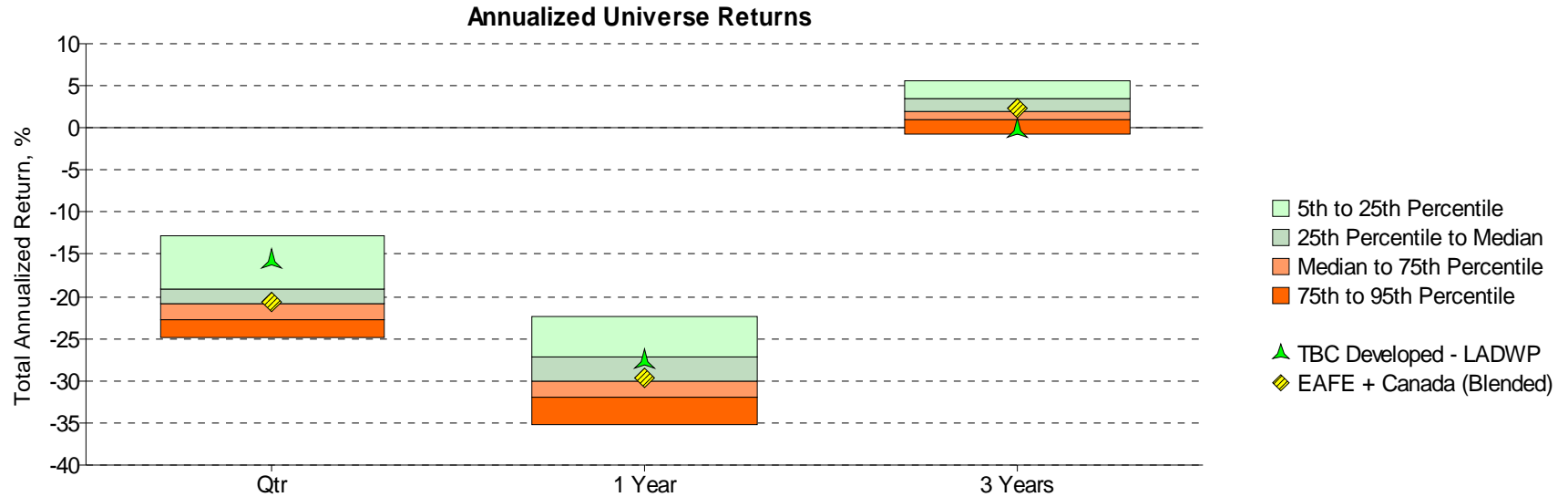


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
TBC Developed - LADWP	-0.29	13.47	-0.02
EAFE + Canada (Blended)	2.25	15.33	0.15
International Equity Universe Median	1.94	15.60	0.13

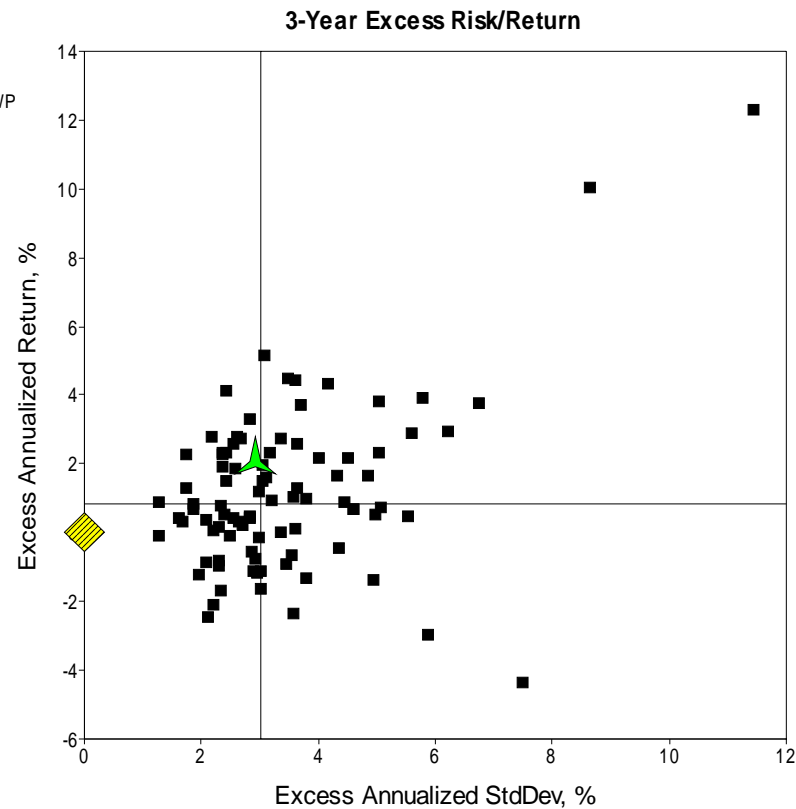
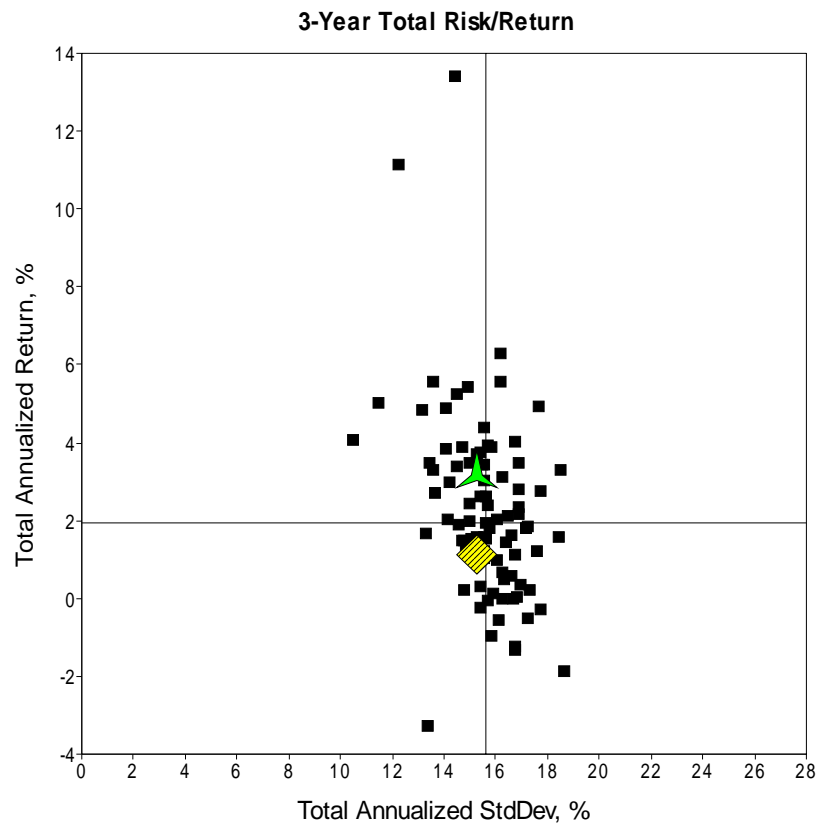
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
TBC Developed - LADWP	-2.54	3.79	-0.67
EAFE + Canada (Blended)	0.00	0.00	NA
International Equity Universe Median	-0.31	3.14	-0.10



