

## AGENDA

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

9:00 A.M., WEDNESDAY, AUGUST 14, 2019

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

- I. CALL TO ORDER
- II. ELECTION OF OFFICER (Vice Chair)
- III. PLEDGE OF ALLEGIANCE
- IV. APPROVAL OF MINUTES
  - A. Approval of the Minutes of the Special Meeting of July 1, 2019
  - B. Approval of the Minutes of the Special Meeting of July 2, 2019
- V. REPORT ON CLOSED SESSION ITEMS
- VI. PUBLIC COMMENT
- VII. CHIEF COUNSEL'S REPORT  
(Memo dated July 31, 2019)
- VIII. CHIEF INVESTMENT OFFICER'S REPORT  
(Memo dated July 31, 2019)
- IX. CONSENT ITEMS
  - A. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee. That the Board approve LACERA's affiliation to the Sustainability Accounting Standards Board Investor Advisory Group of the SASB Alliance. (Memo dated July 19, 2019)

IX. CONSENT ITEMS (Continued)

- B. Recommendation that the Board approve attendance of Board Members at the Principles for Investment (PRI) in Person 2019 and Responsible Investment in Real Assets on September 9 -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 July 24, 2019)
- C. Recommendation that the Board approve attendance of Board members at the 2019 LAVCA Summit and Investor Roundtable and LAVCA Venture Investors Annual Meeting on September 23 – 26, 2019 in New York City, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Santos)  
(Memo dated July 26, 2019)
- D. Recommendation that the Board approve attendance of Board members at the AVCJ Private Equity & Venture Forum on November 12 – 14, 2019 in Hong Kong 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 July 26, 2019)
- E. Recommendation that the Board approve attendance of Board members at the 2019 PPI Executive Seminar on November 3 – 5, 2019 in Shanghai and PPI's Asia Roundtable on November 6 – 8, 2019 in Shanghai 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 July 30, 2019)

X. NON-CONSENT ITEMS

- A. Recommendation as submitted by Alan Bernstein, Chair, Joint Organization Governance Committee: That the Board approve the revised Education and Travel Policy. (Memo dated July 31, 2019)
- B. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the Teleconference Meeting Policy.  
(Memo dated August 5, 2019)

X. NON-CONSENT ITEMS (Continued)

C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board consider whether to:

1. Approve submission of a legislative proposal for inclusion in the SACRS 2020 Legislative Platform relating to board self-evaluations held in closed session; or
2. Alternatively, if the legislative proposal is submitted to but not approved by the SACRS membership for inclusion in the SACRS 2020 Legislative Platform, sponsor legislation relating to board self-evaluations held in closed session.

(Memo dated July 24, 2019)

D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: that the Board review and adopt the revised Legislative Policy.  
(Memo dated July 23, 2019)

XI. REPORTS

A. Implementation Update on LACERA Pension Trust Strategic Asset Allocation

Jonathan Grabel, Chief Investment Officer

(For Information Only) (Memo dated July 31, 2019)

B. Performance Review of Private Equity Consultant Stepstone Group

Christopher J. Wagner, Principal Investment Officer

(For Information Only) (Memo dated July 24, 2019)

C. Update on Pavilion Alternatives Group, LLC

Christopher J. Wagner, Principal Investment Officer

(For Information Only) (Memo dated July 23, 2019)

D. Update on Chief Executive Officer Executive Recruiter Selection

Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated July 31, 2019)

E. Enhancing Transparency

Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated July 31, 2019)

August 14, 2019

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XI. REPORTS (Continued)

- F. Semi-Annual Interest Crediting for Reserves as of June 30, 2019  
(UNAUDITED)  
Beulah S. Auten, Chief Financial Officer  
(For Information Only) (Memo dated July 25, 2019)
- G. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated July 29, 2019)
- H. July 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 29, 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. Redbird Capital Partners Series 2019, L.P.
  - 2. Atlantic Street Capital IV, L.P.
  - 3. MSCI ACWI IMI Index Manager Search

XV. ADJOURNMENT

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

*Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling the Board Offices at (626) 564-6000, Ext. 4401/4402, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date*

MINUTES OF THE 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

MONDAY, JULY 1, 2019  
9:00 A.M. – ARCADIA BALLROOM

PRESENT: Shawn Kehoe, Chair

Joseph Kelly, Vice Chair

Wayne Moore, Secretary

Alan Bernstein

David Green

Keith Knox (Chief Deputy to Joseph Kelly)

David Muir

Ronald Okum

Herman B. Santos

ABSENT: Gina V. Sanchez

BOARD OF RETIREMENT MEMBERS

James P. Harris

Thomas Walsh

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

STAFF ADVISORS AND PARTICIPANTS

Christopher Wagner, Principal Investment Officer

Vache Mahseredjian, Principal Investment Officer

Ted Wright, Principal Investment Officer

John McClelland, Principal Investment Officer

Jude Perez, Principal Investment Officer

Jim Rice, Principal Investment Officer

Ted Granger, Assistant Chief Financial Officer

Cindy Rivera, Financial Analyst I

Meketa Investment Group

Leandro Festino, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Albourne Partners

James Walsh, Head of Portfolio Advisory

Invesco

Kristina Hooper, Chief Global Market Strategist

PIMCO

Joachim Fels, Managing Director and Global Economic Advisor

Milliman

Nick Collier, Consulting Actuary

J.P. Morgan

Benjamin R. Mandel, Global Strategist, Multi-Asset Solutions

Michael Buchenholz, Investment Management

STAFF ADVISORS AND PARTICIPANTS

Oregon State Treasury  
Michael Viteri, Senior Investment Officer

Utah State Retirement Systems  
Rich Eggett, Portfolio Manager

Goldman Sachs  
Phil Venables, Board Director – Goldman Sachs Bank and Senior  
Advisor (Risk and Cybersecurity)

I. WELCOME – BUILDING A MORE RESILIENT PORTFOLIO

*Jonathan Grabel, Chief Investment Officer*

The meeting was called to order by Mr. Grabel at 9:04 a.m. at the Loews Santa  
Monica Beach Hotel.

II. PUBLIC COMMENT

There were no requests from the public to speak.

III. GEOPOLITICAL RISKS

*Jude Pérez; Kristina Hooper – Invesco; Joachim Fels – PIMCO*

Economies and investment markets are connected and LACERA's portfolio is intentionally global. Two guest speakers will discuss the global economy, geopolitical risks, and potential implications for investment portfolios. This panel discussion will be moderated by investment staff and questions from the audience will be welcomed.

Mr. Perez and Ms. Hooper of Invesco and Joachim Fels of PIMCO provided a  
presentation.



IV. ACTUARIAL DISCUSSION AND LONG-TERM ECONOMIC FORECASTS

*Ted Granger; Vache Mahseredjian; Nick Collier – Milliman; Benjamin R. Mandel – JPMorgan; Michael Buchenholz – J.P. Morgan*

LACERA's Board of Investments is responsible for setting the economic and demographic assumptions used in the Actuarial Valuation. LACERA's actuary, Milliman, will highlight key concepts—including investment return assumption and amortization policy—in preparation for the 2019 triennial Experience Study and annual Valuation. Next, JPMorgan will describe their approach to developing long-term capital market expectations. To conclude, all presenters will engage in a lively Q&A session.

Messrs. Granger, Mahseredjian, and Mr. Collier of Milliman and Messrs. Mandel

and Buchenholz of J.P. Morgan provided a presentation.

V. INTERNAL ASSET MANAGEMENT

*Ted Wright; Michael Viteri – Oregon State Treasury; Rich Eggett – Utah State Retirement Systems*

Implementing an internal asset management program, even one focused on passive index strategies, is an exercise that requires thorough analysis and thoughtful consideration. Guest speakers from two public pension plans with direct involvement in implementing internal strategies will discuss their experience and answer questions from the Board.

Mr. Wright and Mr. Viteri of Oregon State Treasury and Mr. Eggett of Utah State

Retirement Systems provided a presentation.

VI. STANDING COMMITTEE REVIEW

*Cindy Rivera; Leandro Festino – Meketa*

In presenting committee survey results, Meketa will facilitate a discussion on the effectiveness, structure, primary goal, and meeting times of the standing committees.

Ms. Rivera and Mr. Festino of Meketa Investment Group provided a presentation.

VII. CYBERSECURITY IN INVESTMENT MANAGEMENT

*James Rice; Phil Venables – Goldman Sachs*

Cybersecurity has emerged as a key business and national security risk. The investment industry, while benefiting from efficiencies gained in moving transactional and other data, faces its own unique cyber risks in its dependence on digital transactions. An experienced practitioner who led the cybersecurity and operational efforts of one of the world's largest investment organizations will lead an interactive discussion on this topic focusing on the risks faced by investors.

Mr. Jim Rice and Mr. Venables of Goldman Sachs provided a presentation.

VIII. CLOSING

Mr. Grabel provided an overview of the day's topics.

IX. GOOD OF THE ORDER

(For Information Purposes Only)

There were no comments during Good of the Order.

X. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:00 p.m.

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WAYNE MOORE, SECRETARY

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SHAWN KEHOE, CHAIR

MINUTES OF THE 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

PRESENT: Shawn Kehoe, Chair

Joseph Kelly, Vice Chair

Wayne Moore, Secretary

David Green

Keith Knox (Chief Deputy to Joseph Kelly)

David Muir

Ronald Okum

Herman B. Santos

ABSENT: Gina V. Sanchez

Alan Bernstein

BOARD OF RETIREMENT MEMBERS

James P. Harris

Thomas Walsh

STAFF ADVISORS AND PARTICIPANTS

Jonathan Gabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

STAFF ADVISORS AND PARTICIPANTS

Christopher Wagner, Principal Investment Officer

Vache Mahseredjian, Principal Investment Officer

Ted Wright, Principal Investment Officer

John McClelland, Principal Investment Officer

Jude Perez, Principal Investment Officer

Jim Rice, Principal Investment Officer

Chad Timko, Senior Investment Officer

Jill Rawal, Staff Counsel

Meketa Investment Group

Leandro Festino, Managing Principal

StepStone Group LP

Jose Fernandez, Partner

Andrew Bratt, Transaction Counsel

Albourne Partners

James Walsh, Head of Portfolio Advisory

The Townsend Group

Jennifer Young Stevens, Partner

I. WELCOME - BUILDING A MORE RESILIENT PORTFOLIO

*Jonathan Grabel, Chief Investment Officer*

The meeting was called to order by Mr. Grabel at 9:00 a.m. at the Loews Santa Monica Beach Hotel.

## II. PUBLIC COMMENT

There were no requests from the public to speak.

## 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.

Mr. Wagner, Mr. Bratt of StepStone Group and Ms. Stevens of the Townsend

Group provided a presentation.

## 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.

Mr. Timko, Mr. Walsh of Albourne and Mr. Festino of Meketa Investment Group

provided a presentation.

## V. FORM 700 FILINGS BY CONSULTANTS AND FINANCIAL MANAGERS

*Jill Rawal*

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

Ms. Rawal provided a presentation and answered questions from the Board.

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.

Messrs. Wagner and McClelland provided a presentation.

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.

Mr. Grabel provided a presentation.

VIII. APPROVAL OF MINUTES

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

Mr. Kehoe made a motion, Mr. Santos seconded, to approve the minutes of the regular meeting of June 12, 2019. The motion passed unanimously.

IX. CONSENT ITEMS

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

- 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)

IX. CONSENT ITEMS (Continued)

- 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)

Mr. Okum made a motion, Mr. Muir seconded, to approve the agenda item. The motion passed unanimously.

- 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)

Mr. Muir made a motion, Mr. Green seconded, to approve the agenda item. The motion passed unanimously.

- 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)

X. NON-CONSENT ITEMS (Continued)

Mr. Muir made a motion, Mr. Green seconded, to approve the agenda item. The motion passed unanimously.

- 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)

Mr. Okum made a motion, Mr. Muir seconded, to approve the agenda item. The motion passed with Mr. Kelly voting no.

XI. REPORTS

The following reports were received and filed:

- 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)
- 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

The Board requested for staff to consider a compensation study for the CEO position.

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

There were no comments during Good of the Order.

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

Messrs. Wagner and Simpson and Mr. Fernandez of StepStone Group provided a brief presentation and answered questions from the Board.

The Board met in closed session under Government Code Section 54956.81 to consider the purchase or sale of particular, specific public pension investments.

Mr. Santos made a motion, Mr. Okum seconded, to approve a commitment of up to \$100 million to BlackFin Financial Services Fund III, which is a pan-European middle-market buyout fund focused on financial services companies. The motion passed unanimously (roll call) with Messrs. Green, Kehoe, Kelly, Moore, Muir, Okum and Santos voting yes.

2. SALE OF THREE REAL PROPERTY ASSETS

The Board received a report on the sale of three real property assets. There is nothing to report.

Board of Investments Offsite and Meeting

July 2, 2019

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XV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:00 p.m.

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WAYNE MOORE, SECRETARY

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SHAWN KEHOE, CHAIR



July 31, 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.

#### **Update on LACERA's Approach to Recent Events**

Recently, events at LACERA have received attention from our plan sponsor, the press, and members. During the last two months, we have received over 15 California Public Records Act requests for information. The media has widely covered LACERA business. Additionally, on July 30, 2019, the Board of Supervisors passed a resolution directing the County Auditor-Controller to conduct an audit of LACERA's operations and to request a state audit.

Public service organizations such as LACERA have a unique and solemn duty to work in the public's interest at all times. We have a duty to be open and transparent about our policies, procedures, and how we administer the funds we are entrusted to manage to pay the promised benefits. We also have a responsibility to respect the roles and rights of the press and our plan sponsor, as well as members and the public, to ask hard questions and review our operations. We recognize this scrutiny is for the public good, and we welcome constructive feedback that helps LACERA continue to be the premiere public pension fund we have always strived to be.

With this in mind, I have made it my goal to be open, transparent, and responsive to all press requests, within the limits of the obligations and exemptions provided in the law. In short, I believe that a cooperative approach benefits LACERA and our members and lives up to the expectations of being a public servant.

We will apply the same approach to the County's recent audit decision. LACERA's relationship with the County is solid, and we respect their right as a plan sponsor to audit our operations as described in our governing statutes. We are confident that the resulting audit will show that LACERA has internal controls and procedures that, when working as designed, identify and

address issues as they are discovered. For example, the recent questions and concerns about travel expenditures were identified as the result of a normally planned audit that has been in progress since October 2018. Other recent issues were also discovered because of routine and planned audits. There is always room for improvement. Indeed, LACERA believes in continued improvement. We learn and improve from our internal controls as well as from input from all of our stakeholders.

Our Call Center is prepared to talk to our members about the recent developments. We are using our website, [lacera.com](http://lacera.com), to share updates and information with members and the public. We focus on making sure information is available to our members and that we stand ready to answer their questions. All members should know that LACERA's business is sound and that their benefits, now and into the future, are secure.

Finally, this transparency and openness applies to employees as well. On July 29, 2019, I held a meeting with the LACERA leadership team and shared a highlight of the recent events along with how we are addressing the scrutiny. We also periodically hold staff meetings, and a monthly Brown Bag, to help keep everyone at LACERA aware of these challenges and our approach to addressing them. We have held several open forums for all employees where issues are discussed and questions answered.

The above discussion highlights the positive, transparent, forward-looking point of view management has had, and will continue to have, to recent events, as well as our focus on improvement, with an emphasis above all on being good stewards in fulfilling our Mission to produce, protect, and provide the promised benefits to our members, as LACERA has very effectively done for 80 years.

### **Financial Accounting Services Division Recognized Again**

I am pleased to announce the Financial Accounting Services Division, and their team members in Communications and Systems, were recently awarded a Certificate of Achievement in Excellence in Financial Reporting for the 2018 Comprehensive Annual Financial Report (CAFR) by the GFOA. This marks the 29<sup>th</sup> consecutive year that LACERA has received this honor. This is the highest honor a government organization can receive for financial accounting management and reporting.

In addition, the GFOA also presented LACERA an award for Outstanding Achievement in Popular Annual Financial Reports (PAFR). This will mark the 21<sup>st</sup> time LACERA has received this national award for producing a PAFR in the highest standards of popular financial reports.

This is truly a team effort that requires hours of work by FASD staff to compile and perform quality checks on facts, figures, schedules, and the associated narrative that makes up these two

reports. This is followed up by the Communications team's efforts to design the graphics and overall look of both reports. On behalf of LACERA, we salute everyone involved in this achievement.

### **Update on 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 and on schedule. Working with recruiter EFL Associates, LACERA published the job announcement on July 9, 2019. The response has been positive and EFL has received at least 39 applications from interested candidates. The job bulletin is open and EFL will be evaluating all applicants to determine qualified candidates to move forward through the process. We remain focused on the recruitment of highly qualified diversified candidates, with a proven record of accomplishment of employee engagement and development of internal staff members, and someone who can help grow the culture of LACERA.

### **Budget**

The Executive team is continuing 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 services and investments, and throughout the organization.

### **Strategic Plan & Project Updates**

This is just a reminder that beginning with last 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.

# Striving for Excellence in Service



**Outreach Attendance**  
**2,835**

40,426 Year-to-Date



**Outreach Events**  
**38**

442 Year-to-Date



**Outreach Satisfaction**  
**95.0%**

0.2% Change Since Last Mo



**Member Service Center**  
**100.0%**

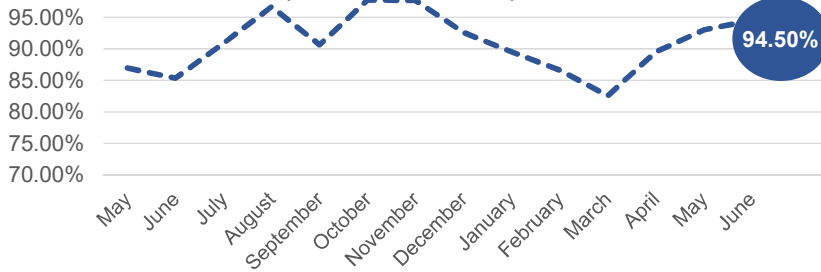
-0.2% Change Since Last Mo



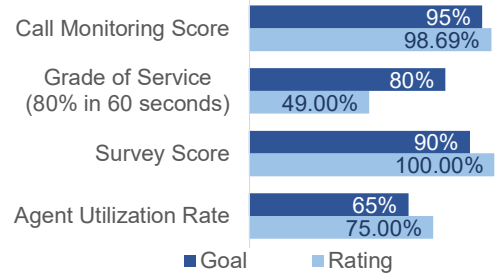
**Member Services Calls**  
**10,031**

11,643 3 Mo. Avg.

## Key Performance Indicator (Overall Performance)



## Key Performance Indicator (Components)



Member Services



■ Calls Answered ■ Calls Abandoned

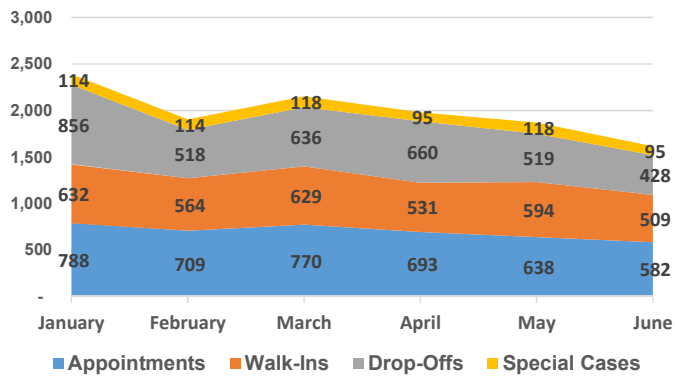
## Top Calls

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

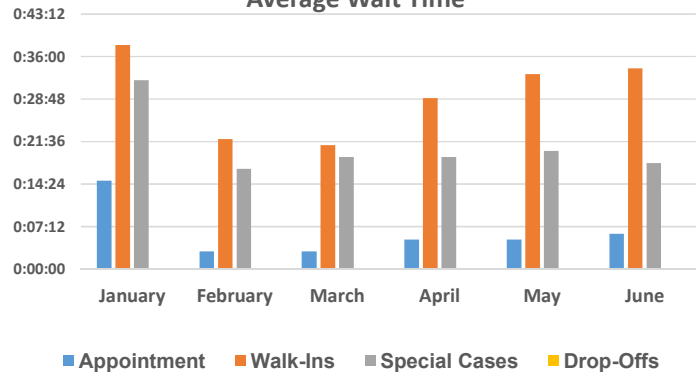


**Emails** **390**  
4:48 hours  
Avg. Response Time (ART)  
**Secure Messages** **177**

## Member Service Center Visits



## Member Service Center Average Wait Time

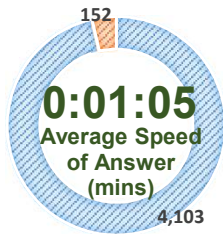


\*Drop Off Wait Time: No Waiting



**Total RHC Calls: 4,255**

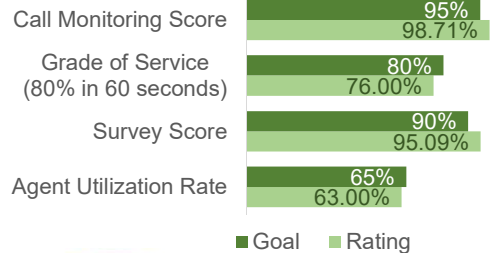
Retiree Healthcare



■ Calls Answered ■ Calls Abandoned

## Top Calls

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



**Emails** **1**  
250 Day  
Avg. Response Time  
**Secure Messages** **n/a**

## Striving for Excellence in Service (Continued)

### Applications

**591**

On Hand

- 41 Received
- 514 Year-to-Date
- 0 Re-opened
- 0 Year-to-Date
- 63 To Board - Initial
- 556 Year-to-Date
- 11 Closed
- 51 Year-to-Date
- 558 In Process
- 558 Year-to-Date

### Appeals

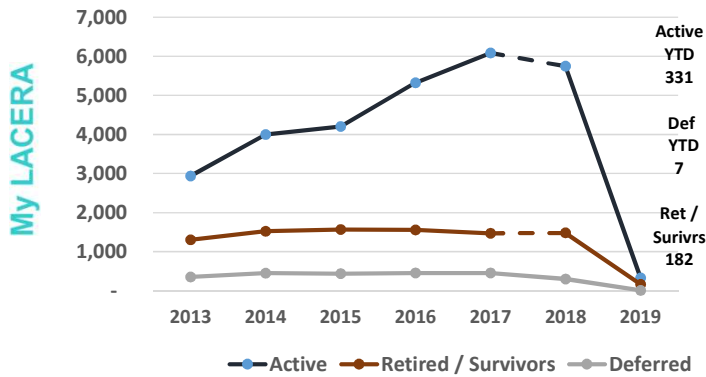
**94**

On Hand

- 1 Received
- 26 Year-to-Date
- 5 Admin Closed/Rule 32
- 23 Year-to-Date
- 0 Referee Recommended
- 9 Year-to-Date
- 0 Revised/Reconsidered for Granting
- 4 Year-to-Date
- 94 In Process
- 95 Year-to-Date

Disability

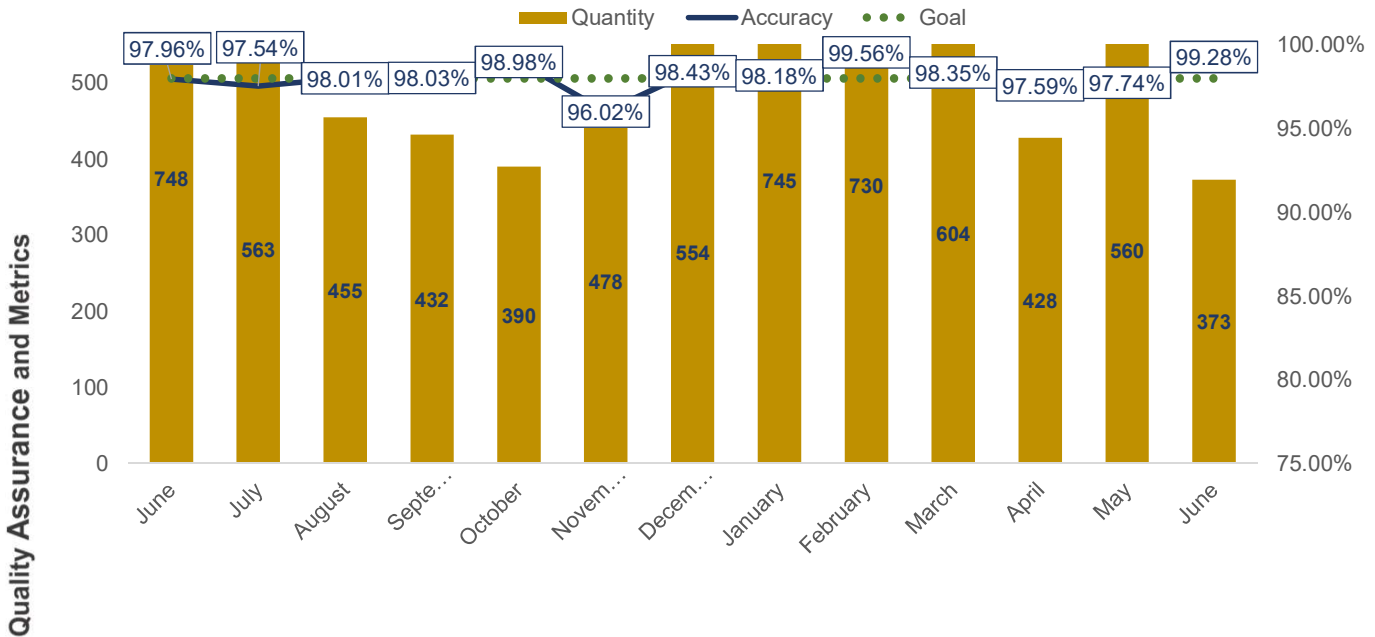
### My LACERA Registrations



MORE COMING SOON!

## Striving for Excellence in Quality

### Audits of Retirement Elections, Payment Contracts, and Data Entry



**June 2019**



**99.28%**

#### Retirement Elections

**116** Samples  
**99.74%** Accuracy

#### Payment Contracts

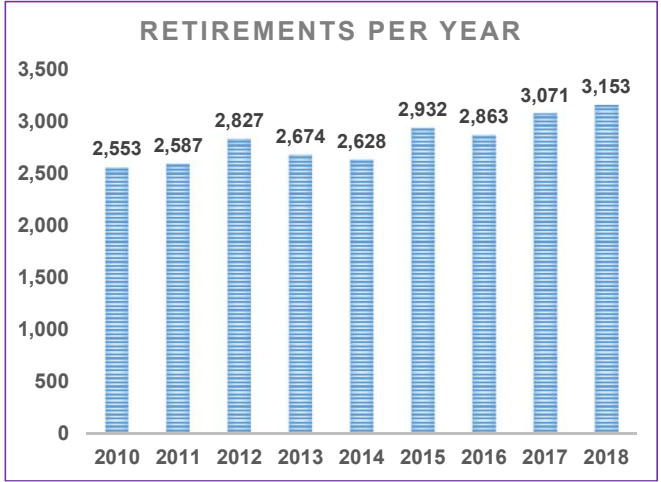
**167** Samples  
**98.09%** Accuracy

#### Data Entry

**90** Samples  
**100.00%** Accuracy

## Member Snapshot

		Members as of 07/15/19				
		Plan	Active	Retired	Survivors	Total
General	Plan A		105	16,781	4,468	21,354
	Plan B		34	677	68	779
	Plan C		42	431	67	540
	Plan D		41,745	15,584	1,434	58,763
	Plan E		17,354	13,043	1,174	31,571
	Plan G		26,944	28	2	26,974
	<b>Total General</b>			<b>86,224</b>	<b>46,544</b>	<b>7,213</b>
Safety	Plan A		5	5,261	1,593	6,859
	Plan B		9,733	5,880	289	15,902
	Plan C		3,064	8	0	3,072
	<b>Total Safety</b>			<b>12,802</b>	<b>11,149</b>	<b>1,882</b>
<b>TOTAL MEMBERS</b>			<b>99,026</b>	<b>57,693</b>	<b>9,095</b>	<b>165,814</b>
<b>% by Category</b>			<b>60%</b>	<b>35%</b>	<b>5%</b>	<b>100%</b>

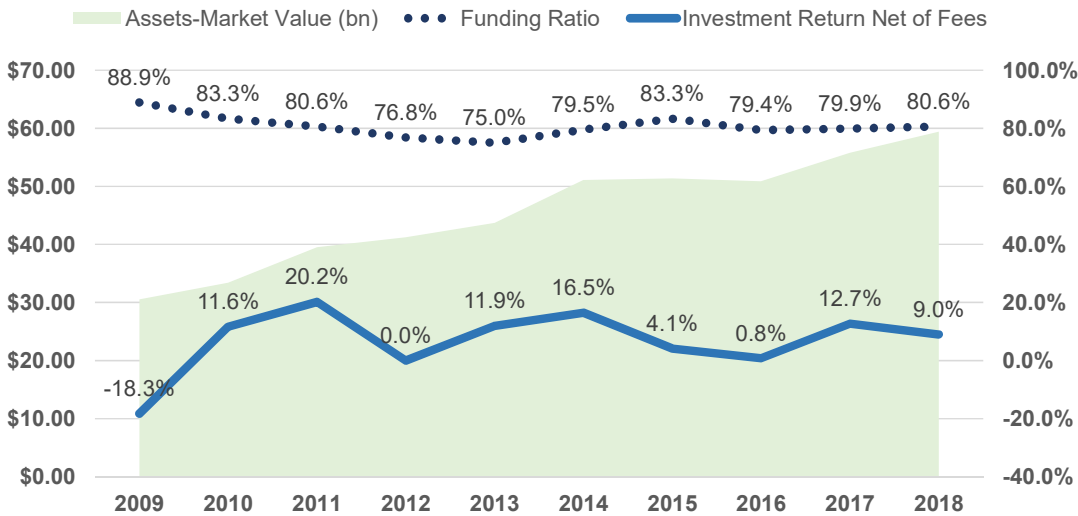


### Average Monthly Benefit Allowance

	General	Safety	Total	%
\$0 to \$3,999	29,753	2,039	31,792	55.41%
\$4,000 to \$7,999	12,284	3,561	15,845	27.62%
\$8,000 to \$11,999	3,090	3,931	7,021	12.24%
\$12,000 to \$15,999	839	1,215	2,054	3.58%
\$16,000 to \$19,999	243	232	475	0.83%
\$20,000 to \$23,999	72	71	143	0.25%
\$24,000 to \$27,999	25	12	37	0.06%
> \$28,000	7	2	9	0.02%
<b>Totals</b>	<b>46,313</b>	<b>11,063</b>	<b>57,376</b>	<b>100%</b>

Healthcare Program (YTD)			Healthcare Enrollments (Monthly)	
	Employer	Member	Medical	Dental
Medical	\$513.4m	\$42.8m	51,144	52,467
Dental	\$43.9m	\$4.4m	Part B	34,409
Part B	\$64.3m	xxxx	LTC	639
<b>Total</b>	<b>\$621.6m</b>	<b>\$47.2m</b>	<b>Total</b>	<b>138,659</b>

## 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)

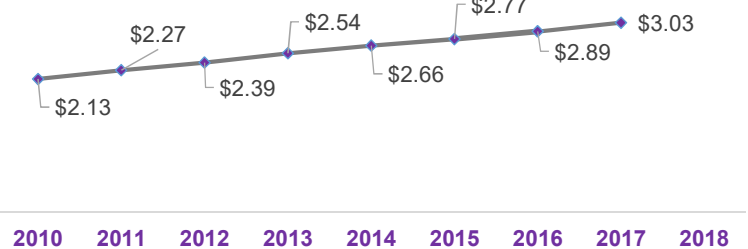
5 YR: 8.5%    10 YR: 6.3%

### Retired Members Payroll

Monthly Payroll	\$299m
Payroll YTD	3.4b
New Retired Payees Added	255
Seamless %	98.04%
New Seamless Payees Added	4,290
Seamless YTD	98.58%
By Check %	4.00%
By Direct Deposit %	96.00%

Billions

### Retiree Payroll by Year





Date	Conference
<b>September, 2019</b>	
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
19-20	Milken 2019 Asia Summit Singapore
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.
<b>October, 2019</b>	
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 &amp; Investment Mgmt.</i> ) Wharton School, University of Pennsylvania
25	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Hilton Oakland Airport
27-30	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference New Orleans, LA
<b>November, 2019</b>	
6-7	Institutional Limited Partners Association (ILPA) General Partner Summit New York, NY

July 31, 2019

TO: Each Member  
Board of Investments

FROM: Jon Grabel   
Chief Investment Officer

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

The following memorandum and attachments constitute the CIO report for June 2019. **Attachment 1** presents summary investment information including market values, actual and target allocations, and returns. **Attachment 2** is a summary investment report for the OPEB Master Trust. A list of all current applicants for public investment-related searches is included as **Attachment 3** and will be provided on a monthly basis to identify firms with whom LACERA is in a quiet period. **Attachment 4** summarizes compliance regarding asset allocations, portfolio guidelines, and other policies across the Total Fund for the most recent quarter. **Attachment 5** includes a presentation on benchmarks to be presented at the August 2019 BOI meeting.

### **PERFORMANCE**

The Total Fund finished the month with an investment balance of approximately \$58.4 billion.<sup>1</sup> The month had a positive return of 3.4%. For fiscal year, the Total Fund was up 6.4% net of fees.

The OPEB Master Trust generated a positive return in June. For the month, the L.A. County and LACERA funds had a net gain of 3.9% and the Superior Court fund had a net gain of 4.0%. For fiscal year, the L.A. County and LACERA funds were up 5.5% and the Superior Court fund is up 5.4% net of fees.

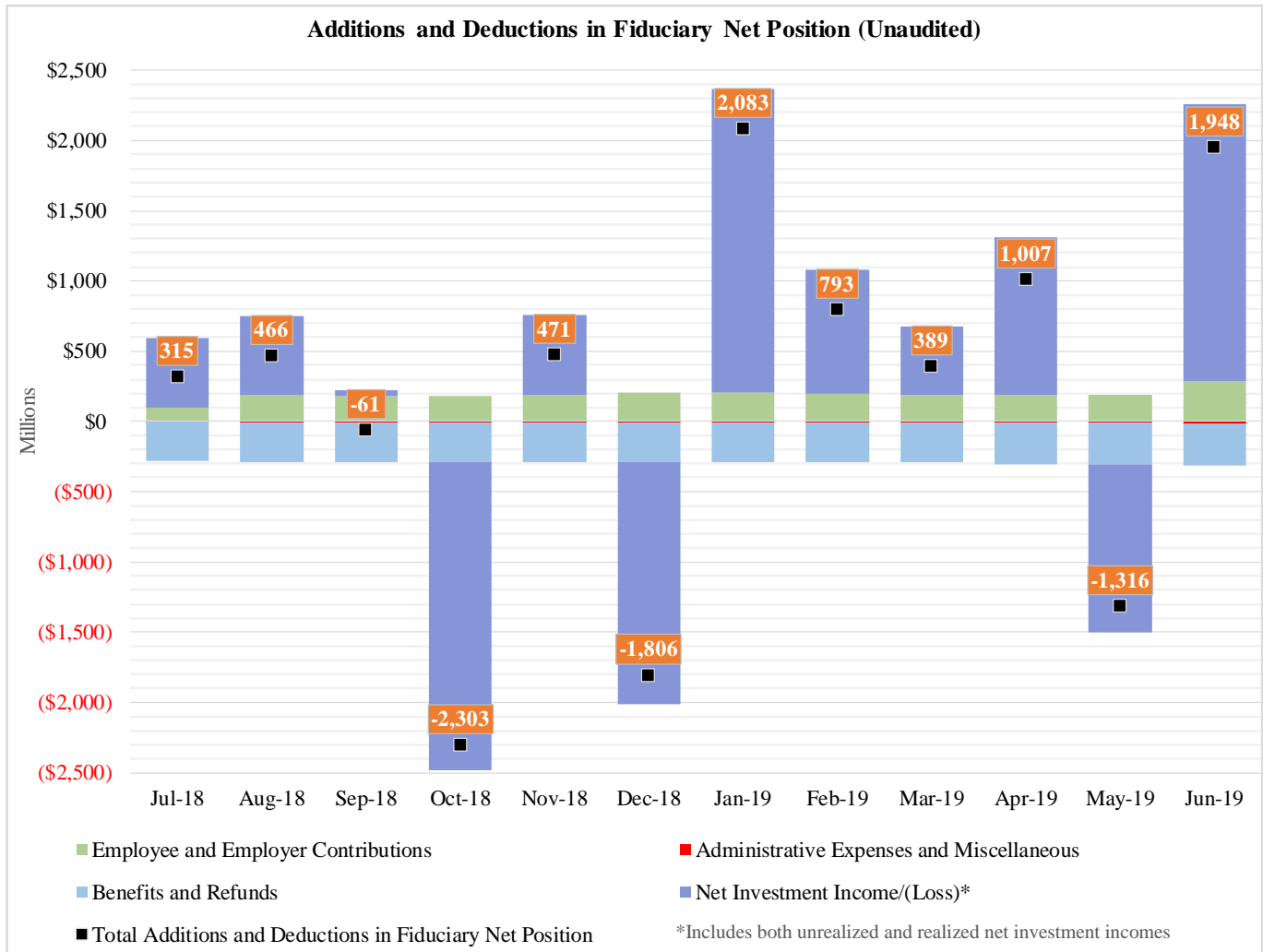
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<sup>1</sup> For months that coincide with calendar quarter end, the Total Fund value is calculated using the custodian's quarter-end market values for all asset classes. For inter-quarter periods, the Total Fund value is calculated using the custodian's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

## CASH FLOWS, CASH BALANCES, AND FIDUCIARY NET POSITION<sup>2</sup>

As illustrated in Chart 1 below, included to provide detail on the sources of monthly transactional flows, the Plan’s Fiduciary Net Position increased by \$1.9 billion during the month of June. Over the last twelve months, the Plan’s incremental net position is up \$2.0 billion.

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



LACERA finished the month of June with approximately \$529.5 million in the Fund’s primary operating account, as reported by the master custodian and identified as “cash” on various Total Fund reports. There was additional cash held in internal accounts dedicated to asset categories with frequent cash flows as well as cash held by select external managers. As illustrated in Chart 2, LACERA held a total of \$569.9 million

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

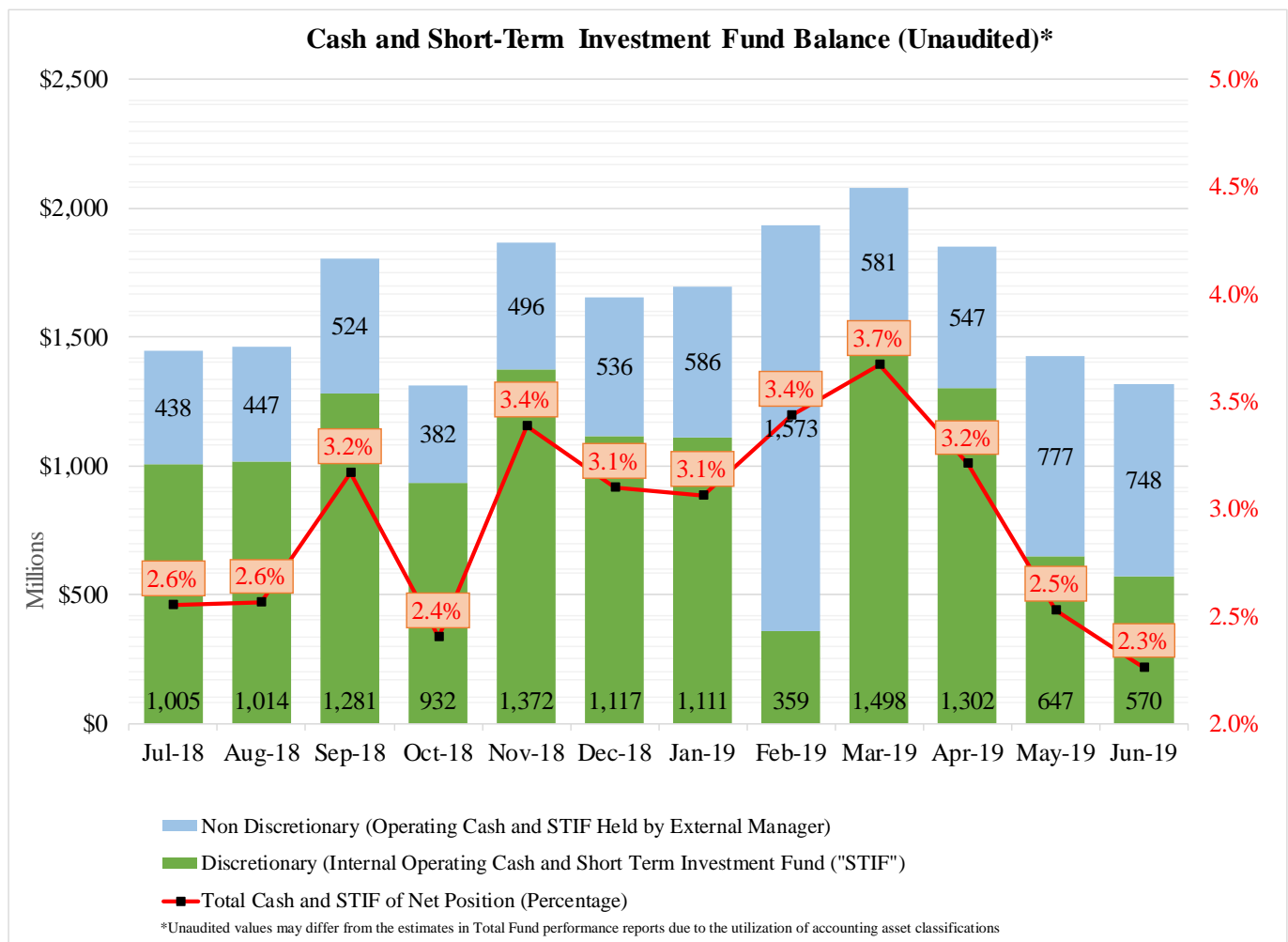
of internal operating cash and short-term investments across all of its operating accounts and LACERA’s external investment managers held a further \$747.5 million in cash and short-term investments.

In total, LACERA held approximately \$1.3 billion in cash and short-term investment funds at the end of June, which can be categorized as follows:

- Non-discretionary (operating cash and Short Term Investment Fund (“STIF”) balances held by external investment managers): \$747.5 million
- Discretionary (internal operating cash and STIF balances accessible for the daily operating needs of the Plan): \$569.9 million

The Fund’s total cash and short-term investment fund balance represented 2.3% of the Plan’s unaudited net position, while its discretionary cash and short-term investment fund balance represented 1.0% of the Plan’s unaudited net position.

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



The following table (Table 1) provides a summary of cash flows at the asset category level. For the month of June, the Total Fund had net investment inflows totaling \$35.7 million.

*Table 1: Asset Category Cash Flows*

<b>Asset Category and Activity</b>	<b>Total (in \$ millions)</b>	<b>Cash Impact</b>
<b>Total Fund</b>	<b>35.7</b>	<b>Inflow</b>
<b>GROWTH</b>		
Distributions	626.6	Inflow
Contributions	-124.8	Outflow
<b>Total Net Activity</b>	<b>501.8</b>	<b>Net Inflow</b>
<b>GLOBAL EQUITY</b>		
Distributions	596.6	Inflow
Contributions	-10.0	Outflow
<b>Total Net Activity</b>	<b>586.6</b>	<b>Net Inflow</b>
<b>PRIVATE EQUITY</b>		
Distributions	32.3	Inflow
Capital Calls	-93.3	Outflow
<b>Total Net Activity</b>	<b>-61.0</b>	<b>Net Outflow</b>
<b>OPPORTUNISTIC REAL ESTATE</b>		
Separate Account Net Activity	-2.2	Outflow
Commingled Fund Net Activity	-21.5	Outflow
<b>Total Net Activity</b>	<b>-23.8</b>	<b>Net Outflow</b>
<b>CREDIT</b>		
Distributions	0.0	n/m
Contributions	-70.0	Outflow
<b>Total Net Activity</b>	<b>-70.0</b>	<b>Net Outflow</b>
<b>BANK LOANS</b>		
Distributions	0.0	n/m
Contributions	-45.0	Outflow
<b>Total Net Activity</b>	<b>-45.0</b>	<b>Net Outflow</b>
<b>ILLIQUID CREDIT</b>		
Distributions	0.0	n/m
Contributions	-25.0	Outflow
<b>Total Net Activity</b>	<b>-25.0</b>	<b>Net Outflow</b>
<b>REAL ASSETS &amp; INFLATION HEDGES</b>		
Distributions	205.2	Inflow
Contributions	-601.3	Outflow
<b>Total Net Activity</b>	<b>-396.1</b>	<b>Net Outflow</b>
<b>CORE &amp; VALUE-ADDED REAL ESTATE</b>		
Separate Account Net Activity	205.2	Inflow
Commingled Fund Net Activity	-1.3	Outflow
<b>Total Net Activity</b>	<b>203.9</b>	<b>Net Inflow</b>
<b>NATURAL RESOURCES &amp; COMMODITIES</b>		
Distributions	0.0	n/m
Contributions	-165.2	Outflow
<b>Total Net Activity</b>	<b>-165.2</b>	<b>Net Outflow</b>
<b>INFRASTRUCTURE</b>		
Distributions	0.0	n/m
Contributions	-434.8	Outflow
<b>Total Net Activity</b>	<b>-434.8</b>	<b>Net Outflow</b>
<b>RISK REDUCTION &amp; MITIGATION</b>		
Distributions	600.0	Inflow
Contributions	-600.0	Outflow
<b>Total Net Activity</b>	<b>0.0</b>	<b>n/m</b>
<b>INVESTMENT GRADE BONDS</b>		
Distributions	600.0	Inflow
Contributions	-600.0	Outflow
<b>Total Net Activity</b>	<b>0.0</b>	<b>n/m</b>

The Global Equity asset class realized a \$30.5 million cash inflow from the Non-U.S. Equity currency-hedging program. LACERA's Non-U.S. Equity Investment Policy requires that the developed markets Non-U.S. Equity allocation, currently \$8.3 billion, maintain a passive currency hedge overlay on 50% of its investment value. Note that when the currency overlay program sustains a loss due to a depreciating U.S. dollar, underlying Non-U.S. equity values should be positively impacted. Conversely, in an appreciating U.S. dollar environment, the currency-hedging program will have a gain, while underlying Non-U.S. equity values should be negatively impacted. Due to currency market movements in the previous three months, the currency hedges maturing in early June realized a gain and \$30.5 million was transferred to cash from LACERA's passive currency overlay account. The hedged Non-U.S. Equity portfolio was up 5.2% net of fees, or approximately \$434.8 million during the month. A change in currency valuation is one of many variables that influences returns for a hedged Non-U.S. Equity portfolio. Cash flow from the currency-hedging program and the related equity portfolio can both deliver positive or negative results in a given period due to the staggered rolling of multiple futures contracts across three months.

