

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
AD HOC MANAGERS FEES COMMITTEE
MEETING OF APRIL 30, 2013

The Ad Hoc Managers Fees Committee and members of 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 Tuesday, April 30, 2013.

COMMITTEE

MEMBERS PRESENT: Ruben Navarro, Chair
George Aliano
Gregory Lippe
Belinda Vega

AD HOC COMMITTEE

SUPPORT STAFF: Tom Lopez, Chief Investment Officer

**DEPARTMENT OF FIRE AND
POLICE PENSIONS:**

William Raggio, Interim General Manager
Joseph Salazar, Assistant General Manager
Tom Lopez, Chief Investment Officer
Stephanie Clements, Chief Management Analyst
Barbara Nobregas, Commission Executive Assistant

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

Chair Navarro called the meeting to order at 9:04 a.m. All the above-listed Commissioners were present at the start of the meeting with the exception of Commissioner Aliano who arrived at 9:07 a.m.

1. MANAGER FEE TIERED STRUCTURE ANALYSIS AND POSSIBLE COMMITTEE ACTION

Messrs. Tom Lopez, Chief Investment Officer (CIO) and Derek Niu, Investment Officer II presented the report. Mr. Lopez discussed the Most Favored Nation clause, performance fees and consolidation of managers.

Commissioner Lippe requested staff to conduct an analysis and review of consolidating managers, including any anticipated fee reductions, and asked for recommendations by the Chief Investment Officer.

Mr. Tom Lopez provided a review of fees for emerging managers and fees overall.

The Committee further discussed issues and staff responded to questions.

Commissioner Navarro provided direction to staff:

- 1) To review the use of performance fees and determine what can be done to eliminate them or get them to the absolute best value;
- 2) To recommend which managers to consolidate or terminate, and indicate what the savings would be if consolidated;
- 3) In regards to Emerging Managers and Fund of Funds, review other funds to determine if the System has the best funds.

Mr. Tom Lopez explained that fees are negotiated once the managers are hired and brought to the Board for approval. With Board support Staff has done well at negotiating fees and has a lot of experience in this area.

Mr. Lopez reviewed the services provided by the general consultant, RV Kuhns, and compared the current and prior consultant model.

2. MANAGER PERFORMANCE AND FEE ANALYSIS AND POSSIBLE COMMITTEE ACTION

Chair Navarro postponed Item 2 after Item 3.

3. HEDGE FUND FEE AND RETURN ANALYSIS AND POSSIBLE COMMITTEE ACTION

Messrs. Tom Lopez and Derek Niu presented the report.

The Committee discussed the value of Hedge Funds vs. fees paid.

MOTION

Commissioner Navarro moved that the Committee recommend to the Board to get out of Hedge Funds, seconded by Commissioner Lippe and approved by the following vote: ayes, Commissioners Aliano, Lippe, Vega, and Chair Navarro – 4; nays, none.

Item 2 was discussed.

2. MANAGER PERFORMANCE AND FEE ANALYSIS AND POSSIBLE COMMITTEE ACTION

Commissioner Lippe expressed his concern regarding Commodities and that some of his concerns for hedge funds applies to Commodities as well.

Mr. Tom Lopez stated that Commodities are a part of the asset allocation plan. He provided an overview of Commodities and discussed the various fee structures. Mr. Lopez thought that the Fund should keep the commodity allocation.

The Committee stated they wanted to discuss the issue at the May 2, 2013 Board meeting.

MOTION

Commissioner Lippe moved that the Committee recommend to the Board to change the model from a separate commodity allocation to utilizing commodities within the other allocations as stated by the Chief Investment Officer, seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Lippe, Vega, and Chair Navarro – 4; nays, none.

Commissioner Navarro stated to bring the two motions to the Board at the May 2, 2013 meeting and have RV Kuhns comment on the issues. The Committee requested to put the matter on a special agenda for the May 2, 2013 meeting.

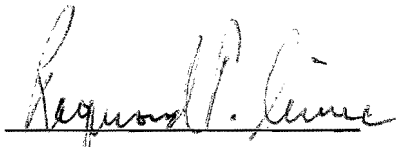
4. PUBLIC COMMENTS

Ms. Elsa Moy gave a public comment.

The meeting adjourned at 10:15 a.m.



Chair


Secretary