

AGENDA

BOARD OF FIRE AND POLICE PENSION

COMMISSIONERS

July 3, 2025
8:30 a.m.

Sam Diannitto Boardroom
Los Angeles Fire and Police Pensions Building
701 East 3rd Street, Suite 400
Los Angeles, CA 90013

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A. CALL TO ORDER

1. Roll Call
2. Consideration of Notices and Requests for Remote Participation pursuant to AB 2449
 - a. Just Cause – receive and file
 - b. Emergency Circumstance and possible Board action

B. PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION AND ANY SPECIFIC AGENDA ITEMS

C. DISABILITY CASE

Alternative 1

1. Detective I Gregory F. McNamee. Mr. McNamee will be represented by Corina Lee, 911 Benefits, LLC.

D. CONSENT ITEM

1. Approval of Minutes

[Regular Board meeting minutes of June 5, 2025](#)

E. REPORTS TO THE BOARD

1. DISCUSSION OF CITY PENSION CONTRIBUTION TRUE-UP MECHANISM AND POSSIBLE BOARD ACTION
2. MINIMUM QUALIFICATIONS FOR ACTIVE INTERNATIONAL SMALL CAPITALIZATION EQUITY MANAGER SEARCH AND POSSIBLE BOARD ACTION
3. APPROVAL OF FIVE-YEAR CONTRACT WITH SCOUT INVESTMENTS, INC. REAMS ASSET MANAGEMENT DIVISION FOR PASSIVE TREASURY INFLATION-PROTECTED SECURITIES (TIPS) FIXED INCOME INVESTMENT MANAGEMENT SERVICES AND POSSIBLE BOARD ACTION
4. CONSIDERATION OF GENERAL MANAGER PAY ADJUSTMENT FOR FISCAL YEAR BEGINNING JULY 1, 2025 AND POSSIBLE BOARD ACTION

F. GENERAL MANAGER'S REPORT

1. Benefits Actions approved by General Manager on June 18, 2025
2. Other business relating to Department operations

G. CONSIDERATION OF FUTURE AGENDA ITEMS

H. CLOSED SESSION

1. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER THE PURCHASE OF ONE (1) PARTICULAR, SPECIFIC INVESTMENT AND POSSIBLE BOARD ACTION
2. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957 (B)(1): GENERAL MANAGER PERFORMANCE EVALUATION FOR THE PERIOD BEGINNING JULY 1, 2024 AND ENDING JUNE 30, 2025 AND POSSIBLE BOARD ACTION

MINUTES
OF THE
BOARD OF FIRE AND POLICE PENSION COMMISSIONERS
BOARD MEETING OF JUNE 5, 2025

The Board of Fire and Police Pension Commissioners of the City of Los Angeles met on Thursday, June 5, 2025.

COMMISSIONERS PRESENT: Garrett W. Zimmon, President
 Andrea Ambriz, Vice President
 Kenneth E. Buzzell
 Carlton J. Jenkins
 Nanxi Liu

COMMISSIONERS ABSENT: Rigoberto Arellano
 William Chun
 Brian J. Churchill
 Raul Perez

DEPARTMENT OF FIRE AND
POLICE PENSIONS: Joseph Salazar, General Manager
 Myo Thedar, Executive Officer
 Gregory Mack, Assistant General Manager
 Bryan Fujita, Chief Investment Officer
 Tiffany West, Commission Executive Assistant

CITY ATTORNEY'S OFFICE: Joshua Geller, Supervising Attorney

President Zimmon called the meeting to order at 8:39 a.m. All the above-listed Commissioners were present at the start of the meeting.

A. CALL TO ORDER

1. Roll Call

Ms. Tiffany West announced there was a quorum, with five Commissioners participating in-person from the Boardroom. Commissioners Arellano, Chun, Churchill, and Perez were absent.

2. Consideration of Notices and Requests for Remote Participation pursuant to AB 2449

- a. Just Cause – receive and file
- b. Emergency Circumstance and possible Board action

There were no Notices and Requests for Remote Participation for consideration.

B. PUBLIC COMMENT ON MATTERS WITHIN THE BOARD'S JURISDICTION AND ANY SPECIFIC AGENDA ITEMS

There were no public comments.

C. REPORTS TO THE BOARD

1. REAL ESTATE PERFORMANCE REVIEW BY TOWNSEND GROUP FOR 4Q 2024

Mr. Felix Fels, Principal, and Ms. Haya Daawi, Associate of the Townsend Group presented and discussed this item with the Board. Ms. Annie Chao, Investment Officer III, Investments Division provided additional comment. The report was received and filed.

2. APPROVAL OF ONE-YEAR CONTRACT EXTENSION WITH OUTSIDE CONFLICT COUNSEL REED SMITH LLP AND POSSIBLE BOARD ACTION

Mr. Gregory Mack, Assistant General Manager, Pensions Division presented and discussed this item with the Board. The report was approved as submitted.

Resolution 25157

Commissioner Buzzell moved that the Board:

1. Approve a fourth amendment to the Reed Smith LLP outside conflict counsel contract to extend the contract term for an additional twelve months, through August 31, 2026; and,
2. Authorize the General Manager to negotiate and approve the terms and conditions of the contract amendment with Reed Smith LLP,

which was seconded by Commissioner Liu and approved by the following vote: ayes, Commissioners Ambriz, Buzzell, Jenkins, Liu, and President Zimmon – 5; nays, none.

3. FOURTH QUARTER (FINAL STATUS) REPORT ON THE 2024-25 ANNUAL PLAN AND POSSIBLE BOARD ACTION

Emma Parris, Management Analyst of the Administrative Services and Human Resources Section, presented this item to the Board. The report was approved as submitted.

Resolution 25158

Commissioner Ambriz moved that the Board receive and file the Fourth Quarter (Final Status) Report on the 2024-25 Annual Plan,

which was seconded by Commissioner Buzzell and approved by the following vote: ayes, Commissioners Ambriz, Buzzell, Jenkins, Liu, and President Zimmon – 5; nays, none.

4. VACANCY REPORTING IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 3502.3 AND POSSIBLE BOARD ACTION

Ms. Jennifer Shimatsu, Senior Management Analyst II of the Administrative Services and Human Resources Section, presented and discussed this item with the Board. General Manager Salazar and Mr. Wilson Poon, Chief Management Analyst, Administrative Operations Division provided additional comments. The report was approved as amended.

Resolution 25159

Commissioner Ambriz moved that the Board reduce the frequency of the Quarterly Staffing and Hiring Efforts report to biannually and direct staff to repurpose the Quarterly Biannual Staffing and Hiring Efforts report into a Vacancy Report once per fiscal year to fulfill the continuing requirements of Government Code Section 3502.3,

which was seconded by President Zimmon and approved by the following vote: ayes, Commissioners Ambriz, Buzzell, Jenkins, Liu, and President Zimmon – 5; nays, none.

D. GENERAL MANAGER'S REPORT

1. Benefits Actions approved by General Manager on May 1 and May 15, 2025

Pursuant to Resolution 04008, adopted by the Board of Fire and Police Pension Commissioners on August 7, 2003, the following benefits actions have been approved by the General Manager. Any conservatorships or community property divisions contained herein have been determined following a review by the Office of the City Attorney.

May 1, 2025

DISCONTINUED PENSIONS – 8

<u>Name</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Retired</u>	<u>Died</u>
Michael A. Greenup	Fire Service	5	07-12-11	03-28-25
Jeffrey K. Taylor	Fire Service	2	01-01-03	04-12-25
Robert L. Mc Laurin	Fire Disability	2	04-22-76	11-28-24
Charlotte J. Mendenhall	Fire Widow	2	05-23-14	03-21-25
Herbert D. Hickey	Police Service	2	07-01-74	03-05-25
John A. Pasquariello	Police Service	5	11-06-13	03-26-25
Warren K. Knowles	Police Disability	2	06-28-92	03-10-25
Kelly A. Martin	Police Widow	2	07-10-12	03-19-25

DISCONTINUED PENSIONS FORMER SPOUSE – 1

<u>Name</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Retired</u>	<u>Member Died</u>	<u>Died</u>
Marlene A. Knowles	Police Disability	2	06-28-92	03-10-25	

SERVICE PENSION/DROP – 15

FIRE

<u>Name</u>	<u>Rank</u>	<u>Tier</u>	<u>Effective</u>	<u>Years</u>
Jared D. Bennett	Captain I	5	04-09-24	30.982192
Dae Ho Moon	Engineer	5	04-01-24	25.542466
Edward C. Rincon	Engineer	5	04-07-24	29.995651
Paul D. Schori	Firefighter III	5	04-01-24	25.269862
Robert E. Wedlock, Jr.	Captain II	5	03-04-24	27.558904

POLICE

<u>Name</u>	<u>Rank</u>	<u>Tier</u>	<u>Effective</u>	<u>Years</u>
Molly C. Beall	Detective II	5	03-14-24	28.208219
Boyan Brkic	Police Officer III	5	04-01-24	28.691028
Ruben Cardenas	Police Officer III	5	04-01-24	25.011233
Matthew E. Clymer	Sergeant I	5	03-01-24	25.024658
Marco A. Duarte	Police Officer III	5	04-16-24	25.000000
Timothy A. Grabe	Detective III	5	03-01-24	28.016439
Edgar A. Hernandez	Police Officer III	5	03-01-24	25.021302
Tracy Marrufo	Police Officer III	5	03-01-24	25.783014
Ana Maria L. Mejia	Police Officer III	3	03-01-24	27.076209
Manuel Solis	Sergeant I	5	04-01-24	28.291508

May 15, 2025

DISCONTINUED PENSIONS – 12

<u>Name</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Retired</u>	<u>Died</u>
Wayland W. Reeves	Fire Service	1	07-01-77	04-11-25
Steven B. Ryder	Fire Service	5	11-01-02	03-19-25
Robert E. Tolan	Fire Service	5	06-26-05	04-17-25
Clarence G. Crew	Fire Disability	2	06-29-92	03-11-25
Timothy B. Johnston	Fire Disability	2	12-30-84	03-17-25
Jack E. Coiner	Police Service	2	04-29-87	03-12-25
James D. Lawson	Police Service	2	02-10-91	04-11-25
Marilyn P. Arline	Police Disability	3	11-02-01	02-12-25
Michael W. Hall	Police Disability	2	08-16-89	02-17-25

Patricia A. Eppens	Police Widow	2	10-07-14	03-13-25
Norma C. Hunter	Police Widow	2	07-17-13	02-22-25
Donna M. Schwenk	Police Widow	1	06-23-15	05-01-25

DISCONTINUED PENSIONS FORMER SPOUSE – 1

<u>Name</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Retired</u>	<u>Member Died</u>	<u>Died</u>
Judith A. Woodson	Fire Service	5	06-30-02		04-09-25

ELIGIBLE SURVIVING SPOUSE'S PENSION – 4

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Effective</u>
Joanne V. Ryder	Steven B. Ryder	Fire Service	5	03-20-25
Kathryn A. Taylor	Jeffrey K. Taylor	Fire Service	2	04-13-25
Carrie L. Crew	Clarence G. Crew	Fire Disability	2	03-12-25
Arlene A. Johnston	Timothy B. Johnston	Fire Disability	2	03-18-25

ELIGIBLE DOMESTIC PARTNER'S PENSION – 2

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Effective</u>
Dimitriea Calhoun	Dimitrius J. Lynch	Fire Service	5	03-14-25
Dana M. Shafer	Robert E. Tolan	Fire Service	5	04-18-25

SURVIVOR BENEFIT PURCHASE PROGRAM – 2

<u>Name</u>	<u>Member's Class</u>	<u>Effective</u>	<u>Tier</u>	<u>Survivor Benefit %</u>
Robert W. Borgman	Fire Service	04-01-24	2	70%
Juan M. Torres	Police Disability	05-01-25	2	75%

ELIGIBLE SURVIVING CHILD'S PENSION – 1

<u>Name</u>	<u>Deceased Member</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Effective</u>
Nikolas C. Pasquariello	John A. Pasquariello	Police Service	5	03-27-25

COMMUNITY PROPERTY DIVISION OF PENSION – 5

<u>Member's Name</u>	<u>Former Spouse</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Action</u>	<u>Effective</u>
Charles D. Degele	Laura A. Haney	Fire Service	5	Paid/COLA	05-01-25
Wolfe A. Jantz	Wendy M. Jantz	Fire Service	5	Paid/COLA	05-01-25
James E. Craig, Jr.	Mary Davis Craig	Police Service	4	Released/COLA	09-01-24
Alex A. Pozo	Tammy L. Pozo	Police Service	5	Paid/COLA	05-01-25
Douglas R. Slocombe	Karen E. Iacenda	Police Service	1	Discontinued	12-17-24

COMMUNITY PROPERTY DIVISION OF PENSION – 1

<u>Member's Name</u>	<u>Designated Beneficiary</u>	<u>Member's Class</u>	<u>Tier</u>	<u>Action</u>	<u>Effective</u>
Dennis D. Watkins	Noelle S. Watkins	Police Service	2	Designated/COLA	03-30-24

SERVICE PENSION – 4

POLICE

<u>Name</u>	<u>Rank</u>	<u>Tier</u>	<u>Effective</u>	<u>Years</u>
Thomas L. Datro	Sergeant II	5	03-23-25	22.031781
Michael Goldberg	Sergeant I	5	03-23-25	25.225343
Hyong S. Perkins	Police Officer II	5	03-24-25	20.024658
Daniel J. Strehl	Police Officer II	5	04-06-25	22.304110

SERVICE PENSION/DROP – 16

FIRE

<u>Name</u>	<u>Rank</u>	<u>Tier</u>	<u>Effective</u>	<u>Years</u>
David P. Lucas	Fire Captain I	5	04-25-24	29.052054

POLICE

<u>Name</u>	<u>Rank</u>	<u>Tier</u>	<u>Effective</u>	<u>Years</u>
April J. Carter	Detective III	3	05-01-24	28.677843
Robert C. Celaya	Police Officer III	3	04-01-24	30.542466
Carlos Diaz	Police Officer III	5	04-01-24	26.000000
Michael S. Fox	Sergeant II	5	05-01-24	26.088713
Blanca A. Lopez	Lieutenant II	3	05-01-24	28.323288
Elodia A. Lopez	Lieutenant I	3	04-01-24	26.258631
Michael J. Menegio	Sergeant I	3	05-01-24	28.320411
Porfirio Montejano	Detective I	5	05-01-24	28.000000
Helbert I. Moreno	Detective I	5	05-01-24	30.007123
Michael W. Ornelas	Lieutenant II	5	05-01-24	26.400548
Unneyung K. Ree	Police Officer II	5	04-01-24	25.015412
Mitchell J. Riggs	Police Officer II	5	04-15-24	25.204644
Enrique Robledo, Jr.	Detective II	3	05-01-24	27.328768
Jessie H. Simon	Detective I	5	08-01-24	25.202741
Romeo A. Tamparong	Detective II	5	04-25-24	25.027398

