

DEPARTMENT OF FIRE AND POLICE PENSIONS

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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: MAY 15, 2025

ITEM: D.3

FROM: JOSEPH SALAZAR, GENERAL MANAGER

SUBJECT: CHIEF INVESTMENT OFFICER'S QUARTERLY REPORT OF INVESTMENT
ACTIVITY AND POSSIBLE BOARD ACTION

RECOMMENDATION

That the Board approve the actual asset allocation of the Fund and Staff's plans for bringing asset classes currently outside of their target allocation ranges back within their allocation ranges.

BACKGROUND

The Rebalancing Policy (Board Investment Policies Section 1.7) specifies that the Board will review and affirmatively approve any allocations of Fund assets outside of their target ranges. It states:

Staff will monitor the portfolio's actual asset allocation relative to the target allocations. If the actual allocations fall within the defined ranges, no rebalancing will be required. If the actual allocations fall outside the predetermined range, Staff will implement a rebalancing back within the range of the target allocation.

Staff will report all rebalancing activities to the Board on a quarterly basis at a minimum. In circumstances where it is impractical to rebalance the portfolio for any market or portfolio-specific reason, Staff shall assess the rebalancing options, notify the Board of the out of balance situation, and report its recommendations to the Board. Staff shall seek approval from the Board to implement rebalancing according to Staff's recommended rebalancing plan in situations that involve leaving the portfolio, or some portion of the portfolio out of balance for an extended period of time.

The following table displays the current target asset allocation plan and actual allocation percentages as of April 30, 2025:

Asset Class	Target Allocation	Lower Range	Upper Range	Actual Allocation ¹
Broad U.S. Equity	29%			
Domestic Large Cap Equity	23.00%	20.24%	25.76%	23.98%
Small Cap Equity	6.00%	4.71%	7.29%	5.48%
Broad International Equity	18%			
International Developed Equity	18.00%	15.30%	20.70%	18.12%
Private Equity	15%			
Private Equity	15.00%	11.25%	18.75%	17.14%

Asset Class	Target Allocation	Lower Range	Upper Range	Actual Allocation ¹
LAFPP Custom Fixed Income	22%			
Core Bonds	10.78%	10.13%	11.43%	11.04%
TIPS	3.52%	3.30%	3.74%	3.69%
High Yield Bonds	2.20%	1.89%	2.51%	2.32%
Unconstrained Fixed Income	2.20%	1.98%	2.42%	2.38%
Global Credit	3.30%	2.84%	3.76%	3.21%
Private Credit	3%			
Private Credit	3.00%	2.25%	3.75%	0.56%
LAFPP Custom Real Estate	10%			
Private Real Estate	8.50%	7.29%	9.71%	6.34%
REITs	1.50%	1.25%	1.75%	3.60%
Infrastructure	2%			
Infrastructure	2.00%	1.50%	2.50%	0.00%
Commodities	0%			
Private Equity Commodities	0.00%	N/A	N/A	0.39%
Cash Equivalents	1%			
Cash	1.00%	1.00%	4.00%	1.75%
TOTAL	100%			

¹May not sum exactly to 100% due to rounding.

DISCUSSION

As shown in the table above and in Attachment I, Domestic Large Cap Equity, Small Cap Equity, International Developed Equity, Core Bonds (including TIPS), High Yield Bonds, Global Credit, Unconstrained Fixed Income, Private Equity, and Cash were within their target ranges. While the total exposure to Real Estate (public and privately traded) was within its target range, Private Real Estate was underallocated and Real Estate Investment Trusts (REITs) were overallocated. Commodities were also overallocated (in Attachment I, the small amount remaining in Private Equity Commodities has been consolidated into the Private Equity asset class). Additionally, Private Credit and Infrastructure were underallocated.

Since the previous Chief Investment Officer's Quarterly Report, the April 2, 2025 reciprocal tariff announcement triggered sharp market volatility. The S&P 500 Index fell nearly 12% over the following five trading days and was down almost 19% from its February peak, impacting the portfolio's domestic equity holdings. However, following the announcement of a 90-day pause on reciprocal tariffs for most countries, domestic equity markets began to recover. The portfolio declined from \$33.07 billion as of January 31, 2025, to \$30.65 billion as of April 8, 2025 (the day prior to the pause on reciprocal tariffs), and subsequently rebounded to \$32.48 billion (unaudited and net of monthly benefits payments) by April 30, 2025. While domestic equities ended the month of April with slightly negative performance, positive performance from international equities, fixed income, and cash offset those losses, resulting in positive total portfolio returns (unaudited and net of fees) for the one-month, calendar year-to-date, and fiscal year-to-date periods as of April 30, 2025 of 0.56%, 1.42%, and 5.14%, respectively. During this turbulent period, Staff remained

committed to the Board's long-term investment strategy, emphasizing patience and recognizing the importance of maintaining a globally diversified portfolio; Staff did not conduct any rebalancing transactions during this time.

