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

### **Quarterly Report Executive Summary**

**December 31, 2007**

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## RETIREMENT PORTFOLIO SUMMARY

The WPERP Total Retirement Portfolio, as of December 31, 2007, had an aggregate value of \$7.5 billion. This represents a (\$59.8) million decline in value over last quarter. During the previous one-year period, the WPERP total portfolio increased by \$447.4 million.

### Asset Allocation Trends

The asset allocation targets (see table on page 14) reflect those as adopted by the Board in early 2007.

WPERP's actual weightings in asset class allocation shifted, reflecting a movement towards a new target asset allocation (effective 1/1/2008) with higher exposure to International Equity and lower exposure to Fixed Income, Alternatives, and Real Estate. As of December 31, 2007, the portfolio has a 64% allocation in Equities, 33% in Fixed Income, and 1% each in Alternatives, Real Estate, and Cash.

### Recent Investment Performance Trends

During the most recent quarter, the portfolio outperformed its policy benchmark by 20 basis points. Over longer periods, the portfolio has closely tracked its policy benchmark, with the exception over the latest 5-year period, in which the portfolio lagged its policy benchmark by 1.3%.

#### Recent Investment Performance Total Retirement

	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio*	0.0	9.0	9.5	11.0	7.3
Policy Benchmark	-0.2	8.9	9.5	12.3	7.5
<b>Excess Return</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>-1.3</b>	<b>-0.2</b>
Reference: Median Fund**	-0.8	8.3	10.0	13.4	8.1

\*Gross of Fees

\*\*Mellon Total Funds Public Universe

## Economic Review

**Economic Growth** – The U.S. economy increased at an annual growth rate of 0.6% during the fourth quarter of 2007, down from 4.9% (revised) annualized growth in the previous quarter. The deceleration during the fourth quarter reflected a downturn in inventory investment, as well as exports, personal consumptions expenditures, and federal government spending, that were partly offset by a decrease in imports and an acceleration in state and local government spending.

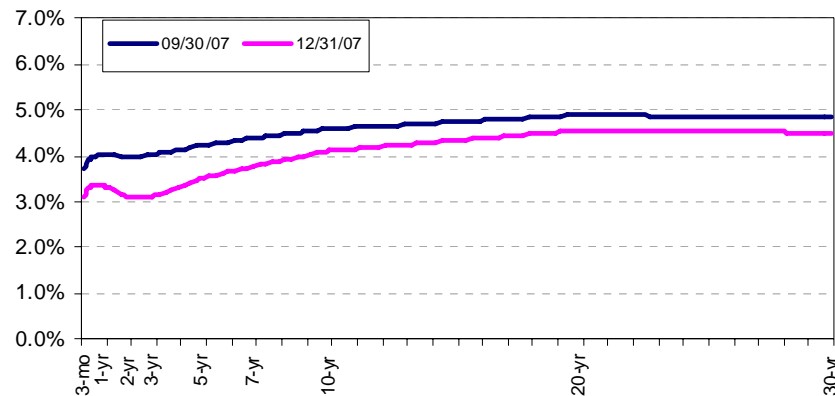
**Inflation** – On a seasonally adjusted basis, the Consumer Price Index (“CPI”) increased 0.3% in December, resulting in a compounded annual rate (using the latest 3-month data ending December 31, 2007) of 5.6%. In comparison, the compounded annual rate during the fourth quarter of 2006 was 0.2%.

**U.S. Dollar** – During the fourth quarter of 2007, the Yen appreciated 2.9% against the dollar, while the Euro appreciated 2.7% versus the dollar.<sup>1</sup>

**Unemployment** – The domestic unemployment rate rose to 5.0% in December, from the previous quarter’s rate of 4.7%. Employment rose in health care, food services, and professional and technical services, while employment in manufacturing and construction continued to decline.

**Domestic Interest Rates** – During the quarter, the U.S. Treasury curve grew more precipitous as yields decreased across the entire maturity spectrum. At the October 2007 meeting, the Federal Reserve decided to lower its target for the federal funds rate 25 basis points to 4.5%. The Committee noted that inflation risks remain, amid declines in the U.S. residential and commercial real estate markets.

**Treasury Yield Curve Changes**



Source: Federal Reserve

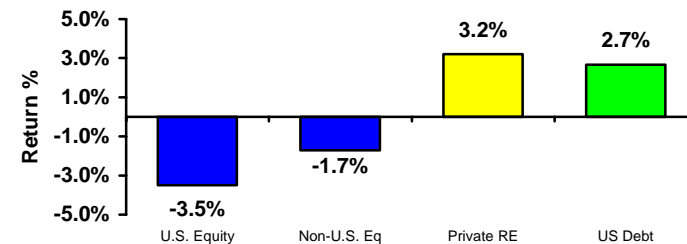
<sup>1</sup> Source: State Street Investment Analytics

## Market Overview

### Capital Market Highlights<sup>1</sup> – Latest Quarter Ending December 31, 2007

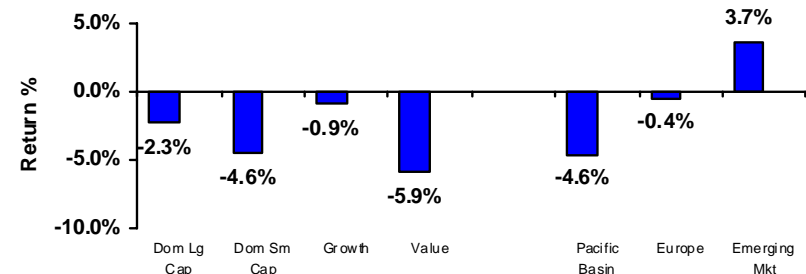
During the quarter, Real Estate and U.S. Fixed Income markets outperformed Equities...

- U.S. equities lagged real estate and fixed income this quarter due to investor concerns that the economy is weak.
- Commodities and bonds, especially Treasuries and TIPS posted strong gains as oil approached \$100/barrel and investors continued to seek high quality investments.
- The fourth quarter began on a positive note with investors still savoring the third-quarter interest rate cuts engineered by the Federal Reserve Board.



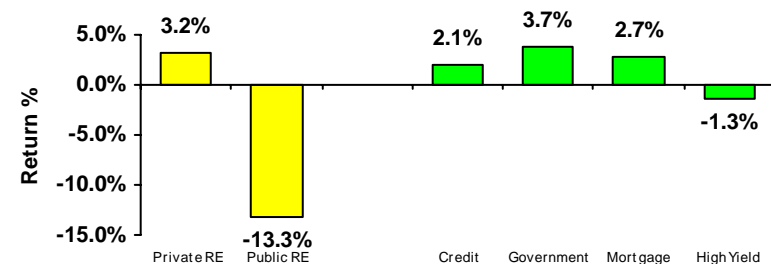
...with Emerging Markets providing positive results...

- Europe was the best performing region among the developed markets, helped by strength in the Euro.
- In general, larger stocks were the better performers; but the real story in the fourth quarter was the continued dominance of growth over value.
- Emerging markets equities made small gains at the end of a quarter marked by high financial markets volatility, a worsening of global credit market conditions and rising inflationary pressures.



...while public real estate continued to decline.

- The housing market continued to struggle as median home sales dropped 2.2% in December.
- Higher-quality bonds performed well amid growing concerns about a slowing economy and a possible recession in the United States.

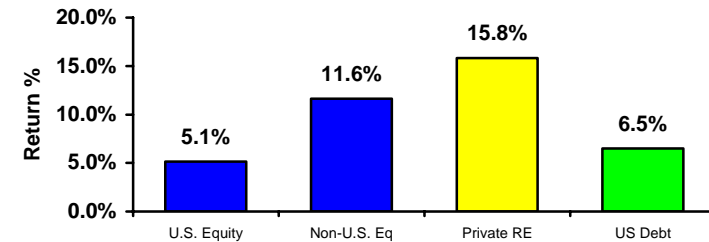


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest Year Ending December 31, 2007

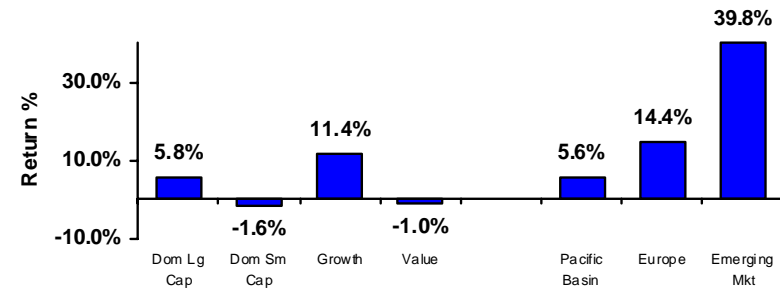
### Non-U.S. Equity produced solid returns...

- Non-U.S. equity continued to provide the highest returns, benefiting from the dollar's decline.
- Fixed income markets remained tumultuous as 2007 ended.



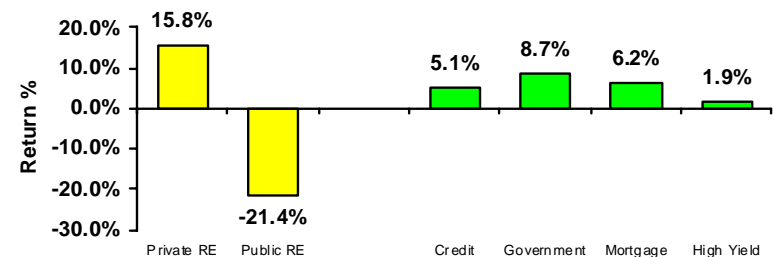
### ...with Emerging Markets surpassing the Developed Markets in the Pacific Basin and Europe...

- Developed markets rose despite the Japanese market declining for the first time in five years.
- Growth stocks greatly outperformed value due in part to the technology sector.
- Investors preferred established large cap companies over small cap companies.



### ...and private real estate provided strong returns.

- Investors' flight to quality fixed income drove prices higher, and yields lower.
- Private real estate has held up better than public REITS amid the housing bust.

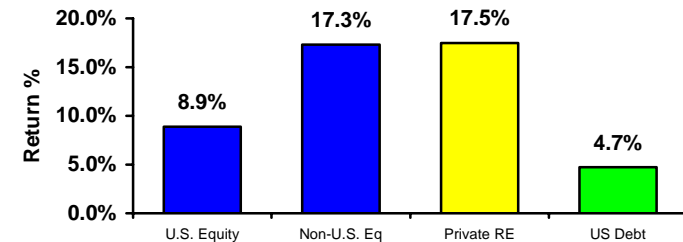


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest 3 Years Ending December 31, 2007

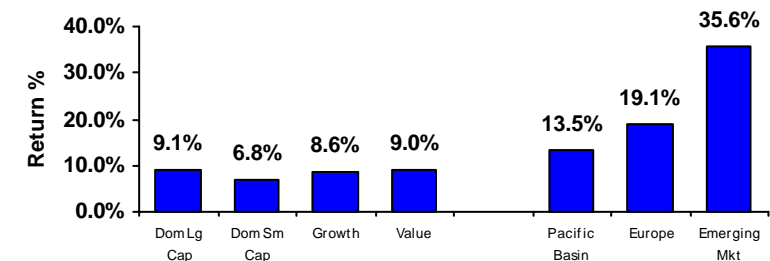
During the latest 3 years, Non-U.S. equity surpassed all other equity asset classes...

- Non-U.S. equity and real estate produced strong returns.
- Although yields were low, fixed income returns remained positive.



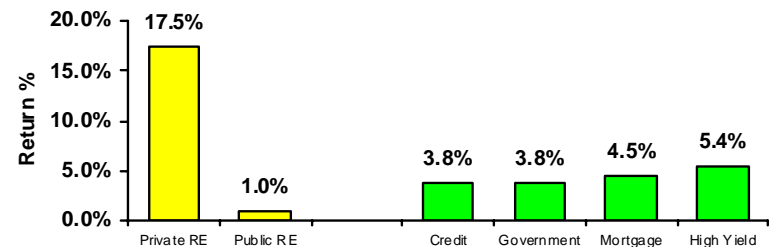
...as emerging markets benefited from the weak dollar...

- All equity components continued to generate strong positive returns.
- U.S. large cap stocks surpassed U.S. small cap.
- Growth and value stocks generated equivalent results.



...and private real estate produced strong returns.

- Private real estate surpassed public as REITS fell out of favor.
- High yield slightly outpaced all other U.S. fixed income segments.

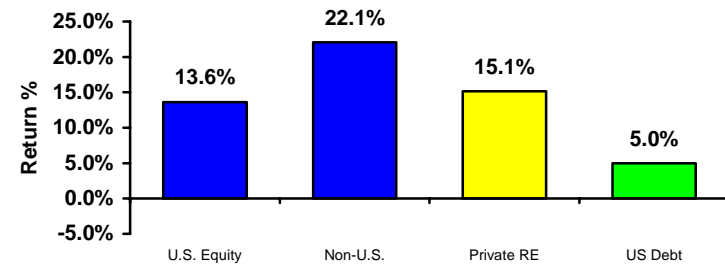


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest 5 Years Ending December 31, 2007

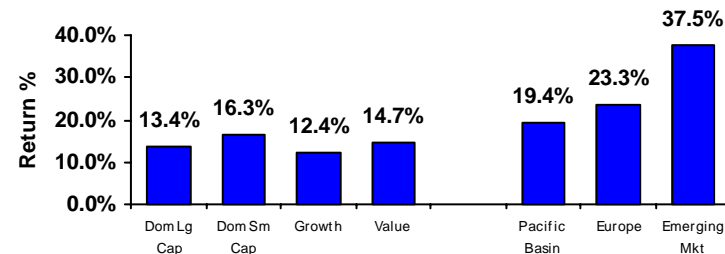
During the latest 5 years, Non-U.S. equity generated the highest returns...

- Real Estate provided strong returns as a result of a growing economy and strong price appreciation.
- U.S. Equity securities produced solid long-term results, outperforming fixed income.



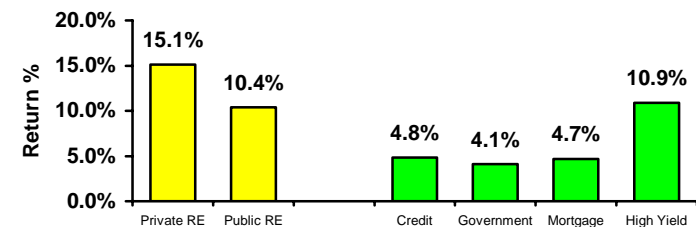
...with emerging markets outperforming all other equity sub-components...

- Europe and Pacific Basin Developed Markets provided strong performance, but trailed emerging markets.
- U.S. small cap and value stocks outpaced large cap, value, and growth.



...and real estate produced strong results over the latest five years.

- Over the longer cycle, private real estate slightly outperformed public.
- High yield surpassed all fixed income subcomponents over the latest 5-year period.

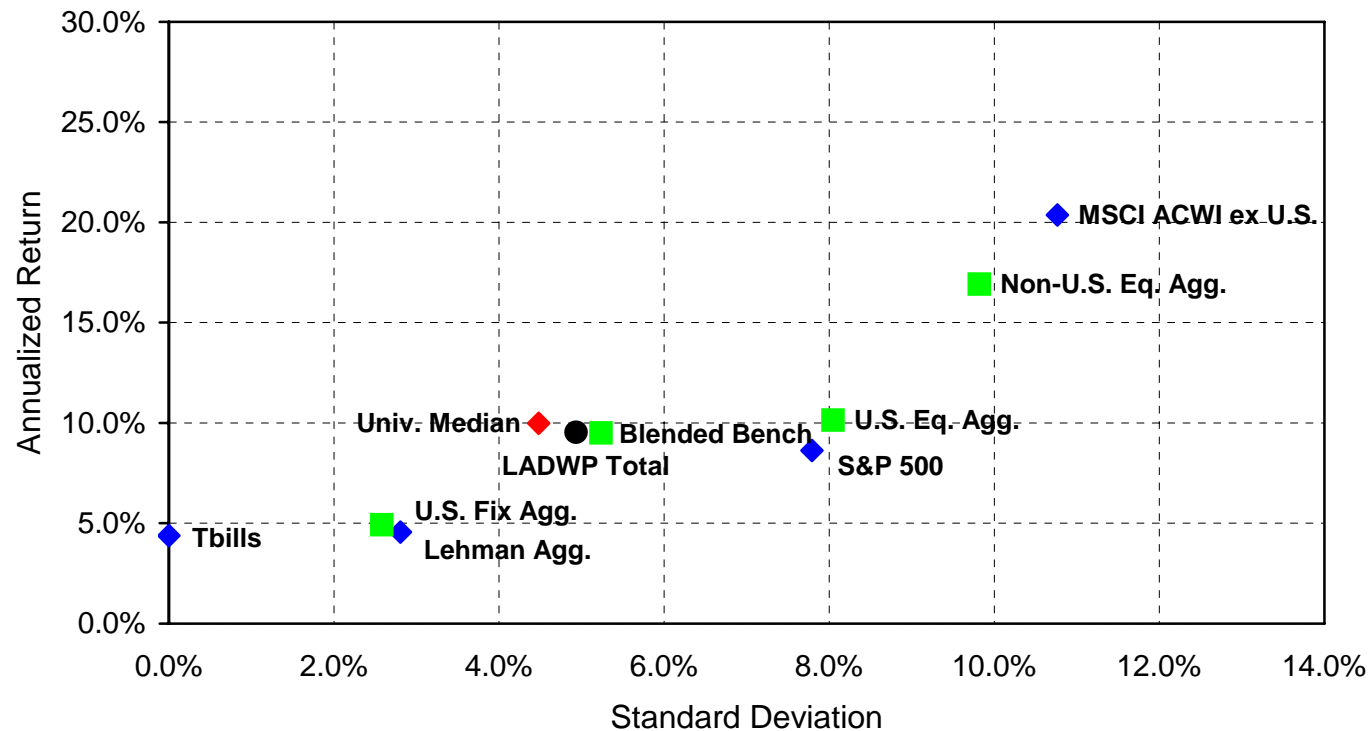


<sup>1</sup> See Appendix for benchmarks used in this section.



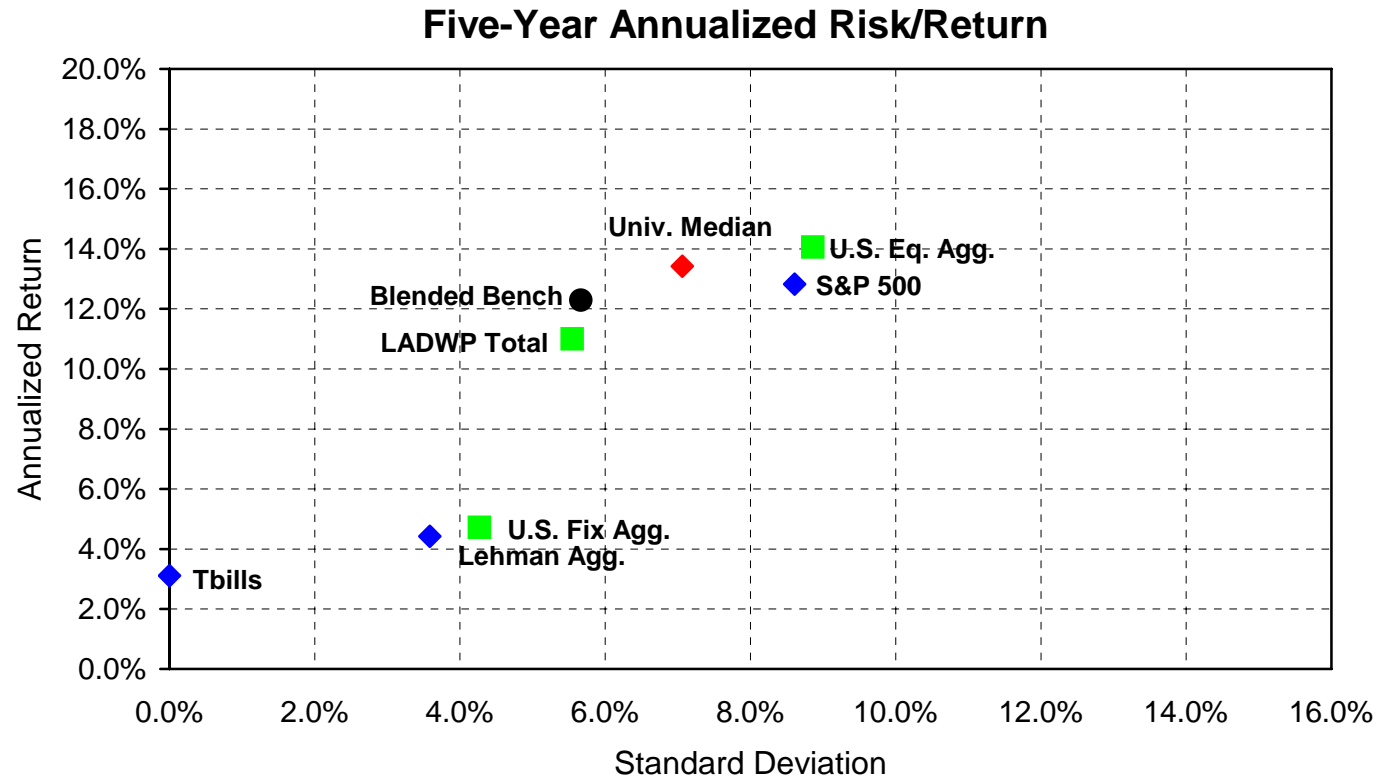
**WPERP Risk/Return Analysis**  
**Period ending December 31, 2007**

## Three-Year Annualized Risk/Return



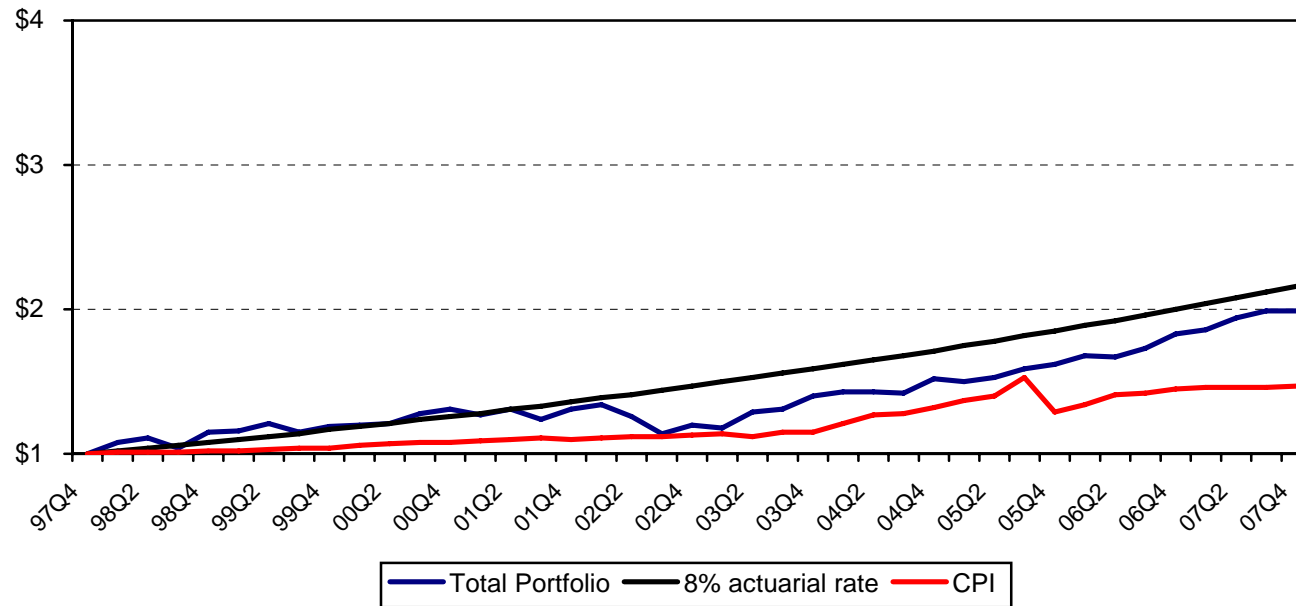
\*Median Fund in the Mellon Total Fund Public Universe.

