

GOVERNANCE COMMITTEE

AGENDA

Board of Fire and Police Pension Commissioners

Sam Diannitto, Chair
Pedram Salimpour
Belinda Vega
Robert von Voigt

September 18, 2014
8:30 a.m.

Los Angeles Times Building
202 W. First Street, Suite 500
Los Angeles, CA 90012

Commissioner Diannitto will participate telephonically from
4612 El Reposo Drive, Los Angeles, CA 90065

An opportunity for the public to address the Board or Committee about any item on today's agenda for which there has been no previous opportunity for public comment will be provided before or during consideration of the item. Members of the public who wish to speak on any item on today's agenda are requested to complete a speaker card for each item they wish to address, and present the completed card(s) to the commission executive assistant. Speaker cards are available at the commission executive assistant's desk.

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board or applicable Committee of the Board in advance of their meetings may be viewed at the office of the Los Angeles Fire and Police Pension System (LAFPP), located at 360 East 2nd Street, 4th Floor, Los Angeles, California 90012, or by clicking on LAFPP's website at www.lafpp.com, or at the scheduled meeting. Non-exempt writings that are distributed to the Board or Committee at a scheduled meeting may be viewed at that meeting. In addition, if you would like a copy of any record related to an item on the agenda, please contact the commission executive assistant, at (213) 978-4555 or by e-mail at barbara.nobregas@lafpp.com.

Sign language interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing sign language interpreters, five or more business days notice is strongly recommended. For additional information, please contact the Department of Fire and Police Pensions, (213) 978-4545 voice or (213) 978-4455 TDD.

1. ELECTION OF VICE CHAIR AND POSSIBLE COMMITTEE ACTION
2. [PERIODIC REVIEW OF GOVERNANCE MANUAL POLICY SECTIONS 9.0, 10.0 AND 13.0 AND POSSIBLE COMMITTEE ACTION](#)
3. [CITY MANAGEMENT AUDIT RECOMMENDATIONS ASSIGNED TO THE GOVERNANCE COMMITTEE AND POSSIBLE COMMITTEE ACTION](#)
4. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

SPECIAL MEETING

AGENDA

Board of Fire and Police Pension Commissioners

September 18, 2014
8:30 a.m.

Los Angeles Times Building
202 W. First Street, Suite 500
Los Angeles, CA 90012

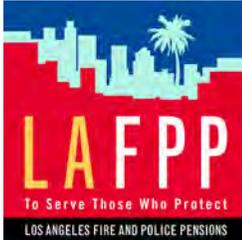
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1. ELECTION OF VICE CHAIR AND POSSIBLE COMMITTEE ACTION
5. PERIODIC REVIEW OF GOVERNANCE MANUAL POLICY SECTIONS 9.0, 10.0 AND 13.0 AND POSSIBLE COMMITTEE ACTION
2. CITY MANAGEMENT AUDIT RECOMMENDATIONS ASSIGNED TO THE GOVERNANCE COMMITTEE AND POSSIBLE COMMITTEE ACTION
3. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION



DEPARTMENT OF FIRE AND POLICE PENSIONS

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE GOVERNANCE COMMITTEE

SEPTEMBER 18, 2014

ITEM: 2

FROM: Raymond P. Ciranna, General Manager

SUBJECT: PERIODIC REVIEW OF GOVERNANCE MANUAL POLICY SECTIONS 9.0, 10.0 AND 13.0 AND POSSIBLE COMMITTEE ACTION

RECOMMENDATION

That the Governance Committee recommend that the Board:

1. Amend Board Governance Manual, Section 9.0 - General Manager Duties and Responsibilities, to improve clarity and reflect current practices;
2. Amend Board Governance Manual, Section 10.0 - Board Education Policy, to improve clarity and reflect current practices; and,
3. Amend Board Governance Manual, Section 13.0 - Monitoring and Reporting Policy to improve clarity and reflect current practices.

DISCUSSION

The Board Governance Manual documents all Board governance policies and procedures. Each policy calls for a periodic review, generally not to exceed three years. While five of the policies are currently due for review, staff is presenting three Policy updates (Sections 9.0, 10.0 and 13.0) for your consideration today. It is anticipated that the review of the remaining policies will be presented to the Governance Committee on December 18, 2014. Attached are copies of each of the policies with proposed changes highlighted in red or strikeout.

Section 9.0, Duties and Responsibilities - General Manager - Staff recommends the following changes to improve clarity and reflect current practices:

- Section 9.5 (C) - Amend language to reflect that staff may purchase airfare for Board members via TravelStore, the City's contracted travel company. Purchasing airfare through the TravelStore enables the City to directly pay for air travel, reducing the initial out-of-pocket expense associated with Board-related travel.
- Section 9.9 - Amend language to clarify that the General Manager may nominate candidates for the Distinguished Service Medal, and must vote to award the Medal per Governance Policy, Section 18.0.
- Section 9.12 (D) - Add references to both the Business Plan and Strategic Plan based on the recently revised planning process.

