

NOTICE OF A SPECIAL MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

LOEWS SANTA MONICA BEACH HOTEL

1700 OCEAN AVENUE, SANTA MONICA, CA 90401

TUESDAY, JULY 2, 2019

9:00 A.M. – ARCADIA BALLROOM

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

- I. WELCOME - BUILDING A MORE RESILIENT PORTFOLIO
Jonathan Grabel, Chief Investment Officer
- II. PUBLIC COMMENT
- III. PRIVATE FUND TERMS
Christopher Wagner; Kirsty McGuire – StepStone; Jennifer Stevens – Townsend

This session will provide an in-depth analysis of selected private fund terms and issues. As private markets go in and out of favor with investors, terms can change from LP friendly to GP friendly and vice-versa. StepStone and Townsend will focus on clauses in the Limited Partnership Agreement that govern economics, management fees and expenses, and general partner removal and liability.

- IV. INVESTMENT ACCOUNT STRUCTURES
Chad Timko; James Walsh – Albourne; Leandro Festino – Meketa

Implementation details influence investment success, particularly in a low return environment. There are numerous types of investment account structures. We will consider potential benefits, drawbacks, and availability across asset categories for several investment account structures.

- V. FORM 700 FILINGS BY CONSULTANTS AND FINANCIAL MANAGERS
Jill Rawal

This session will cover filing procedures, results, and the review process.

VI. KEY INVESTMENT DIVISION INITIATIVES

Christopher Wagner; John McClelland

As a result of the new strategic asset allocation, LACERA has undertaken several initiatives to implement the new structure and clarify various Investment Division processes and procedures. This session will illustrate LACERA's progress and provide the status of outstanding projects

VII. INVESTMENT CULTURE AND STAFFING

Jonathan Grabel

This session will discuss efforts to promote effective culture and staffing within the Investments Division. The discussion will focus on both current avenues and prospective opportunities to inspire innovation, foster productivity, and engender a unified vision among the investment talent working to fulfill LACERA's mission.

VIII. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of June 12, 2019

IX. CONSENT ITEMS

A. Recommendation that the Board approve attendance of Board members at the Milken 2019 Asia Summit on September 19 – 20, 2019 in Singapore 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 June 20, 2019)

B. Recommendation that the Board approve attendance of Board members at the Principles for Responsible Investment in Person on September 10 – 12, 2019 in Paris, France and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

(Placed on the agenda at the request of Mr. Bernstein)

(Memo dated June 24, 2019)

X. NON-CONSENT ITEMS

- A. Recommendation as submitted by Esmeralda del Bosque, Senior Investment Officer; Trina Sanders, Investment Officer; Christine Roseland, Senior Staff Counsel and Margaret Lei Chwa, Senior Accountant: That the Board (1) approve the proposed Minimum Qualifications (“MQs”) thereby authorizing staff to initiate a Request for Proposal (“RFP”) for an Alternative Assets Administrator; (2) approve the proposed MQs thereby authorizing staff to initiate an RFP for a total Fund performance measurement provider. (Memo dated June 21, 2019)
- B. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer and Robert Z. Santos, Investment Officer: That the Board approve the Minimum Qualifications and authorize a Request for Proposal for securities lending services. (Memo dated June 18, 2019)
- C. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Board approve (1) allocating capital for investment in real estate to designated managers rather than by risk category; (2) allowing separate account managers to reinvest sales proceeds, and (3) capital allocations. (Memo dated June 14, 2019)
- D. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board authorize the Chief Counsel to enter into a contract for executive search services for the CEO search, provided that the search firm and key contract terms, including the fee, are disclosed to the Boards at the next meeting following execution of the contract. (Memo dated June 25, 2019)

XI. REPORTS

- A. Update on the Global Investor Statement to Governments on Climate Change
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo date June 17, 2019)
- B. DWS Portfolio Manager Retirement
Kevin Bassi, Senior Investment Analyst
(For Information Only) (Memo date June 11, 2019)

XI. REPORTS (Continued)

- C. Chief Counsel's Report
(For Information Only) (Memo dated June 24, 2019)

- D. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated June 28, 2019)

- E. June 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 July 1, 2019)

XII. ITEMS FOR STAFF REVIEW

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

XIV. EXECUTIVE SESSION

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

- 1. BLACKFIN FINANCIAL SERVICES FUND III
- 2. SALE OF THREE REAL PROPERTY ASSETS

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.

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Private Fund Terms

July 2019

Kirsty McGuire
Deputy General Counsel

Key Legal Terms

Legal terms that have the most impact are those that ensure alignment of interest over the life of the Fund throughout various market cycles.

Corporate Governance

- GP Removal
- Termination of the Fund or Investment Period
- Limited Liability

Economics

- Distribution Waterfall
- Management Fee

Corporate Governance

	Best	Market
Termination of the Fund		
No fault	75% of Investors	75% of Investors
Cause	Majority of Investors	66 ^{2/3} % of Investors
Termination of the Investment Period		
No fault	75% of Investors	None
Cause	Upon failure to cure or revoke a Key Person Event and upon the occurrence of a Cause Event upon a Majority of Investors	Upon failure to cure or revoke a Key Person Event
Removal of the General Partner		
No fault	75% of Investors	None
Cause	Majority of Investors + 25% haircut	Majority of Investors + 25% haircut

Economics-Distribution Waterfall

Economics-Distribution Waterfall

European – approximately 80% of European funds and 30% of US funds.

- Returns all capital contributions plus the Preferred Return prior to the General Partner receiving Carried Interest.

Recognized as best practice by ILPA but not preferred by US managers.

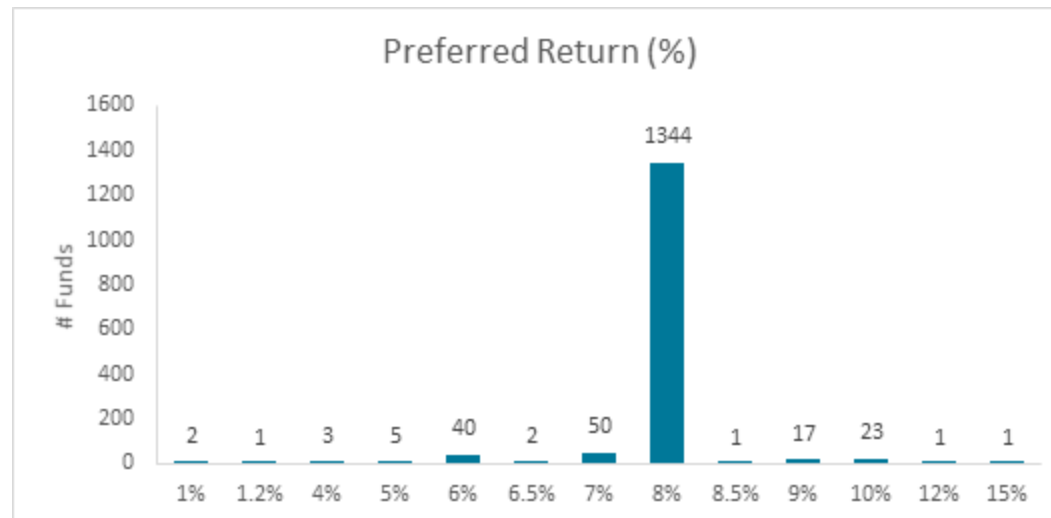
American – approximately 20% of European funds and 70% of US funds.

- Returns capital contributions plus the Preferred Return on Realized Investments.

The vast majority of US based funds reflect this formulation.

Preferred Return of 8% remains the market standard.

~10% of funds surveyed vary from market standard.



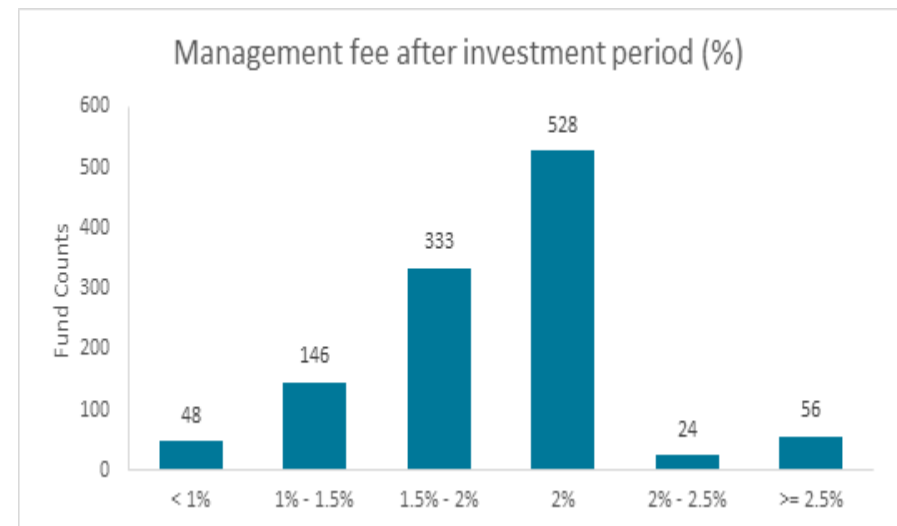
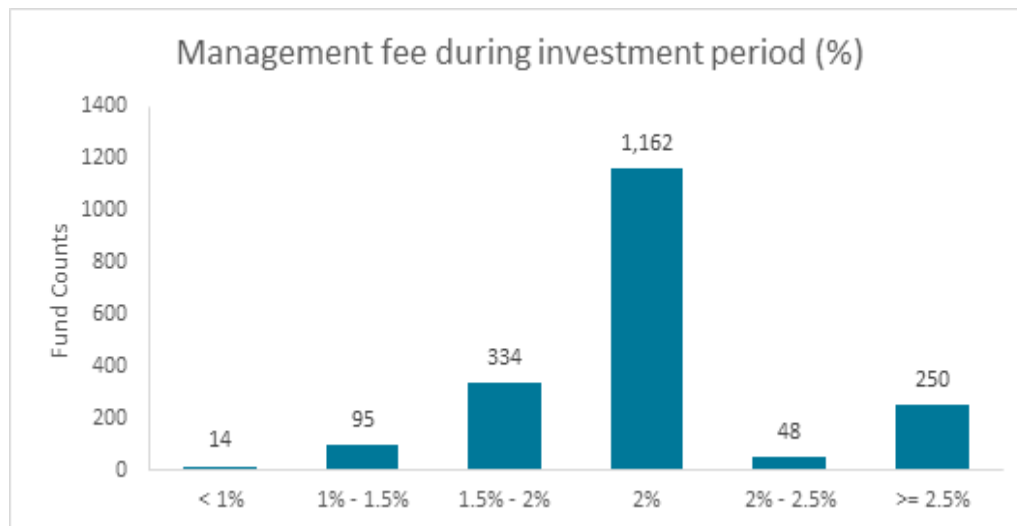
Management Fees

Management Fees

Management Fee Rate

- 2% average on committed during the Investment Period has remained consistent.
- Step down to net invested.

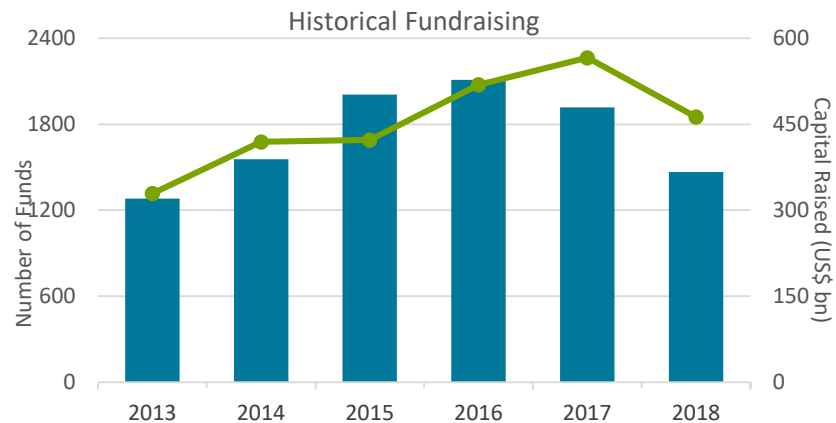
- Fee discounts are common for early and large investors.
- Fee offsets are generally 100% but investors should be cognizant of revenue that is carved out.



State of the Market

Alignment of interest is under pressure:

- More access constrained funds
- Consolidation of the legal services industry
- Global fundraising market



Fund terms reflect:

- Lower thresholds for governance provisions.
- More procedural requirements to establish Cause.
- Distribution waterfalls have been consistent although some erosion with respect to allocation of costs prior to receipt of Carried Interest in American waterfalls.



Private Fund Terms

July 2019

Jennifer Stevens
Partner, The Townsend Group

Real Estate Fee Summary – Closed End Commingled Funds

2019 Closed-End Commingled Fund Sample

- Numbers represent a composite of Global real estate offerings that are currently in the market (or recently closed).
- Metrics are based on initial marketing and base rates. Actual client fees trend lower, but discounts depend on negotiating and aggregation power.
- Fees continue an upward trend in 2019 (asset management and performance fees). However, marketed “discounts” for first closers or a special share class were higher.

Private Fund Terms			
Averages:	Value-add	Opportunistic	Debt
Investment Period Fee Base	Committed (78%)	Committed (90%)	Invested (56%)
Asset Management Fee ¹	1.46%	1.57%	1.44%
Preferred Return	8.2%	8.5%	7.2%
Catch-up	37.3%	46.6%	37.5%
Carry	19.8%	20.8%	15.3%
Most Common/Mode:	Value-add	Opportunistic	Debt
Asset Management Fee	1.50%	1.50%	1.50%
Preferred Return	8%	8%	8%
Catch-up	50%	50%	0%
Carry	20%	20%	20%
Sample	166	61	41

¹ Fee average based on simple average of most common fee base, i.e. average of funds charging fees on committed capital during the investment period. Represents the headline fee rate before discounts for commitment size and first close commitments.

Appendix A
Real Estate Closed-End Fund Terms and Conditions

Real Estate Closed-End Fund Terms and Conditions

Townsend General Due Diligence Guidance/Preferences

Alignment of Interest between General and Limited Partners

- *GP Co-Investment*
- *Use of Affiliates*
- *Comp/Carried Interest*
- *Contribution of Assets*

- Minimum GP Co-investment of 1% of commitments for GP co-invest (2%+ is preferred); Upper Limit of 20% is not ideal, as it reduces the incremental benefit/profit of the carried interest.
- Use of Affiliates – Affiliate fees must be proven market rate or better (lower); if used affiliate must demonstrate competency and capacity
- Value of contributed assets must be validated by a third-party appraiser, not simply a Broker Opinion of Value.
- Carried interest should not be entirely swept by the house/firm/parent. A meaningful amount of the carried interest (50%+) should go to the team responsible for the fund execution (including PM/CEO). More than 15% should be shared with the team directly responsible for the deals (excluding the PM/CEO).

Authority of LP Advisory Committee (LPAC)

- The LPAC should be a limited group of unaffiliated, active, engaged and experienced investors. LPAC should review and approve any affiliated transactions, departures from the stated investment strategy, fund amendments, etc.
- Votes should be a single vote per LPAC member (not based on commitment size) and require majority approval. In contrast, votes of all LPs should be counted as pro rata share of fund commitments (not a single vote per LP).

Townsend General Due Diligence Guidance/Preferences

Terms of Leverage

- *Constraints*
- *Cross-Collateralization*
- *Recourse Provisions*
- *Subscription Line*

Townsend prefers for credit facilities to be included in the calculation of leverage ratios. Revolvers should be limited to some short period (90-180 days). GP should not be allowed to delay IRR clock by using credit facility to warehouse deals.

- Seek max 65% LTV for non-core investments.
- Prohibit recourse or institute limit (20% of fund equity commitments). Note recourse should carry substantially better debt terms.
- Prohibit cross collateralization on non-core funds/assets (small portfolios of similar assets in the same market are exceptions). This may not be true for open-ended funds where portfolio level leverage may be accretive and leverage levels are low (below 30%).

Organizational Expenses

- Cap expenses at 15-25 bps of total equity commitments. This may be higher for very small funds or smaller for very large funds due to economies of scale.
- The fund should generally not bear overhead expenses.

Management Fee¹:

- Prefer fees paid in arrears.
- Prefer fees paid inside commitment (vs. outside). For example, clients prefer that fee is paid as part of the total commitment amount to the fund (not its commitment plus fees).
- Negotiate fee breaks based on scale, aggregation of first close

Incentive Fees / Waterfall Distribution:

- Prefer no catch up (less common) or 50% or less GP catch up.
- The order of distributions is important. LPs should receive preferred return and full return of capital before manager's incentive.
- Townsend is agnostic whether manager uses proceeds and capital to repay distribution requirements (as opposed to only return of capital).

¹ Content above is applicable to Non-Core Closed-End Funds. Open-End Core Funds typically will have only a management fee component. Core Plus Funds may have a management fee and an incentive fee tied to performance (either a preferred return or a benchmark-check), with no catch-up.

Townsend General Due Diligence Guidance/Preferences

Fund Size:	<ul style="list-style-type: none"> • Prefer fund size increase no more than 50% larger than preceding fund, except when prior fund was \$200 million or less.
Sponsor Commitment:	<ul style="list-style-type: none"> • Expect a minimum GP Co-investment of 1% of commitments for GP co-invest (2%+ is preferred); Townsend notes that more than 20% is also not ideal, as it reduces the incremental benefit/profit of the carried interest.
Investment Period:	<ul style="list-style-type: none"> • Expect 3-4 year investment period, certain exceptions may apply depending on the strategy and point in market cycle. Prohibit extensions at GP discretion; Expect 1 single year extension with LPAC vote.
Fund Term:	<ul style="list-style-type: none"> • Expect fund term of between 7-10 years for closed-end funds, certain exceptions may apply. Prohibit extensions at GP discretion; Expect 1-2 single year extension(s) with LPAC or LP vote.
Key Person Provisions:	<ul style="list-style-type: none"> • Townsend prefers when the key person clause is triggered by the departure of one or two most senior professionals (PM, MD, CEO or two senior professionals when truly a team approach) and/or 2-3 other key professionals that are not the most senior members of the team. • Townsend prefers that key persons should receive a portion of the carried interest generated by the fund.
Fault Provisions:	<ul style="list-style-type: none"> • Townsend prefers for clear termination rights (generally 50% vote for removal For Cause and 66.7% without Cause).

**Refer also to ILPA 2.0 Standards for Industry "Best Practice."*

Disclosures



Disclosures

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Investment Account Structures

LACERA Board of Investments Offsite

July 2, 2019

James Walsh, *Albourne*

Leandro Festino, *Meketa*

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- Forward Direction

Introduction

How an investment is structured is an important factor in determining whether the investment is suitable

- Idiosyncratic risks and return drivers of an investment can be influenced by how the investment is structured
- Multi-dimensional considerations influenced by structure include:
 - Costs
 - Transparency
 - Legal rights
 - Custody
 - Liquidity
 - Lifespan: Fixed or Evergreen

Account Structure Considerations

Structure selection typically involves assessing the respective costs and value the investor and investment manager place on:

- | | |
|----------------|--------------------------|
| • Custody | • Liquidity |
| • Control | • Governance |
| • Transparency | • Voting |
| • Trade Flow | • Alignment of Interests |

Does a structure limit or enhance the breadth of or access to investment opportunities?

