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, APRIL 10, 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. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of March 13, 2019

IV. REPORT ON CLOSED SESSION ITEMS

V. PUBLIC COMMENT

VI. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated April 1, 2019)

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated March 29, 2019)

VIII. CONSENT ITEMS

A. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Committee: That the Board approve the Minimum Qualifications advanced by the Credit and Risk Mitigation Committee and authorize a Request for Proposal for Syndicated Bank Loan managers.
(Memo dated March 27, 2019)

VIII. CONSENT ITEMS (Continued)

B. Recommendation as submitted by Gina Sanchez, Chair, Equity: Public/Private Committee: That the Board approve the proposed Minimum Qualifications for a factor-based mandate Request For Proposal, thereby authorizing staff to initiate the search.
(Memo dated March 22, 2019)

C. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Committee: That the Board approve the proposed Minimum Qualifications for a Request For Proposal for an Illiquid Credit investment manager, thereby authorizing staff to initiate the search.
(Memo dated March 22, 2019)

D. Recommendation as submitted by Alan Bernstein, Chair, Joint Organizational Governance Committee: That the Board approve a 60-day extension of time to the June 2019 Board meetings for the Joint Organizational Governance Committee (JOGC) to present a recommendation for revisions to the JOGC Charter.
(Memo dated March 29, 2019)

E. Recommendation that the Board approve attendance of Board members at the INCA Investments Latin American Investment Conference on October 16–17, 2019 in Buenos Aires, Argentina 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 March 29, 2019)

F. Recommendation that the Board approve attendance of Board members at the National Association of Securities Professionals 30th Annual Pension and Financial Services Conference on June 24 –26, 2019 in Baltimore, Maryland 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. Moore)
(Memo dated April 1, 2019)

G. Recommendation that the Board approve attendance of Board members at the 2019 Fortune Brainstorm Tech Conference on
July 15 –17, 2019 in Aspen, Colorado 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 April 1, 2019)

VIII. CONSENT ITEMS (Continued)

H. Recommendation that the Board approve attendance of Board members at the National Association of Corporate Directors Boot Camp for Aspiring Public Company Directors on May 13, 2019 in New York, New York 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 April 1, 2019)

IX. NON-CONSENT ITEMS

A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer: That the Board terminate the current Fixed Income Emerging Manager search and issue a new Request For Proposal after the scheduled update of LACERA's Emerging Manager Policy consistent with the new EMP adopted by the Board.
(Memo dated March 29, 2019)

B. Recommendation as submitted by Jude Perez, Principal Investment Officer, Chad Timko, Senior Investment Officer and Dale Johnson, Investment Officer: That the Board approve Parametric Portfolio Associates LLC to manage a passive cash overlay mandate and approve Alphaengine Global Investment Solutions to run a "paper" active cash overlay portfolio on the total Fund for six months.
(Memo dated by March 28, 2019)

C. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board review and approve the Teleconference Meeting Policy.
(Memo dated April 1, 2019)

X. REPORTS

A. Investment Procedures Manual
Jude Perez, Principal Investment Officer
(Memo dated March 27, 2019)

B. Emerging Manager Policy Review
Ted Wright, Principal Investment Officer
Vache Mahseredjian, Principal Investment Officer
(Memo dated March 27, 2019)

X. REPORTS (Continued)

C. Principles for Responsible Investment Election Ballot
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated March 26, 2019)

D. Private Equity Secondary Sale Summary Report
Christopher Wagner, Principal Investment Officer
David Simpson, Investment Officer
(For Information Only) (Memo dated March 29, 2019)

E. Board Self-Evaluations in Closed Session: Action Plan for Legislative Proposal
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated March 29, 2019)

F. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated March 29, 2019)

G. Private Equity Eight Percent Preferred Return Hurdle
Christopher Wagner, Principal Investment Officer
Didier Acevedo, Investment Officer
(For Information Only) (Memo dated March 28, 2019)

H. Oaktree Capital Management — Organizational Update
Vache Mahseredjian, Principal Investment Officer
Jeff Jia, Senior Investment Analyst
(For Information Only) (Memo dated April 1, 2019)

I. Sexual Harassment Prevention Training for Trustees
John Nogales, Director, Human Resources
Roberta Van Nortrick, Training Coordinator
(For Information Only) (Memo dated March 29, 2019)

J. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated April 1, 2019)

K. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated April 1, 2019)

X. REPORTS (Continued)

L. March 2019 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only) (Memo dated April 1, 2019)

XI. ITEMS FOR STAFF REVIEW

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

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. VINCI CAPITAL PARTNERS III, L.P. TERMS REAPPROVAL
2. TA ASSOCIATES XIII, L.P.
3. Unknown Number – OPEN RFP

B. Conference with Legal Counsel - Anticipated Litigation
Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

1. Case One
2. Case Two

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

1. *LACERA v. BHP Billiton Limited, et al, etc.*
Victoria Registry, Federal Court of Australia
Case No. VID1218/2018
(For Information Only)

2. *Cal Fire Local 2881 v. CalPERS et al.*,
California Supreme Court
Case No. S239958
(For Information Only)

XIV. RECOGNITION

A. National Association of Securities Professionals – FAST Track Program

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 the Board Offices at (626) 564-6000, Ext. 4401/4402, 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, MARCH 13, 2019

PRESENT: Wayne Moore, Secretary

Alan Bernstein

David Green

David Muir (Left the Boardroom at 12:06 p.m.)

Ronald Okum

Gina V. Sanchez

Herman B. Santos

ABSENT: Shawn Kehoe, Chair

Joseph Kelly, Vice Chair

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

James Rice, Principal Investment Officer

Quoc Nguyen, Senior Investment Analyst

STAFF ADVISORS AND PARTICIPANTS (Continued)

Shelly Tilaye, Senior Investment Analyst

Meketa Investment Group
Leandro A. Festino, Managing Principal
Timothy Filla, Managing Principal

StepStone Group LP
Jose Fernandez, Partner

Reed Smith LLP
Harvey L. Leiderman

Albourne
John Claisee, Chief Executive Officer
Kelly McKale, Client Relationship Manager/Business Development
James Walsh, Head of Portfolio Group
Steve Kennedy, Portfolio Analyst Coordinator
Tom Cawkwell, Head of Private Markets Research
Mark White, Hedge Fund IDD Analyst & Real Assets

Aksia
Matt Mullarkey, Partner and Head of Advisory, Americas
Jenifer Wildeman, Senior Portfolio Advisor
Patrick Adelsbach, Partner & Head of Credit Strategies
Sylvia Owens, Global Private Credit Strategist

Cambridge Associates
Craig Beach, Managing Director
Jennifer Urdan, Managing Director
Chris Shepler, Senior Director

I. CALL TO ORDER

The meeting was called to order by Mr. Moore at 9:02 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mrs. Sanchez led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of February 13, 2019

Mr. Green made a motion, Mrs. Sanchez seconded, to approve the revised minutes of the regular meeting of February 13, 2019. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that:

In connection with Item XII.A.5 of the September 12, 2018 Board agenda held in closed session under Government Code Section 54956.81, the Board voted 9-0 on a motion by Mr. Santos, seconded by Ms. Sanchez, to approve the transfer of assets managed by TA Associates Realty to DWS RREEF. This action was completed on February 28, 2019. A list of the fifteen properties transferred is available upon request. The transferred properties have a market value of approximately $925,000,000.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF EXECUTIVE OFFICER’S REPORT
(Memo dated March 4, 2019)

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

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated March 4, 2019)

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

VIII. CONSENT ITEMS

Mr. Santos made a motion, Mr. Green seconded, to approve the following agenda items. The motion passed unanimously.

A. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee: That the Board approve revisions to the Corporate Governance Policy. (Memo dated February 14, 2019)

B. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee: That the Board approve revisions to the Corporate Governance Principles. (Memo dated February 14, 2019)

C. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee: That the Board endorse the International Corporate Governance Network Global Stewardship Principles. (Memo dated February 14, 2019)

D. Recommendation that the Board approve attendance of Board members at the Pension Bridge Annual Conference on April 9–10, 2019 in San Francisco, California 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. Kehoe)
(Memo dated March4, 2019)

E. Recommendation that the Board approve attendance of Board members at the Global Investors Annual Meeting on June 24–25, 2019 in New York, New York 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. Kehoe)
(Memo dated March 4, 2019)

VIII. CONSENT ITEMS (Continued)

F. Recommendation that the Board approve attendance of Board members at the Meketa Investment Group Conference on April 9, 2019 in San Diego, California 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. Kehoe)
(Memo dated March 4, 2019)

G. Recommendation that the Board approve attendance of Board members at the KKR's 2019 Americas Investors' Meeting on June 24–25, 2019 in Palos Verdes, California 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 March 4, 2019)

H. Recommendation that the Board approve attendance of Board members at the SuperReturn Emerging Managers Markets Conference on June 24–26, 2019 in Amsterdam, Netherlands 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 March 4, 2019)

I. Recommendation that the Board approve attendance of Board members at the AVCJ Private Equity & Venture Forum on June 26–27, 2019 in Tokyo, Japan 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 March 4, 2019)

IX. NON-CONSENT

A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, James Rice, Principal Investment Officer, David Chu, Senior Investment Officer and Quoc Nguyen, Senior Investment Analyst: That the Board select a Hedge Funds, Illiquid Credit, and Real Assets Consultant(s), following finalist interviews by Albourne, Aksia, and Cambridge Associates. (Memo dated February 26, 2019)

Albourne, Aksia, and Cambridge Associates provided a brief presentation and answered questions from the Board.

IX. NON-CONSENT (Continued)

Mr. Santos made a motion, Mr. Bernstein seconded, to select Albourne as LACERA's Hedge Funds, Illiquid Credit, and Real Assets consultant. The motion passed unanimously (roll call) with Messrs. Bernstein, Green, Moore, Muir, Okum, Santos and Mrs. Sanchez voting yes.

B. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Board of Investments consider rescheduling the Wednesday, October 9, 2019 Board of Investments meeting.
(Memo dated by March 4, 2019)

Mr. Santos made a motion, Mr. Bernstein seconded to reschedule the Wednesday, October 9, 2019 Board of Investments meeting to Tuesday, October 8, 2019. The motion passed unanimously.

X. REPORTS

A. Investment-Related Services Procurement Process Survey of Industry Practices
John McClelland, Principal Investment Officer
Tim Filla, Meketa Investment Group
(Memo dated March 4, 2019)

Messrs. Grabel, McClelland and Mr. Filla of Meketa Investment Group provided a brief presentation and answered questions from the Board.

Mr. Muir made a motion, Mr. Santos seconded, to instruct the Legal Office to develop an investment related services procurement policy in consultation with the Investment office, to include a delegation of authority up to a specified limit.

X. REPORTS (Continued)

After a brief discussion, Mr. Muir amended his motion to instruct the Investment office to develop an investment related services procurement policy in consultation with the Legal office, to include a delegation of authority up to a specified limit.

Mr. Santos and Mr. Muir withdrew their motion.

B. Board of Investments 2019 Offsite Tentative Agenda
Jon Grabel, Chief Investment Officer
(Memo dated February 27, 2019)

Mr. Grabel was present and answered questions from the Board.

Mr. Green suggested revisiting the Board's Investment Beliefs at the 2019 Offsite. Mrs. Sanchez suggested having a team building session there.

C. Additional Information Regarding Potential Use of E-Voting Procedure for Board Elections
Lou Lazatin, Chief Executive Officer
Steven P. Rice. Chief Counsel
(Memo dated March 4, 2019)

Mr. Steven Rice and Mrs. Lazatin were present and answered questions from the Board.

D. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated February 28, 2019)

This Item was received and filed.

X. REPORTS (Continued)

E. Workplace Diversity and Inclusion – Searches
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated February 27, 2019)

This Item was received and filed.

F. Institutional Limited Partners Association Joint Letter to the U.S. Securities and Exchange Commission Regarding Fiduciary Protections
Scott Zdrazil, Senior Investment Officer
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated February 15, 2019)

This Item was received and filed.

G. Council of Institutional Investors Voting Items
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated February 22, 2019)

This Item was received and filed.

H. Nomination Information for PRI and ICGN Boards
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated March 1, 2019)

This Item was received and filed.

I. LACERA's Iran and Sudan Policy
Dale Johnson, Investment Officer
(For Information Only) (Memo dated March 1, 2019)

This Item was received and filed.

J. 2018 Fourth Quarter Hedge Fund Performance Report
James Rice, Principal Investment Officer
(For Information Only) (Memo dated February 27, 2019)

This Item was received and filed.

X. REPORTS (Continued)

K. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated March 4, 2019)

This Item was received and filed.

L. February 2019 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated March 4, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only)

This Item was received and filed.

XI. ITEMS FOR STAFF REVIEW

There was nothing to report.

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

Mrs. Sanchez shared her views and suggested looking into how to address long term environmental and social and governance issues.

Mr. Santos shared his experience in attending the PPI 2019 Winter Roundtable in Westlake Village and the PPI Study Mission in Mexico City. In addition, he announced that he has been appointed the PPI Latin America Task Force Group.

Mr. Bernstein reminded staff to please leave the Boardroom door open during the public session.

Messrs. Bernstein, Green and Moore shared their experience in attending the PPI Study Mission in Mexico City.

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. ADVENT INTERNATIONAL GPE IX, L.P.

The Board met in closed session under Government Code Section 54956.81 to consider the purchase or sale of a particular, specific public pension investment. On a motion by Mr. Okum, seconded by Mr. Green, the Board voted to approve commitment of up to $150 million to Advent International GPE IX, L.P., which is a private equity buyout fund targeting control-oriented transactions mainly in North America and also in Europe and opportunistically in Asia and Latin America, primarily in the business and financial services, healthcare, industrial, retail, consumer and leisure, and technology, media, and telecom industry sectors. The motion passed (roll call) with Messrs. Bernstein, Green, Moore, Okum and Mrs. Sanchez voting yes and Mr. Santos voting no. Mr. Kelly and Mr. Kehoe and Mr. Muir were absent.

B. Conference with Legal Counsel - Anticipated Litigation Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

Number of Potential Cases: One

The Board met in closed session with counsel to consider one item of anticipated litigation – initiation of litigation under Government Code Section 54956.9(d)(4). There is nothing to report on that item.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:20 p.m.

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

1. CIO Report Presentation
2. Attachment to the ILPA cover memo related to item X.F. was inadvertently not included: Institutional Investor Letter on Proposed Commission Interpretation Regarding Standard of Conduct for Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation – File No. S7-09-18

WAYNE MOORE, SECRETARY

SHAWN KEHOE, CHAIR

LACERA

April 1, 2019

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 Members 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).

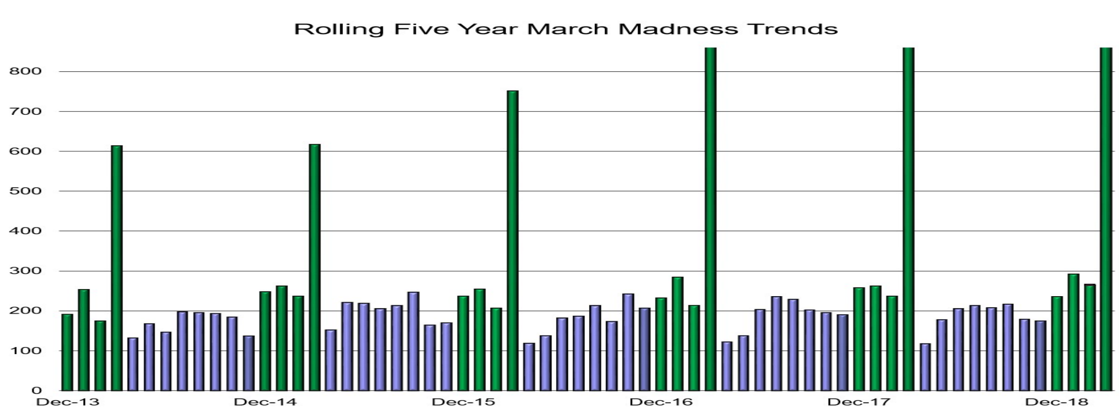
Retirement Month	Retirement Elections
December 2018	**0**
January 2019	**0**
February 2019	**3**
March 2019	**54**
Pending Disability Cases	**84**
Total Pending	**141**

The 57 retirement elections not completed for December - March are pending for the following reasons: additional research or information required (2), waiting for reciprocal information (12), processed after the month end payroll process (1), in process (actively assigned for work) (39), and pending processing (3).

The 84 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 or appeal (3), waiting for reciprocal validation (1), in process (57), and waiting for an action by the member (23). 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 Members.

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 March 26, 2019, we have processed 1,701 out of 1,758 retirements for the March Madness period so far. Comparing the total processed and pending per month we are running ahead of the five-year average (last five completed years) for December (238 vs. avg. of 233), January (302 vs. avg. of 263), February (273 vs. avg. 213), and March (964 vs. avg. 757). 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).



Update on Our Focus on Strategic Plan Goals and Operations Improvement

The Workgroups focusing on the top four Strategic Plan goals continue to meet and finalize their plans. Here is a summary of the current status of their efforts:

- **Case Management Capabilities**: The Legal Office, Disability Retirement Services (DRS), Disability Litigation, Executive Office, Member Services, Benefits, Retiree Healthcare and Quality Assurance continue to meet to refine the initial needs assessment for this system. All divisions have provided their initial input and Systems has compared and developed the initial assessment document. The team is now working on developing a presentation for May's upcoming Operations Oversight Committee (OOC) meeting to discuss the project and plans for the next phase.

- **LACERA.com Redesign**: The Workgroup focusing on this Strategic Plan goal has been meeting regularly to develop their final project plan. The team is headed up by Communications and consists of members from Benefits, Disability Retirement Services, Executive Office, Financial Accounting Services, Internal Audit, Investments, Legal Office, Member Services, Retiree Healthcare, and Systems. The team's most recent project report indicates that it has finalized the proposed site's top-level architecture after analyzing over a dozen pension websites throughout the country. The team is now reviewing and finalizing the reorganized subcategories and will soon be moving into the content review stage.

- **Retirement Estimate Redesign Project**: The team, consisting of members from Member Services, Benefits, Communications, Quality Assurance, Systems, Executive Office, and Legal Office, is making progress on defining the design for the new Retirement Application and Election form. Communications has taken all of the feedback generated by the team and developed a preliminary design. The team is currently working through the design and providing input for modifications to the design. The team has decided the ultimate goal is to produce a document that will serve as a "retirement prospectus" to provide a member all the information they need to make an informed decision and help them understand their benefits better. This will enhance any one-on-one counseling they receive. Phase II of this project will be to develop the on-line election process.

- **PEPRA Implementation**: The team continues reviewing all the progress made to date on the implementation of the Public Employees Pension Reform Act of 2013 and subsequent updates to the act passed since then. The team is currently focusing efforts on finalizing the implementation of the recently approved Felony Forfeiture Appeals policy. We recently met with the Auditor-Controller's office and highly encouraged them to develop additional transparency in the payroll codes for LACERA to readily assess what portion of an employee's total compensation is pensionable or not. The Workgroup consists of members from Benefits, Communications, Executive Office, Internal Audit, Legal Office, Member Services, Quality Assurance, and Systems.

My goal is to continue to keep the Boards updated on other cross functional teams that are working hard to provide improvements to LACERA's operations and the services we provide to our members.

- **Matter/Knowledge Management System**: Investments, Legal Services, and Systems will be re-submitting their Wolter Kluwers TyMetrix T360 request for approval to the OOC with the requested revisions. KMS allows our staff to view all information on a vendor in one place, including contact information, meeting notes, billing, contracts, and other important documents. Currently, Legal and Investments use a patchwork of Microsoft based applications as well as time-intensive manual process in their daily work. KMS will create an environment where knowledge and work papers could be shared with this bi-divisional team that processes over four hundred investment transactions (partnership agreements, investment management agreements, and NDAs) valued at over $4B annually. Additionally, the team reviews contracts for the entire organization and responds to over 200 public record requests annually. The BOR approved $150,000 for KMS software in the FY 2018-2019 budget.

- **Business Continuity**: Last month I shared that the vendor we had selected to work on our Business Continuity plan had been acquired by a new company. The workgroup working on this project, which is headed up by our Administrative Services Division, is currently in the process of evaluating the new company that has acquired SunGard. This process is expected to take about 30 days after which the workgroup will review the results of the evaluation process and determine whether we wish to proceed with the new company or re-bid the project.

- **Credit Card Policy:** Financial Accounting Services (FASD), +1Executive Office, Internal Audit, and Legal Office recently teamed up to update and issue a new Credit Card Policy. With the implementation of the new policy, we have also reduced the total cards in circulation from 45 Staff Members to just 26. All card carrying Staff Members have been trained on the policy.

- **Telecommuting Policy**: A Workgroup consisting of the Executive Office, Human Resources, and Systems has been established to take another look at allowing telecommuting. The Workgroup held its initial meeting on March 11th and will be developing a project plan to realize this goal.

Legislative Visits to Sacramento

With a new Governor and new committee chairs, we are refreshing our efforts to meet establish, and maintain our legislative network. This month Barry Lew, Legislative Analyst, LACERA, Joe Ackler and Naomi Padron, LACERA's Legislative Lobbyists, and myself travelled to Sacramento to share the LACERA story with the following representatives: Senator Mike Morrell (R-Rancho Cucamonga, and the current Vice Chair of Labor, Public Employment & Retirement Committee, Assembly Luz Ravis (D-Arleta), a newly elected Los Angeles County representative, Anthony Portanino (D – La Canada Flintridge), Chair of the Appropriations Committee, Assemblyman Freddie Rodriguez (D – Pomona), Chair of the Public Employment & Retirement Committee, Assemblywoman Blanca Rubio (D – Baldwin Park), Senator Holly Mitchell (D – Los Angeles), a candidate for 2020 LA County Supervisor's race, Senator Bob Hertzberg (D-Van Nuys) Senate Majority Leader, Senator Jerry Hill (D – San Mateo), Chair of the Labor, Public Employment & Retirement Committee, and Senator Bob Archuleta (D – Pico Rivera) a newly elected Los Angeles County representative. Many of the representatives brought their retirement and pension subject matter experts to our meetings, which allowed substantive constructive dialogue about the LACERA story and the importance of public pension systems.

LL: jp
CEO report Apr. 2019.doc

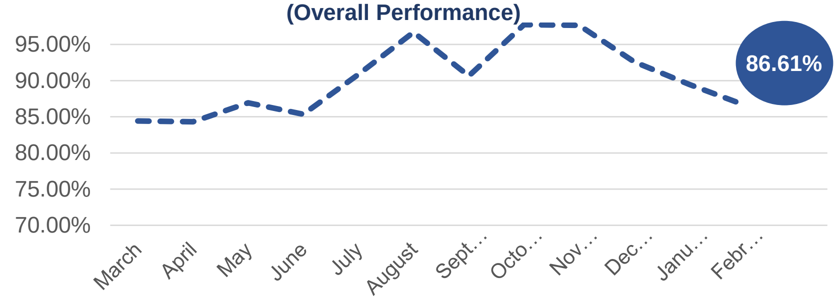
Attachments

Striving for Excellence in Service

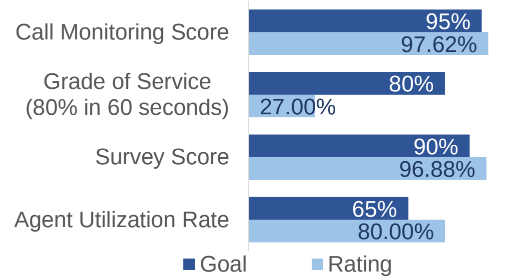
Outreach Attendance	Outreach Events	Outreach Satisfaction	Member Service Center	Member Services Calls
2,650	24	94.0%	100.0%	13,283
26,268 Year-to-Date	280 Year-to-Date	0.6% Change Since Last Mo.	0.0% Change Since Last Mo.	12,607 3 Mo. Avg.

Member Services

Key Performance Indicator
(Overall Performance)



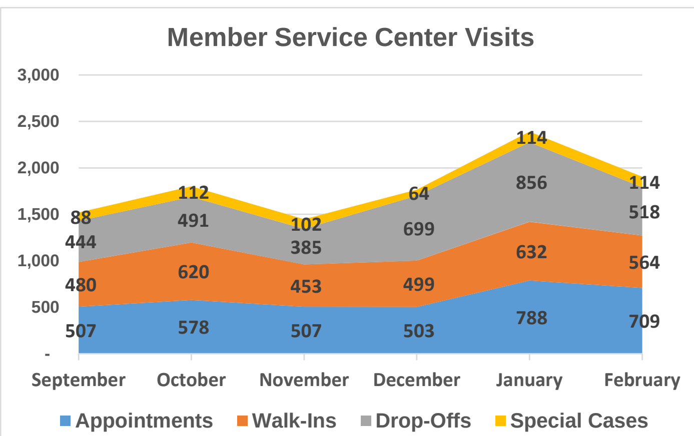
Key Performance Indicator (Components)

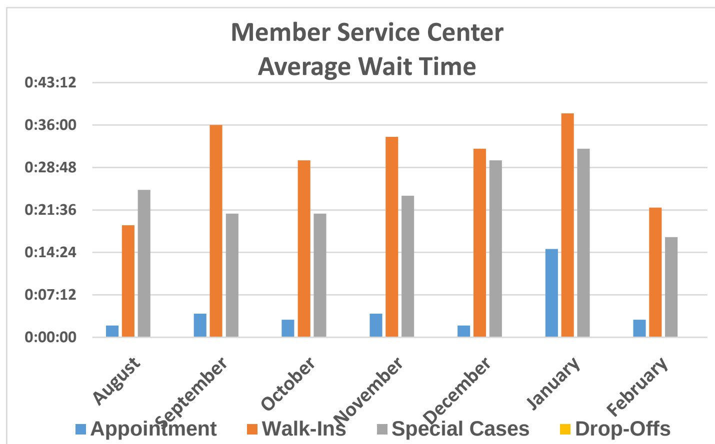


Top Calls

1. Workshop Info./Appointments: Inquiry
2. Retirement Counseling: Process Overview
3. Benefit Payments: Gen. Inquiry/Payday Info

444 Emails
8:38 hours
Avg. Response Time (ART)





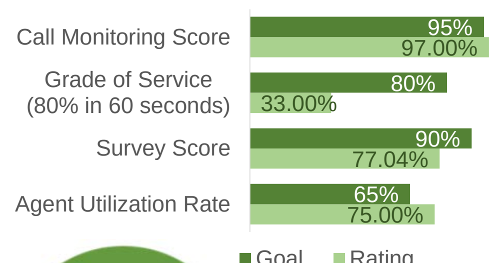
*Drop Off Wait Time: No Waiting

Retiree Healthcare

Total RHC Calls: 4,630

Top Calls

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



250 Emails
5 day
Avg. Response Time (ART)

Striving for Excellence in Service (Continued)

Disability

Applications

517 On Hand

36 Received
311 Year-to-Date

0 Re-opened
0 Year-to-Date

42 To Board - Initial
351 Year-to-Date

0 Closed
21 Year-to-Date

517 In Process
517 Year-to-Date

Appeals

99 On Hand

3 Received
17 Year-to-Date

0 Admin Closed/Rule 32
11 Year-to-Date

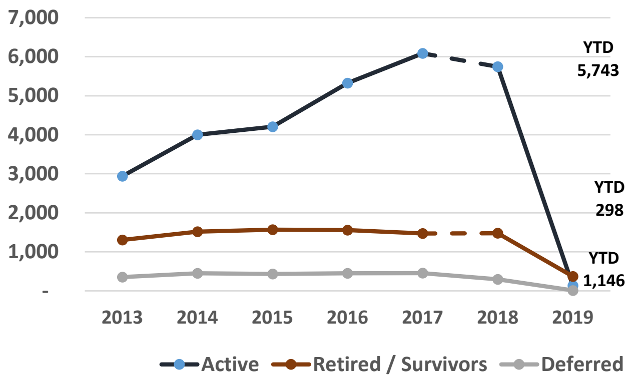
2 Referee Recommended
9 Year-to-Date

0 Revised/Reconsidered for Granting
4 Year-to-Date

99 In Process
98 Year-to-Date

My LACERA

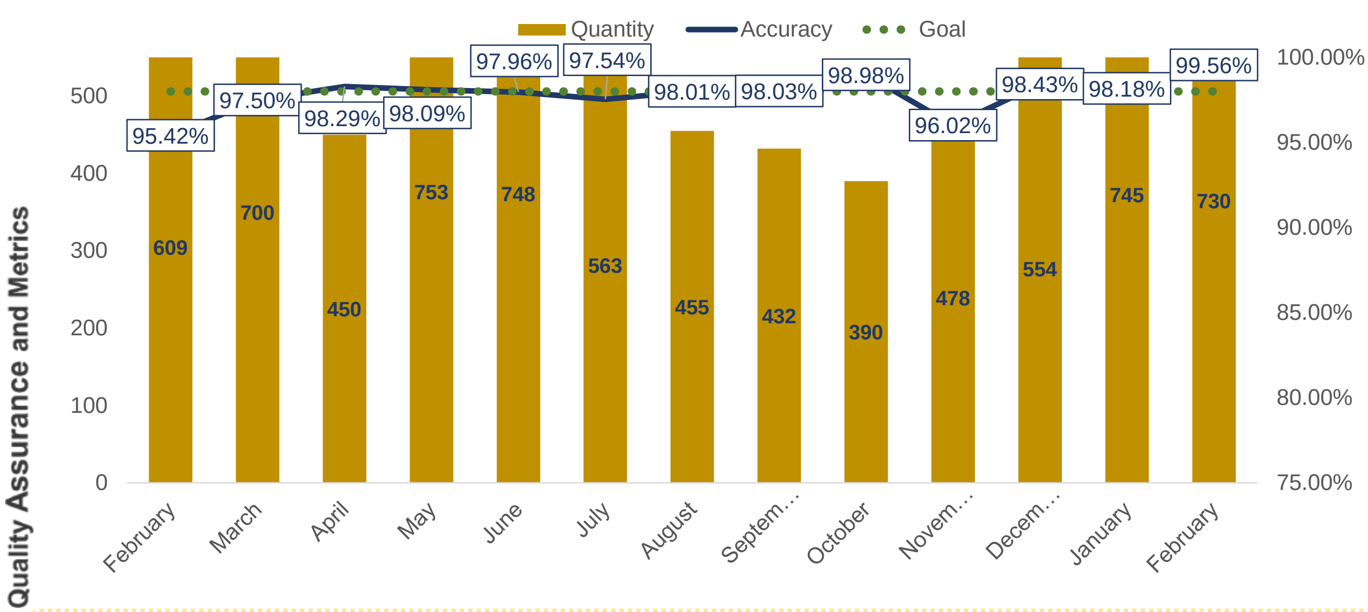
My LACERA Registrations



MORE COMING SOON!

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry

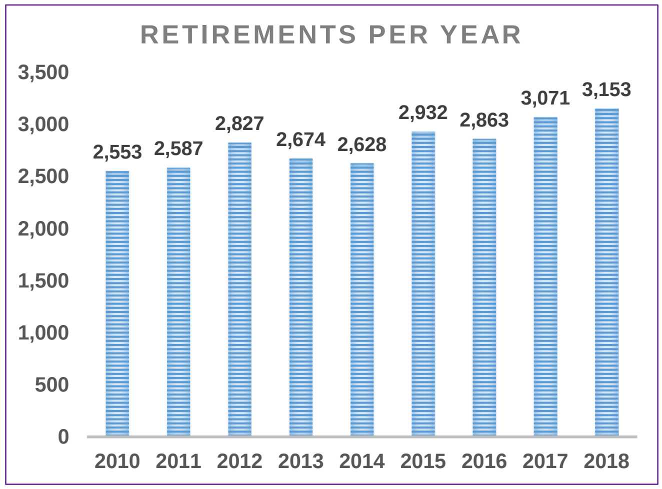


February 2019
99.56%

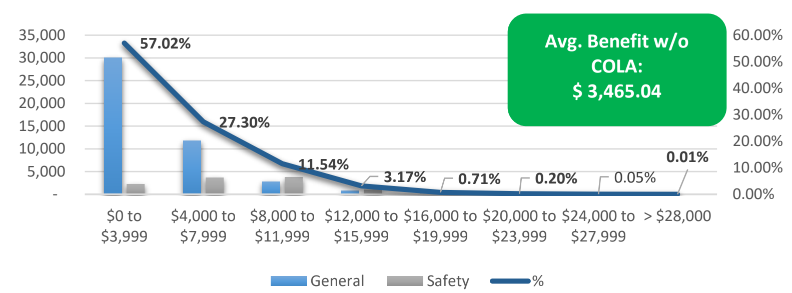
Retirement Elections		Payment Contracts		Data Entry	
508	Samples	66	Samples	90	Samples
99.25%	Accuracy	99.42%	Accuracy	100.00%	Accuracy

Member Snapshot

	Members as of 03/14/19				
	Plan	Active	Retired	Survivors	Total
General	Plan A	119	17,088	4,462	**21,669**
General	Plan B	42	686	67	**795**
General	Plan C	50	429	67	**546**
General	Plan D	42,554	15,322	1,380	**59,256**
General	Plan E	17,804	12,857	1,158	**31,819**
General	Plan G	25,912	24	1	**25,937**
General	**Total General**	**86,481**	**46,406**	**7,135**	**140,022**
Safety	Plan A	5	5,330	1,588	**6,923**
Safety	Plan B	10,059	5,764	276	**16,099**
Safety	Plan C	2,920	8	0	**2,928**
Safety	**Total Safety**	**12,984**	**11,102**	**1,864**	**25,950**
TOTAL MEMBERS		**99,465**	**57,508**	**8,999**	**165,972**
% by Category		**60%**	**35%**	**5%**	**100%**



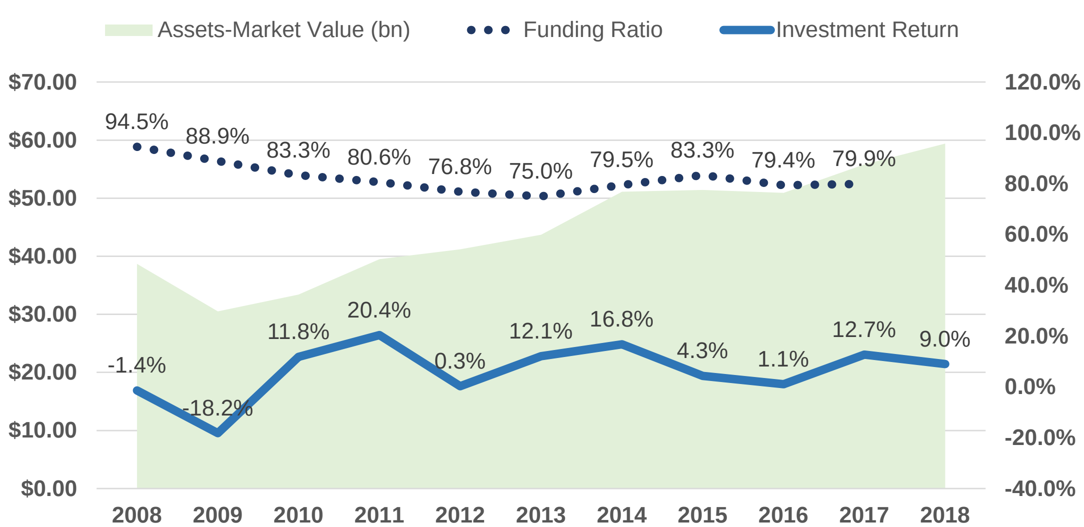
Average Monthly Benefit Allowance w/ COLA Distribution



Avg. Benefit w/o COLA: $ 3,465.04

	Healthcare Program (YTD)			Healthcare Enrollments (Monthly)
	Employer	Member		
Medical	$340.7m	$28.5m	Medical	50,329
Dental	$29.1m	$2.9m	Dental	51,579
Part B	$41.8m	xxxx	Part B	33,930
Total	**$411.5m**	**$31.5m**	**Total**	**136,487**

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)

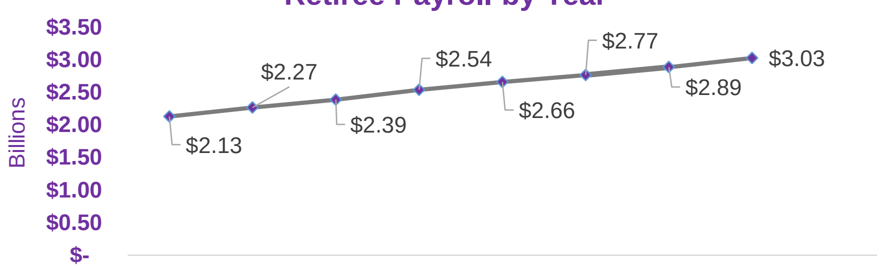
	Employer	Member
Annual Add	$1,524.8m	$591.3m
% of Payroll	20.91%	6.88%

TOTAL FUND RETURN
(Net of Fees)
5 YR: 8.5% **10 YR:** 6.3%

Retired Members Payroll

Monthly Payroll	$283.13m
Payroll YTD	2.3b
New Retired Payees Added	383
Seamless %	100.00%
New Seamless Payees Added	2,431
Seamless YTD	98.19%
By Check %	4.00%
By Direct Deposit %	96.00%

Retiree Payroll by Year



Date	Conference
May, 2019	
6-8	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Boston, MA
7-10	SACRS Spring Conference Lake Tahoe, CA
19-22	Government Finance Officers Association (GFOA) Annual Conference Los Angeles, CA
19-22	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference Austin, TX
20-21	IFEBP (International Foundation of Employment Benefit Plans) Legislative Update Washington D.C.
June, 2019	
10-14 *(Date change)*	Investment Strategies & Portfolio Management *(prev. Pension Fund & Investment Mgmt.)* Wharton School, University of Pennsylvania
7	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Marriott Burbank Airport
7	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Marriott Burbank Airport
17-18	NACD Advanced Director Professionalism Program Chicago, IL
19-21	AHIP (America's Health Insurance Plans) Institute Nashville, TN
24-26	National Association of Securities Professionals (NASP) 30th Annual Pension & Financial Services Conference Baltimore, MD
24-25	Global Investors Annual Meeting New York, NY
24-25	KKR's 2019 Americas Investors' Meeting Palos Verdes, CA
24-26	IFEBP Public Employee Benefits Institute San Francisco, CA
24-26	SuperReturn Emerging Managers Markets Conference Amsterdam, Netherlands

March 29, 2019

TO: Each Member
Board of Investments

FROM: Jon Grabel
Chief Investment Officer

SUBJECT: **CHIEF INVESTMENT OFFICER'S REPORT—FEBRUARY 2019**

At the beginning of year, the CIO Report introduced a new format that varies from the previous memoranda by incorporating three changes. First, the section titled "Updates" has been replaced with a new segment called "Delegated Authority." This section serves to update the Board on monthly activities that derive from specific investment authority and responsibility directly delegated to the CIO by the Board as described in the Investment Policy Statement, as well as completed actions from approved recommendations. Second, a new area that will highlight specific and different areas within the Investment Division on a monthly basis called "Investment Division Spotlight" has been added to the report. Lastly, the section pertaining to investment manager meetings has been moved to the quarterly "Compliance Monitor" report.

