

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

MINUTES – July 5, 2006

Present:

Eugene Canzano	Board Member
Cindy Coffin	Board Member
Ron Vazquez	Chief Financial Officer
Michael Moore	Retiree Member
Forescee Hogan-Rowles	Commissioner
Ronald Deaton	General Manager

Absent:

Javier Romero	President
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Others Present:

Sangeeta Bhatia	Retirement Plan Manager
Irene Colón	Recording Secretary
Tom Harrington	Retirement Office Consultant
June Kim	Investment Officer
Mike Wilkinson	Deputy City Attorney
Paul Angelo	The Segal Company
Alex Leonard	Mellon Bank
Neil Rue	Pension Consulting Alliance (PCA)

Mr. Canzano called the meeting to order at 9:33 a.m. after the Pledge of Allegiance.

[Pledge of Allegiance]

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

PUBLIC COMMENTS

Mr. Canzano asked if there were any public comments.
There were no public comments.

Ms. Bhatia introduced items 1 and 2 for consent approval as follows:

1. Approval of Board Minutes:

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| a) April 12, 2006 (Special Board Meeting) | 1a.1 – 1a.15 |
| b) May 3, 2006 (Regular Board Meeting) | 1b.1 – 1b.15 |

Commissioner Hogan-Rowles arrived at the Board meeting at 9:34 a.m.
Mr. Vazquez moved adoption of the above items 1 and 2 on consent. Seconded by Mr. Moore and carried unanimously after the following vote:

Ayes: Canzano, Coffin, Moore, Vazquez, Hogan-Rowles
Nays: None

2. Public Comments at Board Meeting of March 1, 2006: 2.1 – 2.5
Comparison of Water and Power Employees' Retirement Plan (WPERP) Additional Annuity Provisions with the Larger Annuity available at LACERS

Ms. Bhatia stated this item is in response to public comments made by Mr. John Hill at the March 1, 2006 Board Meeting. She explained Staff had provided the requested comparison of the additional annuity provisions of WPERP with the Los Angeles City Employees Retirement System (LACERS). Ms. Bhatia noted Mr. Hill requested to know the procedure to have this issue become a meet and confer issue. She explained the Union, not Staff, must be contacted in order to initiate a meet and confer issue.

Mr. Canzano stated he reviewed the summary provided by Staff and noticed many differences between the two plans. He inquired as to the particular item of concern for Mr. Hill. Ms. Bhatia explained Mr. Hill was concerned with the withdrawal provisions. She stated WPERP does not allow for a complete withdrawal of the balance in the additional contributions account when the additional annuity is more than \$75 per month. Ms. Bhatia stated LACERS allows for participants to withdraw the contributions. She explained any change in WPERP benefits would need to go through the meet and confer process.

Mr. Canzano noted WPERP has 117 retirees receiving an additional annuity and 750 active members with additional annuity accounts, while LACERS has only 53 retirees receiving the larger annuity and 64 active members enrolled in the larger annuity program. He commented he is not sure why there is such a disparity in the number of participants between WPERP and LACERS. Mr. Moore stated he believed the 8% interest rate is the reason why WPERP's additional annuity has so many participants.

Mr. Canzano thanked Ms. Bhatia for the summary.

3. Presentations for Proxy Voting Services 3.1 – 3.5
a) Glass-Lewis
b) ISS

a) Glass-Lewis

Jackie Caldwell, Managing Director, Institutional Sales of Glass-Lewis, and Sarah Bernstein of Pension Consulting Alliance approached the Board table. Mr. Canzano recognized Ms. Caldwell and Ms. Bernstein.

Ms. Caldwell provided the Board with an overview of Glass-Lewis.

Mr. Vazquez inquired how Glass-Lewis is able to review the economics, finances and board of directors of 13,000 companies while employing only sixty people.

Ms. Caldwell responded Glass-Lewis employs sixty full-time staff; however, during proxy season graduate students are typically hired as temporary analysts. Ms. Caldwell stated the Glass-Lewis computer system has web-crawlers built to automatically pull publicly filed information. She explained Glass-Lewis has a systematic way of matching the most difficult proxies with the most talented and experienced analyst. Ms. Caldwell added there are many routine items in the proxy business in which technology assists them in completing.

