

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
SPECIAL BOARD MEETING OF OCTOBER 18, 2012

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 18, 2012.

COMMISSIONERS PRESENT: Dean Hansell, President
Ruben Navarro, Vice President
Gregory Lippe
Wayne Moore
Raúl Pérez

COMMISSIONERS ABSENT: George Aliano
Sam Diannitto
Robert von Voigt

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: Alan Manning, Assistant City Attorney
James Napier, Deputy City Attorney

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

President Hansell called the Special Board 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. DISCUSSION AND POSSIBLE BOARD ACTION REGARDING THE RECRUITMENT PLAN, ADVERTISEMENT AND BROCHURE FOR THE LOS ANGELES FIRE AND POLICE PENSIONS GENERAL MANAGER**

Ms. Myo Thedar, Senior Management Analyst II, Administrative Services Section, and Ms. Gloria Sosa, Assistant General Manager of the Personnel Department came before the Board. Mr. Chuck Rohre, consultant from The Waters Consulting Group participated telephonically and presented the draft timeline and brochure for the Board's input.

RESOLUTION 13047

Commissioner Lippe moved that the Board change the General Manager recruitment application deadline from November 19, 2012, to November 30, 2012, which motion was seconded by Commissioner Navarro, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

RESOLUTION 13048

Commissioner Navarro moved that the Board review and approve the General Manager recruitment plan and brochure, which motion was seconded by Commissioner Lippe, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

Ms. Sosa stated her concerns regarding the language on the Application & Selection Process section of the brochure that it may deter applicants from applying for the position. She requested additional time to work with the consultant to revise the language. President Hansell postponed the discussion to allow Ms. Sosa to collaborate with the consultant and return to the Board later in the meeting with the appropriate proposed language.

President Hansell announced that on July 19, 2012 the Board approved a \$15 million dollar investment in Advent International GPE7 pursuant to Gov. Code Section 54956.81. That transaction closed on July 31, 2012.

2. SELECTION OF A PASSIVE INTERNATIONAL SMALL CAP EQUITY MANAGER AND
POSSIBLE BOARD ACTION

Mr. Paul Palmer, Investment Officer II came before the Board. The board report was approved as submitted.

RESOLUTION 13049

Commissioner Navarro moved that the Board

1. Approve the selection of Northern Trust Global Investors (Northern Trust) for a passive International Small Cap Equity mandate;

2. Authorize the General Manager to review and negotiate the terms and conditions with Northern Trust for passive International Small Cap Equity advisory services including the incorporation of the Board's Contractor Disclosure Policy; and,
3. Authorize the President of the Board, on behalf of the Board, to execute the contract with Northern Trust for International Small Cap Equity services, subject to the approval of the City Attorney as to form, which motion was seconded by Commissioner Lippe, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

3. COMMODITIES PORTFOLIO STRUCTURE AND POSSIBLE BOARD ACTION

Messrs. Tom Lopez, Chief Investment Officer (CIO) and Derek Niu, Investment Officer II from the Investments Division; and Ms. Rebecca A. Gratsinger, CEO and Senior Consultant presented the report.

RESOLUTION 13050

Commissioner Lippe moved that the Board:

1. Set the allocation for public securities to 50% of the commodities allocation
 - a) 50% to passive strategy
 - b) 50% to active strategy;
2. Reapprove 25% of the commodities allocation to private equity funds (Energy, Agriculture, Mining, and Healthcare); and,
3. Set the implementation period to be carried out in 2 years, which motion was seconded by Commissioner Navarro, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

Commissioner Moore stated his concerns regarding investing in derivatives. Ms. Gratsinger provided an overview of investing in derivatives specifically addressing speculation, leveraging and hedging actions. Mr. Lopez explained the possible investment strategies. Mr. Lopez also stated that the issue will come again before the Board during the manager search process. Ms. Gratsinger will ensure that her report, the staff report and the managers' presentations discuss the risk and investment style.

RESOLUTION 13051

Commissioner Lippe moved that the Board:

1. Designate 25% of the commodities allocation to derivatives based instruments:
 - a) 70% to enhanced indexing strategy
 - b) 30% to active constrained strategy with an absolute dollar minimum of \$50 million, which motion was seconded by Commissioner Navarro, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

4. QUARTERLY SUMMARY OF PRIVATE EQUITY COMMITMENTS

Mr. Tom Lopez and Ms. Erika Tiedge, Investment Officer II presented the report seeking Board direction on whether or not it wishes to continue receiving the Quarterly Summary of Private Equity Commitments report. Interim General Manager Raggio stated that staff was specifically asked to provide it when it was a discretionary program. Portfolio Advisors is now providing the information in more detail since their contract is now non-discretionary.