DISCONTINUE DROP – 27

FIRE

<u>Name</u>	<u>Tier</u>	<u>Retired</u>	<u>Exit Close of</u>
Jack P. Holt	5	08-01-22	04-30-25
Sean A. Williams	5	08-02-21	05-30-25

POLICE

<u>Name</u>	<u>Tier</u>	<u>Retired</u>	<u>Exit Close of</u>
Juan R. Arenas	5	04-01-23	05-03-25
Ruben Banuelos	5	11-02-21	04-30-25
Robert W. Coats	5	05-01-23	04-30-25
Ryan M. Cooper	5	08-01-24	04-30-25
John A. Cudworth	5	05-04-20	04-30-25
Willie C. Durr	5	05-01-20	04-30-25
Arlidwin E. Flores	3	02-01-23	04-30-25
Frank R. Galindo	5	05-01-20	04-30-25
Daniel H. Gonzalez	5	03-01-21	04-30-25
James A. Harper, Jr.	5	07-01-20	04-30-25
Jeffrey W. Hollis	5	07-04-23	04-30-25
Stuart N. Lomax	5	03-01-22	04-30-25
Alex M. Medel	5	07-01-20	04-30-25
Owen K. Mills	5	05-01-20	04-30-25
Deon L. Montgomery	5	04-01-20	03-31-25
Ana E. Pinell	3	02-01-22	04-30-25
Edward Ruiz	3	05-03-21	04-30-25
Carol M. Sawamura	5	12-04-23	05-03-25
Brigitta M. Shapiro	5	03-01-21	04-30-25
Anita R. Stieglitz	5	04-02-21	04-30-25
Tamra L. Tavaréz	3	06-01-22	04-30-25
Teodoro Urena	5	02-02-22	04-30-25
Shon A. Wells	5	08-01-23	04-30-25
Brian W. Wilson	5	10-01-20	04-30-25
Clifton K. Yamamoto	3	02-01-23	04-30-25

COMMUNITY PROPERTY DIVISION OF DROP/SERVICE PENSION – 4

POLICE

<u>Member</u>	<u>Former Spouse</u>	<u>Tier</u>	<u>Eff Date</u>	<u>Benefit</u>	<u>Action</u>
Ruben Banuelos	Nicole R. Zamora	5	04-30-25	DROP	Paid
Ruben Banuelos	Nicole R. Zamora	5	05-01-25	Pension	Paid/COLA
Arlidwin E. Flores	Mildred Flores	3	04-30-25	DROP	Paid
Arlidwin E. Flores	Mildred Flores	3	05-01-25	Pension	Paid/COLA
Owen K. Mills	Lori A. Mills-Ferguson	5	04-30-25	DROP	Withheld
Owen K. Mills	Lori A. Mills-Ferguson	5	05-01-25	Pension	Withheld/COLA

Clifton K. Yamamoto	Adaline Yamamoto	3	04-30-25	DROP	Paid
Clifton K. Yamamoto	Adaline Yamamoto	3	05-01-25	Pension	Paid/COLA

COMMUNITY PROPERTY DIVISION OF DROP/SERVICE PENSION – 1 **CORRECTION**

POLICE

<u>Member</u>	<u>Former Spouse</u>	<u>Tier</u>	<u>Eff Date</u>	<u>Benefit</u>	<u>Action</u>
Anthony D. Stewart	Nancy L. Stewart	5	03-01-25	Pension	Paid/ COLA

SERVICE-CONNECTED DISABILITY PENSION – 4

<u>Name</u>	<u>Member's Rank</u>	<u>Tier</u>	<u>Percentage</u>	<u>Effective Date</u>	<u>Board Date</u>
Derek R. Miller	Firefighter III	5	70%	05-01-25	05-01-25
Jeffrey D. Fitzpatrick	Police Officer II	5	70%	03-28-25	04-03-25
Charles C. Hulbert	Police Officer II	6	70%	03-25-25	04-03-25
Bradley C. Nielson	Police Officer III	5	63%	04-17-25	04-17-25

ELIGIBLE SURVIVING SPOUSE APPLICATION – 1

<u>Name</u>	<u>Member's Rank</u>	<u>Tier</u>	<u>Type % Rate</u>	<u>Effective Date</u>
Luz D. Enriquez (Antonio Enriquez)	Police Officer II	5	NSC w/o prejudice: 40% + 5 minor children	01-12-25

2. Other business relating to Department operations

General Manager Salazar provided the following updates:

1. Fund total is at \$33.3 billion this week
2. Airport Police Pension Contribution Error

Staff recently discovered that the payroll coding that the Department of Airports (LAWA) has been using for overtime worked by Airport Police members has resulted in the Workday system deducting pension contributions from overtime hours, which is not required by our Plan. This error caused contributions to be taken from Airport Police members that may have been as high as two to three times the contribution owed in certain cases.

LAWA staff is working with ITA to develop a solution to prevent over deductions in the future. Our staff have identified 107 members who may be affected by this error. Staff is currently working to review LAWA member contributions and issue refunds for over deductions from Workday go live (end of June 2024) through March 2025. As long as the

issue persists, staff will review LAWA payroll data quarterly and issue any needed refunds.

3. Tomorrow, Tiffany West will email Commissioners a link to the annual City Attorney performance evaluation survey. Staff ask that Commissioners please provide your responses by June 30th. The survey results will be shared with the City Attorney staff, and then, the results along with the City Attorney's response (if any), and a written summary evaluation will be provided to the Board before the second meeting in July.

4. Tentative Agenda Items for June 18, 2025

- Final Budget and Annual Plan for FY 2025-26
- Annual Risk Assessment and Audit Plan for FY 2025-26
- Private Equity and Private Credit Performance Reports for 4th quarter of 2024

5. New Staff Introduction

E. CONSENT ITEM

1. CONTRACTOR DISCLOSURE REPORT: FIRST QUARTER 2025

Received and filed.

Commissioner Buzzell moved that the Board approve the consent items, which was seconded by Commissioner Ambriz and approved by the following vote: ayes, Commissioners Ambriz, Buzzell, Jenkins, Liu, and President Zimmon – 5; nays, none.

F. CONSIDERATION OF FUTURE AGENDA ITEMS

There were no items referred for consideration.

President Zimmon recessed the meeting for a break at 9:31 a.m. and reconvened at 9:46 a.m.

G. CLOSED SESSION

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 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.

3. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(B): PRE-DISCUSSION OF FY 2024-25 GENERAL MANAGER PERFORMANCE EVALUATION

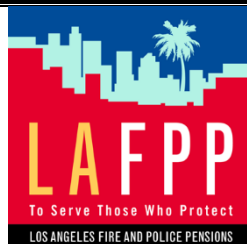
The Board met in closed session.

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

The meeting ended at 11:01 a.m.

President

Secretary



DEPARTMENT OF FIRE AND POLICE PENSIONS

701 E. 3rd Street, Suite 200
Los Angeles, CA 90013
(213) 279-3000

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JULY 3, 2025

ITEM: E.1

FROM: JOSEPH SALAZAR, GENERAL MANAGER

SUBJECT: DISCUSSION OF CITY PENSION CONTRIBUTION TRUE-UP MECHANISM AND
POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board direct staff to:

1. Proceed with calculating a pension contribution true-up for the City (General Fund), Harbor, and Airports for Fiscal Year 2025-26 that will reconcile the annual required contribution against actual sworn pensionable pay, inclusive of employee contributions which are not fully paid due to other City Charter and Administrative Code provisions that reduce employee contributions; and,
2. Report back to the Board by no later than January 2026 with the status of the calculation results and, if the City's payroll system data appears to be reliable and provides a high confidence level of accuracy, present a proposed amendment to the Board Operating Policies and Procedures Section 2.0, Fiscal Administration, incorporating a pension contribution true-up mechanism which would impact the employer contributions payable beginning on July 15, 2026.

BACKGROUND

On May 15, 2025, staff presented the Board with a request from the Mayor and City Controller for the Board to consider implementing a contribution true-up mechanism of the Fiscal Year (FY) 2024-25 City contribution (Attachment 1). The Board chose not to conduct a true-up for FY 2024-25 due to concerns with the short timeframe for implementation and payroll data accuracy, and instead directed staff to return to today's Board meeting to discuss options and other considerations for implementing a true-up for FY 2025-26 (which would impact employer contributions beginning in FY 2026-27). The Board also requested information on the potential impacts to our staff and operations from conducting the annual true-up.

As previously discussed, a "true-up" is a term used by accountants and actuaries to describe an adjustment made to account for the difference between the "estimated" contribution paid to LAFPP (determined using budgeted payroll for a given fiscal year) and the "actual" required contribution (determined using payroll records for the same fiscal year). If a pension contribution true-up mechanism were adopted by the Board, and in order to include a true-up amount in the Mayor's Proposed Budget (which is typically released on April 20th), at the end of pay period 18 of each fiscal year (early March), staff would calculate a corresponding adjustment to the City's required contribution for the subsequent year. For example, any adjustment resulting from the FY 2025-26

true-up would be applied during the FY 2026-27 budget development. Additionally, a second true-up amount would be calculated for the remaining pay periods in the fiscal year (pay periods 19 through 26), to be applied during the budget development two fiscal years later (e.g., FY 2027-28 budget development in the example provided).

COMPONENTS OF THE TRUE-UP

In determining the actual payroll amount to be used in a contribution true-up, LAFPP staff must calculate the “pensionable” pay for all active sworn members. Pensionable pay is the portion of a member’s salary used to calculate pension benefits, member contributions, and City contributions. Actual payroll data is analyzed by using only pensionable payroll variation codes, which is necessary since some salary bonuses are not pensionable and are therefore not included when calculating a member’s pension benefit amount. Total pensionable salary payments for each bi-weekly pay period are then multiplied by the contribution rate required for each tier (Tier 2 to Tier 6) to arrive at the actual amount to be compared to the estimated employer contribution received on the preceding July 15th.

Additionally, LAFPP staff must examine the actual payroll data for payroll variation codes that reduce or eliminate employee contributions but still provide members with full service credit, to account for these “missed contributions” to the System. Missed contributions occur when members use less than 100% paid sick time, are on IOD (injury on duty), or military leave.

Further, a member’s service credit is calculated down to the hour, which adds an additional layer of complexity and increases the need for staff to closely review the true-up calculation to ensure accuracy.

Finally, the true-up mechanism must analyze the interest “credit” applied to the up-front employer contribution payment received on July 15th at the assumed rate of investment return used in the actuarial valuation (currently 7.00% per year) and compare it to the amount that would have been due if the contribution was made bi-weekly.

LAFPP staff and the Board’s consulting actuary, Segal, have reviewed these components to ensure they are not being adjusted in the true-up as well as in the annual actuarial valuation. At the time of this writing, staff is preparing to share the sample true-up file for FY 2024-25, along with the details of Used and Unused/Irreconcilable Datasets (Attachment 2), with the Office of the City Controller for review and feedback.

IMPORTANT CONSIDERATIONS

As discussed in the May 15, 2025 Board report (Attachment 1), once a true-up process is implemented, it must be calculated and applied each year going forward, regardless of whether the true-up results in a contribution credit or shortfall.

Staff has identified three main issues about the ability to obtain the necessary payroll data from the City’s new payroll system, Workday, to perform an accurate, reliable contribution true-up (Attachment 3). Staff submitted an initial request for a data file to the City’s Information Technology Agency (ITA)/Workday in 2021, and while ITA has provided files within the past two months, staff remains concerned with 1) the completeness of the member population (i.e., member records missing from the file); 2) the differences in programming of pensionable earning codes in Workday versus the

legacy payroll system ("PaySR"); and 3) the accuracy of retroactive pay adjustments for periods predating Workday go-live, and in certain cases, the accuracy of pensionable pay in Workday.

City Council Files 25-0073-S1 and 25-0116 document payroll inaccuracies in Workday for Police and Fire Department members. In addition, staff recently discovered data downloaded from Workday that included overtime pay as pensionable for Airport Police Officers. Until this latest issue is corrected in Workday, staff will need to manually correct pensionable pay for Airport Police Officers each pay period when performing a true-up.

Staff examined the possibility of using payroll data that is stored in our pension administration system ("PARIS") as an alternative means of obtaining the data necessary to perform a true-up and validating the information ITA has retrieved from Workday. However, there is not enough data captured in our Active Payroll files which are downloaded from Workday and uploaded into PARIS to perform a true-up.

Any true-up will not be 100% accurate due to a variety of factors, including retroactive payroll adjustments that span fiscal years or payroll discrepancies that would require an inordinate amount of staff time to determine the correct true-up amount. Correct payroll data is critical to ensure any true-up is accurate and to reduce the amount of LAFPP staff time required to conduct the true-up. If directed to conduct a true-up, staff would attempt to make the final true-up as accurate as reasonably possible.

Another consideration is the time required for staff to conduct the true-up calculation. Staff estimates that this new process will require two staff members in Accounting to conduct and review the true-up. Between May 15 and June 30, 2025, two staff members have spent a combined total of 368 hours, primarily to research, analyze, and validate the FY 2024-25 data file and set up the template to compute the pensionable pay and missing employee contributions. Staff recognizes the amount of time spent is also a reflection of the learning curve and anticipates reducing it by one-third, should a true-up mechanism be implemented for the City, Harbor, and Airports, and staff reconciles pensionable pay more routinely (bi-weekly or monthly) rather than once per year.

It is important to note that if the Board does not ultimately adopt a true-up mechanism, the System's long-term funding goal will not be impacted. This is because if the estimated budgeted payroll is less than the actual pensionable payroll and if there are any missed employee contributions, an actuarial loss will occur in the valuation performed at the end of the fiscal year, as the actual contribution will be less than what is expected. The converse is also true. Losses or gains of this type are a part of the annual experience gains/losses which impact the Unfunded Actuarial Accrued Liability (UAAL) and are amortized over 20 years in accordance with the Board's actuarial funding policy. The City's future contributions will increase or decrease over the next 20 years to account for the contribution shortfall or surplus for a given year. Therefore, from the plan funding perspective, any inexactness in estimated covered payroll should not affect the System's long-term funding goal.

BUDGET

The sample true-up calculated by staff for the 2024-25 fiscal year, utilizing actual payroll data for pay periods 1 through 18 and projected payroll for pay periods 19 through 26 (without consideration of any retroactive payroll adjustments), would have resulted in a contribution credit of \$5,404,621 in FY 2025-26. However, it should be noted that the retroactive payroll adjustment in pay period 11, when the new contract (MOU 23) for Firefighters and Fire Captains was retroactively implemented, resulted in \$13.4 million of retroactive gross pay; a true-up calculation of this particular retroactive adjustment

could significantly reduce the contribution credit. Staff is aware of other retroactive pay adjustments throughout the fiscal year that could also impact the true-up results. As explained in Attachment 3, staff is unable to account for retroactive pay adjustments in the true-up calculation as the data is incomplete.

If the Board ultimately adopts a true-up mechanism, it would begin in FY 2025-26 and any credit or shortfall to the City's contribution would be reflected in the FY 2026-27 budget (contributions payable July 15, 2026).

POLICY

There are no policy changes recommended in this report.

