

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF SEPTEMBER 18, 2014

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met at the LACERS Board Room, located at the Los Angeles Times Building, 202 W. First Street, Suite 500, Los Angeles 90012 on Thursday, September 18, 2014.

COMMISSIONERS PRESENT: Belinda Vega, President
George Aliano
Cielo Castro
Sam Diannitto (telephonic)
Ruben Navarro
Pedram Salimpour
Corinne Tapia

COMMISSIONERS ABSENT: Carl Cade
Robert von Voigt, Vice President

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

CITY ATTORNEY'S OFFICE: Alan Manning, Assistant City Attorney

President Vega called the meeting to order at 9:16 a.m. All of the above-listed Commissioners were present at the start of the meeting with the exception of Commissioner Tapia who arrived at 9:32 a.m. Commissioner Diannitto participated by telephone; therefore, all votes were by held by roll call. President Vega welcomed newly appointed Commissioner Cielo Castro to the Board.

A. COMMITTEE REPORTS

1. REVIEW OF REQUESTS FOR PROPOSALS FOR DIRECT HIRE EMERGING MANAGER SEARCHES AND POSSIBLE BOARD ACTION

Commissioner Navarro requested clarification from the City Attorney regarding two issues. The first issue, whether a committee action constitutes a board action when a quorum of the Board is present during a committee meeting. Secondly, may the Board take action on a committee

recommendation when the committee and Board have met the same day, and if the recommendation differs from the staff recommendation? Commissioner Navarro stated he disagrees with the concept of committees that the Board operates under.

Mr. Alan Manning, Assistant City Attorney stated that the Board is never constrained to what is in the staff report as to what action the Board may take, as long as the subject in the agenda puts everyone on notice as to what is being discussed.

President Vega stated that the item that was originally going to the full Board. She requested that the report go before the Ad Hoc Committee and Board on the same day to provide background information to the new members.

Mr. Manning suggested to agendize the topic of changing protocol rules for committees for a Governance Committee.

General Manager Ciranna stated that the report was structured so that both the Ad Hoc Committee and full Board were fully noticed. This was not a routine situation. Staff worked with the City Attorney to ensure the appropriate language was drafted for the cover report to move the issue forward.

RESOLUTION 15029

Commissioner Navarro moved that the Board approve the staff recommendation as provided to the Ad Hoc Emerging Investment Managers Committee:

Approve the proposed Requests for Proposals (RFPs) for the U.S. fixed income direct hire emerging manager search and for the small cap/micro cap domestic equity direct hire emerging manager search, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, and President Vega – 6; nays, none.

B. ITEMS FOR BOARD ACTION

1. DISCUSSION OF REIT MANAGER AND POSSIBLE BOARD ACTION

Mr. Paul Palmer, Investment Officer II provided a summary of EII Capital Management's (EII) recent staff departures and the recommendation for terminating the contract.

Commissioner Navarro moved to approve the recommendation and to select Option 2 to Index a portion of the EII portfolio and give the remaining portion to Principal Real Estate Investors (Principal).

The Board and staff discussed the allocation amounts in relation to Option 2.

RESOLUTION 15030

Commissioner Navarro moved as amended that the Board:

1. Terminate its contract with EII Capital Management (EII) subject to the 30-day termination clause in the contract;
 2. Divide the assets from the EII Capital Management account between one of the Board's three passive asset managers and Principal Real Estate Investors (Principal).
 3. Direct Staff to select one of the Board's three passive managers for the Global REIT mandate;
 4. Authorize the General Manager to negotiate and approve the terms and conditions of the contract with the passive manager for services; including the incorporation of the Board's Contractor Disclosure Policy;
 5. Authorize the President of the Board on behalf of the Board, to execute the contract with the passive manager for Real Estate Investment Trust (REIT) services subject to the approval of the City Attorney as to form; and
 6. Replace the EII Global REIT strategy by Indexing two thirds (2/3) portion of the portfolio and give the remaining one third (1/3) portion to Principal, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, and President Vega – 6; nays, none.
2. INVESTMENT POLICY UPDATE AND REVISIONS AND POSSIBLE BOARD ACTION

