

AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, JANUARY 9, 2019

*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. ELECTION OF OFFICERS (Election of Chair, Vice Chair, Secretary, and Audit Committee Member)
- III. PLEDGE OF ALLEGIANCE
- IV. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Regular Meeting of December 12, 2018
- V. REPORT ON CLOSED SESSION ITEMS
- VI. PUBLIC COMMENT
- VII. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated December 31, 2018)
- VIII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated December 24, 2018)
- IX. CONSENT ITEMS
 - A. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board approve the issuance of a Request for Proposal for Fixed Income Emerging Managers.
(Memo dated December 15, 2018)

IX. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board make the following changes to the Credit structure: 1) Reduce the allocation to High Yield, 2) Increase the allocation to Emerging Market Debt (EMD) and 3) Increase the allocation to bank loans.
(Memo dated December 19, 2018)

- C. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board approve the following changes to the Investment Grade Bonds structure: 1) Adopt Core and Core Plus allocation targets of 80% and 20%, respectively (both with +/- 1-% ranges), and 2) Re-categorize Dodge & Cox as Core Plus.
(Memo dated December 19, 2018)

- D. Recommendation that the Board approve attendance of Board members at the 2019 Forum for Institutional Investors: Protecting Shareholder Rights on April 10-13, 2019 in New Orleans, Louisiana 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. Green)
(Memo dated December 20, 2018)

- E. Recommendation that the Board Approve attendance of Board members at the 2019 PPI Study Mission to Mexico City on March 3-5, 2019 in Mexico City, Mexico 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. Santos)
(Memo dated December 21, 2018)

X. NON-CONSENT

- A. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Board review the 2019 meeting schedule, and consider rescheduling the Wednesday, May 8, 2019 and Wednesday, November 13, 2019 BOI meetings. (Memo dated December 19, 2018)

- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised Legislative Policy.
(Memo dated December 24, 2018)

XI. REPORTS

- A. 2019 Board of Investments & Committee Meeting Calendar and Work Plan
Jonathan Grabel, Chief Investment Officer
(Memo dated December 18, 2018)
- B. Investment Fee Structure
Jude Perez, Principal Investment Officer
Steve McCourt, Meketa Investment Group
Tim Filla, Meketa Investment Group
(Memo dated December 20, 2018)
- C. Actuarial Educational Session
Beulah Auten, Chief Financial Officer
Nick Collier, Milliman
(Memo dated December 24, 2018)
- D. State Street Update
Jonathan Grabel, Chief Investment Officer
(Memo dated December 20, 2018)
- E. Real Estate Performance – 2nd Quarter 2018
John McClelland, Principal Investment Officer
Jennifer Stevens, Townsend Group
(Memo dated December 19, 2018)
- F. Investment – Related Services Procurement Process
John McClelland, Principal Investment Officer
(Memo dated December 19, 2018)
- G. Potential Use of E-Voting Procedure for 2019 Board Elections
Lou Lazatin, Chief Executive Officer
Steven P. Rice, Chief Counsel
(Memo dated December 31, 2018)
- H. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated December 20, 2018)

XI. REPORTS (Continued)

- I. Update on Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated December 24, 2018)
- J. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated January 2, 2019)
- K. Update on Resolution of Trustee Sanchez Conflict of Interest Issue
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 31, 2018)
- L. Meketa Investment Group Self-Evaluation
Stephen McCourt, Meketa Investment Group
Leandro Festino, Meketa Investment Group
Tim Filla, Meketa Investment Group
(For Information Only) (Memo dated December 31, 2018)
- M. December 2018 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated January 2, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)

XII. ITEMS FOR STAFF REVIEW

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

XIV. 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. Other Manager: 3
 - 2. Other Manager: 2
 - 3. LAV BIOSCIENCES FUND V, L.P.
 - 4. AG Asia Realty Fund IV

XIV. EXECUTIVE SESSION (Continued)

- B. Conference with Legal Counsel - Pending Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9).

1. LACERA v. BHP Billiton Limited, et al, etc.
Victoria Registry, Federal Court of Australia,
Case No. VID1218/2018

- C. Conference with Labor Negotiators
(Pursuant to Government Code Section 54957.6)

LACERA Designated Representatives:
John Popowich, Assistant Executive Officer
John Nogales, Director, Human Resources

Employee Organization:
SEIU, Local 721

XV. 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.

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, DECEMBER 12, 2018

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair (Left the meeting at 11:15 a.m.)

Wayne Moore, Secretary

Joseph Kelly

David Muir

Ronald Okum

Herman B. Santos

Gina V. Sanchez

Michael Schneider

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Beulah S. Auten, Chief Financial Officer

Ted Granger, Assistant Financial Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Scott Zdrazil, Senior Investment Officer

David Chu, Senior Investment Officer

Adam Cheng, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Richard Bendall, Chief Audit Executive

Kathryn Ton, Senior Internal Auditor

Sabrina Chen, Accountant

Milliman,

Mark Olleman, Consulting Actuary

Craig Glyde, Consulting Actuary

Meketa Investment Group

Stephen McCourt, Managing Principal

Leandro Festino, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Qi Liu, Senior Associate

Goldman Sachs Hedge Fund Strategies

Richard Quigley, Managing Director

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:06 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

David Green, Jr. led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of November 8, 2018

Mr. Santos made a motion, Mr. Moore seconded, to approve the minutes of the special meeting of November 8, 2018. The motion passed with Mrs. Sanchez abstaining.

IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that, at the September 12, 2018 Board of Investments meeting, the Board met in closed session under agenda item XII.A.5., pursuant to California Government Code Section 54956.8. At that meeting, on a motion by Mr. Santos, seconded by Mrs. Sanchez, the Board voted 9-0 to approve a group of 11 real estate transactions. It is now appropriate, under California Government Code Section 54957.81 of the Brown Act, to report out one of the approved transactions. On November 16, 2018, LACERA-owned special purpose entities sold their entire interest in the St. Regis Princeville Resort and the Makai Golf Course located in Princeville, Hawaii for a total sales price of \$224.1 million dollars. The buyer of the property was an investment fund managed by Starwood Capital Group.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF EXECUTIVE OFFICER'S REPORT

(Memo dated December 3, 2018)

Ms. Lazatin provided a brief discussion on the Chief Executive Officer's Report.

VII. CHIEF INVESTMENT OFFICER'S REPORT

(Memo dated December 3, 2018)

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

VIII. CONSENT ITEMS

Mr. Kelly made a motion, Mr. Okum seconded, to approve agenda item VIII. A. The motion passed unanimously.

- A. Recommendation as submitted by Joseph Kelly, Chair, Portfolio Risk Committee: That the Board approve the proposed Minimum Qualifications and Scope of Work thereby authorizing staff to initiate the Request for Information process for a total Fund risk system search. (Memo dated November 30, 2018)

Mr. Santos made a motion, Mr. Schneider seconded, to approve agenda items VIII. B, VIII. C and VIII. D. The motion passed unanimously.

- B. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the 2019 Private Equity Objectives, Policies, and Procedures. (Memo dated November 21, 2018)

VIII. CONSENT ITEMS (Continued)

- C. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the 2019-2020 Private Equity Structure Review. (Memo dated November 21, 2018)
- D. Recommendation that the Board approve attendance of Board members at the 2019 Milken Institute MENA Summit on February 12 – 13, 2019 in Abu Dhabi 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 Mrs. Sanchez) (Memo dated December 3, 2018)

IX. NON-CONSENT

- A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer and Adam Cheng, Senior Investment Analyst: That the Board hire BlackRock to manage a passive Treasury Inflation Protected Securities strategy within a separate account. (Memo dated November 21, 2018)

Messrs. Mahseredjian and Cheng were present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Okum seconded, to hire BlackRock to manage a passive Treasury Inflation Protected Securities strategy within a separate account. The motion passed unanimously.

- B. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the proposed investment guidelines for an in-house co-investment program. (Public Memo dated November 29, 2018) (Privileged/Confidential Version of Memo dated November 29, 2018)

Messrs. Wagner, Chu and Chang were present and answered questions from the Board.

IX. NON-CONSENT (Continued)

Mr. Santos made a motion, Mr. Kehoe seconded, to approve the proposed investment guidelines for an in-house co-investment program. The motion passed unanimously.

C. Recommendation a submitted by Beulah S. Auten, Chief Financial Officer: That the Board:

1. Accept the June 30, 2018, Retirement Benefits Actuarial Valuation prepared by LACERA's consulting actuary, Milliman.
2. Adopt recommended employer contribution rates (all tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C).
3. Direct the Chief Executive Officer to communicate the results of the Retirement Benefits Actuarial Valuation to the Board of Supervisors by May 15, 2019, with a recommendation to implement the employer and employee rates no later than September 30, 2019.

(Memo dated November 29, 2018)

Mrs. Auten, Mr. Granger, and Messrs. Olleman and Glyde from

Milliman were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Muir seconded, to 1) accept the June 30, 2018, Retirement Benefits Actuarial Valuation prepared by LACERA's consulting actuary, Milliman, 2) adopt recommended employer contribution rates (all tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C) and 3) Direct the Chief Executive Officer to communicate the results of the Retirement Benefits Actuarial Valuation to the Board of Supervisors

IX. NON-CONSENT (Continued)

by May 15, 2019, with a recommendation to implement the employer and employee rates no later than September 30, 2019. The motion passed unanimously.

- D. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Kathryn Ton, Senior Internal Auditor: That the Board (1) accept and file the report and (2) direct the Investment Office to more closely oversee State Street Bank's foreign tax reclamation process and reporting going forward. (Memo dated November 30, 2018)

Mr. Bendall and Mrs. Ton were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to (1) accept and file the report and (2) direct the Investment Office to more closely oversee State Street Bank's foreign tax reclamation process and reporting going forward. The motion passed unanimously.

- E. Recommendation as submitted by Shawn Kehoe, Chair, Corporate Governance Committee: That the Board formally nominate Board member Gina Sanchez for the Council of Institutional Investors' 2019 board elections. (Memo dated November 20, 2018)

Mrs. Sanchez made a motion, Mr. Kehoe seconded, to nominate Scott Zdrazil, Senior Investment Officer, for the Council of Institutional Investors' 2019 board elections. The motion passed unanimously.

X. REPORT

- A. Assembly Bill 2833 Report – Fiscal Year 2018
Jonathan Grabel, Chief Investment Officer
(Memo dated November 30, 2018)

Messrs. Grabel, Chang and Ms. Chen provided a brief presentation and answered questions from the Board.

- B. Private Equity Portfolio Update
Christopher Wagner, Principal Investment Officer
Jose Fernandez, StepStone Group LP
(Memo dated December 3, 2018)

Mr. Wagner, Mr. Fernandez and Ms. Lin of StepStone LP provided a brief presentation and answered questions from the Board.

- C. Hedge Fund Performance Report – Third Quarter
James Rice, Principal Investment Officer
Richard Quigley, Goldman Sachs Hedge Fund Strategies
(Memo dated November 28, 2018)

Mr. Jim Rice and Mr. Quigley of Goldman Sachs Hedge Fund Strategies provided a brief presentation and answered questions from the Board.

- D. OPEB Master Trust Quarterly Performance Report
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated November 7, 2018)

This Item was received and filed.

- E. LACERA Quarterly Performance Report
Meketa Report: Third Quarter Total Fund Performance Report
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated November 7, 2018)

This Item was received and filed.

X. REPORT (Continued)

- F. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated November 30, 2018)

This Item was received and filed.

- G. Code of Ethical Conduct
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 3, 2018)

This Item was received and filed.

- H. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 3, 2018)

This Item was received and filed.

- I. Update on FPPC Advice Letter re Trustee Sanchez
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated December 4, 2018)

This Item was received and filed.

- J. Semi-Annual Interest Crediting for Reserves as of June 30, 2018
(Audited)
Beulah S. Auten, Chief Financial Officer
(For Information Only) (Memo dated December 3, 2018)

This Item was received and filed.

- K. November 2018 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated December 3, 2018) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)

This Item was received and filed.

XI. ITEMS FOR STAFF REVIEW

The Board requested the Chief Executive Officers Report include percentages in the Member Snapshot: Average Monthly Benefit Allowance with COLA Distribution.

The Board requested for staff to summarize the Hedge Fund Reports in a similar format.

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

The Board and Ms. Lazatin recognized and thanked Mr. Schneider for his dedicated service and contribution to the Board of Investments.

Mrs. Sanchez shared her experience in attending the Harvard Business School – Executive Education: Women on Boards: Succeeding as a Corporate Director.

Mr. Santos shared his experience in attending the AVCJ's 31st Annual Private Equity & Venture Forum in Hong Kong.

Mr. Kelly shared his experience in participating and attending the Disaster Assistance Center for the Woolsey Fire.

Mr. Muir announced that the Retired Employees of Los Angeles County Annual Luncheon will be held on January 16, 2019.

Mr. Moore recognized the Private Equity Investment Team in working with the Los Angeles County Executive Office on their Bioscience Venture Capital Investment in participating and reviewing some of the Request for Proposals that the County will be receiving.

XII. GOOD OF THE ORDER (Continued)
(For information purposes only)

Mr. Grabel welcomed John Kim, Senior Investment Analyst in the Portfolio Analytics Unit.

Mr. Green recognized David Green Jr. in attending his first Board of Investments meeting.

XIII. 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. Other Manager: 1

The Board met in Executive Session to consider the purchase and sale of a particular specific public pension investment, following up on part of the recommendation approved by the Board at the September 12, 2018 Board of Investment meeting under Item XII.A.5. of the agenda for that prior meeting. At today's Board meeting on a motion by Mr. Kehoe, seconded by Mr. Schneider, the Board voted 9-0, to approve portions of that prior transaction. The specific transaction details will be reported out at a later date under the relevant provisions of the Brown Act.

2. USV 2019

The Board received a For Information Only memorandum providing notice of a re-up commitment of up to \$20.25 million allocated to USV 2019, L.P. and USV Opportunity 2019, L.P., which was approved by staff pursuant to the Private Equity Objectives, Policies, and Procedures. The item did not require any Board action.

XIII. EXECUTIVE SESSION (Continued)

3. VISTA EQUITY PARTNERS FUND VII, L.P.

The Board received a For Information Only memorandum providing notice of a re-up commitment of up to \$200 million to Vista Equity Partners Fund VII, L.P., which was approved by staff pursuant to the Private Equity Objectives, Policies, and Procedures. The item did not require any Board action.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:06 p.m.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting)

1. Executive Session - *Cal Fire Local 2881 v. CalPERS et al.*, Case No. S239958 (Memo dated December 7, 2018)
(PRIVILEGED AND CONFIDENTIAL)
2. Disclosure by the Townsend Group of SEC Examination and Enforcement Inquiry re Its Affiliate, Aon Hewitt Investment Consulting, Inc.
(Memo dated December 10, 2018) (PRIVILEGED AND CONFIDENTIAL)
3. Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance (Memo dated December 4, 2018)
4. Supplemental Update on FPPC Advice Letter re Trustee Sanchez
(Memo dated December 10, 2018)

WAYNE MOORE, SECRETARY

DAVID GREEN, CHAIR



December 31, 2018

TO: Each Member
Board of Retirement
Board of Investments

FROM: Lou Lazatin
Chief Executive Officer

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

I am pleased to present the Chief Executive Officer's Report 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 an educational calendar.

March Madness

We refer to the period beginning in December through the end of March as "March Madness" because retirements tend to spike during this period as members desire to retire in time to be eligible for any April 1st cost-of-living adjustment (COLA) that may be approved. As we have in years past, we are continuing our commitment to share the annual March Madness statistics in the Chief Executive Officer's report. There are two key statistics we track 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. All incoming retirement requests are triaged by staff to facilitate processing those retirements with immediate retirement dates and those which will require special handling (i.e. legal splits and those with uncompleted service credit purchases).

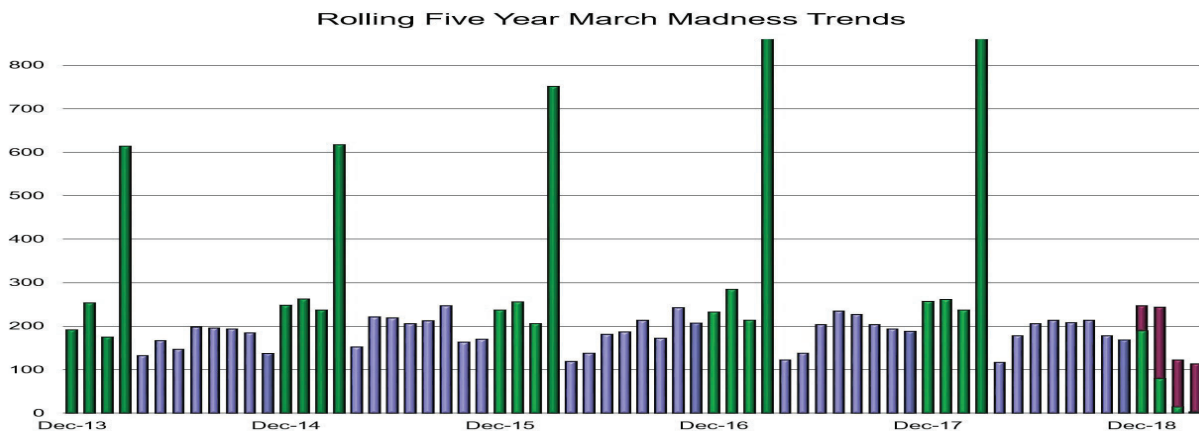
| Retirement Month | Retirement Elections |
|--------------------------|-----------------------------|
| December 2018 | 57 |
| January 2019 | 163 |
| February 2019 | 107 |
| March 2019 | 110 |
| Pending Disability Cases | 106 |
| Total Pending | 543 |

The 433 retirement elections not completed for December - March are pending for the following reasons: additional research or information required (11), processed after the month end payroll process (33), in-process (actively assigned for work) (147), pending processing (242).

The 106 Pending Disability Cases represents the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board, the Benefits Division staff work 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: pending research (18), in-process (44), pending a decision on the effective date (10), and waiting for an action by the member (34). 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. We expect to successfully meet the retirement agenda deadlines for a majority of our March Madness retirees.

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

The green bars in the following chart reflect those members who have been approved to retire (i.e., their retirement elections have been approved and completed). The red bars reflect those cases that have not been processed as of the date of this report. As of December 20, 2018, we have processed 437 out of 729 retirements for the March Madness period so far. Comparing the total processed and pending per month we are running on ahead of the five-year average (last five completed years) for December (246 vs. avg. of 233). Putting this into perspective during last year's March Madness 1,685 members retired, which was higher than the rolling five-year average of 1,466 (the five year averages may change from month to month as disability cases are processed due to retroactive retirement dates).



Management Offsite Meeting

On December 17, 2018, we hosted a Management Offsite with LACERA's division managers and their management teams to discuss the organization's Mission, Vision, Values, Ethics, and Strategic Planning. Structured to harness each department's expertise and inspire open discussion, the meeting was the kick-off of what will be a regular series of meetings intended to promote better communications and coordination between divisions and more efficiently achieve LACERA's strategic goals.

We started the day with my opening remarks encouraging all participants to be fully engaged in the process and outlining several strategic goals: 1) fund sustainability, 2) transforming healthcare purchasing and delivery, 3) reducing complexity, 4) cultivating a risk-intelligent organization, and 5) promoting high performance and diversity in the workforce. We followed this with a discussion of LACERA's mission, focusing on the principles of people first, process, technology and training, and self-improvement to achieve that mission.

Discussions about LACERA's Vision Statement and Values were led by Chief Investment Officer, Jonathan Grabel and Disability Retirement Division Manager, Ricki Contreras, respectively, with a working group established to develop and modernize both the Vision and Values Statements. A presentation on ethics was provided by Chief Counsel Steven Rice, with a review of the LACERA's three key documents on the topic: *The Code of Ethical Conduct*, *Ten Commandments of Ethical Conduct*, and *Conflict of Interest Code*.

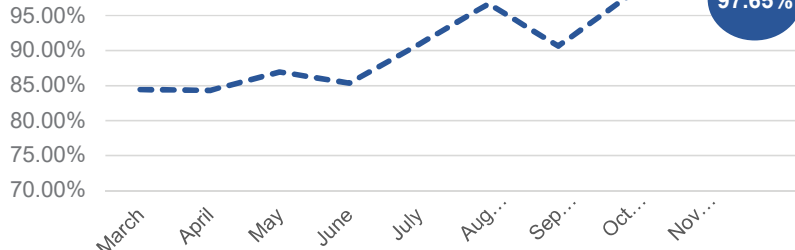
Wrapping up the day was a discussion of strategic planning presented by Assistant Executive Officer JJ Popowich, Systems Manager James Brekk, and myself. Popowich and Brekk co-presented the current Strategic Plan, then reviewed the concept of a SWOT analysis (strengths, weaknesses, opportunities and threats) and its relationship to setting achievable goals that are relevant to our Mission. They broke the group into four teams to discuss SWOT from their points of view, then reconvened to review the teams' top issues.

With the SWOT complete, the team shared the next steps in the process. The Executive team and Mr. Brekk will break out the current strategic plan into the goal categories I shared at the meeting outset. We will then reconvene the management team to review the re-categorization, discuss prioritizing the goals based on effort, resources, and impact, and assigning a project manager and working teams for each goal. Following this management offsite the working teams will be tasked with creating project plans detailing how the goal will be accomplished and translating the project plans into the budget planning process.

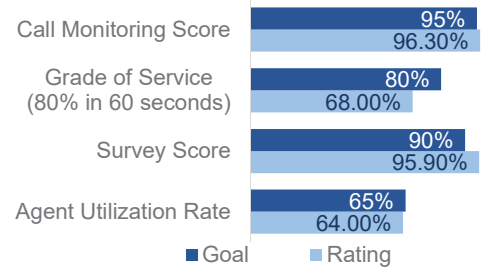
Striving for Excellence in Service

| | | | | |
|--|--|---|--|---|
| <p>Outreach Attendance 2,688 18,136 Year-to-Date</p> | <p>Outreach Events 38 208 Year-to-Date</p> | <p>Outreach Satisfaction 96.1% 1.2% Change Since Last Mo.</p> | <p>Member Service Center 100.0% 0.0% Change Since Last Mo.</p> | <p>Member Services Calls 8,210 9,881 3 Mo. Avg.</p> |
|--|--|---|--|---|

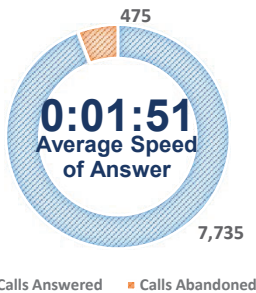
Key Performance Indicator (Overall Performance)



Key Performance Indicator (Components)



Member Services



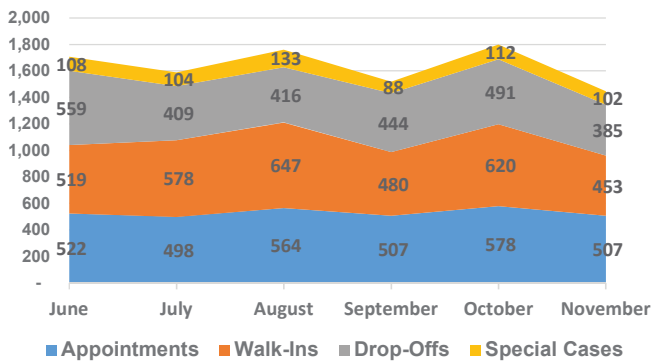
Top Calls

1. Workshop Info/Appointments Inquiry
2. Death: Benefit Explanation
3. Address/Name Change: Request

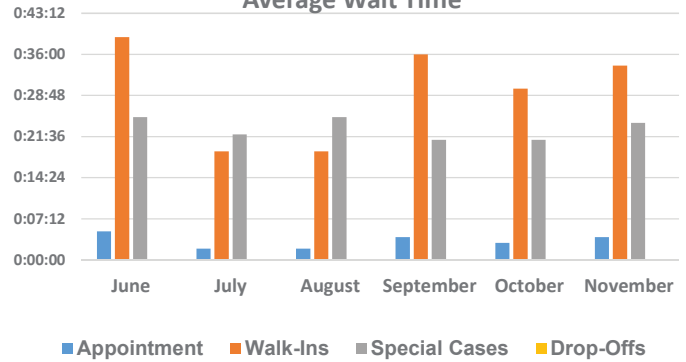


265 Emails
6:28 hours
Avg. Response Time (ART)

Member Service Center Visits

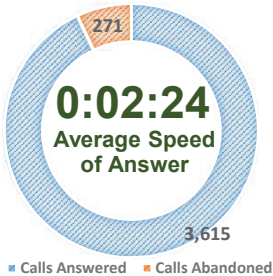


Member Service Center Average Wait Time



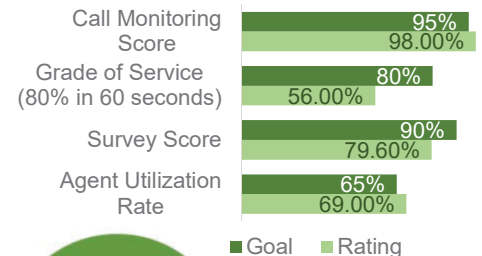
*Drop Off Wait Time: No Waiting

Retiree Healthcare



Top Calls

1. New Enrollment/Change/Cancel
2. Med. Benefits - General Inquiries (RHC)
3. General Inquiries (RHC)



144 Emails
1 day
Avg. Response Time (ART)

Striving for Excellence in Service (Continued)

Applications

537

On Hand

38 Received
 192 Year-to-Date
 0 Re-opened
 0 Year-to-Date
 45 To Board - Initial
 227 Year-to-Date
 0 Closed
 13 Year-to-Date
 530 In Process
 530 Year-to-Date

Appeals

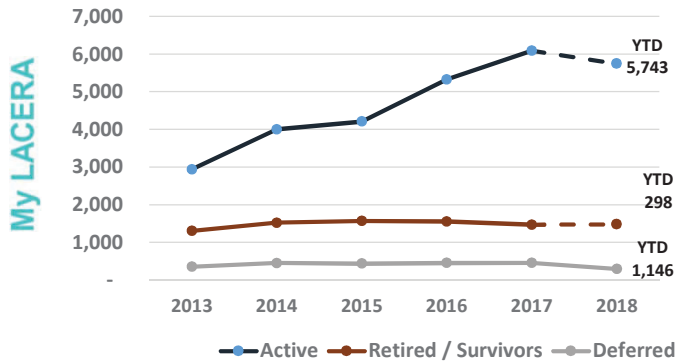
99

On Hand

1 Received
 10 Year-to-Date
 1 Admin Closed/Rule 32
 8 Year-to-Date
 1 Referee Recommended
 5 Year-to-Date
 0 Revised/Reconsidered for Granting
 4 Year-to-Date
 98 In Process
 98 Year-to-Date

Disability

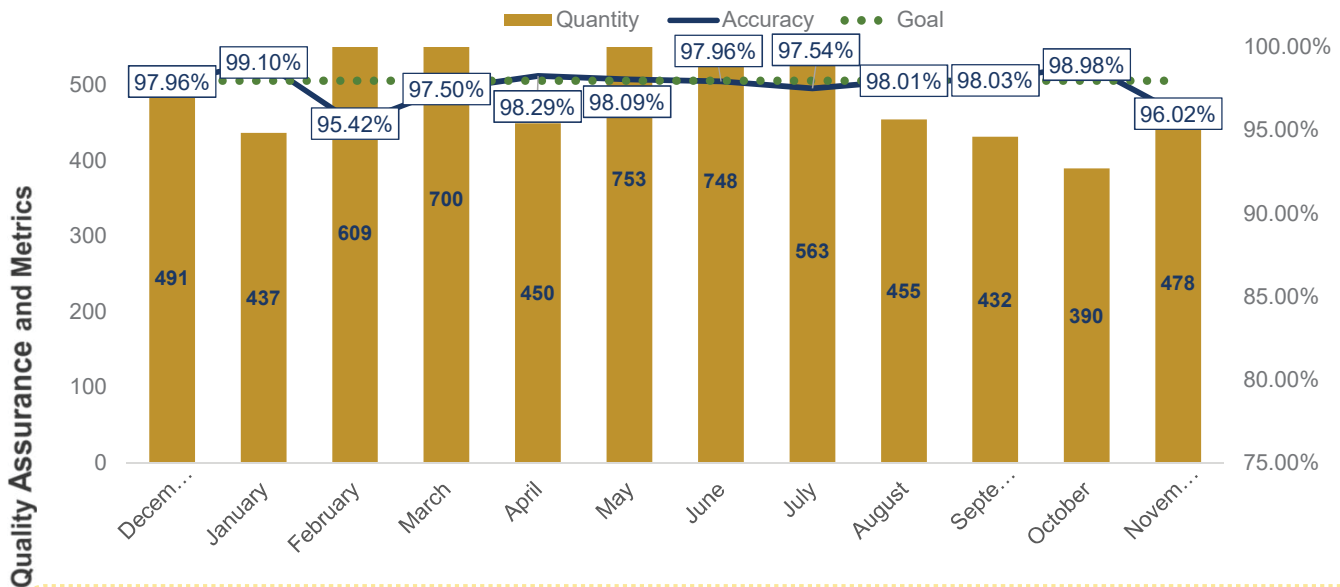
My LACERA Registrations



MORE COMING SOON!

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry



November



96.02%

Retirement Elections

258 Samples
95.96% Accuracy

Payment Contracts

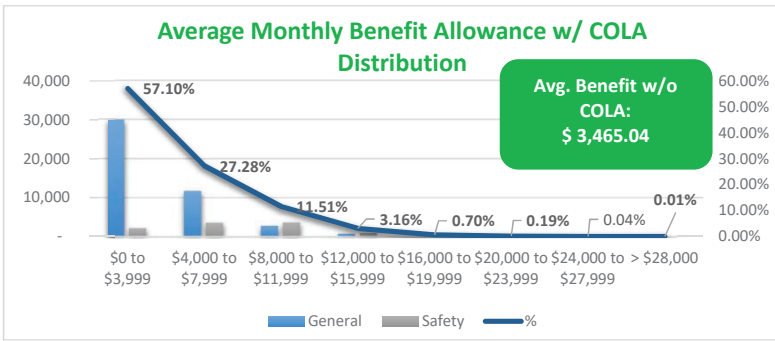
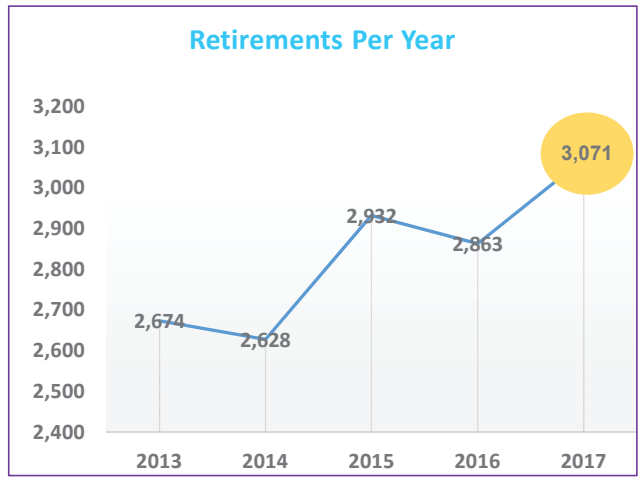
102 Samples
92.58% Accuracy

Data Entry

90 Samples
99.53% Accuracy

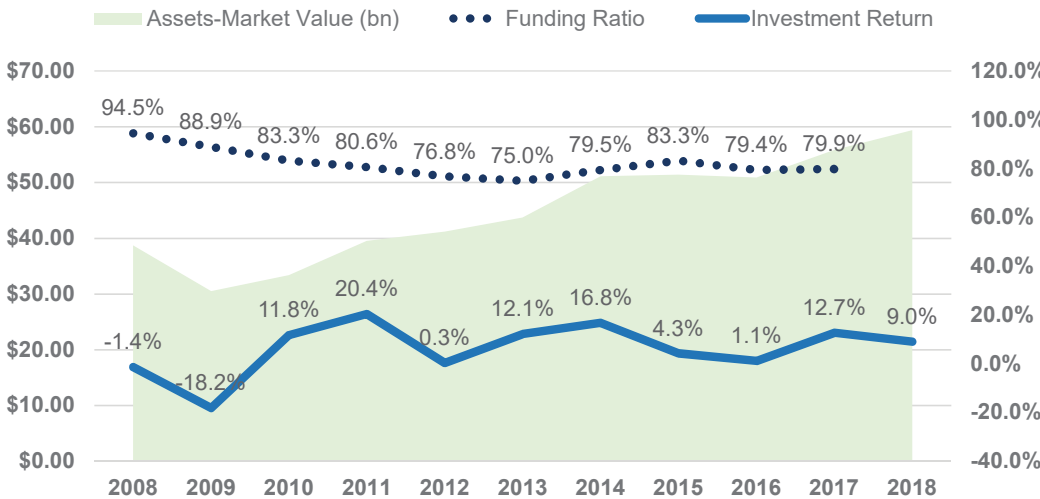
Member Snapshot

| | Members as of 12/20/18 | | | | |
|----------------------|------------------------|---------------|---------------|----------------|----------------|
| | Plan | Active | Retired | Survivors | Total |
| General | Plan A | 127 | 17,306 | 4,495 | 21,928 |
| | Plan B | 42 | 683 | 66 | 791 |
| | Plan C | 54 | 421 | 67 | 542 |
| | Plan D | 42,932 | 14,610 | 1,347 | 58,889 |
| | Plan E | 17,997 | 12,599 | 1,127 | 31,723 |
| | Plan G | 25,138 | 20 | 1 | 25,159 |
| | Total General | 86,290 | 45,639 | 7,103 | 139,032 |
| Safety | Plan A | 5 | 5,379 | 1,596 | 6,980 |
| | Plan B | 10,168 | 5,425 | 268 | 15,861 |
| | Plan C | 2,798 | 8 | 0 | 2,806 |
| | Total Safety | 12,971 | 10,812 | 1,864 | 25,647 |
| TOTAL MEMBERS | 99,261 | 56,451 | 8,967 | 164,679 | |
| % by Category | 60% | 34% | 5% | 100% | |



| Healthcare Program (YTD) | | | Healthcare Enrollments (Monthly) | |
|--------------------------|-----------------|----------------|----------------------------------|--------|
| | Employer | Member | Medical | Dental |
| Medical | \$213.0m | \$17.8m | 50,276 | 51,492 |
| Dental | \$18.2m | \$1.8m | 38,818 | 660 |
| Part B | \$26.1m | xxxx | 141,246 | |
| Total | \$257.3m | \$19.7m | | |

Key Financial Metrics



Funding Metrics (as of 6/30/18)

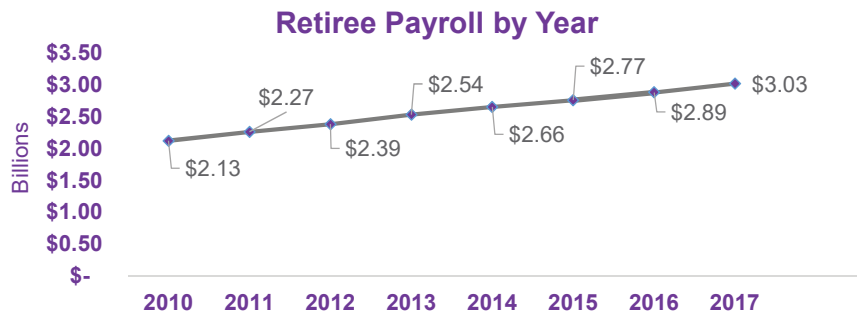
| | |
|--------------|---------|
| Employer NC | 9.92% |
| UAAL | 10.99% |
| Assumed Rate | 7.25% |
| Star Reserve | \$614m |
| Total Assets | \$56.3b |

Contributions (as of 6/30/18)

| | Employer | Member |
|--------------|------------|----------|
| Annual Add | \$1,524.8m | \$591.3m |
| % of Payroll | 20.91% | 6.88% |

Retired Members Payroll

| | |
|---------------------------|----------|
| Monthly Payroll | \$281.4m |
| Payroll YTD | 1.4b |
| New Retired Payees Added | 258 |
| Seamless % | 96.90% |
| New Seamless Payees Added | 1,470 |
| Seamless YTD | 97.62% |
| By Check % | 4.00% |
| By Direct Deposit % | 96.00% |

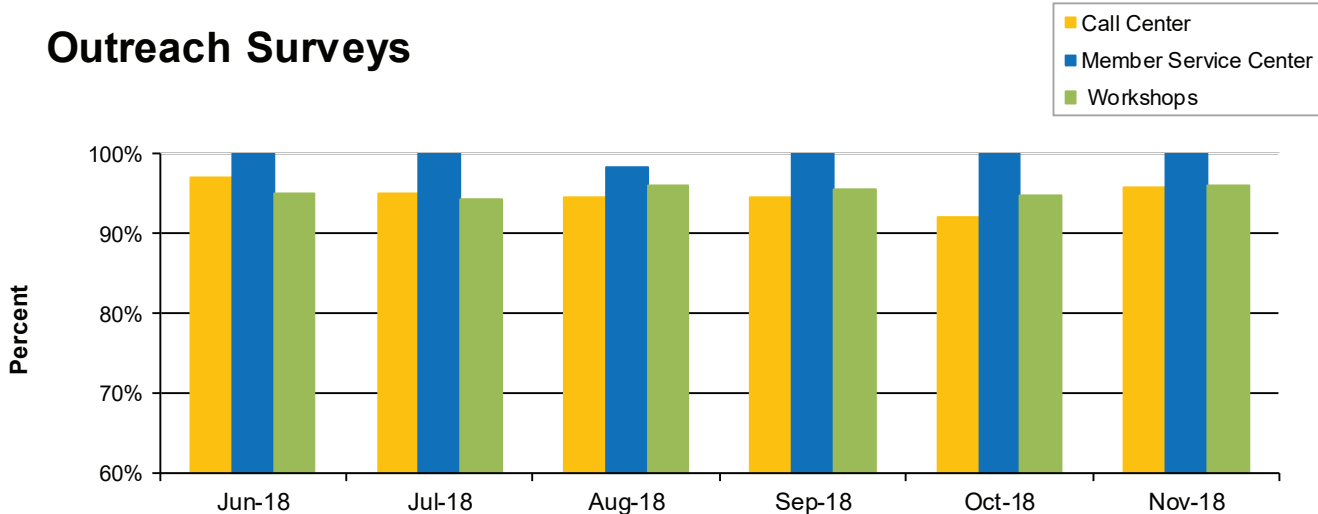


LACERA's KEY BUSINESS METRICS

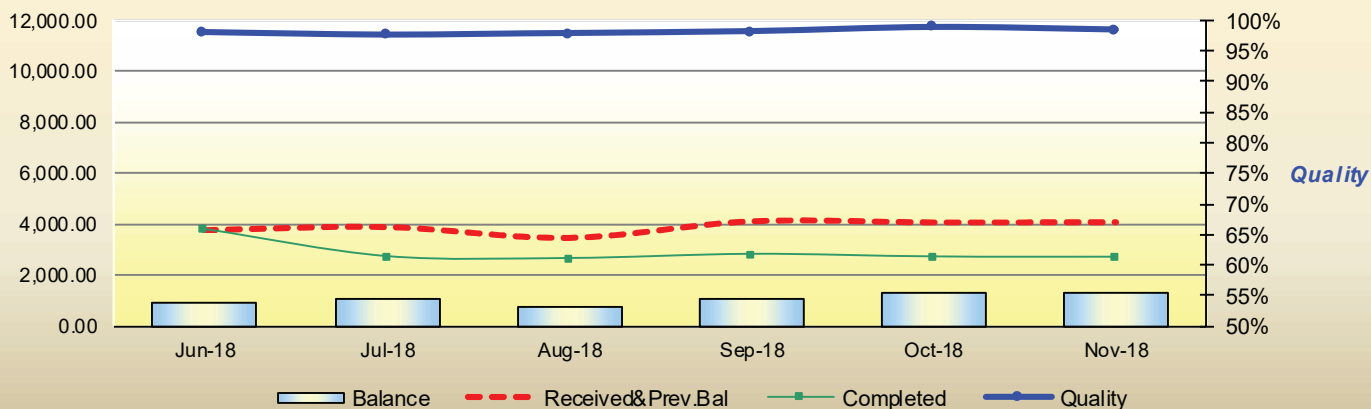
OUTREACH EVENTS AND ATTENDANCE

| Type | # of WORKSHOPS | | # of MEMBERS | |
|-----------------------|----------------|------------|--------------|---------------|
| | Monthly | YTD | Monthly | YTD |
| Benefit Information | 12 | 88 | 493 | 5,976 |
| Mid Career | 3 | 15 | 95 | 825 |
| New Member | 12 | 53 | 314 | 1,321 |
| Pre-Retirement | 9 | 33 | 227 | 834 |
| General Information | 2 | 17 | 112 | 864 |
| Retiree Events | 0 | 2 | 0 | 200 |
| Member Service Center | Daily | Daily | 1,447 | 8,116 |
| TOTALS | 38 | 208 | 2,688 | 18,136 |

Outreach Surveys



Benefits and Member Services Production and Quality Summary (Rolling 6 Months)



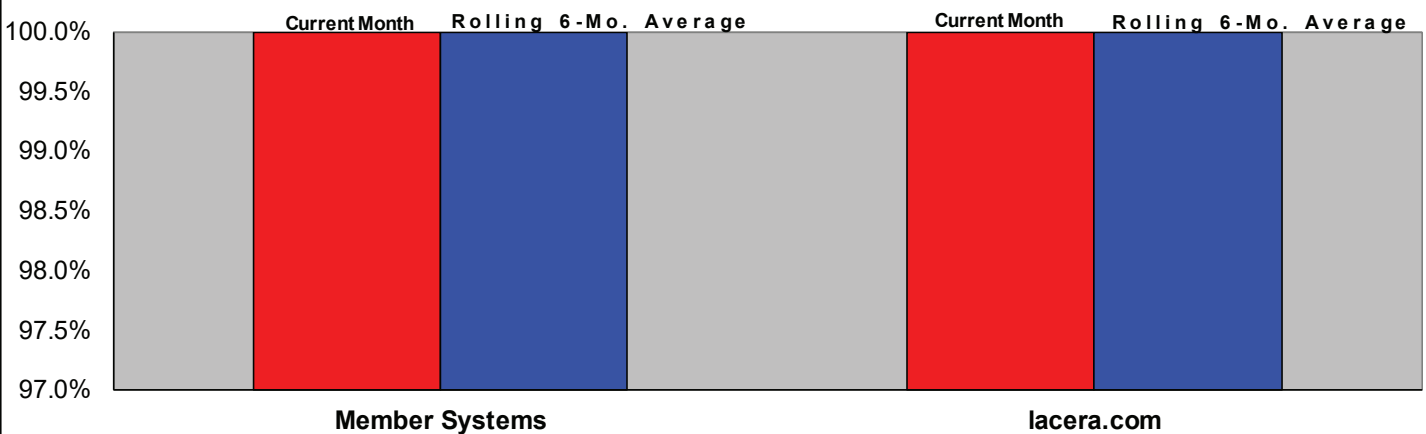
| Member Services Contact Center | | | RHC Call Center | Top Calls |
|--|-------------|---------------|-----------------|--|
| Overall Key Performance Indicator (KPI) | | 97.65% | | |
| Category | Goal | Rating | | |
| Call Center Monitoring Score | 95% | 96.30% | 98% | <u>Member Services</u> |
| Grade of Service (80% in 60 seconds) | 80% | 68% | 56% | 1) Workshop: Info/Appts. Inquiry |
| Call Center Survey Score | 90% | 95.90% | 79.60% | 2) Death: Benefit Explanation |
| Agent Utilization Rate | 65% | 64% | 69% | 3) Address/Name Change: Request |
| Number of Calls | | 8,210 | 3,886 | <u>Retiree Health Care</u> |
| Number of Calls Answered | | 7,735 | 3,615 | 1) New Enrollment/Change/Cancel |
| Number of Calls Abandoned | | 475 | 271 | 2) Medical Benefits-Gen. Inquiries (RHC) |
| Calls-Average Speed of Answer (hh:mm:ss) | | 00:01:51 | 00:02:24 | 3) General Inquiries (RHC) |
| Number of Emails | | 265 | 144 | |
| Emails-Average Response Time (hh:mm:ss) | | 06:28:04 | (Days) 1 | Adjusted for weekends |

LACERA's KEY BUSINESS METRICS

| Fiscal Years | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Assets-Market Value | \$30.5 | \$33.4 | \$39.5 | \$41.2 | \$43.7 | \$51.1 | \$51.4 | \$50.9 | \$55.8 | \$59.4 |
| Funding Ratio | 88.9% | 83.3% | 80.6% | 76.8% | 75.0% | 79.5% | 83.3% | 79.4% | 79.9% | 80.6% |
| Investment Return | -18.3% | 11.6% | 20.2% | 0.0% | 11.9% | 16.5% | 4.1% | 0.8% | 12.7% | 9.0% |

| DISABILITY INVESTIGATIONS | | | | | | |
|---------------------------|------------|------------|--|-----------------------------------|-----------|-----------|
| APPLICATIONS | TOTAL | YTD | | APPEALS | TOTAL | YTD |
| On Hand | 537 | xxxxxxx | | On Hand | 99 | xxxxxxx |
| Received | 38 | 192 | | Received | 1 | 10 |
| Re-opened | 0 | 0 | | Administratively Closed/Rule 32 | 1 | 8 |
| To Board – Initial | 45 | 227 | | Referee Recommendation | 1 | 5 |
| Closed | 0 | 13 | | Revised/Reconsidered for Granting | 0 | 4 |
| In Process | 530 | 530 | | In Process | 98 | 98 |

SYSTEMS AVAILABILITY - NOVEMBER 2018



| Active Members as of 12/20/18 | | Retired Members/Survivors as of 12/20/18 | | | Retired Members | |
|-------------------------------|---------------|--|---------------|---------------|-------------------|----------------|
| | | Retirees | Survivors | Total | | |
| General-Plan A | 127 | 17,306 | 4,495 | 21,801 | Monthly Payroll | 281.43 Million |
| General-Plan B | 42 | 683 | 66 | 749 | Payroll YTD | 1.4 Billion |
| General-Plan C | 54 | 421 | 67 | 488 | No. Monthly Added | 258 |
| General-Plan D | 42,932 | 14,610 | 1,347 | 15,957 | Seamless % | 96.90% |
| General-Plan E | 17,997 | 12,599 | 1,127 | 13,726 | No. YTD Added | 1,470 |
| General-Plan G | 25,138 | 20 | 1 | 21 | Seamless YTD % | 97.62% |
| Total General | 86,290 | 45,639 | 7,103 | 52,742 | Direct Deposit % | 96.00% |
| Safety-Plan A | 5 | 5,379 | 1,596 | 6,975 | | |
| Safety-Plan B | 10,168 | 5,425 | 268 | 5,693 | | |
| Safety-Plan C | 2,798 | 8 | 0 | 8 | | |
| Total Safety | 12,971 | 10,812 | 1,864 | 12,676 | | |
| TOTAL ACTIVE | 99,261 | TOTAL RETIRED | 56,451 | 8,967 | 65,418 | |

| Health Care Program (YTD Totals) | | |
|----------------------------------|----------------------|---------------------|
| | Employer Amount | Member Amount |
| Medical | 213,011,595 | 17,835,088 |
| Dental | 18,159,866 | 1,837,976 |
| Med Part B | 26,088,726 | xxxxxxxxxx |
| Total Amount | \$257,260,187 | \$19,673,064 |

| Health Care Program Enrollments (Monthly) | |
|---|--------|
| Medical | 50,276 |
| Dental | 51,492 |
| Med Part B | 38,818 |
| Long Term Care (LTC) | 660 |

| Funding Metrics as of 6/30/18 | |
|-------------------------------|----------------|
| Employer Normal Cost | 9.92% |
| UAAL | 10.99% |
| Assumed Rate | 7.25% |
| Star Reserve | \$614 million |
| Total Assets | \$56.3 billion |

| Member Contributions as of 6/30/18 | |
|------------------------------------|-----------------|
| Annual Additions | \$591.3 million |
| % of Payroll | 6.88% |

| Employer Contributions as of 6/30/18 | |
|--------------------------------------|-------------------|
| Annual Addition | \$1,524.8 million |
| % of Payroll | 20.91% |

| Date | Conference |
|-----------------------|--|
| February, 2019 | |
| 1 | CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Hilton Oakland Airport |
| 1 | CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Hilton Oakland Airport |
| 5-6 | IMN (Information Management Network) Annual Beneficial Owners’ Intl. Securities Finance & Collateral Mgmt. Conference Fort Lauderdale, FL |
| 12-13 | 2019 Milken Institute MENA Summit Abu Dhabi, UAE |
| 25-26 | National Institute on Retirement Security (NIRS) 2018 Policy Conference Washington D.C. |
| 27-March 1 | Pacific Pension Institute (PPI) North American Winter Roundtable Los Angeles, CA |
| March, 2019 | |
| 2-5 | CALAPRS (California Association of Public Retirement Systems) General Assembly Meeting Monterey, CA |
| 4-6 | Council of Institutional Investors (CII) Spring Conference Washington D.C. |
| 13-14 | AHIP (America’s Health Insurance Plans) National Health Policy Conference Washington D.C. |
| 14-15 | PREA (Pension Real Estate Association) Spring Conference Dallas, TX |
| 27-29 | CALAPRS (California Association of Public Retirement Systems) Advanced Principles of Pension Management for Trustees at UCLA Los Angeles, CA |
| 28 | NASP (National Association of Securities Professionals) Day of Education in Private Equity Los Angeles, CA |
| April, 2019 | |
| 8-10 | IFEBC (International Foundation of Employment Benefit Plans) Investments Institute Phoenix, AZ |
| 14-17 | CRCEA (California Retired County Employees Association) Spring Conference San Diego, CA |

December 24, 2018

TO: Each Member
Board of Investments

FROM: Jon Grabel 
Chief Investment Officer

SUBJECT: **CHIEF INVESTMENT OFFICER'S REPORT—NOVEMBER 2018**

The following memorandum and attachments constitute the CIO report for November 2018. **Attachment 1** presents summary investment information including market values, actual and target allocations, and returns. **Attachment 2** is a summary investment report for the OPEB Master Trust. A list of all current applicants for public investment-related searches is included as **Attachment 3** and will be provided on a monthly basis to identify firms with whom LACERA is in a quiet period.

PERFORMANCE

The Total Fund finished the month with an investment balance of approximately \$55.4 billion.¹ The month had a return of 0.6%. For fiscal year to date, the Total Fund is down -0.7% net of fees.

The OPEB Master Trust generated a positive return in November. For the month, the L.A. County, LACERA, and the Superior Court funds had a net gain of 1.2%. Fiscal year to date, the L.A. County, LACERA, and the Superior Court funds are down -1.4% net of fees.

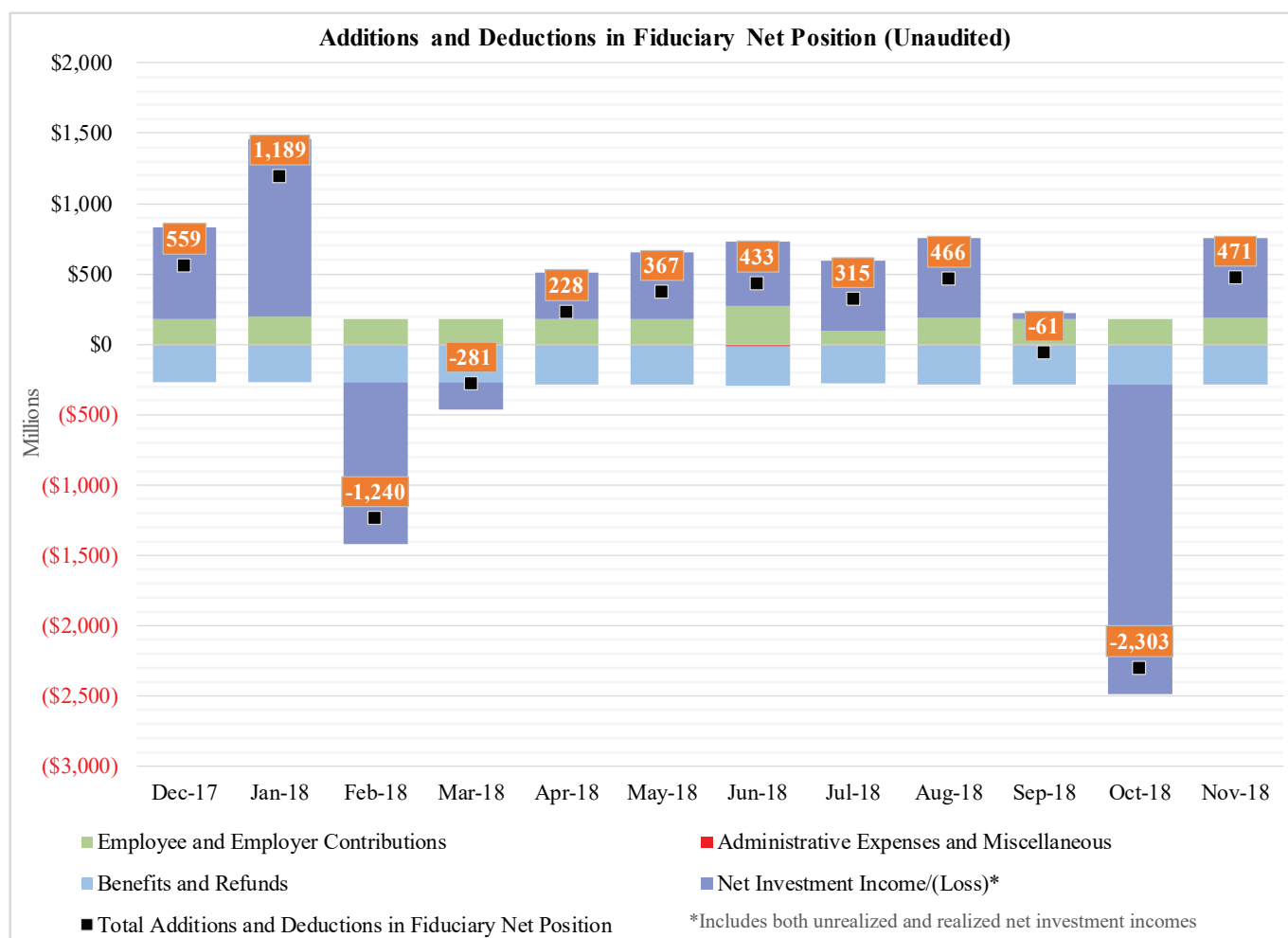
CASH FLOWS, CASH BALANCES, AND FIDUCIARY NET POSITION²

As illustrated in Chart 1 below, included to provide detail on the sources of monthly transactional flows, the Plan's Fiduciary Net Position increased by \$471 million during the month of November. Over the last twelve months, the Plan's incremental net position is marginally positive.

¹ For months that coincide with calendar quarter end, the Total Fund value is calculated using the custodian's quarter-end market values for all asset classes. For inter-quarter periods, the Total Fund value is calculated using the custodian's month-end market value for all asset classes except for private equity and real estate. Private equity and real estate market values are calculated by adjusting the preceding quarter-end market value for subsequent cash flows.

² LACERA's fiduciary net position is an unaudited snapshot of account balances as of the preceding month end and reflects assets available for future payments to retirees and their beneficiaries, including investment fund assets, as well as any liabilities owed as of the report date. The Plan's net position is inclusive of both investment and operational net assets, while the Total Fund's position includes investment net assets only.

Chart 1: Additions and Deductions in Fiduciary Net Position (Unaudited)



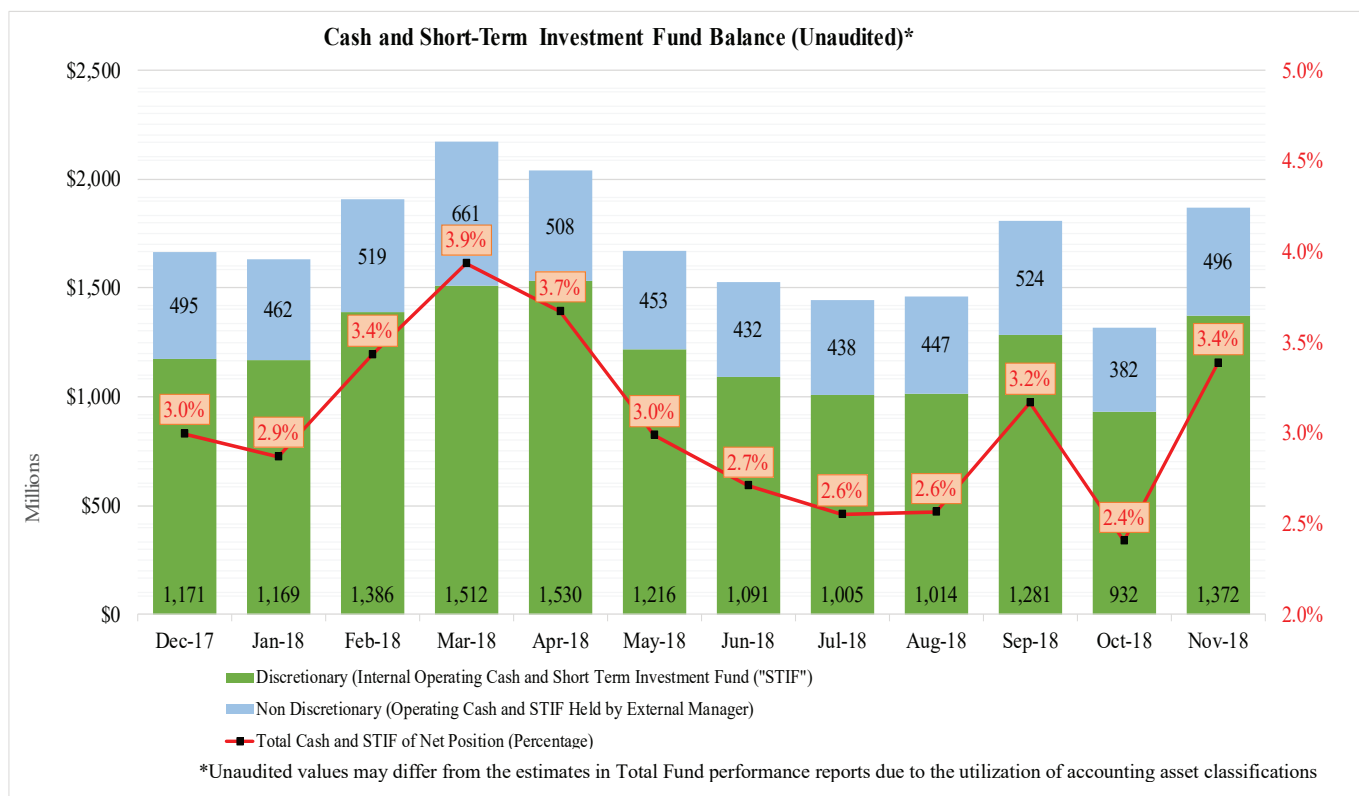
With respect to cash, LACERA finished the month of November with approximately \$1.0 billion in the Fund’s primary operating account, as reported by the master custodian and identified as “cash” on various Total Fund reports. There was additional cash held in internal accounts dedicated to asset categories with frequent cash flows as well as cash held by select external managers. As illustrated in Chart 2, LACERA held a total of \$1.4 billion of internal operating cash and short-term investments across all of its operating accounts and LACERA’s external investment managers held a further \$496 million in cash and short-term investments.

In total, LACERA held approximately \$1.9 billion in cash and short-term investment funds at the end of November, which can be categorized as follows:

- Non-discretionary (operating cash and Short Term Investment Fund (“STIF”) balances held by external investment managers): \$496 million
- Discretionary (internal operating cash and STIF balances accessible for the daily operating needs of the Plan): \$1.4 billion

The Fund's total cash and short-term investment fund balance represented 3.4% of the Plan's unaudited net position, while its discretionary cash and short-term investment fund balance represented 2.5% of the Plan's unaudited net position.

Chart 2: Cash and Short-Term Investment Fund Balance (Unaudited)



The following table (Table 1) provides a summary of cash flows at the asset category level. For the month of November, the Total Fund had net investment inflows totaling \$607.1 million.

Table 1: Asset Category Cash Flows

| Asset Category and Activity | \$ in Millions | Cash Impact |
|-----------------------------|----------------|-------------|
| <i>Private Equity</i> | | |
| Distributions | \$433.9 | Inflow |
| Capital calls | -\$46.4 | Outflow |
| <i>Private Equity</i> | \$387.5 | Net Inflow |
| <i>Public Equity: U.S.</i> | | |
| Distributions | \$25.1 | Inflow |
| Contributions | -\$5.0 | Outflow |
| <i>U.S. Equity</i> | \$20.1 | Net Inflow |

| | | |
|--------------------------------|----------------|--------------------|
| <u>Public Equity: Non-U.S.</u> | | |
| Distributions | \$0.0 | n/m |
| Contributions | \$0.0 | n/m |
| Currency hedge | <u>\$31.9</u> | <u>Inflow</u> |
| <i>Non-U.S. Equity</i> | <i>\$31.9</i> | <i>Net Inflow</i> |
| <u>Fixed Income</u> | | |
| Distributions | \$0.0 | n/m |
| Contributions | <u>-\$45.0</u> | <u>Outflow</u> |
| <i>Fixed Income</i> | <i>-\$45.0</i> | <i>Net Outflow</i> |
| <u>Commodities</u> | | |
| No activity | <u>\$0.0</u> | <u>n/m</u> |
| <i>Commodities</i> | <i>\$0.0</i> | <i>n/m</i> |
| <u>Hedge Funds</u> | | |
| Distributions | \$8.5 | Inflow |
| Contributions | <u>\$0.0</u> | <u>n/m</u> |
| <i>Hedge Funds</i> | <i>\$8.5</i> | <i>Net Inflow</i> |
| <u>Real Estate</u> | | |
| Separate account net activity | \$208.6 | Inflow |
| Commingled fund net activity | <u>-\$4.5</u> | <u>Outflow</u> |
| <i>Real Estate</i> | <i>\$204.1</i> | <i>Net Inflow</i> |

The Public Equity asset class realized a \$31.9 million cash inflow from the Non-U.S. Equity currency-hedging program. LACERA's Non-U.S. Equity Investment Policy requires that the developed markets Non-U.S. Equity allocation, currently \$8.7 billion, maintain a passive currency hedge overlay on 50% of its investment value. Note that when the currency overlay program sustains a loss due to a depreciating U.S. dollar, underlying Non-U.S. equity values should be positively impacted. Conversely, in an appreciating U.S. dollar environment, the currency-hedging program will have a gain, while underlying Non-U.S. equity values should be negatively impacted. Due to currency market movements in the previous three months, the currency hedges maturing in early November realized a gain and \$31.9 million was transferred to cash from LACERA's passive currency overlay account. The hedged Non-U.S. Equity portfolio was up 1.0% net of fees, or approximately \$90.9 million during the month. A change in currency valuation is one of many variables that influences returns for a hedged Non-U.S. Equity portfolio. Cash flow from the currency-hedging program and the related equity portfolio can both deliver positive or negative results in a given period due to the staggered rolling of multiple futures contracts across three months.

ACTIVE SEARCHES

This section is intended to keep the Board of Investments apprised of active investment-related searches that include Requests for Proposal (RFP), Information (RFI), and Quote (RFQ). At this time, there are seven searches currently underway.

The first is a targeted search requesting information from select investment management firms that have an offering in the hedged equity hedge fund category. Responses have been received and are being reviewed.

The second is a targeted search requesting information from select investment management firms that have an offering in the macro or tactical trading hedge fund category. Responses have been received and are being reviewed.

The third is a targeted search for passive exposure to Treasury Inflation Protected Securities (TIPS) through a separate account. The targeted search was issued in October 2018 and responses have been received and are being reviewed. A recommendation was approved at the December BOI and is currently in legal negotiations.

The fourth search is an RFP issued for a liquid real assets completion portfolio manager. Responses have been received and are being reviewed.

The fifth search is an RFP issued for specialized consultant services in each asset category of hedge funds, illiquid credit and real assets. The RFP was released in October 2018 and responses have been received and are being reviewed.

The sixth search is an RFP issued for a cash overlay manager. The RFP was released in November 2018 and responses have been received and are being reviewed.

The seventh search is an RFI issued for real estate administrative services. The RFP was released in November 2018 and responses have been received and are being reviewed.

UPDATES

This section provides a brief synopsis of recent developments, near-term work priorities and upcoming projects.

Total Fund

- Staff is working with State Street to re-onboard the custodial bank relationship. Internal processes are being re-evaluated with and between different LACERA divisions.
- A procurement procedure for investment-related searches is in development and will be presented to the Board at the January BOI.

- A program to utilize local MBA interns within the Investment Division is in development and interviews are underway.

Growth

- Public Equity
 - A structure review is being prepared and will be presented to the Equity: Public/Private Committee in January.
- Private Equity
 - A personnel search has been launched for an Investment Officer to focus on venture capital fund investments.

Credit

- Staff is developing a Credit structure that incorporates feedback from the Credit and Risk Mitigation Committee.

Real Assets and Inflation Hedges

- Real Estate
 - Staff is implementing the findings from the real estate structure review.
 - Staff is underwriting several potential commingled fund opportunities.
- Natural Resources, Infrastructure, TIPS and Commodities
 - Staff is developing this new allocation through several aforementioned RFPs and the inclusion of the existing commodities exposure.

Risk Reducing and Mitigating

- Fixed Income
 - The Credit and Risk Mitigation Committee advanced to the Board for approval a RFP for emerging managers, an investment grade bond structure review, and a credit structure review.
 - Finalist interviews have been scheduled for the recruitment of an Investment Officer.

Hedge Funds

- A direct portfolio is being built with individual manager recommendations.

Portfolio Analytics

- LACERA signed the Global Investor Statement to Governments regarding climate change following the November Board approval.
- An offer has been extended for an Investment Analyst.
- Staff is working on enhancing the risk and return attribution reporting at the Total Fund level.

COMPLIANCE MONITOR

Evaluating the Fund's investment portfolios against established policies and guidelines is an integral part of the ongoing portfolio management process and is commonly referred to as compliance. The Fund's portfolio is implemented in a nuanced way across multiple asset categories, so LACERA utilizes a multi-faceted approach to evaluate compliance. A summary of compliance activities across the Total Fund identifying advisory notifications where appropriate is provided on a calendar quarter basis. Compliance categories include allocation target weights, portfolio policies such as the use of leverage, and guidelines for various items such as types of permissible holdings. The next report is scheduled to be provided as part of the December CIO Report.

INVESTMENT MANAGER MEETINGS

The purpose of this section is to promote transparency and governance best practices through the timely listing of manager meeting requests that the staff and/or consultant(s) receive from either the Chief Executive Officer (CEO) or a member of the Board of Investments.

In the normal course of business, the CEO or a Board member might recommend that staff meet with a specific manager; there might even be a subsequent discussion regarding a specific manager. If a third communication about the manager takes place within a rolling one-year period, LACERA's Investment Policy Statement directs that the full Board be notified of the requests. This process is designed to preserve the integrity of the decision-making process. Such contact would be reported in this section.

There are no contacts to report this month.

DECEMBER FORECAST

The decade old bull market may be coming to a technical end, as the S&P 500 stock index is down 20% since peaking in September. December is likely to be the worst month for equities since the global financial crisis, as the S&P 500 is down 15% month to date through December 24th. Sentiment is often difficult to describe and quantify, however, market optimism at the end of the fourth quarter in 2018 has decreased compared to most of the previous decade.

Accommodative policy and increasing earnings growth have fueled market tailwinds for most of the past ten years. In the fourth quarter of 2018, trade tensions, rising rates, Federal Reserve balance sheet reduction, slowing growth, a government shutdown, and turnover within the U.S. President's administration have driven negative sentiment in U.S. markets. Additionally in December, the Federal Reserve increased rates for the fourth time in 2018. Risk assets reacted negatively to both the rate hike and related commentary from Chairman Powell about the Fed's balance sheet and potential future Fed activity.

Each Member, Board of Investments

December 24, 2018

Page 8 of 8

As of publication of this report, during the month of December, the S&P 500 stock index was down 15% while the Bloomberg Barclays Global Aggregate bond index was up 1.4%. The Total Fund will have a negative month and we will provide an estimate at the Board meeting in January.

Attachments

JGjpp:teq

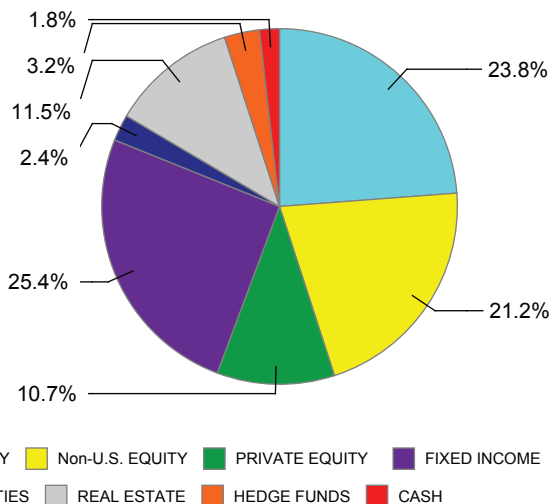
LACERA'S *ESTIMATED* TOTAL FUND

November 30, 2018

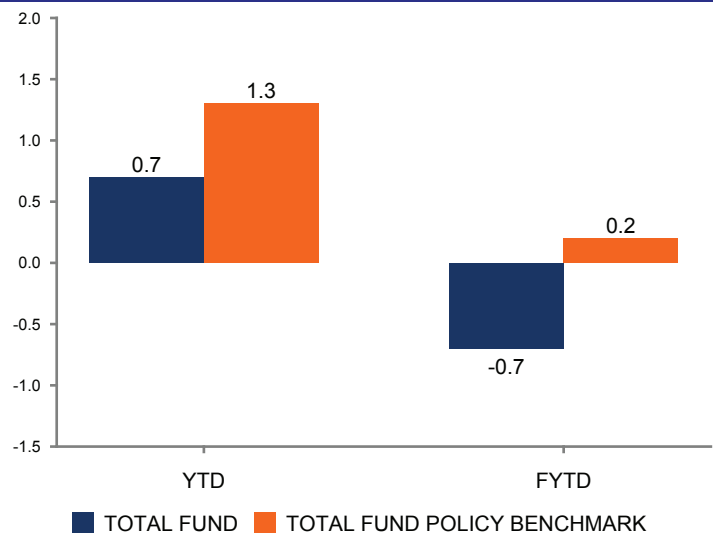


| | Market Value (millions) | Actual % Total Fund | Target % Total Fund | TOTAL RETURNS (NET) | | | | |
|--|----------------------------|------------------------|------------------------|---------------------|-------------|-------------|-------------|-------------|
| | | | | YTD | FYTD | 3 Year | 5 Year | 10 Year |
| U.S. EQUITY | 13,164.0 | 23.8 | 22.7 | 3.0 | 0.1 | 11.1 | 10.1 | 14.3 |
| RUSSELL 3000 (DAILY) | | | | 4.5 | 1.2 | 11.8 | 10.6 | 14.5 |
| Non-U.S. EQUITY (Hedged) | 11,760.8 | 21.2 | 18.7 | -8.0 | -6.0 | 6.5 | 4.2 | 9.3 |
| CUSTOM MSCI ACWI IMI N 50%H | | | | -8.4 | -6.0 | 5.9 | 3.7 | 9.0 |
| PRIVATE EQUITY ^[1] | 5,949.4 | 10.7 | 10.0 | 14.1 | 4.0 | | | |
| PRIVATE EQUITY TARGET ^[2] | | | | 13.7 | 6.2 | | | |
| FIXED INCOME | 14,059.8 | 25.4 | 27.8 | -1.0 | 0.0 | 3.2 | 2.9 | 6.0 |
| FI CUSTOM INDEX | | | | -1.8 | -0.1 | 1.9 | 2.3 | 4.3 |
| REAL ESTATE ^[1] | 6,363.2 | 11.5 | 11.0 | 7.2 | 2.9 | | | |
| REAL ESTATE TARGET | | | | 7.4 | 3.2 | | | |
| COMMODITIES | 1,323.3 | 2.4 | 2.8 | -5.5 | -6.2 | 2.9 | -6.4 | -1.4 |
| Bloomberg Comm Index TR | | | | -4.7 | -4.7 | 1.6 | -7.3 | -3.5 |
| HEDGE FUNDS ^[3] | 1,769.9 | 3.2 | 5.0 | 2.0 | -0.5 | 3.4 | 3.2 | |
| HEDGE FUND CUSTOM INDEX ^[3] | | | | 6.2 | 2.9 | 5.9 | 5.6 | |
| CASH | 1,019.1 | 1.8 | 2.0 | 1.8 | 0.9 | 1.3 | 0.9 | 1.3 |
| FTSE 6 M Treasury Bill Index | | | | 1.7 | 0.9 | 1.0 | 0.6 | 0.4 |
| TOTAL FUND ^[1] | 55,409.5 | 100.0 | 100.0 | 0.7 | -0.7 | | | |
| TOTAL FUND POLICY BENCHMARK | | | | 1.3 | 0.2 | | | |
| 7.25% Annual Hurdle Rate | | | | 6.6 | 3.0 | | | |

Asset Allocation



Net Returns



[1] Returns for private equity and real estate are calculated on a quarterly basis and are not updated intra quarter. Therefore, 3-, 5- and 10-year returns are only calculated at quarter-end for private equity and real estate. In addition, the Total Fund's returns are based on the latest available quarterly returns for these two asset classes.

[2] Rolling ten-year return of the Russell 3000 plus 500 basis points (one-quarter lag).

