

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

MINUTES

SEPTEMBER 3, 2008

Present:

Javier Romero, Chairperson
Eugene K. Canzano, Committee Member
Mike Moore, Committee Member
Cindy Coffin, Committee Member

Committee Members Absent:

Forescee Hogan-Rowles, Commissioner

Others Present:

Sangeeta Bhatia, Retirement Plan Manager
Ramonette Carranceja, Assistant Retirement Plan Manager
Michael R. Wilkinson, Deputy City Attorney
Jeremy Wolfson, Chief Investment Officer
Julie Escudero, Recording Secretary
Sarah Bernstein, Pension Consulting Alliance
Joseph Wyatt, Morrison /Foerster Attorney

Chairperson Romero called the Governance Committee Meeting to order at 8:41 a.m. following the Pledge of Allegiance.

Ms. Bhatia indicated a quorum was present.

PUBLIC COMMENTS

None.

Chairperson Romero stated the agenda items would be taken out of order in anticipation of the arrival of Ms. Hogan-Rowles.

3. Presentation by Kaplan Fox on Securities Litigation and Monitoring Program (Out of Order)

Chairperson Romero provided background for his request to bring this item before the Board, which was essentially to provide another set of reviews for litigation and monitoring for the Water and Power Employees' Retirement Plan (Plan).

Chairperson Romero recognized Mr. Frederic Fox, Mr. Laurence King, and Mr. Justin Farar of Kaplan Fox.

Mr. Fox introduced Kaplan Fox as a securities monitoring company for several public pension plans. He explained their methods and stated their service is at no cost and the information is kept confidential. He also pointed out they are judicious about recommending when clients become involved in cases and also in calculating losses.

Mr. Romero confirmed with Mr. Fox that they represented the Plan in the AOL/Time Warner case, and Mr. Fox validated this and added they have been monitoring securities for the L.A. Fire and Police Pensions System for the past three to four years and are under consideration with the L.A. City Employees' Retirement System.

In response to a question from Mr. Canzano regarding the availability of a litigation synopsis, Mr. Fox responded that information could be tailored to the Plan's needs and easily provided on a weekly basis.

In response to a question from Mr. Moore regarding the receipt of reports and the ensuing process when an action is indicated, Mr. Wolfson stated any reports that showed a loss would first be validated through the custodian bank, then staff would consult with the City Attorney. Mr. Moore asked City Attorney Mike Wilkinson his opinion on having an additional monitoring firm. Mr. Wilkinson indicated that it would be good to have another set of eyes and ears, and it was at no cost to the Plan.

Ms. Bhatia asked how the lead plaintiff would be determined if the two firms both identified the same issue, to which Mr. Fox stated they would prepare a legal memorandum to determine if there was a basis to go forward and, if so, present available options. He noted the decision to proceed and the selection of counsel would rest with the Plan. Mr. Wolfson asked if a bid would be necessary to choose a firm to which Mr. Wilkinson advised the Plan is not obligated to select a particular firm, and the decision would be up to the Board with recommendation from staff.

Mr. Canzano asked whether staff had enough manpower to handle a second reviewer. Ms. Bhatia advised the monitoring is electronic through a custodial bank and, at least at the initial stage, should not negatively impact resources.

Mr. Canzano motioned to accept Kaplan Fox as an additional outside monitoring company. The motion was seconded by Mr. Moore and unanimously carried after the following vote:

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

1. Report on Sudan Investments (Out of Order)

Ms. Bhatia explained this item was an update on the Plan's investment exposure with respect to Sudan. Mr. Wolfson explained Category One and Category Two of the Sudan Divestment Task Force listing and noted the current exposure for Category One was approximately nine basis points of the entire portfolio, and Category Two was approximately thirty-one basis points. He stated exposure in Category One was completely through the commingled funds, and he indicated the separate accounts have adhered to the restricted list provided by the Sudan Divestment Task Force (SDTF). Exposure through commingled funds to Category One slightly increased primarily because ABB was placed back on the highest offending list for not leaving the Sudan region within the time frame they promised. He stated Category Two required an ongoing engagement and monitoring process. He noted the exposure in Category Two was reduced.

To Mr. Canzano's question if another time frame had been set for ABB, Mr. Wolfson replied SDTF was engaging ABB on an ongoing basis, and ABB's promises were determining their category.

In response to a question from Mr. Moore, Mr. Wolfson confirmed that staff had mailed letters to Category Two firms and Category One managers. Ms. Bhatia added ABB was off the list at the time the letters were released so they were not included. Mr. Moore suggested a joint letter from the DWP Commission President and the Retirement Board Chairman be sent to ABB expressing concern with ABB's involvement with Sudan. Ms Bhatia agreed to Mr. Moore's suggestion.

Ms. Coffin questioned why the Boston Company had not yet eliminated their exposure to Sudan and why they recently further exposed holdings to the Sinopec Group. Mr. Wolfson explained because this is a commingled fund, the Plan as a shareholder has no control over governance, and the Boston Company maintains their discipline and strategy based on their fundamentals; however, staff had expressed concerns to them. Ms. Bhatia and Mr. Wolfson confirmed Mr. Moore's understanding that these accounts would no longer be commingled once the transition was completed. Ms. Bhatia indicated she would provide a timeline for the transition.


2. Report on Minority Owned Business Enterprises/Women Owned Business Enterprises (MBE/WBE) and Local Minority Banks (Out of Order)

Ms. Bhatia gave a brief introduction stating that staff reviewed contracts in respect to the composition of ownerships as they relate to minority owned and women owned enterprises. She added information was also provided on opportunities, if any, with local minority owned banks. Mr. Wolfson reported that currently the Plan's portfolio has contracts with twenty-three investment managers. The total exposure to minority/women owned investment managers was approximately 25%. The composition of ownership includes six minority owned companies, one 10% minority/woman owned firm, and one 31% minority owned firm. Of the four local banks staff surveyed, Mr. Wolfson stated none had the capacity to provide custodial services. Mr. Wolfson confirmed for Mr. Moore that minority owned firms are classified as having 50% or more minority owners.

The meeting was adjourned at 9:16 a.m.


EUGENE K. CANZANO
Chairperson


SANGEETA BHATIA
Retirement Plan Manager


JULIE ESCUDERO
Recording Secretary