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: OCTOBER 15, 2026 **ITEM: E.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 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 September 30, 2026:

Asset Class	Target Allocation	Lower Range	Upper Range	Actual Allocation[1]
Broad U.S. Equity	29%			
Domestic Large Cap Equity	25.00%	21.00%	29.00%	25.59%
Small Cap Equity	4.00%	3.24%	4.76%	3.82%
Broad International Equity	18%			
International Developed Equity	18.00%	14.94%	21.06%	19.30%
Private Equity[2]	15%			
Private Equity	15.00%	11.25%	18.75%	16.77%

Asset Class	Target Allocation	Lower Range	Upper Range	Actual Allocation[1]
LAFPP Custom Fixed Income	22%			
Core Bonds	10.80%	10.26%	11.34%	10.44%
TIPS	3.50%	3.40%	3.61%	3.49%
High Yield Bonds	2.20%	1.97%	2.43%	2.09%
Unconstrained Fixed Income	2.20%	1.97%	2.43%	2.02%
Global Credit	3.30%	3.10%	3.50%	3.19%
Private Credit	3%			
Private Credit	3.00%	2.25%	3.75%	1.20%
LAFPP Custom Real Estate	10%			
Private Real Estate	8.50%	7.23%	9.78%	6.54%
REITs	1.50%	1.19%	1.82%	1.92%
Infrastructure	2%			
Infrastructure	2.00%	1.50%	2.50%	0.89%
Cash Equivalents	1%			
Cash	1.00%	1.00%	4.00%	2.72%
TOTAL	100%			

[1]May not sum exactly to 100% due to rounding.
[2]The remainder of the Private Commodities portfolio (approximately 0.29%) is included in Private Equity.
[3]Target Allocation for Domestic Large Cap Equity and Small Cap Equity as well as the lower and upper ranges have been updated to the revised ranges approved by the Board on February 19, 2026, as part of the U.S. Equity Structure study.

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, Real Estate 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, global equity markets rallied following a volatile first quarter, supported by the de-escalation of the Iran War and continued strength in artificial intelligence-related capital spending. U.S. equities led developed markets higher, with large cap growth and semiconductor stocks driving the initial advance before market breadth widened into small and mid cap stocks by quarter-end. In September, the Federal Reserve Bank raised the federal funds rate by 0.25% to a target range of 3.75% to 4.00% due to inflation pressures, triggering global bond market volatility as yields surged to multi-year highs. Overall, the Fund's total market value grew from $37.41 billion as of April 30, 2026, to $38.62 billion as of September 30, 2026, an increase of $1.21 billion. The annual City contribution to the Plan (including Harbor and Airports) was received on July 14, 2026, totaling $794.4 million, which included approximately $106.1 million from LAWA and $5.2 million from the City for Measure FF-related costs of membership transfers. During this period, Staff completed the following rebalancing activities:

1) At the February 5, 2026 meeting, the Board selected Acadian Asset Management LLC to manage the Active International Small Capitalization Equity mandate. On June 29, 2026, $225 million was transferred from the Cash account to fund the mandate.

2) At the end of May and August, Staff added $737.4 million dollars in total with two tranches of rebalancing activities to Fixed Income to bring Core Bonds, TIPS, High Yield and Global Credit within their target ranges.

3) At the end of June, Staff liquidated $330 million from Domestic Small Cap Equity accounts identified for termination or rebalancing activity pursuant to the Broad U.S. Equity Structure Study approved by the Board. The proceeds were transferred to the Cash account to fund benefits payments and operational expenses.

4) At the end of July, in accordance with Phase 1 of the Broad U.S. Equity Implementation Plan approved by the Board on May 21, 2026, Staff used a transition manager to reallocate approximately $3.2 billion in assets from the AllianceBernstein and Northern Trust Asset Management Smart Beta accounts (terminated), the Northern Trust Asset Management S&P 500 Equal Weight account (reduced to new target), the RhumbLine Advisers Russell 1000 Growth account (reduced to new target), and the Cash account to the AllianceBernstein S&P 500 and Boston Partners Large Cap Value accounts (increased to new targets).

