AGENDA

A SPECIAL 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, NOVEMBER 20, 2019

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

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of October 8, 2019

IV. REPORT ON CLOSED SESSION ITEMS
(For Information Only) (Report dated November 12, 2019)

V. PUBLIC COMMENT

VI. CHIEF COUNSEL’S REPORT
(Memo dated October 31, 2019)

VII. CHIEF EXECUTIVE OFFICER’S REPORT

VIII. CHIEF INVESTMENT OFFICER’S REPORT

IX. CONSENT ITEMS

A. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee: That the Board nominate Scott Zdrazil for re-election to the Council of Institutional Investors 2020 board elections. (Memo dated October 9, 2019)

IX. CONSENT ITEMS (Continued)

B. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee: That the Board approve LACERA's endorsement of the Task force on Climate-related Financial Disclosures. (Memo dated October 9, 2019)

C. Recommendation as submitted by Wayne Moore, Chair, Credit and Risk Mitigation Committee: That the Board approve the proposed Minimum Qualifications for a Request for Proposal for a solutions provider(s) for a dedicated managed account platform thereby authorizing staff to initiate the search.
(Memo dated October 24, 2019)

D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officers: That the Board:

1. Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Investments during the week of January 26, 2020 in Washington, D.C.;
2. Approve the visit as an Administrative Meeting; and
3. Approve reimbursement of all travel

(Memo dated November 6, 2019)

E. Recommendation that the Board approve attendance at manager meetings in New York on Monday, December 2, 2019 to collect information regarding investments in the Real Estate and Private Equity asset classes. (Memo dated November 8, 2019)

F. Recommendation that the Board approve attendance of Board members at the 2020 Milken Institute MEA Summit on February 11–12, 2020 in Abu Dhabi, United Arab Emirates and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated November 7, 2019)

G. Recommendation that the Board Approve attendance of Board members at the 2019 SuperReturn Japan Conference on December 3–4, 2019 in Tokyo, Japan and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated November 7, 2019)

IX. CONSENT ITEMS (Continued)

H. Recommendation that the Board approve attendance of Board members at the International Corporate Governance Network (ICGN) Conference on February 27 – 28, 2020 in Seoul, South Korea and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.
(Memo dated November 7, 2019)

X. NON-CONSENT ITEMS

A. Recommendation as submitted by James Rice, Principal Investment Officer, Daniel Joye, Investment Officer and Brenda Cullen, Investment Officer: That the Board:

1. Approve the Real Assets 2019 Structure Review as advanced to the Board of Investments by the Real Assets Committee.
2. Approve the Addendum to the Structure Review provided by staff.

(Memo dated November 8, 2019)

B. Recommendation as submitted by John McClelland, Principal Investment Officer: That the Board adopt the Procurement Policy for Investment-Related Services. (Memo dated November 5, 2019)

C. Recommendation as submitted by Jude Perez, Principal Investment Officer: That the Board adopt the Investment Crisis Response Plan. (Memo dated November 6, 2019)

D. Recommendation as submitted by Johanna M. Fontenot, Senior Staff Counsel: That the Board approve the Chief Counsel Reporting Structure. (Memo dated October 31, 2019)

XI. REPORTS

A. Actuarial Valuation Review
Ted Granger, Assistant Chief Financial Officer
Mark Olleman, Consulting Actuary
Nick Collier, Principal, Consulting Actuary
(Memo dated November 1, 2019)

XI. REPORTS (Continued)

B. PAI Partners Manager Update
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated November 8, 2019)

C. Securities and Exchange Commission Comment Letter Regarding Regulations S–K Human Capital Disclosures
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated November 4, 2019)

D. Principles for Responsible Investment Meeting Ballot
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated October 11, 2019)

E. Update on Council of Institutional Investors and Securities and Exchange Commission Reforms
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated November 8, 2019)

F. Semi-Annual Interest Crediting for Reserves as of June 30, 2019 (AUDITED)
Ted, Granger, Assistant Chief Financial Officer
(For Information Only) (Memo dated October 29, 2019)

G. LACERA OPEB Master Trust as of September 30, 2019
Meketa OPEB Master Trust as of September 30, 2019
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated November 5, 2019)

H. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated October 24, 2019)

I. Monthly Board and Staff Education and Travel Report – September 2019
Beulah S. Auten, Chief Financial Officer
(Public Memo dated October 31, 2019)
(Confidential Memo dated October 31, 2019 – Includes Anticipated Travel)

XI. REPORTS (Continued)

J. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated November 12, 2019)

K. October 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 November 1, 2019)

XII. ITEMS FOR STAFF REVIEW

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

XIV. EXECUTIVE SESSION

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

1. Real Estate Manager
2. Sterling Investment Partners IV, L.P.
3. Revelstoke Capital Partners Single Asset Fund I, L.P.
4. Business Continuity Planning and Cash Management
5. Real Estate Manager Update (For Information Only)

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

A SPECIAL 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., TUESDAY, OCTOBER 8, 2019

PRESENT: Shawn Kehoe, Chair

Ronald Okum, Vice Chair

Wayne Moore, Secretary

Alan Bernstein (Mr. Bernstein left the Board meeting at 12:00 p.m.)

David Green (Mr. Green left the Board meeting at 11:00 a.m.)

Keith Knox

David Muir

Gina V. Sanchez

Herman B. Santos

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Ted Granger, Assistant Chief Financial Officer

Barry W. Lew, Legislative Affairs Officer

Shelly Tilaye, Senior Investment Analyst

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

StepStone Group LP
Jose Fernandez, Partner

Townsend Group
Jennifer Stevens, Partner

Milliman
Mark Olleman, Consulting Actuary
Nick Collier, Consulting Actuary
Alan Perry, Consulting Actuary

Unite Here Local 11
Jordan Fein

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:36 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Moore led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of September 11, 2019

Mr. Green made a motion, Mrs. Sanchez seconded, to approve the minutes of the regular meeting of September 11, 2019. The motion passed with Mr. Muir abstaining.

IV. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

V. PUBLIC COMMENT

Jordan Fein from UNITE HERE addressed the Board regarding PAI Europe VII investment in Areas, pending labor issues, and the potential effect of those issues on LACERA's investment. Mr. Green requested that the issues be agendized for the November 2019 meeting.

VI. CHIEF COUNSEL'S REPORT
(Memo dated September 25, 2019)

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

VII. CHIEF INVESTMENT OFFICER'S REPORT

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

VIII. CONSENT ITEMS

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

VIII. CONSENT ITEMS (Continued)

A. Recommendation as submitted by Ronald Okum, Chair, Real Assets Committee: That the Board approve 1.) Approve the proposed Minimum Qualifications for an Appraisal Management Service Provider; and 2.) Approve changing the frequency of external appraisals from once every three years to annually. (Memo dated September 30, 2019)

B. Recommendation that the Board approve attendance of Board members at the Responsible Investor (RI) Annual Conference on December 3–5, 2019 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated October 1, 2019)

C. Recommendation that the Board approve exemption of Education and Travel Policy Section 705.00 A.2. for attendance of Board Members at the Kayne Anderson Capital Advisors, L.P. Investors Conference on October 29-30, 2019 in Los Angeles, California.
(Memo dated October 1, 2019)

IX. NON-CONSENT ITEMS

A. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board of Investments postpone consideration of its proposal related to board self-evaluations in closed session at the SACRS 2019 Fall Conference. (Memo dated September 23, 2019)

Mr. Lew was present an answered questions from the Board.

Mr. Santos made a motion, Mr. Bernstein seconded, to postpone consideration of the Board's proposal related to board self-evaluations in closed session at the SACRS 2019 Fall Conference. The motion passed unanimously.

B. Recommendation as submitted by Board Member, Gina Sanchez: That the Board of Investments (BOI) require that the CEO final interviews and selection be scheduled on a date when all BOI members can participate. Scheduling availability should be coordinated by the Board Secretary in order to come to a date or set of dates that everyone can attend and commit to. (Memo dated October 1, 2019)

IX. NON-CONSENT ITEMS (Continued)

Mrs. Sanchez made a motion, Mr. Green seconded, to poll the Board of Investments members and explore a date within the next two weeks that all Board members can attend. If such a date is not available, the current October 16 and 17, 2019 CEO final interview and selection meetings will proceed. The motion passed with Messrs. Bernstein, Green, Knox, Moore, Muir, Santos and Mrs. Sanchez voting yes and Messrs. Kehoe and Okum voting no.

(Mr. Green left the Board meeting at 11:00 a.m.)

X. REPORTS

A. Actuarial Assumption Review
Beulah S. Auten, Chief Financial Officer
Mark Olleman, Consulting Actuary
Nick Collier, Principal, Consulting Actuary
Alan Perry, Principal, Consulting Actuary
(Memo dated September 20, 2019)

Mr. Granger and Messrs. Olleman, Collier and Perry of Milliman provided a presentation and answered questions from the Board.

(Mr. Bernstein left the Board meeting at 12:00 p.m.)

B. Procurement Policy for Investment-Related Services
John McClelland, Principal Investment Officer
(Memo dated September 20, 2019)

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

X. REPORTS (Continued)

The following agenda items were received and filed:

C. Council of Institutional Investors General Members Business Meeting Ballot
Scott Zdrazil, Senior Investment Officer
(Memo dated September 10, 2019)

D. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated September 23, 2019)

E. Monthly Board and Staff Education and Travel Report – August 2019
Beulah S. Auten, Chief Financial Officer
(Public Memo dated September 25, 2019)
(Confidential Memo dated September 25, 2019– Includes Anticipated Travel)

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

G. September 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 September 25, 2019)

XI. ITEMS FOR STAFF REVIEW

In regards to item VI., the Board requested that Chief Counsel reach out to the Board Chairs and Board of Retirement Trustee Pryor regarding the e-voting process for trustee elections.

In regards to item X.A., the Board requested that Milliman provide an analysis on what the impact to the employer and employees would be in percentage and actual dollar amount of reducing the discount rate to 7.00 percent versus to 6.75 percent. The

XI. ITEMS FOR STAFF REVIEW (Continued)

analysis should also include the impact to the employers and the employees of reducing the 30-year amortization down to 20 years as well as an analysis on removing the Star COLA Reserve as part of the funding formula.

In regards to item X.B., the Board requested changes to the Investment Procurement Policy.

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

Mr. Moore shared a memorandum with the Board of Investments members addressing the Emerging Manager policy that is being revised and updated.

Mr. Santos shared his experience attending the 2019 LAVCA Summit and Investor Roundtable and LAVCA Venture Investors Annual Meeting on September 23 – 26, 2019 in New York City, New York.

Mr. Muir requested a list of upcoming conferences for 2020.

Mrs. Sanchez shared her experience attending the National Association of Corporate Directors - Global Board Leaders' Summit on September 21 – 24, 2019 in Washington D.C.

XIII. EXECUTIVE SESSION

(This item was held out of order before X.A)

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. Real Estate Manager

XIII. EXECUTIVE SESSION (Continued)

Messrs. Grabel, McClelland and Mrs. Stevens from the Townsend Group were present and answered questions from the Board.

The Board took action with respect to certain purchase and sale transactions, which will be reported out at a later dated in accordance with the Brown Act.

2. Green Equity Investors VIII, L.P. and Jade Equity Investors, L.P.

Messrs. Grabel and Wagner and Mrs. Tilaye and Mr. Fernandez of StepStone Group LP were present and answered questions from the Board.

Mr. Okum made a motion, seconded by Mr. Green, to approve a commitment of up to $150 million to Green Equity Investors VIII and $50 million to Jade Equity Investors, L.P. GEI and Jade are private equity buyout investments that will invest in companies in the healthcare, retail, industrial, consumer and business services, and distribution sectors. GEI will focus on larger equity investments, while Jade will focus on smaller investments. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Okum and Mrs. Sanchez voting yes and Mr. Santos voting no.

3. Secondary Purchase (For Information Only)

The Board received a private equity secondary purchase update. There is nothing to report.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:40 p.m.

WAYNE MOORE, SECRETARY

SHAWN KEHOE, CHAIR

November 12, 2019

Report on Closed Session Items

October 16, 2019 Joint Board of Retirement and Board of Investments Meeting
Agenda Item III

A. Public Employment
   (Pursuant to California Government Code Section 54957)
   1. Title: Chief Executive Officer
B. Conference with Labor Negotiator
   (Pursuant to California Government Code Section 54957.6)
   Designated Representative: Cindy Krebs, Alliance Resource Consulting LLC
   Unrepresented Employee: Chief Executive Officer

Report Out: As reported at the meeting, it was stated for the record for each Board that no reportable action was taken.

October 17, 2019 Joint Board of Retirement and Board of Investments Meeting
Agenda Item III

A. Public Employment
   (Pursuant to California Government Code Section 54957)
   1. Title: Chief Executive Officer
B. Conference with Labor Negotiator
   (Pursuant to California Government Code Section 54957.6)
   Designated Representative: Cindy Krebs, Alliance Resource Consulting LLC
   Unrepresented Employee: Chief Executive Officer

Report Out: As reported at the meeting, it was stated for the record for each Board that no reportable action was taken and that if and when the Boards make an appointment, the action taken on October 17, 2019 will be subject to public report.

Subsequent Report Out: Given the public action taken at the November 6, 2019 Joint Meeting of the Board of Retirement and Board of Investments to approve the appointment of Santos H. Kreimann as LACERA's Chief Executive Officer, his salary and benefits, and his Employment Agreement, the following action from the October 17, 2019 meeting is now reportable:

On a motion for the Board of Retirement by Mr. Pryor, seconded by Mr. Santos, and a motion for the Board of Investments by Mr. Okum, seconded by Mr. Green, the Board voted unanimously by all members present to authorize their respective Chairs and labor negotiator, Cindy Krebs of Alliance Resource Consulting LLC, to extend a conditional offer of employment to Santos H. Kreimann for the position of Chief Executive Officer of LACERA, and if accepted, to negotiate a formal written employment agreement, including salary in a range as directed by the Boards, with Mr. Kreimann for presentation to the Boards and subject to their final approval.

On a roll call vote:

For the Board of Retirement, Messrs. Bernstein, Kehoe, Knox, Okum, Robbins, and Santos and Mses. Gray and Zapanta-Murphy voted yes. There were no “no” votes. Mr. Walsh was absent

For the Board of Investments, Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Okum, and Santos voted yes. There was no “no” votes. Ms. Sanchez was absent.

November 6, 2019 Joint Board of Retirement and Board of Investments Meeting
Agenda Item V

A. Conference with Labor Negotiator
   (Pursuant to California Government Code Section 54957.6)
   Designated Representative: Cindy Krebs, Alliance Resource Consulting LLC
   Unrepresented Employee: Chief Executive Officer
B. Public Employment
   (Pursuant to California Government Code Section 54957)
   1. Title: Chief Executive Officer
C. Public Employment – Appointment
   (Pursuant to California Government Code Section 54957)
   1. Title: Chief Executive Officer

Report Out: As reported at the meeting, it was stated for the record for each Board that no reportable action was taken.

October 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.

Employee Forum

For the first time in a few years, LACERA hosted an Employee Forum (Forum) on October 30, 2019 at the Salvation Army facility near our offices. The Forum is an opportunity to recognize all staff and provide education and fellowship. The format for this year's event was entirely different. Instead of hosting an external speaker, the Forum was completely LACERA home-made, including a new LACERA video produced specially for this event highlighting individual staff and member interviews, staff speakers, and divisional booths.

The speaker program included:

- Master of Ceremonies **David Bayha**, from the Member Services Division, who provided humorous introductions of the other speakers and kept the program moving along.
- State of LACERA Address, by Chief Counsel.
- 8-minute presentations in Ted Talk format by six LACERA staff:
    - **Louis Gittens**, from the Benefits Division, on managing stress through self-care.
    - **Michael Herrera**, from the Legal Division, speaking on the ethics of doing right versus doing good, and the duty and importance of knowing the difference.
    - **Quoc Nguyen**, from the Investments Division, speaking on diversity of thought.
    - **Dr. Arlene Owens**, from the Quality Assurance and Metrics Division speaking on positivity in the workplace and the importance of our own internal HERO (Hope, Efficacy and Confidence, Resilience, and Optimism).

- **Shonita Peterson**, from the Benefits Division, speaking on experiential diversity.

- **Percy Petrov**, from the Benefits Division, speaking on the role of all staff as leaders in the success of LACERA.

The divisional booths combined fun games and escape rooms, along with education and demonstrations. Booths were provided by the Administrative Services, Communications, Disability Litigation, Disability Retirement Services, Financial and Accounting Services, Human Resources, Investments, Legal, Member Services, Retiree Health Care, and Systems. There was also a booth on charitable giving at LACERA.

The event was a rousing success, with almost 350 employees attending the two half-day morning and afternoon sessions. Thank you to trustee Keith Knox for attending.

The event would not have been possible without the hard work of the PEP team (including **Roxana Castillo**, **Andrea Ellison**, **Vanessa Gonzales**, **Veronica Yi-Martinez**, **Cynthia Martinez**, **Norma Minjarez**, **JJ Popowich**, and **Roberta Van Nortrick**) and the entire Communications Division. Systems provided audio-visual and technical support. The temporary staff from the special Microfiche Coding Projects provided set up and clean up.

Finally, I want to recognize employees **Antonio Ramos** and **Patricia Nunez**, who took the initiative to send an email last summer asking whether we would have a Forum this year. Without Tony and Patricia's initiative, we would not have had a Forum. Their messages were the spark that set the event in motion. This is an example of the open and responsive culture that we aspire to at LACERA.

And thanks to all staff for their enthusiastic participation!

We will show the new Communications video along with photographs of the events at the Board meeting.

<u>Thank You for the Opportunity</u>

This will be my last Chief Counsel's Report in my role as also having the duties and responsibilities of the Chief Executive Officer. Our new CEO is expected to start work in mid-November. I would like to thank the Boards for the opportunity to serve in this capacity for the past five months. It has been a pleasure to get more involved in the LACERA operations and get to know so many of the staff that I had not had the opportunity to meet in my Chief Counsel role. Our goal from the beginning was to move forward with optimism and positivity during this period of transition. We succeeded!

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These last few months have been very eventful, and we have made some real progress on important issues. I thought it would be a good time to take a look back at some of the accomplishments and highlights:

- **Small Staff Member Group Meetings**: Perhaps one of the most rewarding highlights has been the group meetings of 5-10 employees that I've held in many divisions with staff at all levels. I met with approximately 190 employees in these small groups. These meetings have provided me with enormous insight into the tremendous talent we have at LACERA and the wealth of ideas that exist on how to make LACERA the most rewarding and productive organization. I have shared some of these ideas with the management team, as I will with the new CEO as well.

- **Leadership Discussions**: In addition to the small group meetings, the management and supervisor teams have held several beneficial and honest discussions about what it means to be a leader and how we can work together to advance LACERA. The team agreed we are committed to being open, communicative, innovative, compassionate leaders who lead by example and exhibit transparency and fairness in all that we do. At the same time, we all acknowledged that we have to hold each other and our staff members accountable for our actions and our promises.

- **Employee Engagement**: The Human Resources and Executive Office worked on an employee engagement program as part of the strategic plan. During my tenure I had a chance to join this effort and help kick the process off. We have selected a very experienced vendor that will come in and help us develop this program and set it up to be a maintainable part of LACERA's culture.

- **Increased Focus on Fiscal Responsibility**: One of the focuses of my tenure in this role has been an increasing focus on fiscal responsibility. Two areas come to mind as examples of this effort. The first is an organization wide review of the usage of bonuses and the development of new procedures and expectations for the approval and management of bonuses going forward. We have, for the first time, placed bonuses on a six-month review cycle. The second is the continuation of an existing effort already underway in the Executive Office to look at the efficiency of some divisions that tend to rely on a lot of out of class and additional work, overtime, and temporary staffing. We continue to try to identify work processes that take significant time and effort to complete and will soon be looking for ways to reduce, if possible, that time and effort.

- **Revised Procurement Policy**: Working with the Executive Office, Administrative Services, and several other divisions we were able to finalize a revised procurement policy which will be presented to the Board of Retirement this month.

- **Excellent Plan Sponsor Relations**: During my tenure, we continued with the County leadership to enhance our working relationships. Specific projects have included the numerous pay items that have appeared on the Board of Retirement agenda for review as pensionable items and review of additional LACERA positions and salaries. I have communicated regularly with the County CEO's office to ensure that they are informed of significant developments at LACERA, and in turn news of the County has been provided to me.

- **Board of Supervisors Audit**: The Board of Supervisors requested an audit of LACERA's budget, finances, and related operations. This audit was a significant event and occupied a significant portion of the management team's time. I am proud to say that our staff members acted professionally and worked with the County auditors in a transparent and open manner.

- **Education and Travel Policy Revision and Audit**: Education and travel are critical components that help keep your Boards and our staff members informed and able to make the most prudent decisions for the fund and LACERA operations. Working off of a very detailed and informative internal audit, we supported the Boards' efforts to review our current policy and made appropriate changes. In keeping with LACERA's tradition of being an industry leader we did not stop there, and working with the Board of Retirement, we selected an outside auditor, Mosaic Governance Advisors, to perform an expanded audit, take an objective look at our policy and processes, and provide recommendations on best practices we may consider going forward.

I have additional specific comments and suggestions that I look forward to sharing with the Boards and the new CEO at the appropriate time in the near future.

While my time in this role may be coming to an end, I am excited and ready to return to my work as Chief Counsel and will provide my full support to our new CEO in their success as we take LACERA forward into the future.

<u>Update on Key Retirements</u>

<u>Chief Financial Officer</u>: Beulah Auten, Chief Financial Officer (CFO), has retired effective October 31, 2019. Recruitment of her replacement will be initiated under the direction of the new CEO, and updates will be provided to the Boards regularly. Ted Granger was appointed to serve as Interim CFO.

<u>Director of Human Resources</u>: The search for a replacement for John Nogales, our retired Director of Human Resources, was scheduled to be completed in October. The selection committee met with a small group of finalists in early September and invited three of them back to meet with the management team and the staff in Human Resources Division. The selection team collected feedback from everyone who participated in these meetings, met and discussed the candidates and selected a candidate. Unfortunately, the selected candidate had to withdraw from the process for personal reasons. After careful consideration the team decided we would re-open the search. Under the direction of the new CEO, we will continue to work with the recruiter to complete the search.

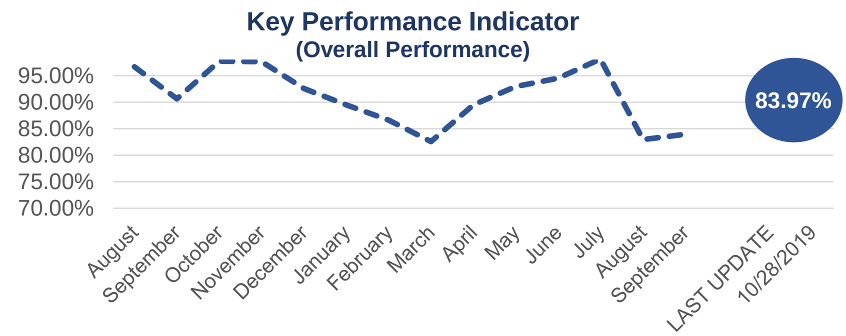
Thank you again for the opportunity to serve these past five months!

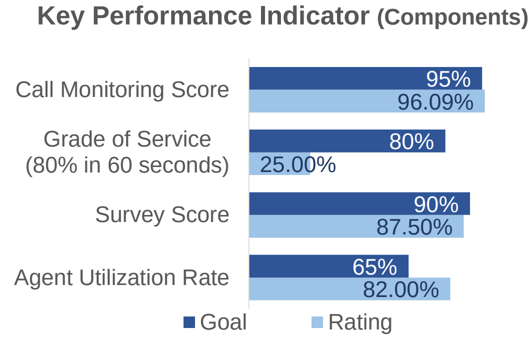
SR: jp
CEO report October 2019.doc
Attachments

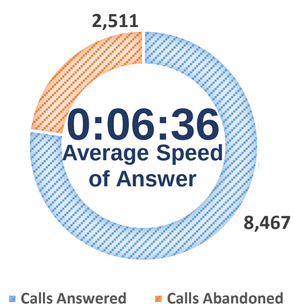
Striving for Excellence in Service

Outreach Attendance	Outreach Events	Outreach Satisfaction	Member Service Center	Member Services Calls
3,742	51	96.1%	100.0%	10,978
9,961 Year-to-Date	142 Year-to-Date	0.3% Change Since Last Mo	-.2% Change Since Last Mo	11,874 3 Mo. Avg.

Member Services







Top Calls

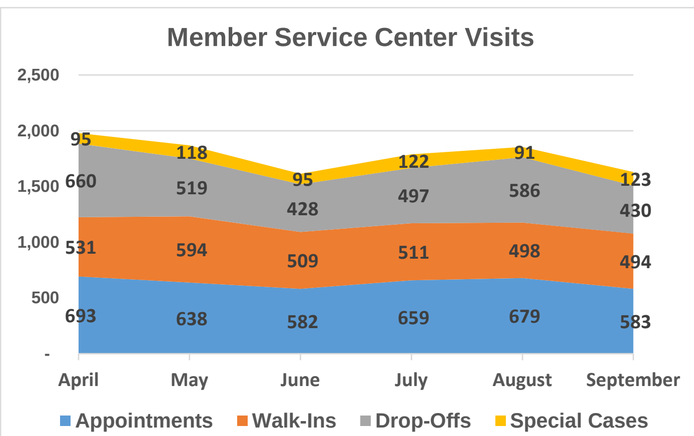
1. Workshop Information\Appointments: Inquiry
2. Retirement Counseling: Process Overview
3. Retirement Counseling: Estimate

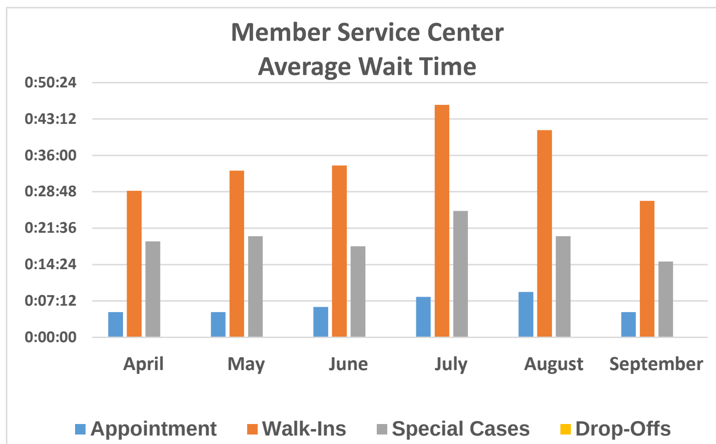
Emails 388

5:02 hours

Avg. Response Time (ART)

Secure Messages 200





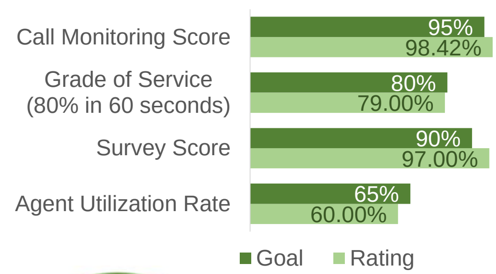
*Drop Off Wait Time: No Waiting

Retiree Healthcare

Total RHC Calls: 3,711

Top Calls

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



Emails 250

1 Day

Avg. Response Time

Secure Messages

n/a

Striving for Excellence in Service (Continued)

Disability

Applications

681

In Process: 09/30/19

657	Pending: 08/30/2019
56	Received
141	Year-to-Date
0	Re-Opened
0	Year-to-Date
29	To Board - Initial
131	Year-to-Date
3	Closed
5	Year-to-Date

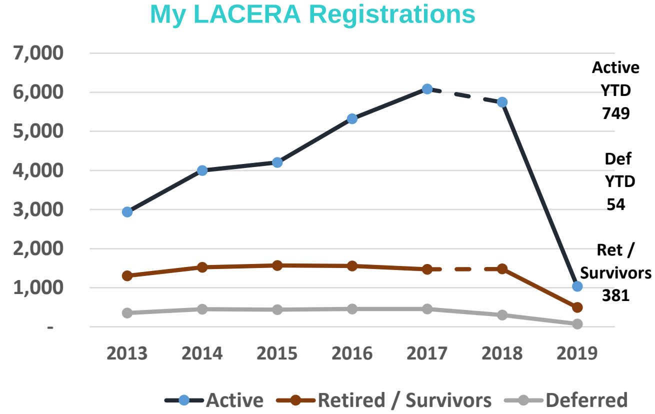
Appeals

101

In Process: 09/30/19

98	Pending: 08/30/2019
4	Received
11	Year-to-Date
1	Admin Closed/Rule 32
6	6
0	Referee Recommended
0	Year-to-Date
0	Revised/Reconsidered for Granting
0	Year-to-Date

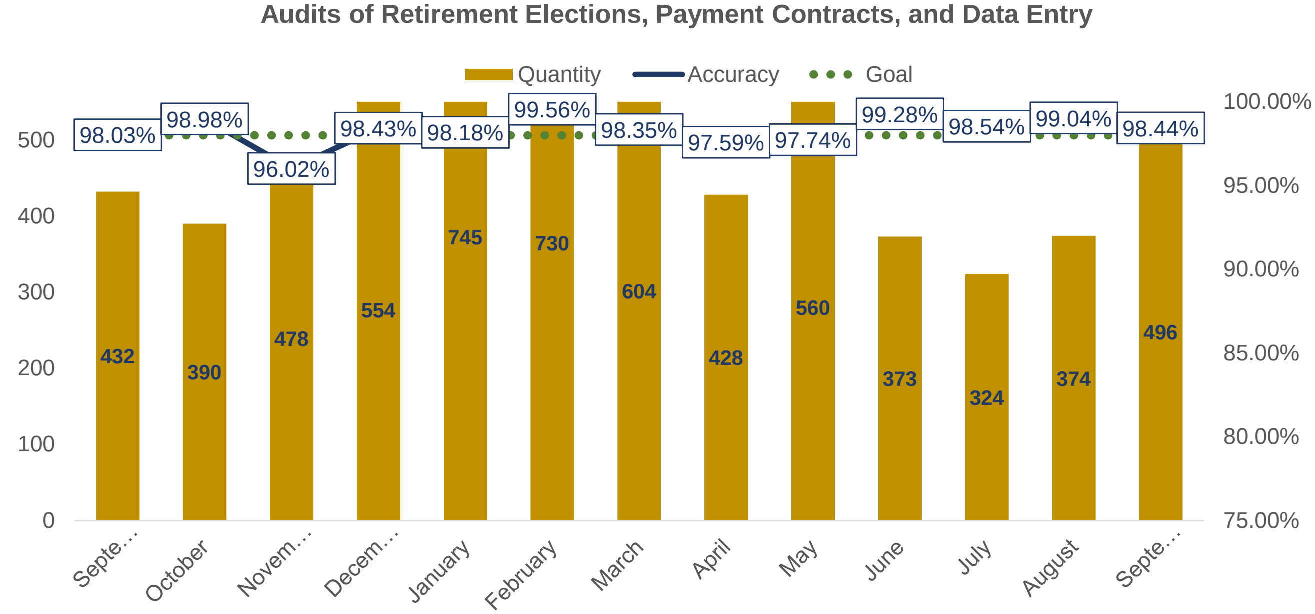
My LACERA



MORE COMING SOON!

Striving for Excellence in Quality

Quality Assurance and Metrics



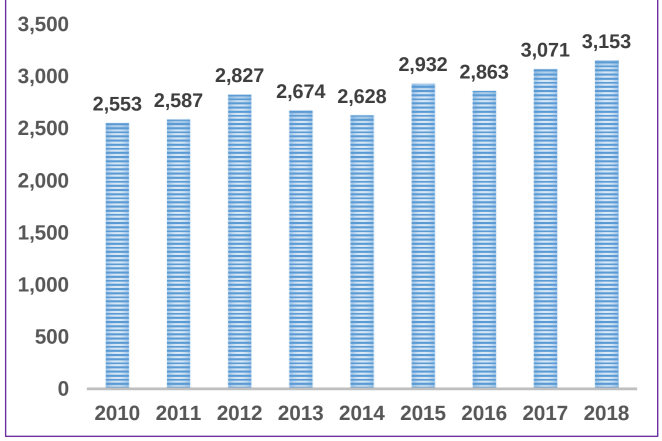
September 2019
98.08%

	Retirement Elections	Payment Contracts	Data Entry
Samples	260	146	90
Accuracy	97.66%	98.15%	98.44%

Member Snapshot

	Members as of 10/15/19				
	Plan	Active	Retired	Survivors	Total
General	Plan A	100	16,582	4,457	**21,139**
General	Plan B	33	677	70	**780**
General	Plan C	39	427	68	**534**
General	Plan D	41,427	15,782	1,475	**58,684**
General	Plan E	17,137	13,179	1,197	**31,513**
General	Plan G	27,739	39	3	**27,781**
General	Total General	86,475	46,686	7,270	140,431
Safety	Plan A	4	5,223	1,585	**6,812**
Safety	Plan B	9,635	5,961	294	**15,890**
Safety	Plan C	3,259	8	0	**3,267**
Safety	Total Safety	12,898	11,192	1,879	25,969
TOTAL MEMBERS		99,373	57,878	9,149	166,400
% by Category		60%	35%	5%	100%

RETIREMENTS PER YEAR

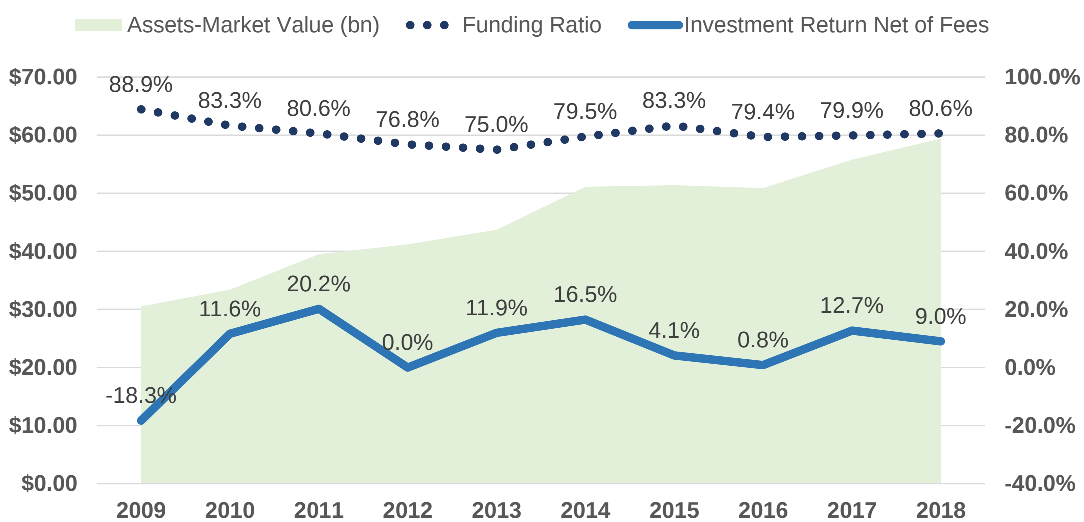


Average Monthly Benefit Allowance Distribution				
	General	Safety	Total	%
$0 to $3,999	29,895	2,039	31,934	55.39%
$4,000 to $7,999	12,346	3,576	15,922	27.62%
$8,000 to $11,999	3,096	3,960	7,056	12.24%
$12,000 to $15,999	838	1,234	2,072	3.59%
$16,000 to $19,999	243	233	476	0.83%
$20,000 to $23,999	72	75	147	0.25%
$24,000 to $27,999	26	12	38	0.07%
> $28,000	6	2	8	0.01%
Totals	**46,522**	**11,131**	**57,653**	**100%**

Average Monthly Benefit Allowance:	$ 4,291.00

Healthcare Program (YTD)			Healthcare Enrollments (Monthly)	
	Employer	Member		
Medical	$134.4m	$11.1m	Medical	51,311
Dental	$11.2m	$1.1m	Dental	52,599
Part B	$16.9m	xxxx	Part B	34,661
			LTC	630
Total	**$162.5m**	**$12.3m**	**Total**	**139,201**

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%

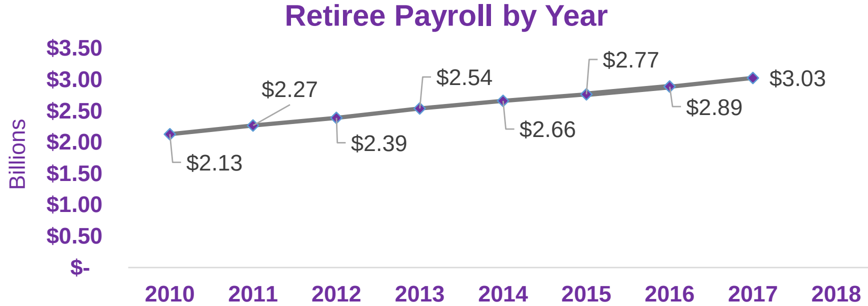
TOTAL FUND RETURN
(Net of Fees)

5 YR: 8.5% **10 YR:** 6.3%

Retired Members Payroll

Monthly Payroll	$297.24m
Payroll YTD	.9b
New Retired Payees Added	282
Seamless %	96.45%
New Seamless Payees Added	868
Seamless YTD	97.12%
By Check %	3.00%
By Direct Deposit %	97.00%

Retiree Payroll by Year



Date	Conference
December, 2019	
3-5	Responsible Investor (RI) Annual Conference New York, NY
January, 2020	
26-28	NCPERS (National Conference on Public Employee Retirement Systems) Legislative Conference Washington D.C.
February, 2020	
12-13	IMN (Information Management Network) Annual Beneficial Owners' Intl. Securities Finance & Collateral Mgmt. Conference Fort Lauderdale, FL
12-14	Pacific Pension Institute (PPI) North American Winter Roundtable Rancho Palos Verdes, CA
March, 2020	
4-5	PREA (Pension Real Estate Association) Spring Conference Beverly Hills, CA
7-10	CALAPRS (California Association of Public Retirement Systems) General Assembly Meeting Rancho Mirage, CA
9-11	Council of Institutional Investors (CII) Spring Conference Washington D.C.
18-19	AHIP (America's Health Insurance Plans) National Health Policy Conference Washington D.C.
29-April 1	World Healthcare Congress Washington D.C.
April, 2020	
6-8	CRCEA (California Retired County Employees Association) Spring Conference Visalia, CA
6-8	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Phoenix, AZ
20-23	Portfolio Concepts & Management *(prev. Fundamentals of Money Management)* Wharton School, University of Pennsylvania
27-29	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute New Orleans, LA
May, 2020	
2-6	Milken Institute Global Conference Los Angeles, CA

Chief Investment Officer Monthly Report

Board of Investments

November 20, 2019

Jonathan Grabel
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

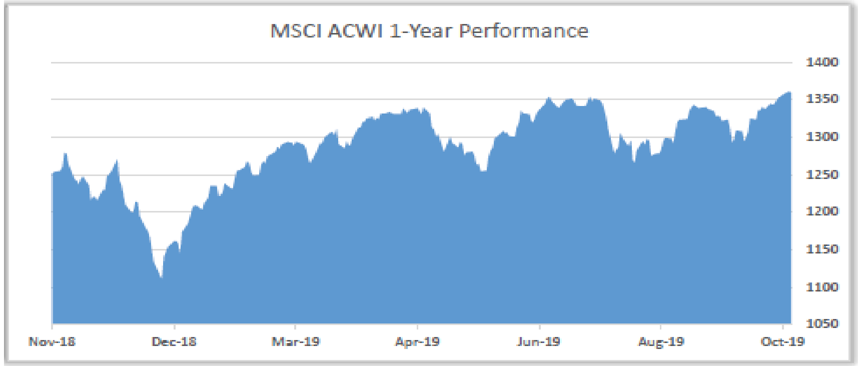
Table of Contents

Market Environment

Global Market Performance as of October 31, 2019

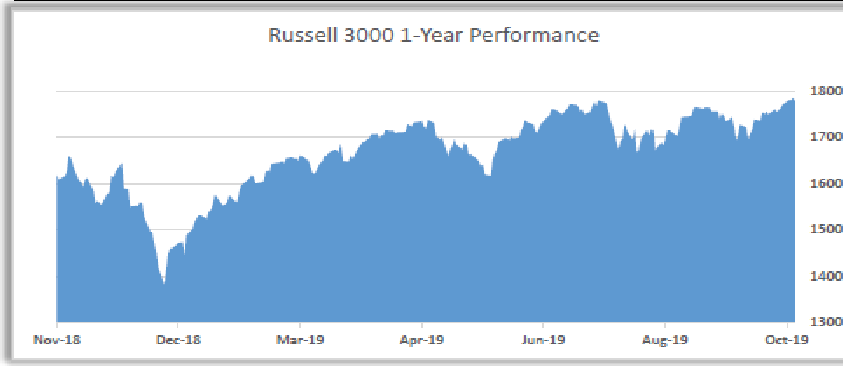
MSCI ACWI Index (Global Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
2.8	1.8	19.7	11.5	11.9	7.6	9.5



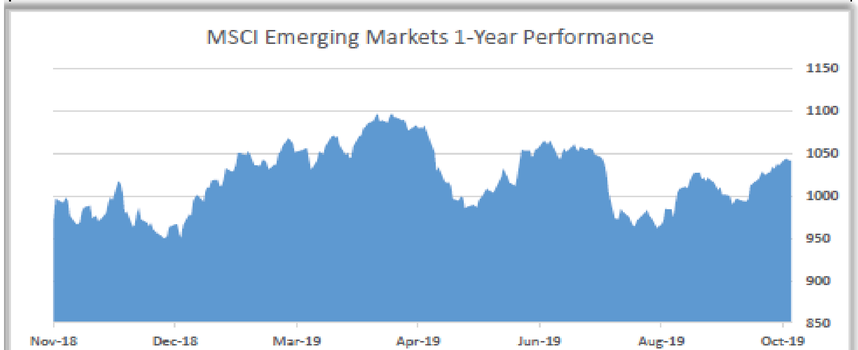
Russell 3000 Index (U.S. Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
3.4	2.2	23.7	13.0	15.1	10.5	13.7



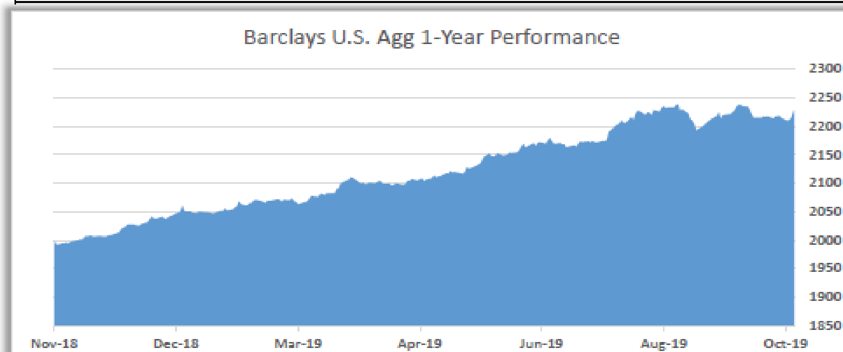
MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
4.0	0.5	10.7	10.5	7.8	3.3	4.2



Barclays U.S. Aggregate Bond Index

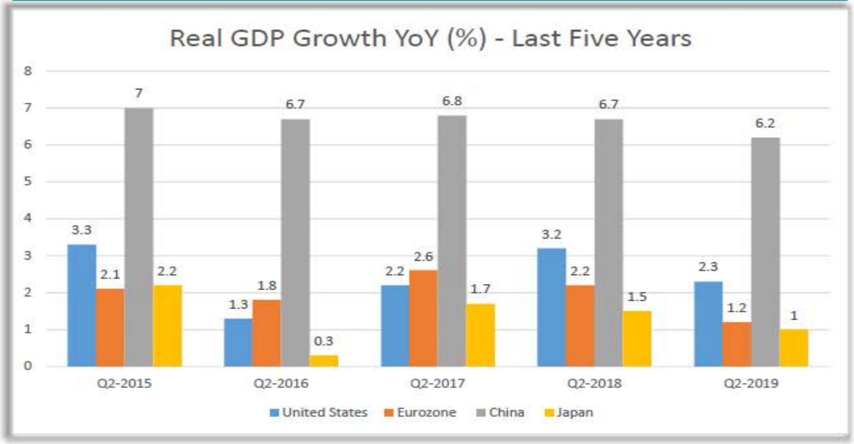
Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
0.3	2.4	8.8	11.4	3.3	3.2	3.7



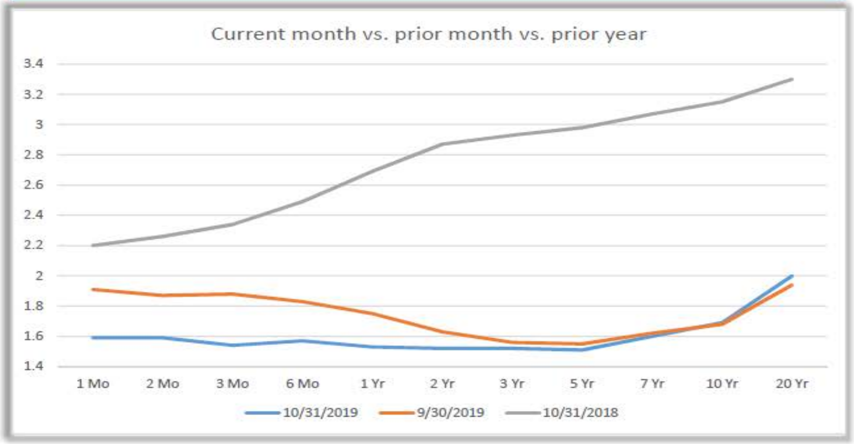
Source: Bloomberg

Key Macro Indicators

GDP Growth of Major Economies[1]

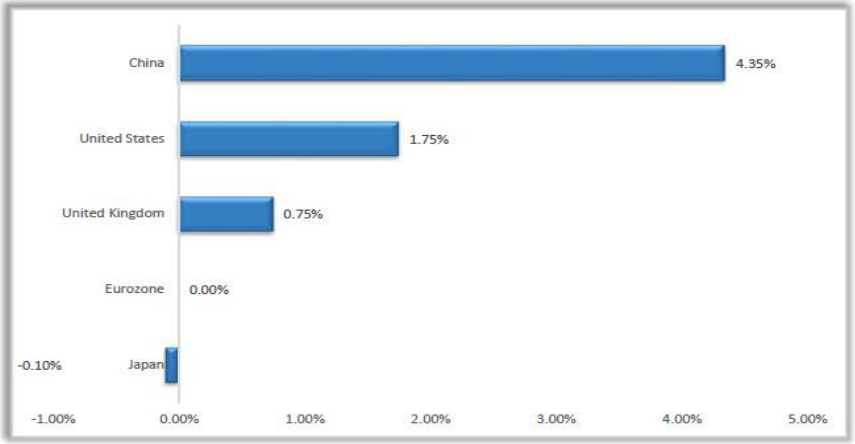


U.S. Treasury Yield Curve[2]



World Equity Valuation[3]

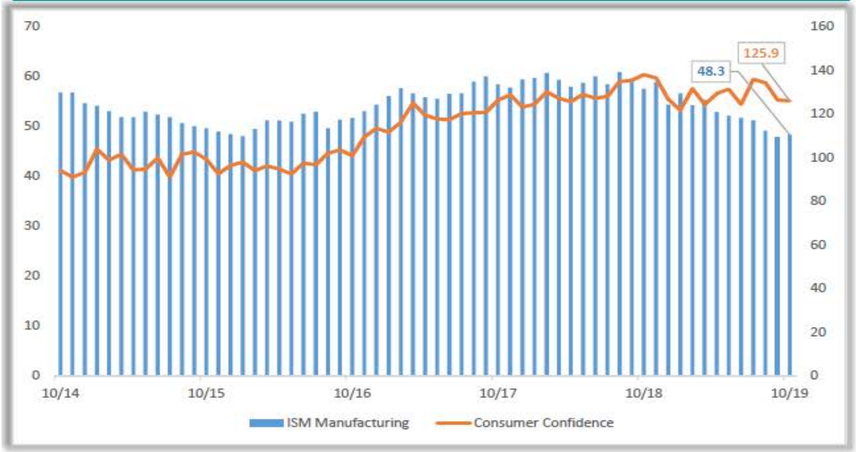
Central Bank Rates[4]



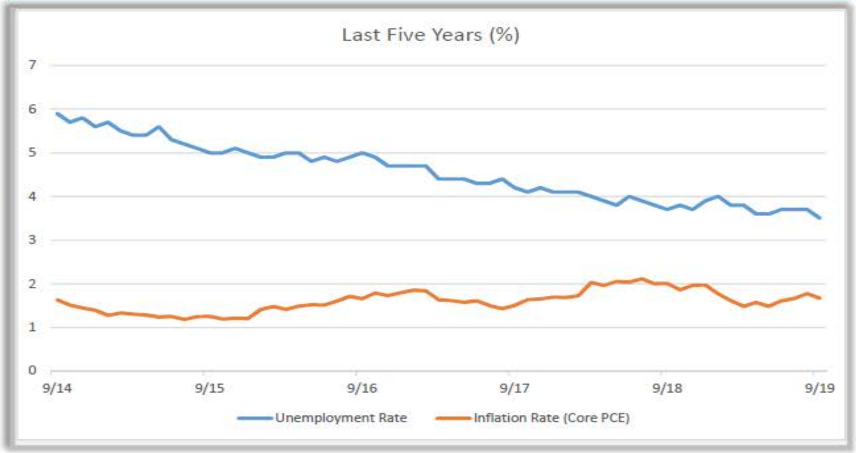
Sources: 1. Bloomberg 2. U.S. Treasury Department 3. Factset 4. Factset

Key Macro Indicators

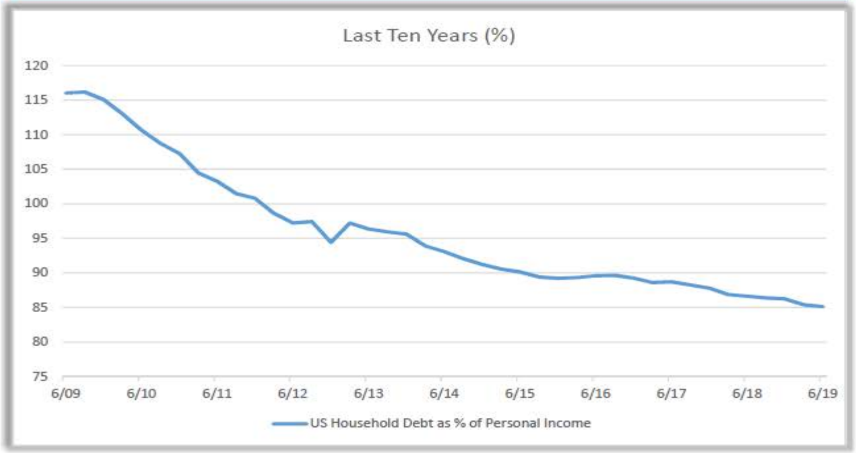
Consumer Confidence & ISM Manufacturing[1]



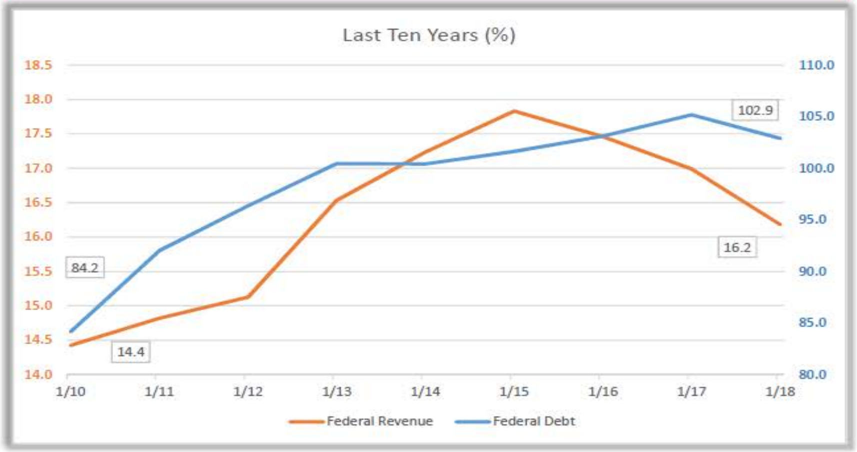
U.S. Inflation & Unemployment[2]



US Household Debt as % of Personal Income[3]



Federal Revenue and Federal Debt as % of GDP[4]



Sources: 1. Bloomberg 2. Bloomberg 3. Bloomberg 4. Bloomberg & Federal Reserve

Market Themes and Notable Items to Watch

Recent Themes

- U.S Stock Market experienced new highs
- Low global growth
- Geopolitical Risks
  - China trade tensions; "Phase One" trade deal was announced October 11, scheduled to be signed in November.
  - Brexit negotiations
  - Hong Kong protests
  - Syria
- U.S. Fed benchmark rate was reduced 0.25%
  - FED signaled that future cuts are in question
- Central banks remain accommodative

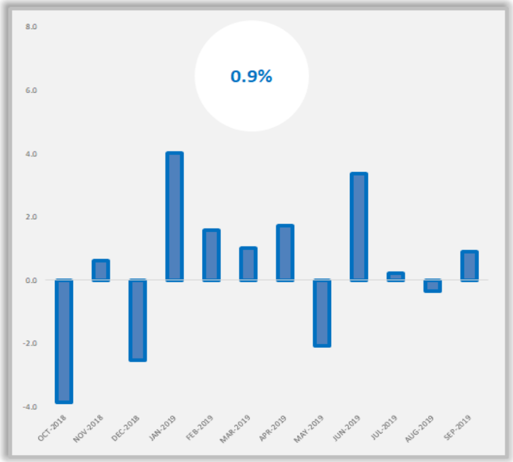
What to Watch

- Brexit – Extension of the country's departure from the EU to be deferred to January 31, 2020
- Global Central Bank stance
- Credit spreads
- Read on inflation
- Impeachment Inquiry
- Trade Policies

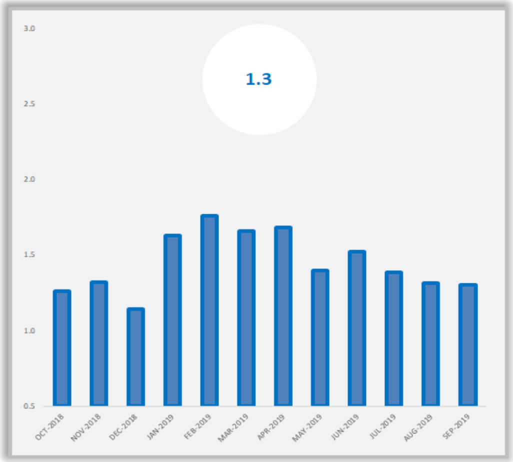
Portfolio Performance Update

Total Fund Summary as of September 2019

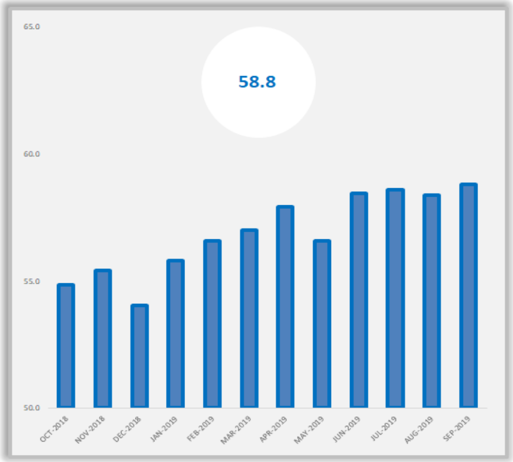
Monthly Return
(net)



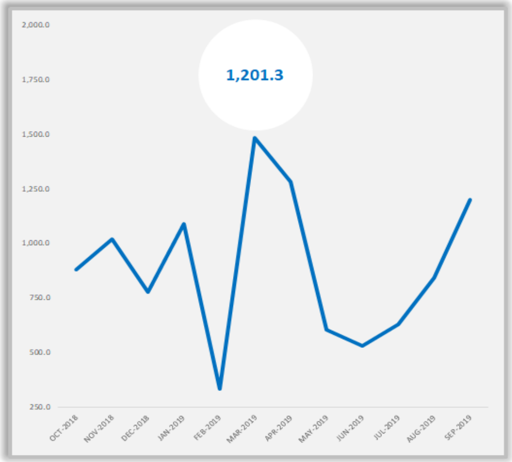
Sharpe Ratio
(3-Year Annualized)



Total Market Value
($ billions)

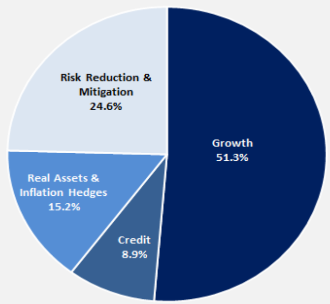


Cash
($ millions)



Asset Allocation

	Market Value[1] ($ millions)	% of Total	Interim Target[2]
TOTAL FUND	**58,818**		
Growth	**30,176**	**51.3%**	**52.0%**
Global Equity	23,388	39.8%	41.0%
Private Equity[3]	5,787	9.8%	10.0%
Opportunistic Real Estate[4]	922	1.6%	1.0%
Growth Overlay[5]	79	0.1%	—
Credit	**5,257**	**8.9%**	**10.0%**
High Yield	2,347	4.0%	4.0%
Bank Loans	917	1.6%	3.0%
Emerging Market Debt	844	1.4%	1.0%
Illiquid Credit[3,4,6]	1,044	1.8%	2.0%
Credit Overlay[5]	104	0.2%	—
Real Assets & Inflation Hedges	**8,921**	**15.2%**	**15.0%**
Core & Value Added Real Estate[4]	5,355	9.1%	8.0%
Natural Resources & Commodities	1,866	3.2%	3.0%
Infrastructure	1,166	2.0%	2.0%
Treasury Inflation-Protected Securities	519	0.9%	2.0%
RA & IH Overlay[5]	14	0.0%	—
Risk Reduction & Mitigation	**14,464**	**24.6%**	**23.0%**
Investment Grade Bonds	11,549	19.6%	19.0%
Diversified Hedge Fund Portfolio[6]	1,694	2.9%	3.0%
Cash	1,201	2.0%	1.0%
RR & M Overlay[5]	20	0.0%	—



1. Transition balances are included in subcategory totals, if applicable
2. Interim target weights effective as of 4/1/19
3. Private Equity market values reflect latest available and are adjusted for cash flows
4. Real Estate market values reflect a 3-month lag
5. Reflects net cash position available for overlay investing
6. Hedge Fund market values reflect a 1-month lag

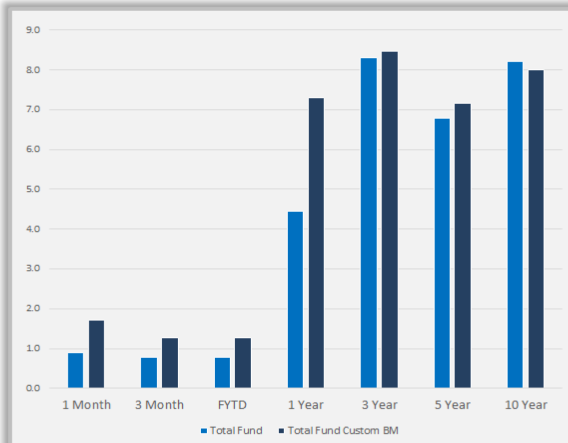
Historical Net Performance as of September 2019*

LACERA Pension Fund
(net)

	Market Value ($ millions)	% of Total Fund	Interim Target[1]	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
TOTAL FUND	**58,818**	**100.0%**	**100.0%**	**0.9**	**0.8**	**0.8**	**4.5**	**8.3**	**6.8**	**8.2**
Total Fund Custom BM				*1.7*	*1.3*	*1.3*	*7.3*	*8.5*	*7.2*	*8.0*
7.25% Annual Hurdle Rate				*0.58*	*1.77*	*1.77*	*7.25*	*7.25*	*7.25*	*7.25*

Functional Composites[2]	Market Value ($ millions)	% of Total Fund	Interim Target[1]	1 Month	3 Month	FYTD
GROWTH	**30,176**	**51.3%**	**52.0%**	**1.8**	**0.4**	**0.4**
Growth Custom BM				*3.2*	*1.1*	*1.1*
CREDIT	**5,257**	**8.9%**	**10.0%**	**0.2**	**0.7**	**0.7**
Credit Custom BM				*0.8*	*1.9*	*1.9*
REAL ASSETS & INFLATION HEDGES	**8,921**	**15.2%**	**15.0%**	**0.2**	**-0.2**	**-0.2**
Real Assets & Inflation Hedges Custom BM				*0.5*	*0.3*	*0.3*
RISK REDUCTION & MITIGATION	**14,464**	**24.6%**	**23.0%**	**-0.4**	**2.1**	**2.1**
Risk Reduction & Mitigation Custom BM				*-0.4*	*2.1*	*2.1*

Historical Returns
(net)

