



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 .

Los Angeles • Portland • New York • [www.pensionconsulting.com](http://www.pensionconsulting.com)

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

### **Quarterly Report Executive Summary**

**December 31, 2008**

This report is solely for the use of client personnel. No part of it may be circulated, quoted, or reproduced for distribution outside the client organization without prior written approval from Pension Consulting Alliance, Inc.

Nothing herein is intended to serve as investment advice, a recommendation of any particular investment or type of investment, a suggestion of the merits of purchasing or selling securities, or an invitation or inducement to engage in investment activity.

## Table of Contents

<u>Section</u>	<u>Tab</u>
Retirement Portfolio Summary	A
Economic Overview	B
Retirement Portfolio Review	C
Health, Disability, and Death Portfolio Review	D
Manager Watch List	E
Individual Manager Performance	F
	Appendix

## RETIREMENT PORTFOLIO SUMMARY

As of December 31, 2008, the WPERP Total Retirement Portfolio had an aggregate value of \$5.5 billion. This represents a (\$838.7) million decline in value over the last quarter. During the previous one-year period, the WPERP Total Portfolio decreased by (\$2,023.7) million. These significant declines reflect historic, near-unprecedented losses across all major investment classes, with the exception of straight cash and U.S. Treasury bonds.

### Asset Allocation Trends

As of December 31, 2008, the portfolio had a 49% allocation in Equities, 44% in Fixed Income, 1% in both Real Return and Private Equity, 2% in Real Estate, and 3% in Cash. Again, these huge shifts reflected domestic declines in global investment market values.

The WPERP Board approved new asset allocation targets during the second quarter. The policy benchmark has been adjusted retroactively (as of 7/1/2008) to reflect these changes.

### Recent Investment Performance Trends

During the most recent quarter, the WPERP Total Portfolio outperformed its policy benchmark by 1.5%, gross of fees. In addition, the Total Portfolio has either matched or surpassed its policy benchmark over all extended time periods. Outperformance over all time periods can be attributed to good relative returns generated by the current Domestic and International Equity managers, as well as differences in asset allocation between the actual and the adopted target allocations.

The Total Portfolio surpassed the median fund over the quarterly, 1-, and 3-year periods, but trailed the median fund over the latest 5- and 10-year periods. Underperformance during the longer-term periods can be attributed to differences in asset allocation versus the median fund.

### Recent Investment Performance Total Retirement

	Quarter	1 Year	3 Year	5 Year	10 Year
Total Portfolio*	-12.5	-24.9	-2.6	1.5	2.8
Policy Benchmark****	-14.0	-26.0	-3.0	1.5	2.3
<b>Excess Return</b>	<b>1.5</b>	<b>1.1</b>	<b>0.4</b>	<b>0.0</b>	<b>0.5</b>
Reference: Median Fund**	-14.0	-26.7	-2.9	2.2	3.5
Reference: Net of Fees***	-12.6	-25.2	-2.9	1.2	2.5

\*Gross of Fees

\*\*Mellon Total Funds Public Universe

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

\*\*\*\*Benchmark performance reflects retroactive adjustment of allocation targets as of 7/1/2008, per WPERP's investment policy.

## Economic Review

**Economic Growth** – The U.S. economy decreased at an annual rate of (3.8%) during the fourth quarter of 2008. The decrease in real GDP reflects weak consumer spending, which fell (3.5%), as well as a turndown in exports, and a continuing decline in housing.

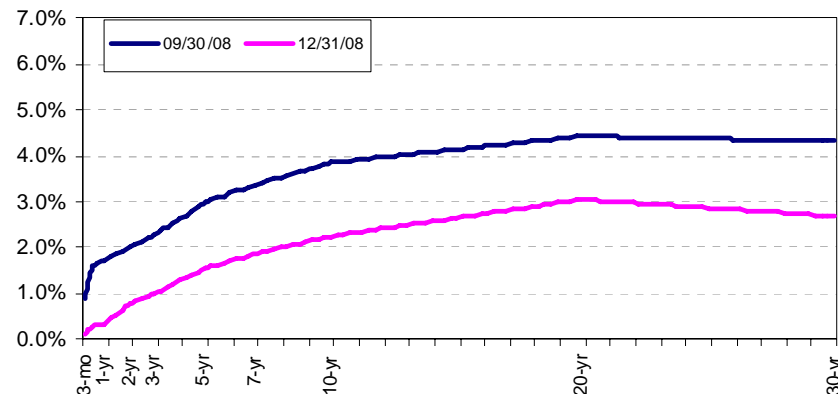
**Inflation** – On a seasonally adjusted basis, the Consumer Price Index (“CPI”) decreased (0.7%) in December, resulting in a compounded annual rate (using the latest 3-month data ending December 31, 2008) of (12.7%). In comparison, the compounded annual rate during the fourth quarter of 2007 was 5.6%.

**U.S. Dollar** – During the fourth quarter of 2008, the Yen appreciated 14.3% against the dollar, the Euro depreciated (1.2%) versus the dollar, and the Canadian Dollar depreciated (13.4%) against the U.S. Dollar.<sup>1</sup>

**Unemployment** – The domestic unemployment rate was 7.2% in December, up from the previous quarter’s rate of 6.8%. In December, job losses were large and widespread across most major industry sectors.

**Domestic Interest Rates** – During the quarter, the U.S. Treasury curve declined across the maturity spectrum. At the December 16, 2008 meeting, the Federal Reserve decided to establish a target range for the federal funds rate of 0.00% to 0.25%, down from 2.00% in September. The Federal Reserve plans to employ all available tools to promote the resumption of sustainable economic growth and to preserve price stability. In particular, the Committee anticipates that weak economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time.

Treasury Yield Curve Changes



Source: Federal Reserve

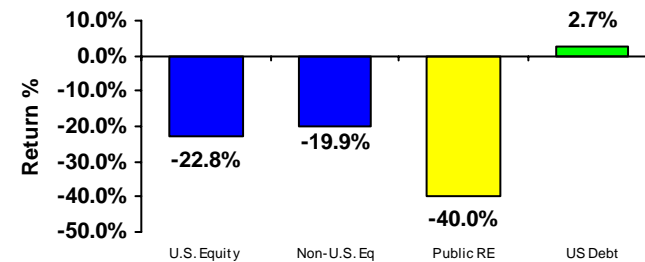
<sup>1</sup> Source: State Street Global Markets.

## Market Overview

### Capital Market Highlights<sup>1</sup> – Latest Quarter Ending December 31, 2008

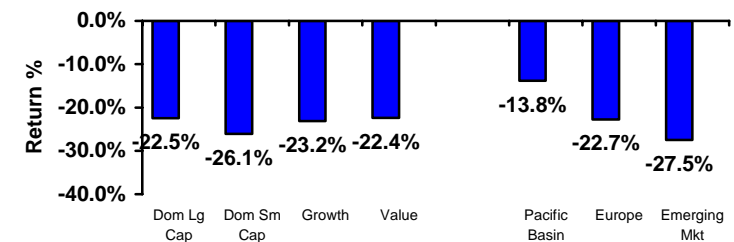
During the quarter, Equity Markets continued their decline...

- Stocks, bonds, currencies and commodities have all taken a hit as investors who borrowed money to invest in these assets are forced to liquidate positions.
- The U.S. dollar was one of the few beneficiaries of the bedlam as investors sought a safe haven from volatility.
- The U.S. Troubled Asset Relief Program (TARP) allocated \$350 billion towards recapitalizing the banking system through the purchase of preferred stock.



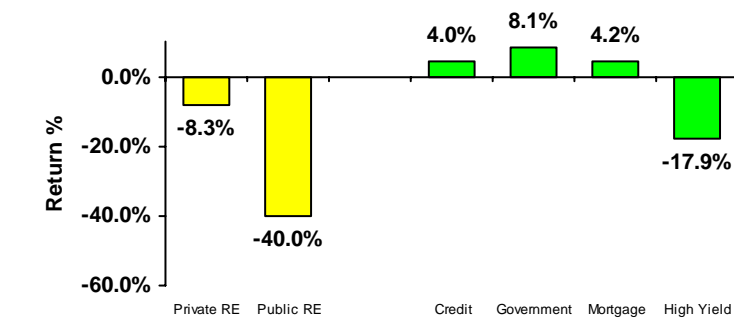
...with the European and Emerging Markets equity subcomponents declining...

- The People's Bank of China lowered its one-year lending rate in response to the financial turmoil.
- Value slightly surpassed growth during the fourth quarter, but all sectors lost significant value.
- The European Central Bank reduced its benchmark policy rate on October 8.



...while Government Fixed Income provided some principal protection.

- T-Bills slipped into negative territory in December.
- In November, real estate securities posted their second-worst month on record.

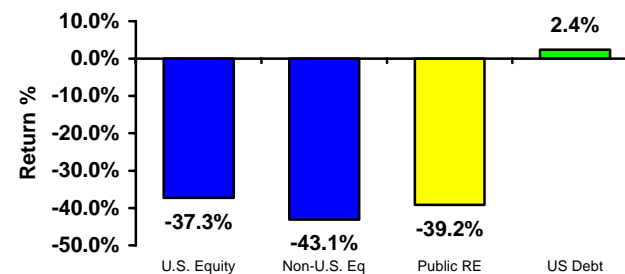


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest Year Ending December 31, 2008

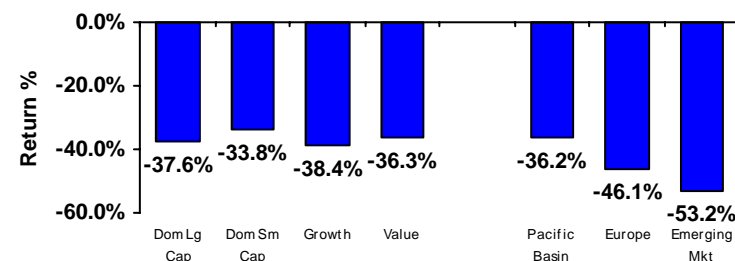
### U.S. Fixed Income continued to eek out a positive return...

- The S&P 500 saw a bottom on November 20<sup>th</sup> 2008, which put its decline from its peak in October 2007 at approximately 50%.
- Every U.S. equity benchmark, all sizes and styles, lost at least 30% in 2008.



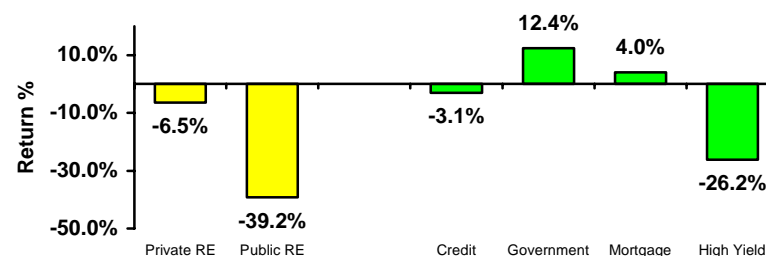
### ...with all Equity Markets providing dismal returns...

- Oil prices fell by approximately (\$100)/barrel after a peak in mid-July.
- The Chinese abruptly halted monetary tightening aimed at reducing inflation.
- Investors preferred small cap equity over large cap companies, as depicted in returns.



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

- Investors preferred the safety of government securities.
- Real Estate was hit hard by the mortgage crisis.

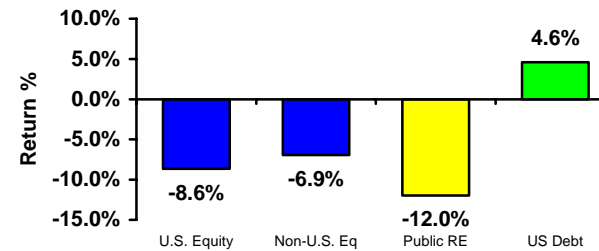


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest 3 Years Ending December 31, 2008

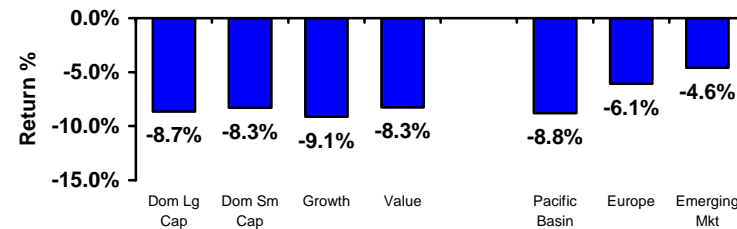
During the latest 3 years, Non-U.S. Equity surpassed all other equity asset classes...

- Non-U.S. equity outperformed Domestic equity, but posted negative returns.
- Diversified fixed income portfolios came very close to meeting expectations.



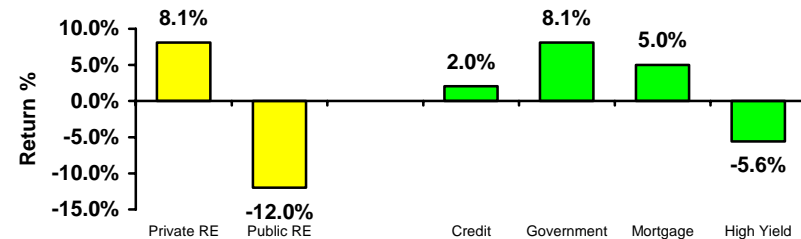
...as Emerging Markets' declines were the least among the major subcomponents...

- All U.S. equity components provided negative returns.
- The Pacific Basin trailed Europe and the Emerging Markets.
- Value stocks slightly outperformed growth.



...while Government Fixed Income produced strong returns.

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

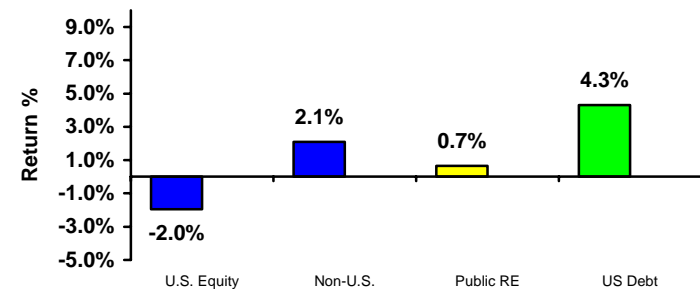


<sup>1</sup> See Appendix for benchmarks used in this section.

## Capital Market Highlights<sup>1</sup> – Latest 5 Years Ending December 31, 2008

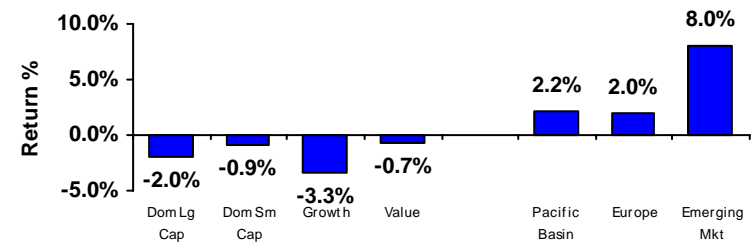
**During the latest 5 years, U.S. Fixed Income generated the highest returns...**

- Core inflation is virtually zero in Japan, less than 2% in the Eurozone, and only slightly above 2% in the U.S.
- Fixed Income produced relatively strong long-term results and performed close to expectations.



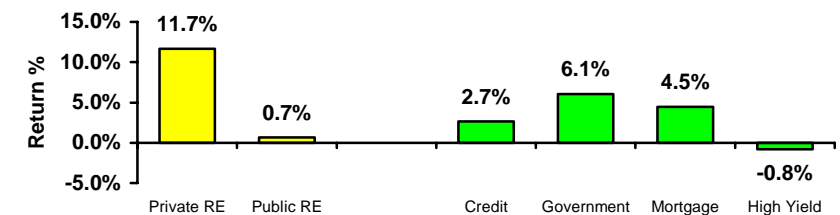
**...with Emerging Markets outpaced all other equity sub-components...**

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



**...and Private Real Estate produced positive results over the latest five years.**

- Government and Mortgage outpaced all fixed income subcomponents over the latest 5-year period.

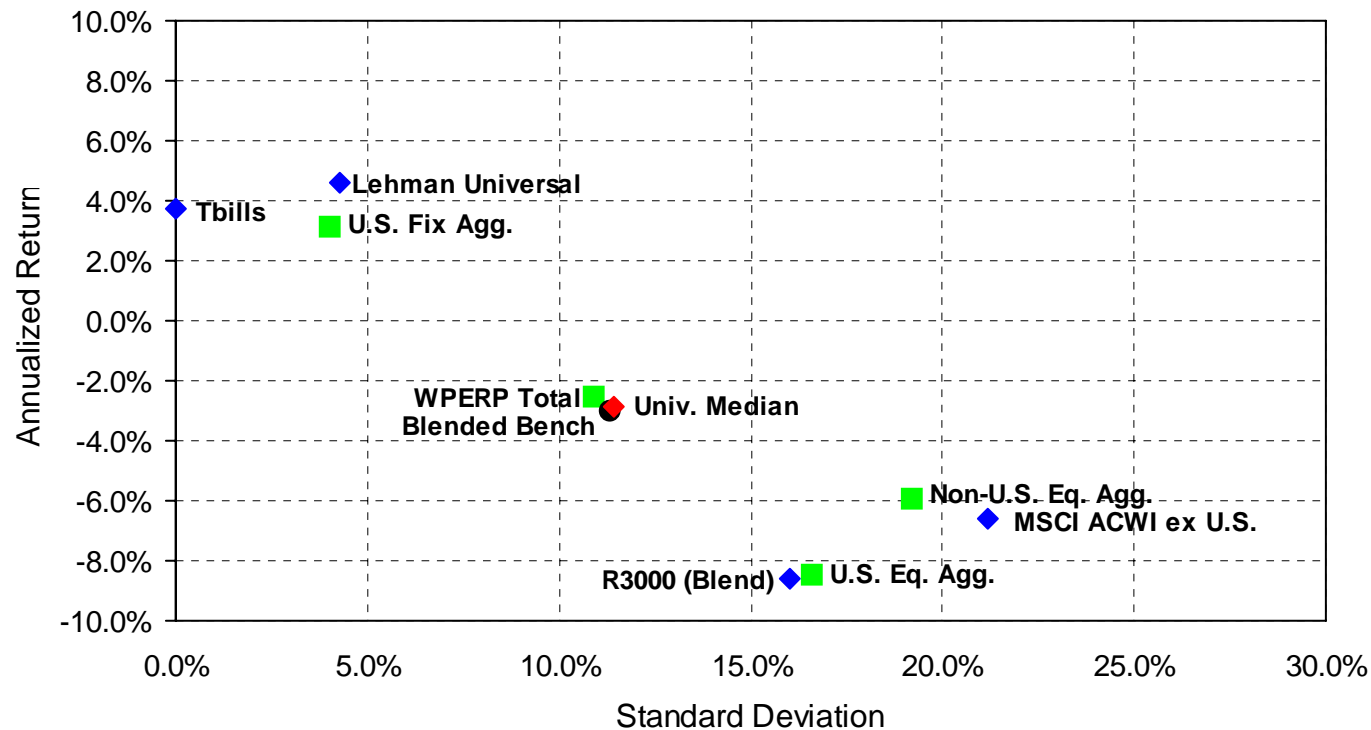


<sup>1</sup> See Appendix for benchmarks used in this section.