5) Since the last report, Staff has liquidated $227 million from the Principal Real Estate Investors U.S. REIT account pursuant to the Real Assets Implementation Plan approved by the Board on November 7, 2024. The proceeds were transferred to the Cash account to fund private real estate.

The Principal Real Estate Investors U.S. REIT account is on track to be fully liquidated by next month. Upon full liquidation, the REITs restructuring to reduce the allocation from 3% to 1.5% of the Fund will be complete. As discussed in the Annual Real Assets Investment Plan presented by Townsend at the September 17, 2026 meeting, Private Real Estate is expected to be at its target allocation of 8.5% by the end of next year as new commitments are made and funded.

The Infrastructure asset class, which the Board adopted in August 2024 to replace the former Commodities asset class, is projected to be within its target allocation range by the end of next year and at its target allocation of 2% by the end of 2028, according to Townsend's Annual Real Assets Investment Plan. To date, the Board has approved total commitments of $560 million to seven infrastructure funds. The liquidation of the former Commodities asset class continues to progress as planned. There are 11 remaining private equity commodities funds, with a total value of $111.5 million, or approximately 0.29% of the Fund, that will continue to gradually wind down over the next few years pursuant to the limited partnership agreements.

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 (StepStone) at the November 20, 2025 Board meeting, the 3% target allocation to Private Credit is expected to be achieved by 2030. To date, the Board has approved total commitments of $942 million to 26 private credit funds. StepStone will be presenting an updated strategic plan to the Board next month.

DUE DILIGENCE MEETINGS

During the 3-month period ended September 30, 2026, Staff conducted 43 due diligence meetings (conference calls and annual meetings) with investment managers working for the Fund. Additionally, Staff conducted 47 meetings with prospective investment managers.

CASH FLOW

The actual and projected pension related cash flows (in millions) for 3Q2026 and 4Q2026 are summarized below:

	Jul 1 – Sep 30, 2026 Actual/Projected	Oct 1 – Dec 31, 2026 Projected
City Contributions (Net)[1]	794.4	0.0
Member Contributions	54.9	63.4
Investment Income[2]	130.9	129.6
Securities Lending	1.3	1.0
Earnings on Cash + Miscellaneous	3.2	2.3
Private RA, PC, and PE Cash Flow	-246.8	-150.5
DROP	-34.9	-20.5
Pension Benefits[3]	-354.3	-346.5
OPEB[4]	-48.5	-46.9
Administrative Expense	-14.6	-8.3
Net Cash Flow (est.)[5,6]	285.6	-376.4

[1]The 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. It also includes $106.1 million from LAWA and $5.2 million from the City for Measure FF-related costs.
[2]Investment income (dividends and interest) is used to fund the pension payrolls.
[3]Pension Benefits include: service pensions, disability pensions, survivor pensions, and refund of contributions.
[4]Other Postemployment Benefits (OPEB) include: health and dental insurance premium subsidies, Medicare reimbursement, and health insurance premium reimbursement.
[5]Negative Cash Flow is funded by Cash and rebalancing.
[6]The remaining Measure FF-related costs of membership transfers from the City are excluded from this cash flow projection.

OTHER INVESTMENT ACTIVITIES

Status updates on key projects related to the implementation of 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
Add New International Small Cap Equity Manager	Completed. The Board selected Acadian Asset Management LLC (Acadian) for the Active International Small Capitalization Equity mandate at the February 5, 2026

	meeting. A contract was executed near the end of June 2026 and account funding occurred shortly thereafter.
Broad U.S. Equity Structure Study	Completed. The Board approved a new asset class structure on February 19, 2026. On May 21, 2026, the Board approved the Broad U.S. Equity Implementation Plan to effect the portfolio changes, which are currently in progress and are expected to be fully completed upon conclusion of the Active Domestic Small Cap Equity Search discussed below.
Active Domestic Small Cap Equity Search	As a result of the Broad U.S. Equity Structure Study, the Board approved conducting a search to find a new active domestic small cap equity manager(s). Minimum Qualifications were approved by the Board at the June 4, 2026 meeting. The search is currently in progress. Proposed finalist recommendations are anticipated to be presented to the Board next month.