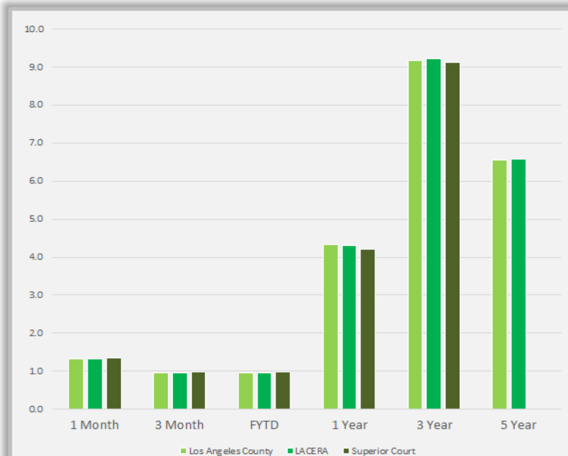


OPEB Master Trust Fund
(net)

Sub-Trusts	Market Value ($ millions)[3]	Trust Ownership %	Target Weight	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
TOTAL OPEB MASTER TRUST	**1,312**								
Los Angeles County	1,263	96.2%	—	1.3	1.0	1.0	4.3	9.2	6.6
LACERA	5	0.4%	—	1.3	1.0	1.0	4.3	9.2	6.6
Superior Court	45	3.4%	—	1.4	1.0	1.0	4.2	9.1	—

Functional Composites	Market Value ($ millions)[3]	Trust Ownership %	Target Weight	1 Month	3 Month	FYTD	1 Year	3 Year
OPEB Growth	**652**	**49.7%**	**50.0%**	**2.1**	**-0.1**	**-0.1**	**0.8**	**9.7**
Custom OPEB MT Growth Pool				*2.1*	*-0.2*	*-0.2*	*0.5*	*9.4*
OPEB Credit	**264**	**20.1%**	**20.0%**	**0.6**	**0.9**	**0.9**	**5.4**	—
Custom OPEB MT Credit Pool				*0.5*	*0.7*	*0.7*	*5.5*	—
OPEB Real Assets & Inflation Hedges	**264**	**20.1%**	**20.0%**	**1.2**	**3.4**	**3.4**	**8.8**	—
Custom OPEB MT Inflation Hedges Pool				*1.2*	*3.4*	*3.4*	*8.9*	—
OPEB Risk Reduction & Mitigation	**132**	**10.1%**	**10.0%**	**-0.4**	**2.0**	**2.0**	**8.7**	**3.4**
Custom OPEB MT Risk Reduction Pool				*-0.4*	*1.9*	*1.9*	*8.7*	*3.5*
Operating Cash	**0.2**	**0.0%**	—	—	—	—	—	—

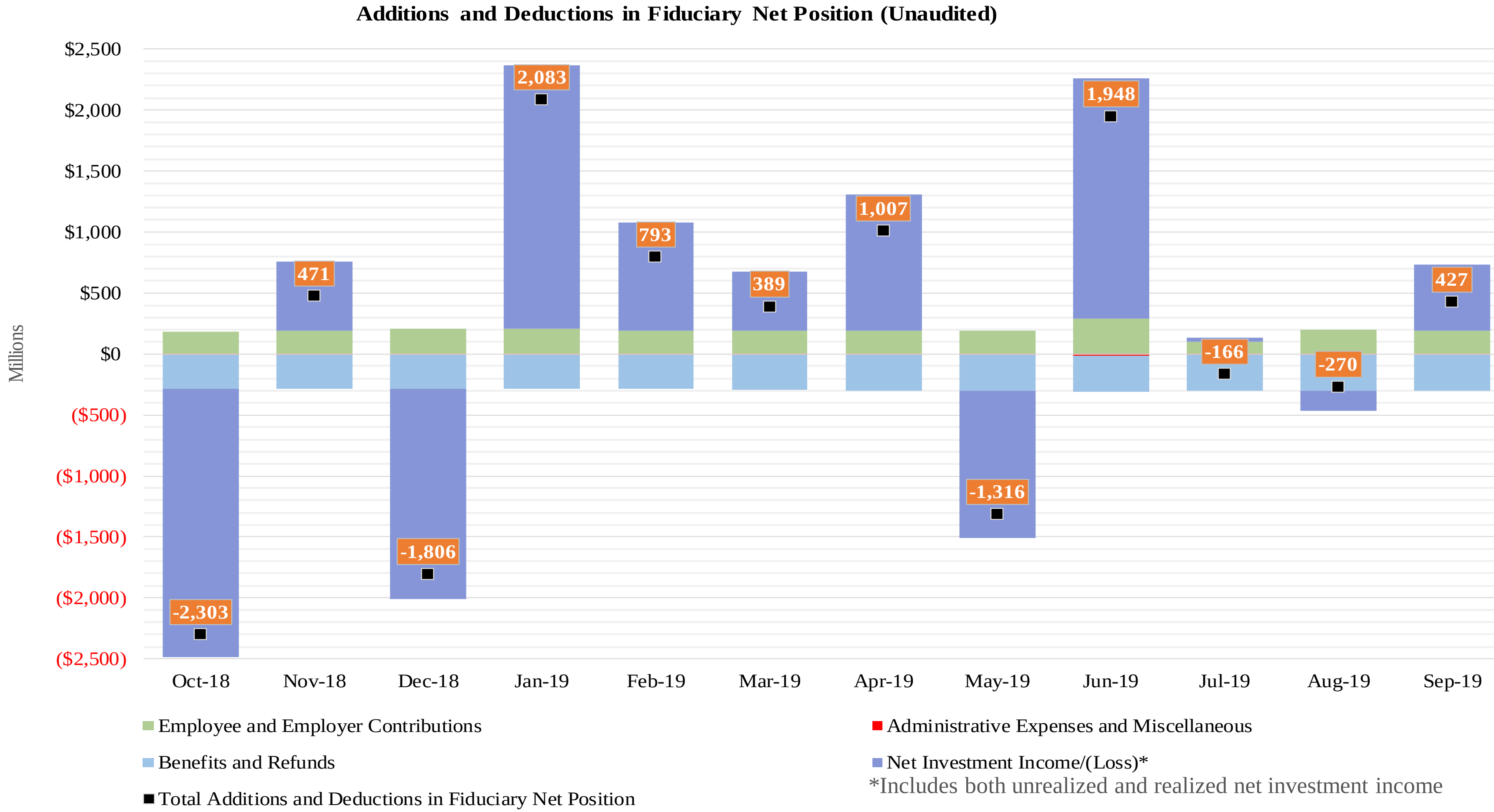
Historical Returns
(net)



1. Reflects interim target weights
2. Functional composites were adopted on 4/1/19
3. Market value differences between the sub-trusts and functional composites are due to operational cash

* Historical real estate valuations are currently under review, therefore September 2019 total fund, composite, and benchmark returns are preliminary

Liquidity Position



*Includes both unrealized and realized net investment income

Fiscal Year	Negative Months	Positive Months	Total Net Position Change $
FY-18	3	9	$3.0 billion
FY-19	4	8	$1.9 billion
FY-20 YTD	2	1	—

Portfolio Structural Updates

Portfolio Structural Updates

Portfolio Movements

Rebalancing Activity

$558 million Public Equity	→	Cash
$100 million Cash	→	Risk Mitigating
$14 million Cash	→	Credit

Hedges and Overlays

Program	September Return	Gain/Loss September	Gain/Loss Inception*
Currency Hedge	0.4%	$5.9 Million	$945 Million
Overlay	-0.4%	-$7.3 Million	$17 Million

Current Search Activity

Status of Active Searches

Name	RFP Issued	Due Diligence	BOI Review
Total Fund Risk Platform	●	●	Anticipated Fall 2019
Illiquid Credit	●	●	Anticipated Fall 2019
Syndicated Bank Loans	●	●	Anticipated Fall 2019
Factor-Based Global Equity	●	●	Anticipated Early 2020
Total Fund Performance Provider			Anticipated Spring 2020
Appraisal Management Services	●	●	Anticipated Early 2020
Alternatives Administrative Services			Anticipated Spring 2020
Securities Lending Services	●	●	Anticipated Spring 2020

Quiet Period for Search Respondents

Please see the Appendix for this month's list of respondents to active searches

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

Key Initiatives and Operational Updates

Notable Initiatives and Operational Updates

Key Initiative Updates

- Business continuity planning is under development
- Responses for the Real Estate Appraisal Management Services RFP were received
- Submitted comment letter to the SEC regarding Regulation S-K on enhanced human capital disclosures
- Participated in CII-coordinated SEC meetings and Congressional outreach regarding proposed proxy reforms (see separate item for details)

Operational Updates

- Fund performance has moved to daily calculations where applicable
- Financial Analyst III searches
    - Public Equity, Private Equity, Credit
- Initiating Investment Division internship program for FY-2020
- Forthcoming CIO Report additions
    - Risk update (Pending RFP)
    - Compliance Monitor (on quarterly basis)

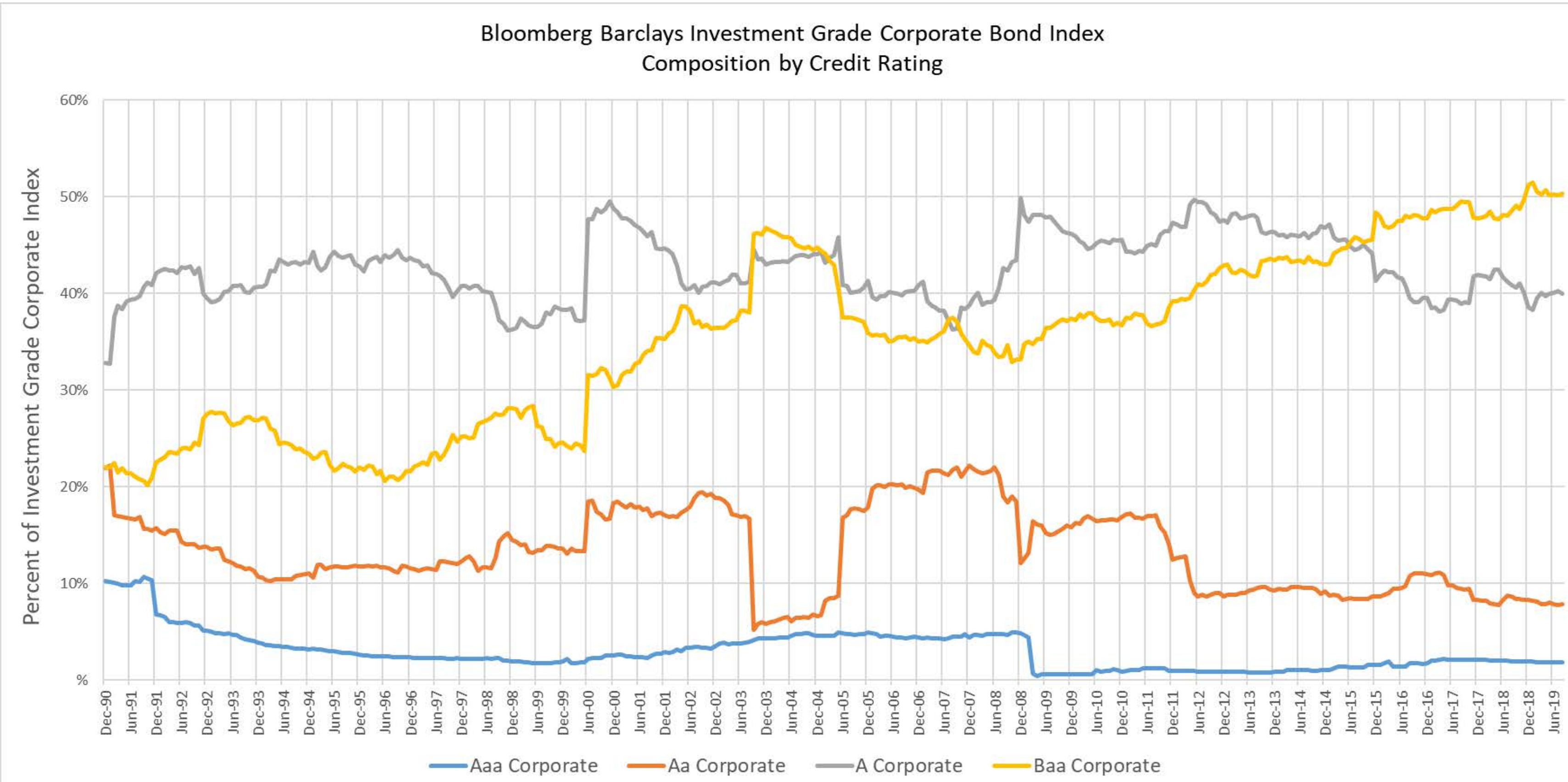
Manager/Consultant Updates

- Lazard plans to cut seven-percent of its global workforce at the end of the year
- Barings COO/CFO retired at the end of October 2019
- Matarin, an emerging manager in the global equity portfolio, has had a $267 million reduction in AUM, or 20% of total AUM and 31% of the firm's small-cap strategy

Commentary

Staff Chart of the Month*

Investment Grade Bond Index Composition



- Baa bonds, which represent the lowest rating category within the Investment Grade Cooperate Bond Index, now make up more than half of the Index.
- Baa has gone from approximately 20% of the Index to 50% since the end of 1990.

*Submitted by the Fixed Income team

Appendix

Quiet Period for Search Respondents

Total Fund Risk System

- ✓ BlackRock Solutions
- ✓ BNY Mellon
- ✓ FactSet
- ✓ MSCI
- ✓ State Street
- ✓ Sustainalytics
- ✓ Wilshire Associates

Appraisal Management Service Provider

- ✓ Altus Group
- ✓ RERC, LLC.

Securities Lending Services

- ✓ Securities Finance Trust Company
- ✓ JPMorgan Chase Bank, N.A.
- ✓ State Street Bank and Trust Company
- ✓ Citibank, N.A.
- ✓ The Bank of New York Mellon
- ✓ Goldman Sachs Agency Lending
- ✓ Deutsche Bank AG, New York Branch

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, LP
- ✓ T. Rowe Price Associates, Inc.
- ✓ 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, Abbott & 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., LP
- ✓ Goldman Sachs Asset Management LP
- ✓ Oaktree Capital Management, LP
- ✓ Brigade Capital Management, LP
- ✓ Voya Investment Management
- ✓ FIAM LLC
- ✓ M&G Investments
- ✓ Eaton Vance Management
- ✓ Invesco
- ✓ Bain Capital Credit, LP
- ✓ Franklin Resources, Inc. (Parent)
- ✓ Franklin Advisors, Inc. (Investment Adviser)

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, LP
- ✓ 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, LLC
- ✓ TOBAM
- ✓ Wells Fargo Asset Management

Quiet Period for Search Respondents (continued)

Illiquid Credit Investment Management Services

- ✓ Alcentra NY, LLC
- ✓ Anchorage Capital group, LLC
- ✓ Angelo, Gordon & Co LP
- ✓ Apollo Capital Management, LP
- ✓ Ares Management
- ✓ ArrowMark Partners
- ✓ Audax Group
- ✓ Barings LLC
- ✓ BeachPoint 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
- ✓ CQS (US), LLC
- ✓ Crescent Capital Group, LP
- ✓ Crestline Management, LP
- ✓ EIG Credit Management Company, LLC
- ✓ Fortress Lending Advisors LLC
- ✓ GoldenTree Asset Management LP
- ✓ 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
- ✓ Oaktree Capital Management Company LLC
- ✓ Orchard Global Asset Management
- ✓ PGIM, Inc.
- ✓ Pacific Investment Management Company LLC
- ✓ Schroder Investment Management North America Inc
- ✓ TPG Sixth Street Partners
- ✓ Varde Management LP
- ✓ Waterfall Asset Management LLC
- ✓ White Oak Global Advisors LLC
- ✓ Zais Group

LACERA

October 9, 2019

TO: Each Member
Board of Investments

FROM: Corporate Governance Committee

Jonathan Grabel
Chief Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **Council of Institutional Investors Director Re-Nomination**

RECOMMENDATION

Nominate Scott Zdrazil for re-election to the Council of Institutional Investors ("CII") 2020 board elections.

BACKGROUND

Scott Zdrazil, Senior Investment Officer, currently serves as a CII board director, board treasurer, chair of the board's audit committee, and a member of its governance committee. CII board directors are subject to annual elections and generally serve five eligible consecutive terms to provide long-term vision and oversight. Mr. Zdrazil is currently in his second year of CII board service.

At its October 8, 2019, meeting, the Committee unanimously approved a recommendation that the Board approve Mr. Zdrazil's re-nomination to the CII board elections, per LACERA policy. Annual elections for all CII directors will be held in March 2020, with re-nominations anticipated to be due in January 2020, as outlined in the attached Committee memo.

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 to nominate Mr. Zdrazil for re-election.

RISKS OF ACTION AND INACTION

LACERA's representation on the boards of outside associations, such as CII, may associate LACERA with public actions of the organization that may or may not be aligned with LACERA policy. Staff notes that CII is a longstanding investor association with a 35-year track record working with its institutional investor members to define its guiding policies and actions. LACERA participation on the CII board provides the opportunity to guide and have input into CII policies and programming.

The risk of inaction is namely that, absent a nomination from LACERA, LACERA will voluntarily vacate its current representation on CII's board. LACERA collaborates with other institutional investors to advance investors' interests in financial market policy and promote sound governance practices at companies in which LACERA invests. CII is the primary investor association in the U.S. market focused on corporate governance matters and advocacy.

CONCLUSION

LACERA has a longstanding membership in CII. Service on CII's board is an opportunity to contribute to CII's oversight and initiatives, while representing LACERA to external audiences and furthering LACERA's corporate governance initiatives.

The Committee unanimously approved this recommendation that LACERA nominate Mr. Zdrazil for re-election to CII's 2020 board elections.

Attachment

LACERA

September 19, 2019

TO: Each Member
Corporate Governance Committee

FROM: Jonathan Grabel
Chief Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: **Council of Institutional Investors Director Re-Nomination**

RECOMMENDATION

That the Corporate Governance Committee recommend that the Board of Investments re-nominate Scott Zdrazil for re-election to the Council of Institutional Investors ("CII") 2020 board elections.

BACKGROUND

Scott Zdrazil, Senior Investment Officer, currently serves as a CII board director, board treasurer, chair of the board's audit committee, and a member of its governance committee. CII board directors are subject to annual elections and generally serve five eligible consecutive terms to provide long-term vision and oversight. Mr. Zdrazil is currently in his second year of CII board service. Annual elections for all CII directors will be held in March 2020, with re-nominations anticipated to be due in January 2020. CII has respectfully requested six-month notice from any incumbent member of the board who will not be nominated for re-election.

LACERA's *Corporate Governance Policy* provides that the Board of Investments approve, upon recommendation from this Committee, any LACERA nominations to governing boards of corporate governance associations (such as CII) to which LACERA is formally affiliated. This item is being presented for Committee consideration to allow for timely Board consideration.

L//.CERA

October 9, 2019

TO: Each Member
Board of Investments

FROM: Corporate Governance Committee

Scott Zdrazil
Senior Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **Task force on Climate-related Financial Disclosures ("TCFD") Endorsement**

RECOMMENDATION

Approve LACERA's endorsement of the Task force on Climate-related Financial Disclosures ("TCFD").

BACKGROUND

On October 8, 2019, the Corporate Governance Committee ("Committee") unanimously recommended that the Board of Investments ("Board") approve LACERA's formal endorsement of the TCFD. As described in staff's original memo to the Committee (attached **Appendix**), the TCFD is a framework to guide corporations and other organizations in considering physical, liability, and transition risks associated with climate change and disclosing climate risk information to investors, lenders, insurers, and other stakeholders. The TCFD is endorsed by 833 financial institutions representing $118 trillion in assets. Endorsements from asset owners such as LACERA signal market interest in timely, reliable, comparable information from corporations on climate-related financial risk disclosures. There is no financial cost for LACERA to endorse the TCFD.

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. The Committee inquired how robust emerging TCFD corporate disclosures are. Staff responded that early disclosures appear to provide greater rigor on processes to identify and govern climate risks than the metrics and targets to address such risks. Disclosure is expected to be a first step to facilitate market assessments and deliberation on the adequacy and rigor of businesses' risk analyses and adaptation strategies.

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 endorsement of the TCFD.

CONCLUSION

The Committee unanimously approved this recommendation that LACERA formally endorse the TCFD.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

LACERA

September 19, 2019

TO: Each Member
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

FOR: October 8, 2019 Corporate Governance Committee Meeting

SUBJECT: **TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES**

RECOMMENDATION

That the Committee recommend that the Board of Investments approve LACERA's endorsement of the Task force on Climate-related Financial Disclosures ("TCFD").

EXECUTIVE SUMMARY

At the Committee's last meeting in May 2019, the Committee reviewed LACERA's steps to-date to address climate risk in its investment process and prospective additional steps for Committee feedback, one of which was formally endorsing the TCFD. Based on Committee input and interest, this memo presents further background and a recommendation for endorsement.

The TCFD provides a framework to guide corporations in considering physical, liability and transition risks associated with climate change and disclosing climate risk information to investors, lenders, insurers and other stakeholders. The TCFD was formed in 2015 by the Financial Stability Board, an international body comprised of finance ministers and central bank officials from G20 member countries that was established in the wake of the global financial crisis in 2009 in order to promote stability in global financial markets. Chaired by Michael R. Bloomberg, founder of Bloomberg LP, and comprised of industry and investor representatives, the TCFD released final recommendations for climate risk assessment and disclosures in June 2017.

Since 2017, the TCFD has been endorsed by 833 financial institutions representing over $118 trillion in assets, including asset managers AQR, BlackRock, PIMCO, StateStreet Global Advisors, and Western Asset Management; and public funds like CalPERS, CalSTRS, and New York State Common Retirement Fund; in addition to regulatory bodies and corporations.

By joining the Climate Action 100+ in August 2018, LACERA currently encourages targeted companies to adopt the TCFD framework as one of the key Climate Action 100+ requests. LACERA's prospective direct TCFD endorsement would explicitly state LACERA's support for the TCFD framework more broadly. There is no cost associated with endorsing.

BACKGROUND

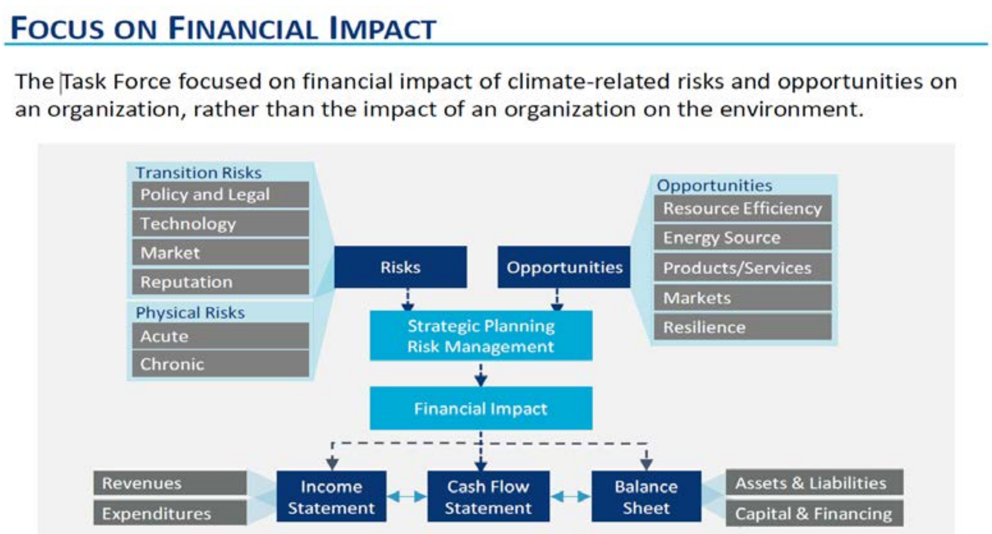
LACERA's *Corporate Governance Principles* consider that "financial markets work most efficiently when investors have timely, reliable, and comparable information" about corporate performance and support clear and comprehensive disclosure of relevant information that enable investors to assess a firm's prospects for delivering sustainable value (*Principles*, §IV, p.17). In April 2018, the Committee discussed several pillars to guide engagement initiatives by which LACERA advocates market practices aligned with its *Principles*, one of which was supporting efforts to improve the availability and reliability of corporate disclosures of material environmental, social, and governance ("ESG") factors.[1]

LACERA's *Principles* recognize the financial risks that climate change may present to individual businesses and the broader economy in which LACERA invests, and support prudent corporate assessment and disclosure of climate risks:

> Climate change may present financial, operational, and regulatory risks to a firm's ability to generate sustainable value, as well as to the broader economy. Firms should assess and disclose material climate-related risks and sufficient, non-proprietary information to enable investors to prudently and adequately evaluate the prospective impact of climate risk on firm value. (*Principles*, §V(B)3, p.19)

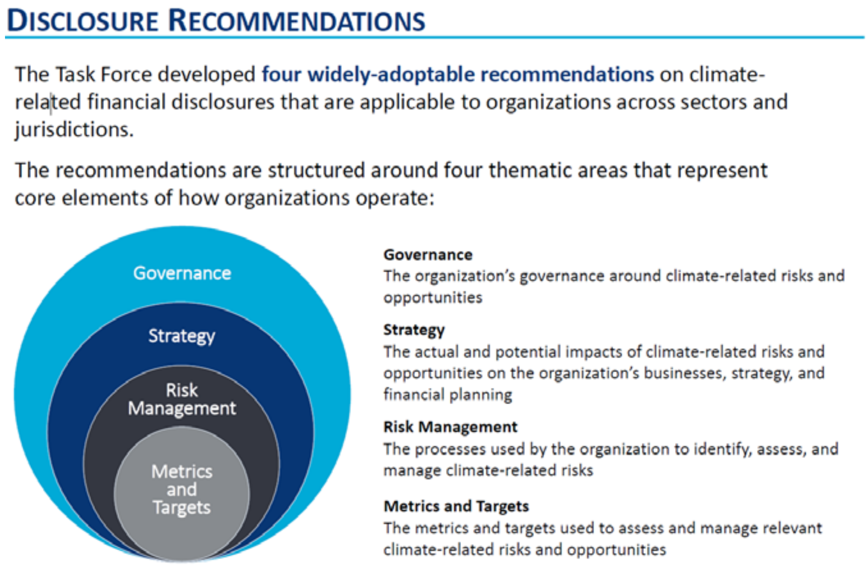
LACERA votes proxies in support of reasonable shareholder proposals requesting climate risk disclosures and has endorsed the Climate Action 100+ initiative in furtherance of its *Principles*. Climate Action 100+ requests the most carbon intensive companies to adopt TCFD reporting.

Finalized in late 2017, the TCFD recommendations encourage companies to identify and assess how climate might create financial risks or opportunities that may impact corporate performance.



[1] For example, LACERA recently affiliated to the Sustainability Accounting Standards Board ("SASB") Investor Alliance to support market adoption of industry-driven, comparable reporting of material ESG factors.

The TCFD framework is intended to be applicable across sectors and jurisdictions, addressing core themes of how organizations operate and specifically promoting disclosure in company reports to investors in four areas of how climate risk may impact a business, so that markets may better price climate risk into their investment decision-making.



The TCFD encourages forward-looking information through scenario analysis to understand how resilient business strategies are to climate. (Summary info and a Q&A are in the **attachments**.)

OBSERVATIONS

Staff observes mounting market interest and momentum for investment-useful information regarding climate risk:

- A wide number of global corporations and investors have endorsed the TCFD as a means for consistent and investment-useful corporate reporting regarding climate risk.
- Shareholder proposals requesting climate risk assessments have received strong support in recent years, including majority support at ExxonMobil, Royal Dutch Shell, and BP.
- Numerous companies have started to disclose climate related risks and scenario analyses.

Prospective Benefits: LACERA and similarly-situated diversified, long-term investors may benefit from market adoption of the TCFD in several ways:[2]

1. **Translation of material climate-related risks and opportunities into financial metrics**, providing better transparency into climate risks for risk/return analysis and market pricing.

2. **A means to improve risk management and identification of opportunities**, enabling companies and investors to assess and monitor capital at risk and new market opportunities.

[2] Principles for Responsible Investment. *Implementing the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations: A Guide for Asset Owners.* Available at: https://www.unpri.org/download?ac=4652.

3. **A comparable, flexible framework** developed by experts from 31 countries and applicable across different business strategies, sizes, and geographic market exposures.

4. **Forward-looking approach** that builds upon backward-looking data, such as carbon footprinting, to enable insight into how evolving physical and transition risks may impact evolving business strategies and enable investors to assess prospective impacts.

Considerations: In contemplating endorsement of the TCFD, the Committee might consider:

1. **Public endorsement:** If approved, LACERA would be posted among TCFD supporters.

2. **Inexact and emerging methodologies:** Climate-related scenario analyses are reliant on the broad availability of accurate data inputs and may be imprecise, similar to other forward-looking economic and investment forecasts and modelling. Investor support for TCFD-related corporate reporting may enhance climate-related risk disclosures and help improve evolving scenario analysis tools.

3. **LACERA practice:** As discussed at the May Committee meeting, endorsing the TCFD does not oblige LACERA to report according to the TCFD. Investors' ability to assess climate risks relies, in part, on availability of corporate disclosures from portfolio companies. As a signatory to the Principles for Responsible Investment ("PRI"), LACERA completes an annual assessment which incorporated climate reporting in 2019 and will mandate such reporting starting next year. Accordingly, LACERA completes a reporting structure similar to the TCFD through its annual PRI assessments. TCFD notably recognizes that climate assessment is a "journey" and will evolve over time.

4. **Expense:** There is no financial cost to endorsing the TCFD.

CONCLUSION

LACERA's *Corporate Governance Principles* support "timely, reliable, and comparable" corporate reporting of material aspects of corporate performance and explicitly acknowledge climate change as a systemic risk. The TCFD, supported by over 800 organizations, is a framework to facilitate clear, forward-looking, investment-relevant corporate reporting of climate risks. Endorsements from investors such as LACERA help signal market interest in reliable, comparable climate risk reporting. It is therefore recommended that LACERA endorse the TCFD.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Task Force on Climate-related Financial Disclosures

Overview of Recommendations

June 2017

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

BACKGROUND

G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that:

- could "**promote more informed investment, credit, and insurance underwriting decisions**" and,
- in turn, "would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system's **exposures to climate-related risks**."

Industry Led and Geographically Diverse Task Force

The Task Force's 32 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.

Current Climate-Related Disclosure Challenges

Currently, challenges with respect to climate-related disclosure are faced by:

- **Issuers** who generally have an obligation under existing law to disclose material information, but lack a coherent framework to do so for climate-related information,

- **Investors, lenders, and insurers** who need decision-useful, climate-related information to make informed capital allocation and financial decisions, and

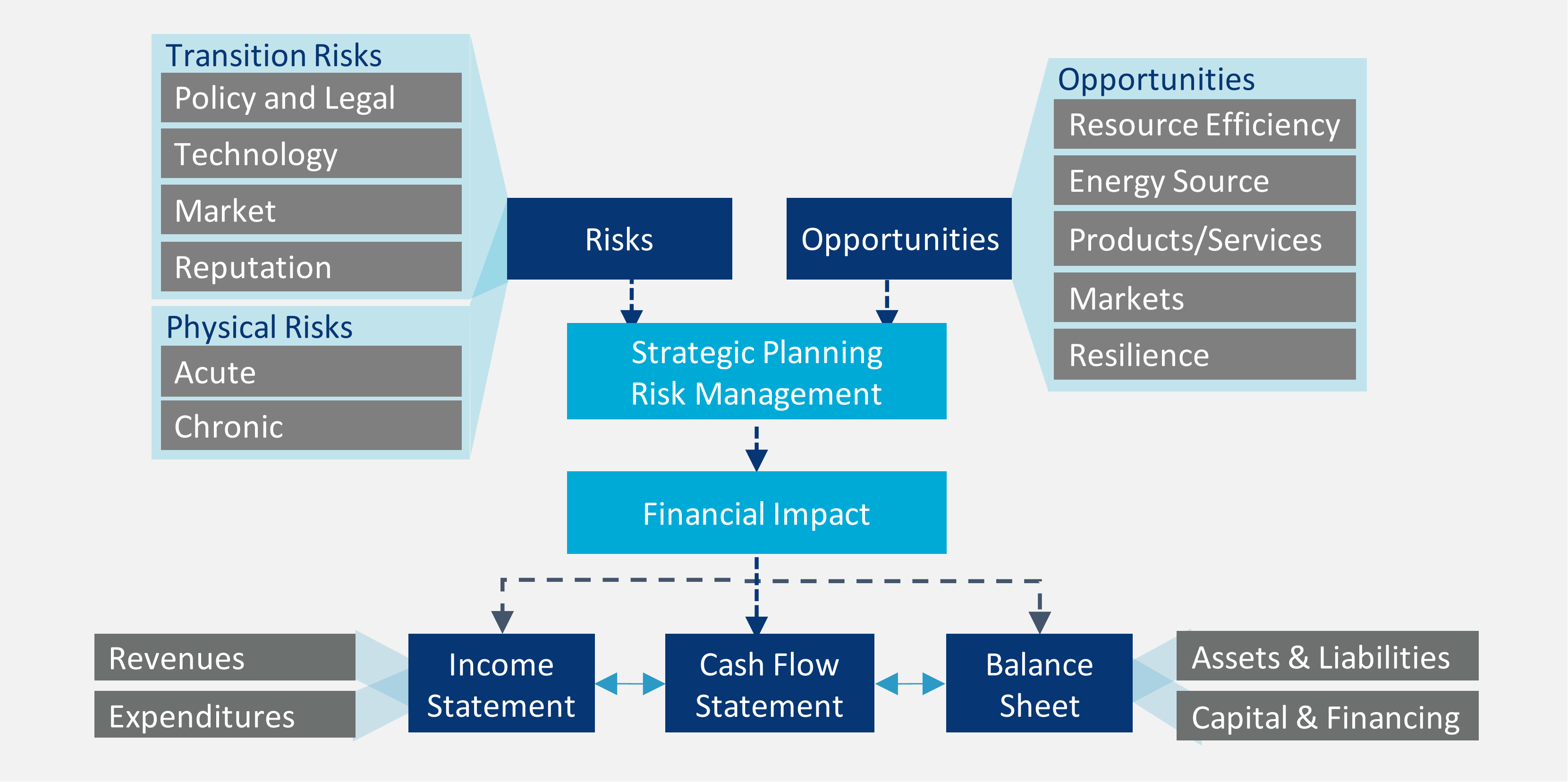
- **Regulators** who need to understand risks that may be building in the financial system

The Task Force aims to provide the solution:

a voluntary, consistent disclosure framework that improves the ease of both producing and using climate-related financial disclosures

Focus on Financial Impact

The Task Force focused on financial impact of climate-related risks and opportunities on an organization, rather than the impact of an organization on the environment.



Development of Recommendations

In developing its recommendations, the Task Force:

- Considered the **challenges for preparers** of disclosures as well as the **benefits** of such disclosures to investors, lenders, and insurance underwriters
- Engaged in **significant outreach and consultation** with users and preparers of disclosures and other stakeholders, including two public consultations, individual discussions and focus groups with industry, webinars, and outreach events in multiple countries
- Drew from existing climate-related disclosure regimes and sought to develop a decision-useful framework to **align and supplement existing disclosure-frameworks**
- Created **guidance** for all sectors and supplemental guidance for specific sectors

The Task Force expects that **reporting of climate-related information will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.

Disclosure Recommendations

The Task Force developed **four widely-adoptable recommendations** on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.

The recommendations are structured around four thematic areas that represent core elements of how organizations operate:

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Disclosure Recommendations *(continued)*

The four recommendations are supported by **specific disclosures** organizations should include in financial filings or other reports to provide decision-useful information to investors and others.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Supplemental Guidance

In addition to guidance for all sectors, the Task Force developed **supplemental guidance** for financial and non-financial organizations to assist those organizations in implementing the recommended disclosures.

Financial Industries

- Banks
- Insurance Companies
- Asset Managers
- Asset Owners

The financial sector was organized into four major industries largely based on activities performed. The activities are lending (banks), underwriting (insurance companies), asset management (asset managers), and investing (asset owners).

Non-Financial Groups

- Energy
- Transportation
- Materials and Buildings
- Agriculture, Food, and Forest Products

The non-financial groups identified by the Task account for the largest proportion of GHG emissions, energy usage, and water usage.

Key Elements of Disclosure Recommendations

Location of Disclosure

– The Task Force recommends that organizations provide climate-related financial disclosures in their mainstream (i.e., public) **annual financial filings**.

– The recommendations were developed to apply broadly across sectors and jurisdictions and do not supersede national disclosure requirements for financial filings.

– If certain elements are incompatible with national disclosure requirements, the Task Force encourages organizations to disclose those elements in **other official company reports**.

– Organizations in the four non-financial groups that have more than one billion U.S. dollar equivalent (USDE) in annual revenue **should consider disclosing** strategy and metrics and targets information in other reports when the information is not deemed material and not included in financial filings.

Financial Filings

Required annual reporting packages in which organizations deliver their audited financial results under the laws of the jurisdictions in which they operate.

Other Official Company Reports

Should be issued at least annually, widely distributed and available to investors and others, and subject to internal governance processes that are the same or substantially similar to those used for financial reporting.

Key Elements of Disclosure Recommendations *(continued)*

Principle of Materiality

- The disclosures related to the **Strategy and Metrics and Targets recommendations** are subject to an assessment of materiality.
- The disclosures related to the **Governance and Risk Management recommendations** should be provided because many investors want insight into the governance and risk management context in which organizations' financial and operating results are achieved.

Scenario Analysis

- The Task Force encourages forward-looking information through scenario analysis—a useful tool for considering and enhancing resiliency and flexibility of strategic plans.
- Many investors want to understand how **resilient organizations' strategies are to climate-related risks**.
- Recommended disclosure (c) under Strategy and the related guidance asks organizations to describe the resilience of their strategies, taking into consideration different climate-related scenarios, including **a 2°C or lower scenario**.

2°C Scenario

Provides a common reference point that is generally aligned with the objectives of the Paris Agreement.

Scenario Analysis Threshold

The Task Force established a threshold for organizations that should consider conducting more robust scenario analysis to assess the resilience of their strategies (those in the four non-financial groups with more than 1B USDE in annual revenue).

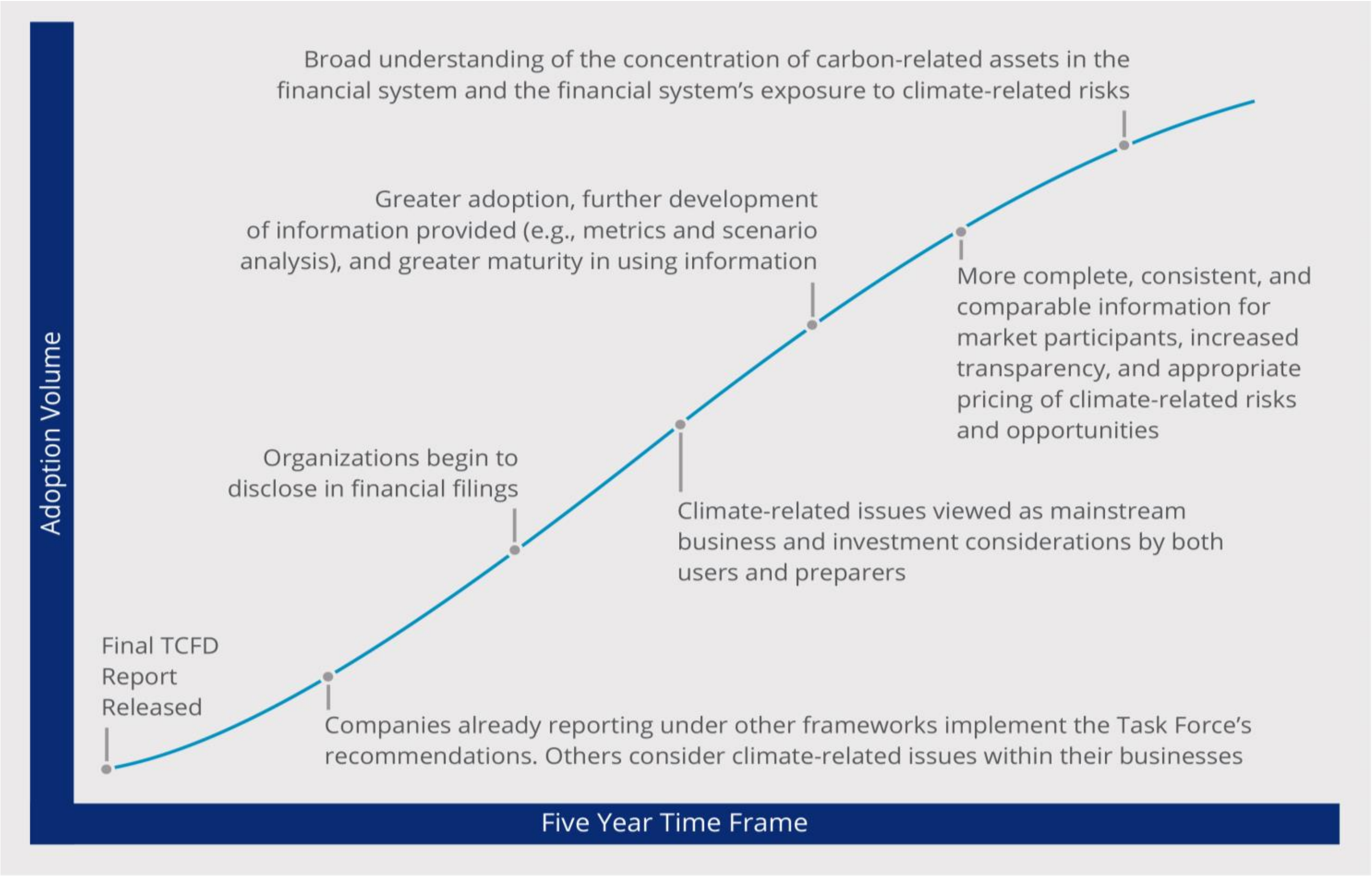
Benefits of Implementing the Recommendations

Some of the potential benefits associated with implementing the Task Force's recommendations include:

- easier or better access to capital by increasing investors' and lenders' confidence that the company's climate-related risks are appropriately assessed and managed
- more effectively meeting existing disclosure requirements to report material information in financial filings
- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning
- proactively addressing investors' demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received

IMPLEMENTATION PATH

The TCFD expects that **reporting of climate-related risks and opportunities will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.



Next Steps

The Task Force's report is scheduled to be **released on June 29, 2017**. In addition, the FSB has extended the Task Force through September 2018 to support and monitor adoption.

Timeline

Appendix

Task Force Members

Chair and Vice-Chairs

Michael Bloomberg
Chairman
Founder and President
Bloomberg L.P.

Yeo Lian Sim
Vice-Chair
Special Adviser
Singapore Exchange

Denise Pavarina
Vice-Chair
Managing Officer
Banco Bradesco

Graeme Pitkethly
Vice-Chair
Chief Financial Officer
Unilever

Christian Thimann
Vice-Chair
Group Head of Strategy, Sustainability and Public Affairs
AXA

Members

Jane Ambachtsheer
Partner, Chair – Responsible Investment
Mercer

Matt Arnold
Managing Director and Global Head of Sustainable Finance
JPMorgan Chase & Co.

Wim Bartels
Partner Corporate Reporting
KPMG

Bruno Bertocci
Managing Director, Head of Sustainable Investors
UBS Asset Management

David Blood
Senior Partner
Generation Investment Management

Richard Cantor
Chief Risk Officer
Moody's
Chief Credit Officer
Moody's Investor Service

Koushik Chatterjee
Group Executive Director, Finance and Corporate
Tata Group

Eric Dugelay
Global Leader, Sustainability Services
Deloitte

Liliana Franco
Director, Accounting Organization and Methods
Air Liquide Group

Udo Hartmann
Senior Manager, Group Environmental Protection & Energy Management
Daimler

Neil Hawkins
Corporate Vice President and Chief Sustainability Officer
The Dow Chemical Company

Thomas Kusterer
Chief Financial Officer
EnBW

Diane Larsen
Audit Partner, Global Professional Practice
EY

Stephanie Leaist
Managing Director, Head of Sustainable Investing
Canada Pension Plan Investment Board

Mark Lewis
Managing Director, Head of European Utilities Equity Research
Barclays

Eloy Lindeijer
Chief, Investment Management
PGGM

Ruixia Liu
General Manager, Risk Department
Industrial and Commercial Bank of China

Masaaki Nagamura
Head, Corporate Social Responsibility
Tokio Marine Holdings

Giuseppe Ricci
Health, Safety, Environment and Quality Executive Vice President
ENI

Martin Skancke
Chair, Risk Committee
Storebrand

Andreas Spiegel
Head Group Sustainability Risk
Swiss Re

Steve Waygood
Chief Responsible Investment Officer
Aviva Investors

Fiona Wild
Vice President, Sustainability and Climate Change
BHP Billiton

Michael Wilkins
Managing Director, Environment & Climate Risk Research
S&P Global Ratings

Jon Williams
Partner, Sustainability and Climate Change
PwC

Deborah Winshel
Managing Director, Global Head of Impact Investing
BlackRock

Special Adviser

Russell Picot
Chair, Audit and Risk Committee, LifeSight
Board Chair, HSBC Bank (UK) Pension Scheme Trustee
Former Group Chief Accounting Officer
HSBC

Climate-Related Risks and Opportunities

Type	Climate-Related Risks
Transition Risks	**Policy and Legal** – Increased pricing of GHG emissions – Enhanced emissions-reporting obligations – Mandates on and regulation of existing products and services – Exposure to litigation
Transition Risks	**Technology** – Substitution of existing products and services with lower emissions options – Unsuccessful investment in new technologies – Costs to transition to lower emissions technology
Transition Risks	**Markets** – Changing customer behavior – Uncertainty in market signals – Increased cost of raw materials
Transition Risks	**Reputation** – Shifts in consumer preferences – Stigmatization of sector – Increased stakeholder concern or negative stakeholder feedback
Physical Risks	**Acute** – Increased severity of extreme weather events such as cyclones and floods
Physical Risks	**Chronic** – Changes in precipitation patterns and extreme variability in weather patterns – Rising mean temperatures – Rising sea levels

Type	Climate-Related Opportunities
Resource Efficiency	– Use of more efficient modes of transport – Use of more efficient production and distribution processes – Use of recycling – Move to more efficient buildings – Reduced water usage and consumption
Energy Source	– Use of lower-emission sources of energy – Use of supportive policy incentives – Use of new technologies – Participation in carbon market – Shift towards decentralized energy generation
Products and Services	– Develop and/or expand low emission goods and services – Development of climate adaptation and insurance risk solutions – Development of new products or services through R&D and innovation – Ability to diversify business activities – Shift in consumer preferences
Markets	– Access to new markets – Use of public-sector incentives – Access to new assets and locations needing insurance coverage
Resilience	– Participation in renewable energy programs and adoption of energy-efficiency measures – Resource substitutes/diversification

FAQ: Supporting the TCFD Recommendations

1. Who is currently supporting the TCFD?

As of June 2019, over 800 companies, financial institutions, regulatory bodies and government entities have expressed their support for the TCFD. This includes over 375 financial firms responsible for assets of $118 trillion. Located in over 45 countries on six continents supporters span a variety of industries from the financial and non-financial sector such as asset management, banking, chemicals, energy, insurance, metals & mining, oil & gas and transportation among others. Other organizations include trade associations, central banks, regulators and national governments.

2. How can you support the TCFD and its recommendations?

Companies can express their support for the TCFD recommendations by having their name added to our list of supporters on the TCFD website: https://www.fsb-tcfd.org/supporters-landing/

In addition to being added to the list companies can provide a quote for our quotes section, they can publish their own statement of support, press release or conduct additional communications activities to express their support.

3. What type of organizations can support the TCFD recommendations?

Organizations with public debt or equity and asset managers and owners – the preparers and users of financial disclosures – are particularly encouraged to support and implement the recommendations. Other supporters can range from industry associations, to central banks, governments, regulators and others.

4. What are the benefits/implications of supporting the TCFD recommendations?

The TCFD recommendations are voluntary in nature and have been devised by the private sector – "*by the market, for the market*." Therefore, we rely on industry support to drive adoption and implementation of the recommendations. Companies expressing their support for the TCFD recommendations join a cohort of leading companies that take action against climate change and are thoughtful to consider how climate change will impact their businesses. Publicly declaring their support is a natural next step for companies that are already looking into climate-related disclosure. Public support provides companies with the opportunity to communicate with their investors, clients and employees alike how they are thinking of and tackling the implications of climate change.

5. Does supporting the TCFD recommendations imply implementing them?

Supporting the TCFD recommendations does not mean that companies have to implement them straight away. However, as a supporter we do expect a willingness to consider the implementation of climate-related disclosure eventually. The TCFD realizes that climate-related disclosure is a journey for many companies that will evolve over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed. Therefore, the sooner companies start to implement the recommendations the more they contribute to standardizing this kind of disclosure in mainstream financial reporting.

6. What are the benefits of implementing the TCFD recommendations?

The TCFD recommendations have been drafted with the following benefits in mind:

- easier or better access to capital by increasing investors' and lenders' confidence that the company's climate-related risks are appropriately assessed and managed
- more effectively meeting existing disclosure requirements to report material information in financial filings
- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning
- proactively addressing investors' demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received

7. Where can I find tools to help implement the recommendations?

In May 2018 the TCFD launched the TCFD Knowledge Hub in collaboration with the Climate Disclosure Standards Board (CDSB). Available at tcfdhub.org the TCFD Knowledge Hub is the first online platform housing relevant insights, tools and resources to help organizations implement the TCFD recommendations. The portal houses over 400 resources with over 80 of them covering governance, 236 strategy, 152 risk management and 125 metrics & targets – aligned with the four overarching TCFD recommendations. Contributors range from non-profit organizations to intergovernmental institutions, academics, industry associations, consultants and corporates. Additional resources are added on a continuous basis.

8. What are the next steps after my company has expressed its support?

As an immediate step your company name will be added to the growing numbers of supporters on our TCFD website. In the longer time the TCFD seeks to continue engaging with supporting companies that are working on implementing the recommendations. Companies will have the opportunity to participate in "preparer forums" that allow companies to address implementation issues and improve their disclosure in line with the TCFD.

9. How can you get in touch with the TCFD Secretariat?

In case of questions you can contact the TCFD Secretariat by sending a message to info@fsb-tcfd.org.

LACERA

October 24, 2019

TO: Each Member
Board of Investments

FROM: Credit and Risk Mitigation Committee

Chad Timko, CFA CT
Senior Investment Officer

Quoc Nguyen, CFA QN
Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **SOLUTIONS PROVIDER FOR A DEDICATED MANAGED ACCOUNT PLATFORM SEARCH – PROPOSED MINIMUM QUALIFICATIONS**

RECOMMENDATION

Approve the proposed Minimum Qualifications for a Request for Proposal for a solutions provider(s) for a dedicated managed account platform thereby authorizing staff to initiate the search.

BACKGROUND

On October 8, 2019, staff discussed the attached memorandum (**Attachment**) and presentation (**Attachment 1**) with the Credit and Risk Mitigation Committee ("Committee"). The Committee voted to advance the Minimum Qualifications ("MQs") for an RFP to identify a solutions provider(s) for a dedicated managed account ("DMA") platform. The proposed MQs and a proposed RFP timeline are on pages 9 and 12 of the presentation, respectively. Onboarding a DMA platform is an initiative established in the Hedge Funds 2019 Structure Review that was approved by the Board in September 2019. A DMA platform would provide an additional implementation tool that LACERA can use to enhance investor benefits with regards to transparency, controlling costs, and having custody of the underlying assets in an investment vehicle.

OPTIONS AVAILABLE TO THE BOARD

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

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

Committee members asked questions or made comments about the following topics on October 8th:

- A Committee member commented that an important topic to consider when utilizing DMAs is ensuring that an investment strategy implemented in a DMA structure is invested pari-passu with the investment manager's commingled fund vehicle.
- A Committee member asked what other risks should be considered when implementing a DMA.
  - Staff mentioned that other potential concerns are listed on page 7 of the presentation, which includes the higher level of oversight required when investing in a DMA structure relative to a commingled fund. Staff mentioned that during the RFP process, the evaluation team will evaluate each responding firms' capabilities to address potential concerns such as increased oversight requirements.
- A Committee member asked whether an independent board of directors required for the DMA structure would be internal or external to LACERA.
  - Staff indicated that any independent board of directors would be external to LACERA.
- A Committee member asked whether LACERA would have full control over the DMA structure.
  - Staff indicated that since LACERA would have sole custody of the assets in the DMA structure, LACERA would have full control of the structure.

RISKS OF ACTION AND INACTION

If the Board approves the recommendation, staff will issue an RFP and conduct a search for a solutions provider(s) for a dedicated managed account platform while involving Albourne in the search. There is little risk of action associated with issuing this RFP and LACERA would not be obligated to take further action such as engaging one of the DMA platform provider respondents. The RFP would include language stating, "LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP."

If the Board does not approve the recommendation, LACERA will continue investing in commingled fund structures when investing in hedge funds and other alternative investment strategies. The Board-approved Hedge Funds 2019 Structure Review identified the use of DMAs as a potential way for LACERA to increase transparency, control costs, and have custody over the underlying assets. Continuing to invest in commingled fund structures could lead to LACERA foregoing these potential investor benefits.

CONCLUSION

The Committee advanced the proposed MQs for an RFP to identify a solutions provider(s) for a dedicated managed account platform to the Board of Investments. Utilizing dedicated managed account structures can provide incremental investor benefits compared to investing in the more common commingled fund structures.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

CT:QN:mm

LACERA ATTACHMENT

September 27, 2019

TO: Each Member
Credit and Risk Mitigation Committee

FROM: Chad Timko, CFA CT
Senior Investment Officer

Quoc Nguyen, CFA QN
Senior Investment Analyst

FOR: October 8, 2019 Credit and Risk Mitigation Committee Meeting

SUBJECT: **SOLUTIONS PROVIDER A DEDICATED MANAGED ACCOUNT PLATFORM SEARCH – PROPOSED MINIMUM QUALIFICATIONS**

RECOMMENDATION

The attached presentation **(Attachment 1)** describes staff's recommendation to advance the Minimum Qualifications for a Request for Proposal for a solutions provider(s) for a dedicated managed account platform to the Board of Investments for approval.

This initiative is consistent with the Hedge Funds 2019 Structure Review that was approved by the Board in September 2019.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

CT:QN:mm

ATTACHMENT 1

Dedicated Managed Account Platform Provider

Credit and Risk Mitigation Committee

October 8, 2019

Chad Timko, CFA – Senior Investment Officer
Quoc Nguyen, CFA – Senior Investment Analyst

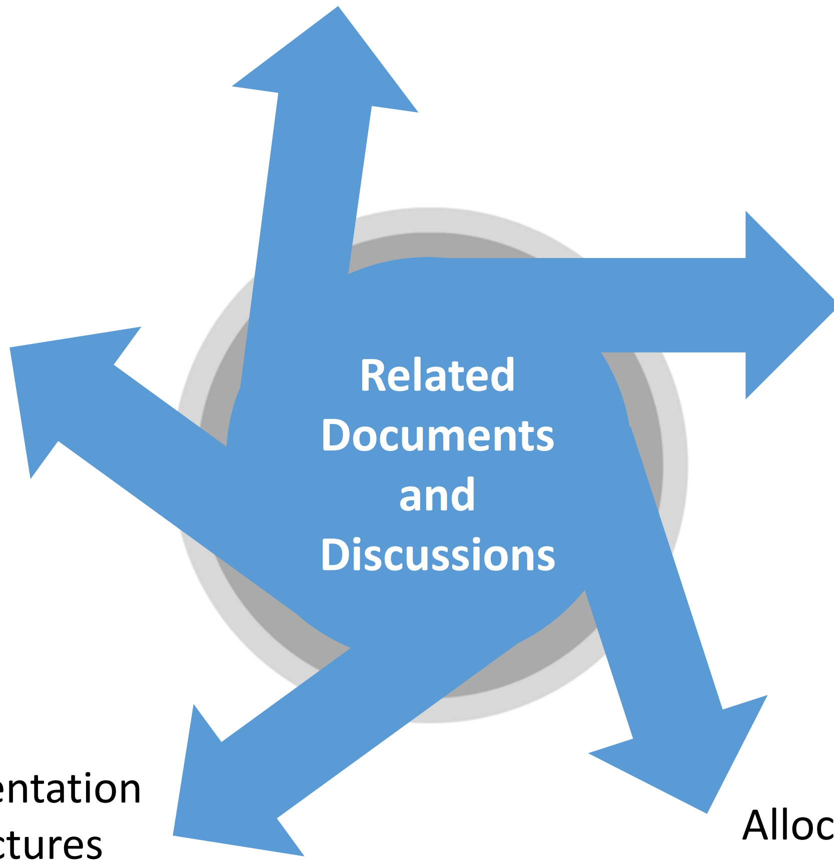
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

Background – Related Documents and Discussions

Investment Policy Statement

Investment Beliefs
(Manage risks and costs)



Hedge Funds
Structure Review

Albourne & Meketa Presentation
Investment Account Structures
July 2019 BOI Offsite

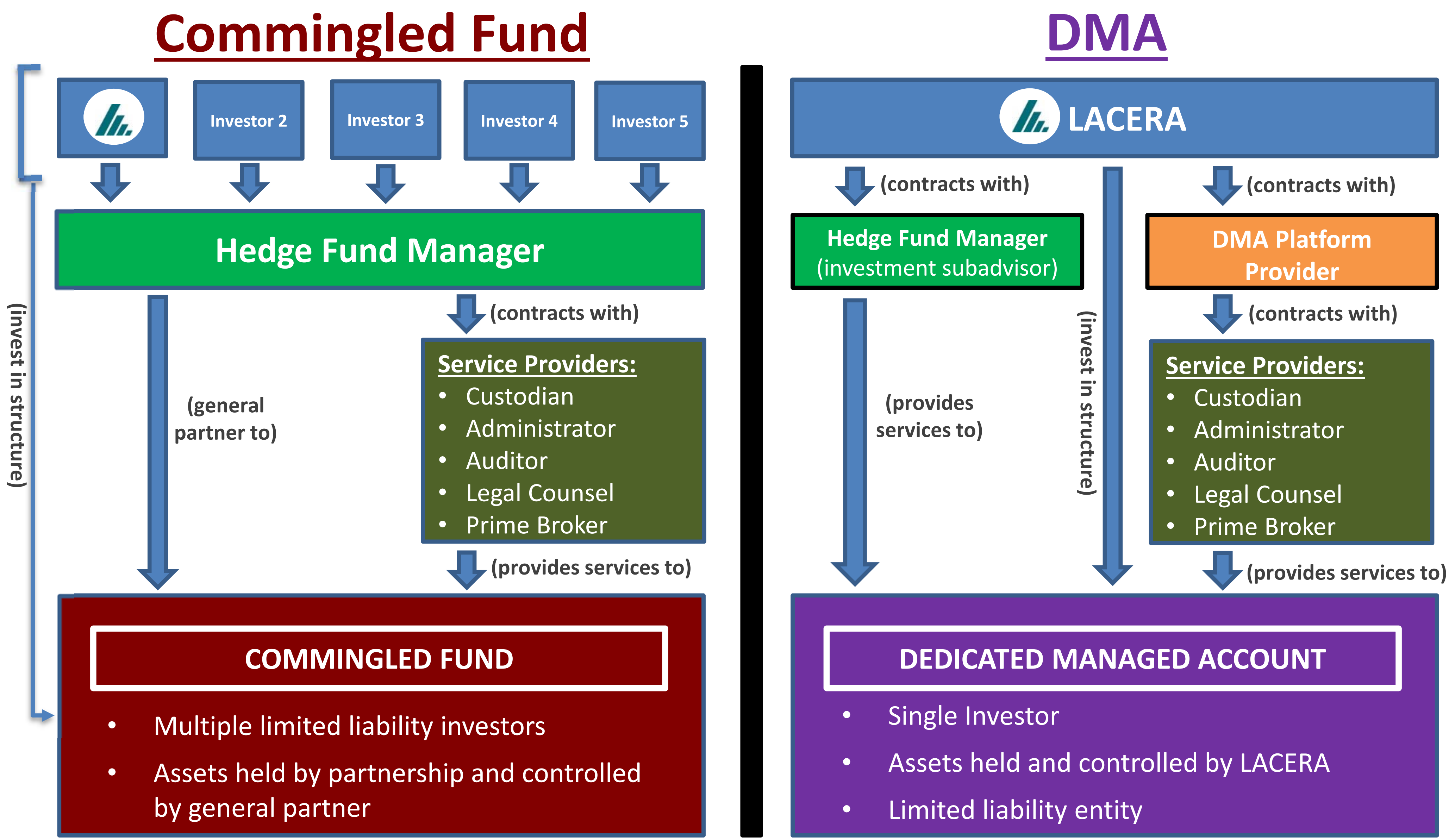
Allocator to Investor
(Ongoing Theme)

Background – What is a DMA?

