



November 3, 2020

**TO:** Each Trustee,  
Board of Investments

**SUBJECT:** Board of Investments Meeting on November 5, 2020 – Green Folder Item

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Following you will find the Green Folder item for the above mentioned meeting:

Item VI. – Chief Investment Officer Monthly Report

# Chief Investment Officer Monthly Report

Board of Investments

November 5, 2020



Jonathan Grabel   
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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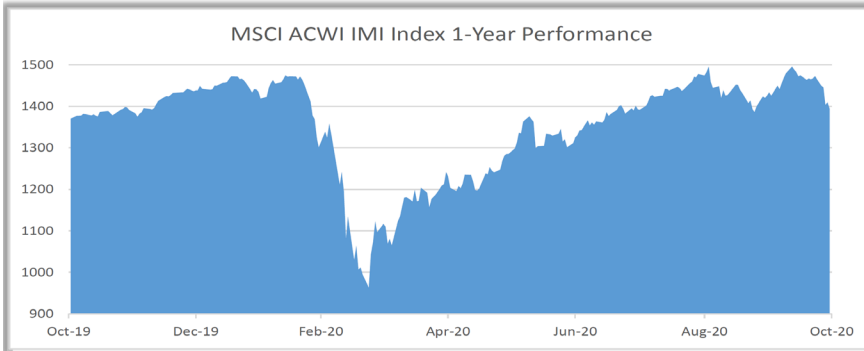
# Market Environment



# Global Market Performance as of October 31, 2020

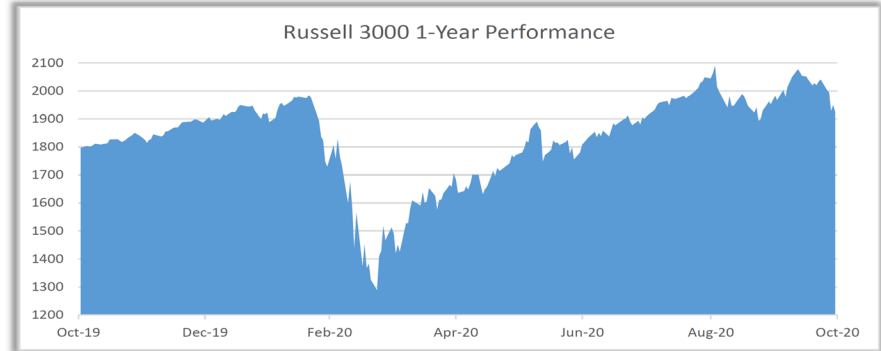
## MSCI ACWI Index (Global Equity Market)\*

| Trailing Returns (%) |         |      | Annualized Returns (%) |     |     |     |
|----------------------|---------|------|------------------------|-----|-----|-----|
| 1-month              | 3-month | YTD  | 1Y                     | 3Y  | 5Y  | 10Y |
| -2.2                 | 0.5     | -1.7 | 4.3                    | 5.0 | 7.9 | 7.9 |



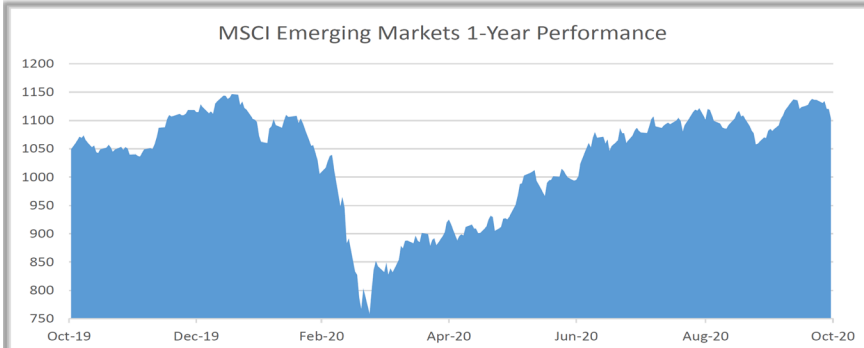
## Russell 3000 Index (U.S. Equity Market)

| Trailing Returns (%) |         |     | Annualized Returns (%) |      |      |      |
|----------------------|---------|-----|------------------------|------|------|------|
| 1-month              | 3-month | YTD | 1Y                     | 3Y   | 5Y   | 10Y  |
| -2.2                 | 1.1     | 3.1 | 10.2                   | 10.0 | 11.5 | 12.8 |



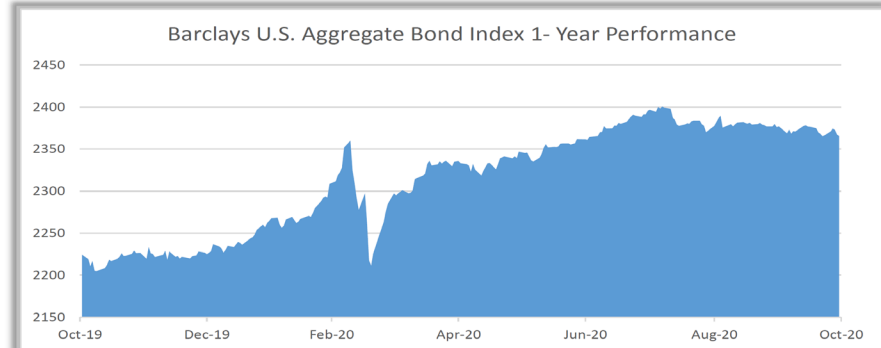
## MSCI Emerging Market Index

| Trailing Returns (%) |         |     | Annualized Returns (%) |     |     |     |
|----------------------|---------|-----|------------------------|-----|-----|-----|
| 1-month              | 3-month | YTD | 1Y                     | 3Y  | 5Y  | 10Y |
| 2.1                  | 2.6     | 0.9 | 8.3                    | 1.9 | 7.9 | 2.4 |



## Barclays U.S. Aggregate Bond Index\*\*

| Trailing Returns (%) |         |     | Annualized Returns (%) |     |     |     |
|----------------------|---------|-----|------------------------|-----|-----|-----|
| 1-month              | 3-month | YTD | 1Y                     | 3Y  | 5Y  | 10Y |
| -0.5                 | -1.3    | 6.3 | 6.2                    | 5.1 | 4.1 | 3.6 |