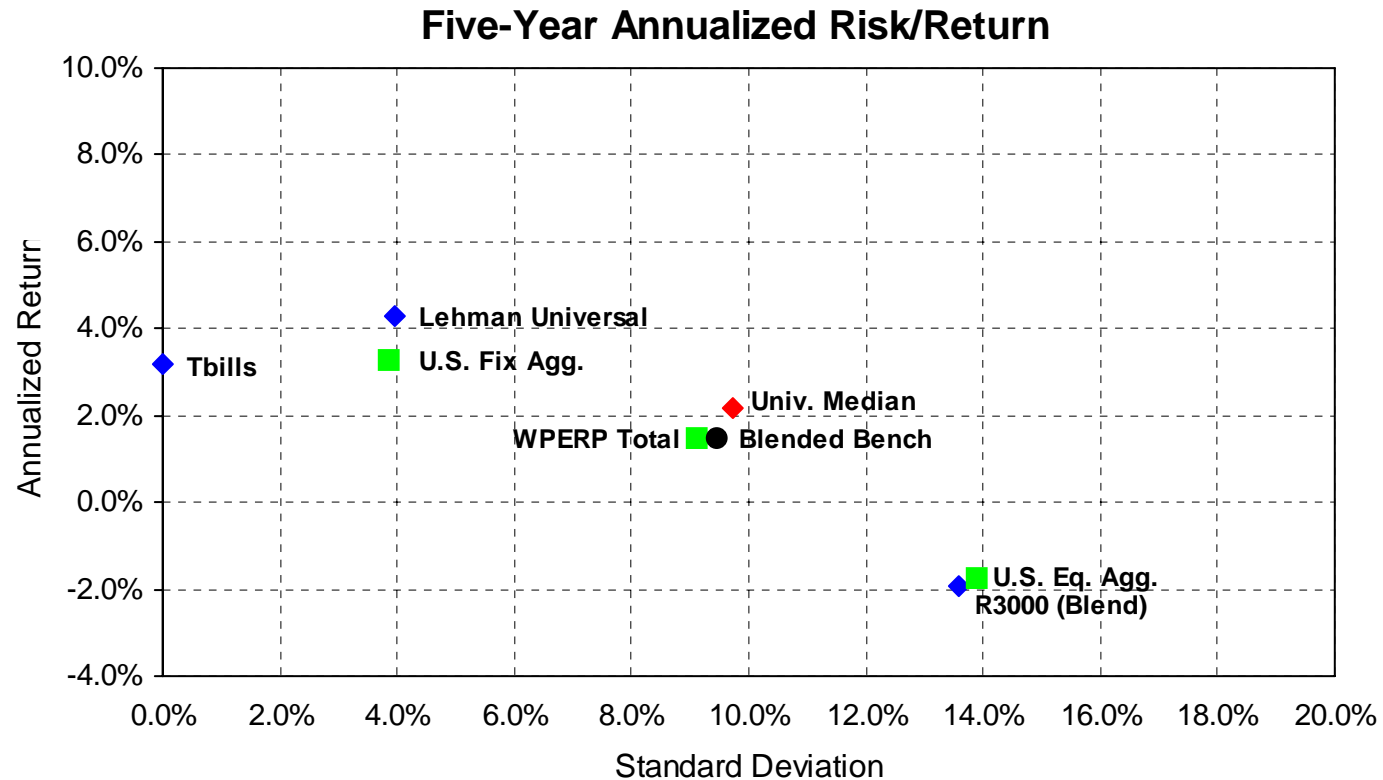
**WPERP Risk/Return Analysis**  
**Period ending December 31, 2008**

## Three-Year Annualized Risk/Return



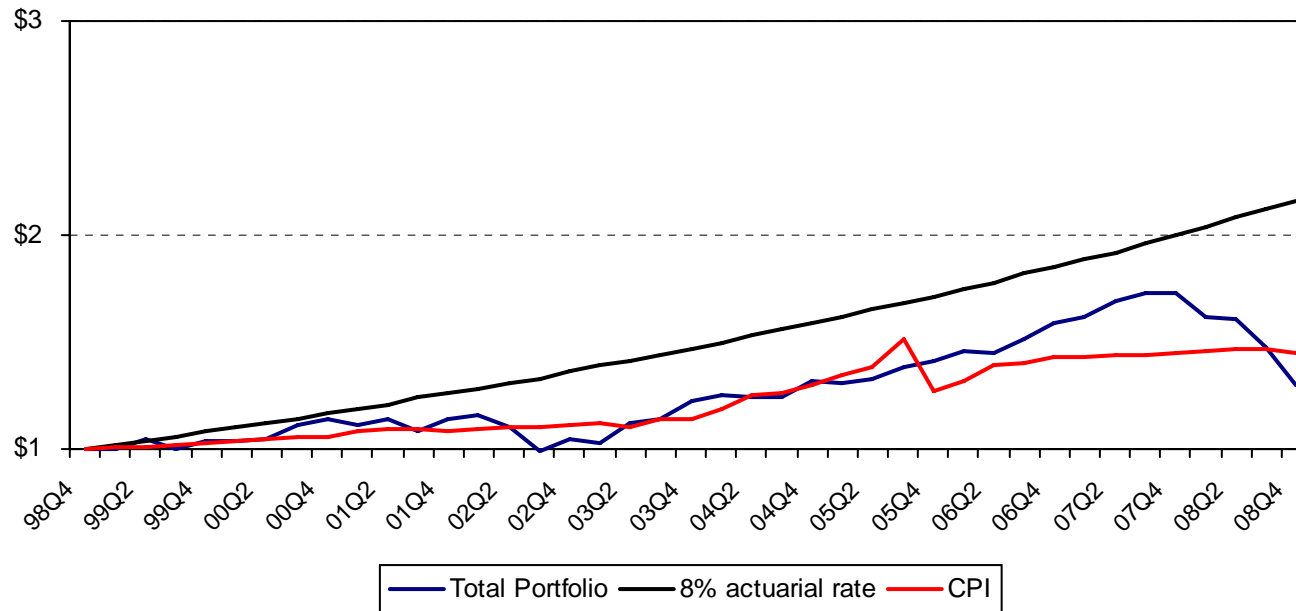
\*Median Fund in the Mellon Total Fund Public Universe.

**WPERP Risk/Return Analysis**  
**Period ending December 31, 2008**



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

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



## WPERP PORTFOLIO PERFORMANCE

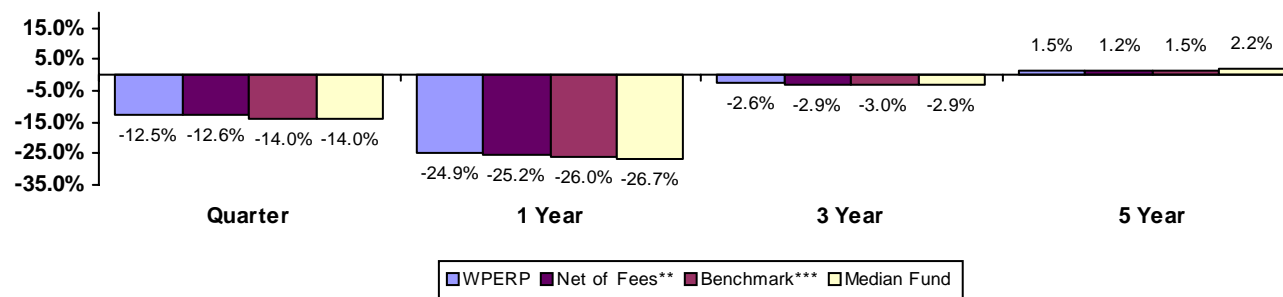
This section includes an overview of the performance of the WPERP investment portfolio and a detailed analysis of asset classes and specific mandates.

### Portfolio Performance Overview

During the latest quarter ending December 31, 2008, the WPERP Total Portfolio generated a return of minus (12.5%) gross of fees, outperforming both the policy target benchmark<sup>1</sup> and median fund<sup>2</sup> by 1.5%. Outperformance over the current quarter can be attributed to good relative returns generated by the current Domestic and International Equity managers, as well as differences in asset allocation between the actual and the target allocations. These drivers that benefited the quarterly performance also helped to perpetuate outperformance during all other extended time periods.

During the latest 1-year period, the WPERP portfolio surpassed both its policy benchmark and the median fund by 1.1% and 1.8%, respectively. Over the latest 3-year period, the fund again outperformed both its policy benchmark and the median fund by 40 and 30 basis points, respectively. Over the latest 5-year period, the WPERP portfolio matched its policy benchmark average annual return of 1.5%, but trailed the median fund return by (70) basis points per year. Underperformance during the longer-term periods can be attributed to differences in asset allocation versus the median fund.

### Periods Ending December 31, 2008 (annualized)\*



<sup>1</sup> The Portfolio Benchmark consists of 30% BC Universal, 40% Russell 3000, 24% MSCI ACWI ex U.S., 2% NCREIF Lag, 0.85% Cambridge U.S. Private Equity Lag, 0.15% Cambridge U.S. Venture Capital Lag, 1% T Bill, and 2% 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.

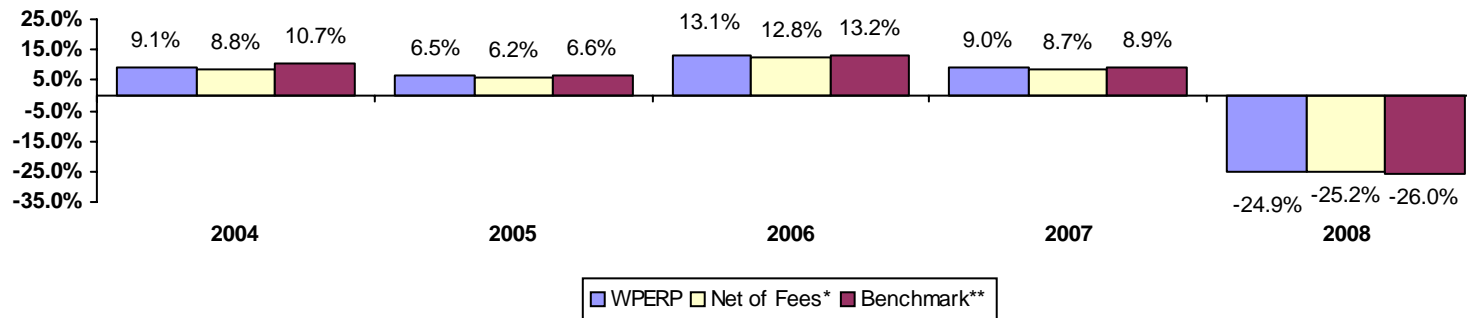
\*\*\* Benchmark performance reflects retroactive adjustment of allocation targets as of 7/1/2008, per WPERP's investment policy.

# Quarterly Report

Q4-08

The Plan generated positive absolute performance results over four of the five trailing 12-month periods. The Plan outperformed (gross of fees) its policy benchmark in two of the latest five 12-month periods.

## 12-month Performance – Period Ending December 31



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

\*\* Benchmark performance reflects retroactive adjustment of allocation targets as of 7/1/2008, per WPERP's investment policy.

## Portfolio Valuation

As of December 31, 2008, the WPERP Total Portfolio had an aggregate value of \$5.5 billion. This represents a (\$838.7) million decline in value over last quarter including minus (\$48.4) million in net contributions. During the previous one-year period, the WPERP Total Portfolio decreased by (\$2,023.7) million.

## Portfolio Valuation as of December 31, 2008, Gross of Fees

	<u>4Q 2008</u>		<u>1-Year</u>		<u>3-Year</u>		<u>5-Year</u>	
Beginning Market Value	\$6,312.7		\$7,497.7		\$6,412.7		\$5,923.9	
Net Flow	-48.4		-156.8		-451.5		-907.8	
<b>Investment Return in \$ (in%)</b>	<b>-790.3</b>	<b>-12.5%</b>	<b>-1,866.9</b>	<b>-24.9%</b>	<b>-487.3</b>	<b>-2.6%</b>	<b>457.8</b>	<b>1.5%</b>
Ending Market Value	\$5,474.0		\$5,474.0		\$5,474.0		\$5,474.0	

\*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

# Quarterly Report

Q4-08

## Actual vs. Target Allocations

With respect to policy targets, the portfolio ended the latest quarter **overweight Fixed Income and Cash**, while **underweight Domestic Equity, International Equity, and Real Return**. While these target deviations are high by historical standards, not rebalancing back into the public equity classes protected the system from substantial additional losses. Target allocations reflect the latest adopted evolving policy per WPERP's investment policy.

## As of December 31, 2008

Segment	Actual (\$MM)	Actual %	Target* %	Variance
Total Portfolio	6,140	100	100	---
Total Retirement**	5,474	100	100	0
Domestic Equity	1,783	33	40	-7
International Equity	903	16	24	-8
Fixed Income	2,404	44	30	14
Real Return	66	1	2	-1
Private Equity	44	1	1	0
Real Estate	125	2	2	0
Cash	141	3	1	2
Health Plan***	608	100	100	0
Domestic Equity	286	47	60	-13
Domestic Fixed	321	53	40	13
Private Equity	0	0	0	0
Cash/Short Term	1	0	0	0
Death Benefit	23	100	100	0
Domestic Fixed	21	91	96	-5
Cash/Short Term	2	9	4	5
Disability	35	100	100	0
Domestic Fixed	32	90	95	-5
Cash/Short Term	3	10	5	5

\*2008 asset allocation policy targets.

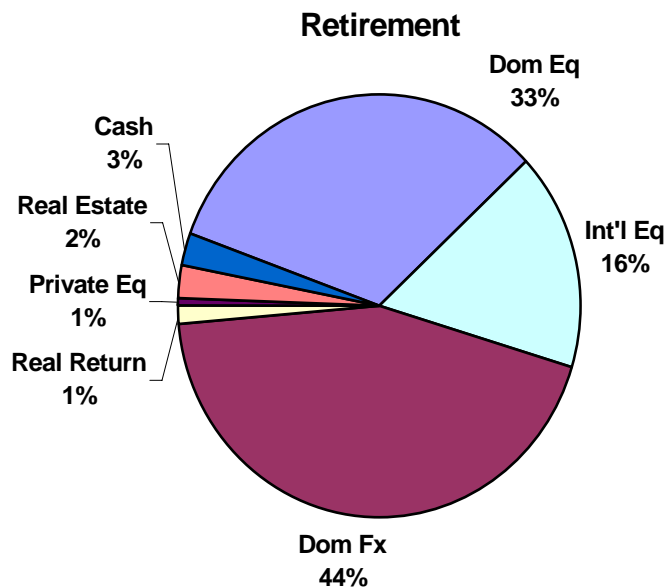
\*\* Including \$8.2 million in transition assets.

\*\*\* Including \$199,506 in transition assets.

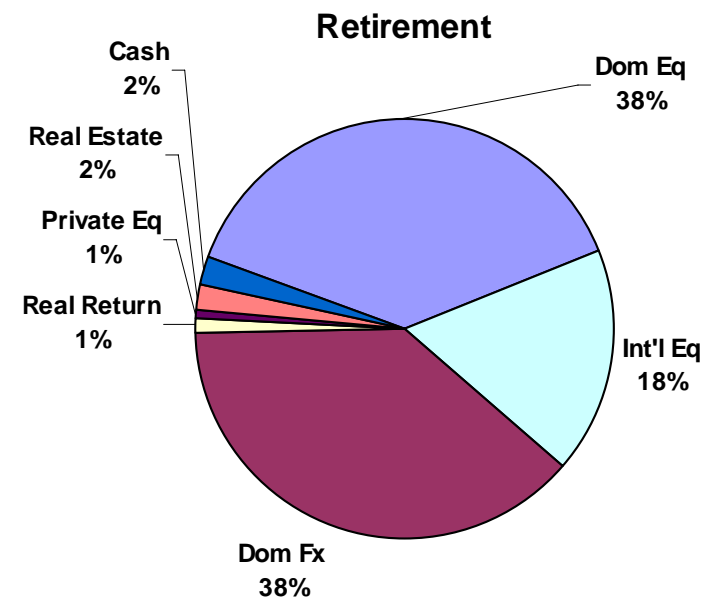
## Actual Asset Allocation Comparison – Retirement Portfolio

As of December 31, 2008, the portfolio had a 49% allocation in Equities, 44% in Fixed Income, 1% in both Real Return and Private Equity, 2% in Real Estate, and 3% in Cash.

December 31, 2008



September 30, 2008

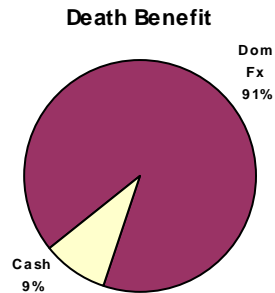


# Quarterly Report

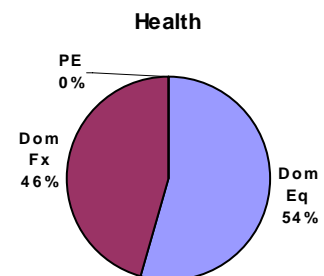
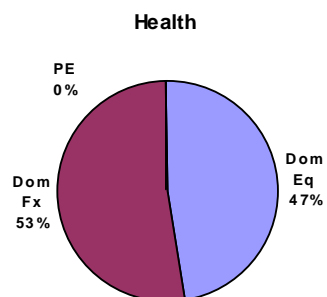
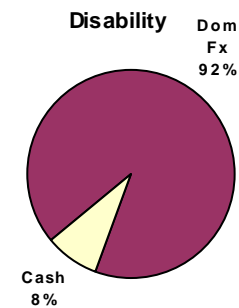
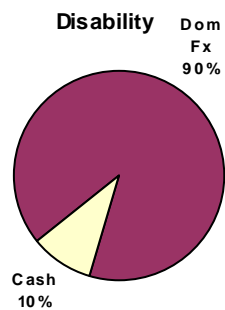
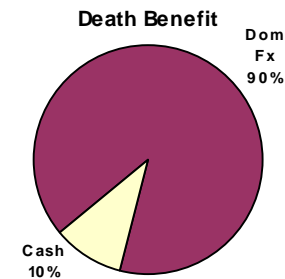
Q4-08

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

December 31, 2008



September 30, 2008





## Asset Class Performance

The **Domestic Equity** asset class underperformed the policy benchmark's return during the quarter by (90) basis points, with a minus (23.7%) return. Over the latest 1-year period, the Domestic Equity portfolio trailed its policy benchmark by (1.3%), due to underperformance by both its large and small cap growth managers. Over the 3- and 5-year periods, the Domestic Equity portfolio outperformed its policy benchmark by 10 and 30 basis points, respectively.

The **International Equity** portfolio outperformed its policy benchmark during the quarter by 3.4%, returning minus (18.9%). Over the latest 1- and 3-year periods, the International Equity portfolio surpassed its policy benchmark by 4.3% and 0.7%, respectively. Three of the Plan's five International Equity managers outperformed their respective benchmarks during the current quarter and the trailing 1-year period, and four managers exceeded their respective benchmarks during the trailing 3-year period. The Plan is currently in the process of reassessing the International Equity portfolio, which may 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 (3.0%), with a minus (0.3%) return. Over the latest 1-, 3-, and 5-year periods, the Fixed Income portfolio trailed its policy benchmark by (4.3%), (1.4%) and (1.0%), respectively. Underperformance of the Fixed Income portfolio can be largely attributed to the poor relative performance by one of the Plan's core strategy managers.

## Periods ending December 31, 2008

Asset Class	Quarter	1 Year	3 Year	5 Year
Total Retirement	-12.5	-24.9	-2.6	1.5
<i>Policy Benchmark*</i>	-14.0	-26.0	-3.0	1.5
Domestic Equity	-23.7	-38.6	-8.5	-1.7
<i>Russell 3000 (blend)</i>	-22.8	-37.3	-8.6	-2.0
International Equity	-18.9	-40.9	-5.9	---
<i>MSCI ACWI ex U.S.</i>	-22.3	-45.2	-6.6	---
Fixed Income	-0.3	-1.9	3.2	3.3
<i>BC Universal</i>	2.7	2.4	4.6	4.3
Real Return**	-9.7	-5.4	---	---
<i>Tbill + 3%**</i>	1.2	5.6	---	---
Private Equity**	-0.1	-5.5	---	---
<i>Cambridge USPE/USVC ****</i>	-7.3	-3.9	---	---
Real Estate**	-0.3	3.6	---	---
<i>NCREIF**</i>	0.2	5.6	---	---
Cash	0.3	2.3	4.2	3.5
<i>Citigroup T-bills</i>	0.3	1.8	3.8	3.1

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

\*\*Returns are lagged one quarter.

\*\*\*The policy benchmark for the Private Equity asset class is a blended benchmark composed of Cambridge US Private Equity Index and the Cambridge US Venture Capital Index.

# Quarterly Report

Q4-08

## Manager Performance

### Domestic Equity – Periods ending December 31, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
BlackRock	736,339	Large Cap Core	-22.9	-38.0	-8.8	-2.1	0.0	8/2003
<i>Russell 1000 Index</i>	---	---	-22.5	-37.6	-8.7	-2.0	0.0	---
MFS	268,186	Large Cap Value	-19.5	-31.5	-2.8	---	2.1	2/2004
<i>Russell 1000 Value Index</i>	---	---	-22.2	-36.9	-8.3	---	-1.6	---
T. Rowe Price	233,356	Large Cap Value	-23.3	-35.5	-6.7	---	-1.5	9/2004
<i>Russell 1000 Value Index</i>	---	---	-22.2	-36.9	-8.3	---	-2.2	---
Fred Alger	207,505	Large Cap Growth	-28.1	-46.8	-9.5	---	-2.9	2/2004
Intech	198,623	Large Cap Growth	-25.0	-42.2	-11.4	---	-4.0	2/2004
<i>Russell 1000 Growth Index</i>	---	---	-22.8	-38.4	-9.1	---	-4.1	---
Earnest Partners	81,700	Small Cap Value	-25.5	-32.6	-9.4	---	-3.7	11/2004
<i>Russell 2000 Value Index</i>	---	---	-24.9	-28.9	-7.5	---	-3.9	---
Northpointe	25,435	Small Cap Growth	-32.5	-51.4	---	---	-24.3	9/2006
Paradigm	31,545	Small Cap Growth	-29.2	-43.2	---	---	-16.6	9/2006
<i>Russell 2000 Growth Index</i>	---	---	-27.4	-38.5	---	---	-13.8	---

\* 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 2008, only one of WPERP's eight reporting domestic equity managers outperformed its benchmark.

**BlackRock**, WPERP's passive large cap core manager, ended the quarter with a minus (22.9%) return, underperforming the Russell 1000 Index by (40) basis points. **MFS**, one of the Plan's large cap value managers, generated a negative absolute quarterly return of minus (19.5%), but outperformed the Russell 1000 Value Index return by 2.7%. The portfolio's underweight position and stock selection in Financials, and stock selection in Industrials added to performance. Large cap value manager **T. Rowe Price** underperformed the Russell 1000 Value Index by (1.1%) with a minus (23.3%) return. The portfolio's underweight position and stock selection in Telecommunication Services detracted from performance. **Fred Alger**, one of the Plan's large cap growth managers, completed the quarter with a minus (28.1%) return, underperforming the Russell 1000 Growth Index return by (5.3%). Sector performance in Health Care, Consumer Staples, and Financials detracted from performance. **Intech**, the Plan's other large cap growth manager, underperformed the Russell 1000 Growth Index by (2.2%) with a minus (25.0%) quarterly return. Intech generates its performance attribution analysis through the use of relative volatility capture strategy instead of economic sectors. The portfolio's underperformance

is due to negative trending (proportion of the overweighted stocks with a positive relative return is below that of the underweights) relative to the benchmark. **Earnest Partners**, WPERP's small cap value manager ended the quarter with a minus (25.5%) return, trailing the Russell 2000 Value Index by (60) basis points. **Northpointe**, one of the Plan's small cap growth managers, finished the quarter with a minus (32.5%) return, underperforming the Russell 2000 Growth Index by (5.1%). The portfolio's positioning within Technology and Industrials (both 22% of the portfolio) continued to be the main detractors from performance. **Paradigm** completed the quarter returning minus (29.2%), trailing the Russell 2000 Growth Index by (1.8%). An overweight position in Industrials and stock selection in Health Care and Energy detracted from performance.

