

# LIVE VIRTUAL BOARD MEETING



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**Attention:** Public comment requests must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

# AGENDA

## A REGULAR MEETING OF THE BOARD OF INVESTMENTS

### LOS ANGELES COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

9:00 A.M.,\* WEDNESDAY, MAY 19, 2021

This meeting will be conducted by teleconference under the Governor's Executive Order No. N-29-20.

Any person may view the meeting online at  
[https://members.lacera.com/lmpublic/live\\_stream.xhtml](https://members.lacera.com/lmpublic/live_stream.xhtml)

*The Board may take action on any item on the agenda,  
and agenda items may be taken out of order.*

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of April 14, 2021

III. REPORT ON CLOSED SESSION ITEMS

IV. PUBLIC COMMENT

(\*You may submit written public comments by email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com). Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

V. CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated April 26, 2021)

VI. CHIEF INVESTMENT OFFICER'S REPORT  
(Presentation dated May 19, 2021)

May 19, 2021

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## VII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer and Jude Perez, Principal Investment Officer: That the Board approve the Strategic Asset Allocation option B, on page 7 of Meketa Investment Group's presentation and within Chart 1 of this memorandum, for the LACERA Pension Trust. (Memo dated May 11, 2021)

Stephen McCourt, Managing Principal  
Leandro Festino, Managing Principal  
Timothy Filla, Managing Principal  
Jonathan Camp, Vice President  
Alina Yuan, Associate

## VIII. REPORTS

- A. Legal Transactions Year End Report  
Christine Roseland, Senior Staff Counsel  
(Memo dated May 7, 2021)
- B. Procurement Policy for Investment-Related Services  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated April 30, 2021)
- C. Securities Lending Program—2020 Annual Review  
Adam Cheng, Senior Investment Analyst  
(For Information Only) (Memo dated May 3, 2021)
- D. Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated May 5, 2021)
- E. Securities Litigation Report for Calendar Year 2020  
Michael D. Herrera, Senior Staff Counsel  
(For Information Only) (Memo dated May 6, 2021)
- F. Monthly Status Report on Legislation  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated April 25, 2021)

VIII. REPORTS (Continued)

- G. Monthly Education and Travel Reports for March 2021  
Ted Granger, Interim Chief Financial Officer  
(Public Memo dated April 22, 2021)  
(Confidential Memo dated April 22, 2021 – Includes Anticipated Travel)  
(For Information Only)
  
- H. April 2021 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(Memo dated April 9, 2021)

IX. ITEMS FOR STAFF REVIEW

- X. GOOD OF THE ORDER  
(For information purposes only)

XI. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments  
(Pursuant to California Government Code Section 54956.81)
  - 1. GHO Capital III LP  
Christopher J. Wagner, Principal Investment Officer  
Derek Kong, Investment Office  
(Memo dated April 25, 2021)
  
  - 2. Kaszek Ventures V, L.P. and Kaszek Ventures Opportunity II, L.P  
Christopher J. Wagner, Principal Investment Officer  
David E. Simpson, Investment Officer  
(Memo Dated April 30, 2021)
  
  - 3. Private Equity Secondary Investment Update  
David Chu, Senior Investment Officer  
Didier Acevedo, Investment Officer  
(For Information Only) (Memo Dated April 30, 2021)



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XI. EXECUTIVE SESSION (Continued)

B. Conference with Legal Counsel – Anticipated Litigation Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9)

1. One Case

XII. ADJOURNMENT

*Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.*

*\*Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email [PublicComment@lacera.com](mailto:PublicComment@lacera.com), but no later than 48 hours prior to the time the meeting is to commence.*

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, APRIL 14, 2021

This meeting was conducted by teleconference under the Governor's Executive Order No. N-29-20.

PRESENT: Keith Knox, Chair

Joseph Kelly, Vice Chair

Alan Bernstein, Secretary

David Green

Shawn Kehoe

Patrick Jones

Gina V. Sanchez

Herman Santos

ABSENT: Elizabeth Greenwood

STAFF ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Johanna Fontenot, Interim Chief Counsel

JJ Popowich, Assistant Executive Officer

Christine Roseland, Senior Staff Counsel

Vache Mahseredjian, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Jude Perez, Principal Investment Officer

Christopher Walker, Principal Investment Officer

James Rice, Principal Investment Officer

Scott Zdrazil, Senior Investment Officer

Robert Santos, Investment Officer

Dale Johnson, Investment Officer

Didier Acevedo, Investment Officer

Mel Tsao, Senior Investment Analyst

Jeff Jia, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Adam Cheng, Senior Investment Analyst

Meketa Investment Group

Stephen McCourt, Managing Principal

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal

Jonathan Camp, Vice President

Alina Yuan, Associate

StepStone Group LP

Natalie Walker, Partner

Albourne

Mark White, Head of Real Assets

James Walsh, Partner

Steven Kennedy, Partner

Nossaman LLP

Ashley Dunning, Partner

Peter Mixon, Partner

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I. CALL TO ORDER

The meeting was called to order virtually by Chair Knox at 9:04 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of March 10, 2021

Mr. Santos made a motion, Mr. Green seconded, to approve the revised minutes of the regular meeting of March 10, 2021. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Jones, Bernstein, Kelly, Knox, and Ms. Sanchez voting yes. Ms. Greenwood was absent.

III. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

IV. PUBLIC COMMENT

Damien Goodmon addressed the Board regarding the Baldwin Hills Crenshaw Plaza. In addition, Michael Guynn and Phillip Jonas provided a written comment.

V. CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated March 25, 2021)

Mr. Kreimann provided a brief presentation on the Chief Executive Officer's Report.

VI. CHIEF INVESTMENT OFFICER'S REPORT  
(Presentation dated April 14, 2021)

Mr. Grabel provided a brief presentation on the Chief Investment Officer's Report.

## VII. CONSENT

- A. Recommendation as submitted that the Board approve attendance of Board members at the 2021 SuperReturn Berlin Conference on November 9 - 12, 2021 in Berlin, Germany and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.  
(Placed on the agenda at the request of Mr. Bernstein)  
(Memo dated March 15, 2021)

Mr. Kelly made a motion, Ms. Sanchez seconded, to approve attendance of Trustees at the 2021 SuperReturn Berlin Conference on November 9 - 12, 2021 in Berlin, Germany and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policies. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Jones, Bernstein, Kelly, Knox, and Ms. Sanchez voting yes. Ms. Greenwood was absent.

## VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer: That the Board deliberate whether to nominate a candidate to the International Corporate Governance Network's Board of Governors.  
(Memo dated March 25, 2021)

Mr. Zdrazil provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Bernstein seconded, to nominate Ms. Sanchez as a candidate to the International Corporate Governance Network's Board of Governors. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Jones, Bernstein, Kelly, Knox, and Ms. Sanchez voting yes. Ms. Greenwood was absent.

## VIII. NON-CONSENT ITEMS

- B. Recommendation as submitted by Scott Zdrazil, Senior Investment Officer, Dale Johnson, Investment Officer, Mel Tsao, Senior Investment Analyst: That the Board select ISS to provide full coverage proxy research and voting platform services and Glass Lewis to provide additional limited coverage proxy research services. (Memo dated March 19, 2021)

Messrs. Zdrazil, Johnson and Tsao provided a presentation and answered questions from the Board.

Mr. Kelly made a motion, Mr. Santos seconded, to select ISS to provide full coverage proxy research and voting platform services and Glass Lewis to provide additional limited coverage proxy research services. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Jones, Bernstein, Kelly, Knox, and Ms. Sanchez voting yes. Ms. Greenwood was absent.

## IX. REPORTS

- A. Strategic Asset Allocation and Asset Liability Study Review  
Jude Perez, Principal Investment Officer  
Leandro Festino, Meketa Investment Group  
Jonathan Camp, Meketa Investment Group  
Stephen McCourt, Meketa Investment Group  
(Memo dated April 1, 2021)

Mr. Perez and Messrs. Festino, McCourt and Camp of Meketa Investment Group provided a presentation and answered questions from the Board.

- B. Strategic Asset Allocation – OPEB Master Trust  
Jude Perez, Principal Investment Officer  
Leandro Festino, Meketa Investment Group  
Tim Filla, Meketa Investment Group  
Alina Yuan, Meketa Investment Group  
(Memo dated April 1, 2021)

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IX. REPORTS (Continued)

Mr. Perez and Messrs. Festino and Filla and Ms. Yuan of Meketa

Investment Group provided a presentation and answered questions from the Board.

- C. Strategic Asset Allocation: Potential Structure Changes  
Jude Perez, Principal Investment Officer  
Leandro Festino, Meketa Investment Group  
Tim Filla, Meketa Investment Group  
Alina Yuan, Meketa Investment Group  
(Memo dated April 1, 2021)

Mr. Perez and Messrs. Festino and Filla and Ms. Yuan of Meketa

Investment Group provided a presentation and answered questions from the Board.

- D. First Amendment Training  
Free Speech Rights and Fiduciary Duties: A Governance Challenge for  
Retirement System Trustees  
California Continuing Legal Education (CLE) Credit Available  
Ashley Dunning, Partner – Nossaman LLP  
Peter Mixon, Partner – Nossaman LLP  
(Memo dated April 6, 2021)

Ms. Dunning and Mr. Mixon of Nossaman LLP provided a presentation and answered questions from the Board.

- E. 2021 Board of Retirement and Board of Investments Election Planning  
Update  
JJ Popowich, Assistant Executive Officer  
(For Information Only) (Memo dated March 31, 2021)

This item was received and filed.

- F. State Street Incident Report – Data Disclosure  
Jude Pérez, Principal Investment Officer  
(For Information Only) (Memo dated March 30, 2021)

This item was received and filed.



IX. REPORTS (Continued)

- G. Council of Institutional Investors Voting Items  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated March 25, 2021)

This item was received and filed.

- H. Monthly Status Report on Legislation  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated March 25, 2021)

This item was received and filed.

- I. Cost of Living Adjustment – Accumulation Accounts  
JJ Popowich, Assistant Executive Officer  
Ted Granger, Interim Chief Financial Officer  
Kathy Delino, Interim Systems Division Manager  
(For Information Only) (Memo dated March 30, 2021)

This item was received and filed.

- J. Monthly Status Report on Board of Investments Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated April 1, 2021)

This item was received and filed.

- K. Monthly Education and Travel Reports for February 2021  
Ted Granger, Interim Chief Financial Officer  
(Public Memo dated March 25, 2021)  
(Confidential Memo dated March 30, 2021 – Includes Anticipated Travel)  
(For Information Only)

This item was received and filed.

- L. March 2021 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(Memo dated March 30, 2021)

This item was received and filed.

X. ITEMS FOR STAFF REVIEW

The Board requested that the CISO presentation presented on April 7<sup>th</sup>, 2021 at the Board of Retirement's Operations Oversight Committee be provided as well to the Board of Investments.

In addition, the Board requested information regarding member communication for LACERA for those who do not have an email address on file.

Furthermore, the Board requested for staff to bring back a report regarding the OPEB Master Trust account as to the County's ability to withdraw funds from the Trust and its ability to provide input as to the types of investments.

Lastly, the Board requested that the issues raised during the First Amendment presentation by Nossaman LLP be brought to an upcoming Joint Organizational Governance Committee meeting.

XI. GOOD OF THE ORDER  
(For information purposes only)

The Board and staff welcomed Mr. Jones to the Board of Investments.

Mr. Grabel welcomed Magdalia Serna Armstrong, Crystal Milo and Pushpam Jain to the Investment Office.

XII. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments  
(Pursuant to California Government Code Section 54956.81)

XII. EXECUTIVE SESSION (Continued)

1. Credit Recommendation: High Yield Fixed Income Separate Account Manager Search  
Vache Mahseredjian, Senior Investment Officer  
Robert Santos, Investment Officer  
Adam Cheng, Senior Investment Analyst  
Jeff Jia, Senior Investment Analyst  
Leandro Festino, Meketa Investment Group  
Tim Filla, Meketa Investment Group  
Alina Yuan, Meketa Investment Group  
(Memo dated April 1, 2021)

Messrs. Mahseredjian, Santos, Cheng and Jia provided a presentation and answered questions from the Board.

On a motion by Mr. Kehoe, seconded by Mr. Kelly, the Board voted to retain PineBridge Investments to manage a high yield fixed income mandate for LACERA in a separate account. The motion passed (roll call) with Messrs. Santos, Kehoe, Jones, Bernstein, Kelly, Knox and Ms. Sanchez voting yes. Mr. Green and Ms. Greenwood were absent from the vote.

2. The Veritas Middle Market Fund, L.P.  
Christopher J. Wagner, Principal Investment Officer  
Calvin Chang, Senior Investment Analyst  
Natalie Walker, StepStone Group  
(Memo dated March 31, 2021)

(Mr. Jones left the meeting at 1:30 p.m. and returned at 1:50 p.m.)

Messrs. Wagner and Chang and Ms. Walker of StepStone Group provided a presentation and answered questions from the Board.

XII. EXECUTIVE SESSION (Continued)

On a motion by Mr. Santos, seconded by Mr. Green, the Board approved a commitment of up to \$100 million to The Veritas Middle Market Fund, L.P., investing in companies operating at the intersection of technology and government. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Bernstein, Knox and Ms. Sanchez voting yes and Mr. Kelly voting no. Mr. Jones and Ms. Greenwood were absent from the vote.

3. TA XIV, L.P. and TA Select Opportunities Fund II, L.P  
Christopher J. Wagner, Principal Investment Officer  
Didier Acevedo, Investment Officer  
Natalie Walker, StepStone Group  
(Memo dated March 22, 2021)

Messrs. Wagner, Acevedo and Ms. Walker of StepStone Group provided a presentation and answered questions from the Board.

On a motion by Mr. Santos, seconded by Mr. Kelly, the Board approved a commitment of up to \$110 million to TA XIV, L.P. and up to \$40 million to TA Select Opportunities Fund II, L.P. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Jones, Bernstein, Kelly, Knox and Ms. Sanchez voting yes. Ms. Greenwood was absent from the vote.

4. Private Equity Co-Investment Update  
David Chu, Senior Investment Officer  
Didier Acevedo, Investment Officer  
(For Information Only) (Memo dated March 22, 2021)

The Board received an information only report providing notice that LACERA completed a co-investment commitment of up to \$20 million alongside Lightyear Capital,

XII. EXECUTIVE SESSION (Continued)

one of LACERA's Board of Investments approved managers. The commitment is compliant with the private equity co-investment guidelines.

5. Private Equity Investment Update  
David Chu, Senior Investment Officer  
Cheryl Lu, Investment Officer  
(For Information Only) (Memo dated March 26, 2021)

The Board received an information only report providing notice that LACERA completed a \$15 million private equity co-investment alongside Storm Venture Partners, one of LACERA's Board of Investments approved managers. The commitment is compliant with the private equity co-investment guidelines.

6. Private Equity Co-Investment Update  
David Chu, Senior Investment Officer  
Derek Kong, Investment Officer  
(For Information Only) (Memo dated March 22, 2021)

The Board received an information only report providing notice that LACERA completed a co-investment commitment of up to \$20 million alongside Onex Partners, one of LACERA's Board of Investments approved managers. The commitment is compliant with the private equity co-investment guidelines.

7. Notice of Re-Up Commitment of up to \$150 Million to Hellman & Friedman X, L.P.  
Christopher J. Wagner, Principal Investment Officer  
Shelly P. Tilaye, Senior Investment Analyst  
(For Information Only) (Memo dated March 26, 2021)

Staff provided an information only report on a re-up commitment of up to \$150 million to Hellman & Friedman X, L.P., approved by the Chief Investment Officer in accordance with LACERA's investment policies and procedures.

XII. EXECUTIVE SESSION (Continued)

8. Notice of Re-Up Commitment of up to \$100 Million to Lightyear Fund V, L.P.  
Christopher J. Wagner, Principal Investment Officer  
David E. Simpson, Investment Officer  
(For Information Only) (Memo dated April 2, 2021)

Staff provided an information only report on a re-up commitment of up to \$100 million to Lightyear Fund V, L.P., approved by the Chief Investment Officer in accordance with LACERA's investment policies and procedures.

Green Folder Information (Information provided to the Trustees prior to the meeting)

Item: XII. A.2 - The Veritas Middle Market Fund, L.P. - (The presentation included in the agenda packet was missing information on page 5)

Item XII.A.3 - TA XIV, L.P. and TA Select Opportunities Fund II, L.P. - (The presentation included in the agenda packet was missing information on page 5)

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:08 p.m. in memory of Remigio "Remi" Feliciano.

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ALAN BERNSTEIN, SECRETARY

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KEITH KNOX, CHAIR



April 26, 2021

TO: Each Trustee,  
Board of Retirement  
Board of Investments

FROM: Santos H. Kreimann *SHK*  
Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT**

The following reflects the Chief Executive Officer's Report for April 2021 that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and our educational calendar.

### **"March Madness" Wrap Up**

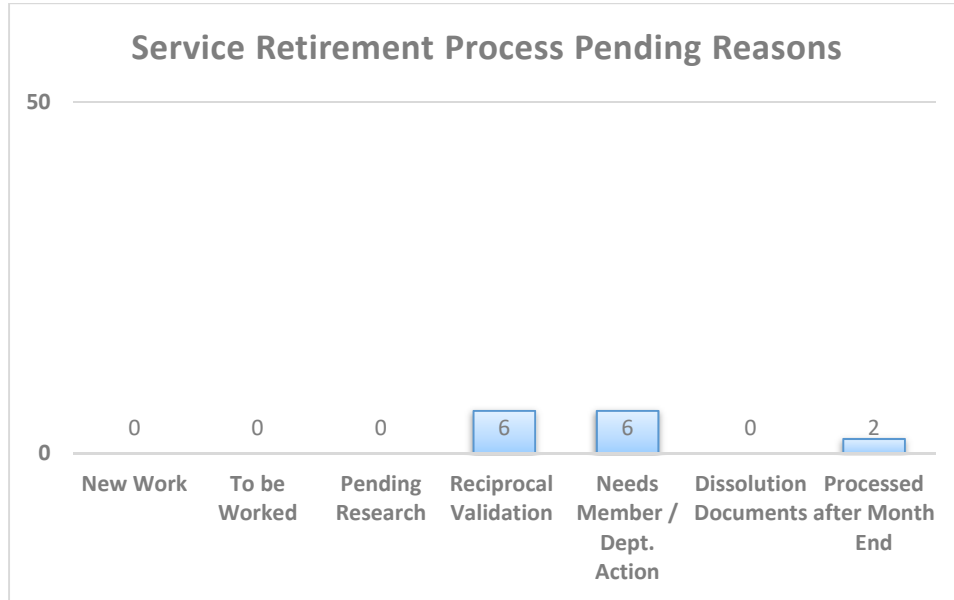
We have come to the end of a very busy "March Madness" season. This is the time of the year when we see a spike in retirements as more members elect to retire in time to be eligible for any April 1<sup>st</sup> cost-of-living adjustment (COLA). With the "March Madness" season over, we are providing a wrap up report covering the two key measures tracked during this time of year.

*How well are we keeping up with our member's requests to retire?* The chart below shows the total number of pending retirement elections from the date of this report. All incoming retirement requests are triaged by staff to facilitate processing those retirements with immediate retirement dates and those that require special handling (i.e., legal splits and those with uncompleted service credit purchases).

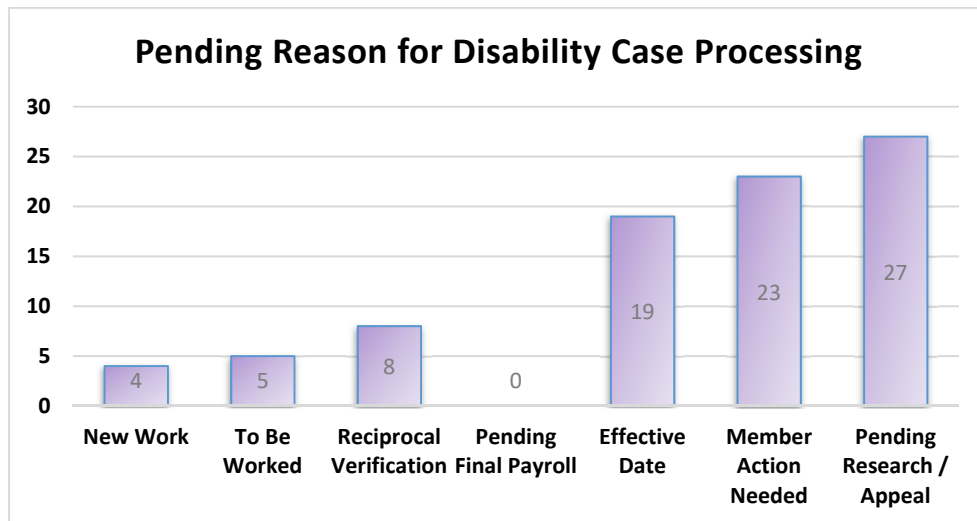
<b>Retirement Month</b>	<b>Pending Retirement Elections</b>
December 2020	<b>0</b>
January 2021	<b>0</b>
February 2021	<b>8</b>
March 2021	<b>6</b>
Pending Disability Cases	<b>86</b>
<b>Total Pending</b>	<b>100</b>



The 14 retirement elections to be completed for January - March are pending for the following reasons:



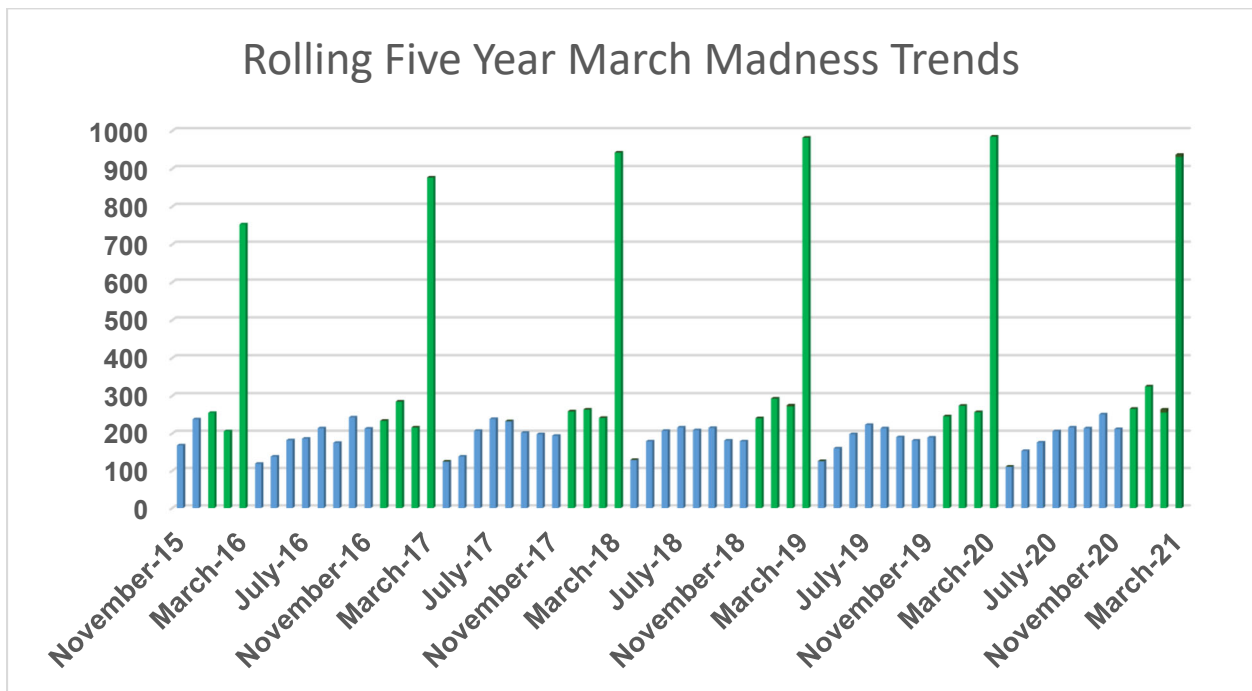
The 86 Pending Disability Cases represent the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board of Retirement, the Benefits Division staff works with the member and their employer to select a disability effective date, determine the member's option election, and bring them on payroll. These disability cases are pending for the following reasons:



These cases are not assigned to a specific month in the "March Madness" period because the final effective date has not been determined. As with service retirements, some cases have mitigating factors such as legal splits and uncompleted purchases, which can also extend processing times.

The second key statistic is the volume of retirement applications received during the year, especially during “March Madness.” This gives us an indication on the severity of the stress placed on our capacity to meet our various member service requests and demands placed upon our staff.

The green bars in the chart below reflect those members approved by the Board of Retirement to retire (i.e., their retirement elections have been approved and completed). The red bars show those cases that have not been processed as of the date of this report. The blue bars represent retirement elections processed during the remaining months of the year. As of April 15, 2021, we have processed 1,778 out of 1,792 retirements for the “March Madness” period.



The following chart compares the total processed and pending cases per month to the average cases completed over the last five years.

	Current Period	Last Five Completed Years	Ahead (+) / Behind (-)
December	266	244	+
January	325	274	+
February	264	239	+
March	937	908	+
Total	1,792	1,665	+

This year represents the highest “March Madness” period in the last five years. Putting this into perspective, during last year's “March Madness” 1,762 members retired, which was higher than the rolling five-year average of 1,665 (the five-year averages may change from month-to-month as disability cases are processed due to retroactive retirement dates).

While this brings to a close the period when members can file for a retirement during “March Madness,” it does not bring to an end the behind-the-scenes efforts of Benefits, Member Services, and Retiree Healthcare. Benefits will be using the month of April to make final quality control checks and set-ups for members to be paid their first benefit at the end of April. Member Services typically sees continued high call volumes from members throughout April and into May as they inquire about the status of their first payments. Retiree Healthcare begins the intensive efforts to process new retiree’s healthcare enrollments.

I would like to extend a big thank you to all LACERA staff members who remain focused and dedicated to getting retired members on payroll so that they can enjoy their well-earned retirement.

### **Retiree Healthcare “March Madness” Enrollment Update**

Retiree Healthcare staff members continue to process a high volume of Medicare Part B verifications. Administrative Services’ Document Processing Center (DPC) reports they continue to scan high numbers of verification documents as well. As of April 22, RHC has a balance of 10,917 Part B work objects scanned in the queue (860 on April 1). We expect this number to grow. Some of the work objects are duplicates as some members tend to send multiple documents. Staff must still review these source documents before rejecting them as duplicates. RHC staff continue to diligently process approximately 200 Part B verifications per day. It is all hands on deck as more documents are scanned.

Staff also continue to field calls from members following up on their Part B reimbursement verification documents. When members call, we assure them that they will continue to receive their 2020 Medicare Part B subsidy amount until we are able to process and update their new 2021 amount. Thank you to all RHC and DPC staff for their efforts for working through the Part B verification project.

Staff are making the final preparations to mail the Retiree Healthcare Annual Letter packet scheduled to take place over the Memorial Day weekend. As we shared with you last month, the mass mailing will be sent to all members/survivors currently enrolled in a LACERA-administered healthcare plan (approximately 57,000) and will contain the new 2021-2022 monthly healthcare premium rates effective July 1, 2021, as well as any mandated healthcare benefits as approved by the Trustees last month.

### **COVID-19 Response Update**

Thankfully, the COVID-19 rate in Los Angeles County appears to continue to decline. The County reported 439 new cases as of April 22, 2021 (the most recent data available at the time this report was written) and, according to data available on the County’s Department of Public Health COVID-19 page, the seven day trend shows a decrease in the number of reported cases.

LACERA only had one reported incident of a staff member exposure over the last month. The following chart shows the number of LACERA staff members who were exposed (had direct close contact) to a person who tested positive for COVID-19; the number of LACERA staff members who tested positive for COVID-19; and the number of staff members who were in the office 14 days before testing positive for COVID-19.

<b>LACERA COVID-19 Incidents March 25, 2021 - April 23, 2021</b>		
<b>Exposed</b>	<b>Confirmed Positive</b>	<b>In Office Before Positive Test</b>
1	0	0

LACERA continues to follow the Public Health guidelines, including limiting the number of staff members physically in our offices on a daily basis. Based on the most recent numbers, we are averaging approximately 12.5% of our staff in the office on any given day. Efforts continue to be made to prepare the office for a safe return to work should conditions change.

We continue to monitor the directives issued by the County Department of Human Resources regarding the availability of vaccinations for our staff members. We have shared information provided by the County and their “Know Your Tier” vaccine public awareness program. The County has expanded the vaccination eligibility list to allow persons 16 and older to be vaccinated. Information has been shared with our staff and they have been provided information about vaccination clinics, as well as, information about the ability to be vaccinated during work hours. Staff members who have been fully vaccinated can report that information to Human Resources, if they choose to do so, but it is not required. We remain committed to help our staff members get vaccinated as soon as possible.

On March 19, 2021, SB 95 was signed into law, enacting Labor Code Section 248.2 effective March 29, 2021. The legislation provides for a COVID-19-related supplemental paid sick leave benefit (COVID-19 SPSL) to staff members who are unable to work or telework due to COVID-19. The law provides a maximum of 80 hours of COVID-19 SPSL for full-time staff members, and a pro-rated amount of COVID-19 SPSL hours for part-time staff members retroactive to January 1, 2021. COVID-19 SPSL is available in addition to any paid sick leave that a staff member is entitled to, and replaces the County’s FFCRA equivalent benefits.

**Recruitment Updates**

The Human Resources Division is enacting a new hiring plan to reduce the number of vacancies. We will keep trustees updated on the progress with regular updates in the CEO Report. This month’s update on our current recruitment exams is listed below:

- Administrative Services Officer (ASO): This is for two ASO positions in our Administrative Services Division. This recruitment was recently suspended and selection interviews are in process.

- Assistant Executive Officer: Alliance Resources Consulting started the search for the Assistant Executive Officer, LACERA. Resumes will be accepted through May 14, 2021.
- Deputy Chief Executive Officer: Final selection interviews are being conducted.
- Retirement Benefits Specialist (RBS) III: We are recruiting to fill seven (7) vacancies in Benefits and Member Services. Applications will be accepted through May 5, 2021.
- Senior Retirement Benefits Specialist: We are recruiting for two (2) supervisory positions in Benefits and Member Services. Interviews have been completed and the Eligible List is being created. Appointments are expected to be made in May 2021.
- Senior Quality Auditor: This is a supervisory position for the Quality Assurance Division. Interviews have been completed and the Eligible List is being created. Appointments are expected to be made in May 2021.

The Senior Retirement Benefits Specialist, Senior Quality Auditor, and Retirement Benefits Specialist III recruitments are promotional opportunities for current LACERA staff members.

### **Preparations for Upcoming Labor Negotiations**

LACERA issued a Request for Proposal (RFP) on March 30, 2021 soliciting Labor Negotiation services. Six firms submitted proposals by the April 20, 2021 deadline. The RFP evaluation committee will interview the most qualified firms and make a recommendation to the CEO. LACERA will start its pre-negotiation preparation in anticipation of a successful negotiations with our labor partners at SEIU.

### **Preparations for Upcoming Strategic Planning Efforts**

The Executive Office is in the process of preparing to issue a Request for Proposal (RFP) for a consultant to assist LACERA in undertaking a strategic planning effort. The request will be for assistance with designing a sustainable strategic planning process. We expect to release the RFP in May or June. We will keep the Board informed on this effort as we move forward.

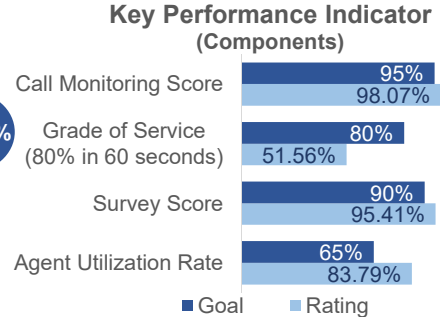
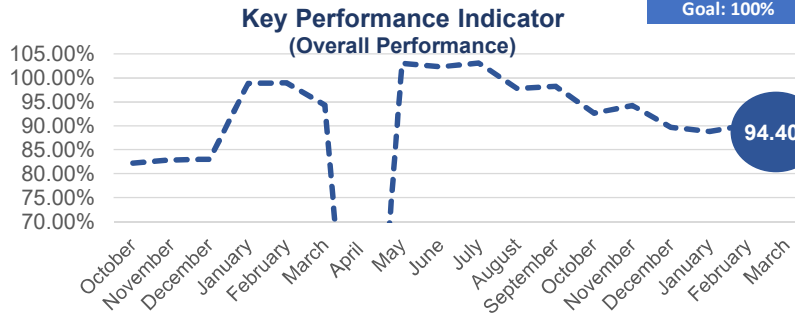
SHK:jp  
CEO report Apr 2021.doc

Attachments

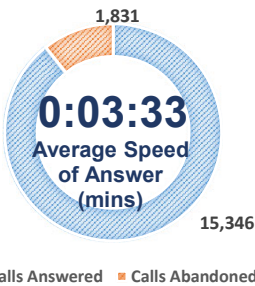
# Striving for Excellence in Service

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: **March 2021**

<p><b>Outreach Attendance</b> <b>1,829</b> 14,633 Year-to-Date</p>	<p><b>Outreach Events</b> <b>40</b> 167 Year-to-Date</p>	<p><b>Outreach Satisfaction</b> <b>N/A</b> Change Since Last Mo</p>	<p><b>Member Service Center</b> <b>N/A</b> - Change Since Last Mo</p>	<p><b>Member Services Calls</b> <b>17,177</b> 16,887 3 Mo. Avg.</p>
--	--	---	---	---



## Member Services

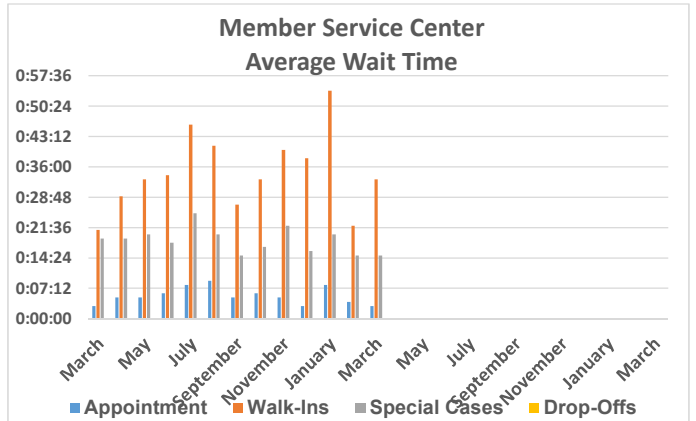


### Top Calls

1. Retirement Counseling: Process Overview
2. MyLACERA Portal Login Issues
3. Retirement Counseling: Estimate

**Emails** **1,147**  
24:00 hours  
Avg. Response Time (ART)

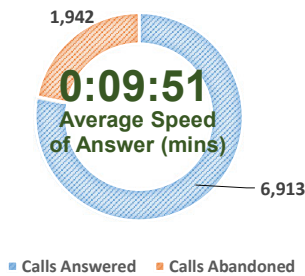
**Secure Messages** **1,049**



\*Drop Off Wait Time: No Waiting

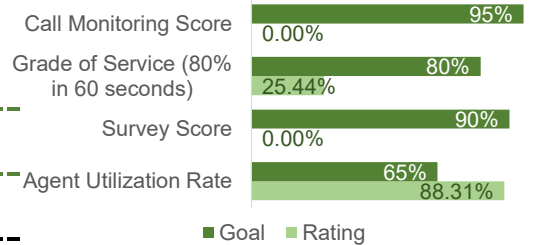
## Retiree Healthcare

Total RHC Calls: **8,855**



### Top Calls

1. Medical/Dental Enrollments
2. Medical Benefits
3. Medicare Part B Reimbursements



**Emails** **631**  
10 Days  
Avg. Response Time (ART)

**Secure Messages** **457**



## Striving for Excellence in Service (Continued)

Disability

### Applications

**729**

**In Process As Of:**  
**3/31/2021**

713 Pending on: 2/28/2021  
77 Received  
520 Year-to-Date  
0 Re-Opened  
0 Year-to-Date  
50 To Board - Initial  
389 Year-to-Date  
11 Closed  
45 Year-to-Date

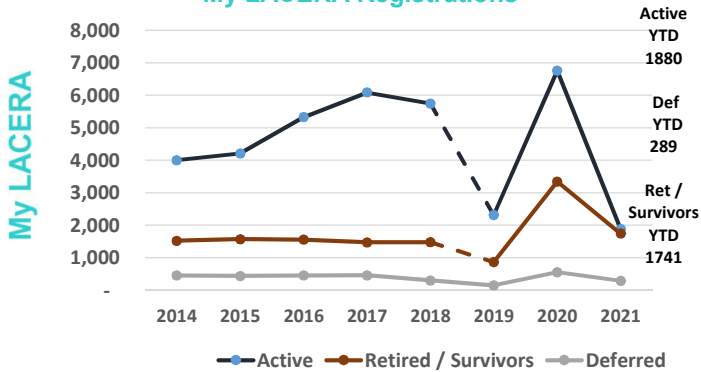
### Appeals

**92**

**In Process As Of:**  
**3/31/2021**

91 Pending on: 2/28/2021  
2 Received  
10 Year-to-Date  
1 Admin Closed/Rule 32  
9 Year-to-Date  
0 Referee Recommended  
7 Year-to-Date  
0 Revised/Reconsidered for Granting  
1 Year-to-Date

### My LACERA Registrations

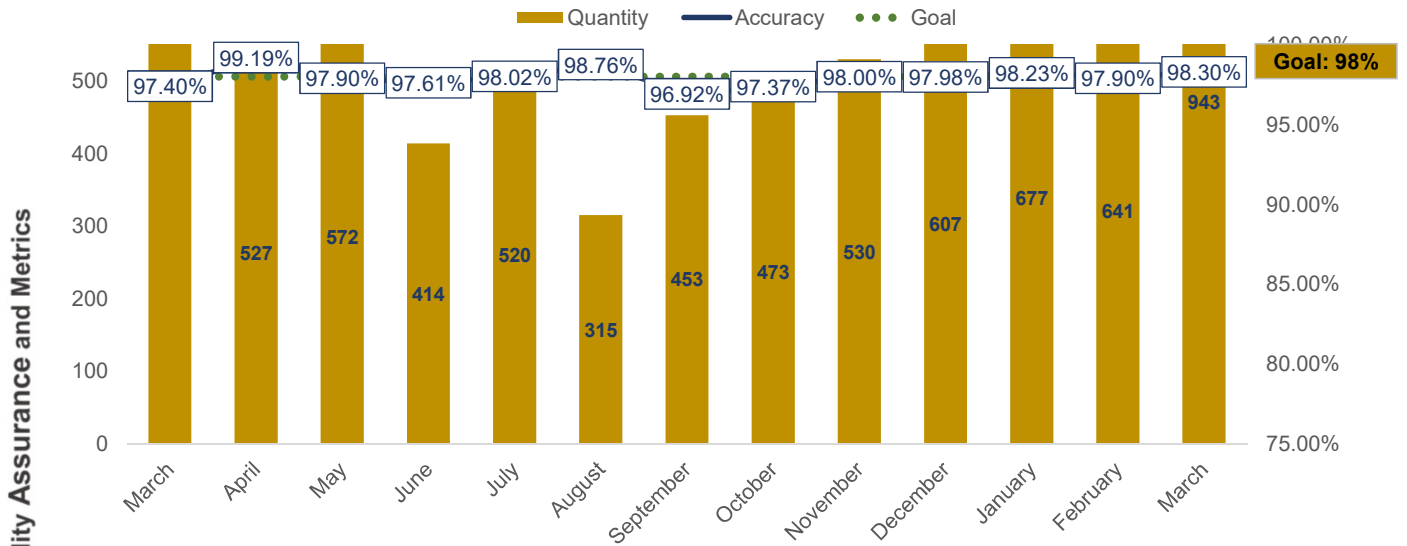


**COVID-19 NOTE**

Some Member Services, Retiree Healthcare, and Quality Assurance statistics became unavailable for a short time beginning in April 2020 due to COVID-19 impacts. Most of the data contained herein is up to date and based on current production both virtually and in the office. However, some data points such as surveys are based on six month average for survey scores prior to the pandemic.