CONTRACTOR DISCLOSURE INFORMATION

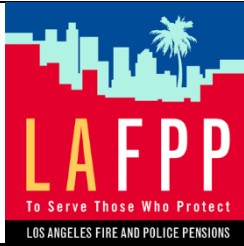
There is no contractor disclosure information required with this report.

This report was prepared by:

Greg Mack, Assistant General Manager
Pensions Division

JS:GFM

Attachments (3): 1: May 15, 2025 Board Report on City Contribution True-Up Mechanism
2: Sample True-Up FY 2024-25 - Used and Unused / Irreconcilable Datasets
3: Main Issues Complicating LAFPP True-Up Calculations



DEPARTMENT OF FIRE AND POLICE PENSIONS

701 E. 3rd Street, Suite 200
Los Angeles, CA 90013
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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: MAY 15, 2025

ITEM: D.1

FROM: JOSEPH SALAZAR, GENERAL MANAGER

SUBJECT: CITY PENSION CONTRIBUTION TRUE-UP MECHANISM BASED ON ACTUAL PENSIONABLE PAY AND MISSED EMPLOYEE CONTRIBUTIONS, AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board provide direction to staff regarding review and possible future implementation of a contribution true-up mechanism that would reconcile the employer's annual required contribution against the following differences from the prior fiscal year:

- A. Employer contribution utilizing actual rather than estimated/budgeted sworn pensionable pay; and,
- B. Employee contributions required by the City Charter, which are not fully paid due to other City Charter and Administrative Code provisions that reduce employee contributions.

BACKGROUND

As part of the yearly actuarial valuation process, the Board commissions a report from its consulting actuary, who determines the annual contribution rates (on a percentage of sworn payroll basis) needed to fund the pension and retiree health benefits promised by the City to LAFPP members. Following adoption by the Board, these contribution rates are then multiplied by the budgeted sworn payroll as adopted by the Mayor and City Council (for LAPD and LAFD), and the Harbor (Port Police) and Airport (Airport Police), to calculate the annual required contribution from the General Fund and two Special Funds. The employer contribution is usually received in a single lump sum payment on or before July 15th of every fiscal year, which allows the employer to use a discounted contribution rate compared to the rate if the contribution was made over time on a bi-weekly basis throughout the fiscal year.

"True-up" is a term used by accountants and actuaries to describe an adjustment made to account for the difference between the "estimated" contribution paid to LAFPP (determined using budgeted payroll for a given fiscal year) and the "actual" required contribution (determined using payroll records for the same fiscal year). A true-up typically occurs as soon as administratively feasible. If a pension contribution true-up mechanism were adopted by the Board, and in order to include a true-up amount in the Mayor's Proposed Budget (which is typically released on April 20th), at the end of pay period 18 of each fiscal year (early March), staff would calculate a corresponding adjustment to the City's required contribution in the subsequent year. For example, any adjustment resulting from the Fiscal

Year (FY) 2025-26 true-up would be applied during the FY 2026-27 budget development. Additionally, a second true-up amount would be calculated for the remaining pay periods in the fiscal year (pay periods 19 through 26), to be applied during the budget development two fiscal years later (e.g., FY 2027-28 budget development in the example provided).

A true-up was one of several recommendations in a March 7, 2014 audit issued by the City Controller. In response to this audit recommendation, LAFPP staff calculated a sample true-up based on actual sworn payroll in FY 2017-18, which determined that the City's General Fund contribution was deficient by approximately \$476,000, while the Harbor and Airports would have received a credit of \$465,000 and \$48,000, respectively, due to contributing amounts in excess of what their actual payroll would have required. These results were discussed with the Office of the City Administrative Officer (CAO) at the time, and the CAO did not pursue it any further.

LACERS currently conducts an annual contribution true-up and has done so since 2013. As detailed in the LACERS FY 2024-25 budget, the most recent true-up resulted in a credit adjustment of \$82,919,984, which reduced the total amount of the City's subsequent annual contribution. For comparison, the City's contribution to LACERS for FY 2024-25 is about \$850 million.

Due to the City's projected budget deficit, LAFPP has recently fielded questions from the City Controller and a Council Office regarding the feasibility of LAFPP conducting a true-up of the City's annual contribution. Additionally, the Controller's Office has requested that LAFPP explore the cost impacts of alternative payment options related to the timing of the City's contribution, such as a partial payment in July and the remainder in the second half of the fiscal year.

At the May 5, 2025 City Council Budget and Finance Committee meeting, Councilmember Bob Blumenfield instructed the CAO to (1) report back on the budget impact if LAFPP conducted a true-up of the FY 2024-25 contribution, and (2) request that LAFPP conduct a true-up of the FY 2024-25 contribution based on the actual pensionable salaries and credit the excess contribution amount, if any, toward the required contribution for FY 2025-26.

As of the writing of this report, neither the CAO nor the Mayor's office have made a request for LAFPP to consider conducting an annual true-up. The CAO has provided a report back to the City Council Budget and Finance Committee on these issues (Attachment).

DISCUSSION

In determining the actual amount to be used in a contribution true-up, LAFPP staff must calculate the "pensionable" pay for all active sworn members. Actual payroll data is analyzed by using only pensionable payroll variation codes, which is necessary since some salary bonuses are not pensionable and are therefore not included when calculating a member's pension amount. Total pensionable salary payments for each bi-weekly pay period are then multiplied by the contribution percentage required for each tier (Tier 2 to Tier 6) to arrive at the actual amount to be compared to the estimated employer contribution received on the preceding July 15th.

Additionally, LAFPP staff must examine the actual payroll data for payroll variation codes that reduce or eliminate employee contributions. For example, when an employee uses less than 100% paid sick time, their employee contribution is reduced proportionately. Members do not earn service credit and therefore do not make an employee contribution for suspensions or unpaid leaves of absence. A member's service credit is calculated down to the hour, which adds an additional layer of complexity

and increases the need for staff to closely review the true-up calculation to ensure accuracy. Further, plan provisions entitle an employee who is on IOD (injury on duty) or on military leave to receive full service credit without requiring any employee contribution for that time. As such, the true-up process must account for these “missed contributions” to the System, which the CAO has previously suggested the City would use to make the Plan “whole.”

Finally, the true-up mechanism must analyze the interest “credit” applied to the up-front payment received by July 15th at the assumed rate of return used in the valuation (currently 7.00% per year) and compare it to the amount that would have been due if the contribution was made bi-weekly.

It is important to note that if the Board does not ultimately adopt a true-up mechanism, the System’s long-term funding goal will not be impacted. This is because if the estimated budgeted payroll is less than the actual pensionable payroll and if there are any missed employee contributions, an actuarial loss will occur in the valuation performed at the end of the fiscal year, as the actual contribution will be less than what is expected. The converse is also true. Losses or gains of this type are a part of the annual experience gains/losses which impact the Unfunded Actuarial Accrued Liability (UAAL) and are amortized over 20 years in accordance with the Board’s actuarial funding policy. The City’s future contributions will increase or decrease over the next 20 years to account for the contribution shortfall or surplus for a given year. Therefore, from the plan-funding perspective, any inexactness in estimated covered payroll should not affect the System’s long-term funding goal.

IMPORTANT CONSIDERATIONS

Once a true-up process is implemented, it must be calculated and applied each year going forward, regardless of whether the true-up results in a contribution credit (amount credited against the following year’s annual required contribution amount) or shortfall (additional amount owed on top of the following year’s annual required contribution) each year. Introduction of a true-up mechanism will introduce an additional level of contribution volatility for the City greater than existing changes that may result from application of the amortization policy; any additional payment resulting from a true-up based on salary variations would be made immediately in the following year’s contribution, as opposed to being treated as actuarial gains/losses and amortized over 20 years, resulting in a more gradual adjustment over time.

According to Segal, the Board’s consulting actuary, implementing a true-up mechanism when the plan sponsor “pre-pays” its total contribution could be considered an actuarial practice improvement. For example, the County Employees Retirement Law of 1937 (California Government Code 31582(b)) permits prepaid contributions but requires corresponding true-ups. Segal has advised LAFPP staff that while most plans that allow for prepayment of contributions also conduct true-ups, it is not universally true.

Staff has identified concerns about the ability to obtain the necessary payroll data from Workday to perform an accurate, reliable contribution true-up. Staff submitted an initial request for a data file to ITA/Workday in 2021 and ITA is currently working on providing this data, but LAFPP staff would need time to review the file to ensure its accuracy. Staff is also currently exploring the possibility of using payroll data that is stored in our pension administration system (PARIS) as an alternative means of obtaining the data necessary to perform a true-up.

Lastly, now may not be an optimal time to implement a true-up mechanism when the City has acknowledged issues concerning the accuracy of Los Angeles Fire Department and Los Angeles Police Department payroll data (see [Council File 25-0073-S1](#) and [Council File 25-0116](#)). As previously discussed, there are scenarios where members do not make an employee pension contribution but earn service credit (IOD or military leave), or do not earn service credit (suspensions or unpaid leaves of absence). Additionally, retroactive adjustments in pay would have to be accounted for in any true-up that is conducted. Correct payroll data is critical to ensure any true-up is accurate and to reduce the amount of LAFPP staff time required to conduct the true-up. If the true-up is based on incorrect salary data, the Board risks underfunding the plan if credits are improperly provided against the City's annual required contribution.

Due to concerns over the reliability and accuracy of payroll data in Workday and the time required to conduct a true-up, if the Board directs staff to implement a contribution true-up mechanism, staff recommends that the true-up begin with FY 2025-26, and any credit or increase be reflected in the FY 2026-27 budget. The CAO indicated to staff that any true-up for FY 2024-25 would need to be completed prior to the City Council's adoption of the budget, which must be done by June 1, 2025. This deadline would require staff to conduct and complete the true-up a few days after today's Board meeting.

BUDGET

If the Board were to adopt a true-up mechanism, all future employer contribution amounts would be increased or decreased based on the prior year's true-up calculation.

POLICY

The powers and duties of the Board, including the determination of the Plan's funding policy with any contribution true-up mechanism, are provided through the following references:

Article XVI, Section 17 of the California Constitution states the Board, consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system.

Los Angeles City Charter Section 1106 states the Board has the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of its systems in accordance with recognized actuarial methods.

City Charter Section 1210 provides the Board with the authority to determine the annual contribution required to fund the Plan, and Section 1248 requires that unfunded liabilities be funded in accordance with the actuarial funding method "adopted by the Board upon the advice of its consulting actuary" (i.e., the Board's Actuarial Funding Policy).

The California Constitution and City Charter also grant the Board "sole and exclusive responsibility to administer the system" in order "(1) to provide benefits to system participants and their beneficiaries ... [and] (2) to minimize City contributions."

Staff will return to the Board with recommended revisions to the Board Operating Policies and Procedures, should the Board provide direction to staff to implement a contribution true-up mechanism in the annual budget process.

CONTRACTOR DISCLOSURE INFORMATION

There is no contractor disclosure information required with this report.

This report was prepared by:

Greg Mack, Assistant General Manager
Pensions Division

JS:GFM

Attachment: CAO Report Back to Budget and Finance Committee, May 7, 2025

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

ATTACHMENT 1

Memo No. 106

Date: May 07, 2025

To: Budget and Finance Committee

From: Matthew W. Szabo, City Administrative Officer



Subject: **PENSIONS (FIRE AND POLICE PENSIONS) – CONTRIBUTION TRUE-UP**

APPLICABLE BUDGET THEMES:

- ☐ Fulfills legal obligations
- ☐ Improves accessibility requirements
- ☐ Supports public safety
- ☐ Relates to proposed position or expense account eliminations
- ☒ Above themes do not apply

RECOMMENDATION

This Office recommends to note and file this report as it is provided for informational purposes.

DISCUSSION

The Budget and Finance Committee requested a report on the budget impact if Fire and Police Pensions conducted a true-up for 2024-25 sworn salaries. The Committee further requested to ensure that non-pensionable salary amounts are excluded from the City's covered payroll and not factored into the 2025-26 pensions contribution.

The Board of Fire and Police Commissioners (Board) have the Charter responsibility to adopt the cost of maintaining the Fire and Police Pension Plan (Plan). The Board approves annual pension and health actuarial valuations to determine the contribution rate, as a percentage of covered payroll, needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability (UAAL).

True-Up

The City's General Fund contribution is based on applying the established contribution rates to the budgeted sworn covered payroll for the Police and Fire departments, less non-pensionable salaries and costs. This allows the City to prepay the contribution in July 2025 through the issuance of tax and revenue anticipation notes rather than spreading the payments throughout the year. As a result of the early payment, Los Angeles Fire and Police Pensions (LAFPP) provides a discount to the City contribution of approximately 3.13 percent, which equates to \$19.95 million for 2025-26.

A true-up would calculate the difference in the budgeted payroll and the actual pensionable payroll for all benefit tiers and identify if there was an overpayment or underpayment compared to the required contribution based on the budgeted payroll. A true-up adjustment would result in a credit or an increase to the following year's contribution.

Currently, without a separate true-up adjustment, if estimated budgeted payroll is more or less than actual pensionable payroll, the actuarial gain or loss will occur in the actuarial valuation performed at the end of the fiscal year. The annual experience gains and losses will impact the UAAL and will be amortized over 20 years in accordance with the Board's actuarial funding policy and in an effort to reduce the volatility of the City's contributions from year to year.

The Board of Fire and Police Commissioners would need to adopt the use of the true-up mechanism apart from the actuarial valuation as part of the Board's funding policy. Although a true-up mechanism does not impact the system's long-term funding goal or status, the true-up would introduce employer contribution volatility from year to year as the City would adjust the next year's contribution to account for the full amount of any overpayment or underpayment instead of amortizing it over 20 years. LAFPP has stated that once a true-up process is implemented, it must be calculated and applied each and every year going forward, regardless of whether the true-up results in a contribution credit or additional amount owed as part of the following year's contribution.

If the Board approves the implementation of a true-up, LAFPP will need time to obtain the necessary, specific payroll data by variation code from Workday to perform a contribution true-up for each tier (Tier 2 to Tier 6). LAFPP reports that ITA is working to obtain and provide this data and then LAFPP will need to validate and ensure accuracy of data from Workday. The Board and LAFPP have reported concerns about the accuracy of the underlying data in light of the various sworn payroll issues in Workday identified earlier this year by the Fire and Police departments. Once LAFPP receives payroll data and validates the accuracy, it will analyze actual payroll data for each payroll variation code to determine pensionable salary payments for each pay period and each tier. LAFPP reports there are payroll codes specific to sworn payroll that may require further analysis because it will reduce or eliminate employee contributions and may require further adjustments to the employer contribution requirements.

Based on timing necessary for Board approval, data collection and validation, and the complex calculations required for the implementation of an accurate true-up, the first available true-up, if approved by the Board, would be calculated for the 2025-26 sworn payroll and would provide a credit or increase to the 2026-27 contribution.

Non-Pensionable Payroll

In regards to the City's covered payroll used to calculate the 2025-26 Fire and Police Pensions contribution, this Office reduced approximately \$128 million in ongoing non-pensionable costs and bonuses from the budgeted sworn salaries to derive the covered payroll used for the 2025-26 Proposed Budget pension contribution calculation. Non-pensionable costs include uniform allowances, unused sick or vacation time payouts, various ongoing non-pensionable bonuses, and salaries for academy recruits that are not eligible for LAFPP membership.