The following memorandum and attachments constitute the CIO report for February 2019. **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. **Attachment 4** includes a presentation titled "LACERA's Approach to Private Equity," to be presented in April 2019.

PERFORMANCE

The Total Fund finished the month with an investment balance of approximately $56.6 billion.[1] The month had a return of 1.6%. For fiscal year to date, the Total Fund is up 2.3% net of fees.

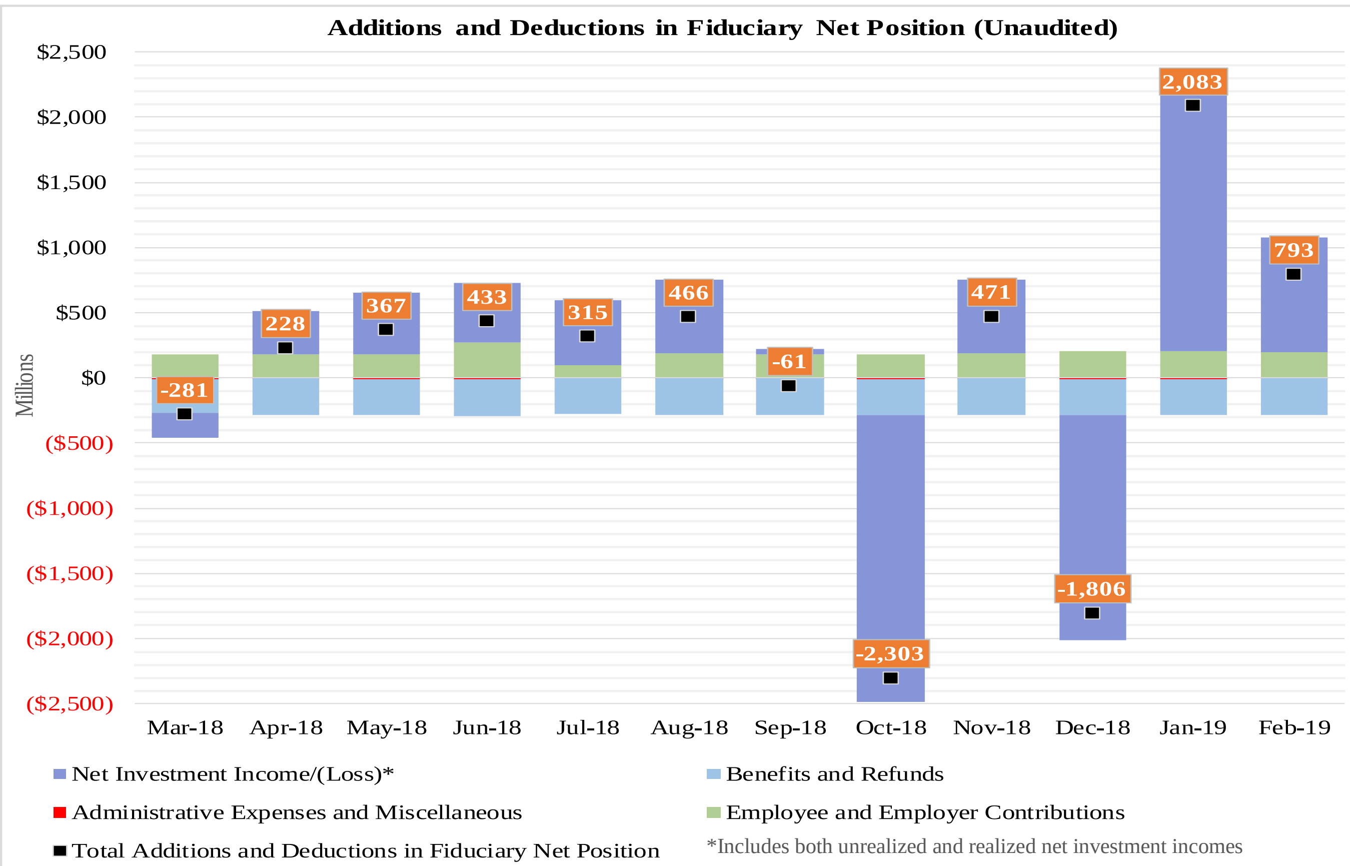
The OPEB Master Trust generated a positive return in February. For the month, the L.A. County, LACERA and Superior Court funds had a net gain of 1.7%. Fiscal year to date, the L.A. County and LACERA funds are up 1.7% and the Superior Court fund is up 1.5% net of fees.

[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.

CASH FLOWS, CASH BALANCES, AND FIDUCIARY NET POSITION[2]

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 $792.8 million during the month of February. Over the last twelve months, the Plan's incremental net position is up $705.0 million.

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



With respect to cash, LACERA finished the month of February with approximately $332.9 million 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 $359.0 million of internal operating cash and short-term investments across all of its operating accounts and LACERA's external investment managers held a further $1.6 billion in cash and short-term investments.

---

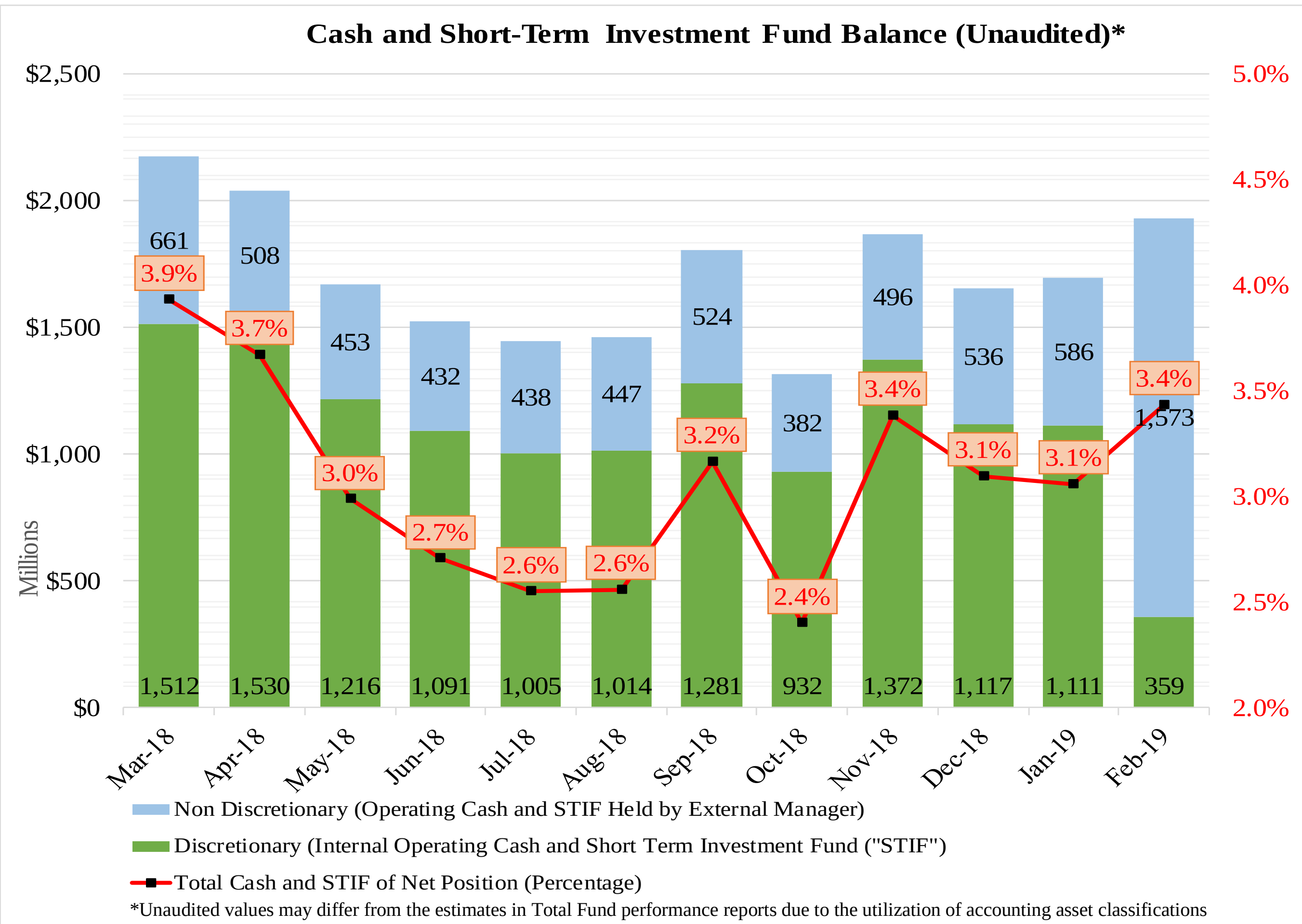
[2] LACERA's fiduciary net position is an unaudited snapshot of account balances as of the preceding month end and reflects assets available for future payments to retirees and their beneficiaries, including investment fund assets, as well as any liabilities owed as of the report date. The Plan's net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

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

- Non-discretionary (operating cash and Short Term Investment Fund ("STIF") balances held by external investment managers): $1.6 billion
- Discretionary (internal operating cash and STIF balances accessible for the daily operating needs of the Plan): $359.0 million

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 0.6% 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 February, the Total Fund had net investment outflows totaling $686.6 million.

Table 1: Asset Category Cash Flows

Asset Category and Activity	Total (in $ millions)	Cash Impact
Private Equity		
Distributions	114.2	Inflow
Capital Calls	-86.1	Outflow
Total Net Activity	**28.1**	**Net Inflow**
Public Equity: U.S.		
Distributions	0.0	n/m
Contributions	0.0	n/m
Total Net Activity	**0.0**	**n/m**
Public Equity: NON-U.S.		
Distributions	0.0	n/m
Contributions	0.0	n/m
Currency Hedge	8.5	Inflow
Total Net Activity	**8.5**	**Net Inflow**
Fixed Income		
Distributions	0.0	n/m
Contributions	-700.0	Outflow
Total Net Activity	**-700.0**	**Net Outflow**
Commodities		
No Activity	0.0	n/m
Total Net Activity	**0.0**	**n/m**
Hedge Funds		
Distributions	0.0	n/m
Contributions	0.0	n/m
Total Net Activity	**0.0**	**n/m**
Real Estate		
Separate Account Net Activity	-13.4	Outflow
Commingled Fund Net Activity	-9.8	Outflow
Total Net Activity	**-23.2**	**Net Outflow**
Total Fund Net Activity	**-686.6**	**Net Outflow**

The Global Equity asset class realized an $8.5 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 $9.1 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 February realized a gain and $8.5 million was transferred to cash from LACERA's passive currency overlay account. The hedged Non-U.S. Equity portfolio was up 2.5% net of fees, or approximately $228.1 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) and Information (RFI). At this time, there are five searches currently underway.

The first 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. Interviews and diligence have been conducted and a recommendation is scheduled for the April BOI.

The second search is an RFI issued for real estate administrative services. Responses have been received and are being reviewed. Onsite interviews have been conducted.

The third search is an RFP issued for a Total Fund risk system. The RFP was released in January 2019 and responses have been received and are being reviewed.

The fourth search is an RFP issued for emerging manager fixed income core/core plus services. The RFP was released in January 2019 and responses have been received and are being reviewed.

The fifth search is an RFP issued for MSCI ACWI IMI index services. The RFP was released in February 2019 and responses have been received and are being reviewed.

DELEGATED AUTHORITY

This section provides an update on the monthly activities that derive from specific investment authority and responsibility directly delegated to the CIO by the Board as described in the Investment Policy Statement as well as completed actions from approved recommendations.

- **Rebalancing** - $700 million to fixed income from cash (from investment grade bond structure review approved by BOI)

- **Completed Actions From Approved Recommendations**
  - Real Estate completed the transfer of assets from Capri Capital to DWS
  - The manager terminations approved by the BOI in January for credit and for investment grade bonds were completed in February. Proceeds were used to rebalance toward target weights. Details will be provided in a separate report.

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 March CIO Report.

INVESTMENTS DIVISION SPOTLIGHT

LACERA's corporate governance group is part of the Investment Division's portfolio analytics team. It takes a fund-wide approach to advance sound corporate governance practices and integrate material environmental, social, and governance (ESG) factors into LACERA's investment process with the aim of enhancing and safeguarding value in LACERA's investments.

"Maximizing beneficial ownership rights and stewardship" is one of five core components of the Investment Division's 2019 Work Plan, as discussed at the January 2019 Board meeting. In line with the Work Plan and previous Board review, LACERA continues to execute and expand its corporate governance and broader ESG initiatives across several pillars:

Proxy Voting: April is traditionally the start of "proxy season," the three-month period during which the vast majority of global companies hold annual meetings. LACERA has commenced voting a threefold increase of annual meeting proxies, following successful conversion of LACERA's domestic passive index account to a separate account where it retains voting authority. The recent account conversion increases LACERA's proxy voting authority from about 20 percent to about 60 percent of LCAERA's global equities portfolio value. Pending finalization this year of a MSCI ACWI IMI Index separate account manager, LACERA will exercise voting authority for about 90 percent of the equities portfolio. Retaining beneficial ownership rights enables LACERA to vote across its economic exposures in a consistent manner according to its *Corporate Governance Principles.* Annual proxy voting results and trends are reported to the October 2019 Corporate Governance Committee meeting.

ESG Integration: LACERA is pursuing practical tools to take ESG into consideration throughout its investment processes, recognizing that material ESG factors may vary by industry, geography, and investment horizon.

- Manager due diligence: The team has developed due diligence and assessment tools to understand and evaluate the extent to which external managers identify ESG factors that might impact the value of the investment mandates managed on behalf of LACERA. The team completed a review of all public markets managers in 2018, is conducting ongoing one-on-one discussions with managers to get a deeper sense of evolving and emerging best practices across different investment strategies, and has incorporated ESG due diligence questions into all recent public markets manager searches. Investment management agreements include reporting on managers' ESG practices. For 2019, the team is reviewing ESG practices among a selection of LACERA's private equity general partners, with takeaways expected to be shared with the Corporate Governance Committee at an upcoming meeting.
- ESG data analytics: LACERA's current risk platform RFP is reviewing providers' ESG data analytics capacities in order to prospectively incorporate ESG data into a multivariate risk analysis platform. ESG data may complement manager monitoring and enable a total fund view of LACERA's ESG risk exposures.
- Climate scenario analysis: The team has initiated preliminary analysis of climate risks in LACERA's public markets portfolio. The team is reviewing the analysis and may facilitate a discussion with the Board at an upcoming meeting.

Engagement Priorities: The team continues to implement engagement strategies to advocate sound financial market policy, encourage best practices, and encourage better disclosure of reliable ESG data, as discussed with the Board in April and July 2018. The team followed LACERA's November 2018 comment letter to the Securities and Exchange Commission (SEC) that urged certain improvements to the U.S. proxy system by joining other Council of Institutional Investors members in visits to the SEC and Capitol Hill in March 2019. The team continues collaboration with CalSTRS and the University of California Regents to conduct dialogues with California-based companies lacking board diversity. And the team is monitoring progress of the Climate Action 100+, a multiyear initiative driven by global investors to encourage companies to report climate risks to their business models, which recently secured agreements with Royal Dutch Shell, BP, and Glencore. Progress and any prospective next steps on these initiatives will be reported at the upcoming Corporate Governance Committee.

MARCH FORECAST

In March, global equities, high yield credit and commodities gained slightly. Yield on the U.S. 10-year Treasury note declined approximately 0.34% to 2.41%, hitting a 14-month low during the month. Global yields retreated in March as investors now expect central banks to hold interest rates low for longer than they had expected a year ago. The Federal Reserve decided to not adjust its key policy rate and announced that it would slow the selling of the U.S. central bank's bond holdings starting in May and then end the selling in September. Globally, the European Central Bank signaled that it may keep its key rate at -0.4% throughout 2019 and the Swiss National Bank stated that it would keep its policy rate at -0.75%. While select investors remain concerned about slowing global growth, lower global interest rates benefitted growth asset prices in March.

As of publication of this report, during the month of March, the MSCI ACWI IMI stock index was up 1.0% while the Bloomberg Barclays Global Aggregate bond index was up 1.4%. The Total Fund will have a positive month.

Attachments

JG:jp:ct:cq

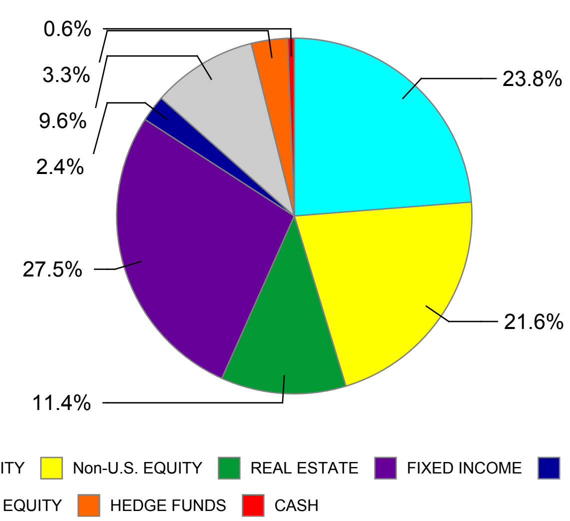
Attachment 1

LACERA'S ***ESTIMATED*** TOTAL FUND

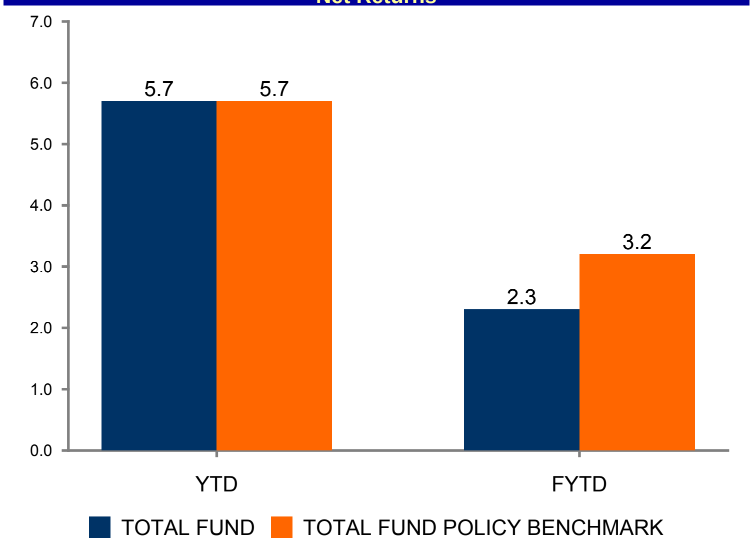
February 28, 2019

	Market Value (millions)	Actual % Total Fund	Target % Total Fund	TOTAL RETURNS (NET) YTD	FYTD	3 Year	5 Year	10 Year
U.S. EQUITY	**13,447.8**	**23.8**	**22.7**	**12.9**	**2.2**	**14.8**	**9.7**	**16.5**
RUSSELL 3000 (DAILY)				12.4	3.2	15.5	10.2	16.8
Non-U.S. EQUITY (Hedged)	**12,218.9**	**21.6**	**18.7**	**10.1**	**-1.7**	**11.8**	**4.8**	**11.2**
Custom MSCI ACWI IMI N 50% H				9.7	-1.9	11.2	4.3	10.9
REAL ESTATE	**6,435.7**	**11.4**	**11.0**	**0.0**	**5.0**			
REAL ESTATE TARGET				1.1	5.0			
FIXED INCOME	**15,567.6**	**27.5**	**27.8**	**2.0**	**3.0**	**4.2**	**3.1**	**5.9**
FI CUSTOM INDEX				1.5	3.0	2.5	2.6	4.3
PRIVATE EQUITY	**5,422.0**	**9.6**	**10.0**	**0.2**	**8.8**			
PRIVATE EQUITY TARGET [1]				3.0	11.0			
COMMODITIES	**1,331.9**	**2.4**	**2.8**	**7.6**	**-5.6**	**5.4**	**-7.5**	**-0.1**
Bloomberg Comm Index TR				6.5	-5.5	3.6	-8.8	-2.2
HEDGE FUNDS [2]	**1,842.5**	**3.3**	**5.0**	**0.3**	**-0.9**	**3.9**	**2.5**	
HEDGE FUND CUSTOM INDEX [2]				1.2	4.8	6.1	5.7	
CASH	**332.9**	**0.6**	**2.0**	**0.5**	**1.7**	**1.5**	**1.0**	**1.3**
FTSE 6 M Treasury Bill Index				0.4	1.5	1.2	0.7	0.5
TOTAL FUND [3]	**56,599.2**	**100.0**	**100.0**	**5.7**	**2.3**			
TOTAL FUND POLICY BENCHMARK				5.7	3.2			
7.25% Annual Hurdle Rate				1.2	4.8			

Asset Allocation



Net Returns



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

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

[3] 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.

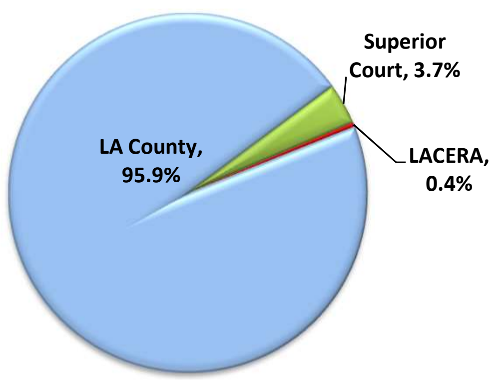
These are preliminary returns *Periods greater than 1-year are annualized*

OPEB MASTER TRUST

February 28, 2019

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	$1,056.1	95.9%	1.73	3.14	1.76	1.75	11.80	6.02	5.54
	Net				1.72	3.12	1.69	1.66	11.74	5.96	5.49
	Net All				1.72	3.10	1.65	1.61	11.69	5.92	5.44
LACERA:	Gross	Feb-2013	$4.1	0.4%	1.74	3.16	1.78	1.77	11.86	6.05	5.57
	Net				1.73	3.14	1.70	1.68	11.80	6.00	5.52
	Net All				1.71	3.02	1.45	1.36	11.02	5.54	5.13
Superior Court:	Gross	Jul-2016	$40.9	3.7%	1.73	2.95	1.56	1.51	---	---	8.49
	Net				1.72	2.93	1.49	1.42	---	---	8.44
	Net All				1.71	2.87	1.38	1.28	---	---	7.77
TRUST OWNERSHIP TOTAL:			**$1,101.0**	**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	$552.7	50.2%	2.82	3.19	0.34	-0.71	---	---	11.46
	Net				2.81	3.18	0.32	-0.74	---	---	11.42
OPEB Credit	Gross	Jul-2018	$218.5	19.8%	1.08	3.12	3.14	---	---	---	3.14
	Net				1.05	3.02	2.88	---	---	---	2.88
OPEB Risk Reduction & Mitigation	Gross	Jul-2016	$111.5	10.1%	0.01	2.40	2.62	3.48	---	---	2.02
	Net				0.00	2.40	2.61	3.46	---	---	1.98
OPEB Inflation Hedges	Gross	Jul-2018	$218.1	19.8%	0.69	1.95	1.99	---	---	---	1.99
	Net				0.68	1.93	1.94	---	---	---	1.94
Uninvested Cash			$0.1	0.0%	---	---	---	---	---	---	---
TRUST OWNERSHIP TOTAL:			**$1,100.9**	**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	$552.7	50.2%	2.82	3.19	0.34	-0.71	13.29	---	6.56
	Net				2.82	3.18	0.32	-0.74	13.25	---	6.52
Benchmark: MSCI ACWI IMI Net					2.78	3.10	0.12	-1.04	12.91	---	6.19
Excess Return (Net - Benchmark)					*0.03*	*0.08*	*0.20*	*0.30*	*0.34*	*---*	*0.33*
OPEB BTC High Yield Bonds:	Gross	Jul-2018	$66.1	6.0%	1.72	4.12	3.90	---	---	---	3.90
	Net				1.71	4.10	3.82	---	---	---	3.82
Benchmark: BC High Yield Index					1.66	3.98	3.88	---	---	---	3.88
Excess Return (Net - Benchmark)					*0.04*	*0.11*	*-0.06*	*---*	*---*	*---*	*-0.06*
OPEB BTC EM Debt LC:	Gross	Jul-2018	$41.8	3.8%	-1.09	5.58	4.19	---	---	---	4.19
	Net				-1.10	5.55	4.12	---	---	---	4.12
Benchmark: JPM GBI-EM Global Diversified Index					-1.09	5.67	4.56	---	---	---	4.56
Excess Return (Net - Benchmark)					*0.00*	*-0.12*	*-0.45*	*---*	*---*	*---*	*-0.45*
OPEB BTC Inv. Grade Bonds:	Gross	Jul-2018	$87.7	8.0%	-0.05	2.89	2.74	---	---	---	2.74
	Net				-0.05	2.89	2.73	---	---	---	2.73
Benchmark: BBG BARC US Aggregate Index					-0.06	2.86	2.67	---	---	---	2.67
Excess Return (Net - Benchmark)					*0.01*	*0.03*	*0.06*	*---*	*---*	*---*	*0.06*
OPEB BTC TIPS:	Gross	Jul-2018	$65.9	6.0%	0.00	1.92	0.16	---	---	---	0.16
	Net				0.00	1.91	0.15	---	---	---	0.15
Benchmark: BBG US TIPS Index					-0.01	1.89	0.08	---	---	---	0.08
Excess Return (Net - Benchmark)					*0.01*	*0.03*	*0.07*	*---*	*---*	*---*	*0.07*
OPEB BTC REITs:	Gross	Jul-2018	$108.3	9.8%	0.97	2.86	5.87	---	---	---	5.87
	Net				0.96	2.83	5.81	---	---	---	5.81
Benchmark: DJ US Select Real Estate Sec Index					0.96	2.82	5.81	---	---	---	5.81
Excess Return (Net - Benchmark)					*0.00*	*0.02*	*0.00*	*---*	*---*	*---*	*0.00*
OPEB BTC Commodities:	Gross	Jul-2018	$43.9	4.0%	1.02	-0.83	-5.38	---	---	---	-5.38
	Net				1.01	-0.87	-5.47	---	---	---	-5.47
Benchmark: Bloomberg Commodity Index (Total Return)					1.01	-0.82	-5.46	---	---	---	-5.46
Excess Return (Net - Benchmark)					*-0.01*	*-0.04*	*-0.01*	*---*	*---*	*---*	*-0.01*
OPEB BlackRock Bank Loans:	Gross	Jul-2018	$110.7	10.1%	1.63	1.57	2.27	---	---	---	2.27
	Net				1.58	1.40	1.83	---	---	---	1.83
Benchmark: S&P/LSTA Leveraged Loan Index					1.59	1.53	2.43	---	---	---	2.43
Excess Return (Net - Benchmark)					*-0.01*	*-0.13*	*-0.60*	*---*	*---*	*---*	*-0.60*
OPEB Enhanced Cash:	Gross	Feb-2013	$23.8	2.2%	0.23	0.77	2.16	2.77	1.70	1.18	1.04
	Net				0.22	0.76	2.15	2.75	1.66	1.12	0.98
Benchmark: FTSE 6 M T-Bill Index					0.19	0.60	1.51	2.09	1.18	0.75	0.63
Excess Return (Net - Benchmark)					*0.03*	*0.15*	*0.64*	*0.66*	*0.48*	*0.37*	*0.35*

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.

ATTACHMENT 3

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 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 proposal regarding cash overlay 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

The following firms have responded to a request for proposal regarding emerging manager fixed income investment management services:

Quadratic Capital Management, LLC
Liquid Strategies
GIA Partners, LLC
Integrity Fixed Income Management, LLC
Prytania

Garcia Hamilton & Associates, L.P.

The following firms have responded to a request for proposal regarding a total Fund risk system:

BlackRock Solutions
BNY Mellon
FactSet
MSCI
State Street
Sustainalytics
Wilshire Associates

The following firms have responded to a request for proposal regarding MSCI ACWI IMI index services:

BlackRock, Inc
(LIGMA) Legal & General Investment Management America, Inc.
State Street Global Advisors Trust Company

JG: cq

ATTACHMENT 4

LACERA's Approach to Private Equity

Chief Investment Officer's Report

Board of Investments

April 10th, 2019

Jonathan Grabel – Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Lower Private Equity Return Expectations

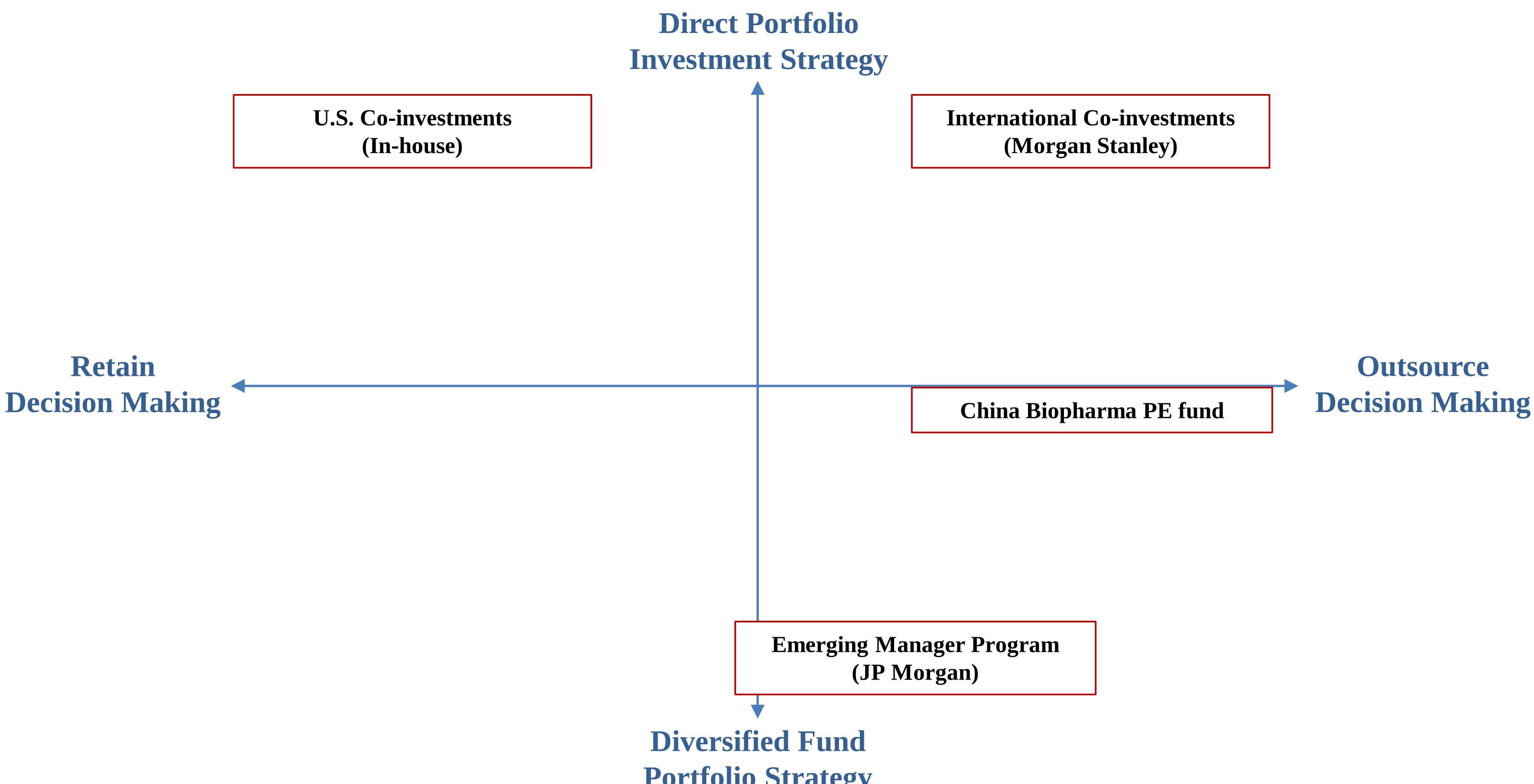
- **Significant current discussions about private equity models**
- **While private equity has been LACERA's best performing investment strategy since the program's inception in 1986 (net IRR of 16%), several of the return drivers may no longer be large contributors, and are in fact, likely headwinds**

Select PE Return Drivers	Future PE Returns Impact	Commentary
PE Supply and Demand	↓	• US PE firms have raised $1.4 trillion since GFC • LPs search for yield will likely continue to drive excess demand for PE, leading to higher company valuations
Company Valuations	↓	• Median valuations are close to the all-time highs reached in 2008 and 2014 • Delivering returns by purchasing cheap companies and selling them at higher valuations may be more difficult for many PE firms going forward
Interest Rates / Debt Capacity	↔	• Interest rates have been creeping up since historic lows post-GFC • As increased borrowing costs may arise, the amount of debt capacity and source of investment returns which are attributable to leverage/deleveraging by PE managers will decrease, thereby likely reducing overall PE returns

Sources: PitchBook, FRED Economic Data

Private Equity's Role in LACERA's Total Portfolio - Illustrative

In the context of the LACERA's overall portfolio, the objective of the private equity program is to help obtain sector or geographic exposure unavailable through other investment strategies at a premium return to public equities



Source: LACERA investment staff

Implications

The core question of <u>why have a PE program</u> can provide guidance to the second order question regarding <u>how to implement</u>; both questions warrant periodic reviews

Why Have a PE Program?	How to Implement?
▪ **Portfolio fit** – Obtain sector or geographic exposure unavailable through other investment strategies ▪ **Returns** – Generate a premium return with a long-term focus to opportunities that are mispriced in the short-term by the public markets	▪ **Risk considerations** – Different strategies have varied risk/reward tradeoffs (i.e., buyout vs. venture capital) ▪ **Fee considerations** – Separate account vs. commingled vehicle, internal staff vs. outsourcing ▪ **Liquidity considerations** – PE is generally highly illiquid but there may be creative structures or tools available which provide some liquidity options (i.e., growing secondary market, atraditional fund structures)

March 27, 2019

TO: Each Member
Board of Investments

FROM: Credit and Risk Mitigation Committee

Vache Mahseredjian
Principal Investment Officer

Robert Z. Santos
Investment Officer

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **MANAGER SEARCH – SYNDICATED BANK LOANS PROPOSED MINIMUM QUALIFICATIONS**

RECOMMENDATION

Approve the Minimum Qualifications advanced by the Credit and Risk Mitigation Committee (see attached memo) and authorize an RFP for Syndicated Bank Loan managers.

BACKGROUND

Staff presented a Credit Structure Review at the January 2019 BOI meeting. One of the recommendations approved by the Board in that Structure Review was to increase the allocation to Bank Loans.[1] In order to implement that directive, LACERA needs to conduct a manager search. Therefore, at the March 2019 Credit and Risk Mitigation Committee ("Committee") meeting, staff proposed minimum qualifications ("MQs") for a Syndicated Bank Loan manager search, which the Committee advanced. Page 2 of the attached memo lists the MQs, along with a proposed RFP timeline.

The purpose of the search is to increase the portfolio's Bank Loan allocation. LACERA's target allocation to bank loans is 4% of the Total Fund, with a range of 0 to 6%. The actual allocation, as of February month-end, is approximately 1.5%. The anticipated funding size of $1 billion for this search would raise the actual allocation to slightly above 3%.

OPTIONS AVAILABLE TO THE BOARD

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

[1]The other recommendations approved by the Board were to :1) reduce the allocation to High Yield, and 2) increase the allocation to Emerging Market Debt.

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

The Committee unanimously approved staff's recommendation to advance the MQs for a Syndicated Bank Loan manager search. Committee members asked the following questions:

- Why is the track record requirement 10 years?
  - LACERA is seeking seasoned Bank Loan managers that have invested through various market cycles.

- Will the proposed MQs be consistent with manager scoring criteria?
  - Yes. Staff believes the proposed MQs are appropriate and will enable a sufficiently large pool of qualified managers to respond to the RFP. By definition, MQs represent the lowest hurdles managers must clear. Managers that reach the final round of the search are expected to possess qualities that set them apart from other respondents and qualifications that exceed the MQs.

RISKS OF ACTION AND INACTION

If the Board approves the recommendation, staff will issue an RFP to conduct a search for Syndicated Bank Loan investment managers. The anticipated funding size is $1 billion, so the search could raise the actual bank loan allocation to just over 3%. This figure is slightly below the target allocation of 4%, but at the midpoint of the 0-6% target range.

Should the Board reject the recommendation, the portfolio would remain underweight Bank Loans compared to its strategic asset allocation. This could lead to a greater discrepancy in performance between the Total Fund and the Policy Portfolio.

CONCLUSION

The Committee unanimously approved staff's recommendation to advance the MQs for a Syndicated Bank Loan RFP to the Board for approval. If the Board approves, staff will issue an RFP using the attached MQs.

Attachment

Noted and Reviewed:

____

Jonathan Grabel
Chief Investment Officer

LACERA **ATTACHMENT**

February 28, 2019

TO: Each Member
Credit and Risk Mitigation Committee

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

Robert Z. Santos
Investment Officer

FOR: March 13, 2019 Credit and Risk Mitigation Committee Meeting

SUBJECT: **SYNDICATED BANK LOAN MANDATE MINIMUM QUALIFICATIONS**

RECOMMENDATION

Advance the Minimum Qualifications specified in this memorandum for a syndicated bank loan manager search to the Board of Investments for approval.

BACKGROUND

Item IX.B on the Agenda of the January 2019 Board of Investments ("BOI") meeting entailed three changes to the structure of the Credit category. All three recommendations were approved. One of those recommendations was to increase the allocation to bank loans.[1] A slide presentation accompanying that recommendation stated that in order to increase the allocation to bank loans, an RFP would be issued in the first quarter of 2019 for syndicated bank loan managers.

In order to launch the manager search, staff is seeking approval of minimum qualifications for a syndicated bank loan Request for Proposal ("RFP") to be posted on LACERA's website. The anticipated funding size is up to a $1 billion, to be invested with one or more managers.

MANDATE DESCRIPTION

As a reminder, syndicated bank loans are loans provided by a group—or syndicate—of financial institutions, to companies rated below investment grade. Bank loans are typically secured by collateral, and occupy a senior position in a borrower's capital structure, meaning that if a borrower encounters financial difficulty, bank loans must be paid off before bonds or any subordinated debt can be repaid. As a result, bank loans usually have a lower default rate than high yield bonds, and they have a higher recovery rate in the case of default. Bank loans are typically floating rate

[1] The other recommendations were to reduce the allocation to high yield and to increase the allocation to existing emerging market debt managers.

instruments whose interest payments adjust quarterly; therefore, loans have low interest rate risk. As a result of their lower credit risk and lower interest rate risk, loan prices are generally less volatile than high yield bond prices over most time frames. Over the past 10 years, the standard deviation of returns for the Credit Suisse Leveraged Loan index has been 4.9%, compared to 7.7% for the Bloomberg Barclays High Yield index.