Mr. Vazquez inquired as to the fee for Glass-Lewis' services. Ms. Caldwell responded two rate options have been offered. The first option is \$40,000 and the second option is priced at \$30,000. She noted the price plans are included in the Glass Lewis packet.

Mr. Vazquez inquired what does Glass-Lewis do to assist a new client in establishing a policy guideline. Ms. Caldwell responded the company reviews the client's current policy, makes recommendations and presents the client with a matrix detailing all of the options on any given ballot item. She stated Glass-Lewis then reviews the matrix with the client to capture the intent of how the client wants to vote their proxy and then makes sure their policy reflects the intent. Ms. Caldwell explained Glass-Lewis will write the policy for the client and present it to the client for revision, review, and further comment. She stated this process will typically take between two to five weeks, depending on the client.

Mr. Vazquez inquired who are the "Other's View" referenced on page 15 of the Glass-Lewis presentation packet. Ms. Caldwell responded "Other's View" refers to ISS's view.

Mr. Moore inquired if organizations similarly sized to our Plan typically go with the Glass-Lewis recommended guidelines package or are they involved in fine-tuning the recommendations on a regular basis. Ms. Caldwell replied most clients of comparable size and scope to the Plan adopt the Glass-Lewis guidelines. She stated if there are items really important to the client, Glass-Lewis will discuss the issues with the client before they cast their vote.

Ron Deaton arrived at the meeting at 9:56 a.m.

Ms. Caldwell stated there is a balance between a company's resources, intentions, and what the outcome is. She stated Glass-Lewis aligns those elements without creating more work for the client.

Mr. Moore requested Ms. Caldwell describe the differences between Glass-Lewis and ISS. He stated presumably the two companies do many of the same things by reviewing the same governances. Ms. Caldwell responded ISS and Glass-Lewis review the same governances, but approach it philosophically from a very different viewpoint. She stated Glass-Lewis does not believe in requiring all companies to conform to the same governance standards. Ms. Caldwell stated ISS tends to be more rigid in this standard.

She indicated Glass-Lewis believes in benchmarking companies against an appropriate peer group and strives to have a consistent outlook on the peer groups. She stated Glass-Lewis ranks the companies with a letter grade, allowing the client to easily identify executives who are underperforming from a shareholder perspective. Another difference, explained by Ms. Caldwell, is in the area of merger and acquisitions. She explained if a client holds both stocks involved in the merger, Glass-Lewis does the analysis to determine what action will be most financially beneficial to the client. Ms. Caldwell stated in some regards Glass-Lewis and ISS come up with the same recommendation while in others the two companies vary greatly.

Mr. Moore inquired how does Glass-Lewis become involved when a client wants to act on social-issues. As an example, he noted Mayor Villaraigosa's request of the Board to look at the Sudan issue. Ms. Caldwell responded, in instances where clients have a specific objective, Glass-Lewis will have discussions with the client to obtain a clear understanding of their objective. She stated if the Board chose to divest, Glass-Lewis would review the Plan's holdings and earmark the companies invested in Sudan off of their system. Ms. Caldwell stated if the Plan wants to vote a subsection or adopt a policy, then Glass-Lewis will build that into the process and make sure the Plan's votes are cast accordingly. She stated Glass-Lewis has one point of view and many of their clients have additional concerns that Glass-Lewis will incorporate.

Mr. Moore inquired how long would Glass-Lewis spend reviewing the Plan's existing policies. He stated, to his recollection, the Board has not looked at the policies in five-years so they may be out of date. Mr. Moore also inquired what process the Board might go through to update or merge the policies with the Glass-Lewis recommendations. Ms. Caldwell stated Glass-Lewis has reviewed the Plan's current guidelines, and believes certain areas need to be readdressed. She stated Glass-Lewis is flexible and can go through this process in a variety of manners depending on the clients' preferences and how involved they want to be. She explained Glass Lewis' preferred methodology is to present the client with a written analysis of where the policy should be reviewed and then meet with the client to discuss the relative merits and approaches. Ms. Caldwell stated Glass-Lewis strives to ensure its clients' intentions are represented through the policies.

