

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

MINUTES

January 21, 2009

Board Members Present:

Javier Romero, President
Eugene K. Canzano, Vice President
Forescee Hogan-Rowles, Commissioner
Cindy Coffin, Board Member
Michael Moore, Retiree Member

Board Members Absent:

H. David Nahai, General Manager
Ron Vazquez, Chief Financial Office

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Mary Higgins, Asst. Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer

Others Present:

Michael Wilkinson, Deputy City Attorney
Neil Rue, Pension Consulting Alliance

President Romero called the meeting to order at 9:33 a.m. following the Pledge of Allegiance.

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

No public comments were received.

1. Termination from Monthly Rolls

Termination from Retirement Roll Resolution for January 2009

Resolution to Terminate Shirley A. Craig from the December 2008 Survivorship Roll – Deceased

Resolution to Terminate Lynne M. Kelsey from the December 2008 Family Death Benefit Roll – Deceased

Resolution to Terminate Keishell Smith from the January 2009 Family Death Benefit Roll – Attained Legal Age

Resolution to Terminate Pamela R. Yenney from the December 2008 Family Death Benefit Roll – Deceased

Resolution to Terminate Olga McWhirter from the January 2009 Survivorship Roll – Deceased

Resolution to Terminate Gina V. LeBeaud from the February 2009 Family Death Benefit Roll – Will Attain Legal Age

2. **Report of Payment Authorizations for December 2008**
3. **Notice of Deaths for December 2008**
4.
 - a) **Summary Investment Returns as of December 31, 2008**
 - b) **Market Value of Investment by Fund and Month as of December 31, 2008**
 - c) **Market Value of the Retirement, Death and Disability Funds and Retiree Health Care Fund as of December 31, 2008**
5. **Report on Status of Insurance as of December 29, 2008**
6. **Report on MFS Personnel Changes**
7. **Information from ING Investment Management Regarding Recent Organizational Changes**

Mr. Moore moved Items 1 through 7 be received and filed, with the corrected date of death for Mr. Humber on page three, section three. Seconded by Mr. Canzano and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

10. **Report from Pension Consulting Alliance, Inc., Regarding On-Site Review of Pacific Alternative Asset Management Company (PAAMCO) Hedge Fund Manager (Out of Order)**

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

Mr. Rue informed the Board that as a result of their on-site visit with PAAMCO, PCA was confident in PAAMCO and their ability to continue to execute on behalf of the Plan.

11. **Consideration of Policy Change Recommendations for Pyramis Global Advisors Trust Company-International Developed Markets**

Mr. Canzano moved adoption of Board Resolution 09-58 to amend the investment guidelines for Pyramis. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

12. **Consideration of Hedge Fund Watch Criteria Policy Addition**

Mr. Moore moved adoption of Board Resolution 09-59 to add watch status criteria for hedge fund managers to the investment guidelines. Seconded by Mr. Canzano and carried

unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, and Moore

Nays: None

8. Pacific Alternative Asset Management Company (PAAMCO) – Hedge Fund Market (Out of Order)

Mr. Romero recognized Ms. Dorothy Walsh and Mr. Jim Berens of PAAMCO.

Ms. Walsh reported that the company was stable and the net outflows during the fourth quarter were approximately 2% of the total firm assets under management.

In response to Mr. Romero's concern regarding their internal processes and turn-around time of requested redemptions, Ms. Walsh stated the majority of information would be available within twenty-four hours, however, depending on the request, some information could require longer time. She added they are working with Staff and PCA to establish a more customized report to be provided monthly.

Ms. Hogan-Rowles arrived at 10:11am.

9. Courtland Partners, Ltd., - Third Quarter 2008 Performance Presentation

Mr. Romero recognized Ms. Lourdes Canlas and Mr. Sanjiv Kala of Courtland Partners.

Mr. Kala reported for the quarter ending September 30, 2008, the portfolio was approximately \$126 million spread over three managers and four funds, with a commitment up to \$151 million. He noted current exposures were 87% core and 13% value with potential exposures of 72% core and 28% value once all commitments have been made, which would be just above the recommended range. He denoted the composition of the portfolio was 40.4% office, 21.1% retail, 18.7% residential, 14.1% industrial, 2.0% hotel, 0.1% land, and 3.6% other, with the geographic diversification as 38.1% west, 32.3% east, 22.7% south, and 7.0% mid-west.

Ms. Canlas added that the loan to value was 24% and should increase as values decline; however, the Plan was in a good position despite the current debt markets.

13. Considerations and Adoption of Guidelines for the Election of Active Member Representatives to the Water and Power Employees' Retirement Plan (Out of Order)

In response to Ms. Coffin's request for clarification regarding whether active employees are allowed to sign a petition for more than one potential candidate, Ms. Bhatia stated she would check with the City Clerk's Office and report back.

Ms. Hogan-Rowles moved approval of Board Resolution 09-60 to adopt election guidelines

for the active member representatives. Seconded by Ms. Coffin and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore, and Hogan-Rowles
Nays: None

14. Resolution Ratifying Previous Board Action to Retain The Segal Company as Independent Actuary

Mr. Canzano moved approval of Board Resolution 09-61 to ratify the retention of The Segal Company. Seconded by Ms. Hogan-Rowles and carried unanimously after the following vote:

Ayes: Romero, Coffin, Canzano, Moore, and Hogan-Rowles
Nays: None

15. Retirement Plan Manager's Comments

Ms. Bhatia stated the exit conference regarding the management audit report was held recently. She stated there were several recommendations based on observed conditions. She noted, one of the major recommendations was to combine the three City pension plans after appropriate legislative changes in order to achieve greater efficiency and cost savings in the areas of investment management fees, advisor expenses, legal experts etc. She stated other recommendations centered around the unique structure of the pension plan, the Retirement Board, and the dual reporting by the Plan Manger. She stated the report strongly recommended greater autonomy for the Board in the areas of budgetary authority, personnel decision making such as the hiring of the Plan manager and other management positions and also recommended independent legal counsel. She stated a final version of the report would be received and distributed to Board members.

She noted the transition plan for the new asset allocation structure would be brought back for review as requested.

Ms Bhatia also reported news of personnel changes within several of the Plan's investment management firms, and Staff will provide further information at the next meeting.

She further reported The Segal Company is working with the Financial Services Office to develop department contribution projections going out five years. She explained that due to the negative changes in the current market, the Retirement office was asked to provide an estimate of the expected investment returns; she noted Staff would develop those scenarios and work with PCA. Mr. Moore requested that the Board receive copies of the Segal report.

Ms. Bhatia reiterated that office space continues to be a problem, to which Ms. Hogan-Rowles responded that she would look further into the matter.

With respect to the new system, Ms. Bhatia reported that testing for the first module was completed and feedback had been provided to the contractor. Ms. Carranceja added that although the project was delayed by three months it was best to correct glitches now, rather than discover them after the system was in place.

16. Future Agenda Items

No future items were requested at this time.

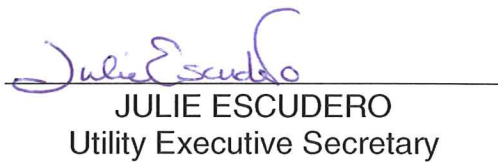
The Board meeting adjourned at 11:30 a.m.



JAVIER ROMERO
President



SANGEETA BHATIA
Retirement Plan Manager



JULIE ESCUDERO
Utility Executive Secretary