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

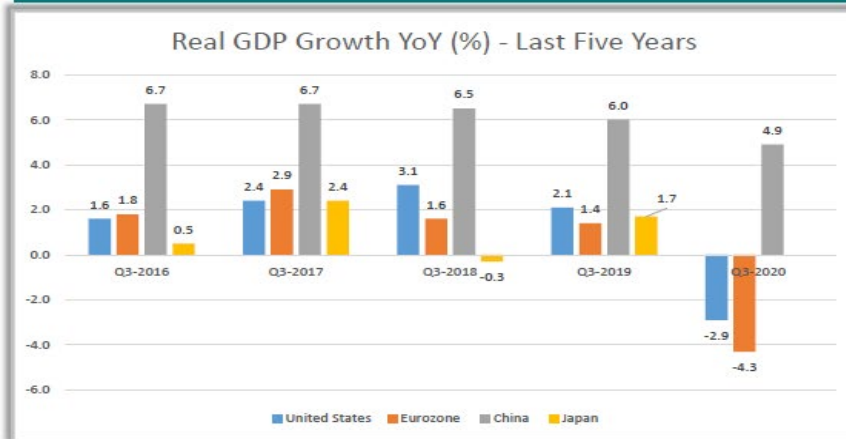
\*\*Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Source: Bloomberg

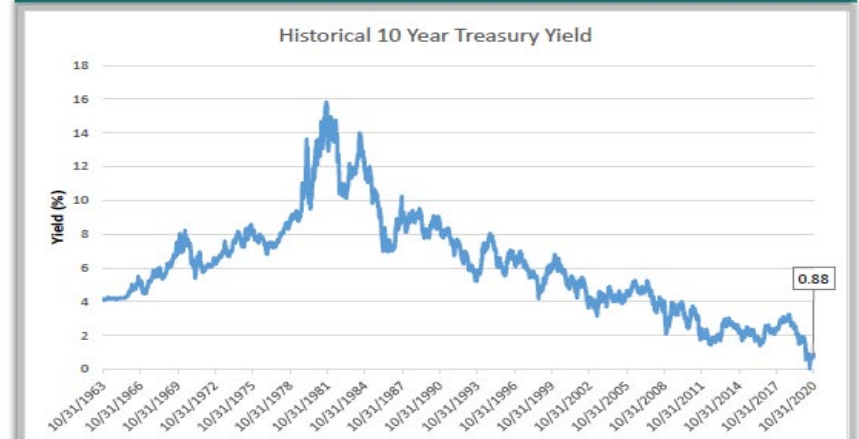


# Key Macro Indicators\*

## GDP Growth of Major Economies<sup>1</sup>



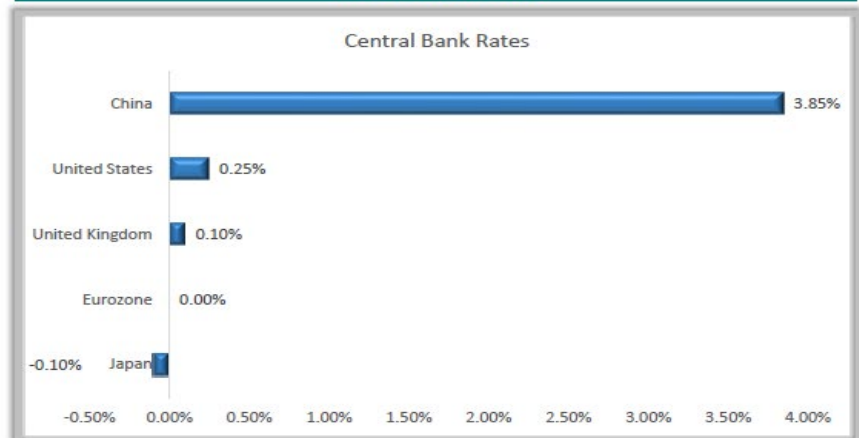
## Historical Low for 10-Year Treasury Yield<sup>2</sup>



## World Equity Valuation<sup>3</sup>



## Central Bank Rates<sup>4</sup> (as of 10/31/2020)



\*The information on the "Key Macro Indicators" charts is the best available data as of 10/31/20 and may not reflect the current market and economic environment. Japan GDP data for 3Q2020 is not yet available.

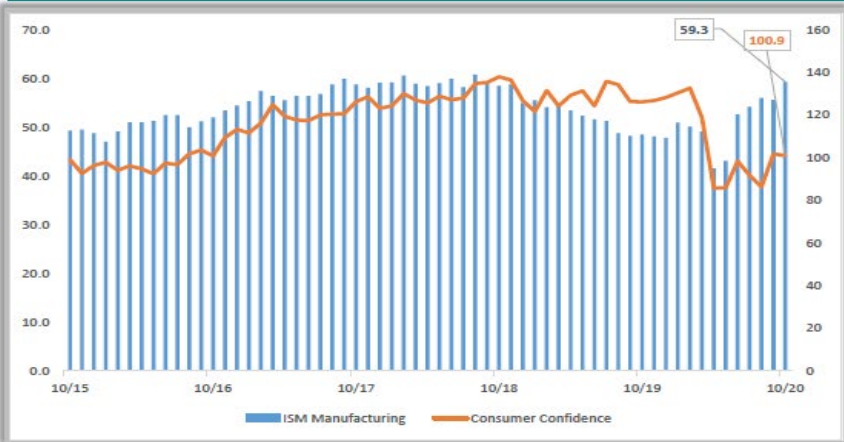
Sources: 1. Bloomberg  
2. St. Louis Federal Reserve