Ms. Bhatia inquired what type of reports does Glass-Lewis provide. Ms. Caldwell stated Glass-Lewis has two categories of reports. She noted the first type of report can be scheduled for regular intervals, be automatically emailed to a particular person or distribution list, and would track the previous months voting history. Ms. Caldwell stated there are also capabilities to generate ad hoc reports at any time. She explained the reports can either be generated by Staff, or a client service representative can be called and will pull the information up immediately. Ms. Caldwell stated, within those two reports, additional reports can be generated by voting statistics, vote rationale, and subject matter. She stated Glass-Lewis has built a flexible tool where the client can customize a report to match their information needs.

Ms. Caldwell returned to the audience.

b) ISS

Dan Concannon, Executive Vice President of Sales & Marketing and Mark Tulay, Director of Public Funds, both of ISS approached the Board Table. Mr. Canzano recognized Mr. Concannon and Mr. Tulay.

Mr. Concannon provided the Board with background information on ISS.

Mr. Vazquez inquired what are sub-custodians. Mr. Concannon explained the Plan has one main custodian as well as sub-custodians that work around the world. He explained it is ISS's responsibility to ensure the Plan's votes get to the local markets and are lodged. Mr. Concannon stated because of ISS's solutions across Europe and Asia, ISS often provides a voting infrastructure on behalf of the sub-custodians and, therefore, using the ISS network, ISS staff can confirm votes have been made.

Commissioner Hogan-Rowles inquired if ISS has contracts with the firms who serve as subcustodians. Mr. Concannon responded the sub-custodians have outsourced the ISS voting infrastructure. Mr. Tulay added the sub-custodian would not change the relationship of ISS and the Plan. He stated the Plan would use one custodian and ISS. The purpose of the sub-custodian is primarily to prove the execution of the vote in global markets given the complexities involved.

Mr. Vazquez requested Mr. Concannon readdress the issue of hedge fund leveraging. Mr. Concannon responded a subset of the hedge fund market is taking a much greater activist role in highlighting companies believed to have egregious corporate governance issues, and making changes to improve the return of the company. He stated this is making a change as a much broader audience becomes aware and involved in governance issues. Mr. Tulay stated he believes hedge funds are viewing the proxy as a way to drive shareholder value and increase the overall share price. He stated the hedge funds are using the proxy more aggressively and effectively than in the past.

Mr. Vazquez inquired if the new activist role the hedge fund firms are taking is beneficial to the Plan. Mr. Concannon stated he believes in some cases it is beneficial if the hedge fund firms are highlighting issues and have the resources to make changes to firms with governance problems. Mr. Tulay added studies have shown that most mergers do not work over the long term. He stated, to the extent hedge funds can come into play and shed light on issues, it is a positive development.

Ms. Coffin, referring to page thirty of the ISS proposal packet, requested specifics as to the policies they take reference on from socially responsible groups such as the United Methodist Church and Interfaith Center on Corporate Responsibility. Mr. Tulay stated ISS is not recommending the policies of the socially responsible groups. He clarified because ISS works with religious organizations they are able to aggregate the voting policies on certain issues.

Mr. Canzano requested the ISS representatives address the issue of how their company is able to keep separate the services they provide to institutional investors and publicly traded corporations. Mr. Concannon responded ISS has a wholly owned

subsidiary named "ISS Corporate Services". He stated the complete conflict management processes are viewable online and have been included in their presentation package. Mr. Concannon explained "ISS Corporate Services" are located in a separate building and have a separate reporting structure. Mr. Concannon stated ISS provides its policy publicly for all corporations to use, however many corporations still need to be informed of "best practices" and tools to enable them to have the best structure in place. Mr. Tulay added the ISS goal is to generate improvement not to ensure better governance. He commented ISS's commitment is to transparency and any company they rate receives a complimentary report. Mr. Tulay informed the Board the total corporate revenue is less than 20% of ISS's total business. He added public funds have the option of receiving full disclosure of ISS's list of corporate clients. Mr. Tulay stated ISS treats the issue of separation of institutional investors and corporate clients very seriously and has included all of its policies on the website, and has complete transparency and firewalls in place.

Mr. Moore expressed ISS servicing both institutional investors and corporate clients is troubling to him. He stated he has difficulty separating this issue from the situation when the accounting firms were providing both management consulting services and accounting services. Mr. Moore noted the accounting firms were forced to stop offering both services. He mentioned in the future ISS might be forced to stop offering both types of services because there is a classic conflict. Mr. Moore commented he might not have complete confidence in the recommendations ISS provides regarding the corporate clients it services. He requested the ISS representatives elaborate on the firewalls their company has set-up. Mr. Moore referred to the organizational chart found on page 5 the ISS presentation material. He inquired if any of the ISS Corporate Services entities report to any of the ISS managers listed on the organizational chart. Mr. Concannon explained the tools provided to corporations are software tools providing benchmarking abilities. Mr. Concannon stated the research department at ISS is unaware of who the ISS Corporate Services clients are.

