

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF OCTOBER 2, 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, October 2, 2014.

COMMISSIONERS PRESENT: Belinda Vega, President
Robert von Voigt, Vice President
George Aliano
Carl Cade
Cielo Castro
Sam Diannitto (telephonic)
Ruben Navarro
Pedram Salimpour
Corinne Tapia

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
Barbara Nobregas, Commission Executive Assistant

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

President Vega called the meeting to order at 8:40 a.m. All of the above-listed Commissioners were present at the start of the meeting with the exception of Commissioners Salimpour and Tapia who arrived at 8:45 a.m. and 9:34 a.m. respectively. Commissioner Diannitto participated by telephone; therefore, all votes were by held by roll call. Ms. Theresa Stamus was in the City Attorney's chair.

Item G was taken out of order.

G. DISABILITY CASES

Michael A. Johnson (P) Sergeant II

Hearing continued. President Vega directed that this claim be continued at the request of the applicant's attorney. Sgt. Johnson was not present nor was his attorney, Mr. Thomas J. Wicke.

A. COMMITTEE REPORTS

1. PERIODIC REVIEW OF GOVERNANCE MANUAL POLICY SECTIONS 9.0, 10.0 AND 13.0 AND POSSIBLE BOARD ACTION

Ms. Stephanie Clements, Chief Management Analyst, Administrative Operations Division stated that the review process for the Governance Policy is to be reviewed every three years. The changes to the various policies are to provide clarity and to reflect current practices; there are no substantive changes to the policies.

RESOLUTION 15034

Commissioner Navarro moved 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, which was seconded by Commissioner von Voigt and approved by the following vote: ayes, Commissioners Aliano, Cade, Castro, Diannitto, Navarro, von Voigt, and President Vega – 7; nays, none.

2. CITY MANAGEMENT AUDIT RECOMMENDATIONS ASSIGNED TO THE GOVERNANCE COMMITTEE AND POSSIBLE BOARD ACTION

Mr. James Yeung, Internal Audit IV provided an update regarding City Management Audit recommendations by Hewitt EnnisKnupp (HEK), specifically Recommendations No. 1.2 and 1.3 assigned to the Governance Committee. The supplemental report indicates the status of Recommendation 1.2 as “completed.” HEK made 55 recommendations and the Internal Audit Section compiled the status of the recommendations from the responsible managers who are present to answer questions from the Board. Staff will provide quarterly updates to the Board.

RESOLUTION 15035

Commissioner Navarro moved that the Board:

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

3. As indicated in the Supplement Report, review and approve the proposed status of the City Management Audit Recommendation No. 1.2 as "completed," which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Cade, Castro, Diannitto, Navarro, von Voigt, and President Vega – 7; nays, none.

B. ITEMS FOR BOARD ACTION

1. CONSIDERATION OF ASSUMPTIONS FOR THE JUNE 30, 2014 RETIREE HEALTH ACTUARIAL VALUATION AND POSSIBLE BOARD ACTION

Ms. Robyn Wilder, Chief Benefits Analyst, Pensions Division and Mr. Andy Yeung, Actuary, from The Segal Group (Segal) presented the report. Ms. Wilder stated that each year Segal recommends assumptions for the health plan or other post-employment benefits (OPEB) valuation. This year for the first time, Segal is separating the non-Medicare and Medicare trend rate assumptions and making other adjustments to the recommended utilization rates. Mr. Andy Yeung presented the health care trend assumptions for the OPEB valuation and answered the Board's questions.

Commissioner Salimpour arrived to the meeting at 8:45 a.m.

RESOLUTION 15036

Commissioner Navarro moved that the Board adopt the retiree health assumptions for the June 30, 2014 Retiree Health Valuation as recommended by The Segal Company (Segal), which was seconded by Commissioner Cade and approved by the following vote: ayes, Commissioners Aliano, Cade, Castro, Diannitto, Navarro, Salimpour, von Voigt, and President Vega – 8; nays, none.

Items H.4. and H.5 were taken out of order.

Alan Manning, Assistant City Attorney took the city attorney chair.

H. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

4. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) TO CONFER WITH, OR RECEIVE ADVICE FROM, LEGAL COUNSEL WITH REGARD TO A CASE FILED UNDER SEAL PURSUANT TO THE CALIFORNIA FALSE CLAIMS ACT

The Board met in closed session.

5. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(c) TO CONFER WITH, OR RECEIVE ADVICE FROM, LEGAL COUNSEL WITH REGARD TO POTENTIAL LEAD PLAINTIFF STATUS IN A CLASS ACTION

The Board met in closed session.

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

Theresa Stamus, Senior Assistant City Attorney took the city attorney chair.

B. ITEMS FOR BOARD ACTION (continued)

2. APPROVAL OF PROPOSED AMENDMENT TO BOARD RULE 10.0: ACTUARIAL FUNDING POLICY

Ms. Robyn Wilder and Mr. Andy Yeung were before the Board. Ms. Wilder stated that on July 17, 2014, the Board adopted Segal's recommendation to make an ad hoc adjustment to the asset smoothing component due to the wide variation in investment gains and losses over the last several years. The Board asked staff to return with a policy as to when such ad hoc adjustments would be appropriate to consider in the future. Segal worked with staff to create a policy to define when the actuary may recommend such adjustments and under what conditions.

Ms. Elsa Moy gave a public comment.

RESOLUTION 15037

Commissioner Navarro moved that the Board approve the proposed amendment to Board Policy Section 10.0: Actuarial Funding Policy, which was seconded by Commissioner Salimpour and approved by the following vote: ayes, Commissioners Aliano, Cade, Castro, Diannitto, Navarro, Salimpour, von Voigt, and President Vega – 8; nays, none.

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

Commissioner Tapia arrived to the meeting at 9:34 a.m.

Mr. Tom Lopez, Chief Investment Officer stated that most of the asset classes are within their ranges set by the Board. The Board recently funded managers, and their portfolios are now operational. Some additional assets will be added this month to the commodities index fund.

Ms. Elsa Moy gave a public comment.

RESOLUTION 15038

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 Salimpour and approved by the following vote: ayes, Commissioners Aliano, Cade, Castro, Diannitto, Navarro, Salimpour, Tapia, von Voigt, and President Vega – 9; nays, none.

C. REPORTS TO THE BOARD

1. PRESENTATION BY BRIDGEWATER ASSOCIATES, INC. TREASURY INFLATION PROTECTED SECURITIES (TIPS) MANAGER

Messrs. Chris Tarui, Client Advisor and Jeff Gardner, Portfolio Strategist, Bridgewater Associates presented their firm to the Board regarding the firm's 2013 performance and answered the Board's questions.

Mr. Tom Lopez stated that Bridgewater's long term performance has been very good.

The board report was received and filed.

Item C.2 was moved to the latter portion of the meeting.

3. REAL ESTATE PERFORMANCE REVIEW BY THE TOWNSEND GROUP

Ms. Ms. Jennifer Young, Principal and Mr. Nicholas Rittenhouse, Consultant, from the Townsend Group provided the real estate performance review and a summary of the newly approved funds.

The board report was received and filed.

4. DISCUSSION OF INVESTMENT IN SAYBROOK CORPORATE OPPORTUNITY FUND, L.P.

Mr. Tom Lopez provided a summary of the Saybrook Fund and its performance.

Mr. Elmer Chacon gave a public comment. Messrs. Leo Lopez, Juan Martinez and Melvin Revias gave public comments with the assistance of Mr. Adan Alvarez who interpreted.

The Board discussed the labor issues with a trucking firm, an investment in the Saybrook Fund. Commissioner Cade suggested that the Board monitor the issue and send correspondence to Saybrook indicating that the Board is monitoring the findings of the court proceedings.

General Manager Ciranna stated that a letter will be sent to Saybrook from the Board.

The board report was received and filed.

5. AFRICAN HOLDINGS IN THE FUND'S PORTFOLIO

Mr. Tom Lopez provided an overview of System's exposure to African equities.

Commissioner Salimpour stated his concerns regarding other countries and whether or not their health care systems are able to contain disease outbreaks. Should the Board consider moving any of its investment funds from countries that are affected by outbreaks?

Mr. Lopez provided a summary of articles he has read on the subject. Currently, the System has \$85 million invested in South Africa. Mr. Lopez discussed prior outbreaks and the affect it had on the financial markets in the outbreak zones.

Commissioner Salimpour stated that if the outbreak continues to spread many different countries will be involved. If our exposure is only \$85 million which is in a country with a health care system then he is less concerned.

Mr. Lopez stated that this is a rare occurrence historically speaking. It is one of those investment events that may have dramatic effects depending on which way it goes.

Commissioner Salimpour thanked Mr. Lopez for looking into this for the Board.