RESOLUTION 13052

Commissioner Lippe moved that the Board discontinue receiving the Quarterly Summary of Private Equity Commitments while its private equity program is non-discretionary, which motion was seconded by Commissioner Navarro, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

5. REQUEST TO BEGIN SEARCH FOR A HEALTH CONSULTANT ON A TIME AND EXPENSE BASIS AND POSSIBLE BOARD ACTION

The board report was approved as submitted.

RESOLUTION 13053

Commissioner Navarro moved that the Board authorize the Interim General Manager to issue a Request for Proposal (RFP) for a health consultant, which motion was seconded by Commissioner Moore, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

6. CONSIDERATION OF PERMANENT MEETING LOCATION AND POSSIBLE BOARD ACTION

President Hansell postponed this item to a future meeting to garner input from absent Board Members.

B. REPORTS TO THE BOARD

1. MANAGEMENT FEE STUDY RESULTS AND SURVEY METHODOLOGY

Mr. Tom Lopez and Ms. Annie Chao, Management Analyst II, Investments Division presented the report and answered the Board's questions. Mr. Lopez stated that asset allocation is what drives returns and management fees. President Hansell stated this topic will be addressed by the Ad Hoc Managers Fees Committee in detail.

2. REVIEW OF MARINER INVESTMENT GROUP INTERNATIONAL INFRASTRUCTURE FINANCE COMPANY FUND BY RV KUHNS

Mr. Tom Lopez and Ms. Rebecca Gratsinger were before the Board. Ms. Gratsinger presented a review of the Mariner fund indicating that it did not fit into the fixed income portfolio.

3. RISK ASSESSMENT SURVEY TO DEVELOP THE 2013 ANNUAL AUDIT PLAN AND FORECAST

Ms. Erin Kenney, Departmental Audit Manager presented the risk assessment survey. President Hansell asked staff to modify the survey form to rate the potential risk level for each area. Ms. Kenney stated she will modify the survey and email it to Board Members.

4. QUARTERLY TRAVEL REPORT FOR COMMISSIONERS AND STAFF

The board report was received and filed.

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

6. Monthly Report

The board report was received and filed.

7. General Manager's Report

a. Benefits Actions approved by General Manager on October 4, 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

Ernest Celaya	Police Service	Retired:	07-01-73	Died:	05-24-12
Rawleigh Fusilier	Police Service	Retired:	02-26-66	Died:	04-17-12
Billy G. Orman	Police Disability	Retired:	09-22-65	Died:	05-10-12

DISCONTINUED PENSIONS – TIER 2 – 12

Irving M. Anear	Fire Service	Retired:	07-14-67	Died:	08-23-12
George D. Doerfler	Fire Service	Retired:	12-01-91	Died:	08-16-12
Franklyn N. Leavitt	Fire Service	Retired:	06-26-78	Died:	08-30-12
Wm A. Fedderson	Police Service	Retired:	10-08-67	Died:	08-16-12
George L. Hampton	Police Service	Retired:	02-08-81	Died:	09-01-12
John M. Rygh	Police Service	Retired:	02-24-91	Died:	08-07-12
Taylor L. Searcy	Police Service	Retired:	01-22-85	Died:	08-07-12
Edward T. Zweifel	Police Service	Retired:	02-12-89	Died:	08-26-12
Raymond P. Martin	Fire Disability	Retired:	01-13-83	Died:	08-21-12
Karl L. Smith	Fire Disability	Retired:	06-10-70	Died:	08-25-12
Esther M. Pearcey	Police Widow	Retired:	08-07-93	Died:	08-10-12
Ruby M. Shipp	Police Widow	Retired:	12-10-03	Died:	04-07-12

DISCONTINUED PENSIONS FORMER SPOUSE – TIER 2 – 4

Anna M. Cope	Police Service	Retired:	08-01-01	Member Died:	08-07-12
Susan Hampton	Police Service	Retired:	08-01-88	Member Died:	09-01-12
Beth M. Zweifel	Police Service	Retired:	11-01-08	Member Died:	08-26-12
Darla J. Martin	Fire Disability	Retired:	08-01-04	Member Died:	08-21-12