Section 10.0, Board Education Policy - Staff recommends the following amendments to improve clarity and reflect current practices:

- Section 10.2 and (F) - Revise language from 'strongly encouraged' to 'expected' to better align with the intent of the Expectation Section and revise description of actuarial funding principals knowledge line item.
- Section 10.3, (A) and (C) - Revise language from 'strongly encouraged' to 'expected' to better align with the intent of the Expectation Section, fix incorrect Section reference in 10.3 (A) and amend the number of educational conferences Board members are expected to attend from three (3) to two (2) to reflect current policy (Board Operating Policies and Procedures, Section 2.3, Continuing Education).
- Section 10.4 (C) - Remove the word 'association' to match with the corresponding Section title in Sections 10.10 thru 10.13.
- Section 10.6 (A - L) - Reorganize the new Board member Orientation listing ordering.
- Section 10.9 (B) - Add reference to the annual Board Member Self-Assessment Policy that was adopted by the Board in December 2013.
- Section 10.11 - Fix incorrect Appendix reference.
- Section 10.13 - Revise language to encourage Board members to impart knowledge learned at conferences to other Board members.
- Appendix 1 - Board Reference Manual - Revise listing to reflect the current Board Reference Manual structure.

Section 13.0, Monitoring and Reporting Policy - Staff recommends the following amendments and additions to Appendix 1 - Routine Reports to improve clarity and reflect current reporting practices:

- Report No. 1 Monthly Report (Revision) - Revise the description to include additional sections of the report.
- Reports Nos. 2-4 - Eliminate abbreviations.
- Report No. 5 Proxy Voting - Document the practice of providing this report in the Department's Annual Report.
- Report No. 7 Private Equity (Addition) - Add to reflect current reporting practice.
- Report No. 8 Minority/Women/Disabled Veteran's Broker Report (Revision) - Revise the report name from 'Managers' Brokerage Usage' to 'Minority/Women/Disabled Veteran's Broker' Report to reflect anticipated changes to reporting title.
- Report No. 9 Due Diligence (Revision) - Move report from the 'Administration & Operations Reports' Section to the 'Investment & Funding' Section, revise the report frequency from semi-annual to annual and change the 'Presented by' field to Chief Investment Officer.
- Report No. 10 Market Cessation (Addition) - Add to reflect current monthly reporting practice.
- Report No. 11 Portfolio Value & Asset Allocation (Addition) - Add to reflect current monthly reporting practice.
- Report Nos. 16-18 Strategic and Business Plans (Additions & Revisions) - Clarify the difference between the Business and Strategic plans based on the revised planning process.
- Report No. 21 Legal Affairs (Revision) - Change frequency from a quarterly to an Ad-hoc basis to reflect current reporting practices.
- Report No. 23 Contractor Disclosure Report (Addition) - Add to reflect current quarterly reporting practice.
- Report No. 24 Annual Audit Plan (Addition) - Add to reflect current annual reporting practice.

- Report No. 25 Management Audit Report (Addition) - Add to reflect current reporting practice.
- Report No. 28 Board Education Report (Revision) - Revise report name and change who presents the report from the Chair of the Governance Committee to the General Manager because Department staff tracks Board education and training.
- Report No. 29 City Attorney Evaluation (Addition) - Add to reflect current reporting requirement per Policy Section 17.0.
- Report No. 30 Board Self Assessment (Addition) - Add to reflect current annual reporting requirement per Policy Section 11.0.

In reviewing Section 13.0 Appendix 1, staff notes that the following four reports are not being prepared on a regular basis: 1) Due Diligence Report (Report No. 9), Annual Governance Report (Report No. 27); the Board Education Report (Report No. 28) and Board Self Assessment (Report No. 30). Reports 9, 27, and 28 have not been prepared in the recent past but staff will be working internally to prepare and refine these reports for Board presentation as soon as possible. For Report No. 30, staff recently completed the Board Self Assessment process and will present findings to the Board by December 2014.

BUDGET

There is no budgetary impact

POLICY

As recommended, the proposed Policy changes are consistent with and codifies current practices and procedures.