## Latest Year

During the latest 12-month period, **BlackRock** underperformed its benchmark by (40) basis points with a minus (38.0%) return. **MFS** finished the latest 12-month period with a minus (31.5%) return and outperformed the Russell 1000 Value Index's return by 5.4%. Stock selection in Industrials, Financials, Technology, and Consumer Staples contributed to relative outperformance. **T. Rowe Price** posted a minus (35.5%) return and outperformed the Russell 1000 Value Index's return by 1.4%. Stock selection benefited performance. **Fred Alger** posted a minus (46.8%) return, underperforming the Russell 1000 Growth Index return by (8.4%). Stock selection in Information Technology, Consumer Discretionary, and Consumer Staples detracted from performance. **Intech** completed the latest 12-month period returning minus (42.2%) trailing the Russell 1000 Growth Index return by (3.8%), due to negative trending in the portfolio. **Earnest Partners** completed the latest 12-month period with a minus (32.6%) return and trailed the Russell 2000 Value Index return by (3.7%). The portfolio's overweight position in Energy and underweight position in Utilities detracted from performance. **Northpointe** finished the latest 12-month period returning minus (51.4%), underperforming the Russell 2000 Growth Index by (12.9%), due primarily to poor stock selection across the portfolio. **Paradigm** underperformed the Russell 2000 Growth Index by (4.7%) with a minus (43.2%) return. The portfolio's stock selection in Health Care and Energy detracted from performance.

## Latest Three Years

During the latest 36-month period, **BlackRock** slightly underperformed its benchmark by (10) basis points with a minus (8.8%) return. **MFS** finished the latest 36-month period surpassing the Russell 1000 Value Index return by 5.5% with a minus (2.8%) return. Stock selection in Financials, Industrials, Technology, and Consumer Staples benefited performance. **T. Rowe Price** posted a minus (6.7%) return outperforming the Russell 1000 Value Index's return by 1.6%. Positive stock selection within Information Technology, Consumer Staples, and Industrials benefited performance. **Fred Alger** posted a minus (9.5%) return underperforming the Russell 1000 Growth Index return by (40) basis points. **Intech** completed the most recent 36-month period with a minus (11.4%) return, underperforming the Russell 1000 Growth Index by (2.3%). The portfolio's sector weightings trended negatively in comparison to its benchmark. **Earnest Partners'** latest 3-year return of minus (9.4%) underperformed its benchmark target by (1.9%). The portfolio's overweight position and stock selection in Health Care weakened performance.

## Latest Five Years

During the latest 60-month period, **BlackRock** slightly underperformed its benchmark by (10) basis points with a minus (2.1%) return.

# Quarterly Report

Q4-08

## International Equity – Periods ending December 31, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Invesco	294,791	Developed Markets	-18.0	-38.7	-5.6	---	1.4	6/2004
<i>EAFE + Canada ND Index</i>	---	---	-21.1	-43.6	-7.3	---	1.2	---
The Boston Company	238,455	Developed Markets	-13.6	-36.3	-6.3	---	-2.4	3/2005
<i>EAFE + Canada ND Index (blend)</i>	---	---	-21.1	-43.6	-6.7	---	-2.1	---
Pyramis	270,135	Developed Markets	-20.2	-41.3	-6.0	---	0.1	11/2004
<i>EAFE ND Index</i>	---	---	-20.0	-43.4	-7.4	---	-1.4	---
The Boston Company	54,952	Emerging Markets	-23.2	-45.0	-3.1	---	4.4	3/2005
T. Rowe Price	44,245	Emerging Markets	-33.9	-60.4	-8.5	---	1.5	3/2005
<i>MSCI EMF Index</i>	---	---	-27.6	-53.2	-4.6	---	3.7	---

\* 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 fourth quarter of 2008, three of WPERP's five reporting international equity managers outperformed their respective benchmarks.

**Invesco**, WPERP's active core international manager, generated a quarterly return of minus (18.0%), outperforming the MSCI EAFE + Canada ND return by 3.1%. Stock selection in Telecommunication Services, Materials, and Information Technology led the performance. The Plan's active international value manager, **The Boston Company**, completed the quarter with a minus (13.6%) return, outperforming the MSCI EAFE + Canada ND Index return by 7.5%, as the portfolio delivered strong results in the Materials, Utilities, Energy, and Telecommunication Services sectors. **Pyramis**, the Plan's active international growth manager, completed the quarter with a minus (20.2%) return, trailing the MSCI EAFE ND Index by (20) basis points. **The Boston Company**, one of WPERP's two emerging markets managers, finished the quarter with a minus (23.2%) return surpassing the MSCI Emerging Markets Index by 4.4%. The portfolio's value orientation has benefited performance. **T. Rowe Price**, the Plan's other emerging markets manager, completed the quarter with a minus (33.9%) return, trailing its benchmark by (6.3%). Poor stock selection across the portfolio accounted for the bulk of underperformance.

## Latest Year

**Invesco** finished its latest 12-month period with a minus (38.7%) return, surpassing its benchmark by 4.9%. The portfolio's conservative position in Basic Materials contributed to relative performance as commodity prices fell. **The Boston Company** completed the latest 12-month period surpassing its benchmark by 7.3%, with a minus (36.3%) return. Positive stock selection added to performance. **Pyramis** completed the latest 12-month period with a minus (41.3%) return, surpassing its benchmark by 2.1%. Stock selection in the Financials, Materials, and Health Care sectors benefited performance. During the latest 12-month period, **The Boston Company** emerging markets portfolio produced a minus (45.0%) return besting the MSCI Emerging Markets Index's return by 8.2%. The manager's value bias is positioned for a turnaround. The **T. Rowe Price** portfolio generated a minus (60.4%) return, underperforming its index return by (7.2%). Stock selection across the portfolio detracted from performance.

## Latest Three Years

**Invesco** finished its latest 36-month period with a minus (5.6%) return, besting its benchmark by 1.7%. The portfolio's quality orientation has helped its turnaround in performance. **The Boston Company** completed the latest 36-month period outperforming its benchmark by 40 basis points, with a minus (6.3%) return. **Pyramis** returned minus (6.0%), outperforming its benchmark target by 1.4%. Stock selection in Financials, Health Care, and Industrials added to performance. **The Boston Company** emerging markets portfolio produced a minus (3.1%) return outperforming the MSCI Emerging Markets Index's return by 1.5%, due to the portfolio's value stance. The **T. Rowe Price** portfolio generated a minus (8.5%) return and underperformed its index return by (3.9%). Stock selection detracted from portfolio performance.

# Quarterly Report

Q4-08

## Fixed Income – Periods ending December 31, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
ING	1,052,703	Core	-0.7	-3.8	2.3	---	3.0	7/2004
Wells	1,160,182	Core	3.6	5.0	5.6	---	5.1	7/2004
<i>BC Aggregate Index</i>	---	---	4.6	5.3	5.5	---	5.0	---
Loomis	95,107	High Yield	-18.5	-27.6	-5.8	---	-3.0	3/2005
<i>BC High Yield Index</i>	---	---	-17.9	-26.2	-5.6	---	-3.4	---
Wells	96,251	High Yield	-15.4	-21.0	-3.2	---	-1.6	11/2004
<i>BC High Yield Index</i>	---	---	-17.9	-26.2	-5.6	---	-3.2	---

\* 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 2008, only one of WPERP's four fixed income managers outperformed its benchmark.

**ING**, one of WPERP's two core fixed income managers, finished the quarter with a minus (0.7%) return, underperforming the BC Aggregate Index by (5.3%). The portfolio's corporate bonds, non-agency RMBS (residential mortgaged-backed securities), and CMBS holdings proved to be the biggest drag on performance. **Wells**, the Plan's other core fixed income manager, trailed the BC Aggregate Index by (1.0%) with a quarterly return of 3.6%. The strategy's security selection and sector overweights to CMBS and ABS detracted from performance. **Loomis Sayles**, one of the portfolio's two high yield managers, finished the quarter with a minus (18.5%) return underperforming the BC High Yield Index by (60) basis points. The other high yield manager **Wells** finished the quarter with a minus (15.4%) return, besting the BC High Yield Index by 2.5%. The portfolio's sector over-allocation in Autos, Financials, and Telecoms benefited performance.

### Latest Year

**ING** underperformed its benchmark by (9.1%) with a minus (3.8%) return over the latest 12-month period. The portfolio's holdings in mortgage-backed securities and banking institutions negatively impacted performance. **Wells** underperformed the BC Aggregate Index by 30 basis points during the same period. **Loomis Sayles** generated a minus (27.6%) return over the most recent 12-month period trailing its benchmark by (1.4%), due primarily to security selection. **Wells** High Yield finished the latest 12-month period exceeding the BC High Yield Index by 5.2%, due to positive security selection.

### Latest Three Years

**ING** trailed its benchmark over the latest 3-year period by (3.2%), largely due to the portfolio's exposure to RMBS and debt of financial institutions. **Wells** finished the latest 3-year period outperforming the BC Aggregate Index by 10 basis points. High Yield manager **Loomis Sayles** completed the latest 3-year period underperforming its benchmark by (20) basis points. **Wells** High Yield posted a minus (3.2%) return during the latest 3-year period outperforming the BC High Yield Index by 2.4%, due to positive security selection.

# Quarterly Report

Q4-08

## Real Return – Periods ending December 31, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Aetos Capital*	31,858	Hedge FoFs	-7.3	-5.5	---	---	-2.1	2/2007
PAAMCO*	34,223	Hedge FoFs	-11.8	-5.5	---	---	2.9	2/2007
Tbills + 3 %*	---	---	1.2	5.6	---	---	6.6	---
HFRI FOF Diversified Index*	---	Hedge FoFs	-10.2	-10.6	---	---	-3.0	---

\* 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 2008, WPERP's two hedge fund managers both underperformed the Tbills+3% Index. One of the two managers outperformed the HFRI FOF Diversified Index.

**Aetos** trailed the Tbill+3% by (8.5%), but outperformed the HFRI FOF Diversified Index by 2.9%. **PAAMCO** underperformed the Tbill+3% by (13.0%) and the HFRI FOF Diversified Index by (1.6%).

### Latest Year

Over the latest 12-month period, both **Aetos** and **PAAMCO** underperformed the Tbills+3% Index by (11.1%), but outperformed the HFRI FOF Diversified Index by 5.1%.

## Private Equity – Periods ending December 31, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Lexington Capital*	14,804	Private Equity	-4.4	-3.9	---	---	11.3	6/2006
Cambridge USPE/USVC* ****	---	---	-7.3	-3.9	---	---	10.6	---
Landmark XIII*	18,734	Private Equity	-1.5	2.0	---	---	12.2	11/2006
Cambridge USPE/USVC* ****	---	---	-7.3	-3.9	---	---	9.2	---
HRJ Capital*	8,221	Private Equity	10.0	---	---	---	38.3	3/2008
Cambridge USPE/USVC* ****	---	---	0.9	---	---	---	-7.7	---
Fisher Lynch*	492	Private Equity	-12.9	---	---	---	-47.2	5/2008
Cambridge USPE/USVC* ****	---	---	-7.3	---	---	---	-7.4	---
Landmark XIV*	2,059	Private Equity	---	---	---	---	---	9/2008
Cambridge USPE/USVC* ****	---	---	---	---	---	---	---	---

\* Returns are lagged one quarter. Returns for HRJ Capital is lagged two quarters.

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

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

\*\*\*\* The policy benchmark for the Private Equity asset class is a blended benchmark composed of Cambridge US Private Equity Index and the Cambridge US Venture Capital Index.

### Latest Quarter

During the fourth quarter of 2008, three of WPERP's four reporting private equity managers outperformed the Cambridge USPE/USVC Index. The portfolio's new manager, **Landmark XIV**, was funded in 3Q 08. Returns for this manager are lagged one quarter and will be shown in 1Q 2009.

**Lexington Capital** outperformed the Cambridge USPE/USVC Index return by 2.9%. **Landmark XIII** surpassed the Cambridge USPE/USVC Index return by 5.8%. **HRJ** completed its first quarter besting the Cambridge USPE/USVC Index by 9.1%. **Fisher Lynch** completed its first quarter underperforming the Cambridge USPE/USVC Index by (5.6%).

### Latest Year

Over the latest 1-year period, **Lexington Capital** matched its benchmark return of minus (3.9%). **Landmark XIII** surpassed its benchmark by 5.9%.



# Quarterly Report

Q4-08

## Real Estate – Periods ending December 31, 2008

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception**	Inception Date***
Prisa*	57,927	Real Estate	0.4	3.7	---	---	10.2	12/2006
NCREIF*	---	---	0.2	5.6	---	---	10.6	---
Prisa II*	15,027	Real Estate	0.5	3.9	---	---	5.3	6/2007
NCREIF*	---	---	0.2	5.6	---	---	8.2	---
JP Morgan Strategic*	51,208	Real Estate	-1.2	3.5	---	---	3.5	10/2007
NCREIF*	---	---	0.2	5.6	---	---	5.6	---
CB Richard Ellis*	1,211	Real Estate	0.4	---	---	---	-2.7	6/2008
NCREIF*	---	---	0.2	---	---	---	0.7	---

\* 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 2008, three of WPERP's four reporting real estate managers outperformed the NCREIF Index.

Both **Prisa** and **Prisa II** outperformed the NCREIF Index by 20 and 30 basis points during the current quarter, respectively. **JP Morgan Strategic** trailed the NCREIF Index by (1.4%). **CB Richard Ellis** completed its first quarter besting the NCREIF Index by 20 basis points.

### Latest Year

Over the latest 1-year period, **Prisa** and **Prisa II** trailed their benchmark by (1.9%) and (1.7%), respectively. **JP Morgan Strategic** also underperformed its benchmark by (2.1%).

## Health Plan Performance

The WPERP - Health portfolio ended the fourth quarter of 2008 with an aggregate value of approximately \$608.7 million.

### Health Plan - Periods ending December 31, 2008, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	-10.5	-20.3	---	---	-8.0	12/2006
<i>Policy Benchmark*</i>	-12.2	-22.5	---	---	-9.2	---
BlackRock	-22.5	-37.6	---	---	-18.8	1/2007
<i>R1000 Index</i>	-22.5	-37.6	---	---	-18.8	---
Wells	3.7	5.2	---	---	6.1	1/2007
<i>BC Aggregate</i>	4.6	5.3	---	---	6.1	---
Landmark XIV****	---	---	---	---	---	9/2008
<i>Cambridge U.S. PE****</i>	---	---	---	---	---	---

\*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

**Q4 2008** – Although both managers of the Health Plan either matched or trailed their respective benchmarks, the Health Plan outperformed its policy benchmark by 1.7%. The outperformance was due to differences in asset allocation between the actual and the target allocations of the domestic equity and fixed income classes (see next page). The Plan's new private equity manager, Landmark XIV, was funded during the 3Q 2008. Returns for this manager are 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 again due to asset allocation differences (see next page).

## Health Plan Performance (continued)

### Health Plan – Asset Allocation as of 12/31/08

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio*	\$608,665	100	100	---
Domestic Equity	286,208	47	60	-13
BlackRock	286,208	47	60	-13
Fixed Income	320,925	53	40	13
Wells	320,925	53	40	13
Private Equity	343	0	0	0
Landmark XIV	343	0	0	0
Cash	990	0	0	0

\* Including \$199,506 in transition assets.

**Asset Allocation** – The Health Plan target allocation consists of 60% domestic equity and 40% domestic fixed income. By the close of 4Q 2008, the Plan consisted of 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 fourth quarter of 2008 with an aggregate value of approximately \$35.0 million.

### Disability Plan - Periods ending December 31, 2008, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	2.6	2.7	4.8	4.2	---	---
Policy Benchmark*	4.4	5.1	5.4	4.6	---	---
Wells	2.8	2.7	4.8	---	4.7	7/2004
BC Aggregate	4.6	5.3	5.5	---	5.0	---

\*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.

**Q4 2008** – During the fourth quarter of 2008, the Disability Plan posted a 2.6% return, underperforming its policy benchmark by (1.8%). The benchmark portfolio consists of passively managed asset class portfolios held at the Disability Plan's policy weightings.

**Longer Term** – Over the latest 1-, 3-, and 5-year periods, the Disability Plan trailed its policy benchmark by (2.4%), (0.6%) and (0.4%), respectively.

### Disability Plan – Asset Allocation as of 12/31/08

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$35,030	100	100	---
Fixed Income	31,677	90	95	-5
Wells	31,677	90	95	-5
Cash	3,353	10	5	5

**Asset Allocation** – The Disability Plan target allocation consists of 95% fixed income investments and 5% cash. By the close of 4Q 2008, there was one fixed income manager, Wells. The total fund was 90% invested in this manager.

## Death Plan Performance

The WPERP – Death portfolio ended the fourth quarter of 2008 with an aggregate value of approximately \$22.7 million.

### Death Plan - Periods ending December 31, 2008, Gross of Fees

Asset Class	Quarter	1 Year	3 Year	5 Year	Since Inception**	Inception Date***
Total Portfolio	2.6	2.7	4.8	4.2	---	---
Policy Benchmark*	4.4	5.1	5.4	4.6	---	---
Wells	2.9	2.8	4.9	---	4.7	7/2004
BC Aggregate	4.6	5.3	5.5	---	5.0	---

\*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.

**Q4 2008** – During the fourth quarter of 2008, the Death Plan posted a 2.6% return underperforming its policy benchmark by (1.8%). The benchmark portfolio consists of passively managed asset class portfolios held at the Death Plan's policy weightings.

**Longer Terms** – Over the latest 1-, 3-, and 5-year periods, the Death Plan trailed its policy benchmark by (2.4%), (0.6%), and (0.4%), respectively.

### Death Plan – Asset Allocation as of 12/31/08

Segment	Actual \$(000)	Actual %	Target %	Variance
Total Portfolio	\$22,657	100	100	---
Fixed Income	20,563	91	96	-5
Wells	20,563	91	96	-5
Cash	2,094	9	4	5

**Asset Allocation** – The Death Benefit Plan target allocation consists of 96% fixed income investments and 4% cash. By the close of 4Q 2008, there was one fixed income manager, Wells. The total fund was 91% invested in this manager.