[3] One-month lag. Performance included in the Total Fund beginning 10/31/11

These are preliminary returns

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Periods greater than 1-year are annualized

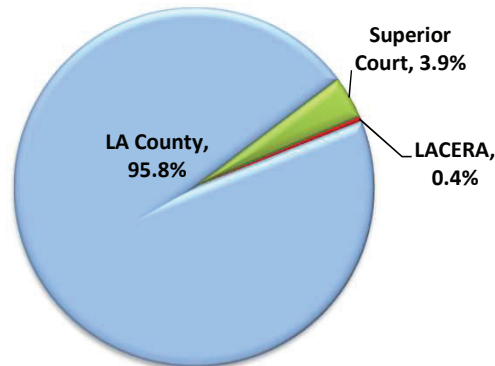
OPEB MASTER TRUST

November 30, 2018



| Fund Name | | Inception Date | Market Value (millions) | Trust Ownership | Month | 3 Month | FYTD | 1 Year | 3 Year | 5 Year | Since Incept. |
|-------------------------------|---------|----------------|-------------------------|-----------------|-------|---------|-------|--------|--------|--------|---------------|
| Los Angeles County: | Gross | Feb-2013 | \$930.9 | 95.8% | 1.21 | -3.44 | -1.34 | 0.84 | 8.16 | 6.06 | 5.22 |
| | Net | | | | 1.20 | -3.47 | -1.38 | 0.77 | 8.10 | 6.01 | 5.17 |
| | Net All | | | | 1.20 | -3.48 | -1.41 | 0.73 | 8.06 | 5.97 | 5.13 |
| LACERA: | Gross | Feb-2013 | \$3.6 | 0.4% | 1.21 | -3.45 | -1.34 | 0.83 | 8.21 | 6.09 | 5.25 |
| | Net | | | | 1.20 | -3.48 | -1.39 | 0.76 | 8.16 | 6.04 | 5.20 |
| | Net All | | | | 1.18 | -3.56 | -1.53 | 0.51 | 7.44 | 5.60 | 4.82 |
| Superior Court: | Gross | Jul-2016 | \$37.6 | 3.9% | 1.22 | -3.41 | -1.35 | 0.83 | --- | --- | 8.09 |
| | Net | | | | 1.21 | -3.44 | -1.40 | 0.76 | --- | --- | 8.04 |
| | Net All | | | | 1.20 | -3.48 | -1.45 | 0.65 | --- | --- | 7.33 |
| TRUST OWNERSHIP TOTAL: | | | \$972.1 | 100.0% | | | | | | | |

Trust Ownership



| Fund Name | | Inception Date | Market Value (millions) | Trust Ownership | Month | 3 Month | FYTD | 1 Year | 3 Year | 5 Year | Since Incept. |
|----------------------------------|-------|----------------|-------------------------|-----------------|-------|---------|-------|--------|--------|--------|---------------|
| OPEB Growth | Gross | Jul-2016 | \$469.7 | 48.3% | 1.46 | -6.28 | -2.76 | -1.17 | --- | --- | 11.25 |
| | Net | | | | 1.46 | -6.30 | -2.78 | -1.21 | --- | --- | 11.21 |
| OPEB Credit | Gross | Jul-2018 | \$198.9 | 20.5% | -0.24 | -0.24 | 0.02 | --- | --- | --- | 0.02 |
| | Net | | | | -0.27 | -0.34 | -0.14 | --- | --- | --- | -0.14 |
| OPEB Risk Reduction & Mitigation | Gross | Jul-2016 | \$104.3 | 10.7% | 0.51 | -0.39 | 0.22 | 1.40 | --- | --- | 1.23 |
| | Net | | | | 0.51 | -0.39 | 0.21 | 1.37 | --- | --- | 1.19 |
| OPEB Inflation Hedges | Gross | Jul-2018 | \$199.2 | 20.5% | 2.47 | -1.05 | 0.04 | --- | --- | --- | 0.04 |
| | Net | | | | 2.47 | -1.07 | 0.01 | --- | --- | --- | 0.01 |
| Uninvested Cash | | | \$0.0 | 0.0% | --- | --- | --- | --- | --- | --- | --- |
| TRUST OWNERSHIP TOTAL: | | | \$972.1 | 100.0% | | | | | | | |

| Allocation | | Inception Date | Market Value (millions) | Allocation % | Month | 3 Month | FYTD | 1 Year | 3 Year | 5 Year | Since Incept. |
|---|-------|----------------|-------------------------|--------------|-------|---------|-------|--------|--------|--------|---------------|
| OPEB Global Equity: | Gross | Mar-2014 | \$469.7 | 48.3% | 1.46 | -6.28 | -2.76 | -1.17 | 8.88 | --- | 6.21 |
| | Net | | | | 1.46 | -6.29 | -2.77 | -1.21 | 8.84 | --- | 6.17 |
| Benchmark: MSCI ACWI IMI Net | | | | | 1.41 | -6.37 | -2.89 | -1.49 | 8.51 | --- | 5.84 |
| Excess Return (Net - Benchmark) | | | | | 0.05 | 0.08 | 0.12 | 0.28 | 0.33 | --- | 0.33 |
| OPEB BTC High Yield Bonds: | Gross | Jul-2018 | \$59.3 | 6.1% | -0.94 | -2.05 | -0.22 | --- | --- | --- | -0.22 |
| | Net | | | | -0.95 | -2.08 | -0.27 | --- | --- | --- | -0.27 |
| Benchmark: BC High Yield Index | | | | | -0.86 | -1.90 | -0.10 | --- | --- | --- | -0.10 |
| Excess Return (Net - Benchmark) | | | | | -0.09 | -0.17 | -0.17 | --- | --- | --- | -0.17 |
| OPEB BTC EM Debt LC: | Gross | Jul-2018 | \$39.6 | 4.1% | 2.77 | 3.27 | -1.32 | --- | --- | --- | -1.32 |
| | Net | | | | 2.76 | 3.24 | -1.37 | --- | --- | --- | -1.37 |
| Benchmark: JPM GBI-EM Global Diversified Index | | | | | 2.81 | 3.41 | -1.05 | --- | --- | --- | -1.05 |
| Excess Return (Net - Benchmark) | | | | | -0.05 | -0.17 | -0.33 | --- | --- | --- | -0.33 |
| OPEB BTC Inv. Grade Bonds: | Gross | Jul-2018 | \$80.6 | 8.3% | 0.60 | -0.81 | -0.13 | --- | --- | --- | -0.13 |
| | Net | | | | 0.60 | -0.81 | -0.13 | --- | --- | --- | -0.13 |
| Benchmark: BBG BARC US Aggregate Index | | | | | 0.60 | -0.84 | -0.18 | --- | --- | --- | -0.18 |
| Excess Return (Net - Benchmark) | | | | | 0.00 | 0.03 | 0.05 | --- | --- | --- | 0.05 |
| OPEB BTC TIPS: | Gross | Jul-2018 | \$59.4 | 6.1% | 0.49 | -1.96 | -1.71 | --- | --- | --- | -1.71 |
| | Net | | | | 0.49 | -1.97 | -1.71 | --- | --- | --- | -1.71 |
| Benchmark: BBG US TIPS Index | | | | | 0.48 | -2.01 | -1.77 | --- | --- | --- | -1.77 |
| Excess Return (Net - Benchmark) | | | | | 0.01 | 0.04 | 0.06 | --- | --- | --- | 0.06 |
| OPEB BTC REITs: | Gross | Jul-2018 | \$101.5 | 10.4% | 4.85 | -0.59 | 2.94 | --- | --- | --- | 2.94 |
| | Net | | | | 4.85 | -0.60 | 2.92 | --- | --- | --- | 2.92 |
| Benchmark: DJ US Select Real Estate Sec Index | | | | | 4.85 | -0.61 | 2.91 | --- | --- | --- | 2.91 |
| Excess Return (Net - Benchmark) | | | | | 0.00 | 0.00 | 0.00 | --- | --- | --- | 0.00 |
| OPEB BTC Commodities: | Gross | Jul-2018 | \$38.3 | 3.9% | -0.47 | -0.73 | -4.56 | --- | --- | --- | -4.56 |
| | Net | | | | -0.48 | -0.77 | -4.62 | --- | --- | --- | -4.62 |
| Benchmark: Bloomberg Commodity Index (Total Return) | | | | | -0.56 | -0.84 | -4.68 | --- | --- | --- | -4.68 |
| Excess Return (Net - Benchmark) | | | | | 0.08 | 0.07 | 0.05 | --- | --- | --- | 0.05 |
| OPEB BlackRock Bank Loans: | Gross | Jul-2018 | \$99.9 | 10.3% | -0.98 | -0.50 | 0.69 | --- | --- | --- | 0.69 |
| | Net | | | | -1.03 | -0.66 | 0.42 | --- | --- | --- | 0.42 |
| Benchmark: S&P/LSTA Leveraged Loan Index | | | | | -0.90 | -0.25 | 0.89 | --- | --- | --- | 0.89 |
| Excess Return (Net - Benchmark) | | | | | -0.13 | -0.41 | -0.47 | --- | --- | --- | -0.47 |
| OPEB Enhanced Cash: | Gross | Feb-2013 | \$23.7 | 2.4% | 0.19 | 0.57 | 1.38 | 2.34 | 1.50 | 1.06 | 0.95 |
| | Net | | | | 0.19 | 0.59 | 1.39 | 2.31 | 1.46 | 1.00 | 0.89 |
| Benchmark: FTSE 6 M T-Bill Index | | | | | 0.19 | 0.56 | 0.90 | 1.81 | 1.00 | 0.63 | 0.55 |
| Excess Return (Net - Benchmark) | | | | | 0.00 | 0.03 | 0.48 | 0.50 | 0.46 | 0.37 | 0.34 |

Disclosure
Source of Bloomberg data on Attachment 1 & 2: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

PUBLIC INVESTMENT-RELATED SEARCHES APPLICANTS

This document identifies firms who have pro-actively submitted an application to LACERA in response to a publicly posted request. These publicly posted requests are commonly referred to as searches and may include minimum qualifications. When an external firm submits an application to a search, LACERA is in a quiet period with the applying firm while the search is active.

The following firms have responded to a targeted request for proposal regarding a passive exposure mandate to Treasury Inflation Protected Securities (TIPS) through a separate account:

BlackRock Capital Investment Corporation
Fidelity Institutional Asset Management
Northern Trust Investments, Inc.
State Street Global Advisors Trust Company

The following firms have responded to a request for proposal regarding specialized consultant services in hedge funds, illiquid credit and real assets:

Albourne America LLC
StepStone Group LP
Cliffwater LLC
Cambridge Associates
Aksia LLC
Hamilton Lane
Wilshire Private Markets
TorreyCove Capital Partners
Portfolio Advisors LLC
Pension Consulting Alliance
Meketa Investment Group

The following firms have responded to a request for proposal regarding a liquid real assets completion portfolio manager:

AQR Capital Management
Blackrock
Brookfield Asset Management
Cohen & Steers
DWS
Invesco
Pimco
Principal Global Investors

Each Member, Board of Investments

December 3, 2018

Page 2 of 2

RARE Infrastructure

State Street Global Advisors

Wellington Management

The following firms have responded to a request for information regarding Real Estate Administrative Services:

SS&C Technologies Holdings, Inc./SS&C Globe Op

Citco Fund Services (USA), Inc.

State Street Bank and Trust Company

The following firms have responded to a request for information regarding Real Estate Administrative Services:

Parametric Portfolio Associates, LLC

Millennium Global Investments

(LIGMA) Legal & General Investment Management America, Inc.

Russell Investments

Goldman Sachs Asset Management, L.P.

State Street Global Advisors Trust Company

Neuberger Berman

CIBC Asset Management

NISA Investment Advisors, LLC

Adrian Lee & Partners

AlphaEngine Global Investment Solutions, LLC

BNP Paribas Asset Management

UBS Asset Management

Mesirow Financial Currency Management

BlackRock

JG: cq

December 15, 2018

TO: Each Member
Board of Investments

FROM: Credit and Risk Mitigation Committee
Wayne Moore, Chair
Herman Santos, Vice Chair
Joseph Kelly
Ron Okum
David Green, Alternate

Robert Z. Santos 
Investment Officer

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: **FIXED INCOME EMERGING MANAGER SEARCH**

RECOMMENDATION

Approve the issuance of a Request for Proposal (RFP) for Fixed Income Emerging Managers.

BACKGROUND

At the December 12, 2018 Credit and Risk Mitigation Committee (the Committee) meeting, staff presented a recommendation to issue an RFP for Fixed Income Emerging Managers. The purpose of issuing an RFP is to seek fixed income emerging managers specializing in highly liquid strategies whose primary risk is changes in interest rates. These strategies will focus on traditional fixed income instruments such as U.S. Treasury, corporate, asset-backed, commercial mortgage-backed, and mortgage-backed securities rated investment grade (BBB and above). Depending upon the responses received, the strategies may also allow limited investment in plus sectors, such as high yield, emerging market debt, and non-U.S. fixed income instruments. Managers selected will be placed in the Investment Grade Bonds component of the Risk Reduction and Mitigation asset category.

An announcement of the RFP will be posted on LACERA's website. LACERA's general consultant (Meketa) concurs with staff's proposed recommendation and will work with staff on this search.

OPTIONS AVAILABLE TO THE BOARD

The Board may wish to approve, modify, or reject the recommendation.

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

The Committee unanimously approved staff's recommendation to issue an RFP for Fixed Income Emerging Managers. No dissenting views or opinions were expressed.

RISKS OF ACTION AND INACTION

LACERA has a 0-4% allocation¹ range of the fixed income portfolio to the emerging manager program. Pursuing firms that offer fixed income strategies suitable for the Investment Grade component of the Fixed Income portfolio will fill a vacancy created when Pugh Capital Management was promoted from the Program earlier in calendar year 2018.

Should the Board reject the recommendation, the fixed income emerging manager program will be under capacity.

CONCLUSION

Staff presented a recommendation to issue an RFP for fixed income emerging managers at the December 2018 Credit and Risk Mitigation Committee meeting. The Committee unanimously approved staff's recommendation to advance this recommendation to the Board of Investments for approval.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer


RZS:rzS

¹ Approximately \$434 million as of September 30, 2018.



November 27, 2018

TO: Each Member
Credit and Risk Mitigation Committee

FROM: Robert Z. Santos 
Investment Officer

FOR: December 12, 2018 Committee Meeting

SUBJECT: **FIXED INCOME EMERGING MANAGER SEARCH**

RECOMMENDATION

Advance the Request for Proposal (RFP) for Fixed Income Emerging Managers to the Board of Investments for approval.

BACKGROUND

LACERA's Emerging Manager Policy (the Policy) was established in 1995 to gain early access to smaller investment management organizations. LACERA recognizes that smaller investment management firms may generate superior performance because of increased market flexibility associated with smaller asset bases. The Policy provides LACERA an opportunity to identify talented investment management organizations early in their development.

Initially, the Policy applied only to equity mandates and was implemented via a "manager of managers" approach. In December 2000, the Board of Investments (the Board) expanded the Policy to other asset classes such as fixed income, real estate, and private equity. For fixed income, the Board approved the direct in-house oversight approach (as opposed to "manager of managers"). Under this arrangement, staff identifies qualified investment firms through a Request-For-Proposal (RFP) process and the Board selects managers after interviewing short-list candidates. An allocation range of 0-4% of LACERA's fixed income portfolio was approved for emerging fixed income managers.

LACERA's Policy defines emerging managers as independent firms that may not have substantial assets under management (less than \$2 billion) nor a long-term investment performance record (generally, less than five years). Emerging investment managers can include, but are not limited to minority-, women-, and disabled veteran-owned organizations.

In October 2001, the Board selected four managers for the Fixed Income Emerging Manager Program (the Program): Hughes Capital, LM Capital (LM), GW Capital (GW), and Post Advisory

Group (Post). In 2003 and 2004, Post and LM, respectively, were promoted from the Program and allocated additional assets. Given these promotions, the Board subsequently hired Dolan McEniry Capital Management (Dolan), PENN Capital Management (PENN), and Pugh Capital Management (Pugh) in May 2005. Hughes Capital was terminated in June 2005 for underperformance and personnel turnover. PENN was promoted from the Program in 2012. GW was terminated in January 2016, after LACERA received notification that the firm would cease operations stemming from deteriorating returns exhibited by the firm’s U.S. equity strategies. Pugh was promoted from the Program and given additional assets in February 2018. Dolan is the only firm remaining in the Program.

The table below displays the historical annualized performance of the Program.

| Fixed Income Emerging Manager Program Annualized Returns as of September 30, 2018 | | | | | | | | |
|--|---------------|-------|--------|---------|---------|---------|----------|-----------------|
| Portfolio | Market Value | Qtr | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | Since Inception |
| Emerging Manager Program (Gross) | \$347,451,825 | 1.19% | 0.38% | 3.49% | 3.49% | 4.19% | 6.18% | 5.90% |
| Emerging Manager Program (Net) | | 1.13% | 0.13% | 3.24% | 3.23% | 3.93% | 5.91% | 5.60% |
| Emerging Manager Program Custom Benchmark | | 0.73% | -0.40% | 2.10% | 2.54% | 3.12% | 5.13% | 4.91% |
| Difference (Net - Benchmark) | | 0.40% | 0.53% | 1.14% | 0.69% | 0.81% | 0.78% | 0.69% |

As shown above, the Program has generated solid performance results. Since its inception, the Program has outperformed its benchmark by 69 bps, annualized, net-of-fees.

MANDATE DESCRIPTION

The promotion of Pugh, a core fixed income manager, from the Program creates a vacancy. To fill this vacancy, staff will seek fixed income emerging managers specializing in highly liquid strategies whose primary risk is changes in interest rates. Managers selected will be placed in the Investment Grade Bonds component of the Risk Reduction and Mitigation asset category. These strategies will focus on traditional fixed income instruments such as U.S. Treasury, corporate, asset-backed, commercial mortgage-backed, and mortgage-backed securities rated investment grade (BBB and above). Depending upon the responses received, the strategies may also allow limited investment in plus sectors, such as high yield, emerging market debt, and non-U.S. fixed income instruments. An announcement of the RFP will be posted on LACERA's website.

Given LACERA’s 0-4% allocation¹ of the fixed income portfolio to the emerging manager program, staff recommends funding selected firms a mandate size no less than \$100 million each. The amount funded will depend on the firm’s total assets in the proposed strategy and total assets

¹ Approximately \$434 million as of September 30, 2018.

under management. Based on an initial screen of the eVestment manager database, 11 firms were identified as having total firm assets under \$2 billion, of which eight offered fixed income strategies with at least \$100 million in assets. It is likely that other firms, not in the eVestment database, will respond to the RFP.

The following minimum qualifications will be the basis for screening managers.

MINIMUM QUALIFICATIONS

1. Emerging manager is a registered investment adviser under the Investment Advisers Act of 1940, or must provide adequate explanation as to why they are exempt from registration.
2. No person or entity, other than the principals or employees of an emerging manager, shall own more than a **forty-nine percent (49%) interest** of the organization.
3. LACERA prefers emerging managers who currently comply with the performance presentation standards set forth in the Global Investment Performance Standards (GIPS) of the CFA Institute. If the emerging manager does not currently follow the GIPS standards, then the emerging manager must make a good faith effort to comply with such standards within **one (1) year** of date of hire.
4. The firm's portfolio manager(s) must have an average of at least **five (5) years** of verifiable investment experience managing portfolios containing a similar investment style as that in the LACERA Assets to be allocated to the emerging manager.
5. The emerging manager must have at least **\$100 Million** of assets under management in the same investment style to be managed for LACERA.
6. The emerging manager must have no more than **\$2 Billion** of total assets under direct management prior to selection. The emerging manager's total assets under management should not exceed **\$3 Billion subsequent** to funding.
7. The emerging manager must have direct responsibility for managing assets utilizing the same investment style it will manage for LACERA for at least **three (3) other** Institutional clients besides LACERA.
8. LACERA's Assets must comprise no more than **thirty-three percent (33%)** of the total assets managed by the emerging manager.
9. The assets of any single client (other than LACERA) must comprise no more than **fifty percent (50%)** of the total assets managed by the emerging manager.

LACERA's standard due diligence procedures would be used, consisting of a questionnaire, followed by interviews. The goal is to query the fixed income community for emerging firms offering investment grade fixed income strategies, while maintaining a thorough, fair, and transparent process. Additionally, as previewed at the November Board meeting, staff will incorporate several components of the new manager scorecard in the due diligence process.

PROPOSED TIMELINE

The following table displays the anticipated timeline to complete the search process:

| Phase | Steps | Timing |
|-------|--|-------------|
| I | Draft and Issue RFP | January '19 |
| II | RFP Evaluation | Feb-Mar '19 |
| III | Manager Diligence & Finalist Recommendation | Apr-May '19 |
| IV | Board Interviews | Jun-Jul '19 |

Based on this timeline, the Board will interview candidates and make its final selection during the summer of 2019. Meketa concurs with staff's proposed recommendation and, if approved, will work with staff on the search.

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

December 19, 2018

TO: Each Member
Board of Investments

FROM: Credit and Risk Mitigation Committee:
Wayne Moore, Chair
Herman Santos, Vice Chair
Ronald Okum
Joseph Kelly
David Green, Alternate

Vache Mahseredjian, CFA, CAIA, FRM, ASA 
Principal Investment Officer

Esmeralda V. del Bosque 
Senior Investment Officer

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: **CREDIT STRUCTURE REVIEW – PART 1**

RECOMMENDATION

Make the following changes to the Credit structure:

1. Reduce the allocation to High Yield,
2. Increase the allocation to Emerging Market Debt (EMD), and
3. Increase the allocation to bank loans.

BACKGROUND

On December 12, 2018, the Credit and Risk Mitigation Committee (“Committee”) unanimously approved the recommended changes to LACERA’s inaugural Credit Structure Review. The recommendations are intended to get closer to target weights for the liquid sub-asset classes within Credit by reducing the allocation to High Yield, increasing the allocation to Emerging Market Debt (EMD), and increasing the allocation to bank loans. The structural changes necessitate the movement of assets among managers, including the reduction of High Yield via the termination of mandates that do not fit the objectives for the Credit allocation, or have underperformed.

Attached are staff’s memo to the Committee and the memo from the Board’s general consultant, Meketa, which is in support of the recommendations.

OPTIONS AVAILABLE TO THE BOARD

The Board may wish to approve, modify, or reject the recommendations.

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

A member of the Board of Investments expressed serious concerns about bank loans. The Board member has a strong conviction that the sector is overvalued and could be the source of the next market downturn.

- *Staff responded that credit market conditions have been benign for the past several years, and that at this late stage in the credit cycle caution is warranted. Therefore, bank loans, which are at the top of the capital structure, provide greater downside protection. Meketa added that LACERA is a long-term investor and that the recommendation is consistent with the strategic asset allocation—and the subsector weights—approved by the Board in May.*

RISKS OF ACTION AND INACTION

If the Board approves the recommendations, the Credit Composite's liquid sub-asset classes will be closer to target. If the Board does not approve the recommendations, the sub-asset class weights will deviate from their respective targets, and this could lead to return dispersion relative to the Policy benchmark.

CONCLUSION

The Committee approved advancing to the Board of Investments structural changes designed to bring the liquid components of the Credit allocation closer to target. A second structure review focused on the illiquid segment of Credit will be conducted after a consultant is hired to consult on Private Credit.

Attachments

Noted and Reviewed:

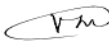



Jonathan Grabel
Chief Investment Officer



November 30, 2018

TO: Each Member
Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA 
Principal Investment Officer

Esmeralda V. del Bosque 
Senior Investment Officer

FOR: December 12, 2018 Committee Meeting

SUBJECT: **CREDIT STRUCTURE REVIEW—PART 1**

RECOMMENDATION

Advance the Credit Structure Review to the Board of Investments for approval.

SUMMARY

Staff has prepared the inaugural structure review for the Credit category (**Attachment A**). Credit is one of the four functional categories created by the Asset Allocation the Board of Investments (“Board”) approved in May. The category consists of bonds, loans, and similar instruments that have a contractual agreement to repay some type of debt. The primary risk is that a borrower will be unable to repay in full and on time. The category combines debt-related investments that previously resided in other parts of the LACERA portfolio: Opportunistic Fixed Income, Real Estate, Hedge Funds, and Private Equity. This report is the first of a two-part structure review: part one is a high-level analysis of actual versus target weights for the composite and its sub-components, as well as an evaluation of certain legacy managers and strategies. The report also sets out themes and initiatives that will serve as guiding principles for constructing a unified composite. Part two of the structure review will provide additional details, particularly with respect to expanding the illiquid investment portion. That report is expected in the summer of 2019, after a consultant is hired to advise on illiquid credit.

DISCUSSION

The structure review follows the presentation format introduced by our private equity colleagues last month. The report begins with a review of the role of Credit, followed by a comparison of the actual versus target allocations at the composite, as well as sector level. The report then delves into the market environment and contrasts past and prospective

returns. Next, the report highlights portfolio construction themes that will guide the construction of the composite as we transition from a collection of diverse investments into a coherent, unified portfolio.

Background

The BOI approved a new asset allocation for LACERA’s Pension Trust at the May 2018 Board meeting. The new structure consists of four functional categories: 1) Growth, 2) Credit, 3) Real Assets and Inflation Hedges, and 4) Risk Reduction and Mitigation. The introduction of the Credit category allowed LACERA to group together investments that have similar risk characteristics. Credit-sensitive assets from multiple asset classes including Fixed Income, Hedge Funds, Real Estate and Private Equity were combined so they could be managed and monitored as a single composite.

The Role of Credit

As discussed in the Investment Policy Statement adopted by the Board in November, Credit’s role within the Total Fund is to: 1) produce current income and moderate long-term total returns, and 2) provide incremental diversification to the Total Fund.

Credit Composite Structure

Credit is sub-divided into four categories: high yield, bank loans, emerging market debt (EMD), and illiquid Credit. As of September 30, 2018, the Credit category had a market value of approximately \$4.5 billion, representing 7.8% of LACERA’s Total Fund. The following table outlines the actual percentage allocation versus target for Credit and its sub-categories:

Table 1: Strategic Asset Allocation Targets and Ranges - Credit

| <i>As of 9.30.2018</i> | Actual Allocation % | Target Allocation % | Allocation Range % |
|-------------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Credit-Oriented Fixed Income | 7.8 | 12.0 | 9 – 15 |
| High Yield Bonds | 4.7 | 3.0 | 0 – 6 |
| Bank Loans | 1.0 | 4.0 | 0 – 6 |
| Emerging Market Debt | 0.7 | 2.0 | 0 – 4 |
| Illiquid Credit | 1.4 | 3.0 | 0 – 5 |

The table shows that the Credit allocation is below its range. At the sector level, high yield is above target, whereas bank loans, EMD, and illiquid credit are below. Some of the managers currently placed in the high yield category have mandates such as non-agency mortgage-backed securities that are not true corporate high yield. Given the overweight to the sector, this is an opportune time to assess whether such mandates continue to fit the new composite’s objectives, as well as to review performance of all legacy managers.

Recommendations

To address the over- and under-weights at the sector level, staff makes the following recommendations to get closer to target weights: **Reduce the allocation to high yield, increase the allocation to bank loans, and increase the allocation to emerging market debt (EMD).** The bank loan allocation can be increased by issuing an RFP in the first quarter, and the EMD allocation can be raised by increasing the funding of the two existing EMD managers.

Meketa has reviewed staff's report and concurs with the recommendations (**Attachment B**).

CONCLUSION

Staff conducted a Structure Review of the newly created Credit category. Specific recommendations are intended to get the composite and its sub-categories closer to target weights. An RFP for a bank loan manager will be issued in the first quarter. Part two of the Credit Structure Review will be issued next summer, after the illiquid credit consultant is hired.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

VM:EDB

Attachment A

Credit Structure Review: Part 1

Credit and Risk Mitigation Committee

December 12, 2018

Vache Mahseredjian, CFA, CAIA, FRM, ASA – Principal Investment Officer

Esmeralda V. del Bosque – Senior Investment Officer

Chad Timko – Investment Officer

Ron Senkandwa – Senior Investment Analyst



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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- I. Role of Credit
- II. Portfolio Structure
- III. Performance
- IV. Market Environment
- V. Portfolio Construction Themes
- VI. Initiatives
- VII. Advance to Board
- VIII. Team

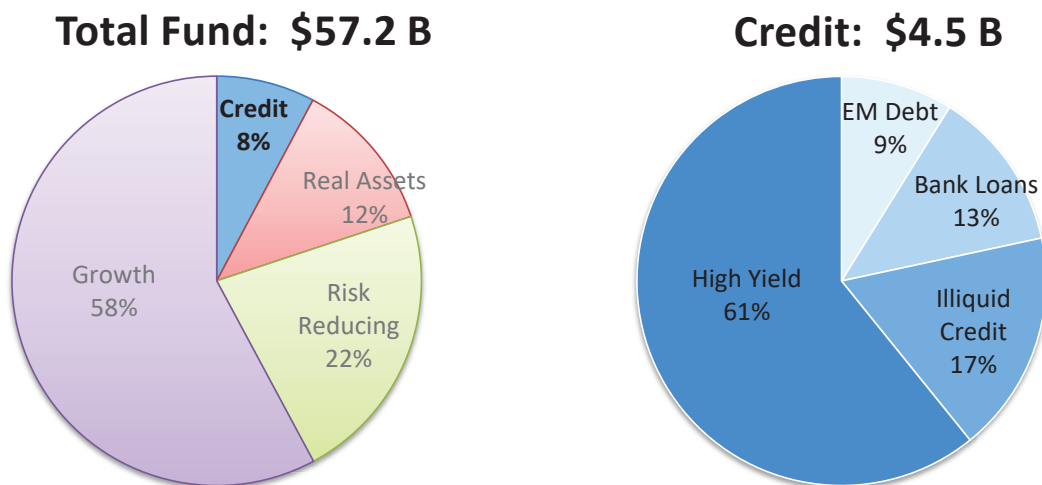
Appendices

- I. Risk and Return Expectations
- II. Correlations
- III. Credit Universe



Role of Credit

Actual allocation as of September 30, 2018:



Role of Credit:

- Current income and moderate risk/return
- Provide incremental diversification to the Total Fund



Portfolio Structure by Sub-Category

| <i>As of 9.30.2018</i> | Actual <u>Allocation %</u> | Target <u>Allocation %</u> | Allocation <u>Range %</u> | Current Manager/ <u>Fund Count</u> |
|------------------------|-------------------------------|-------------------------------|------------------------------|---------------------------------------|
| Total Credit | 7.8 | 12 | 9 - 15 | 30 |
| High Yield Bonds | 4.7 | 3 | 0 - 6 | 9 |
| Bank Loans | 1.0 | 4 | 0 - 6 | 2 |
| Emerging Market Debt | 0.7 | 2 | 0 - 4 | 2 |
| Illiquid Credit | 1.4 | 3 | 0 - 5 | 17* |

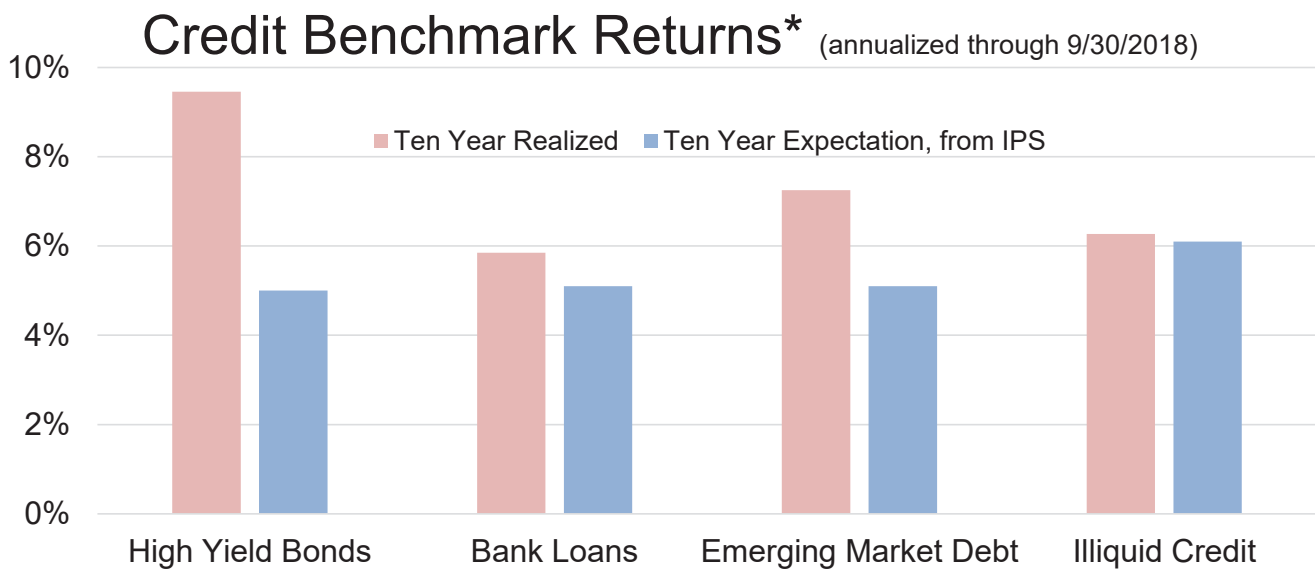
Observations

- Total Credit is below its allocation range
 - Sub categories are both above and below targets
- 30 total managers may be suboptimal
- Bank Loans, with the highest target allocation, can benefit from a dedicated syndicated loan manager

** The 17 Illiquid Credit manager count includes one fund of fund mandate that has multiple underlying funds. Select funds included in the count may be sold as part of an on-going private equity secondary sale.*



Performance by Sub-Category



Observations

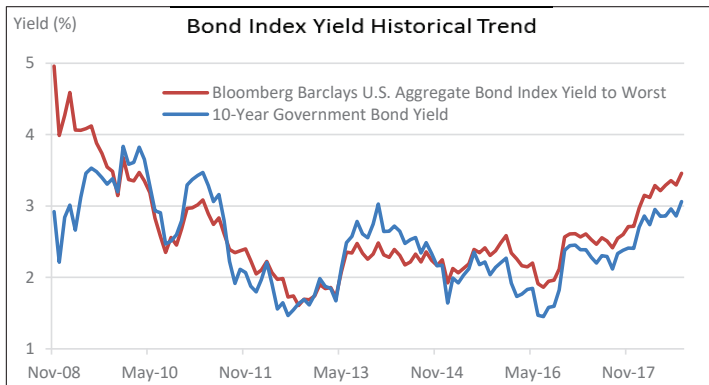
1. Forward expected returns are below prior realized results
2. Active management may deliver outperformance
3. Credit indices do not fully cover the universe
4. In a low return environment, account structures and fees are especially important

* Benchmarks: High Yield Bonds: Bloomberg Barclays U.S. High Yield; Bank Loans: Credit Suisse Leveraged Loans; Emerging Market Debt: JP Morgan EMBI; Illiquid Credit: Bloomberg Barclays U.S. Aggregate +2.5%

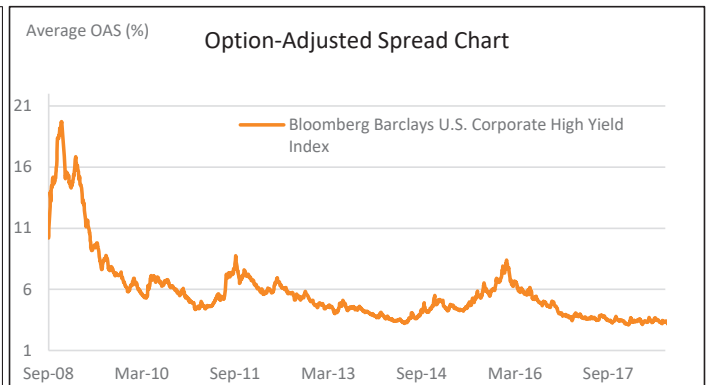


Market Environment

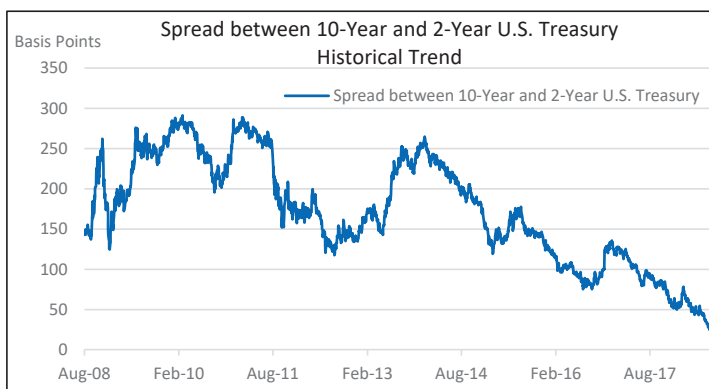
Low But Rising Interest Rates



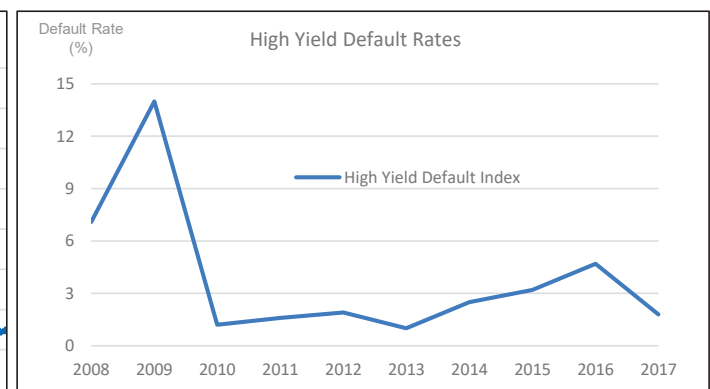
Tight Spreads



Yield Curve Flattening



Low Default Rates



Source: Moody's Analytics



Portfolio Construction Themes

Portfolio construction will emphasize:

- Allocation adjustments to move toward targets
- Manager count reduction
- Specialized active managers where markets are least efficient
- Additional types of credit including securitized and specialty finance
- Floating rate debt
- Income as the primary source of return for liquid credit
- Opportunities outside the U.S. (not just Emerging Market Debt)
- Remain fee conscious



Initiatives

Future initiatives for the Credit team include:

- Credit portfolio development
- Identifying optimal implementation approaches
- Refine Credit team due diligence process
- Credit composite guideline review
- Investment manager guideline review
- Consider additional or dedicated personnel
- Onboard a dedicated Illiquid Credit consultant
- Conduct Credit Structure Review Part 2 (2019)



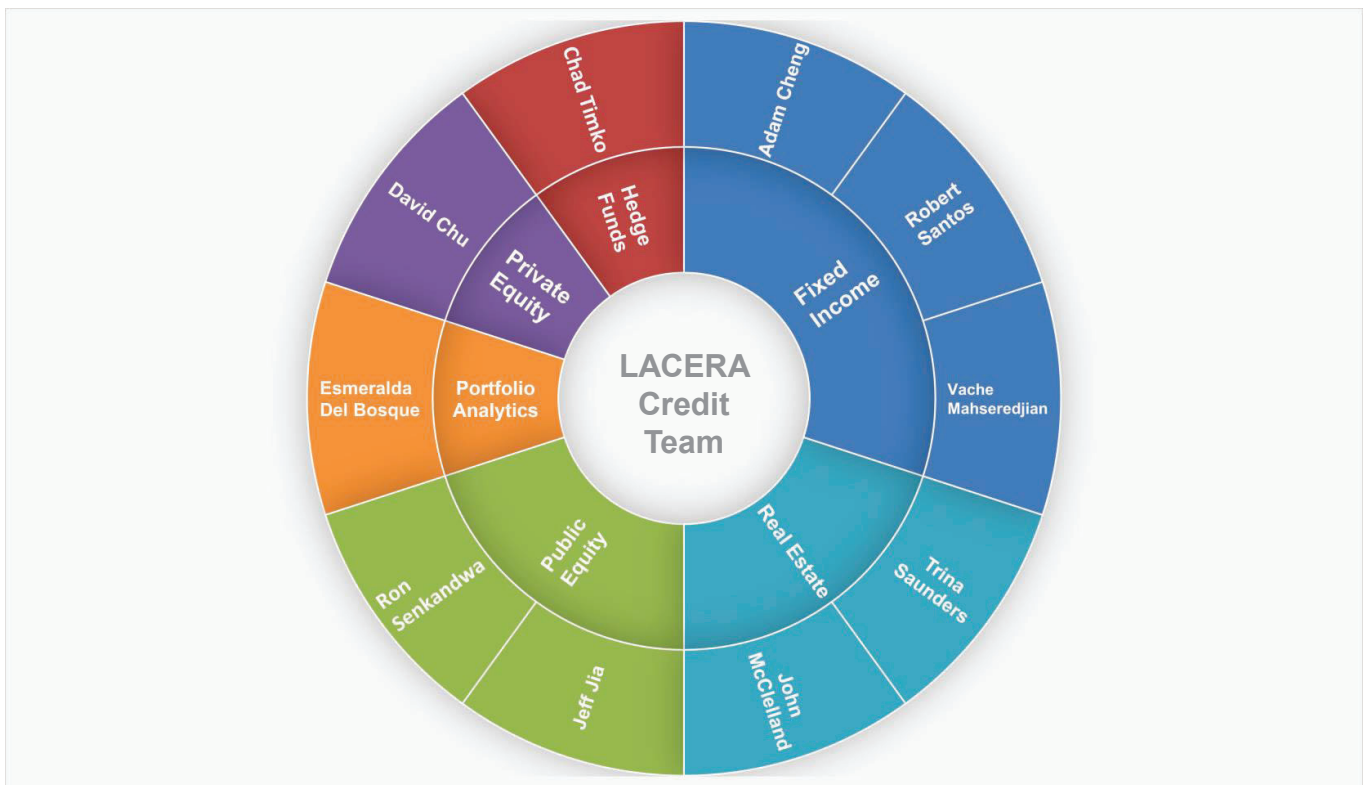
Advance to Board

Staff proposes advancing the following recommendations:

1. Reduce the allocation to High Yield
2. Increase allocation to existing Emerging Market Debt (EMD) managers
3. Increase the allocation to Bank Loans
 - Issue an RFP in 1Q2019 for a dedicated syndicated Bank Loan manager



Cross Functional Credit Team



- Both asset class specific and shared (credit team) responsibilities

As of November 30, 2018



Appendices



Appendix 1 – Risk and Return Expectations

Investment Policy Statement, Page 23:

| Asset Class | Expected Return (%) | Volatility (%) |
|---|---------------------|----------------|
| Growth | 7.9 | 19.5 |
| Global Equity | 6.7 | 19.0 |
| Private Equity | 9.3 | 26.0 |
| Opportunistic Real Estate | 7.5 | 25.0 |
| Credit-Oriented Fixed Income | 5.6 | 10.9 |
| High Yield Bonds | 5.0 | 12.5 |
| Bank Loans | 5.1 | 10.0 |
| Emerging Markets Debt | 5.1 | 13.3 |
| Illiquid Credit | 6.1 | 18.0 |
| Real Assets & Inflation Hedges | 5.8 | 11.5 |
| Core & Value-Added Real Estate | 4.0/6.0 | 12.5/19.0 |
| Natural Resources/Commodities | 7.9 | 23.0 |
| Infrastructure | 6.6 | 17.4 |
| TIPS | 3.0 | 7.5 |
| Risk Reducing & Mitigating | 2.8 | 3.5 |
| Investment Grade Bonds | 2.5 | 4.0 |
| Diversified Hedge Fund Portfolio | 4.0 | 9.9 |
| Cash | 1.5 | 1.0 |



Appendix 2 - Correlations

Investment Policy Statement, Page 24:

| Asset Name | Growth | Credit | Real Assets | Risk Mitigating |
|-----------------|--------|--------|-------------|-----------------|
| Growth | 1.00 | 0.65 | 0.41 | 0.14 |
| Credit | 0.65 | 1.00 | .39 | 0.23 |
| Real Assets | 0.41 | 0.39 | 1.00 | 0.32 |
| Risk Mitigating | 0.14 | 0.23 | 0.32 | 1.00 |



MEMORANDUM

To: LACERA Board of Investments
From: Stephen McCourt, Leandro Festino, Tim Filla
Meketa Investment Group
Date: December 12, 2018
Re: Credit Structure Review

Meketa Investment Group has reviewed the Credit Structure Review – Part I and agrees with staff’s proposals. At the composite level, Credit is currently below its target allocation by 420 basis points and staff’s recommendations will bring the Credit composite’s allocation closer to its target. Staff’s recommendations will also bring the sub-category allocations closer to their respective targets. In addition, staff’s recommendations will decrease the number of managers in the Credit portfolio, making it more efficient to monitor and manage.

The Credit overlay is part of the new strategic asset allocation approved in May 2018 and includes allocations to Emerging Market Debt, Bank Loans, High Yield Bonds, and Illiquid Credit with target allocations of 2%, 4%, 3%, and 3%, respectively. Staff recommends reducing the allocation to High Yield Bonds and increasing the allocations to Emerging Market Debt and Bank Loans to align the portfolio with these targets. The recommended actions will also serve to streamline the portfolio, by reducing the manager count within High Yield.

The Credit allocation was structured with sub-category target weights to provide improved transparency and to more specifically target differentiated risk and return characteristics. However, the structure is intended to still allow for sufficient flexibility to accommodate adjustments required in a dynamic market environment. Meketa worked with staff to review the current market environment and how it might impact the Fund’s portfolio construction. Based on these discussions, Staff created a thorough list of portfolio construction themes and a set of future initiatives that will help to ensure that LACERA is positioned for success in managing the Fund’s Credit assets. We believe Staff’s initiatives represent a well-reasoned approach to the current market environment and should lead to continued expansion of LACERA’s capabilities.

In conclusion, we agree with staff’s insight and proposed changes in the Credit Structure Review – Part 1. We would be pleased to elaborate on this recommendation at the upcoming Board meeting in December, and assist both staff and the Board during the coming months in matters related to these changes. In the meantime, if you have any questions or would like additional information, please call us at (760) 795-3450.

SM/TF/LF/srt

December 19, 2018

TO: Each Member
Board of Investments

FROM: Credit and Risk Mitigation Committee:
Wayne Moore, Chair
Herman Santos, Vice Chair
Ronald Okum
Joseph Kelly
David Green, Alternate

Vache Mahseredjian, CFA, CAIA, FRM, ASA 
Principal Investment Officer

Jeff Jia
Senior Investment Analyst

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: **INVESTMENT GRADE BONDS STRUCTURE REVIEW—PART 2**

RECOMMENDATION

Approve the following changes to the Investment Grade Bonds structure:

1. Adopt Core and Core Plus allocation targets of 80% and 20%, respectively (both with +/-10% ranges), and
2. Re-categorize Dodge & Cox as Core Plus.

BACKGROUND

At the December 12, 2018 Credit and Risk Mitigation Committee (“Committee”) meeting, staff presented Part 2 of the Investment Grade Bonds (“IG Bonds”) Structure Review and proposed the recommendations shown above.

At the most recent Asset Allocation review concluded in May of 2018, the Fixed Income portfolio was separated by sources of risk into two parts: IG Bonds and Credit. IG Bonds represent the fixed income segment that has lower risk and higher liquidity, and its primary source of risk is interest rates. In contrast, the Credit segment has higher risk and lower liquidity, and its primary risk is credit risk.

Staff's presentation to the Committee shows that LACERA's Fixed Income portfolio has outperformed its benchmark over the past 1, 3, 5, 10, and 20 years. However, returns have been more volatile than is desired going forward. For example, during the Great Financial Crisis of 2008, the Fixed Income portfolio underperformed considerably, but rebounded sharply in 2009. This level of volatility is inconsistent with the risk-reduction role of IG Bonds as articulated in the new IPS approved by the Board in November 2018. Since much of the volatility is attributable to the Core Plus sector, reducing this composite to 20% would be prudent. Staff would adjust manager allocations accordingly to achieve the new targets, and indexed assets would increase to represent a majority of the expanded Core composite. Staff also recommends re-categorizing Dodge & Cox as a Core Plus manager from a strategy fit perspective.

The Committee voted unanimously to advance staff's recommendations to the Board of Investments ("Board") for approval. Attached are staff's memo and presentation to the Committee and Meketa's memo in support of staff's recommendations.

OPTIONS AVAILABLE TO THE BOARD

The Board may wish to approve, modify, or reject the recommendations.

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

Committee members did not express any concerns regarding the recommendations.

RISKS OF ACTION AND INACTION

If the Board approves the recommendations, the overall level of risk within IG bonds will decline, liquidity will increase, and average fees will decline. Commensurate with the reduced level of risk, the level of expected excess return will also decrease. This is in alignment with the role of IG Bonds. (Note that although excess return is expected to decrease in IG Bonds, it is expected to increase in Credit).

If the Board does not approve the recommendations, the expected return, volatility, liquidity, and average fees of IG Bonds will be unchanged. Target allocations to Core and Core Plus composites will remain at their current levels of 65% and 35%, respectively. Additionally, the portfolio will continue to have a moderate level of credit risk, which will likely generate higher volatility, particularly in the next downturn.

CONCLUSION

The Committee approved staff's recommendations in the IG Bonds structure review. These proposed structural changes are intended to further de-risk the IG Bonds portfolio, align the portfolio with the new Strategic Asset Allocation, and adjust manager allocations to ensure portfolio fit. Related to the structure review is a separate recommendation for a search to replenish

Each Member, Board of Investments

December 19, 2018

Page 3 of 3

the Emerging Manager Program. Therefore, the Committee advances staff's recommended changes to the Board for approval.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

VM:JJ



November 30, 2018

TO: Each Member
Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA 
Principal Investment Officer

Jeff Jia 
Senior Investment Analyst

FOR: December 12, 2018 Committee Meeting

SUBJECT: **INVESTMENT GRADE BOND STRUCTURE REVIEW—PART 2**

RECOMMENDATION

Advance the Structure Review for Investment Grade Bonds to the Board of Investments (“Board”) for approval.

BACKGROUND

Attached is Part Two of a structure review for Investment Grade Bonds (“IG Bonds”). Part One was approved in January of this year, prior to the triennial Asset Allocation Study conducted in May that placed assets into four functional categories: 1) Growth, 2) Credit, 3) Real Assets and Inflation Hedges, and 4) Risk Reduction and Mitigation. Given this new framework, the investment grade segment—dominated by interest rate risk—of LACERA’s fixed income composite resides within the Risk Reduction and Mitigation category, whereas the segment dominated by credit risk has been transferred to the Credit category. This structure review is for the investment grade segment and follows the same presentation format introduced by our Private Equity colleagues last month. The main theme underlying staff’s recommendations is continued risk reduction. (There is a separate Committee item on today’s agenda dedicated to a structure review for the Credit portion.)

The presentation begins with a review of the role of IG Bonds, as defined within the revised Investment Policy Statement that was approved by the Board last month, followed by a summary of recent Board actions designed to reduce and segment risk. After a discussion of the market environment, the presentation hones in on portfolio performance. The fixed income composite under the old structure outperformed its benchmark over the past 1, 3, 5, 10, and 20 years. However, performance was volatile during the 2008 Global Financial Crisis, underperforming its benchmark by 6% in 2008 and rebounding by 8% in 2009. Most

of the 2008 underperformance is attributable to credit risk from “Plus” sectors in Core Plus strategies such as high yield, emerging market debt, and non-agency mortgage-backed securities. This high level of volatility is contrary to fixed income’s risk reduction role.

Under the new asset allocation, most of the credit risk is moved to the Credit category, which is intended to house LACERA’s credit exposures. The expectation for IG Bonds within Risk Reduction and Mitigation category is to experience less volatile performance in the next crisis.

Staff’s report also examines recent performance at the strategy level and the manager level. Based on the analysis, staff recommends one major structural change along with manager-specific recommendations. The structure review concludes with a list of initiatives that the team will focus on in the coming months and a recap of methods that staff uses for manager monitoring and due diligence.

Recommendations

Given the continued focus on risk reduction, staff recommends increasing the Core allocation and deemphasizing Core Plus. Recall that in the structure review earlier this January, the Board approved increasing the Core allocation from 35% to 45%. After transferring credit-sensitive mandates to the Credit category, the IG Bonds composite consists of only Core and Core Plus strategies at 65% and 35%, respectively. Pursuing further risk reduction, today’s recommendation is to **increase Core to 80% and reduce Core Plus to 20%**.

This change is warranted on risk reduction grounds and structural “fit” subsequent to the Board’s adoption of the Bloomberg Barclays U.S. Aggregate Bond Index (“Aggregate Index”) as the benchmark in September.¹ Unlike the prior benchmark, the Aggregate Index excludes below investment grade sectors such as high yield and emerging market debt—sectors often used by Core Plus managers.

Most of the increased allocation to Core is intended to be indexed; this would raise indexed assets from under 40% to almost 65%. Aside from dramatically reducing active risk, the increased allocation to indexing will also reduce average fees. Staff anticipates that the recommended changes will reduce average annual fees for IG Bonds from nine to approximately six basis points.

The report also makes manager-specific recommendations: move Dodge & Cox from Core to Core Plus and reduce assets for some managers in order to accommodate the reduced Core Plus target.

Meketa has reviewed staff’s report and concurs with the recommendations (**Attachment 1**).

¹ Please refer to the Presentation’s Appendix section for information on the Index.

CONCLUSION

Staff conducted a structure review for IG Bonds and recommends certain changes intended to reduce risk and better align with the new benchmark. The main structural change is to increase the Core allocation target to 80% and decrease the Core Plus target to 20%. Staff also recommends some manager allocation changes in order to implement the new structure.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

VM: JJ

MEMORANDUM

To: LACERA Board of Investments
From: Stephen McCourt, Leandro Festino, Tim Filla
Meketa Investment Group
Date: December 12, 2018
Re: Fixed Income Structure Review

Meketa Investment Group has reviewed the Fixed Income Review and agrees with staff's recommendations to: 1.) Adjust the Core and Core Plus allocation targets, 2.) Adjust the manager allocations accordingly, and 3.) Re-Categorize Dodge & Cox as Core Plus. Fixed Income (Investment Grade Bonds) falls under the Risk Reducing and Mitigating functional overlay which was part of the new strategic asset allocation approved in May 2018.

Meketa worked with staff to review Fixed Income opportunities in the current market environment and performance of the asset class on the composite and manager levels. Staff compiled a list of observations based on this research. We agree with staff's conclusion that the proposed Fixed Income allocation of 80% Core and 20% Core Plus will reduce the overall risk profile of the composite and also lower the potential tracking error within the Investment Grade Bond allocation. We also agree with Staff's proposal to re-categorize Dodge & Cox as a Core Plus manager based on its high tracking error.

In conclusion, we concur with staff's insight and proposed changes in the Fixed Income Structure Review. We would be pleased to elaborate on this recommendation at the upcoming Board meeting in December, and assist both staff and the Board during the coming months in matters related to this review. In the meantime, if you have any questions or would like additional information, please call us at (760) 795-3450.

SM/TF/LF/srt

ATTACHMENT 2

Investment Grade Bonds (Fixed Income) Structure Review: Part 2

Credit and Risk Mitigation Committee

December 12, 2018

Vache Mahseredjian, CFA, CAIA, FRM, ASA – Principal Investment Officer
Jeff Jia – Senior Investment Analyst



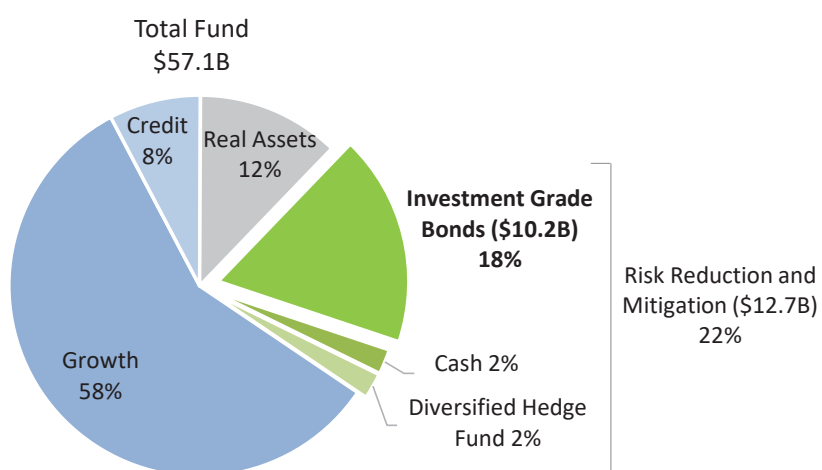
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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- I. Role of Investment Grade Bonds (Fixed Income)
- II. Recent Board Actions to Reduce and Segment Risk
- III. Review of New Strategic Asset Allocation
- IV. Market Environment and Opportunity
- V. Fixed Income Performance Review
 - A. Observations on Composite Performance
 - B. Observations on Manager Performance
- VI. Advance to Board
- VII. Initiatives
- VIII. Operations and Due Diligence
- IX. Appendices



Role of Investment Grade Bonds (Fixed Income)



Role of Investment Grade Bonds

- Reduce Total Fund risk
- Generate income
- Provide liquidity

Risk Factors

- Interest rate
- Modest credit risk

| Asset Class | 3Q 2018 Allocation (%) | Target Allocation (%) | Allocation Range (%) |
|---|------------------------|-----------------------|----------------------|
| Growth | 57.8 | 47.0 | 40 – 54 |
| Credit-Oriented Fixed Income | 7.8 | 12.0 | 9 – 15 |
| Real Assets & Inflation Hedges | 12.1 | 17.0 | 14 – 20 |
| Risk Reduction and Mitigation | 22.2 | 24.0 | 18 – 30 |
| Investment Grade Bonds | 17.9 | 19.0 | 13 – 25 |
| Diversified Hedge Fund Portfolio | 2.2 | 4.0 | 0 – 6 |
| Cash | 2.1 | 1.0 | 0 – 3 |

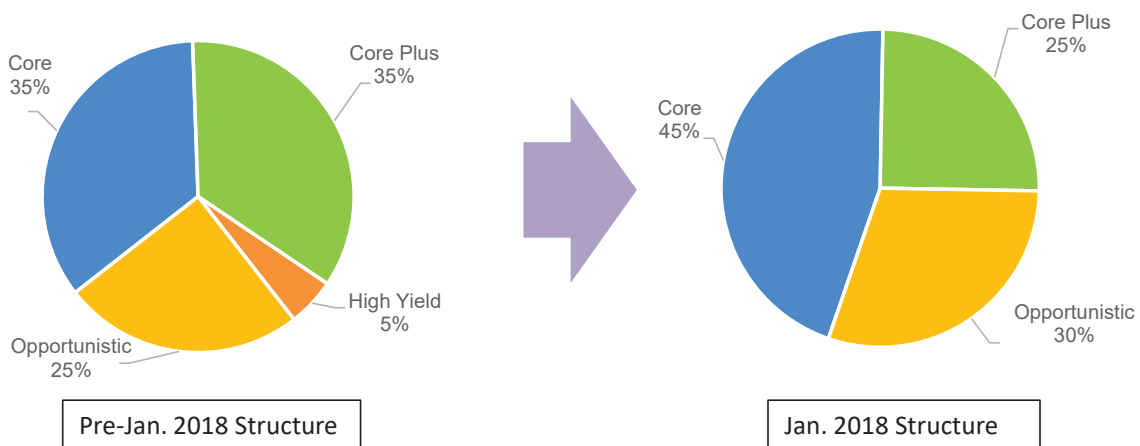
AUM and asset weights as of September 30, 2018.



Recent Board Actions to Segment and Reduce Risk

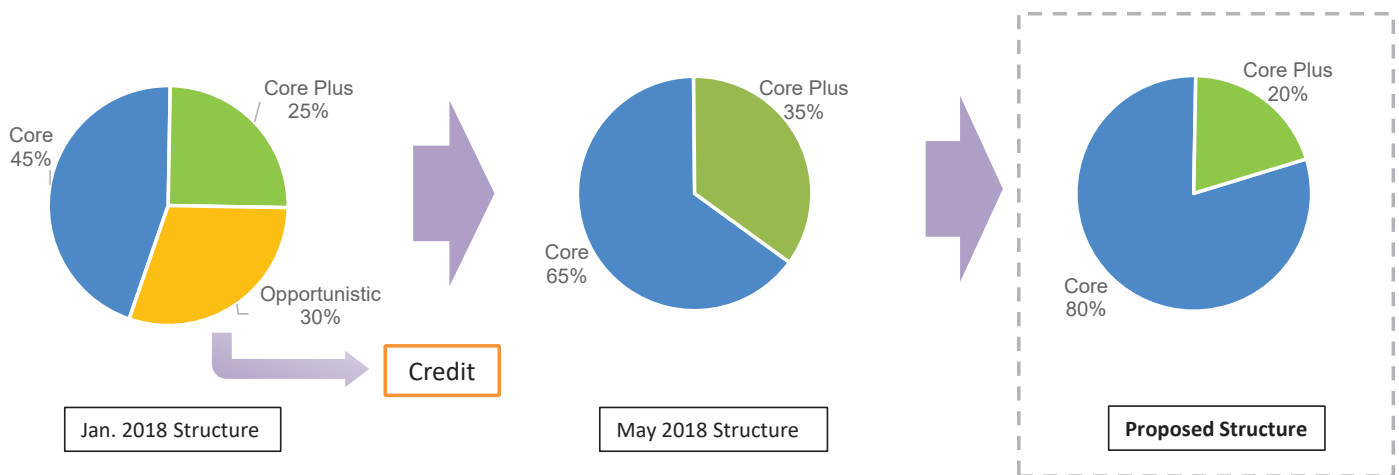
January 2018 - Fixed Income Structure Review Part 1

- Increased allocation target for the Core sub-composite from 35% to 45%
- Decreased allocation target for the Core Plus sub-composite from 35% to 25%
- Combined High Yield and Opportunistic sub-composites with an allocation range of 20% to 40%



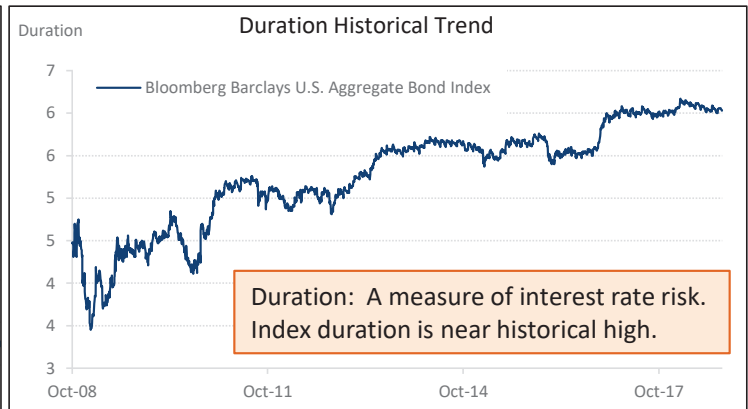
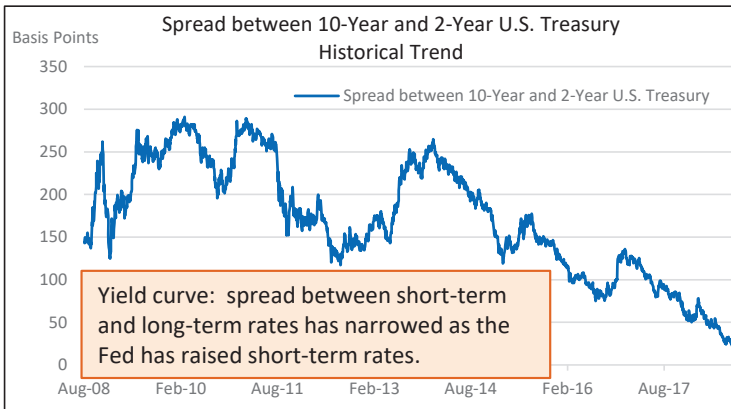
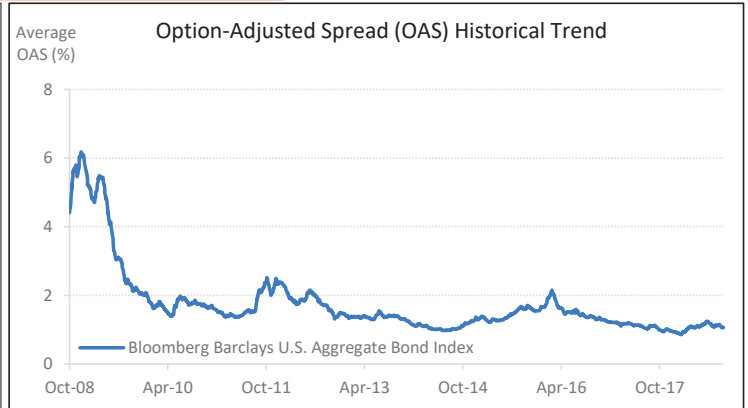
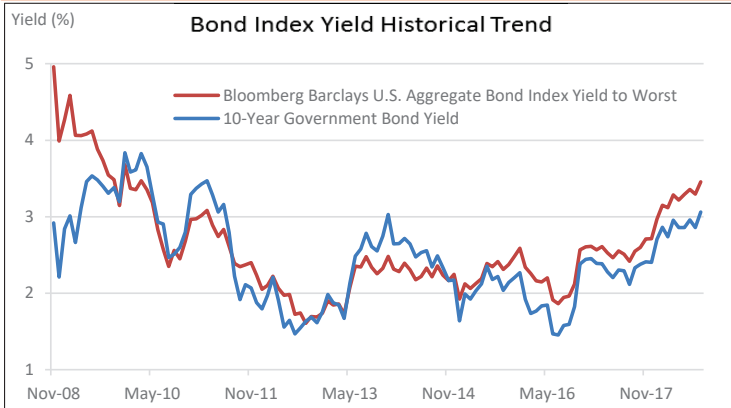
Review of New Strategic Asset Allocation

May 2018 - Total Fund Asset Allocation: categorized composite by sources of risk



Market Environment and Opportunity

Yields and Spreads to Treasuries: low by historical standards, but have risen recently.

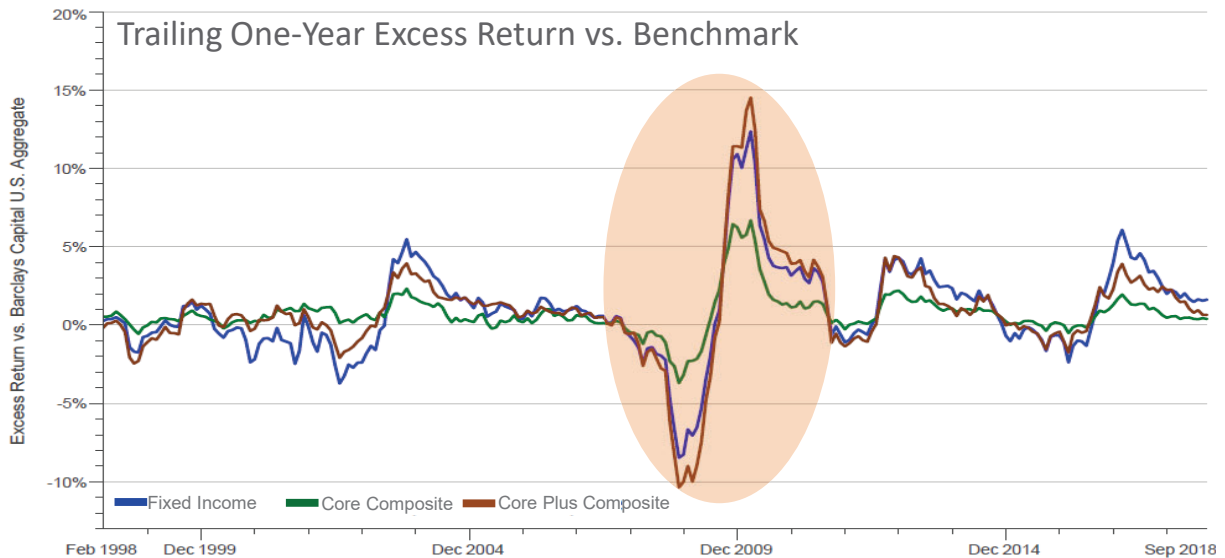


Fixed Income Performance Review

The Fixed Income Program has outperformed its benchmark over the long-term

| (in %) | Annualized Return ¹ | | | | |
|------------------------|--------------------------------|---------|---------|----------|----------|
| | 1 Year | 3 Years | 5 Years | 10 Years | 20 Years |
| Fixed Income Composite | 0.4 | 3.7 | 3.5 | 5.8 | 5.5 |
| Benchmark | -1.0 | 2.0 | 2.5 | 4.3 | 4.7 |
| Difference | 1.4 | 1.7 | 1.0 | 1.5 | 0.8 |

However, returns were volatile during the Great Financial Crisis

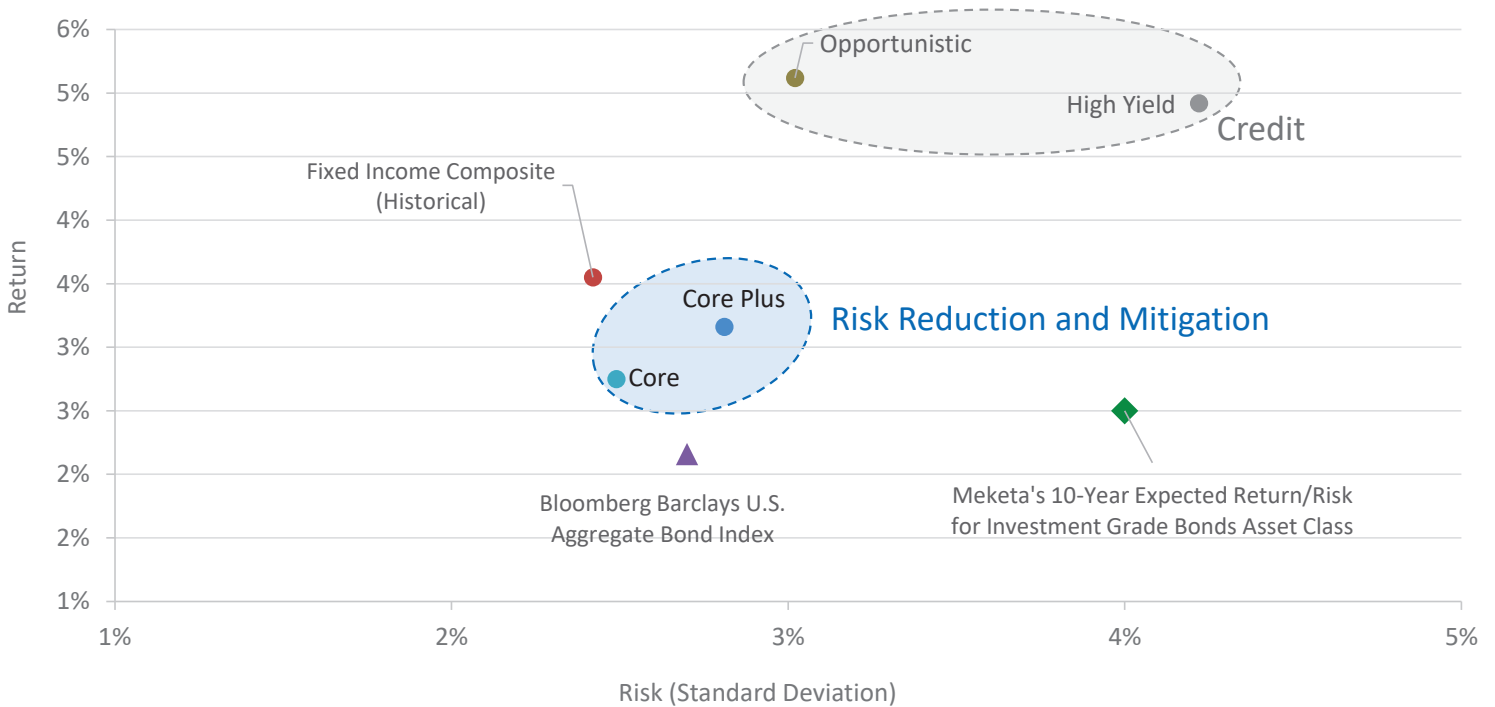


¹ Based on gross returns as of September 30, 2018. Source: Zephyr StyleADVISOR



Observations on Composite Performance

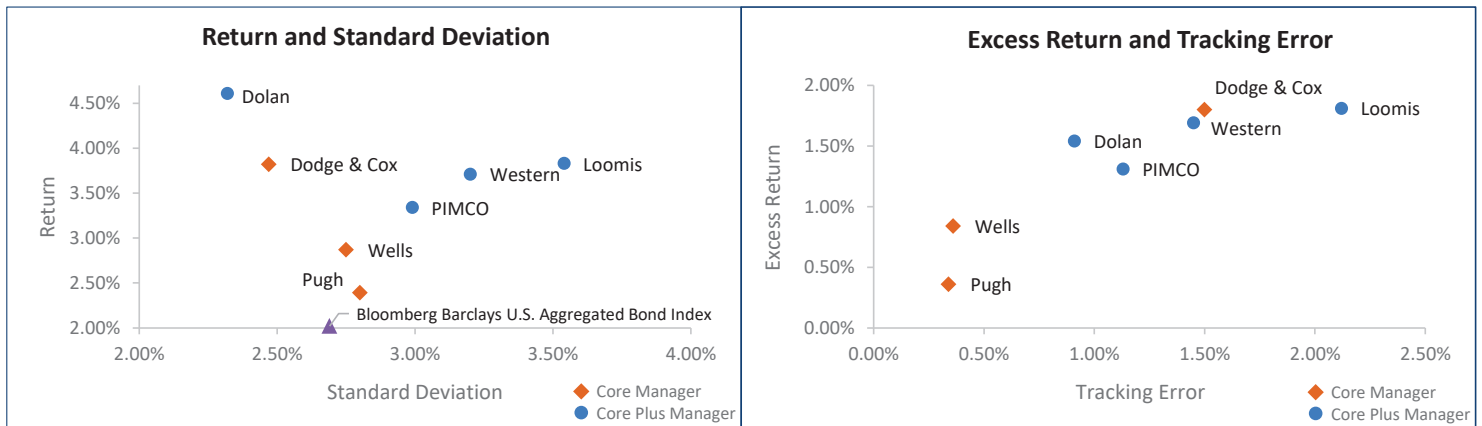
Trailing Five-Year Return and Risk



Annualized return/risk are based on monthly returns over the past 5 years, as of September 30, 2018, except for expected return/risk.



Observations on Manager Performance



Observations

- 1) All managers outperformed the benchmark over the five- and seven-year period.
- 2) Bloomberg Barclays U.S. Aggregated Bond Index is the benchmark for all managers and the Fixed Income Composite; Dolan, whose benchmark is customized credit, is the exception.
- 3) Core managers have lower standard deviations and tracking errors than Core Plus managers.
- 4) Loomis has the highest standard deviation and tracking error.
- 5) Dodge & Cox has high tracking error but low standard deviation.



Charts are based on monthly gross returns over the past seven years, as of September 30, 2018.

Advance to Board

Staff proposes advancing the following recommendations

1. Adopt proposed Core and Core Plus allocation targets of 80% and 20%, respectively (both +/-10%), and adjust manager allocations accordingly.
2. Re-categorize Dodge & Cox as Core Plus.



Initiatives

- Complete fee reassessment as part of the structure review
- Rebalance assets
- Initiate emerging manager search
- Conduct feasibility study on internal asset management
- Transition Index account from commingled to separate account
- Onboard TIPS mandate for Real Assets
- Enhanced utilization of risk analytics
- Review securities lending program



Operations and Due Diligence

- Ongoing Manager Monitoring (Monthly and Quarterly)
 - Organizational changes
 - Performance Review
 - Attribution vs. Benchmark
 - Portfolio Positioning
 - Custodian Reconciliation
 - Investment Guideline Compliance
 - Manager Scorecard
- Manager Rebalancing
- Keeping abreast of market developments, benchmark changes, and new strategies
- Prospective Manager Meetings
- Quantitative Analysis
 - Utilize StateStreet, Zephyr StyleAdvisor, Bloomberg, eVestment Analytics for Manager Monitoring
- Annual Manager Contract Compliance Review Report
- On-Site Manager Due Diligence (Biennial)



Appendices



Appendix I. Historical Return/Risk by Asset Class

The Fixed Income Program had the lowest standard deviation of all asset classes in the trailing 10-year period.

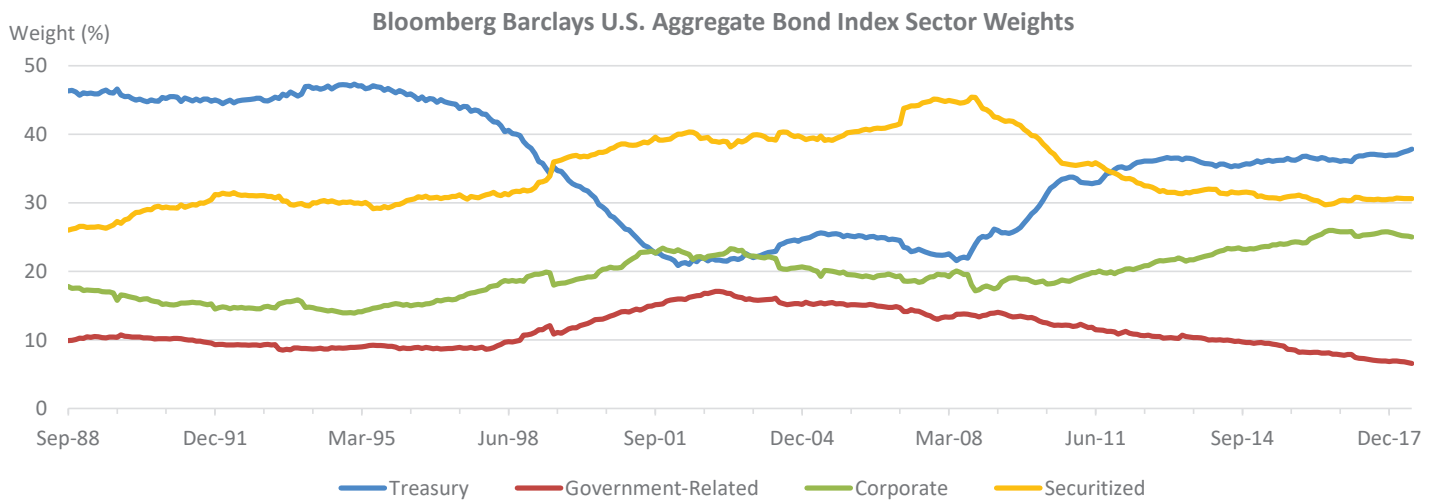
| Ten-Year Performance Table | | |
|----------------------------|---------------------|---------------------------------|
| (in %) | Return ¹ | Standard Deviation ¹ |
| US Equity | 12.0 | 16.1 |
| Non-US Equity Hedged | 6.8 | 18.4 |
| Real Estate | 4.5 | 7.0 |
| Fixed Income | 5.8 | 3.7 |
| Private Equity | 11.8 | 8.2 |
| Commodities | -4.2 | 18.9 |
| Hedge Funds | - | - |
| Total Fund | 7.8 | 9.0 |

¹Ten-year annualized gross returns and standard deviations as of September 30, 2018.



Appendix II. Bloomberg Barclays U.S. Aggregate Bond Index Characteristics and Weights

| (as of September 28, 2018) | Market Value (in \$million) | Market Value as % of Total | Number Issues | Average Yield to Worst | Average Duration (Mod. Adj.) | Average Coupon | Average Maturity | Average Option-Adj. Spread |
|----------------------------------|--------------------------------|-------------------------------|------------------|---------------------------|------------------------------------|-------------------|---------------------|----------------------------------|
| U.S. Aggregate | 20,301,820 | 100% | 10,133 | 3.46 | 6.03 | 3.16 | 8.42 | 0.39 |
| U.S. Treasury | 7,723,360 | 38% | 259 | 2.95 | 5.99 | 2.31 | 7.57 | 0.00 |
| US Aggregate: Government-Related | 1,277,707 | 6% | 973 | 3.50 | 5.34 | 3.28 | 8.13 | 0.56 |
| U.S. Corporate Investment Grade | 5,100,420 | 25% | 5,805 | 4.07 | 7.24 | 3.99 | 10.85 | 1.06 |
| U.S. Mortgage Backed Securities | 5,697,523 | 28% | 323 | 3.59 | 5.28 | 3.57 | 7.76 | 0.28 |
| Asset-Backed Securities | 104,200 | 1% | 375 | 3.19 | 2.16 | 2.49 | 2.31 | 0.38 |
| CMBS: ERISA Eligible | 389,374 | 2% | 2,393 | 3.58 | 5.28 | 3.38 | 5.99 | 0.60 |



Source: Barclays, Bloomberg



Appendix III. Bloomberg Barclays U.S. Aggregate Bond Index Factsheet Excerpt

Description

The Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Index Rules

- Must have at least one year to final maturity regardless of call features.
- Must have at least \$300 million par amount outstanding. Asset-backed securities must have at least \$500 million deal size and \$25 million tranche size. For commercial mortgage-backed securities, the original transaction must have a minimum deal size of \$500 million, and a minimum tranche size of \$25 million; the current outstanding transaction size must be at least \$300 million to remain in the index.
- Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade.
- Must be fixed rate, although it can carry a coupon that steps up or changes according to a predetermined schedule.
- Must be dollar-denominated and non-convertible.
- Must be publicly issued. However, 144A securities with Registration Rights and Reg-S issues are included.

