

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
MEETING OF MAY 17, 2012

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met in Room 800, 360 East Second Street, on Thursday, May 17, 2012.

COMMISSIONERS PRESENT: Robert von Voigt, President
Dean Hansell, Vice President
George Aliano
Rafael Bernardino, Jr.
Sam Diannitto
Gregory Lippe
Wayne Moore
Ruben Navarro
Raúl Pérez

DEPARTMENT OF FIRE AND POLICE PENSIONS: William Raggio, Interim General Manager
Joseph Salazar, Assistant General Manager
Tom Lopez, Chief Investment Officer
Robyn Wilder, Chief Benefits Analyst
Barbara Nobregas, Commission Executive Assistant

CITY ATTORNEY'S OFFICE: Theresa Stamus, Senior Assistant City Attorney
Marie McTeague, Deputy City Attorney

President von Voigt called the regular meeting to order at 9:01 a.m. All of the above-listed Commissioners were present at the start of the meeting. President von Voigt stated that Item A.3 is postponed to a future meeting at the request of the member. Interim General Manager Raggio stated the Item will be heard at on June 7, 2012.

A. ITEMS FOR BOARD ACTION

1. PROPOSED RENEWAL OF FRONTIER CAPITAL MANAGEMENT SMALL CAP GROWTH EQUITY CONTRACT AND POSSIBLE BOARD ACTION

Mr. Paul Palmer, Investment Officer II provided a brief overview of Frontier Capital Management.

RESOLUTION 12125

Commissioner Navarro moved that the Board:

1. Approve a three-year contract with Frontier Capital Management;
 2. Authorize the Interim General Manager to negotiate and approve the terms and conditions of a contract with Frontier Capital Management for services; including the incorporation of the Board's Contractor Disclosure Policy for the period July 1, 2012 through June 30, 2015; and
 3. Authorize the President of the Board, on behalf of the Board, to execute the contract with Frontier Capital Management for small cap securities 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, Bernardino, Diannitto, Hansell, Lippe, Moore, Navarro, Pérez, and President von Voigt – 9; nays none.
2. AUTHORIZATION TO BEGIN SEARCH FOR GRAPHIC DESIGN SERVICES

The board report was approved as submitted.

RESOLUTION 12126

Commissioner Hansell moved that the Board authorize the Interim General Manager to issue a Request for Proposal (RFP) for graphic design services, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Bernardino, Diannitto, Hansell, Lippe, Moore, Navarro, Pérez, and President von Voigt – 9; nays none.

3. CONSIDERATION OF SCOTT SANDERS' REQUEST TO TRANSFER FROM TIER 3 TO TIER 5 AND POSSIBLE BOARD ACTION

This Item was continued.

B. REPORTS TO THE BOARD

1. REVIEW OF PRIVATE EQUITY POLICY

Mr. Tom Lopez, Chief Investment Officer and Erika Tiedge, Investment Officer II were before the Board. Commissioner Moore stated that he asked for this report to obtain background and history on the private equity program and how the Board has delegated authority to make commitments under \$25,000,000. He stated that Portfolio Advisor's contract is up for renewal in March or April of 2013. The Board should have a better understanding of their performance for the last two years. He was concerned with the specialized program, specifically the participation of minorities in the private equity space. The number of commitments to three minority firms represents less than five percent of the commitments. He was concerned whether or

not we are getting an effective specialized managers program from Portfolio Advisors. He made a motion to modify Portfolio Advisors' contract.

Ms. Theresa Stamus, Senior Assistant City Attorney stated that the report is for information only. Generally speaking, if the Board were to take action on this item, it runs the risk of violating the Brown Act. The best practice, conforming to strict compliance with the Brown Act, is to list the item as an "action item" on a future agenda to let the public know about the possible action. She advised the Board of the risk created in acting on an item that is not agendized as an "action item."

Mr. Tom Lopez stated that Portfolio Advisors has previously worked for the Board as a non-discretionary advisor; they can accommodate us. On the more desirable or oversubscribed deals, there will be occasions where we will not be able to invest in a fund because it may not be able to be scheduled before the Board in time. He did not anticipate the Board to lose out on many deals. Mr. Lopez stated that Commissioner Moore gave the Board information that is not correct and staff would like to address it. In terms of changing to a non-discretionary program, that is not a big issue. It will take more of the Board's time. He did not have objections but wanted the Board to understand the tradeoffs. The Board and staff continued to discuss the details of the program and prior managers.

Ms. Stamus stated that Commissioner Moore had raised a variety of issues regarding Portfolio Advisors; however, she reminded the Board that in California, participation by minority firms cannot be used as a basis for making a contract decision. The Board is entitled to the information, but it cannot be a factor in making a contract decision.