Commissioner Cade requested at some future point, when reviewing international investments, how to review the various regions of the world and their respective investments.

The board report was received and filed.

6. REVIEW OF 2014 PRIVATE EQUITY AND COMMODITIES INVESTMENT ACTIVITY BY PORTFOLIO ADVISORS, LLC

Mr. Gregory J. Garrett, Managing Director from Portfolio Advisors provided a brief review of the Fund's private equity portfolio. If the Board approves the recommended \$35 million in private equity for discussion today in closed session, commitments totaling \$370 million will have been approved and closed in 2014. An additional \$15 million has been approved for the 2015 allocation. He provided further details of the private equity portfolio. The board report was received and file.

Commissioner Diannitto ended his telephonic participation at 11:03 a.m.

The Board recessed from 11:03 a.m. to 11:12 a.m.

Items H.1, H.2 and H.3 were taken out of order.

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 54956.81 TO CONSIDER THE PURCHASE OF TWO (2) PARTICULAR, SPECIFIC INVESTMENTS AND POSSIBLE BOARD ACTION

The Board met in closed session.

3. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE (1) PARTICULAR, SPECIFIC INVESTMENT AND POSSIBLE BOARD ACTION

The Board met in closed session.

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

C. REPORTS TO THE BOARD (continued)

2. QUARTERLY PORTFOLIO PERFORMANCE REPORT BY RV KUHNS

Messrs. Jim Voytko, Chief Operating Officer and Ryan Sullivan, Associate Consultant from RV Kuhns presented the quarterly performance review and the composite of the portfolio.

The Board discussed various issues such as the Fund's manager termination process.

General Manager Ciranna stated that the Board has questions regarding the Watch List process. He will return with a report regarding the Watch List process and if the Board deems it appropriate to change prior practices.

The Board discussed interpreting staff reports. General Manager Ciranna stated that it is important from staff's perspective that we are clear in our reports to the Board and clear on the status of managers.

President Vega thanked the consultant and staff for the presentation.

General Manager Ciranna stated that due to time constraints, the training on how to read the performance report will be postponed to a future date.

Commissioner Cade left the meeting at 12:20 pm.

7. President Vega asked if any Board Member made any expenditure to influence State legislative or administrative action to which their reply was negative.
8. Miscellaneous correspondence from money managers, consultants, etc. – Received and Filed.

9. General Manager's Report

a. Benefits Actions approved by General Manager on September 18, 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 – 3

Jeanne T. Greeley	Police Widow	Retired:	02-02-88	Died:	07-31-14
Barbara A. Hambly	Police Widow	Retired:	12-14-89	Died:	08-25-14
Eunice G. James	Police Widow	Retired:	08-12-00	Died:	07-03-14

DISCONTINUED PENSIONS – TIER 2 – 8

Robert W. Karger	Fire Service	Retired:	02-02-71	Died:	08-12-14
Robert D. Patterson	Fire Service	Retired:	02-26-80	Died:	08-12-14
Daryl D. Rohloff	Fire Service	Retired:	07-05-76	Died:	08-18-14
Richard W. Green	Police Service	Retired:	01-09-72	Died:	07-27-14
G. E. Obendrauf	Police Service	Retired:	06-23-74	Died:	08-12-14
Richard B. Young	Police Service	Retired:	11-08-87	Died:	08-11-14
Betty K. Moody	Police Widow	Retired:	03-06-02	Died:	08-05-14
Emma Wright	Police Widow	Retired:	03-01-90	Died:	08-17-14

DISCONTINUED PENSIONS FORMER SPOUSE – TIER 2 – 1

Nancy L. O Connor	Police Service	Retired:	10-01-98	Died:	05-29-14
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ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 2 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Mary A. Obendrauf	G. E. Obendrauf	Police Service	08-13-14

SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 2 – 1

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Survivor Benefit %</u>
Thomas A. Finn	Police Service	09-01-14	30%

INCREASE SURVIVING SPOUSE'S PENSION – TIER 3 – 2

Increase the pension payable to Lorna L. Esparza, surviving spouse of deceased Detective II, Jeffery T. Esparza, effective July 1, 2014, due to the discontinuance of full-time student status by Sawyer L. Esparza. There are two minors remaining.