MINIMUM QUALIFICATIONS

In order to be eligible for the mandate, investment managers must meet the following minimum qualifications:

1. Must be registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC"), or exempt from registration. If exempt, must explain the nature of the exemption.

2. Must have at least $2 billion in assets under management in the proposed strategy, or a similar strategy, as of December 31, 2018.

3. Must have at least a 10-year performance history for the proposed strategy, or a similar strategy, as of December 31, 2018.

4. Must have at least three defined benefit public pension plan clients in the proposed strategy, or a similar strategy.

5. Must comply with the Global Investment Performance Standards of the CFA Institute.

Based on an initial screen of eVestment's bank loan strategies database, 14 firms were identified as having at least: a) $3 billion in strategy assets, b) a 10-year performance history, and c) three defined benefit public pension plan clients in the proposed, or a similar strategy. It is likely that other firms not in the eVestment database will respond to the RFP.

PROPOSED RFP TIMELINE

Following is a proposed timeline for the manager search:

Phase	Steps	Actions	Timing
I	**RFP Design and Launch**	- Committee / Board approval of MQs - Publish the RFP document	Mar / Apr 2019
II	**RFP Evaluation**	- Staff to review and rank RFP responses, select semi-finalists	Jun / Jul 2019
III	**Semi-Finalist Evaluation**	- Staff to conduct in-person interviews, on-site diligence, and complete reference calls	Aug / Sep 2019
IV	**Potential Recommendation**	- Board Recommendation	Nov 2019

Staff will work closely with Meketa on the search.

CONCLUSION

At the BOI meeting in January of this year, the Board approved a recommendation to increase the allocation to bank loans. Therefore, staff is seeking the committee's approval of minimum qualifications for a bank loan search of up to $1 billion. If the Committee approves, the search will be advanced to the Board in April.

Noted and reviewed:

Jonathan Grabel
Chief Investment Officer

VM RZS:rzs

L//.CERA

March 22, 2019

TO: Each Member
Board of Investments

FROM: Equity: Public/Private Committee

Ted Wright
Principal Investment Officer

Jeff Jia
Senior Investment Analyst

Ron Senkandwa
Senior Investment Analyst

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **FACTOR-BASED MANDATE MINIMUM QUALIFICATIONS**

RECOMMENDATION

Approve the proposed Minimum Qualifications for a factor-based mandate Request For Proposal, thereby authorizing staff to initiate the search.

BACKGROUND

On March 13, 2019, the Equity: Public/Private Committee ("Committee") unanimously voted to advance the Minimum Qualifications ("MQs") for a factor-based mandate Request For Proposal ("RFP") to the Board of Investments ("Board"). The recommendation is intended to effectively implement the Board's approved Global Equity portfolio structure and achieve allocation targets.

Staff's memo to the Committee and Meketa's memo in support of staff's recommendation are included in **Attachments**.

OPTIONS AVAILABLE TO THE BOARD

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

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

During the meeting, Committee members inquired about the following topics:

- Expected number of managers that meet the MQs
  - Staff anticipates receiving responses from at least ten managers.

- Explain and elaborate on factor-based strategies
  - Factors, such as quality and momentum, are stock characteristics that can explain differences in stock returns. Academic research has shown that returns of active investment managers can be attributed to persistent exposures to those factors. The goal of factor-based strategies is to provide the equity portfolio with persistent factor exposures, at a fraction of the cost of active strategies.

RISKS OF ACTION AND INACTION

If the Board approves the recommendation, staff will release an RFP to conduct a search for the factor-based mandate. This is consistent with the structure review approved by the Board at the February 2019 meeting. An evaluation committee consisting of three to four staff members from the Global Public Equity team will assess the responses.

If the Board does not approve the recommendation, factor-based strategies will be under target. This may result in potential discrepancy between actual and expected portfolio returns and tracking error.

CONCLUSION

The Committee approved the proposed MQs, thereby recommending that the Board authorize staff to initiate an RFP for a factor-based mandate search. This is the next step in implementing the approved equity portfolio structure. Staff will report findings and potential recommendations to the Board for consideration in the upcoming meeting.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

TW:JJ

February 27, 2019

TO: Each Member
Equity: Public/Private Committee

FROM: Ted Wright
Principal Investment Officer

Jeff Jia
Senior Investment Analyst

Ron Senkandwa
Senior Investment Analyst

FOR: March 13, 2019 Equity: Public/Private Committee Meeting

SUBJECT: **FACTOR-BASED MANDATE MINIMUM QUALIFICATIONS**

RECOMMENDATION

That the Committee advance the Minimum Qualifications specified in this memo for a factor-based mandate request for proposal ("RFP") to the Board of Investments for approval.

BACKGROUND

In the February 2019 Board of Investments ("Board") meeting, the Board approved changes to the Global Equity portfolio structure. One of the proposals was to reorganize the portfolio into the following groups: Passive, Factor-Based, and Active, with target allocations of 60%, 15%, and 25%, respectively. Currently, there is no factor-based mandate in the portfolio.[1] This recommendation is the next step in implementing the approved new structure by identifying institutional-quality manager(s) of factor-based strategies to reach the portfolio's 15% allocation target.

MANDATE DESCRIPTION

The purpose of this RFP is to identify, evaluate, and hire investment management firm(s) to manage factor-based mandates that will provide the Global Equity portfolio with consistent factor exposures to the U.S. equity and non-U.S. equity markets. The strategy(ies) within this mandate would provide rules-based (or non-tactical) exposure to one or more factors that have been demonstrated by rigorous academic research to be persistent, robust, and tradable. One or more

[1] LACERA's current quantitative managers that utilize a factor investing approach are more active in nature as they seek to outperform their respective benchmarks by shifting tactically between factors. Recall that in the Global Equity Structure Review, factor-based strategies are defined as those that provide consistent exposure to persistent, robust, and uncorrelated factors that explain much of active managers' returns at a fraction of the cost.

managers may be considered for the mandate based on portfolio fit and demonstrated live performance.

MINIMUM QUALIFICATIONS

Staff proposes the following Minimum Qualifications for the RFP:

1. Must be an SEC-registered investment advisor or exempt from registration. If exempt, must explain the nature of this exemption.

2. Must submit the entire Form ADV, including Part 1 and Part 2 brochures and relevant Schedules.

3. Must have at least three (3) defined benefit public pension plan clients in the proposed strategy or similar factor strategies.

4. The organization must have at least a 3-year performance track record as of March 31, 2019 for the proposed strategy or similar factor strategies.

5. The organization must have at least $5 billion in assets in the proposed strategy or similar factor strategies and all assets must be managed directly by the organization as of March 31, 2019.

6. The organization must conform to Global Investment Performance Standards for performance reporting.

PROPOSED RFP TIMELINE

Phase	Steps	Actions	Timing
I	Questionnaire Design and Launch	Staff drafts Minimum Qualifications for Committee/Board approval, creates questionnaire specific to the mandate, and launches the search	Mar / Apr 2019
II	RFP Evaluation	Staff reviews and ranks RFP responses, selects a pool of semi-finalists	Jun / Jul 2019
III	Semi-Finalist Evaluation	Staff conducts in-person interviews, on-site diligence, and complete reference calls	Aug / Sep 2019
V	Potential Recommendations	Board recommendations	Sep / Oct 2019

CONCLUSION

The proposed minimum qualifications for a Factor-Based Mandate RFP would allow LACERA to identify highly qualified institutional investment managers with demonstrated experience managing factor-based strategies. Meketa has reviewed staff's memo and concurs with staff's recommendations.

Noted and reviewed:

Jonathan Grabel
Chief Investment Officer

TW:JJ

ATTACHMENT

MEMORANDUM

To: LACERA Equity: Public/Private Committee

From: Stephen McCourt, Leandro Festino, Tim Filla
Meketa Investment Group

Date: March 13, 2019

Re: Factor-Based Mandate Minimum Qualifications

At the February 2019 Board of Investments ("Board") meeting, the Board approved the recommended changes to the Global Equity structure, which is intended to "optimize and rebalance" LACERA's Global Equity portfolio. The new structure is composed of 60% passive management, 25% active management, and 15% factor-based management. In addition to approving the recommended structure, the Board approved staff's recommendation to develop a request for proposal ("RFP") and establish Minimum Qualifications for external factor-based separate account manager(s).

The 15% allocation to Factor-Based global equity is intended to supply low-fee, index-like exposure to alternative return factors within equities. The proposed RFP would seek out factor-based investment managers providing global exposure to one or more factors which have been thoroughly researched and tested to provide better risk-adjusted performance than cap-weighted indices. Staff is open to consider more than one manager to fulfill this mandate and has created a comprehensive list of Minimum Qualifications to find highly qualified managers in this field.

We approve of the proposed Minimum Qualifications for a factor-based mandate RFP. In addition, we think staff's proposed timeline is reasonable. We would be pleased to elaborate on this recommendation at the March Board meeting and assist both staff and the Board during the coming months in matters related to this search.

In the meantime, if you have any questions or would like additional information, please call us at (760) 795-3450.

SM/TF/LF/srt

LACERA

March 22, 2019

TO: Each Member
Board of Investments

FROM: Credit and Risk Mitigation Committee

Chad Timko, CFA CT
Senior Investment Officer

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **MANAGER SEARCH - ILLIQUID CREDIT PROPOSED MINIMUM QUALIFICATIONS**

RECOMMENDATION

Approve the proposed Minimum Qualifications (see page 3 of the **Attachment**) for an RFP for an Illiquid Credit investment manager thereby authorizing staff to initiate the search.

BACKGROUND

On March 13, 2019, the Credit and Risk Mitigation Committee ("Committee") voted to advance the Minimum Qualifications ("MQs") for an Illiquid Credit investment manager RFP. Staff presented the attached memorandum to the Committee and it includes the proposed MQs and a proposed RFP timeline on pages 3 and 4, respectively. The LACERA portfolio is below target allocation to Illiquid Credit and this mandate would adjust the portfolio closer to its strategic asset allocation.

OPTIONS AVAILABLE TO THE BOARD

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

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

Committee members asked questions about the following topics on March 13th:

- Will payday loan investment strategies be considered during this search?
  - LACERA is not targeting payday loan investment strategies with this search. Staff does not expect these strategies to be prevalent in many RFP responses, if at all.

RISKS OF ACTION AND INACTION

If the Board approves the recommendation, staff will issue an RFP to conduct a search for an Illiquid Credit investment manager while involving the Board-approved Illiquid Credit consultant, Albourne. There is little risk of action associated with issuing this RFP and LACERA would not be obligated to take further action such as making an investment. The RFP would include language stating, "LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP."

If the Board does not approve the recommendation, the portfolio would remain underweight Illiquid Credit compared to its strategic asset allocation. This could lead to a greater discrepancy between the performance of the actual and strategic target (policy) portfolio.

CONCLUSION

The Committee advanced the proposed MQs for an Illiquid Credit investment manager search to the Board of Investments. An allocation from this search would adjust the portfolio closer to established strategic asset allocation targets.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

CT:mm

February 28, 2019

TO: Each Member
Credit and Risk Mitigation Committee

FROM: Chad Timko, CFA CT
Senior Investment Officer

FOR: March 13, 2019 Credit and Risk Mitigation Committee Meeting

SUBJECT: **MANAGER SEARCH - ILLIQUID CREDIT PROPOSED MINIMUM QUALIFICATIONS**

RECOMMENDATION

Advance the Minimum Qualifications for an RFP for an Illiquid Credit investment manager to the Board of Investments for approval.

BACKGROUND

In 2018, the Board approved a strategic asset allocation policy that included new functional categories, including Credit, as well as new asset sub-categories such as Illiquid Credit ("IC"). In December 2018, part one of a Credit structure review was presented to the Credit and Risk Mitigation Committee. This initial structure review made several observations, as noted below.

1. LACERA already invests in credit and these existing assets are being re-categorized
2. LACERA is under-allocated to both Credit and the sub-category of IC
   a. Credit is 8.3% of the Total Fund as of January 31, 2019, which is 3.7% below the 12% Q4 2019 allocation target and 1.7% below the 10% Q4 2018 target
   b. Illiquid Credit is 1.5% of the Total Fund as of January 31, 2019, which is 1.5% below the 3% Q4 2019 allocation target and 0.5% below the 2% Q4 2018 target
3. LACERA is taking steps to hire a specialized IC consultant

LACERA is approximately $800[1] million below its Q4 2019 target allocation for IC. Additionally, LACERA will be more underweight in this sub-category once capital is returned from an existing investment. An IC fund of funds portfolio is scheduled to return approximately $360 million to LACERA in the next several years. Approximately 90%, or $330 million, is expected between 2020 and January 2021 with the remainder to follow later in 2021.

This recommendation is for an RFP search to identify a manager of IC strategies to invest up to $500 million. Adjusting the portfolio towards asset allocation targets would help the portfolio adhere to its strategic asset allocation consistent with LACERA's Investment Beliefs and decreases risk in the form of tracking error.

[1] The 1.5% underweight multiplied by the Total Fund January 31, 2019, balance of $55.8 billion is $837 million.

MANDATE DESCRIPTION

Illiquid Credit is a sub-category of Credit that includes a broad universe of assets types. IC assets have a contractual yield, are secured by an asset such as property or a company, and are not frequently traded. Many IC assets are in less efficient private markets and comprehensive exposure across all IC assets is not achievable. There is no index fund or ETF offering broad passive IC exposure.

The strategies and opportunity set for IC investments expanded after the global financial crisis and resulting regulations on the banking industry. In select lending markets, private capital including capital from IC investments is replacing legacy bank capital. This shift is known as bank disintermediation and is a theme that is prevalent in many IC strategies. Examples and a brief description of IC portfolio strategies that this search would consider include:

1. Private loan portfolio transactions with banks
    a. Purchases of private loan portfolios, often from banks when regulations induce divestment
2. Non-traditional residential mortgages such as re-performing and non-qualified
    a. Exposure to consumer mortgages that are less conforming or less liquid
3. Structured corporate credit
    a. Both structuring and secondary market trading of securitized pools of loans
4. Specialty finance and asset backed securities in smaller more niche areas
    a. Examples: aviation finance, receivables financing, auto loans, solar finance
5. Commercial real estate debt
    a. Loans secured by commercial properties, often in markets with less bank participation or in areas where property owners have difficulty refinancing
6. Private corporate direct lending
    a. Loans of varying seniority not broadly syndicated
7. Regulatory capital relief and risk transfer strategies
    a. Agreements with banks to gain exposure to pools of private loans while the bank keeps the loans and improves capital adequacy ratios by having investors be exposed to losses on the pool up to a negotiated limit

LACERA will consider responses that include an IC strategy not listed among the examples above. Proposed mandates may feature one, multiple, or similar strategies identified in this section. A common thread among the categories listed is yield from idiosyncratic sources of credit risk. LACERA would not expect near term liquidity from IC investments. Intentionally not included in this search are more liquid strategies such as broadly syndicated loans, high yield, and emerging market debt. LACERA is invested in these more liquid strategies elsewhere in the Credit portfolio. LACERA expects a proposed mandate to be long-biased to credit risk, although hedging select undesired risks may be appropriate.

LACERA will prefer a separate account implementation where LACERA's custodian holds the underlying assets, where applicable, or a fund of one structure where LACERA is the sole limited partner. LACERA will prefer mandates where additional capital can be added in the future, providing scalability. LACERA will avoid out of asset category strategies that have an equity-like return profile, such as select distressed debt funds. This search is for a mandate(s) that would be a core[2] position in the IC portfolio.

MINIMUM QUALIFICATIONS

1. The organization must be registered with the U.S. Securities and Exchange Commission as an investment adviser, unless the organization is exempt from registration due to its status as a bank or insurance company.
2. The organization must have at least $5 billion of assets under management in IC mandates.
3. The organization must manage three separate account or fund of one IC mandates with one being for a U.S.-based public pension fund.
4. The organization must provide a performance track record of at least 5 years for an IC mandate similar in scope to the one proposed.

DISCUSSION

There is a search currently underway for an IC consultant. Staff anticipates integrating a Board-selected IC consultant, subject to approval, into the manager search process. Advancing the search recommendation to the Board at this time should facilitate the IC consultant participating in the diligence phase of this search, tentatively occurring in August and September. Advancing the search should allow the portfolio to be adjusted closer to allocation targets in alignment with the benchmark sooner than would otherwise occur if the search were postponed until after the IC consultant is on-boarded.

With over $1 billion to be invested in IC in the coming years, this search would establish a core position of up to $500 million with a manager who has deep resources in credit markets. Beyond this core position, there will remain room in the IC portfolio for prudent diversification including more niche oriented managers, strategies, and geographies. Separate from this search, an emerging manager program within IC may be built to augment the portfolio in the future, subject to Board approval.

PROPOSED TIMELINE

The proposed RFP timeline (**Table 1)** describes a process that enables LACERA to adjust the portfolio closer to targets.

[2] Identifying this mandate as a “core” position in the portfolio describes a significant allocation that is a foundational piece of the portfolio. Other uses of “core” such as “core real estate” or “core fixed income” commonly have implications about asset quality that do not apply to this search.

Table 1
Proposed RFP Timeline

Phase	Steps	Actions	Timing
I	**RFP Design and Launch**	– Committee / Board approval of MQs – Publish the RFP document	Mar / Apr 2019
II	**RFP Evaluation**	– Staff to review and rank RFP responses, select semi-finalists	Jun / Jul 2019
III	**Semi-Finalist Evaluation**	– Staff to conduct in-person interviews, on-site diligence, and complete reference calls	Aug / Sep 2019
IV	**Potential Recommendations**	– Board Recommendations	Nov 2019

CONCLUSION

LACERA is below its target allocation to IC investments. Staff recommends initiating a search for an IC manager to manage an aggregate mandate of up to $500 million that would be core to the IC portfolio. This search would be conducted in parallel to the hiring and on-boarding of a consultant specializing in illiquid credit.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

CT:mm

March 29, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Joint Organizational Governance Committee

FOR: April 10, 2019 Board of Investments Meeting
April 11, 2019 Board of Retirement Meeting

SUBJECT: 60-Day Extension of Time for the JOGC to Present a Revised Charter

RECOMMENDATION

That the Board of Retirement and the Board of Investments approve a 60-day extension of time to the June 2019 Board meetings for the Joint Organizational Governance Committee (JOGC) to present a recommendation for revisions to the JOGC Charter.

LEGAL AUTHORITY

The Boards have plenary authority over the administration of the system. Cal. Const., art. XVI, § 17; Cal. Gov't Code § 31595. Part of this power is the ability to create standing committees, including joint committees, and provide for the charters of such committees, to facilitate the conduct of the Boards' business.

DISCUSSION

The JOGC was created by joint action through separate votes of the Boards on August 10, 2017; a Charter for the committee was approved by the Boards at the same time. The JOGC was disbanded on January 30, 2018. The JOGC was reestablished by joint action on January 17, 2019; the Boards' action at that time directed the JOGC to review the Charter and provide a recommendation to the Boards for revisions within 90 days. The original 90-day period expires on April 17, 2019.

The JOGC has had two meetings to discuss the Charter, one on February 13, 2019 and another on March 14, 2019. At the February 13 meeting, staff provided comments on the existing Charter, and the committee discussed the Charter at great length on a section-by-section basis. The committee gave direction to staff to draft a revised Charter. At the March 14 meeting, staff presented a revised Charter. However, due to other business, including Board business on the same day as well as other JOGC priorities, the committee did not have time to discuss the revised Charter and held the item until its next meeting. The JOGC will hold its next meeting on April 10, 2019, at which time the draft revised Charter will again be agendized for discussion.

The JOGC has worked diligently to review the Charter. However, it was not possible to complete the process and formulate a recommendation to the Boards within the original 90-day period. At its March 14, 2019 meeting, the JOGC voted to request the Boards to approve a 60-day extension to June 2019. The JOGC believes that it will be able to complete the review process and present a recommendation for a revised Charter to the Boards at their June 2019 meetings.

CONCLUSION

For these reasons, the JOGC requests the Boards to approve a 60-day extension of the time to the June 2019 Board meetings to present a recommendation for revisions to the JOGC Charter.

c: Lou Lazatin
JJ Popowich
Jonathan Grabel

LACERA

March 29, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of April 10, 2019

SUBJECT: INCA Investments Latin American Investment Conference
Buenos Aires, Argentina on October 16–17, 2019

The INCA Investments Latin American Investment Conference will be held on October 16–17, 2019 at the Faena Hotel in Buenos Aires, Argentina. INCA Investments is known to host conferences that feature in-depth overviews & discussions on investment opportunities in Latin America.

The main conference highlights include the following:

- Argentina Economic Overview
- E-Commerce in Latin America
- Argentina Election Outlook

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Faena Hotel is approximately $250.00 per night plus applicable taxes and the registration fee is $200.00.

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 INCA Investments Latin American Investment Conference on October 16–17, 2019 in Buenos Aires, Argentina and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

INCA Investments
Latin American Investment Conference

October 16 & 17 2019
Buenos Aires, Argentina

INCA INVESTMENTS

RSVP NOW

CONFERENCE AGENDA

TUESDAY, OCTOBER 15, 2019 • FAENA HOTEL	
7:00 p.m.	**Dinner** • Location to be determined
WEDNESDAY, OCTOBER 16, 2019 • FAENA HOTEL	
8:00 – 9:00 a.m.	**Breakfast & Registration** El Mercado Restaurant • Faena Hotel
9:00 – 9:30 a.m.	**Conference Welcome and Firm Update** Fernando Donayre, Managing Principal & Chief Executive Officer
9:30 – 10:30 a.m.	**Latin American Investment Overview** Efrain Chavez, Principal & Portfolio Manager
10:30 – 10:45 a.m.	**Coffee Break**
10:45 – 12:00 p.m.	**Loma Negra Presentation** Sergio Faifman, Chief Executive Officer, Marcos Gradin, Chief Financial Officer, Discussion led by Daniel Piderit, Investment Analyst
12:00 – 1:30 p.m.	**Lunch** • Faena Hotel
1:30 – 2:30 p.m.	**Argentina Economic Overview** Andres Borenstein, BTG Pactual Economist
2:30 – 3:30 p.m.	**Arcos Dorados Presentation** Woods Staton, Founder and Chairman, Discussion led by Jeronimo De Guzman, Investment Analyst
3:30 – 5:00 p.m.	**Arcos Dorados Restaurant Visit** Iñaki Esnaola, Director of Investor Relations
7:00 p.m.	**Dinner** • Argentine Parilla Happening Restaurant

*Conference agenda is subject to change

**Hotel Accommodations are on the following page.

INCA Investments Latin American Investment Conference

October 16 & 17 2019
Buenos Aires, Argentina

INCA INVESTMENTS

RSVP NOW

HOTEL ACCOMMODATIONS

THURSDAY, OCTOBER 17, 2019 • FAENA HOTEL	
7:30 – 8:30 a.m.	**Breakfast** El Mercado Restaurant • Faena Hotel
8:30 – 10:30 a.m.	**INCA Investments Portfolio Overview & Case Studies** Investment Team
10:30 – 10:45 a.m.	**Coffee Break**
10:45 – 12:00 p.m.	**Mercado Libre Presentation / E-Commerce in Latin America** Pedro Arnt, Chief Financial Officer, (To Be Confirmed) Federico Sandler, Head of Investor Relations Discussion led by Wesley Brooks, Investment Analyst
12:00 – 1:30 p.m.	**Lunch** • Faena Hotel
1:30 – 2:30 p.m.	**Argentine Election Outlook** Sergio Berensztein, Political Analyst
2:30 – 3:45 p.m.	**Galicia Presentation** Fabian Kon, Chief Executive Officer, Pablo Firvida, Head of Investor Relations, Discussion led by Maclovio Piña, Investment Analyst
3:45 – 5:00 p.m.	**Nubank Presentation (To Be Confirmed) / Fintech in Latin America** Gabriel Silva, Chief Financial Officer, Discussion led by Maclovio Piña, Investment Analyst

Venue:
Faena Hotel
Martha Salotti 445, C1107CMB
Buenos Aires, Argentina

To book your stay through the hotel web site **(www.faena.com/Buenos-aires/),** use the promo code **INCA** within the online reservation system to receive the corporate group rate. You may also book your stay over the phone by contacting the Individual Reservations Department at **+5411 4010 9070** or by email at mgandara@faenahotels.com . When booking, please inform the hotel that you are with the **INCA Investments** in order to receive the corporate group rate of **USD $250.00** per night exclusive of city and state taxes.

Please note the corporate group rate is good through **Friday, August 30, 2019**, but rooms are limited and available on a first-come, first-serve basis. Please book your stay promptly to ensure you receive the preferential rate.

LACERA

April 1, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of April 10, 2019
Board of Retirement Meeting of April 11, 2019

SUBJECT: National Association of Securities Professionals (NASP) 30th Annual Pension and Financial Services Conference in Baltimore, Maryland on June 24 –26, 2019

The NASP's 30th Annual Conference will take place on June 24–26 2019 at the Baltimore Marriott Waterfront in Baltimore, Maryland. NASP is the premier organization that helps people of color and women achieve inclusion in the financial services industry. The conference will connect members to industry leaders and business opportunities; advocate for policies that create equal representation and inclusion; provide educational opportunities; and work to build awareness about the value of ensuring that people of color and women are included in all aspects of the financial services industry.

The main conference highlights include the following:

- Adventures in Infrastructure Investing
- Rethinking Business Opportunities in Africa
- The Growth of Artificial Intelligence and Influence of Big Data
- The Case for Diversity on Corporate Boards and the Social and Economic Impact

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Marriott Baltimore Waterfront hotel is approximately $239.00 per night plus applicable taxes and the registration fee is $125.00.

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 National Association of Securities Professionals 30th Annual Pension and Financial Services Conference on June 24 –26, 2019 in Baltimore, Maryland and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

NASP 30th Anniversary Pension & Financial Services Conference

June 24, 2019—June 26, 2019
7:00 AM-5:00 PM

Marriott Baltimore Waterfront
700 Aliceanna Street
Baltimore, MD 21202

June 24, 2019 - Africa & Emerging Markets Summit - Day 1

Keynote Remarks
9:00 AM-10:00 AM
President of Overseas Private Investment Corporation (OPIC), discussing the passage of the BUILD Act and the implications for investment in Africa and emerging markets.

Bridging the Gap Between US and Local Asset Allocators
10:10 AM-11:00 AM
Session to discuss ways US and local pension funds/ asset allocators can collaborate. Discuss areas of common interest as well differences. Highlight any success stories of collaboration. Which sectors and capital markets are proving more popular with investors and why? What is the regulatory landscape across key markets and how are regulations evolving to encourage and promote local investment?

Program Break
11:00 AM-11:10 AM

Real Risk vs. Perceived Risk
11:10 AM-11:40 AM
Overview of Mercer report. The session will also exploration key markets and sectors where risk perception has created a challenge for promoting private capital investment; in addition to how cultural and political nuances across key markets influence broader perceptions of risk.

Adventures in Infrastructure Investing
11:50 AM-12:45 PM
Following the retreat of Blackstone and KKR in Africa infrastructure investment, this session highlights lessons learned from the setbacks of these large firms as well as the tailwind opportunities for mid-size fund managers. Where have we seen successes? This session also discusses the achievements of the NASP-MiDA Partnership and infrastructure opportunities highlighted from the G-20 meetings.

Luncheon Panel - The Build Act
1:00 PM-2:15 PM
The Better Utilization of Investments Leading to Development Act of 2018 (BUILD Act), establishes the United States International Development Finance Corporation, a new development finance institution to facilitate the participation of private sector capital and

skills in the economic development of countries with low- or lower-middle-income economies and countries transitioning from non-market to market economies in order to complement U.S. assistance and foreign policy objectives. This session will discuss passage of the BUILD Act and the prospects for increased investment and capital flow towards Africa. What are the implications for investment in Africa and emerging markets, especially in the context of greater geopolitical uncertainty and a more protectionist US administration.

Rethinking Business Opportunities in Africa
2:30 PM-3:15 PM
Conversation with Acha Leke, Chairman of McKinsey's Africa Region and Mutsa Chironga, Managing Executive, Consumer Banking; co-authors of Africa's Business Revolution: How to Succeed in the World's Next Big Growth Market (Harvard Business Review Press, 2018)

Opportunity Showcase & Speed Networking
3:25 PM-4:15 PM
1:1 speed dating between GPs and institutional investor advisory members. A panel of institutional investors review a panel of GP presentations in an off-the-record discussion on the factors that influence investment decisions

Closing Remarks and Networking Break
4:15 PM-5:00 PM

NASP 30th Anniversary Welcome Reception
5:30 PM-7:30 PM

Late Night Dessert Reception
9:30 PM-11:59 PM

June 25, 2019 - Professional Development Series - Day 2

NASP Morning Plenary
8:00 AM-8:30 AM
Economic Overview The federal debt is projected to be on a steadily rising trajectory throughout the coming decade and the rise of interest rates, tariffs and trade negotiations are all top of mind. What's in store for investors with the changing dynamics in the industry as well as the general macroeconomic environment?

Professional Development Series - Opening Remarks
8:45 AM-8:55 AM

The Growth of Artificial Intelligence and Influence of Big Data
9:00 AM-10:00 AM
Digital disruption continues to apply pressure on businesses in many ways. technologies like AI, IoT, Big Data are driving innovation and presenting unique platforms for customer engagement? How are firms identifying opportunities and creating value in this uncertain environment? How is digital technology changing the way business decisions are being made? Hear from professionals as they provide an

introspective view on how digital tools are driving new expectations and changing the competitive landscape.

Pathways to Entrepreneurship: When Is It The Right Time?
10:10 AM-11:10 AM
Entrepreneurs are change agents that seek to capitalize on opportunities to solve problems by providing unique and viable solutions. The entrepreneur must sufficiently analyze how attractive the opportunity is; the size of the potential market and the capital needed to bring the idea to market. When is the best time to pursue an ambitious entrepreneurial journey? What personal skill sets are needed? What are the best ways to position value and create scale?

The Case for Diversity on Corporate Boards and the Social and Economic Impact
11:20 AM-12:20 PM
The call for more diversity on corporate boards continues to grow. As more of these prime seats become available, what are key selection drivers? Additionally, are these diverse representatives having an impact on the social consciousness of the organization while also positively benefiting shareholders?

Joyce Johnson Award Luncheon
12:30 PM-2:00 PM

State of the African American & Latino Investment Industry
2:15 PM-3:15 PM
This session will examine the current status of minority owned investment firms—their successes and challenges. We will also discuss existing and anticipated market and economic trends and how they may impact the growth and success of African American and Latino owned investment management companies in traditional and alternative strategies over the next market cycle.

Municipal: Divided Congress - What Can Muni's Expect?
3:25 PM-4:25 PM
As the 116th United States Congress commences its term, the balance of power has shifted, further shifting priorities, potentially building new alliances and forcing everyone to question what legislative action is feasible. Repeal of SALT? Infrastructure package? Return of Advance refundings? TIFIA and RIFF expansion? Super AMT bonds? It's all on the table.

Managing Your Career
3:25 PM-4:25 PM
The workplace continues to become more competitive. The ability to effectively communicate while being a vital team member is just as important as being coachable and building relationships with key stakeholders in your success. Panelists will discuss the best ways to establish mentor relationship (internal and external), how to cultivate a powerful professional network and how to strategically promote your personal brand.

One on One Career Coaching + Corporate Sponsors Corner
3:30 PM-5:30 PM
Cocktail Reception
6:30 PM-7:30 PM

NASP Black Tie Awards Gala & Entertainment
7:30 PM-11:30 PM

The NASP Institute - Day 2 (TRUSTEE/ALLOCATORS ONLY)

The NASP Institute - Opening Remarks
8:45 AM-8:55 AM

1A. Decoding Investment & Finance Jargon
9:00 AM-10:00 AM
Join us as we help you begin to master investment and finance jargon used by investment consultants, asset managers and the media. Our session will focus on understanding commonly used phrases in traditional and alternative investments. Come prepared with questions regarding concepts or phrases as well. A related group activity will follow the presentation.

1B. Understanding Capital Markets Assumptions
9:00 AM-10:00 AM
During this discussion we'll first establish a foundation by explaining how capital market expectations are calculated, the associated risks and how to measure the efficiency of portfolios. We will then explore ways that you can utilize these assumptions to make better informed investment decisions on behalf of your plan. Lastly, we will share the outlook for a range of asset classes that will assist you in assessing the path of the markets going forward.

2A. Understanding Risk and Volatility
10:10 AM-11:10 AM
In an ever-evolving financial world, managing portfolio risk and market volatility are paramount to maintaining a structured portfolio to weather market peaks and valleys. Understanding where market risk and volatility lie are vital to staying ahead of the curve and making sure the assets within the portfolio can handle these market fluctuations. In this session, we will discuss how to mitigate portfolio risk and volatility, and how each asset class works together to maintain a balanced portfolio.

2B. Advanced Course: Benchmarking Non-Traditional Investments
10:10 AM-11:10 AM
As plan sponsors search for higher returns, allocations to asset classes beyond stocks and bonds continue to increase in the portfolios of public pension plans. In this session we will discuss asset classes such as private equity, hedge funds, liquid alternatives and many more while providing an frameworks for measuring them in the context of the risks and returns of traditional investments.

3A. Introduction to ESG Investing
11:20 AM-12:20 PM
ESG investing is the integration of Environmental, Social, and Governance factors into the investment and decision-making processes. The practice of ESG investing is dynamic and has evolved significantly over time since inception. Today it is used by pensions trustees, family offices, college and universities, Wall Street firms, and

sovereign wealth funds. Join us in this session as we explore the range of definitions and approaches, and discuss the benefits and challenges to ESG investing.

3B. Fundamentals of Securitization
11:20 AM-12:20 PM
Global credit markets have evolved since the Global Financial Crisis. Investors have sophisticated commitments to credit as an alternative asset class. At over $600B, fixed income alternatives provide unique opportunities. This session will cover fixed income alternatives and securitization: the structure of deals, the risks, the opportunities and the changes that have occurred over the past decade.

Negotiating Fees with Consultants & Investment Managers
3:25 PM-4:25 PM

Trustee-led discussion with no service provider participation
Defined Contribution, Institutional Asset Mgmt, Municipal Finance-Day 3 (All Attendees Are Welcome)

NASP Morning Plenary
8:30 AM-10:00 AM

Design Your Plan To Address Today's Top Challenges
10:10 AM-11:10 AM
Incorporate new solutions in 457, 401(k) and 403b plan design to improve employee retention, drive engagement and enhance workplace productivity by offering solutions to address emergency savings, student loan debt offsets and preparing for health care costs while working and in retirement.

Active AND Passive Investing: Portfolio Construction in the Era of an Aging Bull Market
10:10 AM-11:10 AM
Seasoned investment professionals are all well versed in the common Active vs. Passive debate. Those who support passive investing point to the fact that it is very hard to outperform in an efficient market while active management supporters ardently argue that skilled managers have been proven to outperform over time. Modern investors rarely recognize the fact that there are attractive merits in active and passive investing. Does an investment portfolio need to be polarized in one way or another to perform well? Should asset allocators be asking themselves is my portfolio positioned for past markets or future markets? During this panel we will explore the benefits of considering both active and passive investing during the construction of a forward looking portfolio that is designed for today's increasingly complex marketplace.

Leading for the Future - Newly Elected/Appointed Treasurers and CFO's
10:10 AM-11:10 AM
In recent elections a cadre of newly minted fiscal leaders have assumed leadership. Meet the new Treasurers and CFOs charged with leading our municipal governments. Find out their top priorities and the many considerations each face in their jurisdiction.
Risk Mitigation Strategies in Different Market Environments
11:20 AM-12:20 PM
There has been tremendous growth in risk-managed equity and multi-asset strategies that seek to mitigate downside risk. Strategies that incorporate various forms of

managed volatility, option overlays and low-volatility equities have attracted significant assets over the past several years. These strategies, individually and in combination, can be used to reshape investment outcomes to benefit investors. But these strategies have their strengths and weaknesses, and investors should expect them to behave differently depending on the market environment. In this discussion, we compare and contrast various risk mitigation strategies and consider how investors can use them to reshape the distribution of outcomes to better meet objectives.

Managing and Financing Emerging Needs in the Water Sector
11:20 AM-12:20 PM
Dealing with population growth, regulatory challenges, water supply/storage issues as well as the increasing incidence of stormwater intrusion. Utilizing various funding tools (revenue bonds, WIFIA, SRFs, etc.) to manage these needs.

Luncheon
12:30 PM-2:00 PM

The Evolving Role of Credit
2:15 PM-3:15 PM
The credit markets have evolved since the Global Financial Crisis (GFC) in the last decade. Today more investors are growing in their knowledge and commitments to credit as an alternative asset class. As this segment grows, what are some of the near term and longer term dynamics to consider.

Capital Markets Outlook on the Economy, Resurgence of Muni High Yield and Unique Deal Structures
2:15 PM-3:15 PM
Muni credit analysts, large issuer outlook, investor demand, what are they seeing in the market, shifts in demand/structure; increased utilization of tenders and exchanges; distressed credits.

“CIO” Plenary Session
3:25 PM-4:25 PM

April 1, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of April 10, 2019

SUBJECT: 2019 Fortune Brainstorm Tech Conference
Aspen, Colorado on July 15–17, 2019

The 2019 Fortune Brainstorm Tech Conference will be held on July 15-17, 2019 at the St. Regis Aspen Resort with events taking place at a variety of locations in downtown Aspen. The conference is designed for leaders from FORTUNE 500 companies, the top emerging entrepreneurs of the tech world, and the most important investors who finance them.

Main conference highlights include the following:

- Transportation Logistics
- Industries Most Affected by Technology
- Discuss Intersections of Tech with Other Industries, Including Entertainment

The conference will be issuing the agenda mid-May and will mirror last year's meeting agenda, which met LACERA's policy of an average of five (5) hours of substantive educational content per day. The registration fee is $8,500 and participation is subject to approval. The conference will be held at the St. Regis Aspen Resort and attendees are responsible for their hotel accommodations. The discounted hotel rates range from $400.00 to $550.00 plus applicable resort fees and taxes.

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 Fortune Brainstorm Tech Conference on July 15 –17, 2019 in Aspen, Colorado and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

FORTUNE LIVE MEDIA

Fortune Brainstorm Tech 2018

WHEN **July 16-18, 2018** WHERE **Aspen, CO**

2018 AGENDA

MONDAY, JULY 16, 2018

7:00 AM

MORNING ACTIVITIES

7:00-9:30 MAROON BELLS BIKE RIDE

*Hosted by **NYSE***

Annual 25-mile bike ride through Maroon Bells, cycling to Maroon Lake with a special photo-op stop and then downhill back to the Aspen Meadows.