Common Account Structures

Commingled Closed-Ended

- Multiple unrelated investors with an agreed upon investment life based on time or events

Commingled Open-Ended

- Multiple unrelated investors with established periodic liquidity terms

Single Investor Structures

- Multiple types with different approaches to administration, custody, or legal structure
 - Fund of one – LP or LLC structure
 - Separate account – assets held at third party bank
 - Separate managed account (“SMA”) – assets held at investor’s custodian
- Size considerations

Account Structure Observations

Commingled closed-ended

- Many investors
- Assets held in fund's name
- Operational control and governance provided by Investment Manager
- Illiquid (Typically 5-10 year commitment)
- No customization
- Transparency limited

Commingled open-ended

- Many investors
- Assets held in fund's name
- Operational control and governance provided by Investment Manager ("IM")
- Liquidity ranges from monthly to multi-year
- Limited customization
- Transparency limited

Fund of One

- Single Investor has ultimate control of fund
- Fund engages IM
- Assets held in fund's name
- Manager trades on behalf of fund
- Operational control and governance provided by IM
- Liquidity based on underlying assets
- Strategy can be customized
- Transparency greater than commingled funds

Managed Account

- Single Investor controls assets directly
- Investor engages IM
- Assets held in Investor's name
- Manager trades on behalf of Investor
- Operational control and governance is the responsibility of investor
- Strategy can be customized
- Full transparency

Investor's control and influence increase

LACERA's Indicative Portfolio Structure

Functional Category/ Asset Class	Market Value ¹ (% of Total Fund)	Predominantly SMA's ²	Predominantly Commingled ²
Growth	54%		✓
Global Equity	42%	✓	✓
Private Equity	10%		✓
Opportunistic Real Estate	2%	✓	✓
Credit	9%	✓	
High Yield	4%	✓	
Bank Loans	1.5%	✓	
EM Debt	1.5%		✓
Illiquid Credit ³	2%		✓
Real Asset and Inflation Hedges	13%	✓	
Real Estate	9%	✓	
Natural Resources and Commodities	2.5%	✓	
Infrastructure	0.5%	✓	
TIPS	1%	✓	
Risk Reduction and Mitigation	24%	✓	
Investment Grade Bonds	20%	✓	
Diversified Hedge Fund Portfolio	3%		✓
Cash	1%	✓	
Indicative Dollar Weighted Total Fund	100%	~ 65%	~ 35%

¹ As of May 2019.

² SMA and Commingled as defined on Slide 5.

³ Includes private equity and real estate related credit.

Pension Peer Observations

- The main area of differentiation among large public pension plans is the use of internal or external management across various asset classes.
- LACERA and other large public pension plans predominately utilize SMAs for ownership of public equities and fixed income assets.
- More specialized and less liquid asset classes typically shift to commingled fund structures.

Private Equity	Illiquid Credit	Natural Resources
Hedge Funds	Infrastructure	Real Estate ¹

Forward Direction

LACERA's should consider whether single investor vehicles are appropriate on a case by case basis.

Potential Key Benefits of single investor vehicles, all else being equal and after reviewing considerations discussed:

- Feed an enhanced risk system
- Potentially lower direct costs
- Increase transparency
- Reduction of operational risks
- Customization and control

Account structure is one of many dimensions we consider when building portfolios.

Form 700 Filings by Consultants and Financial Managers

Board of Investments

July 2, 2019

Jill P. Rawal – Staff Counsel



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Introduction

- The Political Reform Act was adopted in the 1970s to address corruption in politics
- The Fair Political Practices Commission (FPPC) has the primary responsibility for administration of the Act
 - Extensive regulations govern the implementation of the act

Steps Taken by LACERA to Enhance Reporting

- Added specific Form 700 Disclosure requirement to all new IMAs and other contracts
- Added disclosure requirement to new Investment Policy Statement
- Revisions to Conflict of Interest Code
- Notice to designated investment managers



Types of Filers

Statutory Filers

Public Officials Who Manage Public investments

(Ca. Gov't. Code § 82700, Regulation 18700.3(b)(1))

- High-level officers and employees of public agencies who exercise primary responsibility for the management of public investments, such as chief or principal investment officers or chief financial managers.
- “Management of public investments” means the following nonministerial functions: directing the investment of public moneys; formulating or approving investment policies; approving or establishing guidelines for asset allocations; or approving investment transactions. (Regulation 18700.3(e))

Code Filers

Consultants

(Ca. Gov't. Code § 87300 Regulation 18700.3(a)(2))

- "Consultant" is defined as an individual who, pursuant to a contract with a state or local government agency and serves in a staff capacity with the agency and in that capacity participates in making a governmental decision.
- A public official participates in a governmental decision if the official provides information, an opinion, or a recommendation for the purpose of affecting the decision without significant intervening substantive review. (Regulation 18704(b))

How we determined who will file

Legal staff and senior investment staff worked together over the course of several months to consider what types of funds/firms and who at each firms should file.

Factors we considered:

- Is it a commingled fund where manager has very little control over the investment?
- Who at the firm is working on LACERA business?
- Who are the high-level decision makers?
- Should everyone working on the LACERA account file?
- Who has the ultimate authority?

2019 Annual Filing Stats

53 Firms given notices to file

2 Firms granted exemptions

76 Filings from 41 Firms

8 Firms we are still working with

Manager Concerns

- I'm not required to file because I'm not "a public official who manages public investments."
- I'm not the right person to file.
- Is this a public document?
- There is no Form 700 clause in the IMA
- Can't I just give you something else?

Reviewing the Form 700

Facial Review

- Did they complete the form completely?
- Did they complete the form correctly?

Substantive Review

- Is there a conflict of interest?
- Is that conflict material?
- Is it disqualifying?

Next Steps

- Develop training for Employees on the Form 700
- Improve communication process to better outline Form 700 roles and responsibilities for contract managers
- Develop process for substantive review



Key Investment Division Initiatives

Board of Investments

July 2, 2019

John McClelland – Principal Investment Officer
Christopher Wagner – Principal Investment Officer



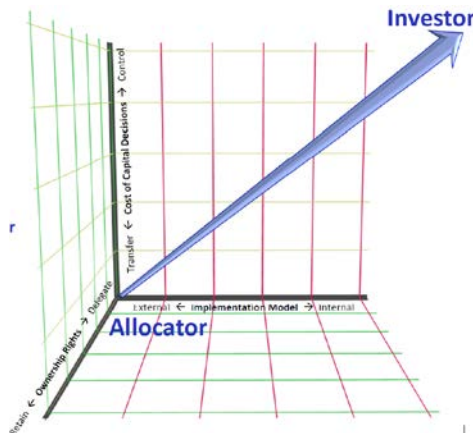
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Recap Fundamental Themes of 2019 Work Plan

The Board discussed five inter-related objectives at its January 2019 meeting

The Work Plan reflects ongoing initiatives and Board input from the July 2018 off-site meeting

Collectively, the Work Plan aims to move LACERA along the spectrum from an allocator of capital to a multi-dimensional investor



Objective: Status Check on 2019 Work Plan

Today's discussion is intended to provide an update on each of the key themes of LACERA's Investment Division 2019 Work Plan

Core	Execute Strategic Asset Allocation
Operational	Enhance Operational Effectiveness
Strategic Initiatives	Optimize Investment Implementation
	Maximize Ownership Rights and Stewardship
	Strengthen Influence on Fees and Cost of Capital



Status Snapshot: Execute Strategic Asset Allocation

The snapshot below provides an overview of key components of LACERA's efforts to execute the 2019 strategic asset allocation

Completed

- Update IPS
- Adopt Benchmarks
- Structure reviews
 - Global Equities
 - Fixed Income
 - Real Estate
 - Private Equity
- Consultant Searches
 - Real Assets
 - Hedge Funds
 - Credit
- Mandate Searches
 - Cash Overlay
 - TIPS
 - Real Assets completion portfolio

In Process

- Structure Reviews
 - Credit
 - Hedge Funds
 - Real Assets
- Mandate Searches
 - Global Passive Equity
 - Factor-based Equities
 - Bank Loan
 - Illiquid Credit
- Education
 - Credit

Upcoming

- Education
 - Real Assets

Status Snapshot: Enhance Operational Effectiveness

The snapshot below provides an overview of key components of LACERA's efforts to enhance operational effectiveness

Completed

- Align performance reporting to new strategic asset allocation
- Manager scorecards for public markets managers

In Process

- Standardize investment category operational procedures
- Establish comprehensive desk procedural manual across asset classes
- Complete private market manager scorecards
- Securities lending search

Upcoming

- Enhance performance reporting
- Transition manager search
- Alts administrative services provider search
- Total Fund performance services provider search

Status Snapshot: Pursue Strategic Initiatives

The snapshot below provides an overview of key components of LACERA's efforts to pursue strategic initiatives aimed at:

- Optimizing LACERA's investment implementation model
- Maximizing LACERA's ownership rights and fund stewardship
- Strengthening LACERA's influence over investment costs and cost of capital

Completed

- Corporate Governance
 - Updated *C.G. Principles*
 - Updated *C.G. Policy*
- Expand U.S. proxy voting
- Execute FY2019 corp gov engagement program
- Negotiate public markets fee reductions (continuous)
- ESG manager due diligence
 - Global equities
 - Fixed income

In Process

- Adopt knowledge management system
- Update Emerging Manager Policy
- Internal management assessment
- Expand ESG due diligence
 - Private equity

Upcoming

- Expand non-U.S. proxy voting
- Expand ESG due diligence
 - Additional asset classes

Appendix



Execute Strategic Asset Allocation

Initiative	Start Date	Estimated Completion ¹
Update Investment Policy Statement		★ ²
Adopt New Benchmarks		★
Structure Reviews		
Global Equity		★
Credit	Q1 2019	Q4 2019
Fixed Income		★
Real Estate		★
Private Equity		★
Hedge Funds	Q2 2019	Q3 2019
Real Assets	Q2 2019	Q3 2019

¹Dates are subject to change and may be pending Board approvals.

²Completed.



Execute Strategic Asset Allocation

Initiative	Start Date	Estimated Completion ¹
Hire Real Assets/Hedge Fund/Credit Consultant		★ ²
TIPS Mandate		★
Credit Education	Q2 2019	Q1 2020
Bank Loan Mandate	Q2 2019	Q4 2019
Illiquid Credit Mandate	Q2 2019	Q4 2019
Cash Overlay Mandate		★
Real Assets Completion Portfolio Mandate		★
Infrastructure/Real Assets Education	Q3 2019	Q3 2019
Global Passive Equity Mandate	Q1 2019	Q4 2019
Factor-based Equity Mandate	Q1 2019	Q3 2019

¹Dates are subject to change and may be pending Board approvals.

²Completed.




Enhance Operational Effectiveness

Initiative	Start Date	Estimated Completion ¹
Operating Procedures and Desk Procedures		
Global Equity	Q3 2019	Q4 2019
Credit	Q3 2019	Q1 2020
Fixed Income	Q4 2019	Q1 2020
Real Estate	Q3 2019	Q1 2020
Private Equity	Q2 2019	Q4 2019
Hedge Funds	Q1 2020	Q2 2020
Real Assets	Q4 2019	Q2 2020

¹Dates are subject to change and may be pending Board approvals.



Enhance Operational Effectiveness

Initiative	Start Date	Estimated Completion ¹
Align Performance Reporting to New SAA		 ²
Enhance Performance Reporting	Q3 2019	Q3 2020
Manager Scorecard	Q4 2018	Q4 2020
Assess Risk System Options	Q4 2018	Q4 2019
Hire Alts Admin Services Provider	Q3 2019	Q3 2020
Hire Total Fund Performance Services Provider	Q3 2019	Q3 2020

¹Dates are subject to change and may be pending Board approvals.

²Completed.



Strategic Initiatives

Initiative	Start Date	Estimated Completion ¹
Update Corporate Governance Policy		★ ²
Update Corporate Governance Principles		★
Update Emerging Manager Policy	Q2 2019	Q4 2019
Implement Knowledge Management System	Q2 2017	Q4 2019
Negotiate Fee Reductions – Global Equity		★
Global Equity Internal Management Assessment	Q1 2019	Q4 2019
Expand Domestic Proxy Voting Authority		★
Expand Non-U.S. Proxy Voting Authority	Q3 2019	Q1 2020
Expand Manager ESG Assessments	Q1 2019	Q4 2020
Execute FY2019 ESG Engagement Priorities	Q3 2019	★

¹Dates are subject to change and may be pending Board approvals.

²Completed.



Investment Culture and Staffing

Board of Investments Offsite

July 2, 2019

Jonathan Grabel – Chief Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

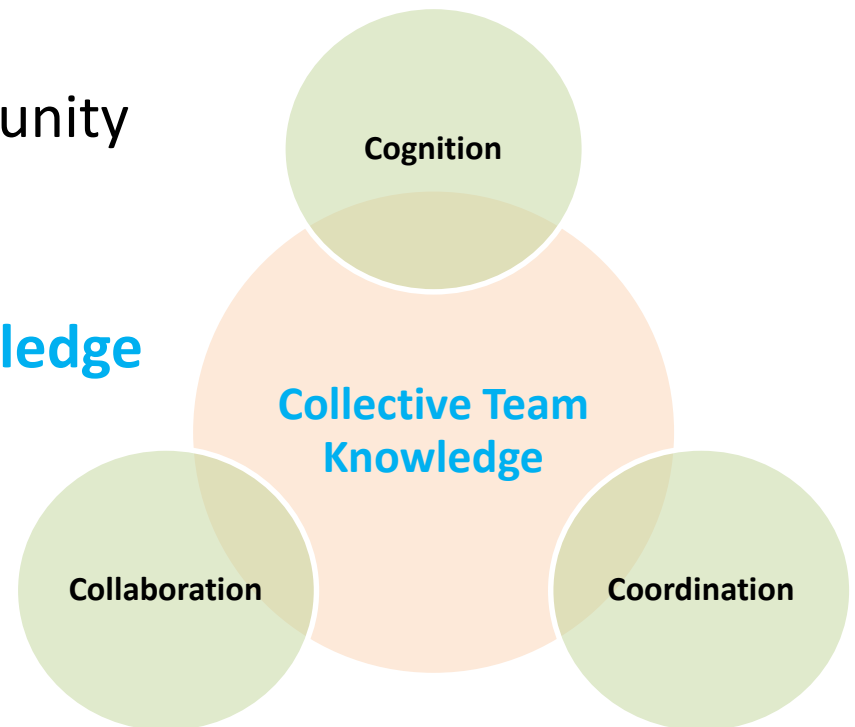
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Aspirational Vision

Recruit, retain and incentivize a motivated, highly-skilled and high-performing inclusive team of professionals dedicated to fulfilling LACERA's mission

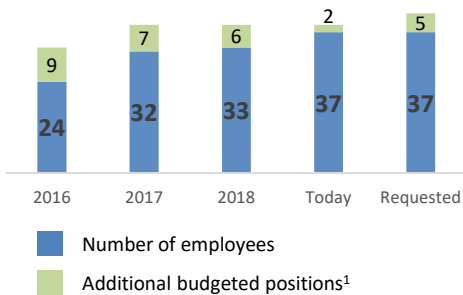
- Highly desirable career opportunity
- Proactive engagement
- Harness **collective team knowledge**



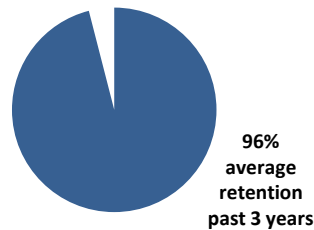
Team Profile



Division Growth



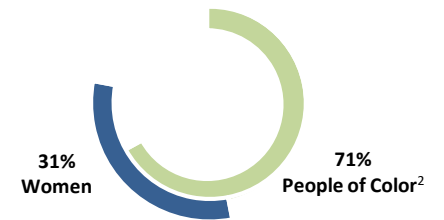
Average Retention



Average Tenure



Gender and Ethnic Composition



¹ Excludes Deputy CIO position.

² Per Equal Employment Opportunity Commission categories of Asian, Black or African American, Hispanic or Latino, Native American or Alaska Native, Native Hawaiian or Pacific Islander, Two or More Races.



Current Update

Mobility

- 4 promotions
- Hired 2 former interns
- Internal transfers

Working Groups

- Across asset categories and LACERA divisions
- Functional framework, reduce silos
- Multiple perspectives

Diversity and Inclusion

- Ideas matter more than titles
- Gender imbalance exists, more so at senior levels
- Thought diversity improving overall

Progress

- Non-linear rate of change
- Increased importance of Total Fund performance
- Improved work product



Allocator to Investor



Where we are Headed

Total Fund View

- One portfolio, one team
- Portfolio fit, context and consistent processes

Revisit Division of Labor

- Explore functional framework
- Empower activity and limit headwinds from hierarchy

Culture

- Active and engaged
- Inclusive and forward-thinking
- Integrity and positive “tone at the top”

Promote Efficiency

- Enhance resources
- Increase expectations
- Onboarding and succession

Incentivize

- Raise collective performance
- Invest in our people



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, JUNE 12, 2019

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

PRESENT: Shawn Kehoe, Chair

Wayne Moore, Secretary

Alan Bernstein

David Green

Keith Knox (Chief Deputy to Joseph Kelly)

David Muir

Ronald Okum

Gina V. Sanchez

Herman B. Santos

ABSENT: Joseph Kelly, Vice Chair

STAFF ADVISORS AND PARTICIPANTS

Jonathan Gabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

John Popowich, Assistant Executive Officer

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Vache Mahseredjian, Principal Investment Officer

John McClelland, Principal Investment Officer

Jim Rice, Principal Investment Officer

Chad Timko, Senior Investment Officer

David Chu, Senior Investment Officer

Scott Zdrazil, Senior Investment Officer

Brenda Cullen, Investment Officer

Quoc Nguyen, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

John Nogales, Director Human Resources

Annette Cleary, Assistant Director Human Resources

Kimberley Hines, Administrative Services Division Manager

Holly Henderson, Administrative Services Analyst III

Meketa Investment Group

Stephen McCourt, Managing Principal

Tim Filla, Senior Vice President

StepStone Group LP

Natalie Walker, Partner

Townsend Group

Jennifer Stevens, Partner

Reed Smith LLP

Harvey Leiderman, Fiduciary Counsel

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:21 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Green 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 May 15, 2019

Mr. Muir made a motion, Mr. Green seconded, to approve the minutes of the regular meeting of May 15, 2019. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

Steven P. Rice, Chief Counsel, reported:

At the September 12, 2018 Board of Investments meeting, under Agenda item XII.A.5, the Board met in closed session, pursuant to California Government Code Section 54956.81 to consider particular, specific investment transactions. On a motion by Mr. Santos, seconded by Mrs. Sanchez, the Board voted 9-0 to approve a group of 11 real estate transactions. Many of those transactions have already been reported out. It is appropriate and necessary under the Brown Act to report out another transaction at this time. On June 7, 2019, a mixed use property known as the Glendon located in Westwood Village, California was sold by LACERA separate account manager, Clarion Partners, for \$365 million.

IV. REPORT ON CLOSED SESSION ITEMS (Continued)

At the May 15, 2019 Board meeting, under Agenda Item XIII.A.2, on a motion by Mr. Santos, seconded by Mr. Bernstein, the Board voted 9-0 to terminate global equity managers Intech Investment Management and TWIN Capital Management. The terminations were completed on May 21, 2019.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF COUNSEL'S REPORT
(Memo dated May 31, 2019)

Mr. Rice provided a brief overview of the Chief Counsel's Report and answered questions from the Board.

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated June 3, 2019)

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

VIII. CONSENT ITEMS

Mr. Muir made a motion, Mr. Green seconded, to approve the following agenda items. The motion passed unanimously by all members present.

- A. Recommendation that the Board approve attendance of Board members at the National Association of Corporate Directors - Global Board Leaders' Summit on September 21 – 24, 2019 in Washington D.C. 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 May 24, 2019)

VIII. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Wayne Moore, Trustee, that the Board ratify attendance for Board member, Wayne Moore, at the 6th Annual Hispanic Heritage Foundation (HHF) Investors Group which was held on June 6, 2019 in Oakland, California and approve reimbursement of all costs associated with the conference according to LACERA's Education and Travel Policy.
(Memo dated June 3, 2019)

IX. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer and Scott Zdrazil, Senior Investment Officer: That the Board approve a contract renewal with LACERA's proxy voting platform provider. (Memo dated May 30, 2019)

Messrs. Grabel and Zdrazil were present and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Green seconded, to approve a contract renewal with LACERA's proxy voting platform provider. The motion passed unanimously.