### **ACTIVE SEARCHES**

This section is intended to keep the Board of Investments apprised of active investment-related searches that include Requests for Proposal (RFP) and Information (RFI). At this time, there are six searches currently underway. A list of all respondents can be found in **Attachment 3**.

The first search is an RFI issued for real estate administrative services. The RFI was released in November 2018 and responses have been received and are being reviewed. Onsite interviews have been conducted. An update was presented at the July 2019 BOI meeting and the search will be reissued as two RFP's covering alternative administrative services and total Fund performance services. These RFP's will be released in the third quarter of 2019.

The second search is an RFP issued for a Total Fund risk system. The RFP was released in January 2019 and responses have been received and are being reviewed. Interviews at LACERA's offices have been conducted.

The third search is an RFP issued for MSCI ACWI IMI index services. The RFP was re-released in April 2019 and responses have been received and are being reviewed. A recommendation is planned for the August 2019 BOI meeting.

The fourth search is an RFP issued for syndicated bank loan investment management services. The RFP was released in April 2019 and responses have been received and are being reviewed.

The fifth search is an RFP issued for factor-based equity investment management services. The RFP was released in April 2019 and responses have been received and are being reviewed.

The sixth search is an RFP issued for illiquid credit investment management services. The RFP was released in May 2019 and responses have been received and are being reviewed.

## **DELEGATED AUTHORITY**

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

- **Completed Actions From Approved Recommendations**
  - As part of the Risk Reducing and Mitigation structure review approved by the Board, \$600 million was transferred from core plus to core strategies.
  - Rebalancing - The Total Fund continued moving toward the functional asset allocation policy targets.
    - Global equity reduced exposure and approximately \$587 million was transferred to cash.
    - \$165 million was transferred from cash to natural resources within the real assets portfolio through the completion portfolio.
    - \$435 million was transferred from cash to infrastructure within the real assets portfolio through the completion portfolio.
    - \$45 million was transferred from cash to bank loans within the credit portfolio.
    - \$204 million was transferred from core real estate to cash.

## **COMPLIANCE MONITOR**

Evaluating the Fund's investment portfolios against established policies and guidelines is an integral part of the ongoing portfolio management process and is commonly referred to as compliance. The Fund's portfolio is implemented in a nuanced way across multiple asset categories, so LACERA utilizes a multi-faceted approach to evaluate compliance. A summary of compliance activities across the Total Fund identifying advisory notifications where appropriate is provided on a calendar quarter basis. Compliance categories include allocation target weights, portfolio policies such as the use of leverage, and guidelines for various items such as types of permissible holdings. See **Attachment 4**.

## **INVESTMENTS DIVISION SPOTLIGHT**

The Real Assets and Inflation Hedges category in LACERA's asset allocation includes Real Estate, Natural Resources, Commodities, Infrastructure and Treasury Inflation-Protected Securities ("TIPS"). This spotlight will focus on Natural Resources, Commodities, Infrastructure and TIPS but not on Real Estate, which is overseen under a separate process. The Real Assets allocation excluding Real Estate is a new allocation that was approved by the Board of Investments ("Board") during the 2018 Asset Allocation study.

It is a combination of existing investments (commodity futures and a small number of energy-focused private equity funds) and new allocations to TIPS, Natural Resources and Infrastructure.

The primary goal of the Real Assets allocation is to provide income as well as to hedge against inflation, while diversifying the Fund. As of June 2019, Real Assets including Real Estate constituted about \$8.4B or 14.4% of LACERA's AUM; while Real Assets excluding Real Estate constituted \$3.1B or 5.2%.

### **Real Assets Allocation**

The Natural Resources and Infrastructure allocation is currently being built out to achieve interim and final target allocations of 3% and 4% for Natural Resources and Commodities and 2% and 3% for Infrastructure, respectively, using a public equity completion portfolio (discussed below) until a private investment plan is approved as part of the category's upcoming structure review. TIPS, the final new allocation within the Real Assets category, has an interim target of 2% and a final target of 3%. Funding of this allocation began in the second quarter of 2019. All three categories are expected to reach their target weights during the fourth quarter of 2019.

### **Completion Portfolio: Natural Resources and Infrastructure**

As mentioned above, the Natural Resources and Infrastructure allocations are currently being implemented via a completion portfolio of public equities in order to achieve LACERA's target allocations as scheduled. The RFI for this completion portfolio was approved in August 2018, and in February 2019, the Board approved DWS to manage the completion portfolio using a separate account structure. In May 2019, LACERA started funding the completion portfolio and reached its interim target allocation in July. Final target allocations for both sub-categories are expected to be reached in the fourth quarter of 2019. Beyond this year, the intention for this asset class is to shift allocations from the public equities completion portfolio into private market investments within these same real asset categories.

### **Team**

In order to manage this new asset allocation, a Real Assets team (ex-Real Estate) was assembled. A hiring process was initiated and, as of June 2019, the Real Assets team filled its two budgeted positions. The team is now comprised of a Principal Investment Officer and two Investment Officers. Currently, LACERA's Fixed Income team manages the Commodities and TIPS portions of the Real Assets portfolio; however, it is expected that the Fixed Income team will hand off the management of these allocations to the Real Assets team by year-end.

### **Structure Review**

Finally, in September 2019, the team intends to present a structure review for the Real Assets (ex-Real Estate) category to the Real Assets Board. During this process, staff will propose a more detailed plan for the implementation of the asset category as well as pacing options for reaching the category's target allocation using private markets investments.



## **JULY FORECAST**

In July, risk assets rose as investors continued to price in expectations of accommodative policies from global central banks. Below target inflation, slowing but moderate economic growth and unresolved global trade uncertainty continue to support the narrative that both the U.S. Federal Reserve (“Fed”) and the European Central Bank (“ECB”) will support the economy through monetary stimulus. On July 25<sup>th</sup>, the ECB said that it expects its key interest rates to remain “at their present or lower levels” at least through the first half of 2020. On July 26<sup>th</sup>, the Bureau of Economic Analysis released an estimate of 2.1% for annualized second quarter 2019 U.S. gross domestic product with strong growth in consumer spending and headwinds from business inventory investment and exports. On July 31<sup>st</sup>, the Fed decreased its target rate by 0.25% to a range of 2% to 2.25% while citing muted inflation pressure and continued global uncertainties. Fed Chairman Jerome Powell said that the rate cut was a “mid-cycle adjustment” and cautioned market participants against assuming future incremental rate cuts.

As of publication of this report, during the month of June, the MSCI ACWI IMI stock index was up 1.0% while the Bloomberg Barclays Global Aggregate bond index was down -0.5%. The Total Fund will have a positive month.

### **Attachments**

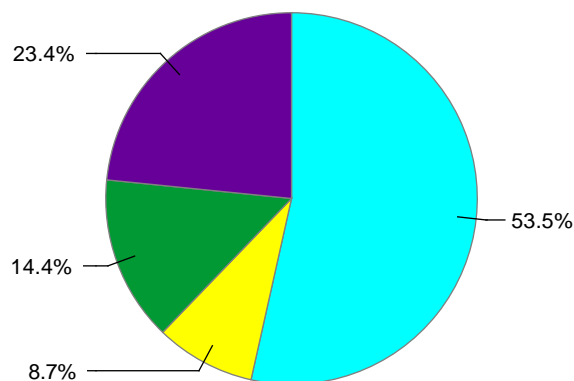
**LACERA'S ESTIMATED TOTAL FUND**

June 30, 2019

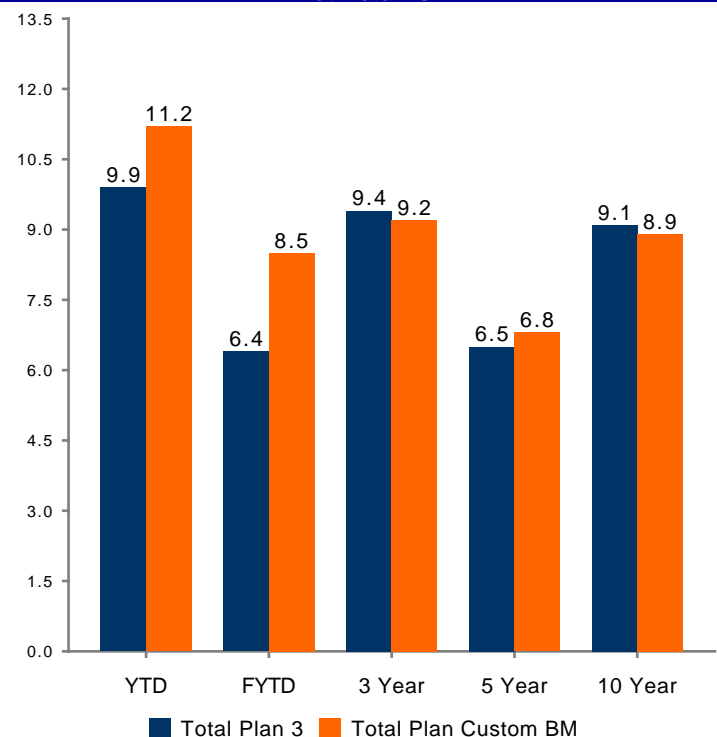


	Market Value (millions)	Actual % Total Fund	Target % Total Fund	3 Month	YTD	FYTD	3 Year	5 Year	10 Year
<b>TOTAL PLAN</b>	<b>58,441.5</b>	<b>100.0</b>	<b>100.0</b>	<b>3.0</b>	<b>9.9</b>	<b>6.4</b>	<b>9.4</b>	<b>6.5</b>	<b>9.1</b>
Total Plan Custom BM				3.9	11.2	8.5	9.2	6.8	8.9
7.25% Annual Hurdle Rate				1.8	3.6	7.3	7.3	7.3	7.3

Functional Categories <sup>(1)</sup>	Market Value (millions)	Actual % Total Fund	Target % Total Fund <sup>(2)</sup>	1 mo	3 mo	YTD
<b>GROWTH</b>	<b>31,256.7</b>	<b>53.5</b>	<b>52.0</b>	<b>5.0</b>	<b>3.6</b>	
Growth Custom BM				5.1	5.1	
<b>CREDIT</b>	<b>5,089.5</b>	<b>8.7</b>	<b>10.0</b>	<b>1.3</b>	<b>2.3</b>	
Credit Custom BM				1.9	3.0	
<b>REAL ASSETS &amp; INFLATION HEDGES</b>	<b>8,422.7</b>	<b>14.4</b>	<b>15.0</b>	<b>2.2</b>	<b>1.4</b>	
Real Assets & Inflation Hedges Custom BM				2.1	1.8	
<b>RISK REDUCTION &amp; MITIGATION</b>	<b>13,672.6</b>	<b>23.4</b>	<b>23.0</b>	<b>1.1</b>	<b>2.8</b>	
Risk Reduction & Mitigation Custom BM				1.1	2.7	

**Asset Allocation**

■ GROWTH
 ■ CREDIT
 ■ REAL ASSETS & INFLATION HEDGES
 ■ RISK REDUCTION & MITIGATION

**Net Returns****These are preliminary returns**

[1] Functional Categories were adopted on 4/1/19

[2] Reflects Interim Target Weights

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Periods greater than 1-year are annualized

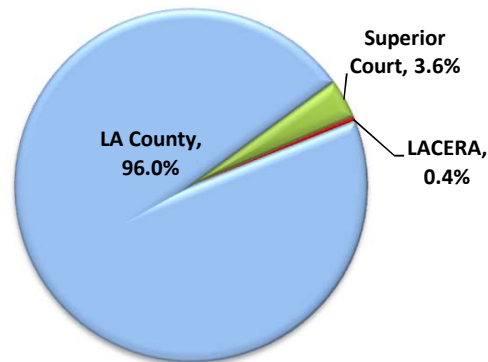
## OPEB MASTER TRUST

June 30, 2019



Fund Name		Inception Date	Market Value (millions)	Trust Ownership	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
Los Angeles County:	Gross	Feb-2013	\$1,189.4	96.0%	3.92	2.67	5.57	5.57	10.58	5.92	5.85
	Net				3.91	2.65	5.53	5.53	10.54	5.88	5.80
	Net All				3.91	2.64	5.48	5.48	10.49	5.83	5.76
LACERA:	Gross	Feb-2013	\$4.6	0.4%	3.90	2.65	5.57	5.57	10.64	5.96	5.87
	Net				3.90	2.64	5.53	5.53	10.59	5.92	5.83
	Net All				3.88	2.57	5.16	5.16	9.80	5.43	5.45
Superior Court:	Gross	Jul-2016	\$44.5	3.6%	3.96	2.70	5.39	5.39	8.85	----	8.85
	Net				3.96	2.69	5.35	5.35	8.81	----	8.81
	Net All				3.95	2.65	5.19	5.19	8.20	----	8.20
<b>TRUST OWNERSHIP TOTAL:</b>			<b>\$1,238.5</b>	<b>100.0%</b>							

Trust Ownership



Fund Name		Inception Date	Market Value (millions)	Trust Ownership	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
OPEB Growth	Gross	Jul-2016	\$623.9	50.4%	6.44	3.46	4.90	4.90	11.77	----	11.77
	Net				6.44	3.45	4.87	4.87	11.73	----	11.73
OPEB Credit	Gross	Jul-2018	\$245.9	19.9%	2.04	2.63	5.74	5.74	----	----	5.74
	Net				2.03	2.61	5.69	5.69	----	----	5.69
OPEB Risk Reduction & Mitigation	Gross	Jul-2016	\$122.8	9.9%	1.06	2.62	6.95	6.95	3.20	----	3.20
	Net				1.06	2.61	6.94	6.94	3.17	----	3.17
OPEB Inflation Hedges	Gross	Jul-2018	\$243.6	19.7%	1.43	1.03	5.06	5.06	----	----	5.06
	Net				1.43	1.01	4.98	4.98	----	----	4.98
Uninvested Cash			\$2.3	0.2%	---	---	---	---	---	---	---
<b>TRUST OWNERSHIP TOTAL:</b>			<b>\$1,238.5</b>	<b>100.0%</b>							

Differences in MV between the Sub-Trusts and Functional composites is due to operational cash

Allocation		Inception Date	Market Value (millions)	Allocation %	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
<b>OPEB Global Equity:</b>	Gross	Mar-2014	\$623.9	50.5%	6.45	3.46	4.91	4.91	11.79	6.40	7.03
	Net				6.45	3.45	4.88	4.88	11.75	6.36	6.99
Benchmark: MSCI ACWI IMI Net					6.43	3.37	4.56	4.56	11.42	6.03	6.66
Excess Return (Net - Benchmark)					0.01	0.09	0.31	0.31	0.33	0.33	0.33
<b>OPEB BTC High Yield Bonds:</b>	Gross	Jul-2018	\$74.0	6.0%	2.53	2.66	7.71	7.71	----	----	7.71
	Net				2.52	2.63	7.59	7.59	----	----	7.59
Benchmark: BC High Yield Index					2.28	2.50	7.48	7.48	----	----	7.48
Excess Return (Net - Benchmark)					0.24	0.13	0.11	0.11	----	----	0.11
<b>OPEB BTC EM Debt LC:</b>	Gross	Jul-2018	\$49.7	4.0%	5.56	5.58	8.51	8.51	----	----	8.51
	Net				5.55	5.55	8.38	8.38	----	----	8.38
Benchmark: JPM GBI-EM Global Diversified Index					5.51	5.64	8.99	8.99	----	----	8.99
Excess Return (Net - Benchmark)					0.04	-0.09	-0.60	-0.60	----	----	-0.60
<b>OPEB BTC Inv. Grade Bonds:</b>	Gross	Jul-2018	\$98.7	8.0%	1.26	3.08	7.95	7.95	----	----	7.95
	Net				1.26	3.08	7.94	7.94	----	----	7.94
Benchmark: BBG BARC US Aggregate Index					1.26	3.08	7.87	7.87	----	----	7.87
Excess Return (Net - Benchmark)					0.01	0.00	0.07	0.07	----	----	0.07
<b>OPEB BTC TIPS:</b>	Gross	Jul-2018	\$74.1	6.0%	0.86	2.88	4.95	4.95	----	----	4.95
	Net				0.86	2.88	4.93	4.93	----	----	4.93
Benchmark: BBG US TIPS Index					0.86	2.86	4.84	4.84	----	----	4.84
Excess Return (Net - Benchmark)					0.01	0.01	0.09	0.09	----	----	0.09
<b>OPEB BTC REITs:</b>	Gross	Jul-2018	\$120.2	9.7%	1.36	0.83	9.82	9.82	----	----	9.82
	Net				1.35	0.81	9.74	9.74	----	----	9.74
Benchmark: DJ US Select Real Estate Sec Index					1.36	0.82	9.75	9.75	----	----	9.75
Excess Return (Net - Benchmark)					0.00	-0.01	-0.01	-0.01	----	----	-0.01
<b>OPEB BTC Commodities:</b>	Gross	Jul-2018	\$49.3	4.0%	2.71	-1.15	-6.59	-6.59	----	----	-6.59
	Net				2.69	-1.19	-6.73	-6.73	----	----	-6.73
Benchmark: Bloomberg Commodity Index (Total Return)					2.69	-1.19	-6.75	-6.75	----	----	-6.75
Excess Return (Net - Benchmark)					0.01	0.00	0.02	0.02	----	----	0.02
<b>OPEB BlackRock Bank Loans:</b>	Gross	Jul-2018	\$122.2	9.9%	0.42	1.52	3.57	3.57	----	----	3.57
	Net				0.42	1.52	3.57	3.57	----	----	3.57
Benchmark: S&P/LSTA Leveraged Loan Index					0.24	1.68	3.97	3.97	----	----	3.97
Excess Return (Net - Benchmark)					0.18	-0.16	-0.39	-0.39	----	----	-0.39
<b>OPEB Enhanced Cash:</b>	Gross	Feb-2013	\$24.1	1.9%	0.29	0.81	3.26	3.26	1.93	1.38	1.15
	Net				0.29	0.80	3.24	3.24	1.89	1.33	1.10
Benchmark: FTSE 6 M T-Bill Index					0.21	0.63	2.37	2.37	1.42	0.91	0.73
Excess Return (Net - Benchmark)					0.08	0.17	0.87	0.87	0.48	0.42	0.37

## Disclosure

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

**PUBLIC INVESTMENT-RELATED SEARCHES APPLICANTS**

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

The following firms have responded to a request for information regarding real estate administrative services:

SS&C Technologies Holdings, Inc./SS&C Globe Op  
Citco Fund Services (USA), Inc.  
State Street Bank and Trust Company

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

BlackRock Solutions  
BNY Mellon  
FactSet  
MSCI  
State Street  
Sustainalytics  
Wilshire Associates

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

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

The following firms have responded to a request for proposal regarding syndicated bank loan investment management services:

Neuberger Berman  
Pacific Asset Management  
PineBridge Investments LLC  
Par-Four Investment Management , LLC  
Symphony Asset Management LLC  
BlackRock, Inc.  
Crestline Denali Capital, L.P.  
T. Rowe Price Associates, Inc.

Each Member, Board of Investments

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Shenkman Capital Management, Inc.  
Barings  
Additional submission  
Crescent Capital Group LP  
THL Credit Advisors LLC  
CVC Credit Partners, LLC  
KKR Credit Advisors (US) LLC  
Lord, Abbett & Co. LLC  
Aegon Asset Management US  
Guggenheim Partners Investment Management, LLC  
Wellington Management Company LLP  
CIFC Asset Management LLC  
Seix Investment Advisors LLC  
GSO Capital Partners LP  
Credit Suisse Asset Management, LLC  
Western Asset Management Company, LLC  
GoldenTree Asset Management  
Ares Management LLC  
Loomis, Sayles & Co., L.P.  
Goldman Sachs Asset Management, L.P.  
Oaktree Capital Management, L.P.  
Brigade Capital Management, L.P.  
Voya Investment Management  
FIAM LLC  
M&G Investments  
Eaton Vance Management  
Invesco  
Bain Capital Credit, LP  
Franklin Resources, Inc. (Parent)  
Franklin Advisers, Inc. (Investment Adviser)

The following firms have responded to a request for proposal regarding factor-based equity investment management services:

Allianz Global Investors  
AQR Capital Management, LLC  
AXA Investment Managers, Inc.  
BlackRock, Inc.  
Brandywine Global Investment Management  
Capital International, Inc.  
Connor, Clark and Lunn Investment Management Ltd.  
Dimensional Fund Advisors LP  
FFCM LLC  
Goldman Sachs Asset Management, L.P.

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HSBC Global Asset Management Inc.  
Invesco  
J.P. Morgan Asset Management  
Lazard Asset Management LLC  
Legal & General Investment Management  
Los Angeles Capital Management and Equity Research Inc.  
Mellon Investments Corporation  
Northern Trust Investments, Inc.  
PanAgora Asset Management, Inc.  
QMA LLC  
Robeco Institutional Asset Management US, Inc.  
State Street Global Advisors Trust Company  
Strategic Global Advisors, LLC  
TOBAM  
Wells Fargo Asset Management

The following firms have responded to a request for proposal regarding illiquid credit investment management services:

Alcentra NY, LLC  
Anchorage Capital Group, LLC  
Angelo, Gordon & Co., LP  
Apollo Capital Management, LP  
Ares Management LLC  
ArrowMark Partners  
Audax Group  
Barings LLC  
Beach Point Capital Management LP  
Benefit Street Partners LLC  
BlackRock, Inc  
Brigade Capital Management, LP  
Canyon Capital Advisors LLC  
Carlyle Global Credit Investment Management LLC  
CarVal Investors, LLC  
Cerberus Capital Management, LP  
Chenavari Credit Partners LLP  
Cheyne Capital Management (UK) LLP  
Clarion Capital Partners, LLC  
CQS (US), LLC  
Crescent Capital Group LP  
Crestline Management, LP  
EIG Credit Management Company, LLC  
Fortress Lending Advisors LLC  
GoldenTree Asset Management LP

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Hayfin Capital Management LLP  
HPS Investment Partners, LLC  
KKR Credit Advisors (US) LLC  
M&G Investment Management LTD  
Magnetar Financial LLC  
Marathon Asset Management, LP  
Monroe Capital, LLC  
Napier Park Global Capital (US) LP  
Neuberger Berman Investment Advisors  
Oak Hill Advisors, LP  
Oaktree Capital Management, LP  
Orchard Global Asset Management LLP  
PGIM, Inc  
Pacific Investment Management Company LLC  
Schroder Investment Management North America Inc  
TPG Sixth Street Partners  
Värde Management, LP  
Waterfall Asset Management, LLC  
White Oak Global Advisors, LLC  
Zais Group



# Compliance Monitor as of June 2019\*

This report highlights operational and compliance metrics monitored by the Investment Division

## LACERA PENSION FUND

	Quarterly Review Status	# Advisory	Notes
<b>GROWTH</b>			
<b>Global Equity</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
Emerging Manager Program	✓		
# of Sudan/Iran Holdings Held by Managers	✓	5	5 issuers held, totaling \$4.2mm in market value
<b>Private Equity**</b> <small>(as of 3/31/2019)</small>			
Asset Allocation Policy Compliance	✓		
Guideline Compliance by Strategy	✓		
Guideline Compliance by Geographic Location	✓		
Investment Exposure Limit	✓		
<b>Opportunistic Real Estate</b> <small>(See Real Assets &amp; Inflation Hedges - Core &amp; Value Added Real Estate)</small>			
<b>CREDIT</b>			
<b>High Yield, Bank Loans, EM Debt</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
Emerging Manager Program	✓		
# of Sudan/Iran Holdings Held by Managers	✓		
<b>REAL ASSETS &amp; INFLATION HEDGES</b>			
<b>Core &amp; Value Added Real Estate**</b> <small>(as of 3/31/19)</small>			
Asset Allocation Policy Compliance	✓		
Guideline Compliance by Strategy (Core/Non-Core)	✓		
Guideline Compliance by Manager	✓		
Guideline Compliance by Property Type	✓		
Guideline Compliance by Geographic Location	✓		
Guideline Compliance by Leverage	✓		
<b>Natural Resources &amp; Commodities***</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		

## Compliance Monitor as of June 2019\*

This report highlights operational and compliance metrics monitored by the Investment Division

	Quarterly Review Status	# Advisory	Notes
<b>Infrastructure</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		
<b>TIPS</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		
<b>RISK REDUCTION &amp; MITIGATION</b>			
<b>Investment Grade Bonds</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
Emerging Manager Program	✓		
# of Sudan/Iran Holdings Held by Managers	✓	2	2 issuers held, totaling \$7.9mm in market value
<b>Diversified Hedge Funds**</b>			
Asset Allocation Policy Compliance	✓		
Portfolio Level Compliance	✓		
HFOF Manager Guideline Compliance	✓	1	Leverage ratio of relative value within GSAM was 10.1x, which is above guideline of 8.0x
Direct Portfolio Manager Guideline Compliance	✓		
<b>Cash</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		
<b>SECURITIES LENDING</b>			
Investment Guideline Compliance	✓		
\$ Value on Loan	✓	1	GSAL \$497.3mm; State Street \$453.1mm
\$ Value of Cash Collateral	✓	1	GSAL \$509.6mm; State Street \$470.0mm
Total Income - Calendar YTD	✓	1	GSAL \$1.0mm; State Street \$0.8mm

## Compliance Monitor as of June 2019\*

This report highlights operational and compliance metrics monitored by the Investment Division

	Quarterly Review Status	# Advisory	Notes
<b>PROXY VOTING</b>			
Number of Meetings Voted	✓	1	2,773 meetings voted
<b>TAX RECLAIMS</b>			
Total Paid Reclaims - Calendar YTD	✓	1	\$15,242
Total Pending Reclaims	✓	1	\$3.9mm
<b>FEE VALIDATION</b>			
Fee Reconciliation Project	✓		
AB 2833	✓		
<b>INVESTMENT MANAGER MEETINGS****</b>			
Manager Meeting Requests	✓		
<b>OPEB MASTER TRUST FUND</b>			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		

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

\*\* Represents the comprehensive Private Equity, Real Estate, and Hedge Funds programs across the total plan.

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

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

ATTACHMENT 5

# Chief Investment Officer Report

Board of Investments

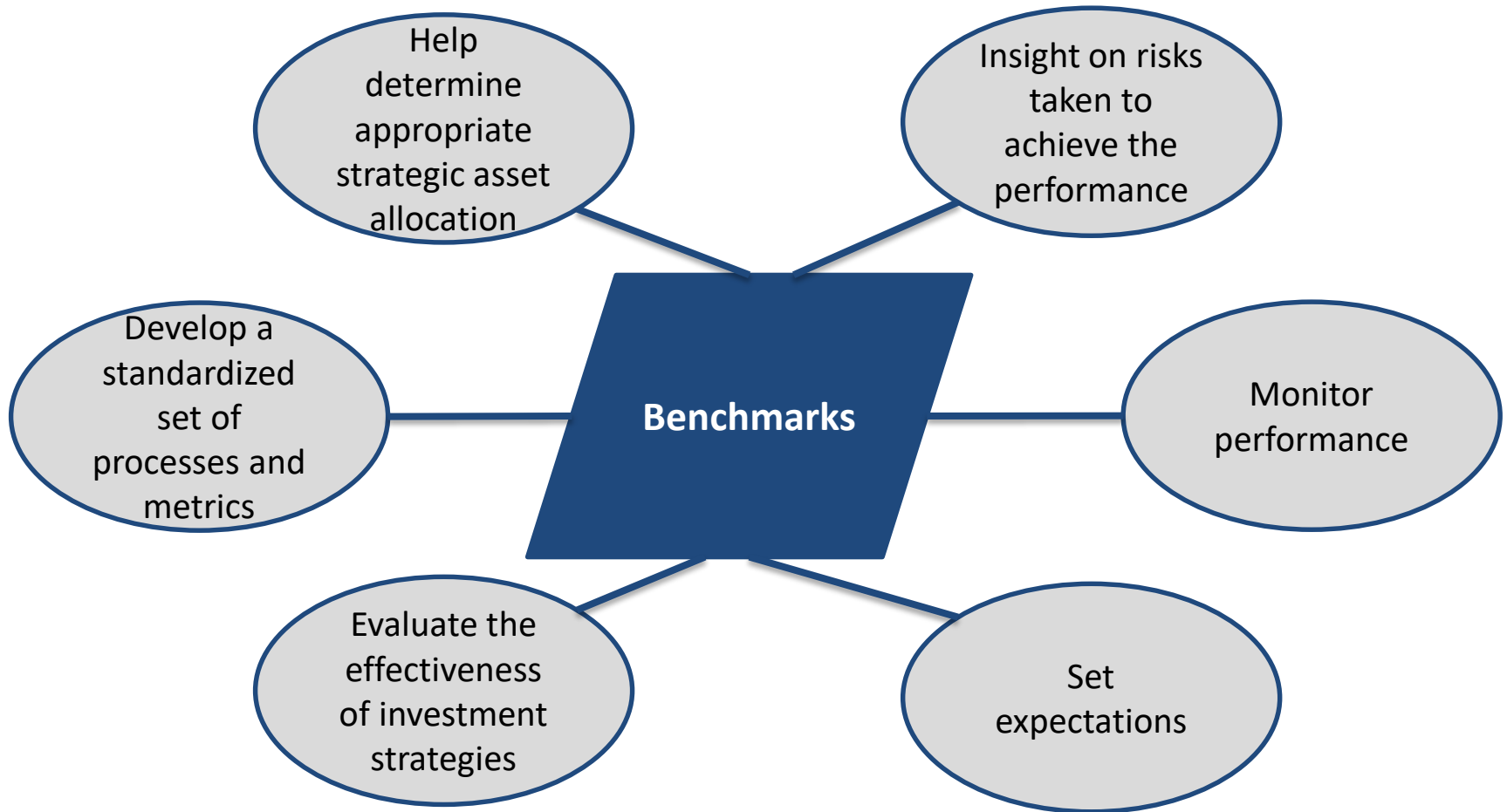
August 14, 2019

Jonathan Grabel – Chief Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

# Significance of Benchmarks



**Benchmarks should not be used for marketing purposes**

# What Makes a Good Benchmark?

## CFA Institute's 7 properties of a valid benchmark

### Specified in advance

Benchmark specified and known before the evaluation period

### Appropriate

Consistent with the manager's investment style or area of expertise

### Measurable

The benchmark's return is readily calculable on a reasonably frequent basis

### Reflective of the manager's current investment expertise

The manager has current knowledge of the securities in the benchmark

### Unambiguous

Identities and weights of securities or factor exposures are clearly defined

### Accountable/owned

Manager should agree that the benchmark is an appropriate measure

### Investable

Can be replicated and invested in the benchmark



# Benchmark Misfit Case Study

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## Benchmark misfit exists, especially for private market investments

Example: Private Equity

X

**Investable**

Arbitrary illiquidity premium is not investable  
(i.e. MSCI ACWI<sup>1</sup> + 200 basis points)

X

**Unambiguous**

Unknown universe and difficult to define until  
manager makes the investment  
(i.e. leverage, size, and sectors)

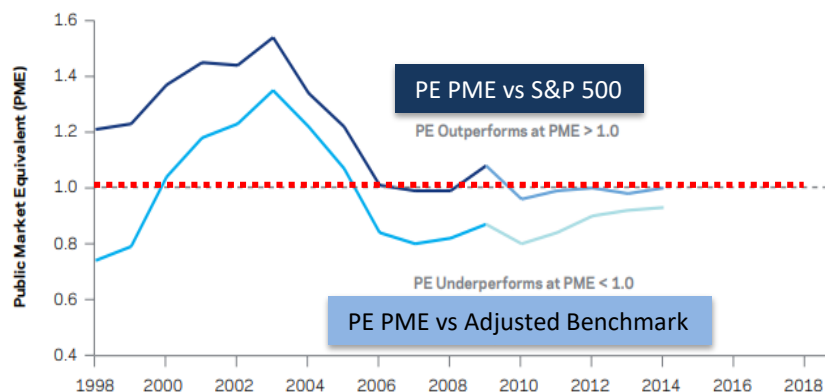
<sup>1</sup>Morgan Stanley Capital International All Country World Index



# Benchmark Misfit Case Study (Continued)

## Emerging thoughts for alternative benchmarks for private equity

- Public equity benchmark adjusted for leverage, size, and sector



**Leverage:** Debt-to-equity ratios for private equity investments may be 2x-4x greater than publicly listed firms

**Size:** Private equity generally targets companies with smaller capitalization

**Sector:** Private equity tends to overweight high growth sectors such as technology and underweight financials

- Public equity benchmark levered by beta

PE PMEs against a simulated beta of 1.2

	KS-PME			
From	1986	2000	2000	2009
To	2014	2014	2008	2014
S&P 500	1.09	1.07	1.09	1.04
Russell 2000	1.03	1.04	1.03	1.07
Russell 2000 Value	1.04	1.07	1.06	1.11

Sources: "Demystifying Illiquid Assets: Expected Returns for Private Equity", Ilmanen, Chandra and McQuinn  
"Have Private Equity Returns Really Declined?", Brown and Kaplan



# Next Steps

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- As LACERA approaches target weights for the Fund's updated Strategic Asset Allocation, existing benchmarks will be revisited<sup>1</sup>
- The Board's advisors and staff will collaborate to identify optimal benchmarks for future Board of Investments discussion

<sup>1</sup>Detailed in September 2018 Benchmark recommendation memorandum



July 19, 2019

TO: Each Member  
Board of Investments

FROM: Corporate Governance Committee

Jonathan Grabel   
Chief Investment Officer

Scott Zdrazil   
Senior Investment Officer

FOR: August 14, 2019 Board of Investments Meeting

SUBJECT: **Sustainability Accounting Standards Board (SASB) Affiliation**

#### **RECOMMENDATION**

Approve LACERA's affiliation to the Sustainability Accounting Standards Board ("SASB") Investor Advisory Group of the SASB Alliance.

#### **BACKGROUND**

On July 2, 2019, the Corporate Governance Committee ("Committee") unanimously recommended that the Board of Investments ("Board") approve LACERA's formal affiliation to the SASB Investor Advisory Group of the SASB Alliance. As described in staff's original memo to the Committee (attached **Appendix**), LACERA's prospective affiliation would support SASB's efforts to develop and disseminate material, investment-useful, ESG-related corporate reporting standards and avail resources for LACERA to incorporate into due diligence of external managers' ESG integration practices. Affiliation costs \$8,500 per year for an organization of LACERA's size.

#### **OPTIONS AVAILABLE TO THE BOARD**

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

#### **DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE**

The Committee expressed general comfort with staff's recommendation and unanimously approved the motion for LACERA's formal affiliation to SASB.

Each Member, Board of Investments

August 14, 2019

Page 2 of 2

### **RISKS OF ACTION AND INACTION**

Pages 3-4 of the attached memo describe staff's views of prospective benefits and risks of LACERA's prospective affiliation with SASB.

### **CONCLUSION**


The Committee unanimously approved this recommendation that LACERA formally affiliate to SASB's Investor Advisory Group of the SASB Investor Alliance.


Attachment

June 17, 2019

APPENDIX

TO: Each Member  
Corporate Governance Committee

FROM: Jonathan Grabel   
Chief Investment Officer

Scott Zdrazil   
Senior Investment Officer

FOR: July 2, 2019 Corporate Governance Committee Meeting

SUBJECT: **Sustainability Accounting Standards Board (SASB) Affiliation**

### **RECOMMENDATION**

Recommend that the Board of Investments approve LACERA's affiliation to the Sustainability Accounting Standards Board ("SASB") Investor Advisory Group of the SASB Alliance.

### **EXECUTIVE SUMMARY**

SASB is an independent 501(c)(3) nonprofit organization. SASB's mission is to develop and disseminate sustainability accounting standards that help guide companies to disclose financially-material, decision-useful information to investors. Staff is presenting the option for LACERA to formally affiliate to the SASB Alliance, a broad group of investors, companies, and service providers supporting the development and adoption of SASB's reporting frameworks. Affiliation to the SASB Alliance would avail educational resources for incorporation into LACERA's manager ESG due diligence. It would also provide LACERA the opportunity to promote corporate reporting of investment-relevant environmental, social, and governance ("ESG") information through staff participation in SASB's invitation-only Investor Advisory Group and its corporate engagements. Affiliation to SASB's Alliance is \$8,500 for an organization of LACERA's size.

### **BACKGROUND**

In May 2017, the Corporate Governance Committee hosted a presentation by SASB's Director of Capital Markets Policy and Outreach, Janine Guillot, regarding SASB efforts to develop and disseminate sustainability accounting standards in financial markets. The presentation was complemented by The Carlyle Group's ESG director who described how Carlyle is employing SASB standards in due diligence and operational oversight of portfolio companies.

In April 2018, the Corporate Governance Committee discussed select focus areas for corporate governance engagement initiatives, including supporting efforts to enhance the quality and availability of investment-useful environmental, social, and governance ("ESG") disclosures in

the market. As part of that discussion, staff reported that we would assess LACERA formally affiliating with SASB.

### **About SASB**

SASB is an independent 501(c)(3) nonprofit organization. SASB's mission is to develop and disseminate sustainability accounting standards that help companies disclose material, decision-useful information to investors. SASB is governed by the [SASB Foundation Board of Directors](#), led by Michael Bloomberg as Chair Emeritus (2014 to 2018), Chair Robert Steel (Partner & CEO, Perella Weinberg Partners), and Vice Chair Mary Schapiro, Former Chair of the Securities and Exchange Commission.

SASB was created in recognition that ESG factors may bear upon the financial performance of firms. SASB cites the growing importance of intangible assets – such as brand value, intellectual capital, and customer loyalty – to corporate valuations. Intangible assets have grown from 17% to 84% of average corporate valuation from 1975 to 2015<sup>i</sup> and may be impacted by ESG factors, such as ethics scandals, safety incidents, and natural resource scarcity. However, investors have historically been provided little standardized information regarding financially-material ESG factors that may provide forward-looking insight into corporate performance and risk.

SASB has sought to fulfill its mission through a rigorous process that includes evidence-based research and stakeholder participation, including from companies and investors, to establish sustainability standards for reporting financially-material ESG-related information relevant to specific industries. Following a lengthy process of stakeholder input, SASB published a comprehensive set of 77 industry standards across 10 sectors in November 2018. Development of SASB standards is overseen by the SASB [Standards Board](#) (separate from the SASB Foundation board of directors), which is comprised primarily of industry experts and investors.<sup>ii</sup> The standards are designed for voluntary use in the disclosure of financially-material ESG information to investors, including filings governed by existing U.S. Securities and Exchange Commission (“SEC”) requirements, such as annual reports. They may also be reported via other company communications with investors, such as websites and annual ESG-related reports. SASB standards may also be used by public and private companies in other regulatory jurisdictions.

Additional information about SASB's standards is available on its website at: <https://www.sasb.org/>, as well as detailed in SASB's [Conceptual Framework](#) and [annual report](#).

### **About the SASB Alliance and the Investor Advisory Group of the SASB Alliance**

SASB's Alliance is aimed at institutional investors, companies, and related service providers (including credit rating agencies) who believe that standardized, industry-specific, and materiality-based standards can help companies and investors identify and assess sustainable financial performance. Alliance members gain access to non-commercial use of the SASB standards, member briefings, insights on best practices, and peer knowledge exchange. The cost for an organization of LACERA's current asset size (i.e. over \$50 billion) is currently \$8,500 per year.

SASB [Alliance](#) members include leading financial service firms and current LACERA external asset management firms, such as BlackRock, Capital Group, CBRE, State Street Global Advisors, and Wells Fargo Asset Management. Alliance members also include public funds such as CalPERS, CalSTRS, Maryland State Retirement and Pension System, and the Ontario Teachers Pension Plan, among others.

If LACERA opts to join the Alliance, through LACERA's ongoing dialogue with SASB leadership, LACERA would also be invited to participate in the [Investor Advisory Group](#) of the SASB Alliance ("IAG"). The IAG is an invitation-only subgroup of the SASB Alliance. The IAG comprises leading asset owners and asset managers who recognize the need for consistent, comparable, and reliable disclosure of financially-material ESG information and who commit to engaging companies on the use of the SASB standards. Specifically, IAG members agree to:

- Encourage companies to disclose material and decision-useful ESG information to investors.
- Believe standards would improve the quality and comparability of sustainability-related information.
- Believe SASB's approach—which is industry-specific and materiality-focused—will help provide investors with relevant and decision-useful information.
- Agree to participate in SASB's ongoing standards development process, so that outcomes best reflect investor needs.
- Agree to encourage companies to participate in SASB's ongoing standards development process, so that outcomes reflect both issuer and investor viewpoints.
- Believe that SASB standards can inform integration of sustainability factors into investment and/or stewardship processes, such as corporate engagement and proxy voting.

To operationalize the above objectives, SASB expects IAG members to appoint their senior most investment professional and their senior corporate governance professional to actively assist in engagement projects of the working group that encourage companies to provide corporate disclosures consistent with SASB's frameworks. Should LACERA join, it is expected that LACERA would be represented by LACERA's CIO Jon Grabel and corporate governance head, Scott Zdrazil. Staff would actively participate in periodic coordinating meetings to establish priorities and strategy for private company engagements and to further industry reporting of SASB standards. The IAG anticipates sending joint letters to a defined set of portfolio companies, requesting dialogues with IAG members regarding SASB's reporting framework. In 2019, the IAG is engaging approximately 50 firms and the group anticipates a similar number for the coming year. If LACERA affiliates to the SASB IAG, staff would participate in a manageable set of company engagements, not likely to exceed six in the coming year.

## OBSERVATIONS

### Benefits

Staff considers that affiliation to SASB would provide LACERA with educational resources to assist staff in conducting manager due diligence and further integrating ESG into LACERA's investment process. LACERA's support of SASB, particularly through participation in its Investor Advisory Group engagement projects, aligns with LACERA's objective to encourage corporate reporting of financially-material ESG factors. Supporting a market-wide effort such as SASB enables LACERA to amplify its voice through collective action with other leading institutional investors, including both prominent asset owners and asset managers across several asset classes.

### Risks

SASB is a relatively young effort to encourage market-wide reporting of financially-material sustainability factors. The initial SASB standards were released in 2018. LACERA's affiliation may include certain reputational risks, as the organization continues to grow. Staff considers that LACERA can benefit from active involvement in SASB at this stage of its development and input into SASB's work is a constructive means to influence improved market transparency of ESG-related factors.

## CONCLUSION

SASB is an innovative initiative to develop standardized, financially-material, industry-specific, evidence-based, and market-informed ESG corporate reporting. LACERA's affiliation would support SASB's mission and help inform LACERA's ESG integration strategies. LACERA's involvement in SASB engagement efforts through its Investor Advisory Group provides the opportunity for LACERA to have input into SASB strategies and furthers LACERA's objective to promote better corporate reporting of financially-material ESG factors. LACERA affiliation to SASB is therefore recommended.

Attachment

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<sup>i</sup> Ocean Tomo. *Ocean Tomo's Intangible Asset Market Value Study*. January 2015.

<sup>ii</sup> LACERA Chief Investment Officer Jonathan Grabel is a former college classmate, former work colleague, and maintains a personal friendship with Marc Siegel, Partner at EY, and one of nine members of SASB's Standards Board. Mr. Grabel has no financial relationship with Mr. Siegel or EY.