3. FactSet  
4. FactSet

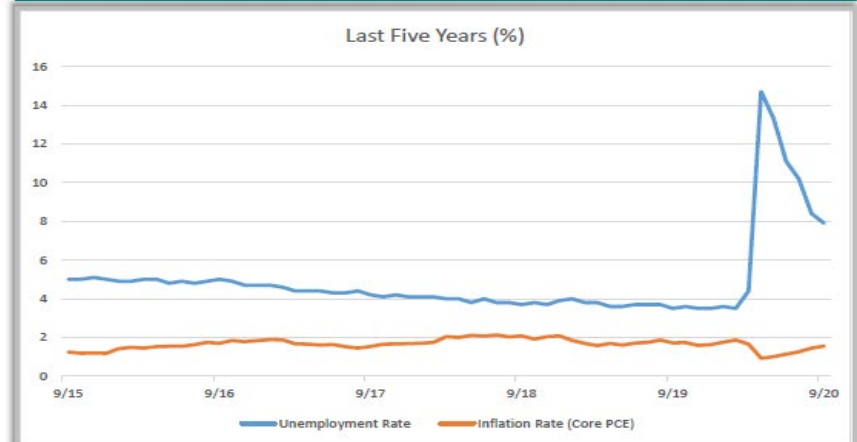


# Key Macro Indicators\*

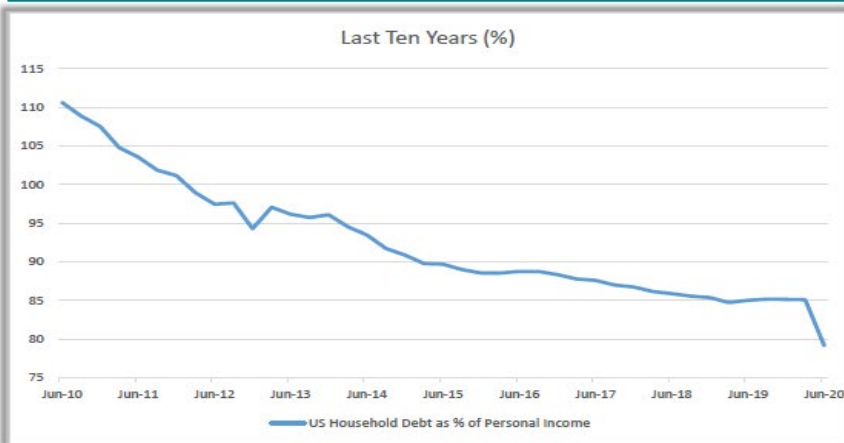
## Consumer Confidence & ISM Manufacturing<sup>1</sup>



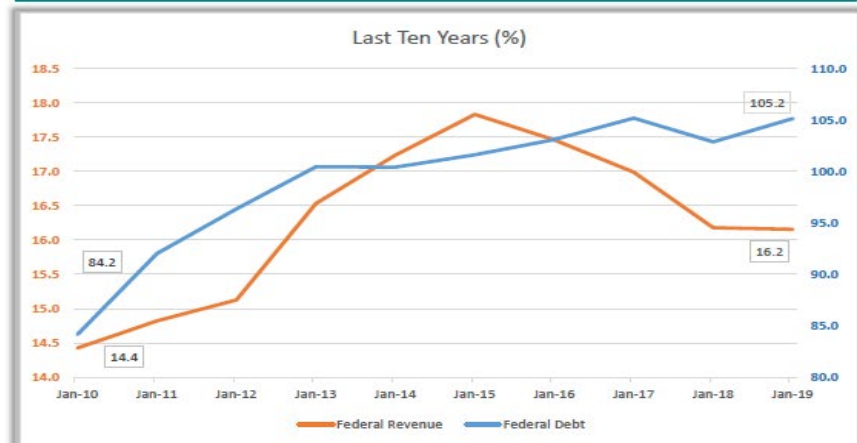
## U.S. Inflation & Unemployment<sup>2</sup>



## US Household Debt as % of Personal Income<sup>3</sup>



## Federal Revenue and Federal Debt as % of GDP<sup>4</sup>



\*The information on the "Key Macro Indicators" charts is the best available data as of 10/31/20 and may not reflect the current market and economic environment

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



# Market Themes and Notable Items to Watch

## Recent Themes

- COVID-19
  - More than 45 million cases and 1 million deaths worldwide
    - Over 9 million cases in the U.S.
    - Over 13 million cases in Brazil and India
    - Reemergence of lockdowns in Western Europe
  - The U.S. is reporting a record high seven-day average of more than 74,000 new cases per day
- The U.S. economy grew 7.4% in the September ending quarter but remains about 3.5% smaller than at the end of 2019
- The European Central Bank hinted at potential economic stimulus to come in December amid new coronavirus lockdowns
- Oil is at 4-month lows as there are fears the economic recovery will stumble
- Timing of U.S. election results

## What to Watch

- COVID-19
  - Global spread
  - Treatment developments
  - Lasting impact
- Social equity and civil rights initiatives
- Unemployment and consumer spending
- Health of corporate balance sheets and credit availability
- Real estate mortgage defaults
- 2020/21 U.S. elections
  - Results and aftermath
  - Potential economic relief bill in U.S. post-election
- Geopolitical risks and trade arrangements



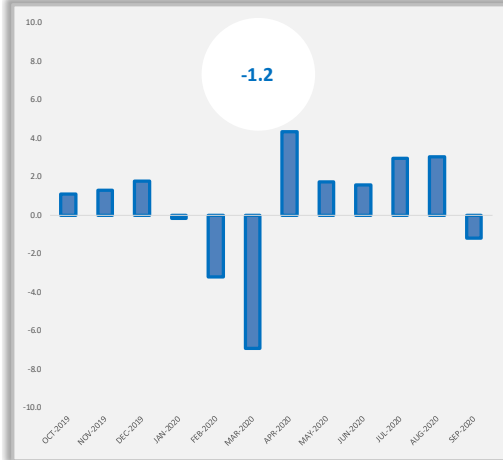


# Portfolio Performance Updates

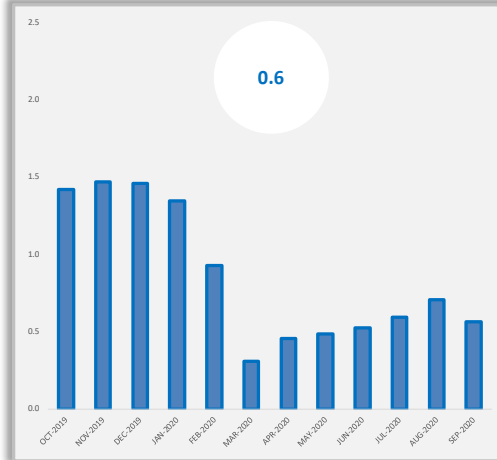


# Total Fund Summary as of September 2020

## Monthly Return (% net)



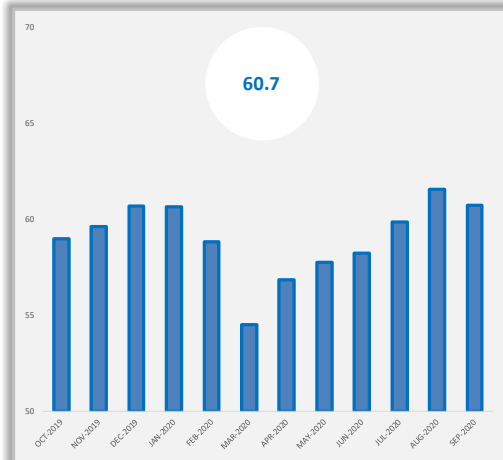
## Sharpe Ratio (3-Year Annualized)