**WPERP Risk/Return Analysis**  
**Period ending December 31, 2007**



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

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



## WPERP PORTFOLIO PERFORMANCE

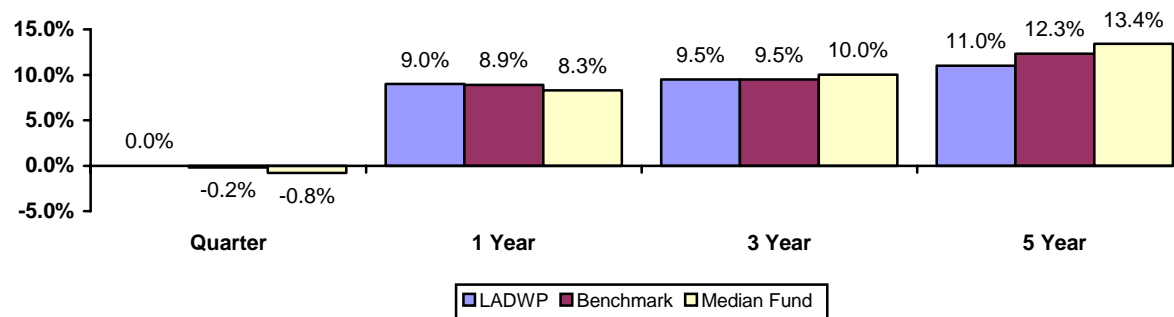
This section includes an overview of the performance of the WPERP investment portfolio and a detailed analysis of asset classes and specific mandates.

### Portfolio Performance Overview

During the latest quarter ending December 31, 2007, the WPERP total portfolio generated a return of 0.0%, outperforming both the policy target benchmark<sup>1</sup> and the median fund<sup>2</sup> by 20 and 80 basis points, respectively.

During the latest 1-year period, the WPERP portfolio beat both its policy benchmark and the median fund by 10 and 70 basis points, respectively. Over the longer 3-year period, the fund matched its policy benchmark but underperformed the median fund by 50 basis points. Over the latest 5-year period, the WPERP portfolio trailed the policy benchmark average annual return by (1.3%) per year and trailed the median fund return by (2.4%) 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 December 31, 2007 (annualized)\*



<sup>1</sup> The Portfolio Benchmark consists of 35% Lehman Universal, 40% Russell 3000, 15% MSCI ACWI ex U.S., 4% NCREIF Lag, 3.4% Cambridge U.S. Private Equity Lag, 0.6% 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.

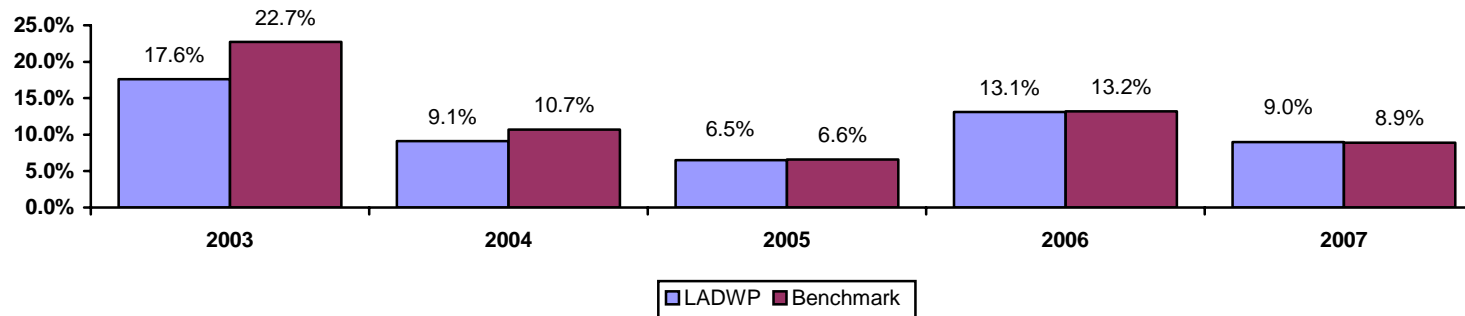
\* WPERP performance reported gross of fees.

# Quarterly Report

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

## 12-month Performance – Period Ending December 31, 2007



## Portfolio Valuation

The WPERP total portfolio, as of December 31, 2007, had an aggregate value of \$7.5 billion. This represents a (\$59.8) million decline in value over last quarter including minus (\$38.3) million in net contributions. During the previous one-year period, the WPERP total portfolio increased by \$447.4 million.

## Portfolio Valuation as of December 31, 2007, Gross of Fees

	<u>4Q 2007</u>		<u>1-Year</u>		<u>3-Year</u>		<u>5-Year</u>
Beginning Market Value	\$7,557.5		\$7,050.4		\$6,228.5		\$5,272.3
Net Flow	-64.6		-184.5		-679.7		-1,386.2
<b>Investment Return in \$ (in%)</b>	<b>5.1</b>	<b>0.0%</b>	<b>634.5</b>	<b>9.0%</b>	<b>1,949.1</b>	<b>9.5%</b>	<b>3,611.9</b>
Ending Market Value	\$7,498.0		\$7,498.0		\$7,498.0		\$7,498.0

\*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

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## Actual vs. Target Allocations

With respect to policy targets, the portfolio ended the latest quarter **overweight Domestic and International Equities**, while **underweight Fixed Income, Real Estate, and Alternatives**. Target allocations represent those as adopted by the Board earlier in 2007.

### As of December 31, 2007

Segment	Actual (\$MM)	Actual %	Target* %	Variance
Total Portfolio	8,214	100	100	---
Total Retirement**	7,498	100	100	0
Domestic Equity	3,193	43	40	3
International Equity	1,527	21	15	6
Fixed Income	2,452	33	35	-2
Alternatives	95	1	5	-4
Hedge F of F	70	1	1	0
Private Equity	25	0	4	-4
Real Estate	63	1	4	-3
Cash	111	1	1	0
Health Plan	659	100	100	0
Domestic Equity	393	60	60	0
Domestic Fixed	266	40	40	0
Cash/Short Term	0	0	0	0
Death Benefit	26	100	100	0
Domestic Fixed	24	93	96	-3
Cash/Short Term	2	7	4	3
Disability	31	100	100	0
Domestic Fixed	30	97	95	2
Cash/Short Term	1	3	5	-2

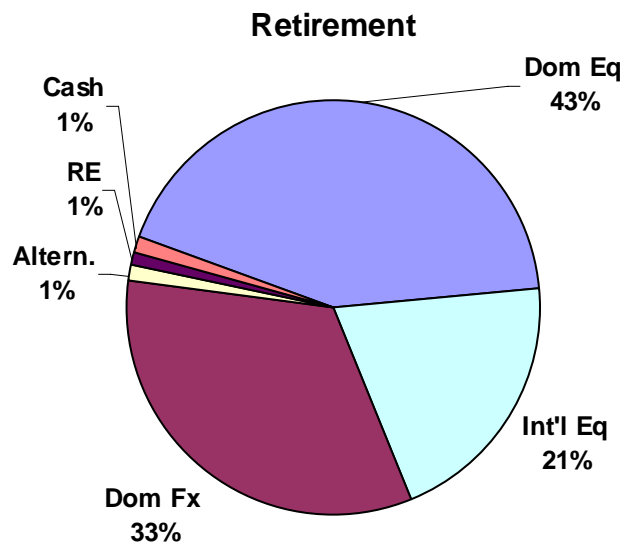
\*2007 asset allocation policy targets.

\*\* Including \$57.7 million in transition assets, of which \$50.0 million is allocated to the JP Morgan Strategic Fund within the real estate portfolio.

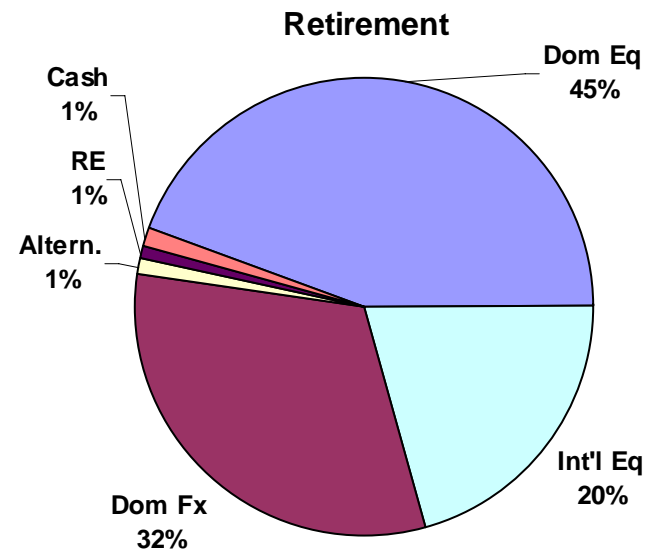
## Actual Asset Allocation Comparison – Retirement Portfolio

As of December 31, 2007, the portfolio has a 64% allocation in Equities, 33% in Fixed Income, and 1% each in Alternatives, Real Estate, and Cash.

December 31, 2007



September 30, 2007

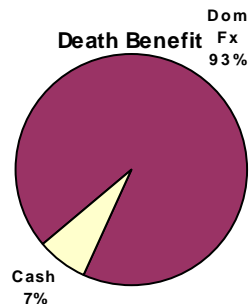


# Quarterly Report

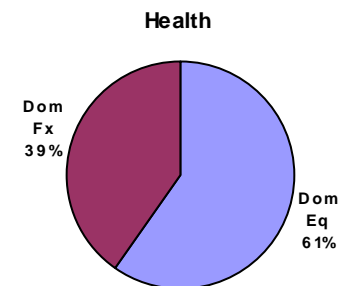
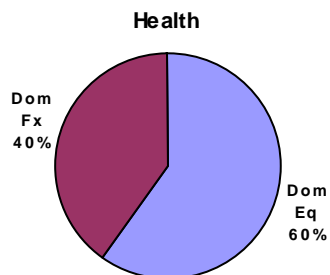
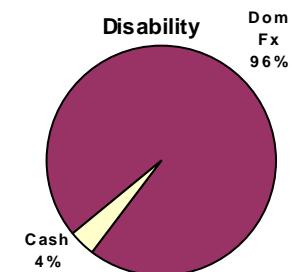
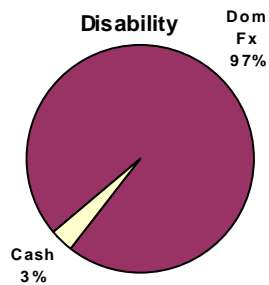
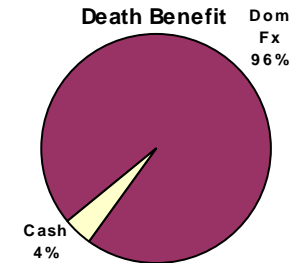
Q4-07

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

December 31, 2007



September 30, 2007





## Asset Class Performance

The **Domestic Equity** asset class outperformed the policy benchmark's return during the quarter by 1.5%, with a minus (1.8%) return. Outperformance from six of the Plan's eight domestic equity managers benefited performance. Over the latest 1-year, 3-year, and 5-year periods, Domestic Equity surpassed its benchmark by 3.8%, 1.2%, and 0.5%, respectively. Most managers' outperformance with respect to their benchmarks contributed to longer term performance.

The **International Equity** portfolio slightly underperformed its policy benchmark during the quarter by 10 basis points, returning minus (0.7%). Over the latest 1-year period, the International Equity portfolio trailed its policy benchmark by 4.7% with a 12.4% return. Poor relative performance from the Plan's international equity managers detracted from performance. Over the latest 3-year period, the portfolio returned 16.9% trailing its policy benchmark's return by 3.5%. Poor relative performance from the Plan's current and prior international equity managers detracted from performance.

During the latest quarter, the **Fixed Income** portfolio underperformed its policy benchmark by 40 basis points, with a 2.3% return. Over the latest 1-year and 5-year periods, the Fixed Income portfolio trailed the policy benchmark by 10 and 30 basis points, respectively. The portfolio outperformed its policy benchmark by 20 basis points over the latest 3-year period.

## Periods ending December 31, 2007

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Retirement	0.0	9.0	9.5	11.0
<i>Policy Benchmark*</i>	-0.2	8.9	9.5	12.3
Domestic Equity	-1.8	8.9	10.1	14.1
<i>Russell 3000 (blend)</i>	-3.3	5.1	8.9	13.6
International Equity	-0.7	12.4	16.9	---
<i>MSCI ACWI ex U.S.</i>	-0.6	17.1	20.4	---
Fixed Income	2.3	6.4	4.9	4.7
<i>Lehman Universal</i>	2.7	6.5	4.7	5.0
Alternatives**	2.0	19.5	---	---
<i>Blended Benchmark**</i>	1.5	25.1	---	---
Hedge F of F	0.6	---	---	---
<i>Tbill + 3%</i>	1.9	---	---	---
Private Equity**	6.6	29.0	---	---
<i>Cambridge USPE**</i>	1.3	28.0	---	---
Real Estate**	4.3	---	---	---
<i>NCREIF**</i>	3.6	---	---	---
Cash	1.3	5.3	4.6	3.2
<i>Citigroup T-bills</i>	1.0	4.7	4.2	3.0

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

\*\*Returns are lagged one quarter.

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## Manager Performance

### Domestic Equity – Periods ending December 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	1,476,967	Large Cap Core	-3.2	5.8	9.2	---	11.7	8/2003
<i>Russell 1000 Index</i>	---	---	-3.2	5.8	9.1	---	11.6	---
MFS	391,679	Large Cap Value	-0.6	10.1	12.8	---	13.3	2/2004
<i>Russell 1000 Value Index</i>	---	---	-5.8	-0.2	9.3	---	10.4	---
T. Rowe Price	362,004	Large Cap Value	-3.8	2.9	10.2	---	12.3	9/2004
<i>Russell 1000 Value Index</i>	---	---	-5.8	-0.2	9.3	---	11.9	---
Fred Alger	390,061	Large Cap Growth	3.8	33.6	13.1	---	11.6	2/2004
Intech	343,411	Large Cap Growth	1.4	11.4	9.3	---	9.6	2/2004
<i>Russell 1000 Growth Index</i>	---	---	-0.8	11.8	8.7	---	7.7	---
Earnest Partners	121,203	Small Cap Value	-2.3	-0.1	---	---	8.1	11/2004
<i>Russell 2000 Value Index</i>	---	---	-7.3	-9.8	---	---	5.9	---
Northpointe	52,289	Small Cap Growth	-6.5	2.9	---	---	7.8	9/2006
Paradigm	55,522	Small Cap Growth	-3.7	7.1	---	---	13.3	9/2006
<i>Russell 2000 Growth Index</i>	---	---	-2.1	7.0	---	---	12.9	---

\* 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 fourth quarter of 2007, six of WPERP's eight reporting domestic equity managers outperformed or matched their respective benchmarks.

WPERP's passive large cap core manager, **BlackRock**, ended the quarter with a minus (3.2%) return matching the Russell 1000 Index, which is in-line with expectations. **MFS**, one of the Plan's large cap value managers, generated a negative absolute quarterly return of minus (0.6%), but outperformed the Russell 1000 Value Index return by 5.2%. An underweight position in Financial Services, and stock selection in Health Care and Technology enhanced performance. Large cap value manager **T. Rowe Price** outperformed the Russell 1000 Value Index by 2.0% with a minus (3.8%) return. Positive stock selection within Financials was the greatest contributor to performance. **Fred Alger**, one of the Plan's large cap growth managers, completed the quarter with a 3.8% return surpassing the Russell 1000 Growth Index return by 4.6%. Sector selection in Consumer Discretionary, Financials, and Energy benefited portfolio performance. **Intech**, the Plan's other large cap growth manager, outperformed the Russell 1000 Growth Index by 2.2% with a 1.4% quarterly return. Stock selection within Technology largely contributed to outperformance. **Earnest Partners**, WPERP's small cap value

manager ended the quarter with a minus (2.3%) return, besting the Russell 2000 Value Index by 5.0%. Strong stock selection in Industrials as well as an overweighting position in Health Care benefited performance. **Northpointe**, one of the Plan's small cap growth managers, finished the quarter with a minus (6.5%) underperforming the Russell 2000 Growth Index by 4.4%. The portfolio's investment strategy of orienting towards the smaller-end of the small cap universe was not rewarded in the market, as investors rotated towards the larger cap stocks. **Paradigm** completed the quarter returning minus (3.7%) trailing the Russell 2000 Growth Index by 1.6%. Stock selection detracted from performance.

## Latest Year

During the latest 12-month period, **BlackRock** matched its benchmark with a 5.8% return. **MFS** finished the latest 12-month period with a 10.1% return and outperformed the Russell 1000 Value Index's return by 10.3%. Stock selection in Financials, Industrials, Technology, and Energy benefited performance. **T. Rowe Price** posted a 2.9% return and outperformed the Russell 1000 Value Index's return by 3.1%. Stock selection within Financials and Consumer Discretionary benefited performance. **Fred Alger** posted a strong 33.6% return outperforming the Russell 1000 Growth Index return by 21.8%. Strong stock selection in Consumer Discretionary, Technology, Energy, and Financials greatly benefited performance. **Intech** completed the latest 12-month period returning 11.4%, trailing the Russell 1000 Growth Index return by 40 basis points. **Earnest Partners** completed the latest 12-month period with a minus (0.1%) return and surpassed the Russell 2000 Value Index return by 9.7%. Strong stock selection in Technology helped to drive performance. **Northpointe** underperformed the Russell 2000 Growth Index by 4.1%, due primarily to poor stock selection. **Paradigm** slightly outperformed the Russell 2000 Growth Index by 10 basis points, with a 7.1% return.

## Latest Three Years

During the latest 36-month period, **BlackRock** performed within tracking expectations with a 9.2% return, surpassing its benchmark by 10 basis points. **MFS** finished the latest 36-month period surpassing the Russell 1000 Value Index return by 3.5% with a 12.8% return. An underweight position in Financials, as well as stock selection in Financials, Industrials, Technology, and Energy benefited performance. **T. Rowe Price** outperformed the Russell 1000 Value Index's return by 90 basis points. **Fred Alger** posted a 13.1% return outperforming the Russell 1000 Growth Index return by 4.4%. Stock selection in Consumer Discretionary greatly benefited performance. **Intech** completed the most recent 36-month period with a 9.3% return, outperforming the Russell 1000 Growth Index by 60 basis points.

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## International Equity – Periods ending December 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	481,029	Developed Markets	-2.5	8.7	15.0	---	17.1	6/2004
<i>EAFE + Canada ND Index</i>	---	---	-1.6	12.4	17.4	---	19.5	---
The Boston Company	374,076	Developed Markets	-1.9	4.8	---	---	13.9	3/2005
<i>EAFE + Canada ND Index (blend)</i>	---	---	-1.6	11.3	---	---	19.6	---
Pyramis	460,301	Developed Markets	-0.3	14.0	17.9	---	19.1	11/2004
<i>EAFE Growth ND Index (blend)</i>	---	---	-0.3	17.1	17.8	---	18.8	---
The Boston Company	99,871	Emerging Markets	3.0	28.4	---	---	31.8	3/2005
T. Rowe Price	111,640	Emerging Markets	5.9	45.0	---	---	42.9	3/2005
<i>MSCI EMF Index</i>	---	---	3.7	39.8	---	---	38.4	---

\* 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 fourth quarter of 2007, two of WPERP's five reporting international equity managers outperformed or matched their respective benchmarks.

