

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
AD HOC COMMITTEE ON INVESTMENT MANAGERS MEETING
OF MARCH 22, 2012

The Ad Hoc Committee on Investment Managers and members of the Board of Fire and Police Pension Commissioners of the City of Los Angeles met in Room 800, 360 East Second Street, on Thursday, March 22, 2012.

COMMITTEE

MEMBERS PRESENT: Wayne Moore, Chair
Sam Diannitto
Ruben Navarro
Raúl Pérez

AD HOC COMMITTEE

SUPPORT STAFF: Tom Lopez, Chief Investment Officer

**DEPARTMENT OF FIRE AND
POLICE PENSIONS:**

William Raggio, Acting General Manager
Joseph Salazar, Assistant General Manager
Tom Lopez, Chief Investment Officer
Evange Masud, Executive Administrative Assistant

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

Chair Moore called the meeting to order at 8:10 a.m. All of the Committee members were present at the start of the meeting.

1. DISCUSSION ON THE PURPOSE OF THE AD HOC COMMITTEE ON INVESTMENT MANAGERS AND POSSIBLE COMMITTEE ACTION

A. PROPOSED INVESTMENT COMMITTEE CHARTER

Chair Moore stated the meeting was being held to discuss the purpose of the Ad Hoc Committee. The item for discussion was the investment committee charter that he prepared. The item from February 9 was discussed and voted on at the previous meeting; it was not the subject of discussion. He wanted to focus on the proposed committee charter.

Commissioner Moore provided background for the record. The Board President appointed the Ad Hoc Committee to conduct some interviews for investment managers and make a recommendation to the Board a few months ago. After the assignment was completed, the Committee met to discuss

whether to continue Committee activities. Commissioner Moore asked that staff, through the General Manager, prepare a report for the Committee outlining the possible duties that the Committee could perform in support of the Board. Much to his chagrin, staff prepared the report for the February 9 meeting recommending that the Committee be dissolved. Commissioner Moore wanted to expand the role of the Committee. The recommendation failed when the Committee voted on it. Subsequently, he asked the Board President to allow the Committee to meet again as one of the members of the Committee was absent from the February 9 meeting. He prepared a report himself outlining the duties and responsibilities that might add value and improve the processes that we are engaged in, specifically, monitoring the performance of the investment managers and investment portfolio.

He asked for the Committee's input on the proposed charter outline. Commissioner Navarro stated that the Board has access to the General Consultant and the Board may also contact staff. He agrees with Commissioner Moore's proposed charter but disagreed where it should be done, indicating that it should be handled by the full Board. Commissioner Navarro stated that the Committees are time consuming.

Commissioner Diannitto concurred with Commissioner Navarro that what is listed in the proposed charter for the Committee is the Board's responsibility. He is not willing to delegate his responsibility to a Committee. Commissioner Moore stated that it is the Board's responsibility, but the Board has delegated much of its responsibility to staff which he does not agree with. The Committee members continued their discussion and gave their views on whether or not to establish an investment committee. They also discussed the previous report from February 9, 2012.

Mr. William Raggio, Assistant General Manager, Administrative Operations provided an overview of the Ad Hoc Committee and process of establishing an investment committee. The Committee and staff discussed whether it was beneficial to utilize an investment committee. Mr. Alan Manning, Assistant City Attorney clarified the duties of an Ad Hoc Committee and indicated that the questions about structure are the providence of the Board and the Governance Committee, specifically whether this should be a standing committee. This is not the providence of the Ad Hoc Committee.

Mr. Tom Lopez, Chief Investment Officer (CIO) provided a brief history of prior Investment Committees of the Board and the advantages and disadvantages of an investment committee.

Committee members discussed their concerns regarding the committee structure, voting and committee vs. Board to handle investment matters.

Mr. Raggio stated staff is here to provide information to the Board. If the Board wishes to meet more often or have longer meetings, the staff is available to do that. His sense is that the Board prefers concise meetings to the extent possible. This discussion should be at the full Board level if you do not get a consensus from the Ad Hoc Committee; then, you are welcome to bring it as a future agenda item. Staff could prepare a report to provide more analysis of this issue. He was not sure if

the '37 Act counties are required to have investment type committees in regards to Commissioner Moore's analysis of other counties within California and their investment committee structure. We are a Charter City; so we are different from county pension systems. Perhaps part of the analysis should have been how we are different from the other systems because of our plan design.

Commissioner Pérez stated that after the discussion regarding private equity last week, there was a motion passed. He would like more clear criteria how he as a Board member is supposed to judge the performance of private equity. He was frustrated that there was not enough information on the documents before him with regards to measuring their performance vs. some of the other consultants. RV Kuhns and staff offered some ideas. He preferred to have some criteria that he could follow because it is a significant program at 10% of the Fund. Portfolio Advisors has been on board for two years now and at what point do we bring them up for evaluation to see if they delivered returns relative to their peers and, fulfilled their mandate in other areas. Is that something doable to come up with a working document with respect to private equity?

Mr. Tom Lopez stated 'yes' there is. Private equity is the longest lived asset and that makes it difficult to measure as the early returns can be very different from later ones. There are some things available to use but with even with the more advanced comparisons things are not clear cut. They have already discussed with Portfolio Advisors some types of new reports. He talked about one tool to use in regards to private equity is "vintage year comparisons." Mr. Alan Manning stated the Committee discussion was going far beyond the agenda.

Commissioner Moore stated that he did not have a new recommendation on the agenda and he will not ask for any vote. He will report to the Board President that the Committee did not come to a consensus on how to move forward. He will leave it up to the Board President to dissolve the Committee or whatever he wants to do because it is at his discretion.

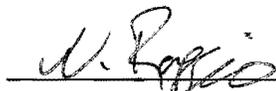
2. PUBLIC COMMENTS

There were no public comments.

The meeting adjourned at 9:19 a.m.



Chair


Secretary