

**MINUTES**  
**OF THE**  
**BOARD OF FIRE AND POLICE PENSION COMMISSIONERS**  
**BOARD MEETING OF DECEMBER 20, 2018**

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met in the LAFPP Sam Diannitto Boardroom, located at the Los Angeles Fire and Police Pensions Building, 701 East 3rd Street, Suite 400, Los Angeles 90013 on Thursday, December 20, 2018.

COMMISSIONERS PRESENT: Corinne T. Babcock, President  
George Aliano  
Ken Buzzell  
Ruben Navarro  
Brian Pendleton  
Pedram Salimpour, MD  
Paul M. Weber

COMMISSIONERS ABSENT: Adam Nathanson  
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 Babcock called the meeting to order at 8:34 a.m. All the above-listed Commissioners were present at the start of the meeting.

**A. ITEMS FOR BOARD ACTION**

**1. AD HOC COMMITTEE ON OUTSIDE COUNSEL STATUS UPDATE AND CONSIDERATION OF REVISED BOARD POLICIES**

Mr. William Raggio, Executive Officer, Administrative Operations Division and Mr. David Michaelson, Chief Assistant City Attorney discussed the report with the Board.

The Board discussed possible scenarios where a conflict of interest regarding City Attorney advice could occur, Board member's fiduciary duties, Proposition 162, a past instance of the Board perceiving a conflict of information, and whether there is existing case law addressing the Board's concerns.

Ms. Elsa Moy provided public comment.

Resolution 19087

Commissioner Aliano moved that the Board:

- 1) Consider and approve the proposed revisions to Section 16.0 "Duties and Responsibilities – City Attorney" of the Governance Policies; and,
  - 2) Review and approve the proposed status from "In Progress" to "Completed" of the one remaining active recommendation (Recommendation 1.3) from the City Management Audits as prepared by HewittEnnis Knupp (HEK), which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.
2. APPROVAL TO ISSUE A REQUEST FOR PROPOSAL FOR GRAPHIC DESIGN SERVICES AND POSSIBLE BOARD ACTION

The report was approved as submitted.

Resolution 19088

Commissioner Aliano moved that the Board authorize the General Manager to issue a Request for Proposal (RFP) for graphic design services, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

3. ANNUAL CONFIRMATION OF ORGANIZATIONAL INDEPENDENCE AND POSSIBLE BOARD ACTION

The report was approved as submitted.

Resolution 19089

Commissioner Buzzell moved that the Board review, receive, and file the annual confirmation of organizational independence of the internal auditor which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

4. UPDATED ENGAGEMENT LETTER WITH MORGAN LEWIS & BOCKIUS LLP FOR REPRESENTATION IN TRIBUNE BANKRUPTCY LITIGATION AND POSSIBLE BOARD ACTION

The Board may recess into closed session pursuant to Government Code Sections 54956.9(a) and (d)(1) in order to confer with legal counsel regarding pending litigation in the following cases: *In re Tribune Company Fraudulent Conveyance Litigation*, MDL No. 11 MD

2296 (S.D.N.Y.)(Sullivan, J.)(on appeal to the United States Court of Appeals for the Second Circuit, Case Number 13-3992.); *Kirschner v. FitzSimons*, No. 12-cv-02652 (S.D.N.Y.)(Sullivan, J.)

The report was approved as submitted.

#### Resolution 19090

Commissioner Navarro moved that the Board authorize the Board President or the General Manager to sign the new engagement letter with Morgan Lewis Bockius LLP to allow the firm's continued representation of LAFPP in the Tribune Litigation, which was seconded by Commissioner Pendleton and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

#### 5. APPROVAL OF RETROACTIVE TRAVEL AUTHORITY (PENDLETON) – HARVARD KENNEDY SCHOOL, SENIOR EXECUTIVES IN STATE AND LOCAL GOVERNMENT

Mr. William Raggio, Executive Officer, Administrative Operations Division discussed the report with the Board. The report was approved as submitted.

