

LIVE VIRTUAL COMMITTEE MEETING

Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Investments meeting.



TO VIEW VIA WEB



TO LISTEN BY TELEPHONE

Access Code:

Enter the access code when prompted.



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

Attention: Written public comment must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

AGENDA

A SPECIAL MEETING OF THE CREDIT AND RISK MITIGATION

COMMITTEE OF THE BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, JUNE 10, 2020**

This meeting will be conducted by teleconference pursuant to the Governor's Executive Order N-29-20. The public may attend the meeting at LACERA's offices.

Any person may listen by telephone to the meeting by dialing 866-952-8437, Access Code 819-316-488 or view the meeting online at <https://attendee.gotowebinar.com/register/6468995760628588816>

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

I. CALL TO ORDER

II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Credit and Risk Mitigation Committee Meeting of December 11, 2019

III. PUBLIC COMMENT

(***You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

June 10, 2020

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IV. NON-CONSENT ITEMS

- A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, and Robert Z. Santos, Investment Officer: That the Committee advance the recommendation for the High Yield Request for Proposal Minimum Qualifications to the Board of Investments for approval. (Memo dated May 28, 2020)

V. ITEMS FOR STAFF REVIEW

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

VII. ADJOURNMENT

**The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.*

***Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Investments meeting. Please be on call.*

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.

****Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.*

MINUTES OF THE SPECIAL MEETING OF THE
CREDIT AND RISK MITIGATION COMMITTEE OF THE
BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, DECEMBER 11, 2019

PRESENT: Wayne Moore, Chair
David Muir, Vice Chair
David Green
Ronald Okum
Keith Knox, Alternate

MEMBERS AT LARGE:

Alan Bernstein
Gina Sanchez
Herman Santos

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer
Vache Mahseredjian, Principal Investment Officer
Robert Santos, Investment Officer
Adam Cheng, Senior Investment Analyst
Jeff Jia, Senior Investment Analyst

STAFF, ADVISORS, PARTICIPANTS (Continued)

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

Albourne
Tom Cawkwell, Partner / Head of Private Markets
James Walsh, Partner / Head of Portfolio Advisory

I. CALL TO ORDER

The meeting was called to order by Chair Moore at 8:00 A.M. in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

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

Mr. Knox made a motion, Mr. Muir seconded, to approve the Minutes of the Special Meeting of October 8, 2019. The motion passed unanimously.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. NON-CONSENT

- A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, Robert Santos, Investment Officer, Adam Cheng, Senior Investment Analyst and Jeff Jia, Senior Investment Analyst: That the Committee advance the recommendations that will be made in Closed Session for the Credit Structure Review-Part 2 to the Board of Investments for approval. (Memo dated November 27, 2019)

V. ITEMS FOR STAFF REVIEW

There were no items to report.

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

There was nothing to report.

VII. CLOSED SESSION

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

1. Managers/Assets regarding the Credit Structure Review-Part 2


The Committee met in Closed Session with Counsel pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.81, to consider several specific pension fund investments. The Committee advanced the matter to the Board of Investments for consideration and action. There is nothing to report at this time. The action will be reported by the Board of Investments as required under the Brown Act.

VIII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at approximately at 8:40 A.M.

May 28, 2020

TO: Trustees - Credit and Risk Mitigation Committee

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

Robert Z. Santos 
Investment Officer

FOR: June 10, 2020 Credit and Risk Mitigation Committee Meeting

SUBJECT: **HIGH YIELD FIXED INCOME MANDATE –
MINIMUM QUALIFICATIONS**

RECOMMENDATION

Advance the minimum qualifications specified in the attached PowerPoint presentation for a high yield fixed income investment management services request for proposal to the Board of Investments for approval.

BACKGROUND

During the January 2020 Board of Investments meeting, staff presented a structure review of the Credit functional asset category. Included with this analysis were several recommendations, one of which was to conduct an investment manager search to reach the High Yield asset allocation target with minimum qualifications to go to the Credit and Risk Mitigation Committee for review.

The attached PowerPoint presentation contains the recommendation and background, an overview, a timeline of the search process, and minimum qualifications.

