

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF OCTOBER 1, 2015

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, October 1, 2015.

COMMISSIONERS PRESENT: Robert von Voigt, President
George Aliano
Cielo Castro
Sam Diannitto (participated telephonically)
Adam Nathanson
Ruben Navarro

COMMISSIONERS ABSENT: Pedram Salimpour, Vice President
Corinne Tapia
Belinda Vega

DEPARTMENT OF FIRE AND
POLICE PENSIONS: Raymond P. Ciranna, General Manager
William Raggio, Executive Officer
Tom Lopez, Chief Investment Officer
Joseph Salazar, Assistant General Manager
Rhonda Ketay, Commission Executive Assistant

CITY ATTORNEY'S OFFICE: James Napier, Deputy City Attorney

President von Voigt called the meeting to order at 8:59 a.m. All of the above-listed Commissioners were present at the start of the meeting with the exception of Commissioner Diannitto who joined the meeting at 9:07 a.m.

The following Items were taken out of order:

H. DISABILITY CASES

DISABILITY CLAIM – NEW CLAIM – TIER 5

Heather R. Kowalczyk (P) Police Officer II
As recommended by Staff and concurred in by the applicant, nonservice-connected disability pension is granted at 50% with no foreseeable purpose for review. Motion made by

Commissioner Aliano, seconded by Commissioner von Voigt and adopted by the following vote: ayes, Commissioners Aliano, Castro, Nathanson, Navarro, and President von Voigt – 5; nays, none. Officer Kowalczyk was not present but was represented by Thomas J. Wicke, Esq. of Lewis, Marenstein, Wicke, Sherwin and Lee.

DISABILITY CLAIM - DEPENDENT CHILD – TIER 1

Peter S. Stafford (P) Sergeant I (Deceased)
Dependent Child of Peter E. Stafford

As recommended by Staff and concurred in by the petitioner, Dependent Child status and benefits are granted. Motion made by Commissioner Navarro, seconded by Commissioner Aliano and adopted by the following vote: ayes, Commissioners Aliano, Castro, Nathanson, Navarro, and President von Voigt – 5; nays, none. Mr. Stafford was not present nor was he represented.

B. ITEMS FOR BOARD ACTION

3. CONSIDERATION OF MARTHA WETZEL'S REQUEST TO TRANSFER FROM TIER 3 TO TIER 5 AND POSSIBLE BOARD ACTION

Ms. Wetzel's representative, Thomas J. Wicke, Esq. of Lewis, Marenstein, Wicke, Sherwin and Lee, requested a continuance of her hearing. The request was granted to October 15, 2015.

Commissioner Diannitto joined the meeting via teleconference at 9:07 a.m..

A. COMMITTEE REPORTS

1. CITY MANAGEMENT AUDIT RECOMMENDATION ASSIGNED TO THE MEDICAL AND DENTAL BENEFITS SECTION AND POSSIBLE BOARD ACTION

Mr. Joseph McGlinchey, Management Analyst II, Medical & Dental Benefits, presented the recommendations to the Board. Mr. McGlinchey stated that the report is in regard to the HEK City Management Audit released on March 12, 2014. In the report, HEK made a recommendation that the LAFPP management should subject the health care subsidy program to the same accounting verification process as all other monthly pension role payments. Mr. McGlinchey stated that HEK was under the impression that all new or changed pension payments are recalculated by the Accounting Section. Accounting reviews all new pension payments and only recalculates the benefit if they result in an amount different than the pensioner's normal monthly payment (i.e., retroactive payments).

Nearly all LAFPP pensioners receive their medical and dental benefits from a union or an employee association. The Associations provide LAFPP with a list of pensioners adding coverage under their plans, making plan changes, or cancelling coverage each month. The reports containing this information are due between the 7th and 9th of each month for pension payments made at the end of the same month. These transactions are uploaded into OnPoint, our current pension administration system, which automatically calculates the medical and dental subsidy amounts for each eligible pensioner. The results of the OnPoint calculations are then loaded to the Benefit Payment Passport (BPP) system for payment.