#### Resolution 19091

Commissioner Navarro moved that the Board approve:

- 1) Commissioner Brian Pendleton's request for reimbursement to the Harvard Kennedy School, Senior Executives in State and Local Government on July 9 – 29, 2017 in Cambridge, MA (July 9<sup>th</sup> was a travel day);

Commissioner Navarro also moved that the Board consider and acknowledge:

- 2) The travel was not consistent with the Board Travel Policy since the travel was not pre-approved; and,
  - 3) The travel reimbursement will be noted as a Direct Expenditure by the Controller's Office in the Certification and Fiscal Monitoring Program (or successor programs), since the reimbursement is not within the same fiscal year as the incurred expense, which was seconded by President Babcock and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.
- #### 6. REQUEST TO SUSPEND WORKERS' COMPENSATION RECAPTURE OF MARK R. ZIMMERMAN, DISABILITY PENSIONER AND POSSIBLE BOARD ACTION

Mr. William Raggio, Executive Officer, Administrative Operations Division was available for questions. Commissioner Weber stated that suggesting professional financial advice might help members avoid future financial hardships. The report was approved as submitted.

*Commissioner Salimpour stepped out of the board room prior to the vote.*

Resolution 19092

Commissioner Navarro moved that the Board grant the request of Mark R. Zimmerman, a disability pensioner, to suspend the recapture of his Workers' Compensation award for another six months effective December 1, 2018 to May 31, 2019, which was seconded by Commissioner Aliano and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Weber, and President Babcock – 6; nays – none.

7. AMENDMENT TO BOARD OPERATING POLICIES AND PROCEDURES SECTION 5.5: PURCHASE OF SERVICE CREDIT AND POSSIBLE BOARD ACTION

The report was approved as submitted.

Resolution 19093

Commissioner Pendleton moved that the Board approve the proposed amendment to Board Operating Policies and Procedures, Section 5.5: Purchase of Service Credit, which was seconded by Commissioner Weber and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

8. AMENDMENT TO BOARD OPERATING POLICIES AND PROCEDURES SECTION 5.3: CONTRIBUTIONS OWED TO THE SYSTEM AND POSSIBLE BOARD ACTION

Ms. Robyn Wilder, Chief Benefits Analyst, Pensions Division discussed the report with the Board. Commissioner Buzzell asked if the 2% opt-in is suspended while the member is on IOD or military leave and was assured that it was by Ms. Wilder. The report was approved as submitted.

Resolution 19094

Commissioner Pendleton moved that the Board approve the proposed amendment to Board Operating Policies and Procedures, Section 5.3: Contributions Owed to the System, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

9. INTERNAL REVENUE CODE (IRC) SECTION 115 TRUST UPDATE AND POSSIBLE BOARD ACTION

Ms. Robyn Wilder, Chief Benefits Analyst, Pensions Division discussed the report with the Board. Commissioner Buzzell asked that staff and outside tax counsel discuss the proposed 115 trust structure with the IRS before returning to the Board with final recommendations. The report was approved as submitted.

Resolution 19095

Commissioner Aliano moved that the Board:

1. Direct staff and the City Attorney's Office to draft an ordinance to establish an IRC Section 115 Trust for the LAFPP Retiree Health Care Fund, substantially with the parameters detailed as discussed in this report; and,
2. Direct staff and the City Attorney's Office to draft the Section 115 Trust Agreement as well as any ancillary documents needed to implement the IRC 115 Trust Agreement; and,
3. Direct staff to present final drafts of the ordinance and IRC Section 115 Trust Agreement for Board approval at its meeting on January 17, 2019, which was seconded by Commissioner Pendleton and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

Items 11 and 12 were taken out of order.

11. REVIEW OF AN ADDITIONAL ALLOCATION TO THE PRIVATE EQUITY SPECIALIZED MANAGER PROGRAM AND POSSIBLE BOARD ACTION

Ms. Susan Liem, Investment Officer II, and Mr. Tom Lopez, Chief Investment Officer, Investments Division presented the report to the Board. The Board discussed the various amounts of investment fund opportunities presented to the Board by Portfolio Advisors and Fairview with Mr. Lopez and Ms. Liem.