Editorial Hosts: **Adam Lashinsky**, Executive Editor, and Editorial Director, Brainstorm TECH, Fortune, and **Jen Wieczner**, Senior Writer, Fortune

8:00-9:30 ANDERSON PARK YOGA
Stretching, concentration, and peace in Anderson Park at Aspen Meadows, led by local instructor Erica Behrens

8:00-12:00 ROARING FORK RIVER "DUCKIE" FLOAT
Navigate a calm section of the Roaring Fork River in an inflatable kayak. You will paddle through rapids, including Members Hole and Anderson Falls. Class II & III rapids.

8:00-12:00 ROCK CLIMBING
On the dramatic cliffs of Independence Pass, instructors will teach rock climbing skills, including knots, belaying and movement on rock, to all levels.

8:30-12:00 SUNNY SIDE TRAIL HIKE (Challenging)
*Hosted by **NYSE***
Enjoy the magnificent views of the incredible Elk Mountain Range and the town of Aspen as you take on this 3-mile ascent and return on the same trail.

8:00-12:00 SNOWMASS HIKE: RIM TRAIL (Moderate)
*Hosted by **NYSE***
Wind your way along scrub oak and aspens on the single track trail on the rim of Snowmass Village. Enjoy sweeping views of Snowmass ski area and surrounding mountains.

8:30-12:00 MAROON BELLS HIKE (Moderate)
*Hosted by **NYSE***
Take advantage of a special photo-op at the top of Maroon Lake and then enjoy a moderate 3-mile hike down to East Maroon Portal.

8:45-12:00 SNOWMASS HORSEBACK RIDE
In the beautiful mountain town of Snowmass Village, ride up the hills through scrub oak and aspens while enjoying the spectacular views of Mount Daly and the Elk Mountain Range. This ride is 1.5 hours.

9:00-12:00 STAND UP PADDLE (SUP) BOARD TOUR
The Roaring Fork River meanders through the Northstar Preserve, where you will focus on basic SUP skills such as balance, paddling techniques, and navigating swift water. A great work out—and you will most likely go swimming!

10:00-NOON ASPEN ART TOUR
Meet at Valley Fine Art Gallery, which focuses on classic American art, followed by a private viewing of exhibitions at the Aspen Art Museum—featuring Nina Katchadourian: Tweeters and Cheaters; Larry Bell; Yto Barrada: Klattu Barrada

Nikto; Cheryle Donegan: GRLZ + VEILS; and Jay DeFeo: The Ripple Effect.
Editorial Host: **Andrew Nusca**, Digital Editor and Co-chair, Brainstorm TECH, Fortune

2:00 PM

OPENING REMARKS

Clifton Leaf, Editor-in-Chief, Fortune
Michal Lev-Ram, Senior Writer and Co-chair, Brainstorm TECH, Fortune

2:05 PM

DRIVING CHANGE

Nearly one year into one of the highest-profile turnaround gigs, Uber's CEO is well past the honeymoon phase. Dara Khosrowshahi gives an in-depth update on the state of Uber's strategy, business, culture—and its coming IPO.
Speaker: **Dara Khosrowshahi**, CEO, Uber
Interviewer: **Adam Lashinsky**, Executive Editor and Editorial Director, Brainstorm TECH, Fortune,

2:30 PM

PRODUCTIVE REINVENTION

How two cutting-edge companies are transforming industries with innovative product development.
Speakers:
Shiva Rajaraman, Chief Product Officer, WeWork
April Underwood, Chief Product Office, Slack
Moderator: **Leigh Gallagher**, Senior Editor at Large and Co-chair, Brainstorm TECH, Fortune

2:50 PM

CHINA'S BIG E-COMMERCE BET

Anyone can put a product on a shelf. Not everyone can offer people a soup-to-nuts solution to sell their wares. The founder of China's biggest retailer shares his thoughts about logistics, markets, and the rise of "retail as a service."
Speaker: **Richard Liu**, CEO, JD.com
Interviewer: **Adam Lashinsky**, Fortune

3:15 PM

TECH AND THE POLICY AGENDA

Regulatory and policy issues in the Trump presidency reverberate loudly in the tech world. Net neutrality, trade, innovation, worker visa restrictions, economic growth, and privacy are all part of the debate. What tech leaders can expect.
Speakers:
Penny Pritzker, Chairman, PSP Partners; Former U.S. Secretary of Commerce
Bradley Tusk, CEO, Tusk Ventures
Moderator: **Clifton Leaf**, Fortune

3:40 PM

GRABBING THE WHEEL

Southeast Asian ride-hailing company Grab made headlines when it agreed to acquire rival Uber's business in the region. But the win may not be as easy as it seems. Now it turns to regulatory approval of the deal, feisty competitors, and managing a growing portfolio of other services.
Speaker: Hooi Ling Tan, Co-founder, Grab
Interviewer: Clay Chandler, Asia Editor, Fortune

4:05 PM

GOOGLE'S GURU OF DESIGN

Mobile, aural, personal—we interact with today's technology in radically different ways than before. Hear how a top Google design guru is harnessing her employer's computing muscle for surprisingly human experiences.
Speaker: Ivy Ross, Vice President, Design for Hardware, Google
Interviewer: Brian O'Keefe, Deputy Editor, Fortune

4:30 PM

CLOUDY WITH A CHANCE OF MASSIVE PROFITS

Today's products and companies want more power than ever before, and they want it accessible 24/7/365 in the cloud. We talk to industry leaders who are preparing for a future where intelligent interconnectivity isn't limited to the tech industry.
Speakers:
Pat Gelsinger, CEO, VMWare
Dennis Woodside, COO, Dropbox
Lisa Su, CEO, AMD
Moderator:Andrew Nusca, Digital Editor, and Co-chair, Brainstorm TECH, Fortune

4:55 PM

INCUBATING WALMART'S FUTURE

Cashless, humanless, storeless? The future of commerce is all about a radically redesigned customer experience. We talk to two leaders at the world's largest retailer about what's next.
Speakers:
Jennifer Fleiss, CEO, Code Eight
Marc Lore, CEO, Walmart eCommerce U.S.; CEO, Jet.com
Moderator: Beth Kowitt, Senior Writer, Fortune

5:20 PM

ECHOS OF THE FUTURE

Ten years ago, you asked your friends for advice. Five years ago you searched for it on Google. Today you can ask Alexa. Today's digital personal assistants bring us machine-driven answers and mind-boggling convenience alongside continued concerns about personal data and privacy.

Speaker:
Toni Reid, Vice President, Alexa Experience and Echo Devices, Amazon
Interviewer: Michal Lev-Ram, Fortune

5:45 PM

RECEPTION

Hosted by TrustToken

6:45 PM

One On One

Jerry Yang, Founding Partner, AME Cloud Ventures and Co-founder, Yahoo
In conversation with: Adam Lashinsky, Fortune

7:30 PM

BRAINSTORM BBQ

Doerr-Hosier Center
Hosted by: Adam Lashinsky, Fortune

TUESDAY, JULY 17, 2018

8:00 AM

BREAKFAST ROUNDTABLES

SO YOU'VE GOT AI. NOW WHAT?
Intelligence Track hosted by KPMG
What happens when you put artificial intelligence at the center of your business strategy? Google, Microsoft, Amazon, and others are investing in AI that anyone can use. What can your business do with this all-new capability?
Speakers:
Kris Miller, Chief Strategy Officer, eBay
Jeetu Patel, Chief Product Officer, Box
Christa Quarles, CEO, OpenTable
Kyle York, General Manager, Business & Product Strategy, Oracle
Moderator: Aaron Pressman, Senior Writer, Fortune

PUSH, NUDGES, SHOVES: HOW BEHAVIOR DRIVES MARKETING
Marketers have more ways than ever to reach, connect with, and influence customers. But an area with potential—behavioral economics, the study of psychology and how it relates to the economic decision-making process—has opened up a whole new set of possibilities for marketers.
Speakers:
Frank Cooper, Global CMO, BlackRock
Christine Cuoco, Global Head, Business Marketing, Twitter
Dani Cushion, CMO, Cardlytics

Alicia Tillman, CMO, SAP
Steven Wolfe Pereira, Chief Marketing and Communications Officer, Quantcast
Moderator: **Kristen Bellstrom**, Deputy Digital Editor, Fortune

CRYPTOCURRENCY'S WILD RIDE: FAR FROM OVER
*Finance Track hosted by **RBC Capital Markets***
What asset class has been more volatile than cryptocurrency? Many argue that virtual coins are poised to become the economic foundation of the future. Others argue that it's a flash in the pan. Where should you place your bets? We gather technologists and investors to hash it out.
Adele Faure, Assistant General Counsel, Robinhood
Hooman Radfar, Partner, Expa
Slava Rubin, Founder, Indiegogo
Micah Winkelspecht, CEO, Gem
Moderator: **Jeff Roberts**, Law & Policy Reporter, Fortune

THE FUTURE OF MOBILITY
Our world is in motion: cars, trucks, planes, trains, and every scooter and bicycle in between. Our desire to move people and goods remains constant, but the way we do it is undergoing dramatic change. In this session, we discuss the technological, social, and economic trends that are working together to transform the way we live.
Speakers:
Karl Iagnemma, President, nuTonomy
Alisyn Malek, COO, May Mobility
Nikhil Naikal, Founder, Mapper.ai
Hooi Ling Tan, Co-founder, Grab
Bonny Simi, President, JetBlue Ventures
Moderator:**Brian O'Keefe**, Fortune

9:00 AM

MOVE TO BRAINSTORM TENT

9:15 AM

MOMENTUM ON DEMAND

Call it a surge: ride-hailing contender Lyft aggressively seized market share over the past year as archrival Uber stumbled. Now, the question facing the Lyft is whether it can curtail its heavy spending to beat its longtime rival to profitability—and maybe even a public offering?
Speaker:
John Zimmer, President, Lyft
Interviewer: **Andrew Nusca**, Fortune

9:40 AM

INSIDE SOFTBANK'S BIG BETS

Few in the investment world today have made moves as large and aggressive as SoftBank. It has poured billions into some of business' biggest deals—Uber, ARM Holdings, Nvidia, WeWork, DoorDash, GM Cruise, Katerra, and more.
Speakers:
Jeffrey Housenbold, Managing Partner, SoftBank Investment Advisers
Lydia Jett, Consumer Internet Investor, SoftBank Investment Advisers
Moderator: **Dan Primack**, Business Editor, Axios

10:05 AM

MAKING MONEY MOVE

Meet the Internet of value, where digital dollars and cryptocoins zip around the world in an instant. Big businesses are itching for modernized payment rails, and consumers are exploring new money-moving options, including peer-to-peer alternatives. Quicker, cheaper financial transactions are right around the corner—and these are three of the companies making it happen.
Speakers:
Asheesh Birla, SVP, Product, Ripple
Claire Hughes Johnson, COO, Stripe
Bridget van Kralingen, SVP, Global Industries, Platforms, and Blockchain, IBM
Moderator: **Jen Wieczner**, Senior Writer, Fortune

10:30 AM

BREAK

10:55 AM

MOVING FORWARD

An exclusive interview with the U.S. Secretary of Transportation, where we'll discuss the future of roads and drones, railways and shipping, autonomous vehicles, and how to keep up with a dizzying pace of innovation.
Speaker: **Elaine L. Chao**, Secretary, U.S. Department of Transportation
Interviewer: **Alan Murray**, President, Fortune

11:20 AM

DIVERSITY AND INCLUSION: WHAT'S HAPPENED SINCE 2017?

Speaker:
Christa Quarles, CEO, OpenTable

11:25 AM

TOWN HALL 2018-TECHLASH: NAVIGATING AN INDUSTRY'S MOMENT OF CRISIS

Data privacy, fake news, anticompetitive concentration of power, job-killing and military-assisting AI, brogrammer behavior. But for these and other concerns, everything's going swimmingly for Big Tech these days. Our wide-ranging, audience-driven conversation explores what happens next and how the industry should respond.
Introduction: **Jo Ling Kent**, Business and Technology Correspondent, NBC News

OPENING REMARKS: CAN TECH FIND ITS HUMANITY?
Speaker: **Tristan Harris**, Founder, Center for Humane Technology

Featured participants:
Amy Banse, Managing Director, Comcast Ventures
Natalie Evans Harris, COO, Ecosystem Development, BrightHive
Jeff Glueck, CEO, Foursquare
Hemant Taneja, Managing Director, General Catalyst
Moderator: **Jo Ling Kent**, NBC News

12:10 PM

DEFENDING THE HEALTH OF TOMORROW'S WARRIORS

DEFENDING THE HEALTH OF TOMORROW'S WARRIORS
The Army's commanding general for medical care talks about technology, health care and preparing our soldiers to defend the country.
Speaker: **Lt. Gen. Najda West**, Surgeon General, U.S. Army
Interviewer: **Adam Lashinsky**, Fortune

12:35 PM

MOVE TO LUNCH ROUNDTABLES

12:45 PM

LUNCH ROUNDTABLES

AI AND THE WORKPLACE OF THE FUTURE
Intelligence Track hosted by KPMG
The introduction of AI, drones, robots, VR, and other cognitive tools are changing the boundaries of performance. At the same time, collaboration platforms are making it easier for people to work where they want, when they want, and on projects of their own choosing. Leaders have no choice but to adopt—and adapt to—these new tools to win.
Introduction: **Cliff Justice**, Principal, Innovation & Enterprise Solutions, KPMG
Speakers:
Mike Ableson, Vice President, Strategy, General Motors
Matt Driskill,Deputy Program Manager for Advanced Development, PMA-234, U.S. Navy
Naveen Rao, Corporate Vice President and GM, Artificial Intelligence Products Group, Intel
April Underwood, Chief Product Officer, Slack
Moderator: **Andrew Nusca**, Fortune

CHINA INNOVATION
Hosted by Yunnan
A new generation of Chinese entrepreneurs is working to build super-scale tech companies that could reset the power balance in a number of key industries. These entrepreneurs are fast and well-funded. Investors and executives share their experiences.

Introduction: **Liu Wenwei**, Member of the Standing Committee of CPC Yuxi Municipal Committee and Executive Deputy Mayor, Yuxi Municipality, Yunnan Province, P.R. China
Speakers:
Connie Chan, Partner, Andreessen Horowitz
David Chao, General Partner, DCM Ventures
Gary Rieschel, Founding Managing Partner, Qiming Venture Partners
Hans Tung, Managing Partner, GGV Capital
Deborah Weinswig, CEO, Coresight Research
Wang Ying, Managing Director, Fosun RZ Capital
Moderator: **Clay Chandler**, Fortune

INVESTING IN TIMES OF UNCERTAINTY
*Finance Track hosted by **RBC Capital Markets***
Short-term noise, breaking news, volatility—it's all there in some measure, at all times. Hear from some of the best minds in finance on what they're looking at closely, what they are staying away from, and how to tell the difference.
Introduction:**Michal Katz**, Managing Director and Co-head Technology Investment Banking, RBC Capital Markets
Speakers:
Anu Hariharan, General Partner, Continuity Fund, Y Combinator
Anton Levy, Managing Director, Global Head, Internet & Technology, General Atlantic
Katie Rae, CEO, The Engine
Mood Rowghani, General Partner, Kleiner Perkins
Trae Vassallo, Managing Director, Defy
Moderator: **Dan Primack,** Business Editor, Axios

INFORMAL NETWORKING LUNCH
Aspen Meadows Reception Center

2:00 PM **MOVE TO AFTERNOON ROUNDTABLES**

2:15 PM **AFTERNOON ROUNDTABLES**

CONNECTED, YET PROTECTED
*Intelligence Track hosted by **KPMG***
Technology's use of personal data has unlocked a wealth of new capabilities. It's also created an array of new risks. Can you design an ethical security system that uses, but not abuses, personal information? A spirited discussion about how products can preserve trust and privacy in an age of intelligent interconnectedness.
Speakers:
Tammy Franklin, Chief Digital Officer, North America, IBM
Chad Greene, Director, Integrity Investigations and Intelligence, Facebook

Hal Lawton, President, Macy's Inc.
Terry Myerson, Executive Vice President and Former Leader, Windows and Devices Group, Microsoft
Nat Natarajan,Chief Product and Technology Officer, Ancestry.com
Kirsten Wolberg, Chief Technology and Operations Officer, DocuSign
Moderator: **Aaron Pressman**, Fortune

THE TRIUMPHS AND TRIBULATIONS OF TECH TRANSFORMATION
Overhaul the way an entire organization operates? Easier said than done. Leaders including top chief information, technology, and digital officers share tales from the trenches—from skills gaps to process problems to operational overhauls—and discuss what they wish they had known about embracing new technologies.
Speakers:
Jeremy King, CTO, Walmart Labs
Christine Landry, Group Chief Executive, Consumer and Industrials, Conduent
Marc Leibowitz, Global Head of Digital, Johnson & Johnson
Cathy Polinsky, CTO, Stitch Fix
Nadja West, Lt. Gen., Surgeon General, U.S. Army
Moderator: **Ellen McGirt**, Senior Editor, Fortune

THE NEW SCIENCE OF FITNESS
Can we innovate our way to better bodies and better lives? We convene executives and athletes—both pros and amateurs—to discuss the technologies making fitness and human performance more formidable.
Speakers:
George Hincapie, professional cyclist
Siobhan McFeeney, Global Leader, Business Transformation, Pivotal
Mark Verstegen, Founder, EXOS
Geoff Woo, CEO, HVMN
Moderator: **Clifton Leaf**, Fortune

3:00 PM

RETURN TO BRAINSTORM TENT

3:15 PM

10 LESSONS, 10 MINUTES: THE PERILS OF STOCK PICKING IN TECH

Mark Mahaney, Managing Director, Internet, RBC Capital Markets

3:25 PM

THE FUTURE OF ENTERTAINMENT

What role do creatives play in a world driven by algorithms? How are people consuming movies, television, and more today—and what does tomorrow hold? We discuss new experiences and business models with top industry executives.
Speakers:

Robert Bakish, CEO, Viacom
Stacey Sher, Co-president, Activision Blizzard Studios
Moderator: **Andrew Nusca**, Fortune

3:50 PM

WHEN THE CUSTOMER COMES FIRST, IKEA STYLE

TaskRabbit, a founding member of the so-called "gig" economy, made headlines in September when it was acquired by Swedish home goods company IKEA. The startup's new task: helping its owner digitize and embrace on-demand customer service.
Speaker:
Stacy Brown-Philpot, CEO, TaskRabbit
Interviewer: **Leigh Gallagher**, Fortune

4:10 PM

EAT. SLEEP. PERFORM. REPEAT.

The well-being and performance of every person on your team is vital to the success of your company. Here's how you get there.
Speaker:**Mark Verstegen**, Founder, EXOS

4:20 PM

WHAT IMPACT WILL AI HAVE ON HUMANITY?

Artificial intelligence is emerging as an enabler of both our greatest potential and our worst tendencies. How will humans ensure that one of technology's greatest advancements is used responsibly? A dialogue about the precarious balance between human and machine.
Speakers:
Mike Ableson, Vice President, Strategy, General Motors
Mike Capps, CEO, Diveplane Corp.
Moderator:**Marissa Mayer**, Co-founder, Lumi Labs and Co-chair, Brainstorm TECH

4:45 PM

THE NEW BATTLE FOR TRAVEL

The world's most-visited travel website rakes in billions of dollars of revenue for its parent company (the former Priceline Group) but faces an existential threat in Airbnb—and a constant competitor in Expedia—as the travel market expands to include home-sharing.
Speaker:
Gillian Tans, CEO, Booking.com
Interviewer: **Michal Lev-Ram,** Fortune

5:10 PM

ADJOURN

5:30 PM

RECEPTION

Residence of Laura and Gary Lauder

9:30 PM

NIGHTCAP

*Hosted by **Toptal***

WEDNESDAY, JULY 18, 2018

8:00 AM

BREAKFAST ROUNDTABLES

IS TECHNOLOGY INHERENTLY BIASED?
Algorithms increasingly control decision making at corporations, within government, and in our daily lives. It can be remarkably efficient—but it turns out that algorithmic bias is also part of the process. We'll take a look at the so-called "myth of neutrality" and its implications for technology and society.
Speakers:
Julio Avalos, Chief Strategy Officer, GitHub
Jon Cohen, Head of Research, SurveyMonkey
Karla Monterosso, CEO, Code2040
Bärí Williams, Legal and Operations Adviser, Owl
Moderator: **Ellen McGirt**, Fortune

SECURITY IN THE BUILT ENVIRONMENT
Tech-equipped public transit systems, intelligent energy grids, smart structures of all kinds—we have wired up the physical world around us. Are we prepared to secure it from threats?
Speakers:
Patrick Bass, CEO, thyssenkrupp North America
Gary Lauder, Managing Director, Lauder Partners, LLC
Alisyn Malek, COO, May Mobility
Brendan Wallace, Managing Partner, Fifth Wall Ventures
Jeremy Warren, CTO, Vivint Smart Home
Moderator: **Jeff Roberts**, Fortune

SILICON UNION: A NEW TECH GENERATION IN EUROPE
Swimming in Spotify's wake are a number of well-funded tech businesses poised to put a new face on an industry. Key players convene to discuss the successes and issues facing Europe's tech community.
Speakers:
Pascal Cagni, Ambassador for International Investment and Chairman, Business France
Maëlle Gavet, COO, Compass

Cem Sertoglu, Partner, EarlyBird
Hiro Tamura, Partner, Atomico
Donal Travers, Head, Technology, IDA Ireland
Robert Vis, CEO, MessageBird
Mei Wen, Founder, Startup Sweden
Kamran Zaki, President, North America, Adyen
Moderator: **Polina Marinova**, Editor, Term Sheet, Fortune

MARKETING REIMAGINED: LEVERAGING NEW TOOLS
Never before have there been so many tools—and so much customer data—at the fingertips of today's top marketers. And yet: How do you model, predict, and improve performance when customer journeys keep changing? You need to work with other corporate functions effectively, know what the platforms of tomorrow can offer, realize when big data is too big, and always personalize, personalize, personalize.
Speakers:
Brad Dickerson, CEO, Blue Apron
Dawn Laguens, Chief Brand Officer, Planned Parenthood Federation of America
Monica Long, Senior Vice President, Marketing and Communications, Ripple
Joe Marchese, President, Advertising Revenue, Fox Networks Group
Ross Martin, CEO, Blackbird
David Roman, CMO, Lenovo
Dara Treseder, CMO, Business Innovations and GE Ventures, GE
Moderator:**Beth Kowitt**, Fortune

8:45 AM

MOVE TO BRAINSTORM TENT

9:00 AM

HOW THIS STARTUP PASSED THE SCALE TEST

It wasn't so long ago that a generation of on-demand startups commanded billion-dollar valuations and bullish growth prospects. Then reality set in. We talk to two business partners who weathered the storm and maintained their focus on sustainable scale.
Speakers:
Alfred Lin, Partner, Sequoia Capital
Tony Xu, CEO, DoorDash
Moderator:**Andrew Nusca**, Fortune

9:25 AM

THE NEW SPACE ECONOMY

As rockets become reusable and launches become commonplace, the final frontier feels closer than ever. A status update on the state of space tourism, moonwalks, and missions to Mars.
Speakers:

Dan Hart, CEO, Virgin Orbit
Howard Lance, CEO, Maxar Technologies
Moderator: Aaron Pressman, Fortune

9:50 AM

CYBERSECURITY'S NEW GAME OF RISK

Security is everyone's concern. Hear from two of the fiercest digital defenders on how they go about protecting Wall Street to Silicon Valley—and beyond. A discussion about realism and the state of cybersecurity.
Speakers:
Jen Easterly, Managing Director; Global Head, Cybersecurity Fusion Center, Morgan Stanley
Jay Kaplan, CEO, Synack
Moderator: Robert Hackett, Senior Writer, Fortune

10:15 AM

SWIPING, DATING AND DRAMA

For years, Match Group has dominated the online dating market. But now Facebook's jumping in; a white-hot startup is nipping at its heels; and the pressure's on to innovate after hatching the industry's last major invention – the "swipe." We chat with the company's new CEO in her first on-stage conversation since taking the reins.
Speaker: Mandy Ginsberg, CEO, Match Group
Moderator: Leigh Gallagher, Fortune

10:40 AM

AN OPTIMIST'S GUIDE TO THE GALAXY

A wide-ranging conversation with acclaimed author Thomas L. Friedman on politics, technology, economics, society, and surviving (and thriving) in an age of extraordinary acceleration.
Speaker: Thomas L. Friedman, *New York Times* columnist and author of *Thank You For Being Late*
Interviewer: Alan Murray, Fortune

11:10 AM

CLOSING REMARKS

April 1, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of April 10, 2019

SUBJECT: National Association Corporate Directors (NACD)
Boot Camp for Aspiring Public Company Directors
May 13, 2019 in New York, New York

The NACD Boot Camp for Aspiring Public Company Directors will be held on May 13, 2019 at the Harvard Club in New York, New York. This program is designed for individuals who currently sit on large nonprofit boards or private corporate boards; and/or are "C-Suite level", who wish to take the next step toward securing a public company board seat. The discussions of the agenda topics will be led by public company directors, or industry experts.

Main conference highlights include the following:

- Strategies for Getting on a Board
- Strategy and the Role of the Board
- Fiduciary Duties

The conference will be issuing the agenda mid-April and will mirror the 2017 meeting agenda, which met LACERA's policy of an average of five (5) hours of substantive educational content per day. The registration fee is $2,000 and participation is subject to approval. The conference will be held at the Harvard Club and attendees are responsible for their hotel accommodations. The discounted hotel rates range from $300.00 to $450.00 plus applicable resort fees and taxes.

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 National Association Corporate Directors Boot Camp for Aspiring Public Company Directors on May 13, 2019 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

Boot Camp for Aspiring Public Company Directors

Jun 8, 2017 • Boston, MA

Upcoming Chapter Events

Please contact the chapter for additional event details.

Think Like an Activist - Are You Prepared?
Apr 9, 2019
Waltham, MA

For Private Company Directors: The Evolving Nature of Tech Company Boards
May 1, 2019
Boston, MA

2019 NACD New England Director of the Year Awards
May 6, 2019
Boston, MA

New Cyber Risk Profiles: A Primer for Boards
May 14, 2019
Waltham, MA

The Aspiring Public Company Director Daylong Program
Jun 6, 2019
Boston, MA

Boston, MA

Jun 8, 2017

7:30 AM - 6:30 PM

In association with The Boston Club, the NACD New England Chapter presents the Aspiring Public Company Director Boot Camp. This program is designed for individuals who currently sit on large nonprofit boards or private corporate boards; and/or are "C-Suite level", who wish to take the next step toward securing a public company board seat. The discussions of the agenda topics will be led by public company directors, or industry experts. The program will run from registration, beginning at 7:30 am through a networking reception, concluding at 6:30 pm. Continental breakfast, and lunch, will be served.

7:30-8:00AM: **Registration** and continental breakfast

8:00 - 9:00 AM: **Corporate Governance:** Public Board Governance requirements, Board and Committee structures, functions and responsibilities; Ethics and Compliance Programs; Setting the Tone at the Top

9:00-10:00 AM: **Fiduciary Duties:** Responsibilities of Public Directors; Director Risk including recent legal cases; brief overview of D&O Insurance.

10:00 -10:15 AM: **Break**

10:15 – 11:15 AM: **Through the Financial Lens:** What all Directors must understand. Includes Hot Topics Challenging Boards.

11:15 - 12:00 PM: **Strategy and the Role of the Board:** The Role of the Board in Vision, Mission and Strategy.

12:00- 12:30 PM: **Table Discussion:** A working session to focus on the participants value to a Board. Participants will discuss his/her specific value to a Board. Each table will be led by an experienced Director.

12:30- 1:00 PM: **Break and Lunch** - Networking

1:00 – 1:45 PM: **Shareholder Relations:** Expectations of Shareholders in the current environment of activists; Effective interfacing with Shareholders; the role of Proxy Advisors; Impact of ISS/Glass Lewis

1:45pm- 2:45 PM: **Hot Topics:** Cyber Security

2:46pm- 3:00 PM: **Break**

3:00pm – 3:30 PM: **Board Types:** Differences amongst Public Corporate Board, Private Corporate Board and Mutual Fund Board

3:30pm-4:00 PM: **Board Compensation:** Overview

4:00pm- 5:00 PM: **Strategies for Getting on a Board:** Includes: preparing tools needed (bio, resume) and how to prepare for your interview. Also questions to ask before you join a board; Role of Board Refreshment.

5:00 –6:00 PM: **Closing Remarks and Networking Reception:** Meet members of the NACD-NE Board of Directors

Venue

KPMG
Two Financial Center
Boston, MA 02111

Accreditation

8 Skill Fellowship Credit(s)

NACD New England Chapter
10 Back River Road
Amesbury, MA 01913
Phone: 781-461-2668 | Fax: 978-462-4979 | Email: info@NACDne.org

March 29, 2019

TO: Each Member
Board of Investments

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

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **FIXED INCOME EMERGING MANAGER SEARCH**

RECOMMENDATION

Terminate the current Fixed Income Emerging Manager search and issue a new Request for Proposal ("RFP") after the scheduled update of LACERA's Emerging Manager Policy ("EMP"), consistent with the new EMP adopted by the Board.

EXECUTIVE SUMMARY

Six firms responded to LACERA's search for a fixed income emerging manager, and only one firm (potentially two) met the minimum qualifications. Given the low number of responses—and questions about the alignment of proposed strategies with the RFP specifications—it is unclear whether any firms will advance to the finalist stage. Therefore, Board action is necessary to take subsequent steps. Staff and Meketa recommend that the Board terminate the current search until Meketa's comprehensive review of LACERA's EMP is complete, and issue a new RFP at that time.

BACKGROUND

The Board of Investments ("BOI") authorized staff to issue an RFP for a fixed income emerging manager at the January 2019 BOI meeting (See **Attachment 1**). Staff issued the RFP in late January, and six firms responded. Based on an initial screen of the six respondents, only one firm (potentially two) meet the minimum qualifications ("MQs"). Given the low number of firms that responded and met the MQs, and questions about the alignment of proposed strategies with the search specifications, it is uncertain whether the RFP evaluation committee will have any hire recommendations for the Board.

Staff and Meketa are collaborating on this search. We considered the following three options on how best to proceed, and we recommend **Option 3**. (See **Attachment 2** for Meketa's memo.)

Option 1: Continue with the current search.
Option 2: Reissue the current search with relaxed MQs in the hope that more firms will respond.
Option 3: Terminate the current search until Meketa's comprehensive review of LACERA's EMP is complete, and issue a new RFP at that time.

DISCUSSION

The following table shows how respondent firms fared on the MQs for this search (See **Attachment 1**, page 3 of 4, for a complete set of the MQs):

Respondents	Meet MQs?	Reason / Concern
Manager 1	No	Firm AUM>$12 billion. Exceeds $2 billion max MQ
Manager 2	Potentially	AUM> $2 billion, but expects assets to decline below $2 billion threshold after distribution in 2Q2019
Manager 3	Yes	Manager uses third parties for economic research and for credit research
Manager 4	No	Single client represents more than 50% of firm's assets
Manager 5	No	Strategy does not fit Core or Core Plus Mandate
Manager 6	No	Single client represents more than 50% of firm's assets

Note that although Manager 3 meets the MQs, it outsources economic research and credit research to outside companies. Therefore, it is unclear if this manager would advance to the search finals.

Independent of the issue of whether firms met MQs, several managers proposed strategies that are not suitable for the specified mandate. The RFP instructions clearly specified that LACERA is seeking a Core or Core Plus mandate benchmarked to the Bloomberg U.S. Aggregate bond index. Nevertheless:

- Manager 4 proposed a strategy that invests in mortgage derivatives and writes puts on the S&P 500 index. The tracking error for the proposed mandate is in excess of 650 bps.
- Manager 5 proposed a strategy that relies heavily on European structured credit, with an allocation in excess of 70% to Non-U.S. dollar denominated bonds.
- Manager 6 proposed a strategy that relies on options as the primary investment tool and is benchmarked to a Treasury Inflation Protected Securities (TIPS) index.

Given the limited remaining choices after the MQ screen, staff and Meketa considered three options on how best to proceed:

Option 1: Continue with the current search.
- Pros: Search would be completed on schedule (Summer of 2019).
- Cons: High probability that none of the firms will advance to the finals.

Option 2: Reissue the current search with relaxed MQs in the hope that more firms will respond. Potential changes include increasing the AUM cap from $2 billion to $3 billion, or reducing the experience requirement from 5 years to 3 years.

- Pros: Relaxing MQs might result in more submissions, with a relatively short delay in completing the search. Based on the eVestment database, 10 additional firms may qualify.
- Cons: The original search was widely reported in the press, so there's no assurance that relaxing the MQs would result in more proposals that are aligned with the search specifications.

Option 3: Terminate the current search until Meketa's comprehensive review of LACERA's EMP is complete, and issue a new RFP at that time, consistent with the new EMP adopted by the Board.

- Pros: Could result in a completely different search, based on Meketa's thorough review and update of LACERA's EMP.
- Cons: Would delay the search by at least six months.

Staff recommends Option 3 because its pros greatly outweigh the cons. Meketa is scheduled to deliver the first in a series of presentations designed to revamp LACERA's EMP at the April BOI meeting. Meketa's holistic review will reflect the Board's input and direction, and it will address the policy's objectives, scope, and implementation practices. The review will also take into account the composition of the emerging manager universe. The new policy will provide a blueprint for issuing a new RFP for a fixed income emerging manager. Meketa's work may very well point to other segments of the fixed income market where a search for emerging managers may be more productive.

CONCLUSION

Given the limited number of qualified responses to LACERA's current RFP for a fixed income emerging manager offering a Core or Core Plus mandate, staff and Meketa recommend terminating the search and issuing a new RFP after Meketa updates LACERA's EMP. The new search parameters will be in line with the new EMP adopted by the Board.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer
VM

LACERA

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% allocation[1] 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% allocation[1] 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

RZS:rzs

ATTACHMENT 2

MEMORANDUM

To: LACERA Board of Investments

From: Stephen McCourt, Leandro Festino, Tim Filla, Andrea Light, Meketa Investment Group

Date: April 10, 2019

Re: Fixed Income Emerging Manager Search

In January 2019, the Board of Investments ("Board") approved staff's recommended Fixed Income Emerging Manager Request for Proposal (RFP). Staff initiated the RFP in late-January and received six responses. Of those respondents, only one firm met the RFP's mandate and minimum qualifications ("MQs"), and one firm potentially met them. Given the low response rate and the ongoing update of the Emerging Manager Policy, staff and Meketa Investment Group recommend that the Board terminate the current search until after the Emerging Manager Policy Review is finalized.

The RFP called for fixed income managers who met LACERA's definition of emerging (generally, less than $2 billion AUM and less than five years of investment performance) specializing in liquid strategies, such as core/core plus strategies benchmarked to the Bloomberg Barclays U.S. Aggregate Index whose primary risk is changes in interest rates. Additionally, the mandate called for strategies that focused primarily on traditional fixed income instruments, such as U.S. Treasury, corporate, asset-backed, commercial mortgage-backed and mortgage-backed securities rated investment grade.

Four out of six respondents did not meet the MQs and/or the specified mandate. One of the six respondents barely met the AUM requirement and one met all the requirements, but uses third party vendors for economic and credit research. Therefore, it is unclear whether any firm will advance to the finalist stage. Staff, along with Meketa, considered the following three options in deciding how to proceed:

1. Continue with the current search
2. Reissue the current search with relaxed MQs in the hope that more firms will respond

3. Terminate the current search until Meketa's comprehensive review of LACERA's Emerging Manager Policy is complete, and reissue the RFP at that time

Of these options, staff and Meketa believe Option 3 to be most prudent. We feel that, given the limited number of emerging fixed income managers, a thorough review of the universe and LACERA's Emerging Manager Policy could affect the program's objectives, scope, and implementation practices.

In conclusion, we concur with staff's recommendation to terminate the current Fixed Income Emerging Manager Search. The RFP could be reissued after the Emerging Manager Policy is updated. We would be pleased to elaborate on this recommendation at the upcoming Board meeting in April. In the meantime, if you have any questions or would like to additional information, please call us at (760) 795-3450

LF/AL/srt

L//.CERA

March 28, 2019

TO: Each Member
Board of Investments

FROM: Cash Overlay Evaluation Team
Jude Pérez, Principal Investment Officer
Chad Timko, Senior Investment Officer CT
Dale Johnson, Investment Officer

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **CASH OVERLAY MANAGER SEARCH**

RECOMMENDATION

Approve Parametric Portfolio Associates LLC to manage a passive cash overlay mandate and approve Alphaengine Global Investment Solutions to run a "paper" active cash overlay portfolio on the total Fund for six months.

EXECUTIVE SUMMARY

In November 2018, LACERA initiated a search process to identify the most suitable candidate to serve as the investment manager for a cash overlay program. A cash overlay program is a comprehensive, custom solution designed to maintain investment policy target asset allocation exposures through the use of highly liquid index futures that minimize transactions of LACERA's physical holdings and the associated costs. The program could potentially increase total Fund performance by 0.1% to 0.2%[1] per year over a full market cycle after all costs.

As part of the Request for Proposal ("RFP"), staff sought information on active cash overlay services. Through the responses, a manager by the name of Alphaengine Global Investment Solutions ("AEGIS") was identified as possibly being able to add value to the Fund's rebalancing practices. Staff is requesting that the Board authorize AEGIS to run a "paper" active cash overlay portfolio on the total Fund for six months. After that time, they could be invited to present their findings to the Board and in the interim, staff will continue with due diligence on AEGIS. More detail on AEGIS is provided at the end of this memo.

Meketa Investment Group, LACERA's general consultant concurs with staff's recommendations and has provided a support memorandum (**Attachment 1**).

---

[1] This incremental net total Fund return projection for LACERA is calculated considering a $1 billion cash overlay program with cash securitization and portfolio rebalancing services. Considering LACERA's asset allocation, representative index returns between 2004 and 2018, management fees, transaction costs, and rebalancing activity, this modeled program generated 0.1% to 0.2% annualized incremental return, depending on specifics of the rebalancing approach such as established ranges.

BACKGROUND

As previewed at the July 9, 2018 Board of Investments ("BOI" or "Board") offsite, staff discussed the utilization of a cash overlay program. Such a program is designed to reduce cash drag, increase portfolio efficiency and assist rebalancing. The request to initiate the RFP was advanced to the Board at the September 2018 Credit and Risk Mitigation Committee, approved by the Board at the October 2018 meeting, and then issued to the public in November 2018.

Mandate Description

Institutions such as LACERA set an asset allocation target for cash at 1% or less, since cash is expected to generate lower returns than other asset categories over the long term. However, it is necessary to hold some amount of cash in order to make benefit payments, pay operating expenses, and meet capital call obligations for select investment commitments. Over time, cash balances cause a return-based "drag" on performance because the expected return on cash is lower than other asset categories. In the current environment with relatively lower go-forward return forecasts across assets, decreasing cash drag and capturing incremental sources of returns may be necessary for LACERA to achieve its actuarial return target. This makes enhanced cash management an important part of portfolio management. The implementation of a cash overlay program has the potential to reduce the cash drag mentioned above, as well as deliver an incremental source of return by potentially increasing the total Fund return by an annualized 10 to 20 basis points.