This report was prepared by:

Stephanie Clements, Chief Management Analyst
Administrative Operations Division

RPC:WSR:SHC

Attachments:

Attachment I - Proposed Governance Policy Section 9.0 – Duties and Responsibilities –
General Manager

Attachment II - Proposed Governance Policy Section 10.0 – Board Education Policy

Attachment III - Proposed Governance Policy Section 13.0 – Monitoring and Reporting Policy

Los Angeles Fire & Police Pension System

9.0 - DUTIES AND RESPONSIBILITIES-GENERAL MANAGER

INTRODUCTION

- 9.1 Consistent with the City Charter, the General Manager will:
- A. be appointed by the Board, subject to confirmation by the City Council and the Mayor; [Section 1108 (b)] and
 - B. Administer the affairs of the Department as its Chief Administrative Officer. [Section 509 (a)]
- 9.2 The General Manager is the executive ultimately responsible to the Board for the entire operations of the System and is therefore expected to provide executive leadership for the System in implementing the programs necessary to achieve its mission, goals and objectives. It is understood, however, that the General Manager may not necessarily administer the operations directly, but will ensure proper delegation of duties to staff in a manner that maximizes the efficiency and effectiveness of the System;
- 9.3 The General Manager will support the Board and its committees in establishing policies by identifying and analyzing issues requiring Board policy, and providing clear, well-supported policy recommendations for their consideration.
- 9.4 The General Manager will be responsible for ensuring that all rules, regulations and policies of the Board are properly implemented, with the exception of the General Manager Performance Evaluation Policy and policies governing the conduct of the Board, which are the responsibility of the Board itself.

GOVERNANCE

- 9.5 The General Manager will assist the Board in carrying out its governance role by:
- A. Recommending policies to ensure appropriate governance practices;
 - B. Coordinating fiduciary education;
 - C. Coordinating Board member travel arrangements, which may include~~th the exception of purchasing~~ air travel via TravelStore.
- 9.6 The General Manager will serve as the Secretary to the Board in accordance with the City Charter. [Section 504(a)]
- 9.7 The General Manager and President will confer to determine who shall act as spokesperson for the System should the need arise, with the President having the authority to make the final determination. The General Manager however may exercise discretion to communicate on routine matters without consulting the President (e.g. requests by the media for simple factual information).
- 9.8 The Administrative Code Section 4.1407(e)(3) requires the General Manager to serve on the City's Deferred Compensation Board effective July 1, 2008.

- 9.9 The General Manager may [nominate a candidate for award](#) the Distinguished Service Medal [and must vote to award the Medal](#) as stipulated in Section 18.0 of this Policy.

Investments

- 9.10 The General Manager will carry out all investment functions of the System including, but not limited to:
- A. In consultation with the Chief Investment Officer and System consultants, recommending investment policies and strategies to the Board;
 - B. Managing investment staff and external service providers in the implementation of all policies and strategies;
 - C. Performing investment due diligence and monitoring;
 - D. Providing information to allow the Board to make a decision in regard to hiring, renewing or terminating contracts for the general consultant, real estate consultant, alternative investments manager and investment managers and other advisors.
 - E. Rebalancing the portfolio as required.

Benefit Administration and Operations

- 9.11 In accordance with the City Charter, the General Manager will:
- A. Recommend to the Board prior to the beginning of each fiscal year an annual departmental budget covering the anticipated revenues and expenditures of the System, conforming so far as practical to the forms and dates provided in City Charter, Article III in relation to the general City budget. [Section 509 (e)]
 - B. Expend the funds of the System in accordance with the provisions of the budget appropriation or of appropriations made after adoption of the budget. [Section 509 (d)]
 - C. Certify all expenditures of the System to the Chief Accounting Officer. [Section 509 (f)]
 - D. File with the Board and the Mayor a written report on the work of the System on a regular basis and as requested by the Mayor or the Board. [Section 509 (g)]
- 9.12 The General Manager will direct and oversee senior staff in the performance of all administrative and operational activities of the System including, but not limited to:
- A. In consultation with System consultants, where appropriate, developing and recommending to the Board all policies necessary to ensure effective administration of member benefits;
 - B. Managing administrative staff involved in the delivery of service to plan members and in the operations of the System;
 - C. Overseeing actuarial valuations and audits;
 - D. In consultation with Board and System consultants, developing and recommending to the Board [an annual the annual Business Plan and triennial Strategic Plans](#);
 - E. Authorizing payments and, in conjunction with the President and City Attorney executing agreements related to the administration of System and the appointment of all service providers, consistent with the Departmental Budget and internal controls of the System;
 - F. Ensuring effective and timely communications with members and stakeholders on matters relating to the administration of System; and

- G. Co-ordinating and approving staff travel for education and due diligence purposes, subject to the travel resolution that forms part of the annual budget.

Financial and Accounting

9.13 The General Manager will:

- A. Oversee the preparation of the annual financial statements of the System;
- B. Coordinate the annual financial audit and ensure appropriate responses to any management letters or issues arising out of such audits;
- C. Ensure necessary internal audits of the operations are performed as required; and
- D. Ensure all necessary internal controls are in place to protect the assets of the System and ensure all policies and procedures are followed.