Staff continued to execute the Real Assets implementation plan approved by the Board on November 7, 2024. As part of the transition to the new Real Assets structure, Staff liquidated the public market commodities accounts in November 2024 (as previously reported to the Board). The 12 remaining private equity commodities funds are self-liquidating and will gradually wind down over the next few years. Staff also continues to evaluate options to rebalance the portfolio's overallocation to REITs in order to fund Private Real Estate investments, in alignment with the implementation plan. According to the Real Estate Annual Investment Plan presented by Townsend Group (Townsend) at the September 19, 2024 meeting, the real estate portfolio is projected to reach the new Private Real Estate target allocation of 8.5% by 2028.

The Infrastructure asset class, which was adopted in August 2024, is projected to remain underweight relative to its target allocation for an extended period. At the March 20, 2025 meeting, the Board approved the Infrastructure Strategic and Investment Plan, along with the Infrastructure Investment Policy (Section 5.0 of the Board Investment Policies). This policy outlines a target allocation within the private infrastructure portfolio, with 60% allocated to Strategic investments and 40% to Tactical investments. As outlined in the Infrastructure Strategic Plan presented by Townsend, the infrastructure portfolio is expected to reach its 2% target allocation by 2029.

The Private Credit asset class will also continue to be underweight relative to its target allocation for an extended period given its nascency (launched in June 2023). As indicated in the Private Credit Annual Strategic Plan presented by the StepStone Group on November 7, 2024, the target allocation to Private Credit is expected to be achieved within five to six years. To date, the Board has approved total commitments of \$610 million to 16 private credit funds.

DUE DILIGENCE MEETINGS

During the 3-month period ended April 30, 2025, Staff conducted 30 due diligence meetings (conference calls and annual meetings) with asset managers working for the Fund. Additionally, Staff conducted 53 meetings with prospective asset managers.

CASH FLOW

The actual and projected pension related cash flows (in millions) for 2Q 2025 and 3Q 2025 are summarized below:

	Apr 1 – Jun 30, 2025	Jul 1 – Sep 30, 2025
	Actual/Projected	Projected
City Contributions (Net) ¹	0.0	644.8
Member Contributions	43.9	47.5
Investment Income ²	130.1	130.1
Securities Lending	0.9	1.0
Earnings on Cash + miscellaneous	3.3	3.6
Private RE, PC and PE Cash Flow	-78.0	-65.0

DROP	-26.7	-35.0
Pension Benefits ³	-327.1	-328.2
OPEB ⁴	-43.5	-44.1
Administrative Expense	-6.1	-6.9
Net Cash Flow (est.) ⁵	-303.2	347.8

¹The Net City Contribution = (the Total General Fund Contribution – the retirement contribution payment from LAFPP to LACERS for LAFPP Staff) + the Special Fund (Harbor) contribution + the Special Fund (LAWA) contribution received in the beginning of the fiscal year.

²Investment income (dividends and interest) withdrawals resumed in March 2023 and are used to fund the pension payrolls.

³Pension Benefits include: service pensions, disability pensions, surviving spouse/domestic partner pensions, minor/dependent pensions, and refund of contributions.

⁴Other Postemployment Benefits (OPEB) include: health insurance premium subsidy, dental insurance premium subsidy, Medicare reimbursement, and health insurance premium reimbursement.

⁵Negative Cash Flow is funded by Cash and rebalancing.

OTHER INVESTMENT ACTIVITIES

Status updates on key projects related to the implementation of Board-approved structure changes for the Fixed Income, Real Assets, and International Small Cap Equity asset classes are provided in the table below.

Investment Activities	Status
Add New Active Core Fixed Income Manager	The Board selected J.P. Morgan Investment Management, Inc. (JPMIM) for the Active Core Fixed Income manager search at the March 6, 2025 meeting. Staff is in contract negotiation with JPMIM and expects the contract to be executed prior to current fiscal year end.
Eliminate Passive Core Bond Mandate	Pending contract execution with JPMIM and transitioning the passive core bond mandate to the new active core fixed income mandate.
Active International Small Cap Equity Manager Search	The Board approved an Active International Small Cap Equity manager search to consider hiring a replacement manager at the March 6, 2025 meeting. The proposed minimum qualifications of the search are currently being developed and are expected to be presented to the Board for consideration at the beginning of the next fiscal year.