Mr. Moore reiterated his request to know where the firewall is and how it works. He explained ultimately ISS Corporate Services staff must report directly to someone on ISS staff, and inquired how far down in the organization this takes place. Mr. Moore inquired does the president of ISS Corporate Services report only to the president of ISS. He also inquired if any of the ISS offices also have an ISS Corporate Services office located in the same building. Mr. Concannon responded the only connection is at the top with Jill Lyons the head of ISS Corporate Services reporting to John M. Connolly, the Chief Executive Officer of ISS. He acknowledged in London an ISS Corporate Services staff member works from home and reports to Jill Lyons, not to the European entity.

Mr. Moore reemphasized the nature of the conflict of ISS Corporate Services in connection with a major client in the midst of governance issues they are trying to resolve, adding ISS will also be advising institutional investors how to vote on the same governance issues they are trying to help the corporate client to resolve. Mr. Concannon explained the company could opt to speak with the ISS help desk to discuss the issues coming up to vote. He stated the help desk would walk the company through the ISS standard policies. Mr. Concannon commented if the company decided to they

could separately go into the ISS Corporate Services offices to discuss benchmarking tools so they can learn “best practice” and what could assist them in implementing a structure that meets best practice in the marketplace. Mr. Tulay added part of the reason why ISS introduced the subsidiary was to make the corporate division even more removed than before. He explained his work identification badge gives him access to his building and he is not permitted to go to the same cafeteria as the ISS Corporate Services staff. Mr. Tulay noted commingling between staff of ISS and ISS Corporate Services is prohibited and the compliance officers inspect badges to make sure the policy is being adhered to. He stated the rules have enabled them to perform better research. Mr. Tulay added ISS understands the concerns the public funds have, and noted that is why ISS works so hard on the firewalls. He stated the compliance officers can speak with the Board regarding all of the steps taken to keep the two services separate. Mr. Concannon stated most firms have a potential conflict and the best tool is conflict management. He stated ISS believes in their conflict management approach. He noted ISS has a 95% renewal rate, and other clients who have inquired about the potential conflict in the past have been invited into the corporate offices to meet with Jill Lyons and the heads of research. Mr. Concannon reiterated ISS is a registered investment advisor and is audited by the Securities Exchange Commission (SEC). He also noted the processes for the ISS Corporate Services subsidiary have been reviewed by Deloitte & Touche to ensure no possible breaches. Mr. Concannon stated the audit has been completed and approved and offered to send the Board documentation regarding the results of the audit. Mr. Tulay mentioned ISS has some of the largest public funds as clients. He stated these clients have reviewed the ISS processes and determined ISS does a good job of managing the conflict. He stated no other organization has as much documentation about the specific steps as ISS and the company takes the issue very seriously. Mr. Concannon indicated most corporations are interested in doing the right thing, however, they are preoccupied running their business and are not experts on corporate governance. Mr. Tulay added that is why ISS is recommending the custom policy for the Plan. He stated the Plan’s current policy covers approximately 80% of the issues.

Mr. Concannon and Mr. Tulay returned to the audience.

06-76 6. Discussion and possible action to approve a proposed 6.1 – 6.27
amendment to the Water and Power Employees’
Retirement Plan (Plan) to establish a Retiree Health
Benefits Fund as part of the Plan

Item 6 was taken out of order. Mr. Deaton requested item 6 be postponed until a later date. He stated time was needed to go through the meet and confer process and once it was completed successfully, this item would be brought back. Mr. Canzano stated he believes Mr. Deaton has full support on postponing a vote on item 6.