# The Sustainability Accounting Standards Board

Connecting businesses and investors on the financial impacts of sustainability



# The Sustainability Accounting Standards Board (SASB)

## Discussion Topics

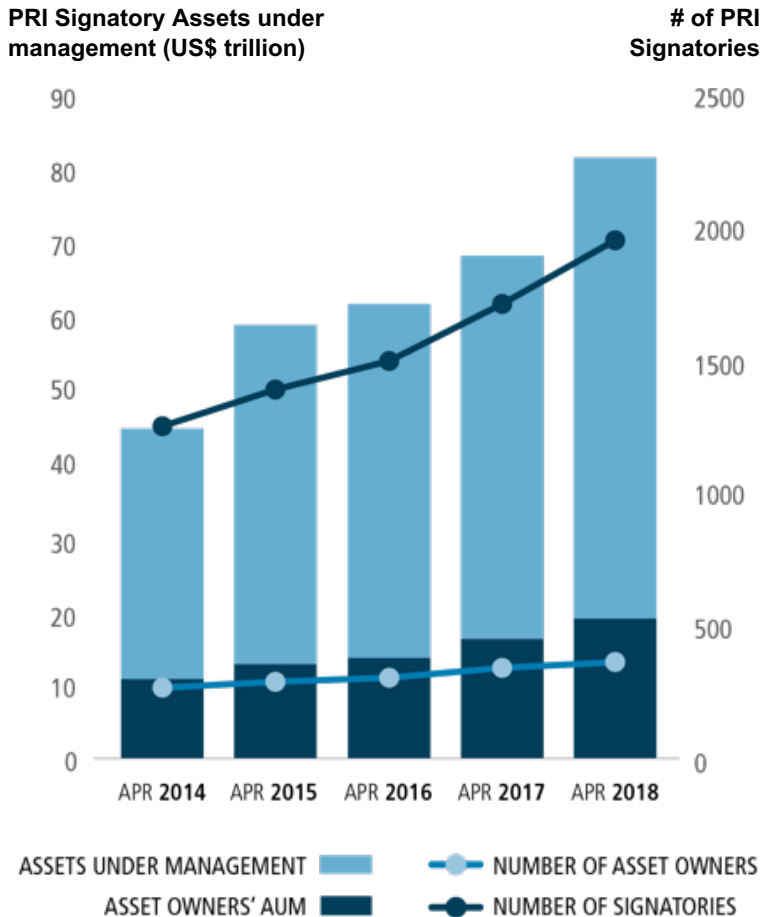
- 1 Growing Investor Interest in Sustainability
- 2 **SASB Overview**
- 3 Rigorous Standards Development Process
- 4 Insights and Tools for Investors
- 5 Market Support for SASB



# Growing Investor Focus on Sustainability

A rapidly increasing share of institutional assets are managed with ESG issues in mind

## Principles for Responsible Investment (PRI) Signatory Growth



## Over 2000 PRI Signatories\* Include:

- 373 asset owners representing USD 19 trillion in assets
- ~70% of the world's top 100 asset managers (incl. Aberdeen Standard, BlackRock, Capital Investment Group, Legal & General, PIMCO, SSGA, Vanguard)

## All PRI signatories commit to\*\*:

- Seek appropriate disclosure on ESG issues by the entities in which they invest
- Incorporate ESG issues into investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into their ownership policies and practices

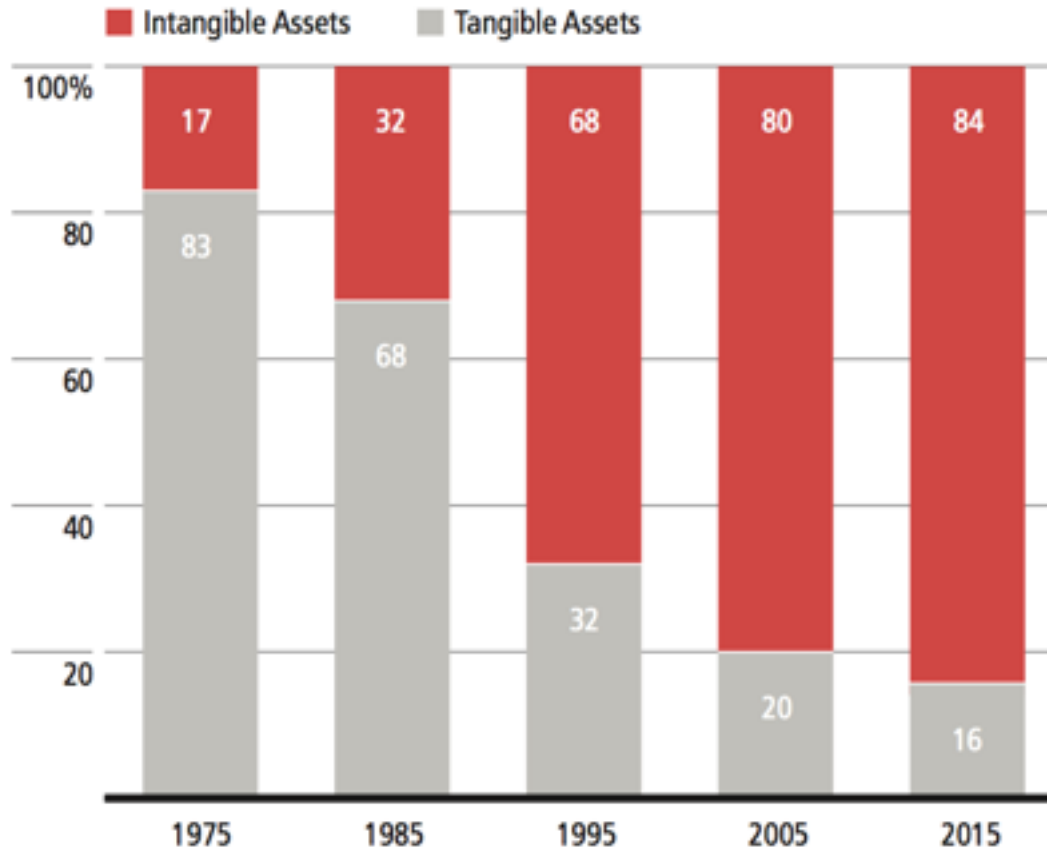
\* As of June, 2018

\*\* Reflects only three of six PRI Principles, to which all signatories commit.



# ESG Factors Can Influence Long-Term Risk and Returns

Changing nature of valuations requires broader information set to understand risk



Intangibles, such as intellectual capital, brand value, customer loyalty are increasing components of corporate valuations

Investors are exposed to risks from relatively infrequent, but high impact ESG-related events (e.g. safety incidents, ethics scandals, natural resource shortages)

ESG factors can give forward looking insight into performance and risk

Source: Ocean Tomo, *Ocean Tomo's Intangible Asset Market Value Study*, September 2017.

# Pain Points for Investors

Investors are dissatisfied with the quality of ESG disclosure

## Company Reporting

vs.

## Investor Needs

Company confidence in the quality of ESG information reported

Investor confidence in the quality of ESG information received from companies

100%

29%

Source: PwC, ESG Pulse, 2016.

# Why?

*It could be because sustainability reporting tends to look like this...*



*...but most investors consume information like this...*



# SASB – Sustainability Accounting Standards Board

Independent, non-profit standards-setting organization for ESG information



**SASB connects businesses and investors on the financial impacts of sustainability**



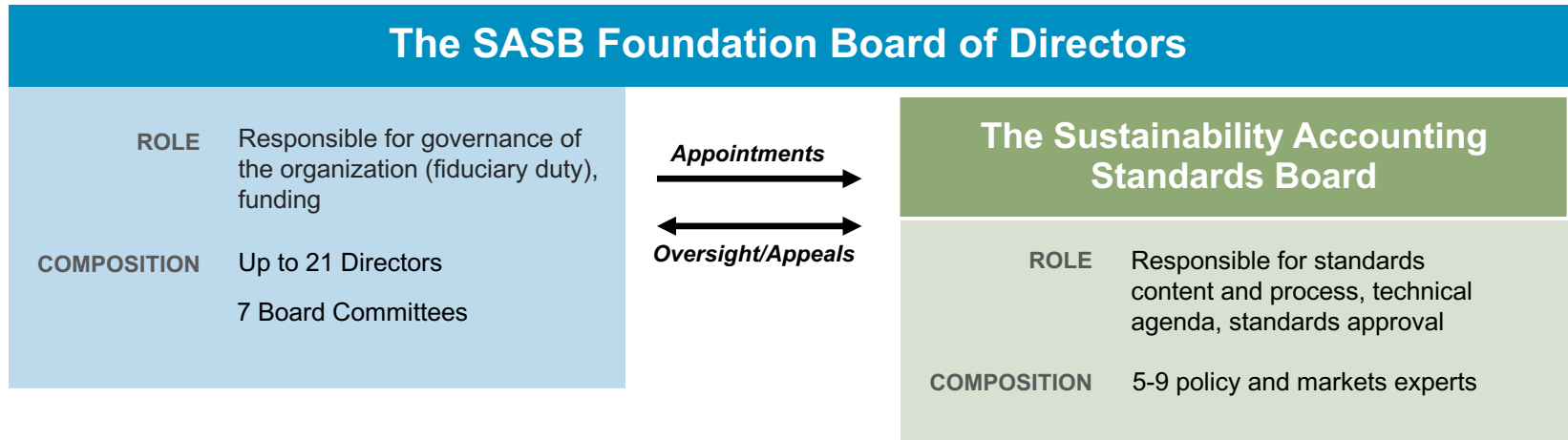
**77 industry-specific disclosure standards**

**Used by companies and investors globally**

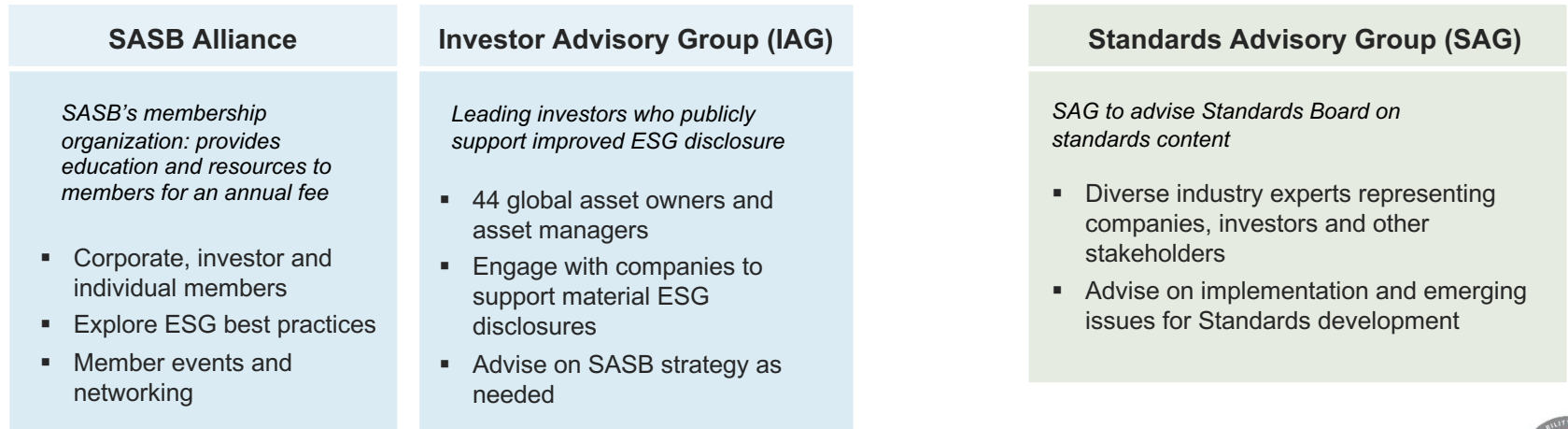


# SASB Governance, Membership and Advisory Bodies

## Governing Bodies



## Membership and Advisory Bodies



# The SASB Foundation Board

Fiduciary duty to oversee the funding and operations of the SASB and staff

## **Robert K. Steel – Chair**

Partner & CEO  
Perella Weinberg Partners

## **Mary Schapiro – Vice Chair**

Promontory Advisory Board Vice Chair  
Former Chairman – SEC

## **Michael R. Bloomberg**

**CHAIRMAN EMERITUS**

Philanthropist, Founder of Bloomberg LP,  
and three-term Mayor of New York City

## **Madelyn Antoncic, PhD**

CEO  
The SASB Foundation

## **Deborah L. DeHaas**

Vice Chairman and National Managing  
Partner of the Center for Board  
Effectiveness, Deloitte

## **Clara Miller**

President – The F.B. Heron Foundation

## **Alan Beller**

Senior Counsel  
Cleary Gottlieb Steen & Hamilton

## **Steven O. Gunders, CPA**

Partner – Deloitte & Touche LLP (Retired)

## **Laura Tyson, PhD**

Director, Institute for Business and Social Impact  
Berkeley Haas School of Business

## **Rudi Bless**

Chief Accounting Officer  
Bank of America

## **Kenneth Goldman**

President – Hillspire

## **Elisse Walter, JD**

Former Chairman – SEC

## **Else Bos**

Executive Director and Chair  
Prudential Supervision  
De Nederlandsche Bank

## **Robert H. Herz**

Former Chairman – FASB

## **Matthew Welch**

President  
The SASB Foundation

## **Audrey Choi**

CEO  
Institute for Sustainable Investing,  
Morgan Stanley

## **Jim McIntire**

Former Treasurer, State of Washington

## **Jay Willoughby**

CIO – TIFF

## **Paula Loop**

Assurance Partner and Leader of  
Governance Insights Center,  
PricewaterhouseCoopers

## **Chuck Zegar**

Philanthropist, Co-Founder of Bloomberg LP



# The Sustainability Accounting Standards Board

Independent board responsible for all aspects of standards setting

## Jeffrey Hales, PhD

Chair

Professor, Georgia Institute of Technology –  
Ernest Scheller Jr. College of Business  
*Sector Chair for Renewable Resources &  
Alternative Energy*

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## Verity Chegar

Co-Vice Chair

Vice President, BlackRock  
*Sector Chair for Extractives & Minerals Processing*

## Robert Hirth, Jr.

Co-Vice Chair

Senior Managing Director, Protiviti  
Chairman Emeritus, Committee of Sponsoring Organizations  
of the Treadway Commission (COSO)  
*Sector Chair for Technology & Communications*

## Kurt Kuehn

Former CFO, UPS

*Sector Chair for Transportation & Infrastructure*

## Lloyd Kurtz, CFA

Senior Portfolio Manager, Head of Social Impact Investing,  
Wells Fargo Private Bank  
*Sector Chair for Health Care & Resource Transformation*

## Daniel L. Goelzer, JD

Senior Counsel, Baker & McKenzie  
LLP, Inc.  
*Sector Chair for Services*

## Elizabeth Seeger

Head of Sustainable Investing, KKR  
*Sector Chair for Consumer Goods*

## Marc Siegel

Partner - EY  
*Sector Chair for Financials*

## Stephanie Tang, JD

Director of Legal, Corporate Securities,  
Stitch Fix  
*Sector Chair for Food & Beverage*





# The SASB Difference

SASB standards are created for the market, by the market

-  **Financially Material**
-  **Decision-Useful**
-  **Cost-Effective**
-  **Industry-Specific**
-  **Evidence-Based**
-  **Market-Informed**

# The SASB Approach to Financial Materiality

Standards targeted to the needs of investors for financially relevant ESG information



SASB Standards

Identify ESG factors reasonably likely to affect the *financial condition or operating performance* of companies within an industry

REQUIRE

**Evidence of Investor Interest**

AND

**Evidence of Financial Impact**

# Designed for communications to investors

Meet investor needs for comparable, consistent, reliable data

Financial  
Accounting  
Standards



International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (GAAP) govern presentation of the financial statements

Communications  
to Investors



- **Integrated Reports**
- **Annual Reports**
- **Regulatory Filings**
- **Other Investor Communications**



SASB Disclosure Topics and Metrics designed to guide management's discussion and analysis, risk analysis, strategic analysis as appropriate



SASB standards are acknowledged by the EU as a framework for use to provide information pursuant to *Directive 2014/95/EU* on non-financial reporting.

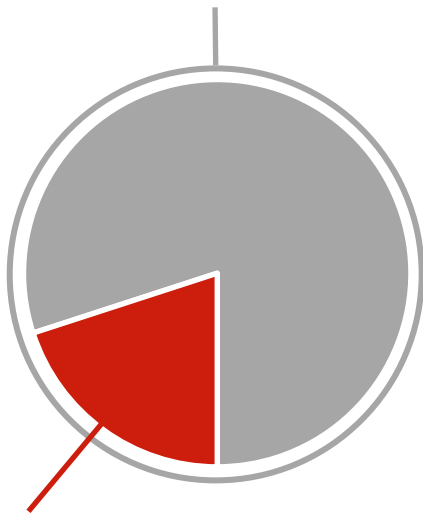


# Complementary Efforts

Target sustainability information to specific audiences for specific purposes

## Relevant Information

All environmental, social, and governance topics of interest to a wide range of stakeholders



## Financially Material Data

Sustainability factors *reasonably likely to affect the financial condition or operating performance of a company*



**Broadest Range of Stakeholders**



**Investors**

# SASB Enables Robust TCFD Implementation

Industry-specific metrics and targets provide actionable information on climate risk



**SASB metrics are among the frequently referenced tools cited by TCFD for implementing TCFD Recommendations.**

**Metrics and targets are critical to more effective governance, strategy, and risk management – the “outer layers” of the TCFD “onion”.**

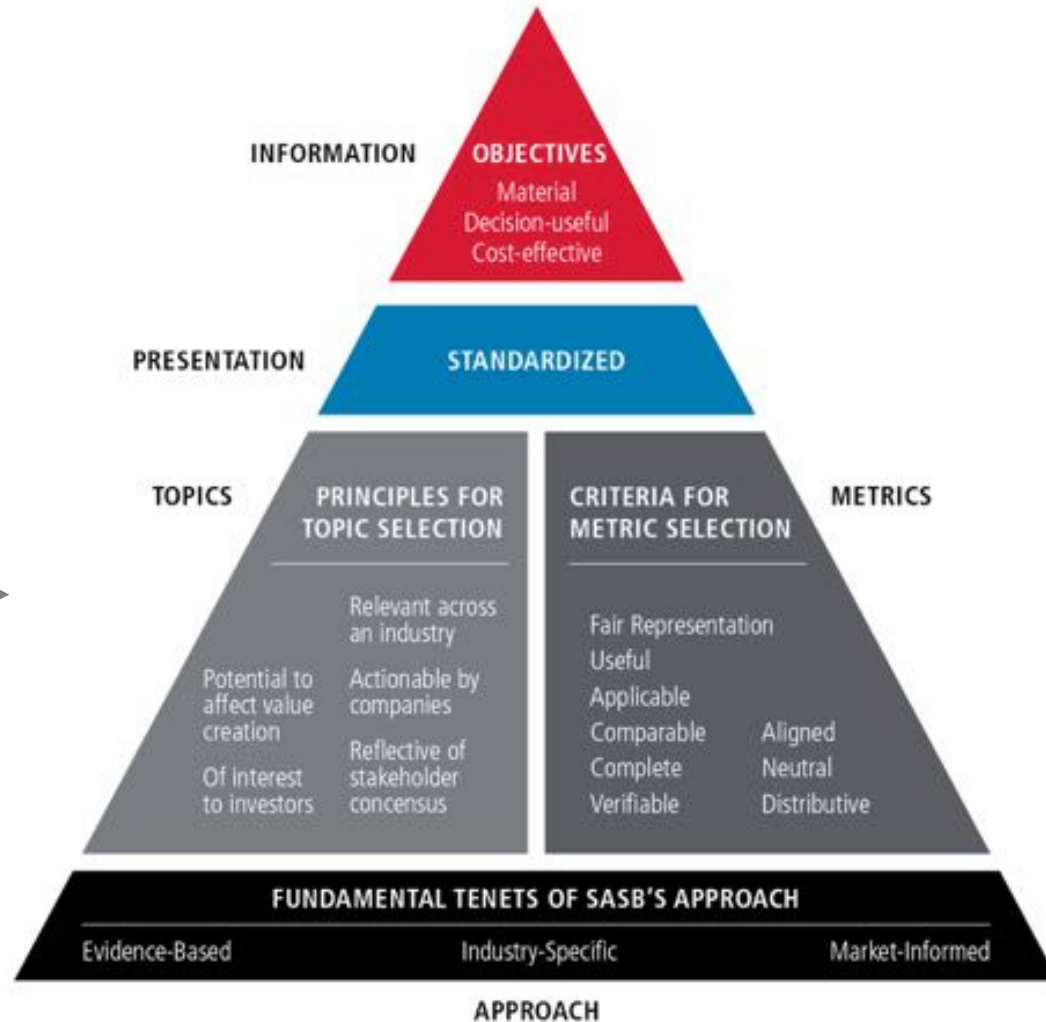
# Rigorous Standards Development Process



# SASB's Conceptual Framework Guides Standards Development

Clear criteria govern disclosure topic and metric selection

**Materiality  
Determination**



# Industries Grouped by Resource Intensity & Sustainability Impacts

Sustainable Industry Classification System (SICS®): 77 industries within 11 sectors



## Consumer Goods

- Apparel, Accessories & Footwear
- Appliance Manufacturing
- Building Products & Furnishings
- E-Commerce
- Household & Personal Products
- Multiline and Specialty Retailers & Distributors
- Toys & Sporting Goods



## Extractives & Minerals Processing

- Coal Operations
- Construction Materials
- Iron & Steel Producers
- Metals & Mining
- Oil & Gas - Exploration & Production
- Oil & Gas - Midstream
- Oil & Gas - Refining & Marketing
- Oil & Gas – Services



## Financials

- Asset Management & Custody Activities
- Commercial Banks
- Consumer Finance
- Insurance
- Investment Banking & Brokerage
- Mortgage Finance
- Security & Commodity Exchanges



## Food & Beverage

- Agricultural Products
- Alcoholic Beverages
- Food Retailers & Distributors
- Meat, Poultry & Dairy
- Non-Alcoholic Beverages
- Processed Foods
- Restaurants
- Tobacco



## Health Care

- Biotechnology & Pharmaceuticals
- Drug Retailers
- Health Care Delivery
- Health Care Distributors
- Managed Care
- Medical Equipment & Supplies



## Infrastructure

- Electric Utilities & Power Generators
- Engineering & Construction Services
- Gas Utilities & Distributors
- Home Builders
- Real Estate
- Real Estate Services
- Waste Management
- Water Utilities & Services



## Renewable Resources & Alternative Energy

- Biofuels
- Forestry Management
- Fuel Cells & Industrial Batteries
- Pulp & Paper Products
- Solar Technology & Project Developers
- Wind Technology & Project Developers



## Resource Transformation

- Aerospace & Defense
- Chemicals
- Containers & Packaging
- Electrical & Electronic Equipment
- Industrial Machinery & Goods



## Services

- Advertising & Marketing
- Casinos & Gaming
- Education
- Hotels & Lodging
- Leisure Facilities
- Media & Entertainment
- Professional & Commercial Services



## Technology & Communications

- Electronic Manufacturing Services & Original Design Manufacturing
- Hardware
- Internet Media & Services
- Semiconductors
- Software & IT Services
- Telecommunication Services



## Transportation

- Air Freight & Logistics
- Airlines
- Auto Parts
- Automobiles
- Car Rental & Leasing
- Cruise Lines
- Marine Transportation
- Rail Transportation
- Road Transportation



# Evaluation of Materiality of Sustainability Issues in Each Industry

SASB's research process starts with a broad universe of sustainability issues

## Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

## Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



## Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

## Social Capital

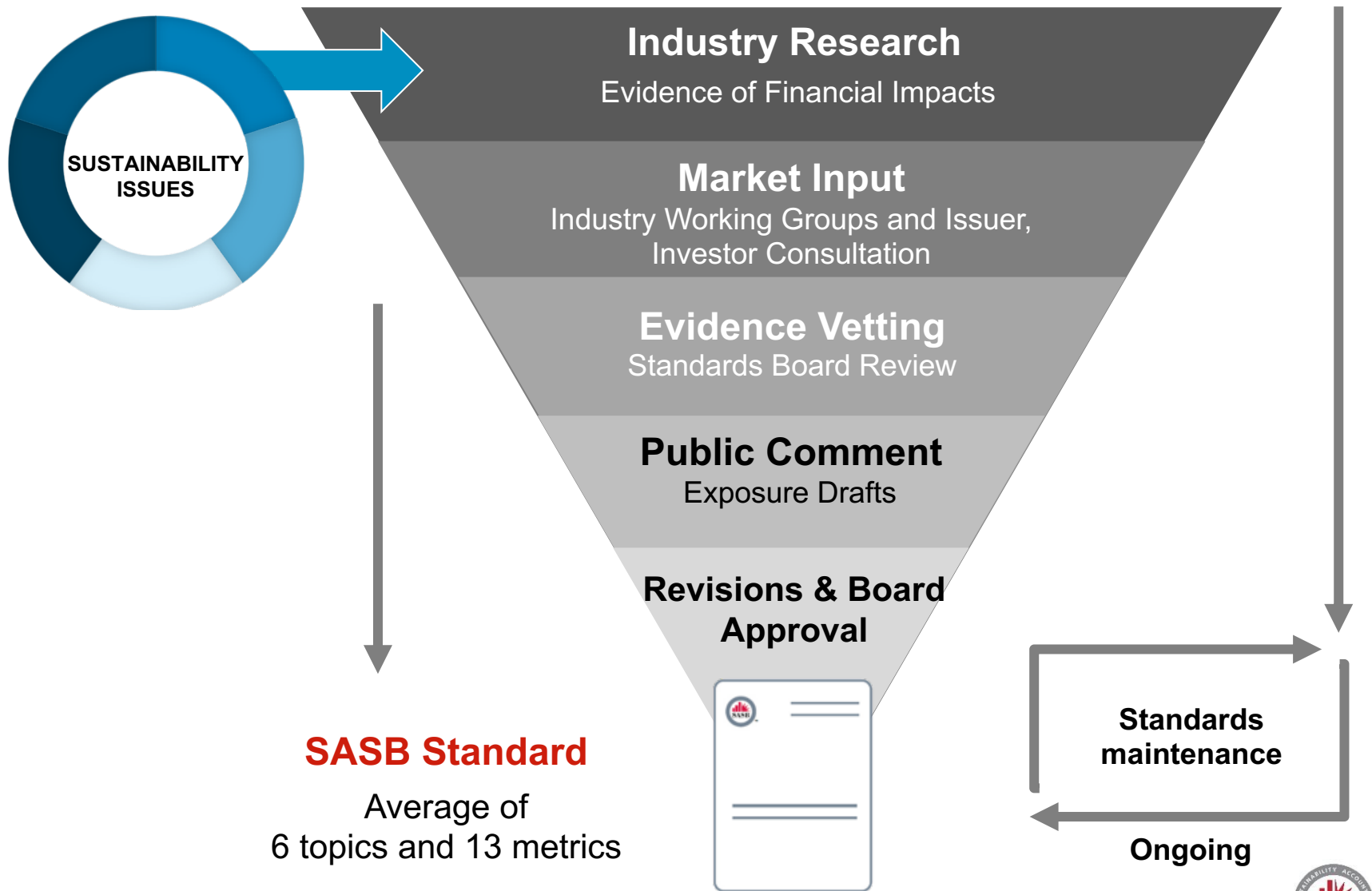
- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

## Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

# Rigorous Process Drives SASB Standards

Standards for each industry are rooted in evidence and shaped by market input



# SASB Standards Reflect Significant Market Input

Market feedback has strengthened the Standards throughout their development



Over 6 years, thousands of corporate professionals, investors, and industry experts have provided input on the standards

# Disciplined Focus on Direct Financial Impacts

SASB identifies disclosure topics with evidence of impact on financial condition, operating performance or risk

**Financial Impact**

REVENUE

COST

ASSETS & LIABILITIES

COST OF CAPITAL

**Types of Financial Drivers**

Demand for Core Products and Services

Intangible Assets and Long-Term Growth

Operational Efficiency/Cost Structure

Valuation of Core Assets and Liabilities

Governance, License to Operate and Risk

**Disclosure Topics Examples**

Health & nutrition in processed foods

Diverse workforce in technology

Energy-efficient chemicals production

Stranded assets



Operational safety of gas pipelines

# Materiality Approach Supported by External Research

Research studies reinforce the value of SASB's materiality framework

*Harvard Business School and Russell Investments find that performance on material ESG issues identified by SASB is a better predictor of return than traditional ESG issues*

## Differences in four-factor alphas (High – Low Quintile Performance)

		SASB-based ESG issues	Immaterial ESG issues	Total ESG issues
 <p><b>HARVARD BUSINESS SCHOOL</b></p> <p>“Corporate Sustainability: First Evidence on Materiality”<sup>1</sup></p>	MSCI KLD Data (1991-2013)	<b>4.18%</b>	3.37%	2.93%
	 <p><b>Russell Investments</b></p> <p>“Materiality Matters”<sup>2</sup></p>	Sustainalytics Data (2012-2017)	<b>1.19%</b>	0.30%

Sources:

1. Mozaffar Khan, George Serafeim, and Aaron Yoon, The Accounting Review, Vol. 91, No. 6, Nov. 9, 2016. Results for value-weighted portfolios of firms scoring at the bottom and top quintiles of the total, material, and immaterial sustainability indexes.
2. Emily Steinbarth, Scott Bennett, Russell Investment Management Ltd., Feb. 2018. Differences in the four-factor alphas of high and low portfolios formed on the basis of Material and Immaterial Sustainability Issues.



# Robust Standards Designed to Provide Decision-Useful Information

SASB standards contain industry-specific disclosure topics, metrics, and guidance

Industry-specific disclosure topic

Accounting metrics

Technical protocol for compiling data

Activity metrics for normalization

**Table 1. Sustainability Disclosure Topics & Accounting Metrics**

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	Metric tons CO <sub>2</sub> e (t), Percentage (%)	EM-EP-110a.1
Air Quality	Air emissions of nitrogen dioxide (NO <sub>2</sub> ), organic particulates, and volatile organic compounds (VOCs)	Qualitative	None	EM-EP-110a.2
Water Management	(1) Total water withdrawn, (2) total water consumed, (3) total water recycled, (4) total water discharged	Quantitative	Cubic meters (m <sup>3</sup> )	EM-EP-110a.3

**EM-EP-110a.1. Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations**

1 The entity shall disclose its gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the seven GHGs covered under the Kyoto Protocol—carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).

1.1 Emissions of all GHGs shall be consolidated and disclosed in metric tons of carbon dioxide equivalent (CO<sub>2</sub>e), and calculated in accordance with published 100-year time horizon global warming potential (GWP) values. To date, the preferred source for GWP values is the Intergovernmental Panel on Climate Change (IPCC).

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	Quantitative	Thousand barrels per day (Mtb/day), Million standard cubic feet per day (MMscf/day)	EM-EP-000.A
Number of offshore sites	Quantitative	Number	EM-EP-000.B
Number of terrestrial sites	Quantitative	Number	EM-EP-000.C



# Efficient and Cost-Effective Disclosures

SASB provides a cost-effective way to report on material sustainability topics

**SASB standards average 6 topics and 13 metrics (74 percent quantitative) per industry.**

**SASB metrics are aligned with over 200 existing frameworks, regulations, and certifications.**

## Example: Biotechnology & Pharmaceuticals Industry

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Safety of Clinical Trial Participants	Discussion, by world region, of management process for ensuring quality and patient safety during clinical trials	Discussion and Analysis	n/a	HC-BP-210a.1
	Number of FDA Sponsor inspections related to clinical trial management and pharmacovigilance that resulted in: (1) Voluntary Action Indicated (VAI) and (2) Official Action Indicated (OAI)	Quantitative	Number	HC-BP-210a.2
	Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries <sup>1</sup>	Quantitative	Reporting currency	HC-BP-210a.3
Access to Medicines	Description of actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index	Discussion and Analysis	n/a	HC-BP-240a.1
	List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)	Discussion and Analysis	n/a	HC-BP-240a.2
Affordability & Pricing	Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period	Quantitative	Number	HC-BP-240b.1
	Percentage change in: (1) average list price and (2) average net price across U.S. product portfolio compared to previous year	Quantitative	Percentage (%)	HC-BP-240b.2

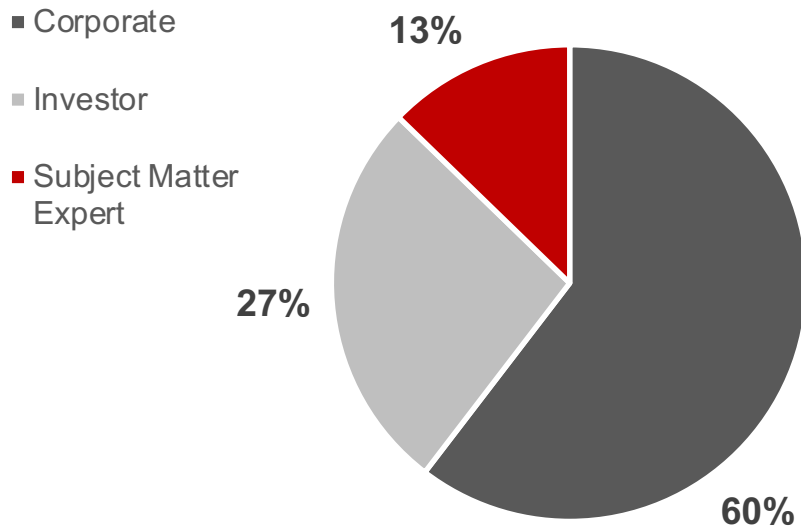


# Ongoing Standards Development Process

SASB standards will be maintained to evolve along with the markets they serve

SASB has created the **Standards Advisory Group** that comprises volunteer industry experts from leading companies, investors, and third party experts. These individuals will **provide feedback to SASB on issues that should be considered in the standards maintenance process.**

## SAG Member Highlights



Over 140 experts have been named to date, representing a range of organizations and industries from across the globe.

### Members include the following individuals:

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*Keir Gumbs, Associate General Counsel, Global Corporate, M&A and Securities and Deputy Corporate Secretary, Uber Technologies*

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*Midori Sasaki, Manager ESG Communication Group, Tokyo Electric Power Company Holdings, Inc.*

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*Manjula Chummun, Head of Finance- Group Projects & Transformation, Tesco*

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*Alison Schneider Director, Responsible Investment, Alberta Investment Management Corporation*

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*David Kinney, Director, Investor Relations, LyondellBasell*

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*Cora Olsen Global Lead Integrated Reporting Novo Nordisk*

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*Hubert Ban, VP Technical Accounting & SEC Reporting Salesforce*

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*Ryan Bennett, Senior Analyst and Portfolio Manager, Schroders*

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*Matt Lanstone, Partner, Capital Group*

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*Michael Tovey, Head of Accounting Policy, Bank of America*

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*Vhangwele Manavhela, ESG Manager, Public Investment Corporation*

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*Tiffany Finley, Materiality and Stakeholder Engagement Lead, Target*



# How Investors Use SASB



# Better Data, Better Decisions

SASB standards can enhance a variety of investment processes

- Identify priority issues for **corporate engagement**
- Improve quality of **fundamental equity and credit analysis** by incorporating a broader information set
- **Construct alternative indices** consisting of companies with strong performance on SASB's metrics
- Expand **risk reporting** to encompass sustainability risks in addition to traditional risk measures like volatility
- Develop a better understanding of sector-specific risks to inform **risk allocation and risk management**



# Insight Across Multiple Asset Classes

SASB standards enable ESG integration across multiple asset classes

## PUBLIC EQUITIES

- Data-driven corporate engagement
- Input to fundamental equity analysis
- Construct alternative indices

## CORPORATE FIXED INCOME

- Input to credit analysis and internal credit rating assignment
- Assess quality of disclosure for insight into risk

## PRIVATE EQUITY

- Identify focus areas for fund and portfolio company due diligence
- Report to GPs and LPs on performance on material ESG topics

## REAL ASSETS

- Use SASB's Infrastructure sector standards to guide risk assessment and performance reporting for real assets

# SASB's Materiality Map<sup>®</sup>

A first view of exposure to material sustainability risks across a diversified portfolio



## SASB Materiality Map<sup>®</sup>

SASB's Materiality Map<sup>®</sup> identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry. In the left-hand column, SASB identifies 26 sustainability-related business issues, or General Issue Categories, which encompass a range of Disclosure Topics and their associated Accounting Metrics that vary by industry. For example, the General Issue Category of Customer Welfare encompasses both the Health and Nutrition topic in the Processed Foods Industry and the Counterfeit Drugs topic in the Health Care Distributors Industry. For commercial use terms of the Materiality Map, [please contact us](#).

## Sector Level Map

- Issue is likely to be material for more than 50% of industries in sector
- Issue is likely to be material for fewer than 50% of industries in sector
- Issue is not likely to be material for any of the industries in sector

## Industry Level Map

- Not likely a material issue for companies in the industry
- Likely a material issue for companies in the industry

		Consumer Goods	Extractives & Minerals Processing								Financial
Dimension	General Issue Category <sup>®</sup>	Click to expand	Coal Operations	Construction Materials	Iron & Steel Producers	Metals & Mining	Oil & Gas - Exploration & Production	Oil & Gas - Midstream	Oil & Gas - Refining & Marketing	Oil & Gas - Services	Click to expand
Environment	GHG Emissions		■	■							
	Air Quality			■							
	Energy Management	■	■	■	■	■	■	■	■	■	■
	Water & Wastewater Management		■	■			■				
	Waste & Hazardous Materials Management			■							
	Ecological Impacts			■				■			
Social Capital	Human Rights & Community Relations			■		■	■				
	Customer Privacy										■
	Data Security										■
	Access & Affordability										■
	Product Quality & Safety	■									
Human Capital	Customer Welfare										■
	Selling Practices & Product Labeling										■
	Labor Practices		■	■		■					
	Employee Health & Safety		■	■		■	■		■	■	
Business Model & Innovation	Employee Engagement, Diversity & Inclusion			■							■
	Product Design & Lifecycle Management			■					■		■
	Business Model Resilience		■	■			■				
	Supply Chain Management	■			■						
	Materials Sourcing & Efficiency			■							
	Physical Impacts of Climate Change			■							■



# Comparing Fundamentals, Competing on Performance

SASB standards enable peer-to-peer comparisons and industry benchmarking

Illustrative

**SASB Metrics**

**Peer comparison**

**Benchmarking**

**Consistent units**

Company Name & Ticker	Greenhouse Gas Emissions			Energy Management			Water Management		Waste & Hazardous Materials Management		Security, Human Rights, and Rights of Indigenous Peoples		Labor Practices		Workforce Health, Safety, and Well-Being	
	Gross Scope 1 Emissions	Total Energy Consumption	Electricity Used	% Renewable Energy	Total Water Use	% Water Use Recycled	Total Weight of Tailings Waste	% Recycled Tailings Waste	Proven Reserves, Areas of Conflict	Proven Reserves, Indigenous Land	% of Workforce Covered by Bargaining	Number of Strikes / Lockouts	WORA All-Incidence Rate	Fatality Rate		
	Millions of Metric Tons of CO2 equivalent	Thousands of Megawatt-Hours	Thousands of Megawatt-Hours	%	Thousands of Cubic Meters	%	Thousands of Metric Tons	%	Millions of Metric Tons	Millions of Metric Tons	%	Number	Rate	Rate		
Antero International	15.4	121,178.3	81,178.3	67.0	881,000.0	29.0	138,000.0	40.0	4.50	7.0	73.00	1.0	0.0	0.0000		
Barrick Inc.	20.7	84,308.0	23,200.0	27.5	448,200.0	31.8	151,000.0	37.8	1.40	3.0	54.00	0.0	0.0	0.0000		
Freeport-McMoan Copper & Gold	14.0	94,384.0	18,111.0	19.2	1,028,000.0	41.0	11,000.0	18.0	0.30	0.0	96.00	0.0	0.0	0.0000		
Aluminum	20.2	121,080.0	80,478.0	66.4	88,000.0	-	-	-	-	-	81.7	1.0	1.7	0.0011		
Freeport	8.0	28,303.0	9,722.0	-	1,490,000.0	80.0	213,000.0	94.0	2.10	1.0	48.00	-	0.0	0.0000		
Wendell	38.0	100,800.0	300.0	-	432,000.0	10.0	28,000.0	28.0	0.20	0.00	57.40	0.0	1.0	0.0002		
Metals Mining	2.8	11,283.0	4,208.0	3.8	894,200.0	28.0	158,000.0	30.0	0.30	3.2	61.00	-	0.0	0.0044		
Industry Average	18.2	78,328.0	24,786.0	19.0	881,843.4	43.2	122,983.3	40.2	1.8	3.0	62.0	0.0	0.7	0.0126		
Industry Median	19.8	92,400.0	18,111.0	29.0	894,200.0	30.0	158,000.0	30.0	1.2	2.8	57.8	0.0	0.8	0.0130		

Peer comparison

Complete data set

Benchmarking

Consistent units



# Focus Investment Analysis on Material ESG Issues

Several data providers now provide a SASB “lens” on their ESG data

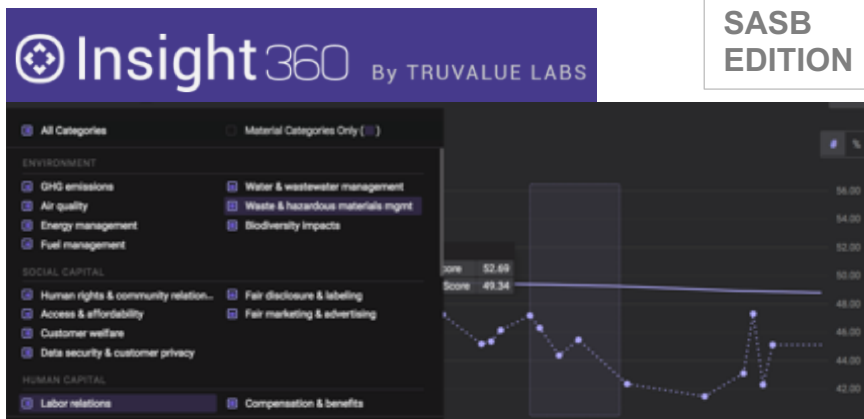
## Bloomberg

ESG DATA SNAPSHOT

Excel template displaying Bloomberg data for a company’s performance on SASB metrics

5 years of data  
(where available)

Bloomberg Function:  
XLTP XESG <GO>



AI technology that filters, cleans, indexes, and scores unstructured data (e.g. news) about public companies in near real-time

Defaults to SASB’s material industry topics; also allows users to customize with all 30 general sustainability issue categories

Supplements static annual ESG data disclosures

THOMSON REUTERS

EIKON™

SASB EDITION



Thomson Reuters data organized by a company’s performance on SASB metrics

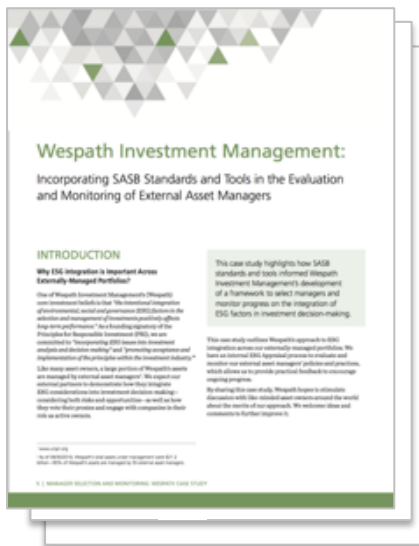
Accessed via Insight 360 SASB Edition on Eikon

# Best Practices from Leading Investors

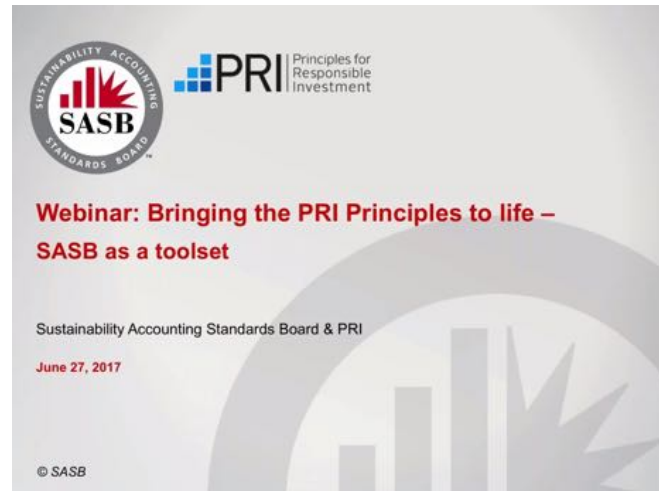
SASB ESG Integration Insights provides case studies on using SASB standards

Thought leadership series demonstrating use of SASB standards by institutional investors

## Case studies



## Webinars



## Case studies compiled and published annually



\*ESG Integration Insights is available in the SASB Library at [www.sasb.org](http://www.sasb.org)



# SASB Tools for Investors

## Comprehensive resources for using the Standards

A **network** dedicated to supporting a market standard for material sustainability information

The only **conference** at the intersection of sustainability, finance, accounting, and law

A **platform** to access standards, evidence, and disclosure data



A **credential** to master the link between sustainability and financial performance

Empowering **commercial use** of SASB IP in processes and products



# Market Support for SASB



# Institutional Investors Supporting Improved ESG Disclosure

SASB's Investor Advisory Group includes investors with over \$33 trillion in assets

## Asset Owner IAG Members



# Institutional Investors Supporting Improved ESG Disclosure

SASB's Investor Advisory Group includes investors with over \$33 trillion in assets

## Asset Manager IAG Members



# Increasing Signs of Corporate Adoption (YTD May)

SASB standards used in public reports\*

See the disclosures and more:

[sasb.org/company-use](https://sasb.org/company-use)



DIGITAL REALTY



MOTOROLA SOLUTIONS SHORENSTEIN



\* Reports published between 2015 and 2019; Includes partial use of standards



# Companies Are Using SASB in Investor Communications

Example: Nike Investor Relations website

## SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

SASB is an independent, private sector standards-setting organization dedicated to enhancing the efficiency of the capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs. The table below cross-references the SASB accounting metrics with where that information can be found in NIKE's FY16/17 Sustainable Business Report (SBR) and Sustainability Website.

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	DATA	REFERENCE
MANAGEMENT OF CHEMICALS IN PRODUCTS	Description of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	N/A	CN0501-01		<ul style="list-style-type: none"> <li>SBR: <a href="#">Chemistry</a> (Measure: 100% compliance with NIKE RSL)</li> <li><a href="#">Approach to Chemistry</a></li> <li><a href="#">Chemistry Playbook</a></li> </ul>
	Description of processes to assess and manage risks associated with chemicals in products	Discussion and Analysis	N/A	CN0501-02		<ul style="list-style-type: none"> <li>SBR: <a href="#">Chemistry</a> (Target: Enable Zero Discharge of Hazardous Chemicals)</li> <li><a href="#">Approach to Chemistry</a></li> <li><a href="#">Chemistry Playbook</a></li> </ul>
RAW MATERIAL SOURCING & INNOVATION	Discussion of environmental and social risks associated with sourcing priority materials	Discussion and Analysis	N/A	CN0501-03		<ul style="list-style-type: none"> <li>SBR: <a href="#">Materials</a> (Target: Increase use of more sustainable materials in footwear and apparel)</li> <li><a href="#">Sustainable Materials</a></li> <li><a href="#">Sustainable Materials Principles</a></li> </ul>
	Percentage of raw materials (third-party certified to an environmental or social sustainability standard, by standard)	Quantitative	Percentage (%) by weight	CN0501-04	Materials of FY17: <ul style="list-style-type: none"> <li><b>Cotton</b> <ul style="list-style-type: none"> <li>Organic: 8%</li> <li>Recycled: &lt;1%</li> <li>BCI: 46%</li> </ul> </li> <li><b>Polyester</b> <ul style="list-style-type: none"> <li>Recycled: 14%</li> </ul> </li> <li><b>Corrugate</b> <ul style="list-style-type: none"> <li>Recycled: 84%</li> </ul> </li> <li><b>Rubber</b> <ul style="list-style-type: none"> <li>Environmentally preferred rubber: 98%</li> </ul> </li> <li><b>Foam</b> <ul style="list-style-type: none"> <li>Recycled EVA foam: &lt;1%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>SBR: <a href="#">Materials</a> (Target: Increase use of more sustainable materials in footwear and apparel)</li> <li><a href="#">Sustainable Materials</a></li> <li><a href="#">Sustainable Materials Principles</a></li> </ul>
LABOR CONDITIONS IN THE SUPPLY CHAIN	Percentage of (1) tier 1 suppliers and (2) suppliers beyond tier 1 that have been audited to a labor code of conduct, percentage conducted by a third-party auditor	Quantitative	Percentage (%)	CN0501-05	100% of Tier 1 suppliers audited to Code of Conduct, which includes environmental data collection <ul style="list-style-type: none"> <li>4% audited by third-party auditor</li> </ul> Suppliers beyond Tier 1 audited to Code of Conduct <ul style="list-style-type: none"> <li>N/A. We disclose a number of strategic material suppliers (Tier 2) on our <a href="#">Manufacturing Map</a> along with finished goods factories.</li> </ul>	<ul style="list-style-type: none"> <li>SBR: <a href="#">Sustainable Sourcing</a> (Target: Source 100% from factories that meet our definition of sustainable)</li> <li><a href="#">NIKE's Sourcing and Manufacturing Standards</a></li> </ul>
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	Rate	CN0501-06	In FY17, 9.1% of audits were rated below Bronze (non-conformance)	<ul style="list-style-type: none"> <li>SBR: <a href="#">Sustainable Sourcing</a> (Target: Source 100% from factories that meet our definition of sustainable)</li> <li><a href="#">NIKE's Sourcing and Manufacturing Standards</a></li> </ul>



# Toward a Market Standard

## What institutional investors can do to help

- **Encourage companies** to disclose material and decision-useful ESG information to investors
- **Publicly support the need for a market standard** and SASB's industry-specific and materiality-based approach
- **Use SASB standards/metrics** to inform investment decision making, risk management and investment stewardship processes
- Participate in a **Standards Advisory Group**
- Express the need for a SASB “lens” on information to **data providers**
- Ask investment managers about use of the SASB standards during **manager selection and monitoring**
- Encourage staff to obtain the **FSA Credential**
- Join the **SASB Alliance**





**Accounting for a  
Sustainable Future**



July 24, 2019

TO: Each Member  
Board of Investments

FOR: Board of Investments Meeting of August 14, 2019

SUBJECT: Principles for Investment (PRI) and Responsible Investment in Real Assets on September 9 -12, 2019 in Paris, France

The Principles for Investment (PRI) in Person 2019 taking place on September 10-12, 2019 in Paris, France was approved by the Board of Investments on July 2, 2019. PRI will also be hosting the Responsible Investment in Real Assets, which is a half-day event dedicated to responsible investment in real assets prior to the PRI in Person 2019 event on September 9, 2019 in Paris, France. This is the first time the PRI has organized such an event and it reflects the trend of increased allocation to these asset classes and a recognition of the vital role they will play in fighting climate change and achieving the Sustainable Development Goals. The event will bring together leading asset owners, investment managers and other actors with a stake in the industry to discuss the most pressing ESG issues through a mixture of panel discussions, roundtables, workshops and presentations.