Mr. Tom Lopez, Chief Investment Officer (CIO) stated this includes a number of revisions to the Investment Policy. The City Management Audit conducted by Hewitt EnnisKnupp and recent revisions were included in this updating of the entire Investment Policy. Mr. Lopez highlighted major changes. He recognized Ms. Annie Chao and Mr. Rick Rogers, Investment Officers who dedicated many hours to this project.

Commissioner Tapia arrived to meeting at 9:32 a.m.

Commissioner Navarro was concerned that it would be labor intensive for staff to update all policies every two years. He disagreed with the auditor that all policies should be updated at specific intervals.

General Manager Ciranna stated that if Board adopts a policy change prior to the two year review period, the policy will be updated. The basis of the recommendation is to review the policy in its entirety regularly.

RESOLUTION 15031

Commissioner Navarro moved that the Board approve the proposed amendments to the Board Investment Policies:

1. Update Appendix 1 of Section 1.0 with the current Asset Allocation Plan adopted by the Board on October 17, 2013 and the benchmarks associated with the new asset classes;
 2. Add to Section 2.4 the approval process for Non-Discretionary Private Equity Managers on May 12, 2012, per Board Resolution 12127;
 3. Update Section 3.0 to include the current Real Estate Strategic and Implementation Plan adopted by the Board on May 15, 2014;
 4. Incorporate Section 4.0 – Real Estate Emerging Managers with Section 5.0 – Emerging Managers Policy;
 5. Replace Section 4.0 with the Commodities-Energy Policy;
 6. Add Section 5.5 – Manager Termination per Board Resolution 14113 on April 17, 2014;
 7. Delete Section 6.0 – Fund of Hedge Fund Program Investments to reflect the Board’s decision to eliminate the Hedge Fund-of-Funds Program on May 2, 2013;
 8. Replace Section 6.0 with the Risk Management Policy as recommended by Hewitt EnnisKnupp, Inc (HEK) in the Management Audit Report of the Los Angeles Fire and Police Pension Fund;
 9. Add to Section 8.2 – Manager Selection Criteria to address the Board’s request on June 5, 2014 to limit the number of finalist firms to interview per search;
 10. Amend Section 9.0 – Marketing Cessation Policy to include the period of time the search begins to the period of time the search ends; and
 11. Amend the Board Investment Policies review from various times of the year with various periods of time in between each review to bi-annually, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia and President Vega – 7; nays, none.
3. REVIEW OF LAFPP VISION STATEMENT AND POSSIBLE BOARD ACTION

Ms. Stephanie Clements, Chief Management Analyst, Administrative Operations Division stated that before the Board are suggested vision statements for consideration. This item is part of a new and improved Strategic Planning process. The new process includes a collaborative

approach with the Board and staff working closely together. An outside consultant was hired to assist with the Strategic Plan. The annual Business Plan will be separate from the three-year Strategic Plan. The three-year Strategic Plan will be a more static plan to include the vision, mission, core values, and long term goals; whereas the annual Business Plan will include specific projects to accomplish our vision and mission.

General Manager Ciranna thanked everyone who was involved in the process. All three vision statement options are good selections.

The Board members gave their respective opinions regarding each of the suggested vision statements.

RESOLUTION 15032

Commissioner Navarro moved as amended that the Board select Option 3 as the LAFPP Vision Statement:

Our Vision is to be a leader and innovator in the public pension industry through an uncompromising dedication to excellence, customer service, transparency, and education, which was seconded by Commissioner Castro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia, and President Vega – 7; nays, none.

General Manager Ciranna stated that the next step is for the Board to discussion the mission statement, values, and the Strategic Plan.

President Vega stated that it's important for the Board to have a strategic plan in place.