# Quarterly Report

Q4-08

## Managers Placed on Watch Status Return vs. Benchmark Since Watch As of December 31, 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*
Wells	High Yield	Organizational	6/1/2007	-1.6	-3.2	-1.7	-4.4	-0.6	-14.6
BC High Yield	High Yield			-1.8	-4.0	-3.0	-5.3	-1.3	-18.9
Wells Perf. Vs. Target	BC High Yield			N/M	N/M	N/M	N/M	0.7	4.3
The Boston Company	Developed Markets	Organizational	9/1/2007	3.0	2.5	-8.2	-2.7	-23.8	-28.1
EAFE + Canada ND	Developed Markets			5.7	6.0	-3.7	1.7	-23.9	-33.0
Boston Perf. Vs. Target	EAFE + Canada ND			N/M	N/M	N/M	N/M	0.1	4.9
Intech	Large Growth	Performance	1/1/2008	-9.9	-12.7	-11.1	-22.9	-42.2	-42.2
Russell 1000 Growth	Large Growth			-7.8	-10.2	-9.1	-20.3	-38.4	-38.4
Intech Perf. Vs. Target	Russell 1000 Growth			N/M	N/M	N/M	N/M	-3.8	-3.8
Northpointe	Small Growth	Performance	2/1/2008	-7.0	-7.2	-6.4	-40.8	---	-46.4
Russell 2000 Growth	Small Growth			-3.5	0.9	5.2	-27.0	---	-32.3
Northpointe Perf. Vs. Target	Russell 2000 Growth			N/M	N/M	N/M	N/M	---	N/M
ING	Core	Performance	8/1/2008	0.0	-3.4	---	---	---	-2.3
BC Aggregate	Core			0.9	-2.8	---	---	---	4.2
ING Perf. Vs. Target	BC Aggregate			N/M	N/M	N/M	N/M	---	N/M

\*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)

**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.

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

# Quarterly Report

Q4-08

## WPERP Estimated Performance Results Net and Gross of Fees Comparison For Quarter Ending 12/31/2008

Asset Class	Manager	Market Value	Performance, %**		Difference	
			Net	Gross	Percentage	Market Value
Domestic Equity						
Russell 1000 Index						
Passive	BlackRock	736,339,150	-22.92%	-22.91%	-0.01%	-73,641
Large Value	MFS	268,186,077	-19.63%	-19.55%	-0.08%	-214,721
Large Value	T. Rowe Price	233,355,564	-23.40%	-23.32%	-0.08%	-186,834
Large Growth	Fred Alger	207,505,188	-28.20%	-28.12%	-0.08%	-166,137
Large Growth	Intech	198,622,710	-25.08%	-24.98%	-0.10%	-198,822
Small Value	Earnest Partners	81,699,540	-25.62%	-25.47%	-0.15%	-122,733
Small Growth	NorthPointe	25,435,241	-32.65%	-32.46%	-0.19%	-48,419
Small Growth	Paradigm	31,544,556	-29.34%	-29.16%	-0.18%	-56,883
		\$1,782,688,026				
International Equity						
Active Equities	Invesco	294,790,953	-18.07%	-17.96%	-0.11%	-324,627
Active Equities	The Boston Co.	238,454,643	-13.66%	-13.57%	-0.09%	-214,803
Active Equities	Pyramis	270,134,547	-20.27%	-20.19%	-0.08%	-216,281
Emerging Markets	The Boston Company	54,951,584	-23.49%	-23.24%	-0.25%	-126,680
Emerging Markets	T. Rowe Price	44,244,629	-34.18%	-33.94%	-0.24%	-106,443
		\$902,576,356				
Domestic Fixed Income						
Core	ING	1,052,703,441	-0.72%	-0.69%	-0.03%	-315,906
Core	Wells	1,160,181,696	3.58%	3.61%	-0.03%	-348,159
High Yield	Loomis Sayles	95,107,235	-18.62%	-18.49%	-0.13%	-123,800
High Yield	Wells	96,251,454	-15.52%	-15.40%	-0.12%	-115,641
		\$2,404,243,826				
Real Return						
	Aetos	31,858,063	-7.31%	---	-0.19%	---
	PAAMCO	34,223,455	-11.83%	---	-0.25%	---
		\$66,081,518				
Private Equity						
	Lexington	14,803,947	-4.36%	---	---	---
	Landmark XIII	18,733,883	-1.52%	---	---	---
	HRJ	8,220,740	10.01%	---	---	---
	Fisher Lynch	491,760	-12.91%	---	---	---
	Landmark XIV	2,058,904	---	---	---	---
		\$44,309,234				
Real Estate						
	Prisa	57,927,403	0.40%	---	-0.21%	---
	Prisa II	15,027,158	0.52%	---	-0.22%	---
	JP Morgan	51,207,758	-1.20%	---	-0.12%	---
	CBRE	1,211,160	0.44%	---	---	---
		\$125,373,479				
Cash						
		\$140,515,175	---	0.25%	---	---
TOTAL PORTFOLIO**						
		5,473,967,544	-12.61%	-12.55%	-0.06%	-\$2,960,528
Total Fund Policy						
			---	-14.00%	---	---

\*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 December 31, 2008

<b>Mellon Total Funds - Public Universe</b>				
	<u>Quarter</u>	<u>1- Year</u>	<u>3-Year</u>	<u>5-Year</u>
Maximum	3.2	3.3	5.3	8.1
Percentile 25	-12.0	-23.5	-1.6	3.3
Median	-14.0	-26.7	-2.9	2.2
Percentile 75	-15.5	-28.2	-3.8	1.0
Minimum	-21.8	-38.8	-9.4	-1.4
Number of Portfolios	82	72	71	63
<b>LADWP Total Fund</b>				
Return	-12.5	-24.9	-2.6	1.5
Quartile Rank	2nd	2nd	2nd	3rd

**Notes:**

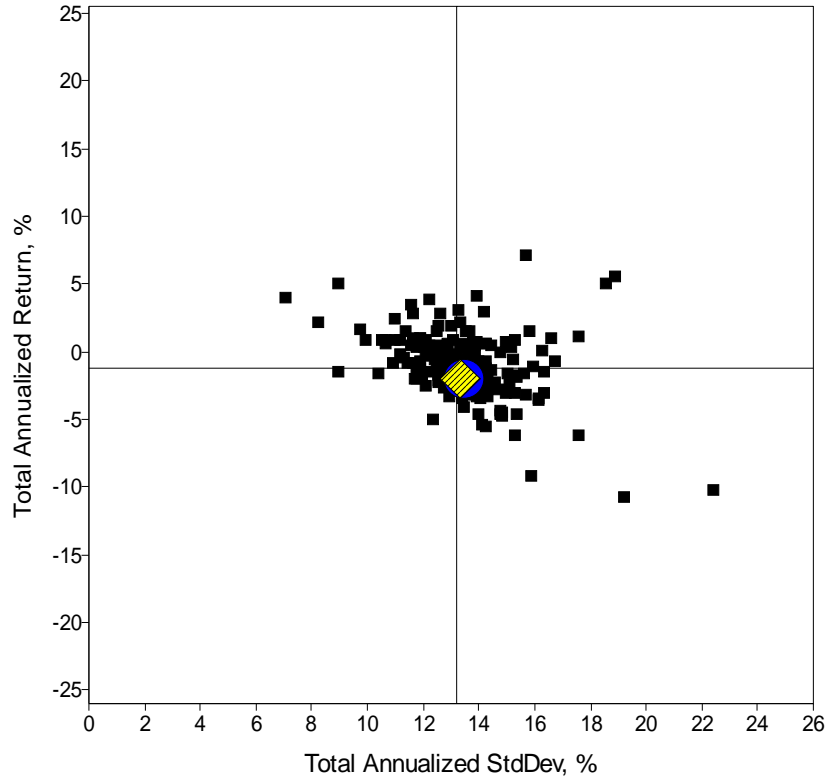
Sources: Universe Information; Mellon Total Public Funds

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



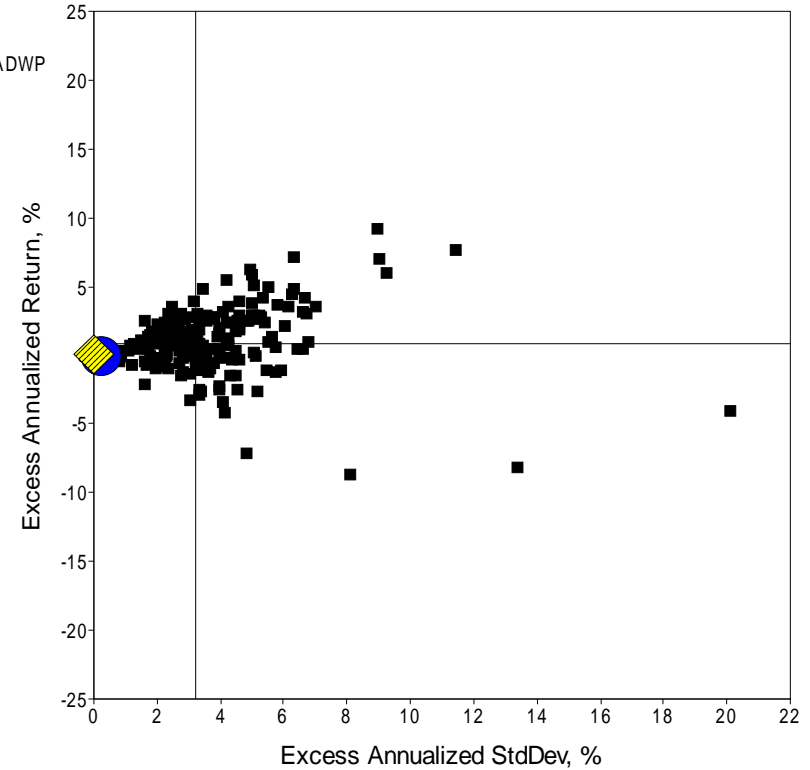
# WPERP Large Cap Core Manager Comparisons as of December 31, 2008

5-Year Total Risk/Return



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
BlackRock - LADWP	-2.06	13.43	-0.15
Russell 1000	-2.04	13.30	-0.15
Large Cap Manager Universe Median	-1.26	13.20	-0.09

5-Year Excess Risk/Return



	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
BlackRock - LADWP	-0.01	0.25	-0.06
Russell 1000	0.00	0.00	NA
Large Cap Manager Universe Median	0.78	3.24	0.36

## Notes:

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

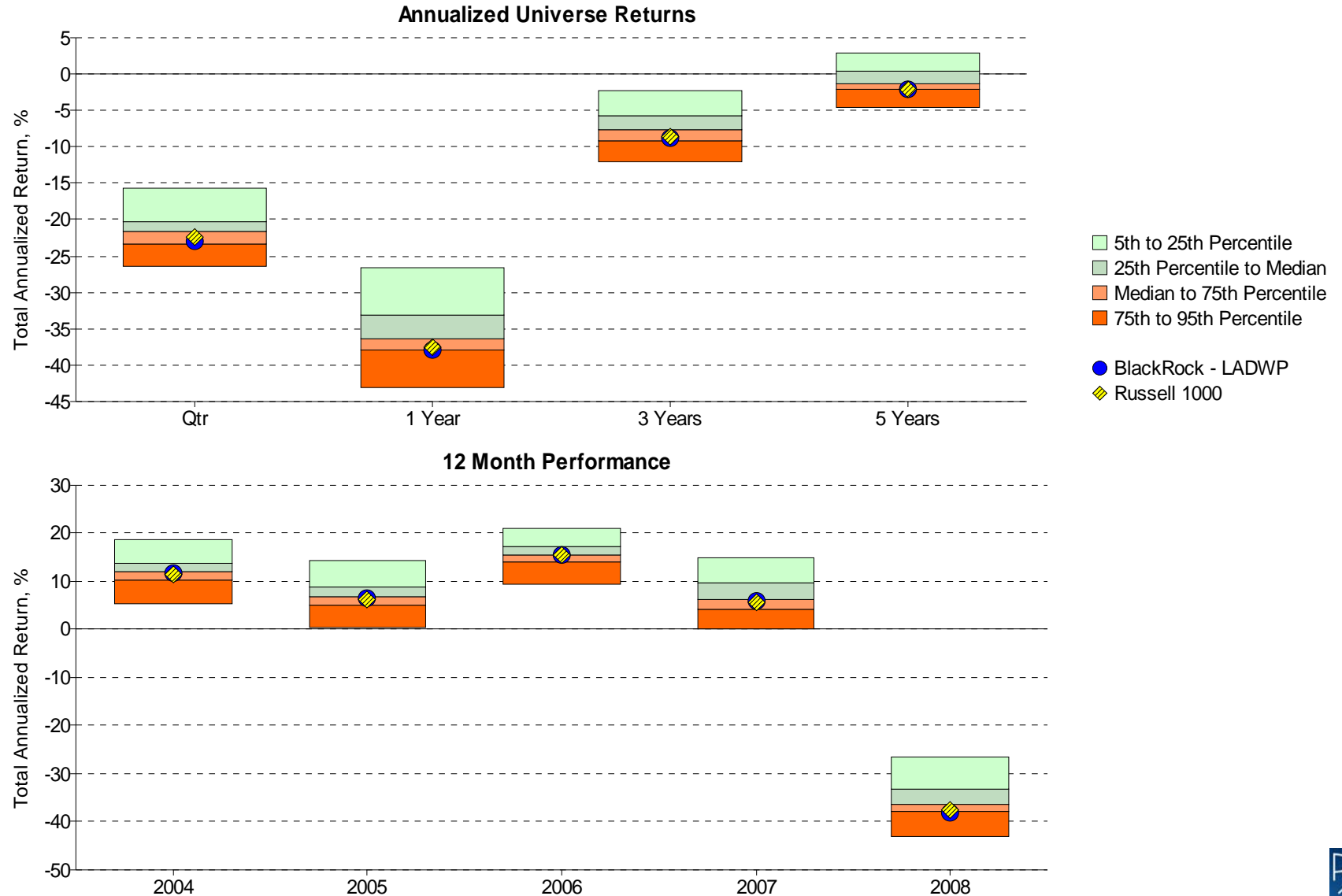
All performance is shown **gross of fees**.

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

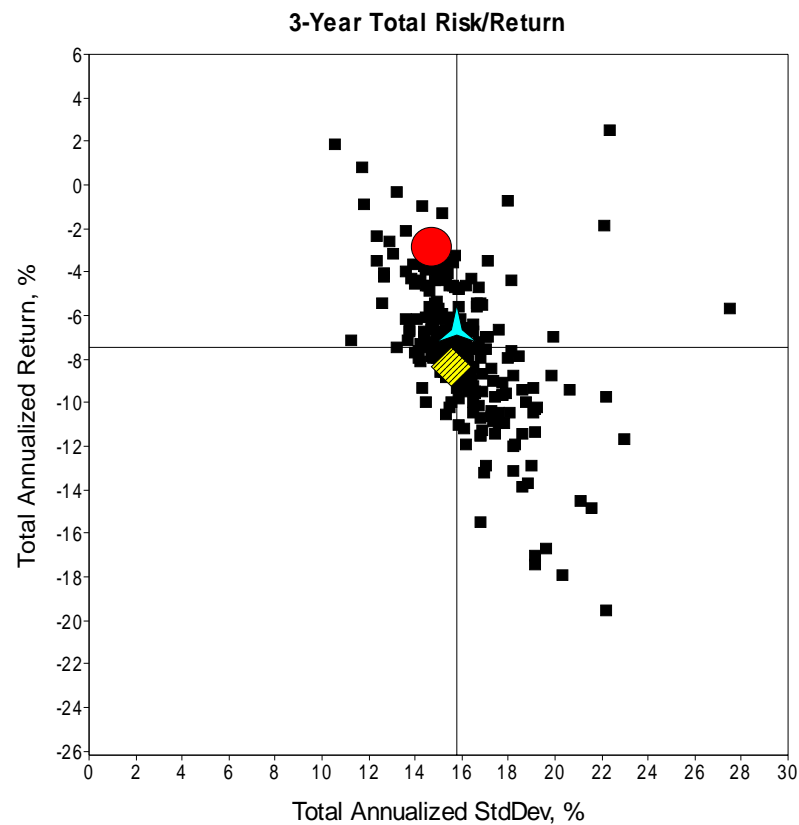
Differences due to rounding.



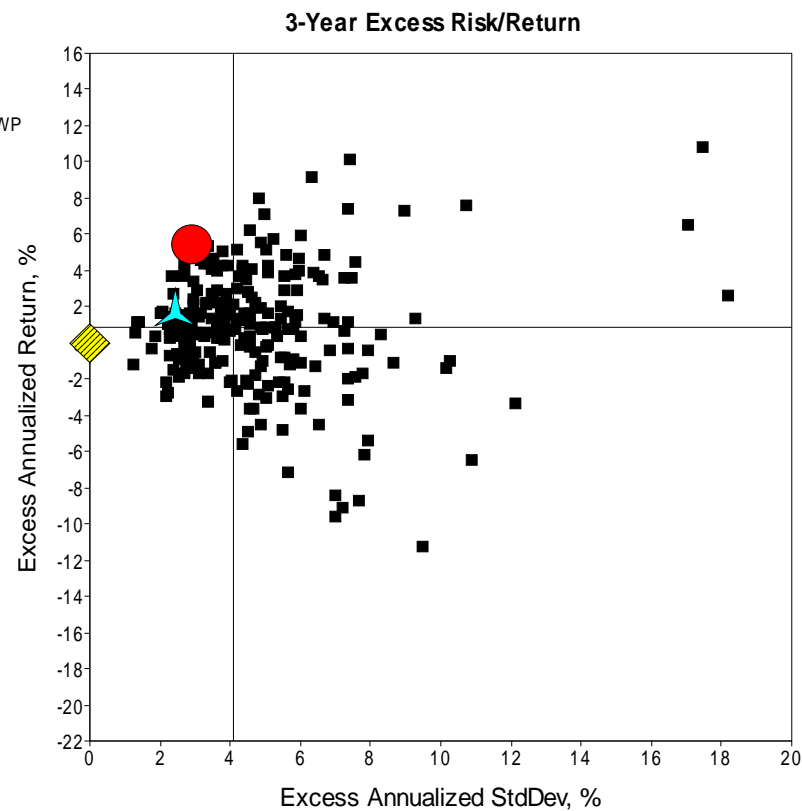
# WPERP Large Cap Core Manager Comparisons as of December 31, 2008



# WPERP Large Cap Value Manager Comparisons as of December 31, 2008



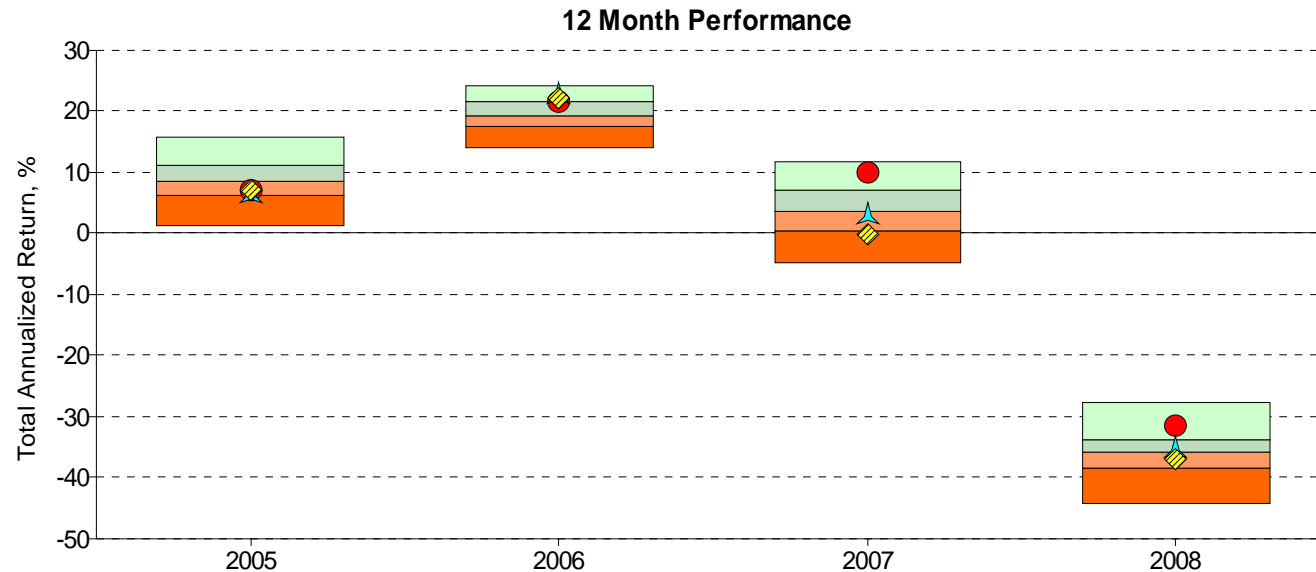
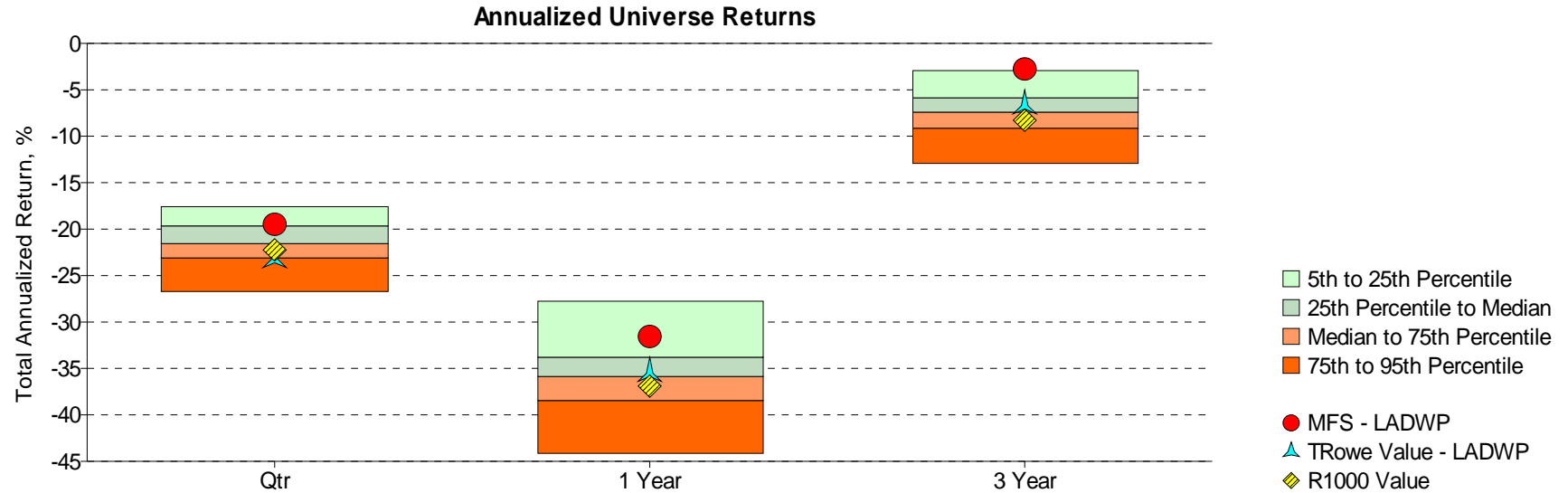
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
MFS - LADWP	-2.84	14.69	-0.19
TRowe Value - LADWP	-6.69	15.76	-0.42
R1000 Value	-8.33	15.58	-0.53
Large Value Manager Universe Median	-7.43	15.79	-0.47



