

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF DECEMBER 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, December 18, 2014.

COMMISSIONERS PRESENT: Robert von Voigt, Vice President
George Aliano
Cielo Castro
Sam Diannitto (participated telephonically)
Ruben Navarro
Pedram Salimpour
Corinne Tapia

COMMISSIONER ABSENT: Carl Cade
Belinda Vega, President

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

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

COURT REPORTER: Diane L. Panicca, U.S. Legal Support

Vice President von Voigt called the meeting to order at 8:33 a.m. All of the above-listed Commissioners were present at the start of the meeting with the exception of Commissioner Castro who arrived at 9:20 a.m.

A. COMMITTEE REPORTS

- 1. OPERATIONS AGREEMENT WITH THE LOS ANGELES POLICE PROTECTIVE LEAGUE AND POSSIBLE BOARD ACTION**

Mr. Anthony Torres, Senior Management Analyst II, Medical and Dental Benefits Section was before the Board to answer questions.

Commissioner Aliano stated he spoke with representatives of the Los Angeles Police Protective League and they are fine with the Operating Agreement.

RESOLUTION 15064

Commissioner Navarro moved that the Board authorize the Board President to execute an Operations Agreement with the Los Angeles Police Protective League, which was seconded by Commissioner Salimpour and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Navarro, Salimpour, and Vice President von Voigt - 5; nays, none.

Commissioner Tapia returned to the boardroom.

B. ITEMS FOR BOARD ACTION

1. AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2014 AND POSSIBLE BOARD ACTION

Ms. Erin Kenney, Departmental Audit Manager, stated that Brown Armstrong issued an unmodified opinion, also referred to as a "clean opinion," that LAFPP's financial statements fairly present the Plan's net assets. She introduced Mr. Andrew J. Paulden, Partner; Ms. Connie M. Perez, Partner; and Ms. Alaina Sanchez, Accountant from Brown Armstrong who presented the financial statements report.

Ms. Elsa Moy gave a public comment.

RESOLUTION 15065

Commissioner Navarro moved that the Board adopt the System's Audited Financial Statements as of June 30, 2014, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt - 6; nays, none.

Item G was taken out of order.

G. DISABILITY CASES

DISABILITY CLAIM – REVIEW – TIER 2

Bradley McGrath

(P)

Detective III (Retired)

Prior Board Action of November 1, 2001, increasing the service-connected disability pension to 65%

is adjusted to 75% with no scheduled review. Motion made by Commissioner Aliano, seconded by Commissioner Diannitto and adopted by the following vote: ayes, Commissioners Aliano, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt – 6; nays, none. Mr. McGrath was present and was represented by his attorney, Mr. Thomas J. Wicke.

Commissioner von Voigt recessed the meeting at 9:20 a.m. and reconvened at 9:29 a.m.

Commissioner Castro arrived to the meeting at 9:20 a.m.

B. ITEMS FOR BOARD ACTION - continued

2. DISCUSSION OF THE MINIMUM QUALIFICATIONS AND THE REQUEST FOR PROPOSALS FOR THE LARGE CAP DOMESTIC EQUITY DIRECT HIRE EMERGING MANAGER SEARCH AND BOARD ACTION

Messrs. Tom Lopez, Chief Investment Officer (CIO); Rick Rogers, Investment Officer III; Jim Voytko, Chief Operating Officer; and Ryan Sullivan, Associate Consultant from RV Kuhns were before the Board to discuss the minimum qualifications for the emerging manager search.

Commissioner Navarro stated his concern regarding the definition of an emerging manager, specifically the amount of assets under management (AUM) of \$2 billion or less. When is it an appropriate time to increase the AUM?

Mr. Rick Rogers stated that he is comfortable with an AUM of \$2 billion; there are many firms that meet this level. He would be hesitant to increase the AUM at this point.

Mr. Sullivan stated that he believed \$2 billion was appropriate amount in regards to the AUM, and expects to receive sufficient number of qualified firms at that level. Increasing it, he felt would simply increase the number of responses without necessarily increasing the number of quality responses.