Source: Bloomberg





December 20, 2018

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of January 9, 2019

SUBJECT: Forum for Institutional Investors: Protecting Shareholder Rights
New Orleans, Louisiana on April 10-13, 2019

The 2019 Forum for Institutional Investors: Protecting Shareholder Rights will be held on April 10-13, 2019 in New Orleans, Louisiana at The National WWII Museum, Arnaud's Restaurant in the colorful French Quarter and the Pontchartrain Hotel. The Forum is designed to help fiduciaries enhance their knowledge of the US securities markets and deepen their understanding of fiduciary responsibilities. The program will also explore important issues of shareholder rights, corporate governance, and securities litigation that affect pension funds today.

The main conference highlights include the following:

- The Key Factors Involved in Determining When, and When Not, to Get Involved In a Securities Litigation;
- Best Practices for Executives and Counsel of Pension Funds and Other Institutional Investors; and
- The Pros and Cons of Active and Index Investing for Institutional Portfolios;

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Hotel Indigo is \$159.00 per night plus applicable taxes and the registration fee to attend is \$625.00.

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California's Political Reform Act.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the 2019 Forum for Institutional Investors: Protecting Shareholder Rights on April 10-13, 2019 in New Orleans, Louisiana and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

Join us in New Orleans for the 2019 Institutional Investor Forum



Protecting Shareholder Rights

April 10-13, 2019



Adm. Mike Mullen, USN (Ret.)
Former Chairman of the Joint Chiefs of Staff under Presidents George W. Bush and Barack Obama



Ronan Farrow
American journalist and winner of the Pulitzer Prize, lawyer and government advisor



Preet Bharara
Former United States Attorney for the Southern District of New York

Learn more about your rights and responsibilities as a fiduciary and gain valuable insights from fellow pension fund leaders and nationally recognized speakers and panelists.

Sponsored by

BLB&G Bernstein Litowitz Berger & Grossmann LLP

www.blbgllaw.com/nola



Protecting Shareholder Rights

What the Institutional Investor Community Needs to Know

Our Forum is designed to help fiduciaries enhance their knowledge of the US securities markets and deepen their understanding of fiduciary responsibilities. We will also explore important issues of shareholder rights, corporate governance, and securities litigation that affect pension funds today.

One of the premier educational conferences in the field, the Forum brings together representatives of public pension systems, Taft-Hartley funds, and other institutional investors from around the globe with experts from corporate America, finance, the law, academia, and the media in a relaxed, collegial setting. The educational sessions will provide a valuable learning experience, while the evening events at various New Orleans' landmarks will be the backdrop for excellent opportunities to interact with colleagues and friends.

Is this event for you?

The Forum for Institutional Investors is designed for representatives of public pension fund systems, Taft-Hartley funds, private money managers and other institutional investors including:

| | |
|--|---------------------------------|
| Chief Executives, Business Managers, and Executive Directors | Investment and Finance Officers |
| Administrators | Fund Counsel |
| Trustees | Corporate Governance Officers |

What will you learn?

Get an inside look at the different regulatory and legal landscapes affecting your holdings.

Hear experts speak to the value and impact of securities litigation on public pension and institutional portfolios.

Learn how institutional investor activism is effecting structural change within corporate culture globally.

Learn best practices for handling the complex issues related to the monitoring of markets for, and protecting of portfolio assets against, securities fraud.

About the Program

We invite administrators, trustees, directors, fund counsel and other leaders of the institutional investor community to join us for our 2019 Forum. Our seminar will feature notable keynote speakers (below), as well as analysis and panel discussions from a broad array of industry officials and experts — including executive directors, business managers, trustees and fund counsel — on a variety of topics relevant to fiduciaries:

- The **critical role the institutional investor community and shareholder litigation** has played, and should play, in preserving the integrity and transparency of our capital markets;
- An **overview of the changing regulatory, legislative and market landscape**, and the challenges they present to investor rights;
- The importance of **portfolio monitoring** in protecting institutional assets;
- The key factors involved in determining **when, and when not, to get involved in a securities litigation**;
- **Best practices** for executives and counsel of pension funds and other institutional investors;
- The **pros and cons of active and index investing** for institutional portfolios;
- Developments "since *Morrison*" — a comprehensive look at the landscape of **shareholder litigation outside the US**;
- The **evolution of institutional investor activism** and the impact it has had on the C-suite and on reforming corporate governance over the last two decades;
- **Roundtable discussions** featuring pension fund executives and outside counsel sharing their experiences and challenges managing retirement savings in today's landscape;
- How the US markets, securities laws and class action system are viewed by the **international financial community**; and
- **Current litigation trends**, the nature of the corporate misconduct driving them, and discussion of the state of the US securities market.

For more information, please visit www.blbglaw.com/nola or contact **Amanda Rekeimeier**, Director of Client Relations, at amanda@blbglaw.com or 212-554-1451.

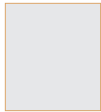
Speaker / Faculty



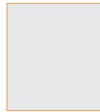
David Bailin
Deputy CEO – SEB Investment Management AB
Head of Investments, Citi Private Bank



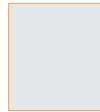
Frank Burney
Partner – Martin & Drought, P.C.



Joseph Burns
General Counsel – Public School Teachers' Pension and Retirement Fund of Chicago



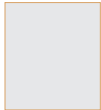
Mary Pat Burns
Partner – Burke Burns & Pinelli, Ltd.



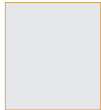
Amy Crane
General Counsel – Rhode Island Office of the General Treasurer



Hans Ek
Deputy CEO – SEB Investment Management AB



Maureen Hazen
General Counsel of the State Board of Administration of Florida



Pedro Herrera
Partner – Sugarman & Susskind, P.A.



Ron King
Member – Clark Hill PLC



Robert Klausner
Principal – Klausner, Kaufmann, Jensen & Levinson



Danial Lam
Managing Director – Legal & Business Development, Ontario Municipal Employees Retirement System



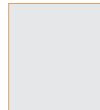
Kevin Lindahl
General Counsel – Fire & Police Pension Association of Colorado



Harmen Nieuwenhuis
Senior Legal Counsel – Blue Sky Group



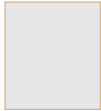
Carolina de Onis
General Counsel – The Teacher Retirement System of Texas



Cindy Rougeou
Executive Director – Louisiana State Employees' Retirement System



Doug Snyder
Managing Director – Starboard Value LP



Lori Schnall
In-House Counsel – Alameda County Employees' Retirement Association



Elmira K.L. Tsang
Deputy Attorney General – The Employees' Retirement System of State of Hawaii



Mark Zigler
Partner – Koskie Minsky LLP

Agenda

Wednesday, April 10

Reception and Welcome

Day One: Thursday, April 11



National World War II Museum

945 Magazine Street
New Orleans, LA 70130

8:00 – 8:45 am BREAKFAST

8:45 am Welcome and Opening Remarks

8:50 – 9:20 am Opening Address

The PSLRA at 24: What has happened and what can we expect in the future?

Since the passage of the Private Securities Litigation Reform Act in 1995, the markets have been hit by distinct waves of fraud and misconduct, as well as periods of relative reform. The institutional investor community has become a visible and indispensable force in the fight against corporate wrongdoing, recovering over \$130 billion in losses for injured investors and obtaining a variety of reforms to corporate governance practices through federal securities class actions. Over this same period of time, jurisprudence has developed considerably, with courts strengthening certain investor rights and erecting new barriers to bringing meritorious securities

cases. This opening session sets the stage for the conference with an outline of the accomplishments of the institutional investor community, how the investor community can stay vigilant to promote honesty and integrity in the marketplace, and to proffer specific ideas about the future of investor rights.

9:20 – 10:20 am Panel Discussion

The Changing Regulatory and Legislative Landscape

- Are we experiencing an erosion of investor rights?
- The push for mandatory arbitration
- What do new Supreme Court appointments portend?
- Regulatory threats: decreased enforcement by the SEC, CFPB and other governmental agencies
- Institutional Investor Activism options: How can, and should, shareholders respond?
- The potential impact on investors of changing the current quarterly disclosure regime?

10:20 – 10:35 am BREAK

10:35 am – 11:30 am Panel Discussion

Bulls vs. Bears: Investment Strategies for a Changing Market

A panel of experienced investment professionals from some of the world's largest pension funds, investments firms and hedge funds discuss their views on the benefits and downsides of different investment strategies; the challenges of investing in today's global economy; as well as how pension officers can fulfill their fiduciary responsibilities in a volatile economic environment. Specific topics to be discussed include:

- Active vs. passive investing;
- Investing in a market with rising interest rates, including balancing bond allocations;
- Considerations for quantitative investing;
- Moving from a bull to a bear market; and
- Macro assessment of the overall marketplace.

Agenda

11:30 am – 12:30 pm Panel Discussion

How do you decide what type of action is best for your fund?

What situations and circumstances drive the decision for a fund to be involved – or not to be involved – in a securities litigation? What factors are most important in your analysis? Does your fund use the same factors when considering corporate governance cases? What is your fund's process for assessing a case and making a decision to proceed or not?

12:30 – 2:00 pm LUNCH

Keynote Speaker

Adm. Mike Mullen – United States Navy (Ret.) and Former Chairman of the Joint Chiefs of Staff



Considered one of the most influential chairmen in history, Admiral Mike Mullen served under Presidents Bush and Obama. Since retiring from the Navy, Mullen has joined the boards of General Motors, Sprint and the Bloomberg Family Foundation and teaches at the Woodrow Wilson School of International and Public Affairs at Princeton University. He looks at how today's geopolitical issues and economic trends directly impact America's national security.

2:00 pm – 3:00 pm Panel Discussion

Foreign Litigation Roundtable: Developments "Since Morrison"

It has been almost a decade since the US Supreme Court ruled that investors in foreign securities no longer had much access to US courts to seek redress for fraud and misconduct. Investors damaged by corporate fraud in portfolio companies not based in the US have been forced to pursue legal action in other nations and jurisdictions – with wildly varying results. In this panel discussion we explore what we know now that we didn't know 8 years ago, including:

- Foreign securities litigation war stories;
- What types of cases have been successful and not successful;
- What venues are proving viable;
- Whether the effort to pursue cases outside the US been worth it; and
- How much effort a pension fund should put toward foreign cases.

3:00 pm Conference is adjourned for the day

Conference attendees will have open access to the entire museum and movie passes to the Solomon Victory Theatre on Thursday afternoon.



8:30-9:30 pm Evening Activities

Cocktails and Dinner in New Orleans' Garden District

Featured speaker: **Ronan Farrow**, American journalist, lawyer and government advisor

Ronan Farrow is an influential voice in government and media, helping traditional institutions address the frustrations — and tap the promise — of a new generation. Twice named one of the "30 Under 30" most influential people in law and policy by Forbes Magazine, he was the winner of a Pulitzer Prize for Journalism in 2018. Farrow is a Yale Law School educated attorney and a member of the New York Bar, and attended Oxford University as a Rhodes Scholar.



Agenda

Day Two: Friday, April 12



Arnaud's Restaurant

813 Bienville Street, New Orleans, LA 70112

8:00 – 8:45 am Breakfast

8:45 am Welcome and Recap

8:45 – 9:30 am Opening Address

The Evolution of Corporate Governance Litigation and Institutional Investor Activism

The last two decades have seen significant growth in the number and types of institutions bringing shareholder litigation to improve corporate governance practices and enforce the fiduciary obligations of boards and officers. From actions challenging board oversight failures, to claims for breach of fiduciary duty in the corporate M&A context, to executive compensation abuse, to proxy and voting rights violations, among other wrongdoing, the institutional investor community has taken some important steps to check bad corporate practices and improve governance at public companies. This session will outline what has been achieved on this critical front.

9:30 am – 10:30 am Panel Discussion

Panel of Distinguished Executive Directors, Trustees and Other Pension Leaders

This panel will discuss the challenges facing defined benefit pension plans in today's policy and political world, including how they address the challenges to make certain pensions are adequately funded and protected.

10:30 am – 10:45 am BREAK

10:45 am – 11:45 pm Panel Discussion

US Securities Class Actions through Foreign Eyes

Our panel of experts bring their unique experiences to bear in this comparative analysis of how different jurisdictions cope with corporate fraud and remedy failing corporate governance practices.

- How do other countries view the US approach to holding wrongdoers accountable?
- What are the differences between the US approach to activism v. engagement in other countries and venues?
- What are the pros and cons of various systems?

11:45 pm – 12:30 pm Panel Discussion

Best Practices for Pension Fund and Institutional Executives, Trustees and Counsel: "Do's and Don'ts"

Our panel of experts will discuss the importance of securities fraud monitoring and the lessons they have learned in their time acting as key fiduciary representatives for their funds' beneficiaries.

- Assuming you have a well-defined securities fraud monitoring program, what are the obstacles to managing it and what benefits does it provide?
- How do you manage your counsel selection process?
- What has a bull market meant for your perceptions of shareholder litigation?
- Do's and Don'ts: Lessons from our esteemed panel.

12:30 – 1:45 pm LUNCH

Interview

Preet Bharara – Former United States Attorney for the Southern District of New York



Preet Bharara served as US Attorney for the Southern District of New York from 2009 to 2017, where he earned a reputation as one of "the nation's most aggressive and outspoken prosecutors" (The New York Times). As US Attorney, Bharara supervised an office of more than 200 Assistant US Attorneys, who handled cases involving terrorism, financial and healthcare fraud, cybercrime, public corruption, gang violence, organized crime, and civil rights violations.

Agenda

1:45 pm – 2:30 pm Panel Discussion

Securities Litigation Trends

Researchers and industry observers report that the rate of filings of traditional securities litigations are on par with recent years.

- What types of misconduct are driving current filings?
- What does the current pipeline of actions tell us?
- Is there an identifiable trend in the size of the recent recoveries?
- Are there fewer cases or fewer egregious frauds than in other eras?
- Have public companies gotten the message that the institutional investor community is committed to policing misconduct in its portfolio companies?
- Has index investing shielded companies from accountability?
- What makes a strong and healthy market?

2:30 pm – 3:30 pm Panel Discussion

Outside Fiduciary Counsel as Pension Fund Gatekeepers

With an increasingly complex legal and investment environment, outside advisors to public pension funds and other institutions must embrace an increasingly more complicated role. Our expert panel will share their war stories, priorities and experiences in aiding fiduciaries as to how best to protect the fund's interest.

3:30 pm - Conference is adjourned for the day

Afternoon and Evening Activities

French Quarter Festival (April 11-14, 2019)

The Festival is the largest free music event in the United States and features 1,700 musicians playing 400 hours of music from a variety of musical genres on 23 stages throughout the French Quarter. It also includes the 'Culinary Lineup' — festival food booths operated by some of New Orleans finest restaurants, open throughout the festival weekend. All details are available at the official festival website: <https://fqt.org/>

Day Three: Saturday, April 13 (optional day)



Hotel Pontchartrain

2031 St Charles Ave, New Orleans, LA 70130

9:00 am – 11:00 am Roundtable Discussions

Breakfast/Brunch Roundtables:

- Discovery Workshop: Challenges & Solutions;
- Monitoring your Portfolio: Ins and Outs of our PortfolioWatch System;
- Being a Leading Woman in Securities Litigation: The Experience from the Frontline;
- "Macro Thoughts:" The Consolidation and Privatization of Corporate America;

11:00 am – 2:00 pm Litigation Review and Updates

Your BLB&G team will be available to discuss ongoing litigation

Ongoing Litigation Review: BLB&G attorneys lead an interactive discussion highlighting the nature and status of major ongoing securities litigations (Public session)

Client Case Specific Updates: Institutional investor clients meet confidentially with BLB&G attorneys for review of pending litigation. (Private break-out sessions)

Afternoon and Evening Activities

Conference attendees who were unable to visit the WWII museum on Thursday will have additional open access to the museum and movie passes to the Solomon Victory Theatre on Saturday afternoon.

From 6:30 to 9:30 pm, attendees will "Dine Around" New Orleans.

Keynote Speakers

Preet Bharara

Former United States Attorney for the Southern District of New York



Preet Bharara is an American lawyer who served as U.S. Attorney for the Southern District of New York from 2009 to 2017, nominated to the position on May 15, 2009 by President Barack Obama. Bharara's nomination was unanimously confirmed by the U.S. Senate, and he was sworn in on August 13. During his tenure, Bharara earned a reputation as one of "the nation's most aggressive and outspoken prosecutors," according to The New York Times. His office's case against SAC Capital, for example, resulted in the largest fine ever paid in the history of insider trading prosecutions and reportedly served as an inspiration for the television series *Billions*, currently airing on Showtime. As U.S. Attorney, Bharara oversaw the investigation and litigation of all criminal and civil cases brought on behalf of the United States in the Southern District of New York. He supervised an office of more than 200 Assistant U.S. Attorneys, who handled a high volume of cases involving terrorism, narcotics and arms trafficking, financial and healthcare fraud, cybercrime, public corruption, gang violence, organized crime, and civil rights violations.

Ronan Farrow

Pulitzer Prize winning journalist, lawyer and government advisor

Ronan Farrow is an influential voice in government and media, helping traditional institutions address the frustrations — and tap the promise — of a new generation. Forbes Magazine has twice named him one of the "30 Under 30" most influential people in law and policy, a contest he has gone on to judge. He won the world's most prestigious journalism award, the Pulitzer Prize, for his reporting on sexual harassment by Harvey Weinstein. In April he published a new book, *War on Peace: The End of Diplomacy and the Decline of American Influence*, which gives a unique insight into US foreign policy, and what many describe as US resignation in global leadership. In this book, Farrow interviews all of America's former living secretary of state. Farrow served as a State Department diplomat in Afghanistan and Pak-



istan, and reported to Secretary of State Hillary Clinton as the United States' first special adviser for global youth during the Arab Spring revolutions. Farrow is a Yale Law School educated attorney and a member of the New York Bar, and attended Oxford University as a Rhodes Scholar.

Adm. Mike Mullen

United States Navy (Ret.)
 Former Chairman, Joint Chiefs of Staff



Considered one of the most influential chairmen of the Joint Chiefs of Staff in history, Admiral Mike Mullen spent four years as chairman—the top military advisor to Presidents George W. Bush and Barack Obama. Mullen oversaw the end of the combat mission in Iraq and the development of a new military strategy for Afghanistan, while promoting international partnerships, new technologies and new counter-terrorism tactics culminating in the killing of Osama bin Laden. Since retiring from the Navy, Mullen has joined the boards of General Motors, Sprint and the Bloomberg Family Foundation. He teaches at the Woodrow Wilson School of International and Public Affairs at Princeton University. He is also known for his efforts on behalf of service members, veterans and their families. He is renowned for his role in dismantling "don't ask, don't tell" and allowing gay service members to serve openly. Today, he shares with audiences his deep experience in leading change in complex organizations, his assessment of geopolitical relationships, diversity implementation, crisis management, economic policy, risk management and the growing and existential threat of cyber security. Mullen takes a fresh approach to the most important geopolitical issues of the 21st Century, including America's position in the world and how economic health directly impacts our national security. Mullen believes our national debt is our greatest security threat.

About the Venues



DAY ONE: THE NATIONAL WWII MUSEUM

The National WWII Museum will host educational portions of the Forum. Located in New Orleans' historic Warehouse District, the museum tells the story of the American experience in the war that changed the world. Conference attendees will have open access to the entire museum and movie passes to the Solomon Victory Theatre on Thursday afternoon and Saturday afternoon. (For information about the museum, please visit www.nationalww2museum.org.)

DAY TWO: ARNAUD'S RESTAURANT

Sessions will be held at the renowned Arnaud's Restaurant in the colorful French Quarter. (More information about Arnaud's can be found at www.arnaudsrestaurant.com.)



DAY THREE (Optional Small Group Sessions): PONTCHARTRAIN HOTEL

The iconic Pontchartrain Hotel — the "Grande Dame" of New Orleans hotels — will host breakfast/brunch roundtables on a variety of industry topics and updates on ongoing major litigations. (For more about the hotel visit www.thepontchartrainhotel.com.)

Unique Afternoon and Evening Activities



The Forum will host a series of evening activities following each daily program. The first evening will include a welcome reception. The second evening will feature cocktails and dinner in a private Garden District home. The final evening will include a "dine-around" option, where attendees can select from a group of New Orleans restaurants.



French Quarter Festival (April 11-14, 2019)

The 2019 Forum will be held during the award-winning French Quarter Festival, a four-day local music showcase in the French Quarter — the largest free music event in the U.S. The festival also features the Culinary Lineup, festival food booths operated by some of New Orleans' finest restaurants, open throughout the festival weekend. (For more details, visit the festival website at www.fqfi.org.)

Protecting Shareholder Rights

April 10-13, 2018 in New Orleans, LA

BLB&G invites administrators, trustees, directors, fund counsel and other leaders of the institutional investor community to New Orleans to learn more about their fiduciary rights and responsibilities.

4 EASY WAYS TO REGISTER

- WEB:** www.blbglaw.com/nola
- E-MAIL:** Scan this form to amanda@blbglaw.com
- TELEPHONE:** Call Amanda Rekemeier at +1 (212)-554-1451
- MAIL:** Send this form, along with payment to:
Amanda Rekemeier
BLB&G
1251 Ave. of the Americas,
44th floor
New York, NY, 10020

PAYMENT INFORMATION

The registration fee for the Forum is \$625.

The registration fee is intended to cover meals and entertainment in conformity with many jurisdictions' gift/gratuity limitations or restrictions, and represents our best estimate at the pre-event stage.

If you are not governed by these restrictions, you may select the "Registration fee waiver" option provided below. For qualified institutional investors from the United Kingdom and Europe, the registration is automatically waived unless required by your jurisdiction.

Registration fee waiver: I confirm that I am not governed by gift/gratuity limitations or restrictions, and/or our organization's restrictions do not cover this conference.

Yes, waive my registration fee.

PAYMENT OPTIONS

I will mail a check Please bill me

Please make checks payable to Bernstein Litowitz Berger & Grossmann LLP and send to:

Amanda Rekemeier
Bernstein Litowitz Berger & Grossmann LLP
1251 Avenue of the Americas, 44th Floor
New York, NY 10020

WHEN AND WHERE

Wednesday, April 10, 2019 to Saturday, April 13, 2019

National World War II Museum, Arnaud's Restaurant and The Pontchartrain Hotel

PERSONAL INFORMATION

First Name

Last Name

Email address

Phone

ORGANIZATION INFORMATION

Job Title

Organization

Address 1

Address 2

City

State

Zip Code

ACCOMMODATIONS

BLB&G has reserved blocks of rooms at two nearby hotels:

Hotel Indigo

(877-394-5763)

Block code: BLB

Rates: April 10-11: \$149 per night; April 12: \$159 per night (king and queen rooms available)

Hampton Inn – Garden District

(504-899-9990)

Block code: BLB

Rates: April 10-11: \$159 per night; April 12: \$179 per night (king and double rooms available)

For more information, please visit www.blbglaw.com/nola or contact **Amanda Rekemeier**, Director of Client Relations, at amanda@blbglaw.com or 212-554-1451.

BLB&G Bernstein Litowitz
Bergier & Grossmann LLP
1251 Avenue of the Americas, 44th floor
New York, NY 10020



December 21, 2018

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of January 9, 2019

SUBJECT: 2019 PPI Study Mission to Mexico City on March 3–5, 2019
Mexico City, Mexico

The 2019 PPI Study Mission to Mexico City will be held on March 3–5, 2019 at the Hyatt Regency Mexico City Hotel. This special program will focus on the profound political and economic implications of the incoming administration, the changes brought by the new NAFTA agreement, the economic significance of the Pacific Alliance trading bloc, and the increased trading and investment activities between Pacific Latin American countries and Asia. The study mission will comprise on-site meetings with leaders and top officials of key institutions from Mexico’s policy, regulatory, academic, and financial services communities.

The main conference highlights include the following:

- Private Market Opportunities in Mexico – Energy
- Mexico’s Monetary Policy Framework
- Private Market Opportunities in Mexico – Infrastructure

The conference meets LACERA’s policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Hyatt Regency Mexico City hotel is \$220.00 per night plus applicable taxes and the registration fee to attend is \$2,000.00

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California’s Political Reform Act.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the 2019 PPI Study Mission to Mexico City on March 3-5, 2019 in Mexico City, Mexico and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy.

LG
Attachment

AMLO's First 100 Days: Study Mission to Mexico City

March 3-5, 2019

March 2019

3 (Sunday, 5:30 PM Start)

STUDY MISSION TO MEXICO CITY

5 (Tuesday, 3 PM Adjournment)

About the Study Mission

On December 1 2018, Andrés Manuel López Obrador (popularly known as AMLO) took office as the new President of Mexico. Leading up to his presidency, AMLO has signaled major shifts in the federal government's priorities. With strong emphasis on domestic issues, how might new fiscal policies affect the export-oriented, trillion-dollar economy? How will he, as a leftist, populist leader, rally support around him within the government, with an anti-corruption campaign? This special program will focus on the profound political and economic implications of the incoming administration, the changes brought by the new NAFTA agreement, the economic significance of the Pacific Alliance trading bloc, and the increased trading and investment activities between Pacific Latin American countries and Asia. The study mission will comprise on-site meetings with leaders and top officials of key institutions from Mexico's policy, regulatory, academic, and financial services communities.

PPI's No Marketing Policy and the Chatham House Rule (no attribution of comments made) are in effect during all programs to ensure an environment that is conducive to learning and the candid sharing of information.

December 12, 2018

SUNDAY

MARCH 3

5:45 PM - 6:30 PM

Reception

6:30 PM - 8:30 PM

Networking Dinner

MONDAY

MARCH 4

7:15 AM - 8:15 AM

Breakfast Available at Hotel

8:15 AM - 9:00 AM

Transit to SURA México

9:00 AM - 9:30 AM

Welcome Remarks and Introductions

9:30 AM - 10:20 AM

Political and Economic Overview

10:20 AM - 10:35 AM

Break

10:35 AM - 11:25 AM

AFORE: Mexico's Pension Systems

11:25 AM - 11:40 AM

Break

MONDAY

MARCH 4

11:40 AM - 12:30 PM

The United States-Mexico-Canada Agreement (USMCA) and Other Free Trade Agreements

12:30 PM - 1:00 PM

Break and Transit to Zócalo - The Main Square of Mexico City

1:00 PM - 2:30 PM

Networking Lunch

2:30 PM - 3:00 PM

Break and Transit to Banco de México - The Mexican Central Bank

3:00 PM - 4:00 PM

Mexico's Monetary Policy Framework

4:00 PM - 4:30 PM

Break and Transit to Hotel

4:30 PM - 5:30 PM

Break

5:30 PM - 6:00 PM

Transit to Restaurant

6:00 PM - 6:30 PM

Reception

6:30 PM - 8:30 PM

Dinner and Keynote Remarks: Foreign Investments in Mexico

TUESDAY

MARCH 5

7:30 AM - 8:30 AM

Breakfast Available at Hotel

8:30 AM - 9:00 AM

Transit to Grupo BMV - The Mexican Stock Exchange

9:00 AM - 9:30 AM

Welcome Remarks and Walking Tour of the Exchange

9:30 AM - 10:30 AM

An Overview of Mexico's Public Markets

10:30 AM - 10:45 AM

Break

10:45 AM - 11:45 AM

Private Market Opportunities in Mexico - Energy

11:45 AM - 12:00 AM

Break

12:00 PM - 1:00 PM

Private Market Opportunities in Mexico - Infrastructure

1:00 PM - 3:00 PM

Working Lunch: Impressions and Insights

3:00 PM - 3:30 PM

Adjournment and Transit to Hotel

December 19, 2018

TO: Each Member
Board of Investments

FROM: Lou Lazatin 
Chief Executive Officer

FOR: Board of Investments Meeting on January 9, 2019

SUBJECT: **BOARD OF INVESTMENTS MEETING CALENDAR**

RECOMMENDATION

It is recommended the Board of Investments (BOI) consider rescheduling the Wednesday, May 8, 2019 and Wednesday, November 13, 2019 BOI meetings.

DISCUSSION

Regular meetings of the Board of Investments shall be held on the second Wednesday of each month. The regular meeting may be rescheduled for an earlier or later time or day by majority vote of the members present at a regular meeting of the Board of Investments. It is encouraged to focus on rescheduling meeting dates that conflict with a holiday, after a holiday, and/or the potential of a lack of quorum.

Following are meeting dates that the Board may consider rescheduling due to the attendance of Board members at the SACRS Conference.

Wednesday, May 8, 2019

Wednesday, November 13, 2019

Attached you will find the 2019 Board meeting dates for reference.

Thank you

BOARD OF INVESTMENTS 2019 MEETING DATES

| Meeting Date | Possible Conflict/Reason |
|---------------------|--|
| January 9, 2019 | No |
| February 13, 2019 | No |
| March 13, 2019 | No |
| April 10, 2019 | No |
| May 8, 2019 | Yes SACRS Spring Conference: May 7-10, 2019 |
| June 12, 2019 | No |
| July 10, 2019 | No |
| August 14, 2019 | No |
| September 11, 2019 | No |
| October 9, 2019 | No |
| November 13, 2019 | Yes SACRS Fall Conference: November 12-15, 2019 |
| December 11, 2019 | No |

January 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|--|---------------------------------|--|---------------------------------|---|-----|-----|
| | | 1 <i>Holiday New Year's Day</i> | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 <i>NACD Disruptive Behaviors in the Boardroom – Los Angeles</i> | 9 BOI (Committees) | 10 BOR (Disability, IBL & OOC Committees) | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 Joint BOR/BOI Meeting | 18 | 19 |
| 20 | 21 <i>Martin Luther King</i> | 22 <i>LACERA Board of Retirement Offsite Meeting-Hyatt Regency Long Beach, CA</i> | | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 <i>NACD Economy and Stock Market Insights – Los Angeles</i> | | |
| <i>NCPERS Legislative Conference – Washington D.C.</i> | | | | | | |

February 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|---|--|---|--|--|-----|
| | | | | | 1 CALAPRS (Benefits/Trustees) Oakland, CA | 2 |
| 3 | | 5 | 6 BOR (Disability Committee) | 7 | 8 | 9 |
| | | IMN Annual Beneficial Conference – Fort Lauderdale, FL | | | | |
| 10 | | 12 | 13 BOI (Committees) | 14 BOR (IBL & OOC Committees) | 15 | 16 |
| | | 2019 Milken Institute MENA Summit – Abu Dhabi, UAE | | Valentine's Day | | |
| 17 | 18 Holiday Presidents Day | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 1 | |
| | National Institute on Retirement Security – Washington D.C. | | Pacific Pension Institute – Los Angeles, CA | | | |

March 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|---|--|-----|---|--------------------------------------|-----|---|
| | | | | | 1 | 2 |
| | | | Pacific Pension Institute – Los Angeles, CA | | | CALAPRS General Assembly Monterey, CA |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| CALAPRS General Assembly – Monterey, CA | | | BOR (Disability Committee) | | | |
| | Council of Institutional Investors – Washington D.C. | | | | | |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| Daylight Saving Begins | | | BOI (Committees) | BOR (IBL & OOC Committees) | | |
| | | | AHIP – Washington D.C. | | | |
| | | | | PREA – Dallas, TX | | |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| | | | | | | |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| | Holiday Cesar Chavez Day | | CALAPRS Advanced Principles of Pension for Trustees at UCLA – Los Angeles, CA | | | |
| | | | | NASP – Los Angeles, CA | | |
| 31 | | | | | | |

April 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|--|--|---|--|-----|-----|
| | 1 | 2 | 3 BOR (Disability Committee) | 4 | 5 | 6 |
| 7 | 8 IFEBP – Phoenix, AZ | 9 | 10 BOI (Committees) | 11 BOR (IBL & OOC Committees) | 12 | 13 |
| 14 | 15 California Retired County Employees Association, – San Diego, CA | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 Earth Day | 23 | 24 Administrative Professionals | 25 | 26 | 27 |
| 28 | 29 World Healthcare Congress – Washington D.C. | 30 Milken Institute Global Conference – Beverly Hills, CA | 1 | | | |

May 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|--|--------------------------------------|-----------|---|---|-----------|-----------|
| 28 | 29 | 30 | 1 BOR <small>(Disability Committee)</small> | 2 | 3 | 4 |
| World Healthcare Congress – Washington D.C. | | | | | | |
| Milken Institute Global Conference – Beverly Hills, CA | | | | | | |
| 5 Cinco De Mayo | 6 | 7 | 8 BOI <small>(Committees)</small> | 9 BOR <small>(IBL & OOC Committees)</small> | 10 | 11 |
| IFEBP Health Care Conference – Boston, MA | | | | | | |
| SACRS Spring Conference – Lake Tahoe, CA | | | | | | |
| 12 Mother's Day | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| NCPERS – Austin, TX | | | | | | |
| IFEBP Legislative Update – Washington D.C. | | | | | | |
| 26 | 27 Holiday Memorial Day | 28 | 29 | 30 | 31 | |

June 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----------------|---|-----|--|---|---|-----|
| | | | | | | 1 |
| 2 | 3 | 4 | 5 BOR (Disability Committee) | 6 | 7 | 8 |
| | Investment Strategies & Portfolio Management, Wharton School – University of Pennsylvania | | | | CALAPRS (Benefits/Trustees) Burbank, CA | |
| 9 | 10 | 11 | 12 BOI (Committees) | 13 BOR (IBL & OOC Committees) | 14 | 15 |
| 16 Father's Day | 17 | 18 | 19 | 20 | 21 | 22 |
| | NACD Advanced Director Professionalism – Chicago, IL | | AHIP Institute – Nashville, TN | | | |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| | IFEBP – San Francisco, CA | | | | | |
| 30 | | | | | | |

July 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|--|-----|---|--|-----|-----|
| | 1 | 2 | 3 BOR (Disability Committee) | 4 Holiday Independence Day | 5 | 6 |
| 7 | 8 LACERA Board of Investments Offsite Meeting – | 9 | 10 | 11 BOR (IBL & OOC Committees) | 12 | 13 |
| | | | Pacific Pension Institute – Chicago, IL | | | |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 | 29 | 30 | 31 | | | |

August 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|---|-----|-----|---|--|-----|-----|
| | | | | 1 | 2 | 3 |
| 4 | 5 | 6 | 7 BOR (Disability Committee) | 8 | 9 | 10 |
| 11 | 12 | 13 | 14 BOI (Committees) | 15 BOR (IBL & OOC Committees) | 16 | 17 |
| NACD Director Professionalism – Rancho Palos Verdes, CA | | | | | | |
| 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| NACD Master Class – Laguna Beach, CA | | | | | | |
| 25 | 26 | 27 | 28 | 29 | 30 | 31 |
| CALAPRS Principles of Pension Management for Trustees – Pepperdine University, CA | | | | | | |

September 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|--|---------------------------|-----|---|--|-----|-----|
| 1 | 2 Holiday Labor Day | 3 | 4 BOR (Disability Committee) | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 BOI (Committees) | 12 BOR (IBL & OOC Committees) | 13 | 14 |
| United Nations Principals of Responsible Investing – Paris, France | | | | | | |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| CII – Minneapolis, MN | | | | CALAPRS Benefits Oakland, CA | | |
| 22 | 23 Fall begins | 24 | 25 | 26 | 27 | 28 |
| AHIP Institute – Washington D.C. | | | | | | |
| 29 | 30 | | | | | |

October 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|--------------------------|-------------------------------|-----|---|--|---------------------------------|-----|
| | | 1 | 2 BOR (Disability Committee) | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 BOI (Committees) | 10 BOR (IBL & OOC Committees) | 11 | 12 |
| 13 | 14 Holiday Columbus Day | 15 | 16 | 17 | 18 | 19 |
| | | | PREA – Washington D.C. | | | |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| IFEBP – San Diego, CA | | | | | CALAPRS Trustees Oakland, CA | |
| 27 | 28 | 29 | 30 | 31 Halloween | | |
| NCPERS – New Orleans, LA | | | | | | |

November 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat | |
|---------------------------------------|--------------------------------------|-----------|---|--|--|-----------|-----------|
| | | | | | 1 | 2 | |
| 3 Daylight Saving Time Ends | | | 6 BOR (Disability Committee) | | | | |
| ILPA – New York, NY | | | | | | | |
| | | | 13 BOI (Committees) | 14 BOR (IBL & OOC Committees) | | | |
| 10 | 11 Holiday Veterans Day | 12 | SACRS – Monterey, CA | | | | 16 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 24 | | | | | | | |
| | | | | 28 Holiday Thanksgiving Day | 29 Holiday Thanksgiving Day | 30 | |

December 2019

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|-----|-----|---|--|-----|-----|
| 1 | 2 | 3 | 4 BOR (Disability Committee) | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 BOI (Committees) | 12 BOR (IBL & OOC Committees) | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 Holiday Christmas | 26 | 27 | 28 |
| 29 | 30 | 31 | | | | |

December 24, 2018

TO: Each Member
Board of Investments

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: **Adoption of Revised Legislative Policy**

RECOMMENDATION

That the Board of Investments adopt the revised Legislative Policy.

LEGAL AUTHORITY

The Legislative Policy provides that “[it] shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.” The Insurance, Benefits and Legislative Committee of the Board of Retirement has reviewed the revised policy and recommended that the Board of Retirement adopt it. Staff is concurrently recommending that the Board of Investments also adopt the revised Legislative Policy.

DISCUSSION

The Legislative Policy for the Board of Retirement and Board of Investments originally consisted of two separate documents. The separate policies were restated and redeveloped into a single-source joint policy document that was approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2018.

The Legislative Policy was most recently revised by the Board of Retirement on May 10, 2018 and the Board of Investments on May 9, 2018 to ensure that LACERA can respond efficiently and effectively to time-sensitive matters before they can be considered at the next regularly scheduled board meeting.

The current review of the Legislative Policy is being undertaken in accordance with its regularly scheduled review at the end of each two-year legislative session. Staff is seeking approval on the proposed revisions as well as feedback on any additional revisions the Board may have.

State Association of County Retirement Systems

Each year, SACRS solicits legislative proposals from retirement systems operating under the County Employees Retirement Law of 1937 (CERL). These proposals are typically voted on at the Business Meeting of the SACRS Fall Conferences. Each retirement system is entitled to one voting delegate for SACRS-related business matters, including legislative proposals.

Legislative proposals submitted to SACRS are typically administrative in nature. This year, however, there were two proposals that were investment-related (which were ultimately withdrawn and not voted on at the SACRS 2018 Fall Conference). LACERA is the only CERL retirement system that has an investment board. Members of both the Board of Retirement and Board of Investments are regular members of SACRS. Currently, the LACERA voting delegate is the Chief Executive Officer, with alternate delegates being the Board of Retirement members in order of board seat.

Although investment-related proposals for SACRS sponsorship are rare, staff contemplates that a LACERA policy on SACRS business matters may be necessary to clarify the mechanism by which the Board of Investments may give voting instructions to the LACERA voting delegate on investment-related legislative proposals that fall under its subject-matter jurisdiction. Staff will submit a proposal in the near future for consideration by both Boards.

SUMMARY OF PROPOSED REVISIONS

Page 7: The Legislative Policy currently lists specific matters that would fall under the purview of both the Board of Retirement and Board of Investments. The proposed revision would include in general any other administrative or organizational matters that affect both Boards.

Page 15: Monthly status reports on legislation were previously included as Green Folder items. The policy regarding Green Folder items was changed in April 2018 such that the items must relate to an agendaized subject matter. As such, the status reports will be included as reports on the board agendas.

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IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt the revised Legislative Policy.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

Attachment A—Legislative Policy (redlined)

Attachment B—Legislative Policy (clean)

cc: Lou Lazatin
Robert Hill
JJ Popowich
Steven Rice
Jonathan Grabel
Allan Cochran
Bernie Buenaflor
Ricki Contreras
Cassandra Smith
Anthony J. Roda, Williams & Jensen
Joe Ackler, Ackler & Associates

ATTACHMENT A

LACERA LEGISLATIVE POLICY

Revised:

Board of Retirement: May 10, 2018[date]

Board of Investments: May 9, 2018[date]

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.
- Oppose proposals that create unreasonable costs or complexity in the administration of investments.
- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.
- Support proposals that enhance board member education and ethics.
- Address proposals related to the administrative budget.
- Address proposals related to the appointment of personnel.
- Address proposals related to administrative or organizational matters that affect both Boards.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
- Authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA’s legislative advocate to communicate the Board’s position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive¹ amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with LACERA’s legislative advocate to achieve passage or defeat of the proposal.

¹ The term “substantive” as used in this Legislative Policy is defined as a change in the proposal that does not merely provide clarification but creates and defines rights and duties or, conversely, removes rights and duties.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.
- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.
- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation

[This attachment states the positions the Board has previously taken on the subject matter of the bill.]

Attachment 2—Support And Opposition

[This attachment identifies those entities that have already taken a position on the bill.]

Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
4. At the next regularly scheduled Board meeting, present a report to the Board of actions taken and copies of the written communications.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

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- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
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All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

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A Legislator sends the idea for the bill to the Legislative Counsel where it is drafted into the actual bill. The draft of the bill is returned to the Legislator for introduction. If the author is a Senator, the bill is introduced in the Senate. If the author is an Assembly Member, the bill is introduced in the Assembly.

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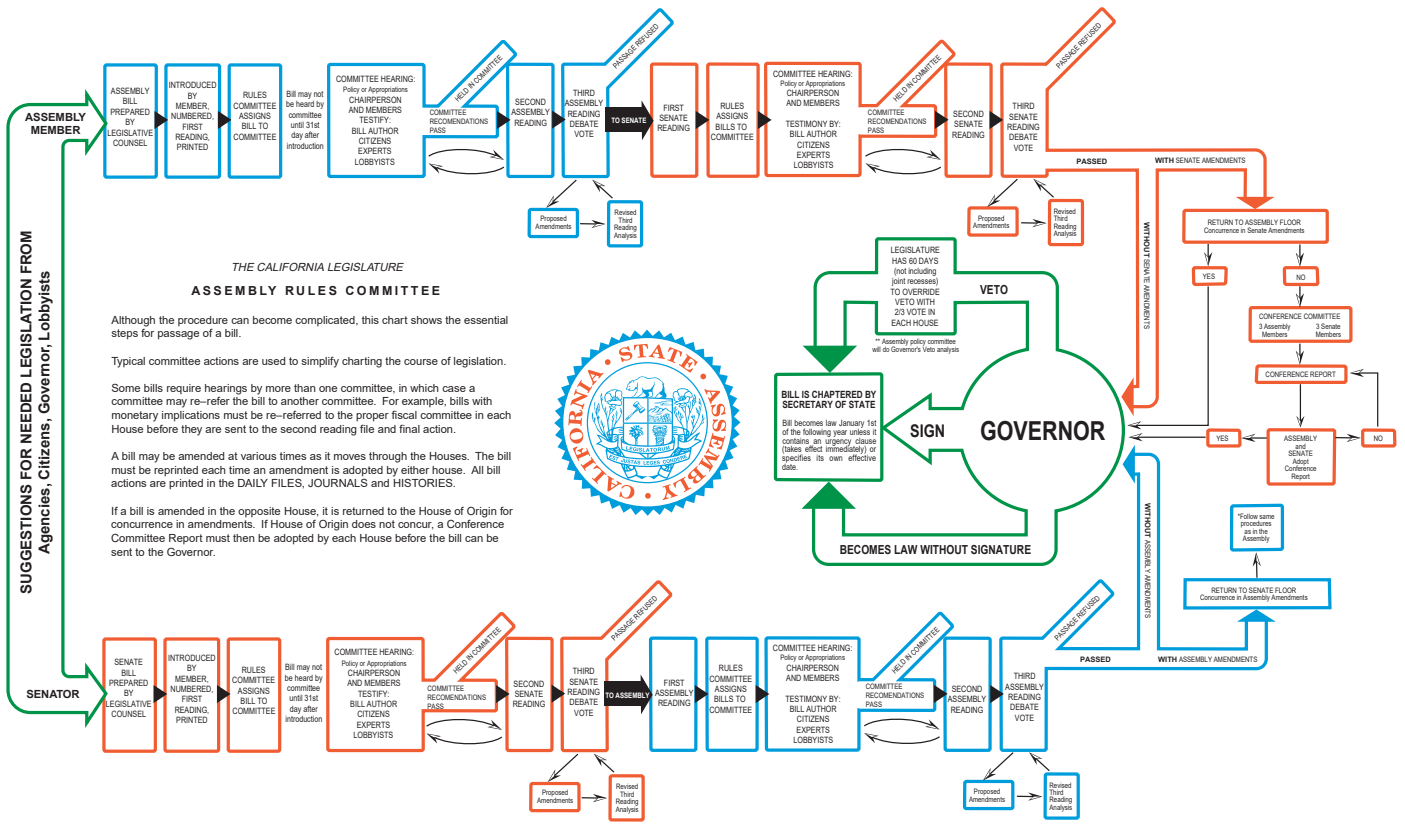
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THE LIFE CYCLE OF LEGISLATION

From Idea into Law



Change Log

Restated and approved by the Board of Retirement on October 13, 2016 and the Board of Investments on October 12, 2016.

Revised by the Board of Retirement on May 10, 2018 and the Board of Investments on May 9, 2018.

ATTACHMENT B

LACERA LEGISLATIVE POLICY

Revised:

Board of Retirement: [date]

Board of Investments: [date]

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State

Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.
- Oppose proposals that create unreasonable costs or complexity in the administration of investments.
- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.
- Support proposals that enhance board member education and ethics.
- Address proposals related to the administrative budget.
- Address proposals related to the appointment of personnel.
- Address proposals related to administrative or organizational matters that affect both Boards.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
- Authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA’s legislative advocate to communicate the Board’s position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive¹ amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with LACERA’s legislative advocate to achieve passage or defeat of the proposal.

¹ The term “substantive” as used in this Legislative Policy is defined as a change in the proposal that does not merely provide clarification but creates and defines rights and duties or, conversely, removes rights and duties.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, the Board's position will be Neutral or Watch without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive amendments to the proposal not requested by LACERA that may cause the Board not to remove its opposition, staff will resubmit the proposal to the Board for consideration.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.
- Indicates that although the proposal is not based on a law that covers LACERA such as CERL or PEPRA, the proposal may be of interest or concern to the Board and its stakeholders and that the Board in the future may take a substantive position on the matter.
- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation

[This attachment states the positions the Board has previously taken on the subject matter of the bill.]

Attachment 2—Support And Opposition

[This attachment identifies those entities that have already taken a position on the bill.]

Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. Since the meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the state Legislature and Congress. In the event a time-sensitive matter arises, action by staff may be required before the matter is considered by the Board at the next regularly scheduled Board meeting.

I. Legislation on Which the Board Previously Adopted a Position

Staff may engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a Support or Oppose position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

II. Formally Affiliated Organizations

1. Staff may participate in joint written communications that are organized or requested by formal organizations to which LACERA has formally affiliated and that are consistent with the Board's legislative policy standards.
2. In the event a matter has been addressed in written communications by a formal organization to which LACERA has formally affiliated, staff may, consistent with the Board's legislative policy standards, write letters of support or opposition or engage in advocacy on the matter.

Staff will take the following actions:

1. Prepare a legislative analysis of the matter for use in consultation.
2. Consult with the Chief Executive Officer, Chief Counsel, and legislative advocate to determine whether staff should engage in the written communications described in II.1 and II.2.
3. If staff should engage in the written communications described in II.1 and II.2, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter and obtain approval to engage in such written communications.
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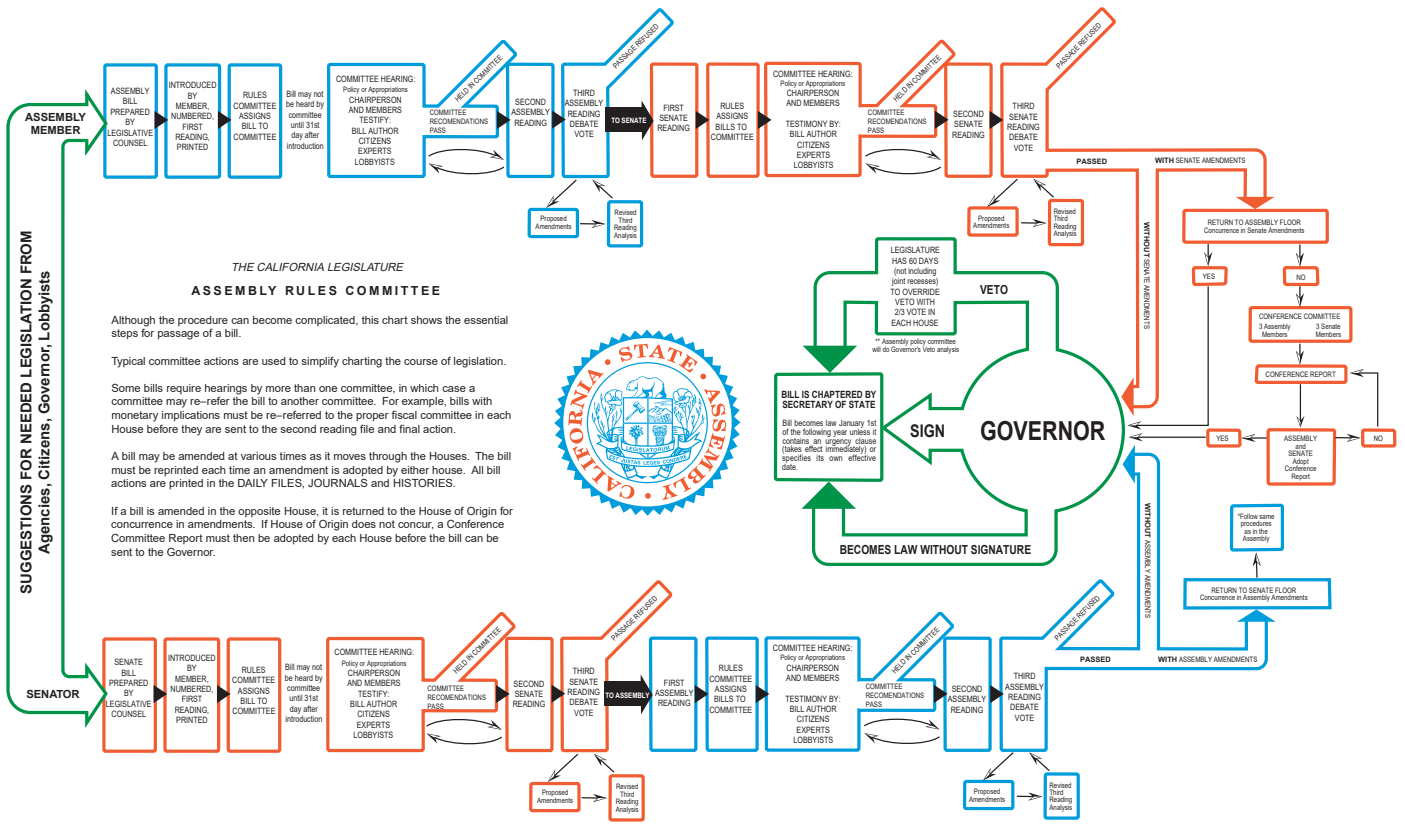
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Change Log

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Revised by the Board of Retirement on May 10, 2018 and the Board of Investments on May 9, 2018.

December 18, 2018

TO: Each Member
Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: **2019 Board of Investments & Committee Meeting Calendar and Work Plan**

Please find attached proposed key agenda items for the Board of Investments (Board) and each of the Board committees for the 2019 calendar year.

The upcoming agenda items are organized around several key themes discussed at previous Board meetings and the July 2018 Board offsite, as well as previewed in the December 2018 Chief Investment Officer monthly report to the Board.

Please note that the Board meeting dates each month are being presented separately on the Board's January 9, 2019 agenda for review and approval. Also note the individual agenda items and committee meetings in the attached calendar may be modified, as appropriate, during the year.

Attachment

2019 Work Plan

Board of Investments

January 9, 2019

Jonathan Grabel – Chief Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Fundamental Themes of 2019 Work Plan

To advance LACERA's mission, upcoming 2019 projects and agenda items address five inter-related objectives



Key Themes of Work Plan Projects and Action Items

Five themes drive upcoming agenda items

| | | |
|-----------------------|--|--|
| Core | 1. Execute Strategic Asset Allocation | <ul style="list-style-type: none"> - Structure reviews - Consultant searches - Manager searches: Real Estate; Global Equities; Real Assets; Hedge Funds; Private Equity; Credit & Risk Mitigation - Actuarial review - Cash overlay |
| | 2. Enhance Operational Effectiveness | <ul style="list-style-type: none"> - State Street re-onboarding - Procurement process standardization - Procedural manual development - Real estate administrator search - Securities lending RFP - Direct managed account structures - Transition manager search - Consultant self-evaluation - Unitization |
| Strategic Initiatives | 3. Optimize Investment Implementation Model | <ul style="list-style-type: none"> - Feasibility study of insourcing select investment mandates - Risk system search and implementation - Unitization - Cash overlay |
| | 4. Maximize Ownership Rights and Fund Stewardship | <ul style="list-style-type: none"> - Reaffirm <i>Corporate Governance Principles</i> and policy - Review FY2019 proxy voting results and trends - Review ESG integration progress and PRI Assessment Report - Risk system search and implementation, including ESG data - Optimize strategic relationships |
| | 5. Strengthen Influence Over Investment Costs and Cost of Capital | <ul style="list-style-type: none"> - Risk system search to evaluate multidimensional portfolio fit - Deliberate investment structures, such as direct hedge funds, co-investment program; secondaries sale - Track and analyze fees paid, including AB2833 fee report - Assess alternative fee structures; Fee education - Securities lending RFP - Unitization - Fewer, larger investment mandates |

* Please note that numerous listed items are subject to Board approval



Work Plan Incorporates Board Offsite Input

The matrix below presents how the 2019 work plan's five themes correspond to topics discussed at the July 2019 board offsite

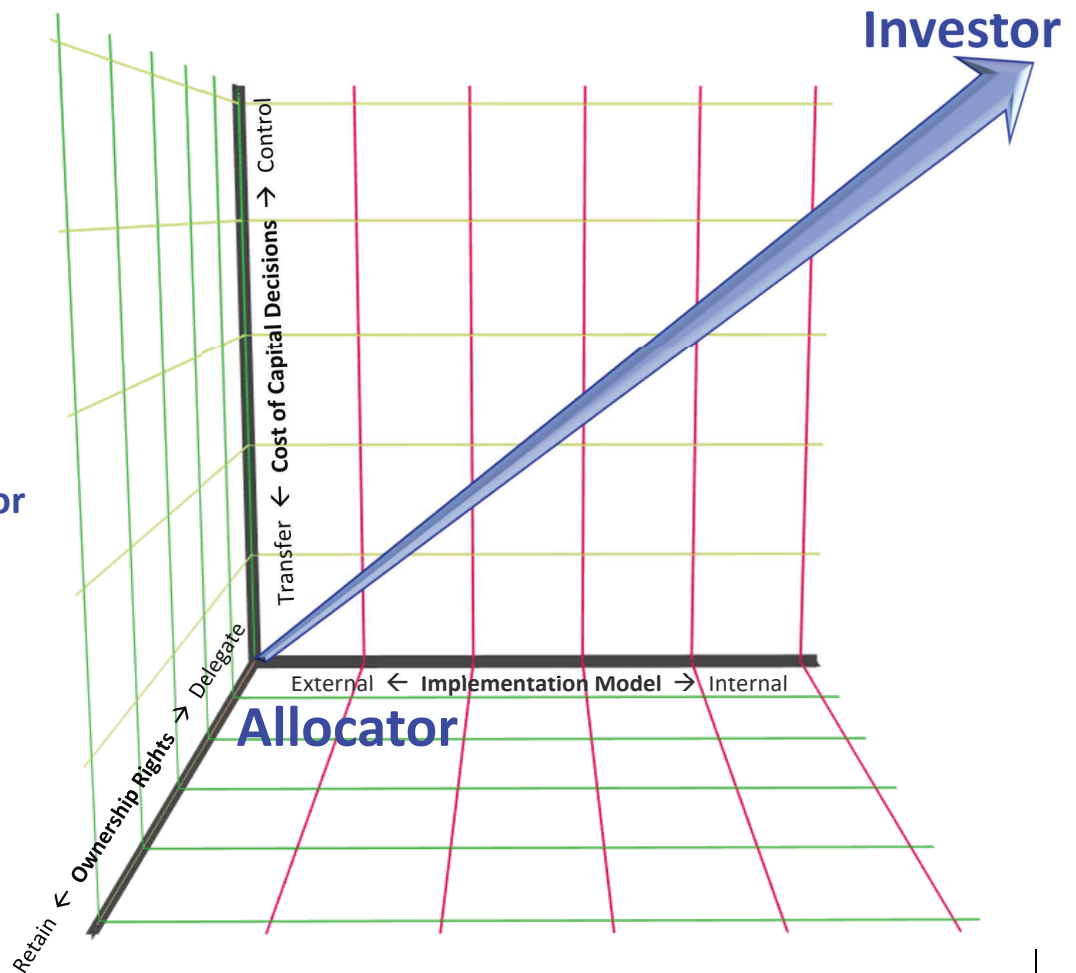
| | Core | Operational | Strategic Initiatives | | |
|---|----------------------------|---------------------------|-----------------------|------------------|--------------------------|
| | Strategic Asset Allocation | Operational Effectiveness | Investment Model | Ownership Rights | Fees and Cost of Capital |
| 1. Seek second quartile performance <i>(will lead to long-term top quartile)</i> | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. Fit in somewhat with peers | ✓ | ✓ | | | |
| 3. Relatively more aggressive | ✓ | | | | |
| 4. Somewhat more tactical | | ✓ | ✓ | ✓ | ✓ |
| 5. Move somewhat faster | ✓ | ✓ | ✓ | | ✓ |
| 6. Implement asset allocation <2 years | ✓ | ✓ | | | |
| 7. Slightly over half active | ✓ | | ✓ | | ✓ |
| 8. Fewer managers; larger allocations | ✓ | ✓ | | ✓ | ✓ |
| 9. Quantitative priority | ✓ | ✓ | | | ✓ |
| 10. Internal management | | ✓ | ✓ | | ✓ |
| 11. Liquidity in select asset classes | ✓ | ✓ | | | |
| 12. Contain % of fund size | | | | ✓ | |
| 13. ESG mid/long term benefit | | ✓ | ✓ | ✓ | |
| 14. Prefer performance fees | ✓ | | | | ✓ |
| 15. Average risk tolerance | ✓ | ✓ | | | |

* Please see Appendix II for a copy of the Offsite live survey results



Initiatives Seek to Position LACERA for Growth

Strengthen LACERA's ability to achieve its mission by migrating from an **allocator of capital** to a **proactive, intentional investor** across multiple dimensions



Prospective 2019 Calendar

Tentative Board of Investments and Committee Meetings

| | January | February | March | April | May | June | July | August | September | October | November | December |
|--------------------------------------|---------|----------|-------|-------|-----|------|------|--------|-----------|---------|----------|----------|
| Board of Investments | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Corporate Governance Committee | | ✓ | | | | ✓ | | | | ✓ | | |
| Credit and Risk Mitigation Committee | | | ✓ | | | | | ✓ | | | | |
| Equity: Public/Private Committee | ✓ | | ✓ | | ✓ | | | | | | ✓ | |
| Real Assets Committee | | | | ✓ | ✓ | | | | ✓ | | | |

Notes:

- Each committee meets at least two times
- Additional meetings would be scheduled on an as-needed basis



Appendix I: Monthly Calendar



1st Quarter 2019 Monthly Calendar View

| JANUARY 2019 | |
|------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Actuarial Review |
| Total Fund | Fee Education - Meketa |
| Total Fund | State Street Update |
| Total Fund | Procurement Process I |
| Investment Grade Bonds | Structure Review II |
| Credit | Structure Review I |
| Real Estate | Investment Recommendation |
| Real Estate | Q2 2018 Performance Report |
| Private Equity | Investment Recommendation |
| | |
| | |
| | |
| Committee: Equity | |
| Category | Subject |
| Global Equity | Structure Review |
| Global Equity | Search – MQ's for Prospective Global Index Provider RFP |

| FEBRUARY 2019 | |
|---------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Performance Review I |
| Total Fund | Procurement Process II |
| Total Fund | Internal Management Report |
| Total Fund | Consultant RFP Recommendations |
| Total Fund | Offsite Planning I |
| OPEB | Performance Review I |
| Global Equity | Structure Review |
| Global Equity | Search – MQ's for Prospective Global Index Provider RFP |
| Global Equity | Investment Recommendation |
| Real Estate | Investment Recommendation (x2) |
| Private Equity | Investment Recommendation (x2) |
| Real Assets | Investment Recommendation |
| Committee: Corporate Governance | |
| Category | Subject |
| Corporate Governance | Reaffirm Corp Gov Principles |
| Corporate Governance | Reaffirm Corp Gov Policy |

| MARCH 2019 | |
|---|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Cash Overlay Search Recommendation |
| Total Fund | Offsite Planning II |
| Global Equity | Internal Management Report |
| Real Estate | Investment Recommendation |
| Private Equity | Investment Recommendation (x2) |
| Hedge Funds | Investment Recommendation |
| Corporate Governance | LACERA Member Ballot Approval |
| Corporate Governance | Reaffirm Corp Gov Principles |
| Corporate Governance | Reaffirm Corp Gov Policy |
| | |
| | |
| | |
| Committee: Equity; Credit and Risk Mitigation | |
| Category | Subject |
| Global Equity | Search – MQ's for Prospective Factor Based Managers RFP |
| Credit | Search – Prospective Syndicated Loans |

* Please note that certain listed items are subject to Board approval



2nd Quarter 2019 Monthly Calendar View

| APRIL 2019 | |
|---------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Procedure Manual |
| Total Fund | Emerging Manager Policy Review |
| Global Equity | Search – MQ's for Prospective Factor Based Managers RFP |
| Real Estate/Portfolio Analytics | Real Estate Administrator Recommendation |
| Private Equity | Investment Recommendation |
| Private Equity | Secondary Transition Update |
| Hedge Funds | Investment Recommendation |
| Credit | Education – TBD |
| | |
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| | |
| Committee: Real Assets | |
| Category | Subject |
| Real Estate | Operating Procedures Review |
| Real Estate | Structure Review |
| | |

| MAY 2019 | |
|--------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Performance Book (report only) |
| Total Fund | Intern Presentations |
| OPEB | Performance Book (report only) |
| Global Equity | Investment Recommendation – Global Index Provider |
| Real Estate | Q4 2018 Performance Report |
| Real Estate | Investment Recommendation |
| Real Estate | Operating Procedures Review |
| Private Equity | Investment Recommendation |
| Real Assets | Education – TBD |
| | |
| | |
| | |
| Committee: Equity; Real Assets | |
| Category | Subject |
| Global Equity | Search – MQ's for Prospective Emerging Managers RFP |
| Real Assets | Investment Implementation Update |
| Real Assets | Preliminary Investment Structure Proposal |

| JUNE 2019 | |
|---------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Securities Lending RFP |
| Total Fund | Internal Management II |
| OPEB | Investment Policy Statement Update |
| Global Equity | Investment Interviews – Global Index Provider |
| Global Equity | Search – MQ's for Prospective Emerging Managers RFP |
| Investment Grade Bonds | Emerging Manager Recommendation |
| Real Estate | Structure Review |
| Private Equity | Investment Recommendation (x2) |
| Private Equity | Performance Review I |
| Real Assets | Investment Implementation Update |
| Real Assets | Preliminary Investment Structure Proposal |
| Hedge Funds | Performance Review I |
| Committee: Corporate Governance | |
| Category | Subject |
| Corporate Governance | Review & Affirm Engagement Priorities |
| Corporate Governance | Review ESG Integration |
| | |

* Please note that certain listed items are subject to Board approval



3rd Quarter 2019 Monthly Calendar View

| JULY 2019 | |
|-----------------------|-----------------------------------|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Board Offsite |
| Total Fund | Risk System Search Recommendation |
| Real Estate | Investment Recommendation |
| Private Equity | Investment Recommendation |
| Hedge Funds | Investment Recommendation |
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| Committee: | |
| Category | Subject |
| | |
| | |
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| AUGUST 2019 | |
|---------------------------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Transition Managers Search |
| Total Fund | State Street Update |
| Total Fund | Performance Review II (Consultant) |
| OPEB | Performance Review II (Consultant) |
| Global Equity | Investment Recommendation – Factor Based Managers |
| Global Equity | Investment Recommendation |
| Private Equity | Investment Recommendation |
| Global Equity | Education – TBD |
| | |
| | |
| Committee: Credit and Risk Mitigation | |
| Category | Subject |
| Credit | Structure Review II |
| Credit | Operating Procedures Review |
| Hedge Funds | Structure Review – Emerging Manager Discussion |

| SEPTEMBER 2019 | |
|------------------------|--|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Consultant Self Assessment - Meketa |
| Total Fund | Consultant Self Assessment - StepStone |
| Total Fund | Consultant Self Assessment - Townsend |
| Global Equity | Investment Interviews – Factor Based Managers |
| Credit | Structure Review II |
| Credit | Operating Procedures Review |
| Private Equity | Investment Recommendation |
| Hedge Funds | Structure Review – Emerging Manager Discussion |
| Corporate Governance | Various LACERA Member Ballot Approvals |
| Risk | Education – TBD |
| Committee: Real Assets | |
| Category | Subject |
| Real Assets | Structure Review |
| | |
| | |

* Please note that certain listed items are subject to Board approval



4th Quarter 2019 Monthly Calendar View

| OCTOBER 2019 | |
|---------------------------------|--|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Internal Management III |
| Private Equity | Investment Recommendation |
| Private Equity | Co-Invest Program Review I |
| Real Assets | Structure Review |
| Hedge Funds | Investment Recommendation |
| Real Estate | Education – TBD |
| | |
| | |
| Committee: Corporate Governance | |
| Category | Subject |
| Corporate Governance | Review proxy voting trends and results |
| Corporate Governance | Report PRI Assessment |

| NOVEMBER 2019 | |
|-----------------------|--------------------------------|
| Board of Investments: | |
| Category | Subject |
| Total Fund | Performance Book (report only) |
| OPEB | Performance Book (report only) |
| Real Estate | Investment Recommendation |
| Private Equity | Investment Recommendation |
| Credit | Investment Recommendation |
| Private Equity | Education – TBD |
| | |
| | |
| Committee: Equity | |
| Category | Subject |
| Private Equity | Operating Procedures Review |
| | |

| DECEMBER 2019 | |
|-----------------------|---|
| Board of Investments: | |
| Category | Subject |
| Total Fund | AB2833/Investment Fee Validation Review |
| Total Fund | Transition Managers Search Update |
| Total Fund | Securities Lending RFP Update |
| OPEB | Update on Unitization |
| Private Equity | Operating Procedures Review |
| Private Equity | Investment Recommendation |
| Private Equity | Performance Review II |
| Hedge Funds | Performance Review II |
| Committee: | |
| Category | Subject |
| | |
| | |

* Please note that certain listed items are subject to Board approval



Appendix II: Offsite Strategic Plan Framework, Live Survey Results



Strategic Plan Framework



Board of Investments Offsite

July 10, 2018

Jonathan Gabel – Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Factors



Factor Relationships

Factors relate to each other and impact how the Strategic Asset Allocation is implemented

Illustrative examples:

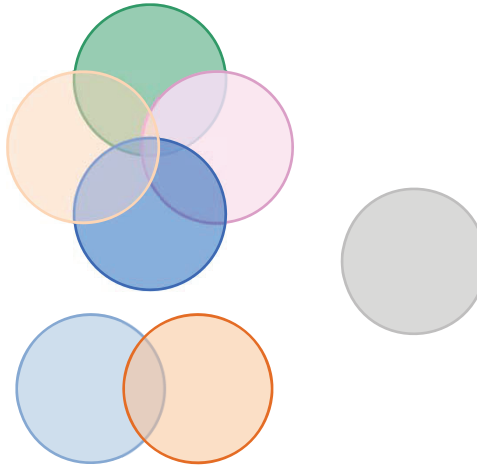


Table of Contents

- I. Mission and Strategic Plan
- II. Board Survey Discussion
- III. Survey Summary
- IV. Strategic Plan Framework – Looking Ahead



Mission and Strategic Plan

- LACERA's mission is to produce, protect, and provide the promised benefits
- The strategic plan of the investment division is to implement the strategic asset allocation in a liquidity-aware and risk-aware manner while incorporating LACERA's investment beliefs
- Implementing the strategic plan involves both:
 - Broad initiatives such as being mindful of ESG considerations
 - Defined projects such as building a Real Assets composite



Board Survey Discussion

- A 15 question survey was established to poll Board Member views on topics such as risk tolerance and implementation options
- Today's planned activities regarding the survey:
 - Review initial aggregated responses
 - Provide additional information
 - Consider the interplay between responses
 - Discuss areas of interest
 - Potentially re-vote each survey question
 - Review observations and takeaways

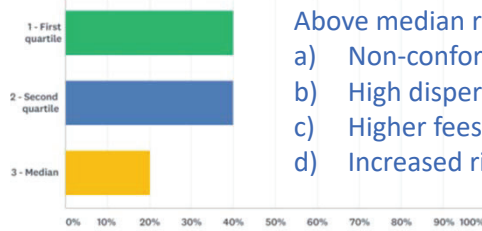


Board Survey Discussion

Q1 Should LACERA strive for median, second quartile, or first quartile investment performance? We all want LACERA to be the best it can be.

This question relates to investment performance relative to a peer universe of medium and large sized public pension plans. Seeking first quartile investment returns may increase the probability of underperforming median.

Answered: 5 Skipped: 0



Above median results often accompany:

- a) Non-conforming implementation
- b) High dispersion of outcomes
- c) Higher fees
- d) Increased risk stance

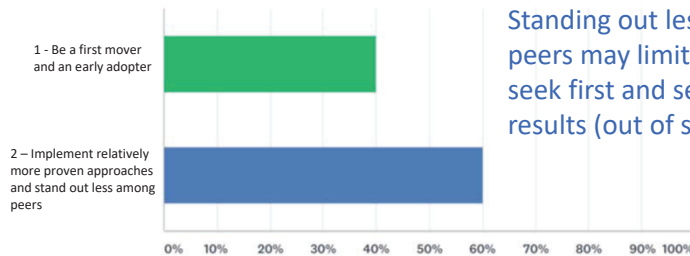
| ANSWER CHOICES | RESPONSES | |
|---------------------|-----------|---|
| 1 - First quartile | 40.00% | 2 |
| 2 - Second quartile | 40.00% | 2 |
| 3 - Median | 20.00% | 1 |
| TOTAL | | 5 |



Board Survey Discussion

Q2 Which of the two options below best describes the demeanor/approach that LACERA should have towards new ideas and initiatives?

Answered: 5 Skipped: 0



Standing out less among peers may limit the ability to seek first and second quartile results (out of sync with Q1).

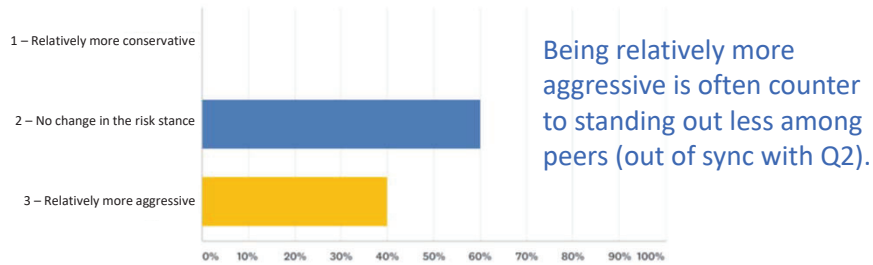
| ANSWER CHOICES | RESPONSES | |
|--|-----------|---|
| 1 - Be a first mover and an early adopter | 40.00% | 2 |
| 2 - Implement relatively more proven approaches and stand out less among peers | 60.00% | 3 |
| TOTAL | | 5 |



Board Survey Discussion

Q3 Should LACERA's portfolio be relatively more conservative or aggressive than it is currently? LACERA encounters a conservative/aggressive decision in both asset allocation exercises and when deciding how to implement various asset classes or portfolios.

Answered: 5 Skipped: 0



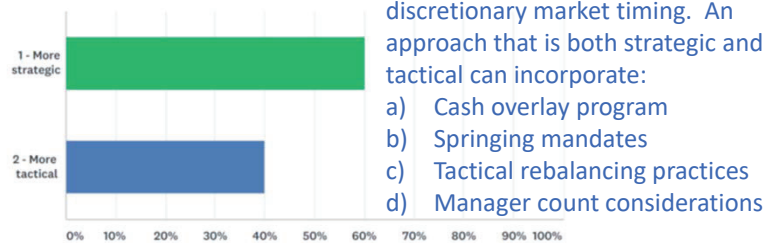
| ANSWER CHOICES | RESPONSES |
|----------------------------------|-----------|
| 1 - Relatively more conservative | 0.00% 0 |
| 2 - No change in the risk stance | 60.00% 3 |
| 3 - Relatively more aggressive | 40.00% 2 |
| TOTAL | 5 |



Board Survey Discussion

Q4 Should the general investment approach be more strategic or more tactical? Strategic refers to implementing pre-designed plans while a tactical approach is more flexible. For example, the mix may be 70/30 and not completely either strategic or tactical.

Answered: 5 Skipped: 0



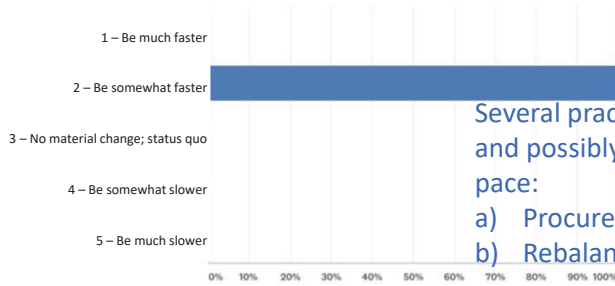
| ANSWER CHOICES | RESPONSES |
|--------------------|-----------|
| 1 - More strategic | 60.00% 3 |
| 2 - More tactical | 40.00% 2 |
| TOTAL | 5 |



Board Survey Discussion

Q5 Should LACERA strive to accomplish projects relatively faster or slower in the future?

Answered: 5 Skipped: 0



Several practices could be reviewed and possibly adjusted to quicken pace:

- a) Procurement (RFP, RFI, searches)
- b) Rebalancing to new targets

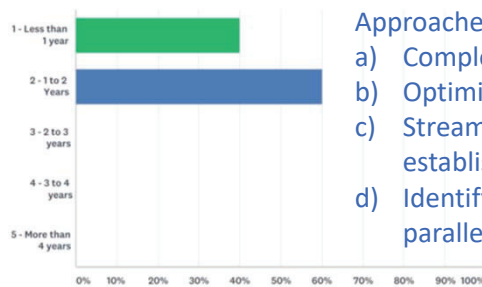
| ANSWER CHOICES | RESPONSES |
|------------------------------------|-----------|
| 1 - Be much faster | 0.00% 0 |
| 2 - Be somewhat faster | 100.00% 5 |
| 3 - No material change; status quo | 0.00% 0 |
| 4 - Be somewhat slower | 0.00% 0 |
| 5 - Be much slower | 0.00% 0 |
| TOTAL | 5 |



Board Survey Discussion

Q6 How long should LACERA take to implement a new asset category or substantial (overhaul) changes to an existing asset category?

Answered: 5 Skipped: 0



Approaches to consider:

- a) Completion portfolios
- b) Optimize procurement
- c) Streamlined practices for established mandates
- d) Identify ways to work in parallel instead of in sequence

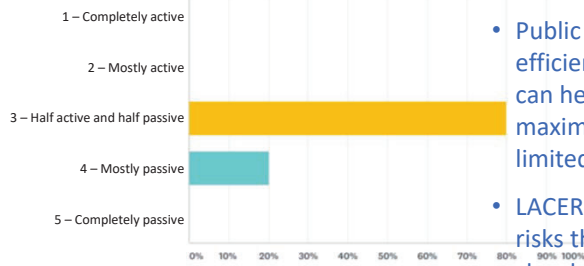
| ANSWER CHOICES | RESPONSES |
|-----------------------|-----------|
| 1 - Less than 1 year | 40.00% 2 |
| 2 - 1 to 2 Years | 60.00% 3 |
| 3 - 2 to 3 years | 0.00% 0 |
| 4 - 3 to 4 years | 0.00% 0 |
| 5 - More than 4 years | 0.00% 0 |
| TOTAL | 5 |



Board Survey Discussion

Q7 For public equity markets, where passive options are widely available, to what degree should implementation be concentrated on passive strategies?