- B. Recommendation as submitted by Steven P. Rice, Chief Counsel: Adopt the final proposed LACERA Fiscal Year 2019-2020 Administrative, Retiree Healthcare Benefits, and Other Post-Employment Benefits Trust Budgets. (Memo dated June 3, 2019)

Messrs. Rice and Popowich and Mses. Hines and Henderson were present and answered questions from the Board.

Mr. Okum made a motion, Mr. Kehoe seconded, to adopt the final proposed LACERA Fiscal Year 2019-2020 Administrative, Retiree Healthcare Benefits, and Other Post-Employment

IX. NON-CONSENT ITEMS (Continued)

Benefits Trust Budgets. The motion passed, with Mr. Bernstein voting no.

- C. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board determine whether to (1) ratify travel expenses for trustees to attend past Board meetings and (2) direct the Joint Organizational Governance Committee to consider addressing this issue in the revised Travel Policy. (Memo dated June 3, 2019)

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

Mr. Santos made a motion, Mr. Muir seconded, to (1) ratify travel expenses for trustees to attend past Board meetings and (2) direct the Joint Organizational Governance Committee to consider addressing this issue in the revised Travel Policy. The motion passed with Messrs. Bernstein, Kehoe and Knox voting no and Mr. Okum abstaining.

- D. Recommendation as submitted by Gina Sanchez, Trustee: That the Board approve for all meetings with less than 45 day's notice, teleconferencing or video conferencing must be allowed and appropriate Brown-Act compliant venues should be provided by LACERA if necessary to facilitate full board participation at the request of any board member who is unable to attend. Where teleconferencing/video conferencing is not deemed appropriate by the Board Chair or by the CEO, then any travel costs as well as costs of changing personal plans to attend the meeting will be borne by LACERA at the request of any board member who has made previous plans. (Memo dated June 4, 2019)

Mrs. Sanchez made a motion, Mr. Santos seconded, to approve for all meetings with less than 45 days' notice, teleconferencing or video conferencing must be allowed and appropriate Brown Act compliant venues should be provided by LACERA if necessary.

IX. NON-CONSENT ITEMS (Continued)

After a brief discussion and feedback from the Board, Mrs. Sanchez amended her motion, with the approval Mr. Santos as second, to approve that for all meetings with less than 20 days' notice, teleconferencing or video conferencing must be allowed and appropriate Brown Act compliant venues should be provided by LACERA if necessary to facilitate full Board participation at the request of any Board member who is out of state and for any health related matters.

Mr. Kehoe suggested directing staff to draft a policy and return to the Board for review.

Mrs. Sanchez amended her motion to direct staff to draft a policy and return to the Board for review and approval that for all meetings with less than 20 days' notice, teleconferencing or video conferencing must be allowed and appropriate Brown Act compliant venues should be provided by LACERA if necessary to facilitate full Board participation at the request of any Board member who is out of state and for any health related matters.

Mr. Bernstein asked that the policy also be shared with the Board of Retirement for their consideration.

The motion passed unanimously.

IX. NON-CONSENT ITEMS (Continued)

- E. Recommendation as submitted by Gina Sanchez, Trustee: That the BOI require any Committees upon which BOI members serve to be agendized as joint meetings of the BOI, consistent with current the BOI policy regarding Standing Committees which always meet with jointly with the full board. (Memo dated June 4, 2019)

Mrs. Sanchez made a motion, Mr. Moore seconded, that the BOI require any Committees upon which BOI members serve to be agendized as joint meetings of the BOI, consistent with the current BOI policy regarding Standing Committees, which always meet jointly with the full Board. The motion failed with Messrs. Bernstein, Kehoe, Muir, Okum and Knox voting no and Messrs. Green, Santos, Moore and Mrs. Sanchez voting yes.

- F. Recommendation as submitted by John Nogales, Director of Human Resources: That the Board:

- (1) Approve additional compensation for Chief Counsel, LACERA Steven P. Rice for assuming the duties and responsibilities for the Chief Executive Officer, LACERA, in addition to Mr. Rice's duties as Chief Counsel, LACERA.
- (2) Approve reimburse in the amount of \$1,191.20 for airfare expenses incurred by for Mr. Rice and his wife, for Mr. Rice to be present at the June 13, 2019 Board of Retirement Meeting.

(Memo dated June 4, 2019)

Steven P. Rice recused himself from this item and left the Boardroom during the discussion and action.

IX. NON-CONSENT ITEMS (Continued)

Mr. Nogales and Ms. Cleary described the proposed additional compensation as stated in staff's memo, and answered questions from the Board.

Mr. Green made a motion, Mr. Bernstein seconded, to (1) approve additional compensation for Chief Counsel, LACERA Steven P. Rice for assuming the duties and responsibilities for the Chief Executive Officer, LACERA, in addition to Mr. Rice's duties as Chief Counsel, LACERA, and (2) approve reimburse in the amount of \$1,191.20 for airfare expenses incurred by for Mr. Rice and his wife, for Mr. Rice to be present at the June 13, 2019 Board of Retirement Meeting. The motion passed unanimously.

Mr. Rice returned to the Boardroom.

X. REPORTS

- A. Update on Cooperation with Institutional Limited Partners Association Regarding Fiduciary Protections
Christopher Wagner, Principal Investment Officer
Scott Zdrazil, Senior Investment Officer
(Memo dated April 19, 2019)

Messrs. Wagner and Zdrazil provided a brief presentation and answered questions from the Board.

- B. Investment – Related Services Procurement Process
John McClelland, Principal Investment Officer
(Memo dated May 3, 2019)

Messrs. Grabel and McClelland provided a brief presentation and answered questions from the Board.

X. REPORTS (Continued)

- C. Private Equity Performance Report
Christopher J. Wagner, Principal Investment Officer
Calvin Chang, Senior Investment Analyst
(Memo dated May 3, 2019)

Messrs. Wagner and Chang and Ms. Walker of StepStone Group L.P.

provided a brief presentation and answered questions from the Board.

- D. Public Markets Internal Asset Management Assessment
Jonathan Grabel, Chief Investment Officer
Ted Wright, Principal Investment Officer
Brenda Cullen, Investment Officer
(Memo dated May 6, 2019)

Mr. Grabel and Ms. Cullen provided a brief presentation and answered

questions from the Board.

- E. Emerging Manager Policy Review–Part 2
Ted Wright, Principal Investment Officer
Vache Mahseredjian, Principal Investment Officer
(Memo dated May 30, 2019)

Messrs. Grabel and Mahseredjian and Messrs. Festino and Filla of Meketa

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

- F. 2019 First Quarter Hedge Fund Performance Report
Jim Rice, Principal Investment Officer
Quoc Nguyen, Senior Investment Analyst
(Memo dated May 28, 2019)

Messrs. Rice and Nguyen provided a brief presentation and answered questions

from the Board.

X. REPORTS (Continued)

- G. Real Estate Performance Measurement Report – 4th Quarter 2018
John McClelland, Principal Investment Officer
Michael Romero, Senior Investment Analyst
(Memo dated May 31, 2019)

Messrs. Grabel, McClelland and Ms. Stevens of Townsend Group provided a brief presentation and answered questions from the Board.

The following items were received and filed.

- H. Global Investment Performance Standards (GIPS®)
Overview Education
Jude Pérez, Principal Investment Officer
(For Information Only) (Memo dated May 31, 2019)
- I. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated May 30, 2019)
- J. Asian Corporate Governance Association Annual General Meeting Ballot
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated May 16, 2019)
- K. Comment Letters to U.S. Stock Exchanges in Support of Council of Institutional Investors Petition Regarding Multi-Class Share Structures
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated May 22, 2019)
- L. County Board of Supervisors Action on Abortion as Healthcare
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated June 3, 2019)
- M. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated June 3, 2019)

X. REPORTS (Continued)

- N. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated June 3, 2019)
- O. Semi-Annual Report on Approved Engagements
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated June 1, 2019)
- P. May 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 May 31, 2019)

XI. ITEMS FOR STAFF REVIEW

The Board requested staff to bring back to both Boards the items that were approved by the Board of Supervisors at a lower salary range. Staff was directed to not fill any of those items until approved by the Boards.

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

Mr. Bernstein acknowledged Pride Month.

Mr. Grabel shared that Brenda Cullen has will be transferring to the Real Assets Team.

Mr. Grabel welcomed Daniel Joye, Investment Officer, to the Real Assets Team.

XIII. EXECUTIVE SESSION (This item was held out of order before item X.)

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. Joy Capital III, L.P. and Joy Capital Opportunity, L.P.

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

Mr. Kehoe made a motion, Mr. Green seconded, to approve a commitment of up to \$40 million to Joy Capital III, L.P. and \$25 million to Joy Opportunity Fund, L.P. Joy Capital III is a China-focused early-stage venture capital private equity fund focused on technology, media, and telecommunications companies. Joy Opportunity will make follow on investments in Joy Capital's prior funds, which are also China-focused. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Moore, Muir, Okum, Santos and Mrs. Sanchez voting yes. Messrs. Bernstein and Knox were not present.

2. Capula Relative Value Fund L.P.

Messrs. Rice and Timko provided a brief presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Green seconded, to approve an exchange of LACERA's investment in Capula Global Relative Value Fund L.P., which is part

XIII. EXECUTIVE SESSION (Continued)

of the hedge fund portfolio, from US dollar C interests to US dollar D interests. The motion passed unanimously (roll call) with Messrs. Bernstein, Green, Kehoe, Moore, Muir, Okum, Santos and Mrs. Sanchez voting yes. Mr. Knox was not present.

B. 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)

The Board met in closed session under Government Code Section 54956(d)9 to receive an information only report on pending litigation, LACERA v. BHP Billion Ltd., Federal Court of Australia. There is nothing to report.

C. Consider the Appointment, Employment, Evaluation of Performance, Discipline, or Dismissal of a Public Employee
(Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)
Title: Chief Executive Officer

Report out of Executive Session: At the Joint meeting of the Board of Retirement and Board of Investments on May 31, 2019 on Agenda Item VII.A. Executive Session to Consider the Appointment, Employment, Evaluation of Performance, Discipline, or Dismissal of a Public Employee (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957) Title: Chief

XIII. EXECUTIVE SESSION (Continued)

Executive Officer. Mr. Kehoe made a motion, seconded by Mr. Bernstein, (the motion and second were for both Boards) the Boards voted to terminate the LACERA Chief Executive Officer effective at a future date. The termination became effective on June 7, 2019. Today is the first meeting of the Board of Investments following the effective date of termination. The votes of the May 31, 2019 of the Joint Board of Retirement and Board of Investments meeting were as follows: For the Board of Investments, the vote was 6-0, with members Kelly, Santos, Okum, Bernstein, Kehoe and Muir vote in favor, there were no votes against it and no abstentions. Members Moore, Green and Sanchez were absent. For the Board of Retirement, with vote was 8-1, with members Kelly, Gray, Santos, Okum, Bernstein, Kehoe, Robbins and Zapanta-Murphy voted in favor and member Walsh voted against, there were no abstentions or absences.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:12 p.m.

June 12, 2019

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

1. Item IX. C. – Revised Subject Line for Travel Ratification Memo
(Memo dated June 3, 2019)

WAYNE MOORE, SECRETARY

SHAWN KEHOE, CHAIR

June 20, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of July 2, 2019

SUBJECT: Milken 2019 Asia Summit on September 19 – 20, 2019 in Singapore

The Milken 2019 Asia Summit will be held on September 19 –20, 2019 at the Four Seasons, Singapore. The program will address the trends, innovations, and disruptions at the forefront of the regional agenda as Asian economies continue to expand and grow their influence, providing insights into most significant issues that are driving growth, catalyzing development, and transforming the region as we know it today.

The main conference highlights include the following:

- Cash to Cashless: Reimagining Financial Services
- Philanthropy, Government, and Civil Society: Collaborating for Social Good
- Asia’s Geopolitical Chessboard: Avoiding Checkmate
- Reshaping Food Systems: Sustainability and Demand
- Japan: Reigniting the Innovative Society

The conference meets LACERA’s policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Four Seasons hotel ranges between \$475.00 to \$580.00 and the Hilton hotel rate ranges between \$265.00 to \$405.00 per night plus applicable taxes and the registration fee to attend is included in LACERA’s annual membership.

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 Asia Summit on September 19 – 20, 2019 in Singapore and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy.



Detailed Agenda

WEDNESDAY, SEPTEMBER 18

9:00 AM – 12:30 PM

Food & Agriculture Summit (Invite only)

12:00 PM – 6:00 PM

Milken Institute Women Leaders Summit 2019 (Invite only)

Created to motivate and inspire the next generation of women leaders in finance, the 2019 Milken Institute Women Leaders' Summit will focus on improving individual and organizational performance through goals, adaptability, and long-term perspective in a rapidly changing world. The event will bring together top performers from the worlds of sports to finance to academia for stimulating discussions on leadership and performance, and an exchange of provocative ideas on how to be competitive in this ever-changing world.

2:00 PM – 6:00 PM

Aging Roundtable (Invite only)

2:30 PM – 5:30 PM

Generation/AIGCC Roundtable (Invite only)

6:00 PM – 8:00 PM

Welcome Reception for Speakers and Sponsors (Invite only)

Fullerton Bay Hotel, Singapore



THURSDAY, SEPTEMBER 19

8:00 AM – 7:00 PM

Registration

9:00 AM – 10:00 AM

Opening Plenary | Redefining the Asian Dream

Rapid economic and wage growth over the last several decades have From demands for better education and health care to freedom for leisure and travel, citizens have a greater range of lifestyle and personal preference that those in previous generations did not have. As Asia continues its rise and opportunities in the region expand, its dreams and aspirations will continue to evolve, but how can we ensure that these opportunities will be equally available to everyone? What does the Asian Dream look like today and how will that change in the future?

9:00 AM – 10:00 AM

Opening Plenary | Global Overview

DRAFT



10:15 AM – 11:15 AM

The Future of Fraud: Who's (Cyber) Attacking You?

10:15 AM – 11:15 AM

Rebuilding the Environment

10:15 AM – 11:15 AM

Capital Markets Outlook

10:15 AM – 11:15 AM

The Outperformers: A Case for Emerging Markets

10:15 AM – 11:15 AM

Fireside Chat with Neil Shen and Timothy Dattels (Invite only)

10:15 AM – 11:15 AM

Translational Research Lab Work Session (Invite only)

The Valley of Death is the place where many good ideas in the drug development pipeline drop off due to insufficient funding, technical expertise, collaboration and incentive to translate, as well as a high risk of failure. Philanthropy can have an outsized impact by plugging critical funding gaps and crowding in private investment. However, it currently accounts for a small share of biomedical R&D funding in Asia.

This Work Session will convene stakeholders across medical research to identify gaps, prioritize funding needs and analyze various innovative financing models for translational medical research in Singapore, and Asia more broadly.

11:30 AM – 12:30 PM

The Future of Hedge Funds



11:30 AM – 12:30 PM

Japan: Reigniting Innovation in Society

11:30 AM – 12:30 PM

Global Capital Markets Advisory Council Roundtable (Invite only)

12:30 PM – 2:00 PM

Lunch Program | Truce or Dare: The State of US-China Relations

U.S.-China relations are deteriorating by the day. Initial frictions in bilateral deficits and exchange rates have evolved into unabashed competition for technological supremacy and clout over the future global economy. As each country's domestic issues continue weighing down on the bilateral relationship, it remains highly uncertain if a peaceful co-existence, or even a regional leadership transition, is possible. How can both powers work towards building greater strategic trust? How can countries in Asia adapt to the spillovers and minimize collateral damage? And in what role can businesses take the lead?

12:30 PM – 2:00 PM

Lunch Program | Fighting Fake News: Can You Handle the Truth?

From Cambridge Analytica to "WhatsApp murders" in India, the scourge of malicious fake news presents a critical challenge to governments, societies and media sources alike. Yet, YouTube's flagging of the Notre Dame blaze as a 9/11 conspiracy shows that the accurate censorship of fake news remains a game of cat and mouse that neither man nor machine has mastered. How can traditional and social media, governments, corporations and civil society work together to stem the toxic tide of misinformation?

12:30 PM – 2:00 PM

Lunch Program | Peak Performance: Business Lessons from Sports

12:30 PM – 2:00 PM

Networking Break

2:30 PM – 3:30 PM

Rethinking Work

2:30 PM – 3:30 PM

A Beautiful Mind: Alzheimer's and Dementia

2:30 PM – 3:30 PM



Asia's Geopolitical Chessboard: Avoiding Checkmate

Asia faces geopolitical complexities within and beyond the region. Externally, modern right-wing populism and the backlash against globalization have yet to be properly addressed. Small countries further face uncertainties in security amidst great power conflict. Internally, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) threatens to bifurcate member and non-member economies, while more encompassing initiatives such as the Regional Comprehensive Economic Partnership (RCEP) have seen a slowdown in progress. Longstanding issues involving territory, independence and denuclearization remain, while new challenges in cybersecurity and natural resource management may become new flashpoints.

2:30 PM – 3:30 PM

Global M&A Trends

2:30 PM – 4:30 PM

Forum for Family Office Management (Invite only)

2:30 PM – 5:00 PM

Payments in the 21st Century Roundtable (Invite only)

3:45 PM – 4:45 PM

China

3:45 PM – 4:45 PM

Cash to Cashless: Reimagining Financial Services

With growing internet access and mobile penetration rates, most economies in Asia have easily adapted to the growth of digitally-enabled financial services. However, there are still 1.7 billion people worldwide without access to financial services according to the World Bank, with India, China, and Indonesia as the three largest unbanked countries. Despite such hurdles, Asia is believed to be leading the race towards a cashless society.

3:45 PM – 4:45 PM

Rebuilding Real Estate

5:00 PM – 6:00 PM

Rebooting AI and the Future of Humanity

Machine learning has cemented its reputation for surpassing humans in narrow tasks, precipitating a global race for AI leadership. However, the promises of automation, cross-domain generalization and



empowerment raise profound questions for our humanity. Is voting or consent necessary if algorithms better understand our preferences? How can small firms be competitive without big data? What will gender equality or populism look like when manual work disappears in countries rich and poor, old and young? Finally, where and when will we have the next breakthrough, and how will that help us attain more meaningful lives?

5:00 PM – 6:00 PM

Redesigning Infrastructure for Smarter Cities

5:00 PM – 6:00 PM

Rethinking Education for a Digital Era

5:00 PM – 6:00 PM

Reshaping Food Systems for Sustainability

(CPH Session)

5:00 PM – 6:00 PM

Southeast Asia Roundtable (Invite only)

6:15 PM – 7:00 PM

Networking Reception

6:30 PM – 9:00 PM

FinTech Cocktail Party (Invite only)

7:00 PM – 9:00 PM

Dinner Program

9:00 PM – 10:00 PM

Late Night with Chris Tucker/Michael Bolton



FRIDAY, SEPTEMBER 20

8:00 AM – 4:00 PM

Registration

9:00 AM – 10:00 AM

Redefining the Culture of Excellence

9:00 AM – 10:00 AM

Reshaping Family Businesses to Drive Lasting Value

9:00 AM – 10:00 AM

Credit Markets

9:00 AM - 10:00 AM

Redefining the Reserve Currency

9:00 AM – 10:00 AM

The Value of Value Investing

9:00 AM – 10:00 AM

CFM Building Capacity (Invite only)

10:15 AM - 11:15 AM

What Winning India Means for Modi's Mandate

Having weathered the backlash from demonetization and GST at the polls, Prime Minister Modi can now focus on further reforms to secure India's prosperity. While young demographics, a strong frugal culture and ongoing digitalization offer good foundations, record unemployment, rising debt, ethnic tensions and security issues continually impede the investments that will sustain India's rapid growth. The new Modi administration's policy choices will redefine the future of both India and the broader Asian economy alike.