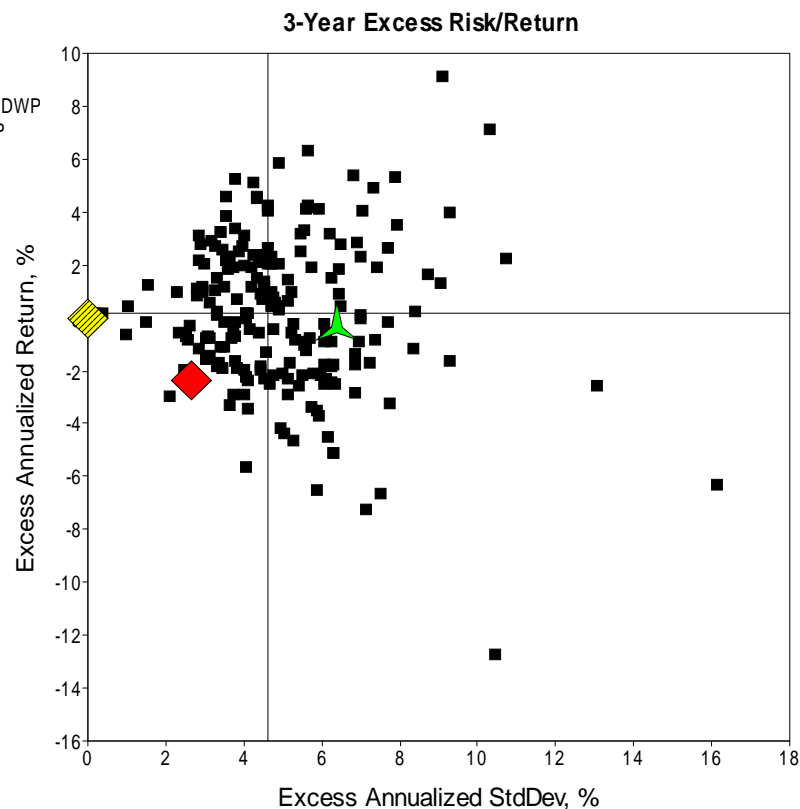
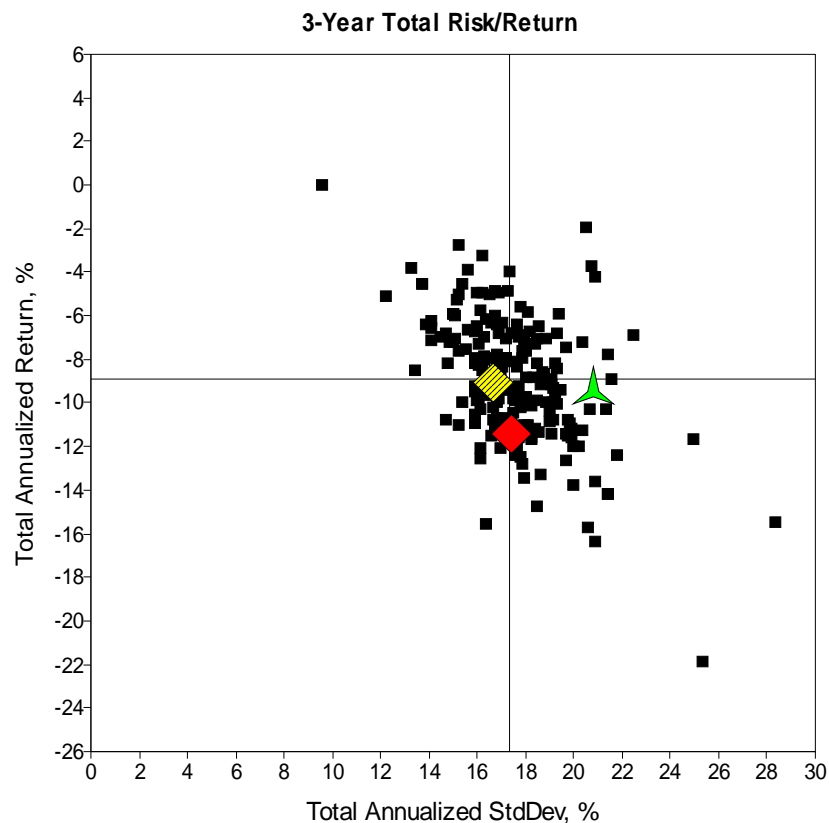
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
MFS - LADWP	5.49	2.90	1.89
TRowe Value - LADWP	1.64	2.45	0.67
R1000 Value	0.00	0.00	NA
Large Value Manager Universe Median	0.90	4.09	0.25



# WPERP Large Cap Value Manager Comparisons as of December 31, 2008



# WPERP Large Cap Growth Manager Comparisons as of December 31, 2008

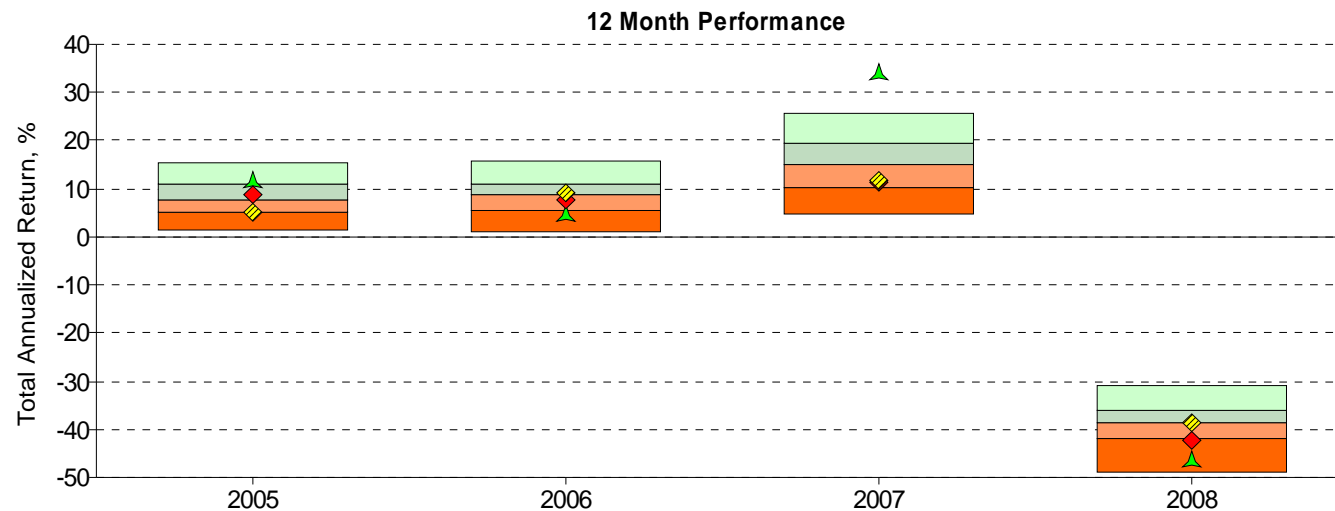
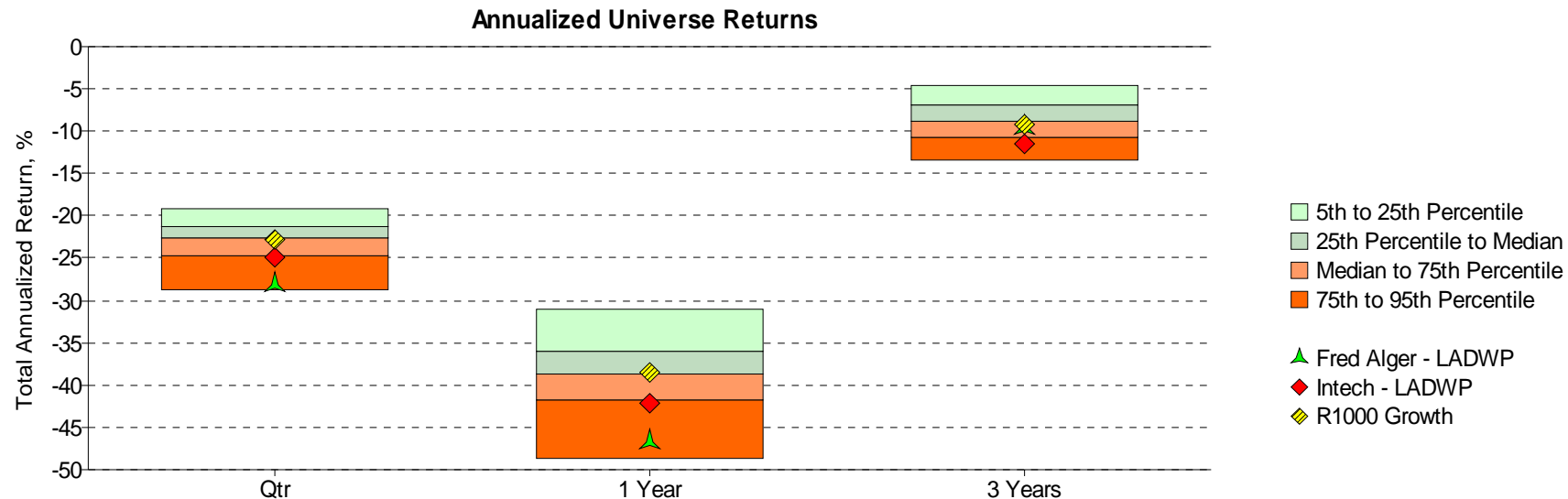


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Fred Alger - LADWP	-9.49	20.83	-0.46
Intech - LADWP	-11.44	17.39	-0.66
R1000 Growth	-9.10	16.63	-0.55
Large Growth Manager Universe Median	-8.90	17.35	-0.51

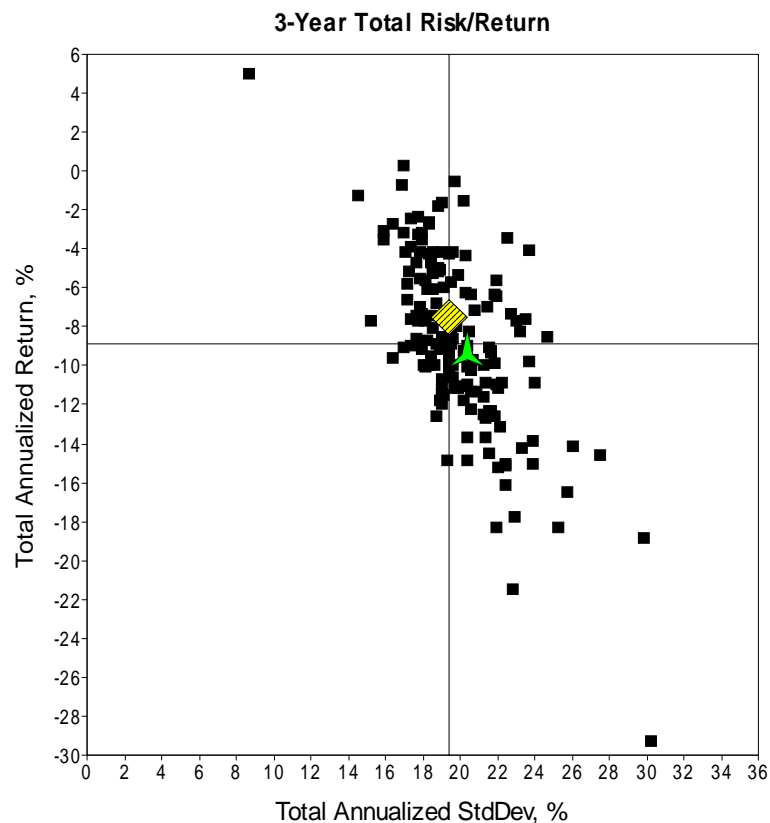
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Fred Alger - LADWP	-0.39	6.39	-0.06
Intech - LADWP	-2.33	2.67	-0.87
R1000 Growth	0.00	0.00	NA
Large Growth Manager Universe Median	0.20	4.60	0.06



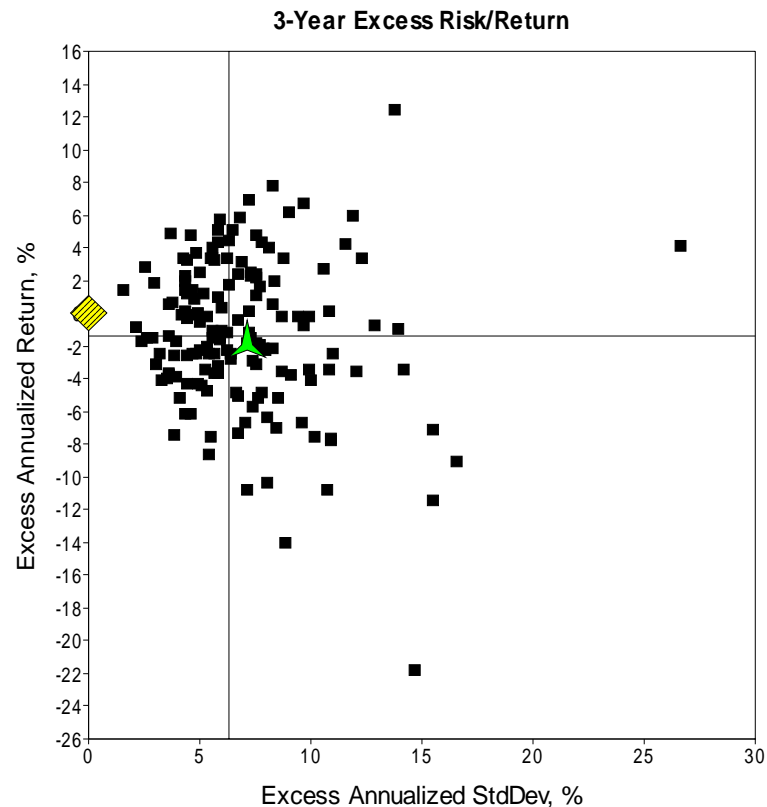
# WPERP Large Cap Growth Manager Comparisons as of December 31, 2008



# WPERP Small Cap Value Manager Comparisons as of December 31, 2008



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Earnest Ptnrs -LADWP	-9.39	20.35	-0.46
R2000 Value	-7.49	19.41	-0.39
Small Cap Value Universe Median	-8.86	19.45	-0.45

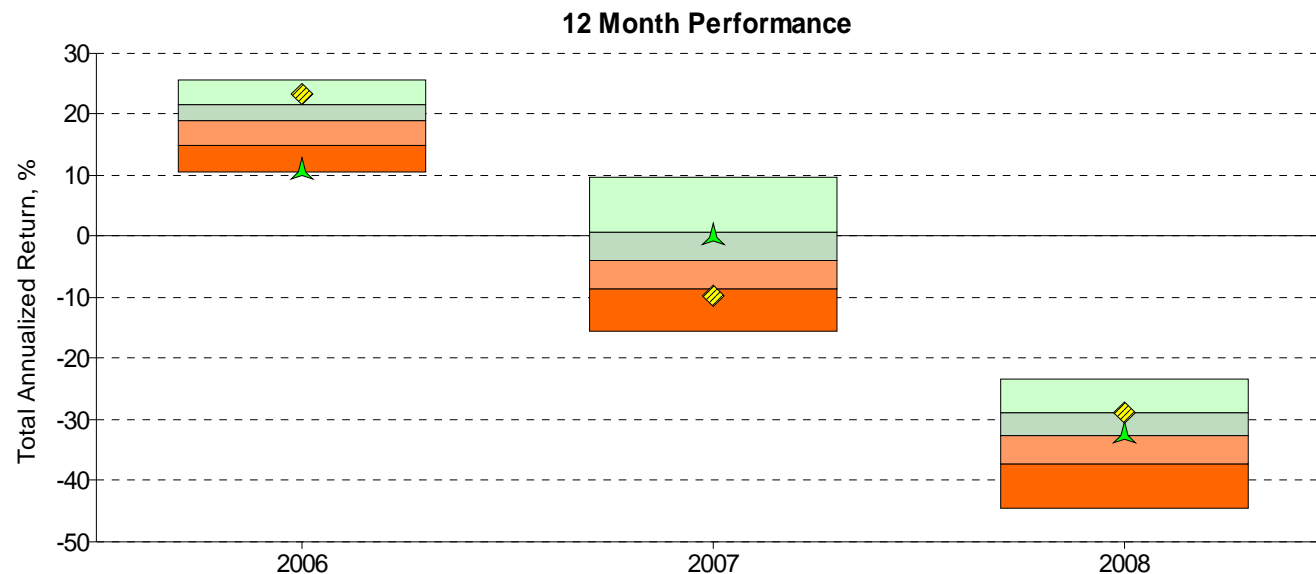
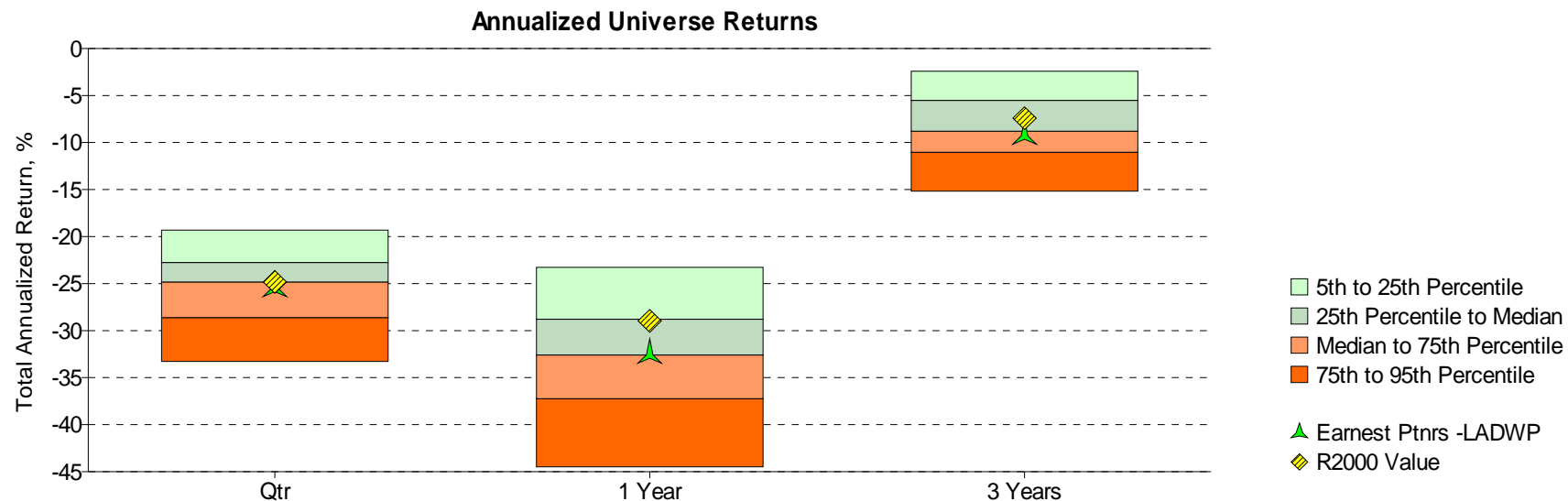


	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Earnest Ptnrs -LADWP	-1.91	7.15	-0.27
R2000 Value	0.00	0.00	NA
Small Cap Value Universe Median	-1.38	6.27	-0.22

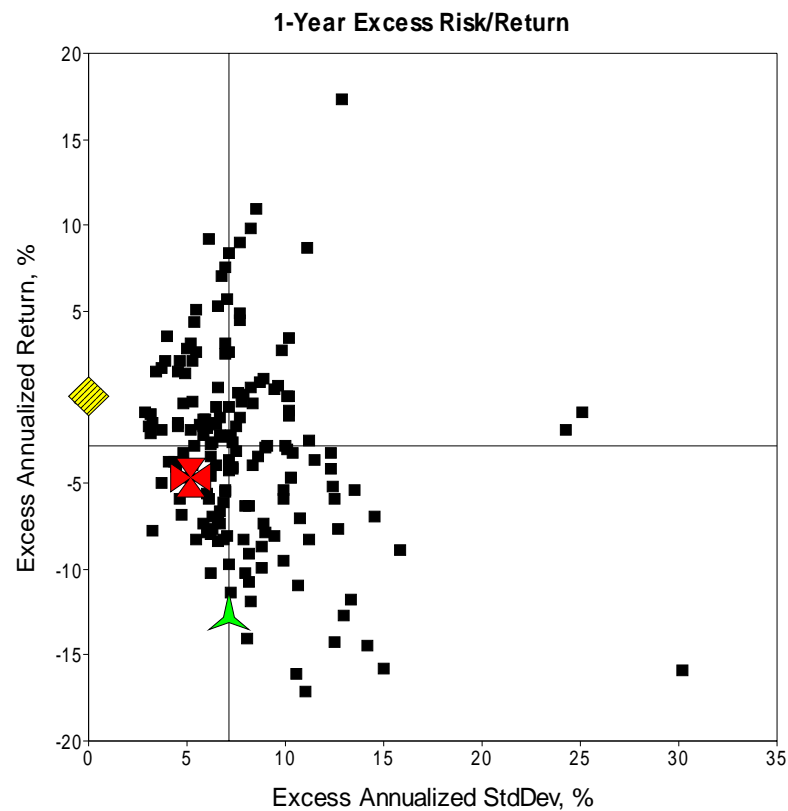
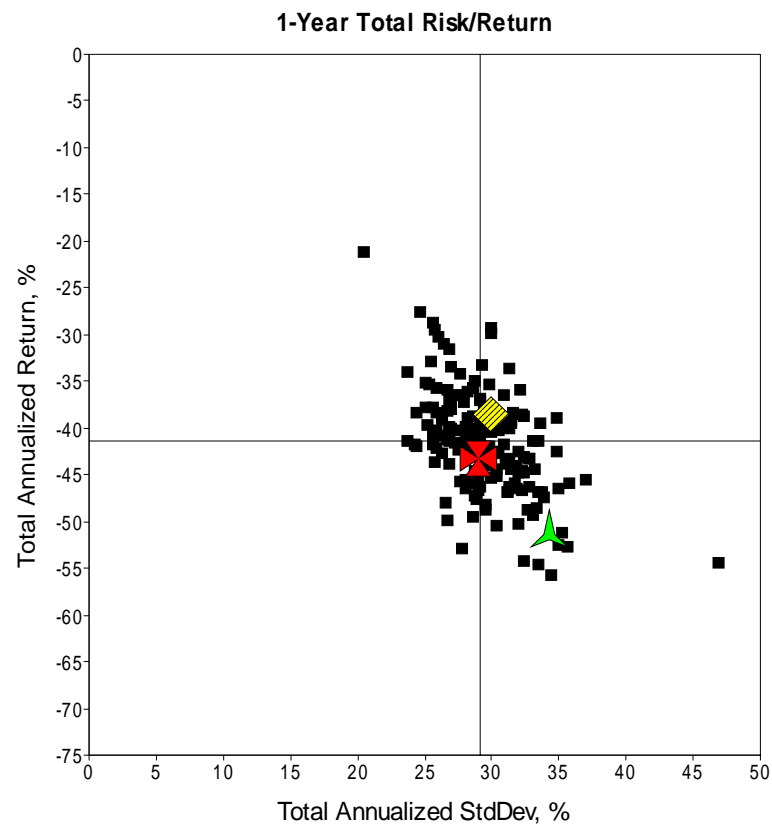




