

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF JANUARY 17, 2013

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, January 17, 2013.

COMMISSIONERS PRESENT: Dean Hansell, President
Ruben Navarro, Vice President
George Aliano
Sam Diannitto
Gregory Lippe
Belinda Vega
Robert von Voigt

COMMISSIONERS ABSENT: Wayne Moore
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: Alan Manning, Assistant City Attorney
James Napier, Deputy City Attorney

President Hansell called the Board meeting to order at 8:34 a.m. All of the above-listed Commissioners were present at the start of the meeting.

A. ITEMS FOR BOARD ACTION

1. GENERAL MANAGER RECRUITMENT FINALISTS' TRAVEL REIMBURSEMENT AND POSSIBLE BOARD ACTION

Ms. Myo Thedar, Senior Management Analyst II, Administrative Services Section was before the Board. The board report was approved without discussion.

RESOLUTION 13101

Commissioner Navarro moved that the Board authorize the transfer of \$3,500 from the Unappropriated Balance (UB) Account 9500 to the Office and Administrative Expense Account 6010, to reimburse the Personnel Department up to such amount for travel related costs associated with the General Manager recruitment finalists' interviews, which motion was seconded by Commissioner Lippe, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

2. PROPOSED REAL ESTATE INVESTMENT RECOMMENDATIONS AND ACTIONS BY THE TOWNSEND GROUP, AND POSSIBLE BOARD ACTION

Ms. Jennifer Young, Consultant, and Mr. Nicholas Rittenhouse, Associate, from The Townsend Group presented three investment recommendations in the PRISA Fund. Ms. Young stated that the investments were consistent with the investment plan presented last year. The first recommendation was an effort to increase the exposure of the Fund to less risky real estate assets through a liquid vehicle. Mr. Rittenhouse presented the characteristics of the Fund and they addressed the Board's questions and concerns.

RESOLUTION 13102

Commissioner Navarro moved that the Board approve The Townsend Group's recommendation that LAFPP commit \$60 million to the PRISA Fund, which motion was seconded by Commissioner von Voigt, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

Ms. Young continued with recommendations two and three and provided an overview of the redemption process.

RESOLUTION 13103

Commissioner Navarro moved that the Board approve The Townsend Group's recommendation that LAFPP:

1. Redeem in full its current investment (approximately \$15 million) in the PRISA II Fund; and
2. Commit the monies redeemed from the PRISA II Fund to the PRISA III Fund, which motion was seconded by Commissioner Lippe, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

Ms. Young and Mr. Rittenhouse presented the fourth recommendation. They explained the rationale of the investment and answered the Board's questions.

RESOLUTION 13104

Commissioner Navarro moved that the Board approve The Townsend Group's recommendation to commit an additional \$10 million to the PRISA III Fund, for a total commitment of approximately \$25 million, which motion was seconded by Commissioner Vega, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

3. GENERAL CONSULTANT CONTRACT RENEWAL AND POSSIBLE BOARD ACTION

The board report was approved without discussion.

RESOLUTION 13105

Commissioner Navarro moved that the Board:

1. Approve a new three-year contract with R.V. Kuhns for General Consulting;
2. Authorize the Interim General Manager to negotiate the terms and conditions with R.V. Kuhns for General Consulting services for the period March 1, 2013 to February 29, 2016; and
3. Authorize the President of the Board, on behalf of the Board, to execute the contract with R.V. Kuhns for General Consulting, subject to the approval of the City Attorney as to form, which motion was seconded by Commissioner Aliano, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

4. AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2012 AND POSSIBLE BOARD ACTION

Ms. Erin Kenney, Departmental Audit Manager; Mr. Andrew Paulden, Partner and Ms. Connie Perez, Principal and Certified Public Accountants from Brown Armstrong presented the audited financial statements. They addressed President Hansell's concern and stated various reasons for the delay of the audit. Mr. Paulden discussed his expectations going forward, working with staff on the findings, and future actions to correct deficiencies.