The City's covered payroll includes salaries that are pensionable and salaries that are temporarily classified as non-pensionable and later convert to pensionable salary increases or become pensionable based on members certifying they will retire or enter DROP during a time

window specified in the applicable Memorandum of Understanding. Calculating the covered payroll in this manner corresponds to the actuary's annual valuation methodology and ensures that the City pays the full and appropriate contribution each year. Specifically, the actuary develops the total normal cost and the UAAL using both the pensionable and temporarily non-pensionable salaries and expects that the City, Harbor Department, and Airport Department would apply the contribution rates to these salaries in determining their respective prepaid contribution amounts, as is our practice. If the City, Harbor Department, or Airport Department no longer include temporarily non-pensionable salaries in the covered payroll used for the contribution calculation, the actuary will recommend a change to LAFPP's valuation procedures and assumptions and for the Board to approve a corresponding increase to the contribution rate for the revised covered payroll so as to mitigate the instability in the annual contributions. In short, the City's contribution rate would increase and, once applied against the lower covered payroll, the City's contribution amount would remain at a similar level.

FISCAL IMPACT STATEMENT

The recommendation to note and file this memorandum will have no fiscal impact.

FINANCIAL POLICY COMPLIANCE

The recommendation in this report complies with the City's Financial Policies.

MWS:JJJ:01250050

Question No. 1156

SAMPLE TRUE-UP FY 2024-25 USED AND UNUSED / IRRECONCILABLE DATASETS

The City's Information Technology Agency (ITA) has generated a report of payroll data containing 1) LAFPP designated as the employee's Pension Plan, 2) compensated and uncompensated hours to total assigned work schedule, and 3) pensionable pay hourly rate. LAFPP utilizes this report to arrive at the pensionable pay, which is necessary for the true-up computation.

$$\text{Pensionable Pay} = \text{Pensionable Hourly Rate} \times \text{Hours}$$

USED DATASETS

First, analysis is performed to ensure trainee time is excluded from the pensionable pay population; this is for the period of time and the payroll before a member's enrollment date to the LAFPP Pension Plan.

Next, the pensionable hours and rates are determined by reviewing full-pay earning codes, such as HW (hours worked), VC (vacation), SK (100% sick time), etc. (Note: full-pay = full-service credit)

Then, reduced-pay and no-pay earning codes are reviewed and factored as full-pay if members will receive full-service credit upon retirement. Examples of these codes include SS (75% sick time), ID (injury on duty), ML (military leave), etc., and the factored pay is also referred to as "missed contributions."

Lastly, temporarily non-pensionable pay earnings are incorporated since members will receive full-service credit upon retirement. Examples of these earnings include longevity retention and base bonuses, which are also considered missed contributions.

UNUSED / IRRECONCILABLE DATASETS

Maximum years of service – Members who have met this threshold (30 or 33 years depending on their Tier) do not make employee contributions. The Plan Actuary already accounts for members who are no longer contributing in the annual actuarial valuation.

Retroactive Transactions for payroll after Workday go-live (6/16/24) – ITA's report may not contain sufficient data (e.g., 0 hours and missing or incorrect rate). A Workday report called Retro Payroll Reconciliation was discovered and utilized to obtain the missing data; however, this report on occasion displays unreasonable Pensionable Pay in comparison to the Gross Pay adjustment (e.g., for pay period #18, one employee has Retro Gross pay of \$222 while the Pensionable Eligible Wages are negative (-) \$9,609).

Retroactive Transactions for payroll before Workday go-live (6/16/24) – ITA's report may not contain sufficient data (e.g., 0 hours and missing or incorrect rate). The previously used Retro Payroll Reconciliation report does not include information for retroactive transactions pre-Workday implementation. Retroactive adjustments to pre-Workday payroll were first entered to the PPA (Prior Pay period Activity) tool, and then an import file was produced to be uploaded to Workday. Searching the import payroll file from the PPA tool has been unsuccessful to date, as the file returns all information in a single comment, burying the necessary key pieces of information.

Given the complexity described above, Retroactive Transactions were removed from the sample true-up calculation.

Main Issues Complicating LAFPP True-Up Calculations

FILE SIZE AND RECONCILIATION

The payroll files provided by the City's ITA (Information Technology Agency) are very large, consisting of 150,000 to 300,000 records per pay period. Such large files are slow to open and lookup tables created by staff to fill in missing data also run slowly.

The large number of records makes reconciliation against LAFPP's demographic file difficult. Staff use the biweekly demographic file as a check to ensure all members have been accounted for in ITA's data. So far, staff has identified issues with trainees being included in ITA data files (no City or employee contributions are made until after a member graduates from training in the Police Academy or Fire Drill Tower). Staff also found that members who were active in a given pay period but subsequently terminated employment were excluded from the files.

INCOMPLETE DATA FOR RETROACTIVE PAYROLL TRANSACTIONS

Pensionable pay can be difficult to determine for certain retroactive pay changes. If a member is paid a retroactive raise that covers periods prior to the implementation of the Workday system, the amount is often calculated outside of the system with no indication as to what hourly pensionable rates were used. Even for pay periods since Workday's go-live, pensionable pay can be difficult to deduce if the member has had multiple retroactive pay transactions.

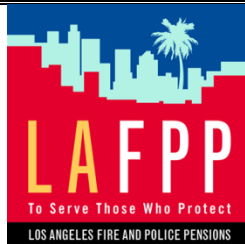
When pensionable pay is not readily available, staff must spend significant time researching applicable Memoranda of Understanding (MOUs) and data from LAFPP's Pension Administration System (PARIS) to correctly determine pensionable pay. In any pay period there may be anywhere from dozens to over a thousand retroactive transactions. Therefore, staff will exclude retroactive pay transactions from any true-up.

ACCOUNTING FOR MISSING MEMBER PENSION CONTRIBUTIONS

When members receive 50% or 75% sick pay, they make a reduced pension contribution. When members are on injury on duty (IOD), workers' compensation, or military leave they do not make any pension contributions. In each of these cases, members still receive full salary credit toward their pension benefit.

Staff must determine the full rate of pensionable pay in each situation to calculate the City's contribution. Staff also must calculate the difference between the contribution the member would have paid had they received their full normal pensionable pay and the member contribution actually received, known as the "missed contribution." These missed contributions must be added to the City's contribution as part of the true-up.

Staff must research hundreds of lines of data pertaining to these pay codes for partial sick, workers' compensation, or military leave each pay period.



DEPARTMENT OF FIRE AND POLICE PENSIONS

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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JULY 3, 2025

ITEM: E.2

FROM: JOSEPH SALAZAR, GENERAL MANAGER

**SUBJECT: MINIMUM QUALIFICATIONS FOR ACTIVE INTERNATIONAL SMALL
CAPITALIZATION EQUITY MANAGER SEARCH AND POSSIBLE BOARD ACTION**

RECOMMENDATION

That the Board approve the following Minimum Qualifications (MQs) for a search to hire one investment manager to provide active international small capitalization (cap) equity management services:

1. The active international small cap equity strategy must be offered in a separate account;
2. The active international small cap equity strategy must be open to new investors;
3. The active international small cap equity strategy must have a minimum 5-year track record;
4. The active international small cap equity strategy must have more than \$900 million in assets under management (AUM); and,
5. The active international small cap equity strategy must have less than \$10 billion in AUM.

BACKGROUND

At the March 6, 2025 meeting, the Board approved a one-year contract extension for Principal Global Investors, LLC ("Principal") for International Small Cap Equity management services and authorized Staff and RVK, the Board's General Investment Consultant, to conduct a search to consider hiring a replacement manager. The Board also directed Staff and RVK to develop the MQs for an Active International Small Cap Equity manager search and return to the Board at a future meeting for approval of the MQs. The March 6, 2025 report is provided as Attachment I.

DISCUSSION

LAFPP currently has two International Small Cap Equity managers: Victory Capital Management Inc. (Victory Trivalent) and Principal. As of May 31, 2025, Victory managed \$308.2 million and Principal managed \$252.6 million. The approved manager search aims to replace Principal and find potential candidates that have complementary styles to Victory Trivalent. RVK is proposing a mandate size of approximately \$225 million based on the size of Principal's account as of March 31, 2025. Should the market value of the non-U.S. equity portfolio change substantially during the search process, Staff and RVK may recommend revising the mandate size in a future report to the Board.

Staff and RVK will conduct a search for the active international small cap equity manager according to the active manager search procurement process adopted by the Board on March 17, 2011 (Attachment II). This process leverages RVK's databases to identify and evaluate qualified firms in lieu of publishing a request for proposal document (refer to the Decision Points for Active Manager Searches table in Attachment II). The proposed MQs in RVK's memo (Attachment III) will be used to screen a universe of 169 active international small cap equity strategies in the eVestment database and will be applied as of June 30, 2025. The screen is expected to produce approximately 34 firms for consideration. Qualified firms will be further evaluated according to the criteria and process discussed on page 2 of Attachment III.

Per Section 9.2 (Manager Selection and Retention Policy) of the Board Investment Policies, once the search MQs are approved, RVK will provide Staff with a list of all investment firms that have met the MQs. Staff and RVK shall recommend to the Board a list of finalists to interview. For a mandate to hire one investment manager, Staff and RVK shall recommend no more than three finalists. Staff and RVK anticipate that evaluating the firms that meet the MQs will take approximately four to six months. Staff and RVK expect to present to the Board a list of finalists in the 1Q26 and anticipate scheduling finalist interviews in early 2Q26.

Staff is recommending that the Board approve the MQs to hire one Active International Small Cap Equity manager. If approved, Staff will advertise the search to notify interested investment firms that they must be registered in the eVestment database with complete firm and strategy information as of June 30, 2025, to be considered for the mandate. Advertisements will be placed on LAFPP's website and the City of Los Angeles' Regional Alliance Marketplace for Procurement (RAMPLA), which provides information on contractual opportunities offered by the City of Los Angeles. Staff may also advertise the search in Pensions & Investments (P&I) magazine, P&I's website, FIN Daily/Emerging Manager Monthly newsletters, and the websites of various industry organizations. These organizations may include, but may not be limited to: Association of Asian American Investment Managers (AAAIM); New America Alliance (NAA); National Association of Investment Companies (NAIC); and National Association of Securities Professionals (NASP).

BUDGET

RVK (in conjunction with Staff) will conduct the search at no additional cost, per their contract. The estimated cost for advertising the search is \$3,000 to \$4,000 and has been accounted for in the FY 2025-26 budget.

POLICY

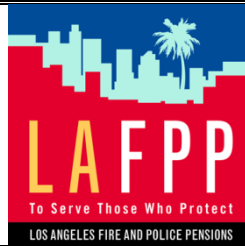
Approval of this recommendation will have no policy impact.

CONTRACTOR DISCLOSURE INFORMATION

There is currently no disclosure information required for the search.

Randy Chih, Investment Officer
Investments Division

Attachments: I – Board Report on One-Year Contract Extension for Principal Global Investors, LLC and Manager Search, dated March 6, 2025
II – Board Report on Investment Manager Search Process, dated March 17, 2011
III – RVK Minimum Qualifications Recommendation Memo

***DEPARTMENT OF FIRE AND POLICE PENSIONS***

701 E. 3rd Street, Suite 200
Los Angeles, CA 90013
(213) 279-3000

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: MARCH 6, 2025**ITEM: D.3****FROM: JOSEPH SALAZAR, GENERAL MANAGER****SUBJECT: APPROVAL OF ONE-YEAR CONTRACT EXTENSION WITH PRINCIPAL GLOBAL INVESTORS, LLC AND MANAGER SEARCH FOR INTERNATIONAL SMALL CAP EQUITY MANAGEMENT, AND POSSIBLE BOARD ACTION**

RECOMMENDATION

That the Board:

1. Approve a one-year contract extension with Principal Global Investors, LLC for International Small Cap Equity investment management services;
2. Authorize the General Manager to negotiate and approve the terms and conditions of a contract extension with Principal Global Investors, LLC for International Small Cap Equity investment management services for the period of May 1, 2025, through April 30, 2026;
3. Authorize the General Manager, on behalf of the Board, to execute the contract extension with Principal Global Investors, LLC for International Small Cap Equity investment management services, subject to the approval of the City Attorney as to form;
4. Approve an Active International Small Cap Equity manager search to consider hiring a replacement manager; and,
5. Direct Staff to develop the minimum qualifications for an Active International Small Cap Equity manager search and return to the Board at a future meeting for approval of the minimum qualifications.

BACKGROUND

In April 2017, the Board approved a recommendation by RVK, the Board's General Investment Consultant, to conduct an Active International Small Cap Equity manager search to replace an existing passive mandate based on an International Equity Asset Class Structure Study. Following a competitive search process, the Board hired Principal Global Investors, LLC (Principal) and Victory Capital Management Inc. (Victory) in March 2018.

The Principal account was initially funded with approximately \$214 million in late May 2018 and as of December 31, 2024, the account was valued at approximately the same amount. Due to underperformance of the strategy, Principal was placed on the watch list as of December 31, 2020 (approximately four years ago). The contract with Principal was renewed in March 2021 for a three-

year term and extended in March 2024 for a one-year term. The current contract will expire on April 30, 2025.

DUE DILIGENCE REVIEW

As part of the due diligence process, Staff requests that each manager complete a questionnaire which focuses on the areas of ownership, personnel, investment style, assets under management, and investment performance.

OWNERSHIP

Principal is a wholly owned, indirect subsidiary of Principal Financial Group, Inc. (Principal Financial). Listed on the Nasdaq Global Select Market under the ticker symbol "PFG," Principal Financial is a member of the Fortune 500 and a leading global financial institution offering a wide range of financial products and services through a diverse family of financial services companies.

Principal Financial is headquartered in Des Moines, Iowa. Initially founded in 1879 as Bankers Life Association, an insurance company, the company's name was changed to Principal Financial Group in 1985.

PERSONNEL

The portfolio is managed by Principal's International Small Cap Equity team and led by two portfolio managers: Brian Pattinson and Tiffany Lavastida. They are supported by six industry analysts. During the current one-year contract extension period, there were no changes within the team.

ASSETS UNDER MANAGEMENT

Principal had \$137.6 billion of assets under management (AUM) for 342 institutional clients as of June 30, 2024, and \$151.5 billion of AUM for 344 institutional clients as of December 31, 2024. The Board's account is part of Principal's International Small Cap strategy which had \$3.4 billion of AUM and 16 institutional clients as of June 30, 2024, and \$2.8 billion of AUM and 16 institutional clients as of December 31, 2024. The net outflow of assets was largely attributed to a withdrawal by Principal's affiliated group that manages target date funds. The Board's account with Principal was valued at approximately \$214 million as of December 31, 2024.

INVESTMENT STYLE

Principal uses a fundamental, bottom-up approach to 1) invest in businesses that are improving, 2) identify companies ahead of the market, and 3) isolate stock selection as the key driver of results.

