

# LIVE VIRTUAL COMMITTEE MEETING



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

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

**Attention:** Public comment requests must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com) no later than 5:00 p.m. the day before the scheduled meeting.

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

## AGENDA

A SPECIAL MEETING OF THE EQUITY: PUBLIC/PRIVATE COMMITTEE  
OF THE BOARD OF INVESTMENTS AND BOARD OF INVESTMENTS\*  
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., THURSDAY, NOVEMBER 5, 2020

This meeting will be conducted by teleconference under the Governor's Executive Order No. N-29-20.

Any person may view the meeting online at  
[https://members.lacera.com/lmpublic/live\\_stream.xhtml](https://members.lacera.com/lmpublic/live_stream.xhtml)

*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 Equity: Public/Private Committee Meeting of July 8, 2020.

III. PUBLIC COMMENT

(\*\*\*)You may submit written public comments by email to [PublicComment@lacera.com](mailto: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](mailto: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.)

#### IV. NON-CONSENT ITEMS

- A. Recommendation as submitted by Chris Wagner, Principal Investment Officer, Derek Kong, Investment Officer, and Cheryl Lu, Investment Officer: That the Committee advance the Private Equity Consultant Request for Proposal, Minimum Qualifications, and Scope of Work to the Board of Investments for approval. (Memo dated October 20, 2020)
- B. Recommendation as submitted by the Growth Team: That the Committee advance the Growth functional category Biennial Structure Review and the proposed modifications to the Private Equity program as recommended on slide 37 of the attached presentation to the Board of Investments for approval. (Memo dated October 23, 2020)

#### V. 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. Proposed Modifications to Private Equity Program based on Growth Functional Category Biennial Structure Review (Memo dated October 23, 2020)

#### VI. ITEMS FOR STAFF REVIEW

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

#### VIII. 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

November 5, 2020

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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.

***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 REGULAR MEETING OF THE EQUITY: PUBLIC/PRIVATE  
COMMITTEE OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., WEDNESDAY, JULY 8, 2020

This meeting was conducted by teleconference under the Governor's Executive  
Order No. N-29-20.

PRESENT:               Herman B. Santos, Chair  
  
                              Elizabeth Greenwood, Vice Chair  
  
                              Wayne Moore  
  
                              Gina V. Sanchez  
  
                              David Green, Alternate

MEMBERS AT LARGE:

David Muir  
  
Alan Bernstein  
  
Keith Knox

STAFF, ADVISORS, PARTICIPANTS

Jonathan Grabel, Chief Investment Officer  
  
Christopher Wagner, Principal Investment Officer  
  
Ted Wright, Principal Investment Officer  
  
David Chu, Senior Investment Officer  
  
David Simpson, Investment Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Ron Senkandwa, Investment Officer

Mel Tsao, Senior Investment Analyst

Meketa Investment Group

Timothy Filla, Vice President

Leandro Festino, Managing Director

Stephen McCourt, Managing Principal

I. CALL TO ORDER

The Meeting was called to order by Mr. Santos at 8:00 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of February 12, 2019.

Mr. Green made a motion, seconded by Ms. Sanchez, to approve the minutes of the regular meeting of February 12, 2020. The motion passed (roll call) with Messrs. Santos, Moore, Ms. Greenwood and Ms. Sanchez voting yes.

III. PUBLIC COMMENT

There were no requests from the public.

IV. NON-CONSENT ITEM

- A. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer; Ted Wright, Principal Investment Officer; David Chu, Senior Investment Officer; David Simpson, Investment

Officer; Ron Senkandwa, Investment Officer; and Mel Tsao, Senior Investment Analyst: That the Committee advance the Growth functional category 2020 Mid-Cycle Structure Review and the proposed modification to the private equity co-investment program to the Board of Investments for Board approval.

Messrs. Gabel, Wagner, Wright, Chu, Simpson, Senkandwa, and Tsao provided a presentation and answered questions from the Committee.

Mr. Green made a motion, seconded by Ms. Sanchez, to advance the Growth functional category 2020 Mid-Cycle Structure Review and the proposed modification to the private equity co-investment program to the Board of Investments for Board approval. The motion passed (roll call) with Messrs. Santos, Moore, and Ms. Greenwood voting yes. Ms. Sanchez was absent for the vote due to technical difficulties.

V. ITEMS FOR STAFF REVIEW

There were no items to report.


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

VII. ADJOURNMENT


There being no further business to come before the Committee, the meeting was adjourned at 8:44 a.m.