**Invesco**, WPERP's active core international manager, generated a negative absolute quarterly return of minus (2.5%) underperforming the MSCI EAFE + Canada ND return by 90 basis points. The plan's active international value manager, **The Boston Company**, completed the quarter with a minus (1.9%) return, trailing the MSCI EAFE + Canada ND Index return by 30 basis points. **Pyramis**, the plan's active international growth manager, completed the quarter with a minus (0.3%) return matching the MSCI EAFE Growth ND Index. **The Boston Company**, one of WPERP's two emerging markets managers, finished the quarter with a 3.0% return trailing the MSCI Emerging Markets Index by 70 basis points. **T. Rowe Price**, the plan's other emerging markets manager, completed the quarter with a 5.9% return surpassing its benchmark by 2.2%. Stock selection was the primary driver of portfolio performance.

### Latest Year

**Invesco** finished its latest 12-month period with an 8.7% return, trailing its benchmark by 3.7%. Poor stock selection within France and Australia detracted from performance. **The Boston Company** completed the latest 12-month period trailing its benchmark by 6.5%, with a 4.8% return. Stock selection within Sweden was a contributing factor to the underperformance. **Pyramis** completed the latest 12-month period with a 14.0% return, trailing its benchmark by 3.1%. Poor stock selection detracted from performance. During the latest 12-month period, **The Boston Company** emerging markets portfolio produced a strong 28.4% return, but trailed the MSCI Emerging Markets Index's return by 11.4%. The manager's value bias has dampened portfolio returns. The **T. Rowe Price** portfolio generated a strong return of 45.0% and surpassed its index return by 5.2%. Strong stock selection has added greatly to portfolio performance

## Latest Three Years

**Invesco** finished its latest 36-month period with a 15.0% return, trailing its benchmark by 2.4%. The portfolio's lower allocation to the Materials, Industrials, and Utilities sectors contributed to underperformance. **Pyramis** returned 17.9%, outperforming its benchmark by 10 basis points.

# Quarterly Report

Q4-07

## Fixed Income – Periods ending December 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
ING	1,093,924	Core	2.5	6.7	4.7	---	5.1	7/2004
Wells	1,104,394	Core	2.8	7.0	4.8	---	5.2	7/2004
<i>LB Aggregate Index</i>	---	---	3.0	7.0	4.6	---	4.9	---
Loomis	131,392	High Yield	-1.1	2.0	---	---	7.9	3/2005
<i>LB High Yield Index</i>	---	---	-1.3	1.9	---	---	6.5	---
Wells	121,872	High Yield	-0.5	2.9	5.7	---	5.6	11/2004
<i>LB High Yield Index</i>	---	---	-1.3	1.9	5.4	---	5.8	---

\* 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 fourth quarter of 2007, two of WPERP's four reporting fixed income managers outperformed their respective benchmarks.

**ING**, one of WPERP's two core fixed income managers, finished the quarter with a 2.5% return underperforming the Lehman Aggregate Index by 50 basis points. **Wells**, the Plan's other core fixed income managers, posted a quarterly return of 2.8% trailing the Lehman Aggregate Index by 20 basis points. **Loomis Sayles**, one of the portfolio's two high yield managers, finished the quarter with a minus (1.1%) return, but outperforming the Lehman High Yield Index by 20 basis points. The other high yield manager **Wells** finished the quarter with a minus (0.5%) return outperforming the Lehman High Yield Index by 80 basis points.

### Latest Year

**ING** underperformed its benchmark by 30 basis points with a 6.7% return over the latest 12-month period. **Wells** matched the Lehman Aggregate Index with a 7.0% return during the same period. **Loomis Sayles** and **Wells** finished the latest 12-month period exceeding the Lehman High Yield Index by 0.1% and 1.0%, respectively. Wells' outperformance during the latest one year can be attributed to positive security selection.

### Latest Three Years

**ING** and **Wells**, WPERP's core fixed income managers, finished the latest 3-year period outperforming the Lehman Aggregate Index by 10 and 20 basis points, respectively. High Yield manager Wells posted a 5.7% return during the latest 3-year period outperforming the Lehman High Yield Index by 30 basis points.

# Quarterly Report

Q4-07

## Hedge Fund of Funds – Periods ending December 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Aetos Capital*	33,734	Hedge FoF's	-2.7	---	---	---	2.2	2/2007
PAAMCO*	36,470	Hedge FoF's	3.5	---	---	---	11.0	2/2007
Tbills + 3 %*	---	---	1.9	---	---	---	5.3	---

\* 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 fourth quarter of 2007, WPERP's two hedge fund managers generated mixed performance results to their benchmark.

**Aetos**, one of WPERP's two hedge fund managers, completed the quarter with a minus (2.7%) return underperforming the Tbill+3% by 4.6%. As portfolio returns are lagged one quarter, Aetos' exposure to Sowood, which fell apart, dampened returns. **PAAMCO**, the Plan's other hedge fund manager, finished the quarter posting a 3.5%, outperforming the Tbill+3% by 1.6%. Positive portfolio allocation benefited PAAMCO's portfolio returns.

## Private Equity – Periods ending December 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Lexington Capital*	10,101	Private Equity	5.4	29.0	---	---	18.7	6/2006
Cambridge U.S. PE*	---	---	1.3	28.0	---	---	27.1	---
Landmark Equity Partners*	14,358	Private Equity	7.3	---	---	---	22.3	11/2006
Cambridge U.S. PE*	---	---	1.3	---	---	---	23.8	---

\* 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 fourth quarter of 2007, both of WPERP's reporting private equity managers outperformed their benchmark.

**Lexington Capital** generated a quarterly return of 5.4%, outperforming the Cambridge U.S. Private Equity Index return by 4.1%. **Landmark Equity Partners**, WPERP's other private equity manager, posted a 7.3% return, surpassing the Cambridge U.S. Private Equity Index return by 6.0%.

### Latest Year

Over the latest 1-year period, Lexington Capital generated a 29.0% return, besting the Cambridge U.S. Private Equity Index by 1.0%.



# Quarterly Report

Q4-07

## Real Estate – Periods ending December 31, 2007

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Prisa*	55,848	Real Estate	4.4	---	---	---	15.3	12/2006
NCREIF*	---	---	3.6	---	---	---	13.9	---
Prisa II*	7,337	Real Estate	3.1	---	---	---	3.1	6/2007
NCREIF*	---	---	3.6	---	---	---	5.1	---
JP Morgan Strategic*	---	Real Estate	---	---	---	---	---	10/2007
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 fourth quarter of 2007, WPERP's two real estate managers generated mixed performance results to their benchmark.

**Prisa** completed the fourth quarter of 2007 and returned 4.4%, outperforming the NCREIF Index by 80 basis points. **Prisa II**, WPERP's other real estate manager, generated a quarterly return of 3.1% return, underperforming the NCREIF Index by 50 basis points.

**JP Morgan Strategic** was funded on 10/1/2007 with \$50 million. Performance is lagged one quarter and will be reflected in the 1Q08 report.

## Health Plan Performance

The WPERP - Health portfolio ended the fourth quarter of 2007 with an aggregate value of approximately \$658.8 million.

### Health Plan - Periods ending December 31, 2007, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	-0.9	6.2	---	---	6.2	12/2006
<i>Policy Benchmark*</i>	-0.7	6.4	---	---	6.4	---
BlackRock	-3.2	5.8	---	---	5.8	1/2007
<i>R1000 Index</i>	-3.2	5.8	---	---	5.8	---
Wells	2.7	7.1	---	---	7.1	1/2007
<i>LB Aggregate</i>	3.0	7.0	---	---	7.0	---

\*Policy benchmark consists of 60% Russell 1000 Index and 40%LB 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.

**Q4 2007** – During the fourth quarter of 2007, The Health Plan underperformed its policy benchmark return by 20 basis points. Both managers of the Health Plan either matched or underperformed their respective benchmarks. The benchmark portfolio consists of passively managed asset class portfolios held at the Health Plan's policy weightings.

### Health Plan – Asset Allocation as of 12/31/07

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$658,756	100	100	---
Domestic Equity	392,533	60	60	0
BlackRock	392,533	60	60	0
Fixed Income	265,842	40	40	0
Wells	265,842	40	40	0
Cash	381	0	0	0

**Asset Allocation** – The Health Plan target allocation consists of 60% domestic equity and 40% domestic fixed income. By the close of 4Q 2007, there were two managers, BlackRock and Wells. The total fund was 100% invested in these managers.

## Disability Plan Performance

The WPERP - Disability portfolio ended the fourth quarter of 2007 with an aggregate value of approximately \$30.9 million.

### Disability Plan - Periods ending December 31, 2007, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	2.9	7.0	4.8	4.4	---	---
<i>Policy Benchmark*</i>	2.9	6.9	4.5	4.4	---	---
Wells	3.0	7.1	4.8	---	5.2	7/2004
<i>LB Aggregate</i>	3.0	7.0	4.6	---	4.9	---

\*Policy benchmark consists of 95% LB 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.

**Q4 2007** – During the fourth quarter of 2007, the Disability Plan returned 2.9% matching its policy benchmark. The benchmark portfolio consists of passively managed asset class portfolios held at the Disability Plan's policy weightings.

**Longer Terms** – The Disability Plan either matched or outperformed its policy benchmark performance over the longer time periods.

### Disability Plan – Asset Allocation as of 12/31/07

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$30,865	100.0	100	---
Fixed Income	29,859	97	95	2
Wells	29,859	97	95	2
Cash	1,006	3	5	-2

**Asset Allocation** – The Disability Plan target allocation consists of 95% fixed income investments and 5% cash. By the close of 4Q 2007, there was one fixed income manager, Wells. The total fund was 97% invested in this manager.

## Death Plan Performance

The WPERP – Death portfolio ended the fourth quarter of 2007 with an aggregate value of approximately \$26.2 million.

### Death Plan - Periods ending December 31, 2007, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	2.9	7.0	4.8	4.6	---	---
Policy Benchmark*	2.9	6.9	4.5	4.4	---	---
Wells	3.0	7.1	4.8	---	5.2	7/2004
LB Aggregate	3.0	7.0	4.6	---	4.9	---

\*Policy benchmark consists of 96% LB 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.

**Q4 2007** – During the fourth quarter of 2007, the Death Plan returned 2.9% matching its policy benchmark. The benchmark portfolio consists of passively managed asset class portfolios held at the Death Plan's policy weightings.

**Longer Terms** – The Death Plan surpassed its policy benchmark over all extended periods.

### Death Plan – Asset Allocation as of 12/31/07

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$26,168	100	100	---
Fixed Income	24,276	93	96	-3
Wells	24,276	93	96	-3
Cash	1,893	7	4	3

**Asset Allocation** – The Death Benefit Plan target allocation consists of 96% fixed income investments and 4% cash. By the close of 4Q 2007, there was one fixed income manager, Wells. The total fund was 93% invested in this manager.

# Quarterly Report

Q4-07

Managers Placed on Watch Status  
Return vs. Benchmark Since Watch  
As of December 31, 2007

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*
Pyramis	Developed Markets	Organizational	9/1/2005	3.7	3.5	15.1	20.0	22.9	20.6
MSCI EAFE Growth ND**	Developed Markets		---	4.2	3.3	14.2	19.0	22.6	21.0
Pyramis Perf. Vs. Target	MSCI EAFE Growth ND		---	N/M	N/M	N/M	N/M	0.3	-0.4
Earnest Partners	Small Value	Performance	7/1/2006	-3.3	-2.7	5.5	4.1	9.6	3.6
Russell 2000 Value	Small Value		---	-1.4	2.6	11.8	13.4	16.1	0.6
Earnest Perf. Vs. Target	Russell 2000 Value		---	N/M	N/M	N/M	N/M	-6.5	3.0
The Boston Company	Emerging Markets	Performance	9/1/2006	1.8	13.4	16.0	30.8	36.6	36.2
MSCI Emerging Markets	Emerging Markets		---	0.8	13.5	16.7	33.4	44.0	46.1
Boston Perf. Vs. Target	MSCI EMF		---	N/M	N/M	N/M	N/M	-7.4	-9.9
Fred Alger	Large Growth	Performance	1/1/2007	4.0	6.4	16.1	28.9	33.6	33.6
Russell 1000 Growth	Large Growth		---	2.6	1.2	8.1	12.7	11.8	11.8
Fred Alger Perf. Vs. Target	Russell 1000 Growth		---	N/M	N/M	N/M	N/M	21.8	21.8
Wells	Core	Organizational	4/1/2007	0.6	-0.6	2.4	5.3	---	5.3
LB Aggregate	Core			0.5	-0.5	2.3	5.4	---	5.4
Wells Perf. Vs. Target	LB Aggregate			N/M	N/M	N/M	N/M	---	N/M
Wells	High Yield	Organizational	6/1/2007	-1.6	-3.2	-1.7	---	---	-1.4
LB High Yield	High Yield			-1.8	-4.0	-3.0	---	---	-2.8
Wells Perf. Vs. Target	LB High Yield			N/M	N/M	N/M	N/M	---	N/M
The Boston Company	Developed Markets	Organizational	9/1/2007	3.0	2.5	---	---	---	1.0
EAFE + Canada ND	Developed Markets			5.7	6.0	---	---	---	4.0
Boston Perf. Vs. Target	EAFE + Canada ND			N/M	N/M	N/M	N/M	---	N/M

\*Performance based on data provided by Mellon

\*\* Pyramis' benchmark was changed to MSCI EAFE Growth (originally MSCI EAFE + Canada Growth)

(See next page)

**Pyramis** was placed on watch status on 8/17/2005 due to organizational changes. Watch status was extended on 9/19/2007.

**Earnest Partners** was placed on watch status on 6/21/2006 due to short-term performance.

**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.

**Fred Alger** was placed on watch status on 12/6/2006 due to short-term performance.

**Wells (Core)** was placed on watch status on 3/7/2007 due to organizational changes.

**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.

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.

# WPERP

## Performance Summary and Total Fund Universe Rankings as of December 31, 2007

<b>Mellon Total Funds - Public Universe</b>				
	<u>Quarter</u>	<u>1- Year</u>	<u>3-Year</u>	<u>5-Year</u>
Maximum	1.6	13.7	14.6	16.8
Percentile 25	-0.3	9.7	11.5	14.2
Median	-0.8	8.3	10.0	13.4
Percentile 75	-1.1	7.0	9.2	12.1
Minimum	-2.8	4.8	5.9	6.4
Number of Portfolios	65	60	57	55
<b>LADWP Total Fund</b>				
Return	0.0	9.0	9.5	11.0
Quartile Rank	1st	2nd	3rd	4th

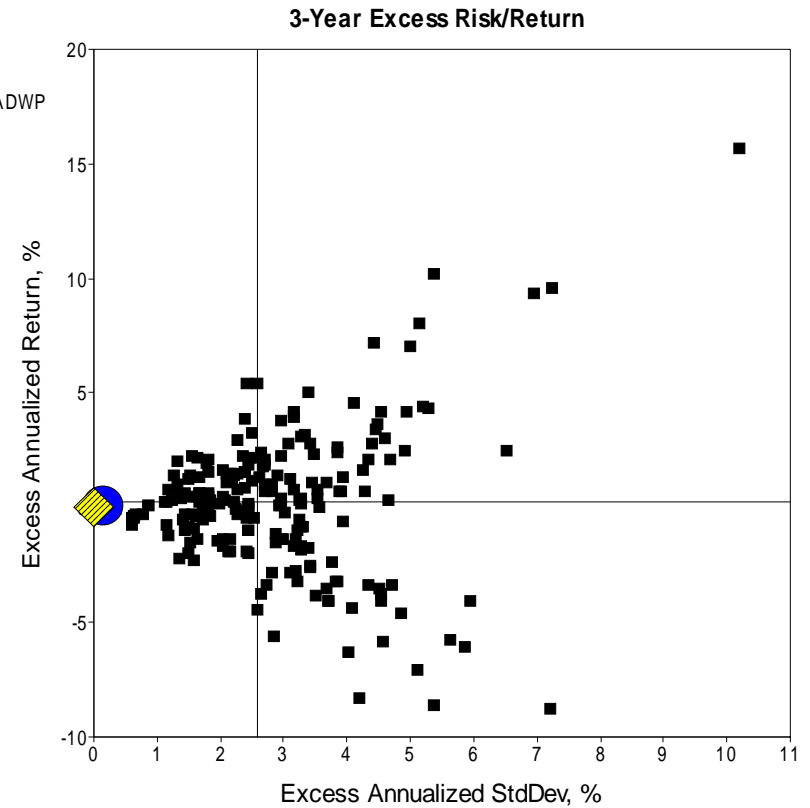
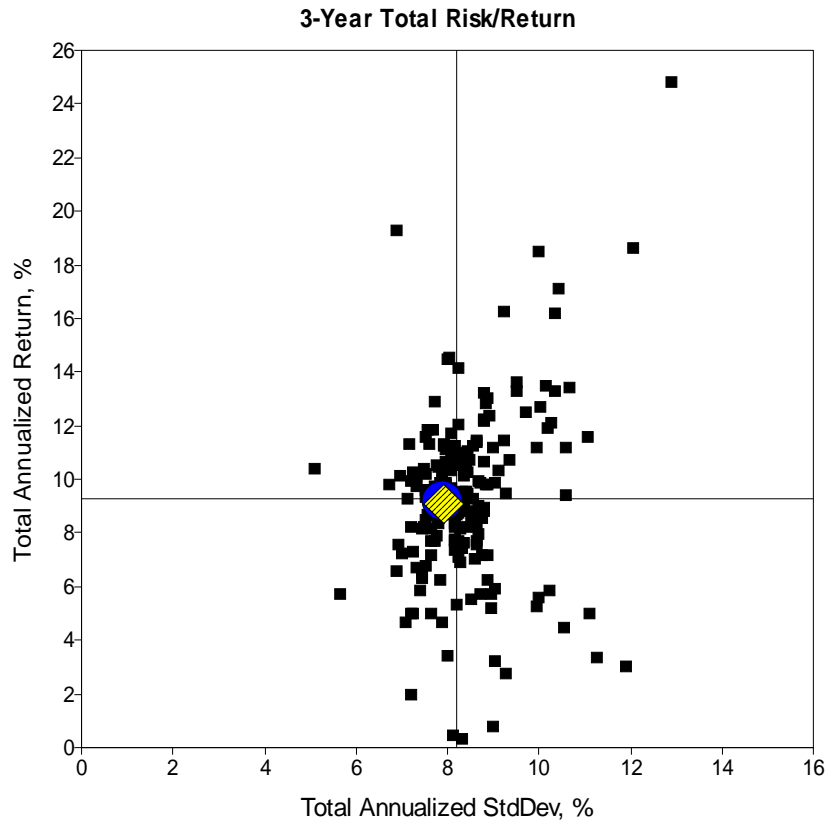
**Notes:**

Sources: Universe Information; Mellon Total Public Funds

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



# WPERP Large Cap Core Manager Comparisons as of December 31, 2007



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
BlackRock - LADWP	9.19	7.90	1.16
Russell 1000	9.08	7.92	1.15
Large Cap Manager Universe Median	9.30	8.20	1.14

	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
BlackRock - LADWP	0.11	0.14	0.78
Russell 1000	0.00	0.00	NA
Large Cap Manager Universe Median	0.22	2.58	0.11

## Notes:

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

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

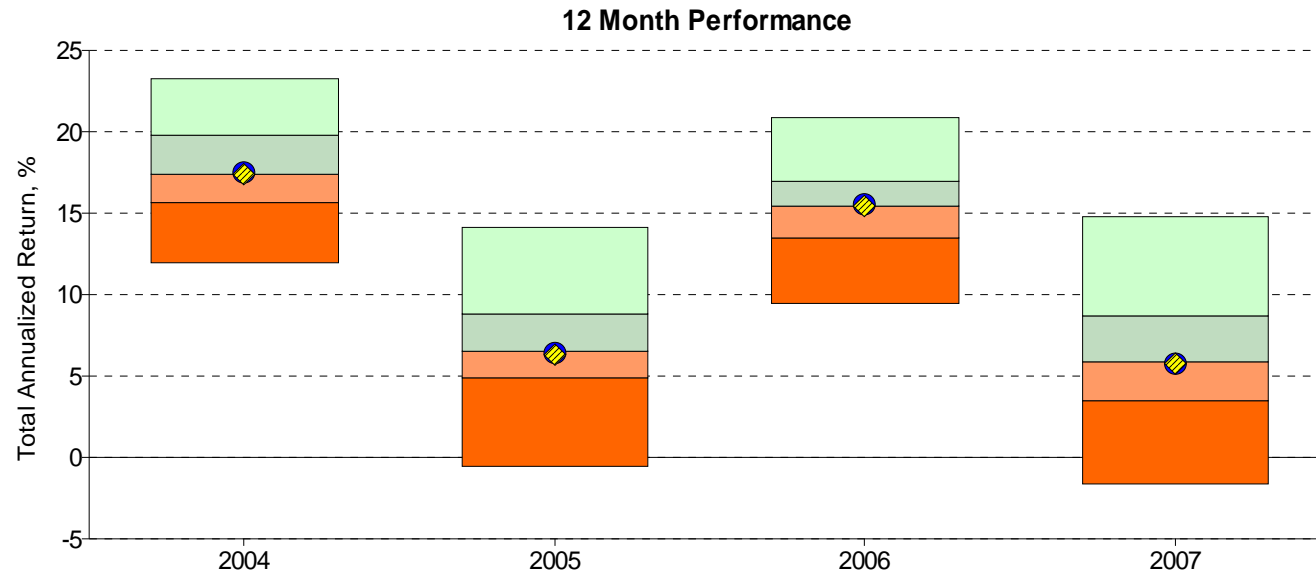
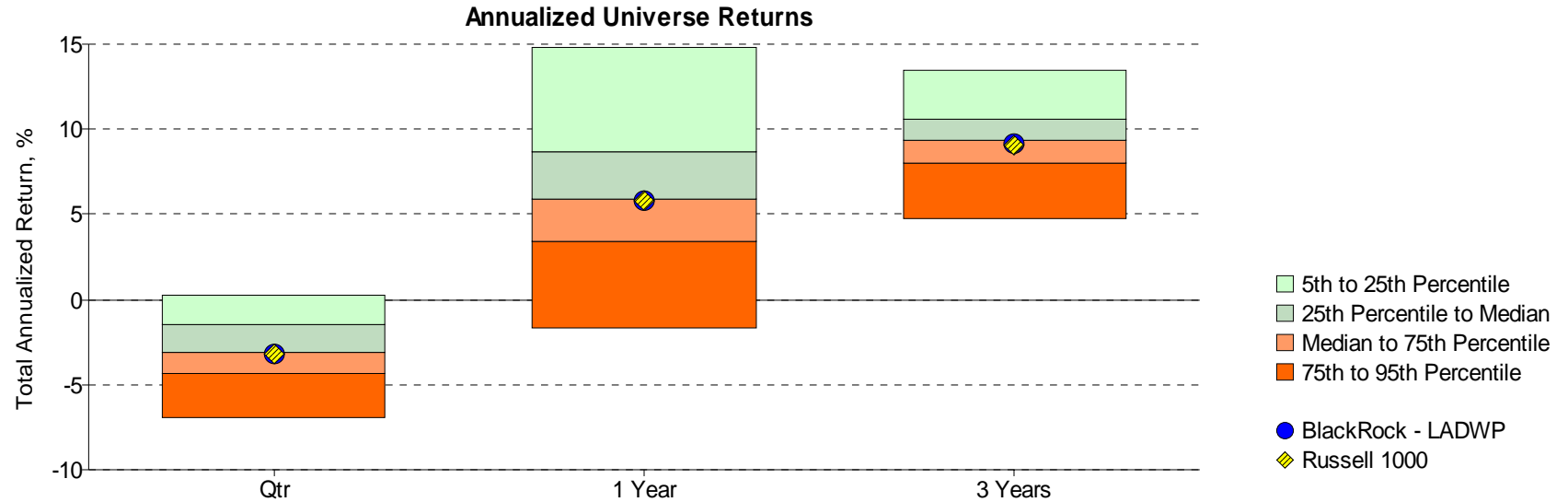
Performance and related statistics calculated using MPI software that geometrically linked and compounded returns.