Consistent with the FY 2025-26 Annual Plan for Strategic Goal No. 2 – *Enhance Outreach by Promoting Inclusivity and Engagement with Emerging Investment Managers*, LAFPP hosted the NAIC Institutional Investor Roadshow held virtually on October 8, 2026. Thirty-seven emerging manager firms participated in the event, which consisted of an overview of LAFPP's investment program by the Chief Investment Officer and one-on-one meetings with Investments Staff. Additionally, LAFPP and LACERS will co-host another Emerging Manager Networking Forum at LACERS' offices on November 17, 2026. Emerging managers received notice of the event with registration instructions through the LAFPP and LACERS websites, social media applications, emerging manager industry organizations, and investment consultants. Registration ends on October 23, 2026.

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:

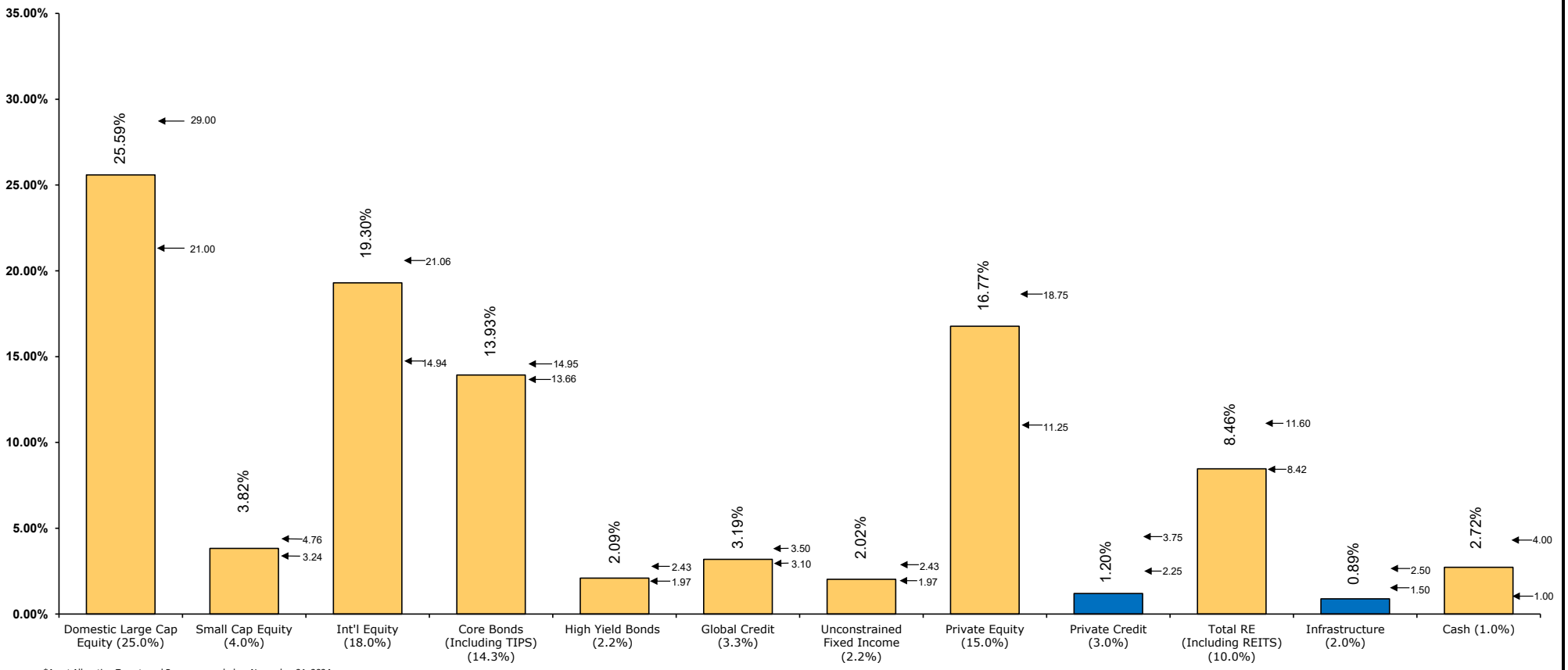
Bryan Fujita, Chief Investment Officer
Investments Division