# WPERP Small Cap Value Manager Comparisons as of December 31, 2008



# WPERP Small Cap Growth Manager Comparisons as of December 31, 2008

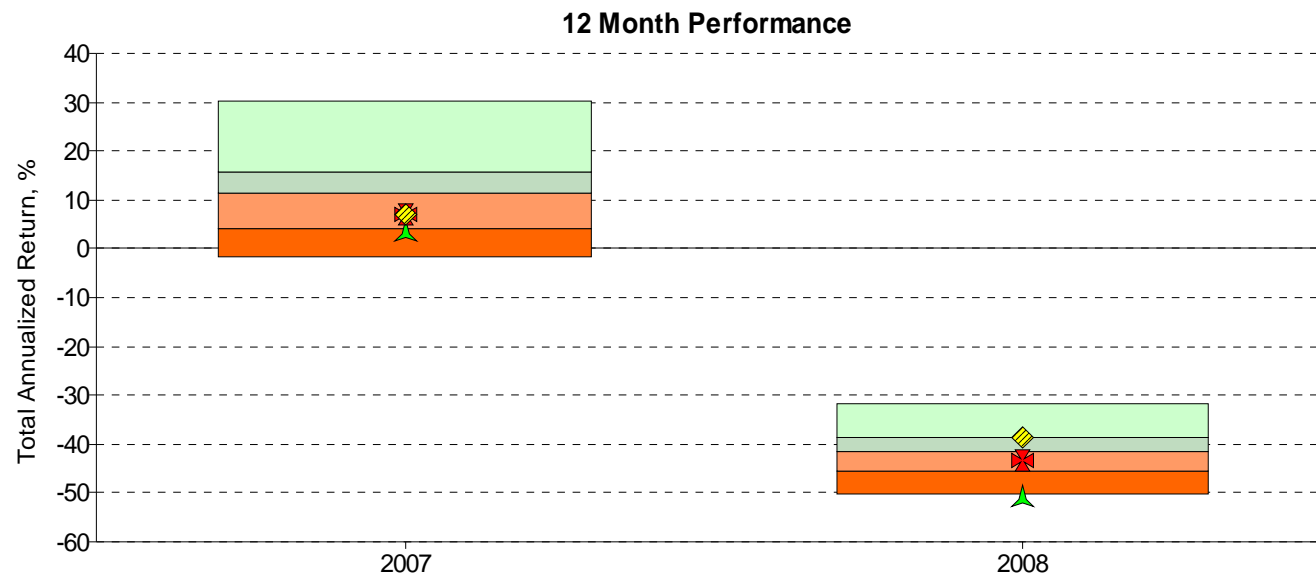
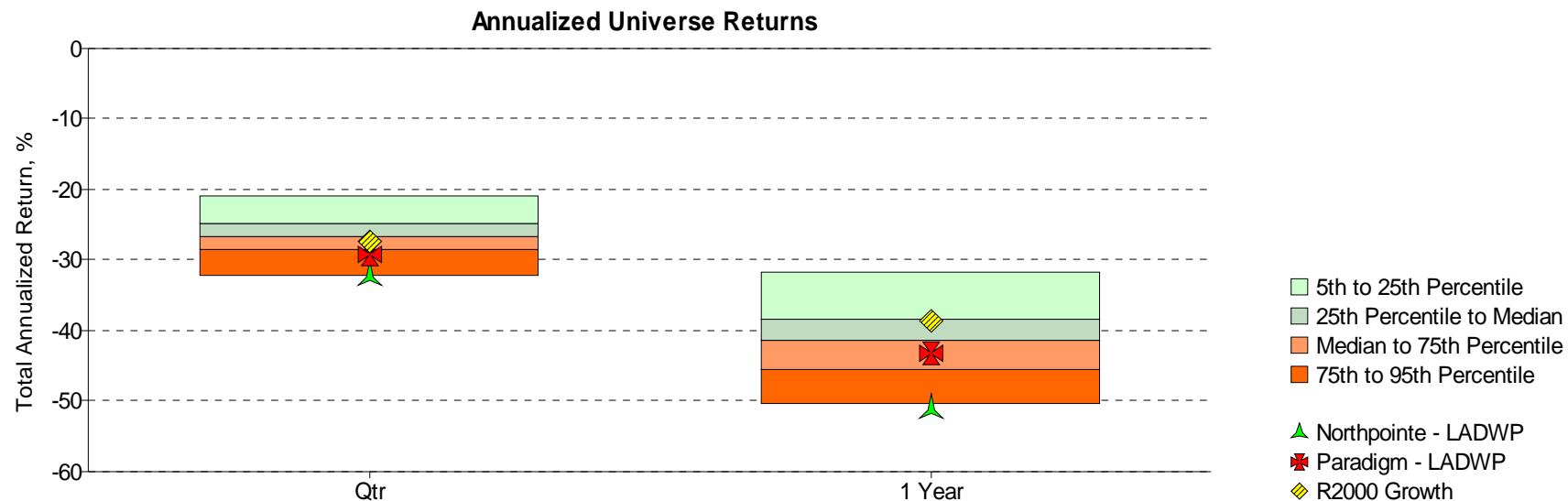


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Northpointe - LADWP	-51.36	34.25	-1.50
Paradigm - LADWP	-43.18	29.01	-1.49
R2000 Growth	-38.53	29.92	-1.29
Small Cap Growth Universe Median	-41.38	29.10	-1.41

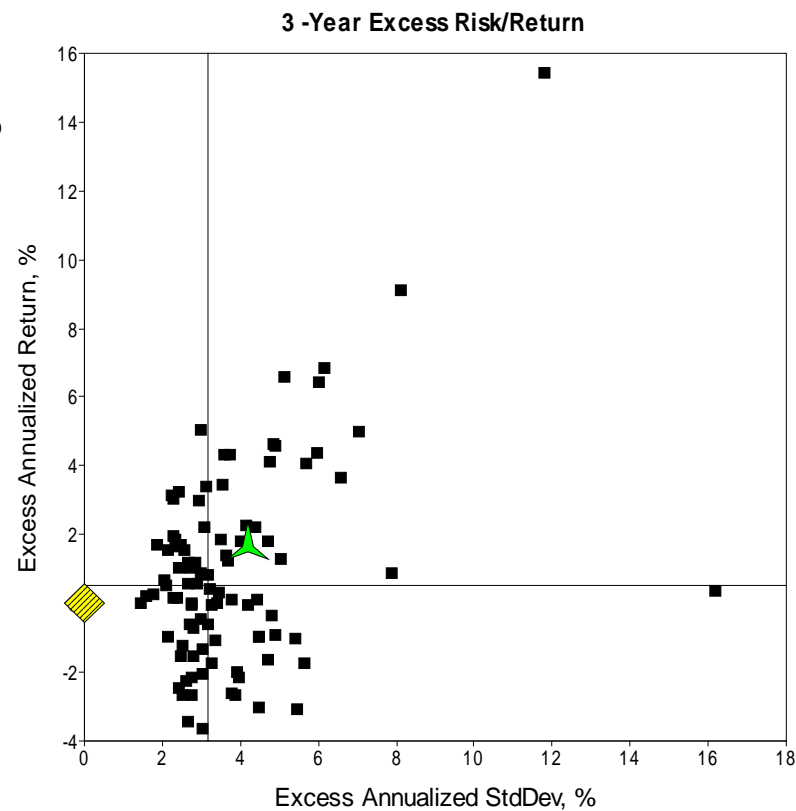
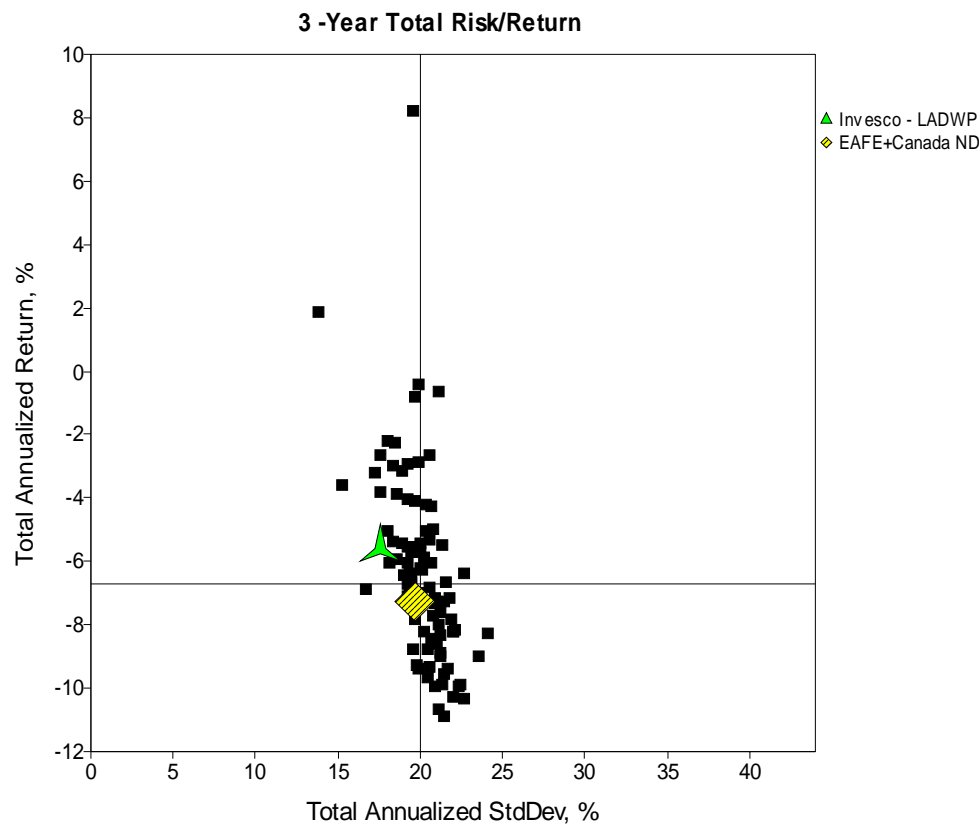
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Northpointe - LADWP	-12.82	7.16	-1.79
Paradigm - LADWP	-4.65	5.14	-0.90
R2000 Growth	0.00	0.00	NA
Small Cap Growth Universe Median	-2.84	7.13	-0.39



# WPERP Small Cap Growth Manager Comparisons as of December 31, 2008



# WPERP International Equity Manager Comparisons as of December 31, 2008

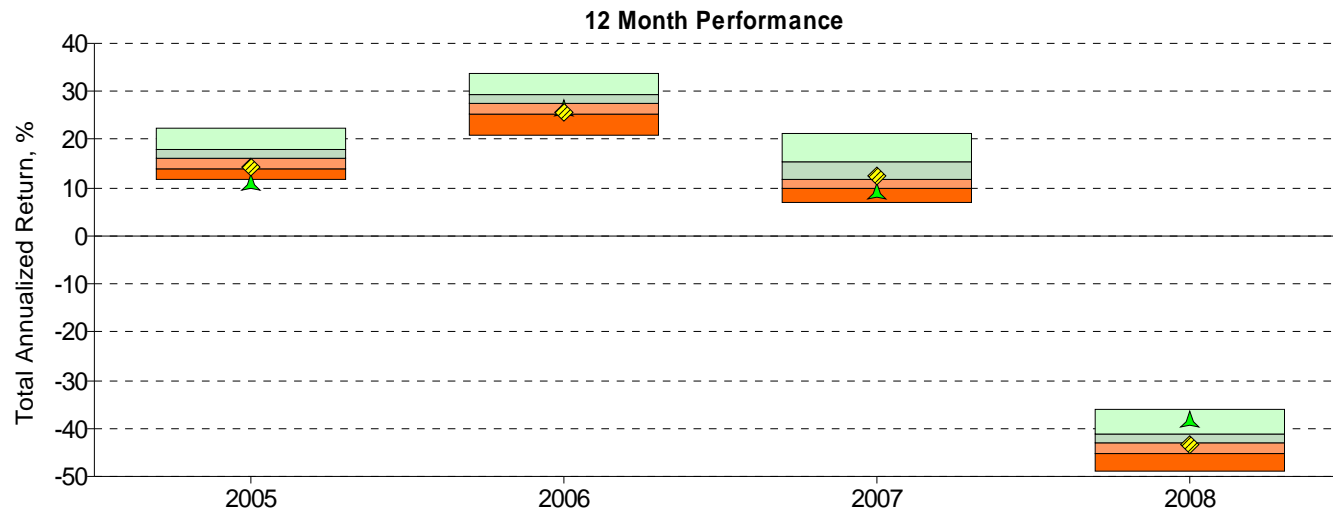
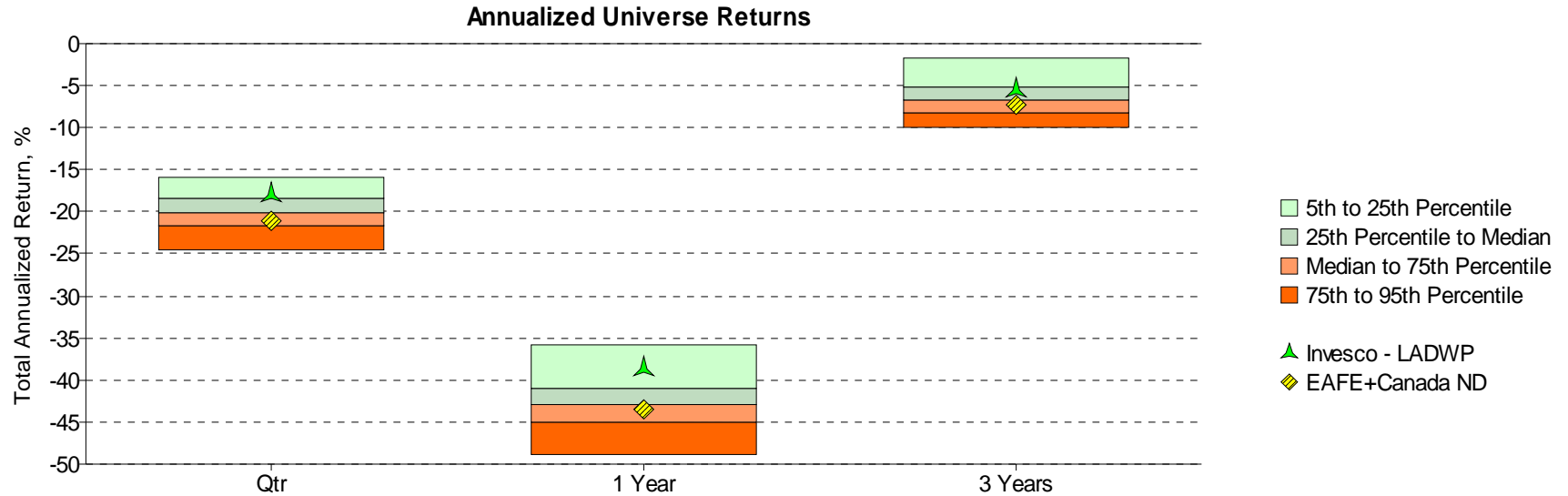


	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Invesco - LADWP	-5.61	17.56	-0.32
EAFE+Canada ND	-7.26	19.73	-0.37
International Equity Universe Median	-6.71	20.05	-0.34

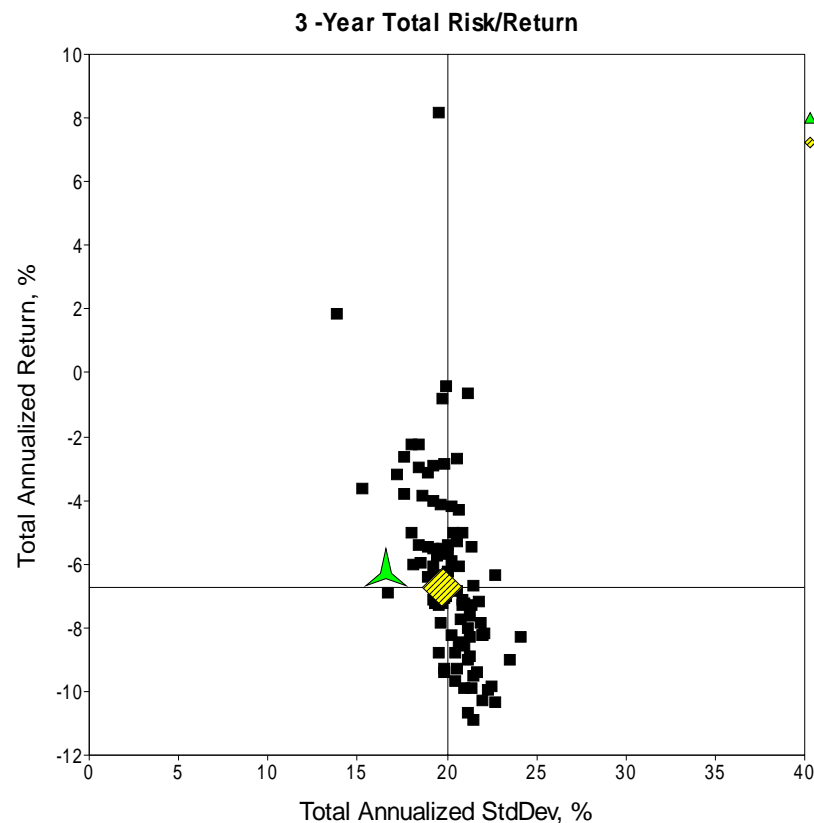
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
Invesco - LADWP	1.65	4.20	0.39
EAFE+Canada ND	0.00	0.00	NA
International Equity Universe Median	0.54	3.18	0.14



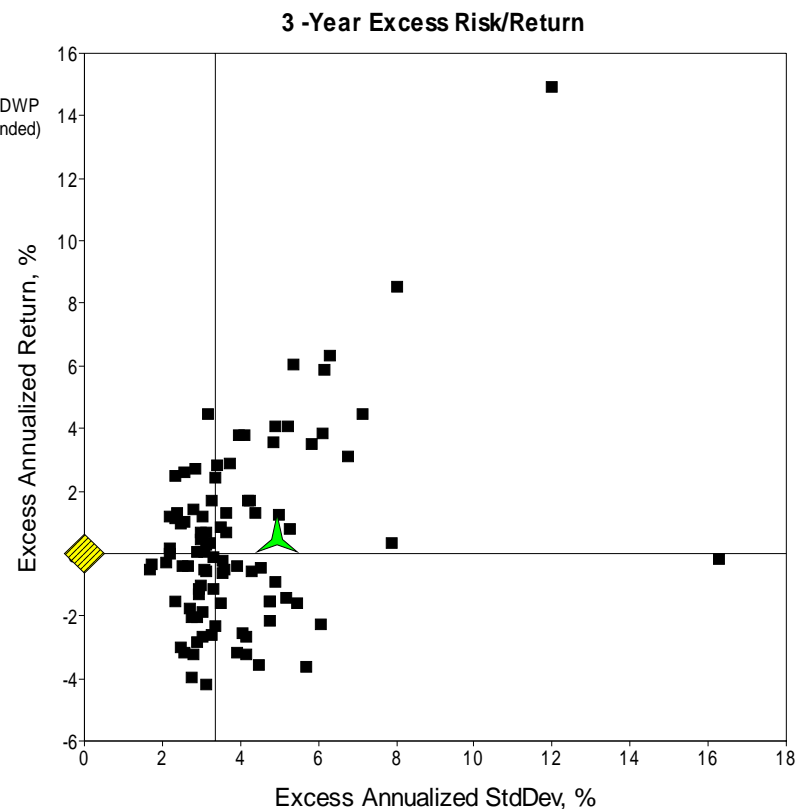
# WPERP International Equity Manager Comparisons as of December 31, 2008



