

MINUTES OF THE REGULAR MEETING
BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

LACERS Boardroom
202 West First Street, Fifth Floor
Los Angeles, California

March 12, 2013

10:00 a.m.

Agenda of MARCH 26, 2013

Item Number II

PRESENT:	President:	Rick Rogers
	Vice President:	Jeffrey J. Penichet
	Commissioners:	Robert A. Chick Elizabeth L. Greenwood Ken Spiker
	Manager-Secretary:	Thomas Moutes
	Executive Assistant:	Armando Bencomo
	Legal Counselors:	Alan L. Manning James Napier
ABSENT:	Commissioner:	Kenneth M. Simril

The Items in the Minutes are numbered to correspond with the Agenda.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Rogers asked if any persons wished to speak, to which there was no response.

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF FEBRUARY 26, 2013 AND POSSIBLE BOARD ACTION - The Minutes were approved as presented on a motion by Commissioner Greenwood, seconded by Commissioner Chick, and adopted by the following vote: Ayes, Commissioners Chick, Greenwood, Penichet, Spiker, and President Rogers – 5; Nays, None.

III

AUDIT AND STRATEGIC PLANNING COMMITTEE REPORT

A. PROPOSED CHANGES TO THE STRATEGIC PLAN AND POSSIBLE BOARD ACTION – Chief Benefits Analyst Dale Wong-Nguyen presented the staff report with the proposed Strategic Planning Policy and proposed revisions to the vision, mission, guiding principles, and goals of the Strategic Plan. After discussion and questions from the Board regarding the principles and responsibilities included in the proposed Strategic Planning Policy,

Commissioner Chick moved that the Board adopt the Strategic Planning Policy as presented. The motion was seconded by Commissioner Penichet, and adopted by the following vote: Ayes, Commissioners Chick, Greenwood, Penichet, Spiker, and President Rogers – 5; Nays, None. Chief Benefits Analyst Wong-Nguyen then presented the proposed revisions to the vision, mission, guiding principles, and goals of the Strategic Plan. After further discussion on the proposed options to the Board Governance Goal and Workforce Goal, Commissioner Greenwood moved that the Board adopt the proposed revisions to the vision, mission, and guiding principles as presented; adopt the Board Governance Goal as presented in Option III; and adopt the Workforce Goal as presented in Option III. The motion was seconded by Commissioner Chick, and adopted by the following vote: Ayes, Commissioners Chick, Greenwood, Penichet, Spiker, and President Rogers – 5; Nays, None.

President Rogers adjourned the Regular Meeting at 10:16 a.m. to convene in Closed Session. Deputy City Attorney James Napier presided as Legal Counselor during consideration of the Disability Retirement Applications. Agenda Items VII-A, VII-B, VII-C, and VII-D were taken out of order.

VII

- A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF PAMELA DORSEY AND POSSIBLE BOARD ACTION
- B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF DAVID FOX AND POSSIBLE BOARD ACTION
- C. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE RETURN TO WORK REQUEST FOR DISABILITY RETIREMENT RETIREE NINA COOKE-CAMPBELL AND POSSIBLE BOARD ACTION (HEARING)
- D. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF JACQUELYNE INGRAM AND POSSIBLE BOARD ACTION (HEARING)

President Rogers reconvened the Regular Meeting at 10:45 a.m., and announced that the Board unanimously approved the Disability Retirement Benefits of Pamela Dorsey and David Fox as presented in Resolutions 130312-A and 130312-B, respectively. The Board also unanimously approved the cancellation of Nina-Cooke's retirement allowance upon her return to active service as presented in Resolution 130312-C. The Board also approved the Disability Retirement Benefit of Jacquelyne Ingram as presented in Resolution 130312-D by the following vote: Ayes, Commissioners Chick, Greenwood, Penichet, and President Rogers – 4; Nays – Commissioner Spiker – 1. The approval of Ms. Ingram's Disability Retirement Benefit is subject to a one-year re-examination. Assistant City Attorney Alan Manning continued to preside as Legal Counsel thereafter.

IV

- A. CHIEF INVESTMENT OFFICER REPORT – Chief Investment Officer (CIO) Rodney June reported on the portfolio performance to date, and on the status of the Private Equity

Consultant Request for Proposal (RFP) process. Wilshire Associates, Inc. is conducting a final analysis on the non-U.S. small cap active equities core and emerging markets debt investment manager searches. CIO June announced that Investment Officer Bryan Fujita has been appointed to the position of Investment Officer III. The Information Management Network 18th Annual U.S. Public Funds Summit scheduled for March 14-15, 2013 in Huntington Beach, CA will include a presentation on Economically Targeted Investment programs. Upcoming investment items include the presentation of semi-finalist lists for the active non-U.S. equities developed markets and active non-U.S. equities emerging markets investment manager searches, continued consideration of the requests for divestiture of retirement funds from gun and ammunition manufacturers and retailers, notification of changes in The Northern Trust Company's securities lending program, presentation of the 2013 Real Estate Investments Strategic Plan by Courtland Partners, Ltd; and consideration of the Real Estate Consultant RFP scheduled to be released in April 2013. CIO June also reported that the portfolio performance as of December 31, 2012 resulted in an annual return of 14.5% gross of fees.