There are controls for medical and dental subsidies currently in place that both Medical and Dental Benefits (MDB) and Accounting staff agree are adequate to prevent errors and detect those that do occur. Given the narrow window of time between when medical and dental transactions are submitted to MDB, the volume of transactions involved, OnPoint's ability to calculate most medical and dental subsidies correctly, and the controls currently in place, staff does not recommend Accounting perform additional verification of health subsidy amounts during the pension payroll process.

Commissioner Aliano stated that the Benefits Committee heard this item on September 16, 2015 and is recommending that the Board determine that the existing systems and controls are adequate and acceptable.

Commissioner von Voigt asked Ms. Erin Kenney, Departmental Audit Manager, if there were any problems or difficulty with the calculations using OnPoint. Ms. Kenney answered that Internal Audit Section has completed four subsidy program audits of our processes as related to each of the Associations and was able to confirm the subsidies going back and forth. Internal Audit Section concurs with the controls that are in place.

RESOLUTION 16040

Commissioner Aliano moved that the Board approve the following items;

1. Review the analysis from the Medical and Dental Benefits Section regarding Hewitt EnnisKnupp Audit Recommendation #32; and,
2. Review and determine that the existing controls are adequate and acceptable, which was seconded by Commissioner Dianitto and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.

B. ITEMS FOR BOARD ACTION

1. REVIEW OF REAMS ASSET MANAGEMENT FIXED INCOME CONTRACT AND POSSIBLE BOARD ACTION

Ms. Erin Kenney, Departmental Audit Manager, stated that Internal Audit Section received the required disclosure information including that regarding gifts, campaign contributions, and charitable contributions, and that there is nothing to report under LAFPP's contractor disclosure policy.

Mr. Derek Niu, Investment Officer II, introduced Ms. Rebecca Gratsinger and Mr. Ryan Sullivan from RVK. Mr. Niu presented the review of REAMS asset management core plus fixed income mandate to the Board. REAMS's core plus fixed income mandate allows REAMS more flexibility than regular core managers. They have the option of investing in high yield bonds and emerging markets. This flexibility allows REAMS to add value when markets are less expensive and to be defensive when markets are expensive. LAFPP staff recommends that REAMS contract be renewed for three years based on performance, REAMS staff ability, and low fees.

Commissioner Aliano stated that Scout Investments bought out REAMS, but REAMS still continues to run the day to day operations.

Commissioner Nathanson asked about the current performance and fees and it was explained that Reams outperformed the benchmark and that fees were substantially lower than average.

RESOLUTION 16041

Commissioner Navarro moved that the Board approve the following items;

1. Approve a new three-year contract with Reams Asset Management;
 2. Authorize the General Manager to negotiate and approve the terms and conditions of a contract with Reams Asset Management for services for the period December 1, 2015 through November 30, 2018; and,
 3. Authorize the President of the Board, on behalf of the Board, to execute the contract with Reams Asset Management for fixed income management services, subject to the approval of the City Attorney as to form, which was seconded by Commissioner Castro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.
2. REVIEW OF NORTHERN TRUST INVESTMENTS, INC. INDEX FIXED INCOME CONTRACT AND POSSIBLE BOARD ACTION

Ms. Erin Kenney, Departmental Audit Manager, stated that Internal Audit Section received the required disclosure information including that regarding gifts, campaign contributions, and charitable contributions; and that there is nothing to report under LAFPP's contractor disclosure policy.

Ms. Miki Shaler, Management Analyst II, Investments Division, presented the Northern Trust Index Fixed Income contract. Ms. Schaler stated that it is a fixed income index

account, which means that the performance of the account should closely track the performance of its benchmark and in the three year reporting period, they did exactly that. There have been no changes in the ownership of the firm and very little turnover in Northern's Index Fixed Income team. Fees are low relative to other passive fixed income asset managers. Investment staff recommends renewal of Northern Trust Investments, Inc Index Fixed Income contract with the concurrence of RVK.