A **dedicated managed account ("DMA")** is a single-investor structure where the underlying assets within the structure are held in the investor's name, and an investment manager is hired to trade assets within the DMA on behalf of the single investor. The investor controls the selection of and payment to the non-investment related services providers rather than the investment manager.

A DMA account structure is an alternative to the more common **commingled fund partnership** structure, where the underlying assets are pooled across multiple limited partners and held under the name of the partnership.

Background – Commingled Fund vs. DMA



Background - Benefits

Benefits of utilizing a DMA structure

Dedicated Managed Accounts

- Potential for reduction of investment and non-investment related costs
- Increased transparency
- Increased control of assets
- Increased control over operating risks
- Direct feed into risk and analytics system

Background – Considerations for Implementation

DMAs provide an additional tool in the toolkit

Selective implementation, while considering:

- Potential for Cost Benefits
- Operational Risks and Complexity
- Control and Influence
- Transparency

Potential risks of utilizing a DMA

- Higher level of oversight may be required
- Scale required to benefit from cost
- Burden of creating governance structure (independent directors)
- Select managers may be unwilling to invest through a DMA structure

During the RFP evaluation process, the evaluation team will consider the respondents’ capabilities to address these potential risks

Scope of Services

LACERA seeks respondents with the following experiences and/or competencies:

Onboarding New DMAs

- Assisting with the design of DMA structures, governance, and related service provider agreements
- Identifying, negotiating with, and onboarding prime brokers, administrators, auditors, independent directors, and other third parties necessary for investing in a DMA structure
- Onboarding and supporting complex active strategies in a DMA structure
- Providing relevant legal support

Ongoing Operational Support

- Monitoring and managing expenses related to a DMA
- Oversee trade and collateral payment processing
- Providing risk and transparency reporting
- Monitoring and reporting on guideline compliance
- Overseeing required tax and regulatory filing

LACERA is not seeking advisory services for hedge fund investment opportunities. LACERA, with assistance from its hedge funds consultant, Albourne, will be responsible for identifying and selecting hedge fund investments to be considered for placement onto a DMA platform.

Minimum Qualifications

The provider must have at least three (3) years of experience in serving as a solutions provider for a dedicated managed account platform

The provider must service at least twenty (20) individual dedicated managed accounts

The provider must service at least $1 billion in dedicated managed account platform assets

The provider must provide dedicated managed account platform services to at least five (5) clients. One of the five clients must be a public pension fund with total plan assets over $5 billion

Evaluation Team and Selection Authority

Evaluation Team

- At least three staff members from the Investments Division with experience in hedge funds, credit, or portfolio analytics
- Albourne

Selection Authority

Board of Investments

Evaluation Criteria

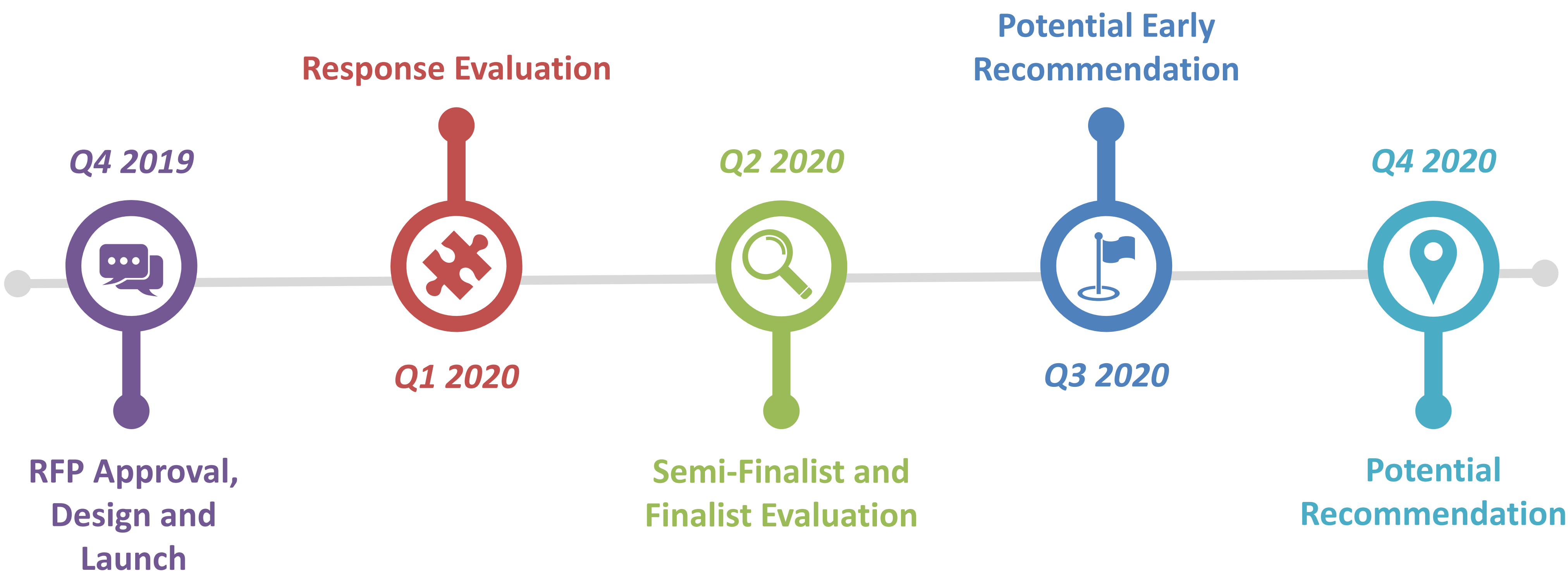
Initial RFP response executive summary review

Minimum qualifications and fit for purpose assessment

Thorough RFP response evaluation and scoring

- Professional staff
- Fees
- Platform technology
- Organization
- Risk analytics & risk management
- Level of client servicing and coordination with service providers
- Operations, guideline monitoring and reporting

Proposed Timeline



Recommendation

Advance the Minimum Qualifications for a Request for Proposal for a solutions provider(s) for a dedicated managed account platform to the Board of Investments for approval.

L//CERA

November 6, 2019

TO: Each Member
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **Federal Engagement: Visit with Congress**

RECOMMENDATION
That the Board of Investments:

1. Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Investments during the week of January 26, 2020 in Washington, D.C.;
2. Approve the visit as an Administrative Meeting; and
3. Approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LEGAL AUTHORITY
The Board of Investment's Corporate Governance Policy provides for LACERA to represent its interests to policymakers, such as legislators, regulatory agencies, and standards-setting agencies, in line with its Corporate Governance Principles.

DISCUSSION
Visit with Congress
The California Delegation consisting of 53 representatives and 2 senators is the largest in Congress. Board members and staff have engaged with members of Congress and their staff on previous visits to Washington D.C. in May 2018, January 2019, and May 2019 following attendance at either the National Conference on Public Employee Retirement Systems (NCPERS) Legislative Conference or the International Foundation of Employee Benefit Plans (IFEBP) Washington Legislative Update.

Certain Board members and staff may be attending the NCPERS Legislative Conference on January 26-28, 2020 in Washington, D.C. The visit to Congress would ideally be available to those Board members and staff who are already in Washington D.C. for that pre-approved conference, although the Board Chair may also designate those Board members and staff who are not attending the conference to make the visit as well. The visit will be an opportunity to continue fostering relationships with additional members of the California Delegation to promote LACERA's presence and visibility.

The NCPERS Legislative Conference has a “Policy Day on Capitol Hill” scheduled on January 28, 2020 that enables NCPERS conference attendees to participate in group meetings with Congressional staff organized by NCPERS. Attendees may also be able to schedule their own individual meetings with Congressional members and staff that day as an activity under the NCPERS Policy Day. LACERA’s federal legislative advocate, Anthony J. Roda of Williams & Jensen, may be able to schedule individual meetings for LACERA representatives on the January 28 Policy Day as well as additional meetings on January 29.

Visit with Congress as an Administrative Meeting
The NCPERS 2020 Legislative Conference is a pre-approved conference as listed in Attachment C of the Education and Travel Policy that is subject to the conference attendance limitation of 4 approved conferences per Board member per fiscal year (or 6 if the Board member is serving simultaneously on the Board of Retirement and Board of Investments), as provided by Section 705.00.A.1 of the Policy. The visit with Congress would be an Administrative Meeting that has a non-educational purpose in furtherance of LACERA’s legislative advocacy. As such, per Section 705.00.A.1, the visit to Congress would count towards the maximum approved number limits since it is in conjunction with an Educational Meeting but would be considered as one conference since it is separated by no more than one day with the NCPERS Conference and has no additional common carrier travel. However, the visit to Congress would not be considered a pre-approved Administrative Meeting under Section 705.00.A.2 and would require Board approval. Per Section 705.00.A.4, an estimate of reimbursable expenses for the Congressional visit is attached.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Investments during the week of January 26, 2020 in Washington, D.C.;
2. Approve the visit as an Administrative Meeting; and
3. Approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy.

Reviewed and Approved:

Steven P. Rice

Steven P. Rice, Chief Counsel

Attachments
Attachment 1 – NCPERS 2020 Legislative Conference Schedule of Events
Attachment 2 – Estimate of Reimbursable Expenses

cc: Santos H. Kreimann
JJ Popowich
Steven P. Rice
Jon Grabel
Scott Zdrazil
Anthony J. Roda, Williams & Jensen
Shane Doucet, Doucet Consulting Solutions

The Voice for Public Pensions

2020 LEGISLATIVE CONFERENCE

January 26 – 28
Capitol Hilton Hotel
Washington, DC

PRELIMINARY AGENDA

SUNDAY, JANUARY 26

3:00 PM – 6:00 PM Legislative Conference Registration

5:00 PM – 6:00 PM Networking Reception

MONDAY, JANUARY 27

7:00 AM – 4:30 PM Registration

7:00 AM – 8:00 AM Breakfast

8:00 AM – 12:00 PM Legislative Conference General Session I

- Preview of the 2020 National Election
- 2020 Agenda of the U.S. Congress
- Senate Finance Committee Retirement & Healthcare Agenda
- House Ways & Means Committee Retirement & Healthcare Agenda
- NCPERS 2020 Federal Policy Agenda

12:00 PM – 1:00 PM Legislative Conference Lunch

1:00 PM – 5:00 PM Legislative Conference General Session II

- 2019 Policymaker of the Year Award
- Update on Federal Healthcare Policies
- Department of Treasury's Pension Activities for 2020
- State Pension Outlook: State-By-State Analysis
- Prep for Policy Day

Agenda updated 11/4/2019.
*Additional registration fees apply to Policy Day.

TUESDAY, JANUARY 28
POLICY DAY ON CAPITOL HILL*

8:00 AM – 9:00 AM	Policy Day Breakfast *Congressional speaker TBD*
9:00 AM – 5:00 PM	Meetings with Congressional Staff *NCPERS scheduled meetings with the Ways and Means Committee and the Senate Special Committee on Aging.*
9:30 AM – 5:00 PM	Policy Day Lounge/Debriefing Room Open *Location: 444 North Capitol Street, NW, Suite 233*
12:00 PM – 1:00 PM	Policy Day Lunch *Location: 444 North Capitol Street, NW, Suite 233*
4:00 PM – 6:00 PM	Policy Day Closing Happy Hour *Location: 444 North Capitol Street, NW, Suite 233*

Agenda updated 11/4/2019.
*Additional registration fees apply to Policy Day.

ATTACHMENT 2

ESTIMATE OF REIMBURSABLE EXPENSES

Event	**Visit to Congress**	
Organizer	Anthony J. Roda, Williams & Jensen	
Date of Event	January 29, 2020[1]	
Location of Event	Washington, D.C.	
Estimated Expenses	Hotel: Capital Hilton	$0 If checking out on January 29, 2020 after NCPERS Legislative Conference ends on January 28, 2020. $285[2] If checking out on January 30, 2020 due to extra hotel day.
	Airfare	$0 No additional common carrier travel separate from NCPERS 2020 Legislative Conference.
	Transportation: Taxi or Ridesharing	$40
	Meals & Incidentals	$76
TOTAL ESTIMATE		**$401**

[1] January 28, 2020 would also include visits to Congress. However, January 28, 2020 is the “Policy Day on Capitol Hill” that is included within the pre-approved NCPERS 2020 Legislative Conference.

[2] This is the NCPERS Legislative Conference room rate. It must be booked before January 8, 2020 and is subject to availability.

November 8, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of November 20, 2019

SUBJECT: Education & Travel Policy Exemption - Responsible Investor Annual Conference December 3–5, 2019 in New York, New York

At its October 8, 2019 meetings, the Boards approved attendance at the Responsible Investor (RI) Annual Conference on December 3–5, 2019. The RI Annual Conference**,** formerly known as the Responsible Investor Americas, is the leading sustainable business and finance conference in North America and is back for its 11th Annual Conference on December 3–5, 2019 at the Convene on 117 West 46th Street, New York City.

Mr. Bernstein is requesting Board approval to attend manager meetings in New York on Monday, December 2, 2019 to collect information regarding investments in the Real Estate and Private Equity asset classes. Per the Education & Travel Policy Section 705.00 A. 1., it states that the "…Administrative Meetings shall be reviewed and authorized by the respective Board. Due to the unique nature of Administrative Meetings, this travel…does not count towards the maximum approved number limits for travel unless in conjunction with an Educational Meeting. Therefore, should the Board approve this request, the manager meetings on December 2nd and the RI Annual Conference on December 3-5, will count as one conference and will count towards the number limit permitted.

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 at manager meetings in New York on Monday, December 2, 2019 to collect information regarding investments in the Real Estate and Private Equity asset classes.

LG
Attachment

November 7, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of November 20, 2019

SUBJECT: 2020 Milken Institute MEA Summit on February 11–12, 2020
Abu Dhabi, UAE

The 2020 Middle East and Africa Summit will be held on February 11–12, 2020 at the St. Regis Saadiyat Island in Abu Dhabi, United Arab Emirates. The program will bring together a curated group of high-profile senior executives, investors, government officials, and philanthropists to discuss, develop, and deploy solutions to some of the world's most pressing challenges.

The main conference highlights include the following:

- What Happens When Big Tech and National Security Converge?
- Venture Capital: The Rise of the Rest
- Genomics and the Future of Medicine
- Fintech: Investment Opportunities on the Horizon
- Be the Disruptor, Not the Disrupted
- Global Capital Markets
- Entertainment in the Middle East: Cairo, Beirut and Beyond

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the St. Regis Saadiyat Island is $388.00 per night plus applicable taxes and the registration fee to attend is included in LACERA's annual membership.

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

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the 2020 Milken Institute MEA Summit on February 11–12, 2020 in Abu Dhabi, United Arab Emirates and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

MILKEN INSTITUTE

Middle East & Africa Summit | *Driving Shared Prosperity*

February 11-12, 2020
St. Regis Saadiyat Island, Abu Dhabi, UAE

In a world where global trends continue to shape government agendas, corporate interests, and civic engagement, it is paramount to have a clear understanding of how developments in one area can subsequently impact others. This is particularly important for the Middle East and Africa, two distinctly diverse regions undergoing significant social and economic reforms at differing speeds and with varying priorities. The ultimate goal is to explore interventions that produce intentional outcomes to enrich local economies of the region, while working collectively to keep prosperity at the heart of the global agenda.

Addressing such issues requires leadership and collaboration—across government, private, academic, and nonprofit sectors. The 2020 Middle East and Africa Summit will bring together a curated group of high-profile senior executives, investors, government officials, and philanthropists to discuss, develop, and deploy solutions to some of the world's most pressing challenges.

Working Agenda

Monday, February 10, 2020

08:30AM - 10:30AM	**A Thoughtful Evolution: The Future of Collaborative Philanthropy in MEA 2.0** *(Invite only)* *Location: TBD*
06:00PM - 08:00PM	*- MEA Summit Registration -*
06:30PM - 08:00PM	**Welcome Reception**

Tuesday, February 11, 2020

07:00AM - 09:00AM	**Continental Breakfast**
07:00AM - 08:00PM	*- MEA Summit Registration -*
09:00AM - 10:15AM	**Global Overview** **Feeding Change Food Leaders Retreat**
10:15AM - 10:30AM	*- Networking Break -*
10:30AM - 11:30AM	**Being the Disruptor, Not the Disrupted** **The Convergence of Big Tech and National Security** **Unlocking Trillions: The Potential for an African Continental Trade Area** *(Invite only)* **Forum for Family Asset Management** *(Invite only)*

11:30AM - 11:45AM	*- Networking Break -*
11:45AM - 12:45PM	**Things that Will Blow Your Mind** **A New Energy Order: A Shift Towards Renewables** **Entertainment in the Middle East: Beyond Cairo and Beirut** *(Invite only)* **4IR and the Transformation of Public Sector** *(Invite only)*
12:45PM - 1:00PM	*- Networking Break –*
1:00PM - 02:30PM	**Lunch Program** **Philanthropy Fueling Medical Research in the GCC- Tentative** *(Invite only)*
02:30PM - 02:45PM	*- Networking Break –*
02:45PM - 03:45PM	**Genomics and the Future of Medicine** **Is Crypto Finally Growing Up?** **The Revolutionaries: Innovators Shaping Asia** *(Invite only)* **Sustainability in an Era of Rapid Urbanization** *(Invite only)*
03:45PM – 04:00PM	*- Networking Break –*
04:00PM - 05:00PM	**Future of Banking** **The New Age of Consumerism** **Redefining Belt and Road** *(Invite only)* **Consumer Driven Data in Finance and Health** *(Invite only)*
05:00PM - 05:15PM	*- Networking Break –*
05:15PM - 06:15PM	**Closing Plenary** **Feeding Change Innovation Presentations**
06:15PM - 07:15PM	**Reception**
07:15PM - 09:00PM	**Dinner Program**

Wednesday, February 12, 2020

07:00AM - 06:00PM	*- MEA Summit Registration -*
07:00AM - 09:00AM	**Continental Breakfast**
09:00AM - 10:15AM	**Morning Program | Access in the Middle East: A Road Less Traveled**
10:15AM - 10:30AM	*- Networking Break -*
10:30AM - 11:30AM	**Venture Capital: The Rise of the Rest** **How to Boost the Global Economy by 35%? Just Add Women**

The Art Market *(Invite only)*

11:30AM - 11:45AM — *- Networking Break -*

11:45AM - 12:45PM — **FinTech: Investment Opportunities on the Horizon**
The Health and Economic Impact of Chronic Disease
Reclaiming the Narrative: Redefining Womanhood *(Invite only)*
GCC Conglomerates and the Future of the Local Agent Model *(Invite only)*

12:45AM - 01:00PM — *- Networking Break -*

01:00PM - 02:30PM — **Lunch Program**

02:30PM - 02:45PM — *- Networking Break -*

02:45PM - 03:45PM — **Institutional Investors**
MIc'd Up | Part One: Why Are We Educating Our Kids?
MIc'd Up | Part Two: Changing Market Structure: Activism, Alpha, Short Selling, & Credit
Global Capital Markets Advisory Roundtable *(Invite only)*
Bahrain: A Regional Solution- Tentative *(Invite only)*

03:45PM - 04:00PM — *- Networking Break -*

04:00PM - 05:00PM — **The Future of Space Exploration and Travel**
Catalyzing Entrepreneurial Investment *(Invite only)*
The Globalization of Workforce Development *(Invite only)*

04:00PM - 05:30PM — **Reinventing Development Finance: Building Long Term Sustainability** *(Invite only)*

05:00PM - 05:15PM — *- Networking Break -*

05:15PM - 06:30PM — **Global Capital Markets**

06:30PM - 07:30PM — **Closing Reception**

Select Speakers & Notable Attendees from the 2019 MENA Summit

- Akshay Naheta, Partner and Managing Director, SoftBank Group
- Badr Al-Olama, Director, Aeorspace, Mubadala Investment Company
- Badr Jafar, CEO, Crescent Enterprises
- Becky Anderson, Anchor and Managing Editor, CNN, Abu Dhabi
- Ben Lawsky, Advisory Partner, Head of Regulatory Affairs, Stone Ridge Asset Management
- Bryan Johnson, Founder and CEO, OS Fund; Founder and former CEO, Braintree
- Charles Noyes, Partner, Paradigm
- Chris Dercon, Former Director, Tate Modern, London; Incoming President Réunion des Musées Nationaux
- Christopher Hite, Global Head of Healthcare, Corporate & Investment Banking, Citi
- D.A. Wallach, Co-Founder & Managing Partner, Inevitable Ventures
- David Pressman, Executive Director, Clooney Foundation for Justice; former United States Ambassador to the United Nations for Special Political Affairs
- Dina Habib Powell, Management Committee, Goldman Sachs
- Dr. Alanoud AlSharekh, Consulting Partner, Ibtkar Strategic Consultancy; Academic Activist on Youth and Gender Demographics
- Dr. Benedict Okey Oramah, President and Chairman, African Export-Import Bank
- Dr. Elie Karam, Head, Institute for Development, Research, Advocacy and Applied Care (IDRAAC); Head, Medical Institute for Neuropsychological Disorders (MIND)
- Dr. Hawaa Althahak Al Mansoori, Consultant Endocrinologist; Deputy Medical Director, Imperial College London Diabetes Centre
- Edgar Bronfman Jr., Chairman and CEO, Warner Music Group
- Eva Kaili, Member of the European Parliament, Panhellenic Socialist Movement
- Fahad AlSharekh, Managing Partner, TechInvest
- Francois Chopard, Founder & CEO, Starburst Accelerator
- Fred Destin, Founder, Strive.VC
- Ghizlan Guenez, Founder, The Modist
- H.E. Dr. Shaikha Al Maskari (confirned), CEO, Al Maskari Holdings
- H.E. Khaldoon Khalifa Al Mubarak, Group CEO and Managing Director, Mubadala Investment Company
- H.E. Mariam bint Mohammed Saeed Hareb Al Mehairi, Minister of State for Food Security, UAE
- H.E. Noura bint Mohammed Al Kaabi, UAE Cabinet Minister, Minister of Culture & Development, UAE
- H.E. Razan Khalifa Al Mubarak, Managing Director, Mohammed bin Zayed Species Conservation Fund; Secretary General, Environment Agency-Abu Dhabi
- H.E. Salaheddine Mezouar, President of the General Confederation of Moroccan Enterprise; Former Minister of Foreign Affairs; Former Minister of Finance, Morocco
- H.E. Shamma bint Suhail Al Mazrui, Minister of State for Youth Affairs, UAE
- H.E. Sheikh Nahayan bin Mubarak Al Nahayan, Minister of Tolerance, UAE
- H.E. Yousef Al Otaiba, Ambassador of the United Arab Emirates to the United States
- H.E. Youssef Boutros-Ghali, Former Minister of Finance, Egypt; Former Chairman, IMF Committee
- H.H. Emir Muhammadu Sanusi II Sanusi, Former Governor, Central Bank of Nigeria; Fourteenth Emir of Kano; Former Governor, Central Bank, Nigeria
- H.R.H. Prince Turki Al Faisal Al Saud, Chairman of the Board, King Faisal Foundation, Center for Research and Islamic Studies; Former Ambassador of Saudi Arabia to the United States; Former Director, Saudi Arabia's Intelligence Agency
- Hadley Gamble, Anchor CNBC
- Hazem Ben-Gacem, Co-CEO, Investcorp

- His Excellency Paul Kagame, President, Republic of Rwanda
- Ibrahim Ajami, Head of Venture Capital, Mubadala
- Iyinoluwa Aboyeji, Co-Founder, Flutterwave; Co-Founder, Andela
- Jeff Maggioncalda, CEO, Coursera
- John Defterios, Emerging Markets Editor, CNN
- Josh Tetrick, Founder & CEO, JUST
- Joshua Harris, Co-Founder and Senior Managing Director, Apollo Global Management, LLC
- Kamran Elahian, Founder, Global Catalyst Foundation
- Kerry Kennedy, President, Robert F. Kennedy Human Rights
- Kevin O'Leary, Co-Founder, O'Shares Investments; Television Personality, 'Shark Tank'
- Khaled Helioui, Managing Director, Bigpoint
- Khalid Al Rumaihi, Chief Executive, Bahrain Economic Development Board
- Khalifa Bin Butti Al Muhairi, Chairman, KBBO Group
- Kimberly Gire, Founder, Global Women Leaders, Strategic Philanthropy
- Lubna Olayan, CEO, Olayan Financing Company
- Lynne Goldberg, Co-founder, Breeth
- Mehmet Kutman, Founding Shareholder, Chairman and CEO, Global Investment Holdings
- Mehmet Oz, Host, Dr. Oz Show; Professor of Surgery, Columbia University
- Michael Meldman, Chairman and CEO, Discovery Land Company
- Michael Milken, Chairman, Milken Institute
- Michael Pellman Rowland, Partner and Co-head, Impact Investments, Alpenrose Wealth Management
- Michael Wystrach, CEO, Freshly
- Miguel Azevedo, Head of Investment Banking, Middle East and Africa, Citigroup
- Mike Novogratz, Founder, Galaxy Digital
- Mohammed Hafiz, Founding Vice Chair, Saudi Art Council
- Mohammed Sharaf, Asst Minister for Economic and Trade Affairs; Former Group CEO, Dubai Ports World
- Naguib Sawiris, Chairman, Orascom
- Neal Kassel, Founder and Chairman, Focused Ultrasound Foundation
- Onsi Sawiris, Co-founder and Managing Partner, HOF Capital
- Patrice Motsepe, Founder & Chairman, African Rainbow Minerals
- Patrick Foret, Director of Business Initiatives & Sponsorship, Art Basel
- Prasanth Manghat, CEO & Executive Director, NMC Health
- Raghida Dergham, Chairwoman, Beirut Institute
- Rayan Fayez, Managing Director and CEO, Banque Saudi Fransi
- Richard Branson, Founder, Virgin Group
- Richard Sung, CEO, We Solutions Limited
- Robert Harward, Chief Executive, Lockheed Martin, Middle East & Former Deputy Commander, United States Central Command
- Robert Simonds, Chairman and CEO, STX Entertainment
- Ron Burkle, CEO, Yucaipa; CEO Soho House
- Ron Cao, Founder & Managing Director, Sky9 Capital
- Saud Al Nowais, UAE Commercial Attaché, Embassy of the UAE, Trade and Commercial Office USA
- Scott Radke, Co-Chief Investment Officer, New Holland Capital
- Sean Parker, Chairman, The Parker Foundation
- Solveig Nicklos, Dean, Abu Dhabi School of Government
- Souad Ba'alawy, Founder and Executive Chairman, Enspire
- Strive Masiyiwa, Founder and Chairman, Econet Wireless
- Sumant Mandal, Managing Director, March Capital Partners; Co-founder, The Hive

- Sumit Jamuar, CEO, Global Gene Corporation
- Sunil Veetil, Regional Head of Trade and Receivables Finance, MENA and Turkey, HSBC
- Thomas Finke, CEO, Barings
- Thomas Kaplan, Founder, Apex Silver Mines & Leor Exploration and Production; Executive Chairman, Panthera
- Todd Boehly, Chairman & CEO, Eldridge Industries; Owner of Los Angeles Dodgers
- Tom Barrack, Founder and Executive Chairman, Colony Capital
- Uche Orji, Managing Director & CEO, Nigeria Sovereign Wealth Fund
- Yasir Othman Al- Rumayyan, Managing Director and Board Member, Public Investment Fund of Saudi Arabia

Milken Institute Strategic Partners

- Amgen
- Bahrain Economic Development Board
- Barings
- Bombardier Business Aircraft
- Citi
- CreditEase
- Credit Suisse
- EJF Capital LLC
- EY
- GoldenTree Asset Management LP
- Guggenheim Partners
- The Leona M. and Harry B. Helmsley Charitable Trust
- Investcorp
- Jefferies
- JPMorgan
- KBBO Group
- Novo Nordisk, Inc.
- PepsiCo
- PGIM, The Investment Management Businesses of Prudential
- Principal Financial Group
- Sheth Sangreal Foundation
- SoftBank Vision Fund
- State Street Corporation
- Two Sigma
- Värde Partners
- Vista Equity Partners
- WorldQuant, LLC

Contact Us

For more information about the 2020 ME&A Summit, please contact:

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Event Registration Inquiries
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LACERA

November 7, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of November 20, 2019

SUBJECT: 2019 SuperReturn Japan
Tokyo, Japan on December 3–4, 2019

The 2019 SuperReturn Japan Conference will be held on December 3–4, 2019 at the Conrad Hotel in Tokyo, Japan. The 2019 agenda features the latest trends and challenges facing Japanese private equity, as well as session focused on the USA, Europe and the test of Asia-Pacific. In addition to the private equity, this year's agenda feature an in-depth look at private debt, real assets, venture capital and secondaries.

The main conference highlights include the following:

- Fund Structures: No Longer One-Size Fits All
- Fund Size Increase And Strategy Extensions: How Can You Retain Investor Faith?
- Private Debt Strategy Head-To-Head Debate
- Intelligent Deal Structuring In A Competitive Market
- Spinouts and Next Generation Managers: Better Performers But Higher Risk?

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Conrad Tokyo Hotel is $580.00 per night plus applicable taxes and the registration fee is approximately $2,599.00.

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 SuperReturn Japan Conference on December 3–4, 2019 in Tokyo, Japan and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

SESSIONS

DAY ONE - 03/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

Registration and welcome coffee

08:30 - 09:00
Private equity in Japan

受付とウェルカムコーヒ (08:30)

08:30 - 09:00
日本のプライベートエクイティ

Chair's welcome address

09:00 - 09:05
Private equity in Japan

Participants

Stanley Howard - Managing Director and CEO, Teneo Partners Japan Limited

司会者による歓迎のあいさつ (09:00)

09:00 - 09:05
日本のプライベートエクイティ

Participants

Stanley Howard - 代表取締役社長, テネオ・ パートナーズ株式会社

Views on Japan: 2019, 2020 and beyond

09:05 - 09:45
Private equity in Japan

How have deal activity, valuations, exits and the fundraising climate fared in 2019 and what can we expect going into 2020 and the future? With larger funds being raised, how and where is capital being put to work?

Participants

Moderator: Kazushige Kobayashi - Managing Director, Capital Dynamics

Panellists: Richard Folsom - Representative Partner, Advantage Partners

Hirofumi Hirano - Chief Executive Officer – Japan, KKR Japan Limited

Koji Sasaki - President and Managing Partner, T Capital Partners. Co., Ltd.

Kazuhiro Yamada - Managing Director, Representative in Japan, The Carlyle Group

日本の見方：2019年、2020年、その先

09:05 - 09:45
日本のプライベートエクイティ

2019年の取引活動、バリュエーション、エグジット、資金調達環境はどのように推移したのか。そして、2020年以後はどうなると予想されるのか。資金調達額が拡大する中、資本はどこでどのように活用されているのか。

パネルディスカッション

Participants

モデレータ: 小林 和成 - 代表取締役社長, キャピタル･ダイナミックス株式会社

パネリスト: リチャード フォルソム - 代表パートナー, アドバンテッジパートナーズ

平野 博文 - 代表取締役社長, 株式会社KKRジャパン

山田 和広 - マネージング ディレクター･ 日本代表, カーライル･ グループ

佐々木 康二 - 取締役社長, ティーキャピタルパートナーズ株式会社

Optimising value-add in Japan

09:45 - 10:20
Private equity in Japan

What different strategies are generating results when it comes to value-add? How big should the operational and portfolio support teams be to really demonstrate quantifiable value-add and how can you leverage industry experts within the management teams? How can new technology be utilised as a value-add tool and to move portfolio companies into the digital age?

Participants

Moderator: Hiroshi Aikawa - Head of Japan, StepStone Global

Panellists: Megumi Kiyozuka - President & Representative Director, CLSA Capital Partners (Japan) KK

Tomoya Sugimoto - Partner, Longreach Group Inc.

人材を見つけたら、次は価値付加をどう最適化するのか (09:45)

09:45 - 10:20
日本のプライベートエクイティ

価値付加に関して成果を上げている戦略には、どのようなものが存在するのか。定量化可能な価値付加を実現するのに適した運用･ ポートフォリオ支援チームの規模はどの程度なのか。また、マネジメントチーム内の業界専門家を活用するにはどうすればいいのか。新テクノロジーを価値付加ツールとして利用し、ポートフォリオ企業をデジタル時代へ移行させる方法とは。

パネルディスカッション

Participants

パネリスト: 清塚 徳 - 代表取締役社長, CLSAキャピタルパートナーズジャパン株式会社

杉本 友哉 - パートナー, ロングリーチグループ

Morning coffee and networking break

10:20 - 11:00
Private equity in Japan

モーニングコーヒーとネットワーキング休憩 (10:30)

10:20 - 11:00
日本のプライベートエクイティ

Keynote address

11:00 - 11:20
Private equity outside Japan

Participants

Rich Lawson - Chief Executive Officer and Co-Founder, HGGC

基調講演 (11:00)

11:00 - 11:20
日本国外のプライベートエクイティ

Participants

Rich Lawson - CEO･ 共同創業者, HGGC

SESSIONS

DAY ONE - 03/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

Standing out in the USA and Europe

11:20 - 12:00
Private equity outside Japan

With increasing levels of dry powder and a record-breaking era of fundraising, how are managers setting themselves apart? Are there still pockets of untapped or underserved opportunities? And should LPs be concerned about the supply of capital – are there added risks in the investment phase and is there more pressure to rapidly deploy capital?

Participants

Moderator: Oliver Gottschalg - Associate Professor, HEC School of Management, Paris

Panellists: Mark Hoeing - Managing Director & Head of Global Private Equity, Commonfund Capital, Inc.

Helen Steers - Partner, Pantheon

Felix Wickenkamp - Partner, CAM Alternatives

米国と欧州で群を抜くために (11:20)

11:20 - 12:00
日本国外のプライベートエクイティ

手元資金の水準が上昇し続け、資金調達額が記録を更新する現代、マネジャーはどのようにしてその他大勢から抜け出そうとしているのか。未開拓の資金源や十分に活用されていない機会はまだ存在するのか。また、LPは資金の供給について懸念すべきなのか。投資フェーズにおける新たなリスクは存在し、資本を迅速に配分することへの圧力は高まっているのか。

パネルディスカッション

Participants

モデレータ: Oliver Gottschalg - 准教授, HEC School of Management, Paris

パネリスト: Mark Hoeing - マネージング· ディレクター兼グローバル· プライベート· エクイティ責任者, Commonfund Capital, Inc.

Helen Steers - パートナー, Pantheon

Quickfire sector showcase

12:00 - 12:25
Private equity outside Japan

Three presentations on hot sectors. Each presenter will deliver a seven-minute presentation on a distinct sector, followed by audience Q&A

分野別に短いプレゼンを複数実施 (12:00)

12:00 - 12:25
日本国外のプライベートエクイティ

関心の高い分野について3件のプレゼンテーションを実施。個別の分野ごとにプレゼンを7分間実施した後、聴衆の質疑応答を行う。

Lunch and networking break + LP-only lunch roundtable

12:25 - 13:45
Private equity outside Japan

LP-only lunch roundtable: this exclusive lunch is for LPs to network with their peers. Open to 25 pre-registered development finance institutions, endowments, foundations, insurance companies, pension funds, regional banks and sovereign wealth funds, subject to qualification. To register please contact Chloe Elliott at chloe.elliott@knect365.com.

昼食とネットワーキング休憩 + LP限定ランチラウンドテーブル

12:25 - 13:45
日本国外のプライベートエクイティ

LP限定ランチラウンドテーブル: この参加者限定の昼食会は、LPの皆様同士でネットワーク作りをしていただくことを目的とするものです。定員は25名、対象は開発金融機関、寄付基金、財団、保険会社、年金基金、リージョナルバンク、政府系ファンドの皆様で、参加には事前の審査· 登録が必要です。登録をご希望の場合は、Chloe Elliott（電子メール：chloe.elliott@knect365.com）までお問い合わせください。

Beyond Japan: how are Japanese LPs constructing their international portfolios?

13:45 - 14:15
Private equity outside Japan

How diversified are Japanese LPs' portfolios? Which markets are attractive and what criteria do Japanese LP use when considering funds outside of Japan? What thresholds need to be met, what risk/return profile is sought and what does the due diligence process involve?

Participants

Moderator: Tomoko Kitao - Managing Director, Hamilton Lane

Panellists: Takahiro Kato - Head of Global Fund Investment, DBJ Asset Management

Yoshi Kiguchi - CIO, West Japan Machinery Pension Fund

Ichizo Kobayashi - Head of Equity & Alternative Investments, Nippon Wealth Life Insurance Company

Mitsuaki Murata - Investment Officer, Private Equities, Daido Life Insurance Company

日本を越えて：日本のLPは国際ポートフォリオをいかに構築しつつあるのか (13:45)

13:45 - 14:15
日本国外のプライベートエクイティ

日本のLPのポートフォリオはどのように多角化されているのか。日本のLPはどの市場に魅力を感じ、どのような基準で国外ファンドを検討しているのか。そして、どのような閾値を設定し、どのようなリスク· リターン· プロファイルを求め、どのようなデューデリジェンスのプロセスを踏んでいるのか。

パネルディスカッション

Participants

モデレータ: 北尾 智子 - マネージングディレクタ, Hamilton Lane

パネリスト: 加藤 隆宏 - 執行役員グローバル投資本部長, DBJアセットマネジメント

木口 愛友 - 運用執行理事, 西日本機械金属企業年金基金

小林 一造 - オルタナティブ投資グループ長, ニッセイ· ウェルス生命保険株式会社

村田 恭章 - インベストメント· オフィサー（プライベートエクイティ担当）, 大同生命保険株式会社

Keynote address

14:15 - 14:35
Private equity outside Japan

Participants

Erik Levy - Managing Director Founding Partner, BlackRock Long Term Private Capital

基調講演 (14:15)

14:15 - 14:35
日本国外のプライベートエクイティ

Afternoon refreshments and networking break

14:35 - 15:10
Private equity outside Japan

午後の軽食とネットワーキング休憩 (14:35)

14:35 - 15:10
日本国外のプライベートエクイティ

SESSIONS

DAY ONE - 03/12/2019

Finding opportunities in developed and developing Asia-Pacific

15:10 - 15:40
Private equity outside Japan

What is the risk/reward profile when comparing developed, emerging and frontier markets in the region? What are some of the fundamental differences that make it hard or even impossible to treat Asia-Pacific as a homogenous region? And what impact is being felt from the US-China trade war?

Participants

Panellists: Akihiko Yasuda - Managing Director, Asia Alternatives

アジア太平洋地域の先進国および発展途上国における機会を見極める (15:10)

15:10 - 15:40
日本国外のプライベートエクイティ

この地域の先進国市場、新興国市場、フロンティア市場を比較した場合、リスクとリターンのプロファイルはどのようなものでしょうか。アジア太平洋をひとまとまりの地域として扱うことを困難にする、あるいはそれを不可能にすらするファンダメンタルズの相違点とは何でしょうか。米国と中国の貿易戦争はどのようなインパクトをもたらしているでしょうか。

Participants

パネリスト: 安田 彰彦 - マネージング· ディレクター, アジア· オルタナティブ

Investing in emerging markets: opportunities, risk, currency and ESG

15:40 - 16:10
Private equity outside Japan

What are the return and risk expectations when investing in high growth markets such as Southeast Asia, India or Latin America? How can you manage currency depreciation and protect returns? And in what ways are the emerging and frontier markets leading the charge in impact investing and ESG?

Participants

Moderator: Stephen O'Neill - Managing Director, 57 Stars

新興国市場への投資：機会、リスク、通貨、ESG

15:40 - 16:10
日本国外のプライベートエクイティ

東南アジア、インド、中南米などの高成長市場に投資する場合、どのようなリターンとリスクが予想されるでしょうか。通貨の下落にどう対応し、リターンを確保することができるでしょうか。新興市場とフロンティア市場は、インパクト投資およびESG投資に対する責任をどのような方法で先導しているでしょうか。

Participants

モデレータ: Stephen O'Neill - マネージングディ レクター, 57 Stars

Off the record session: building relationships with Japanese LPs

16:10 - 17:10
Private equity outside Japan

How can international GPs build relationships with Japanese LPs with a view to attracting capital in the future?

16:10-16:40: Tokyo-based LPs

16:40-17:10: Regional LPs

非公開セッション：日本のリミテッドパートナー（LP）と関係を構築する

16:10 - 17:10
日本国外のプライベートエクイティ

国際的なゼネラルパートナー（GP）は、どうすれば将来資本を集める目的で日本のLPと関係を構築することができるか。

16:10-16:40：東京に本拠を置くLPの場合

16:40-17:10：地方のLPの場合

Participants

小林 和成 - 代表取締役社長, キャピタル· ダイナミックス株式会社

福山 公博 - 大分事務所長, 日本政策投資銀行

End of Day One

17:10 - 17:15

SuperReturn Japan Day One Drinks Reception

17:15 - 19:15

SCHEDULE

DAY ONE - 03/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

TIME	PRIVATE EQUITY IN JAPAN	PRIVATE EQUITY OUTSIDE JAPAN	日本のプライベートエクイティ	日本国外のプライベートエクイティ
08:00	**08:30** - Registration and welcome coffee		**08:30** - 受付とウェルカムコーヒ (08:30)	
09:00	**09:00** - Chair's welcome address **09:05** - Views on Japan: 2019, 2020 and beyond **09:45** - Optimising value-add in Japan		**09:00** - 司会者による歓迎のあいさつ (09:00) **09:05** - 日本の見方：2019年、2020年、その先 **09:45** - 人材を見つけたら、次は価値付加をどう最適化するのか (09:45)	
10:00	**10:20** - Morning coffee and networking break		**10:20** - モーニングコーヒーとネットワーキング休憩 (10:30)	
11:00		**11:00** - Keynote address **11:20** - Standing out in the USA and Europe		**11:00** - 基調講演 (11:00) **11:20** - 米国と欧州で群を抜くために (11:20)
12:00		**12:00** - Quickfire sector showcase **12:25** - Lunch and networking break + LP-only lunch roundtable		**12:00** - 分野別に短いプレゼンを複数実施 (12:00) **12:25** - 昼食とネットワーキング休憩 + LP限定ランチラウンドテーブル
13:00		**13:45** - Beyond Japan: how are Japanese LPs constructing their international portfolios?		**13:45** - 日本を越えて：日本のLPは国際ポートフォリオをいかに構築しつつあるのか (13:45)
14:00		**14:15** - Keynote address **14:35** - Afternoon refreshments and networking break		**14:15** - 基調講演 (14:15) **14:35** - 午後の軽食とネットワーキング休憩 (14:35)
15:00		**15:10** - Finding opportunities in developed and developing Asia-Pacific **15:40** - Investing in emerging markets: opportunities, risk, currency and ESG		**15:10** - アジア太平洋地域の先進国および発展途上国における機会を見極める (15:10) **15:40** - 新興国市場への投資：機会、リスク、通貨、ESG
16:00		**16:10** - Off the record session: building relationships with Japanese LPs		**16:10** - 非公開セッション：日本のリミテッドパートナー（LP）と関係を構築する

SCHEDULE

DAY ONE - 03/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

TIME	PRIVATE EQUITY IN JAPAN	PRIVATE EQUITY OUTSIDE JAPAN	日本のプライベートエクイティ	日本国外のプライベートエクイティ
17:00	**17:10** - End of Day One **17:15** - SuperReturn Japan Day One Drinks Reception	**17:10** - End of Day One **17:15** - SuperReturn Japan Day One Drinks Reception	**17:10** - End of Day One **17:15** - SuperReturn Japan Day One Drinks Reception	**17:10** - End of Day One **17:15** - SuperReturn Japan Day One Drinks Reception

Welcome coffee

09:00 - 09:30
Private credit, real assets and secondaries

ウェルカムコーヒ (09:00)

09:00 - 09:30
プライベートクレジット、実物資産、セカンダリー

Chair's welcome address

09:30 - 09:35
Private credit, real assets and secondaries

司会者による歓迎のあいさつ (09:30)

09:30 - 09:35
プライベートクレジット、実物資産、セカンダリー

The growth of private credit: can we find a common definition?

09:35 - 10:10
Private credit, real assets and secondaries

When considering the full spectrum of strategies across senior, junior and mezzanine credit, how broad is the opportunity set and how can the asset class best be defined? How long does it take to access liquidity through the different strategies and which markets offer the most attractive risk/return profile?

Participants

Panellists: Neale Broadhead - Senior Managing Director, CVC Credit Partners

Raj Makam - Managing Director and Co-Portfolio Manager, Oaktree Capital Management, L.P.

プライベートクレジットの成長：共通の定義は見つかるのか (09:35)

09:35 - 10:10
プライベートクレジット、実物資産、セカンダリー

シニアからジュニア、メザニンクレジットに及ぶ全範囲の戦略を検討する際、機会はどの程度広く設定されるのか。また、資産クラスはどのように定義するのがベストなのか。それぞれの戦略を通じて流動性にアクセスするには、どの程度の期間を要するのか。そして、どの市場のリスク· リターン· プロファイルが最も魅力的なのか。

パネルディスカッション

Participants

パネリスト: Neale Broadhead - シニア· マネージングディレクター, CVC Credit Partners

International and domestic real assets: infrastructure, real estate and energy

10:10 - 10:40
Private credit, real assets and secondaries

How do returns and structure vary when considering different real asset strategies and what are the disparities between debt and equity? Are solar power and privatisation opening up opportunities in Japan and where are the outperformers in the international markets?

Participants

Moderator: Takako Koizumi - Head of Infrastructure Investments, Tokio Marine Asset Management

Panellists: Kimihiro Fukuyama - Deputy Director General, Development Bank of Japan

Ravi Parekh - Ravi Parekh, Managing Director, Infrastructure Investments, GCM Grosvenor

国際· 国内実物資産：インフラ、不動産、エネルギー (10:10)

10:10 - 10:40
プライベートクレジット、実物資産、セカンダリー

さまざまな実物資産戦略を検討する場合、リターンと構造はどのように変化するのか。また、デットとエクイティにはどのような違いがあるのか。日本では太陽光発電と民営化により、さまざまな機会が開かれつつあるのか。そして、国際市場においては、どこに高パフォーマンスの資産が存在するのか。

パネルディスカッション

Participants

モデレータ: 小泉 貴子 - マルチマネジャー運用部　インフラストラクチャー投資グループ　グループリーダー, 東京海上アセットマネジメント㈱

パネリスト: 福山 公博 - 大分事務所長, 日本政策投資銀行

Ravi Parekh - インフラ投資マネージング·ディレクター, GCM Grosvenor

Morning coffee and networking break

10:40 - 11:10
Private credit, real assets and secondaries

モーニングコーヒーとネットワーキング休憩 (10:40)

10:40 - 11:10
プライベートクレジット、実物資産、セカンダリー

How to benchmark performance in secondaries: are we comparing apples to oranges?

11:10 - 11:30
Private credit, real assets and secondaries

Participants

Oliver Gottschalg - Associate Professor, HEC School of Management, Paris

セカンダリー市場でパフォーマンスをベンチマーキングするには：リンゴとミカンを比べてはいないか (11:10)

11:10 - 11:30
プライベートクレジット、実物資産、セカンダリー

データプレゼンテーション

Participants

Oliver Gottschalg - 准教授, HEC School of Management, Paris

Segmentation in the secondaries market: where should you invest?

11:30 - 12:00
Private credit, real assets and secondaries

As the secondary market matures, what are the pros and cons for the different strategies? What are the differences between classic secondaries and the newer wave of GP-led secondaries?

Participants

Nash Waterman - Managing Director and Co-head of Morgan Stanley AIP Secondaries, Morgan Stanley Investment Management

セカンダリー市場のセグメンテーション：投資すべきセグメントとは (11:30)

11:30 - 12:00
プライベートクレジット、実物資産、セカンダリー

セカンダリー市場が成熟する中、さまざまな戦略にはどのようなメリットとデメリットが存在するのか。伝統的なセカンダリーと、ゼネラルパートナー（GP）が主導するセカンダリーの新たな波との間にはどのような違いがあるのか。

パネルディスカッション

Lunch and networking break + Hosted lunch roundtables on three distinct topics

12:00 - 13:15
Private credit, real assets and secondaries

昼食とネットワーキング休憩 + 3種類のトピック別の司会付きランチラウンドテーブル (12:00)

12:00 - 13:15
プライベートクレジット、実物資産、セカンダリー

Venture capital and growth equity: tracking return distributions

13:15 - 13:35
Venture capital

Participants

Ee Fai Kam - Head of Asian Operations, Preqin

ベンチャーキャピタルとグロースエクイティ：リターン分布追跡 (13:15)

13:15 - 13:35
ベンチャーキャピタル

データプレゼンテーション

Participants

Ee Fai Kam - アジアオペレーション責任者, Preqin

Early stage venture capital across the region: Japan and beyond

13:35 - 14:10
Venture capital

Are we starting to see more momentum in Japan's startup environment and are companies starting to show more ambition, prove their scalability and even go global? How is VC developing in other hubs around the world? And how can LPs get comfortable with the risk associated with venture capital and technology investments?

Participants

Moderator: Jerry Yang - General Partner, Hardware Club

Panellists: Masashi Kataoka - General Manager, Venture and Innovation Investment Group, Alternative Investment Department, The Dai-ichi Life Insurance Company, Limited

Eriko Suzuki - General Partner, Fresco Capital

初期段階にある域内のベンチャーキャピタル：日本、そして日本を越えて (13:35)

13:35 - 14:10
ベンチャーキャピタル

日本のスタートアップを取り巻く環境は活発化の兆しを見せ始めているのでしょうか。企業は野心を高め、そのスケーラビリティを実証し、グローバル市場に乗り出そうとしているのでしょうか。ベンチャーキャピタルはどのようにして世界各地に新たなハブを構築しているのでしょうか。リミテッドパートナー（LP）は、ベンチャーキャピタルやテクノロジー投資のリスクに対する不安をどのように緩和できるでしょうか。

Participants

モデレータ: ジェリー ヤン - ジェネラルパートナ, Hardware Club

パネリスト: 片岡 正史 - オルタナティブ投資部　部長 イノベーション投資グループ担当, 第一生命保険株式会社

鈴木 絵里子 - ゼネラル・パートナー, フレスコ・キャピタル

Fireside chat: corporate innovation strategies

14:10 - 14:40
Venture capital

How are Japanese corporates viewing opportunities in global venture capital? And what do Japanese corporates see as the strategic and financial benefits to investing in innovation and technology?

Participants

Chris Wade - Co-Founder & Partner, Isomer Capital

In conversation with: Nobuyuki Akimoto - Managing Partner, Translink Capital

Vishal Harnal - Partner, 500 Startups

炉辺談話：企業イノベーション戦略 (14:10)

14:10 - 14:40
ベンチャーキャピタル

日本企業は世界のベンチャーキャピタルにおける機会をどのように捉えているのか。イノベーションとテクノロジーへの投資によって得られる戦略・財務上のメリットとは。

Participants

秋元 信行 - マネージングパートナー, トランスリンクキャピタル

Chris Wade - 共同創業者・パートナー, Isomer Capital

Vishal Harnal - パートナー, 500 Startups

Late stage venture capital and growth equity: how to capture value

14:40 - 15:10
Venture capital

How does investing in the later stages of venture capital provide value for investors and who are the real winners when unicorns go public?

Participants

Moderator: Sakae Sugahara - Partner and CIO, GI Capital Management

Panellists: Shinichi (Shin) Takamiya - Managing Partner, Globis Capital Partners

Takao Yamakoshi - Senior Fund Manager, Private Equity Group, Tokio Marine Asset Management Co., Ltd.

レイターステージ・ベンチャーキャピタルとグロースエクイティ：いかにして価値を獲得するか (14:40)

14:40 - 15:10
ベンチャーキャピタル

ベンチャーキャピタルによるレイターステージ投資は、どのようにして投資家に価値をもたらしているのか。そして、ユニコーン企業が上場する場合の真の勝者とは。

パネルディスカッション

Participants

パネリスト: 高宮 慎一 - 代表パートナー, グロービス・キャピタル・パートナーズ

LP views on global innovation and VC

15:10 - 15:40
Venture capital

What industries and markets are piquing LP interest when it comes to innovation? How does global economic uncertainty factor into the portfolio allocation process? And, beyond capital, what value to LPs bring the innovators?

Participants

Moderator: Yinglan Tan - Founder, Insignia Venture Partners

世界のイノベーションとベンチャーキャピタルに対するLPの見解 (15:10)

15:10 - 15:40
ベンチャーキャピタル

イノベーションに関してLPの興味をかき立てているのはどの産業、どの市場でしょうか。世界経済の不確実性はどのようにポートフォリオアロケーションのプロセスに織り込まれているでしょうか。LPは資本以外にどのような価値をイノベーターにもたらしているでしょうか。

Afternoon refreshments and networking break

15:40 - 16:00
Venture capital

午後の軽食とネットワーキング休憩 (15:40)

15:40 - 16:00
ベンチャーキャピタル

Off the record session: weighing up regional versus domestic and sector-specialised versus generalist funds

16:00 - 16:30
Off the record, boardroom discussions

As international players move into the Japanese market and domestic GPs look to expand their reach, what are the benefits of a global or pan-Asia fund compared to purely domestic managers? Is it desirable to find sector specialisation at fund level or is it preferable to source specialist individuals within a larger, more generalist team?

Run under the Chatham House Rule. No press.

Participants

Chair: Ralph Money - Managing Director, Commonfund Capital, Inc.

非公開セッション：地域型対国内型および分野特化型対非特化型ファンドの比較評価 (16:00)

16:00 - 16:30
非公開のボードルームディスカッション

国際的プレーヤーが日本市場に進出し、国内のGPが勢力拡大を目指す中、世界またはアジア全体を対象とするファンドには、国内のみを対象とするマネジャーと比較してどのようなメリットがあるのか。ファンドレベルで分野が特化された状態を求めるのが望ましいのか、あるいは、より大規模なゼネラリスト寄りのチーム内に個々のスペシャリストが存在する状態を求めるのが望ましいのか。

チャタムハウス· ルールを適用。メディア非公開。

Participants

司会者: Ralph Money - マネージングディ レクター, Commonfund Capital, Inc.

LP-only, off the record session: how to approach co-investments

16:30 - 17:00
Off the record, boardroom discussions

What resources are required to execute local and international co-investment opportunities?

This exclusive session is for LPs to share best practice and network with their peers. Open to 25 pre-registered development finance institutions, endowments, foundations, insurance companies, pension funds and sovereign wealth funds, subject to qualification. To register please contact Chloe Elliott at chloe.elliott@knect365.com.

Run under the Chatham House Rule. No press.

Participants

Discussion Leader: Amit Sachdeva - Managing Director, AlpInvest Partners

チャタムハウス· ルールを適用。メディア非公開。:国内外の共同投資機会を活用するために必要なリソースとは。(16:30)

16:30 - 17:00
非公開のボードルームディスカッション

この参加者限定のセッションは、LPの皆様同士でベストプラクティスの共有とネットワーク作りをしていただくことを目的とするものです。定員は25名、対象は開発金融機関、寄付基金、財団、保険会社、年金基金、リージョナルバンク、政府系ファンドの皆様で、参加には事前の審査· 登録が必要です。登録をご希望の場合は、Chloe Elliott（電子メール：chloe.elliott@knect365.com）までお問い合わせください。

チャタムハウス· ルールを適用。メディア非公開。

End of SuperReturn Japan 2019

17:00 - 17:05

SCHEDULE
DAY TWO - 04/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

TIME	OFF THE RECORD, BOARD-ROOM DISCUSSIONS	PRIVATE CREDIT, REAL ASSETS AND SECONDARIES	VENTURE CAPITAL	プライベートクレジット、実物資産、セカンダリー	ベンチャーキャピタル	非公開のボードルームディスカッション
09:00		**09:00** - Welcome coffee **09:30** - Chair's welcome address **09:35** - The growth of private credit: can we find a common definition?		**09:00** - ウェルカムコーヒ (09:00) **09:30** - 司会者による歓迎のあいさつ (09:30) **09:35** - プライベートクレジットの成長：共通の定義は見つかるのか (09:35)		
10:00		**10:10** - International and domestic real assets: infrastructure, real estate and energy **10:40** - Morning coffee and networking break		**10:10** - 国際· 国内実物資産：インフラ、不動産、エネルギー (10:10) **10:40** - モーニングコーヒーとネットワーキング休憩 (10:40)		
11:00		**11:10** - How to benchmark performance in secondaries: are we comparing apples to oranges? **11:30** - Segmentation in the secondaries market: where should you invest?		**11:10** - セカンダリー市場でパフォーマンスをベンチマーキングするには：リンゴとミカンを比べてはいないか (11:10) **11:30** - セカンダリー市場のセグメンテーション：投資すべきセグメントとは (11:30)		
12:00		**12:00** - Lunch and networking break + Hosted lunch roundtables on three distinct topics		**12:00** - 昼食とネットワーキング休憩 + 3種類のトピック別の司会付きランチラウンドテーブル (12:00)		

SCHEDULE

DAY TWO - 04/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

TIME	OFF THE RECORD, BOARD-ROOM DISCUSSIONS	PRIVATE CREDIT, REAL ASSETS AND SECONDARIES	VENTURE CAPITAL	プライベートクレジット、実物資産、セカンダリー	ベンチャーキャピタル	非公開のボードルームディスカッション
13:00			**13:15** - Venture capital and growth equity: tracking return distributions **13:35** - Early stage venture capital across the region: Japan and beyond		**13:15** - ベンチャーキャピタルとグロースエクイティ： リターン分布追跡 (13:15) **13:35** - 初期段階にある域内のベンチャーキャピタル：日本、そして日本を越えて (13:35)	
14:00			**14:10** - Fireside chat: corporate innovation strategies **14:40** - Late stage venture capital and growth equity: how to capture value		**14:10** - 炉辺談話：企業イノベーション戦略 (14:10) **14:40** - レイターステージ･ ベンチャーキャピタルとグロースエクイティ：いかにして価値を獲得するか (14:40)	
15:00			**15:10** - LP views on global innovation and VC **15:40** - Afternoon refreshments and networking break		**15:10** - 世界のイノベーションとベンチャーキャピタルに対するLPの見解 (15:10) **15:40** - 午後の軽食とネットワーキング休憩 (15:40)	
16:00	**16:00** - Off the record session: weighing up regional versus domestic and sector-specialised versus generalist funds **16:30** - LP-only, off the record session: how to approach co-investments					**16:00** - 非公開セッション：地域型対国内型および分野特化型対非特化型ファンドの比較評価 (16:00) **16:30** - チャタムハウス･ ルールを適用。メディア非公開。: 国内外の共同投資機会を活用するために必要なリソースとは。(16:30)

SCHEDULE

DAY TWO - 04/12/2019

SuperReturn Japan

3 - 4 December 2019
Conrad
Tokyo

TIME	OFF THE RECORD, BOARD-ROOM DISCUSSIONS	PRIVATE CREDIT, REAL ASSETS AND SECONDARIES	VENTURE CAPITAL	プライベートクレジット、実物資産、セカンダリー	ベンチャーキャピタル	非公開のボードルームディスカッション
17:00	**17:00** - End of SuperReturn Japan 2019	**17:00** - End of SuperReturn Japan 2019	**17:00** - End of SuperReturn Japan 2019	**17:00** - End of SuperReturn Japan 2019	**17:00** - End of SuperReturn Japan 2019	**17:00** - End of SuperReturn Japan 2019

LACERA

November 7, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of November 20, 2019

SUBJECT: The International Corporate Governance Network (ICGN) Conference
February 27 – 28, 2020 in Seoul, South Korea

This 2020 International Corporate Governance Network (ICGN) Conference will be held on February 27 – 28, 2020 at the Westin Chosun Seoul Hotel in Seoul, South Korea. The ICGN's 2020 Conference is hosted by the Korean Corporate Governance Service, in premier partnership with Korea Exchange. This two-day event aims to help keep attendees stay informed of the latest corporate governance developments, by providing best practice guidance, updates from policy makers and insights from leading speakers in both industry and academia, in a format that maximizes networking opportunities with the senior professionals in attendance.

The main conference highlights include the following:

- Capital Allocation and Efficiency
- CEO Succession Planning and Compensation
- Stewardship and Engagement: Practical Implementation for Effective Outcomes
- Controlling Shareholder Influence on Corporate Value and Minority Shareholder Rights

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content per day. The standard hotel rate at the Westin Chosun Seoul Hotel is $220.00 per night plus applicable taxes and the registration fee to attend is $835.00.

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 International Corporate Governance Network (ICGN) Conference on February 27 – 28, 2020 in Seoul, South Korea and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

ICGN Seoul Agenda
February 27 – 28, 2020

Thursday, February 27, 2020

08:30 – 09:00 – **Registration**
09:30 – 09:40 – **Opening Remarks**
09:40 – 10:00 – **Opening Keynote**
10:00 – 11:00 – **Plenary 1: Controlling shareholder influence on corporate value and minority shareholder rights**

Korean companies are often controlled by individuals and families, and these could go beyond chaebols, covering small to medium companies. In this session, we discuss how the actions of controlling shareholders could impact corporate valuations. On the positive side, majority ownership could encourage long term corporate value creation and sustainable development; however, controlling shareholders could disproportionately benefit the majority and dominate board decisions without appropriate challenges and independent oversight. We gain insights from experienced speakers who will share their experience in managing the challenges faced by minority shareholders in such circumstances.