Mr. Lopez provided a brief overview of the direct hire program. When the direct hire program was implemented, \$500 million was the cut off level. The number has increased over the years. The most common number across the nation in terms of emerging manager AUM is \$2 billion. He provided background information on the other two emerging manager searches.

Mr. Voytko discussed the possible outcome of removing the institutional investor criteria and importance of retaining it. In relation to emerging managers, we are trying to encourage entities who are business immature but who are potentially promising and close to institutional quality, per the \$30 million dollar requirement. What matters is the asset class and determining what entry barriers may prohibit a new entity from making their way into the established characteristics. The second issue is with respect to the emerging manager's economics because he does not want the Plan to take extraordinary risk in taking on this policy initiative.

RESOLUTION 15066

Commissioner Navarro moved that the Board approve:

1. The following proposed Minimum Qualifications for the large cap domestic equity direct hire emerging manager search -
 - (a) One year of operation as an investment management firm as of the date of the search,
 - (b) The portfolio manager(s) assigned to the account must each have a minimum of five years of experience in investment management,
 - (c) As of the date of the search, the firm must have a minimum of \$30 million in institutional assets under management of which \$10 million must be in the proposed investment style,
 - (d) The firm must have at least one tax-exempt account under management,
 - (e) The strategy proposed must be available as a separate account; and,
2. The proposed Request for Proposals for the search, which was seconded by Commissioner Salimpour and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt - 7; nays, none.
3. PROPOSED RENEWAL OF BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INTERNATIONAL EQUITY INDEX CONTRACT AND POSSIBLE BOARD ACTION

Mr. Paul Palmer, Investment Officer II presented the contract renewal.

RESOLUTION 15067

Commissioner Navarro moved that the Board:

1. Approve a new three-year contract with BlackRock Institutional Trust Company, N.A. for international equity index management services;
2. Authorize the General Manager to negotiate and approve the terms and conditions of the contract with BlackRock Institutional Trust Company, N.A. for international equity index management services for the period of February 1, 2015 to January 31, 2018; and,
3. Authorize the President of the Board, on behalf of the Board, to execute the contract with BlackRock Institutional Trust Company, N.A. for international equity index management services, subject to the approval of the City Attorney as to form, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt - 7; nays, none.
4. CHIEF INVESTMENT OFFICER'S QUARTERLY REPORT OF ASSET ALLOCATION STATUS AND POSSIBLE BOARD ACTION

Mr. Tom Lopez, CIO presented the asset allocation status indicating that most of the asset classes are within their targeted ranges, with the exception of core bonds and high yield bonds. Additional funding is being allocated to the high yield sector. Currently in the high yield market, bonds are on sale at depressed pricing. Staff is taking advantage of the circumstances.

General Manager Ciranna provided an update of the emerging manager searches. We have received quite a few responses. Staff is currently reviewing them and will provide the Board an update at a future meeting.

Ms. Elsa Moy gave a public comment.

RESOLUTION 15068

Commissioner Castro 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, Castro, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt - 7; nays, none.

5. 2015 FIRE DEPARTMENT RETIRED BOARD MEMBER ELECTION AND POSSIBLE BOARD ACTION

The board report was approved as submitted.

RESOLUTION 15069

Commissioner Navarro moved that the Board:

1. Authorize the General Manager to provide notification to the Office of the City Clerk – Election Division (City Clerk) and to cause to be prepared a Notice of Election in accordance with Section 23.103.16 of the Los Angeles Administrative Code (Administrative Code) for the 2015 Fire Department Retired Board Member Election tentatively scheduled for March 31, 2015;
2. Authorize the General Manager, in the event a second “runoff” election is needed, to receive and file the communication from the City Clerk certifying the results of the general election for the Fire Department Retired Member of the Board of Fire and Police Pension Commissioners and to order the runoff election tentatively scheduled for May 8, 2015, in accordance with Section 23.103.21 of the Administrative Code; and
3. Authorize the General Manager and Staff to perform the necessary administrative work specified in the Administrative Code; to coordinate the general election and if necessary, the runoff election process as required with the City Clerk and retired member associations; and to make technical corrections as necessary to effectuate the intent of this report, which was

seconded by Commissioner Tapia and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt - 7; nays, none.