RESOLUTION 16042

Commissioner Nathanson moved that the Board approve the following items;

1. Approve a new three-year contract with Northern Trust Investments, Inc.;
2. Authorize the General Manager to negotiate and approve the terms and conditions of a contract with Northern Trust Investments, Inc. for services for the period December 1, 2015 through November 30, 2018; and,
3. Authorize the President of the Board, on behalf of the Board, to execute the contract with Northern Trust Investments, Inc. for index fixed income management services, subject to the approval of the City Attorney as to form, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.
4. RISK ASSESSMENT SURVEY TO DEVELOP THE 2016 ANNUAL AUDIT PLAN AND FORECAST

Ms. Erin Kenney, Departmental Audit Manager, discussed the annual Risk Assessment survey with the Board. The purposes of the survey are to identify risks that can negatively impact our mission, values, and primary business plan goals and to develop the 2015 Annual Audit Plan and Forecast. The results of the risk assessment will be presented to the Audit Committee in January, 2016 and will be presented to the Board shortly thereafter. Risk assessments are required under professional auditing standards.

RESOLUTION 16043

Commissioner Castro moved that the Board approve that each commissioner complete the risk assessment survey by November 2, 2015 to assist staff in developing the 2015 Annual Audit Plan and Forecast (AAPF), which was seconded by Commissioner Nathanson and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.

5. APPROVAL OF 2016 BOARD MEETING SCHEDULE AND POSSIBLE BOARD ACTION

RESOLUTION 16044

Commissioner Navarro moved that the Board adopt the 2016 Board Meeting Schedule, which was seconded by Commissioner Castro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.

6. PRESENTATION OF INTERNAL REVENUE CODE OPERATIONAL COMPLIANCE AUDIT AND POSSIBLE BOARD ACTION

Ms. Robyn Wilder, Chief Benefits Analyst, Pensions Division, introduced Ms. Melanie Walker and Mr. Tom McDonough, of The Segal Company. Ms. Wilder stated that LAFPP received its most recent favorable Determination Letter from the Internal Revenue Service (IRS) on November 12, 2014. Although the Plan documents were found to be in compliance with IRS qualification provisions, Staff wants to make sure that we are operationally in compliance with the requirements of the IRS. The Segal Company was engaged to conduct an audit for this purpose.

Ms. Walker presented the audit report on the findings of Segal's independent review of the operations of the plan. The first step in the process was to send a data request for all the documents the Plan uses to operate, with a focus on the governing documents; the City Charter and the Administrative Code. Second was to observe and interview plan staff onsite over a two day period. The third step, at the request of staff, was to review targeted areas of data and to look at the new DROP basis recovery process. Segal reviewed specific areas that staff identified and the final step was to write a draft report for review and comment.

The Segal Company concluded that the Plan is substantially in compliance with the requirements under the Internal Revenue Code and other applicable federal laws. Some areas of the administration of the Plan could warrant further review or modification, but overall the administration of the Plan is generally consistent with IRS rules and governing Plan documents.

Commissioners Navarro and von Voigt were concerned about the tax implications on domestic partners and non-spouse beneficiaries.

Commissioner Navarro asked about membership in Tier 4 with less than 20 years of service and suggested that this be looked at closely.

General Manager Ciranna stated that staff will be meeting with the City Attorney and Tax Counsel to discuss the findings and specific recommendations.

Commissioner Nathanson wanted to know some of the other agencies being audited by Segal and was answered State of Nevada, State of Nebraska, State of Minnesota, and so forth.

Public comment was provided by Mr. Ken Buzzell, Director, Los Angeles Retired Fire & Police Association, Inc., on the difference between minor children and dependent children, addressed Tier 4, IRS tax exemption, and divorce pension issues.