11:00 – 11:30 – **Networking Refreshments**
11:30 – 12:30 – **Plenary 2: Stewardship and engagement: practical implementation for effective outcomes**

With the rise of stewardship codes around the world, particularly in Asia, the Korean market is paying close attention on the impact of stewardship activities on long-term corporate value through purposeful engagement. Since the concept of engagement is relatively new to most Korean executives and board members, many questions from corporate as well as investor sides arise. How will company deal with investors' engagement requests? How do investors implement stewardship in practice? Is there an optimal engagement approach from investors' perspectives? This session will explore these issues.

- Jen Sisson, Chief of Staff, Financial Reporting Council, UK
- Chaired by: Chris Hodge,Chair, Global Stewardship Code Network

12:30 – 13:30 – **Lunch**
13:30 – 15:00 – **Hosted Sessions**
Session A: Global trends in ownership & control: How should investors respond? *Hosted by MSCI*
15:00 – 15:30 – **Networking Refreshments**
15:30 - 15:45 – **Afternoon Keynote**
15:45 – 16:45 – **Plenary 3: Board duties and responsibilities in company subsidiaries and groups**

The fact that a company is an affiliated firm with a business group may influence the functioning and responsibilities of the board of directors. It may also create many challenges including a conflict of interests between controlling shareholders and minority shareholders. The board of directors is responsible for responding these challenges. This session will explore the issues related to the management and supervision of subsidiaries, protection of minority shareholders and related party transactions.

- Chaired by Mike Lubrano, Co-Founder and Managing Director, Corporate Governance, Cartica Capital, USA

16:45 – 17:45 – **Plenary 4: CEO succession planning and compensation**

In principle, corporate board should take a fiduciary responsibility to initiate and oversee CEO succession process, minimising potential disruptions to the businesses and the organization. The board of directors should ensure a systematic succession process firmly in place and review it regularly. However, in emerging markets, CEO succession is often handled as a part of controlling family's affairs or political assignment, while boards have either little or no influence on the planning/decision-making process. Compensation for CEO by and large takes a similar root, where KPIs do not mean much or are not aligned with shareholder value creation. This session will discuss about how to solve the underlying issues.

17:45 – 17:50 – **Closing Remarks**

Friday, February 28, 2020

08:30 – 09:30 – **Delegate Registration**
09:30 – 09:35 – **Welcome Back!**
09:35 – 10:15 – **Interview Keynote**
10:15 – 11:15 – **Plenary 5: Related party transactions**

Under the 2018 revised tax law, transactions with related parties must be conducted at arm's length prices. This is one step towards improving the transparency of related party transactions (RPT). In this session, we debate the value enhancing or destroying mechanisms created by RPT. We discuss tunneling among firms belonging to business groups and additional measures that should be put in place to improve governance.

- Chaired by Christine Chow, Director, Hermes Investment Management

11:15 – 11:45 – **Networking Refreshments**
11:45 – 13:15 – **Hosted Sessions**
13:15 – 14:15 – **Lunch**
14:15 – 15:15 – **Plenary 6: Capital allocation and efficiency**

Management and board, as stewards of corporate resources, are obliged to prepare an effective capital allocation plan which should contribute to long-term growth/success strategies. A clear communication with shareholders is also their primary responsibilities. This simple—finance 101—notion does not seem to have been firmly in place as principles among emerging markets companies, leaving investors in dire disappointment at times due to value-destroying projects and/or persistently low payout. This session will dissect a couple of examples and discuss about the fundamental causes and ways to root out them.

15:15 – 16:15 – **Plenary 7: Bridging the Sustainable Development Goals with real-world impact**

How do the UN's Sustainable Development Goals (SDG) relate to grass-roots business and investment? What is the relationship to 'Environmental, Social and Governance (ESG)' priorities? What opportunities do the SDGs present for long term corporate value creation, economic growth and social welfare? Are investors shifting capital to companies that are tangibly contributing towards the SDGs? What regulatory measures are underway to ensure the SDGs are achieved within an appropriate time-frame? To what extent are companies embracing requirements set out under the Taskforce on Climate Related Disclosures?

16:15 - 16:30 – **Closing Remarks**

November 8, 2019

TO: Each Member
Board of Investments

FROM: Real Assets Committee

James Rice, CFA JR
Principal Investment Officer

Daniel Joye DJ
Investment Officer

Brenda Cullen BC
Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **REAL ASSETS 2019 STRUCTURE REVIEW**

RECOMMENDATION

1. Approve the Real Assets 2019 Structure Review as advanced to the Board of Investments by the Real Assets Committee.
2. Approve the Addendum to the Structure Review provided by staff.[1]

BACKGROUND

On September 11, 2019, staff presented the Real Assets 2019 Structure Review ("Structure Review") and proposed the investment plan and category allocation guidelines to the Real Assets Committee ("Committee"). The Committee voted to advance the proposed plan to the Board of Investments ("Board") while asking staff to include considerations of direct investing and local investments in infrastructure, including the resources and time needed when brought to the Board for approval.

DISCUSSION

The following documents are enclosed: the Real Assets 2019 Structure Review memo presented to the Committee (**Attachment**), the Structure Review presentation (**Attachment 1**), Real Assets consultant's memo (**Attachment 2**), the Real Assets 2019 Structure Review Addendum: Review of Direct and Local Investing (**Attachment 3)**, and a concurrence memo from LACERA's dedicated Real Assets consultant, Albourne (**Attachment 4**). The first staff recommendation in

[1] This Recommendation is provided by staff and was not part of the Structure Review advanced to the Board.

this memorandum is the approval of the Structure Review as it was advanced by the Committee to the Board. The second recommendation is the result of staff's consideration of a more direct investment approach and investment in local infrastructure transactions. Staff and Consultant analysis on these topics was requested by the Committee at the last meeting and is addressed in the Structure Review Addendum. Therefore, the second recommendation provided by staff in this memo is new and was not advanced by the Committee at the September meeting.

OPTIONS AVAILABLE TO THE BOARD

The Board could approve the recommendation, thereby affirming the proposed portfolio structure and future initiatives for the Real Assets Program. Alternatively, the Board could choose not to approve the recommendation. Staff would then incorporate the Board's feedback and make a revised recommendation to the Committee or to the Board.

DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

An extended discussion occurred over the course of the meeting centered around direct investments by LACERA and local investing in infrastructure. One Committee member inquired about the use of Public Private Partnerships as an investment approach. A discussion arose on the benefits of direct investing as a way to reduce fees paid through traditional fund vehicles. One Committee member proposed the benefits of local investing for LACERA. Another Committee member noted that direct investing could present an avenue for LACERA to own and operate local infrastructure. Further discussion centered on the resources that would be required and the timeline to implementation, with several members expressing a desire that direct investing be considered at a time before the deployment of capital in traditional private fund partnerships. The Committee approved advancement of the Structure Review to the Board for approval but directed staff to provide the Board of Investments with more detail on investing directly and in local assets within the Real Assets allocation.

RISKS OF ACTION AND INACTION

If the Board approves the recommendation, staff would implement the initiatives identified in the Structure Review and the Addendum. As part of this process, the Board would have additional opportunities to opine on fund managers as they are individually recommended. In this way, the risk of action is limited. The risk of inaction is the delay in implementing a private investment program within the Real Assets allocation. This delay could have a negative impact on the expected return of this asset class, in turn decreasing the expected return of the Total Fund as LACERA's asset allocation study forecasts higher returns for private investments in Infrastructure and Natural Resources than those of their public market equivalents.

CONCLUSION

Staff has proposed a Structure Review and the Addendum to lay out the portfolio structure for the Real Assets program and set forth future initiatives. The Real Assets Committee reviewed staff's proposals and advanced the Structure Review to the Board for approval. The Addendum includes additional detail on achieving a more direct structure and in local investments in infrastructure. This material is presented with Albourne's concurrence memo in the attached documents.

Attachments

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

JR:DJ:mm

August 28, 2019

TO: Each Member
Real Assets Committee

FROM: James Rice, CFA
Principal Investment Officer

Daniel Joye
Investment Officer

Brenda Cullen
Investment Officer

FOR: September 11, 2019 Real Assets Committee Meeting

SUBJECT: **REAL ASSETS 2019 STRUCTURE REVIEW**

RECOMMENDATION

Advance the Real Assets 2019 Structure Review as recommended on page 25 of **Attachment 1** to the Board of Investments for approval.

BACKGROUND

Consistent with current practices, a structure review has been prepared for the Real Assets program, excluding Real Estate. Given the launch of Real Assets as a new asset category, resulting from the 2018 Asset Allocation Study, this structure review establishes the portfolio structure for the Real Assets program and sets forth future initiatives.

DISCUSSION

The materials of the structure review are provided as **Attachment 1**. Going forward, the structure review will be conducted every two years.

The attached structure review replaces the Annual Investment Plan and, in part, the Objectives, Policies, and Procedures documents that have historically governed the private asset classes at LACERA. The Real Asset program's role, objectives, and parameters are incorporated in the attached structure review, following the practice of the recently conducted Hedge Funds and Private Equity structure reviews. The program's procedural practices will be detailed in a future Procedures document which will cover all asset classes. The procedures for private Real Assets investments will closely follow the practices currently in place for LACERA's other private asset investments and the public market Real Assets investments will closely follow the practices for LACERA's other public market asset categories.

LACERA's specialty Real Assets consultant, Albourne, reviewed the 2019 Structure Review document and concurs with its recommendations (**Attachment 2)**.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JR:DJ:BC:mm

ATTACHMENT 1

Real Assets
2019 Structure Review

Real Assets Committee

September 11, 2019

James Rice – Principal Investment Officer, CFA
Daniel Joye – Investment Officer
Brenda Cullen – Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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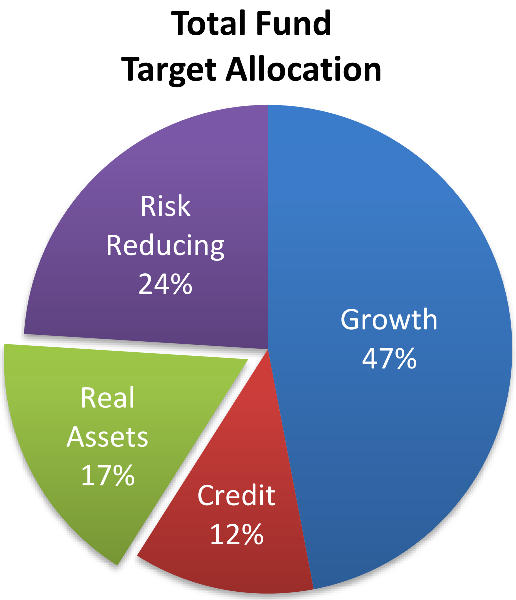
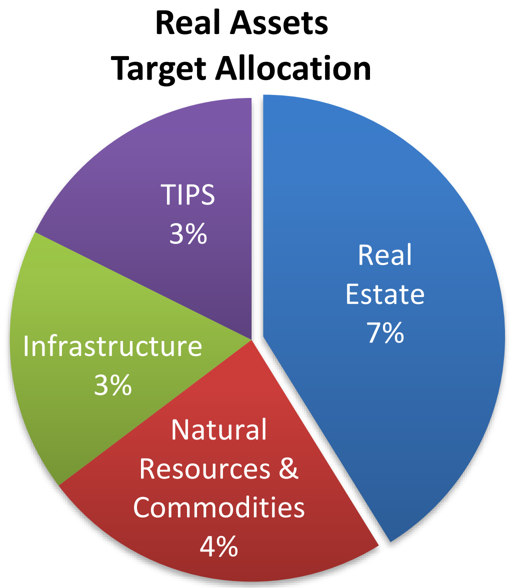
Role of Real Assets





Investment Policy Statement

- Income generation
- Hedge against inflation
- Diversification of fund

Asset Class	Target Allocation	Target Range	Benchmark
Real Assets & Inflation Hedges	**17%**	**+/- 3%**	**Custom Blend**
Core & Value-Added Real Estate	7%	+/- 3%	NFI ODCE + 50 bps (3-month lag)
Natural Resources/Commodities	4%	+/- 2%	50% Bloomberg Commodity/50% S&P Global LargeMidCap Commodity and Resources
Infrastructure	3%	+1/- 3%	Dow Jones Brookfield Global Infrastructure
TIPS	3%	+2/- 3%	Bloomberg Barclays U.S. TIPS

Role of Real Assets

Asset Class	Current Allocation $mm (as of 7/31/19)	Current Allocation % (as of 7/31/19)	Interim Target Allocation 3Q19	Final Target Allocation 4Q19
Total Fund	$58,600			
Real Assets & Inflation Hedges	$8,934	15.2%	15%	17%
Core & Value-Added Real Estate	$5,356	9.1%	8%	7%
Natural Resources/Commodities	$1,863	3.2%	3%	4%
DWS Natural Resources Equities	$446	0.8%		
Credit Suisse Commodities	$420	0.7%		
Neuberger Berman/ Gresham Commodities	$443	0.8%		
PIMCO Commodities Plus	$441	0.8%		
Former Private Equity Energy Funds	$112	0.2%		
Infrastructure	$1,190	2.0%	2%	3%
DWS Infrastructure Equities	$1,190	2.0%		
TIPS	$514	0.9%	2%	3%
BlackRock TIPS	$514	0.9%		

Portfolio Structure Sub-Categories

Asset Class	Income Generation	Inflation Linkage	Diversification Benefits
Infrastructure			
Core	High	Medium	High
Core+ / Value Add	Medium	Medium	Medium
Opportunistic	Low	Medium	Low
Emerging Market	Low	Medium	Low
Natural Resources			
Energy	Medium	High	Medium
Metals & Mining	Low	Medium	Medium
Agriculture	Medium	Medium	Medium
Timberland	Medium	Medium	Medium
Commodities	Low	High	High
TIPS	Low	Medium	High

Infrastructure

- More defensive than public equities
- Income generation and diversification

Natural Resources

- Driven by two cycles: commodities and equities
- Inflation hedging and income generation

Commodities

- Different cycle dynamics than equities
- Inflation hedging and diversification

TIPS

- Inflation linkage through direct return of CPI plus real yield over bond life
- Diversification by preservation in down markets and inflation linkage

Natural Resources Private Equity

Sub-Category	Proposed Allocation Range	Target Deal Returns[1]	Expected Net Fund Returns[2]
Energy	30 - 70%	10 - 20%	8 - 20%
Metals & Mining	0 - 40%	12 - 25%	8 - 20%
Agriculture	0 - 25%	7 - 20%	5 - 11%
Timberland	0 - 25%	7 - 15%	5 - 8%

- Natural Resources sub-categories differ based on linkage to inflation, yield, and economic sensitivity
- Natural Resources will generally focus on equity investments
- Risk spectrum based on potential asset value tied to current production; energy opportunities example:
  - Lower risk: developed and producing assets
  - Moderate risk: future production tied to development capital
  - Higher risk: exploration acreage requires successful discovery plus development
- Initial geographic focus: developed markets and global funds

[1] Source Albourne. Target Deal Returns are based on manager underwriting of deals in each respective strategy, NOT realized results (i.e. not adjusted for potential losses).
[2] Source Albourne. Expected Net Fund Returns are Albourne’s estimated loss-adjusted IRRs (net of fees) for funds in each respective strategy.

Infrastructure Private Equity

Sub-Category	Proposed Allocation Range	Target Deal Returns[1]	Net Fund Returns[2]	Asset Characteristics
Core	20 - 60%	7 - 9%	6½ -7½%	Defensive, contracted assets, asset value based current yield
Core+ / Value-Add	10 - 50%	9 - 14%	8 - 10%	Balanced income/capital appreciation, regulatory protection
Opportunistic	0 - 40%	12 - 15%	9 - 12%	Business risk, targeting total return over income
Emerging Markets	0 - 20%	12 - 20%	12 - 16%	Higher political or economic environment risks

Industrial Sector	Examples
Energy/Utilites	Midstream, transmission & distribution systems, storage facilities, power generation
Transportation	Toll roads, bridges, tunnels, airports, seaports, rail & mass transit, parking facilities
Communications	Fiber networks, communication towers, satellite systems, data centers
Water & Waste	Water transportation, water rights, water treatment & distribution, waste treatment

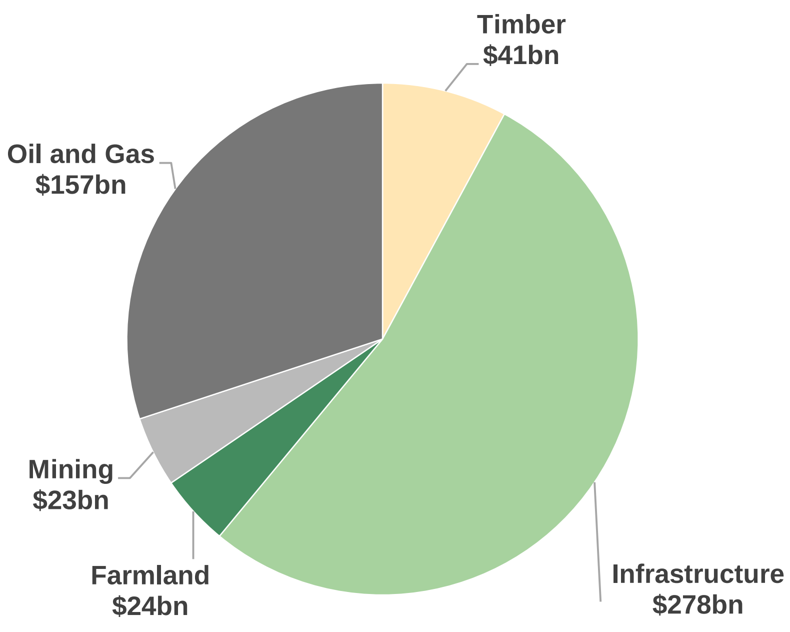
- Infrastructure sub-categories differ based on risk premium and income generation
- Infrastructure investments will generally focus on equity within capital structure
- Initial geographic focus: developed markets & global funds

[1] Source Albourne. Target Deal Returns are based on manager underwriting of deals in each respective strategy, NOT realized results (i.e. not adjusted for potential losses).
[2] Source Albourne. Expected Net Fund Returns are Albourne's estimated loss-adjusted IRRs (net of fees) for funds in each respective strategy.

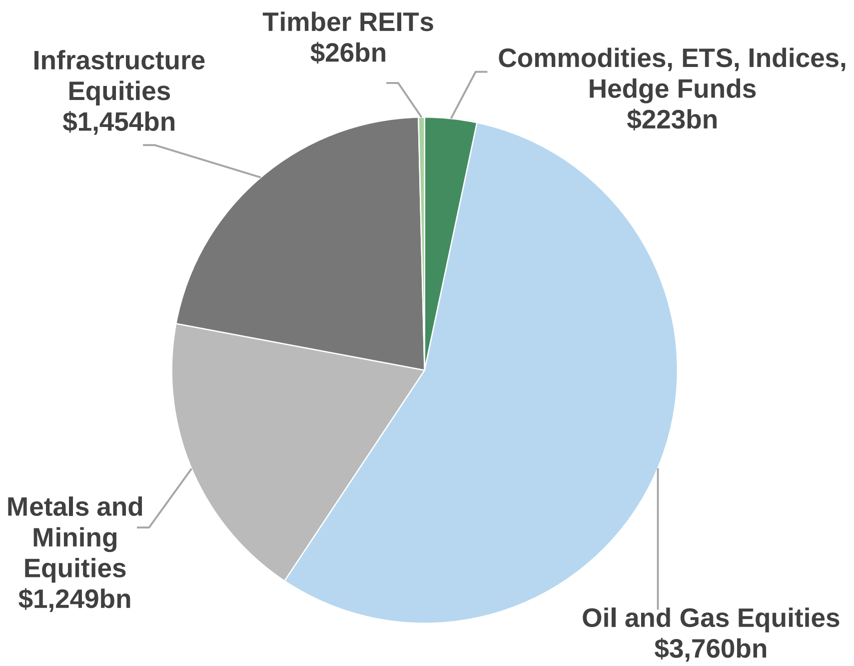
Universe Size

We estimate the institutional global Real Assets universe (public and private) to total over U.S.$7.5 trillion (exclusive of Real Estate) as of 4Q2018.

Institutional Private Assets under Management



Public Market Listed Investments



Sources: Albourne, CFTC, Duff and Phelps, Fidelity, Macquarie, Preqin, Timberlink LLC, S&P, Bloomberg, Value Today, NCREIF
Note: These figures represent best estimates based on information from publicly available research and Albourne research.

Trends in Infrastructure

Infrastructure

General need for infrastructure

- In the U.S. alone, the infrastructure sector needs $3.6 trn to maintain its current status according to PwC.
- The American Society of Civil Engineers rated U.S. infrastructure as a D+ in 2016.

Return compression

- Due to the recent involvement of pensions, SWFs, and insurance companies with lower cost of capital, core infrastructure assets have been sold at higher multiples, compressing returns.

Mega-Funds

- Between 2014 and 2018, we witnessed ever increasing fund sizes and increased co-investment activity between GPs and LPs.

Asset class expansion

- Renewable power has found its way into value-add infrastructure funds looking for long-term concessions and first mover advantages.
- PPPs are an established framework in Europe and are now starting to receive attention in the U.S.
- Definition of economically necessary assets.

Environmental

- ESG considerations have become an increasingly important aspect of Real Assets, including Infrastructure, as a natural extension of the underwriting process.
- Important considerations include regulatory considerations, climate adaptation, economic risk, transitional opportunities, and capital/reputational preservation.
- Best practices, improved governance oversight, and proactive social considerations have led to value enhancement.

Trends in Natural Resources

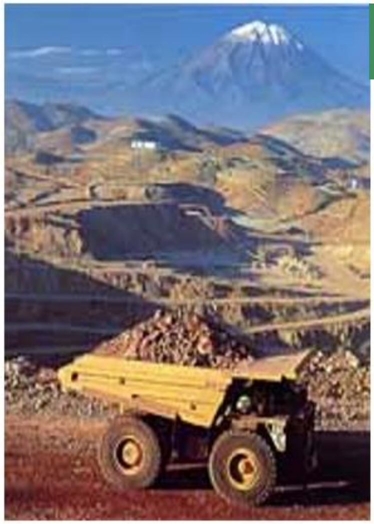
Energy

Sector Trends

- The U.S. is the most active market globally on several metrics.
- Shale revolution has been fully realized and valued, leading to new alpha drivers and increased beta.
- Technology advancement and financial structures are emerging as differentiators.

Considerations

- ESG considerations have become critical in investment assessment and valuation and are equally important in vetting opportunities and partners. Managers and portfolio companies are classified as reactive, compliant, or proactive in a dynamic space increasingly impacted by regulatory and social influences.
- Distressed or stranded assets require a new approach to valuation in a changing energy mix that is influenced by ESG issues.



Mining

Sector Trends

- Structurally best suited to capture a wide range of policy objectives.
- Still a nascent sub-strategy with few quality players.
- Opportunity set has remained consistent over last three years producing higher relative alpha than other strategies.

Considerations

- ESG factors are influential with respect to both reputational and economic outcomes.
- Important input for the transitional energy economy and economic growth.
- New technological advancements are an important part of environmental solutions, thus adaptation and best practices are critical key success factors (KSFs).
- Changing regulatory and jurisdictional considerations delineate between risk factors under consideration and must reflect the risk and reward for key strategies.

Trends in Natural Resources (cont.)

Timber

Sector Trends

- Now considered a fully efficient sub-strategy (risk and return well reflected).
- Beta dominates.

Considerations

- Niche strategies that highlight long established environmental considerations including carbon offsets, development mitigation, and sustainability, are expanding the opportunity set and enhancing value creation.
- Social engagement has expanded the definition of stakeholders beyond solely economic to incorporate public interest, adding emphasis to environmental considerations and portfolio utilization. This shift necessitates new expertise to optimize financial benefits from governance while also addressing value creation and preservation.

Agriculture

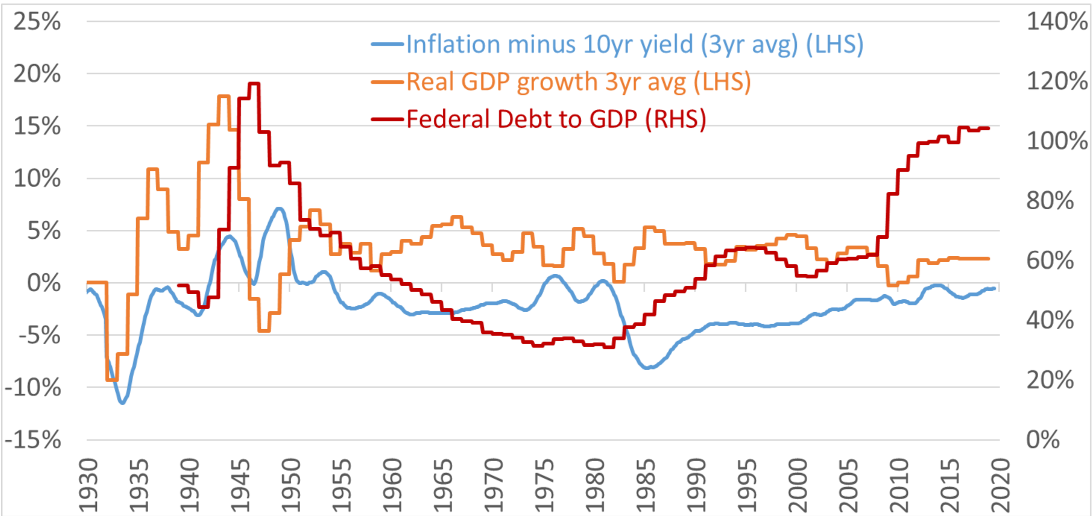
Sector Trends

- Return to historic performance drivers and move back towards trend.
- Structural developments are providing more customized paths to meet strategic objectives.
- 2018 saw the first significant expansion in capital raises and the opportunity set.

Considerations

- Development still provides the greatest opportunity, special consideration is given to social and environmental impact to ensure distinction between transitional agricultural and land use in order to achieve best practices and address social perception.
- Indirect play on water allows managers to provide capital to improve efficiency of scarce resources in a manner that improves the resource itself. Academic and stakeholder partnerships are becoming a key success factor in this strategy.

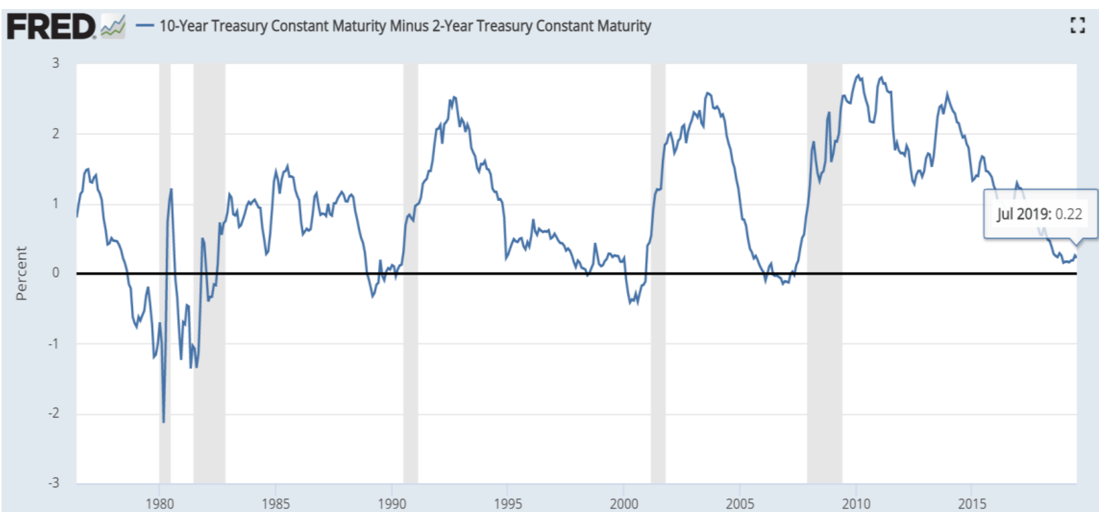
Market Environment and Outlook



Source: Federal Reserve of St. Louis, Shiller Data, LACERA.

Inflationary pressures have not gone away

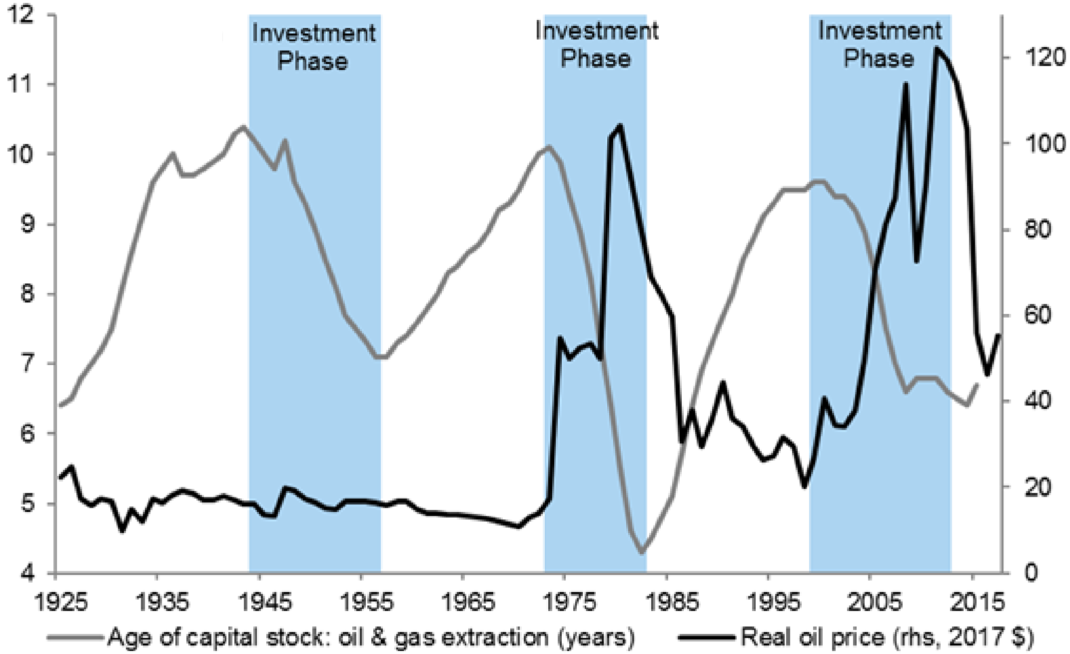
- Federal debt/GDP ratio at post WWII highs
- Federal Reserve setting "symmetric" 2% inflation target



Flat-to-inverted yield curve reflects market expectations for lower rates which may signal economic slowdown

- Yield curve (monthly average) at lowest point in a decade

Market Environment and Outlook



N.B. U.S. oil prices were de facto regulated prior to 1973.
Source: BEA, BP, Goldman Sachs Global Investment Research.

<u>Change in oil cycle points to "lower for longer" energy prices</u>

- Energy price increases foster "investment phase" driven by technological innovation:
  - -1970s: offshore drilling
  - -2000s: shale revolution
- Energy price returns usually muted after technological innovation

<u>Summary</u>

- Focus on preserving inflation hedge
- Maintain diversification benefits in down markets
- Seek current income as well as opportunities for capital appreciation where appropriate

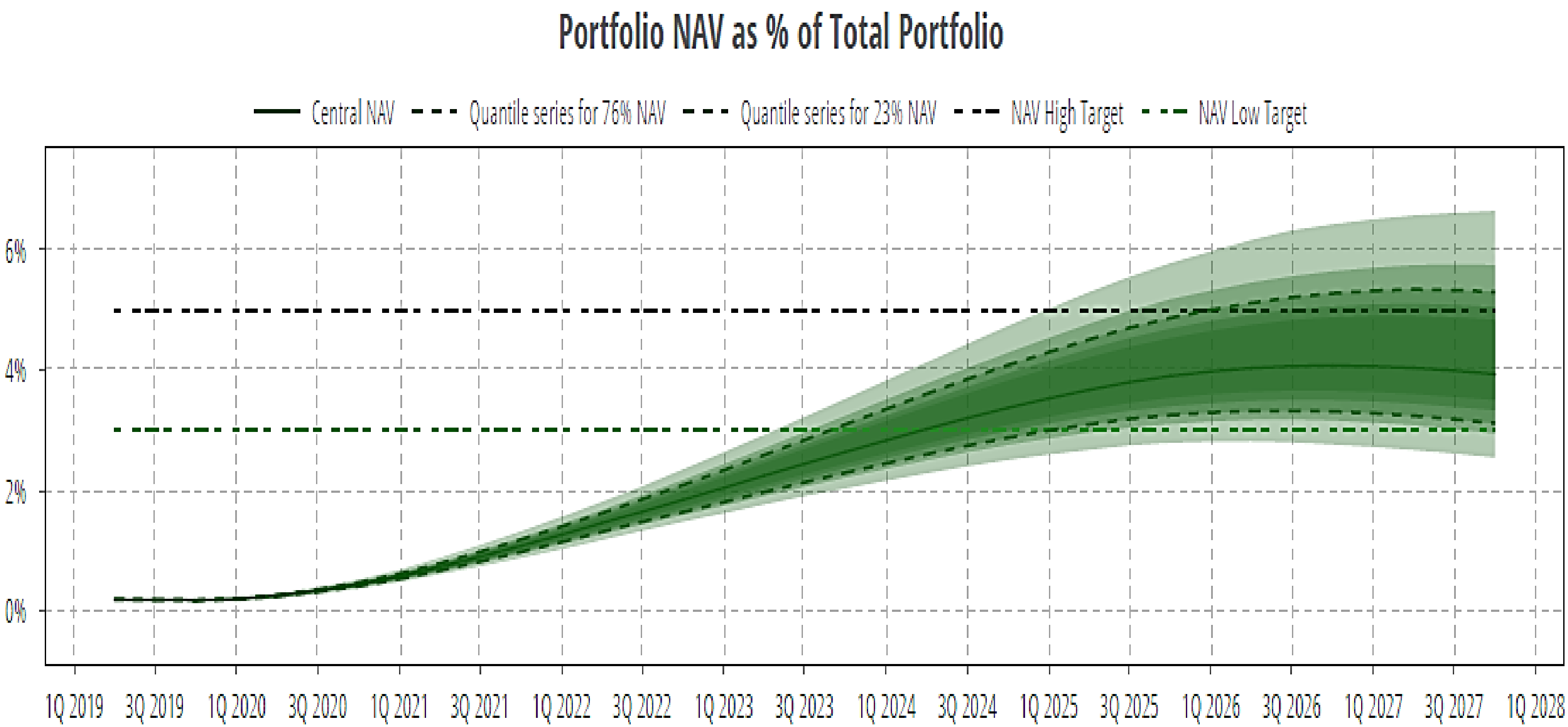
Portfolio Construction

- Create differentiated portfolio providing diversification across
  - Sectors, sub-sectors, and industries within infrastructure and natural resources
  - Risk spectrum: core, value-add, opportunistic
  - Vintage years
  - Exposures to income, inflation, and equity-type risk
- Typical commitment size
  - Infrastructure:
    -up to 4 funds / year at $75-$500 MM commitment
    -anchor open-ended fund up to $500MM commitment in 2020
  - Natural Resources: up to 4 funds / year at $75-$500 MM commitment
- Multiple fund structures
  - Closed-ended: primary vehicle for obtaining exposures
  - Open-ended: possibly used as larger anchor investment to gain early exposure to income-producing core infrastructure and agriculture
  - Other structures: direct-investment / separate account; co-investment; club-investments

Open-Ended Funds

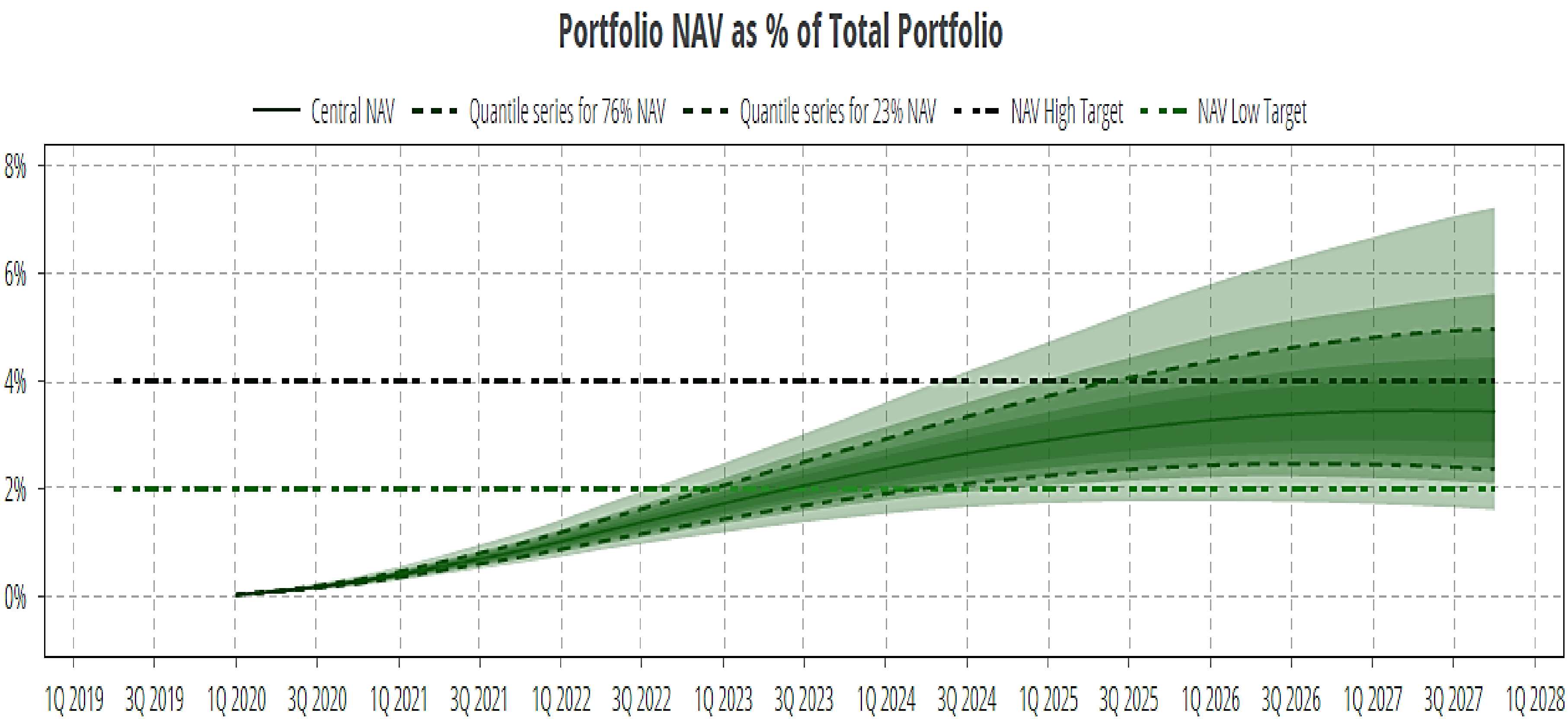
- Pros
  - Ability to gain exposure more quickly
  - No fees on committed capital
  - Bias towards income generation
  - Timing: main funds are core, which can achieve a portfolio less sensitive to downturns
  - Visibility into existing portfolio
  - Liquidity: fund has yearly cash-outs and ongoing cash distributions
- Cons
  - Capital can sometimes take over a year to deploy
  - Need to get comfortable with existing assets in fund
  - Lack of market transactions to assess buy-in and cash-out values
  - High valuation levels of core infrastructure assets compressing yield distributions
  - Liquidity: may be scarce in a downturn

Private Markets Pacing: Natural Resources



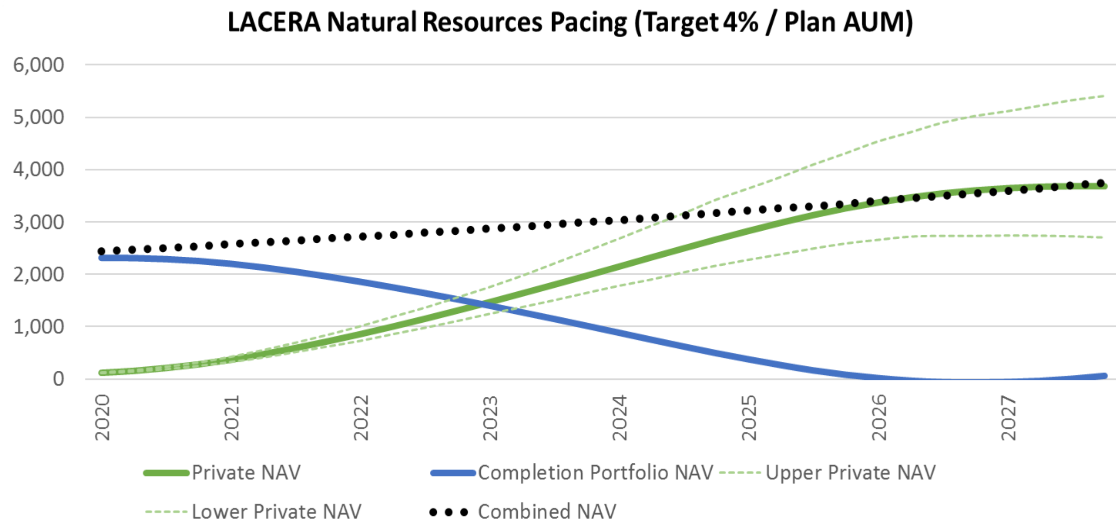
Private allocation target of 4% expected in 2026

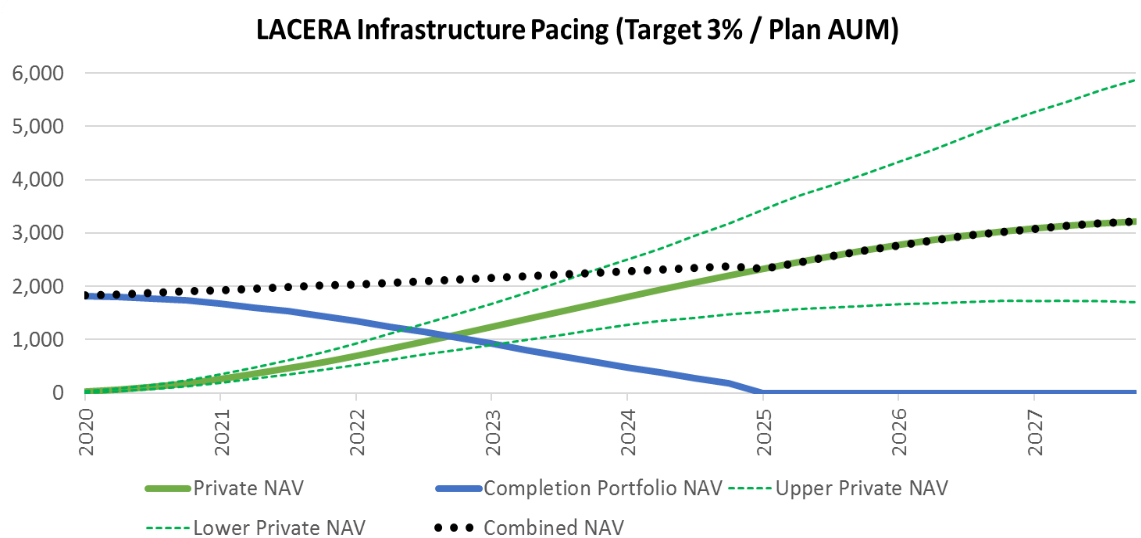
Private Markets Pacing: Infrastructure



Private allocation target of 3% expected in 2025

Liquid Market Real Assets Are Source of Funds





Private Natural Resources investments funded from

- Completion portfolio
- Commodity futures

Private Infrastructure

- Investments funded from completion portfolio

Private Markets Commitment Pacing Schedule

Modeled Commitment Schedule ($ millions)		
Year	Infrastructure	Natural Resources
2020	$1,100*	$1,105
2021	$825	$995
2022	$750	$830
2023	$525	$840
2024	$400	$790

Expected annual commitment ranges for 2020 and 2021

Infrastructure: $700-$1,200MM

Natural Resources: $500-$1,000MM

Pacing benefits

- Vintage year diversification
- Reduced risk of overshooting

* Assumes $400MM investment in an open ended infrastructure fund in 2020.

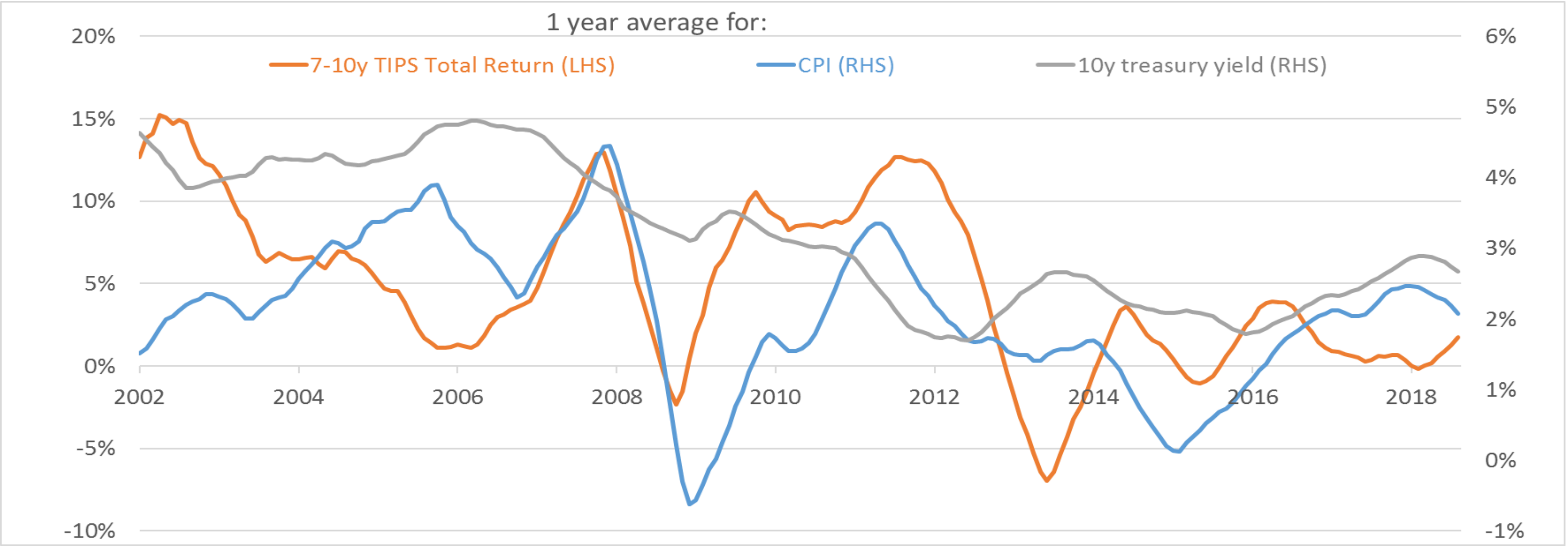
Investment Process

- Public Markets Managers
  - Manage similar to other public asset classes: ongoing monitoring, review, compliance
- Private Markets Investments
  - Sourcing through direct manager contact, prior efforts in the energy fund universe, existing managers for LACERA, Albourne database and other referrals
  - Manage pipeline of fund opportunities in closed-end fundraising cycle
  - Review of smaller universe of open-ended fund providers as early program priority
  - Review process leading to recommendations to be developed with internal investment committee and participation outside of Real Assets team
  - Private Fund recommendations to BOI to follow similar process for Private Equity: staff recommendation accompanied by consultant memo

Benchmarks

- Benchmark review to be conducted next year once assets reach target allocation
- Private market benchmark: consider using public market benchmark + premium
- Vintage year universe fund data to be used as check on private asset program and individual fund performance
- TIPS and commodities benchmarks to be reviewed next year as well

TIPS Combine Duration & Inflation Exposure



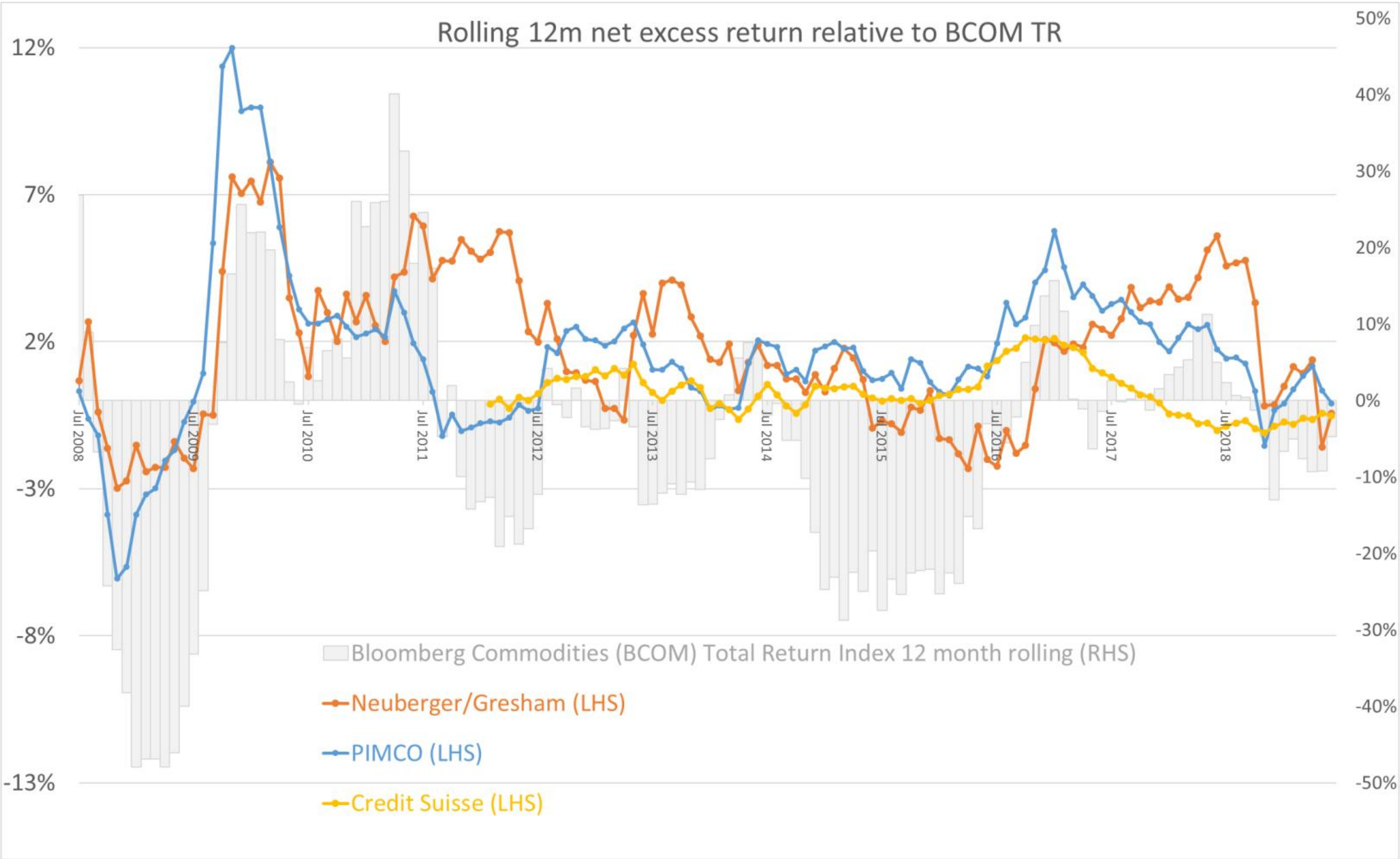
Source: Federal Reserve of St. Louis, Bloomberg, LACERA.

<u>TIPS more exposed to treasuries than to inflation</u>

- CPI explains 15% of the returns of TIPS
- Treasury returns account for 49% of TIPS returns
  - <u>**Why?**</u>: when inflation goes up > rates go up > treasury returns go down > value of TIPS goes down since treasury component larger effect than inflation component

Commodities Managers Rolling Excess Return

- Managers' excess return is relatively uncorrelated



Environmental, Social, and Governance Factors

- **<u>LACERA mission</u>** "Produce, Provide and Protect the Promised Benefits"
- **<u>ESG</u>** approach includes using a framework to provide a sustainable rate of return over the long-term life of private investments
- **<u>Public and Private Natural Resources & Infrastructure Managers</u>** will be evaluated and monitored on:
  - Assessment of material ESG factors in their own investment process
  - Resources dedicated to ESG monitoring
  - Management ability to operate assets responsibly to high ESG standards
  - Transparency of reporting which fosters visibility into ESG considerations
- Evaluation tools include questionnaires (LACERA, PRI, and Albourne) and dialogue during diligence process
- ESG results incorporated into manager scorecard

Advance to Board of Investments

Staff recommends advancing the 2019 Structure Review and the following initiatives:

- Building a private natural resources and infrastructure portfolio within the following allocation ranges:

Natural Resources	Proposed Allocation Range
Energy	30-70%
Metals & Mining	0-40%
Agriculture	0-25%
Timberland	0-25%

Infrastructure	Proposed Allocation Range
Core	20-60%
Core+ / Value Add	10-50%
Opportunistic	0-40%
Emerging Markets	0-20%

- Making private Fund Commitments in 2020 within the following ranges:

Commitment Schedule ($mm)		
Year	Infrastructure	Natural Resources
2020	$700 to $1,200	$500 to $1,000
2021	$700 to $1,200	$500 to $1,000

- Funding for private investments in Infrastructure and Natural Resources to come from public market completion and commodities portfolios

- Evaluating investment in open-ended infrastructure fund in 2020 up to $500MM

Appendix

Commodity Managers Beat Negative Index

As of 6/30/2019			Excess return				
	Since		Neuberger/ Gresham	PIMCO Commodity	Credit Suisse	Composit	BCOM TR
Gross	6/30/2018	1 year	-0.5%	0.6%	-0.1%	0.0%	-6.8%
	6/30/2016	3 year	2.6%	2.6%	0.3%	1.9%	-2.2%
	6/30/2014	5 year	1.2%	2.1%	0.6%	1.4%	-9.1%
	3/31/2011	8.25 years	1.9%	1.8%	0.6%		-8.2%
	6/30/2009	10 year	2.4%	2.3%		2.1%	-3.7%
Net	6/30/2018	1 year	-0.9%	0.3%	-0.4%	-0.3%	
	6/30/2016	3 year	2.3%	2.2%	0.0%	1.6%	
	6/30/2014	5 year	0.9%	1.8%	0.3%	1.0%	
	3/31/2011	8.25 years	*1.6%*	*1.3%*	0.3%		
	6/30/2009	10 year	2.0%	1.8%		1.6%	
Fees	6/30/2018	1 year	-0.4%	-0.3%	-0.3%	-0.3%	
	6/30/2016	3 year	-0.4%	-0.4%	-0.3%	-0.3%	
	6/30/2014	5 year	-0.3%	-0.4%	-0.2%	-0.3%	
	3/31/2011	8.25 years	*-0.4%*	*-0.5%*	-0.3%	-0.4%	
	6/30/2009	10 year	-0.4%	-0.5%		-0.4%	
Collateral Alpha	6/30/2018	1 year	*0.5%*	0.6%	*0.1%*		
	6/30/2016	3 year	*0.4%*	1.0%	*0.2%*		
	6/30/2014	5 year	*0.4%*	0.6%	*0.2%*		
Implied Commod Alpha	6/30/2018	1 year	-1.0%	0.1%	-0.2%		
	42551	3 year	2.2%	1.6%	0.1%		
	41820	5 year	0.9%	1.6%	0.4%		
Tracking error	6/30/2018	1 year	4.6%	2.8%	0.5%	2.5%	
	6/30/2016	3 year	3.0%	1.9%	0.5%	1.6%	
	6/30/2014	5 year	2.7%	1.8%	0.5%	1.4%	
Information Ratio	6/30/2018	1 year	(0.19)	0.11	(0.83)	(0.13)	
	6/30/2016	3 year	0.76	1.19	0.04	1.00	
	6/30/2014	5 year	0.32	1.00	0.63	0.75	

Bloomberg Commodities Index negative over historic time periods

Next steps for 2020

- Review benchmark
- Examine alternatives to current implementation

Note: Fees on the 8.25 year time frame for Gresham and PIMCO are estimated based on 10 year gross vs. net returns.

ALBOURNE

LACERA Real Asset Structure Review Concurrence Memo

September 11th, 2019

To: Each Member
Board of Investments

From: James Walsh, Mark White
Albourne America LLC

For: September 11th, 2019 Board of Investments Meeting

Subject: Real Assets Structure Review

Recommendation: Advance the 2019 Structure Review of LACERA Real Assets Portfolio for approval.

Background: Albourne America LLC is honored to work with LACERA on the Real Asset portfolio. Staff has prepared the 2019 Real Assets Structure Review for the Board of Investments for its consideration and ultimately approval. Albourne America LLC has reviewed the Structure Review and agrees with the recommendations.

The Structure Review re-asserts the Investment Objectives as updated in November 2018, which emphasize income generation, inflation protection, risk mitigation characteristics of the portfolio to achieve uncorrelated risk adjusted returns complementary to the overall investment plan. Commensurate with that, the Staff of LACERA recommend building a private Natural Resources and Infrastructure portfolio. The Natural Resources portfolio, including Commodities will be up to 4% of total Plan value and include potential allocations to Energy, Metals and Mining, Agriculture, and Timberland. The Infrastructure portfolio will be up to 3% of total Plan value and consist of Core, Core Plus/Value Added, Opportunistic and Emerging Market sub-strategies. The review further outlines a plan to establish allocations to high quality and diversifying managers gaining potential economies of scale and benefits and possible investment structuring leverage. Staff has provided sizing targets to potential sub-strategies and set ranges of allocations for asset allocation.

Conclusion: Staff's Structure Review outlines the focus of the Real Asset portfolios role to meet three key Plan objectives and the action points to move in that direction.

Please feel free to contact us if you have any questions.

Sincerely,

James Walsh

ALBOURNE

LACERA Real Asset Structure Review Concurrence Memo

Important Notice

The information in this report does not contain all material information about the funds that are the subject of this report, its investment manager, any of their affiliates or any other related entity to which this report relates, including important disclosures and risk factors associated with an investment in the fund. As used herein, the term "Fund" refers to (i) the specific fund that is the subject of this report, (ii) collectively, the specific fund that is the subject of this report, its investment manager, any of their affiliates or any other related entity to which this report relates, or (iii) investment funds generally, as the context requires.

Before making an investment, LACERA should obtain and carefully review the relevant fund offering documents before investing in the Fund mentioned herein, as such documents may contain important information needed to evaluate the investment and may provide important disclosures regarding risks, fees and expenses. Funds are speculative, involve a high degree of risk, and are illiquid. Past performance is not indicative of future results and LACERA could lose all or a substantial amount of any investment it makes in such Funds. Furthermore, Funds may involve complex tax structures and delays in the distribution of important tax information, may have a limited operating history, may be highly volatile, and there may not be a secondary market for Fund interests. There may be restrictions on redemptions and transfers of Fund interests and such interests may otherwise be illiquid. Funds may also be highly leveraged and may have a fund manager with total investment and/or trading authority over the Fund. It should also be noted that, in the case of hedge funds, there may be a single adviser applying generally similar trading programs with the potential for a lack of diversification and corresponding higher risk; hedge funds may also affect a substantial portion of trades on foreign exchanges, which have higher trading costs.

This report, and the information contained herein, is confidential and for the sole use of LACERA and its Approved Persons. This report may not be reproduced, distributed or transmitted in whole or in part to any third party, except as otherwise permitted under the agreement between Albourne America LLC and LACERA.