Human Resources

9.14 In accordance with the City Charter, the General Manager will:

- A. Appoint, discharge, suspend, or transfer the employees of the System, other than the Secretary of the Board and the Chief Accounting Officer, all subject to the civil service provisions of the Charter; [Section 509 (b)]
- B. Issue instructions to employees, in the line of their duties, all subject to the civil service provisions of the Charter. [Section 509 (c)]

9.15 The General Manager will ensure ongoing assessment of the human resource needs of the System and the development of appropriate human resource programs and procedures, as necessary, including an employee education program.

Legislation and Litigation

9.16 The General Manager will carry out the following duties with the assistance of legal counsel:

- A. Monitor trends regarding legislation that may have a significant impact on the System;
- B. Evaluate proposed legislation and in consultation and concurrence with the Board President and Vice President determine that the legislation 1) does not materially impact member benefits, System administration, nor defined benefit plan design; and, 2) if there is a need to provide input to the City before the next regularly scheduled Board Meeting. If both criteria are met, and upon approval of both the Board President and Vice President, the General Manager may communicate directly to the City Council through the Chief Legislative Analyst. If both criteria are not met, then the General Manager will report to the Board with a recommendation(s). The City Council in turn will establish an official City position on such legislation. All pending legislation that is determined by staff to have a significant impact on the System will be brought to the attention of the Board; (Amended 07/18/13)
- C. Coordinate, with the City Attorney, all legal proceedings involving the System; [Section 272]
- D. Provide recommendations to the Board concerning settlements or other client decisions in legal actions involving the System; [Section 272 (c)].

Service Providers

- 9.17 The General Manager will:
- A. Cause all necessary due diligence to be undertaken in the appointment of service providers and provide information to allow the Board to make a decision in regard to hiring, renewing or terminating contracts for the general consultant, real estate consultant, alternative investments manager and investment managers and other advisors, and ensure sound recommendations are provided to the Board in connection with the appointment or termination of service providers for which the Board has retained appointing authority.
 - B. Appoint those service providers in accordance with Administrative Code Section 10.1.1 which provides authority for the General Manager to approve service agreements for up to \$20,000 for not more than a one-year period.
 - C. Regularly monitor the performance of all service providers and report regularly to the Board on all such monitoring efforts.

MONITORING AND REPORTING

- 9.18 The General Manager will ensure that monitoring and control mechanisms are in place to ensure that policies and procedures are properly implemented and that the operations of the System are effective.
- 9.19 The General Manager will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities. Furthermore, the General Manager will apprise the Board in a timely manner of all significant issues, problems, or developments pertaining to the System, and provide recommended courses of action as appropriate.

FOR SUMMARY OF BOARD DELEGATIONS TO THE GENERAL MANAGER SEE SECTION 3.0 – DUTIES AND RESPONSIBILITIES-BOARD OF COMMISSIONERS

OTHER

- 9.20 In accordance with the Charter, the General Manager will exercise any further powers in the administration of the System as may be conferred upon him or her by the Board. [Section 509 (h)]

HISTORY

- 9.21 These Duties and Responsibilities were adopted by the Board on June 8, 2006; Revised 10/21/10 and 05/19/11, 07/18/13.

REVIEW

- 9.22 The Board shall review these Duties and Responsibilities at least every three years.
- 9.23 The Board shall next review these Duties and Responsibilities by May 2014.

Los Angeles Fire & Police Pension System

10.0 - BOARD EDUCATION POLICY

BACKGROUND AND PURPOSE

- 10.1 The Board is charged with the sole and exclusive fiduciary responsibility for the assets of the System, and is granted the sole and exclusive responsibility for administering the System in a manner that will assure prompt delivery of benefits and related services to members of the System.

The Board shall discharge its duties with respect to its system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims. This standard of sound pension management imposes a continuing need for Board members and staff to build and maintain their knowledge of pension and investment issues. Accordingly, this policy is intended to guide the Board's education efforts. [Section 1106(c)]

EXPECTATIONS OF BOARD MEMBERS

- 10.2 Throughout their terms on the Board, Board members are ~~expected strongly encouraged~~ to develop their knowledge and understanding of a broad range of pension-related issues including, but not limited to:

- A. Fiduciary duty law
- B. Pension and other relevant legislation (e.g. California Constitution and the Brown Act)
- C. Pension and disability benefits administration, funding, and liability
- D. Health benefits administration, funding, and liability
- E. Actuarial ~~funding principals science~~
- F. Institutional portfolio management:
 - 1) Asset/liability management
 - 2) Capital market theory (asset class characteristics)
 - 3) Active and passive investment management
 - 4) Investment performance measurement
 - 5) Investment costs
- G. The financial audit and internal control functions

- 10.3 Board members are also ~~expected strongly encouraged~~ to:

- A. Complete the in-house Board orientation program within 60 days of joining the Board (see Sections ~~10.5-10.89.6-9.9~~ below).
- B. Participate in all in-house education seminars or presentations delivered by either staff or outside experts.
- C. Attend at least ~~two (2) three (3)~~ approved educational conferences each year. (Attendance shall not exceed a maximum of six (6) conferences each fiscal year.) Conference agendas shall contain at least five hours of high quality educational

content, as opposed to content geared towards marketing or the promotion of investment management and related sponsors.