## Striving for Excellence in Quality

### Audits of Retirement Elections, Payment Contracts, and Data Entry Completed by QA



\*Data for April 2020 is incomplete due to COVID-19 challenges. This is an estimated accuracy %

**March 2021**



**98.30%**

#### Retirement Elections

**759** Samples  
**97.37%** Accuracy

#### Payment Contracts

**94** Samples  
**98.56%** Accuracy

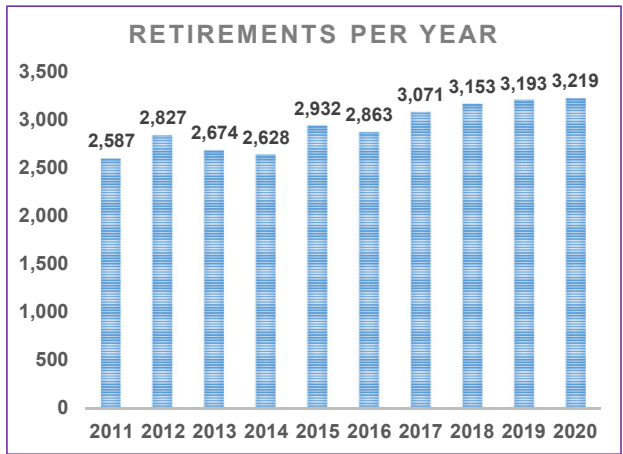
#### Data Entry

**90** Samples  
**98.96%** Accuracy



## Member Snapshot

	Members as of 04/14/2021				
	Plan	Active	Retired	Survivors	Total
<b>General</b>	Plan A	81	15,085	4,269	<b>19,435</b>
	Plan B	20	667	68	<b>755</b>
	Plan C	24	426	65	<b>515</b>
	Plan D	38,922	17,653	1,657	<b>58,232</b>
	Plan E	15,651	13,951	1,375	<b>30,977</b>
	Plan G	32,030	90	9	<b>32,129</b>
	<b>Total General</b>	<b>86,728</b>	<b>47,872</b>	<b>7,443</b>	<b>142,043</b>
<b>Safety</b>	Plan A	2	4,874	1,624	<b>6,500</b>
	Plan B	8,944	6,684	335	<b>15,963</b>
	Plan C	4,459	13	0	<b>4,472</b>
	<b>Total Safety</b>	<b>13,405</b>	<b>11,571</b>	<b>1,959</b>	<b>26,935</b>
<b>TOTAL MEMBERS</b>	<b>100,133</b>	<b>59,443</b>	<b>9,402</b>	<b>168,978</b>	
<b>% by Category</b>	<b>59%</b>	<b>35%</b>	<b>6%</b>	<b>100%</b>	



### Average Monthly Benefit Allowance Distribution March 2021

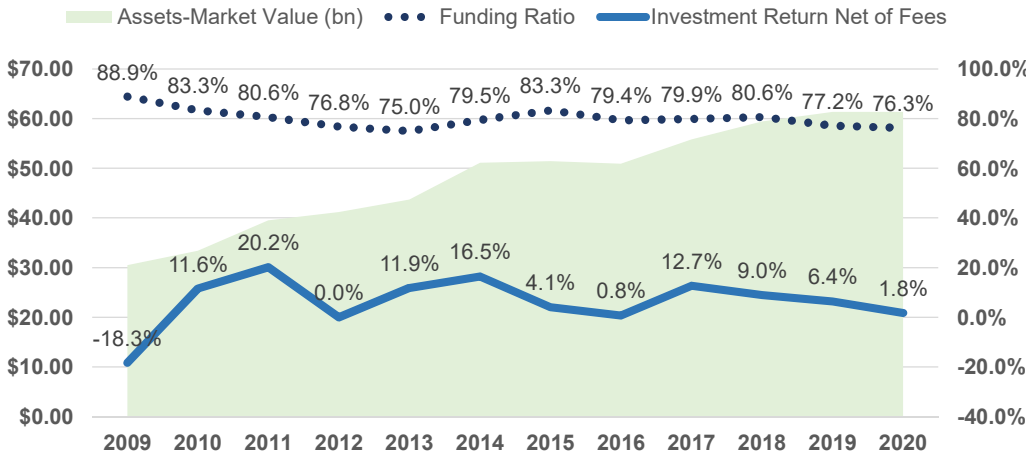
	General	Safety	Total	%
\$0 to \$3,999	29,722	1,698	31,420	52.51%
\$4,000 to \$7,999	13,327	3,474	16,801	28.08%
\$8,000 to \$11,999	3,641	4,264	7,905	13.21%
\$12,000 to \$15,999	996	1,760	2,756	4.61%
\$16,000 to \$19,999	329	341	670	1.12%
\$20,000 to \$23,999	100	111	211	0.35%
\$24,000 to \$27,999	24	27	51	0.09%
> \$28,000	18	3	21	0.04%
<b>Totals</b>	<b>48,157</b>	<b>11,678</b>	<b>59,835</b>	<b>100%</b>

**Average Monthly Benefit Allowance: \$ 4,484.00**

Healthcare Program		Healthcare Enrollments	
(Mo. Ending: 03/31/2021)		(Mo. Ending: 03/31/2021)	
	Employer	Member	
Medical	425.7	33.2	Medical 52,151
Dental	34.0	3.3	Dental 53,593
Part B	56.0	0	Part B 35,734
LTC			LTC 585
<b>Total</b>	<b>515.7</b>	<b>36.5</b>	<b>Total 142,063</b>

## Key Financial Metrics

### Fiscal Year End Financial Update (as of 06/30/2020)



### Funding Metrics (as of 6/30/20)

Employer NC	10.89%
UAAL	14.85%
Assumed Rate	7.00%
Star Reserve	\$614m
Total Assets	\$58.5b

### Contributions (as of 6/30/20)

	Employer	Member
Annual Add	\$1.8b	\$659.3m
% of Payroll	24.64%	7.80%

### TOTAL FUND RETURN (Net of Fees)

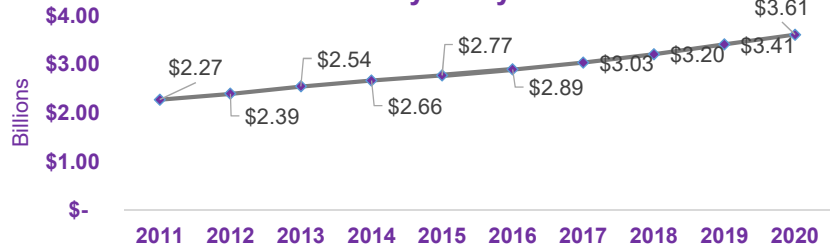
**5 YR: 6.1%    10 YR: 8.2%**

### Retired Members Payroll

(As of 03/31/2021)

Monthly Payroll	\$319.41m
Payroll YTD	\$2.8b
New Retired Payees Added	408
Seamless %	97.30%
New Seamless Payees Added	3,090
Seamless YTD	96.83%
By Check %	2.00%
By Direct Deposit %	98.00%

### Retiree Payroll by Year



Date	Conference
<b>May, 2021</b>	
10	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual
11-14	SACRS Spring Conference Virtual
17-20	IFEBP (International Foundation of Employment Benefit Plans) Washington Legislative Update Virtual
23-26	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference Denver, CO <i>IN-PERSON EVENT CANCELLED</i>
<b>June, 2021</b>	
14-18	Investment Strategies & Portfolio Management ( <i>prev. Pension Fund &amp; Investment Mgmt.</i> ) Wharton School, University of Pennsylvania LIVE Virtual
22-24	AHIP (America’s Health Insurance Plans) Institute Virtual
25	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual
28-30	IFEBP (International Foundation of Employment Benefit Plans) Public Employee Benefits Institute San Diego, CA
<b>July, 2021</b>	
12-23	Government Finance Officers Association (GFOA) Annual Conference 2021 Virtual Conference
13-15	Pacific Pension Institute (PPI) North American Summer Roundtable Virtual
<b>September, 2021</b>	
17	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual ( <i>subject to change in venue</i> )
22-24	National Association of Securities Professionals (NASP) 32nd Annual Pension & Financial Services Conference Virtual
22-24	Council of Institutional Investors (CII) Fall Conference Virtual/Limited In-Person Attendance
28 – October 1	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Governance for Trustees Virtual ( <i>subject to change in venue</i> )

# Chief Investment Officer Monthly Report

Board of Investments

May 19, 2021



Jonathan Grabel   
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

# Table of Contents

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1. Market Environment
2. Portfolio Performance and Risk Updates
3. Portfolio Structural Updates
4. Key Initiatives and Operational Updates
5. Commentary
6. Appendix
  - Compliance Monitor



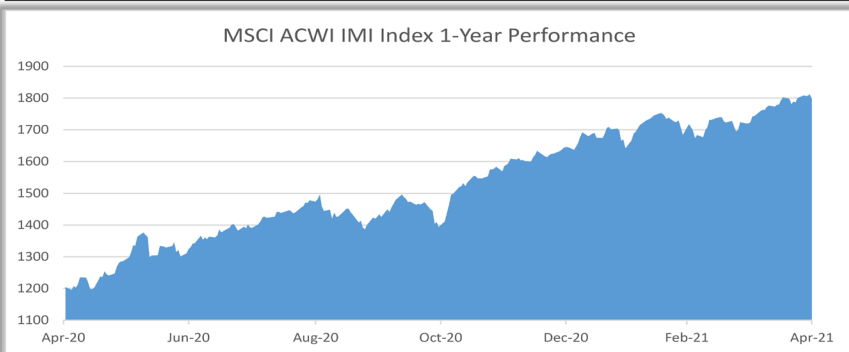
# Market Environment



# Global Market Performance as of April 30, 2021

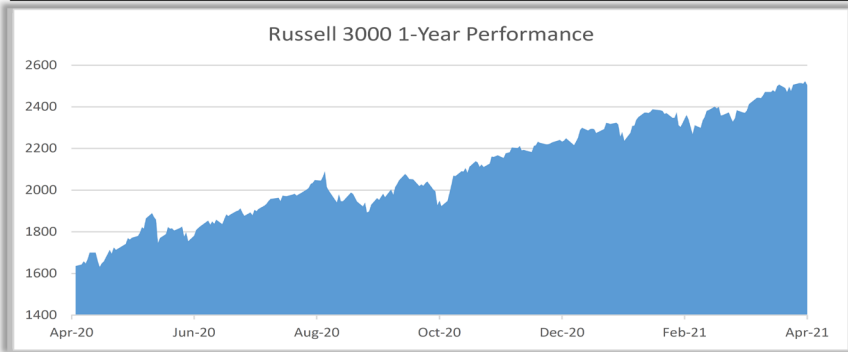
## MSCI ACWI Index (Global Equity Market)\*

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
4.3	9.9	9.7	48.1	13.1	13.8	9.2



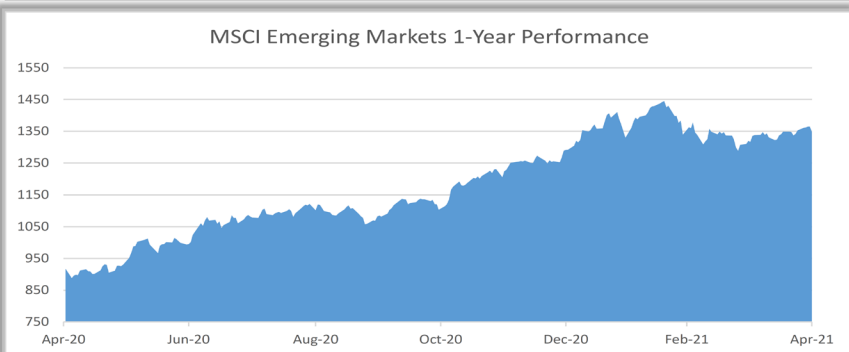
## Russell 3000 Index (U.S. Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
5.2	12.3	11.8	50.9	19.0	17.7	14.0



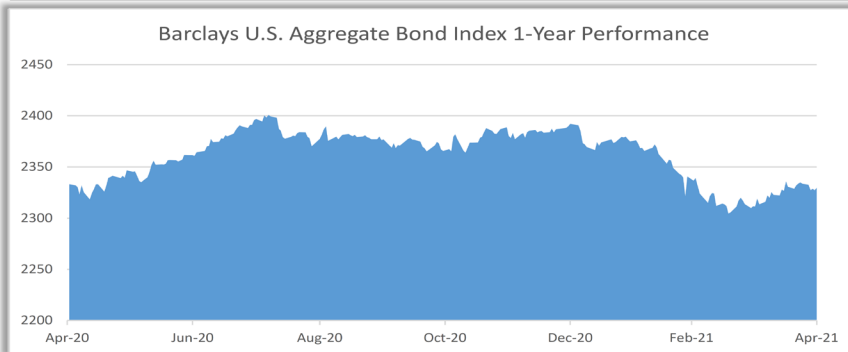
## MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
2.5	1.7	4.8	48.7	7.5	12.5	3.6



## Barclays U.S. Aggregate Bond Index\*\*

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
0.8	-1.9	-2.6	-0.3	5.2	3.2	3.4



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

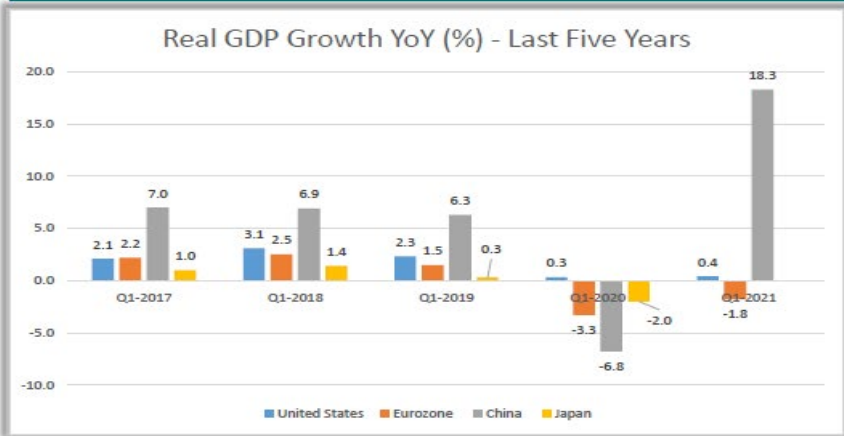
\*\*Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Source: Bloomberg

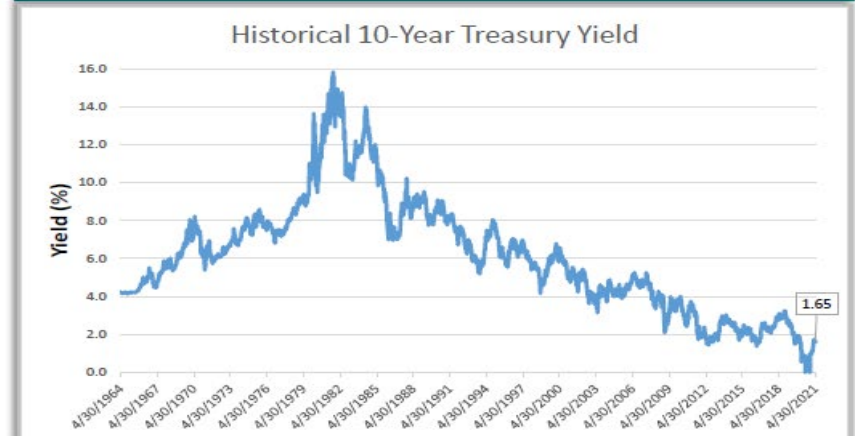


# Key Macro Indicators\*

## GDP Growth of Major Economies<sup>1</sup>



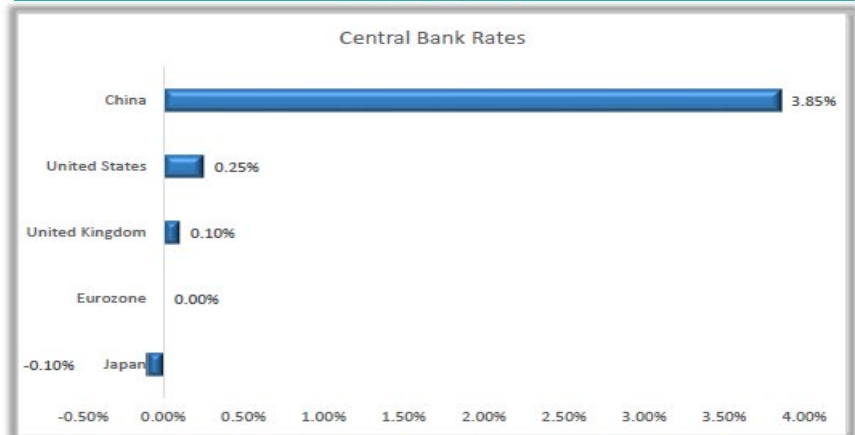
## Historical Low for 10-Year Treasury Yield<sup>2</sup>



## World Equity Valuation<sup>3</sup>



## Central Bank Rates<sup>4</sup> (as of 4/30/2021)



\*The information on the "Key Macro Indicators" charts is the best available data as of 4/30/21 and may not reflect the current market and economic environment. Japan 1Q2021 GDP data not yet available.

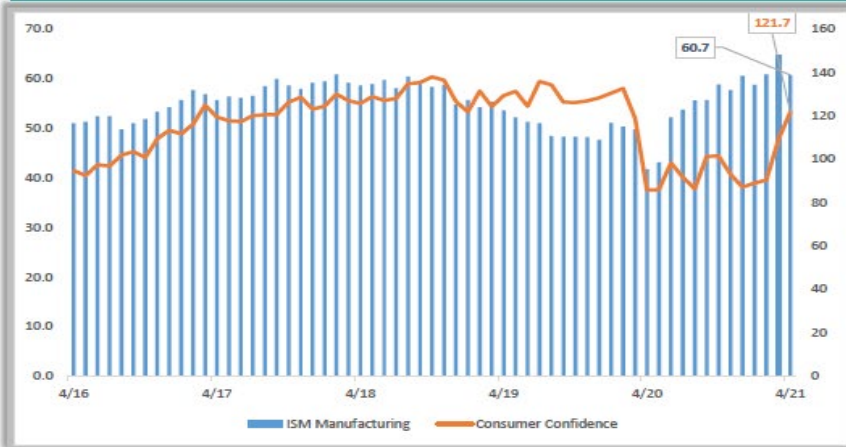
Sources: 1. Bloomberg 3. FactSet  
2. St. Louis Federal Reserve 4. FactSet



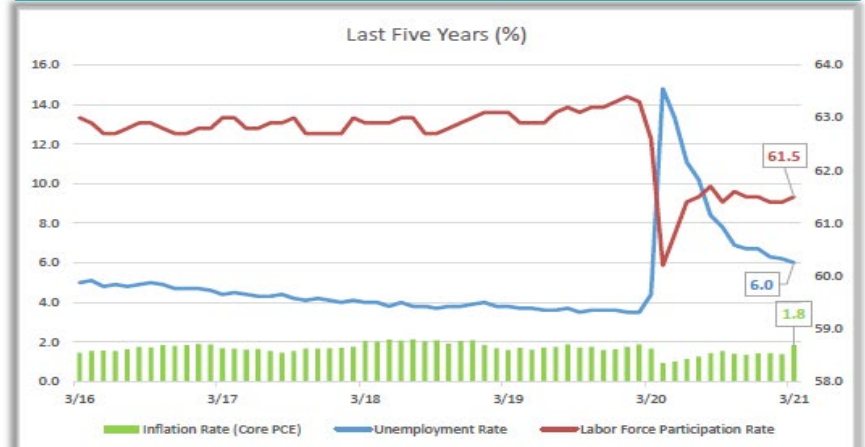


# Key Macro Indicators\*

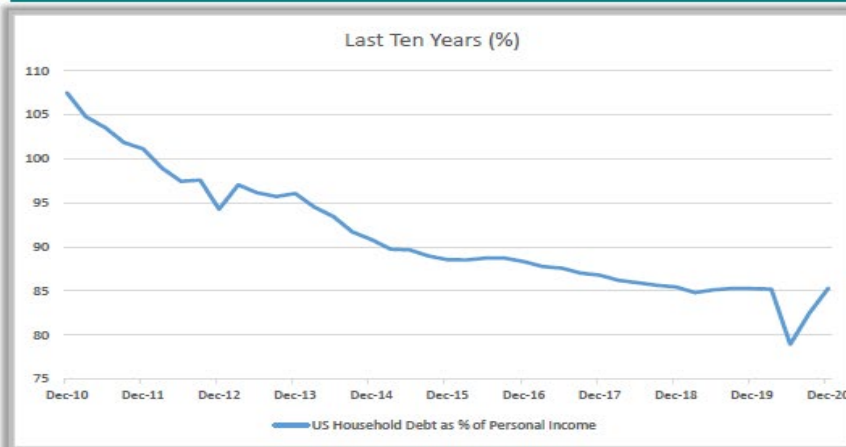
## Consumer Confidence & ISM Manufacturing<sup>1</sup>



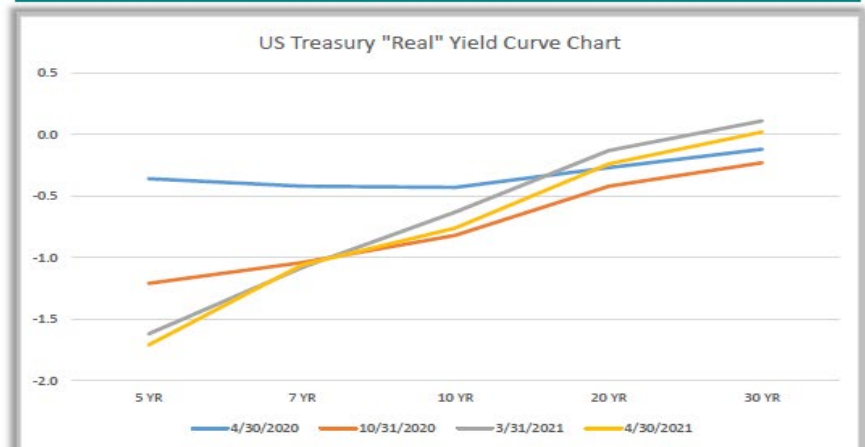
## U.S. Inflation, Unemployment, & Labor Force Participation<sup>2</sup>



## U.S. Household Debt as % of Personal Income<sup>3</sup>



## U.S. Treasury "Real" Yield Curve<sup>4</sup>



Sources: 1. Bloomberg 3. Bloomberg  
2. Bloomberg 4. U.S. Treasury

\*The information on the "Key Macro Indicators" charts is the best available data as of 4/30/21 and may not reflect the current market and economic environment.



# Market Themes and Notable Items to Watch

## Recent Themes

- COVID-19
  - More than 150 million cases and 3.1 million deaths worldwide
  - Surge in cases in India (over 300,000 new cases each day during the last week of April)
  - Increase in vaccine options and availability
  - Over 30% of U.S. population has been fully vaccinated against the coronavirus
- The U.S. 10-year treasury yield ended April at 1.65%, up from 0.93% at the end of 2020
- Global equities up 4% during April
- Real gross domestic product in the U.S. increased at an annual rate of 6.4 percent in the first quarter of 2021
  - Driven by continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic
- \$2.3 trillion "American Jobs Plan" and \$1.8 trillion "Families Plan" unveiled in U.S.

## What to Watch

- COVID-19
- Global GDP growth rate
- Social equity and civil rights initiatives
- Unemployment and consumer spending
- Potential government infrastructure spending
- State of liquidity across financial markets
- Inflation pressures and trends
- Geopolitical risks and trade arrangements
- Potential continued rising interest rates
- Economic and consumer behavior impacts as vaccination rates increase
- Central bank activity



# Portfolio Performance & Risk Updates

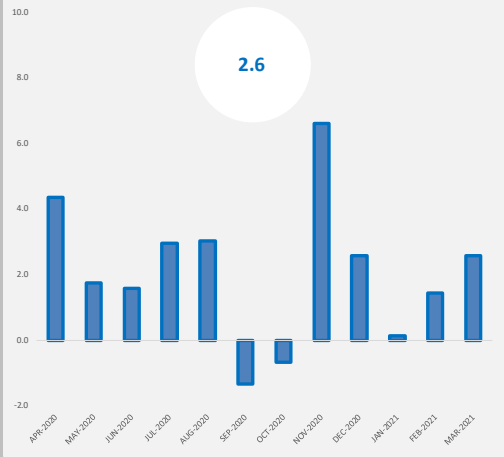


# Total Fund Summary

as of March 2021

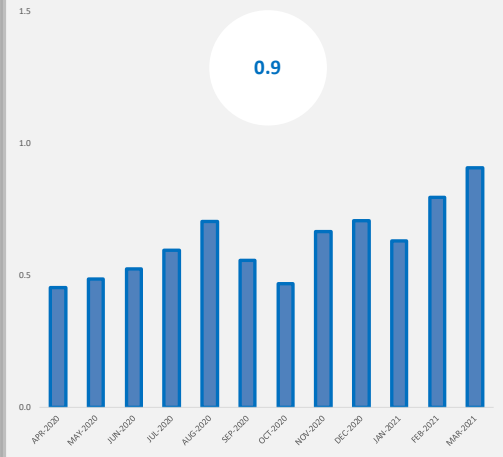
## Monthly Return

(% net)



## Sharpe Ratio

(3-Year Annualized)

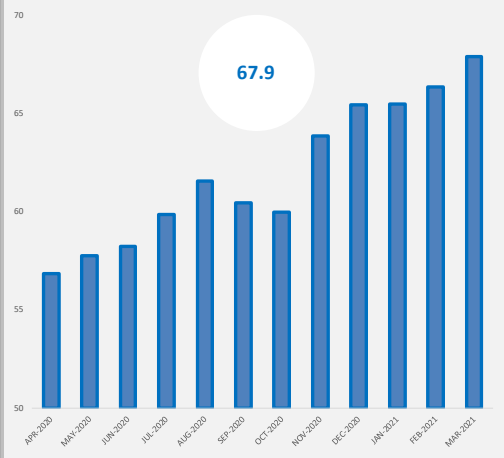


## Asset Allocation

	Market Value <sup>1</sup> (\$ millions)	% of Total	Final Target <sup>2</sup>
<b>TOTAL FUND</b>	<b>67,895</b>	<b>100.0%</b>	
<b>Growth</b>	<b>34,619</b>	<b>51.0%</b>	<b>47.0%</b>
Global Equity	25,094	37.0%	35.0%
Private Equity <sup>3</sup>	8,908	13.1%	10.0%
Opportunistic Real Estate <sup>4</sup>	616	0.9%	2.0%
<b>Credit</b>	<b>7,342</b>	<b>10.8%</b>	<b>12.0%</b>
High Yield	2,183	3.2%	3.0%
Bank Loans	2,589	3.8%	4.0%
Emerging Market Debt	852	1.3%	2.0%
Illiquid Credit <sup>3,4,5</sup>	1,718	2.5%	3.0%
<b>Real Assets &amp; Inflation Hedges</b>	<b>11,123</b>	<b>16.4%</b>	<b>17.0%</b>
Core & Value Added Real Estate <sup>5</sup>	4,535	6.7%	7.0%
Natural Resources & Commodities	2,824	4.2%	4.0%
Infrastructure	1,950	2.9%	3.0%
Treasury Inflation-Protected Securities	1,814	2.7%	3.0%
<b>Risk Reduction &amp; Mitigation</b>	<b>14,269</b>	<b>21.0%</b>	<b>24.0%</b>
Investment Grade Bonds	10,641	15.7%	19.0%
Diversified Hedge Fund Portfolio <sup>5</sup>	2,297	3.4%	4.0%
Cash	1,332	2.0%	1.0%
Overlay Composite <sup>6</sup>	541	0.8%	—

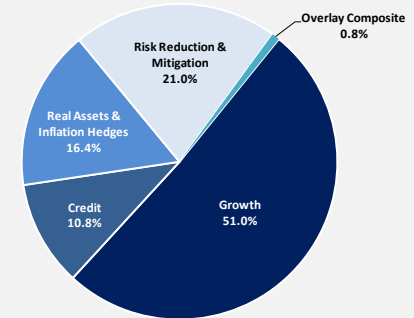
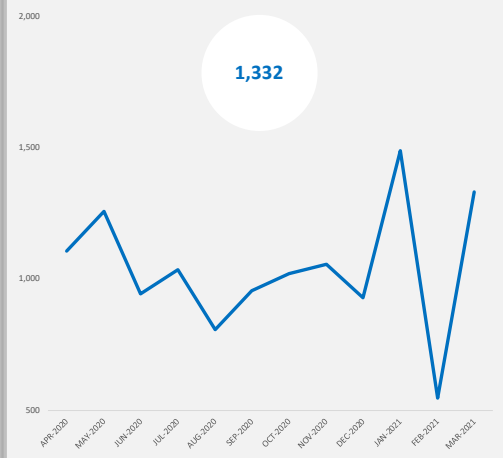
## Total Market Value

(\$ billions)



## Cash

(\$ millions)



1. Transition balances are included in each subcategory total, if applicable  
 2. Final target weights effective as of 10/1/19  
 3. Private Equity market values reflect latest available and are adjusted for cash flows

4. Real Estate market values reflect a 3-month lag and best available values  
 5. Hedge Fund market values reflect a 1-month lag  
 6. Reflects net cash position for overlay investing

# Historical Net Performance

as of March 2021

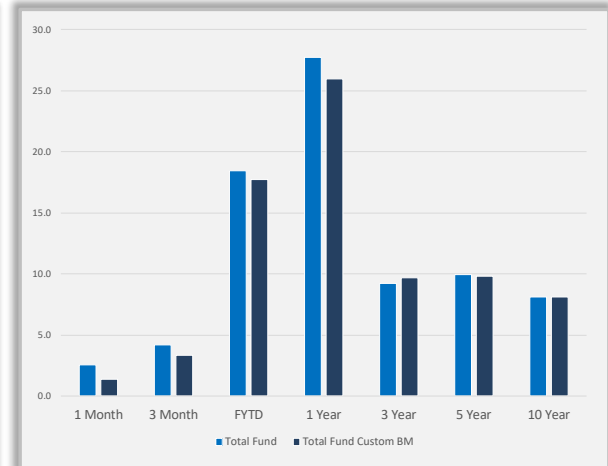
## LACERA Pension Fund

(% net)

	Market Value (\$ millions)	% of Total Fund	Final Target <sup>1</sup>	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>TOTAL FUND</b>	<b>67,895</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.6</b>	<b>4.2</b>	<b>18.4</b>	<b>27.7</b>	<b>9.2</b>	<b>10.0</b>	<b>8.1</b>
<i>Total Fund Custom BM</i>				<i>1.4</i>	<i>3.4</i>	<i>17.8</i>	<i>25.9</i>	<i>9.7</i>	<i>9.8</i>	<i>8.1</i>
<i>7% Annual Hurdle Rate</i>				<i>0.57</i>	<i>1.71</i>	<i>5.21</i>	<i>7.00</i>	<i>7.00</i>	<i>7.00</i>	<i>7.00</i>
<b>Functional Composites<sup>2</sup></b>				<b>1 Month</b>	<b>3 Month</b>	<b>FYTD</b>	<b>1 Year</b>			
<b>GROWTH</b>	<b>34,619</b>	<b>51.0%</b>	<b>47.0%</b>	<b>4.7</b>	<b>7.4</b>	<b>31.3</b>	<b>47.5</b>			
<i>Growth Custom BM</i>				<i>3.0</i>	<i>7.4</i>	<i>34.6</i>	<i>46.9</i>			
<b>CREDIT</b>	<b>7,342</b>	<b>10.8%</b>	<b>12.0%</b>	<b>1.2</b>	<b>3.3</b>	<b>14.6</b>	<b>20.5</b>			
<i>Credit Custom BM</i>				<i>-0.5</i>	<i>-0.2</i>	<i>7.4</i>	<i>16.3</i>			
<b>REAL ASSETS &amp; INFLATION HEDGES</b>	<b>11,123</b>	<b>16.4%</b>	<b>17.0%</b>	<b>1.5</b>	<b>3.5</b>	<b>10.3</b>	<b>14.7</b>			
<i>Real Assets &amp; Inflation Hedges Custom BM</i>				<i>1.3</i>	<i>3.5</i>	<i>10.2</i>	<i>17.1</i>			
<b>RISK REDUCTION &amp; MITIGATION</b>	<b>14,269</b>	<b>21.0%</b>	<b>24.0%</b>	<b>-0.6</b>	<b>-1.9</b>	<b>0.9</b>	<b>3.9</b>			
<i>Risk Reduction &amp; Mitigation Custom BM</i>				<i>-1.0</i>	<i>-2.6</i>	<i>-1.4</i>	<i>1.0</i>			
<b>OVERLAY COMPOSITE</b>	<b>541</b>	<b>0.8%</b>	<b>—</b>							

## Historical Returns

(% net)



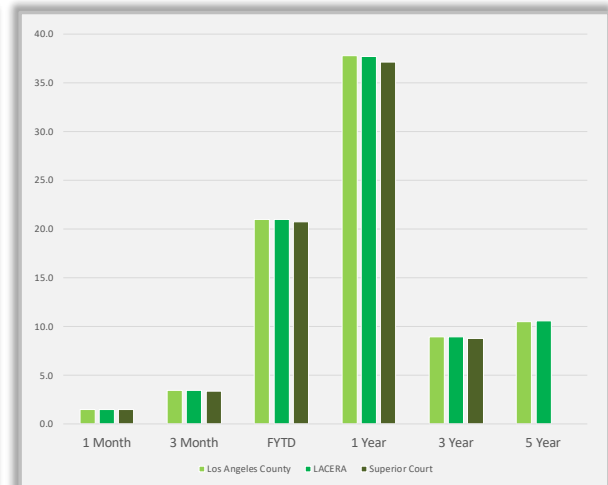
## OPEB Master Trust Fund

(% net)

Sub-Trusts	Market Value (\$ millions) <sup>3</sup>	Trust Ownership %	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
<b>TOTAL OPEB MASTER TRUST</b>	<b>2,052</b>								
Los Angeles County	1,989	97.0%	—	1.5	3.5	21.0	37.8	9.0	10.5
LACERA	8	0.4%	—	1.5	3.5	21.0	37.7	9.0	10.5
Superior Court	55	2.7%	—	1.5	3.4	20.8	37.1	8.8	—
<b>Functional Composites</b>				<b>1 Month</b>	<b>3 Month</b>	<b>FYTD</b>	<b>1 Year</b>	<b>3 Year</b>	
<b>OPEB Growth</b>	<b>1,025</b>	<b>50.0%</b>	<b>50.0%</b>	<b>2.6</b>	<b>5.2</b>	<b>31.7</b>	<b>57.9</b>	<b>12.2</b>	
<i>Custom OPEB MT Growth Pool</i>				<i>2.6</i>	<i>5.1</i>	<i>31.5</i>	<i>57.6</i>	<i>11.9</i>	
<b>OPEB Credit</b>	<b>412</b>	<b>20.1%</b>	<b>20.0%</b>	<b>-0.6</b>	<b>-0.5</b>	<b>8.3</b>	<b>17.9</b>	<b>—</b>	
<i>Custom OPEB MT Credit Pool</i>				<i>-0.6</i>	<i>-0.2</i>	<i>9.3</i>	<i>20.1</i>	<i>—</i>	
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>408</b>	<b>19.9%</b>	<b>20.0%</b>	<b>1.8</b>	<b>5.9</b>	<b>19.1</b>	<b>27.3</b>	<b>—</b>	
<i>Custom OPEB MT RA &amp; IH Pool</i>				<i>1.8</i>	<i>5.9</i>	<i>19.1</i>	<i>27.3</i>	<i>—</i>	
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>206</b>	<b>10.1%</b>	<b>10.0%</b>	<b>-1.0</b>	<b>-2.7</b>	<b>-1.6</b>	<b>0.9</b>	<b>4.4</b>	
<i>Custom OPEB MT RR &amp; M Pool</i>				<i>-1.0</i>	<i>-2.7</i>	<i>-1.7</i>	<i>0.7</i>	<i>4.2</i>	
<b>Operating Cash</b>	<b>0.3</b>	<b>0.0%</b>	<b>—</b>						

## Historical Returns

(% net)

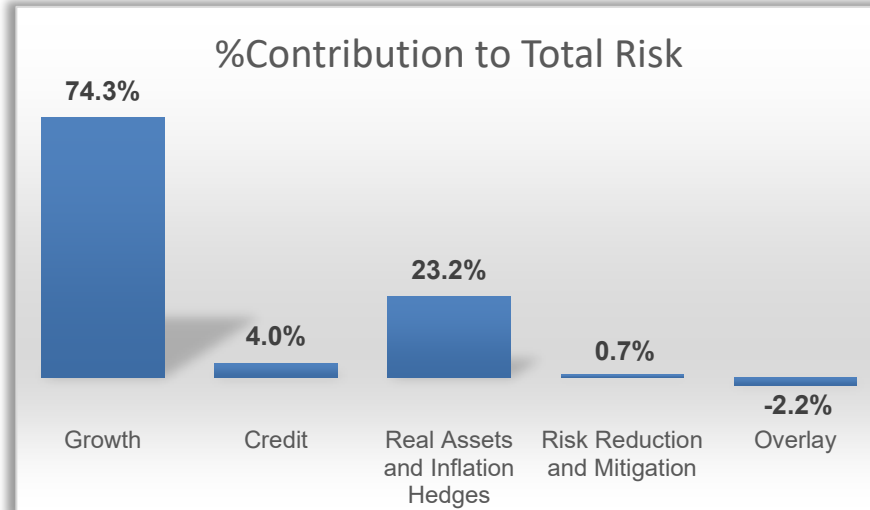


1. Final target weights effective as of 10/1/19  
2. Functional composites were adopted on 4/1/19

3. Market value differences between the sub-trusts and functional composites are due to operational cash

# Total Fund Forecast Risk\*

as of March 2021



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
<b>Total Fund</b>			<b>14.4</b>	<b>13.0</b>
<b>Growth</b>	<b>51.1%</b>	<b>74.3%</b>	<b>21.5</b>	<b>21.5</b>
Global Equity	37.2%	51.9%	20.9	21.2
Private Equity	13.0%	21.5%	28.2	28.9
Opportunistic Real Estate	0.9%	1.0%	23.7	21.3
<b>Credit</b>	<b>10.9%</b>	<b>4.0%</b>	<b>6.2</b>	<b>5.1</b>
High Yield Bonds	10.9%	4.0%	6.2	5.9
Bank Loans	3.8%	0.9%	5.5	6.9
Illiquid Credit	2.6%	1.3%	9.5	4.0
Emerging Market Debt	1.3%	0.6%	10.3	9.1
<b>Real Assets &amp; Inflation Hedges</b>	<b>16.1%</b>	<b>23.2%</b>	<b>23.4</b>	<b>15.7</b>
Core & VA Real Estate	6.8%	13.9%	40.5	21.3
Natural Resources & Commodities	3.8%	4.6%	20.8	21.5
Infrastructure	2.9%	4.3%	23.3	23.5
TIPS	2.7%	0.3%	5.0	5.0
<b>Risk Reduction and Mitigation</b>	<b>21.1%</b>	<b>0.7%</b>	<b>3.5</b>	<b>3.1</b>
Investment Grade Bonds	15.8%	0.5%	4.3	4.0
Diversified Hedge Funds	3.3%	0.2%	4.9	0.2
Cash	2.0%	0.0%	0.0	0.2
<b>Overlay</b>	<b>0.8%</b>	<b>-2.2%</b>	<b>-</b>	<b>-</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is preliminary for lagged quarter 12/31/2020