# WPERP International Equity Manager Comparisons as of September 30, 2008



# WPERP International Equity Manager Comparisons as of September 30, 2008

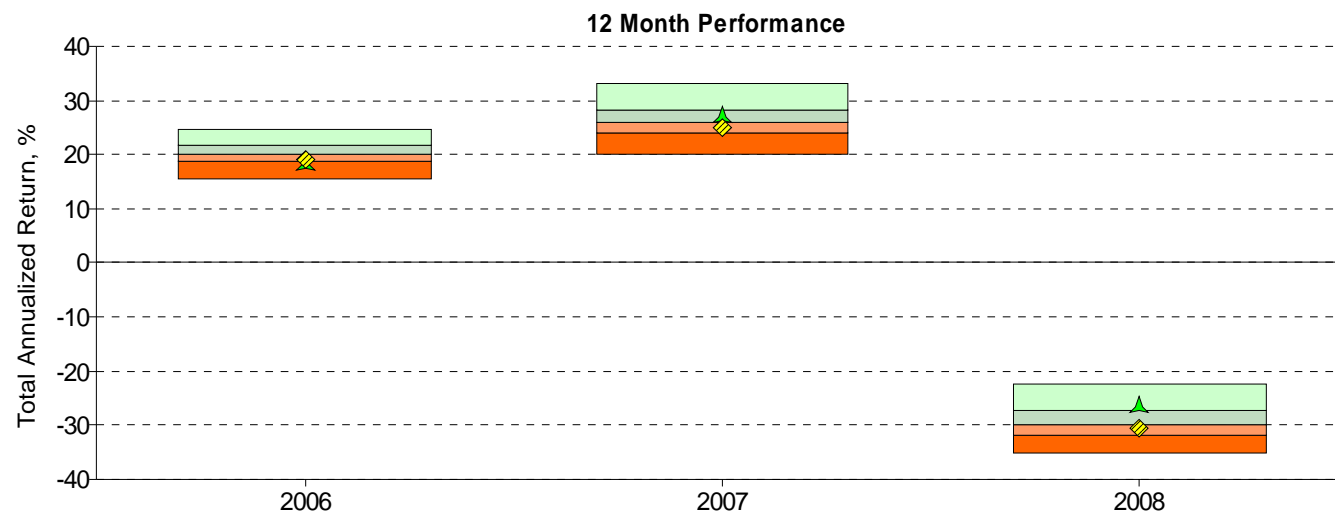
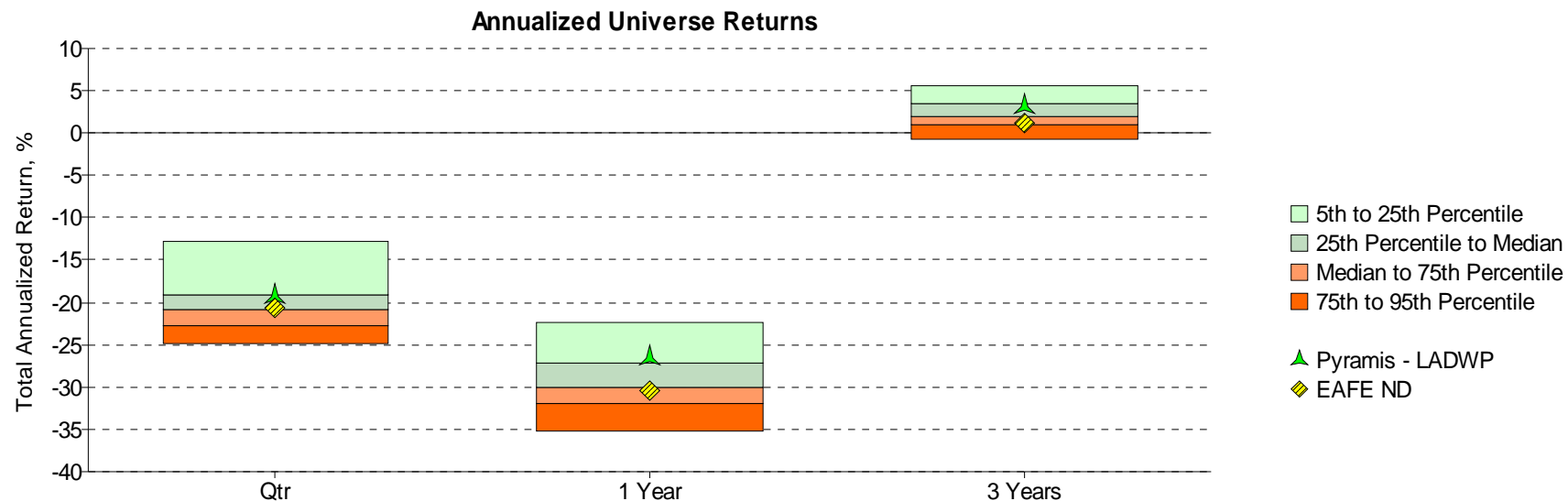


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Pyramis - LADWP	3.18	15.29	0.21
EAFE ND	1.12	15.27	0.07
International Equity Universe Median	1.94	15.60	0.13

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Pyramis - LADWP	2.06	2.91	0.71
EAFE ND	0.00	0.00	NA
International Equity Universe Median	0.82	3.02	0.29