JS:BF:AC:RC

Attachments: I – Portfolio Allocation Chart as of September 30, 2026
II – Total Plan Portfolio as of September 30, 2026

Los Angeles
Fire and Police Pensions

Portfolio Allocation as of September 30, 2026



*Asset Allocation Targets and Ranges amended on November 21, 2024
**Private Equity includes Commodities funds

Over-allocated (Red), Under-allocated (Blue)

Los Angeles Fire and Police Pensions

Portfolio as of September 30, 2026

EQUITIES	STOCKS	BONDS	CASH	TOTAL	ALLOC.
AllianceBernstein (S&P 500 Index)	6,284.2	-	8.4	6,292.6	
AllianceBernstein (Systematic Value)	-	-	0.0	0.0	
Rhumbline (Russell 1000 Growth Index)	1,507.7	-	0.9	1,508.6	
NTI S&P 500 Equal Weight	647.6	-	3.2	650.8	
NTI Stoxx USA 900	-	-	0.0	0.0	
Boston Partners (Value)	1,386.7	-	43.3	1,430.0	
Core Equity Managers (25%)	9,826.1	-	55.9	9,882.0	25.59%
Target Differential	0.59%				227.8
Rhumbline (S&P 600 Index)	185.7	-	0.3	185.9	
Frontier Capital Mgt. (Growth)	684.9	-	19.8	704.7	
Channing Capital Mgt. (Value)*	0.1	-	-	0.1	
Denali Advisors (Value)*	111.2	-	1.5	112.7	
Eastern Shore Capital (Core)*	-	-	0.5	0.5	
Lisanti Capital (Growth)*	-	-	0.6	0.6	
PIMCO Stocks Plus (Core)	237.9	-	-	237.9	
Palisade Capital Management (Core)	0.0	-	-	0.0	
Phocas Financial (Value)*	0.0	-	-	0.0	
Westwood Management (Value)	0.1	-	-	0.1	
AllianceBernstein (Value)	230.2	-	3.9	234.2	
Small Cap. Equity Mgrs (4%)	1,450.2	-	26.6	1,476.8	3.82%
Target Differential	(0.18)%				(67.9)
Acadian Intl Small Cap	234.0	-	1.1	235.1	
Brandes Investment Partners (Value)	2,462.5	-	85.6	2,548.1	
Blackrock (Core Passive)	2,650.8	-	10.7	2,661.5	
Baillie Gifford (Growth)	1,520.2	-	30.7	1,550.9	
Principal Global Int'l Small Cap	-	-	2.7	2.7	
Victory Capital Mgt.	396.0	-	6.9	402.9	
Terminated/Transition Int'l Equity Managers	35.2	-	17.0	52.2	
Int'l Equity Mgrs (18%)	7,298.8	-	154.8	7,453.5	19.30%
Target Differential	1.30%				502.5
TOTAL EQUITIES MANAGERS (47%)	18,575.1	-	237.3	18,812.4	48.72%
Int'l Tax Reclaims	1.0	0.1	2.9	4.0	

FIXED INCOME					
JP Morgan Core Bond (Active)	-	999.9	1.1	1,001.0	
Reams Asset Mgmt. (Opportunistic)	-	997.1	-	997.1	
LM Capital (Opportunistic)	-	988.6	10.3	998.8	
Allspring Global (Opportunistic)	-	125.8	0.9	126.7	
Medalist Partners (MBS)*	-	127.3	-	127.3	
Loomis Sayles (Long Duration)	-	770.3	11.7	782.0	
Reams Asset Mgmt. (Passive TIPS)	-	1,346.0	0.9	1,346.9	
Terminated/Transition Fixed Income Managers	-	-	-	-	
Core Bond Mgrs (14.3%)	-	5,355.0	24.9	5,379.9	13.93%
Target Differential	(0.37)%				(142.3)
MacKay Shields (High Yield)	15.7	778.4	13.4	807.5	2.09%
Loomis Sayles Global Credit	-	1,165.2	66.3	1,231.6	3.19%
Credit Fixed Income (5.5%)	15.7	1,943.6	79.7	2,039.1	5.28%
Target Differential	(0.22)%				(84.9)
Reams Asset Mgmt. (Unconstrained)	-	386.7	-	386.7	
Payden & Rygel (Unconstrained)	-	394.3	-	394.3	
Unconstrained Fixed Income (2.2%)	-	781.0	-	781.0	2.02%
Target Differential	(0.18)%				(68.6)
TOTAL FIXED INCOME MGRS (22%)	15.7	8,079.6	104.6	8,199.9	21.23%

Notes

*** - Denotes Emerging Manager**

City Pension Contribution received on 7/14/26

Subtotals & totals may not sum up exactly due to rounding.