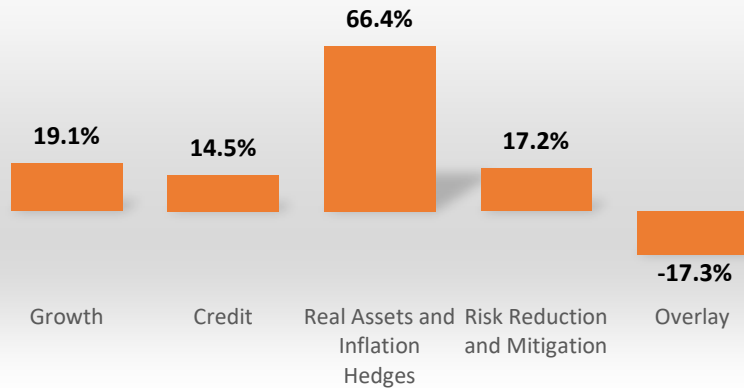
\*\*BMK Risk stands for Benchmark Risk



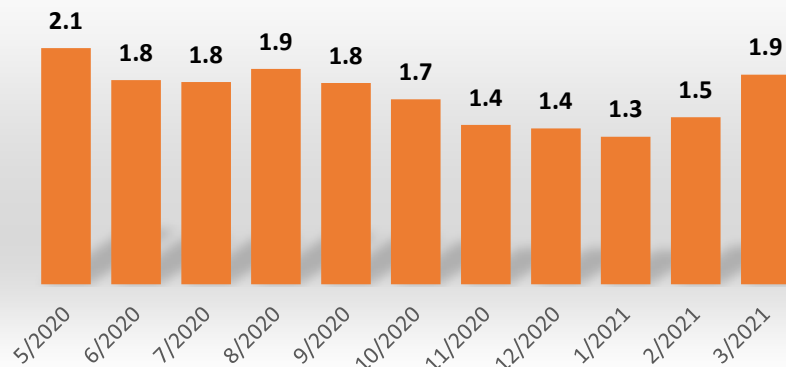
# Total Fund Forecast Active Risk\*

as of March 2021

## %Contribution to Active Risk



## Active Risk Trend



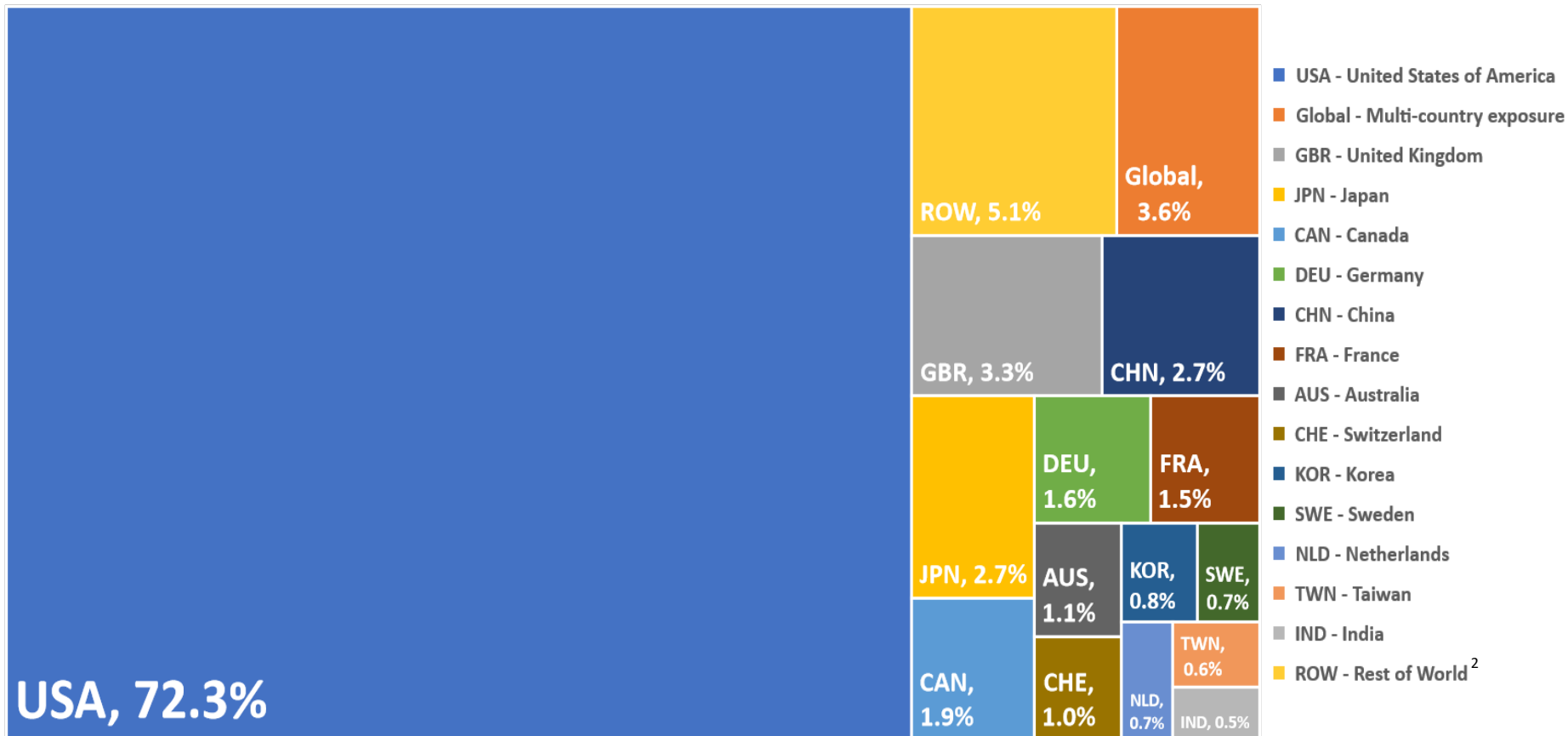
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
<b>Total Fund</b>			<b>1.87</b>	<b>0.28</b>	<b>1.59</b>
<b>Growth</b>	<b>51.1%</b>	<b>4.06%</b>	<b>0.36</b>	<b>0.25</b>	<b>0.11</b>
Global Equity	37.2%				
Private Equity	13.0%				
Opportunistic Real Estate	0.9%				
<b>Credit</b>	<b>10.9%</b>	<b>-1.09%</b>	<b>0.27</b>	<b>0.08</b>	<b>0.19</b>
High Yield Bonds	10.9%				
Bank Loans	3.8%				
Illiquid Credit	2.6%				
Emerging Market Debt	1.3%				
<b>Real Assets &amp; Inflation Hedges</b>	<b>16.1%</b>	<b>-0.87%</b>	<b>1.24</b>	<b>-0.02</b>	<b>1.26</b>
Core & VA Real Estate	6.8%				
Natural Resources & Commodities	3.8%				
Infrastructure	2.9%				
TIPS	2.7%				
<b>Risk Reduction and Mitigation</b>	<b>21.1%</b>	<b>-2.93%</b>	<b>0.32</b>	<b>0.28</b>	<b>0.04</b>
Investment Grade Bonds	15.8%				
Diversified Hedge Funds	3.3%				
Cash	2.0%				
<b>Overlay</b>	<b>0.8%</b>	<b>0.83%</b>	<b>-0.32</b>	<b>-0.32</b>	<b>0.00</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is preliminary for lagged quarter 12/31/2020



# Geographic Exposures by AUM\* - Total Fund

as of March 2021 ex-overlay



\*AUM = assets under management

<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is preliminary for lagged quarter 12/31/2020

<sup>2</sup> "ROW - Rest of World" is sum of countries with weight below 0.5%

<sup>3</sup> Geographic exposure is based on the domicile country of a given security/asset

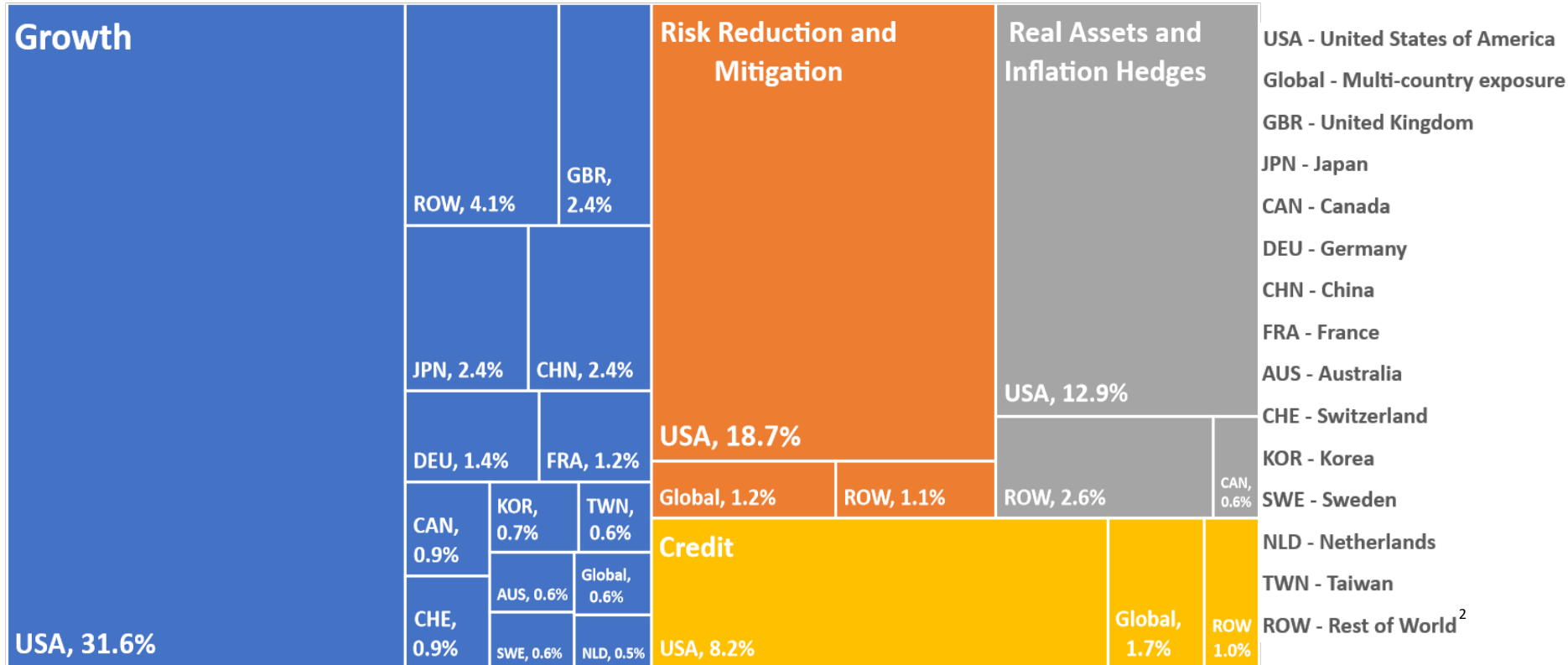




# Geographic Exposures by AUM\* - Asset Categories

as of March 2021 ex-overlay

■ Growth ■ Risk Reduction and Mitigation ■ Real Assets and Inflation Hedges ■ Credit



\*AUM = assets under management

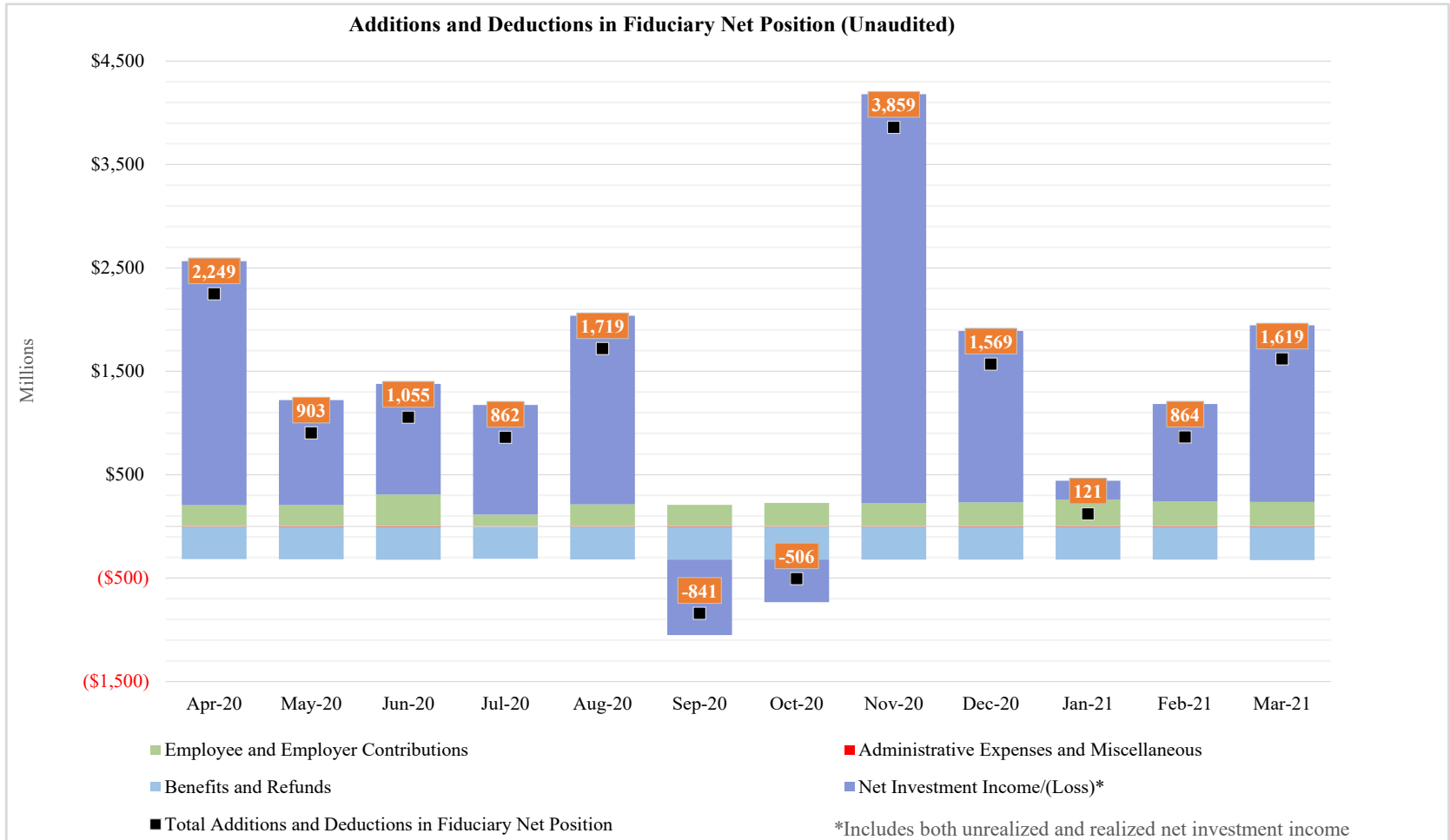
<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is preliminary for lagged quarter 12/31/2020

<sup>2</sup> "ROW - Rest of World" is sum of countries with weight below 0.5%

<sup>3</sup> Geographic exposure is based on the domicile country of a given security/asset



# Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-19	4	8	\$1.9 billion
FY-20	5	7	-
FY-21	2	8	\$9.3 billion



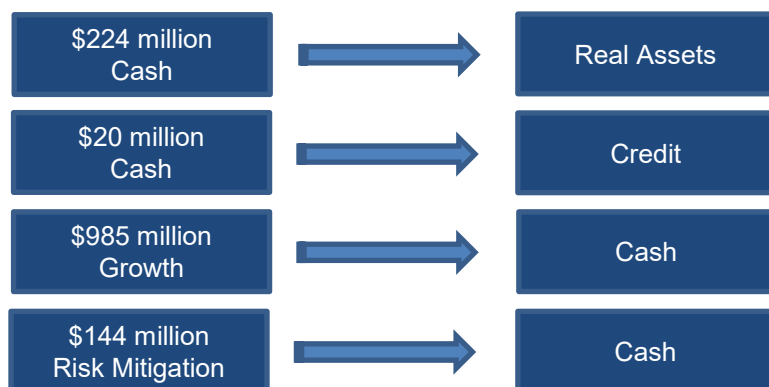
# Portfolio Structural Updates



# Portfolio Structural Updates

## Portfolio Movements

### Rebalancing Activity



### Hedges and Overlays

Program	March Return	March Gain/Loss	Inception* Gain/Loss
Currency Hedge**	1.2%	-\$22.8 Million	\$793.8 Million
Cash/Rebalance Overlay***	-1.5%	-\$57.6 Million	-\$33.1 Million

## Current Search Activity

### Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
Private Equity Advisor Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Anticipated Summer 2021

### Quiet Period for Search Respondents

#### Private Equity Advisor Services

- ✓ Albourne America LLC
- ✓ StepStone Global LLC
- ✓ Wilshire Associates Inc

\*Currency and overlay program inception dates are 8/2010 & 7/2019, respectively

\*\* LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches

\*\*\* LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts



# Key Initiatives and Operational Updates



# Notable Initiatives and Operational Updates

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## Key Initiative Updates

- Onboarding process of new risk system continues
- Ongoing implementation and development of LACERA TIDE initiative
- Strategic Asset Allocation Study is ongoing
- Chief Investment Officer Jonathan Grabel was named to the Technical Asset Owner Advisory Committee of the Principles for Responsible Investment

## Completed Actions

- The real estate administrator onboarding process has been completed
- The new performance system onboarding process has been completed

## Operational Updates

- Completed the Annual Contract Compliance exercise for public markets
- Investments formed a “Back To Office” working group
- Financial Analyst III search
  - Credit

## Manager/Consultant Updates

- No material updates for this month’s report



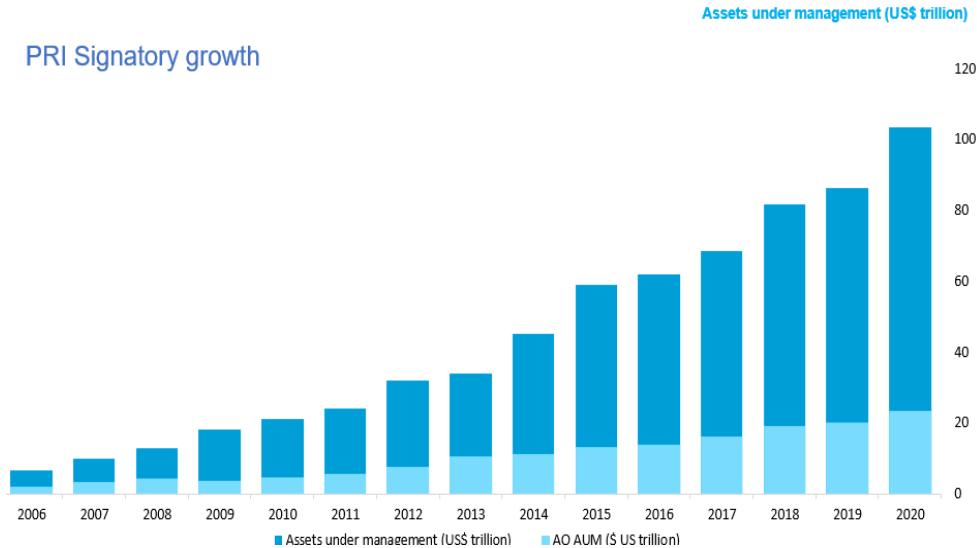
# Commentary



# Staff Chart of the Month\*

## Importance of ESG Integration *Process* versus *Product*

PRI Signatory growth

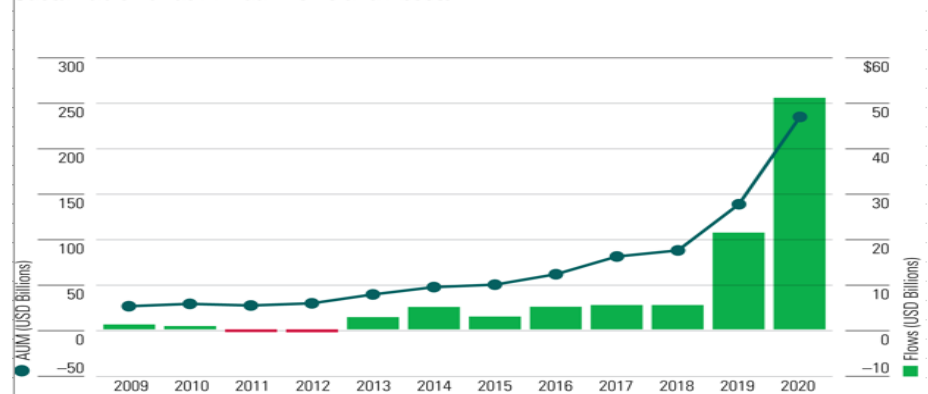


Assets of PRI signatories committed to evaluating ESG throughout investments has risen to about US\$120 trillion in 15 years

Meanwhile, assets in “sustainable” funds represent only a fraction of total PRI assets committed to evaluating ESG in investment process

“Process” versus “product” not necessarily mutually exclusive

Sustainable Funds Annual Flows and Assets



Source: Morningstar. Data as of 12/31/2020.  
Includes Sustainable Funds as defined in Sustainable Funds U.S. Landscape Report, Feb. 2020.  
Includes funds that have been liquidated; does not include funds of funds.





# Staff Chart of the Month\*

## Are Managers Trying to Replace Active Fee Loss?

Figure 2: Cumulative flows: US equities

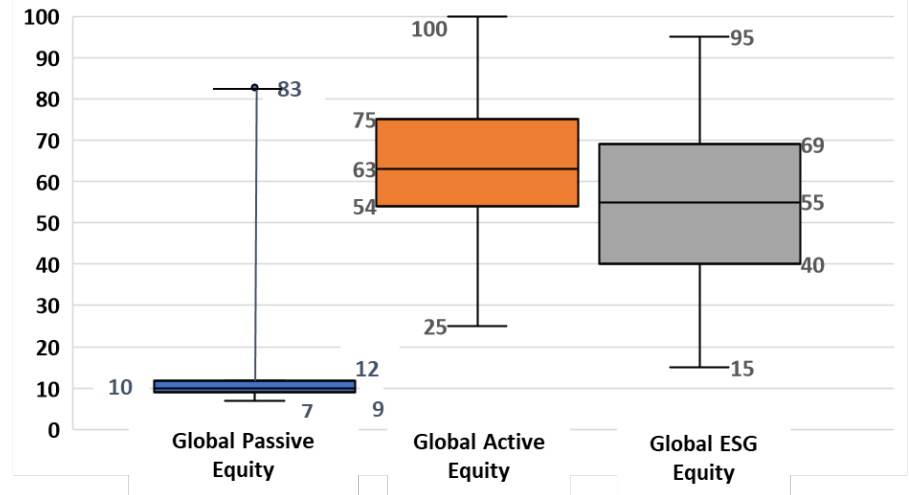


Source: BofA Global Research, EPFR Global

Meanwhile assets have shifted out of active mandates and into passive strategies

ESG “labeled” funds have wide dispersion of fees, with many resembling “active” fees

Fee Quartiles in basis points for \$100 million mandate



Analysis using eVestment database



# Appendix



# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of March 2021\*

## LACERA PENSION FUND

12

### GROWTH

Total # of Advisory

#### GROWTH

##### Global Equity

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- Emerging Manager Program
- # of Sudan/Iran Holdings Held by Managers

Quarterly Review Status	# of Advisory	Notes
✓		
✓		
✓		
✓	11	11 issuers held, totaling \$29.2 mm in market value.

##### Private Equity - Growth\*\*

- Asset Allocation Policy Compliance
- Guideline Compliance by Strategy
- Guideline Compliance by Geographic Location
- Investment Exposure Limit

Quarterly Review Status	# of Advisory	Notes
✓	1	above 7-13% policy range by 0.1% at March period-end; back within range 4/21/21
✓		
✓		
✓		

##### Opportunistic Real Estate\*\*

(See Real Assets & Inflation Hedges - Core & Value Added Real Estate section)

0

### CREDIT

Total # of Advisory

#### CREDIT

##### High Yield, Bank Loans, EM Debt, Illiquid Credit\*\*

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- Emerging Manager Program
- # of Sudan/Iran Holdings Held by Managers

Quarterly Review Status	# of Advisory	Notes
✓		
✓		
✓		
✓		

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of March 2021\*

## LACERA PENSION FUND

2

### REAL ASSETS & INFLATION HEDGES

Total # of Advisory

#### REAL ASSETS & INFLATION HEDGES

##### Core & Value Added Real Estate\*\*

- Asset Allocation Policy Compliance
- Guideline Compliance by Strategy (Core/Non-Core)
- Guideline Compliance by Manager
- Guideline Compliance by Property Type
- Guideline Compliance by Geographic Location
- Guideline Compliance by Leverage

Quarterly Review Status	# of Advisory	Notes
✓		
✓		
✓		
✓		
✓		
✓	2	Two value-add mandates are above 65% LTV limit; Both mandates make up less than 0.05% of total fund and one manager was terminated 1/21/2021

##### Natural Resources & Commodities\*\*\*

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓		
✓		
✓		

##### Infrastructure

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓		
✓		
✓		

##### TIPS

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓		
✓		
✓		

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of March 2021\*

## LACERA PENSION FUND

1

### RISK REDUCTION & MITIGATION

Total # of Advisory

RISK REDUCTION & MITIGATION	Quarterly Review Status	# of Advisory	Notes
<b>Investment Grade Bonds</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
Emerging Manager Program	✓		
# of Sudan/Iran Holdings Held by Managers	✓	1	1 issuer held, totaling \$2.6 mm in market value.
<b>Diversified Hedge Funds**</b>			
Asset Allocation Policy Compliance	✓		
Portfolio Level Compliance	✓		
HFOF Manager Guideline Compliance	✓		N/A as the GSAM & GCM diversified HF portfolios are currently winding down
Direct Portfolio Manager Guideline Compliance	✓		
<b>Cash</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of March 2021\*

## INVESTMENT OPERATIONS

6

### INVESTMENT OPERATIONS

Total # of Advisory

INVESTMENT OPERATIONS	Quarterly Review Status	# Advisory	Notes
<b>Securities Lending</b>			
Investment Guideline Compliance	✓		
\$ Value on Loan	✓	1	GSAL \$432.7 mm; State Street \$1245.3 mm
\$ Value of Cash Collateral	✓	1	GSAL \$442.7 mm; State Street \$1,308.7 mm
Total Income - Calendar YTD	✓	1	GSAL \$0.5 mm; State Street \$2.4 mm
<b>Total Fund Overlay</b>			
Investment Guideline Compliance	✓		
<b>Proxy Voting</b>			
Number of Meetings Voted	✓	1	1,207 meetings voted
<b>Tax Reclaims</b>			
Total Paid Reclaims - Calendar YTD	✓	1	\$104,716
Total Pending Reclaims	✓	1	\$14.4 mm
<b>Fee Validation</b>			
Fee Reconciliation Project	✓		
AB 2833	✓		
<b>Investment Manager Meetings****</b>			
Manager Meeting Requests	✓		

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of March 2021\*

## OPEB MASTER TRUST

Functional Asset Categories	Quarterly Review Status	# Advisory	Notes
(Growth, Credit, Inflation Hedges, Risk Reduction & Mitigation)			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		

\* This list is not exhaustive as various compliance processes are completed throughout the year. Each quarter, different items may appear on the compliance monitor.

\*\* Represents the comprehensive Private Equity (3-month lag), Real Estate (3-month lag), Illiquid Credit (1- and 3-month lags), and Hedge Funds (1-month lag) programs across the total plan.

\*\*\* Investment guideline compliance based on public market exposure

\*\*\*\* Advisory noted if the CEO or a Board member recommends staff to meet with a specific manager three or more times in a year. The purpose of notifying the activity is to promote transparency and governance best practices designed to preserve the integrity of the decision-making process.

May 11, 2021

TO: Trustees – Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

Jude Pérez   
Principal Investment Officer

FOR: May 19, 2021 Board of Investments Meeting

SUBJECT: **STRATEGIC ASSET ALLOCATION – LACERA PENSION TRUST**

### RECOMMENDATION

Staff recommends the Board of Investments (“Board” or “BOI”) approve Strategic Asset Allocation (“SAA”) option B, on page 7 of Meketa Investment Group’s presentation and within **Chart 1** of this memorandum, for the LACERA Pension Trust (“Pension Trust”).

### SUMMARY

The remainder of this memorandum describes how the recommended option B is a prospective improvement to the current BOI-approved strategic asset allocation (“Policy Allocation”) and balanced when considering allocation options, portfolio characteristics, and any implementation challenges. This recommendation is the result of incorporating Board feedback and evaluating the merits of alternatives for the past several months. Select topics considered and observations about allocation B are noted below.

- Allocation B is a diversified portfolio consistent with LACERA’s Investment Beliefs;
- Provides a greater probability of achieving LACERA’s 7.00% target return compared to LACERA’s current allocation, modeled using December 31, 2020, portfolio weights, and current Policy Allocation, given model constraints;
- Delivers a higher expected Sharpe ratio<sup>1</sup> and expected return adjusted for risk and net of fees;
- Is a mix of assets that the LACERA team could implement in the coming months and years; and
- Maintains a sufficient degree of liquidity to accommodate expenses and benefit payments.

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<sup>1</sup> Sharpe ratio measures excess return per unit of volatility or risk compared to the risk-free rate.



## BACKGROUND

One of the BOI's core responsibilities is setting LACERA's SAA, as part of a regular, periodic review and consistent with LACERA policies. The SAA is the key driver of long-term risk and returns for the Pension Trust, and therefore, is a vital component as LACERA pursues its mission to produce, protect, and provide the promised benefits. Furthermore, LACERA's Investment Beliefs express two key tenants on SAA:

- 1. Long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes; and**
- 2. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection**

Per the Investment Policy Statement ("IPS"), comprehensive asset allocation studies are conducted every three to five years or at the request of the BOI. The objective of the SAA study is to evaluate the structure of the Pension Trust and to select an asset allocation that optimizes the risk and return quotients consistent with LACERA's investment goals and incorporates a long-term perspective of capital markets. With input from staff, Meketa Investment Group ("Meketa"), and asset category consultants, the SAA study enables the BOI to evaluate alternatives to the current Policy Allocation while considering LACERA's investment goals and the prevailing market conditions.

## COMMENTS

Over the past ten months, the BOI has deliberated over the Pension Trust's strategic asset allocation. Topics that have been discussed include, but were not limited to, the addition of a fifth functional category, asset-liability management, the effects the coronavirus pandemic has had on the economy and capital markets, how climate risks may impact the SAA, as well as the implications of investing in a low global interest rate environment. The BOI has also discussed potential ways to refine strategies such as risk mitigation, given the changes in market conditions since the previous SAA review, and participated in a survey to help design the objectives and framework for the SAA study.

At the March 2021 BOI meeting, the Board approved Meketa's capital market assumptions to be used in the asset allocation models for LACERA's Pension Trust. Following that approval, Meketa worked with staff and presented a review of the asset allocation process and potential asset allocation options to the BOI. These potential allocation options were discussed at the April 2021 BOI meeting in the context of considering relative risk tolerance levels and other preferences.

Attached is Meketa's presentation on the Pension Trust Asset Allocation Study. The five proposed asset allocation options are outlined on page 7 of Meketa's presentation.

Staff considers each proposed allocation option as additive to the current Policy Allocation that could enhance LACERA's investment objectives as defined in the IPS. There are attractive and less attractive aspects to each allocation option and, while balancing tradeoffs, staff views allocation B to be the most optimal. LACERA's Investment Beliefs, as mentioned above, expresses the core principles that can guide SAA decisions. These include "long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes" and "diversification across different risk factors is necessary for risk reduction." Consistent with these beliefs, allocation B, as modeled, is more diversified than the

current Policy Allocation and is expected to better mitigate losses without sacrificing long-term returns. Also, allocation B is modeled with a higher Sharpe ratio expectation (0.48) when compared to the current Policy Allocation (0.45), which represents improved risk-adjusted return expectations.

Compared to LACERA’s current actual allocation and current Policy Allocation, the proposed allocation options have greater diversification, including a new discrete allocation to Long-term Government Bonds. Credit has been consolidated to reduce granularity and allow for implementation flexibility, and a fifth functional category was added that will include the Pension Trust’s overlays and hedges. It should also be noted that Value-Added Real Estate has moved to the functional Growth category under Non-Core Private Real Estate. The weightings of each asset category for the current and proposed allocation options are detailed below within **Chart 1** and on page 7 of Meketa’s presentation.

**Chart 1**  
**Asset Allocation Policy Options**

	Current Policy	Actual Allocation	Higher Liquidity	Staff Recom.	More Barbell	Policy D	High Sharpe
Graph Label	CP	AA	A	B	C	D	E
Asset Allocation							
Growth	48%	52%	56%	53%	53%	54%	53%
Global Equity	35%	38%	38%	32%	32%	34%	32%
Private Equity	10%	12%	14%	17%	18%	15%	16%
Non-Core Private Real Estate	3%	2%	4%	4%	3%	5%	5%
Credit	12%	11%	9%	11%	10%	14%	9%
Liquid Credit	9%	9%	4%	4%	3%	7%	4%
Illiquid Credit	3%	2%	5%	7%	7%	7%	5%
Real Assets and Inflation Hedges	16%	15%	15%	17%	17%	15%	18%
Core Private Real Estate	6%	6%	6%	6%	6%	5%	6%
Custom Natural Resources	4%	4%	2%	3%	3%	3%	4%
Custom Infrastructure	3%	3%	4%	5%	5%	5%	5%
TIPS	3%	2%	3%	3%	3%	2%	3%
Risk Reduction and Mitigation	24%	22%	20%	19%	20%	17%	20%
Investment Grade Bonds	19%	18%	9%	7%	6%	7%	7%
Custom Hedge Funds	4%	3%	5%	6%	6%	4%	6%
Long-term Government Bonds	0%	0%	5%	5%	7%	5%	6%
Cash Equivalents	1%	2%	1%	1%	1%	1%	1%
Overlays and Hedges	0%	0%	0%	0%	0%	0%	0%
Cash Overlay	0%	0%	0%	0%	0%	0%	0%
Currency Hedge	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%
Semi-liquid Assets	11%	10%	13%	15%	15%	12%	14%
Illiquid Assets	19%	20%	26%	32%	32%	31%	32%
Expected Return	6.2%	6.2%	6.9%	7.0%	7.0%	7.0%	7.1%
Expected Volatility	11.3%	11.7%	12.2%	12.4%	12.3%	12.6%	12.4%
Sharpe Ratio	0.45	0.44	0.47	0.48	0.48	0.47	0.48

**Growth**

Staff observes that all the proposed allocation options have an increase to the Growth category. This is due to a couple of factors, including the addition of Value-Added Real Estate to the category. While Real Estate, in general, is comprised of multiple strategies with widely varying risk and return profiles, given forward-looking expectations, Value-Added Real Estate may be better positioned in the Growth

category given its relatively higher correlation to Growth. The other factors leading to an increase in Growth include a higher allocation in Private Equity, which can mostly be attributed to expectations of attractive relative returns from Private Equity that could be funded from a reduction in Global Equity and Investment Grade Bonds. LACERA's IPS states that Growth investments are "to be the primary driver of long-term total returns" and an increase to this category is designed to seek returns in a low-interest-rate environment.

### Credit

The Credit category in the proposed allocation options, when compared to the current Policy Allocation, represents a reduction in allocation in four of the five allocation alternatives. However, all the options include an increase in Illiquid Credit and a decrease in Liquid Credit. Illiquid Credit is relatively more attractive than Liquid Credit in today's market environment, with Illiquid Credit having 20-year expected returns nearly 3% higher. The increased allocation to Illiquid Credit, as modeled, increases the risk-adjusted returns of not only the category but the Pension Trust as well. Also, across all proposed allocation options, the sub-asset categories in Credit (which currently has discrete categories for Bank Loans, High Yield, and Emerging Market Debt) are consolidated to Liquid Credit to reduce granularity and give the asset category broader flexibility regarding implementation. This framework is consistent with the other functional asset categories. Increasing the allocation to Illiquid Credit and simplifying the Liquid Credit implementation should benefit the Credit portfolio's likelihood of achieving its objective "to produce current income and moderate long-term total returns" as identified in the IPS and while considering the current market environment.

### Real Assets

For the Real Assets category, two of the recommended portfolio options show a reduction to the overall category while the other three have a small increase when compared to the current Policy Allocation. For portfolio B, Real Assets includes an increase of 1%, with Infrastructure going from 3% to 5% and Natural Resources decreasing to 3% from 4%. It should be noted that the Real Assets category includes opportunistic-green strategies to help in LACERA's effort of developing a climate-aware portfolio. LACERA's IPS articulates the role of Real Assets "to provide income as well as a hedge against inflation." Both Infrastructure and Natural Resources investments are likely to benefit the asset category objectives and the adjustment to apportionment is suggested after considering both market and implementation opportunities.

### Risk Mitigation

Compared to the current Policy Allocation, Risk Mitigation, of the four functional categories, has the largest reduction in allocation across all portfolio options. This is due to a low-rate environment and the possibility of lower returns from core Investment Grade Bonds, which were modeled with a 20-year expected return of 1.8%. In today's interest rate environment, it is difficult for LACERA to meet its 7.00% return target with a 19% allocation to Investment Grade Bonds, as exists in the current Policy Allocation. To allow this asset category to provide capital-efficient diversification benefits and defensive characteristics relative to growth-like assets, Investment-Grade bonds have been reduced while Long-term Government Bonds have been added as a discrete category. Long-term Government Bonds provide a higher degree of balance and downside protection to growth-like assets compared to Investment Grade Bonds. The addition of Long-term Government Bonds provides the ability to balance increased Growth category investments with highly diversifying and interest rate sensitive assets in a capital-efficient manner. Also for portfolio B, the allocation to risk mitigation and diversifying Hedge Funds is increased. These moves help diversify across several strategies and reduce the reliance upon a single component. Thus, each strategy will react differently depending on the type and magnitude of a drawdown and allow

Risk Mitigation to properly reduce risk across the Pension Trust. Overall, the adjustments proposed within Risk Mitigation further advance the IPS objectives identified for the category as “provide moderate amounts of income by generating a modest level of return while also reducing total Fund risks.” Lastly, the potential adjustments still allow the category to uphold the IPS stated objective to “provide a source of liquidity for benefit payments.”

#### Individual Allocation Option Characteristics

While each allocation option has merit to potentially enhance to portfolio beyond the current Policy Allocation, individual characteristics of each option may be sub-optimal or challenging to implement, as noted below for options A, C, D, and E that are not being explicitly recommended as the first choice.

- Option A includes a meaningful decrease in Credit (from 12% to 9%), the highest target to Investment Grade Bonds (9%), and the lowest target to Illiquid Assets (26%), which may present challenges in a low-interest-rate environment. While the gap is small, this is the only portfolio that is not modeled to meet the 7% threshold using the 20-year capital market assumptions. It also has the highest probability among new options of experiencing negative returns across all time periods (Meketa’s presentation page 13 and **Chart 3** below).
- Option C includes a 7% allocation to Long-term Government Bonds, which is a large target for a new category and may represent too much of a change. Option C also calls for Private Equity to increase from 13% (actual as of March 31, 2021) to 18%. A 5% increase may be possible in the next 30 months, but given the less liquid nature of the asset category, a smaller increase may be a better next step.
- Option D has higher volatility relative to other options and has below average metrics for the probability of experiencing negative returns, worst case one-year returns, and value at risk (Meketa’s presentation pages 13 and 18). Option D stands out as having an allocation to Credit that is 3-5% higher than other allocation options, which may be less optimal in a low-interest-rate environment.
- Option E includes no change to Natural Resources (4%), a meaningful decrease in Credit (from 12% to 9%), and a larger than average allocation to a new category (Long-term Government Bonds at 6%). One aspect of the staff recommendation is the concept of keeping new asset categories at or below 5% such that the implementation is measured.