The investment process begins with analysts identifying stocks undergoing fundamental changes by independently reviewing company financial statements, regulatory filings, news flow, and independent research sources, and engaging with senior executives of the companies. The evaluation of these stocks focuses on earnings acceleration and cash flow trends with clear identification of specific underlying change catalysts.

The next step involves assessment of investor expectations. The difference between Principal's assessment of the earnings potential of a company and the prevailing consensus expectation is regarded as an expectation gap. Principal seeks to identify a company's changing fundamentals

relative to its valuation from current expectations to exploit the market underestimation of this change.

When a set of attractively ranked companies is identified, the portfolio managers may consider these stocks for inclusion in the portfolio. Principal's strategy centers on isolating stock selection as the key driver of relative performance and avoiding unintended systematic biases.

INVESTMENT PERFORMANCE

All active managers are expected to exceed the return of the median manager in the same investment style universe and exceed the return of the appropriate index over a full market cycle. The Board's investment performance benchmark for Principal is the MSCI World ex US Small Cap Index.

As of December 31, 2024, Principal underperformed its benchmark over the 1-year, 3-year, 5-year, and since inception periods on a net-of-fees basis. Compared to the universe of peer active international small cap managers, Principal's performance ranked 59th in the 1-year, 48th in the 3-year, 84th in the 5-year, and 83rd in the since inception periods. Performance has also lagged the benchmark and peer median in four of the past six calendar years. Attachment I provides a detailed performance analysis.

CONCLUSION

Principal has not met performance expectations since inception of the Board's account. Principal has underperformed the benchmark and its peers in both up and down markets over a 6.5-year period, which is in the range of a full market cycle (generally considered to be five to seven years).

The firm's management fee on the \$214 million in the Board's account as of December 31, 2024, was approximately 40 basis points, or \$860,000 a year. This fee places Principal in the 4th percentile of the eVestment Non-US Diversified Small Cap Equity universe, where the median fee is 80 basis points.

Despite Principal's underperformance, Staff recommends that the Board extend the contract with Principal for one year and authorize Staff and RVK to conduct a search for a replacement Active International Small Cap Equity manager. Given the inefficiencies of the international small cap equity market and the potential to generate returns above the benchmark, Staff and RVK advise the Board to continue utilizing active management in this space rather than investing passively. Staff and RVK also believe it is prudent to maintain the assets in Principal's account until the search is completed to avoid incurring excessive transition costs (associated with moving assets to Victory or a passive strategy) and to maintain diversified active management exposure to international small cap equities (as opposed to moving all assets to the Victory account and having single active manager exposure). RVK concurs with Staff's recommendation (Attachment II).

Should the Board authorize an Active International Small Cap Equity manager search, Staff will work with RVK to develop the proposed minimum qualifications for the search and present them to the Board for consideration at a future meeting.

BUDGET

Approval of these recommendations will not impact the FY 2024-25 budget, as Principal's fees are already included in the budget. There is no additional charge to have RVK conduct an international small cap equity manager search, as RVK's contract includes four public markets manager searches per year.

POLICY

Approval of this recommendation will have no policy impact.

CONTRACTOR DISCLOSURE INFORMATION

The contractor complied with LAFPP's Contractor Disclosure Policy regarding campaign contributions, charitable contributions, intermediaries, gifts, and contacts on January 31, 2025. Internal Audit Section reviewed the provided information and determined there was nothing new to report under this policy.

This report was prepared by:

Randy Chih, Investment Officer
Investments Division

JS:BF:AC:RC

Attachments: I - Principal Performance Analysis
II - RVK Memo: Principal International Small Cap

Principal International Small Cap Core Performance Information
Annualized Return Information as of December 31, 2024

	FYTD	1-Year	3-Year	5-Year	Inception Return	Inception Date
Principal (Gross of Fees)	-0.46%	2.37%	-2.30%	1.68%	1.69%	06/01/18
Principal (Net of Fees)	-0.66%	1.97%	-2.71%	1.20%	1.20%	
MSCI World Ex US Small Cap	1.94%	3.28%	-2.29%	3.33%	2.99%	
Difference (Gross of Fees)	-2.40%	-0.92%	-0.01%	-1.65%	-1.30%	
Difference (Net of Fees)	-2.60%	-1.31%	-0.42%	-2.13%	-1.79%	
Percentile Rank (Investment Metrics Universe)	74	59	48	84	83	

Principal International Small Cap Core Performance Information
Calendar Year Annual Return Information from 2019

	2024	2023	2022	2021	2020	2019
Principal (Gross of Fees)	2.37%	14.60%	-20.50%	10.35%	5.63%	28.45%
Principal (Net of Fees)	1.97%	14.14%	-20.88%	9.75%	5.03%	27.73%
MSCI World Ex US Small Cap	3.28%	13.20%	-20.21%	11.54%	13.20%	25.94%
Difference (Gross of Fees)	-0.92%	1.40%	-0.30%	-1.19%	-7.57%	2.51%
Difference (Net of Fees)	-1.31%	0.95%	-0.68%	-1.79%	-8.17%	1.79%
Percentile Rank (Investment Metrics Universe)	59	58	44	71	84	22

Memorandum

To	The Los Angeles Fire and Police Pension System ("LAFPP")
From	RVK, Inc. ("RVK")
Subject	Principal International Small Cap Core - Contract Termination
Date	March 6, 2025

Recommendation

RVK recommends that the Board conduct a search for a replacement manager for the Principal International Small Cap Core ("Principal") as outlined below. In order to allow time for the search, and avoid multiple asset transitions, we also recommend renewing the Principal contract for 1 year. This is in agreement with the Staff's recommendation to the Board. Our rationale for this recommendation follows.

- The team implemented portfolio changes with poor articulation of why the changes are expected to improve performance.
- Loss of strategy assets due to internal withdrawal of the strategy from Principal's Target Retirement Date (TRD) Funds which occurred in Q4 of last year. In total, strategy net outflows totaled \$500 million, the majority of which were the Principal managed TRD suite.
- Failure to generate excess return over extended time periods. They underperformed in 4 of the last 5 calendar years in a period including both strong returns (2020, 2021 and 2024) and weak returns (2022) for the asset class.
- Underperformance during both up and down markets.
- Poor risk-adjusted returns (ranks 82nd percentile for Sharpe Ratio and 92nd percentile for Information Ratio over the 5-year period ending December 31, 2024).
- Strong candidate pool of potential replacement strategies.

Principal's International Small Cap strategy produced poor results in 2020 due to macro-related events. Historically, this strategy has not consistently protected capital in down markets relative to their benchmark. However, they have also trailed in up market environments in recent years without a specific rationale for an eventual rebound beyond improved stock selection. One adjustment they are implementing is to reduce the number of holdings in the portfolio around higher conviction ideas; however, this can lead to higher tracking error, which could be positive or negative. Most importantly, long-term returns have deteriorated in a broad and inefficient asset class where more consistent excess returns are expected. The strategy is not meeting its alpha target for the 20- and 25-year periods. Therefore, recommendation is due to long-term underperformance, a lack of confidence in future return generation potential, and the presence and availability of more successful options within the asset class.



Background

The Principal contract expires on April 30, 2025. As of December 31, 2024, LAFPP has approximately \$214.4 million invested in the Principal separate account product, which represents approximately 4.03% of the International Developed Equity composite, 4.02% of the Total International Equity composite, and 0.70% of the Total Plan. LAFPP has been invested in this account since May 2018.

Firm

Principal Global Equities is an investment group within Principal Global Investors, a wholly owned subsidiary of Principal Financial Group that is publicly listed on the NASDAQ under ticker "PFG." The Global Investors Group is a multi-boutique operation that allows the broader organization to offer investment expertise across equities, fixed income, real estate, asset allocation, currency management, stable value management, and other types of structured investment strategies.

Principal Global Equities started managing assets for clients in 1987 when their first international equity strategy was launched, and now manage approximately \$155 billion.

Team

Co-portfolio manager Brian Pattinson joined the firm in 1994 but became a named portfolio manager in 2001. Tiffany Lavastida, joined the firm as a member of the equities team in 1997 and was named a co-portfolio manager to this strategy in 2006. Together they have an average of 29 years of industry experience and 29 years at the firm.

Mr. Pattinson and Ms. Lavastida are supported by a team of six analysts. The analysts have an average of 14 years at the firm and 19 years in the industry. Analysts have sector specialties by region. The team has been stable, with just one analyst departure in the last five years. Equity Analyst Jun Kim was let go in 2023, and was at the firm for 12 years. He was the only investment professional based in Tokyo and returns were poor.

Brian Pattinson, CFA | Portfolio Manager

Brian is a portfolio manager for Principal Global Equities. Brian leads the global small-cap team which encompasses global, international, regional and U.S. small-cap strategies. He serves as the lead portfolio manager for the firm's international portfolios while providing oversight to the U.S. small-cap team. Brian received an MBA and a bachelor's degree in finance from the University of Iowa. Brian has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.

**Tiffany Lavastida, CFA | Portfolio Manager**

Tiffany is a portfolio manager for Principal Global Equities. Her responsibilities include portfolio management and analysis on the international small-cap team and covers financials, real estate, and energy sectors. Previously she was a sales assistant at Mid-America Securities Management. She received an MBA with a finance concentration and a bachelor's degree in finance from the University of Iowa. Tiffany has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Institute.

Product Strategy and Process

The investment team seeks stocks where three conditions exist:

- Positive and Sustainable Fundamental Change
- Investor Expectation Gaps
- Attractive Relative Valuation

The strategy is supported by the Global Research Platform (“GRP”) which helps target stocks that fit the conditions preferred by the investment team. The GRP encompasses multiple distinct screening models tailored to specific regions and sectors. The ranking process prioritizes the most promising subset of companies based on the fundamental attributes they seek. Since 2003, portfolio managers and analysts have helped with the ongoing evolution of the GRP. The output of the GRP is rankings of the entire universe of stocks. Companies ranking in the top 20% of the available universe are considered the investable universe for the investment team.

The members of the investment team each have sector coverage responsibilities for their regions. The analysts review the top-rated stocks, identified by the GRP, and conduct fundamental research. This includes evaluating financial statements, regulatory filings, news flow, independent research networks, and sell-side research. The analysts seek to understand the competitive position of a company within its industry and its key business drivers. Company management teams can also be interviewed to better understand their past capital allocation decisions and future growth plans.

Ultimately, analysts apply a ranking of “outperform” to their highest conviction stocks. These recommendations are shared via an online portal, the Equities Research Dashboard, which also tracks company news, analysis from the GRP and other key characteristics. The portfolio managers review the information and opinions on the dashboard while continuing to communicate with analysts regarding

their conclusions. The portfolio managers are the final decision makers for the strategy. They determine the final stocks purchased for the portfolio, subject to risk constraints.

Performance (as of December 31, 2024)

In the time since client inception (June 2018), the Principal separate account has underperformed its benchmark by 179 basis points since inception, annualized and net of fees, and ranked in the 83rd percentile. Over the recent 3-year period the fund has underperformed its benchmark by 42 basis points and ranked in the 48th percentile, while over the 5-year period the fund has underperformed its benchmark by 213 basis points and ranked in the 84th percentile. Principal has underperformed its benchmark over all trailing time periods shown below. The table below details Principal's performance (gross and net of fees) as of December 31, 2024.

	QTD	FYTD	1 Year	3 Years	5 Years	Since Incep.	Inception Date	Expense Ratio
Principal Int'l Small Cap Core (SA) - Gross	-8.02	-0.46	2.37	-2.30	1.68	1.69	06/01/2018	0.42%
MSCI Wrld ExUS Sm Cap Index (USD) (Gross)	-7.80	1.94	3.28	-2.29	3.33	2.99		
Difference	-0.22	-2.40	-0.92	-0.01	-1.65	-1.30		
Principal Int'l Small Cap Core (SA) - Net	-8.11	-0.66	1.97	-2.71	1.20	1.20	06/01/2018	
MSCI Wrld ExUS Sm Cap Index (USD) (Gross)	-7.80	1.94	3.28	-2.29	3.33	2.99		
Difference	-0.32	-2.60	-1.31	-0.42	-2.13	-1.79		
IM International Small Cap Equity (SA+CF) Median	-7.02	1.22	4.16	-2.85	4.62	3.73		
Rank	67	74	59	48	84	83		

	2023	2022	2021	2020	2019
Principal Int'l Small Cap Core (SA) - Gross	14.60	-20.50	10.35	5.63	28.45
MSCI Wrld ExUS Sm Cap Index (USD) (Gross)	13.20	-20.21	11.54	13.20	25.94
Difference	1.40	-0.30	-1.19	-7.57	2.51
Principal Int'l Small Cap Core (SA) - Net	14.14	-20.88	9.75	5.03	27.73
MSCI Wrld ExUS Sm Cap Index (USD) (Gross)	13.20	-20.21	11.54	13.20	25.94
Difference	0.95	-0.68	-1.79	-8.17	1.79
IM International Small Cap Equity (SA+CF) Median	15.09	-21.52	13.74	13.95	24.61
Rank	58	44	71	84	22

**Fees**

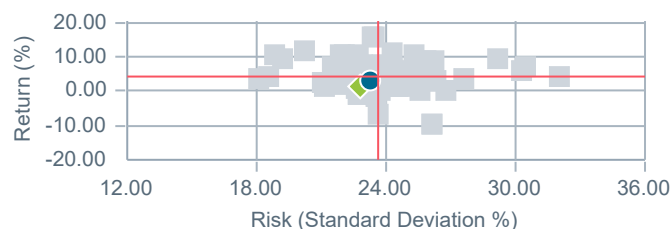
Principal charges 0.42% on the first \$100M, 0.385% on the next \$100M, and 0.35% thereafter. Based on the December 31, 2024, market value of \$214.4 million, the effective annual expense ratio is approximately 0.40%. This fee ranks in the 4th percentile when compared to the eVestment Non-US Diversified Small Cap Equity universe utilizing a separate account vehicle and comparable mandate size. The median fee for this universe is 80 basis points.