Minutes of the Board of Fire and Police Pension Commissioners
 Meeting of October 2, 2014
 Page 10

Peter W. Foster Sergeant I Eff: 09-10-14 20 Years 173 Days

SERVICE PENSION – TIER 3 – 1

Police

Frank Mesa, III Police Officer II Eff: 08-13-14 18 Years 296 Days

SERVICE PENSION – TIER 5 – 1

Police

Lorna M. Cavin Police Officer II Eff: 08-10-14 26 Years 40 Days

SERVICE PENSION/DROP – TIER 5 – 3

Fire

Raymundo Gomez Battalion Chief Eff: 06-03-14 36 Years 92 Days

Police

Boe A. Adams Lieutenant II Eff: 06-01-14 26 Years 23 Days

Frank J. Lyga Detective I +1 Eff: 08-22-14 28 Years 33 Days

DISCONTINUE DROP – TIER 2 – 1

Police

Steven K. Stranak Retired: 10-01-09 Exit Close of: 09-30-14

DISCONTINUE DROP – TIER 3 – 1

Police

Jacqueline K. Boyer Retired: 04-01-12 Exit Close of: 09-30-14

DISCONTINUE DROP – TIER 4 – 1

Police

Eric T. Davis Retired: 10-01-09 Exit Close of: 09-30-14

DISCONTINUE DROP – TIER 5 – 10

Fire

Kevin M. Kleinrath Retired: 09-27-09 Exit Close of: 09-26-14

Daniel G. Mattera Retired: 09-27-09 Exit Close of: 09-26-14

Armando V. Nunez Retired: 10-01-09 Exit Close of: 09-30-14

Milton A. Urquilla Retired: 09-27-09 Exit Close of: 09-26-14

Police

Michael H. Baker Retired: 11-01-10 Exit Close of: 09-30-14

Chris M. Borunda Retired: 05-01-13 Exit Close of: 09-30-14

Vicki D. Bretz Retired: 10-01-09 Exit Close of: 09-30-14

Dean R. Dipaola Retired: 10-01-09 Exit Close of: 09-30-14

Edward A. Trujillo	Retired:	10-01-09	Exit Close of:	09-30-14
David B. Wade	Retired:	11-01-12	Exit Close of:	09-30-14

SERVICE CONNECTED DISABILITY PENSION – TIER 2 – 1

<u>Name</u>	<u>Member's Rank</u>	<u>Percentage</u>	<u>Effective Date</u>	<u>Board Date</u>
Scott K. Gove	Engineer	75.0000%	06-13-14	08-21-14

b. Other business relating to Department operations

General Manager Ciranna gave the following update: Commissioners may have read in the news clippings that Judge Klein made an oral decision in Stockton, California. We will get more information on the issue. The Judge stated that pensions are not necessarily protected in bankruptcy. General Manager Ciranna will try to obtain the legal opinion.

10. City Attorney's Report

Ms. Theresa Stamus, Senior Assistant City Attorney had no report.

Ms. Stamus addressed Commissioner Navarro's concern regarding the time allowance for public comment. She stated that time allowance for public comment time may be set by the chair or by board policy. It may vary depending on the number of public comments. The default in City Council and other commissions is usually three minutes. If a large number of public comments are anticipated, it can be reduced to one minute for each person.

General Manager Ciranna addressed Commissioner von Voigt's concern regarding the status of meeting with the LAPD retirement counselor and what advice they are giving to the members. Mr. Joe Salazar and Ms. Robyn Wilder are working with the appropriate parties.

D. COMMITTEE CALENDAR

1. Audit Committee – Last met: 06/05/14; next meeting: 10/16/14
2. Benefits Committee – Last met: 12/05/13; next meeting: 10/02/14
3. Governance Committee – Last met: 09/18/14; next meeting: Tentative on 12/18/14
4. Ad Hoc Emerging Investment Managers – Last met: 09/18/14; next meeting: TBD

President Vega asked commissioners to take note of upcoming committee meetings.

E. CONSIDERATION OF FUTURE AGENDA ITEMS

Commissioner Aliano gave a comment regarding the unfunded liability.

General Manager Ciranna thanked Commissioner Aliano. Staff is appreciative of the Board's support. We are working on communication piece regarding the unfunded liability for the public.

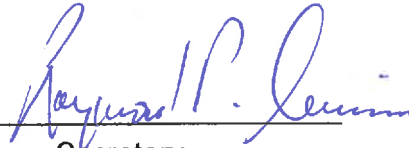
F. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION

Ms. Elsa Moy gave a public comment.

The meeting adjourned at 12:41 p.m.



President



Secretary