Option B is a good balance compared to other options when evaluating multiple dimensions including stress tests, degree of change, implementation challenges, expected risk and return outcomes, probability analyses, and liquidity profile. Potential downsides of option B are that it is tied for the highest level of Illiquid Assets (32%) and represents an increase in expected volatility compared to the current Policy Allocation. Both of these concepts are further discussed later in this memorandum and staff believes that corresponding increases in expected returns may justify option B having increased illiquidity and expected volatility.

#### Mean-Variance Optimization, Stress-Testing, and Probability Analysis

The changes to the asset categories themselves and shifts in the proposed allocation options mentioned above would help to make the Pension Trust more diversified when compared to the current Policy Allocation. This diversification may improve the probability of achieving LACERA’s 7.00% target return while lowering the probability of experiencing negative returns. As exhibited by return results

from Mean-Variance Optimization (“MVO”), Value at Risk, negative scenarios, and stress-tests analyses on pages 12 to 23 of Meketa’s presentation and **Chart 2** below, all of the proposed portfolios have a higher probability of achieving the target return of 7.0% than the current allocation and current Policy Allocation.

**Chart 2**  
**MVO-Based Risk Analysis: Probability of Achieving LACERA’s Target Return of 7%**

	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
1 Year	47.3	47.9	49.7	50.2	50.2	50.2	50.5
5 Years	44.0	45.3	49.3	50.5	50.6	50.4	51.0
10 Years	41.5	43.3	49.1	50.7	50.8	50.6	51.4
20 Years	38.0	40.6	48.7	51.0	51.1	50.9	52.0

The Recommended option B has better results compared to the current Policy Allocation and approximately average results compared to the shown allocation options when considering worst-case returns and the probability of experiencing negative returns. This analysis is also based on MVO and is the output is shown below in **Chart 3**. Again, option B can be described as balanced as its shows as neither the riskiest nor the least risky option. This concept of option B being balanced is also true when reviewing outcome expectations for historical negative scenarios (Meketa’s presentation page 20).

**Chart 3**  
**MVO-Based Risk Analysis: Worst Case Returns and Probability of Negative Returns**

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
<b>Worst Case Returns</b>							
One Year	-17.8	-18.7	-19.4	-19.5	-19.4	-19.7	-19.5
Five Years (annualized)	-5.7	-6.1	-6.2	-6.1	-6.1	-6.3	-6.1
Ten Years (annualized)	-2.5	-2.8	-2.7	-2.6	-2.6	-2.8	-2.6
Twenty Years (annualized)	-0.3	-0.4	-0.2	-0.1	-0.1	-0.2	-0.1
<b>Probability of Experiencing Negative Returns</b>							
One Year	31.0	31.5	30.9	30.5	30.4	30.7	30.4
Five Years	13.4	14.1	13.2	12.7	12.6	13.0	12.5
Ten Years	5.8	6.4	5.7	5.3	5.3	5.6	5.2
Twenty Years	1.3	1.6	1.3	1.1	1.1	1.2	1.1

Risk-Adjusted Returns

By including a diversified group of asset categories, the proposed allocation options provide more attractive return/risk quotients than the current Policy Allocation and may potentially result in better performance throughout a full market cycle. As presented on page 6 and 7 of Meketa’s presentation, allocation B has a standard deviation of 12.4% (a measure of portfolio risk) and Sharpe ratio of 0.48,

and the current Policy Allocation has a standard deviation of 11.3% and Sharpe ratio of 0.45. Allocation B improves the Sharpe ratio but does have a higher standard deviation and a higher return at 7.0% compared to 6.2%. While portfolio B does have a higher standard deviation, the higher returns allow for an increased Sharpe ratio, which can be interpreted as an increase of return per unit of risk when compared to the current Policy Allocation. The risk, return, and Sharpe ratio metrics within this paragraph represent expectations generated by the SAA study.

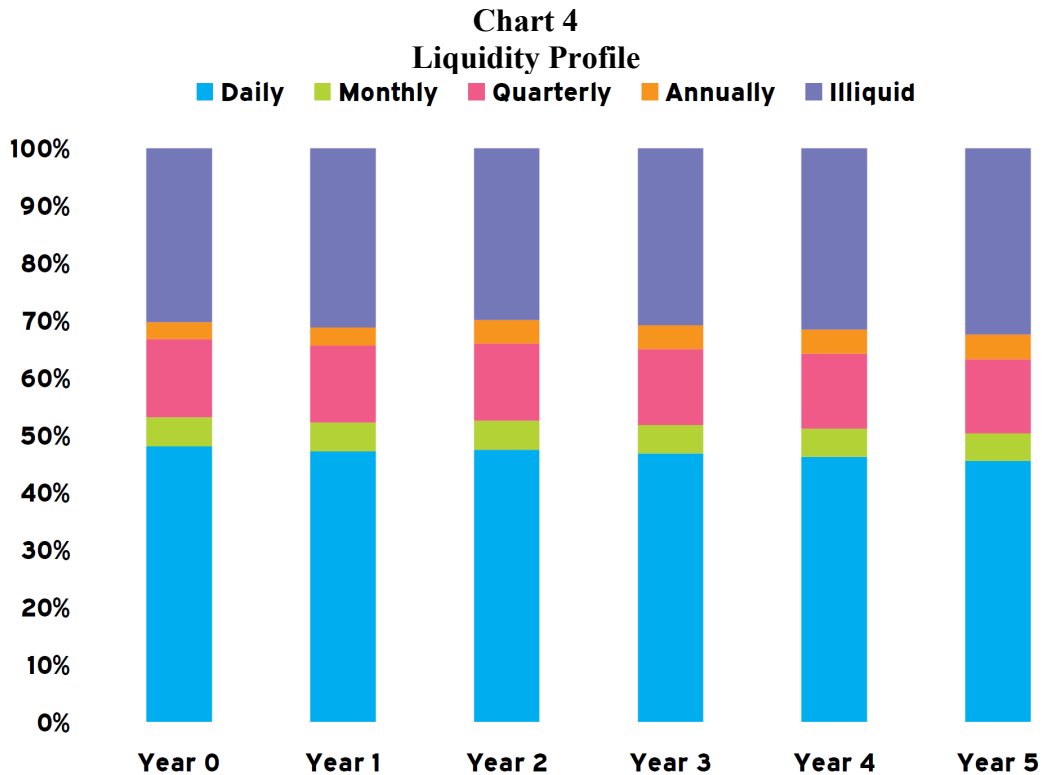
#### Increased Risks

Each new allocation option shown has an increased degree of risk in terms of variability of expected returns as measured by standard deviation, including the recommended allocation B. Additionally, each new allocation option has a higher degree of illiquidity compared to the current Policy Allocation. Both greater return variability risk and illiquidity risk are primarily driven by increased allocation to Growth and private asset categories. Consistent with LACERA's Investment Belief to "accept a prudent amount of risk to achieve its long-term target returns," we are seeking incremental compensation alongside potential increased risks. LACERA's ability to measure and assess risk across the Pension Trust is bolstered by the comprehensive risk system and current initiatives to increase portfolio transparency. Staff observes that the allocation options shown have higher return and Sharpe ratio expectations than the current Policy Allocation. Deliberately increasing portfolio breadth by incorporating new asset categories and considering potential rewards alongside potential incremental risks is consistent with LACERA's initiative to evolve as an investor beyond simply being an allocator.

#### Liquidity Profile

When looking at liquidity, the proposed allocation options decrease the quantity of highly liquid assets in the total Fund. When evaluating the merit and appropriateness of various levels of total Pension Trust liquidity, investment categories were conservatively classified as illiquid, semi-illiquid, and liquid. This overall state of portfolio liquidity was assessed alongside liquidity needs while using conservative assumptions and stress tests. We believe that each allocation alternative shown has sufficient liquidity to support future expenses and benefit payments. This can be seen on page 35 of Meketa's presentation and in **Chart 4** below. LACERA's ongoing monitoring and management of liquidity is benefitted by recently incorporated tools or initiatives including total portfolio risk assessments, enhanced portfolio transparency, upgraded administration service structures, and enhanced control from prospective dedicated managed account structures.





### CLIMATE SCENARIO CONSIDERATIONS

Consistent with LACERA’s work plan, the SAA study also developed and examined various financial risks and opportunities related to climate change to help inform the Trustees’ deliberation. The objective has been to provide additional insights on prospective forward-looking factors that may shape the risk/return profile of each SAA option so that LACERA’s SAA is positioned as “climate-aware,” meaning that it seeks to identify climate-related financial risks and opportunities according to available data and analytical tools as part of the deliberation process to determine the SAA.

LACERA worked with Meketa to develop scenarios that were presented to the Board of Investments in fall 2020, building from earlier staff presentations and analysis presented in 2019. Slides 24 through 32 of the attached provide Meketa’s latest iteration of research, applying the following scenarios to each allocation option:

- Temperature change scenarios: The financial implications of limiting warming to either 3.0 degrees Celsius or 1.5 degrees Celsius above pre-industrial temperatures, informed by the various physical impacts and implied policy measures constraining current trajectories.
- Policy change scenarios: The financial implications of a price on carbon being implemented over the next decade, assuming a uniform \$100/tCO<sub>2</sub>.
- Technological opportunities scenario: The financial consequences – including upside opportunities – of technological innovation reducing carbon intensity by an assumed rate of 3% per year.

Meketa’s analysis indicates each allocation option is projected to see moderate declines in expected returns under various climate scenarios, indicating that projected returns may be more difficult to achieve if climate scenarios’ underlying assumptions play out. It also indicates that various climate change factors may lead to greater volatility. Notably, each scenario indicates only modest variation among the allocation options being presented, as expected return impacts are mostly similar across the allocation options.

Meketa’s analyses indicate wide variability in outcomes, with several asset classes more heavily impacted than others. These results indicate the utility to also apply a careful climate lens to investment decisions on asset class structure reviews and implementation, particularly among asset classes where there is a notable range of impacts between financial risks and rewards illuminated through scenario analyses.

### **NEXT STEPS**

Should the Board approve any changes to the Pension Trust Asset Allocation, the expected implementation period for a new strategic asset allocation is six to thirty months, depending on both complexity and the underlying liquidity of asset categories. Subsequent to any Board SAA approval, Meketa and staff will present the BOI with an updated IPS that reflects the changes in target allocation, benchmarks, and rebalancing ranges. A timeline for implementation of the Pension Trust Asset Allocation is listed in **Table 1** below.

**Table 1**  
**Tentative Asset Allocation Implementation Timeline**

<b>Next Steps</b>	<b>Target Date for Completion</b>
Determine the appropriate target ranges and benchmarks for the Pension Trust Asset Allocation	June 2021
Update Investment Policy Statement	August 2021
Transition to updated Strategic Asset Allocation	July 2021 – June 2023

Staff will provide the Board with periodic status updates on the implementation process.

### **CONCLUSION**

LACERA’s 2021 SAA study for the Pension Trust has reached a point where five allocation options were presented with corresponding merits and potential challenges. Each allocation option is viable for LACERA and would augment the portfolio’s expected risk-adjusted returns. As articulated in this memorandum, staff is recommending that the Board approve SAA option B for the Pension Trust.



# Presentation to the Los Angeles County Employees Retirement Association

May 2021

## Strategic Asset Allocation Recommendations



# Los Angeles County Employees Retirement Association

## Strategic Asset Allocation

### Agenda

- Introduction and Objective
- Overview of Strategic Asset Allocations
- Asset-Liability Study
- Mean-Variance Optimization
- Risk Analysis
- Scenario Analysis
- Liquidity Analysis
- Recommendation and Next Steps



# Los Angeles County Employees Retirement Association

## Strategic Asset Allocation

### Introduction:

- The Board of Investments (“The Board”) is responsible for establishing investment policy and determining the asset allocation for the Pension Fund.
- LACERA’s Investment Beliefs state that “Long-term strategic asset allocation will be the primary determinant of LACERA’s risk/return outcomes.”
- Over the past several months, Meketa has made a number of presentations related to asset allocation including potential structure changes and the use of additional asset categories.
- At the March meeting, Meketa presented, and the Board approved, Meketa’s 2021 Capital Markets Expectations for use as the primary inputs for modelling and evaluating asset allocation policies.
- The asset allocation policies presented here were developed based on feedback from the Board and in collaboration with LACERA staff.

### Objective:

- Approval of a Strategic Asset Allocation from the Board.



# Los Angeles County Employees Retirement Association

## Strategic Asset Allocation

### Overview of Strategic Asset Allocations

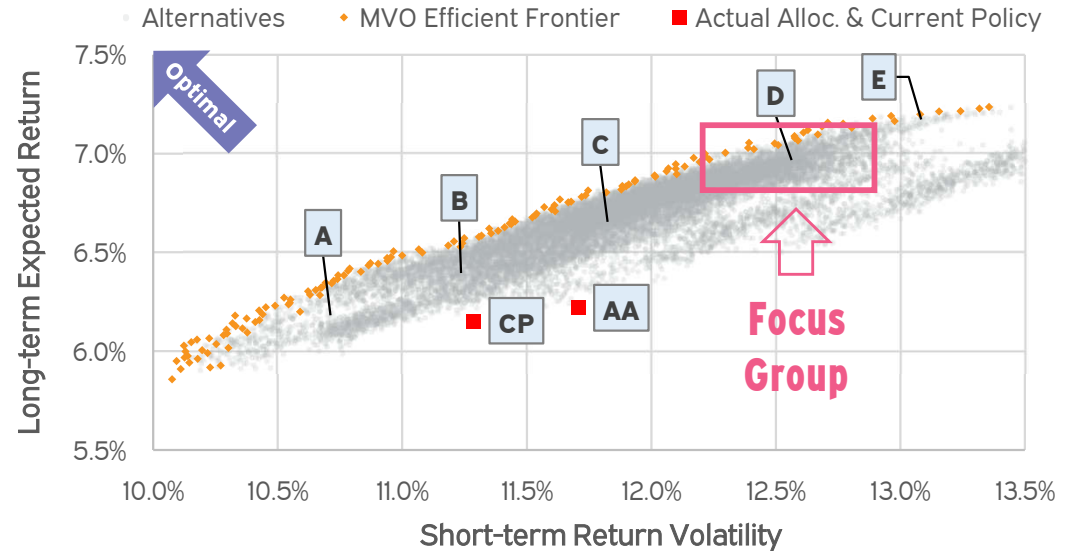
- **CP:** Current Policy.
- **AA:** Actual Allocation (12/31/2020).
- **Policy A: Higher Liquidity** = The policy is designed to optimize risk and return while maintaining a higher level of liquidity when compared to the other policies.
- **Policy B: Staff Recommendation** = The policy was developed to optimize “April’s Policy D” while balancing implementation considerations.
- **Policy C: More Barbell** = The policy adds incremental Long-term Government Bond exposure as an additional risk offset in negative equity scenarios.
- **Policy D:** = Policy D presented at the April Meeting (aka “the desired neighborhood”).
- **Policy E: High Sharpe** = The policy focuses primarily on maximizing the Sharpe ratio.



# Los Angeles County Employees Retirement Association

## Strategic Asset Allocation

- A mean-variance optimization provides a quick snapshot of the portfolio's long-term expected return (y-axis) and short-term return volatility (x-axis).
- The graph plots the expected return and volatility of 15,000 combinations of asset classes.
- Returns are forecasted for 20-years using Meketa's 2021 Capital Market Expectations.
- In the scatter-plot graph, the:
  - Red squares plot the risk/return profile of the Current Policy (CP) & Actual Allocation (AA) at 12/31/2020.
  - Orange diamonds represent the "efficient frontier", the asset allocations that minimize volatility at each return
  - Gray dots represent profiles of allocations that were evaluated but did not fall on the efficient frontier
- The labeled allocations A - E represent alternative portfolios that fall within Focus Group D.



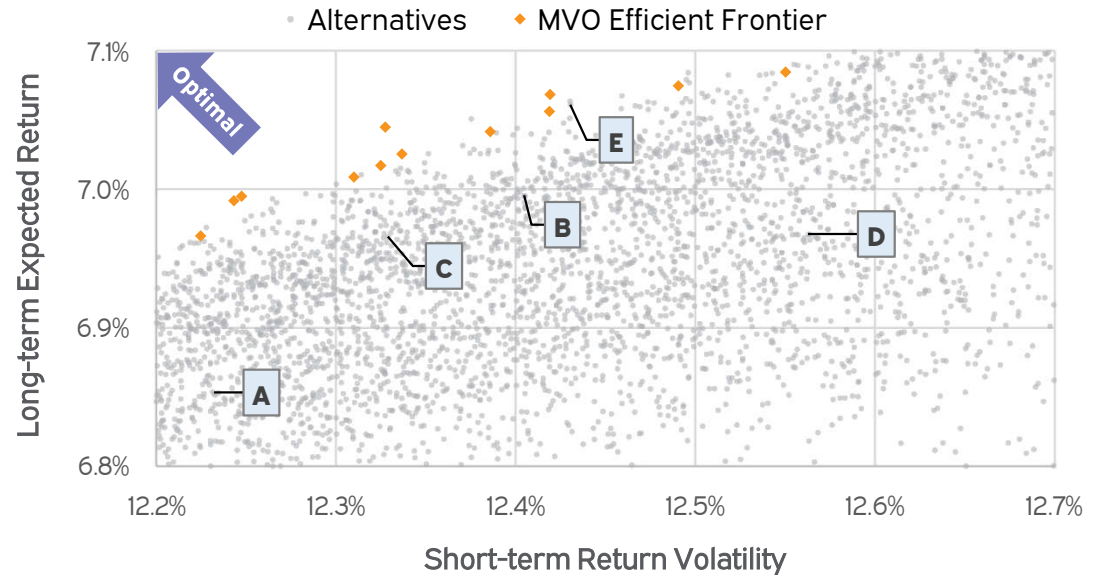
	Current Policy	Actual Allocation	Lower Risk & Return ← → Higher Risk & Return				
Graph Label	CP	AA	A	B	C	D	E
Asset Allocation							
Growth	48%	52%	45%	48%	51%	54%	56%
Credit	12%	11%	10%	12%	13%	14%	15%
Real Assets and Inflation Hedges	16%	15%	15%	15%	15%	15%	16%
Risk Reduction and Mitigation	24%	22%	30%	25%	21%	17%	13%
Total	100%	100%	100%	100%	100%	100%	100%
Expected Return	6.2%	6.2%	6.2%	6.4%	6.7%	7.0%	7.2%
Expected Volatility	11.3%	11.7%	10.7%	11.2%	11.8%	12.6%	13.1%



# Los Angeles County Employees Retirement Association

## Mean-Variance Optimization (MVO) – Efficient Frontier Focus Group

- The graph plots the expected return and volatility of portfolios which fall within the “focus group” area highlighted on the previous slide..
- The labeled allocations A - E represent alternative portfolios that fall on or near the MVO efficient frontier.
- Allocations A – E will be explored in detail in this presentation using a variety of lenses.
- In the scatter-plot graph, the:
  - Orange diamonds represent the “efficient frontier”, the asset allocations that minimize volatility at each return
  - Gray dots represent profiles of allocations that were evaluated but did not fall on the efficient frontier
- The table to the right shows summary statistics for each allocation including the current policy and allocation.
- Each of the focus group portfolios has expected returns in-line with LACERA’s actuarial return target of 7%.
- To achieve 7% based on Meketa’s 2021 CMEs involves accepting additional risk.



	Current Policy	Actual Allocation	Higher Liquidity	Staff Recom.	More Barbell	Policy D	High Sharpe
Graph Label	CP	AA	A	B	C	D	E
Asset Allocation							
Growth	48%	52%	56%	53%	53%	54%	53%
Credit	12%	11%	9%	11%	10%	14%	9%
Real Assets and Inflation Hedges	16%	15%	15%	17%	17%	15%	18%
Risk Reduction and Mitigation	24%	22%	20%	19%	20%	17%	20%
Expected Return	6.2%	6.2%	6.9%	7.0%	7.0%	7.0%	7.1%
Expected Volatility	11.3%	11.7%	12.2%	12.4%	12.3%	12.6%	12.4%
Sharpe Ratio	0.45	0.44	0.47	0.48	0.48	0.47	0.48
Semi-liquid Assets	11%	10%	13%	15%	15%	12%	14%
Illiquid Assets	19%	20%	26%	32%	32%	31%	32%



# Los Angeles County Employees Retirement Association

	Current Policy	Actual Allocation	Higher Liquidity	Staff Recom.	More Barbell	Policy D	High Sharpe
Graph Label	CP	AA	A	B	C	D	E
Asset Allocation							
Growth	48%	52%	56%	53%	53%	54%	53%
Global Equity	35%	38%	38%	32%	32%	34%	32%
Private Equity	10%	12%	14%	17%	18%	15%	16%
Non-Core Private Real Estate	3%	2%	4%	4%	3%	5%	5%
Credit	12%	11%	9%	11%	10%	14%	9%
Liquid Credit	9%	9%	4%	4%	3%	7%	4%
Illiquid Credit	3%	2%	5%	7%	7%	7%	5%
Real Assets and Inflation Hedges	16%	15%	15%	17%	17%	15%	18%
Core Private Real Estate	6%	6%	6%	6%	6%	5%	6%
Custom Natural Resources	4%	4%	2%	3%	3%	3%	4%
Custom Infrastructure	3%	3%	4%	5%	5%	5%	5%
TIPS	3%	2%	3%	3%	3%	2%	3%
Risk Reduction and Mitigation	24%	22%	20%	19%	20%	17%	20%
Investment Grade Bonds	19%	18%	9%	7%	6%	7%	7%
Custom Hedge Funds	4%	3%	5%	6%	6%	4%	6%
Long-term Government Bonds	0%	0%	5%	5%	7%	5%	6%
Cash Equivalents	1%	2%	1%	1%	1%	1%	1%
Overlays and Hedges	0%	0%	0%	0%	0%	0%	0%
Cash Overlay	0%	0%	0%	0%	0%	0%	0%
Currency Hedge	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Semi-liquid Assets	11%	10%	13%	15%	15%	12%	14%
Illiquid Assets	19%	20%	26%	32%	32%	31%	32%
Expected Return	6.2%	6.2%	6.9%	7.0%	7.0%	7.0%	7.1%
Expected Volatility	11.3%	11.7%	12.2%	12.4%	12.3%	12.6%	12.4%
Sharpe Ratio	0.45	0.44	0.47	0.48	0.48	0.47	0.48

All policies include the addition of “Value-Added Real Estate” to the Growth Functional Category

# **Asset-Liability Study**





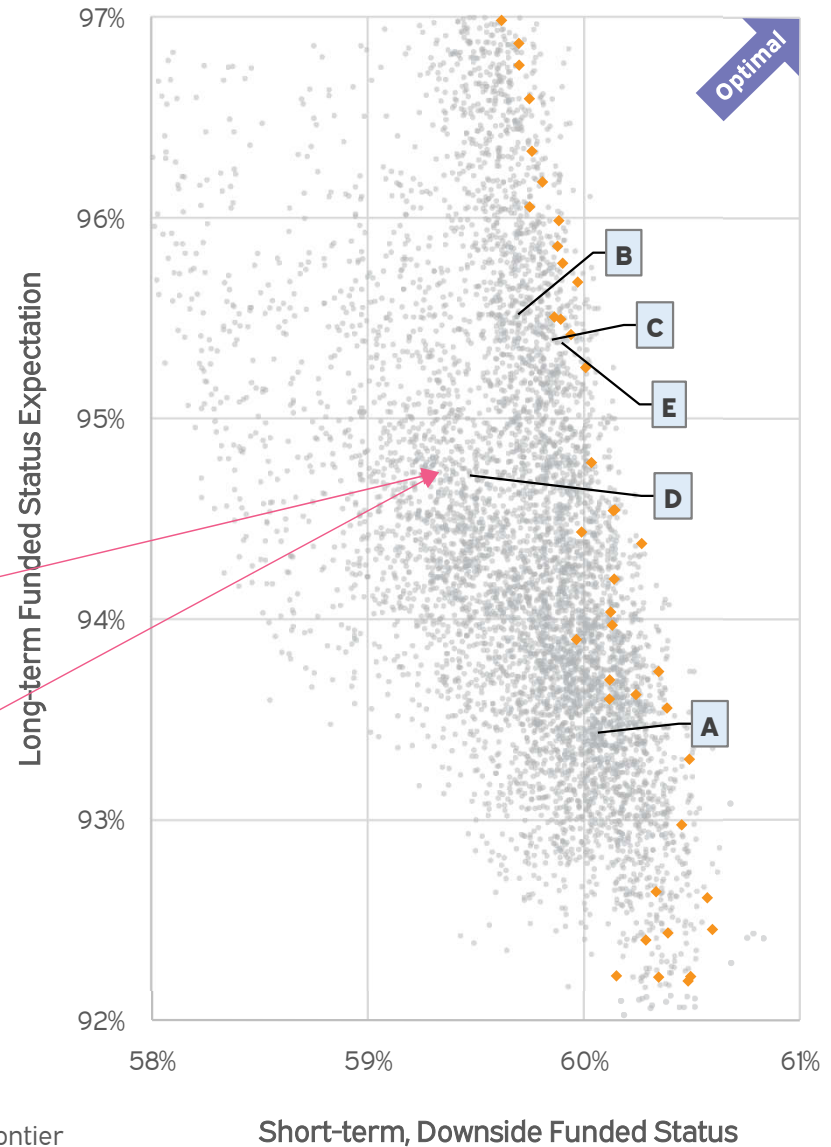
# Los Angeles County Employees Retirement Association

## Focus Group - Asset-Liability Study – Funded Status

- **y-axis** - long-term expectation (median)
- **x-axis** - short-term downside (5<sup>th</sup> percentile outcome).
- Portfolios nearest the top and right of the graph are considered relatively optimal.
- Current asset allocation is 87% on the y-axis and 61% on the x-axis.
- **Important note:** accrued liability projections assume a 7% rate of return regardless of the expected asset return.

This median market value funded status is **95%** in 20 years

The short-term, downside of **59%** in 1 year



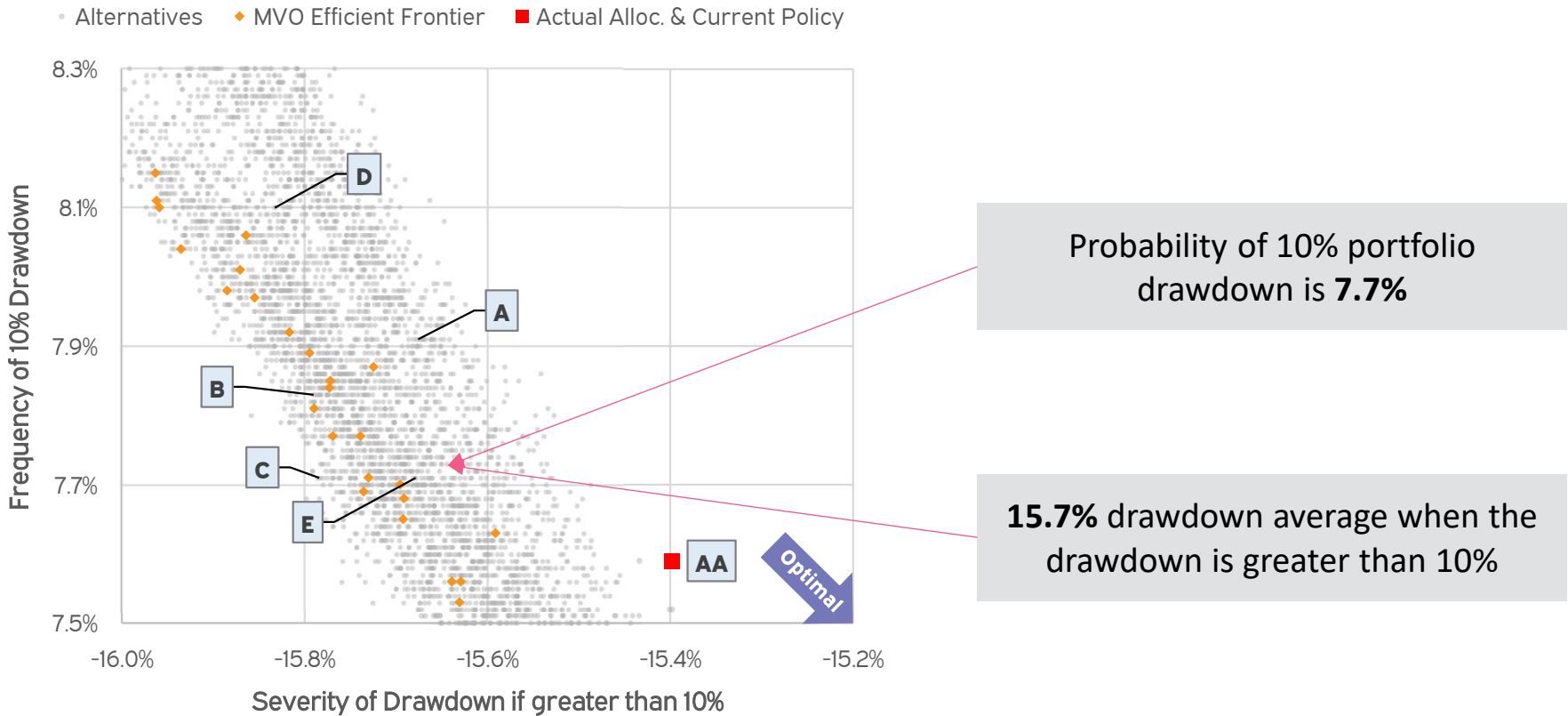
\* Based on market value of assets, not actuarial value.



# Los Angeles County Employees Retirement Association

## Focus Group - Frequency and Severity – Portfolio Drawdown Greater than 10%

- **y-axis** – Probability of an asset drawdown of 10% or more due to market returns.
- **x-axis** - When experiencing a drawdown of 10% or more, the severity measures the average size of the drawdown.
- Current asset allocation is 7.6% on the y-axis and -15.4% on the x-axis.

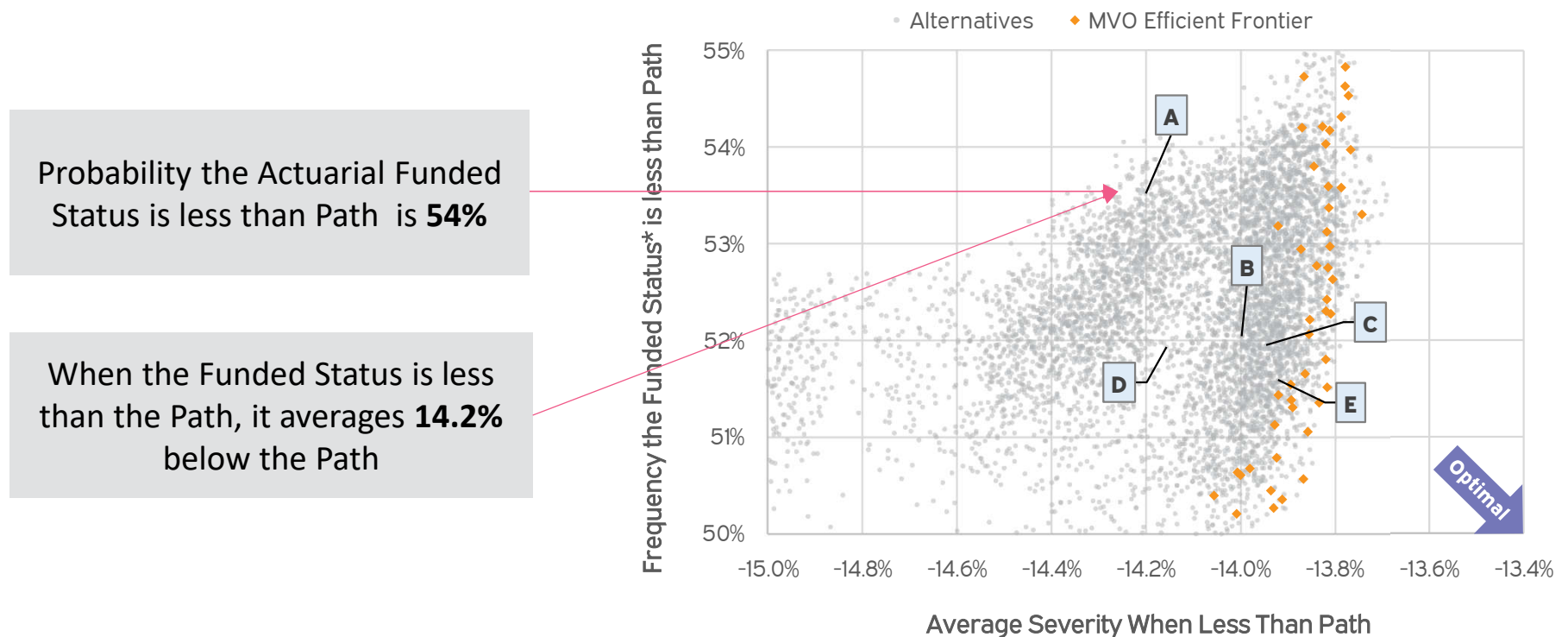




# Los Angeles County Employees Retirement Association

## Focus Group - Frequency and Severity – Funded Status Path to 100%

- “Funded Status Path to 100%” - Straight line drawn between the current *actuarial* funded status (76.8% as of June 30, 2020) to 100% at June 30, 2040.
- **y-axis** – Frequency of an asset allocation is expected to produce a funded status below the path to 100%.
- **x-axis** - When the funded status is less than the path, the severity measures the average distance below the path.
- Current asset allocation is 59% on the y-axis and 14.7% on the x-axis.



\* Based on actuarial value of assets, not market value.

# Mean-Variance Optimization



# Los Angeles County Employees Retirement Association

## MVO-Based Risk Analysis

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
<b>Worst Case Returns</b>							
One Year	-17.8	-18.7	-19.4	-19.5	-19.4	-19.7	-19.5
Five Years (annualized)	-5.7	-6.1	-6.2	-6.1	-6.1	-6.3	-6.1
Ten Years (annualized)	-2.5	-2.8	-2.7	-2.6	-2.6	-2.8	-2.6
Twenty Years (annualized)	-0.3	-0.4	-0.2	-0.1	-0.1	-0.2	-0.1
<b>Probability of Experiencing Negative Returns</b>							
One Year	31.0	31.5	30.9	30.5	30.4	30.7	30.4
Five Years	13.4	14.1	13.2	12.7	12.6	13.0	12.5
Ten Years	5.8	6.4	5.7	5.3	5.3	5.6	5.2
Twenty Years	1.3	1.6	1.3	1.1	1.1	1.2	1.1

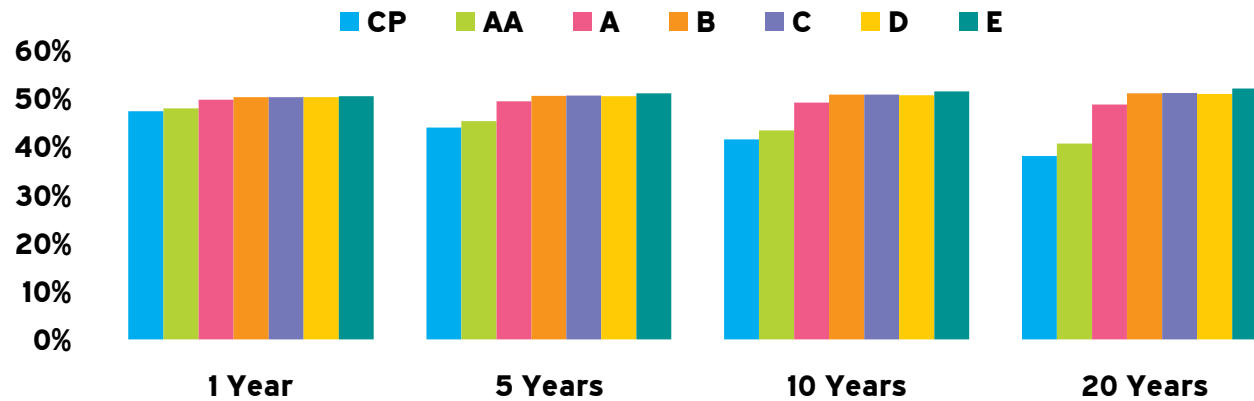
- Allocations A-E have higher levels of overall risk, due to the higher expected return profiles. Each of these policies show lower worst case returns.
- The Current Policy and the Actual Allocation have the highest probability of experiencing negative returns over all time periods.



# Los Angeles County Employees Retirement Association

## Target Return Probability

### Probability of Achieving a 7% Target Return



	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
1 Year	47.3	47.9	49.7	50.2	50.2	50.2	50.5
5 Years	44.0	45.3	49.3	50.5	50.6	50.4	51.0
10 Years	41.5	43.3	49.1	50.7	50.8	50.6	51.4
20 Years	38.0	40.6	48.7	51.0	51.1	50.9	52.0

- Policies A-E are designed to have higher probabilities of LACERA reaching the 7% expected return target over a twenty-year period.

Represents the probability of achieving a 7.0% return over the specified time period.

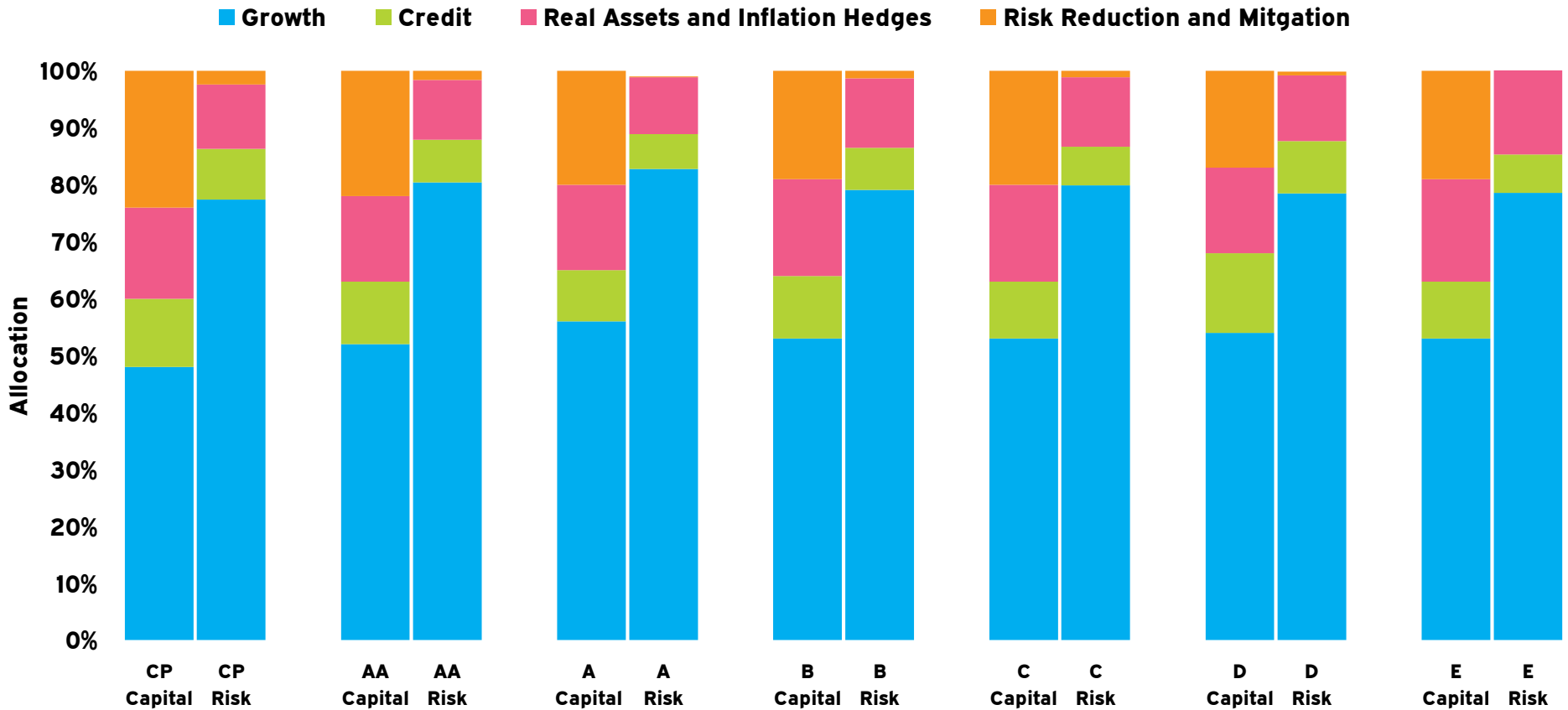
# Risk Analysis



# Los Angeles County Employees Retirement Association

## Risk Budgeting Analysis

### Capital Allocation vs. Risk Allocation



- Assets with low relative volatility, such as fixed income, contribute less to risk than their asset weighting implies.