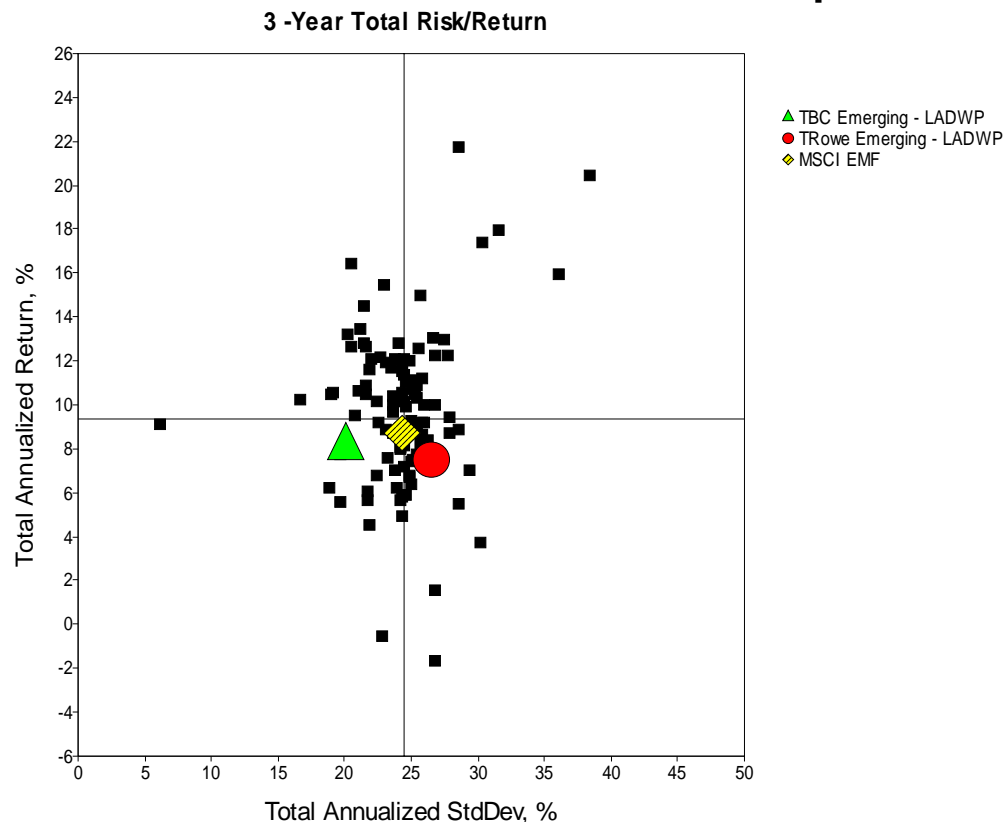


# WPERP International Equity Manager Comparisons as of September 30, 2008

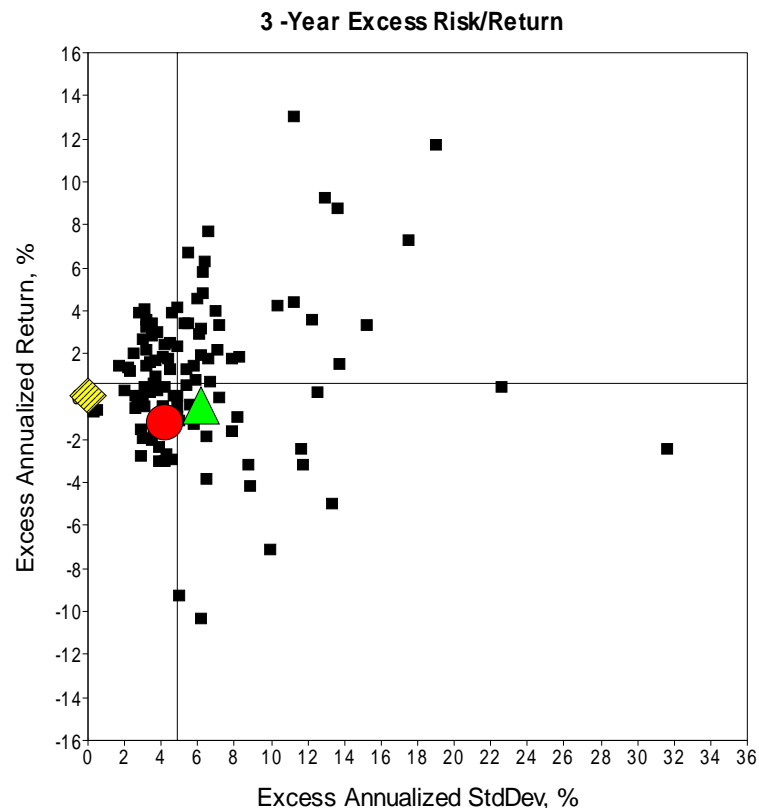




# WPERP Emerging Equity Manager Comparisons as of September 30, 2008



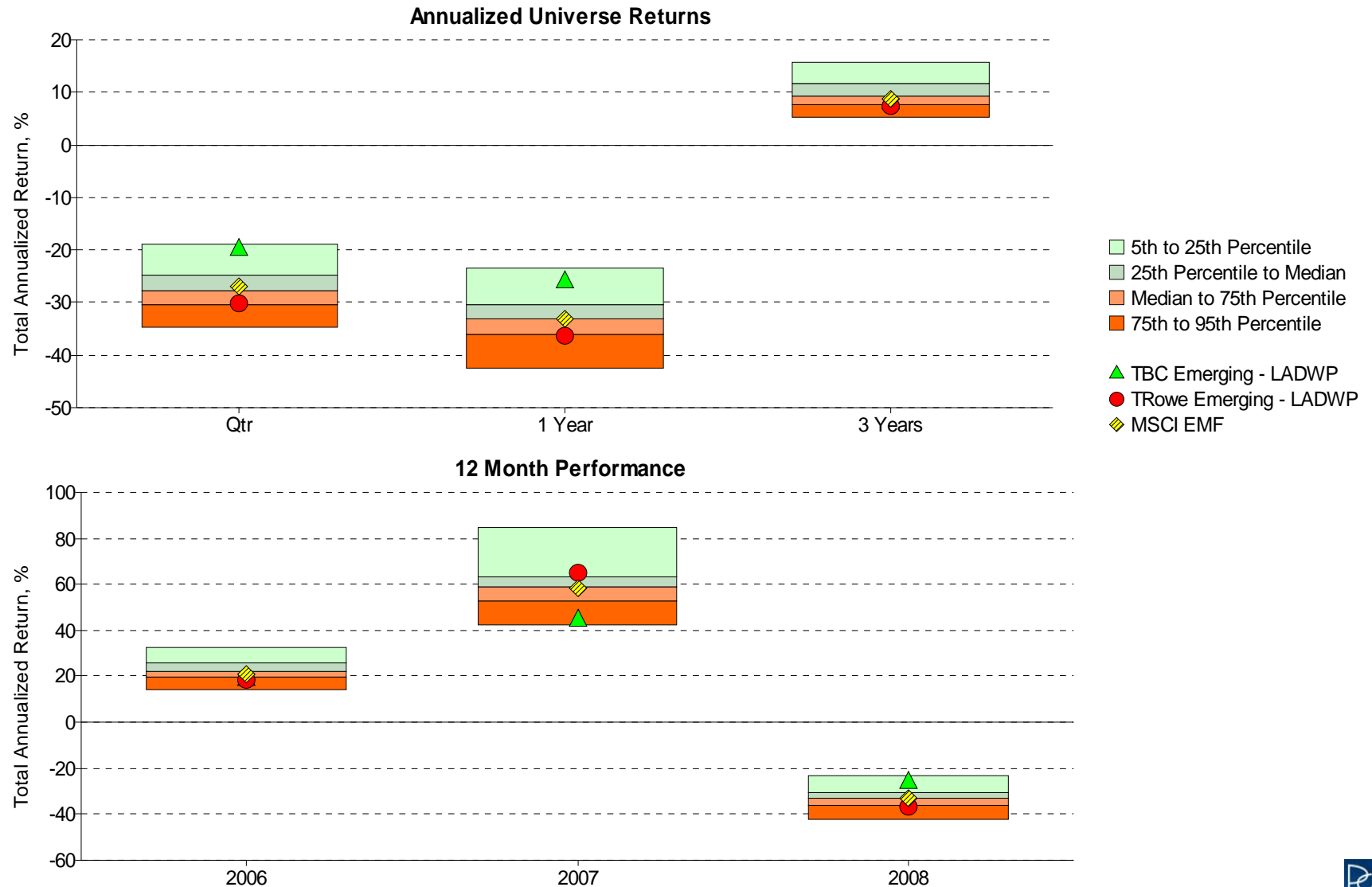
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
TBC Emerging - LADWP	8.03	20.03	0.40
TRowe Emerging - LADWP	7.48	26.48	0.28
MSCI EMF	8.70	24.25	0.36