Resolution 19096

Commissioner Navarro moved that the Board:

1. Approve an additional allocation of \$100 million to Portfolio Advisors, L.L.C to invest in the Private Equity Specialized Manager Program; and,
  2. Approve an additional allocation of \$100 million to Fairview Capital Partners, Inc. to invest in the Private Equity Specialized Manager Program, which was seconded by Commissioner Pendleton and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.
12. INVESTMENT POLICY AND GOVERNANCE POLICY REVISIONS AND POSSIBLE BOARD ACTION

Ms. Annie Chao, Investment Officer, and Mr. Tom Lopez, Chief Investment Officer, Investments Division presented the recommended changes to the policies to the Board. Commissioner Buzzell referred to the proposed changes in the Securities Litigation Policy and stated that the minimum threshold should remain at \$3 million. The Board discussed this

issue with Mr. Lopez, Ms. Chao, and General Manager Ciranna.

Ms. Elsa Moy provided public comment.

#### Resolution 19097

Commissioner Buzzell moved that the Board:

1. Approve the proposed amendments to Section 10.0 of the Board Investment Policies; "Securities Litigation Policy"; with the exception of the loss threshold which will remain unchanged;
  2. Approve the proposed amendments to Section 20.0 of the Board Governance Policies; "Investment Consultant Policy"; and,
  3. Authorize Staff to make technical corrections or clarification to the Policies to effectuate the intent of the Board, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.
10. DISCUSSION OF THE MINIMUM QUALIFICATIONS FOR THE DOMESTIC SMALL CAP EQUITY INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION

Ms. Rebecca Gratsinger, CEO and Senior Consultant for RVK presented their recommendations to the Board. The report was approved as submitted.

#### Resolution 19098

Commissioner Pendleton moved that the Board consider the following Minimum Qualifications (MQs) when screening for US Small Cap Core Equity managers:

1. Separate account is open;
  2. Minimum 5-year track record;
  3. Strategy AUM > \$800 million but < \$3 billion; and,
  4. Separate account with > \$100 million, which was seconded by Commissioner Buzzell and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.
13. CHIEF INVESTMENT OFFICER'S QUARTERLY REPORT OF ASSET ALLOCATION STATUS AND POSSIBLE BOARD ACTION

Mr. Tom Lopez, Chief Investment Officer, Investments Division discussed the report with the Board.

Ms. Elsa Moy provided public comment.

Resolution 19099

Commissioner Buzzell moved that the Board approve the actual asset allocation of the Fund and Staff's plans for bringing asset classes currently outside of their target allocation ranges back within their allocation ranges, which was seconded by Commissioner Navarro and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Salimpour, Weber, and President Babcock – 7; nays – none.

B. REPORTS TO THE BOARD

1. QUARTERLY PORTFOLIO PERFORMANCE REPORT BY RVK

Ms. Rebecca Gratsinger, CEO and Senior Consultant, and Mr. Jim Voytko, President and Senior Consultant for RVK presented their report to the Board. The report was received and filed.

2. VERBAL REPORT ON THE EXCESS BENEFIT PLAN

General Manager Ciranna discussed the recent Los Angeles Times article with the Board. Commissioner Buzzell provided information on Internal Revenue Code Section 415.

3. Miscellaneous correspondence from money managers, consultants, etc. – Received and Filed.

4. General Manager's Report

a. Monthly Report

b. Marketing Cessation Information

c. Benefits Actions approved by General Manager on December 6, 2018

Pursuant to Resolution 04008, adopted by the Board of Fire and Police Pension Commissioners on August 7, 2003, the following benefit actions have been approved by the General Manager on November 15, 2018.

DISCONTINUED PENSIONS – TIER 1 – 4

Ernest M. Dicken	Police Service	Retired:	08-30-66	Died:	11-06-18
Daniel A. Bales	Police Disability	Retired:	11-20-79	Died:	10-27-18
Jerry W. Guy	Police Disability	Retired:	08-07-67	Died:	10-16-18
Robert R. Phillips	Police Disability	Retired:	03-07-61	Died:	10-26-18

