

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
MEETING OF JULY 21, 2011

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met in Room 800, 360 East Second Street, on Thursday, July 21, 2011.

COMMISSIONERS PRESENT: Robert von Voigt, President
Brenda Maull, Vice President
George Aliano
Sam Diannitto
Dean Hansell
Wayne Moore
Ruben Navarro
Raúl Pérez

COMMISSIONER ABSENT: Adlai Wertman

DEPARTMENT OF FIRE AND POLICE PENSIONS: Michael A. Perez, General Manager
William Raggio, Assistant General Manager
Joseph Salazar, Interim Assistant General Manager
Tom Lopez, Chief Investment Officer
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

President Hansell called the regular meeting to order at 9:02 a.m. All of the above-listed Commissioners were present at the start of the meeting.

A. ITEMS FOR BOARD ACTION

1. PER CHARTER SECTION 503(a), ELECTION OF BOARD OFFICERS: OFFICE OF PRESIDENT AND OFFICE OF VICE PRESIDENT

RESOLUTION 12009

A nomination for Commissioner Robert von Voigt for Board President was made by Commissioner Aliano, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Maull, Moore, Navarro, Pérez, von Voigt, and President Hansell – 8; nays, none.

Commissioner Hansell remained to chair this item.

RESOLUTION 12010

A nomination for Commissioner Brenda Maull for Board Vice President was made by Commissioner Diannitto, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Hansell, Maull, Moore, Navarro, Pérez, and President von Voigt– 8; nays, none.

Commissioner Hansell congratulated Commissioners von Voigt and Maull. President von Voigt thanked the Board for their confidence in him.

Commissioner Hansell passed the gavel to President von Voigt.

2. SUSTAINABLE INVESTING POLICY AND POSSIBLE BOARD ACTION

Commissioner Moore provided an overview of the recommendation from the Ad Hoc Committee on Social Investing. Messrs. Tom Lopez, Chief Investment Officer and Paul Palmer, Investment Officer II, were before the Board. The board report was approved as submitted.

RESOLUTION 12011

Commissioner Navarro moved that the Board approve the proposed sustainable investing language for the active stock and bond Investment Manager Guidelines and the Private Equity Policy, Section 2.3 of III. Board Investment Policies, which was seconded by Commissioner Hansell and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Hansell, Maull, Moore, Navarro, Pérez, and President von Voigt – 8; nays, none.

3. APPROVAL OF THE INTERNAL AUDIT CHARTER

Ms. Erin Kenney, Internal Auditor IV stated the purpose of the Internal Audit Charter. The board report was approved as submitted.

RESOLUTION 12012

Commissioner Diannitto moved that the Board approve the proposed Internal Audit Charter, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Hansell, Maull, Moore, Navarro, Pérez, and President von Voigt – 8; nays, none.

4. MEMBER BENEFIT PAYMENT PROCESS AUDIT AND POSSIBLE BOARD ACTION

Ms. Erin Kenney and Mr. James Yeung, Internal Auditor III presented the Member Benefit Payment audit results and the opportunities for improvement. Mr. Yeung gave an overview of the key findings and corresponding recommendations. Mr. Joseph Salazar, Interim Assistant General Manager stated staff will present in August a number of Board Policies pertaining to DROP as asked by Commissioner Moore.

RESOLUTION 12013

Commissioner Diannitto moved that the Board approve the Member Benefit Payment Process Audit, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Hansell, Maull, Moore, Navarro, Pérez, and President von Voigt – 8; nays, none.

B. REPORTS TO BOARD

1. DISCUSSION OF THE INVESTMENT MANAGER EVALUATION PROCESS BY RV KUHNS

Ms. Rebecca A. Gratsinger, CEO and Senior Consultant and Mr. Jim Voytko, Chief Operating Officer of RV Kuhns presented the report and answered the Board's questions. The report was received and filed.

2. QUARTERLY SUMMARY OF PRIVATE EQUITY COMMITMENTS

Messrs. Paul Palmer and Daren Perlstein, Investment Officer I, were before the Board. The report was approved as submitted.

