

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

MINUTES

JUNE 3, 2009

Present:

Barry Poole, Chair
Cindy Coffin
Michael Moore
Javier Romero
Jeff Peltola

Absent:

Forescee Hogan-Rowles
H. David Nahai

Others Present:

Sangeeta Bhatia, Retirement Plan Manager
Monette Carranceja, Asst. Retirement Plan Manager
Mary C. Higgins, Asst. Retirement Plan Manager
Jeremy Wolfson, Chief Investment Officer
Julie Escudero, Utility Executive Secretary
Alan Manning, Assistant City Attorney
Mike Wilkinson, Deputy City Attorney

Mr. Poole called the meeting to order at 9:11 a.m.

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

Public Comments

There were no public comments.

1. Discussion of Policy with Respect to Placement Agents

Ms. Bhatia introduced the item by explaining that placement agents were commonly used to fund investments in the Private Equity and Real Estate arenas and also in equity types of investments. Ms. Bhatia referred to the insert with more information regarding the role of placement agents in WPERP's equity investments (in addition to the Private Equity and Real Estate).

Ms. Bhatia also referred to the motion presented by Council Member Bernard Parks requesting the City's three Pension Plans report back to the City Council on the actions they have taken regarding pension reform and the use of placement agents.

Ms. Bhatia explained the objective of today's meeting was to formulate a policy with respect to the use placement agents. She referred to the policies adopted by other public pension funds such as CALPERS, New York State Common Fund (which actually banned the use of placement agents) and recently LACERS. She emphasized the goal is to

develop a policy that will minimize or reduce conflicts of interest that might possibly occur and provide enough transparency and disclosure if the Board decides to go ahead with the use of placement agents.

Mr. Romero mentioned he believed placement agents were good to help small/emerging investment managers get their start, and he said he would like a program created for Emerging Managers sometime in the future. He said he agreed with LACERS' approach and would like to see the Retirement Board adopt a policy that includes ADV compliance, SEC registration, and full disclosure of fees. He asked for comments from the rest of the Board.

Mr. Poole said he agreed with the need for a comprehensive policy with full disclosure and with the consequences, such as contract termination, that could apply when improper actions are taken.

Mr. Moore said he agreed and added he thought the policy adopted by LACERS was too general. He mentioned he liked the detail of CALPERS' policy and the fact it included penalties for no disclosure. He said he would be comfortable with a policy like CALPERS' and he requested language referring to donations to elected officials be included.

Mr. Peltola stated that he, too, agreed that CALPERS' policy was a good start. He suggested the Plan's policy include the two penalties described in the CALSTRS' policy.

Ms. Coffin said she agreed and requested the new policy not allow situations such as with HRJ who did not disclose the name of their placement agent.

Mr. Moore requested a further review of the Mesa West case.

Ms. Coffin expressed her concern regarding the motion from Council Member Wendy Gruel for the disclosure of hedge funds, stating WPERP performs its own due diligence. Ms. Bhatia stated the Retirement Office might receive more questions regarding increased allocation to this asset class and concerns with respect to the Los Angeles Fire and Police Pension plan and any potential changes with our Plan allocation, so a follow up was needed. Mr. Poole reiterated the need for WPERP to be autonomous. Mr. Peltola added that although Council has the right to request information, everything goes back to the governing law, which is the City Charter.

Mr. Moore posed questions regarding Council Member Gruel's Motion. Ms. Bhatia requested Mr. Alan Emkin from PCA provide clarification.

Mr. Emkin explained two issues were involved. He stated one issue was regarding placement agents, and the other was that both LACERS and LAFPP had arranged for representatives from the Ethics Commission to discuss how to proceed when Board Members are solicited by vendors. Ms. Coffin stated she would like the City Ethics Commission to provide a similar presentation to the Retirement Board. Ms. Bhatia indicated all of the Plan's contracts include provisions regarding communication with Board

Members, but she would follow-up with the City Ethics Commission regarding the presentation.

2. Discussion of Recommendations from IFS Audit

Ms. Bhatia reported this item was on the agenda for a general discussion of the recommendations made by Independent Fiduciary Services, Inc. (IFS). Ms. Bhatia stated Board Members were previously provided a link to the report posted on the Retirement website, and in the package provided they were given the Executive Summary portion of the management audit. She added that any items decided today may be brought back to the Regular Board for further discussion. She also added one item to discuss was the possibility of developing a travel and education policy specifically for the Retirement Board and Staff.

Ms. Coffin voiced her concern regarding the Retirement Board's lack of autonomy and the perception of a conflict of interest if the DWP Board of Commissioners had control over the Retirement Board.

Mr. Wilkinson agreed that IFS raised some issues that would require Charter changes and said he would advise the Board with respect to any of their concerns.

Mr. Romero noted some items may not require Charter changes but would probably need an in-dept discussion by the Committee, and he added the Committee would need to create policies on travel, community involvement, and ethics issues. He suggested the Governance Committee meet on non-Board meeting dates to give them more flexibility to focus on the issues without time restrictions.

Mr. Moore suggested Staff provide the Committee/Board with a list of the issues and recommendations to facilitate the discussion.

Mr. Peltola indicated he thought the biggest issues that resulted from the IFS audit were the autonomy of the Retirement Board and the recommendation to consolidate the City's three pension plans. Ms. Bhatia indicated that particular recommendation was briefly discussed by the Board members as one not to pursue, and she believed it was the same sentiment of the City's other pension plans, as well.

In response to Mr. Peltola's question regarding the origination of the audit, Ms. Bhatia explained the City Controller is required by the City Charter to conduct an audit of the City's three pension plans every five years, and the audit originated from the City Council, the Mayor, and the Controllers' Office.

In response to requests from the Committee members, Ms. Bhatia indicated she would provide hard copies of the audit report at the next meeting.

Ms. Higgins suggested that Staff prepare a draft agenda to be reviewed by the Governance Committee chair. Mr. Poole suggested the agenda include an item regarding hiring outside counsel in the event of a possible conflict of interest.

The meeting was adjourned at 9:42 a.m.

Barry Poole 7/1/09
BARRY POOLE Date
Chairperson

Sangeeta Bhatia 7/1/09
SANGEETA BHATIA Date
Retirement Plan Manager

Julie Escudero 7.1.09
JULIE ESCUDERO Date
Utility Executive Secretary