

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

**MEETING – August 1, 2007**

**Present:**

Eugene K. Canzano	Chairperson
Mike Moore	Governance Committee Member
Cindy Coffin	Governance Committee Member
Javier Romero	Governance Committee Member
Forescee Hogan-Rowles	Commissioner, Governance Committee Member

**Others Present:**

Sangeeta Bhatia	Retirement Plan Manager
Michael R. Wilkinson	Deputy City Attorney
Joseph Wyatt	Fiduciary Counsel
Paul Palmer	Chief Investment Officer
Ramonette Carranceja	Assistant Retirement Plan Manager
Irene Colón Gonzalez	Recording Secretary
Sarah Bernstein	Pension Consulting Alliance

Chairperson Canzano called the Governance Committee Meeting to order at 8:39 am.

Ms. Bhatia indicated a quorum of the Governance Committee was present.

Chairperson Canzano inquired if there were any public comments. There were no public comments.

- 1. Approval of Governance Committee Minutes:**
  - a) June 6, 2007**
  - b) June 20, 2007**

Mr. Moore moved adoption of the above item 1 on consent. Seconded by Ms. Coffin and carried unanimously after the following vote:

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

- 2. Discussion of Policy and Resolution relative to investments in Sudan and update on letters sent to managers and companies regarding their holdings in Sudan and possible action**

Commissioner Hogan-Rowles arrived at the Committee meeting at 8:42 a.m.

Ms. Bhatia reported that at the last Governance Committee meeting there was discussion of the Plan's current exposure to Sudan related equity holdings of \$2.97 million, which was a reduction of the previous exposure of \$11.69 million. The cost of divestment of over \$1 million or 33% of that exposure was discussed, as well as research and recommendations by PCA regarding the "shorting" strategy. PCA also provided a recommendation with which staff concurred with, to amend the Sudan policy in a manner similar to the other Los Angeles City Pension Plans so that commingled accounts would be exempt from the divestiture policy due to the costs involved and the difficulties in setting up separate accounts.

Mr. Moore suggested a separate policy be adopted with respect to Darfur. Ms. Bernstein informed the Committee that the exemption was conceived as part of the broad overall policy. However, a subset identifying a particular issue would be a very prudent additional step.

Mr. Moore inquired if there had been a discussion about a joint letter with the other City Retirement Boards that would represent the investments of the three City funds and could be sent to the companies and investment managers. Ms. Bhatia responded that conversations with the other two pension plans had begun. However, there is a challenge in that the DWP Pension Plan is using a more comprehensive list. She stated that it was agreed upon by the representatives that it would carry more clout if a letter was sent indicating the extent of investment held by the entire City is "X" amount.

Commissioner Hogan-Rowles expressed, for the record, she did not agree with exempting the commingled accounts from the divestiture policy because it does not get to the real crux of the situation, which is divesting to stop the activity occurring in Darfur.

The Committee members had a brief discussion regarding their fiduciary responsibilities.

Mr. Moore moved the adoption of the resolution. Seconded by Mr. Romero and failed after the following vote:

Ayes: Romero, Moore, and Canzano

Nays: Hogan-Rowles and Coffin

Mr. Moore requested the Retirement Office staff prepare a draft policy and a letter to send to investment managers and companies regarding non-divestment in any of the companies on the highest offender list of the Sudan Divestment Task Force. He also requested a second set of letters that were individually tailored based upon the Sudan Divestment Task Force's experience with a particular company. Ms. Bhatia informed the Committee that staff sent letters to the separate account managers and the companies having investments in Sudan and that the current exposure is limited to commingled

accounts.

The Committee members agreed to amend the resolution by changing the language and omitting the word “only” throughout the resolution.

Commissioner Hogan-Rowles moved the approval of amended Resolution. Seconded by Mr. Moore and carried unanimously after the following vote:

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

Nays: None

Mr. Moore moved that staff prepare and present to the Committee a policy that clearly articulates the naming of the list, approach taken, basis of decision making, and fiduciary basis upon which the Committee is making their decision, along with the letters to be sent out immediately upon the adoption of the policy. Seconded by Commissioner Hogan-Rowles and carried unanimously after the following vote:

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

Nays: None

### **3. Discussion of legislation concerning Iran divestment and possible action**

Ms. Bhatia informed the Committee members that she and Mr. Romero attended the Los Angeles City Council meeting on June 26, 2007, wherein the City Council passed a resolution stating the City of Los Angeles should encourage corporations to cease doing business with Iran in order to pressure them over their nuclear program. The resolution specifies that the City Council shall indemnify and hold harmless the City Pension Boards, City Officers, and employees, as well as investment managers under contract with any of the City Pension Boards for any decision consistent with their fiduciary responsibilities. A history of the State Assembly Bill 221 and a copy of the resolution were provided to the Committee for informational purposes and discussion. Ms. Bhatia reported that staff has begun assembling information, as far as exposure, and will submit it at the next meeting.

Commissioner Hogan-Rowles requested staff come before the Committee at the next meeting with a resolution that the Committee might want to implement right away. She also requested a generic letter be drafted requesting companies doing business in Iran cease.

Ms. Coffin noted that CalSTRS and CalPERS has gone on record opposing the legislation as its policy and she expressed her concerns about being involved in the political process of different countries. She stated the Sudan issue is something she feels very strongly against; however; the Iran issue is more of a political type situation. Ms. Coffin asked the question does the Board stop investing in every country they are in disagreement with how that particular country runs its government. Mr. Moore agreed

with Ms. Coffin, stating once you start becoming involved in the political process of different countries you start limiting your universe of investments, particularly when you get into the energy fields where there are significant players. He expressed that in the case of Darfur there was a huge humanitarian issue of genocide, but the Iran issue is not of the same magnitude. Mr. Moore added that he feels far less compelled with the Iran issue because he did not see the logic of it compared to all the other social issues in the world.

There was further Board discussion, but no action was taken.

Commissioner Hogan-Rowles requested staff bring back a report on the level of nuclear involvement in Iran and more information on why Council Member Weiss felt it was important to introduce the resolution. She also proposed inviting Council Member Weiss to come and address the Governance Committee or send a staff member to come and answer any questions the Committee might have. Commissioner Hogan-Rowles suggested that, for the future, a check list of items for informational purposes be developed that the Committee could refer to before making a decision on social and economic justice issues. She then requested that Lorraine Paskett of the DWP legislative team attend the next meeting.

The meeting was adjourned at 9:50 am.

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EUGENE CANZANO  
Chairperson

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SANGEETA BHATIA  
Secretary

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IRENE COLÓN GONZALEZ  
Recording Secretary