The main conference highlights include the following:

- ESG Trends in Real Assets
- Staying Ahead of the Impact Curve
- The EU Taxonomy
- Understanding Blockchain and its Role in Responsible Investing

The conference meets LACERA's policy on an average of five (5) hours of substantive educational content per day. Registration is complimentary 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 and Responsible Investment in Real Assets on September 9 -12, 2019 in Paris, France and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.



LA BANQUE POSTALE ASSET MANAGEMENT AND THE PRI PRESENT



**RESPONSIBLE INVESTMENT  
IN REAL ASSETS**

**Date: Monday, September 9, 2019**

**Time: 12.15pm – 7pm CET**

**Location: Auditorium Paris Monceau, 12 Avenue Marceau, Paris**

**Hosted by: La Banque Postale Asset Management**

The PRI is organizing a half-day event dedicated to responsible investment in real assets. This is the first time the PRI has organized such an event and it reflects the trend of increased allocation to these asset classes and a recognition of the vital role they will play in fighting climate change and achieving the Sustainable Development Goals.

The event will bring together leading asset owners, investment managers and other actors with a stake in the industry to discuss the most pressing ESG issues through a mixture of panel discussions, roundtables, workshops and presentations.

## Draft Agenda

**12.15** Registration opens

**13.00** Welcome introduction (LBPAM)

**Presentation: ESG trends in real assets**

**13.05**

A joint presentation by the PRI and GRESB on the trends from their latest reporting results.

**Panel: A scenario where everyone uses different scenarios**

**13.25**

- Measuring how your portfolio compares to a Paris-compliant trajectory
- Practical steps you can take to get your assets on the right course
- Achieving alignment between asset owners and managers

**Panel: Staying ahead of the impact curve**

**14.15**

- In a world where everyone is talking about impact, what does it take to be a leader?
- What tools and guidance are available to support real assets investors?
- Aligning impact with the SDGs – examples of how the SDGs can provide a framework for articulating impact.

**15.05**

Coffee break

**Briefing: The EU taxonomy**

A technical overview of the categories in the EU taxonomy which relate to real assets:

**15.20**

- Agriculture and forestry
- Buildings
- Electricity, gas, steam and air conditioning supply
- Transport

**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><b>2A. The role of central banks and supervisors in achieving the objectives of the 2015 Paris climate agreement</b></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"> <li>• what is the role for Central Banks in the near-term regarding climate risk?</li> <li>• what are the implications for institutional investors?</li> <li>• how can investors support Central Banks in their climate mitigation activities?</li> </ul>	<p><b>2B. Session TBC</b></p>	<p><b>2C. The 10 billion people challenge: Building a sustainable global food system</b></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"> <li>• the environmental and social issues in agricultural supply chains;</li> <li>• the efforts by companies and investors to transform these sectors so they are fit for purpose;</li> <li>• the obstacles to a sustainable global food system and how to overcome them.</li> </ul>
	<p><b>2D. Raising climate ambition through 2020 and beyond</b></p> <p>Taking stock of the Paris Agreement 2020 country pledges, this session will:</p> <ul style="list-style-type: none"> <li>• discuss The Investor Agenda's 2019 Global Investor Statement, as well as notable investor reallocation announcements;</li> <li>• review Climate Action 100+ investor wins and priorities for 2020.</li> </ul>	<p><b>2E. ASSET OWNER SESSION</b></p> <p><b>The crucial role of asset owners in mobilising responsible investment</b></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"> <li>• discuss how asset owners can create a multiplier effect throughout the investment market;</li> <li>• explore two best-practice case studies with an investment manager and a company.</li> </ul>	<p><b>2F. Artificial Intelligence and ESG: how is technology being used by hedge funds?</b></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"> <li>• how technology is being used by hedge fund managers, with practical examples;</li> <li>• the governance and ethical issues surrounding the use of these technologies in ESG;</li> <li>• what tools the PRI has available for hedge funds.</li> </ul>
18.30	Transportation to Welcome Reception		
19.00	<b>Welcome Reception</b>		

**WEDNESDAY 11 SEPTEMBER**

08.00 - 09.00	Registration		
09.00 - 11.00	<b>Plenary: Transitioning to a low-carbon economy</b>		
11.00 - 11.45	Break		
11.45 - 13.00	<p><b>3A. The inevitable policy response to climate change: investor actions</b></p>	<p><b>3B. The role of finance in human rights: What should investors be concerned about and what can they do?</b></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><b>3C. ESG data challenges: Getting the most out of financial information</b></p>

		<ul style="list-style-type: none"> <li>• outline the relevance of human rights due diligence to investors;</li> <li>• explore the avenues through which investors can facilitate real-world positive impact;</li> <li>• discuss how investors can identify and manage potential and actual negative human rights impacts within their portfolios.</li> </ul>	
	<p><b>3D. Active Ownership 2.0: Refocusing on outcomes</b></p> <p>In an age of widespread institutional greenwashing, this session will:</p> <ul style="list-style-type: none"> <li>• present a vision for the future of active ownership, where activity is centred on achieving a sustainable financial system;</li> <li>• discuss the key issues raised and the implications for asset owners, managers and society at large.</li> </ul>	<p><b>3E. Integrating ESG issues in developing and emerging market debt</b></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"> <li>• integrating ESG factors at the research, security and portfolio levels;</li> <li>• the data sources and materiality of ESG factors in emerging and developed markets;</li> <li>• the role of ESG engagement for sovereign debt investors.</li> </ul>	<p><b>3F. The latest in academic research: What investors need to know</b></p>
13.00 - 14.15	Lunch		
14.15 - 15.30	<p><b>4A. Incorporating the Sustainable Development Goals into investment strategies</b></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"> <li>• explore the role of institutional investors in achieving the SDGs;</li> <li>• give examples of how institutional investors and PRI signatories are working towards the goals.</li> </ul>	<p><b>4B. ESG and passive investments: Are they compatible?</b></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"> <li>• look at the challenges – and opportunities – in considering ESG issues in passive strategies;</li> <li>• consider the issues relating to index construction;</li> <li>• cover frequently-asked questions about passive ESG strategies, with a focus on how to improve outcomes for asset owners.</li> </ul>	<p><b>4C. Acting in concert rules: Regulations in key jurisdictions</b></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"> <li>• provide an overview of acting in concert (or concert party) regulations in markets including the US, UK and Japan;</li> <li>• outline what is permissible without declaration or regulatory sign off;</li> <li>• explain the process if a group of investors wishes to proceed with an action that may be deemed to be acting in concert.</li> </ul>
	<p><b>4D. ESG metrics in executive pay: The benefits and challenges</b></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"> <li>• whether investors should ask companies to consider ESG performance when determining executive pay;</li> </ul>	<p><b>4E. Managing physical climate risk in infrastructure investments</b></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><b>4F. Investir en Afrique : opportunités et défis pour une finance durable ?</b></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"> <li>• how ESG factors can be tied to incentives.</li> </ul>	<ul style="list-style-type: none"> <li>• how should investors assess the future trajectory of potential risk?</li> <li>• What frameworks and tools are available to assess infrastructure and help inform investor decision making?</li> <li>• Is there a need to look at a stressed case for physical climate risk, and if so, how could this be done?</li> </ul>	<ul style="list-style-type: none"> <li>• d'établissements financiers publics;</li> <li>• d'un investisseur privé en infrastructure;</li> <li>• d'une place financière qui entend jouer un rôle de catalyseur sur le continent.</li> </ul>
15.30 - 16.15	Break		
16.15 - 17.30	<p><b>5A. ESG in credit risk and ratings: from disconnects to action</b></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"> <li>• how ESG in credit risk analysis is evolving;</li> <li>• how ESG factors may affect credit evaluations and investment decisions differently;</li> <li>• practical case studies demonstrating the nuances of ESG assessments.</li> </ul>	<p><b>5B. Innovative investment solutions for the low-carbon transition</b></p> <p><b>5E. Realising the SDGs: investment opportunities in emerging markets</b></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"> <li>• provide an overview of why investments in emerging markets are critical to achieving the SDGs;</li> <li>• map investment opportunities in emerging markets;</li> <li>• give examples of successful SDG investments in emerging markets.</li> </ul>	<p><b>5C. Tailings in the mining sector: Opportunities for investor action</b></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"> <li>• discuss how to address the fact that the full extent of ESG risks posed by tailings dams in the mining sector is unknown;</li> <li>• explore how new technologies are impacting business models and improving safety standards, as well as opening new income streams;</li> <li>• identify other gaps in governance practices that investors should consider.</li> </ul> <p><b>5F. Finance responsable et formation : quels enjeux et solutions pour les investisseurs institutionnels et détenteurs d'actifs</b></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"> <li>• Compréhension du rôle des investisseurs dans les marchés financiers</li> <li>• Comment définir une stratégie d'investissement ESG cohérente ?</li> <li>• Comment mettre en place la structure adéquate pour implémenter la stratégie ESG ?</li> </ul>
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><b>6A. Identifying and measuring impact in public markets</b></p> <p>The Impact Management Project defines impact as "a change in an important positive or negative outcome for people or</p>	<p><b>6B. Ensuring an inclusive and sustainable low-carbon transition</b></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><b>6C. Plastic and the circular economy: Connecting the value chain</b></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"> <li>• clarify the impact of companies and investors, using Impact Management Project's three categories of impact and investor contribution;</li> <li>• highlight the tools asset owners can use to decipher the extent to which an investment product is impactful;</li> <li>• outline global consensus on how to measure, manage and report impact.</li> </ul>	<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"> <li>• what a just transition means in practice, focusing on the extractives, power and transport sectors;</li> <li>• how investors can help to ensure that the transition is inclusive and fair; and</li> <li>• how the outlook for a just transition differs across industries.</li> </ul>	<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"> <li>• the complexities of the plastic value chain and how it can work with the circular economy vision;</li> <li>• the risks and opportunities at different stages of the plastic packaging value chain for companies and investors;</li> <li>• how to effect positive changes across the plastic value chain.</li> </ul>
	<p><b>6D. Strategic asset allocation's big challenges: Plugging the SDG and climate finance gap</b></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"> <li>• whether the SDGs can provide a framework for integrating ESG issues into SAA;</li> <li>• the role of institutional investors in financing the SDGs and the goals of the Paris Agreement;</li> <li>• how this can be done without sacrificing long-term returns.</li> </ul>	<p><b>6E. The EU taxonomy: What is it, and how should it be used?</b></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"> <li>• outline what the taxonomy is, and the methodology used to determine it;</li> <li>• discuss how the taxonomy can be applied to service lines, and what to do next;</li> <li>• explore test cases on using the taxonomy in practice.</li> </ul> <p><i>This session will be held under Chatham House rules.</i></p>	<p><b>6F. Devoir de vigilance et chaîne d'approvisionnement : enjeux pour les investisseurs responsables</b></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	<b>Plenary: The role of finance in addressing social issues</b>		
12.45 - 13.00	Closing remarks		
13.00 - 13.30	'Grab and go' lunch		
13.30	Close of conference		

\* Agenda is subject to change



July 26, 2019

TO: Each Member  
Board of Investments

FOR: Board of Investments Meeting of August 14, 2019

SUBJECT: 2019 Latin America Private Equity & Venture Capital Association (LAVCA)  
Summit and Investor Roundtable and LAVCA Venture Investors Annual  
Meeting on September 23 – 26, 2019 in New York City, New York

The 2019 LAVCA Summit and Investor Roundtable will take place on September 23 – 25, 2019 at the Metropolitan Club in New York and the LAVCA Venture Investors Annual Meeting will take place on September 26, 2019 at the Tribeca 360 in New York. LAVCA Week comprises a series of programs and events for private capital investors from Latin America and around the globe, including fund managers, institutional investors, family offices, development finance institutions, sovereign wealth funds, fund of funds, and secondaries.

The main conference highlights include the following:

- Closing the Financing Gap: Credit & Debt Strategies
- Beyond LatAm: Banking the Unbanked in Nigeria
- The Future of Latin America: Human Capital, Innovation and the Environment
- The Consumer Sector: Drivers of Growth
- Co-Investing with Families: A Bridge to Latin America

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content per day. The standard hotel rate ranges between \$450.00 to \$550.00 per night plus applicable taxes and registration fee to attend is \$393.00.

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

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

Approve attendance of Board members at the 2019 LAVCA Summit and Investor Roundtable and LAVCA Venture Investors Annual Meeting on September 23 – 26, 2019 in New York City, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG  
Attachment





**2019 LAVCA Summit & Investor Roundtable**  
**September 23th-25th**  
**The Metropolitan Club, NYC**

**Monday September 23 2019**

Family Office Program (*by invitation only*)

**LAVCA Member & LP Reception**

Hosted by Advent International

**Tuesday September 24**

7.30am Registration

8.45am **Opening Remarks**  
Carlos Garcia, Chairman, LAVCA  
Cate Ambrose, President, LAVCA

9.00am **Brazil Keynote Breakfast**  
Introduction: Piero Minardi, Chairman, ABVCAP

**Keynote Interview**  
Marcelo Claure, CEO, SoftBank International, Executive Chairman, Sprint Corp

**The Consumer Sector: Drivers of Growth**  
Moderator: Fernando Borges, The Carlyle Group  
Carlos de Barros, Dasa  
Bruno Elias Pires, Eleva Educacao  
Retail CEO TBA

10.15am Break

10.40am **The Future of Latin America: Human Capital, Innovation and the Environment**  
Moderator: Jonathan Hausman, OTPP  
Mauricio Salgar, Advent International  
Glen Matsumoto, Actis  
Marcos Almeida, Brookfield  
Gerardo Rojas, KPMG



11.20 am **Digitization as a Driver of Economic and Business Growth**

Moderator: Francisco Alvarez Demalde, Riverwood  
Pedro Arnt, MercadoLibre  
Eric Santos, Resultados Digitais

11.50pm **The Changing Paradigm of Private Capital in Latin America**

Moderator: Cesar Collier, Siguler Guff  
Justin Chang, Colony Capital  
James Scriven, BID Invest  
Amaury Bier, Gavea

12.30pm Luncheon

1.50pm **Deal Showcase: Case Studies of Recent Transactions**

Moderator: Jose Fernandez, Stepstone  
Speaker, Vinci  
Arturo Saval, Nexxus Capital  
Dirk Donath, LCatterton  
Sebastian Popik, Aqua Capital

2.30pm **Insider Insights on Argentina's Presidential Election**

Moderator: Carlos Garcia, Victoria Capital Partners  
Brian Winter, Council of the Americas  
Sergio Berenzstein, Political Analyst

3.00pm **Manager Showcase**

Moderator: Ivonne Cuello, LAVCA  
Paulo Mattos, Managing Director, IG4 Capital  
Pedro Sirotsky, eBricks Ventures  
Lizardo Miranda, AC Capitaes  
Alvaro Padilla, LAFISE

3.40pm Break

4.00pm **Co-Investing with Families: A Bridge to Latin America**

Moderator: Martin Diaz Plata, Capital Group Private Markets  
Flavia Almeida, Peninsula Participações  
Dieter Hauser, Megeve  
Jaime Chico, Enesa



4.30pm **Closing Keynote**  
Sebastian Piñera, President of Chile

5.00pm Cocktail Reception

### **Wednesday September 25**

7:30 am **ILPA Breakfast**  
*Qualified Institutional Investors Only*

8.45 am **Mexico Keynote Breakfast**  
Introduction: Felipe Vila, Fondo de Fondos

#### **How is the AMLO Administration working with the Private Sector?**

Carlos Salazar, President, Business Coordinating Council of Mexico  
Representative of the Mexican Government

#### **Identifying Opportunity in Mexico**

Moderator: Jose Sosa del Valle, Lexington Partners  
Sergio Mendez, Afore BanorteXXI  
Adolfo Babatz, Clip  
Lorenzo Gonzalez Bosco, Temasek

10.00am Break

### **Real Assets Program**

10.30am **Infrastructure Fireside Chat**  
Edwin Cass, Senior Managing Director and Global Head of Real Assets, CPPIB  
Moderator: Francisco Vazquez Ahued, Research Director, LAVCA

11.00am **Infrastructure in Focus: Power and Renewable Energy**  
Moderator: Lars Pace, Hamilton Lane  
Rolando Gonzalez Buster, Interenergy  
Eduardo Farhat, CDPQ  
Andrew Gunther, Darby



- 11.40am      **Real Estate Fireside Chat**  
Tom Heneghan, Equity International  
Moderator: Eduardo Roman, Senior Advisor, LAVCA
- 12.10pm      **Update on Latin American Real Estate Markets**  
Moderator: John Engel, 57 Stars  
Elizabeth Bell, Jaguar Growth  
Rodrigo Suarez, Hasta Capital  
Daniel Cherman, Tishman Speyer
- 12.40pm      **LP Keynote Luncheon**  
Maria Kozloski, IFC  
Anders Stromblad, Head of External Management, AP2
- 2.00pm      **Presentation of Global LP Survey Results**  
Jeff Schlapinski, EMPEA  
Speaker, Pantheon
- 2.20 pm      **Institutional Investor Perspectives**  
Moderator: Richard Rincon, UTIMCO  
Mike Stohler, Washington University Investment Management Company  
Julien Kinic, idi Emerging Markets  
Additional panelists TBA
- 3.00pm      **Update on ILPA Principles 3.0**  
Chris Hayes, Senior Policy Counsel, ILPA
- 3.15pm      Concludes

## • LAVCA Venture Investors Annual Meeting September 26, 2019

8.30 AM

### Registration & Coffee

Join Attendees for Coffee and Networking Ahead of Opening Remarks.

9.00 AM

### Brazilian Breakfast ↓

Hosted by ABVCAP



Brazilian Private Equity &  
Venture Capital Association

10.00 AM

### Welcome & Opening Remarks ↓

Julie Ruvolo, Director of Venture Capital, LAVCA

10.15 AM

### Keynote Fireside Chat ↓

Keynote Speaker TBA

10.40 AM

### Growth Capital: The Bigger the Better? ↓

Martin Escobari, Managing Director, General Atlantic

Shu Nyatta, Partner, SoftBank

Additional Speakers TBA

**Moderator:** Julie Ruvolo, Director of Venture Capital, LAVCA

11.15 AM

### Break ↓

Join Attendees for a Networking Break with Coffee and Refreshments.

11.40 AM

### Fireside Chat ↓

James Shen, Managing Director, Qualcomm Ventures China

**Interviewed by:** Carlos Kokron, Managing Director, Qualcomm Ventures Americas

12.15 PM

**Beyond LatAm: Banking the Unbanked in Nigeria** ↓

Arjuna Costa, Managing Director, Flourish Ventures

Tayo Oviolu, Founder & CEO, Paga

12:40 PM

**Closing the Financing Gap: Credit & Debt Strategies** ↓

Susana Garcia-Robles, Chief Investment Officer and Gender Initiatives Coordinator, IDB Lab

Esteban Velasco, CEO & Co-Founder, Sempli

Bill Cilluffo, Partner, QED Investors

**Moderator:** Jackie Hyland, Partner, A55

1.10 PM

**Luncheon**

Join Attendees for a Networking Luncheon.

2.30 PM

**Breakout Groups** ↓



Angel/Seed/Accelerator Meetup



Alternate Sources of Capital for VC Funds & Startups



CVC + Co-Investing with Corporates



Impact



Expansion Capital & Global Growth

3.35 PM

**Inside Amazon's US\$200m Alexa Fund** ↓

Rodrigo Prudencio, Alexa Fund Manager, Business & Corporate Development, Amazon

**Interviewed by:** Andy Tsao, Managing Director, Silicon Valley Bank

4.00 PM

**Bleeding Edge Biotech ↓**

Matias Muchnick, Founder & CEO, NotCo

Alejandro Tocigl, CEO, Miroculus

Carolina Reis, Co-Founder & CEO, OneSkin

Laura Mendoza, Co-Founder & Chief Product Officer, Unima

4.30 PM

**Break**

Network with Attendees Over Coffee and Refreshments.

5.00 PM

**Sector Spotlight: Real Estate ↓**

Mate Pencz, Co-Founder & Co-CEO, Loft

Lucas Vargas, CEO, VivaReal-ZAP

Additional Speakers TBA

5.30 PM

**Fireside Chat: Craig Thornburn, Director - Emerging Markets, Future Fund ↓**

6.00 PM

**Cocktail Reception Hosted by Riverwood Capital ↓**

Join Speakers, Investors, Startup Founders, and Attendees for Cocktails and Light Snacks.

RIVERWOOD  CAPITAL



July 26, 2019

TO: Each Member  
Board of Investments

FOR: Board of Investments Meeting of August 14, 2019

SUBJECT: AVCJ Private Equity & Venture Forum  
Hong Kong on November 12 – 14, 2019

The AVCJ Private Equity & Venture Forum will be held on November 12 – 14, 2019 at the Four Seasons Hotel in Hong Kong. The AVCJ Forum is the premier private equity and venture capital event in Asia. Now in its 32nd year, this annual conference brings together over 1,150 GPs, LPs and other professionals to Hong Kong for three days of meetings, discussions and deal-making. The AVCJ Forum combines editorially driven topics, knowledgeable speakers, industry insights, and superb organization into a highly anticipated event that predicts trends, and develops lasting partnerships. For 2019, the AVCJ Forum will cover the maturing of the private equity and venture capital landscape, the impact of technology disruption, investors' views on Asia, delivering value in an increasingly competitive environment, the opportunity for cross-border activity and exit dynamics.

The main conference highlights include the following:

- Asian Private Equity: What Next?
- Institutional Perspective: How Asian LP's View The World
- Transformative Technology: Finger on the Pulse
- Hands-On VC: Playing a Role in Value Creation

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 is approximately \$634.00 per night plus applicable taxes and the registration fee is \$4,495.00.

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

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

Approve attendance of Board members at the AVCJ Private Equity & Venture Forum on November 12 – 14, 2019 in Hong Kong and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.



32<sup>nd</sup> Annual



# AVCJ Private Equity & Venture Forum

12-14 November 2019  
Hong Kong

Global Perspective, Local Opportunity



“Impressive and dynamic gathering of Asia’s thought leaders.”

Yup S. Kim, Senior Portfolio Manager, Private Equity and Special Opportunities  
ALASKA PERMANENT FUND CORPORATION

“It’s one of the few conferences I try to make sure to attend every year.”

Joshua Stern, Director, Private Investments  
ROBERT WOOD JOHNSON FOUNDATION

## 2018 Forum key statistics

**1,150+**  
Attendees

**165**  
Speakers

**34**  
Countries

**575**  
Organisations

**450**  
LPs

# SPONSORS

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## Opening Cocktails Host



## Networking Coffee Break Sponsor



## Exhibitors



### Sponsorship opportunities

The AVCJ Forum offers a range of standard and bespoke sponsorship packages that can be tailored to suit your company's budget and business objectives.

For more information please contact  
**Darryl Mag** on +852 2158 9639 or  
[sponsorship@avcj.com](mailto:sponsorship@avcj.com)

# ASIA'S DEFINITIVE PRIVATE EQUITY FORUM

## ABOUT THE AVCJ FORUM

The **AVCJ Forum** is the premier private equity and venture capital event in Asia. Now in its 32nd year, this annual conference brings together over 1,150 GPs, LPs and other professionals to Hong Kong for three days of meetings, discussions and deal-making. The AVCJ Forum combines editorially driven topics, knowledgeable speakers, industry insights, and superb organization into a highly anticipated event that predicts trends, hones strategies, and develops lasting partnerships. For 2019, the AVCJ Forum will cover the maturing of the private equity and venture capital landscape, the impact of technology disruption, investors' views on Asia, delivering value in an increasingly competitive environment, the opportunity for cross-border activity and exit dynamics.

The four distinct summits of the AVCJ Forum will each cover a different facet of the private equity and venture capital industry that gives attendees an invaluable perspective on the current market.

**Investment Summit** – Big picture issues, investment themes, fundraising, LP/GP dynamics

**VC Summit** – Venture capital, delivering value for entrepreneurs and the technology landscape

**PE Leaders Summit** – The day-to-day business of running a private equity firm

**LP Summit** – Closed-door LP only sessions



CERTIFIED BY THE CPD CERTIFICATION SERVICE

AVCJ Forum is now a CPD certified event  
19.5 CPD points can be claimed after attending the Forum

## Partners & Supporting Organisations

### Supporting organisations



### Media partners



## 2019 AVCJ FORUM

### SCHEDULE AT A GLANCE

#### Monday, 11 November

##### Asian Private Equity & Venture Capital Awards

Island Shangri-La Hotel (by invitation only)

18:15 Cocktail reception

19:15 AVCJ Awards dinner & presentation

Sponsored by



#### Tuesday, 12 November

##### PE Leaders' Summit

##### Venture Capital Summit

##### Limited Partners' Summit

Four Seasons Hotel

09:00 Summits start

18:00 Summits conclude

##### Welcome Cocktails

Four Seasons Hotel

18:15 Opening cocktail reception

Sponsored by



#### Wednesday, 13 November

##### Investment Summit (Day I)

Four Seasons Hotel

09:00 Summit starts

18:10 Summit concludes

##### Gala Cocktails and Dinner

Four Seasons Hotel

18:15 Gala cocktail reception

19:00 Gala dinner

Sponsored by



#### Thursday, 14 November

##### Investment Summit (Day II)

Four Seasons Hotel

09:00 Summit starts

16:30 Summit concludes

Register online: [avcjforum.com](http://avcjforum.com)

## Private Equity Leaders' Summit

Tuesday, 12 November 2019

08:00 **Registration**

08:50 **Opening remarks**

09:00 **Setting the scene** *(Joint session with the Venture Capital and Limited Partners' Summits)*

09:30 **Asian private equity: What next?** *(Joint session with the Venture Capital and Limited Partners' Summits)*

Given how sentiment withered as 2018 wore on, it comes as little surprise that 2019 has thus far been characterized by uncertainty. Concerns about the macro climate, high valuations, and unclear paths to exit are primarily to blame. GPs want to be sure their thesis is watertight before pulling the trigger, which means more time spent on due diligence and value creation plans. Our panel of top investors assess the current state of the market.

- What positives can be drawn from 2019?
- How are managers looking to differentiate themselves?
- Is it still a seller's market? What is the key to a successful exit process?
- What is the outlook for the next 12 months?

10:30  **Networking coffee break**

Sponsor  
 WATERBRIDGE  
VENTURES

11:00 **Risk management: The growing threat of cybersecurity**

Cloud computing and advancements in connectivity allow businesses to perform functions that were facets of science fiction just a few years ago. These changes have also created a swath of data management challenges, including system breaches and information theft. The potential consequences at fund or portfolio company level – such as willfully misdirected drawdown notices or loss of intellectual property – are wide-ranging. In this session, a group of experts explain how they manage cybersecurity.

- How do GPs safeguard portfolios against data breaches, hacking and cloud abuse?
- What kind of investment is required in terms of in-house competencies?
- How is the regulatory environment influencing approaches to cybersecurity?
- What should be included in a post-breach crisis management plan?

11:45 **CFO 2.0: What financial, operational leaders need to know**

The role of the CFO/COO has evolved in tandem with the private equity industry itself. Whether it involves the addition of new strategies, addressing more complex regulatory environments, taking advantage of technology and financial innovation, or meeting demanding reporting requirements, staying ahead of the curve is a challenge. This panel discusses how firms develop the people, processes and skillsets to be best in class at both the GP and portfolio company levels.

- In which areas do portfolio companies require the most support?
- What functions should be kept in-house rather than outsourced?
- In what ways is the CFO/COO becoming more of focal point in LP due diligence?
- What is being done to promote diversity within PE firms?

12:30 **Executive address** *(Joint session with the Venture Capital and Limited Partners' Summits)*

13:00  **Networking lunch break**

14:00 **Internal efficiencies: Taking advantage of technology**

Many private equity firms have been relatively slow in implementing technology to advance their own businesses. For administration and back office functions alone, a wealth of resources is now available that take the capture of information to a new level, as well as facilitating communication with LPs. On the deal side, data can play a transformational role in sourcing, due diligence and value creation. Our experts chart the progress being made in this area.

- To what extent can technology replace people in the back office?
- How is data analytics changing internal operations?
- What do GPs look for in third-party technology platforms and solutions?
- Can artificial intelligence be employed in deal sourcing?

## Private Equity Leaders' Summit

Tuesday, 12 November 2019

### 14:45 **Due diligence: The next generation**

Investors have more information at their disposal than ever before, but how do they identify actionable data amidst the white noise? Knowing what to look for doesn't just stop a private equity firm from backing the wrong thesis or entrepreneur, it can turn a good investment into a great one by offering insights into what can be done to maximize value post-acquisition. Our panellists explain what they do to understand to really understand businesses.

- Which is more resource intensive – operational or management due diligence?
- How are GPs utilising technology to deliver insights into companies?
- What must service providers do to stay relevant?
- What will industry best practice look like 10 years from now?

### 15:30 **Fundraising: Changing dynamics in 2019?**

Size is increasingly the key differentiator in private equity fundraising. From how easily they raise money to the kinds of LPs they are target to the concessions they must make on terms, mid-market and large-cap private equity firms operate in very different worlds. In this session, a panel of experts reviews the prevailing trends across fund set-up and structure, what crops up in side letter negotiations, and how to manage the needs of a diverse LP base.

- Can Singapore and Hong Kong become domiciles of choice for Asian funds?
- What do large LPs want in terms of special treatment?
- What can GPs do to save time during the fundraising process?
- How is the investor relations function evolving?

### 16:15 **Networking coffee break**



### 16:30 **Asian venture capital: A new maturity** *(Joint session with the Venture Capital and Limited Partners' Summits)*

Levels of development vary markedly across Asia's venture capital markets, but all are to some extent benefiting from growing investor interest – domestic and international, high net worth and institutional – in the asset class. The combination of maturity and the scope to participate at more points along the value chain as start-ups stay under private ownership for longer is encouraging diversification in strategy and skillsets. Investors operating in different markets share their tips for success.

- In which geographies, and at what stages, are valuations a major concern?
- What are the implications of Chinese VCs entering other markets in Asia?
- How creative are firms being in terms of fund structure and strategy?
- What is the exit outlook for the next 12 months?

### 17:15 **Institutional perspective: How Asian LPs view the world** *(Joint session with the Venture Capital and Limited Partners' Summits)*

Asian investors have become a mainstay of the alternatives space. Those with more advanced programmes have built up strong in-house skills and become active co-investors, with direct investment the next priority in select areas. For more recent arrivals, the challenge is choosing where and with whom to allocate capital, always conscious of j-curve mitigation. Our panellists explain how their approaches are evolving and what managers must do to win favour from Asia.

- What do Asian LPs want from their alternatives programmes?
- What can be done to access top managers in developed markets?
- Where do ESG, diversity and impact investing fit on the agenda?
- What are the major frustrations when dealing with GPs?

### 18:00 **Close of summit**

### 18:15 **Cocktail reception**



## Venture Capital Summit

Tuesday, 12 November 2019

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08:00 **Registration**

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08:50 **Opening remarks**

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09:00 **Setting the scene** *(Joint session with the PE Leaders' and Limited Partners' Summits)*

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09:30 **Asian private equity: What next?** *(Joint session with the PE Leaders' and Limited Partners' Summits)*

Given how sentiment withered as 2018 wore on, it comes as little surprise that 2019 has thus far been characterized by uncertainty. Concerns about the macro climate, high valuations, and unclear paths to exit are primarily to blame. GPs want to be sure their thesis is watertight before pulling the trigger, which means more time spent on due diligence and value creation plans. Our panel of top investors assess the current state of the market.

- What positives can be drawn from 2019?
- How are managers looking to differentiate themselves?
- Is it still a seller's market? What is the key to a successful exit process?
- What is the outlook for the next 12 months?

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10:30  **Networking coffee break**



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11:00 **Transformative technology: Finger on the pulse**

Technology serves as an enabler across almost every industry, bringing about fundamental changes in how people eat, sleep, shop, trade and socialize. Investors must be able to spot the next big monetization opportunity. This could mean shepherding a start-up through its early rounds or betting on the ability of an established player to achieve significant scale. Our diverse collection of investors explain how they identify transformative technologies and work with founders to realize this potential.

- Will the current leaders in artificial intelligence be the ultimate winners?
- How does the level of innovation in Asia compare to the US?
- What are the criteria for assessing the commercial application of a technology?
- Which segments will deliver the next generation of multi-billion-dollar start-ups?

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11:45 **Hands-on VC: Playing a role in value creation**

In a climate of abundant capital, VC investors remain competitive by finding ways to make themselves relevant and useful to entrepreneurs. Post-investment services are increasingly part of the engagement toolkit in Asia, whether it involves serving as a high-level sounding board to founders or utilising internal and external resources to help with recruitment, marketing, and finance. In this session a panel of investors discusses their hands-on efforts to drive value creation in start-ups.

- Where do entrepreneurs tend to require the most support?
- To what extent do VCs use third-party consultants?
- What is the process for scaling back resources for struggling start-ups?
- How is change effected in situations where founders and investors do not agree?

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12:30 **Executive address** *(Joint session with the PE Leaders' and Limited Partners' Summits)*

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13:00  **Networking lunch break**

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14:00 **VC and beyond: The changing deal environment**

Private equity firms, sovereign wealth funds, hedge funds, and strategic players are all active in this space, as are multi-strategy VC firms keen to continue backing portfolio companies – and make new investments – in later-stage rounds. Our seasoned industry practitioners consider the implications of broader investor participation in technology.

- What are the pros and cons of backing a multi-strategy VC firm?
- How prominent is corporate venture capital in the ecosystem?
- How are longer holding periods changing investor bases and liquidity options?
- Can IPOs live up to lofty private markets valuations?

## Venture Capital Summit

Tuesday, 12 November 2019

### 15:00 **The venture moment: LPs commit to Asia**

Venture capital fundraising this year is unlikely to match the record total posted in 2018, but LPs are still keen for exposure. There is plenty to choose from, with incumbents raising larger funds and numerous brand-name spin-outs. For many investors, the key question is do they want to look beyond China, which offers a history of returns that other markets do not. A panel of LPs share their visions of an Asian VC portfolio.

- How can GPs stand out in a crowded market?
- What makes LPs willing to back a spin-out manager?
- Are the Indian and Southeast Asian markets deep enough?
- Where will the liquidity events come from?

### 16:00 **Networking coffee break**

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### 16:30 **Asian venture capital: A new maturity** *(Joint session with the PE Leaders' and Limited Partners' Summits)*

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- What can be done to access top managers in developed markets?
- Where do ESG, diversity and impact investing fit on the agenda?
- What are the major frustrations when dealing with GPs?

### 18:00 **Close of summit**

### 18:15 **Cocktail reception**

Sponsor  
 BARCLAYS

“The conference offers an extremely valuable opportunity to hear from thought leaders and compare insights with GPs and fellow LPs. Given the breadth and quality of the attendees, it's hard to replicate.”

**Edward J. Grefenstette**, President / CEO and Chief Investment Officer, **THE DIETRICH FOUNDATION**



## Limited Partners' Summit

Tuesday, 12 November 2019

08:00 **Registration**

08:50 **Opening remarks**

09:00 **Setting the scene** *(Joint session with the PE Leaders' and Venture Capital Summits)*

09:30 **Asian private equity: What next?** *(Joint session with the PE Leaders' and Venture Capital Summits)*

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- How are managers looking to differentiate themselves?
- Is it still a seller's market? What is the key to a successful exit process?
- What is the outlook for the next 12 months?

10:30  **Networking coffee break**



11:00 **Insider view: The Asia story**

Asia has become a compelling part of a PE portfolio as more managers back up attractive growth stories with stable track records. For some LPs, the next step is diversification by country, sector and niche. While concerns about a downturn remain, establishing strong partnerships with managers that prevail across cycles is the cornerstone of an institutional approach to the asset class. Our seasoned investors explain the thinking behind their current portfolios and future allocation plans.

- Have macroeconomic conditions made it harder to make allocations to Asia?
- What makes an LP comfortable enough to move beyond pan-regional managers?
- Which geographies and strategies are most attractive from a diversification perspective?
- What questions are being asked of GPs that you weren't before?

11:45 **Insider view: The venture play**

Capital has flocked to VC strategies in Asia as LPs look to penetrate a larger portion of the technology value chain, backing start-ups from early stages to maturity. This has enabled incumbent managers to raise larger funds, but the space is becoming increasingly populated as corporates ramp up investment activity and teams spin-out from established VCs. LPs explain how they make sense of the venture opportunity and identify managers that can take advantage of it.

- How do LPs track technology ecosystems?
- China vs India vs Southeast Asia – what are the pros and cons?
- Should VC investors embrace or avoid late-stage tech?
- What are return expectations for recent vintages?

12:30 **Executive address** *(Joint session with the PE Leaders' and Venture Capital Summits)*

13:00  **Networking lunch break**

14:00 **Secondaries: An evolving playing field**

Asia's secondaries market has stepped up a level in the past couple of years, with a noticeable uptick in activity, greater innovation in transaction structure, and several blue-chip GPs seeking secondary solutions. On the LP side, the strategy remains popular among Asian investors, whether they are looking to build private equity exposure or – to a lesser extent – seeking to rebalance their existing portfolios. Our panelists chart the evolution of the market.

- Why are more high-profile managers turning to secondaries?
- Which geographies offer the most potential for GP restructurings?
- Restructuring, strip sale, or preferred equity – what guides decision-making?
- What are the key issues when pitching secondaries strategies to Asian LPs?

14:45 **ILPA principals 3.0- An update on the most recent guidelines and the impact for LPs**



## Limited Partners' Summit

Tuesday, 12 November 2019

15:15 **ESG: Developing the right approach in Asia** *(Joint session with the PE Leaders' and Venture Capital Summits)*

Addressing environmental, social and governance concerns within a private equity portfolio requires more than just a boilerplate policy. Institutional investors increasingly want to see detailed annual reporting that sets out ESG objectives on a case-by-case basis, explains approaches to monitoring and measurement, and captures meaningful performance. Our panel of early ESG adopters share their thoughts on moving from box-checking to substance, what it has meant for GP relationships, and the nuances apparent in Asia.

- Should LPs ask different questions of GPs based on geography and strategy?
- What constitutes industry best practice in terms of reporting?
- Are the UN sustainable development goals the best way to track performance?
- Is impact investing the next step for ESG or should it be viewed separately?

16:00  **Networking coffee break**



16:30 **Asian venture capital: A new maturity** *(Joint session with the PE Leaders' and Venture Capital Summits)*

Levels of development vary markedly across Asia's venture capital markets, but all are to some extent benefiting from growing investor interest – domestic and international, high net worth and institutional – in the asset class. The combination of maturity and the scope to participate at more points along the value chain as start-ups stay under private ownership for longer is encouraging diversification in strategy and skillsets. Investors operating in different markets share their tips for success.

- In which geographies, and at what stages, are valuations a major concern?
- What are the implications of Chinese VCs entering other markets in Asia?
- How creative are firms being in terms of fund structure and strategy?
- What is the exit outlook for the next 12 months?

17:15 **Institutional perspective: How Asian LPs view the world** *(Joint session with the PE Leaders' and Venture Capital Summits)*

Asian investors have become a mainstay of the alternatives space. Those with more advanced programmes have built up strong in-house skills and become active co-investors, with direct investment the next priority in select areas. For more recent arrivals, the challenge is choosing where and with whom to allocate capital, always conscious of j-curve mitigation. Our panellists explain how their approaches are evolving and what managers must do to win favour from Asia.

- What do Asian LPs want from their alternatives programmes?
- What can be done to access top managers in developed markets?
- Where do ESG, diversity and impact investing fit on the agenda?
- What are the major frustrations when dealing with GPs?

18:00 **Close of summit**

18:15  **Cocktail reception**



“For more than three decades the AVCJ Forum has been a key event on every private equity investor’s calendar and it is certain to remain so for years to come.”

David G. Pierce, Managing Director and Head of Asia, **HQ CAPITAL**



## Investment Summit (Day 1)

Wednesday, 13 November 2019

08:00 **Registration**

08:50 **Opening remarks**

09:00 **Keynote Interview**

09:30 **Global private markets: Future echoes**

It's dangerous to call the top of a market. As the wait for the inevitable downturn continues, private markets remain popular with LPs, enabling managers to raise ever larger funds. The flood of capital into the asset class also has implications for the channels through which investors can participate. Structures and strategies are evolving, offering greater variety in terms of risk, return and investment horizon. Our panellists consider what the present says about the future.

- What are the biggest late-stage cycle concerns?
- Which geographies present the most attractive opportunities?
- How are macroeconomic issues shaping the investment environment?
- What will characterize the next wave in private markets product innovation?

10:30  **Networking coffee break**

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11:00 **Plenary address**

11:30 **Asia buyouts: Maintaining a competitive edge**

A disproportionate amount of the capital allocated to Asian private equity in recent years has ended up with pan-regional managers, but what must these GPs do to stay relevant? LPs have more choice than ever before in terms of where to put their money and some might be comfortable enough to look beyond diversified portfolios of large-ticket bets. Our industry veterans explain how they leverage their resources to the full in a complex investment environment.

- How do managers define their investment DNA?
- What has been the most significant change in the GP-LP relationship?
- How have approaches to exit planning evolved in recent years?
- What are the biggest challenges facing the industry?

12:25 **The middle market: What, why and how**

The middle-market has been a consistent performer in Asia, even as the success – and subsequent fundraising prowess – of certain managers has stretched the definition of this space to breaking point. Succession planning situations, corporate carve-outs, and partnerships with founder-entrepreneurs vary by geography, but demonstrating an ability to add value is a common theme. Our diverse collection of panellists drawn from across the region considers the key ingredients to a sustainable middle-market investment strategy.

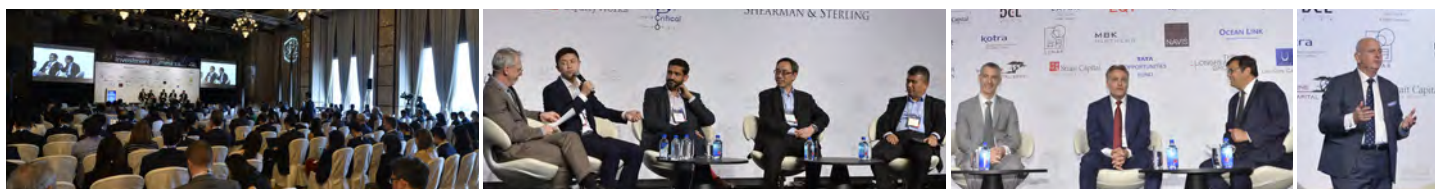
- What is the optimal middle-market fund size for different jurisdictions?
- How are vendors' expectations of private equity changing?
- What are the most challenging aspects of roll-up strategies?
- How prominently does technology feature in value creation efforts?

13:15  **Networking lunch break**

14:15 **Track 1: Global venture capital: Behind the headlines**

Early-stage exposure to the next generation of ground-breaking technology companies has become a prized commodity in the LP community. At the same time, the market is at risk of saturation as managers raise ever larger funds or introduce additional strategies and valuations reach new highs. It remains to be seen whether recent vintages can match the success of their predecessors. In this session, leading investors discuss how the opportunity set is evolving.

- To what extent is global venture capital all about the US, China, and Israel?
- Is there a sizeable gap between mega managers and the rest?
- Are IPOs allowing start-ups to deliver on their private valuations?
- What role are strategic investors playing in venture capital?



## Investment Summit (Day 1)

Wednesday, 13 November 2019

### Track 2: Distress: Capturing the advantage

There is renewed interest in distress strategies, largely on the back of two developments. First, the growing pile of non-performing loans held by China's banks, which has spurred hopes among investors of more portfolio sales. Second, reforms in India have forced a dozen large companies into bankruptcy and forced countless others to consider their options in terms of restructuring. Our panellists give their take on the competitive landscape and how best to crack these markets.

- What are the main challenges in sourcing distress deals?
- Where do the opportunities lie globally and across Asia?
- Does a geographically flexible mandate work better than a single country strategy?
- What on-the-ground resources are required to be successful?

### 15:00 Fireside Chat

### 15:30 Networking coffee break

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### 16:00 Track 1: China: Finding the bright spots

Is now the best time to invest in China? A slowing economy, trade tensions with the US, volatile public markets, and weak consumer sentiment have taken some of the shine off Asia's largest economy. GPs must decide when, where and at what valuation to reengage. The ability to identify overlooked pockets of growth, drive value through operational involvement, and secure a path to exit have never been more important. Our China experts assess the market.

- Should LPs be concerned at how much capital is entering technology deals?
- How important is sector specialization in China?
- Are there enough buyouts to justify a control investment strategy?
- Where would you prefer to IPO – China, Hong Kong or the US?

### Track 2: Hot sector roundtables

A sector expert will sit at each table to lead discussions on trends, opportunities and challenges.

- Life sciences
- Artificial intelligence
- Fintech
- Blockchain
- Infrastructure

### 17:00 Institutional perspective: How the LP model is changing

Large Investors continue to push the boundaries of the GP-LP relationship, whether that involves forming strategic partnerships at the fund level or coming into deals as a co-underwriter. Customization is the name of the game and it's here to stay provided the check sizes continue increasing. Our panel of leading investors share what they want from the asset class, how they plan on getting it, and their ideas for the PE model of the future.