Staff will work closely with Meketa on the search.

Attachment

Noted and reviewed:



Jonathan Grabel
Chief Investment Officer

RZS:rzS

High Yield Fixed Income Investment Management Request for Proposal Minimum Qualifications

Credit and Risk Mitigation Committee Meeting

June 10, 2020

Vache Mahseredjian, Principal Investment Officer
Robert Z. Santos, Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Recommendation and Background

Recommendation

- Advance the High Yield Fixed Income Investment Management Services Request for Proposal Minimum Qualifications to the Board of Investments for approval

Background

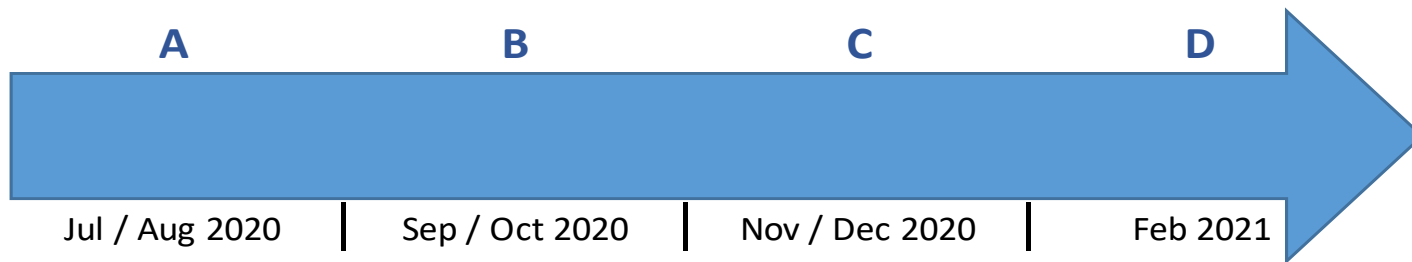
- The Board of Investments approved recommendations contained within the January 2020 Credit Structure Review
- A recommendation was approved to conduct a manager search to reach the High Yield asset allocation target of 3% and minimum qualifications would revert to the Committee for review
- The shortfall in High Yield is temporarily bridged using LACERA's bond index manager BlackRock to obtain passive exposure until an active strategy is funded
- Staff will work with LACERA's general consultant, Meketa, on the search



Search Overview

- Staff will conduct the Request for Proposal process in two phases
 - Phase One: 2-3 page questionnaire
 - Phase Two: More extensive/lengthy questionnaire
- LACERA's preference is for high yield mandates that are managed in a separate account
- The RFP will target High Yield investment managers that offer broad high yield strategies
- The expected size of the High Yield mandate will be approximately \$1 billion
- The number of managers selected will be dependent upon the types of strategies proposed/received and portfolio fit
- Using eVestment Alliance's manager database, approximately 60 potential firms were identified that meet the proposed minimum qualifications
- LACERA expects external asset managers and other third-party providers to respect and reflect LACERA's value of diversity and inclusion

Proposed Search Timeline



Phase	Steps	Actions
A	RFP Design and Launch	Committee / Board approval of MQs Post RFP on LACERA's website
B	RFP Evaluation	Staff to review and rank RFP responses, and select semi-finalists
C	Semi-Finalist Evaluation	Staff to conduct web-based interviews, on-site or web-based diligence, and complete reference calls
D	Potential Recommendation	Board Recommendation



Minimum Qualifications

1. Must be registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) or exempt from registration (if exempt, must explain the nature of the exemption)
2. Must be in good standing with regulatory authorities
3. Must have at least \$2 billion in assets under management in the proposed strategy as of June 30, 2020
4. Must have a minimum 5-year performance history for the proposed strategy that is benchmarked to the Bloomberg Barclays U.S. Corporate High Yield Index or similar index as of June 30, 2020
5. Must have a 5-year information ratio that is above median as of June 30, 2020, based on the eVestment Alliance manager database
6. Must have at least two defined benefit public pension plan clients in the proposed strategy
7. Must comply with the Global Investment Performance Standards of the CFA Institute