Manager: Principal Int'l Small Cap Core (SA)

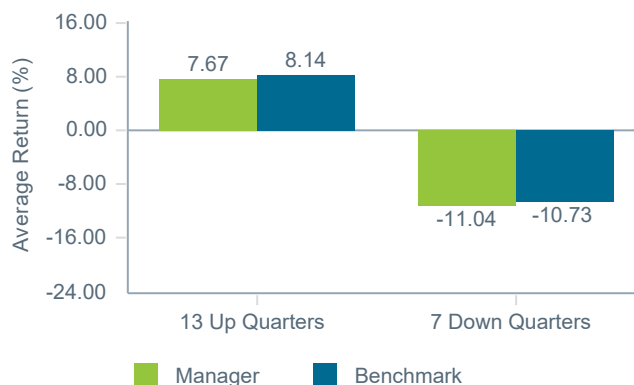
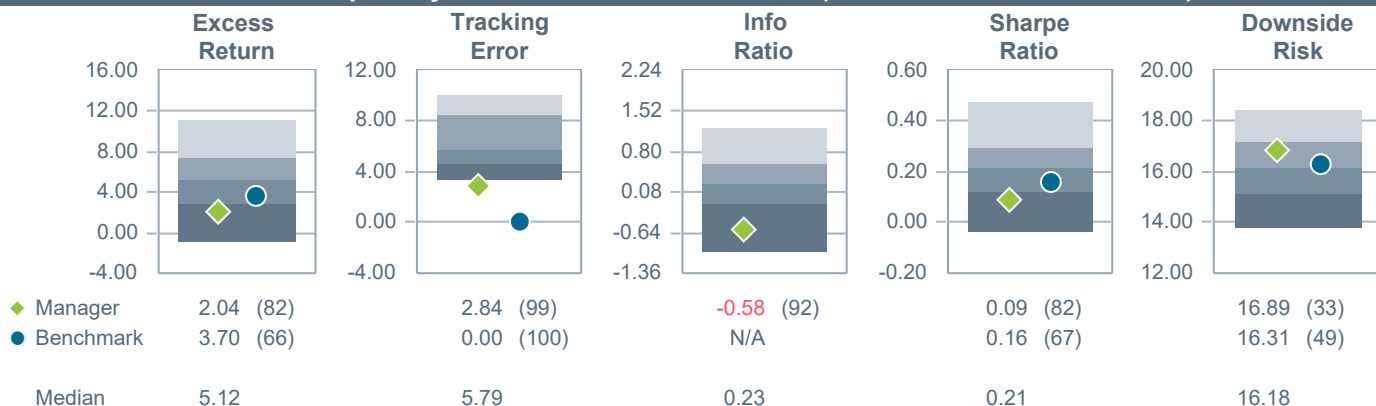
As of December 31, 2024

Benchmark: MSCI Wld Ex US Sm Cap Index (USD) (Gross)**Peer Group:** IM International Small Cap Equity (SA+CF)

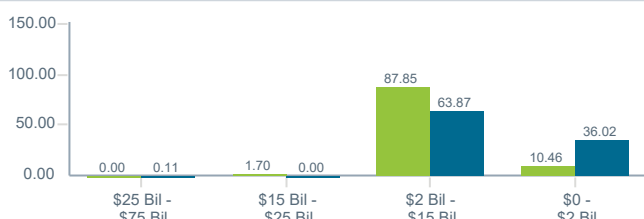
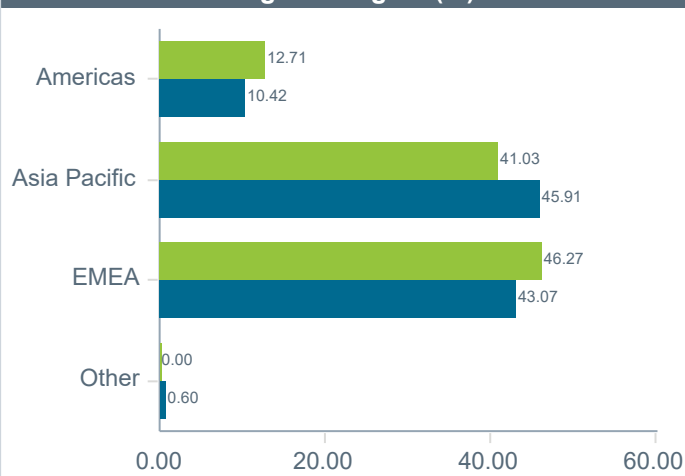
Performance											
	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	2023	2022	2021	2020	2019
Manager	-8.02	2.37	-2.30	1.68	N/A	N/A	14.60	-20.50	10.35	5.63	28.45
Benchmark	-7.80	3.28	-2.29	3.33	2.88	5.93	13.20	-20.21	11.54	13.20	25.94
Difference	-0.22	-0.92	-0.01	-1.65	N/A	N/A	1.40	-0.30	-1.19	-7.57	2.51
Peer Group Median	-7.02	4.16	-2.85	4.62	3.72	7.07	15.09	-21.52	13.74	13.95	24.61
Rank	67	59	48	84	N/A	N/A	58	44	71	84	22
Population	99	99	99	91	86	73	113	127	125	133	134

Peer Group Scattergram - 5 Years

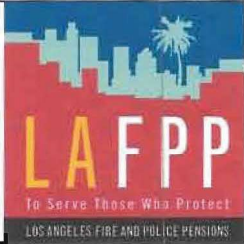
	Return	Standard Deviation
◆ Manager	1.68	22.83
● Benchmark	3.33	23.31
— Median	4.62	23.62

Up/Down Markets - 5 Years**Peer Group Analysis - Multi Statistics - 5 Years (Excess Return vs. Risk Free)****Portfolio Characteristics and Dist. of Market Cap (%)**

	Portfolio	Benchmark
Wtd. Avg. Mkt. Cap (\$M)	4,986	3,082
Median Mkt. Cap (\$M)	4,141	1,345
Price/Earnings Ratio	13.91	14.02
Price/Book Ratio	2.20	2.07
5 Yr. EPS Growth Rate (%)	11.12	10.69
Current Yield (%)	2.85	3.21
Beta (5 Years, Monthly)	0.97	1.00
Number of Securities	144	2,249
Active Share	88.87	N/A

**Region Weights (%)**

Performance shown is gross of fees. Calculation is based on quarterly periodicity. Parentheses contain percentile ranks.



DEPARTMENT OF FIRE AND POLICE PENSIONS

360 East Second Street, Suite 400
Los Angeles, CA 90012
(213) 978-4545

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

March 17, 2011

ITEM: A.4

FROM:  Michael A. Perez, General Manager

**SUBJECT: PRESENTATION BY RV KUHNS ON INTERNATIONAL EQUITY SEARCHES
AND POSSIBLE BOARD ACTION**

RECOMMENDATION

That the Board approve the search procedures for active manager searches (page 2 of the attachment) and emerging manager and passive manager searches (page 3 of the attachment), as proposed by the General Consultant, RV Kuhns.


BACKGROUND

At the meeting of February 17, 2011 the Board approved searches for an International Equity Large Cap Core passive manager, an International Equity Large Cap Growth manager, an International Equity Small/Mid Cap manager and an Emerging Markets Equity manager. The Board also considered approving searches for Emerging Managers in one or more of the approved searches.

At the meeting of March 3, 2011 the Board discussed various models for manager searches. The Board consensus was to employ a hybrid selection model, in which the Board, Staff and the Consultant would all participate in the search process. RV Kuhns was directed to report back with specific recommendations on the timing and degree of involvement by the participants in the search process. RV Kuhns appears today to discuss its recommendations (attached).

Also at the March 3, 2011 meeting the Board approved a search for an International Equity Emerging Manager. The attached recommendations include a proposed process for Emerging Manager searches.

Staff has discussed the search processes with RV Kuhns, and supports the recommendations.


Rick Rogers
Investment Officer

MAP:TL:RR
Attachment

RVKuhns

▶▶▶ & ASSOCIATES, INC.

MEMORANDUM

To: The Los Angeles Fire and Police Pensions System (LAFPP)
From: R.V. Kuhns & Associates (RVK)
Re: Investment Manager Search Selection Process
Date: March 17, 2011

Background

At the March 3, 2011 meeting, the Board discussed various manager selection models with LAFPP Staff and RVK. The objective of these discussions was to evaluate Board involvement in manager selection decisions going forward. To briefly summarize, the Board indicated a preference for a hybrid selection model that incorporates the following:

- Blends Board involvement and Staff discretion.
- Staff and the Consultant are largely responsible for search execution, but the Board may be involved at multiple touch points along the way.
- Integrates Staff expertise with Board perspectives but requires clear delineation of discretionary authority at each step in the search process.

The Board also indicated a preference to continue the practice of using a full procurement model, inclusive of a request for proposal (RFP) for emerging manager searches, while using a limited procurement model which leverages available database information for traditional manager searches. In addition, the Board clarified their expectations that Staff would be primarily responsible for passive manager searches, while RVK would have responsibility for active and emerging manager searches.

In follow up to those conversations, the Board requested that Staff and RVK delineate the steps involved in each of the search processes discussed and the multiple decision points that could involve the Board.

Manager Search Process Decision Points

The number of steps involved in the search process depends on the procurement model. Full procurement models requiring customized RFP's with prolonged response times naturally require more work than search processes that leverage database information for initial manager identification and screening. In addition, passive searches are typically less time and resource intensive than active manager searches. Given that LAFPP utilizes a full procurement model for emerging manager searches and a limited procurement model for traditional manager searches, we developed a list of decision points for both processes.

The objective of this exercise is to identify a comprehensive list of search activities that may involve the Board, LAFPP Staff, and RVK, either in isolation, or working together on the search activity. In addition to the specific steps outlined in the search process, we also included a

general timeframe for step completion. It's important to recognize that the timeframe for completion that is inherent in a full procurement model or in a model requiring multiple levels of Board approval will naturally be longer than in a search process that leverages database information and/or one with higher levels of Staff and Consultant discretion.

The tables below summarize the search activities considered in the process and the recommended distribution of responsibilities between the Board, Staff and RVK. In identifying these steps, we have also included our recommendation on the touch points of Board involvement in each of the search processes. In our experience, the recommended touch points have proven to be most productive in balancing Board engagement while limiting the administrative burden and providing for acceptable levels of Staff discretion.

Although RVK will have primary responsibility for active and emerging manager searches, Staff involvement will be crucial to evaluating the managers and identifying finalist candidates. Conversely, although Staff will have primary responsibility for passive searches, RVK is expected to be available to provide reviews and analytical support to that process. Consequently, both Staff and RVK are identified in many of the steps for all three search processes.

Decision Points for Active Manager Searches					
Search Activity	RVK	LAFPP Staff	LAFPP Board	Board Touch Point	General Timeframe for Completion
1 Authorize search and approve mandate			X	Recommended	Board meeting
2 Assess existing portfolio and propose search criteria	X	X			1-2 weeks
3 Approve minimum qualifications and evaluation criteria			X	Recommended	Board Meeting
4 Compile search document utilizing database	X	X			1-3 weeks
5 Quantitative & Qualitative Review of search document	X	X			1-2 weeks
6 Identify semi-finalists for further due diligence	X	X			1-2 weeks
7 Semi-Finalist Review	X	X			1-2 weeks
8 Identify and approve finalist candidates			X	Recommended	Board Meeting
9 Interview finalists and select manager	X	X	X	Recommended	4 weeks
10 Contract Negotiations		X			2-3 weeks
11 Contract Signed by Board President			X	Recommended	President only
12 Fund Mandate		X			1 week
Total Time from Search Approval to Funding					12-16 weeks

Decision Points for Emerging Manager Searches					
Search Activity	RVK	LAFPP Staff	LAFPP Board	Board Touch Point	General Timeframe for Completion
1 Authorize search and approve mandate			X	Recommended	Board meeting
2 Assess existing portfolio and propose search criteria	X	X			1-2 weeks
3 Approve minimum qualifications and evaluation criteria			X	Recommended	Board Meeting
4 Develop customized RFP	X	X			2-4 weeks
5 Approve RFP and channels for distribution			X	Recommended	Board Meeting
6 Collect RFP responses	X	X			4-6 weeks
7 Quantitative & Qualitative Review of search document	X	X			1-2 weeks
8 Identify semi-finalists for further due diligence	X	X			1-2 weeks
9 Semi-Finalist Review	X	X			1-2 weeks
10 Identify and approve finalist candidates			X	Recommended	Board Meeting
11 Interview finalists and select manager	X	X	X	Recommended	4 weeks
12 Contract Negotiations		X			2-3 weeks
13 Contract Signed by Board President			X	Recommended	President only
14 Fund Mandate		X			1 week
Total Time from Search Approval to Funding					16-20 weeks

Decision Points for Passive Manager Searches					
Search Activity	RVK	LAFPP Staff	LAFPP Board	Board Touch Point	General Timeframe for Completion
1 Authorize search and approve mandate			X	Recommended	Board meeting
2 Assess existing portfolio and propose search criteria	X	X			1-2 weeks
3 Identify minimum qualifications and evaluation criteria		X			1-2 weeks
4 Create search comparison	X	X			1-3 weeks
5 Quantitative & Qualitative Review of search document	X	X			1-2 weeks
6 Identify semi-finalists for further due diligence	X	X			1-2 weeks
7 Semi-Finalist Review	X	X			1-2 weeks
8 Identify finalists candidates	X	X			1-2 weeks
9 Interview finalists and select manager	X	X			4 weeks
10 Contract Negotiations		X			2-3 weeks
11 Contract Signed by Board President			X	Recommended	President only
12 Fund Mandate		X			1 week
Total Time from Search Approval to Funding					12-16 weeks

In reviewing these processes, the recommended Board touch points are as follows:

Active Manager Searches

1. Approve search and specific mandate
2. Approve minimum qualifications and evaluation criteria
3. Approve finalists
4. Interview finalists and select manager
5. Sign contract (Board President)

Emerging Manager Searches

1. Approve search and specific mandate
2. Approve minimum qualifications and evaluation criteria
3. Approve RFP channels for distribution
4. Approve finalists
5. Interview finalists and select manager
6. Sign contract (Board President)

Passive Manager Searches

1. Authorize search and approve mandate
2. Sign contract (Board President)

In recommending these touch points, we recognize that the Board may elect to be involved in any of the steps outlined for the manager selection processes. We have provided the detailed breakdown of the search activities for the Board to review and we look forward to discussing the search process with the Board at the upcoming meeting.