- Which GP-LP alignment issues are most concerning?
- Does most favoured nation status still matter?
- How do you mitigate the risks of increased private markets exposure?
- What do LPs want from GPs in terms of sustainability, diversity and inclusion?

### 18:00 Closing remarks

### 18:15 Gala cocktail reception

### 19:00 Gala dinner

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**Networking lounge**

available to registered delegates from  
8.00am to 4.00pm on **12-14 November**

Level 5  
Boardroom

## Investment Summit (Day 2)

Thursday, 14 November 2019

09:00 **Keynote address**

09:30 **Value creation: The next step**

As Asia continues to mature as an investment destination, competition for deals is intensifying. If managers face the prospect of paying up for prize assets, they need to enter processes with conviction based on clear-cut value creation plans. Moreover, execution has to be precise in terms of timing, intensity or complexity, if the underwritten returns are to be achieved. In this session, experts offer insights into private equity investors apply operational expertise.

- When should value creation planning begin and how granular should it be?
- How are GPs addressing technology-related improvements?
- What are the most common mistakes in implementing value creation initiatives?
- What does it mean to be an active investor in Asia today?

10:30  **Networking coffee break**

Sponsor  
 WATERBRIDGE  
VENTURES

11:00 **Track 1: Japanese private equity: Big ambitions**

Japan has yet to rediscover the rich vein of large-cap deal flow that defined 2017, but the ingredients are all there. As a result, competition is tougher than ever before, with global and regional GPs piling in. Even the middle market occupied by domestic managers is attracting larger amounts of capital, as evidenced by increasing fund sizes. The challenge for all participants is to maintain investment discipline and strategy. Our industry stalwarts assess the landscape.

- What can investors do to capitalize on corporate carve-outs?
- Are succession planning deals still the middle-market mainstay?
- Which strategies have worked best in delivering value creation?
- How is the exit environment evolving in Japan?

**Track 2: Energy: Creating capacity**

Global energy demand is expected to grow by 25% through 2040, with India and China accounting for the bulk of the additional consumption. At the same time, concerns about climate change have put pressure on governments to promote energy efficiency and increasing reliance on renewables. The opportunity for private equity seems obvious, given the long investment horizons. Our panel of energy experts identify where they expect to see growth, and challenges, in the years ahead.

- Are there investment opportunities in oil and gas in Asia?
- How is technology driving efficiency gains?
- Which geographies are most attractive for renewables?
- How do the return expectations for energy differ from traditional PE?

11:45 **Track 1: Credit: Global and local perspectives**

Credit has generated much interest among LPs globally due to its typically yield-based returns and downside protection, although the asset class has yet to realize its full potential in Asia. Success is contingent on understanding the dynamics – for example, how a change in the borrower landscape would impact lenders – in different geographies as much as the broader trade-offs involving terms, structures, and risk profiles. Leading investors offer their outlooks on the market.

- Where are the best opportunities regionally and globally?
- How much progress is being made on creditor rights in Asia?
- What challenges do global players face when addressing the region?
- How does the opportunity set change based on the point in the cycle?

**Track 2: India: Riding a wave**

Private equity investment in India reached a record high last year and the momentum has been maintained in the early months of 2019 even as other markets in the region stumbled. There are plenty of opportunities in growth-stage technology, but GPs are seeing more large-ticket transactions across multiple sectors. For all managers, delivering value means identifying deals beyond the mainstream that offer growth at attractive valuations. Our panellists discuss what's next for India.

- What did the national elections mean for private equity?
- How are Indian managers developing their value creation capabilities?
- What are the prospects for the latest generation of GP spin-outs?
- Has India's exits overhang been consigned to history?



## Investment Summit (Day 2)

Thursday, 14 November 2019

### 12:30 **Track 1: Cross-border: Theory and practice**

Cross-border strategies serve as a natural value creation tool, enabling GPs to help companies capture growth in new markets, achieve greater scale, and generate higher returns. Transactions of this nature are seldom straightforward in execution, given the cultural, political and regulatory challenges of integrating assets in different markets. On top of that, economic and policy uncertainty hangs over channels between Asia and US-Europe. Our expert panellists explain how investors get it right, and wrong.

- What are the most important skillsets for cross-border deals?
- Are Chinese buyers no longer welcome in the US and Europe?
- Which geographies within Asia are most conducive for cross-border expansion?
- Why do private equity investors often work alongside corporate partners?

### **Track 2: Secondaries: Hitting their stride, finally**

It was always a question of when secondaries would gain traction in Asia, given the number of mature funds with assets that have yet to be exited. GP-led transactions have grown in volume, value and variation in the last couple of years. Standard restructurings have been joined by staples, strip sales, preferred equity, the consolidation of disparate assets into single portfolios, and the spin-out of single assets into dedicated long-hold vehicles. Investors assess the market.

- What is the outlook for GP-led restructurings?
- Is there too much capital pursuing secondary deals in Asia?
- Where are the large-cap transactions going to come from?
- What are the main obstacles to getting secondary deals done?

### 13:15 **Networking lunch break**

14:15 Watch this space for our light-hearted take on GP-LP dynamics.

### 15:00 **Exits: A matter of timing**

Asian returns have been robust in recent years, but with a downturn widely expected, GPs might be left with difficult choices. Do they take money off the table as soon as possible or hold on in the expectation that value creation can deliver even higher returns? Pressure to make distributions and future fundraising are factored into these decisions. Our panellists offer thoughts on prepping exits – and how outside forces can ruin the best laid plans.

- Which exit routes have proved most fruitful in 2019?
- What issues are most likely to derail exit processes?
- Asian buyers vs international buyers – who is winning the trade sale battle?
- Is Hong Kong a viable alternative to the US for tech IPOs? What about Shanghai?

### 15:45 **Co-investment: Expectations vs reality**

Co-investment is becoming a higher priority for LPs as they become more sophisticated, more knowledgeable of the markets they are investing in, and more desirous to reduce net fee exposure. However, the same adverse selection risks remain if GPs are given additional firepower to pursue deals that might be outside their sweet spot. In this session, industry experts delve into the issues surrounding this phenomenon and discuss the requirements for a successful co-investment programme.

- What new initiatives are GPs developing for co-investment management?
- How big is the gap between the best and the rest in terms of LP resources in Asia?
- What are the biggest misconceptions among GPs and LPs about co-investment?
- Does co-investment deliver better returns?

### 16:30 **Close of summit**

“I look forward to the AVCJ conference, because it is always a collection of some of the best minds and some of the most interesting investors in the region.”

**Jonathan S. Lavine**, Co-Managing Partner, **BAIN CAPITAL**

**Networking lounge**

available to registered delegates from  
8.00am to 4.00pm on **12-14 November**

Level 5  
Boardroom

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3 Days: PE Leaders / VC Summit & 2-Day Investment Summit ONLY & all social events during this period

### Registration details

Please complete your details below in BLOCK CAPITALS or attach your business card.

Mr/Mrs/Ms  First name  Last name

Job title

Company

Address

City  Country  Post/zip code

Telephone  Fax  E-mail

I plan to attend the **Opening cocktail reception** Tuesday, 12 November at 18:15 (Grand ballroom, Four Seasons Hotel) Yes  No

I plan to attend the **Gala cocktail and dinner** on Wednesday 13 November at 18:15 (Grand ballroom, Four Seasons Hotel) Yes  No

I would like to receive a **CPD certificate** with confirmation of attendance Yes  No

### Payment details

Credit card: (US\$)  Visa  MasterCard  American Express

Card no.  Credit card country issue

Expiry date  Security code

Credit card billing address

Name on card  Signature

**Cancellation/refund policy:** A cancellation charge of US\$300 is applicable to written cancellations received on or before **11 October 2019**. No refund will be made for cancellations after the date due to our advance guaranty obligations and administration costs. If you do not attend the event or notify us of your intention to cancel, the full fee will still be payable. A substitute delegate is welcome but the organiser **MUST** be notified in advance of the meeting to avoid incurring a charge. Substitutions may **NOT** be made at the meeting.

**Pay in advance:** We will include registrants' names on the official delegate list if we have received your registration fees on or before **5 November 2019**. All payments should be made immediately. Regrettably, no entrance will be permitted for payments not received before the events takes place.

### Venue and Accommodation

#### Four Seasons Hotel Hong Kong

Address: 8 Finance Street, Central, Hong Kong / Tel : +852 3196 8357 / Fax : +852 3196 8899 / Email: [groupres.hkg@fourseasons.com](mailto:groupres.hkg@fourseasons.com)

Please book your room directly with hotel [HERE](#). The rooms and special AVCJ rate is subject to hotel availability.

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(Please note AVCJ Private Equity & Venture Forum does not bear the responsibility for participants' travel and accommodation arrangements.)

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July 30, 2019

TO: Each Member  
Board of Investments

FOR: Board of Investments Meeting of August 14, 2019

SUBJECT: 2019 Pacific Pension Institute (PPI) Executive Seminar and Asia Roundtable on November 3 – 8, 2019 in Shanghai, China

The 2019 PPI Executive Seminar and Asia Roundtable will take place on November 3 – 8, 2019 in Shanghai, China. The Executive Seminar is designed exclusively for 25-30 of PPI's asset owner members to gain insights on China's rise as a tech powerhouse and some of the latest breakthroughs and applications in areas such as facial recognition, fintech and electric vehicles. The seminar, attended by representatives of some of the largest asset owners in the world, serves to better inform their investment decisions through engaging business visits and in-depth dialogues with local peers and counterparts, academic scholars, industry experts, and policy leaders. The overarching theme of the Asia Pacific Roundtable is "China in an Evolving Global Economy." The program will provide its members high-level summaries of the current state of the Chinese economy, insightful reflections on international trade relations, and forward-looking analyses of various trends and initiatives in China, such as the internationalization of its financial sector, the growth in venture capital, and leadership in areas such as green finance and regional infrastructure development.

The main conference highlights include the following:

- The Changing Venture Capital Landscape In Asia
- New Opportunities In Warmer China-Japan Relations
- Bioscience And Biotech Breakthroughs
- Green Mobility - Electric Vehicles And Beyond

The Conference meets LACERA's policy on an average of five (5) hours of substantive educational content per day. Registration fee per delegate for the 2019 Executive Seminar is \$3,700.00. The fee includes hotel room for two nights at the Pudong Shangri-La, Shanghai and there will be a day trip to Hangzhou to visit the Alibaba campus, so there will be a one-night stay at the Shangri-La, Hotel Hangzhou in the amount of \$175.00 per night plus applicable taxes.

Registration fee per delegate for the Asia Roundtable is \$950.00 and the standard hotel rate at the Shangri-La Hotel is \$240.00 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 2019 PPI Executive Seminar on November 3 – 5, 2019 in Shanghai and PPI's Asia Roundtable on November 6 – 8, 2019 in Shanghai and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

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# Tech-Enabled China: Emerging World-Class Industries

November 3 - 5, 2019 • Pudong Shangri-La East Shanghai • Shanghai, China

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China is now at the forefront of green finance innovation as well as some of the most exciting applications of advanced technologies. Experienced global investors might find this development explainable, as China does have the capital, market, talent, and government policies to support the transformation of its energy and technology sectors. A class of Chinese tech companies are rapidly becoming serious contenders or even leaders in various industries in the global tech race. Some of them are winning by sheer user scale, some are gaining control of entire manufacturing ecosystems, and some are developing next-generation technologies. How will China's rise as a tech powerhouse, if not yet a superpower, change the landscape of the global innovation economy? Who have been the biggest financiers of Chinese tech ventures? Can others still participate?

## Sunday - November 3

5:00 PM - 6:00 PM

**RECEPTION**

6:00 PM - 8:00 PM

**DINNER AND KEYNOTE REMARKS: THE INNOVATION ECONOMY IN CHINA**

- What is the key to transforming China from being the world factory into an innovation powerhouse?
- Is Silicon Valley's path to success applicable to innovation centers in China?
- What roles if any do central, provincial, or local governments play in the formation of China's innovation economy?
- How does the Chinese venture capital industry compare to those in other markets in Asia?



## Monday - November 4

7:30 AM - 8:45 AM

**BREAKFAST AVAILABLE**

8:45 AM - 9:00 AM

**WELCOME REMARKS**

9:00 AM - 10:00 AM

**WIDESPREAD APPLICATIONS OF FACIAL RECOGNITION**

- How mature, in terms of accuracy, is the facial recognition technology today? Do different providers use proprietary algorithms or mostly the same platform?
- As China is already leading the world in becoming a cashless economy, what is this technology's potential in becoming the new means of payment?
- What is the potential for facial recognition to be deployed in public services, such as social credit and mass transit systems?
- How are privacy concerns being addressed by providers and adopters of this technology? What kinds of rules and regulations need to catch up with the development and application of this technology?

10:00 AM - 10:15 AM

**BREAK**

10:15 AM - 11:15 AM

**BIOSCIENCE AND BIOTECH BREAKTHROUGHS**

- Where do Chinese researchers and research institutions rank in the international bioscience and biotechnology community?
- How is their work being patented and commercialized in China? How is the regulatory environment?
- Who are the investors in China's pharmaceutical and healthcare industries? Is there a strong private equity or venture capital presence?

11:15 AM - 11:30 AM

**BREAK**

11:30 AM - 12:30 PM

**GREEN MOBILITY - ELECTRIC VEHICLES AND BEYOND**

- What factors drove China to quickly become the world's largest market for electric vehicles (EV)?
- How are traditional auto makers in China responding to this sudden shift in consumer demand?

## 2019 EXECUTIVE SEMINAR IN SHANGHAI, CHINA

- Is private ownership of EVs a sustainable model in China, as severe traffic congestion and parking problems continue to strain the public infrastructure of most Chinese cities?
- How are urban planners in China taking into account new trends and future needs in mobility and transportation?

12:30 PM - 2:00 PM

### LUNCH AND REMARKS: FINTECH UNICORNS, CASHLESS ECONOMY, AND BANKING REGULATIONS

- How did a handful of Chinese tech companies transform the Chinese economy from cash-based to cashless in no more than a decade's time?
- What is a cashless or near-cashless economy like? What basic pieces of technology need to be in place for digital payment to be widely accepted?
- How did the rollout of digital payment systems inadvertently also create some of the world's largest money market funds?
- How did this transformation pave the way for other types of fintech unicorns?
- How are these new entities challenging the country's traditional banking industry and the financial system at large?

2:00 PM - 5:00 PM

### TRANSIT TO HANGZHOU

5:00 PM - 6:00 PM

### BREAK

6:00 PM - 6:30 PM

### RECEPTION

6:30 PM - 8:00 PM

### NETWORKING DINNER

## Tuesday - November 5

7:30 AM - 8:30 AM

### BREAKFAST AVAILABLE

8:30 AM - 9:30 AM

### BREAK AND TRANSIT

## 2019 EXECUTIVE SEMINAR IN SHANGHAI, CHINA

9:00 AM - 12:00 PM

**BUSINESS SITE TOUR: THE FUTURE OF E-COMMERCE IN CHINA**

12:00 PM - 2:00 PM

**WORKING LUNCH**

2:00 PM - 5:00 PM

**TRANSIT TO SHANGHAI**

5:00 PM - 6:00 PM

**BREAK**

6:00 PM - 6:30 PM

**RECEPTION**

6:30 PM - 8:30 PM

**DINNER AND KEYNOTE REMARKS: WORKING WITH CHINA AND CHINESE TECH COMPANIES - THE BRITISH APPROACH**

- What kinds of internal and external pressure do countries like the United Kingdom face when evaluating business proposals from foreign bidders that may involve the country's critical infrastructure?
- What is the prevailing attitude, especially among the business and investment communities, in the UK towards China and Chinese companies?
- As Brexit negotiations remain an uncertainty in the future of the British economy, can Chinese businesses as well as the Chinese market be seen as viable hedges against a no-deal scenario with the European Union?

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## China in an Evolving Global Economy

November 6 - 8, 2019 • Pudong Shangri-La East Shanghai • Shanghai, China

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With a nominal GDP of approximately 13.5 trillion USD, the Chinese economy weighs heavily in the global economy and will most likely become more significant, even as the growth rate gradually slows down. As its economic might continues to grow, China's regional and global engagements, whether through national institutions or private enterprises, are changing. Chinese institutional investors are showing greater levels of interest in overseas assets as a means to diversify their holdings internationally. On the other hand, many international investors are keen to gain better access to the deals, projects, and markets in China. What should investors know about the Chinese economy at this juncture? How will China's evolving relations with a host of nations reshape the global trade and investment landscape? How is China further internationalizing its financial markets to allow better foreign investor access? What has China contributed in the area of green finance?

### Wednesday - November 6

2:30 PM - 3:00 PM

**REGISTRATION OPENS**

3:00 PM - 4:00 PM

**BREAKOUT DISCUSSION 1-A: THE CHANGING VENTURE CAPITAL LANDSCAPE IN ASIA**

- How does the growth of the venture capital (VC) industry in Asia compare to that of the rest of the world? With more and more assets committed to Asia-focused VC funds and indigenous funds in Asia, are investors casting their votes of conviction on this region, or simply diversifying?
- How are the VC industries in Asia connected with their peers in Silicon Valley? Has there been an increase or a decrease in cross-border VC investments lately?
- How does the Chinese VC market compare to itself from a decade ago? How does it compare to other VC markets in Asia today?

**BREAKOUT DISCUSSION 1-B: NEW OPPORTUNITIES IN WARMER CHINA-JAPAN RELATIONS**

- Uncertain trade relations in the Asia-Pacific region, as well as bumpy denuclearization progress on the Korean Peninsula, have brought Japan and China closer together. Will the 2020s become a new era of tighter collaboration between the world's second and third largest economies?
- What differences remain? What new ones could emerge? How should they be handled?
- What are some of the existing trade and investment ties between the two East Asian neighbors? What industries could see further growth as a result of warming bilateral relations?

4:00 PM - 4:15 PM

**BREAK**

4:15 PM - 5:15 PM

**BREAKOUT DISCUSSION 2-A: NEW TRENDS IN ASIAN PRIVATE REAL ESTATE MARKETS**

- How are Asian real estate markets reflecting the uncertainties related to trade negotiations and growth slowdowns? Why have there been reports that investments in Asian commercial properties continue to hit new highs?
- How do various real estate markets in Asia, such as India, China, South Korea, and Southeast Asian countries compare to one another? Is bank lending becoming more aggressive or more conservative in these markets? What does that mean for real estate debt investing?
- Is the logistics segment of the Asian real estate market overheated or still on the rise? What should investors make of Blackstone's record-setting warehouse deal?

**BREAKOUT DISCUSSION 2-B: DEVELOPMENTS IN STATE-OWNED ENTERPRISE (SOE) GOVERNANCE**

- As government-owned commercial enterprises continue to play important roles in many economies around the world, how should investors and other stakeholders calibrate their expectations toward changes in the governance of these institutions?
- What are the benefits for SOEs to continue to conform to internationally-recognized corporate governance practices, such as having independent, professional boards, and ensuring the commercial orientation of these entities?
- How do these considerations apply to the various levels and types of SOEs in China? What changes might be expected, especially in light of ongoing trade negotiations?

## 2019 ASIA PACIFIC ROUNDTABLE IN SHANGHAI, CHINA

- For those investors who prefer not to have investments in emerging market SOEs, even through indexing exposure, what should they do?

5:15 PM - 6:15 PM

### OPENING RECEPTION

6:15 PM - 8:30 PM

### DINNER AND KEYNOTE CONVERSATION: THE BELT AND ROAD INITIATIVE (BRI) IN 2019 - RENEWED FOCUS AND INVESTMENT OPPORTUNITIES

- What were some of the highlights and key outcomes from the second Belt and Road Forum for International Cooperation? Compared to the inaugural forum in 2017, what were the shifts in emphasis?
- What types of investments have been made along the land and sea routes since the launch of the initiative?
- What concrete steps have been taken to ensure that BRI projects will become cleaner, greener, and more transparent?
- Have there been adjustments to the financing mechanism to reduce the debt risk of projects and participating corridor economies?

## Thursday - November 7

7:30 AM - 8:30 AM

### WORKING BREAKFAST FOR ASSET OWNERS AND ALLOCATORS

7:30 AM - 8:30 AM

### BREAKFAST AVAILABLE

8:30 AM - 8:45 AM

### BREAK

8:45 AM - 9:15 AM

### CO-CHAIR INTRODUCTION OF THEMES

9:15 AM - 10:15 AM

### THE CHINESE ECONOMY: PERSPECTIVES AND PROGNOSSES

- The recent deceleration of China's GDP growth, according to official figures, has provoked anxiety among global investors, who have grown accustomed to the country's booming economic expansion during the past three decades. Should investors be rightfully worried, or remain optimistic?

## 2019 ASIA PACIFIC ROUNDTABLE IN SHANGHAI, CHINA

- Is the growth slowdown felt evenly across all sectors of the Chinese economy, or have some sectors weathered it better than others? Are there industries that have actually outpaced their previous years' growth?
- What internal and external factors could further impact China's economic trajectory? Will the world's second largest economy bounce back to strong growth levels, or has it entered a new phase of more moderate growth?

10:15 AM - 10:35 AM

### **BREAK**

10:35 AM - 11:35 AM

### **FINANCING ASIA'S INFRASTRUCTURE NEEDS**

- At what pace is the Asia Infrastructure Investment Bank (AIIB) lending to projects in 2019? How does that compare to 2018? How much in total has the bank financed since its launch in 2016?
- How are current projects geographically distributed? What set of criteria do projects have to meet to qualify for AIIB financing?
- Is there room in the Asia-Pacific region for more than one multilateral development bank (MDB) to co-exist, or even co-operate? Would that benefit or hamper infrastructure developments in the region?

11:35 AM - 11:50 AM

### **BREAK**

11:50 AM - 12:50 PM

### **STRENGTHENING THE SOCIAL SAFETY NET FOR CHINA'S CHANGING DEMOGRAPHIC PROFILE**

- What constitutes China's social safety net system?
- When will China's aging population hit its peak effects? How much added social and financial stress will the economy have to bear by then?
- What is the government's response to this projected fiscal challenge in the not-too-distant future? How do China's efforts measure against those made by other countries that face similar demographic headwinds?
- What steps have been and still can be taken to enhance the investment income of the Social Security Fund?

12:50 PM - 2:20 PM

### **LUNCH AND KEYNOTE REMARKS: BLAZING TRAILS IN GREEN FINANCE**

- With the world's largest carbon trading exchange, a robust green bond market, and a growing number of green-investing private equity funds, has China successfully incentivized private sector capital to join the fight against climate change? What more needs to be done?
- How will green finance be integrated into the Belt and Road Initiative?

## 2019 ASIA PACIFIC ROUNDTABLE IN SHANGHAI, CHINA

- Can China's green finance model be replicated in other countries and scaled up globally?

2:20 PM - 2:30 PM

**BREAK**

2:30 PM - 3:30 PM

### **ACCELERATING THE INTERNATIONALIZATION OF CHINA'S FINANCIAL MARKETS**

- Recent rounds of trade negotiations have catalyzed the further internationalization of China's financial markets, which could lead to better market access and convergence of standards. What are some specific examples?
- As many international asset managers prepare to launch their businesses in mainland China, how will they decide between a joint venture versus a wholly foreign-owned enterprise (WFOE)? Will their products and services likely be more geared towards onshore clients or inbound capital?
- What kind of impact will this bring to the relatively nascent homegrown asset management industry in China? How might the regulatory framework evolve?

3:30 PM - 3:45 PM

**BREAK**

3:45 PM - 4:45 PM

### **CHINESE DEPOSITARY RECEIPTS (CDR), GLOBAL DEPOSITARY RECEIPTS (GDR), AND THE SHANGHAI-LONDON STOCK CONNECT**

- How do depositary receipts work in general? Is there anything unique about CDRs? Who are the target investors of CDRs? Can CDRs help keep investor capital in the Chinese stock market, and hence in the Chinese economy?
- What about GDRs? What opportunities can they provide to global investors?
- What is the significance of the newly launched Shanghai-London Stock Connect program? How have investors on two sides been using this platform?

4:45 PM - 5:30 PM

**BREAK**

5:30 PM - 6:30 PM

**RECEPTION**

6:30 PM - 8:45 PM

### **DINNER AND KEYNOTE CONVERSATION: CHINA'S VIEW OF THE WORLD AND ITS EXTERNAL RELATIONS**



## 2019 ASIA PACIFIC ROUNDTABLE IN SHANGHAI, CHINA

- As China deepens its economic engagement with the rest of the world through trade and investment, how has that process changed China and China's view of the world? How does China see itself among nations?
- Few countries today can match China's industrial capacity or its domestic market size, let alone a combination of both. Is it China's plan to exert a dominant influence on other economies, or to participate in a world economy that is diverse and multi-polar?
- With economic might comes influence in regional and international affairs. How has China positioned itself in these types of engagements? What is the mindset that underlies China's management of its external relations?

## Friday - November 8

7:45 AM - 8:45 AM

### **BREAKFAST BRIEFING: ASSET OWNER INSIGHTS FROM THE EXECUTIVE SEMINAR**

- What did participants learn from the Executive Seminar?
- Did any session or experience stand out as particularly impactful or memorable?
- Have perceptions on the Chinese innovation economy been altered? Can they be turned into investment ideas?

8:45 AM - 9:00 AM

### **CO-CHAIR WELCOME AND RECAP OF PRIOR DAY**

9:00 AM - 10:00 AM

### **ASSET MANAGERS' PERSPECTIVES ON CHINA - PART 1 (PUBLIC MARKETS)**

- What trends in the Chinese economy are asset managers seeing, particularly through the lenses of those who invest in publicly traded assets?
- What are some issues and developments that they feel might be overlooked or under-discussed by the investor community?
- What types of regulatory changes do they anticipate or hope for in the coming years?

10:00 AM - 10:20 AM

### **BREAK**

10:20 AM - 11:20 AM

### **ASSET MANAGERS' PERSPECTIVES ON CHINA - PART 2 (PRIVATE MARKETS)**

- What trends in the Chinese economy are asset managers seeing, particularly through the lenses of those who transact in private deals?

## 2019 ASIA PACIFIC ROUNDTABLE IN SHANGHAI, CHINA

- What are some issues and developments that they feel might be overlooked or under-discussed by the investor community?
- What types of regulatory changes do they anticipate or hope for in the coming years?

11:20 AM - 11:40 AM

### BREAK

11:40 AM - 12:40 PM

### CEO/CIO REVIEW

- How have recent setbacks to an otherwise fast-rising Chinese economy affected CEOs' and CIOs' outlook for the Asia-Pacific region?
- At almost year-end, how would CEOs and CIOs sum up 2019? What would they do more in 2020, and what might they do less?
- What else is on their minds?

12:40 PM - 12:50 PM

### CO-CHAIR SUMMARY

12:50 PM - 1:00 PM

### CLOSING REMARKS, ADJOURNMENT, AND LUNCH

July 31, 2019

TO: Each Member,  
Board of Retirement  
Board of Investments

FROM: Joint Organizational Governance Committee

FOR: August 7, 2019 Board of Retirement Meeting  
August 14, 2019 Board of Investments Meeting

SUBJECT: Approval of Revised Education and Travel Policy

At the July 26, 2019 Joint Organizational Governance Committee (JOGC) meeting, the committee voted to recommend that the Board of Retirement and Board of Investments (Boards) approved a revised Education and Travel Policy (Policy). Attached as Exhibit A is a clean copy of the revised Policy. Attached as Exhibit B is a redlined copy of the Policy showing changes from the current version. A clean copy of the current Policy is attached as Exhibit C.

The changes are extensive. Highlights are summarized below. The JOGC will consider the impact of the Internal Audit Division's June 20, 2019 Board and Staff Education & Travel Audit report at the August 14, 2019 JOGC meeting. Additional changes may be recommended by the JOGC at that meeting. However, the JOGC recommends that the changes made in the attachments be approved now.

### **SUMMARY OF REVISIONS**

The proposed revisions to the Policy impose additional limits on the number and cost of travel. The revisions are intended to create a Policy that is more complete, better organized, clearer, and easier to administer for travelers and the administrative staff responsible for processing and paying travel expenses. Many of the revisions are directed to improve control and compliance standards to ensure that enforceable procedures exist and that the proper paperwork is submitted for travel approvals and expenses to document that the Policy is being followed consistently and transparently. The proposed Policy also enhances transparency by requiring the existing monthly and quarterly reports be posted on lacera.com. The proposed Policy continues to recognize the importance of education and administrative travel to Board Members and staff to properly perform LACERA's fiduciary duty.

Specifically, the proposed Policy addresses the following main issues:

1. **Terminology.** The current Policy variously uses the terms "conferences," "seminars," and meetings." These terms are not defined. They are not used consistently. Sometimes they are used together, and sometimes separately. The proposed Policy replaces these three terms with two defined terms, "Educational Conferences" and "Administrative Meetings," which are intended to encompass all travel in two defined categories. These definitions are included in the Statement of Purpose so that the scope of the Policy is clear at the beginning of the document. The remainder of the proposed Policy sets forth the provisions that apply to each of these categories.
2. **Overall Policy Structure.** The Policy, including both existing and new provisions, is reorganized so that as a whole it is organized in a logical structure from purpose and definitions, to approval, to claims for reimbursement, reimbursable expenses, cancelation, and miscellaneous other provisions.
3. **Number of Educational Conferences.** The proposed Policy reduces the number of permitted Educational Conferences for Board Members to 4 per fiscal year (from 8 in the current Policy) for Members of a single Board and 6 per fiscal year (from 12 in the current Policy) for Members of both Boards. Only 1 international conference is permitted by any Member.
4. **Administrative Travel.** Both Board Members and staff engage in travel for LACERA administrative purposes. The Boards have encouraged administrative activities through, for example, the Legislative Policy, the Board of Retirement's Engagement Policy, the Board of Investments' Corporate Governance Policy, state and national legislative and regulatory initiatives, and Board-approved participation and positions in certain organizations. This emphasis on engagement has led to Board Member and staff involvement in a wide variety of state, national, and international pension-related organizations. Staff also travels for day-to-day LACERA business purposes. While the current Policy covers administrative travel, its terms in this area are much more limited than with educational travel. The proposed Policy attempts to address this gap by providing separate procedures for Board approval of administrative travel by Board Members.
5. **Approval.** A restructured Section 705.00 defines the standards for approval of travel, including travel that is pre-approved and travel that is subject to approval for educational and administrative purposes. The Policy provides separate procedures for Board approval of administrative travel by Board Members. Where travel for a single purpose (such as an organizational leadership position) will occur multiple

times per year, only one approval at the beginning of the year will be required. The proposed Policy restructures the approach to local travel by providing that travel in California is preapproved where the total cost for a conference or meeting is \$2,000 or less, subject to a \$10,000 overall annual limit without Board approval. This section also provides for additional information, including a description of the educational or administrative purpose, an estimate of total cost, and the number of additional travel days (if any), to be included in Board approval memos to assist in the Boards' decision-making process, which will contribute to monitoring of costs and educational need as well as enhancing transparency. The proposed Policy provides that Educational Conferences may not be arranged by Board Members whose terms are ending or by staff whose employment is ending.

6. **Claims for Reimbursement.** The proposed Policy includes a new Section 705.03.2 providing a defined process for the processing and approval of reimbursement requests, and notification of deficiencies. This section provides roles and responsibilities for administrative and accounting staff to assist in ensuring compliance with policy requirements before reimbursements are made.
7. **Ground Transportation.** In Section 705.10, language is added encouraging the use of taxis and ride sharing services, such as UBER and Lyft. Language is added providing that limousine and executive car services shall not be used in domestic locations unless the cost for such services is comparable to that of taxi services and/or airport parking, although they may be used in international locations.
8. **Monthly and Quarterly Travel Reports.** Currently, the monthly and quarterly travel reports provided to the Board are not agendaized or posted on lacera.com. The proposed Policy requires both steps in Section 705.12 to facilitate Board review in compliance with the Brown Act and to enhance public transparency of Board Member and staff travel.
9. **Meals between Board Members and Staff.** Section 705.16 of the proposed Policy provides that such meals will be reimbursed pursuant to the methods described in Attachment A. This issue is not addressed in the current Policy.
10. **Applicable Law and Review.** In the proposed Policy, Section 705.18 is added to clarify that the Policy is to be implemented in accordance with applicable law. Section 705.19 provides for annual review of the Policy and amendment by the Boards at any time.

**11. *Reimbursement Schedule, Attachment A.*** This attachment is revised in the proposed Policy in several ways that are intended to ensure adequate controls on travel expense reimbursement, such as:

- Airfare Standards. Domestic and international fares are pegged to no more than the fares charged by specified reference airlines for the applicable fare type under the Policy for the desired dates of travel.
- Meals. Written documentation must be provided to support the dietary/medical restriction and LACERA business exceptions to the rule that meals pre-paid by LACERA to the conference provider will not be reimbursed.
- Alcoholic beverages. The cost of such beverages will not be reimbursed.
- Lodging. Room upgrades and bed and breakfast additions will be at the traveler's own expense, without good cause.
- Damaged or lost property. The proposed Policy provides this issue will be addressed in a separate LACERA policy.

**12. *Pre-Approved Conferences, Attachment B.*** The proposed Policy adds conferences sponsored by the National Association of Corporate Directors (NACD) to the pre-approved list with preference to the Board of Investments.

#### Attachments

c: Steven P. Rice  
JJ Popowich  
Jonathan Grabel  
Beulah Auten  
Ted Granger  
Richard Bendall  
Harvey Leiderman

# **EXHIBIT A**

Clean Proposed Revised Policy



## **Education and Travel Policy**

**Approved: Board of Investments, \_\_\_\_\_, 2019**  
**Board of Retirement, \_\_\_\_\_, 2019**



# EDUCATION AND TRAVEL POLICY

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## Statement of Purpose

The Board of Retirement, the Board of Investments, and designated staff have a fiduciary duty:

- To obtain education on matters of public pension administration and investments,
- To monitor the administration and investments of the Trust,
- To monitor the work of those to whom the Board has delegated authority to administer and manage Trust assets, and
- To advocate positions that protect and further the interests of the Trust.

It is the desire and intention of the Board of Retirement and the Board of Investments to ensure that the Boards and staff may perform their fiduciary duties, by implementing an education and travel policy by which:

- Board Members and staff receive current benefit, financial policy and operational information pertinent to the administration of public pension plans, the administration and management of the retiree health care program, and the investment of public pension funds,
- When authorized by the Board, Board Members and staff may travel to advocate and communicate positions and information that protect and further the interests of the Trust, such as legislative advocacy, speaking, and internal meetings, and to participate in pension, retirement, healthcare, investment, and governance-related organizations, and
- Board Members may complete their minimum required 24 hours of “board member education” every two years as mandated by Government Code §31522.8.

The Boards desire to avoid even the appearance of impropriety in connection with education and travel. The Boards acknowledge that acceptance of gifts of travel, such as transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages “pay to play” and may, unwittingly, create opportunities for undue influence on Board Members and staff. This policy therefore does not permit LACERA as an entity to accept gifts of travel. The Boards acknowledge that international travel, though expensive, is

# EDUCATION AND TRAVEL POLICY

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increasingly necessary in light of today's global economy and LACERA's ongoing prudent investment of a substantial portion of its assets outside the United States.

It is expected with respect to all travel that Board Members and staff will only incur expenses that a reasonable and prudent person would incur if traveling on personal business.

This policy applies to Educational Conference and Administrative Meetings. "Educational Conferences" are those conferences, seminars, and meetings that have an educational purpose. "Administrative Meetings" are meetings that have a non-educational purpose in furtherance of LACERA's interests, including legislative advocacy, speaking engagements, information-exchange among Board Members and between Board Members and staff, participation in pension-related organizations, and similar events.

## **705.00 – APPROVAL**

### **A. Board Members**

All travel by Board Members require approval of that member's Board, except as expressly provided in this policy.

1. Except as provided in Section 705.00.A.2 and 8, Educational Conferences must contain an average of five hours of substantive content per day, excluding travel days. Every Board Member is authorized to attend up to 4 approved Educational Conferences per fiscal year (of which no more than 1 may be international), and up to 6 if the Board Member is serving simultaneously on both Boards (of which no more than 1 may be international). "International" Conferences" are those Educational Conferences outside the United States, Canada, and Mexico. Two Educational Conferences separated by no more than one day, with no additional common carrier travel, count as one conference for purposes of this section. The necessity of Administrative Meetings shall be reviewed and authorized by the respective Board. Due to the unique nature of Administrative Meetings, this travel does not have number limits, subject to the cost limits of Section 705.00.A.2, and does not count towards the maximum approved number limits for travel unless in conjunction with an Educational Meeting.
2. Educational Conferences and Administrative Meetings in California where the total cost of attendance is no more than \$2,000 are pre-approved for attendance and reimbursement, provided that a Board Member may not incur

## EDUCATION AND TRAVEL POLICY

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over \$10,000 for all expenses of attending all such Educational Conferences and Administrative Meetings in a fiscal year without Board approval. Such Educational Conferences must contain substantive content but are not subject to the five-hour per day content requirement or number limits of Section 705.00.A.1.

3. Educational Conferences listed on Attachment C are preapproved for attendance and expense reimbursement provided all other policy requirements are met.
4. Educational Conferences not listed on Attachment C and not covered by Section 705.00.A.2 require prior approval by the Board. Memoranda submitted to the Board seeking approval to attend conferences or meetings shall include a description of the agenda and educational or administrative purpose for the conference or meeting, the registration fee, hotel rate, estimated airfare, estimated total cost, and the number of additional travel days (if any) under Section 705.09.
5. Attending an International Conference requires prior Board approval whether or not such conference meeting is listed on Attachment C. Not more than three Board members shall be authorized to attend the same International Conference without specific Board approval,
6. The Board may ratify attendance at otherwise unapproved conferences, seminars and meetings for good cause explained in a written communication to the Board presented at the next available Board meeting following completion of the event.
7. Requests for Educational Conference and Administrative Meeting attendance and travel arrangements must be made in writing and directed to the appropriate Executive Board Assistant.
8. Prior to attending an International Benefit Conference, a Board Member is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress. Prior to attending an International Investment Conference a Board Member is required to successfully complete the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course. These

# EDUCATION AND TRAVEL POLICY

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foundational courses do not count towards the number limits of Section 705.00.A.1.

9. Board members shall cease arranging future travel for Educational Conferences once they become aware their term of service will end. For appointed members, this occurs in the final year of their appointment and after the Board of Supervisors votes on the next appointment. For elected members this occurs if an elected member is replaced once election results are certified by the Board of Supervisors. For the Ex-Officio Member, this occurs once a retirement is announced.

- B. Staff Members. All travel by staff requires approval by each of the following: the staff member's Division Manager; the Assistant Executive Officer (AEO), if any, over such staff member; and the Chief Executive Officer (CEO). Staff members shall cease arranging future travel for Educational Conferences once a retirement, termination, or other end of LACERA employment is announced. For purposes of all staff travel approvals and decisions under any provision of this policy, the Chief Investment Officer shall have sole authority.

## **705.01 – AUTHORIZED EXPENSES**

Authorized travel expenses for Board Members and staff shall be determined by the Boards as set forth in Attachment A. LACERA Board Members and staff shall be reimbursed for reasonable and necessary expenses incurred, and documented, in connection with LACERA business.

## **705.02 – COSTS OF ADMINISTRATION**

Education and travel expenses for Board Members and staff shall be administrative costs of the pension fund and may not be paid through third party contracts. It is LACERA's policy that LACERA, as an agency, and its Board Members and staff shall not accept gifts of travel.

## **705.03 - CLAIMS FOR REIMBURSEMENT**

1. Submission. An education and travel expense reimbursement shall be claimed by completing an expense voucher form available on the LACERA intranet website and submitting it to the appropriate authorizing person. Board Members may submit their expense reimbursements to their respective Executive Board Assistant and staff to their Division Manager. All expense reimbursement requests shall be accompanied

# EDUCATION AND TRAVEL POLICY

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by receipts and/or other reasonable documentation. Expense reimbursement records are subject to disclosure under the Public Records Act, with redaction of confidential information. The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted by the Chair (for Board Members) or the CEO (for staff) upon showing good cause.

2. Approval. The Executive Board Assistants will review, for compliance with this policy, all expense reimbursement requests by Board Members prior to submission. The CEO, the AEO, if any, over a staff member, and the staff member's Division Managers will review and approve, for compliance with this policy, all expense reimbursement requests for staff prior to submission. The Financial and Accounting Services Division (FASD) will review all Board Member and staff expense reimbursement requests for compliance with this policy and shall only pay those that are in compliance. FASD will notify the Executive Board Assistants of all deficiencies in a submission by a Board Member, and the Executive Board Assistants will in turn notify the respective Board Member. FASD will notify the AEO, if any, over a staff member, and/or the CEO, and the staff member's Division Manager of deficiencies in a submission by staff. LACERA will not reimburse Board Members or staff for expenses that are not authorized under this policy unless specifically exempted by the Board (for Board members) or the CEO (for staff).

## **705.04 – BOARD PRIORITY WHERE ATTENDANCE IS LIMITED**

Should an Educational Conference or Administrative Meeting provider limit Board Member attendance, it is the Boards' intent to provide attendance priority to the specified Board as designated in Attachment C. The basis for this designation is for the Board of Retirement Members to have attendance priority for benefit, healthcare, plan administration, and general policy conferences and for the Board of Investments Members to have priority for investment and actuarial conferences. Should a conference not listed in Attachment C be approved by both Boards, such conference will be prioritized by the CEO in the manner used to set Board Priority in Attachment C.

## **705.05 – SELECTION OF ATTENDEES WHERE ATTENDANCE IS LIMITED**

In the event attendance at a an Educational Conference where the number of LACERA representatives that may attend is limited, the Executive Board Assistant shall canvass the Board with conference priority, per Attachment C, to identify those Board Members interested in attending. Canvassing shall only be done following Board approval for the event, unless otherwise authorized by the Board Chair. In the event more Board Members

# EDUCATION AND TRAVEL POLICY

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from the Priority Board desire to attend than the event provider will accommodate or this policy allows, such attendance will be determined by the appropriate priority listing as described in Attachment B. After fulfilling attendance needs for the Board with attendance priority, remaining attendance opportunity will shift to the other Board. Priority for international travel as it relates to investment events shall be given to the Board of Investments.

## **705.06 – CANCELTION OF TRAVEL ARRANGEMENTS**

### **A. Responsibility for Timely Cancellation**

Board Members and staff are responsible for timely canceling education and travel arrangements made on his/her behalf which will not be used so that no costs will be incurred by LACERA.

### **B. Responsibility for Untimely Cancellation Costs**

Individuals are responsible for all costs LACERA incurs as a result of the individual's failure to cancel education and travel arrangements before cancellation charges accrue, unless the failure to cancel was due to facts or circumstances beyond the traveler's control. The traveler must reimburse LACERA within 30 days after notification of the amount due. If reimbursement is not made within such 30-day period, and payment is still due, the amount shall be deducted from any payment due the traveler from LACERA. If a Board Member is enrolled for an Educational Conference or Administrative Meeting but fails to attend or timely cancel and LACERA incurs an expense as a result (e.g., conference registration, travel and lodging cancellation fees), that conference or meeting counts toward the limit under Section 705.00.A.1 until the Board Member reimburses LACERA for all expenses incurred cancellation is excused under Section 705.06.C.

### **C. Approval of Cancellation Costs with Good Cause**

If the individual believes the failure to cancel was due to facts or circumstances beyond their control, they must submit a written excuse to the Board Chair, or to the CEO if the individual is staff, within 30 days after receiving notification of the cancellation expenses due. For Board Members, the Board Chair will approve or disapprove the excuse in writing to the individual, with a copy to the Executive Board Assistant. If the individual is a Board Chair, then the written excuse must be submitted to that Board's Vice Chair who will then approve or disapprove the excuse. If the individual is a Vice Chair simultaneously serving as the acting Chair, then the Vice Chair's written excuse must be submitted to that Board's Secretary who will then approve or disapprove the excuse.

# EDUCATION AND TRAVEL POLICY

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Should a Board Member disagree with the Board Officer's determination, the Board Member may request the Executive Board Assistant to agendize the matter for the Board's consideration.

## **705.07 – CASH ADVANCES**

Cash advances will not be allowed unless specifically approved for Board Members by the appropriate Board and staff by the CEO.

## **705.08 – EXPENSES FOR TRAVELING COMPANIONS**

Education and travel expenses for family members and/or traveling companions are not reimbursable by LACERA.

## **705.09 – ADDITIONAL TRAVEL DAYS TO MINIMIZE OVERALL TRAVEL COST**

Travel resulting in arrival one day prior to and/or one day after an Educational Conference or Administrative Meeting will be reimbursed if reasonably necessary because of time constraints. Travel resulting in arrival two days prior to and/or one day after international travel will be reimbursed as reasonably necessary based on the location of the Educational Conference. In addition, lodging and per diem for extra days prior to or after an Educational Conference or Administrative Meeting will be reimbursed if such extension results in lower overall trip costs. If a Board Member or staff adds personal travel before or after a trip, the extra personal days outside of the above restrictions shall not be reimbursed. For staff, cost comparisons for trip extensions shall include the costs of salary for any work days lost by the extension. Written justification for travel expenses incurred prior to or after an Educational Conference or Administrative Meeting shall be submitted with the claim for reimbursement.

## **705.10 – GROUND TRANSPORTATION**

Individuals will be expected to use taxis or ride sharing services (i.e., Lyft, UBER) to and from domestic destinations. Limousine or executive car services shall not be used in domestic locations unless the cost for such services is comparable to that of taxi services and/or airport parking; they may be used without restriction in international locations. Reimbursement of rental vehicles require justification and prior approval from the Chief Executive Officer. When renting a vehicle, purchase of optional insurance is not necessary as LACERA's insurance will cover the same risks.

# EDUCATION AND TRAVEL POLICY

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## **705.11 – INTERNATIONAL TRAVEL INSURANCE**

LACERA will purchase travel insurance covering Board Members and staff while traveling internationally on LACERA business. The insurance will include accident, medical, security assistance and evacuation, travel assistance, trip cancelation, interruption or delay, and baggage loss or delay coverage.

## **705.12 – TRAVEL REPORTS**

A monthly Travel Report shall be submitted to both Boards listing the current fiscal year's completed, anticipated, and canceled Education Conferences and Administrative Meetings (including whether excused under Section 705.06.C) for Board Members and staff.

