

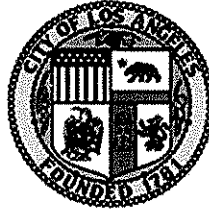
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TOM LOPEZ
CHIEF INVESTMENT OFFICER

April 18, 2014

The Honorable Budget and Finance Committee
City Council, City of Los Angeles
c/o City Clerk, City Hall, Room 395
Los Angeles, CA 90012

Attn: Erika Pulst, Legislative Analyst

Honorable Members:

Thank you for the opportunity to appear before Budget and Finance Committee to discuss the Fire and Police Pension System. Recognizing that contributions to the Pension System have been increasing, please be assured that the System has been pursuing best practices to minimize costs and risks to the System as well as achieve stable investment returns.

For 2014-15, the increase in the City's proposed contribution from \$574.9 million to \$626.2 million is primarily due to the market losses of 2009 and the increase in the sworn payroll. This increase is slightly less than originally anticipated due to the higher investment return of 13.01 percent. We anticipate that future contributions to the System will continue to increase over the next couple of years, until the 2009 market loss is completely phased out over seven years, before tapering off.

We are mindful of the budget challenges that the City has experienced over the past several years. To this end, we have been carefully evaluating our administrative and investment costs and proposed to our Board in March a reduction of over three percent within these two cost areas. Fiscal Year 2014-15 will be the second consecutive year that our System has reduced its investment costs due to changes in our asset allocation and by eliminating certain high cost asset classes. These changes have resulted in a 15.4% reduction in investment fees over the last two years.

Based on the recent Audit of Annual City Pension Contributions, we have been requested to now pay LACERS for the annual retirement contribution of LAFPP employees. While we recognize the importance of properly funding this expense, it will

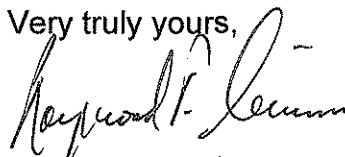


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increase our Board approved administrative budget by approximately \$2.7 million. This increase will be presented to our Board for approval when the final budget is submitted to them in June 2014.

We are available to answer any questions that the Committee may have regarding our System. Please contact my office at (213) 978-4550 if you should have any questions. Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Raymond P. Ciranna". The signature is fluid and cursive, written over a horizontal line.

Raymond P. Ciranna
General Manager

c: LAFPP Board
Rick Cole, Deputy Mayor
Miguel Santana, City Administrative Officer