10:15 AM – 11:15 AM

Reimagining the Blockchain

Following Bitcoin's meteoric rise and fall, the mania around cryptocurrency has gone but its becoming more clear that blockchain technology is here to stay, attracting heightened interest from both government and industry. What are the most promising applications of blockchain technology, beyond digital currency? What obstacles threaten to prevent its widespread adoption? How can government policies and regulation evolve along with the technology to enable innovation in this sector and encourage the maturation of the industry, while ensuring consumers are protected?

10:15 AM - 11:15 AM

Institutional Investors: Stewarding Long-Term Assets

10:15 AM - 11:15 AM

Cross-Sector Collaborations for Social Good: How to Address the Refugee Crisis

The global refugee crisis has reached a peak not seen since the end of World War II, as conflict, insecurity, and uneven development combine to force more than 44,000 people from their homes each day. Western countries have grown increasingly reluctant to taking in large refugee flows, while other developed states accept virtually none. Instead, the burden of caring for millions of displaced people has fallen on poor countries in conflict-stricken regions, straining already underfunded social services and education systems. Yet this crisis is not unsolvable. The civil sector has helped to house and feed millions of displaced people, while corporations have found that integrating refugees into their business model is both beneficial for the world and for their bottom line. How does meeting the unfilled needs of displaced persons, who make up nearly 1% of the global population, present an opportunity for innovation and growth? How can cross-sector collaborations help refugees resettle and thrive in their new communities.

10:15 AM - 11:15 AM

The Healing Diet: Food as Medicine

10:15 AM - 12:00 PM

Chairman's Circle: Advancing Medical Philanthropy in Asia (Invite only)

The Milken Institute Chairman's Circle creates a private shared learning environment for family business leaders to connect on an array of critical issues in medical philanthropy. Co-hosted by Michael Milken and Sarah Murdoch, the 2019 Chairman's Circle will discuss innovative approaches to giving, collaborative research partnerships across the region and supporting faster cures in child health and other critical illnesses, with the aspiration of instituting a healthier Asia Pacific.

11:30 AM - 12:30 PM

Taper Tantrum: US Economic Outlook



11:30 AM - 12:30 PM

A Vision for 5G

The advent of 5G technology promises to provide secure connectivity with data transmission speed averaging about 1GBps, giving rise to the Internet of Things, deemed as a factor towards what is being referred to as the “fourth industrial revolution.” But other than networking, 5G has been associated with national security, provoking nations to incorporate the technology in the desire of achieving digital supremacy, while raising concerns around data protection and privacy. Huawei, hailed as the “true 5G provider” by the chief Architect of British Telecom, has made huge success in the development of 5G services but face complications in the US market. Despite that, Southeast Asian telecom services in Southeast Asian countries have signed up with Huawei in hopes of rolling out the 5G technology by 2020. Will the backlash from the US hinder a 5G rollout in Asia? Can telecom services harness the technology with the current infrastructure in Asia, where 4G isn’t even available everywhere? How can governments regulate 5G’s unrivaled networking capabilities?

“Digital Iron Curtain” - dividing the world into parts that do business with Chinese companies like Huawei, and those that don’t.

11:30 AM - 12:30 PM

Young Leaders Circle Private Session (Invite only)

11:30 AM - 12:30 PM

Rise of Private Markets (Invite only)

11:30 AM - 12:30 PM

Lunch Program | A Breed of Their Own: The Asian Unicorn

11:30 AM - 12:30 PM

Lunch Program | The US 2020 Elections: And The Winner Is...

11:30 AM - 12:30 PM

Finding Alpha Roundtable (Invite only)

11:30 AM - 12:30 PM

China Private Roundtable (Invite only)



2:00 PM - 2:30 PM
Networking Break

2:30 PM - 3:30 PM

To Infinity and Beyond: The Business of Space

2:30 PM - 3:30 PM

Investing in Technology

2:30 PM - 3:30 PM

CEO Roundtable (Invite only)

2:30 PM - 3:30 PM

FCLT Long-Term Asset Owners Roundtable (Invite only)

3:45 PM - 5:00 PM

Closing Plenary | Reorienting the Future of Finance

3:45 PM - 5:00 PM

Closing Plenary | Redefining Precision Health

Precision health is dramatically reshaping the landscape of health and care. Wellbeing regimes, prevention, treatment, payment and resource allocation can all be increasingly personalized to individual needs and usage. However, privacy, cybersecurity and ethical concerns have surfaced. Moreover, old problems such as high costs, fragmented care and insufficient focus on outcomes remain unabated. What is needed for Asia to adopt, adapt and perfect precision health?

3:45 PM - 5:00 PM

Accenture Interactive Workshop (Invite only)

5:00 PM - 6:00 PM



Closing Reception

Possible Panels:

Conscientious Capitalism: Realigning Impact with Profit

International Policy Coordination Amidst Deglobalization: Can It Work For The Industry?

From promoting free trade and innovation, to achieving inclusive and sustainable economic growth, the Japanese G20 agenda was quite ambitious. Join industry leaders as they examine the final outcomes of the Osaka summit and discuss the challenges of advocating for international and multilateral policy coordination. Panelists will discuss the role of the industry in promoting some of the G20 goals as well as highlight the contrast between the global policy agenda and the industry's main concerns.

:

Real Estate and Art

Real estate and art have a complicated relationship - property developments go hand in hand with regeneration, which is often accompanied by gentrification. Art studios might be lost in the process and artists pushed out. At the same time, developers have realised that the most wanted properties are home to art: be it a hotel lobby, residential apartment or a public space. It is not a new trend either for a wealthy individual to build a villa that can house their whole collection. But some of the most recent developments are ahead of their time: art and culture are at the heart of their operation - open to the public, accessible and welcoming. The new generation shopping malls house museums and their collections, temporary exhibitions and public programmes. Often supported by foundations these new type of art centres are changing the perception of art museum, sometimes labelled exclusive and unapproachable.

Accepted:





June 24, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of July 2, 2019

SUBJECT: Principles for Investment (PRI) on September 10-12, 2019 in Paris, France

The Principles for Investment (PRI) in Person 2019 will take place on September 10-12, 2019 in Paris, France. PRI in Person is the leading global conference on responsible investment, offering a platform for PRI signatories and other investment professionals to learn, network and collaborate over a three-day period. The annual event allows attendees to discuss topical issues and share experiences from their own organization and region with peers from around the world.

The main conference highlights include the following:

- Incorporating the Sustainable Development Goals Into Investment Strategies
- Ensuring the Private Equity Structure Supports Responsible Investment
- The Future for the PRI Reporting Framework
- Inevitable Policy Response to Climate Change: Investor Actions

The conference meets LACERA's policy on an average of five (5) hours of substantive educational content per day. There is an application and process and participation is subject to PRI approval. Upon approval, registration is \$1,675.00 and the standard hotel rate at the Hyatt Regency Paris Etoile is \$385.00 per night plus applicable 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 Principles for Investment (PRI) in Person 2019 on September 10-12, 2019 in Paris, France and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

TUESDAY 10 SEPTEMBER

07.30 - 09.00

Registration

09.00 - 10.30

Signatory General Meeting

10.30 - 11.00

PRI Awards 2019

11.00 - 11.40

Break

11.40 - 11.50

Welcome to PRI in Person

11.50 - 12.00

Welcome from Lead Partner

12.00 - 12.35

Opening Keynote

12.35 - 12.45

Corporate-Investor SDG Dialogue

12.45 - 14.00

Lunch

14.00 - 15.15

1A. What global policy developments mean for responsible investors

Most policy makers accept that markets are not adequately incorporating sustainability issues, in particular climate change. As such, responsible investment-related regulation is on the rise almost everywhere. This session will:

- explore policy reform in major markets, with a focus on the US, so far the non-mover 'elephant in the room';
- ask regulators how investors are helping or hindering their policy reform efforts, and what they expect from PRI signatories

1B. Boosting investor action to foster a culture of diversity and inclusion

With diversity increasingly recognised as beneficial for businesses and in turn investments, this session will identify the remaining barriers to a more diverse workforce, including:

- why investors should care about diversity, and the various strands of it;
- how investors can help to drive diversity in companies;
- how companies can help to eliminate social biases;
- the role of legislation in driving diversity.

1C. The PRI signatory journey: Getting started

Hear from signatories who recently joined the PRI, including:

- why they joined;
- their views on RI in their market;
- how they are implementing RI practices across their portfolios;
- the challenges they have encountered in this effort and how they overcame them;
- the tools and guidance they have found most helpful as they develop their RI expertise.

1D. TCFD: from reporting to using climate-related disclosures

Support for TCFD is building critical mass. Officially backing it are over 800 companies and financial institutions, six governments and, thanks to the Network for Greening the Financial System (NGFS), 36 central banks and financial supervisors. This session will:

- discuss how to interpret the quality of reporting against indicators based on TCFD;
- establish how useful disclosures are or could be in engaging with corporates and investment strategies;
- provide updated analysis on 2019 responses to the PRI climate risk indicators.

1E. The future for the PRI reporting framework

A look at the headline findings of the PRI's 10-week reporting and assessment consultation, including:

- what the main objectives of reporting and assessment should be;
- how reporting outputs can be improved;
- how outcomes and issues-based reporting fit into the Reporting Framework.

1F. Ensuring the private equity structure supports responsible investment

What are the characteristics of private equity that support ESG integration, and why aren't they being leveraged? A candid assessment of industry progress, including:

- how are industry shifts aiding the advancement of ESG integration in private equity?
- the current market challenges facing LPs with responsible investment strategies, and how they are tackling them;
- what is the fiduciary duty of private company board directors to consider ESG risks and opportunities?
- how LPs and GPs can ensure their ESG interests are aligned.

15.15 - 16.00	Break		
16.00 - 17.30	<p>2A. The role of central banks and supervisors in achieving the objectives of the 2015 Paris climate agreement</p> <p>At the Paris "One Planet Summit" in December 2017, eight central banks and supervisors established a Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Since then, the NGFS has grown to 36 Members and 6 Observers, representing 5 continents. This session will ask:</p> <ul style="list-style-type: none"> • what is the role for Central Banks in the near-term regarding climate risk? • what are the implications for institutional investors? • how can investors support Central Banks in their climate mitigation activities? 	<p>2B. Session TBC</p>	<p>2C. The 10 billion people challenge: Building a sustainable global food system</p> <p>With the global food system under pressure from a burgeoning population and issues such as climate change, stakeholders are taking action and supply chains are changing. This session will consider:</p> <ul style="list-style-type: none"> • the environmental and social issues in agricultural supply chains; • the efforts by companies and investors to transform these sectors so they are fit for purpose; • the obstacles to a sustainable global food system and how to overcome them.
	<p>2D. Raising climate ambition through 2020 and beyond</p> <p>Taking stock of the Paris Agreement 2020 country pledges, this session will:</p> <ul style="list-style-type: none"> • discuss The Investor Agenda's 2019 Global Investor Statement, as well as notable investor reallocation announcements; • review Climate Action 100+ investor wins and priorities for 2020. 	<p>2E. ASSET OWNER SESSION</p> <p>The crucial role of asset owners in mobilising responsible investment</p> <p>By implementing their commitments to responsible investment with sufficient scale and depth, asset owners can accelerate the development of responsible investment through the investment chain. This session will:</p> <ul style="list-style-type: none"> • discuss how asset owners can create a multiplier effect throughout the investment market; • explore two best-practice case studies with an investment manager and a company. 	<p>2F. Artificial Intelligence and ESG: how is technology being used by hedge funds?</p> <p>PRI data shows the hedge fund sector has increasingly incorporated ESG data and factors - but the sector's approach has been to use new techniques such as Artificial Intelligence and machine learning in analysis and portfolio construction. This session will discuss:</p> <ul style="list-style-type: none"> • how technology is being used by hedge fund managers, with practical examples; • the governance and ethical issues surrounding the use of these technologies in ESG; • what tools the PRI has available for hedge funds.
18.30	Transportation to Welcome Reception		
19.00	Welcome Reception		

WEDNESDAY 11 SEPTEMBER			
08.00 - 09.00	Registration		
09.00 - 11.00	Plenary: Transitioning to a low-carbon economy		
11.00 - 11.45	Break		
11.45 - 13.00	<p>3A. The inevitable policy response to climate change: investor actions</p>	<p>3B. The role of finance in human rights: What should investors be concerned about and what can they do?</p> <p>As the investment community increasingly recognises it has a role to play in ensuring that investee companies are addressing human rights issues, this session will:</p>	<p>3C. ESG data challenges: Getting the most out of financial information</p>

		<ul style="list-style-type: none"> • outline the relevance of human rights due diligence to investors; • explore the avenues through which investors can facilitate real-world positive impact; • discuss how investors can identify and manage potential and actual negative human rights impacts within their portfolios. 	
	<p>3D. Active Ownership 2.0: Refocusing on outcomes</p> <p>In an age of widespread institutional greenwashing, this session will:</p> <ul style="list-style-type: none"> • present a vision for the future of active ownership, where activity is centred on achieving a sustainable financial system; • discuss the key issues raised and the implications for asset owners, managers and society at large. 	<p>3E. Integrating ESG issues in developing and emerging market debt</p> <p>Asset managers are formalising approaches to systematic ESG integration across all asset classes – and sovereign debt is no exception. The PRI's new practical guide to ESG integration in sovereign debt will form the basis of discussions on:</p> <ul style="list-style-type: none"> • integrating ESG factors at the research, security and portfolio levels; • the data sources and materiality of ESG factors in emerging and developed markets; • the role of ESG engagement for sovereign debt investors. 	<p>3F. The latest in academic research: What investors need to know</p>
13.00 - 14.15	Lunch		
14.15 - 15.30	<p>4A. Incorporating the Sustainable Development Goals into investment strategies</p> <p>The SDGs are becoming a well-known acronym in the responsible investment lexicon. But what do investors do once they have mapped their portfolios to the 17 goals? This session will:</p> <ul style="list-style-type: none"> • explore the role of institutional investors in achieving the SDGs; • give examples of how institutional investors and PRI signatories are working towards the goals. 	<p>4B. ESG and passive investments: Are they compatible?</p> <p>AUM in ESG passive strategies investments have grown rapidly in the last five years, but there is still debate over whether ESG is compatible with passive investing. This session will:</p> <ul style="list-style-type: none"> • look at the challenges – and opportunities – in considering ESG issues in passive strategies; • consider the issues relating to index construction; • cover frequently-asked questions about passive ESG strategies, with a focus on how to improve outcomes for asset owners. 	<p>4C. Acting in concert rules: Regulations in key jurisdictions</p> <p>As investors increasingly engage with companies collaboratively, rules governing market power will become more relevant. This session will:</p> <ul style="list-style-type: none"> • provide an overview of acting in concert (or concert party) regulations in markets including the US, UK and Japan; • outline what is permissible without declaration or regulatory sign off; • explain the process if a group of investors wishes to proceed with an action that may be deemed to be acting in concert.
	<p>4D. ESG metrics in executive pay: The benefits and challenges</p> <p>This session will look at how ESG factors can be integrated into executive remuneration to incentivise and reward long-term performance, including:</p> <ul style="list-style-type: none"> • whether investors should ask companies to consider ESG performance when determining executive pay; 	<p>4E. Managing physical climate risk in infrastructure investments</p> <p>The impacts of climate change are no longer a distant phenomenon. 2018 was again a costly year for natural disasters in the US, Europe and Asia at \$155bn, following a record-breaking year of losses in 2017. Together with members of the PRI Infrastructure Advisory Committee, this session will ask:</p>	<p>4F. Investir en Afrique : opportunités et défis pour une finance durable ?</p> <p><i>En partenariat avec Finance for Tomorrow</i></p> <p>Pour garantir une croissance africaine inclusive, résiliente et durable, le secteur financier a un rôle clé à jouer. Pour présenter différentes approches et solutions, cette table ronde confrontera les points de vue:</p>

	<ul style="list-style-type: none"> • how ESG factors can be tied to incentives. 	<ul style="list-style-type: none"> • how should investors assess the future trajectory of potential risk? • What frameworks and tools are available to assess infrastructure and help inform investor decision making? • Is there a need to look at a stressed case for physical climate risk, and if so, how could this be done? 	<ul style="list-style-type: none"> • d'établissements financiers publics; • d'un investisseur privé en infrastructure; • d'une place financière qui entend jouer un rôle de catalyseur sur le continent.
15.30 - 16.15	Break		
16.15 - 17.30	<p>5A. ESG in credit risk and ratings: from disconnects to action</p> <p>Aimed at participants with an intermediate knowledge of ESG consideration in fixed income assets, this interactive session will explore:</p> <ul style="list-style-type: none"> • how ESG in credit risk analysis is evolving; • how ESG factors may affect credit evaluations and investment decisions differently; • practical case studies demonstrating the nuances of ESG assessments. 	<p>5B. Innovative investment solutions for the low-carbon transition</p> <p>5E. Realising the SDGs: investment opportunities in emerging markets</p> <p>While most SDG funding needs are in developing countries, investors generally have a relatively small allocation to emerging or frontier markets. This session will:</p> <ul style="list-style-type: none"> • provide an overview of why investments in emerging markets are critical to achieving the SDGs; • map investment opportunities in emerging markets; • give examples of successful SDG investments in emerging markets. 	<p>5C. Tailings in the mining sector: Opportunities for investor action</p> <p>With health and safety concerns about the management of tailings in the limelight, this session will look at how investors can proactively identify ESG gaps in the mining sector. In this session, we will:</p> <ul style="list-style-type: none"> • discuss how to address the fact that the full extent of ESG risks posed by tailings dams in the mining sector is unknown; • explore how new technologies are impacting business models and improving safety standards, as well as opening new income streams; • identify other gaps in governance practices that investors should consider. <p>5F. Finance responsable et formation : quels enjeux et solutions pour les investisseurs institutionnels et détenteurs d'actifs</p> <p><i>En partenariat avec Swiss Sustainable Finance</i></p> <p>Ce panel échangera sur le besoin de l'accès à l'information des investisseurs institutionnels francophones , notamment:</p> <ul style="list-style-type: none"> • Compréhension du rôle des investisseurs dans les marchés financiers • Comment définir une stratégie d'investissement ESG cohérente ? • Comment mettre en place la structure adéquate pour implémenter la stratégie ESG ?
18.30	Transportation to Dinner (subject to confirmation of attendance)		
19.00	Networking Dinner (subject to confirmation of attendance)		

THURSDAY 12 SEPTEMBER





08.30 - 09.00	Registration		
09.00 - 10.15	<p>6A. Identifying and measuring impact in public markets</p> <p>The Impact Management Project defines impact as "a change in an important positive or negative outcome for people or</p>	<p>6B. Ensuring an inclusive and sustainable low-carbon transition</p> <p>The shift to a resilient, low-carbon economy will boost prosperity and be a net driver of job creation. However, there will</p>	<p>6C. Plastic and the circular economy: Connecting the value chain</p> <p>The plastic value chain is extremely complex and changes to the system cannot</p>