Mr. Joseph Salazar, Assistant General Manager, Pensions Division addressed Commissioner Lippe's concern on remedying deficiencies that were not corrected in last year's audit. He provided an overview of the process and security measures taken to prevent future errors. He discussed working with IT staff to determine the feasibility of automating the process in the future.

President Hansell directed the Audit Committee to review the issue of correcting prior deficiencies before the next audit on a policy level. Commissioner Lippe stated that deadlines should be set to complete the corrective actions which will be discussed at the Audit Committee level.

Interim General Manager Raggio discussed the process with the new auditors. He intends to proactively have Internal Audit Section review each area for improvements. He will report back to the Audit Committee and

the Board by the end of the fiscal year, before the next audit period begins. He welcomes the auditors review to improve LAFPP.

Commissioner Lippe stated he recognizes and appreciates the thorough job that was performed. Interim General Manager Raggio stated that the issues will be a work assignment to staff to report to the Audit Committee.

RESOLUTION 13106

Commissioner Diannitto moved that the Board adopt the System's Audited Financial Statements as of June 30, 2012, which motion was seconded by Commissioner Lippe, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

5. AUTHORIZATION TO BEGIN SEARCH FOR INVESTIGATIVE SERVICES CONSULTANT

The board report was approved without discussion.

RESOLUTION 13107

Commissioner Diannitto moved that the Board authorize the Interim General Manager to issue a Request for Proposal for investigative services, which motion was seconded by Commissioner von Voigt, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

B. REPORTS TO THE BOARD

1. BOARD TRAINING REGARDING DISABILITY PENSION HEARINGS

Mr. James Napier, Deputy City Attorney, from the Los Angeles City Attorney's Office presented the disability training and answered the Board's questions. He stressed that the Board should not grant a disability pension where the medical records do not show the disability.

Commissioner Navarro directed the General Manager to meet with the Chiefs of the Police and Fire Departments, and the CAO to discuss the issue when the departments do not terminate probationary members or members in general. These members are sent to LAFPP to determine if they should be granted a disability pension.

Mr. Alan Manning, Assistant City Attorney stated that issue is not agendized for the Board to take action. If the Board is directing the General Manager to do something, it should be agendized for a future meeting. If it is the sense of the Board for the General Manager to do something (informally), that can be accomplished today.

The Board continued their discussion on the issue. Mr. Napier discussed the workers' compensation medical reports and the process. Mr. Chris Annala, Senior Management Analyst II, Disability Pension Section joined the discussion answering the Board's questions.

In regards to the medical legal opinions based on the workers' compensation cases, President Hansell directed staff to review the board rules to determine if they comport with the law in this area.

The Board further discussed when to end the discussion with the applicant's attorney. President Hansell, stated that Board rule 4.7 provides the clarity and for the Board to enforce it.

Interim General Manager Raggio stated that Board members will receive a script as a guide and will refer to relevant sections of board policy.

2. QUARTERLY TRAVEL REPORT FOR COMMISSIONERS AND STAFF

The board report was received.

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

4. Monthly Report

a. Marketing Cessation Information

The Monthly Report was received.

Ms. Elsa Moy gave a public comment.

5. General Manager's Report

a. Benefits Actions approved by General Manager on January 3, 2013

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 2 – 3

William W. Kirkendall	Fire Service	Retired:	11-01-70	Died:	12-13-12
Vincent J. Maga	Police Service	Retired:	06-01-78	Died:	11-26-12
Gilbert L. Maga	Fire Disability	Retired:	01-14-88	Died:	11-12-12

DISCONTINUED PENSIONS – TIER 5 – 1

Amby G. Owens	Police Service	Retired:	07-03-04	Died:	11-29-12
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ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 1 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Frances J. Belden	George E. Belden, Jr.	Police Disability	11-26-12

