

**MINUTES**  
**OF THE**  
**BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**  
**MEETING OF FEBRUARY 7, 2008**

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met in Room 800, 360 East Second Street, on Thursday, February 7, 2008.

COMMISSIONERS PRESENT:

Mike Carter, Vice President  
George Aliano  
Elliott Broidy  
Sam Diannitto  
Patricia Means  
Louis Moret

COMMISSIONER ABSENT:

Sean Harrigan, President  
Steve Juarez  
Don Keith

DEPARTMENT OF FIRE AND  
POLICE PENSIONS:

Michael A. Perez, General Manager  
D. Edward Griffiths, Assistant General Manager  
Laura Guglielmo, Assistant General Manager  
Tom Lopez, Chief Investment Officer  
Isabel Rosas, Commission Executive Assistant

CITY ATTORNEY'S OFFICE:

Alan Manning, Assistant City Attorney

President Harrigan called the regular meeting to order at 9:23 a.m. All of the above-listed Commissioners were present at the start of the meeting.

1. **NEW BUSINESS**

Vice President Carter asked if any Board Member made any expenditure to influence State legislative or administrative action to which their reply was negative.

2. **COMMUNICATIONS TO THE BOARD**

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

3. **COMMITTEE REPORTS**

A. Benefits Committee

Chair Aliano stated the Benefits Committee is awaiting the Executive Employees Relations Committee meeting regarding the insurance subsidy for the ten-year disability issue. General Manager Perez reported that a tentative meeting is scheduled on February 26, 2008 regarding the ten-year disability issue.

B. Governance Committee

Chair Diannitto stated the next Committee meeting is scheduled on February 21, 2008 to discuss the General Manager's evaluation process and travel issues.

C. Ad Hoc Space Planning Committee

Chair Carter stated the next Committee meeting is scheduled on February 24, 2008.

D. Audit Committee

Chair Means stated the next Committee meeting is scheduled on February 28, 2008 to discuss the Independent Fiduciary Services (IFS) Audit. The Committee met today and interviewed respondents to the Request For Proposal for assistance to establish the internal audit function. The Committee approved to hire Accretive Solutions pending negotiations on their fee schedule. General Manager Perez stated the Committee's recommendation to the Board will be prepared for the next meeting.

General Manager Perez gave a status report of the January 31, 2008 Audit Committee meeting. There were two recommendations that the Mayor wanted the Board to review. One for the board to hire it's outside counsel. The Audit Committee recommended that the City Attorney verify if the Board may authorize the selection of the law firm to do work of outside counsel. Mr. Manning stated he is looking into the matter. The second issue was the merging of the investment functions of LACERS and LAFPP. The Audit Committee will recommend the hiring of the existing fiduciary counsel, Mr. Joe Wyatt, Esq. from the law firm Morrison & Foerster to review if the investment functions can be separated. In regards to the overall audit and 168 recommendations by IFS, staff was directed to provide matrices and make a presentation to the Audit Committee. It will include recommendations that have been completed, and the prioritization of the other recommendations. We would like to present the information at the February 28, 2008 Board meeting. Commissioner Diannitto stated that the stakeholder employee organizations need to be notified to participate at the next Committee meeting on February 28, 2008.

4. PCA FUND OF HEDGE FUNDS SEARCH OVERVIEW AND TIMELINE AND POSSIBLE BOARD ACTION

Ms. Sarah Bernstein, Principal, from Pension Consulting Alliance (PCA), followed up with the Board's decision to increase the hedge fund of funds allocation from 2% to 5%. The Board directed staff and PCA to return with a proposed search plan and funding plan, which Ms. Bernstein presented.

RESOLUTION 08091

Commissioner Broidy moved that the Board approve PCA's funding recommendations to increase the allocation to the LAFPP's current three fund of hedge fund managers to a 20% allocation of the new 5% target and to begin the Request for Proposal (RFP) process to select manager(s) who will then receive an equal share of the total hedge fund of funds allocation, which motion was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Broidy, Carter, Diannitto, Means and Moret – 6; nays, none.

5. PCA FIXED INCOME STRUCTURE REVIEW

Ms. Sarah Bernstein and Mr. Tom Lopez, Chief Investment Officer, Investments Division presented the fixed income structure review. Ms. Bernstein reported that the data is from June 30, 2007. She indicated no searches are recommended but will recommend shifting the allocation within the fixed income portfolio. Ms. Bernstein and Mr. Lopez answered the Board's questions. Ms. Bernstein gave the Board two recommended options: reduce the interest rate sensitivity and reduce the high yield exposure to come closely in line with the Lehman Universal Benchmark. She will work with staff and return with specific recommendations.

6. APPROVAL OF RECOMMENDATION BY THE STEPSTONE GROUP – FUNDING FOR THE CARPENTER COMMUNITY BANCFUND, L.P.

Messrs. Jose Fernandez, Managing Director; Jamie Guzman-Fournier, Managing Director; and Mr. John Kettnick, Analyst from the Stepstone Group presented the report and discussed the allocation and various funds they have invested in. Mr. Fernandez pointed out the funds with minority partners.

RESOLUTION 08092

Commissioner Moret moved that the Board approve StepStone Group recommendation of an investment of \$15 million in the Carpenter Community BancFund, L.P., which motion was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Broidy, Carter, Diannitto, Means and Moret – 6; nays, none.