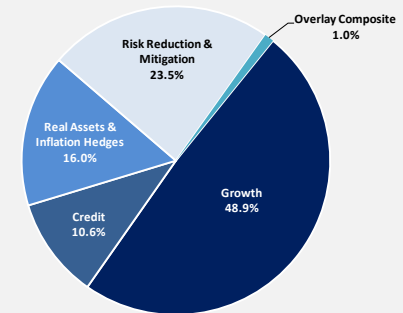
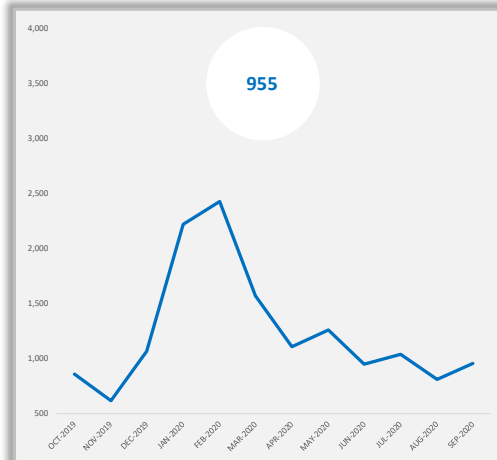
## Asset Allocation

|                                               | Market Value <sup>1</sup><br>(\$ millions) | % of<br>Total | Final<br>Target <sup>2</sup> |
|-----------------------------------------------|--------------------------------------------|---------------|------------------------------|
| <b>TOTAL FUND</b>                             | <b>60,726</b>                              | <b>100.0%</b> |                              |
| <b>Growth</b>                                 | <b>29,688</b>                              | <b>48.9%</b>  | <b>47.0%</b>                 |
| Global Equity                                 | 22,023                                     | 36.3%         | 35.0%                        |
| Private Equity <sup>3</sup>                   | 6,978                                      | 11.5%         | 10.0%                        |
| Opportunistic Real Estate <sup>4</sup>        | 688                                        | 1.1%          | 2.0%                         |
| <b>Credit</b>                                 | <b>6,430</b>                               | <b>10.6%</b>  | <b>12.0%</b>                 |
| High Yield                                    | 2,003                                      | 3.3%          | 3.0%                         |
| Bank Loans                                    | 2,426                                      | 4.0%          | 4.0%                         |
| Emerging Market Debt                          | 821                                        | 1.4%          | 2.0%                         |
| Illiquid Credit <sup>3,4,5</sup>              | 1,177                                      | 1.9%          | 3.0%                         |
| <b>Real Assets &amp; Inflation Hedges</b>     | <b>9,709</b>                               | <b>16.0%</b>  | <b>17.0%</b>                 |
| Core & Value Added Real Estate <sup>4</sup>   | 4,688                                      | 7.7%          | 7.0%                         |
| Natural Resources & Commodities               | 2,217                                      | 3.7%          | 4.0%                         |
| Infrastructure                                | 1,683                                      | 2.8%          | 3.0%                         |
| Treasury Inflation-Protected Securities       | 1,121                                      | 1.8%          | 3.0%                         |
| <b>Risk Reduction &amp; Mitigation</b>        | <b>14,301</b>                              | <b>23.5%</b>  | <b>24.0%</b>                 |
| Investment Grade Bonds                        | 11,368                                     | 18.7%         | 19.0%                        |
| Diversified Hedge Fund Portfolio <sup>5</sup> | 1,978                                      | 3.3%          | 4.0%                         |
| Cash                                          | 955                                        | 1.6%          | 1.0%                         |
| Overlay Composite <sup>6</sup>                | 597                                        | 1.0%          | —                            |

## Total Market Value (\$ billions)



## Cash (\$ millions)



1. Transition balances are included in each subcategory total, if applicable  
 2. Final target weights effective as of 10/1/19  
 3. Private Equity market values reflect latest available and are adjusted for cash flows

4. Real Estate market values reflect a 3-month lag and best available values  
 5. Hedge Fund market values reflect a 1-month lag  
 6. Reflects net cash position for overlay investing

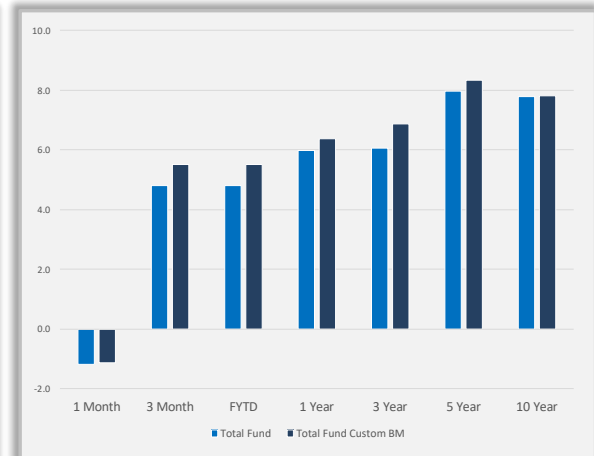


# Historical Net Performance as of September 2020\*

## LACERA Pension Fund (net)

|                                                     | Market Value<br>(\$ millions) | % of<br>Total Fund | Final<br>Target <sup>1</sup> | 1 Month        | 3 Month        | FYTD        | 1 Year        | 3 Year      | 5 Year      | 10 Year     |
|-----------------------------------------------------|-------------------------------|--------------------|------------------------------|----------------|----------------|-------------|---------------|-------------|-------------|-------------|
| <b>TOTAL FUND</b>                                   | <b>60,726</b>                 | <b>100.0%</b>      | <b>100.0%</b>                | <b>-1.2</b>    | <b>4.8</b>     | <b>4.8</b>  | <b>6.0</b>    | <b>6.1</b>  | <b>8.0</b>  | <b>7.8</b>  |
| <i>Total Fund Custom BM</i>                         |                               |                    |                              | <i>-1.1</i>    | <i>5.5</i>     | <i>5.5</i>  | <i>6.4</i>    | <i>6.9</i>  | <i>8.3</i>  | <i>7.8</i>  |
| <i>7% Annual Hurdle Rate</i>                        |                               |                    |                              | <i>0.57</i>    | <i>1.71</i>    | <i>1.71</i> | <i>7.00</i>   | <i>7.00</i> | <i>7.00</i> | <i>7.00</i> |
| <b>Functional Composites<sup>2</sup></b>            |                               |                    |                              | <b>1 Month</b> | <b>3 Month</b> | <b>FYTD</b> | <b>1 Year</b> |             |             |             |
| <b>GROWTH</b>                                       | <b>29,688</b>                 | <b>48.9%</b>       | <b>47.0%</b>                 | <b>-2.0</b>    | <b>7.4</b>     | <b>7.4</b>  | <b>8.6</b>    |             |             |             |
| <i>Growth Custom BM</i>                             |                               |                    |                              | <i>-1.6</i>    | <i>10.3</i>    | <i>10.3</i> | <i>9.2</i>    |             |             |             |
| <b>CREDIT</b>                                       | <b>6,430</b>                  | <b>10.6%</b>       | <b>12.0%</b>                 | <b>0.1</b>     | <b>4.8</b>     | <b>4.8</b>  | <b>1.0</b>    |             |             |             |
| <i>Credit Custom BM</i>                             |                               |                    |                              | <i>-0.4</i>    | <i>3.3</i>     | <i>3.3</i>  | <i>3.9</i>    |             |             |             |
| <b>REAL ASSETS &amp; INFLATION HEDGES</b>           | <b>9,709</b>                  | <b>16.0%</b>       | <b>17.0%</b>                 | <b>-1.2</b>    | <b>2.2</b>     | <b>2.2</b>  | <b>-1.3</b>   |             |             |             |
| <i>Real Assets &amp; Inflation Hedges Custom BM</i> |                               |                    |                              | <i>-1.9</i>    | <i>1.0</i>     | <i>1.0</i>  | <i>-0.5</i>   |             |             |             |
| <b>RISK REDUCTION &amp; MITIGATION</b>              | <b>14,301</b>                 | <b>23.5%</b>       | <b>24.0%</b>                 | <b>0.2</b>     | <b>1.5</b>     | <b>1.5</b>  | <b>6.9</b>    |             |             |             |
| <i>Risk Reduction &amp; Mitigation Custom BM</i>    |                               |                    |                              | <i>0.0</i>     | <i>0.6</i>     | <i>0.6</i>  | <i>6.2</i>    |             |             |             |
| <b>OVERLAY COMPOSITE</b>                            | <b>597</b>                    | <b>1.0%</b>        | <b>—</b>                     |                |                |             |               |             |             |             |