THE BOARD EDUCATION PROGRAM

10.4 The System's Board education program will contain three key components:

- A. New Board member orientation
- B. In-house training and education
- C. ~~Association~~ Conferences (e.g. CALAPRS, NCPERS, SACRS, IFEBP, [Wharton School](#), etc.).

New Board Member Orientation

10.5 Staff will be responsible for designing and making available to each new Board member a formal Board orientation program, using consultants where appropriate.

10.6 The specific contents of the Board orientation program will be determined by staff, but will generally cover the following areas:

- A. Role and expectations of Board members
- ~~B.~~ Fiduciary duties of Board members, conflict of interest guidelines, open meeting laws, Proposition 162, and other relevant law to be provided by the City Attorney
- ~~B-C.~~ Ethics responsibilities
- ~~C.~~
- D. Overview of organizational structure and the roles of staff, and key service providers including the actuary, investment consultant, custodian, investment managers, attorneys and auditors
- E. The disability application process
- F. Overview of member services
- ~~G.~~ Board governance policies and practices
- ~~H-G.~~ Benefit structure of the System, delivery, and Board authority
- ~~I-H.~~ Health benefits program structure, delivery, and Board authority
- ~~J-I.~~ Investment and funding policies of the System
 - ~~K.~~ Structure of current investment program and portfolios
 - ~~L.~~ Current asset allocation process
 - ~~M.~~ Investment manager selection and due diligence process
- ~~N-J.~~ Board governance policies and practices
- ~~O-K.~~ Budget process
- ~~P-L.~~ Audit process Ethics responsibilities

10.7 In covering the above concepts with new Board members, it is expected that staff will schedule in-house orientation sessions. The scheduling and duration of such sessions should be determined with input from the Board member(s) in question. As a general guide, it is expected that, in total, the orientation sessions will require at least two days to complete.

10.8 As part of the orientation process, Board members will also be provided:

- A. A user friendly Board Reference Manual, the contents of which are to be determined by staff (See Appendix 1 for sample contents).

- B. A listing of recommended conferences to be attended during a Board member's first year on the Board.
- C. Suggested reading material of an educational nature.
- D. Other relevant information and documentation deemed appropriate by staff.

In-house Education and Training

10.9 The System views in-house education and training to be an essential element of an effective Board education program. Accordingly,

A. Staff will schedule education sessions during Board or committee meetings so as to coincide with key policy decisions on the Board's agenda. To ensure that the Board is able to make such policy decisions in an informed manner, the education sessions will occur at least one meeting prior to the meeting at which the policy decision is to be made. For example, if the Board is scheduled to make a decision to invest in a new asset class, staff should schedule one or more education sessions on the asset class in question at least one meeting prior to the meeting at which the Board is to make its decision. These sessions may include a panel of consultants as appropriate for the asset class to ensure that the Board receives a balanced presentation.

B. Through the annual Board Member Self-Assessment Policy (Governance Policy, Section 11.0) the Board will help identify appropriate subject areas for in-house training for the following fiscal year.

A.

B-C. In addition to the above, staff will coordinate special education sessions throughout the year on other topics of general interest and importance to the Board, and that will enhance the Board's ability to govern the System. It is expected that a minimum of one special education session will be organized each year. When possible, efforts should be made to coordinate educational training sessions with other systems or CALAPRS.

C-D. Given the changing needs and time availability of Board members, staff is expected to consult with the Board when scheduling in-house education sessions so as to maximize the likelihood of full attendance. Notwithstanding this, it is the responsibility of each Board member to make all reasonable efforts to attend all in-house education sessions.

Conferences

10.10 The System believes that attending high quality conferences can also be of great value to Board members in effectively carrying out their fiduciary duties by, for example, exposing Board members to new issues and insights and enabling them to meet and learn from their peers throughout the pension industry.

10.11 While many conferences may be beneficial, the Board has found that conferences sponsored by industry associations (e.g. CALAPRS) or by academic institutions (e.g. the Wharton School) are particularly effective (see Appendix [23](#) for a listing of sample associations).

10.12 Staff is responsible for identifying high quality conferences and bringing them to the attention of the Board. Individual Board members are also encouraged to bring quality conferences to the attention of the Board.