A cash overlay program would help LACERA to invest consistent with its established strategic asset allocation, a core tenant of the organization's Investment Beliefs. The program would also allow LACERA to be fully invested while retaining all the benefits of "on demand" liquidity. Additionally, cash overlay services benefit exposure management during rebalancing and transition events. By expanding the investment toolkit and utilizing a cash overlay program to reduce risk in the form of tracking error, LACERA may better balance liquidity management with more efficiency. A cash overlay program would include the following:

- Securitization of Excess Cash
    - Provide securitization on "non-working" cash to achieve market exposure to LACERA's policy benchmark allocations. Securitization involves maintaining cash balances and posting limited collateral to invest in derivatives such as futures in order to gain market exposure and reduce cash drag on the portfolio. Cash that exceeds LACERA's 1% allocation target and cash held by investment managers would be securitized. Adjustments most commonly take place when exposures are out of target ranges or large cash flows are incurred in order to maintain LACERA's policy benchmark allocations. An example of cash securitization can be found in **Exhibit 1**.

- Exposure Management during Portfolio Rebalancing
    - Provide flexible and cost-effective portfolio rebalancing solutions. In addition, transaction costs and market exposure gaps from rebalancing activity of physically held securities may cause investment exposures to deviate from targets and increase tracking error risk. Transaction costs may be minimized, and liquidity and efficiency may be increased, by using liquid index futures to maintain portfolio exposures and reduce the number of physical security transactions. Rebalancing through an overlay program would help achieve policy objectives and reduce tracking error to the policy benchmark. An example

of cash securitization and using futures to maintain policy targets for rebalancing purposes can be seen in **Exhibit 1**.

- Exposure Management during Transitions
  - Provide investment exposure management services when external managers are being hired and/or fired but outflow and inflow dates may not align. This mitigates or prevents assets from being unexposed to specific market segments during the movement of capital in an effort to reduce cash drag and reduce tracking error to the policy benchmark.

- Customized Exposure and Exposure management
  - Provide the expertise and facility to implement unique exposure needs across the portfolio on a capital and cost efficient manner. The manager would be authorized to trade only in centrally cleared index futures, exchange traded funds, and liquid public securities. For this mandate, swaps would not be allowed.

The use of a cash overlay program is intended to help achieve policy objectives more effectively through adherence to detailed investment guidelines.

Mandate Risks

Market Risk: The risk that the market performs in a way that was not anticipated. For example, cash outperforms capital markets. Systematic market risk is an inherent part of the overlay program and can neither be diversified away nor mitigated. The market risk would be designed to be representative of the diversified LACERA total Fund. LACERA would have specific guidelines that clearly define the desired market risk based on the approved strategic asset allocation targets.

Margin/Liquidity Risk: The risk that market movements will result in the need for the posting of incremental variation margin or collateral in the margin pool. The margin would be closely managed and it would be required that the overlay manager report on a daily basis the dedicated margin required, the excess amount available, and an estimate of the magnitude of an adverse market move which would require additional funds. In addition, a majority of the overlay program could be liquidated in one day without incurring a markdown and there would be no direct borrowing in the proposed cash overlay program.

Tracking Error Risk: The risk that the synthetic exposure of an index has a tracking error to its intended benchmark. While a cash overlay manager would seek to minimize tracking error by utilizing optimized futures baskets, it should be noted that a program of this nature would have some tracking error that cannot be mitigated by an overlay manager.

Counterparty Risk: The risk that the counterparty in an over the counter ("OTC") transaction defaults. OTC swap exposure is not necessary for a disciplined cash overlay and rebalancing program. In addition, with respect to derivatives, only index futures would be used for the LACERA cash overlay program. All future contracts are centrally cleared through a central exchange.

Portfolio Fit

A cash overlay program is designed to fit within the total Fund and not a specific asset category, as it would model the four functional asset categories per LACERA's strategic asset allocation. The program would also serve as a risk management tool and provide the total Fund greater flexibility, increased expected returns, and reduced expected tracking error relative to policy allocation targets. These factors would increase the efficiency of portfolio management and improve policy alignment across the total Fund.

EVALUATION SUMMARY

Fifteen firms responded to LACERA's RFP. The RFP included a questionnaire, which consisted of 143 questions and a request for 16 supplemental exhibits. **Table 1** identifies mandates for which the 15 responding firms submitted a proposal.

Table 1
RFP RESPONDENTS
(15 firms – in alphabetical order; ☒ indicates a firm responded to the mandate)

FIRM	MANDATE		
	Passive Cash Overlay	Active Cash Overlay	Currency Overlay
1. Adrian Lee & Partners			☒
2. Alphaengine Global Investment Solutions LLC		☒	☒
3. BlackRock, Inc		☒	☒
4. BNP Paribas Asset Management			☒
5. CIBC Asset Management Inc			☒
6. Goldman Sachs Asset Management	☒	☒	☒
7. Legal & General Investment Management America		☒	
8. Mesirow Financial Investment Management, Inc			☒
9. Millenium Global Investments Limited			☒
10. Neuberger Berman Investment Advisers LLC			☒
11. NISA Investment Advisors, LLC	☒		☒
12. Parametric Portfolio Associates LLC	☒		☒
13. Russell Investments	☒	☒	☒
14. State Street Global Advisors	☒	☒	☒
15. UBS Asset Management (Americas) Inc		☒	☒

An evaluation team comprised of Jude Pérez, Chad Timko, and Dale Johnson scored RFP responses and met with select candidate firms. John Kim, Quoc Nguyen, and Scott Zdrazil helped the evaluation team during stages of the search process.

The evaluation team reviewed and scored responses from five firms who proposed a passive cash overlay mandate and met the minimum qualifications. The five responding firms were Goldman Sachs Asset Management ("Goldman"), NISA Investment Advisors, LLC ("NISA"), Parametric Portfolio Associates LLC ("Parametric"), Russell Investments ("Russell"), and State Street Global Advisors ("State Street"). Phase One scores are shown below in **Table 2**.

Table 2
PASSIVE CASH OVERLAY - PHASE ONE SCORING

Candidate Firm	Phase One Score
Parametric	92
NISA	91
State Street	89
Goldman	85
Russell	85

During this initial review, three firms were selected as semifinalists to be interviewed at LACERA's offices. The semifinalist responses demonstrated experience implementing passive cash overlay mandates and the firms had established practices for portfolio management, risk management, and trading.

The Evaluation Team met with key members of the semifinalist firms at LACERA's offices and scored each firm as show below in **Table 3**.

Table 3
PASSIVE CASH OVERLAY - PHASE TWO SCORING

Candidate Firm	Phase Two Score
Parametric	94
NISA	91
State Street	86

In phase two, the Evaluation Team discussed topics including the organization, professional staff, research, operations, trading, and reporting. The in-person discussions allowed for a deeper dive into areas such as firm ownership, compensation, and how the candidate firm would interact with LACERA and LACERA's custodian to construct an overlay portfolio.

Two firms were selected to be finalists: NISA and Parametric. An onsite diligence meeting was conducted for each finalist and scores for each firm after this phase are shown below in **Table 4**.

Table 4
PASSIVE CASH OVERLAY - PHASE THREE SCORING

Candidate Firm	Phase Three Score
Parametric	95
NISA	91

Based on the evaluation of RFP responses and subsequent interviews, the Evaluation Team recommends that Parametric be selected to perform passive cash overlay services for LACERA. Throughout the evaluation process, Parametric demonstrated well-established practices and strengths across the evaluation categories.

The following section provides additional detail on the finalists. **Attachment 2** to this memo provides greater detail on the search, including a timeline, a review of the search process and evaluation criteria.

INFORMATION ABOUT THE FINALISTS

The two finalists for the passive cash overlay search are NISA and Parametric. Staff found both firms to be the most experienced, have deeper investment teams and resources, and have a core focus on managing overlay strategies. Cash overlay services provided by the other firms that responded to the RFP, were ancillary components of their investment management service offerings. To further distinguish between the two finalists, this section provides an assessment of strengths and concerns of each, additional information about the firm and investment teams, and the proposed fee structures.

Table 5 summarizes the strengths and concerns of the two finalists identified during the search process.

Table 5
Passive Cash Overlay
Finalist Strengths and Concerns Comparison

NISA	Parametric
Strengths	
1. **Ownership Structure:** 100% employee owned 2. **Breadth of Execution Tools:** deep experience with multiple sources of implementation 3. **Counterparty Management:** strong relationships with counterparties 4. **Unique Research:** insights developed from other strategies such as liability-driven investing, may be applicable to overlay 5. **Culture:** entire firm at one location and strong focus on employee health and well-being	1. **Experienced:** managing overlay programs for institutional investors since 1986 2. **Investment Management System:** automated straight-through processing software developed and maintained in-house and tailored to investment team's needs 3. **Client Focus:** dedicated client service team tailors level of interaction with client 4. **Online Dashboard:** daily positioning and performance available to client 5. **Resources:** parent company provides depth and breadth of support services 6. **Strong Operations:** top tier practices, systems, controls, and compliance on mid and back office functions
Concerns	
NISA	**Parametric**
1. **Investment Management System:** multiple off-the-shelf systems 2. **Client Base:** low number of defined benefit public pension clients	1. **Ownership Structure:** wholly owned subsidiary of traditional asset manager

Company profiles for the finalists, Parametric and NISA, are below.

PARAMETRIC

Organization

Parametric Portfolio Associates LLC ("Parametric") was founded in 1982 and became a subsidiary of Eaton Vance in 2003. Parametric is headquartered in Seattle, Washington with additional investment centers in Minneapolis, Minnesota and Westport, Connecticut. Parametric offers overlay services and risk management solutions through its Minneapolis investment center, which was formerly the Clifton Group Investment Management Company ("Clifton Group") and was acquired in 2012. As of December 31, 2018, Parametric's total assets under management were $216.6 billion, of which $77.0 billion was in overlay products across 212 clients. Parametric employs 455 individuals across its three offices; 96 are investment professionals, and of these professionals, 31 cover Parametric's overlay strategies in Minneapolis. Investment professionals may participate in Parametric profit sharing and equity plans and the Eaton Vance equity incentive plan as a component of their compensation, which helps, align client, employee, and firm interests.

Some of the firm's notable pension clients include Marin County Employees' Retirement Association, New Mexico Public Employees Retirement Association, Orange County Employees Retirement System, and Wisconsin Investment Board. Parametric became a signatory to the Principles for Responsible Investment in 2018. Parametric does not have a formal ESG policy. The overlay strategy under consideration is derivative based and is not conducive to ESG analysis and integration. As such, the Parametric strategy would rate a "1-None" for ESG Assessment Rating on LACERA's Manager Scorecard.

Parametric believes that it can add consistent value through portfolio construction and the implementation of a rules-based and transparent investment process. The overlay service is designed to utilize an array of investment instruments to achieve client objectives through adherence to detailed investment guidelines. The overlay service seeks to add value to the total Fund through: 1) increased expected portfolio returns, liquidity, and flexibility; 2) reduction of tracking error and performance risk relative to the policy benchmark; 3) comprehensive daily monitoring and reporting of total Fund exposures; and 4) best execution and exposure management cost reduction. The overlay program is designed to fit within institutional portfolios in a flexible, non-disruptive manner.

Each overlay program is managed as a separately managed account in a rules based manner. As such, there is not a formal investment committee that convenes for decision making for each overlay program. However, each program is managed in a team-based environment, ensuring consensus on all overlay activity. Each client is assigned a team consisting of three to six portfolio managers and two to three investment analysts. An investment analyst must review and submit a portfolio to the portfolio management team prior to execution by the lead portfolio manager. Further, all overlay trade activity must be approved by a secondary portfolio manager prior to execution by the lead portfolio manager. In addition, senior investment personnel regularly meet to discuss topical client activity, industry developments, process improvement, research agendas, and strategic initiatives.

Parametric typically serves in a discretionary capacity in its overlay management mandates. However, Parametric's overlay process and philosophy are aligned towards providing efficient and risk controlled exposure. As such, Parametric's decision-making latitude is restricted to the targets and respective tolerance bands outlined in the investment guidelines. Investment guideline parameters are entered into the portfolio management and compliance systems to ensure that all parameters are adhered to.

Staff's Observations

Staff views the experience and knowledge of the Parametric portfolio management team as one of the firm's competitive advantages. The overlay team, which includes many of the original Clifton Group members, have been working together for over eight years and is very stable. The team members are compensated on overall performance of responsibilities, and not directly on investment performance and assets under management. This structure reduces the likelihood of unnecessary risk taking or creating unaligned incentives.

The other competitive advantage is Parametrics' proprietary Investment Management System, a leading edge platform. It seamlessly integrates all aspects of the organizations operations into one system, reducing the potential for breaks and failures in data handling and management. An in-house development team has built an application that works across all of Parametric's strategies and combines the insight and demands of the other investment teams and products. It is highly-structured and rules-based, essentially driving the investment process from start to finish. Throughout the search, Parametric best demonstrated mid and back office practices that were well established and repeatable with independent controls and compliance checks.

Staff's main concern about Parametric is related to ownership structure. Parametric is majority owned by Eaton Vance, a traditional equity and fixed income investment management firm. The revenues from overlay strategies are not as robust as traditional investment management services and as a result, there could be pressure to raise fees on derivative based strategies. Mitigating this concern, Parametric is relatively autonomous and self-sufficient and maintains its own income statement and balance sheet. It is also able to leverage the support services of the parent company when needed. Additionally, the staff at Parametric are focused on cash overlay mandates, with no apparent aspirations to expand the business to offer unrelated services.

Professional Staff

The lead portfolio manager for the cash overlay product is Justin Henne, CFA, Managing Director. He is supported by Alex Braun, CFA, Portfolio Manager and three other associate portfolio managers. Mr. Henne has been with Parametric and Clifton Group for over 14 years. Mr. Braun has been with Parametric for eight years.

The broader investment team includes another 20 investment and quantitative analysts, with over 10 years of experience on average, who are responsible for the investment process and research for all of Parametric's overlay products. The PMs are integral to the research process as they incorporate their experiences and observations from day-to-day research, monitoring of client portfolios, performance, and markets. The biographies of LACERA's proposed investment team members are provided in the section below.

Justin Henne, CFA, Managing Director, leads the investment team responsible for the implementation and enhancement of Parametric's Customized Exposure Management product. Since joining Parametric (Clifton Group) in 2004, Mr. Henne has gained extensive experience trading a wide variety of derivative instruments in order to meet each client's unique exposure and risk management objectives. He earned a BA in Financial Management from the University of St. Thomas. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Alex Braun, CFA, Portfolio Manager, leads a team of investment professionals responsible for designing, trading and managing overlay portfolios. Prior to joining Parametric (Clifton Group) in 2010, Mr. Braun interned at Imperial Capital (formerly Mercanti Group). He earned a BS degree in Finance and Accounting from the Carlson School of Management at the University of Minnesota. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Allie Neese, CFA, Associate Portfolio Manager, is responsible for designing, trading, and managing overlay portfolios. Prior to joining Parametric (Clifton Group) in 2012, Ms. Neese worked as an intern in Investment Research and Private Banking for Wells Fargo. She earned a B.B.A. in Financial Markets-Finance from the University of Minnesota Duluth. She is a CFA charterholder and a member of the CFA Society of Minnesota.

Joseph Zeck, CFA, Associate Portfolio Manager, is responsible for designing, trading, and managing overlay portfolios. Prior to joining Parametric in 2014, Mr. Zeck worked for Trust Point as a Portfolio Manager. He earned a BS degree in Finance from St. Cloud State University. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Macki Anderson, CFA, Associate Portfolio Manager, is responsible for designing, trading and managing overlay portfolios. He is also responsible for coordinating with other departments within the organization to enhance business processes, efficiencies, and risk controls, ensure reliability and accuracy of asset data, broker margin information, and asset pricing. Prior to joining Parametric in 2014, Mr. Anderson worked as a Finance Intern for US Bank and was responsible for developing data extraction methods to analyze financial federal ledger entries and create effective internal controls. He earned a BS in Finance from the University of Minnesota. He is a CFA charterholder and a member of the CFA Society of Minnesota.

Compliance, Continuity, Controls, and Personnel Matters

Parametric has a nine-person compliance team with three members located in Minneapolis. This includes the Deputy Chief Compliance Officer, Compliance Officer, and a Compliance Analyst. In addition, the resources of the parent company, Eaton Vance, are also available to Parametric. No investment compliance or regulatory issues were identified in the firm's ADV or RFP response, nor during discussions of this topic with Parametric.

Parametric's business continuity and disaster recovery program seeks to reduce the likelihood of a business interruption and to resume operations quickly in the event that a business interruption does occur. Parametric conducts various tests and exercises throughout the year.

Parametric has not completed a SOC-1 audit but anticipate an initial review in calendar 2019 with annual recertification thereafter. Eaton Vance, the parent company of Parametric, undergoes an annual SSAE 16 audit and conducts various internal audit and Sarbanes Oxley reviews of Parametric.

Based on a search of the public domain and discussions with Parametric, there are no known judicial, regulatory, or legal claims related to equal employment opportunity, workplace discrimination, or sexual harassment regarding the firm or any of its employees.

Diversity and Inclusion

Parametric maintains a workplace diversity and inclusion policy, inclusive of policies addressing sexual harassment. The firm reports that 18 percent of its U.S. executive and investment professionals are women and 23 percent are people of color (non-U.S. employees are minimal). The firm represents that it has not been subject to any judicial, regulatory, or other legal finding, formal action, or claims relation to equal employment opportunity, workplace discrimination, or sexual harassment during the past twelve years. The firm has disclosed one settlement relating to a potential claim of sexual harassment during the past twelve years. Parametric, and its parent company Eaton Vance, collaborate with industry initiatives to support D&I internally and among asset managers. It maintains a Diversity and Inclusion Leadership Council, which sets D&I strategy and reviews D&I key performance indicators on an annual basis on both a firm and business unit basis, including demographic profiles and turnover rates. It conducts a pay disparity analysis to discern pay disparities on an annual basis. Employees terminated for cause, such as workplace misconduct, will forfeit unvested equity incentives.

NISA

Organization

NISA, LLC which began managing assets in 1994 has been offering derivative strategies such as cash overlay programs to clients since 1998. As of December 31, 2018, NISA has $319 billion in assets under management and, of those assets, $131 billion (41%) represented overlay products across 65 clients. NISA operates from its St. Louis, Missouri office and employs 270 individuals; 124 are investment professionals, and of these professionals, 84 cover NISA's overlay strategies. NISA is 100% employee owned across nine senior professionals and 68 professionals have participation interests in the company's phantom ownership plan, which helps align client, employee, and firm interests.

NISA provides investment management services to only institutional clients. Some of the firm's notable pension clients include Alaska Permanent Fund Corporation, Missouri State Employees' Retirement Fund, and Pennsylvania State Employees' Retirement Fund. NISA is not a signatory to the Principles for Responsible Investment. The firm does not have a formal ESG policy but maintains an ESG Restrictions Policy applicable to its fixed income and derivatives-based strategies. The ESG Restrictions Policy addresses the exclusion of specified issuers within fixed income strategies and the utilization of customized over-the-counter derivative instruments to incorporate a client's ESG guidelines in derivative-based strategies, if the client requires such restrictions. The overlay strategy under consideration is derivative based and is not conducive to ESG analysis and integration. The NISA product would rate a "1-None" for ESG Assessment Rating on LACERA's Manager Scorecard.

NISA's philosophy for its passive overlay strategies is to not incur active risk in pursuit of excess market returns, but rather seek to achieve market performance and exposure based on a clients' strategic asset allocation while carefully managing costs. NISA believes there is no one-size-fits-all investment solution. Client preferences and risk tolerances may result in different strategies, which require custom solutions. NISA also believes that no investment decisions are made in isolation. That is, even if the instrument selected for the overlay is a futures contract, NISA's team will consider the futures position in the context of, and its cost/benefits weighed against, any practicable alternatives (i.e., total return swap, repurchase agreement, or the underlying physical position). NISA's investment philosophy helps to ensure that each client's specific risk and return objectives are met while controlling for cost.

With respect to NISA's overlay service, for cases where instrument selection, tracking error/transaction cost tradeoffs and rebalancing decisions are assigned to the investment manager, NISA utilizes its Strategic Portfolio Management team for evaluating and monitoring the engagement and determining strategy implementation and adjustments. Separately, members of the Hedge Portfolio Management team as well as the Fixed Income and Derivatives Portfolio Management Group, verify that all proposed trades meet the objectives specified in the investment guidelines from an exposure perspective. Each team independently accesses plan data used in calculating any beta overlay trades. As part of that process, a general reasonableness test will be applied to all data based on NISA's understanding of the overall plan structure.

Risk management is a key function at NISA and is essential for managing counterparty risk, which is the primary risk when trading derivative instruments in overlay strategies. There are several teams at NISA involved in managing counterparty risk, which include the Best Execution Committee, the Compliance Group, the Credit Committee, and the portfolio management groups. These groups are led by senior members of the firm and have various roles including managing collateral, reviewing counterparty creditworthiness, evaluating broker-dealer performance, and diversifying counterparty exposure, which collectively helps to ensure that their overlay strategies achieve client objectives.

Staff's Observations

Staff views the experience, knowledge, and depth of the NISA portfolio management team as one of the firm's competitive advantages. The firm is 100% employee owned and senior leadership has worked together for over 20 years. The firm has broad experience in managing liability driven investing, nuclear decommissioning trusts, and derivative based strategies that it can leverage research and expertise for application in overlay strategies. The long-tenure of the investment team provides reassurance that they have experienced and learned from counterparty related events and developed strong relationships and favorable terms with counterparties. As a result, risk management is a primary focus of the organization.

Staff has two minor concerns about the firm. First, its systems are a set of off-the-shelf software packages. These systems are linked together through various customized solutions that transfer the data from application to application. This linking could create opportunities for a break in the chain and impair operations. In addition, the organization is at the will of the software providers to provide updates and enhancements. Mitigating this concern, staff believes that proper procedures and controls limit the potential for systems related issues.

Another concern is the relatively low number of defined benefit public pension clients of the firm. Broad experience with this investor base is considered one of the primary criteria for institutional quality and demonstrates an ability to communicate and respond to the demands of the relationship. However, this concern is mitigated in that several of the defined benefit public pension clients have been with NISA for over 20 years.

Professional Staff

With respect to the scope of services outlined in this mandate, NISA's Strategic Portfolio Management team oversees the general investment strategy. This team is primarily staffed by members of the Investment Strategies Group, and is led by David Eichhorn, President and Head of Investment Strategies, and Rick Ratkowski, Director, Investment Strategies. In addition, NISA's Hedge Portfolio Management team oversees the implementation of the overlay strategy. This team is led by Kenneth Lester, Managing Director, Portfolio Management; Patrick Foley, Director, Fixed Income and Derivatives; and Carl Kuebler, CFA, Director, Derivatives. The biographies of these NISA team members are provided in the section below.

David G. Eichhorn, CFA, **President & Head of Investment Strategies**, is president, vice chair of NISA's Investment Committee, and a member of NISA's Executive and Management Committees. Mr. Eichhorn has written papers on fixed income and asset allocation strategies for defined benefit and defined contribution plans and presents on these topics at various conferences. Mr. Eichhorn is also responsible for the day-to-day oversight of NISA's Investment Strategies Group, which develops custom strategies designed to meet client objectives. He also oversees new product development and growth initiatives. Prior to joining NISA in 1999, Mr. Eichhorn worked for three years at JP Morgan Investment Management where he assisted institutional clients with investment policy development, strategic asset allocation and asset/liability management. Mr. Eichhorn holds a BSBA from Washington University in St. Louis, with majors in Finance and Mathematics.

Richard R. Ratkowski, CFA, Director, Investment Strategies, is responsible for developing custom strategies designed to meet client objectives, and developing and implementing proprietary financial modeling and engineering tools used throughout NISA. Mr. Ratkowski oversees the team charged with maintaining hedge strategies including completion portfolios. In addition, he assists in the areas of product development and growth initiatives at NISA. Mr. Ratkowski was recruited through NISA's internship program and joined NISA's Investment Strategies Group in 2005. He holds a BS in Computer Science and Economics and an MS in Computer Science from Washington University in St. Louis.

Kenneth L. Lester, Managing Director, Portfolio Management, is a managing director and member of NISA's Investment and Management Committees. He is responsible for the day-to-day oversight of the Fixed Income and Derivatives Portfolio Management Group. Mr. Lester joined NISA at its inception in 1994 following a reorganization of NISA's predecessor, National, which he joined in 1990. Prior to National, Mr. Lester was a member of the Financial Strategies Group at Goldman, Sachs & Co. and a portfolio manager at Goldman Sachs Asset Management. Mr. Lester holds a BA and an MAE in Quantitative Economics from the University of Michigan.

Patrick R. Foley, Director, Fixed Income & Derivatives, is responsible for the daily monitoring and management of derivative portfolios and special projects within the Fixed Income and Derivatives Portfolio Management Group. He is authorized to trade fixed income and derivative instruments. Mr. Foley joined NISA in 2006. He earned a BA in Economics from Vanderbilt University and an AM in Economics from Washington University in St. Louis.

Carl R. Kuebler, CFA, Director, Derivatives, is responsible for the daily strategy implementation and monitoring in derivative accounts, counterparty risk management, negotiation of ISDA documents, and oversight of daily Derivatives Portfolio Management Group operations within the Fixed Income and Derivatives Portfolio Management Group. He is authorized to trade derivative instruments. Mr. Kuebler joined NISA in 1996. He earned a BSBA and an MBA from Marquette University.

<u>Compliance, Continuity, Controls, and Personnel Matters</u>

NISA has an 11-person legal and compliance team, which includes a General Counsel and a Chief Compliance Officer. No investment compliance or regulatory issues were identified in the firm's ADV or RFP response, nor during discussions of this topic with NISA.

NISA's business continuity and disaster recovery program seeks to limit the impact of disruptions while promoting NISA's resilience following a crisis. NISA conducts a firm-wide disaster recovery test annually.

NISA completed a SOC-1, Type 2 audit covering the twelve months ended September 30, 2018. The examiner tested NISA's processes and systems and concluded that NISA's controls were suitably designed to meet all control objectives throughout the audit period.

Based on a search of the public domain and discussions with NISA, there are no known judicial, regulatory, or legal claims related to equal employment opportunity, workplace discrimination, or sexual harassment regarding the firm or any of its employees.

Diversity and Inclusion

NISA maintains a workplace diversity and inclusion policy, inclusive of policies addressing sexual harassment. The firm reports that 28 percent of its U.S. executive and professional staff are women and 24 percent are people of color (it has no non-U.S. employees). The firm represents that it has not been named as a party to any investment related investigations nor received claims related to equal employment opportunity, workplace discrimination, or sexual harassment, nor has it entered into any related confidential settlements in the past twelve years. NISA indicates it maintains diversity and inclusion plans under the direction of its Chief Administrative Officer and human resource team and describes recruitment outreach in support of its initiatives. It does not describe broader executive level oversight, tracking of key metrics, incentives or clawback policies in place in support of its diversity and inclusion or workplace harassment policies.

FEES

Parametric		NISA	
$0-$400 million	0.06% or 6bps	$0-$500 million	0.06% or 6bps
$400-$1.0 billion	0.03% or 3bps	$500-$1,000 million	0.04% or 4bps
$1.0-$1.5 billion	0.025% or 2.5bps	$1.0-$2.0 billion	0.02% or 2bps
Above $1.5 billion	0.02% or 2bps	Above $2.0 billion	0.01% or 1bps
Effective Fee on $1.0B	**0.042% or 4.2bps**	**Effective Fee on $1.0B**	**0.05% or 5bps**

ACTIVE CASH OVERLAY

As mentioned at the beginning of this memo, staff identified a firm that may be able to add value to the Fund through an active cash overlay program. Active cash overlay programs invest in liquid markets such as equities and fixed income to intentionally vary the weighting of these asset categories over time. Portfolios without an active overlay routinely deviate from asset weight targets established in a strategic asset allocation study. These over- and under-weights are referred to as tracking error[2] and are an investment risk. While portfolios without active overlays have tracking error because of ordinary rebalancing and/or implementation timing, portfolios with active overlays have intentional allocations. Any intentional allocations above or below targets are that way for a purposeful reason and these decisions can be measured and judged over time.

As an example, LACERA's portfolio has been overweight to its global equity allocation target since 2012. Being overweight to an asset category for an extended time period is a more impactful decision to the total Fund than selecting a manager within an asset category. An active overlay program helps to ensure that allocation decisions are intentional so that they can be measured, monitored, and managed.

Active overlay mandates vary allocations across major market segments such as global equities, global fixed income, and commodities. Managers of an active overlay for LACERA would be constrained by the ranges surrounding established strategic asset allocation targets. The Evaluation Team entered this search highly skeptical of the ability of active overlay managers to add value, as the markets these mandates trade are among the most efficient. Additionally, active managers need not only outperform mostly efficient markets, but they must also exceed fees to be additive to a portfolio. Additionally, active investment strategies often lack homogeneity and, therefore, often get considered in the final stages of a search more on an on-off basis rather than as a group.

Due diligence for active cash overlay programs considers performance from the manager's discretionary portfolio construction. Performance analytics is relatively more meaningful and possible when considering active overlay managers compared to a relatively higher emphasis on operations and trading when considering passive overlay managers. Accordingly, the Evaluation Team analyzed strategy returns provided by the active cash overlay candidates as a first step.

[2] Tracking error is the degree to which an actual portfolio allocation is out of sync with the strategic asset allocation.

LACERA received seven RFP response proposals for an active overlay program. There programs strive to perform the same function and while evaluating performance from the proposed strategies, AEGIS stood out. AEGIS demonstrated attractive long-term performance statistics regarding returns, volatility, and drawdowns. The AEGIS model strategy has generated positive returns in every calendar year since 2000, except in 2007 when the return was -0.01% net of fees. Between 2000 and 2018, the strategy returned 1.14% with a standard deviation of 0.73. Importantly, the largest drawdown from the strategy was -0.35% over a two-month period in 2011. Compared to the return statistics from other proposed strategies, AEGIS had positive returns in the highest percentage of months (71%), had the lowest volatility as measured by standard deviation (0.73) and the most shallow maximum drawdown (-0.35%). Additionally, AEGIS was the only firm whose strategy had a negative correlation (-0.28) to global equity markets. The Evaluation Team views AEGIS as the most compelling active overlay candidate.

AEGIS utilizes a rules-based investment process to identify whether a portfolio should be over- or under-weight major asset categories. These rules track a wide range of economic and market characteristics that have a relationship to asset prices. The rules fall into four categories of technical, sentiment, valuation, and economic. Output from the rules are aggregated and signal which asset categories, if any, are over- or under-valued enough to justify deviating from a portfolio's target allocation. AEGIS has experience working alongside a separate passive cash overlay manager to implement an active program. **Attachment 3** is a disclosure provided for transparency purposes regarding staff at LACERA and AEGIS.

The Evaluation Team would like to perform additional diligence on AEGIS as a firm and the portfolio construction model concurrent to AEGIS managing a "paper" portfolio utilizing LACERA's allocation targets and ranges. This is appropriate because the model strategy includes proforma (backtested) performance that is tailored to LACERA's strategic asset allocation and allocation ranges. In future months, the Evaluation Team may suggest inviting AEGIS to present to the Board of Investments as part of a recommendation. Any future recommendations for action would be accompanied by additional analysis, findings, and explanation.

CURRENCY OVERLAY

As part of the RFP process, staff sought proposals on currency overlay services with the intention to consider combining the current equity currency hedging program with the recommended cash overlay program. This action could potentially consolidate the two programs under a singular investment manager. After review of the RFP's, the evaluation team determined that this approach was not optimal as the top firms put forward to manage the cash overlay program do not offer a currency hedging program. It should be noted, that this was described as an optional mandate under the RFP process and not the primary focus. The Evaluation Team is making no recommendation to adjust the existing currency hedging program, managed by Blackrock, Inc.

CONCLUSION

LACERA issued a Request for Proposal for an investment manager for a cash overlay program to maintain investment policy target asset allocation exposures, reduce cash drag, increase portfolio efficiency, and assist rebalancing. Based on an evaluation of the RFP responses and meetings with key team members of the semifinalist and finalist firms, the Evaluation Team recommends that the Board approve Parametric Portfolio Associates LLC to manage a passive cash overlay mandate and approve Alphaengine Global Investment Solutions to run a "paper" active cash overlay portfolio on the total Fund for six months. Should the Board wish to interview multiple candidates, staff recommends inviting NISA and Parametric to present at the May 15, 2019 Board of Investments meeting.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JP:CT:DJ:mm:dr

MEMORANDUM

To: LACERA Board of Investments

From: Stephen McCourt, Leandro Festino, Tim Filla
Meketa Investment Group

Date: April 10, 2019

Re: Cash Overlay Manager Search

Meketa Investment Group is in agreement with staff's recommendation to approve Parametric Portfolio Associates LLC to manage LACERA's passive cash overlay program and to approve Alphaengine Global Investment Solutions (AEGIS) to run a "paper" active cash overlay portfolio for six months.

In October 2018, the Board of Investments ("Board") approved the Minimum Qualifications and Scope of Work for a cash overlay manager search. Staff initiated the Request for Proposal in November 2018 and received fifteen responses from active, passive, and currency overlay firms. A thorough evaluation followed and Parametric was deemed the best candidate for a passive cash overlay firm. Parametric is one of the more experienced candidates, has strong operational and investment resources, competitive fees, and is primarily focused on managing overlay strategies. Parametric is a wholly-owned subsidiary of Eaton Vance, a traditional asset manager, which could drive pressure to raise fees on non-traditional asset classes used in passive overlay portfolios and could be a hindrance when the firm is in need of financial or operational support. However, staff found Parametric's self-sufficiency to alleviate any concerns.

As part of the Request for Proposal, staff also reviewed responses from seven active cash overlay firms. Active cash overlay can reduce tracking error in a portfolio by investing in liquid markets such as equities and fixed income. AEGIS stood out as an attractive candidate with a long-term track record of adding value to plans similar to LACERA's. Staff would like to continue to evaluate AEGIS and have AEGIS manage a "paper" portfolio for six month that uses LACERA's allocation target and ranges, the results of which will be reviewed and used to consider AEGIS as the Plan's active cash overlay manager.

In conclusion, we concur with staff's recommendation to approve Parametric to manage the passive cash overlay mandate and approve AEGIS to run a "paper" active cash overlay portfolio on the Total fund for six months. We would be pleased to elaborate on this recommendation at the upcoming Board meeting in April. In the meantime, if you have any questions or would like to additional information, please call us at (760) 795-3450

LF/AL/srt

CASH OVERLAY SEARCH PROCESS AND EVALUATION CRITERIA

The Cash Overlay search was structured into multiple phases and was designed to evaluate the responding firms across several dimensions. The evaluation process began with LACERA receiving written proposals from 15 firms that responded to LACERA's Request for Proposal ("RFP") which was issued in November 2018. The evaluation team reviewed and scored responses in several phases with the number of firms in each phase declining as described in **Table 1** below.

Table 1
CASH OVERLAY SEARCH PROCESS AND TIMELINE

Phase	Actions	# of Firms by Phase	Timing and Status
Minimum qualifications approval and RFP construction	− Discuss the mandate, scope of work and minimum qualifications with the Credit and Risk Mitigation Committee − Gain Board of Investments approval on the search including minimum qualifications and scope of work − Construct RFP	n/a	Sep / Oct 2018
RFP evaluation	− Issue RFP − Review responses − Phase one scoring of passive cash overlay candidates	6	Nov / Dec 2018
Semifinalist evaluation	− In-person interviews at LACERA offices − Evaluate candidates to advance as finalist firms	3	Feb 2019
Finalist evaluation	− Finalist in-person interviews at candidate offices − Evaluate candidates to select a recommended firm	2	March 2019
BOI Recommendation	− Recommend a passive cash overlay manager to the BOI	1	April 2019

As identified in the RFP, the evaluation team evaluated all responses on five categories, described below.

1. **Organization**
   Firm's history, ownership structure, products offered, AUM, capacity limits, client base, client turnover, Securities and Exchange Commission (SEC) audits, and past or pending litigation.

2. **Professional Staff**
   Staffing depth, capability, experience, turnover, compensation, diversity, and alignment, portfolio manager experience

3. **Investment Philosophy, Portfolio Construction and Research Capabilities**
   Firm's core investment principles, decision-making process, and risk controls

4. **Trading, Operations, Performance, and Risk Management**
   Firm's trading capabilities, operations, performance, compliance procedures, and risk management. Selection and management of counterparty risk was also evaluated.

5. **Fees**
   For each part the firm is responding to, please submit a one-page fee proposal based on the Scope of Services described in this RFP.

ATTACHMENT 3

DISCLOSURE

In the interest of transparency, LACERA staff discloses to the Board that a personal relationship exists between staff and employees of one of the managers impacted by the recommendation contained herein.

Jonathan Grabel, Chief Investment Officer, has known Dr. Arun Muralidhar, Co-Founder of MCube Investment Technologies, LLC, which owns 100% of Alphaengine Global Investment Solution LLC, since 2011. Mr. Grabel has been a guest lecturer in Dr. Muralidhar's class at George Washington University. Mr. Grabel also recommended Dr. Muralidhar as an expert witness to the New Mexico Legislative Council Service on the subject of a "secure choice" type retirement savings plan. Mr. Grabel does not have any financial relationship nor any business relationship with Dr. Muralidhar or his organizations.

EXHIBIT 1

Total Fund Cash Securitization

Hypothetical - Example

Functional Asset Categories	Hypothetical Market Value in ($) Millions	% of MV	Policy Target	($) Difference vs Target	(%) Difference vs Target	Overlay - Projected Cash Securitization	Market Value With Overlay	% of MV With Overlay	(%) Difference vs Target	Policy Range
Growth	**$ 25,000**	**45.0%**	**47.0%**	$ (1,085)	-2.0%	**$ 1,085.00**	**$ 26,085.00**	**47.0%**	**0.0%**	**40% - 54%**
Credit	**$ 6,000**	**10.8%**	**12.0%**	$ (660)	-1.2%	**$ 660.00**	**$ 6,660.00**	**12.0%**	**0.0%**	**9% - 15%**
Real Assets and Inflation Hedges	**$ 9,000**	**16.2%**	**17.0%**	$ (435)	-0.8%	**$ 435.00**	**$ 9,435.00**	**17.0%**	**0.0%**	**14% - 20%**
Risk Reducing and Mitigating	**$ 15,500**	**27.9%**	**24.0%**	$ 2,180	3.9%	**$ (2,180.00)**	**$ 13,320.00**	**24.0%**	**0.0%**	**18% - 30%**
Cash	$ 3,000	5.4%	1.0%	$ 2,445	4.4%	$ (2,445.00)	$ 555.00	1.0%	0.0%	0% - 3%
TOTAL	**$ 55,500**	**100.0%**	**100.0%**			**$ -**	**$ 55,500.00**	**100.0%**		

Cash over target used to gain market exposure and align Fund to target allocation

LACERA

April 1, 2019

TO: Each Member
Board of Investments

FROM: Steven P. Rice SPR
Chief Counsel

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: Teleconference Meeting Policy

RECOMMENDATION

That the Board of Investments approve the Teleconference Meeting Policy.

