

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF SEPTEMBER 20, 2018

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met in the LAFPP Sam Diannitto Boardroom, located at the Los Angeles Fire and Police Pensions Building, 701 East 3rd Street, Suite 400, Los Angeles 90013 on Thursday, September 20, 2018.

COMMISSIONERS PRESENT: Corinne T. Babcock, President
Adam Nathanson, Vice President
George Aliano
Ken Buzzell
Ruben Navarro
Brian Pendleton
Robert von Voigt (participated telephonically)

COMMISSIONERS ABSENT: Pedram Salimpour, MD
Belinda Vega

DEPARTMENT OF FIRE AND
POLICE PENSIONS: Raymond P. Ciranna, General Manager
William Raggio, Executive Officer
Tom Lopez, Chief Investment Officer
Joseph Salazar, Assistant General Manager
Rhonda Ketay, Commission Executive Assistant

CITY ATTORNEY'S OFFICE: Anya Freedman, Deputy City Attorney

President Babcock called the meeting to order at 8:35 a.m. All the above-listed Commissioners were present at the start of the meeting.

A. ITEMS FOR BOARD ACTION

1. CONSIDERATION OF ASSUMPTIONS FOR THE JUNE 30, 2018 RETIREE HEALTH ACTUARIAL VALUATION AND POSSIBLE BOARD ACTION

Ms. Robyn Wilder, Chief Benefits Analyst, Pensions Division discussed the report with the Board and introduced Mr. Paul Angelo, FSA, MAAA, FCA, EA, Senior Vice President and Actuary and Ms. Melissa Bissett, FSA, MAAA, Senior Health Consultant and Actuary from Segal Consulting who presented their report to the Board.

Ms. Elsa Moy provided public comment.

Resolution 19044

Commissioner Pendleton moved that the Board adopt the retiree health assumptions for the June 30, 2018 Retiree Health Valuation as recommended by Segal Consulting, which was seconded by Commissioner Buzzell and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 7; nays – none.

2. REVISIONS TO BOARD POLICY SECTION 10.0: ACTUARIAL FUNDING POLICY AND POSSIBLE BOARD ACTION

The report was approved as submitted.

Resolution 19045

Commissioner Nathanson moved that the Board approve a revision to Board Policy Section 10.0: Actuarial Funding Policy to include the Airport Department in the Amortization Policy section, which was seconded by Commissioner Pendleton and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 7; nays – none.

3. OFFICE OF THE CITY CLERK – ELECTION DIVISION'S CERTIFICATION OF THE POLICE DEPARTMENT EMPLOYEE MEMBER OF THE BOARD SPECIAL ELECTION RESULTS AND BOARD DECLARATION OF ELECTED MEMBER

Ms. Wendy Kamayatsu, Management Analyst, and Mr. T.J. Knight, Senior Management Analyst I, Administrative Services Section presented the report to the Board.

Resolution 19046

Commissioner Buzzell moved that the Board declare Paul Michael Weber the elected Police Department Employee Member of the Board of Fire and Police Pension Commissioners for the unexpired term beginning October 1, 2018 and ending June 30, 2020, based on the official election results provided by the Office of the City Clerk – Election Division (City Clerk), which was seconded by Commissioner von Voigt and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 7; nays – none.

4. CONSIDERATION OF AND POSSIBLE CHANGES TO BOARD GOVERNANCE POLICIES 7.1, 8.1, AND 14.2, REGARDING ELECTION OF BOARD OFFICERS AND POSSIBLE BOARD ACTION

Mr. William Raggio, Executive Officer, Administrative Operations Division discussed the report with the Board.

Resolution 19047

Commissioner Navarro moved that the Board adopt the changes to Governance Policy Section 14.2 Board Officers as approved by the Board on September 6, 2018, along with the related policy revisions to Section 7.1 Duties and Responsibilities of the President and Section 8.1 Duties and Responsibilities of the Vice President, which was seconded by Commissioner Pendleton and approved by the following vote: ayes, Commissioners Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 5; nays, Commissioners Aliano and Buzzell – 2.

5. AMENDMENTS TO BOARD OPERATING POLICIES AND PROCEDURES SECTION 1.0 – ETHICS RESPONSIBILITIES FOR BOARD MEMBERS, THE GENERAL MANAGER, AND STAFF AND POSSIBLE BOARD ACTION

Mr. T.J. Knight, Senior Management Analyst I, Administrative Services Section was available for questions. The report was approved as submitted.

Resolution 19048

Commissioner Buzzell moved that the Board:

1. Approve the proposed amendments to Board Operating Policies and Procedures, Section 1.0: Ethics Responsibilities for Board Members, the General Manager, and Staff (Attachment); and
2. Authorize staff to make technical corrections or clarifications to the Policies and Procedures to effectuate the intent of the Board, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 7; nays – none.