DISCONTINUED PENSIONS – TIER 2 – 10

N. S. Baumgartner	Fire Service	Retired:	02-01-75	Died:	10-03-18
Lowell C. Johnson	Fire Service	Retired:	03-01-77	Died:	10-24-18
Thomas M. Gorey	Police Service	Retired:	02-19-95	Died:	09-27-18
Elaine M. Kusel	Police Service	Retired:	01-22-95	Died:	10-14-18
Chester R. Obrymski	Police Service	Retired:	01-27-88	Died:	09-21-18
Joseph K. Van Fleet	Police Service	Retired:	12-16-90	Died:	10-19-18
George S. Dufalla	Police Disability	Retired:	02-03-78	Died:	10-20-18
Emily Baquet	Police Widow	Retired:	12-01-76	Died:	10-28-18
Pawnice Cunningham	Police Widow	Retired:	05-22-96	Died:	10-17-18
Barbara R. Hopson	Police Widow	Retired:	12-01-10	Died:	03-06-18

DISCONTINUED PENSIONS – TIER 5 – 2

Greg L. Meliota	Fire Service	Retired:	04-04-04	Died:	10-17-18
Michael A. Jacobellis	Police Service	Retired:	08-01-03	Died:	10-23-18

DISCONTINUED PENSIONS FORMER SPOUSE – TIER 2 – 1

Nancy Martin	Police Disability	Retired:	07-01-08	Died:	10-31-18
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DISCONTINUED PENSIONS FORMER SPOUSE – TIER 5 – 1

Karen Meliota	Fire Service	Retired:	04-04-04	Member Died:	10-17-18
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DISCONTINUED PENSIONS DESIGNATED BENEFICIARY – TIER 1 – 2

Christopher J. Bisnett	Police Service	Retired:	02-15-05	Member Died:	11-06-18
Scott M. Talbot	Police Service	Retired:	02-15-05	Member Died:	11-06-18

SERVICE PENSION – TIER 3 – 2

Police

Nancy M. Mc Cullough	Police Officer II	Eff:	11-25-18	21	Years	308	Days
Erika R. Pringle	Detective I	Eff:	11-25-18	23	Years	163	Days

SERVICE PENSION – TIER 5 – 6

Police

Martin Baggesgard	Sergeant II	Eff:	11-11-18	28	Years	5	Days
David W. Hunt	Police Officer III	Eff:	10-14-18	23	Years	4	Days
Terrie J. Jones	Detective I	Eff:	11-25-18	25	Years	160	Days
Dale L. Lopez	Police Officer II	Eff:	10-28-18	20	Years	48	Days
Christopher Smythe	Police Officer II	Eff:	11-11-18	21	Years	254	Days
Dennis M. O'Sullivan	Police Officer III +1	Eff:	11-11-18	28	Years	337	Days



SERVICE PENSION/DROP – TIER 5 – 1

Police  
Robert Gasior                      Sergeant I                      Eff: 09-12-18                      29 Years 316 Days

d. Other business relating to Department operations

General Manager Ciranna provided the following updates:

1. He introduced the Department's six new employees to the Board.
2. Updated the Board on the status of the ordinance to amend the DROP program which had its first reading in City Council in early December 2018 and is scheduled for its second reading in January 2019.
3. With pending changes to the DROP Program, the Department has already conducted several group counseling sessions and will provide several additional sessions throughout January 2019.
4. The Plan has dropped from approximately \$22 billion to \$21.5 billion.
5. PARIS may still go "live" in January 2019 provided it can be accomplished with maximum security and minimal disruption to the members.
6. A prenote test was sent out to the banking institutions of approximately 14,000 retired members and beneficiaries to confirm that account information was valid, but the Police Credit Union inadvertently sent out the test information to approximately 2,800 members causing some confusion for approximately 150 members.
7. Two new civil service classifications have been created at the request of the Department; Benefits Analyst and Senior Benefits Analyst.

*Commissioner Salimpour left the board room for the remainder of the meeting at 10:40 a.m.*

C. CONSENT ITEMS

1. Approval of Minutes
  - a. Minutes of the Regular Board Meetings of June 21, 2018 and July 19, 2018
  - b. Minutes of the Special Board Meeting of June 21, 2018
2. APPROVAL OF TRAVEL AUTHORITY (NAVARRO) – OPAL GROUP, PUBLIC FUNDS SUMMIT 2019

Motion

Commissioner Pendleton moved that the Board approve the consent items, which was seconded by Commissioner Weber and approved by the following vote: ayes, Commissioners Aliano, Buzzell, Navarro, Pendleton, Weber, and President Babcock – 6; nays – none.

Resolution 19100