LEGAL AUTHORITY

The Board of Investments has plenary authority over administration of the system (Cal. Const., art. XVI, § 17), which includes the ability to formulate policies, such as the Teleconference Meeting Policy proposed here, to facilitate and manage the conduct of the Board's business.

DISCUSSION

A. Teleconference Meetings Under the Brown Act.

The Brown Act, Cal. Gov't Code §§ 54950 *et seq.*, was enacted in 1953. The Act was originally conceived and built around the concept of open and public in-person meetings as the required means of ensuring transparency in conducting the public's business.

In 1994, the Brown Act was amended to permit video conferencing subject to certain conditions and protections. In 1997, the provision was extended to permit audio and video conferencing, both of which are now included in the definition of "teleconferencing." Cal. Gov't Code § 54953(b).

Section 54953(b) provides in full as follows:

> (b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding

shall comply with all requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. All votes taken during a teleconferenced meeting shall be by rollcall.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivision (d). The agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3 at each teleconference location.

(4) For the purposes of this section, “teleconference” means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both. Nothing in this section shall prohibit a local agency from providing the public with additional teleconference locations.

In summary, Section 54953(b) establishes the following requirements for a teleconference meeting:

- Teleconferencing may be used for all purposes during any meeting.
- At least a quorum of the members must participate from teleconferencing locations within the legislative body’s jurisdiction, which in LACERA’s case is Los Angeles County.
- Each teleconference location must be identified in the notice and agenda of the meeting.
- Agendas must be posted at each teleconference location.

- Each location must be accessible to the public.
- The agenda must provide the opportunity for the public to address the legislative body directly at each teleconference location.
- All votes must be by rollcall.

There is no limitation in Section 54953(b) as to where in the world a teleconference location may be noticed. Accordingly, teleconference locations anywhere in the United States or internationally are permitted provided they are accessible to the public and the other requirements of Section 54953(b) are satisfied. The right of the local community to attend and participate is protected by the provision of Section 54953(b) that requires at least a quorum of the legislative body's members must participate from locations within the body's jurisdiction. For LACERA, this provision means that a quorum of board members must participate from locations in Los Angeles County.

Section 54953(b) itself does not give any member the right to participate by teleconference. Therefore, a legislative body may enact policy governing the use of teleconference meetings. Nevertheless, a California Attorney General addressed the issue of whether a disabled member had a right to participate in meetings by teleconference under the Americans with Disabilities Act (ADA). 84 Ops.Cal.Atty.Gen. 181 (2001). In that opinion, the Attorney General opined the member did not have a right to participate under the ADA because the location in question was not open to the public. While a full examination of the rights of disabled members is beyond the scope of this memo, it is important to keep this issue in mind in determining whether a member should be allowed to participate by teleconference.

B. The Proposed Policy.

The proposed policy is based on the principle that in person meetings are the most effective because they provide a public environment in which Board members may transparently interact with each other as a group in one place to hear presentations, deliberate, and act. This principle is the foundation of the Brown Act as noted above. Teleconference meetings are less transparent to the public because the members are not all in one place to be observed. Teleconference meetings also create a different, more challenging environment for the Board members themselves because of the inability to see, clearly hear, and otherwise personally interact with other members, presenters, and public participants.

Staff proposes that it follows from these considerations that teleconference meetings should be held rarely and in limited circumstances.

The proposed policy provides that teleconference meetings will be permitted only in “unusual and material circumstances, which are defined to include any meeting that the Chair of the Board or the Board determines will require action, not merely discussion, on matters of sufficient importance to LACERA that participation by teleconference must be allowed to avoid risk to LACERA or to the performance of the fiduciary duty of the Board as a whole.” The policy provides examples of such circumstances.

The policy provides for the authority of the Chair, consistent with their Charter authority, to determine when circumstances exist that meet the criteria for a teleconference meeting. The policy also provides that individual members may request a teleconference meeting from the Chair. In addition, the Board may vote to allow a teleconference meeting.

The policy lists the teleconference meeting procedures that must be followed to comply with the Brown Act. The policy also provides for the recognition of disabilities by members. Finally, the policy provides for review at least every three years.

CONCLUSION

For these reasons, staff recommends that the Board of Investments approve the Teleconference Meeting Policy.

Attachment

c: Lou Lazatin
JJ Popowich
Jonathan Grabel

BOARD OF INVESTMENTS

TELECONFERENCE MEETING POLICY

A. <u>Statement of Purpose</u>.

In order for Members of the Board of Investments to participate most effectively in Board and committee meetings, the Board finds that members should be personally present. Personal attendance provides Members with the most effective means to interact with each other, staff, and other presenters, enhances receipt of information, deliberations, and decision-making, and furthers the performance of each Member's fiduciary duty and the fiduciary duty of the Board as a whole. The Board finds that attendance at Board and committee meetings should take precedence over any other LACERA business by Members.

The regular Board meeting schedule is set according to the Board's Bylaws, providing for regular monthly meetings on the second Wednesday of every month. This schedule, unless changed by Board action, provides certainty to Members in planning to attend Board and committee meetings. Changes in the regular schedule are by vote of the Board, thereby providing an opportunity for Member's to adjust their schedules to attend Board and committee meetings. Special meetings may occasionally be noticed without Board vote.

When Members are absent from any Board or committee meeting, they do not have a right to participate via teleconference, subject to Section C.5 below. However, the Ralph M. Brown Act, Government Code Section 54953(b), permits teleconference meetings in accordance with its terms. The purpose of the policy is to set forth a policy concerning the use of teleconference meetings by the Board of Investments and its separate committees.

B. <u>Definition</u>.

For purposes of this policy, "teleconference" has the same meaning set forth in Government Code Section 54953(b)(4), which is "a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both."

C. <u>Teleconference Meeting of the Board of Investments</u>.

1. When A Teleconference Meeting May Be Held.

Teleconference meetings of the Board of Investments shall not be held except for unusual and material circumstances, which are defined to include any meeting that the Chair of the Board or the Board determines require action, not merely discussion, on matters of sufficient importance to LACERA that participation by teleconference must be allowed to avoid material risk or impact to the fund as a whole or to the performance of the fiduciary duty of the Board. Examples includes: a material event requiring action with respect to the Chief Executive Officer or Chief Investment Officer; a key person event or other event requiring action with respect to a manager or LACERA investment that has the potential of material impact on the fund as a whole; litigation or other claim that the potential of material impact on the fund as a whole; and a major market correction.

2. Chair Determination.

The Chair of the Board, or the Vice Chair if the meeting concerns the Chair, may determine to agendize a teleconference meeting subject to the criteria in Section C.1 and decide the teleconference method. The Chair or Vice Chair shall act fairly and consistently in making such decisions.

3. Member Request, and Board Action.

If a Member will be absent from a Board meeting that meets the criteria of Section C.1 or knows of an absence by another Member or Members, such Member may request a teleconference by contacting the Executive Board Assistant to the Board of Investments in writing no later than noon of the fifth working day prior to any regularly scheduled or special meeting of the Board and specify the reason for the request within the meaning of Section C.1 and the proposed teleconference location. The Executive Board Assistant shall inform the Chair of the Board of each request, or the Vice Chair if the Chair cannot be reached in time to resolve the issue by 12 hours before the agenda posting deadline or if the meeting concerns the Chair. The Chair or Vice Chair shall have discretion to approve or deny the request in their discretion and, if approved, determine the teleconference method. In acting upon a request, the Chair or Vice Chair shall act fairly and consistently.

If time permits, a Member may also agendize, in accordance with the Board's Bylaws, a request to hold a meeting by teleconference for action by the full Board, provided that any such request must meet the criteria of Section C.1 and be presented for action no later than the meeting immediately preceding the meeting for which a teleconference meeting is proposed to be held.

4. Meeting Procedure.

If a teleconference meeting is approved, it shall be agendized and conducted in accordance with the provisions of Government Code Section 54953(b) and all other applicable provisions of the Brown Act or other law, including but not limited to:

a. Each teleconference location shall be identified in the notice and agenda for the meeting

b. Each teleconference location shall be accessible to the public. A teleconference location may be located anywhere in the world.

c. The agenda for the teleconference meeting shall be posted at all teleconference locations.

d. The agenda shall provide an opportunity for members of the public to address the Board directly at each teleconference location on any subject matter within LACERA's jurisdiction, subject to Government Code Section 54954.3.

e. During the teleconference meeting, at least a quorum of the members of the Board shall participate from locations in Los Angeles County.

f. All votes at a teleconference meeting shall be by rollcall.

5. Disability.

In the event of Board Member disability, efforts will be made to accommodate the Member if they desire to attend by teleconference, provided that the procedures for the meeting, including that the teleconference location be accessible to the public, must still be followed.

D. Teleconference Meetings of Board of Investments Committee Meetings.

Teleconference meetings shall not be held for meetings of standing committees of the Board of Investments.

E. Exclusions.

This policy does not apply to (1) joint meetings of the Board of Investments and the Board of Retirement, which are subject to the Policy on Joint Meetings, and (2) meetings of joint committees of the Board of Retirement and Board of Investments, which are subject to the terms of each joint committee's charter.

F. Review.

This policy shall be reviewed by the Board of Investments at least every three years.

Approved by the Board of Investments: ___________, 2019

L/A CERA

March 27, 2019

TO: Each Member
Board of Investments

FROM: Jude Pérez, Principal Investment Officer

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **Investment Procedures Manual**

The Board adopted a revised Investment Policy Statement ("IPS") at the November 2018 Board of Investments Meeting ("BOI"). Throughout the development of the revised IPS, it was communicated to the Board that procedural language from the document was extracted and would be moved to a dedicated Investment Procedures Manual ("IPM"). Immediately following the adoption of the IPS, the development of that IPM began thereafter.

The goals of creating a formal IPM are to:

1. Extract, inventory, and consolidate all investment-related procedures that currently reside in numerous documents into a single location;
2. Enhance consistency of investment practices by creating a systematic approach to Board reporting across asset classes, and with the same review cycle;
3. Develop a desktop reference manual for investment staff that governs day-to-day procedural activities (e.g. wire, reconciliation, and compliance procedures);
4. Improve investment office operations and strengthen communication

The Portfolio Analytics ("PA") group has developed a draft table of contents (attached) and established a process to fully develop the IPM. The attached presentation walks through that process, highlights the work completed to date – using the private equity asset class as an example, and outlines a prospective timeline for completion. PA intends to work with each asset class to continue to build out the IPM, and will also work on procedures for the new asset classes adopted as part of the functional asset class structure.

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

Attachments

JP:edb:te

ATTACHMENT 1

INVESTMENT PROCEDURES MANUAL (IPM)

I. INTRODUCTION

- a. About LACERA
- b. Purpose of the manual

II. GOVERNING POLICIES

- a. Investment Policy Statement (IPS)
- b. Attachments to IPS
  - i. Corporate Governance Principles
  - ii. Corporate Governance Policy
  - iii. Responsible Contractor Policy
  - iv. Emerging Manager Policy
  - v. Placement Agent Policy

III. GENERAL PROCEDURES

- a. Procurement
- b. Securities Lending
- c. Stock Distribution
- d. Manager Monitoring and Review

IV. TOTAL FUND MANAGEMENT – PORTFOLIO ANALYTICS

- a. Reporting
- b. Investment Performance
- c. Risk Management
- d. Investment Compliance
- e. Investment Fee Validation
- f. Tax Reclaims

---

for the sections below, the same outline/framework will be used for consistency (see Global Equity as example)

V. GROWTH

- a. Global Equity
  - i. Section 1: Introduction and Purpose
  - ii. Section 2: Asset Class Specific Responsibilities
  - iii. Section 3: Desktop Procedures
- b. Private Equity
- c. Opportunistic Real Estate

VI. CREDIT-ORIENTED FIXED INCOME

- a. High Yield Bonds
- b. Bank Loans
- c. Emerging Market Debt
- d. Illiquid Credit

VII. REAL ASSETS & INFLATION HEDGES

- a. Core & Value-added Real Estate
- b. Natural Resources / Commodities
- c. Infrastructure
- d. TIPS

VIII. RISK REDUCING & MITIGATING

a. Investment Grade Bonds
b. Diversified Hedge Fund Portfolio
c. Cash / STIF

APPENDICES

Appendix A Glossary

ATTACHMENT 2

Investment Procedures Manual

Board of Investments

April 10, 2019

Jude Pèrez – Principal Investment Officer
Terra Elijah – Investment Analyst

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

Background – From IPS to Procedures Manual

May 2018
BOI approves new asset allocation

Jul 2018
Board offsite
Staff presents implementation plan, including IPS review

Nov 2018
BOI adopts revised IPS

Dec 2018
Staff begins development of a procedures manual

Apr 2019
Preview proposed procedures process

- During the 2018 IPS review, one of the project objectives was to extract, unify, and harmonize procedural guidance
  - Consolidate investment procedures into a "Procedures Manual"
  - Address redundancies
  - Avoid unintended consequences of policy proliferation

What: Objectives

Objectives

1. Consolidate Procedures

- Extract, inventory, and consolidate investment-related procedures

2. Enhance Consistency

- Create a systematic process for Board reporting across asset classes, and with the same review cycle

3. Develop Manual

- Develop a desktop reference manual for investment staff that governs day-to-day procedural activities

4. Improve Operations & Strengthen Communication

- Cohesion between asset classes for governing documents and review cycles

Why: Rationale

Rationale

- Multiple documents cover the same operational procedures
  - Each asset class has 5 to 8 policies defining objectives and procedures with extensive overlap

- Separate policies vs. procedures

Policy
- Widespread application
- Changes infrequently

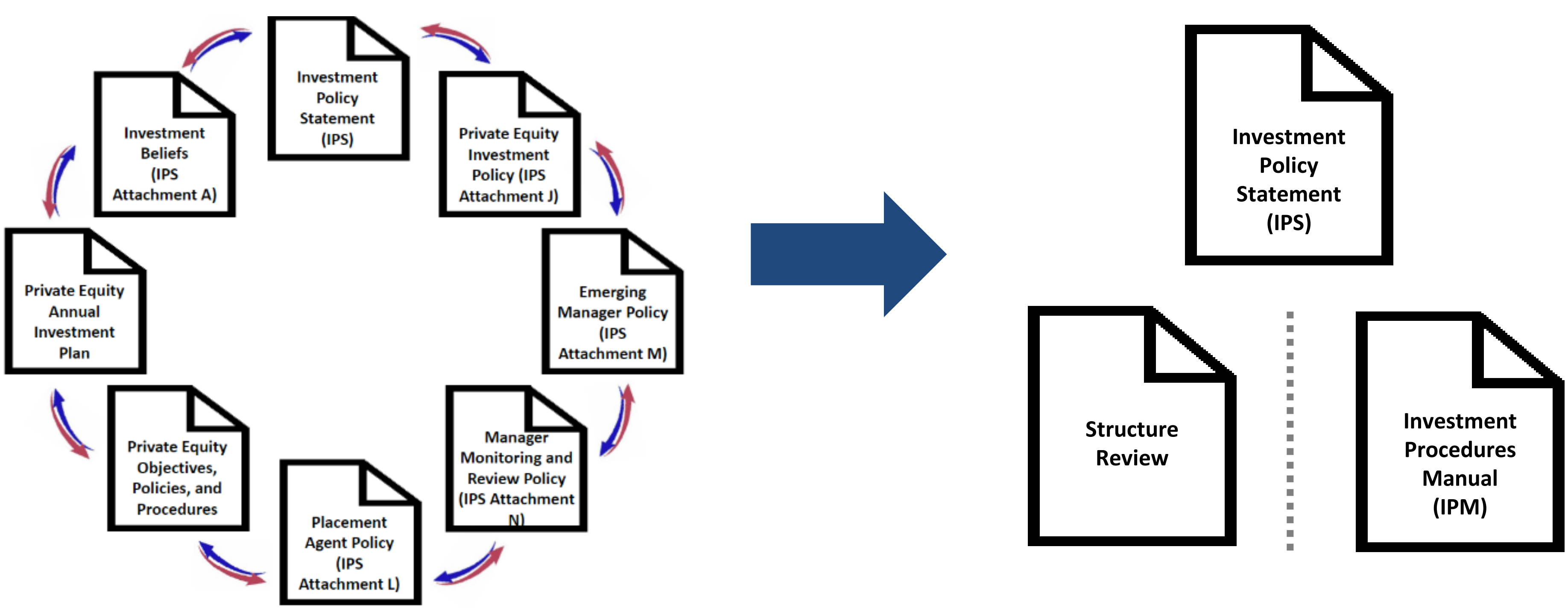
Procedure
- Details processes
- Subject to more regular updates

How: Process and Timeline

Systematic Process – Private Equity Example

Current
- 8 documents
- 100+ pages
- Various review cycles

Prospective
- 3 documents
- Streamlined
- Same review cycle



Process Workflow

1

- Extract current language from all asset class documents into matrices to:
  (i) address repetition and overlap
  (ii) specify where procedures should reside (IPS, Structure Review, IPM)

2

- Collaborate with each asset class to consolidate and review changes

3

- Develop desktop procedures for each asset class

Tracking Matrix – Private Equity Example

Private Equity Objectives, Policies and Procedures (OPP) Tracking
March 2019

From OPP			To					
#	**Section**	**Language**	**Structure Review [X]**	**IPS [X]**	**PE Desktop Procedures [X]**	**Investment Procedures Manual [X]**	**Section of Destination Document**	**Notes**
1	A. DOCUMENT PURPOSE	The Private Equity Objectives, Policies, and Procedures ("OPP") document sets forthLACERA's investment objective and strategy for investing in private equity as outlined in the Fund's Investment Policy Statement. The OPP stipulates the policies that establish parameters on the program, spells out the procedures to be followed, and delineates the responsibilities of the Board of Investments (the "Board"), staff, and the Private Equity Advisor(s) ("PEA"). In essence, the OPP provides the blueprint that guides the portfolio's construction and composition.				X		Intro to overall IPM only
2	B. INVESTMENT OBJECTIVE AND STRATEGY	LACERA invests in private equity to obtain attractive returns for the Fund at an acceptable level of risk. The target return for this asset class, as measured by Internal Rate of Return (IRR), is an annualized return of 200 basis points in excess of over the MSCI ACWI IMI1 Index return, net of all partnership and advisor fees, on a quarterly lag. The primary strategy is to prudently build a diversified portfolio of the most attractive investment opportunities securing the best possible terms while mitigating risks.		X			Appendix A. Table 2; I. Investment Philosophy and Strategy	
3	C. DEFINITIONS I. Private Equity	Private equity refers to privately negotiated investments in companies. These investments are predominantly equity interests that are illiquid and long-term in nature. Private equity investments can be made directly, but they are more commonly made through investments in limited partnerships and other types of investment vehicles that offer limited liability to investors.			X			
4	C. DEFINITIONS I. Private Equity	In addition to these sub-asset class categories, LACERA classifies private equity investments by general partner, industry, and geography.	X		X			Structure Review will address each classification. Any guidelines for these categories will be part of guidelines slide in Structure Review.
5	C. DEFINITIONS III. Related Terms	Co-Investments are investments made directly into companies by a limited partner, when invited to be part of the consortium by an existing private equity fund. General partners make co-investment opportunities available to limited partners when the total required equity investment in a specific company by the fund exceeds that fund's per-company maximum investment.				X		
6	C. DEFINITIONS III. Related Terms	Direct investments are investments made directly into companies by investors where no private equity fund is involved. The investors are not limited partners, and as such may be involved in the management of the companies and sit on their board of directors.				X		

Page 1 of 11

Next Steps – Portfolio Analytics Team

- Collaborate with each asset class to:
  - Evaluate existing governing documents
  - Review asset class matrices
  - Consolidate language into three documents

- Apply process to newly adopted asset classes (e.g., real assets and credit)

- Develop desktop procedures

- Provide progress updates to the BOI

Timeline

2019 Q1	2019 Q2	2019 Q3	Target 2019 Q4
• Evaluated asset class level policies and procedures • Developed enhanced structure and evaluation process • Started with Private Equity	• Preview proposed procedure process with the BOI • Receive feedback, identify questions, and deliberate next steps	• Apply new structure to each asset class • Compile and develop components of IPM • Provide update on procedures to the BOI	• Compile and develop components of IPM • Provide final update on IPM to the BOI

Questions and Discussion

L/A.CERA

March 27, 2019

TO: Each Member
Board of Investments

FROM: Ted Wright, CFA, FRM, PRM, CAIA
Principal Investment Officer

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

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **EMERGING MANAGER POLICY REVIEW**

LACERA established its Emerging Manager Policy in 1995 with the launch of the U.S. Equities Emerging Manager Program ("EMP"). In 2000, the Board of Investments expanded the EMP to other asset classes such as Fixed Income, Real Estate, and Private Equity. The most recent update to the Emerging Manager Policy occurred in 2017, when the public equities program transitioned from a fund-of-funds to a direct approach, and was expanded to include Non-U.S. mandates.

Since the last EMP update, LACERA began making direct investments in hedge funds and adopted a new strategic asset allocation that expands investments in real assets and private credit. It is good practice to review policies regularly to ensure that they remain effective and up-to-date, so in light of the portfolio changes, staff asked Meketa to undertake a comprehensive review of LACERA's emerging manager policy, including the policy's objective, scope, and implementation practices.

Attached is the first in a series of presentations from Meketa on this topic. Meketa's presentation begins with the regulatory framework governing emerging manager programs and then provides information on the universe of emerging managers in both public and private markets. Meketa's objective in this first presentation is to obtain feedback on the information presented and to use the direction provided by the Board to guide further research and analysis. The goal is to complete their comprehensive review and propose policy modifications by the end of 2019.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JG:TW:VM:rs

Los Angeles County Employees Retirement Association

Emerging Manager Policy Review
April 10, 2019

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

Background

- This presentation seeks to set the agenda for a multi-meeting review of LACERA's emerging manager programs.
- A key goal of this review is to revise and update LACERA's emerging manager policy.
- LACERA currently has emerging manager programs for the following asset classes: public equity, fixed income, real estate, and private equity. The first three seek direct investments in emerging managers, while the latter invests via a manager of managers separate account. LACERA has been allocating capital to emerging managers since 1995.
- There are no emerging manager programs for illiquid credit, hedge funds, and real assets.
- Caveat: there is no universally accepted definition of emerging managers. As such, the data and analysis presented below may be imperfect. For example, the definition of emerging managers varies by state, municipality, and even within an organization, it can change at any time and without notice. Therefore, comparisons across time and organizations may be distorted by such changes.

California Law

- California Proposition 209, passed in 1996, prohibits state, local governments, districts, public universities, colleges, and schools, and other government instrumentalities, from discriminating against or giving preferential treatment to any individual or group in public employment, public education, or public contracting on the basis of race, sex, color, ethnicity, or national origin.

LACERA IPS & Governance[1]

- "The California Constitution and LACERA's governing statutes create a legal framework within which (LACERA's) IPS must be interpreted and implemented by the Board in approaching its decisions.
- The Board and its members are fiduciaries, making decisions for the benefit of the Fund as a whole without other concerns or outside influence. All Board members, whether they are elected, appointed, or ex officio, have the same fiduciary duty under the law. This fiduciary duty has two components:
  - Duty of Loyalty – Board members have the sole and exclusive responsibility to administer the Fund to ensure prompt delivery of benefits to members and their beneficiaries. In making every decision, the Board must act … (1) solely in the interest of providing benefits to members and beneficiaries, (2) to minimize employer contributions, and (3) to defray the expenses of administering the Fund. The Board's duty to members and their beneficiaries takes precedence over any other duty.
  - Duty of Prudence – Board members must discharge their duties with the care, skill, prudence, and diligence that a prudent fiduciary familiar with the matters and the circumstances of each particular decision would use in the conduct of a similar enterprise with like aims. The Board must diversify fund investments so as to minimize risk of loss and maximize the rate of return, unless under the circumstances it is clearly prudent not to do so."

[1] Source: LACERA IPS, page 3.

Emerging Manager Definition

LACERA[1]:

- Definition: "Independent firms that do not have substantial assets under management (generally, 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.
- Purpose and Objective:
  - Gain early access to smaller investment management organizations.
  - LACERA recognizes that smaller firms may generate superior performance because of increased market flexibility associated with smaller asset bases."

CalPERS[2]:

- Definition: Newly formed or relatively small firms. Several asset classes have emerging manager definitions based on assets under management and/or length of track record.
- Program Goals:
  - Generate appropriate, risk-adjusted investment returns by identifying early stage funds with strong potential for success.
  - Access unique investment opportunities that may otherwise be overlooked.
  - Cultivate the next generation of external portfolio management talent.

CalSTRS[3]:

- Definition: Varies by asset class. It is based on AUM and, in the case of private markets, is restricted to the initial three funds of a firm.

---

1 Source: LACERA's Emerging Manager Policy, page 1.
2 Source: www.calpers.ca.gov
3 Source: www.calstrs.com

Emerging Managers Analysis – Public Markets[1]
As of December 31, 2018

	Emerging Managers Products	Non-Emerging Managers Products
U.S Core Fixed Income	22	225
U.S. Core Plus Fixed Income	4	124
U.S. High Yield Fixed Income	7	194
U.S. Large Cap Equity (Includes Growth, Core, and Value)	189	781
U.S. Small Cap Equity (Includes Growth, Core, and Value)	138	441
International Equity (Includes All cap Growth, Core, and Value)	9	109

	Emerging Managers	Non-Emerging Managers
U.S Core Fixed Income	19	163
U.S. Core Plus Fixed Income	4	100
U.S. High Yield Fixed Income	7	116
U.S. Large Cap Equity (Includes Growth, Core, and Value)	137	277
U.S. Small Cap Equity (Includes Growth, Core, and Value)	118	217
International Equity (Includes All cap Growth, Core, and Value)	8	69

- Emerging managers make up only a small fraction of the total universe, except for domestic equity.
- Note the dataset is subject to survivorship bias.

[1] Data from eVestment as of March 15, 2019. Definition of emerging managers: Active managers with less than $2 billion in total assets under management.

Emerging Managers Analysis – Public Markets[1]
As of December 31, 2018

		1-Year		3-Year		5-Year	
		EM	Non-EM	EM	Non-EM	EM	Non-EM
U.S Core Fixed Income	Trailing Return (%)	-0.05	0.07	2.16	2.52	2.61	2.89
	Standard Deviation	2.73	2.76	2.77	2.74	2.71	2.70
U.S. Core Plus Fixed Income	Trailing Return (%)	0.36	-0.35	3.69	3.06	3.16	3.10
	Standard Deviation	1.59	2.47	2.29	2.72	2.36	2.71
U.S. High Yield Fixed Income	Trailing Return (%)	-1.11	-1.80	7.82	6.24	3.98	3.70
	Standard Deviation	3.99	3.43	4.92	3.98	5.34	4.48
U.S. Large Cap Equity (Includes Growth, Core, Value)	Trailing Return (%)	-5.82	-5.12	8.17	8.53	7.30	7.76
	Standard Deviation	15.94	15.72	12.03	11.81	11.80	11.63
U.S. Small Cap Equity (Includes Growth, Core, Value)	Trailing Return (%)	-10.18	-9.87	7.77	7.86	4.49	5.15
	Standard Deviation	19.55	19.36	16.31	15.76	15.54	15.12
International Equity (Includes All Cap Growth, Core, Value)	Trailing Return (%)	-15.70	-14.72	5.96	4.62	2.66	2.02
	Standard Deviation	14.11	13.57	12.71	12.28	12.54	12.25

- Emerging managers underperformed non-emerging managers in U.S. Core Fixed Income, U.S. Large Cap Equity, and U.S. Small Cap Equities across all three periods, while posting generally higher levels of volatility.
- Emerging managers outperformed non-emerging managers in U.S. Core Plus Fixed Income and U.S. High Yield Fixed Income asset classes over the 1-, 3-, and 5-year periods. Note the very small sample size of emerging managers (4 and 7, respectively). High Yield emerging managers' portfolios had greater volatility than the broader universe.
- For International Equity, emerging managers outperformed non-emerging managers over the 3- and 5-year periods.
- Overall, non-emerging managers had lower standard deviation across most asset classes and time periods.

[1] Data from eVestment as of March 15, 2019. Definition of emerging managers: Active managers with less than $2 billion in total assets under management. Note that survivorship bias may be present in the data set, effectively leading to inflated metrics.

Emerging Managers Analysis – Public Markets

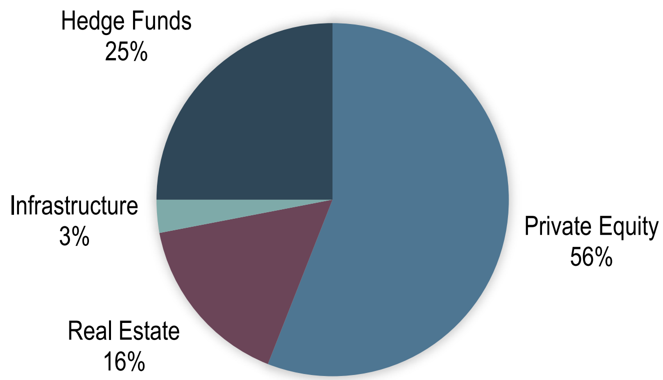
	U.S. Core ($ mm)	U.S Core Plus ($ mm)	U.S. High Yield ($ mm)	U.S. Large Cap Equity ($ mm)	U.S. Small Cap Equity ($ mm)	International Equity ($ mm)
Minimum	434.1	144.6	335.2	3.7	0.4	1.3
Median	20,412.5	93,787.8	103,600.3	6,164.4	5,084.6	40,520.3
Maximum	5,975,818.0[1]	5,975,818.0	5,975,818.0	5,975,818.0	5,975,818.0	4,933,563.0
10th Percentile	1,904.7	5,927.3	4,149.7	306.2	363.3	1,832.6

- At the request of staff, we conducted the following analysis.
- The table above highlights the varying asset threshold in which a product plots at the lowest decile in terms of size. For example, a core bond fund with $1.9 billion in assets would be smaller than 90% of its peers.
- Note there is a wide discrepancy of AUM to plot in the bottom decile of various public markets asset classes, by size. For example, AUM levels around $300 million for large cap stocks would be the equivalent threshold as approximately $6 billion for core plus bond mandates.
- This analysis suggest a fixed AUM threshold across multiple asset classes may be undesirable. Rather, if segment by size, each asset class should have a specific target.

[1] BlackRock, Inc.

Findings on Emerging Managers – Alternative Investments

Breakdown of the 6,000 Emerging Managers in Alternatives[1]

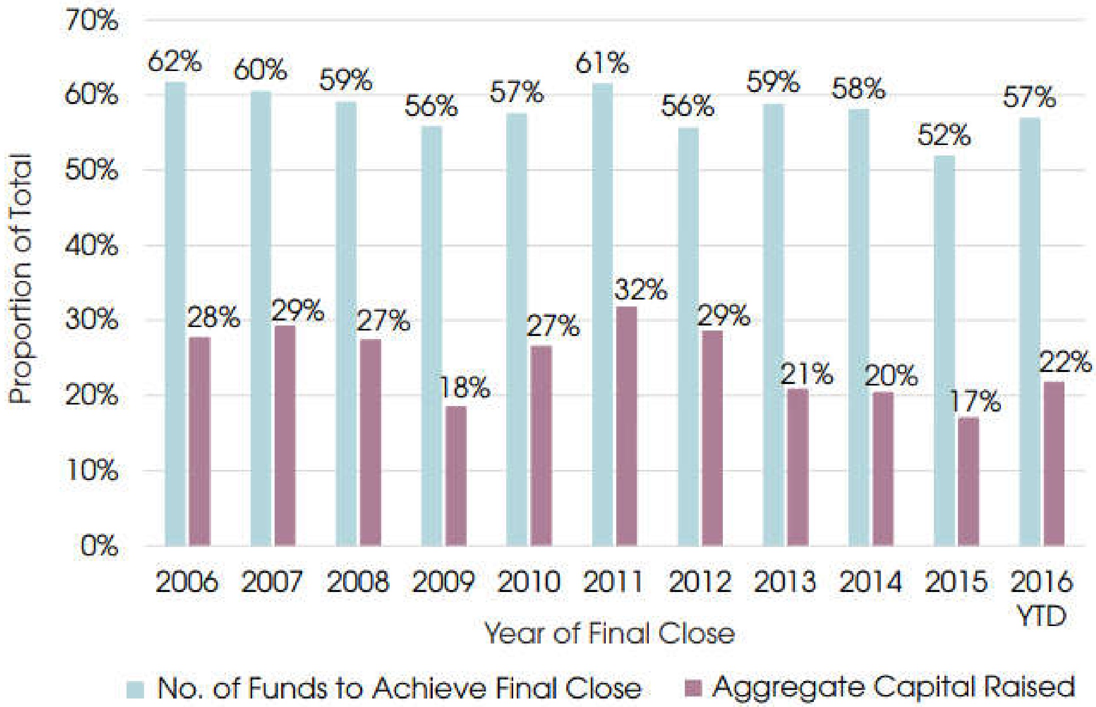


- About 14,000 alternative investment funds have been launched during the last decade. Of this, 6,000 of them have been from emerging managers, defined by GCM Grosvenor as first-time funds with a track record of three years and assets under management of $300 million or less for hedge funds, and 1st, 2nd, or 3rd institutional funds for all other asset classes.
- Private equity has had the highest number of emerging managers, followed by hedge funds.
- GCM Grosvenor identified four common characteristics for emerging managers to build a successful investment management platform[2]:
  - A verifiable track record of prior investments
  - An ability to scale the platform without growing too quickly or slowly
  - An institutional-quality back-office and corporate structure
  - Fundraising ability and a broad range of LP relationships

[1] Based on data from GCM Grosvenor, November 2018.
[2] Source: 2018 SEM Conference, GCM Grosvenor.

Key Findings on Emerging Managers – Size of Private Equity Funds

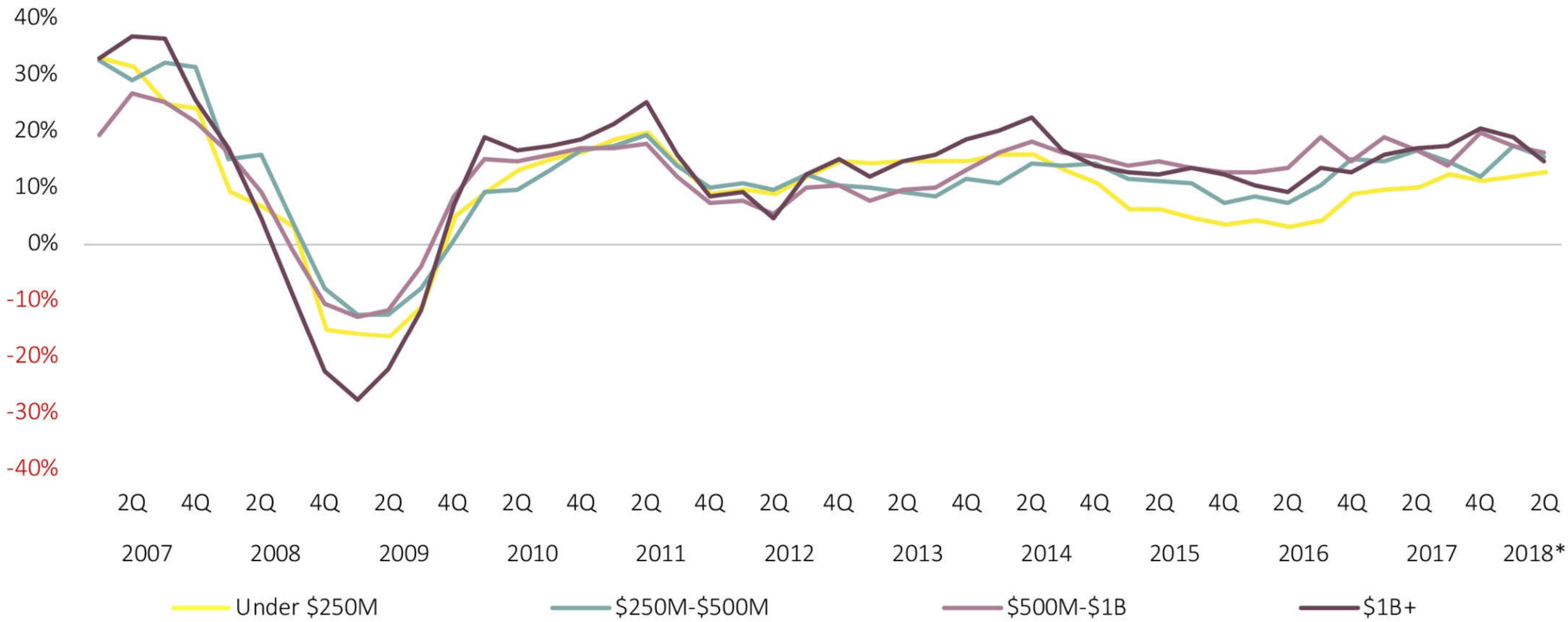
Private Equity Fundraising by Emerging Mangers as a Portion of all Private Equity (U.S.)[1]
2006 - 2016



- In the ten years between 2006 and 2016, 2,346 US-based first- or second-time private equity funds have reached a final close, securing $449bn in commitments.
- Annually, 58% of all closed US-based private equity funds have been from emerging managers.
- The proportion of aggregate capital raised has been between 17% and 32%, over the same period.

[1] Source: Preqin Private Equity Online, November, 2016.