Differences due to rounding.

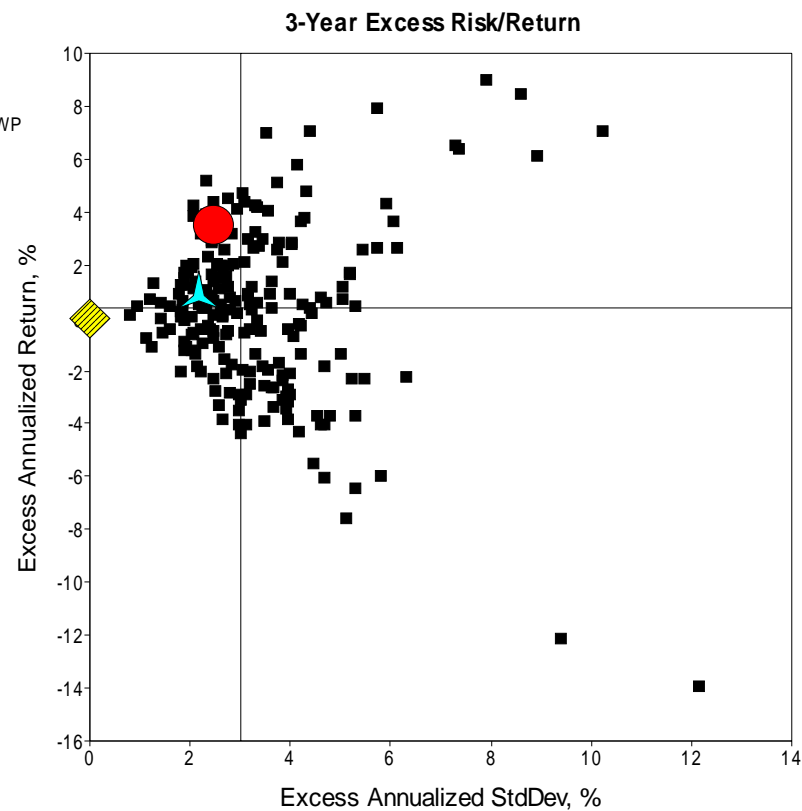
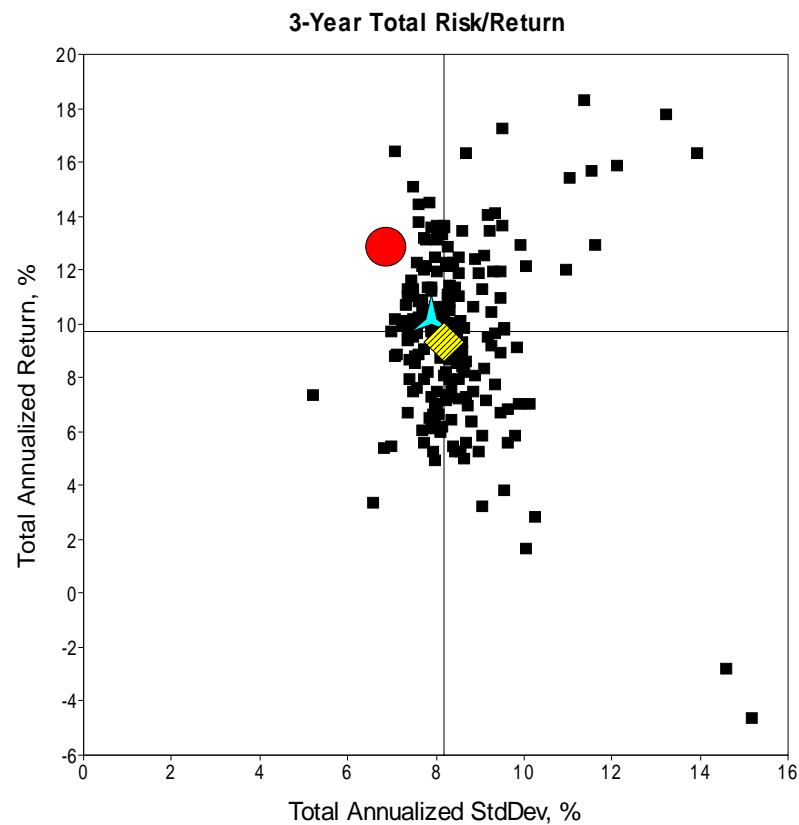




# WPERP Large Cap Core Manager Comparisons as of December 31, 2007



# WPERP Large Cap Value Manager Comparisons as of December 31, 2007

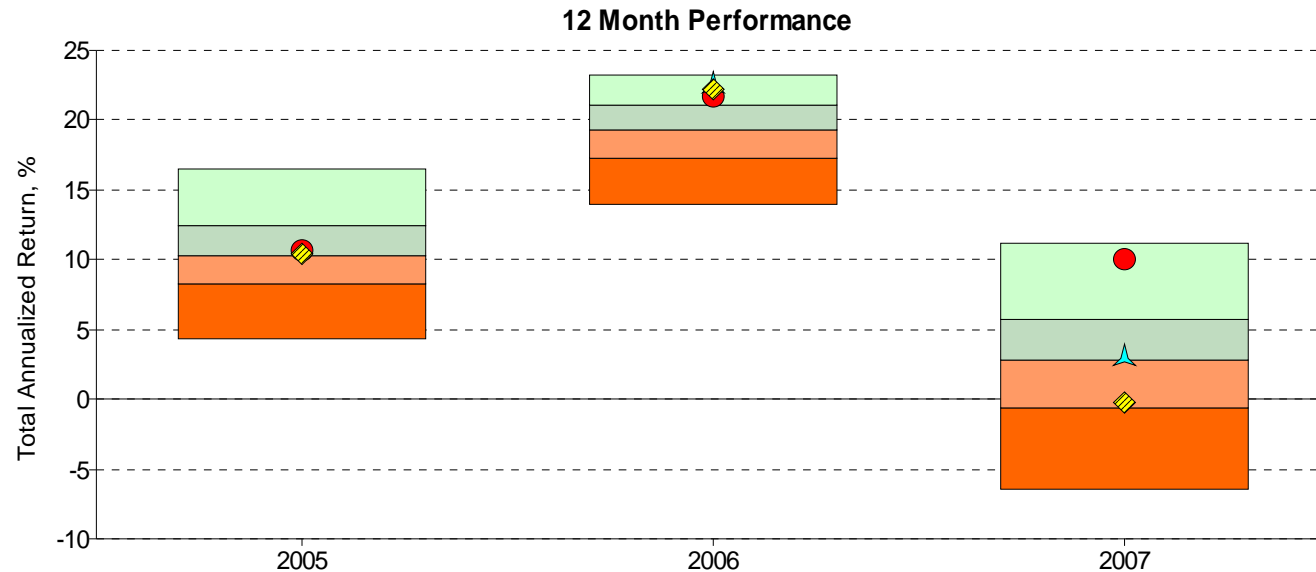
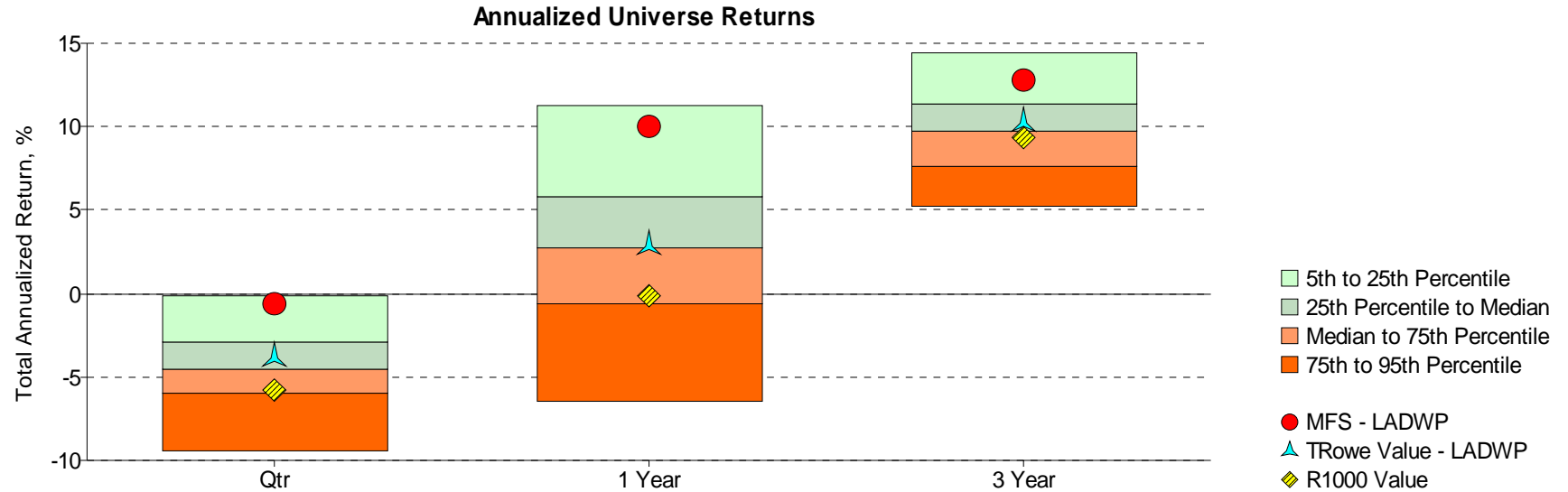


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
MFS - LADWP	12.83	6.88	1.87
TRowe Value - LADWP	10.18	7.91	1.29
R1000 Value	9.30	8.17	1.14
Large Value Manager Universe Median	9.70	8.18	1.17

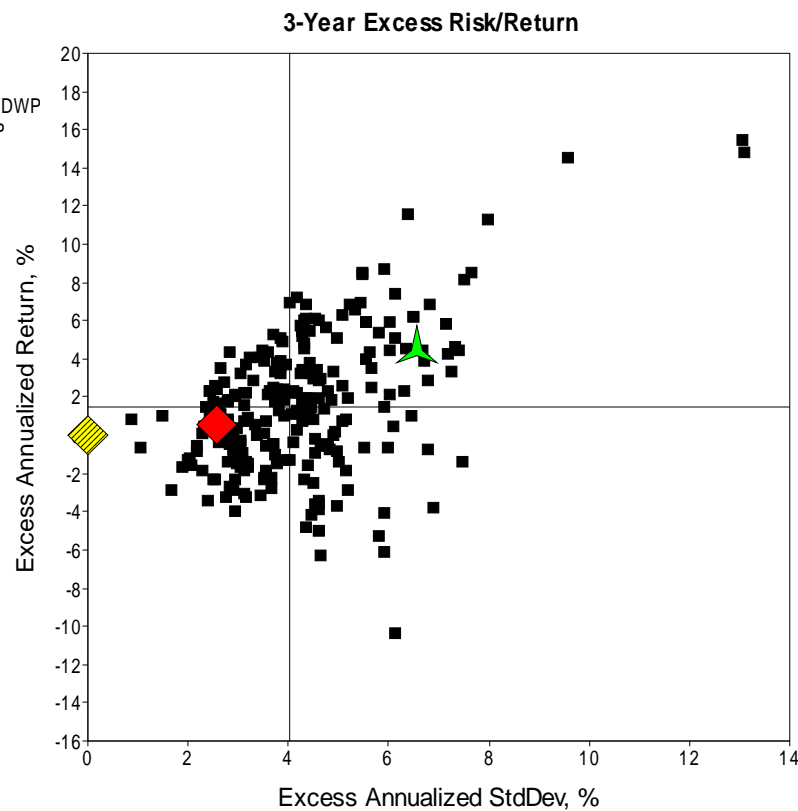
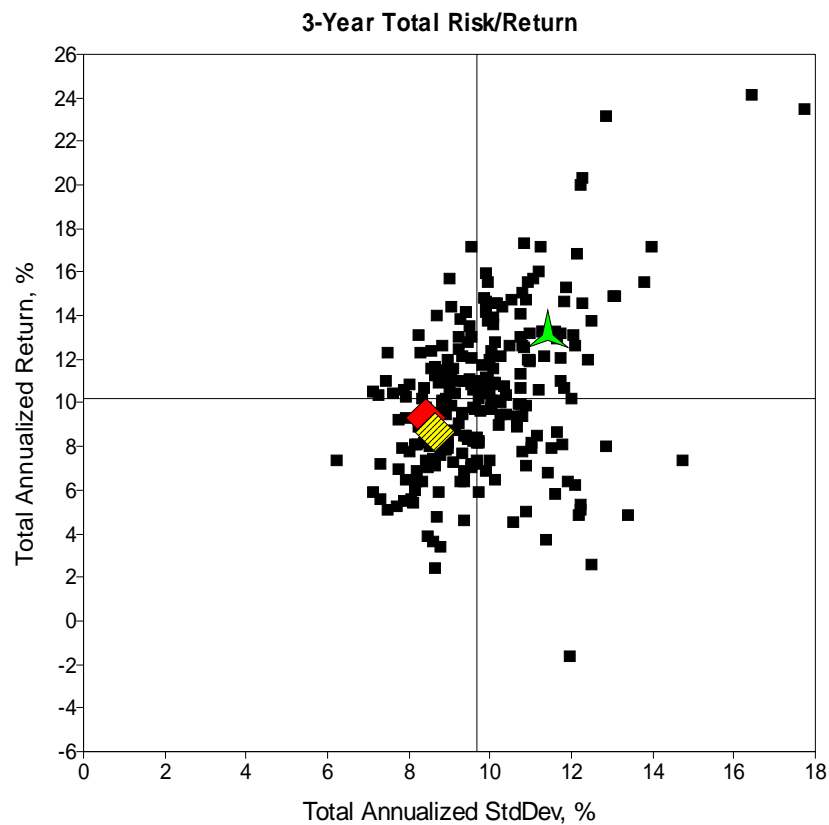
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
MFS - LADWP	3.53	2.45	1.44
TRowe Value - LADWP	0.87	2.18	0.40
R1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	0.40	3.00	0.16



# WPERP Large Cap Value Manager Comparisons as of December 31, 2007



# WPERP Large Cap Growth Manager Comparisons as of December 31, 2007

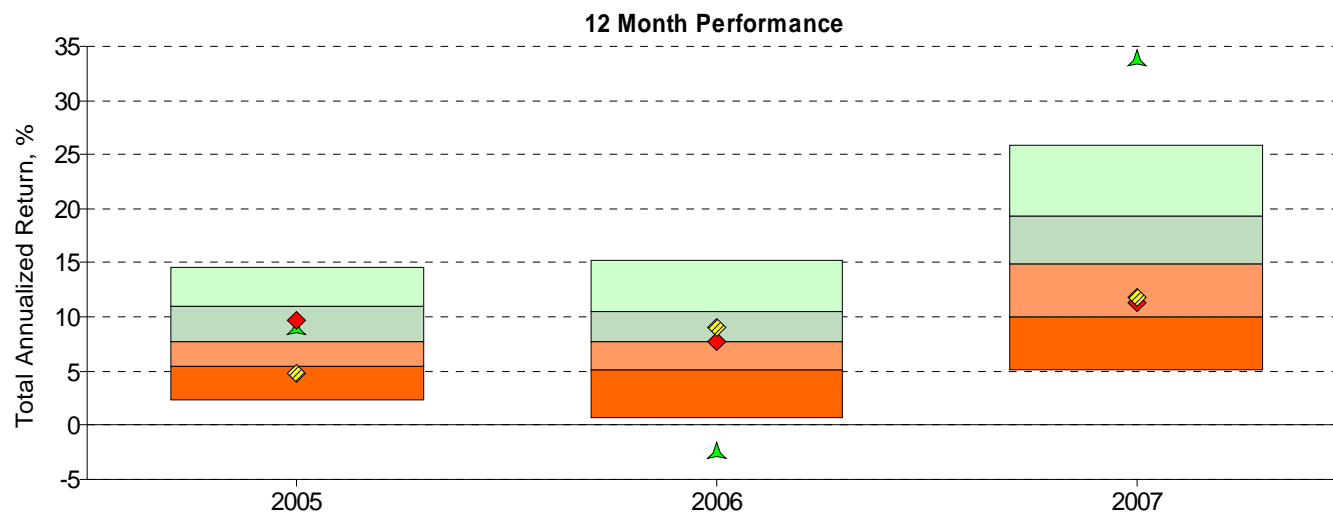
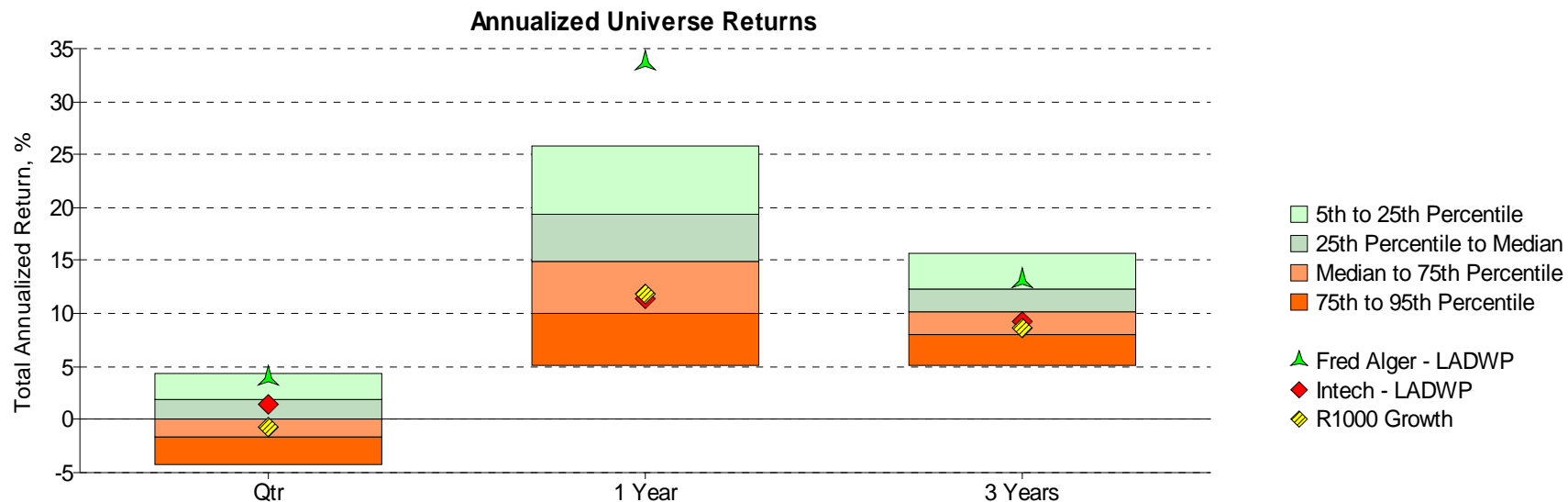