Emerging Equity Universe Median	9.34	24.41	0.39



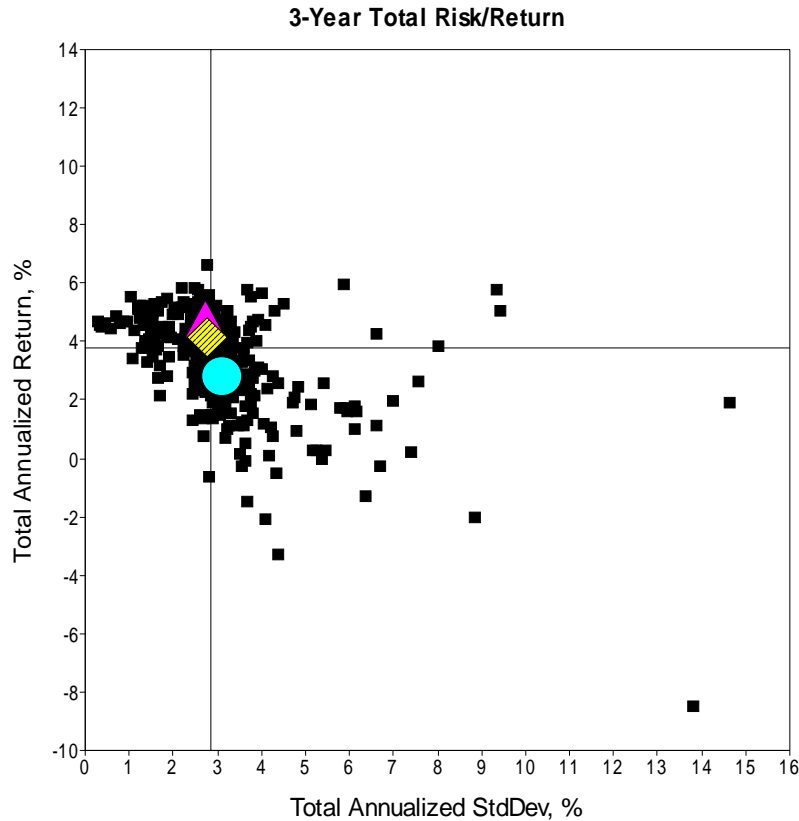
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
TBC Emerging - LADWP	-0.66	6.18	-0.11
TRowe Emerging - LADWP	-1.21	4.15	-0.29
MSCI EMF	0.00	0.00	NA
Emerging Equity Universe Median	0.65	4.85	0.14



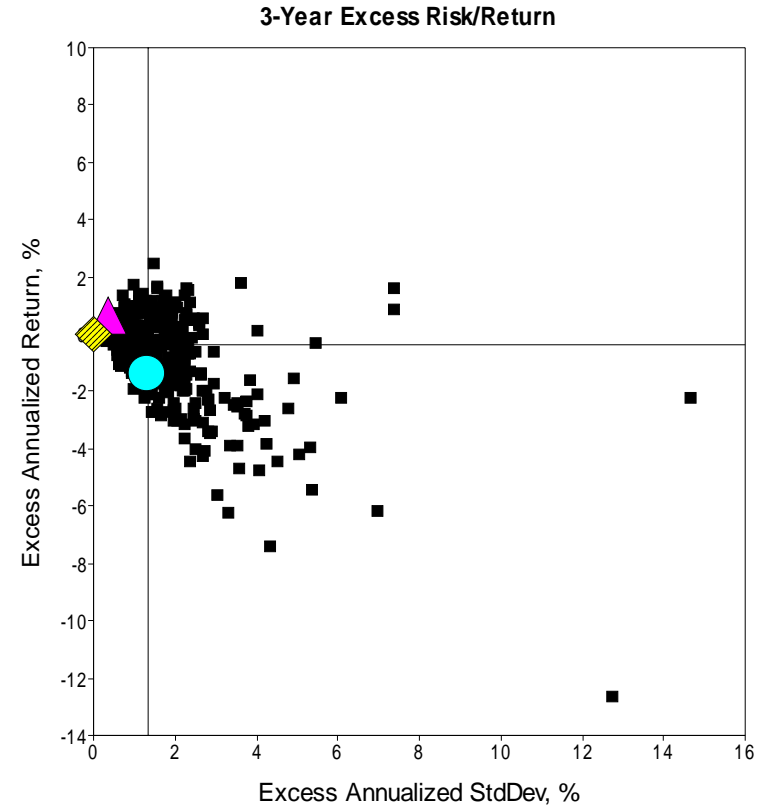
# WPERP Emerging Equity Manager Comparisons as of September 30, 2008