# WPERP International Equity Manager Comparisons as of December 31, 2008



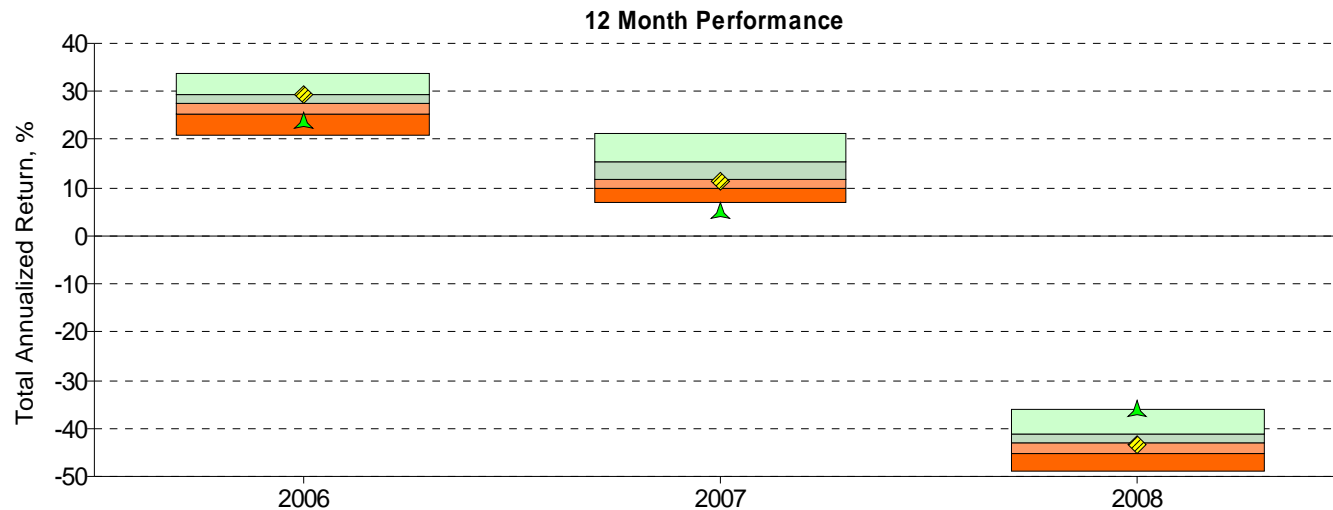
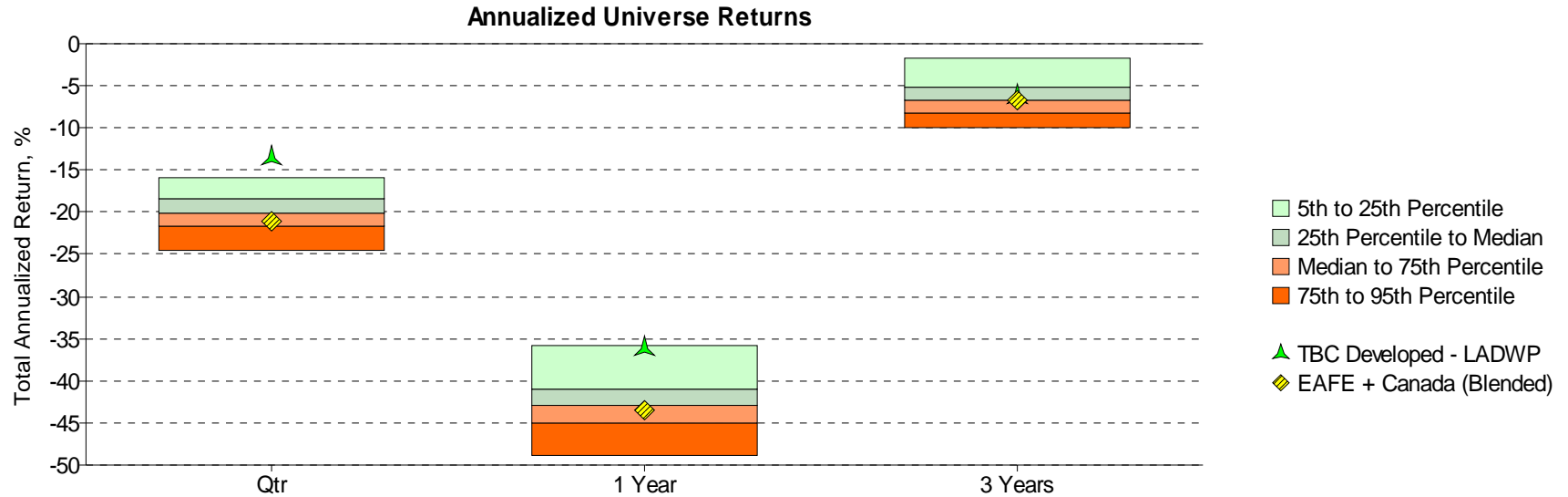
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
TBC Developed - LADWP	-6.27	16.56	-0.38
EAFE + Canada (Blended)	-6.71	19.73	-0.34
International Equity Universe Median	-6.71	20.05	-0.34



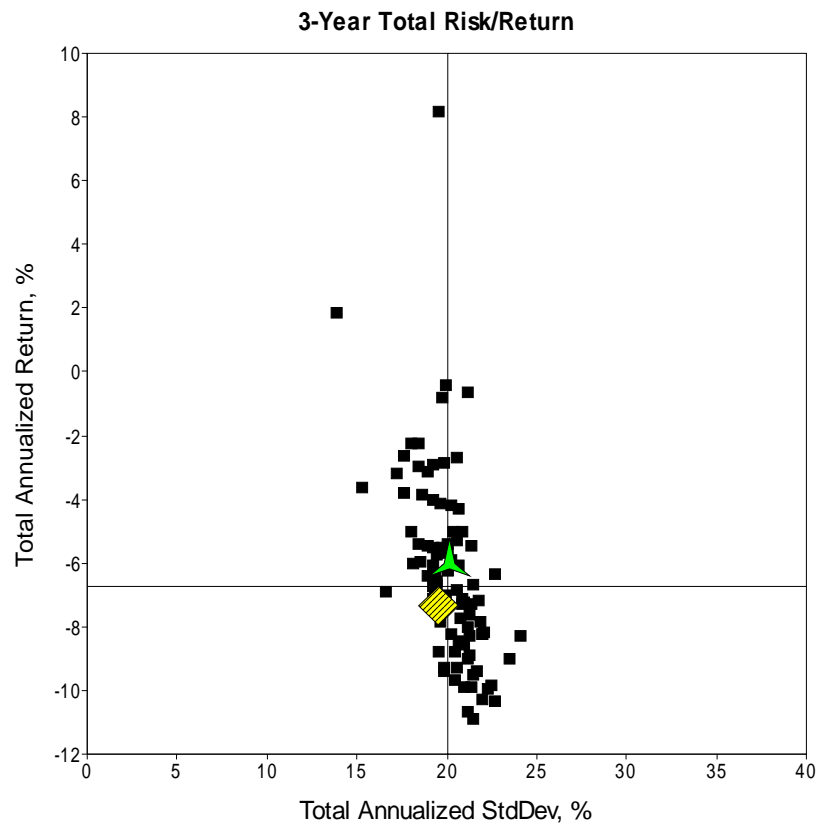
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
TBC Developed - LADWP	0.44	4.95	0.09
EAFE + Canada (Blended)	0.00	0.00	NA
International Equity Universe Median	0.00	3.35	0.00



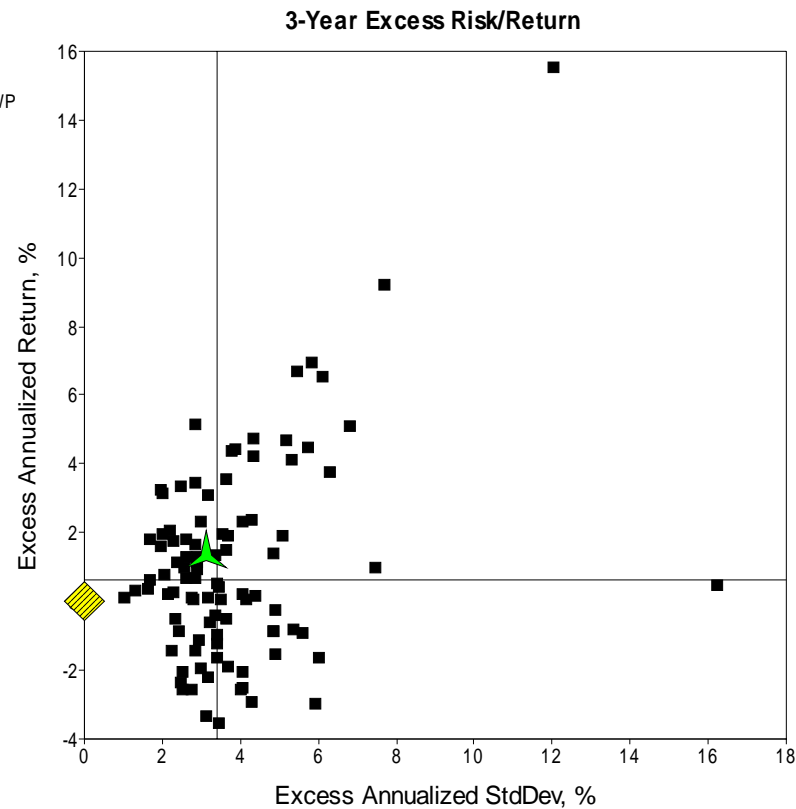
# WPERP International Equity Manager Comparisons as of December 31, 2008



# WPERP International Equity Manager Comparisons as of December 31, 2008



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Pyramis - LADWP	-6.01	20.19	-0.30
EAFE ND	-7.36	19.51	-0.38
International Equity Universe Median	-6.71	20.05	-0.34

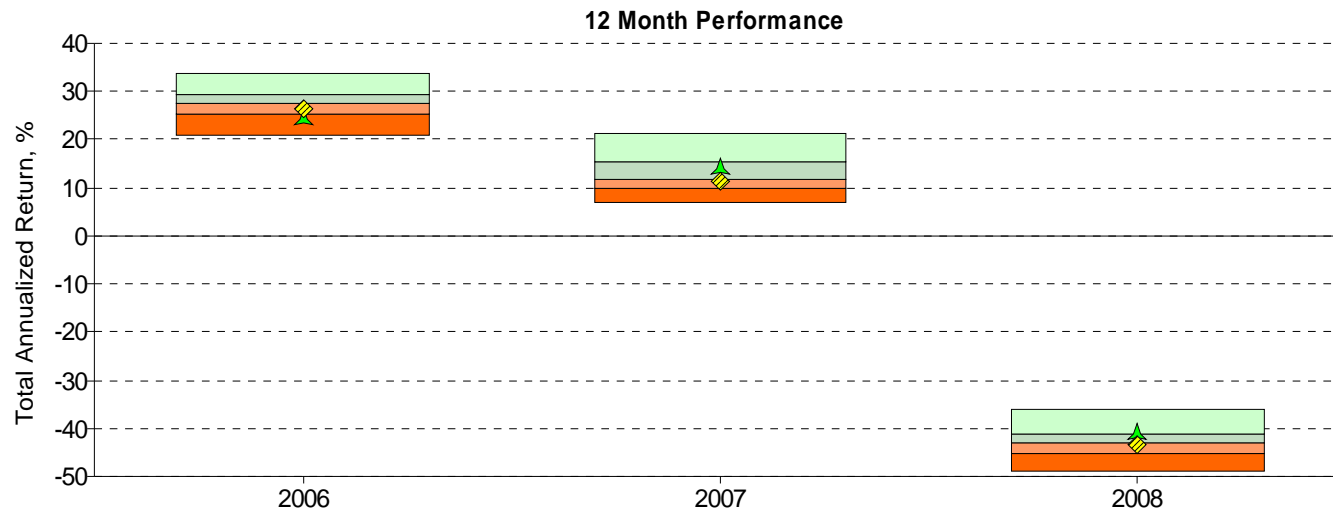
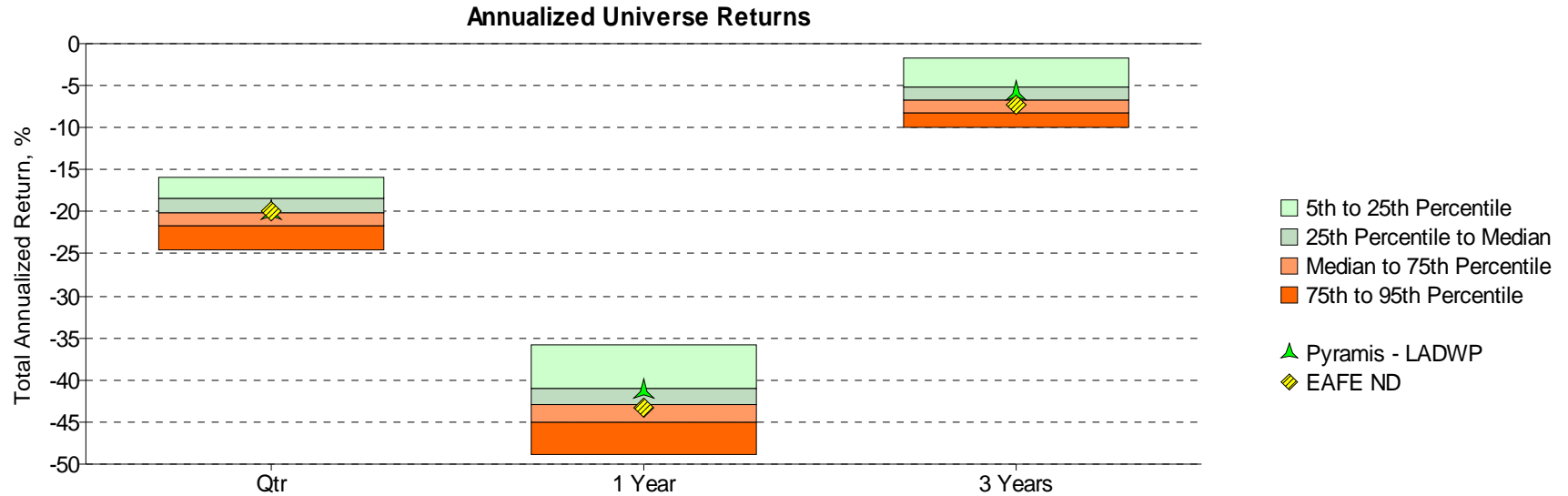


	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Pyramis - LADWP	1.35	3.13	0.43
EAFE ND	0.00	0.00	NA
International Equity Universe Median	0.64	3.38	0.23



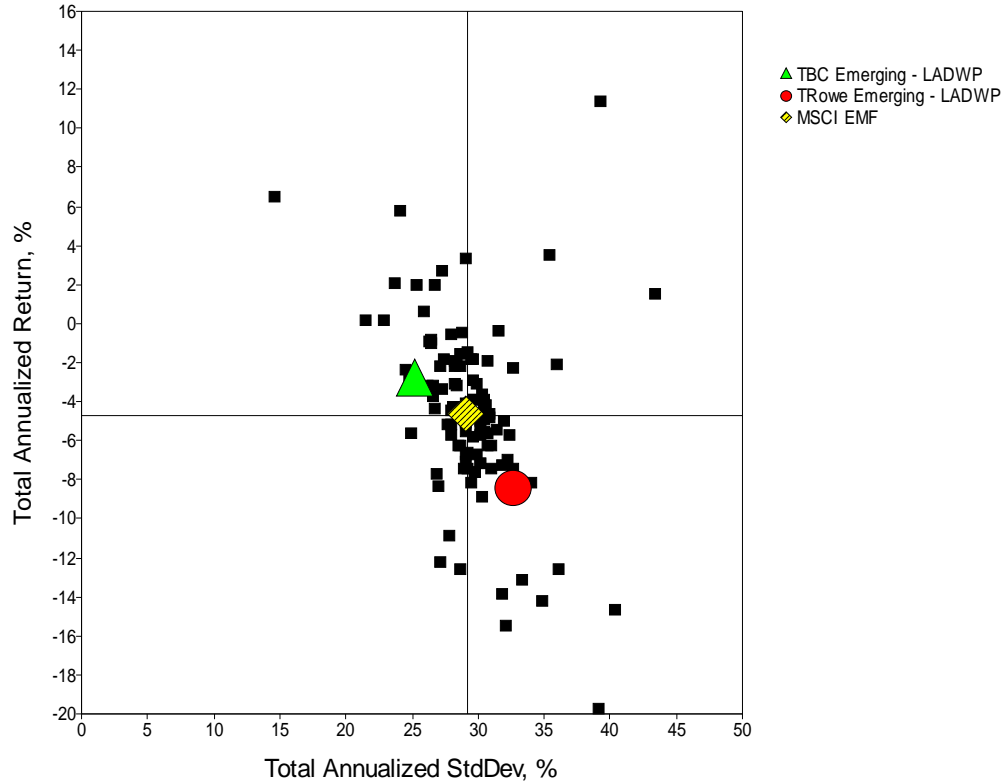


# WPERP International Equity Manager Comparisons as of December 31, 2008



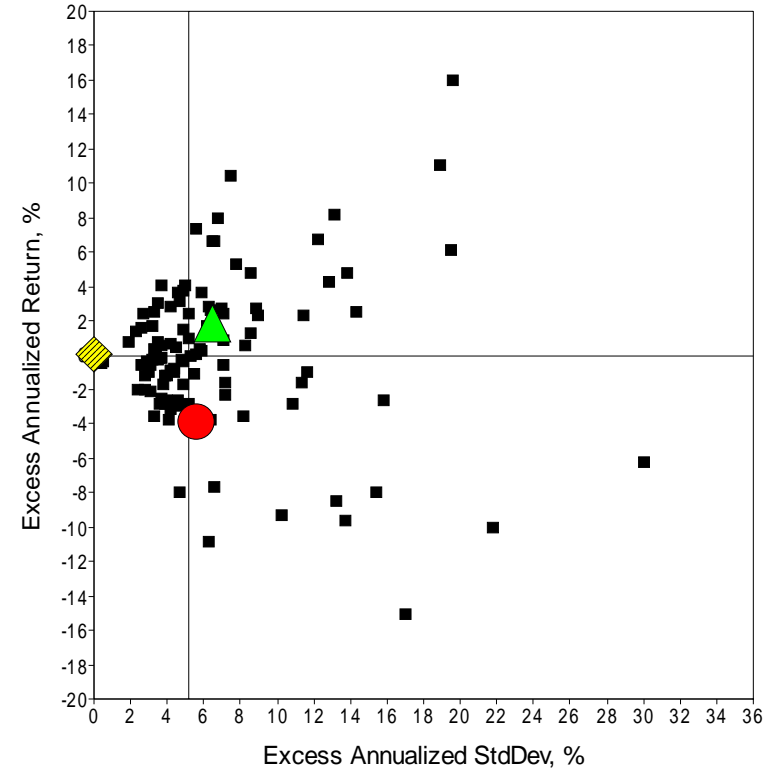
# WPERP Emerging Equity Manager Comparisons as of December 31, 2008

3 -Year Total Risk/Return



	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
TBC Emerging - LADWP	-3.10	25.14	-0.12
TRowe Emerging - LADWP	-8.46	32.66	-0.26
MSCI EMF	-4.61	29.08	-0.16
Emerging Equity Universe Median	-4.72	29.22	-0.16