General Manager Ciranna reiterated that staff will be meeting with the City Attorney and Tax Counsel to further discuss the findings and recommendations of the audit.

RESOLUTION 16045

Commissioner Aliano moved that the Board approve the following items;

1. Review, receive, and file the Internal Revenue Code (IRC) operational compliance audit conducted by The Segal Company; and
2. Assign implementation of recommendations to staff as noted in the IRC Operational Compliance Audit Recommendations Log, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.

The Board recessed at 10:04 a.m. and reconvened at 10:14 a.m.

C. REPORTS TO THE BOARD

1. PRESENTATION BY ALLIANCEBERNSTEIN

Ms. Elizabeth Smith, Managing Director, AllianceBernstein, introduced Ms. Judi DeVivo, Senior Portfolio Manager, AllianceBernstein. Ms. DeVivo presented their report to the Board.

Commissioner Nathanson discussed the report with Ms. Smith and Ms. DeVivo. The report was received and filed.

2. PRESENTATION BY PRINCIPAL GLOBAL INVESTORS

Ms. Jaime Morgan, Relationship Manager, and Mr. Tony Kenkel, Global Portfolio Manager, Real Estate Securities, Principal Global Investors, presented their report to the Board.

Commissioner Nathanson discussed the report with Ms. Morgan and Mr. Kenkel. The report was received and filed.

3. President von Voigt asked if any Board Member made any expenditure to influence State legislative or administrative action to which their reply was negative.
4. Miscellaneous correspondence from money managers, consultants, etc. – received and filed.

5. General Manager's Report

a. Benefits Actions approved by General Manager on September 16, 2015

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 on September 16, 2015.

DISCONTINUED PENSIONS – TIER 1 – 1

Maxine S. Burnett	Police Widow	Retired:	09-18-98	Died:	08-15-15
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DISCONTINUED PENSIONS – TIER 2 – 6

Howard F. Romps	Fire Service	Retired:	10-21-88	Died:	07-27-15
Justin H. Schuler	Fire Service	Retired:	02-01-73	Died:	04-09-15
Roger R. Rife	Police Service	Retired:	03-22-92	Died:	08-07-15
William M. West	Police Service	Retired:	06-23-74	Died:	05-29-15
James Simos	Fire Disability	Retired:	05-05-90	Died:	08-09-15
Maxine E. Conklin	Police Widow	Retired:	05-02-01	Died:	08-09-15

DISCONTINUED PENSIONS – TIER 5 – 2

Mark A. Villasenor	Fire Service	Retired:	02-22-04	Died:	08-01-15
James Sanchez	Police Service	Retired:	07-04-10	Died:	07-31-15

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 2 – 2

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Betty J. Romps	Howard F. Romps	Fire Service	07-28-15
Linda D. Rife	Roger R. Rife	Police Service	08-08-15

ELIGIBLE SURVIVING SPOUSE'S PENSION – TIER 5 – 2

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Effective Date</u>
Darlene M. Villasenor	Mark A. Villasenor	Fire Service	08-02-15
Dawna A. Sanchez	James Sanchez	Police Service	08-01-15

SURVIVING CHILD'S PENSION – TIER 5 – 1

Surviving child benefits are now payable to Jessica D. Guiral, surviving child of deceased Police Officer III, Claude A. Guiral, effective June 27, 2015, due to the continuation of her full-time student status.

PARTIAL PAYMENT OF PENSION – TIER 5 – 2

In accordance with the City Attorney's advice, a designated proportion of the community property interest of the pension payable to Ralph E. Strand, Police Service Pensioner, is to be paid to his former spouse, Wende L. Strand, effective September 1, 2015. Ms. Strand will receive cost of living adjustments.

In accordance with the City Attorney's advice, a designated proportion of the community property interest of the pension payable to Warren Q. Tojong, Police Service Pensioner, is to be withheld for his former spouse, Mikki Shakibafar, effective September 2, 2015. Ms. Shakibafar will receive cost of living adjustments.