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Fred Alger - LADWP	13.11	11.40	1.15
Intech - LADWP	9.29	8.44	1.10
R1000 Growth	8.69	8.66	1.00
Large Growth Manager Universe Median	10.18	9.66	1.07

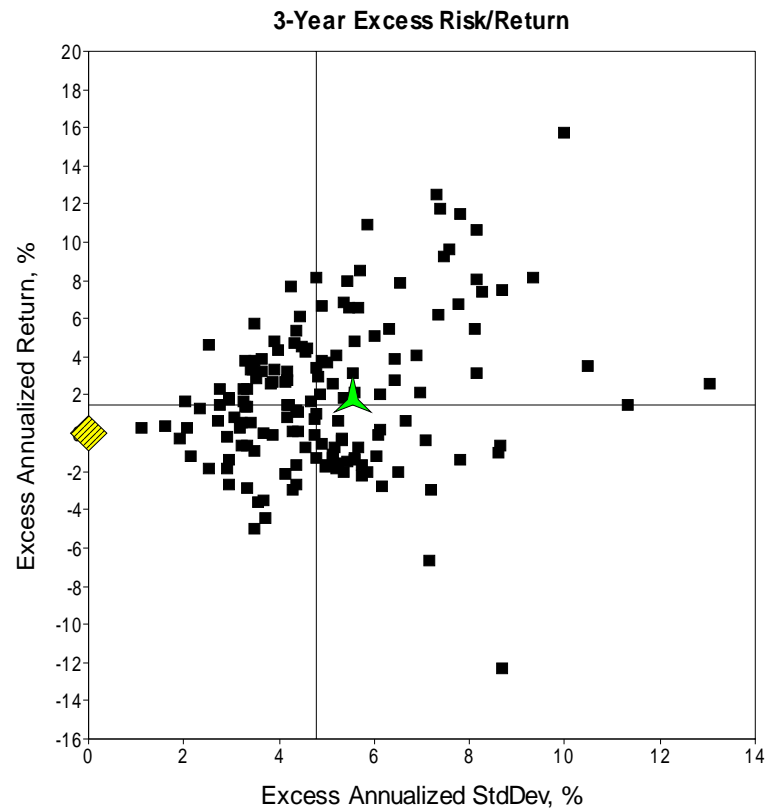
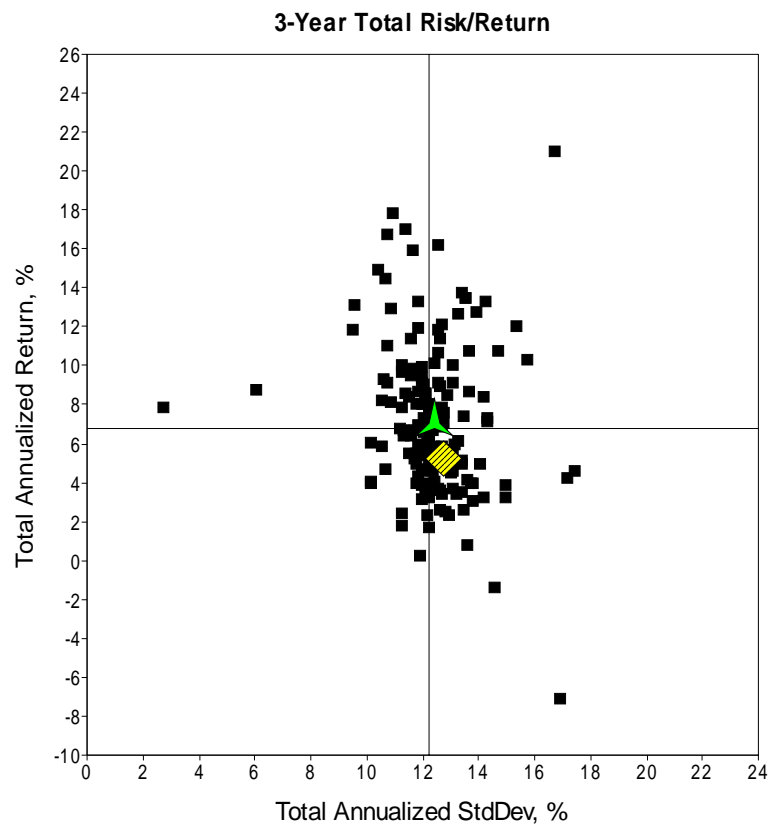
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Fred Alger - LADWP	4.41	6.55	0.67
Intech - LADWP	0.59	2.56	0.23
R1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	1.49	4.04	0.42



# WPERP Large Cap Growth Manager Comparisons as of December 31, 2007



# WPERP Small Cap Value Manager Comparisons as of December 31, 2007

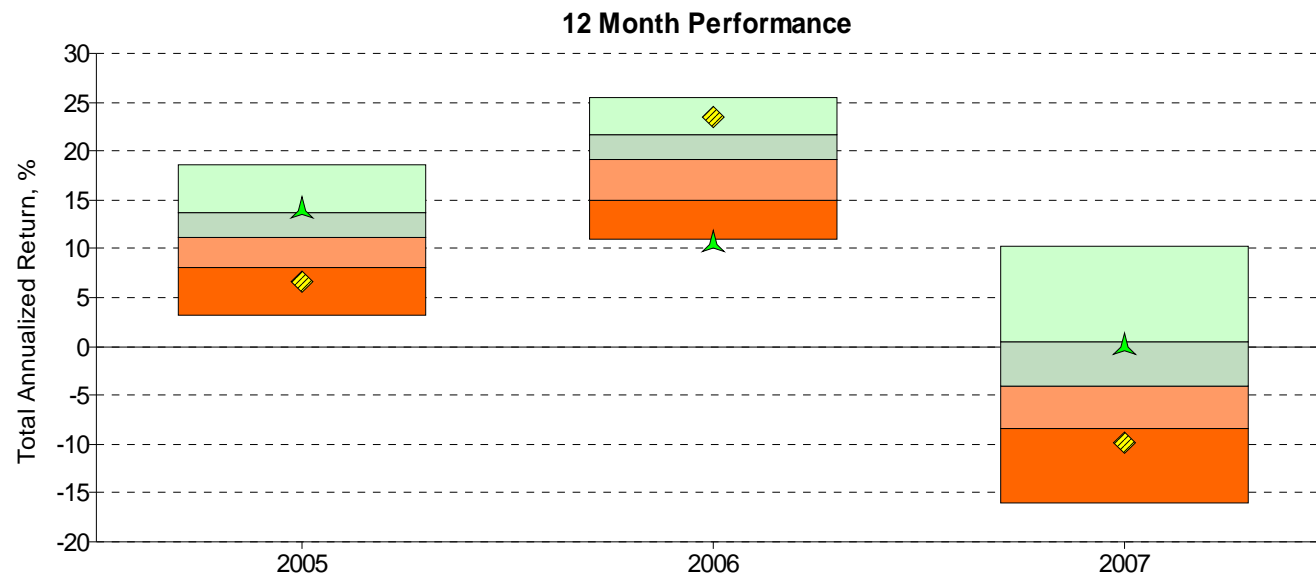
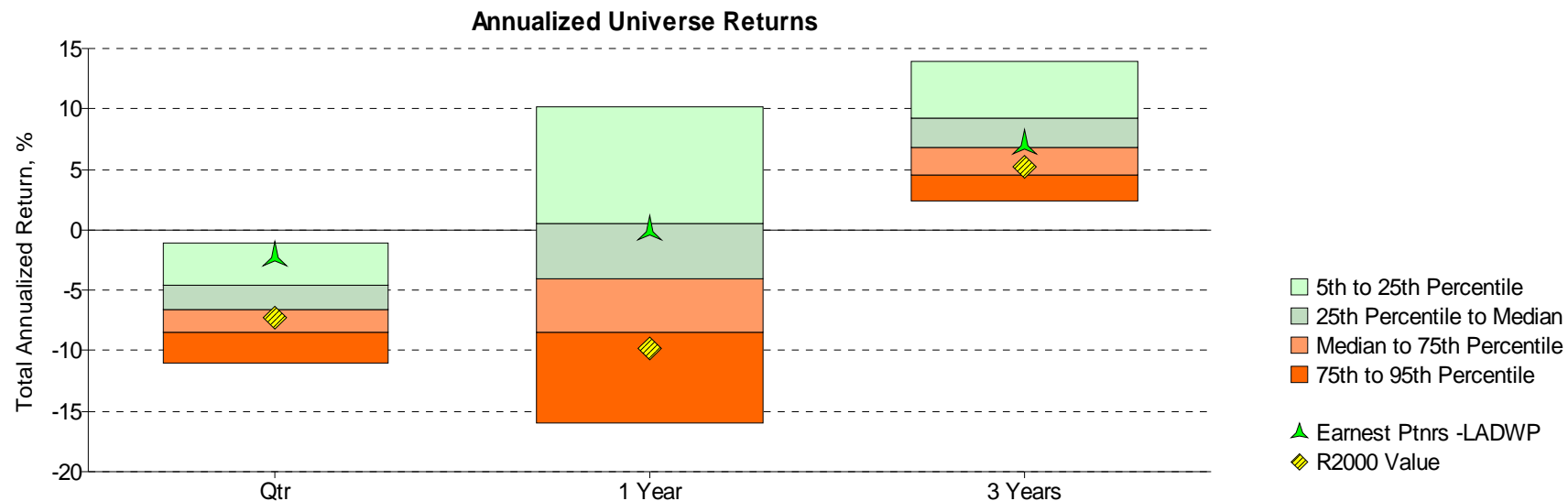


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Earnest Ptnrs -LADWP	7.02	12.43	0.56
R2000 Value	5.27	12.77	0.41
Small Cap Value Universe Median	6.77	12.25	0.56

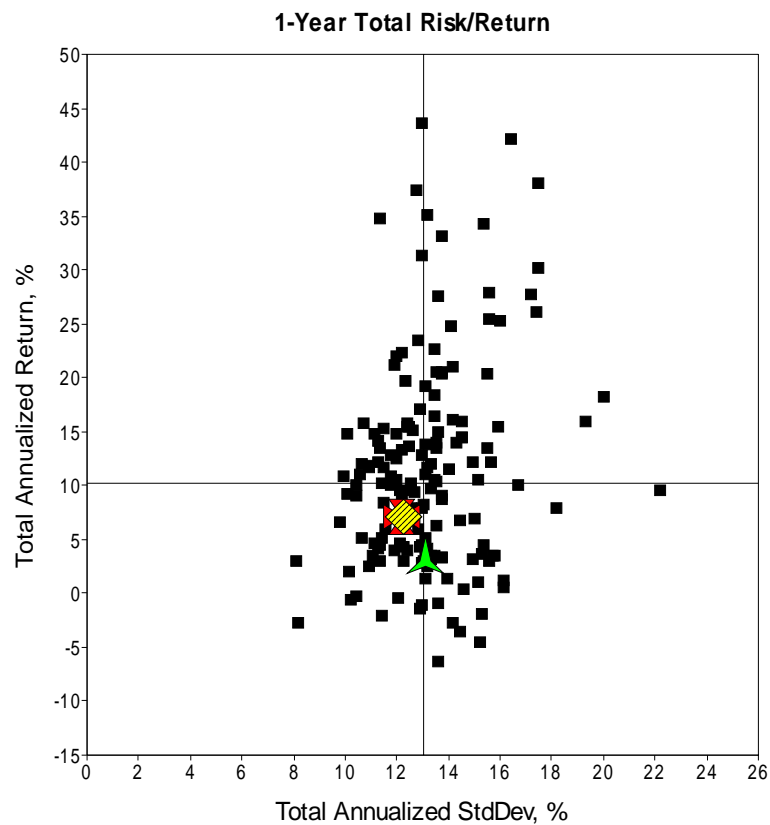
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Earnest Ptnrs -LADWP	1.75	5.55	0.32
R2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	1.50	4.78	0.35



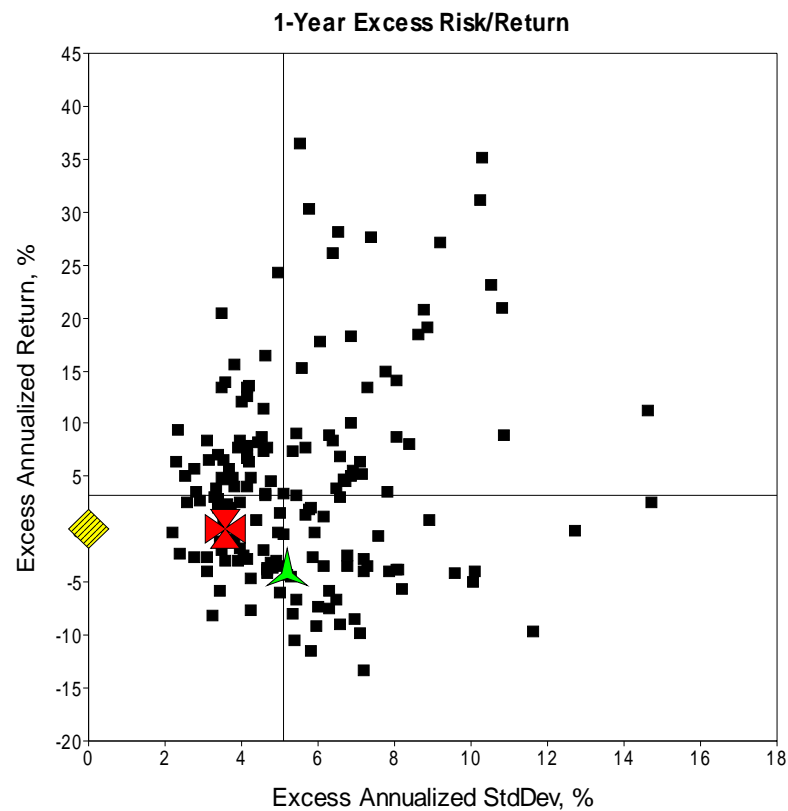
# WPERP Small Cap Value Manager Comparisons as of December 31, 2007



# WPERP Small Cap Growth Manager Comparisons as of December 31, 2007



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Northpointe - LADWP	2.93	13.10	0.22
Paradigm - LADWP	7.12	12.22	0.58
R2000 Growth	7.04	12.26	0.57
Small Cap Growth Universe Median	10.24	13.02	0.81

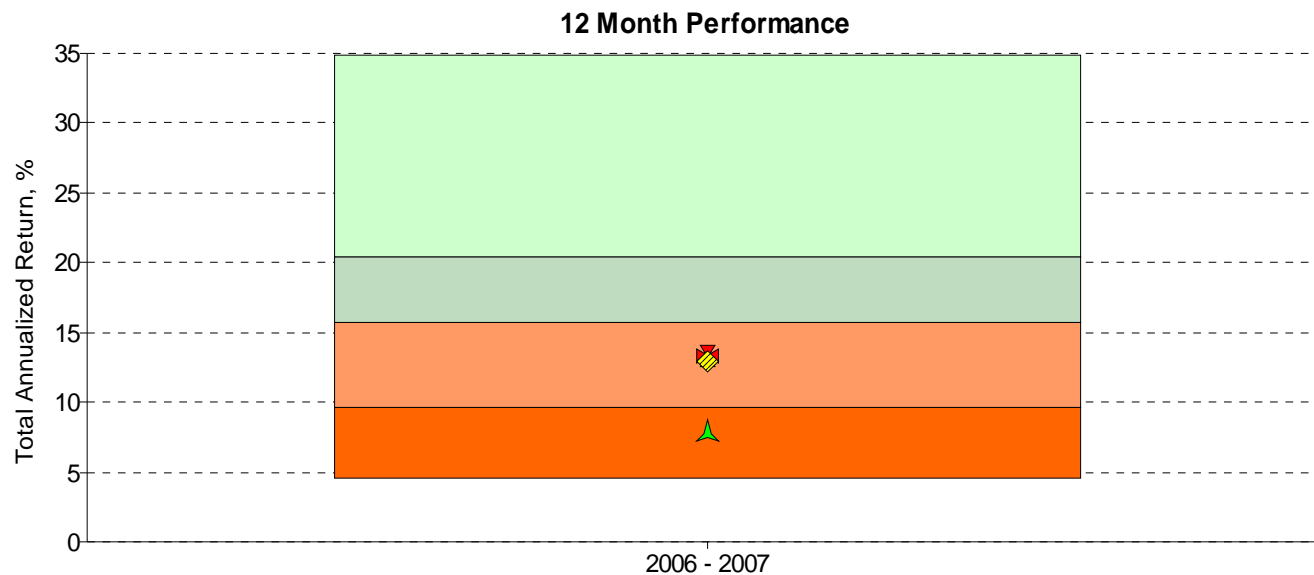
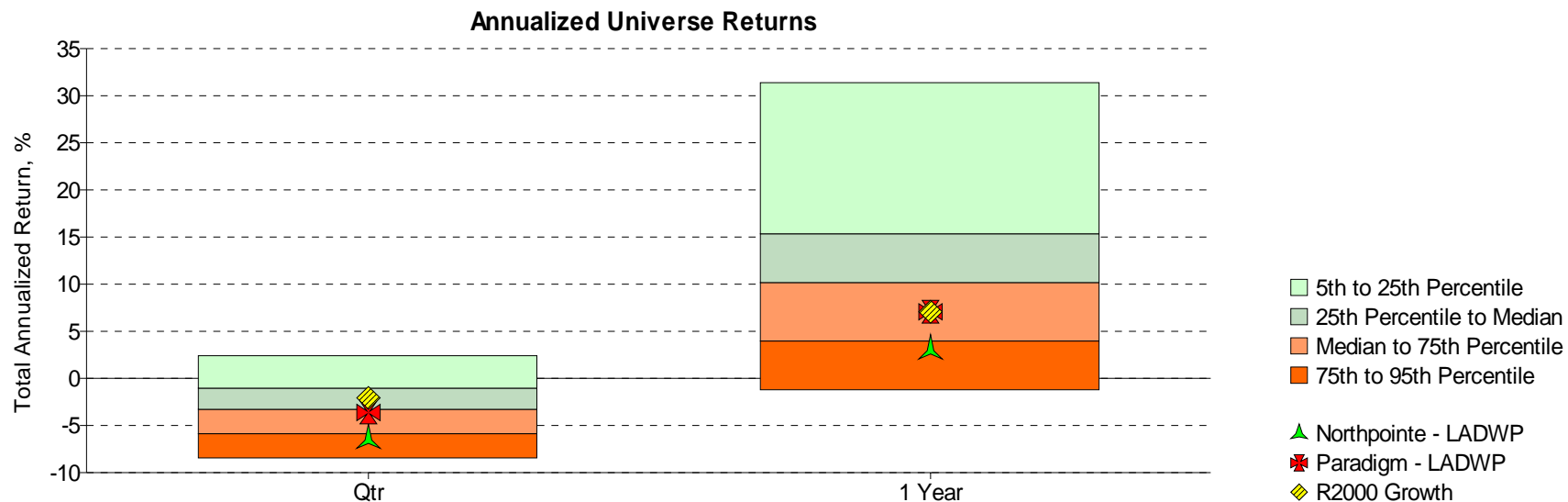


	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Northpointe - LADWP	-4.10	5.18	-0.79
Paradigm - LADWP	0.09	3.56	0.02
R2000 Growth	0.00	0.00	NA
Small Cap Growth Universe Median	3.21	5.09	0.67