7. FISCAL YEAR 2007-2008 BUDGET – APPROVAL OF INTERACCOUNT TRANSFER OF FUNDS

Ms. Myo Thedar, Senior Management Analyst II, Administrative Services reported to transfer funds.

RESOLUTION 08093

Commissioner Diannitto moved that the Board approve the transfer of funds between the following accounts:

From: 7300	Furniture, Office and Technical Equipment	\$20,000
To: 6010	Office and Administrative Expense	\$20,000

which motion was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Broidy, Carter, Diannitto, Means and Moret – 6; nays, none.

8. CONSIDERATION OF ONE-TIME EXCEPTIONS TO THE BOARD'S TRAVEL POLICY AND POSSIBLE BOARD ACTION

Ms. Laura Guglielmo, Assistant General Manager, Administrative Operations Division summarized the report related to travel issues.

*Vice President Carter excused himself from this item at the advice of the City Attorney and passed the gavel to Commissioner Moret.*

RESOLUTION 08094

Commissioner Diannitto moved that the Board approve the following:

- 1) Reimburse Commissioner Carter \$87.30 for mileage incurred, as a result of his attendance at the Guns and Hoses 2007 Conference in Huntington Beach, California, on September 16-18, 2007, as a reasonable and legitimate administrative expense of the pension system; and
- 2) Reimburse Commissioner Carter \$43.65 for mileage incurred, as a result of his attendance at the California Pension Fund Investment Conference in Los Angeles, California, on September 19, 2007, as a reasonable and legitimate administrative expense of the pension system, which motion was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Broidy, Diannitto, Means and Moret – 5; nays, none.

*Vice President Carter returned to the Board Room and took over as chair.*

The Board further discussed items 3 and 4 of the recommendations. The Board referred to the Governance Committee the guidelines of travel expenditures, specifically addressing ground travel.

RESOLUTION 08094

Commissioner Moret moved that the Board approve the following:

- 1) Retroactively increasing the allocation for Commissioner Keith's attendance at the Institutional Investor and Consultant Roundtable in Sonoma, California, September 23-25, 2007, by \$339 to \$1,810; and
- 2) Reimburse Commissioner Keith a total of \$516 for the following expenses incurred as a result of his attendance at the Institutional Investor and Consultant Roundtable in Sonoma, California, September 23-25, 2007, as reasonable and legitimate administrative expenses of the pension system:
  - a) \$30 for roundtrip shuttle service between the San Francisco Airport and the hotel;
  - b) \$196 for roundtrip private car shuttle service between his home and the Orange County airport; and
  - c) \$10 for bellman tip, which motion was seconded by Commissioner Broidy and approved by the following vote: ayes, Commissioners Broidy, Carter, Diannitto, Means and Moret – 5; nays, none. *Commissioner Aliano stepped out of the Board room and did not participate in the vote.*

9. GENERAL MANAGER'S REPORT

Other business relating to Department operations

General Manager Perez gave the following updates:

1. He stated the Disability Pension Section has gone through a number of changes in the last couple years. Things have stabilized and with changes in the Police Department it looks like the number of disability pensions may increase. He introduced new disability pension staff, Ms. Loanne Truong who transferred from the Harbor Department.
2. Over 11,000 1099 forms have been sent out to retirees.
3. The Budget and Finance Committee of the City Council is meeting and reviewing the City's finances. There is a variety of measures to get money into the City. Times are dire for the City.
4. He received a report that the portfolio stands at \$15.2 billion.
5. The City Attorney Office is working on two ordinances, the DROP Program and Public Service Purchase Program. There is a lot of work going on with the Benefits staff. Staff will be working with the Fire and Police Departments to communicate to the members what the benefits are for these programs.

10. CONSIDERATION OF FUTURE AGENDA ITEMS

Vice President Carter referred Macquarie Infrastructure Fund to LAFPP's Consultant.

11. PUBLIC COMMENTS

Ms. Elsa Moy commented on managers and the fixed income.

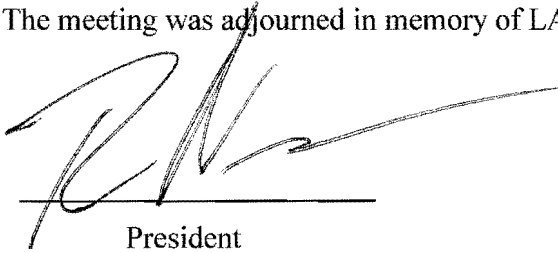
12. CONSENT ITEMS

Approval of Minutes

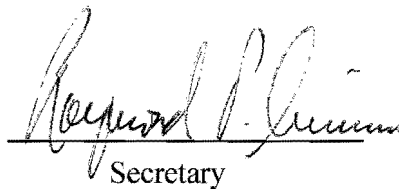
Minutes of the Regular Board Meetings of July 26, 2007, August 2, 2007, August 16, 2007 and September 27, 2007

Commissioner Diannitto moved that the Board approve the consent items, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Broidy, Carter, Diannitto, Means and Moret – 6; nays, none.

The meeting was adjourned in memory of LAPD SWAT Officer Randy Simmons at 11:53 a.m.



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President



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Secretary