Global Private Equity Rolling One-Year Horizon IRRs by Fund Size[1]



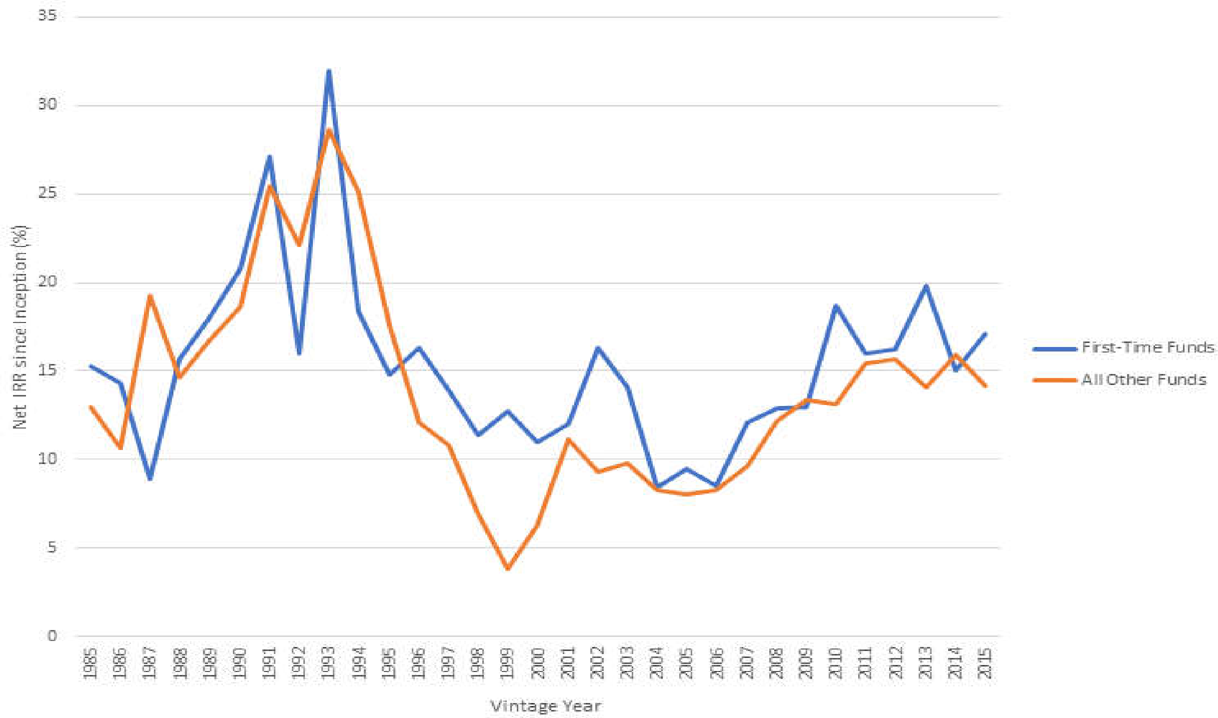
Source: PitchBook

- Larger private equity funds have shown strong performance relative to smaller funds on a one-year rolling basis. However, performance among all sizes of funds converged mid-2018.
- Funds under $250 million have generally underperformed larger funds since 2014.

1 Source: PitchBook Global PE & VC Fund Performance Report as of June 30, 2018.

Key Findings on Emerging Managers – Private Equity

Private Equity Median Net IRRs by Vintage Year: First-Time vs. All Other Funds[1]



- According to Preqin, however, first-time private equity funds had higher median net IRRs in most of the vintage years between 1985 and 2015. However, Preqin found that finding the right first-time manager is crucial, as the difference in median net IRRs between top- and bottom-quartile first-time funds was at least 10 percentage points every year between 2000 and 2015, except one[1].

1 Source: Preqin Private Equity & Venture Capital Spotlight February 2018.

Key Findings on Emerging Managers – Hedge Funds
Preqin Emerging Funds Statistics as of 2017[1]

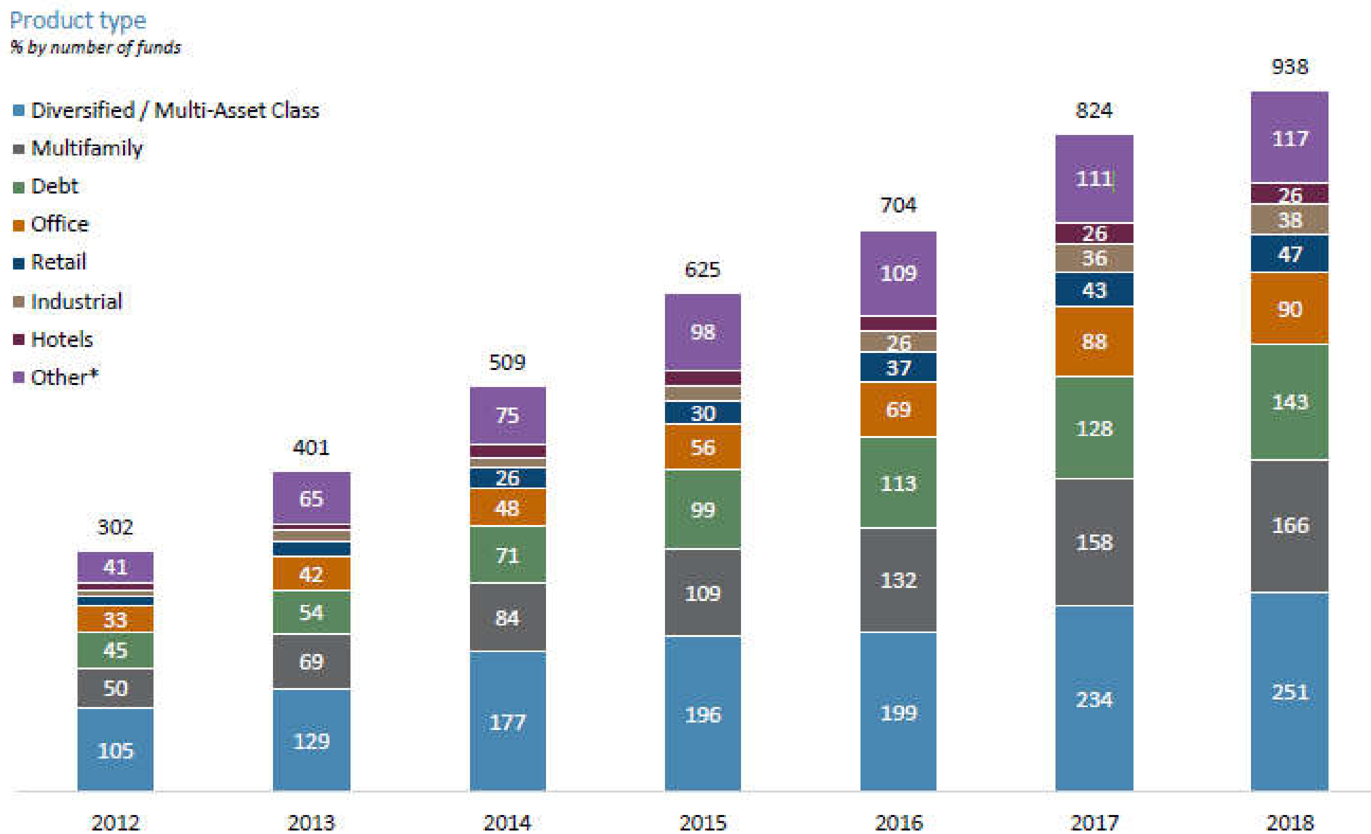
	1-Year Returns (%)	3-Year Returns (%)	3-Year Standard Deviation (%)	3-Year Sharpe Ratio (%)
New Hedge Funds	14.1	8.5	4.03	1.62
Small Hedge Funds	11.9	6.0	4.78	0.83
All Hedge Funds	10.2	5.3	3.98	0.83

- Data firm Preqin found that newer and smaller hedge funds outperformed the greater hedge fund universe.
  - "New" hedge funds were first-time funds with a track record of three years or less.
  - "Small" hedge funds were first-time funds with assets under management of $300 million or less.
- Newer funds outperformed smaller funds and the broader hedge fund universe across the 1-, 3-year periods. Smaller funds had the highest volatility levels.
- Note the dataset is subject to survivorship bias.

[1] Source: Preqin Hedge Fund Spotlight, June 2017.

Emerging Managers Analysis – Private Real Estate

Private Real Estate Emerging Manager Universe[1]

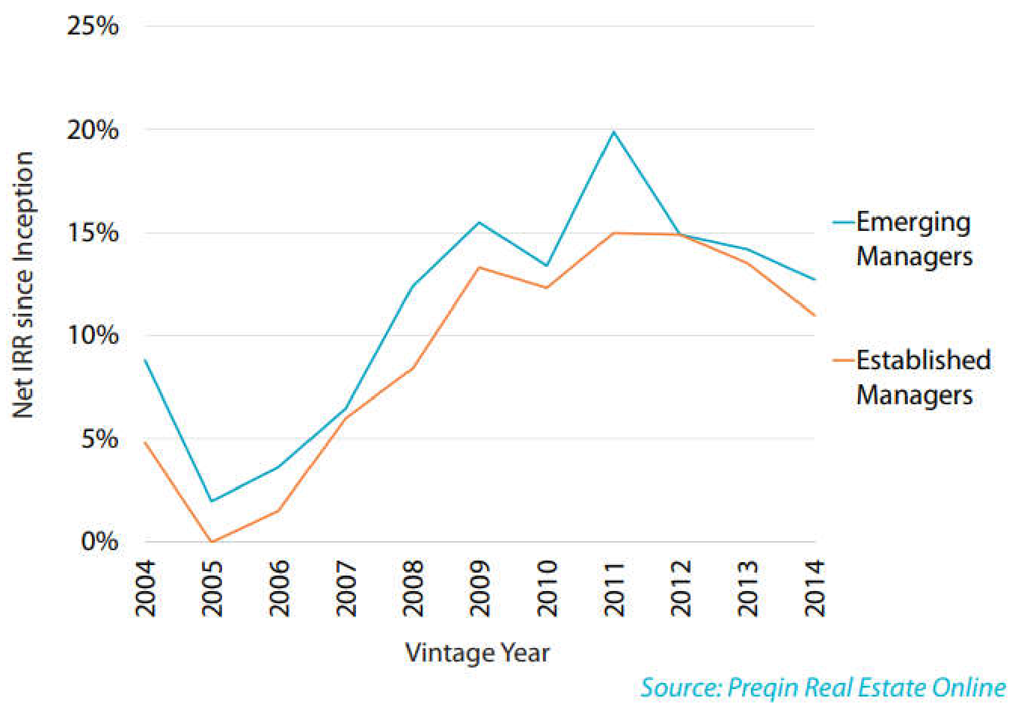


- The number of private real estate emerging managers is growing. As of October 2018, GCM Grosvenor estimates 938 real estate emerging manager funds have been formed during the last decade.
- GCM Grosvenor defines emerging managers as those managers with up to three prior funds.

[1] Source: GCM Grosvenor Real Estate Emerging Manager Update, October 2018.

Emerging Managers Analysis – Private Real Estate

Median Net IRR of Closed-End Private Real Estate Funds by Vintage Year: Emerging vs. Established Managers[1]



- Data firm, Preqin, defines emerging managers as first- or second-time fund managers. Preqin found that emerging managers have outperformed established managers in every vintage year between 2004 and 2014.
- However, these higher returns come with higher risks; the standard deviation of returns is higher for emerging manager firms.

[1] Source: Preqin Emerging Managers Report, May 2017.

Alternative Investments: Recap

	Hedge Funds	Real Estate	Private Equity
New Funds	Outperform	Outperform but with higher risk	Outperform but very wide interquartile spread
Small Funds	More Volatile	No Data presented	Underperform

- The table above seeks to summarize performance and risk attributes of alternative investments.
- The research shows that newer funds, regardless of size, tend to outperform their respective peer universes.
- On the hand, smaller funds, regardless of tenure and experience, have been shown to be less likely to outperform, particularly on a risk-adjusted basis.
- Note that some alternative investment asset class (such as hedge funds) encompass a wide array of strategies, and the average performance may not be representative of an investor’s desired hedge fund exposure. Private equity and real estate have also distinct risk reward profiles within each asset class (venture, growth equity, buyout, etc.; and core, value add, opportunistic, etc., respectively).
- As addressed above, there are likely survivorship and self-reporting biases present in the datasets used above.

Recap: Key Considerations

As we initiate a full review of the Emerging Manager Program at LACERA, several questions come to mind:

1. **Objectives**
   a. What should the Emerging Managers Program objective/role be?
   b. How should LACERA define emerging managers?

2. **Emerging Manager Universe**
   a. Is the universe of emerging managers robust and large enough for LACERA across the asset classes it invests?
   b. Should the Program be applied to all asset classes or only the ones where the expectation for risk-adjusted excess returns warrants it?

3. **Process**
   a. Should LACERA target manager of managers or direct investments? Should it vary by asset class?
   b. Should LACERA set targets or ranges?
   c. What happens when a manager "emerges"? At what point can/should managers graduate?
   d. Should LACERA consider investing not just as an LP, but also seek revenue sharing/ownership as a lead/anchor investor in an emerging manager?

4. **Tradeoffs**
   a. How will LACERA reconcile potential tradeoffs? Example: Fees, operational risks, portfolio construction, exposures, etc.

Next Steps

We expect to come back to the Board in the coming months with new research and guidance to ultimately update the Emerging Manager Policy.

1. Together with the Board and staff, Meketa will work to refine LACERA's Emerging Manager Objectives.
2. We will also provide guidance to the Board to define which assets classes may merit investments in emerging managers.
3. With direction from the Board, we will work with staff to revise the process to implement Emerging Manager Programs.
4. We expect it may require two additional meetings with the Board to complete this project.

FOR INFORMATION ONLY

March 26, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer – Corporate Governance

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **PRINCIPLES FOR RESPONSIBLE INVESTMENT ELECTION BALLOT**

Please find attached LACERA's ballot for voting in the Principles for Responsible Investment (PRI) 2019 special mid-term election to fill one asset owner board seat. Information regarding the PRI special election was previously reported to the Board of Investments in March 2019.

Consistent with LACERA's *Corporate Governance Policy*, staff consulted with the Chair of the Corporate Governance Committee to execute LACERA's ballot in advance of PRI's April 5th deadline. Election results might be available after the April 5th deadline at: https://www.unpri.org/pri/pri-governance/board-elections.

Attachment

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

Attachment

Principles for Responsible Investment

PRI Online Voting

Home | How It Works | Logout **Scott Zdrazil**

Voting receipt - 2019 PRI Board Mid-Term Election

[Print]

Receipt code: **V48X**

Time of vote: **2019-03-26 17:38:36Europe/London**

IP address: **63.193.71.3**

Candidates: **Sharon Hendricks**

This is the online voting system of PRI Online Voting. Powered by Simply Voting.

Candidates

You can select **one (1)** candidate.

☑ **Sharon Hendricks**

Vice-Chair of the Board, CalSTRS

- *Gender*: Female
- *Signatory HQ country:* US
- *Signatory type:* Pension Fund
- *Signatory since:* 2008
- *Seconding signatory:* ABP; GPIF
- Candidate statement and candidate video

☐ **Kathryn Murtagh**

Chief Compliance Officer and Managing Director, Sustainable Investing, Harvard University Endowment

- *Gender*: Female
- *Signatory HQ country:* US
- *Signatory type:* Endowment
- *Signatory since:* 2014
- *Seconding signatory:* The Church Commissioners for England
- Candidate statement and candidate video

☐ **Abstain**

Continue | Cancel

LACERA

FOR INFORMATION ONLY

March 29, 2019

TO: Each Member
Board of Investments

FROM: Christopher J. Wagner CJW
Principal Investment Officer

David E. Simpson, CFA DES
Investment Officer

FOR: April 10, 2018 Board of Investments Meeting

SUBJECT: **PRIVATE EQUITY SECONDARY SALE SUMMARY REPORT**

The Board of Investments ("BOI") is being presented with a summary report covering the private equity secondary sale transaction (**Attachment**). In January 2018, the BOI approved minimum qualifications commencing an RFP process that led to the approval of three Secondary Advisors in May 2018. Staff engaged Greenhill in July 2018 to explore a sale of legacy interests. Greenhill led a marketing outreach campaign to 73 prospective buyers leading to two rounds of bidding. In October 2018, as authorized by the BOI, LACERA sold 61 limited partnership interests valued at $805 million to a single buyer.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

CW:DES:mm

ATTACHMENT

Private Equity Secondary Sale Summary Report

Board of Investments

April 10, 2018

Christopher J. Wagner – Principal Investment Officer
David Simpson, CFA – Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

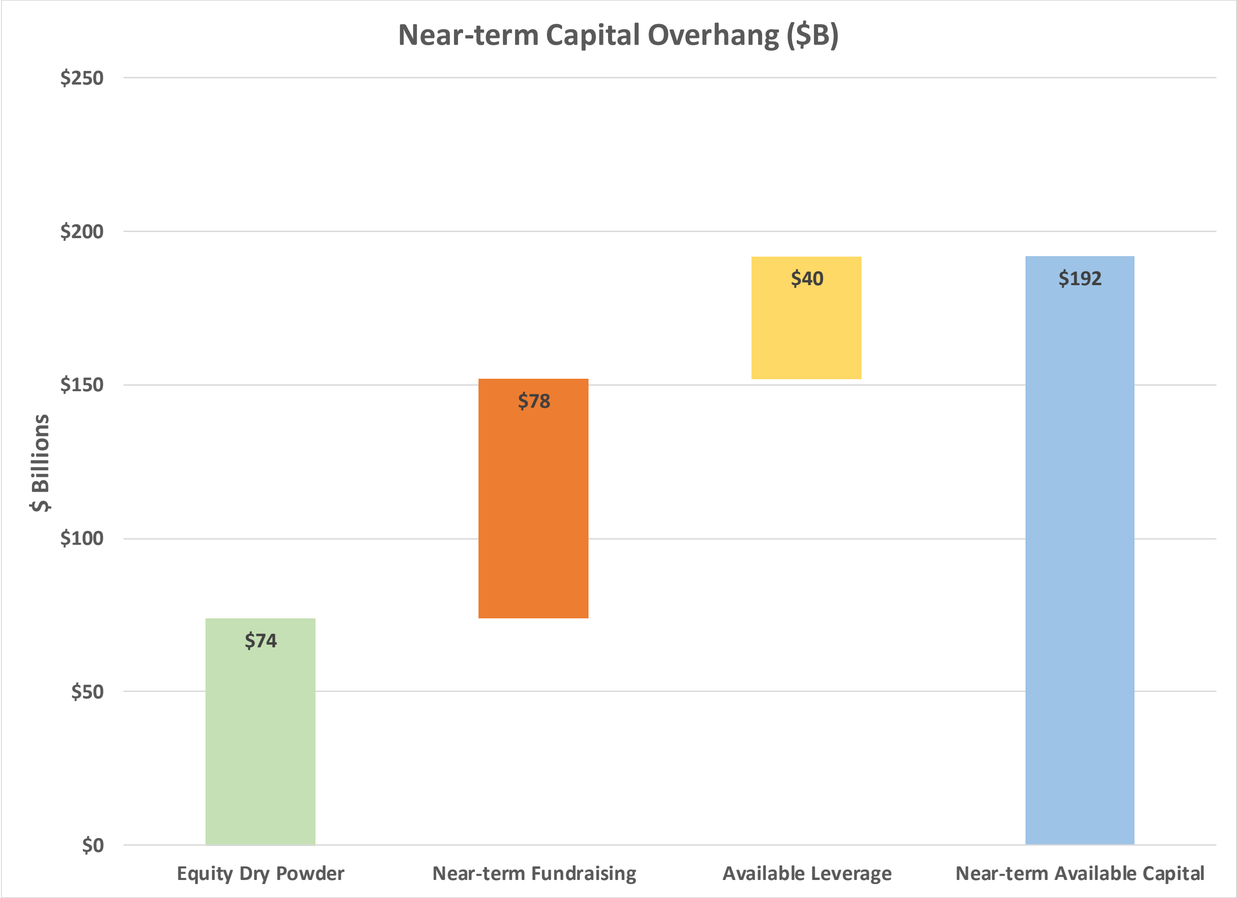
Background

- In October 2017, the Board approved revisions to the Secondary Policy establishing parameters under which the CIO had authority to purchase and sell interests in the secondary market
- In January 2018, the Board approved the minimum qualifications commencing an RFP search for a Secondary Advisor(s)
- In May 2018, the Board approved three finalists (including Greenhill) as approved LACERA Secondary Advisors
- In July 2018, LACERA engaged Greenhill to explore a secondary sale
- In October 2018, the Board authorized the CIO to sell up to $810 million in LP interests at a price of note less than 92% of NAV

Secondary Market Environment

Near-term Capital Overhang

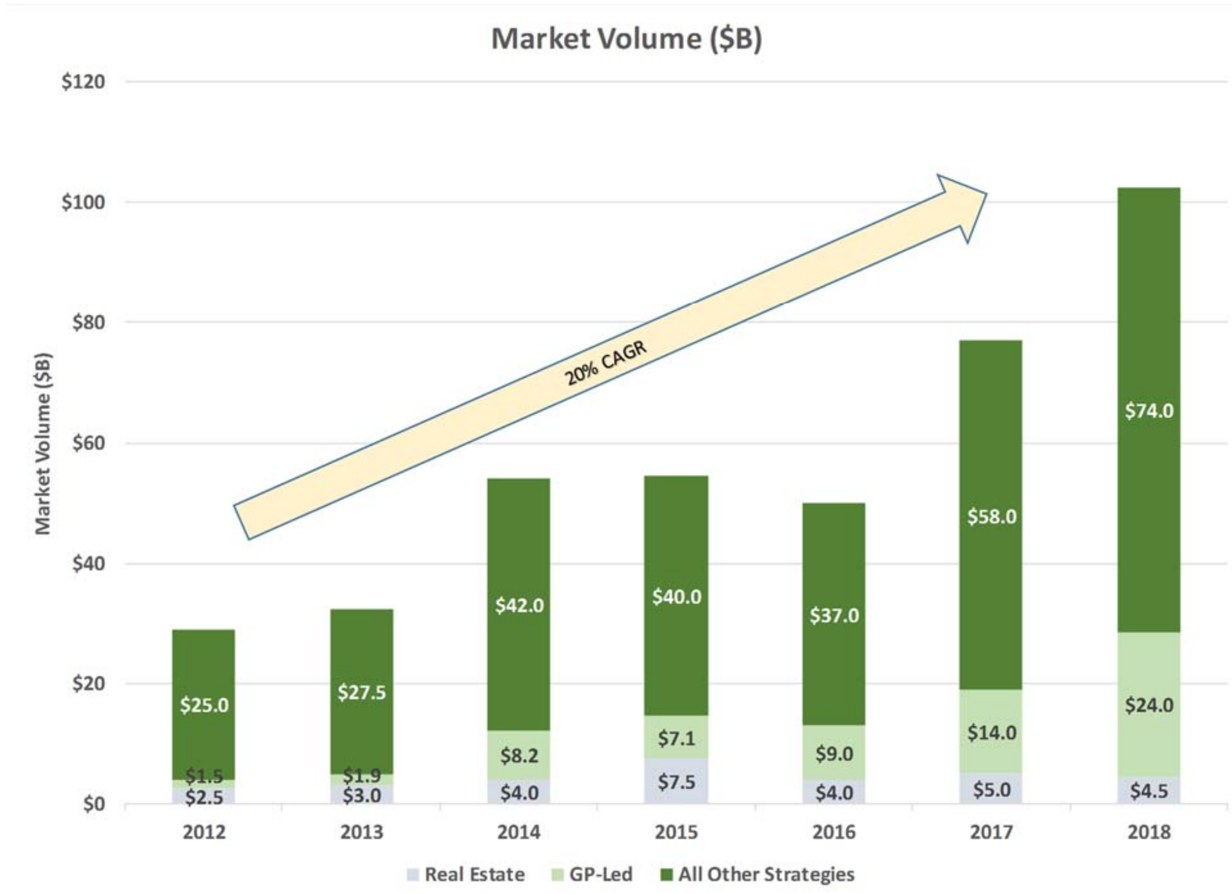
- Approximately $192 billion in near-term capital is available to deploy to secondary purchases



Source: Greenhill

Market Volume

- Transaction volume in 2018 increased 28% over 2017

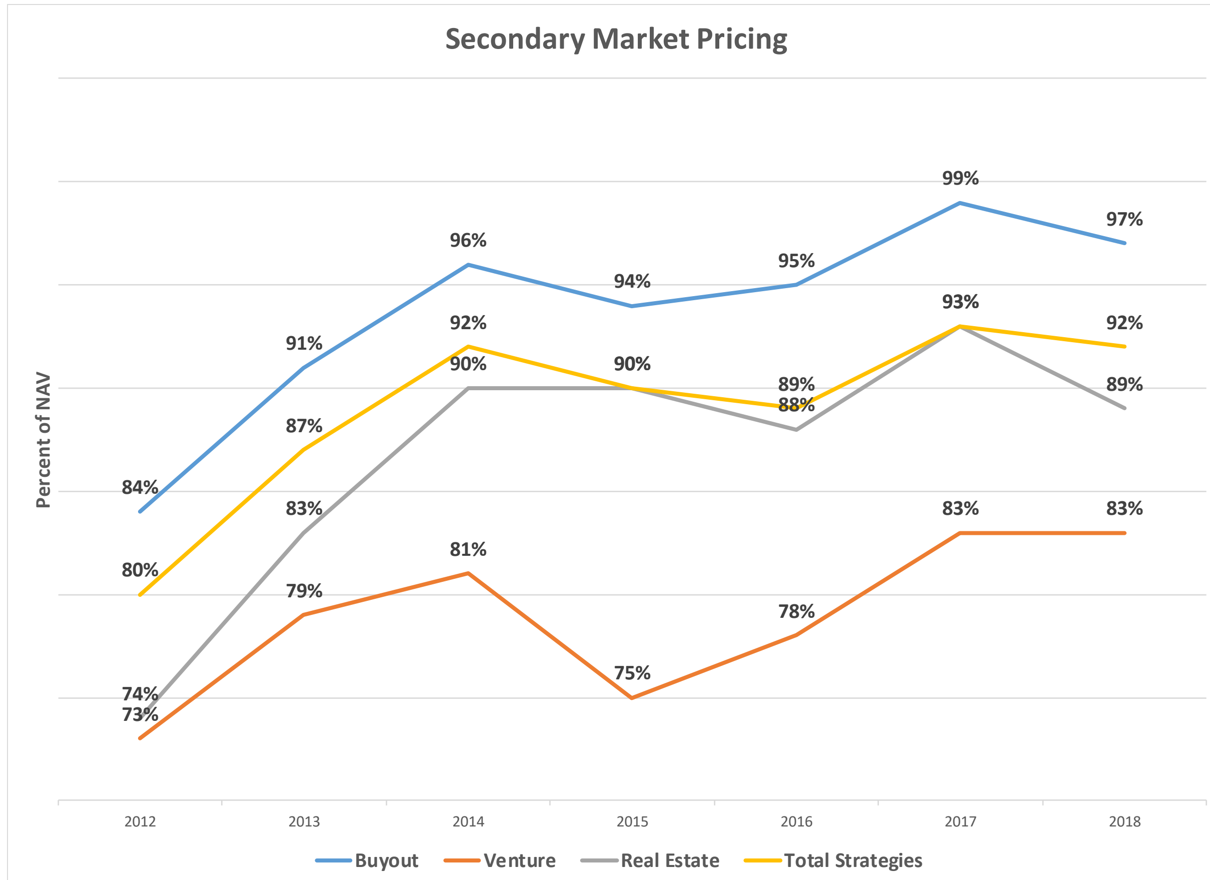


Source: Greenhill

Secondary Market Pricing

- Pricing held mostly stable year-over-year with slight decreases across most strategies

- Overall, LACERA's secondary sale process took place during favorable market conditions existing in 2018

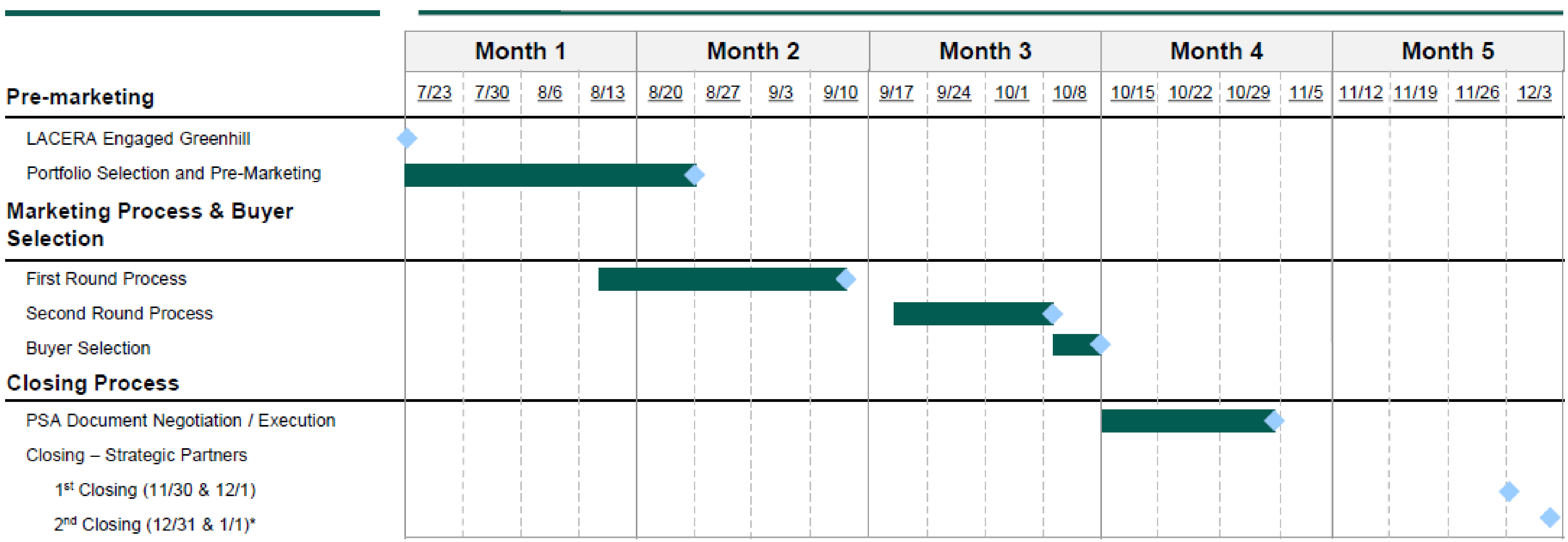


Source: Greenhill

LACERA Secondary Sale Transaction Overview

Transaction Timeline

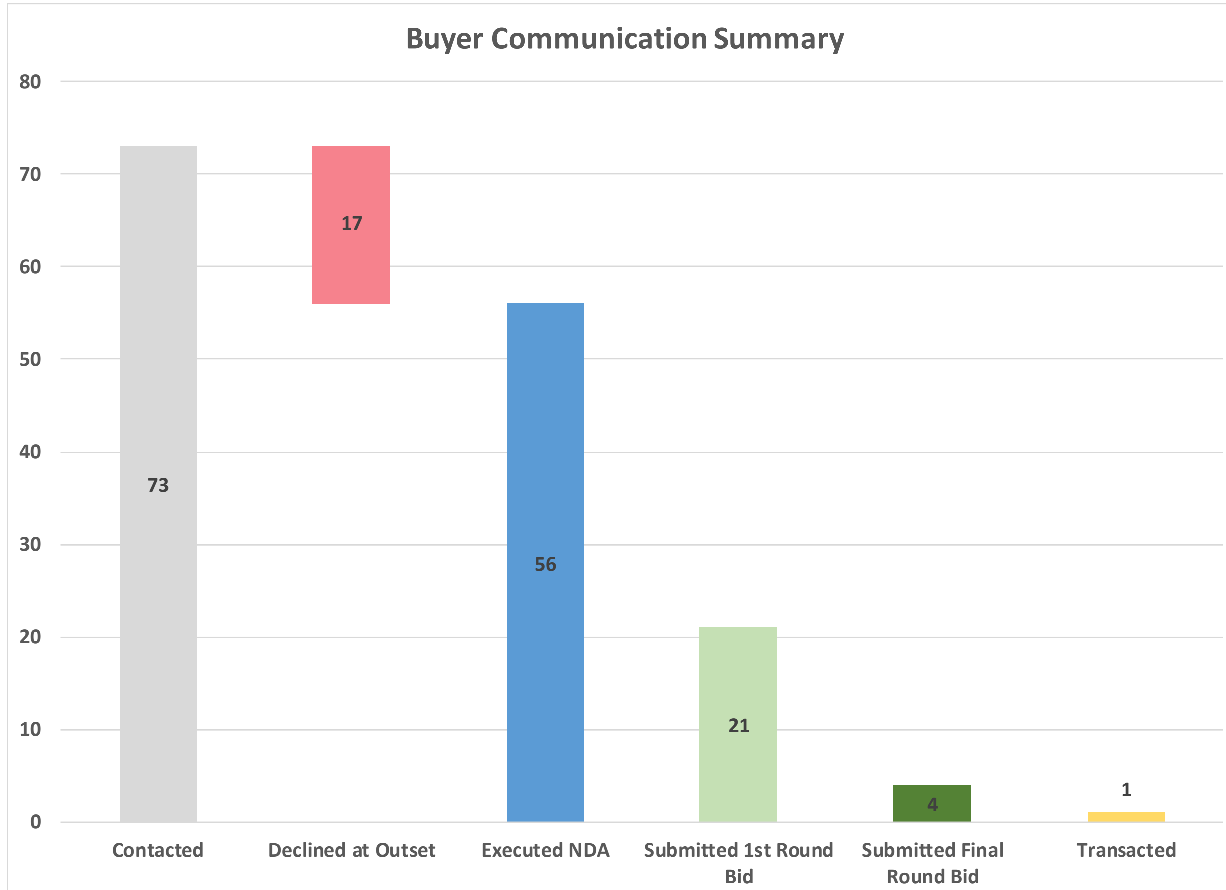
- Greenhill engagement commenced on July 20th
- Marketing process formally launched on August 17th
- 21 bids received in 1st round on September 11
- After a 3-week second round, LACERA accepted an offer on October 8th



Buyer Communication Summary

- Greenhill marketing process ensured thorough coverage of prospective buyer market

- Of the 73 buyers contacted, 21 submitted first round bids



Source: LACERA-created with data from State Street.

Overview of Assets Sold

- Greenhill worked collaboratively with LACERA to refine the initial list of over 90 funds representing $985 million in NAV based on variables such as pricing, valuation, return analysis, and potential restrictions imposed by the general partners

Overview of Assets Sold	
Total Number of GPs	38
Total Number of Funds	61
Aggregate Commitments	$2,762
Net Asset Value (NAV)	$805
Unfunded	$255
Total Exposure	$1,060
Top 5 Funds	$394
% of Total Exposure	37.20%
Top 10 Funds	$648
% of Total Exposure	61.10%
Weighted Average Vintage	2009

Source: LACERA-created with data from State Street.

Secondary Sale Portfolio Composition

- Sale portfolio also included:
  - 7 European interests were sold representing $165.7 million (21%)
  - 23 smaller interests representing $31.0 million (4%)

as of 3/31/18 - $MM		Total at Start		Sold Interests		Retained Interests	
GP Relationship Status	**GPs**	**Funds**	**Market Value**	**Funds**	**Market Value**	**Funds**	**Market Value**
Fully Exited	29	47	$642.5	47	$642.5	0	$0.0
Partially Exited	9	23	$169.7	14	$162.2	9	$7.5
No Change	69	139	$4,960.9	0	$0.0	139	$4,960.9
Totals	**107**	**209**	**$5,773.2**	**61**	**$804.7**	**148**	**$4,968.4**

as of 3/31/18 - $MM	Total at Start			Sold Interests			Retained Interests		
Strategy	**Funds**	**Market Value**	**% of MV**	**Funds**	**Market Value**	**% of MV**	**Funds**	**Market Value**	**% of MV**
Buyout	112	$3,653.6	63%	39	$655.5	81%	73	$2,998.1	60%
Venture/Growth	65	$812.4	14%	15	$12.6	2%	50	$799.8	16%
Fund-of-Funds	10	$743.0	13%	2	$63.2	8%	8	$679.8	14%
Special Situations	22	$564.2	10%	5	$73.4	9%	17	$490.8	10%
Totals	**209**	**$5,773.2**	100%	**61**	**$804.7**	100%	**148**	**$4,968.4**	100%

- Streamlined post-sale portfolio well diversified by strategy
- The $5.0 billion ending PE MV represented 9.1% of 3/31/2018 Total Portfolio value of $55.0 billion – within policy range of 7-14%

Summary

- The Secondary sale accomplished two key objectives:
  1. Produced an attractive pricing outcome
  2. Allowed LACERA to exit 38 GP relationships and 61 interests enabling staff to focus on the most important relationships
- Moving forward, LACERA will continue to evaluate the portfolio to opportunistically purchase and sell interests in the secondary market

Secondary Sale Team

Collaborative effort that included multiple divisions inside LACERA working in conjunction with external service providers

Investments	Legal	Accounting	Greenhill	DLA Piper
• Calvin Chang • David Chu • Jon Grabel • Melissa Mooc • David Simpson • Chris Wagner	• Cheryl Liu • Steve Rice • Christine Roseland	• Sabrina Chen • Margaret Lei Chwa	• Wes Bender • Zach Herr • Tanner Houston • Andy Nick	• Sara Stinnett

In addition, the finance and legal teams of 38 general partners enabling the transfer of 61 limited partnership interests

LACERA

FOR INFORMATION ONLY

March 29, 2019

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: April 11, 2019 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Board Self-Evaluations in Closed Session: Action Plan for Legislative Proposal**

BACKGROUND

At its January 10, 2019 meeting, the Insurance, Benefits and Legislative Committee discussed the staff memorandum dated December 28, 2018 that outlined the issue of the Ralph M. Brown Act not providing an exception for board self-evaluations to be conducted in closed session. Staff was further instructed to provide an action plan for a legislative proposal that would provide for such an exception.

DISCUSSION

Proposing legislation that would provide for board self-evaluations in closed session under the Brown Act would entail three main steps:

1. Proposal formulation and board approval.
2. Sponsorship.
3. Locating an author.

Since the introduction deadline has passed for the 2019 legislative session, the potential proposal would be introduced for the 2020 legislative session, if approved by the LACERA boards.

Proposal Formulation and Board Approval

The Brown Act provides that the actions and deliberations of local public agencies are conducted in open and public meetings with posted agendas. The Brown Act applies to meetings of the legislative body, which is the governing body, of a local agency. Since LACERA has two governing bodies, the Board of Retirement (BOR) and the Board of Investments (BOR), both boards are subject to the Brown Act.

The Brown Act provides for closed sessions under certain limited circumstances and currently does not provide for board self-evaluations to be conducted in closed session. Providing for board self-evaluations in closed session would require two changes to the Brown Act: one, how the board self-evaluation would be entitled and described on the agenda; two, a specific provision in the Brown Act that describes the nature and purpose of board self-evaluations and provides authority to engage in self-evaluations in closed session.

Currently, the BOI Charter provides that a self-assessment (i.e., self-evaluation) of the BOI's effectiveness of its performance in achieving its objectives, its committees, and its use of consultants be conducted on at least an annual basis. The BOR Charter currently does not contain a policy on self-evaluations.

Assuming the BOR will also have a policy on self-evaluations like the BOI, a legislative proposal for a Brown Act closed-session exception for board self-evaluations would apply to both the BOR and BOI. Consequently, staff will formulate a proposal that would be considered by both boards.

