

A stylized graphic of a city skyline with various building shapes in light blue and red, and a single palm tree in white on the right side, set against a dark blue background.

# LAFPP

LOS ANGELES FIRE AND POLICE PENSIONS

## Joint Efficiencies & Their Impact on LAFPP

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To Serve Those Who Protect



# Background

- 2007 IFS Audit recommended consolidation of the City's pension systems
- Purported savings estimated at \$7.8 million between LAFPP and LACERS
- Legal & political challenges associated with consolidation
- Alternative: Joint efficiencies & still provide diversification of investments & smart redundancy





# Why Seek Opportunities to Work Together?

- Opportunity to generate financial savings while maintaining independence and control
- Opportunity to improve operational efficiency & effectiveness
- Opportunity to learn from one another

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THOSE  
WHO  
PROTECT





Los Angeles Fire and Police Pensions

# EFFICIENCIES RESULTING IN FINANCIAL SAVINGS

## Investment Expense Savings

LAFPP investments staff proposed new standard contract language to secure asset-based fee breaks when other City pension funds use the same manager / product.





## Investment Expense Savings

**No. of LAFPP Investments Contracts  
With this “Favored Nations” Language**

To Date	In Progress	2011-13
6	3	15

**Estimated Annual Savings To Date**

LAFPP	LACERS	WPERP
\$40,000	\$100,000	\$0



## Investment Expense Savings

LAFPP Has Saved Over \$4 Million in Investment Expenses Over 2008-10

Reducing the number of active managers and moving toward index funds. Annual fee savings over 5 contracts = \$2.3 million.

LAFPP Investments staff negotiated reduced fees. One-time savings of \$760,000, and annual savings of \$384,000.



## Investment Expense Savings

LAFPP Has Saved Over \$4 Million in Investments over 2008-10 (Continued)

LAFPP Investments staff saved \$900,000 (one-time) by temporarily managing private equity.

The Board saved \$275,000 annually by reducing the number of private equity consultants from 2 to 1.







## Investment Expense Savings

### LAFPP Hedge Fund of Fund Program

Eliminating performance fees for HFOF resulted in annual savings of \$35,000.

If the Board were to eliminate the HFOF program entirely, the result would have been a net fee savings of approximately \$12 million per year beginning in FY 2011-12.





# OTHER OPERATIONAL EFFICIENCIES



## Where We Are Working Together Today

- CIO salary & job requirements (LACERS & LAFPP)
- City Attorney MOU (All 3, lead by LAFPP)
- Boardroom audio visual upgrades (LACERS & LAFPP)
- Everyday issues involving resources or employee communication

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## Where We May Wish to Work Together in the Future

- Possible Headquarters facility
- Back-up Disaster Recovery/Business Continuity program
- Expand use of LACERS medical plans
- Best practices in pension administration

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# Things to Consider

## Possible Headquarters Facility

- Challenging history
- Could incite fear or expectation of consolidation among stakeholders
- Responsibility for maintenance & security may cause conflict
- Everyday decisions will take longer and staff and the Board will have a lack of control

## Things to Consider

### **Back-up Disaster Recovery/ Business Continuity Program**

- A local disaster will likely result in a similar disruption of services for both LAFPP and LACERS
- Current differences offer an advantage



## Things to Consider

### **Expand Use of LACERS for Medical Plans**

- Change may result in higher premiums for retired members
- May result in diminished relationship with unions, associations and other employee stakeholders
- Provider options may not remain the same

# Things to Consider

## Best Practices in Pension Administration

- DWPERP is in the middle phases of implementing a new Pension Administration System, PENFAX
- LACERS is seeking a replacement to their Pension Administration System, Pension Gold







# QUESTIONS?