- 10.13 Upon returning from a conference, Board members are encouraged to [share relevant information with the Board](#), complete a conference evaluation form and submit it to the General Manager to assist in the evaluation of conferences for future recommendation to the Board. (see Appendix 3 - Conference Attendance Report) (Amended 07/18/13)

Involvement by Staff

- 10.14 An additional objective of the Board Education Policy is to establish over time a *common or shared* understanding by the Board and staff of the major issues and concepts involved in the governance and management of the System. Accordingly, the Board expects that staff will, whenever practical, participate in all in-house Board education and training.

REPORTING AND MONITORING

- 10.15 An annual report summarizing the various educational activities, including travel, undertaken by the Board will be prepared by the General Manager and provided to the Board.

HISTORY

- 10.16 This policy was adopted by the Board on June 8, 2006; Revised 10/21/10; Revised 7/18/13.

REVIEW

- 10.17 The Board will review this policy at least every three years to ensure that it continues to effectively meet the needs of the Board.
- 10.18 The Board shall next review this policy by June 2013.

APPENDIX 1 - BOARD REFERENCE MANUAL

Some suggested items for inclusion in the Board Reference Manual include:

- a. Commissioners' Contact Information
- b. Current Committee Assignments
- c. Ethics Information
- d. LAFPP Organizational Chart
- e. Summary of LAFPP Sections
- f. Disability Training Board Reports
- g. Medical and Dental Training
- h. Travel Flow Chart
- i. Travel and Education Policy
- j. LAFPP Annual Report
- k. Budget: current fiscal year
- l. [Business & Strategic Plans](#)
- m. Summary Plan Descriptions of Tier 5 [and Tier 6](#)
- n. [Background of Contractor's Disclosure Policy Pension Reform](#)
- o. Fiduciary Responsibilities
- p. Actuarially Speaking by Grant Boyken
- q. Suggested Readings
- r. [iPad Usage Policy and User Guide](#)

BOARD POLICY MANUAL

- I. Board Governance Policies
- II. Board Operating Policies and Procedures
- III. Board Investment Policies

APPENDIX 2 – RECOMMENDED ASSOCIATIONS

The following Industry Associations have been found to offer educational conferences that are particularly useful for Board members:

- a. CALAPRS - (California Association of Public Retirement Systems) - <http://www.calaprs.org>
- b. NCPERS - (National Conference on Public Employee Retirement Systems) - <http://www.ncpers.org>
- c. IFEBP - (International Foundation of Employee Benefit Plans) - <http://www.ifebp.org/>
- d. SACRS - (State Association of County Retirement Systems) - <http://www.sacrs.org>

The following academic institutions also offer programs that may be particularly useful for Board members:

- The Wharton School at the University of Pennsylvania

APPENDIX 3 - CONFERENCE ATTENDANCE REPORT

Board Member Name: _____

Name of Conference: _____

Date of Conference: _____

Location of Conference: _____

Key Topics Covered: _____

Were there any ideas taught at the Conference that staff or the Board should consider?

Did you learn anything at the Conference that you wanted to share with the Board?

For each of the following statements, please select the response that best describes your opinion:

	Strongly Disagree	Disagree	Agree	Strongly Agree
The conference sessions were mostly informative, well presented and relevant.				
The conference provided a good opportunity to network with, and learn from, industry peers.				
The conference was well organized.				
The conference represented good value.				
I would recommend that fellow Board members attend this conference in the future				

Additional Comments: _____

Signature: _____

Los Angeles Fire & Police Pension System

13.0 - MONITORING AND REPORTING POLICY

BACKGROUND AND PURPOSE

- 13.1 In keeping with the duty of the Board to oversee the activities and performance of the System, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the reports it is to receive on a regular basis.

PRINCIPLES AND ASSUMPTIONS

- 13.2 The Board should receive all appropriate information that is relevant to its duties and responsibilities in a timely manner.
- 13.3 The system of reporting to the Board is a dynamic one, and often must change over time to meet the changing needs of the Board. A process should be in place to help direct and keep track of such changes.
- 13.4 To the extent practical, reports to the Board should be in written form. Verbal reports should be accompanied by supporting documentation where feasible. The Commission Executive Assistant will work with the General Manager to ensure this is completed.

GUIDELINES

- 13.5 The Board will be provided the routine reports outlined in Appendix 1 with a frequency also set out therein. The Board may be provided other ad hoc reports as required.
- 13.6 Requests by Board members for additional routine reports and changes to existing routine reports shall require Board approval and an amendment to Appendix 1 of this policy.

HISTORY

- 13.7 The Board adopted this policy on June 8, 2006; Reviewed 10/21/10.

REVIEW

- 13.8 The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.
- 13.9 The Board shall next review this policy by June 2013.