Commissioner Navarro stated that he agrees with the other Commissioners to receive board reports that do not prohibit the Board from taking action. Interim General Manager Raggio stated that his understanding was that staff was asked to provide an informational report; they were not asked to provide an opinion or recommendation on the issue. We get direction from the entire Board. He believes that staff did what they were asked and reported back to the entire Board. As for the new proposed policy the current contract is discretionary, but staff can prevent the managers from investing additional funds. There has been a lot of discussion on the emerging manager program and he asked that staff be provided direction. Interim General Manager Raggio thought it was prudent to survey other systems on their programs and to report back to the Board for direction.

Commissioner Hansell suggested that Portfolio Advisors will not make additional investments since staff has input and to put this issue over to give staff the opportunity to conduct a survey and return to the Board with a recommendation on how to address this issue.

Commissioner Moore stated that he agrees with the path going forward with an emerging manager policy review. The private equity space is one part of the total portfolio. He is only addressing the private equity commitments that are going to be made for the remainder of Portfolio Advisors' contract, and the emerging manager policy covers all of the asset classes. If we are doing an emerging manager policy review, it has to be comprehensive covering all asset classes and not just private equity. He agrees with Mr. Raggio on reviewing the emerging manager policy, but it should be a more comprehensive exercise.

The Board continued to discuss the issue and Commissioners gave their opinions. Mr. Lopez provided the Board with some options to consider.

RESOLUTION 12127

Commissioner Moore moved that the Board change the Private Equity Program to a non-discretionary program to the end of Portfolio Advisors' contract term, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Bernardino, Lippe, Moore, Navarro, and Pérez – 6; nays, Commissioners Diannitto, Hansell, and President von Voigt – 3.

2. PRESENTATION BY ARTIO GLOBAL INVESTORS INTERNATIONAL EQUITY

Mr. Richard C. Pell, CEO, CIO; Mr. Melvin Lindsey, Senior Vice President, Director of Institutional Investments; and Ms. Teri Smith, First Vice President, Director of Client Service, Institutional Investments from Artio Global Management LLC (Artio) provided an overview of their firm. The Board discussed the firm's ranking against its peers, the change in their benchmark, and future performance.

Ms. Rebecca Gratsinger from RV Kuhns gave a brief history of Artio's prior performance. RV Kuhns will report back as part of the work plan, a presentation of the International Portfolio with all the changes made and specifically reviewing Artio and what changes to make going forward. The board report was received and filed.

3. PRESENTATION BY DELTA ASSET MANAGEMENT LARGE CAP GROWTH

Ms. Marla Ryan, CFA, Portfolio Manager, Analyst and Mr. Carl Goldsmith, Senior Vice President of Delta Asset Management were before the Board. Mr. Goldsmith provided an overview of Delta's performance. Mr. Tom Lopez commented on Delta's history of performance. The report was received and filed.

Mr. Lopez stated that he is experimenting with the Watch List reports in response to Commissioner Navarro's question on where does staff stand on the two managers. A recent request from the Board was to give an indication of their recommendation and to separate the report from any manager presentations. RV Kuhns and staff have had numerous conversations on the two managers. He will provide individual reports on the two firms.

4. Miscellaneous correspondence from money managers, consultants, etc. – Received and Filed.
5. Monthly Report – Received and Filed.
6. General Manager’s Report
 - a. Benefits Actions approved by General Manager on May 3, 2012

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

Wayne R. Bell	Police Service	Retired:	03-01-66	Died:	04-10-12
Bette R. Phillips	Police Disability	Retired:	08-01-61	Died:	03-20-12
Marjourie E. Coley	Police Widow	Retired:	12-15-88	Died:	10-29-11

DISCONTINUED PENSIONS – TIER 2 – 14

Earl G. Johnson	Fire Service	Retired:	06-29-80	Died:	03-30-12
Winfred D. Parker	Fire Service	Retired:	02-29-76	Died:	04-03-12
William R. Willard	Fire Service	Retired:	06-29-80	Died:	03-21-12
Charles P. Lafitte	Police Service	Retired:	06-30-77	Died:	03-21-12
Frank A. Marz	Police Service	Retired:	11-24-74	Died:	03-19-12
Wendell J. Ritzius	Police Service	Retired:	06-29-74	Died:	02-03-12
Verne O. Sorensen	Police Service	Retired:	06-24-78	Died:	03-23-12
Philip K. Boukather	Fire Disability	Retired:	01-05-73	Died:	03-31-12
Alan C. Halliwell	Police Disability	Retired:	03-05-81	Died:	03-19-12
Dorothy Garcia	Fire Widow	Retired:	12-27-90	Died:	02-20-12
Evelyne G. Reed	Fire Widow	Retired:	08-07-09	Died:	08-25-11
Betty J. Rupp	Fire Widow	Retired:	03-29-71	Died:	10-27-11
Mary V. Haldi	Police Widow	Retired:	10-29-83	Died:	02-21-12
Darlene W. Morrell	Police Widow	Retired:	05-05-11	Died:	12-19-11