On legislative matters that affect both boards, they will generally be submitted to the Joint Organizational Governance Committee (JOGC) for recommendations to both boards, which would entail a two-month process for consideration and approval. Alternatively, if the proposal cannot be submitted to the JOGC for consideration due to scheduling issues (as will be discussed below with respect to sponsorship), staff would submit the proposal separately to the BOR[1] and BOI for consideration and approval.

Sponsorship
LACERA and 19 other county retirement systems operating under the County Employees Retirement Law of 1937 (CERL) are members of the State Association of County Retirement Systems (SACRS). Traditionally, legislative proposals that are applicable to all CERL retirement systems rather than a single system are submitted to SACRS to consider for sponsorship.

The following timeline typifies the process by which proposals from LACERA have been submitted to SACRS.

Month	**Description**
July	Staff submits LACERA's legislative proposals to the Insurance, Benefits and Legislative Committee for consideration.
August	The Insurance, Benefits and Legislative Committee forwards its recommendations on the proposals to the Board of Retirement.

[1] Legislative matters for BOR consideration are generally submitted first to the BOR's Insurance, Benefits and Legislative Committee.

Month	Description
September	If a proposal is approved, staff forwards the proposal to the SACRS Legislative Committee. The SACRS Legislative Committee reviews, discusses, and makes recommendations on proposals received from all CERL retirement systems. The Committee then forwards the proposals to the CERL retirement systems for review, which will provide instructions for their voting delegates, who will vote on the proposals at the Business Meeting of the SACRS Fall Conference in November.
October	Staff submits the proposals reviewed by the SACRS Legislative Committee, along with recommendations on voting instructions for the voting delegate, to the Insurance, Benefits and Legislative Committee for consideration[2].
November	The Insurance, Benefits and Legislative Committee forwards its recommendations on voting instructions for the voting delegate to the Board of Retirement. The voting delegate will vote as directed by the Board of Retirement at the Business Meeting of the SACRS Fall Conference.

If LACERA intends for SACRS to consider sponsorship of its proposal, then August is the latest month for the LACERA boards to approve submission of the proposal to the SACRS Legislative Committee in September. The proposal will first be submitted to the JOGC if a JOGC meeting is scheduled on or earlier than July 2019. Otherwise, staff will submit the proposal separately to the BOR and the BOI by August 2019. Similarly, a recommendation related to instructions for LACERA's voting delegate[3] on this proposal will first be submitted to the JOGC, unless scheduling issues dictate otherwise, and then to the boards.

[2] This year, the Board of Retirement has its regular meeting scheduled on November 21, 2019, which is after the SACRS Fall Conference on November 12-15, 2019. Thus, recommendations for instructions to the voting delegate will be submitted to the Board of Retirement, rather than the Insurance, Benefits and Legislative Committee on October 10, 2019.

[3] LACERA's current practice is to designate its CEO as the SACRS voting delegate with alternates being the BOR's officers and remaining BOR members in order of board seat. Staff is formulating a revision to the Legislative Policy that will clarify the mechanism by which the BOI may provide instructions to LACERA's voting delegate.

The legislative proposals approved by the SACRS membership at its Business Meeting in November will be included on the SACRS legislative platform for the following year with SACRS as the sponsor of the proposals.

It is possible that the SACRS membership would not approve LACERA's proposal to provide for board self-evaluations in closed session. For example, the SACRS membership did not approve LACERA's proposal for the 2012 legislative year that would have provided for the correction of errors and omissions. In that case, LACERA sponsored its own legislative proposal, applicable only to LACERA, to provide for the correction of errors and omissions. Staff will account for this possibility in the formulation of the proposal.

Locating an author
If LACERA's proposal is approved for SACRS sponsorship, then SACRS and its legislative advocates will find a legislator who will author a bill for the proposal. LACERA and its own legislative advocate can provide support to ensure passage of the bill.

Otherwise, if LACERA itself is sponsoring the proposing, then LACERA will work with its own legislative advocate to find a legislator to author the bill and ensure its passage.

CONCLUSION
The foregoing provides a roadmap and timing considerations for LACERA's proposal for board self-evaluations to be conducted in closed session. Staff welcomes any questions or comments regarding this plan.

Reviewed and Approved:

Steven P. Rice

Steven P. Rice, Chief Counsel

cc: Board of Investments
Lou Lazatin
John Popowich
Steven P. Rice
Jonathan Grabel
Joe Ackler, Ackler & Associates

FOR INFORMATION ONLY

March 29, 2019

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: April 10, 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	
• Investment Policy Statement	Completed
• Procedures manual	April BOI Report
Align Management and Oversight	
• Align Committees to new SAA	Completed
• Staffing	
• Real Assets – PIO	Completed
• Real Assets – FA-III	2nd Quarter of 2019
• Real Assets – FA-II	2nd Quarter of 2019
• Portfolio Analytics – SIO	Completed
• Portfolio Analytics – FA-II	Completed
• Portfolio Analytics – FA-I	Completed

• Consultant searches	Approved – In Process

Growth
• Public Equities
    • Implementation of structure review
        • Reduce public equity exposure
        • Factor mandate
• Private Equity
    • Investment plan
    • Secondary sale
• Opportunistic Real Estate
    • Implement structure review and investment plan
	
	In Process
	In Process
	April BOI Recommendation
	
	Completed
	Completed
	
	Ongoing

Credit
• Conduct consultant search – Credit
• Implementation of Credit structure review
    • Realign weights with targets
    • Resize current liquid managers
• Conduct new mandate searches
	
	Approved – In Process
	In Process
	
	Ongoing

Risk Reducing & Mitigation • Conduct consultant search – Hedge Funds • Implementation of Fixed Income structure review • Potential manager rebalancing and consolidation • Conduct RFP for cash overlay program	 Approved – In Process In Process April BOI Recommendation
Real Assets & Inflation Hedges • Conduct consultant search – Real Assets • RFP for a completion portfolio • Add TIPS through invitation to bid process • Conduct new mandate searches	 Approved – In Process Approved – In Process Approved – In Process Pending New Consultant
Adapt Portfolio Analytics • Analytics Reporting • Performance Reporting • Interim Benchmarks and Policy Weights	 Second Quarter 2019 Second Quarter 2019 Second Quarter 2019
Complete operational updates at State Street	Ongoing
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.

FOR INFORMATION ONLY

March 28, 2019

TO: Each Member
Board of Investments

FROM: Christopher J. Wagner cjw
Principal Investment Officer

Didier Acevedo, CFA DA
Investment Officer

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **PRIVATE EQUITY EIGHT PERCENT PREFERRED RETURN HURDLE**

Pursuant to a discussion during the Board of Investments meeting earlier in 2019, LACERA staff has prepared a presentation outlining the benefits and drawbacks of offering an eight percent preferred return ("Hurdle Rate") with respect to private equity fund investments. During the meeting members of staff discussed key reasons why, in some cases, a Hurdle Rate could potentially misalign incentives between limited partners and general partners. The purpose of this information only memo is to help further articulate reasons why LACERA may choose to consider commitments to funds that potentially do not offer preferred returns.

The attached charts illustrate two scenarios where a Hurdle Rate may cause a misalignment of incentives between a limited partner and a general partner. These scenarios include the incentive for a general partner to extend a fund's life, and the incentive for a general partner to make riskier investments in a fund that has not surpassed its Hurdle Rate. In the two scenarios, the general partner may be incentivized to make decisions that could potentially conflict with its limited partner's interests. These scenarios are noteworthy because, on its own, a Hurdle Rate is not a cure for poor fund returns, nor does it guarantee that a general partner will achieve better results.

Attachment

Noted and Reviewed

____
Jonathan Grabel
Chief Investment Officer

ATTACHMENT

Private Equity:

8% Preferred Return Information Item

April 10th, 2019

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Benefits of an Eight Percent Hurdle Rate

LACERA prefers its private equity managers adopt an 8% hurdle rate for the following reasons:

Alignment of Interest	Time Value of Money
• General partners are entitled to carried interest only after limited partners receive an annual return of 8% or greater on drawn capital • Theoretically, an 8% preferred return incentivizes managers to generate net returns in excess of 8%, as greater returns above 8% translate to greater carried interest for general partners	• General partners could hypothetically hold an asset indefinitely to increase the multiple of invested capital, thereby increasing carried interest due to time • An IRR-based hurdle rate should incentivize general partners to achieve a net return in excess of 8% on investment

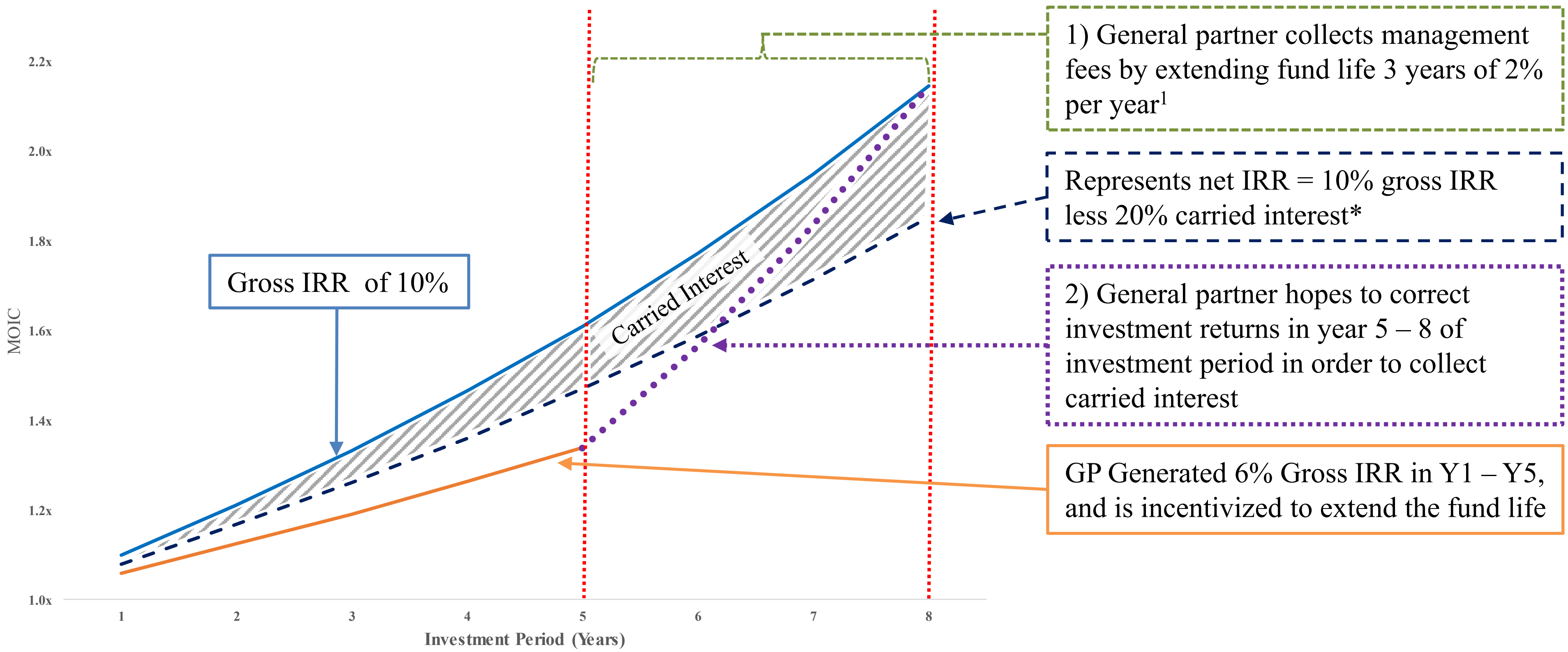
Drawbacks of an Eight Percent Hurdle Rate

An eight percent hurdle rate is not a panacea for funds with poor returns, in some circumstances, it may cause a misalignment of incentives between general partners and limited partners

Extending Fund Life	Risk-Seeking Behavior
General partners may be incentivized to extend a fund's life if it has not met its IRR hurdle for the following reasons: 1. Continued collection of management fees 2. To attempt to increase the potential returns of its portfolio companies through add-ons and strategy changes, in the hopes of turning around the struggling companies – i.e., *throwing good money after bad*	General partners may seek to invest in riskier deals in hopes of generating out-sized returns in order to exceed the 8% hurdle rate to commence collecting carried interest

Extending Fund Life

The chart below demonstrates the potential incentives to extend the term of a fund that has not obtained an 8% preferred return: 1) longer fund lives could generate greater fees for managers 2) general partners can extend a fund's life if they believe they can improve investment returns. In general LACERA would prefer managers that are able to exit their investments within a fund's stated term

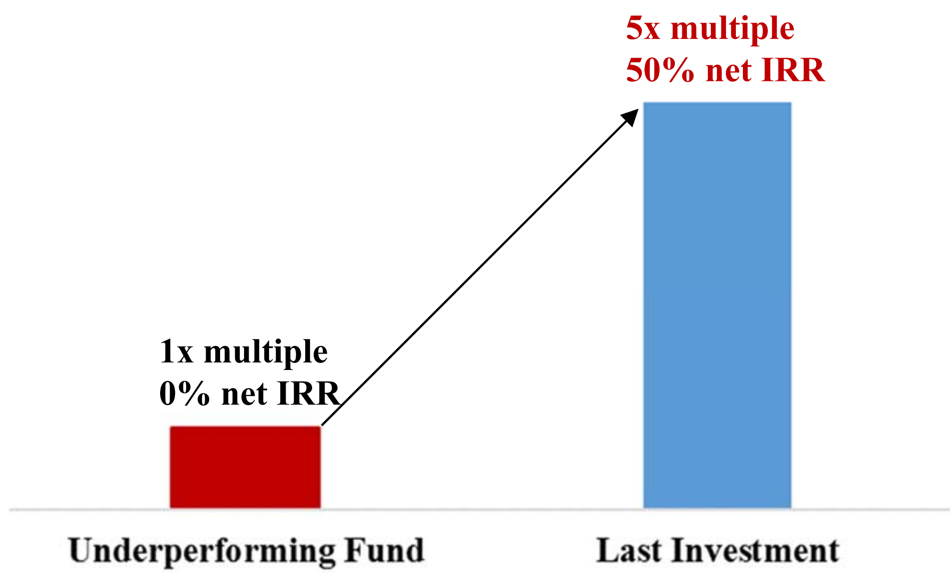


[1] Management fees may vary based on individual manager terms.

* For illustrative purposes, net and gross returns do not include management fees or fund expenses.

Risk-Seeking Behavior - Illustrative

- **If a private equity fund is not performing above its 8% hurdle rate, a general partner may be incentivized to invest its remaining capital in riskier investments in a last ditch effort to elevate overall fund returns and earn carried interest; this may not be in the limited partners best interests**
- **In this simplified example below, a general partner with an underperforming fund would need its last investment to return 5x in order for the manager to receive his full 20% carry***



* Underperforming fund assumed to have 90% of its capital invested and returned after five years generating a 1x multiple and 0% net IRR. Assumes a total fund size of $100 million and that the last investment is made in year six and exited in year 10.

LACERA

FOR INFORMATION ONLY

April 1, 2019

TO: Each Member
Board of Investments

FROM: Vache Mahseredjian
Principal Investment Officer

Jeff Jia
Senior Investment Analyst

FOR: April 10, 2019 Board of Investments Meeting

SUBJECT: **OAKTREE CAPITAL MANAGEMENT – ORGANIZATIONAL UPDATE**

Oaktree Capital Management, L.P. ("Oaktree") has managed a high yield bond mandate and a distressed debt mandate for LACERA since 1997 and 1998, respectively. The aggregate market value of LACERA assets managed by Oaktree is approximately $552 million as of February 28, 2019, comprised of $442 million in a high yield bond separate account and $110 million in six distressed debt funds.[1] Oaktree has $120 billion in assets under management and over 950 employees globally.[2]

On March 13, 2019, Oaktree announced that Brookfield Asset Management ("Brookfield") will acquire 62% of Oaktree for $4.7 billion. This represents all of Oaktree's public partnership shares and 20% of the private shares held by Oaktree's founders, employees, and ex-employees. Oaktree will retain its name and continue to operate independently. Oaktree's Co-Chairman, Howard Marks, and Co-Chairman and CIO, Bruce Karsh, will remain in their roles. The resulting Oaktree-Brookfield partnership will become one of the largest alternative asset managers in the industry, with $475 billion in assets under management and $2.5 billion in annual revenues. The official announcement is attached for your reference.

A key aspect of the transition is the option for Oaktree's founders and senior management to sell their remaining shares in equal parts in 2022-2026, and the option for the rest of the employees and ex-employees to sell their remaining shares in 2022-2029. The earliest year in which Brookfield could own 100% of Oaktree is 2029.

[1] Information on the distressed debt funds is reported with a lag, so the $110 million market value is as of 2018Q3.
[2] Oaktree owns 20% of DoubleLine Capital, L.P. The reported AUM of $120 billion includes $24 billion that represents Oaktree's proportionate share of DoubleLine's AUM. DoubleLine is also one of LACERA's fixed income separate account managers; the market value of LACERA's portfolio managed by DoubleLine is approximately $325 million as of February 28, 2019.

Oaktree's senior management discussed the sale during a client-only conference call and highlighted key features of the deal: the complementary nature of the partnership with Brookfield, the retention of key personnel, and Oaktree's ability to continue operating independently. The partnership is expected to benefit both firms in terms of leveraging combined resources and scaling up data insight. Business overlaps between the two firms are minimal, as Oaktree's primary focus is credit, whereas Brookfield focuses on real estate, infrastructure, renewable power, and private equity.

It remains to be seen how the Oaktree-Brookfield partnership—and the gradual transition to a new generation of leadership at Oaktree—will impact the firm's culture, philosophy, investment process, and ultimately, its performance. Staff will continue to monitor the acquisition and will report any significant developments to the Board.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

VM JJ

OAKTREE

Press Release

Brookfield to Acquire 62% of Oaktree Capital Management

Together, Brookfield and Oaktree will provide global investors with one of the most comprehensive offerings of alternative investment products available in the marketplace today

Howard Marks, Bruce Karsh, and other members of Oaktree Capital Group Holdings, L.P. will own 38% and retain operating control of Oaktree

Oaktree Class A unitholders can elect to receive for each Oaktree Class A unit either $49.00 in cash or 1.0770 Brookfield Class A shares to enable them to stay invested in the overall business

NEW YORK, March 13, 2019 (GLOBE NEWSWIRE) -- Brookfield Asset Management Inc. ("Brookfield") (NYSE: BAM, TSX: BAM.A, Euronext: BAMA) and Oaktree Capital Group, LLC (NYSE: OAK) ("Oaktree") today announced an agreement whereby Brookfield will acquire approximately 62% of the Oaktree business. As part of the transaction, Brookfield will acquire all outstanding Oaktree Class A units for, at the election of Oaktree Class A unitholders, either $49.00 in cash or 1.0770 Class A shares of Brookfield per unit (subject to pro-ration). This represents a premium of 12.4% per Oaktree Class A unit, based on the closing price of Oaktree Class A units and Brookfield Class A Shares on March 12, 2019 and a 15.9% premium based on the 30-day Volume-Weighted Average Price of Oaktree Class A units. The Oaktree Board of Directors, acting on the recommendation of a special committee, composed of non-executive, independent directors, has unanimously recommended that Oaktree unitholders approve the transaction.

Both Brookfield and Oaktree will continue to operate their respective businesses independently, partnering to leverage their strengths – with each remaining under its current brand and led by its existing management and investment teams. Howard Marks will continue as Co-Chairman of Oaktree, Bruce Karsh as Co-Chairman and Chief Investment Officer, and Jay Wintrob as Chief Executive Officer. Howard Marks and Bruce Karsh will continue to have operating control of Oaktree as an independent entity for the foreseeable future. In addition, Howard Marks will join Brookfield's board of directors.

The two companies together will have approximately $475 billion of assets under management and $2.5 billion of annual fee-related revenues, making this one of the leading alternative asset managers, with one of the most comprehensive suites of alternative investment products for investors worldwide. The transaction is expected to be accretive to Brookfield on a per share basis before any benefits from the combination.

Bruce Flatt, CEO of Brookfield, stated, "As we continue to strategically grow Brookfield, we are thrilled to be partnering with Oaktree and with its exceptional management team whose credit business is second to none. This transaction enables us to broaden our product offering to include one of the finest credit platforms in the world, which has a value-driven, contrarian investment style, consistent with ours."

Howard Marks, Co-Chairman of Oaktree, stated, "The opportunity to join forces with Brookfield is ideal. Our firms share a culture that emphasizes both investing excellence and integrity, and our businesses mesh without overlapping or conflicting. The rest of Oaktree management and I are excited about the combination of support and independence we expect. We look forward to having Brookfield's contribution to our ability to serve our clients, and to doing the same for them."

Transaction Details

Under the terms of the agreement, Oaktree Class A units will be acquired for a per unit consideration of, at the election of Oaktree Class A unitholders, either $49.00 in cash or 1.0770 Brookfield Class A shares. Elections will be made on a per unit basis and will be subject to pro-ration such that the total consideration paid by Brookfield consists of 50% in cash and 50% in Brookfield shares. In addition, the founders, senior management, and current employee-unitholders of Oaktree Capital Group Holdings, L.P. ("OCGH"), the holder of all outstanding Class B units of Oaktree as well as a direct interest in certain of Oaktree's operating entities, will sell to Brookfield 20% of their units for the same consideration as the Oaktree Class A unitholders.

Pursuant to the agreement, Oaktree may declare and pay a distribution in respect of the quarter ending March 31, 2019 in an amount up to $1.05 per Oaktree Class A unit. No further distributions on the Oaktree Class A units may be paid unless the transaction has not closed by September 30, 2019, in which case distributions in respect of Q3 2019 and any other quarter thereafter until closing may be paid in the ordinary course on Oaktree Class A units, subject to certain limitations set forth in the agreement.

The cash portion of the aggregate consideration will be funded by Brookfield from available liquidity. Upon consummation of the transaction, Brookfield will own approximately 62% of the Oaktree business, and the OCGH unitholders, consisting primarily of Oaktree's founders and certain other members of management and employees, will own the remaining approximately 38%.

Commencing in 2022, former employee-unitholders will be able to sell their remaining Oaktree units to Brookfield over time pursuant to an agreed upon liquidity schedule and approach to valuing such units at the time of liquidation, and Oaktree's founders, senior management and current employee-unitholders will have the option to do so as well. Pursuant to this liquidity schedule, the earliest year in which Brookfield could own 100% of the Oaktree business is 2029.

The agreement includes customary provisions relating to non-solicitation, the ability of Oaktree's board of directors to respond to any unsolicited superior alternative proposals, and Brookfield's right to match such proposals. The agreement also provides for the payment by Oaktree of a $225 million termination fee if the agreement is terminated under certain specified circumstances.

The transaction is subject to the approval of Oaktree unitholders representing at least a majority of the voting interests of Oaktree and other customary closing conditions, including certain regulatory approvals. OCGH, controlled by Howard Marks and Bruce Karsh, and which represents approximately 92% of the voting interests of Oaktree, has agreed to vote all of its units in favor of the transaction. The transaction is expected to close in the third quarter of 2019.

All dollar references are in U.S. dollars, unless noted otherwise.

Advisors

Perella Weinberg Partners L.P. acted as sole financial advisor and Simpson Thacher & Bartlett LLP and Munger, Tolles & Olsen LLP acted as legal advisors to Oaktree. Weil, Gotshal & Manges LLP and Torys LLP acted as legal advisors to Brookfield. Sandler O'Neill & Partners, L.P. acted as financial advisor and Mayer Brown LLP served as legal advisor to the Special Committee of Oaktree's Board of Directors.

Brookfield Asset Management Inc. is a leading global alternative asset manager with over $350 billion in assets under management. The company has more than a 120-year history of owning and operating assets with a focus on real estate, renewable power, infrastructure and private equity. Brookfield offers a range of public and private investment products and services, and is co-listed on the New York, Toronto and Euronext stock exchanges under the symbol BAM, BAM.A and BAMA, respectively. For more information, please visit our website at brookfield.com.

Oaktree Capital Group, LLC is a leader among global investment managers specializing in alternative investments, with $120 billion in assets under management as of December 31, 2018. The firm emphasizes an opportunistic, value- oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. The firm has over 950 employees and offices in 18 cities worldwide. For additional information, please visit Oaktree's website at oaktreecapital.com.

For more information, please contact:

Brookfield Asset Management Inc.

Suzanne Fleming
Communications
Tel: (212) 417-2421
Email: suzanne.fleming@brookfield.com

Linda Northwood
Investor Relations

Tel: 416-359-8647
Email: linda.northwood@brookfield.com

Oaktree Capital Group, LLC
Andrea D. Williams
Communications and Investor Relations
Tel: (213) 830-6483
Email: investorrelations@oaktreecapital.com mediainquiries@oaktreecapital.com

Important Additional Information and Where to Find It

This communication is being made in respect of the proposed merger transaction between Oaktree Capital Group, LLC ("Oaktree") and Brookfield Asset Management Inc. ("Brookfield"). In connection with the proposed merger, Brookfield will file with the SEC a registration statement on Form F-4 that will include the consent solicitation statement of Oaktree and a prospectus of Brookfield, as well as other relevant documents regarding the proposed transaction. A definitive consent solicitation statement/prospectus will also be sent to Oaktree unitholders. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

INVESTORS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE CONSENT SOLICITATION STATEMENT/PROSPECTUS REGARDING THE MERGER WHEN IT BECOMES AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

A free copy of the consent solicitation statement/prospectus, as well as other filings containing information about Oaktree and Brookfield, may be obtained at the SEC's Internet site (http://www.sec.gov). You will also be able to obtain these documents, free of charge, from Oaktree by accessing Oaktree's website at ir.oaktreecapital.com or from Brookfield by accessing Brookfield's website at bam.Brookfield.com/reports-and-filings. Copies of the consent solicitation statement/prospectus will be available, free of charge, by directing a request to Oaktree Investor Relations at Unitholders – Investor Relations, Oaktree Capital Management, L.P., 333 South Grand Ave., 28th Floor, Los Angeles, CA 90071, by calling (213) 830-6483 or by sending an e-mail to investorrelations@oaktreecapital.com or to Brookfield Investor Relations by calling (416) 359-8647 or by sending an e-mail to enquiries@brookfield.com.

Oaktree and certain of its directors and executive officers may be deemed to be participants in the solicitation of proxies from Oaktree unitholders in respect of the transaction described in the consent solicitation statement/prospectus. Information regarding Oaktree's directors and executive officers is contained in Oaktree's Annual Report on Form 10-K for the year ended December 31, 2018, which is filed with the SEC. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the consent solicitation statement/prospectus regarding the proposed merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

FORWARD-LOOKING STATEMENTS AND INFORMATION

This communication contains "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act, and "forward-looking information" within the meaning of Canadian provincial securities laws, which reflect the current views of Brookfield and Oaktree with respect to, among other things, their future results of operations and financial performance. In some cases, you can identify forward-looking statements and information by words such as "anticipate," "approximately," "believe," "continue," "could," "estimate," "expect," "intend," "may," "outlook," "plan," "potential," "predict," "seek," "should," "will" and "would" or the negative version of these words or other comparable or similar words. These statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those indicated in these statements. Forward-looking statements and information are based on Brookfield and Oaktree's beliefs, assumptions and expectations of their respective future performance, taking into account all information currently available to them. Such forward-looking statements and information are subject to risks and uncertainties and assumptions relating to their respective operations, financial results, financial condition, business prospects, growth strategy and liquidity.

In addition to factors previously disclosed in Brookfield's and Oaktree's reports filed with securities regulators in Canada and the United States and those identified elsewhere in this communication, the following factors, among others, could cause actual results to differ materially from forward-looking statements and information or historical performance: the occurrence of any event, change or other circumstances that could give rise to the right of one or both of Brookfield and Oaktree to terminate the definitive merger agreement between Brookfield and Oaktree; the outcome of any legal proceedings that may be instituted against Brookfield, Oaktree or their respective unitholders, shareholders or directors; the ability to obtain regulatory approvals and meet other closing conditions to the merger, including the risk that regulatory approvals required for the merger are not obtained or are obtained subject to conditions that are not anticipated or that are material and adverse to Brookfield's or Oaktree's business; a delay in closing the merger; the ability to obtain approval by Oaktree's unitholders on the expected terms and schedule; business disruptions from the proposed merger that will harm Brookfield's or Oaktree's business, including current plans and operations; potential adverse reactions or changes to business relationships resulting from the announcement or completion of the merger; certain restrictions during the pendency of the merger that may impact Brookfield's or Oaktree's ability to pursue certain business opportunities or strategic transactions; the ability of Brookfield or Oaktree to retain and hire key personnel; uncertainty as to the long-term value of the Class A shares of Brookfield following the merger; the continued availability of capital and financing following the merger; the business, economic and political conditions in the markets in which Brookfield and Oaktree operate; changes in Brookfield's or Oaktree's anticipated revenue and income, which are inherently volatile; changes in the value of Brookfield's or Oaktree's investments; the pace of Brookfield's or Oaktree's raising of new funds; changes in assets under management; the timing and receipt of, and impact of taxes on, carried interest; distributions from and liquidation of Oaktree's existing funds; the amount and timing of distributions on Oaktree's preferred units and Class A units; changes in Oaktree's operating or other expenses; the degree to which Brookfield or Oaktree encounters competition; and general political, economic and market conditions.

Any forward-looking statements and information speak only as of the date of this communication or as of the date they were made, and except as required by law, neither Brookfield nor Oaktree undertakes any obligation to update forward-looking statements and information. For a more detailed discussion of these factors, also see the information under the caption "Business Environment and Risks" in Brookfield's most recent report on Form 40-F for the year ended December 31, 2017, and under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Oaktree's most recent report on Form 10-K for the year ended December 31, 2018, and in each case any material updates to these factors contained in any of Brookfield's or Oaktree's future filings.

As for the forward-looking statements and information that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements and information. Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results.

FOR INFORMATION ONLY

March 29, 2019

TO: Each Member
Board of Investments
Board of Retirement

FROM: John Nogales
Director, Human Resources

Roberta Van Nortrick
Training Coordinator

FOR: April 10, 2019 Board of Investments Meeting
April 11, 2019 Board of Retirement Meeting

SUBJECT: ***SEXUAL HARASSMENT PREVENTION TRAINING FOR TRUSTEES***

Your Boards approved the Policy on Sexual Harassment Prevention Training for Board Members on January 10 and 11, 2018. This Policy states all LACERA Board Members will receive at least two hours of sexual harassment prevention training and education within the first six months of adoption of this Policy and every two years thereafter.

For those who have not yet fulfilled this requirement, you have two options from which you may choose to meet this requirement. The first is available to those Board Members who are attending the Spring Conference of SACRS in Lake Tahoe, California. SACRS has scheduled the Harassment Prevention Training for Trustees on Tuesday, May 7, 2019 from 3:00 pm – 5:00 pm. The presenters will be Mr. John Kennedy and Ms. Allison Callaghan from Nossaman, LLP.

The second option is to participate in the online training of Sexual Harassment Prevention offered by Los Angeles County's Learning Academy. If this is your choice, Roberta Van Nortrick will register you for the online training and you will be able to complete the online training at your convenience.

If you received training last year then you do not have to attend training this year. However, if you have not fulfilled the requirements under the Policy, please let the Board secretaries or Roberta know your choice by April 30, 2019.

Reviewed and Approved:

JJ Popowich

John Popowich
Assistant Executive Officer

LACERA

FOR INFORMATION ONLY

April 1, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: April 11, 2019 Board of Retirement Meeting
April 10, 2019 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

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

Reviewed and Approved:

Steven P. Rice

Steven P. Rice, Chief Counsel

Attachment
LACERA Legislative Report

cc: Lou Lazatin
John Popowich
Steven P. Rice
Jon Grabel
Joe Ackler, Ackler & Associates

File name: CERL-PEPRA-2019

CA AB 472

AUTHOR: Voepel [R]
TITLE: Public Employees' Retirement
INTRODUCED: 02/11/2019
SUMMARY:

Makes nonsubstantive changes to existing law which prescribes limits on service after retirement without reinstatement into the applicable retirement system.

STATUS:

02/11/2019 INTRODUCED.

Staff_Action: Monitoring

CA AB 664

AUTHOR: Cooper [D]
TITLE: County Employees' Retirement: Permanent Incapacity
INTRODUCED: 02/15/2019
LAST AMEND: 03/13/2019
SUMMARY:

Requires, for purposes of determining permanent incapacity of certain members employed as peace officers in Sacramento County, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer. Requires the Board of Retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement.

STATUS:

03/13/2019 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

03/13/2019 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Comments:

In 2017, the Board of Retirement adopted a Neutral position on AB 283 (Cooper), a similar bill by the same author.

Staff_Recommendation: Watch

CA AB 979

AUTHOR: Reyes [D]
TITLE: Judge's Retirement System II: Deferred Retirement
INTRODUCED: 02/21/2019
SUMMARY:

Authorizes a judge who is a member of the Judge's Retirement system to retire upon attaining both 63 years of age and 15 or more years of service, or when a judge who has accrued at least 5 years of service and who has not received specified discipline is defeated for reelection.

STATUS:

03/04/2019 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Comments:

AB 979 proposes structural changes to the retirement eligibility provisions for judges and a different employee contribution percentage than that which is currently prescribed in PEPRA.

Staff_Action: Monitoring

CA AB 1198	**AUTHOR:**	Stone [D]
	TITLE:	Public Employees' Retirement: Pension Reform
	INTRODUCED:	02/21/2019
	LAST AMEND:	03/21/2019
	SUMMARY:	

Excepts transit workers hired before a specified date, from the Public Employees' Pension Reform Act, or PEPRA, by removing the federal district court contingency language from the provision excepting certain transit workers from PEPRA.

STATUS:

03/21/2019	To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
03/21/2019	From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.
03/21/2019	In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
Staff_Action:	Monitoring

CA SB 430	**AUTHOR:**	Wieckowski [D]
	TITLE:	Public Employees Retirement Benefits: Judges
	INTRODUCED:	02/21/2019
	SUMMARY:	

Relates to the State Public Employees' Pension Reform Act of 2013. Excludes from the definition of "new member" a judge, as defined in specified existing law, elected to office before a certain date.

STATUS:

03/07/2019	To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.
Staff_Action:	Monitoring

CA SB 783	**AUTHOR:**	Labor, Public Employment & Retirement Cmt
	TITLE:	County Employees Retirement Law of 1937
	INTRODUCED:	03/07/2019
	SUMMARY:	

Corrects several erroneous and obsolete cross references within the County Employees Retirement Law of 1937.

STATUS:

03/20/2019	To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.
Staff_Action:	Monitoring

File name: Federal-2019

US HR 141	**SPONSOR:**	Davis R [R]
	TITLE:	Government Pension Offset Repeal
	INTRODUCED:	01/03/2019
	SUMMARY:	

Amends Title II of the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

01/31/2019	In HOUSE Committee on WAYS AND MEANS: Referred to Subcommittee on SOCIAL SECURITY.
IBLC_Recommendation:	Support *03/14/2019*

Staff_Recommendation: Support

US S 521

SPONSOR: Brown S [D]
TITLE: Government Pension Offset Repeal
INTRODUCED: 02/14/2019
SUMMARY:

Amends Title II of the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

02/14/2019	INTRODUCED.
02/14/2019	In SENATE. Read second time.
02/14/2019	To SENATE Committee on FINANCE.

IBLC_Recommendation: Support *03/14/2019*
Staff_Recommendation: Support

File name: Other-2019

CA AB 287

AUTHOR: Voepel [R]
TITLE: Public Employees' Retirement: Annual Audits
INTRODUCED: 01/28/2019
SUMMARY:

Requires each state and local pension or retirement system to post a concise annual audit of the investments and earnings of the system on that system's internet website no later than the ninetieth day following the audit's completion.

STATUS:

02/07/2019	To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Staff_Recommendation: Neutral

CA AB 1212

AUTHOR: Levine [D]
TITLE: Public Employees' Retirement: Pension Fund
INTRODUCED: 02/21/2019
SUMMARY:

Requires a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described, and to provide it to them. Requires a state agency also to provide further project information to a board upon request.

STATUS:

03/11/2019	To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Staff_Action: Monitoring

CA AB 1332

AUTHOR: Bonta [D]
TITLE: Sanctuary State Contracting and Investment Act
INTRODUCED: 02/22/2019
LAST AMEND: 03/28/2019
SUMMARY:

Enacts the Sanctuary State Contracting and Investment Act, which would, among other things, prohibit a state or local agency from entering into a new, amended, or extended contract or agreement with any person or entity that provides a federal immigration agency with any data broker, extreme vetting, or detention facilities services, unless state or local agency has made a finding that no reasonable alternative exists.

STATUS:

03/28/2019	From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.
03/28/2019	In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
Staff_Action:	Monitoring

LACERA

FOR INFORMATION ONLY

April 1, 2019

TO: Each Member
Board of Investments

FROM: Steven P. Rice SPR
Chief Counsel

FOR: April 10, 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 April 1, 2019.

Attachment

c: Lou Lazatin
JJ Popowich
Jonathan Grabel
Vache Mahseredjian
John McClelland
Christopher Wagner
Ted Wright
Jim Rice
Jude Perez
Christine Roseland
John Harrington
Cheryl Lu
Margo McCabe
Lisa Garcia

LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of April 1, 2019

	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
EQUITIES FIXED INCOME	BlackRock Institutional Trust Company, N.A.	Treasury Inflation Protected Securities (TIPS) Separate Account Investment Management Agreement	$1,500,000,000.00	December 12, 2018	In Progress	85%	Legal review and negotiations in process.
PRIVATE EQUITY	BRV Aster Fund III, L.P.	Subscription	$50,000,000.00	February 13, 2019	Complete	100%	Completed.
PRIVATE EQUITY	BRV Aster Opportunity Fund II, L.P.	Subscription	$25,000,000.00	February 13, 2019	Complete	100%	Completed.
PRIVATE EQUITY	Vinci Capital Partners III, L.P.	Subscription	$75,000,000.00	February 13, 2019	In Progress	75%	Legal review and negotiations in process.
PRIVATE EQUITY	Advent International GPE IX, L.P.	Subscription	$100,000,000.00	March 13, 2019	In Progress	50%	Legal review and negotiations in process.
REAL ASSETS HEDGE FUNDS	DWS	Completion Portfolio Equity Manager Investment Management Agreement	$1,300,000,000.00	February 13, 2019	In Progress	75%	Legal review and negotiations in process.
REAL ASSETS HEDGE FUNDS	Albourne America, LLC	Investment Consulting Services Agreement	$747,200.00	March 13, 2019	In Progress	25%	Legal review in process.
REAL ESTATE	Bain Capital Real Estate Fund I	Subscription	$100,000,000.00	February 13, 2019	Complete	100%	Completed.
REAL ESTATE	Core Property Index Trust Fund	Subscription	$250,000,000.00	February 13, 2019	In Progress	50%	Legal review and negotiations in process.

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

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

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

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

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

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

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

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