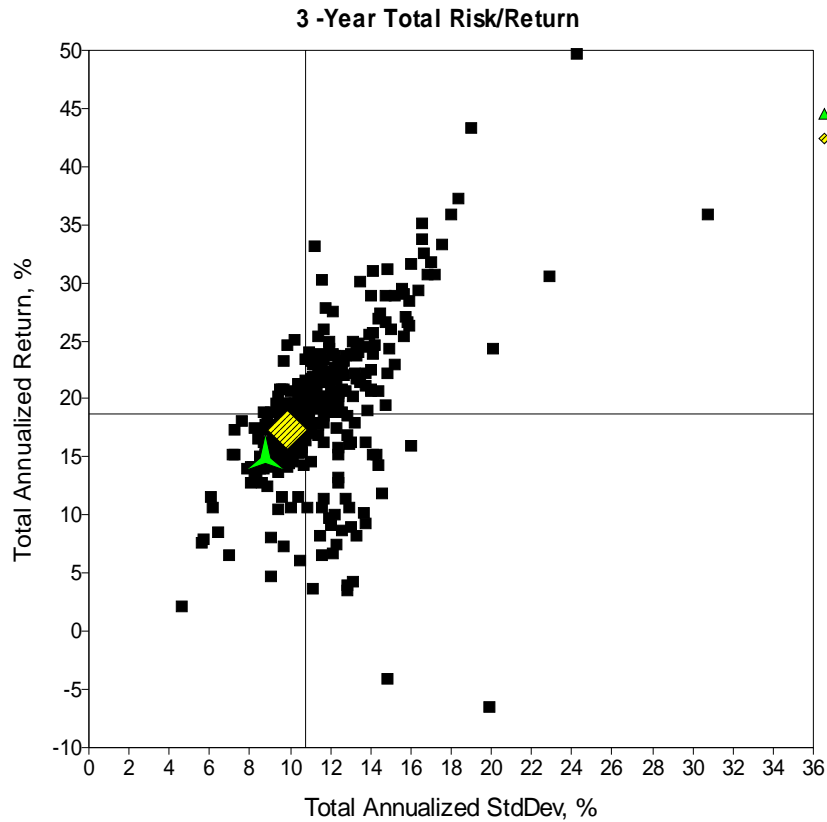




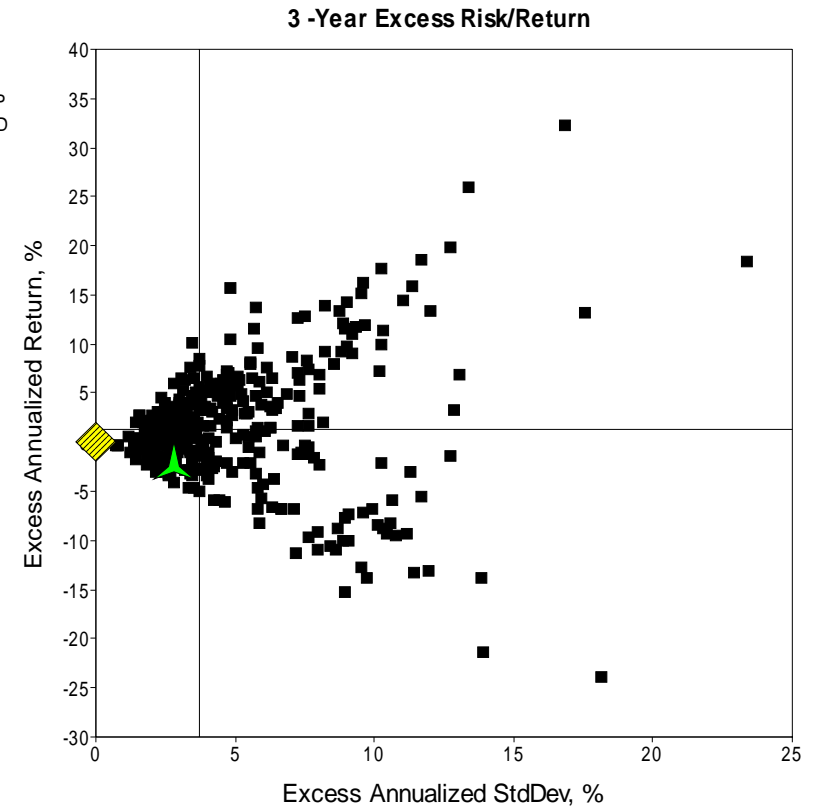
# WPERP Small Cap Growth Manager Comparisons as of December 31, 2007



# WPERP International Equity Manager Comparisons as of December 31, 2007



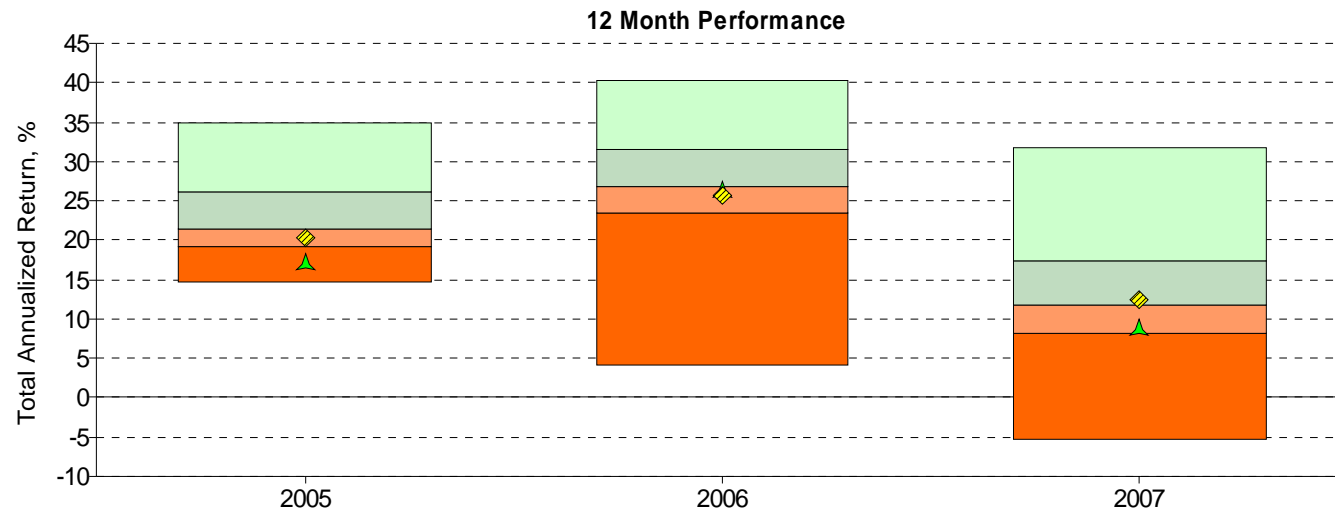
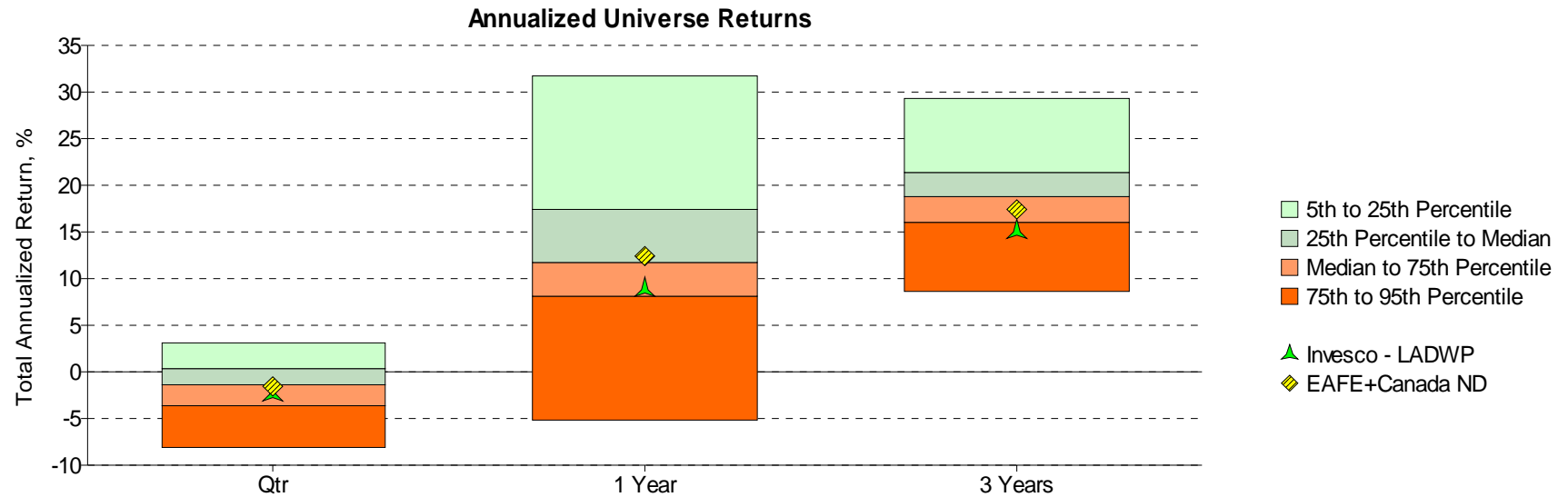
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Invesco - LADWP	14.97	8.77	1.71
EAFE+Canada ND	17.40	9.86	1.77
International Equity Universe Median	18.75	10.75	1.75



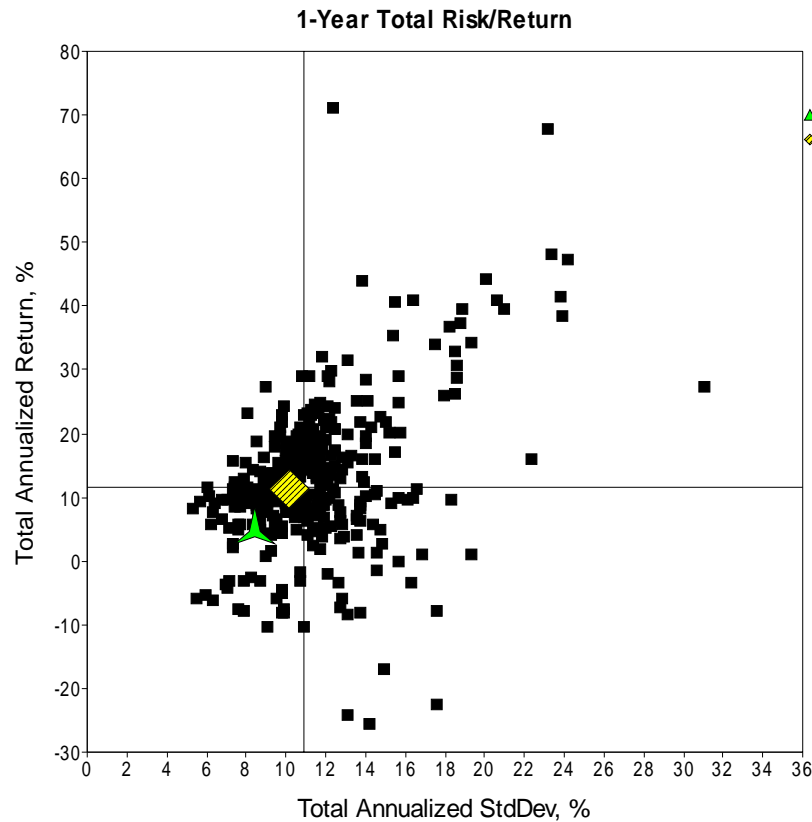
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Invesco - LADWP	-2.42	2.78	-0.87
EAFE+Canada ND	0.00	0.00	NA
International Equity Universe Median	1.35	3.71	0.42



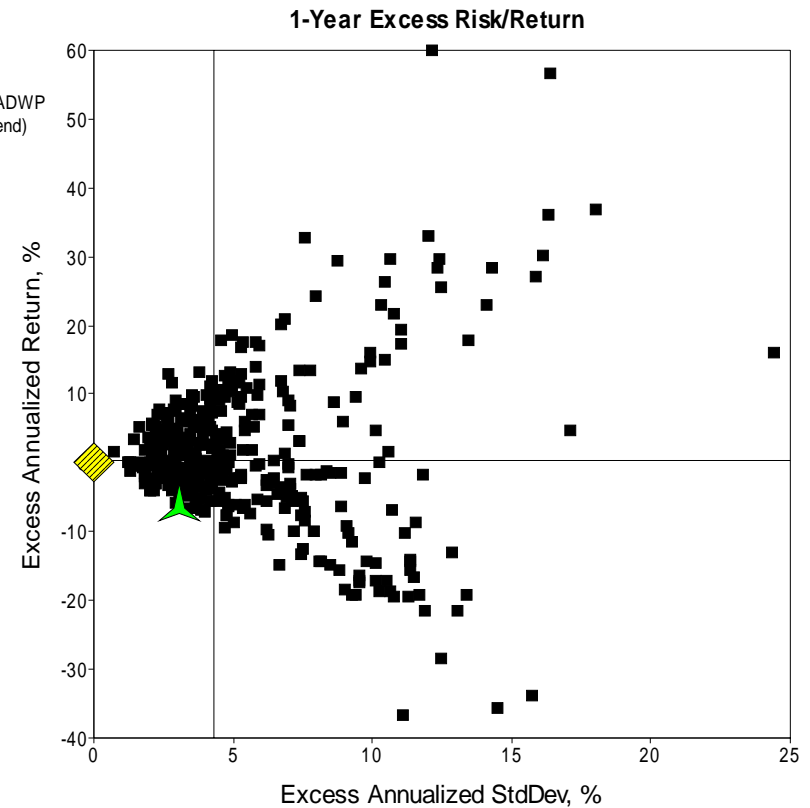
# WPERP International Equity Manager Comparisons as of December 31, 2007



# WPERP International Equity Manager Comparisons as of December 31, 2007



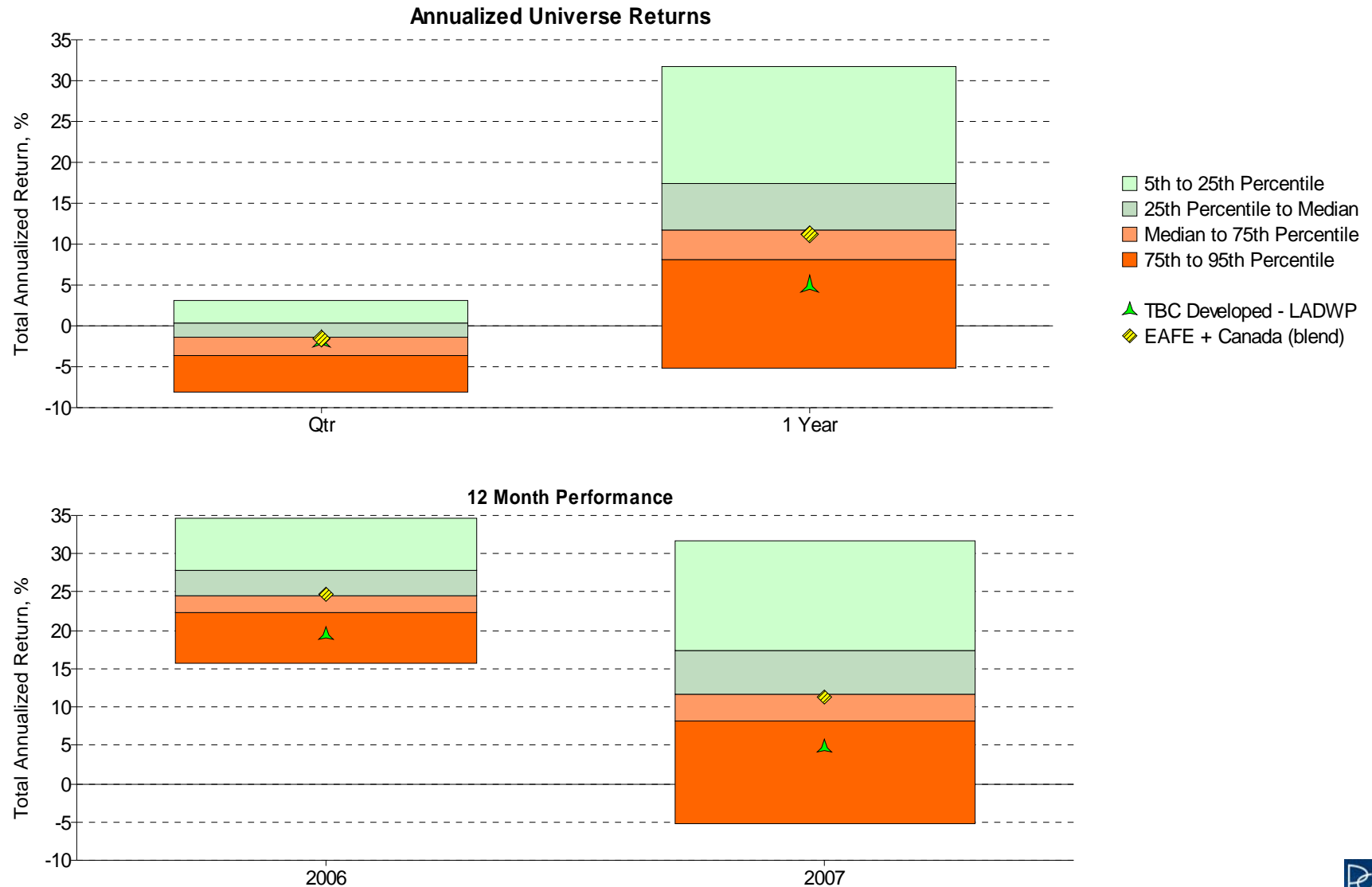
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
TBC Developed - LADWP	4.77	8.39	0.57
EAFE + Canada (blend)	11.26	10.14	1.11
International Equity Universe Median	11.68	10.92	1.22



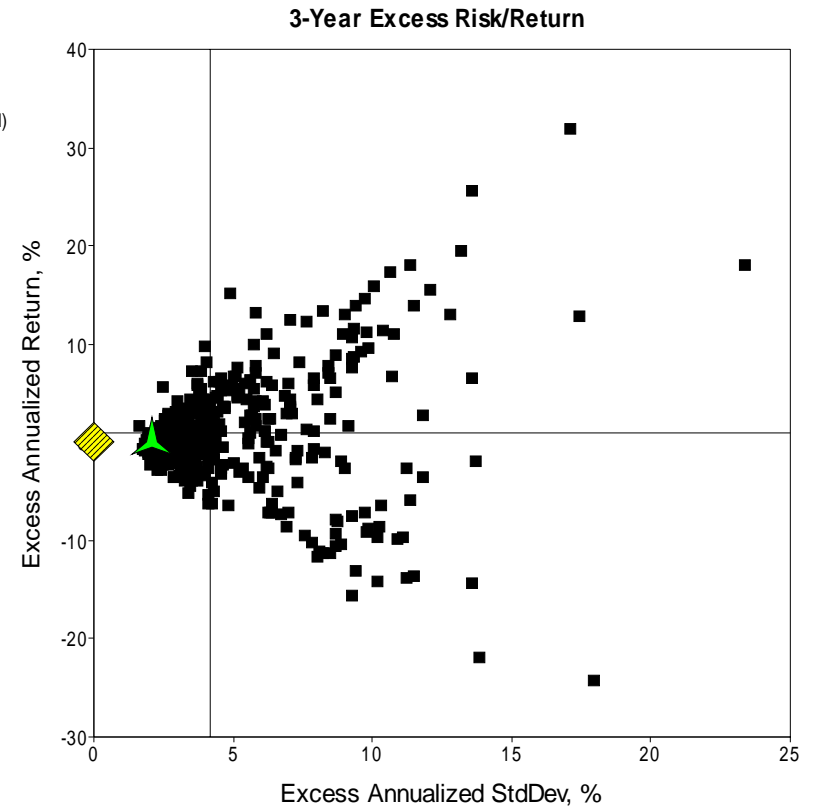
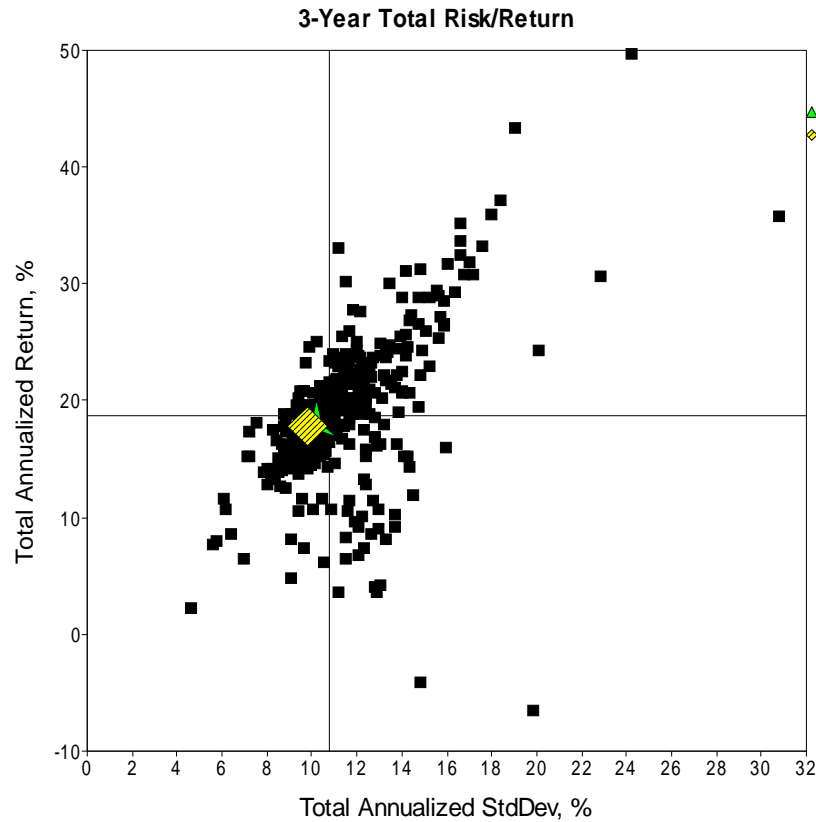
	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
TBC Developed - LADWP	-6.49	3.07	-2.11
EAFE + Canada (blend)	0.00	0.00	NA
International Equity Universe Median	0.42	4.33	0.16



