



DEPARTMENT OF FIRE AND POLICE PENSIONS

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REPORT TO THE BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

DATE: FEBRUARY 19, 2026 **ITEM:** E.5

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 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 January 31, 2026:

Asset Class	Target Allocation	Lower Range	Upper Range	Actual Allocation ¹
Broad U.S. Equity	29%			
Domestic Large Cap Equity	23.00%	19.32%	26.68%	24.37%
Small Cap Equity	6.00%	4.86%	7.14%	6.40%
Broad International Equity	18%			
International Developed Equity	18.00%	14.94%	21.06%	19.61%
Private Equity ²	15%			
Private Equity	15.00%	11.25%	18.75%	16.22%

Asset Class	Target Allocation	Lower Range	Upper Range	Actual Allocation ¹
LAFPP Custom Fixed Income	22%			
Core Bonds	10.80%	10.26%	11.34%	10.35%
TIPS	3.50%	3.40%	3.61%	3.43%
High Yield Bonds	2.20%	1.97%	2.43%	2.11%
Unconstrained Fixed Income	2.20%	1.97%	2.43%	2.18%
Global Credit	3.30%	3.10%	3.50%	3.26%
Private Credit	3%			
Private Credit	3.00%	2.25%	3.75%	0.95%
LAFPP Custom Real Estate	10%			
Private Real Estate	8.50%	7.23%	9.78%	6.08%
REITs	1.50%	1.19%	1.82%	2.70%
Infrastructure	2%			
Infrastructure	2.00%	1.50%	2.50%	0.18%
Cash Equivalents	1%			
Cash	1.00%	1.00%	4.00%	2.16%
TOTAL	100%			

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

²The remainder of the Private Commodities portfolio (approximately 0.32%) is included in Private Equity.

DISCUSSION

As shown in the table above and in Attachment I, Domestic Large Cap Equity, Small Cap Equity, International Developed Equity, Private Equity, Core Bonds, Treasury Inflation-Protected Securities (TIPS), High Yield Bonds, Unconstrained Fixed Income, Global Credit, 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. Additionally, Private Credit and Infrastructure were underallocated.

Since the previous Chief Investment Officer's Quarterly Report, the S&P 500 Index has experienced increased volatility despite setting and remaining near all-time highs. The portfolio market value grew from \$35.83 billion as of October 31, 2025, to \$36.61 billion as of January 31, 2026, an increase of \$77.8 million. During this period, Staff completed the following rebalancing activities:

- 1) In late November 2025, Staff transferred \$30 million and \$95 million from the Cash account to the TIPS and Global Credit accounts, respectively, to bring them within their target ranges.

Staff continues to execute the Real Assets implementation plan approved by the Board on November 7, 2024. The liquidation of the former Commodities asset class continues to progress as planned. There are 12 remaining private equity commodities funds, with a total value of \$115.4 million or approximately 0.32% of the total fund, that continue to gradually wind down pursuant to the limited partnership agreements. Further, the reduction in exposure to REITs towards its target allocation of 1.5% continues to progress according to plan. In addition to liquidating the Principal Real Estate Investors Global REIT account (which Staff completed in early November 2025), the Board approved a one-year contract extension to the Principal Real Estate Investors U.S. REIT

account on October 1, 2025. During this extension period, which ends on November 30, 2026, the account will be fully liquidated to fund recent and forthcoming commitments to private real estate.

The Infrastructure asset class, which the Board adopted in August 2024 to replace the former Commodities asset class, is projected to remain underweight relative to its target allocation for an extended period. As discussed in the Infrastructure Strategic and Investment Plan presented by Townsend Group at the March 20, 2025 meeting, the Infrastructure portfolio is expected to reach its 2% target allocation by 2029. To date, the Board has approved total commitments of \$500 million to six infrastructure funds.

The Private Credit asset class will also continue to be underweight relative to its target allocation for an extended period given the nascency of the Private Credit program (launched in June 2023). As indicated in the Private Credit Annual Strategic Plan presented by StepStone Group at the November 20, 2025 Board meeting, the target allocation to Private Credit is expected to be achieved within five to six years as the Board commits to new private credit funds at a measured pace. To date, the Board has approved total commitments of \$810 million to 22 private credit funds.

DUE DILIGENCE MEETINGS

During the 2-month period ended December 31, 2025, Staff conducted 14 due diligence meetings (conference calls and annual meetings via video-based platforms) with investment managers working for the Fund. Additionally, Staff conducted 25 meetings with prospective investment managers.

CASH FLOW

The actual and projected pension related cash flows (in millions) for 1Q 2026 and 2Q 2026 are summarized below:

	Jan 1 – Mar 31, 2026	Apr 1 – Jun 30, 2026
	Actual/Projected	Projected
City Contributions (Net) ¹	0.0	0.0
Member Contributions	38.8	40.8
Investment Income ²	121.4	121.4
Securities Lending	0.9	0.9
Earnings on Cash + Miscellaneous	3.3	3.1
Private RE, PC and PE Cash Flow	-79.9	-77.5
DROP	-71.4	-39.6
Pension Benefits ³	-340.2	-335.5
OPEB ⁴	-45.6	-44.8
Administrative Expense	-6.8	-7.7
Net Cash Flow (est.)^{5,6}	-379.5	-338.9

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) is used to fund the pension payrolls.

³Pension Benefits include: service pensions, disability pensions, survivor 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.

⁶Measure FF-related costs of membership transfers from LACERS and the City, LAWA, and Harbor are excluded from this cash flow projection but are anticipated to be made in 1Q 2026. The full actuarially-determined amounts of the asset transfer and employer contributions will be provided by the Plan’s actuary after this report date.

OTHER INVESTMENT ACTIVITIES

Status updates on key projects related to the implementation of potential and Board-approved structure changes for the Broad U.S. Equity and International Small Cap Equity asset classes are provided in the table below.

Investment Activities	Status
Active International Small Cap Equity Manager Search	The Board interviewed three finalists firms at the January 15, 2026 meeting and awarded the mandate to Acadian Asset Management LLC at the February 5, 2026 meeting. Staff is negotiating the contract.
Broad U.S. Equity Structure Study	The Broad U.S. (Domestic) Equity Structure Study was initiated on October 16, 2025, with RVK conducting a general educational presentation on Public Assets. At the November 20, 2025 meeting, RVK presented a second educational presentation on asset class composites. At the December 18, 2025 meeting, RVK provided a third educational presentation on LAFPP’s current domestic equity structure. At today’s meeting, RVK will provide a fourth presentation to recommend a revised domestic equity structure to enhance the risk-return profile of the portfolio.

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:

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JS:BF:AC:AMC

Attachments: I – Portfolio Allocation Chart as of January 31, 2026
II – Total Plan Portfolio as of January 31, 2026



Los Angeles Fire and Police Pensions

Portfolio Allocation