ELIGIBLE SURVIVING SPOUSE’S PENSION – TIER 1 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member’s Class</u>	<u>Effective Date</u>
Sylvia Bell	Wayne R. Bell	Police Service	04-11-12

ELIGIBLE SURVIVING SPOUSE’S PENSION – TIER 2 – 10

<u>Name</u>	<u>Deceased Member</u>	<u>Member’s Class</u>	<u>Effective Date</u>
Arlene J. Burnham	Edwin C. Burnham	Fire Service	03-21-12

Thelma S. Dreher	Edward J. Dreher	Fire Service	03-15-12
Patricia A. Loewe	Albert U. Loewe	Fire Service	03-30-12
Ola M. Parker	Winfred D. Parker	Fire Service	04-04-12
Betty M. Willard	William R. Willard	Fire Service	03-22-12
Kathleen J. Kalash	Donald J. Kalash	Police Service	03-17-12
Doris J. Marz	Frank A. Marz	Police Service	03-20-12
Victoria S. Mc Connel	Francis E. Mc Connell	Police Service	03-10-12
Dolores F. Sorensen	Verne O. Sorensen	Police Service	03-24-12
Carol J. Belous	Phillip G. Belous	Police Disability	03-03-12

SURVIVING CHILD'S PENSION – TIER 5 – 1

Surviving child benefits are now payable to Gabrielle R. Simmons, surviving child of deceased Police Officer III, Randal D. Simmons, effective May 7, 2012, due to the attainment of age 18 and the continuation of her full-time student status. There are no remaining minors.

DECREASE SURVIVING SPOUSE'S PENSION – TIER 2 – 1

Decrease the pension payable to Jane R. Euge, surviving spouse of deceased Police Officer II, William A. Euge, due to the attainment of age 18 by Lauren J. Euge, effective May 27, 2012.

DECREASE SURVIVING SPOUSE'S PENSION – TIER 5 – 1

Decrease the pension payable to Lisa T. Simmons, surviving spouse of deceased Police Officer III, Randal D. Simmons, due to the attainment of age 18 and full-time student status by Gabrielle R. Simmons, effective May 7, 2012.

DISCONTINUE SURVIVING CHILD'S PENSION – TIER 5 – 1

Discontinue the pension payable to Lauren Barron, surviving child of deceased Police Detective I, Abiel Barron, effective May 20, 2012, due to the attainment of age 22 on May 21, 2012. There are no remaining minors.

SERVICE PENSION – TIER 5 – 1

Police

Jerry V. Post	Police Officer III	Eff:	04-03-12	25	Years	82	Days
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SERVICE PENSION/DROP – TIER 5 – 6

Fire

Stephen W. Douglass	Inspector II	Eff:	01-31-12	28	Years	46	Days
Donald L. Frazeur	Deputy Chief	Eff:	01-09-12	36	Years	0	Days
Cecil D. Morris	Captain II	Eff:	03-02-12	25	Years	22	Days
James J. Nicholson	Firefighter III	Eff:	02-04-12	30	Years	287	Days

Todd P. Porter	Fire Captain I	Eff: 02-29-12	25	Years	144	Days
Gerald N. Ricard	Firefighter III	Eff: 02-29-12	31	Years	65	Days

b. Other business relating to Department operations

Interim General Manager Raggio gave the following updates:

1. We are polling Board Members to see if we will have a quorum at the July 5, 2012 Board meeting. We are waiting to hear back from the remainder of four Commissioners who have not yet responded.
2. LACERS is moving to the LA Times Building in July. On July 19, they will be moving furniture and he is concerned that it will disrupt our meeting. He has made arrangements to have the Board meeting at the Los Angeles Police Headquarters Building. He is working on the logistics and will keep the Board apprised.
3. The RFP went out for the General Manager's performance evaluation and there were no bidders on the contract. To the extent the Board is concerned about changing the criteria for the general manager evaluation before the evaluation period begins, which is July 1, 2012, we have a contract with The Results Group that expires in 2013. Staff will bring a recommendation for a new consultant expected in July. Commissioner Hansell stated that the Board is not going to evaluate the former General Manager. He noted why would the Board spend money on evaluating Mr. Raggio for such a limited time period; it would not be fair. Mr. Raggio stated the rating period would be at the end of the one-year period that he would be in the position. The Board did request staff go back and review the criteria that the general manager is evaluated by. The idea was to go out to RFP if the Board wishes to change the criteria. Mr. Raggio stated there was nothing to do now, The Results Group is under contract, if the Board wishes to change the criteria.
4. He provided an overview of the General Manager's confirmation process in response to Commissioner Bernardino's inquiry. He met with the Mayor's Staff. He will go before the Budget and Finance Committee, then to City Council. The Budget and Finance Committee meetings have been cancelled because they are going through the City's budget process. He anticipates to be scheduled in a few weeks, then go to City Council.
5. At the June 7, 2012 meeting, five money managers will be interviewed for the International Emerging Manager Program. It will be a long meeting and we will poll the Board if they can meet earlier.
6. The Mayor's proposed budget included an item to audit the two Relief Associations. This was new information to us. The Controller's Office did an audit in the early 2000's. Our Internal Auditor, Ms. Erin Kenney will reach out to the Controller's Office to determine the scope of the audit and also to coordinate efforts with them. We have completed the Fire Relief audit and will next audit