Data is unaudited; Dollars expressed in Millions.

Asset allocation amended by Board on 11/21/2024. Currently executing implementation plan.

PRIVATE EQUITY	INVESTMENT VALUE	CASH	TOTAL	ALLOC.
Abbott Capital	0.6	-	0.6	
Hamilton Lane	0.0	-	0.0	
PCA	0.3	-	0.3	
Fairview Capital	281.2	-	281.2	
Future Standard	5,776.8	-	5,776.8	
Future Standard Commodities	111.5	-	111.5	
Aldus Equity	36.8	-	36.8	
Stepstone Group	31.5	-	31.5	
TCP	86.2	-	86.2	
Greycroft Growth IV LP	55.1	-	55.1	
Baillie Gfd PVC GP II	96.1	-	96.1	
TOTAL PRIVATE EQUITY MGRS (15%)	6,476.1	-	6,476.1	16.77%
Target Differential	1.77%			683.6

PRIVATE CREDIT				
Stepstone Private Credit	461.2	0.9	462.1	
TOTAL PRIVATE CREDIT MGRS (3%)	461.2	0.9	462.1	1.20%
Target Differential	(1.80)%			(696.4)

REAL ESTATE				
Alliance REIT	181.5	1.1	182.6	
Principal U.S. REIT	50.4	0.7	51.1	
Cohen & Steers U.S. REIT	503.4	5.5	508.9	
REIT Managers (1.5%)	735.3	7.3	742.6	1.92%
Target Differential	0.42%			163.4
REAL ESTATE COMMINGLED FUNDS SUMMARY				
Total Pooled Funds	1,916.9	-	1,916.9	4.96%
REAL ESTATE SEPARATE ACCT. SUMMARY BY MANAGER				
AEW (Heitman, Sentinel)	587.3	-	587.3	
Neptune Building	21.1	-	21.1	
Real Estate Equity Mgrs	608.4	-	608.4	1.58%
Private Real Estate (8.5%)	2,525.4	-		6.54%
TOTAL REAL ESTATE (10%)	3,260.6	7.3	3,268.0	8.46%
Target Differential	(1.54)%			(593.7)

INFRASTRUCTURE				
Townsend Infrastructure	342.4	-	342.4	
TOTAL INFRASTRUCTURE (2%)	342.4	-	342.4	0.89%
Target Differential	(1.11)%			(429.9)

CASH				
HOUSE ACCOUNTS				
Tier 1 (Article 17)	-	0.0	0.0	
Tier 2 (Article 18)	-	907.5	907.5	
Tier 3 (Article 35)	-	0.5	0.5	
Tier 4 (New)	-	0.5	0.5	
Tier 5 (New)	-	123.5	123.5	
Tier 6 (New)	-	19.7	19.7	
Transition Account	-	0.0	0.0	
115 Trust	-	0.2	0.2	
CASH SUMMARY				
Unallocated Cash Reserve (1%)	-	1,051.8	1,051.8	2.72%
Target Differential	1.72%			665.7

TOTAL FUND

	STOCKS	BONDS	REAL ESTATE	PRIVATE EQUITY	PRIVATE CREDIT	INFRA	CASH	TOTAL
ACTUAL ASSET MIX								
Current Month	18,591.8	8,079.7	3,260.6	6,476.1	461.2	342.4	1,404.9	38,616.8
	48.14%	20.92%	8.44%	16.77%	1.19%	0.89%	3.64%	100.00%
Last Month	19,000.1	7,985.2	3,381.6	6,108.9	422.1	306.7	1,538.4	38,743.0
% Change	-2.15%	1.18%	-3.58%	6.01%	9.27%	11.66%	-8.67%	-0.33%