	<p>the planet." Focusing on public markets, this session will:</p> <ul style="list-style-type: none"> • clarify the impact of companies and investors, using Impact Management Project's three categories of impact and investor contribution; • highlight the tools asset owners can use to decipher the extent to which an investment product is impactful; • outline global consensus on how to measure, manage and report impact. 	<p>be transitional challenges for workers, communities and countries if this shift is not inclusive and sustainable. In this session we will discuss:</p> <ul style="list-style-type: none"> • what a just transition means in practice, focusing on the extractives, power and transport sectors; • how investors can help to ensure that the transition is inclusive and fair; and • how the outlook for a just transition differs across industries. 	<p>be made by one player alone. Hosted by members of the PRI Plastic Investor Working Group, this session will explore:</p> <ul style="list-style-type: none"> • the complexities of the plastic value chain and how it can work with the circular economy vision; • the risks and opportunities at different stages of the plastic packaging value chain for companies and investors; • how to effect positive changes across the plastic value chain.
	<p>6D. Strategic asset allocation's big challenges: Plugging the SDG and climate finance gap</p> <p>This session will consider how global themes such as the energy transition, climate-related risk and the SDGs can be incorporated into SAA decisions. Specific areas of focus will include:</p> <ul style="list-style-type: none"> • whether the SDGs can provide a framework for integrating ESG issues into SAA; • the role of institutional investors in financing the SDGs and the goals of the Paris Agreement; • how this can be done without sacrificing long-term returns. 	<p>6E. The EU taxonomy: What is it, and how should it be used?</p> <p>The taxonomy proposes a list of economic activities that are considered environmentally sustainable for investment purposes. This session will:</p> <ul style="list-style-type: none"> • outline what the taxonomy is, and the methodology used to determine it; • discuss how the taxonomy can be applied to service lines, and what to do next; • explore test cases on using the taxonomy in practice. <p><i>This session will be held under Chatham House rules.</i></p>	<p>6F. Devoir de vigilance et chaîne d'approvisionnement : enjeux pour les investisseurs responsables</p> <p><i>En partenariat avec le Forum pour l'Investissement Responsable</i></p> <p>La France s'est doté d'une loi pionnière en matière de RSE : la loi sur le devoir de vigilance. Le premier exercice a montré que les entreprises découvrent le risk management de leur filière d'approvisionnement. Pour les investisseurs le sujet est clé car une partie majoritaire des risques qui pèsent sur les grandes entreprises proviennent précisément de leur chaîne d'approvisionnement. Pour éclairer sur ce thème, le FIR a publié en juin 2019 un Cahier sur ce thème.</p>
10.15 - 11.00	Break		
11.00 - 12.45	Plenary: The role of finance in addressing social issues		
12.45 - 13.00	Closing remarks		
13.00 - 13.30	'Grab and go' lunch		
13.30	Close of conference		

* Agenda is subject to change

June 21, 2019

TO: Each Member
Board of Investments

FROM: Esmeralda del Bosque, Senior Investment Officer 
Trina Sanders, Investment Officer 
Christine Roseland, Senior Staff Counsel 
Margaret Lei Chwa, Senior Accountant 

FOR: July 2, 2019 Board of Investments Meeting

SUBJECT: **REAL ESTATE PROCESS WORKFLOW FINDINGS AND
RECOMMENDATIONS FOR AN ALTERNATIVE ASSETS ADMINISTRATOR
AND TOTAL FUND PERFORMANCE MEASUREMENT PROVIDER**

RECOMMENDATIONS

1. Approve the proposed Minimum Qualifications (“MQs”) thereby authorizing staff to initiate a Request for Proposal (“RFP”) for an Alternative Assets Administrator;
2. Approve the proposed MQs thereby authorizing staff to initiate an RFP for a total Fund performance measurement provider

BACKGROUND

At the May Board of Investments (“BOI”) meeting, staff presented an update on the Real Estate Administration Search (“RE RFI”). Staff noted that the RE RFI search team (“Team”) had paused the search to complete a process workflow review for separate account real estate operations and stated that findings and recommendations from the review would be presented to the Board in July. This memo serves as that report. At the same meeting, the Board directed staff to provide enhanced reporting to include attribution versus benchmarks, fee attribution, fee monitoring for each asset class, and an ongoing assessment of fees paid to investment managers compared to that manager’s return/risk metrics. This memo contains recommendations to also satisfy that request.

REAL ESTATE SEPARATE ACCOUNT PROCESS IMPROVEMENTS

At the May BOI meeting, staff communicated that the Team completed Phase I and Phase II of the RE RFI search and paused to conduct a process workflow of real estate investment operations. The Team consists of the four individuals at LACERA most familiar with different operational aspects of LACERA’s real estate investments:

Esme del Bosque, Portfolio Analytics Sr. Investment Officer - Investment Division (Co-Lead)
Trina Sanders, Real Estate Investment Officer - Investment Division (Co-Lead)
Christine Roseland, Senior Staff Counsel - Legal Division
Margaret Lei Chwa, Senior Accountant - Financial Services and Accounting Division

As a reminder, the process workflow documented and reviewed the specifics of the separate account lifecycle, from property purchase and general maintenance through the sale of a property. The workflow incorporated real estate, legal, accounting, internal audit, and investment responsibilities related to real estate operations to determine ways to enhance operations, evaluate internal controls, mitigate inherent risks, and alleviate the time LACERA staff dedicates to real estate related administrative tasks.

Out of that exercise, the Team has identified four categories of potential operational improvements that can facilitate enhanced investment operations for the 20 commingled funds and ~180 special purpose entities that hold title to LACERA's separate account properties. The first category of findings directly translates to the first recommendation set forth later in the memo. Categories two through four are tasks that staff will initiate and aim to complete over the next six to nine months.

The first set of operational enhancements covers the need to have an independent book of record. Again, the real estate consultant, Townsend, currently serves a dual role of investment advisor as well as book of record. The following lists out the services that an independent real estate administrator should provide.

1 Independent Book of Record

- Portfolio accounting
- Portfolio performance
 - Reconciliation of advisor and commingled fund manager data
 - Singular accounting and performance methodology
 - Multiple performance calculation types (IRR, time-weighted, etc.)
 - Market values and returns will be used for the Total Fund
- Capital call tracking and wire management
 - Track all capital calls and wires (currently, these tasks are conducted by different providers)
 - Monitor and process wires for straight-through processing into the accounting feed
 - On-line portal to eliminate the amount of manual processes that LACERA's FASD division conducts
- Investment fee validation
 - Independent party to re-create contractual waterfalls for each advisor and commingled fund
 - Quarterly fee reconciliation
- Program level compliance
 - Monitor actual vs. policy weights, geography, and limits by investment type
- Reporting
 - Exposure reports, multiple attribution views, portfolio statistics, analytics
 - Ability to run exposure and performance analysis "on the fly"

The second series of improvements concern the separate account banking relationship with Bank of America. Bank of America maintains the account for each property and facilitates cash management via wires, lockbox maintenance, and online banking. Notably, the transfer of these accounts was contemplated as part of the original State Street on-boarding work plan but was not implemented; the Team would like to revisit that decision.

2 Enhance Fiduciary Safeguards with Banking Partner

- Evaluate the feasibility of moving the advisor accounts to LACERA's custodian, State Street Bank
- Review authority levels of account access
- Set-up a system to reconcile activity and balances for each advisor account
- Meet with the bank to refine several day-to-day tasks
 - Improve cash management process by using more wires in lieu of physical checks
 - Review account opening/closing procedures
 - Assess record keeping practices

The Legal Division participates in the administration of the real estate program by handling the documentation relating to the transactions for separate account properties as well as the formation, management, and dissolution of the title holding entities formed to hold the properties. The third group of improvements identifies ways that legal aspects of real estate operations could be modified.

3 Separate Account Advisor Contract Revisions

- Amend agreements to expand responsibilities as part of advisors' scope of work
 - Monitor and pay invoices and state registration fees
 - Engage financial auditors and tax preparers
 - Submit tax filings; monitor/pursue tax and unclaimed property related issues (refunds & reassessments)

The last set of findings are to address internal processes that can be strengthened.

4 Internal Process Enhancements

- Separate account valuation/appraisal process: Consider hiring an appraisal advisory service provider
 - Re-evaluate project management and frequency of property appraisals
 - Independent reconciliation of appraisals by dedicated real estate experts
- Review internal wire authorization hierarchy
- Update wire process to mimic other LACERA asset classes
- LACERA's Internal Audit oversees real estate advisor and title holding company financials audits
 - If the audits reveal findings that are operational in nature, share with portfolio analytics team

As expressed above, the process review highlighted the need to reevaluate the timing and project management of the separate account real estate appraisal process. Currently, one-third of the portfolio is valued every year by an independent consultant. A consequence of appraising each property only one time every three years is that the market value provided for LACERA's total Fund value is calculated by the advisor for the subsequent eleven quarters. The Team believes it would be beneficial to obtain third-party appraisals on a more frequent basis to reflect the most current values for the real estate composite. This would also align LACERA's practice with industry standard.

In addition to reducing the time between independently appraising each property, the process may be enhanced by hiring a dedicated valuation advisory service provider. By hiring an independent valuation advisory service, LACERA will have direct access to a team of valuation experts with vast knowledge of practices at other pension funds and industry trends. This will facilitate the reconciliation of asset valuations with the investment advisors not only for the accounting book of record but will also establish independent appraisals when transitioning assets. Additionally, the advisory service typically provides analytics and attribution versus peers. The real estate team plans to discuss ways to improve the valuation process, including the possibility of launching a search for a valuation advisory service, in the near future.

RATIONALE FOR RECOMMENDATIONS

The process improvements mentioned above, along with the Board's request for enhanced attribution, fee, and analytics reporting points to two distinct recommendations. The commentary that follows provides a description and justification for each recommendation. The MQs and scope of work for each search are attached (**Attachment**).

Recommendation 1: Approve the proposed MQs thereby authorizing staff to initiate an RFP for an Alternative Assets Administrator.

As mentioned to the BOI in all memos regarding the real estate search, real estate is the only asset class that does not have an independent book of record. The first recommendation is to continue the search for a real estate administrator and expand it to cover all alternatives, including private equity, hedge funds, and real assets.

LACERA currently uses two different administrators for alternatives, both under the State Street umbrella: One for private equity and one for hedge funds. As we look to expand fund administration to real estate and real assets, it would be prudent to combine all alternative assets onto one platform as a means of streamlining LACERA's total Fund accounting, performance, analytics, and reporting. Combining the assets will also provide LACERA economies of scale via pricing power.

The timing of this search is ideal given that fund administration has advanced significantly over the last five to seven years: Administrators are employing teams dedicated to different sleeves of assets, including real estate and infrastructure, to augment standard fund accounting, cash flow administration, and performance calculation with asset-specific expertise. In addition, the industry has allocated significant investment into technology to heighten portfolio analytic capabilities.

Recommendation 2: Approve the proposed MQs thereby authorizing staff to initiate an RFP for a total Fund performance measurement provider.

At the May BOI meeting, the Board directed staff to provide enhanced reporting including attribution versus benchmarks, fee attribution, fee monitoring for each asset class, and an on-going assessment of fees paid to investment managers compared to that manager's return/risk metrics. As LACERA currently does not have the granular asset class analytics to provide that reporting, the Board asked that staff provide those portfolio and reporting enhancements over time. That the Board requested these enhancements in May was fortuitous, as both the RFI and process review deepened staff's knowledge of the capabilities and gaps in LACERA's analytical tools.

As the first step in meeting the Board's direction, it is recommended that an RFP for a total Fund performance measurement provider be issued. In the May memo, staff mentioned that the analytics and portfolio modeling tools of one of the RE RFI respondents were so robust, that the use of an administrator for total Fund performance became a legitimate consideration. LACERA can survey the marketplace for performance providers at the same time that the RFP for an alternative asset administrator is performed. It may be to LACERA's advantage to consolidate all services under one contract.

SUMMARY

The RE RFI launched in October of last year has led to the findings and recommendations presented in this memo. Many of the process enhancements identified in this memo are included in the scope of work for the alternative asset administrator RFP. Even more may be covered in the potential search for a real estate appraisal advisory service that the real estate team will review later this year. Staff will address the balance of the findings over the next six to nine months, with periodic progress updates provided to the Board.

Furthermore, the BOI, through its requests for advanced analytics, attribution, and fee reporting, has required staff to evaluate the marketplace for a total Fund performance provider given the gaps in LACERA's current analytical tools. Completing *both* the administrator and performance measurement searches are key to fulfilling the Board's reporting requests.

Staff anticipates that these searches will conclude at the beginning of 3Q2020, to coincide with fiscal year-end accounting and performance reporting. It should be noted that some of the costs for hiring additional services would be offset by eliminating duplicative functions. Any incremental costs will be reflected in subsequent budget requests.

CONCLUSION

At the May 2019 BOI meeting, staff provided an update for the RFI for real estate administration services. It was noted that staff paused the search to conduct a review of LACERA's separate account operations and that a report of relevant findings and recommendations would be provided to the Board at the July meeting. Also at the May meeting, the BOI requested that staff deliver a series of enhanced fee, attribution, and analytics reports over time.

Each Member, Board of Investments

June 21, 2019

Page 6 of 6

This memo reviewed staff's findings as well as recommends expanding the real estate administration search to an RFP for an alternative asset administrator. The second recommendation is to initiate a search for a total Fund performance measurement provider. Both searches will improve transparency and provide advanced analytics for the Board and staff to monitor the LACERA Trust. In addition to the searches, staff will work on the real estate operational enhancements identified earlier in this memo over the next six to nine months.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

EDB:DR

ALTERNATIVE ASSETS ADMINISTRATOR

MINIMUM QUALIFICATIONS

In order to be eligible, administrators must meet the following minimum qualifications:

1. Must have at least five (5) defined benefit clients of which three (3) are public pension plans.
2. Must have at least \$25 billion in total assets under administration and at least \$10 billion in alternative assets¹ as of June 30, 2019.
3. The service provider must have at least three (3) years of history providing administration services relating to alternative assets.

SCOPE OF WORK

The administrator will be required to fulfill the services listed below:

1. Serve as independent book of record
2. Provide portfolio accounting, including reconciliation
3. Provide portfolio performance with multiple performance methodologies
4. Construct composites and custom benchmarks
5. Provide capital call tracking and wire management, maintain a repository for manager data and wire documentation
6. Conduct investment fee validation
7. Monitor program-level compliance for each asset class (actual versus policy weights)
8. Deliver monthly and quarterly reporting, including portfolio exposure and analytics
9. Maintain a client portal to access data and reports

PROPOSED TIMELINE

Following is a proposed timeline for the search:

Phase	Steps	Actions	Timing
I	RFP Design and Launch	- Board approval of MQs - Publish the RFP document	3Q 2019
II	RFP Evaluation	- Staff to review and rank RFP responses, select semi-finalists	4Q 2019
III	Semi-Finalist Evaluation	- Staff to conduct in-person interviews, on-site diligence, and complete reference calls	1Q/2Q 2020
IV	Potential Recommendation	- Board Recommendation	3Q 2020

¹ Alternative assets include private equity, real estate, real assets, and hedge funds

TOTAL FUND PERFORMANCE MEASUREMENT PROVIDER

MINIMUM QUALIFICATIONS

In order to be eligible, the performance measurement provider must meet the following minimum qualifications:

1. Must have at least three (3) defined benefit plan clients, each with total assets of at least \$10 billion as of June 30, 2019.
2. The service provider must have clients for which they calculate multi-asset class total fund performance as well as provide reconciliation and reporting services.
3. Must provide reporting with multiple performance calculation methodologies, attribution versus benchmark and peer universes, and portfolio analytics.
4. Performance measurement must observe the CFA Institute's Global Investment Performance Standards ("GIPS").

SCOPE OF WORK

The administrator will be required to fulfill the services listed below:

1. Performance calculation at security, strategy, and composite levels (daily and monthly)
2. Construct composites and custom benchmarks
3. Provide manager/composite performance attribution, universe comparison, portfolio characteristics, style analysis, and ex-post risk statistics
4. Deliver comprehensive monthly and quarterly reports on a timely basis
5. Experience calculating performance for commingled funds and alternative asset classes
6. Ability to customize performance calculation and reports, as needed
7. Provide research and consultancy to the client
8. Maintain a client portal to access the above

PROPOSED TIMELINE

Following is a proposed timeline for the search:

Phase	Steps	Actions	Timing
I	RFP Design and Launch	- Board approval of MQs - Publish the RFP document	3Q 2019
II	RFP Evaluation	- Staff to review and rank RFP responses, select semi-finalists	4Q 2019
III	Semi-Finalist Evaluation	- Staff to conduct in-person interviews, on-site diligence, and complete reference calls	1Q/2Q 2020
IV	Potential Recommendation	- Board Recommendation	3Q 2020

Real Estate Process Workflow Findings and Service Provider Recommendations

Board of Investments

July 2, 2019

Esmeralda del Bosque – Senior Investment Officer

Trina Sanders – Investment Officer

Christine Roseland – Senior Staff Counsel

Margaret Lei Chwa – Senior Accountant



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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IV. Next Steps and Timeline



Background: Search Team



Esme del Bosque, Senior Investment Officer – Portfolio Analytics (Co-Lead)



Trina Sanders, Investment Officer – Real Estate (Co-Lead)

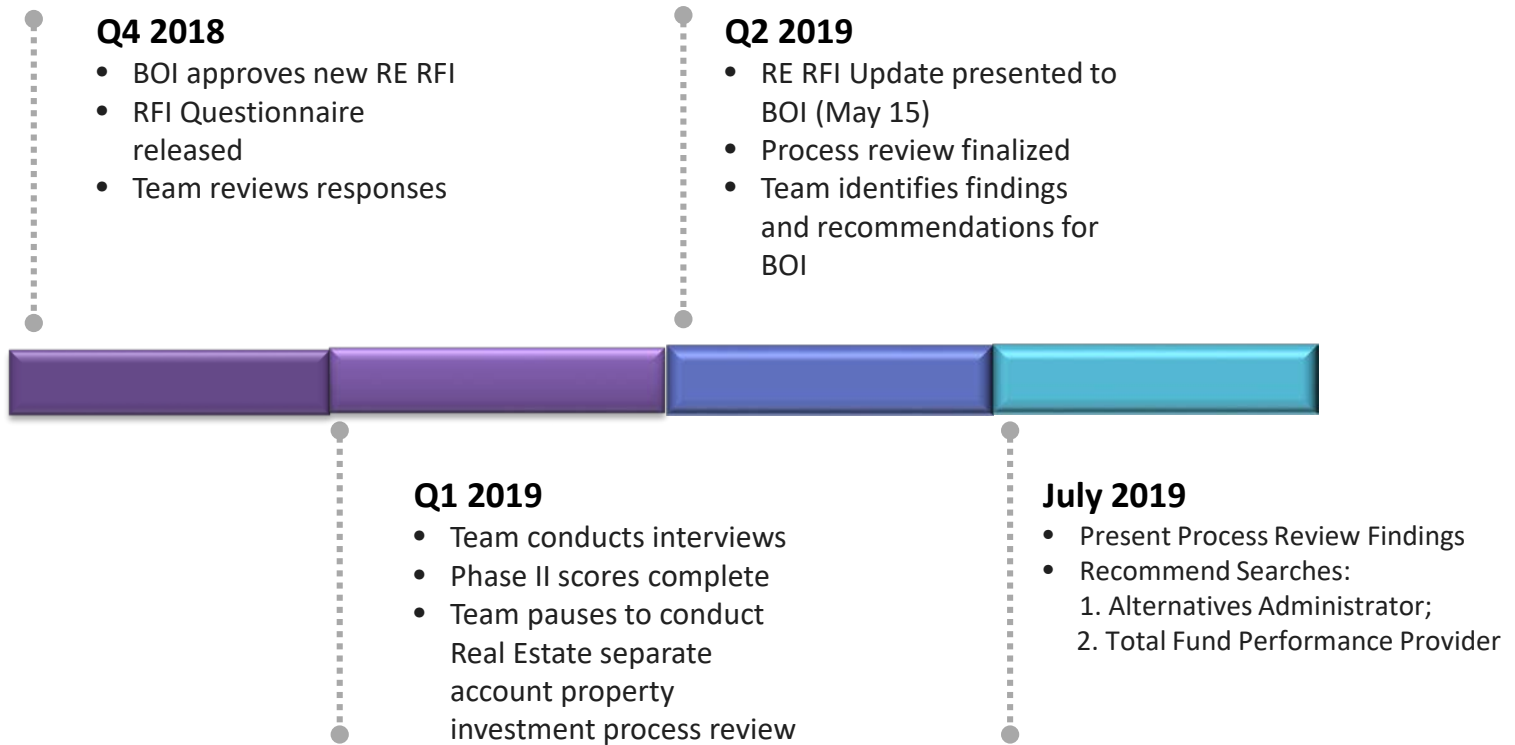


Christine Roseland , Senior Staff Counsel – Legal Division



Margaret Lei Chwa, Senior Accountant – Financial Services & Accounting Division

Background: From RE RFI to Findings and Recommendations



Process Workflow: Objectives

1. Document real estate tasks and responsibilities by LACERA department
2. Identify ways to:
 - Enhance real estate operations
 - Evaluate internal controls
 - Mitigate inherent risks



Process Workflow: Charts and Topics Covered



Account Formation,
Financing, Disposition



Wires, Maintenance,
Appraisals, Dissolution



Reports, Reconciliation,
Audits

Process Workflow: 4 Categories of Findings

Independent Book of Record

- Portfolio accounting and performance
- Capital call tracking and wire management
- Investment fee validation
- Program level compliance
- Reporting

Enhance Fiduciary Safeguards with Banking Partner

- Evaluate moving advisor accounts to State Street Bank
- Review authority levels of account access
- Reconciliation of each advisor account
- Meet with bank to refine day-to-day tasks

Separate Account Advisor Contract Revisions

- Amend agreements to expand advisor responsibilities

Internal Process Enhancements

- Separate account appraisal process
- Review internal wire authorization
- Update wire process
- Review operational findings from LACERA's internal audits



Recommendations



Recommendation 1:

Authorize a Search for an Alternative Assets Administrator

The first process review finding covered the need for real estate to have an independent book of record.