# WPERP Fixed Income Manager Comparisons as of September 30, 2008



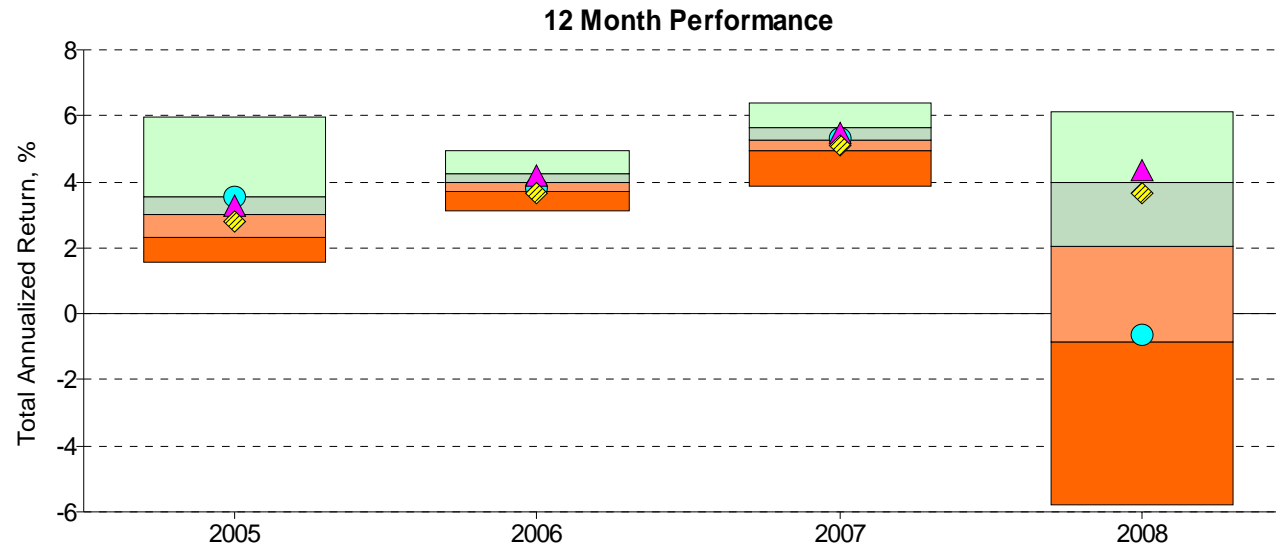
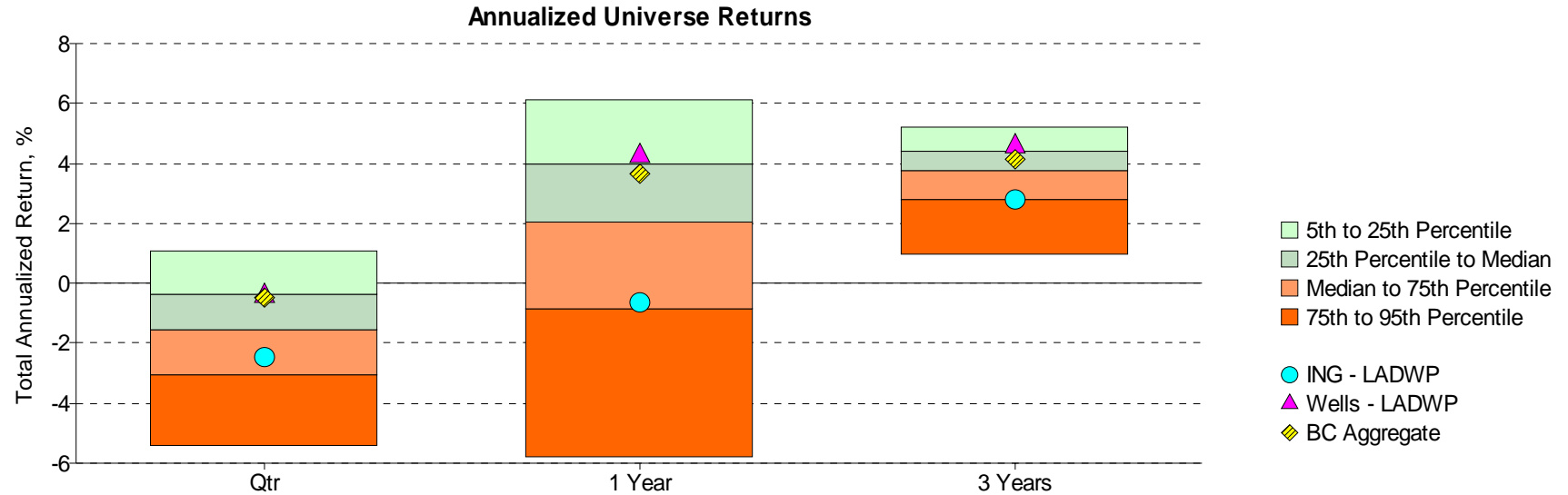
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
ING - LADWP	2.81	3.12	0.90
Wells - LADWP	4.57	2.71	1.69
BC Aggregate	4.15	2.76	1.50
U.S. Fixed Income Universe Median	3.76	2.87	1.27