ELIGIBLE SURVIVING SPOUSE’S PENSION – TIER 2 – 4

<u>Name</u>	<u>Deceased Member</u>	<u>Member’s Class</u>	<u>Effective Date</u>
Helen M. Anear	Irving M. Anear	Fire Service	08-24-12
Reta D. Doerfler	George D. Doerfler	Fire Service	08-17-12
Michelle Esquivel	Gene T. Solis	Police Service	08-20-12
Barbara A. Searcy	Taylor L. Searcy	Police Service	08-08-12

SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 2 – 2

<u>Name</u>	<u>Member’s Class</u>	<u>Effective Date</u>	<u>Survivor Benefit %</u>
Richmond W. Dresser	Police Service	10-01-12	60%
John W. Mc Intosh	Fire Disability	10-01-12	100%

SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 3 – 1

<u>Name</u>	<u>Member’s Class</u>	<u>Effective Date</u>	<u>Survivor Benefit %</u>
Staci M. Broussard	Police Disability	10-01-12	100%

SURVIVOR BENEFIT PURCHASE PROGRAM VESTED MEMBERS – TIER 1 – 1

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Vested Date</u>	<u>Survivor Benefit %</u>
A. J. Lavezzaria	Police Service	09-01-11	09-01-12	75%

SURVIVOR BENEFIT PURCHASE PROGRAM VESTED MEMBERS – TIER 2 – 3

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Vested Date</u>	<u>Survivor Benefit %</u>
Dennis K. Darger	Police Service	09-01-11	09-01-12	45%
Ronald E. Kington	Police Service	10-01-11	10-01-12	50%
George Serenbetz	Police Disability	10-01-11	10-01-12	30%

ELIGIBLE SURVIVOR BENEFIT PURCHASE PROGRAM PENSION – TIER 2 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Margery F. Payton-Leavitt	Franklyn N. Leavitt	Fire Service	08-31-12

SURVIVING CHILD'S PENSION – TIER 3 – 1

Surviving child benefits are now payable to Emily B. Vitar, surviving child of deceased Police Service-Connected Disability Pensioner, Pablo P. Vitar, effective October 11, 2012, due to the attainment of age 18 and the continuation of her full-time student status. There are two remaining minors.

DECREASE SURVIVING SPOUSE'S PENSION – TIER 3 – 1

Decrease the pension payable to Gail J. Vitar, surviving spouse of deceased Police Service-Connected Disability Pensioner, Pablo P. Vitar, effective October 11, 2012, due to the attainment of age 18 and full-time student status by Emily B. Vitar. There are two remaining minors.

INCREASE SURVIVING SPOUSE'S PENSION – TIER 2 – 1

Increase the pension payable to Katherine Borning Cordova, surviving spouse of deceased Police Service-Connected Disability Pensioner, Stephen A. Cordova, effective May 12, 2012, due to minor child benefits are now payable for Alexandra R. Cordova.

INCREASE MINOR'S PENSION – TIER 3 – 1

Increase the pension payable to Shawn R. Hill, minor of deceased Firefighter III, Jimmie Hill, effective October 10, 2012 due to the attainment of age 22 by Scott J. Hill.

INCREASE SURVIVING CHILD'S PENSION – TIER 3 – 1

Increase the pension payable to Sheldon C. Hill, surviving child of deceased Firefighter III, Jimmie Hill, effective October 10, 2012 due to the attainment of age 22 by Scott J. Hill.

DISCONTINUE SURVIVING CHILD'S PENSION – TIER 3 – 1

Discontinue the pension payable to Scott J. Hill, surviving child of deceased Firefighter III, Jimmie Hill, effective October 9, 2012, due to the attainment of age 22 on October 10, 2012. There is one surviving child and one minor remaining.

DEFERRED SERVICE PENSION – TIER 3 – 1

Police

Lorie A. Gerdes Police Officer III Eff: 09-26-12 12 Years 102 Days

SERVICE PENSION – TIER 3 – 1

Police

Cecelia M. Dixon Police Officer II Eff: 09-09-12 22 Years 203 Days

SERVICE PENSION – TIER 5 – 1

Police

Kenneth M. Cioffi Police Officer III +1 Eff: 08-26-12 23 Years 314 Days

SERVICE PENSION/DROP – TIER 5 – 3

Fire

Ralph G. Guerrero Firefighter III Eff: 07-03-12 25 Years 322 Days

Matthew G. McKnight Fire Captain I Eff: 08-01-12 30 Years 52 Days

Police

Charles A. Knolls Detective II Eff: 08-01-12 25 Years 279 Days

SERVICE CONNECTED DISABILITY PENSION – TIER 3 – 2

<u>Name</u>	<u>Member's Class</u>	<u>Percentage</u>	<u>Effective Date</u>	<u>Board Date</u>
Brian D. Liddy	Sergeant I	55.0000%	06-29-01	09-06-12
Robert J. Chavez	Police Officer III	32.5534%	04-05-08	09-06-12

b. Other business relating to Department operations

Interim General Manager Raggio gave the following updates:

1. He will implement the reporting frequency as proposed on the cover page of the Monthly Report, unless Board Members have specific feedback.
2. He introduced a new staff member, Ms. Wendy Kamayatsu, Management Analyst II who joined the

Administrative Services Section.

3. Former Mayor Richard Riordan submitted a pension reform initiative to be placed on the ballot as a Charter amendment. If it passes, it will dramatically change all of the pension systems within the City. The petition was submitted to the City Clerk's Office. The City Attorney's Office has 15 days to prepare the official title and summary. Former Mayor Riordan has to collect 255,000 qualified signatures by the end of December 2012. If the petition qualifies, it will be placed on the May 21, 2013 general municipal election. He will keep the Board apprised of the issue, which is to move all new staff hired by the City after July 2013 into 401(k) plans. It would apply to all City employees, including Department of Water and Power and sworn. If the defined benefit plans are closed, there are recent studies to show what happens to the City contributions. The three pension systems will be meeting with the CAO next week. Commissioner Pérez asked for the facts on the issue. Interim General Manager Raggio stated that he would give the 2005 study on closing the City's defined benefit plan to Board Members. Commissioner Moore proposed forming an ad hoc committee to deal with the issue or assign staff to work with the other City pension systems. President Hansell stated he will put the issue on the next agenda for discussion.

Ms. Elsa Moy gave a public comment.

Mr. Pat McOsker, President of the United Firefighters of Los Angeles City gave a public comment regarding former Mayor Riordan's proposal. He will be available to assist with the issue.

c. Marketing Cessation Information

8. City Attorney's Report

Mr. Alan Manning, Assistant City Attorney stated that in regards to the Riordan petition, the City Attorney is required by the government code to write a title and summary description that is a true and impartial statement.

C. COMMITTEE REPORTS

1. Audit Committee – Last met: 06/21/12; next meeting: 10/18/12
2. Benefits Committee – Last met: 04/05/12; next meeting: 11/01/12
3. Governance Committee – Last met: 07/19/12; next meeting: TBD
4. Ad Hoc Emerging Investment Managers – next meeting: TBD

5. Ad Hoc Managers Fees Committee – next meeting: TBD
6. Ad Hoc Space Planning Committee – Discussion held during closed session with property negotiator
7. Ad Hoc Strategic Planning Committee – next meeting: TBD

Commissioner Navarro stated that the Audit Committee met this morning and will have a report for the next Board meeting. President Hansell noted that there are several additional ad hoc committees that will meet. A proposal will come before the Board regarding the Ad Hoc Strategic Planning Committee to become a standing committee.

D. CONSENT ITEMS

1. Miscellaneous Board Actions
 - a. CONSIDERATION OF REQUEST TO ESTABLISH EFFECTIVE DATE OF DOMESTIC PARTNERSHIP AND POSSIBLE BOARD ACTION
2. Approval of Minutes
 - a. Minutes of the Special Board Meetings of July 19, 2012 (2) and August 2, 2012 (2)
3. Findings of Fact
 - a. Mario R. Estrada – Tier 5 b. Robert J. Chavez – Tier 3 c. Brian D. Liddy – Tier 3

Commissioner Navarro stated his concerns that domestic partnership issues should not come before the Board due to privacy issues. He believed that members should have a certain amount of privacy and directed that staff look into the issue. Interim General Manager Raggio stated that the Board may delegate this to staff and will bring a recommendation to the Board at a future meeting.

MOTION

Commissioner Navarro moved that the Board approve the consent items, which was seconded by Commissioner Moore and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell, – 5; nays, none.

E. CONSIDERATION OF FUTURE AGENDA ITEMS

President Hansell stated there are currently two items for consideration - pension reform and delegating to staff

the approval of domestic partnership effective dates.