Police Relief. We would like to minimize or avoid the duplication of document requests from Police Relief and will try to coordinate with the Controller's Office accordingly.

We have an RFP for the external auditor. We will ask the Board, depending on how heavy the agenda for the June 7, if it's possible to bring it to the Audit Committee either on June 7 or June 21. We will poll the Audit Committee for their availability.

c. Marketing Cessation Information

7. City Attorney's Report

Ms. Theresa Stamus stated that they were asked for advice on Assembly Bill 2224, which is similar to the Governor's 12-point pension reform plan. The legislation is essentially dead. It will be considered by the California State Legislature's Conference Committee. The Assembly and Senate leadership have deferred to the Conference Committee. There are no recommendations at this time from the Conference Committee, which expires at the end of this legislative session, August 2012.

C. COMMITTEE REPORTS

1. Audit Committee – Last met: 03/01/12; next meeting: TBD

Chair Navarro had no updates to report.

2. Benefits Committee – Last met: 04/05/12; next meeting: TBD

Chair Aliano had no updates to report.

3. Governance Committee – Last met: 02/02/12; next meeting: TBD

Chair Diannitto had no updates to report.

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

President von Voigt stated that the item will be discussed during closed session.

D. CONSENT ITEMS

1. Miscellaneous Board Actions

a. PRIVATE EQUITY MANAGER REFERRAL - PHAROS GROUP L.L.C. AND POSSIBLE BOARD ACTION

- b. PRIVATE EQUITY MANAGER REFERRAL - RLJ EQUITY PARTNERS, L.L.C. AND POSSIBLE BOARD ACTION
- c. PRIVATE EQUITY MANAGER REFERRAL - 21ST CENTURY GROUP L.L.C. AND POSSIBLE BOARD ACTION

Commissioner Diannitto moved that the Board approve the Consent Items D.1, which was seconded by Commissioner Hansell and approved by the following vote: ayes, Commissioners Aliano, Bernardino, Diannitto, Hansell, Lippe, Moore, Navarro, Pérez, and President von Voigt – 9; nays, none.

2. Approval of Minutes

- a. Minutes of the Regular Board meeting of February 2, 2012
- b. Minutes of the Special Board Meeting of December 15, 2011

Commissioner Hansell moved that the Board approve the Consent Items D.2, which was seconded by Commissioner Bernardino and approved by the following vote: ayes, Commissioners Aliano, Bernardino, Diannitto, Hansell, Lippe, Moore, Navarro, Pérez, and President von Voigt – 9; nays, none.

E. CONSIDERATION OF FUTURE AGENDA ITEMS

There were no items referred.

F. PUBLIC COMMENTS

Ms. Elsa Moy gave a public comment.

G. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

- 1. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 TO CONFER WITH REAL PROPERTY NEGOTIATOR; Properties: 420 East 3rd Street, 464 & 470 East 3rd Street, 701 East 3rd Street, 216 South Alameda Street, 330 South Alameda Street, 333 South Alameda Street, 400-420 Boyd Street, 706 & 711 Ducommun Street, 540 South Santa Fe Avenue, 360 East Second Street, 729 E. Temple 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

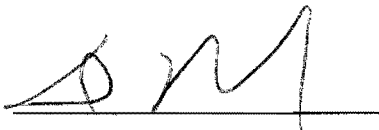
The Board met in closed session.

2. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 TO CONFER WITH REAL PROPERTY NEGOTIATOR; Property: 360 East Second Street, Los Angeles, CA 90012; Negotiators: Norman Lee, Tom Lopez, Erika Tiedge; Negotiating parties: Jamison Company and LAFPP; Under negotiation: Instruction to negotiator will concern price and terms of payment

Deputy City Attorney Marie McTeague took the City Attorney Chair at this time.

Upon reconvening in open session, President von Voigt stated that the Board met in closed session and there was nothing to report.

The meeting adjourned at 11:19 a.m.



President



Secretary