A quarterly Travel Report shall be submitted to both Boards listing Board Member and staff education and administrative travel expenses paid/reimbursed by LACERA. Such report shall identify whether each item of travel was for an Educational Conference or Administrative Meeting, the purpose, location, cost by expense category, whether excused under Section 705.06.C.

The monthly and quarterly reports shall be agendized as reports for the Boards in the first month after they are available (and for privacy and personal security reasons, after travel has been completed) and shall be posted on lacera.com.

## **705.13 – REPORT FOLLOWING ATTENDANCE AT CONFERENCE AND SEMINARS**

Board Members who attend an Educational Conference or Administrative Meeting are encouraged to report at a Board meeting the information and knowledge gained, an evaluation of the conference or meeting, and recommendation concerning future participation.

## **705.14 – TRAVEL BY NEWLY APPOINTED AND ELECTED BOARD MEMBERS**

A person duly appointed or elected to the Board of Retirement or Board of Investments shall, for purposes of this policy, be deemed to have assumed the office of Board Member as of the date the person's appointment is approved or election is certified by the Board of Supervisors. It is the intent of this Section that incoming Board Members attend seminars and conferences as part of their orientation and preparation to assume the duties of a LACERA Board Member.



# EDUCATION AND TRAVEL POLICY

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For purposes of Section 705.00, seminars and conferences related to the topics listed in Government Code §31522.8 that are attended during the six months prior to the date an individual's term of office commences shall be counted towards the number of seminars and conferences that may be attended during the first fiscal year of the individual's term in office.

A copy of this policy, related policy procedures, and list of all pre-approved, approved, or likely to be approved conferences scheduled to occur during the first six months of the newly elected or appointed member's term are to be provided to each new Board Member at the beginning of his/her term.

## **705.15 – BOARD MEMBER MEALS WITH OTHER MEMBERS AND/OR STAFF**

Meals between Board Members and between Board Members and staff will be reimbursed by the methods described in Attachment A.

## **705.16 – BROWN ACT COMPLIANCE**

No more than four members of either Board are authorized to meet together to discuss LACERA business unless there is appropriate public notice of the meeting pursuant to the Ralph M. Brown Act. All meetings subject to the Brown Act must be held within the County of Los Angeles, unless otherwise permitted by the Brown Act. A person holding membership on both the Board of Retirement and Board of Investments counts as one of the members in attendance for each of the Boards. Attendance at Educational Conferences and Administrative Meetings by more than four members of a Board is not a violation of this provision.

## **705.17 – WAIVER OF POLICY PROVISIONS**

For good cause presented in writing, and in the exercise of its sound discretion, the Board of Retirement or the Board of Investments may waive compliance with specific requirements of this policy when in the best interest of LACERA.

## **705.18 – APPLICABLE LAW**

This policy is to be implemented in compliance with the relevant provisions of the California Government Code and other applicable law, and in harmony with existing philosophy, objectives, policies and guidelines previously approved by the Boards of Retirement and Investments.

# EDUCATION AND TRAVEL POLICY

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## **705.19 – REVIEW**

This policy shall be reviewed by the Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments annually or as needed and may be amended by both Boards at any time.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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Amounts which can be reimbursed for transportation, lodging, meals, and other items are indicated as follows:

#### **TRANSPORTATION:**

Amounts which can be reimbursed for transportation, lodging, meals and other items are indicated as follows:

#### **A. Airline Travel**

1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:
  - a. Flights having a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more, and
  - b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.
  - c. Flights arriving or departing at an international location, including Canada and Mexico.
2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.
3. Air travel will only be reimbursed at the lowest available fare at the time of purchase (for class travel authorized under this Policy) offered by United, American, or Delta for the dates of travel. Other carriers are authorized, but reimbursement shall not exceed this limitation.
4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages will not be reimbursed.
5. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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6. Board Members and staff traveling by air to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance.

#### B. Other Common Carrier Travel

1. Travel permitted under this policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.
2. Generally air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 600 miles from LACERA's headquarters.
3. Where a traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).
4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.

#### **LODGING:**

##### A. Room Cost

Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts. For example, room upgrades, and bed & breakfast additions will be at the expense of the traveler, unless for good cause such as the unavailability of standard rooms and/or international destinations.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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#### B. Government Rates

Board Members and staff traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher than the federal government rate, or may not be available at all, especially in connection with international travel.

#### C. Attendance at Educational Conferences, Administrative Meetings, and Investor Meetings

LACERA acknowledges that the cost of a standard room at an event hotel may exceed the standard lodging reimbursement rate. Nevertheless, Board Members and staff attending events may stay at the designated hotel to promote convenient access, networking, and safety. Reimbursement for lodging at an event is limited to the standard room rate charged by the event hotel unless for good cause such as the unavailability of standard rooms and/or international destinations. When lodging at the event hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The traveler will be responsible for any excess cost. This also applies for staff attendance at investor meetings.

#### D. Travel Not Connected With An Established Hotel Venue

The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted without association with an established hotel venue. Reimbursement for lodging connected with such travel is limited to:

1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at [www.gsa.gov](http://www.gsa.gov) (click on "per diem rates").
2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: [www.state.gov/m/a/als/prdm](http://www.state.gov/m/a/als/prdm).

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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#### **MEALS:**

It is the policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:

1. The traveler has special dietary or medical concerns, or
2. It was reasonably necessary for the traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.

Written justification as to which of the above two exceptions applies will be provided with the reimbursement request.

Likewise, LACERA will not reimburse the traveler for a meal paid for by a third party.

#### Meal Reimbursement

Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.

#### A. The Per Diem Method

1. Under the Per Diem Method the traveler agrees to accept a flat rate for meal expense for actual meals eaten and is not required to submit receipts.
2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the M&IE Rate) published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.
3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown (M&IE Breakdown) per the IRS, based on the M&IE Rate. The portion of the per diem the traveler receives depends upon when the travel occurs. For example, if the travel occurs during normal

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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breakfast and lunch times, the traveler receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the traveler receives the per diem for lunch and dinner, etc.

#### B. The Actual Receipt Method

1. Under the Actual Receipt Method, reimbursement shall be requested only for the actual cost paid for a meal.
2. Actual cost reimbursed will not to exceed \$100 per day, provided that in no case will the cost of alcoholic beverages be reimbursed.
3. Receipts shall include the following information:
  - a. meal cost amount, and
  - b. Date and location.
4. Credit card receipts are sufficient provided they include the required information.
5. Annotating the meal receipt with the business purpose for the meal will assist staff with processing reimbursements, and if the receipt is for more than the individual, the names of persons whose meals are covered by the receipt.
6. If a host provides a meal, and actual expenses are not incurred, then that meal should be excluded from reimbursement

#### **PORTERAGE:**

1. Maximum reimbursement for Porterage is \$10 per day of travel (that is, days involving transportation from home to a travel location, from one travel location to another, and from the final destination to home).
2. Porterage shall be based on the actual amount expended and documented on the claim form.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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3. Porterage may not be claimed if reimbursement for meals is claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.

**PARKING:** Parking, including airport parking, will be reimbursed at actual rate (receipt required).

**MILEAGE:** Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.

**OTHER BUSINESS EXPENSES:** Other business expenses reasonably incurred in connection with LACERA business, such as business and personal telephone, fax, internet access, gym access (including the standard gym fee charged by the traveler's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the Systems Division in advance to develop appropriate solutions for the traveler's needs and to manage cost.

Reimbursement for lost or damages property is subject to a separate policy to be developed.



**EDUCATION AND TRAVEL POLICY**  
**Board Member Priority**  
**Attachment B**

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**PROCEDURE FOR SELECTION OF ATTENDEES**  
**AT EDUCATIONAL CONFERENCES WHERE**  
**ATTENDANCE IS LIMITED**

The following procedures apply to authorize attendance at Educational Conferences where attendance is limited.

**A. Board Member Priority Listings**

1. Each Board shall keep separate Board Member Education Priority Listings.
2. Each Board shall keep two listings:

a. Domestic Priority List

Events held in the United States shall be considered domestic events for purposes of this policy.

b. International Priority List

Events held outside of the United States shall be considered international events for purposes of this policy.

3. Board Member Priority Listings will be maintained by the Executive Board Assistants.

**B. Creating Priority Listings**

1. Each Board member will be assigned an Initial Priority Date.
2. The Initial Priority Date will be the later of:
  - a. Board of Supervisor's Appointment date (includes Treasurer Tax Collector), or
  - b. Board of Supervisor's Election Certification date, or
  - c. Date the Board Member last attended a Domestic/International event, as appropriate for list being created.
3. In the event the Board Member is serving concurrent elected or appointed terms, the Appointment/Election date will be earliest date in the current

# EDUCATION AND TRAVEL POLICY

## Board Member Priority

### Attachment B

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concurrent term of service. Board service will be bridged if the break in Board service is less than 18 months. Bridging Board service provides equity between the regularly appointed members and regularly elected members.

4. The Executive Board Assistant will sort the Board Members by Initial Priority Date. The Board Member with the oldest date will have the highest priority and the Board Member with the newest date will have the lowest priority.
5. In the event more than one Board Member has the same Initial Priority Date, the priority will be determined for such members by last name alphabetically.

#### C. Updating a Priority List

1. Board Members who attend a Domestic/International event will be placed at the bottom of the respective list.
2. Board Members who have a break in Board service for a period more than 18 months will have their names placed at the bottom of the respective lists upon return to Board service.
3. Using the Initial Priority Date method, new Board Members joining their respective Boards will be placed at the bottom of the respective lists.

#### D. Selection of Board Members Authorized to Attend

When the number of Board Members interested in attending an event exceeds the number of attendees permitted by the sponsor, the Executive Board Assistant will document members indicating an interest in attending (Interested Members). Interested Members shall be authorized to attend in accordance with their priority on the applicable Priority List. Upon being authorized to attend, the Board Member shall be placed at the bottom of the Priority List.

In the event a Board Member authorized to attend in accordance with the above paragraph later decides not to attend, such Board Member's position on the Priority List shall be restored to its former position, and the next Interested Member on the Education Priority List shall be authorized to attend.

EDUCATION AND TRAVEL POLICY  
**Board Member Priority**  
Attachment B

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In selecting Board Members to attend events, a Board Member shall not be considered as an Interested Member if such Board Member is disqualified from attending pursuant to the limitations imposed by Section 705.06.

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Educational Conferences**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
America's Health Insurance Plans (AHIP) conferences, seminars, and meetings	✓	
America's Health Insurance Plans (AHIP): Annual Institute; Annual Medicare Conference; Annual National Policy Forum	✓	
California Association of Public Employee Retirement Systems (CALAPRS) Principles of Pension Management Course at Stanford Law School	✓	
CALAPRS meetings, conferences, seminars and periodic roundtables	✓	
California Retired County Employees Association (CRCEA) semi-annual conferences	✓	
Council of Institutional Investors (CII) conferences and meetings		✓
Federal and state legislative hearings on pension and retirement health care issues	✓	
Goldman Sachs conferences and educational meetings		✓
Government Finance Officers Association (GFOA) conferences, seminars and meetings	✓	
Harvard Kennedy School, Trustee Leadership Forum for Retirement Security, Initiative for Responsible Investment		✓

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Educational Conferences**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
Harvard Law School Labor and Work Life Conference and Capital Matters Conference		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Employee Benefits Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Benefits Conference for Public Employees	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Health Care Cost Management Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Investments Institute		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Washington Legislative Update Conference	✓	
Information Management Network (IMN) Beneficial Owners' International Securities Lending Summit Annual Conference		✓
Institutional Limited Partners Association (ILPA) conferences and meetings		✓
International Corporate Governance Network (ICGN) domestic conferences and meeting		✓
Milken Institute domestic conferences and meetings		✓

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Educational Conferences**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
National Association of Corporate Directors (NACD) Conferences		✓
National Association of Securities Professionals Annual Pension and Financial Services Conference		✓
National Conference on Public Employees Retirement Systems (NCPERS) meetings, conferences and workshops	✓	
National Institute on Retirement Security (NIRS) conferences, seminars, and meetings	✓	
Pacific Pension Institute (PPI) domestic conferences, seminars, and meetings		✓
Pension Real Estate Association (PREA) annual spring and fall conferences and institute		✓
Public Retirement Journal conferences and seminars	✓	
State Association of County Retirement Systems (SACRS) meetings, educational conferences, seminars and symposiums	✓	
United Nations Principals of Responsible Investing (UNPRI) events		✓

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Educational Conferences**

<b>Conference/Seminar/Meeting</b>	<b>Priority</b>	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
University of Pennsylvania Wharton School's Pension Fund and Investment Management and the Portfolio Concepts and Management courses.		✓
World Healthcare Congress conferences, seminars and meetings	✓	
World Pension Forum domestic conferences		✓

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# **EXHIBIT B**

**Redlined Proposed Revised Policy**





## Education and Travel Policy

Approved: Board of Investments, ~~March 6, 2017~~ \_\_\_\_\_, 2019  
Board of Retirement, ~~March 3, 2017~~ \_\_\_\_\_, 2019

# EDUCATION AND TRAVEL POLICY

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## Statement of Purpose

The Board of Retirement, the Board of Investments, and designated staff have a fiduciary duty:

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- To obtain education on matters of public pension administration and investments,
- To monitor the administration and investments of the Trust,
- To monitor the work of those to whom the Board has delegated authority to administer and manage Trust assets, and
- To advocate positions that protect and further the interests of the Trust.

It is the desire and intention of the Board of Retirement and the Board of Investments to ensure that the Boards and staff may perform their fiduciary duties, by implementing an education and travel policy by which:

- Board Members and staff receive current benefit, financial ~~and policy~~ and operational information pertinent to the administration of public pension plans, the administration and management of the retiree health care program, and the investment of public pension funds,
- When authorized by the Board, Board Members and staff may travel to advocate and communicate positions and information that protect and further the interests of the Trust, ~~and such as legislative advocacy, speaking, and internal meetings, and to participate in pension, retirement, healthcare, investment, and governance-related organizations, and~~
- Board Members may complete their minimum required 24 hours of "board member education" every two years as mandated by Government Code §31522.8.

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The Boards desire to avoid even the appearance of impropriety in connection with education and travel. The Boards acknowledge that acceptance of gifts of travel, such as transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages "pay to play" and may, unwittingly, create opportunities for undue influence on Board Members and staff. ~~LACERA's education and travel~~ This policy therefore does not permit LACERA as an entity to accept gifts of travel.

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## EDUCATION AND TRAVEL POLICY

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~~The Boards further~~ acknowledge that international travel, though expensive, is increasingly necessary in light of today's global economy and LACERA's ongoing prudent investment of a substantial portion of its assets outside the United States.

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~~This policy is to be implemented in compliance with the relevant provisions of the California Government Code and federal law, and in harmony with existing philosophy, objectives, policies and guidelines previously approved by the Boards of Retirement and Investments.~~

~~This policy shall be reviewed by the Travel Committee of the Board of Retirement and Board of Investments annually or as needed and may be amended by both Boards at any time.~~

### **705.00 – EDUCATIONAL CONTENT REQUIREMENT**

~~Except as provided in Section 705.01.A.1, conferences and seminars must contain an average of five hours of substantive content per day, excluding travel days.~~

### **705.01 – EDUCATION AUTHORIZATION**

#### A. Board Members

~~Local educational conferences and seminars not requiring common carrier travel and lodging and where the registration fee is \$500 or less are approved for attendance. Such conferences and seminars~~

~~It is expected with respect to all travel that Board Members and staff will only incur expenses that a reasonable and prudent person would incur if traveling on personal business.~~

~~This policy applies to Educational Conference and Administrative Meetings. "Educational Conferences" are those conferences, seminars, and meetings that have an educational purpose. "Administrative Meetings" are meetings that have a non-educational purpose in furtherance of LACERA's interests, including legislative advocacy, speaking engagements, information-exchange among Board Members and between Board Members and staff, participation in pension-related organizations, and similar events.~~

### **705.00 – APPROVAL**

#### A. Board Members

~~All travel by Board Members require approval of that member's Board, except as expressly provided in this policy.~~

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## EDUCATION AND TRAVEL POLICY

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1. Except as provided in Section 705.00.A.2 and 8, Educational Conferences must contain an average of five hours of substantive content per day, excluding travel days. Every Board Member is authorized to attend up to 4 approved Educational Conferences per fiscal year (of which no more than 1 may be international), and up to 6 if the Board Member is serving simultaneously on both Boards (of which no more than 1 may be international). "International" Conferences" are those Educational Conferences outside the United States, Canada, and Mexico. Two Educational Conferences separated by no more than one day, with no additional common carrier travel, count as one conference for purposes of this section. The necessity of Administrative Meetings shall be reviewed and authorized by the respective Board. Due to the unique nature of Administrative Meetings, this travel does not have number limits, subject to the cost limits of Section 705.00.A.2, and does not count towards the maximum approved number limits for travel unless in conjunction with an Educational Meeting.

4.2. Educational Conferences and Administrative Meetings in California where the total cost of attendance is no more than \$2,000 are pre-approved for attendance and reimbursement, provided that a Board Member may not incur over \$10,000 for all expenses of attending all such Educational Conferences and Administrative Meetings in a fiscal year without Board approval. Such Educational Conferences must contain substantive content but are not subject to the five-hour per day content requirement or number limits of Section 705.00.A.1.

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2.3. Educational ~~conferences, seminars and meetings~~Conferences listed on Attachment C are preapproved for attendance and expense reimbursement provided all other policy requirements are met.

3.4. Educational ~~conferences, seminars, and meetings~~Conferences not listed on Attachment C and not covered by Section 705.0400.A.42 require prior approval by the Board. Memoranda submitted to the Board seeking approval to attend conferences, ~~seminars and~~ or meetings shall include a description of the agenda and educational or administrative purpose for the conference or meeting, the registration fee and, hotel rate, estimated airfare, estimated total cost, and the number of additional travel days (if any) under Section 705.09.

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## EDUCATION AND TRAVEL POLICY

~~4.5.~~ Attending a conference, seminar and meeting held outside of the United Statesan International Conference requires prior Board approval whether or not such conference, ~~seminar or~~ meeting is listed on Attachment C. Not more than three Board members shall be authorized to attend the same International Conference without specific Board approval,

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~~5.6.~~ The Board may ratify attendance at otherwise unapproved conferences, seminars and meetings for good cause explained in a written communication to the Board presented at the next available Board meeting following completion of the event.

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~~6.7.~~ Requests for ~~conference~~ Educational Conference and Administrative Meeting attendance and travel arrangements must be made in writing and directed to the appropriate Executive Board ~~staff secretary~~ Assistant.

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~~B.~~ Prior to attending an International Benefit Conference, a Board Member is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress. Prior to attending an International Investment Conference a Board Member is required to successfully complete the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course. ~~Staff Members~~ The Chief Executive Officer, or designee, shall approve staff education and travel.

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~~8.~~ 705.02 - These foundational courses do not count towards the number limits of Section 705.00.A.1.

~~9.~~ Board members shall cease arranging future travel for Educational Conferences once they become aware their term of service will end. For appointed members, this occurs in the final year of their appointment and after the Board of Supervisors votes on the next appointment. For elected members this occurs if an elected member is replaced once election results are certified by the Board of Supervisors. For the Ex-Officio Member, this occurs once a retirement is announced.

~~B.~~ Staff Members. All travel by staff requires approval by each of the following: the staff member's Division Manager; the Assistant Executive Officer (AEO), if any, over such staff member; and the Chief Executive Officer (CEO). Staff members shall cease arranging future travel for Educational Conferences once a retirement, termination, or

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## EDUCATION AND TRAVEL POLICY

other end of LACERA employment is announced. For purposes of all staff travel approvals and decisions under any provision of this policy, the Chief Investment Officer shall have sole authority.

### **705.01 – AUTHORIZED EXPENSES**

Authorized ~~educational and related~~ travel expenses for Board Members and staff shall be determined by the Boards as set forth in Attachment A. LACERA Board Members and staff shall be reimbursed for reasonable and necessary expenses incurred, and documented, in connection with LACERA business.

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### **705.03-02 – COSTS OF ADMINISTRATION**

Education and travel expenses for Board Members and staff shall be administrative costs of the pension fund and may not be paid through third party contracts. It is LACERA's policy that LACERA, as an agency, ~~will~~ and its Board Members and staff shall not accept gifts of travel.

### **705.0403 - CLAIMS FOR REIMBURSEMENT**

1. Submission. An education and travel expense reimbursement shall be claimed by completing an expense voucher form available on the LACERA intranet website and submitting it to the appropriate authorizing person. Board Members may submit their expense reimbursements to their respective Executive Board staff secretaries ~~Assistant~~ and staff to their Division Manager. All expense reimbursement requests shall be accompanied by receipts and/or other reasonable documentation. Expense reimbursement records are subject to disclosure under the Public Records Act, with redaction of confidential information. The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted by the Chair (for Board Members) or the CEO (for staff) upon showing good cause.

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2. Approval. The Executive Board Assistants will review, for compliance with this policy, all expense reimbursement requests by Board Members prior to submission. The CEO, the AEO, if any, over a staff member, and the staff member's Division Managers will review and approve, for compliance with this policy, all expense reimbursement requests for staff prior to submission. The Financial and Accounting Services Division (FASD) will review all Board Member and staff expense reimbursement requests for compliance with this policy and shall only pay those that are in compliance. FASD will

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## EDUCATION AND TRAVEL POLICY

notify the Executive Board Assistants of all deficiencies in a submission by a Board Member, and the Executive Board Assistants will in turn notify the respective Board Member. FASD will notify the AEO, if any, over a staff member, and/or the CEO, and the staff member's Division Manager of deficiencies in a submission by staff. LACERA will not reimburse Board Members or staff for expenses that are not authorized under this policy unless specifically exempted by the Board (for Board members) or the CEO (for staff).

### **705.0504 – BOARD PRIORITY WHERE ATTENDANCE IS LIMITED**

Should an ~~education~~Educational Conference or Administrative Meeting provider limit Board Member attendance, it is the Boards' intent to provide attendance priority to the specified Board as designated in Attachment C. The basis for this designation is for the Board of Retirement Members to have attendance priority for benefit, healthcare, plan administration, and general policy conferences and for the Board of Investments Members to have priority for investment and actuarial conferences. ~~In this context, the term "conference" is meant to include conference, meeting, roundtable, symposium, or any other term used to describe an educational opportunity.~~ Should a conference not listed in Attachment C be approved by both Boards, such conference will be prioritized by the CEO in the manner used to set Board Priority in Attachment C.

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### **705.06-05 – SELECTION OF ATTENDEES WHERE ATTENDANCE IS LIMITED**

In the event attendance at a ~~conference or seminar~~Educational Conference where the number of LACERA representatives that may attend is limited, ~~at the Executive Board staff secretary~~Assistant shall canvass the Board with conference priority, per Attachment C ~~or so designated~~, to identify those Board Members interested in attending. Canvassing shall only be done following Board approval for the event, unless otherwise authorized by the Board Chair. In the event more Board Members from the Priority Board desire to attend than the ~~conference~~event provider will accommodate or this policy allows, such attendance will be determined by the appropriate priority listing as described in Attachment B. After fulfilling attendance needs for the Board with attendance priority, remaining attendance opportunity will shift to the other Board. Priority for international travel as it relates to investment events shall be given to the Board of Investments.

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### **705.07 – CONFERENCE ATTENDANCE LIMITATIONS**

A. Number of Conferences Subject to Reimbursement per Fiscal Year

Every **705.06 – CANCELATION OF TRAVEL ARRANGEMENTS**

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# EDUCATION AND TRAVEL POLICY

## A. Responsibility for Timely Cancellation

~~1. Board Member is authorized to attend up to 8 approved conferences per fiscal year, Members and up to 12 if the Board Member is serving simultaneously staff are responsible for timely canceling education and travel arrangements made on both Boards.~~

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~~2. It is the policy's intent for Board members to have the ability to maximize attending local educational conferences. As such, conferences his/her behalf which will not be used so that do not require common carrier travel and lodging is under \$1,500, are not subject to the 8 (or 12, as applicable) conference attendance limit.~~

## B. Failing to Attend or Canceling a Conference Timely

~~Travel expenses no costs will be incurred by a Board Member for the first 8 (or 12, as applicable) approved conferences the Board Member attends per fiscal year are subject to reimbursement by LACERA.~~

## B. Responsibility for Untimely Cancellation Costs

~~Individuals are responsible for all costs LACERA incurs as a result of the individual's failure to cancel education and travel arrangements before cancellation charges accrue, unless the failure to cancel was due to facts or circumstances beyond the traveler's control. The traveler must reimburse LACERA within 30 days after notification of the amount due. If reimbursement is not made within such 30-day period, and payment is still due, the amount shall be deducted from any payment due the traveler from LACERA, in accordance with this Education and Travel Policy. If a Board Member is enrolled for a conference an Educational Conference or Administrative Meeting but fails to attend or timely cancel and LACERA incurs an expense as a result (e.g., conference registration, travel and lodging cancellation fees), that conference or meeting counts toward the limit under Section 705.00.A.1 until the Board Member reimburses LACERA for all expenses incurred, unless the failure to cancel cancellation is excused under Section 705.42(e)-06.C.~~

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## C. Approval of Cancellation Costs with Good Cause

~~If the individual believes the failure to cancel was due to facts or circumstances beyond their control, they must submit a written excuse to the Board Chair, or to the CEO if~~

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## EDUCATION AND TRAVEL POLICY

the individual is staff, within 30 days after receiving notification of the cancelation expenses due. For Board Members, the Board Chair will approve or disapprove the excuse in writing to the individual, with a copy to the Executive Board Assistant. If the individual is a Board Chair, then the written excuse must be submitted to that Board's Vice Chair who will then approve or disapprove the excuse. If the individual is a Vice Chair simultaneously serving as the acting Chair, then the Vice Chair's written excuse must be submitted to that Board's Secretary who will then approve or disapprove the excuse. Should a Board Member disagree with the Board Officer's determination, the Board Member may request the Exceeding the Number of Conferences Subject to Reimbursement per Fiscal Year

~~LACERA will not reimburse a Board Member for expenses associated with conference attendance by a Board Member during the remainder of the fiscal year once the sum of approved conferences a Board Member attends plus those for which LACERA has incurred unreimbursed, unexcused cancelation expenses reaches 8 (or 12). The Board Member shall be responsible for all such expenses, including without limitation the registration fee, lodging, transportation and meal expenses. A Board member may place on the agenda of the member's respective Board a request to approve exceeding the conference limit specified in this Section.~~

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### ~~D. Seminars and Conferences Outside the United States~~

~~In addition to the limitations described in 705.06, the following limitations shall apply to attending conferences and seminars outside the United States (International Conferences). For purposes of Section 705.07.D.1 and 2, conferences and seminars in Canada and Mexico shall not be considered International Conferences:~~

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- ~~1. An individual Board member shall not be authorized to attend more than two International Conferences in any fiscal year if the member serves on one Board, or more than three International Conferences in any fiscal year if the member serves on two Boards,~~
- ~~2. Not more than three Board members shall be authorized to attend the same International Conference,~~
- ~~3. Prior to attending an International Benefit Conference, a Board Member is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress, and~~

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## EDUCATION AND TRAVEL POLICY

~~4. Prior to attending an International Investment Conference a Board Member is required to successfully complete the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course.~~

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~~705.08 – Executive Board Assistant to agendaize the matter for the Board's consideration.~~

### **705.07 – CASH ADVANCES**

Cash advances will not be allowed unless specifically approved for Board Members by the appropriate Board and staff by the CEO.

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### **705.09 – 08 – EXPENSES FOR TRAVELING COMPANIONS**

Education and travel expenses for family members and/or traveling companions are not reimbursable by LACERA.

### **705.409 – ADDITIONAL TRAVEL DAYS TO MINIMIZE OVERALL TRAVEL COST**

Travel ~~the resulting in arrival one~~ day prior to and/or ~~the one~~ day after ~~a conference an Educational Conference or Administrative Meeting~~ will be reimbursed if reasonably necessary because of time constraints. ~~More than one additional day~~ Travel resulting in ~~arrival two days~~ prior to and/or ~~one day~~ after international travel will be reimbursed as reasonably necessary based on the location of the ~~conference Educational Conference~~. In addition, lodging and per diem for extra days prior to or after ~~a conference an Educational Conference or Administrative Meeting~~ will be reimbursed if such extension results in lower overall trip costs. ~~If a Board Member or staff adds personal travel before or after a trip, the extra personal days outside of the above restrictions shall not be reimbursed.~~ For staff, cost comparisons for trip extensions shall include the costs of salary for any work days lost by the extension. Written justification for travel expenses incurred prior to or after ~~a conference an Educational Conference or Administrative Meeting~~ shall be submitted with the claim for reimbursement.

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### **705.14 – 10 – GROUND TRANSPORTATION**

Individuals will be expected to use ~~group shuttle service~~ taxi or ride sharing services (i.e., Lyft, UBER) to and from ~~metropolitan domestic~~ destinations. ~~Limousine or executive car services shall not be used in domestic locations~~ unless ~~the cost for such uses~~ services is

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## EDUCATION AND TRAVEL POLICY

~~precluded by time constraints or it is safer, more efficient, or more economical comparable to hire a taxi services and/or rent a car, pay for airport parking, fuel, etc.; they may be used without restriction in international locations. Reimbursement of an alternative mode of transportation will be limited to the cost of the group shuttle service unless otherwise justified rental vehicles require justification and prior approval from the Chief Executive Officer.~~ When renting a vehicle, purchase of optional insurance is not necessary as LACERA's insurance will cover the same risks.

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### 705.12 — CANCELING EDUCATION AND TRAVEL ARRANGEMENTS

#### A. Responsibility for Timely Cancellation

~~Individuals are responsible for timely canceling education and travel arrangements made on his/her behalf which will not be used so that no costs will be incurred by LACERA.~~

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#### B. 705.11 Responsibility for Untimely Cancellation Costs

~~Individuals are responsible for all costs LACERA incurs as a result of the individual's failure to cancel education and travel arrangements before cancellation charges accrue, unless the failure to cancel was due to facts or circumstances beyond the traveler's control. The traveler must reimburse LACERA within 30 days after notification of the amount due. If reimbursement is not made within such 30 day period, and payment is still due, the amount shall be deducted from any payment due the traveler from LACERA.~~

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#### C. Responsibility for Untimely Cancellation Costs with Good Cause

~~If the individual believes the failure to cancel was due to facts or circumstances beyond their control, they must submit a written excuse to the Board Chair, or to the CEO if the individual is staff, within 30 days after receiving notification of the cancellation expenses due. For Board Members, the Board Chair will approve or disapprove the excuse in writing to the individual, with a copy to the Board's staff secretary. If the individual is a Board Chair, then the written excuse must be submitted to that Board's Vice Chair who will then approve or disapprove the excuse. If the individual is a Vice Chair simultaneously serving as the acting Chair, then the Vice Chair's written excuse~~

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## EDUCATION AND TRAVEL POLICY

~~must be submitted to that Board's Secretary who will then approve or disapprove the excuse. Should a Board Member disagree with the Board Officer's determination, the Board Member may request the Board's staff secretary to agendize the matter for the Board's consideration.~~

### 705.13 – INTERNATIONAL TRAVEL INSURANCE

LACERA will purchase travel insurance covering Board Members and staff while traveling internationally on LACERA business. The insurance will include accident, medical, security assistance and evacuation, travel assistance, trip cancelation, interruption or delay, and baggage loss or delay coverage.

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### 705.14-12 – TRAVEL REPORTS

~~The Chief Executive Officer shall submit a~~ monthly Travel Report shall be submitted to both Boards listing the current fiscal year's completed, anticipated, and canceled education attendance Education Conferences and Administrative Meetings (including whether excused under Section 705.06.C) for Board Members. ~~Such report will include staff's educational travel, and staff.~~

A quarterly Travel Report shall be submitted to both Boards listing Board Member and staff education and administrative travel expenses paid/reimbursed by LACERA ~~shall be provided to both Boards.~~ Such report shall identify whether each item of travel was for an Educational Conference or Administrative Meeting, the purpose, location, and cost. ~~Such report will include staff's education and administrative travel, by expense category, whether excused under Section 705.06.C.~~

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The monthly and quarterly reports shall be agendized as reports for the Boards in the first month after they are available (and for privacy and personal security reasons, after travel has been completed) and shall be posted on lacera.com.

### 705.15-13 – REPORT FOLLOWING ATTENDANCE AT CONFERENCE AND SEMINARS

Board Members who attend ~~a conference, seminar or meeting,~~ an Educational Conference or Administrative Meeting are encouraged to report at a Board meeting the information and knowledge gained, an evaluation of the conference, ~~seminar~~ or meeting, and recommendation concerning future participation.

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## EDUCATION AND TRAVEL POLICY

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### **705.16-14 — TRAVEL BY NEWLY APPOINTED AND ELECTED BOARD MEMBERS**

A person duly appointed or elected to the Board of Retirement or Board of Investments shall, for purposes of this policy, be deemed to have assumed the office of Board Member as of the date the person's appointment is approved or election is certified by the Board of Supervisors. It is the intent of this Section that incoming Board Members attend seminars and conferences as part of their orientation and preparation to assume the duties of a LACERA Board Member.

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For purposes of Section 705.0700, seminars and conferences related to the topics listed in Government Code §31522.8 that are attended during the six months prior to the date an individual's term of office commences shall be counted towards the number of seminars and conferences that may be attended during the first fiscal year of the individual's term in office.

A copy of this policy, related policy procedures, and list of all pre-approved, approved, or likely to be approved conferences scheduled to occur during the first six months of the newly elected or appointed member's term are to be provided to each new Board Member at the beginning of his/her term.

### **705.17-705.15 – BOARD MEMBER MEALS WITH OTHER MEMBERS AND/OR STAFF**

Meals between Board Members and between Board Members and staff will be reimbursed by the methods described in Attachment A.

### **705.16 – BROWN ACT COMPLIANCE**

No more than four members of either Board are authorized to meet together to discuss LACERA business unless there is appropriate public notice of the meeting pursuant to the Ralph M. Brown Act. All meetings subject to the Brown Act must be held within the County of Los Angeles, unless otherwise permitted by the Brown Act. A person holding membership on both the Board of Retirement and Board of Investments counts as one of the members in attendance for each of the Boards. Attendance at ~~conferences, seminars, meetings~~ Educational Conferences and ~~social activities~~ Administrative Meetings by more than four members of a Board is not a violation of this provision.

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### **705.1817 – WAIVER OF POLICY PROVISIONS**

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## EDUCATION AND TRAVEL POLICY

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For good cause presented in writing, and in the exercise of its sound discretion, the Board of Retirement or the Board of Investments may waive compliance with specific requirements of this ~~Policy~~ policy when in the best interest of LACERA.

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### **705.18 – APPLICABLE LAW**

This policy is to be implemented in compliance with the relevant provisions of the California Government Code and other applicable law, and in harmony with existing philosophy, objectives, policies and guidelines previously approved by the Boards of Retirement and Investments.

### **705.19 – REVIEW**

This policy shall be reviewed by the Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments annually or as needed and may be amended by both Boards at any time.

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## EDUCATION AND TRAVEL POLICY

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Amounts which can be reimbursed for transportation, lodging, meals, and other items are indicated as follows:

### TRANSPORTATION:

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# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

When determining reimbursement limits for lodging and meals, LACERA considers how much control it has over these travel costs. Conference/seminar sponsors select the city and hotel for their conferences and LACERA has little or no input in the decision. Similarly, conference sponsors often provide meals, and LACERA again has little or no input as to the place or menu. Where LACERA's input regarding lodging and meals is limited—and thus its ability to control the cost of such items is limited—it is appropriate to reimburse the actual travel costs incurred subject to the requirements set forth below in this Attachment A with respect to individual expense categories, unless to do so would jeopardize LACERA's tax-exempt status.

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The same rationale applies to meetings of limited partners, members, shareholders, advisory committees, etc. of entities to which LACERA has invested trust funds ("investor meetings"). LACERA has little or no input as to the location of investor meetings, or with respect to the meals provided during such meetings. Therefore investor meetings should be treated as "conferences/seminars" and not administrative travel for purposes of determining appropriate lodging and meal reimbursements.

A policy that reimburses actual lodging and meal costs where LACERA has little or no control over these costs provides benefits to LACERA. First, its Boards and staff will be better able to travel to educational conferences and investor meetings in fulfillment of their fiduciary duties if they do not have to bear the cost of such travel personally. Second, LACERA benefits from having its personnel enjoy the convenient educational access, increased networking opportunities, and safety afforded when staying at the designated conference or investor meeting hotel.

Travelers are encouraged to schedule travel in a way that minimizes LACERA's travel expenses. For example, a traveler may have a conference to attend and a due diligence visit to make in the same geographic area at or about the same time. The traveler should either (i) make two trips (i.e., return home after the first event) or (ii) make one trip (i.e., remain in the region in the interim between the events, and receive transportation, lodging and meal reimbursement during the interim as otherwise permitted by the Travel Policy), depending upon which results in lower overall cost to LACERA.

Amounts which can be reimbursed for transportation, lodging, meals and other items are indicated as follows:

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**EDUCATION AND TRAVEL POLICY**  
**Reimbursement Schedule**  
Attachment A

**TRANSPORTATION:**

A. Airline Travel

1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:

- a. Flights having a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more, and
- b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.
- c. Flights arriving or departing at an international location, including Canada and Mexico.

2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.

3. Air travel will only be reimbursed at the lowest available fare at the time of purchase (for class travel authorized under this Policy) offered by United, American, or Delta for the dates of travel. Other carriers are authorized, but reimbursement shall not exceed this limitation.

3.4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages will not be reimbursed.

4.5. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.

5.6. Board Members and staff traveling by air to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Board Members and staff are prohibited from traveling on LACERA business via

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## EDUCATION AND TRAVEL POLICY

### Reimbursement Schedule

#### Attachment A

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private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance.

#### B. Other Common Carrier Travel

1. Travel permitted under this ~~Travel Policy~~ policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.
2. Generally air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 600 miles from LACERA's headquarters.
3. Where a traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).
4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.

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#### LODGING:

##### A. Room Cost

Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts. ~~For example, room upgrades, and bed & breakfast additions will be at the expense of the traveler, unless for good cause such as the unavailability of standard rooms and/or international destinations.~~

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##### B. Government Rates

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## EDUCATION AND TRAVEL POLICY

### Reimbursement Schedule

#### Attachment A

Board Members and staff traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher than the federal government rate, or may not be available at all, especially in connection with international travel ~~or conference attendance~~.

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#### C. Attendance at Educational Conferences, Administrative Meetings, and Investor Meetings

LACERA acknowledges that the cost of a standard room at ~~a conference~~ an event hotel may exceed the standard lodging reimbursement rate. Nevertheless, Board Members and staff attending ~~conferences are expected to~~ events may stay at the designated ~~conference meeting~~ hotel to promote convenient ~~educational~~ access, networking, and safety. Reimbursement for lodging at ~~a conference meeting~~ an event is limited to the standard room rate charged by the ~~conference meeting~~ event hotel unless for good cause such as the unavailability of standard rooms and/or international destinations. When lodging at the ~~conference~~ event hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The traveler will be responsible for any excess cost. This also applies for staff attendance at investor meetings.

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#### D. Travel Not Connected With Conferences or Investor Meetings An Established Hotel Venue

The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted without association with an established hotel venue. Reimbursement for lodging connected with ~~all non-conferences~~ such travel is limited to:

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1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at [www.gsa.gov](http://www.gsa.gov) (click on "per diem rates").
2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: [www.state.gov/m/a/als/prdm](http://www.state.gov/m/a/als/prdm).

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## EDUCATION AND TRAVEL POLICY

### Reimbursement Schedule

#### Attachment A

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#### MEALS:

It is the ~~Policy's~~ policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:

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1. The traveler has special dietary or medical concerns, or
2. It was reasonably necessary for the traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.

~~If reimbursement is requested under with the Per Diem Method or the Actual Receipt Method for a meal pre-paid by LACERA, written~~ Written justification as to which of the above two exceptions applies will be provided with the reimbursement request.

Likewise, LACERA will not reimburse the traveler for a meal paid for by a third party.

#### Meal Reimbursement

Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.

#### A. The Per Diem Method

1. Under the Per Diem Method the traveler agrees to accept a flat rate for meal expense for actual meals eaten and is not required to submit receipts.
2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the "M&IE Rate") published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.

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**EDUCATION AND TRAVEL POLICY**  
**Reimbursement Schedule**  
Attachment A

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3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown (M&IE Breakdown) per the IRS, based on the M&IE Rate. The portion of the per diem the traveler receives depends upon when the travel occurs. For example, if the travel occurs during normal breakfast and lunch times, the traveler receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the traveler receives the per diem for lunch and dinner, etc.

**B. The Actual Receipt Method**

1. Under the Actual Receipt Method, reimbursement shall be requested only for the actual cost paid for a meal.
2. Actual cost reimbursed will not to exceed \$100 per day, provided that in no case will the cost of alcoholic beverages be reimbursed.
3. Receipts shall include the following information:
  - a. ~~Meal~~meal cost amount, and
  - b. Date and location.
4. Credit card receipts are sufficient provided they include the required information.
5. Annotating the meal receipt with the business purpose for the meal will assist staff with processing reimbursements, and if the receipt is for more than the individual, the names of persons whose meals are covered by the receipt.
6. If a host provides a meal, and actual expenses are not incurred, then that meal should be excluded from reimbursement

**PORTERAGE:**

1. Maximum reimbursement for Porterage is \$10 per day of travel (that is, days involving transportation from home to a travel location, from one travel location to another, and from the final destination to home).

**EDUCATION AND TRAVEL POLICY**  
**Reimbursement Schedule**  
Attachment A

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2. Porterage shall be based on the actual amount expended and documented on the claim form.

3. Porterage may not be claimed if reimbursement for meals is claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.

**PARKING:** Parking, including airport parking, will be reimbursed at actual rate (receipt required).

**MILEAGE:** Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.

**OTHER BUSINESS EXPENSES:** Other business expenses reasonably incurred in connection with LACERA business, such as business and personal telephone, fax, internet access, gym access (including the standard gym fee charged by the traveler's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the Systems Division in advance to develop appropriate solutions for the traveler's needs and to manage cost.

Reimbursement for lost or damages property is subject to a separate policy to be developed.

EDUCATION AND TRAVEL POLICY  
**Board Member Priority**  
Attachment B

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**PROCEDURE FOR SELECTION OF ATTENDEES**  
**~~AT CONFERENCES, SEMINARS AND MEETINGS WHERE~~**  
**AT EDUCATIONAL CONFERENCESWHERE**  
**ATTENDANCE IS LIMITED**

The following procedures apply to authorize attendance at ~~conferences, seminars, and meetings~~Educational Conferences where attendance is limited.

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A. Board Member~~Education~~ Priority Listings

1. Each Board shall keep separate Board Member Education Priority Listings.
2. Each Board shall keep two listings:
  - a. Domestic ~~Education~~-Priority List  
~~Conferences, seminars and meetings~~Events held in the United States shall be considered domestic events for purposes of this policy.
  - b. International ~~Education~~-Priority List  
~~Conferences, seminars and meetings~~Events held outside of the United States shall be considered international events for purposes of this policy.
3. Board Member ~~Education~~-Priority Listings will be maintained by the Executive Board ~~staff secretary~~Assistants.

B. Creating~~Education~~ Priority Listings

1. Each Board member will be assigned an Initial Priority Date.
2. The Initial Priority Date will be the later of:
  - a. Board of Supervisor's Appointment date (includes Treasurer Tax Collector), or
  - b. Board of Supervisor's Election Certification date, or

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**EDUCATION AND TRAVEL POLICY**  
**Board Member Priority**  
**Attachment B**

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c. Date the Board Member last attended a Domestic/International ~~Conference~~event, as appropriate for list being created.

3. In the event the Board Member is serving concurrent elected or appointed terms, the Appointment/Election date will be earliest date in the current concurrent term of service. Board service will be bridged if the break in Board service is less than 18 months. Bridging Board service provides equity between the regularly appointed members and regularly elected members.
4. The ~~Executive~~ Board ~~staff secretary~~Assistant will sort the Board Members by Initial Priority Date. The Board Member with the oldest date will have the highest priority and the Board Member with the newest date will have the lowest priority.
5. In the event more than one Board Member has the same Initial Priority Date, the priority will be determined for such members by last name alphabetically.

**C. Updating an ~~Education~~ Priority List**

1. Board Members who attend a Domestic/International ~~Conference~~event will be placed at the bottom of the respective list.
2. Board Members who have a break in Board service for a period more than 18 months will have their names placed at the bottom of the respective lists upon return to Board service.
3. Using the Initial Priority Date method, new Board Members joining their respective Boards will be placed at the bottom of the respective lists.

**D. Selection of Board Members Authorized to Attend**

When the number of Board Members interested in attending ~~a conference, seminar or meeting~~an event exceeds the number of attendees permitted by the sponsor, the ~~Executive~~ Board ~~staff secretary~~Assistant will document members indicating an interest in attending (Interested Members). Interested Members shall be authorized to attend in accordance with their priority on the applicable ~~Education~~ Priority List. Upon being authorized to attend, the Board Member shall be placed at the bottom of the ~~Education~~-Priority List.

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EDUCATION AND TRAVEL POLICY  
**Board Member Priority**  
Attachment B

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In the event a Board Member authorized to attend in accordance with the above paragraph later decides not to attend, such Board Member's position on the ~~Education~~ Priority List shall be restored to its former position, and the next Interested Member on the Education Priority List shall be authorized to attend.

In selecting Board Members to attend ~~conferences and seminars~~ events, a Board Member shall not be considered as an Interested Member if such Board Member is disqualified from attending pursuant to the limitations imposed by Section 705.0706.