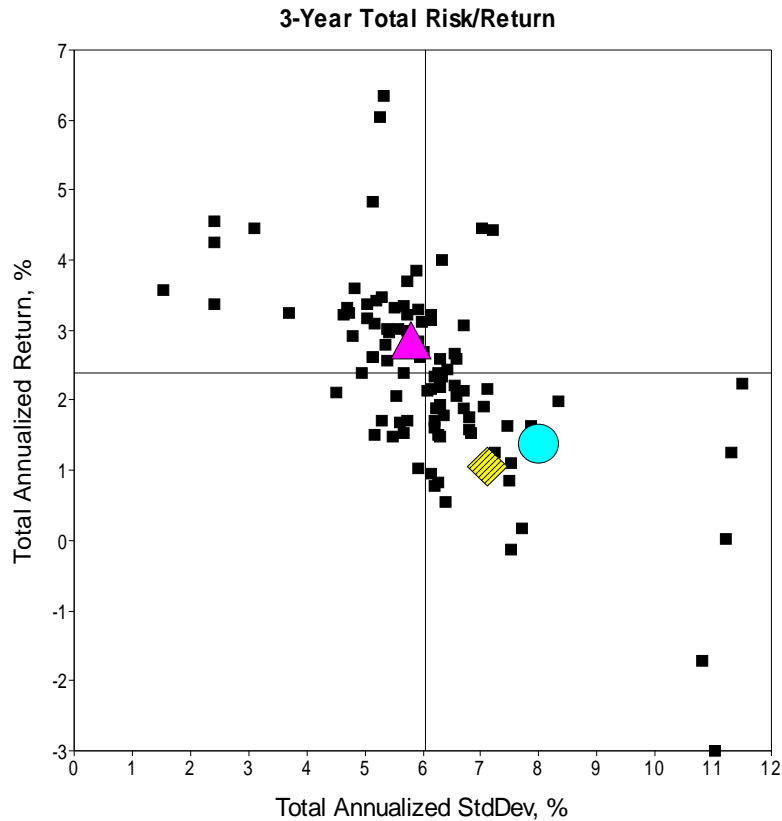
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
ING - LADWP	-1.34	1.31	-1.03
Wells - LADWP	0.42	0.37	1.13
BC Aggregate	0.00	0.00	NA
U.S. Fixed Income Universe Median	-0.39	1.32	-0.33



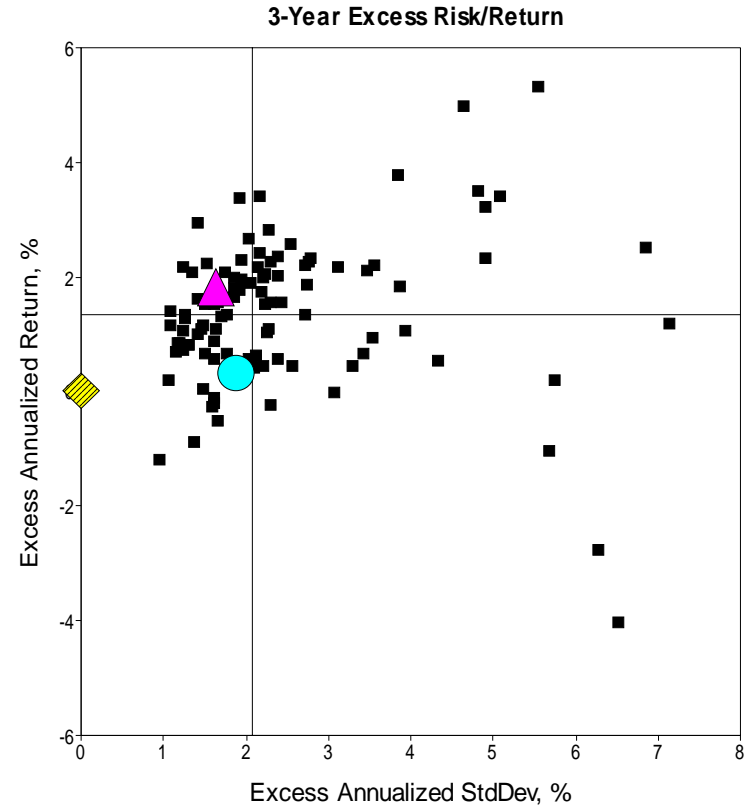
# WPERP Fixed Income Manager Comparisons as of September 30, 2008