Infrastructure Investment Policy and Strategic Plan	The Board reviewed the Infrastructure Strategic and Investment Plan and approved the Board Infrastructure Investment Policy (Section 5.0 of the Board Investment Policies) at the March 20, 2025 meeting.
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Additionally, Staff and RVK, the Board's General Consultant, will be initiating a Broad U.S. Equity (Domestic Large Cap Equity and Small Cap Equity) structure study to evaluate the appropriateness of the asset class structure in light of current market dynamics and asset class objectives. Preliminary results of the study are tentatively scheduled to be presented to the Board in 1Q of FY2025-26.

Finally, for the second consecutive year, Staff is partnering with the Girls Who Invest (GWI) organization to hire two college students as summer interns within LAFPP's Investments Division. GWI is a non-profit organization that offers tuition-free educational programs to undergraduate students to develop and advance women investors. The interns are scheduled to begin working in early July 2025 for a period of seven weeks.

BUDGET

This report has no budget impact.

POLICY

There is no policy impact associated with this report.

CONTRACTOR DISCLOSURE INFORMATION

There is no contractor disclosure information required with this report.

This report was prepared by:

Bryan Fujita, Chief Investment Officer
Investments Division

JS:BF:AC:CM

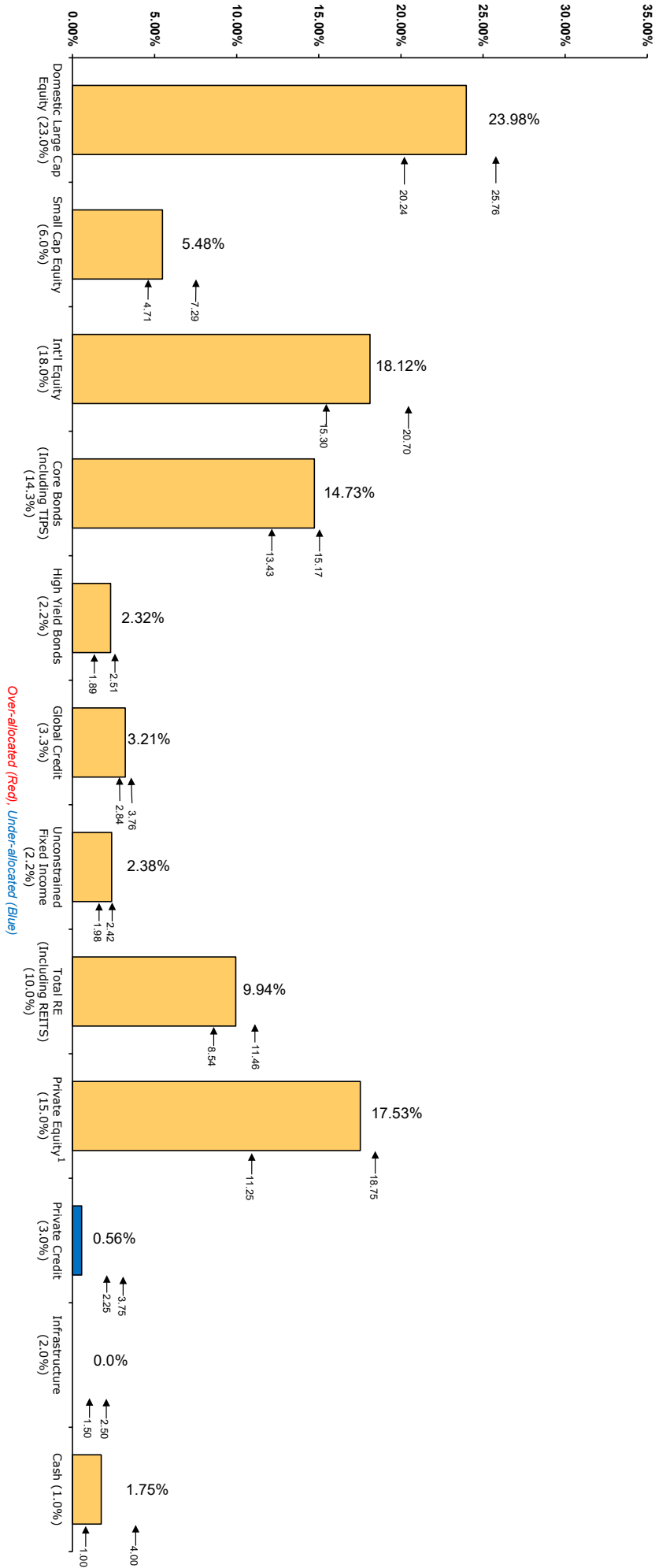
Attachments: I – Portfolio Allocation Chart as of April 30, 2025

II – Total Plan Portfolio as of April 30, 2025



Los Angeles Fire and Police Pensions

Portfolio Allocation



¹ Board approved allocation updated 8/15/2024.
¹ Includes Private Equity Commodities.