3. General Manager's Report

a. Benefits Actions approved by General Manager on July 7, 2011

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 – 6

Marjorie S. Peterson	Fire Widow	Retired:	01-20-09	Died:	05-19-11
Inez Bell	Police Widow	Retired:	08-17-80	Died:	10-07-10
Evelyn N. Bradley	Police Widow	Retired:	11-01-66	Died:	09-21-10

Betty L. Berg	Police Widow	Retired:	08-01-75	Died:	06-06-11
Rosemary Martinet	Police Widow	Retired:	10-13-67	Died:	05-29-11
Phyllis P. Mellott	Police Widow	Retired:	04-22-07	Died:	05-27-11

DISCONTINUED PENSIONS – TIER 2 – 10

Ralph S. Cavanaugh	Police Service	Retired:	06-29-80	Died:	06-06-11
Maurice R. Farrell	Police Service	Retired:	02-02-86	Died:	09-06-10
Bartel H. Floercky	Police Service	Retired:	09-01-69	Died:	03-20-11
James T. Page, Jr.	Police Service	Retired:	05-01-77	Died:	03-01-11
Thomas B. Scroggs	Police Service	Retired:	07-08-72	Died:	06-15-11
James L. Stoddard	Police Service	Retired:	01-07-73	Died:	05-18-11
Lyle S. Strand	Police Service	Retired:	04-11-70	Died:	05-25-11
Orval D. Evans	Fire Disability	Retired:	11-20-80	Died:	08-09-10
Olivia F. Hospe	Fire Widow	Retired:	01-21-96	Died:	06-02-11
Vivian Johansen	Police Widow	Retired:	09-29-80	Died:	06-01-11

DISCONTINUED PENSIONS FORMER SPOUSE – TIER 2 – 1

Jeanne M. Strand	Police Service	Retired:	03-01-04	Member Died:	05-25-11
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ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 2 – 6

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Carol L. Calhoon	Dale E. Calhoon	Fire Disability	05-30-11
Jacqueline S. Cavanaugh	Ralph S. Cavanaugh	Police Service	06-07-11
Irene E. Munger	James D. Munger	Police Service	05-25-11
Patricia L. Scroggs	Thomas B. Scroggs	Police Service	06-16-11
Betsy M. Stoddard	James L. Stoddard	Police Service	05-19-11
Jeanne M. Strand	Lyle S. Strand	Police Service	05-26-11

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>
George M. Crabtree, Jr.	Fire Disability	07-01-10	07-01-11	45 %

SURVIVOR BENEFIT PURCHASE PROGRAM VESTED MEMBERS – TIER 5 – 1

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Vested Date</u>	<u>Survivor Benefit %</u>
Raymond W. Mauss	Police Service	07-01-10	07-01-11	60 %

SERVICE PENSION/DROP – TIER 3 – 1

Fire

Holly J. Daniel	Lieutenant II	Eff:	06-01-11	25 Years	237 Days
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SERVICE PENSION/DROP – TIER 5 – 26

Fire

Chris A. Basaites	Captain I	Eff:	04-02-11	33 Years	49 Days
Douglas S. Bayer	Engineer	Eff:	05-01-11	30 Years	257 Days
Lorenzo W. Brazley	Captain I	Eff:	05-01-11	30 Years	130 Days
Brett W. Davis	Captain II	Eff:	03-28-11	28 Years	266 Days
Thomas J. Futterer	Firefighter III	Eff:	04-19-11	25 Years	0 Days
Peter J. Goff, Jr.	Captain I	Eff:	04-04-11	28 Years	14 Days
Dennis R. Hain	Engineer	Eff:	05-20-11	33 Years	178 Days
Michael C. Hayes	Firefighter III	Eff:	04-01-11	27 Years	96 Days
Ronald J. Munoz	Engineer	Eff:	04-30-11	31 Years	2 Days
Michael R. Neu	Firefighter III	Eff:	04-29-11	30 Years	306 Days
Frankie L. Oglesby	Firefighter III	Eff:	05-01-11	30 Years	74 Days
Kirk A. Olson	Captain I	Eff:	05-25-11	26 Years	15 Days
Edward J. Puente	Firefighter III	Eff:	04-16-11	25 Years	0 Days
Alfonso Raffta	Firefighter III	Eff:	04-29-11	25 Years	0 Days
Mark I. Stormes	Assistant Chief	Eff:	05-31-11	33 Years	197 Days
Jose L. Tejada	Firefighter III	Eff:	05-02-11	33 Years	169 Days
Radley K. Wong	Firefighter III	Eff:	06-01-11	27 Years	162 Days