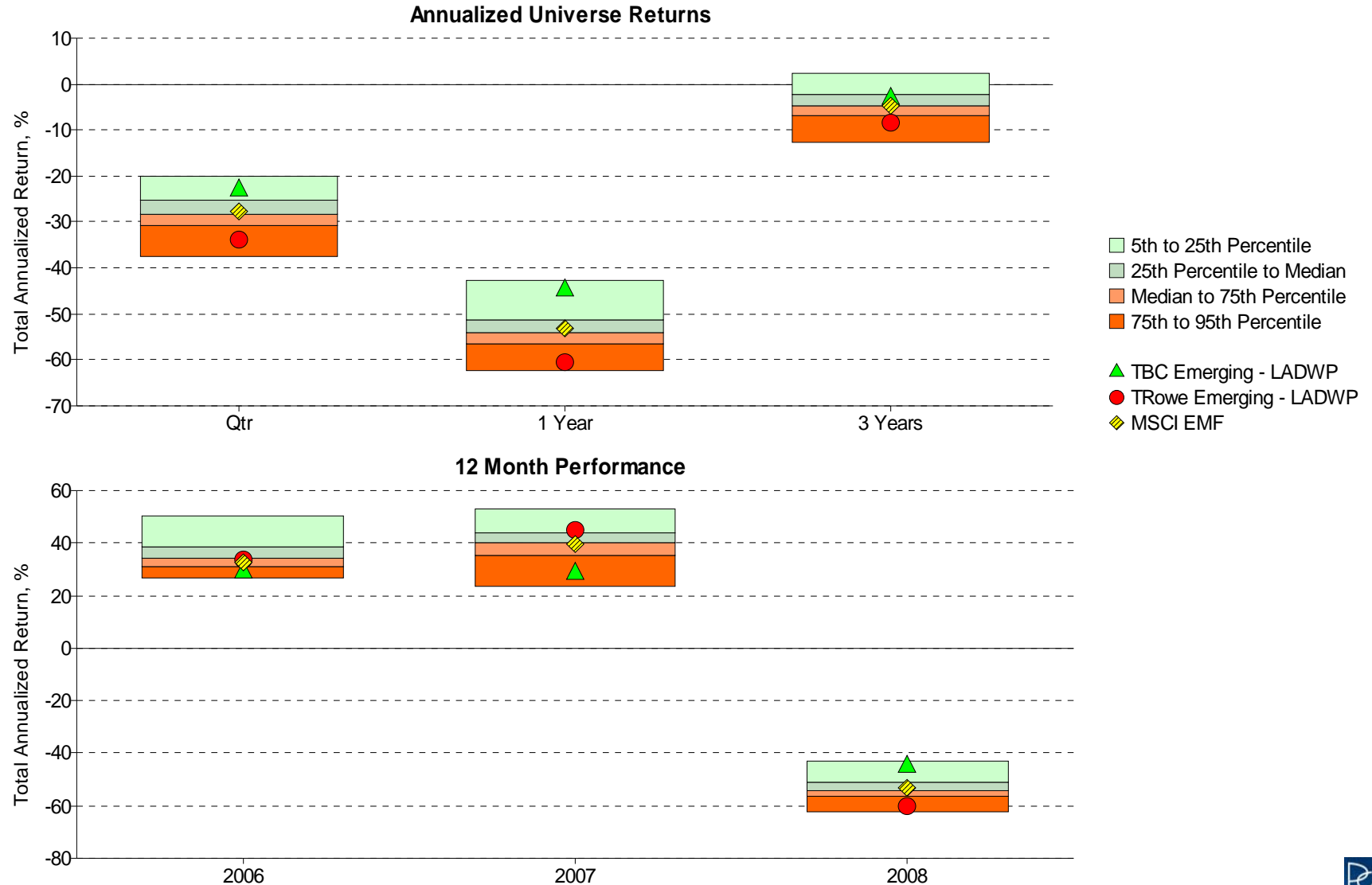
3 -Year Excess Risk/Return



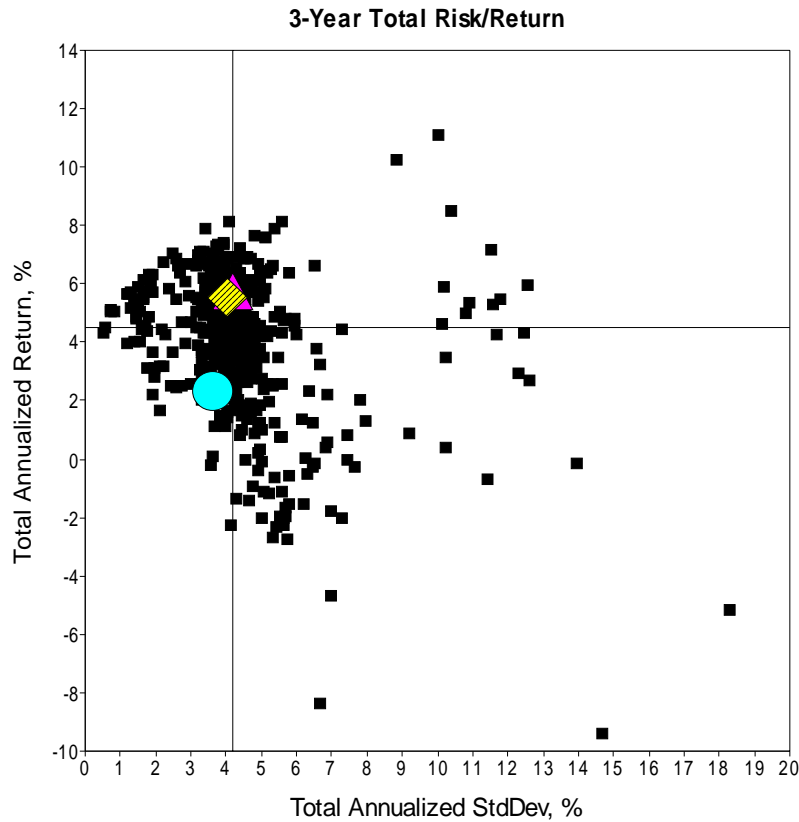
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
TBC Emerging - LADWP	1.51	6.43	0.23
TRowe Emerging - LADWP	-3.85	5.54	-0.69
MSCI EMF	0.00	0.00	NA
Emerging Equity Universe Median	-0.10	5.19	-0.03



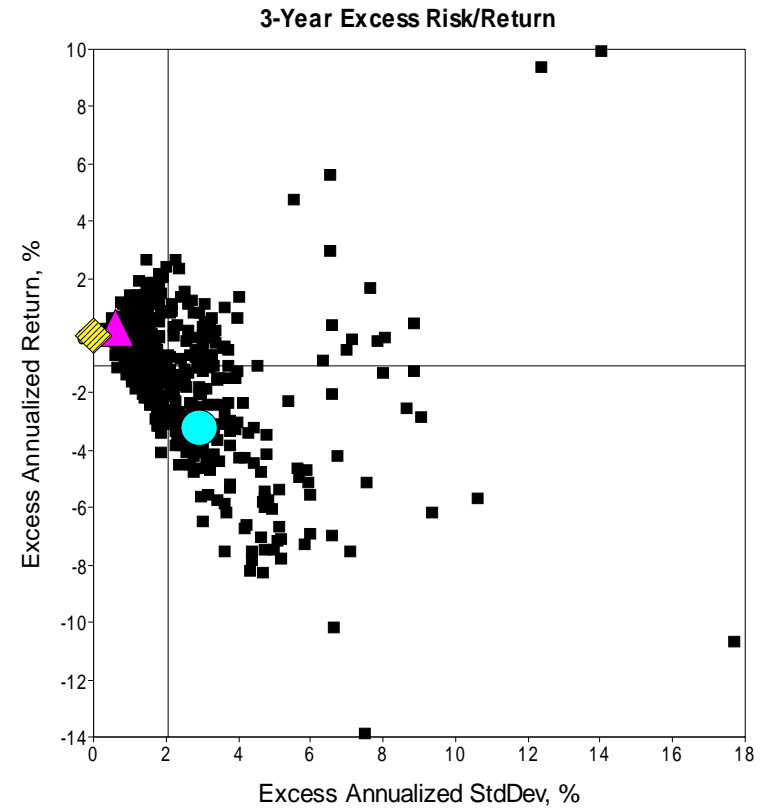
# WPERP Emerging Equity Manager Comparisons as of December 31, 2008



## WPERP Fixed Income Manager Comparisons as of December 31, 2008



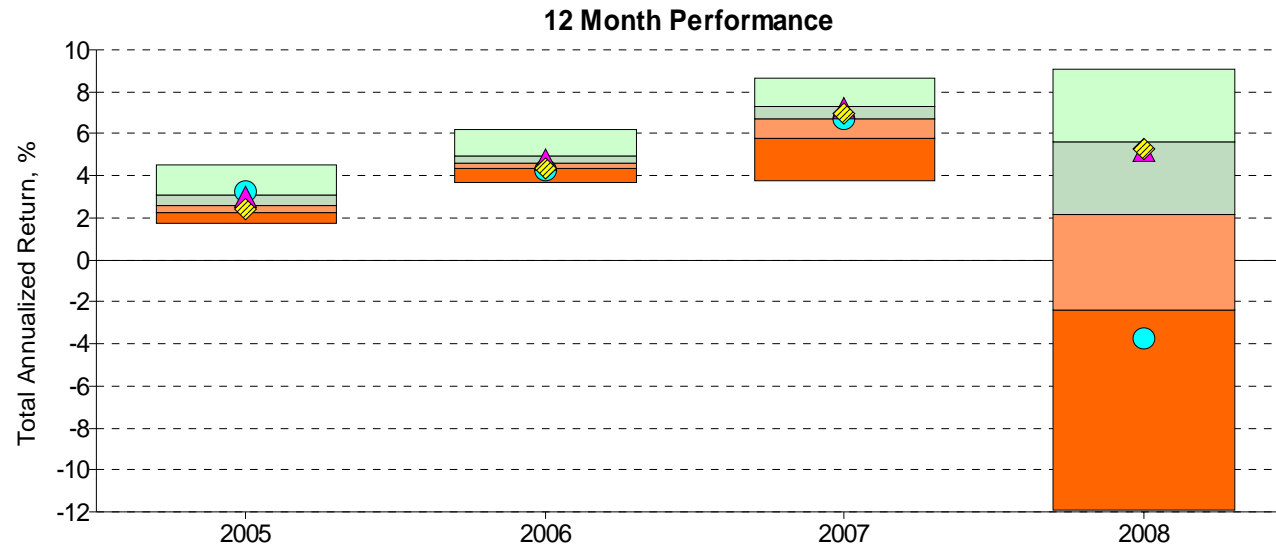
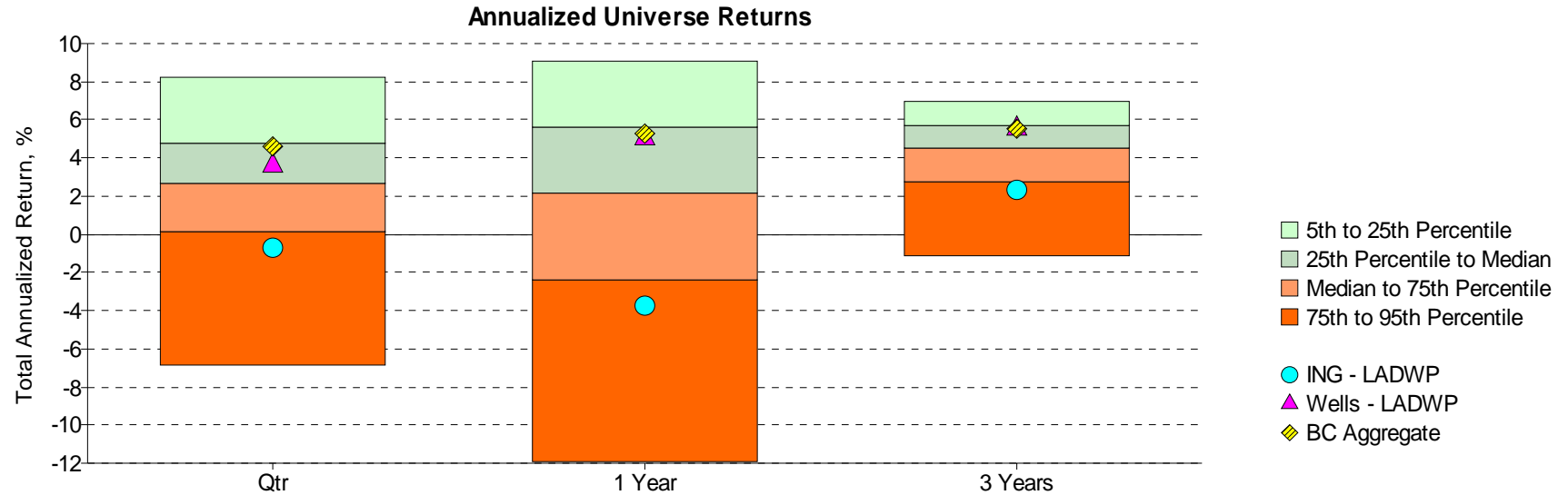
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
ING - LADWP	2.31	3.61	0.64
Wells - LADWP	5.55	4.17	1.33
BC Aggregate	5.51	4.03	1.37
U.S. Fixed Income Universe Median	4.49	4.17	1.09



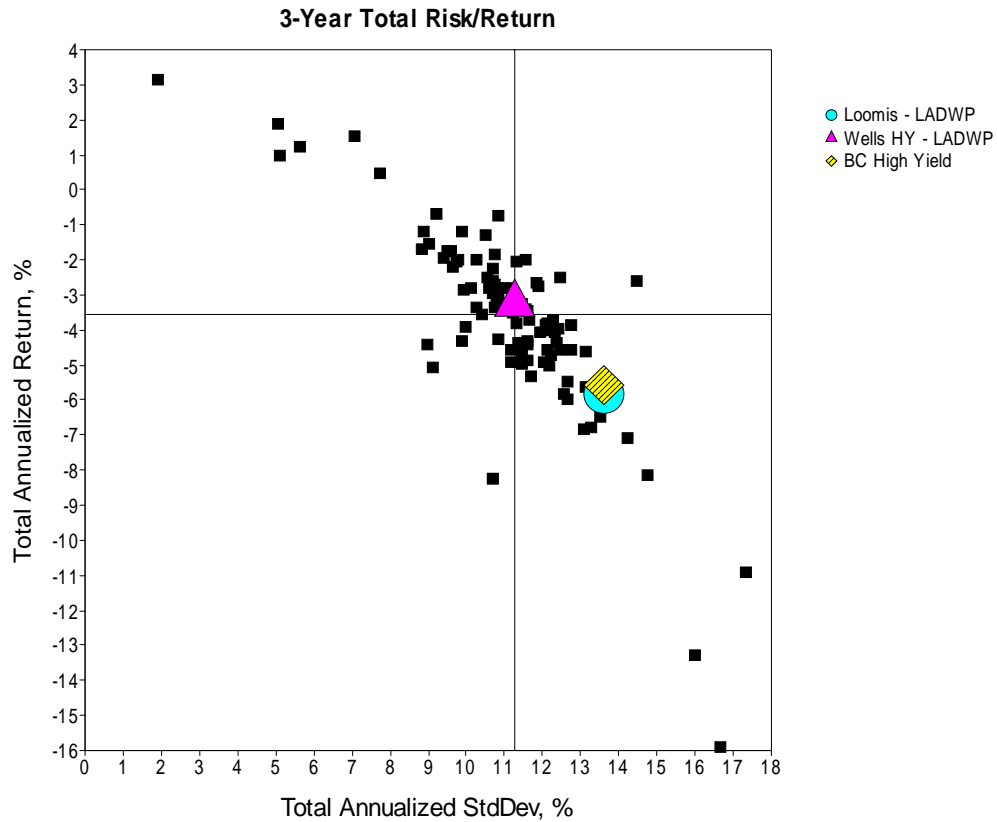
	Annualized Excess Return, %	Annualized Excess StdDev, %	Sharpe Ratio, Excess
ING - LADWP	-3.20	2.90	-1.10
Wells - LADWP	0.05	0.61	0.07
BC Aggregate	0.00	0.00	NA
U.S. Fixed Income Universe Median	-1.02	2.04	-0.55



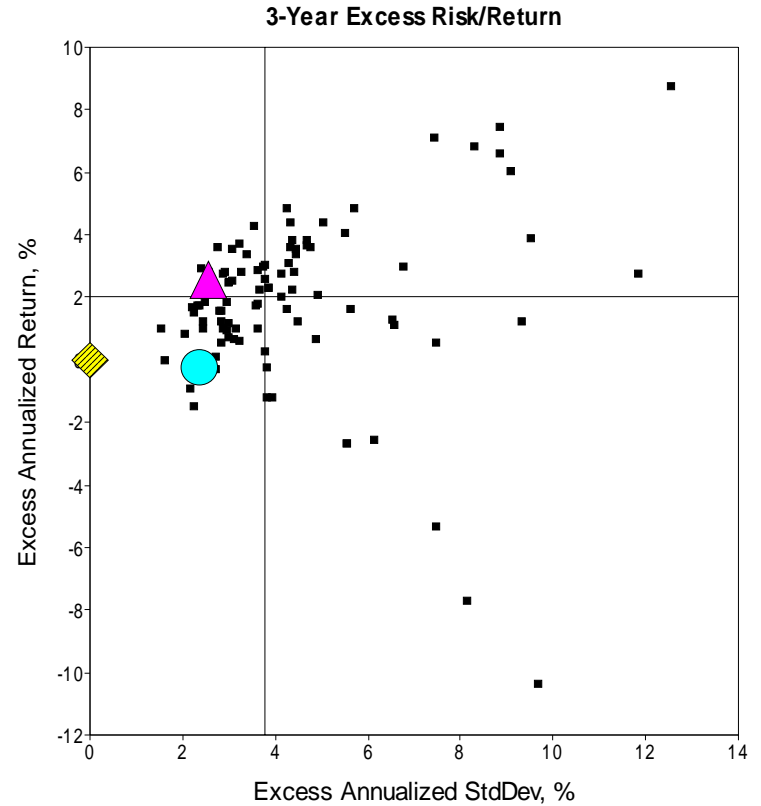
# WPERP Fixed Income Manager Comparisons as of December 31, 2008



# WPERP High Yield Manager Comparisons as of December 31, 2008



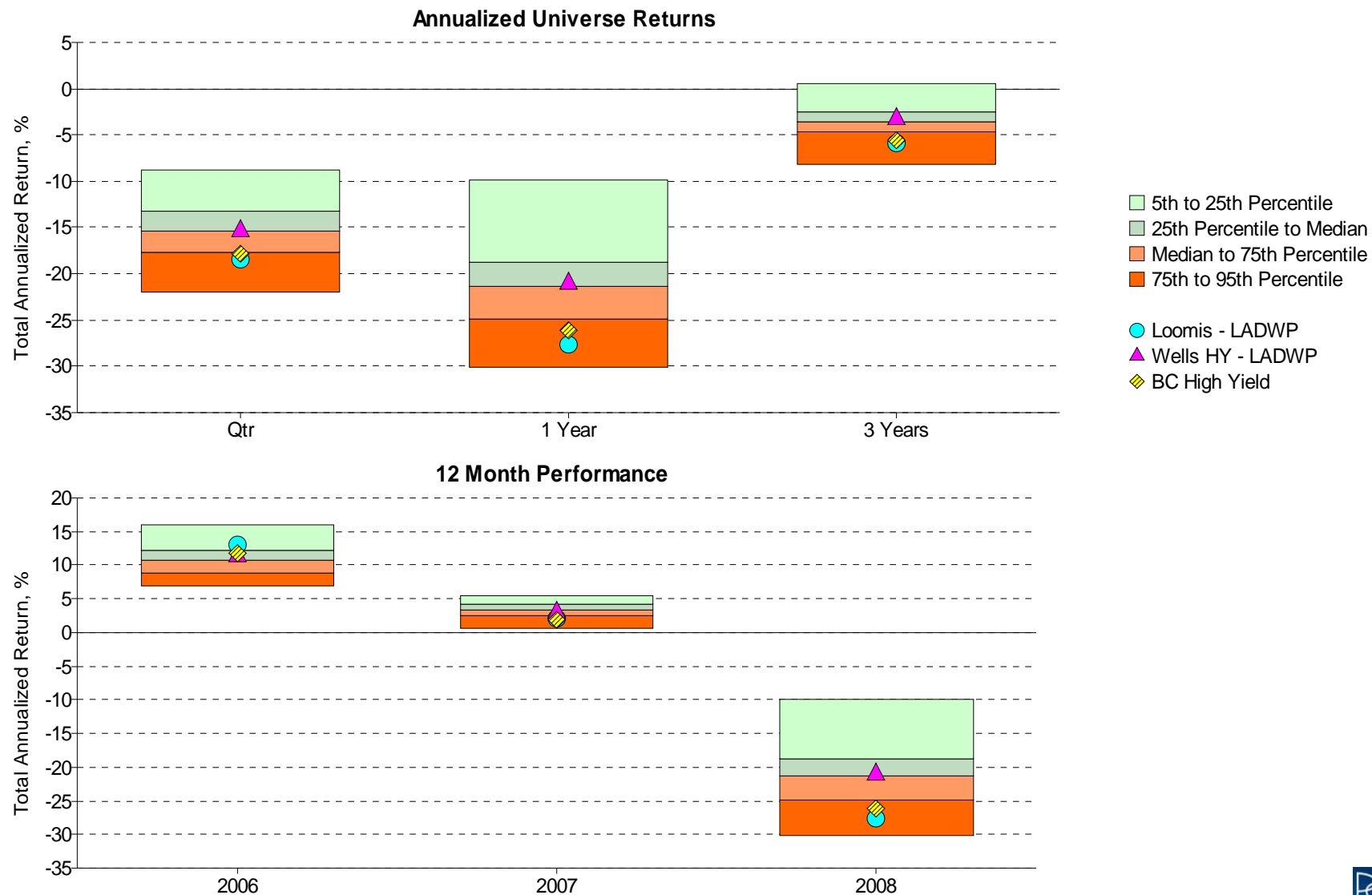
	Annualized Return, %	Annualized StdDev, %	Sharpe Ratio
Loomis - LADWP	-5.84	13.63	-0.43
Wells HY - LADWP	-3.25	11.25	-0.29
BC High Yield	-5.58	13.60	-0.41
U.S. High Yield Universe Median	-3.55	11.25	-0.31



	Annualized Excess Return, %	Annualized Excess StDev, %	Sharpe Ratio, Excess
Loomis - LADWP	-0.26	2.35	-0.11
Wells HY - LADWP	2.34	2.57	0.91
BC High Yield	0.00	0.00	NA
U.S. High Yield Universe Median	2.04	3.78	0.61



# WPERP High Yield Manager Comparisons as of December 31, 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 December 31, 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	1Q 2006
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>			
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/Health	3Q2008	---

## LADWP Retirement Plan Policy Benchmarks

Time Period	Policy Benchmarks
Thru 3/31/2003	30% Citigroup BIG 60% S&P 500 10% Citigroup T Bill
4/1/2003-12/31/2006	35% BC Universal 40% Russell 3000 15% MSCI ACWI ex U.S. 1% T Bill The Plan had allocated 5% to Alternatives and 4% to Real Estate asset classes. Since both of these asset classes were not funded until 1Q 2007, the policy benchmark was calculated on a pro-weighted basis (on total of 91%) during this period.
1/1/2007-2/28/2007	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
3/1/2007-6/30/2008	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% Tbills + 3% Lag 1% T Bill
7/1/2008-present	30% BC Universal 40% Russell 3000 24% MSCI ACWI ex U.S. 2% NCREIF Lag 0.85% Cambridge U.S. Private Equity Lag , 0.15% Cambridge U.S. Venture Capital Lag 2% Tbills + 3% Lag 1% T Bill

# Quarterly Report

---

## 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

# Quarterly Report

---

## 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.

# Quarterly Report

---

**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.

# Quarterly Report

---

## 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 August 2008, the index consisted of 48 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.

# Quarterly Report

---

**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.