## Historical Returns (net)



## OPEB Master Trust Fund (net)

| Sub-Trusts                                     | Market Value<br>(\$ millions) <sup>3</sup> | Trust<br>Ownership % | Final<br>Target | 1 Month        | 3 Month        | FYTD        | 1 Year        | 3 Year        | 5 Year |
|------------------------------------------------|--------------------------------------------|----------------------|-----------------|----------------|----------------|-------------|---------------|---------------|--------|
| <b>TOTAL OPEB MASTER TRUST</b>                 | <b>1,653</b>                               |                      |                 |                |                |             |               |               |        |
| Los Angeles County                             | 1,599                                      | 96.7%                | —               | -2.0           | 5.6            | 5.6         | 4.5           | 5.5           | 8.5    |
| LACERA                                         | 6                                          | 0.4%                 | —               | -2.0           | 5.6            | 5.6         | 4.5           | 5.5           | 8.5    |
| Superior Court                                 | 48                                         | 2.9%                 | —               | -2.2           | 5.4            | 5.4         | 4.0           | 5.3           | —      |
| <b>Functional Composites</b>                   |                                            |                      |                 | <b>1 Month</b> | <b>3 Month</b> | <b>FYTD</b> | <b>1 Year</b> | <b>3 Year</b> |        |
| <b>OPEB Growth</b>                             | <b>825</b>                                 | <b>49.9%</b>         | <b>50.0%</b>    | <b>-3.1</b>    | <b>8.2</b>     | <b>8.2</b>  | <b>9.9</b>    | <b>6.8</b>    |        |
| <i>Custom OPEB MT Growth Pool</i>              |                                            |                      |                 | <i>-3.1</i>    | <i>8.1</i>     | <i>8.1</i>  | <i>9.6</i>    | <i>6.5</i>    |        |
| <b>OPEB Credit</b>                             | <b>332</b>                                 | <b>20.1%</b>         | <b>20.0%</b>    | <b>-0.5</b>    | <b>3.3</b>     | <b>3.3</b>  | <b>0.6</b>    | <b>—</b>      |        |
| <i>Custom OPEB MT Credit Pool</i>              |                                            |                      |                 | <i>-0.4</i>    | <i>3.6</i>     | <i>3.6</i>  | <i>1.2</i>    | <i>—</i>      |        |
| <b>OPEB Real Assets &amp; Inflation Hedges</b> | <b>328</b>                                 | <b>19.8%</b>         | <b>20.0%</b>    | <b>-2.3</b>    | <b>3.3</b>     | <b>3.3</b>  | <b>-9.6</b>   | <b>—</b>      |        |
| <i>Custom OPEB MT RA &amp; IH Pool</i>         |                                            |                      |                 | <i>-2.3</i>    | <i>3.1</i>     | <i>3.1</i>  | <i>-10.1</i>  | <i>—</i>      |        |
| <b>OPEB Risk Reduction &amp; Mitigation</b>    | <b>167</b>                                 | <b>10.1%</b>         | <b>10.0%</b>    | <b>0.0</b>     | <b>0.6</b>     | <b>0.6</b>  | <b>6.0</b>    | <b>5.4</b>    |        |
| <i>Custom OPEB MT RR &amp; M Pool</i>          |                                            |                      |                 | <i>0.0</i>     | <i>0.5</i>     | <i>0.5</i>  | <i>5.8</i>    | <i>5.2</i>    |        |
| <b>Operating Cash</b>                          | <b>0.3</b>                                 | <b>0.0%</b>          | <b>—</b>        |                |                |             |               |               |        |