APPENDIX 1 - ROUTINE REPORTS

Monthly Report

Report Name	Frequency	Presented By	Description and Purpose of Report
1. Monthly Report	Monthly	General Manager	Addresses a range of issues including, but not limited to: <ul style="list-style-type: none"> - Summary of Investment Performance - <u>Asset Allocation</u> - <u>Market Cessation Listing</u> - <u>Pensions and Administrative Operations</u> Division Activities - Budget Compliance - <u>Contracts including Searches, Expirations, and Renewals</u> - Board Committee Assignments - Status Report of Board Assignments to Staff <u>and the City Attorney.</u>

Investment & Funding Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
2. Investment Performance	Quarterly	Investment <u>General Consultant</u>	Report on compliance with asset mix policy and investment performance for the total Fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and seeks to identify sources of returns.
3. Investment Manager Compliance Exception Report	On an Exception Basis only	<u>Chief Investment Officer</u> ⓪	In the event that the investment managers are not investing plan assets in compliance with their mandate, investment agreement, regulatory requirements and System policy, the findings will be summarized for the Board.
4. Report on Investment Costs	Annually in the Budget	<u>Chief Investment Officer</u> ⓪	Evaluates the costs of the investment program.

Investment & Funding Reports (continued)

Report Name	Frequency	Presented By	Description and Purpose of Report
5. Proxy Voting	In the Annually report	Chief Investment Officer	<u>Included in the Annual Report.</u> Confirms compliance with the Board's Proxy Voting Policy, and summarizes how the System exercised its voting rights in public companies. Specific reports available upon request.
6. Real Estate	Semi-Annually	Real Estate Consultant	Provides overview of real estate portfolio and performance.
<u>7. Private Equity</u>	<u>Annually</u>	<u>Private Equity Consultant</u>	<u>Provides overview of private equity portfolio and performance.</u>
<u>8. Manager's Brokerage Usage Minority / - & Women / Disabled Veteran's Broker Report</u>	<u>Semi-Annually</u>	Chief Investment Officer	<u>Status report on brokerage activity of each active large cap equity manager and the percentage of trading with minority and women owned brokerage firms.</u>
<u>9. Due Diligence</u>	<u>Annually</u>	Chief Investment Officer	<u>Summary of due diligence visits over a year period.</u>
<u>10. Market Cessation Listing</u>	<u>Monthly</u>	General Manager	<u>Listing included in the Monthly Report of investment firms that shall have no direct marketing contact with the Board and staff during searches or three months prior to the renewal of a contract with a firm currently under contract.</u>
<u>11. Portfolio Value & Asset Allocation</u>	<u>Monthly</u>	General Manager	<u>Included in the Monthly Report</u>
7. 12. Actuarial Valuation	Annually	Actuary	Summarizes the results of the actuarial valuation for the System, together with any recommendations.
8. 13. Asset Allocation Study	At least every three years	Asset Allocation Consultant	A study of the relationship between the System's assets and liabilities.

9.14. Actuarial Experience study	Every 3 years	Actuary	Reviews the appropriate long-term economic assumptions such as investment return and wage and price inflation, and demographic assumptions such as disability rates, mortality rates.
10.15. Actuarial Audit	Every 5-7 years ¹	Actuarial Auditor	An independent review of the validity of the analyses and methodologies used in preparing the System's actuarial valuation.

¹ Unless the System has recently appointed, or is about to appoint, a new actuary at or about the time an actuarial audit is scheduled to be performed.

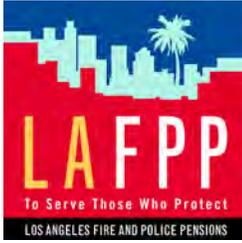
Administration and Operations Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
11-16. Strategic Plan: Status Report	<u>Every 3 years</u> <u>Semi-Annually</u>	General Manager	Summarizes the <u>vision, mission, and long term goals. status of each initiative contained in the annual strategic plan.</u>
<u>17. Business Plan</u>	<u>Annually</u>	<u>General Manager</u>	<u>Annual listing of all of initiatives and projects identified to achieve the LAFPP vision, mission and long term goals.</u>
<u>18. Business Plan: Status Report</u>	<u>Annually</u>	<u>General Manager</u>	<u>Summarizes the status of each initiative/project contained in the annual business plan.</u>
12-19. External Financial Audit	Annually	Chief Accountant/ Auditor	Confirms that the financial statements present fairly, in all materials respects, the financial status of the System, in accordance with generally accepted accounting principles.
13-20. Annual Report	Annually	Distributed	Reviews the operations and activities of the System during the last fiscal year. The financial statements shall be part of the annual report and indicate the financial position of the System.
14-21. Legal Affairs	<u>As-</u> <u>required</u> <u>Quarterly</u>	City Attorney	An update on significant litigation, potential litigation, and on changes and potential changes to legislation that would significantly affect the System.
15. Due Diligence	<u>At least semi-</u> <u>annually</u>	<u>Performance Measurement Consultant</u>	<u>Summary of recent due diligence visits to service providers.</u>
16-22. Staff and Board Travel Report	Quarterly	General Manager	Summary of staff travel approved by General Manager and cumulative fiscal year summary of Board travel.
<u>23. Contractor Disclosure Report</u>	<u>Quarterly</u>	<u>Departmental Audit Manager</u>	<u>Listing of all disclosures of monetary contributions and/or other financial benefits made directly/indirectly by contractors.</u>
<u>24. Annual Audit Plan</u>	<u>Annually</u>	<u>Departmental Audit Manager</u>	<u>Listing of all audit activities for the upcoming year.</u>