## WPERP High Yield Manager Comparisons as of September 30, 2008



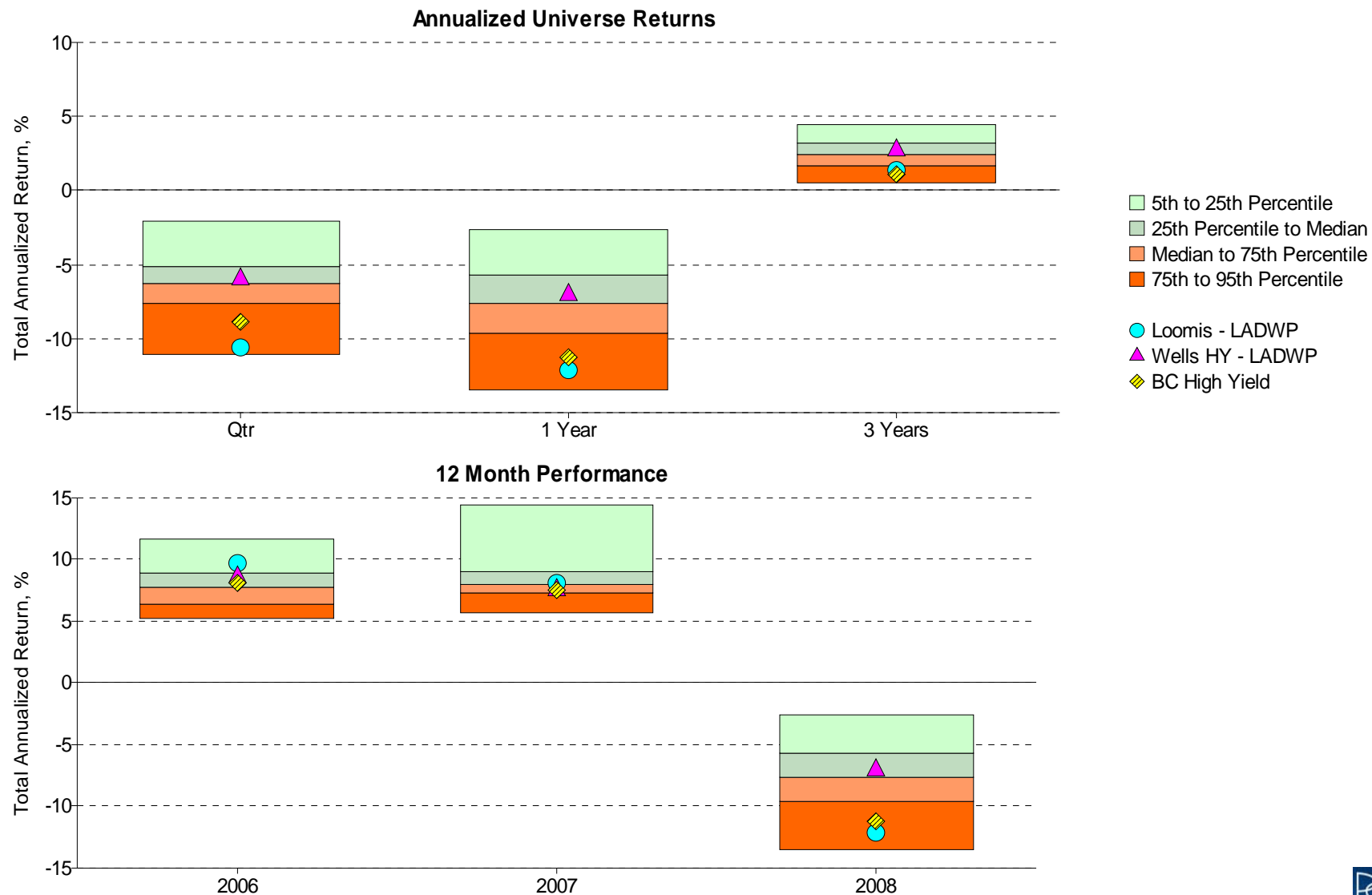
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Loomis - LADWP	1.37	8.00	0.17
Wells HY - LADWP	2.76	5.79	0.48
BC High Yield	1.05	7.11	0.15
U.S. High Yield Universe Median	2.39	6.05	0.40



	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Loomis - LADWP	0.32	1.88	0.17
Wells HY - LADWP	1.71	1.63	1.05
BC High Yield	0.00	0.00	NA
U.S. High Yield Universe Median	1.34	2.09	0.69



# WPERP High Yield Manager Comparisons as of September 30, 2008





P e n s i o n   C o n s u l t i n g   A l l i a n c e ,   I n c .

## **Appendix**

# Quarterly Report

## Managers Watch Criteria As of September 30, 2008

Asset Class	Short-term (Rolling 12 mth periods)	Medium-term (Rolling 36 mth periods)	Long-term
Active Domestic Equity	Portfolio Return < Benchmark Return – 3.0% <sup>1</sup> in any quarter	Portfolio Annlzd. Return <sup>2</sup> < Benchmark Annlzd. Return – 1.5% for 2 consecutive qtrs.	VRR <sup>3</sup> < 0.98 for 2 consecutive quarters
Passive Domestic Equity	Tracking Error <sup>4</sup> > 0.35% in any quarter	Tracking Error > 0.20% for 2 consecutive qtrs.	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 0.10% for 2 consecutive qtrs.
Active International Equity	Portfolio Return < Benchmark Return – 4.5% in any quarter	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 2.5% for 2 consecutive qtrs.	VRR < 0.98 for 2 consecutive qtrs.
Active Fixed Income	Portfolio Return < Benchmark Return – 1.0% in any quarter	Portfolio Annlzd. Return < Benchmark Annlzd. Return – 0.6% for 2 consecutive qtrs.	VRR < 0.99 for 2 consecutive qtrs.

\*Two (2) consecutive quarters is defined as six (6) months in a row; does not necessarily correspond to calendar quarter-end dates

\*\*See Addendum in Statement of Investment Policy for specific benchmark information

<sup>1</sup> Return discounts from a benchmark return based on 2/3 of the typical tracking error estimates of the specified type of portfolio.

<sup>2</sup> Annualized Return is the average annual return of either the portfolio or its benchmark.

<sup>3</sup> VRR – Value Relative Ratio – is calculated as: Portfolio Cumulative Return Relative / Benchmark Cumulative Return Relative.

<sup>4</sup> Tracking error is a measure of the volatility of the average annual difference between the portfolio's return and the benchmark's return.



# Quarterly Report

## Summary of Portfolio Transitions

Manager	Mandate	Funded	Terminated
<b>2003</b>			
Merrill Lynch	Passive Core	3Q 2003	
Northern Trust	Passive Core	3Q 2003	1Q 2005
<b>2004</b>			
Fred Alger	Large Cap Growth	1Q 2004	---
Intech	Large Cap Growth	1Q 2004	---
MFS	Large Cap Value	1Q 2004	---
T. Rowe Price	Large Cap Value	3Q 2004	---
Invesco	International	2Q 2004	---
ING/Aeltus	Core Fixed Income	3Q 2004	---
Wells Capital	Core Fixed Income	3Q 2004	---
Bank of New York	Small Cap Growth	4Q 2004	---
Earnest Partners	Small Cap Value	4Q 2004	---
Fidelity	International	4Q 2004	---
Wells Capital	High Yield	4Q 2004	---
<b>2005</b>			
Boston Company	International	1Q 2005	---
Loomis Sayles	High Yield	1Q 2005	---
Boston Company	Emerging Markets	1Q 2005	---
T. Rowe Price	Emerging Markets	1Q 2005	---
Boston Company	Large cap Active	---	1Q 2005
<b>2006</b>			
Bank of New York	Small Cap Growth	---	1Q 2006
Lexington	Private Equity	3Q2006	---
Northpointe	Small Cap Growth	3Q2006	---
Paradigm	Small Cap Growth	3Q2006	---
Landmark XIII	Private Equity	4Q2006	---
Prisa	Real Estate	4Q2006	---
<b>2007</b>			
Aetos	Hedge Fund	1Q2007	---
PAAMCO	Hedge Fund	1Q2007	---
Prisa II	Real Estate	2Q2007	---
JPM Strategic	Real Estate	3Q2007	---
<b>2008</b>			
HRJ	Private Equity	1Q2008	---
Fisher Lynch	Private Equity	2Q2008	---
CB Richard Ellis	Real Estate	2Q2008	---
Landmark XIV	Private Equity	3Q2008	---