4. Discussion and possible action on selection of Small 4.1 – 4.4
Cap Growth RFP finalists

Mr. Deaton stated he believes the finalist for the Small Cap Growth RFP should be

limited to the top five firms who met the minimum qualifications. Mr. Deaton expressed he could not understand why time was spent considering candidates who did not meet the minimum qualifications. He added either the minimum qualifications should have been changed or time should not have been spent looking at candidates who did not meet the minimum qualifications. Mr. Deaton characterized this as an aberration of the RFP process. He stated if the five candidates who met the minimum qualifications could not perform the job, then the Board should have been advised as to the reasons why. Mr. Deaton explained his process for reviewing an RFP is if a respondent does not meet the minimum qualifications they are ineligible. He stated if RFP respondents who do not meet the minimum qualifications are given consideration the RFP was a false advertisement.

Mr. Canzano stated he is in agreement with the first five who met the minimum qualifications being selected as finalists. He offered to hear compelling arguments from the two companies that may now be excluded. Mr. Deaton expressed disagreement with hearing compelling arguments from respondents who did not meet the minimum requirements. He stated he sympathizes with the situation but notes some people who read the RFP did not apply simply because they did not meet the minimum qualifications. Mr. Deaton reiterated he does not want to hear from people who do not meet the minimum requirements. He stated if they did meet the minimum requirements and have a complaint about it, then they should discuss the issue with the evaluators. Mr. Deaton commented he does not believe the Board should override the RFP process at this point. He stated if the five who have met the minimum requirements can not do the job, then the Board should discuss the issue and change the minimum requirements of the RFP and go back out to bid. Mr. Deaton added he has enormous policy problems with considering candidates who do not meet the minimum requirements.

Ms. Bernstein, responding to an inquiry from Ms. Coffin, explained the methodology of PCA's scores and their ranking of each respondent. Ms. Bernstein, referring to the chart on page 4.3 of the board package, explained the first five firms listed on the chart met the minimum requirements outlined in the RFP. She then explained the five firms shaded in grey were recommended by PCA to be included for further consideration because PCA rated those firms the highest based on criteria other than the minimum requirements. Ms. Bernstein commented Mr. Deaton's recommendation is appropriate and supported by PCA. Commissioner Hogan-Rowles stated Mr. Deaton's position is Board policy. Ms. Bernstein stated in the future PCA will keep this minimum requirement policy in mind.

Mr. Deaton moved the first five who met the minimum qualifications be invited back for finalist interviews. Seconded by Commissioner Hogan-Rowles. The motion passed after the following vote:

Ayes: Canzano, Coffin, Moore, Vazquez, Hogan-Rowles, Deaton
Nays: None

Mr. Deaton left the meeting at 10:53 a.m.

Ms. Bernstein provided the Board with an informational update on the hedge fund-of-funds search. She explained the tasks involved in the search will include: PCA reviewing a database of approximately 8000 overall funds as well as a database of approximately 900 fund-of-funds; PCA quantitatively screening the funds to establish a short list of twenty to thirty manager candidates; sending a Request for Information (RFI) to the candidates on the short list; PCA scoring RFI responses and presenting results to the Board; PCA conducting on-site due diligence with semi-finalist candidates; and the Board interviewing finalist candidates. Ms. Bernstein stated if the Board had any modifications or suggestions PCA would be happy to take them into account.

Mr. Canzano stated the investment is committed to \$66 million to be spread over two or three hedge funds. He inquired if \$20 to \$30 million is an appropriate size for a hedge fund to take on. Ms. Bernstein responded for a hedge fund-of-funds an investment of \$20-\$30 million will be on the lower end. She added the Board should decide if they want to have fewer funds with a larger investment in each fund or more funds with a lower investment amount.

Ms. Bhatia noted the selection of Hedge fund-of-fund managers is scheduled for November. Ms. Bernstein added the interviews for hedge fund-of-fund managers is tentatively scheduled for the November 1st Board Meeting.

Ms. Bhatia inquired if PCA was planning to include an educational session for the Board on hedge-fund-of-funds. She noted this was discussed at a previous Board meeting. Ms. Bernstein responded in the negative, stating the Board members have already been through the education on Hedge fund-of-funds. She stated PCA plans on bringing forth further specific education on the private equity allocations this summer. Ms. Bernstein informed the Board she would bring in a schedule for those discussions at the July 19th Board meeting. She stated the additional education is related to fund-of-funds in the private equity market.

Ms. Coffin stated she did not attend the original education session. Ms. Bernstein commented PCA would be happy to schedule an additional education on the hedge fund-of-funds market. Commissioner Hogan-Rowles commented an additional education on hedge fund-of-funds would be a good idea so the new Board members can be brought up to speed.