Report Name	Frequency	Presented By	Description and Purpose of Report
25. Management Audit Report	Every 5 Years	Departmental Audit Manager	Reports on the findings of the management audit required by the Mayor, Council and Controller per City Charter.

Governance Reports

Report Name	Frequency	Presented By	Description and Purpose of Report
17-26. General Manager Evaluation	Annually	Chair, Governance Committee	Summarizes the performance assessment of the General Manager.
18-27. Annual Governance Report	Annually	Chair, Governance Committee	A summary confirmation of compliance with the governance policies of the Board.
19-28. Board Trustee Education Report	Annually	General Manager Chair, Governance Committee	Summarizes the activities of the Board with respect to education.
29. City Attorney Evaluation	Annually	General Manager	Summarizes the performance assessment of the City Attorney's Office made by the Board and staff.
30. Board Self Assessment	Annually	General Manager	Summarizes the performance assessment of the Board made by the Board. Due 1st Meeting in June.



DEPARTMENT OF FIRE AND POLICE PENSIONS

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REPORT TO THE GOVERNANCE COMMITTEE

SEPTEMBER 18, 2014

ITEM: 3

FROM: Raymond P. Ciranna, General Manager

SUBJECT: CITY MANAGEMENT AUDIT RECOMMENDATIONS ASSIGNED TO THE GOVERNANCE COMMITTEE AND POSSIBLE COMMITTEE ACTION

RECOMMENDATIONS

That the Governance Committee:

1. Review the proposed status of the City Management Audit Recommendations assigned to the Governance Committee;
2. Recommend that the Board approve the status of the HEK Recommendations and direct staff to report back to the Governance Committee within 120 days with updated status of the outstanding items.

BACKGROUND

On March 12, 2014, the City Controller's Office released the HewittEnnis Knupp (HEK) Management Audit Final Report of the Los Angeles Fire and Police Pension Fund (Audit). On April 3, 2014, the Board assigned implementation of HEK's recommendations to the Board, staff, or standing committees. The Audit included a total of 55 recommendations, of which two were referred to the Governance Committee.

DISCUSSION

Staff recommends that the Governance Committee review staff's proposed status and dispositions of the HEK recommendations assigned to the Committee. The two recommendations, each related to policy, are described below. The status of each recommendation is indicated along with staff input to provide clarification for the disposition of each HEK recommendation.

HEK Recommendation No. 1.2

Reconsider IFS 2f/02. The Board should review the Investment Policy Statement and (RVK) contract for consistency and solidify vague requirements as noted in our Report.

Status: In Progress.

Staff input: The RVK contract renewal in March 2013 specified service requirements as recommended by Independent Fiduciary Services (IFS). Revisions to correspond the investment policies with the RVK contract, along with other revisions recommended by HEK, will be submitted to the Board on September 18, 2014. These revisions include a policy that was also recommended by IFS to establish a single date for reviewing the entire investment policy manual instead of a section-by-section approach.

Estimated Completion Date: November 1, 2014

HEK Recommendation 1.3

Reconsider IFS 2g/04. The Board should work with the City Attorney to develop and institutionalize, in advance, a process that will be invoked in the event a potential conflict of interest arises.

Status: In Progress.

Staff input: Staff and the City Attorney's office will thoroughly review existing policies, including those implemented in response to the original IFS recommendation, and consider new policies as necessary to ensure that the process appropriately handles conflicts of interest when they arise.

Estimated Completion Date: December 31, 2014

Upon review of the HEK recommendations described above, staff recommends the Governance Committee forward the status of the HEK recommendations to the full Board for approval.

Internal Audit Section will continue to provide the Governance Committee periodic reports on the remaining HEK recommendation assigned to the Committee.

BUDGET

There is no budget impact associated with this report.

This report was prepared by:

Erin J. Kenney
Departmental Audit Manager
Internal Audit Section

RPC:EJK