

**MINUTES**  
**OF THE**  
**BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**  
**SPECIAL BOARD MEETING OF JUNE 25, 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, June 25, 2015.

**COMMISSIONERS PRESENT:** Belinda Vega, President  
Cielo Castro  
Sam Diannitto (participated telephonically)  
Adam Nathanson  
Ruben Navarro  
Pedram Salimpour  
Corinne Tapia

**COMMISSIONER ABSENT:** Robert von Voigt, Vice President  
George Aliano

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

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

President Vega called the meeting to order at 8:44 a.m. All of the above-listed Commissioners were present at the start of the meeting with the exception of Commissioners Salimpour and Tapia who arrived at 8:55 and 8:47 a.m., respectively.

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

There was no public comment.

**B. REPORTS TO THE BOARD**

**REVIEW OF 2015 PRIVATE EQUITY AND COMMODITIES INVESTMENT ACTIVITY BY PORTFOLIO ADVISORS, LLC**

Messrs. Todd A. Hughes and Gregory J. Garrett, both Managing Directors from Portfolio Advisors provided the Board an overview of the private equity commitment pace and history. They addressed the Board's questions regarding the current status of private equity commitments, the lifecycle of private equity, and reason for over exposure to venture capital in the portfolio.

General Manager Ciranna agreed to provide a longer term history of Portfolio Advisors' performance in future reports, as the current report reflects its history for 2015.

Commissioner Nathanson requested that Portfolio Advisors provide a list of the funds that they are recommending to the Board and have invested in themselves. How much money have they invested in those funds and the names of the companies.

Mr. Hughes stated the sensitivity and importance of Commissioner Nathanson's questions. He has previously mentioned in prior meetings Portfolio Advisors' fund of funds. He preferred to discuss the fees his firm pays for the fund of funds in closed session for competitive reasons. He further provided details regarding the commodities portfolio.

Commissioner Vega asked if the Board should revisit the issue of commitment amounts for private equity with a future discussion with Portfolio Advisors.

Mr. Hughes discussed his intent to provide the Board with the firm's performance, the strategic plan update, and Portfolio Advisors' investment process in August or September 2015.

The board report was received and filed.

#### C. CLOSED SESSION ITEMS FOR POSSIBLE BOARD ACTION

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.

Upon reconvening in open session, President Vega stated there was no public report.

#### D. ITEMS FOR BOARD ACTION

PRESENTATIONS BY FINALIST CANDIDATES FOR THE SMALL CAP AND MICRO CAP DOMESTIC EQUITY EMERGING MANAGER SEARCH AND POSSIBLE BOARD ACTION

General Manager Ciranna stated that before the Board are five firms and the intent is to select two firms with allocations up to \$25M each.

The following managers presented their firms to the Board.

*Commissioner Diannitto ended his telephonic participation at 10:04 a.m.*

Channing Capital Management, LLC

Representatives: Messrs. Rodney B. Herenton, Founder, Director of Marketing and Client Service; and Wendell E. Mackey, Founder, Portfolio Manager, and Co-Chief Investment Officer

Elk Creek Partners, LLC

Representatives: Messrs. Chris Henkel, Managing Director of Marketing; and Lance Marx, Principal

*President Vega recessed the meeting for a break at 10:45 a.m., and reconvened at 10:54 a.m.*

PHOCAS Financial

Representatives: Messrs. William Schaff, Chief Executive Officer and Portfolio Manager; and Steve Block, Portfolio Manager

Granite Investment Partners

Representatives: Messrs. Geoffrey I. Edelstein, Co-Founder, Principal and Portfolio Manager; Jeffrey J. Hoo, Principal, Portfolio Manager

*President Vega recessed the meeting for a break at 11:48 a.m., and reconvened at 11:54 a.m.*

Pacific Ridge Capital Partners, LLC

Representatives: Messrs. Mark D. Cooper, President and Senior Portfolio Manager; Peter K. Trumbo, Chief Operating Officer and Chief Compliance Officer; and Dominic R. Marshall, Senior Portfolio Manager

**DISCUSSION/SELECTION**

Messrs. Tom Lopez, Chief Investment Officer and Jim Voytko, Chief Operating Officer of RVK were before the Board.

Commissioner Navarro suggested taking the money from the Fund's current fund of funds manager and allocating that money to the current search for two small cap managers. He further suggested his preference to select the two small cap firms Channing and PHOCAS with allocations of \$50M each, and allocating \$25M to Granite.

Commissioner Nathanson stated that it would be helpful for him to have the performance data of the benchmark of existing managers' performance, as Commissioner Navarro is suggesting to redeploy capital.

General Manager Ciranna noted the convenience of the iPad and its ability to view former materials from prior years. He encouraged Board members to meet with the Chief Investment

Officer and his team to discuss the details of the Emerging Manager Program.

Mr. Tom Lopez stated that one of the reasons RVK was hired is that they provide no services to investment managers. He discussed the association of RVK's clients and their managers.

Mr. Lopez stated that Commissioner Nathanson's concern regarding the relationship between a private equity fund of funds manager and a consulting manager that is also providing advice to an individual separate account client is well founded. He took that into account when Portfolio Advisors was hired.

Mr. Voytko stated that RVK does not receive compensation from managers. RVK has no relationships with managers, has no investments with managers, receives no money from managers, and does not get any perks from managers. RVK is concerned only with how well the managers perform for its clients.

Mr. Voytko further discussed the manager selection process following the Board's criteria.

Commissioner Navarro suggested that the investment consultant provide an overview of their process for the new Board members at a future meeting.

The Board members continued their discussion stating their individual preference to select the managers.

Messrs. Lopez and Voytko discussed the manager selection process.

Commissioner Navarro restated his motion selecting three firms allocating \$50M to each of the two small cap managers, and \$25M to the micro cap manager. In regards to the funding, he suggested that the issue is agenzized for a future meeting.

Commissioner Nathanson stated his concern regarding the allocation of \$50M to the two small cap managers and the volatility in this market.

Commissioner Castro presented an amendment to the motion to allocate \$25M to Granite and pending advice from staff, to hold off on deciding allocation amounts to Channing and PHOCAS.

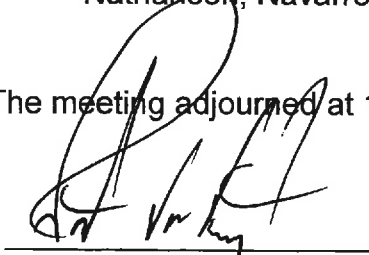
General Manager Ciranna stated that the Board will need to discuss at a future meeting shifting money from the fund of funds manager to the current search.

Mr. Lopez suggested that the Board decide on the allocation amount across all the three searches once the searches are completed.

RESOLUTION 15139

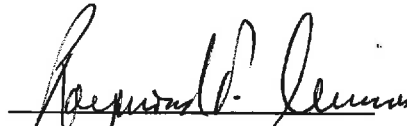
Commissioner Navarro moved as amended that the Board authorize an investment to the following three firms: Channing Capital Management, LLC, PHOCAS Financial, and Granite Investment Partners for the small cap and micro cap domestic equities mandate; and decide on the specific allocation to each manager at a future board meeting, which was seconded by Commissioner Tapia and approved by the following vote: ayes, Commissioners Castro, Nathanson, Navarro, Salimpour, Tapia and Vice President Vega – 6; nays, none.

The meeting adjourned at 1:14 p.m.



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President



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Secretary

