

M I N U T E S
OF THE
BOARD OF PENSION COMMISSIONERS
MEETING OF MARCH 10, 1988

The Board of Pension Commissioners of the City of Los Angeles met in Room 700, 360 East Second Street, Brunswig Square Building, on Thursday, March 10, 1988.

COMMISSIONERS PRESENT: Kenyon Chan, President
 Ken Staggs, Vice President
 Dellene Arthur
 Bert Cohen
 Sam Diannitto
 Dave Velasquez

COMMISSIONERS ABSENT: Sherman Andelson

DEPARTMENT OF PENSIONS: Gary Mattingly, General Manager
 James J. McGuigan, Assistant General Manager
 Allan Moore, Assistant General Manager
 Dennis Sugino, Chief Investment Officer

CITY ATTORNEY'S OFFICE: Siegfried O. Hillmer, Assistant City Attorney

President Chan called the meeting to order at 9:35 a.m. and referred to Item No. 1 on the Agenda.

The General Manager, Mr. Gary Mattingly, announced that the sound system for the boardroom has been completed, thereby making it possible for guests and people in the audience to be able to not only hear the Board members, but the speakers and disability applicants as well.

President Chan commented that he is pleased with the new board table.

INVESTMENTS

Staff requests Board approval of stock lists from Loomis-Sayles, Security Pacific Investment Management, and Wright Investors' Service and approval of SPIM'S Guidelines for the Short-Term Investments; Alliance Capital Management sent transmittals reporting trades through March 4, 1988; The Boston Company had no trades to report; Loomis, Sayles & Company sent a transmittal reporting trades through March 4, 1988; Magten Asset Management sent a transmittal reporting trades through March 4, 1988; Security Pacific Investment Managers, Inc., sent a letter with transmittals reporting trades through March 4, 1988; Solomon Asset Management, Inc., sent a transmittal reporting trades as of March 7, 1988 and Wright Investors' Service sent a letter with transmittals reporting trades through March 7, 1988.

STOCK PURCHASE
Resolution NO. 88032

2525 NEW SYSTEM GENERAL PENSION FUND

2535 SAFETY MEMBERS GENERAL PENSION FUND

After discussion by the Board it was moved by Commissioner Diannitto that upon the advice of Investment Counsel, the Manager-Secretary and/or Loomis, Sayles & Company be authorized to purchase up to 5% of the current portfolio, which motion was seconded by Commissioner Staggs and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

STOCK PURCHASE
Resolution No. 88030

2525 NEW SYSTEM GENERAL PENSION FUND

After discussion by the Board it was moved by Commissioner Diannitto that upon the advice of Investment Counsel, the Manager-Secretary and/or Security Pacific Investment Managers, Inc., be authorized to purchase up to 5% of the current portfolio, which motion was seconded by Commissioner Staggs and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

STOCK PURCHASE
Resolution No. 88031

2525 NEW SYSTEM GENERAL PENSION FUND

After discussion by the Board it was moved by Commissioner Diannitto that upon the advice of Investment Counsel, the Manager-Secretary and/or Wright Investors' Service be authorized to purchase up to 5% of the current portfolio, which motion was seconded by Commissioner Staggs and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

Resolution No. 88032

2515 FIRE & POLICE GENERAL PENSION FUND

After discussion by the Board, it was moved by Commissioner Diannitto that the Manager-Secretary be authorized to invest and reinvest in money market instruments from time to time as is necessary in the maximum maturities indicated, at the current market and to sell money market instruments owned by the Board as monies shall be needed for payment of pensions or for investments already authorized by the Board, which motion was seconded by Commissioner Velasquez and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

Resolution No. 88033

2520 NEW SYSTEM SERVICE PENSION FUND

After discussion by the Board, it was moved by Commissioner Diannitto that the Manager-Secretary be authorized to invest and reinvest in money market instruments from time to time as is necessary in the maximum amounts and with the maximum maturities indicated, at the current market and, to sell money market instruments owned by the Board as monies shall be needed for payment of pensions or for investments already authorized by the Board, which motion was seconded by Commissioner Velasquez and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

Resolution No. 88034

2525 NEW SYSTEM GENERAL PENSION FUND

After discussion by the Board, it was moved by Commissioner Diannitto that the Manager-Secretary be authorized to invest and reinvest in money market instruments from time to time as is necessary in the maximum amounts and with the maximum maturities indicated, at the current market and, to sell money market instruments owned by the Board as monies shall be needed for payment of pensions or for investments already authorized by the Board, which motion was seconded by Commissioner Velasquez and adopted by the following vote: ayes Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