**EDUCATION AND TRAVEL POLICY  
Pre-Approved Conferences and Board Priority  
Attachment C**

**Board Priority Listing  
for Pre-Approved Educational Conferences, Seminars and  
Meetings**

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
America's Health Insurance Plans (AHIP) conferences, seminars, and meetings	✓	
America's Health Insurance Plans (AHIP): Annual Institute; Annual Medicare Conference; Annual National Policy Forum	✓	
California Association of Public Employee Retirement Systems (CALAPRS) Principles of Pension Management Course at Stanford Law School	✓	
CALAPRS meetings, conferences, seminars and periodic roundtables	✓	
California Retired County Employees Association (CRCEA) semi-annual conferences	✓	
Council of Institutional Investors (CII) conferences and meetings		✓
Federal and state legislative hearings on pension and retirement health care issues	✓	
Goldman Sachs conferences and educational meetings		✓
Government Finance Officers Association (GFOA) conferences, seminars and meetings	✓	

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**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

**Board Priority Listing**  
**for Pre-Approved Educational Conferences, ~~Seminars and~~**  
**~~Meetings~~**

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
Harvard Kennedy School, Trustee Leadership Forum for Retirement Security, Initiative for Responsible Investment		✓
Harvard Law School Labor and Work Life Conference and Capital Matters Conference		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Employee Benefits Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Benefits Conference for Public Employees	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Health Care Cost Management Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Investments Institute		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Washington Legislative Update Conference	✓	
Information Management Network (IMN) Beneficial Owners' International Securities Lending Summit Annual Conference		✓

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**EDUCATION AND TRAVEL POLICY  
Pre-Approved Conferences and Board Priority  
Attachment C**

**Board Priority Listing  
for Pre-Approved Educational Conferences, ~~Seminars and~~  
Meetings**

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
Institutional Limited Partners Association (ILPA) conferences and meetings		✓
International Corporate Governance Network (ICGN) domestic conferences and meeting		✓
Milken Institute domestic conferences and meetings		✓
<u>National Association of Corporate Directors (NACD) Conferences</u>		✓
National Association of Securities Professionals Annual Pension and Financial Services Conference		✓
National Conference on Public Employees Retirement Systems (NCPERS) meetings, conferences and workshops	✓	
National Institute on Retirement Security (NIRS) conferences, seminars, and meetings	✓	
Pacific Pension Institute (PPI) domestic conferences, seminars, and meetings		✓
Pension Real Estate Association (PREA) annual spring and fall conferences and institute		✓
Public Retirement Journal conferences and seminars	✓	

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**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

**Board Priority Listing**  
**for Pre-Approved Educational Conferences, ~~Seminars and~~**  
**~~Meetings~~**

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
State Association of County Retirement Systems (SACRS) meetings, educational conferences, seminars and symposiums	✓	
United Nations Principals of Responsible Investing (UNPRI) events		✓
University of Pennsylvania Wharton School's Pension Fund and Investment Management and the Portfolio Concepts and Management courses.		✓
World Healthcare Congress conferences, seminars and meetings	✓	
World Pension Forum domestic conferences		✓

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# EXHIBIT C

Current Policy



## **Education and Travel Policy**

**Approved: Board of Investments, March 6, 2017  
Board of Retirement, March 3, 2017**

# EDUCATION AND TRAVEL POLICY

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## Statement of Purpose

The Board of Retirement, the Board of Investments, and designated staff have a fiduciary duty:

- To obtain education on matters of public pension administration and investments,
- To monitor the administration and investments of the Trust,
- To monitor the work of those to whom the Board has delegated authority to administer and manage Trust assets, and
- To advocate positions that protect and further the interests of the Trust.

It is the desire and intention of the Board of Retirement and the Board of Investments to ensure that the Boards and staff may perform their fiduciary duties, by implementing an education and travel policy by which:

- Board Members and staff receive current benefit, financial and policy information pertinent to the administration of public pension plans, the administration and management of the retiree health care program, and the investment of public pension funds,
- Board Members and staff may travel to advocate positions that protect and further the interests of the Trust, and
- Board Members may complete their required 24 hours of “board member education” every two years as mandated by Government Code §31522.8.

The Boards desire to avoid even the appearance of impropriety in connection with education and travel. The Boards acknowledge that acceptance of gifts of travel, such as transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages “pay to play” and may, unwittingly, create opportunities for undue influence on Board Members and staff. LACERA’s education and travel policy therefore does not permit LACERA as an entity to accept gifts of travel.

The Boards further acknowledge that international travel, though expensive, is increasingly necessary in light of today’s global economy and LACERA’s ongoing prudent investment of a substantial portion of its assets outside the United States.



# EDUCATION AND TRAVEL POLICY

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This policy is to be implemented in compliance with the relevant provisions of the California Government Code and federal law, and in harmony with existing philosophy, objectives, policies and guidelines previously approved by the Boards of Retirement and Investments.

This policy shall be reviewed by the Travel Committee of the Board of Retirement and Board of Investments annually or as needed and may be amended by both Boards at any time.

## **705.00 – EDUCATIONAL CONTENT REQUIREMENT**

Except as provided in Section 705.01.A.1, conferences and seminars must contain an average of five hours of substantive content per day, excluding travel days.

## **705.01 – EDUCATION AUTHORIZATION**

### **A. Board Members**

1. Local educational conferences and seminars not requiring common carrier travel and lodging and where the registration fee is \$500 or less are approved for attendance. Such conferences and seminars must contain substantive content but are not subject to the five-hour per day content requirement of Section 705.00.
2. Educational conferences, seminars and meetings listed on Attachment C are preapproved for attendance and expense reimbursement provided all other policy requirements are met.
3. Educational conferences, seminars, and meetings not listed on Attachment C and not covered by Section 705.01.A.1 require prior approval by the Board. Memoranda submitted to the Board seeking approval to attend conferences, seminars and meetings shall include the registration fee and hotel rate.
4. Attending a conference, seminar and meeting held outside of the United States requires prior Board approval whether or not such conference, seminar or meeting is listed on Attachment C.
5. The Board may ratify attendance at otherwise unapproved conferences, seminars and meetings for good cause explained in a written communication to the Board.

# EDUCATION AND TRAVEL POLICY

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6. Requests for conference attendance and travel arrangements must be made in writing and directed to the appropriate Board staff secretary.

B. Staff Members The Chief Executive Officer, or designee, shall approve staff education and travel.

## **705.02 - AUTHORIZED EXPENSES**

Authorized educational and related travel expenses for Board Members and staff shall be determined by the Boards as set forth in Attachment A. LACERA Board Members and staff shall be reimbursed for reasonable and necessary expenses incurred, and documented, in connection with LACERA business.

## **705.03 - COSTS OF ADMINISTRATION**

Education and travel expenses for Board Members and staff shall be administrative costs and may not be paid through third party contracts. It is LACERA's policy that LACERA, as an agency, will not accept gifts of travel.

## **705.04 - CLAIMS FOR REIMBURSEMENT**

An education and travel expense reimbursement shall be claimed by completing an expense voucher form available on the LACERA intranet website and submitting it to the appropriate authorizing person. Board Members may submit their expense reimbursements to their respective Board staff secretaries and staff to their Division Manager. All expense reimbursement requests shall be accompanied by receipts and/or other reasonable documentation. The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted upon showing good cause.

## **705.05 – BOARD PRIORITY WHERE ATTENDANCE IS LIMITED**

Should an education provider limit Board Member attendance, it is the Boards' intent to provide attendance priority to the specified Board as designated in Attachment C. The basis for this designation is for the Board of Retirement Members to have attendance priority for benefit, healthcare, plan administration, and general policy conferences and for the Board of Investments Members to have priority for investment and actuarial conferences. In this context, the term "conference" is meant to include conference, meeting, roundtable, symposium, or any other term used to describe an educational opportunity. Should a conference not listed in Attachment C be approved by both

# EDUCATION AND TRAVEL POLICY

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Boards, such conference will be prioritized by the CEO in the manner used to set Board Priority in Attachment C.

## **705.06 - SELECTION OF ATTENDEES WHERE ATTENDANCE IS LIMITED**

In the event attendance at a conference or seminar where the number of LACERA representatives that may attend is limited, a Board staff secretary shall canvass the Board with conference priority, per Attachment C or so designated, to identify those Board Members interested in attending. In the event more Board Members from the Priority Board desire to attend than the conference provider will accommodate or this policy allows, such attendance will be determined by the appropriate priority listing as described in Attachment B. After fulfilling attendance needs for the Board with attendance priority, remaining attendance opportunity will shift to the other Board.

## **705.07 – CONFERENCE ATTENDANCE LIMITATIONS**

### **A. Number of Conferences Subject to Reimbursement per Fiscal Year**

1. Every Board Member is authorized to attend up to 8 approved conferences per fiscal year, and up to 12 if the Board Member is serving simultaneously on both Boards.
2. It is the policy's intent for Board members to have the ability to maximize attending local educational conferences. As such, conferences that do not require common carrier travel and lodging is under \$1,500, are not subject to the 8 (or 12, as applicable) conference attendance limit.

### **B. Failing to Attend or Canceling a Conference Timely**

Travel expenses incurred by a Board Member for the first 8 (or 12, as applicable) approved conferences the Board Member attends per fiscal year are subject to reimbursement by LACERA in accordance with this Education and Travel Policy. If a Board Member is enrolled for a conference but fails to attend or timely cancel and LACERA incurs an expense as a result (e.g., conference registration, travel and lodging cancelation fees), that conference counts toward the limit until the Board Member reimburses LACERA for all expenses incurred, unless the failure to cancel is excused under Section 705.12(c).

### **C. Exceeding the Number of Conferences Subject to Reimbursement per Fiscal Year**

LACERA will not reimburse a Board Member for expenses associated with

## EDUCATION AND TRAVEL POLICY

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conference attendance by a Board Member during the remainder of the fiscal year once the sum of approved conferences a Board Member attends plus those for which LACERA has incurred unreimbursed, unexcused cancelation expenses reaches 8 (or 12). The Board Member shall be responsible for all such expenses, including without limitation the registration fee, lodging, transportation and meal expenses. A Board member may place on the agenda of the member's respective Board a request to approve exceeding the conference limit specified in this Section.

### D. Seminars and Conferences Outside the United States

In addition to the limitations described in 705.06, the following limitations shall apply to attending conferences and seminars outside the United States (International Conferences). For purposes of Section 705.07.D.1 and 2, conferences and seminars in Canada and Mexico shall not be considered International Conferences:

1. An individual Board member shall not be authorized to attend more than two International Conferences in any fiscal year if the member serves on one Board, or more than three International Conferences in any fiscal year if the member serves on two Boards,
2. Not more than three Board members shall be authorized to attend the same International Conference,
3. Prior to attending an International Benefit Conference, a Board Member is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress, and
4. Prior to attending an International Investment Conference a Board Member is required to successfully complete the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course.

### **705.08 - CASH ADVANCES**

Cash advances will not be allowed unless specifically approved for Board Members by the appropriate Board and staff by the CEO.

### **705.09 - EXPENSES FOR TRAVELING COMPANIONS**

Education and travel expenses for family members and/or traveling companions are not

# EDUCATION AND TRAVEL POLICY

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reimbursable by LACERA.

## **705.10 – ADDITIONAL TRAVEL DAYS TO MINIMIZE OVERALL TRAVEL COST**

Travel the day prior to and/or the day after a conference will be reimbursed if reasonably necessary because of time constraints. More than one additional day prior to and/or after international travel will be reimbursed as reasonably necessary based on the location of the conference. In addition, lodging and per diem for extra days prior to or after a conference will be reimbursed if such extension results in lower overall trip costs. For staff, cost comparisons for trip extensions shall include the costs of salary for any work days lost by the extension. Written justification for travel expenses incurred prior to or after a conference shall be submitted with the claim for reimbursement.

## **705.11 - GROUND TRANSPORTATION**

Individuals will be expected to use group shuttle service to and from metropolitan destinations unless such use is precluded by time constraints or it is safer, more efficient, or more economical to hire a taxi or rent a car, pay for parking, fuel, etc. Reimbursement of an alternative mode of transportation will be limited to the cost of the group shuttle service unless otherwise justified. When renting a vehicle, purchase of optional insurance is not necessary as LACERA's insurance will cover the same risks.

## **705.12 – CANCELING EDUCATION AND TRAVEL ARRANGEMENTS**

### **A. Responsibility for Timely Cancelation**

Individuals are responsible for timely canceling education and travel arrangements made on his/her behalf which will not be used so that no costs will be incurred by LACERA.

### **B. Responsibility for Untimely Cancelation Costs**

Individuals are responsible for all costs LACERA incurs as a result of the individual's failure to cancel education and travel arrangements before cancelation charges accrue, unless the failure to cancel was due to facts or circumstances beyond the traveler's control. The traveler must reimburse LACERA within 30 days after notification of the amount due. If reimbursement is not made within such 30-day period, and payment is still due, the amount shall be deducted from any payment due the traveler from LACERA.

# EDUCATION AND TRAVEL POLICY

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## C. Responsibility for Untimely Cancellation Costs with Good Cause

If the individual believes the failure to cancel was due to facts or circumstances beyond their control, they must submit a written excuse to the Board Chair, or to the CEO if the individual is staff, within 30 days after receiving notification of the cancellation expenses due. For Board Members, the Board Chair will approve or disapprove the excuse in writing to the individual, with a copy to the Board's staff secretary. If the individual is a Board Chair, then the written excuse must be submitted to that Board's Vice Chair who will then approve or disapprove the excuse. If the individual is a Vice Chair simultaneously serving as the acting Chair, then the Vice Chair's written excuse must be submitted to that Board's Secretary who will then approve or disapprove the excuse. Should a Board Member disagree with the Board Officer's determination, the Board Member may request the Board's staff secretary to agendize the matter for the Board's consideration.

## **705.13 – INTERNATIONAL TRAVEL INSURANCE**

LACERA will purchase travel insurance covering Board Members and staff while traveling internationally on LACERA business. The insurance will include accident, medical, security assistance and evacuation, travel assistance, trip cancellation, interruption or delay, and baggage loss or delay coverage.

## **705.14 - TRAVEL REPORTS**

The Chief Executive Officer shall submit a monthly Travel Report to both Boards listing the current fiscal year's completed, anticipated, and canceled education attendance for Board Members. Such report will include staff's educational travel.

A quarterly Travel Report listing Board Member education and travel expenses paid/reimbursed by LACERA shall be provided to both Boards. Such report shall identify the purpose, location, and cost. Such report will include staff's education and administrative travel.

## **705.15 - REPORT FOLLOWING ATTENDANCE AT CONFERENCE AND SEMINARS**

Board Members who attend a conference, seminar or meeting, are encouraged to report at a Board meeting the information and knowledge gained, an evaluation of the conference, seminar or meeting, and recommendation concerning future participation.

# EDUCATION AND TRAVEL POLICY

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## **705.16 - TRAVEL BY NEWLY APPOINTED AND ELECTED BOARD MEMBERS**

A person duly appointed or elected to the Board of Retirement or Board of Investments shall, for purposes of this policy, be deemed to have assumed the office of Board Member as of the date the person's appointment is approved or election is certified by the Board of Supervisors. It is the intent of this Section that incoming Board Members attend seminars and conferences as part of their orientation and preparation to assume the duties of a LACERA Board Member.

For purposes of Section 705.07, seminars and conferences related to the topics listed in Government Code §31522.8 that are attended during the six months prior to the date an individual's term of office commences shall be counted towards the number of seminars and conferences that may be attended during the first fiscal year of the individual's term in office.

A copy of this policy, related policy procedures, and list of all pre-approved, approved, or likely to be approved conferences scheduled to occur during the first six months of the newly elected or appointed member's term are to be provided to each new Board Member at the beginning of his/her term.

## **705.17 - BROWN ACT COMPLIANCE**

No more than four members of either Board are authorized to meet together to discuss LACERA business unless there is appropriate public notice of the meeting pursuant to the Ralph M. Brown Act. All meetings subject to the Brown Act must be held within the County of Los Angeles, unless otherwise permitted by the Brown Act. A person holding membership on both the Board of Retirement and Board of Investments counts as one of the members in attendance for each of the Boards. Attendance at conferences, seminars, meetings and social activities by more than four members of a Board is not a violation of this provision.

## **705.18 – WAIVER OF POLICY PROVISIONS**

For good cause presented in writing, and in the exercise of its sound discretion, the Board of Retirement or the Board of Investments may waive compliance with specific requirements of this Policy when in the best interest of LACERA.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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When determining reimbursement limits for lodging and meals, LACERA considers how much control it has over those travel costs. Conference/seminar sponsors select the city and hotel for their conferences and LACERA has little or no input in the decision. Similarly, conference sponsors often provide meals, and LACERA again has little or no input as to the place or menu. Where LACERA's input regarding lodging and meals is limited – and thus its ability to control the cost of such items is limited – it is appropriate to reimburse the actual travel costs incurred subject to the requirements set forth below in this Attachment A with respect to individual expense categories, unless to do so would jeopardize LACERA's tax-exempt status.

The same rationale applies to meetings of limited partners, members, shareholders, advisory committees, etc. of entities to which LACERA has invested trust funds (“investor meetings”). LACERA has little or no input as to the location of investor meetings, or with respect to the meals provided during such meetings. Therefore investor meetings should be treated as “conferences/seminars” and not administrative travel for purposes of determining appropriate lodging and meal reimbursements.

A policy that reimburses actual lodging and meal costs where LACERA has little or no control over those costs provides benefits to LACERA. First, its Boards and staff will be better able to travel to educational conferences and investor meetings in fulfillment of their fiduciary duties if they do not have to bear the cost of such travel personally. Second, LACERA benefits from having its personnel enjoy the convenient educational access, increased networking opportunities, and safety afforded when staying at the designated conference or investor meeting hotel.

Travelers are encouraged to schedule travel in a way that minimizes LACERA's travel expenses. For example, a traveler may have a conference to attend and a due diligence visit to make in the same geographic area at or about the same time. The traveler should either (i) make two trips (i.e., return home after the first event) or (ii) make one trip (i.e., remain in the region in the interim between the events, and receive transportation, lodging and meal reimbursement during the interim as otherwise permitted by the Travel Policy), depending upon which results in lower overall cost to LACERA.

Amounts which can be reimbursed for transportation, lodging, meals and other items are indicated as follows:



# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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#### TRANSPORTATION:

##### A. Airline Travel

1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:
  - a. Flights having a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more and
  - b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.
  - c. Flights arriving or departing at an international location.
2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.
3. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items.
4. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.
5. Board Members and staff traveling by air to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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#### B. Other Common Carrier Travel

1. Travel permitted under this Travel Policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.
2. Generally air travel is the most cost-effective and efficient means for long distance travel, with “long distance travel” defined as a travel to a site more than 600 miles from LACERA’s headquarters.
3. Where a traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).
4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.

#### **LODGING:**

##### A. Room Cost

Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts.

##### B. Government Rates

Board Members and staff traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher than the federal government rate, or may not be available at all, especially in connection with international travel or conference attendance.

##### C. Attendance at Conferences and Investor Meetings

LACERA acknowledges that the cost of a standard room at a conference hotel may exceed the standard lodging reimbursement rate. Nevertheless, Board Members

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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and staff attending conferences are expected to stay at the designated conference meeting hotel to promote convenient educational access, networking, and safety. Reimbursement for lodging at a conference meeting is limited to the standard room rate charged by the conference meeting hotel. When lodging at the conference hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The traveler will be responsible for any excess cost. This applies for staff attendance at investor meetings.

#### D. Travel Not Connected With Conferences or Investor Meetings

The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted. Reimbursement for lodging connected with all non-conference travel is limited to:

1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at [www.gsa.gov](http://www.gsa.gov) (click on "per diem rates").
2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: [www.state.gov/m/a/als/prdm](http://www.state.gov/m/a/als/prdm).

#### **MEALS:**

It is the Policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:

1. The traveler has special dietary or medical concerns, or
2. It was reasonably necessary for the traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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If reimbursement is requested under with the Per Diem Method or the Actual Receipt Method for a meal pre-paid by LACERA, written justification as to which of the above two exceptions applies will be provided with the reimbursement request.

Likewise, LACERA will not reimburse the traveler for a meal paid for by a third party.

#### Meal Reimbursement

Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.

#### A. The Per Diem Method

1. Under the Per Diem Method the traveler agrees to accept a flat rate for meal expense for actual meals eaten and is not required to submit receipts.
2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the "M&IE Rate") published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.
3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown (M&IE Breakdown) per the IRS, based on the M&IE Rate. The portion of the per diem the traveler receives depends upon when the travel occurs. For example, if the travel occurs during normal breakfast and lunch times, the traveler receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the traveler receives the per diem for lunch and dinner, etc.

#### B. The Actual Receipt Method

1. Under the Actual Receipt Method, reimbursement shall be requested only for the actual cost paid for a meal.
2. Actual cost reimbursed will not to exceed \$100 per day.
3. Receipts shall include the following information:

# EDUCATION AND TRAVEL POLICY

## Reimbursement Schedule

### Attachment A

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- a. Meal cost amount, and
  - b. Date and location.
4. Credit card receipts are sufficient provided they include the required information.
  5. Annotating the meal receipt with the business purpose for the meal will assist staff with processing reimbursements, and if the receipt is for more than the individual, the names of persons whose meals are covered by the receipt.
  6. If a host provides a meal, and actual expenses are not incurred, then that meal should be excluded from reimbursement

#### **PORTERAGE:**

1. Maximum reimbursement for Porterage is \$10 per day of travel (that is, days involving transportation from home to a travel location, from one travel location to another, and from the final destination to home).
2. Porterage shall be based on the actual amount expended and documented on the claim form.
3. Porterage may not be claimed if reimbursement for meals is claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.

**PARKING:** Parking, including airport parking, will be reimbursed at actual rate (receipt required).

**MILEAGE:** Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.

#### **OTHER BUSINESS EXPENSES:**

Other business expenses reasonably incurred in connection with LACERA business, such as business and personal telephone, fax,

# EDUCATION AND TRAVEL POLICY

## **Reimbursement Schedule**

### Attachment A

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internet access, gym access (including the standard gym fee charged by the traveler's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the Systems Division in advance to develop appropriate solutions for the traveler's needs and to manage cost.

**EDUCATION AND TRAVEL POLICY**  
**Board Member Priority**  
**Attachment B**

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**PROCEDURE FOR SELECTION OF ATTENDEES  
AT CONFERENCES, SEMINARS AND MEETINGS WHERE  
ATTENDANCE IS LIMITED**

The following procedures apply to authorize attendance at conferences, seminars, and meetings where attendance is limited.

**A. Board Member Education Priority Listings**

1. Each Board shall keep separate Board Member Education Priority Listings.

2. Each Board shall keep two listings:

a. Domestic Education Priority List

Conferences, seminars and meetings held in the United States shall be considered domestic events for purposes of this policy.

b. International Education Priority List

Conferences, seminars and meetings held outside of the United States shall be considered international events for purposes of this policy.

3. Board Member Education Priority Listings will be maintained by the Board staff secretary.

**B. Creating Education Priority Listings**

1. Each Board member will be assigned an Initial Priority Date.

2. The Initial Priority Date will be the later of:

a. Board of Supervisor's Appointment date (includes Treasurer Tax Collector), or

b. Board of Supervisor's Election Certification date, or

c. Date the Board Member last attended a Domestic/International Conference, as appropriate for list being created.

# EDUCATION AND TRAVEL POLICY

## Board Member Priority

### Attachment B

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3. In the event the Board Member is serving concurrent elected or appointed terms, the Appointment/Election date will be earliest date in the current concurrent term of service. Board service will be bridged if the break in Board service is less than 18 months. Bridging Board service provides equity between the regularly appointed members and regularly elected members.
4. The Board staff secretary will sort the Board Members by Initial Priority Date. The Board Member with the oldest date will have the highest priority and the Board Member with the newest date will have the lowest priority.
5. In the event more than one Board Member has the same Initial Priority Date, the priority will be determined for such members by last name alphabetically.

#### C. Updating an Education Priority List

1. Board Members who attend a Domestic/International Conference will be placed at the bottom of the respective list.
2. Board Members who have a break in Board service for a period more than 18 months will have their names placed at the bottom of the respective lists upon return to Board service.
3. Using the Initial Priority Date method, new Board Members joining their respective Boards will be placed at the bottom of the respective lists.

#### D. Selection of Board Members Authorized to Attend

When the number of Board Members interested in attending a conference, seminar or meeting exceeds the number of attendees permitted by the sponsor, the Board staff secretary will document members indicating an interest in attending ("Interested Members"). Interested Members shall be authorized to attend in accordance with their priority on the applicable Education Priority List. Upon being authorized to attend, the Board Member shall be placed at the bottom of the Education Priority List.

In the event a Board Member authorized to attend in accordance with the above paragraph later decides not to attend, such Board Member's position on the



EDUCATION AND TRAVEL POLICY  
**Board Member Priority**  
Attachment B

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Education Priority List shall be restored to its former position, and the next Interested Member on the Education Priority List shall be authorized to attend.

In selecting Board Members to attend conferences and seminars, a Board Member shall not be considered as an Interested Member if such Board Member is disqualified from attending pursuant to the limitations imposed by Section 705.07.

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Conferences, Seminars and Meetings**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
America's Health Insurance Plans (AHIP) conferences, seminars, and meetings	✓	
America's Health Insurance Plans (AHIP): Annual Institute; Annual Medicare Conference; Annual National Policy Forum	✓	
California Association of Public Employee Retirement Systems (CALAPRS) Principles of Pension Management Course at Stanford Law School	✓	
CALAPRS meetings, conferences, seminars and periodic roundtables	✓	
California Retired County Employees Association (CRCEA) semi-annual conferences	✓	
Council of Institutional Investors (CII) conferences and meetings		✓
Federal and state legislative hearings on pension and retirement health care issues	✓	
Goldman Sachs conferences and educational meetings		✓
Government Finance Officers Association (GFOA) conferences, seminars and meetings	✓	
Harvard Kennedy School, Trustee Leadership Forum for Retirement Security, Initiative for Responsible Investment		✓

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Conferences, Seminars and Meetings**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
Harvard Law School Labor and Work Life Conference and Capital Matters Conference		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Employee Benefits Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Benefits Conference for Public Employees	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Health Care Cost Management Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Investments Institute		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Washington Legislative Update Conference	✓	
Information Management Network (IMN) Beneficial Owners' International Securities Lending Summit Annual Conference		✓
Institutional Limited Partners Association (ILPA) conferences and meetings		✓
International Corporate Governance Network (ICGN) domestic conferences and meeting		✓
Milken Institute domestic conferences and meetings		✓

**EDUCATION AND TRAVEL POLICY**  
**Pre-Approved Conferences and Board Priority**  
**Attachment C**

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**Board Priority Listing**  
**for Pre-Approved Conferences, Seminars and Meetings**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
National Association of Securities Professionals Annual Pension and Financial Services Conference		✓
National Conference on Public Employees Retirement Systems (NCPERS) meetings, conferences and workshops	✓	
National Institute on Retirement Security (NIRS) conferences, seminars, and meetings	✓	
Pacific Pension Institute (PPI) domestic conferences, seminars, and meetings		✓
Pension Real Estate Association (PREA) annual spring and fall conferences and institute		✓
Public Retirement Journal conferences and seminars	✓	
State Association of County Retirement Systems (SACRS) meetings, educational conferences, seminars and symposiums	✓	
United Nations Principals of Responsible Investing (UNPRI) events		✓
University of Pennsylvania Wharton School's Pension Fund and Investment Management and the Portfolio Concepts and Management courses.		✓
World Healthcare Congress conferences, seminars and meetings	✓	

EDUCATION AND TRAVEL POLICY  
**Pre-Approved Conferences and Board Priority**  
Attachment C

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**Board Priority Listing**  
**for Pre-Approved Conferences, Seminars and Meetings**

<b>Conference/Seminar/Meeting</b>	Priority	
	<b>Board of Retirement</b>	<b>Board of Investments</b>
World Pension Forum domestic conferences		✓

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August 5, 2019

TO: Each Member  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: August 14, 2019 Board of Investments Meeting

SUBJECT: Teleconference Meeting Policy

**RECOMMENDATION**

That the Board of Investments approve the Teleconference Meeting Policy.

**LEGAL AUTHORITY**

The Board of Investments has plenary authority over administration of the system relating to investment and actuarial matters (Cal. Const., art. XVI, § 17; Cal. Gov't Code § 31595), which includes the ability to formulate policies, such as the Teleconference Meeting Policy proposed here, to facilitate and manage the conduct of the Board's business.

**DISCUSSION**

***A. Teleconference Meetings Under the Brown Act.***

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

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

Section 54953(b) provides in full as follows:

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

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

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

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

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

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

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

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

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

Section 54953(b) itself does not give any member the right to participate by teleconference. Therefore, a legislative body may enact policy governing the use of teleconference meetings.

***B. The Proposed Policy.***

At its June 12, 2019 meeting, the Board unanimously voted to direct staff to draft a policy providing that teleconference meetings shall be held, and LACERA shall provide a Brown Act compliant venue at its expense, for all meetings with less than 20 days' notice at the request of any Board member who will be out of state or due to health-related concerns. The attached policy contain such language. It also includes the right of the Chair to set a teleconference meeting in their discretion and the right of any member to agendize, as provided in the Bylaws, a vote on holding a teleconference meeting under other circumstances.

**CONCLUSION**

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

Attachment

c: JJ Popowich  
Jonathan Grabel



**BOARD OF INVESTMENTS**  
**TELECONFERENCE MEETING POLICY**

**A. Statement of Purpose.**

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

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

Notwithstanding the preference for Members to personally attend meetings, the Board finds that there are limited circumstances when it is appropriate to permit teleconference meetings in accordance with the Ralph M. Brown Act, Government Code Section 54953(b), as described in this policy.

**B. Definition.**

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

**C. Teleconference Meeting of the Board of Investments.**

**1. *Less than 20 Days' Notice.***

Teleconference meetings shall be allowed for all meetings set on less than 20 days' notice at the request of any Member who will be out of state or due to health-related concerns. A teleconference venue that meets the requirements of the Brown Act shall be provided by LACERA, at its expense.

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## **2. Chair Determination.**

The Chair of the Board, or the Vice Chair if the meeting concerns the Chair, may determine to agendize a teleconference meeting under any circumstances in their discretion.

## **3. Member Request, and Board Action.**

A Member may agendize, in accordance with the Board's Bylaws, a request to hold any meeting by teleconference for action by the full Board, provided that the request must be presented for action no later than the Board meeting immediately preceding the meeting for which a teleconference meeting is proposed to be held.

## **4. Meeting Procedure.**

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

- a. Each teleconference location shall be identified in the notice and agenda for the meeting
- b. Each teleconference location shall be accessible to the public in accordance with the protections and prohibitions of Section 202 of the Americans with Disabilities Act (42 U.S.C. § 12132). A teleconference location may be located anywhere in the world.
- c. The agenda for the teleconference meeting shall be posted at all teleconference locations.
- d. The agenda shall provide an opportunity for members of the public to hear the proceedings and address the Board directly at each teleconference location on any subject matter within LACERA's jurisdiction, subject to Government Code Section 54954.3.
- e. During the teleconference meeting, at least a quorum of the members of the Board shall participate from locations in Los Angeles County.
- f. All votes at a teleconference meeting shall be by rollcall.
- g. Bilingual services required by the Dymally-Alatorre Bilingual Services Act, California Government Code Sections 7290 - 7299.8, will be provided at the

teleconference meeting location in the same manner as such requirements are complied with for a meeting at LACERA's offices.

**D. Board of Investments Committee Meetings.**

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

**E. Exclusions.**

This policy does not apply to meetings of joint committees of the Board of Retirement and Board of Investments, which are subject to the terms of each joint committee's charter.

**F. Review.**

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

Approved by the Board of Investments: \_\_\_\_\_, 2019

July 24, 2019

TO: Each Member  
Board of Investments

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: August 14, 2019 Board of Investments Meeting

SUBJECT: **Legislative Proposal—Board Self-Evaluations in Closed Session**

## **RECOMMENDATION**

That the Board of Investments consider whether to:

1. Approve submission of a legislative proposal for inclusion in the SACRS 2020 Legislative Platform relating to board self-evaluations held in closed session; or
2. Alternatively, if the legislative proposal is submitted to but not approved by the SACRS membership for inclusion in the SACRS 2020 Legislative Platform, sponsor legislation relating to board self-evaluations held in closed session.

## **BACKGROUND**

Under the California Constitution, retirement boards of public retirement systems have sole and exclusive fiduciary responsibility over the assets of a public retirement system; retirement boards also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and services to participants and beneficiaries. A retirement board's duty to its participants and beneficiaries take precedence over any other duty, and retirement board members must discharge their duties with care, skill, prudence, and diligence.

As fiduciaries, retirement board members are tasked with a large number of duties and responsibilities. For example, the summary documents entitled "Powers and Duties of Retirement Board Members" and "Powers and Duties of Investment Board Members," which are provided to voters to enable them to evaluate candidates for the LACERA boards, contain 11 categories of duties. These include attending board and committee meetings (including reviewing relevant meeting materials); overseeing LACERA management through policies, procedures, governance processes, operational reports, and budgets; reviewing disability retirement applications; overseeing litigation, vendors, and consultants; ensuring legal compliance; and overseeing investments.

The members of the LACERA boards make many important administrative and investment decisions to fulfill LACERA's mission. Board members are currently required to receive a minimum of 24 hours of education every two years related to topics such as fiduciary responsibilities, ethics, pension funding, and pension fund governance.

Ongoing education ensures that board members have the necessary skills and knowledge to perform their duties and fulfill their responsibilities.

Although the LACERA boards are required by law to receive a minimum level of continuing education on a regular basis but are not required to conduct self-evaluations, periodic board self-evaluations are generally considered a best practice to ensure continuous improvement in good board governance. Board self-evaluations can foster open communication, reinforce accountability to stakeholders, and enhance board effectiveness through a shared understanding of strategic goals and objectives.

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

On December 17, 2018, trustee Shawn Kehoe requested that staff place an item for discussion by the Insurance, Benefits and Legislative Committee on sponsoring legislation that would allow board self-evaluations to be conducted in closed session. At its January 10, 2019 meeting, the Insurance, Benefits and Legislative Committee discussed the staff memorandum dated December 28, 2018 that outlined the issue of the Ralph M. Brown Act not providing an exception for board self-evaluations to be conducted in closed session. Staff was further instructed to provide an action plan for a legislative proposal that would provide for such an exception.

Staff is providing this legislative proposal for consideration by the Insurance, Benefits and Legislative Committee (IBLC)<sup>1</sup> and the BOR and BOI. If approved, the proposal will be submitted to the SACRS Legislative Committee for inclusion in its 2020 Legislative Platform, which is expected to be voted on by the SACRS membership at the SACRS 2019 Fall Conference. However, if the SACRS membership does not approve inclusion of the proposal, staff recommends that BOR and BOI sponsor the legislation.

### **LEGISLATIVE POLICY STANDARD**

LACERA's Legislative Policy does not contain a legislative policy standard related to expanding the Ralph M. Brown Act to provide for board self-evaluations to be conducted in closed session. However, the BOR and BOI are to address administrative and organizational matters that affect both boards (Legislative Policy, page 7). Therefore, approval of this proposal is subject to determination by the BOR and BOI.

### **CURRENT LAW**

The Ralph M. Brown Act (Government Code Sections 54950 – 54963) provides that the actions and deliberations of local public agencies are conducted in open and public meetings with posted agendas. The Brown Act enables members of the public to attend

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<sup>1</sup> At its meeting of July 11, 2019, the IBLC did not make any recommendations on the proposal and referred it to the BOR for consideration at its meeting of August 7, 2019.

and participate in local agency meetings. Courts have construed the Brown Act liberally in favor of openness and narrowly with respect to the law's limited exemptions.

The Brown Act applies to meetings of the legislative body of a local agency. Local agencies include counties, cities, school districts, municipal corporations, special districts, any board, commission, or agency thereof, and other local public agencies. The legislative body is the governing body of a local agency or any other local body created by state or federal law. As the governing bodies of the retirement system for the County of Los Angeles created under state law, the BOR and BOI of LACERA are subject to the Brown Act.

The Brown Act provides for closed sessions under certain limited circumstances most commonly to avoid revealing confidential information. A matter can only be considered in closed session if specifically provided for by the Brown Act and not merely because the matter is sensitive, embarrassing, or controversial.

## **ISSUE**

Assuming the BOR will also have a policy on self-evaluations like the BOI, the self-evaluations of both boards must be conducted in open session because there is currently no provision in the Brown Act that allows board self-evaluations to be held in closed session, which would provide an environment conducive to candor and self-reflection by individual board members. If the LACERA boards determine that board self-evaluations should be conducted in closed session, then the Brown Act must be amended to specifically provide that board self-evaluations be allowed to be held in closed session.

## **PROPOSED SOLUTION**

The Brown Act's provisions that relate to closed sessions consist of two parts. One part provides how the closed session item is described on the agenda. The other part is a specific provision that describes the nature and purpose of the item to be considered in closed session. If board self-evaluations are to be considered in closed session, then the Brown Act must be amended to provide the manner in which board self-evaluations are described on the agenda and to specifically provide that board self-evaluations may be held in closed session.

Accordingly, staff proposes two changes to the Brown Act:

- Add a new subdivision (l) to existing Government Code Section 54954.5 that would describe a board self-evaluation as a closed session item on the agenda.
- Add a new Section 54956.97 to the Government Code that would provide for board self-evaluations to be held in closed session and provides a definition of board self-evaluations.

Attached is the legislative proposal to the SACRS Legislative Committee and contains specific language for the proposed solution. Note that this language may change in the course of the legislative process due to further formulation and legislative drafting practices, including review by the Legislature’s Legislative Counsel. As such, the following is a list of key elements that should be in the legislation in order to meet the objectives of this proposal.

*Elements of the Proposed Solution*

- Agenda item entitled “BOARD SELF-EVALUATION” with additional information regarding agencies and individuals acting as consultants who facilitate the board self-evaluation.
- Authority for the legislative body of a local agency to conduct a board self-evaluation in closed session.
- Definition of “board self-evaluation.”
  - Evaluation process to assess board performance.
  - Uses quantitative and qualitative techniques.
  - Facilitated by local agency staff or external consultants.
  - Scope of evaluation process includes but is not limited to assessing board processes, reviewing board and committee performance, and enhancing skills and competencies of board members.
- Provides that no action shall be taken in the closed session with respect to the board self-evaluation, so that follow-up implementation of ideas generated during the evaluation is discussed in open session.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD** consider whether to:

1. Approve submission of a legislative proposal for inclusion in the SACRS 2020 Legislative Platform relating to board self-evaluations held in closed session; or
2. Alternatively, if the legislative proposal is submitted to but not approved by the SACRS membership for inclusion in the SACRS 2020 Legislative Platform, sponsor legislation relating to board self-evaluations held in closed session.

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

Legislative Proposal—Board Self-Evaluations  
Board of Investments  
July 24, 2019  
Page 5

**Attachment**

SACRS 2020 Legislative Platform

cc: Steven P. Rice  
JJ Popowich  
Jon Grabel  
Joe Ackler, Acker & Associates



## SACRS 2020 Legislative Platform Submission Information

- **Title of Issue**  
Board Self-Evaluations in Closed Session
  
- **Retirement Association/Name**  
Los Angeles County Employees Retirement Association
  
- **Contact Name**  
Barry Lew, Legislative Affairs Officer
  
- **Contact Phone Number**  
626-564-2370
  
- **Contact Email Address**  
[blew@lacera.com](mailto:blew@lacera.com)
  
- **Description of Issue**  
Periodic board self-evaluations are generally considered a best practice to ensure continuous improvement in good board governance. Board self-evaluations can foster open communication, reinforce accountability to stakeholders, and enhance board effectiveness through a shared understanding of strategic goals and objectives.  
  
The Ralph M. Brown Act (Government Code Sections 54950 – 54963) provides that the actions and deliberations of local public agencies are conducted in open and public meetings with posted agendas. The Brown Act provides for closed sessions under certain limited circumstances most commonly to avoid revealing confidential information.  
  
There is currently no provision in the Brown Act that allows board self-evaluations to be held in closed session, which would provide an environment conducive to candor and self-reflection by individual board members.
  
- **Recommended Solution**  
Amend the Brown Act to provide the manner in which board self-evaluations are described on the agenda and to specifically provide that board self-evaluations may be held in closed session.  
  
-- Add a new subdivision (l) to existing Government Code Section 54954.5 that would describe a board self-evaluation as a closed session item on the agenda.

-- Add a new Section 54956.97 to the Government Code that would provide for board self-evaluations to be held in closed session and provides a definition of board self-evaluations.

- **Specific language changed or added to the 1937 Act and suggested code section number(s)**

Add a new Subdivision (I) to Section 54954.5 of the Government Code:

54954.5. (I) With respect to every item of business to be discussed in closed session pursuant to Section 54956.97:

#### BOARD SELF-EVALUATION

(Additional information listing the names of agencies or title of representatives facilitating the closed session as consultants.)

Add a new Section 54956.97 to the Government Code:

54956.97 (a) Nothing contained in this chapter shall be construed to prevent the legislative body of a local agency from holding a closed session to conduct a board self-evaluation. No action shall be taken in the closed session with respect to the board self-evaluation.

(b) For purposes of this section, "board self-evaluation" means an evaluation process established by the legislative body of a local agency to assess board performance through quantitative and qualitative techniques and facilitated by local agency staff or external consultants. The evaluation process may include but is not limited to assessing board processes; reviewing the performance of the board as a whole and its committees; and enhancing the skills and competencies of individual board members.

- **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association/system?**  
The proposal would allow all local agencies including the SACRS retirement systems to be able to conduct board self-evaluations in closed session in an environment conducive to candor and self-reflection by board members.
- **Do you anticipate the proposed legislation would create any major problems such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations/systems?**  
No, the proposal would enable the SACRS retirement associations to conduct board self-evaluations in closed session. They are not required to conduct the evaluations in closed session, but they would not be prevented from doing so.

- **Who will support or oppose this proposed change in the law?**  
Local agencies that want to conduct board self-evaluations in closed session would support the proposal. Opposition may come from the California News Publishers Association, which advocates for the public's right to know and access to state and local government records and meetings.
- **Who will be available from your association/system to testify before the Legislature?**  
Barry Lew, Legislative Affairs Officer  
Joe Ackler, Ackler & Associates

July 23, 2019

TO: Each Member  
Board of Investments

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: August 14, 2019 Board of Investments Meeting

SUBJECT: **Adoption of Revised Legislative Policy**

## RECOMMENDATION

That the Board of Investments review and adopt the revised Legislative Policy.

## LEGAL AUTHORITY

The Legislative Policy provides that “[it] shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.”

## DISCUSSION

### State Association of County Retirement Systems

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

Legislative proposals submitted to SACRS are typically administrative in nature. However, there were two proposals submitted to SACRS in 2018 that were investment-related (which were ultimately withdrawn and not voted on at the SACRS 2018 Fall Conference). LACERA is the only CERL retirement system that has an investment board. The proposed revised Legislative Policy includes a section clarifying how the Board of Retirement and Board of Investments may provide instructions to LACERA’s SACRS voting delegate.

### Evaluation of Legislative Advocates

The Legislative Policy was most recently revised by the Board of Retirement on January 10, 2019 and the Board of Investments on January 9, 2019. After approving the revised Legislative Policy, the Boards requested that staff include a section in the Legislative Policy to provide for evaluation of LACERA’s legislative advocates.



**ATTACHMENT A**

# LACERA LEGISLATIVE POLICY

Revised:

Board of Retirement: ~~January 10, 2019~~ \_\_\_\_\_

Board of Investments: ~~January 9, 2019~~ \_\_\_\_\_

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## Statement of Mission and Purpose

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

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

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

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

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

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

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

The purpose of this Legislative Policy is to:

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

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

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

## Legislative Policy Standards

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

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

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

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

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

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

### **Board of Retirement**

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

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

### **Board of Investments**

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

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

### **Board of Retirement & Board of Investments**

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

## Definitions of Board Positions

### **SPONSOR OR CO-SPONSOR**

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

### **SUPPORT**

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

### **SUPPORT IF AMENDED**

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA’s legislative advocate to communicate the Board’s position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA’s legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive<sup>1</sup> amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

### **NEUTRAL**

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

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

## **OPPOSE**

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

## **OPPOSE UNLESS AMENDED**

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

## **WATCH**

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

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



## **Legislative Analysis Memorandum Format**

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

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

*Author:*

*Sponsor:*

*Introduced:*

*Amended:*

*Status:*

*Board Position:*

*Committee Recommendation:*

*Staff Recommendation:*

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

## **RECOMMENDATION**

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

## **LEGISLATIVE POLICY STANDARD**

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

## **SUMMARY**

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

## **ANALYSIS**

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

## **IT IS THEREFORE RECOMMENDED THAT YOUR BOARD**

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

## **Attachments**

**Attachment 1—Board Positions Adopted On Related Legislation**

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

**Attachment 2—Support And Opposition**

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

**Bill Text**

## Action between Board Meetings

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

### I. Legislation on Which the Board Previously Adopted a Position

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

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

Staff will take the following actions:

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

## II. Formally Affiliated Organizations

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

Staff will take the following actions:

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

## SACRS Voting Delegate

### BACKGROUND

The Bylaws of the State Association of County Retirement Systems (SACRS) provide that all duly elected or appointed members of the County Retirement and Investment Boards operating under the County Employees Retirement Law of 1937 (CERL) are regular members of SACRS; the administrator of a County Retirement System is also a regular member. Each County Retirement System is entitled to one voting delegate (who must be a regular member) for business meetings of the SACRS membership. The delegate and any alternate delegates are designated in writing and provided to SACRS by the County Retirement Board. The voting delegates serve as proxies for their retirement systems and vote as directed by their systems.

Legislative proposals submitted to SACRS are generally voted on at its Fall Conference, although it is also possible for them to be voted on at its Spring Conference. In 2002, the Board of Retirement (BOR) adopted a policy that provides for the LACERA Chief Executive Officer to be LACERA's SACRS voting delegate. Alternate delegates are the BOR officers and the remaining BOR members in order of board seat.

### PROCESS

1. The Executive Office provides a list of LACERA's voting delegate and alternate delegates as requested by SACRS prior to the SACRS Business Meetings. This list will constitute the credentials for the delegates who are voting participants at the SACRS Business Meetings.
2. The SACRS Legislative Committee forwards the legislative proposals it has received and reviewed to the CERL retirement systems with its recommendations on inclusion in the SACRS legislative platform.
3. Staff presents the legislative proposals received from the SACRS Legislative Committee to the Board of Retirement or the Board of Investments for consideration based on the respective board's jurisdiction on the proposal's subject matter.
  - a. Proposals for the Board of Retirement are first presented for consideration to its Insurance, Benefits and Legislative Committee.
  - b. Proposals with subject matters under both boards' jurisdictions are first presented for consideration to the Joint Operations Governance Committee, unless scheduling issues dictate otherwise.
4. Voting instructions from each board are summarized by staff and forwarded to the secretaries of the Executive Office and Board of Retirement to be provided to those who will be attending the SACRS conference. The LACERA voting delegate at the SACRS Business Meeting will vote as directed by the instructions.