# WPERP International Equity Manager Comparisons as of December 31, 2007



# WPERP International Equity Manager Comparisons as of December 31, 2007

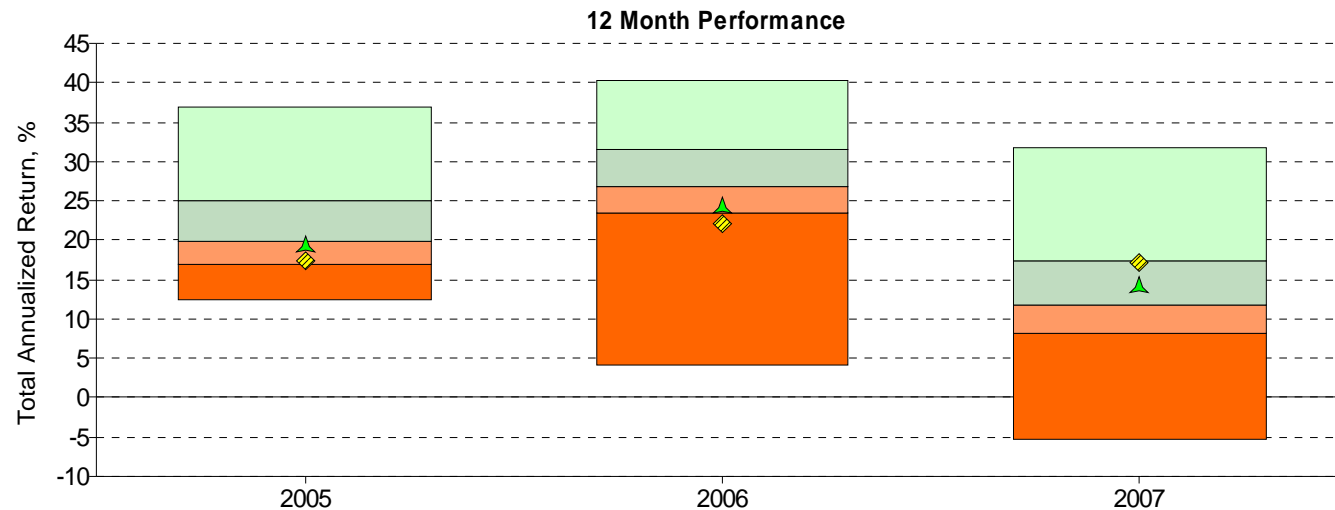
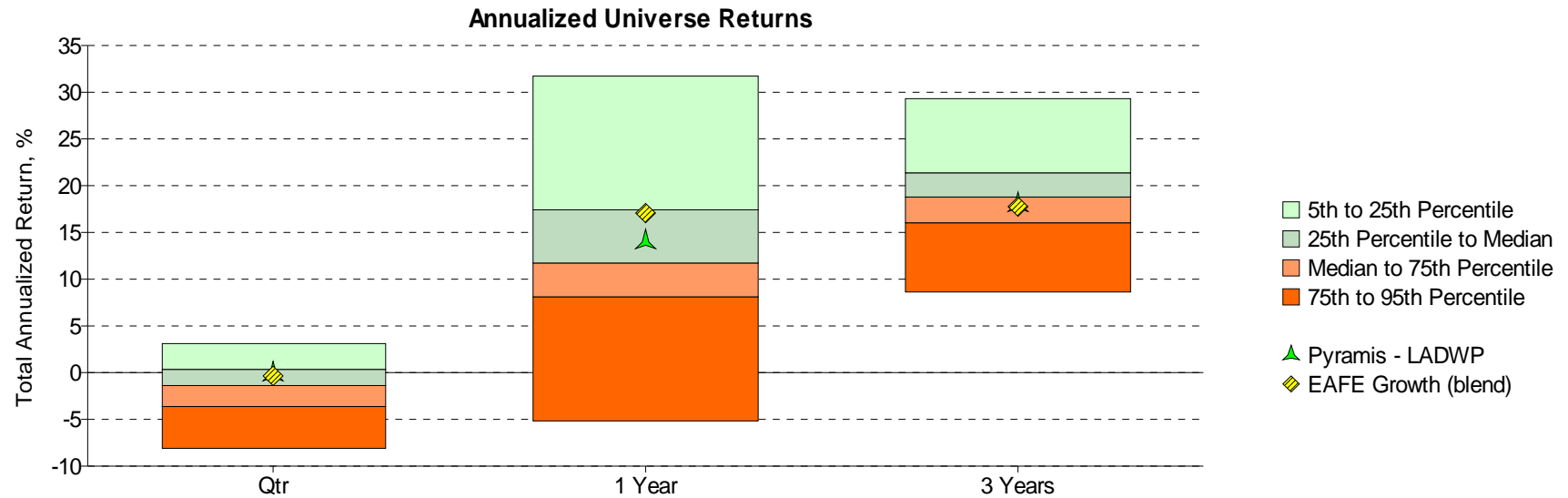


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Pyramis - LADWP	17.94	10.25	1.75
EAFE Growth (blend)	17.83	9.82	1.82
International Equity Universe Median	18.75	10.75	1.75

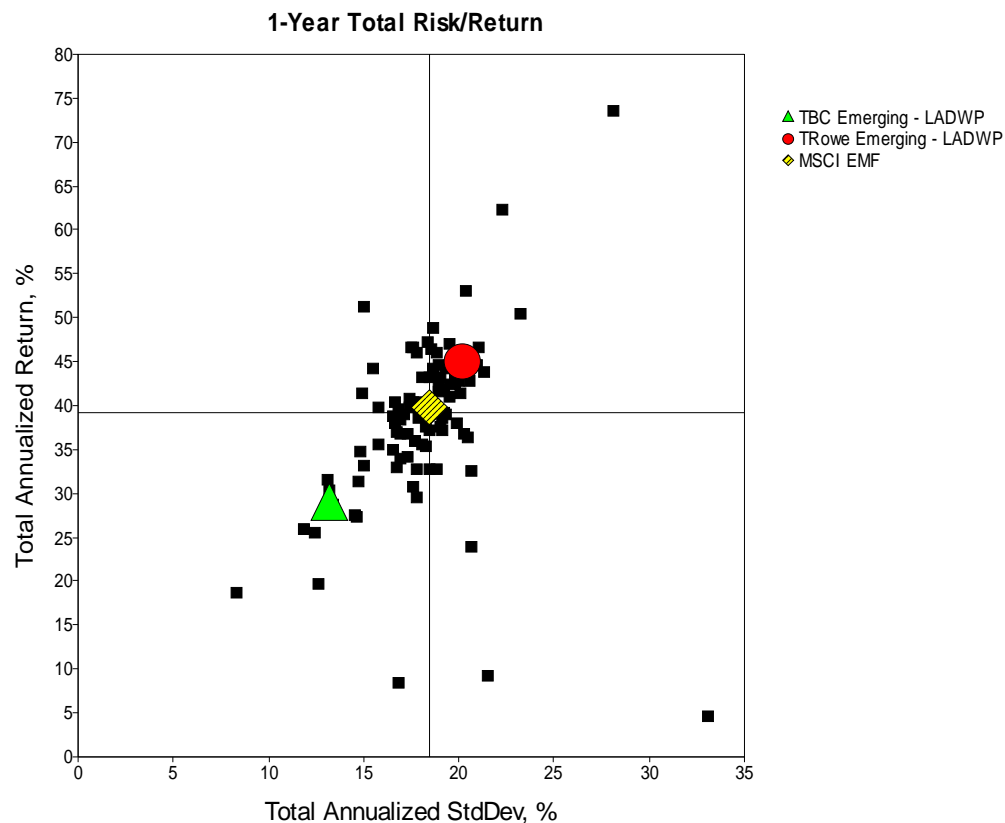
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Pyramis - LADWP	0.11	2.11	0.05
EAFE Growth (blend)	0.00	0.00	NA
International Equity Universe Median	0.92	4.17	0.22



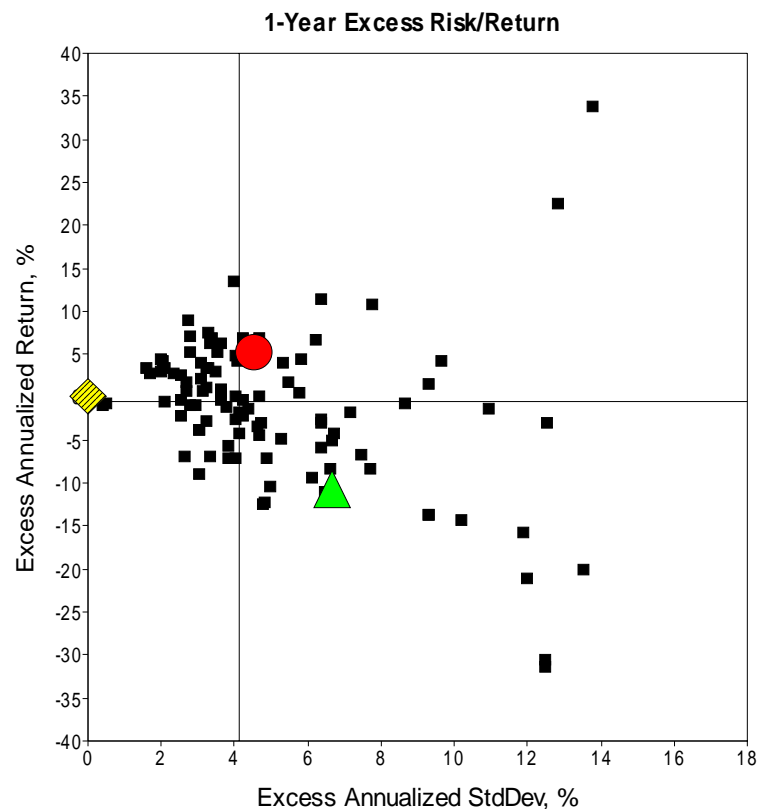
# WPERP International Equity Manager Comparisons as of December 31, 2007



# WPERP Emerging Equity Manager Comparisons as of December 31, 2007



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
TBC Emerging - LADWP	28.35	13.24	2.14
TRowe Emerging - LADWP	44.96	20.21	2.22
MSCI EMF	39.78	18.42	2.16
Emerging Equity Universe Median	39.17	18.42	2.18

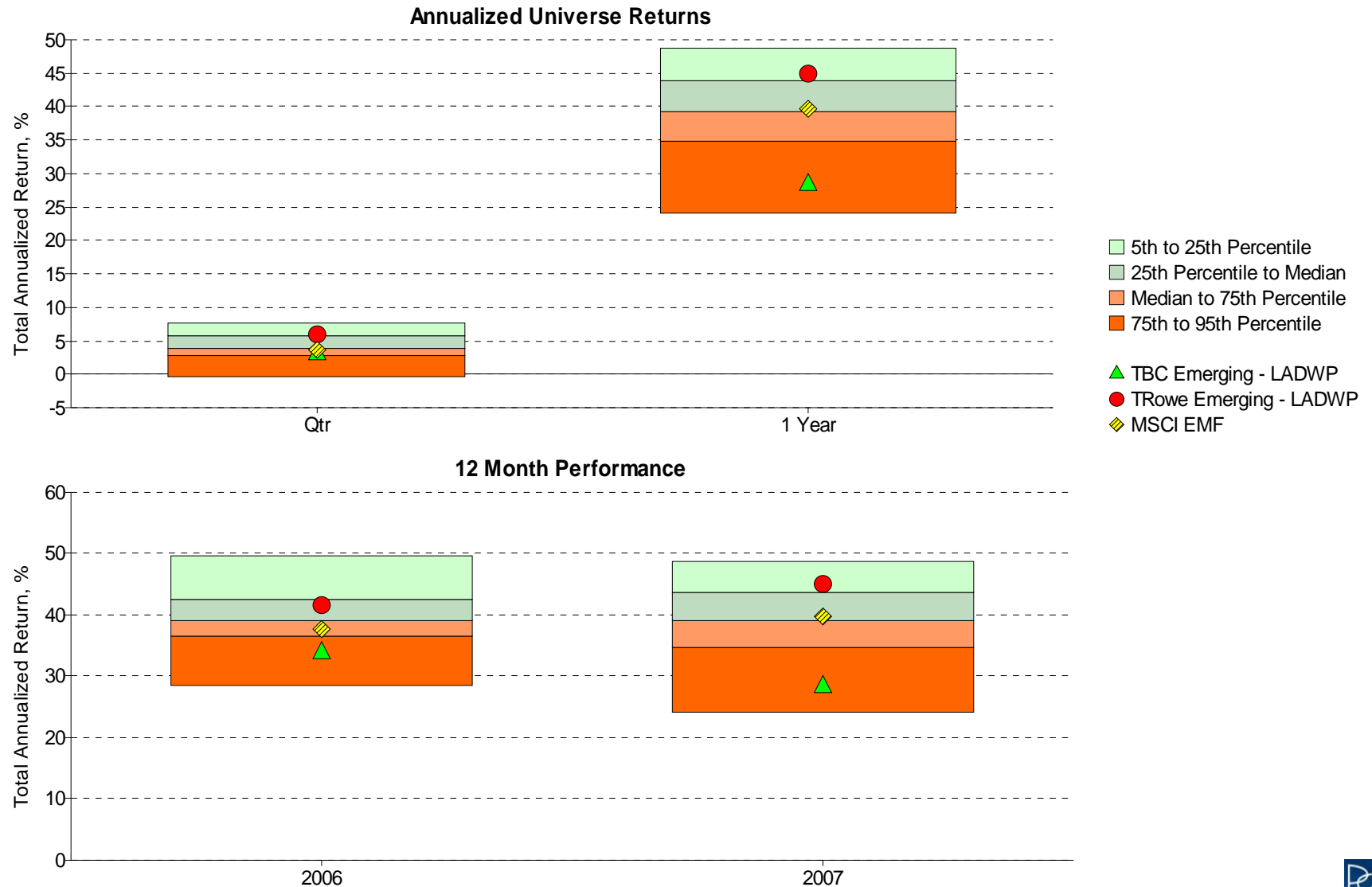


	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
TBC Emerging - LADWP	-11.43	6.68	-1.71
TRowe Emerging - LADWP	5.18	4.51	1.15
MSCI EMF	0.00	0.00	NA
Emerging Equity Universe Median	-0.61	4.12	-0.12

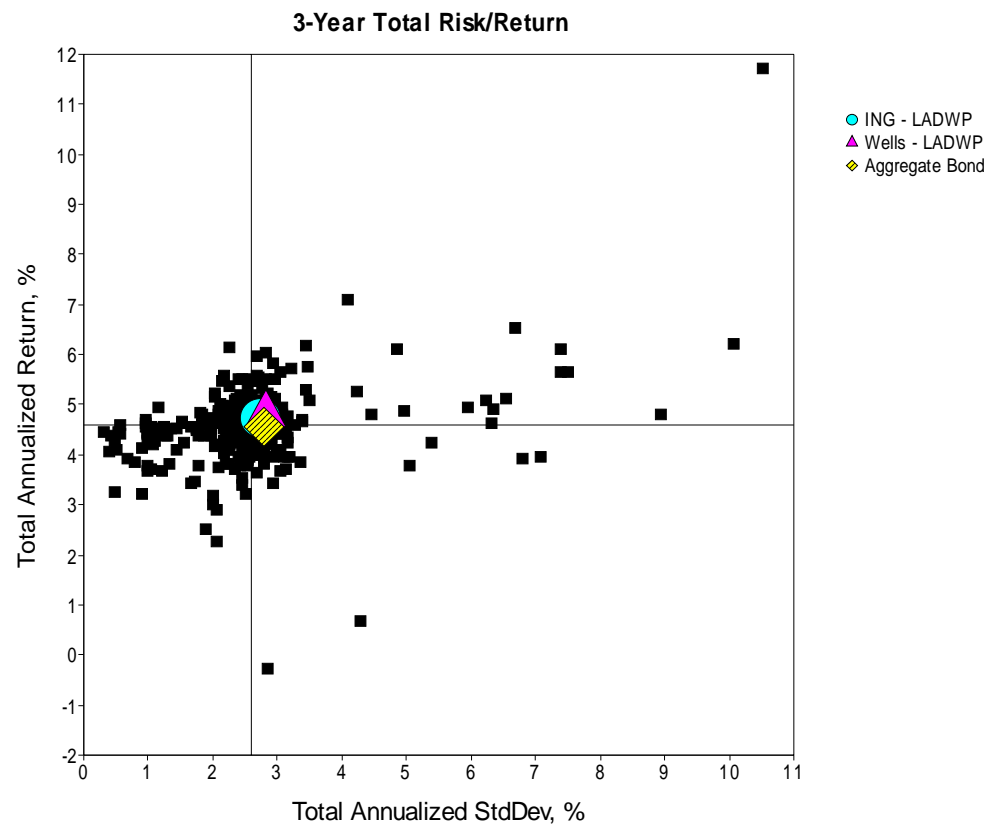




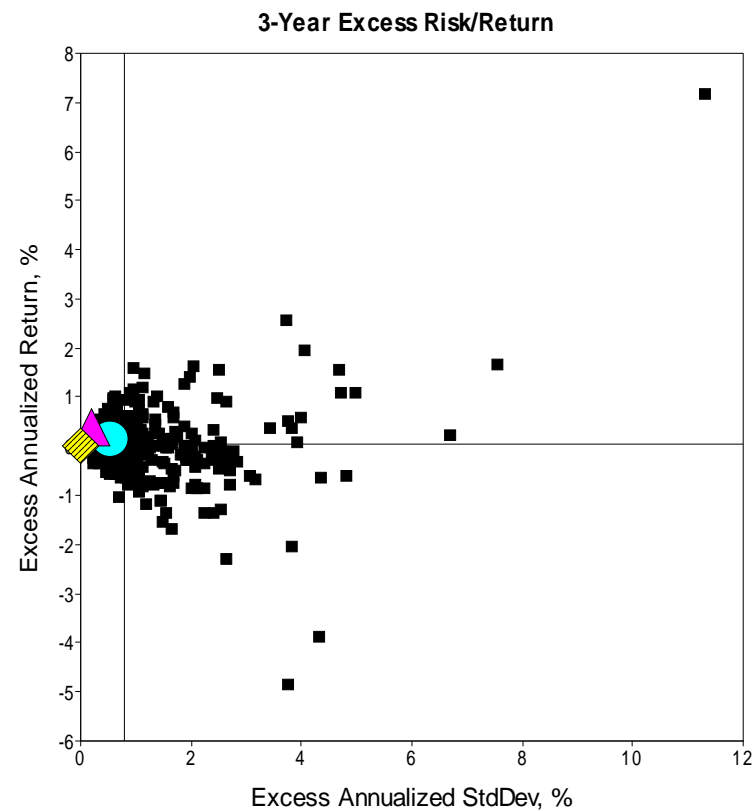
# WPERP Emerging Equity Manager Comparisons as of December 31, 2007



## WPERP Fixed Income Manager Comparisons as of December 31, 2007



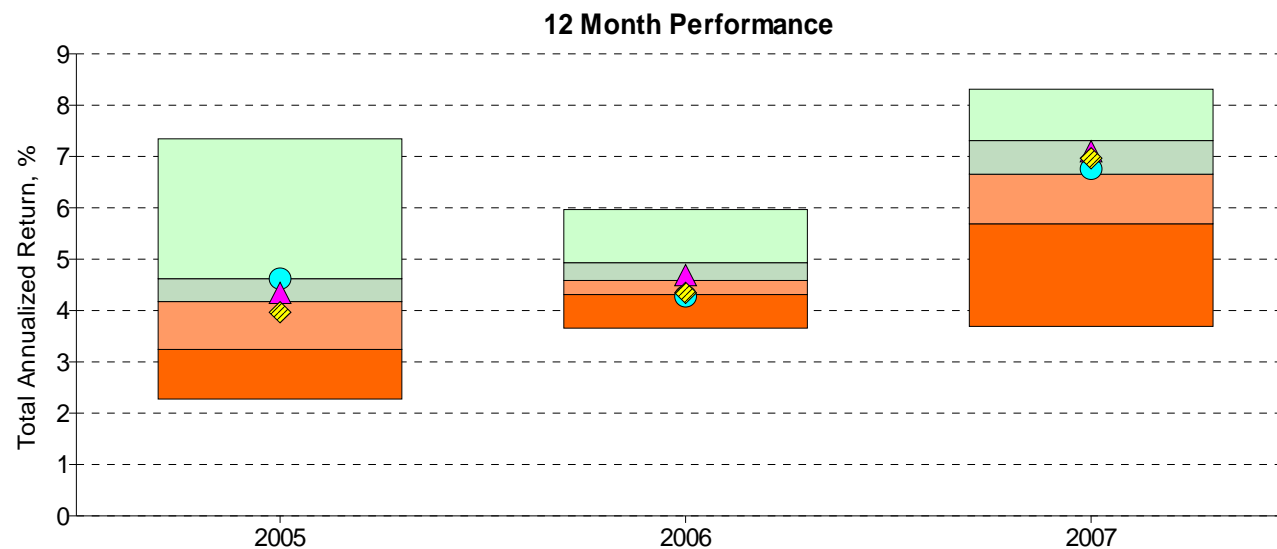
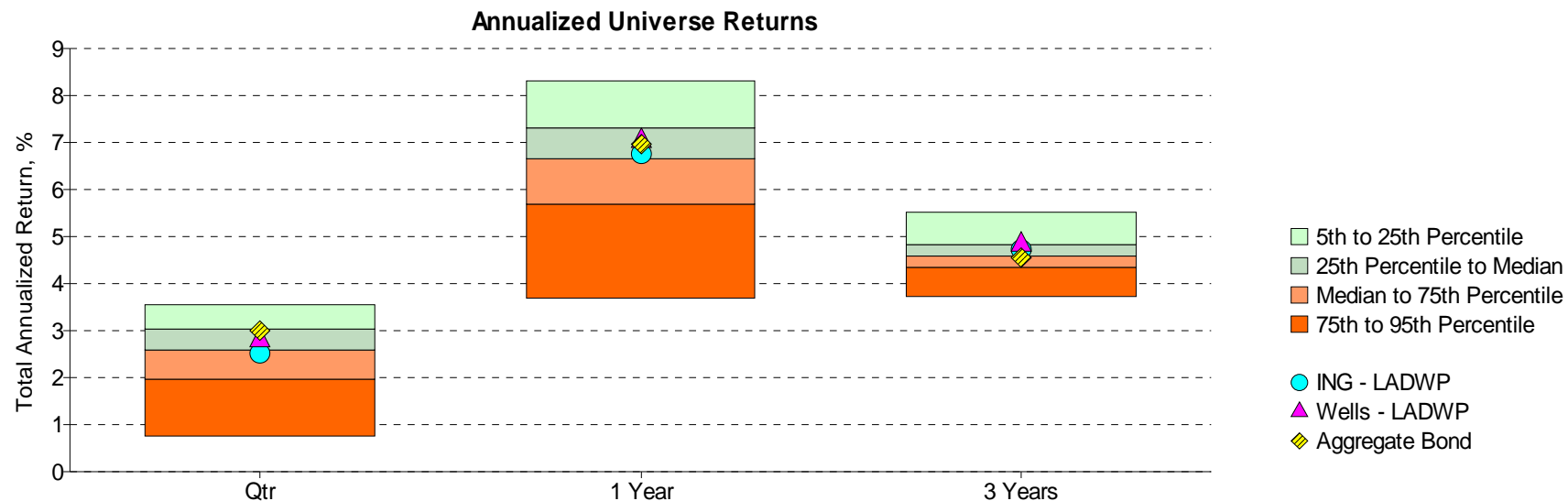
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
ING - LADWP	4.73	2.72	1.74
Wells - LADWP	4.82	2.83	1.70
Aggregate Bond	4.56	2.80	1.63
U.S. Fixed Income Universe Median	4.59	2.60	1.80