## **LADWP Asset Class Benchmarks**

**Retirement Total Plan** = 35% BC Universal, 40% Russell 3000, 15% MSCI ACWI ex U.S., 4% NCREIF Lag, 3.4% Cambridge U.S. Private Equity Lag, 0.60% Cambridge U.S. Venture Capital Lag, 1% T Bill, 1% Tbills +3% Lag 3/1/07-present

35% BC Universal, 40% Russell 3000, 15% MSCI ACWI ex U.S., 4% NCREIF Lag, 4.25% Cambridge U.S. Private Equity Lag, 0.75% Cambridge U.S. Venture Capital Lag, 1% T Bill 1/1/07-2/28/07

35% BC Universal, 40% Russell 3000, 15% MSCI ACWI ex U.S., 1% T Bill (alternative and re not included) 4/1/03-12/31/06

30% Citigroup BIG, 60% S&P 500, 10% Citigroup T Bill thru 3/31/03

**US Equity** = Russell 3000 Index as of 4/1/03  
S & P 500 thru 3/31/03

**Non-US Equity** = MSCI ACWI ex U.S.

**Total Fixed Income** = BC Universal Index as of 4/1/03  
Citigroup BIG thru 3/31/03

**Real Return** = Tbills + 3%

**Private Equity** = Cambridge U.S. PE

**Real Estate** = NCREIF Lag

**Cash** = Citigroup 3-Month Tbills

# Quarterly Report

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## Benchmarks used in Market Overview

US Equity = Russell 3000 Index

Non-US Equity = MSCI EAFE

Real Estate = NCREIF

Public Real Estate = NAREIT

US Debt = BC Universal Index

Domestic Large Cap = Russell 1000

Domestic Small Cap = Russell 2000

Growth = Russell 3000 Growth Index

Value = Russell 3000 Value Index

Pacific = MSCI Pacific

Europe = MSCI Europe

Emerging = MSCI Emerging Markets Free

Private Real Estate = NCREIF Index

Credit = BC U.S. Credit Index

Government = BC Government Index

Mortgage = BC Mortgage Index

High Yield = BC High Yield Index

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## Glossary

**Alpha** - The premium an investment earns above a set standard. This is usually measured in terms of a common index (i.e., how the stock performs independent of the market). An Alpha is usually generated by regressing a security's excess return on the S&P 500 excess return.

**Annualized Performance** - The annual rate of return that when compounded  $t$  times generates the same  $t$ -period holding return as actually occurred from period 1 to period  $t$ .

**Batting Average** - Percentage of periods a portfolio outperforms a given index.

**Beta** - The measure of an asset's risk in relation to the Market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a security with a Beta of 1.5, will have moved, on average, 1.5 times the market return.

**Bottom-up** - A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

**Dividend Discount Model** - A method to value the common stock of a company that is based on the present value of the expected future dividends.

**Growth Stocks** - Common stock of a company that has an opportunity to invest money and earn more than the opportunity cost of capital.

**Information Ratio** - The ratio of annualized expected residual return to residual risk. A central measurement for active management, value added is proportional to the square of the information ratio.

**R-Squared** - Square of the correlation coefficient. The proportion of the variability in one series that can be explained by the variability of one or more other series a regression model. A measure of the quality of fit. 100% R-square means perfect predictability.

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**Standard Deviation** - The square root of the variance. A measure of dispersion of a set of data from its mean.

**Sharpe Ratio** - A measure of a portfolio's excess return relative to the total variability of the portfolio.

**Style Analysis** - A returns-based analysis using a multi-factor attribution model. The model calculates a product's average exposure to particular investment styles over time (i.e., the product's normal style benchmark).

**Top-down** - Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

**Tracking Error** - The standard deviation of the difference between the performance of a portfolio and an appropriate benchmark.

**Turnover** - For mutual funds, a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. A turnover rate of 25% means that the value of trades represented one-fourth of the assets of the fund.

**Value Stocks** - Stocks with low price/book ratios or price/earnings ratios. Historically, value stocks have enjoyed higher average returns than growth stocks (stocks with high price/book or P/E ratios) in a variety of countries.

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## Definitions of Indices

**BC Brothers Universal:** includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, in that order with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

**BC Aggregate:** an index comprised of approximately 6,000 publicly traded investment-grade bonds including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

**BC High-Yield:** an index consisting of non-investment grade domestic and yankee bonds with a minimum outstanding amount of \$100 million and maturing over one year.

**MSCI ACWI x US:** MSCI ACWI (All Country World Index) Free excluding US (gross dividends): is a free-floating adjusted market capitalization index designed to measure equity performance in the global developed and emerging markets. As of April 2002, the index consisted of 49 developed and emerging market country indices.

**MSCI EAFE (Europe, Australasia, Far East):** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of April 2002 the index consisted of 21 developed market country indices.

**MSCI EAFE plus Canada:** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance similar to the MSCI EAFE. This index excludes the US, but includes Canada.

**MSCI EMF (Emerging Markets Free):** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of April 2002 the index consisted of 26 emerging market country indices.

**NAREIT Index:** consists of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted.

**NCREIF Property Index:** the NPI contains investment-grade, non-agricultural, income-producing properties which may be financed in excess of 5% gross market value; were acquired on behalf of tax exempt institutions; and are held in a fiduciary environment. Returns are gross of fees; including income, realized gains/losses, and appreciation/depreciation; and are market value weighted. Index is lagged one quarter.

**Russell 1000:** measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization-weighted.

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**Russell 1000 Growth:** measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

**Russell 1000 Value:** measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

**Russell 2000:** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

**Russell 3000:** represents the largest 3,000 US companies based on total market capitalization, representing approximately 98% of the investable US equity market.

**Salomon 3-Month Treasury Bills (T-bills):** an average of the last three 3-month treasury bill issues monthly return equivalents of yield averages, which are not marked to market.

**Salomon Brothers World Government Bond Index (SBWGB):** a market-capitalization weighted benchmark that tracks the performance of the 14 Government bonds markets of Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom, and the United States.