

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

MINUTES

November 5, 2008

Board Members Present:

Javier Romero, President
Eugene Canzano, Vice President
Cindy Coffin, Board Member
Ronald Vazquez, Chief Financial Officer
Michael Moore, Retiree Member
Forescee Hogan-Rowles, Commissioner

Board Members Absent:

H. David Nahai, General Manager

Others Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Mary Higgins, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Julie Escudero, Utility Executive Secretary
Michael Wilkinson, Deputy City Attorney
Sarah Bernstein, Pension Consulting Alliance
Joseph Wyatt, Fiduciary Counsel

President Romero called the meeting to order at 9:36 a.m.

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

There were no public comments.

1. Approval of Minutes:

Special Meeting of April 16, 2008
Special Meeting of April 17, 2008
Regular Meeting of June 4, 2008
Governance Committee Meeting of October 1, 2008

Mr. Canzano moved approval of the above items. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Vazquez, Moore

Nays: None

2. Report of ING Cash Infusion

Mr. Canzano moved approval of the above item. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Vazquez, Moore
Nays: None

3. Report on Presentation by Simpson and Simpson, CPAs, of the Annual Audit Report and Related Financial Statements to the Audit Committee

Mr. Moore moved approval of the above item. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Vazquez, Moore
Nays: None

4. Hedge Fund of Funds Annual Presentation, as of September 30, 2008 - by PAAMCO

Mr. Romero recognized Ms. Dorothy Walsh and Mr. Jim Berens of Pacific Alternative Asset Management Company (PAAMCO).

The representatives reviewed the hedge fund of funds program performance for the third-quarter ending September 30, 2008.

Ms. Hogan-Rowles joined the meeting at 9:52 a.m.

Mr. Berens stated that in 2007 the fund was well positioned and that a combination of hedged exposure to global growth and short exposure to sub-prime mortgages and select financials strongly drove performance. He added the sub-prime meltdown was a key driver across strategies and hedged exposure to global growth paid off. He further added the uncertain regulatory environment and forced liquidations from stressed firms significantly impacted performance in 2008. He also reported the fund's performance was in line with expectations in the first half of the year because of short exposure to housing, conservatively positioned credit managers, and strong global growth; however, in the third quarter a complete reversal took place. He noted a series of events, some market related while others government and/or regulatory related, occurred which resulted in a decline in basic materials and a general loss of confidence, and significant selling pressures from forced liquidations led to massive volatility and price declines across most assets. He added the overall hedge fund universe has endured crisis periods, generally with significantly positive returns in the years immediately following crises.

5. Hedge Fund of Funds Annual Presentation, as of September 30, 2008 - by Aetos Capital, LP

Mr. Romero recognized Ms. Andrea Bollyky and Ms. Anne Casscells of Aetos Capital.

The representatives reviewed the hedge fund of funds program performance for the third quarter ending September 30, 2008.

Ms. Casscells stated that the hedge funds performance has been disappointing and that the markets have been exceedingly volatile. She explained the portfolio returns are driven

from either liquidity-driven strategies or skill-driven strategies, both of which faced a difficult period, especially in September. She added the portfolio was down 1.3% in August, and both September and October was the most ill-liquid period in the global securities market. She further added the third quarter portfolio performed at a loss of -6.2% versus the Standard & Poor's (S&P) at -8.9%, and the global stock market was down at -12%. She reported that year-to-date, the portfolio was down -7.35% versus the US stock market which was down -19%, and the global stock markets were down over -24%. She noted the October portfolio estimates were -2.5% compared to the stock markets which were down -25-30%, and the range of the portfolio had returned to some normalcy.

6. Report on Aetos Capital, LP, Proxy Summary Regarding Strategic Allocation Change

Ms. Bhatia stated that this item was for informational purposes only. She noted that Aetos originally had only four underlying funds which had now been reduced to three and, per their Investment Management Agreement (IMA), Aetos has full discretion to allocate the assets among the funds within the permissible ranges in accordance with the Investment Guidelines.