6. 2015 POLICE DEPARTMENT ACTIVE BOARD MEMBER ELECTION AND POSSIBLE BOARD ACTION

The board report was approved as submitted.

RESOLUTION 15070

Commissioner Aliano moved that the Board:

1. Authorize the General Manager to provide notification to the Office of the City Clerk – Election Division (City Clerk) and the General Manager of the Personnel Department and to cause to be prepared a Notice of Election in accordance with Section 23.103.2 of the Los Angeles Administrative Code (Administrative Code) for the 2015 Police Department Active Board Member Election tentatively scheduled for April 28, 2015;
2. Authorize the General Manager, in the event a second “runoff” election is needed, to receive and file the communication from the City Clerk certifying the results of the general election for the Police Department Active Member of the Board of Fire and Police Pension Commissioners and to order the runoff election tentatively scheduled for June 2, 2015, in accordance with Section 23.103.8 of the Administrative Code; and
3. Authorize the General Manager and Staff to perform the necessary administrative work specified in the Administrative Code; to coordinate the general election and if necessary, the runoff election process as required with the City Clerk, the Police Department, the Personnel Department, and employee organizations; and to make technical corrections as necessary to effectuate the intent of this report, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Navarro, Salimpour, Tapia, and Vice President von Voigt - 7; nays, none.

C. REPORTS TO THE BOARD

1. PRESENTATION BY DEL REY GLOBAL INVESTORS INTERNATIONAL DEVELOPED MARKETS EQUITY

Mr. Paul J. Hechmer, Chief Investment Officer from del Rey provided an update of the firm’s performance.

The board report was received and filed.

2. QUARTERLY PORTFOLIO PERFORMANCE REPORT BY RV KUHNS

Messrs. Jim Voytko, Ryan Sullivan and Ms. Amanda Kingsbury from RV Kuhns presented LAFPP'S investment performance report for the third quarter, and answered the Board's questions.

Mr. Voytko stated that the one, three and five year performance remains solid. He cautioned the Board that things are likely to get more complicated in terms of understanding the dynamics the portfolio due to the mixed performance and large gaps between asset classes in their performance. RV Kuhns will put extra effort in providing the Board an understanding of the performance.

Mr. Sullivan provided an overview of the composites and key aspects of the performance report. The total fund was down 1.6% for the quarter and ranked in the 80th percentile compared to peers. He provided an overview of the performance report.

Mr. Sullivan provided a brief overview of Attucks Asset Management's (Attucks) performance relative to the Watch List. RV Kuhns will provide a recommendation regarding Attucks and the Watch List process at a future meeting.

The board report was received and filed.

3. CONTRACTOR DISCLOSURE POLICY – QUARTERLY REPORT

The report was received and filed without discussion.

4. FLUCTUATING PENSIONS BASED ON ACTIVE FIRE MEMBER SALARIES

The report was received and filed without discussion.

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

6. General Manager's Report

a. Monthly Report

b. Marketing Cessation Information

c. Benefits Actions approved by the General Manager on December 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 – 4

Claude A. Griggs	Fire Service	Retired:	09-27-72	Died:	10-01-14
Richard A. Arlt	Fire Disability	Retired:	01-25-63	Died:	10-17-14
Mary V. Dudley	Fire Widow	Retired:	05-01-10	Died:	10-15-14
Erin C. Kraft	Fire Widow	Retired:	01-01-77	Died:	10-15-14

DISCONTINUED PENSIONS – TIER 2 – 7

Kevin R. Casey	Police Service	Retired:	07-03-88	Died:	10-20-14
Stuart J. Finck	Police Service	Retired:	02-10-91	Died:	10-21-14
Robert R. Loomis	Police Service	Retired:	06-08-82	Died:	10-29-14
Arthur L. Norris	Police Service	Retired:	06-01-72	Died:	10-18-14
William L. Vail	Police Disability	Retired:	10-01-68	Died:	08-07-14
Helen G. Anderson	Police Widow	Retired:	01-20-10	Died:	09-06-14
Patricia M. Olsen	Police Widow	Retired:	02-02-98	Died:	10-24-14