Los Angeles Fire and Police Pensions

Portfolio as of April 30, 2025

EQUITIES					STOCKS	BONDS	CASH	TOTAL	ALLOC.	PRIVATE EQUITY					STOCKS / EQUITY / RE				BONDS	CASH	TOTAL	ALLOC.	
AllianceBernstein (S&P 500 Index)	2,569.4	-	3.4	2,572.8							Abbott Capital	0.8	-	-	0.8								
AllianceBernstein (Systematic Value)	826.7	-	3.1	829.7							Hamilton Lane	0.1	-	-	0.1								
Rhumblin (Russell 1000 Growth Index)	1,826.5	-	1.1	1,827.6							PCA	0.4	-	-	0.4								
NTI S&P 500 Equal Weight	1,258.7	-	5.2	1,263.9							Fairview Capital	260.2	-	-	260.2								
NTI Stoxx USA 900	639.8	-	1.8	641.6							Portfolio Advisors	5,081.8	-	-	5,081.8								
Boston Partners (Value)	640.8	-	12.7	653.5							Portfolio Advisors Commodities	127.2	-	-	127.2								
Terminated/Transition Domestic Equity Managers	-	-	0.1	0.1							Aldus Equity	102.9	-	-	102.9								
Core Equity Managers (23%)	7,761.8	-	27.4	7,789.2	23.98%						Stepstone Group	41.5	-	-	41.5								
Target Differential	0.98%				318.6						TCP	21.4	-	-	21.4								
											Greycroft Growth IV LP	18.8	-	-	18.8								
Rhumblin (S&P 600 Index)	136.8	-	0.2	137.0							Baillie Gfd PVC GP II	37.7	-	-	37.7								
Frontier Capital Mgt. (Growth)	550.3	-	28.4	578.7							TOTAL PRIVATE EQUITY MGRS (15%)	5,692.6	-	-	5,692.6	17.53%							
Channing Capital Mgt. (Value)*	68.6	-	1.7	70.4							Target Differential	2.53%				820.5							
Denali Advisors (Value)*	84.4	-	0.9	85.3							PRIVATE CREDIT												
Eastern Shore Capital (Core)*	57.3	-	1.8	59.2							Stepstone Private Credit	181.5	-	-	181.5								
Lisanti Capital (Growth)*	52.1	-	1.5	53.6							TOTAL PRIVATE CREDIT MGRS (3%)	181.5	-	-	181.5	0.56%							
PIMCO Stocks Plus (Core)	199.9	-	-	199.9							Target Differential	(2.44)%				(792.9)							
Palisade Capital Management (Core)	82.6	-	2.4	84.9							REAL ESTATE												
Phocas Financial (Value)*	73.9	-	3.7	77.6							Alliance REIT	172.7	-	0.8	173.4								
Westwood Management (Value)	217.8	-	3.4	221.2							Principal Global REIT	199.4	-	4.1	203.6								
AllianceBernstein (Value)	210.9	-	1.1	212.0							Principal U.S. REIT	304.5	-	7.7	312.2								
Terminated/Transition Small Cap Equity Managers	-	-	0.0	0.0							Cohen & Steers U.S. REIT	474.8	-	6.0	480.8								
Small Cap. Equity Mgrs (6%)	1,734.6	-	45.2	1,779.8	5.48%						REIT Managers (1.5%)	1,151.4	-	18.6	1,170.1	3.60%							
Target Differential	(0.52)%				(169.0)						Target Differential	2.10%				682.9							
											REAL ESTATE COMMINGLED FUNDS SUMMARY												
Brandes Investment Partners (Value)	1,903.6	-	34.2	1,937.8							Total Pooled Funds	1,573.7	-	-	1,573.7	4.85%							
Blackrock (Core Passive)	2,100.0	-	14.7	2,114.7							REAL ESTATE SEPARATE ACCT. SUMMARY BY MANAGER												
Baillie Gifford (Growth)	1,278.4	-	25.9	1,304.4							AEW (Heitman, Sentinel)	465.0	-	-	465.0								
Boston Common (ESG)	-	-	0.4	0.4							Neptune Building	21.1	-	-	21.1								
Principal Global Int'l Small Cap	236.3	-	2.8	239.1							Real Estate Equity Mgrs	486.1	-	-	486.1	1.50%							
Victory Capital Mgt.	283.0	-	4.6	287.7							Private Real Estate (8.5%)	2,059.8	-	-	2,059.8	6.34%							
Terminated/Transition Int'l Equity Managers	-	-	0.1	0.1							TOTAL REAL ESTATE (10%)	3,211.2	-	18.6	3,229.9	9.94%							
Int'l Equity Mgrs (18%)	5,801.3	-	82.8	5,884.1	18.12%						Target Differential	(0.06)%				(18.2)							
Target Differential	0.12%				37.6																		
TOTAL EQUITIES MANAGERS (47%)	15,297.7	-	155.3	15,453.1	47.58%																		
Int'l Tax Reclaims	1.3	0.1	2.5	3.8																			