Ms. Bernstein inquired if the Board preferred to postpone the search process until the education is done or proceed with the education parallel to the search. Mr. Canzano preferred to proceed with the education and search parallel. Ms. Bhatia and Commissioner Hogan-Rowles concurred with Mr. Canzano. Ms. Bernstein stated PCA will work with Staff to schedule the education based on the Board Members' availability. Commissioner Hogan-Rowles recommended the education be conducted in the morning right before a regular Board meeting. Mr. Canzano suggested the education be scheduled on the same day but directly after a Board meeting. Commissioner Hogan-Rowles was in agreement noting it was better for her if the education and Board

meeting were the same day.

Ms. Bhatia requested the Board go back to agenda item 3, and discuss next steps. She stated she believes the purpose was to hear from both of the finalists. Ms. Bhatia noted the finalist were recommended by PCA and requested Ms. Bernstein comment on the process. Ms. Bernstein stated the Board heard presentations from two of the leading Proxy Voting Services providers. She added there are only a small number of organizations providing Proxy voting services. Ms. Bernstein stated both ISS and Glass-Lewis are can provide the service in a quality manner. She stated both LACERS and Fire and Police Pensions use ISS while CalPERS uses both ISS and Glass-Lewis. Ms. Bernstein stated the most significant issue with ISS is the potential conflict because they provide proxy voting services to institutional investors and advise corporate clients on governance issues. She recommended when the Board chooses a finalist, Staff be directed to do an on-site visit.

Mr. Moore addressing PCA and Staff stated ISS has many years of experience and has sophisticated technology and infrastructure to perform their job. He inquired if there was a large difference between the capabilities of ISS and Glass-Lewis. Ms. Bernstein responded the Board has heard from both companies and noted one suggestion is to have the companies brought back for further questions if the Board is still undecided. She noted ISS has research staff do in-depth research on additional areas while Glass-Lewis is really focused and has built a national market niche that they are expanding on. Ms. Bernstein stated ISS has been in business since 1985 and the technology was markedly different. She reminded the Board the representatives from ISS explained during their presentation that ISS will be revamping their entire computer system to update it. Ms. Bernstein noted Glass-Lewis is a newer company and currently utilizes up to date technology.

Mr. Moore inquired if the clients of ISS or Glass-Lewis are equally satisfied. Ms. Bernstein responded the clients of both ISS and Glass-Lewis were happy, but in different ways. She commented that Glass-Lewis has just started in the market so they do not have as long a track record with their clients. Ms. Bernstein stated she believed the highlights of each firm, were presented by each firm. She noted Glass-Lewis is smaller and can provide hands on, high quality service work from top-notch researchers. Ms. Bernstein stated ISS is clearly an institutional quality and has several research issues that can be tailored to meet the Plan's needs.

As a follow-up to a question from Mr. Moore, Commissioner Hogan-Rowles inquired if Staff has been in discussion with ISS and Glass-Lewis. Ms. Bhatia responded in the negative. Commissioner Hogan-Rowles inquired if it is appropriate to request Staff to interact and interview the companies in order to provide the Board with an evaluation of each company and a recommendation. Ms. Bhatia stated the entire process has been conducted by PCA. She stated Staff has not had any conversation with any of the firms. Ms. Bhatia indicated she would be interested in knowing the results of the reference check with the clients of ISS and Glass-Lewis. Ms. Bernstein stated that is the next stage in the process. She explained this was seen as a beginning step, not a final step in the process.

Mr. Moore stated the Board has never decided how involved to become in proxy voting. He stated organizations like CalPERS are heavily involved in proxy voting and have staff dedicated to it. Mr. Moore commented he never envisioned the Board being heavily involved in proxy voting because it is very time consuming and there are many issues. He also noted the Board is a relatively small player. Mr. Moore inquired how involved should the Board be in proxy voting. Mr. Moore asked will both ISS and Glass-Lewis be able perform the proxy duties for the Plan regardless of the Board choosing to become modestly or particularly involved in proxy voting. Ms. Bernstein stated in her opinion the Board will receive quality execution from whichever company they choose. She reiterated she believes it is important to have on-site visits conducted, and for Staff to be clear about the ease of interaction with the selected firm. Ms. Bernstein stated it may be a useful and educational next step for the Board to have ISS and Glass-Lewis come in and demonstrate what services will be available and the number of steps required to access the information.