Commissioner Lippe thanked Mr. Tom Lopez and staff for coming up with a reasonable approach to the commodities investment that saved the Fund \$8 million dollars in fees. Interim General Manager Raggio stated that after the Ad Hoc Committee on Investment Fees has concluded its work, staff will issue a report on the actual fees paid for the year vs. what was reflected in the budget.

The Board resumed their discussion on Item A.1.

A.1 DISCUSSION AND POSSIBLE BOARD ACTION REGARDING THE RECRUITMENT PLAN, ADVERTISEMENT AND BROCHURE FOR THE LOS ANGELES FIRE AND POLICE PENSIONS GENERAL MANAGER

Ms. Myo Thedar and Ms. Gloria Sosa came before the Board. Ms. Thedar thanked the Board for allowing time for staff and the Personnel Department to confer with the consultant. She read the verbiage to replace the first paragraph in the Application & Selection Process section. Ms. Sosa stated their desire to ensure that the applicants understand the process without raising unnecessary concerns about confidentiality early in the process.

Commissioner Navarro stated he was comfortable with the existing language and would vote against proposed changes. Ms. Sosa reiterated the Personnel Department's main concern that applicants may jeopardize their current employment in the initial stage of the process. The Board vetted the issue and agreed to add a sentence as proposed in the motion.

RESOLUTION 13054

Commissioner Lippe moved that the Board amend its prior motion to approve the General Manager recruitment brochure by adding language to the Application & Selection Process portion to read, "Current employer reference will be checked only for the selected candidate," which motion was seconded by Commissioner Navarro, and approved by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none.

F. PUBLIC COMMENTS

There were no public comments.

G. DISABILITY CASES

DISABILITY CLAIM – NEW – TIER 3

Karen D. Lasley-Slider (F) Firefighter III

As recommended by staff and concurred in by the applicant, service-connected disability pension is granted at 72% with a review in two years. Motion made by Commissioner Pérez, seconded by Commissioner Navarro and adopted by the following vote: ayes, Commissioners Lippe, Moore, Navarro, Pérez, and President Hansell – 5; nays, none. Firefighter Lasley-Slider was not present but represented by her attorney Thomas J. Wicke. (JN)

DISABILITY CLAIM – SURVIVING SPOUSE – TIER 5

Teri L. Mika (P) Sergeant II (Deceased)
Surviving Spouse of Sergeant II Frank J. Mika, III

Hearing continued. President Hansell directed that this claim be continued due to unobtainable majority vote. (Original motion to re-adopt its action of July 15, 2010 granting a service pension continuance made by Commissioner Hansell, seconded by Commissioner Pérez failed by the following vote: ayes, Commissioner Pérez and President Hansell – 2; nays, Commissioner Lippe, Moore, and Navarro – 3. Second motion to rescind the prior board action of July 15, 2010 granting a service pension continuance and grant a service-connected surviving spouse pension made by Commissioner Navarro, seconded by Commissioner Lippe failed by the following vote: ayes, Commissioners Lippe, Moore and Navarro – 3; nays, Commissioner Pérez and President Hansell – 2.) Sergeant I Stacy Lim, Tactical Training, Los Angeles Police Department, testified regarding Sergeant Mika. Mrs. Mika was present and represented by her attorney Thomas J. Wicke. (JN)

H. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

Item H.2 was taken out of order.

2. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A) TO CONFER OR DISCUSS WITH, OR RECEIVE ADVICE FROM, ITS LEGAL COUNSEL REGARDING PENDING LITIGATION IN THE CASE ENTITLED LOS ANGELES POLICE PROTECTIVE LEAGUE V. BOARD OF FIRE AND POLICE PENSION COMMISSIONERS FOR THE CITY OF LOS ANGELES, ET AL., LOS ANGELES SUPERIOR COURT CASE NO. BC 489113

President Hansell postponed the discussion of this item due to lack of a quorum.

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, 244 South San Pedro Street, 540 South Santa Fe Avenue, 360 East

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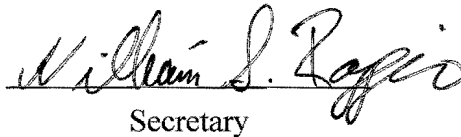
Second Street, 729 E. Temple Street; Negotiators: David Weiner, Martin Cawley, Tom Lopez, Erika Tiedge;
Negotiating parties: Sentinel Real Estate Corporation and LAFPP; Under negotiation: Instruction to
negotiator will concern price

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

The meeting adjourned at 12:00 p.m.



President



Secretary