ATTACHMENT 3

Real Assets
2019 Structure Review Addendum
Review of Direct and Local Investing

Board of Investments
November 20, 2019

James Rice – Principal Investment Officer, CFA
Daniel Joye – Investment Officer
Brenda Cullen – Investment Officer
James Walsh – Albourne
Mark White - Albourne

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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Real Assets Committee Review

From September Committee Presentation

Portfolio Construction

- Create differentiated portfolio providing diversification across
  - Sectors, sub-sectors, and industries within infrastructure and natural resources
  - Risk spectrum: core, value-add, opportunistic
  - Vintage years
  - Exposures to income, inflation, and equity-type risk
- Typical commitment size
  - Infrastructure:
    - -up to 4 funds / year at $75-$500 MM commitment
    - -anchor open-ended fund up to $500MM commitment in 2020
  - Natural Resources: up to 4 funds / year at $75-$500 MM commitment
- Multiple fund structures
  - Closed-ended: primary vehicle for obtaining exposures
  - Open-ended: possibly used as larger anchor investment to gain early exposure to income-producing core infrastructure and agriculture
  - Other structures: direct-investment / separate account; co-investment; club-investments

November Addendum

Expanded analysis of "Other structures"

- Alternative structures to access real asset investments with a more "direct" approach
- Consideration of a local infrastructure investment strategy

Analysis included:

- Research on other pension plans including "collaborative model" and "Canadian model"
- Phone discussions with Los Angeles-based and other U.S.-based pension plans

Direct Investment Structure Types

- **Capital Provider:**
  - **Discretionary Co-Investment with General Partner (GP) delegation:** the GP has control and will invest with a predetermined set of parameters established by the Limited Partner (LP).
  - **Non-Discretionary Co-Investment with General Partner:** LP (e.g. LACERA) invests alongside GP on certain assets that are too big for commingled fund, i.e. asset is also held within commingled fund.
  - **Separately Managed Account through General Partner:** LP establishes the portfolio objective and selects a GP to execute under predetermined terms. LP is the single holder of the account.
  - **Direct Co-Investment:** Direct investment made with an unaffiliated partner (no pre-existing relationship). A (potentially) separate leading party sources, structures, and executes the transaction.
- **Deal Generator:**
  - **Club Deals:** consortium of LPs who, together, target certain assets without presence of a GP.
  - **Joint Venture with Operating Partner:** A single transaction that is sourced by the institution with secure governance rights similar to that of growth equity in Private Equity.
  - **Separately Managed Account through Operating Partner:** An established platform with a dedicated pool of capital and a selected operating partner. The opportunity could be an inbound or outbound inquiry.
  - **Direct (Pure):** pension takes direct operational control of a company. There are no longer any GPs involved.

Direct investments - What and How

- Direct investing definition is broad, spanning a variety of relationships and structures.
- Most basic level is absence of intermediary between investor and asset (only a handful of plans, i.e. Canadian and Australian, with tailored governance and years of development operate under this model).
- More commonly, strategic, non-commingled relationships used to access assets.

Traditional Routes in Real Asset Investing
Key Success Factors

	Sourcing Building Book	Deal Team Review	Execution Support Close
Path 1 Capital Provider	Execution Certainty Partner of Convenience Regulatory Provider First Call / Last Call	Generalist Modeling Macro Outsourced Analytics Buy into Relationships	Outsourced Legal Outsourced Financial Internal Accounting Internal Governance
Path 2 Deal Generator	Execution Certainty Regulatory Provider Sector Expertise Regional Expertise Operator Connections Supplier Connections	Expert Modeling Macro/Micro Data Source Internal Analytics Build Relationships	Internal Legal Internal Financial Internal Accounting Internal Governance Internal Technical

Common Key Success Factors for Direct Investments

Three key elements must exist for success:

Governance

- Regulatory Charter
- Policy & Accountability
- Execution
- Oversight and Measurement

- Charter clearly defines the ability to directly invest
- Policy establishes accountability that is well-defined with unambiguous responsibility for all parameters
- Execution accomplished expeditiously
- Performance measures and frequency of review codified

Skill

- Industry Specific
- Well-Resourced Across Divisions
- Time Earned
- Culture Specific

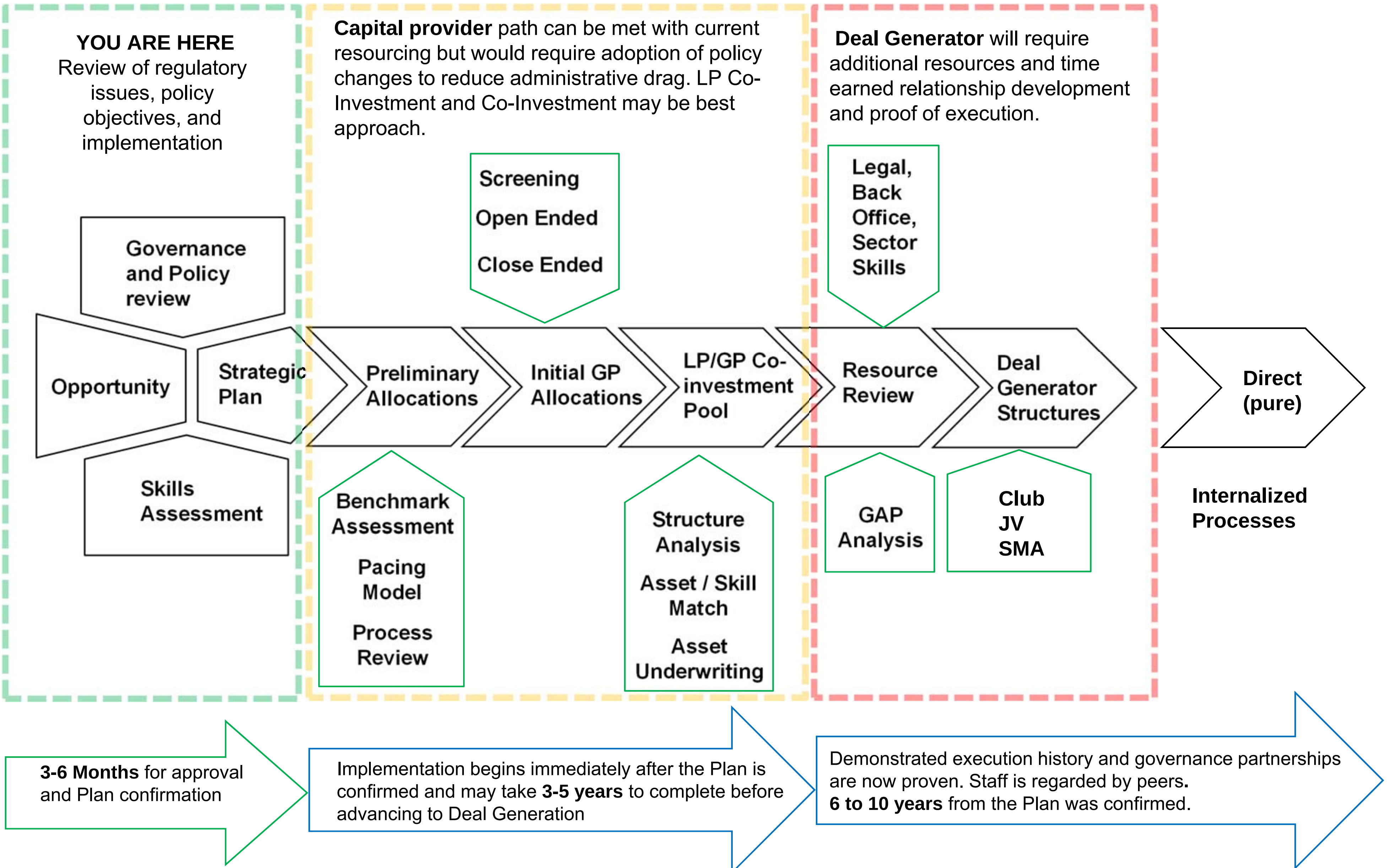
- Knowledge/skillset for targeted industries in place
- Additional resources allocated to legal and operations where necessary
- Issues do not arise at predetermined intervals and are learned over time
- Organizational culture critical, with shared objective and 100% buy-in

Opportunity

- Community
- Strategic
- Reputation

- Partner selection important: long-term relationships and ESG considerations (e.g. labor)
- Skill sets match opportunities
- Negotiation, execution, and partnership necessary components of virtuous circle

Timeline for Implementation



Framework on Local Direct Investment

- **Potential Objectives:**
  - Generate risk-adjusted returns in line with non-local investments
  - Reduce fees paid to managers
  - Invest in local community

CAVEAT: Limited data available on local direct investment plans for U.S.-based pensions; no data for L.A.-based pensions

- **Possible Implementation Paths**
  - Local co-investment opportunities
  - Use of Separate Account Manager with ability to make suitable local investments while meeting return objectives
    - Direct but non-controlling stakes
    - Limited program to avoid concentrated exposures

Framework elements:

- **Governance:** Increased execution speed/certainty requiring dedicated staff resources, increased delegation or financial intermediary
- **Concentration risk:** Controlling stake generally too big to build a diversified portfolio of infrastructure assets; diversification and global perspective are key LACERA Investment beliefs.
- **Potential for conflict of interest and reputational risk:**
  - Local infrastructure entities that are member-facing could encounter conflict between fiduciary duty of seeking returns and public concern about increasing rates
  - Question on fairness of auction if LACERA wins a local bid
  - Headline/asymmetric reputational risk (e.g. drinking water quality, fire caused by electric utility)
- **Return requirements:** LACERA funding has higher return threshold than tax-exempt municipal bonds
- **Legal:** IRC Section 503(b) - risk of losing tax exempt status in dealing with Los Angeles County and LACERA's member agencies

LACERA Real Assets Structural Plan Steps

Closed or Open Ended Funds	Generates future co-investment flow
Co-Investments and Secondaries	Larger internal staff oversees, brings in-house
Club/Syndicated Deals	With like-minded peers, ag, timber, oil and gas
Separately Managed Accounts	Use select managers for complementary investments
Direct Investments	Explore governance, compensation, legal needs

- At each step, governance considerations identified and brought to Board for approval
- Resources, both within and outside of the Investment office, to be addressed in annual budget
- Co-investments and secondaries to reduce fees and build intentional, diversified portfolio
- Exploration/evaluation of club deals, SMAs, to move further on "Direct" spectrum
- Beginning structural considerations for Direct investment program

Increase complexity over time

LACERA Implementation Timeframe

Today

- Team in place sized to allocation
- Public equities completion portfolio for exposure
- Evaluation of co-mingled funds underway
- Structure Review proposed to the Committee and Board
- Build upon experience gained from co-investment program in Private Equity and Direct exposure in Real Estate through separate account managers

Within 2 years

- Invest in open-ended and closed-ended funds targeting geographic and sector diversification
- Seek fund managers with co-investment flow
- Create execution certainty
- Evaluate club or directly sourced co-investments
- Explore separate account structures

In 2-5 years

- Additional staff build out
- Revisit portfolio structure
- Further review of investment decision processes

2019 Structure Review Recommendation

September 2019 Committee Advancement

Advance to Board of Investments

Staff recommends advancing the 2019 Structure Review and the following initiatives:

- Building a private natural resources and infrastructure portfolio within the following allocation ranges:

Natural Resources	Proposed Allocation Range
Energy	30-70%
Metals & Mining	0-40%
Agriculture	0-25%
Timberland	0-25%

Infrastructure	Proposed Allocation Range
Core	20-60%
Core+ / Value Add	10-50%
Opportunistic	0-40%
Emerging Markets	0-20%

- Making private Fund Commitments in 2020 within the following ranges:

Commitment Schedule ($mm)		
Year	Infrastructure	Natural Resources
2020	$700 to $1,200	$500 to $1,000
2021	$700 to $1,200	$500 to $1,000

- Funding for private investments in Infrastructure and Natural Resources to come from public market completion and commodities portfolios
- Evaluating investment in open-ended infrastructure fund in 2020 up to $500MM

November 2019 Addendum

- Commitments in the next two years may be in structures apart from open- or closed-ended funds
- Explore the use of structures to manage and source secondary investments and co-investments including potential local opportunities
- Explore use of separate account managers and club or syndicated deal structures

ATTACHMENT 4

ALBOURNE

To: Each member of the Board of Investments
From: James Walsh and Mark White, Albourne America LLC
For: November 20, 2019 Board Meeting

Subject: Structure Review of the Real Asset Portfolio

Recommendation: Approve Real Assets 2019 Structure Review and Structure Review Addendum

Background: Albourne America LLC, as advisor for LACERA's Real Asset portfolio, has worked with staff to develop a prudent course of action for the development and inclusion of direct opportunities in the Infrastructure and Natural resources portfolios. Staff has prepared the "Real Assets 2019 Structure Review and Structure Review Addendum" for the Board of Investments for its consideration and ultimately its approval. Albourne America LLC has also reviewed the objectives of the portfolio in conjunction with staff to better understand issues that should be addresses with respect to the proposals as outlined in the Staff Presentation of November 20, 2019 and agrees in principle with Staff's proposal. Albourne will work with Staff to consider any additional changes in 2020.

The Structure Review establishes a proposed pacing target over three years for both the Infrastructure and Natural Resources portfolios and a path to direct investments within each portfolio. Careful consideration was given to the history of LACERA's investment programs and the history of the global pension community with respect to capitalizing on opportunities outside of the traditional General Partner structure. The review further outlines the necessary elements of Governance, Skill, and Opportunity to improve the long run viability of the proposed program outlined in the Review Addendum.

Conclusion: Staff's Structure Review outlines the potential variables to be considered and identified potential mitigation steps that will improve the overall Real Asset portfolio and provided a plan to move towards including direct investments, when prudent, in the overall portfolio process.

Sincerely,

James Walsh — Head of Portfolio Group

Mark White — Senior Portfolio Analyst

Disclosure of Potential Conflicts

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November 5, 2019

TO: Each Member
Board of Investments

FROM: John McClelland
Principal Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

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

RECOMMENDATION

Adopt the Procurement Policy for Investment-Related Services.

DISCUSSION

Staff has drafted a Procurement Policy for Investment-Related Services (Procurement Policy or Policy) that describes how investment-related services may be procured on an on-going basis. **ATTACHMENT A** is the Policy, including changes made as a result of Board comments received on October 8, 2019. **ATTACHMENT B** is a clean version of the Procurement Policy.

The Policy is the result of input from the Board, all asset classes within the investment office, the Legal Office and the Board's general consultant, Meketa. The Policy is ready for adoption and will be reviewed and updated on a periodic basis.

As a reminder, the Procurement Policy only relates to investment-related services. Procurement of all non-investment-related services is expected to be controlled by LACERA General Policy Guidelines for Purchasing Goods and Services.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JM/dr

ATTACHMENT A

PROCUREMENT POLICY FOR INVESTMENT-RELATED SERVICES

Revised: ________, 2019

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Statement of Purpose

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

Legal Authority

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

A. Fiduciary Duty

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

B. Ethics and Code of Conflicts

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

C. Process

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

1. Introduction

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

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

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

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

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

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

Scope

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

Term

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

i. **Investment Managers**. Terms for agreements with separate account investment managers may be evergreen. Investment managers engaged via separate accounts and open-end comingled funds are monitored closely relative to return objectives, benchmarks, and alternative options. All contracts between LACERA and separate account managers must contain reasonable termination rights for LACERA.

ii. **Custody Services**. Engagements with custody service providers may be for terms of up to ten years and may provide for two one-year extensions at the discretion of the Chief Investment Officer. The Board will be notified of any extensions. Agreements with custody providers shall contain reasonable termination provisions.

iii. **Other Service Providers**. Other services procured using the Procurement Policy will have a term of no longer than five years, with two one-year extensions at the discretion of the Chief Investment Officer with respect to investment-related matters, or Chief Legal Counsel for the procurement of services for legal-related matters. The Board will be notified of any extensions.

2. Definitions

a) **Active Management** refers to investment managers whose investment strategy and process allow them to make investments that attempt to exceed their benchmarks.

b) **Board** means the LACERA Board of Investments

c) **Evaluation Team** means the group of individuals that have been assigned responsibility to review the search respondents relative to the criteria set forth in the search as well as to each other, as appropriate. Each phase of evaluation must be completed by the same participating members of the Evaluation Team. The Evaluation Team will include staff as appropriate and possibly a third-party advisor.

d) **Fund** or **Funds** means both the Los Angeles County Employees Retirement Association (LACERA), and the Other Post-Employment Benefits Master Trust (OPEB).

e) **Illiquid Investment** means securities or other assets that cannot easily be sold or exchanged for cash within one month without a substantial loss in value. These investments include private equities, private credit, private real assets (including real estate), and hedge fund strategy products. These assets are intended to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. They are not intended to be a source of short-term liquidity.

f) **Legal Services Procurements** means the procurement of investment-related legal services to assist in transactions or other investment matters.

g) **Liquid Investments** means securities and other assets that can be converted into cash quickly without material impact on fair value and where there is typically a transactional price available on a daily basis. These assets include global equities, investment-grade bonds, publicly-traded real estate and real assets, and overlays implemented via exchange-traded instruments.

h) **Miscellaneous Small Purchases** means the procurement of investment-related services for flat-fee or hourly compensation that may not exceed a total of $150,000 per provider for any single transaction or assignment, even if the services are provided over a five-year period. Small Purchases may be approved, and later renewed or extended every five years subject to a new $150,000 cap, jointly by the Chief Executive Officer and Chief Investment Officer. Small Purchases do not include any services for on-going investment management.

i) **Passive Management** refers to investment managers whose investment strategy and process are designed to replicate a benchmark.

j) **RFP** means open Requests for Proposals**.** An RFP is a public solicitation posted on LACERA's website inviting all qualified bidders to respond. Recommendations to initiate an RFP will be presented to the Board and will identify the recommended: (i.) Scope of Services; (ii.) Minimum Qualifications; (iii.) Search timing; (iv.) Structure of the Evaluation Team; (v.) Evaluation Criteria; and (vi.) Selection Authority.

k) **Selection Authority** refers to the body, group or individual that has authority to select the service provider that will be retained. This may be the Board, the Evaluation Team, the Chief Investment Officer, Chief Legal Counsel, or some combination of the above. A Selection Authority will be recommended to the Board for its approval for each procurement effort unless otherwise delegated in existing LACERA policy**.**

l) **Staff** means employees of LACERA.

m) **Trustee** means a member of the Board of Investments.

3. Service Being Procured and Selection Method

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

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

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

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

a) Investment Management Services

- Active Management
  - Liquid Investments

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

  - Illiquid Investments

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

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

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

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

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

b) Consulting Services

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

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

c) Other Investment Related Services

Numerous specialized investment related service providers that **do not** directly manage money are utilized to support Fund investment activities. Some specialized providers are on retainer or under an open contract for services as needed and are utilized repetitively to deliver expert services, such as legal counsel negotiating and documenting transactions. Other specialized providers may be retained to deliver ongoing operational support services, such as a master custodian or securities lending service provider. Still other specialized providers may be retained to deliver frequently needed services, such as private equity fee verifications or real estate appraisals.

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

d) Legal Services Procurements

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

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

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

e) Miscellaneous Small Purchases

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

4. Proposal Evaluation

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

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

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

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

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

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

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

5. Observance of a Quiet Period

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

A. The quiet period shall be maintained after the issuance of a solicitation and continue until a final selection is made or the process is otherwise terminated.

B. Initiation, continuation, and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.

C. During the quiet period, all Trustees and staff, except for designated LACERA contact persons, shall refrain from communicating with contractor candidates regarding any product or service offered by the candidate, except as permitted by Subsection G below.

D. During the quiet period, no Trustee or staff member shall accept meals, travel, lodging, entertainment, or any other good or service of value from the candidates.

E. All authority related to the search process shall be exercised, when the Board has authority under this policy, solely by the Board, or by delegated staff, and not by individual Board members. With respect to procurements within the authority of Staff, authority related to the search process shall be exercised solely by the authorized staff member with contracting authority for the search.

F. If any Trustee or staff member is contacted by a candidate during the quiet period about a matter relating to the pending selection, the Trustee or staff member shall refer the candidate to the designated LACERA contact person and report the contact to the Chief Counsel.

G. The quiet period does not prevent Board-approved meetings or communications by staff with an incumbent contractor that is also a candidate provided that their communication is strictly limited to matters necessary in connection with the contractor's existing scope of work. Other than due diligence, discussion related to the pending selection is not permitted during these activities.

H. A contractor candidate may be disqualified from a search process for a willful violation of this policy.

ATTACHMENT B

PROCUREMENT POLICY FOR INVESTMENT-RELATED SERVICES

Adopted: November 20, 2019

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

B. Ethics and Code of Conflicts

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

C. Process

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

1. Introduction

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

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

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

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

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

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

Scope

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

Term

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

i. **Investment Managers**. Terms for agreements with separate account investment managers may be evergreen. Investment managers engaged via separate accounts and open-end comingled funds are monitored closely relative to return objectives, benchmarks, and alternative options. All contracts between LACERA and separate account managers must contain reasonable termination rights for LACERA.

ii. **Custody Services**. Engagements with custody service providers may be for terms of up to ten years and may provide for two one-year extensions at the discretion of the Chief Investment Officer. The Board will be notified of any extensions. Agreements with custody providers shall contain reasonable termination provisions.

iii. **Other Service Providers**. Other services procured using the Procurement Policy will have a term of no longer than five years, with two one-year extensions at the discretion of the Chief Investment Officer with respect to investment-related matters, or Chief Legal Counsel for the procurement of services for legal-related matters. The Board will be notified of any extensions.

2. Definitions

a) **Active Management** refers to investment managers whose investment strategy and process allow them to make investments that attempt to exceed their benchmarks.

b) **Board** means the LACERA Board of Investments

c) **Evaluation Team** means the group of individuals that have been assigned responsibility to review the search respondents relative to the criteria set forth in the search as well as to each other, as appropriate. Each phase of evaluation must be completed by the same participating members of the Evaluation Team. The Evaluation Team will include staff as appropriate and possibly a third-party advisor.

d) **Fund** or **Funds** means both the Los Angeles County Employees Retirement Association (LACERA), and the Other Post-Employment Benefits Master Trust (OPEB).

e) **Illiquid Investment** means securities or other assets that cannot easily be sold or exchanged for cash within one month without a substantial loss in value. These investments include private equities, private credit, private real assets (including real estate), and hedge fund strategy products. These assets are intended to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. They are not intended to be a source of short-term liquidity.

f) **Legal Services Procurements** means the procurement of investment-related legal services to assist in transactions or other investment matters.

g) **Liquid Investments** means securities and other assets that can be converted into cash quickly without material impact on fair value and where there is typically a transactional price available on a daily basis. These assets include global equities, investment-grade bonds, publicly-traded real estate and real assets, and overlays implemented via exchange-traded instruments.

h) **Miscellaneous Small Purchases** means the procurement of investment-related services for flat-fee or hourly compensation that may not exceed a total of $150,000 per provider for any single transaction or assignment, even if the services are provided over a five-year period. Small Purchases may be approved, and later renewed or extended every five years subject to a new $150,000 cap, jointly by the Chief Executive Officer and Chief Investment Officer. Small Purchases do not include any services for on-going investment management.

i) **Passive Management** refers to investment managers whose investment strategy and process are designed to replicate a benchmark.

j) **RFP** means open Requests for Proposals**.** An RFP is a public solicitation posted on LACERA's website inviting all qualified bidders to respond. Recommendations to initiate an RFP will be presented to the Board and will identify the recommended: (i.) Scope of Services; (ii.) Minimum Qualifications; (iii.) Search timing; (iv.) Structure of the Evaluation Team; (v.) Evaluation Criteria; and (vi.) Selection Authority.

k) **Selection Authority** refers to the body, group or individual that has authority to select the service provider that will be retained. This may be the Board, the Evaluation Team, the Chief Investment Officer, Chief Legal Counsel, or some combination of the above. A Selection Authority will be recommended to the Board for its approval for each procurement effort unless otherwise delegated in existing LACERA policy**.**

l) **Staff** means employees of LACERA.

m) **Trustee** means a member of the Board of Investments.

3. Service Being Procured and Selection Method

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

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

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

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

a) Investment Management Services

- Active Management
  - Liquid Investments

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

  - Illiquid Investments

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

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

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

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

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

b) Consulting Services

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

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

c) Other Investment Related Services

Numerous specialized investment related service providers that **do not** directly manage money are utilized to support Fund investment activities. Some specialized providers are on retainer or under an open contract for services as needed and are utilized repetitively to deliver expert services, such as legal counsel negotiating and documenting transactions. Other specialized providers may be retained to deliver ongoing operational support services, such as a master custodian or securities lending service provider. Still other specialized providers may be retained to deliver frequently needed services, such as private equity fee verifications or real estate appraisals.

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

d) Legal Services Procurements

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

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

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

e) Miscellaneous Small Purchases

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

4. Proposal Evaluation

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

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

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

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

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

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

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

5. Observance of a Quiet Period

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

A. The quiet period shall be maintained after the issuance of a solicitation and continue until a final selection is made or the process is otherwise terminated.

B. Initiation, continuation, and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.

C. During the quiet period, all Trustees and staff, except for designated LACERA contact persons, shall refrain from communicating with contractor candidates regarding any product or service offered by the candidate, except as permitted by Subsection G below.

D. During the quiet period, no Trustee or staff member shall accept meals, travel, lodging, entertainment, or any other good or service of value from the candidates.

E. All authority related to the search process shall be exercised, when the Board has authority under this policy, solely by the Board, or by delegated staff, and not by individual Board members. With respect to procurements within the authority of Staff, authority related to the search process shall be exercised solely by the authorized staff member with contracting authority for the search.

F. If any Trustee or staff member is contacted by a candidate during the quiet period about a matter relating to the pending selection, the Trustee or staff member shall refer the candidate to the designated LACERA contact person and report the contact to the Chief Counsel.

G. The quiet period does not prevent Board-approved meetings or communications by staff with an incumbent contractor that is also a candidate provided that their communication is strictly limited to matters necessary in connection with the contractor's existing scope of work. Other than due diligence, discussion related to the pending selection is not permitted during these activities.

H. A contractor candidate may be disqualified from a search process for a willful violation of this policy.

November 6, 2019

TO: Each Member
Board of Investments

FROM: Jude Pérez
Principal Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **BUSINESS CONTINUITY – INVESTMENTS CRISIS RESPONSE PLAN**

ATTACHMENT 1 is a recommendation for an Investment's Crisis Response Plan ("ICRP"). The purpose of the ICRP is to protect the assets of the Pension Fund and pay the promised benefit by structuring a response to unanticipated crises. This plan is intended to work in conjunction with LACERA's Business Continuity Plan and address liquidity needs in the time of a crisis.

It should be noted that the attached ICRP does not contain the appendices (procedures) mentioned in the document. If the Board chooses to approve the ICRP, the Investment and Legal Divisions will work with the custodial bank and our investment managers to include this plan into our agreements. Once this step is completed, the necessary procedures to achieve the actions described in the plan will be incorporated into those documents.

Both the Board's General Investment Consultant Meketa and the Legal Division have reviewed the proposed recommendation. **ATTACHMENT 2** is a support memo from Meketa.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JG:jp

ATTACHMENT 1

CRISIS RESPONSE PLAN

The purpose of a Crisis Response Plan is to protect the assets of the Pension Fund by structuring a response to unanticipated crises. This includes an event in which key personnel from LACERA cannot be reached for an extended period of time. This plan is to work in conjunction with LACERA's Business Continuity Plan and would take effect once a crisis has been declared.

OVERVIEW

An investment-related crisis is broadly defined as an event that interrupts or impairs LACERA's ability to effectively monitor or manage the Pension Fund's assets. An unexpected crisis could take many forms, from a natural disaster that disrupts the monitoring of securities, to mass personnel disruptions that effectively renders the Fund's assets unmanaged. An investment-related crisis may require actions that deviate from the normal course of business as articulated in the Investment Policy Statement and associated procedures. LACERA believes the Fund's assets should never be left unattended, and recognizes that under extreme circumstances, it may be prudent to take urgent investment action on short notice to effectively manage the Pension Fund's cash availability.

LACERA has adopted the following emergency operating procedures in the event that LACERA's ability to manage the Fund's assets is impaired. This includes a situation where critical staff, with the authority to administer trades and cash movements, have become unreachable for a certain period of time.

DEFINITION OF CRISIS RESPONSE GROUP

LACERA has identified a Crisis Response Group in the event of an emergency. The Crisis Response Group will consist of six entities:

1. the Chief Investment Officer (CIO)
2. the Deputy Chief Investment Officer (DCIO)[1]
3. the Principal Investment Officers (PIOs)
4. the Chief Executive Officer (CEO)
5. the Board of Investment's General Investment Consultant – assigned consultants
6. the Chair of the Board of Investments

An Appendix to this document lists the individuals currently in these roles.

If possible, all activities of the Crisis Response Group will be conducted in parallel by the six entities and follow the priority listed above. For example, the Principal Investment Officers,

[1] Pending approval of the Deputy Chief Investment Officer position.

ATTACHMENT 1

in conjunction with the General Investment Consultant, would be able to act on LACERA's behalf if the Chief Investment Officer is not available.

However, in the unlikely event that the Chief Investment Officer, and any representative of the Crisis Response Group is unavailable, the Board's General Investments Consultant is authorized to act on the Pension Fund's behalf.

CRISIS RESPONSE PLAN

An unexpected crisis could take many forms, from a natural disaster that disrupts the monitoring of securities, to mass personnel departures that effectively render the Pension Fund's assets unmanaged. Common to every crisis, however, would be the need to act quickly to minimize a negative impact on the Pension Fund's assets. The Crisis Response Plan, outlined below, has four steps: the discovery of the negative event, the evaluation of the negative event, the implementation of appropriate action, and a review of the crisis intervention.

- ***Discovery of Event***

  The initial discovery of a material event could come from many sources, including an event as defined by LACERA's Business Continuity Plan, the General Investment Consultant, the public media, the custodian bank, or investment managers. Therefore, it is important that all professionals understand their duty to report significant events immediately to the Crisis Response Group. A memorandum describing the duty to notify and providing relevant telephone numbers will be circulated by LACERA's Investment Office to all involved parties (Board of Investments, Executive Office, Chief Counsel, Communications Manager, custodian bank, investment managers, and investment consultants) each year.

- ***Evaluation of Event***

  Immediately upon notification, the General Investment Consultant and the Chief Investment Officer will consider the nature and severity of the event. After evaluating the event fully, the General Investment Consultant and Chief Investment Officer will consult the other members of the Crisis Response Group and prepare a recommended course of action.

  The following lists the minimum members necessary from the Crisis Response Group, in the absence of the Chief Investment Officer, needed to enact this plan:

  - DCIO and General Investment Consultant
  - Two PIOs and General Investment Consultant
  - One PIO, CEO and General Investment Consultant

ATTACHMENT 1

- Chair of the Board of Investments, PIO or CEO, and General Investment Consultant
- General Investment Consultant if no other members of the Crisis Response Group can be contacted

Should the Chief Investment Officer not be reachable, the General Investment Consultant will attempt to reach the Deputy Chief Investment Officer, followed by the Principal Investment Officers, followed by one designated Trustee who also serves as the Chair on the Board of Investments. If no other Crisis Response Group Entities from LACERA can be contacted within five business days, the General Investment Consultant will be authorized to act on LACERA's behalf.

- ***Crisis Response Implementation***

  If the Crisis Response Group determines that the event does require some form of immediate intervention outside the normal course of business, the Crisis Response Group will carry out the necessary action, and the General Investment Consultant will document the actions taken. This includes the following actions:

  - Suspend the securities lending program and recall all securities on loan
  - Suspend all overlay programs, including cash and currency programs
  - Raise a maximum of $1 billion in cash from passive investments
  - Transfer raised cash, from the steps above, to LACERA's operating cash account

An appendix to this document lists the procedures necessary to complete the above actions.

- ***Follow-up***

  The Board of Investments will be notified as quickly as reasonably possible by memorandum. The crisis, and subsequent intervention, will then be reviewed at the next scheduled meeting, and documented in writing.

ATTACHMENT 2

MEMORANDUM

To: LACERA Board of Investments

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

Date: November 20, 2019

Re: Crisis Response Plan

BACKGROUND

In July of 2019, LACERA began working on a comprehensive business continuity plan with Assurance Software Inc. leading the project. LACERA staff and Assurance Software Inc. have been working with a broad range of LACERA stakeholders and service providers to ensure LACERA is able to deliver on its mission to produce, protect, and provide the promised benefits even in times of crisis. As part of that process Meketa and staff have developed a Crisis Response Plan.

ROLE OF A CRISIS RESPONSE PLAN

Periodically, crises arise that require immediate action. For example, a manager's investment team may depart unexpectedly, or a natural disaster may deny investment professionals access to necessary information. The purpose of a Crisis Response Plan is to help protect LACERA's assets during such events. Meketa recommends that all of our clients adopt a Crisis Response Plan. A Crisis Response Plan identifies and provides authority to the Crisis Response Team to undertake specific actions in an emergency situation.

SUMMARY AND RECOMMENDATION

Meketa has reviewed LACERA's Crisis Response Plan and recommends that the Board of Investments adopt the Plan. We look forward to discussing this matter with you at the November 20th meeting.

SM/LF/TF/srt

M E K E T A   I N V E S T M E N T   G R O U P
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October 31, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Johanna M. Fontenot *JMF*
Senior Staff Counsel

FOR: November 6, 2019 Board of Retirement Meeting
November 20, 2019 Board of Investments Meeting

SUBJECT: **Chief Counsel Reporting Structure**

In 2017, the Joint Organizational Governance Committee (JOGC) requested that staff evaluate whether the Chief Counsel position and Chief Investments Officer positions should change their reporting structure.

In 2018, the Joint Boards discussed and approved a written policy formalizing the reporting structure for the BOI position.

On July 26, 2019, the JOGC voted to advance the Chief Counsel Reporting Structure to the Board of Retirement and Board of Investments for approval. Attachment A is the proposed Chief Counsel Reporting and Performance Evaluation Policy, Attachment B is Staff Analysis for Proposal, and Attachment C is Harvey Leiderman's memorandum offering a fiduciary perspective.

Attachments

c: John Popowich

Attachment A

Proposed Chief Counsel Reporting and Performance Evaluation Policy

CHIEF COUNSEL REPORTING AND PERFORMANCE EVALUATION POLICY

I. PURPOSE

The purpose of this Policy is to formalize the Chief Counsel reporting and performance evaluation.

II. AUTHORITY

Chief Executive Officer (CEO) is appointed by LACERA's Board of Retirement and Board of Investments (BOI) (the Boards) to act as retirement administrator pursuant to Government Code Section 31522.2. The Boards have delegated their appointing authority for other staff under Government Code Sections 31522.1 and 31522.4 to the CEO, except for the Chief, Internal Audit position as stated in the County of Los Angeles Salary Ordinance (Salary Ordinance).

In 2001, LACERA sponsored legislation that authorized it to employ certain management positions to not be subject to the civil service system, and, therefore the individuals occupying these position serve at the pleasure of the appointing board or boards. (Government Code Sections 31522.2 and 31522.4) Although the Chief Counsel position is listed as one of the positions in Section 31522.4, the Boards did not designate the Chief Counsel position as an at-will position in 2001 or anytime thereafter. Therefore, the Chief Counsel position remains a classified position.

III. CHIEF COUNSEL REPORTING AND EVALUATION

It has been a long-standing practice for the CEO to seek the Boards informal input for the hiring, evaluation and compensation of the Chief Counsel. The Boards wish to formalize this practice subject to preparation and approval of this Policy. In accordance with the Board of Retirements action on November 6, 2019 and the Board of Investments action on November 20, 2019, the organizational structure of the Chief Counsel will have the following features:

A. The Chief Counsel will continue to report to the CEO for administrative and functional purposes. The CEO will make final decisions as to the appointment, discipline, performance evaluation, and compensation of the Chief Counsel.

B. The CEO will seek the Boards input regarding the appointment, discipline, and dismissal of the Chief Counsel. The Boards input concerning the appointment, discipline, and dismissal of the Chief Counsel will be made in closed session under Government Code Section 54957(b).

C. The CEO will seek the qualitative input of the Boards before completing the Chief Counsel's annual performance evaluation. The Boards discussion regarding the Chief Counsel performance evaluation will be made in closed session under Government Code Section 54957(b).

D. The CEO will administer the Chief Counsel's annual salary adjustment using the Boards approved compensation structure as reflected in LACERA's section of the Los Angeles County Code.

E. The Chief Counsel is authorized to interact with and communicate directly with Boards in all matters.

F. The Chief Counsel has the rights and obligations provided in the Salary Ordinance, to the extent applicable to its individual classification. The Chief Counsel is subject to civil service and has the rights and obligations provided by the Los Angeles County Civil Service Rules, subject to changes by the Boards as to individuals first appointed as Chief Counsel after the date this Policy is adopted.

G. The Chief Counsel serves as general counsel to LACERA and has complete responsibility for planning, directing and evaluating all operations of the Legal Division.

H. The CEO appoints all professional, technical and clerical staff and prescribes their duties, except for the Chief, Internal Audit. In the case of Legal staff, the Chief Counsel selects and recommends candidates for such positions to the CEO for formal appointment.

Adopted: Board of Retirement, November __, 2019
Board of Investments, November ___, 2019

Attachment B

Staff Analysis for Proposal

November 28, 2017

TO: Each Member,
Joint Organizational Governance Committee

FROM: Johanna M. Fontenot
Senior Staff Counsel

FOR: December 13, 2017 JOGC Meeting

SUBJECT: **STAFF ANALYSIS FOR PROPOSAL THAT CHIEF COUNSEL REPORT TO THE BOARD OF RETIREMENT AND BOARD OF INVESTMENTS**

This memo provides background and other information to assist your Committee on the proposal to change the Chief Counsel reporting structure from reporting to the CEO to reporting jointly to the Board of Retirement and Board of Investments (the Boards).

Legal Authority

As previously explained in the October 2, 2017 memo, your Boards have the legal authority under Section 31522.4 to change the reporting structure from the Chief Counsel reporting to the CEO to the Boards. For your convenience, the October 2, 2017 memo is attached as Exhibit A.

Role of LACERA's Chief Counsel

The Chief Counsel serves as general counsel to LACERA and has complete responsibility for planning, directing and evaluating all operations of the Legal Division. In representing LACERA, the Chief Counsel's client is the organization itself.

The Legal Office is currently comprised of twenty people: ten lawyers including the Chief Counsel, four paralegals, a legislative affairs officer and five management secretaries. In addition to overseeing the work of legal staff, the Chief Counsel provides advice and assistance on legal problems with all the other divisions and confers with the CEO and LACERA management daily on legal issues. The day to day operations of Chief Counsel involve a lot of interaction, communication and direction to Legal staff and as well as other divisions of LACERA.

Additionally, Chief Counsel prepares Board memorandums on various legal matters, provides legal advice during public and closed sessions of Board meetings, and provides legal advice and counsel to individual Board members. Further, the Chief Counsel handles various administrative appeals, litigation matters, and reviews all matters on the Board agendas. A copy of the job description for the Chief Counsel position is attached as Attachment B.

Chief Counsel is a Civil Service Position

In 2001, LACERA sponsored legislation that authorized LACERA to employ certain management positions not subject to the civil service system, and therefore, the individuals occupying these positions would serve at the pleasure of the Board. (Government Code Sections 31522.2 and 31522.4) Although the Chief Counsel position is listed as one of the positions in 31522.4, the Board of Retirement did not designate the Chief Counsel position in 2001 or anytime thereafter. As a result, the Chief Counsel position remains a civil service position.

Although the Board Minutes do not clearly indicate the reason for not designating the Chief Counsel position, the Minutes do indicate that the Board was informed that it could include the Chief Counsel position as an at-will position and the Board elected to not to make the Chief Counsel an at-will position. There are a couple of possible explanations. One possible reason is that the Board wanted the position to be classified so there would be a degree of autonomy and independence with Chief Counsel not being subjected to pressure and reprisals from a CEO or other leaders in the organization. Another explanation could be at the time the position was held by Dave Muir who enjoyed civil service protection; and later when Mr. Muir retired and a new Chief Counsel was hired, the Board and the CEO did not reconsider whether the position should be at-will so it remained a classified position.

There are significant differences between an at-will employee verses a civil service or classified position. Minimal standards of due process require that a civil service employee receive certain procedural safeguards such as notice, grounds for discipline, the charges and materials upon which the action is based and the opportunity to respond in opposition to the proposed action prior to imposing discipline. This is very different than an at-will employee who can be dismissed at any time and without cause.

If the Boards decide to change the reporting arrangement to have the Chief Counsel position report to the Boards then actions taken by the Boards to approve appointment, discipline, dismissal and/or removal will be subject to the County's Civil Service Rules. The Civil Service Rules provide detailed provisions relating to appointment, progressive discipline, and/or removal of classified employees. In addition, the Chief Counsel is a Management Appraisal and Performance Plan (MAPP) Tier II employee. Therefore, the Boards' role in preparing annual performance evaluations will need to be performed in compliance with the Civil Service Rules and the County Code, including use of the required rating standards.

Although the Chief Counsel position is currently a classified position, the Committee may designate the next Chief Counsel as an at-will position if it chooses to do so.

Peer Systems

Staff conducted surveys of the National Association of Public Pension Attorneys (NAPPA) and CERL systems with regard to their reporting arrangement of the Chief Counsel position. In most CERL systems, the Chief Counsel position reports to the CEO, except for a couple smaller funds where the County Counsel's Office represents the system. Ventura and San Bernardino are the only two CERL systems where the Chief Counsel reports to the Board. Similarly, most other state and other large systems, including CalPERS, the Chief Counsel position reports to the CEO with fewer systems having their Chief Counsel reports to the Board.

Additionally, a couple systems have a board policy requiring the CEO to seek the board's input for the evaluation of the CEO's direct reports. This practice allows a board to have input in the evaluation of the Chief Counsel and other key positions without taking on all the responsibilities involved in managing the position.

Fiduciary Review by Ennis Knupp & Associates

Ennis Knupp & Associates conducted a fiduciary review on behalf of the BOI in 2008. Ennis Knupp reviewed documentation, analyzed data, and interviewed staff. As part of their review, they made observations about reporting structure of the Chief Counsel position. On this subject they noted the following;

> "Some retirement boards have decided that the Chief Counsel/General Counsel should have the highest allegiance to the board and, therefore, they adopt an organizational structure having a direct reporting line (a solid line) to the board and a secondary reporting line (dotted line) to the CEO. Other boards have decided that since the day-to-day interaction of the Chief Counsel/General Counsel is with the staff, the solid line should be to the CEO and the dotted line should run to the Board. Either way can work well. This is a decision for a board to make. What does not work well is to leave the reporting lines unclear until a time a serious issue arises and confusion sets in about whom the Chief Counsel/General Counsel is obligated to advise."

The fiduciary review further states that the best practice for LACERA (BOI) was to "keep the CEO responsible for hiring, firing, evaluating and compensating General Counsel and have a policy requiring the CEO to seek Board and staff input as part of the evaluation process." Ennis Knupp noted that LACERA's practice was for the CEO to receive informal input from the Boards; however, Ennis Knupp recommended as a best practice that the Boards adopt a formal policy requiring the CEO to seek board input as part of the evaluation process of the Chief Counsel positon. This recommendation, however, was never implemented by the previous CEO. For this reason, LACERA does not have a formal policy requiring the CEO to seek board input as part of the evaluation process.

Interview of Legal Staff and Managers

The crucial relationship of trust and respect should exist between Chief Counsel and staff. This type of credibility comes from the Chief Counsel's experience, reputation, and the ability to explain issues clearly and concisely. Staff, at all levels of LACERA, currently have access to the Chief Counsel to bring concerns about financial, legal, and ethical issues.

Most of the staff interviewed about the proposed change in reporting of the Chief Counsel position stated that they prefer the current reporting arrangement. There is a perception that if the reporting structure changes the Chief Counsel would work more closely and spend more time working with Board issues and less time working with staff. Although this is possibly only a perception and not necessarily a reality, it is a legitimate concern if staff seeks out the advice of Chief Counsel less due to this perception that the Chief Counsel's primary duties would change if the position reported to the Boards.

Another expressed concern by staff is the lack of clear direction and communication if the Chief Counsel reports to the Boards. For example, there was uncertainty as what role would the CEO serve with regard to assignments given to Chief Counsel and whether there would be the appropriate checks and balances as it relates to the Boards' influence. Checks and balances is normally defined as the ability of one set of decision makes to challenge others in the organization. Additionally, staff expressed concern that it would be difficult for Chief Counsel to effectively manage the Legal Division if duties expanded with the new reporting and for the Boards to perform the administrative functions necessary to manage the Chief Counsel, i.e., approving time off, setting forth accountability standards and expectations.

Best Practices

Surveys of other peer systems show that there is not a "one size fits all" standard of care that all systems must follow when it comes to reporting structure. Instead, an assessment of many factors should be considered and analyzed to ensure that your Committee is selecting a reporting arrangement that strengthens fiduciary principles and provides good governance.

Stanford's Clapman Report *Fund Governance Best Practice Principles* (the "Report") summarized the principles of fund leadership and the interplay of the governing body and executive staff, in part, as follows:

- A fund should identify and disclose its leadership structure and all persons in positon of senior responsibility.

- A fund should establish clear lines of authority between its governing body and its staff that reflect a commitment to representing beneficiary interests. Delegations of authority from a governing body to its staff should be clearly defined and regularly reviewed.

- A governing body should have authority to select or dismiss key staff and independent advisors and counsel. However, executive staff must be qualified and able to fully discharge their duties. Trustees must therefore not allow undue influence to be exerted on staff, usurp the function of staff, nor allow staff to usurp the function of trustees.

The Clapman Report 2.0, which updates the original Report, references the comprehensive review performed by CalPERS of its governance policies and states that it "provides an excellent example of a framework for addressing these issues." With regard to reporting structure, CalPERS Governance Policy, Section 9 *Delegations to Executives and Board Reporting Relationships* states the following six principles:

A. The Board will have one direct report: The Chief Executive Officer. The Chief Executive Officer is responsible for the overall administration of all units, departments and functions within CalPERS. The Board and the Chief Executive Officer share responsibility for hiring, evaluating and, if necessary, terminating the Chief Investment Officer.

B. The Board will have long-term Chief Executive Officer and Chief Investment Officer succession planning processes.

C. The Board will evaluate direct report performance and compensation based on the agreed-upon strategy and performance outcomes and metrics. If the Board is not satisfied with the performance of the Chief Executive Officer, it will discipline or replace him or her, but will not get involved in day-to-day operations.

D. The Board will have ready access to all executives, and such access will be coordinated by the Chief Executive Officer.

E. The Board strongly supports an environment where CalPERS staff may engage in impartial, robust, objective and ethical decision-making free of improper influence from individual Board members, executives or third parties. The Board requires implementation of a staff policy regarding impartial decision-making and immediate reporting of instances of undue influence.

F. The Board and/or its committees will establish a schedule of closed session meetings with selected executives, i.e., those making frequent reports to Board, including the Chief Investment Officer.

The Chief Counsel position has significant obligations and responsibilities to staff and the Boards, and there is not one reporting structure which is clearly superior to the other. Indeed, most of the considerations relating to independence, autonomy, checks and balances can be argued both as an advantage and disadvantage as it relates to the position reporting to the CEO or the Boards. For this reason, it seems the “best practice” with regard to the reporting of the Chief Counsel is selecting a structure that promotes high performance with high integrity.

Summary

The Boards have the authority under Section 31522.4 to change the reporting structure of the Chief Counsel position. There are three possible reporting structures for the Board to consider for the Chief Counsel position: 1) Chief Counsel report to the CEO; 2) Chief Counsel assigned to report jointly to the BOR and BOI; or 3) Chief Counsel report to the CEO and have a formal policy that requires the CEO to seek the input from the Boards with regard to hiring, evaluation and termination.

The purpose of this memorandum is to provide you with some background of the Chief Counsel position at LACERA and to give you feedback as to LACERA staff, other systems practices and best practices. With regard to conflicts, ethics and fiduciary duty, Harvey Leiderman is preparing a separate memorandum covering these issues.

Attachments

c: Robert Hill
James Brekk
Jonathan Grabel
John Popowich
Bernie Buenaflor
Harvey Leiderman
Fern Billingy
Frank Boyd
Michael Herrera
Christine Roseland
John Nogales
Annette Cleary

L//.CERA

October 2, 2017

TO: Each Member,
Board of Investments

Each Member,
Board of Retirement

FROM: Steven P. Rice SPR
Chief Counsel

FOR: October 11, 2017 Board of Investments Meeting
October 12, 2017 Board of Retirement Meeting

SUBJECT: **REPORT ON WORK PLAN FOR PROPOSAL THAT CHIEF COUNSEL REPORT JOINTLY TO BOARD OF RETIREMENT AND BOARD OF INVESTMENTS**

The Joint Organizational Governance Committee (JOGC), on August 28, 2017, directed the JOGC Chair to work with Staff to develop a proposal that LACERA's Chief Counsel report jointly to the Board of Retirement (BOR) and Board of Investments (BOR) (collectively, Boards). This memo reports to the Boards on Staff's work plan with regard to the issue. No action is required at this time.

LEGAL AUTHORITY

A. *Chief Counsel Role.*

Government Code Section 31529.1 is a LACERA-specific provision providing that the Boards "may elect to secure legal representation, on such matters as the board of retirement or the board of investments may specify, from other than county counsel. The cost of legal representation shall not exceed one-hundredth of 1 percent of system assets in any budget year." Many years ago, under authority of Section 31529.1, the Boards authorized an in house LACERA legal department, led by the Chief Counsel.

The job classification for the Chief Counsel position broadly states that Chief Counsel "Serves as general counsel to the Los Angeles County Employees Retirement Association (LACERA)." The classification provides examples of the essential job functions, including: providing "legal advice during public and closed sessions of" the Boards; providing "advice and assistance on legal problems within the other divisions of LACERA;" conferring "with the Chief Executive Officer, and LACERA management staff;" directing "the work of divisional counsel;" and coordinating "the work of outside counsel." This description captures the broad mandate of the Chief Counsel to advise the Boards and Staff and oversee the resources necessary to accomplish that goal.

Chief Counsel owes a duty to LACERA, as an organization, including the Boards and Staff. LACERA and Staff act in furtherance of the same fiduciary duties described for the Boards under the California Constitution, Article XVI, Section 17 (see below).

B. *Appointment of Chief Counsel and Civil Service Status.*

Under Government Code Section 31522.4, the Boards may elect to appoint a chief legal officer; the position must be included in the Los Angeles County Salary Ordinance. Appointees under Section 31522.4 need not be subject to the County Civil Service Rules and may serve at the will of the Boards. However, the LACERA Boards elected to delegate their appointing authority under Section 31522.4 to the Chief Executive Officer (CEO); the Boards also determined that the Chief Counsel position is a civil service position subject to the Civil Service Rules.

These decisions are confirmed in the County Code. Section 6.127.040 B 1 of the Los Angeles County Salary Ordinance provides that the CEO is the "Appointing Authority" for the Chief Counsel and other staff; other sections of the Salary Ordinance provide that salary determinations, discipline, and dismissal are functions of the Appointing Authority. The published Class Specification for the Chief Counsel position provides that the Chief Counsel reports to the CEO. The Table of Classes of Positions in Section 6.28.050 of the Salary Ordinance shows that it is a classified position. Classified positions are subject to the Civil Service Rules in Appendix 1 to Title 5 of the County Code.

The Boards have the authority under Section 31522.4 to change the reporting structure. By action of both Boards, and with the approval of the Board of Supervisors as to necessary Salary Ordinance changes, the Chief Counsel may be assigned to report jointly to the BOR and BOI, as proposed. Under Section 31522.4, the Boards also have the authority to change the civil service status of the Chief Counsel by creating a new unclassified position that would be applicable prospectively as to future holders of the Chief Counsel position.

C. *Fiduciary Standards.*

In considering a change in the Chief Counsel reporting structure, the Boards will exercise their plenary authority and discretion over administration of the system and their fiduciary duties of prudence and loyalty under Article XVI, Section 17 of the Constitution and Government Code Section 31595.

Article XVI, Section 17 provides, in relevant part:

> (a) The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or

> retirement system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.
>
> (b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.
>
> (c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

Section 31595 contains similar language.

WORK PLAN

The proposed change represents a major shift in LACERA's longstanding governance model. The change affects many existing LACERA governance documents, policies, procedures, and practices. Accordingly, the change should be considered by means of a careful, deliberate, and thorough process that will enable potential issues to be identified, discussed, and addressed up front before the change is effective, if approved, and that is consistent with the Boards' fiduciary duties as outlined above.

Staff has considered the issues involved in the proposed change and will employ the following work plan in evaluating the issues and then presenting the proposal for discussion and action to the JOGC, the LACERA Boards, and ultimately the Board of Supervisors. The tasks and completion dates will be modified as needed based on information obtained as the process moves forward. However, it is reasonable for the Boards to expect that all tasks will be completed in time to permit implementation, if the proposal is approved, on July 1, 2018, which is the beginning of the 2018-2019 fiscal year and is also the beginning of the Staff Evaluation Year:

///

<table>
<tr><th>TASK</th><th>COMPLETION</th></tr>
<tr><td>Step 1: Staff Analysis

The Role of Chief Counsel and the Legal Division
Survey of Peer Systems
2008 LACERA Fiduciary Review by EnnisKnupp & Associates
Review of Available Literature on Best Practices, including Stanford's Clapman Report on Public Pension Governance, AFSCME Best Pension Practices Report, San Diego City Pension Governance Reports, and Others
Ethics and Conflict of Interest Issues
Review and Analysis of Fiduciary Issues and Implications in Performing Appointing Authority Role
Independence
Checks and Balances
Review of Civil Service Considerations
New Unclassified Position?
Elements of Appointing Authority's Responsibilities
Hiring
Performance Standards
Goals
Supervision and Monitoring
Evaluation
Feedback
Compensation Setting
Discipline
Ramifications of Dual Board Reporting Structure, Including Coordination of Board Evaluations
Effect on Chief Counsel Supervision of Legal Division Staff, including Administrative Policies and Procedures
Effect on Chief Counsel Responsibilities for Counseling the Boards
</td><td>November 2017</td></tr>
</table>

• Effect on Chief Counsel Responsibilities for Counseling Staff on LACERA Administration, Including Benefits, Disabilities, Investments, Human Resources, Facilities Management, Cybersecurity, Audit, Compliance, and Other Functions of LACERA's Divisions and Business Units • Review and Analysis of Relevant Existing Documents, including Class Specification, JOGC Charter, Board Charters, and Other LACERA and Board Policies and Procedures • Consultation with Legal Division Staff • Consultation with CEO • Consultation with Outside Fiduciary Counsel o Implications of Fiduciary Counsel Policy	
Step 2: Draft Supporting Documents • Class Specification • Salary Ordinance • JOGC Charter • Board Charters and Other Governance Documents • New Legal Division Charter • New Board Policy Setting Forth Hiring, Supervision, Reporting, Evaluation, and Discipline Standards and Processes • Other Documents, As Needed	January 2018
Step 3: JOGC Discussion and Recommendation	March 2018
Step 4: BOR and BOI Discussion and Action, If Recommended by JOGC • Joint Meeting, which will also include proposed Chief Investment Officer reporting change	April 2018
Step 5: Board of Supervisors Approval of Salary Ordinance Changes, If Approved by LACERA Boards	June 2018
Step 6: Implementation, If Approved	July 1, 2018

CONCLUSION

Staff believes this plan is prudent and will facilitate full and deliberate consideration of all the issues associated with this major proposed change and a smooth implementation, if the change is approved. Staff will report back to the Boards monthly as to the progress on the work plan.

cc. Robert Hill
James Brekk
Jonathan Grabel
John Popowich
Bernie Buenaflor
Johanna Fontenot
Fern Billingy
Frank Boyd
Michael Herrera
Christine Roseland
John Nogales
Annette Cleary

Attachment C

Fiduciary Counsel Memorandum

<u>Attachment B</u>

MEMORANDUM

Reed Smith LLP
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From: Harvey L. Leiderman
Direct Phone: +1 415 659 5914
Email: HLeiderman@reedsmith.com

To: Joint Organizational Governance Committee of the
Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association

Date: December 1, 2017

Subject: Reporting Responsibilities of Chief Counsel and Chief Investment Officer

The Joint Organizational Governance Committee (JOGC) is considering the appropriate lines of reporting for the LACERA executive positions of Chief Counsel and Chief Investment Officer. The JOGC has approved a Staff Work Plan for considering the various governance, legal and implementation aspects of the issue for each position. We will endeavor not to repeat Staff's analysis here; rather, the purpose of this Memorandum is to offer a fiduciary perspective as the JOGC considers its recommendations to the two Boards.

Because the considerations applicable to one position can inform our thinking about the other position, we will address them separately but together in this one Memorandum. [1]

CHIEF COUNSEL

LACERA has appointed a Chief Counsel pursuant to Secs. 31522.4 and 31529.1 of the County Employees Retirement Law of 1937, Government Code sections 31450, et seq. (CERL). Although under CERL the Boards are the appointing authority for the Chief Counsel position, the Boards have delegated that authority to the Retirement Administrator (Chief Executive Officer, or CEO), and that delegation is reflected in the County Code adopted by the County Board of Supervisors at Sec. 6.127.040 B 1.

By law and the rules governing the practice of law in California, the client of the Chief Counsel is the retirement system, LACERA, as directed by its "highest authorized …body." Rule 3-600, CA Rules of Professional Conduct. In the unique case of LACERA, the role of the "highest authorized body" is shared by the Board of Retirement and the Board of Investments. Govt. Code. Sec. 31520.2; *see also,* CERL Sec. 31459.1. Together, the Boards have plenary authority and fiduciary responsibility for administering the retirement system. CA Const. Art. XVI, sec. 17. In connection with their administration of the system, the Boards have chosen to delegate substantial fiduciary responsibilities to attorneys, employed both in the office of the Chief Counsel and in private practice. Govt. Code sec.

[1] In this Memorandum we refer to the job descriptions for the Chief Executive Officer, Chief Counsel and Chief Investment Officer posted on the LACERA website. For convenience, a copy of the CEO job description is attached to this Memorandum; copies of the other two are attached to Staff's Memoranda reporting on the results of its Work Plans.

31529.6. All such attorneys owe a fiduciary responsibility to the system and its members and beneficiaries. Further, the Chief Counsel is a "public official who manages public investments" under section 87200 of the state Political Reform Act (Govt. Code secs. 81000 *et seq*.), with all of the fiduciary obligations that Act imposes.

The right to choose counsel enjoys special recognition under California (and common) law. That choice includes establishing the scope of counsel's representation. Absent engaging in criminal or unethical activity, a client has an absolute right to instruct counsel on all aspects of counsel's engagement.

Notwithstanding the Boards' absolute legal authority to administer the retirement system, as a practical matter the Boards cannot effectively administer the day-to-day operations of a $50 billion retirement system, with over 160,000 members and a staff of some 430 employees. Nor would it be prudent to try to do so. As high-functioning Boards, you rightly focus your attention on setting overall strategic policy for every aspect of the retirement system, and expect staff to implement those policies on a tactical basis. You then periodically verify that your policies have been effectively carried out by staff.

A critical role of Chief Counsel in a complex public agency like LACERA is to be an advisor and counselor on all aspects of the law applicable to the delegated administration of the retirement system. These responsibilities include serving as a resource on legal and ethical obligations for the administrative staff to whom the Board has delegated day-to-day responsibilities to administer the system, consistent with the Board's policies and procedures, and the legal requirements applicable to public employee retirement systems in general and LACERA specifically. Those responsibilities span the spectrum from benefit and health care administration, disabilities, investments, premises, security, audit and compliance, federal tax law, litigation, risk management, information technology, contracting, human resources, labor relations, finance, ethics, member, plan and public communications and more. In order to effectively perform these functions, the Chief Counsel manages a Legal Division employing several professionals and supporting staff, all of whom are devoted to "accomplishing the necessary work of the boards." CERL sec. 31522.1.

In addition, the Chief Counsel performs key services directly for the Boards and its committees. Despite the fact that the Boards and committees meet, at most, only once or twice a month, the role of legal advisor to the Boards and its committees is on-going, both on procedural and substantive matters. Procedural advice includes agenda-setting, preparing minutes, observing procedures and by-laws, advising on open meeting (Brown Act) requirements, and watching for potential conflicts of interest. Substantive counsel includes presenting securities litigation opportunities and updates, advising on member appeals, reporting on staff activities, risk monitoring and mitigation, preparing compliance updates and the like. All of these activities help the Boards discharge their duty of prudence by establishing sound processes designed to assist the Board in exercising its fiduciary oversight role.

In a modern, complex public pension fund, we believe that Chief Counsel's availability as a resource to the staff that administers the fund is every bit as mission critical to the governing boards' ability to prudently administer the system as is providing direct counsel to those boards. Pension administrations that lack a strong and present legal advisor in the "C-suite" often find themselves struggling with fear, uncertainty and doubt over the conduct of their businesses, hampering the ability of the board to manage the system. Member service suffers and errors proliferate. Staff inertia can lead to missed investment opportunities and heightened risks. Boards get hit by costly surprises that have not been adequately anticipated by staff. In our experience a highly trained and accessible in-house chief counsel open and available to retirement staff is an essential resource for successfully fulfilling the board's important fiduciary duties. And where the Boards are also advised by independent Fiduciary Counsel, the opportunity to assure staff of strong and capable legal resources internally can truly improve the overall functioning of the system.

In this manner, Chief Counsel and the Legal Division assist the Boards in carrying out all of their fiduciary duties: The duty to administer the system solely for the benefit of LACERA's members and beneficiaries; the duty to use system assets to pay correct amounts of benefits to those entitled to them, without incurring unreasonable expenses; the duty to follow rules and procedures, checks and balances in order to prudently manage the system; and, of course, the duty to follow the law.