Decision Points for Active Manager Searches					
Search Activity	RVK	LAFPP Staff	LAFPP Board	Board Touch Point	General Timeframe for Completion
1 Authorize search and approve mandate			X	Recommended	Board meeting
2 Assess existing portfolio and propose search criteria	X	X			1-2 weeks
Profile existing managers	X				
Initial scan of universe of available managers	X				
Identify complementary strategies	X				
Customize evaluation criteria:	X				
Organizational depth and resources					
Organizational stability					
Investment methodology					
Assessment of performance					
Fit with existing managers & structure					
Fees					
3 Approve minimum qualifications and evaluation criteria			X	Recommended	Board Meeting
Customized based on the results of Step 2					
4 Compile search document utilizing database	X	X			1-3 weeks
Identify appropriate database (eVestment, Morningstar, etc.)	X				
Apply screens for evaluation criteria and minimum qualifications	X				
Identify long list of managers for evaluation	X				
Ensure manager data is updated and reliable	X				
Verify managers meet minimum qualifications	X				
Fill manager data gaps and clarify data questions	X				
Identify appropriate peer groups and benchmarks	X				
Identify relevant search metrics	X				
Compile search document	X				
5 Quantitative & Qualitative Review of search document	X	X			1-2 weeks
Assess manager comparisons	X				
Rank managers for further evaluation	X				
Narrow list to semi-finalists	X	X			
Recommend semi-finalists to Board	X				
6 Identify semi-finalists for further due diligence	X	X			1-2 weeks
Based on results of step 5					
7 Semi-Finalist Review	X	X			1-2 weeks
Conduct semi-finalist interviews via conference calls (optional)	X				
Select and recommend finalists to the Board based on results of the search, quantitative and qualitative factors, and those that appear to have the highest probability of success over the next three to five years.	X	X			
8 Identify and approve finalist candidates			X	Recommended	Board Meeting
Based on results of step 7					
9 Interview finalists and select manager	X	X	X	Recommended	4 weeks
Inform finalists and schedule interviews	X	X			
On-site visits and additional due diligence	X	X			
Finalists present to Board	X	X	X		
Approve manager decision			X		
10 Contract Negotiations		X			2-3 weeks
Review investment policy with manager		X			
Determine separate account constraints and benchmarks		X			
Negotiate fees		X			
11 Contract Signed by Board President			X	Recommended	President only
12 Fund Mandate		X			1 week
Total Time from Search Approval to Funding					12-16 weeks

Decision Points for Emerging Manager Searches					
Search Activity	RVK	LAFPP Staff	LAFPP Board	Board Touch Point	General Timeframe for Completion
1 Authorize search and approve mandate			X	Recommended	Board meeting
2 Assess existing portfolio and propose search criteria	X	X			1-2 weeks
Profile existing managers	X				
Initial scan of universe of available managers	X				
Identify complementary strategies	X				
Customize evaluation criteria:	X				
Organizational depth and resources					
Organizational stability					
Investment methodology					
Assessment of performance					
Fit with existing managers & structure					
Fees					
3 Approve minimum qualifications and evaluation criteria			X	Recommended	Board Meeting
Customized based on the results of Step 2					
4 Develop customized RFP	X	X			2-4 weeks
Specify asset class, minimum qualifications and evaluation criteria	X				
Post RFP on website or take out journal advertisement	X				
Notify managers in eInvestment Alliance	X				
Collect managers' formal acknowledgement of meeting the qualifications	X				
Ensure manager data is updated and reliable	X				
Collect manager questions	X				
Post responses to the questions	X				
Fill manager data gaps and clarify responses	X				
5 Approve RFP and channels for distribution			X	Recommended	Board Meeting
6 Collect RFP responses	X	X			4-6 weeks
Clarify outstanding questions					
Compile search document					
7 Quantitative & Qualitative Review of search document	X	X			1-2 weeks
Assess manager comparisons	X				
Rank managers for further evaluation	X				
Narrow list to semi-finalists	X	X			
Recommend semi-finalists to Board	X				
8 Identify semi-finalists for further due diligence	X	X			1-2 weeks
Based on results of step 7					
9 Semi-Finalist Review	X	X			1-2 weeks
Conduct semi-finalist interviews via conference calls (optional)	X				
Select and recommend finalists to the Board based on results of the search, quantitative and qualitative factors, and those that appear to have the highest probability of success over the next three to five years.	X	X			
10 Identify and approve finalist candidates			X	Recommended	Board Meeting
Based on results of step 9					
11 Interview finalists and select manager	X	X	X	Recommended	4 weeks
Inform finalists and schedule interviews	X	X			
On-site visits and additional due diligence	X	X			
Finalists present to Board	X	X	X		
Approve manager decision			X		
12 Contract Negotiations		X			2-3 weeks
Review investment policy with manager		X			
Determine separate account constraints and benchmarks		X			
Negotiate fees		X			
13 Contract Signed by Board President			X	Recommended	President only
14 Fund Mandate		X			1 week
Total Time from Search Approval to Funding					16-20 weeks

Decision Points for Passive Manager Searches					
Search Activity	RVK	LAFPP Staff	LAFPP Board	Board Touch Point	General Timeframe for Completion
1 Authorize search and approve mandate			X	Recommended	Board meeting
2 Assess existing portfolio and propose search criteria	X	X			1-2 weeks
Profile existing managers		X			
Initial scan of universe of available managers		X			
Identify complementary strategies		X			
Customize evaluation criteria:		X			
Organizational depth and resources					
Organizational stability					
Fees					
3 Identify minimum qualifications and evaluation criteria		X			1-2 weeks
Customized based on the results of Step 2					
4 Create search comparison	X	X			1-3 weeks
Apply screens for evaluation criteria and minimum qualifications		X			
Identify list of managers for evaluation		X			
Ensure manager data is updated and reliable		X			
Verify managers meet minimum qualifications		X			
Identify relevant search metrics		X			
Compile search comparison		X			
5 Quantitative & Qualitative Review of search document	X	X			1-2 weeks
Assess manager comparisons		X			
Rank managers for further evaluation		X			
Narrow list to semi-finalists		X			
Recommend semi-finalists to Board		X			
6 Identify semi-finalists for further due diligence	X	X			1-2 weeks
Based on results of step 5					
7 Semi-Finalist Review	X	X			1-2 weeks
Conduct semi-finalist interviews via conference calls (optional)		X			
Identify finalists based on results of the search, quantitative and qualitative factors, and those that offer the lowest fees and tracking error to the relevant index.		X			
8 Identify finalists candidates	X	X			1-2 weeks
Based on results of step 7					
9 Interview finalists and select manager	X	X			4 weeks
Inform finalists and schedule interviews		X			
On-site visits and additional due diligence		X			
10 Contract Negotiations		X			2-3 weeks
Review investment policy with manager		X			
Determine separate account constraints and benchmarks		X			
Negotiate fees		X			
11 Contract Signed by Board President			X	Recommended	President only
12 Fund Mandate		X			1 week
Total Time from Search Approval to Funding					12-16 weeks



Memorandum

To	The Los Angeles Fire and Police Pensions System ("LAFPP")
From	RVK, Inc. ("RVK")
Subject	International Equity Small Cap Search Minimum Qualifications
Date	July 2025

Recommendation

That the Board considers the following Minimum Qualifications ("MQs") when screening for active international equity small cap managers.

Background

At the March 6, 2025 Board meeting, the Board reviewed and extended the Principal International Small Cap Core ("Principal") mandate for a year and authorized Staff and Consultant to conduct a search for potential replacement options given concerns regarding the Principal account. The purpose of this memo is to propose MQs to focus the search on potential candidates to evaluate. The proposed mandate size is approximately \$225 million based on March 31, 2025 Plan assets. The manager will complement the Plan's other manager in this space, Victory Trivalent International Small Cap Core.

Discussion

RVK has developed the following suggested screening criteria for the search under consideration. There are currently 169 small cap international equity strategies in the eVestment database, and based on the following criteria, we have listed how many managers would be eliminated at each stage.

Proposed Criteria	Rationale
Product is Open	Some strategies are closed to new investors.
Minimum 5-Year Track Record	The majority of the universe is comprised of managers with mature track records. Newer firms or products have surfaced in recent years without sufficient track records of managing through a full cycle. Preference should be given to those managers who have demonstrated their capabilities through both strong and weak markets.
Strategy AUM > \$900 million	LAFPP is limited to 20% of strategy assets; a \$225 million mandate would necessitate a strategy AUM of at least \$900 million (\$1,125 million after the \$225 million mandate is added).
Strategy AUM < \$10 billion	This is a capacity-constrained asset class where the ability to add value decreases as AUM increases.

The screening criteria recommended above for the search process are intended to serve as minimum qualifications for managers to be considered for this mandate. RVK will use the eVestment database information to perform the minimum qualification screens. RVK has compared the universe of global managers in eVestment to Morningstar and found it to have a larger population. A summary of how the



MQs narrow the universe down to a smaller subset is provided below. Please note that the potential universe size is based on manager-entered data and may change after managers confirm in writing that they meet the MQs.

Proposed Criteria	Starting Universe	Products Eliminated
Product is Open	169	9
Minimum 5-Year Track Record	160	21
Strategy AUM > \$900 million	139	102
Strategy AUM < \$10 billion	37	3

After all managers are screened, the list of approximately 34 managers will be evaluated against additional characteristics to cull the list down further and establish a group of candidates that will be considered for investment. These characteristics will include:

- **Firm** – ownership, regulatory compliance, assets, insurance levels, organizational stability
- **Team** – years of experience in the industry and at the firm, overall team stability
- **Performance** – consistency of returns and peer rankings, as well as risk-adjusted return metrics
- **Volatility** – standard deviation and downside market capture over various time periods
- **Product** – multiple attributes such as: number of holdings, sector allocation and limits, turnover, cash position, and assets
- **Fit** – Fit with LAFPP’s international equity composite and existing managers.
- **Fees**

Utilizing the above referenced screening characteristics, we believe the search process will result in a list of 8-10 qualified managers to be evaluated in further detail. After analyzing the screening results, Staff and RVK will collectively determine the candidates that are the most attractive options and recommend 3 of those candidates to present to the Board for final interviews.



DEPARTMENT OF FIRE AND POLICE PENSIONS

701 E. 3rd Street, Suite 200
Los Angeles, CA 90013
(213) 279-3000

REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: JULY 3, 2025

ITEM: E.3

FROM: JOSEPH SALAZAR, GENERAL MANAGER

SUBJECT: APPROVAL OF FIVE-YEAR CONTRACT EXTENSION WITH SCOUT INVESTMENTS, INC. REAMS ASSET MANAGEMENT DIVISION FOR PASSIVE TREASURY INFLATION-PROTECTED SECURITIES (TIPS) FIXED INCOME INVESTMENT MANAGEMENT SERVICES AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board:

1. Approve a five-year contract extension with Scout Investments, Inc. Reams Asset Management Division for Passive Treasury Inflation-Protected Securities (TIPS) Fixed Income investment management services;
2. Authorize the General Manager to negotiate and approve the terms and conditions of the contract extension with Scout Investments, Inc. Reams Asset Management Division for Passive TIPS Fixed Income investment management services for the period of September 1, 2025 through August 31, 2030; and,
3. Authorize the General Manager, on behalf of the Board, to execute the contract extension with Scout Investments, Inc. Reams Asset Management Division for Passive TIPS Fixed Income investment management services, subject to the approval of the City Attorney as to form.

BACKGROUND

Scout Investments, Inc. Reams Asset Management Division (Reams) was hired in September 2013 as a passive TIPS asset manager to replace one of the Board's two active TIPS asset managers. Reams' contract has since been renewed three times in 2016, 2019, and 2022. In June 2021, the account of the remaining active TIPS manager was terminated and the assets were transferred to the Reams passive TIPS portfolio. Reams' current passive TIPS contract will expire on August 31, 2025.

In November 2021, the Board approved a search to hire a bench of asset managers to provide multiple passive investment strategies. At the November 3, 2022 meeting, the Board awarded five-year contracts to AllianceBernstein L.P., BlackRock Institutional Trust Company, N.A., Northern Trust Investments, Inc., and RhumbLine Advisers, L.P. At the time, due to the favorable fees of the existing passive TIPS mandate, the account remained with Reams rather than being transferred to one of the new passive asset managers. Since Reams is managing a passive investment strategy similar to the bench of passive asset managers and continues to charge competitive fees, Staff is

recommending a five-year contract extension to be consistent with contract terms for the other passive asset managers.

DUE DILIGENCE REVIEW

As part of the due diligence process, Staff requested that Reams complete a comprehensive questionnaire. The questionnaire focused on areas of ownership, personnel, assets under management, investment style, and investment performance.

OWNERSHIP

Reams was established in 1981 as an independent, employee-owned investment management firm in Columbus, Indiana. Scout Investments, Inc. (Scout), a subsidiary of UMB Financial Corporation, acquired Reams on November 30, 2010.

On November 17, 2017, Scout was acquired by Carillon Tower Advisers, Inc. (now doing business as Raymond James Investment Management (RJIM) as of October 1, 2022). RJIM is a global asset management company, and wholly owned subsidiary of Raymond James Financial, Inc. (Raymond James).

Reams is currently headquartered in Indianapolis, Indiana and continues to operate its fixed income business with a high degree of autonomy from its parent company. No changes are planned.

PERSONNEL

The portfolio management team consists of Mark Egan (Chief Investment Officer), Todd Thompson (Deputy Chief Investment Officer (DCIO)), Dimitri Silva (Portfolio Manager), Neil Aggarwal, Clark Holland, and Jason Hoyer. Messrs. Egan, Thompson, and Silva continue to provide leadership and establish investment strategy for the firm as Reams' managing directors and members of the Investment Committee. Mr. Aggarwal leads securitized products research, and Mr. Silva leads global rates and currencies research. As of June 30, 2024, Mr. Hoyer assumed the additional role of Head of Credit, taking over from Mr. Thompson who was promoted to DCIO. Additionally, nine fixed income analysts support the portfolio management team. Further, Sarah Couch has served as Director of Client Services since 2018.

There has been little personnel turnover during the current contract period. Stephen Vincent, Portfolio Manager, retired in April 2023. Mr. Aggarwal, who joined Reams as Head of Securitized Products Research in 2022 and had worked closely with Mr. Vincent since being hired, was promoted to Portfolio Manager in March 2023. At the end of September 2023, the role of President, previously held by Dan Spurgeon, was eliminated as part of a larger restructuring whereby RJIM assumed oversight of certain non-investment functions, including those of Reams' President. At that time, Mr. Spurgeon departed the firm. Also, Mr. Thompson assumed the role of DCIO, Mr. Silva joined the investment committee and was promoted to Managing Director, and Co-Founder and Managing Director, Bob Crider, transitioned to the role of Senior Advisor. The firm added one Credit Analyst in 2022, and two new analysts joined the investment team in the first quarter of 2025.

ASSETS UNDER MANAGEMENT

As of March 31, 2025, Reams managed approximately \$30.7 billion in firmwide assets under management (AUM) across 157 institutional clients, including approximately \$1.3 billion in TIPS

separate accounts for two clients. This represents an increase of approximately \$10.5 billion in AUM and an additional 10 institutional clients compared to approximately \$20.2 billion in AUM for 147 institutional client accounts as of September 30, 2022, along with a \$101.5 million increase in the TIPS separate accounts.

Reams began the current contract period managing \$1.25 billion for the Board's passive TIPS mandate. As of March 31, 2025, the account value had decreased to approximately \$1.19 billion. This decline reflects a \$200 million withdrawal in May 2024 to rebalance the account to its target allocation, as well as \$15.3 million in interest income withdrawals over the contract period. Reams also manages the Board's Core and Unconstrained fixed income accounts, valued at \$928 million and \$386 million, respectively, as of May 31, 2025.

INVESTMENT STYLE

As a passive TIPS asset manager, Reams attempts to mirror as closely as possible the risk and return of its custom benchmark, consisting of the Bloomberg US Government Inflation-Linked Bond Index through April 30, 2024 and the Bloomberg US TIPS 1-5 Year Index thereafter. The objective of this strategy is to minimize tracking error, which is the difference in the return between the portfolio and that of the index over a specified period.

INVESTMENT PERFORMANCE

A passively managed portfolio should be evaluated based on how closely it tracks the risk and return of its benchmark, as measured by tracking error. Performance of the portfolio will not perfectly mimic the performance of the benchmark due to fees, expenses, and other market frictions (which may be positive or negative) that the benchmark does not account for. The Reams passive TIPS portfolio has maintained a low tracking error of approximately 0.07%, net of fees, since inception, and has performed as expected.

