

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

MINUTES

December 9, 2009

Present:

Cindy Coffin*
Michael Moore
Javier Romero
Jeff Peltola* (*Arrived after Roll)

Absent:

Barry Poole, Chair

Staff Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Assistant Retirement Plan Manager
Mary C. Higgins, Assistant Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Julie Escudero, Utility Executive Secretary

Others Present:

Mike Wilkinson, Deputy City Attorney

Mr. Romero called the meeting to order at 9:08 a.m.

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

Public Comments

There were no public comments.

1. Update on Sudan Exposure

Mr. Wolfson presented Staff's semi-annual report and stated since the last report which was presented in April 2009, the structure of the Sudan Divestment Task Force (SDTF) had changed; it is now referred to as the Conflict Risk Network (CRN) but the reporting process remains the same. He reported the exposure on the Highest Offenders list (which is the Category One list approved by the Board for restricted companies) increased through one of the Plan's comingled accounts, but all of the separate accounts remained at zero exposure. He reported a slight increase in exposure in the Ongoing Engagement (Category Two) list.

Mr. Romero asked if the removal of one of the companies on the Category One list had anything to do with the actions taken by Staff to notify the investment managers of the restricted companies.

Mr. Peltola entered the meeting at 9:12 a.m.

Mr. Wolfson responded to Mr. Romero that some positive actions had taken place but he could not say for certain if they were a result of Staff's actions.

Mr. Moore asked how often Staff updated the investment managers and the Category Two companies. Mr. Wolfson responded Staff had no set schedule, but they received reports quarterly from SDTF (now CRN) and contacted companies as necessary. In response to Mr. Moore's request for a consistent schedule, Mr. Wolfson stated Staff will update the investment managers and contact the Category Two companies every six months.

Mr. Moore asked if anything had occurred regarding the formulation of a policy concerning divestment in Iran. Mr. Wolfson reported Staff has yet to receive a standardized industry list but is still monitoring the situation.

2. Continuation of Discussion of IFS Management Audit Recommendations

Ms. Bhatia said this item was a continuation of the review of the findings and recommendations made by the Independent Fiduciary Services (IFS) in connection with their Management Audit. She noted Staff provided the Board with a summary of the review held at the last meeting (August 12, 2009). The Board Members and Staff continued their prioritization of the recommendations, and the following table identifies those items addressed and the priority assigned to each:

Ms. Coffin entered the meeting at 9:21 a.m.

IFS MANAGEMENT AUDIT RECOMMENDATIONS – PRIORITY LISTING

Rec	Description	Priority
2c/04	Establish transaction cost and other performance metrics to measure organizational efficiency	High
2c/05	Consider subscribing to CEM Administrative Benchmark Data for comparative efficiency data	High
2c/06	Establish internal and member based instruments for assessing quality of service delivery, and monitor and track trends over time	High
2c/07	Establish service delivery metrics and track and monitor service delivery performance	High
2c/08	Assign a strong project manager to the process documentation project; set firm deadlines; and complete project	High
2c/09	Develop long-term staffing plan	Medium
2c/10	Develop formal cross-training program to ensure a designated backup employees	Medium
2c/11	Establish formal goals and measures and metrics for each section	High
2c/12	Review if Penfax will fill role of department wide case/transaction tracking system and consider a supplemental tracking system if appropriate	High
2c/13	Prepare department wide inventory of ad hoc spreadsheets, databases, and manual tracking systems and logs; develop plan to minimize the number of ad hoc systems for benefits administration	Medium
2c/14	Develop business continuity plan for benefits administration	High
2c/15	Develop physical and electronic data security plan for benefits administration and member data	High – in progress
2c/16	Develop specific privacy protection plan	High
2c/17	Consider end-to-end review of benefits administration processes	High
2c/18	Establish internal quality assurance process	High
2c/19	Establish performance goals and metrics for each Section Head	High
2c/20	Consider adding 2-3 staff positions for long term project support to process documentation, perform scanning, and develop training programs	High
2c/21	Consider establishing a first level call center for routine inquiries	Low
2d/01	Evaluate active employee count needed to process current work load and determine "minimum filled" position count needed to operate effectively	High
2d/02	Consider establishing Benefits Specialist or similar position to provide career track within Dept.	done-n/a
2d/03	Consider developing multi-year projection of workloads for long-term staffing plan	High
2d/04	Consider developing contingency plan to cover duties of key personnel	Medium
2d/05	Consider creating "bench" positions to fill vacancies or support sections during peak demand or special projects	Medium
2e//01	Consider developing training program for new hires to hasten effectiveness	Medium
2e/02	Consider establishing employee training of multiple section duties to help in backlog or special project situations	Medium
2e/03	Clarify roles, responsibilities, and duties of Benefits administration personnel in the event of a business disruption	High

Rec	Description	Priority
2f/01	Board should consider expanding PCA's contract to include specific, periodic review, analysis and advice regarding selecting securities lending and brokerage services	Low
2f/02	Board should include annual or bi-annual asset allocation review	On-going n/a
2f/03	Board should clarify investment consultant's involvement in compliance monitoring process in their contract and in IPS	On-going n/a
2F/04	Board should regularly review Plan's retainer consultant for timeliness, depth of research, understandability of material, and overall availability	On-going Medium
2f/05	Board should organize and document periodic review of consultant	Medium
2f/06	Board should require consultant to submit at minimum an annual certification regarding conflicts of interest; consultant must notify as soon as conflict arises	On-going n/a
2f/07	Board should continue to employ private equity specialist	n/a

The attendees agreed to continue with the audit review at a future meeting.

The meeting adjourned at 9:53 a.m.



 BARRY POOLE
 Governance Committee Chair

3/28/12

 Date



 SANGEETA BHATIA
 Retirement Plan Manager

3/28/12

 Date



 JULIE ESCUDERO
 Utility Executive Secretary

3-28-12

 Date