

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
SPECIAL MEETING OF AUGUST 1, 2013

The Audit 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 Thursday, August 1, 2013.

COMMITTEE

MEMBERS PRESENT: Greg Lippe, Chair
Ruben Navarro
Belinda Vega

COMMITTEE MEMBER

ABSENT: George Aliano

OTHER COMMISSIONERS

PRESENT: Sam Diannitto
Dean Hansell
Ruben von Voigt

AUDIT COMMITTEE

SUPPORT STAFF: Erin Kenney, Departmental Audit Manager

**DEPARTMENT OF FIRE AND
POLICE PENSIONS:**

Raymond P. Ciranna, General Manager
William Raggio, Assistant General Manager
Joseph Salazar, Assistant General Manager
Tom Lopez, Chief Investment Officer
Barbara Nobregas, Commission Executive Assistant

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

The Audit Committee will be noted as a Special Board meeting since more than four Commissioners were present. Chair Lippe called the meeting to order at 8:31 a.m. All of the Committee members were present at the start of the meeting.

**1. SUBSIDY PROGRAM AUDIT – HEALTH PLANS ADMINISTERED BY THE
LOS ANGELES POLICE RELIEF ASSOCIATION AND POSSIBLE COMMITTEE ACTION**

Ms. Erin Kenney, Departmental Audit Manager and Mr. James Yeung, Internal Auditor III presented the report.

Chair Lippe was concerned with the cost benefit role of recommendations 3, 5, and 6 in the Subsidy Program Audit report, specifically if staff has measured the cost versus the benefit.

Ms. Kenney stated that her understanding from the department section is that changes to the policies and procedures will not have an impact on the budget.

Commissioner Vega stated that her understanding is that some of the recommendations are preventive measures.

Ms. Kenney addressed Chair Lippe's concerns. She explained that as part of the audit process Internal Audit Section meets with impacted department management and staff. She has included their considerations in the recommendations.

Ms. Kenney stated that two minor changes will be made to the report; both changes are on page 10. She clarified that the acronym "RSS" stands for "Retirement Services Section." The second change is the phrase under Audit Procedures, "To determine whether members who received May 2012 subsidies..." Ms. Kenney stated that members do not receive subsidies.

Commissioner Vega stated that the audit shows that the department is doing a good job.

Ms. Kenney stated that she met with management for both LAFPP and Los Angeles Police Relief Association (LAPRA). They expressed general agreement with the findings and conclusions. If the recommendations are approved, staff will prepare an evaluation of the implementation of the recommendations in January 2014.

Ms. Cindy King, Executive Director of LAPRA stated the audit was handled efficiently and professionally. It provided the LAFPP staff an opportunity to realize the magnitude of operating through substantial medical and two dental plans. She looks forward to working with LAFPP to improve processes between the two organizations in order to provide more assistance to the membership.

MOTION

Commissioner Navarro moved that Audit Committee:

1. Review the Subsidy Program Audit – Health Plans Administered by the Los Angeles Police Relief Association;
2. Recommend it be communicated to the full Board to be reviewed, received, and filed; and,
3. Recommend a follow up report regarding recommendation implementation be scheduled for Audit Committee review in January 2014, seconded by Commissioner Vega and approved by the following vote: ayes, Commissioners Navarro, Vega, and Chair Lippe – 3; nays, none.

2. PROPOSED MANAGEMENT ACTION REGARDING RECALCULATIONS OF
MANAGEMENT FEES AND POSSIBLE COMMITTEE ACTION

Ms. Erin Kenney presented the report by Brown Armstrong. The recommendation is to hire an outside firm to perform the recalculation of fees on a sampling basis.

Chair Lippe stated that his calculation of the cost to pay an outside firm is a reasonable amount.

Commissioner Vega stated there was previously discussion on the cost benefit analysis of the issue and we recognized that LAFPP was doing what most systems are doing. How did management reach the decision to hire an outside firm?

General Manager Ciranna stated it was a recommendation (by Brown Armstrong). The idea is to take a closer look at the issue for one year to recalculate fees given that the System has approximately 300 managers. There is a cost benefit of hiring an outside firm versus hiring additional staff long term. After a year of review the results will be examined. If there are no problems with the fees we can decide to rely on the general partner's auditors.

General Manager Ciranna addressed Commissioner Vega's concerns regarding the cost. He stated that we will find savings elsewhere in the budget. We will not increase our budget.

Commissioner Hansell arrived to the meeting at 8:52 a.m.

MOTION

Commissioner Navarro moved that the Audit Committee:

- 1) Consider this report regarding recalculations of management fees;
- 2) Recommend it to the full Board for review and approval; and,
- 3) Recommend the Board authorize a Request for Proposal for Recalculations of Private Equity and Real Estate Commingled Fund Management Fees, seconded by Commissioner Vega and approved by the following vote: ayes, Commissioners Navarro, Vega, and Chair Lippe – 3; nays, none.

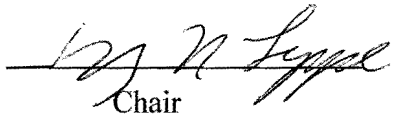
3. PUBLIC COMMENTS

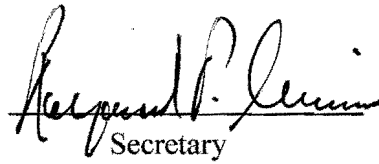
Ms. Elsa Moy gave a public comment.

Minutes of the Board of Fire and Police Pension Commissioners
Special Meeting of August 1, 2013
Page 4

City Attorney Alan Manning stated that this was not an appropriate time for Ms. Moy to market her fund to the Board.

The meeting adjourned at 8:55 a.m.


Chair


Secretary