Police

Juan C. Acosta	Detective II	Eff:	05-02-11	26 Years	243 Days
Gary R. Aspinall	Detective I	Eff:	05-03-11	29 Years	217 Days
Bernard L. Barber	Detective III	Eff:	05-02-11	26 Years	105 Days
Tanya R. Bobo	Detective III	Eff:	06-01-11	28 Years	6 Days
Scott D. Brown	Police Officer III	Eff:	05-02-11	25 Years	15 Days
Tony G. Lomedico	Lieutenant II	Eff:	05-01-11	28 Years	297 Days
Thomas M. Mossman	Detective II	Eff:	06-01-11	27 Years	209 Days
Michael L. Rose	Sergeant I	Eff:	06-01-11	26 Years	269 Days
Arturo Yanez	Sergeant I	Eff:	06-01-11	30 Years	110 Days

DISCONTINUE DROP – TIER 5 – 1 **CORRECTION**

Fire

A. Ken Krupnik	Retired:	07-09-06	Exit Close of:	07-08-11
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Member changed his DROP exit date from 06-29-11 to 07-08-11.

- b. Other business relating to Department operations

General Manager Perez gave the following updates:

1. At the last Board meeting the actuary made a presentation that included information on a study the actuary did that was meant to evaluate savings the City would realize from freezing the health subsidies for retirees. The actuary explained that his study was done in March 2011 in which he made certain assumptions. As a result of negotiations between the City and the Unions, the final agreement is very different from what the actuary analyzed in March. Segal told the Board that the estimated savings the City was expecting in March could be significantly reduced, if not completely eliminated. Based on these comments by the actuary, General Manager Perez prepared a letter to the Mayor, key Councilmembers, CAO, CLA, and the presidents of LAPPL and UFLAC to ensure they all understand the situation.

Based on his letter, the City Budget and Finance Committee asked General Manager Perez to make a presentation on July 11, 2011. He explained that in his role as a fiduciary, one of his responsibilities is to minimize employer contributions. He informed the elected officials that they may not be saving the City money as estimated in March, but that the savings may not materialize, similar to the Early Retirement Incentive Program. On July 15, 2011, the City Council approved the Ordinance to approve the MOU with the Unions. The MOU stipulates that the future health subsidy increases for members who retire on or after July 15, 2011 or who enter the Deferred Retirement Option Plan (DROP) will be frozen. Members may elect to pay a two percent contribution and will not have their subsidies frozen.

The City Council action caused the LAFPP Board to direct staff of the City Attorney's Office to have outside counsel review if the health benefit increases are vested. General Manager Perez met with the City Attorney and outside counsel, Olson, Hagel & Fishburn, LLP. The outside counsel firm expects to respond to the Board by late September. After this opinion is provided to the Board and the 2% opt-in period closes, the actuary will complete another valuation study that the Board authorized to determine if the City contribution should be reduced to reflect the frozen subsidies. The City has paid \$428.1M towards the pension fund contribution but is withholding \$44M. The actuary will include the new information including, the status of the future health benefits, the amount of money the City has already given to us, and any expectation that we might have on savings that were realized from the MOU negotiated by the City and the Unions. Alan Manning, Assistant City Attorney stated the decision to go to outside counsel was a joint decision and it was at the suggestion of the City Attorney. General Manager Perez answered the Board's questions on the issue.

2. As part of this MOU, there is a 45-day opt-in period which allows members to choose to pay an additional two percent. If members pay the two percent, their future health subsidy increases in retirement will be vested. Staff is working with the CAO's Office on the issue. The CAO is creating a form that is being shared with internal staff and the City Attorney's Office. General Manager Perez

wants to ensure that the variety of questions and the process are vetted. What is different about this process is that if a member wants to object to not having the opportunity to pay the two percent, the member may petition a Dispute Resolution Committee comprised of Union and CAO representatives, as opposed to the LAFPP Board.

c. Marketing Cessation Information

4. City Attorney's Report

Mr. Alan Manning, Assistant City Attorney stated he had no further comments other than what he previously stated.

5. Monthly Report

General Manager Perez stated that there is one page in the Monthly Report that contains information on specific managers that was left out. Staff felt it was not utilized by the Board. However, if the Board prefers, the one page report will be placed back in the Monthly Report.

General Manager Perez stated the Ice Miller contract was listed in the Monthly Report in red ink to indicate that the contract is expiring. The City Attorney is taking action to address the issue. Mr. Alan Manning stated a report will be brought to the Board to extend their contract.

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

C. COMMITTEE REPORTS

1. Audit Committee – Last met: 07/07/11; next meeting: TBD

No updates were reported.

2. Benefits Committee – Last met: 06/16/11; next meeting: TBD

No updates were reported.