Answered: 5 Skipped: 0



- LACERA's Public Equity Composite is currently approximately 70% passive.
- Public equity markets are highly efficient. A risk budgeting exercise can help LACERA assess how to maximize expected benefit from limited active risks.
- LACERA can price and evaluate active risks through appropriate fee structures.

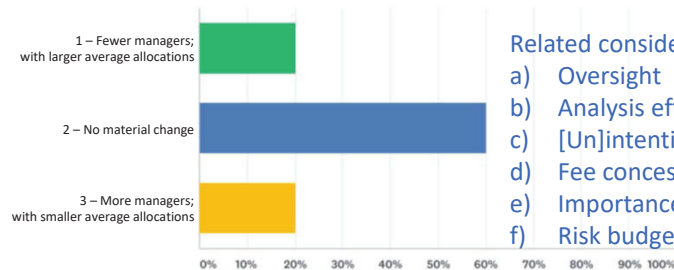


Board Survey Discussion

Q8 Should LACERA aim to have more or fewer investment managers in the future? Currently, LACERA allocates to 250+ external investment managers.

Answered: 5 Skipped: 0

LACERA invests in approximately 584 externally managed funds.



Related considerations:

- Oversight
- Analysis efforts
- [Un]intentional allocations
- Fee concessions for size
- Importance of a Total Fund view
- Risk budgeting



Board Survey Discussion

- Excerpt from the “Bridging the Gap” presentation, LACERA’s BOI Offsite, February 1, 2018:

All dollars in millions

| Type of Equity Mandate | Mandate Size | % of portfolio in AAPL | Dollars invested in AAPL | Gain/Loss if AAPL appreciates 10% |
|------------------------|-----------------|------------------------|--------------------------|-----------------------------------|
| Index Fund | \$10,000 | 3% | \$300 | \$30.0 |
| Active Manager 1 | \$200 | 5% | \$10 | \$1.0 |
| Active Manager 2 | \$200 | 1% | \$2 | \$0.2 |
| Long/Short Manager 1 | \$50 | -2% | -\$1 | -\$0.1 |
| Long/Short Manager 2 | \$50 | 2% | \$1 | \$0.1 |
| Total | \$10,500 | | \$312 | \$31.2 |

- Decreasing manager count may benefit the understanding of cross-currents in the portfolio and improve the Total Fund perspective

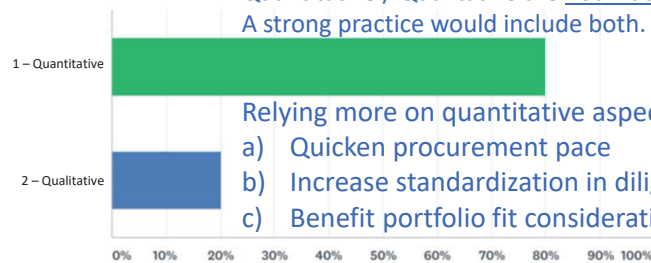


Board Survey Discussion

Q9 Should LACERA place a higher priority on either quantitative or qualitative aspects of investment manager diligence?

Answered: 5 Skipped: 0

Quantitative / Qualitative are not mutually exclusive.
A strong practice would include both.



Relying more on quantitative aspects can:

- Quicken procurement pace
- Increase standardization in diligence
- Benefit portfolio fit considerations

Enhanced (more robust) systems and analytic tools could benefit a quantitative focus.

ANSWER CHOICES

1 - Quantitative; example: performance track record, risk analytics, fit among the current portfolio

2 - Qualitative; example: people and process

RESPONSES

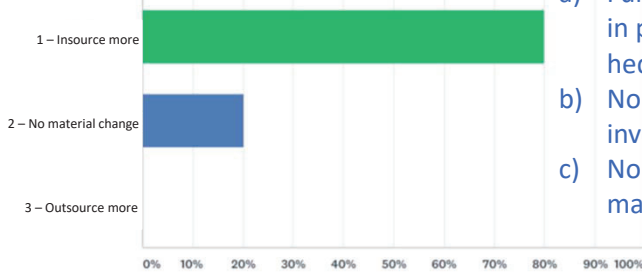
| | |
|--------------|----------|
| 80.00% | 4 |
| 20.00% | 1 |
| TOTAL | 5 |



Board Survey Discussion

Q10 Should LACERA seek to insource or outsource more investment functions?

Answered: 5 Skipped: 0



LACERA currently:

- a) Fund of funds exist in private equity and hedge funds
- b) No direct co-investments
- c) No internal management

| ANSWER CHOICES | RESPONSES |
|---|-----------|
| 1 - Insource more; example: internal index funds, internal private equity fund, terminating fund of funds | 80.00% 4 |
| 2 - No material change; status quo | 20.00% 1 |
| 3 - Outsource more; example: allocate more to fund of funds, hire additional service providers | 0.00% 0 |
| TOTAL | 5 |

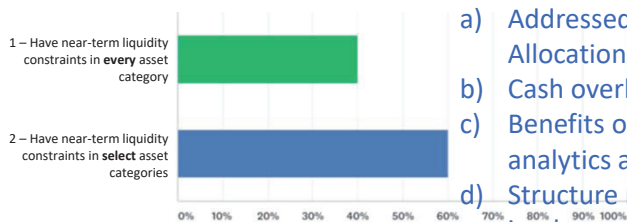


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Board Survey Discussion

Q11 Should every asset category be managed with liquidity constraints within a defined near-term period of time, for example, 3 years? LACERA has approximately \$42 billion in liquid equity, fixed income, and cash assets. This is sufficient to cover more than a decade of projected benefit payments. These three asset categories alone may be viewed as an appropriate source for all near-term liquidity.

Answered: 5 Skipped: 0



Related topics:

- a) Addressed through Strategic Asset Allocation
- b) Cash overlay program
- c) Benefits of enhanced portfolio analytics and reporting
- d) Structure reviews and functional implementations of asset categories

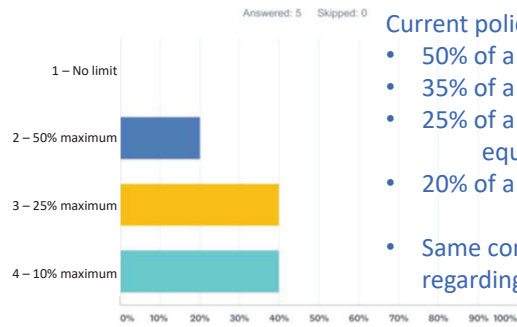
| ANSWER CHOICES | RESPONSES |
|--|-----------|
| 1 - Yes; every asset category should have near-term liquidity constraints | 40.00% 2 |
| 2 - No; near term expenses can be paid from cash, public equity and fixed income allocations. Other categories need not be managed for near-term expenses. | 60.00% 3 |
| TOTAL | 5 |



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Board Survey Discussion

Q12 Should LACERA establish a threshold percentage allocation of an externally managed commingled fund beyond which we would be reluctant and/or unwilling to invest?



Current policy:

- 50% of a fund in PE
- 35% of a firm in HF
- 25% of a fund in public equity and fixed income
- 20% of a firm in RE

• Same considerations as Q8 regarding manager/fund count:

- a) Oversight
- b) Analysis efforts
- c) [Un]intentional allocations
- d) Fee concessions for size
- e) Importance of a Total Fund view
- f) Risk budgeting

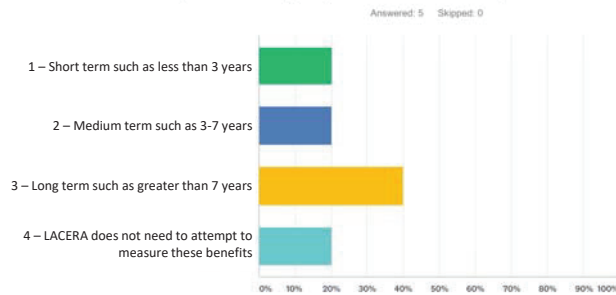
ANSWER CHOICES

| ANSWER CHOICES | RESPONSES |
|--|-----------|
| 1 - No; there should be no limit to how much of a commingled fund LACERA's investment represents | 0.00% 0 |
| 2 - Yes; LACERA should be unwilling to invest beyond 50% of a fund's value | 20.00% 1 |
| 3 - Yes; LACERA should be unwilling to invest beyond 25% of a fund's value | 40.00% 2 |
| 4 - Yes; LACERA should be unwilling to invest beyond 10% of a fund's value | 40.00% 2 |
| TOTAL | 5 |



Board Survey Discussion

Q13 At what point should LACERA expect to observe a positive economic benefit (return enhancing or risk mitigating) from its ESG activity? As an asset owner, LACERA may engage public policy, companies, or managers beyond monetary investment. Select engagement may be made with an expectation of future economic benefit. This question is asking about the appropriate timeframe to expect an economic benefit.



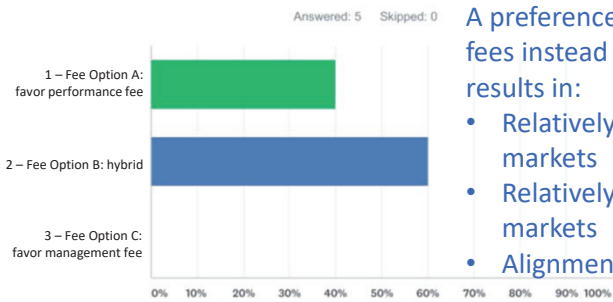
ANSWER CHOICES

| ANSWER CHOICES | RESPONSES |
|---|-----------|
| 1 - Short term such as less than 3 years | 20.00% 1 |
| 2 - Medium term such as 3-7 years | 20.00% 1 |
| 3 - Long term such as greater than 7 years | 40.00% 2 |
| 4 - LACERA does not need to attempt to measure these benefits | 20.00% 1 |
| TOTAL | 5 |



Board Survey Discussion

Q14 Which of the below fee structures should LACERA prefer for an active private market strategy where no passive index option is available?



A preference for performance fees instead of management fees results in:

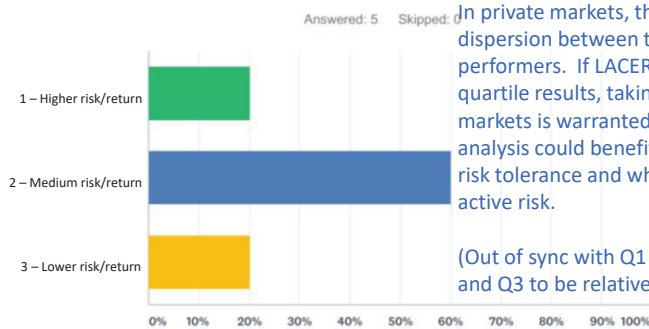
- Relatively higher fees in strong markets
- Relatively lower fees in weak markets
- Alignment of interest

| ANSWER CHOICES | RESPONSES |
|---|-----------|
| 1 - Fee Option A: 10% gross return expectation with a 0.0% management fee and a 20% performance fee; 8.0% net return expectation | 40.00% 2 |
| 2 - Fee Option B: 10% gross return expectation with a 1.0% management fee and an 11% performance fee; 8.0% net return expectation | 60.00% 3 |
| 3 - Fee Option C: 10% gross return expectation with a 2.0% management fee and a 0% performance fee; 8.0% net return expectation | 0.00% 0 |
| TOTAL | 5 |



Board Survey Discussion

Q15 Which of the below Funds should LACERA prefer for an active private market strategy where no passive index option is available?



In private markets, there is wide dispersion between top and poor performers. If LACERA seeks 1st/2nd quartile results, taking risk in private markets is warranted. A risk budgeting analysis could benefit decisions regarding risk tolerance and where to take higher active risk.

(Out of sync with Q1 to be above median and Q3 to be relatively more aggressive.)

| ANSWER CHOICES | RESPONSES |
|--|-----------|
| 1 - Fund A: relatively higher risk/return, 2.0% management fee, 20% performance fee, 14% net expected return | 20.00% 1 |
| 2 - Fund B: medium risk/return, 1.5% management fee, 10% performance fee, 10% net expected return | 60.00% 3 |
| 3 - Fund C: relatively lower risk/return, 1.0% management fee, 0% performance fee, 7% net expected return | 20.00% 1 |
| TOTAL | 5 |



Survey Summary

Synopsis

1. Seek above median
2. Fit in with peers
3. Relatively more aggressive
4. Strategic and tactical
5. Somewhat faster
6. Implementations < 2 years
7. Slightly over half passive
8. Mixed views on fund count
9. Quantitative priority
10. Insource more
11. Mixed views on liquidity
12. Constrain % of fund size
13. Unclear: measuring ESG benefit
14. Prefer performance fees
15. Average risk tolerance



Strategic Plan Framework – Looking Ahead

Short Term

Completion portfolios
Rebalancing / cash overlay program
Update governance documents

Medium Term

Review procurement practices
Dedicated managed accounts
Springing mandates

|----- Implement strategic asset allocation -----|

Long Term

Enhanced portfolio analytics
Risk budgeting
Alternative fee constructs

|----- In-source discussions -----|

|----- ESG benefit measurement -----|



Survey Summary

Synopsis - Santa Monica Offsite Vote

- | | |
|---|--|
| 1. Seek second quartile | 9. Quantitative priority |
| 2. Fit in somewhat with peers | 10. Insource more |
| 3. Mostly no change in risk stance | 11. Near-term liquidity only in select asset categories |
| 4. Somewhat more tactical | 12. Constrain % of fund size; Half of votes at 50% maximum |
| 5. Somewhat faster | 13. Yes, measure ESG benefit; Medium to long term |
| 6. Implementations 1-2 years | 14. Prefer performance fees |
| 7. One vote leaning more active vs passive | 15. Average risk tolerance |
| 8. Fewer managers with larger average allocations | |



December 20, 2018

TO: Each Member
Board of Investments

FROM: Jude Pérez 
Principal Investment Officer

FOR: January 9, 2019 Board of Investments

SUBJECT: **INVESTMENT FEE STRUCTURE**

Attached is a presentation from Meketa to discuss investment fees and methodologies that can be used to evaluate and optimize the measuring of such costs. The topic on innovative ways to assess fees was addressed during prior offsite meetings and at the November 2018 Board of Investment (BOI) meeting, and the current report is a follow-up to that discussion. The goal is to introduce the topic with more in-depth analysis of the LACERA Pension Trust to be presented to the BOI at a subsequent meeting.



Los Angeles County Employees Retirement Association

Evaluating Investment Management Fees

M E K E T A I N V E S T M E N T G R O U P
5796 ARMADA DRIVE SUITE 110 CARLSBAD CA 92008
760 795 3450 fax 760 795 3445 www.meketagroup.com

Table of Contents

- 1. Background**
- 2. Types of Investment Management Fees**
- 3. Standard Methodologies**
- 4. Alternative Methodologies**
 - Measuring Past Results
 - Evaluating Potential Results
- 5. Next Steps**

Background

- LACERA's Investment Beliefs state that, "Investment outcomes are determined by risk, returns, and costs. All three must be managed, and cost is the most certain. Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy. Costs and fees should be actively monitored and negotiated to the greatest extent possible."
- When it comes to fees, lower is not necessarily better, but the value potential of investments with higher levels of fees must be carefully considered.
- Meketa created this presentation on innovative ways to evaluate fees as a follow up to offsite discussions and the November 2018 Board of Investment meeting.
- This presentation contains an overview of types of fees managers use, standard methods of reporting and evaluating fees, and an introduction to some alternative methodologies for evaluating fees.

Types of Investment Management Fees

Investment Management Fee Overview

- Different investment strategies and investment managers have different fee structures, with varying levels of complexity, particularly among hedge fund and private equity managers.
- There are two primary types of investment management fees:
 - Asset based fees
 - Asset based fees are used across all asset classes.
 - While asset based investment management fees are common, they potentially provide investment managers with an unbalanced incentive to focus on gathering assets over producing strong performance.
 - Performance fees
 - Performance based fees are common in private markets, hedge funds, and other alternative asset classes, but can be utilized in any asset class.
 - The use of performance based fees provides alignment of interest between the allocator and the investment manager, however they also typically greatly increase the total level of fees paid by the allocator.
 - Performance based fees can include hurdle rates and other mechanisms to potentially further improve the alignment of interest between the allocator and the investment manager.
 - Hurdle rates can be set as absolute targets (e.g. 0% or 8%) or relative to a benchmark rate/return.
- Asset based fees and performance based fees are often used together, such as in the 2/20 structure.

Standard Methodologies

Standard Methodologies for Evaluating Fees

- Net of fees excess performance
 - Simple calculation: Investment Return – Fee – Benchmark Return
 - Makes intuitive sense: Excess = Success - If there is a positive excess return, the investor received “value” for the fee paid
- Universe comparison
 - Provides context: Are the fees reasonable compared to similar strategies
 - Managers with relatively high fees should have performance that helps to justify those fees
- Each of these methods works well at the manager level, the composite level, and the total fund level.
- Manager reviews
 - In addition to regular reporting, each manager is reviewed in depth by staff and the Board’s consultants
 - Analyze multiple metrics over multiple timeframes
 - Returns (gross and net)
 - Correlation
 - Sharpe Ratio
 - Volatility
 - Tracking Error
 - Information Ratio
 - Beta
 - Capture Ratios
 - Universe Rankings
 - The task of evaluating investment managers and fees is equal parts art (qualitative) and science (quantitative).

Alternative Methodologies

Alternative Methodologies: Measuring Past Results

- **After-fee excess return capture¹:**
 - Net of fee excess return
Gross excess return
 - Highlights the **investor's** share of excess returns
 - As an example, a public equity manager with a fee of 50 basis points, a return of 9.5% and a benchmark return of 8.5% would have an after-fee excess return capture of 0.5 with 1.0 as the maximum score.
- **Experienced fee burden:**
 - Fee
Return
 - Highlights the **manager's** share of the return
- **Fee Ranking Relative to Performance:**
 - Fee ranking in peer universe (percentile)
Return ranking in peer universe (percentile)
 - Highlights the manager's relative attractiveness in two dimensions: price and performance
 - Lowest fees (best) = 99th percentile Highest performance (best) = 1st percentile
 - Best score = 99 Worst score = 1/99

¹ Additional source: P&I November 6, 2018. Commentary: A better split for pension funds by Marc Levine.

Alternative Methodologies: Measuring Past Results (continued)

- **Risk-adjusted fee ratio:**
 - Sharpe Ratio
Fee
 - Provides insight into the value received (return) per unit of risk relative to the fee paid
- **Active risk-adjusted fee/ratio:**
 - Information Ratio
Fee
 - Provides insight into the value received (excess return) per unit of tracking error relative to the fee paid

Alternative Methodologies: Evaluating Potential Results

- **Expected fee burden:**

- $\frac{\text{Fee (bps)}}{\text{Expected Return (bps)}}$
- Highlights the manager's share of the return based on forward looking expectations of both the benchmark and any assumptions regarding excess return

Global Equity Example

- Investment Management fee of 75 basis points
- Expected annualized return of 7.5% according to Meketa's Capital Market Expectations

$$\frac{.75}{7.5} = 10\% \text{ expected fee burden}$$

Private Equity Example

- Investment management fee of 2/20 with a hurdle of 0%
- Expected annualized return of 9.2% according to Meketa's Capital Market Expectations
- To achieve a 9.2% net of fee return requires a total return of 14%, which then equates to a fee of 4.8%.
(2% + 14%*.20)

$$\frac{4.8}{9.2} = 52\% \text{ expected fee burden}$$

- **Cost of alpha potential:**

- $\frac{\text{Fee (bps)}}{\text{Expected Tracking Error (bps)}}$
- Low is better as managers with low tracking error or alpha potential should "cost" less

Next Steps


Next Steps

- Schedule a more in depth session focused on fees and applying some of these alternative methodologies to LACERA's manager/fee review process.
- Integrate any new approaches with ongoing initiatives such as implementation of the manager scorecards, risk reporting enhancements, and the evaluation of internal management.
- Continue to enhance fee transparency across all asset classes (in adherence with LACERA's strategic focus on fees and in compliance with AB2833).
- Continue with strategic initiatives that will further enhance LACERA's ability to exert influence on fees (e.g. manager consolidation).



December 24, 2018

TO: Each Member
Board of Investments

FROM: Beulah S. Auten, CPA, CGFM, CGMA 
Chief Financial Officer

FOR: Board of Investments Meeting of January 9, 2019

SUBJECT: **ACTUARIAL EDUCATIONAL SESSION**

In anticipation of the upcoming June 30, 2019 triennial actuarial cycle for retirement benefits (i.e., Pension Plan), which will include an experience study and valuation, LACERA's Consulting Actuary Nick Collier from Milliman will provide an educational session to your Board addressing the following topics:

- Changes in Actuarial Standards of Practice (ASOP)
- Follow-up on topics from the December 12, 2018 Board of Investments presentation
- Recent CalPERS trends
- LACERA's amortization policy

Attachment

Noted and Reviewed:



Robert R. Hill
Assistant Executive Officer



LACERA

Actuarial Education Topics

Nick Collier
January 9, 2019

Overview

- Changes in Actuarial Standards of Practice (ASOP)
- Follow-up on projections from December presentation
- Recent CalPERS changes
- LACERA amortization period
- Comparisons with other systems



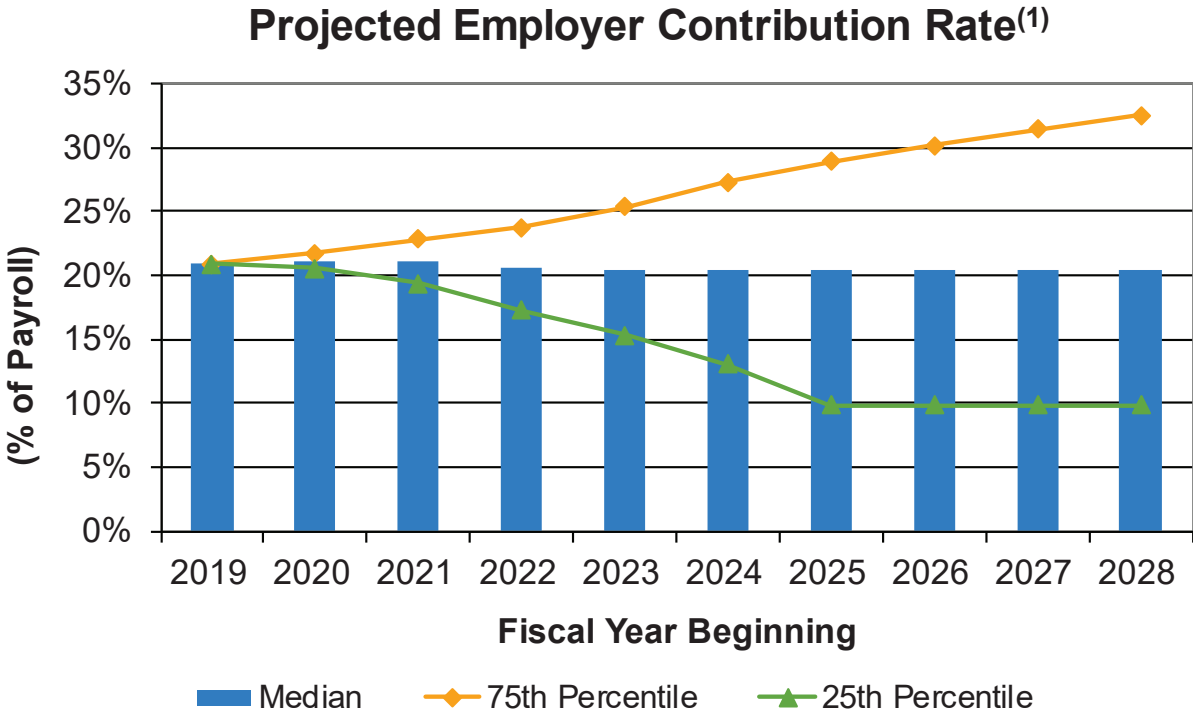
Recent Changes to ASOPs

- ASOP #51 (Assessment and Disclosure of Risk)
 - New ASOP, effective for 2019 LACERA valuation
 - Additional language will be added to funding valuation report
 - Identification of risks
 - Assessment of risks
 - Plan maturity measures
 - Historical information
 - No impact on calculations

Proposed Changes to ASOPs

- ASOP #4 (Measuring Pension Obligations)
 - Proposed revision to existing ASOP, currently under consideration
 - One potential change of interest to public retirement systems is requirement to show Investment Risk Defeasement Measure
 - Equal to difference between theoretical risk-defeased liability measure and market value of assets (comparable to UAAL)
 - Main difference would be lower discount rate, likely based on treasuries or high quality bond yields
 - Rough estimate is liabilities based on a 4% discount rate would be about 50% greater than the actuarial accrued liability reported in the funding valuation
 - Some details of calculation not yet defined
 - Potential impact is disclosing an additional number which may appear to show a large shortfall in the funding valuation report
- Potential revisions to several other Pension ASOPs under consideration
 - Only item of note is apparent preference not to grade in assumption changes
 - Consistent with approach LACERA used in smoothing contribution rates (not assumptions) when assumptions were changed a few years ago

Slide from December Presentation – Follow-up



1. Projections assume that all actuarial assumptions are met after June 30, 2018 (except alternate returns where noted) and reflect the scheduled recognition of asset gains and losses currently being deferred. Actual results will vary.

Variable Returns Slide – Additional Details

- Purpose of slide is to provide a rough measure of expected variance due to one key variable (future returns)
- Models variance in future returns
 - Does not address potential variance in experience due to other factors
 - Does not account for changes in assumptions that may occur
- Return distribution
 - Based on Meketa's 10-year capital market assumptions for 2018
 - Assumes each year's returns are independent of prior year
 - Distribution of returns is assumed to be lognormal, but over longer periods is fairly close to a normal distribution

CalPERS Changes

- CalPERS is making changes to their actuarial funding
 - Lowering investment return assumption from 7.5% to 7.0%
 - Moving toward a more conservative asset allocation
 - Reducing amortization period
- From CalPERS communication “A Solid Foundation for the Future”
<https://www.calpers.ca.gov/page/about/organization/facts-at-a-glance/solid-foundation-for-the-future>

CalPERS – Amortization Period

Shorter Amortization

Shortened the amortization period for employers to pay their unfunded liability

30 yrs.



20 yrs.

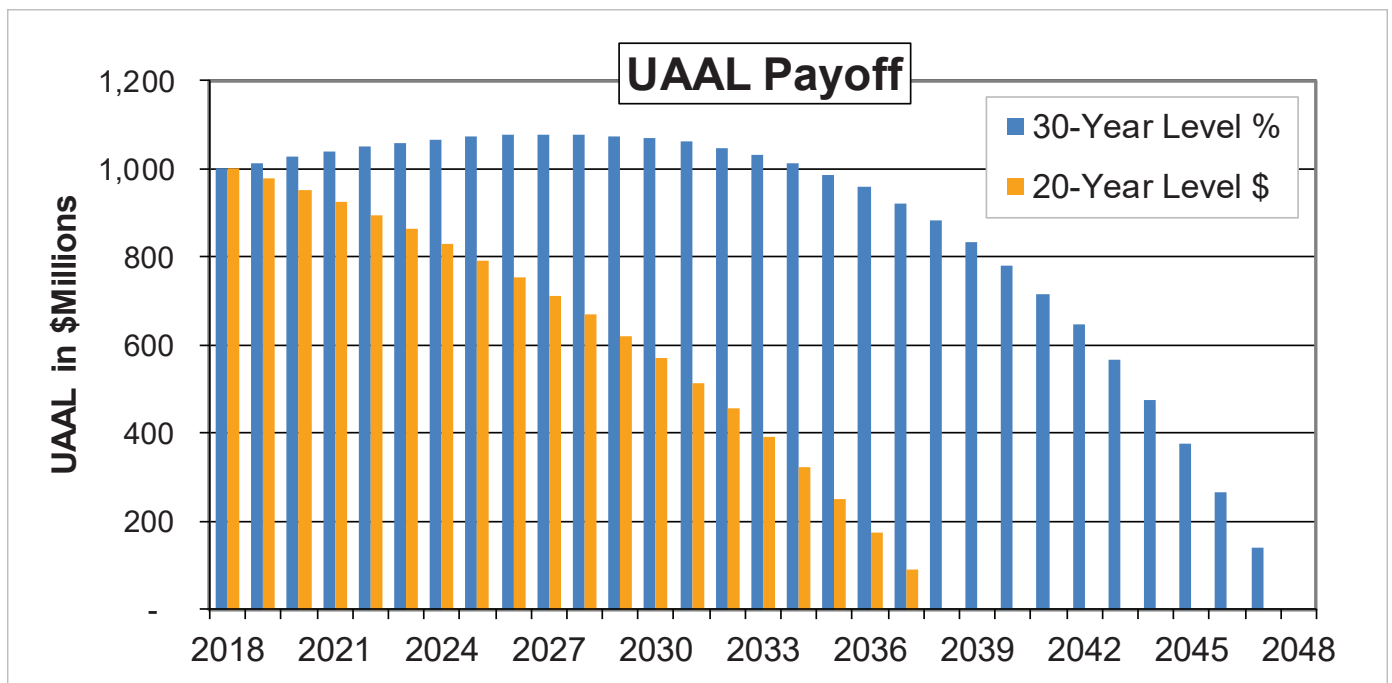


significant long-term savings

- CalPERS is moving to 20-year period for future amortization layers (no change to existing layers)
- Shorter amortization period creates savings in that contributions come in earlier and have longer period to earn interest
 - Opposite is true when gains are recognized over shorter period
- CalPERS uses level \$ amortization; LACERA uses level % amortization
- LACERA uses 30-year period
- Compared to 20-year period, a 30-year amortization of the UAAL will result in:
 - Generally lower funded ratios
 - Reduced year-to-year contribution rate volatility
 - Lower employer contribution rates in the short term

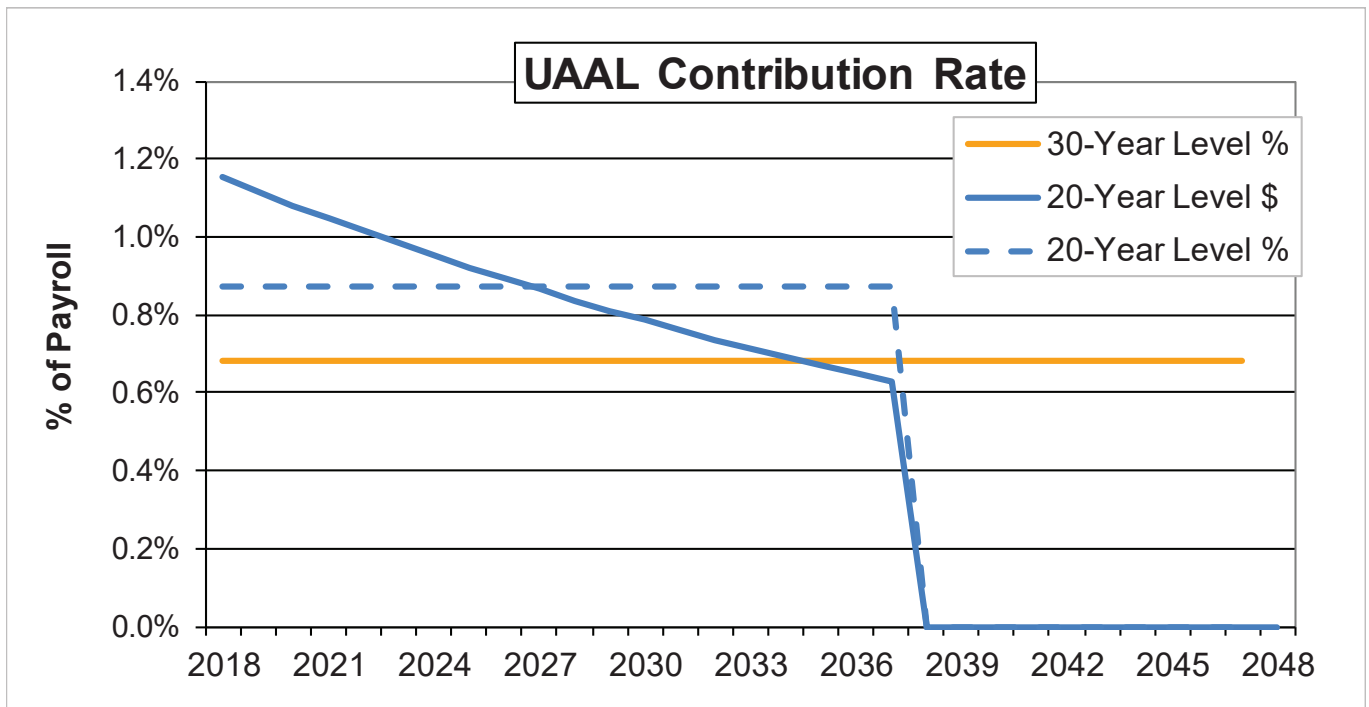
Comparison of UAAL Amortization

- LACERA’s current policy has negative amortization (increasing UAAL) in early years for new payment layers
 - Example of one layer with a \$1 billion actuarial loss in 2018



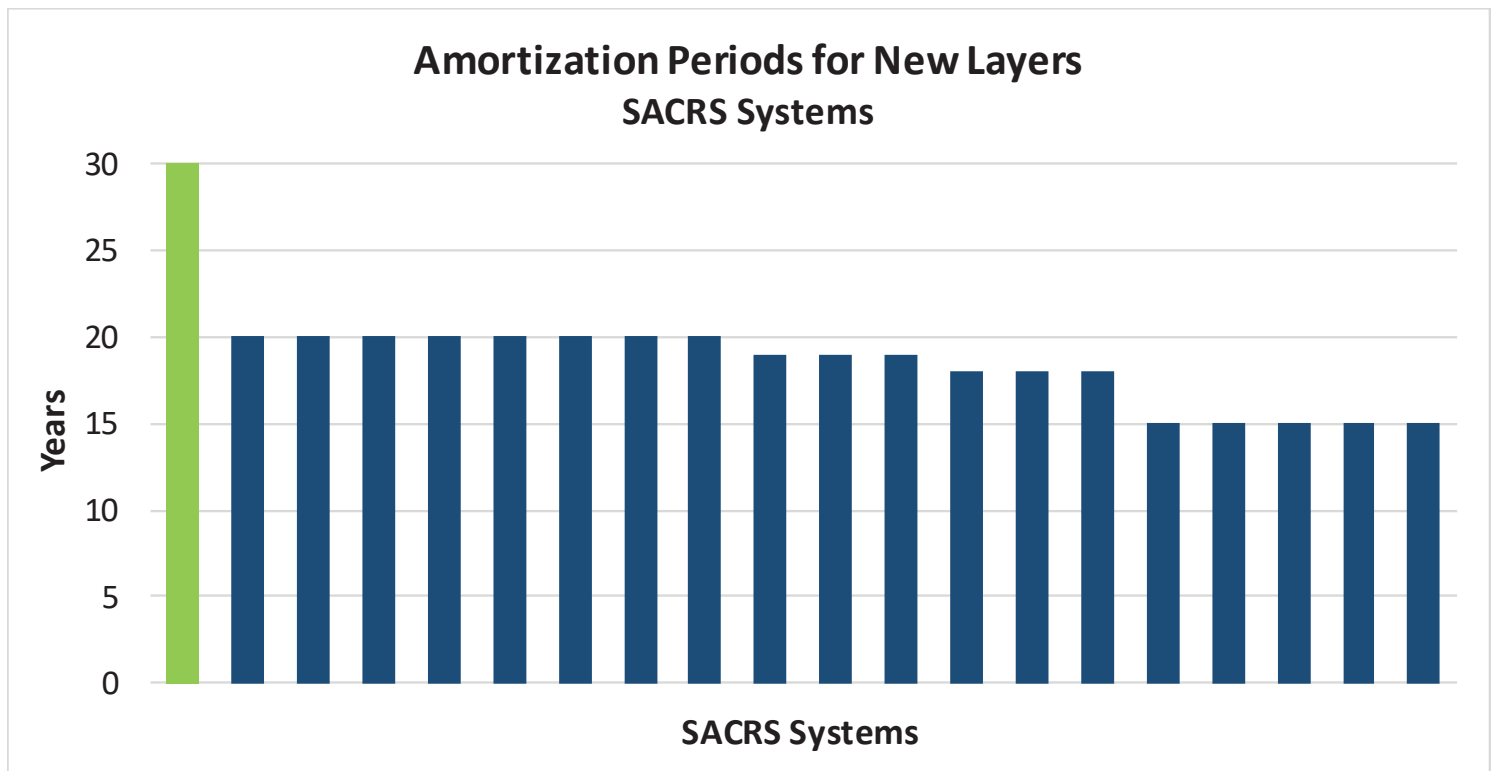
Comparison of UAAL Amortization Payments

- 30-year amortization results in lower initial contributions (compared to a shorter period), but paid over a longer period of time
 - Example of one layer with a \$1 billion actuarial loss in 2018



What are Other SACRS Systems Doing?

- LACERA (green bar) has the longest amortization period



Actuarial Guidance on Amortization Policy

- Actuarial standards do not provide specific guidance on funding policy
- California Actuarial Advisory Panel (CAAP) paper
 - *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans and Level Cost Allocation Model* (Nov. 2015)
 - Also, there is a white paper from the Conference of Consulting Actuaries public plan group, which is essentially parallel to CAAP paper
- CAAP paper provides guidelines, not requirements

“This document is intended as advice to actuaries and retirement boards in the setting of funding policy. It is not intended to be proscriptive, nor is it intended to supplant or replace the applicable Actuarial Standards of Practice (ASOPs)”

Amortization Policy – CAAP Guidelines

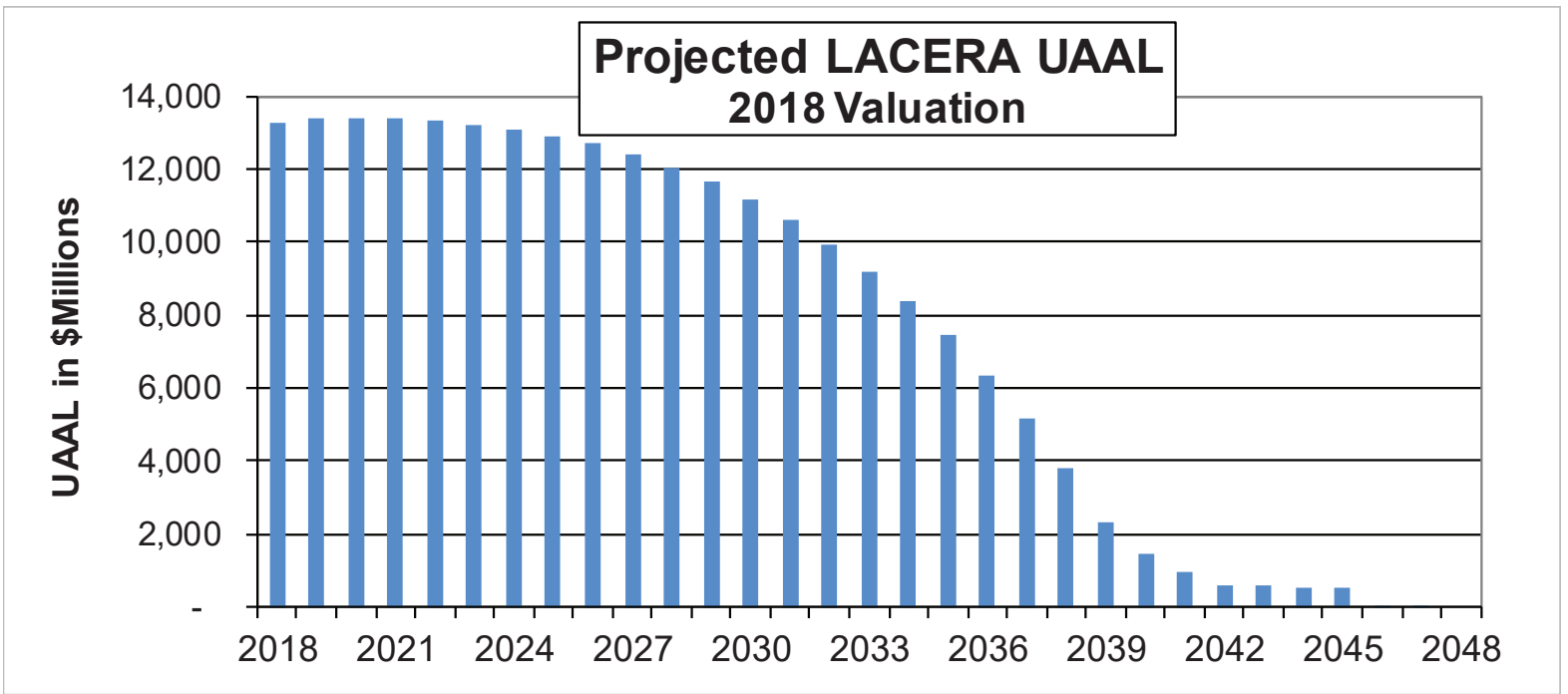
- LACERA’s amortization methods fall in the “Non-recommended Practices” category as defined in CAAP document, due to 30-year amortization period
- Abridged summary of amortization guidelines from CAAP document

| Category | Type | Period |
|--------------------------------------|---|--|
| Model practice | Layered, level % of pay | 15 to 20 years |
| Acceptable practices | 1. Layered, level \$ 2. Rolling | 1. 15 to 20 years 2. No negative amortization |
| Acceptable practices with conditions | Layered, level % of pay | Up to 25 years |
| Non-recommended practices | 1. Closed amortization 2. Layered 3. Rolling | 1. Not specified 2. Over 25 years 3. With negative amortization |
| Unacceptable practices | 1. Layered 2. Rolling | 1. Over 30 years 2. Over 20 years |

LACERA's Projected UAAL Amortization

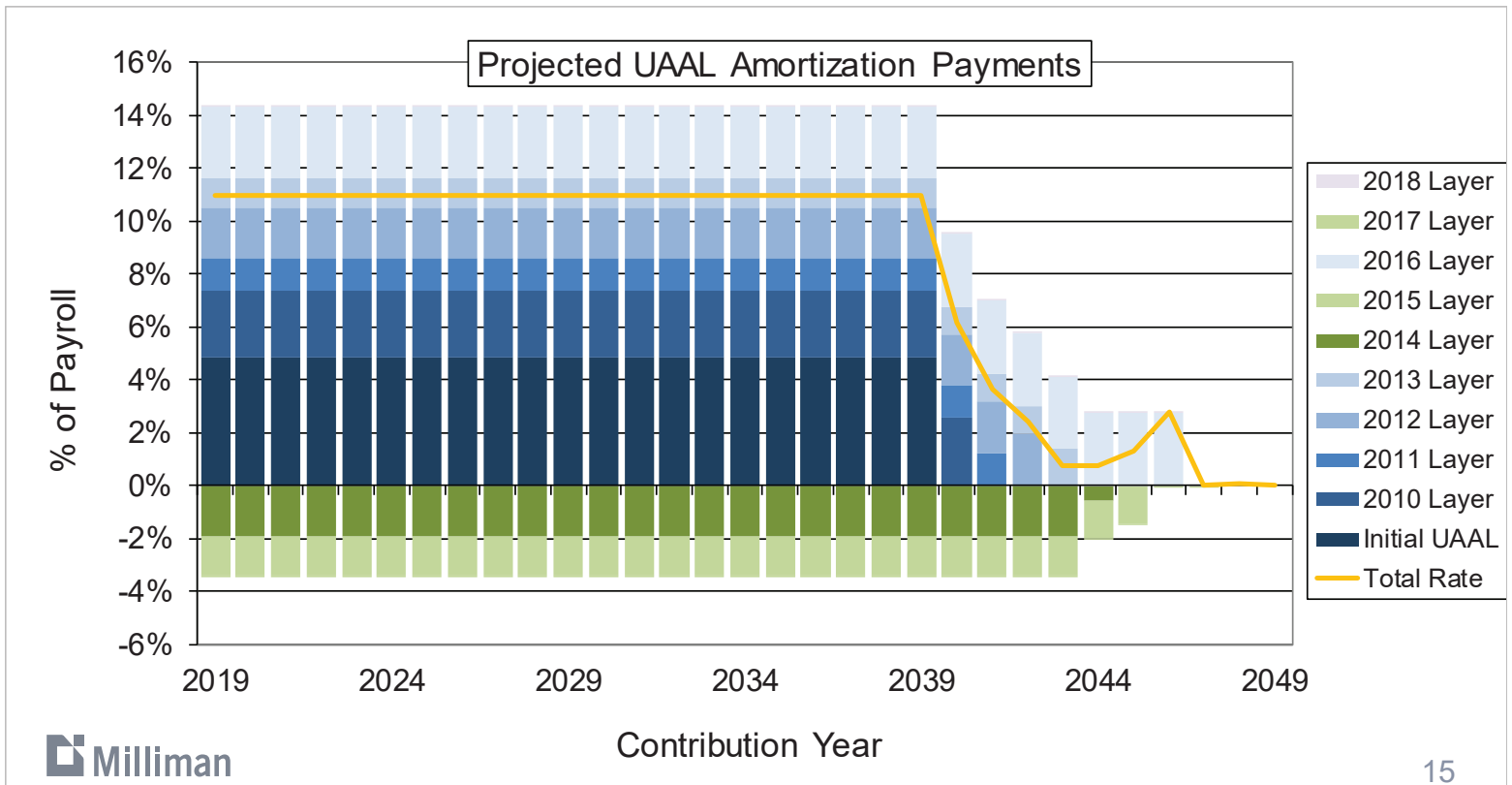
2021: first year UAAL is projected to decline

2023: first year UAAL is projected to be less than current UAAL



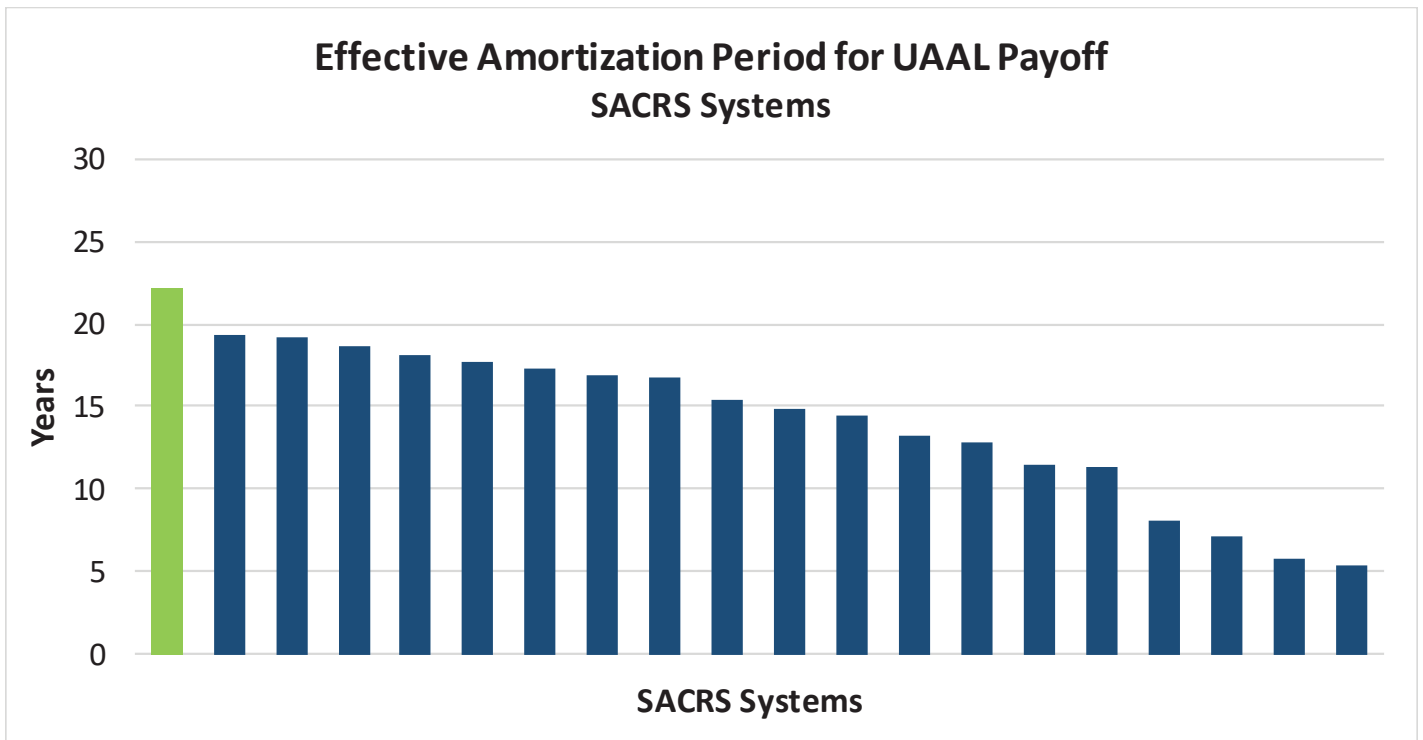
LACERA's Projected UAAL Payments

- Shows projected payments (assuming no future gains or losses)
- First year: Loss payments in blue (14.39%) less gain payments in green (3.40%) equal total UAAL in yellow (10.99%) from 2018 valuation



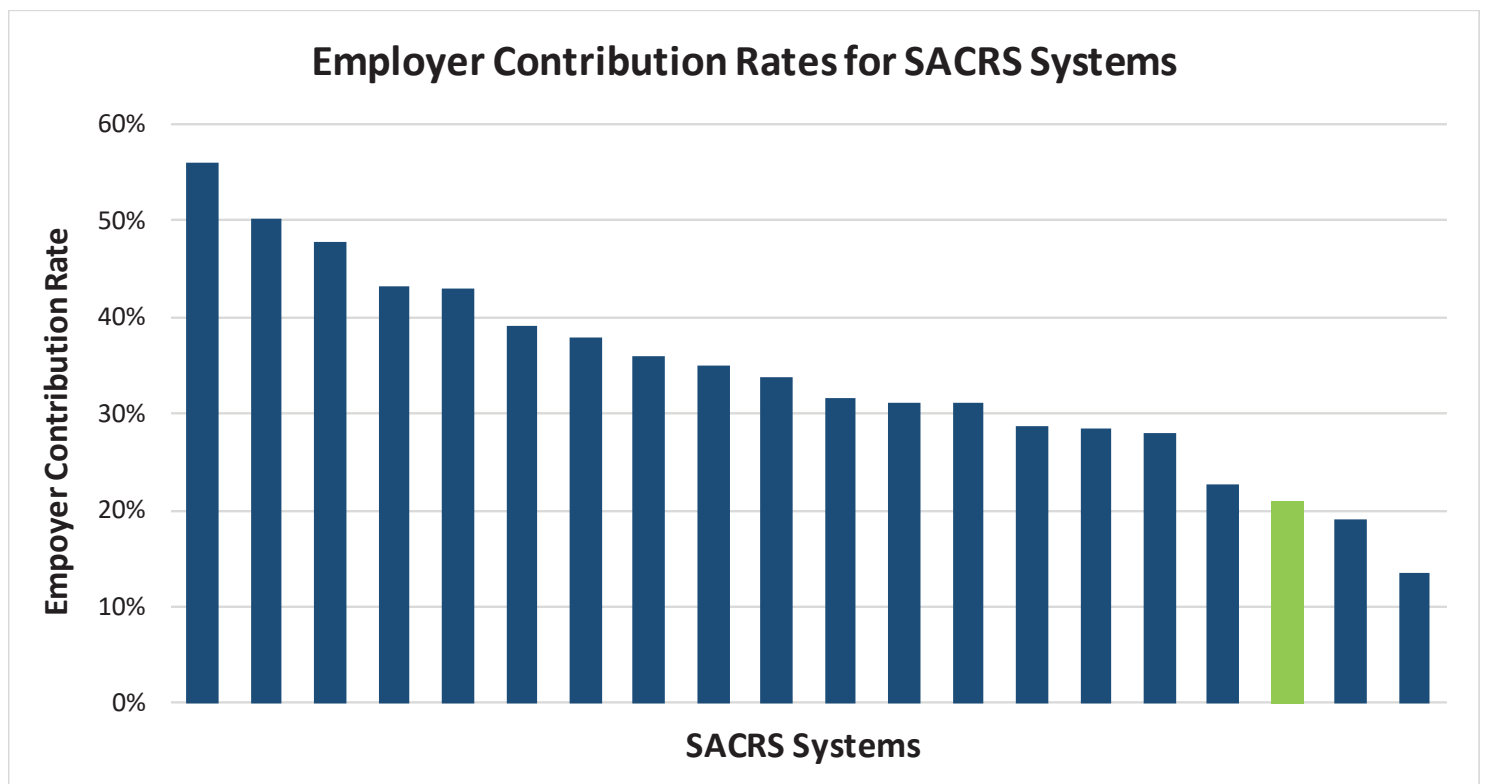
Effective Amortization Period

- Effective amortization period measures projected time until UAAL is paid off if current employer contribution rate were fixed in the future



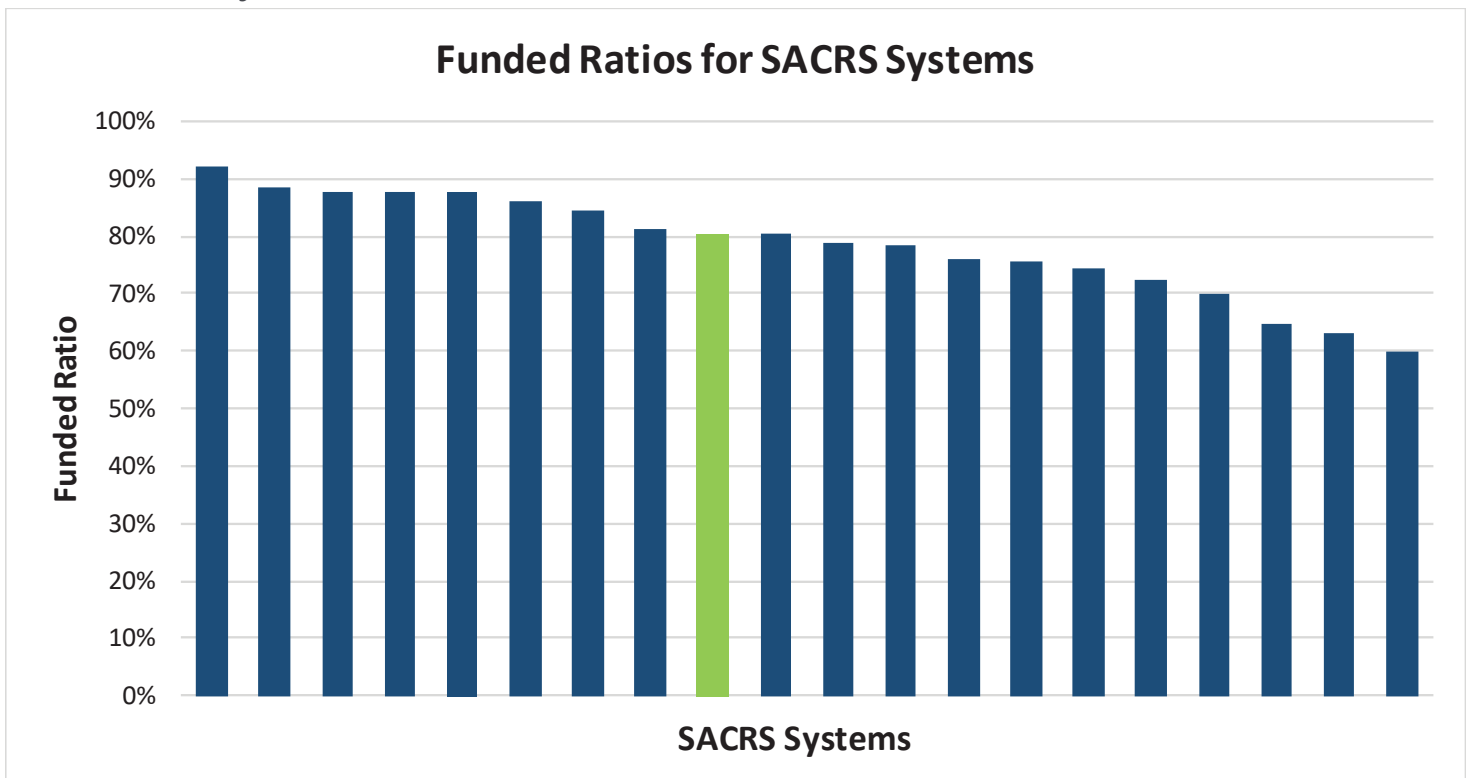
Comparison of Employer Contribution Rate

- Participating employers of LACERA have among the lowest contribution rates



Comparison of Funded Ratio

- LACERA's funded ratio is about average in comparison to other SACRS systems



Conclusion

- New Actuarial Standard of Practice will result in additional disclosure in funding valuation report
- LACERA's current amortization period is longer than other California systems and is "Non-Recommended" under guidelines published by the California Actuarial Advisory Panel
- Triennial Investigation of Experience to be completed in 2019
 - All actuarial assumptions and methods will be reviewed

Questions?



Caveats and Disclaimers

This presentation is based on the data, methods, assumptions and plan provisions described in our actuarial valuation report dated November 29, 2018. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation. These statements include reliance on data provided, on actuarial certification, and the purpose of the report.

Where information is taken from other sources, this information represents our interpretation of the source data.

Milliman's work product was prepared exclusively for LACERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations, and uses LACERA's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

December 20, 2018

TO: Each Member
Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: January 9, 2019 Board of Investments

SUBJECT: **STATE STREET UPDATE**

At the September 12, 2018 Board of Investment (BOI) meeting, Andrew Erickson, an Executive Vice President at State Street addressed the Board concerning three data security incidents that occurred at State Street Bank, and provided information about wire fraud charges related to former State Street executives. During that meeting, the BOI requested that State Street give an update to these incidents at a subsequent meeting. Based off that request, Hemant Bhide, Senior Vice President at State Street will provide further information to the BOI at the January meeting. Attached is Hemant Bhide's biography.



Hemant Bhide

Senior Vice President, IS
Americas, Asset Owner
Institutional Investor Services

Hemant is responsible for the US Asset Owner business and reports into John Lehner. He joins from PricewaterhouseCoopers where he was most recently a partner in their Financial Services Advisory practice. Hemant's broad range of experience spans the front, middle and back-office including helping firms strengthen their service models to help protect against operational, technology and regulatory risks.

Hemant has 18 years of experience working with Public Sector Pension funds, Endowments and Foundations in reviewing and assessing their mission, value and strategy and ensuring alignment of business functions from a Technology, Operations, Compliance, Risk and Governance and Control perspective.

Hemant earned a Master of Business Administration degree in Finance and Strategy from the F.W. Olin School of Business at Babson College and a Bachelor of Arts degree in Economics from Clark University.

December 19, 2018

TO: Each Member
Board of Investments

FROM: John McClelland 
Principal Investment Officer

FOR: January 9, 2019 Board of Investments Meeting

**SUBJECT: Real Estate Performance
Q2 2018**

The Board's real estate consultant, The Townsend Group, has prepared a performance measurement report for the period ending June 30, 2018. **ATTACHMENT A** is the report.

Staff has prepared summary slides to reference in its oral report to the Board about the report. **ATTACHMENT B** contains the slides.

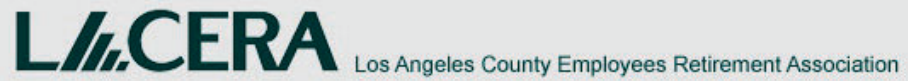
Noted & Reviewed:



Jonathan Grabel
Chief Investment Officer



Los Angeles County Employees Retirement Association
Real Estate Performance Measurement Report
Second Quarter 2018



Funding Status

| LACERA Portfolio Snapshot As of June 30, 2018 | Market Value (in millions of dollars) | % of LACERA Plan |
|---|--|------------------|
| LACERA Total Plan Assets | 55,953 | |
| Private Portfolio Target | 6,155 | 11.00% |
| Private Portfolio Permissible Range | | 8.0 - 16.0% |
| Private Real Estate | | |
| Core Portfolio (including Debt) | 4,851 | 8.7% |
| Non-Core Portfolio | 1,512 | 2.7% |
| Total LACERA Private Real Estate Market Value | 6,363 | 11.4% |
| Total LACERA Private Real Estate Unfunded Commitments | 985 | 1.8% |

- LACERA's benchmark was the NCREIF Open-end Diversified Core Equity Fund Index (NFI-ODCE) + 40 BPS as of June 30, 2018. A history of the composition of the benchmark is provided in the appendix.
- As of June 30, 2018, the LACERA Portfolio was in line with its Strategic Plan guidelines, with the exception of the 41.2% exposure to the West Region (compared to its target of <40%), which is anticipated to fall in line with planned liquidations.
- Structural changes to the LACERA Real Estate Program (officially approved by the LACERA Board of Investments in July 2018) are not reflected in the Second Quarter 2018 Real Estate Performance Measurement Report. Changes will be reflected in future reports.

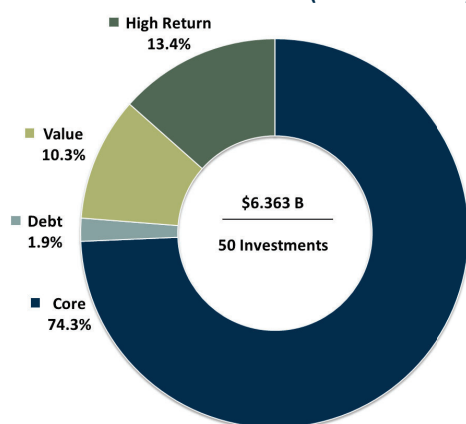
¹ As of June 30, 2018, Real Estate Market Value totaled \$6,363,244,904 (11.4% of Total Plan Assets)

² As of June 30, 2018, Unfunded Commitments totalled \$984,585,613 (1.8% of Total Plan Assets)

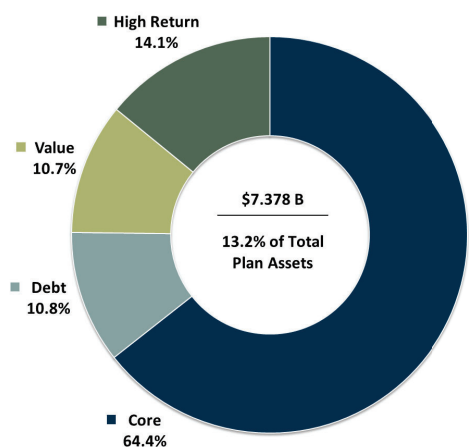
*Unfunded commitments is the balance of Client Commitments to Investments which remain to be called for the Investments.

Portfolio Composition

PORTFOLIO COMPOSITION (MARKET VALUE)



PORTFOLIO COMPOSITION (MARKET VALUE & UNFUNDED COMMITMENTS)



| Portfolio Composition | Strategic Limit | Current Status |
|------------------------|-----------------|----------------|
| Core (including Debt): | ≥ 60% | 76.2% |
| Non-Core: | ≤ 40% | 23.8% |
| Value: | ≤ 40% | 10.3% |
| High Return: | ≤ 20% | 13.4% |
| Public REITs: | ≤ 15% | N/A |
| Total Portfolio: | N/A | N/A |

| Strategic Plan Leverage Limits | Strategic Limit* | Current Status |
|--------------------------------|------------------|----------------|
| Core: | 50% | 36% |
| Non-Core: | | |
| Value: | 65% | 24% |
| High Return: | 80% | 38% |
| Public REITs: | N/A | N/A |
| Total Portfolio: | 50% | 36% |

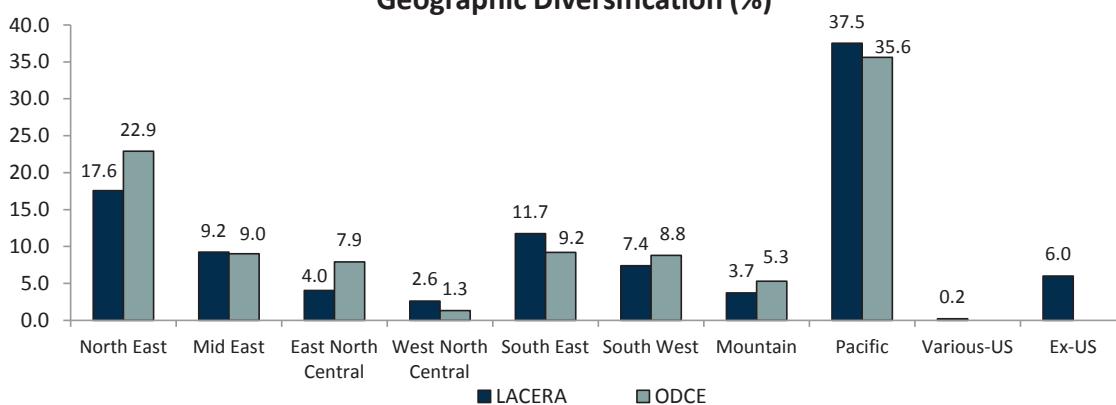
The following managers are within 500 bps of LTV limit:

| Core: | |
|-----------------------------------|----------------------------|
| Barings Debt I.M.A. | Heitman Core I.M.A. |
| CityView I.M.A. | |
| Value-Added: | |
| CapMan Nordic Real Estate Fund II | Hunt UK Realty Partners LP |

*The Strategic Plan limits leverage on any single investment or manager portfolio, measured on a loan to value (LTV) basis, for the strategies listed.

Portfolio Diversification

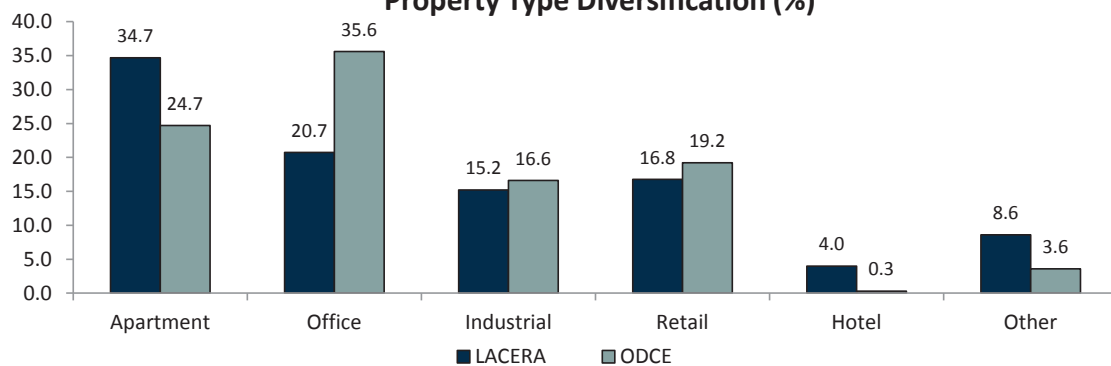
Geographic Diversification (%)



International Exposure

| Ex-US | 5.99% |
|----------------|-------|
| United Kingdom | 0.91% |
| Australia | 0.86% |
| Japan | 0.57% |
| Germany | 0.56% |
| France | 0.52% |
| Netherlands | 0.45% |
| South Korea | 0.33% |
| Poland | 0.31% |
| China | 0.30% |
| Czech Republic | 0.21% |
| Sweden | 0.18% |
| Italy | 0.18% |
| Spain | 0.17% |
| Other | 0.43% |

Property Type Diversification (%)

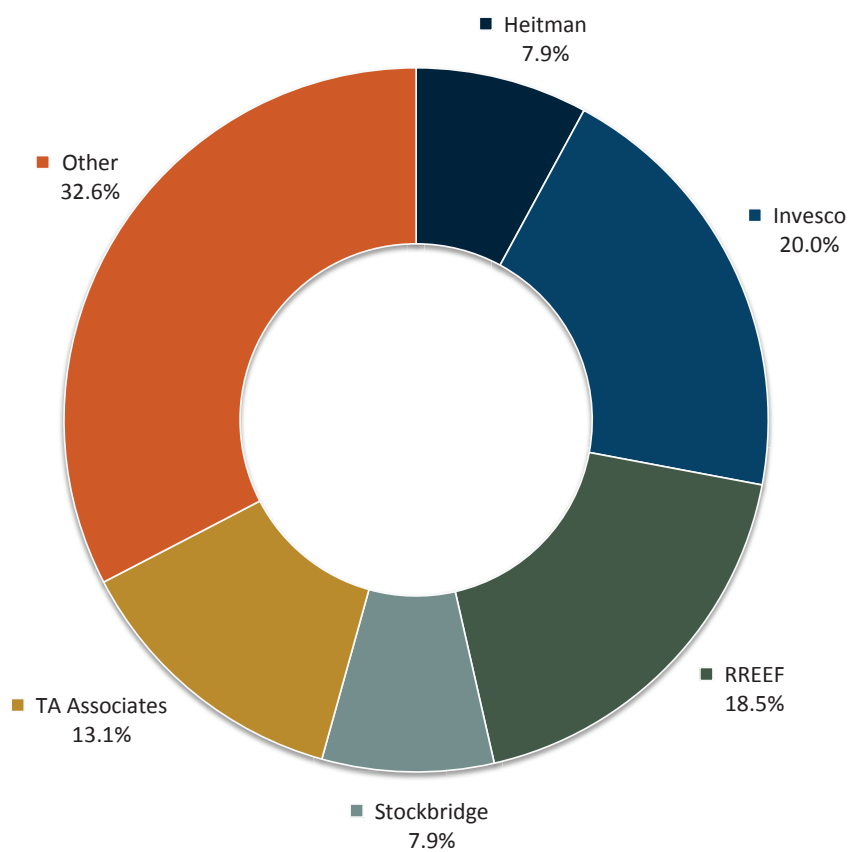


The Property Type 'Other' includes investments in Student Housing, Parking Structures and Land.

Manager Allocations (based on Market Values)

AS OF JUNE 30, 2018:

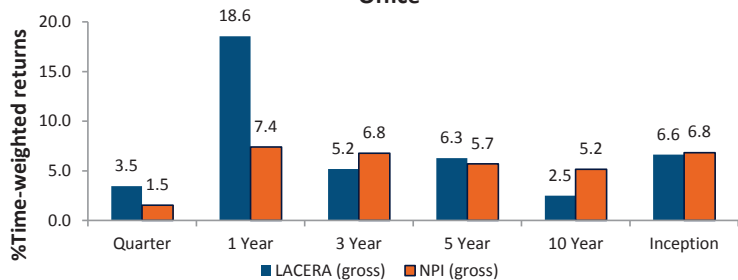
TOTAL PORTFOLIO



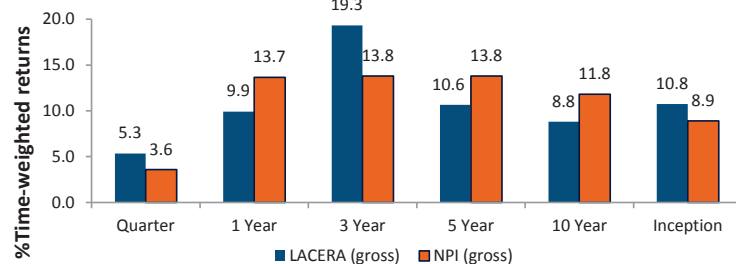
Performance by Property Type (based on Separate Account Assets)

AS OF JUNE 30, 2018:

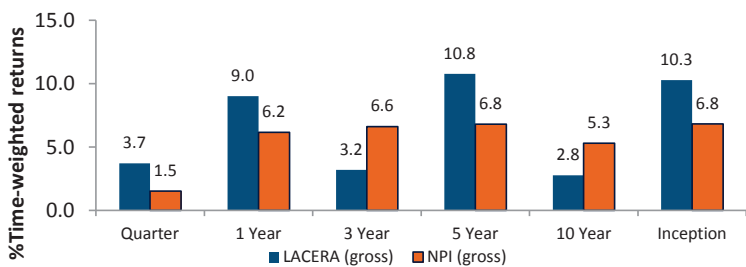
Office



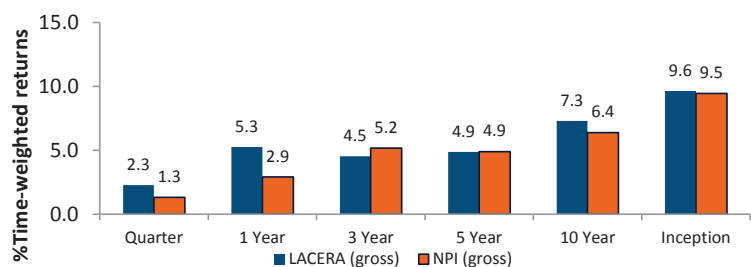
Industrial



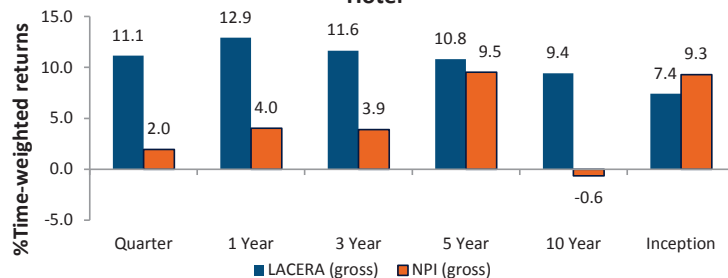
Apartments



Retail



Hotel

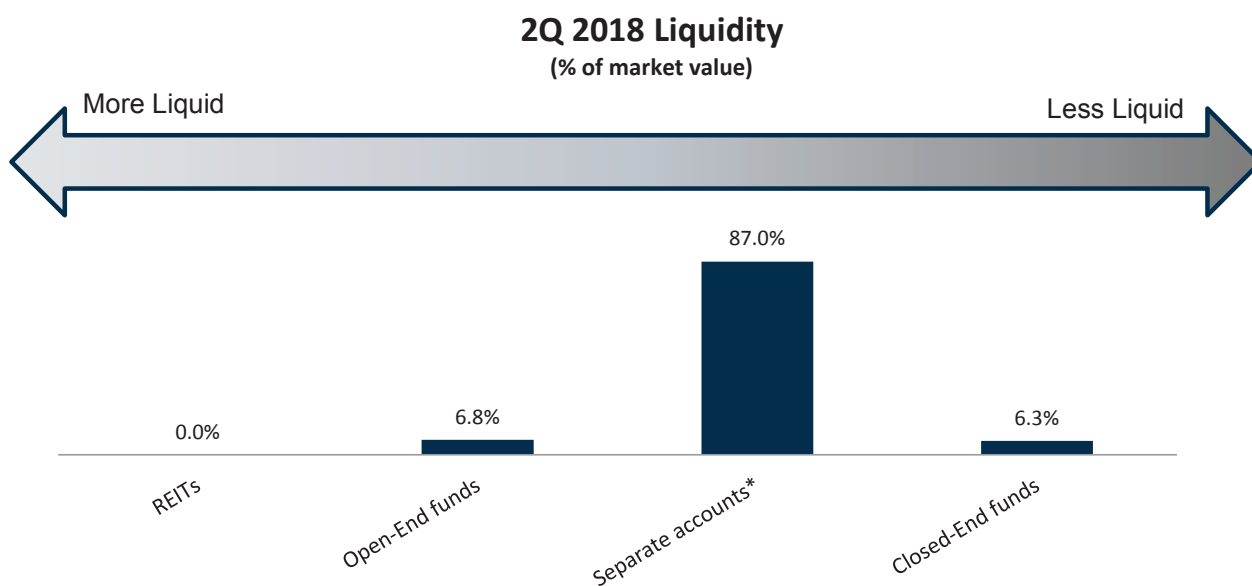


Liquidity of Portfolio

LACERA may exercise rights to exit approximately 94 % of its real estate investments (separate accounts and open-end funds). Average liquidity is 90 – 180 days (not daily).