MODIFIED PARTIAL PAYMENT OF PENSION – TIER 5 – 1

In accordance with the City Attorney's advice, a designated proportion of the community property interest of the pension payable to Dennis J. Adkins, Fire Service Pensioner, being withheld for his former spouse, Denise Iracondo-Adkins, since June 1, 2015, should be released effective September 1, 2015.

DEFERRED SERVICE PENSION – TIER 5 – 2

Police

Warren Q. Tojong	Police Officer II	Eff:	09-02-15	21	Years	111	Days
Christopher J. Hajduk	Police Officer II	Eff:	08-30-15	22	Years	265	Days

SERVICE PENSION – TIER 3 – 1

Fire

Kathleen D. Bosak	Firefighter III+	Eff:	05-28-15	10	Years	30	Days
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SERVICE PENSION – TIER 5 – 3

Police

James N. Gordon	Sergeant II	Eff:	08-09-15	32	Years	268	Days
Roger A. Pio	Police Officer II	Eff:	08-23-15	26	Years	9	Days
Kenneth B. Scott	Detective I	Eff:	08-20-15	27	Years	193	Days

SERVICE PENSION – TIER 5 – 1 **CORRECTION**

Police

Jayne E. Vermaat	Detective III	Eff:	02-08-15	23	Years	93	Days
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SERVICE PENSION/DROP – TIER 4 – 3

Police

Steven R. Gordon	Police Officer III	Eff:	03-01-15	26	Years	93	Days
Kristin Traynor	Police Officer III	Eff:	07-01-15	25	Years	7	Days
Ronald L. Traynor	Sergeant II	Eff:	07-01-15	25	Years	4	Days

SERVICE PENSION/DROP – TIER 5 – 8

Minutes of the Board of Fire and Police Pension Commissioners
 Regular Meeting of October 1, 2015
 Page 10

Fire

Steven J. Berkery	Captain II	Eff:	07-01-15	29	Years	76	Days
Sean R. Hughes	Captain I	Eff:	02-01-15	28	Years	287	Days
Denise L. Jones	Captain I	Eff:	04-01-15	28	Years	220	Days
Duc N. Nguyen	Captain I	Eff:	04-01-15	27	Years	166	Days
Drew Oliphant	Engineer	Eff:	06-03-15	28	Years	112	Days

Police

David S. Armas	Sergeant I	Eff:	07-01-15	28	Years	110	Days
Darrell P. Belthius	Lieutenant II	Eff:	07-01-15	28	Years	62	Days
Michael R. Seguin	Sergeant II	Eff:	08-01-15	27	Years	183	Days

DISCONTINUE DROP – TIER 2 – 1

Fire

Gerry R. Malais	Retired:	09-21-10	Exit Close of:	09-19-15
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DISCONTINUE DROP – TIER 3 – 1

Police

Reginald L. Braggs	Retired:	12-19-14	Exit Close of:	08-31-15
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DISCONTINUE DROP – TIER 4 – 1

Police

Gail A. Muzzey	Retired:	10-01-10	Exit Close of:	09-30-15
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DISCONTINUE DROP – TIER 5 – 13

Fire

Richard D. Brunson	Retired:	09-28-10	Exit Close of:	09-27-15
Paul A. Gamez	Retired:	10-04-10	Exit Close of:	09-30-15
Daniel R. McEleney	Retired:	08-02-13	Exit Close of:	09-30-15
Richard C. Pearson	Retired:	09-14-10	Exit Close of:	09-13-15
Daryl M. Premmer	Retired:	09-28-10	Exit Close of:	09-27-15
Dale M. Robinson	Retired:	09-30-10	Exit Close of:	09-29-15