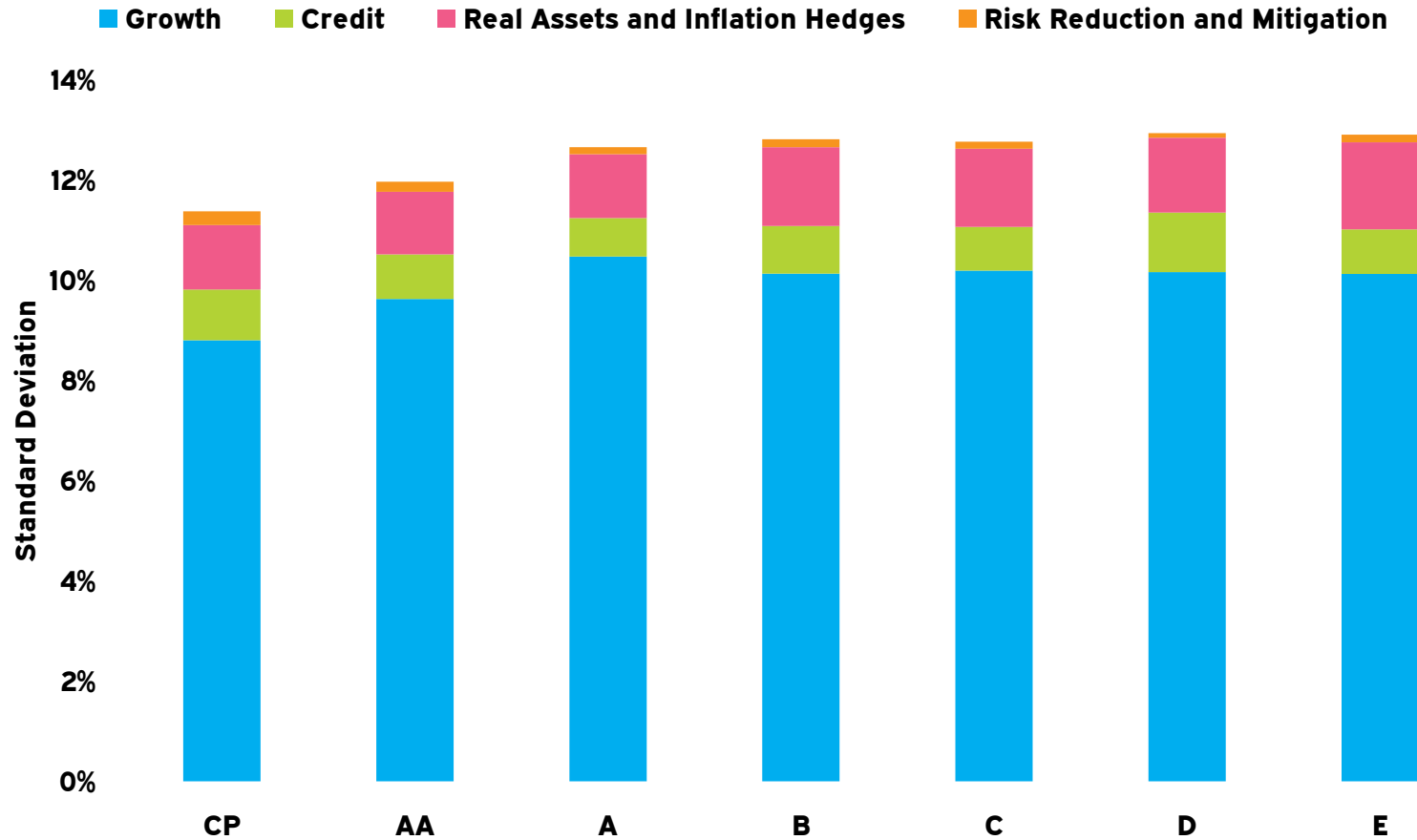
Risk allocation is calculated by multiplying the weight of the asset class by its standard deviation and its correlation with the total portfolio and then dividing this by the standard deviation of the total portfolio.





# Los Angeles County Employees Retirement Association

## Risk Budgeting Analysis (Absolute Contribution to Risk)



- In each policy option, Growth risk dominates the risk profile of the portfolio.

Contribution to risk is calculated by multiplying the weight of the asset class by its standard deviation and its correlation with the total portfolio.



# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Value at Risk

Scenario	CP	AA	A	B	C	D	E
<b>VaR (%):</b>							
1 month	-7.2	-7.5	-8.0	-8.0	-8.0	-8.1	-8.1
3 months	-11.8	-12.4	-13.1	-13.2	-13.2	-13.4	-13.3
6 months	-15.7	-16.6	-17.5	-17.6	-17.6	-17.9	-17.7
<b>VaR (\$ mm):</b>							
1 month	-7.16	-7.54	-7.95	-8.04	-8.01	-8.13	-8.08
3 months	-11.77	-12.41	-13.07	-13.20	-13.15	-13.36	-13.26
6 months	-15.75	-16.64	-17.48	-17.64	-17.57	-17.86	-17.71

- According to the VaR model, the Current Policy provides the greatest downside protection, which is representative of its lower level of risk and return.
- Policies A-E all exhibit relatively similar value at risk measures.

Calculated with a 99% confidence level and based upon Meketa Investment Group's Annual Asset Study. cVaR represents the average loss past the 99th percentile.

# Scenario Analysis



# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Historical Negative Scenarios Analysis (Cumulative Return)

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
COVID-19 Market Shock (Feb 2020-Mar 2020)	-16.1	-16.9	-15.8	-14.6	-14.2	-15.6	-14.5
Taper Tantrum (May - Aug 2013)	-0.1	0.1	0.2	0.5	0.4	0.4	0.5
Global Financial Crisis (Oct 2007 - Mar 2009)	-22.9	-24.4	-24.2	-23.2	-22.6	-24.4	-23.1
Popping of the TMT Bubble (Apr 2000 - Sep 2002)	-6.3	-9.2	-9.9	-8.3	-8.4	-9.6	-8.3
LTCM (Jul - Aug 1998)	-7.0	-7.4	-7.1	-6.7	-6.6	-7.1	-6.7
Rate spike (1994 Calendar Year)	1.8	2.0	1.5	1.8	1.6	1.7	1.9
Crash of 1987 (Sep - Nov 1987)	-8.9	-9.6	-9.6	-8.3	-8.2	-8.9	-8.3
Volcker Recession (Jan - Mar 1980)	-3.4	-3.5	-3.1	-2.8	-3.1	-2.9	-2.9
Stagflation (Jan 1973 - Sep 1974)	-13.0	-14.4	-18.2	-16.4	-16.5	-17.4	-16.2

- Currency and interest rate moves have a much smaller effect on portfolio returns than equity returns.

In periods where the ideal benchmark was not yet available we used the next closest benchmark(s) as a proxy.



# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Historical Positive Scenarios Analysis (Cumulative Return)

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
Global Financial Crisis Recovery (Mar 2009 - Nov 2009)	28.8	30.1	28.3	28.5	26.8	26.9	26.7
Best of Great Moderation (Apr 2003 - Feb 2004)	24.8	25.8	25.8	26.3	25.2	25.4	25.2
Peak of the TMT Bubble (Oct 1998 - Mar 2000)	37.5	40.5	42.7	42.9	43.5	43.5	44.0
Plummeting Dollar (Jan 1986 - Aug 1987)	42.6	44.4	42.3	44.5	40.9	41.5	40.9
Volcker Recovery (Aug 1982 - Apr 1983)	28.3	29.1	27.3	28.9	26.5	26.7	26.8
Bretton Wood Recovery (Oct 1974 - Jun 1975)	23.2	24.5	23.9	25.1	23.1	23.1	23.3

- Policy A would have been the best option for capturing most of the upside in strongly positive markets.
- Over short time periods in strong historically positive scenarios, public market assets tend to have stronger performance than private market assets.

In periods where the ideal benchmark was not yet available we used the next closest benchmark(s) as a proxy.



# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Stress Testing: Impact of Negative Market Movements (Expected Return Under Stressed Conditions)

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
10yr rates rise 100 bps	2.8	3.1	2.6	2.6	2.3	2.7	2.6
10yr rates rise 200 bps	-1.5	-1.2	-2.2	-2.2	-2.8	-2.1	-2.3
10yr rise 300 bps	-4.3	-3.9	-5.1	-5.3	-6.2	-5.0	-5.6
Baa Spreads widen by 50 bps, High Yield by 200 bps	0.4	0.3	0.5	0.4	0.5	0.2	0.4
Baa Spreads widen by 300 bps, High Yield by 1000 bps	-18.7	-19.5	-19.4	-18.8	-18.5	-19.6	-18.8
Trade Weighted Dollar gains 10%	-2.6	-2.8	-2.9	-2.9	-2.9	-3.0	-2.9
Trade Weighted Dollar gains 20%	-0.4	-0.8	0.0	-0.6	-0.6	-0.5	-0.7
US Equities decline 10%	-4.4	-4.8	-5.2	-5.2	-5.2	-5.3	-5.2
US Equities decline 25%	-14.4	-15.1	-15.7	-15.5	-15.4	-15.9	-15.5
US Equities decline 40%	-22.8	-23.8	-24.0	-23.2	-22.9	-23.9	-23.3

- Market Corrections (equity losses and spreads widening) have a greater impact on mixes with higher expected returns, which have larger risk assets exposure.

Assumes that assets not directly exposed to the factor are affected nonetheless.



# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Stress Testing: Impact of Positive Market Movements (Expected Return under Stressed Conditions)

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
10-year Treasury Bond rates drop 100 bps	2.9	2.8	3.2	3.1	3.4	3.0	3.2
10-year Treasury Bond rates drop 200 bps	10.1	10.1	11.1	10.2	10.8	10.4	10.5
Baa Spreads narrow by 30bps, High Yield by 100 bps	6.6	6.9	7.2	7.2	7.2	7.3	7.2
Baa Spreads narrow by 100bps, High Yield by 300 bps	11.8	12.2	11.6	11.3	11.2	11.8	11.3
Trade Weighted Dollar drops 10%	6.1	6.3	6.1	6.1	6.1	6.1	6.1
Trade Weighted Dollar drops 20%	16.8	17.6	18.7	17.7	18.1	18.0	18.0
U.S. Equities rise 10%	5.8	6.1	6.4	6.4	6.4	6.4	6.4
U.S. Equities rise 30%	13.3	14.1	14.4	13.4	13.5	13.9	13.6

- Each policy portfolio has a different sensitivity to four major risk factors: interest rates, credit spreads, currency fluctuations, and equity values.
- Policies A-E all provide higher expected returns in rising equity scenarios.

Assumes that assets not directly exposed to the factor are affected nonetheless.



# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Comparing the Difference in Returns over Climate Scenarios

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
Expected Return	6.2	6.2	6.9	7.0	7.0	7.0	7.1
3 Degree	-0.2	0.0	-0.3	-0.3	-0.3	-0.4	-0.4
1.5 Degree	-0.7	-0.5	-0.9	-0.9	-0.9	-0.9	-0.9
Policy Change Scenario	-0.5	-0.4	-0.8	-0.8	-0.8	-0.8	-0.8
Technology Scenario	-0.4	-0.3	-0.7	-0.6	-0.7	-0.7	-0.7
Combined Scenario	-0.8	-0.6	-1.0	-1.0	-0.9	-1.0	-1.0

- Almost all portfolios are expected to produce moderate declines in expected return, ranging up to a 1.0% annualized average decline relative to a traditional (non-climate) MVO model.
- Although overall expected returns across portfolios for each scenario are fairly similar, underlying asset classes returns differ among scenarios.
- Most asset classes have a significantly wider range of outcomes in the climate scenarios versus the base case.
- As a result, portfolios with similar expected returns may perform differently in different climate scenarios.





# Los Angeles County Employees Retirement Association

## Shock Scenarios

### Comparing the Difference in Volatility over Climate Scenarios

Scenario	CP (%)	AA (%)	A (%)	B (%)	C (%)	D (%)	E (%)
Volatility	11.3	11.7	12.2	12.4	12.3	12.6	12.4
3 Degree	0.4	0.7	1.5	1.8	2.2	1.6	2.1
1.5 Degree	1.2	1.5	2.5	2.9	3.2	2.6	3.1
Policy Change Scenario	0.9	1.6	1.9	2.4	3.1	2.2	2.7
Technology Scenario	0.5	0.3	1.0	1.3	1.8	1.1	1.5
Combined Scenario	0.6	1.3	1.8	2.4	3.1	2.2	2.7

- All policy portfolios experience higher degrees of volatility over every climate scenario.
- This modelling demonstrates the importance of employing a climate risk aware approach.
- Monitoring exposure to more climate-sensitive asset classes and revisiting implementation approaches within asset classes may help mitigate climate sensitivity.



### Climate Shock Scenarios

The next slides incorporate an analysis of a set of climate change scenarios to see the impact on different asset classes over the next thirty years.

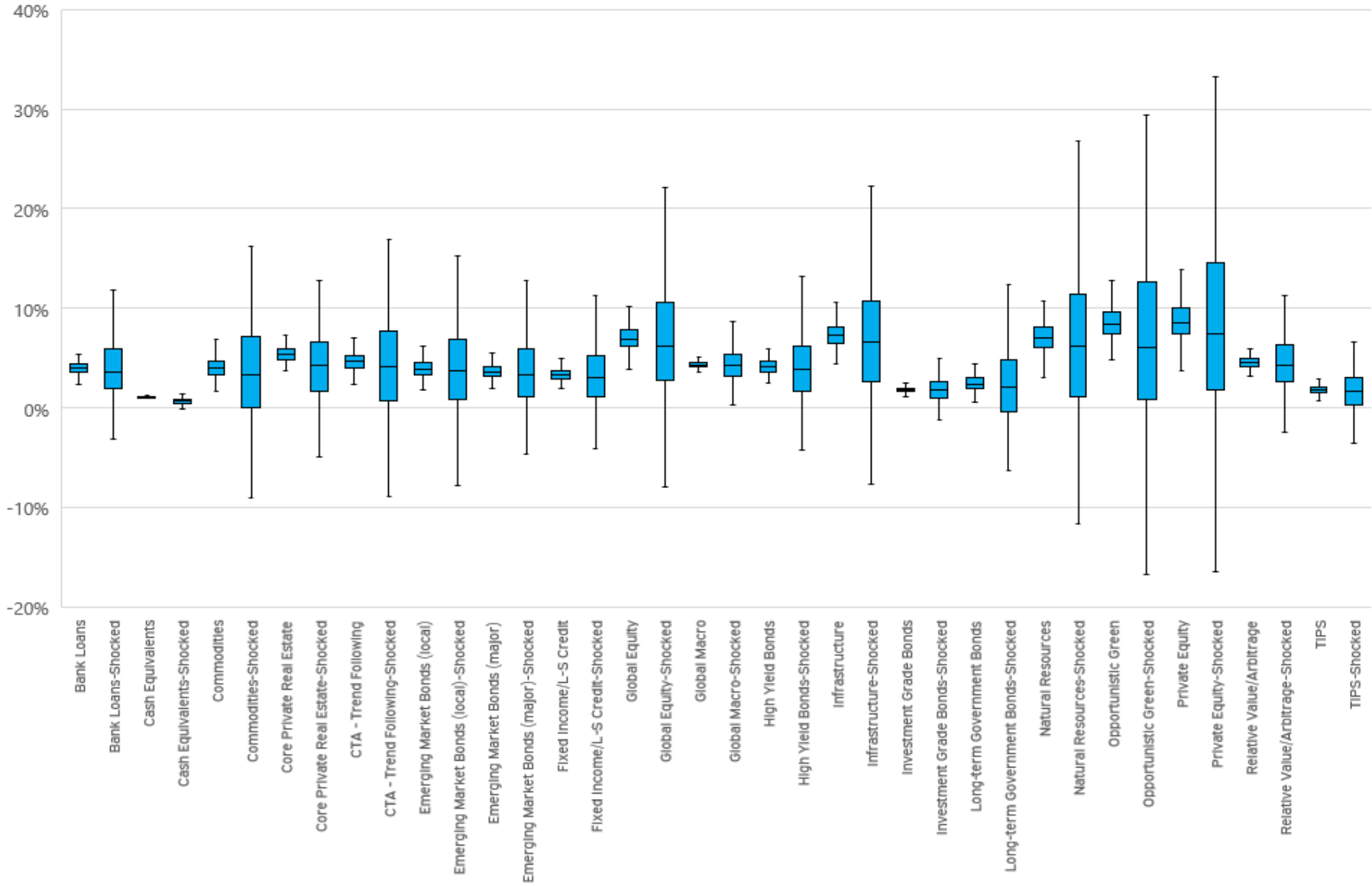
- **Temperature Change:** What happens if global temperatures increase by 1.5°C and 3.0°C by 2050?
- **Policy Change:** What happens if a \$100/tCO<sub>2</sub> carbon tax is implemented over the next decade?
- **Technology Change:** What does a world with 3% improvement (i.e., reduction) in carbon intensity of electricity generation look like?
- **Combination:** What does a world that includes a combination of temperature, policy, and technology change look like?

Importantly, we made no assumptions about why the improvements occurred.



# Los Angeles County Employees Retirement Association

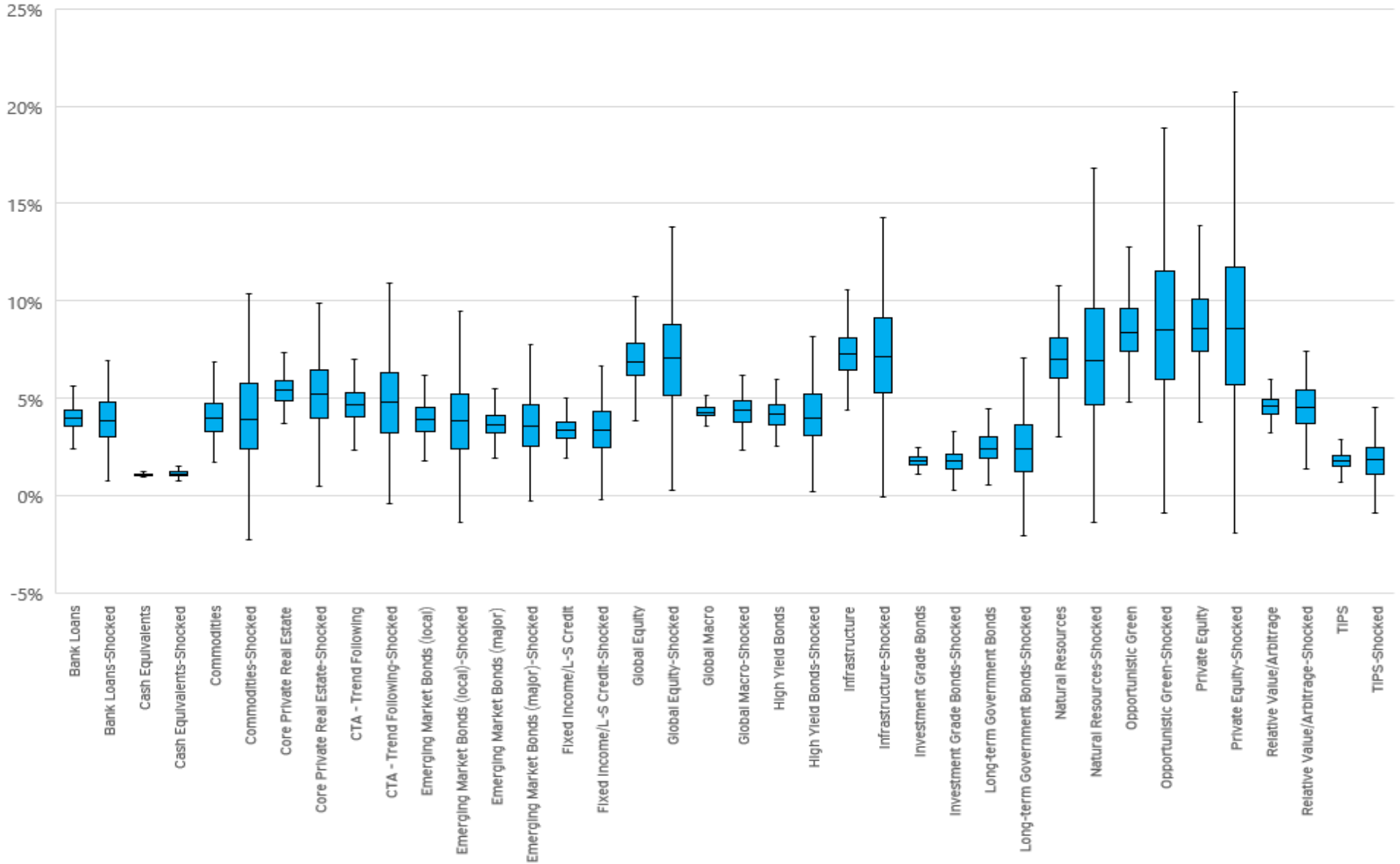
## Temperature Change: Increase of 1.5°C by 2050 (annualized %)





# Los Angeles County Employees Retirement Association

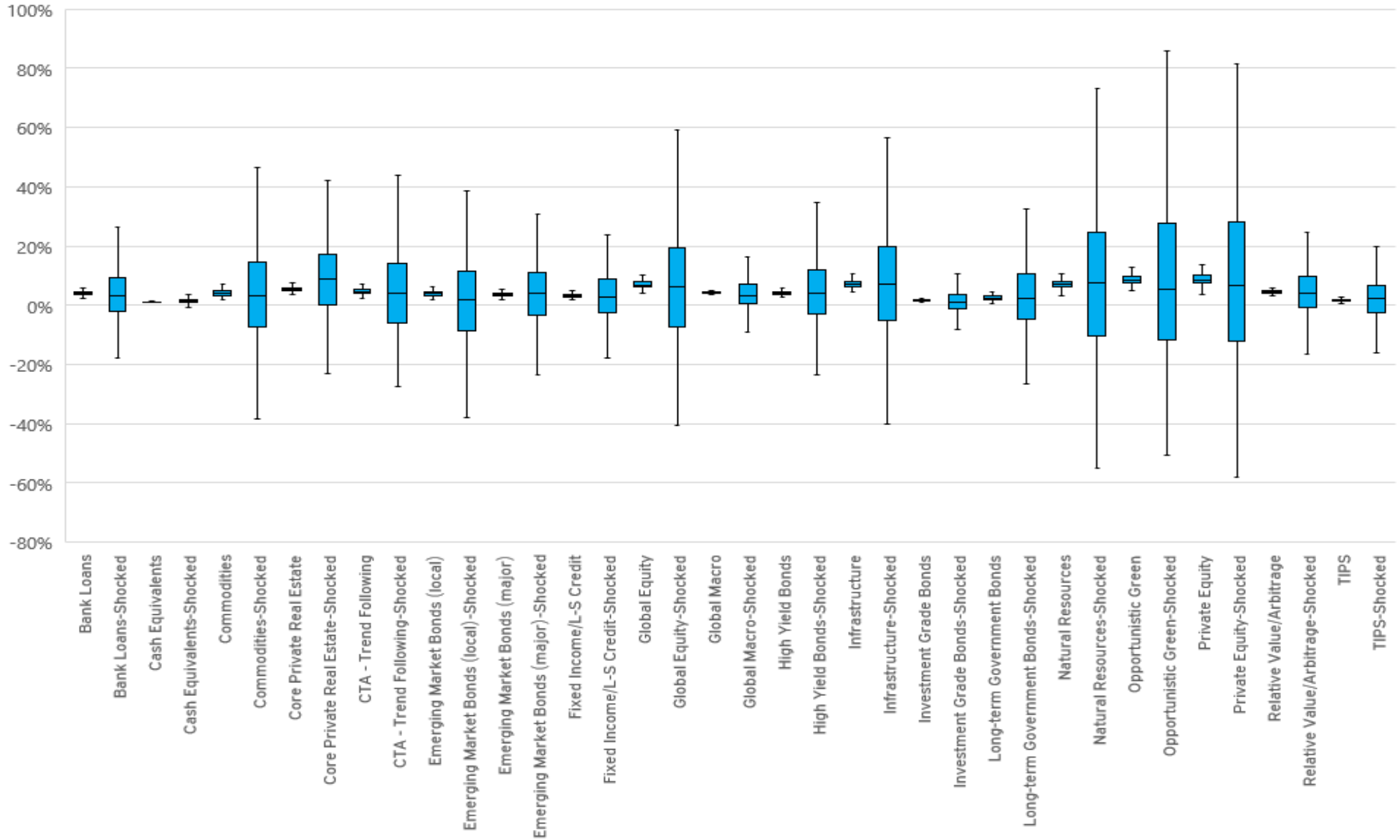
## Temperature Change: Increase of 3.0°C by 2050 (annualized %)





# Los Angeles County Employees Retirement Association

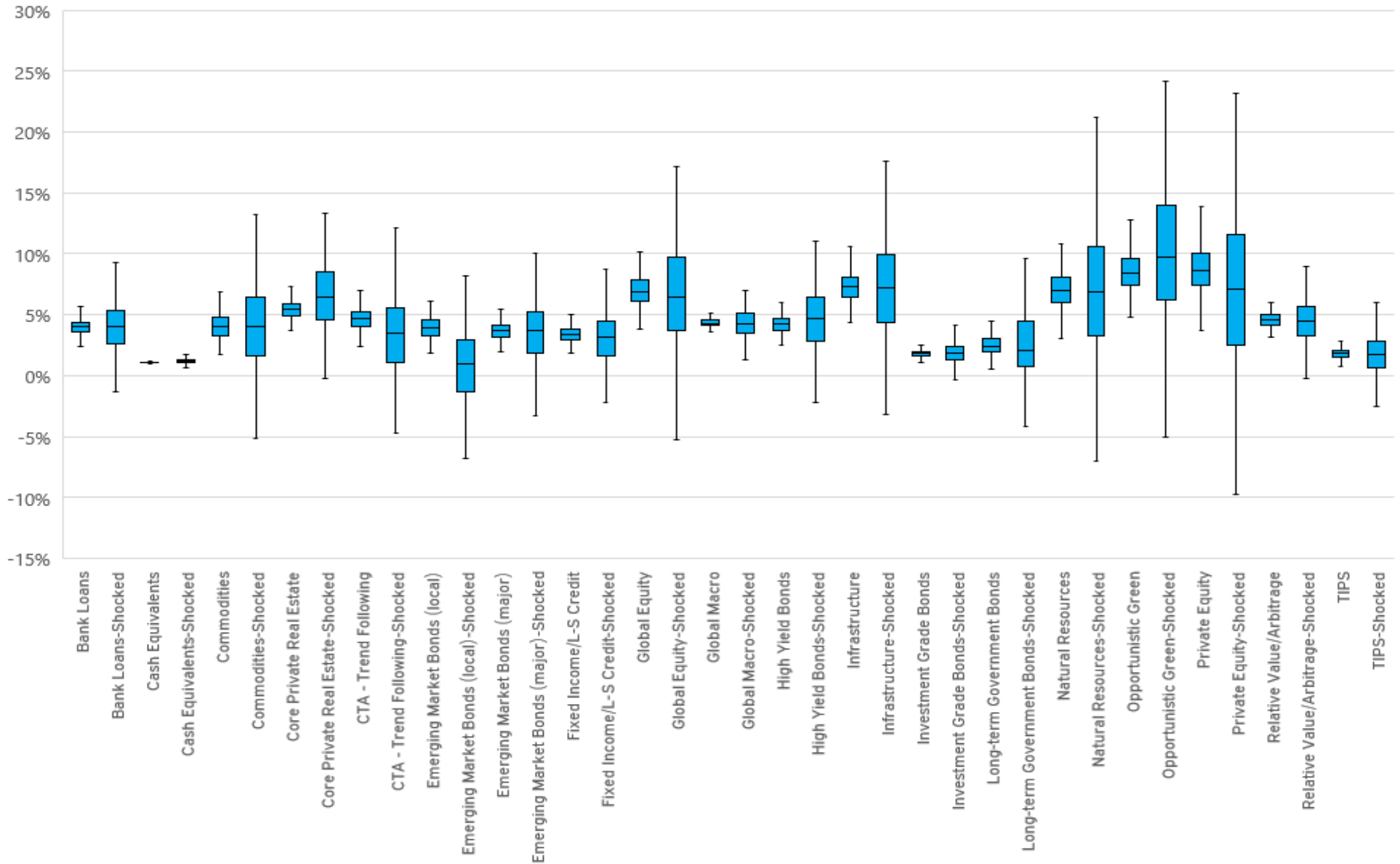
## Policy Change: \$100/tCO2 Carbon Tax (annualized %)





# Los Angeles County Employees Retirement Association

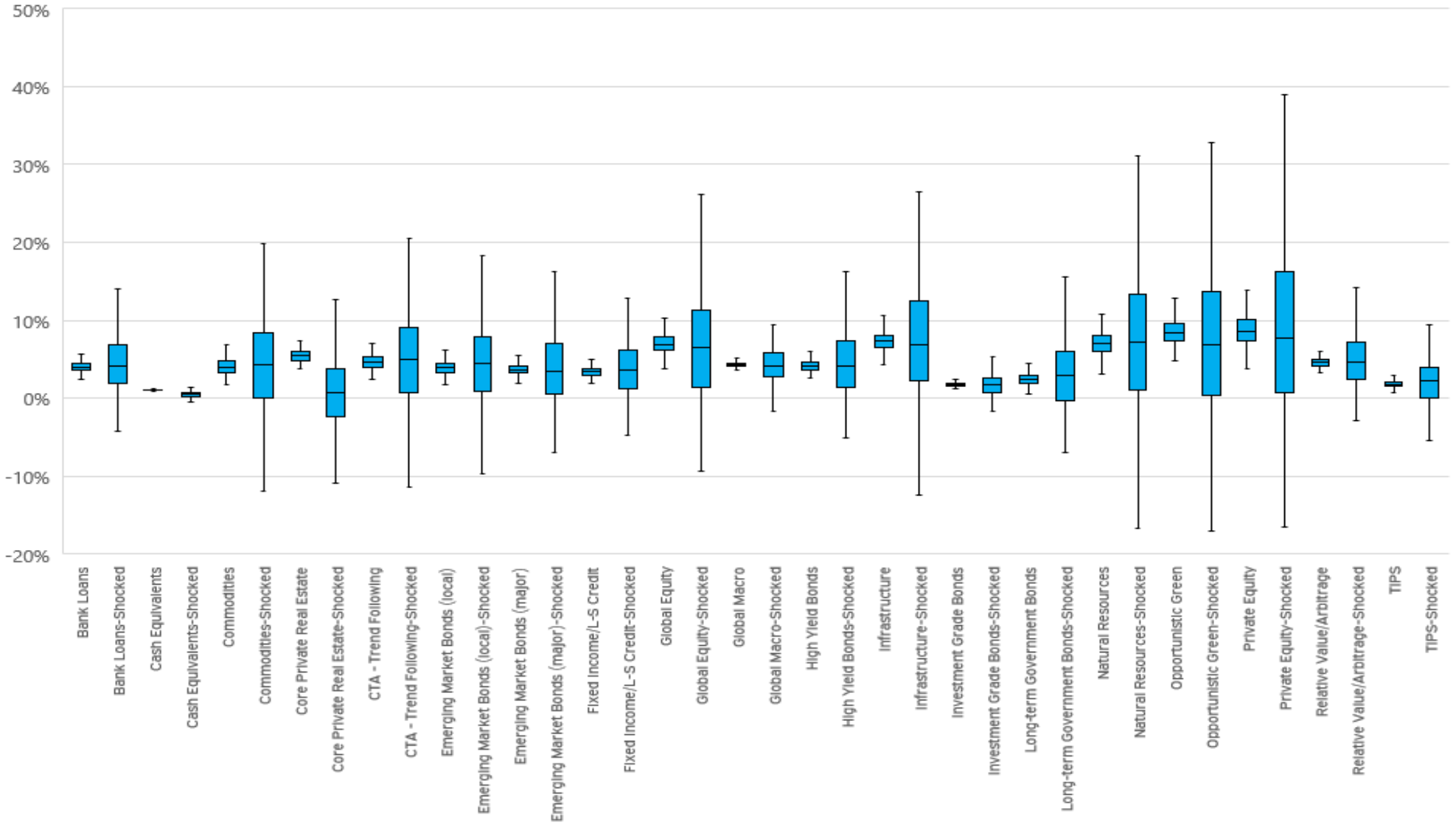
## Technology Change: 3% Carbon Intensity Reduction (annualized %)





# Los Angeles County Employees Retirement Association

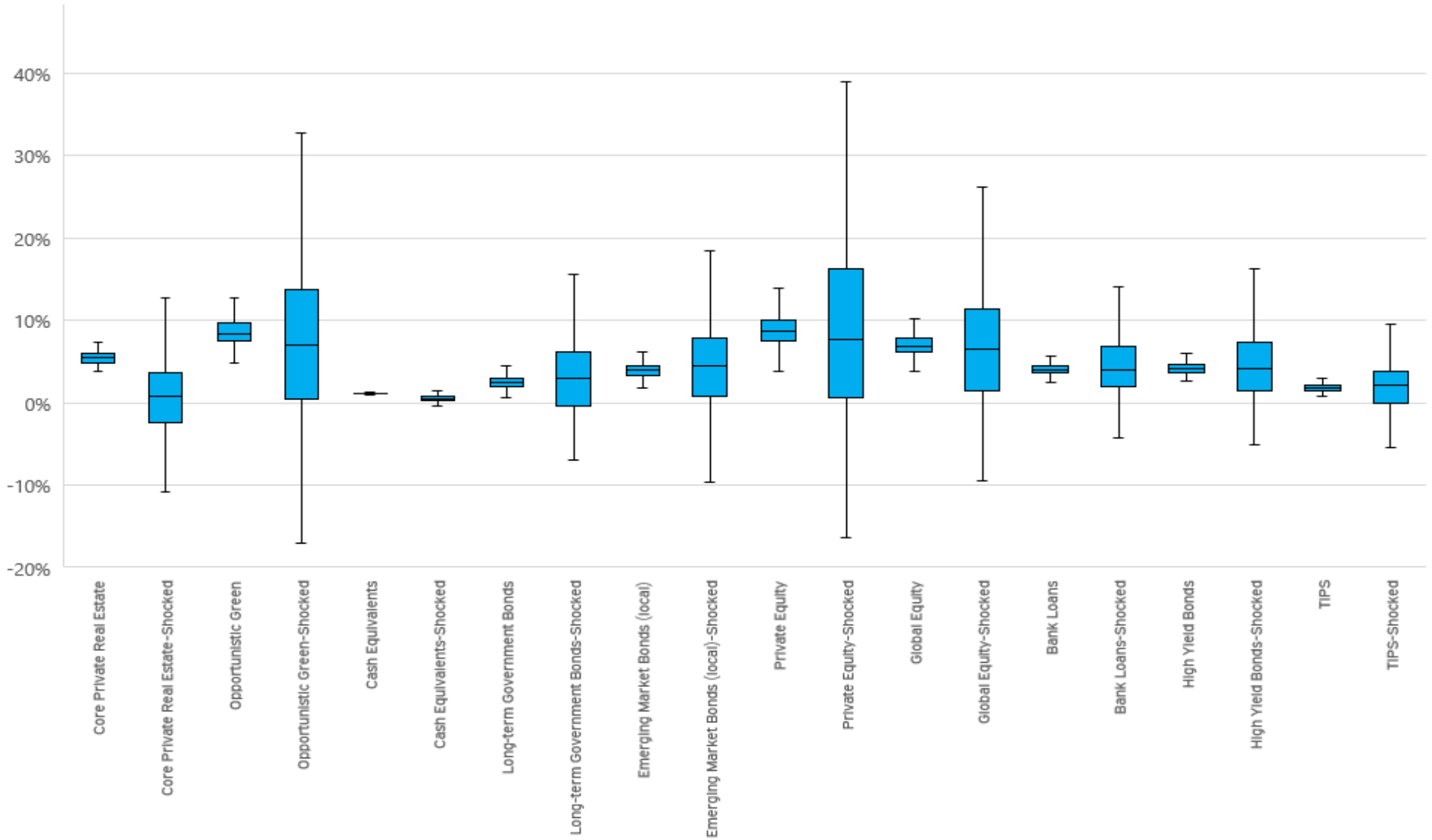
## Combination: Temperature (1.5°C), Policy, and Technology (annualized %)





# Los Angeles County Employees Retirement Association

Combination: Temperature (1.5°C), Policy, and Technology (annualized %)





# Liquidity Analysis



## Los Angeles County Employees Retirement Association

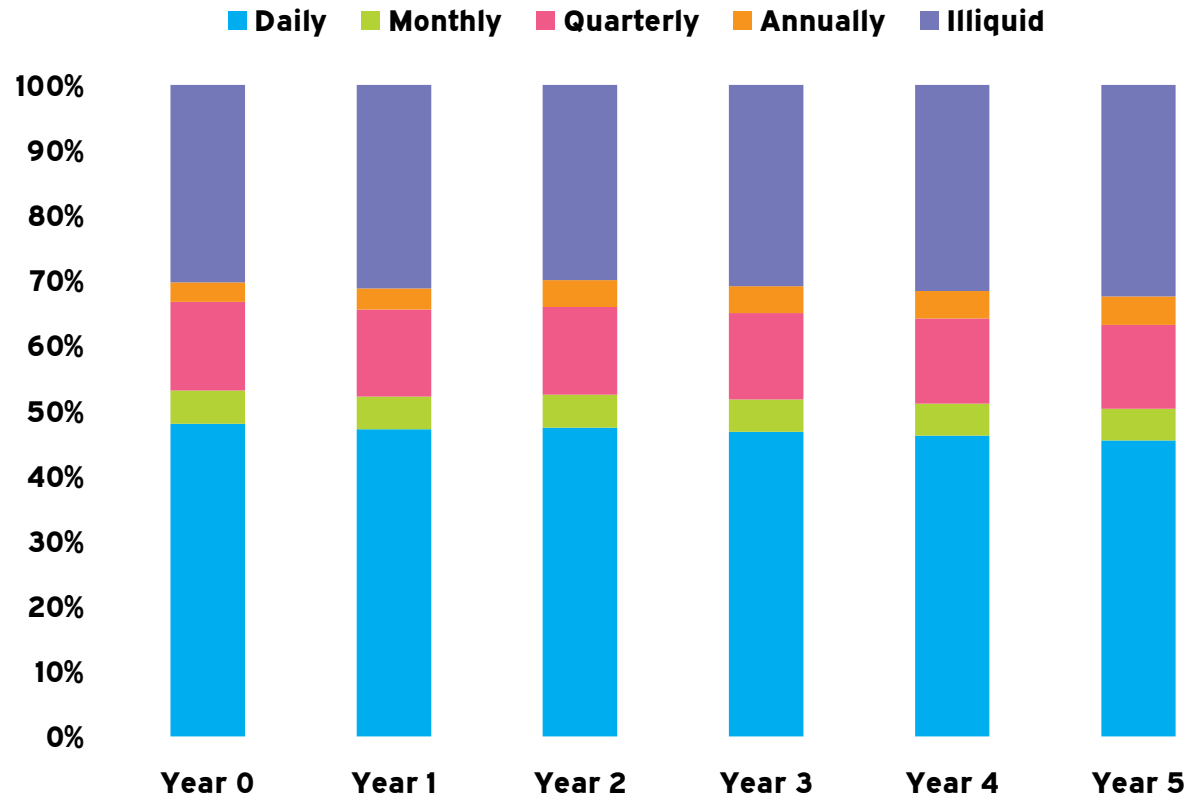
### Liquidity Stress Test

- We conducted an extreme stress test to analyze the Pension's liquidity. Specifically, we evaluated whether the Pension could:
  - Continue to meet its benefit obligations and expenses (including any obligations to fund commitments to Private Market managers),
  - While staying within its target allocation ranges,
  - And at what cost (i.e., to what extent would it be forced to sell stressed or distressed assets)?
- The scenario is designed to be extreme.
  - In Years 1 – 3, we use the returns produced by each asset class in 4Q07, 2008, and 1Q09, respectively. In Years 4 – 5, we assume flat (0%) returns for each asset class (i.e., no rebound).
  - We assume net outflows of \$803 mm in Year 1, \$896 mm in Year 2, \$993 mm in Year 3, \$1,098 mm in Year 4, and \$1,207 mm in Year 5.
  - We assume closed-end funds offer no liquidity in years 1 – 4, and very limited liquidity in year 5.
  - We assume open-end and hedge funds offer no liquidity in years 1 – 3, and limited liquidity in years 4 - 5.
  - We assume the Plan would rebalance toward its policy targets each year.
- We show the results for Policy E on the following pages, as it has the highest percentage of illiquid assets and represents an extreme case.