As the Boards consider options for changing the reporting line for the Chief Counsel, we encourage the Boards to clarify what exactly they mean by "reporting." The foregoing discussion focuses on the <u>functional</u> aspects of the Chief Counsel's job. As shown, the Chief Counsel functions as an advisor both to the retirement staff and to the retirement and investment Boards, but always serving the same master. Functionally, the Chief Counsel "reports" to both the CEO, as the chief administrative officer, and to the Boards, as the "highest authorized body" of the retirement system. Regardless of the color, thickness or direction of the particular lines that may appear on the system's organization chart, ultimately LACERA's Chief Counsel already reports to the Boards. [2]

If by "reporting," however, the intent is to assure the Boards that Chief Counsel will be as responsive to their direction and needs as the position is to the CEO, and will recognize the Boards as the highest authorized bodies of the organization, we think that assurance can be achieved without the time, expense and uncertainty of trying to change the CERL or the County Code. The easiest and most effective change to the current status would be to enhance the Boards' preeminence through a simple change in the Chief Counsel's and CEO's job descriptions. The change would recognize that the Boards seek a closer, more independent and responsive relationship with counsel appointed to advise them and to carry out their fiduciary responsibilities, while not degrading in any manner his or her accessibility or effectiveness with retirement staff. The change could come in the form of (1) an addition to the Chief Counsel's job description, [3] and (2) a direction to the CEO that in hiring, firing, compensating and

---

[2] Ironically, we note that the current organization chart posted on the LACERA website omits the two Boards entirely. *See*, https://www.lacera.com/about_lacera/organizational_chart.html.

[3] Currently the only reference to the Boards in the Chief Counsel's job description is: "Provides legal advice during public and closed sessions of the Board of Retirement and Board of Investments."

evaluating the Chief Counsel, the CEO will consult with the Boards. These changes could be accomplished by action of the Boards alone, since the Boards have complete authority to administer the retirement system, including, ultimately, the evaluation and appointment of the CEO, an at-will position that serves at the pleasure of the Boards. CERL sec. 31522.1; County Code secs. 6.127.020, 6.127.040 E(2)b ("In the case of the retirement administrator, the evaluation shall be in accordance with the procedures established by the board of retirement and board of investments jointly.") *See also* Division 7 of the Board of Retirement Policies and Procedures Manual.

If this is the Boards' goal, we would recommend adding the following language to the job description of the Chief Counsel:

> Recognizing that the Board of Retirement and Board of Investments are the highest authorized bodies of the retirement system, provides independent advice and assistance on legal issues to the Boards and their members.

And we would recommend adding the following language to the job description of the CEO:

> Selects and evaluates LACERA's Chief Counsel, with the input of the governing Boards.

CHIEF INVESTMENT OFFICER

The Boards have the fundamental fiduciary duties to hold and expend the plan's funds solely in the interest of the members and beneficiaries, to prudently manage the plan and to diversify the assets so as to minimize the risk of loss and maximize the rate of return. Cal. Const. Art. XVI sec. 17(a), (c), (d). In order to accomplish the necessary work of the fund, the Boards delegate many of their responsibilities to others, reserving to themselves the power and ability to monitor their delegations and make changes in the investment program.

LACERA's Chief Investment Officer (CIO) has a direct delegation of responsibilities from the Boards. The position is appointed by the two Boards (Govt. Code sec. 31522.4) but primarily serves to execute on the strategic investment plan determined by the Board of Investments. *See*, CIO job description, which identifies the direct relationship with the Board of Investments:

> The Chief Investment Officer is regarded as the investments expert for the Board of Investments (Board), acting as advisor on all matters involving the investment or the proposed investment of Los Angeles County Employees Retirement Association (LACERA) assets.
>
> This unclassified position reports to the Chief Executive Officer, LACERA and is found in LACERA and is distinguished by its responsibility for directing the implementation of LACERA's investment policies and programs adopted by the Board; monitoring and supervising the management of LACERA's portfolio which includes Fixed Income, Equities, Real Estate, and Alternative Investments and ensuring the efficient utilization of investment funds, in accordance with the policies and decisions of the Board.

The balance of the job description is highlighted by several direct references to the CIO's obligations to the Board of Investments. And unlike the Chief Counsel, the primary work of the CIO is to advise the Board, notwithstanding that "this unclassified position reports to the Chief Executive Officer." The CIO, in conjunction with investment consultants, updates the Board regularly on the performance of the portfolio, the risk/reward balance of the investment program, capital markets projections, peer comparisons, market risks and opportunities, and rebalancing.

The duties of the CIO directly descend from the Board of Investments. Contrast that with the duties of the Chief Counsel, whose responsibilities run both to supporting organizational activities the Boards have delegated to others and supporting the Boards directly.

Public retirement boards frequently reexamine whether the CIO should "report" directly to the board or to the chief executive officer. In our experience, this is more often than not a reflection of the unique interpersonal relationships among the board, the CEO and the CIO – and is usually triggered because something in those relationships has gone awry. Most boards end up where they began, however, with the CIO continuing to report directly to the CEO for organizational management reasons. Once again, we ask the Boards to determine what you would want to accomplish by altering the "reporting" of the LACERA CIO. The CIO is the expert to whom the Board directly delegates its fiduciary responsibilities. Of course, the CIO also oversees and administers an Investment Division with dozens of employees. To this extent the CIO necessarily reports to the CEO as a matter of administrative effectiveness. That the CIO "reports" to the CEO for administrative purposes (personnel and HR needs, facilities needs and management, resources, budgeting and the like) should not detract from the fact that the CIO also "reports" to the Board on the substantive scope of his or her job duties.

Once again, perhaps less is more. Should the Boards seek clearer recognition of the direct line between them and the CIO's responsibilities, with enhanced communication and independence from the CEO on investment affairs, that direction can be added to the CIO's job description. Before proceeding with any material change in reporting, however, we suggest that the Boards consult with the current CIO (who recently accepted the position on the basis of certain understandings) and with the soon-to-be-appointed CEO when that person arrives at LACERA. To a very large extent, we have found that improved communications among pension fund executives is more a function of personality, commitment and desire rather than of organization charts. We think that the "reporting" goal can best be achieved by the Board clearly articulating its expectations directly to the CIO, rather than through formal charts and job descriptions.

We will be available at the December 13, 2017 JOGC meeting to address any questions or comments you may have.

Chief Counsel, LACERA

LACERA

Class Code: 9216

Bargaining Unit: Non-represented (exempt)

LACERA
Revision Date: Dec 6, 2004

SALARY RANGE

$13,986.60 - $21,169.86 Monthly
$167,839.20 - $254,038.32 Annually

DEFINITION:
Serves as general counsel to the Los Angeles County Employees Retirement Association (LACERA).

POSITION INFORMATION:
This one position class reports to the Chief Executive Officer and has complete responsibility for planning, directing and evaluating all operations of the Legal Division. This position also carries out special assignments as directed by the Chief Executive Officer.

EXAMPLES OF ESSENTIAL JOB FUNCTIONS:
Provides legal advice during public and closed sessions of the Board of Retirement and Board of Investments.

Formulates and directs the execution of divisional policy and evaluates work accomplished.

Directs the work of divisional counsel in trying civil cases in which LACERA or its officers and employees are parties; assumes responsibility for litigation as may be necessary.

Directs the work of division counsel in drafting contracts, resolutions, opinions, and other documents.

Provides advice and assistance on legal problems within the other divisions of LACERA; confers with the Chief Executive Officer, and LACERA management staff on special legal problems.

Coordinates and oversees the work of outside counsel, verifies and controls fees paid.

Oversees the analysis of State and Federal legislation which may impact LACERA; supervises the drafting of legislation sponsored by LACERA.

Develops the division's goals and directs the preparation of the budget.

As directed by the Chief Executive Officer may attend or serve on outside committees and associations as may benefit LACERA.

REQUIREMENTS:
Demonstrated knowledge, skills, and abilities required in managing a legal division of a local, state, or federal public agency. Demonstrated success in the preparation for and trial of civil suits and the provision of legal advice to government officials. Demonstrated ability to work with elected and appointed officials and agency staff.

LICENSE:
Admission to practice law in all courts of California. A valid California Class C Driver License or the ability to utilize an alternative method of transportation when needed to carry out job-related essential functions.

LACERA

November 1, 2019

TO: Each Member
Board of Investments

FROM: Ted Granger, CPA, CGMA, CRMA TG
Assistant Chief Financial Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **ACTUARIAL ASSUMPTION REVIEW**

The Board of Investments' actuarial valuation policy updated in 2008 requires annual actuarial valuations to review the retirement system's funding progress and to reset contribution rates. Additionally, to comply with California Government Code Section 31453, LACERA requires its actuary to review the actuarial valuation's assumptions for reasonableness with the Board every three years. This review, commonly referred to as the "Investigation of Experience" or "Experience Study," is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. From this review, the actuary may recommend the Board change the assumptions used in projecting benefit liabilities and asset growth. The actuary will be performing an Investigation of Experience as of June 30, 2019 in preparation to conduct the June 30, 2019 actuarial valuation.

The plan actuary prefers to discuss the Investigation of Experience results with the Board prior to performing the actuarial valuation. This enables your Board the opportunity to discuss the assumptions' reasonableness with the actuary and provide the actuary direction prior to completing the annual valuation used to set employer and employee contribution rates.

We formally began our Investigation of Experience discussion at the October 8, 2019 meeting where LACERA's consulting actuaries from Milliman, Mark Olleman, Nick Collier, and Alan Perry, reviewed the economic assumptions and discussed expected returns based on their capital market assumptions. The Board asked the consulting actuaries to provide additional information regarding these assumptions at the next meeting. Milliman will return to the November 20, 2019 Board of Investments meeting to follow-up on the economic assumptions discussion and reach a consensus. The demographic assumptions and Investigation of Experience report will then be presented to the Board for its consideration and adoption at the January 2020 meeting. Attached for your review is the actuary's economic assumption follow-up presentation for the November 20, 2019 meeting.

TG:ew
Actval19 Investigation Education Nov 2019 Final.docx

Attachment

Steven P. Rice — November 6, 2019

Steven P. Rice
Chief Counsel

Date

c: Jon Grabel
Richard Bendall
Bernie Buenaflor

2019 Experience and Assumption Study
Economic Assumptions Follow-Up

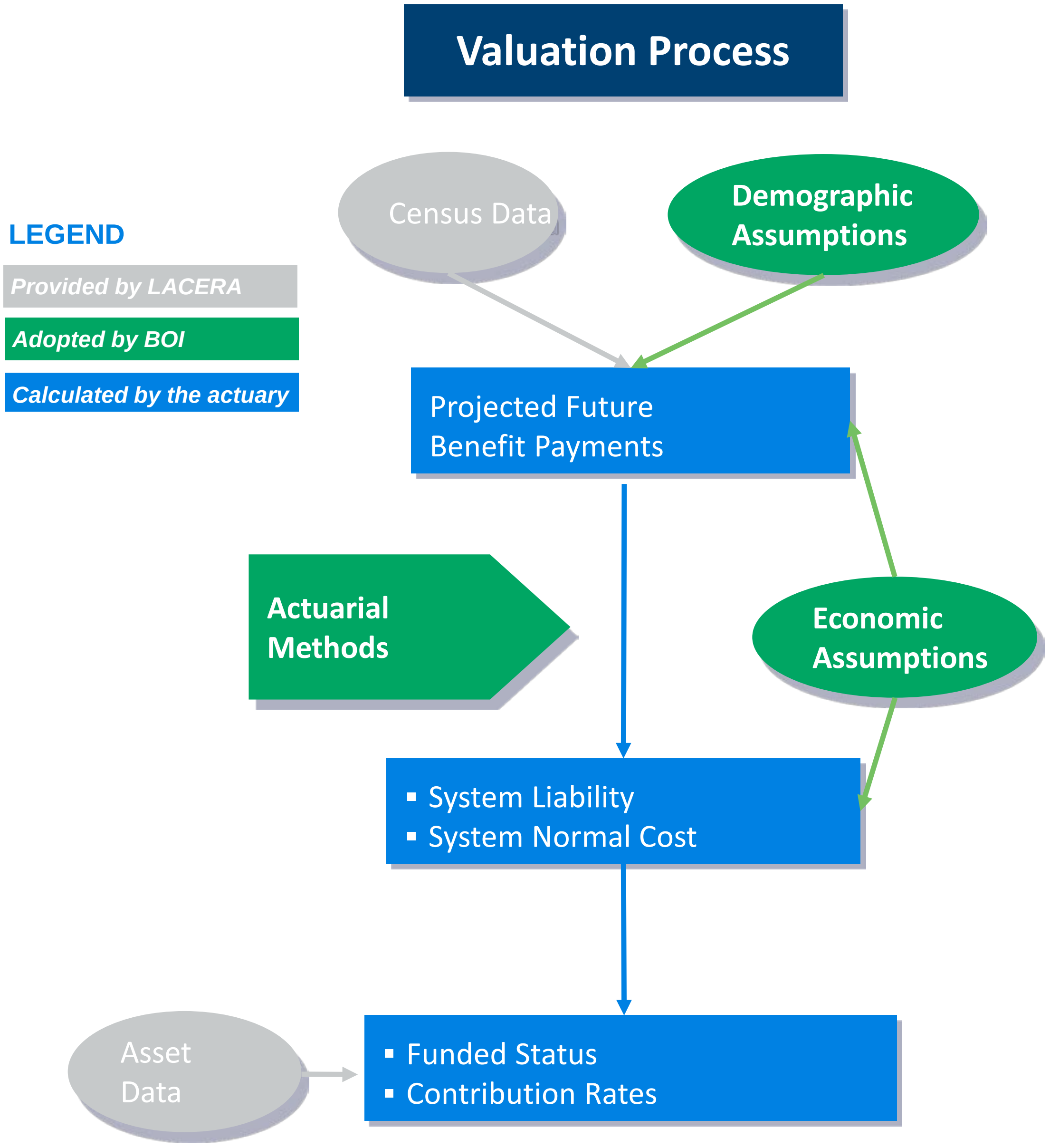
Mark Olleman
Nick Collier

NOVEMBER 20, 2019

Milliman

Schedule

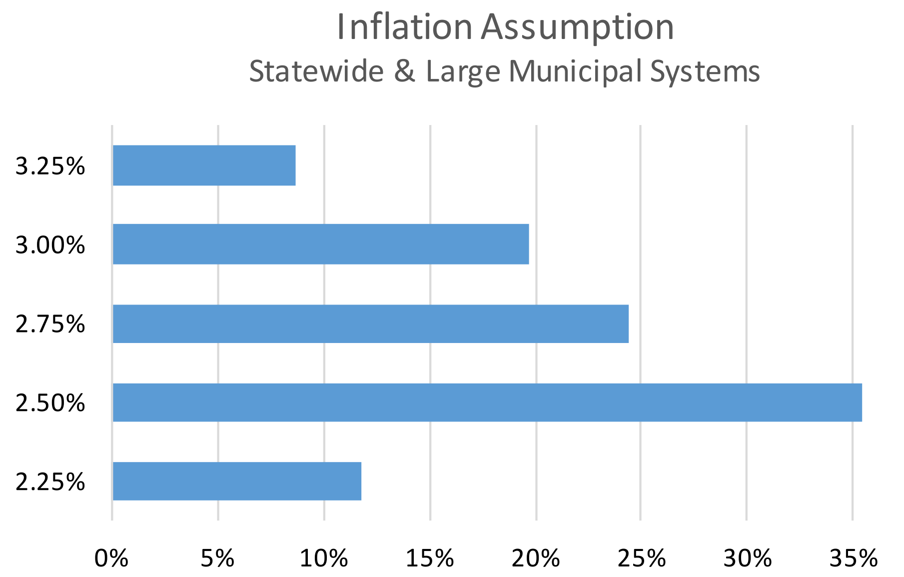
- October 2019 meeting:
  - Background on economic assumptions
- November 2019 meeting:
  - Follow-up discussion on economic assumptions
  - Reach general consensus on economic assumptions
- January 2020 meeting
  - Present results of demographic assumption study
  - Adopt assumptions to be used in 2019 valuation
- March 2020 meeting
  - Valuation results
  - Adopt member and employer contribution rates for fiscal year beginning July 1, 2020



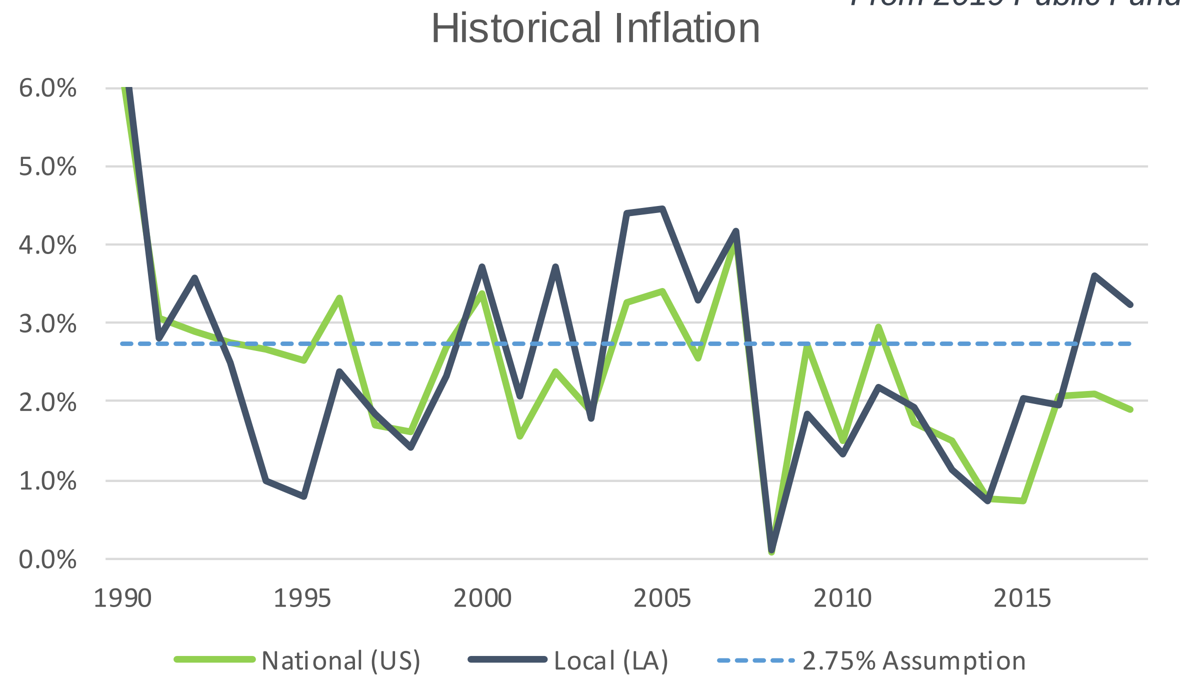
Economic Assumptions

Price Inflation

- Current inflation assumption is 2.75%
  - CalPERS and CalSTRS also at 2.75%
  - 2.75% is median assumption for large systems
- Long-range Social Security projection is 2.6%
- Other forecasts are lower
  - Implied inflation from TIPS
  - Most investment consultants
- Current assumption is reasonable
  - Milliman would also view 2.50% as reasonable

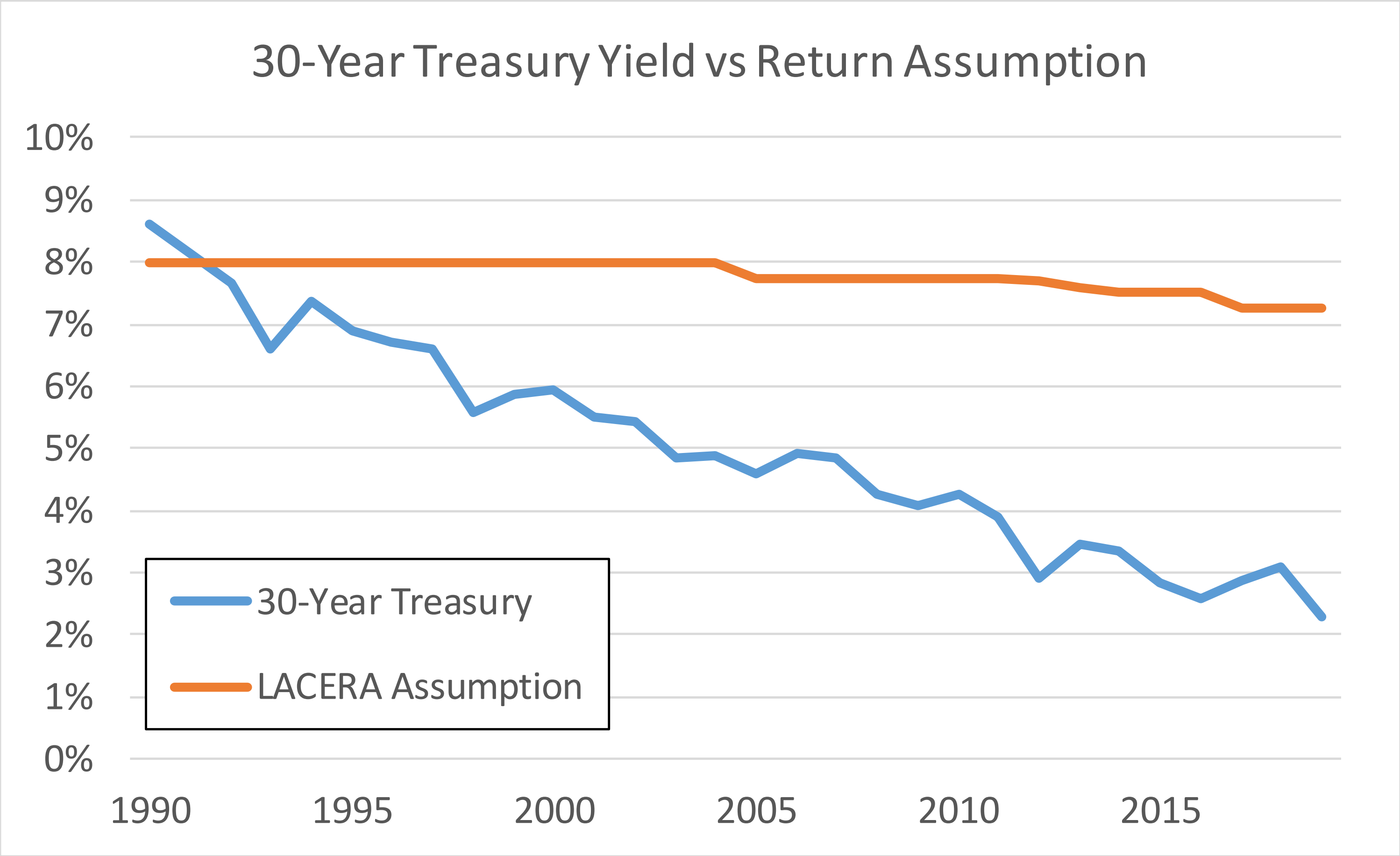


From 2019 Public Fund Survey



Change in Investment Environment

- Significant increase in investment risk needed to achieve return assumption



Expected Return

- Milliman calculated the median expected return for LACERA’s target portfolio using the January, 2019 capital market outlook assumptions from three sources
  - Meketa
  - Milliman
  - 2019 Horizon survey of capital market assumptions (survey of 34 advisors)
- Estimates do not reflect any possible “alpha” due to selected managers potentially outperforming market benchmarks over the long term
- Milliman believes future expectations of returns have decreased materially since January, 2019

	Meketa	Milliman	Horizon
Based on 10-Year Assumptions			
Median Annualized Return	**6.8%**	**6.3%**	**6.6%**
Assumed Inflation	2.1%	2.3%	2.2%
Based on 20-Year Assumptions			
Median Annualized Return	**7.5%**	**6.4%**	**7.3%**
Assumed Inflation	2.6%	2.3%	2.3%

Notes:

1. *Returns are net of assumed expenses of 0.18% of assets.*
2. *The Horizon Survey reports a limited number of asset classes. In cases where there was not a corresponding asset class in the survey, Meketa's assumptions for the corresponding time horizon were used.*
3. *Horizon 10-year assumptions include some consultants with less than 10 years. Horizon 20-year assumptions include some consultants with more than 20 years and are based on a subgroup of less than half of the full group.*

Recommendations

- Economic assumptions
  - Lower investment return assumption to 6.75%
    - 6.50% or 7.0% would also be reasonable
  - Keep all other economic assumptions at current levels
    - If investment return is reduced to 6.75% or lower, reducing inflation and wage growth by 0.25% would also be reasonable
- Amortization period
  - Move from 30 to 20 years on all future amortizations
    - Lowering below 20 years would be reasonable, but would also increase contribution rate volatility
    - If existing amortization layers were also moved to 20 years, estimated increase of 0.7% of pay

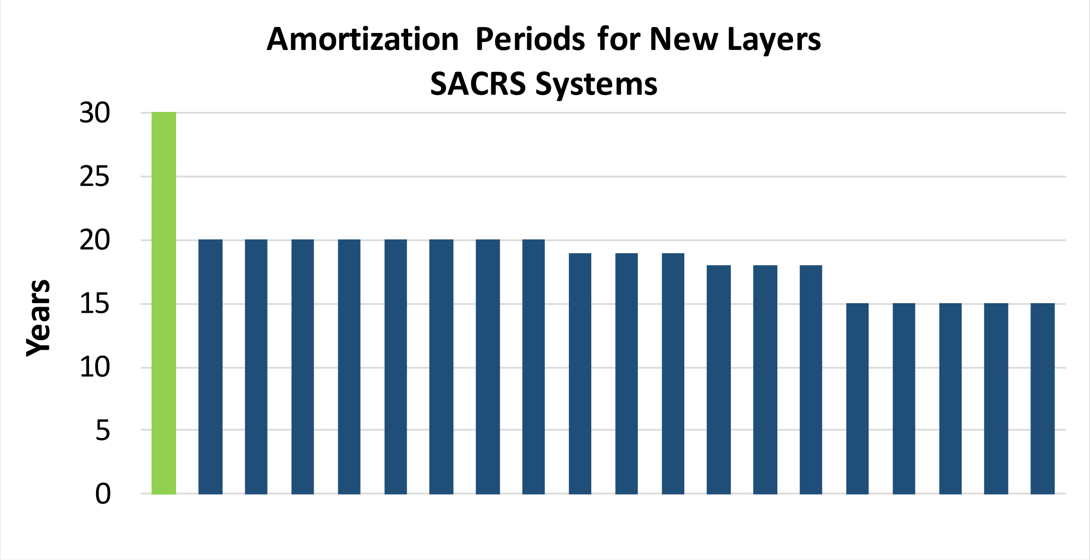
Investment Return Assumption	Wage Growth Assumption 3.25%	Wage Growth Assumption 3.00%
7.25%	Not Recommended*	Not Recommended*
7.00%	Acceptable	Not Recommended
6.75%	**Recommended**	**Recommended**
6.50%	Acceptable	Acceptable

1. *Milliman recommends against any set of assumptions with a 30-year amortization period, but do not believe by itself this would violate the Actuarial Standards of Practice.*
2. *If the STAR Reserve was excluded from the Valuation Assets, it would not change the summary above.*

** Due to recent declines in interest rates, it is likely Milliman would not view a 7.25% investment return assumption as acceptable under the Actuarial Standards of Practice with the 2020 valuation.*

Amortization Policy

Amortization Period



- LACERA uses 30-year layered amortization method for Unfunded Actuarial Accrued Liability (UAAL)
  - Recent actuarial guidance suggest periods of 20 years or less
  - CalPERS and other ‘37 Act systems all have periods of 20 years or less now
  - 20-year or less period should eliminate negative amortization
- Shorter amortization period creates savings in that contributions come in earlier and have longer period to earn interest
  - Opposite is true when gains are recognized over shorter period
- Compared to 20-year period, a 30-year amortization of a UAAL increase will result in:
  - Generally lower funded ratios
  - Reduced year-to-year contribution rate volatility
  - Lower employer contribution rates in the short term, but higher in the long term

Amortization Period – Additional Analysis

- Stochastic analysis performed to assess likelihood of certain events
  - Varying future investment returns: 7.25% median with 11.0% annual standard deviation
  - Low funded ratio is much less likely under shorter period

Funded Ratio after 25 Years	Amortization Period 30 Years	20 Years	15 Years
Probability less than 60%	14.4%	6.7%	3.6%
Probability less than 80%	34.2%	27.0%	21.0%
Probability less than 100%	49.9%	45.9%	42.6%

This indicates that there is a 14% chance that LACERA's Funded Ratio will be less than 60% if future amortizations of UAAL changes stay at 30 years. Note that using 20 years reduces this to less than 7%.

  - Year-to-Year increases are greater under shorter period

Employer Contribution Rate	Amortization Period 30 Years	20 Years	15 Years
Annual probability total is > 30%[1]	21.2%	25.5%	27.4%
Annual probability increase is > 3%[2]	4.5%	8.9%	13.3%

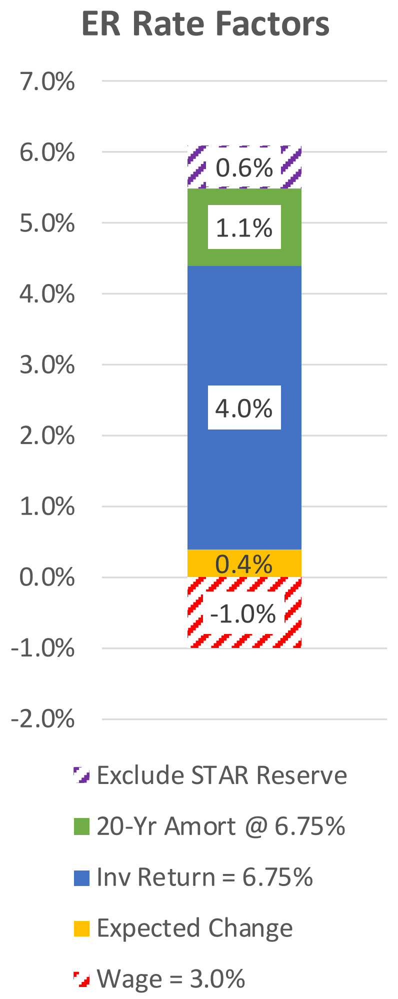
1. Probability of total employer rate exceeding 30% of payroll in any given year of 25-year projection period.
2. Probability of increase exceeding 3% of payroll in any given year of 25-year projection period.

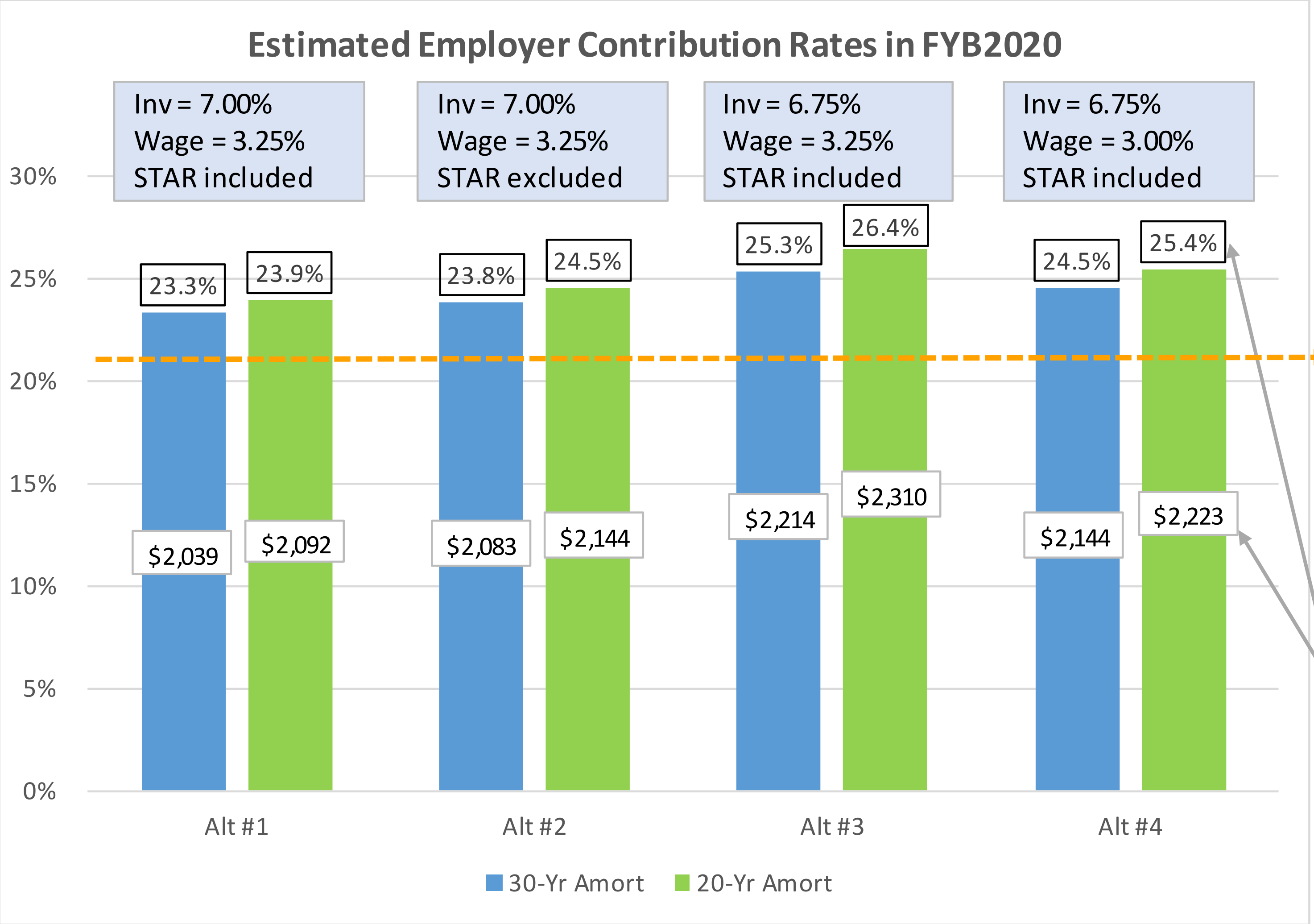
This indicates that there is a 9% chance that in any future year there will be an increase of 3% of pay in the employer contribution rate due to investment experience if 20-year amortization is adopted. This is approximately twice the probability under the current 30-year period.

Estimated Financial Impact – Employer Contribution Rate

The following slides present the estimated financial impact of alternative assumptions, as requested by the Board of Investments. Sound actuarial funding dictates the assumptions be based on the best estimate of future experience, not based on the expected financial impact.

Financial Impact – Estimated Employer Contribution Rate





<u>FYB 2019</u>

ER Rate = 20.9%

ER Cont. = $1,771M

<u>Est. FYB 2020 (with no changes)</u>

ER Rate = 21.3%

ER Cont. = $1,864M

Top row of boxes in chart shows estimated FYB2020 employer rates. Bottom row of boxes shows estimated FYB2020 contributions in $millions.

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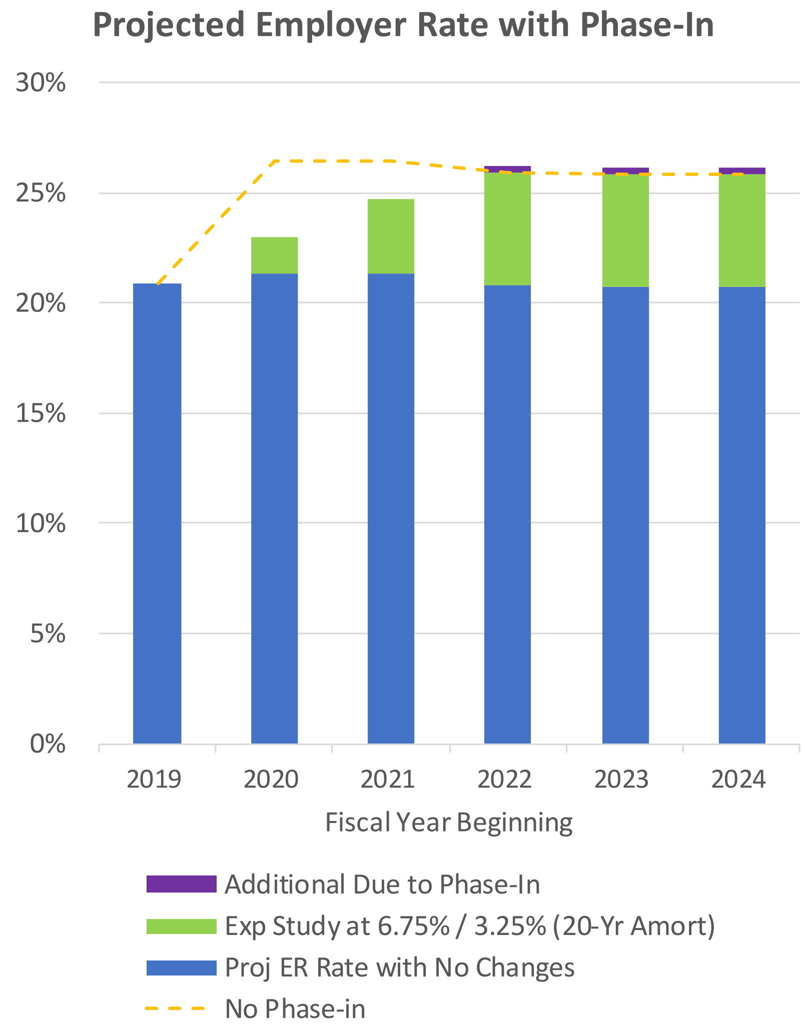
Note: Estimates only. Actual rates will vary due to a number of factors, including potential changes to demographic assumptions.

Financial Impact – Phase-in of Employer Increase

- LACERA phased in employer contribution rate increases due to assumptions and methods over 3-year period last time
- Impact is lower rates for next two years followed by higher rates (as compared to no phase-in)
  - Example based on 6.75% return and 3.25% wage growth assumption with 20-year amortization period

	Employer %		Employer in $Millions	
FYB	**Immediate**	**Phase In**	**Immediate**	**Phase In**
2019	20.9%	20.9%	$ 1,771	$ 1,771
2020	26.4%	23.0% (1)	2,310	2,013
2021	26.4%	24.7%	2,385	2,232
2022	25.9%	26.2%	2,416	2,444
2023	25.8%	26.1%	2,485	2,514
2024	25.8%	26.1%	2,566	2,596



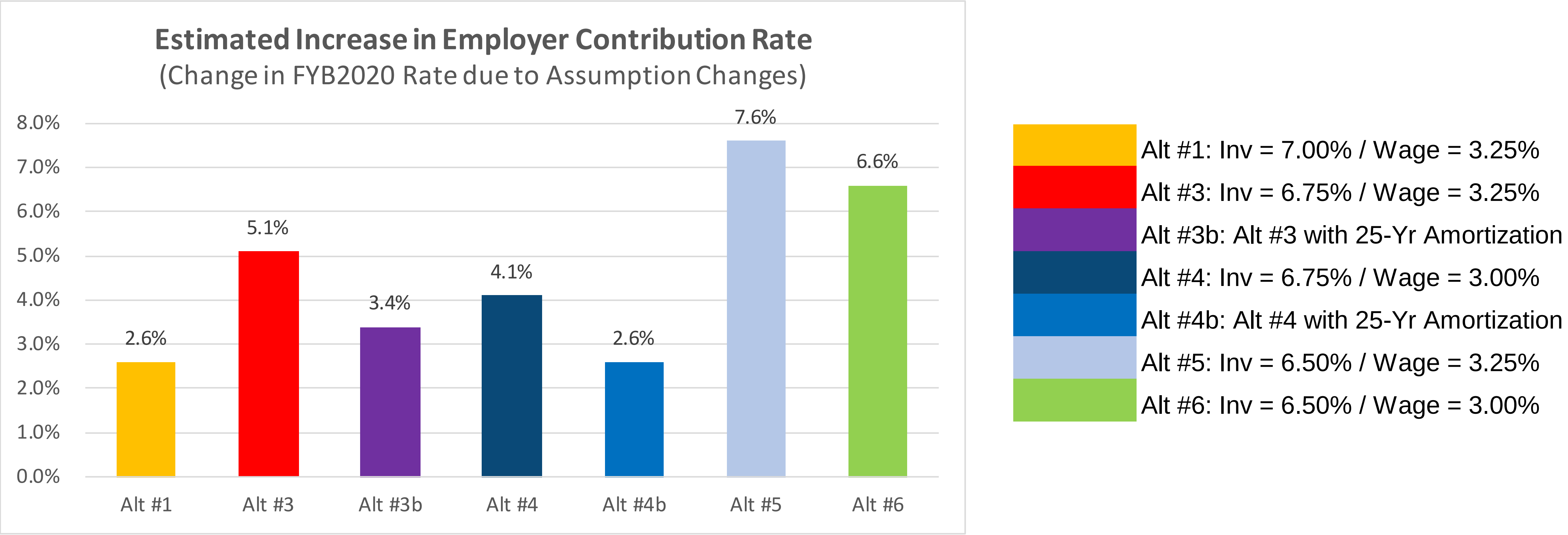
1. *Limitation under CERL 31435.5 (maximum 30-year amortization period of total liability) may require a higher employer contribution rate in FYB2020.*

Financial Impact – Transition to 20-Year Amortization

- Our recommendation is to amortize all future layers over a 20-year period
  - Re-amortizing existing layers (which are all over 20 years) over a 20-year period would strengthen funding with an associated employer contribution rate increase of 0.7% of pay
  - Although definitely acceptable, Milliman believes it is necessary to adjust existing layers, because the UAAL is projected to have positive amortization and begin to start declining in 2021
- If LACERA wants to speed up transitioning all layers to 20-year amortization, here are two options
  - Option #1
    - Combine all existing layers greater than 22 years and re-amortize over 22 years in the 2019 valuation. The impact on the employer contribution rate is estimated to be about 0.1% of pay. Under this approach, LACERA would be fully transitioned to 20-year amortization with the 2021 valuation.
  - Option #2
    - Combine and amortize all existing layers over 25 years. Then transition to 20-year layered amortization over the next 5 years. This weakens the funding of the existing UAAL by reducing the contribution rate for existing layers. However, Milliman would view this as acceptable if the change was combined with a reduction in the investment return assumption to 6.75%. Overall, Milliman would view this as strengthening funding, and it would result in each component of the assumptions and methods being acceptable. This would reduce the employer contribution rate increase by about 1.5% of pay, as compared to moving to 20-year amortization on future layers only.

Financial Impact – Summary of Options Discussed

- Estimated increase due to assumption and method changes
  - All options are on Milliman’s Recommended or Acceptable list
  - If STAR Reserve was excluded from valuation assets, increase would be 0.6% of pay higher than shown



Estimated Financial Impact – Member Contribution Rate

Financial Impact – Member Rate Summary

- Sample increases for largest groups (other plans have less than 1% of active members)

Estimated Increase in Member Contributions for Sample Members

	Increase as a % of Pay		Monthly	Increase in Monthly $	
7.00% Inv / 3.25% Wage	**Gen D / Saf B**	**Gen G / Saf C**	**Pay**	**Gen D / Saf B**	**Gen G / Saf C**
General Members	+0.45% to +0.55%	+0.55%	$ 6,000	$27 to $33	$33
Safety Members	+0.70% to +0.85%	+0.90%	$ 8,000	$56 to $68	$72
6.75% Inv / 3.25% Wage	**Gen D / Saf B**	**Gen G / Saf C**			
General Members	+0.90% to +1.10%	+1.10%	$ 6,000	$54 to $66	$66
Safety Members	+1.40% to +1.65%	+1.85%	$ 8,000	$112 to $132	$148
6.75% Inv / 3.00% Wage	**Gen D / Saf B**	**Gen G / Saf C**			
General Members	+0.65% to +0.85%	+0.80%	$ 6,000	$39 to $51	$48
Safety Members	+1.15% to +1.30%	+1.40%	$ 8,000	$92 to $104	$112

Note: Estimates only. Actual rates may vary due to a number of factors, including potential changes to demographic assumptions.

Summary

- Recommended economic assumptions
  1. Investment return of 6.75% and wage growth of 3.25% (20-year amortization)
  2. Investment return of 6.75% and wage growth of 3.00% (20-year amortization)
- Other acceptable combinations shown in chart (all with 20-year amortization)
- Additional acceptable options
  - Recommendations 1 or 2 (above) with 25-year amortization of total UAAL (including existing layers), grading down to 20 years over the next five years
- Demographic assumptions will be discussed in January

Investment Return Assumption	Wage Growth Assumption 3.25%	Wage Growth Assumption 3.00%
7.25%	Not Recommended*	Not Recommended*
7.00%	Acceptable	Not Recommended
6.75%	**Recommended**	**Recommended**
6.50%	Acceptable	Acceptable

1. *Milliman recommends against any set of assumptions with a 30-year amortization period, but do not believe by itself this would violate the Actuarial Standards of Practice.*
2. *If the STAR Reserve was excluded from the Valuation Assets, it would not change the summary above.*

** Due to recent declines in interest rates, it is likely Milliman would not view a 7.25% investment return assumption as acceptable under the Actuarial Standards of Practice with the 2020 valuation.*

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Questions

Caveats and Disclaimers

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

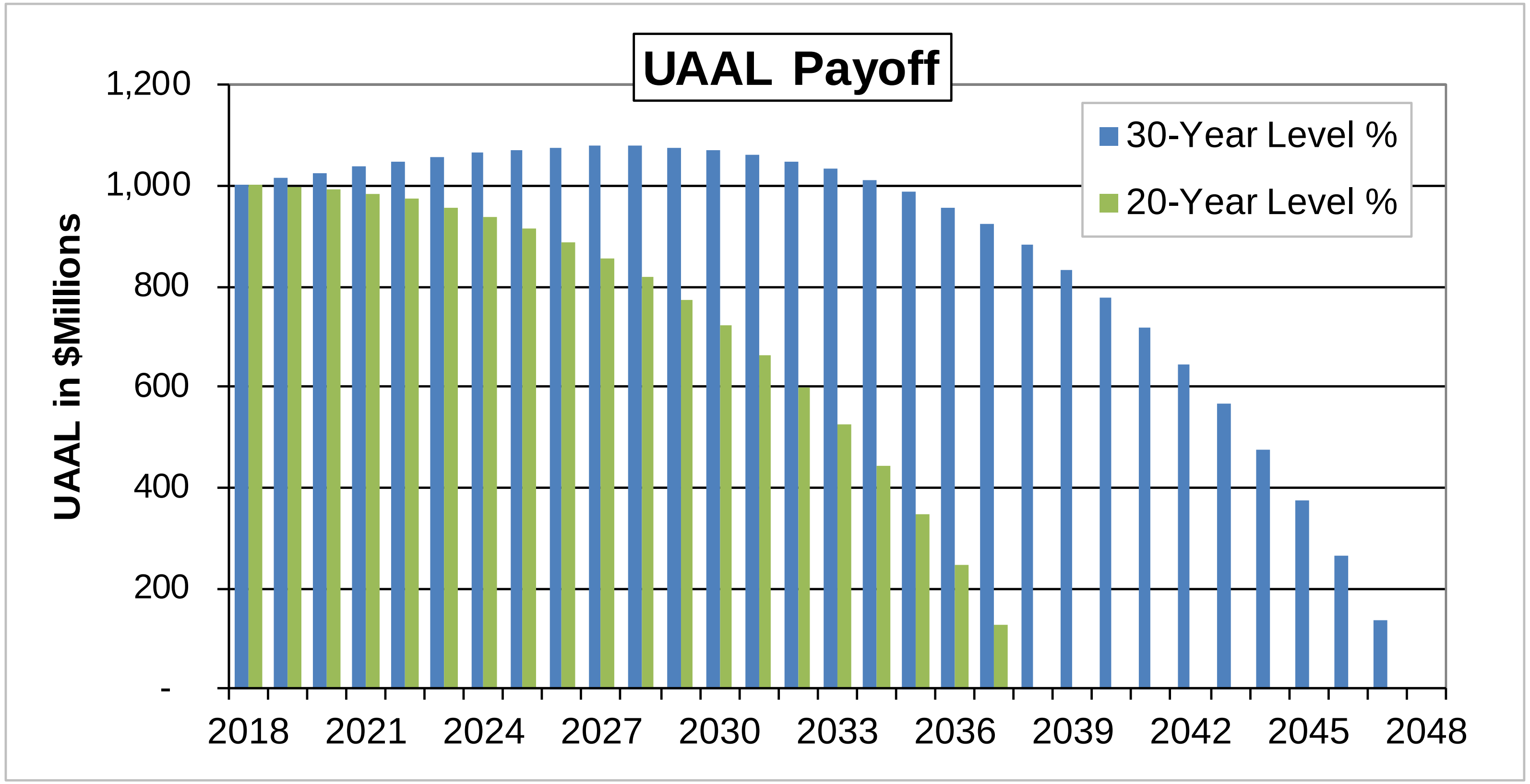
These statements include reliance on data provided, on actuarial certification, and the purpose of the report.

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

Supplemental Exhibits

Comparison of UAAL Amortization Periods

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



Financial Impact – Numerical Detail

- Estimated impact under various economic assumptions and methods (including STAR Reserve)
  - 30-year amortization period

Assumptions for:				Employer Rate	
Inv. Return	Inflation	Wage Growth	Amort. Period	Percent Increase	Dollar Increase[(1)]
7.00%	2.75%	3.25%	30 years	2.0%	$ 175
6.75%	2.75%	3.25%	30 years	4.0%	350
6.75%	2.50%	3.00%	30 years	3.2%	280

  - 20-year amortization period

Assumptions for:				Employer Rate	
Inv. Return	Inflation	Wage Growth	Amort. Period	Percent Increase	Dollar Increase[(1)]
7.00%	2.75%	3.25%	20 years	2.6%	$ 223
6.75%	2.75%	3.25%	20 years	5.1%	446
6.75%	2.50%	3.00%	20 years	4.1%	359

1. *The dollar increase is the amount due to changes in the economic assumptions and amortization period only. Without any assumption or method changes, there is a projected increase in the annual employer contributions of approximately $90 million due to the assumed increase in payroll and the recognition of asset gains and losses.*

Financial Impact – Phase-in of Employer Increase (Alt #1)

- Example based on 7.00% return and 3.25% wage growth assumption with 20-year amortization period
  - No change in current treatment of STAR Reserve

	Employer %		Employer in $Millions	
FYB	Immediate	Phase In	Immediate	Phase In
2019	20.9%	20.9%	$ 1,771	$ 1,771
2020	23.9%	22.2%	2,092	1,943
2021	23.9%	23.1%	2,160	2,083
2022	23.4%	23.6%	2,183	2,202
2023	23.3%	23.5%	2,244	2,264
2024	23.3%	23.5%	2,317	2,337

Financial Impact – Phase-in of Employer Increase (Alt #2)

- STAR COLA reserve treated as valuation asset, but no liabilities are included for future STAR COLA benefit payments that may be granted in the future
- Same example as prior slide except both STAR COLA reserve and future STAR payments are excluded from valuation
  - Increase of approximately 0.60% of pay (about $50 million) due to STAR treatment

	Employer %		Employer in $Millions	
FYB	Immediate	Phase In	Immediate	Phase In
2019	20.9%	20.9%	$ 1,771	$ 1,771
2020	24.5%	22.4%	2,144	1,960
2021	24.5%	23.5%	2,214	2,119
2022	24.0%	24.2%	2,239	2,258
2023	23.9%	24.1%	2,302	2,321
2024	23.9%	24.1%	2,377	2,397

Financial Impact – Phase-in of Employer Increase (Alt #3)

- Example based on 6.75% return and 3.25% wage growth assumption with 20-year amortization period
  - No change in current treatment of STAR Reserve

	Employer %		Employer in $Millions	
FYB	Immediate	Phase In	Immediate	Phase In
2019	20.9%	20.9%	$ 1,771	$ 1,771
2020	26.4%	23.0% (1)	2,310	2,013
2021	26.4%	24.7%	2,385	2,232
2022	25.9%	26.2%	2,416	2,444
2023	25.8%	26.1%	2,485	2,514
2024	25.8%	26.1%	2,566	2,596

1. *Limitation under CERL 31435.5 (maximum 30-year amortization period of total liability) may require a higher employer contribution rate in FYB2020.*

Financial Impact – Phase-in of Employer Increase (Alt #4)

- Example based on 6.75% return and 3.00% wage growth assumption with 20-year amortization period
  - No change in current treatment of STAR Reserve

	Employer %		Employer in $Millions	
FYB	Immediate	Phase In	Immediate	Phase In
2019	20.9%	20.9%	$ 1,771	$ 1,771
2020	25.4%	22.7% [1]	2,223	1,984
2021	25.4%	24.0%	2,295	2,172
2022	24.9%	25.2%	2,323	2,351
2023	24.8%	25.1%	2,389	2,418
2024	24.8%	25.1%	2,466	2,496

1. Limitation under CERL 31435.5 (maximum 30-year amortization period of total liability) may require a higher employer contribution rate in FYB2020.

Financial Impact – Member Rate at 7.00% / 3.25%

- Sample increases for largest groups (other plans have less than 1% of active members)

	Entry Age	Estimated Rate	Current Rate	Increase as a %	Sample Monthly Pay	Increase in $ Monthly
General Members						
Plan D	25	6.80%	6.27%	0.53%	$ 6,000	$ 32
	35	8.36%	7.83%	0.53%	6,000	32
	45	10.31%	9.78%	0.53%	6,000	32
Plan G	All Ages	8.98%	8.43%	0.55%	6,000	33
Safety Members						
Plan B	25	11.82%	11.00%	0.82%	$ 8,000	$ 66
	35	14.36%	13.57%	0.79%	8,000	63
	45	16.94%	16.20%	0.74%	8,000	59
Plan C	All Ages	14.59%	13.69%	0.90%	8,000	72

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Note: Estimates only. Actual rates may vary due to a number of factors, including potential changes to demographic assumptions.

Financial Impact – Member Rate at 6.75% / 3.25%

- Increase are approximately double of 7.00% / 3.25% scenario

	Entry Age	Estimated Rate	Current Rate	Increase as a %	Sample Monthly Pay	Increase in $ Monthly
General Members						
Plan D	25	7.34%	6.27%	1.07%	$ 6,000	$ 64
	35	8.88%	7.83%	1.05%	6,000	63
	45	10.79%	9.78%	1.01%	6,000	61
Plan G	All Ages	9.53%	8.43%	1.10%	6,000	66
Safety Members						
Plan B	25	12.61%	11.00%	1.61%	$ 8,000	$ 129
	35	15.12%	13.57%	1.55%	8,000	124
	45	17.62%	16.20%	1.42%	8,000	114
Plan C	All Ages	15.54%	13.69%	1.85%	8,000	148

Note: Estimates only. Actual rates may vary due to a number of factors, including potential changes to demographic assumptions.

Financial Impact – Member Rate at 6.75% / 3.00%

- Increases are general midway between prior two scenarios

	Entry Age	Estimated Rate	Current Rate	Increase as a %	Sample Monthly Pay	Increase in $ Monthly
General Members						
Plan D	25	6.99%	6.27%	0.72%	$ 6,000	$ 43
	35	8.59%	7.83%	0.76%	6,000	46
	45	10.60%	9.78%	0.82%	6,000	49
Plan G	All Ages	9.23%	8.43%	0.80%	6,000	48
Safety Members						
Plan B	25	12.21%	11.00%	1.21%	$ 8,000	$ 97
	35	14.85%	13.57%	1.28%	8,000	102
	45	17.52%	16.20%	1.32%	8,000	106
Plan C	All Ages	15.09%	13.69%	1.40%	8,000	112

Note: Estimates only. Actual rates may vary due to a number of factors, including potential changes to demographic assumptions.

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FOR INFORMATION ONLY

November 8, 2019

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **PAI PARTNERS MANAGER UPDATE**

The following memo is intended to provide the Board of Investments ("Board") with background information regarding LACERA's investment with and monitoring of PAI Partners Europe Fund VII ("PAI"), following public comments submitted by representatives of UNITE HERE at the Board's September 11, 2019, meeting.

UNITE HERE's comments addressed labor contract negotiations at airport concessions operated by Areas USA at three U.S. airports: Los Angeles International ("LAX"), Detroit Metropolitan Airport ("DTW"), and Minneapolis-St. Paul International ("MSP"). Areas USA is a subsidiary of Areas Worldwide ("Areas"), a global airport concessions firm based in Barcelona, Spain.

PAI acquired Areas in July 2019. PAI is a private equity firm based in Paris, France, that focuses on buyout transactions. PAI typically targets companies sized between €300 million to €1.5 billion in enterprise value, operating principally in Europe in one of five sectors: business services, food and consumer, general industrials, healthcare, and retail and distribution.

SUMMARY TIMELINE

November 2, 2017	LACERA's Board approves a €150 million commitment to PAI Fund VII.
July 1, 2019	PAI acquires global airport concessions company Areas Worldwide.
September 11, 2019	UNITE HERE, in public comments to the Board, outlines concerns about labor contract negotiations at LAX, DTW, and MSP airports, and a history of labor relations dating back to HMS Host, which operated the Minneapolis airport concessions prior to Areas acquiring the concession in October 2017.

LEGAL PARAMETERS

LACERA is a limited partner in PAI Europe VII. By design, the limited partnership agreement limits LACERA's liability, risk exposure, and management rights. The PAI Europe VII partnership agreement provides that:

> *In accordance with articles L-222-6 and R 222-2 of the French Commercial Code, Limited Partners who are not otherwise Manager or AIFM (Alternative Investment Fund Manager) shall take no part in the external management of the business and affairs of the Partnership and shall have no right or authority to act towards third parties for the Partnership.*

As the general partner, PAI is responsible for selecting investments, building value, exiting holdings, and overseeing all investment activity, as they deem appropriate. LACERA relies on PAI to manage all matters relating to PAI Europe VII and its investments.

All LACERA actions must adhere to LACERA's fiduciary duties of loyalty and prudence to act in the exclusive interest of plan beneficiaries in an informed manner.

LACERA MANAGER MONITORING AND PAI

LACERA conducts upfront due diligence and ongoing monitoring of external managers' performance, including how they mitigate a variety of investment risks. Routine due diligence and monitoring includes assessing how external managers identify, evaluate, and integrate environmental, social, and governance ("ESG") factors that are relevant to their investment strategies. As articulated in LACERA's *Corporate Governance Principles*, LACERA considers constructive human capital practices to be a core component of any business' success in creating and sustaining long-term economic value. LACERA therefore expects external managers such as private equity general partners to cultivate constructive labor relations at portfolio companies and mitigate the operational, legal, reputational, and financial risks that poor workforce relations and practices may present. Active monitoring not only aims to fulfill LACERA's fiduciary duty to monitor our capital at risk, but also informs whether additional investments with current external managers are merited.

As a new relationship, LACERA continues an active dialogue with PAI on all aspects of the fund's progress, including newly acquired portfolio companies such as Areas. LACERA monitoring is facilitated in part by LACERA's participation in PAI Fund VII's Limited Partner Advisory Committee, as well as regular discussion, meetings, and surveys. Active monitoring informs LACERA's manager assessments in a "manager scorecard," comprised of five core components including organizational quality of the manager, performance, fees, ESG integration, and the quality of the strategic relationship.

In early 2019, LACERA included PAI in a survey of 11 of its private equity general partners regarding how private equity firms are incorporating ESG factors throughout the investment life cycle, including:

- *Pre-acquisition due diligence of their portfolio firms:* To what extent does the general partner identify relevant ESG factors that may shape risks and returns of a potential acquisition target, how they consider such factors in investment committee deliberations, and how they incorporate such assessments into their decisions whether to proceed with an acquisition;
- Ownership period: How they integrate corrective actions and other ESG strategies into portfolio companies' business plans during the general partners' ownership period, if they proceed with an acquisition; and
- Pre-exit preparation: To what extent they address necessary aspects of ESG during preparations for exit, such as an initial public offering.

LACERA noted that PAI is a signatory to the Principles for Responsible Investment and in recent years has undertaken efforts to formalize ESG into industry-specific due diligence with its deal teams, including identifying ESG factors related to an acquisition target's business profile as part of its internal investment committee memo and analysis. LACERA also noted that PAI is leading efforts among a small number of European general partners to develop and disseminate tools for private equity firms to identify and report climate risks at portfolio firms, as part of an initiative called "Initiativ Climat 2020". An overview of PAI's ESG efforts is available on its website.[1] LACERA has noted PAI's efforts to develop a systematic approach for ESG integration and continues to track PAI's progress to assess how effectively and comprehensively it identifies, mitigates, and – ultimately – addresses relevant ESG factors in its investment process.

PAI AND AREAS

LACERA has recently held at least five meetings with PAI's executive team, including in-person discussions both at LACERA's offices and at PAI's headquarters. As part of broader portfolio monitoring, LACERA has discussed with PAI its due diligence process (including ESG) in evaluating the recent acquisition of Areas and its history of labor relations as represented during the public comments presented to the Board at its September 2019 meeting, how it integrates ESG into the portfolio company's business plan for value creation, and the current status of labor contract negotiations since PAI's July 2019 acquisition of Areas.

While respecting the legal parameters of LACERA's limited partner agreement with PAI and the privacy of ongoing contract negotiations between the labor union and PAI's portfolio company, LACERA notes the following for the Board's information:

- Areas USA has successfully concluded labor contract negotiations in the past.
- Negotiations continue at LAX, DTW, and MSP.
- A majority of Areas USA's hourly employees are represented by UNITE HERE.
- Several additional UNITE HERE contracts at various airports will expire and be in negotiations in the coming years.

[1] https://www.paipartners.com/responsibility/esg-reports/.