## Ballot Measures

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

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

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

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

## Status Reports

For bills on which the Boards have taken a position or that staff is monitoring, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the California State Legislature, United States Congress, the Governor of California, the President of the United States, or any regulatory agencies. The status report will be provided as monthly reports to the Board of Retirement and Board of Investments.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

## **Evaluation of Legislative Advocates**

The Board of Retirement has retained federal and state legislative advocates to assist in fulfilling the Mission and Purpose of the LACERA Legislative Policy. Staff will provide an annual evaluation of the legislative advocates to the Board of Retirement for review. The evaluation will assess the performance of the legislative advocates with respect to their services that were agreed upon to be performed in their contracts. The assessments will be rated according to whether the legislative advocates exceeded expectations, met expectations, or did not meet expectations.



## Legislative Process

The following pages include an outline<sup>2</sup> and a flowchart<sup>3</sup> of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

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<sup>2</sup> Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

<sup>3</sup> The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

# OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

## Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

## The Author

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

## First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

## Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

## Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

### **Repeat Process in other House**

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

### **Resolution of Differences**

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

### **Governor**

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

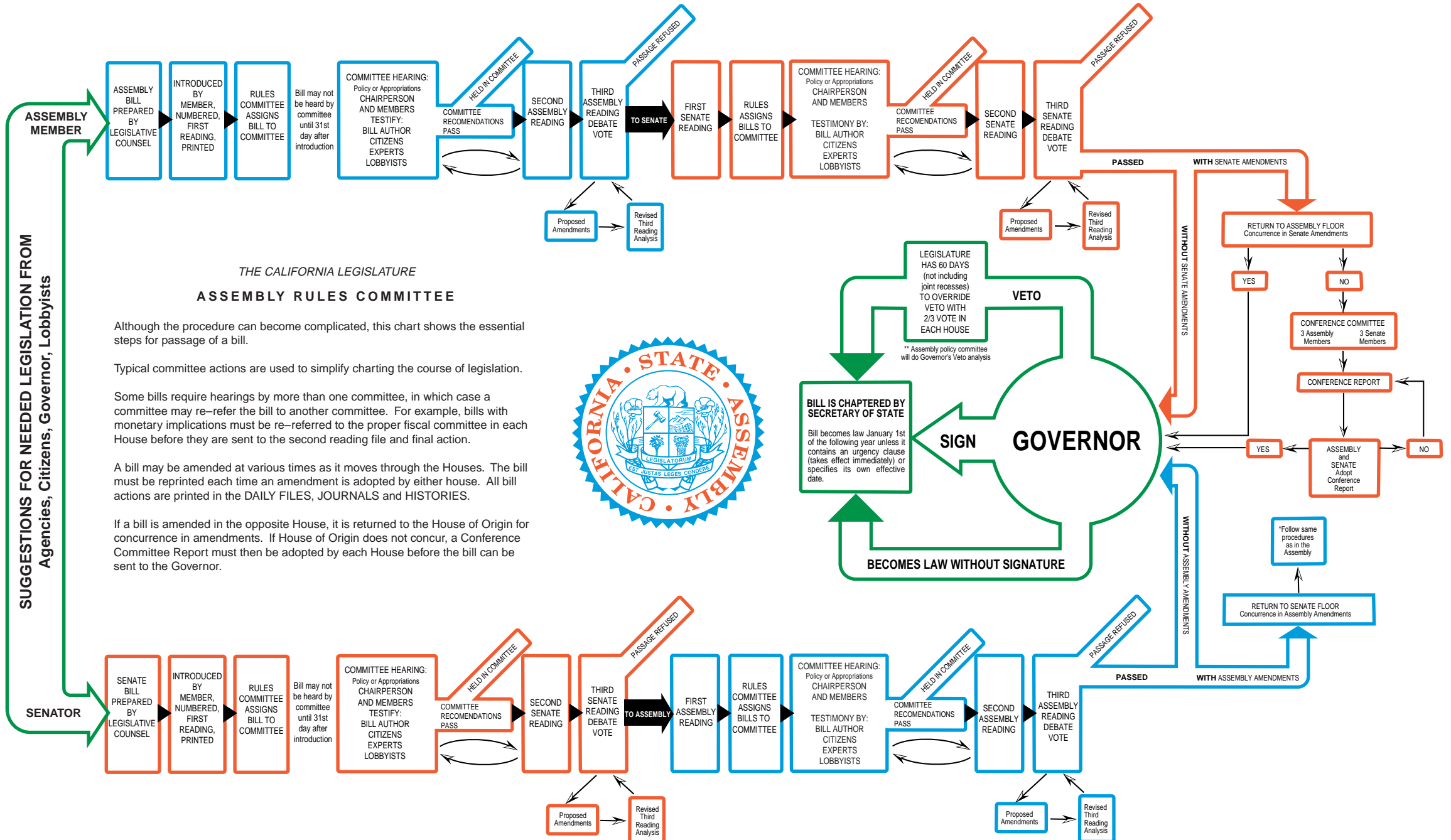
### **California Law**

Bills that are passed by the Legislature and approved by the Governor are assigned a chapter number by the Secretary of State. These Chaptered Bills (also referred to as Statutes of the year they were enacted) then become part of the California Codes. The California Codes are a comprehensive collection of laws grouped by subject matter.

The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

# THE LIFE CYCLE OF LEGISLATION

*From Idea into Law*



**SUGGESTIONS FOR NEEDED LEGISLATION FROM**  
 Agencies, Citizens, Governor, Lobbyists  
**ASSEMBLY MEMBER**  
**SENATOR**

ASSEMBLY BILL PREPARED BY LEGISLATIVE COUNSEL

INTRODUCED BY MEMBER, NUMBERED, FIRST READING, PRINTED

RULES COMMITTEE ASSIGNS BILL TO COMMITTEE

Bill may not be heard by committee until 31st day after introduction

COMMITTEE HEARING: Policy or Appropriations CHAIRPERSON AND MEMBERS TESTIFY: BILL AUTHOR CITIZENS EXPERTS LOBBYISTS

COMMITTEE RECOMMENDATIONS PASS

HELD IN COMMITTEE

SECOND ASSEMBLY READING

THIRD ASSEMBLY READING DEBATE VOTE

PASSAGE REFUSED

FIRST SENATE READING

RULES ASSIGNS BILLS TO COMMITTEE

COMMITTEE HEARING: Policy or Appropriations CHAIRPERSON AND MEMBERS TESTIMONY BY: BILL AUTHOR CITIZENS EXPERTS LOBBYISTS

COMMITTEE RECOMMENDATIONS PASS

HELD IN COMMITTEE

SECOND SENATE READING

THIRD SENATE READING DEBATE VOTE

PASSAGE REFUSED

**THE CALIFORNIA LEGISLATURE**  
**ASSEMBLY RULES COMMITTEE**

Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

Typical committee actions are used to simplify charting the course of legislation.

Some bills require hearings by more than one committee, in which case a committee may re-refer the bill to another committee. For example, bills with monetary implications must be re-referred to the proper fiscal committee in each House before they are sent to the second reading file and final action.

A bill may be amended at various times as it moves through the Houses. The bill must be reprinted each time an amendment is adopted by either house. All bill actions are printed in the DAILY FILES, JOURNALS and HISTORIES.

If a bill is amended in the opposite House, it is returned to the House of Origin for concurrence in amendments. If House of Origin does not concur, a Conference Committee Report must then be adopted by each House before the bill can be sent to the Governor.



**GOVERNOR**

**SIGN**

**BECOMES LAW WITHOUT SIGNATURE**

LEGISLATURE HAS 60 DAYS (not including joint recesses) TO OVERRIDE VETO WITH 2/3 VOTE IN EACH HOUSE

VETO

BILL IS CHAPTERED BY SECRETARY OF STATE

Bill becomes law January 1st of the following year unless it contains an urgency clause (takes effect immediately) or specifies its own effective date.

\*\* Assembly policy committee will do Governor's Veto analysis

RETURN TO ASSEMBLY FLOOR  
Concurrence in Senate Amendments

YES

NO

CONFERENCE COMMITTEE  
3 Assembly Members  
3 Senate Members

CONFERENCE REPORT

ASSEMBLY and SENATE Adopt Conference Report

YES

NO

RETURN TO SENATE FLOOR  
Concurrence in Assembly Amendments

\*Follow same procedures as in the Assembly

## Change Log

Revised by the Board of Retirement on January 10, 2019 and the Board of Investments on January 9, 2019.

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

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

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

**ATTACHMENT B**

# LACERA LEGISLATIVE POLICY

Revised:

Board of Retirement: \_\_\_\_\_

Board of Investments: \_\_\_\_\_

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The purpose of this Legislative Policy is to:

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

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

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

## Legislative Policy Standards

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

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

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

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

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

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

### **Board of Retirement**

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

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

### **Board of Investments**

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

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

### **Board of Retirement & Board of Investments**

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

## Definitions of Board Positions

### **SPONSOR OR CO-SPONSOR**

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

### **SUPPORT**

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

### **SUPPORT IF AMENDED**

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and incorporate amendments into the proposal.
- If amendments requested by LACERA are adopted, authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal without a resubmission of the proposal to the Board, unless the Board directs otherwise.
- If there are substantive<sup>1</sup> amendments to the proposal not requested by LACERA that may cause the Board not to support the proposal, staff will resubmit the proposal to the Board for consideration.

### **NEUTRAL**

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

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

## **OPPOSE**

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

## **OPPOSE UNLESS AMENDED**

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

## **WATCH**

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

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

## **Legislative Analysis Memorandum Format**

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



Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

*Author:*

*Sponsor:*

*Introduced:*

*Amended:*

*Status:*

*Board Position:*

*Committee Recommendation:*

*Staff Recommendation:*

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

## **RECOMMENDATION**

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

## **LEGISLATIVE POLICY STANDARD**

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

## **SUMMARY**

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

## **ANALYSIS**

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

## **IT IS THEREFORE RECOMMENDED THAT YOUR BOARD**

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

## **Attachments**

**Attachment 1—Board Positions Adopted On Related Legislation**

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

**Attachment 2—Support And Opposition**

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

**Bill Text**

## Action between Board Meetings

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

### I. Legislation on Which the Board Previously Adopted a Position

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

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

Staff will take the following actions:

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

## II. Formally Affiliated Organizations

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

Staff will take the following actions:

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

## SACRS Voting Delegate

### **BACKGROUND**

The Bylaws of the State Association of County Retirement Systems (SACRS) provide that all duly elected or appointed members of the County Retirement and Investment Boards operating under the County Employees Retirement Law of 1937 (CERL) are regular members of SACRS; the administrator of a County Retirement System is also a regular member. Each County Retirement System is entitled to one voting delegate (who must be a regular member) for business meetings of the SACRS membership. The delegate and any alternate delegates are designated in writing and provided to SACRS by the County Retirement Board. The voting delegates serve as proxies for their retirement systems and vote as directed by their systems.

Legislative proposals submitted to SACRS are generally voted on at its Fall Conference, although it is also possible for them to be voted on at its Spring Conference. In 2002, the Board of Retirement (BOR) adopted a policy that provides for the LACERA Chief Executive Officer to be LACERA's SACRS voting delegate. Alternate delegates are the BOR officers and the remaining BOR members in order of board seat.

### **PROCESS**

1. The Executive Office provides a list of LACERA's voting delegate and alternate delegates as requested by SACRS prior to the SACRS Business Meetings. This list will constitute the credentials for the delegates who are voting participants at the SACRS Business Meetings.
2. The SACRS Legislative Committee forwards the legislative proposals it has received and reviewed to the CERL retirement systems with its recommendations on inclusion in the SACRS legislative platform.
3. Staff presents the legislative proposals received from the SACRS Legislative Committee to the Board of Retirement or the Board of Investments for consideration based on the respective board's jurisdiction on the proposal's subject matter.
  - a. Proposals for the Board of Retirement are first presented for consideration to its Insurance, Benefits and Legislative Committee.
  - b. Proposals with subject matters under both boards' jurisdictions are first presented for consideration to the Joint Operations Governance Committee, unless scheduling issues dictate otherwise.
4. Voting instructions from each board are summarized by staff and forwarded to the secretaries of the Executive Office and Board of Retirement to be provided to those who will be attending the SACRS conference. The LACERA voting delegate at the SACRS Business Meeting will vote as directed by the instructions.

## Ballot Measures

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

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

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

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

## Status Reports

For bills on which the Boards have taken a position or that staff is monitoring, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the California State Legislature, United States Congress, the Governor of California, the President of the United States, or any regulatory agencies. The status report will be provided as monthly reports to the Board of Retirement and Board of Investments.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

## Evaluation of Legislative Advocates

The Board of Retirement has retained federal and state legislative advocates to assist in fulfilling the Mission and Purpose of the LACERA Legislative Policy. Staff will provide an annual evaluation of the legislative advocates to the Board of Retirement for review. The evaluation will assess the performance of the legislative advocates with respect to their services that were agreed upon to be performed in their contracts. The assessments will be rated according to whether the legislative advocates exceeded expectations, met expectations, or did not meet expectations.

## Legislative Process

The following pages include an outline<sup>2</sup> and a flowchart<sup>3</sup> of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

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<sup>2</sup> Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

<sup>3</sup> The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.



# OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

## Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

## The Author

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

## First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

## Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

## Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

### **Repeat Process in other House**

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

### **Resolution of Differences**

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

### **Governor**

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

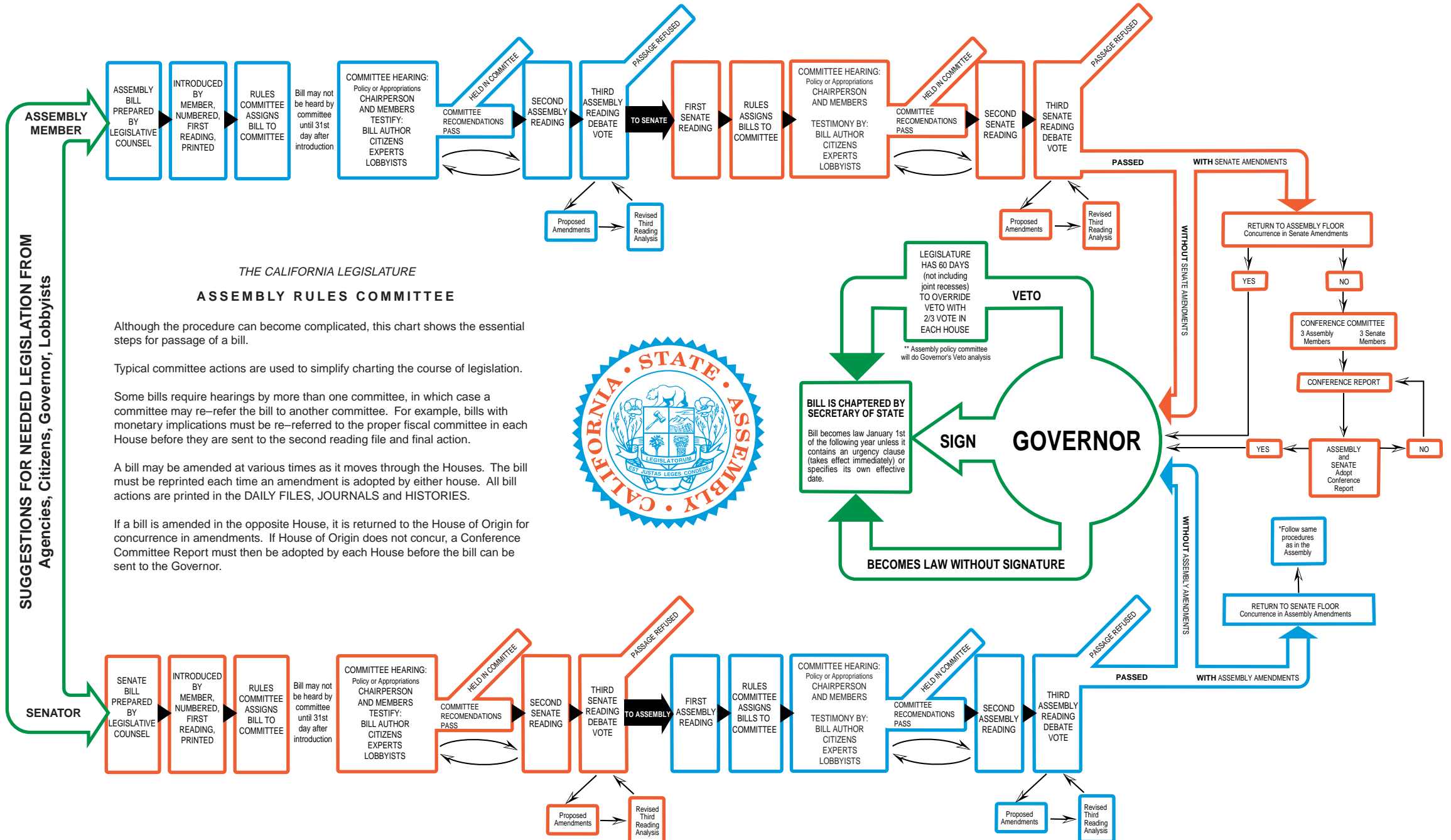
### **California Law**

Bills that are passed by the Legislature and approved by the Governor are assigned a chapter number by the Secretary of State. These Chaptered Bills (also referred to as Statutes of the year they were enacted) then become part of the California Codes. The California Codes are a comprehensive collection of laws grouped by subject matter.

The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

# THE LIFE CYCLE OF LEGISLATION

*From Idea into Law*



## THE CALIFORNIA LEGISLATURE

### ASSEMBLY RULES COMMITTEE

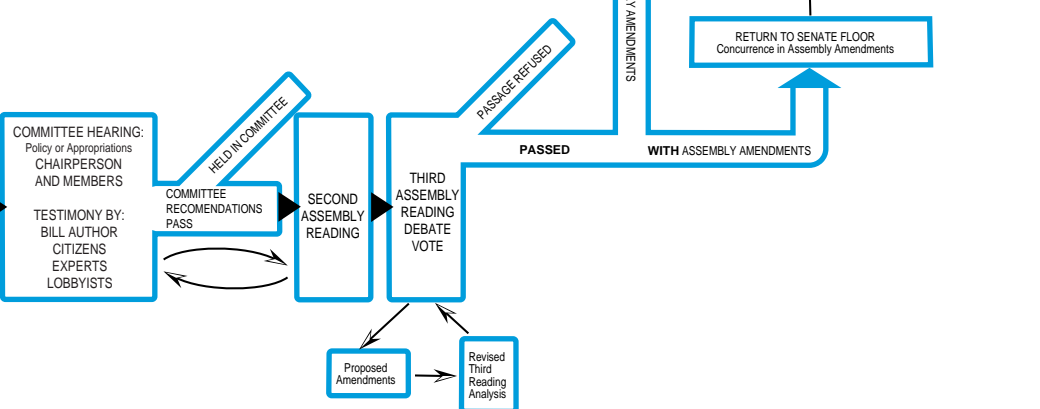
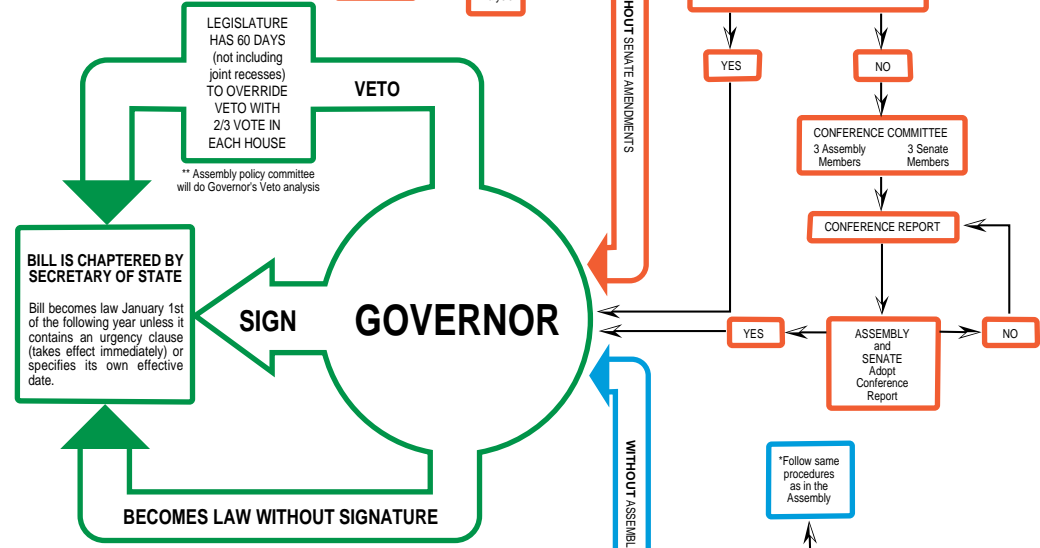
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

Typical committee actions are used to simplify charting the course of legislation.

Some bills require hearings by more than one committee, in which case a committee may re-refer the bill to another committee. For example, bills with monetary implications must be re-referred to the proper fiscal committee in each House before they are sent to the second reading file and final action.

A bill may be amended at various times as it moves through the Houses. The bill must be reprinted each time an amendment is adopted by either house. All bill actions are printed in the DAILY FILES, JOURNALS and HISTORIES.

If a bill is amended in the opposite House, it is returned to the House of Origin for concurrence in amendments. If House of Origin does not concur, a Conference Committee Report must then be adopted by each House before the bill can be sent to the Governor.



## Change Log

Revised by the Board of Retirement on January 10, 2019 and the Board of Investments on January 9, 2019.


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

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

**FOR INFORMATION ONLY**

July 31, 2019

TO: Each Member  
Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: August 14, 2019 Board of Investments

**SUBJECT: IMPLEMENTATION UPDATE ON LACERA PENSION TRUST STRATEGIC ASSET ALLOCATION**

At the May 9, 2018 Board of Investments meeting (BOI), the Board approved a new Strategic Asset Allocation (SAA) for LACERA’s Pension Trust. At the July 9, 2018 BOI Offsite, a prospective implementation plan was reviewed.

During the BOI Offsite, staff noted that the SAA could be prudently implemented in the next 12 to 24 months. **Table 1** below summarizes the status of the actions and reports as well as the timeline for transitioning to the new SAA targets. Future items that require BOI approval will be placed on the agenda of subsequent meetings along with supporting documentation.

**Table 1  
Strategic Asset Allocation Implementation Timeline**

Implementation Steps	Target Dates for Completion or Discussion
<b>Determine the appropriate policy ranges for the Pension Trust Asset Allocation</b>	Completed
<b>Identify the appropriate benchmarks for the Pension Trust Asset Allocation</b>	Completed
<b>Update Governance Documents</b> <ul style="list-style-type: none"> <li>• Investment Policy Statement</li> <li>• Procedures manual</li> </ul>	Completed 4 <sup>th</sup> Quarter of 2019
<b>Align Management and Oversight</b> <ul style="list-style-type: none"> <li>• Align Committees to new SAA</li> <li>• Staffing                             <ul style="list-style-type: none"> <li>• Real Assets – PIO</li> <li>• Real Assets – FA-III</li> <li>• Real Assets – FA-III</li> <li>• Portfolio Analytics – SIO</li> <li>• Portfolio Analytics – FA-II</li> <li>• Portfolio Analytics – FA-I</li> </ul> </li> </ul>	Completed  Completed Completed Completed Completed Completed

<ul style="list-style-type: none"> <li>• Consultant searches</li> </ul>	Completed
<b>Growth</b> <ul style="list-style-type: none"> <li>• Public Equities                             <ul style="list-style-type: none"> <li>• Implementation of structure review                                     <ul style="list-style-type: none"> <li>• Reduce public equity exposure</li> <li>• Factor mandate</li> </ul> </li> </ul> </li> <li>• Private Equity                             <ul style="list-style-type: none"> <li>• Investment plan</li> <li>• Secondary sale</li> </ul> </li> <li>• Opportunistic Real Estate                             <ul style="list-style-type: none"> <li>• Implement structure review and investment plan</li> </ul> </li> </ul>	In Process In Process In Process  Completed Completed  Ongoing
<b>Credit</b> <ul style="list-style-type: none"> <li>• Conduct consultant search – Credit</li> <li>• Implementation of Credit structure review                             <ul style="list-style-type: none"> <li>• Realign weights with targets</li> <li>• Resize current liquid managers</li> </ul> </li> <li>• Conduct new mandate searches</li> </ul>	Completed In Process  Ongoing
<b>Risk Reducing &amp; Mitigation</b> <ul style="list-style-type: none"> <li>• Conduct consultant search – Hedge Funds</li> <li>• Implementation of Fixed Income structure review                             <ul style="list-style-type: none"> <li>• Potential manager rebalancing and consolidation</li> </ul> </li> <li>• Conduct RFP for cash overlay program</li> </ul>	Completed Completed  Completed
<b>Real Assets &amp; Inflation Hedges</b> <ul style="list-style-type: none"> <li>• Conduct consultant search – Real Assets</li> <li>• RFP for a completion portfolio</li> <li>• Add TIPS through invitation to bid process</li> <li>• Conduct new mandate searches</li> </ul>	Completed Completed Completed In Process
<b>Adapt Portfolio Analytics</b> <ul style="list-style-type: none"> <li>• Analytics Reporting</li> <li>• Performance Reporting</li> <li>• Interim Benchmarks and Policy Weights</li> </ul>	In Process Completed Completed
<b>Complete operational updates at State Street</b>	Ongoing
<b>Transition to updated asset allocation</b>	September 2018 – June 2020

This timeline allows for a comprehensive review and revision of LACERA’s Pension Trust Investment Policy Statement as well as pertinent operational changes including composite structure, custodian accounts, investment management agreements and new target allocations. Barring any unforeseen circumstances, staff expects to complete the transition by June 2020. This document will be updated monthly, communicating the progress of individual steps and provided to the BOI throughout the implementation process.

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**FOR INFORMATION ONLY**

July 25, 2019

TO: Each Member  
Board of Investments

FROM: Christopher J. Wagner *cfw*  
Principal Investment Officer

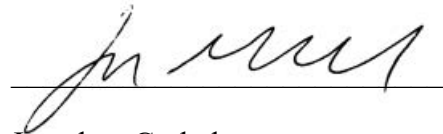
FOR: August 14, 2019 Board of Investments Meeting

SUBJECT: **PERFORMANCE REVIEW OF PRIVATE EQUITY CONSULTANT  
STEPSTONE GROUP**

Pursuant to the Board's direction that each Consultant be reviewed and evaluated on an annual basis, LACERA requested the Private Equity Consultant, StepStone Group, complete a self-assessment. Attached is the self-assessment submitted by the Consultant.

Attachment

NOTED AND REVIEWED:



Jonathan Grabel  
Chief Investment Officer



## ATTACHMENT

StepStone Group LP  
4275 Executive Square, Suite 500  
La Jolla, CA 92037  
Phone +1 858.558.9700

July 26, 2019

To: LACERA Board of Investments  
From: Jose Fernandez, Natalie Walker, Qi Liu  
StepStone Group LP  
Re: StepStone Group Self-Evaluation

To Whom It May Concern,

Per the contract signed on October 1, 2016 between the private equity investment consultant StepStone Group LP (“StepStone” or the “Consultant”) and the Los Angeles County Employees Retirement Association (“LACERA”), StepStone is to conduct an annual self-evaluation and provide information for the Board to review and evaluate the Consultant. To facilitate the Board’s review, StepStone is providing a list of services and projects completed on behalf of LACERA between July 1, 2018 and June 30, 2019.

### Self-Assessment

Over the course of the past year, StepStone has provided the following services and completed the following key projects on behalf of the LACERA Board of Investments (the “Board”):

- Carried out the Board’s strategic goals and initiatives and reported directly to the Board.

Status: Completed.

- Provided information and research regarding significant changes in the private equity industry, including best practices, trends, and major events. StepStone serviced LACERA by leveraging over 400 professionals across StepStone’s 18 offices in 13 countries. StepStone hosted LACERA in multiple offices and geographies throughout the year.

Status: Completed.

- Reviewed the Private Equity Objectives, Policies, and Procedures (“OPP”) prepared by LACERA staff and recommended changes or modifications as appropriate considering changes in the private equity portfolio, the private equity markets, or the capital markets.

Status: Completed October 2018.

- Provided portfolio pacing and cash flow projection analysis in connection with the secondary transaction completed in 2018.

Status: Completed October 2018.



- Worked jointly with LACERA staff in preparing the 2019 - 2020 Private Equity Structure Review and recommended changes or modifications as appropriate considering changes in the OPP, the existing private equity portfolio, the private equity markets, and the capital markets.

Status: Completed December 2018.

- Leveraged a sourcing program that incorporates LACERA staff and Consultant resources to identify investment opportunities that satisfy the 2019 - 2020 Private Equity Structure Review. StepStone utilizes a highly local approach to each of the global markets, by leveraging seven offices in North America, five offices in Europe and six offices in Asia and Rest of World.

Status: Completed and ongoing.

- Introduced LACERA staff to top caliber managers and promoted direct LACERA access to funds based on size and speed to close.

Status: Completed and ongoing.

- Accompanied LACERA Board and/or staff to meetings with general partners and industry conferences globally.

Status: Completed and ongoing.

- Provided LACERA staff a rolling 24-month forward calendar of high conviction general partners, presented by investment strategy and geography.

Status: Completed and ongoing.

- Provided LACERA staff guidance and introductions to managers executing successful investment strategies in relatively hard-to-access, niche markets.

Status: Completed and ongoing.

- Disclosed all firm research, including white papers, and provided access to research staff via StepStone's proprietary private market information database ("SPI"). SPI tracks information on over 49,000 companies, 32,000 funds, and 13,000 general partners.

Status: Completed and ongoing.

- Conducted independent evaluations and provided Board recommendations on 15 fund opportunities, totaling approximately US\$1.4 billion in approved capital commitments, as requested by the Board and/or LACERA staff. Recommendations included a detailed memorandum outlining the results of the due diligence, strategic considerations, and fit within the LACERA portfolio, as well as merits and concerns of the investment. Between July 1, 2018 and June 30, 2019, StepStone completed an initial review on 2,154 funds, a further review on 487 funds, due diligence on 409 funds, and approved 344 funds.

Status: Completed.

- Evaluated and provided written recommendations on 44 proposed amendments to partnership agreements.

Status: Completed.

- Evaluated 20 Secondary Interests offered to LACERA and provided guidance on LACERA's rights and the appropriateness of the interest for LACERA's portfolio.

Status: Completed.

- Presented and provided an annual review of the private equity portfolio to the Board.

Status: Completed December 2018.

- Periodically provide educational presentations to the Board on specific issues. Presented on Private Fund Terms during the July 2019 Board offsite.

Status: Completed July 2019 and ongoing.

- Attended 11 LACERA Board of Investments and Equity Committee meetings and two off-site meetings.

Status: Completed.

## **Conclusion**

StepStone believes the past year has been an active and productive one for the private equity portfolio, investment staff and Consultant. StepStone attended 11 Board meetings and two offsite seminars. In collaboration with staff, StepStone presented the 2019 - 2020 Private Equity Structure Review and Private Equity Objectives, Policies, and Procedures, which were approved by the Board in December 2018. We completed an annual review of the private equity portfolio, including a private equity market update, a review of LACERA's private equity program and performance, and assisted in 2019 strategic planning. At the request of the Board and staff, StepStone presented on Private Fund Terms, providing an in-depth analysis of selected private fund terms and issues.

In collaboration with staff, StepStone sourced, reviewed, approved and presented 15 private equity fund investments, totaling approximately US\$1.4 billion in approved capital commitments. Year to date, LACERA is on pace to meet its target investment plan set by the board in December 2018. Looking ahead, StepStone remains excited about the prospects for the private equity program for the remainder of 2019 and beyond. StepStone is currently working with staff on a number of projects. We look forward to working with the Board to further deepen the relationship we've established to date. Thank you for your continued trust and guidance. If you have any questions or comments, please feel free to contact us at (858) 558-9700.

Sincerely,

StepStone Group LP

**FOR INFORMATION ONLY**

July 23, 2019

TO: Each Member  
Board of Investments

FROM: Christopher J. Wagner *CJW*  
Principal Investment Officer

FOR: August 14, 2019 Board of Investments Meeting

SUBJECT: **UPDATE ON PAVILION ALTERNATIVES GROUP, LLC**

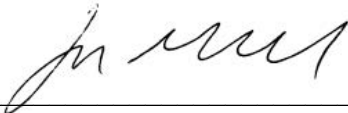
The purpose of this memo is to provide the Board of Investments with an update regarding LACERA's Investment Consulting Services agreement with Pavilion Alternatives Group, LLC ("Pavilion"). Pavilion was retained on June 1, 2016, to track ongoing expense-related activity in LACERA's private equity portfolio. Please note that the Board of Investments will be assessing other providers of this service, as tracking of all LACERA private market expense activity is within the scope of the current alternative assets administrator request for proposal.

In checking our records, staff failed to notify the Board last year that Mercer, a global consulting firm with offices in more than 40 countries, acquired Pavilion in a transaction that closed on November 30, 2018. Staff has spoken with Raelan Lambert, Managing Director, to confirm there are no changes to LACERA's current investment consulting agreement.

Attached is the notification from Pavilion regarding the acquisition by Mercer.

Attachment

NOTED AND REVIEWED:



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Jonathan Grabel  
Chief Investment Officer



PAVILION

ATTACHMENT

Pavilion Alternatives Group, LLC  
4370 Town Center Blvd., Suite 300  
El Dorado Hills, CA 95762  
USA

PHONE : 916 231 3900  
FAX : 916 244 0428  
WEB : pavilioncorp.com

August 22, 2018

Christopher Wagner, Director of Investments  
The Los Angeles County Employees Retirement Association  
Gateway Plaza, 300 North Lake Avenue, Suite 850  
Pasadena, CA 91101-4199

Dear Christopher:

We would like to share some exciting news with you regarding the next chapter in our company's growth strategy. We will be joining forces with Mercer, a global consulting firm with offices in more than 40 countries ([www.mercer.com](http://www.mercer.com)), in a transaction that will see Pavilion acquired by Mercer. This transaction will allow us to better meet the evolving needs of our clients in an increasingly complex and dynamic investment landscape. This transaction is expected to close in Q4 2018.

Our industry is going through rapid change, and firms that will be successful over the next decade and beyond will have sufficient scale and deep resources, both in talent and technology, to meet the growing needs of sophisticated clients. In Mercer, we believe we have found the right partner to accelerate our clients' access to tools, research and investment programs.

#### **The Combined Firm**

Despite the differences in history and ownership structure, Pavilion and Mercer share many common features. We share a commitment to quality – both Pavilion and Mercer have been named Greenwich Quality Leaders. We both have invested heavily in research which is the foundation for the advisory services we offer. And we both value specialization, nurturing our own teams in alternative assets, DC consulting, and not-for-profit healthcare to name a few. We believe these shared traits bode well for the combination of the two organizations.

The combined firm will have a complete set of market-leading capabilities across client governance models (research-only, advice-only, OCIO) and scale to compete and deliver client value. In particular, we believe you will benefit from Mercer's programs and technology tools and its economies of scale. Furthermore, the combined firm will have about 1.4 times what was already the industry's largest investment in manager research. The alternatives platform will feature the customized consulting offering of a full-spectrum alternatives boutique and the implementation and research capabilities of a truly global firm. Wealth management clients will have expanded advice and access to tools and products, including Mercer's bundled retirement savings investment products.

At the same time, we will be able to continue to maintain and foster our core values of client service, independence of thought and a collegial firm-wide culture, which is, in part, what made us attractive to Mercer.

We believe the combined team will stand out as the market leader in both quality and scale, offering deep expertise and a wide array of services for you. We will continue to focus on attracting and retaining the industry's top talent by offering the benefit of expanded career opportunities available in the combined Pavilion/Mercer organization.

Our number one priority is to ensure that, as we come together to become one combined team, we continue to demonstrate our commitment to you. While the team that you deal with will remain unchanged, we anticipate that the combined resources of this transaction will further enhance our ability to meet the growing needs of our clients. Over time we look forward to sharing with you new or enhanced tools, research and service offerings.

#### **About the Transaction**

Mercer, through its affiliate 1168264 B.C. Unlimited Liability Company ("Mercer") is purchasing Pavilion Financial Corporation (PFC) ("Transaction") and its business divisions: Pavilion Advisory Group<sup>®1</sup>, Pavilion Alternatives Group<sup>®2</sup> and Pavilion Investment House, a division of Pavilion Advisory Group Ltd. (together "Pavilion").

With the exception of the President and CEO, and the CFO of PFC, all employees will continue with the firm and their employment agreements remain in place. As part of the transaction, several senior employees, primarily client-facing, have re-affirmed their commitment by agreeing to additional employment conditions. Furthermore, the leaders of the three business divisions will assume senior management positions similar to their current roles in the combined firm.

#### **Next Steps**

Under the Investment Advisers Act of 1940, the Transaction constitutes an assignment of your current investment advisory agreement, and your consent is required. For clarity, the assignment will not change the terms of our agreement with you, including, among other things, the fees you pay to us. For your convenience, we have attached a Consent Form which you can use to provide your consent. Please sign the Consent Form and return it to me at the email address below.

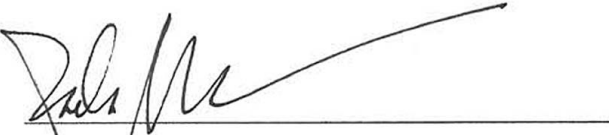
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<sup>1</sup> Pavilion Advisory Group is a registered trademark of Pavilion Financial Corporation used under license by Pavilion Advisory Group Ltd. in Canada and by Pavilion Advisory Group Inc. in the United States.

<sup>2</sup> Pavilion Alternatives Group is a registered trademark of Pavilion Financial Corporation used under license by Pavilion Alternatives Group, LLC in the U.S., Pavilion Alternatives Group Limited in the UK, Pavilion Alternatives Group (Singapore) Pte Ltd., and Pavilion Advisory Group Ltd. in Canada.

I would like to thank you again for your business and continued trust in me and my colleagues. Should you have any questions, please do not hesitate to contact me.

Sincerely,



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Raelan Lambert, Managing Director

**FOR INFORMATION ONLY**

July 31, 2019

TO: Each Member,  
Board of Retirement  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: August 7, 2019 Board of Retirement Meeting  
August 14, 2019 Board of Investments Meeting

SUBJECT: Update on Chief Executive Officer Executive Recruiter Selection

At their July 2, 2019 and July 3, 2019 meetings, the Board of Investments and Board of Retirement, respectively, authorized 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.

On July 29, 2019, the CEO Search Ad-Hoc Committee interviewed two finalists and selected Alliance Resource Consulting LLC to conduct the executive recruitment search. On July 31, 2019, Alliance and LACERA entered in a contract for such services. The search fee is \$55,000, plus expenses. Other key terms include the description of services with the required in person and teleconference meetings, compliance with the designated recruiting schedule, the recruiter's commitment to support the search until it is completed to LACERA's satisfaction, resume screening and preliminary background checks on all candidates as well as full background checks on the finalists, and confidentiality of information.

c: John Nogales

**FOR INFORMATION ONLY**

July 31, 2019

TO: Each Member,  
Board of Retirement  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: August 7, 2019 Board of Retirement Meeting  
August 14, 2019 Board of Investments Meeting

SUBJECT: Enhancing Transparency

The Joint Organizational Governance Committee (JOGC) is considering transparency issues related to LACERA's operations. These issues were raised as an informational matter at the JOGC's July 26, 2019 meeting. They will be discussed in detail at future committee meetings and will return to the full Boards as appropriate. The JOGC requested that staff inform both Boards of this pending committee work as a matter of information only.

As a public agency, LACERA information should be readily transparent to the public. Transparency means that information is available in a format that members can easily access to gain understanding of LACERA's business. Transparency also means that the public has the ability to participate in meetings and decision-making of the governing bodies, the Board of Retirement and the Board of Investments. In the words of one leading publication, "Transparency is a foundational value for ethical government practices." *Open & Public V: A Guide to the Ralph M. Brown Act*, League of California Cities (2016), at page 8. Transparency is mandated by a number of California laws, such as the Brown Act requiring open meetings and the California Public Records Act requiring release of information. Transparency can also be advanced by a wide variety of discretionary decisions made by the Boards and staff in the way business is done, and therefore, a broad view should be taken of the issue.

LACERA and the Boards are transparent. However, transparency is not a static state. Transparency is dynamic. The fund strives to improve to take advantage of advances in technology, enhance compliance with existing law and meet requirements of new law, and evaluate and reevaluate current practices to learn from experience.

The purpose of this item is to update the Joint Organizational Governance Committee (JOGC) on transparency issues and initiatives as a prelude to a full discussion of the



issue at upcoming JOGC, Board, and committee meetings. This memo identifies examples of transparency issues, including some that are already in progress, and others that are new areas the JOGC and the Boards may wish to address. Certain of these issues are for the Board of Retirement; others may be addressed by each Board relating to their separate governance needs and preferences.

## **1. Open Meetings.**

**a. *Ralph M. Brown Act.*** Board meetings are currently conducted in compliance with the Act. Meetings are noticed and agendaized as provided by the Act, and are open to the public. Board materials are distributed and made available to the public. In compliance with the Brown Act and Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132) (ADA), meetings are physically accessible. Under the ADA, auxiliary communication aids and services are also available upon request as stated in a footnote to current Board and committee agendas. While the Boards may adopt additional policies to define and refine their Brown Act compliance, no additional policies or changes in practices are legally required. Nevertheless, staff is working to address meeting processes and procedures to better meet the needs of the Boards and enhance transparency by, for example, using consistent formats for agendas, minutes, and memos across the Boards and committees and minimizing the use of the green folder and ensuring public access to documents that are distributed to the Boards in that way.

**b. *Broadcasting and/or Posting of Meetings; and Boardroom Technology.*** The Systems Division is evaluating alternatives and will present options for discussion in the near future.

**c. *Bilingual Services.*** California law requires, in the Dymally-Alatorre Bilingual Services Act, California Government Code Sections 7290 - 7299.8, that a local agency serving a "substantial number of non-English-speaking people" shall employ sufficient bilingual persons or interpreters to "ensure provision of information and services" (which includes public hearings or other public activity) in such persons' languages. The local agency is given discretion in the Act to determine what constitutes a "substantial number of non-English speaking people." Written materials shall also be translated, but the Act leaves determination of "when these materials are necessary" to the local agency itself. The Boards have not made determinations under the Dymally-Alatorre Act. Staff intends to collect demographic information, evaluate proposals, and make a presentation on this matter later this year.

2. **California Public Records Act.** Existing staff practices ensure timely responses to all Public Records Act requests. A monthly reports of all requests and responses is provided to the Board of Retirement's Operations Oversight Committee (OOC) as part of the LACERA Operations Briefing agenda item. LACERA's website includes a Public Records page with instructions for the public as to how to make a public records request, including a dedicated email address for the submission of requests and a Q&A page. The Public Records page of the website also includes copies of commonly requested documents relating to Board Agendas, Minutes, and Governance, Benefits, Investments, Financial Data, and Retiree Healthcare in order to make documents readily available even without a formal request. The website also includes statutorily-mandated disclosures such as LACERA's Enterprise Systems report.
3. **Policies and Procedures.** Board policies are currently posted on lacera.com. Staff is evaluating the placement and completeness of the Board policies posted on lacera.com to enhance the accessibility of this information to the public. Staff believes that all Board policies should be posted in a readily accessible and well-organized location on the website. As to administrative policies, staff believes this issue requires further consideration and discussion to consider the appropriate approach. Staff intends to make a presentation be made on administrative policies later this year.
4. **LACERA.com.** The website redesign project is in progress and will continue to be reported by the Chief Executive Officer and Communications Division Manager at upcoming Board of Retirement and Operations Oversight Committee (OOC) meetings, including monthly updates as was presented at the July 11, 2019 OOC meeting.
5. **Other Issues.** Staff is interested in Board comments and will request direction as to other transparency issues. Staff believes that transparency should be affirmatively considered and addressed in every policy decision.

c: JJ Popowich  
Jon Gabel  
James Brekk  
Cynthia Martinez  
Kimberly Hines



**FOR INFORMATION ONLY**

July 25, 2019

TO: Each Member,  
Board of Investments

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

FOR: August 14, 2019 – Board of Investments Meeting

**SUBJECT: Semi-Annual Interest Crediting for Reserves as of June 30, 2019 (UNAUDITED)**

Pursuant to the County Employees Retirement Law Section 31591, regular interest shall be credited semi-annually on June 30 and December 31 to all contributions in the retirement fund, which have been on deposit six months immediately prior to such date at an interest rate of 2.5% per annum, until otherwise determined by your Board.

The semi-annual interest crediting rate applicable for June 30, 2019, was 3.625% (i.e., 7.25% annual rate). You may recall that in December 2016, your Board approved a reduction in the assumed actuarial earnings rate from 7.50% to 7.25%. The new rate was implemented with your Board's adoption of the June 30, 2016 actuarial valuation. To provide ample time for both the plan sponsor and LACERA to prepare for the rate change implementation, the new 7.25% rate became effective July 1, 2017, which was also when the corresponding employer and employee contribution rates as recommended in the June 30, 2016 valuation report, took effect. Going forward, this annual rate of 7.25% will remain in effect unless your Board adopts a different rate.

The Retirement Benefit Funding Policy stipulates that interest credits for Reserve accounts are allocated in the same priority order as the allocation of actuarial assets. Such interest credits are granted based on Realized Earnings for the period. The allocation of Realized Earnings is performed twice each year on June 30 and December 31.

As of June 30, 2019, there were sufficient Realized Earnings to meet the required interest credit rate of 3.625% applied to Priority 1, the Member Reserve. Inasmuch as there was no Advanced Employer Reserve balance at July 1, 2018, the remaining Realized Earnings were applied to Priority 3, Employer Reserve. The table below depicts the actual interest credit allocations for the six-month period ended June 30, 2019.

Priority Order	Reserve Account	Interest Credit Rate Applied
1	Member	3.625%
2	Advanced Employer Contributions	N/A
3	Employer	2.144%

Please note the financial data presented in this report is **unaudited**. Plante Moran is expected to issue the audited financial report in mid-October, in time for the October 31<sup>st</sup> filing deadline with the Los Angeles County Board of Supervisors.

REVIEWED AND APPROVED:

  
 \_\_\_\_\_  
 Steven Rice  
 Chief Counsel

Interest Credit Rate June 2019 (unaudited)\_V1.doc  
 SR:BSA:tg:mh

c: Board of Retirement, LACERA  
 Sachi A. Hamai, CEO, Los Angeles County

**FOR INFORMATION ONLY**

July 29, 2019

TO: Each Member  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: August 14, 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 August 1, 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 August 1, 2019



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
PRIVATE EQUITY	Joy Capital III, L.P. and Joy Capital Opportunity, L.P.	Subscription	\$65,000,000.00	June 12, 2019	Completed	100%	Completed.
	BlackFin Financial Services Fund III	Subscription	\$100,000,000.00	July 2, 2019	Completed	100%	Completed.



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

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



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

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



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





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