Mr. Moore inquired if Staff is currently monitoring the proxy voting. Ms. Bhatia responded in the affirmative, stating reports are submitted by each of the managers and compared with the Plan's existing policy. Mr. Moore inquired if Staff would be able to engage in discussions with ISS and Glass-Lewis and form opinions based on Staff's previous proxy experience. Ms. Bhatia responded in the affirmative.

Mr. Canzano stated he concurred with Commissioner Hogan-Rowles's suggestion of Staff interviewing both companies and bringing back a recommendation to the Board. He noted, since both companies are able to adequately perform the service, he is extremely interested in Staff's recommendation.

Ms. Coffin inquired if there was any impact due to ISS being located on the East Coast and Glass-Lewis on the West Coast. Ms. Bernstein responded because most work is done via the internet, geographical location should not be an issue. She stated it is important for Staff to feel comfortable with the selected firm. She stated Glass-Lewis is located in San Francisco and ISS is in Washington D.C. and there are positives and negatives to both situations. Ms. Bernstein commented PCA is available to do additional reference checks to supplement Staff's direct interaction with the firms' technology.

Mr. Vazquez stated the Board received a policy comparison from ISS, which compared the Plan to an entity named Public Fund Advisory Services. He stated PCA brought two firms before the Board for interviews and inquired if Public Fund Advisory Services was another candidate. Ms. Bhatia stated Staff was recently asked to submit a copy of the Plan's policy to ISS. She noted Mr. Rue should be able to address Mr. Vazquez's question.

Ms. June Kim approached the podium. Mr. Canzano recognized Ms. Kim.

Ms. Kim explained Public Fund Advisory Services was not a respondent. She stated she believes the Public Fund Advisory Services is a summary of ISS's general public fund policy.

Ms. Kim returned to the audience.

Commissioner Hogan-Rowles requested Ms. Bernstein find out exactly what the Public Fund Advisory Services is and to clarify it for the Board. Ms. Bernstein agreed to look into the matter.

Mr. Moore inquired if any studies have been conducted which look at ISS's conflict of interest issue and if it has potentially been in play. He stated Glass-Lewis provided examples where the noted conflict was suggested. Ms. Bernstein responded she is not familiar with any thorough studies related to the issue; she did note there are no lawsuits. She stated PCA can do background research on any reports.

Mr. Moore inquired how are some of the other major funds reacting in this area. He stated ISS is making changes and presumably there is some pressure causing that. Ms. Bernstein stated CalPERS for example utilizes both ISS and Glass-Lewis as a system of checks and balance. She stated many public funds are members of the Council of Institutional Investors, which is a broad non-profit organization that provides its own set of policy recommendations and research on many different investor issues. Ms. Bernstein stated this is also an alternate way to perform checks and balances.

7. Retirement Plan Manager's Comments – General Items

Ms. Bhatia commented Staff has been working on the contract with LRS for the computer automation services.

Mr. Canzano inquired if the process would take a couple of weeks. Ms. Bhatia responded there is a draft contract that has been distributed to various individuals for feedback. She stated she anticipated a final contract could be completed in the next couple of weeks. Mr. Canzano inquired if the final contract would be completed by the July 19th Board meeting. Ms. Bhatia responded she believes the final contract could be completed by the July 19th Board meeting, barring any difficulties.

8. Future agenda items

Commissioner Hogan-Rowles stated that she previously requested her intern to email the Board members with a website providing background information on the Darfur, Sudan conflict. She provided a copy of the information to Staff and requested the information be included in the July 19th Board package. Commissioner Hogan-Rowles noted as she receives more information she will present it to Staff for inclusion in upcoming Board packages.

Commissioner Hogan-Rowles, as a follow-up to statements she made at a previous Board meeting regarding divesting from tobacco, inquired if it is possible to determine the percentage of the current workforce that has had tobacco-related health challenges. She also inquired as to the number of employees who are deceased due to tobacco related health issues. Commissioner Hogan-Rowles stated she believes it is important for the Board to know these statistics in order to determine if this is a real concern. She

also noted the Water and Power Board of Commissioners gave her the go ahead to pursue the matter.

The meeting adjourned at 11:19am.

JAVIER ROMERO
President

SANGEETA BHATIA
Secretary

Irene Colón
Recording Secretary