- B. EDUCATIONAL PRESENTATION ON ECONOMICALLY TARGETED INVESTMENT PROGRAMS AND POSSIBLE BOARD ACTION – CIO Rodney June reported that the Economically Targeted Investments (ETI) educational presentation was scheduled in response to the correspondence issued by Mayor Antonio Villaraigosa on September 7, 2012 requesting that the Board consider and evaluate ETI programs as potential investment strategies which promote local economic growth, job creation, and creative innovation in the technology sector. Managing Director Mark Friedberg and Vice President Mark Perry of Wilshire Associates, Inc. (Wilshire) Private Markets Group presented an overview of the various development stages and performance of venture capital investments, investment performance of information technology and life sciences industries, key factors that have influenced the start-up of the technology venture capital community in Los Angeles, and the presence and performance of technology-oriented venture capital firms in Los Angeles County and the Southern California area. The proposed options for the Board's consideration to establish ETI programs with Los Angeles-based technology firms include the implementation of a separate ETI program with a dedicated investment manager and private equity assets, implementation of a co-investment program with a dedicated investment manager, referral of general partners to the Mayor's Office for a list of technology companies for consideration of potential investments, or that the Board not take any action on the matter and assume that the current venture capital general partners already consider Los Angeles-based technology firms for potential investments. The Board discussed broadening the scope of a potential ETI program beyond venture capital for Los Angeles-based technology firms to include an expanded opportunity base for private equity, real estate, and debt strategies. President Rogers directed staff to bring forth additional educational information, with the assistance of Wilshire Private Markets Group, on current local investments in the LACERS portfolio which could be considered as Los Angeles-focused investments, and if there are any additional investment opportunities to consider.

V

CONTRACTS

- A. CONSIDERATION OF FIDUCIARY LIABILITY INSURANCE QUOTES AND POSSIBLE BOARD ACTION – Senior Management Analyst Angela Berumen and Chief Operating Officer Brian Smith of Segal Select Insurance Services, Inc. presented the February 26, 2013 staff

report and the summary of fiduciary liability insurance quotations and terms, with the recommendation that the Board direct and authorize the General Manager to approve and execute the required documents to secure fiduciary liability insurance coverage. The Board discussed the potential options and consequences of extending the current fiduciary liability insurance policy and delaying a vote on the staff recommendation and proposed insurance program options. After some discussion and questions from the Board, Commissioner Spiker moved that the Board approve the staff recommendation with the condition that potential changes can be made to the fiduciary liability insurance policy with Chubb Group of Insurance as the primary carrier and RLI Corp. as the excess carrier with a policy limit of \$20 million, a \$150,000 retention fee, and an annual premium of \$178,500. The motion was seconded by Commissioner Greenwood, and adopted by the following vote: Ayes, Commissioners Chick, Greenwood, Penichet, Spiker, and President Rogers – 5; Nays, None.

VI

MANAGER'S REPORT

- A. Benefit Payments Approved By General Manager – Received and filed.
- B. Marketing Cessation Notification – Received and filed.
- C. Report on Department Operations – General Manager Thomas Moutes reported that Mayor Antonio Villaraigosa has appointed Barker Khorasane to serve as the appointed Retired Member of the Board, which is pending City Council confirmation process. A New Trustee Orientation will be scheduled on March 27-28, 2013. The deadline to file nominating petitions for the Employee-Member of the Board election is Friday, March 15, 2013. The City contribution rate for Tier 2 will be provided by The Segal Company by the end of March 2013. An Interim Audit Report for the Management Audit of LACERS will be issued, for which LACERS will have the opportunity to provide comments. The Mayor's Office has issued correspondence in support of a civil service exemption of the Departmental Audit Manager position, which will be scheduled for consideration by Council Committee and City Council.
- D. Upcoming Agenda Items – The City contribution rate for Tier 2 will be scheduled for the Boards' consideration on April 9, 2013; and the proposed departmental budget for Fiscal Year 2013-14 will be scheduled for consideration by the Audit and Strategic Planning Committee.
- E. Travel Expenditure Reimbursement Procedural Update – Departmental Chief Accountant Mikyong Jang presented the memorandum with current protocol and requirements being imposed by the Controller's Office for travel expenditure reimbursements. General Manager Thomas Moutes reported on advice provided by the City Attorney's Office that the Controller's Office may not dictate or impose its own policy and discretion over LACERS' travel reimbursements when proper procedures are followed by LACERS, and the expenditures are duly authorized by the Board. The Board and staff discussed the Controller's Office process for which travel reimbursement checks and vendor payments are issued.

Agenda Item VII was taken out of order.

VIII

OTHER BUSINESS – Commissioner Penichet requested that an agenda item be scheduled for consideration of proposed modifications to the Emerging Investment Manager Policy.

IX

NEXT MEETING - The next Regular Meeting is scheduled for Tuesday, March 26, 2013 at 10:00 a.m. in the LACERS Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

X

ADJOURNMENT – There being no further business before the Board, President Rogers adjourned the Regular Meeting at 12:10 p.m.

Rick Rogers
President

Thomas Moutes
Manager-Secretary