This recommendation is a direct response to that finding.

Minimum Qualifications (as of 6.30.2019)

- ≥ 5 defined benefit clients; 3 public pension plans
- $\geq \$25$ billion in Assets Under Administration (AUA);
 $\geq \$10$ billion in Alternative Assets¹ AUA
- ≥ 3 years as an Alternative Asset Administrator

¹ Alternative assets include private equity, real estate, real assets, and hedge funds



BOI Reporting Requests

- At the May BOI meeting, the Board directed staff to deliver a series of enhanced reporting, over time
 - Attribution versus benchmarks
 - Fee Attribution
 - Fee Monitoring for each asset class
 - On-going assessment of fees paid to investment managers compared to that manager's return/risk metrics
- Timing of this request ideal
 - Both the RE RFI and process workflow review deepened staff's knowledge of capabilities and gaps in LACERA's analytical tools
 - RE RFI search also revealed that administrator analytics & portfolio tools have advanced significantly

The recommendation that follows is in direct response to the BOI's request for enhanced portfolio reporting.

Recommendation 2:

Authorize a Search for a Total Fund Performance Provider

Minimum Qualifications (as of 6.30.2019)

- ≥ 3 defined benefit clients with total assets of $\geq \$10$ billion
- Must have multi-asset class total fund performance clients, as well as provide reconciliation and reporting services
- Must provide the following types of reporting:
 - Multiple performance calculation methodologies;
 - Attribution versus benchmark and peer universes;
 - Portfolio Analytics
- Must observe the CFA Institute's Global Investment Performance Standards (GIPS)

Next Steps

- If BOI approves the recommendations
 - Finalize RFP questionnaires
 - Launch both searches in 3Q2019
 - Look for a solution that may satisfy both the alternative assets and total Fund performance searches
 - Provide LACERA with operational benefits
 - Consolidating services under one contract may lead to economies of scale via pricing power
- RE RFI Team to work on operational enhancements identified in memo
 - Provide status updates to the Board
 - Aim to complete in six to nine months

Timeline

2019

Q3

- **Memo to BOI: 1) on real estate process workflow findings; and 2) recommendations to launch alternative assets administrator & total Fund performance provider searches**
- Publish the RFP questionnaire

2019

Q4

- Review and rank RFP responses, select semi-finalists
- Provide update to BOI on staff's progress of real estate operational enhancements

2020

Q1/Q2

- Staff to conduct in-person interviews, on-site diligence, and complete reference calls
- Provide second update on staff's progress of real estate operational enhancements

2020

Q3

- Board recommendations




Questions and Discussion



June 18, 2019

TO: Each Member
Board of Investments

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

Robert Z. Santos 
Investment Officer

FOR: July 2, 2019 Board of Investments Meeting

SUBJECT: **SECURITIES LENDING MANDATE MINIMUM QUALIFICATIONS**

RECOMMENDATION

Approve the Minimum Qualifications (MQs) and authorize a Request For Proposal (RFP) for securities lending services.

BACKGROUND

LACERA's Securities Lending Program (Program) has been in existence for over 20 years. The Program's objective is to generate incremental income by lending the stocks and bonds held by LACERA's custodian. Over the past 5 years, the Program has generated an average annual income of nearly \$6 million (equal to 5.5 bps per year on the value of lendable securities).

LACERA's current Program structure has been in place for nearly six years. In 2013, LACERA issued an RFP for custodial services and selected State Street Bank and Trust (State Street) to replace LACERA's former custodian, Bank of New York Mellon (BNY Mellon). As part of the transition of custodial responsibilities, State Street also became LACERA's new custodial lending agent, responsible for lending LACERA's international equities, U.S. Treasuries, and U.S. Agency securities. The lending of LACERA's U.S. stocks and corporate bonds is managed by Goldman Sachs Agency Lending (GSAL), in a relationship that dates back to 2010. State Street invests the cash collateral for both programs.

LACERA has negotiated profit-sharing arrangements with both State Street and GSAL; therefore, the firms have an incentive to maximize Program earnings. The income split with State Street is 85% / 15% (85% for LACERA), and the split with GSAL is 87% / 13%. While the current income splits are competitive for the composition and size of LACERA's portfolio, periodically rebidding the contracts of key service providers is a good practice—and placing the entire Program out for bid is warranted.

In addition to updating fee splits, issuing an RFP would provide an opportunity to review overall program design¹ and to compare services provided by our current providers versus the competition. Such a review is timely because the current lendable asset size could potentially double as LACERA's global equity portfolio moves from commingled fund structures to separately managed accounts custodied at State Street.

MANDATE DESCRIPTION

The mandate is to: 1) lend publicly traded securities held at LACERA's custodian bank (this excludes assets in commingled fund vehicles), and 2) manage collateral reinvestment. As of April 30, 2019, LACERA's total lendable base was approximately \$9.3 billion. The composition by asset category is as follows: domestic equity (\$3.2 billion), corporate bonds (\$3.6 billion), international equities (\$1.2 billion), U.S. Treasuries (\$1.1 billion), and U.S. Agency securities (\$0.2 billion). The lendable base is anticipated to increase significantly (by approximately \$14.5 billion) once global equity indexed assets transition from commingled funds to separate accounts.

MINIMUM QUALIFICATIONS

In order to be eligible for the mandate, securities lending providers must meet the following MQs:

1. Must have a minimum 15-year track record performing the duties of a custodial lending agent, third-party lending agent, or principal borrower, serving public pension plan clients as of June 30, 2019;
2. Must have a minimum average daily loan value of at least \$30 billion for each of the last five years ended June 30, 2019; and
3. Must offer both lending and collateral investment services. The collateral investment must be in a separate account.

Detailed data on the pool of securities lending providers is not readily available, but a report published four years ago by the Federal Reserve Bank of New York noted that 13 of the largest securities lending agents represent 80 percent of global securities lending volume. Therefore, staff anticipates that fewer than 20 firms will qualify for this search.

¹ In response to an audit review last year, staff stated that we would examine the fee implications of having a third-party lending agent during this proposed RFP.

SCOPE OF WORK

1. Provide lending services for global equity and fixed income securities.
2. Lend securities at a positive spread.
3. Collateralize and mark-to-market all loaned securities on a daily basis.
4. Invest all collateral in a separately managed account.
5. Indemnify LACERA against operational and borrower default risk.
6. Conduct ongoing review of eligible borrowers and borrower limits.
7. Create a flexible program with the ability to:
 - a. Restrict individual assets from lending,
 - b. Terminate any loan upon receipt of instructions, and
 - c. Preserve LACERA's voting rights for proxies.
8. Provide timely reports and data to be used in LACERA's Comprehensive Annual Financial Report for cash collateral, non-cash collateral, and securities on loan.
9. Provide a client portal with daily access to all lending data.
10. Assist in the conversion process from the current provider, if applicable, specifically providing novation strategies and minimizing any losses to the Program upon conversion.

PROPOSED RFP TIMELINE

Following is a proposed timeline for the search:

Phase	Steps	Actions	Timing
I	RFP Design and Launch	- Board approval of MQs - Publish the RFP document on LACERA's website	Jul / Aug 2019
II	RFP Evaluation	- Staff to review and rank RFP responses, select semi-finalists	Sept / Oct 2019
III	Semi-Finalist Evaluation	- Staff to conduct in-person interviews, on-site diligence, and complete reference calls	Nov / Dec 2019
IV	Potential Recommendation	- Board recommendation	Jan / Feb 2020

Staff will work closely with Meketa on the search.

CONCLUSION

Staff is seeking the Board's approval of the MQs and authorization of an RFP for a securities lending service provider. Given the amount of time that has elapsed since the entire Program was reviewed in its entirety, issuing an RFP is advisable.

Noted and reviewed:



Jonathan Grabel
Chief Investment Officer

June 14, 2019

TO: Each Member
Board of Investments

FROM: John McClelland 
Principal Investment Officer

FOR: July 2, 2019 Board of Investments Meeting

SUBJECT: **REAL ESTATE ALLOCATION METHODOLOGY**

RECOMMENDATION

Approve:

1. Allocating capital for investment in real estate to designated managers rather than by risk category;
2. Allowing separate account managers to reinvest sales proceeds, and
3. Capital allocations included in **TABLE 1**.

BACKGROUND

Since September 2006 LACERA has allocated capital for investment in real estate by risk category (core, value-add, and opportunistic). The amount of capital being allocated is approved by the Board as part of the biennial structure review. Any separate account manager in good standing can access the allocated capital as new investments are identified. Capital is deployed on a “first come, first served” basis.

The primary rationale for allocating capital by risk category is to control and direct deployment into desired risk categories. In 2006, the Fund was heavily invested in core and desired more non-core (value-add and opportunistic) investments. Staff was not concerned with which manager(s) deployed the capital, since all were deemed qualified and the size of each separate account was sufficient to be adequately diversified.

Prior to September 2006, capital allocations were made to each manager for investment exclusively by that manager on LACERA’s behalf. Managers also had reinvestment rights until LACERA reduced or eliminated its commitment to the manager.

Staff recommends reverting back to allocating capital on a manager-by-manager basis and reinstating the manager reinvestment rights.

DISCUSSION

Several factors are contributing to the current recommendation.

First, LACERA is focusing more closely on performance by each separate account manager. Individual Manager Return Objectives have been established for each manager and each is being measured on a rolling five-year basis.¹ The Real Estate Objectives, Policies and Procedures incorporates a Manager Performance Review process that call for mandatory review with the Board if a manager fails to meet its return objectives for two consecutive one-year periods.²

Holding managers accountable for performance demands that the mandate is clear and the allocation is known. The manager return objectives, which have been incorporated into each separate account agreement, make the mandate clear. Allocating capital on a per-manager basis will let managers actively manage the account with regular sales and purchases in an effort to achieve the objective. The objective for each manager to which a capital is being recommended is to exceed the ODCE benchmark on a net of fee basis. Like ODCE, each manager portfolio will be limited to a maximum of 20% non-core and may not use leverage in excess of 40% loan-to-value.³ Giving the manager's reinvestment rights creates better alignment of interest with LACERA. Managers will not be reluctant to sell assets since they can reinvest in other, perhaps better performing properties.

Second, by eliminating any concerns by the managers that they need to "race to the capital", they may be more deliberate in investment selection for the portfolio. They can focus more on their property and sector strengths, waiting for investment opportunities that best fit rather than chase the first deals that are available.

Lastly, committing capital to commingled funds is a more effective way to control risk by category. LACERA may elect to commit to opportunistic, value-add or core vehicles as desired to achieve its allocation targets. LACERA has already begun making greater use of commingled funds, both for core and non-core exposure. The first ODCE index fund commitment was made in early 2019, and additional direct ODCE fund commitment recommendations are anticipated once the allocation to real estate is reduced from its current over-allocated position. Core property sales are underway to get the portfolio closer to its target allocation of 7% to growth.

However, using more commingled funds will result in the size and/or number of separate accounts being reduced. Staff anticipates the Fund maintaining four to five actively

¹ Board-approved Real Estate Structure Review, May 2018.

² Board-approved, July 2018.

³ The ODCE leverage limit is declining to 35% effective Q1 2020.

managed separate accounts in the range of \$500 to \$700 million apiece. Allocating capital on a manager-by-manager basis allows LACERA to manage the account size.

The Real Estate Structure Review Update approved by the Board in May 2019 included approval to allocate up to \$500 million for investment by the Fund's separate account managers. Notably, since the plan called for LACERA being a net seller, only \$250 million of the allocation was immediately available, while the remaining allocation was contingent upon cumulative sales of \$500 million being realized. Thereafter, the remaining \$250 million of allocation could be released on a 1:2 ration as additional sales were completed.⁴

Staff recommends this capital allocation be made according to **TABLE 1** below.

**Current NAV and Proposed New Allocation
 Select Separate Accounts**

(As of 12/31/18 adjusted for known sales)

Manager	Adjusted NAV	Proposed New Allocation		Staff Discretion
		Non-Contingent	Contingent	
Clarion	\$ 171	\$ 150		
DWS/RREEF	\$ 1,996	\$ -	\$ 50	
Heitman	\$ 549	\$ 50		
Invesco	\$ 1,062	\$ -	\$ 50	
Stockbridge	\$ 536	\$ 50		
Total		\$ 250	\$ 100	\$ 150

The proposed allocations are consistent with the previously approved Structure Review Update. Only \$250 million of investment will be permitted until \$500 million of sales are realized. Clarion, Heitman and Stockbridge will receive the initial allocation in the amounts indicated.⁵ Thereafter, staff proposes that DWS and Invesco each be allocated \$50 for new investment, subject to the 1:2 ratio of sales to new investments as described above.

The proposed allocations leave \$150 million available in the fiscal year. **Staff requests authority to allocate the remaining \$150 million to managers as deemed appropriate throughout the fiscal year. If any of this amount is allocated, the Board would be notified via the Chief Investment Officer's monthly report.**

⁴ \$1 of new investment could be made for every \$2 of sales.

⁵ Clarion is allocated a larger amount because they just completed a large asset sale and thus, their account in the smallest.

Each Member, Board of Investments

June 14, 2019

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CONCLUSION

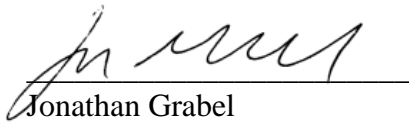
Staff recommends changing the way the Fund allocates capital to its separate account real estate managers. Instead of allocating capital to risk categories, allocation should be made on a manager specific basis. Additionally, managers should be permitted to reinvest sales proceeds. This will better align the interests of LACERA and the managers as they actively manage their allocations to meet their return objectives.

LACERA will maintain control over the portfolio by directing the amount of allocation to separate accounts and to commingled funds. LACERA will retain the right to reduce or eliminate allocation to a manager as well as transfer assets away from a manager at the Fund's discretion.

The Board's real estate consultant, The Townsend Group, has reviewed this recommendation and has issued a concurrence memo (**ATTACHMENT**).

Attachment

Noted & Reviewed:

A handwritten signature in black ink, appearing to read 'Jonathan Grabel', is written over a horizontal line.

Jonathan Grabel

Chief Investment Officer



88 Kearny Street, Suite 800
San Francisco, CA 94105

Memorandum

To: LACERA Board of Investments (“BOI”)

From: Townsend 

Date: July 2, 2019

Re: Real Estate IMA Allocation Methodology

This memorandum provides a review of the Staff recommendation regarding the allocation methodology for the Individually Managed Accounts in the LACERA Real Estate Portfolio.

Overview

The LACERA Staff report outlines the below changes to the current allocation policies for each IMA manager.

1. *Allocating capital for investment in real estate to designated managers rather than by risk category;*
2. *Allowing separate account managers to reinvest sales proceeds, and*
3. *Designated Capital Allocations (\$) for each manager*

Across its client base, Townsend notes that there is not a “standard” practice for allocating capital, but most clients will determine the amount of capital to be allocated to each manager on an annual basis as part of the investment planning process. The investment planning process takes in to account the specific client’s strategic plan objectives, state of the market, client-specific needs and the future direction of the program.

Townsend notes that the LACERA BOI approved a new Real Estate Structure in 2018, upon the completion of a multi-stage IMA Performance Attribution Project. The approved plan calls for a decrease in the IMA exposure and an increase in commingled fund exposure over time. The actions outlined in the LACERA Staff recommendation further the goals of (1) reducing the total size of the LACERA IMAs and (2) decreasing LACERA’s overall real estate exposure to align with the target allocation approved in 2018.

Additional Considerations on Risk and Fees

Townsend agrees that it is important to hold the IMA managers accountable for performance relative to a benchmark. LACERA managers should be encouraged to avoid taking undue risk (risks above and beyond those taken by the benchmark constituents) in order to meet and exceed the performance of the ODCE benchmark. Though capped at 20%, the Non-Core component of the ODCE benchmark is notably lower (5%-6%).

Though the Manager IMA will be benchmarked against the ODCE, it is also expected that the underlying investments the account meet LACERA's return objectives for its specific risk category. For example, Value-Added investments should also perform in line with LACERA's Value-Added benchmark (ODCE + 100 basis points) and High Return investments should perform in line with LACERA's High Return benchmark (ODCE + 300 basis points) to account for an asset's commensurate level of risk.

Further, given the newly established performance guidelines, Townsend recommends that LACERA review each IMA fee structure to ensure that the managers do not have an incentive to take on extra risk under the revised allocation methodology. Currently, there are separate IMA fee structures for Core, Value Add and High Return strategies and LACERA sets the allocation between risk category. Under the new protocol (though we note that Non-Core risk is constrained by 20% per the ODCE guidelines) the managers determine the allocation between Core and Non-Core exposures.

Finally, the manager-specific allocations will continue to be reviewed and approved by the LACERA BOI in conjunction with the biennial Real Estate Structure Review.

Recommendation

Townsend reviewed the 2019 LACERA Real Estate Allocation Methodology and concurs with the LACERA Staff Report, noting the above considerations. ***Townsend recommends that the LACERA BOI approve the Real Estate Allocation Methodology.***

June 25, 2019

TO: Each Member
Board of Investments
Board of Retirement

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: July 2, 2019 Board of Investments Meeting
July 3, 2019 Board of Retirement Meeting

SUBJECT: **Contract for CEO Executive Search Services**

The Board of Retirement and Board of Investments are responsible for hiring the next Chief Executive Officer (CEO). The first step in the process is to select a qualified executive search firm. The process of recruiting a replacement CEO will begin by issuing a Request for Proposals (RFP) for an executive search firm. The process will be overseen and aided by the Ad Hoc Search Committee appointed by the Board Chairs. To expedite the search process, the ad hoc committee proposes that Chief Counsel be given authority to execute the contract with the search firm.

It is likely that, whether the fee is a percentage of compensation (for example, 33%), a flat fee, or hourly, the cost of the search, given the CEO's range of compensation and the effort that may be required to complete the search, may exceed the CEO's range of authority, which is \$75,000 for non-investment and actuarial matters. By Board direction, Chief Counsel currently has the duties and responsibilities of the CEO.

RECOMMENDATION

Authorize the Chief Counsel to enter into a contract for executive search services for the CEO search regardless of amount, provided that the search firm and key contract terms, including the fee, are disclosed to the Boards at the next meeting following execution of the contract.

SR:bn

FOR INFORMATION ONLY

June 17, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil 
Senior Investment Officer

FOR: July 2, 2019 Board of Investments Meeting

SUBJECT: **Update on the Global Investor Statement to Governments on Climate Change**

This memo is intended to provide the Board of Investments (“Board”) with an update regarding the Global Investor Statement to Governments on Climate Change (“Statement”). LACERA signed the Statement in November 2018, per committee recommendation and Board approval.

The Statement (**Attachment**) has been signed by 421 investors with over US\$32 trillion in assets under management. It is coordinated by the Principles for Responsible Investment (“PRI”) and regional investor climate risk networks and requests global governments to:

1. Achieve the Paris Agreement’s goals;
2. Accelerate private sector investment into the low carbon transition; and
3. Commit to improve climate-related financial reporting.