# Los Angeles County Employees Retirement Association

## Liquidity Stress Test: Liquidity Profile (Policy E)



- Policy E represents the least liquid of the presented policies.
- At the trough, the policy portfolio would have 45% of its assets in daily liquid vehicles.

## **Summary and Recommendation**



# Los Angeles County Employees Retirement Association

	Current Policy	Actual Allocation	Higher Liquidity	Staff Recom.	More Barbell	Policy D	High Sharpe
Graph Label	CP	AA	A	B	C	D	E
Asset Allocation							
Growth	48%	52%	56%	53%	53%	54%	53%
Global Equity	35%	38%	38%	32%	32%	34%	32%
Private Equity	10%	12%	14%	17%	18%	15%	16%
Non-Core Private Real Estate	3%	2%	4%	4%	3%	5%	5%
Credit	12%	11%	9%	11%	10%	14%	9%
Liquid Credit	9%	9%	4%	4%	3%	7%	4%
Illiquid Credit	3%	2%	5%	7%	7%	7%	5%
Real Assets and Inflation Hedges	16%	15%	15%	17%	17%	15%	18%
Core Private Real Estate	6%	6%	6%	6%	6%	5%	6%
Custom Natural Resources	4%	4%	2%	3%	3%	3%	4%
Custom Infrastructure	3%	3%	4%	5%	5%	5%	5%
TIPS	3%	2%	3%	3%	3%	2%	3%
Risk Reduction and Mitigation	24%	22%	20%	19%	20%	17%	20%
Investment Grade Bonds	19%	18%	9%	7%	6%	7%	7%
Custom Hedge Funds	4%	3%	5%	6%	6%	4%	6%
Long-term Government Bonds	0%	0%	5%	5%	7%	5%	6%
Cash Equivalents	1%	2%	1%	1%	1%	1%	1%
Overlays and Hedges	0%	0%	0%	0%	0%	0%	0%
Cash Overlay	0%	0%	0%	0%	0%	0%	0%
Currency Hedge	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Semi-liquid Assets	11%	10%	13%	15%	15%	12%	14%
Illiquid Assets	19%	20%	26%	32%	32%	31%	32%
Expected Return	6.2%	6.2%	6.9%	7.0%	7.0%	7.0%	7.1%
Expected Volatility	11.3%	11.7%	12.2%	12.4%	12.3%	12.6%	12.4%
Sharpe Ratio	0.45	0.44	0.47	0.48	0.48	0.47	0.48

All policies include the addition of “Value-Added Real Estate” to the Growth Functional Category



## Los Angeles County Employees Retirement Association

### Strategic Asset Allocation

#### Recommendation:

- Meketa Investment Group believes that the alternative options presented above offer enhancements to help LACERA improve the likelihood of meeting its investment objectives.
- There is no “right” or “an only prudent” choice, rather, there are tradeoffs to each option.
- Meketa is aware that Staff is recommending option B. Meketa believes that all of the options presented are reasonable for LACERA and we look forward to assisting the Board in selecting a strategic asset allocation.

#### Next Steps:

- Benchmark presentation and discussion (June).
- IPS Update to reflect Strategic Asset Allocation and benchmarks (July/August).
- Implementation (ongoing).



## Los Angeles County Employees Retirement Association

### Disclaimer

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May 7, 2021

TO: Trustees,  
Board of Investments

FROM: Christine Roseland *CR*  
Senior Staff Counsel

FOR: May 19, 2021 Board of Investments Meeting

SUBJECT: **Legal Transactions Year End Report**

Please find attached a brief report summarizing the legal work that the Transactions Section of the Legal Division accomplished in calendar year 2020. It includes a breakdown of work done by asset class and LACERA divisions both in terms of number of assignments or transactions and the dollar amount that those assignments or transactions represent. It also provides some insight into LACERA operations, workflow trends and staff productivity.

This being an inaugural report, we welcome Trustee feedback on the content and look of it so we can continuously improve on it in years to come and present the kind of information that helps the Board carry out its responsibilities.

Attachment

c: Santos H. Kreimann  
Jonathan Grabel  
JJ Popowich  
Vache Mahseredjian  
Christopher Wagner  
Ted Wright  
Jim Rice  
Jude Perez  
Steven Rice  
Johanna Fontenot  
John Harrington  
Soo Park  
Board of Retirement



Legal Transactions  
Year End Report

2020



# THE

# REPORT

This report provides a summary of the legal work that the Transactions Section of the Legal Division accomplished in calendar year 2020 in terms of number of assignments or transactions and the dollar amount that those assignments or transactions represent (such as the value of an investment commitment or commercial contracts). The report also includes charts that provide a visual representation of this work and a comparison to prior years. As shown below, the group handled 684 projects during 2020, representing \$10,030,959,791 in contract value.

By way of background, the Transactions Section consists of three attorneys, two paralegals, and two management secretaries. Those seven individuals are responsible for handling all investment-related and commercial transactional matters, including drafting, negotiating, and reviewing investment management agreements, limited partnership agreements and side letters, managing title holding companies, acquisitions, dispositions, and financings as well as drafting and reviewing commercial contracts, and responding to Public Records Act requests. In performing their work, the team collaborates closely with their clients in the Investments Divisions and in other LACERA divisions to accomplish their business objectives and manage organizational risk. The team's objective is not merely to consummate deals and transactions but to protect the pension fund from liability and excessive risk, mitigate losses, minimize fees, assist stakeholders in making informed decisions, provide advice, present alternatives and solutions and collaborate on organizational initiatives such as TIDE, business continuity and disaster recovery planning. In addition, outside counsel may be engaged to assist with certain matters while overseen by in-house counsel and those matters are included in the figures presented in this report.

**CALENDAR YEAR END LEGAL TRANSACTIONS AS OF 12-31-20**

INVESTMENT PROJECT	TRANSACTION TOTAL	TRANSACTION AMOUNT
Private Equity	180	\$1,885,986,886
Real Estate	111	\$2,133,222,250
Public Markets (Equity/Fixed Income)	45	\$2,901,447,000
Portfolio Analytics	44	\$603,810,698
Hedge Funds	24	\$1,717,000,000
Real Assets	9	\$320,000,000
Investment Prospects <sup>1</sup>	12	\$465,000,000
<b>TOTAL INVESTMENTS</b>	<b>425</b>	<b>\$10,026,466,834</b>
Non-Investment Vendor Agreements	162	\$4,492,957
<b>TOTAL (Investments and Vendor Transactions)</b>	<b>587</b>	<b>\$10,030,959,791</b>

<sup>1</sup>This category represents matters and transactions that are submitted for legal review and at some point during that review, the owner of the project abandons or terminates it for various reasons. For example, staff may be considering a co-investment that they submit for legal review given the tight closing deadlines but then decide not to proceed with it either for business or legal reasons. If the Legal team started working on such a matter, it is reflected in this chart as work or a prospect not having been completed.

**CALENDAR YEAR END PUBLIC RECORDS ACT RESPONSES AS OF 12-31-20**

TYPE OF ACTIVITY	TRANSACTION TOTAL	TRANSACTION AMOUNT
Public Records Act Responses	97	\$0





# CONTRACT VALUE

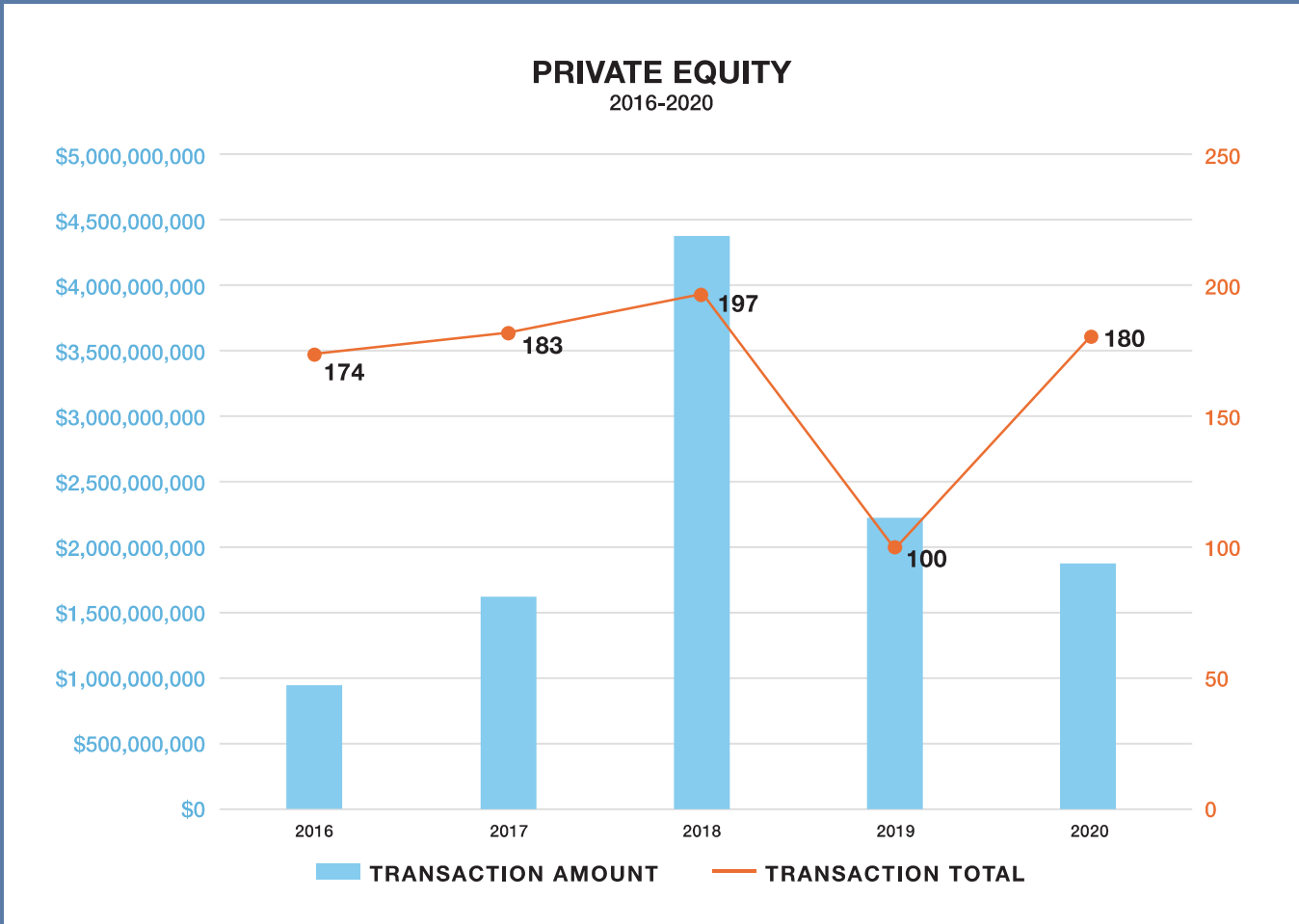
The following graphs represent the legal work performed as a function of the aggregate amount of the contract commitment or value associated with the underlying documents as well as a function of the number of transactions or projects performed. As an example of contract value, if the Board of Investments (BOI) approved a \$300 million commitment to a hedge fund manager, it is recorded as a project valued at \$300 million for purposes of this report and is then

compared to prior years. As an example of the number of projects, if the BOI approves a commitment to a hedge fund manager for \$300 million, it is counted as one project. Similarly, if staff works on a consent or amendment that a manager provides for review and approval, it is counted as one. Therefore, some projects or transactions may take several weeks or months, while others may take an hour.



**PRIVATE EQUITY TRANSACTIONS**  
YEARLY COMPARISON 2016-2020

PRIVATE EQUITY 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	174	\$963,100,298
2017	183	\$1,653,457,925
2018	197	\$4,406,599,162
2019	100	\$2,243,415,762
2020	180	\$1,885,986,886

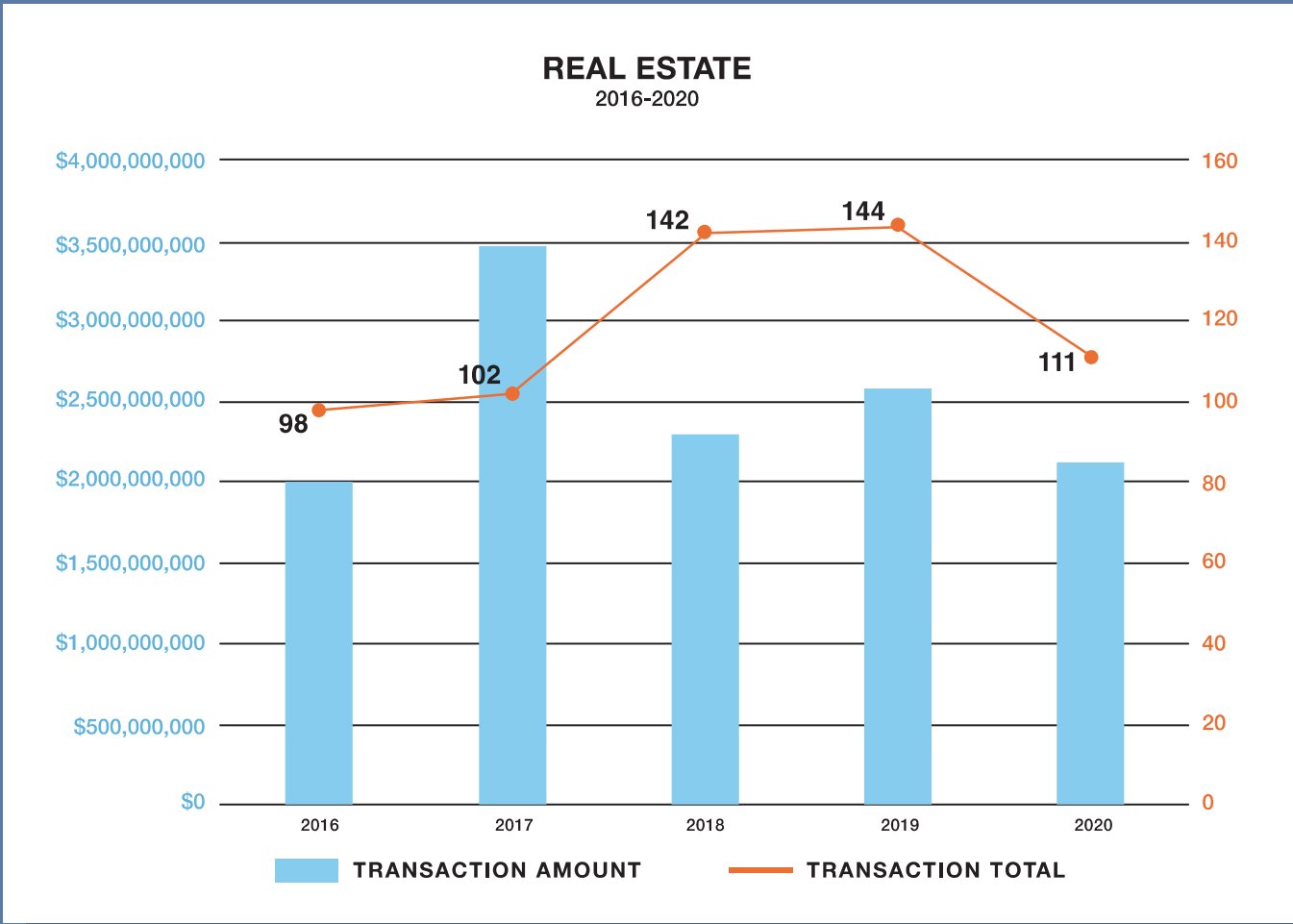


**PRIVATE EQUITY TRANSACTION AMOUNT<sup>2</sup>**

<sup>2</sup>Methodology on transaction amount: Some matters have no value (for example, terminations, consents, fee amendments etc.) so they are given a value of 0. If an agreement has a five-year term then the entire five-year value of that contract is recorded for that initial year when the contract is entered into. Some contracts are too difficult to value (for example, a Human Resources agreement for temporary staff when the hours and duration of employment for the temp staff is unknown) and in such cases, the contract is given a value of 0 for purposes of this report.

**REAL ESTATE TRANSACTIONS**  
YEARLY COMPARISON 2016-2020

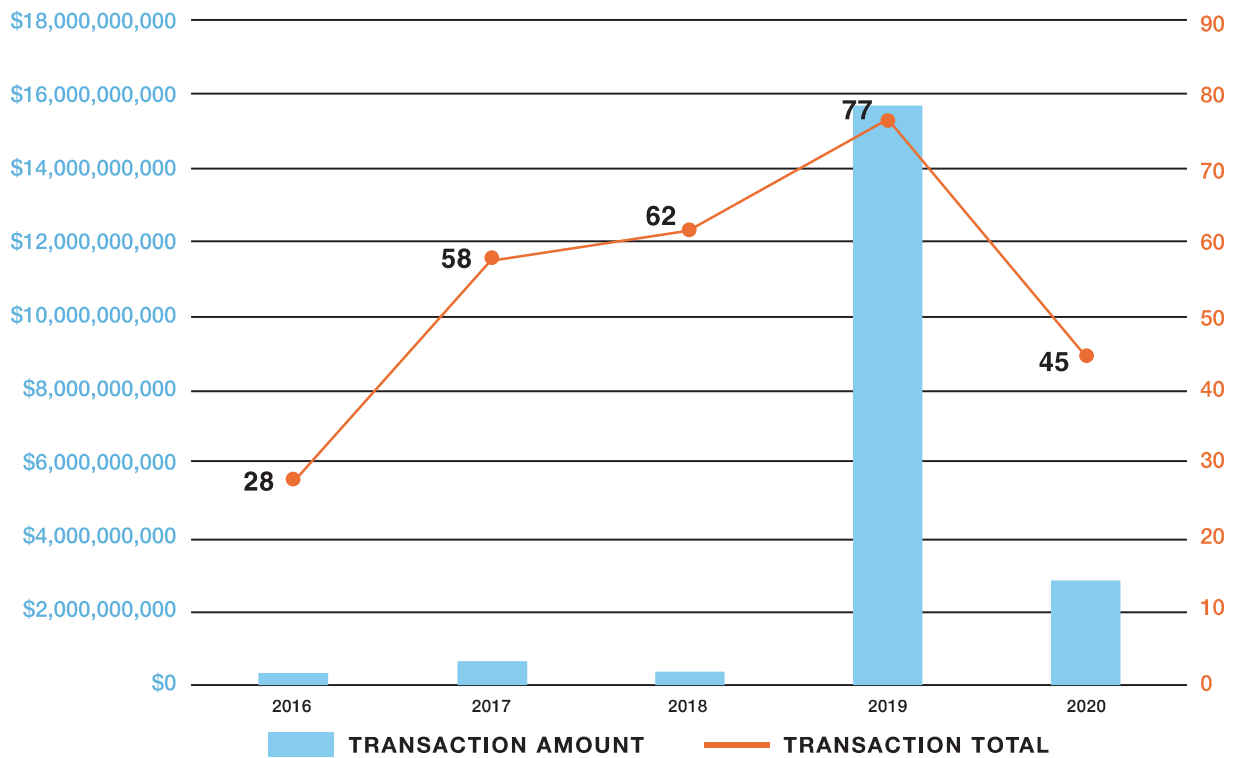
REAL ESTATE 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	98	\$1,995,526,888
2017	102	\$3,471,026,550
2018	142	\$2,301,181,110
2019	144	\$2,578,464,618
2020	111	\$2,113,222,249



**PUBLIC MARKETS (EQUITY/FIXED INCOME) TRANSACTIONS**  
YEARLY COMPARISON 2016-2020

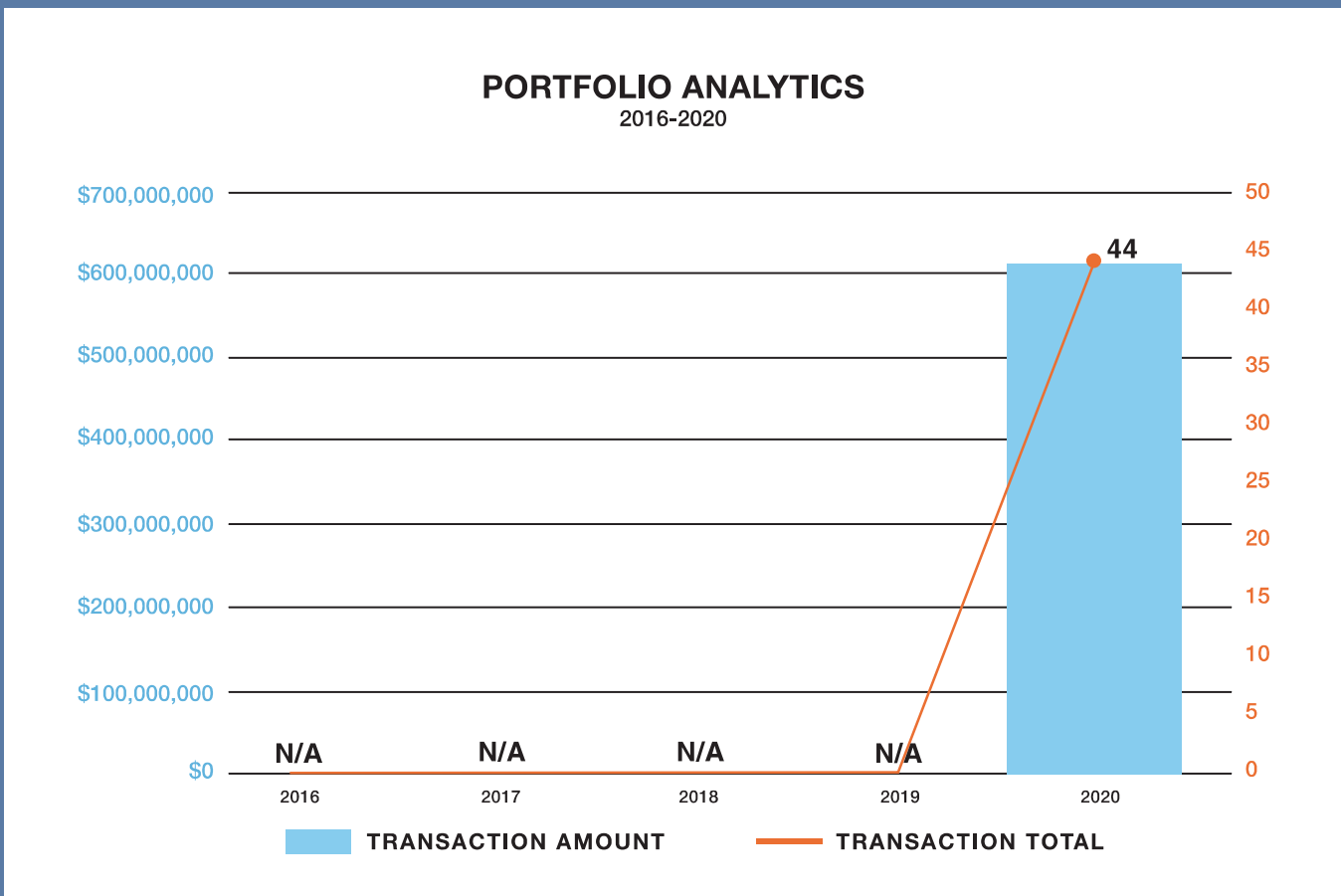
PUBLIC MARKETS 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	28	\$370,450,000
2017	58	\$677,174,200
2018	62	\$345,078,413
2019	77	\$15,700,000,000
2020	45	\$2,901,447,000

**PUBLIC MARKETS**  
2016-2020



**PORTFOLIO ANALYTICS TRANSACTIONS<sup>3</sup>**  
 YEARLY COMPARISON 2016-2020

PORTFOLIO ANALYTICS 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	N/A	N/A
2017	N/A	N/A
2018	N/A	N/A
2019	N/A	N/A
2020	44	\$603,810,698



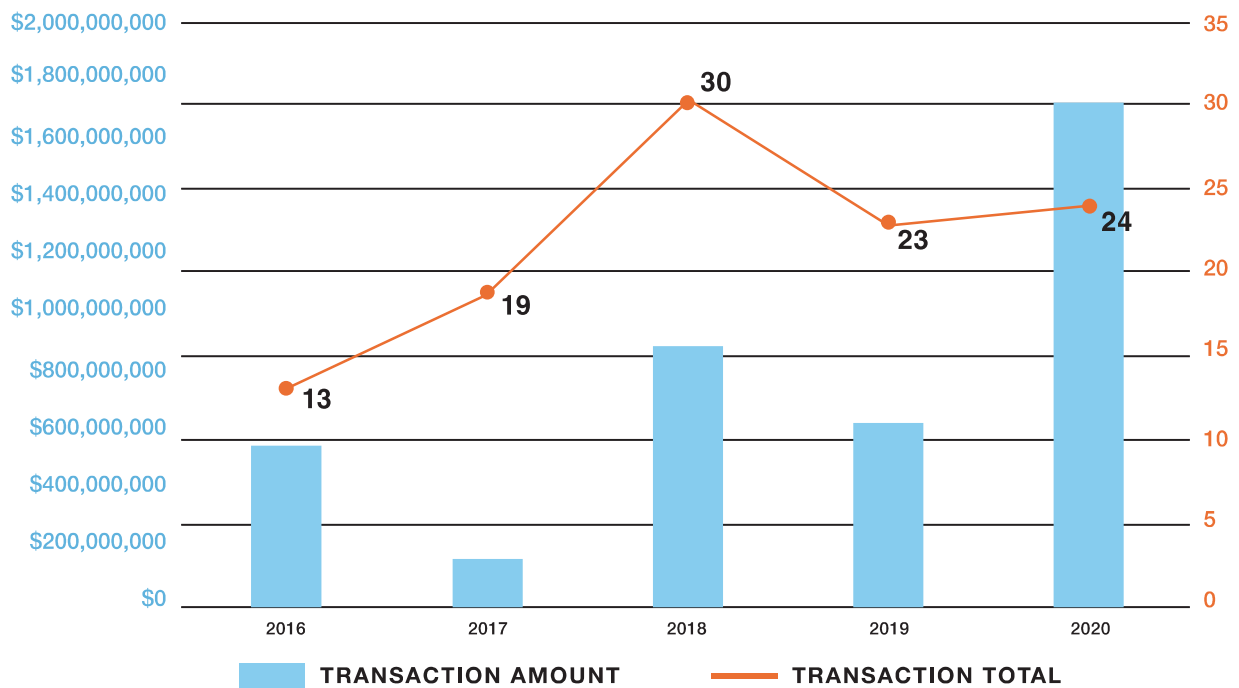
<sup>3</sup>This category has only been tracked since 2020 and therefore, prior years do not exist for comparison.



**HEDGE FUNDS TRANSACTION AMOUNT**  
YEARLY COMPARISON 2016-2020

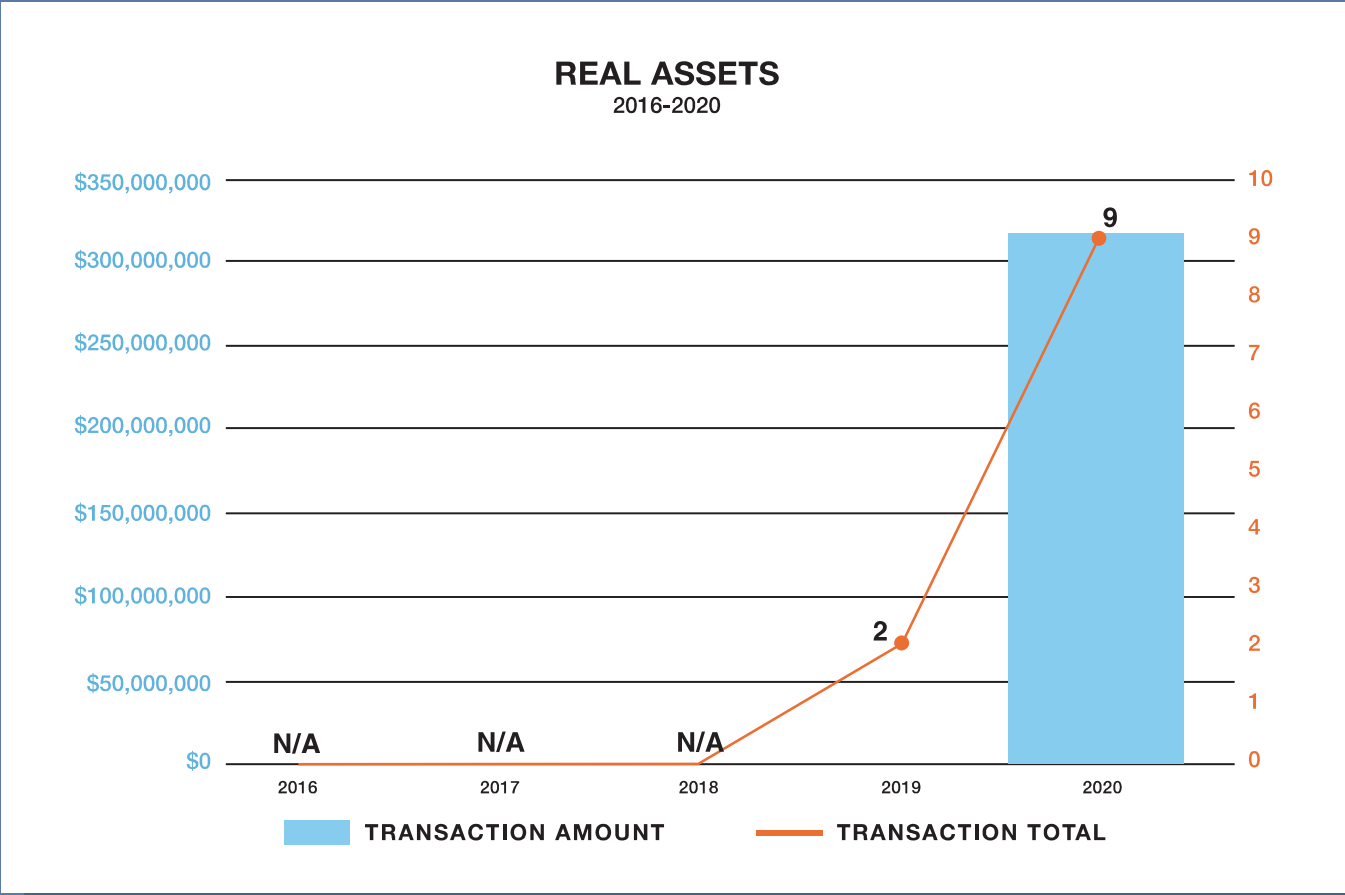
HEDGE FUNDS 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	13	\$550,000,000
2017	19	\$153,700,000
2018	30	\$882,400,000
2019	23	\$625,000,000
2020	24	\$1,717,000,000

**HEDGE FUNDS**  
2016-2020



**REAL ASSETS TRANSACTIONS<sup>4</sup>**  
YEARLY COMPARISON 2016-2020

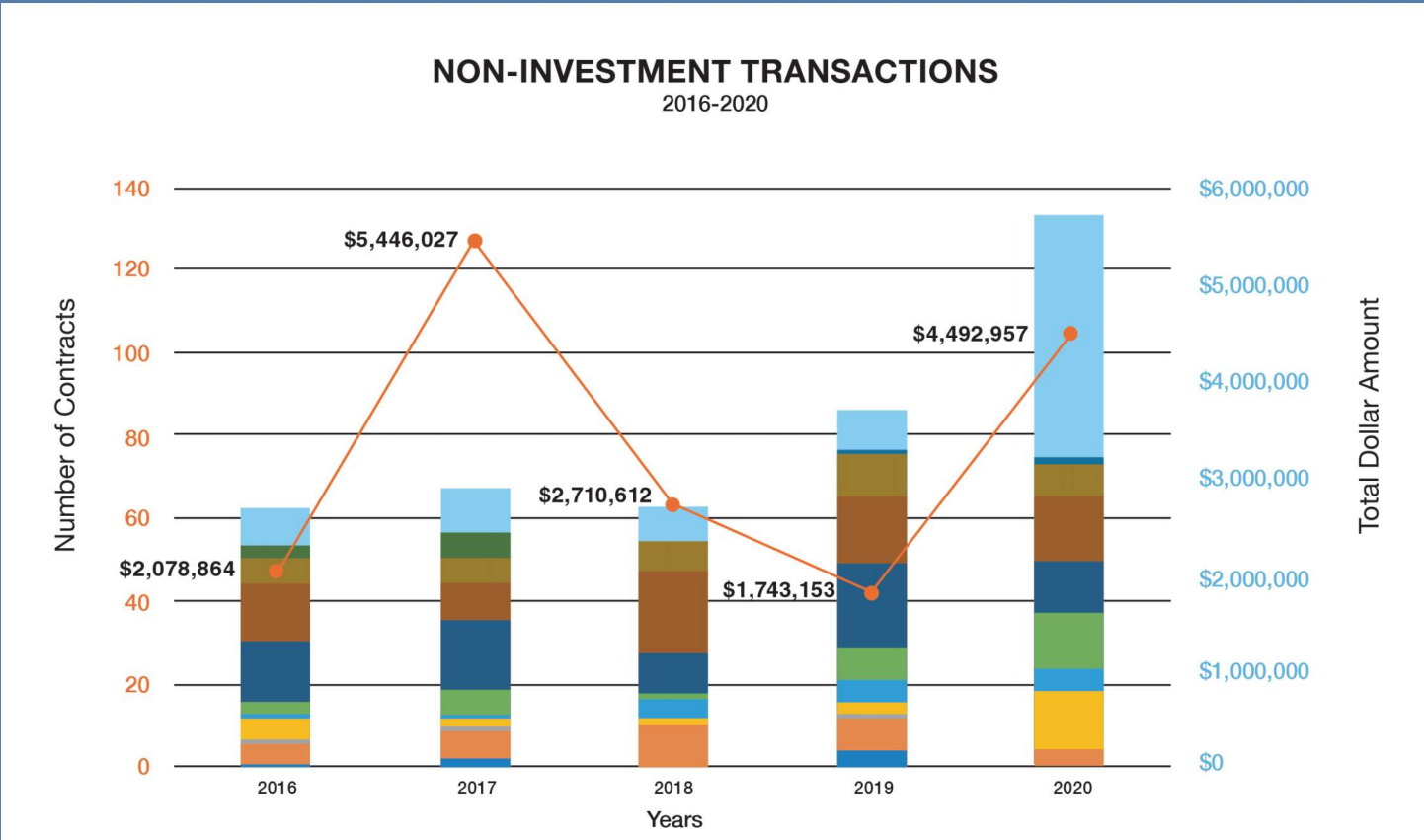
REAL ASSETS 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	N/A	N/A
2017	N/A	N/A
2018	N/A	N/A
2019	2	\$747,200
2020	9	\$320,000,000



<sup>4</sup>This asset class has only been tracked since 2019 and therefore, prior years do not exist for comparison.

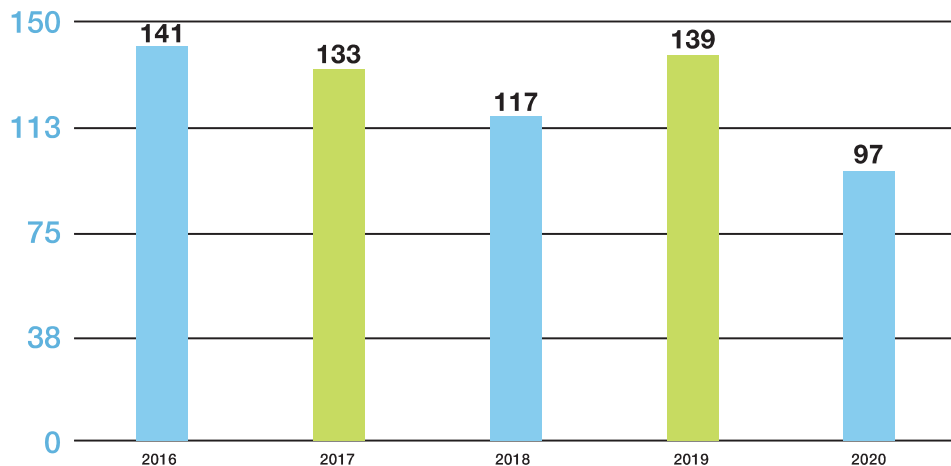
## NON-INVESTMENT TRANSACTIONS YEARLY COMPARISON 2016-2020

NON-INVESTMENT TRANSACTIONS 2016-2020		
YEAR	TRANSACTION TOTAL	TRANSACTION AMOUNT
2016	88	\$2,078,864
2017	101	\$5,446,027
2018	87	\$2,710,612
2019	121	\$1,743,153
2020	162	\$4,492,957



- Accounting
- Administrative Services
- Benefits
- Communications
- Disability
- Executive
- Human Resources
- Internal Audit
- Legal
- Quality Assurance
- Retiree Healthcare
- Systems
- Dollar Amounts

## PUBLIC RECORDS REQUESTS 2016-2020



In summary, the trend, as these graphs illustrate, is an increase in both the volume of work and the value associated with the legal documents that are part of this analysis. This is not surprising given (1) how much the LACERA pension fund and OPEB trust have grown over the past five years (from \$47.6 billion in 2016 to over \$65 billion by the end of 2020 in the case of the pension fund and from \$561 million in 2016 to \$1.9 billion in 2020 in case of the OPEB trust), (2) the increasing level of sophistication and complexity of the investments and the underlying legal documents that LACERA has evaluated or committed to as well as (3) the growing size of the Investment division in response to these developments. For example, manager consolidations, the introduction of functional asset categories, and revisions to strategic asset allocation plans have resulted in terminations as well as hiring of new managers. Increased anti-money laundering and “know your customer” rules have led to a greater number of requests for governing documentation, Foreign Account Tax Compliance

Act questionnaire submissions, and responding to compliance-related questions. The acquisition of more portfolio and risk management tools, as well as reporting and monitoring tools, has meant additional legal review. This trend is also consistent with the increase in co-invest activity in Private Equity, which is more involved from a legal perspective given the number of ancillary documents, such as non-disclosure agreements, joinders, and non-reliance letters associated with these investments. Furthermore, these charts reflect the ramp up of investment activity in Real Assets that started in 2019 as well as an increase in allocation to Hedge Funds.

