

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

MINUTES

AUGUST 1, 2011

Board Members Present:

Cindy Coffin, Vice President
Robert Rozanski, Retiree Member
Ronald O. Nichols, General Manager
Barry Poole, Board Member *(via telephone)*

Board Members Absent:

Javier Romero, President
Mario C. Ignacio, Chief Accounting Employee
Christina E. Noonan, DWP Commissioner

Staff Present:

Mary Higgins, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer

Others Present:

Alan Manning, Assistant City Attorney

Board Vice President Coffin called the meeting to order at 2:12 p.m.

Mr. Wolfson indicated a quorum of the Board was present.

PUBLIC COMMENTS

No Public Comments were received.

REGULAR ITEM

1. Discussion of Temporary Exception to the Investment Policy for Western Asset Management Company

Mr. Wolfson provided the background on this item to consider approval of a Temporary Investment Policy Guideline Exception for Western Asset Management Company (WAMCO), the Plan's Global Inflation Linked Securities manager (GILS), to continue to manage the Plan's GILS portfolio without regard to its overall rating for a period of up to 90 days should the credit rating of U.S. Treasuries be downgraded.

Mr. Wolfson explained that under the current Investment Policy the GILS portfolio must have a minimum weighted average credit rating of AA-. A potential downgrade of U.S. Treasury debt by two of the three major rating agencies may cause the GILS portfolio to drop below the minimum weighted average credit rating. Mr. Wolfson stated that the Plan's investment consultant, Pension Consulting Alliance, and Staff recommend the Board provide WAMCO with a 90-day Investment Policy exception to the minimum weighted average portfolio credit rating of AA-.

Mr. Rozanski asked Mr. Wolfson about a split rating scenario for U.S. Treasury debt from the credit rating agencies. Mr. Wolfson replied the Plan's policy states the two highest credit ratings may be used in evaluating U.S. Treasuries.

Mr. Nichols asked if the rating agencies have provided any additional information to investors concerning a possible downgrade. Mr. Wolfson replied that Standard & Poor's had the highest possibility for a ratings downgrade because of their strict criteria established to avoid a downgrade; Moody's had not given any firm indication of a downgrade and continue to have a negative long-term outlook; and Fitch had not indicated how they would rate U.S. Treasuries if the debt ceiling was not raised.

Mr. Rozanski moved that the Board approve Resolution No. 12-12 to allow WAMCO to exercise a 90-day Investment Policy exception; seconded by Mr. Nichols.

Ayes: Coffin, Rozanski, Nichols, and Poole
Nays: None
Absent: Romero, Ignacio, and Noonan

THE MOTION CARRIED.

With no further business to discuss at this time, the meeting adjourned 2:18 p.m.



Cindy Coffin
Retirement Board Vice President

8/31/11

Date



Mary Higgins
Assistant Retirement Plan
Manager

8/31/11

Date