FIXED INCOME					INFRASTRUCTURE																		
Northern Trust (Fixed Income Index)	-	825.9	7.4	833.3							Townsend Infrastructure	-	-	-	-								
Reams Asset Mgmt. (Opportunistic)	-	934.9	-	934.9							TOTAL INFRASTRUCTURE (2%)	-	-	-	-	0.00%							
LM Capital (Opportunistic)	-	843.2	7.3	850.5							Target Differential	(2.00)%				(649.6)							
GIA Partners (Opportunistic)*	0.0	105.0	1.8	106.8							CASH												
Medalist Partners (MBS)*	-	111.4	-	111.4							HOUSE ACCOUNTS												
Loomis Sayles (Long Duration)	-	743.2	4.2	747.4							Tier 1 (Article 17)	-	-	31.8	31.8								
Reams Asset Mgmt. (Passive TIPS)	-	1,197.7	0.8	1,198.5							Tier 2 (Article 18)	-	-	308.2	308.2								
Terminated/Transition Fixed Income Managers	-	-	-	-							Tier 3 (Article 35)	-	-	1.0	1.0								
Core Bond Mgrs (14.3%)	0.0	4,761.3	21.5	4,782.8	14.73%						Tier 4 (New)	-	-	0.5	0.5								
Target Differential	0.43%				138.1						Tier 5 (New)	-	-	220.8	220.8								
Mackay Shields (High Yield)	13.6	720.1	18.9	752.6	2.32%						Tier 6 (New)	-	-	5.0	5.0								
Loomis Sayles Global Credit	-	1,004.0	39.1	1,043.1	3.21%						Transition Account	-	-	0.0	0.0								
Credit Fixed Income (5.5%)	13.6	1,724.0	58.1	1,795.7	5.53%						115 Trust	-	-	0.0	0.0								
Target Differential	0.03%				9.3						CASH SUMMARY												
Reams Asset Mgmt. (Unconstrained)	-	387.6	-	387.6							Unallocated Cash Reserve (1%)	-	-	567.3	567.3	1.75%							
Payden & Rygel (Unconstrained)	-	386.3	-	386.3							Target Differential	0.75%				242.5							
Unconstrained Fixed Income (2.2%)	-	773.9	-	773.9	2.38%																		
Target Differential	0.18%				59.3						TOTAL FUND												
TOTAL FIXED INCOME MGRS (22%)	13.6	7,259.3	79.6	7,352.5	22.64%						STOCKS	BONDS	REAL ESTATE	PRIVATE EQUITY	PRIVATE CREDIT	INFRA	CASH	TOTAL					
Notes											ACTUAL ASSET MIX												
* - Denotes Emerging Manager											Current Month												
City Pension Contribution received on 7/12/24											15,312.7	7,259.3	3,211.2	5,692.6	181.5	-	823.3	32,480.7					
Subtotals & totals may not sum up exactly due to rounding.											47.14%	22.35%	9.89%	17.53%	0.56%	0.00%	2.53%	100.00%					
Data is unaudited; Dollars expressed in Millions.											Last Month	15,181.6	7,250.7	3,202.6	5,642.0	175.7	-	936.8	32,389.4				
Asset allocation updated by Board on 8/15/2024. Currently executing implementation plan.											% Change	0.86%	0.12%	0.27%	0.90%	3.32%	0.00%	-12.12%	0.28%				