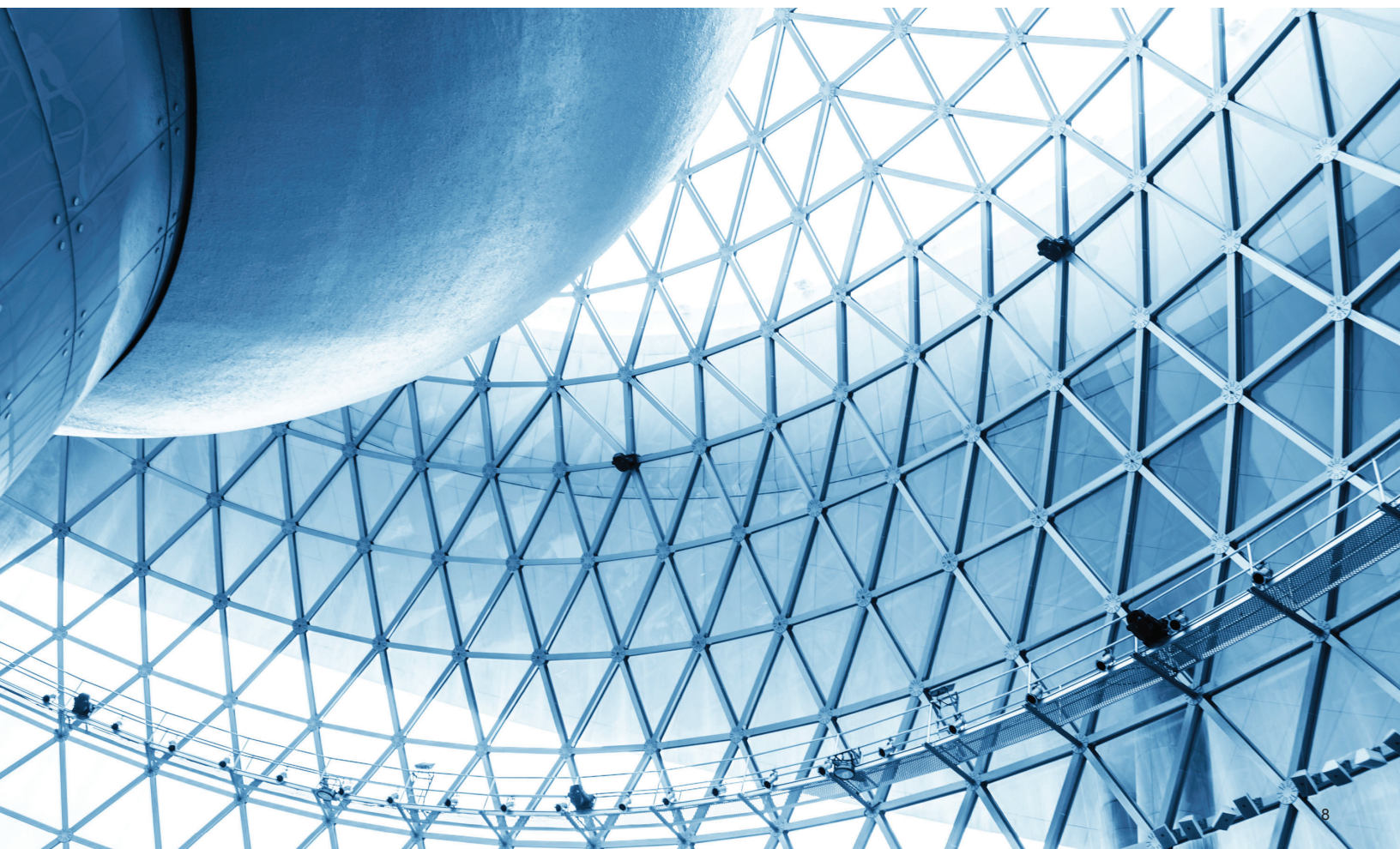
6% of LACERA's Real Estate portfolio is in closed-end commingled funds, which offer limited liquidity over an average 10 year lifespan.

AS OF JUNE 30, 2018:



*Assets held in separate accounts may be liquidated through a marked sales process at the portfolio or single asset level.

Portfolio Performance



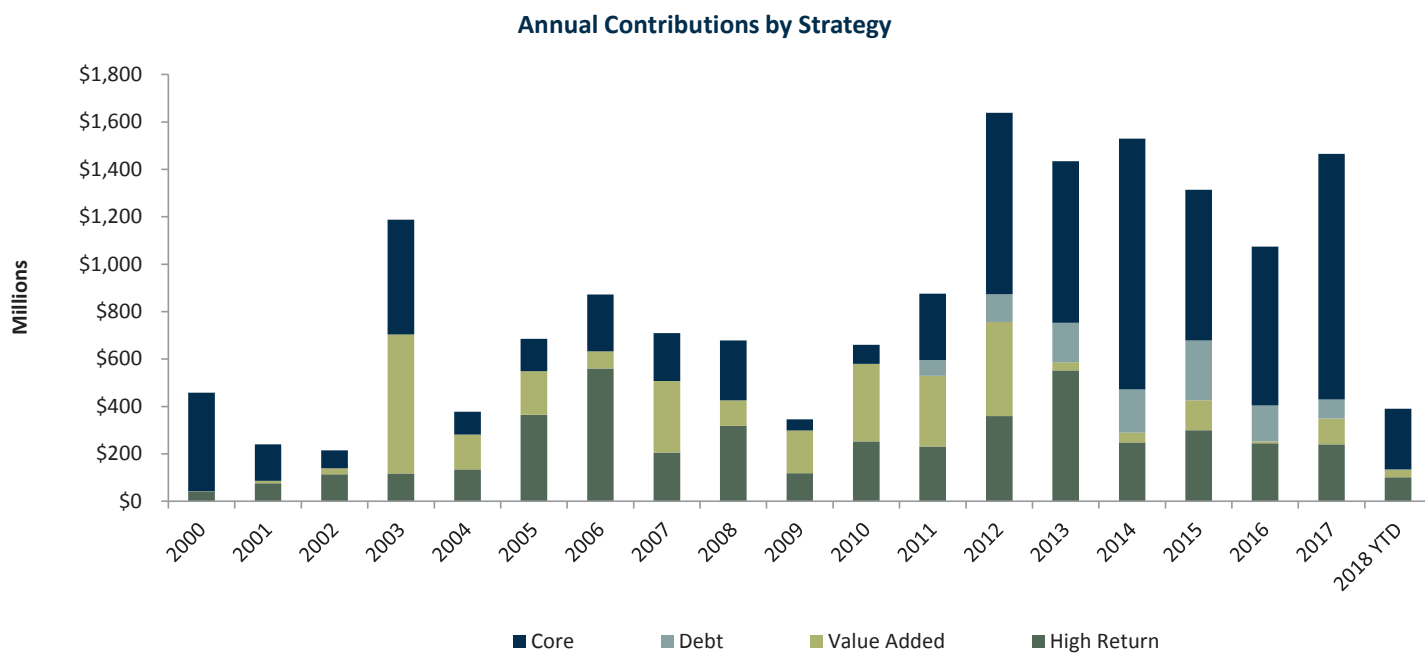
LACERA Private Real Estate Portfolio



LACERA Historical Investments by Strategy

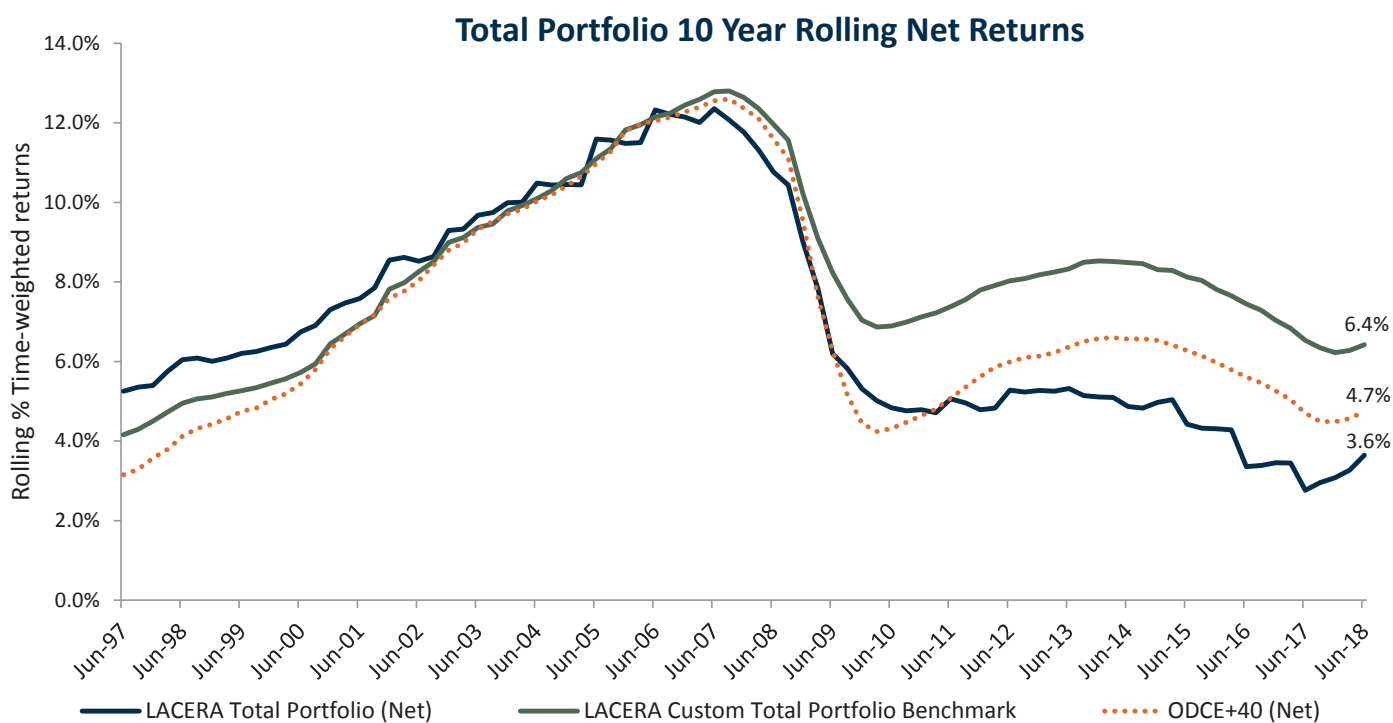
LACERA reduced its real estate investment into the downturn, then began to increase investment into the recovery.

Beginning in 2012, LACERA increased its annual commitments to real estate, with a large focus on Core real estate investing, as illustrated in the graph below.



LACERA Total Return vs. Benchmark

The LACERA Total Portfolio performance is displayed below (net of fees) over the rolling ten year time periods ending June 30, 2018.

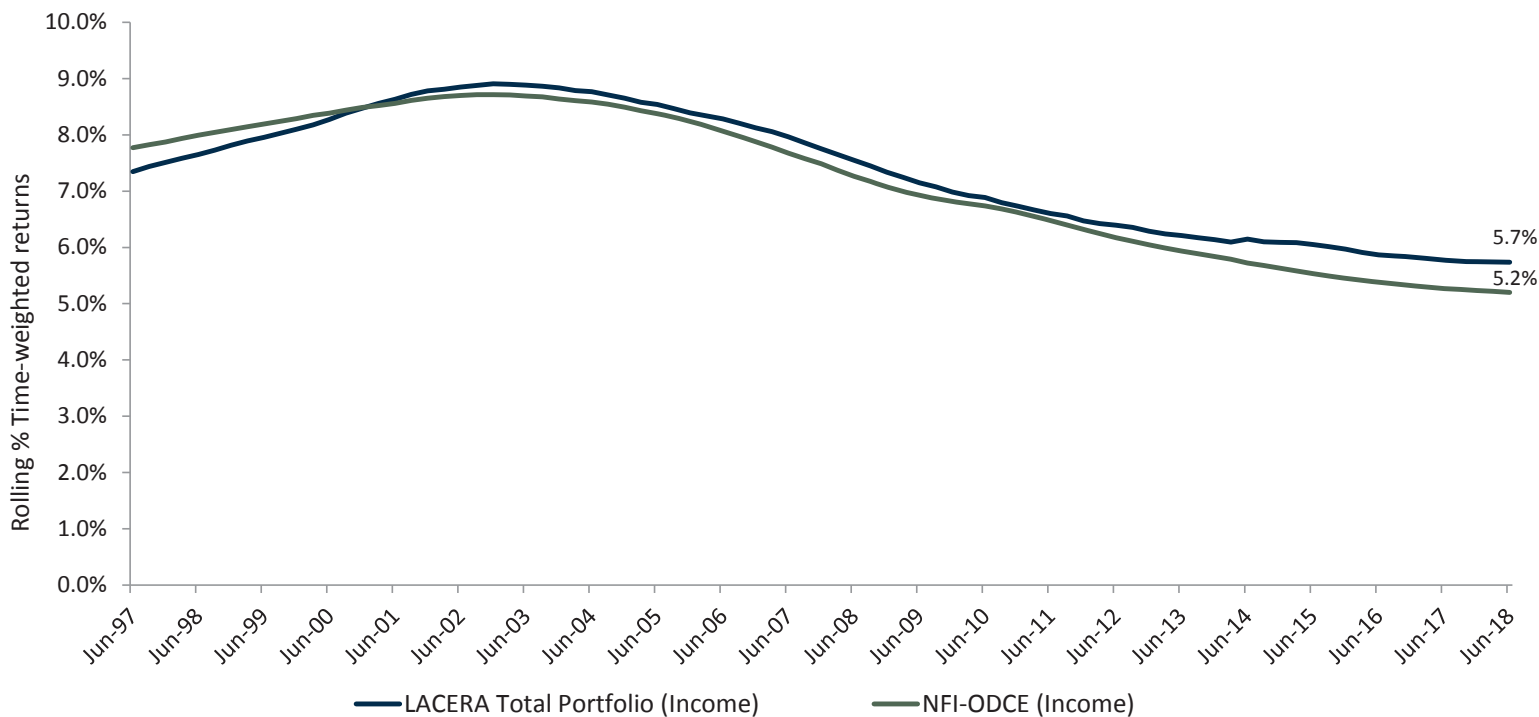


- Until 2Q13 the benchmark was NPI+25bps, which does not include the effects of leverage or fees in quarterly returns.
- NPI+25bps was replaced with NFI-ODCE+40bps, which illustrates the effects of leverage and fees on benchmark returns.

LACERA Income Return vs. NFI-ODCE Income Return

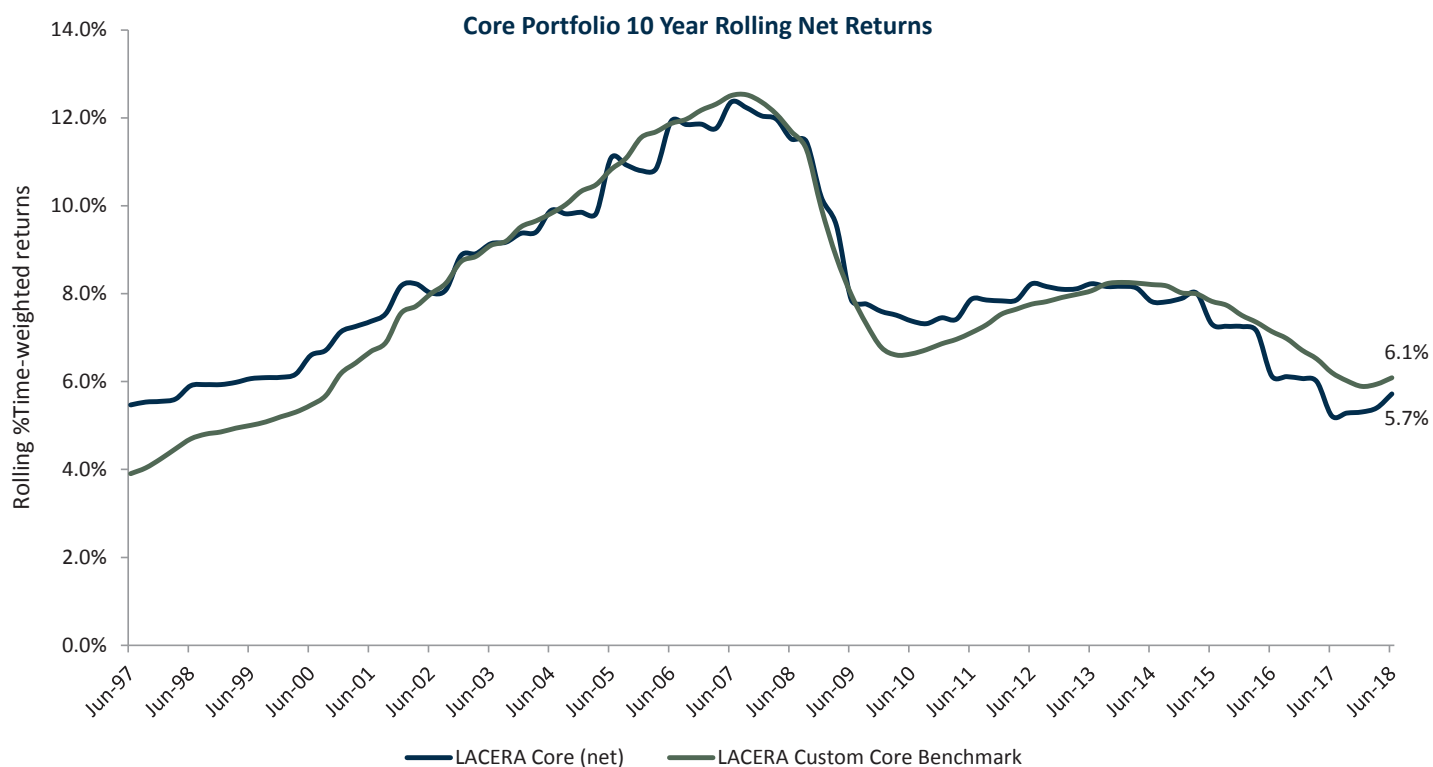
Relative to the NFI-ODCE, LACERA's Total Portfolio income return has outperformed since 2001, as displayed over rolling ten year time periods ending June 30, 2018.

Total Portfolio 10 Year Rolling Income Returns



LACERA Core Portfolio vs. Benchmark

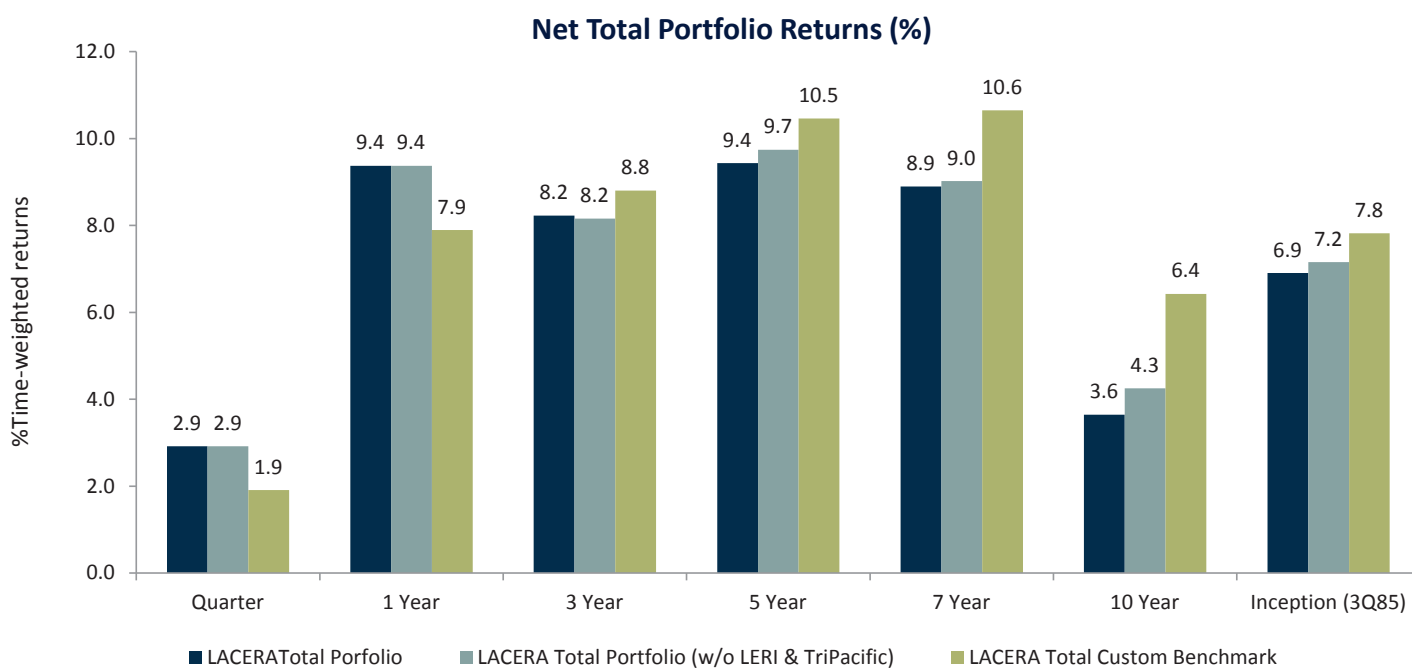
Relative to its respective benchmark, the LACERA Core Portfolio (net of fees) performed as displayed over rolling ten year time periods ending June 30, 2018:



See appendix for composition of LACERA Custom Benchmarks.

LACERA Total Portfolio vs. Benchmark

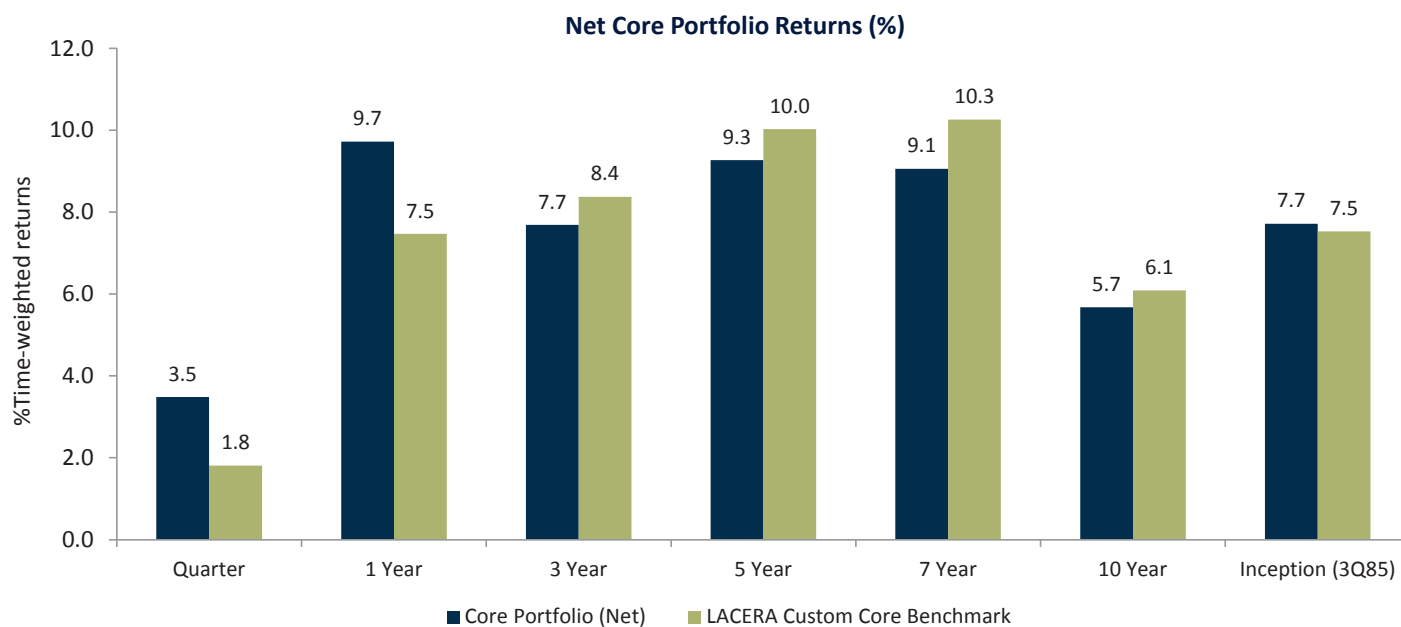
Relative to its respective benchmark, LACERA's Total Portfolio (net of fees) performed as follows for the period ending June 30, 2018:



See appendix for composition of LACERA Custom Benchmarks.

LACERA Core Portfolio vs. Benchmark

Relative to its respective benchmark, LACERA's Core Portfolio (net of fees) performed as follows for the period ending June 30, 2018:

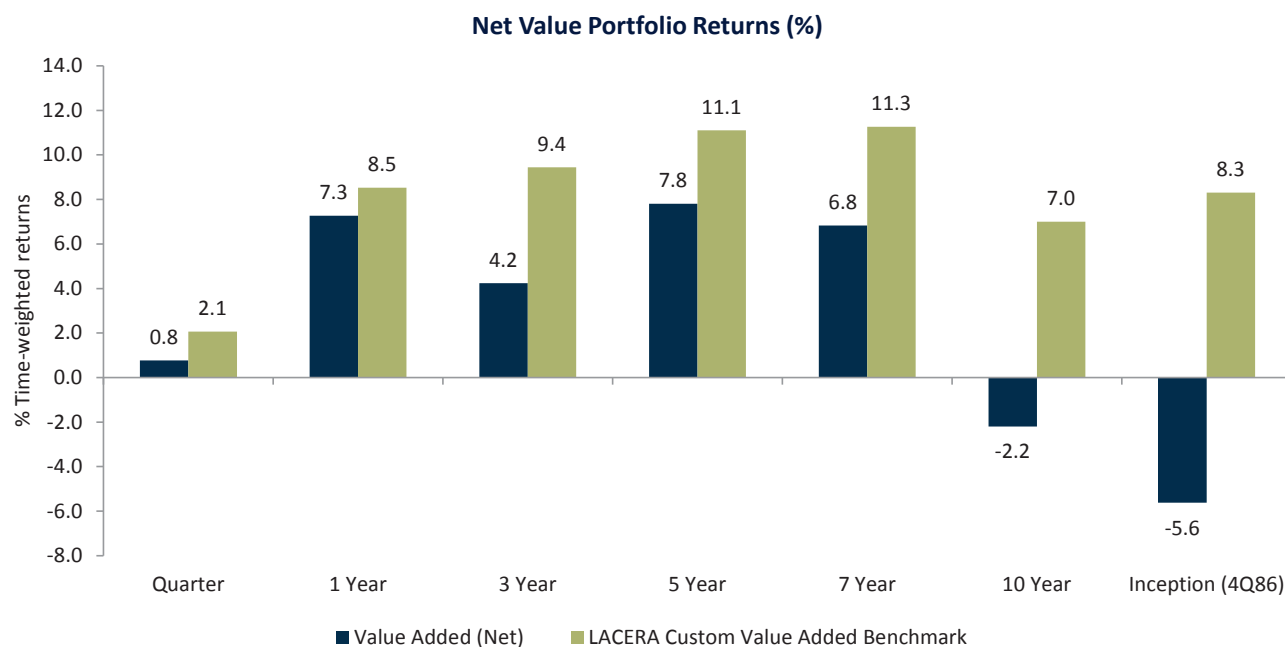


See appendix for composition of LACERA Custom Benchmarks.
Core Portfolio includes debt investments.

LACERA Value Portfolio vs. Benchmark

The Value Portfolio's underperformance was heavily impacted by a retail asset experiencing a sizable valuation adjustment.

Relative to its respective benchmark, LACERA's Value Portfolio (net of fees) performed as follows for the period ending June 30, 2018:



Value IMAs by Manager and Vintage Year

| | Peak Market Value | Liquidated | IRR Since Inception ³ | Net TWR Since Inception ³ | Match Period All Value Index ⁴ | Match Period NPI+25 |
|------------------------------|-------------------|------------|----------------------------------|--------------------------------------|---|---------------------|
| Barings Value IMA | | | | | | |
| Vintage 2003 | \$340.1m | Active | 5.8% | 1.2% | 9.6% | 9.2% |
| Heitman Value IMA | | | | | | |
| Vintage 2013 | \$15.3m | Active | 11.9% | 13.7% | 10.8% | 9.8% |
| Invesco Value IMA | | | | | | |
| Vintage 1998 | \$14.5m | 2001 | 19.2% | 26.3% | 10.4% | 10.4% |
| Vintage 2004 | \$52.0m | 2006 | 7.8% | 8.9% | 19.0% | 19.0% |
| Vintage 2010 | \$208.7m | Active | 8.0% | 7.2% | 11.6% | 10.8% |
| Vintage 2012 | \$170.5 m | Active | 4.7% | 5.2% | 11.2% | 10.1% |
| Stockbridge Value IMA | | | | | | |
| Vintage 2014 | \$60.5m | Active | 5.6% | 4.4% | 10.7% | 9.7% |
| Vanbarton Value IMA | | | | | | |
| Vintage 2003 | \$73.0m | 2005 | 12.9% | n/a | 17.1% | 17.1% |
| Vintage 2006 | \$214.0m | Active | -0.6% | -0.8% | 8.0% | 7.6% |

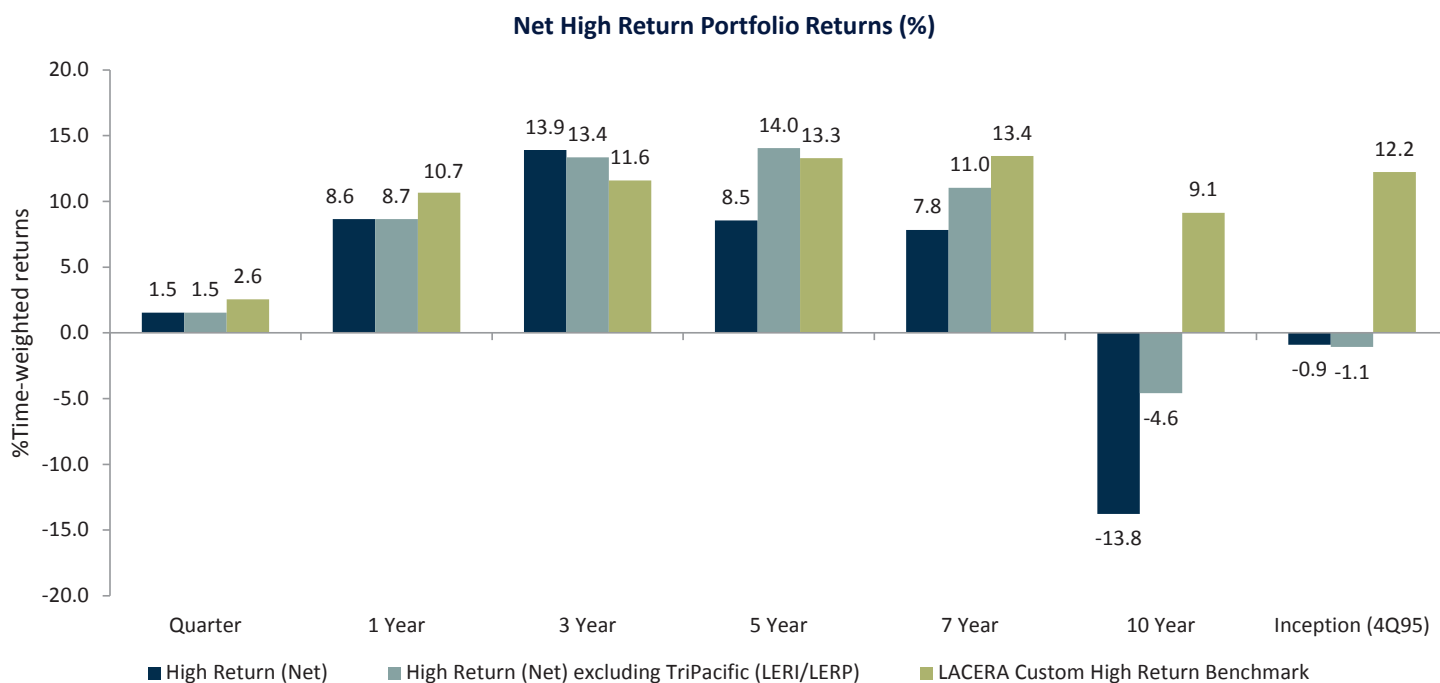
³ Returns displayed for liquidated IMAs represent returns achieved from inception through the time of liquidation of the last asset.

⁴ The "Value Index" shown for liquidated investments is the Townsend Value Funds Index, an internally maintained data set of comparable peer funds; active funds are shown relative to the current Value Added benchmark, the NFI-ODCE + 100 bps.

LACERA High Return Portfolio (Net) vs. Benchmark

Several development assets are completing construction and are in the beginning stages of stabilizing, driving recent performance. Appreciation gains upon completion are starting to materialize leading to strong capital creation.

Relative to its respective benchmark, LACERA's High Return Portfolio performed as follows for the period ending June 30, 2018.



The IMA Portfolios' Annualized Income and Net Total Returns

AS OF JUNE 30, 2018:

| VEHICLE | PRIMARY MANDATE | ENDING MARKET VALUE | 1-YEAR INCOME RETURN (ODCE 1-YEAR INCOME RETURN = 4.3%) | 1-YEAR NET RETURN |
|----------------------|------------------------|---------------------|--|-------------------|
| Barings Debt I.M.A | Core/Value/High Return | \$63,771,975 | 11.6% | 10.4% |
| Barings I.M.A. | Core | \$222,564,493 | 8.9% | 12.3% |
| Capri Capital I.M.A. | Core/Value/High Return | \$389,534,655 | 2.4% | 7.3% |
| Cityview I.M.A. | Core | \$177,337,622 | 4.8% | 4.2% |
| Clarion I.M.A. | Core | \$347,830,202 | 4.1% | 3.8% |
| Gateway I.M.A. | Core | \$115,437,146 | 6.8% | 9.3% |
| Heitman I.M.A | Core | \$497,628,066 | 5.5% | 9.1% |
| Invesco I.M.A. | Core | \$1,142,319,339 | 3.3% | 10.9% |
| Quadrant I.M.A | Core | \$58,046,847 | 8.0% | 8.0% |
| RREEF I.M.A. | Core | \$1,030,450,301 | 4.4% | 8.1% |
| Stockbridge I.M.A. | Core/Value/High Return | \$501,388,570 | 5.3% | 10.1% |
| TA Associates I.M.A. | Core | \$831,194,669 | 6.7% | 9.0% |
| Vanbarton I.M.A. | Value | \$156,980,806 | 4.9% | 3.7% |

LACERA Total Portfolio income and appreciation returns:

The LACERA Portfolio generated a one-year income return of 4.7% compared to the ODCE income return of 4.3%. Appreciation for the same period was 5.4% for LACERA, 4.0% for the ODCE. LACERA's one-year Core income return was 5.3%.

Strategic Plan Compliance



AS OF JUNE 30, 2018:

| POLICY | | CURRENT QUARTER COMPLIANCE | DISCUSSION |
|-----------------------------------|--|----------------------------|--|
| Property Type Diversification | No property exposure exceeds the 40% maximum | YES | None |
| Property Location Diversification | No geographic region exceeds 40% maximum exposure | NO | West Region currently at 41.2%; planned liquidations will rebalance regional exposure. |
| Manager Diversification | No manager exceeds 35% of real estate allocation | YES | None |
| Public REITs | No more than 15% of real estate allocation | YES | None |
| Investment Style Allocation | Core – 60% minimum Non-Core – 40% maximum Value Added – 40% maximum High Return – 20% maximum | YES | None |
| Emerging Managers | Target of 10% of the targeted real estate allocation with a range of 0-20% | YES | None |
| Leverage | No more than 50% LTV on the total real estate portfolio | YES | None |
| International | No more than 20% of the total real estate portfolio | YES | None |

Leverage Compliance

AS OF JUNE 30, 2018:

| CORE (including Debt) | MARKET VALUE | LTV LIMIT | LTV | COMPLIANCE (Y/N) |
|------------------------------------|------------------------|------------|--------------|------------------|
| Individual Managed Accounts | | | | |
| Barings Debt I.M.A | \$63,771,975 | 67% | 65.0% | Y |
| Capri Capital I.M.A | \$331,056,292 | 50% | 36.8% | Y |
| Cityview I.M.A. | \$177,337,622 | 50% | 45.7% | Y |
| Clarion Core I.M.A. | \$347,830,202 | 50% | 44.5% | Y |
| Gateway I.M.A. | \$115,437,146 | 50% | 0.0% | Y |
| Heitman Core I.M.A. | \$482,377,467 | 50% | 46.2% | Y |
| INVESCO I.M.A | \$817,022,201 | 50% | 36.5% | Y |
| Quadrant Debt I.M.A | \$58,046,847 | 50% | 0.0% | Y |
| RREEFF I.M.A | \$851,862,043 | 50% | 33.1% | Y |
| Stockbridge I.M.A | \$388,507,417 | 50% | 40.7% | Y |
| TA Associates I.M.A | \$787,472,785 | 50% | 30.4% | Y |
| SUB TOTAL | \$4,420,721,998 | 50% | 37.5% | Y |
| Commingled Funds | | | | |
| Invesco Real Estate Asia Fund | \$133,278,371 | 50% | 33.8% | Y |
| Prologis European Logistics Fund | \$152,049,218 | 50% | 21.8% | Y |
| RREEF Core Plus Industrial Fund | \$145,330,026 | 50% | 13.4% | Y |
| SUB TOTAL | \$430,657,615 | 50% | 23.6% | Y |
| TOTAL CORE PORTFOLIO | \$4,851,379,613 | 50% | 36.5% | Y |

Leverage Compliance

AS OF JUNE 30, 2018:

| VALUE ADDED | MARKET VALUE | LTV LIMIT | LTV | COMPLIANCE (Y/N) |
|---|----------------------|------------|--------------|------------------|
| Individual Managed Accounts | | | | |
| Barings Value I.M.A. | \$222,561,603 | 65% | 0.0% | Y |
| Heitman Value I.M.A. | \$15,250,599 | 65% | 51.0% | Y |
| Invesco Value I.M.A. III | \$75,282,548 | 65% | 41.7% | Y |
| Invesco Value I.M.A. IV | \$124,999,900 | 65% | 41.0% | Y |
| Stockbridge Value I.M.A. | \$0 | 65% | 0.0% | Y |
| Vanbarton Value I.M.A. I | \$34,809,807 | 65% | 0.0% | Y |
| Vanbarton Value I.M.A. II | -\$23,720 | 65% | 0.0% | Y |
| SUB TOTAL | \$157,004,525 | 65% | 0.0% | Y |
| Commingled Funds | | | | |
| AEW Value Investors Asia III | \$8,765,069 | 65% | 53.0% | Y |
| CapMan Nordic Real Estate Fund II | \$9,318,852 | 65% | 63.3% | Y |
| CBRE Strategic Partners European Fund III | \$417,876 | 65% | 0.0% | Y |
| Cornerstone Hotel Income Equity Fund II | \$208,469 | 65% | 0.0% | Y |
| Heitman Asia-Pacific Property Investors | \$5,747,575 | 65% | 58.0% | Y |
| Hunt UK Realty Partners LP | \$1,895,868 | 65% | 63.4% | Y |
| SUB TOTAL | \$26,353,709 | 65% | 58.5% | Y |
| TOTAL VALUE ADDED | \$656,238,971 | 65% | 22.8% | Y |

Leverage Compliance

AS OF JUNE 30, 2018:

| HIGH RETURN | MARKET VALUE | LTV LIMIT | LTV | COMPLIANCE (Y/N) |
|--|------------------------|------------|--------------|------------------|
| Individual Managed Accounts | | | | |
| Capri Capital High I.M.A. | \$58,478,363 | 80% | 49.1% | Y |
| Barings High Return I.M.A. | \$2,889 | 80% | 0.0% | Y |
| Invesco High I.M.A. II | \$80,295,991 | 80% | 44.8% | Y |
| Invesco High I.M.A. III | \$44,718,699 | 80% | 42.7% | Y |
| RREEF High Return I.M.A. | \$178,588,258 | 80% | 0.0% | Y |
| Stockbridge High I.M.A. Vintage 2014 | \$78,071,346 | 80% | 30.8% | Y |
| TA Associates High I.M.A. | \$43,721,885 | 80% | 0.0% | Y |
| TriPacific (LERI/LERP) | \$70,086 | N/A | 0.0% | N/A |
| SUB TOTAL | \$483,947,517 | 80% | 28.2% | Y |
| Commingled Funds | | | | |
| AG Europe Realty Fund II | \$8,249,388 | 80% | 62.6% | Y |
| Capri Urban Investors | \$42,581,084 | 80% | 10.7% | Y |
| Carlyle Europe Real Estate Partners III | \$1,592,439 | 80% | 20.0% | Y |
| CityView Bay Area Fund II | \$77,588,416 | 80% | 55.8% | Y |
| CityView LA Urban Fund I | \$475,747 | 80% | 0.0% | Y |
| CityView Southern California Residential Fund II | \$134,059,667 | 80% | 53.3% | Y |
| CityView Western Fund I | \$32,749,009 | 80% | 0.0% | Y |
| Europa Fund III | \$1,797,912 | 80% | 35.0% | Y |
| Europa Fund IV | \$32,735,041 | 80% | 51.0% | Y |
| Genesis Workforce Housing Fund II | -\$66,983 | 80% | 0.0% | Y |
| INVESCO Asian Real Estate Partners II | \$186,176 | 80% | 0.0% | Y |
| Starwood Brandco | \$2,662,718 | 80% | 5.3% | Y |
| Starwood Capital Hospitality Fund II | \$37,068,191 | 80% | 51.7% | Y |
| SUB TOTAL | \$371,678,805 | 80% | 48.2% | Y |
| TOTAL HIGH RETURN | \$855,626,322 | 80% | 38.5% | Y |
| TOTAL PORTFOLIO | \$6,363,244,906 | 50% | 35.6% | Y |

Manager Compliance

Effective March 13, 2013 the Board requested that the Barings Equity IMA mandates be placed in Watch List status. The following is provided to assist the Board in monitoring manager progress in implementing corrective measures.

Barings Equity IMA Mandates:

Core – As of June 30, 2018 the Barings core portfolio has no assets remaining.

High Return – As of June 30, 2018 the Barings high return portfolio has no assets remaining.

Value Added – The portfolio includes a dual mandate given to Barings with the takeover of three existing hotel assets and a capital allocation, which Barings used to purchased two additional value-add hotel assets. As of June 30, 2018, only one hotel remains in the portfolio. The tables below present performance through June 30, 2018 or liquidation of sold assets. “NA” indicates time frames or data points not appropriate for analysis. All returns provided below are time-weighted.

| Property ⁵ | Vintage Year | Prior Manager(s) Return through 2003 (Net) | Barings Return Through Liquidation (Net) | Barings Inception Return (Net) | NPI Match Inception |
|---|--------------|--|--|-----------------------------------|------------------------|
| Ritz Carlton (Sold January 2008) | 1994/2003 | 15.9% | 14.5% | N/A | 11.7% |
| Oak Brook Hills (Sold July 2005) | 1996/2003 | 9.8% | 3.9% | N/A | 11.1% |
| The Salish Lodge (Sold October 2007) | 1996/2003 | 17.1% | 21.5% | N/A | 16.6% |
| Hyatt Valencia (Sold May 2008) | 2004 | N/A | 25.6% | N/A | 17.4% |
| Hotel Asset #1 | 2005 | N/A | N/A | 1.5% | 8.4% |
| Barings Value Added I.M.A. | 2004 | N/A | N/A | 1.2% | 9.0% |
| Barings Value Added I.M.A. (1Q2018) | 2004 | N/A | N/A | 0.8% | 9.0% |

⁵ Property names are removed from the analysis to protect competitive information from public distribution.

Manager Compliance



| Property | Vintage Year | 1 Year Return (Net) | 5 Year Return (Net) | Inception Return (Net) | NPI - Hotel Match Inception |
|----------------|--------------|---------------------|---------------------|------------------------|-----------------------------|
| Hotel Asset #1 | 2005 | 8.3% | 11.2% | 1.0% | 7.1% |

For the three takeover assets, LACERA invested just over \$139 million in equity and received in excess of \$209 million in net sales proceeds. This excludes the cash flow received from the assets during the hold period. The single, remaining asset has completed a major renovation conducted during the market slow down. Projections for improved performance are consistent with expectations for value added strategies. Projections also reflect the general expectations for economic recovery which acts as the primary driver of the performance of this asset.

Manager Compliance

Effective 2012 Staff placed the Vanbarton Value IMA mandates in Watch List status. The following is provided to assist the Board in monitoring manager progress in implementing any required corrective measures.

Vanbarton Value IMA Mandates:

As of June 30, 2018 the portfolio had two retail assets remaining in the portfolio. The table below presents performance through June 30, 2018.

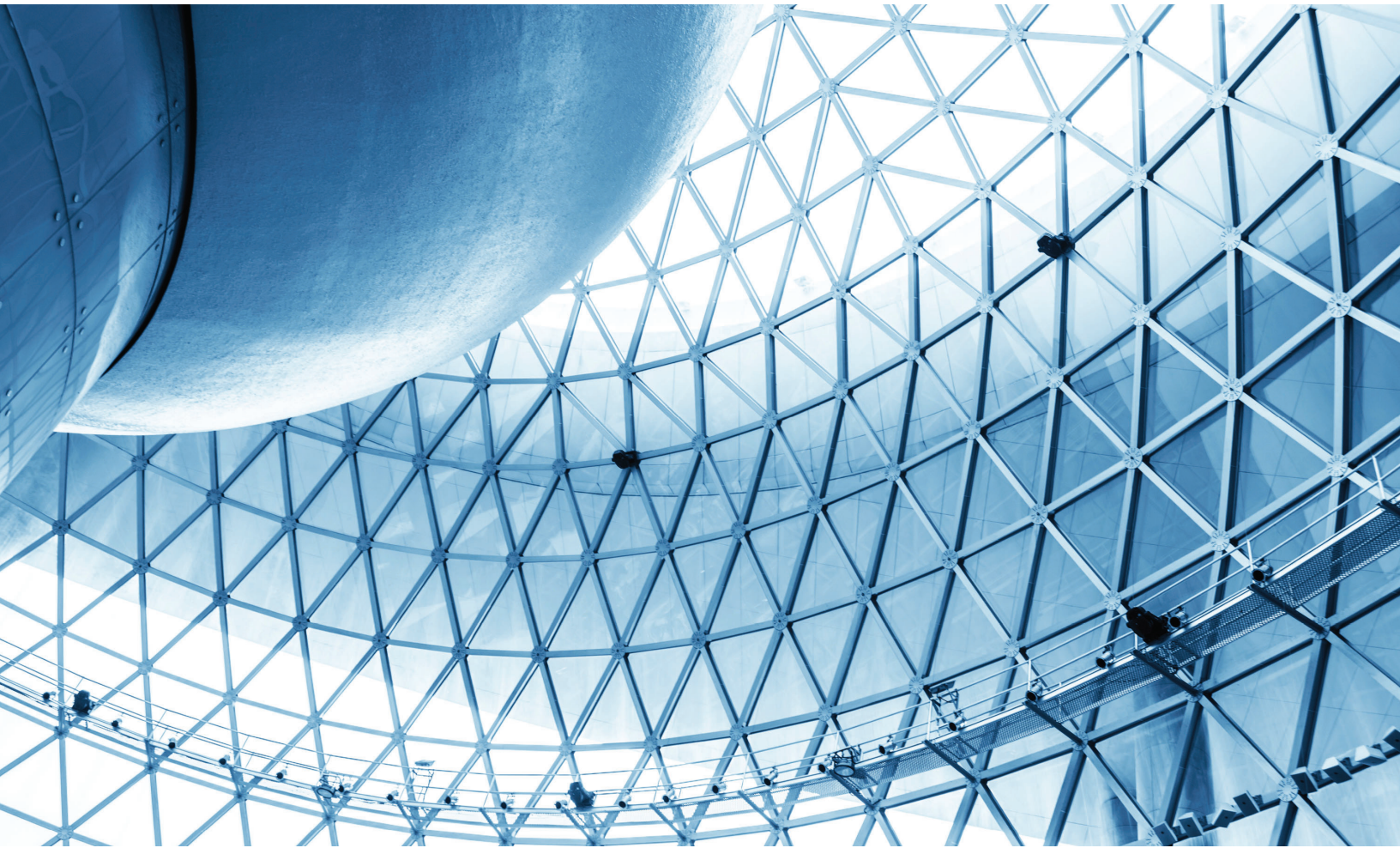
| Property ⁸ | Vintage Year | 1 Year Return (Net) | 5 Year Return (Net) | Inception Return (Net) | ODCE+100 bps Match Inception (Net) | NPI Match Inception for Property Type |
|---|--------------|---------------------|---------------------|------------------------|------------------------------------|---------------------------------------|
| Retail Asset #1 | 2006 | -1.6% | 1.6% | 0.8% | 5.4% | 8.2% |
| Retail Asset #2 | 2007 | 3.9% | 7.3% | 0.1% | 5.4% | 7.9% |
| Vanbarton Value IMA ⁹ | 2003 | 3.7% | 6.6% | -0.8% | 6.5% | N/A |
| Vanbarton Value IMA ⁹ (1Q2018) | 2003 | 3.1% | 6.5% | -1.0% | 6.5% | N/A |

Assets were purchased at what appears to be peak market pricing and have suffered from both market cycle and single asset impact within a small portfolio. Vanbarton's performance was greatly impacted by the 2008 market correction as exit strategies could not be executed as planned. Despite improved performance in recent years, the mandate has not recovered sufficiently to return all capital invested. Through June 30, 2018 LACERA had funded over \$450 million to the total Vanbarton Value I.M.A. mandate, has received \$292 million in distributions and has a remaining market value of \$157 million. An additional \$1 million in recovered market values would be required to achieve a full return of capital.

⁸ Property names are removed from the analysis to protect competitive information from public distribution.

⁹ Value IMA includes all legacy Vanbarton Value Added investments made and managed on behalf of LACERA.

APPENDIX



LACERA Custom Benchmark Composition

Beginning July 1, 2013 the performance of LACERA's Real Estate Portfolio has been compared to the National Council of Real Estate Investment Fiduciaries ('NCREIF') Fund Index ('NFI') Open-end Diversified Core Equity herein referred to as the **NFI-ODCE**. All comparisons utilize LACERA net of fee performance to the net of fee index returns. The use of NFI-ODCE began with 3Q13; prior benchmarks remain in the historical benchmark returns reflecting the appropriate return objectives since inception. The table below shows the composition of each respective investment category custom benchmark:

| Investment Category Custom Benchmark | Inception-2Q2013 | 3Q2013 -Present |
|--|------------------------------|-------------------------------------|
| LACERA Custom Core Benchmark | NPI -50 basis points | ODCE (Net) |
| LACERA Custom Value Added Benchmark | NPI +25 basis points | ODCE (Net) +100 basis points |
| LACERA Custom High Return Benchmark | NPI +225 basis points | ODCE (Net) +300 basis points |
| LACERA Custom Total Portfolio Benchmark | NPI -25 basis points | ODCE (Net) +40 basis points |

| Portfolio Composition (\$) | | | | | | | | |
|---|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---|
| Total Plan Assets | Allocation | | Market Value | | Unfunded Commitments | | Remaining Allocation | |
| 55,953,296,137 | 6,154,862,575 | 11.0% | 6,247,807,757 | 11.2% | 984,585,613 | 1.8% | -1,077,530,795 | -1.9% |
| Performance Summary | | | | | | | | |
| | Quarter (%) | | 1 Year (%) | | 5 Year (%) | | 10 Year (%) | |
| | TGRS | TNET | TGRS | TNET | TGRS | TNET | TGRS | TNET |
| LACERA excl. Admin. Asset | 3.1 | 2.9 | 10.3 | 9.4 | 10.4 | 9.5 | 4.5 | 3.7 |
| NFI-ODCE + 40 BPS | 2.2 | 1.9 | 8.9 | 7.9 | 11.5 | 10.5 | 5.7 | 4.7 |
| Funding Status (\$) | | | | | | | | |
| Funding Status (\$) | Investment Vintage Year | Commitment Amount | Funded Amount | Unfunded Commitments | Capital Returned | Market Value | Market Value (%) | Market Value + Unfunded Commitments (%) |
| Administrative Asset: | | | | | | | | |
| Gateway I.M.A. (Avison Young) | 1990 | 123,610,590 | 97,192,866 | 0 | 9,146,693 | 115,437,146 | n/a | n/a |
| Debt | | | | | | | | |
| Barings Debt I.M.A. | 2011 | 500,000,000 | 931,081,838 | 430,349,334 | 991,452,277 | 63,771,975 | 1.0 | 6.8 |
| Quadrant I.M.A. | 2011 | 300,000,000 | 88,336,303 | 242,250,000 | 43,227,798 | 58,046,847 | 0.9 | 4.2 |
| Debt | 2011 | 800,000,000 | 1,019,418,141 | 672,599,334 | 1,034,680,076 | 121,818,822 | 1.9 | 11.0 |
| Core Portfolio | | | | | | | | |
| Barings Core I.M.A. | 2007 | 73,851,771 | 164,022,744 | 0 | 141,706,719 | 1 | 0.0 | 0.0 |
| Capri Capital Core I.M.A. | 2011 | 0 | 315,119,280 | 0 | 149,628,082 | 331,056,292 | 5.3 | 4.6 |
| Cityview Core I.M.A. | 2014 | 0 | 305,233,311 | 0 | 154,642,112 | 177,337,622 | 2.8 | 2.5 |
| Clarion Core I.M.A. | 2014 | 0 | 330,484,402 | 0 | 48,624,096 | 347,830,202 | 5.6 | 4.8 |
| Heitman Core I.M.A. | 2014 | 435,532,910 | 442,624,830 | 0 | 38,027,300 | 482,377,467 | 7.7 | 6.7 |
| Invesco Core I.M.A. | 1994 | 0 | 1,645,081,561 | 0 | 1,805,957,022 | 817,022,201 | 13.1 | 11.3 |
| Invesco Real Estate Asia Fund | 2014 | 100,000,000 | 118,953,151 | 0 | 20,099,047 | 133,278,371 | 2.1 | 1.8 |
| Prologis European Logistics Fund (PELF) | 2017 | 118,147,448 | 140,449,602 | 0 | 5,149,355 | 152,049,218 | 2.4 | 2.1 |
| RREEF Core I.M.A.* | 1991 | 0 | 1,737,249,547 | 0 | 2,805,745,335 | 851,862,043 | 13.6 | 11.8 |
| RREEF Core Plus Industrial Fund L.P. | 2017 | 125,000,000 | 125,000,000 | 0 | 4,659,403 | 145,330,026 | 2.3 | 2.0 |
| Stockbridge Core I.M.A. | 2013 | 327,138,403 | 575,362,965 | 0 | 293,393,707 | 388,507,417 | 6.2 | 5.4 |
| TA Associates Core I.M.A.* | 1992 | 0 | 1,798,442,359 | 0 | 2,392,247,222 | 787,472,785 | 12.6 | 10.9 |
| Core Portfolio | 1985 | 1,179,670,532 | 7,698,023,751 | 0 | 7,859,879,400 | 4,614,123,643 | 73.9 | 63.8 |
| Total Core Separate Accounts | 1990 | 836,523,084 | 7,313,620,998 | 0 | 7,829,971,595 | 4,183,466,029 | 67.0 | 57.8 |
| Core Commingled Funds | 2014 | 343,147,448 | 384,402,753 | 0 | 29,907,804 | 430,657,615 | 6.9 | 6.0 |
| Value Added | | | | | | | | |
| AEW Value Investors Asia III | 2018 | 50,000,000 | 9,941,398 | 40,058,602 | 0 | 8,765,069 | 0.1 | 0.7 |
| Barings Value I.M.A. Vintage 2003 | 2003 | 122,966,904 | 518,765,152 | 0 | 428,477,830 | 222,561,603 | 3.6 | 3.1 |
| CapMan Nordic Real Estate Fund III | 2017 | 59,206,631 | 8,837,532 | 49,970,093 | 0 | 9,318,852 | 0.1 | 0.8 |
| CBRE Strategic Partners European Fund III | 2007 | 21,488,047 | 21,523,777 | 0 | 5,588,574 | 417,876 | 0.0 | 0.0 |
| Cornerstone Hotel Income Equity Fund II | 2008 | 150,000,000 | 140,830,910 | 0 | 193,192,178 | 208,469 | 0.0 | 0.0 |
| Heitman Asia-Pacific Property Investors | 2018 | 50,000,000 | 6,624,782 | 43,375,219 | 0 | 5,747,575 | 0.1 | 0.7 |
| Heitman Value I.M.A. Vintage 2013 | 2013 | 10,710,529 | 11,561,904 | 0 | 2,783,700 | 15,250,599 | 0.2 | 0.2 |
| Hunt UK Realty Partners LP | 2007 | 29,833,366 | 30,266,701 | 0 | 1,226,453 | 1,895,868 | 0.0 | 0.0 |
| Invesco Value I.M.A. Vintage 2010 | 2010 | 0 | 285,740,630 | 0 | 264,253,389 | 75,282,548 | 1.2 | 1.0 |
| Invesco Value I.M.A. Vintage 2012 | 2012 | 0 | 100,555,682 | 0 | 2,350,980 | 124,999,900 | 2.0 | 1.7 |
| Invesco Value I.M.A. Vintage 2017 | 2017 | 0 | 98,824,765 | 0 | 117,807,875 | 0 | 0.0 | 0.0 |
| Stockbridge Value I.M.A. Vintage 2014 | 2014 | 35,885,023 | 56,781,341 | 0 | 29,815,323 | 34,809,807 | 0.6 | 0.5 |
| Vanbarton Value I.M.A. Vintage 2003 | 2003 | 0 | 59,915,546 | 0 | 73,200,000 | -23,720 | 0.0 | 0.0 |
| Vanbarton Value I.M.A. Vintage 2006 | 2006 | 275,440,160 | 391,372,796 | 0 | 219,180,087 | 157,004,525 | 2.5 | 2.2 |
| Value Added | 1986 | 805,530,660 | 1,741,542,915 | 133,403,914 | 1,337,876,388 | 656,238,971 | 10.5 | 10.9 |
| Value Added Separate Accounts | 1994 | 445,002,616 | 1,523,517,817 | 0 | 1,137,869,184 | 629,885,263 | 10.1 | 8.7 |
| Value Added Commingled Funds | 1986 | 360,528,044 | 218,025,099 | 133,403,914 | 200,007,205 | 26,353,708 | 0.4 | 2.2 |

Funding Status

| Funding Status (\$) | Investment Vintage Year | Commitment Amount | Funded Amount | Unfunded Commitments | Capital Returned | Market Value | Market Value (%) | Market Value + Unfunded Commitments (%) |
|--|-------------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|------------------|---|
| High Return | | | | | | | | |
| AG Europe Realty Fund II | 2018 | 50,000,000 | 8,875,000 | 41,125,000 | 0 | 8,249,388 | 0.1 | 0.7 |
| Barings High I.M.A. Vintage 2007 | 2007 | 31,230,000 | 51,906,815 | 0 | 59,596,304 | 2,889 | 0.0 | 0.0 |
| Capri Capital High I.M.A. Vintage 2006 | 2006 | 0 | 201,866,474 | 0 | 196,505,714 | 58,478,363 | 0.9 | 0.8 |
| Capri Urban Investors | 2008 | 150,000,000 | 149,951,767 | 0 | 68,858,024 | 42,581,084 | 0.7 | 0.6 |
| Carlyle Europe Real Estate Partners III | 2007 | 24,951,333 | 26,601,600 | 0 | 21,521,173 | 1,592,439 | 0.0 | 0.0 |
| CityView Bay Area Fund II | 2012 | 134,000,000 | 135,448,721 | 0 | 127,465,855 | 77,588,416 | 1.2 | 1.1 |
| CityView LA Urban Fund I | 2007 | 50,000,000 | 122,556,477 | 4,535,055 | 146,769,154 | 475,747 | 0.0 | 0.1 |
| CityView Southern California Fund II | 2013 | 100,000,000 | 95,174,956 | 4,825,044 | 0 | 134,059,667 | 2.1 | 1.9 |
| CityView Western Fund I, L.P. | 2016 | 150,000,000 | 39,318,668 | 110,681,332 | 0 | 32,749,009 | 0.5 | 2.0 |
| Europa Fund III | 2009 | 23,128,342 | 22,015,787 | 0 | 26,600,867 | 1,797,912 | 0.0 | 0.0 |
| Europa Fund IV | 2014 | 64,292,144 | 55,571,200 | 13,755,934 | 32,757,087 | 32,735,041 | 0.5 | 0.6 |
| Genesis Workforce Housing Fund II | 2007 | 30,000,000 | 29,998,975 | 0 | 43,655,413 | -66,983 | 0.0 | 0.0 |
| INVESCO Asian Real Estate Partners II (USD Vehicle) | 2007 | 25,000,000 | 11,251,165 | 0 | 14,905,477 | 186,176 | 0.0 | 0.0 |
| Invesco High I.M.A. Vintage 2012 | 2012 | 0 | 106,967,768 | 0 | 85,701,399 | 80,295,991 | 1.3 | 1.1 |
| Invesco High I.M.A. Vintage 2016 | 2016 | 0 | 34,455,303 | 0 | 0 | 44,718,699 | 0.7 | 0.6 |
| RREEF High Return I.M.A. III | 2015 | 0 | 251,410,033 | 0 | 80,208,055 | 178,588,258 | 2.9 | 2.5 |
| Starwood Brandco | 2011 | 2,000,000 | 1,253,399 | 0 | 2,253,075 | 2,662,718 | 0.0 | 0.0 |
| Starwood Capital Hospitality Fund II | 2010 | 100,000,000 | 96,340,000 | 3,660,000 | 111,333,840 | 37,068,191 | 0.6 | 0.6 |
| Stockbridge High I.M.A. Vintage 2014 | 2014 | 67,633,743 | 82,380,225 | 0 | 18,680,831 | 78,071,346 | 1.2 | 1.1 |
| TA Associates High I.M.A. | 2015 | 0 | 33,963,292 | 0 | 1,250,000 | 43,721,885 | 0.7 | 0.6 |
| TriPacific (LERI/LERP) * | 1995 | 250,000,000 | 2,612,167,014 | 0 | 2,440,120,122 | 70,086 | 0.0 | 0.0 |
| High Return | 1995 | 1,252,235,562 | 4,169,474,638 | 178,582,365 | 3,478,182,389 | 855,626,321 | 13.7 | 14.3 |
| High Return Separate Accounts | 2001 | 98,863,743 | 762,949,909 | 0 | 441,942,302 | 483,877,431 | 7.7 | 6.7 |
| High Return Commingled Funds | 2007 | 903,371,819 | 794,357,715 | 178,582,365 | 596,119,965 | 371,678,804 | 5.9 | 7.6 |
| Total Non-Core Portfolio | 1986 | 2,057,766,222 | 5,911,017,553 | 311,986,279 | 4,816,058,778 | 1,511,865,292 | 24.2 | 25.2 |
| Total Current Portfolio excl. Admin Asset | | | | | | | | |
| Los Angeles County Employees Retirement Association | 1985 | 4,037,436,754 | 14,628,459,445 | 984,585,613 | 13,710,618,254 | 6,247,807,757 | 100.0 | 100.0 |
| Total Current Portfolio incl. Admin. Asset | | | | | | | | |
| LACERA | 1985 | 4,161,047,344 | 14,725,652,311 | 984,585,613 | 13,719,764,947 | 6,363,244,903 | n/a | n/a |

* Hardcoded Data

**Funded amount may be greater than the Commitment Amount due to recallable capital. Some distributions made during the Investment Period may be reinvested by the manager, which increases the Funded Amount to a sum greater than Committed Capital.

| Returns (%) | Market Value (\$) | Quarter | | | | 1 Year | | | | 3 Year | | | | 5 Year | | | |
|--|-------------------|---------|------|------|------|--------|------|------|------|--------|-------|------|------|--------|------|------|------|
| | | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET |
| Administrative Asset: | | | | | | | | | | | | | | | | | |
| Gateway I.M.A. (Avison Young) | 115,437,146 | 1.5 | 2.5 | 4.1 | 4.0 | 6.8 | 2.5 | 9.5 | 9.3 | 6.9 | 3.8 | 10.8 | 10.7 | 7.3 | 4.4 | 12.0 | 11.9 |
| Debt | | | | | | | | | | | | | | | | | |
| Barings Debt I.M.A. | 63,771,975 | 2.8 | 0.0 | 2.8 | 2.4 | 11.6 | 0.1 | 11.7 | 10.4 | 10.2 | 0.3 | 10.5 | 9.3 | 9.8 | -0.3 | 9.5 | 8.3 |
| Quadrant I.M.A. | 58,046,847 | 1.9 | 0.0 | 1.9 | 1.8 | 8.0 | 0.5 | 8.5 | 8.0 | 7.7 | -0.5 | 7.2 | 6.7 | 7.6 | -0.4 | 7.2 | 6.7 |
| Debt | 121,818,822 | 2.4 | 0.0 | 2.4 | 2.1 | 10.7 | 0.3 | 11.0 | 9.9 | 9.8 | 0.2 | 10.1 | 8.9 | 9.5 | -0.3 | 9.2 | 8.1 |
| Core Portfolio | | | | | | | | | | | | | | | | | |
| Capri Capital Core I.M.A. | 331,056,292 | 0.7 | 4.2 | 4.9 | 4.8 | 3.4 | 5.1 | 8.6 | 8.1 | 3.7 | 1.7 | 5.4 | 4.8 | 3.8 | 5.1 | 9.0 | 8.3 |
| Cityview Core I.M.A. | 177,337,622 | 2.5 | -2.7 | -0.2 | -0.2 | 4.8 | -0.4 | 4.5 | 4.2 | 3.3 | -1.4 | 1.8 | 1.4 | | | | |
| Clarion Core I.M.A. | 347,830,202 | 1.2 | 1.2 | 2.4 | 2.2 | 4.5 | 2.8 | 7.3 | 6.8 | 4.2 | 2.4 | 6.7 | 6.2 | | | | |
| Heitman Core I.M.A. | 482,377,467 | 1.4 | 2.3 | 3.8 | 3.6 | 5.5 | 3.8 | 9.4 | 8.8 | 5.2 | 2.9 | 8.2 | 7.6 | | | | |
| Invesco Core I.M.A. | 817,022,201 | 1.2 | 5.6 | 6.8 | 6.7 | 4.7 | 6.9 | 11.8 | 11.3 | 4.6 | 2.8 | 7.5 | 7.1 | 4.3 | 5.2 | 9.6 | 9.2 |
| Invesco Real Estate Asia Fund | 133,278,371 | 1.0 | -2.6 | -1.6 | -1.8 | 3.6 | 3.4 | 7.0 | 6.3 | 4.8 | 6.1 | 11.1 | 10.3 | | | | |
| Prologis European Logistics Fund (PELF) | 152,049,218 | 1.4 | -2.1 | -0.7 | -1.4 | 6.4 | 17.1 | 24.3 | 20.1 | 4.2 | 10.2 | 14.8 | 12.5 | | | | |
| RREEF Core I.M.A.* | 851,862,043 | 1.2 | 4.9 | 6.1 | 6.0 | 5.1 | 4.9 | 10.3 | 9.8 | 5.6 | 4.2 | 9.9 | 9.4 | 5.9 | 5.6 | 11.7 | 11.2 |
| RREEF Core Plus Industrial Fund L.P. | 145,330,026 | 0.8 | 2.8 | 3.6 | 3.5 | 4.1 | 16.3 | 20.9 | 20.6 | | | | | | | | |
| Stockbridge Core I.M.A. | 388,507,417 | 1.6 | 1.3 | 3.0 | 2.8 | 6.6 | 3.1 | 9.9 | 9.2 | 6.5 | 3.0 | 9.7 | 9.0 | | | | |
| TA Associates Core I.M.A.* | 787,472,785 | 1.7 | -0.9 | 0.8 | 0.7 | 6.7 | 2.2 | 9.0 | 8.5 | 6.8 | 0.3 | 7.1 | 6.6 | 6.9 | 1.5 | 8.5 | 8.0 |
| Core Portfolio | 4,614,123,643 | 1.4 | 2.2 | 3.6 | 3.5 | 5.3 | 4.9 | 10.4 | 9.7 | 5.3 | 2.8 | 8.2 | 7.6 | 5.5 | 4.2 | 9.8 | 9.2 |
| Total Core Separate Accounts | 4,183,466,029 | 1.4 | 2.6 | 4.0 | 3.8 | 5.4 | 4.1 | 9.6 | 9.1 | 5.4 | 2.3 | 7.8 | 7.3 | 5.5 | 4.0 | 9.7 | 9.1 |
| Core Commingled Funds | 430,657,615 | 1.1 | -0.7 | 0.4 | 0.1 | 4.7 | 12.3 | 17.5 | 15.7 | 4.3 | 8.7 | 13.2 | 11.9 | | | | |
| Core Custom Benchmark | | | | | 1.8 | | | | 7.5 | | | | 8.4 | | | | 10.0 |
| NFI-ODCE Value Weight | | | | 2.1 | 1.8 | | | 8.4 | 7.5 | | | 9.4 | 8.4 | | 11.0 | | 10.0 |
| Value Added | | | | | | | | | | | | | | | | | |
| AEW Value Investors Asia III (10) | 8,765,069 | -3.3 | -2.5 | -5.8 | -7.3 | | | | | | | | | | | | |
| Barings Value I.M.A. Vintage 2003 | 222,561,603 | 1.9 | 1.8 | 3.7 | 3.6 | 8.8 | 3.6 | 12.6 | 12.2 | 7.5 | 4.8 | 12.5 | 12.1 | 8.4 | 4.0 | 12.6 | 12.1 |
| CapMan Nordic Real Estate Fund II (4) | 9,318,852 | -2.0 | -2.6 | -4.6 | -5.6 | | | | | | | | | | | | |
| CBRE Strategic Partners European Fund III (9) | 417,876 | | | | | | | | | | | | | | | | |
| Cornerstone Hotel Income Equity Fund II (4)(9) | 208,469 | | | | | | | | | | | | | | | | |
| Heitman Asia-Pacific Property Investors (10) | 5,747,575 | | | | | | | | | | | | | | | | |
| Heitman Value I.M.A. Vintage 2013 | 15,250,599 | 1.5 | 5.4 | 6.8 | 5.9 | 6.9 | 16.1 | 23.8 | 20.4 | 7.0 | 2.7 | 9.8 | 10.9 | | | | |
| Hunt UK Realty Partners LP | 1,895,868 | -0.3 | -5.6 | -6.0 | -6.0 | -1.9 | 3.2 | 1.3 | 1.3 | -2.2 | -3.9 | -6.0 | -6.0 | 0.7 | -1.2 | 0.6 | -2.0 |
| Invesco Value I.M.A. Vintage 2010 | 75,282,548 | 1.8 | 8.4 | 10.3 | 9.6 | 9.8 | 8.2 | 18.7 | 17.2 | 12.4 | -0.6 | 11.8 | 10.6 | 11.4 | 1.1 | 12.5 | 11.5 |
| Invesco Value I.M.A. Vintage 2012 | 124,999,900 | -1.3 | -5.4 | -6.7 | -6.9 | -3.8 | -4.8 | -8.4 | -9.2 | -0.6 | -8.6 | -9.2 | -9.9 | 0.3 | 6.1 | 6.4 | 5.6 |
| Stockbridge Value I.M.A. Vintage 2014 | 34,809,807 | 1.2 | -5.1 | -3.9 | -4.0 | 5.1 | -5.1 | -0.2 | -0.8 | 5.5 | -0.2 | 5.3 | 4.7 | | | | |
| Vanborton Value I.M.A. Vintage 2003 (9) | -23,720 | | | | | | | | | | | | | | | | |
| Vanborton Value I.M.A. Vintage 2006 | 157,004,525 | 1.5 | 0.4 | 1.9 | 1.7 | 4.9 | -0.4 | 4.5 | 3.7 | 5.5 | -0.6 | 4.9 | 4.2 | 5.2 | 2.1 | 7.4 | 6.6 |
| Value Added | 656,238,971 | 0.9 | 0.2 | 1.1 | 0.9 | 4.4 | 4.0 | 8.6 | 7.4 | 5.3 | -0.2 | 5.0 | 4.3 | 5.7 | 2.8 | 8.7 | 7.8 |
| Value Added Separate Accounts | 629,885,263 | 1.0 | 0.3 | 1.4 | 1.1 | 4.6 | 4.0 | 8.8 | 7.6 | 5.3 | 0.2 | 5.6 | 4.8 | 5.4 | 3.6 | 9.1 | 8.3 |
| Value Added Commingled Funds | 26,353,708 | -2.1 | -3.0 | -5.1 | -6.2 | -3.1 | 16.7 | 13.1 | 5.5 | 1.4 | -10.2 | -8.8 | -9.5 | 3.7 | -5.2 | -1.6 | -2.5 |
| Value Custom Benchmark | | | | | 2.1 | | | | 8.5 | | | | 9.4 | | | | 11.1 |
| NFI-ODCE Value Weight +100 BPS | | | | 2.3 | 2.1 | | | 9.5 | 8.5 | | | 10.4 | 9.4 | | | 12.1 | 11.1 |

| Returns (%) | Market Value (\$) | Quarter | | | | 1 Year | | | | 3 Year | | | | 5 Year | | | |
|---|----------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET |
| High Return | | | | | | | | | | | | | | | | | |
| AG Europe Realty Fund II (10) | 8,249,388 | | | | | | | | | | | | | | | | |
| Barings High I.M.A. Vintage 2007 (7)(9) | 2,889 | | | | | | | | | | | | | | | | |
| Capri Capital High I.M.A. Vintage 2006 | 58,478,363 | 0.1 | 3.2 | 3.3 | 4.1 | -3.0 | 5.1 | 1.9 | 2.6 | -2.2 | 19.5 | 17.3 | 15.0 | -2.4 | 27.4 | 24.7 | 21.4 |
| Capri Urban Investors | 42,581,084 | 0.4 | -0.7 | -0.3 | -0.5 | -1.2 | -2.9 | -4.1 | -5.4 | 1.8 | -9.4 | -7.8 | -9.4 | 2.9 | -3.3 | -0.6 | -2.4 |
| Carlyle Europe Real Estate Partners III (3) | 1,592,439 | -0.1 | -7.4 | -7.5 | -7.9 | -0.2 | 16.3 | 16.1 | 12.1 | -0.2 | 17.6 | 17.3 | 15.2 | 0.9 | 8.3 | 9.4 | 7.5 |
| CityView Bay Area Fund II (4) | 77,588,416 | 0.0 | 4.6 | 4.5 | 4.1 | 0.7 | 16.0 | 16.9 | 15.3 | 0.6 | 16.2 | 16.9 | 15.1 | | | | |
| CityView LA Urban Fund I (9) | 475,747 | | | | | | | | | | | | | | | | |
| CityView Southern California Fund II (4) | 134,059,667 | 0.0 | 4.4 | 4.3 | 4.1 | -0.2 | 17.5 | 17.3 | 16.1 | -1.5 | 23.4 | 21.8 | 19.2 | | | | |
| CityView Western Fund I, L.P. (12) | 32,749,009 | 0.0 | -2.9 | -2.9 | -5.3 | -5.2 | -5.4 | -10.4 | -18.8 | | | | | | | | |
| Europa Fund III (3) | 1,797,912 | -0.1 | -6.7 | -6.8 | -5.6 | -0.5 | 5.2 | 4.7 | 10.3 | -0.4 | 12.4 | 11.9 | 6.1 | 8.2 | 2.2 | 12.7 | 9.2 |
| Europa Fund IV (3) | 32,735,041 | -0.1 | -5.0 | -5.1 | -5.1 | -0.4 | 13.6 | 13.2 | 12.3 | -1.2 | 15.3 | 14.0 | 13.2 | | | | |
| Genesis Workforce Housing Fund II (4)(9) | -66,983 | | | | | | | | | | | | | | | | |
| INVESCO Asian Real Estate Partners II (USD Vehicle) (9) | 186,176 | | | | | | | | | | | | | | | | |
| Invesco High I.M.A. Vintage 2012 | 80,295,991 | 1.3 | -6.0 | -4.7 | -3.4 | 3.4 | 2.0 | 5.5 | 5.5 | 1.4 | 17.3 | 18.9 | 16.7 | 0.7 | 14.1 | 14.9 | 12.8 |
| Invesco High I.M.A. Vintage 2016 | 44,718,699 | -2.1 | 2.0 | -0.1 | 0.2 | -4.7 | 43.8 | 38.1 | 35.0 | | | | | | | | |
| RREEF High Return I.M.A. III (11) | 178,588,258 | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | 0.0 | 0.0 | -1.2 | 0.0 | 2.8 | 2.8 | 1.8 | | | | |
| Starwood Brandco | 2,662,718 | 4.4 | 51.8 | 56.2 | 15.4 | 15.1 | 54.9 | 75.5 | 23.3 | 15.7 | 29.1 | 48.3 | 18.4 | 10.1 | 26.6 | 38.9 | 20.1 |
| Starwood Capital Hospitality Fund II | 37,068,191 | 2.7 | 3.0 | 5.7 | 3.5 | 3.8 | -1.6 | 2.1 | 5.3 | 12.7 | -7.8 | 4.9 | 6.6 | 12.3 | -3.3 | 9.5 | 8.4 |
| Stockbridge High I.M.A. Vintage 2014 | 78,071,346 | -0.6 | 3.9 | 3.3 | 2.6 | -3.2 | 33.7 | 29.7 | 25.9 | -3.0 | 10.1 | 6.9 | 5.0 | | | | |
| TA Associates High I.M.A. | 43,721,885 | 1.8 | 13.0 | 14.8 | 13.0 | 6.7 | 13.0 | 20.4 | 18.1 | | | | | | | | |
| TriPacific (LERI/LERP) * (4)(6)(9) | 70,086 | | | | | | | | | | | | | | | | |
| High Return (5) | 855,626,321 | 0.2 | 1.7 | 1.9 | 1.4 | 0.4 | 10.2 | 10.6 | 8.6 | 1.6 | 14.3 | 16.1 | 13.9 | 4.7 | 6.7 | 11.6 | 8.5 |
| High Return Separate Accounts | 483,877,431 | 0.1 | 1.2 | 1.3 | 1.3 | 0.5 | 8.4 | 9.0 | 6.6 | 0.2 | 18.6 | 18.9 | 16.4 | -0.3 | 18.9 | 18.5 | 16.0 |
| High Return Commingled Funds | 371,748,890 | 0.3 | 2.4 | 2.7 | 1.7 | 0.3 | 12.4 | 12.6 | 10.8 | 2.6 | 8.8 | 11.6 | 9.8 | 6.8 | 7.1 | 14.4 | 11.7 |
| <i>High Return Custom Benchmark</i> | | | | | 2.6 | | | | 10.7 | | | | 11.6 | | | | 13.3 |
| <i>NFI-ODCE Value Weight + 300 BPS</i> | | | | 2.8 | 2.6 | | | 11.7 | 10.7 | | | 12.6 | 11.6 | | | 14.3 | 13.3 |
| Total Non-Core Portfolio | 1,511,865,292 | 0.5 | 1.0 | 1.6 | 1.2 | 2.1 | 7.6 | 9.8 | 8.1 | 3.2 | 7.6 | 11.1 | 9.5 | 5.1 | 6.4 | 11.8 | 10.0 |
| Total Portfolio excl. Admin. Asset | | | | | | | | | | | | | | | | | |
| LACERA | 6,247,807,757 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.0 | 3.9 | 9.0 | 8.2 | 5.6 | 4.6 | 10.4 | 9.5 |
| LACERA Portfolio without LERI & TriPacific | 6,247,737,672 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.0 | 3.8 | 8.9 | 8.1 | 5.6 | 4.9 | 10.6 | 9.7 |
| Indices | | | | | | | | | | | | | | | | | |
| <i>Total Custom Benchmark</i> | | | | | 1.9 | | | | 7.9 | | | | 8.8 | | | | 10.5 |
| <i>ODCE + 40 BPS</i> | | | | 2.2 | 1.9 | | | 8.9 | 7.9 | | | 9.8 | 8.8 | | | 11.5 | 10.5 |
| Total Portfolio incl. Admin. Asset | | | | | | | | | | | | | | | | | |
| LACERA | 6,363,244,903 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.1 | 3.9 | 9.1 | 8.2 | 5.6 | 4.6 | 10.4 | 9.4 |
| LACERA Portfolio without LERI & TriPacific | 6,363,174,818 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.1 | 3.8 | 9.0 | 8.2 | 5.6 | 4.8 | 10.7 | 9.7 |