As described in Board materials when LACERA approved signing the Statement, it is part of regular joint investor statements coordinated by the PRI and affiliated groups in advance of global summits to communicate investors’ financial interest in climate reporting and policy coordination.

Since the goals of the Statement have not yet been achieved, PRI and other regional coordinating associations will continue to issue the Statement this year in advance of the G20 Summit in Osaka on June 28-29, the United Nations Secretary General’s Climate Action Summit in New York on September 23, and the COP25 in Santiago on December 2-13. Any signatory to the Statement that wishes to remove itself from the Statement or considers that it no longer supports the Statement may do so. Staff remains comfortable with LACERA’s continued participation on the Statement, given the Board’s recent approval, continued alignment with LACERA’s *Corporate Governance Principles*’ support for improved corporate reporting of climate risk, and continued recent discussion regarding climate risk mitigation at the May 2019 Corporate Governance Committee.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer



2018 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON CLIMATE CHANGE

This statement is signed by 421 investors representing well over USD \$32 trillion in assets.

As institutional investors with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement [\[link\]](#) and strongly urge all governments to implement the actions that are needed to achieve the goals of the Agreement, with the utmost urgency.

Investors are taking action on climate change. The global shift to clean energy is underway, but much more needs to be done by governments to accelerate the low carbon transition and to improve the resilience of our economy, society and the financial system to climate risks. Investors continue to make significant investments into the low carbon transition across a range of asset classes. Investors are also increasingly incorporating climate change scenarios and climate risk management strategies into their investment processes and engaging with high-emitting companies. To build on this momentum and maintain investor confidence to further shift investment portfolios, it is vital that policy makers are firmly committed to achieving the goals of the Paris Agreement.

We are concerned that the implementation of the Paris Agreement is currently falling short of the agreed goal of “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.” There is an ambition gap: the full implementation of current Nationally Determined Contributions (NDCs) would lead to an unacceptably high temperature increase that would cause substantial negative economic impacts.

This ambition gap is of great concern to investors and needs to be addressed, with urgency. It is vital for our long-term planning and asset allocation decisions that governments work closely with investors to incorporate Paris-aligned climate scenarios into their policy frameworks and energy transition pathways.

In addition, investors need companies to report reliable and decision-useful climate-related financial information to price climate-related risks and opportunities effectively. That is why we welcome the recommendations of the Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosure (TCFD) and are taking practical steps to assist their implementation around the world. In order for the TCFD to be effective, it is vital that governments commit to improve climate-related financial reporting standards by publicly supporting the adoption of the TCFD recommendations and the extension of its term beyond September 2018.

The countries and companies that lead in implementing the Paris Agreement and enacting strong climate and low carbon energy policies will see significant economic benefits and attract increased investment that will create jobs in industries of the future. To ensure a smooth and just transition to a low carbon economy and to adapt to the warming already locked in to the climate system, it will be important that the benefits of gaining access to cleaner energy sources are shared by all, and that those workers and communities affected by the transition are supported.

With these principles in mind, we call on global leaders to:

- **Achieve the Paris Agreement's goals** ■ Update and strengthen nationally-determined contributions to meet the emissions reduction goal of the Paris Agreement, starting the process now in 2018 and completing it no later than 2020, and focusing swiftly on implementation ■ Formulate and communicate long-term emission reduction strategies in 2018 ■ Align all climate-related policy frameworks holistically with the goals of the Paris Agreement ■ Support a just transition to a low carbon economy.
- **Accelerate private sector investment into the low carbon transition** ■ Incorporate Paris-aligned climate scenarios into all relevant policy frameworks and energy transition pathways ■ Put a meaningful price on carbon ■ Phase out fossil fuel subsidies by set deadlines ■ Phase out thermal coal power worldwide by set deadlines.
- **Commit to improve climate-related financial reporting** ■ Publicly support the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the extension of its term ■ Commit to implement the TCFD recommendations in their jurisdictions, no later than 2020 ■ Request the FSB incorporate the TCFD recommendations into its guidelines ■ Request international standard-setting bodies incorporate the TCFD recommendations into their standards.

We stand ready to work with government leaders in implementing these actions.

Signed,

Note: The following 421 investor signatories with well over \$32 trillion in assets are listed in alphabetical order by organisation name:

27four
Aalto University Foundation
Aargauische Pensionskasse (APK)
Aberdeen Standard Investments
ABP
Achmea Investment Management
ACTIAM
Addenda Capital Inc.
Adrian Dominican Sisters, Portfolio Advisory Board
Aegon N.V.
AGF Investments Inc.
Aktia Bank Plc
Alberta Investment Management Corporation (AIMCo)
Alecta
Allianz Global Investors
Allianz SE
Alquity Investment Management Limited

Alternative Capital Partners Srl
AMF
Amundi
Andra AP-fonden (AP2)
AP3 Third Swedish National Pension Fund
AP4
AP6 (Sjätte AP-fonden)
AP7
APG
Aquila Capital
Archbishops' Council
Ardevora Asset Management LLP
Arjuna Capital
Armstrong Asset Management
As You Sow
ASN Bank
ATLAS Infrastructure
ATP
Ausbil Investment Management Ltd
Australian Ethical Investment
Australian Super
Avaron Asset Management
Avesco Financial Services AG
Aviva Investors
Aviva plc
AXA Investment Managers
Baillie Gifford & Co
Baldwin Brothers
Bank J. Safra Sarasin
Barings LLC
Barncancerfonden
Bâtirente
BBC Pension Trust
BBVA
Bedfordshire Pension Fund
Bernische Lehrerversicherungskasse
BMO Global Asset Management
BNP Paribas Asset Management
Boston Common Asset Management
Brawn Capital Limited
Bridges Fund Management Limited
Brunel Pension Partnership
BT Financial Group
Bullitt Foundation
Caisse de dépôt et placement du Québec (CDPQ)
Caisse de pensions de l'Etat de Vaud (CPEV)

Caisse de pensions ECA-RP
Caisse de Prévoyance de l'Etat de Genève (CPEG)
Caisse de Prévoyance des Interprètes de Conférence (CPIC)
Caisse intercommunale de pensions (CIP)
Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)
Caja Ingenieros Gestión
California Public Employees' Retirement System
California State Controller
California State Teachers' Retirement System
California State Treasurer's Office
Calvert Research and Management
Candriam Investors Group
CAP Prévoyance
Capricorn Investment Group
CareSuper
Carnegie Fonder
Cathay Financial Holdings
Catholic Health Initiatives
Catholic Super
CBRE Global Investors
Cbus
CCAP Caisse Cantonale d'Assurance Populaire
CCLA
CCOO, FP
Central Finance Board of the Methodist Church
Christian Super
Christopher Reynolds Foundation
Church Commissioners for England
Church Investors Group
Church Of England Pensions Board
Church of Sweden Asset Management
CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle
City Developments Limited
CM-CIC Asset Management
Colonial First State Global Asset Management
Cometa Fondo Pensione
COMGEST
Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.
Common Interests
Conference for Corporate Responsibility Indiana And Michigan
Congregation of St. Joseph
Connecticut Retirement Plans and Trust Funds
Connecticut State Treasurer
CPEG
CPR AM
Credito Valtellinese S.p.A.

CRF For Local Government
Dana Investment Advisors
Danske Bank Wealth Management
Daughters of Charity, Province of St. Louise
Davy Asset Management
Dignity Health
Domini Impact Investments LLC
Dominican Sisters of Hope
Dominican Sisters of Sparkill
Dragon Capital Group
DSM Capital Partners LLC
DWS
Earth Capital Partners
East Capital
Ecofi Investissements
Ecofin Limited
EdenTree Investment Management
Edmond de Rothschild Asset Management (France)
EGAMO
Elo Mutual Pension Insurance Company
Encourage Capital
Environment Agency Pension Fund
Epic Capital Wealth Management
Epworth Investment Management
eQ Asset Management Ltd
ERAFP
Essex Investment Management, LLC
Etablissement Cantonal d'Assurance (ECA VAUD)
Ethos Foundation
Everence and the Praxis Mutual Funds
EverWatch Financial
Evli Bank
Felician Sisters of North America
FIM Asset Management
Finance in Motion
First Affirmative Financial Network
First State Super
FMO - Dutch Development Bank
Fondation de la métallurgie vaudoise du bâtiment (FMVB)
Fondation de prévoyance du Groupe BNP PARIBAS en Suisse
Fondation Leenaards, Switzerland
FONDO DE PENSIONES EMPLEADOS DE TELEFONICA
Fonds de Réserve pour les Retraites - FRR
Första AP-fonden (AP1)
Franciscan Sisters of Allegany NY
Friends Fiduciary Corporation

Frontier Advisors
Fundação VIVA DE PREVIDÊNCIA
GAM Investments
Generate Capital, Inc.
Generation Investment Management LLP
Glennmont Partners
GOOD GROWTH INSTITUT für globale Vermögensentwicklung mbH
Greater Manchester Pension Fund
Green Century Capital Management
Greentech Capital Advisors
Handelsbanken Asset Management
Hermes Investment Management
HESTA
Hexavest
HSBC Bank UK Pension Scheme
HSBC Global Asset Management
ICCR (Interfaith Center on Corporate Responsibility)
IFM Investors
Illinois State Treasurer Michael Frerichs
Impact Investors
Impax Asset Management
Industriens Pension
Inherent Group
Insight Investment
INTERAMERICAN
Investec Asset Management
Investment Management Corporation of Ontario (IMCO)
IRCANTEC
Jantz Management LLC
Janus Henderson
JLens Investor Network
Joseph Rowntree Charitable Trust
Kames Capital
KBIGI
Kempen Capital Management
Kendall Sustainable Infrastructure, LLC
La Banque Postale
La Française Group
Labour Union Co-operative Retirement Fund (LUCRF Super)
Lægernes Pension - pensionskassen for læger
Legal & General Investment Management
Legato Capital Management, LLC
LGPS Central Limited
Local Authority Pension Fund Forum
Local Government Super
Local Pensions Partnership

LocalTapiola Asset Management Ltd
Logos Asset Management
London Pensions Fund Authority
Los Angeles County Employees Retirement Association (LACERA)
M&G Investments
Macroclimate LLC
MAIF
Man Group plc
Manulife
Maryknoll Sisters
Maryland Province of the Society of Jesus
Maryland State Treasurer Nancy Kopp
McKnight Foundation
Meeschaert Asset Management
Mennonite Education Agency
Mercer Investments
Merck Family Fund
Mercy Health
Mercy Investment Services, Inc.
Merseyside Pension Fund
MFS Investment Management
Midwest Coalition Responsible Investment
Miller/Howard Investments, Inc.
Minnesota State Board of Investment
Mirabaud
Mirova
Mitsubishi UFJ Kokusai Asset Management Co.,LTD.
Mitsubishi UFJ Trust & Banking Corporation
MN
Montanaro Asset Management Ltd
Morphic Asset Management
MP Pension
MPC Renewable Energies GmbH
Munich Venture Partners
Nanuk Asset Management
Natixis Assurances
Natixis Investment Managers
Natural Investments
NEI Investments
Nephila Capital Ltd
NEST
Nest Sammelstiftung, Switzerland
Neuberger Berman
Neumeier Poma Investment Counsel, LLC
New Forests
New York City Comptroller

New York State Comptroller
Newton Investment Management
Nikko Asset Management
NN Investment Partners
Nomura Asset Management
Nordea
Nordea Asset Management
North East Scotland Pension Fund
Northern Ireland Local Government Officers' Superannuation Committee
NorthStar Asset Management, Inc.
Northwest Coalition for Responsible Investment
OFI AM
Öhman
Old Mutual Global Investors
Ontario Teachers' Pension Plan
OPTrust
Oregon State Treasurer Tobias Read
Ostrum Asset Management
Ownership Capital
P+(DIP/JOEP)
P1 Investment Management Limited
Pædagogernes Pension
Palisade Investment Partners
Parnassus Investments
Pathfinder Asset Management
Pegasus Capital Advisors, L.P.
PenSam
PensionDanmark
Pensions Caixa 30
Pensionskasse Caritas, Switzerland
Pensionskasse der Stadt Winterthur, Switzerland
Pensionskasse Stadt Luzern, Switzerland
Pensionskasse Unia, Switzerland
Permian Global
PFA Pension
PGGM
PHITRUST
Pictet Group
PKA A/S
PME
PMT (Pensioenfonds Metaal & Techniek)
Polaris Capital Group Co., Ltd.
Polden-Puckham Charitable Foundation
Prévoyance Santé Valais (PRESV), Switzerland
prévoyance.ne, Switzerland
Priests of the Sacred Heart, US Province

Princeville Global
Pro BTP Finance
Profelia Fondation de prévoyance, Switzerland
Progressive Asset Management
Progressive Investment Management
Prosperita Stiftung für die berufliche Vorsorge, Switzerland
PT. ASABRI (Persero)
Raiffeisen Capital Management
RAM Active Investments
Rathbone Greenbank Investments
Régime de retraite de l'Université de Montréal
Region VI Coalition for Responsible Investment
Regroupement pour la Responsabilité Sociale des Entreprises (RRSE)
Retraites Populaires, Switzerland
Reynders, McVeigh Capital Management, LLC
Riverwater Partners LLC
Robeco
RobecoSAM
Rockefeller Capital Management
Rose Foundation for Communities and the Environment
Royal London Asset Management
RPMI Railpen
RS Group
Ruffer LLP
Sampension A/S
San Francisco Employees' Retirement System (SFERS)
Santander Empleados Pensiones, F.P.
Sarasin & Partners LLP
SBI Funds Management Private Limited
Schroders plc
Seamans Capital Management, LLC
Seattle City Employees' Retirement System
SEB Investment Management
Seventh Generation Interfaith Inc.
Shareholder Association for Research & Education (SHARE)
Sinsinawa Dominicans Inc.
Sisters of Bon Secours USA
Sisters of St. Dominic of Caldwell
Sisters of St. Francis of Philadelphia
Sisters of the Presentation of the BVM of Aberdeen SD
Skandia
SLM Partners Australia
Socially Responsible Investment Coalition
Solaris Investment Management
Solothurnische Gebäudeversicherung, Switzerland
Sophia School Corporation

South Yorkshire Pensions Authority
St. Galler Pensionskasse, Switzerland
Stafford Capital Partners
State of New Mexico - Treasurer's Office
Statewide Super
Steyler Ethik Bank
Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid
Stichting Pensioenfonds Openbaar Vervoer
Stichting Pensioenfonds voor de Woningcorporaties
Stichting Personeelspensioenfonds APG
Stichting Spoorwegpensioenfonds
Stiftung Abendrot, Switzerland
Storebrand Asset Management AS
Strathclyde Pension Fund
Sumitomo Mitsui Trust Bank
Superannuation Arrangements of the University of London (SAUL)
Sustainable Technology Investors Ltd
Sustainasia Limited
Sway Ventures
SWEN Capital Partners
Swift Foundation
Sycomore Asset Management
Terra Alpha Investments
Terre des hommes, Switzerland
The Atmospheric Fund
The Barrow Cadbury Trust
The George Gund Foundation
The London Borough of Islington Council
The Maryland State Retirement and Pension System
The Osiris Group
The Presbyterian Church in Canada
The Sustainability Group of Loring, Wolcott & Coolidge
The Swedish Foundation for Strategic Environmental Research, Mistra
The Tellus Mater Foundation
Thomson Horstmann and Bryant, Inc.
TOBAM
TPT Retirement Solutions
Transport for London Pension Fund
Tri-State Coalition for Responsible Investment
Trillium Asset Management
Trilogy Global Advisors, LP
Trinity Health
Triodos Investment Management
Trusteam Finance
TT International
UBS Asset Management

Union Bancaire Privée, UBP SA
 Union Investment
 Union Mutualiste Retraite
 Unipol Gruppo
 UNISON Staff Pension Scheme
 Unitarian Universalist Association
 United Church Funds
 United Methodist Women
 Université de Montréal (Fonds de dotation)
 Universities Superannuation Scheme - USS
 University of California
 University of Toronto Asset Management
 Uninvest Company (Unilever Pension Funds)
 Ursuline Sisters of Tildonk, U.S. Province
 USA Northeast Province of the Society of Jesus
 Vancity Investment Management Ltd.
 Varma Mutual Pension Insurance Company
 VBV - Vorsorgekasse AG
 Veritas Pension Insurance Company
 Vermont Pension Investment Committee
 Vermont State Treasurer Elizabeth Pearce
 Vert Asset Management
 VicSuper
 Vision Super Pty Ltd
 Vontobel
 Walden Asset Management/Boston Trust & Investment Management
 Washington State Investment Board
 Water Asset Management LLC
 Wermuth Asset Management GmbH
 Wespeth
 West Midlands Pension Fund
 West Yorkshire Pension Fund
 Wetherby Asset Management
 WHEB Asset Management
 Zevin Asset Management
 Zurich Insurance Group

This statement is signed by investors and has been developed by the Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment, and the UN Environment Finance Initiative.

All seven partner organizations developed [The Investor Agenda](#): Accelerating Action for a Low-Carbon World.

June 11, 2019

TO: Each Member
Board of Investments

FROM: Kevin Bassi *K. B.*
Senior Investment Analyst

FOR: July 2, 2019 Board of Investments Meeting

SUBJECT: **DWS PORTFOLIO MANAGER RETIREMENT**

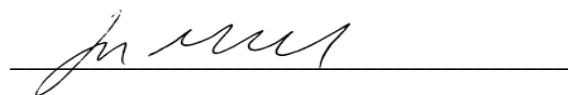
On May 24, 2019 LACERA's Real Estate staff was notified by Todd Henderson, Head of Real Estate for the Americas for DWS, that Chris Christensen, the long-time Portfolio Manager for LACERA's DWS separate account, will retire from the firm on September 30, 2019. Mr. Christensen has been the lead Portfolio Manager on the account since June 2009 and has been with DWS/RREEF since 1989.

Sandro Arbulu will take over as the lead Portfolio Manager on September 30, 2019. Mr. Arbulu has been with DWS/RREEF for 15 years and has worked with Mr. Christensen as the co-Portfolio Manager on the LACERA relationship since July 2010. Mr. Arbulu also oversaw property development on behalf of the separate account. Messrs. Christensen and Arbulu work solely on the LACERA separate account. Andy Martin has also been on the LACERA Portfolio Management team with DWS since joining the firm in June 2006. Mr. Martin supports the team by overseeing LACERA properties in the West region and spends 40% of his time on asset management duties. Messrs. Christensen and Martin are based in the San Francisco office of DWS while Mr. Arbulu is based in DWS's corporate headquarters in New York.

Staff remains confident that DWS will continue to deliver the high level of services demanded by the Master Real Estate Investment Advisory Agreement. Messrs. Arbulu and Martin are well known to staff and have been integrally involved in the portfolio for over eight years. The private real estate team at DWS is 140 people strong and the senior management team at the firm remains committed to helping meet LACERA's needs in the foreseeable future.

Staff will continue to monitor activity and performance of DWS and will notify the Board should any concerns arise.

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer



June 24, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

SUBJECT: **CHIEF COUNSEL'S REPORT**

I am pleased to present the Chief Counsel'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.

Two Important Member Service Projects Soon Underway

Pre-1990 Clean Up Project

The recent approval of the 2019-2020 FY Budget has greenlighted our Pre-1990 Data Clean-Up Project shared with the Board of Retirement at the January Board Offsite. This project will involve an intensive effort to pre-tag imaged microfiche payroll records to member's accounts. When completed, the project will result in considerable time savings when processing member requests that involve any service prior to 1990 (including, but not limited to, previous service purchase, an Open Window Plan Transfer, or a retirement benefit estimate, as examples).

Beginning July 1st, a team headed up by Vanessa Gonzalez and Stephanie Kawai, will begin interviewing and selecting up to 15 temporary staff members to work on this project. Once these temporary staff members have passed their background checks and are hired, the team will be trained by our Quality Assurance Division to accurately locate and tag the member records. We will be housing these temporary staff in our second Training Lab for the duration of this project, which will take approximately a year to compete.