## Historical Returns (net)



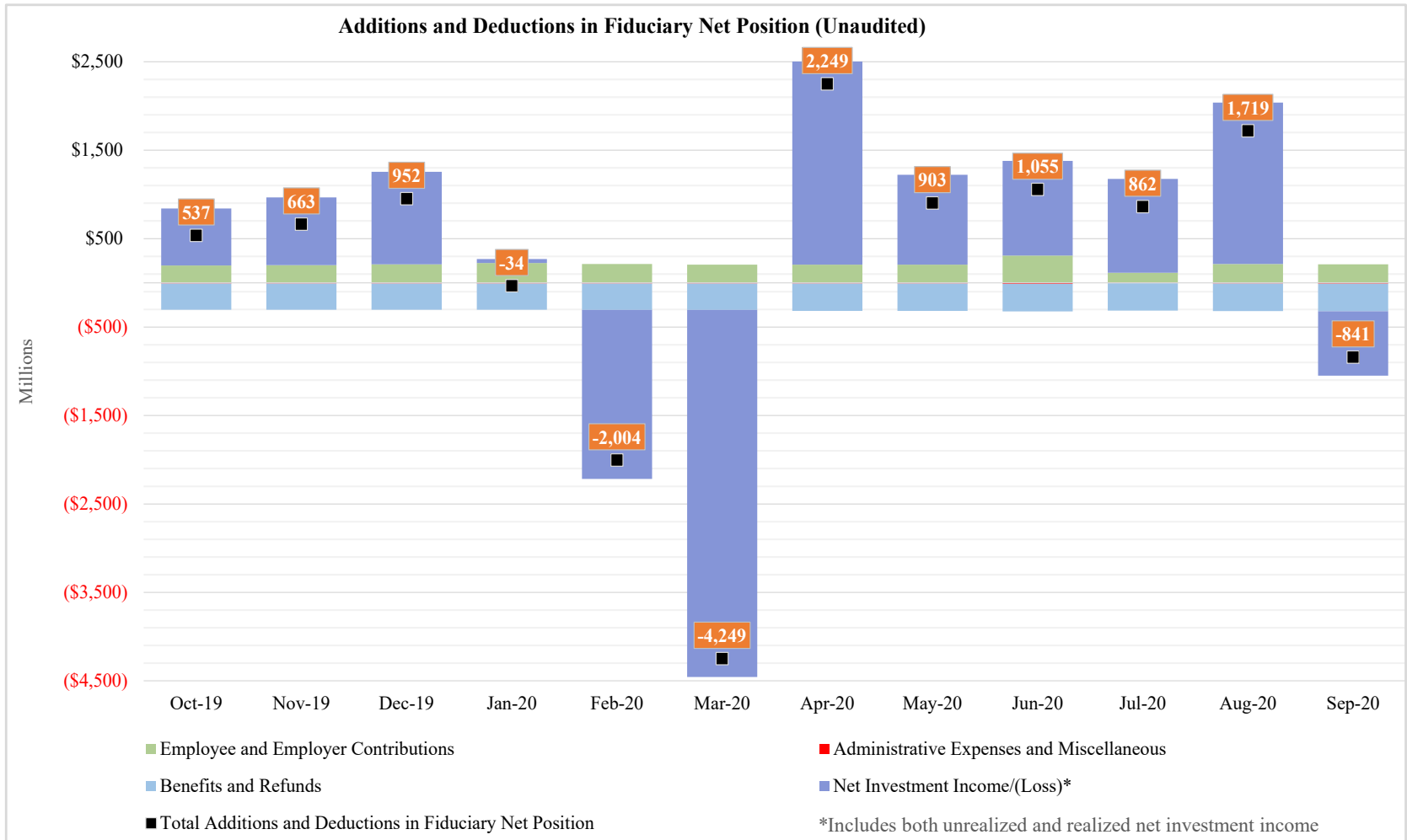
1. Final target weights effective as of 10/1/19  
2. Functional composites were adopted on 4/1/19

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 2020 total fund, composite, and benchmark returns are preliminary



# Change In Fiduciary Net Position



| Fiscal Year | Negative Months | Positive Months | Total Net Position Change \$ |
|-------------|-----------------|-----------------|------------------------------|
| FY-19       | 4               | 8               | \$1.9 billion                |
| FY-20       | 5               | 7               | -                            |
| FY-21       | 1               | 2               | \$1.7 billion                |



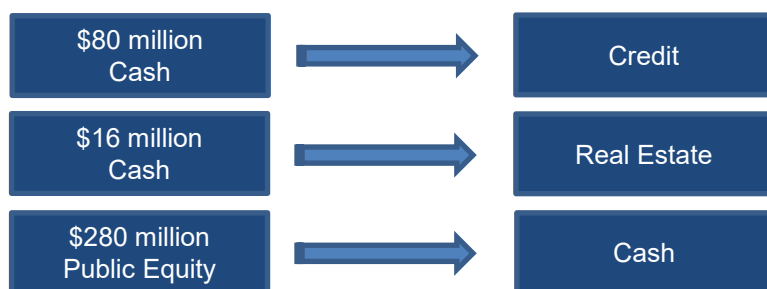
# Portfolio Structural Updates



# Portfolio Structural Updates

## Portfolio Movements

### Rebalancing Activity



### Hedges and Overlays

| Program                   | September Return | September Gain/Loss | Inception* Gain/Loss |
|---------------------------|------------------|---------------------|----------------------|
| Currency Hedge**          | -0.9%            | -\$67.9 Million     | \$936 Million        |
| Cash/Rebalance Overlay*** | -0.9%            | -\$9.4 Million      | \$22.3 Million       |

## Current Search Activity

### Status of Active Searches – Subject to Change

| Name                                                          | RFP Issued | Due Diligence | BOI Review             |
|---------------------------------------------------------------|------------|---------------|------------------------|
| Hedge Funds Emerging Manager Program Separate Account Manager | ●          | ●             | Anticipated Late 2020  |
| High Yield Fixed Income Investment Management Services        | ●          | ●             | Anticipated Early 2021 |
| Transition Management Services                                | ●          | ●             | Anticipated Late 2020  |
| Dedicated Managed Account Services                            | ●          | ●             | Anticipated Early 2021 |
| Real Estate Consultant Services                               | ●          | ●             | Anticipated Early 2021 |

### Quiet Period for Search Respondents

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

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

\*\* LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches

\*\*\* LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts



# Key Initiatives and Operational Updates



# Notable Initiatives and Operational Updates

## Key Initiative Updates

- Onboarding process of new risk and performance system continues
- Ongoing development of T.I.D.E. initiative
- Development of 2021 Workplan

## Completed Actions

- Completed legal contract on Real Estate Administrator
  - Onboarding has commenced
- Completed legal contract on total fund performance provider

## Operational Updates

- Investments formed a “Back To Office” working group to develop plans to return to the office
- Financial Analyst II & III searches
  - Public Equity, Real Assets and Portfolio Analytics (Corporate Governance)
- Investments formed an Operational Due Diligence (“ODD”) Group to standardize and enhance ODD across the total Fund
- Investments has started preparing the annual AB2833 fee disclosure report

## Manager/Consultant Updates

- Vista Equity Partners co-founder, Robert Smith, recently entered a settlement with the Department of Justice to resolve a personal tax matter. The matter did not involve Vista or any funds managed by Vista.
- Meketa Investment Group is a named defendant in a class action complaint that makes breach of fiduciary duty claims against all defendants and was filed by a participant of the New York State Teamsters Conference Pension and Retirement Fund.
- Crescent Capital Group LP (“Crescent”) has entered into a transaction agreement with Sun Life Financial Inc. (“Sun Life”) which will result in a change in control of Crescent.
- Ashmore Investment Management Corporation announced that that Jan Dehn, Head of Research, will retire at the end of next year. Gustavo Medeiros, Deputy Head of Research, will assume Dehn’s role as part of a transition plan.
- Parametric’s parent company, Eaton Vance, reached an agreement with Morgan Stanley to acquire 100% of Eaton Vance.