3. Governance Committee – Last met: 04/21/11; next meeting: TBD

Chair Diannitto stated a Committee meeting will be held on August 18, 2011. Commissioner Hansell stated he will not be in attendance.

4. Ad Hoc Committee on City Attorney's Office

No updates were reported.

5. Ad Hoc Committee on Social Investing – Last met: 07/07/11; next meeting: TBD

No updates were reported.

6. Ad Hoc Space Planning Committee – Discussion held during closed session with property negotiator

No updates were reported.

D. CONSENT ITEMS

1. Approval of Minutes

- a. Minutes of the Regular Board meeting of June 2, 2011
b. Minutes of the Special Board Meeting of June 2, 2011

2. Findings of Fact

- a. Rosa C. Mendez – Tier 5 b. Yolanda Echols – Tier 5 c. Hilton C. Henry – Tier 5

Commissioner Hansell moved that the Board approve the consent items, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Hansell, Maul, Moore, Navarro, Pérez, and President von Voigt – 8; nays, none.

E. CONSIDERATION OF FUTURE AGENDA ITEMS

There were no items referred.

F. PUBLIC COMMENTS

Ms. Elsa Moy made a public comment.

Deputy City Attorney Jim Napier took the City Attorney chair at this time.

G. DISABILITY CASES

THIS IS A CLOSED SESSION DUE TO PERSONNEL MATTERS PURSUANT TO GOVERNMENT CODE SECTION 54957

DISABILITY CLAIM – NEW CLAIM – TIER 5 – 1

Laura A. Chao

(P)

Detective I (Terminated)

Nonservice-connected disability pension is granted at 35% with no foreseeable purpose for review. Motion made by Commissioner Aliano, seconded by Commissioner Diannitto and adopted by the following vote: ayes, Commissioners Aliano, Diannitto, Maull, Navarro, and President von Voigt – 5; nays, Commissioners Hansell, Moore, and Pérez – 3. (Original motion to deny disability claim made by Commissioner Moore, seconded by Commissioner Pérez failed by the following vote: ayes, Commissioners Hansell, Moore, Navarro, and Pérez – 4; nays, Commissioners Aliano, Diannitto, Maull, and President von Voigt – 4. Second motion to grant Nonservice-connected disability pension at 40%, made by Commissioner Aliano, seconded by Commissioner Diannitto was amended to 35% by Commissioner Aliano and seconded by Commissioner Navarro.) Sergeant I Mary Culpepper, Medical Liaison, Los Angeles Police Department and Arthur Joseph Glaser, Ph.D. testified regarding Ms. Chao. Ms. Chao was present and represented by her attorney Thomas J. Wicke.

Commissioners Moore and Pérez left the board room for the remainder of the meeting.

Items A.5 and A.6 were taken out of order.

A. ITEMS FOR BOARD ACTION

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

Commissioner Hansell left the board room for the remainder of the meeting.

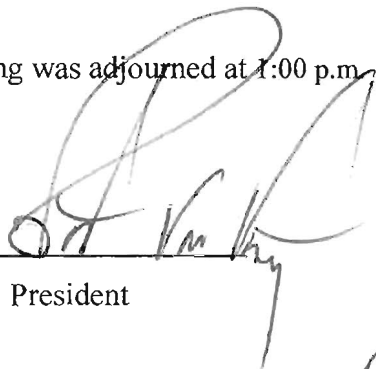
The Board met in closed session.

Commissioner Maull left the board room for the remainder of the meeting.

6. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 TO CONFER WITH REAL PROPERTY NEGOTIATOR; Properties: 330 South Alameda Street, 360 East Second Street; 400-420 Boyd Street, 464 & 470 East 3rd Street, 1111 West Sunset Blvd., Negotiator: David Weiner and Martin Cawley; Negotiating parties: Sentinel Real Estate Corporation; Under negotiation: Instruction to negotiator will concern price

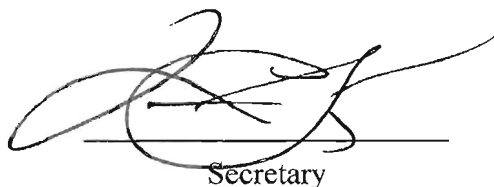
The Board met in closed session.

The meeting was adjourned at 1:00 p.m.



A large, stylized handwritten signature in black ink, appearing to read 'D. Van K...'.

President



A large, stylized handwritten signature in black ink, appearing to read 'R. J. ...'.

Secretary