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 2 – 2

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Estelle F. Bender	Jerrold E. Bender	Police Service	11-27-12
Donna L. Maga	Gilbert L. Maga	Fire Disability	11-13-12

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 5 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Evalyn M. Owens	Amby G. Owens	Police Service	11-30-12

SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 2 – 1

<u>Name</u>	<u>Member's Class</u>	<u>Effective Date</u>	<u>Survivor Benefit %</u>
David W. Twitchell	Police Service	01-01-13	100%

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>
Lloyd Hall	Police Disability	01-01-12	01-01-13	30 %

ELIGIBLE SURVIVOR BENEFIT PURCHASE PROGRAM – TIER 2 – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Carolyn S. Robey	Ronald C. Robey	Fire Disability	11-26-12

SURVIVING CHILD'S PENSION – TIER 3 – 1

Surviving child benefits are now payable to Megan P. Rice, surviving child of deceased Police Officer II, Darryl L. Moore, effective April 30, 2003, due to the attainment of age 18 and the continuation of her full-time student status. There is one minor and two surviving children remaining.

INCREASE SURVIVING SPOUSE'S PENSION – TIER 3 – 1

Increase the pension payable to Renee Aragon, surviving spouse of deceased Police Officer II, Kenneth C. Aragon, effective January 12, 2013, due to the attainment of age 22 by Gabrielle K. Aragon. There are three minors remaining.

DISCONTINUE SURVIVING CHILD'S PENSION – TIER 3 – 1

Discontinue the pension payable to Gabrielle K. Aragon, surviving child of deceased Police Officer II, Kenneth C. Aragon, effective January 11, 2013, due to the attainment of age 22 on January 12, 2013. There are three minors remaining.

DISCONTINUE CONSERVATORSHIP/GUARDIANSHIP – TIER 2 – 1

Discontinue the pension payable to James R. and Bonnie J. Smith as the Conservator and Guardian of Opal Santmyer, beneficiary of Teresa McDermott, deceased former spouse of Police Service Pensioner, Christopher J. Krist, effective October 22, 2012. Order Terminating Guardianship and Conservatorship has been filed with this office.

SERVICE PENSION/DROP – TIER 3 – 1

Fire

Danny W. Garrett	Firefighter III	Eff:	10-16-12	25	Years	7	Days
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SERVICE PENSION/DROP – TIER 5 – 3

Police

Lynn D. Meier	Police Officer II	Eff:	11-19-12	25	Years	2	Days
Peggy E. Thusing	Police Officer III +1	Eff:	12-01-12	26	Years	44	Days
Lee C. Willmon	Police Officer III +1	Eff:	12-01-12	25	Years	36	Days

b. Other business relating to Department operations

Interim General Manager Raggio gave the following updates:

1. He received a letter from Mayor Villaraigosa late yesterday, requesting that the pension fund divest from companies that produce and manufacture military grade weapons and ammunition. Yesterday in the local news, the Mayor had a press conference announcing that he sent letters to the City pension funds. We were previously asked by President Hansell to report on this issue. Rather than referring the issue to the Governance Committee, the issue will come directly before the Board. The Fund owns stock Smith & Wesson. Mr. Tom Lopez, CIO, Investments Division stated the other investment is indirectly made through a private equity investment, the Cerberus Capital Management LP fund.

Related to this issue is a City Council Motion introduced last week by Councilmembers Perry and Parks which is more far reaching than the Mayor's request. We will report back to the Board after staff conducts the research.

2. A Council Motion was introduced that deals with pension initiatives and requires an actuarial study to be conducted at the same time. Using former Mayor Richard Riordan's initiative as an example, he would have been required to pay for an actuarial study to show the impact to the City. The Motion has been referred to the policy committee of the City Council. They will review it from a state election code perspective to verify if such a financial hurdle would be consistent with the state election code. He will keep the Board apprised of the issue.