# Commentary

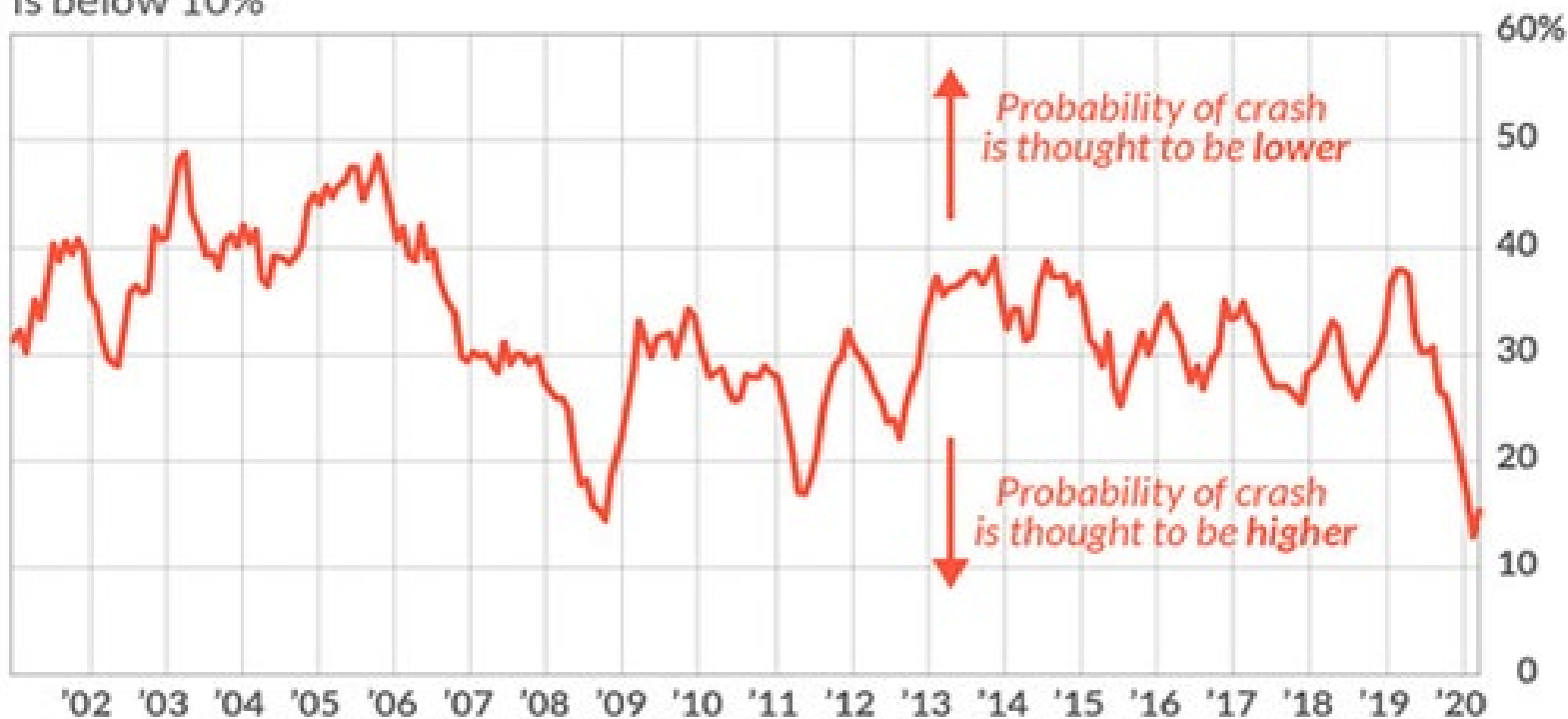


# Staff Chart of the Month\*

## Investor Sentiment A Contrarian Indicator?

### Investors have never been this worried about a stock market crash

% of individuals who think probability of a 1929- or 1987-magnitude crash is below 10%



Source: Robert Shiller

Source: Robert Shiller, U.S. Crash Confidence Index (CCI). Data as of September 30, 2020.



\* Submitted by the portfolio analytics team

# Appendix



# Quiet Period for Search Respondents

## Real Estate Consultant Services

- ✓ Albourne
- ✓ Callan, LLC
- ✓ Cambridge Associates
- ✓ Meketa Investment Group
- ✓ NEPC, LLC
- ✓ RCLCO Fund Advisors
- ✓ Stepstone Real Estate

## Dedicated Managed Account Services

- ✓ Blueprint Capital Advisors
- ✓ HedgeMark Advisors LLC
- ✓ HFR Investments LLC
- ✓ Innocap
- ✓ Lighthouse Investment Partners LLC
- ✓ Lyxor Asset Management
- ✓ Man FRM
- ✓ Maples Group
- ✓ Monroe Capital
- ✓ Ultimus LeverPoint Private Fund Solutions
- ✓ Wilshire Associates Inc

## Hedge Funds Emerging Manager Program Separate Account Manager

- ✓ Appomattox Advisory, Inc
- ✓ BlackRock, Inc
- ✓ Goldman Sachs Asset Management
- ✓ GCM Grosvenor
- ✓ New Alpha Asset Management
- ✓ PAAMCO Prisma, LLC
- ✓ The Rock Creek Group, LP
- ✓ Stable Asset Management

## Transition Management Bench Service Provider

- ✓ Blackrock Institutional Trust Company, N.A.
- ✓ Citigroup Global Markets, Inc.
- ✓ Loop Capital Markets
- ✓ Macquarie Capital (USA) Inc.
- ✓ State Street Bank & Trust

## High Yield Fixed Income Investment Management Services

- ✓ Advent Capital
- ✓ Alliance Bernstein
- ✓ Ares
- ✓ AXA
- ✓ Barings
- ✓ BlackRock
- ✓ Columbia Threadneedle
- ✓ Credit Suisse
- ✓ Crescent Capital HY
- ✓ DDJ Capital
- ✓ Eaton Vance
- ✓ Federated Hermes
- ✓ HPS Investment Partners
- ✓ JP Morgan
- ✓ KKR
- ✓ Loomis Sayles
- ✓ Lord Abbett
- ✓ MacKay Shields
- ✓ Mellon
- ✓ Morgan Stanley
- ✓ Muzinich
- ✓ Nomura
- ✓ Payden and Rygel
- ✓ PGIM
- ✓ PIMCO
- ✓ PineBridge
- ✓ Post Advisory
- ✓ Seix Advisors
- ✓ Shenkman Capital
- ✓ T. Row Price
- ✓ Van Eck Associates
- ✓ Wellington
- ✓ Western Asset
- ✓ Yorkville Asset Management



# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of September 2020\*

## LACERA PENSION FUND

12

**GROWTH**  
Total # of Advisory

### GROWTH

#### Global Equity

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- Emerging Manager Program
- # of Sudan/Iran Holdings Held by Managers

| Quarterly Review Status | # of Advisory | Notes                                                |
|-------------------------|---------------|------------------------------------------------------|
| ✓                       |               |                                                      |
| ✓                       |               |                                                      |
| ✓                       |               |                                                      |
| ✓                       | 12            | 12 issuers held, totaling \$18.9 mm in market value. |

#### Private Equity - Growth\*\*

- Asset Allocation Policy Compliance
- Guideline Compliance by Strategy
- Guideline Compliance by Geographic Location
- Investment Exposure Limit

| Quarterly Review Status | # of Advisory | Notes |
|-------------------------|---------------|-------|
| ✓                       |               |       |
| ✓                       |               |       |
| ✓                       |               |       |
| ✓                       |               |       |

#### Opportunistic Real Estate\*\*

(See Real Assets & Inflation Hedges - Core & Value Added Real Estate section)

| Quarterly Review Status | # of Advisory | Notes |
|-------------------------|---------------|-------|
|                         |               |       |

0

**CREDIT**  
Total # of Advisory

### CREDIT

#### High Yield, Bank Loans, EM Debt, Illiquid Credit\*\*

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- Emerging Manager Program
- # of Sudan/Iran Holdings Held by Managers

| Quarterly Review Status | # of Advisory | Notes |
|-------------------------|---------------|-------|
| ✓                       |               |       |
| ✓                       |               |       |
| ✓                       |               |       |
| ✓                       |               |       |

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of September 2020\*

## LACERA PENSION FUND

2

### REAL ASSETS & INFLATION HEDGES

Total # of Advisory

#### REAL ASSETS & INFLATION HEDGES

##### Core & Value Added Real Estate\*\*

- Asset Allocation Policy Compliance
- Guideline Compliance by Strategy (Core/Non-Core)
- Guideline Compliance by Manager
- Guideline Compliance by Property Type
- Guideline Compliance by Geographic Location
- Guideline Compliance by Leverage

| Quarterly Review Status | # of Advisory | Notes                                              |
|-------------------------|---------------|----------------------------------------------------|
| ✓                       |               |                                                    |
| ✓                       |               |                                                    |
| ✓                       |               |                                                    |
| ✓                       | 1             | Core-Office slightly outside of the +/- 10% range. |
| ✓                       |               |                                                    |
| ✓                       | 1             | One manager above 65% limit for value-add          |

##### Natural Resources & Commodities\*\*\*

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

|   |  |  |
|---|--|--|
| ✓ |  |  |
| ✓ |  |  |
| ✓ |  |  |

##### Infrastructure

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

|   |  |  |
|---|--|--|
| ✓ |  |  |
| ✓ |  |  |
| ✓ |  |  |

##### TIPS

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

|   |  |  |
|---|--|--|
| ✓ |  |  |
| ✓ |  |  |
| ✓ |  |  |

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of September 2020\*

## LACERA PENSION FUND

1

### RISK REDUCTION & MITIGATION

Total # of Advisory

#### RISK REDUCTION & MITIGATION

##### Investment Grade Bonds

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- Emerging Manager Program
- # of Sudan/Iran Holdings Held by Managers

##### Quarterly Review Status

##### # of Advisory

##### Notes

✓

✓

✓

✓

1

1 issuer held, totaling \$4.6 mm in market value.

##### Diversified Hedge Funds\*\*

- Asset Allocation Policy Compliance
- Portfolio Level Compliance
- HFOF Manager Guideline Compliance
- Direct Portfolio Manager Guideline Compliance

✓

✓

✓

✓

N/A as the GSAM & GCM diversified HF portfolios are currently winding down

##### Cash

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓

✓

✓

# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of September 2020\*

## INVESTMENT OPERATIONS

6

### INVESTMENT OPERATIONS

Total # of Advisory

#### INVESTMENT OPERATIONS

|                                        | Quarterly Review Status | # Advisory | Notes                                                   |
|----------------------------------------|-------------------------|------------|---------------------------------------------------------|
| <b>Securities Lending</b>              |                         |            |                                                         |
| Investment Guideline Compliance        | ✓                       |            |                                                         |
| \$ Value on Loan                       | ✓                       | 1          | GSAL \$647.6 mm; State Street \$805.8 mm                |
| \$ Value of Cash Collateral            | ✓                       | 1          | GSAL \$663.2 mm; State Street \$850.8 mm                |
| Total Income - Calendar YTD            | ✓                       | 1          | GSAL \$1.2 mm; State Street \$3.0 mm                    |
| <b>Total Fund Overlay</b>              |                         |            |                                                         |
| Investment Guideline Compliance        | ✓                       |            |                                                         |
| <b>Proxy Voting</b>                    |                         |            |                                                         |
| Number of Meetings Voted               | ✓                       | 1          | 975 meetings voted                                      |
| <b>Tax Reclaims</b>                    |                         |            |                                                         |
| Total Paid Reclaims - Calendar YTD     | ✓                       | 1          | \$369,991                                               |
| Total Pending Reclaims                 | ✓                       | 1          | \$10.2 mm                                               |
| <b>Fee Validation</b>                  |                         |            |                                                         |
| Fee Reconciliation Project             | ✓                       |            |                                                         |
| AB 2833                                | ✓                       |            | Standard report will be provided to the BOI in December |
| <b>Investment Manager Meetings****</b> |                         |            |                                                         |
| Manager Meeting Requests               | ✓                       |            |                                                         |



# Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division  
As of September 2020\*

## OPEB MASTER TRUST

| Functional Asset Categories                                     | Quarterly Review Status | # Advisory | Notes |
|-----------------------------------------------------------------|-------------------------|------------|-------|
| (Growth, Credit, Inflation Hedges, Risk Reduction & Mitigation) |                         |            |       |
| Asset Allocation Policy Compliance                              | ✓                       |            |       |
| Investment Guideline Compliance                                 | ✓                       |            |       |
| # of Sudan/Iran Holdings Held by Managers                       | ✓                       |            |       |

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

\*\* Represents the comprehensive Private Equity (3-month lag), Real Estate (3-month lag), Illiquid Credit (1- and 3-month lags), and Hedge Funds (1-month lag) programs across the total plan.

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

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