Resolution No. 88035

2530 SAFETY MEMBERS SERVICE PENSION FUND

After discussion by the Board, it was moved by Commissioner Diannitto that the Manager-Secretary be authorized to invest and reinvest in money market instruments from time to time as is necessary in the maximum amounts and with the maximum maturities indicated, at the current market and to sell money market instruments owned by the Board as monies shall be needed for payment of pensions or for investments already authorized by the Board, which motion was seconded by Commissioner Velasquez and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

Resolution No. 88036

2535 SAFETY MEMBERS GENERAL PENSION FUND

After discussion by the Board, it was moved by Commissioner Diannitto that the Manager-Secretary be authorized to invest and reinvest in money market instruments from time to time as is necessary in the maximum amounts and with the maximum maturities indicated, at the current market and, to sell money market instruments owned by the Board as monies shall be needed for payment of pensions or for investments already authorized by the Board, which motion was seconded by Commissioners Velasquez and adopted by the following vote: ayes, Commissioners Arthur, Diannitto, Staggs, Velasquez and President Chan - 5; noes, none.

COMMITTEE REPORTS

There were no committee reports today.

INVESTMENT PERFORMANCE REPORT FROM SEI

Mr. F. X. Cloran of SEI came forward for his presentation to the Board on the investment managers' performance.

Commissioner Cohen entered the boardroom during this presentation.

Mr. Cloran referred to the presentation book that was sent out by SEI and said he would follow it in the order of format. Mr. Cloran reported on the total fund results and then reported on the money managers, individually. Mr. Cloran commented that 1987 was a most interesting year the investment market has had in a long time, and then he put in perspective what happened in October during the stock market decline. In 1986, the market has gone up twenty percent, the biggest up market in many, many years, and because of the stock market decline it is down twenty percent, which is the lowest it has been in many, many years. Mr. Cloran summarized his talk, stating that as a result over the past several years, the Fire & Police Fund has done pretty good over this time period. He then reported on the money managers.

Mr. Cloran pointed out to the Board that MCQ, an options overwriter, had lost \$4 million this past quarter. The Board members expressed their concern over this

matter and directed staff to ask Mr. Chuck Moo of MCQ to appear before the Board within the next couple of weeks. The Board suggested to Mr. Cloran that he may like to be present when Mr. Moo appears before the Board, and he stated that he would like to be present.

PUBLIC COMMENTS

There were no public comments today.

Commissioner Velasquez left the boardroom for a short while at this point in the proceedings.

CONSENT ITEMS

PRESENTATION OF THE MINUTES OF THE MEETINGS OF JANUARY 21, 1988, JANUARY 28, 1988, FEBRUARY 4, 1988 AND FEBRUARY 11, 1988

DISCONTINUE PENSIONS - ARTICLE XVII - 2

G. Herbert Brown	Police Service	Retired	07-01-43	Died	02-18-88
Joseph M. Oaks	Police Service	Retired	09-01-64	Died	01-10-88

DISCONTINUE PENSION - ARTICLE XVIII - 2

Robert M. Olson	Fire Service	Retired	06-01-78	Died	02-09-88
Helen Hines	Fire Widow	Retired	07-22-83	Died	11-23-87

SERVICE PENSIONS - ARTICLE XVIII - 6

FIRE

Firefighter III	Appt'd	09-01-62	25 Years, 153 Days	56.2493%
Daniel D. Monahan	Eff:	02-01-88	NPB: \$3,522.04	\$1,981.12

Engineer	Appt'd	07-02-56	31 Years, 229 Days	70.0000%
Walter J. Somaduroff	Eff:	02-16-88	NPB: \$3,826.42	\$2,678.49

POLICE

Detective III	Appt'd	08-05-63	24 Years, 185 Days	48.9808%
John J. St. John	Eff:	02-06-88	NPB: \$4,591.86	\$2,249.13

Lieutenant II	Appt'd	10-29-62	25 Years, 122 Days	56.0027%
John W. Gillis	Eff:	02-28-88	NPB: \$5,117.34	\$2,865.85

Police Officer II+2	Appt'd	04-24-67	20 Years, 310 Days	41.6986%
Lonnie L. Hardman	Eff:	02-28-88	NPB: \$3,977.64	\$1,658.62