C. REPORTS TO THE BOARD

1. PRESENTATION BY CHICAGO EQUITY PARTNERS LARGE CAP CORE ENHANCED INDEX EQUITY

Messrs. James A. DeZellar, Partner and Managing Director and David C. Coughenour, Chief Investment Officer – Equity provided an overview of their firm and answered the Board's questions.

Board members requested as a future agenda item to clarify the Watch List Policy.

The board report was received and filed.

2. MINORITY AND WOMEN OWNED BROKER USAGE REPORT

Ms. Erika Tidege, Investment Officer II and Ms. Miki Shaler, Management Assistant were before the Board.

Mr. Tom Lopez stated that the Disabled Veteran Business Enterprise (DVBE) brokers were added to the broker list and was included in the updated Investment Policy.

The board report was receive and filed.

3. SUMMARY OF OUTREACH ACTIVITIES TO MEMBERS

Mr. Gregory Mack, Senior Management Analyst II, Ms. Carol Tavares, Management Analyst II and Ms. Erika Robinson, Management Analyst I from Communications/Special Projects Section were before the Board.

Commissioners Aliano and Navarro commented on the new information disseminated to members via various media outlets, such as LAFPP website, newsletters, etc.

The Board thanked staff for their outreach efforts provided to the members.

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

5. General Manager’s Report

a. Monthly Report – Received and Filed.

b. Marketing Cessation Information

c. Benefits Actions approved by General Manager on September 4, 2014

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

DISCONTINUED PENSIONS – TIER 1 – 1

Richard A. Hodgson	Police Service	Retired:	02-01-87	Died:	08-03-14
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DISCONTINUED PENSIONS – TIER 2 – 9

Hallack F. Robb, Jr.	Fire Service	Retired:	06-01-78	Died:	05-05-14
Keith T. Burley	Police Service	Retired:	07-06-75	Died:	08-08-14
William J. Lee	Police Service	Retired:	06-01-78	Died:	07-30-14
Wallace D. Nissen	Police Service	Retired:	07-06-75	Died:	08-04-14
Hector C. Rodriquez	Police Service	Retired:	07-14-91	Died:	07-02-14
Jeffrey A. Rogers	Police Disability	Retired:	11-07-91	Died:	07-21-14
Marjorie R. Hauck	Fire Widow	Retired:	05-28-07	Died:	07-28-14

Joel O. Slafter	Fire Widow	Retired:	08-14-10	Died:	08-05-14
Olga M. Dryden	Police Widow	Retired:	10-09-06	Died:	06-08-14

DISCONTINUED PENSIONS – TIER 5 – 1

Thomas M. Burroughs	Fire Service	Retired:	04-29-07	Died:	08-05-14
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DISCONTINUED PENSIONS FORMER SPOUSE – TIER 2 – 1

Karen Crane	Police Service	Retired:	07-14-91	Member Died:	07-02-14
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ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 1 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Marilyn K. Lockhart	Weldon Lockhart, Jr.	Police Service	01-24-14

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 2 – 4

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Madeline M. Burley	Keith T. Burley	Police Service	08-09-14
Jacqueline F. Nissen	Wallace D. Nissen	Police Service	08-05-14
Elizabeth Z. Rodriguez	Hector C. Rodriguez	Police Service	07-03-14
Kitty E. Kreft	William F. Kreft	Police Disability	07-19-14

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 5 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Betty J. Burroughs	Thomas M. Burroughs	Fire Service	08-06-14

SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 2 – 1

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Survivor Benefit %</u>
William C. Harper	Police Disability	09-01-14	30%

SURVIVOR BENEFIT PURCHASE PROGRAM VESTED MEMBERS – TIER 2 – 1

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Vested Date</u>	<u>Survivor Benefit %</u>
Earl H. Nishimura	Police Service	09-01-13	09-01-14	50%

ELIGIBLE SURVIVOR BENEFIT PURCHASE PROGRAM PENSION – TIER 2 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Wendy A. Green	Richard W. Green	Police Service	07-28-14

PARTIAL PAYMENT OF SURVIVING SPOUSE PENSION – TIER 2 – 1

In accordance with the City Attorney's advice, a designated proportion of the community property interest of the Surviving Spouse Pension payable to Elizabeth Z. Rodriguez, surviving spouse of deceased Police Service Pensioner, Hector C. Rodriguez, is to be paid to his former spouse, Karen Crane, effective July 3, 2014. Ms. Crane will receive cost of living adjustments.