* Hardcoded Data

| Returns (%) | Market Value (\$) | 7 Year | | | | 10 Year | | | | Inception | | TWR Calculation | Net IRR | Equity Multiple | |
|--|----------------------|------------|-------------|------------|-------------|------------|-------------|-------------|-------------|-------------|-------------|-----------------|-------------|-----------------|--|
| | | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | TGRS | TNET | Inception | | | |
| Administrative Asset: | | | | | | | | | | | | | | | |
| Gateway I.M.A. (Avison Young) | 115,437,146 | 7.9 | 3.7 | 11.8 | 11.8 | 8.0 | -6.1 | 1.6 | 1.5 | 6.3 | 6.2 | 3Q90 | 6.4 | 1.6 | |
| Debt | | | | | | | | | | | | | | | |
| Barings Debt I.M.A. | 63,771,975 | | | | | | | | | 10.1 | 8.9 | 4Q11 | 8.7 | 1.1 | |
| Quadrant I.M.A. | 58,046,847 | | | | | | | | | 8.0 | 7.5 | 4Q11 | 7.5 | 1.1 | |
| Debt | 121,818,822 | | | | | | | | | 9.8 | 8.8 | 4Q11 | 8.6 | 1.1 | |
| Core Portfolio | | | | | | | | | | | | | | | |
| Capri Capital Core I.M.A. | 331,056,292 | 3.8 | 7.9 | 12.0 | 11.1 | | | | | 12.4 | 11.5 | 2Q11 | 9.2 | 1.5 | |
| Cityview Core I.M.A. | 177,337,622 | | | | | | | | | 4.9 | 4.4 | 3Q14 | 4.7 | 1.1 | |
| Clarion Core I.M.A. | 347,830,202 | | | | | | | | | 8.4 | 7.9 | 2Q14 | 8.1 | 1.2 | |
| Heitman Core I.M.A. | 482,377,467 | | | | | | | | | 8.7 | 8.1 | 3Q14 | 8.6 | 1.2 | |
| Invesco Core I.M.A. | 817,022,201 | 4.8 | 4.0 | 8.9 | 8.5 | 5.4 | 0.8 | 6.3 | 6.0 | 9.2 | 8.6 | 4Q94 | 8.8 | 1.6 | |
| Invesco Real Estate Asia Fund | 133,278,371 | | | | | | | | | 7.4 | 6.6 | 2Q14 | 7.6 | 1.3 | |
| Prologis European Logistics Fund (PELF) | 152,049,218 | | | | | | | | | 12.6 | 9.6 | 2Q14 | 10.8 | 1.2 | |
| RREEF Core I.M.A.* | 851,862,043 | 6.0 | 4.7 | 11.0 | 10.4 | 6.3 | 1.3 | 7.7 | 7.2 | 11.2 | 10.3 | 1Q91 | 10.6 | 2.1 | |
| RREEF Core Plus Industrial Fund L.P. | 145,330,026 | | | | | | | | | 20.9 | 20.6 | 3Q17 | 19.0 | 1.2 | |
| Stockbridge Core I.M.A. | 388,507,417 | | | | | | | | | 11.1 | 10.5 | 1Q14 | 9.9 | 1.2 | |
| TA Associates Core I.M.A.* | 787,472,785 | 6.9 | 1.6 | 8.6 | 8.1 | 6.8 | -1.7 | 5.0 | 4.7 | 9.6 | 8.8 | 3Q92 | 8.8 | 1.8 | |
| Core Portfolio | 4,614,123,643 | 5.7 | 3.8 | 9.6 | 9.0 | 6.0 | 0.2 | 6.2 | 5.7 | 8.5 | 7.8 | 3Q85 | 8.3 | 1.6 | |
| Total Core Separate Accounts | 4,183,466,029 | 5.7 | 3.6 | 9.5 | 8.9 | 6.0 | 0.1 | 6.1 | 5.7 | 9.9 | 9.1 | 1Q91 | 9.1 | 1.6 | |
| Core Commingled Funds | 430,657,615 | | | | | | | | | 10.2 | 8.4 | 2Q14 | 10.3 | 1.2 | |
| <i>Core Custom Benchmark</i> | | | | | 10.3 | | | | | | 7.5 | 3Q85 | | | |
| <i>NFI-ODCE Value Weight</i> | | | | 11.4 | 10.4 | | | 5.3 | 4.3 | 7.4 | 6.3 | 3Q85 | | | |
| Value Added | | | | | | | | | | | | | | | |
| AEW Value Investors Asia III (10) | 8,765,069 | | | | | | | | | -5.8 | -7.3 | 2Q18 | n/a | n/a | |
| Barings Value I.M.A. Vintage 2003 | 222,561,603 | 6.8 | 3.0 | 9.9 | 9.4 | 2.4 | -6.5 | -4.5 | -5.0 | 1.8 | 1.2 | 1Q04 | 5.8 | 1.3 | |
| CapMan Nordic Real Estate Fund II (4) | 9,318,852 | | | | | | | | | n/a | n/a | 4Q17 | 16.6 | 1.1 | |
| CBRE Strategic Partners European Fund III (9) | 417,876 | | | | | | | | | | | 2Q08 | -17.1 | 0.3 | |
| Cornerstone Hotel Income Equity Fund II (4)(9) | 208,469 | | | | | | | | | | | 4Q08 | 9.2 | 1.4 | |
| Heitman Asia-Pacific Property Investors (10) | 5,747,575 | | | | | | | | | | | 3Q18 | n/a | n/a | |
| Heitman Value I.M.A. Vintage 2013 | 15,250,599 | | | | | | | | | 15.5 | 13.7 | 1Q14 | 11.9 | 1.6 | |
| Hunt UK Realty Partners LP | 1,895,868 | -0.2 | -13.4 | -13.0 | -16.4 | -22.4 | -10.4 | -21.7 | -24.8 | -21.3 | -24.3 | 1Q08 | -22.7 | 0.1 | |
| Invesco Value I.M.A. Vintage 2010 | 75,282,548 | 10.1 | 0.8 | 10.9 | 10.0 | | | | | 8.5 | 7.2 | 4Q10 | 8.0 | 1.2 | |
| Invesco Value I.M.A. Vintage 2012 | 124,999,900 | | | | | | | | | 6.0 | 5.2 | 1Q13 | 4.7 | 1.3 | |
| Stockbridge Value I.M.A. Vintage 2014 | 34,809,807 | | | | | | | | | 5.0 | 4.4 | 2Q14 | 5.6 | 1.1 | |
| Vanbarton Value I.M.A. Vintage 2003 (9) | -23,720 | | | | | | | | | | | 3Q03 | 12.9 | 1.2 | |
| Vanbarton Value I.M.A. Vintage 2006 | 157,004,525 | 7.0 | -0.2 | 6.8 | 6.0 | 9.8 | -10.4 | -1.2 | -2.1 | 0.1 | -0.8 | 2Q06 | -0.6 | 1.0 | |
| Value Added | 656,238,971 | 6.0 | 1.7 | 7.7 | 6.8 | 5.2 | -6.1 | -1.2 | -2.2 | 1.9 | -5.6 | 4Q86 | 5.9 | 1.1 | |
| Value Added Separate Accounts | 629,885,263 | 5.8 | 2.2 | 8.0 | 7.3 | 5.4 | -6.0 | -0.8 | -1.7 | 7.6 | 6.4 | 3Q94 | 6.1 | 1.2 | |
| Value Added Commingled Funds | 26,353,708 | 4.6 | -4.1 | 0.3 | -1.0 | 2.4 | -8.9 | -6.5 | -8.3 | 0.0 | -8.6 | 4Q86 | 3.6 | 1.1 | |
| <i>Value Custom Benchmark</i> | | | | | 11.3 | | | | | | 8.3 | 4Q86 | | | |
| <i>NFI-ODCE Value Weight +100 BPS</i> | | | | 12.5 | 11.4 | | | 6.3 | 5.4 | 8.4 | 7.4 | 4Q86 | | | |

| Returns (%) | Market Value (\$) | 7 Year | | | | 10 Year | | | | Inception | | TWR Calculation Inception | Net IRR | Equity Multiple | |
|--|----------------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|---------------------------|---------|-----------------|------------|
| | | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | TGRS | TNET | | | | |
| High Return | | | | | | | | | | | | | | | |
| AG Europe Realty Fund II (10) | 8,249,388 | | | | | | | | | | | | | n/a | n/a |
| Barings High I.M.A. Vintage 2007 (7)(9) | 2,889 | | | | | | | | | | 4Q07 | | | 4.6 | 1.1 |
| Capri Capital High I.M.A. Vintage 2006 | 58,478,363 | -1.7 | 18.5 | 16.6 | 14.2 | -3.2 | 13.4 | 9.4 | 7.8 | 9.1 | 7.8 | 2Q06 | | 9.1 | 1.3 |
| Capri Urban Investors | 42,581,084 | 2.8 | -1.3 | 1.4 | -0.6 | 3.2 | -13.2 | -10.2 | -13.2 | -10.2 | -13.2 | 3Q08 | | -4.3 | 0.7 |
| Carlisle Europe Real Estate Partners III (3) | 1,592,439 | 0.3 | 5.0 | 5.4 | 3.6 | -0.6 | 1.1 | 0.5 | -2.4 | 0.4 | -2.7 | 2Q08 | | -2.9 | 0.9 |
| CityView Bay Area Fund II (4) | 77,588,416 | | | | | | | | | n/a | n/a | 1Q13 | | 15.0 | 1.5 |
| CityView LA Urban Fund I (9) | 475,747 | | | | | | | | | | | 4Q07 | | 11.8 | 1.2 |
| CityView Southern California Fund II (4) | 134,059,667 | | | | | | | | | n/a | n/a | 1Q14 | | 17.0 | 1.4 |
| CityView Western Fund I, L.P. (12) | 32,749,009 | | | | | | | | | n/a | n/a | 1Q17 | | -25.7 | 0.8 |
| Europa Fund III (3) | 1,797,912 | 5.1 | 1.7 | 8.3 | 5.8 | | | | | 9.0 | 7.7 | 4Q09 | | 8.3 | 1.3 |
| Europa Fund IV (3) | 32,735,041 | | | | | | | | | 12.6 | 16.0 | 4Q14 | | 9.0 | 1.2 |
| Genesis Workforce Housing Fund II (4)(9) | -66,983 | | | | | | | | | | | 2Q07 | | 8.6 | 1.5 |
| INVECO Asian Real Estate Partners II (USD Vehicle) (9) | 186,176 | | | | | | | | | | | 1Q08 | | 7.6 | 1.3 |
| Invesco High I.M.A. Vintage 2012 | 80,295,991 | | | | | | | | | 13.4 | 11.3 | 1Q13 | | 17.0 | 1.6 |
| Invesco High I.M.A. Vintage 2016 | 44,718,699 | | | | | | | | | 15.4 | 12.2 | 2Q16 | | 15.9 | 1.3 |
| RREEF High Return I.M.A. III (11) | 178,588,258 | | | | | | | | | 2.8 | 1.8 | 3Q15 | | 3.1 | 1.0 |
| Starwood Brandco | 2,662,718 | 5.8 | 28.3 | 35.7 | 22.7 | | | | | 38.9 | 26.0 | 2Q11 | | 26.8 | 3.9 |
| Starwood Capital Hospitality Fund II | 37,068,191 | 9.7 | 0.5 | 10.9 | 9.0 | | | | | 12.5 | 10.3 | 3Q10 | | 9.7 | 1.5 |
| Stockbridge High I.M.A. Vintage 2014 | 78,071,346 | | | | | | | | | 11.4 | 9.4 | 2Q14 | | 17.1 | 1.2 |
| TA Associates High I.M.A. | 43,721,885 | | | | | | | | | 15.4 | 13.4 | 4Q15 | | 17.6 | 1.3 |
| TriPacific (LERI/LERP) * (4)(6)(9) | 70,086 | | | | | | | | | | | 4Q95 | | -47.2 | 0.9 |
| High Return (5) | 855,626,321 | 4.3 | 7.1 | 11.5 | 7.8 | 2.8 | -12.1 | -9.7 | -13.8 | 6.5 | -0.9 | 4Q95 | | 2.3 | 1.0 |
| High Return Separate Accounts | 483,877,431 | -0.3 | 13.7 | 13.4 | 11.3 | -1.5 | -5.2 | -6.9 | -8.3 | -1.9 | -3.0 | 1Q01 | | 5.1 | 1.1 |
| High Return Commingled Funds | 371,748,890 | 5.5 | 6.4 | 12.1 | 9.5 | 4.1 | -2.4 | 1.6 | -2.2 | -15.8 | -53.4 | 2Q07 | | 5.8 | 1.2 |
| <i>High Return Custom Benchmark</i> | | | | | 13.4 | | | | | | 9.1 | | | | |
| <i>NFI-ODCE Value Weight + 300 BPS</i> | | | | 14.7 | 13.6 | | | 8.5 | 7.5 | 12.5 | 11.4 | 4Q95 | | | |
| Total Non-Core Portfolio | 1,511,865,292 | 5.3 | 4.8 | 10.3 | 8.5 | 4.5 | -6.3 | -2.1 | -4.0 | 2.2 | -6.2 | 4Q86 | | 4.3 | 1.1 |
| Total Portfolio excl. Admin. Asset | | | | | | | | | | | | | | | |
| LACERA | 6,247,807,757 | 5.7 | 4.0 | 9.9 | 8.9 | 5.7 | -1.1 | 4.5 | 3.7 | 8.1 | 7.0 | 3Q85 | | 7.9 | 1.4 |
| LACERA Portfolio without LERI & TriPacific | 6,247,737,672 | 5.7 | 4.0 | 9.9 | 9.0 | 5.7 | -0.6 | 5.0 | 4.3 | 8.1 | 7.2 | 3Q85 | | 8.0 | 1.4 |
| Indices | | | | | | | | | | | | | | | |
| <i>Total Custom Benchmark</i> | | | | | 10.6 | | | | 6.4 | | 7.8 | 3Q85 | | | |
| <i>ODCE + 40 BPS</i> | | | | 11.8 | 10.8 | | | 5.7 | 4.7 | 7.8 | 6.7 | 3Q85 | | | |
| Total Portfolio incl. Admin. Asset | | | | | | | | | | | | | | | |
| LACERA | 6,363,244,903 | 5.8 | 3.9 | 9.8 | 8.9 | 5.7 | -1.2 | 4.5 | 3.6 | 7.9 | 6.9 | 3Q85 | | 7.7 | 1.3 |
| LACERA Portfolio without LERI & TriPacific | 6,363,174,818 | 5.7 | 4.0 | 9.9 | 9.0 | 5.7 | -0.7 | 5.0 | 4.3 | 8.1 | 7.2 | 3Q85 | | 7.9 | 1.4 |

* Hardcoded Data

| Returns (%) | Market Value (\$) | Quarter | | | | 1 Year | | | | 3 Year | | | | 5 Year | | | |
|---|----------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|-------------|-------------|
| | | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET |
| Commingled Fund Portfolio | | | | | | | | | | | | | | | | | |
| AEW Value Investors Asia III (10) | 8,765,069 | -3.3 | -2.5 | -5.8 | -7.3 | | | | | | | | | | | | |
| AG Europe Realty Fund II (10) | 8,249,388 | | | | | | | | | | | | | | | | |
| CapMan Nordic Real Estate Fund II (4) | 9,318,852 | -2.0 | -2.6 | -4.6 | -5.6 | | | | | | | | | | | | |
| Capri Urban Investors | 42,581,084 | 0.4 | -0.7 | -0.3 | -0.5 | -1.2 | -2.9 | -4.1 | -5.4 | 1.8 | -9.4 | -7.8 | -9.4 | 2.9 | -3.3 | -0.6 | -2.4 |
| Carlyle Europe Real Estate Partners III (3) | 1,592,439 | -0.1 | -7.4 | -7.5 | -7.9 | -0.2 | 16.3 | 16.1 | 12.1 | -0.2 | 17.6 | 17.3 | 15.2 | 0.9 | 8.3 | 9.4 | 7.5 |
| CBRE Strategic Partners European Fund III (9) | 417,876 | | | | | | | | | | | | | | | | |
| CityView Bay Area Fund II (4) | 77,588,416 | 0.0 | 4.6 | 4.5 | 4.1 | 0.7 | 16.0 | 16.9 | 15.3 | 0.6 | 16.2 | 16.9 | 15.1 | | | | |
| CityView LA Urban Fund I (9) | 475,747 | | | | | | | | | | | | | | | | |
| CityView Southern California Fund II (4) | 134,059,667 | 0.0 | 4.4 | 4.3 | 4.1 | -0.2 | 17.5 | 17.3 | 16.1 | -1.5 | 23.4 | 21.8 | 19.2 | | | | |
| CityView Western Fund I, L.P. | 32,749,009 | 0.0 | -2.9 | -2.9 | -5.3 | -5.2 | -5.4 | -10.4 | -18.8 | | | | | | | | |
| Cornerstone Hotel Income Equity Fund II (4)(9) | 208,469 | | | | | | | | | | | | | | | | |
| Europa Fund III (3) | 1,797,912 | -0.1 | -6.7 | -6.8 | -5.6 | -0.5 | 5.2 | 4.7 | 10.3 | -0.4 | 12.4 | 11.9 | 6.1 | 8.2 | 2.2 | 12.7 | 9.2 |
| Europa Fund IV (3) | 32,735,041 | -0.1 | -5.0 | -5.1 | -5.1 | -0.4 | 13.6 | 13.2 | 12.3 | -1.2 | 15.3 | 14.0 | 13.2 | | | | |
| Genesis Workforce Housing Fund II (4)(9) | -66,983 | 0.1 | 0.0 | 0.1 | 0.1 | 8.4 | 0.0 | 8.4 | 8.4 | 0.8 | -2.2 | -1.4 | -1.6 | 2.5 | 3.4 | 5.9 | 5.4 |
| Heitman Asia-Pacific Property Investors (10) | 5,747,575 | | | | | | | | | | | | | | | | |
| Hunt UK Realty Partners LP | 1,895,868 | -0.3 | -5.6 | -6.0 | -6.0 | -1.9 | 3.2 | 1.3 | 1.3 | -2.2 | -3.9 | -6.0 | -6.0 | 0.7 | -1.2 | 0.6 | -2.0 |
| INVESCO Asian Real Estate Partners II (USD Vehicle) (9) | 186,176 | -0.5 | 0.0 | -0.5 | -0.5 | -2.8 | 9.2 | 6.2 | 5.8 | -1.4 | 29.1 | 27.3 | 25.6 | -0.9 | 22.7 | 21.6 | 19.9 |
| Invesco Real Estate Asia Fund | 133,278,371 | 1.0 | -2.6 | -1.6 | -1.8 | 3.6 | 3.4 | 7.0 | 6.3 | 4.8 | 6.1 | 11.1 | 10.3 | | | | |
| Prologis European Logistics Fund (PELF) | 152,049,218 | 1.4 | -2.1 | -0.7 | -1.4 | | | | | | | | | | | | |
| RREEF Core Plus Industrial Fund L.P. | 145,330,026 | 0.8 | 2.8 | 3.6 | 3.5 | 4.1 | 16.3 | 20.9 | 20.6 | | | | | | | | |
| Starwood Brandco | 2,662,718 | 4.4 | 51.8 | 56.2 | 15.4 | 15.1 | 54.9 | 75.5 | 23.3 | 15.7 | 29.1 | 48.3 | 18.4 | 10.1 | 26.6 | 38.9 | 20.1 |
| Starwood Capital Hospitality Fund II | 37,068,191 | 2.7 | 3.0 | 5.7 | 3.5 | 3.8 | -1.6 | 2.1 | 5.3 | 12.7 | -7.8 | 4.9 | 6.6 | 12.3 | -3.3 | 9.5 | 8.4 |
| Total Commingled Fund Portfolio | 828,690,127 | 0.6 | 0.6 | 1.2 | 0.6 | 2.4 | 12.1 | 14.7 | 12.9 | 3.5 | 8.1 | 11.8 | 10.1 | 6.6 | 6.2 | 13.1 | 10.9 |
| Total Separate Account Portfolio | | | | | | | | | | | | | | | | | |
| Barings Debt I.M.A | 63,771,975 | 2.8 | 0.0 | 2.8 | 2.4 | 11.6 | 0.1 | 11.7 | 10.4 | 10.2 | 0.3 | 10.5 | 9.3 | 9.8 | -0.3 | 9.5 | 8.3 |
| Barings I.M.A. | 222,564,493 | 1.9 | 1.8 | 3.7 | 3.6 | 8.9 | 3.6 | 12.8 | 12.3 | 7.2 | 4.7 | 12.2 | 11.8 | 6.7 | 4.5 | 11.5 | 10.9 |
| Capri Capital I.M.A. | 389,534,655.0 | 0.6 | 4.0 | 4.7 | 4.7 | 2.4 | 5.1 | 7.6 | 7.3 | 3.0 | 3.4 | 6.5 | 5.8 | 3.1 | 7.1 | 10.4 | 9.4 |
| Cityview Core I.M.A. | 177,337,622.0 | 2.5 | -2.7 | -0.2 | -0.2 | 4.8 | -0.4 | 4.5 | 4.2 | 3.3 | -1.4 | 1.8 | 1.4 | | | | |
| Clarion I.M.A. | 347,830,202.0 | 1.2 | 1.2 | 2.4 | 2.2 | 4.1 | 2.0 | 6.1 | 3.8 | 3.2 | 8.9 | 12.4 | 11.1 | | | | |
| Heitman I.M.A. | 497,628,066.0 | 1.4 | 2.4 | 3.8 | 3.7 | 5.5 | 4.1 | 9.8 | 9.1 | 5.3 | 2.8 | 8.2 | 7.7 | | | | |
| Invesco I.M.A. | 1,142,319,339.0 | 0.8 | 3.4 | 4.2 | 4.2 | 3.3 | 8.3 | 11.8 | 10.9 | 3.8 | 3.4 | 7.4 | 6.5 | 3.7 | 6.7 | 10.6 | 9.8 |
| Quadrant I.M.A | 58,046,847.0 | 1.9 | 0.0 | 1.9 | 1.8 | 8.0 | 0.5 | 8.5 | 8.0 | 7.7 | -0.5 | 7.2 | 6.7 | 7.6 | -0.4 | 7.2 | 6.7 |
| RREEF I.M.A. | 1,030,450,301.0 | 1.0 | 4.0 | 5.1 | 4.9 | 4.4 | 4.1 | 8.7 | 8.1 | 5.2 | 4.1 | 9.4 | 8.9 | 5.7 | 5.5 | 11.4 | 10.9 |
| Stockbridge I.M.A. | 501,388,570.0 | 1.3 | 1.2 | 2.5 | 2.3 | 5.3 | 5.6 | 11.1 | 10.1 | 5.8 | 3.7 | 9.7 | 9.0 | | | | |
| TA Associates I.M.A. | 831,194,669.0 | 1.7 | -0.2 | 1.5 | 1.3 | 6.7 | 2.7 | 9.6 | 9.0 | 6.8 | 0.6 | 7.4 | 6.9 | 6.8 | 1.3 | 8.2 | 7.6 |
| TriPacific (LERI/LERP) (4,6,9) | 70,086.0 | | | | | | | | | | | | | | | | |
| Vanbarton I.M.A. | 156,980,806.0 | 1.5 | 0.4 | 1.9 | 1.7 | 4.9 | -0.4 | 4.5 | 3.7 | 5.5 | -0.6 | 4.9 | 4.2 | 5.2 | 2.1 | 7.4 | 6.6 |
| Total Separate Accounts | 5,419,117,631 | 1.3 | 2.1 | 3.4 | 3.3 | 5.1 | 4.4 | 9.6 | 8.8 | 5.3 | 3.2 | 8.6 | 7.9 | 5.4 | 4.3 | 9.8 | 9.1 |
| Total Portfolio excl. Admin. Asset | | | | | | | | | | | | | | | | | |
| LACERA | 6,247,807,757 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.0 | 3.9 | 9.0 | 8.2 | 5.6 | 4.6 | 10.4 | 9.5 |
| LACERA Portfolio without LERI & TriPacific | 6,247,737,672 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.0 | 3.8 | 8.9 | 8.1 | 5.6 | 4.9 | 10.6 | 9.7 |
| Indices | | | | | | | | | | | | | | | | | |
| Total Custom Benchmark | | | | | 1.9 | | | | 7.9 | | | | 8.8 | | | | 10.5 |
| ODCE + 40 BPS | | | | 2.2 | 1.9 | | | 8.9 | 7.9 | | | 9.8 | 8.8 | | | 11.5 | 10.5 |
| Administrative Asset: | | | | | | | | | | | | | | | | | |
| Gateway I.M.A. (Avison Young) | 115,437,146 | 1.5 | 2.5 | 4.1 | 4.0 | 6.8 | 2.5 | 9.5 | 9.3 | 6.9 | 3.8 | 10.8 | 10.7 | 7.3 | 4.4 | 12.0 | 11.9 |
| Total Portfolio incl. Admin. Asset | | | | | | | | | | | | | | | | | |
| LACERA | 6,363,244,903 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.1 | 3.9 | 9.1 | 8.2 | 5.6 | 4.6 | 10.4 | 9.4 |
| LACERA Portfolio without LERI & TriPacific | 6,363,174,818 | 1.2 | 1.9 | 3.1 | 2.9 | 4.7 | 5.4 | 10.3 | 9.4 | 5.1 | 3.8 | 9.0 | 8.2 | 5.6 | 4.8 | 10.7 | 9.7 |

Returns by Vehicle

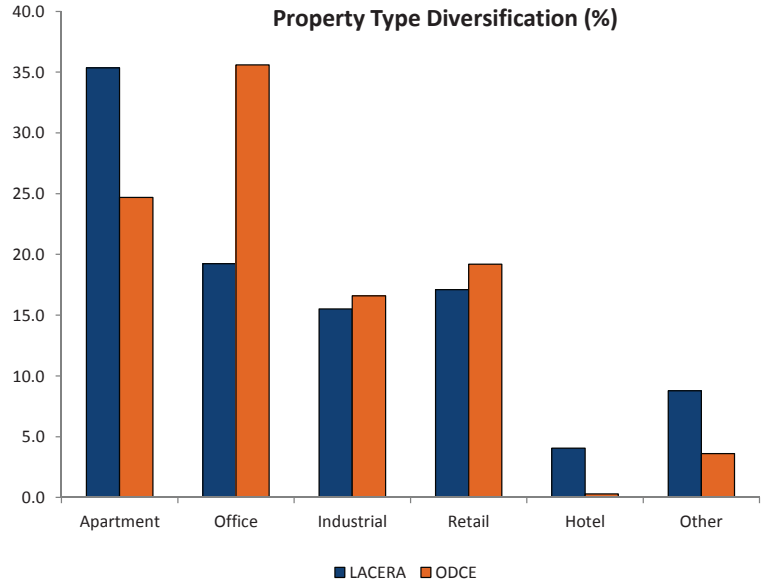
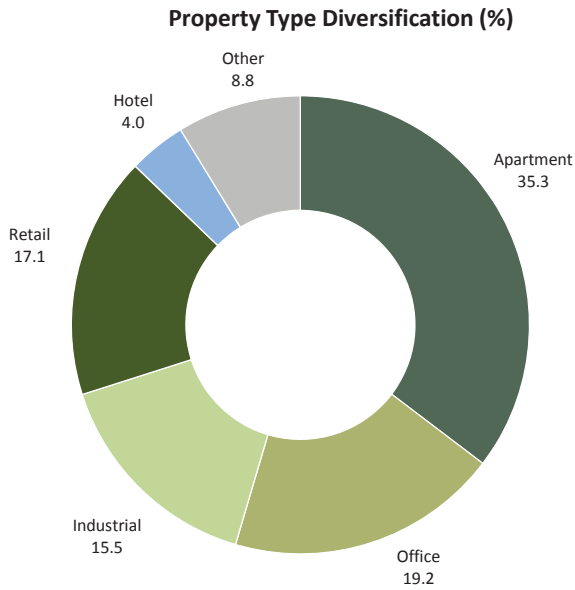
| Returns (%) | Market Value (\$) | 7 Year | | | | 10 Year | | | | Inception | | TWR Calculation Inception | Net IRR | Equity Multiple |
|---|----------------------|------------|------------|-------------|------------|------------|-------------|------------|-------------|------------|-------------|---------------------------|------------|-----------------|
| | | INC | APP | TGRS | TNET | INC | APP | TGRS | TNET | TGRS | TNET | | | |
| Commingled Fund Portfolio | | | | | | | | | | | | | | |
| AEW Value Investors Asia III (10) | 8,765,069 | | | | | | | | | -5.8 | -7.3 | 2Q18 | -29.8 | 0.9 |
| AG Europe Realty Fund II (10) | 8,249,388 | | | | | | | | | | | 3Q18 | n/a | n/a |
| CapMan Nordic Real Estate Fund II (4) | 9,318,852 | | | | | | | | | n/a | n/a | 4Q17 | 16.6 | 1.1 |
| Capri Urban Investors | 42,581,084 | 2.8 | -1.3 | 1.4 | -0.6 | 3.2 | -13.2 | -10.2 | -13.2 | -10.2 | -13.2 | 3Q08 | -4.3 | 0.7 |
| Carlisle Europe Real Estate Partners III (3) | 1,592,439 | 0.3 | 5.0 | 5.4 | 3.6 | -0.6 | 1.1 | 0.5 | -2.4 | 0.4 | -2.7 | 2Q08 | -2.9 | 0.9 |
| CBRE Strategic Partners European Fund III (9) | 417,876 | | | | | | | | | | | 2Q08 | -17.1 | 0.3 |
| CityView Bay Area Fund II (4) | 77,588,416 | | | | | | | | | n/a | n/a | 1Q13 | 15.0 | 1.5 |
| CityView LA Urban Fund I (9) | 475,747 | | | | | | | | | | | 4Q07 | 11.8 | 1.2 |
| CityView Southern California Fund II (4) | 134,059,667 | | | | | | | | | n/a | n/a | 1Q14 | 17.0 | 1.4 |
| CityView Western Fund I, L.P. | 32,749,009 | | | | | | | | | n/a | n/a | 1Q17 | -25.7 | 0.8 |
| Cornerstone Hotel Income Equity Fund II (4)(9) | 208,469 | | | | | | | | | | | 4Q08 | 9.2 | 1.4 |
| Europa Fund III (3) | 1,797,912 | 5.1 | 1.7 | 8.3 | 5.8 | | | | | 9.0 | 7.7 | 4Q09 | 8.3 | 1.3 |
| Europa Fund IV (3) | 32,735,041 | | | | | | | | | 12.6 | 16.0 | 4Q14 | 9.0 | 1.2 |
| Genesis Workforce Housing Fund II (4)(9) | -66,983 | 3.4 | 5.5 | 9.0 | 8.0 | 1.2 | 0.6 | 1.6 | -6.9 | -0.2 | -49.5 | 2Q07 | 8.6 | 1.5 |
| Heltman Asia-Pacific Property Investors (10) | 5,747,575 | | | | | | | | | | | 3Q18 | n/a | n/a |
| Hunt UK Realty Partners LP | 1,895,868 | -0.2 | -13.4 | -13.0 | -16.4 | -22.4 | -10.4 | -21.7 | -24.8 | -21.3 | -24.3 | 1Q08 | -22.7 | 0.1 |
| INVESCO Asian Real Estate Partners II (USD Vehicle) (9) | 186,176 | -0.6 | 13.9 | 13.3 | 11.7 | -0.6 | 14.5 | 13.8 | 8.8 | 13.0 | 7.6 | 1Q08 | 7.6 | 1.3 |
| Invesco Real Estate Asia Fund | 133,278,371 | | | | | | | | | 7.4 | 6.6 | 2Q14 | 7.6 | 1.3 |
| Prologis European Logistics Fund (PELF) | 152,049,218 | | | | | | | | | 15.1 | 12.0 | 4Q17 | 16.5 | 1.1 |
| RREEF Core Plus Industrial Fund L.P. | 145,330,026 | | | | | | | | | 20.9 | 20.6 | 3Q17 | 19.0 | 1.2 |
| Starwood Brandco | 2,662,718 | 5.8 | 28.3 | 35.7 | 22.7 | | | | | 38.9 | 26.0 | 2Q11 | 26.8 | 3.9 |
| Starwood Capital Hospitality Fund II | 37,068,191 | 9.7 | 0.5 | 10.9 | 9.0 | | | | | 12.5 | 10.3 | 3Q10 | 9.7 | 1.5 |
| Total Commingled Fund Portfolio | 828,690,127 | 5.8 | 4.9 | 10.9 | 8.8 | 3.8 | -3.1 | 0.5 | -2.3 | 2.2 | -1.9 | 1Q02 | 4.3 | 1.1 |
| Total Separate Account Portfolio | | | | | | | | | | | | | | |
| Barings Debt I.M.A. | 63,771,975 | | | | | | | | | 10.1 | 8.9 | 4Q11 | 8.7 | 1.1 |
| Barings I.M.A. | 222,564,493 | 5.8 | 4.3 | 10.3 | 9.6 | 3.2 | -5.1 | -2.2 | -2.8 | 3.6 | 2.9 | 1Q04 | 3.6 | 1.2 |
| Capri Capital I.M.A. | 389,534,655.0 | 3.2 | 9.1 | 12.5 | 11.4 | 2.7 | 4.0 | 6.7 | 5.3 | 8.0 | 6.5 | 1Q03 | 7.4 | 1.3 |
| Cityview Core I.M.A. | 177,337,622.0 | | | | | | | | | 4.9 | 4.4 | 3Q14 | 4.7 | 1.1 |
| Clarion I.M.A. | 347,830,202.0 | | | | | | | | | 12.4 | 11.4 | 2Q14 | 12.3 | 1.3 |
| Heltman I.M.A. | 497,628,066.0 | | | | | | | | | 10.7 | 9.8 | 1Q14 | 8.8 | 1.2 |
| Invesco I.M.A. | 1,142,319,339.0 | 4.3 | 5.0 | 9.5 | 8.8 | 5.0 | 0.6 | 5.6 | 5.2 | 8.9 | 8.3 | 4Q04 | 8.6 | 1.5 |
| Quadrant I.M.A. | 58,046,847.0 | | | | | | | | | 8.0 | 7.5 | 4Q11 | 7.5 | 1.1 |
| RREEF I.M.A. | 1,030,450,301.0 | 5.9 | 4.6 | 10.7 | 10.2 | 6.1 | 1.0 | 7.1 | 6.6 | 10.9 | 10.0 | 1Q91 | 10.2 | 1.8 |
| Stockbridge I.M.A. | 501,388,570.0 | | | | | | | | | 11.0 | 10.2 | 1Q14 | 9.9 | 1.2 |
| TA Associates I.M.A. | 831,194,669.0 | 6.8 | 1.4 | 8.2 | 7.7 | 6.7 | -2.0 | 4.7 | 4.3 | 9.4 | 8.6 | 3Q92 | 8.5 | 1.6 |
| TriPacific (LERI/LERP) (4,6,9) | 70,086.0 | | | | | | | | | | | 4Q95 | -47.1 | 0.9 |
| Vanbarton I.M.A. | 156,980,806.0 | 7.0 | -0.2 | 6.8 | 6.0 | 9.8 | -10.4 | -1.2 | -2.1 | 1.8 | 0.9 | 3Q03 | -0.1 | 1.0 |
| Total Separate Accounts | 5,419,117,631 | 5.7 | 3.7 | 9.6 | 8.9 | 5.9 | -1.3 | 4.5 | 3.8 | 9.5 | 8.5 | 1Q91 | 8.4 | 1.3 |
| Total Portfolio excl. Admin. Asset | | | | | | | | | | | | | | |
| LACERA | 6,247,807,757 | 5.7 | 4.0 | 9.9 | 8.9 | 5.7 | -1.1 | 4.5 | 3.7 | 8.1 | 7.0 | 3Q85 | 7.9 | 1.4 |
| LACERA Portfolio without LERI & TriPacific | 6,247,737,672 | 5.7 | 4.0 | 9.9 | 9.0 | 5.7 | -0.6 | 5.0 | 4.3 | 8.1 | 7.2 | 3Q85 | 8.0 | 1.4 |
| Indices | | | | | | | | | | | | | | |
| Total Custom Benchmark | | | | | 10.6 | | | | 6.4 | 7.8 | 7.8 | 3Q85 | | |
| ODCE + 40 BPS | | | | 11.8 | 10.8 | | | 5.7 | 4.7 | 7.8 | 6.7 | 3Q85 | | |
| Administrative Asset: | | | | | | | | | | | | | | |
| Gateway I.M.A. (Avison Young) | 115,437,146 | 7.9 | 3.7 | 11.8 | 11.8 | 8.0 | -6.1 | 1.6 | 1.5 | 6.3 | 6.2 | 3Q90 | 6.4 | 1.6 |
| Total Portfolio incl. Admin. Asset | | | | | | | | | | | | | | |
| LACERA | 6,363,244,903 | 5.8 | 3.9 | 9.8 | 8.9 | 5.7 | -1.2 | 4.5 | 3.6 | 7.9 | 6.9 | 3Q85 | 7.7 | 1.3 |
| LACERA Portfolio without LERI & TriPacific | 6,363,174,818 | 5.7 | 4.0 | 9.9 | 9.0 | 5.7 | -0.7 | 5.0 | 4.3 | 8.1 | 7.2 | 3Q85 | 7.9 | 1.4 |

Returns by Vehicle

| Property Type Diversification (%) | Apartment | Office | Industrial | Retail | Hotel | Other |
|---|-------------|-------------|-------------|-------------|----------|-------------|
| Administrative Asset: | | | | | | |
| Gateway I.M.A. (Avison Young) | - | 100.0 | - | - | - | - |
| Debt | | | | | | |
| Barings Debt I.M.A. | 15.2 | 84.8 | - | - | - | - |
| Quadrant I.M.A. | 100.0 | - | - | - | - | - |
| Debt | 53.4 | 46.6 | - | - | - | - |
| Core Portfolio | | | | | | |
| Barings Core I.M.A. | - | - | - | - | - | - |
| Capri Capital Core I.M.A. | 100.0 | - | - | - | - | - |
| Cityview Core I.M.A. | 71.1 | - | - | - | - | 28.9 |
| Clarion Core I.M.A. | 43.8 | 8.4 | 38.8 | 9.0 | - | - |
| Heitman Core I.M.A. | 36.9 | - | - | 12.2 | - | 50.9 |
| Invesco Core I.M.A. | 50.0 | 20.8 | 15.0 | 14.2 | - | - |
| Invesco Real Estate Asia Fund | - | 65.2 | 20.0 | 14.8 | - | - |
| Prologis European Logistics Fund (PELF) | - | - | 100.0 | - | - | - |
| RREEF Core I.M.A. | 19.2 | 32.1 | 11.4 | 22.5 | - | 14.8 |
| RREEF Core Plus Industrial Fund L.P. | - | - | 100.0 | - | - | - |
| Stockbridge Core I.M.A. | 17.7 | 27.7 | 26.7 | 27.8 | - | - |
| TA Associates Core I.M.A. | 16.6 | 38.9 | 11.6 | 30.8 | - | 2.1 |
| Core Portfolio | 33.8 | 21.1 | 19.0 | 16.7 | - | 9.5 |
| Total Core Separate Accounts | 37.2 | 21.3 | 13.1 | 17.9 | - | 10.5 |
| Value Added | | | | | | |
| AEW Value Investors Asia III | - | 100.0 | - | - | - | - |
| Barings Value I.M.A. Vintage 2003 | - | - | - | - | 100.0 | - |
| CapMan Nordic Real Estate Fund II | 11.3 | 65.4 | 9.6 | - | - | 13.7 |
| CBRE Strategic Partners European Fund III | - | - | - | - | - | - |
| Cornerstone Hotel Income Equity Fund II | - | - | - | - | - | - |
| Heitman Asia-Pacific Property Investors | - | 41.2 | - | - | - | 58.8 |
| Heitman Value I.M.A. Vintage 2013 | - | - | - | - | - | 100.0 |
| Hunt UK Realty Partners LP | - | - | - | 100.0 | - | - |
| Invesco Value I.M.A. Vintage 2010 | - | 100.0 | - | - | - | - |
| Invesco Value I.M.A. Vintage 2012 | - | - | - | 100.0 | - | - |
| Invesco Value I.M.A. Vintage 2017 | - | - | - | - | - | - |
| Stockbridge Value I.M.A. Vintage 2014 | - | - | - | 100.0 | - | - |

| Property Type Diversification (%) | Apartment | Office | Industrial | Retail | Hotel | Other |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Vanbarton Value I.M.A. Vintage 2003 | - | - | - | - | - | - |
| Vanbarton Value I.M.A. Vintage 2006 | - | - | - | 100.0 | - | - |
| Value Added | 0.2 | 16.1 | 0.2 | 44.1 | 35.7 | 3.6 |
| Total Value Separate Accounts | - | 13.6 | - | 46.1 | 37.5 | 2.7 |
| High Return | | | | | | |
| AG Europe Realty Fund II | 1.4 | 21.0 | 29.4 | 28.4 | - | 19.9 |
| Barings High I.M.A. Vintage 2007 | - | - | - | - | - | - |
| Capri Capital High I.M.A. Vintage 2006 | 100.0 | - | - | - | - | - |
| Capri Urban Investors | - | 4.7 | - | 90.5 | - | 4.8 |
| Carlyle Europe Real Estate Partners III | 83.8 | - | 16.2 | 0.0 | - | - |
| CityView Bay Area Fund II | 100.0 | - | - | - | - | - |
| CityView LA Urban Fund I | 100.0 | - | - | - | - | - |
| CityView Southern California Fund II | 100.0 | - | - | - | - | - |
| CityView Western Fund I, L.P. | 100.0 | - | - | - | - | - |
| Europa Fund III | 66.2 | 33.8 | - | - | - | - |
| Europa Fund IV | 21.2 | 19.6 | 0.9 | 31.3 | - | 27.1 |
| Genesis Workforce Housing Fund II | - | - | - | - | - | - |
| INVESCO Asian Real Estate Partners II (USD Vehicle) | 65.8 | 8.5 | - | - | - | 25.7 |
| Invesco High I.M.A. Vintage 2012 | 100.0 | - | - | - | - | - |
| Invesco High I.M.A. Vintage 2016 | - | - | 100.0 | - | - | - |
| RREEF High Return I.M.A. III | 78.5 | - | 21.5 | - | - | - |
| Starwood Brandco | - | - | - | - | 100.0 | - |
| Starwood Capital Hospitality Fund II | - | - | - | - | 100.0 | - |
| Stockbridge High I.M.A. Vintage 2014 | - | 25.8 | - | - | - | 74.2 |
| TA Associates High I.M.A. | - | 100.0 | - | - | - | - |
| TriPacific (LERI/LERP) | - | - | - | - | - | - |
| High Return | 62.0 | 8.7 | 10.2 | 5.0 | 4.7 | 9.4 |
| Total High Separate Accounts | 55.9 | 13.0 | 17.1 | - | - | 14.0 |
| Total Non-Core Portfolio | 38.6 | 11.5 | 6.4 | 19.8 | 16.5 | 7.2 |

| Property Type Diversification (%) | Apartment | Office | Industrial | Retail | Hotel | Other |
|---|-----------|--------|------------|--------|-------|-------|
| Total Portfolio excl. Admin Asset | | | | | | |
| LACERA | 35.3 | 19.2 | 15.5 | 17.1 | 4.0 | 8.8 |
| Total Portfolio incl. Admin. Asset | | | | | | |
| LACERA | 34.7 | 20.7 | 15.2 | 16.8 | 4.0 | 8.6 |
| Benchmark | | | | | | |
| ODCE | 24.7 | 35.6 | 16.6 | 19.2 | 0.3 | 3.6 |

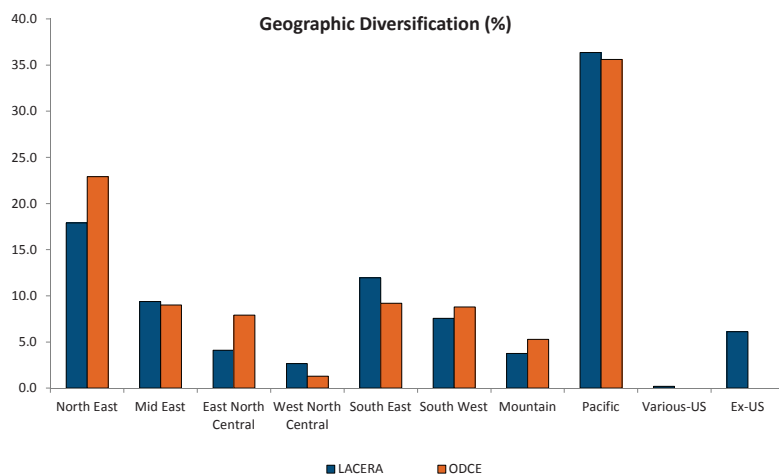
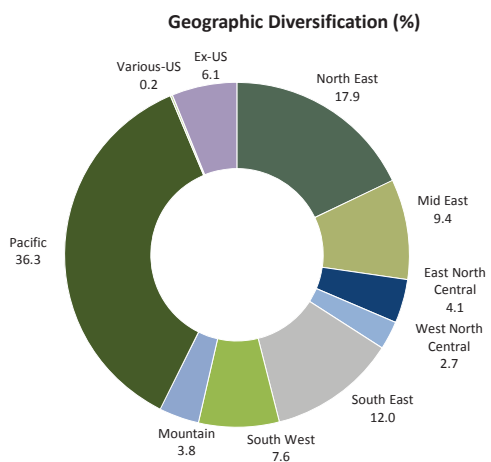


Property Type Diversification

| Geographic Diversification (%) | North East | Mid East | East North Central | West North Central | South East | South West | Mountain | Pacific | Various-US | Ex-US |
|---|-------------|-------------|--------------------|--------------------|-------------|-------------|------------|-------------|------------|------------|
| Administrative Asset: | | | | | | | | | | |
| Gateway I.M.A. (Avison Young) | - | - | - | - | - | - | - | 100.0 | - | - |
| Debt | | | | | | | | | | |
| Barings Debt I.M.A. | 0.0 | - | - | - | - | 15.2 | - | 84.8 | - | - |
| Quadrant I.M.A. | 54.5 | 45.5 | - | - | - | - | - | - | - | - |
| Debt | 24.6 | 20.5 | - | - | - | 8.4 | - | 46.6 | - | - |
| Core Portfolio | | | | | | | | | | |
| Barings Core I.M.A. | - | - | - | - | - | - | - | - | - | - |
| Capri Capital Core I.M.A. | - | - | - | - | - | 33.7 | - | 66.3 | - | - |
| Cityview Core I.M.A. | - | - | - | - | - | - | - | 100.0 | - | - |
| Clarion Core I.M.A. | - | - | - | - | - | 8.4 | - | 91.6 | - | - |
| Heitman Core I.M.A. | - | 49.3 | - | 12.2 | 18.7 | 7.6 | - | 12.1 | - | - |
| Invesco Core I.M.A. | 49.7 | 9.3 | - | - | 6.0 | 11.6 | 8.4 | 15.0 | - | - |
| Invesco Real Estate Asia Fund | - | - | - | - | - | - | - | - | - | 100.0 |
| Prologis European Logistics Fund (PELF) | - | - | - | - | - | - | - | - | - | 100.0 |
| RREEF Core I.M.A. | 22.5 | - | 20.9 | - | - | - | 7.3 | 49.2 | - | - |
| RREEF Core Plus Industrial Fund L.P. | 11.9 | - | 17.6 | - | - | - | - | 70.5 | - | - |
| Stockbridge Core I.M.A. | - | 8.3 | - | - | 19.5 | 12.5 | 18.7 | 41.1 | - | - |
| TA Associates Core I.M.A. | 40.4 | 12.7 | 1.9 | 2.3 | 36.0 | 2.3 | - | 4.4 | - | - |
| Core Portfolio | 19.8 | 9.3 | 4.7 | 1.6 | 10.4 | 7.1 | 4.3 | 36.3 | - | 6.5 |
| Total Core Separate Accounts | 21.8 | 11.4 | 4.8 | 1.9 | 11.3 | 8.1 | 5.0 | 35.7 | - | - |
| Value Added | | | | | | | | | | |
| AEW Value Investors Asia III | - | - | - | - | - | - | - | - | - | 100.0 |
| Barings Value I.M.A. Vintage 2003 | - | - | - | - | - | - | - | 100.0 | - | - |
| CapMan Nordic Real Estate Fund II | - | - | - | - | - | - | - | - | - | 100.0 |
| CBRE Strategic Partners European Fund III | - | - | - | - | - | - | - | - | - | - |
| Cornerstone Hotel Income Equity Fund II | - | - | - | - | - | - | - | - | - | - |
| Heitman Asia-Pacific Property Investors | - | - | - | - | - | - | - | - | - | 100.0 |
| Heitman Value I.M.A. Vintage 2013 | - | - | - | - | 100.0 | - | - | - | - | - |
| Hunt UK Realty Partners LP | - | - | - | - | - | - | - | - | - | 100.0 |
| Invesco Value I.M.A. Vintage 2010 | - | - | - | - | - | 100.0 | - | - | - | - |
| Invesco Value I.M.A. Vintage 2012 | 100.0 | - | - | - | - | - | - | - | - | - |
| Invesco Value I.M.A. Vintage 2017 | - | - | - | - | - | - | - | - | - | - |
| Stockbridge Value I.M.A. Vintage 2014 | - | - | - | - | 100.0 | - | - | - | - | - |
| Vanbarton Value I.M.A. Vintage 2003 | - | - | - | - | - | - | - | - | - | - |
| Vanbarton Value I.M.A. Vintage 2006 | - | - | - | 100.0 | - | - | - | - | - | - |
| Value Added | 22.6 | - | - | 15.4 | 8.5 | 12.9 | - | 35.7 | - | 4.8 |
| Total Value Separate Accounts | 23.8 | - | - | 16.2 | 8.9 | 13.6 | - | 37.5 | - | - |

| Geographic Diversification (%) | North East | Mid East | East North Central | West North Central | South East | South West | Mountain | Pacific | Various-US | Ex-US |
|---|-------------|-------------|--------------------|--------------------|-------------|------------|------------|-------------|------------|------------|
| High Return | | | | | | | | | | |
| AG Europe Realty Fund II | - | - | - | - | - | - | - | - | - | 100.0 |
| Barings High I.M.A. Vintage 2007 | - | - | - | - | - | - | - | - | - | - |
| Capri Capital High I.M.A. Vintage 2006 | - | - | - | - | - | - | - | 100.0 | - | - |
| Capri Urban Investors | - | - | 9.5 | - | - | - | - | 90.5 | - | - |
| Carlyle Europe Real Estate Partners III | - | - | - | - | - | - | - | - | - | 100.0 |
| CityView Bay Area Fund II | - | - | - | - | - | - | - | 100.0 | - | - |
| CityView LA Urban Fund I | - | - | - | - | - | - | - | 100.0 | - | - |
| CityView Southern California Fund II | - | - | - | - | - | - | - | 100.0 | - | - |
| CityView Western Fund I, L.P. | - | - | - | - | - | - | 44.4 | 55.6 | - | - |
| Europa Fund III | - | - | - | - | - | - | - | - | - | 100.0 |
| Europa Fund IV | - | - | - | - | - | - | - | - | - | 100.0 |
| Genesis Workforce Housing Fund II | - | - | - | - | - | - | - | - | - | - |
| INVESCO Asian Real Estate Partners II (USD Vehicle) | - | - | - | - | - | - | - | - | - | 100.0 |
| Invesco High I.M.A. Vintage 2012 | - | - | - | - | 100.0 | - | - | - | - | - |
| Invesco High I.M.A. Vintage 2016 | - | - | - | - | - | 100.0 | - | - | - | - |
| RREEF High Return I.M.A. III | - | 61.5 | 17.0 | - | - | - | - | 21.5 | - | - |
| Starwood Brandco | 83.8 | 2.9 | - | - | 3.6 | 2.8 | - | 6.9 | - | - |
| Starwood Capital Hospitality Fund II | 8.4 | - | - | 4.5 | 33.5 | - | 7.1 | - | 33.0 | 13.6 |
| Stockbridge High I.M.A. Vintage 2014 | 15.0 | - | - | - | 59.2 | - | - | 25.8 | - | - |
| TA Associates High I.M.A. | - | - | - | - | 100.0 | - | - | - | - | - |
| TriPacific (LERI/LERP) | - | - | - | - | - | - | - | - | - | - |
| High Return | 2.7 | 13.1 | 4.0 | 0.2 | 21.9 | 5.4 | 3.2 | 43.2 | 1.3 | 5.0 |
| Total High Separate Accounts | 2.8 | 22.4 | 6.2 | - | 35.4 | 9.3 | - | 23.9 | - | - |
| Total Non-Core Portfolio | 10.3 | 8.1 | 2.5 | 6.0 | 16.8 | 8.3 | 2.0 | 40.4 | 0.8 | 4.9 |

| Geographic Diversification (%) | North East | Mid East | East North Central | West North Central | South East | South West | Mountain | Pacific | Various-US | Ex-US |
|---|------------|----------|--------------------|--------------------|------------|------------|----------|---------|------------|-------|
| Total Portfolio excl. Admin Asset | | | | | | | | | | |
| LACERA | 17.9 | 9.4 | 4.1 | 2.7 | 12.0 | 7.6 | 3.8 | 36.3 | 0.2 | 6.1 |
| Total Portfolio incl. Admin. Asset | | | | | | | | | | |
| LACERA | 17.6 | 9.2 | 4.0 | 2.6 | 11.7 | 7.4 | 3.7 | 37.5 | 0.2 | 6.0 |
| Benchmark | | | | | | | | | | |
| ODCE | 22.9 | 9.0 | 7.9 | 1.3 | 9.2 | 8.8 | 5.3 | 35.6 | - | - |





Advisory Disclosures and Definitions

Disclosures:

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly¹ from the investment managers via a secure data collection site.

¹In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

Benchmarks

The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.



* Funded amount + unfunded commitments may not aggregate to commitment amount due to, but not limited to, one or more of the following reasons: (1) The reinvestment of distributions/withdrawals, (2) a redistribution of interest made between limited partners after the funds initial closing.

** The Internal Rate of Return (IRR) is the annualized implied discount rate (effective compounded rate) that equates the present value of all the appropriate cash inflows (Paid-in Capital, such as drawdowns for net investments) associated with an investment with the sum of the present value of all the appropriate cash outflows (such as Distributions) accruing from it and the present value of the unrealized residual fund (unliquidated holdings). For an interim cumulative return measurement, any IRR depends on the valuation of the residual assets. The IRR is affected by both the timing and amount of cash flows. The Xirr function in excel is used for calculation and liquidation of the whole portfolio is assumed at the end of the quarter.

*** Capital Returned is a sum of distributions and withdrawals. Distributions are further defined as any income or appreciation that is a return on capital. Withdrawals are return of capital.

1,2) The gross to net spread on a since inception basis is due to the statistical impact of two fully liquidated investments (Sarofim I and II, formerly TCEP). Without the inclusion of these funds, since inception returns for the Value Added portfolio are equal to 7.8% gross and 6.4% net, and for the Non-Core portfolio 7.6% gross and 4.8% net.

3) These funds were converted from their currency to USD by Townsend.

4) 'Broken' TWR – In a series of quarterly returns for an investment line item, a single quarter of significant volatility and/or temporary negative market value will 'break' the time weighted calculation and period returns (including since inception) may not accurately reflect performance of the investment line item. Line item data continues to be reflected in the sub-portfolio and portfolio totals, however for the individual line item, the internal rate of return ("IRR") becomes a more appropriate data point for evaluation.

5) Aggregate level returns are distorted by the previous negative market values of specific investments (TriPacific (LERI/LERP)).

6) In 3Q2013, the method to calculate TriPacific (LERI/LERP)'s Market Value was adjusted to reflect the full recourse debt amount.

7) Cornerstone High IMA is a fully liquidated fund. Cash and the transfer of a single property from the Cornerstone Value IMA (Alic) is what makes up the Fund's residual market value.

8) Non Core separate account I.M.A.s are presented by vintage year to mirror closed end commingled funds. The following I.M.As are included in their respective style and total real estate composites, but are not shown separately as they have fully liquidated: Capri Capital Value I.M.A. Vintage 2003; Invesco Value I.M.A. Vintage 1998 & 2004; Invesco Development I.M.A. 2001; LaSalle Value I.M.A. Vintage 2003; Lend Lease Value I.M.A. Vintage 1998; Lowe Value I.M.A. Vintage 1998; RREEF Value I.M.A. Vintage 2001, 2003 & 2005; TA Associates Value I.M.A. 2005; Invesco High I.M.A. Vintage 2008; and RREEF High I.M.A. Vintage 2000 & 2004.

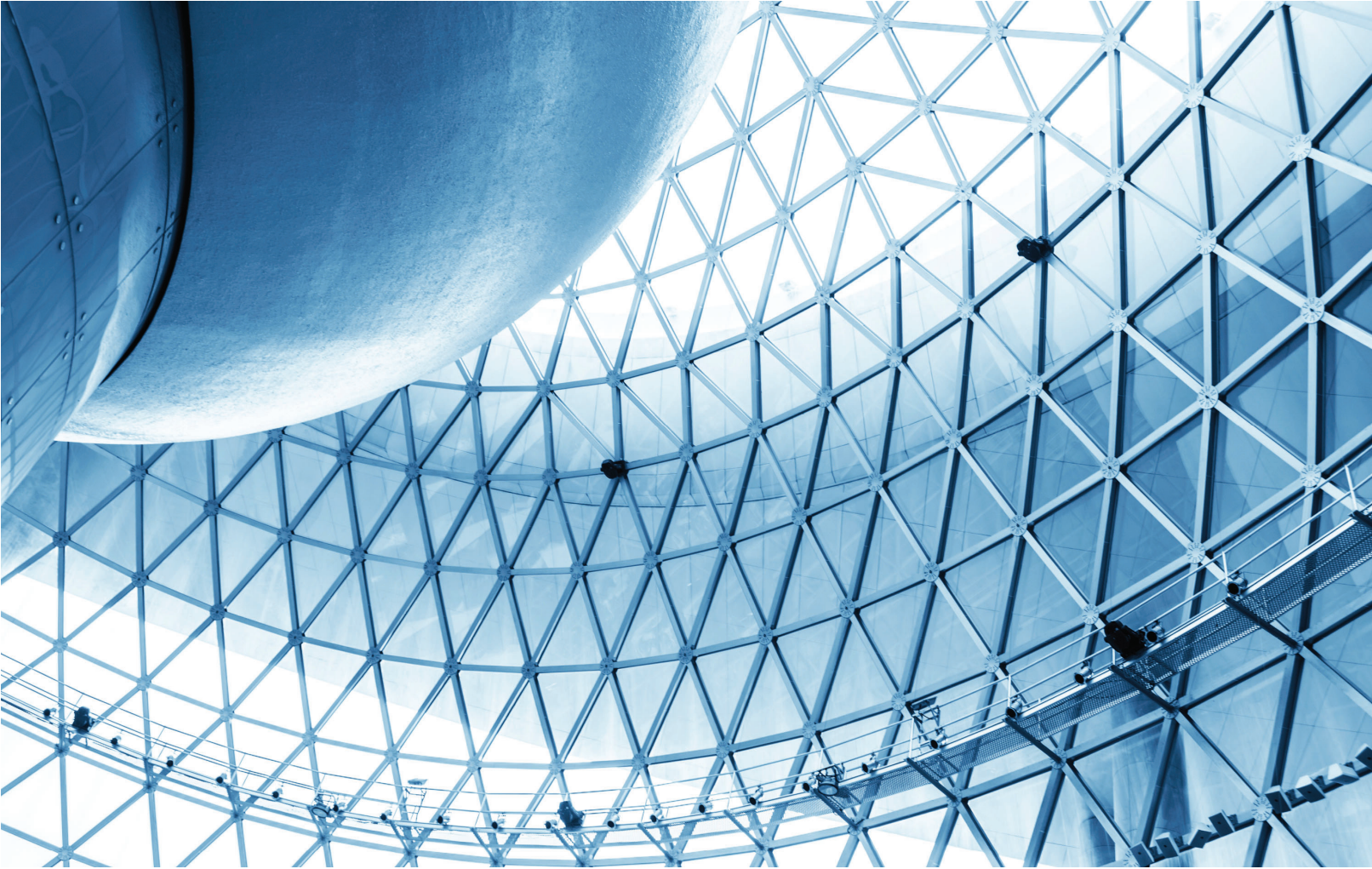
9) Fully liquidated funds/separate accounts left with limited cash positions. Short term time-weighted returns are no longer displayed because they are not meaningful.

10) Partial periods are excluded from since inception return calculations at the investment level, but are included in the calculations of composites and the total portfolio level.

11) This separate account currently only has one asset, which is a new development project. Returns are not displayed as they are not yet meaningful.

12) New Funds early in their investment period may only call capital for management fees, creating negative returns. Short term time-weighted returns are not longer displayed because they are not meaningful.

Real Estate Market Update

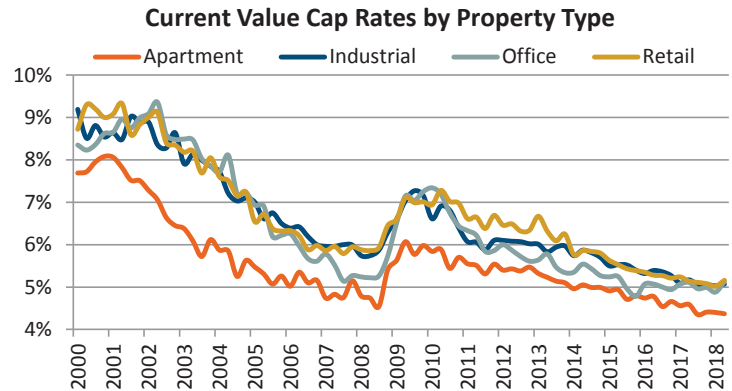


United States Real Estate Market Update (2Q18)



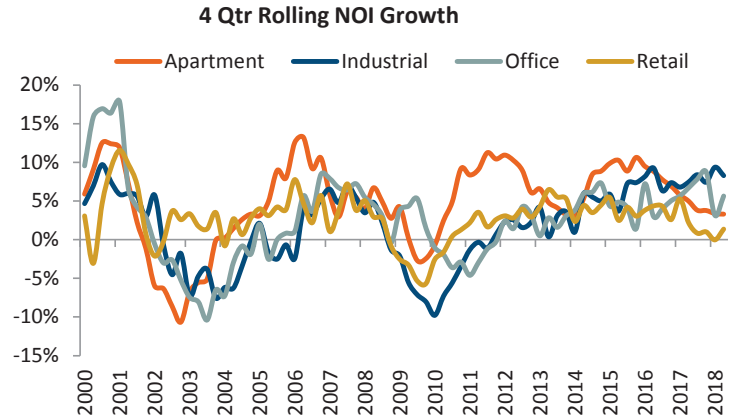
General

- The S&P 500 produced a gross total return of 3.4% during the Quarter, as markets rebounded from tightening monetary policy and trade war rhetoric on the back of strong economic data. The MSCI US REIT index produced a return of 10.1%. REITS outperformed the broader equities market for the Quarter, but continue to lag by 10.8% over the TTM period. Consumer Sentiment declined slightly during the Quarter to 98.2.
- Macro indicators for U.S. real estate continue to be positive; GDP grew at an annualized rate of 2.8% in the Second Quarter and headline CPI rose by 2.7% YoY, above the Fed's 2% target. As of Quarter-end, the economy has now experienced 93 consecutive months of job growth. The Federal Reserve has continued to tighten their policy, and, in June 2018, raised base rates to 1.75-2.0%. In 2018, consensus expectations have increased to four rate hikes.



Commercial Real Estate

- Private Real Estate Market values have remained flat for another quarter. Transaction cap rates (5.49%) contracted 16 bps on average during the Second Quarter of 2018. At the same time, current valuation cap rates were primarily flat across property sectors, with the exception of office and retail cap rates expanding 25 bps and 14 bps, respectively.
- NOI growth by sector continued to deviate during the Quarter, with retail NOI growth continuing to lag other sectors. Positive momentum continued in the industrial sector, benefiting from e-commerce and global trade growth. The sector experienced 8.3% NOI Growth over the last year.
- In the First Quarter of 2018, \$32bn of aggregate capital was raised by US Real Estate Funds. To date in 2018, Private Equity Real Estate Funds have raised \$78.5bn.
- 10 year treasury bond yields expanded 12 bps to 2.86% during the quarter and, subsequent to quarter end have essentially remained flat. A combination of expansionary fiscal policy and tightening monetary policy have led to increasing short-term interest rates and a flattening yield curve.



United States Property Matrix (2Q18)



INDUSTRIAL

- As of 2Q18, industrial properties returned 3.6% and outperformed the NPI by 179 bps.
- Net absorption increased to 64.1 million sqft in 2Q18, up 4.9% from the second quarter of 2017. Net absorption as a % of inventory was 1.9%.
- Transaction volumes reached \$30.5 billion, marking a 20% year-over-year increase. Large-scale portfolio sales are expected make 2018 the largest overall historic year in terms of total activity.
- New deliveries were 48.9 million sqft for the quarter, with the active pipeline increasing by 3.0% quarter-over-quarter to 239.1 million sqft.
- Vacancy remained stable quarter-over-quarter at 4.8% continuing to be at an all-time historic low. Strong demand has pushed asking rents up 6.2% year-over-year.

MULTIFAMILY

- The apartment sector delivered a 1.5% return during the Quarter, underperforming the NPI by 27 bps.
- Sales volumes decreased 4.8% compared to the second quarter of 2017, totaling \$32.6 billion. The drop in volume was due to a 52.2% reduction in portfolio transactions. Transaction volume is 10.2% higher on an annualized basis.
- Primary market transaction activity represented 42.5% of activity, down from 43.0% in 2017. The decrease is a result of the continued growth of capital flows into secondary and tertiary markets with a combined share increasing from 43.3% to 57.5%.
- Private investors continue to dominate the investment activity accounting for 62.5% of transactions whereas REITs have seen their proportion of transaction activity fall to 6%, less than half of their share four years ago.
- Annual rent growth rose to 2.4% percent during the second quarter of 2018, a 10 bps increase after three quarters of no change. Vacancy increased a modest 7 bps over the 12-month period ending 2Q18.

OFFICE

- The office sector returned 1.5% in 2Q18, 27 bps below the NPI return over the period.
- Occupancy growth increased with net absorption totaling 12.9 million sqft. Although net absorption improved in the second quarter, it is expected to be one-third lower in 2018 than in 2017.
- Total vacancy rose by 10 bps to 14.9% quarter-over-quarter due to the rising deliveries. Class A CBD vacancy declined by 30 bps to 11.6%, while vacancy in Class A suburban office increased 30 bps to 16.9%.
- Construction activity has remained strong with 27.4 million square feet delivered in the first two quarters and 36 million square feet to be delivered by year's end. In 2019, the office market will continue to see top-quality space delivered as 57.4 million square feet of deliveries is scheduled for completion.
- Asking rents increased 2.3% to \$33.82/sqft. This was driven by suburban rent growth of 3.7%, while CBD remained virtually unchanged. Concession packages continue to increase leading to an overall decline in effective rents.

RETAIL

- As of 2Q18, the retail sector delivered a quarterly return of 1.3%, performing 49 bps below the NPI.
- Transaction volumes for the first half of 2018 declined 3.6% year-over-year to \$28.7 billion. REIT acquisition activity declined 17.9% year-over-year, remaining net sellers and divesting both non-strategic and underperforming assets.
- Despite the continued announcement of store closures, 12-month rental growth was 5.4%, largely driven by grocery-anchored centers.
- Average cap rates remain at 4.3%. Premier assets continue to trade aggressively, driven by foreign demand, while mall and lifestyle centers struggle to agree on terms.
- Vacancy declined to 4.5%, a compression of 10 bps compared to the first quarter of 2018. Investors are starting to apply more stringent underwriting standards and evaluating shopping center tenants more cautiously.

Sources: Real Capital Analytics, Bloomberg LP, Green Street, US Census Bureau, NCREIF, Jones Lang LaSalle, REIS, Cushman and Wakefield

Global Real Estate Market Update (2Q18)



GLOBAL

- Global investment activity during 2Q 2018 totaled \$173 billion, representing a 10% increase as compared to 2Q 2017 levels. Total first half 2018 activity was \$341 billion, a 13% increase from first half 2017 and the highest first half volume since 2007. Investors' demand for real estate has remained strong, with a growing number increasing their real estate allocations due to its defensive nature and steady income returns. Further, shifting demographics and technological trends are driving an increased demand for the logistics and alternatives sectors. 2018 global investment commercial real estate volumes are projected to approximately match 2017 volumes of \$715 billion. London held the top global investment position for the quarter, followed by New York and Hong Kong in second and third place, respectively.

Direct Commercial Real Estate Investment - Regional Volumes, 2017 - 2018

| \$ US Billions | Q1 2018 | Q2 2018 | % Change | | % Change | | H1 2017 | H1 2018 | % Change |
|----------------|---------|---------|---------------|---------|---------------|---------|---------|---------|----------|
| | | | Q1 18 - Q2 18 | Q2 2017 | Q2 17 - Q2 18 | H1 2017 | | | |
| Americas | 69 | 63 | -9% | 64 | -2% | 122 | 132 | 8% | |
| EMEA | 61 | 67 | 10% | 61 | 10% | 117 | 128 | 9% | |
| Asia Pacific | 39 | 42 | 8% | 33 | 27% | 63 | 81 | 29% | |
| Total | 169 | 172 | 2% | 158 | 9% | 302 | 341 | 13% | |

Source: Jones Lang LaSalle, July 2018

EUROPE

- European investment totaled \$67.5 billion in 2Q 2018, an 11% increase from the prior quarter. First half 2018 volumes totaled \$128.1 billion, marking the highest half-year volumes recorded in the current cycle. 2Q 2018 volumes were up from 2017 volumes in the UK, Germany, and France by 21%, 30%, and 114%, respectively. The Benelux countries saw mixed performance during the quarter, with the Nordics' volume down 17% and Southern Europe volumes down 28%. While Central and Eastern Europe's 2Q 2018 volumes declined by 22%, the region's strong first quarter enabled it to still show positive investment growth for the first half 2018. Exchange rates continued to affect European investment volumes as relative dollar weaknesses have driven up the level of investing.

ASIA

- Asia Pacific saw strong y/y performance, with volumes increasing 26% and reaching \$41.7 billion during 2Q 2018. First half 2018 activity totaled \$81.0 billion, a 29% increase y/y and the highest level on record. The growth was largely driven by the following: a 17% y/y increase in Australia, a 234% y/y increase in Hong Kong, a 155% y/y increase in New Zealand, a 108% y/y increase in South Korea, and a 231% y/y increase in Taiwan. However, China and Japan overall saw a decrease in total first half 2018 volumes, with 47% and 14% decreases, respectively. Specifically, Tokyo accounted for only 46% of Japanese transaction volumes this quarter, with most of the activity coming from smaller surrounding cities. Australian investment volumes totaled \$5.7 billion in 2Q 2018, a 17% y/y increase. Cross-border investment activity accounted for 27% of total transaction volumes.