Item B.1 was taken out of order

B. REPORTS TO THE BOARD

1. ADDITIONAL INFORMATION FOR DISCUSSION OF PROPOSED FLAT-RATE MEDICARE DEPENDENT SUBSIDY

Mr. Greg Mack, Chief Benefits Analyst, Pensions Division discussed the report with the Board.

Mr. Tony Gamboa from UFLAC and Mr. Bob Steinbacher from LAFRA provided public comment.

A. ITEMS FOR BOARD ACTION - CONTINUED

6. CONTINUED DISCUSSION OF FLAT-RATE FOR MEDICARE DEPENDENT SUBSIDY AND POSSIBLE BOARD ACTION

Commissioner Navarro moved that the Board table the item with the caveat that the Board can go into closed session to obtain legal advice from the City Attorney, which was seconded by Commissioner Aliano.

After discussing closed session requirements with the City Attorney, the Board did not vote on the motion.

Commissioner von Voigt moved that the Board table the item until all health and dental plan contracts have been signed, which was not seconded.

Resolution 19049

Commissioner Navarro moved that the Board table the item to the next Board meeting on October 4, 2018, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, and President Babcock – 6; nays, Commissioner von Voigt – 1.

7. REVIEW OF NORTHERN TRUST INVESTMENTS, INC. CONTRACT FOR FIXED INCOME INDEX INVESTMENT MANAGEMENT AND POSSIBLE BOARD ACTION

Ms. Carmen Velazquez, Management Analyst, Investments Division presented the report to the Board.

Commissioner Buzzell was concerned that Northern Trust Investments has not met the benchmark for several years. Mr. Tom Lopez, Chief Investment Officer, Investments Division, Mr. Jim Voytko, President and Senior Consultant and Mr. Ryan Sullivan, Consultant from RVK discussed underperformance and fees with the Board.

Resolution 19050

Commissioner Navarro moved that the Board:

1. Approve a three-year contract with Northern Trust Investments, Inc. for fixed income index investment management services;
2. Authorize the General Manager to approve the terms and conditions with Northern Trust Investments, Inc. for fixed income index investment management services for the period December 1, 2018 to November 30, 2021; and,
3. Authorize the President of the Board, on behalf of the Board, to execute the contract with Northern Trust Investments, Inc. for fixed income index investment management services, subject to the approval of the City Attorney as to form and legality, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 7; nays – none.

8 REVIEW OF PHOCAS FINANCIAL CORPORATION DOMESTIC SMALL CAP VALUE EQUITY CONTRACT AND POSSIBLE BOARD ACTION

Ms. Annie Chao, Investment Officer, Investments Division presented the report to the Board. The Board discussed fees, markets and benchmarks with Mr. Jim Voytko, President and Senior Consultant and Mr. Ryan Sullivan, Consultant from RVK.

Motion

Commissioner Aliano moved that the Board terminate the Phocas Financial Corporation contract, which was seconded by Commissioner Buzzell and failed by the following vote: ayes, Commissioner Buzzell - 1; nays, Commissioners Aliano, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 6.

Resolution 19051

Commissioner Pendleton moved that the Board:

1. Approve a three-year contract with Phocas Financial Corporation for domestic small cap value equity management services;
2. Authorize the General Manager to approve the terms and conditions with Phocas Financial Corporation for domestic small cap value equity management services for the period October 1, 2018 through September 30, 2021; and,
3. Authorize the President of the Board, on behalf of the Board, to execute the contract with Phocas Financial Corporation for domestic small cap value equity management services, subject to a fee discount, and subject to the approval of the City Attorney as to form and legality, which was seconded by Commissioner von Voigt and approved by the following vote: ayes, Commissioners Aliano, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 6; nays – Commissioner Buzzell - 1.

President Babcock recessed the meeting for a break at 10:27 a.m. and reconvened at 10:36 a.m.

9. CHIEF INVESTMENT OFFICER'S QUARTERLY REPORT OF ASSET ALLOCATION STATUS AND POSSIBLE BOARD ACTION

Mr. Tom Lopez, Chief Investment Officer, Investments Division discussed the report with the Board. The report was approved as submitted.

Resolution 19052

Commissioner Navarro moved that the Board approve the actual asset allocation of the Fund and Staff's plans for bringing asset classes currently outside of their target allocation ranges back within their allocation ranges, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Nathanson, Navarro, Pendleton, von Voigt, and President Babcock – 7; nays – none.

B. REPORTS TO THE BOARD - CONTINUED

2. VERBAL UPDATE: STATUS OF UNITED FIREFIGHTERS OF LOS ANGELES CITY CONTRACT

General Manager Ciranna updated the Board on the current status of contract negotiations. The Board requested a report at the October 4, 2018 Board meeting.