3. In the board mail is a political activity reminder to the Board as city officials and commissioners, due to the upcoming elections.
4. His reappointment was referred to City Council and approved on Tuesday, January 15, 2013. It is valid until the sooner of (i) confirmation of a permanent General Manager or (ii) May 6, 2013.
5. He introduced new staff: Mr. Manuel Cudiamat, Management Analyst II who is working in Administrative Services. He re-introduced Ms. Stephanie Clements, Chief Management Analyst, Administrative Operations who is now officially working for the Department.

5. City Attorney's Report

Mr. Alan Manning had no updates to report.

C. COMMITTEE REPORTS

1. Audit Committee – Last met: 10/18/12; next meeting: 03/07/13
2. Benefits Committee – Last met: 04/05/12; next meeting: 02/07/13
3. Governance Committee – Last met: 07/19/12; next meeting: TBD
4. Ad Hoc Emerging Investment Managers – Last met: 11/08/12; next meeting: 02/07/13
5. Ad Hoc Managers Fees Committee – Last met: 11/15/12; 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: 01/17/13

President Hansell stated that the Strategic Planning Committee met this morning. The Committee reviewed the status report on the 2012-13 Strategic Plan and many items will continue into the next year. Staff will return with recommendations to formalize the Committee once best practices are reviewed. It was also discussed that once the Committee is established the group may consider a retreat focusing on strategic planning.

Interim General Manager Raggio stated that the *Los Angeles Times* reported on a study issued by the PEW Charitable Trust. What is notable in the article and in the study is that they looked at the largest cities in each of the 50 states as well as cities with greater than 500,000 residents. The bright spot among the cities was the City of Los Angeles pension systems, which are funded at 89%. Collectively the rest of cities were funded at 74%, based on 2009 data. He will distribute the report to the Board.

D. CONSENT ITEMS

1. Approval of Minutes
 - a. Minutes of the Audit Committee of October 18, 2012
2. Findings of Fact
 - a. Derek K. Vehling – Tier 5

Commissioner Navarro moved that the Board approve the consent items, which motion was seconded by Commissioner Aliano, and approved by the following vote: ayes, Commissioners Aliano, Diannitto, Lippe, Navarro, Vega, von Voigt, and President Hansell – 7; nays, none.

E. CONSIDERATION OF FUTURE AGENDA ITEMS

President Hansell brought an issue to the attention of the Audit Committee earlier in the meeting.

The System had a good year as did CALPERS. They had an investment return of 13% in 2012. President Hansell directed staff to review CALPERS' allocations for things they may be doing that are worth considering for the Fund.

F. PUBLIC COMMENTS

There were no public comments at this time.

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: 330 East 2nd Street, 464 & 470 East 3rd Street, 701 East 3rd Street, 330 South Alameda Street, 333 South Alameda Street, 400-420 Boyd Street, 244 South San Pedro Street, 360 East Second 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 54956.9(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, UNITED FIREFIGHTERS OF LOS ANGELES CITY V. BOARD OF FIRE AND POLICE PENSION COMMISSIONERS FOR THE CITY OF LOS ANGELES, ET AL., LOS ANGELES SUPERIOR COURT CASE NO. BC 489113

The board met in closed session.

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

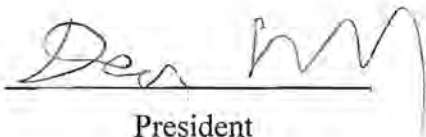
The board met in closed session.

4. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1) TO CONSIDER THE APPOINTMENT OF THE GENERAL MANAGER AND POSSIBLE BOARD ACTION

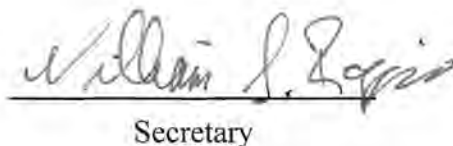
The board met in closed session.

Upon reconvening in open session, President Hansell stated there was nothing to report.

The meeting adjourned at 11:35 a.m.



President



Secretary