Global Outlook - GDP (Real) Growth % pa, 2017-2019

| | 2017 | 2018 | 2019 |
|-----------------------|------------|------------|------------|
| Global | 3.7 | 3.8 | 3.6 |
| Asia Pacific | 5.5 | 5.5 | 5.2 |
| Australia | 2.2 | 2.8 | 2.5 |
| China | 6.9 | 6.4 | 6.1 |
| India | 6.2 | 7.5 | 7.1 |
| Japan | 1.7 | 1.2 | 1.1 |
| North America | 2.0 | 2.5 | 2.4 |
| US | 2.3 | 3.0 | 2.3 |
| MENA* | 1.8 | 2.9 | 3.2 |
| European Union | 3.1 | 2.4 | 2.0 |
| France | 2.3 | 1.7 | 1.6 |
| Germany | 2.5 | 2.0 | 1.8 |
| UK | 1.7 | 1.3 | 1.4 |

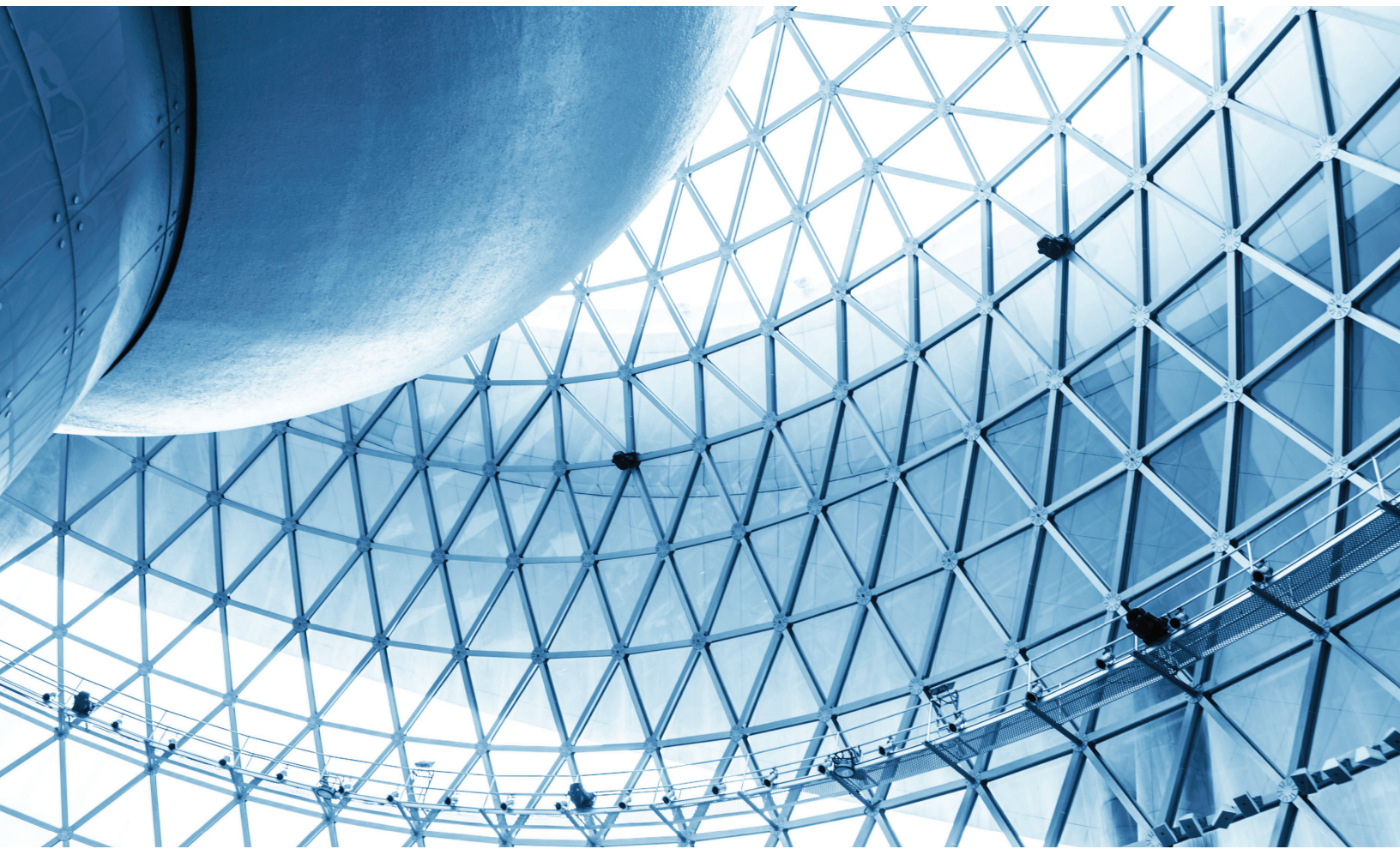
*Middle East North Africa

Source: Jones Lang LaSalle (Oxford Economics), July 2018

Disclosures

- Trade secret and confidential.
- Past performance is not indicative of future results.
- Investing involves risk, including the possible loss of principal.
- Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level net irr's and equity multiples are reported.
- The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly¹ from the investment managers via a secure data collection site.
- In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.
- Benchmarks
The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

Glossary of Terms



Cash Flow Statement

| | |
|--------------------------------|---|
| Beginning Market Value: | Value of real estate, cash and other holdings from prior period end. |
| Contributions: | Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements). |
| Distributions: | Actual cash returned from the investment, representing distributions of income from operations. |
| Withdrawals: | Cash returned from the investment, representing returns of capital or net sales proceeds. |
| Ending Market Value: | The value of an investment as determined by actual sales dollars invested and withdrawn plus the effects of appreciation and reinvestment; market value is equal to the ending cumulative balance of the cash flow statement (NAV). |
| Unfunded Commitments: | Capital allocated to managers which remains to be called for investment. Amounts are as reported by managers. |
| Remaining Allocation | The difference between the ending market value + the unfunded commitments and the target allocation. This figure represents dollars available for allocation. |

Style Groups

| | |
|--|--|
| <p>The Style Groups consist of returns from commingled funds with similar risk/return investment strategies. Investor portfolios/investments are compared to comparable style groupings.</p> | |
| Core: | <p>Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).</p> |
| Value-Added: | <p>Core returning investments that take on moderate additional risk from one or more of the following sources: leasing, re-development, exposure to non-traditional property types, the use of leverage.</p> |
| Opportunistic: | <p>Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage, distressed properties.</p> |

Indices

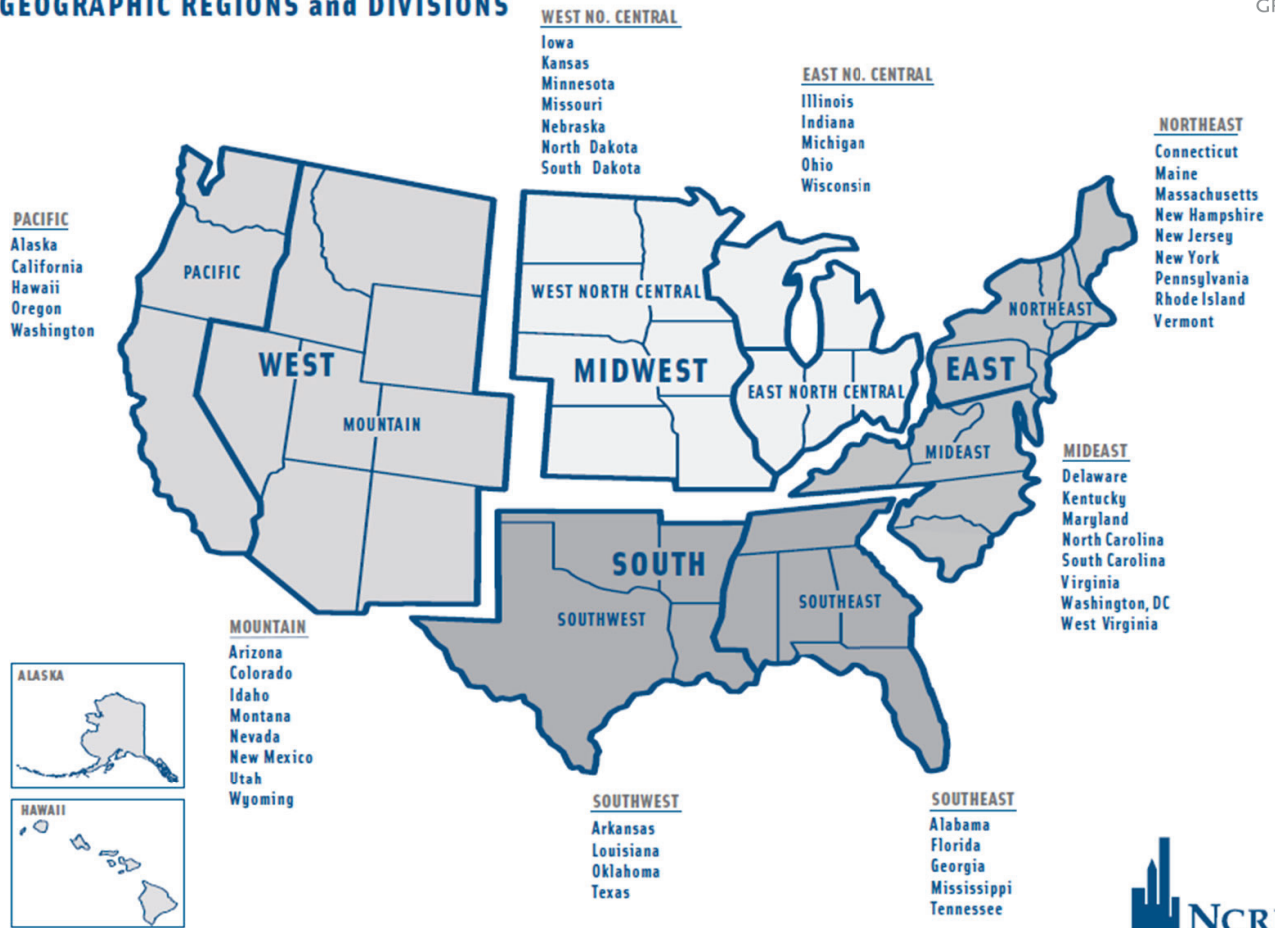
| | |
|--|--|
| Stylized Index: | Weights the various style group participants so as to be comparable to the investor portfolio holdings for each period. |
| Open-End Diversified Core Equity Index (“ODCE”): | A core index that includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets. The ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis (16 active vehicles). The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage. |
| Open-End Diversified Value Equity Index (“ODVE”): | A value-added index that includes only open-end diversified value-added strategy funds with at least 95% of their investments in U.S. markets. The Open-End Diversified Value Equity index is not a published index, but rather maintained internally by The Townsend Group and is an index of investment returns reporting on both a historical and current basis (12 active vehicles). The Open-End Diversified Value Equity Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage. |
| NCREIF Property Index (“NPI”): | National Property Index comprised of core equity real estate assets owned by institutions. |
| NAREIT Equity Index: | This is an index of Equity Real Estate Investment Trust returns reflecting the stock value changes of REIT issues as determined through public market transactions. |

Performance

| | |
|---------------------------------------|---|
| Income Return (“INC”): | Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.) |
| Appreciation Return (“APP”): | Increase or decrease in investment's value based on internal or third party appraisal, recognition of capital expenditures which did not add value or uncollectible accrued income, or realized gain or loss from sales. |
| Total Gross Return (“TGRS”): | The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager. |
| Total Net Return (“TNET”): | Total gross return less Advisor fees reported. All fees are requested (asset management, accrued incentives, paid incentives). No fee data is verified. May not include any fees paid directly by the investor as opposed to those paid from cash flows. |
| Inception Returns¹: | The total net return for an investment or portfolio over the period of time the client has funds invested. Total portfolio Inception Returns may include returns from investments no longer held in the current portfolio. |
| Net IRR: | IRR after advisory fees, incentive and promote. This includes actual cash flows and a reversion representing the LP Net Assets at market value as of the period end reporting date. |
| Equity Multiple: | The ratio of Total Value to Paid-in-Capital (TVPIC). It represents the Total Return of the investment to the original investment not taking into consideration the time invested. Total Value is computed by adding the Residual Value and Distributions. It is calculated net of all investment advisory and incentive fees and promote. |

¹ Portfolio level returns include historical returns of managers no longer with assets under management. All returns are calculated on a time-weighted basis.

GEOGRAPHIC REGIONS and DIVISIONS



ATTACHMENT B

Q2 2018 Performance Measurement Report Summary

Board of Investments

January 9, 2019

John McClelland – Principal Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Real Estate Portfolio Historical Returns

(Net of fees, as of June 30, 2018)

| | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year |
|--------------------|--------|--------|--------|--------|---------|
| Core | | | | | |
| LACERA | 9.7% | 7.6% | 9.2% | 9.0% | 5.7% |
| Benchmark | 7.5% | 8.4% | 10.0% | 10.3% | 6.1% |
| <i>Difference</i> | 2.2% | -0.8% | -0.8% | -1.3% | -0.4% |
| Value Added | | | | | |
| LACERA | 7.3% | 4.2% | 7.8% | 6.8% | -2.2% |
| Benchmark | 8.5% | 9.4% | 11% | 11.3% | 7.0% |
| <i>Difference</i> | -1.2% | -5.2% | -3.3% | -4.5% | -9.2% |
| High Return | | | | | |
| LACERA | 8.6% | 13.9% | 8.5% | 7.8% | -13.8% |
| Benchmark | 10.7% | 11.6% | 13.3% | 13.4% | 9.1% |
| <i>Difference</i> | -2.1% | 2.3% | -4.8% | -5.6% | -22.9% |
| TOTAL | | | | | |
| LACERA | 9.4% | 8.2% | 9.4% | 8.9% | 3.6% |
| Benchmark | 7.9% | 8.8% | 10.5% | 10.6% | 6.4% |
| <i>Difference</i> | 1.5% | -0.6% | -1.1% | -1.7% | -2.8% |



Real Estate Portfolio Historical Returns - continued

An outlier, TriPacific, impacts High Return and total portfolio long-term returns.

(Net of fees, as of June 30, 2018)

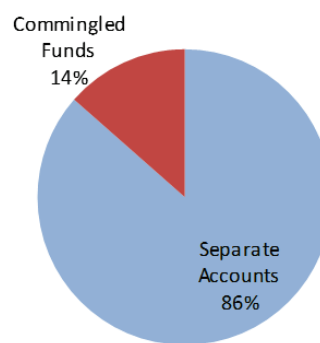
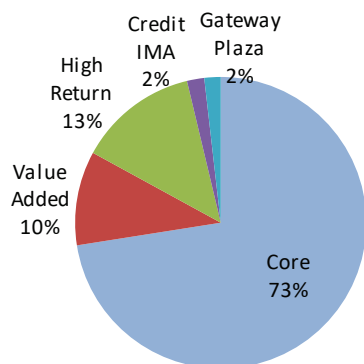
| | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year |
|------------------------------|--------|--------|--------|--------|---------|
| High Return | | | | | |
| LACERA - incl. TP | 8.6% | 13.9% | 8.5% | 7.8% | -13.8% |
| LACERA - excl. TP | 8.7% | 13.4% | 14.0% | 11.0% | -4.6% |
| Benchmark | 10.7% | 11.6% | 13.3% | 13.4% | 9.1% |
| <i>Difference - incl. TP</i> | -2.1% | 2.3% | -4.8% | -5.6% | -22.9% |
| <i>Difference - excl. TP</i> | -2.0% | 1.8% | 0.7% | -2.4% | -13.7% |
| TOTAL | | | | | |
| LACERA - incl. TP | 9.4% | 8.2% | 9.4% | 8.9% | 3.6% |
| LACERA - excl. TP | 9.4% | 8.2% | 9.7% | 9.0% | 4.3% |
| Benchmark | 7.9% | 8.8% | 10.5% | 10.6% | 6.4% |
| <i>Difference - incl. TP</i> | 1.5% | -0.6% | -1.1% | -1.7% | -2.8% |
| <i>Difference - excl. TP</i> | 1.5% | -0.6% | -0.8% | -1.6% | -2.1% |



LACERA Real Estate Portfolio Composition

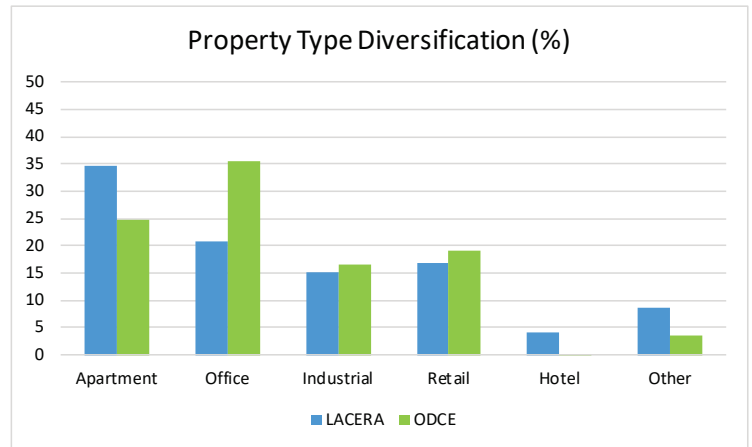
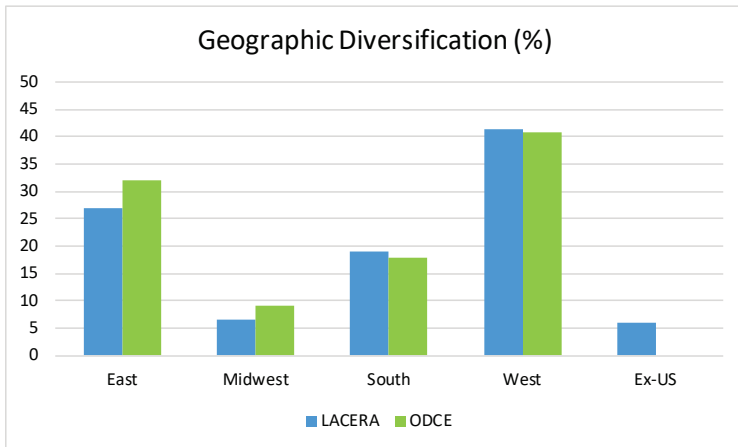
(June 30, 2018)

| Investment Style | Separate Accounts (\$ in millions) | % of Style | Commingled Funds | % of Style | Net Market Value | % of Total Style |
|------------------|---------------------------------------|------------|---------------------|---------------|---------------------|---------------------|
| Core | \$4,183 | 91% | \$431 | 9% | \$4,614 | 73% |
| Value Added | \$630 | 95% | \$35 | 5% | \$664 | 10% |
| High Return | \$484 | 57% | \$363 | 43% | \$847 | 13% |
| Credit IMA | \$122 | | | | \$122 | 2% |
| Gateway Plaza | \$115 | | | | \$115 | 2% |
| Total | \$5,534 | 87% | \$829 | 13% | \$6,363 | 100% |



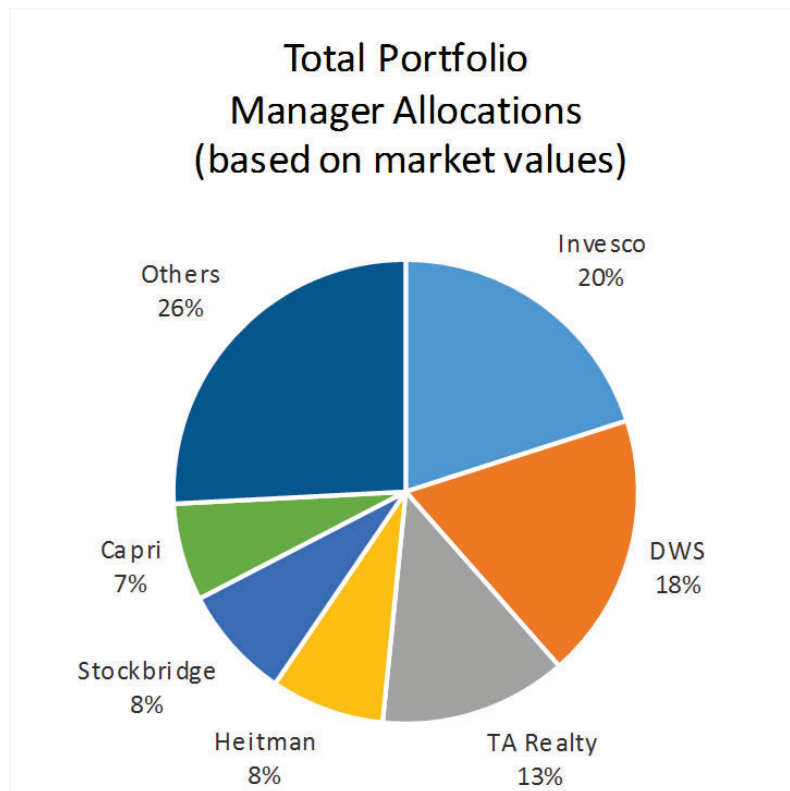
LACERA Real Estate Portfolio Composition

(June 30, 2018)

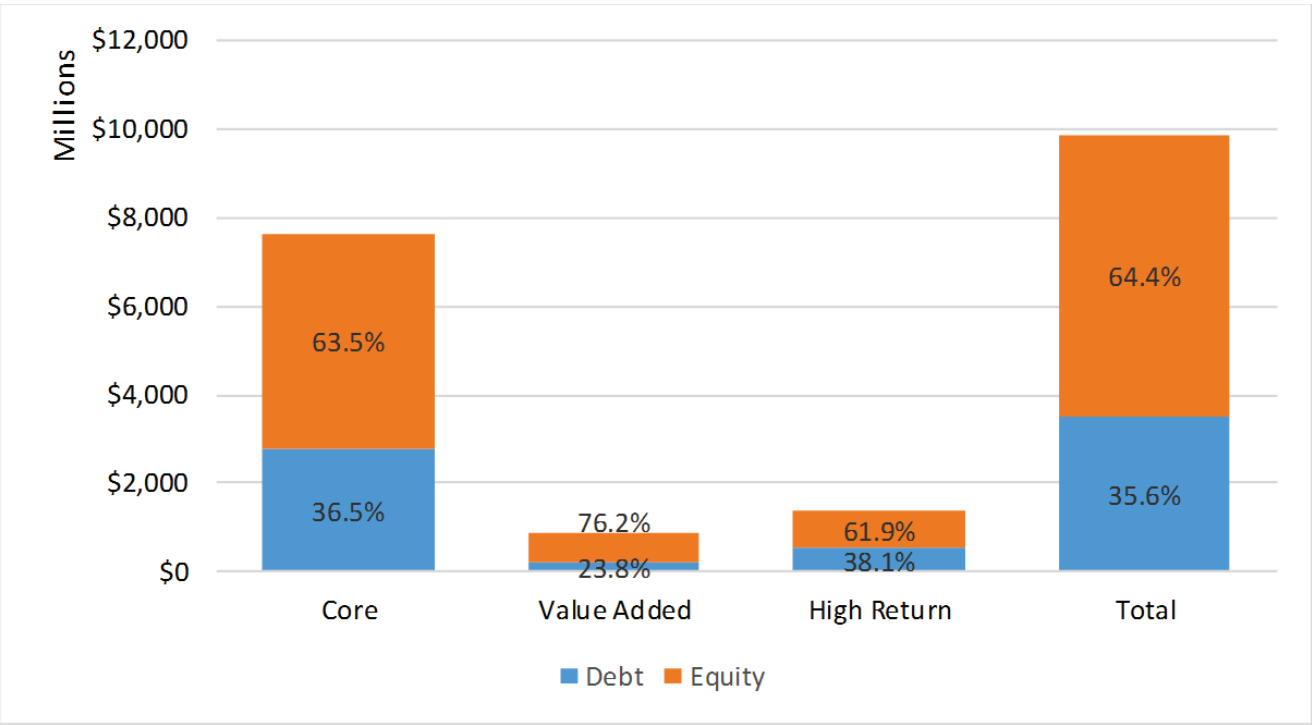


LACERA Real Estate Portfolio Composition

(June 30, 2018)



Real Estate Portfolio Leverage Summary and Capital Structure (June 30, 2018)



Real Estate Appraisal Results

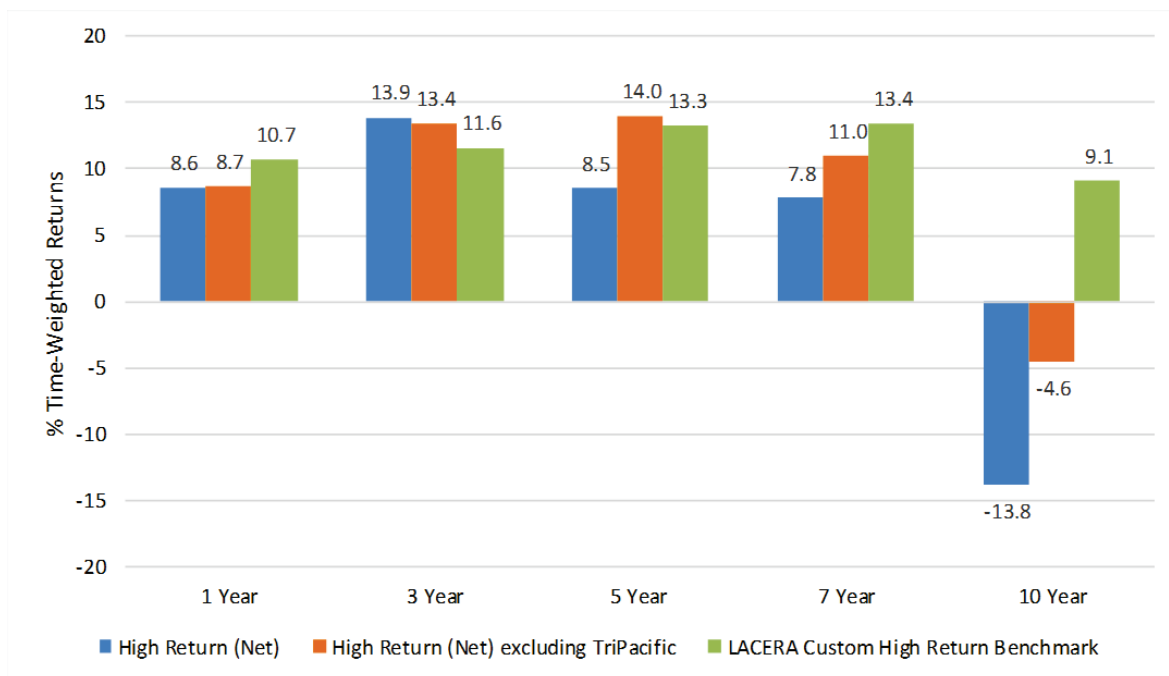
(June 30, 2018)

| Risk Category | Number of Properties | 6/30/17 Gross MV | 6/30/18 | | |
|---------------|----------------------|------------------|--------------------|---------------|-----------|
| | | | Gross MV Appraisal | \$ Difference | % Change |
| Core | 18 | \$1,814 | \$1,936 | \$122 | 7% |
| Value Added | 6 | \$489 | \$494 | \$4 | 1% |
| Total | 24 | \$2,303 | \$2,429 | \$126 | 5% |

| Property Type | Number of Properties | 6/30/17 Gross MV | 6/30/18 | | |
|---------------|----------------------|------------------|--------------------|---------------|-----------|
| | | | Gross MV Appraisal | \$ Difference | % Change |
| Apartment | 7 | \$774 | \$829 | \$55 | 7% |
| Industrial | 2 | \$73 | \$84 | \$11 | 15% |
| Office | 7 | \$485 | \$513 | \$28 | 6% |
| Retail | 7 | \$596 | \$596 | \$0 | 0% |
| Hotel | 1 | \$375 | \$407 | \$32 | 9% |
| Total | 24 | \$2,303 | \$2,429 | \$126 | 5% |

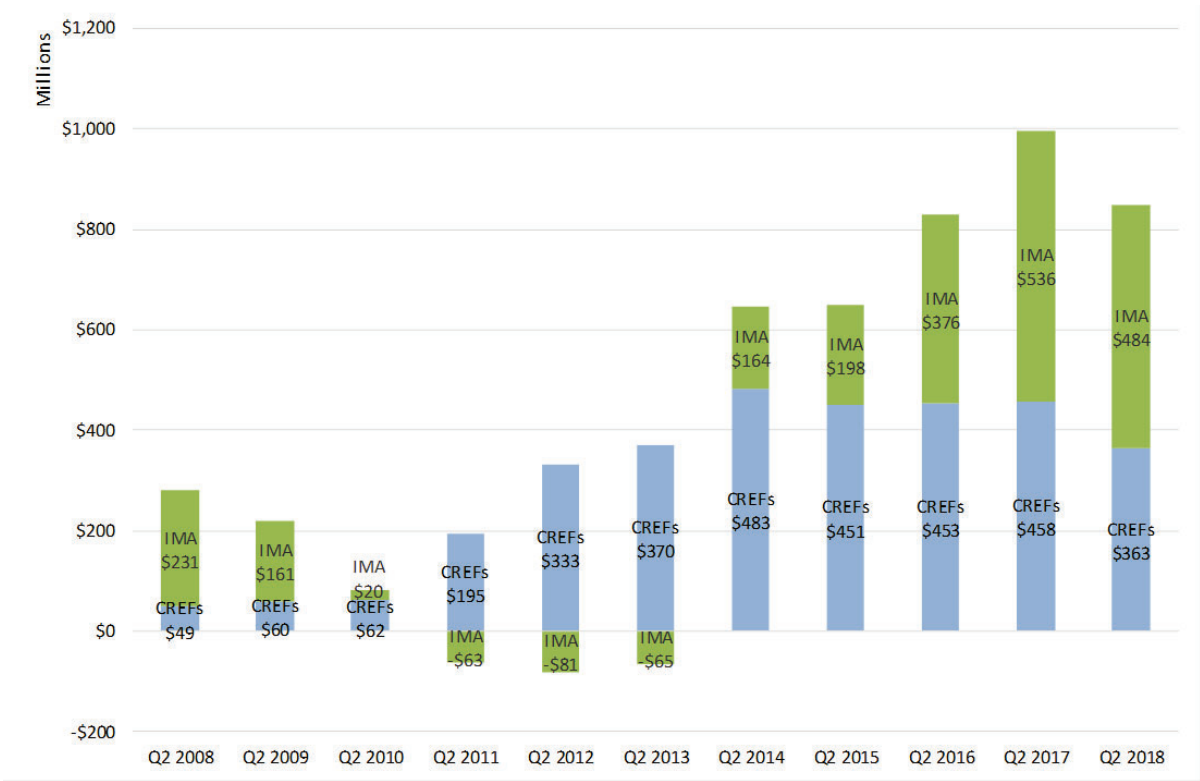


High Return Portfolio (Net) vs. Benchmark (June 30, 2018)



Composition of High Return IMA vs. CREFs

(June 30, 2018)



SUPPLEMENTAL SLIDES



Manager Profile

Firm: Barings
Location: Hartford, CT
Current Number of Investments: 1
Investment Style: Core / Value / High Return

Assets Managed: \$222.5 Million
Inception Date: 2003

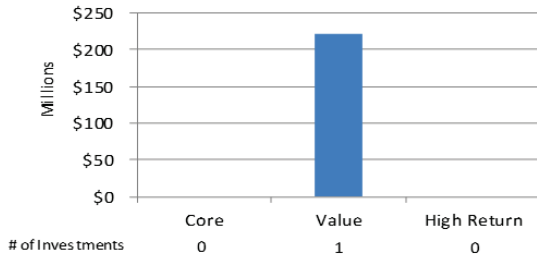
Leverage: LTV
 Core
 Value 0%
 High Return

Mandate: Barings was hired to take over the asset management of a hotel portfolio. The mandate was subsequently expanded to include core, value added and high return investments in industrial, multi-family, office and retail sectors throughout the United States.

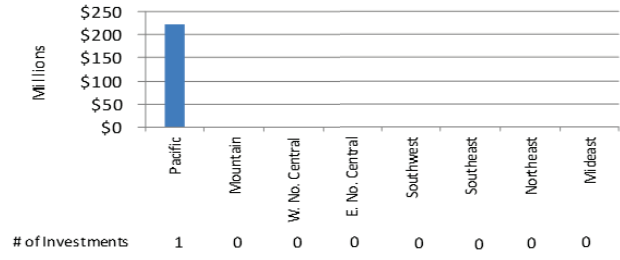
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|------------------------|-------|-------|-------|------|--------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | | | | | | |
| Value | 12.2% | 12.1% | -5.0% | 1.2% | 5.8% | 1.3 |
| Custom Value Benchmark | 8.5% | 11.1% | 7.0% | | | |
| High Return | | | | | | |
| Total | 12.3% | 10.9% | -2.8% | 2.9% | 3.6% | 1.2 |

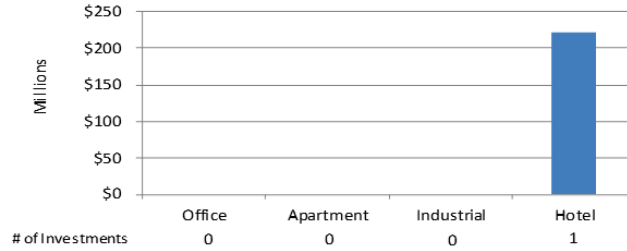
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Capri Capital **Assets Managed:** \$389 Million
Location: Chicago, IL **Inception Date:** 2003
Current Number of Investments: 5
Investment Style: Core / Value / High Return

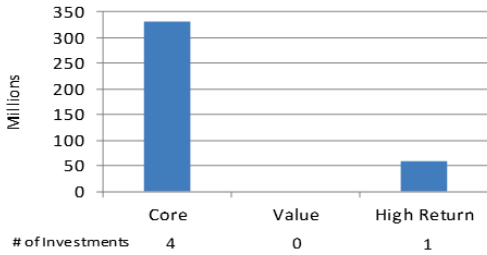
Leverage: **LTV**
 Core 37%
 Value
 High Return 49%

Mandate: Hired as an emerging manager to pursue value added and high return investments in the multi-family sector on a diversified basis across the United States.

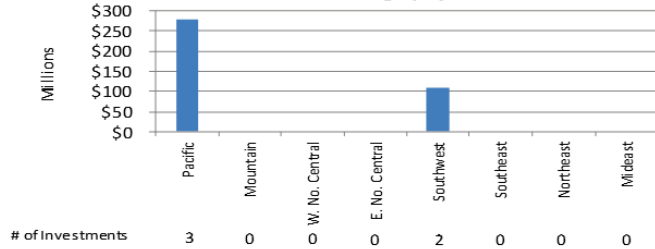
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | IRR | SI Multiple |
|------------------------------|-------|-------|------|-------|------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 8.1% | 8.3% | | 11.5% | 9.2% | 1.5 |
| Custom Core Benchmark | 7.5% | 10.0% | | | | |
| Value | | | | | | |
| High Return | 2.6% | 21.4% | 7.8% | 7.8% | 9.1% | 1.3 |
| Custom High Return Benchmark | 10.7% | 13.3% | 9.1% | | | |
| Total | 7.3% | 9.4% | 5.3% | 6.5% | 7.4% | 1.3 |

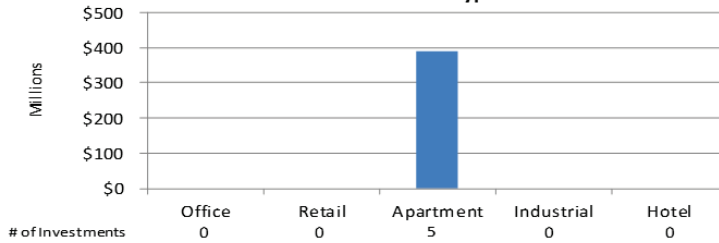
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: CityView **Assets Managed:** \$177 Million
Location: Los Angeles, CA **Inception Date:** 2014
Current Number of Investments: 6
Investment Style: Core/Value/High Return

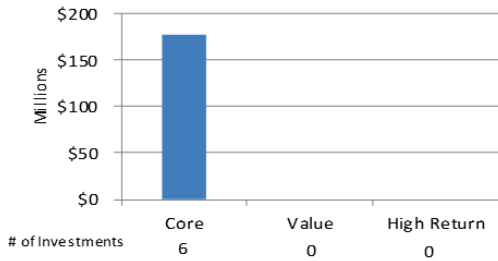
Leverage: **LTV**
 Core 46%
 Value 0%
 High Return 0%

Mandate: CityView was retained to continue managing the multi-family assets that were transferred from a commingled fund into our separate account portfolio as core holdings.

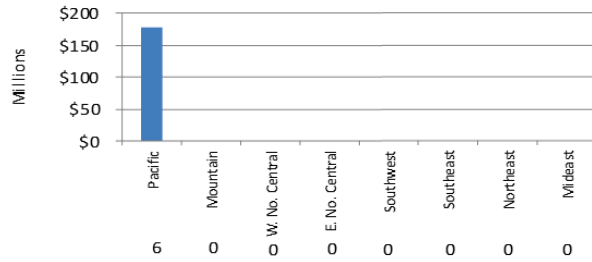
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|-----------------------|-------------|-----|------|-------------|-------------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 4.2% | | | 4.4% | 4.7% | 1.1 |
| Custom Core Benchmark | 7.5% | | | | | |
| Value | | | | | | |
| High Return | | | | | | |
| Total | 4.2% | | | 4.4% | 4.7% | 1.1 |

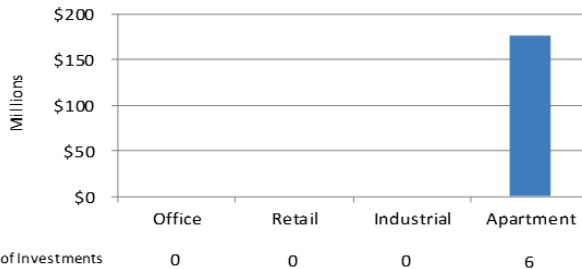
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Clarion Partners **Assets Managed:** \$348 Million
Location: New York, NY **Inception Date:** 2013
Current Number of Investments: 3
Investment Style: Core/Value/High Return

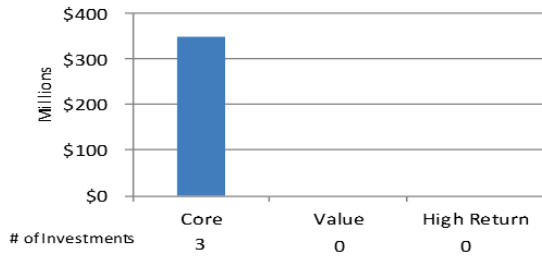
Leverage: **LTV**
 Core 45%
 Value 0%
 High Return 0%

Mandate: A separate account manager with a mandate to pursue core, value added and high return investments in industrial, multi-family, office and retail property types throughout the United States.

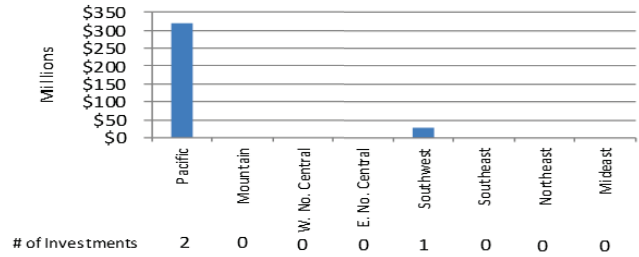
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI | SI |
|------------------------------|-------------|-----|------|--------------|--------------|------------|
| | 1yr | 5yr | 10yr | IRR | Multiple | |
| Core | 6.8% | | | 7.9% | 8.1% | 1.2 |
| Custom Core Benchmark | 7.5% | | | | | |
| Value | | | | | | |
| High Return | | | | | | |
| Custom High Return Benchmark | | | | | | |
| Total | 3.8% | | | 11.4% | 12.3% | 1.3 |

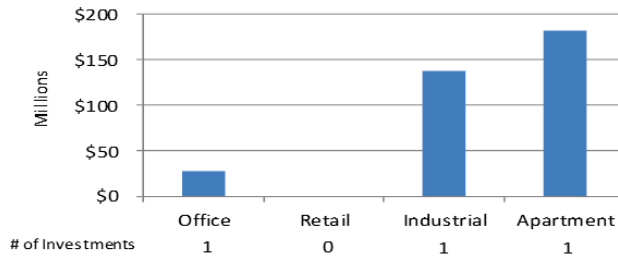
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: DWS **Assets Managed:** \$1,030 Million
Location: San Francisco, CA **Inception Date:** 1991
Current Number of Investments: 17
Investment Style: Core / Value / High Return

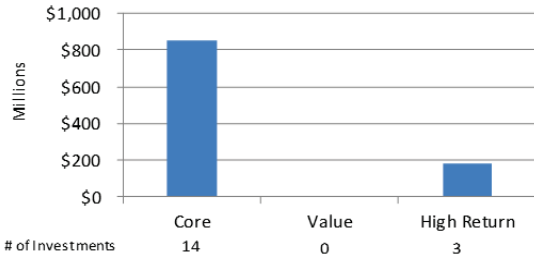
Leverage: **LTV**
 Core 33%
 Value 0%
 High Return 0%

Mandate: A separate account manager with a mandate to pursue core, value added and high return investments in industrial, multi-family, office and retail property types throughout the United States.

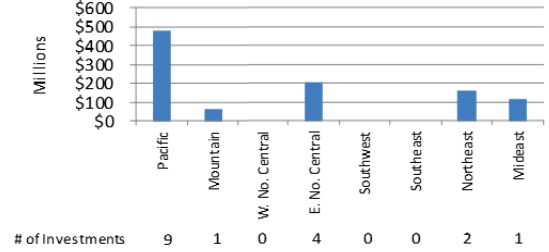
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|--------------------------|-------------|--------------|-------------|--------------|--------------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 9.8% | 11.2% | 7.2% | 10.3% | 10.6% | 2.1 |
| Custom Core Benchmark | 7.5% | 10.0% | 6.1% | | | |
| Value | | | | | | |
| Custom Value Benchmark | | | | | | |
| High Return | -1.2% | | | 1.8% | 3.1% | 1.0 |
| Custom High Return Bench | 10.7% | | | | | |
| Total | 8.1% | 10.9% | 6.6% | 10.0% | 10.2% | 1.8 |

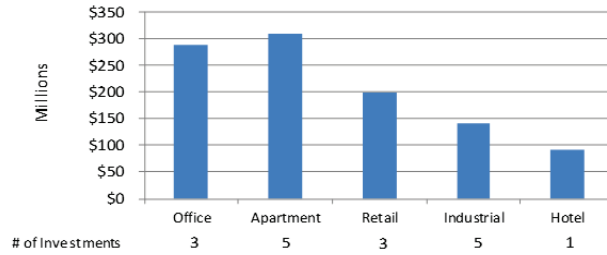
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Heitman **Assets Managed:** \$497 Million
Location: Chicago, IL **Inception Date:** 2013
Current Number of Investments: 10
Investment Style: Core/Value

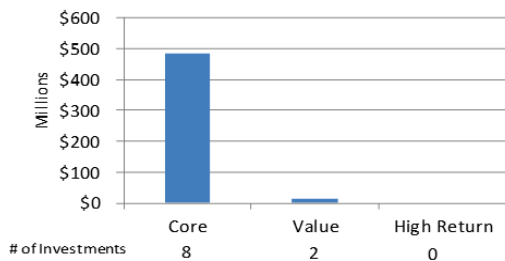
Leverage: **LTV**
 Core 46%
 Value 51%
 High Return

Mandate: A separate account manager with a mandate to pursue core, value added and high return investments in industrial, multi-family, office and retail property types throughout the United States.

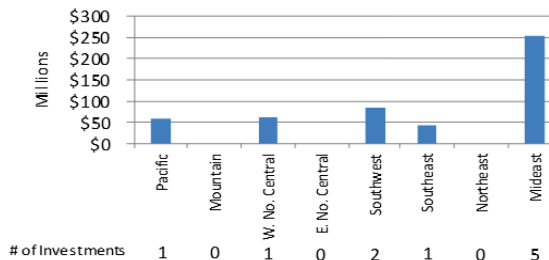
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|------------------------|------|-------|------|-------|--------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 8.8% | | | 8.1% | 8.6% | 1.2 |
| Custom Core Benchmark | 7.5% | | | | | |
| Value | | 20.4% | | 13.7% | 11.9% | 1.6 |
| Custom Value Benchmark | | 8.5% | | | | |
| High Return | | | | | | |
| Total | 9.1% | | | 9.8% | 8.8% | 1.2 |

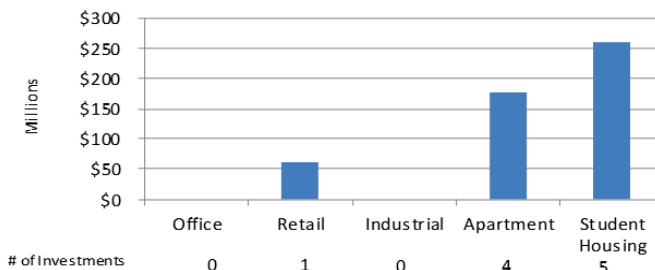
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Invesco **Assets Managed:** \$1.1 Billion
Location: Dallas, TX **Inception Date:** 1994
Current Number of Investments: 12
Investment Style: Core / Value / High Return

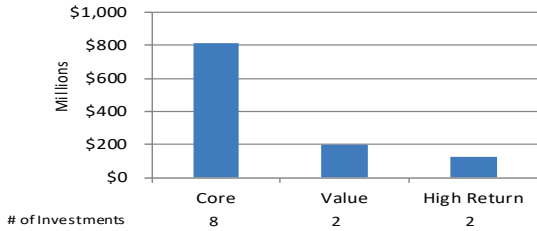
Leverage: **LTV**
 Core 37%
 Value Vintage 2010 42%
 Value Vintage 2012 41%
 High Return Vintage 2012 45%
 High Return Vintage 2016 43%

Mandate: A separate account manager with a mandate to pursue core, value added and high return investments in industrial, multi-family, office and retail property types throughout the United States.

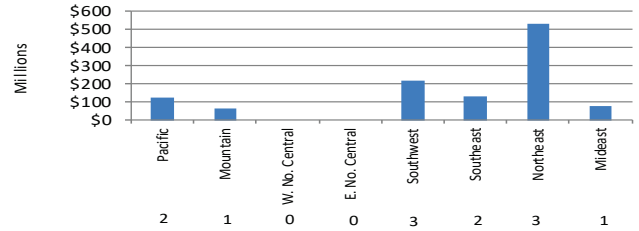
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 11.3% | 9.2% | 6.0% | 8.6% | 8.8% | 1.6 |
| Custom Core Benchmark | 7.5% | 10.0% | 6.1% | | | |
| Value Vintage 2010 | 17.2% | 11.5% | | 7.2% | 8.0% | 1.2 |
| Custom Value Benchmark | 8.5% | 11.1% | | | | |
| Value Vintage 2012 | -9.2% | 5.6% | | 5.2% | 4.7% | 1.3 |
| Custom Value Benchmark | 8.5% | 11.1% | | | | |
| High Return Vintage 2012 | 5.5% | 12.8% | | 11.3% | 17.0% | 1.6 |
| Custom High Return Benchmark | 10.7% | 13.3% | | | | |
| High Return Vintage 2016 | 35.0% | | | 12.2% | 15.9% | 1.3 |
| Custom High Return Benchmark | 10.7% | | | | | |
| Total | 10.9% | 9.8% | 5.2% | 8.3% | 8.6% | 1.5 |

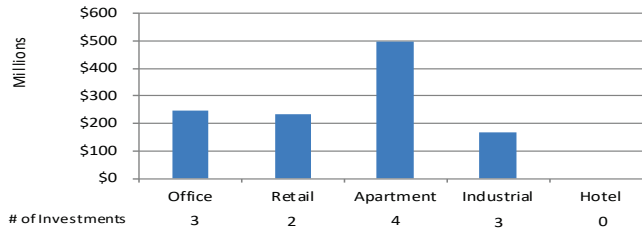
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Stockbridge **Assets Managed:** \$501 Million
Location: Atlanta, GA **Inception Date:** 2013
Current Number of Investments: 17
Investment Style: Core/Value/High Return

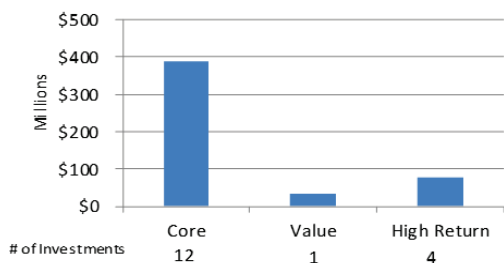
Leverage: **LTV**
 Core 41%
 Value 0%
 High Return 31%

Mandate: A separate account manager with a mandate to pursue core, value added and high return investments in industrial, multi-family, office and retail property types throughout the United States.

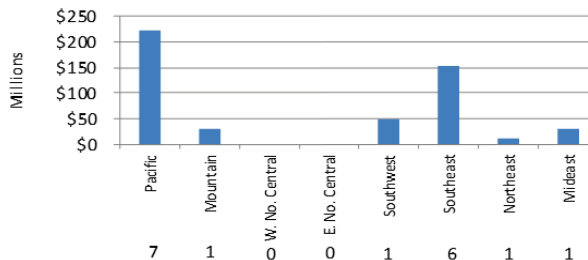
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI | SI |
|------------------------------|-------|-----|------|-------|----------|-----|
| | 1yr | 5yr | 10yr | IRR | Multiple | |
| Core | 9.2% | | | 10.5% | 9.9% | 1.2 |
| Custom Core Benchmark | 7.5% | | | | | |
| Value | -0.8% | | | 4.4% | 5.6% | 1.1 |
| Custom Value Benchmark | 8.5% | | | | | |
| High Return | 25.9% | | | 9.4% | 17.1% | 1.2 |
| Custom High Return Benchmark | 10.7% | | | | | |
| Total | 10.1% | | | 10.2% | 9.9% | 1.2 |

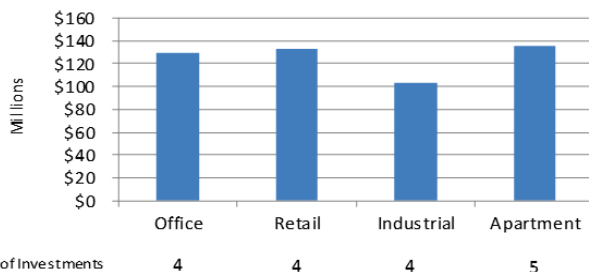
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: TA Associates Realty **Assets Managed:** \$831 Million
Location: Boston, MA **Inception Date:** 1992
Current Number of Investments: 20
Investment Style: Core / Value / High Return

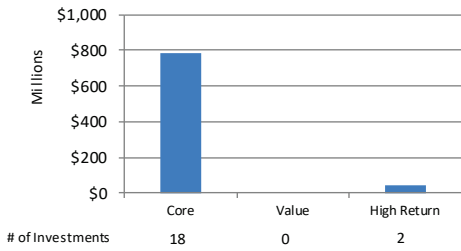
Leverage: **LTV**
 Core 30%
 Value 0%
 High Return 0%

Mandate: A separate account manager with a mandate to pursue core, value added and high return investments in industrial, multi-family, office and retail property types throughout the United States.

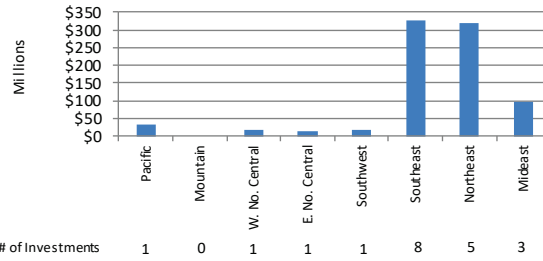
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 8.5% | 8.0% | 4.7% | 8.8% | 8.8% | 1.8 |
| Custom Core Benchmark | 7.5% | 10.0% | 6.1% | | | |
| Value | | | | | | |
| Custom Value Benchmark | | | | | | |
| High Return | 18.1% | | | | | |
| Custom High Return Benchmark | 10.7% | | | | | |
| Total | 9.0% | 7.6% | 4.3% | 8.6% | 8.5% | 1.6 |

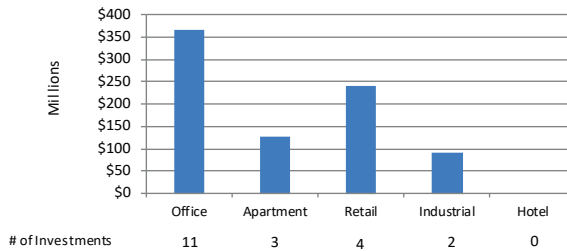
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Vanbarton

Location: New York, NY

Current Number of Investments: 4

Investment Style: Value

Assets Managed: \$157 Million

Inception Date: 2003

Leverage: LTV

Core

Value 0%

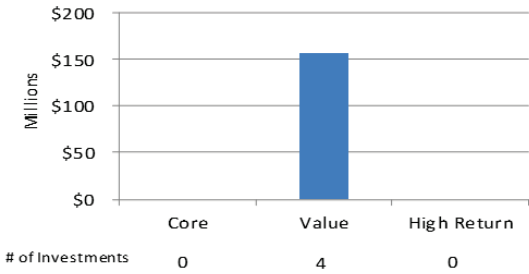
High Return

Mandate: Vanbarton was hired as an emerging manager to pursue value added and high return investments in office, multi-family, retail and industrial properties across the United States.

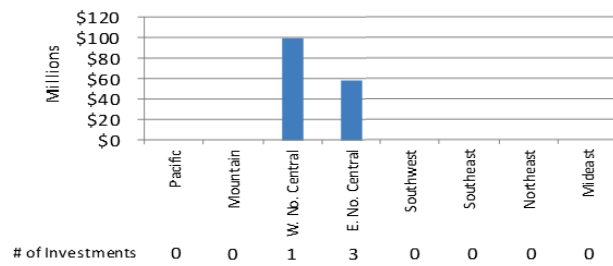
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|------------------------|------|-------|-------|-------|--------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | | | | | | |
| Value | 3.7% | 6.6% | -2.1% | -0.8% | -0.6% | 1.0 |
| Custom Value Benchmark | 8.5% | 11.1% | 7.0% | | | |
| High Return | | | | | | |
| Total | 3.7% | 6.6% | -2.1% | 0.9% | -0.1% | 1.0 |

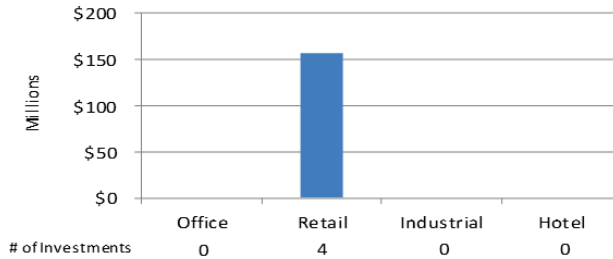
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Barings - Debt
Location: Hartford, CT
Current Number of Investments: 5
Investment Style: Core

Assets Managed: \$64 Million
Inception Date: 2011

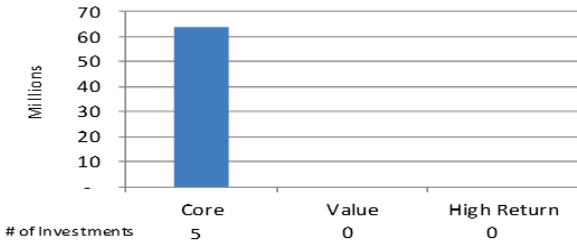
Leverage: **LTV**
 Core 65%
 Value
 High Return

Mandate: Originates core-plus first, subordinated and mezzanine mortgage loans secured by institutional quality commercial real estate assets throughout the United States.

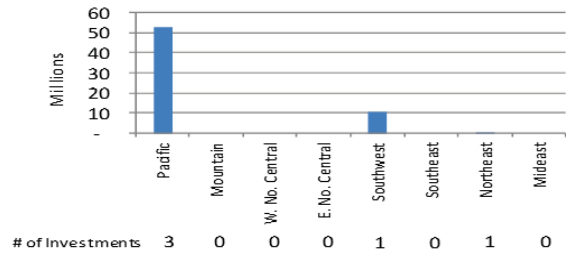
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI | SI |
|--------------|--------------|-------------|------|-------------|-------------|------------|
| | 1yr | 5yr | 10yr | IRR | Multiple | |
| Core | 10.4% | 8.3% | | 8.7% | 1.1 | |
| NPI Income | 4.6% | 5.0% | | | | |
| Value | | | | | | |
| High Return | | | | | | |
| Total | 10.4% | 8.3% | | 8.9% | 8.7% | 1.1 |

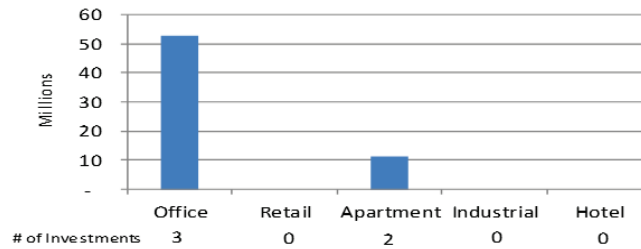
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



Manager Profile

Firm: Quadrant - Debt

Location: Alpharetta, GA

Current Number of Investments: 3

Investment Style: Core

Assets Managed: \$58 Million

Inception Date: 2011

Leverage: LTV

Core 0%

Value

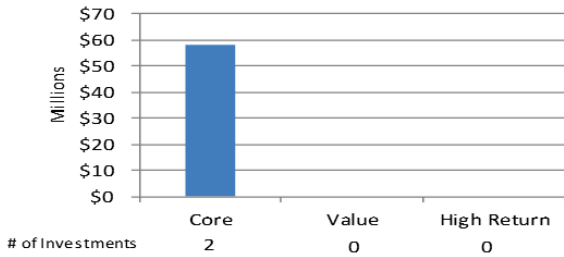
High Return

Mandate: Originates first, subordinated, and mezzanine mortgage loans secured by institutional quality commercial real estate assets throughout the United States.

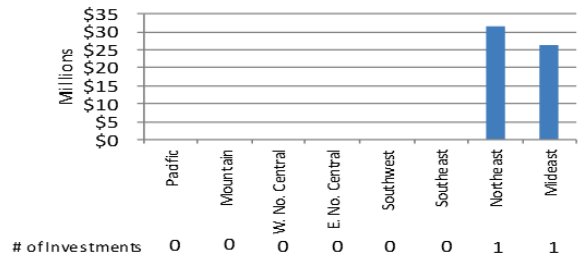
Manager (net of fees) vs. Benchmark

| | TWR | | | SI | SI IRR | SI Multiple |
|-------------|------|------|------|------|--------|-------------|
| | 1yr | 5yr | 10yr | | | |
| Core | 8.0% | 6.7% | | 7.5% | 7.5% | 1.1 |
| NPI Income | 4.6% | 5.0% | | | | |
| Value | | | | | | |
| High Return | | | | | | |
| Total | 8.0% | 6.7% | | 7.5% | 7.5% | 1.1 |

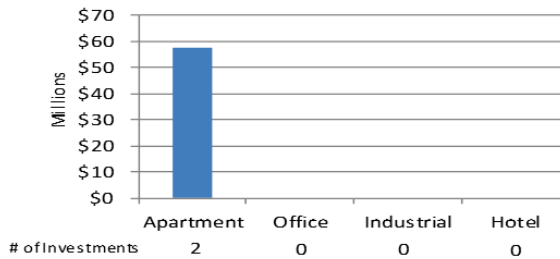
Sub-Portfolio Composition Risk Sectors



Sub-Portfolio Composition Geography



Sub-Portfolio Composition Product Type



December 19, 2018

TO: Each Member
Board of Investments

FROM: John McClelland 
Principal Investment Officer-Real Estate

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: **INVESTMENT-RELATED SERVICES PROCUREMENT PROCESS**

Staff has drafted an Investment-Related Services Procurement Process (Procurement Process or Process) that describes how investment-related services may be procured on an on-going basis. **ATTACHMENT A** is the draft Procurement Process. The Process reflects an effort to standardize and provide clear, rule-based guidance to all parties regarding how investment-related services are procured. Doing so should result in a fair process that removes any procedural ambiguity while facilitating prudently expedited searches. This is the first time the Process is being shared with the Board and feedback is invited/requested. The current draft reflects the input of all asset classes within the investment office as well as the Legal Office. Staff hopes to receive Board approval of the Procurement Process at a future meeting once input and comments are received and integrated into the document.

The Procurement Process only relates to investment-related services. Procurement of all non-investment-related services will be controlled by a LACERA-wide Policy for Purchasing Goods and Services, which is currently being developed.

Investment-related services include, but are not limited to, active managers, passive managers, consultants, independent fiduciaries, attorneys and appraisers. The Process calls for either a Public RFP (Request for Proposal) or Invitation-Only RFP to be used in most circumstances. Procurement efforts would be authorized by the Board on a case-by-case basis. Requests for Board approval to initiate an RFP would identify the: (i.) scope of services; (ii.) minimum qualifications; (iii.) search timing; (iv.) selection authority; and (v.) structure of the evaluation team. Any special terms listed above are defined in the Procurement Process.

A Procurement Process flow diagram (**ATTACHMENT B**) illustrates the various types of services that may be procured as well as the process that may be used.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

INVESTMENT SERVICES-PROCUREMENT PROCESS

1. Introduction

LACERA utilizes the services of numerous outside parties to construct and maintain a diversified investment portfolio. The approaches used to select service providers are an integral component to the long-term success of LACERA's investment portfolio. Procedures are developed herein with an intention to benefit procurement practices and, in turn, LACERA.

Purpose

The purpose of this Procurement Process is to: 1) set forth a procedure to acquire investment-related services that is comprehensive and non-discriminatory; 2) establish standard procurement practices; 3) promote consistent implementation over time and across the organization; 4) decrease ambiguity in how services are procured; 5) create definitions; 6) provide a workflow framework; 7) identify when and which parties will participate in procurement activities; and 8) comply with all relevant laws, statutes and other policies adopted by LACERA's governing bodies including the Board of Investments.

Scope

Services covered by this document 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, and independent fiduciaries. This procedure clarifies how various projects relate to different responsible parties, but does not adjust either roles and responsibilities or authorities established in policy documents including the Investment Policy Statement.

Context

This procedure document complements LACERA’s Policy for Purchasing Goods and Services that more broadly addresses procurement activities for other goods and services categories. In the event of a conflict with the Policy for Purchasing Goods and Services, this document takes precedence. This document is subordinate to the Investment Policy Statement and provides additional details to guide future procurement activities.

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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 member of the Evaluation Team must participate in each phase of the process to protect the consistency of the assessment. 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 without a substantial loss in value. These investments include private equities, private credit, private real assets, and hedge 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. Illiquid Investments are not identified or selected using an RFP due to their unique nature and limited availability. Illiquid Investments are identified and underwritten on a one-off basis and, if deemed appropriate, advanced to the Board for consideration.
- f) **Invitation-Only RFP** means a search for a service that is limited to pre-qualified providers. This search method is utilized when there is a known and limited universe of providers that meet the needs of the Fund. These searches

may be aided by database technology that identifies firms meeting the preferred criteria.

- g) **Legal Services Procurements** means the procurement of investment-related legal services to assist in transactions or other investment matters.
- h) **Liquid Investments** means securities and other assets that can be converted into cash quickly and where there is a transactional price available on a daily basis. These assets include global equities, investment-grade bonds, publicly-traded real estate and real assets.
- i) **Passive Management** refers to investment managers whose investment strategy and process compel them to make investments that are similar to their benchmarks.
- j) **Public RFP** means an open Request for Proposal. An RFP is a public solicitation posted on LACERA's website inviting all qualified bidders to respond. Also see Invitation-Only RFP.
- k) **RFP** means an Invitation-Only RFP and a Public RFP.
- l) **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 other 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, by the Chief Investment Officer. Small Purchases do not include any services for on-going investment management.
- m) **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 other. A Selection Authority will be proposed to the Board for its approval

for each procurement process unless otherwise delegated in existing LACERA policy.

n) **Staff** means employees of LACERA.

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3) Service Being Procured and Selection Method

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 will be applied for whatever length of time is needed to ensure that the successful service provider(s) are most appropriate for the Fund.

This section identifies the types of services that the Fund may require as well as how each service is expected to be procured.

Each search proposal presented to the Board will identify the recommended: (i.) Scope of Services; (ii.) Minimum Qualifications; (iii.) Search timing; (iv.) Structure of the Evaluation Team; and (v.) Selection Authority.

Any services procured through the RFP process as described herein will have a term of no longer than five years, with two one-year extensions in the discretion of the Chief Investment Officer, or Chief Legal Counsel with respect to Legal Services Procurements.

a) Investment Management Services

- Active Management
 - Liquid Investments

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

- Illiquid Investments

Individual Actively Managed Illiquid Investments do not lend themselves to selection via an RFP. Exceptions to this are

fund-of-fund opportunities and separate accounts for large mandates. In those circumstances, an RFP will be utilized for selection efforts.

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

Regardless of the process used, Staff will obtain Board authorization on a manager-by-manager basis prior to initiating a Public RFP or Invitation-Only 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 obtain Board authorization on a consultant-by-consultant basis prior to initiating a search effort.

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

c) 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. 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 specialized service providers may be a Public RFP or Invitation-Only RFP. The selection process utilized will be authorized by the Board on a case-by-case basis.

Unless otherwise specified in the search proposal, the Evaluation Team will be responsible for identifying the most qualified specialized service providers and negotiating engagement agreements for Small Purchases. Notification of the selected specialized service providers will be made to the Board at its next regularly scheduled meeting.

d) Legal Services Procurements

A Public RFP will be initiated without Board approval and conducted to select a panel of counsel on an individual asset class basis under the supervision of the Legal Division, with the optional participation of others, as appropriate. Each proposed panel will be presented to the Board for approval. Chief Legal Counsel, in consultation with the Investment Division, may thereafter select counsel from the applicable approved panel to represent LACERA in individual transactions or provide other necessary legal services.

Chief Legal Counsel also has the authority, without the need to conduct a Public RFP, to (1) retain specialized counsel based on expertise or

geographical location when necessary to complete a transaction, and (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 to be presented to the Board for ratification at the next meeting.

DRAFT

4. Proposal Evaluation

Prior to the commencement of a search, staff responsible for the procurement effort will identify an Evaluation Team. The Evaluation Team responsibilities include 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 properly submitted 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.

An integral part of each respondent's proposal is their review and comment on the LACERA template agreement attached to each RFP. 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.

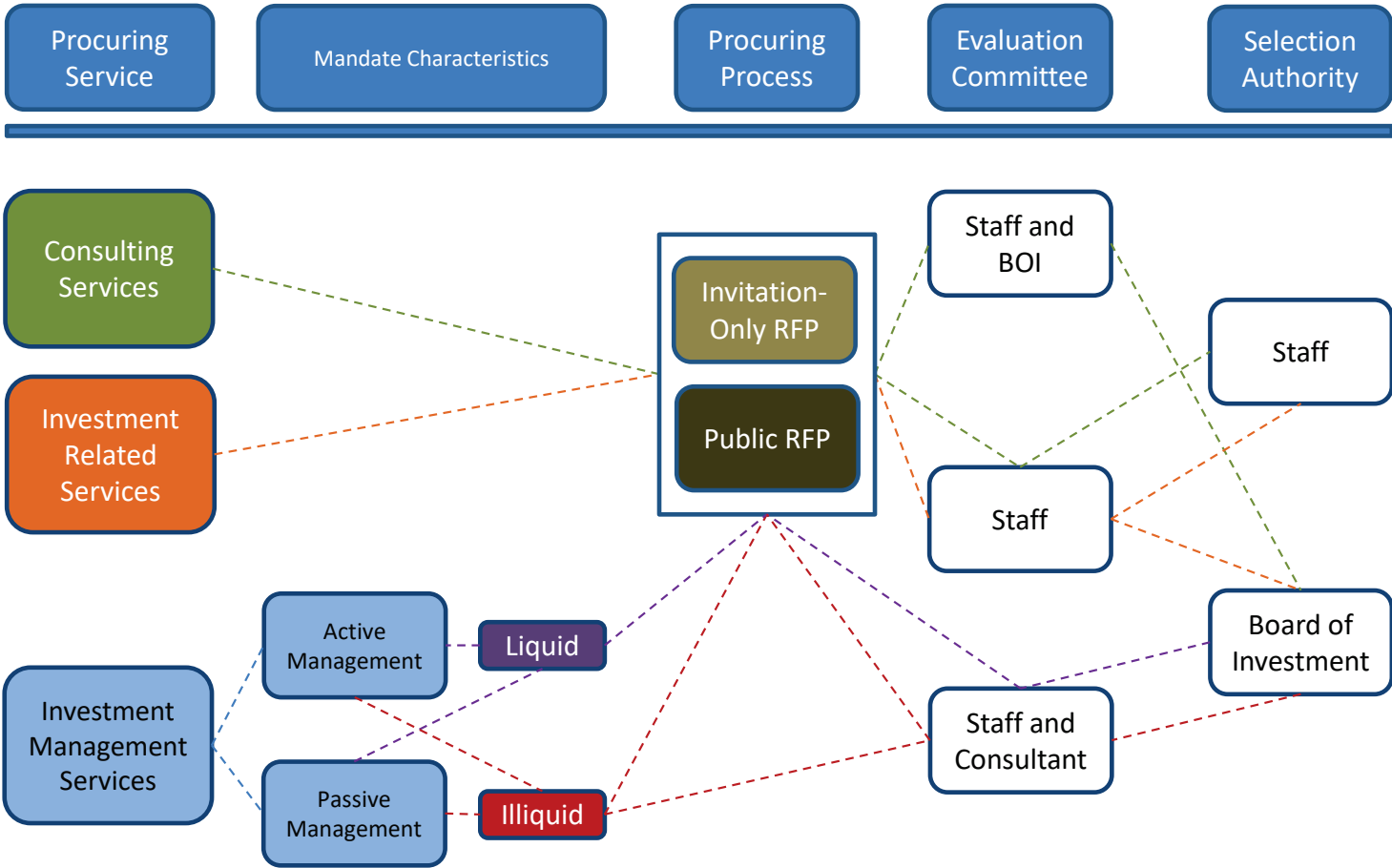
The Evaluation Team relies upon the Legal Division to determine the acceptability of any proposed language. The respondent's proposed language is a significant consideration in evaluation and scoring of proposals.

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. Once the Selection Authority determines which respondent(s) to retain, engagement agreements are negotiated and finalized by the Evaluation Team leader and the Legal Division.

DRAFT


Procurement Process Flow Diagram



December 31, 2018

TO: Each Member
Board of Retirement
Board of Investments

FROM: Lou Lazatin 
Chief Executive Officer

Steven P. Rice 
Chief Counsel

FOR: January 9, 2019 Board of Investments Meeting
January 10, 2019 Board of Retirement Meeting

SUBJECT: Potential Use of E-Voting Procedure for 2019 Board Elections

Background

In 2019, there will be an election for the Seventh Member (safety) and Alternate Safety Member seats on the Board of Retirement, which are currently held by Shawn Kehoe and William Pryor, respectively. There will also be an election for the Fourth Member (safety) seat on the Board of Investments, currently held by Mr. Kehoe.

Government Code Section 31520.1 of the County Employees Retirement Law of 1937 (CERL) provides that Board of Retirement elections are conducted “in a manner determined by the board of supervisors.” As to the Board of Investments, the governing CERL provision, Section 31520.2, does not contain the same language; Section 31520.2 is silent as to determination of BOI election procedures. However, it has been LACERA and the County’s practice and legal understanding that the Board of Supervisors also determines the manner of election of BOI members.

Accordingly, each election year, the Board of Supervisors adopts a resolution describing the election process and procedures. In recent years, the Board of Supervisors approved paper ballots, which were voted manually and returned by U.S. Mail or personal delivery. See, e.g., April 12, 2016 Board of Supervisors Letter and Resolutions stating the procedures for that year’s BOR and BOI elections for the Safety member positions, a copy of which is attached to this memo.

In the past, the County mentioned the possibility of shifting to electronic voting (e-voting). However, the County has not previously implemented such a process. In prior discussions, LACERA identified concerns related to having the initial roll out of e-voting

during a retiree election because it may constitute a barrier to retiree voting. LACERA mentioned the desirability of having voting options (e.g., paper ballots and/or telephone voting) for retirees.

The County's Potential 2019 E-Voting Election Procedure

Recently, the County requested a meeting with LACERA's Chief Executive Officer and Chief Counsel to discuss the County's consideration of an e-voting process for the 2019 elections. A meeting was held on December 20, 2018 with representatives of the County CEO's office and the Board of Supervisors Executive Office.

In the meeting, the County generally described a process where ballots will be cast through a system accessed by members over the internet, and votes then tallied electronically. Access to the e-voting platform will likely be through a member's employee number and a separate authentication PIN. The County believes that this year's safety trustee elections present a good opportunity to begin use of e-voting because the electorate of safety members is expected to be comfortable with the use of the internet-based technology.

The County believes that the use of e-voting has potential benefits over the historical paper process, including: (1) an enhanced voter experience without the need to complete and mail paper ballots; (2) increased voter turnout because of the greater ease of casting ballots electronically; and (3) significant election cost savings. The County has not determined the details of the process or selected software, although a vendor is under consideration. The County believes it is premature to disclose the name of the vendor. The County emphasized that voting security will be a top priority. The County has been advised by County Counsel that there are no legal impediments to the use of e-voting; LACERA's counsel concurs with this advice. The County has not determined whether e-voting will be the only means of casting a vote or whether there will also be paper or other types of voting options available to voters.

The County stated that CalPERS uses e-voting for its trustee elections, although other voting methods are also offered, including paper and phone.

Conclusion

While the County has authority to determine the election process under CERL as noted above, the County is interested in the questions or concerns of LACERA Board Members. Staff requests that the Boards discuss the issue and provide input that may be provided to the County as it finalizes the 2019 election process.

Attachment

c: Lou Lazatin Robert Hill JJ Popowich Jonathan Grabel



LORI GLASGOW
EXECUTIVE OFFICER

COUNTY OF LOS ANGELES BOARD OF SUPERVISORS

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 363
LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 • FAX (213) 620-0638

MEMBERS OF THE BOARD

HILDA L. SOLIS

MARK RIDLEY-THOMAS

SHEILA KUEHL

DON KNABE

MICHAEL D. ANTONOVICH

April 12, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

10 April 12, 2016

LORI GLASGOW
EXECUTIVE OFFICER

ELECTION OF THE FOURTH MEMBER OF THE BOARD OF INVESTMENTS AND THE SEVENTH & ALTERNATE MEMBERS OF THE BOARD OF RETIREMENT (ALL DISTRICTS) (3-VOTES)

SUBJECT

ADOPTION OF RESOLUTIONS ESTABLISHING THE GOVERNING PROCEDURES FOR THE 2016 LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA) ELECTIONS.

IT IS RECOMMENDED THAT THE BOARD:

Adopt the attached resolutions establishing the procedures to elect the Fourth Member of the Board of Investments and the Seventh and Alternate Members of the Board of Retirement for the Los Angeles County Employees Retirement Association (LACERA), with three-year terms beginning on January 1, 2017, and expiring on December 31, 2019; and instruct the Executive Officer of the Board of Supervisors to send notice of the elections and copies of the election resolutions to all County departments that employ Safety Members of LACERA.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County Employees Retirement Law of 1937 provides for the membership of the Board of Investments and the Board of Retirement of LACERA. Every year the Board of Supervisors adopts, by resolution, the election procedures for members of the Board of Investments and the Board of Retirement of LACERA whose terms of office will expire on December 31 of that year.

This year, the terms of office for the Fourth Member of the Board of Investments and the Seventh and Alternate Members of the Board of Retirement will expire on December 31st.

Implementation of Strategic Plan Goals

Approval of the attached resolutions broadly supports the County Strategic Goal of Operational Effectiveness/Fiscal Sustainability.

FISCAL IMPACT/FINANCING

The cost of these elections is estimated at \$60,000 based upon prior elections conducted by the Registrar-Recorder/County Clerk. The total eligible voting population in these elections is approximately 12,607 persons.

The cost of conducting the LACERA elections will be absorbed within the Registrar-Recorder/County Clerk's and the Board of Supervisors' budgets.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Government Code Sections 31520.1 and 31520.2 grant the Board of Supervisors the authority to conduct the elections for the elected members of the Board of Retirement and the Board of Investments. Your Board has given the Executive Officer of the Board of Supervisors the responsibility for coordinating these elections with the Registrar-Recorder/County Clerk, LACERA and with County departments through departmental election coordinators.

The elections for the Fourth Member of the Board of Investments and the Seventh and Alternate Members of the Board of Retirement are regular elections to fill terms of office that expire on December 31, 2016. Active Safety Members of LACERA on March 1, 2016 are eligible to vote in this election.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Besides the evident need to fill these offices on the Board of Investments and the Board of Retirement, these elections provide an opportunity for Safety Members to participate in selecting board members whose official decisions have a great impact on their own retirement system. Thus, County departments will be strongly encouraged to adhere to these election procedures and ensure that any communication from the Executive Officer concerning this election is posted and/or distributed in a timely manner. As always, departments will be called upon to respond immediately to situations that may surface. It is important to emphasize that the integrity of these elections often rests with a department's cooperation and active participation in the election process.

The Honorable Board of Supervisors

4/12/2016

Page 3

Respectfully submitted,

A handwritten signature in cursive script that reads "Lori Glasgow". The signature is written in a dark ink and is positioned above the typed name.

LORI GLASGOW

Executive Officer, Board of Supervisors

LG:ak

Enclosures

c: Chief Executive Officer
County Counsel
Chief Executive Officer, LACERA
Registrar-Recorder/County Clerk
Auditor-Controller
Director, Internal Services Department

**RESOLUTION ESTABLISHING THE ELECTION FOR
FOURTH MEMBER
OF THE
BOARD OF INVESTMENTS**

WHEREAS, under the provisions of the County Employees Retirement Law of 1937, the Board of Investments shall consist of nine members; and

WHEREAS, the term of the Fourth Member of the Board of Investments will expire on December 31, 2016; and

WHEREAS, pursuant to the provisions of the County Employees Retirement Law of 1937, Section 31520.2 of the Government Code, a successor shall be elected to fill the office for the term beginning January 1, 2017, at an election conducted in a manner to be determined by the Board of Supervisors:

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that the nomination of candidates and the election of the Fourth Member of the Board of Investments of the Los Angeles County Employees Retirement Association (LACERA), elected by the Safety Members of said Retirement Association to fill the term beginning January 1, 2017 and expiring December 31, 2019, shall be in accordance with the rules and procedures herein prescribed:

1. The Executive Officer of the Board of Supervisors shall supervise the election for the Fourth Member of the Board of Investments of LACERA.
2. The Executive Officer of the Board of Supervisors shall, on or before Thursday, April 14, 2016, notify department heads who employ Safety Members of the election and shall provide department heads with an election notice for use in notifying their respective employees.
3. Department heads with Safety Member employees in their departments shall notify their employees of the election by posting sufficient copies of the election notice on or before Friday, April 29, 2016.

4. The Executive Officer of the Board of Supervisors, through a coordinated effort with the Internal Services and Auditor-Controller Departments, shall, on or before Monday, May 2, 2016 send an email to those Safety Members within the County that have County email addresses, advising them of the upcoming LACERA election.

5. Each department head with Safety Members in his or her department shall appoint at least one employee who will act as the departmental election coordinator, and at least one employee who will act as the alternate departmental election coordinator. Election coordinators and alternate coordinators shall be responsible for communicating election information to the employees of the department, and shall attend all training sessions, as specified by the Executive Officer of the Board of Supervisors, regarding the administration of the election. Departments with work locations which have more than 100 employees who are eligible to vote are urged to select an on-site election coordinator for each of these locations. It is the responsibility of the department head to notify the Executive Office of the Board of Supervisors at (213) 974-1093 or email to LACERA_ELECTION@bos.lacounty.gov the names, telephone numbers, work place mailing addresses and/or email addresses for employees appointed on or before Monday, April 25, 2016.

6. Candidates shall a) be active Safety Members of LACERA on March 1, 2016 and b) be nominated by a petition signed by at least fifty (50) active Safety Members of LACERA, who themselves were active Safety Members on March 1, 2016, and no member may sign more than one nominating petition. Nominating petitions may be obtained from the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, on or after Monday, May 2, 2016. The request for nomination papers supplied by the Registrar-Recorder/County Clerk shall be completed by each requesting party. Nominating petitions must be filed with the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, no later than 5:00 p.m. on Tuesday, May 31, 2016.