Additionally, with the onset of the pandemic around March 2020, there has been increased activity in non-investment vendor agreements for the Systems Division, reflecting the need for greater remote working capabilities and IT security for LACERA. The adoption of the Policy for Purchasing Goods and Services in late 2019 has also led to an increase in the volume of contracts that the Legal Division reviews.

The policy lowered the contract value threshold from \$50,000 to \$5,000 and added other risk-related factors to determine whether legal review would be required for vendor agreements regardless of value, resulting in higher inflows of documents submitted to the Legal Division for review. After several years of significant increases in requests for information pursuant to the Public Records Act, 2020 saw a reverse in the upwards trend of prior years. Staff attributes this reduction in requests to LACERA's efforts and focus on increasing transparency and efficiency by posting Board materials and reports on the LACERA website. Not only does this reduce staff time dedicated to responding to routine requests but also creates greater accountability and oversight by the public.



We anticipate that many of these trends will continue in the coming years as the pension fund continues to grow. We continue to be committed to supporting our business partners with their legal needs and the organization as a whole with risk management.





# Legal Transactions Year End Report

**L/CERA**

Los Angeles County Employees  
Retirement Association

## FOR INFORMATION ONLY

April 30, 2021

TO: Trustees – Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: May 19, 2021 Board of Investments Meeting

SUBJECT: **PROCUREMENT POLICY FOR INVESTMENT-RELATED SERVICES****BACKGROUND**

LACERA has a Procurement Policy for Investment-Related Services (“Procurement Policy”) which sets forth the procedures and guidelines by which LACERA shall procure services related to managing plan assets. This policy is designed to promote an acquisition process that is inclusive, fair, transparent, timely, rule-based, market aware, informed, and consistent with fiduciary duty. These guiding principles are briefly described below:

- Inclusive: promoting open access for parties interested in working with LACERA to participate in procurement efforts
- Fair: impartial and equitable treatment throughout the diligence and selection practices that are absent conflicts of interest or bias
- Transparent: records shall be subject to public disclosure unless subject to a specific exemption under the Ralph M. Brown Act. The procurement practices shall be established and repeatable such that they can be understood by potential partners and LACERA can be held accountable
- Timely: the process shall be as efficient and timely as practicable
- Rule-based: procurement efforts will be conducted in a stable and consistent manner
- Market aware: specialized procurement efforts may be tailored to mandate or service specifics. For example, minimum qualification and selection criteria categories may be tailored to the experiences and skillsets most applicable to individual subject matters
- Informed: procurement efforts will benefit from available databases where applicable to increase the number of potentially qualified firms that are included in the process. Additionally, diligence practices include multiple stages of review and team-based decisions before a recommendation is made to the Selection Authority
- Consistent with fiduciary duty: procurement decisions are made for the benefit of the Fund as a whole without other concerns

The Procurement Policy covers five types of services: investment management, consulting, other investment-related services, legal, and miscellaneous small assignments. Depending on the service and other considerations, LACERA utilizes both request for proposal (“RFP”) and non-RFP procurement practices. The Procurement Policy delineates when RFP or non-RFP approaches should be used. An RFP process is a public solicitation that is posted on LACERA’s website to invite a proposal from any

qualified party for a specific service. A non-RFP process is used for matters such as complex and illiquid investment mandates where there is a high degree of differentiation between the specialized services offered across firms.

At the April 14, 2021 Board of Investments meeting, LACERA's RFP practices were discussed and Trustees asked questions about procurement methods recently utilized (RFP or non-RFP) and recommendation practices regarding the RFP searches. Procurement and recommendation practices related to RFP searches for investment management services are described in section 3(a) beginning on page 12 of the Procurement Policy (**Attachment**).

For background, the Procurement Policy was established in November 2019 by the BOI after an 11-month review period spanning five BOI meetings. The Investments Division collaborated with LACERA's Legal Office and its general investment consultant, Meketa Investment Group, to consider best practices related to procurement. Discussions and policy drafting were conducted with objectives to reduce potential ambiguities and inconsistencies related to procurement practices. Prior to this policy being approved, LACERA had minimum qualifications within its Investment Policy Statement for select services but did not have a procurement policy for investment-related services, and, accordingly, practices may have varied at times.



**PROCUREMENT POLICY FOR  
INVESTMENT-RELATED SERVICES**

**Adopted: November 20, 2019**

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## **Statement of Purpose**

LACERA's Procurement Policy for Investment-Related Services (the "Procurement Policy") sets forth the procedures and guidelines by which LACERA shall procure investment-related services. Investment-related services include, but are not limited to, external investment management, general and specialty consulting, custodial, securities lending, and analytics/database service providers. Procurement of services and products not related to investments are governed by LACERA's General Policy Guidelines for Purchasing Goods and Services.

## **Legal Authority**

The California Constitution and LACERA's governing statutes create a legal framework within which the Procurement Policy must be interpreted and implemented by LACERA's Board of Investments (the "Board") in approaching its decisions. The Board is independent and has sole and exclusive legal responsibility over investment of the Fund's assets.

### **A. Fiduciary Duty**

The Board, its members, and staff are fiduciaries, making decisions for the benefit of the Fund as a whole without other concerns or outside influence. All Board members, whether they are elected, appointed, or ex officio, have the same fiduciary duty under the law.

### **B. Ethics and Code of Conflicts**

The Board and staff must refrain from personal activity that could conflict with the proper management of the investment program, or that could impair their ability to make decisions in compliance with fiduciary duty. Further details are defined in LACERA's Code of Ethical Conduct, Conflict of Interest Code, the Political Reform Act, Fair Political Practices Commission regulations, and other applicable law.

## **C. Process**

Because the Board is a governing body of a public agency, the Board and its members must conduct business according to the State of California Ralph M. Brown Act, which provides that Board meetings, deliberations, and actions must be public unless subject to a specific closed session exception. The Board may go into closed session to discuss the purchase and sale of particular, specific investments under the Brown Act.

## 1. Introduction

The Procurement Policy supplements LACERA’s Investment Policy Statement (the “IPS”). The IPS defines the framework by which LACERA manages the assets of the Fund in order to fulfill its mission. The Procurement Policy is designed to comply with and follow all guidance included within the IPS. To the extent a conflict exists between the IPS and the Procurement Policy, the IPS shall prevail.

The Board has adopted investment beliefs (“Investment Beliefs”) to describe its core beliefs and underlying assumptions about how capital markets operate. Collectively, the Investment Beliefs provide a framework to guide LACERA’s investment decisions in a manner consistent with the Fund’s position as an institutional investor with a long-term investment horizon in order to achieve the Fund’s objectives.

Consistent with the Investment Beliefs, the Procurement Policy is designed to adhere to the following guiding principles.

- **Fiduciary.** The Board and staff are fiduciaries to LACERA. Procurement decisions are made for the benefit of the Fund as a whole without other concerns or outside influence.
- **Inclusive.** Opportunity to provide investment-related services to LACERA will be as inclusive as possible, providing all qualified service providers a chance to participate in procurement efforts.
- **Fair.** Procurement efforts will be conducted in a fair and impartial manner. Selections of service providers will be made free from any conflict of interest or bias.

- **Transparent.** Records of procurement efforts will be subject to public disclosure unless subject to a specific exception pursuant to the Ralph M. Brown Act.
- **Timely.** Procurement efforts will be conducted in as efficient and timely manner as practical.
- **Rule-Based.** Procurement efforts will be conducted in a consistent manner
- **Market Aware.** Procurement efforts will be tailored to the specifics of a mandate or service need.
- **Informed.** Procurement efforts will utilize available databases, tools and advances in underwriting to inform the process. Databases may be used to identify a comprehensive list of qualified service providers to optimize submissions/responses to RFPs.

Searches for service providers completed under the Procurement Policy do not have a pre-ordained outcome. Searches could result in the selection and retention of one or multiple service providers. Alternatively, no service provider may be selected.

## **Scope**

Investment-Related Services covered by this Procurement Policy include investment consulting services, investment management services, and specialized services that support investment functions, such as, but not limited to, attorneys, appraisers, auditors, custodians, data and analytics providers, securities lending providers, and independent fiduciaries.

## **Term**

The term for engagements with service providers selected via the Procurement Policy vary.

- i. **Investment Managers.** Terms for agreements with separate account investment managers may be evergreen. Investment managers engaged via separate accounts and open-end comingled funds are monitored closely relative to return objectives, benchmarks, and alternative options. All contracts between LACERA and separate account managers must contain reasonable termination rights for LACERA.
- ii. **Custody Services.** Engagements with custody service providers may be for terms of up to ten years and may provide for two one-year extensions at the discretion of the Chief Investment Officer. The Board will be notified of any extensions. Agreements with custody providers shall contain reasonable termination provisions.
- iii. **Other Service Providers.** Other services procured using the Procurement Policy will have a term of no longer than five years, with two one-year extensions at the discretion of the Chief Investment Officer with respect to investment-related matters, or Chief Legal Counsel for the procurement of services for legal-related matters. The Board will be notified of any extensions.



## 2. Definitions

- a) **Active Management** refers to investment managers whose investment strategy and process allow them to make investments that attempt to exceed their benchmarks.
- b) **Board** means the LACERA Board of Investments
- c) **Evaluation Team** means the group of individuals that have been assigned responsibility to review the search respondents relative to the criteria set forth in the search as well as to each other, as appropriate. Each phase of evaluation must be completed by the same participating members of the Evaluation Team. The Evaluation Team will include staff as appropriate and possibly a third-party advisor.
- d) **Fund** or **Funds** means both the Los Angeles County Employees Retirement Association (LACERA), and the Other Post-Employment Benefits Master Trust (OPEB).
- e) **Illiquid Investment** means securities or other assets that cannot easily be sold or exchanged for cash within one month without a substantial loss in value. These investments include private equities, private credit, private real assets (including real estate), and hedge fund strategy products. These assets are intended to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. They are not intended to be a source of short-term liquidity.
- f) **Legal Services Procurements** means the procurement of investment-related legal services to assist in transactions or other investment matters.
- g) **Liquid Investments** means securities and other assets that can be converted into cash quickly without material impact on fair value and where there is typically a transactional price available on a daily basis. These assets include

global equities, investment-grade bonds, publicly-traded real estate and real assets, and overlays implemented via exchange-traded instruments.

- h) **Miscellaneous Small Purchases** means the procurement of investment-related services for flat-fee or hourly compensation that may not exceed a total of \$150,000 per provider for any single transaction or assignment, even if the services are provided over a five-year period. Small Purchases may be approved, and later renewed or extended every five years subject to a new \$150,000 cap, jointly by the Chief Executive Officer and Chief Investment Officer. Small Purchases do not include any services for on-going investment management.
- i) **Passive Management** refers to investment managers whose investment strategy and process are designed to replicate a benchmark.
- j) **RFP** means open Requests for Proposals. An RFP is a public solicitation posted on LACERA's website inviting all qualified bidders to respond. Recommendations to initiate an RFP will be presented to the Board and will identify the recommended: (i.) Scope of Services; (ii.) Minimum Qualifications; (iii.) Search timing; (iv.) Structure of the Evaluation Team; (v.) Evaluation Criteria; and (vi.) Selection Authority.
- k) **Selection Authority** refers to the body, group or individual that has authority to select the service provider that will be retained. This may be the Board, the Evaluation Team, the Chief Investment Officer, Chief Legal Counsel, or some combination of the above. A Selection Authority will be recommended to the Board for its approval for each procurement effort unless otherwise delegated in existing LACERA policy.
- l) **Staff** means employees of LACERA.
- m) **Trustee** means a member of the Board of Investments.

### **3. Service Being Procured and Selection Method**

The types of investment-related services being procured can be characterized as:

- Investment Management
- Consulting
- Other Investment Related Services
- Legal
- Miscellaneous Small Assignments

The method or process utilized to procure services is dependent upon the type of service being procured. Regardless of the selection method utilized, a high level of scrutiny and rigor is applied for whatever length of time is needed to ensure that the successful service provider(s) are most appropriate for the Fund.

The selection method for the different types of services covered by the Procurement Policy is described below. Upon selection of service providers, the Legal Division and Investment Office are responsible for completing engagement agreements and/or contracts.

#### **a) Investment Management Services**

- Active Management
  - Liquid Investments

Investment Managers utilizing Active Investment strategies to invest in Liquid Investments shall be selected using an RFP.

- Illiquid Investments

Illiquid Investments are identified and underwritten on a one-off basis and, if deemed appropriate, advanced to the Board for consideration, unless delegated within the IPS. Individual

Actively Managed Illiquid Investments do not lend themselves to selection via an RFP. Rather, illiquid investments are discussed in periodic asset class structure reviews and individual recommendations include independent third-party assessments. Exceptions to this are fund-of-fund mandates. In those circumstances, an RFP will be utilized for selection efforts.

- **Passive Management**
  - Liquid Investment managers shall be selected using an RFP.
  - Illiquid Investments (N/A)

Staff will obtain Board authorization on a mandate-by-mandate basis prior to initiating an RFP.

The Evaluation Team is responsible for making an affirmative recommendation of the most qualified candidate manager(s) to the Selection Authority.

#### **b) Consulting Services**

LACERA will select general and/or specialist consultants using an RFP. Staff will recommend an Evaluation Team and obtain Board authorization prior to initiating a search effort.

The Evaluation Team is responsible for presenting the most qualified candidate consultants to the Selection Authority.

#### **c) Other Investment Related Services**

Numerous specialized investment related service providers that **do not** directly manage money are utilized to support Fund investment activities. Some specialized providers are on retainer or under an open

contract for services as needed and are utilized repetitively to deliver expert services, such as legal counsel negotiating and documenting transactions. Other specialized providers may be retained to deliver ongoing operational support services, such as a master custodian or securities lending service provider. Still other specialized providers may be retained to deliver frequently needed services, such as private equity fee verifications or real estate appraisals.

The selection process utilized for Other Investment Related Service providers will be an RFP. The selection process utilized will be authorized by the Board on a case-by-case basis.

**d) Legal Services Procurements**

The Chief Legal Counsel may initiate an RFP without Board approval to select a panel of outside counsel to assist on investment-related matters on an individual asset class basis. The Chief Legal Counsel will report the selected panelists to the Board after the panel selection. The Chief Legal Counsel or their designee, in consultation with the Investment Division, may thereafter select outside counsel from the panel to represent LACERA in individual transactions or provide other necessary legal services.

The Chief Legal Counsel also has the authority, without the need to conduct an RFP, to (1) retain specialized counsel based on expertise or geographical location when necessary to complete a transaction or fulfill a Board-approved initiative or programmatic priority, or (2) retain litigation counsel when necessary to protect LACERA's interests before a Board meeting seeking approval can be held, with the selected

litigation counsel presented to the Board for ratification at the next meeting.

Any selection of legal counsel covered by this Policy will be reported to the Board no later than the meeting of the Board immediately following the selection.

**e) Miscellaneous Small Purchases**

Miscellaneous Small Purchases shall be made after seeking multiple bids. The Board shall be notified of the selected specialized service providers within the monthly Chief Investment Officer report.

#### **4. Proposal Evaluation**

An Evaluation Team will be identified by Staff prior to the commencement of a search effort. The Evaluation Team will be responsible for evaluating and scoring written responses to the RFP, interviewing respondents, conducting due diligence, and deliberating and determining which of the respondents would best meet the needs of the Fund.

Each member of the Evaluation Team is responsible for evaluating and scoring each search response meeting the minimum qualifications. The Evaluation Team subsequently meets to discuss and justify scores to avoid inconsistencies and jointly determine a score for each respondent.

Further evaluation of the top ranked respondents may consist of in-house interviews at LACERA's offices, requests for and evaluation of additional information, and, if deemed appropriate, on-site interviews.

When a template agreement exists, top ranked respondents will be provided and asked to review and comment on the LACERA template agreement. The template agreement has key legal terms that the respondent must mark up with any proposed modifications. The RFP requires that respondents be bound to LACERA's terms, unless the respondent identifies an objection or addition, sets forth the basis for the objection or addition, and provides substitute language to make the clause acceptable to the respondent.

The Evaluation Team relies upon the Legal Division to determine the acceptability of any proposed language affecting legal issues or terms in the agreement. The respondent's proposed language is a significant consideration in the evaluation and scoring of proposals.

Upon completion of the process, the Evaluation Team assigns final scores to the respondents based on all information gathered during the entire evaluation process.

The Evaluation Team will prepare and submit a summary of its findings along with an affirmative recommendation for which respondent(s) should be hired to the Selection Authority.



## 5. Observance of a Quiet Period

LACERA requires a quiet period to ensure that the process of selecting a contractor is efficient, diligent and fair. The Quiet Period is a “no contact period” during the procurement process to prevent Trustees and staff communication with prospective vendors. Questions concerning the quiet period should be directed to the Legal Office.

- A. The quiet period shall be maintained after the issuance of a solicitation and continue until a final selection is made or the process is otherwise terminated.
- B. Initiation, continuation, and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.
- C. During the quiet period, all Trustees and staff, except for designated LACERA contact persons, shall refrain from communicating with contractor candidates regarding any product or service offered by the candidate, except as permitted by Subsection G below.
- D. During the quiet period, no Trustee or staff member shall accept meals, travel, lodging, entertainment, or any other good or service of value from the candidates.
- E. All authority related to the search process shall be exercised, when the Board has authority under this policy, solely by the Board, or by delegated staff, and not by individual Board members. With respect

to procurements within the authority of Staff, authority related to the search process shall be exercised solely by the authorized staff member with contracting authority for the search.

- F. If any Trustee or staff member is contacted by a candidate during the quiet period about a matter relating to the pending selection, the Trustee or staff member shall refer the candidate to the designated LACERA contact person and report the contact to the Chief Counsel.
  
- G. The quiet period does not prevent Board-approved meetings or communications by staff with an incumbent contractor that is also a candidate provided that their communication is strictly limited to matters necessary in connection with the contractor's existing scope of work. Other than due diligence, discussion related to the pending selection is not permitted during these activities.
  
- H. A contractor candidate may be disqualified from a search process for a willful violation of this policy.

**FOR INFORMATION ONLY**

May 3, 2021

TO: Trustees - Board of Investments

FROM: Adam Cheng, CFA *Ac*  
Senior Investment Analyst

FOR: May 19, 2021 Board of Investments Meeting

SUBJECT: **SECURITIES LENDING PROGRAM—2020 ANNUAL REVIEW**

**EXECUTIVE SUMMARY**

During calendar year 2020, LACERA's Securities Lending Program ("Program") generated \$5.0 million in net income. Total income increased by \$1.6 million (approximately 47.5%) when compared to the income generated in calendar year 2019 (\$3.4 million). The increase in overall Program revenue was driven primarily by higher lendable balances as well as higher average loan balances. Lendable assets grew materially after State Street Global Advisors was hired to manage the passive equity index exposure that was previously managed by BlackRock. BlackRock managed the index fund on a separate platform which removed the assets from the securities lending program.

State Street Bank and Trust Company ("State Street"), LACERA's custodian, continues to act as a lending agent for Non-U.S. Equities, U.S. Treasuries, and U.S. Agency securities. For 2020, Goldman Sachs Agency Lending ("GSAL") continued to act as LACERA's third-party lending agent for corporate bonds and domestic equities. In Q1 2021, the entire Program was transitioned to State Street as the sole lending agent for all lendable securities and collateral management.

**BACKGROUND**

To generate additional income for the Fund, LACERA lends some of its portfolio securities to qualified borrowers (such as brokers/dealers) in exchange for cash and non-cash collateral, typically U.S. Treasury securities, as well as U.S. and Non-U.S. Equities. When cash collateral is received, the income generated from securities lending has two sources: lending and reinvestment. As for non-cash collateral, income is only generated from the lending activity. **Attachment A** provides an overview of securities lending and **Attachment B** summarizes the risks in securities lending.

LACERA has negotiated income split (profit sharing) arrangements with State Street and GSAL. As a result, these firms have an incentive to maximize Program earnings. **Table 1** (on the following page) highlights each income split.

**Table 1**

	<b>State Street</b>	<b>GSAL</b>
Income Split*	85%/15%	87%/13%

\* LACERA's share is 85% of the income generated by State Street and 87% of the income generated by GSAL.

Collateral investment management is not a service offered by GSAL, therefore all reinvestment activity is conducted by State Street Global Advisors ("SSgA") in two separately managed accounts. SSgA charges LACERA 1 basis point ("bp") to reinvest collateral received for lending securities by State Street, and 5 bps for managing the collateral backing securities lent through GSAL. The numbers in this report are net of these costs.

Securities lending authorization agreements ("SLAA") with both State Street and GSAL are reviewed on a regular basis. Staff concluded an RFP for securities lending providers in late 2020 where State Street was selected as the sole provider. Contracts and guidelines were refined to reduce risk while the income split improved to 90% LACERA and 10% State Street.

### **SECURITIES LENDING PROGRAM PERFORMANCE**

The Program generated approximately \$5.0 million of income in 2020, an increase of \$1.6 million compared to the previous year's results. In percentage terms, this income represents 3 bps of the average lendable balance and 33 bps of the average amount of securities on loan.

**Table 2** (on the following page) compares the average lendable base, average market value of securities on loan, and utilization rates<sup>1</sup> for calendar years 2019 and 2020 — for the entire Program and by provider.

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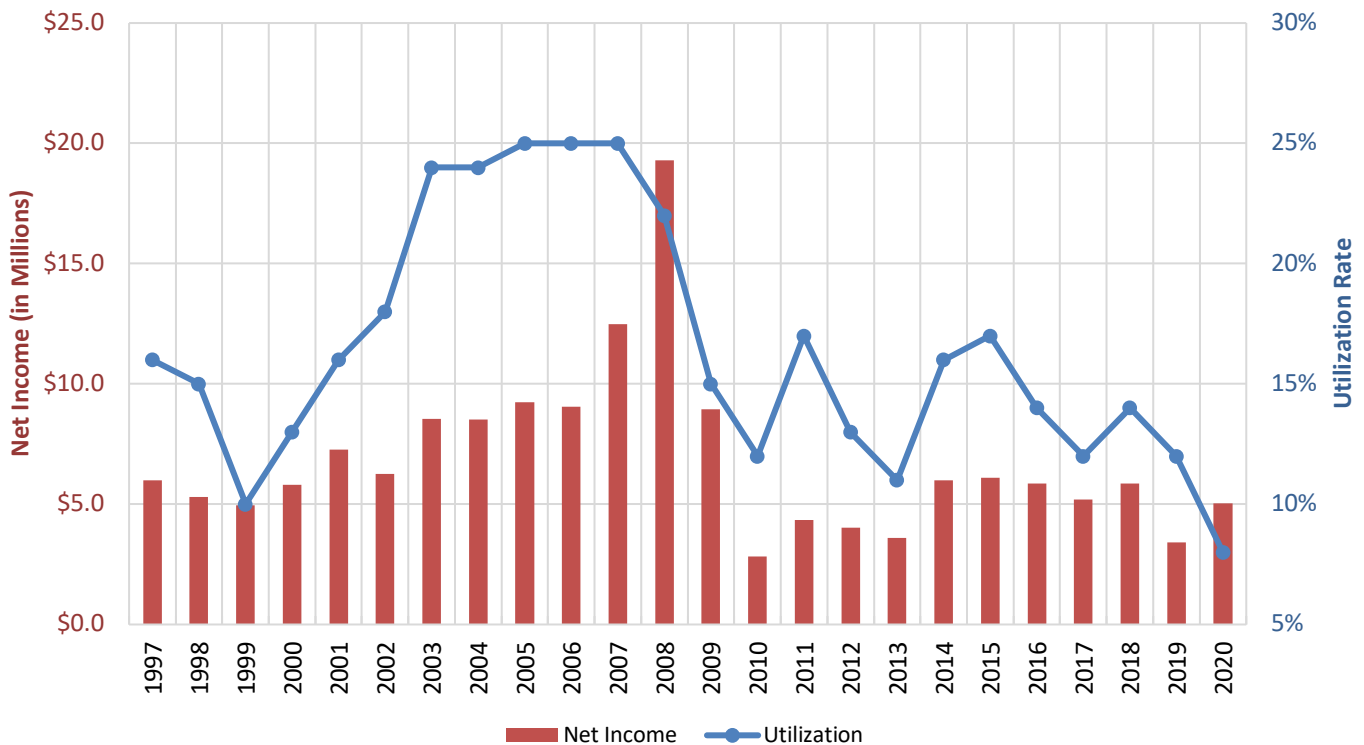
<sup>1</sup> Utilization rate equals the market value of securities on loan divided by the market value of securities available for lending.

**Table 2**

Program Size	State Street	GSAL	Program Totals
2019 Average Lendable	\$3,025,861,559	\$5,559,141,331	\$8,585,002,890
2020 Average Lendable	\$7,725,042,174	\$10,483,060,175	\$18,208,102,348
% Change from 2019	155.3%	88.6%	112.1%
2019 Average on Loan	\$522,343,284	\$496,525,337	\$1,018,868,620
2020 Average on Loan	\$844,920,186	\$674,175,595	\$1,519,095,782
% Change from 2019	61.8%	35.8%	49.1%
2019 Utilization (%)	17.3%	8.9%	11.9%
2020 Utilization (%)	10.9%	6.4%	8.3%
Difference	-6.4%	-2.5%	-3.6%

Average lendable balances and loan balances both saw significant increases. Utilization rates, however, decreased from 2019 by 3.6%. Utilization levels remain at the low end of the historical range due to lack of borrower demand. Net income rebounded from its drop in 2019 to stay rangebound between \$3.0 to \$6.0 million over the past 10 years. (See **Chart 1**)

**Chart 1**  
**Net Income and Utilization Rate**



**Table 3** compares the lending income (income generated from securities on loan), reinvestment income (interest income on cash collateral), and total income generated by each provider for calendar years 2019 and 2020. As shown in the table, lending income increased by \$1.6 million (47.5%), while collateral reinvestment earnings decreased \$0.2 million (-8.6%).

**Table 3**

	<b>State Street</b>	<b>GSAL</b>	<b>Program Totals</b>
2019 Lending Income	\$355,612	\$1,070,634	\$1,426,246
2020 Lending Income	\$2,663,692	\$507,709	\$3,171,402
\$ Change from 2019	\$2,308,080	-\$562,925	\$1,745,156
% Change from 2019	649.0%	-52.6%	122.4%
<b>Reinvestment Income</b>			
2019 Reinvestment Income	\$1,040,575	\$1,165,087	\$2,205,662
2020 Reinvestment Income	\$1,099,030	\$918,146	\$2,017,176
\$ Change from 2019	\$58,455	-\$246,941	-\$188,486
% Change from 2019	5.6%	-21.2%	-8.6%
<b>Total Income</b>			
2019 Total Income	\$1,396,188	\$2,013,205*	\$3,409,392
2020 Total Income	\$3,762,723	\$1,265,675*	\$5,028,398
\$ Change from 2019	\$2,366,535	-\$747,530	\$1,619,006
% Change from 2019	169.5%	-37.1%	47.5%

\* Includes fees paid to LACERA's custodian for transaction charges associated with LACERA having a third-party lending agent.

## Performance by Provider

### State Street

LACERA's custodial lending agent generated approximately \$3.8 million in income during calendar year 2020. Of this amount, \$2.7 million came from lending activity, while \$1.1 million came from collateral reinvestment. State Street's earnings increased year-over-year by approximately \$2.4 million (649.0%) largely due to an increase in on-loan balances of the Non-U.S. corporate bond and Non-U.S. equity balances. The average on-loan balances for the Non-U.S. securities increased from \$522.0 million in 2019 to \$845.5 million in 2020 with the majority of the increase occurring in loans collateralized by non-cash assets. Lending of U.S. Treasuries were slightly lower at \$9.3 million. Quantitative easing monetary policy led to a reduction in the yield of the collateral fund which further impacted earnings.

GSAL

GSAL, LACERA's third-party lending agent for domestic equities and corporate bonds, produced roughly \$1.3 million in income during calendar year 2020. When compared to earnings generated in the prior year, total income earned in 2020 was lower by approximately \$0.7 million. Equity lending was down \$0.2 million as lending spreads tightened due to a decrease in borrower demand. Fixed income lending was down \$0.4 million (82%) due to lower spreads as well. The corporate bond lendable base declined by 28.7%, also contributing to the decline in revenue. Furthermore, higher rebates were paid to borrowers as lenders were competing for General Collateral balances.

**CONCLUSION**

LACERA's Securities Lending Program generated approximately \$5.0 million in net income during calendar year 2020, an increase of \$1.6 million compared to the prior year. The increase in overall net income was driven by substantially higher lendable assets which lead to more lending activity as well as higher loan balances. Lower interest rates contributed to a drop in reinvestment income. Utilization also remained at historic lows. Future results from the Program will largely depend on LACERA's asset allocation. Increases to private investments reduce lendable assets while public securities increase the lendable base. Furthermore, regulatory capital requirements will continue to drive the use of non-cash collateral. As a result, brokers will search for lenders with flexible collateral schedules. LACERA's continued acceptance of non-cash collateral could help in elevating utilization levels and revenues without increasing reinvestment risk.

Attachments:

Attachment A – What is Securities Lending?

Attachment B – What are the Risks in Securities Lending?

Noted and Reviewed:



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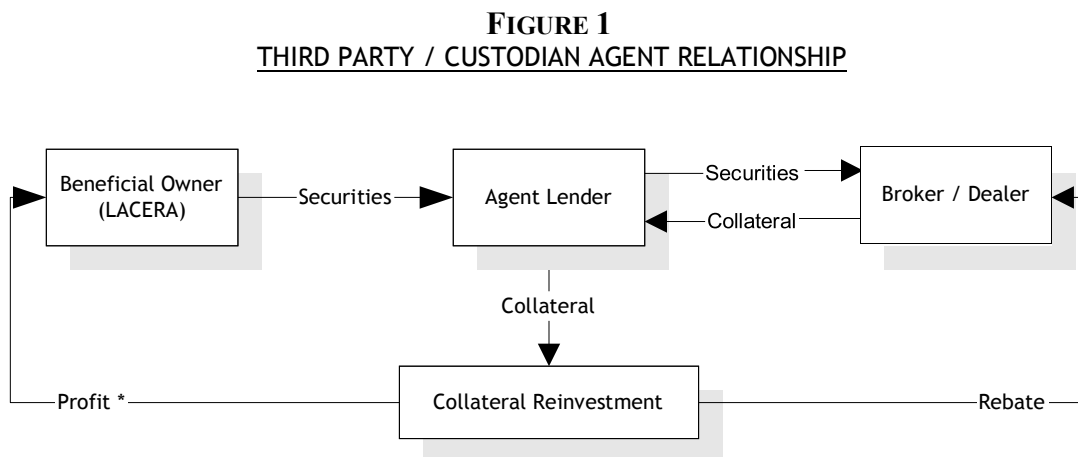
Jonathan Grabel  
Chief Investment Officer

## WHAT IS SECURITIES LENDING?

Securities lending is an activity where a beneficial owner (such as LACERA) lends its securities to qualified borrowers (such as broker/dealers) in exchange for collateral (typically cash). The collateral is invested in short-term, high quality fixed income instruments with the purpose of maximizing investment earnings at the lowest level of risk. When the borrower returns the securities to the beneficial owner, the collateral is then given back to the borrower with interest – this is known as the **rebate**. Earnings from the reinvestment of collateral in excess of the rebate represent the profit or securities lending income.

There are two types of service relationships: an agency relationship and a principal relationship.

FIGURE 1 illustrates the flow of securities in an agency relationship.



\* Profit is split between LACERA and Agent Lender.

In an agency relationship, the agent (an intermediary between the beneficial owner and broker/dealers) is responsible for lending the securities to a qualified group of borrowers and for obtaining the collateral from the borrower. At the time the loan is initiated, the agent also negotiates the rebate that will eventually be paid to the borrower when the loaned securities are returned to the beneficial owner. The collateral is then invested in short-term securities by the agent or by a designated cash manager. Earnings from cash reinvestment minus the rebate paid to the borrower are divided between the agent and the beneficial owner based on a pre-determined split.

LACERA has two agency relationships: State Street (custodian agent), and Goldman Sachs Agency Lending (GSAL – third-party lending agent).



## **WHAT ARE THE RISKS IN SECURITIES LENDING?**

There are three key risks inherent in securities lending: 1) borrower default risk, 2) cash reinvestment risk, and 3) operational risk.

### *Borrower Default Risk*

This is the risk that the borrower may go bankrupt and therefore not return the securities on loan. In this case, LACERA may use the cash collateral and purchase the security in the open market. Please note that domestic loans are collateralized at 102% while international loans carry 105% collateral. Additionally, all loans are marked-to-market daily.

Under the terms of their lending agreements, all of LACERA's lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower of the security can terminate a loan on demand.

### *Cash Reinvestment Risk*

This is the risk that the earnings generated by cash reinvestment are not sufficient to cover the rebate paid to the borrower. There are two key sources of risk in the reinvestment of cash: credit risk and interest rate risk. Credit risk is the risk that the investment depreciates as a result of a credit quality downgrade or bond issuer default. Interest rate risk occurs when the return on the portfolio is less than the rebate rate. To manage these risks, securities lending cash portfolios are well diversified and invested in highly liquid, high credit quality, short-term fixed income securities.

### *Operational Risk*

This risk includes: 1) sell fail risk—failure by the borrower to return a loaned security that LACERA's investment manager has sold, 2) mark-to-market—failure to conduct daily market valuations and maintain appropriate collateral in the event of borrower default, 3) collection of income—failure to collect dividends and interest paid on loaned securities, and 4) corporate actions—failure to ensure accurate adjustments and maintain collateral levels as a result of stock splits and stock dividends.

Utilizing entities with highly sophisticated and advanced trading systems mitigates these risks. Additionally, borrower loan levels, mark-to-market activities, and investment guideline compliance are among the risks routinely monitored by staff.

**FOR INFORMATION ONLY**

May 5, 2021

TO: Trustees,  
Board of Investments

FROM: Christine Roseland *CR*  
Senior Staff Counsel

FOR: May 19, 2021 Board of Investments Meeting

SUBJECT: **Legal Projects**

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of May 5, 2021.

Attachment

c: Santos H. Kreimann  
Jonathan Gabel  
JJ Popowich  
Vache Mahseredjian  
Christopher Wagner  
Ted Wright  
Jim Rice  
Jude Perez  
Steven Rice  
John Harrington  
Soo Park  
Margo McCabe  
Lisa Garcia



**LACERA Legal Division**  
**Board of Investments Projects**  
**Monthly Status Report - Pending as of May 5, 2021**



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
HEDGE FUNDS	Innocap	Engagement Agreement	N/A	March 10, 2021	In Progress	25%	Legal negotiations in process.
	PineBridge Investments	Investment Management Agreement	TBD	April 14, 2021	In Progress	10%	Legal negotiations in process.
PRIVATE EQUITY	Exculture Capital Fund IV, L.P.	Subscription	\$100,000,000.00	March 10, 2021	In Progress	75%	Legal negotiations in process.
	Hellman & Friedman, L.P.	Subscription	\$150,000,000.00	April 14, 2021	In Progress	90%	Legal negotiations in process.
	Lightyear Fund V, L.P.	Subscription	\$100,000,000.00	April 14, 2021	In Progress	75%	Legal negotiations in process.
	TA XIV, L.P.	Subscription	\$110,000,000.00	April 14, 2021	In Progress	75%	Legal negotiations in process.
	TA Select Opportunities Fund II, L.P.	Subscription	\$40,000,000.00	April 14, 2021	In Progress	75%	Legal negotiations in process.
	The Veritas Middle Market Fund, L.P.	Subscription	\$100,000,000.00	April 14, 2021	Completed	100%	Completed.
	Antin Mid Cap Fund I, L.P.	Subscription	€ 100,000,000.00	March 10, 2021	Completed	100%	Completed.
REAL ASSETS							

**FOR INFORMATION ONLY**

May 6, 2021

TO: Each Trustee  
Board of Investments

FROM: Michael D. Herrera   
Senior Staff Counsel

FOR: Board of Investments Meeting of May 19, 2021

**SUBJECT: Securities Litigation Report For Calendar Year 2020**

**Securities Litigation Policy**

In March 2001, the Board of Investments adopted a Securities Litigation Policy to formalize the Legal Office's securities class action monitoring and evaluation function, and implement procedures designed to enhance LACERA's recovery of damages from corporate wrongdoers. As a result of its efforts and success over the years, LACERA is widely viewed as a leader in this area and its Policy has served as a model for public pension funds throughout the country. A copy of the current Policy is attached for ease of reference.

We are pleased to report that LACERA recovered nearly a half million dollars (\$470,289.59) in securities class action settlement proceeds during calendar year 2020. Significantly, this brings the total amount recovered by the Legal Office on behalf of the fund to over \$73 million since the Board first adopted its Policy in 2001. This includes recoveries obtained through the successful prosecution of securities cases, and our ongoing securities claims filing efforts.

**Background**

Congress passed the Private Securities Litigation Reform Act (the "PSLRA") in 1995 to address concerns about the influence of "professional plaintiffs" and class action attorneys. To this end, the PSLRA contains provisions intended to encourage participation by sophisticated institutional investors. For example, the PSLRA contains a "lead plaintiff" provision and class notification process aimed at giving the plaintiff(s) with the largest financial interest at stake (presumably, institutional investors) the right to control the course of the litigation and to select, subject to court approval, lead counsel for the class.

Although Congress intended to encourage institutional investors to serve as lead plaintiff, the PSLRA itself does not create any such duty. However, the United States Department of Labor has since stated that "not only is a fiduciary not prohibited from serving as lead plaintiff, the Secretary believes that a fiduciary has an affirmative duty to determine whether it would be in the interest of the plan participants to do so." The Secretary also affirmed its earlier position that "it may not only be prudent to initiate litigation, but also a breach of a fiduciary's duty to not pursue a valid claim."<sup>1</sup>

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<sup>1</sup> Secretary of Laborer's Memorandum of Law as Amicus Curiae in Support of the Florida State Board of Administration's Appointment as lead plaintiff in In re Telxon Corp. Securities Litigation, 67 F.Supp.2d 803 (N.D. Ohio, 1999).

### **Global Coverage**

In 2010, the United States Supreme Court decided a case that significantly changed the securities litigation landscape. In *Morrison v. National Australia Bank Ltd.*, 130 S.Ct. 2869 (2010), the United States Supreme Court for the first time held that investors can only bring federal securities fraud claims in U.S. courts if the securities were purchased or sold in the U.S. and/or listed on a domestic exchange, regardless of where the fraud or wrongdoing occurred. As a result, investors like LACERA who purchase securities outside the U.S. and/or on a foreign exchange can no longer rely on U.S. courts to protect their interests. The Board of Investments acted quickly to adopt a "global" policy to ensure LACERA continues to meet its fiduciary duty by identifying, monitoring and evaluating securities actions in which the fund has an interest, both foreign and domestic, and pursuing such claims when and in a manner the Board determines is in the best interest of the fund.

### **Identification and Evaluation of Securities Cases**

With a significant portion of its portfolio invested in equity and debt securities, LACERA is in a position to seek recovery from issuers and others who engage in wrongful acts that diminish the value of these securities. Accordingly, the Policy provides that the Legal Office shall actively identify, evaluate, and monitor securities cases on behalf of LACERA, both foreign and domestic, and recommend to the Board of Investments that the fund take an active role in those cases where: (i) LACERA's estimated loss is \$2 million or more, or \$1 million if LACERA will join with one or more other public retirement funds in pursuing such action, and; (ii) the Legal Office has determined the case to be meritorious and the best interest of the fund will be served through active involvement.