In May 2024, following recommendations from the Fixed Income Structure Review, the passive TIPS strategy was adjusted from an intermediate to a short duration focus. The change was intended to better align the strategy with its long-term objective of managing inflation risk and mitigate the interest rate risk associated with the intermediate duration TIPS strategy (as exemplified by the negative 3-year annualized performance of the strategy and benchmark as of March 31, 2025, primarily resulting from the rising interest rate environment of 2022 to 2023).

Attachment I provides Reams' TIPS performance since inception of the account.

CONCLUSION

Reams has delivered consistent benchmark-like performance (as measured by tracking error) over an extended period while charging significantly lower fees compared to its peers. The annual management fee is a flat 0.5 basis points (bps), or \$60,000, based on the March 31, 2025 market value of \$1.2 billion. This fee ranks in the 1st percentile compared to other U.S. Passive TIPS/Inflation Fixed Income managers using a separate account vehicle. The median fee in this peer group is 3 bps.

In addition, Reams' fixed income team is composed of experienced portfolio managers who have demonstrated long-term stability. Therefore, Staff recommends that the Board approve a five-year

contract extension with Reams for Passive TIPS Fixed Income management services. RVK concurs with Staff's recommendation (see Attachment II).

BUDGET

Approval of this recommendation is not anticipated to affect LAFPP's annual budget, as Reams' management fees have already been projected and included in the budget.

POLICY

Approval of this recommendation will have no policy impact.

CONTRACTOR DISCLOSURE INFORMATION

Reams complied with LAFPP's Contractor Disclosure Policy regarding campaign contributions, charitable contributions, intermediaries, gifts, and contacts on April 22, 2025. Internal Audit Section reviewed the provided information and determined there was nothing new to report under this policy.

This report was prepared by:

Miki Shaler, Investment Officer
Investments Division

JS:BF:AC:MS

Attachments: I – Reams Passive TIPS Fixed Income Performance Analysis
 II – RVK Recommendation Memo

Reams Passive TIPS Performance Information as of March 31, 2025

	CYTD	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception Return ²
Reams Asset Management TIPS (Gross of Fees)	3.46	5.84	5.77	-0.31	2.18	3.01	2.53	2.63
Reams Asset Management TIPS (Approx Net of Fees¹)	3.45	5.84	5.77	-0.32	2.17	3.00	2.51	2.61
TIPS Custom Index³	3.40	5.76	5.74	-0.28	2.15	2.94	2.45	2.56
Difference (Gross of Fees)	0.06	0.08	0.03	-0.03	0.03	0.07	0.08	0.07
Difference (Approx Net of Fees)	0.05	0.08	0.03	-0.04	0.02	0.06	0.06	0.05

¹Annual management fee is a flat 0.5 bps. True net of fee returns are available as of 1/1/15. Prior to 1/1/15, net of fee returns are estimates based on fees as of 1Q25.

²Inception date is 9/1/13.

³The passive TIPS Custom Index consists of the Bloomberg US Government Inflation-Linked Bond Index through 4/30/2024 and the Bloomberg US TIPS 1-5 Year Index thereafter.

Calendar Year Data as of March 31, 2025

	2024	2023	2022	2021	2020	2019	2018	2017
Reams Asset Management TIPS (Gross of Fees)	2.16	4.02	-12.72	6.34	11.47	8.82	-1.37	3.43
Reams Asset Management TIPS (Approx Net of Fees¹)	2.15	4.02	-12.73	6.32	11.45	8.80	-1.39	3.41
TIPS Custom Index²	2.15	3.84	-12.60	6.00	11.54	8.75	-1.48	3.30
Difference (Gross of fees)	0.01	0.18	-0.12	0.34	-0.07	0.07	0.11	0.13
Difference (Net of fees)	0.00	0.18	-0.13	0.32	-0.09	0.05	0.09	0.11

¹Annual management fee is a flat 0.5 bps.

²The passive TIPS Custom Index consists of the Bloomberg US Government Inflation-Linked Bond Index through 4/30/2024 and the Bloomberg US TIPS 1-5 Year Index thereafter.



Memorandum

To	The Los Angeles Fire and Police Pension System (“LAFPP”)
From	RVK, Inc. (“RVK”)
Subject	Reams Asset TIPS Contract Renewal Recommendation
Date	July 3, 2025

Recommendation

RVK recommends that the Board renew the Reams Asset TIPS (“Reams TIPS”) contract for 5 years. This is in agreement with the Staff’s recommendation to the Board.

Background

The Reams Passive TIPS contract expires on August 31, 2025. As of March 31, 2025, LAFPP has approximately \$1.2 billion invested in the separate account, which represents 100% of the TIPS composite, 16.2% of the Fixed Income composite, and 3.7% of the Total Plan. LAFPP has been invested in this account since September 2013. In May 2024, as a result of the changes related to a fixed income structure analysis, the Reams Passive TIPS mandate was modified from an intermediate duration approach to a short duration mandate. This change better aligned the mandate with its long-term intention to mitigate inflationary risks.

Reams also manages Core Plus Fixed Income and Unconstrained Fixed Income mandates for LAFPP, with assets of \$932.8 million and \$383.9 million respectively. In total, Reams manages approximately \$2.5 billion in assets for LAFPP, which represents approximately 34.1% of the Fixed Income composite, and 7.7% of the Total Plan.

Firm

Reams Asset Management is a division of Scout Investments (a wholly owned subsidiary of Raymond James Investment Management). Reams Asset was originally founded in 1981 and focused on managing core plus fixed income assets for institutional clients. Reams Asset now functions as Scout’s fixed income solutions arm using the same philosophy and process employed prior to the acquisition.

The Reams Asset team is headquartered in Indianapolis, Indiana, while the Scout Investments corporate headquarters are located in Kansas City, Missouri. As of March 31, 2025, Reams managed \$30.7 billion in assets.

Team

The team responsible for all Reams investment strategies, including the LAFPP mandate, consists of six portfolio managers, one head trader, nine analysts, and one senior adviser. The portfolio management team is well tenured, averaging over 27 years in the industry, and continues to demonstrate stability with an average of 17 years of experience at Reams. The investment committee is made up of three individuals: Mark Egan, Chief Investment Officer (“CIO”); Todd Thompson, Deputy CIO; and Dimitri Silva, Global Rates

& Currencies Team Leader. Together, the Investment Committee drives the top-down process of the firm's active strategies, and has final discretion over all investment decisions.

Product Strategy and Process

This is a passively managed strategy, which attempts to mirror the performance and risk characteristics of the Bloomberg US TIPS 1-5 Year Index. In order to replicate the underlying index as closely as possible, the Reams management team will target the same underlying securities with the weight of each kept within a target range of +/- 1% of the benchmark. Minimizing tracking error is a focus of this strategy. To accomplish this, the team attempts to equate the duration of the portfolio to that of the index. As underlying holdings in the index change due to events such as maturity or new issuance, the portfolio is subsequently rebalanced.

TIPS are designed to add value relative to conventional bonds in inflationary environments by generating a real return, or a return adjusted for inflation. The mechanics of TIPS involve an adjustment to the face value of the bond, or the principal, to account for the impact of inflation (increasing the principal in an inflationary environment, decreasing it in a deflationary environment). This results in higher interest payments during the life of the bond, with the summation of all adjustments to the principal due to inflation received at maturity. As a result, TIPS can have a higher duration, or interest rate sensitivity, than a similar maturity Treasury bond. However, TIPS also come with an assurance from the government that bondholders will not receive less than the original face value of the bond. Overall, TIPS can be a valuable portfolio diversification tool adding value in certain inflationary environments where conventional bonds are challenged and potentially reducing overall volatility via a low correlation with traditional fixed income.

Performance (as of March 31, 2025)

Passive strategies are designed to track a given benchmark with limited tracking error. The Reams TIPS separate account has tracked its benchmark since its inception (September 2013), and is also in-line with the index over all trailing periods. The product tracking error has been within expectations for a mandate of this size versus this benchmark, and has been low since inception at approximately 0.07%, net of fees.

The passive TIPS allocation has generated negative absolute returns over the trailing 3-year period, which may seem counter-intuitive given the highly inflationary environment in 2022. It is important to highlight that how TIPS returns are impacted by inflation is nuanced. Expected inflation plays an important role in the valuation of TIPS, as opposed to realized inflation. As such, what the market has priced in will determine whether or not an inflationary environment is beneficial for a TIPS allocation. In 2022, the market experienced high inflation but had concurrently priced in an aggressive response by the Federal Reserve demonstrating an expectation that the central bank anticipated to curb inflation. As a result, the yield gap between nominal bonds and inflation-linked bonds shrank, implying lower expected future

inflation and resulting in lower returns for TIPS. The LAFPP TIPS allocation is passively managed against its respective benchmark and continues to demonstrate minimal tracking error since inception, in line with its mandate. The table below details Reams TIPS' performance (gross and net of fees) as of March 31, 2025.

	CYTD	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date	Expense Ratio
Reams Asset TIPS (SA) (Passive) - Gross	3.46	5.84	5.77	-0.31	2.18	3.01	2.53	2.63	09/01/2013	0.01%
TIPS Custom Index	3.40	5.76	5.74	-0.28	2.15	2.94	2.45	2.56		
Difference	0.06	0.08	0.03	-0.02	0.03	0.07	0.08	0.07		
Reams Asset TIPS (SA) (Passive) - Net	3.45	5.84	5.77	-0.32	2.17	3.00	2.51	2.61	01/01/2015	
TIPS Custom Index	3.40	5.76	5.74	-0.28	2.15	2.94	2.45	2.54		
Difference	0.05	0.08	0.03	-0.03	0.02	0.06	0.06	0.07		

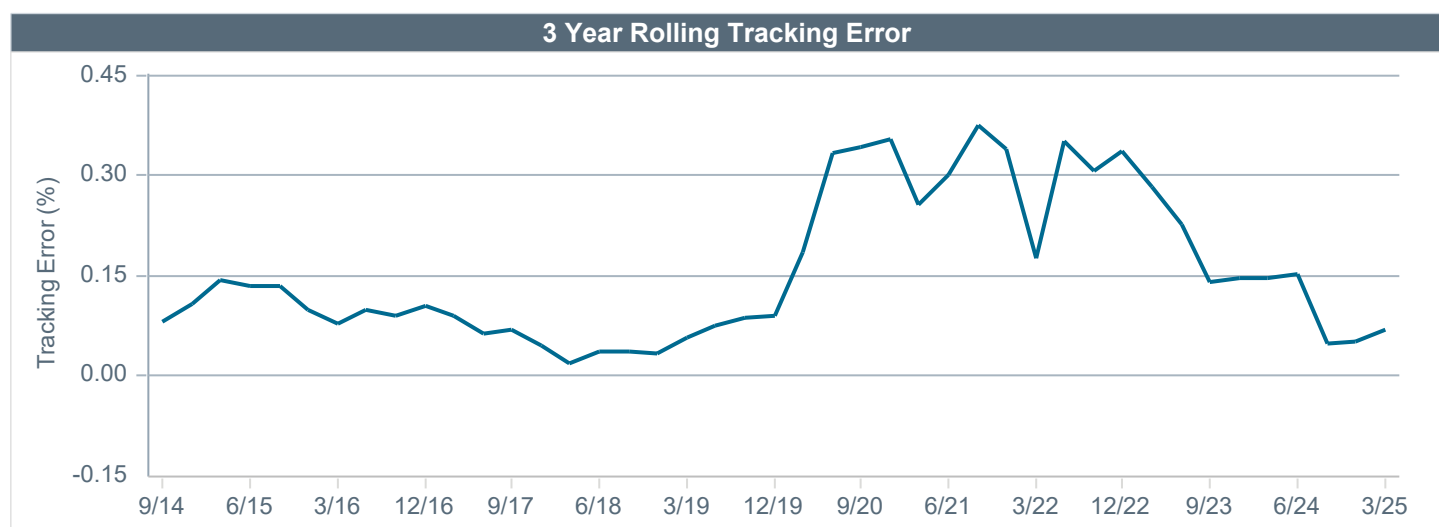
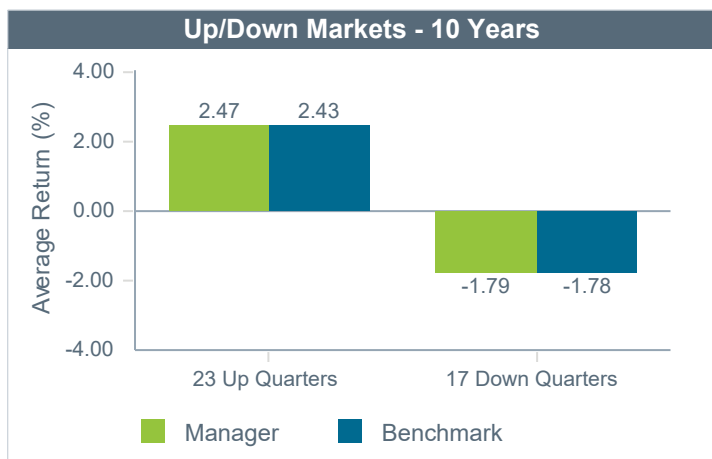
The passive TIPS Custom Index consists of the Bloomberg US Gov't Infl Linkd Index through 4/30/2024 and the Bloomberg US TIPS 1-5 Year Index thereafter.

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Reams Asset TIPS (SA) (Passive) - Gross	2.16	4.02	-12.72	6.34	11.47	8.82	-1.37	3.43	4.98
TIPS Custom Index	2.15	3.84	-12.60	6.00	11.54	8.75	-1.48	3.30	4.85
Difference	0.00	0.18	-0.11	0.34	-0.08	0.07	0.10	0.14	0.13
Reams Asset TIPS (SA) (Passive) - Net	2.15	4.02	-12.73	6.32	11.45	8.80	-1.39	3.41	4.95
TIPS Custom Index	2.15	3.84	-12.60	6.00	11.54	8.75	-1.48	3.30	4.85
Difference	0.00	0.18	-0.13	0.32	-0.10	0.04	0.09	0.12	0.11

Fees

The annual fee for this product is a flat 0.005% on all assets. This fee ranks in the 1st percentile compared to the eVestment Us Passive TIPS/Inflation Fixed Income universe, utilizing a separate account vehicle and comparable mandate size. The median fee for this universe is 3 basis points.

Performance											
	QTD	1 Year	3 Years	5 Years	7 Years	10 Years	2024	2023	2022	2021	2020
Manager	3.46	5.77	-0.31	2.18	3.01	2.53	2.16	4.02	-12.72	6.34	11.47
Benchmark	3.40	5.74	-0.28	2.15	2.94	2.45	2.15	3.84	-12.60	6.00	11.54
Difference	0.06	0.03	-0.02	0.03	0.07	0.08	0.00	0.18	-0.11	0.34	-0.08



Portfolio Characteristics		
	Portfolio	Benchmark
Effective Duration	2.88	2.09
Spread Duration	0.00	2.09
Avg. Maturity	2.97	2.97
Avg. Quality	Aa1	Aa1
Yield To Maturity (%)	0.00	4.05
Coupon Rate (%)	1.03	1.09
Current Yield (%)	1.03	N/A
Holdings Count	23	21