7. Each department head shall allow all nominees to solicit nominating signatures and candidates to engage in campaign-related activities during working hours on County property provided such signature solicitation and campaign activities are conducted during the employees' lunch, break time, or other off-duty time and does not interfere with County operations or the conduct of County business.

8. The Registrar-Recorder/County Clerk shall examine the signatures on the nominating petitions and notify each nominee of his or her status, no later than 5:00 p.m. on Friday, June 3, 2016. If the Registrar-Recorder/County Clerk determines that only one member has been duly nominated, pursuant to the provisions of the County Employees Retirement Law of 1937, Section 31523 of the Government Code, the Registrar-Recorder/County Clerk shall notify the Board of Supervisors and the Board of Supervisors shall order that no election be held and the Executive Officer of the Board of Supervisors shall be directed to cast a unanimous ballot in favor of such nominated member. If more than one member has been duly nominated, the Registrar-Recorder/County Clerk shall certify to the Executive Officer of the Board of Supervisors by Friday, June 3, 2016, the names of candidates to be placed on the official ballot.

9. Nominees in this election may file with the Registrar-Recorder/County Clerk a statement of qualifications of not more than 200 words. Words shall be counted as provided in Elections Code Section 9. Any statement of qualifications filed with the Registrar-Recorder/County Clerk shall be limited to a recitation of the nominee's own personal background and qualifications, and shall not in any way make reference to other nominees or to another nominee's qualifications. A nominee may file his or her statement of qualifications beginning Monday, May 2, 2016. No statement of qualifications may be withdrawn and/or re-filed after 5:00 p.m., Tuesday, May 31, 2016. The statement shall become a part of the official voting material, except as provided in paragraph 10, below.

10. Upon close of the statement of qualifications filing period, the Registrar-Recorder/County Clerk shall examine each statement of qualifications. Any statement of qualifications which the Registrar-Recorder/County Clerk determines is not limited to a recitation of the nominee's own personal background and qualifications or which includes any reference to other nominees or to another nominee's qualifications shall not be printed or circulated by the Registrar-Recorder/County Clerk. The Registrar-Recorder/County Clerk shall notify each nominee by telephone at his or her telephone number that the nominee has provided, and/or via U.S. Mail to the nominee's mailing address if the nominee's statement of qualifications is rejected pursuant to this provision. The decision of the Registrar-Recorder/County Clerk to accept or reject a nominee's statement of qualifications is final. Any statement of qualifications filed with the Registrar-Recorder/County Clerk shall, upon close of the statement of qualifications filing period, be made available for public inspection and copying. Any judicial proceeding challenging the decision of the Registrar-Recorder/County Clerk to reject or accept a nominee's statement of qualifications shall be governed, to the extent determined applicable by the courts, under the procedures set forth in Elections Code Section 13314.

11. A statement of qualifications shall be open to public inspection for a period of five business days excluding weekends (Saturday and Sunday) and holidays. Candidate's statements of qualifications will be available for inspection at the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, beginning on Monday, June 6, 2016, and ending at 5:00 p.m. Friday, June 10, 2016. On or after Thursday, June 16, 2016, candidate's statements of qualifications approved by the Registrar-Recorder/County Clerk may be viewed at:

<http://bos.co.la.ca.us/Services/ConflictofInterestLobbyist/LACERAElection.aspx>

12. The form of ballot to be used at the election shall be prepared by the Registrar-Recorder/County Clerk and additional materials shall include: (1) a list of the certified candidates in random order with a voting space opposite each name and sufficient information to acquaint members with the nature of the election and the proper method of casting a ballot; (2) statements of qualifications if properly filed by the candidates; (3) a return envelope postage prepaid; and (4) a statement of powers and duties of Board of Investments Members (see Attachment A). The identifying information on the outside of the mailing envelope will include the employee name and mailing address.
13. A public drawing will be held to determine the ballot order at 2:00 p.m. on Wednesday, June 8, 2016 in the Executive Office of the Board of Supervisors, B-1 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles.
14. The Auditor-Controller shall provide to the Executive Officer of the Board of Supervisors an electronic file in excel format of eligible Safety Members, which includes Safety Members who were active Safety Members of LACERA on March 1, 2016, on or before Tuesday, April 19, 2016. The electronic file will contain employee name, employee number, mailing address, pay location, and department. The Auditor-Controller shall also provide to the Registrar-Recorder/County Clerk an electronic copy of the same file provided to the Executive Officer of the Board of Supervisors, and a redacted electronic file that contains the employee name and mailing address only by Thursday, April 21, 2016. By Friday, June 24, 2016, the Registrar-Recorder/County Clerk will forward the approved list of eligible Safety Members that contains only the employee name and mailing address to its contracted vendor, if it is determined that an election will be held.
15. The Registrar-Recorder/County Clerk shall mail the official ballot to the mailing address of eligible Safety Members beginning on Monday, June 27, 2016 and by Tuesday, July 5, 2016 all ballots must be mailed. The ballots shall be mailed via U.S. Mail using mailing addresses listed on the Auditor-Controller's electronic address file. The Registrar Recorder/County Clerk will forward to the Executive

Officer of the Board of Supervisors by Friday, July 8, 2016, verification that all ballots were mailed as described in this resolution.

16. Any County employee who is a candidate in this election is a candidate in his or her personal capacity, and may not use County time or County resources to further his or her campaign or election. Any candidate who violates this provision, or has others violate this provision on behalf of his or her candidacy, is subject to discipline, including discharge from County employment.
17. Each department head shall designate existing departmental bulletin board space for all candidates to display campaign material. Campaign material shall clearly state that employees are prohibited from using County time or County resources to further the campaign or election of the candidate.
18. Upon request of a candidate, on or after Friday, June 3, 2016, each department head shall provide the address of the department's work locations where employees who are eligible to vote in this election are employed.
19. Except as otherwise prohibited by law, employees may wear campaign badges or buttons during working hours.
20. Members eligible to vote in this election shall be Safety Members of LACERA on March 1, 2016. Eligible Safety Members who do not receive a ballot by Wednesday, July 13, 2016 and desire to vote, or who have made a mistake on their original ballot and wish to correct it, shall notify in writing their department election coordinator on or before Tuesday, July 19, 2016, and explain in writing why a duplicate ballot is being requested. The department election coordinator shall submit to the Registrar-Recorder/County Clerk these written statements along with the employee's name, current mailing address, employee number and department in which employed on March 1, 2016 on the Request for Duplicate Election Ballot Form provided by the Executive Office of the Board of Supervisors on or before Wednesday, July 20, 2016. The Registrar-Recorder/County Clerk must receive the request by Wednesday, July 20, 2016. Duplicate ballots shall

be issued only to those Safety Members who submit the required written statement and whose names appear on both the Request for Duplicate Election Ballot signed by the election coordinator and the Auditor-Controller's electronic file.

21. The Registrar-Recorder/County Clerk shall mail the requested duplicate ballots via U.S. Mail by Friday, July 22, 2016, to the mailing address supplied by members on the Request for Duplicate Election Ballot Form.
22. Each ballot may be voted only by the member to whom it is issued. No member may vote more than once in this election.
23. The Registrar-Recorder/County Clerk shall maintain internal controls to ensure that no more than one vote is cast per member to protect the integrity of the election.
24. To be eligible for counting, ballots shall be returned to the Registrar-Recorder/County Clerk in the REPLY envelope provided via U.S. Mail or personal delivery; shall be completed by each voter and placed within the Privacy Envelope with his or her employee number, printed name, and signature in the space provided on the reverse of said envelope; and shall be received by the Registrar-Recorder/County Clerk by 5:00 p.m., Tuesday, August 9, 2016. There are no provisions for write-in candidates; therefore, no write-in votes shall be counted.
25. The Registrar-Recorder/County Clerk shall canvass the votes cast at the election and shall certify the results to the Executive Office of the Board of Supervisors on or before Friday, August 12, 2016.
26. The Registrar-Recorder/County Clerk shall (a) telephone each candidate receiving more than 20 percent of the total votes cast at his or her telephone number provided as to the results as certified on or before Friday, August 12, 2016 and (b) send written notice of the results via U.S. Mail to each candidate's

mailing address, or send electronic mail to those candidates who prefer electronic communication on or before Friday, August 12, 2016.

27. In the event a candidate makes a request for a recount of the election results, the requestor shall bear the cost of such a recount. A written request for a recount shall be filed with the Registrar-Recorder/County Clerk no later than 5:00 p.m., Friday, August 19, 2016. The candidate filing the request for the recount shall, before the recount is commenced and at the beginning of each day following, deposit with the Registrar-Recorder/County Clerk a sum as required by the Registrar-Recorder/County Clerk to cover the cost of the recount for that day. The Registrar-Recorder/County Clerk shall commence a recount no later than Friday, August 26, 2016. In the event the recount results in a determination that the candidate who requested the recount has received a plurality of the votes cast, all money deposited shall be returned to the candidate. The recount conducted by the Registrar-Recorder/County Clerk shall be open to the public.
28. In the event any candidate desires to protest the results of the election, he or she must file a written protest with the Executive Office of the Board of Supervisors no later than 5:00 p.m., Friday, August 19, 2016. The written protest must specify the grounds for the protest and be accompanied by supporting documentation.
29. The Board of Supervisors at its meeting on Tuesday, September 20, 2016, or on a date following the completion of any recount, and/or investigation of a protest, shall declare the results official. The person receiving the highest number of votes shall be declared elected. In the event two or more persons tie for first place, such persons shall determine, by drawing lots before the Board, which of them shall be elected.
30. In lieu of declaring the results official, the Board of Supervisors may order a new election if the Board determines, on the basis of written protest or on its own motion, that any error, omission or neglect occurred attributable to the County in the administration of the election sufficient to change the result. The rejection of

a candidate's statement of qualifications by the Registrar-Recorder/County Clerk, or the failure of the Registrar-Recorder/County Clerk to reject a candidate's statement of qualifications, shall not constitute grounds for a new election. Allegations of candidate misconduct shall not constitute grounds for a new election, but, if later substantiated, may lead to administrative discipline or criminal culpability.

31. Election material retained by the Executive Officer of the Board of Supervisors and nominating petitions and ballots retained by the Registrar-Recorder/County Clerk may be discarded or otherwise disposed of no earlier than sixty-two (62) days after the date of the final declaration of the election results by the Board of Supervisors. The Registrar-Recorder/County Clerk will further confirm with their selected vendor(s) that the electronic file is destroyed sixty-five (65) days after the date of final declaration of the election results by the Board of Supervisors.
32. The Executive Officer of the Board of Supervisors may, in the exercise of her discretion, implement additional procedures as she may deem necessary in order to preserve a fair and equitable election process. The Executive Officer of the Board of Supervisors shall, within ten (10) days, notify the Board of Supervisors, the Boards of Investments and Retirement and all candidates of any additional procedures implemented pursuant to this provision.

The foregoing resolution was on the 12th day of April, 2016, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



Lori Glasgow, Executive Officer-
Clerk of the Board of Supervisors of the
County of Los Angeles

By: Lachelle Smithman

Deputy

APPROVED AS TO FORM:
Mary Wickham
County Counsel

By

Rene Gilbertson

Rene Gilbertson
Senior Deputy County Counsel

**POWERS AND DUTIES
OF INVESTMENTS BOARD MEMBERS**

The Board of Investments provides this summary to enable voters to evaluate candidates for the Board of Investments. The Board urges voters to review this summary prior to voting.

The Board of Investments has two (2) primary responsibilities; the investment of LACERA's Retirement Fund (\$48.8 billion as of June 30, 2015), and the determination of County and member contribution rates. The Board of Investments operates pursuant to Article XVI, section 17 of the California Constitution and the County Employees Retirement Law of 1937, found in the California Government Code beginning at section 31450.

The Board of Investments has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. LACERA's investment portfolio is, with very minor exceptions, externally managed. The Board does not make individual investment selections for the externally managed portfolio; rather, it selects investment advisors and managers to make investments for LACERA in accordance with investment objectives and guidelines established by the Board. In addition, the Board of Investments and its staff continually monitor and evaluate the investment activities and results of its advisors and managers. Under the Board's Securities Litigation Policy, the Board of Investments, with the assistance of counsel and staff, is also charged with actively identifying, evaluating and monitoring those securities class action lawsuits in which the fund has sustained a loss, and to determine whether the best interests of the fund would be served by actively participating in such cases.

Investment Board members act as fiduciaries for LACERA and its members. Board members have a constitutional and statutory duty to "diversify the investments of the system so as to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

These duties require members of the Board of Investments to spend substantial time educating themselves and staying current on investment matters. This is accomplished through attendance at courses such as the "Portfolio Concepts and Management" or "Investment Management" courses sponsored by the Wharton School of Economics, and at conferences and seminars held throughout the year. A newly elected member of the Board should expect to devote considerable time and effort in gaining the education and expertise necessary to

carry out his or her important responsibilities. At a minimum, Government Code section 31522.8 requires members to complete 24 hours of education within two years of assuming office and 24 hours of education every two years the member continues to hold membership on the Board.

Using an actuarial valuation process, the Board of Investments determines the level of contributions necessary to fund retirement benefits. The Board of Investments is responsible for setting actuarial valuation policies, selecting the actuary who will perform the valuation, and for approving the actuarial valuation services provided. At least every three years, the actuary submits to the Board of Investments for the Board's approval such changes in County and member contribution rates as are necessary to fund retirement benefits.

The Board of Investments shares some responsibilities with the Board of Retirement. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. Additionally, the two Boards act jointly in employee relations matters, including the approval of class specifications for LACERA employees, the approval of Memoranda of Understanding (MOUs) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and the approval of compensation to be provided to LACERA's nonrepresented employees.

The Board of Investments meets on the second Wednesday of each month, with meetings generally lasting from 6 to 8 hours. In addition to the time required to attend meetings, Board members must review materials prior to the meeting. Such review and preparation will require approximately 16 hours per meeting. Special meetings may be held from time to time, including committee meetings, which members may be obligated to attend and which have their own additional time requirements to prepare and attend. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours plus additional preparation time of a similar or greater number of hours.

Under Government Code Section 31522, as to those elected Board members who are also employed by the County or a participating district, their LACERA duties are included as part of their County or district employment.

The Board of Investments cannot grant benefit increases and is not responsible for the administration of retirement benefits. The Legislature has assigned the administration responsibilities to the Board of Retirement.

APPROVED BY THE BOARD OF INVESTMENTS ON FEBRUARY 10, 2016.

BI 2017 Powers & Duties Statement.docx

**RESOLUTION ESTABLISHING THE ELECTION FOR
SEVENTH AND ALTERNATE MEMBERS
OF THE
BOARD OF RETIREMENT**

WHEREAS, under the provisions of the County Employment Retirement Law of 1937, the Board of Retirement shall consist of nine members and two alternate members; and

WHEREAS, the term of the Seventh and Alternate Members of the Board of Retirement will expire on December 31, 2016; and

WHEREAS, pursuant to the provisions of the County Employees Retirement Law of 1937, Section 31520.1 of the Government Code, a successor shall be elected to fill the office for the term beginning January 1, 2017, at an election conducted in a manner to be determined by the Board of Supervisors:

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that the nomination of candidates and the election of the Seventh and Alternate Members of the Board of Retirement, Los Angeles County Employees Retirement Association (LACERA), elected by the Safety Members of said Retirement Association to fill the term beginning January 1, 2017 and expiring December 31, 2019 shall be in accordance with the rules and procedures herein prescribed:

1. The Executive Officer of the Board of Supervisors shall supervise the election for the Seventh and Alternate Members of the Board of Retirement of LACERA.
2. The Executive Officer of the Board of Supervisors shall, on or before Thursday, April 14, 2016, notify department heads who employ Safety Members of the election and shall provide department heads with an election notice for use in notifying their respective employees.
3. Department heads with Safety Member employees in their departments shall notify their employees of the election by posting sufficient copies of the election notice on or before Friday, April 29, 2016.

4. The Executive Officer of the Board of Supervisors, through a coordinated effort with the Internal Services and Auditor-Controller Departments, shall, on Monday, May 2, 2016 send an email to those Safety Members within the County that have County email addresses, advising them of the upcoming LACERA election.

5. Each department head with Safety Members in his or her department shall appoint at least one employee who will act as the departmental election coordinator, and at least one employee who will act as the alternate departmental election coordinator. Election coordinators and alternate coordinators shall be responsible for communicating election information to the employees of the department, and shall attend all training sessions, as specified by the Executive Officer of the Board of Supervisors, regarding the administration of the election. Departments with work locations which have more than 100 employees who are eligible to vote are urged to select an on-site election coordinator for each of these locations. It is the responsibility of the department head to notify the Executive Office of the Board of Supervisors at (213) 974-1093 or email to LACERA_ELECTION@bos.lacounty.gov the names, telephone numbers, work place mailing addresses and/or email addresses for employees appointed on or before Monday, April 25, 2016.

6. Candidates shall a) be active Safety Members of LACERA on March 1, 2016 and b) be nominated by a petition signed by at least fifty (50) active Safety Members of LACERA, who themselves were active Safety Members on March 1, 2016, and no member may sign more than one nominating petition. Nominating petitions may be obtained from the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, on or after Monday, May 2, 2016. The request for nomination papers supplied by the Registrar-Recorder/County Clerk shall be completed by each requesting party. Nominating petitions must be filed with the Registrar-Recorder/County Clerk, 12400 E Imperial Highway, Norwalk, 90650, no later than 5:00 p.m. on Tuesday, May 31, 2016.

7. Each department head shall allow nominees to solicit nominating signatures and candidates to engage in campaign-related activities during working hours on County property provided such signature solicitation and campaign activities are conducted during the employees' lunch, break time, or other off-duty time and does not interfere with County operations or the conduct of County business.
8. The Registrar-Recorder/County Clerk shall examine the signatures on the nominating petitions and notify each nominee of his or her status, no later than 5:00 p.m. on Friday, June 3, 2016. If the Registrar-Recorder/County Clerk determines that only one member has been duly nominated, pursuant to the provisions of the County Employees Retirement Law of 1937, Section 31523 of the Government Code, the Registrar-Recorder/County Clerk shall notify the Board of Supervisors and the Board of Supervisors shall order that no election be held and the Executive Officer of the Board of Supervisors shall be directed to cast a unanimous ballot in favor of such nominated member. If more than one member has been duly nominated, The Registrar-Recorder/County Clerk shall certify to the Executive Officer of the Board of Supervisors by Friday, June 3, 2016, the names of the candidates to be placed on the official ballot.
9. Nominees in this election may file with the Registrar-Recorder/County Clerk a statement of qualifications of not more than 200 words. Words shall be counted as provided in Elections Code Section 9. Any statement of qualifications filed with the Registrar-Recorder/County Clerk shall be limited to a recitation of the nominee's own personal background and qualifications, and shall not in any way make reference to other nominees or to another nominee's qualifications. A nominee may file his or her statement of qualifications beginning Monday, May 2, 2016. No statement of qualifications may be withdrawn and/or re-filed after 5:00 p.m., Tuesday, May 31, 2016. The statement shall become a part of the official voting material, except as provided in paragraph 10, below.

10. Upon close of the statement of qualifications filing period, the Registrar-Recorder/County Clerk shall examine each statement of qualifications. Any statement of qualifications which the Registrar-Recorder/County Clerk determines is not limited to a recitation of the nominee's own personal background and qualifications or which includes any reference to other nominees or to another nominee's qualifications shall not be printed or circulated by the Registrar-Recorder/County Clerk. The Registrar-Recorder/County Clerk shall notify each nominee by telephone at his or her telephone number that the nominee has provided, and via U.S. Mail sent to the nominee's mailing address if the nominee's statement of qualifications is rejected pursuant to this provision. The decision of the Registrar-Recorder/County Clerk to accept or reject a nominee's statement of qualifications is final. Any statement of qualifications filed with the Registrar-Recorder/County Clerk shall, upon close of the statement of qualifications filing period, be made available for public inspection and copying. Any judicial proceeding challenging the decision of the Registrar-Recorder/County Clerk to reject or accept a nominee's statement of qualifications shall be governed, to the extent determined applicable by the courts, under the procedures set forth in Elections Code Section 13314.

11. A statement of qualifications shall be open to public inspection for a period of five business days excluding weekends (Saturday and Sunday) and holidays. Candidate's statements of qualifications will be available for inspection at the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, beginning on Monday, June 6, 2016, and ending at 5:00 p.m. Friday, June 10, 2016. On Thursday, June 16, 2016 candidates' statements of qualifications approved by the Registrar-Recorder/County Clerk may be viewed at:

<http://bos.co.la.ca.us/Services/ConflictofInterest/LACERAElection.aspx>

12. The form of ballot to be used at the election shall be as prepared by the Registrar-Recorder/County Clerk and additional materials shall include: (1) a list of the certified candidates in random order with a voting space opposite each name and sufficient information to acquaint members with the nature of the election and the proper method of casting a ballot; (2) statements of qualifications if properly filed by the candidate; (3) a return envelope postage prepaid; and (4) a statement of powers and duties of Board of Retirement Members (see Attachment B). The identifying information on the outside of the mailing envelope will include the employee name and mailing address.
13. A public drawing will be held to determine the ballot order at 2:00 p.m. on Wednesday, June 8, 2016 in the Executive Office of the Board of Supervisors, B-1 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles.
14. The Auditor-Controller shall provide to the Executive Officer of the Board of Supervisors an electronic file in excel format of eligible Safety Members, which includes Safety Members who were active Safety Members of LACERA on March 1, 2016, on or before Tuesday, April 19, 2016. The electronic file will contain employee name, employee number, mailing address, pay location, and department. The Auditor-Controller shall also provide to the Registrar-Recorder/County Clerk an electronic copy of the same file provided to the Executive Officer of the Board of Supervisors, and a redacted electronic file that contains the employee name and mailing address only by Thursday, April 21, 2016. By Friday, June 24, 2016, the Registrar-Recorder/County Clerk will forward the approved list of eligible Safety Members that contains only the employee name and mailing address to its contracted vendor, if it is determined that an election will be held.
15. The Registrar-Recorder/County Clerk shall mail the official ballot to the mailing address of eligible Safety Members beginning on Monday, June 27, 2016 and by Tuesday, July 5, 2016 all ballots must be mailed. The ballots shall be mailed via U.S. Mail using mailing addresses listed in the Auditor-Controller's electronic file. The Registrar-Recorder/County Clerk will forward to the Executive Officer of the

Board of Supervisors by Friday, July 8, 2016 verification that all ballots were mailed as described in this resolution.

16. Any County employee who is a candidate in this election is a candidate in his or her personal capacity, and may not use County time or County resources to further his or her campaign or election. Any candidate who violates this provision, or has others violate this provision on behalf of his or her candidacy, is subject to discipline, including discharge from County employment.
17. Each department head shall designate existing departmental bulletin board space for all candidates to display campaign material. Campaign material shall clearly state that employees are prohibited from using County time or County resources to further the campaign or election of the candidate.
18. Upon request of a candidate, on or after Friday, June 3, 2016, each department head shall provide the address of each department's work locations where employees who are eligible to vote in this election are employed.
19. Except as otherwise prohibited by law, employees may wear campaign badges or buttons during working hours.
20. Members eligible to vote in this election shall be Safety Members of LACERA on March 1, 2016. Eligible Safety Members who do not receive a ballot by Wednesday, July 13, 2016 and desire to vote, or who have made a mistake on their original ballot and wish to correct it, shall notify in writing their department election coordinator on or before Tuesday, July 19, 2016 and explain in writing why a duplicate ballot is being requested. The department election coordinator shall submit to the Registrar-Recorder/County Clerk these written statements along with the employee's name, current mailing address, employee number and department in which employed on March 1, 2016 on the Request for Duplicate Election Ballot Form provided by the Executive Office of the Board of Supervisors on or before Wednesday, July 20, 2016. The Registrar-Recorder/County Clerk must receive the request by Wednesday, July 20, 2016. Duplicate ballots shall be issued only to

those Safety Members who submit the required written statement and whose names appear on both the Request for Duplicate Election Ballot signed by the election coordinator and the Auditor-Controller's electronic file.

21. The Registrar-Recorder/County Clerk shall mail the requested duplicate ballots via U.S. Mail by Friday, July 22, 2016, to the mailing address supplied by members on the Request for Duplicate Election Ballot Form.
22. Each ballot may be voted only by the member to whom it is issued. No member may vote more than once in this election.
23. The Registrar-Recorder/County Clerk shall maintain internal controls to ensure that no more than one vote is cast per member to protect the integrity of the election.
24. To be eligible for counting, ballots shall be returned to the Registrar-Recorder/County Clerk in the REPLY envelope provided via U.S. Mail or personal delivery; shall be completed by each voter and placed within the Privacy Envelope with his or her employee number, printed name and signature in the space provided on the reverse of said envelope; and shall be received by the Registrar-Recorder/County Clerk by 5:00 p.m., Tuesday, August 9, 2016. There are no provisions for write-in candidates; therefore, no write-in votes shall be counted.
25. The Registrar-Recorder/County Clerk shall canvass the votes cast at the election and shall certify the results to the Executive Officer of the Board of Supervisors on or before Friday, August 12, 2016.
26. The Registrar-Recorder/County Clerk shall (a) telephone each candidate receiving more than 20 percent of the total votes cast at his or her telephone number provided as to the results as certified on or before Friday, August 12, 2016 and (b) send written notice of the results via U.S. Mail to each candidate's mailing address, or send electronic mail to those candidates who prefer electronic communication on or before Friday, August 12, 2016.

27. In the event a candidate makes a request for a recount of the election results, the requestor shall bear the cost of such a recount. A written request for a recount shall be filed with the Registrar-Recorder/County Clerk no later than 5:00 p.m., Friday, August 19, 2016. The candidate filing the request for the recount shall, before the recount is commenced and at the beginning of each day following, deposit with the Registrar-Recorder/County Clerk a sum as required by the Registrar-Recorder/County Clerk to cover the cost of the recount for that day. The Registrar-Recorder/County Clerk shall commence a recount no later than Friday, August 26, 2016. In the event the recount results in a determination that the candidate who requested the recount has received a plurality of the votes cast, all money deposited shall be returned to the candidate. The recount conducted by the Registrar-Recorder/County Clerk shall be open to the public.
28. In the event any candidate desires to protest the results of the election, he or she must file a written protest with the Executive Office of the Board of Supervisors no later than 5:00 p.m., Friday, August 19, 2016. The written protest must specify the grounds for the protest and be accompanied by supporting documentation.
29. The Board of Supervisors at its meeting on Tuesday, September 20, 2016, or on a date following the completion of any recount and/or investigation of a protest, shall declare the results official. The person receiving the highest number of votes shall be declared elected the Seventh Member. In the event two or more persons tie for first place, such persons shall determine, by drawing lots before the Board, which of them shall be elected. The Alternate Member shall be that candidate, if any, for the Seventh Member from the group under Government Code Section 31470.2 or 31470.4, or any other eligible Safety Member candidate, if there is no eligible candidate from the groups under Sections 31470.2 and 31470.4 which is not represented by the candidate who received the highest number of votes of all candidates in that group.
30. In lieu of declaring the results official, the Board of Supervisors may order a new election if the Board determines, on the basis of written protest or on its own motion, that any error, omission or neglect occurred attributable to the County in the

administration of the election sufficient to change the result. The rejection of a candidate's statement of qualifications by the Registrar-Recorder/County Clerk, or the failure of the Registrar-Recorder/County Clerk to reject a candidate's statement of qualifications shall not constitute grounds for a new election. Allegations of candidate misconduct shall not constitute grounds for a new election, but if later substantiated may lead to administrative discipline or criminal culpability.

31. Election material retained by the Executive Officer of the Board of Supervisors and nominating petitions and ballots retained by the Registrar-Recorder/County Clerk may be discarded or otherwise disposed of no earlier than sixty-two (62) days after the date of the final declaration of the election results by the Board of Supervisors. The Registrar-Recorder/County Clerk will further confirm with their selected vendor(s) that the electronic file is destroyed sixty-five (65) days after the date of final declaration of the election results by the Board of Supervisors.
32. The Executive Officer of the Board of Supervisors may, in the exercise of her discretion, implement additional procedures, as she may deem necessary in order to preserve a fair and equitable election process. The Executive Officer of the Board of Supervisors shall, within ten (10) days, notify the Board of Supervisors, the Boards of Investments and Retirement and all candidates of any additional procedures implemented pursuant to this provision.

The foregoing resolution was on the 12th day of April, 2016, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



Lori Glasgow, Executive Officer-
Clerk of the Board of Supervisors of the
County of Los Angeles

By: Lachelle Smitheman
Deputy

APPROVED AS TO FORM:
MARY WICKHAM
County Counsel

By Rene Gilbertson
Rene Gilbertson
Senior Deputy County Counsel

**POWERS AND DUTIES
OF RETIREMENT BOARD MEMBERS**

The Board of Retirement provides this summary to enable voters to evaluate candidates for the Board of Retirement. The Board urges voters to review this summary prior to voting.

The overall responsibility of the Board of Retirement is to oversee the administration of the retirement system and the retiree health care program. This requires the Board to meet twice each month unless otherwise specified, generally on the first Wednesday and second Thursday, with meetings generally lasting from 6 to 8 hours. In addition, the Board has established several committees to assist in carrying out its responsibilities. Some committees meet monthly; others meet every other month. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours. In addition to the time required to attend meetings, considerable time is required to review applicable materials developed by staff and management.

Board members may also participate in state and national pension and retirement related organizations, including serving as an executive or committee member in these organizations. In addition to attending meetings, Government Code section 31522.8 requires Board members to complete 24 hours of education within two years of assuming office and 24 hours of education every two years the member continues to hold membership on the Board.

The general management of LACERA is under the Board of Retirement's direction. A few functions, however, are shared with the Board of Investments. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards must also act jointly in employee relations matters, including the approval of class specifications for LACERA's employees, the approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and the approval of compensation to be provided to LACERA's nonrepresented employees.

Additionally, one of the most important - and by far the most time consuming - duties of a Board member is to review disability retirement applications and to participate in the Board's decision to grant or deny disability retirements. It is anticipated the Board of Retirement will process approximately 30 to 50 disability

Attachment B

retirement cases per month. A Board member is obligated by law to carefully review each application and the medical evidence supporting the application. The Board member must then participate in the Board's deliberations and vote on the application.

Under Government Code Section 31522, as to those elected Board members who are also employed by the County or a participating district, these LACERA duties are included as part of their County or district employment. A Board member will be required to spend a great majority of their working time each month in carrying out all of their important LACERA duties and responsibilities.

The Board of Retirement administers a statutory retirement plan. This means that retirement benefits can only be provided if they have been authorized by the State Legislature in the County Employees Retirement Law of 1937, found in the California Government Code beginning at Section 31450. Retirement benefits not already authorized by the Retirement Law cannot be implemented by the Board of Retirement; rather, a bill must be processed through the Legislature to amend the Retirement Law. With only a few exceptions, the Legislature has required the County Board of Supervisors to adopt a resolution approving benefit enhancements before they can take effect.

Pursuant to Article XVI, section 17 of the California Constitution, Board of Retirement members are fiduciaries and are required to, "... discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty."

The Board of Retirement has regular meetings on the first Wednesday and on the Thursday following the second Wednesday of each month. Meeting dates may be changed by formal action of the Board.

Board members are public officials under the Fair Political Practices Act, and are in positions that are subject to FPPC economic disclosure and annual reporting requirements. The Board of Retirement is not responsible for the investments of the Retirement Fund or for the adoption of funding policies and the setting of contribution rates. The Legislature has assigned those responsibilities to the Board of Investments.

APPROVED BY THE BOARD OF RETIREMENT ON FEBRUARY 11, 2016.

FOR INFORMATION ONLY

December 20, 2018

TO: Each Member
Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: January 9, 2019 Board of Investments

SUBJECT: IMPLEMENTATION UPDATE ON LACERA PENSION TRUST STRATEGIC ASSET ALLOCATION

At the May 9, 2018 Board of Investments meeting (BOI), the Board approved a new Strategic Asset Allocation (SAA) for LACERA’s Pension Trust. At the July 9, 2018 BOI Offsite, a prospective implementation plan was reviewed.

During the BOI Offsite, staff noted that the SAA could be prudently implemented in the next 12 to 24 months. **Table 1** below summarizes the status of the actions and reports as well as the timeline for transitioning to the new SAA targets. Future items that require BOI approval will be placed on the agenda of subsequent meetings along with supporting documentation.

**Table 1
Strategic Asset Allocation Implementation Timeline**

| Implementation Steps | Target Dates for Completion or Discussion |
|---|---|
| Determine the appropriate policy ranges for the Pension Trust Asset Allocation | Completed |
| Identify the appropriate benchmarks for the Pension Trust Asset Allocation | Completed |
| Update Governance Documents <ul style="list-style-type: none"> • Investment Policy Statement • Procedures manual | Completed 2 nd Quarter of 2019 |
| Align Management and Oversight <ul style="list-style-type: none"> • Align Committees to new SAA • Staffing <ul style="list-style-type: none"> • Real Assets – PIO • Real Assets – FA-III • Real Assets – FA-II • Portfolio Analytics – SIO • Portfolio Analytics – FA-II • Portfolio Analytics – FA-I | Completed Completed 1 st Quarter of 2019 1 st Quarter of 2019 Completed Completed Pending |

| | |
|--|---|
| <ul style="list-style-type: none"> • Consultant searches <ul style="list-style-type: none"> • Recommendation to conduct search | 1 st Quarter of 2019 - Completion Completed |
| Growth <ul style="list-style-type: none"> • Public Equities <ul style="list-style-type: none"> • Structure review <ul style="list-style-type: none"> • Reduce public equity exposure • Potential factor mandate • Private Equity <ul style="list-style-type: none"> • Investment plan • Potential secondary sale • Opportunistic Real Estate <ul style="list-style-type: none"> • Implement structure review and investment plan | <p style="text-align: center;">1st Half of 2019</p> <p style="text-align: center;">Completed Completed Ongoing</p> |
| Credit <ul style="list-style-type: none"> • Conduct consultant search – Credit • Structure review <ul style="list-style-type: none"> • Realign weights with targets • Resize current liquid managers • Conduct new mandate searches | <p style="text-align: center;">In Process January BOI Recommendation Ongoing</p> |
| Risk Reducing & Mitigation <ul style="list-style-type: none"> • Conduct consultant search – Hedge Funds • Implementation of Fixed Income structure review <ul style="list-style-type: none"> • Potential manager rebalancing and consolidation • Conduct RFP for cash overlay program | <p style="text-align: center;">In Process January BOI Recommendation In Process</p> |
| Real Assets & Inflation Hedges <ul style="list-style-type: none"> • Conduct consultant search – Real Assets • Issue RFI for a completion portfolio • Add TIPS through invitation to bid process • Conduct new mandate searches | <p style="text-align: center;">In Process February Recommendation January BOI Recommendation Ongoing</p> |
| Adapt Portfolio Analytics <ul style="list-style-type: none"> • Analytics Reporting • Performance Reporting | <p style="text-align: center;">First Quarter 2019 First Quarter 2019</p> |
| Complete operational updates at State Street | Completed |
| Transition to updated asset allocation | September 2018 – June 2020 |

This timeline allows for a comprehensive review and revision of LACERA’s Pension Trust Investment Policy Statement as well as pertinent operational changes including composite structure, custodian accounts, investment management agreements and new target allocations. Barring any unforeseen circumstances, staff expects to complete the transition by June 2020. This document will be updated monthly, communicating the progress of individual steps and provided to the BOI throughout the implementation process.

December 24, 2018

FOR INFORMATION ONLY

TO: Each Member
Board of Investments
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: January 9, 2019 Board of Investments Meeting
January 10, 2019 Board of Retirement Meeting

SUBJECT: **Update on Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance**

The Insurance, Benefits and Legislative Committee (IBLC) of the Board of Retirement met on December 13, 2018 to discuss potential LACERA sponsorship of legislation on compensation for board meeting attendance (see attached). The IBLC discussed the memorandum, and the item was received and filed.

Reviewed and Approved:



Steven P. Rice, Chief Counsel


Attachment

Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance (Memorandum dated December 4, 2018)

cc: Lou Lazatin
Robert Hill
JJ Popowich
Steven P. Rice
Jonathan Grabel
Joe Ackler, Ackler & Associates

December 4, 2018

TO: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Herman B. Santos
Gina Zapanta-Murphy
Thomas Walsh, Alternate

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: December 13, 2018 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Potential LACERA Sponsorship of Legislation on Compensation for Board Meeting Attendance**

RECOMMENDATION

That the Insurance, Benefits and Legislative Committee provide further instruction to staff on potential LACERA sponsorship of legislation on compensation for board meeting attendance.

BACKGROUND

Each year, the 20 retirement systems operating under the County Employees Retirement Law of 1937 (CERL) are asked to submit proposals to the Legislative Committee of the State Association of County Retirement Systems (SACRS) for sponsorship in SACRS legislative platform for the upcoming year. This year, the SACRS Legislative Committee received three proposals for inclusion in the SACRS 2019 legislative platform. Two of the proposals submitted by the Fresno County Employees' Retirement Association (FCERA) were withdrawn since they required more development in their formulations and further evaluation of their potential ramifications. The remaining proposal was submitted by the Orange County Employees Retirement System (OCERS) and pertained to the compensation of board members. OCERS proposed that the current compensation rate of \$100 be increased to \$200. The SACRS Legislative Committee reviewed the OCERS proposal in September 2018 and made no recommendation for or against SACRS sponsorship of the proposal.

The Insurance, Benefits and Legislative Committee (IBLC) reviewed the OCERS proposal at its meeting on October 11, 2018. The IBLC recommended that the Board of Retirement direct its voting delegate to support SACRS sponsorship of the OCERS proposal for the SACRS 2019 legislative platform.¹ The IBLC also directed staff to

¹ The proposal would have been voted on at the SACRS Business Meeting on November 16, 2018 at the SACRS 2018 Fall Conference. However, on October 16, 2018, the SACRS Legislative Committee

return to the IBLC in 60 days with an action plan on sponsoring legislation to increase the compensation rate from \$100 to \$500 per meeting for applicable board members.

EXISTING LAW

Government Code Section 31521 (Attachment 1) authorizes a board of supervisors in counties having a retirement board consisting of nine members and an alternate retired member to provide that the fourth, fifth, eighth, ninth, and alternate retired members receive compensation of \$100 for a meeting, or for a meeting of a committee authorized by the board, for not more than five meetings per month, together with actual and necessary expenses for all members of the board. In counties having a board of investments, the board of supervisors may provide that the fifth, sixth, seventh, eighth, and ninth members likewise receive compensation of \$100. The members eligible for this compensation consist of appointed and retired members. Elected board members who are employees of the county have their official board duties included as part of their county employment and do not receive any additional compensation.

In 1990, LACERA sponsored legislation to amend Section 31521 to remove ambiguity regarding compensation for committee meetings that must be authorized by the *entire* board. However, a separate Section 31521.1 (Attachment 1) was instead added to the Government Code that applied only to LACERA. This section in its initial version did not include the word “entire,” so that authorized committee meetings may be approved by 6 members of a 9-member board and not the entire board. Under existing law, Section 31521.1 applies only to LACERA with respect to compensation of board members, whereas Section 31521 applies to the other retirement systems operating under CERL. Subsequent amendments to the two sections over the years have made them virtually identical, and the current compensation rate in both sections is \$100 per meeting for not more than five meetings per month.

In 2007, LACERA sponsored legislation to add Section 31521.3 (Attachment 1) to the Government Code that would authorize a board of supervisors to provide that the fourth, fifth, sixth, eighth, ninth, and alternate retired members of LACERA’s Board of Retirement receive compensation for the review and analysis of disability retirement cases. The compensation rate is \$100 per 8-hour day and not to exceed 32 hours per month. The compensation rate is subject to biennial cost-of-living adjustments by the Board of Retirement and is currently at \$118.

ISSUE

The OCERS proposal contained research on the history of the current rate of \$100. It found that the rate was raised from \$10 to \$15 in 1951, to \$25 in 1953, to \$50 in 1965, and then to \$100 in 1970. The proposal also noted that trustees at the California Public

announced that OCERS withdrew its proposal from consideration. At the November 7, 2018 meeting of the Board of Retirement, staff informed the Board that the proposal had been withdrawn and that there was no need to provide directions to LACERA’s voting delegate on the matter.

Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) receive \$100 as do nearly every other political appointee to a board or commission in California.

The discussion at the IBLC meeting on October 11, 2018 indicated that the current compensation rate of \$100 did not sufficiently reflect the workload that trustees engage in to fulfill their fiduciary responsibilities. Since the rate was established in 1970 without a cost-of-living adjustment, its purchasing power has diminished over a period of almost 50 years. Moreover, it was noted that although the compensation rate of \$100 was common for many boards and commissions in California, it was by no means universal because a few boards and commissions do receive higher rates. For example, under the California Water Code, the governing board of a water district may adopt an ordinance that increases its board member compensation rate of \$100 per day by 5 percent following the operative date of the last adjustment. In another example, the City of Los Angeles' Board of Public Works is a full-time, paid Board that meets three times a week.

In order to increase the current compensation rate from \$100 to \$500 per meeting and have that rate apply only to LACERA, the Board of Retirement and the Board of Investments would need to sponsor legislation that would amend existing Government Code Section 31521.1 to reflect the new rate. Since the provision covers members of both the Board of Retirement and Board of Investments, a proposal to amend Section 31521.1 would be a joint issue for both boards.

Workload

Summary documents entitled "Powers and Duties of Retirement Board Members" and "Powers and Duties of Investment Board Members" (Attachment 2) are provided to voters to enable them to evaluate candidates for each board. The documents provide an overview of the workload of board members in fulfilling their responsibilities and fiduciary duties.

Members of the Board of Retirement can expect to spend approximately 120 – 140 hours per month (equivalent to 3 – 3.5 40-hour workweeks) in discharging their duties to LACERA. Members of the Board of Investments can expect to spend approximately 80 hours per month (equivalent to 2 40-hour workweeks). Each summary document contains 11 categories of duties that include, for example, attending board and committee meetings (including reviewing relevant meeting materials); overseeing LACERA management through policies, procedures, governance processes, operational reports, and budgets; reviewing disability retirement applications; overseeing litigation, vendors, and consultants; and ensuring legal compliance.

Attachment 3 provides a sample workload analysis covering the period December 2017 to November 2018 based on data compiled from meeting minutes and educational and

expense reports. The analysis covers the most recent 12-month period and may not necessarily be representative of a typical year or show trends over time that would require data from more 12-month periods. The analysis covers workload categories such as number of board and committee meetings attended, duration of board and committee meetings, commuting time, disability case reviews, and number and length of educational conferences attended.

PROPOSED SOLUTION

Government Code Section 31521.1 applies only to LACERA. Amending this section to reflect a compensation rate of \$500 would authorize the Board of Supervisors of the County of Los Angeles to provide compensation to specified board members at that rate.

If the Board of Retirement and the Board of Investments decide to sponsor legislation to amend Section 31521.1 to reflect a compensation rate of \$500, staff would engage with LACERA's state legislative advocate in locating a legislator to author a bill for the 2019 legislative session. If the bill passes, Section 31521.1 would reflect a new compensation rate of \$500 that would be effective January 1, 2020.

RISKS AND CONSIDERATIONS

Locating an author. In 2007, a similar legislative proposal was submitted by OCERS for SACRS sponsorship. SACRS was unable to locate a legislator willing to carry the bill. The proposed legislation to increase the compensation rate is not merely technical in nature, which otherwise would generally be carried by a policy committee. It is potentially controversial and would most likely require an actual legislator to carry it.

Scope of proposal. The issue of raising the current compensation rate from \$100 to \$500 grew out of a discussion related to the OCERS proposal of raising the rate to \$200 for board meeting attendance. LACERA is the only CERL system whose board members receive compensation for the review and analysis of disability retirement cases. The IBLC and the Board of Retirement should consider whether LACERA's proposed legislation would also amend Section 31521.3 from a rate of \$100 per 8-hour day to \$500 per 8-hour day, not to exceed 32 hours per month. This would raise the maximum payable amount each month from \$400 to \$2,000 and potentially amplify the controversial nature of this proposal.

Policy committees. The recent mid-term elections resulted in some turnover in the California State Legislature. There may be new members and leadership changes in the policy committees that deal with public sector retirement plans. It is unclear at this point what the attitudes and priorities relating to public sector retirement issues are for the upcoming membership within the policy committees.

New governor. Governor-elect Gavin Newsom replaces outgoing Governor Jerry Brown. The incoming Governor may also be appointing new legislative support staff. It is unclear at this point what the attitudes and priorities relating to public sector retirement issues are for the Governor-elect and his staff.

Co-sponsorship. CalPERS and CalSTRS are the largest public sector pension plans in California and the United States with certain trustees who are also subject to a compensation rate of \$100. It may be helpful to ascertain whether CalPERS or CalSTRS is amenable to co-sponsorship of legislation that would increase the board compensation rate.

County of Los Angeles. The Board of Supervisors of the County of Los Angeles, LACERA's plan sponsor, provides the compensation to specified board members for meeting attendance each month. The process for payment involves LACERA forwarding requests for payment to the County, which pays board members on the 15th of each month; the County subsequently invoices LACERA for reimbursement.

Although the cost for compensation is ultimately paid as an administrative expense from LACERA's trust funds, Section 31521.1 indicates that the Board of Supervisors provides the compensation. The Board of Supervisors' state legislative agenda is to oppose legislation that mandates or authorizes compensation or benefit changes without its approval. The potential legislation would most likely not be successful if there is opposition from the Board of Supervisors. Moreover, even if the statute were amended to reflect a compensation rate of \$500, the increase would only be effective if the Board of Supervisors decides to provide that higher amount. Understanding the Board of Supervisors' view on this proposal and garnering its support would be essential factors to the success of this proposal.

Compensation survey. At the November 15, 2018 meeting of the SACRS Legislative Committee, the SACRS lobbyists discussed the fact that there was merit to the proposal of increasing a compensation rate that was last updated in 1970. However, instead of arbitrarily setting a new amount in statute, it would require an evidence-based approach such as a compensation survey of all California boards and commissions. Conducting such a survey might require the services of a California government agency such as the Department of Finance, Department of Human Resources, State Auditor, State Controller, or Legislative Analyst's Office. A comprehensive compensation survey may provide the necessary information to address the issue of board compensation through a statewide approach.

CONCLUSION

Increasing the compensation rate from \$100 to \$500 requires a simple change to the existing provision under Section 31521.1. However, political factors will ultimately determine the success of the proposed legislation based on the foregoing risks and

considerations. One path would be for LACERA to sponsor legislation that would amend Section 31521.1. Other paths may include co-sponsorship or deferring action until the feasibility of conducting a compensation survey can be determined.

The legislative timeline for 2019 include the following initial deadlines:

- January 25, 2019: Last day to submit bill requests to the Office of the Legislative Counsel.
- February 22, 2019: Last day for bills to be introduced.

IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE provide further instruction to staff on potential LACERA sponsorship of legislation on compensation for board meeting attendance.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

Attachment 1 – Government Code Sections 31521, 31521.1, 31521.3

Attachment 2 – Powers and Duties: Board of Retirement and Board of Investments

Attachment 3 – Workload Analysis

cc: Board of Investments
Lou Lazatin
Robert Hill
JJ Popowich
Steven Rice
Jonathan Grabel
Joe Ackler, Ackler & Associates

ATTACHMENT 1

State of California

GOVERNMENT CODE

Section 31521

31521. The board of supervisors may provide that the fourth and fifth members, and in counties having a board consisting of nine members or nine members and an alternate retired member, the fourth, fifth, sixth, eighth, ninth, and alternate retired members, and in counties having a board of investments under Section 31520.2, the fifth, sixth, seventh, eighth, and ninth members of the board of investments, shall receive compensation at a rate of not more than one hundred dollars (\$100) for a meeting, or for a meeting of a committee authorized by the board, for not more than five meetings per month, together with actual and necessary expenses for all members of the board.

(Amended by Stats. 2007, Ch. 320, Sec. 3. Effective January 1, 2008.)

State of California

GOVERNMENT CODE

Section 31521.1

31521.1. (a) The board of supervisors may provide that in counties having a board consisting of nine members and an alternate retired member, the fourth, fifth, sixth, eighth, ninth, and alternate retired members, and in counties having a board of investments under Section 31520.2, the fifth, sixth, seventh, eighth, and ninth members of the board of investments, shall receive compensation at a rate of not more than one hundred dollars (\$100) for a meeting, or for a meeting of a committee authorized by the board, for not more than five meetings per month, together with actual and necessary expenses for all members of the board.

(b) This section shall apply only in a county of the first class, as defined by Section 28020, as amended by Chapter 1204 of the Statutes of 1971, and Section 28022, as amended by Chapter 43 of the Statutes of 1961.

(Amended by Stats. 2007, Ch. 320, Sec. 4. Effective January 1, 2008.)

State of California

GOVERNMENT CODE

Section 31521.3

31521.3. (a) The board of supervisors may provide that the fourth, fifth, sixth, eighth, ninth, and alternate retired members of the board of retirement shall receive compensation for the review and analysis of disability retirement cases. The compensation shall be limited to the first time a case is considered by the board and shall not exceed one hundred dollars (\$100) per day. The compensation shall be prorated for less than eight hours of work in a single day.

(b) A board member compensated pursuant to subdivision (a) shall certify to the retirement board, in a manner specified by the retirement board, the number of hours spent reviewing disability cases each month. The number of hours compensated under this section shall not exceed 32 hours per month.

(c) On or before March 31, 2010, and on or before March 31 in each even-numbered year thereafter, the compensation limit established by the board of supervisors pursuant to subdivision (a) shall be adjusted biennially by the board of retirement to reflect any change in the Consumer Price Index for the Los Angeles, Riverside, and Orange County areas that has occurred in the previous two calendar years, rounded to the nearest dollar.

(d) This section shall apply only in a county of the first class, as defined by Section 28020, as amended by Chapter 1204 of the Statutes of 1971, and Section 28022, as amended by Chapter 43 of the Statutes of 1961.

(Amended by Stats. 2008, Ch. 179, Sec. 103. Effective January 1, 2009.)

ATTACHMENT 2

POWERS AND DUTIES OF RETIREMENT BOARD MEMBERS

The Board of Retirement provides this summary to enable voters to evaluate candidates for the Board. The Board urges voters to review this summary prior to voting.

INTRODUCTION

The overall responsibility of the Board of Retirement is to oversee the administration of the retirement pension system and the retiree health care program to ensure that members are provided with the promised benefits upon completion of their public service with Los Angeles County and other participating public employers. In total, members of the Board of Retirement can expect to commit approximately 120-140 hours of their time each month to discharging their duties to the retirement system.

As to those elected Board members who are employed by the County or a participating district, the law provides that these LACERA duties are included as part of their County or other public employment and shall normally take precedence over any other duties. Given the time commitment necessary to fulfill the responsibilities of Board membership, elected Board members will be required to spend a great majority of their working time each month in carrying out their important LACERA duties and responsibilities.

The responsibilities and duties of Board members are explained in detail below.

BOARD MEMBER RESPONSIBILITIES

A Board member's duties include:

1. **Board and Committee Meetings.** The Board meets twice each month unless otherwise specified, usually on the first Wednesday and second Thursday, with each meeting generally lasting from 6 to 8 hours. In addition, the Board has established committees to assist in carrying out its responsibilities. The Board also shares additional committees jointly with the system's Board of Investments, including the Audit Committee. Some committees meet monthly; others meet less frequently but up to several times per year. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours. In addition to the time required to attend meetings, considerable time is required to prepare for meetings and review relevant materials developed by staff and management.
2. **General Management.** The general management of LACERA is under the Board of Retirement's oversight. To exercise this responsibility, the Board establishes policies, procedures, and governance processes, and

receives, discusses, and questions reports on operational activities. A few management functions are shared with the Board of Investments. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards also act jointly in certain employee relations matters, including approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and approval of compensation to be provided to LACERA's nonrepresented employees. The Board of Retirement is not responsible for investments or for the adoption of funding policies and the setting of contribution rates. The Legislature assigned those responsibilities to the Board of Investments.

3. ***Payment of Retirement Pension Benefits.*** The Board of Retirement administers a statutory retirement plan; it does not establish retirement benefits. This means that retirement benefits can only be provided if they have been authorized by the State Legislature in the County Employees Retirement Law of 1937, found in the California Government Code beginning at Section 31450, and the California Public Employees' Pension Reform Act of 2013, found in the California Government Code beginning at Section 7522. Retirement benefits not authorized by the retirement laws cannot be implemented by the Board of Retirement; rather, a bill must be processed through the Legislature to amend the retirement laws. With only a few exceptions, the Legislature has required the County Board of Supervisors to adopt a resolution approving benefit enhancements before they can take effect.
4. ***Disability Retirement Applications.*** One of the most important – and by far the most time consuming – duties of a Board member is to review disability retirement applications and to participate in the Board's decision to grant or deny disability retirements according to applicable legal standards. It is anticipated the Board of Retirement will process approximately 30 to 50 disability retirement cases per month. Board members carefully review each application and the medical evidence supporting the application. A Board member will then participate in the Board's deliberations and vote on each application.
5. ***Retiree Healthcare Benefits.*** The Board oversees the administration of retiree healthcare benefits under contract with the County and other participating employers.
6. ***Claims and Litigation.*** The Board decides claims made by members concerning their benefits and related issues. The Board also oversees litigation, other than securities litigation.
7. ***Retention and Oversight of Vendors, Consultants, and Experts.*** The Board approves and oversees the retention and performance of vendors, consultants, and experts to assist in the administration of the system and to aid the Board when appropriate.

8. **Delegation.** The day-to-day operations of the retirement system are delegated to staff and outside service providers. Board members consider what responsibilities will be delegated and to whom delegation is made. Board members ensure that delegated responsibilities are properly performed through monitoring, questioning, and accountability.
9. **Legal Compliance.** The Board ensures that the retirement system maintains compliance with the plan documents and all applicable laws governing the system. Board members comply with this responsibility by conducting a periodic review of plan documents and monitoring changing legal requirements.
10. **Education.** Board members are legally required to educate themselves on appropriate topics, which may include benefits administration, disability evaluation, fair hearings, pension fund governance, new board member orientation, ethics, and fiduciary responsibilities, among other topics. Such education must consist of a minimum of 24 hours within two years of assuming office and 24 hours every subsequent two-year period the member continues on the Board.
11. **Involvement.** Board members may participate in state and national pension and retirement related organizations, including serving as an executive or committee member in these organizations.

FIDUCIARY DUTIES

Board members have the following fiduciary duties:

1. **Duty of Loyalty.** The California Constitution provides that Board of Retirement members are fiduciaries and are required to, “discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.” All Board members, whether elected or appointed, have the same fiduciary duty. The Board members’ duty of loyalty at all times is to the participants and beneficiaries as a whole. Board members do not serve as the agent or representative of the agency or group responsible for their election or appointment. Where different groups of participants have different interests on an issue, Board members have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.
2. **Duty of Care.** The California Constitution provides that assets of the retirement system are trust funds to be used only for the purpose of providing benefits and paying the costs of administering the system. Under the Constitution, members of the Board of Retirement “shall

discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.”

The duty of care means that Board members must exercise reasonable effort and diligence in administering and exercising oversight over the system, including: implementing, and periodically reviewing and updating, policies, procedures, and processes; requesting necessary reports and information; analyzing the information, advice, and recommendations received; asking questions; seeking expert advice when required from staff and outside expert consultants; deliberating carefully before making decisions; and understanding the reason for actions before taking them. Board members must monitor the administration of the system, follow the plan documents and applicable law, and take corrective action when required to ensure the sound administration of the system so that benefits and related services are timely and correctly delivered to participants and their beneficiaries and the other matters under the responsibility of the Board of Retirement are properly performed.

CONFLICTS OF INTEREST

Board members must be free of conflicts of interest in compliance with applicable legal requirements and LACERA’s Conflict of Interest Code and Code of Ethical Conduct. Board members must disclose conflicts of interest when they arise, and they cannot participate in decisions that will impact, positively or negatively, their own financial interests or the interests of certain of their related persons and entities. Board members are public officials under California conflict of interest laws, and they must be familiar with and follow those laws. Board members are subject to public disclosure of their economic interests and annual reporting requirements under the Political Reform Act and Fair Political Practices Commission regulations. Violation of conflict of interest laws and regulations can result in civil and criminal penalties. Conflict of interest laws and regulations are complex, and Board members should seek legal advice when appropriate. See <http://www.fppc.ca.gov/> for more information.

APPROVED BY THE BOARD OF RETIREMENT ON FEBRUARY 15, 2018.

POWERS AND DUTIES OF INVESTMENTS BOARD MEMBERS

The Board of Investments provides this summary to enable voters to evaluate candidates for the Board. The Board urges voters to review this summary prior to voting.

INTRODUCTION

The Board of Investments oversees investment of LACERA's pension retirement fund (\$52.5 billion as of June 30, 2017) and determination of County and member contribution rates. In total, members of the Board of Investments can expect to commit approximately 80 hours of their time each month to discharging their duties to the retirement system.

As to those elected Board members who are employed by the County or a participating district, the law provides that these LACERA duties are included as part of their County or other public employment and shall normally take precedence over any other duties. Given the time commitment necessary to fulfill the responsibilities of Board membership, elected Board members will be required to spend a great majority of their working time each month in carrying out their important LACERA duties and responsibilities.

The responsibilities and duties of Board members are explained in detail below.

BOARD MEMBER RESPONSIBILITIES

A Board member's duties include:

1. ***Board and Committee Meetings.*** The Board meets once each month unless otherwise specified, usually on the second Wednesday, with each meeting generally lasting from 6 to 8 hours. In addition to the time required to attend meetings, approximately 24 hours per meeting is required to prepare for meetings and review relevant materials developed by staff and management. The Board has established committees to assist in carrying out its responsibilities. The Board also shares additional committees jointly with the system's Board of Retirement, including the Audit Committee. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours per committee plus additional preparation time of a similar or greater number of hours.
2. ***Pension Fund Investments.*** The Board of Investments has exclusive control of all retirement system investments and is responsible for establishing investment beliefs and objectives, the asset allocation for the portfolio, strategies, policies, and governance processes, which are subject to change by Board action. The Board evaluates risk and return,

including consideration of corporate governance issues. The Board makes these decisions based on information and input provided by staff and external consultants. Currently, LACERA's investment portfolio is, with a few exceptions, externally managed. The Board does not make individual investment selections for the externally managed portfolio; rather, it selects investment advisors and managers to make investments for LACERA in accordance with investment objectives and guidelines established by the Board. The Board of Investments and its staff then regularly monitor and evaluate the investment activities and results of its advisors and managers.

3. **Retiree Healthcare Funds.** Under agreement with the County and other participating employers, the Board of Investments manages and invests trust funds prepaid for future retiree healthcare benefits.
4. **Contribution Rates and Actuarial Services.** Using an actuarial valuation process, the Board of Investments determines the level of contributions necessary to fund retirement benefits. The Board of Investments is responsible for setting actuarial valuation policies, selecting the actuary who will perform the valuation, and approving the actuarial valuation services provided. The actuary submits to the Board of Investments for the Board's approval such changes in County and member contribution rates as are necessary to fund retirement benefits.
5. **Securities Litigation.** The Board of Investments, with the assistance of counsel and staff, is charged with actively identifying, evaluating and monitoring securities class action lawsuits in which the fund has sustained a loss, and to determine whether the best interests of the fund are served by actively participating in such cases.
6. **Other Fund Management.** A few management functions are shared with the Board of Retirement. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards also act jointly in certain employee relations matters, including the approval of class specifications for LACERA's employees, the approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and the approval of compensation to be provided to LACERA's nonrepresented employees. The Board of Investments is not responsible for general administration of the retirement system and benefits. The Legislature assigned those responsibilities to the Board of Retirement.
7. **Retention and Oversight of Vendors, Consultants, and Experts.** The Board approves and oversees the retention and performance of vendors, consultants, and experts to assist in system operations and aid the Board when appropriate.

8. **Delegation.** The day-to-day investment operations of the retirement system are delegated to staff and outside service providers. Board members consider what responsibilities will be delegated and to whom delegation is made. Board members ensure that delegated responsibilities are properly performed through monitoring, questioning, and accountability.
9. **Legal Compliance.** The Board ensures that the retirement system maintains compliance with the plan documents and all applicable laws governing the system. Board members comply with this responsibility by conducting a periodic review of plan documents and monitoring changing legal requirements.
10. **Education.** Board members are legally required to educate themselves on appropriate topics, which may include pension fund investments and investment management processes, actuarial matters, pension funding, pension fund governance, new board member orientation, ethics, and fiduciary responsibilities, among other topics. Such education must consist of a minimum of 24 hours within two years of assuming office and 24 hours every subsequent two-year period the member continues on the Board.
11. **Involvement.** Board members may participate in state and national pension and investment related organizations, including serving as an executive or committee member in these organizations.

FIDUCIARY DUTIES

Board members have the following fiduciary duties:

1. **Duty of Loyalty.** The California Constitution provides that Board of Investments members are fiduciaries and are required to, “discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.” All Board members, whether elected or appointed, have the same fiduciary duty. The Board members’ duty of loyalty at all times is to the participants and beneficiaries as a whole. Board members do not serve as the agent or representative of the agency or group responsible for their election or appointment. Where different groups of participants have different interests on an issue, Board members have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.
2. **Duty of Care.** The California Constitution provides that assets of the retirement system are trust funds to be used only for the purpose of

providing benefits and paying the costs of administering the system. Under the Constitution, members of the Board of Investments “shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.” Governing law provides that the Board “may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.” The Constitution further requires that Board members “shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.”

The duty of care means that Board members must exercise reasonable effort and diligence in administering and exercising oversight over the investments of the system, including: implementing, and periodically reviewing and updating, policies, procedures, and processes; requesting necessary reports and information; analyzing the information, advice, and recommendations received; asking questions; seeking expert advice when required from staff and outside expert consultants; deliberating carefully before making decisions; and understanding the reason for actions before taking them. Board members must monitor the investments of the system, follow the plan documents and applicable law, and take corrective action when required to ensure the sound administration of the retirement fund’s investments and the other matters under the responsibility of the Board of Investments are properly performed.

CONFLICTS OF INTEREST

Board members must be free of conflicts of interest in compliance with applicable legal requirements and LACERA’s Conflict of Interest Code and Code of Ethical Conduct. Board members must disclose conflicts of interest when they arise, and they cannot participate in decisions that will impact, positively or negatively, their own financial interests or the interests of certain of their related persons and entities. Board members are public officials under California conflict of interest laws, and they must be familiar with and follow those laws. Board members are subject to public disclosure of their economic interests and annual reporting requirements under the Political Reform Act and Fair Political Practices Commission regulations. Violation of conflict of interest laws and regulations can result in civil and criminal penalties. Conflict of interest laws and regulations are complex, and Board members should seek legal advice when appropriate. See <http://www.fppc.ca.gov/> for more information.

APPROVED BY THE BOARD OF INVESTMENTS ON FEBRUARY 14, 2018.

ATTACHMENT 3

WORKLOAD ANALYSIS

| BOARD MEETING ATTENDANCE | | |
|---|---|--|
| | Average number of compensable meetings per month | Commuting time: average hours per month per meeting roundtrip |
| BOARD OF RETIREMENT | | |
| All members (n = 11) | 4.7 | 1.2 |
| Appointed, retired, alternate retired members (n = 6) | 5 | 1.1 |
| Elected members / ex-officio (n = 5) | 4.3 | 1.5 |
| BOARD OF INVESTMENTS | | |
| All members (n = 9) | 3.8 | 1.4 |
| Appointed and retired members (n = 5) | 3.8 | 1.9 |
| Elected members / ex-officio (n = 4) | 3.9 | 0.9 |
| DISABILITY CASE REVIEW | | |
| | Average compensable hours per month | |
| BOARD OF RETIREMENT | | |
| Appointed, retired, alternate retired members (n = 6) | 23.2 | |
| MEETING DURATION | | |
| | Average hours per meeting per month | |
| BOARD OF RETIREMENT | | |
| Full Board | 2.5 | |
| Committees (n = 3) | 0.3 | |
| BOARD OF INVESTMENTS | | |
| Full Board | 3.2 | |
| Committees (n = 6) | 0.7 | |
| JOINT MEETINGS | | |
| Both Boards | 6.5 | |
| Committees (n = 2) | 1.4 | |
| AD HOC MEETINGS | | |
| Committees (n = 3) | 1.5 | |
| EDUCATIONAL CONFERENCES | | |
| | Average number of conferences | Average number of days per conference |
| BOARD OF RETIREMENT | 4.4 | 4 |
| BOARD OF INVESTMENTS | 9.6 | 3.2 |

FOR INFORMATION ONLY

January 2, 2019

TO: Each Member
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: Monthly Status Report on Board of Investments Legal Projects

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of January 2, 2019.

Attachment

c: Lou Lazatin
Robert Hill
John Popowich
Jon Grabel
Vache Mahseredjian
John McClelland
Christopher Wagner
Ted Wright
Jim Rice
Jude Perez
Scott Zdrazil
Christine Roseland
John Harrington
Cheryl Lu
Margo McCabe
Lisa Garcia



LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of January 2, 2019



| | Project/ Investment | Description | Amount | Board Approval Date | Completion Status | % Complete | Notes |
|----------------|--------------------------------------|--------------|------------------|---------------------------|----------------------|------------|------------|
| PRIVATE EQUITY | Storm Ventures Fund VI, L.P. | Subscription | \$50,000,000.00 | June 13, 2018 | Complete | 100% | Completed. |
| | USV 2019, L.P. | Subscription | \$9,000,000.00 | December 12, 2018 | Complete | 100% | Completed. |
| | USV Opportunity 2019, L.P. | Subscription | \$11,250,000.00 | December 12, 2018 | Complete | 100% | Completed. |
| | Vista Equity Partners Fund VII, L.P. | Subscription | \$200,000,000.00 | December 12, 2018 | Complete | 100% | Completed. |

FOR INFORMATION ONLY

December 31, 2018

TO: Each Member
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: January 9, 2019 Board of Investments Meeting

SUBJECT: Update on Resolution of Trustee Sanchez Conflict of Interest Issue

The Board of Investments has previously been informed of conflict of interest issues arising from negotiations by Trustee Gina Sanchez, and her company Chantico Global, to potentially enter into a contract with an affiliate of Lazard Asset Management (Lazard), which is an existing LACERA emerging markets public equity manager. At the August 8, 2018 Board meeting, Trustee Sanchez publicly stated that she would recuse herself from all Lazard-related matters. On October 17, 2018, LACERA received a formal advice letter from the Fair Political Practices Commission confirming applicable legal conflict limitations arising from the negotiations.

In late November 2018, as part of an ongoing public equity structure review, LACERA staff obtained a fee reduction offer from Lazard, as well as several other public equity managers, effective January 1, 2019. The Lazard offer required amendment of the existing Investment Management Agreement (IMA). Under Government Code Section 1090, LACERA could not accept the offer so long as Trustee Sanchez was on the Board and negotiating with Lazard because the negotiations constituted a potential personal financial interest.

Trustee Sanchez made the decision to terminate her negotiations with Lazard. She confirmed the decision in a December 18, 2018 email to Lazard, which also stated that she could not have any further discussions so long as she is on the Board and Lazard remains a LACERA manager. Lazard acknowledged receipt of the message. Trustee Sanchez confirmed her decision in an email to Board Chair David Green and Chief Executive Officer Lou Lazatin. Copies of these communications are attached to this memo, with confidential contact information redacted.

Following Trustee Sanchez's decision, LACERA staff worked with Lazard to obtain an amendment to the IMA. The amendment has been fully executed and confirms that the fee reduction is effective on January 1, 2019.

Because Trustee Sanchez has now ended her discussions with Lazard, she has no remaining limitations, arising from currently known facts and circumstances, on her ability to participate fully in the Board's future business.

This conflict issue was successfully resolved because Trustee Sanchez proactively complied with her conflict disclosure and avoidance obligations, putting LACERA's interests above her own throughout the process. Staff appreciates Trustee Sanchez's cooperation and diligence.

Attachments

c: Board of Retirement
Lou Lazatin
Robert Hill
John Popowich
Jonathan Grabel
Ted Wright
Harvey Leiderman

Steven Rice

From: Gina Sanchez
Sent: Tuesday, December 18, 2018 10:35 AM
To: David Green; Lou Lazatin
Cc: Steven Rice
Subject: Fwd: Thank You

David and Lou,

I decided to terminate my discussions with Lazard that have been the subject of discussion with the Board over the past several months. A copy of the letter I sent to Lazard today is attached. I took this step to remove the potential conflict of interest issue, allow me to fully participate in the Board's business going forward, and permit LACERA to take advantage of the fee reduction offered by Lazard effective January 1, 2019. My fiduciary duty to LACERA is my first priority and takes precedence over any personal business opportunities.

I worked with Steve Rice in preparing the Lazard letter. He advised me that this action will resolve the issue and eliminate the need for future recusal on any Lazard-related matters before the Board.

I will make a public statement at the January 9, 2019 Board meeting confirming my action. In addition to my public statement, the Lazard letter and this message will be made part of the record for the January 9 meeting. I am copying all other Board members, as well as all members of the Board of Retirement, on this message to ensure there is good communication as to the conclusion of this issue.

Regards,

Gina

Gina Sanchez
Chief Executive Officer
[REDACTED]@chanticoglobal.com

From: Gina Sanchez
Sent: Tuesday, December 18, 2018 1:33:02 PM
To: Jacob, Jai
Cc: Steven Rice
Subject: Thank You

Dear Jai,

Thank you for the opportunity the past several months to talk about opportunities for Chantico and me to work with Lazard. I enjoyed our conversations and appreciated Lazard's time and interest.

As you know, I am a trustee on the Board of Investments for the Los Angeles County Employees Retirement Association (LACERA), the \$56 billion public pension fund for the benefit of Los Angeles County employees and retirees. In this role, I have a fiduciary duty to the fund and its participants. I must put their interests first above my own.

In that Lazard is a LACERA asset manager, our discussions have created a potential conflict of interest for me and the LACERA Board. It has recently become apparent that it is not possible to navigate the legal issues in a way that will allow me to both fully perform my fiduciary duty to LACERA and do business personally with Lazard.

Accordingly, I must end our negotiations. I will be unable to engage in any further discussions with Lazard and its affiliates for so long as I am on the Board of Investments and Lazard is a LACERA manager.

Again, I appreciate your time and efforts.

Best regards,

Gina

Gina Sanchez
Chief Executive Officer
[REDACTED]@chanticoglobal.com
[REDACTED]

Steven Rice

From: Jacob, Jai [REDACTED]
Sent: Tuesday, December 18, 2018 10:40 AM
To: Gina Sanchez
Cc: Steven Rice
Subject: Re: Thank You

Gina,

Thank you. Understood, and all the best.

Jai

On Dec 18, 2018, at 13:33, Gina Sanchez <gsanchez@lacera.com> wrote:

Dear Jai,

Thank you for the opportunity the past several months to talk about opportunities for Chantico and me to work with Lazard. I enjoyed our conversations and appreciated Lazard's time and interest.

As you know, I am a trustee on the Board of Investments for the Los Angeles County Employees Retirement Association (LACERA), the \$56 billion public pension fund for the benefit of Los Angeles County employees and retirees. In this role, I have a fiduciary duty to the fund and its participants. I must put their interests first above my own.

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Accordingly, I must end our negotiations. I will be unable to engage in any further discussions with Lazard and its affiliates for so long as I am on the Board of Investments and Lazard is a LACERA manager.

Again, I appreciate your time and efforts.

Best regards,

Gina

Gina Sanchez
Chief Executive Officer
[REDACTED] [@chanticoglobal.com](mailto:[REDACTED]@chanticoglobal.com)
[REDACTED]



MEMORANDUM

To: LACERA Board of Investments
From: Stephen McCourt, Leandro Festino, Tim Filla,
Meketa Investment Group
Date: December 31, 2018
Re: Meketa Investment Group Self-Evaluation

BACKGROUND

Per the contract signed on January 15, 2016 between the general investment consultant, Meketa Investment Group (“Meketa” and/or “Consultant”), and the Los Angeles County Employees Retirement Association (“LACERA”), Meketa is to conduct an annual self-evaluation and provide information for the Board to review and evaluate the Consultant. To facilitate the Board’s review, Meketa is providing a self-assessment, as well as a list of projects and the respective status. The evaluation period covers calendar year 2018.

SELF-ASSESSMENT

Independent Investment Advice: Consultant attended all meetings where its presence was required and requested, provided conflict-free advice to the Board both upon request and proactively, and collaborated with Staff as needed during the year.

Status: Achieved.

Conducting an asset-liability study: Meketa conducted a comprehensive asset allocation review, which spanned the latter half of 2017 and the first half of 2018. The review involved multiple presentations and resulted in a new strategic asset allocation, which utilizes a functional overlay and which includes the use of several new asset categories.

Status: Achieved.

Assisting LACERA’s Board of Investments with strategic investments decisions: In addition to guiding the Board through the asset allocation review, Meketa analyzed numerous investment strategies and asset classes, as well as commented on industry trends (e.g., factor-based investing).

Status: Achieved.

Risk Management: Meketa continued to work with the Board and Staff on enhancements to LACERA's risk management capabilities. As part of the asset-liability study, Meketa introduced and recommended the use of a functional overlay to the asset allocation. Meketa also recommended the use of more discrete asset class/strategy targets. Both of these recommendations should improve LACERA's ability to both analyze and manage risk.

Status: Ongoing, primarily through asset allocation.

Providing Independent Reviews: Meketa provided both verbal and written reviews of LACERA's Investment Policy Statement, Asset Class Structures and Strategies, and Investment Manager Searches, as requested.

Status: Achieved.

Researching Investment Ideas: Meketa provided Staff and the Board with in-depth analysis on a wide range of investment topics.

Status: Achieved.

Educating LACERA's Investment Board: Upon request, educated the Board through various presentations, such as a number of asset allocation related topics, real assets, and factor-based investing.

Status: Achieved.

Performance Reporting: Meketa provided the reports as requested by Staff. During 2018, Meketa began providing performance reporting for the OPEB Trusts. Meketa is in the process of replicating Staff's performance report and taking over performance reconciliation from Staff.

Status: Achieved and ongoing.

Board Meetings: Consultant attended all Board meetings and off-site meetings as requested, and advised the Board on investment matters during such meetings, both upon request and voluntarily.

Status: Achieved.

Consultant Contact and Ad hoc Workshops: Consultant was available and responsive in addressing requests.

Status: Achieved.

KEY PROJECTS

The section below summarizes the key projects Meketa conducted in 2018.

Asset Allocation: Meketa's primary focus for 2018 was conducting an asset allocation review for LACERA's Pension Fund. Meketa conducted several presentations related to asset allocation, including capital markets assumptions, appropriateness of asset classes, modeling, and portfolio construction. At the May meeting, the Board approved the new asset allocation for the Pension Fund.

Real Assets: Meketa collaborated with Staff, as well as StepStone and Townsend, to introduce real assets as an asset class to the Board. The Board decided to utilize additional Real Assets categories/strategies in the strategic asset allocation. Following the approval of the asset allocation in May, Meketa has worked with Staff to develop implementation plans for each of the categories/strategies within Real Assets.

Fixed Income and Credit Structure: As part of the strategic asset allocation review, Meketa collaborated with Staff to present the merits of Credit as its own asset class, which led to the creation of Credit as a distinct asset category within the approved asset allocation. The Credit category contains discrete allocations to High Yield, Bank Loans, Emerging Markets Debt, and Illiquid Credit. Those Credit-related assets were previously held within the Fixed Income category. Following approval of the asset allocation in May, Meketa began working with Staff on Structure Reviews for both Fixed Income and Credit to facilitate the implementation of the new asset allocation.

Public Equity Structure: During 2018, Meketa continued to work with Staff on implementing the changes identified in the previous Equity Structure Review. Meketa also began working with Staff on an Equity Structure Review to incorporate the changes from the asset allocation approved in mid-2018.

Emerging Managers (Public Equity): Following our work in 2016 and 2017 on this matter, Meketa worked with Staff to implement a direct program. The new program moves away from a U.S.-centric program to a global one, and is focused on less efficient areas of the market such as small cap stocks. During 2018, we supported Staff in the RFP process and the evaluation of potential new managers for the program.

CAFR: Meketa produced the necessary documents to assist LACERA in completing its Comprehensive Annual Financial Report (CAFR).

Education at Retreats: Meketa conducted educational sessions for the Board on several topics, including asset allocation, benchmarks/benchmarking, advances in methods used to review asset allocation and manage risk, the role of real assets and how to implement them, and factor-based investing.

CONCLUSION

The third year with LACERA was a busy one for Meketa. We attended twelve Board of Investment monthly meetings as well as two offsite seminars. Most significantly, we completed an asset allocation study for the Pension Plan and collaborated with staff on implementing the approved asset allocation.

For 2019, we will be working with staff and Trustees on various projects, including implementation of the asset allocation, a comprehensive evaluation of the value received from external management fees, and an analysis of potential benefits and costs of internal asset management.

We are very appreciative of the trust placed in us every day by Board members and Staff alike. Thank you. If you have any questions or would like additional information, please email or call us at (760) 795-3450.

SPM/LF/TF/srt



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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