CONCLUSION

LACERA actively monitors all aspects of fund performance at its external asset managers, including at general partners (such as PAI) where LACERA's legal rights are limited. LACERA considers constructive human capital practices to be a vital component of delivering financial returns. Accordingly, LACERA will continue to monitor its investment with PAI, including its portfolio companies, through ongoing discussions with PAI partners and as a participant of the PAI Europe Fund VII Limited Partner Advisory Committee.

Additionally, LACERA will continue to update PAI's "manager scorecard," including assessing the quality of communications and relationship with PAI and how effectively PAI integrates aspects of ESG into its investment strategy. PAI's ability to effectively manage labor contract negotiations and achieve labor peace will be among the factors that will inform LACERA's ongoing assessment.

Finally, LACERA will take into account all aspects of PAI Fund VII's performance and how the general partner creates value at portfolio companies when underwriting any future PAI fundraising prior to recommending additional commitments.

FOR INFORMATION ONLY

November 4, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **SECURITIES AND EXCHANGE COMMISSION COMMENT LETTER REGARDING REGULATION S-K HUMAN CAPITAL DISCLOSURES**

BACKGROUND

Please find attached LACERA's comment letter to the U.S. Securities and Exchange Commission (SEC) in response to the SEC's August 23, 2019, proposed rulemaking regarding modernization of select SEC disclosure requirements for publicly-listed companies. The proposed regulatory revisions address numerous aspects of SEC Regulation S-K, including proposed expansion of corporate reporting of human capital practices. Specifically, the proposal calls for corporate reporting to include, "any human capital measures or objectives that management focuses on in managing the business, to the extent such disclosures would be material to an understanding of the registrant's business." The proposed rulemaking follows a 2017 petition to the SEC filed by a number of institutional investors, including numerous public pension plans, requesting the SEC to propose rules for enhanced human capital management disclosures.

LACERA's comment letter (**ATTACHMENT**) supports the proposed rulemaking for enhanced human capital disclosures. LACERA filed the comment letter in adherence to its *Corporate Governance Policy* procedures and consistent with its *Corporate Governance Principles* which consider human capital to be a strategic driver of companies' ability to generate sustainable value and support timely, reliable, and comparable reporting of key financial and operating indicators of company performance to facilitate investment analysis and decisions. Additional information about the SEC's proposed rulemaking is available on the SEC's website at: https://www.sec.gov/rules/proposed/2019/33-10668.pdf.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

ATTACHMENT

LACERA Los Angeles County Employees Retirement Association

300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6000

October 22, 2019

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609
via email at rule-comments@sec.gov

RE: File Number S7-11-19 (Modernization of Regulation S-K);
File Number 4-711 (Human Capital Petition)

Dear Ms. Countryman:

The Los Angeles County Employees Retirement Association (LACERA) appreciates the opportunity to submit comments in response to the Securities and Exchange Commission's (SEC or Commission) August 23, 2019, proposed rulemaking regarding the modernization of Regulation S-K Items 101, 103, and 105 (Proposed Rulemaking),[1] and in support of the July 6, 2017, petition for rulemaking regarding human capital management.[2] We focus our comments on the Commission's proposed changes to reporting rules governing Item 101(c) regarding the Narrative Description of Business by which the Commission proposes such reporting to include "any human capital measures or objectives that management focuses on in managing the business, to the extent such disclosures would be material to an understanding of the registrant's business." We applaud the Commission's explicit inclusion of human capital in the Proposed Rulemaking and believe that the Commission should consider both principles-based and rules-based guidance to promote adequately investment-useful and comparable human capital disclosures.

LACERA is the largest county pension system in the United States, with over $58 billion in plan assets as of September 30, 2019, including equity holdings in approximately 3,000 U.S. companies. LACERA's mission is "to produce, provide, and protect the promised benefits" for nearly 170,000 beneficiaries. We encourage public policies governing financial markets to promote sustainable, long-term value in order to enhance our ability to fulfill our mission.

Our comments to the Commission are guided by two fundamental concepts outlined in LACERA's *Corporate Governance Principles*.[3] First, we consider that financial markets work most efficiently when investors have timely, reliable, and comparable information about material aspects of a firm's performance. Transparency of a firm's key financial and operating performance is critical for investors to assess a firm's financial viability and prospects for delivering sustainable value. Second, we consider that effective management of human capital – including the development, incentives, and

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[1] United States Federal Register. Modernization of Regulation S-K Items 101, 103, and 105. Securities and Exchange Commission Release Nos 33-10668; 34-86614; File No. S7-11-19. August 23, 2019. Available at: https://www.federalregister.gov/documents/2019/08/23/2019-17410/modernization-of-regulation-s-k-items-101-103-and-105.
[2] Human Capital Management Coalition. Petition for Rulemaking to the Securities and Exchange Commission. July 6, 2017. Available at: https://www.sec.gov/rules/petitions/2017/petn4-711.pdf.
[3] LACERA. *Corporate Governance Principles.* March 2019. Available at: http://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/CorpGovPrinciples.pdf.

retention of a firm's workforce – is vital to any firm's success. Our *Principles* encourage companies to identify, ensure board oversight, and disclose information about significant human capital drivers that are related to the firm's ability to create and protect firm value.

We believe the Commission's Proposed Rulemaking addresses a pronounced gap in current market disclosure practices. The oft-repeated adage that a company's workforce is its "most valuable asset" is supported by a range of research assessing the relationship between workplace practices and financial performance across a range of indicators (including total shareholder returns, return on assets, return on capital, and profitability).[4] Yet investors typically have little insight into how companies are managing the risks and opportunities associated with this "most valuable asset," such as key performance indicators and how well they are aligned to businesses' long-term strategic objectives. U.S. regulatory disclosures, as guided by Regulation S-K Item 101(c) for example, are largely limited to requiring disclosures of the registrant's total number of employees. Perhaps underscoring market interest in human capital reporting, research also suggests that firms that disclose *any* information regarding their human capital performance tend to outperform non-disclosers.[5]

We appreciate the Commission's consideration and deliberation of how best to address that information gap, under the auspices of the Commission's mission to protect investors; maintain fair, orderly, and efficient capital markets; and facilitate capital formation. As a long-term, diversified institutional investor, we concur with the Commission that the range of human capital performance indicators that may be financially material for an investor to consider in assessing a registrant may vary across industries and by the specific nature of the firm's business strategy to create and sustain value. We therefore support inclusion of principles-based guidance so that registrants may incorporate both narrative and numeric disclosures that are relevant to their business profile and strategy. To guide registrants in identifying investment-useful information relevant to their industries and in line with a principles-based approach, we recommend that the Commission urge that such disclosures be guided by a suitable, recognized reporting framework, such as the Sustainability Accounting Standards Board (SASB), to which LACERA is affiliated as a member of its Investor Advisory Group.[6]

Principles-based disclosures alone, however, have inherent weaknesses and may impede effective comparability, thereby limiting the Commission in its aim to promote efficient capital markets and facilitate capital formation. We share the view of the CFA Institute on this hazard and incorporate below its October 6, 2016, response to the Commission's S-K Concept Release:

> In general, principles-based requirements will have one, some, or all of three primary outcomes. First, issuers will withhold disclosure based on an internal determination that the information is immaterial. Second, issuers will group information in a manner that obfuscates negative performance or conditions. And third, different issuers will apply the "principles" differently, thus making the information incomparable across different issuers. For data-driven disclosures, therefore, we believe the Commission needs to provide prescriptive rules as to what must be reported, the manner in which it is reported, and the assumptions behind the

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[4] For an overview of over 90 studies, see Aaron Bernstein and Larry Beeferman. "The Materiality of Human Capital to Corporate Financial Performance." Pensions and Capital Stewardship Project, Labor and Worklife Program, Harvard Law School. April 2015. Available at: https://lwp.law.harvard.edu/files/lwp/files/final_human_capital_materiality_april_23_2015.pdf;

[5] Coalition for Inclusive Capitalism. *Embankment Project for Inclusive Capitalism.* 2018. Available at: https://www.epic-value.com/.

[6] Sustainability Accounting Standards Board. Available at: https://www.sasb.org.

reporting. As noted above, without such prescription, investors may not receive materially important information, may not be aware of material information, and/or they would not be able to compare disclosures across companies or across industries.[7]

To complement a principles-based approach (and address its shortcomings), we suggest that the Commission incorporate rules-based disclosures for a select number of consistent, universally applicable human capital metrics, to facilitate a base level of disclosures and broad comparability. In this regard, the Commission should consider core metrics related to workforce composition and structure (such as the number of full-time, part-time, and contingent workers, as well as diversity data consistent with Equal Employment Opportunity EEO-1 reporting, where permissible[8]), indicators of workforce stability (such as turnover), and data points enabling investors to assess a registrant's return on human capital investments. Rules-based reporting of core human capital metrics is consistent with our view that comparable, reliable, and timely disclosure of key performance indicators facilitates investment analysis and decisions.

We commend the Commission for allowing us this opportunity to provide comments. Please contact the undersigned at 1 (626) 564-6000 or jgrabel@lacera.com if you would like to further discuss any of the above remarks.

Sincerely,

Jonathan Grabel
Chief Investment Officer

CC: The Honorable Jay Clayton, Chair
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner

[7] CFA Institute. Comment on S-K Concept Release. October 6, 2016, at 5. Available at: https://www.sec.gov/comments/s7-06-16/s7-06-16/s70616-375.pdf.
[8] U.S. Equal Employment Opportunity Commission. EEO Reports/Surveys. Available at: https://www.eeoc.gov/employers/reporting.cfm.

L//CERA

FOR INFORMATION ONLY

October 11, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

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

Please find attached LACERA's ballot for the Principles for Responsible Investment ("PRI") 2019 board election (**Attachment**).

BACKGROUND

LACERA is a signatory to the PRI. As noticed to the Corporate Governance Committee ("Committee") at its October 8, 2019 meeting, PRI is holding regular director elections in which three nominees are running for two available asset owner positions on PRI's board. Asset owners elect a total of seven of PRI's eleven board members, each of whom is elected to staggered three year terms. The 2019 candidates for asset owner seats are:

- Eva Halvarsson, Chief Executive Officer, AP2 (Sweden) – *incumbent*
- Hiromichi Mizuno, Executive Managing Director and CIO, GPIF (Japan) – *incumbent*
- Rafael Soares Ribeiro de Castro, Exec. Manager of Compliance and Internal Control, PREVI (Brazil)

As outlined in October 8 Committee materials, while each candidate presents strong credentials and capacity to make a productive contribution to PRI's board, staff believed support for Mr. Mizuno and Mr. Soares Ribeiro de Castro is merited in consideration of promoting geographic diversity on PRI's board. Mr. Mizuno is currently the only representative from Asian signatories and there are currently no representatives from Latin America on the PRI board. At its October 8th meeting, members of the Committee and Board present at the Committee meeting expressed support for voting to encourage geographic diversity and in consideration of PRI's objective to reach and represent all global markets.

Following the Committee discussion and in consultation with the Committee Chair in adherence to LACERA policy to vote time-sensitive matters, LACERA voted the attached ballot consistent with October 8th Committee discussion and materials in support of Mr. Mizuno and Mr. Soares

Ribeiro de Castro in advance of the November 15th deadline. Results are scheduled to be available November 22nd.

Further information and voting results (once available) are available here: https://www.unpri.org/pri/pri-governance/board-elections.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Attachment

Voting receipt - 2019 PRI Ballot

Receipt code: **X8BT**

Time of vote: **2019-10-11 16:44:29 Europe/London**

IP address: **63.193.71.3**

2019 Asset Owner Ballot

2019 PRI Board Election: **Hiromichi Mizuno**
Rafael Soares Ribeiro de Castro

2019 Annual Report and Accounts: **For**

2019 Signatory General Meeting (SGM) Minutes: **For**

FOR INFORMATION ONLY

November 8, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **UPDATE ON COUNCIL OF INSTITUTIONAL INVESTORS AND SECURITIES AND EXCHANGE COMMISSION REFORMS**

This memo is intended to provide the Board of Investments (Board) with updates on several regulatory reforms proposed by the Securities and Exchange Commission (SEC) regarding proxy research and shareholder proposals and LACERA's efforts with the Council of Institutional Investors (CII) to encourage policies in line with its *Corporate Governance Principles*.

As reported to the Corporate Governance Committee (Committee) at its October 2019 meeting, the SEC issued interpretative guidance in August 2019 addressing proxy research which LACERA accesses to help inform LACERA's execution of proxy votes in line with its *Corporate Governance Principles* and established procedures. A key aspect of the August interpretive guidance states that the SEC interprets Exchange Act Rule 14a-1(l) to consider proxy research reports generally constitute a solicitation under the federal proxy rules and that related guidance regarding the application of the antifraud provisions in Exchange Act Rule 14a-9 apply to proxy voting advice.[1] Under such interpretation, proxy research firms must abide by specified terms in order to avoid being required to publicly file proxy research reports (thereby undermining their business models) and may be subject to additional legal liabilities.

At the October meeting, LACERA anticipated regulatory rulemaking by which the SEC may propose additional rules requiring proxy research firms to provide the corporations subject to their research opportunity for advance review, thereby prospectively delaying timely delivery of proxy reports to paying clients (such as LACERA) during the compressed proxy voting season and availing opportunities for undue influence by the companies that are subject to the research. LACERA's *Principles* consider that "investors should have access to competitive, timely, and independent market, investment, and proxy research services of their choosing. Market regulation should support and not impede a competitive market of service providers" (§II[A]6, page 9).

LACERA continues to work closely with other pension plans and the Council of Institutional Investors to address these regulatory developments.

[1] See Securities and Exchange Commission. August 21, 2019. "SEC Clarifies Investment Advisers' Proxy Voting Responsibilities and Application of Proxy Rules to Voting Advice." https://www.sec.gov/news/press-release/2019-158.

- Council of Institutional Investors Joint Letter to the SEC
  On October 15, 2019, LACERA joined CII and 60 institutional investors in a joint letter to the SEC (**ATTACHMENT 1)** addressing concerns about the SEC's August interpretive guidance and prospective additional regulatory actions. LACERA participated in the joint letter in line with its *Principles* and procedures and consultation with the Committee Chair.

- CII-Coordinated Outreach to Local Congressional Delegation
  In late October, the SEC announced it would hold an open meeting on November 5, 2019, to announce additional regulatory measures addressing proxy research and terms for submitting shareholder resolutions under defined SEC rules. In response to coordinated action by CII, LACERA sent emails (**ATTACHMENT 2**) in advance of the announcement to California's U.S. Senators and Los Angeles County's U.S. House of Representatives' delegation, in adherence to LACERA procedures and the support of the Committee Chair.[2] The emails expressed views outlined in LACERA's October 2018 SEC comment letter and the CII joint letter that additional or revised regulation on these topics is not an investor priority and may detrimentally impact investors' ability to responsibly execute proxy votes and promote sound governance practices in line with LACERA's *Principles*.

- CII-coordinated Meetings with SEC Commissioners and Staff
  On November 5th, the SEC announced two proposed rulemakings.[3] As anticipated, the proposed rules would require proxy research firms to provide companies *up to two opportunities for advance review* of proxy reports prior clients receiving them, among other provisions. Other revisions would raise ownership thresholds and modify rules governing shareholder proposals submitted under SEC Rule 14a-8. CII coordinated meetings (including institutional investors, SEC Investor Advisory Committee members, and LACERA staff and CII board member Scott Zdrazil) with SEC commissioners and staff on November 6 and 7 to discuss concerns about the risks that advance corporate review may present to a competitive market of independent, objective, and timely proxy research.

LACERA is assessing the SEC's two proposals and coordinating with CII on additional prospective responses. Staff will continue to apprise the Board of developments and initiatives.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

[2] Recipients include U.S. Senators Feinstein and Harris and U.S. Representatives Barragán, Bass, Brownley, Cárdenas, Chu, Cisneros, Gomez, Lieu, Lowenthal, McCarthy, Napolitano, Roybal-Caplan, Sanchez, Schiff, Sherman, Torres, and Waters.
[3] Securities and Exchange Commission. November 5, 2019. "Amendments to Exemptions from the Proxy Rules for Proxy Voting Advice." https://www.sec.gov/rules/proposed/2019/34-87457.pdf; SEC "Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8." https://www.sec.gov/rules/proposed/2019/34-87458.pdf.

Council of Institutional Investors®
The voice of corporate governance

Attachment 1

October 15, 2019

The Honorable Jay Clayton, Chairman
The Honorable Robert J. Jackson, Jr., Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner

c/o Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. 4-725 Proxy Advisor Regulation

Dear Commissioners:

The Council of Institutional Investors and the undersigned coalition of investors writes to express concern that the Securities and Exchange Commission (the "Commission" or the "SEC") has embarked on a series of actions that we believe may reduce investor participation in the corporate governance voting process, and is likely to undermine investor protection, upend efficiency in the critical arena of corporate governance and impair capital formation by diminishing corporate managerial accountability. We refer specifically to:

- *Proxy Advisor Interpretation and Guidance*. The Commission's August 21, 2019, Interpretation and Guidance Regarding the Applicability of the Proxy Rules to Proxy Voting Advice and Guidance Regarding Proxy Voting Responsibilities of Investment Advisers (collectively, the "Proxy Advisor Interpretation and Guidance"); and

- *Proxy Advisor Rulemaking*. The prospect of proposed rule amendments to address proxy advisors' reliance on the proxy solicitation exemptions in Rule 14a-2(b), which is listed in the current Commission Regulatory Flex Agenda ("Proxy Advisor Rulemaking").

We are disappointed that the SEC did not ask for public comment on its new Proxy Advisor Interpretation and Guidance before issuance. We would ask that the SEC re-consider that interpretation and guidance, with appropriate opportunity for public comment. Should the SEC move ahead with the "Proxy Advisor Rulemaking," we ask that you not place requirements on proxy advisors that would reduce their independence and effectiveness or reduce competition.

It is commonplace throughout our economy that firms can freely pool their resources, including through third parties, where they consider it feasible to deliver what clients routinely expect from them. Funds' retention of advisors to help ensure that proxies are voted in a cost-effective, timely and informed manner is no exception. Proxy advisory firms provide market-based solutions, and the SEC policy initiatives have the potential to adversely affect the voluntary, uncoerced, private contracts between investors and their proxy advisors. We are concerned that the SEC approach risks replacing the current, effective free-enterprise approach with a system that defers too much to incumbent management teams and boards of directors by diminishing investor oversight and accountability mechanisms.

Market-Based Solutions to Common Proxy Voting Challenges

Institutional investors, including pension funds and other asset owners, as well as managers of mutual funds and ETFs, constitute a majority of public equity holdings. In the U.S. market in particular, these institutional holders typically vote their proxies. Individual and retail shareholders, in contrast, often decline to exercise their right to vote in respect of certain corporate actions like elections of directors, as they assume their vote will not have an impact on the outcome. Institutional investors are a market-based solution that addresses much of this problem.

Retail holders now invest much of their capital with institutional investors because they understand that institutional investors' expertise and size bear the expectation of higher returns, lower costs and mitigated risks. Importantly, retail investors also understand that aggregating their individual holdings into larger, concentrated blocks through an institutional manager allows for more effective monitoring of company management.

Even so, institutional investors themselves face challenges in spending significant time and resources on voting decisions because the funds and other vehicles they manage receive only a portion of the benefits conveyed on all investors of the relevant enterprise.

Proxy advisors are a market-based solution to address many of these practical cost issues. Proxy advisors effectively serve as collective research providers for large numbers of institutional investors, providing these investors an affordable alternative to the high costs of individually performing the requisite analysis for literally hundreds of thousands of ballot proposals at thousands of shareholder meetings each proxy season.

Management may not agree with the proxy advisors' recommendations that are occasionally unsupportive of management. Those recommendations are not the view of a disembodied advisor wielding power independently of its clients. Rather, proxy advisor voting recommendations are the product of many years of engagement with institutional shareholders and issuers alike. Through this process, proxy advisors have received and taken into account many viewpoints on corporate governance issues, policies and feedback received from prior and active situations. This process has ensured that proxy advisors' recommendations reflect the views they receive from institutional investors, whose interests they serve.

Retail and institutional investors' interests and processes will be harmed if the Commission's new guidance and policies hamper or prevent institutional investors' reliance on their agents, the proxy advisor firms. We believe that the Commission's new Proxy Advisor Interpretation and Guidance is likely to create substantially increased costs and unnecessary burdens on the process by which proxy advisors render their advice. Among others, these include increased litigation, staffing and insurance costs that are almost certainly going to be passed on to institutional investors and their underlying retail clients.

No Demonstrated Need for Proxy Advisor Regulations

We are further concerned that the Commission has predicated its Proxy Advisor Interpretation and Guidance and forthcoming Proxy Advisor Rulemaking on the claim of factual inaccuracies in proxy advisors' reports. The case for government intervention into these private market activities has not yet been made. The paucity of evidence of systematic factual errors by proxy advisors suggests that, in fact, the opposite is true. Moreover, proxy advisors maintain an open-door policy to those companies that believe the proxy advisor's report contains factual errors. Proxy advisors routinely issue updates to their reports to correct their factual content when merited. Proxy advisors' business model depends on factual accuracy and their incentives are thus aligned with issuers and institutional investors alike. The experience of the investor community with proxy advisors has developed over decades and has been positive. There is no current call from the investment community for regulatory intrusion on proxy advisors' business.

Issuers, however, have called into question proxy advisory firms as their recommendations hold management teams and boards to a higher degree of accountability than they were historically accustomed. The vast bulk of issuers' claims regarding errors in proxy advisors' reports relate to proxy advisors' analysis of executive compensation, a matter of personal importance to incumbent managers. Issuers contest with many parts of this process. For example, as part of the compensation process, proxy advisors select a comparative peer group. Many times, this peer group differs from the one an issuer has disclosed in its proxy statement. The consequence of proxy advisors' bespoke analyses has, on occasion, revealed that some management teams have inflated compensation relative to truly comparable peers.

Separately, proxy advisors apply more rigorous compensation calculation models that, at times, reveal higher executive compensation amounts than those disclosed by issuers themselves. This also sometimes includes evaluating how and whether executive compensation policies reward performance. To be clear, the differences between an issuer's analysis and those of proxy advisors are rarely due to factual errors, but rather differences in analytical approaches and opinion. Some issuers' disdain for proxy advisors and proxy advisors' efficacy in helping investors hold management teams accountable is not a legitimate basis on which to justify regulatory intrusion on the voluntary, uncoerced, private contractual relationship between investors and the proxy advisors.

Hampering Rule 14a-8 and Corporate Governance Reforms

Issuers and their paid advisors have been lobbying the Commission for years to adopt regulatory policies designed to hamper proxy advisors because they view proxy advisors as the "engine" behind successful 14a-8 campaigns to reform corporate governance and investors' attempts to restrain excessive or ill-designed executive compensation. One can agree or disagree with the merits of proxy advisor analyses or voting recommendations on these issues, but there is no doubt that the underlying proxy advisor policies aim to reflect the consensus view of their clients – the institutional investors who retain proxy advisors as their agents to facilitate those institutions' active participation in proxy voting consistent with approved voting guidelines and in discharge of their fiduciary duties to their clients, retail investors.

Intrusion on Proxy Advisor/Client Relationship

We are concerned that the Proxy Advisor Rulemaking may contemplate a direct requirement that proxy advisors share advance copies of their recommendations with issuers. Proxy advisors are agents of institutional investors, not of issuers. There is no evidence that the bulk of institutional investors believe a mandatory requirement of prior review by issuers of the work product of their agents, the proxy advisors, would be desirable or helpful to the proxy voting process. Indeed, it is abundantly clear that institutional investors, the principals in the relationship, fervently desire that the proxy advisors be wholly independent of issuers and that their reports and recommendations not be subject to prior review or influence by issuers.

In this context, it is hard to understand how protection of investors (however defined) warrants imposing on proxy advisors, and indirectly on their principals which are fiduciaries for investors, a form of prior review and comment by issuers. The impact of issuer involvement in other areas of deep concern to investors such as equity research or rating agencies has been substantial and often very negative. We see no wisdom in importing the conflicts of interest that are obvious and apparent in those contexts into the relationship between investors and proxy advisors. In our view, any Commission regulation intruding on the independence of proxy advisors and their agency relationship to institutional investors would be a profound change in the Commission's regulatory policy, without any foundation in the Commission's historic role of investor protection, and would severely jeopardize the interests of investors, individual and institutional, in a fair and fully-functioning proxy voting system.

Sincerely,

Kenneth A. Bertsch
Executive Director
Council of Institutional Investors

Marcie Frost
Chief Executive Officer
CalPERS

Aeisha Mastagni
Portfolio Manager, Sustainable Investment & Stewardship Manager
California State Teachers' Retirement System

Ron Baker
Executive Director
Colorado Public Employees Retirement Association

/s/ Connecticut Treasurer Shawn T. Wooden
Connecticut Retirement Plans and Trust Funds

Ash Williams
Executive Director & Chief Investment Officer
Florida State Board of Administration

Michael Frerichs
Illinois State Treasurer

Jonathan Grabel
Chief Investment Officer
Los Angeles County Employees Retirement Association

Scott M. Stringer
New York City Comptroller

Tom Lee
Executive Director & Chief Investment Officer
New York State Teachers Retirement System

Karen Carraher
Executive Director
Ohio Public Employees Retirement System

Tobias Read
Oregon State Treasurer

Joe Torsella
Pennsylvania State Treasurer

Richard Stensrud
Executive Director
School Employee Retirement System of Ohio

Jeff Davis
Executive Director
Seattle City Employees' Retirement System

Theresa Whitmarsh
Executive Director
Washington State Investment Board

Brandon Rees
Deputy Director, Corporations and Capital Markets
AFL-CIO

Dieter Waizenegger
Executive Director
CtW Investment Group

Carin Zelenko
Director, Capital Strategies Dept.
International Brotherhood of Teamsters

Timothy J. Driscoll
Secretary-Treasurer
International Union of Bricklayers & Allied Craftworkers

Euan A. Stirling
Global Head of Stewardship & ESG Investment
Aberdeen Standard Investments, US Office

Christine O'Brien
Head of Investment Stewardship
Elliot Management Corporation

/s/ Glenn W. Welling
Principle and Chief Investment Officer
Engaged Capital, LLC.

Andrew Shapiro
Managing Member & President
Lawndale Capital Management, LLC

John Hoeppner
Head of US Stewardship & Sustainable Investment
Legal & General Investment Management America

Jennifer Sireklove, CFA
Managing Director, Investment Strategy
Parametric

Julie Fox Gorte

Julie Gorte
SVP, Sustainable Investing
Pax World Funds

Maureen O'Brien
Vice President & Corporate Governance Director
Segal Marco Advisors

Marilin Llanes OP

Marilin Llanes, OP
Chair, Adrian Dominican Sisters, Portfolio Advisory Board
Adrian Dominican Sisters, Portfolio Advisory Board

Jerry Judd

Jerry Judd
Senior Vice President & Treasurer
Bon Secours Mercy Health

/s/ Lauren Compere
Managing Director
Boston Common Asset Management

Timothy Smith

Timothy Smith
Director of ESG Shareowner Engagement
Boston Trust Walden

Jo Ann Hanson

JoAnn Hanson
President & CEO
Church Investment Group

Colleen Scanlon

Colleen Scanlon, RN JD
Executive Vice President & Chief Advocacy Officer
CommonSpirit Health

Karen Watson, CFA
Chief Investment Officer
Congregation of St. Joseph

Ann Roberts

Ann Roberts
ESG Analyst
Dana Investment Advisors

Sister Teresa George

Sister Teresa George, D.C.
Provincial Treasurer
Daughters of Charity, Province of St. Louise

Corey Klemmer, Esq.
Director of Engagement
Domini Impact Investments

Eileen Gannon, OP

Eileen Gannon, OP
Executive Team
Dominican Sisters of Sparkill

/s/ Holly Testa
Director, Shareowner Engagement
First Affirmative Financial Network

Jeffery W. Perkins
Executive Director
Friends Fiduciary Corporation

Leslie Samuelrich
President
Green Century Capital Management

/s/ Brianna Harrington
Shareholder Advocacy Coordinator & Research Analyst
Harrington Investments, Inc.

Josh Zinner
CEO
Interfaith Center on Corporate Responsibility

Matthew S. Aquilane
CEO
International Council of Employers of Bricklayers and Allied Craftworkers

Nicholas Napolitano
Assistant for Social Ministries
Maryland Province of the Society of Jesus
USA Northeast Province of the Society of Jesus

Susan S. Makos
Vice President of Social Responsibility
Mercy Investment Services, Inc.

Luan Jenifer
President
Miller/Howard Investments

/s/ Michael Kramer
Managing Partner & Director of SRI Research
Natural Investments

/s/ Bruce Herbert
Founder & Chief Executive
Newground Social Investment, SPC

Judy Byron, OP
Director
Northwest Coalition for Responsible Investment

/s/ Diana Kearney
Oxfam America

Joseph Walker
Senior Vice President, Treasurer
Providence St. Joseph Health

Jo Marie Chrosniak, HM
Region VI Coalition for Responsible Investment

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Region VI Coalition for Responsible Investment

Roy J. Katzovicz
CEO
Saddle Point Management, L.P.

/s/ Frank Sherman
Executive Director
Seventh Generation Interfaith Coalition for Responsible Investment

Nora M. Nash, OSF

Nora M. Nash, OSF
Director, Corporate Social Responsibility
Sisters of St. Francis of Philadelphia

NK Barnes

N. Kurt Barnes
Treasurer & CFO
Domestic & Foreign Missionary Society
The Episcopal Church

Jonas Kron
Senior Vice President
Trillium Asset Management, LLC

Lisa N. Woll

Lisa N. Woll
CEO
US SIF

John Sealey

John Sealey
Provincial Assistant for Social and International Ministries
USA Midwest Province Jesuits

CC: Dalia Osman Blass, Director, Division of Investment Management
William H. Hinman, Director, Division of Corporation Finance
Rick Fleming, Investor Advocate

LACERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6132 • 800/786/6464

October 31, 2019

The Honorable [[NAME]]
United States House of Representatives
House Office Building
Washington, D.C. 20510
via email at ________@mail.house.gov

Dear Ms./Mr. ________:

We are writing on behalf of the Los Angeles County Employees Retirement Association (LACERA). As you may be aware, LACERA is the largest county pension system in the United States, with over $58 billion in plan assets as of September 30, 2019, including equity holdings in about 3,000 U.S. companies. LACERA's mission is "to produce, provide, and protect the promised benefits" for nearly 170,000 active and retired employees throughout Los Angeles County. To enhance our ability to fulfill our mission, we encourage sound corporate governance practices at portfolio companies and financial market policies that protect investor rights and promote long-term value.

The Securities and Exchange Commission (SEC) announced this week that on November 5, it plans to propose rulemaking amending Rule 14a-8 and Rule 14a-2(b) related to investors' ability to submit shareholder resolutions and regulation of proxy research, respectively. These amendments individually and collectively risk making it substantially harder and more expensive for institutional investors, such as LACERA, to vote our proxies and promote corporate governance practices that we believe best serve our financial interests. As outlined in LACERA's October 2018 comment letter to the SEC, as well as a more recent joint letter with the Council of Institutional Investors, LACERA shares the view of many investors that additional or revised regulation in these areas is not necessary.

We respectfully request that your office contact SEC Chair Jay Clayton prior to November 5 and ask that the SEC not proceed with proposed amendments to Rule 14a-8 and Rule 14a-2(b). We also respectfully request that you join in any Congressional sign-on letters raising concerns about the proposed amendments. Finally, if Chairman Clayton proceeds with proposing rules despite lack of investor support, we respectfully request that you ask Chairman Clayton to provide for a comment period of at least 120 days so that investors have sufficient time to fully respond to what are anticipated to be unwelcome proposals.

Please feel free to contact us to further discuss at the above telephone number or jgrabel@lacera.com and szdrazil@lacera.com. Thank you for your attention to this matter.

Sincerely,

Jonathan Grabel	Scott Zdrazil
Chief Investment Officer	Senior Investment Officer

FOR INFORMATION ONLY

October 29, 2019

TO: Each Member,
Board of Investments

FROM: Ted Granger, CPA, CGMA, CRMA TG
Assistant Chief Financial Officer

FOR: November 20, 2019 – Board of Investments Meeting

SUBJECT: **Semi-Annual Interest Crediting for Reserves as of June 30, 2019 (AUDITED)**

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	2.081%

REVIEWED AND APPROVED:

Steven P. Rice

Steven P. Rice
Chief Counsel

Interest Credit Rate June 2019 (audited)_V1.doc
SR:BSA:tg:mh

c: Board of Retirement, LACERA
Sachi A. Hamai, CEO, Los Angeles County

LACERA

FOR INFORMATION ONLY

November 5, 2019

TO: Each Member
Board of Investments

FROM: Jude Perez
Principal Investment Officer

FOR: November 20, 2019 Board of Investments Meeting

SUBJECT: **OPEB QUARTERLY PERFORMANCE BOOK**

Attached is the OPEB Master Trust quarterly performance book as of September 30, 2019.

Noted and Reviewed

Jonathan Grabel
Chief Investment Officer

Attachments
EdB:JP

LACERA

PERFORMANCE REVIEW

OPEB Master Trust

AS OF SEPTEMBER 30, 2019

LACERA INVESTMENTS

OPEB MASTER TRUST

for the quarter ended September 30, 2019

COMMENTARY

The OPEB Master Trust (OPEB Trust) is comprised of three separate trusts: 1) Los Angeles County, 2) LACERA, and 3) Superior Court. The third quarter net-of-fee performance was 1.0% for all three plans. As a reminder, longer-term return differences between the trusts may result due to distinct contribution and rebalancing activity within each plan.

The OPEB Trust consists of four functional categories: Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation. The balance of this report will review the net-of-fee quarter performance of these categories.

The OPEB Growth component is comprised of a global equity MSCI All Country World IMI fund. Growth was the only functional category to post a negative return in the quarter, declining by 0.1%.

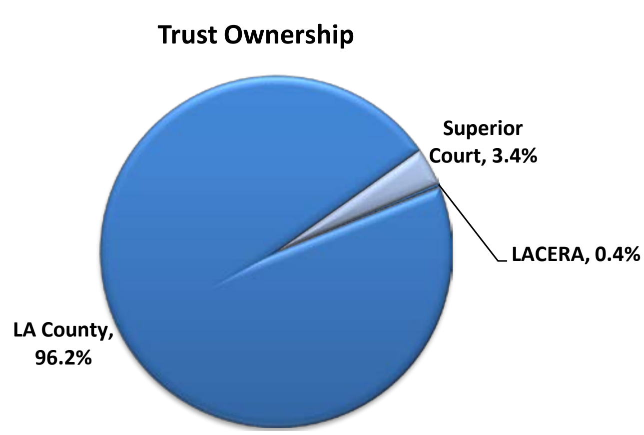
The OPEB Credit allocation consists of three funds: High yield bonds, bank loans, and emerging markets debt (local currency). Credit returned 0.9% despite mixed absolute performance from its three underlying components. High yield gained 1.3%, and bank loans rose 1.4%. However, the emerging market debt fund fell 1.0%.

The OPEB Real Assets and Inflation Hedges category gained 3.4% in the quarter. As in Credit, two of three components posted positive absolute returns: Real estate investment trusts (REITs) rose 6.8%, treasury inflation protected securities (TIPS) returned 1.3%, and commodities declined by 1.9%.

The OPEB Risk Reduction and Mitigation composite returned 2.0% for the quarter. The investment grade bond fund rose 2.3%, and the J.P. Morgan separately managed enhanced cash account generated 0.6%.

Fund Name	Inception Date	Market Value (millions)	Trust Ownership	Qtr	FYTD	1 Yr	3 Yrs	5 Yrs
Los Angeles County	Feb-2013	$1,262.6	96.2%					
Gross				1.0	1.0	4.4	9.2	6.6
Net				1.0	1.0	4.3	9.2	6.6
Net All[1]				0.9	0.9	4.3	9.1	6.5
LACERA	Feb-2013	$4.9	0.4%					
Gross				1.0	1.0	4.4	9.3	6.6
Net				1.0	1.0	4.3	9.2	6.6
Net All[1]				0.9	0.9	4.0	8.4	6.1
Superior Court	Jul-2016	$44.9	3.4%					
Gross				1.0	1.0	4.3	9.2	----
Net				1.0	1.0	4.2	9.1	----
Net All[1]				0.9	0.9	4.1	8.5	----
TRUST OWNERSHIP TOTAL:		**$1,312.4**	**100.0%**					

[1] Includes Custody & Administrative Fees.

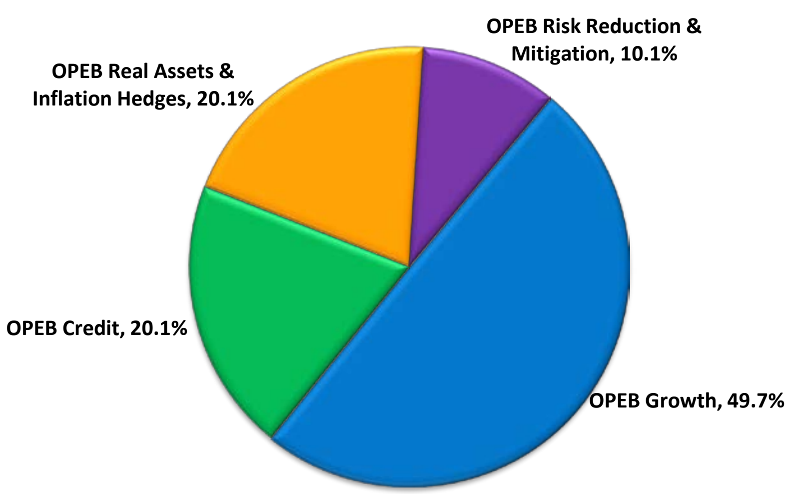


OPEB MASTER TRUST

for the quarter ended September 30, 2019

Fund Name	Inception Date	Market Value (millions)	Trust Ownership	Qtr	FYTD	1 Yr	3 Yrs	5 Yrs
OPEB Growth	Jul-2016	$652.4	49.7%					
Gross				-0.1	-0.1	0.8	9.7	----
Net				-0.1	-0.1	0.8	9.7	----
Net All				-0.1	-0.1	0.8	9.7	----
OPEB Credit	Jul-2018	$264.0	20.1%					
Gross				0.9	0.9	5.5	----	----
Net				0.9	0.9	5.4	----	----
Net All				0.9	0.9	5.4	----	----
OPEB Real Assets & Inflation Hedges	Jul-2018	$263.5	20.1%					
Gross				3.4	3.4	8.9	----	----
Net				3.4	3.4	8.8	----	----
Net All				3.4	3.4	8.8	----	----
OPEB Risk Reduction & Mitigation	Jul-2016	$132.1	10.1%					
Gross				2.0	2.0	8.7	3.5	----
Net				2.0	2.0	8.7	3.4	----
Net All				2.0	2.0	8.7	3.4	----
Uninvested Cash		$0.2	0.0%	----	----	----	----	----
TRUST OWNERSHIP TOTAL:		**$1,312.4**	**100.0%**					

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



OPEB MASTER TRUST

for the quarter ended September 30, 2019

Allocation	Inception Date	Market Value (millions)	Allocation %	Qtr	FYTD	1 Yr	3 Yrs	5 Yrs
OPEB Growth								
OPEB Global Equity	Mar-2014	$652.4	49.7%					
Gross				-0.1	-0.1	0.8	9.7	7.0
Net				-0.1	-0.1	0.8	9.7	6.9
Benchmark: MSCI ACWI IMI Net (DAILY)				-0.2	-0.2	0.5	9.4	6.6
Excess Return (Net - Benchmark)				***0.1***	***0.1***	***0.3***	***0.3***	***0.3***
OPEB Credit								
OPEB BTC High Yield Bonds	Jul-2018	$79.4	6.0%					
Gross				1.3	1.3	6.5	----	----
Net				1.3	1.3	6.4	----	----
Benchmark: BBG BARC US Corp HY Idx				1.3	1.3	6.4	----	----
Excess Return (Net - Benchmark)				***-0.1***	***-0.1***	***0.0***	----	----
OPEB BlackRock Bank Loans	Jul-2018	$131.7	10.0%					
Gross				1.4	1.4	3.2	----	----
Net				1.4	1.4	3.2	----	----
Benchmark: S&P/LSTA Leverage Loan Index				1.0	1.0	3.1	----	----
Excess Return (Net - Benchmark)				***0.4***	***0.4***	***0.1***	----	----
OPEB BTC EM Debt LC	Jul-2018	$52.9	4.0%					
Gross				-1.0	-1.0	9.6	----	----
Net				-1.0	-1.0	9.4	----	----
Benchmark: JPM GBI-EM Global Diversified Index				-0.8	-0.8	10.1	----	----
Excess Return (Net - Benchmark)				***-0.2***	***-0.2***	***-0.7***		
OPEB Real Assets & Inflation Hedges								
OPEB BTC REITs	Jul-2018	$132.4	10.1%					
Gross				6.8	6.8	16.5	----	----
Net				6.8	6.8	16.4	----	----
Benchmark: DJ US SELECT REAL ESTATE SECURITIES INDEX				6.8	6.8	16.4	----	----
Excess Return (Net - Benchmark)				***0.0***	***0.0***	***0.0***		
OPEB BTC Commodities	Jul-2018	$51.6	3.9%					
Gross				-1.8	-1.8	-6.4	----	----
Net				-1.9	-1.9	-6.5	----	----
Benchmark: Bloomberg Comm Index TR				-1.8	-1.8	-6.6	----	----
Excess Return (Net - Benchmark)				***0.0***	***0.0***	***0.0***		
OPEB BTC TIPS	Jul-2018	$79.5	6.1%					
Gross				1.3	1.3	7.2	----	----
Net				1.3	1.3	7.2	----	----
Benchmark: BBG BC TIPS				1.3	1.3	7.1	----	----
Excess Return (Net - Benchmark)				***0.0***	***0.0***	***0.1***		
OPEB Risk Reduction & Mitigation								
OPEB BTC Inv. Grade Bonds	Jul-2018	$106.0	8.1%					
Gross				2.3	2.3	10.4	----	----
Net				2.3	2.3	10.3	----	----
Benchmark: BBG BARC US Agg				2.3	2.3	10.3	----	----
Excess Return (Net - Benchmark)				***0.0***	***0.0***	***0.0***		
OPEB Enhanced Cash	Feb-2013	$26.1	2.0%					
Gross				0.7	0.7	2.9	2.1	1.5
Net				0.6	0.6	2.9	2.1	1.4
Benchmark: FTSE 6 M Treasury Bill Index				0.6	0.6	2.4	1.6	1.0
Excess Return (Net - Benchmark)				***0.0***	***0.0***	***0.4***	***0.5***	***0.4***

Master Trust OPEB Analytics Report

Prepared for LACERA

30 September 2019

Master Trust OPEB Asset Allocation & Analytics

LACERA

30-Sep-2019

Reporting Currency: USD

Master Trust OPEB Allocation vs Policy Benchmark

	Market Value (Millions)[1]	Allocation (%)	Policy Benchmark (%)	Benchmark	Relative (%)
Growth	652.44	49.7%	50.0%	OPEB Growth Blend	-0.3%
Credit	263.97	20.1%	20.0%	OPEB Credit Blend	0.1%
Real Assets & Inflation Hedges	263.52	20.1%	20.0%	OPEB Real Assets & Inflation Hedges Blend	0.1%
Risk Reduction and Mitigation	131.95	10.1%	10.0%	OPEB Risk Reduc Blend	0.1%
TOTAL	**1,311.89**	**100.0%**	**100.0%**		**0.0%**

1: Total market value does not include all cash at participant level

OPEB Asset Allocation & Analytics

LACERA

30-Sep-2019

Reporting Currency: USD

OPEB Allocation vs Policy Benchmark

	Market Value (Millions)	Allocation (%)	Policy Benchmark (%)	Benchmark	Relative (%)
LA County					
Growth	627.79	49.7%	50.0%	OPEB Growth Blend	-0.3%
Credit	254.06	20.1%	20.0%	OPEB Credit Blend	0.1%
Real Assets & Inflation Hedges	253.37	20.1%	20.0%	OPEB Real Assets & Inflation Hedges Blend	0.1%
Risk Reduction and Mitigation	127.34	10.1%	10.0%	OPEB Risk Reduc Blend	0.1%
TOTAL	**1,262.56**	**100.0%**	**100.0%**		**0.0%**
LACERA OPEB					
Growth	2.42	49.3%	50.0%	OPEB Growth Blend	-0.7%
Credit	0.98	19.9%	20.0%	OPEB Credit Blend	-0.1%
Real Assets & Inflation Hedges	0.98	20.0%	20.0%	OPEB Real Assets & Inflation Hedges Blend	-0.0%
Risk Reduction and Mitigation	0.53	10.7%	10.0%	OPEB Risk Reduc Blend	0.7%
TOTAL	**4.91**	**0.4%**	**100.0%**		**0.0%**
Superior Court					
Growth	22.23	49.5%	50.0%	OPEB Growth Blend	-0.5%
Credit	8.93	19.9%	20.0%	OPEB Credit Blend	-0.1%
Real Assets & Inflation Hedges	9.17	20.4%	20.0%	OPEB Real Assets & Inflation Hedges Blend	0.4%
Risk Reduction and Mitigation	4.56	10.2%	10.0%	OPEB Risk Reduc Blend	0.2%
TOTAL	**44.89**	**3.6%**	**100.0%**		**0.0%**

OPEB Analytics, Volatility & Tracking Error

LACERA

30-Sep-2019

Reporting Currency: USD

OPEB Analytics

	Benchmark	Market Value (Millions)	Allocation (%)	Volatility (% per annum)[1]	Standalone VaR (% of MV)[2]	Total VaR Contribution (% of Total MV)[3]	Tracking Error Contribution (% of Total MV)[4]
LA County							
Growth	OPEB Growth Blend	627.79	49.7%	11.87%	19.38%	9.71%	0.01%
Credit	OPEB Credit Blend	254.06	20.1%	5.29%	8.79%	1.48%	0.00%
Real Assets & Inflation Hedges	OPEB Real Assets & Inflation Hedges Blend	253.37	20.1%	7.79%	12.28%	1.67%	0.00%
Risk Reduction and Mitigation	OPEB Risk Reduc Blend	127.34	10.1%	3.18%	4.55%	-0.05%	0.00%
TOTAL		**1,262.56**	**100.0%**	**7.80%**	**12.82%**	**12.82%**	**0.01%**
	Weighted Average Benchmark [5]			*7.80%*	*12.81%*	*12.81%*	
Benchmark	**Policy Benchmark**			**7.80%**	**12.81%**	**12.81%**	**0.01%**
						Aggregate Benchmark Structural Risk [6]	**0.00%**
LACERA							
Growth	OPEB Growth Blend	2.42	49.3%	11.87%	19.38%	9.64%	0.01%
Credit	OPEB Credit Blend	0.98	19.9%	5.29%	8.79%	1.46%	0.00%
Real Assets & Inflation Hedges	OPEB Real Assets & Inflation Hedges Blend	0.98	20.0%	7.79%	12.28%	1.67%	0.00%
Risk Reduction and Mitigation	OPEB Risk Reduc Blend	0.53	10.7%	2.99%	4.27%	-0.05%	0.00%
TOTAL		**4.91**	**100.0%**	**7.74%**	**12.72%**	**12.72%**	**0.01%**
	Weighted Average Benchmark [5]			*7.74%*	*12.72%*	*12.72%*	
Benchmark	**Policy Benchmark**			**7.74%**	**12.72%**	**12.72%**	**0.01%**
						Aggregate Benchmark Structural Risk [6]	**0.00%**
Superior Court							
Growth	OPEB Growth Blend	22.23	49.5%	11.87%	19.38%	9.67%	0.01%
Credit	OPEB Credit Blend	8.93	19.9%	5.29%	8.79%	1.46%	0.00%
Real Assets & Inflation Hedges	OPEB Real Assets & Inflation Hedges Blend	9.17	20.4%	7.79%	12.28%	1.70%	0.00%
Risk Reduction and Mitigation	OPEB Risk Reduc Blend	4.56	10.2%	3.15%	4.50%	-0.05%	0.00%
TOTAL		**44.89**	**100.0%**	**7.79%**	**12.79%**	**12.79%**	**0.01%**
	Weighted Average Benchmark [5]			*7.79%*	*12.79%*	*12.79%*	
Benchmark	**Policy Benchmark**			**7.79%**	**12.79%**	**12.79%**	**0.01%**
						Aggregate Benchmark Structural Risk [6]	**0.00%**
Master Trust OPEB							
TOTAL		**1,312.36**	**100.0%**	**7.80%**	**12.82%**	**12.82%**	**0.01%**
Benchmark	**Policy Benchmark**			**7.80%**	**12.81%**	**12.81%**	

1: Volatility at the asset class level is calculated using parametric VaR at 84th percentile, annualized and expressed as a percentage of the market value of each asset class.
2: Standalone VaR is the annualized Value-at-Risk at the 95th percentile expressed as a percentage of the market value of each asset class.
3: Total VaR Contribution is calculated using historic VaR at 95th percentile, 1 month horizon, annualized excluding the mean, and expressed as a percentage of the total plan assets.
4: Tracking Error is calculated using relative parametric VaR at 84th percentile (assets less benchmark), annualized and expressed as a percentage of the total plan assets.
5: Weighted average benchmark is the market value weighted average of the asset class benchmarks.
6: Aggregate Benchmark Structural Risk = [Tracking Error of the Total Plan to the policy benchmark] - [Tracking Error of the Total Plan to the weighted average of asset class benchmarks]

Master Trust OPEB Asset Allocation & Analytics

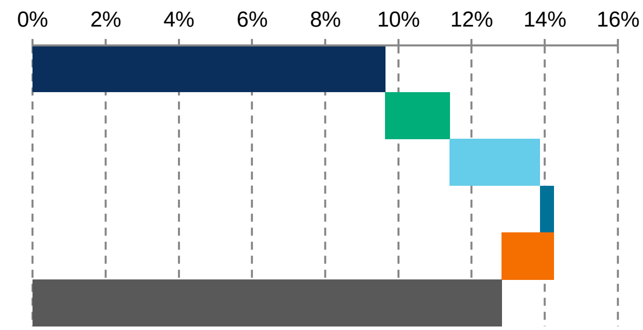
LACERA

30-Sep-2019

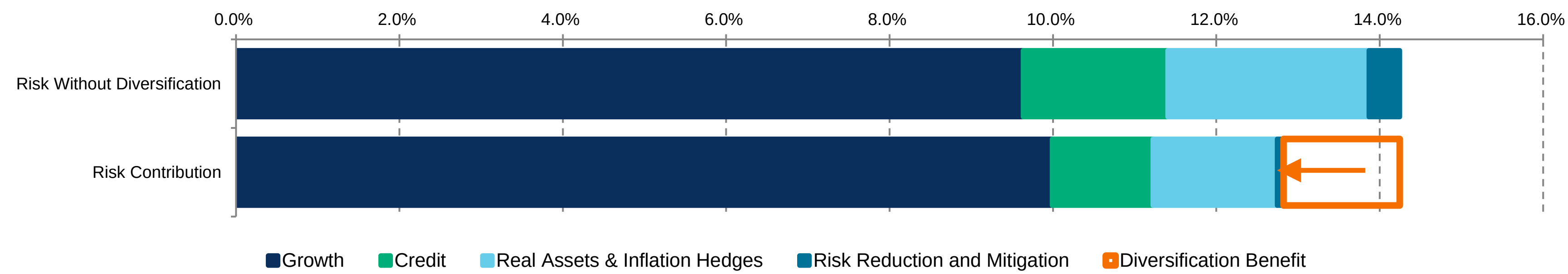
Reporting Currency: USD

Master Trust OPEB Risk & Diversification

	Allocation (%)	Weighted Standalone VaR (% of Total MV)[1] Monthly	Annual
Growth	49.7%	2.8%	9.6%
Credit	20.1%	0.5%	1.8%
Real Assets & Inflation Hedges	20.1%	0.7%	2.5%
Risk Reduction and Mitigation	10.1%	0.1%	0.4%
Diversification Benefit[2]	-	-0.4%	-1.4%
TOTAL	**100.0%**	**3.7%**	**12.8%**



Risk Contribution and Diversification



1: Standalone risk (historical VaR 95) of each asset class is weighted and expressed as a percent of total plan assets, i.e. contribution to risk without diversification benefit.

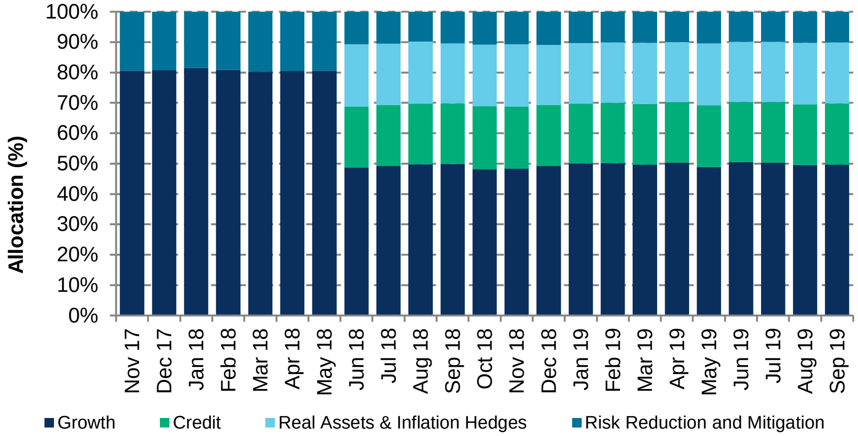
2: Diversification benefit is calculated as the sum of the standalone VaR at 95th percentile for each asset class less the total plan VaR.

Master Trust OPEB Analytics, Volatility & Tracking Error

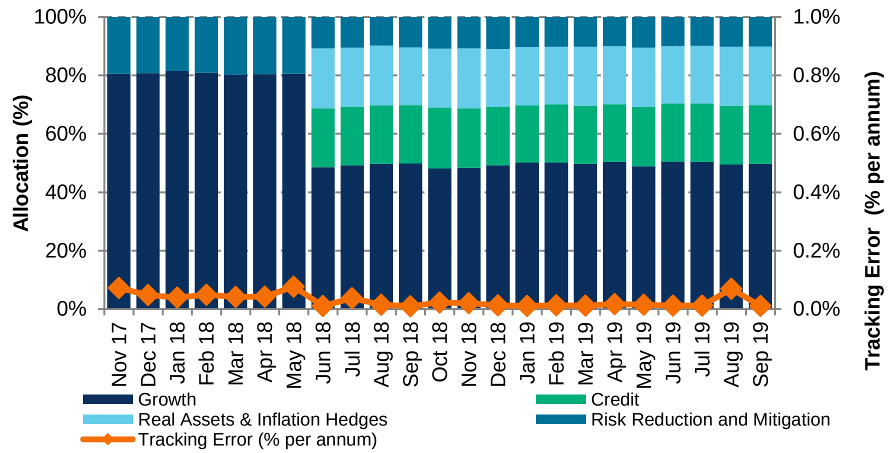
LACERA

30-Sep-2019
Reporting Currency: USD

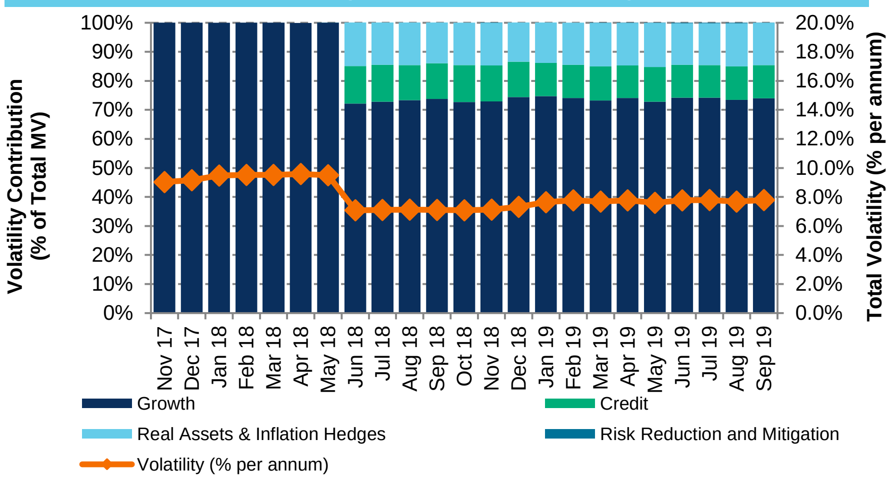
Master Trust OPEB Allocation Trend



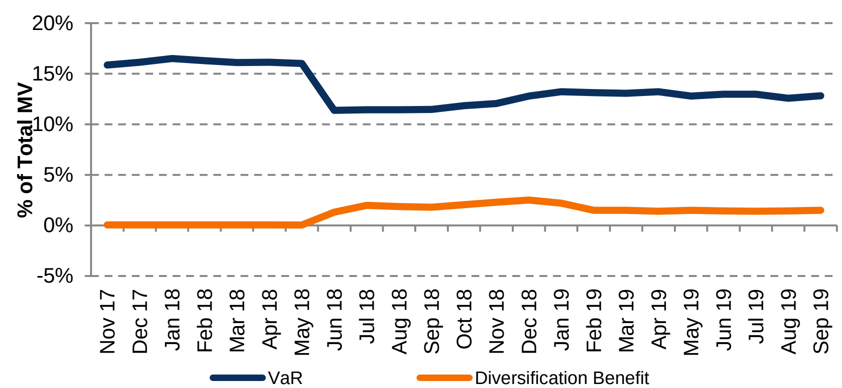
Master Trust OPEB Allocation & Tracking Error Trend[1]



Master Trust OPEB Volatility & Contrib. to Volatility Trend[2]



Master Trust OPEB Total Risk & Diversification Trend[3]



1: Tracking Error is calculated using relative parametric VaR at 84th percentile (assets less benchmark), annualized and expressed as a percentage of the total plan assets.

2: Volatility at the asset class level is calculated using parametric VaR at 84th percentile, annualized and expressed as a percentage of the market value of each asset class.

3: Diversification benefit is calculated as the sum of the standalone VaR at 95th percentile for each asset class less the total plan VaR.