DISCONTINUED PENSIONS – TIER 5 – 1

Kenneth J. Clore, Jr.	Fire Service	Retired:	03-21-04	Died:	10-26-14
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DISCONTINUED PENSIONS FORMER SPOUSE – TIER 2 – 1

Jeannette M. Glozer	Police Service	Retired:	08-30-95	Died:	10-31-14
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DISCONTINUED PENSIONS FORMER SPOUSE – TIER 5 – 1

Cindy A. Larsen	Fire Service	Retired:	07-01-06	Member Died:	10-26-14
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ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 1 – 2

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Alice M. Griggs	Claude A. Griggs	Fire Service	10-02-14
Marlene Y. Arlt	Richard A. Arlt	Fire Disability	10-18-14

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 2 – 4

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Jill K. Johns	Jerry R. Johns	Fire Service	09-28-14
Rita A. Loomis	Robert R. Loomis	Police Service	10-30-14
Birgitta M. Metz	Gary M. Metz	Police Service	10-23-14
Sigrid J. O Riley	James T. O Riley	Police Service	10-16-14

ELIGIBLE SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 2 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Ruth E. Kwapinski	Antoni Kwapinski	Fire Service	10-25-14

INCREASE SURVIVING SPOUSE'S PENSION – TIER 4 – 1

Increase the pension payable to Leslie A. Medina, surviving spouse of deceased Police Sergeant II, Israel S. Medina, effective December 12, 2014, due to the attainment of age 22 by Rachel S. Medina. There is one remaining minor child.

DISCONTINUE SURVIVING CHILD'S PENSION – TIER 4 – 1

Discontinue the pension payable to Rachel S. Medina, surviving child of deceased Police Sergeant II, Israel S. Medina, effective December 11, 2014, due to the attainment of age 22 on December 12, 2014. There is one remaining minor child.

DISCONTINUE GUARDIANSHIP – MINOR'S PENSION – TIER 2 – 1

Discontinue the pension payable to Michele Harris as the Guardian of Robert D. Moreno, minor child of deceased Firefighter III, Robert D. Moreno, effective December 22, 2014, due to the attainment of age 18 on December 23, 2014. There are no remaining minors.

SERVICE PENSION – TIER 3 – 2

Police

Cheryl A. Adams	Detective II	Eff:	11-01-14	20	Years	0	Days
Edward A. Ruffalo	Detective II	Eff:	11-16-14	19	Years	40	Days

SERVICE PENSION – TIER 5 – 1

Police

George M. Castro	Police Officer II	Eff:	11-02-14	26	Years	7	Days
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SERVICE PENSION/DROP – TIER 5 – 3

Police

Anthony Adler	Police Officer III	Eff:	09-02-14	25	Years	9	Days
Sandra G. Betancourt	Detective III	Eff:	10-01-14	26	Years	57	Days
Ronald A. Granados	Detective III	Eff:	08-01-14	26	Years	14	Days

d. Other business relating to Department operations

General Manager Ciranna gave the following updates:

1. Approximately twenty-three of the former Office of Public Safety (OPS) Officers who have transitioned to regular LAPD Police Officers transferred from LACERS to LAFPP. Staff is working with the Actuary to prepare the service purchase cost estimates for these officers to purchase their OPS service.
2. The Active/DROP Member newsletter was emailed. Approximately 35% of the recipients opened the electronic newsletter which is a good start. The DROP Program article was the most viewed.

Ms. Elsa Moy gave a public comment.

General Manager Ciranna stated that 15 months is an internal metric measurement used in the COMPSTAT report for processing disability pension applications as reported in the Monthly Report.

D. COMMITTEE CALENDAR

1. Audit Committee – Last met: 06/05/14; next meeting: 01/15/15
2. Benefits Committee – Last met: 11/20/14; next meeting: 12/18/14
3. Governance Committee – Last met: 09/18/14; next meeting: 03/19/15
4. Ad Hoc Emerging Investment Managers – Last met: 11/06/14; next meeting: 03/05/15

Vice President von Voigt announced the upcoming committee meetings.

E. CONSIDERATION OF FUTURE AGENDA ITEMS

There were no items referred for consideration.

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

There were no additional public comments.

H. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

1. 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

This item was continued.

The meeting adjourned at 10:39 a.m.



President



Secretary