Ms. Bollyky informed the Board that Aetos was not only registered with the FCC at the firm level, but also at the fund of funds level. She reiterated the fund had been invested in four commingled vehicles but was now only invested in three. She explained that in the IMA, the Market Neutral Strategies Fund had an allowable range of 0-20%, however, Aetos had lost confidence in the Quantitative Market Neutral Strategies and had reduced that exposure and to nearly zero, as a result, only one manager was left in the Market Neutral Strategies Fund. She indicated that the most effective way to reallocate this manager, in compliance with SEC guidelines, was to merge the Market Neutral Strategy Fund and issue a proxy asking shareholders to vote to allow the merger. Staff and Pension Consulting Alliance (PCA) concurred that the merger did not constitute a change in Aetos' strategy and the change was within the permissible allocation ranges of the IMA.

The proxy was passed on October 10, 2008.

The Board recessed at 10:50 a.m.

The meeting reconvened at 11:01 a.m.

9. Fiduciary Training by Joseph L. Wyatt, Senior of Counsel - Morrison & Foerster (Out of Order)

Mr. Romero recognized Mr. Joseph L. Wyatt of Morrison & Foerster.

Mr. Wyatt provided the Board member training on their fiduciary responsibilities as trustees of the Water and Power Employees' Retirement Plan.

8. Resolutions Ratifying Previous Board Actions: (Out of Order) **a) Selection of Pension Consulting Alliance, Inc., as General Consultant**

Mr. Canzano moved approval of the above item. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Vazquez, Moore, and Hogan-Rowles

Nays: None

8. Resolutions Ratifying Previous Board Actions:

b) Selection of Pension Consulting Alliance, Inc., as Private Equity Consultant

Mr. Vazquez moved approval of the above item. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Vazquez, Moore, and Hogan-Rowles

Nays: None

8. Resolutions Ratifying Previous Board Actions:

c) Selection of Courtland Partners, Ltd., as Real Estate Consultant

Ms. Hogan-Rowles moved approval of the above item. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Canzano, Coffin, Vazquez, Moore, and Hogan-Rowles

Nays: None

7. PCA's Comments on Hedge Fund Exposure – Verbal Report (Out of Order)

Mr. Romero recognized Mr. Neil Rue and Mr. David Sancewich of Pension Consulting Alliance (PCA).

Mr. Rue stated that since inception the program has produced approximately one-half percent a year and underperformed its benchmark, however, relative to everything else in the portfolio, it achieved its objective in a period of high risk. He added that the hedge funds have proven to be beneficial to the overall portfolio.

10. Retirement Plan Manager's Comments (Out of Order)

Ms. Bhatia requested that Alan Manning provide an update regarding the Fair Political Practices Commission's regulations. Mr. Manning stated that the Commission recently changed its regulation regarding tickets or passes to non-profit events. He explained that tickets/passes to these events are no longer considered to have a zero value and will now be deemed as gifts. He indicated a written summary of these changes would be forthcoming.

Ms. Bhatia informed the Board that the complete module of the new system has been received, and the work on data conversion and testing of the different functional specifications will begin, followed by parallel testing and implementation. She stated the entire module should be in place by April or May of 2009, and the document-imaging portion would also be implemented.

In regard to Personnel changes, Ms. Bhatia reported that the new class of Benefits Specialist had been established, and interviews were currently being conducted; interviews would also be scheduled for the position of Principal Clerk Utility as part of the new organization structure; and Scott Vargas was promoted to Senior Investment Officer.

Ms. Bhatia also informed the Board that only one meeting would be held in December do to the cancellation of the December 3 meeting; however, a special meeting could be scheduled if needed.

11. Future Agenda Items

No future items were requested.

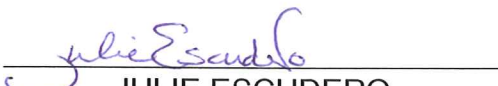
The Board meeting was adjourned at 12:25 p.m.



JAVIER ROMERO
President



SANGEETA BHATIA
Retirement Plan Manager



JULIE ESCUDERO
Utility Executive Secretary