Police Officer III	Appt'd	12-03-67	20 Years, 87 Days	40.4767%
Frederick Meisner	Eff:	02-28-88	NPB: \$3,782.76	\$1,531.14

WIDOW'S OR WIDOWER'S PENSION - ARTICLE XVII - 1

<u>Name</u>	<u>Member's Class</u>	<u>Sal. Rank At Date Of Death</u>	<u>Rate %</u>	<u>Effective Date</u>	<u>Monthly Amount</u>
Ethel M. Brown (G. Herbert Brown)	Police	\$3,782.76	50%	02-19-88	\$1,891.38

WIDOW'S OR WIDOWER'S PENSION - ARTICLE XVII - 1

<u>Name</u>	<u>Member's Class</u>	<u>Monthly Salary</u>	<u>Rate %</u>	<u>Effective Date</u>	<u>Monthly Amount</u>
Lucille Eddleman (Lee R. Eddleman)	Police Service	\$ 966.00	40%	02-06-88	\$ 386.40
			Member's C/L		696.27
			Total		\$1,082.67

PARTIAL PAYMENT OF PENSION - ARTICLE XVII - 1

In accordance with the City Attorney's advice, a designated proportion of the community property interest of the pension payable to Daniel D. Monahan, Fire Service Pensioner, to be paid to his former spouse Janice E. Wagner, effective February 1, 1988. Janice E. Wagner will receive future 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 Fredrick Meisner, Police Service Pensioner, to his former spouse Eileen Meisner, effective February 28, 1988. Eileen Meisner will receive future cost-of-living adjustments.

CONSERVATORSHIP - ARTICLE XVII - 1

A certified copy of the Letters of Conservatorship, issued in the Superior Court of the State of California, County of Los Angeles, Case Number 55829, appointing Bonnie Cambalik Conservator of the Person and Estate of Emma R. Salsen on January 29, 1988, has been filed in this office. Pension payments in the amount of \$1,077.31 to be paid to Bonnie Cambalik.

FINDINGS OF FACT - ARTICLE XVIII - 7FIRE

A. Anthony R. DiDomenico B. Raymond W. Horelly C. Andrew D. Kuljis

POLICE

D. William J. Figueroa E. Erik R. Hermann F. Mary Lou Hines

G. William E. Stone

The above consent items approved. Motion made by Commissioner Diannitto, seconded by Commissioner Arthur and adopted by the following vote: ayes, Commissioners Cohen, Diannitto, Staggs and President Chan - 4; noes, none.

At this point in the proceedings, Commissioner Velasquez reentered the boardroom.

REVISION TO THE INVESTMENT POLICY TO DELETE THE APPROVED STOCK LIST

A recommendation by the General Manager to modify the Board's policy on the preapproval of advisors' stock lists was considered at a meeting of the Investment Committee on November 18, 1987. The Investment Committee has prepared a report and after review of this matter are recommending that the Board revise the Investment Policy by deleting the approved stock list provision and substituting that the stock list will be for information only.

The Board members expressed some concern over this matter. President Chan directed that this matter be returned to the Investment Committee. Commissioner Cohen then asked staff to work with the equity managers in compiling a list that compares companies in their portfolios that would be ultimately subject to the Board's South Africa divestiture program with those companies that are not.

At this point in the proceedings, President Chan recessed the meeting for a brief period.

INVESTMENT ADVISER REPORTS

A. Jeri Smith of Security Pacific Investment Advisors (SPIM) made a presentation on their recent performance. Commissioner Cohen directed SPIM to report on what value has been added by all the swapping and trading since the time of the major investment policy changes versus a buy and hold static portfolio.

B. Desi Heathwood of The Boston Company stated that his firm has a bias towards longer maturities which is consistent with the inflation outlook and concept that pension obligations are long term.

C. Tally Embry of Magten reported that the junk bond market is still healthy overall with an increasing number of new issues and continuing LBO's and recapitalizations. However, he sees the market as still very volatile.

D. David Solomon of Solomon Asset Management noted that the high yield market has been doing what we expected for the past two years. He reported that trading activity has diminished, but that he was active in the new issue market. His firm is focusing more on credit analysis than ever before and planning to hold through minor fluctuations.

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At this point in the proceedings, President Chan called for adjournment.



President



Manager-Secretary