Police

Bruce A. Barrios	Retired:	10-01-10	Exit Close of:	09-30-15
Ronald Capra	Retired:	10-01-10	Exit Close of:	09-30-15
Andre G. Dawson	Retired:	10-01-10	Exit Close of:	09-30-15
David A. Javier	Retired:	10-01-10	Exit Close of:	09-30-15
Michael Lockett	Retired:	10-01-10	Exit Close of:	09-30-15
Cheryl A. Nalls	Retired:	05-01-14	Exit Close of:	09-05-15
Craig A. Rawls	Retired:	02-01-15	Exit Close of:	09-30-15

DISCONTINUE DROP – TIER 5 – 1 **CORRECTION**

Police

Ronald P. Moody	Retired:	11-06-14	Exit Close of:	05-26-15
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MODIFIED PARTIAL PAYMENT OF DROP FUNDS – TIER 5 – 1

In accordance with the City Attorney's advice, a designated proportion of the community property interest of the pension payable to Dennis J. Adkins, Fire Service Pensioner, being withheld for his former spouse, Denise Iracondo-Adkins, since May 30, 2015, should be released effective September 1, 2015.

SERVICE-CONNECTED DISABILITY PENSION – TIER 5 – 2

<u>Name</u>	<u>Member's Rank</u>	<u>Percentage</u>	<u>Effective Date</u>	<u>Board Date</u>
Ian M. Schunke	Port Police Sergeant	35%	03-17-14	08-06-15
Lee J. Jensen	Police Officer II	40%	09-03-15	09-03-15

NON-SERVICE CONNECTED DISABILITY PENSION – TIER 5 – 1

<u>Name</u>	<u>Member's Rank</u>	<u>Percentage</u>	<u>Effective Date</u>	<u>Board Date</u>
Tracy L. Andres	Police Officer I	30%	09-07-14	09-03-15

b. Other business relating to Department operations

1. General Manager Ciranna informed the Board that Ethics training will be available online and needs to be completed by December 15, 2015.
2. The RVK Asset Liability Study will be presented to the Board on October 15, 2015.

D. COMMITTEE CALENDAR

1. Audit Committee – Last met: 07/16/15; next meeting: 10/01/15
2. Benefits Committee – Last met: 09/16/15; next meeting: 10/01/15
3. Governance Committee – Last met: 08/06/15; next meeting: 11/05/15

E. CONSENT ITEMS

Approval of Minutes of the Regular Board meetings of May 21st and June 4th, 2015

MOTION

Commissioner Navarro moved to approve the consent items, seconded by Commissioner Aliano and approved by the following vote: Commissioners Aliano, Castro, Diannitto, Nathanson, Navarro, and President von Voigt – 6; nays, none.

F. CONSIDERATION OF FUTURE AGENDA ITEMS

Commissioner Navarro would like a report on the disability rating worksheet, including its history and whether it can be changed in light of advancements in medical technology.

Commissioner Nathanson would like a summary of assets and fees with managers reports to

help understand the scope of LAFPP's investment, perhaps as a single sheet memo from staff, to include the amount invested, annual fees, historical performance, and allocations.

G. GENERAL PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION

No comments.

I. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

1. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE (1) PARTICULAR, SPECIFIC INVESTMENT AND POSSIBLE BOARD ACTION

The Board met in closed session.

2. CLOSED SESSION PURSUANT TO SUBDIVISIONS (A) AND (D)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH, OR RECEIVE ADVICE FROM, LEGAL COUNSEL WITH REGARD TO PENDING LITIGATION, IN 305/333 ROCK CORP. vs. CONTINENTAL COMMERCIAL PRODUCTS, LLC (CIRCUIT COURT OF ST. LOUIS COUNTY, STATE OF MISSOURI, CASE NO. 13SL-CC03974) AND POSSIBLE BOARD ACTION

The Board met in closed session.

Open session reconvened at 11:37. President von Voigt stated there was no report.

The meeting adjourned at 11:38 a.m.



President



Secretary