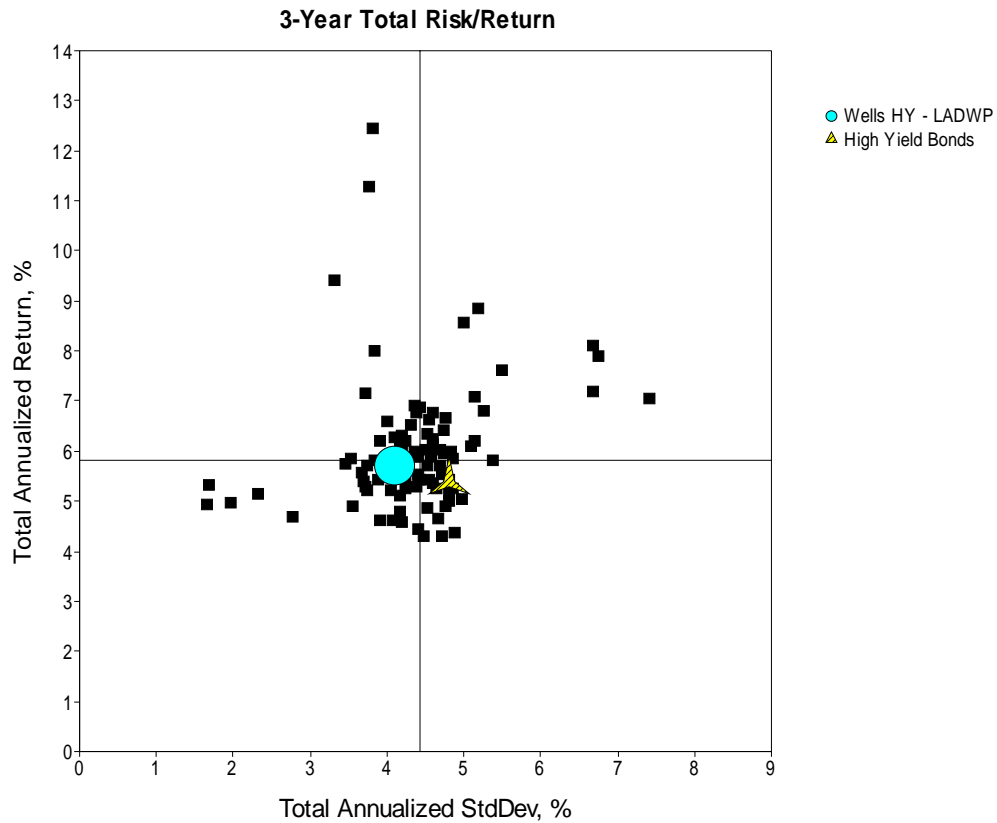
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
ING - LADWP	0.17	0.54	0.31
Wells - LADWP	0.26	0.20	1.26
Aggregate Bond	0.00	0.00	NA
U.S. Fixed Income Universe Median	0.03	0.80	0.03



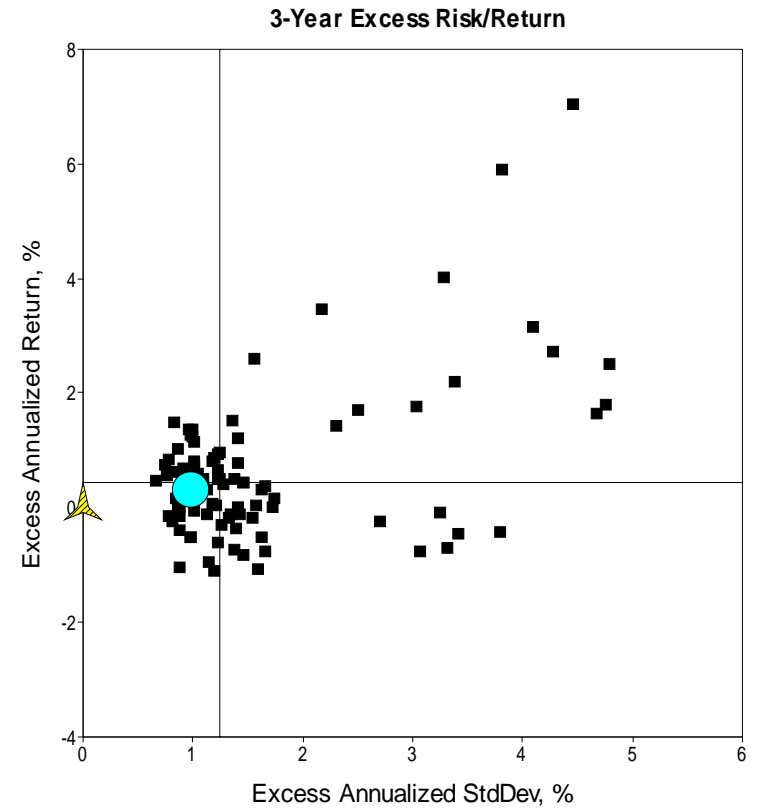
# WPERP Fixed Income Manager Comparisons as of December 31, 2007



## WPERP High Yield Manager Comparisons as of December 31, 2007



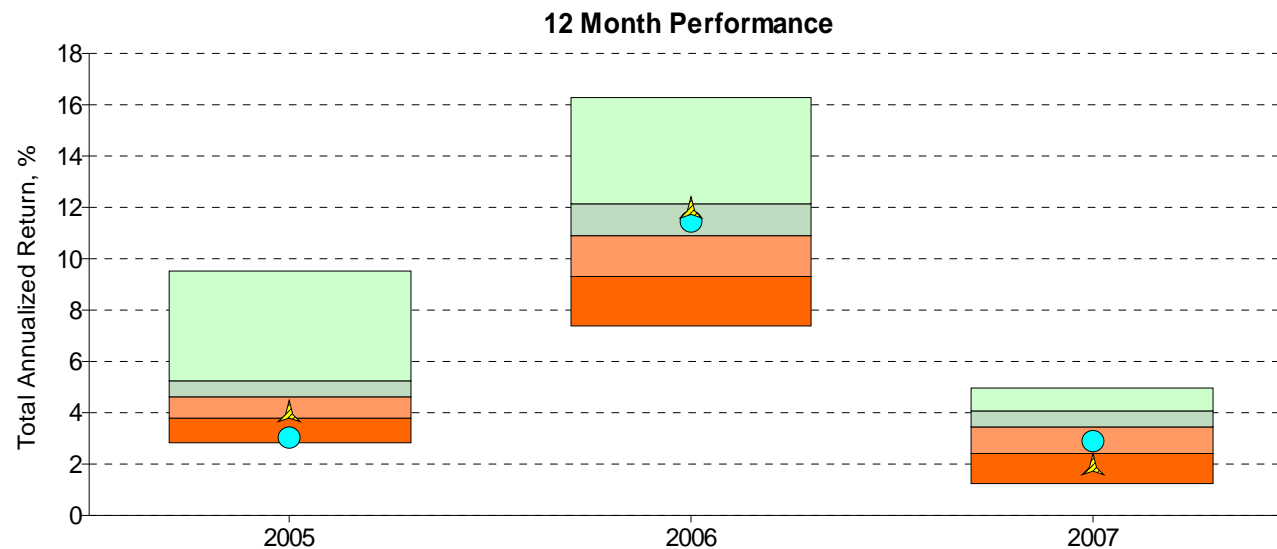
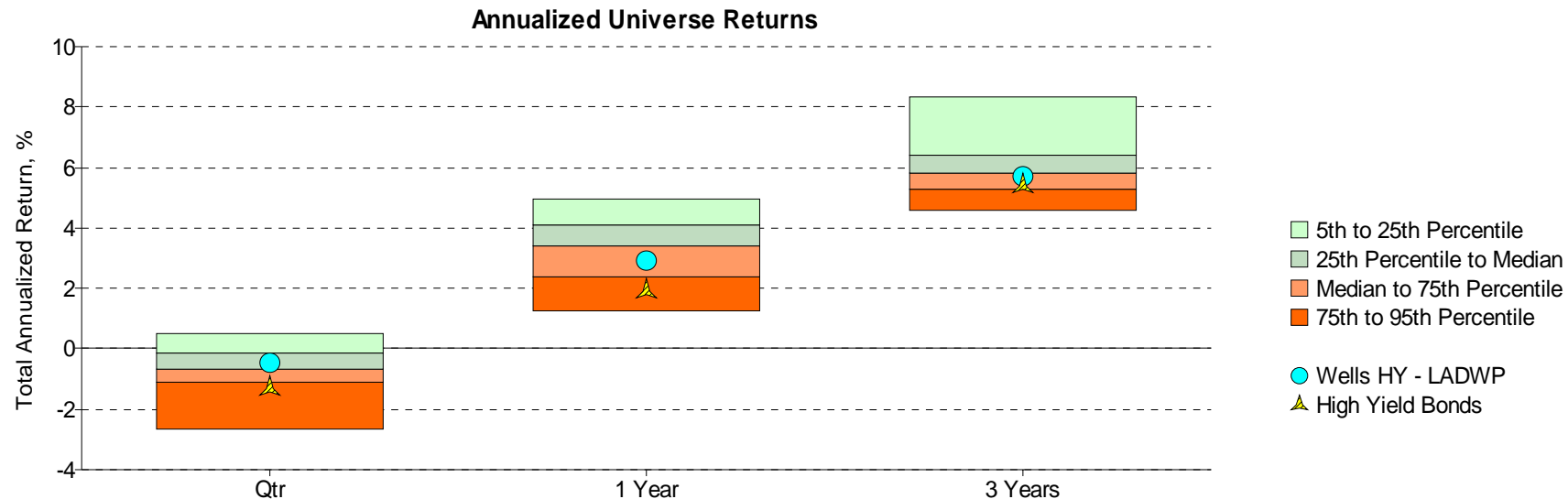
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Wells HY - LADWP	5.72	4.11	1.39
High Yield Bonds	5.40	4.81	1.12
U.S. High Yield Universe Median	5.84	4.42	1.34



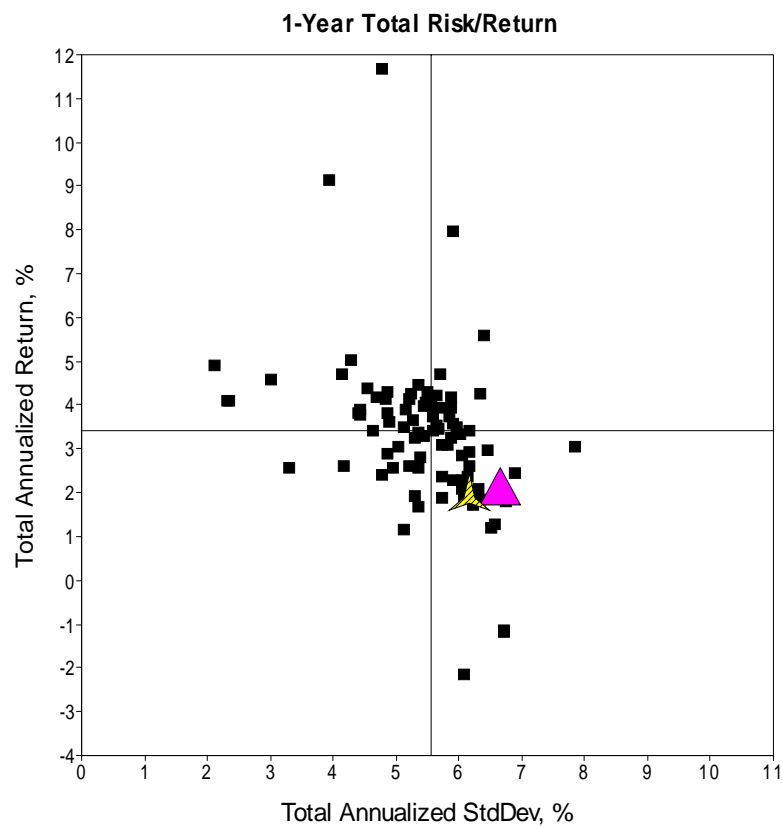
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Wells HY - LADWP	0.32	0.98	0.33
High Yield Bonds	0.00	0.00	NA
U.S. High Yield Universe Median	0.44	1.24	0.32



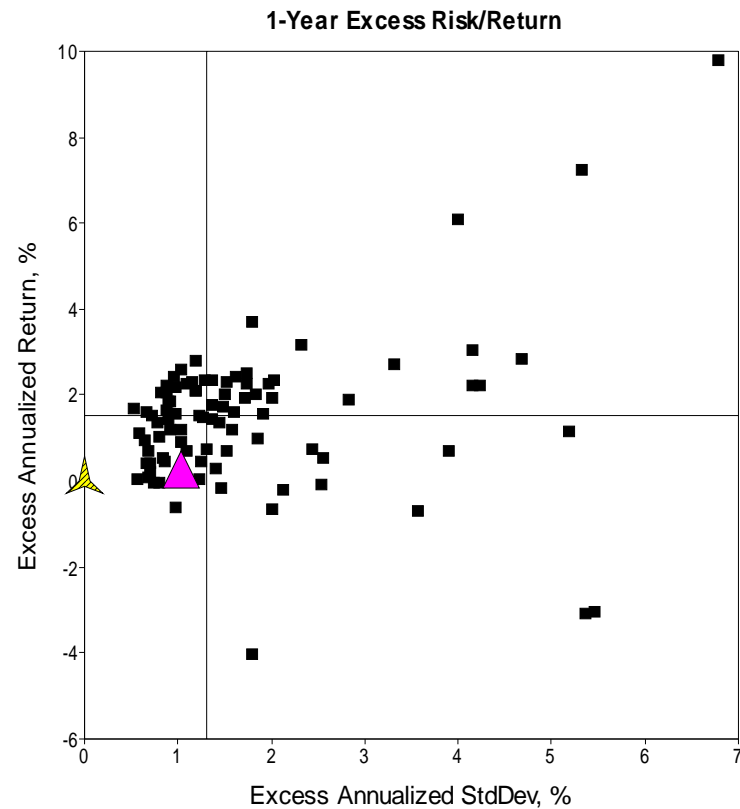
# WPERP High Yield Manager Comparisons as of December 31, 2007



# WPERP High Yield Manager Comparisons as of December 31, 2007



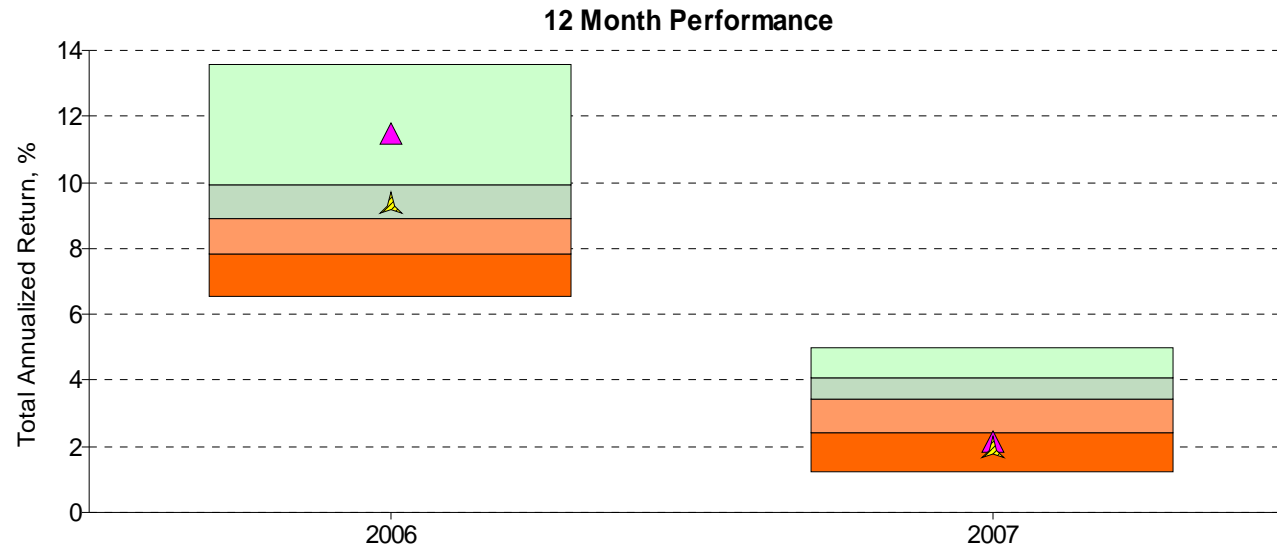
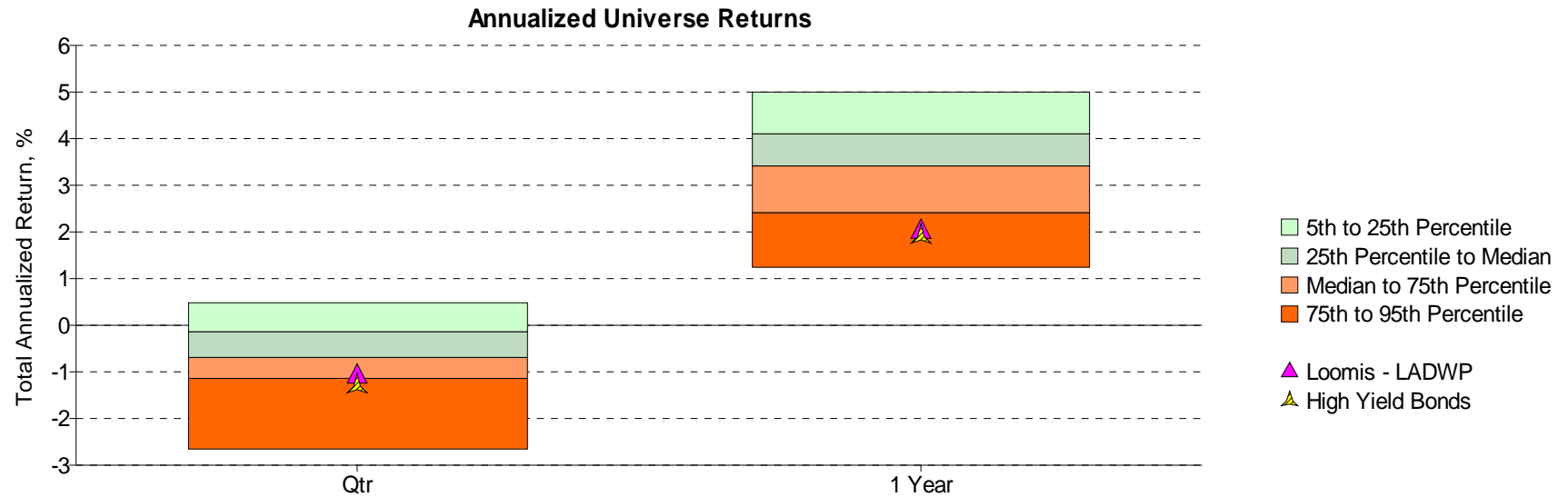
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Loomis - LADWP	2.01	6.66	0.30
High Yield Bonds	1.88	6.16	0.31
U.S. High Yield Universe Median	3.42	5.57	0.61



	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Loomis - LADWP	0.13	1.04	0.13
High Yield Bonds	0.00	0.00	NA
U.S. High Yield Universe Median	1.54	1.30	1.08



# WPERP High Yield Manager Comparisons as of December 31, 2007





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 December 31, 2007

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	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	---

# Quarterly Report

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## Glossary

### Definitions of Indices

**Lehman 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.

**Lehman Brothers 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.

**Lehman Brothers 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

# Quarterly Report

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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.

**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.

# Quarterly Report

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## LADWP Asset Class Benchmarks

**Retirement Total Plan** = 35% Lehman 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 as of 3/1/07

35% Lehman 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% Lehman 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** = Lehman Brothers Universal Index as of 4/1/03  
Citigroup BIG thru 3/31/03

**Alternatives** = 3.4% Cambridge U.S. Private Equity; 0.6% Cambridge U.S. Venture; 1% Tbills + 3% Lag as of 3/1/07  
4.25% Cambridge U.S. Private Equity, 0.75% Cambridge U.S. Venture Lag 1/1/07 – 2/28/07  
Russell 3000 + 3% Lag thru 12/31/06

**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 = Wilshire REIT

US Debt = Lehman Brothers 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 = Lehman Brother U.S. Credit Index

Government = Lehman Brothers Government Index

Mortgage = Lehman Brothers Mortgage Index

High Yield = Lehman Brothers High Yield Index