Master Trust OPEB Stress Testing

LACERA

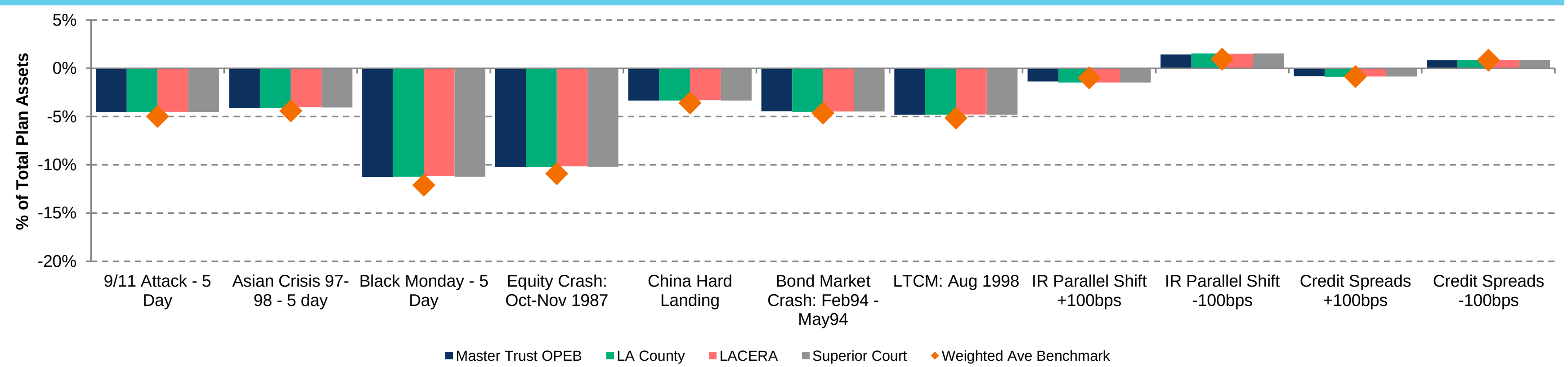
30-Sep-2019

Reporting Currency: USD

Stress Test - % of Market Value

	Allocation (%)	9/11 Attack - 5 Day	Asian Crisis 97-98 - 5 day	Black Monday - 5 Day	Equity Crash: Oct-Nov 1987	China Hard Landing	Bond Market Crash: Feb94 - May94	LTCM: Aug 1998	IR Parallel Shift +100bps	IR Parallel Shift -100bps	Credit Spreads +100bps	Credit Spreads -100bps
Growth	49.7%	-4.4%	-3.9%	-10.2%	-8.8%	-3.0%	-3.2%	-4.1%	0.0%	-0.0%	-0.0%	0.0%
Credit	20.1%	0.2%	0.1%	0.1%	-0.3%	-0.1%	-0.6%	-0.2%	-0.4%	0.4%	-0.6%	0.6%
Real Assets & Inflation Hedges	20.1%	-0.5%	-0.4%	-1.3%	-1.1%	-0.2%	-0.5%	-0.4%	-0.4%	0.5%	-0.0%	0.0%
Risk Reduction and Mitigation	10.1%	0.1%	0.0%	0.1%	-0.0%	-0.0%	-0.2%	-0.0%	-0.5%	0.5%	-0.2%	0.2%
Master Trust OPEB	**100.0%**	**-4.6%**	**-4.1%**	**-11.3%**	**-10.2%**	**-3.3%**	**-4.5%**	**-4.8%**	**-1.4%**	**1.4%**	**-0.8%**	**0.9%**
Benchmark		*-5.0%*	*-4.4%*	*-12.1%*	*-10.9%*	*-3.6%*	*-4.6%*	*-5.2%*	*-1.0%*	*1.0%*	*-0.8%*	*0.9%*
LA County		**-4.5%**	**-4.1%**	**-11.2%**	**-10.2%**	**-3.3%**	**-4.5%**	**-4.8%**	**-1.5%**	**1.5%**	**-0.9%**	**0.9%**
Benchmark		*-4.9%*	*-4.4%*	*-12.1%*	*-10.9%*	*-3.6%*	*-4.7%*	*-5.2%*	*-1.1%*	*1.1%*	*-0.9%*	*0.9%*
LACERA		**-4.5%**	**-4.0%**	**-11.2%**	**-10.2%**	**-3.3%**	**-4.5%**	**-4.8%**	**-1.5%**	**1.5%**	**-0.9%**	**0.9%**
Benchmark		*-4.9%*	*-4.4%*	*-12.0%*	*-10.8%*	*-3.5%*	*-4.6%*	*-5.1%*	*-1.1%*	*1.1%*	*-0.9%*	*0.9%*
Superior Court		**-4.5%**	**-4.1%**	**-11.2%**	**-10.2%**	**-3.3%**	**-4.5%**	**-4.8%**	**-1.5%**	**1.5%**	**-0.8%**	**0.9%**
Benchmark		*-4.9%*	*-4.4%*	*-12.1%*	*-10.9%*	*-3.6%*	*-4.7%*	*-5.2%*	*-1.1%*	*1.1%*	*-0.9%*	*0.9%*

Stress Test Chart



Glossary

Appendix - Glossary

LACERA

30-Sep-2019

Reporting Currency: USD

Terms and Definitions

Analytics

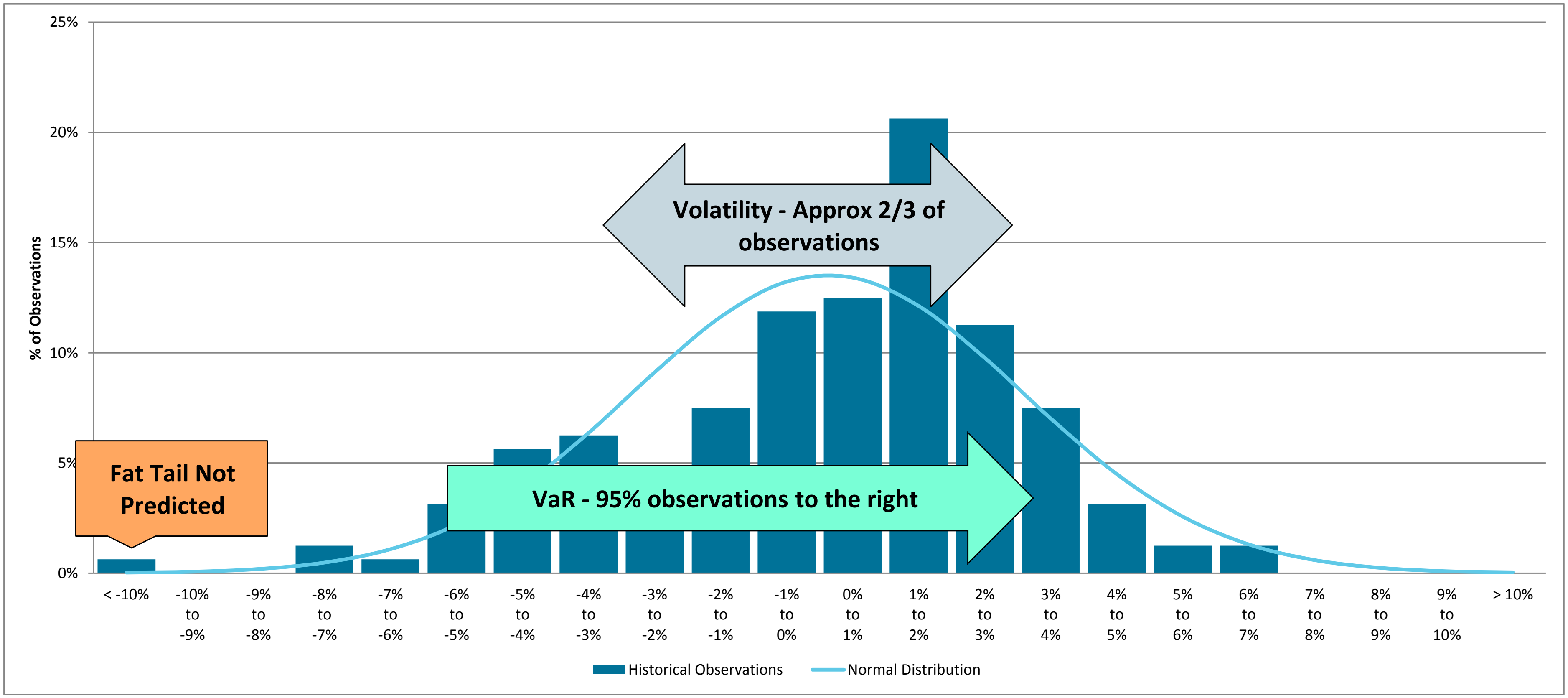
Value-at-Risk 95%	Value-at-risk quantifies the potential loss in a portfolio at a certain level of confidence. Value-at-Risk 95th percentile means there is a 5% chance of losing more than X%. Alternatively, it can be expressed as there is a 1 in 20 chance of losing more than X% in the next month (or year if it is an annual measure).
Volatility	Volatility is another measure quantifying the potential variability in a portfolio's asset value. Volatility means there is a 1 in 3 chance the portfolio will change in value by +/- X% in 1 year. Alternatively, it can be expressed that 1 year in 3 years, the portfolio will change in value by +/- X% per annum.
Tracking Error	An ex-ante (forward looking, or before the event) measure of how closely a portfolio follows the index to which it is compared. It measures the standard deviation of the difference between the portfolio and benchmark scenario returns.
Aggregate Benchmark Structural Risk	Aggregate Benchmark Structural Risk = [Tracking Error of the Total Plan to the policy benchmark] - [Tracking Error of the Total Plan to the weighted average of asset class benchmarks]. This can equally be applied to strategy level benchmarks, compared to the aggregate of the underlying managers' benchmarks.
Diversification Benefit	Diversification benefit is calculated as the sum of the standalone Value-at Risk at 95th percentile for each asset class/strategy less the total plan Value-at Risk, 1 month horizon, annualized. This measures the reduction of risk due to the benefits of diversification.
Duration	The sensitivity of a bond's price to changes in the interest rate usually measured in years. The higher the duration, the more sensitive the portfolio is to changes in interest rates.
Expected Yield	This measures the projected annual yield on the portfolio adjusting for option-adjusted probabilities.
Beta	Beta estimates the risk of the portfolio to a single market risk factor, i.e. systematic risk.

Stress Tests

9/11 Attack - 5 Day	Historic stress scenario observed from 9/17/2001 to 9/21/2001 where the US faced an act of terrorism. Trading was suspended on the NYSE and only resumed on 9/17/2001. The US stock market (S&P 500) declined 12%.
Asian Crisis 97-98 - 5 day	Historic stress scenario observed from 10/21/1997 to 10/27/1997 where the Bank of Thailand abandons the Baht's peg to the Dollar and the currency fell 18%. US equity markets fell 7% on the realization that the crisis was no longer localized. Asian currencies were the hardest struck, such as the South Korean Won fell 47.5% and Indonesian Rupiah fell 56%.
Black Monday - 5 Day	Historic stress scenario observed from 10/13/1987 to 10/19/1987 where the US stock market (DJIA) declined 31% with the world market following the decline.
Equity Crash: Oct-Nov 1987	Historic stress scenario observed from 10/5/1987 to 11/02/1987 where the world equity markets feared another Great Depression.
China Hard Landing	This is a macro-economic stress test, developed by State Street Global Exchange's[SM] research team. The stress test aims to estimate the potential impact, if China's economy and economic growth were to experience a "hard landing".
Bond Market Crash: Feb94 - May94	Historic stress scenario observed from 2/1/1994 to 9/15/1994 where the FED raised rates by approx. 250 basis points (against market expectations). 1994 became the year of the worst bond market loss in history. The Fed hiked interest rates in 1994 also precipitated a year-long correction in the stock market.
LTCM: Aug 1998	Historic stress scenario observed from 08/03/1998 to 08/31/1998 where LTCM's failure triggered a wide spread concern of potential catastrophic losses throughout the financial system.
IR Parallel Shift +100bps	All interest rate curves are shifted up 100bps, and the portfolio is revalued to assess the impact in dollar terms.
IR Parallel Shift -100bps	All interest rate curves are shifted down 100bps, and the portfolio is revalued to assess the impact in dollar terms.
Credit Spreads +100bps	All credit spread curves are shifted up 100bps, and the portfolio is revalued to assess the impact in dollar terms.
Credit Spreads -100bps	All credit spread curves are shifted down 100bps, and the portfolio is revalued to assess the impact in dollar terms.
FX +5%	All exchange rate curves are shifted up 5%, and the portfolio is revalued to assess the impact in dollar terms.
FX -5%	All exchange rate curves are shifted down 5%, and the portfolio is revalued to assess the impact in dollar terms.

VaR and Volatility

Example Illustration of VaR and Volatility
VaR = 5.6%
Volatility = 2.9%
Mean = 0.1%



FUND EVALUATION REPORT

Los Angeles County
OPEB Master Trust

September 30, 2019

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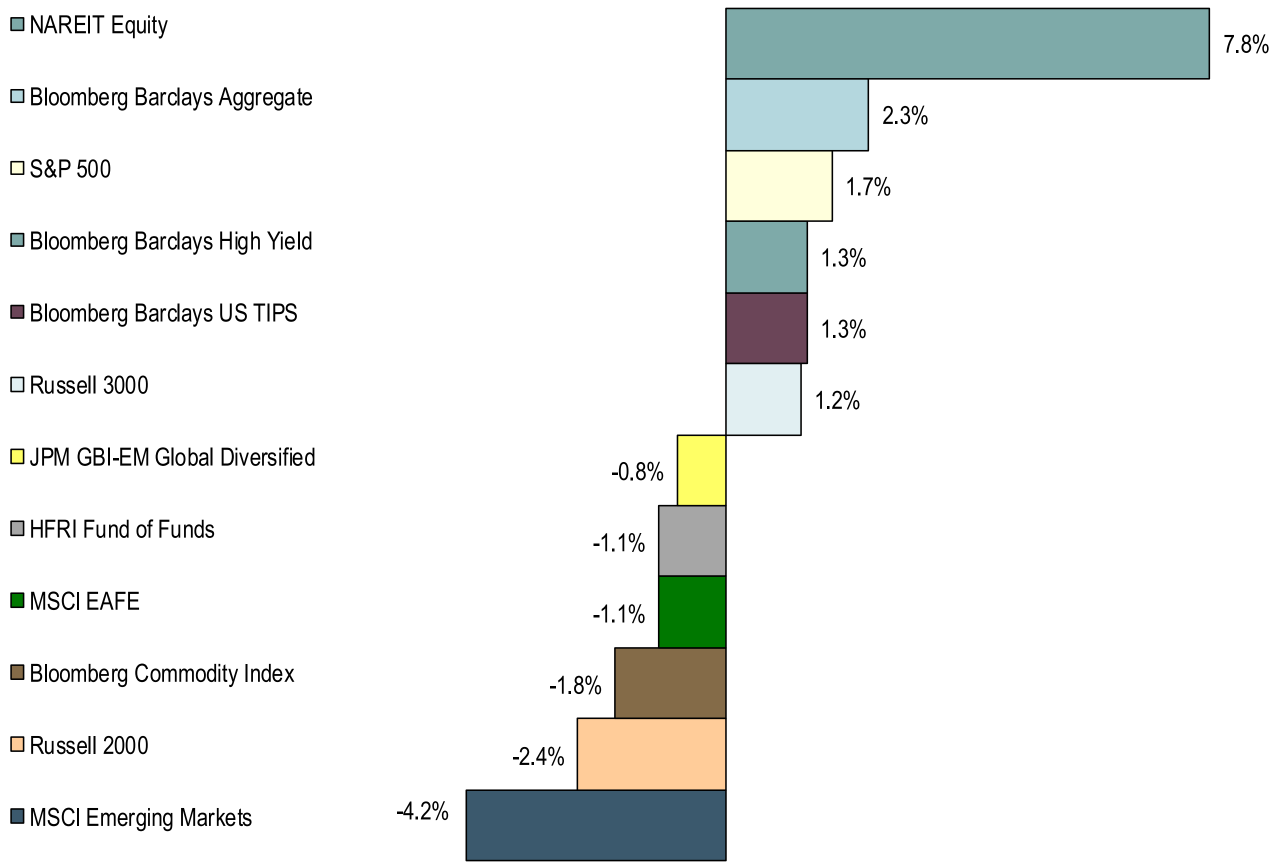
Market Commentary

The World Markets[1]
Third Quarter of 2019



[1] Source: InvestorForce.

Index Returns[1]

	3Q19 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Domestic Equity						
S&P 500	1.7	20.6	4.3	13.4	10.8	13.2
Russell 3000	1.2	20.1	2.9	12.8	10.4	13.1
Russell 1000	1.4	20.5	3.9	13.2	10.6	13.2
Russell 1000 Growth	1.5	23.3	3.7	16.9	13.4	14.9
Russell 1000 Value	1.4	17.8	4.0	9.4	7.8	11.5
Russell MidCap	0.5	21.9	3.2	10.7	9.1	13.1
Russell MidCap Growth	-0.7	25.2	5.2	14.5	11.1	14.1
Russell MidCap Value	1.2	19.5	1.6	7.8	7.6	12.3
Russell 2000	-2.4	14.2	-8.9	8.2	8.2	11.2
Russell 2000 Growth	-4.2	15.3	-9.6	9.8	9.1	12.2
Russell 2000 Value	-0.6	12.8	-8.2	6.5	7.2	10.1
Foreign Equity						
MSCI ACWI (ex. US)	-1.8	11.6	-1.2	6.3	2.9	4.5
MSCI EAFE	-1.1	12.8	-1.3	6.5	3.3	4.9
MSCI EAFE (Local Currency)	1.8	15.7	1.6	8.3	6.0	7.0
MSCI EAFE Small Cap	-0.4	12.1	-5.9	5.9	6.0	7.5
MSCI Emerging Markets	-4.2	5.9	-2.0	6.0	2.3	3.4
MSCI Emerging Markets (Local Currency)	-2.1	7.8	-0.2	7.6	5.5	5.9
Fixed Income						
Bloomberg Barclays Universal	2.1	8.8	10.1	3.2	3.6	4.1
Bloomberg Barclays Aggregate	2.3	8.5	10.3	2.9	3.4	3.7
Bloomberg Barclays US TIPS	1.3	7.6	7.1	2.2	2.4	3.5
Bloomberg Barclays High Yield	1.3	11.4	6.4	6.1	5.4	7.9
JPM GBI-EM Global Diversified	-0.8	7.9	10.1	3.1	0.6	2.4
Other						
NAREIT Equity	7.8	26.2	17.7	7.0	10.0	12.9
Bloomberg Commodity Index	-1.8	3.1	-6.6	-1.5	-7.2	-4.3
HFRI Fund of Funds	-1.1	5.0	-0.2	3.1	1.9	2.7

1 Source: InvestorForce.

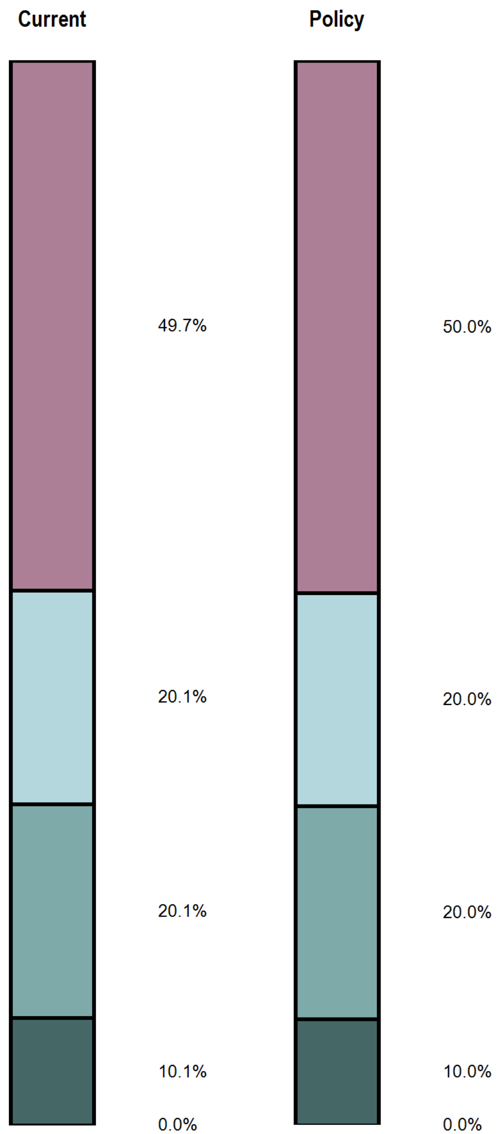
Capital Markets Outlook

Takeaways

- From a market performance perspective, September was a relatively normal "risk-on" month as most Global Equity markets produced positive returns whereas most sovereign-oriented Fixed Income markets produced negative returns. On a year-to-date basis, however, most indices across Global Equity and Global Fixed Income markets have produced unusually high returns.
- Recent interest rate movements are historically consistent with oncoming recessions. However, economic data remains extremely mixed and shifting political rhetoric regarding global trade has added to short-term uncertainty. In the face of all this, Global Equity markets have continued to deliver positive returns.
- While there continues to be significant discussion regarding interest rates (e.g., yield curve inversions, central bank policy, etc.), the complexity of the current environment has increased what is always an immense challenge for forecasting.
- US Equity markets remain expensive whereas Non-US Equity markets remain reasonably valued relative to their history.
- Implied equity market volatility[1] remained lower than its historical average (≈19) throughout the entire month of September, although this metric did steadily rise from mid-month (≈13) to the end of the month (≈17).
- The Market Sentiment Indicator[2] stayed at neutral at month end.
- Market uncertainty, as measured by Systemic Risk, decreased during September. With that said, recent economic data suggests that the global economy is in a slowing, but not yet recessionary, phase. The potential for negative surprises exists as global economies navigate their respective "late-cycle" dynamics and geopolitical events continue to unfold, as evidenced by recent market movements.
- *New Addition: We incorporated a measure of Fixed Income Volatility to the Dashboard.*

[1] As measured by VIX Index.
[2] See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

3Q2019 Review

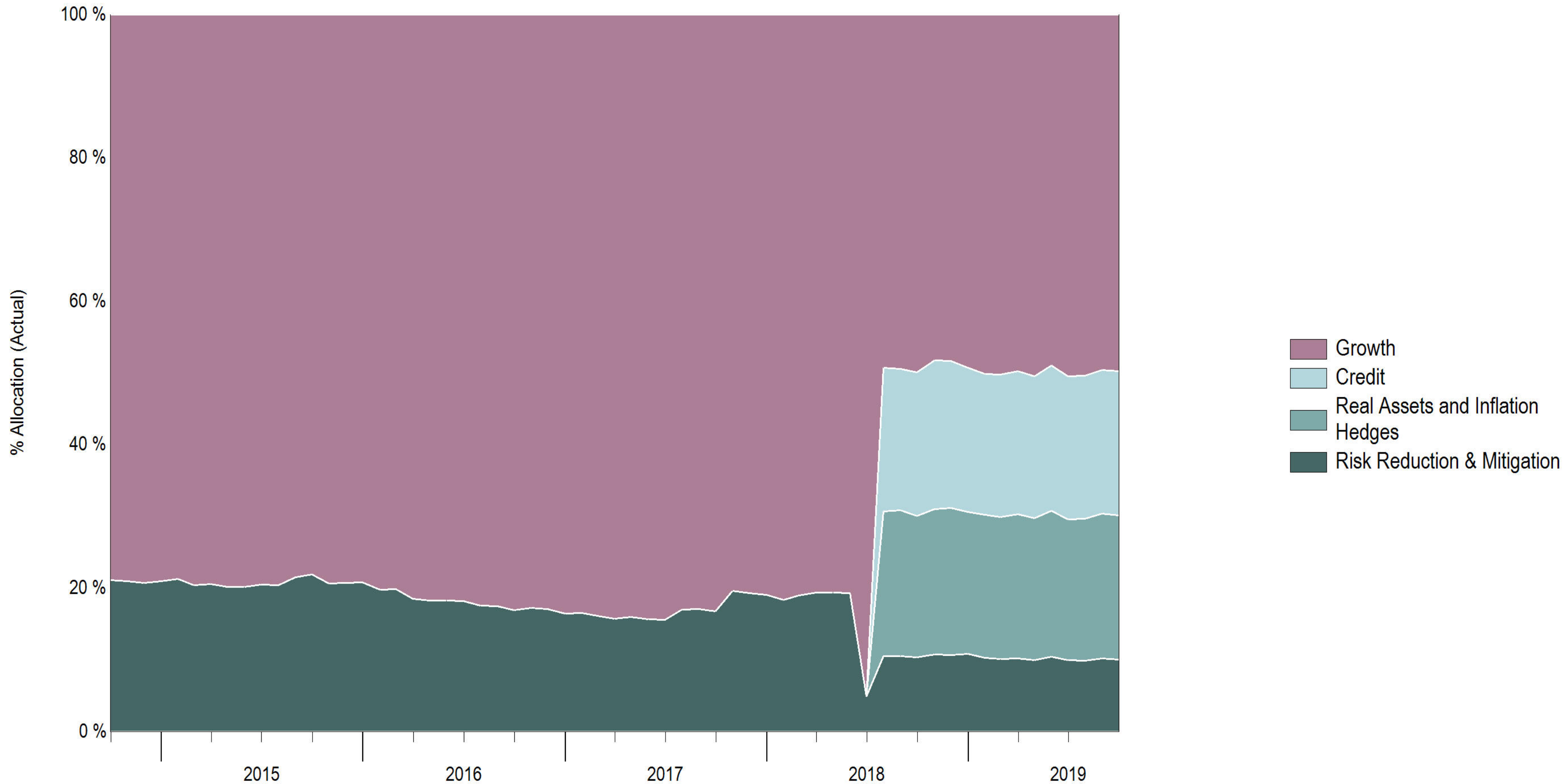


Allocation vs. Target

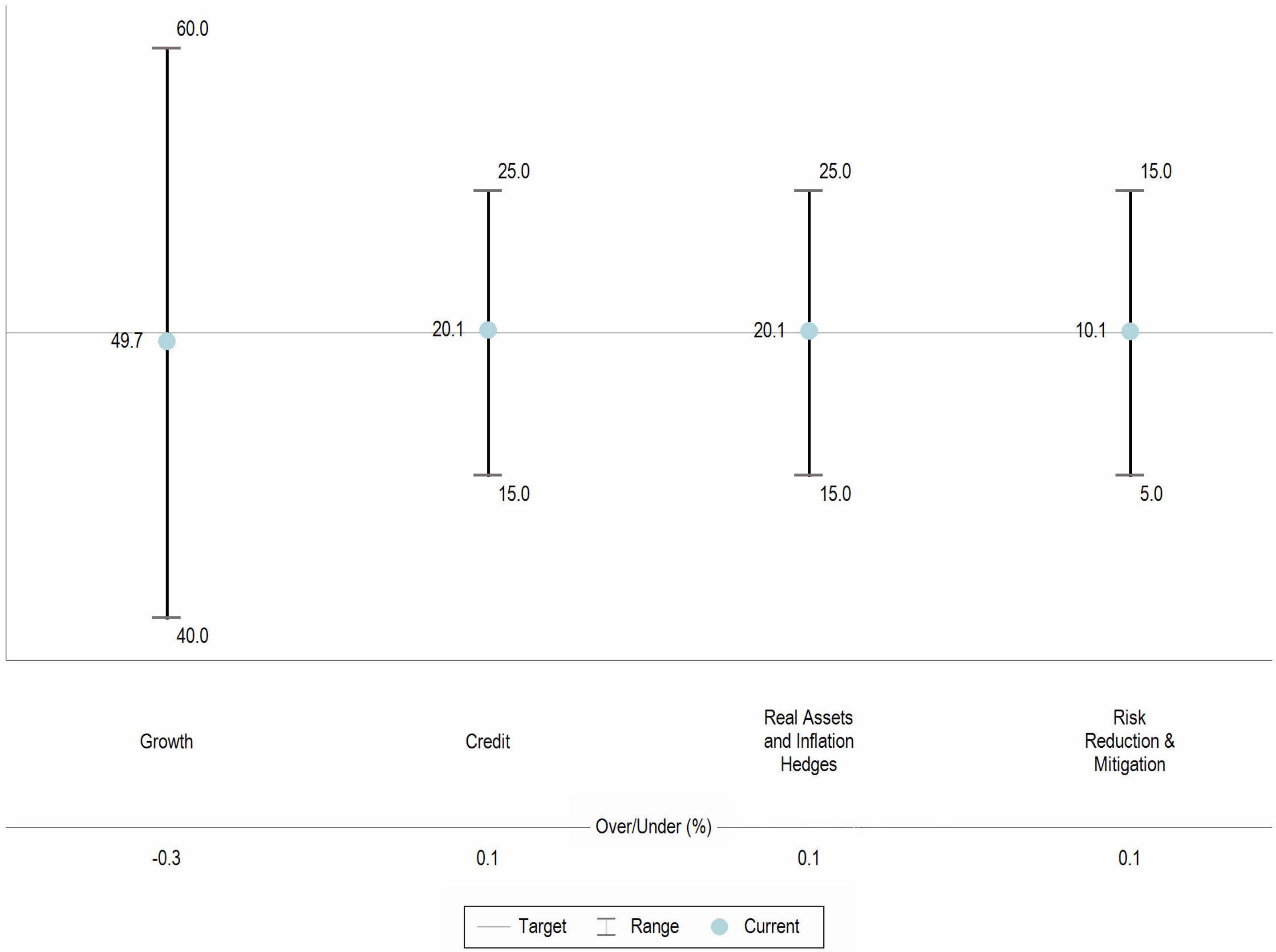
	Current Balance	Current Allocation	Policy	Policy Range	Within IPS Range?
Growth	**$652,440,630**	**49.7%**	**50.0%**	**40.0% - 60.0%**	**Yes**
Global Equity	$652,440,630	49.7%	50.0%		
Credit	**$263,972,987**	**20.1%**	**20.0%**	**15.0% - 25.0%**	**Yes**
High Yield Bonds	$79,364,690	6.0%	6.0%		
Bank Loans	$131,737,974	10.0%	10.0%		
Emerging Market Debt	$52,870,323	4.0%	4.0%		
Real Assets and Inflation Hedges	**$263,523,769**	**20.1%**	**20.0%**	**15.0% - 25.0%**	**Yes**
REITs	$132,442,844	10.1%	10.0%		
Commodities	$51,568,752	3.9%	4.0%		
TIPS	$79,512,173	6.1%	6.0%		
Risk Reduction & Mitigation	**$132,100,217**	**10.1%**	**10.0%**	**5.0% - 15.0%**	**Yes**
Investment Grade Bonds	$106,034,921	8.1%	8.0%		
Cash Equivalents	$26,065,295	2.0%	2.0%		
Uninvested Cash	**$198,641**	**0.0%**	**0.0%**		
Total[1]	**$1,312,381,032**	**100.0%**	**100.0%**		

[1]Total market value does not include all cash at the participant level.

Asset Allocation History
5 Years Ending September 30, 2019



Actual vs. Target



Trailing Net Performance

	Market Value[1] ($)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Total Fund (Net)	**1,312,381,032**	**100.0**	**1.0**	**1.0**	**4.3**	**9.2**	**7.5**
Total Fund (Gross)			**1.0**	**1.0**	**4.4**	**9.2**	**7.6**
Custom OPEB Total Fund			1.0	1.0	4.2	--	--
Excess Return (vs. Net)			0.0	0.0	0.1	--	--
Growth (Net)	**652,440,630**	**49.7**	**-0.1**	**-0.1**	**0.8**	**9.7**	**--**
Growth (Gross)			**-0.1**	**-0.1**	**0.8**	**9.7**	**--**
OPEB Global Equity (Net)	652,440,630	49.7	-0.1	-0.1	0.8	9.7	6.9
OPEB Global Equity (Gross)			-0.1	-0.1	0.8	9.7	7.0
MSCI ACWI IMI Net (DAILY)			-0.2	-0.2	0.5	9.4	6.6
Excess Return (vs. Net)			0.1	0.1	0.3	0.3	0.3
Credit (Net)	**263,972,987**	**20.1**	**0.9**	**0.9**	**5.4**	**--**	**--**
Credit (Gross)			**0.9**	**0.9**	**5.5**	**--**	**--**
OPEB BTC High Yield Bonds (Net)	79,364,690	6.0	1.3	1.3	6.4	--	--
OPEB BTC High Yield Bonds (Gross)			1.3	1.3	6.5	--	--
BBgBarc US High Yield TR			1.3	1.3	6.4	--	--
Excess Return (vs. Net)			0.0	0.0	0.0		
OPEB BTC Bank Loans (Net)	131,737,974	10.0	1.4	1.4	3.2	--	--
OPEB BTC Bank Loans (Gross)			1.4	1.4	3.2	--	--
S&P/LSTA Leveraged Loan TR			1.0	1.0	3.1	--	--
Excess Return (vs. Net)			0.4	0.4	0.1		

[1] Total market value does not include all cash at the participant level.
Fiscal Year begins July 1.

Total Fund

As of September 30, 2019

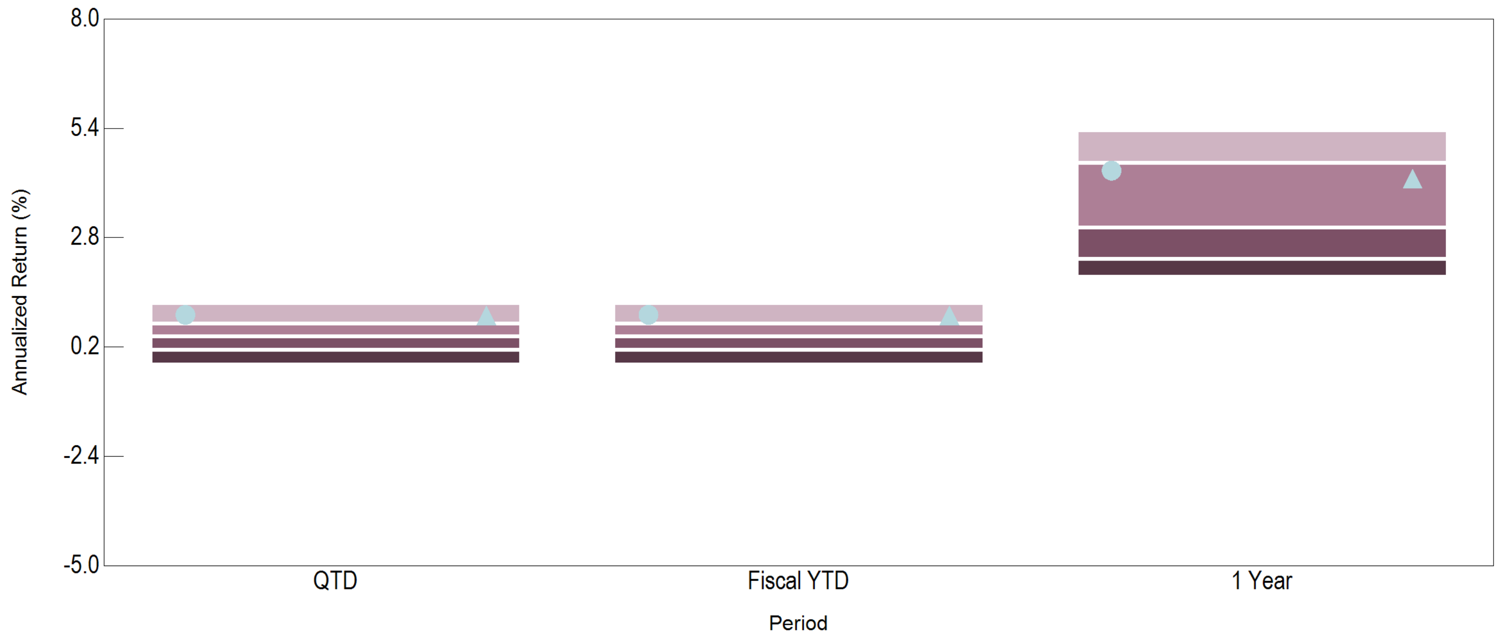
	Market Value ($)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
OPEB BTC EM Debt LC (Net)	52,870,323	4.0	-1.0	-1.0	9.4	--	--
OPEB BTC EM Debt LC (Gross)			-1.0	-1.0	9.6	--	--
JP Morgan GBI EM Global Diversified TR USD			-0.8	-0.8	10.1	--	--
Excess Return (vs. Net)			-0.2	-0.2	-0.7		
Real Assets & Inflation Hedges (Net)	**263,523,769**	**20.1**	**3.4**	**3.4**	**8.8**	**--**	**--**
Real Assets & Inflation Hedges (Gross)			**3.4**	**3.4**	**8.9**	**--**	**--**
OPEB BTC REITs (Net)	132,442,844	10.1	6.8	6.8	16.4	--	--
OPEB BTC REITs (Gross)			6.8	6.8	16.5	--	--
DJ US Select REIT TR USD			6.8	6.8	16.4	--	--
Excess Return (vs. Net)			0.0	0.0	0.0		
OPEB BTC Commodities (Net)	51,568,752	3.9	-1.9	-1.9	-6.5	--	--
OPEB BTC Commodities (Gross)			-1.8	-1.8	-6.4	--	--
Bloomberg Commodity Index TR USD			-1.8	-1.8	-6.6	--	--
Excess Return (vs. Net)			-0.1	-0.1	0.1		
OPEB BTC TIPS (Net)	79,512,173	6.1	1.3	1.3	7.2	--	--
OPEB BTC TIPS (Gross)			1.3	1.3	7.2	--	--
BBgBarc US TIPS TR			1.4	1.4	7.1	--	--
Excess Return (vs. Net)			-0.1	-0.1	0.1		
Risk Reduction & Mitigation (Net)	**132,100,217**	**10.1**	**2.0**	**2.0**	**8.7**	**3.4**	**--**
Risk Reduction & Mitigation (Gross)			**2.0**	**2.0**	**8.7**	**3.5**	**--**
OPEB BTC Investment Grade Bonds (Net)	106,034,921	8.1	2.3	2.3	10.3	--	--
OPEB BTC Investment Grade Bonds (Gross)			2.3	2.3	10.4	--	--
BBgBarc US Aggregate TR			2.3	2.3	10.3	--	--
Excess Return (vs. Net)			0.0	0.0	0.0		

Total Fund

As of September 30, 2019

	Market Value ($)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
OPEB JPMorgan Enhanced Cash (Net)	26,065,295	2.0	0.6	0.6	2.9	2.1	1.4
OPEB JPMorgan Enhanced Cash (Gross)			0.7	0.7	2.9	2.1	1.5
FTSE T-Bill 6 Months TR			*0.6*	*0.6*	*2.5*	*1.6*	*1.0*
Excess Return (vs. Net)			0.0	0.0	0.4	0.5	0.4
Uninvested Cash (Net)	**198,641**	**0.0**					
Uninvested Cash (Gross)							

InvMetrics Public DB $1B - $5B Gross Return Comparison



	Return (Rank)					
5th Percentile	1.2		1.2		5.3	
25th Percentile	0.8		0.8		4.6	
Median	0.5		0.5		3.1	
75th Percentile	0.1		0.1		2.3	
95th Percentile	-0.2		-0.2		1.9	
# of Portfolios	31		31		31	
Total Fund	1.0	(14)	1.0	(14)	4.4	(28)
Custom OPEB Total Fund	1.0	(15)	1.0	(15)	4.2	(29)

Benchmark History
As of September 30, 2019

Total Fund		
2/1/2013	Present	Custom OPEB Total Fund

Custom OPEB Total Fund: 50% MSCI ACWI IMI Net/ 6% BBgBarc High Yield/ 10% S&P/ LSTA Leveraged Loan/ 4% JPM GBI-Em/ 2% FTSE 6-Month Treasury Bill/ 8% BBgBarc US Agg / 6% BBgBarc US Tsy TIPS/ 10% DJ US Select Real Estate/ 4% Bloomberg Commodity Total Return

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE"RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

L//CERA

FOR INFORMATION ONLY

October 24, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: November 6, 2019 Board of Retirement Meeting
November 20, 2019 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

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

Reviewed and Approved:

Steven P. Rice

Steven P. Rice, Chief Counsel

Attachment
LACERA Legislative Report

cc: Steven P. Rice
John Popowich
Jon Grabel
Anthony J. Roda, Williams & Jensen
Joe Ackler, Ackler & Associates

File name: CERL-PEPRA-2019

CA AB 472

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

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

STATUS:

02/11/2019 INTRODUCED.

Staff_Action: Monitoring

CA AB 664

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

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

STATUS:

06/26/2019 In SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Not heard.

Comments:

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

BOR_Position: Oppose *06/05/2019*, Support *05/01/2019*
IBLC_Recommendation: Support *04/11/2019*
Staff_Recommendation: Watch

CA AB 979

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

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

STATUS:

04/24/2019 In ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Not heard.

Comments:

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

Staff_Action: Monitoring

CA AB 1198

AUTHOR: Stone [D]
TITLE: Public Employees' Retirement: Pension Reform

	INTRODUCED:	02/21/2019
	LAST AMEND:	03/21/2019
	SUMMARY:	

Excepts transit workers hired before a specified date, from the Public Employees' Pension Reform Act, or PEPRA, by removing the federal district court contingency language from the provision excepting certain transit workers from PEPRA.

STATUS:

04/24/2019	In ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Not heard.

Comments:

The bill affects those retirement systems whose members include transit workers and whether they are subject to PEPRA.

Staff_Action: Monitoring

CA SB 430	**AUTHOR:**	Wieckowski [D]
	TITLE:	Public Employees Retirement Benefits: Judges
	INTRODUCED:	02/21/2019
	LAST AMEND:	05/17/2019
	SUMMARY:	

Relates to the State Public Employees' Pension Reform Act of 2013. Grants a judge who was elected to office in a specific year the option of making a one-time, irrevocable election to have a membership status prior to a certain date in the Judges' Retirement System II for service accrued after a certain date.

STATUS:

06/26/2019	In ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Not heard.

Staff_Action: Monitoring

CA SB 783	**AUTHOR:**	Labor, Public Employment & Retirement Cmt
	TITLE:	County Employees Retirement Law of 1937
	INTRODUCED:	03/07/2019
	SUMMARY:	

Corrects several erroneous and obsolete cross references within the County Employees Retirement Law of 1937.

STATUS:

05/16/2019	To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Comments:

The bill will be forwarded to the SACRS member systems for review and voting instructions for approval at the SACRS 2019 Fall Conference.

Staff_Action: Monitoring

File name: Federal-2019

US HR 141	**SPONSOR:**	Davis R [R]
	TITLE:	Government Pension Offset Repeal
	INTRODUCED:	01/03/2019
	SUMMARY:	

Amends Title II of the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

01/31/2019	In HOUSE Committee on WAYS AND MEANS: Referred to

Subcommittee on SOCIAL SECURITY.

BOR_Position: Support *04/11/2019*

IBLC_Recommendation: Support *03/14/2019*

Staff_Recommendation: Support

US HR 1994

SPONSOR: Neal [D]

TITLE: Retirement Savings

INTRODUCED: 03/29/2019

SUMMARY:

Amends the Internal Revenue Code; encourages retirement savings.

STATUS:

05/23/2019 In HOUSE. Considered under the provisions of Rules Committee Resolution H. Res. 389.

05/23/2019 In HOUSE. Passed HOUSE. *****To SENATE. (417-3)

Comments:

Also known as the SECURE Act, the bill would increase the age for required minimum distributions from 70 1/2 to 72, which would require conforming amendments to CERL.

Staff_Action: Monitoring

US HR 3934

SPONSOR: Brady K [R]

TITLE: Windfall Elimination Provision Replacement

INTRODUCED: 07/24/2019

SUMMARY:

Amends Title II of the Social Security Act; replaces the windfall elimination provision with a formula equalizing benefits for certain individuals with non-covered employment.

STATUS:

07/24/2019 INTRODUCED.

07/24/2019 To HOUSE Committee on WAYS AND MEANS.

Staff_Action: Monitoring

US HR 4540

SPONSOR: Neal [D]

TITLE: Non Covered Employment Social Security Provision

INTRODUCED: 09/27/2019

SUMMARY:

Provides an equitable Social Security formula for individuals with non covered employment; provides relief for individuals currently affected by the Windfall Elimination Provision.

STATUS:

09/27/2019 INTRODUCED.

09/27/2019 To HOUSE Committee on WAYS AND MEANS.

Staff_Action: Monitoring

US S 521

SPONSOR: Brown S [D]

TITLE: Government Pension Offset Repeal

INTRODUCED: 02/14/2019

SUMMARY:

Amends Title II of the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

02/14/2019 INTRODUCED.

02/14/2019 In SENATE. Read second time.

	02/14/2019	To SENATE Committee on FINANCE.
	BOR_Position:	Support *04/11/2019*
	IBLC_Recommendation:	Support *03/14/2019*
	Staff_Recommendation:	Support

File name: Other-2019

CA AB 199

AUTHOR: Calderon I [D]
TITLE: California Online Notary Act of 2019
INTRODUCED: 01/10/2019
SUMMARY:

Allows a notary public or an applicant for appointment as a notary public to register with the Secretary of State to be an online notary public by submitting an application for registration that meets certain requirements. Authorizes an online notary public to perform notarial acts, and online notarizations by means of audio-video communication. Establishes various requirements applicable to an online notary public.

STATUS:

04/23/2019 In ASSEMBLY Committee on JUDICIARY: Not heard.
BOR_Position: Oppose *08/07/2019*
IBLC_Recommendation: Support *07/11/2019*
Staff_Recommendation: Support

CA AB 287

AUTHOR: Voepel [R]
TITLE: Public Employees' Retirement: Annual Audits
INTRODUCED: 01/28/2019
SUMMARY:

Requires each state and local pension or retirement system to post a concise annual audit of the investments and earnings of the system on that system's internet website no later than the ninetieth day following the audit's completion.

STATUS:

02/07/2019 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
BOR_Position: Support *05/01/2019*
IBLC_Recommendation: Support *04/11/2019*
Staff_Recommendation: Neutral

CA AB 1212

AUTHOR: Levine [D]
TITLE: Public Employees' Retirement: Pension Fund
INTRODUCED: 02/21/2019
LAST AMEND: 08/12/2019
SUMMARY:

Requires a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described, and to provide it to them. Requires a state agency also to provide further project information to a board upon request. Defines a state agency for these purposes as the Department of Transportation and the Department of Water Resources.

STATUS:

10/09/2019 Vetoed by GOVERNOR.
Staff_Action: Monitoring

CA AB 1332

AUTHOR: Bonta [D]
TITLE: Sanctuary State Contracting and Investment Act

INTRODUCED: 02/22/2019
LAST AMEND: 04/29/2019
SUMMARY:

Provides for the Sanctuary State Contracting and Investment Act. Requires the Department of Justice to publish a list on its internet website, based on specified criteria, of each person or entity that, in the opinion of the Department of Justice, is providing data broker, extreme vetting, or detention facilities support to any federal immigration agency. Prohibits an agency from entering into a contract with an entity that appears on the list except under certain circumstances.

STATUS:

05/16/2019 In ASSEMBLY Committee on APPROPRIATIONS: Held in committee.

Comments:

As amended on 4/10/2019, the bill exempts contracts and agreements related to administration and investments of retirement benefits.

Staff_Action: Monitoring

CA AB 1400

AUTHOR: Kamlager-Dove [D]
TITLE: Employment Safety: Firefighting Equipment: Mechanics
INTRODUCED: 02/22/2019
LAST AMEND: 09/06/2019
SUMMARY:

Requires the Commission on Health and Safety and Workers' Compensation, in partnership with the County of Los Angeles and relevant labor organizations, to submit a study on the risk of exposure to carcinogenic materials and incidence of occupational cancer in mechanics who repair and clean firefighting vehicles in the County of Los Angeles.

STATUS:

10/10/2019 Chaptered by Secretary of State. Chapter No. 2019-717

Comments:

As amended on 7/2/2019, the bill no longer relates to a cancer presumption but would require a study on exposure to carcinogens and incidence of occupational cancer as well as adoption of related regulations. The LA County Board of Supervisors removed its support of the bill and has taken no position.

BOR_Position: No_Position *08/07/2019*
IBLC_Recommendation: Watch, Watch *07/11/2019*
Staff_Recommendation: Watch

CA SB 343

AUTHOR: Pan [D]
TITLE: Healthcare Data Disclosure
INTRODUCED: 02/19/2019
LAST AMEND: 08/12/2019
SUMMARY:

Eliminates alternative reporting requirements for certain plans or insurers. Requires instead that those entities report information consistent with any other health care service plan, health insurer, or health facility, as appropriate. Eliminates the authorization for hospitals to report specified financial and utilization data to the Office of Statewide Health Planning and Development.

STATUS:

09/05/2019 Chaptered by Secretary of State. Chapter No. 2019-247

BOR_Position: Watch *08/07/2019*
IBLC_Recommendation: No_Position *07/11/2019*

	Staff_Recommendation:	No_Position
CA SJR 3	**AUTHOR:**	Wilk [R]
	TITLE:	Social Security Act
	INTRODUCED:	03/04/2019

SUMMARY:

Requests the Congress of the United States to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.

STATUS:

08/19/2019	Chaptered by Secretary of State.
08/19/2019	Resolution Chapter No. 2019-129
BOR_Position:	Support *05/01/2019*
Staff_Recommendation:	Support

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FOR INFORMATION ONLY

October 31, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Beulah Auten, CPA, CGFM, CGMA EW FOR
Chief Financial Officer

SUBJECT: **MONTHLY EDUCATION & TRAVEL REPORT – SEPTEMBER 2019**

Attached, for your review, are the Board and Staff Education & Travel Reports as of September 2019. These reports include travel (i.e., completed and canceled) during Fiscal Year 2019-2020.

REVIEWED AND APPROVED:

Steven P. Rice
Chief Counsel

BA/EW/krh

Attachment

c: J. Popowich
K. Hines

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BOARD EDUCATION AND TRAVEL REPORT
FOR FISCAL YEAR 2019 - 2020
SEPTEMBER 2019

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Alan Bernstein				
A	1	Edu - PPI 2019 Summer Roundtable - Chicago IL	07/10/2019 - 07/12/2019	Attended
B	-	Edu - NACD Southern California Chapter Luncheon - Los Angeles CA	09/10/2019 - 09/10/2019	Attended
Vivian Gray				
B	-	Admin - SACRS Program Committee and SACRS Board of Directors Meeting - Sacramento CA	07/15/2019 - 07/16/2019	Attended
	-	Admin - SACRS Legislative Committee - Sacramento CA	07/19/2019 - 07/19/2019	Attended
	-	Edu - SACRS Public Pension Investment Management Program - Berkeley CA	07/22/2019 - 07/24/2019	Attended
James Harris				
B	-	Edu - CALAPRS Principles of Pension Governance - Malibu CA	08/26/2019 - 08/29/2019	Attended
Shawn Kehoe				
A	1	Edu - IAFCI Annual Training Conference & Exhibitor Show - Raleigh NC	08/26/2019 - 08/30/2019	Attended
X	-	Edu - National Association of Corporate Directors - Global Board Leaders' Summit - Washington D.C. MD	09/21/2019 - 09/24/2019	Canceled
Wayne Moore				
A	1	Edu - PPI 2019 Summer Roundtable - Chicago IL	07/10/2019 - 07/12/2019	Attended
	2	Edu - 2019 Council of Institutional Investors (CII) Fall Conference - Minneapolis MN	09/16/2019 - 09/18/2019	Attended
Gina Sanchez				
A	1	Edu - Oxford Impact Measurement Program - Oxford, United Kingdom	07/15/2019 - 07/19/2019	Attended
	2	Edu - 2019 Council of Institutional Investors (CII) Fall Conference - Minneapolis MN	09/16/2019 - 09/18/2019	Attended
	3	Edu - National Association of Corporate Directors - Global Board Leaders' Summit - Washington D.C. MD	09/21/2019 - 09/24/2019	Attended
Herman Santos				
A	1	Edu - 2019 Latin America Private Equity & Venture Capital Association Summit and Investor Roundtable and LAVCA Venture Investors Annual Meeting - New York NY	09/23/2019 - 09/26/2019	Attended
Gina Zapanta-Murphy				
B	-	Edu - SACRS Public Pension Investment Management Program - Berkeley CA	07/22/2019 - 07/24/2019	Attended
	-	Edu - Network Ethnic Physician Organizations (NEPO) Summit - Pasadena CA	08/23/2019 - 08/24/2019	Attended

Category Legend:

A - Pre-approved conferences and conferences not listed in Attachment C of the LACERA Education and Travel Policy.
B - Administrative conferences and/or local educational conferences that do not require common carrier travel and lodging totaling less than $1,500.
C - Events pending receipt of reimbursement claim.
X - Canceled events for which expenses have been incurred.

STAFF EDUCATION AND TRAVEL REPORT

FOR FISCAL YEAR 2019 - 2020

SEPTEMBER 2019

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Administrative Services				
Holly Henderson	1	Edu - GFOA Budgeting Best Practices: Budget Monitoring - Sacramento CA	09/16/2019 - 09/18/2019	Attended
Kimberly Hines	1	Edu - GFOA Budgeting Best Practices: Budget Monitoring - Sacramento CA	09/16/2019 - 09/18/2019	Attended
Benefits				
Sylvia Botros	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Dmitriy Khaytovich	1	Edu - CALAPRS Benefits Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Linda Moss	1	Edu - 38th ISCEBS Employee Benefits Symposium - New Orleans CA	09/08/2019 - 09/11/2019	Attended
Communications				
Sarah Scott	1	Edu - Writing Compelling Digital Copy as part of the UX Conference - Chicago IL	09/12/2019 - 09/12/2019	Attended
Disability Litigation Services				
Eugenia Der	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Jason Waller	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Disability Retirement Services				
Ricki Contreras	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Amabelle Delin	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Melena Sarkisian	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Maria Silva	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Executive Offices				
John Popowich	1	Edu - GFOA Budgeting Best Practices: Budget Monitoring - Sacramento CA	09/16/2019 - 09/18/2019	Attended

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STAFF EDUCATION AND TRAVEL REPORT

FOR FISCAL YEAR 2019 - 2020

SEPTEMBER 2019

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Financial & Accounting Services				
Ana Chang	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Esther Chang	1	Edu - Association of Government Accountants (AGA) 2019 Professional Development Training (PDT) - New Orleans LA	07/21/2019 - 07/24/2019	Attended
Margaret Chwa	1	Edu - CALAPRS Fall Accountants Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Chona Labtic-Austin	1	Edu - Association of Government Accountants (AGA) 2019 Professional Development Training (PDT) - New Orleans LA	07/21/2019 - 07/24/2019	Attended
Alyce Provencio	1	Edu - CALAPRS Fall Accountants Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Gloria Rios	1	Edu - CALAPRS Fall Accountants Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Imelda Saldivar	1	Edu - CALAPRS Fall Accountants Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Canceled
Felisa Valdepenas	1	Edu - Association of Government Accountants (AGA) 2019 Professional Development Training (PDT) - New Orleans LA	07/21/2019 - 07/24/2019	Attended
Edward Wong	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Human Resources				
Roberta Van Nortrick	1	Edu - Society of Corporate Compliance and Ethics (SCCE) Annual Meeting - Washington D.C. (National Harbor, MD)	09/15/2019 - 09/18/2019	Attended
Internal Audit				
Nathan Amick	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
	2	Edu - Association of Public Pension Fund Auditors (APPFA) - Lake Tahoe CA	09/27/2019 - 09/30/2019	Attended
Richard Bendall	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
	2	Edu - Enterprise Risk Management (ERM) Pension Peer Group - Sacramento CA	09/22/2019 - 09/25/2019	Attended
Leisha Collins	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
	2	Edu - Association of Public Pension Fund Auditors (APPFA) - Lake Tahoe CA	09/27/2019 - 09/30/2019	Attended
Christina Logan	1	Edu - Association of Public Pension Fund Auditors (APPFA) - Lake Tahoe CA	09/27/2019 - 09/30/2019	Attended
Kristina Sun	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Gabriel Tafoya	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Summy Voong	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Investments				
Didier Acevedo	1	Admin - Due Diligence of Illiquid Credit Finalist Managers - New York, NY and Chicago, IL	08/27/2019 - 08/29/2019	Attended

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STAFF EDUCATION AND TRAVEL REPORT
FOR FISCAL YEAR 2019 - 2020
SEPTEMBER 2019

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Investments				
Didier Acevedo	2	Edu - 2019 Latin America Private Equity & Venture Capital Association Summit and Investor Roundtable and LAVCA Venture Investors Annual Meeting - New York NY	09/23/2019 - 09/26/2019	Attended
Kevin Bassi	1	Admin - Due Diligence of Clarion Partners - Seattle WA	08/08/2019 - 08/08/2019	Canceled
David Chu	1	Admin - GGV Capital Limited Partner Advisory Committee Roundtable and Private Limited Partner Reception - San Francisco CA	07/25/2019 - 07/25/2019	Attended
	2	Admin - Due diligence on potential and existing managers (MBK Partners, BRV China, Joy Capital); and attend Lilly Asian Ventures annual investor meeting. - Singapore; Hong Kong; Shanghai, China	09/18/2019 - 09/27/2019	Attended
	3	Edu - SuperReturn Asia Conference. - Hong Kong, China	09/23/2019 - 09/26/2019	Attended
Esmeralda Del Bosque	1	Edu - 2019 Alternative Investments Forum (AIF) Women Investor's Forum - New York NY	09/09/2019 - 09/10/2019	Attended
	2	Edu - Investment Operations Forum at CalSTRS - Sacramento CA	09/24/2019 - 09/24/2019	Attended
	3	Admin - Meeting with State Street - Sacramento CA	09/24/2019 - 09/24/2019	Attended
Jon Grabel	1	Edu - Public CIO Forum - Detroit MI	09/17/2019 - 09/18/2019	Canceled
	2	Edu - Institutional Limited Partners Association (ILPA) 3rd Annual CIO Symposium - Cambridge MA	09/25/2019 - 09/25/2019	Attended
Dale Johnson	1	Admin - Due Diligence with Prospective Manager - Plano TX	08/20/2019 - 08/20/2019	Attended
	2	Edu - 2019 Council of Institutional Investors (CII) Fall Conference - Minneapolis MN	09/16/2019 - 09/18/2019	Attended
John Kim	1	Edu - Investment Operations Forum at CalSTRS - Sacramento CA	09/24/2019 - 09/24/2019	Attended
	2	Admin - Meeting with State Street - Sacramento CA	09/24/2019 - 09/24/2019	Attended
Derek Kong	1	Admin - Due Diligence on potential managers and existing managers (Alchemy SOF, Triton, LivingBridge) - London, England; Paris, France; Amsterdam, Netherlands; Zurich, Switzerland	09/18/2019 - 09/26/2019	Attended
Vache Mahseredjian	1	Admin - Due Diligence of Illiquid Credit Finalist Managers - New York, NY and Chicago, IL	08/27/2019 - 08/29/2019	Attended
John Mcclelland	1	Edu - Pension Real Estate Association (PREA) Leadership Summit. - West Sacramento CA	09/10/2019 - 09/10/2019	Canceled
Michael Romero	1	Admin - Gateway Empire Industrial site inspection. - Riverside CA	09/25/2019 - 09/25/2019	Attended
David Simpson	1	Admin - Vinci Partners Annual General Meeting and Limited Partner Advisory Committee. Due diligence with potential manager and meet with existing managers (Incline Equity, Sterling IP, Clarion, and One Rock). - New York, NY; Pittsburgh, PA; Westport, CT	09/25/2019 - 09/27/2019	Attended
Chad Timko	1	Admin - Due Diligence with Prospective Manager - Plano TX	08/20/2019 - 08/20/2019	Attended

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STAFF EDUCATION AND TRAVEL REPORT

FOR FISCAL YEAR 2019 - 2020

SEPTEMBER 2019

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Investments				
Chad Timko	2	Admin - Due Diligence of Illiquid Credit Finalist Managers - New York, NY and Chicago, IL	08/27/2019 - 08/29/2019	Attended
Scott Zdrazil	1	Admin - Council of Institutional Board and Committee meetings - Washington D.C.	07/31/2019 - 08/01/2019	Attended
	2	Admin - Principles for Responsible Investment Private Equity Advisory Committee Meeting - Paris, France	09/08/2019 - 09/09/2019	Attended
	3	Edu - Annual PRI in Person Conference - Paris, France	09/10/2019 - 09/12/2019	Attended
	4	Admin - Council of Institutional Investors (CII) Board of Directors Meeting - Minneapolis MN	09/16/2019 - 09/18/2019	Attended
Legal Services				
Frank Boyd	1	Edu - CALAPRS Course in Retirement Disability Administration - Oakland CA	09/19/2019 - 09/19/2019	Attended
Member Services				
Carlos Barrios	1	Edu - 38th ISCEBS Employee Benefits Symposium - New Orleans CA	09/08/2019 - 09/11/2019	Attended
Jacqueline Boute	1	Edu - CALAPRS Benefits Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Renee Copeland	1	Edu - CALAPRS Benefits Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Beatriz Daryaie	1	Edu - CALAPRS Benefits Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Alejandro Ochoa	1	Edu - CALAPRS Benefits Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Persian Petrov	1	Edu - CALAPRS Benefits Roundtable - Oakland CA	09/20/2019 - 09/20/2019	Attended
Jeff Shevlowitz	1	Edu - 38th ISCEBS Employee Benefits Symposium - New Orleans CA	09/08/2019 - 09/11/2019	Attended
QA & Metrics				
Derwin Brown	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Flora Zhu	1	Edu - ATD Certificate Program - Train the Trainer - Orlando FL	07/08/2019 - 07/10/2019	Attended
Retiree Healthcare				
Tionna Fredericks	1	Edu - IIA Institute of Internal Auditors 2019 International Conference - Anaheim CA	07/07/2019 - 07/10/2019	Attended
Kathy Migita	1	Edu - AHIP National Conferences on Medicare, Medicaid & Dual Eligibles - Washington, D.C.	09/23/2019 - 09/26/2019	Attended
	2	Admin - Annual Kaiser Due Diligence - Washington D.C. MD	09/27/2019 - 09/28/2019	Attended
Cassandra Smith	1	Edu - AHIP National Conferences on Medicare, Medicaid & Dual Eligibles - Washington, D.C.	09/23/2019 - 09/26/2019	Attended
	2	Admin - Annual Kaiser Due Diligence - Washington D.C. MD	09/27/2019 - 09/28/2019	Attended

STAFF EDUCATION AND TRAVEL REPORT

FOR FISCAL YEAR 2019 - 2020

SEPTEMBER 2019

Attendee		Purpose of Travel - Location	Event Dates	Travel Status
Systems				
James Brekk	1	Edu - IAFCI Annual Training Conference & Exhibitor Show - Raleigh NC	08/26/2019 - 08/30/2019	Attended
	2	Edu - Cyber Threat Intelligence Leadership Forum - Orlando FL	09/16/2019 - 09/17/2019	Attended
Irwin Devries	1	Admin - LACERA Co-location Lan Migration to new circuit - Mesa AZ	08/28/2019 - 08/28/2019	Attended

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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FOR INFORMATION ONLY

November 12, 2019

TO: Each Member
Board of Investments

FROM: Steven P. Rice SPR
Chief Counsel

FOR: November 20, 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 November 8, 2019.

Attachment

c: Santos Kreimann
Jonathan Grabel
JJ Popowich
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 November 8, 2019

	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
EQUITIES	MSCI ACWI IMI Index Manger (State Street)	Investment Management Agreement	$14,800,000,000.00	August 14, 2019	In Progress	50%	Legal negotiations in process.
PRIVATE EQUITY	RedBird Capital Partners Series 2019, L.P.	Subscription	$150,000,000.00	August 14, 2019	Completed	100%	Completed
	Green Equity Investors VIII	Subscription	$150,000,000.00	October 8, 2019	Completed	100%	Completed
	Jade Equity Investors	Subscription	$50,000,000.00	October 8, 2019	Completed	100%	Completed

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Attention: Public Records Act Requests
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