New Core Benefits Training Class

We are already in the recruitment and selection stage for our next class of Retirement Benefit Specialists. The class of approximately 14-16 candidates is scheduled to begin in September 2019. Graduates from this class will be assigned to the Member Services, Benefits, and Retiree Healthcare Services Divisions to fill vacant and recently approved positions. As previously mentioned to the Boards, this class is a milestone class for LACERA as it is the first time the

CORE Benefits training program will have two classes overlapping. The current class is scheduled to graduate in December 2019 (creating a four-month overlap). The addition of a Staff Assistant to the Quality Assurance team in the 2019-2020 FY will allow us to have these overlapping classes. Looking forward, we may start another overlapping class in the third or fourth quarter of 2019-2020 FY.

Upcoming Key Retirements

Chief Financial Officer: Beulah Auten, Chief Financial Officer has provided a formal notification of her intent to retire by October 2019. Recruitment of her replacement will be initiated and updates will be provided to the Boards regularly.

Director of Human Resources: The search for a replacement for John Nogales, our retiring Director of Human Resources, is underway. Following an RFP process, EFL Associates was selected as the executive search firm to complete this recruitment. The search committee held their first meeting to begin to define the desirables we are looking for in a candidate as well as begin development of the project plan. Our goal is to find a solid candidate with ten or more years of experience leading a Human Relations team. The search will be focused on recruitment of highly qualified diversified candidates, engagement and development of internal staff members, and someone who can help grow the culture of LACERA.

Budget

The Executive team has begun discussions to develop a new Strategic Planning and Budgeting process for consideration by the Joint Organizational Governance Committee. Our focus is on recommending a plan that will deliver on two main pillars: 1) sound fiduciary management of budget resources that recognizes LACERA's duty under the California Constitution to "defray[] reasonable expenses of administering the system," and 2) continued focus on business needs in member service and investments, and throughout the organization.

Management Team Engagement

We are continuing our focus on management engagement through frequent Management Action Committee meetings. The MAC team consists of all division managers and CEO direct reports. These monthly meetings, re-instituted earlier this year, occur at least twice a month. The first meeting is the MAC team Board Meeting Debriefing. The MAC team reviews the most current Board meeting action items, clarifying our response plan and assigning responsible parties. We also review the status of any open items that have not been resolved. The second MAC meeting occurs later in the month to discuss progress on our Strategic Plan goals and operational issues.

For example, in recent MAC meetings we have rolled out new processes for recruiting and selecting high-level staff members, upcoming deadlines for completion of performance evaluations, and discussions about the Credit Card and Procurement policies.

Staff Engagement

We are increasing the number of all staff meetings to allow a forum for exchange of questions and information regarding LACERA news, operations, and plans.

Strategic Plan Updates

Beginning with this month's report we have moved the updates provided regarding the Strategic Plan and other workgroup initiatives to the LACERA Operations Briefing Report submitted to the Operations Oversight Committee.

SR: jp
CC report July 2019.doc
Attachments

Striving for Excellence in Service



Outreach Attendance
4,407

37,591 Year-to-Date



Outreach Events
49

404 Year-to-Date



Outreach Satisfaction
95.2%

0.3% Change Since Last Mo



Member Service Center
77.3%

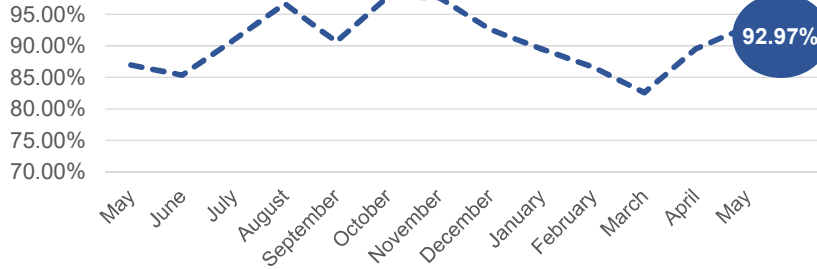
-2% Change Since Last Mo



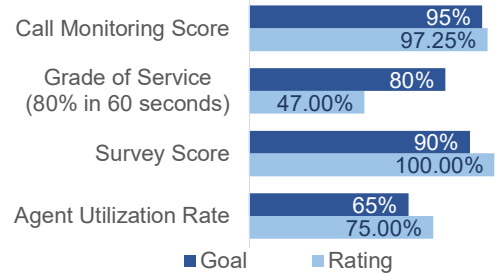
Member Services Calls
11,334

12,727 3 Mo. Avg.

Key Performance Indicator (Overall Performance)



Key Performance Indicator (Components)



Member Services



■ Calls Answered ■ Calls Abandoned

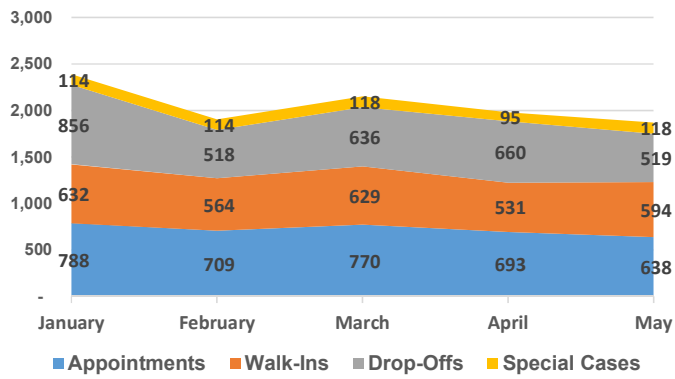
Top Calls

1. Workshop Info./Appointments: Inquiry
2. Benefit Payments: Gen. Inquiry/Payday Info
3. Death Benefit Explanations

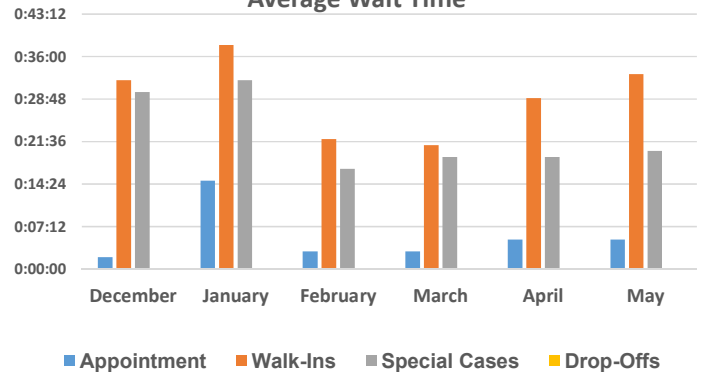


Emails **398**
5:45 hours
Avg. Response Time (ART)
Secure Messages **154**

Member Service Center Visits



Member Service Center Average Wait Time

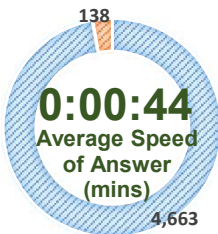


*Drop Off Wait Time: No Waiting



Total RHC Calls: 4,801

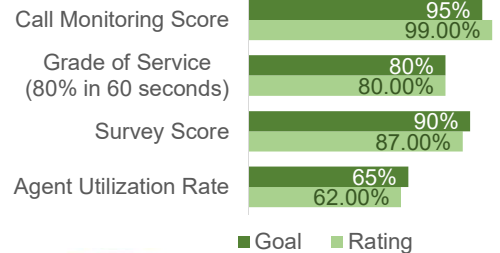
Retiree Healthcare



■ Calls Answered ■ Calls Abandoned

Top Calls

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



Emails **250**
0 Day
Avg. Response Time
Secure Messages **n/a**

Striving for Excellence in Service (Continued)

Applications

532

On Hand

48 Received
 473 Year-to-Date
 0 Re-opened
 0 Year-to-Date
 40 To Board - Initial
 493 Year-to-Date
 11 Closed
 40 Year-to-Date
 518 In Process
 518 Year-to-Date

Appeals

99

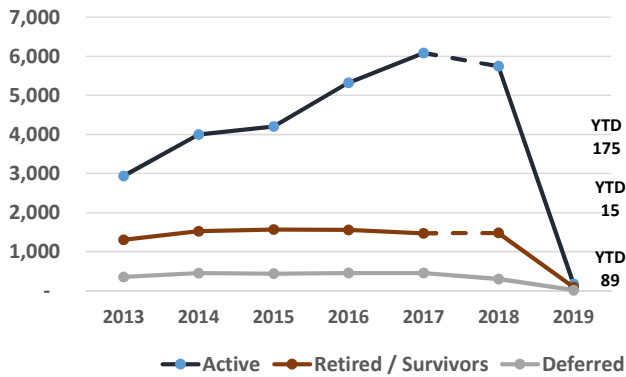
On Hand

0 Received
 25 Year-to-Date
 5 Admin Closed/Rule 32
 22 Year-to-Date
 0 Referee Recommended
 9 Year-to-Date
 0 Revised/Reconsidered for Granting
 4 Year-to-Date
 96 In Process
 95 Year-to-Date

Disability

My LACERA Registrations

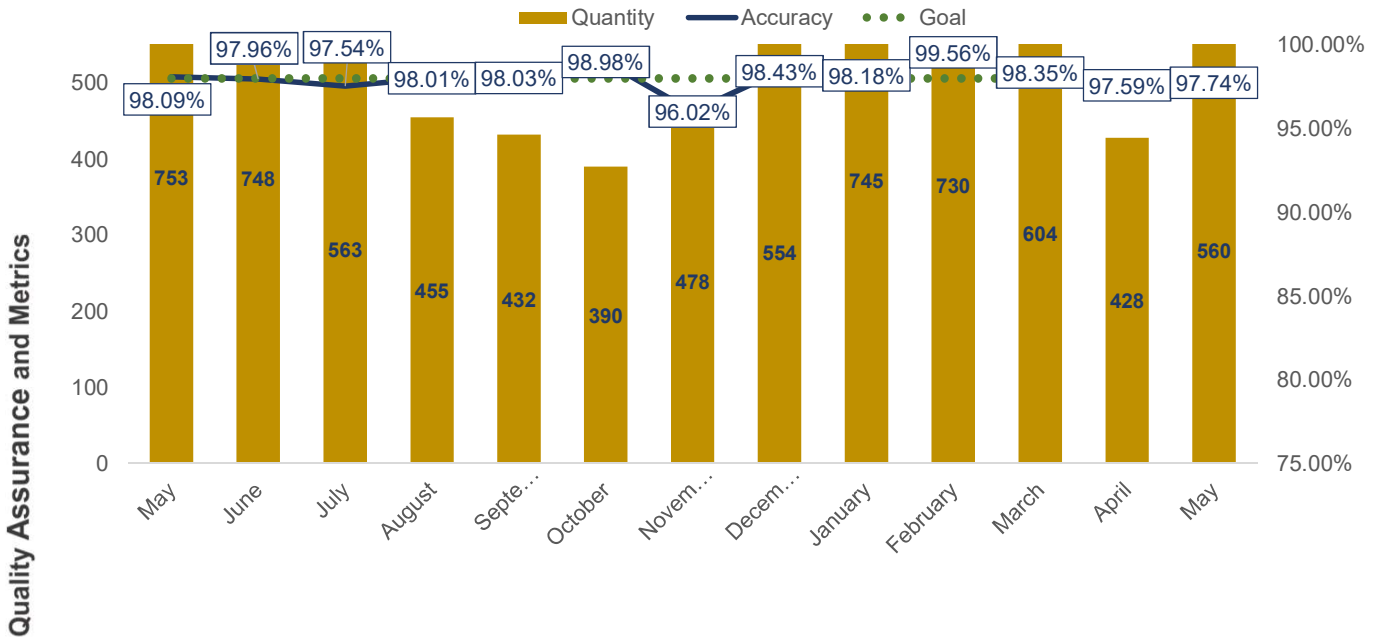
My LACERA



MORE COMING SOON!

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry



Quality Assurance and Metrics

May 2019



97.74%

Retirement Elections

560 Samples
98.74% Accuracy

Payment Contracts

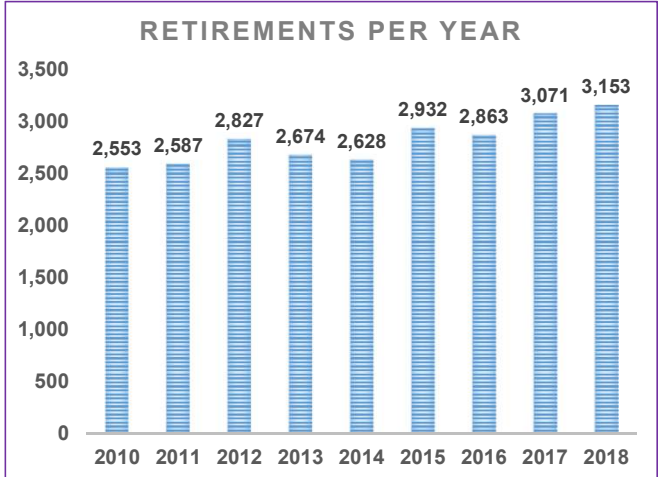
143 Samples
96.60% Accuracy

Data Entry

90 Samples
97.89% Accuracy

Member Snapshot

		Members as of 06/14/19				
		Plan	Active	Retired	Survivors	Total
General	Plan A		106	16,855	4,464	21,425
	Plan B		34	681	69	784
	Plan C		42	430	66	538
	Plan D		41,831	15,524	1,422	58,777
	Plan E		17,435	13,023	1,173	31,631
	Plan G		26,747	27	2	26,776
	Total General		86,195	46,540	7,196	139,931
Safety	Plan A		5	5,285	1,585	6,875
	Plan B		9,741	5,856	287	15,884
	Plan C		3,005	8	0	3,013
	Total Safety		12,751	11,149	1,872	25,772
TOTAL MEMBERS			98,946	57,689	9,068	165,703
% by Category			60%	35%	5%	100%

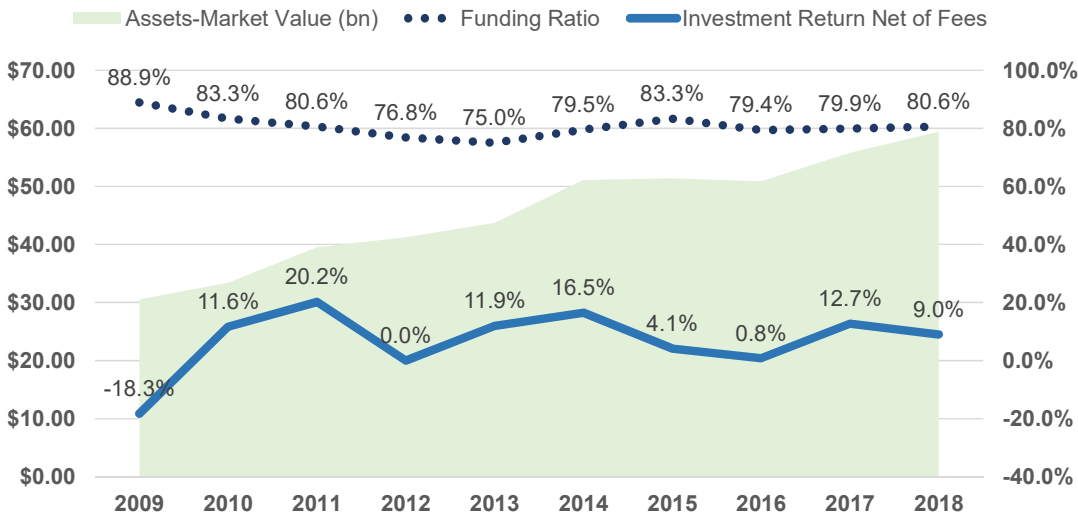


Average Monthly Benefit Allowance

	General	Safety	Total	%
\$0 to \$3,999	29,763	2,041	31,804	55.45%
\$4,000 to \$7,999	12,245	3,568	15,813	27.57%
\$8,000 to \$11,999	3,088	3,933	7,021	12.24%
\$12,000 to \$15,999	840	1,213	2,053	3.58%
\$16,000 to \$19,999	242	232	474	0.83%
\$20,000 to \$23,999	71	71	142	0.25%
\$24,000 to \$27,999	25	12	37	0.06%
> \$28,000	7	2	9	0.02%
Totals	46,281	11,072	57,353	100%

Healthcare Program (YTD)		Healthcare Enrollments (Monthly)	
	Employer	Member	
Medical	\$469.5m	\$39.2m	Medical 50,855
Dental	\$40.1m	\$4.1m	Dental 52,167
Part B	\$58.7m	xxxx	Part B 35,443
Total	\$568.3m	\$43.3m	Total 139,106

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%

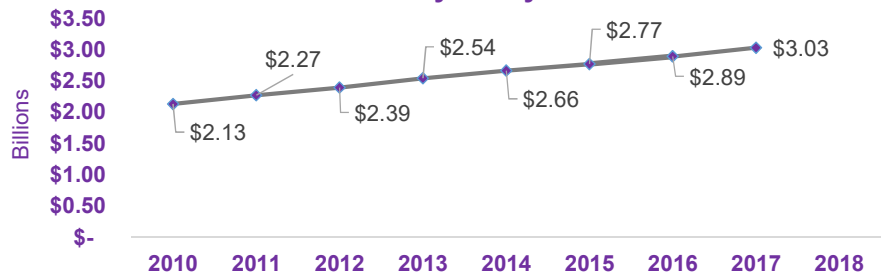
TOTAL FUND RETURN (Net of Fees)

5 YR: 8.5% 10 YR: 6.3%

Retired Members Payroll

Monthly Payroll	\$299m
Payroll YTD	3.1b
New Retired Payees Added	242
Seamless %	97.93%
New Seamless Payees Added	4,035
Seamless YTD	98.61%
By Check %	4.00%
By Direct Deposit %	96.00%

Retiree Payroll by Year



Date	Conference
August, 2019	
13-14	Cybersecurity Summit New York, NY
26-29	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management for Trustees Pepperdine University
26-30	IAFCI Annual Training Conference & Exhibitor Show Raleigh, NC
September, 2019	
2-3	African Pension and Sovereign Wealth Fund Leaders' Summit and AI CEO Infrastructure Project Developers Summit Cape Town, South Africa
10-12	United Nations Principals of Responsible Investing (UNPRI) PRI in Person 2019 Paris, France
16-18	Council of Institutional Investors (CII) Fall Conference Minneapolis, MN
20	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Hilton Oakland Airport
21-24	National Association of Corporate Directors (NACD) Global Board Leaders' Summit Washington D.C.
22-26	AHIP (America's Health Insurance Plans) National Conference on Medicare, Medicaid & Duals Washington D.C.
October, 2019	
16-17	INCA Investments Latin American Investment Conference Buenos Aires, Argentina
16-18	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Washington D.C.
20-23	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference San Diego, CA
21-25	Investment Strategies & Portfolio Management (<i>prev. Pension Fund & Investment Mgmt.</i>) Wharton School, University of Pennsylvania
25	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Hilton Oakland Airport

FOR INFORMATION ONLY

June 28, 2019

TO: Each Member
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: July 2, 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 June 30, 2019.

Attachment

c: 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 June 30, 2019



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
HEDGE FUNDS	Capula Global Relative Value Fund L.P.	Share Exchange	\$250,000,000.00	June 12, 2019	Completed	100%	Completed.
PORTFOLIO ANALYTICS	Parametric Portfolio Associates, LLC	Investment Management Agreement	Varies depending on cash reserves	April 10, 2019	Completed	100%	Completed.
PRIVATE EQUITY	Joy Capital III, L.P. and Joy Capital Opportunity, L.P.	Subscription	\$65,000,000.00	June 12, 2019	In Progress	50%	Legal review in process.
REAL ASSETS HEDGE FUNDS	Albourne America, LLC	Investment Consulting Services Agreement	\$747,200.00	March 13, 2019	Completed	100%	Completed.