3. VERBAL UPDATE: STATUS OF LOS ANGELES FIREMEN'S RELIEF ASSOCIATION, LOS ANGELES POLICE RELIEF ASSOCIATION, AND LOS ANGELES POLICE PROTECTIVE LEAGUE CONTRACTS

General Manager Ciranna updated the Board on the current status of contract negotiations.

4. Miscellaneous correspondence from money managers, consultants, etc. – Received and Filed.

5. General Manager's Report

a. Monthly Report

b. Marketing Cessation Information

c. Benefits Actions approved by General Manager on September 6, 2018

Pursuant to Resolution 04008, adopted by the Board of Fire and Police Pension Commissioners on August 7, 2003, the following benefit actions have been approved by the General Manager on September 6, 2018.

DISCONTINUED PENSIONS – TIER 1 – 4

R. D. Stufflebeam	Fire Disability	Retired:	08-01-66	Died:	07-17-18
Vina S. Harvey	Police Widow	Retired:	05-27-87	Died:	08-02-18
Alice Perkins	Police Widow	Retired:	01-16-16	Died:	04-15-18
Dorothy A. Pollard	Police Widow	Retired:	05-03-90	Died:	07-11-18

DISCONTINUED PENSIONS – TIER 2 – 22

James N. Jeffery	Fire Service	Retired:	11-08-87	Died:	07-23-18
Thomas J. Young	Fire Service	Retired:	04-09-78	Died:	07-21-18
Frank W. Borowitz	Police Service	Retired:	07-05-69	Died:	06-18-18
Robert L. Funk	Police Service	Retired:	07-04-79	Died:	07-16-18
Donald I. Lynch	Police Service	Retired:	09-01-72	Died:	07-19-18
Donald E. Mc Elrea	Police Service	Retired:	07-08-89	Died:	08-11-18
Charles W. Merritt	Police Service	Retired:	08-03-97	Died:	07-22-18
Martin J. Crowe	Police Disability	Retired:	01-10-84	Died:	07-26-18
Norman C. Wintjen	Police Disability	Retired:	08-11-91	Died:	06-28-18

Jonet Caplan	Fire Widow	Retired:	01-29-81	Died:	08-03-18
Eileen C. Fass	Fire Widow	Retired:	08-30-01	Died:	04-15-18
Faye J. Hines	Fire Widow	Retired:	09-18-15	Died:	04-25-18
Carol A. Fox	Police Widow	Retired:	08-06-17	Died:	07-16-18
Laureita M. Chabrajez	Police Widow	Retired:	01-27-00	Died:	07-14-18
Minnie M. Gatlin	Police Widow	Retired:	01-08-17	Died:	02-20-17
Mary V. Hamner	Police Widow	Retired:	06-29-12	Died:	08-16-17
Dolores C. Harte	Police Widow	Retired:	12-04-16	Died:	02-18-18
Bernice L. Hogan	Police Widow	Retired:	08-19-86	Died:	07-16-18
Violet A. Hossfeld	Police Widow	Retired:	03-21-14	Died:	06-29-18
Roberta B. Marshall	Police Widow	Retired:	07-16-03	Died:	04-13-18
Mary E. Nolan	Police Widow	Retired:	01-20-10	Died:	07-27-18
Glenda J. Tosti	Police Widow	Retired:	11-11-09	Died:	07-01-18

DISCONTINUED PENSIONS – TIER 5 – 2

George A. Lamy	Police Service	Retired:	02-06-05	Died:	07-17-18
Charles E. Mahaffey	Police Service	Retired:	08-01-02	Died:	07-19-18

DEFERRED SERVICE PENSION – TIER 3 – 1

Police

Erick A. Yepes	Police Officer II	Eff:	08-06-18	20	Years	90	Days
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SERVICE PENSION – TIER 3 – 1

Police

Kenneth D. Greene	Police Officer II	Eff:	08-19-18	23	Years	363	Days
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SERVICE PENSION – TIER 5 – 5

Police

David J. Budek	Sergeant II	Eff:	08-05-18	20	Years	56	Days
Billy M. Gilbert	Sergeant I	Eff:	08-05-18	22	Years	268	Days
Alan E. Little	Police Officer II	Eff:	08-06-18	22	Years	0	Days
Timothy S. Schey	Detective I	Eff:	08-19-18	20	Years	10	Days
Rhoadell D. Sudduth	Police Officer II	Eff:	03-18-16	20	Years	153	Days

SERVICE PENSION/DROP – TIER 5 – 7

Police

Douglas J. Datria	Police Officer III	Eff:	08-01-18	28	Years	88	Days
Robert E. Deamer	Police Officer III	Eff:	08-01-18	28	Years	11	Days
Robert W. Long	Police Captain III	Eff:	08-01-18	28	Years	138	Days
Gabriel F. Muñoz	Detective III	Eff:	08-01-18	28	Years	99	Days