

**DEPARTMENT OF
FIRE AND POLICE
PENSIONS**

360 EAST SECOND STREET
SUITE 400
LOS ANGELES, CA 90012-4203

(213) 978-4545
(800) 787-CITY(2489)
FAX (213) 978-4450
TDD (213) 978-4455

EMAIL: PENSIONS@LAFPP.COM

**CITY OF LOS ANGELES
CALIFORNIA**



**ERIC GARCETTI
MAYOR**

**RAYMOND P. CIRANNA
GENERAL MANAGER**

**WILLIAM S. RAGGIO
EXECUTIVE OFFICER**

**JOSEPH SALAZAR
ASSISTANT GENERAL MANAGER**

**TOM LOPEZ
CHIEF INVESTMENT OFFICER**

November 19, 2013

Honorable Paul Krekorian
Chair, Budget and Finance Committee
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

RE: Motion (Perry-Parks) CF# 13-0056 Divestment from Firearms Companies

Dear Councilmember Krekorian:

Thank you for your letter requesting information from our System regarding divestment from firearms companies. In January and February 2013, we received requests from the Mayor and City Council to report on the feasibility of divestment of companies that manufacture and sale firearms. Subsequently, the Board of Fire and Police Pensions instructed staff to research and develop a firearm divestment policy.

On March 7, 2013, staff presented a proposed policy for Board consideration whereas investment managers should refrain from purchasing securities where the company has been identified as manufacturing firearms that are illegal for sale in California by the California State Attorney General. The policy was drafted with the advice of fiduciary counsel in recognition of the Board's fiduciary responsibility over the assets of the System. After considerable discussion, the Board adopted the proposed Policy and instructed staff to develop proxy voting procedures that would be consistent with the new Firearm Investment Policy and to develop a policy to divestment current holdings. Given the fiduciary responsibility per City Charter, Section 1106 and Article XVI, Section 17 of the California Constitution, the System's investment managers were instructed to divest if the manager can obtain the same levels of return, risk and diversification through the purchase of alternative securities. Subsequently, the System divested its holding of Smith and Wesson securities, the only security held by the System that was inconsistent with the new Policy.



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The California State Attorney General developed and maintains the *Assault Weapons Identification Guide* (Guide) of assault weapons that are prohibited for sale within the State. The Board adopted the Guide due to the Attorney General's ability to research, identify and update gun manufacturers that would be consistent with State law. This policy approach was similar to that of CalPERS and CalSTRS.

Attached is the policy as adopted by the Board. The Guide can be found on the Attorney General's website at: <http://oag.ca.gov/firearms/awguide>. If you should have any questions or need additional information, please let me know. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond P. Ciranna". The signature is fluid and cursive, with a prominent initial "R" and "C".

Raymond P. Ciranna
General Manager

Attachment:

Board Investment Policies: Section 15.0 Firearms Investment Policy

Los Angeles Fire & Police Pension System

15.0 – FIREARMS INVESTMENT POLICY

GENERAL POLICY

- 15.1 Investment managers should refrain from purchasing securities where the company has been identified as manufacturing firearms that are illegal in California, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

The list of companies identified by the California State Attorney General as manufacturers of these firearms will constitute the Board's list of companies subject to its Firearms Investment Policy.

INVESTMENTS SUBJECT TO POLICY

- 15.2 The Firearms Investment Policy shall apply to actively managed separate accounts in the public equity asset classes.

The affected managers shall report on a calendar year basis the financial impact of any firearms manufacturers that were removed from the portfolio. (Amended 05/16/13)

- 15.3 The Board's private equity managers(s) shall inquire with each proposed fund, their intention to invest in companies that manufacture firearms that are designated by the California State Attorney General as being illegal for sale in California and inform the Board of the response. (Amended 05/16/13)

HISTORY

- 15.4 Adopted: March 7, 2013; Revised 05/16/13.

REVIEW

- 15.5 This Policy shall be reviewed by the Board every three years in April.