We accomplish the task of identifying, monitoring and evaluating securities actions in which the fund has an interest, both foreign and domestic, by engaging U.S. law firms with significant securities litigation experience and expertise to serve as monitoring counsel. Through an arrangement with LACERA's custodian, the law firms obtain LACERA's trading and holdings data directly from the custodian. In cases where LACERA has suffered a significant loss, the firms will report these cases to us.

Once the Legal Office determines that a case satisfies the initial loss threshold, we will then evaluate the case to determine whether the case has merit and the best interest of LACERA will be served through active involvement. Since the Board first adopted the Policy, the Legal Office has evaluated or conducted formal requests for proposals in connection with hundreds of significant securities cases.

### **Active Participation**

Since the Board adopted the Policy, LACERA has taken and continues to take an active role in securities cases, either as court-appointed lead or named plaintiff in a class action, or by opting out and bringing an individual action. We will continue to keep the Board apprised of significant developments in LACERA's pending cases under separate cover. Additionally, in cases where LACERA is a putative class member and the outcome of the case or ruling on a significant issue could adversely impact LACERA, the Legal Office will recommend that the Board authorize LACERA to file an amicus curiae ("friend of the court") brief in support of the shareholder plaintiff(s).

### **Asset Recovery**

Virtually every public pension fund with significant funds invested in the securities markets is a passive member of the numerous securities class actions filed every year on behalf of defrauded investors. With a significant portion of its portfolio invested in equity and debt securities, LACERA is eligible to seek recovery of its losses stemming from corporate wrongdoing. Failing to timely and accurately file a claim in these actions after they settle can result in the fund missing out on its share of the millions of dollars recovered every year in these actions. Under the Board's Securities Litigation Policy, the Legal Office therefore implements and oversees procedures designed to ensure LACERA obtains its share of recoveries from these lawsuits, which includes active participation as a lead or named plaintiff, or by filing proofs of claim to share in the resulting settlements.

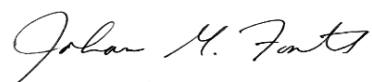
The Legal Office currently utilizes the services of Institutional Shareholder Services (ISS) to act as LACERA's claims filing agent. LACERA's agreement with ISS is designed to enhance LACERA's recovery of damages from corporate wrongdoers by providing that ISS will identify and review settlements in which the fund has an interest, provide notice of such actions and settlements to the Legal Office, and submit correct and timely claims on LACERA's behalf.

As noted above, these efforts resulted in the recovery by the fund of nearly a half million (\$470,289.59) in securities class action recoveries in calendar year 2020, and more than \$73 million since the Board adopted its Policy in 2001.

### **Periodic Review**

The Legal Office regularly reviews the Policy to ensure that it is well suited to fulfill its purpose and ensure that LACERA will continue to satisfy its fiduciary duty with regard to securities class securities actions in which the fund has an interest. Since it has been three years since it was last updated, the Legal Office is currently reviewing the Policy and will, after seeking and considering input from the Chief Executive Officer and Chief Investment Officer, determine whether changes are necessary and present them, if any, to the Board of Investments for consideration and approval.

Reviewed and Approved:



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Johanna M. Fontenot  
Interim Chief Counsel

### **Attachment**

cc: Santos H. Kreimann  
JJ Popowich  
Jonathan Grabel  
Ted Granger



## **BOARD OF INVESTMENTS SECURITIES LITIGATION POLICY**

### **PURPOSE**

The Board of Investments adopts this policy to establish procedures and guidelines for monitoring and participating in securities class actions as appropriate to protect LACERA's interests. For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state and/or federal securities and antitrust laws and regulations, as well as similar claims arising under the laws and/or regulations of foreign jurisdictions.

### **PRINCIPLES**

As a large institutional shareholder, LACERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.

The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek appointment as lead or named plaintiff in a securities class action pending within the United States under U.S. federal securities laws. The lead or named plaintiff in a securities class action gains the right to supervise and control, or assist in the supervision or control, of the prosecution of such case.

Since enactment of the PSLRA, it has been demonstrated that active participation in a securities class action by large, sophisticated shareholders, particularly institutional shareholders, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.

In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("Morrison") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery.

### **STATEMENT OF FUNCTIONS AND RESPONSIBILITIES**

#### **1. Review of Class Action Filings**

The Legal Office shall identify and evaluate securities class actions, brought or pending within the United States and in foreign jurisdictions, in which LACERA may have recognized losses. In this connection, the Legal Office may retain a vendor specializing in identifying and analyzing securities cases to perform this function, and to report its findings to the

Legal Office on a timely basis. The Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.

## 2. Active Case Monitoring

The Legal Office shall actively monitor each case in which the Legal Office has determined the case has merit and LACERA's estimated loss is \$2 million or more. Active monitoring may include participation by the Legal Office in significant motions and in settlement discussions when permitted by the parties or the court.

## 3. Active Participation

The Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action beyond monitoring, which may include, but is not limited to, seeking appointment as a lead or named plaintiff, or opting out of the class action and pursuing an individual action, in cases where:

(a) the Legal Office, after consulting with outside counsel, has determined the case has merit and the best interests of LACERA will be served by taking such action, and;

(b) LACERA's estimated loss is \$2 million or more, or LACERA's estimated loss exceeds \$1 million and LACERA will join with one or more other public retirement funds in pursuing such action.

In addition, the Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action by filing an amicus curiae (friend-of-the-court) brief in those cases where the criteria set forth in Section 3(a) is satisfied.

Recommendations on whether to take an active role in a securities class action shall be submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where the Chief Executive Officer determines that immediate approval is required in order to preserve LACERA's rights and/or interests by taking such action, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board. Notwithstanding the foregoing, recommendations on whether to commence new litigation, as in the case of opting out of an existing securities class action and pursuing an individual action, shall be submitted to the Board of Investments for approval.

For purposes of this policy, a foreign securities action is defined as a lawsuit brought or pending outside the United States involving securities purchased on a foreign securities exchange by LACERA or on its behalf. Participation as a class member in a foreign



securities action, if participation in such foreign action requires registration or other affirmative action by LACERA, shall be considered "Active Participation" and shall be submitted to the Board of Investments for approval.

#### 4. Asset Recovery

LACERA's claims filing agent shall be responsible for filing all proofs of claim, including the necessary supporting documents and information, necessary to recover assets in every securities class action brought or pending within the United States and in foreign jurisdictions in which LACERA has suffered losses. In this connection, the Legal Office shall prepare, and revise as necessary, a retainer agreement and statement of work setting forth formalized claims filing procedures for the claims filing agent to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to LACERA, filing claims correctly and timely on LACERA's behalf, and providing quarterly reports regarding its efforts. The Legal Office, in consultation with the Financial Accounting and Services Division, shall monitor the performance of the claims filing agent in that regard. The claims filing agent shall submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Board.

#### 5. Reports to the Board

The Legal Office shall provide the Board of Investments with annual reports covering its responsibilities under this policy. In addition, the Legal Office shall provide the Board with status reports as needed to keep the Board apprised of major developments in cases in which LACERA is a party.

#### 6. Retention of Outside Counsel

The Legal Office shall retain one or more private law firms with demonstrated expertise and experience in prosecuting securities class actions (the "Securities Litigation Counsel") to advise and/or represent LACERA in securities actions. All retainer agreements shall be negotiated by the Legal Office and submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where it is determined that immediate approval is required in order to preserve LACERA's rights and/or interests by retaining such counsel, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board.

### CHANGES TO CURRENT PRACTICE

The Legal Office has been monitoring securities class actions since passage by Congress of the PSLRA and has been evaluating the merits of LACERA taking an active role in such actions in which LACERA has a significant financial interest. The adoption of this policy will formalize the monitoring function being carried out by the Legal Office, and will create additional responsibilities for the Board of Investments and the Legal Office.

No additional staffing requirements or significant expense will result from the implementation of this policy.

Legal/SecuritiesLit/Securities Lit Policy\_Revised\_102217\_FINAL

Policy Revised: November 2, 2017

Policy Revised: November 9, 2011


Policy Revised: April 29, 2010

Policy Adopted: March 28, 2001

**FOR INFORMATION ONLY**

April 25, 2021

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: May 5, 2021 Board of Retirement Meeting  
May 19, 2021 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring or on which LACERA has adopted a position.

**Reviewed and Approved:**



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**Johanna Fontenot, Senior Staff Counsel**

**Attachments**

LACERA Legislative Report Index  
LACERA Legislative Report

cc: Santos H. Kreimann  
JJ Popowich  
Steven P. Rice  
Jon Grabel  
Tony Roda, Williams & Jensen  
Joe Ackler, Ackler & Associates

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LACERA Legislative Report  
2021-22 Legislative Session  
Status as of April 25, 2021

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**PUBLIC RETIREMENT**

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CA AB 551	<b>AUTHOR:</b> <b>TITLE:</b> <b>INTRODUCED:</b> <b>DISPOSITION:</b> <b>SUMMARY:</b>	Rodriguez [D] Teachers' Retirement System: Individual Plans 02/10/2021 Pending Authorizes the State Teachers' Retirement System to administer an individual retirement plan as described in Section 408 of Title 26 of the United States Code. Eliminates the requirement that the administration of these plans be for the purpose of accepting a rollover from an annuity contract or custodial account offered by the system.
	<b>STATUS:</b>	
	04/15/2021	From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (4-2)
CA AB 627	<b>AUTHOR:</b> <b>TITLE:</b> <b>INTRODUCED:</b> <b>DISPOSITION:</b> <b>SUMMARY:</b>	Waldron [R] Recognition of Tribal Court Orders: Retirement Plans 02/12/2021 Pending Establishes a procedure pursuant to which one or both of the parties to a tribal court proceeding may file an application for recognition of a tribal court order that establishes a right to child support, spousal support payments, or marital property rights to a spouse, former spouse, child, or other dependent of a participant in a retirement plan or other plan of deferred compensation, and that assigns all or a portion of the benefits payable with respect to the plan participant to an alternate payee.
	<b>STATUS:</b>	
	04/22/2021	In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE. (77-0)
CA AB 1133	<b>AUTHOR:</b> <b>TITLE:</b> <b>INTRODUCED:</b> <b>DISPOSITION:</b> <b>SUMMARY:</b>	Chen [R] State Employee Hybrid Pension System 02/18/2021 Pending States the intent of the Legislature to enact legislation that would create a hybrid retirement benefit, consisting of a defined benefit pension and a defined contribution program, within the Public Employees' Retirement System, that state employees would have the option of electing.
	<b>STATUS:</b>	
	02/18/2021	INTRODUCED.
CA AB 1293	<b>AUTHOR:</b> <b>TITLE:</b> <b>INTRODUCED:</b> <b>LAST AMEND:</b> <b>DISPOSITION:</b> <b>SUMMARY:</b>	Cooley [D] Federal Law Limits: Adjustments 02/19/2021 04/13/2021 Pending Prohibits the amount payable to a member under the Judges' Retirement System

II, including specified adjustments, from exceeding the limits established by federal law, and would incorporate specified provisions of federal law by reference.

**STATUS:**

04/17/2021 In ASSEMBLY. Coauthors revised.

CA SB 278

**AUTHOR:** Leyva [D]  
**TITLE:** PERS: Disallowed Compensation: Benefit Adjustments  
**INTRODUCED:** 01/29/2021  
**LAST AMEND:** 03/23/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Establishes new procedures under Public Employees' Retirement Law for cases in which Public Employees' Retirement System determines that the benefits of a member or annuitant are, or would be, based on disallowed compensation that conflicts with State Public Employees' Pension Reform Act of 2013 and other specified laws and thus impermissible under Public Employees' Retirement Law.

**STATUS:**

04/19/2021 In SENATE Committee on APPROPRIATIONS: To Suspense File.

CA SB 294

**AUTHOR:** Leyva [D]  
**TITLE:** Public Retirement: Leave of Absence: Service Credit  
**INTRODUCED:** 02/02/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Removes the 12-year limitation for service credit earned on an employer-approved compensated leave under the Public Employees Retirement Law and Teachers Retirement Law.

**STATUS:**

03/23/2021 In SENATE. Read second time. To third reading.

CA SB 634

**AUTHOR:** Labor, Public Employment & Retirement Cmt  
**TITLE:** Public Employees' Retirement  
**INTRODUCED:** 02/19/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Prohibits a member of the State Teachers' Retirement System (STRS) from purchasing service credit for any school year if the purchase would result in more than one year of service for that school year.

**STATUS:**

04/08/2021 In SENATE. Read third time. Passed SENATE. \*\*\*\*\*To ASSEMBLY. (38-0)

**Comments:**

This is an omnibus bill that covers technical amendments for CalPERS, CalSTRS, and CERL retirement systems.

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**PUBLIC INVESTMENT**

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CA AB 539

**AUTHOR:** Cooley [D]  
**TITLE:** State Teachers' Retirement: Investment Managers  
**INTRODUCED:** 02/10/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes the Teachers' Retirement Board to contract with investment advisers upon the same finding by the Board and approval by the State Personnel Board. Authorizes the Board to establish a competitive bidding process and to specify the contract terms and conditions the Board solely deems necessary and prudent to contract with qualified investment managers and investment advisers.

**STATUS:**

04/17/2021 In ASSEMBLY. Coauthors revised.

CA AB 890

**AUTHOR:** Cervantes [D]  
**TITLE:** Public Employee Retirement Systems: Investment  
**INTRODUCED:** 02/17/2021  
**LAST AMEND:** 03/11/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Requires the Board of Administration of the Public Employees' Retirement System and the Teachers' Retirement Board to provide reports to the Legislature on the status of achieving objectives and initiatives, to be defined by the boards, regarding participation of emerging managers or diverse managers responsible for asset management within each retirement system's portfolio of investments.

**STATUS:**

03/11/2021 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

03/11/2021 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

03/11/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA AB 1019

**AUTHOR:** Holden [D]  
**TITLE:** Public Employee Retirement Systems: Investments  
**INTRODUCED:** 02/18/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

prohibit state trust moneys from being used to make additional or new investments or to renew existing investments in investment vehicles issued or owned by the government of Turkey, unless the government adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims.

**STATUS:**

03/04/2021 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA SB 457

**AUTHOR:** Portantino [D]  
**TITLE:** Public Employee Retirement Systems: Investments  
**INTRODUCED:** 02/16/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Requires the boards of administration of the Public Employees Retirement System and the State Teachers Retirement System to provide employers that are school districts and cities that participate in the systems an option to elect an investment portfolio that does not contain investment vehicles that are issued or owned by the government of the Republic of Turkey.

**STATUS:**

04/19/2021 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT

AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (4-1)

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**RETIREMENT PERSONNEL**

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CA AB 761      **AUTHOR:**                    Chen [R]  
**TITLE:**                            County Employees' Retirement: Personnel: Orange County  
**INTRODUCED:**                02/16/2021  
**LAST AMEND:**                03/18/2021  
**DISPOSITION:**                Pending  
**SUMMARY:**  
Authorizes the board of retirement for Orange County to appoint an administrator, assistant administrators, a chief investment officer, subordinate investment officers, senior management employees, legal counsel, and other specified employees. Provides that the personnel appointed pursuant to these provisions would not be county employees subject to county civil service and merit system rules, and instead would be employees of the retirement system.  
**STATUS:**  
04/22/2021                    In ASSEMBLY. Read third time. Passed ASSEMBLY.  
\*\*\*\*\*To SENATE. (77-0)

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**PUBLIC EMPLOYMENT**

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CA AB 17      **AUTHOR:**                    Cooper [D]  
**TITLE:**                            Peace Officers: Disqualification from Employment  
**INTRODUCED:**                12/07/2020  
**LAST AMEND:**                01/12/2021  
**DISPOSITION:**                Pending  
**SUMMARY:**  
Disqualifies a person from being a peace officer if the person has been discharged from the military for committing an offense that would have been a felony if committed in the state or if the person has been certified as a peace officer and has had that certification revoked by the Commission on Peace Officer Standards and Training.  
**STATUS:**  
01/12/2021                    From ASSEMBLY Committee on PUBLIC SAFETY with author's amendments.  
01/12/2021                    In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC SAFETY.

CA AB 444      **AUTHOR:**                    Public Employment and Retirement Cmt  
**TITLE:**                            State and Local Employees: Pay Warrants: Designees  
**INTRODUCED:**                02/08/2021  
**DISPOSITION:**                Pending  
**SUMMARY:**  
Relates to State and local employees. Prescribes a process by which an appointing power would issue a check directly to a designated person instead of delivering employee warrants to that person. Provides that upon sufficient proof of the designee's identity, the appointing power must endorse and deposit the warrant issued to a deceased employee back into the Treasury to the credit of the fund or appropriation upon which it was drawn, then issue a revolving fund check to the designated person.  
**STATUS:**  
04/15/2021                    From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS.



(7-0)

**Comments:**

The SACRS Legislative Committee is considering a similar proposal that would clarify that a deceased member's last pension check may be issued to a corporation, trust, or estate.

CA AB 1354

**AUTHOR:** Grayson [D]  
**TITLE:** Public Employees' Retirement  
**INTRODUCED:** 02/19/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Makes nonsubstantive changes to provisions prohibiting a retired person from being employed by a public employer in the same public retirement system from which the retiree receives pension benefits without reinstatement from retirement into that system, subject to certain exceptions.

**STATUS:**

02/19/2021 INTRODUCED.

**Comments:**

This is a spot bill.

CA AB 1460

**AUTHOR:** Bigelow [R]  
**TITLE:** State Employment: COVID-19 Telework: Costs  
**INTRODUCED:** 02/19/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes the Department of Human Resources (CalHR) to provide a one-time payment of an unspecified amount to employees who have been required to telework as a result of the COVID-19 pandemic in order to offset costs associated with working remotely.

**STATUS:**

03/11/2021 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA SB 411

**AUTHOR:** Cortese [D]  
**TITLE:** Public Employees' Retirement System  
**INTRODUCED:** 02/12/2021  
**LAST AMEND:** 04/13/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Eliminates the requirement that a person employed without reinstatement in a manner other than authorized by PERL be reinstated, instead providing that reinstatement is permissive. Makes conforming changes and makes specific reference to the duties of employees and employers regarding reinstatement after retirement in violation of PEPR.

**STATUS:**

04/19/2021 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (5-0)

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**DISABILITY RETIREMENT**

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CA AB 845

**AUTHOR:** Rodriguez [D]  
**TITLE:** Disability Retirement: COVID-19: Presumption  
**INTRODUCED:** 02/17/2021

**LAST AMEND:** 03/30/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Creates a presumption, applicable to the retirement systems that PEPRA regulates and to specified members in those systems, that would be applied to disability retirements on the basis, in whole or in part, of a Coronavirus disease 2019-related illness. Requires that it be presumed the disability arose out of, or in the course of, the member's employment.

**STATUS:**

04/15/2021 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (6-1)

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**WORKERS COMPENSATION**

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CA AB 334	<p><b>AUTHOR:</b> Mullin [D] <b>TITLE:</b> Workers Compensation: Skin Cancer <b>INTRODUCED:</b> 01/27/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b></p> <p>Relates to existing law which provides that skin cancer developing in active lifeguards, for purposes of workers' compensation, is presumed to arise out of and in the course of employment, unless the presumption is rebutted. Expands the scope of this provision to certain peace officers of the Department of Fish and Wildlife and the Department of Parks and Recreation.</p> <p><b>STATUS:</b></p> <p>02/12/2021 To ASSEMBLY Committee on INSURANCE.</p>
CA AB 415	<p><b>AUTHOR:</b> Rivas R [D] <b>TITLE:</b> Employment: Workers' Compensation <b>INTRODUCED:</b> 02/03/2021 <b>LAST AMEND:</b> 02/12/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b></p> <p>Relates to workers' compensation. Defines injury for certain public employees regularly exposed to active fires or health hazards directly resulting from firefighting operations to include cancer that develops or manifests during a period of exposure to a known carcinogen while in public employment. Establishes a presumption that the cancer arose out of, and in the course of, employment, unless the presumption is controverted by evidence.</p> <p><b>STATUS:</b></p> <p>02/12/2021 To ASSEMBLY Committee on INSURANCE. 02/12/2021 From ASSEMBLY Committee on INSURANCE with author's amendments. 02/12/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.</p>
CA AB 772	<p><b>AUTHOR:</b> Ramos [D] <b>TITLE:</b> Workers' Compensation: Medical Treatment <b>INTRODUCED:</b> 02/16/2021 <b>LAST AMEND:</b> 03/25/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b></p> <p>Clarifies that an employer is not limited in its ability to insure against an act of</p>

domestic terrorism or to provide benefits in excess of those required by existing law following an act of terrorism. Clarifies that when an employer approves a request for medical treatment from a treatment provider, without modification, the employer has completed utilization review under the law.

**STATUS:**

03/25/2021 To ASSEMBLY Committee on INSURANCE.  
03/25/2021 From ASSEMBLY Committee on INSURANCE with author's amendments.  
03/25/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.

CA AB 872

**AUTHOR:** Wood [D]  
**TITLE:** Leave of Absence: Firefighters  
**INTRODUCED:** 02/17/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Relates to Leave of absence for firefighters. Makes that benefit available to all rank-and-file and supervisory firefighters employed by the Department of Forestry and Fire Protection whose principal duties include active fire suppression or prevention services.

**STATUS:**

02/25/2021 To ASSEMBLY Committee on INSURANCE.

CA AB 991

**AUTHOR:** Ward [D]  
**TITLE:** Workers' Compensation: Presumed Injuries  
**INTRODUCED:** 02/18/2021  
**LAST AMEND:** 03/11/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Expands presumptions for hernia, pneumonia, heart trouble, cancer, tuberculosis, bloodborne infectious disease, methicillin-resistant Staphylococcus aureus skin infection, and meningitis-related illnesses and injuries to a lifeguard employed on a year-round, full-time basis by the City of San Diego.

**STATUS:**

03/11/2021 To ASSEMBLY Committee on INSURANCE.  
03/11/2021 From ASSEMBLY Committee on INSURANCE with author's amendments.  
03/11/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.

CA SB 213

**AUTHOR:** Cortese [D]  
**TITLE:** Workers' Compensation: Hospital Employees  
**INTRODUCED:** 01/12/2021  
**LAST AMEND:** 03/04/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Defines injury, for a hospital employee who provides direct patient care in an acute care hospital, to include infectious diseases, cancer, musculoskeletal injuries, post-traumatic stress disorder, and respiratory diseases. Creates a rebuttable presumption that these injuries that develop or manifest in a hospital employee who provides direct patient care in an acute care hospital arose out of and in the course of the employment. Includes COVID-19 in the definitions of infectious and respiratory diseases.

	<b>STATUS:</b>	
	04/19/2021	In SENATE Committee on APPROPRIATIONS: To Suspense File.
CA SB 284	<b>AUTHOR:</b>	Stern [D]
	<b>TITLE:</b>	Workers' Compensation: Firefighters and Peace Officers
	<b>INTRODUCED:</b>	02/01/2021
	<b>LAST AMEND:</b>	03/16/2021
	<b>DISPOSITION:</b>	Pending
	<b>SUMMARY:</b>	Relates to existing Law which provides that injury includes post-traumatic stress that develops during a period in which the injured person is in the service of the department or unit. Makes that provision applicable to active firefighting members of the State Department of State Hospitals, the State Department of Developmental Services, and the Military Department, and the Department of Veterans Affairs, including security officers of the Department of Justice when performing assigned duties.
	<b>STATUS:</b>	
	03/22/2021	In SENATE Committee on APPROPRIATIONS: To Suspense File.
CA SB 335	<b>AUTHOR:</b>	Cortese [D]
	<b>TITLE:</b>	Workers' Compensation: Liability
	<b>INTRODUCED:</b>	02/08/2021
	<b>LAST AMEND:</b>	03/10/2021
	<b>DISPOSITION:</b>	Pending
	<b>SUMMARY:</b>	Reduces the time periods after the date the claim form is filed with an employer in which the injury is presumed compensable and the presumption is rebuttable only by evidence discovered subsequent to the time period for certain injuries or illnesses, including hernia, heart trouble, pneumonia, or tuberculosis, among others, sustained in the course of employment of a specified member of law enforcement or a specified first responder.
	<b>STATUS:</b>	
	03/18/2021	Re-referred to SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.
CA SB 788	<b>AUTHOR:</b>	Bradford [D]
	<b>TITLE:</b>	Workers' Compensation: Risk Factors
	<b>INTRODUCED:</b>	02/19/2021
	<b>DISPOSITION:</b>	Pending
	<b>SUMMARY:</b>	Prohibits consideration of race, religious creed, color, national origin, age, gender, marital status, sex, sexual identity, sexual orientation, or genetic characteristics to determine the approximate percentage of the permanent disability caused by other factors. Expresses the Legislature's intent to eliminate bias and discrimination in the workers' compensation system.
	<b>STATUS:</b>	
	04/19/2021	In SENATE Committee on APPROPRIATIONS: To Suspense File.

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**BROWN ACT**

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CA AB 339	<b>AUTHOR:</b>	Lee [D]
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**TITLE:** Local Government: Open and Public Meetings  
**INTRODUCED:** 01/28/2021  
**LAST AMEND:** 04/15/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Requires all meetings to include an opportunity for members of the public to attend via a telephonic option and an internet-based service option. Requires all meetings to include an in-person public comment opportunity, except in specified circumstances during a declared state or local emergency.

**STATUS:**

04/15/2021 To ASSEMBLY Committee on LOCAL GOVERNMENT.  
04/15/2021 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.  
04/15/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on LOCAL GOVERNMENT.

CA AB 361

**AUTHOR:** Rivas R [D]  
**TITLE:** Open Meetings: Local Agencies: Teleconferences  
**INTRODUCED:** 02/01/2021  
**LAST AMEND:** 04/06/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes a local agency to use teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act when a legislative body of a local agency holds a meeting for the purpose of declaring or ratifying a local emergency, during a declared state of emergency or local emergency, when state or local health officials have imposed or recommended measures to promote social distancing, and during a declared local emergency. Makes conforming changes.

**STATUS:**

04/06/2021 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.  
04/06/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on LOCAL GOVERNMENT.

CA AB 703

**AUTHOR:** Rubio [D]  
**TITLE:** Open Meetings: Local Agencies: Teleconferences  
**INTRODUCED:** 02/12/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Removes the requirements of the Ralph M. Brown Act particular to teleconferencing and allows for teleconferencing subject to existing provisions regarding the posting of notice of an agenda and the ability of the public to observe the meeting and provide public comment.

**STATUS:**

02/25/2021 To ASSEMBLY Committee on LOCAL GOVERNMENT.

**Comments:**

According to SACRS lobbyists, this will be a two-year bill and not taken up in 2021.

CA SB 274

**AUTHOR:** Wieckowski [D]  
**TITLE:** Local Government Meetings: Agenda and Documents  
**INTRODUCED:** 01/29/2021

**LAST AMEND:** 04/05/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Requires a local agency with an internet website, or its designee, to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. Requires the legislative body or its designee to send by mail a copy of the agenda or a website link to the agenda and to email a copy of all other documents constituting the agenda packet, if specified criteria or circumstances are met.

**STATUS:**

04/22/2021 In SENATE. Read third time. Passed SENATE. \*\*\*\*\*To ASSEMBLY. (38-0)

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**PUBLIC RECORDS ACT**

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CA AB 386	<b>AUTHOR:</b> Cooper [D] <b>TITLE:</b> Public Employees Retirement: Investments: Confidential <b>INTRODUCED:</b> 02/02/2021 <b>LAST AMEND:</b> 03/18/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Exempts from disclosure under the California Public Records Act specified records regarding an internally managed private loan made directly by the Public Employees' Retirement Fund. Provides that these records would include quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. <b>STATUS:</b> 04/15/2021 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on JUDICIARY. (7-0)
CA AB 473	<b>AUTHOR:</b> Chau [D] <b>TITLE:</b> California Public Records Act <b>INTRODUCED:</b> 02/08/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Recodifies and reorganizes the provisions of the California Public Records Act. The bill would include provisions to govern the effect of recodification and states that the bill is intended to be entirely nonsubstantive in effect. <b>STATUS:</b> 04/21/2021 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense File.
CA AB 474	<b>AUTHOR:</b> Chau [D] <b>TITLE:</b> California Public Records Act: Conforming Revisions <b>INTRODUCED:</b> 02/08/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Enacts various conforming and technical changes related to another bill that recodifies and reorganizes the California Public Records Act. The bill would only become operative if the related bill recodifying the act is enacted and becomes operative on January 1, 2023. <b>STATUS:</b> 04/21/2021 In ASSEMBLY Committee on APPROPRIATIONS: To Suspense

File.

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**SOCIAL SECURITY**

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CA AJR 9	<b>AUTHOR:</b> Cooper [D] <b>TITLE:</b> Social Security <b>INTRODUCED:</b> 03/01/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Requests the Congress of the United States to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act. <b>STATUS:</b> 04/19/2021 In ASSEMBLY. Ordered to third reading. <b>IBLC_Recommendation:</b> Support 04/15/2021 <b>Staff_Recommendation:</b> Support
US HR 82	<b>SPONSOR:</b> Davis R [R] <b>TITLE:</b> Government Pension Offset Repeal <b>INTRODUCED:</b> 01/04/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Amends the Social Security Act; repeals the Government pension offset and windfall elimination provisions. <b>STATUS:</b> 01/04/2021 INTRODUCED. 01/04/2021 To HOUSE Committee on WAYS AND MEANS. <b>IBLC_Recommendation:</b> Support 04/15/2021 <b>Staff_Recommendation:</b> Support
US HR 2337	<b>SPONSOR:</b> Neal [D] <b>TITLE:</b> Noncovered Employment <b>INTRODUCED:</b> 04/01/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Amends Title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision. <b>STATUS:</b> 04/01/2021 INTRODUCED. 04/01/2021 To HOUSE Committee on WAYS AND MEANS.

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**HEALTHCARE**

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CA AB 1092	<b>AUTHOR:</b> Mayes [R] <b>TITLE:</b> Public Employees' Retirement: Health Benefits <b>INTRODUCED:</b> 02/18/2021 <b>LAST AMEND:</b> 03/18/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Precludes a person who has retired under PERS and who obtains work with a subsequent employer from receiving any health benefits offered under PEMHCA if the person's subsequent employer offers health care coverage that provides reasonably comparable benefits. <b>STATUS:</b>
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03/18/2021 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.  
03/18/2021 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.  
03/18/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA AB 1400

**AUTHOR:** Kalra [D]  
**TITLE:** Guaranteed Health Care for All  
**INTRODUCED:** 02/19/2021  
**DISPOSITION:** Pending

**SUMMARY:**

Creates the Guaranteed Health Care for All Program, or CalCare, to provide comprehensive universal single-payer health care coverage and a health care cost control system for the benefit of all residents of the state. Provides that CalCare cover a wide range of medical benefits and other services and would incorporate the health care benefits and standards of other existing federal and state provisions. Creates the CalCare Board to govern CalCare, made up of 9 voting members.

**STATUS:**

02/19/2021 INTRODUCED.



**FOR INFORMATION ONLY**

April 22, 2021

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Ted Granger *TG*  
Interim Chief Financial Officer

FOR: May 5, 2021 Board of Retirement Meeting  
May 19, 2021 Board of Investments Meeting

SUBJECT: **MONTHLY EDUCATION & TRAVEL REPORTS – MARCH 2021**

Attached, for your review, are the Board and Staff Education & Travel Reports as of March 2021. These reports include travel (i.e., completed and canceled) during Fiscal Year 2020-2021.

REVIEWED AND APPROVED:

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Santos H. Kreimann  
Chief Executive Officer

TG/EW/krh

**Attachments**

c: J. Popowich  
J. Grabel  
J. Fontenot  
K. Hines

**BOARD EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
MARCH 2021**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Alan Bernstein</b>			
B	- Edu - NACD Real Estate Industry Outlook: Insights, Impacts and Opportunities - VIRTUAL	09/02/2020 - 09/02/2020	Attended
	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
	- Edu - Virtual Pension Bridge Alternatives - VIRTUAL	01/26/2021 - 01/28/2021	Attended
	- Edu - CII's 2021 Spring Conference - VIRTUAL	03/08/2021 - 03/10/2021	Attended
<b>Elizabeth Ginsberg</b>			
B	- Edu - CALAPRS Principles for Trustees - VIRTUAL	08/18/2020 - 08/26/2020	Attended
<b>Vivian Gray</b>			
B	- Edu - SACRS Public Pension Investment Management Program 2020 - VIRTUAL	07/28/2020 - 08/13/2020	Attended
	- Edu - Koried Black Directors' Virtual Workshop - VIRTUAL	10/15/2020 - 10/15/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
	- Edu - Milken Institute: Walk the Talk: Investing in the Future of Black Banks, Entrepreneurship, and Opportunity - VIRTUAL	02/24/2021 - 02/24/2021	Attended
	- Edu - CALAPRS General Assembly - VIRTUAL	03/08/2021 - 03/09/2021	Attended
	- Edu - NASP 11th Annual Day of Education in Private Equity - VIRTUAL	03/25/2021 - 03/26/2021	Attended
<b>David Green</b>			
B	- Edu - PPI 2020 Summer Roundtable - Los Angeles CA	07/14/2020 - 07/16/2020	Attended
	- Edu - Pacific Council - "Beyond the Horizon" Summit - VIRTUAL	07/20/2020 - 07/24/2020	Attended
	- Edu - The Pacific Council on International Policy's PolicyWest 2020 - VIRTUAL	12/03/2020 - 12/04/2020	Attended
<b>Elizabeth Greenwood</b>			
B	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu- PPI 2020 Asia Pacific Roundtable - VIRTUAL	10/20/2020 - 10/22/2020	Attended
	- Edu - Yale School of Management Executive Education -Women's Leadership Program - VIRTUAL	11/18/2020 - 11/18/2020	Attended
<b>James Harris</b>			
B	- Edu - SACRS Sexual Harassment Prevention Training - VIRTUAL	07/15/2020 - 07/15/2020	Attended
	- Edu - SACRS Public Pension Investment Management Program 2020 - VIRTUAL	07/28/2020 - 08/13/2020	Attended
<b>Shawn Kehoe</b>			
B	- Edu- PPI 2020 Asia Pacific Roundtable - VIRTUAL	10/20/2020 - 10/22/2020	Attended
	- Edu - NCPERS Fall Conference - VIRTUAL	02/02/2021 - 02/03/2021	Attended

**BOARD EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
MARCH 2021**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Joseph Kelly</b>			
B	- Edu - NACD Financial Services Industry Outlook: Future Trends in Middle Market Credit - VIRTUAL	01/07/2021 - 01/07/2021	Attended
	- Edu - NACD Hospitality and Travel Industry Outlook: Insights, Impacts, and Opportunities - VIRTUAL	01/27/2021 - 01/27/2021	Attended
	- Edu - PPI Virtual Roundtable - VIRTUAL	02/16/2021 - 02/18/2021	Attended
	- Edu - CII's 2021 Spring Conference - VIRTUAL	03/08/2021 - 03/10/2021	Attended
	- Edu - NASP 11th Annual Day of Education in Private Equity - VIRTUAL	03/25/2021 - 03/26/2021	Attended
<b>Keith Knox</b>			
B	- Edu - PPI 2020 Summer Roundtable - Los Angeles CA	07/14/2020 - 07/16/2020	Attended
	- Edu - SACRS Public Pension Investment Management Program 2020 - VIRTUAL	07/28/2020 - 08/13/2020	Attended
	- Edu - CII & NYU Corporate Governance Bootcamp - VIRTUAL	09/23/2020 - 09/25/2020	Attended
	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu - CALAPRS Virtual Trustees Round Table - VIRTUAL	10/23/2020 - 10/23/2020	Attended
	- Edu - PPI Virtual Roundtable - VIRTUAL	02/16/2021 - 02/18/2021	Attended
	- Edu - TLF Political Accountability and Investment - VIRTUAL	02/23/2021 - 02/23/2021	Attended
	- Edu - NCPERS Accredited Fiduciary Program (Module 1 & 2) - VIRTUAL	03/02/2021 - 03/05/2021	Attended
	- Edu - NCPERS Accredited Fiduciary Program (Module 3 & 4) - VIRTUAL	03/09/2021 - 03/12/2021	Attended
<b>Wayne Moore</b>			
B	- Edu- NASP 31st Annual Virtual Pension & Financial Services Conference - VIRTUAL	12/07/2020 - 12/10/2020	Attended
	- Edu - NASP 11th Annual Day of Education in Private Equity - VIRTUAL	03/25/2021 - 03/26/2021	Attended
<b>Ronald Okum</b>			
B	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
<b>William Pryor</b>			
B	- Edu - NCPERS Fall Conference - VIRTUAL	02/02/2021 - 02/03/2021	Attended
<b>Les Robbins</b>			
B	- Edu - IFEBP 66th Annual Employee Benefits Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
X	- Edu - IFEBP 66th Annual Employee Benefits Conference - Honolulu HI	11/15/2020 - 11/18/2020	Host Canceled

**BOARD EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
MARCH 2021**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Gina Sanchez</b>			
B	- Edu - SACRS Sexual Harassment Prevention Training - VIRTUAL	07/15/2020 - 07/15/2020	Attended
	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu - 2020 Virtual NACD Summit - VIRTUAL	10/12/2020 - 10/13/2020	Attended
	- Edu - CALAPRS Virtual Trustees Round Table - VIRTUAL	10/23/2020 - 10/23/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
	- Edu - Harvard Business School Executive Education - Audit Committees - VIRTUAL	11/12/2020 - 11/14/2020	Attended
	- Edu - NCPERS Fall Conference - VIRTUAL	02/02/2021 - 02/03/2021	Attended
<b>Herman Santos</b>			
B	- Edu- LAVCA's Annual Investor Meeting - VIRTUAL	09/14/2020 - 09/17/2020	Attended
	- Edu - Nossaman's 2020 Public Pensions and Investments Fiduciaries' Forum - VIRTUAL	10/01/2020 - 10/01/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
	- Edu - Virtual PPI Salon: Gearing for Gridlock - VIRTUAL	12/10/2020 - 12/10/2020	Attended
	- Edu - PPI Virtual Roundtable - VIRTUAL	02/16/2021 - 02/18/2021	Attended
	- Edu - CII's 2021 Spring Conference - VIRTUAL	03/08/2021 - 03/10/2021	Attended
	- Edu - NASP 11th Annual Day of Education in Private Equity - VIRTUAL	03/25/2021 - 03/26/2021	Attended
	- Edu - PREA Spring Conference - VIRTUAL	03/25/2021 - 03/26/2021	Attended

Category Legend:

A - Pre-Approved/Board Approved

B - Educational Conferences and Administrative Meetings in CA where total cost is no more than \$2,000 per Trustee Travel Policy; Section III.A

C - Second of two conferences and/or meetings counted as one conference per Trustee Education Policy Section IV.C.2 and Trustee Travel Policy Section IV.

X - Canceled events for which expenses have been incurred.

Z - Trip was Canceled - Balance of \$0.00



**STAFF EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
MARCH 2021**

<b>Attendee</b>		<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Systems</b>				
Irwin Devries	1	Admin - Conduct Site Visit of Mesa, AZ Facility - Mesa AZ	12/03/2020 - 12/05/2020	Attended
Celso Tempo	1	Admin - Conduct Site Visit of Mesa, AZ Facility - Mesa AZ	10/09/2020 - 10/09/2020	Attended



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**Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.**

**For further information, contact:  
LACERA  
Attention: Public Records Act Requests  
300 N. Lake Ave., Suite 620  
Pasadena, CA 91101**



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