SERVICE PENSIONS – TIER 3 – 2

Police

George M. Bush II	Lieutenant II	Eff:	08-24-14	23	Years	12	Days
Ann T. Orozco	Police Officer II	Eff:	08-01-14	18	Years	350	Days

SERVICE PENSIONS – TIER 5 – 2

Police

John C. Amendola	Sergeant II	Eff:	08-10-14	20	Years	112	Days
Robert D. Price	Police Officer III +6	Eff:	08-10-14	20	Years	223	Days

SERVICE PENSION/DROP – TIER 3 – 1

Police

Jacqueline L. Russell	Police Officer II	Eff:	08-01-14	25	Years	43	Days
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SERVICE PENSION/DROP – TIER 4 – 2

Police

Christine A. Ruedas	Detective III	Eff:	08-01-14	29	Years	0	Days
Ysabel M. Villegas	Detective III	Eff:	08-01-14	25	Years	28	Days

SERVICE PENSION/DROP – TIER 5 – 30

Fire

Thomas A. Jaramillo	Captain II	Eff:	06-01-14	28	Years	349	Days
David A. Nordquist	Helicopter Pilot III	Eff:	06-02-14	33	Years	169	Days
Terrence W. O'Connell	Inspector II	Eff:	07-01-14	33	Years	8	Days
Gregory J. Pascolla	Engineer	Eff:	06-01-14	33	Years	19	Days
David K. Rejino	Captain I	Eff:	07-04-14	27	Years	245	Days
James A. Ullrich	Captain I	Eff:	08-01-14	29	Years	175	Days
Douglas K. Weber	Captain I	Eff:	07-25-14	26	Years	352	Days

Police

Jace B. Kessler	Sergeant I	Eff:	08-01-14	27	Years	35	Days
Raffi N. Khandikian	Police Officer II	Eff:	07-01-14	25	Years	13	Days
William J. McDonald	Sergeant I +2	Eff:	07-01-14	25	Years	10	Days
John P. Morena	Police Officer II +2	Eff:	07-01-14	26	Years	259	Days
Felix F. Pena	Sergeant II	Eff:	07-01-14	27	Years	33	Days
Alexander M. Penrith	Police Officer III	Eff:	06-02-14	25	Years	9	Days
Reynaldo Perez	Sergeant II	Eff:	06-02-14	26	Years	283	Days

Daniel Pesqueira	Police Officer III +1	Eff:	07-01-14	25	Years	8	Days
Murrel J. Pettway	Sergeant I	Eff:	06-09-14	26	Years	28	Days
Lisa M. Phillips	Sergeant II	Eff:	07-01-14	25	Years	19	Days
Mark E. Raichel	Detective II	Eff:	07-01-14	27	Years	115	Days
Foster Rains	Detective II	Eff:	07-01-14	25	Years	2	Days
Danny L. Reedy	Police Officer III +1	Eff:	08-01-14	26	Years	32	Days
Edward Rubio	Police Officer III	Eff:	07-01-14	27	Years	28	Days
Lydia L. Saiza	Detective I	Eff:	07-01-14	25	Years	6	Days
Oscar A. Sapien	Police Officer III	Eff:	08-01-14	25	Years	89	Days
George L. Shake, Jr.	Detective II	Eff:	08-01-14	25	Years	279	Days
Carleton G. Shaw	Detective II	Eff:	07-01-14	25	Years	8	Days
Michael B. Shea	Police Officer III	Eff:	08-01-14	27	Years	0	Days
Danny Shry	Police Officer III	Eff:	08-01-14	26	Years	42	Days
John K. Skaggs	Detective III	Eff:	07-07-14	27	Years	168	Days
Sherri K. Stanley	Detective II	Eff:	07-01-14	26	Years	72	Days
Fred C. Starkey, Jr.	Sergeant I	Eff:	07-01-14	27	Years	159	Days

d. Other business relating to Department operations

General Manager Ciranna gave the following updates:

1. The LAFPP Facebook Page was launched last month. Staff is in the process of obtaining email addresses for active members to disseminate information quickly. The next task is to design the information to accommodate various communication platforms.
2. In the Board Assignments and Committee Status Reports he has included proposed due dates to report back to the Board.
3. We have put a plan in place to address issues with ViaTRON regarding the quality control of scanned documents. Staff will provide a status report next month.
4. We are working on the Operating Agreements with the Los Angeles Police Relief Association (LAPRA) and Los Angeles Firemen's Relief Association (LAFRA). A meeting is scheduled next week with LAPRA. Staff is working to secure a meeting with LAFRA.
5. The following private equity investment was closed since the last meeting announcement: On August 7, 2014, and pursuant to Government Code Section 54956.81, the Board approved an investment in the following private equity firm: Stripes Growth III, LP. That transaction closed on August 14, 2014.

6. City Attorney's Report

Alan Manning, Assistant City Attorney had no report.

D. COMMITTEE CALENDAR

1. Audit Committee – Last met: 06/05/14; next meeting: Tentative on 10/16/14

2. Benefits Committee – Last met: 12/05/13; next meeting: Tentative on 10/02/14
 3. Governance Committee – Last met: 03/20/14; next meeting: 09/18/14
 4. Ad Hoc Emerging Investment Managers – Last met: 05/15/14; next meeting: 09/18/14
- President Vega highlighted the upcoming Committee meetings.

E. CONSENT ITEMS

Approval of Minutes of the Regular Board meeting of June 5, 2008, May 15, 2014, and June 19, 2014

MOTION

Commissioner Aliano moved that the Board approve the consent items, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia, and President Vega – 7; nays, none.

F. CONSIDERATION OF FUTURE AGENDA ITEMS

- Commissioner Aliano asked for a report regarding Chicago Equity Partners, and a separate report on the Watch List process.
- Commissioner Salimpour asked for an informational report regarding the exposure of System investments due to the outbreak of Ebola in Africa.
- Commissioner Navarro asked for a report regarding the investment in Saybrook Corporate Opportunity Fund, L.P.

Item G was continued to the latter portion of the meeting.

H. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

1. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 TO CONFER WITH REAL PROPERTY NEGOTIATOR; Properties: 315 S. Hewitt Street and 713 E. 3rd Street; Negotiators: David Weiner, Martin Cawley, Tom Lopez, Erika Tiedge; Negotiating parties: Sentinel Real Estate Corporation and LAFPP; Under negotiation: Instruction to negotiator will concern price

This item was continued.

2. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1): BOARD REVIEW OF THE CITY ATTORNEY ANNUAL PERFORMANCE EVALUATION AND POSSIBLE BOARD ACTION

The Board met in closed session.

Upon reconvening in open session, President Vega stated there was no public report.

G. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION

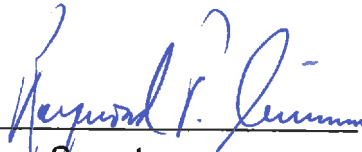
Ms. Barbara Maynard gave a public comment regarding the Board's investment in Saybrook Capital.

Messrs. Jose Rosales and Juan Martinez gave public comments regarding Total Transportation Services, Inc. unfair wages at the Los Angeles Port with the assistance of an interpreter, Mr. Adan Alvarez.

The meeting adjourned at 11:25 a.m.



President



Secretary