October 20, 2020

TO: Trustees – Equity: Public/Private Committee

FROM: Christopher Wagner   
Principal Investment Officer

Derek Kong   
Investment Officer

Cheryl Lu   
Investment Officer

FOR: November 5, 2020 Equity: Public/Private Committee Meeting

SUBJECT: **PRIVATE EQUITY CONSULTANT – REQUEST FOR PROPOSAL,  
MINIMUM QUALIFICATIONS, AND SCOPE OF WORK**

### **RECOMMENDATION**

Advance the proposed Minimum Qualifications, Evaluation Criteria, and Scope of Work to the Board of Investments for approval.

### **BACKGROUND**

Staff prepared materials related to the Private Equity Consultant RFP for discussion with the Equity Committee. **ATTACHMENT I** describes the recommended search criteria in compliance with the Procurement Policy for Investment-Related Services. This includes: (i) scope of services; (ii) Minimum Qualifications; (iii) search timing; (iv) structure of the evaluation team; (v) evaluation criteria, and (vi) the selection authority. **ATTACHMENT II** outlines the detailed Scope of Work. Following this discussion, staff will incorporate any recommended changes before presenting the revised documents to the Board of Investments for consideration.

Attachments

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer



**Private Equity Consultant Search  
Request for Proposal  
Minimum Qualifications**

**Equity: Public/Private Committee Meeting**  
November 5, 2020



**Christopher Wagner, Principal Investment Officer  
Derek Kong, Investment Officer  
Cheryl Lu, Investment Officer**

# Recommendation and Background

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## Recommendation

- Advance the proposed Minimum Qualifications, Evaluation Criteria, and Scope of Work to the Board of Investments for approval

## Background

- Last private equity consultant search was conducted in 2016 via RFP which went through a competitive search process
- The Stepstone Group (“SSG”) was selected and retained in October of 2016
- The current agreement with SSG has a five-year term which expires in October 2021, then renews automatically every year, subject to a 30-day notice of termination at LACERA’s convenience



# Evaluation Process

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- Proposed Evaluation Team would consist of one Principal Investment Officer, two Investment Officers, and board members who wish to participate during the interview phase
- Evaluation Team will conduct the Request for Proposal process in two phases:
  - Phase One: Evaluation of written RFP responses
  - Phase Two: Candidate interviews (virtual and possibly on-site)
- Final scores, evaluation review, and recommendation will be advanced to the Board
- Selection authority for this RFP will be the Board

# Proposed Search Timeline



I  
Nov 20 - Jan 21

II  
Mar 21

III  
Jun 21

IV  
Sept 21

Phase	Steps	Actions	Firms in Process (Est.)	Timing	Status
I	RFP Design and Launch	<ul style="list-style-type: none"> <li>- Equity Committee and BOI approval of search recommendation including composition of Evaluation Team</li> <li>- Publish the RFP document</li> </ul>	N/A	Nov 20 - Jan 21	In process
II	RFP Evaluation	<ul style="list-style-type: none"> <li>- Evaluation Team to review and rank RFP responses, select semi-finalists</li> </ul>	10-15	March 2021	Not started
III	Semi-Finalist Evaluation	<ul style="list-style-type: none"> <li>- Evaluation Team conducts interviews, completes reference checks</li> </ul>	5-6	June 2021	Not started
IV	Finalist Recommendations	<ul style="list-style-type: none"> <li>- Evaluation Team presents review of RFP responses and finalists recommendation to the BOI</li> <li>- Finalists present to BOI</li> <li>- BOI selects consultants</li> </ul>	2-3	Sept 2021	Not started



# Minimum Qualifications

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1. The firm and its principals must have experience providing consulting services relating to private equity funds and co-investments to public or private clients with private equity portfolios, in aggregate, of at least \$7 billion in committed capital.
2. The firm must have at least five clients, including one U.S. public pension fund.
3. The firm must maintain and provide staff with access to a searchable database containing relevant performance metrics of domestic and international private equity managers and private equity-owned businesses tracked by the firm.
4. The firm must have international offices with fully dedicated private equity investment professionals based in those offices.
5. The primary account consultant must have at least five years of experience in a lead role recommending domestic and international private equity funds in a variety of strategies (e.g., venture capital, growth, buyout, and special situation) for investment.
6. Must agree to be a fiduciary to LACERA under California and other applicable law.



# Evaluation Criteria

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All responses received shall be subject to evaluations on the following seven categories:

1. Organization
2. Professional Staff
3. Technology
4. Research Capabilities
5. Service Model
6. Conflicts of Interest
7. Fees



# Scope of Work Summary

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## **Strategic Consulting:**

- Provide recommendations concerning long-term investment policy, objectives, and strategy for LACERA's private equity portfolio that is consistent with LACERA's Investment Policy Statement
- Advise on structure reviews of the private equity portfolio and provide an opinion to the Board on each structure review outlining any concerns or concurrence
- Provide comprehensive information and research regarding significant changes in the private equity industry, including best practices, trends, and major events

## **Sourcing and Due Diligence:**

- Conduct independent evaluations of fund opportunities and provide detailed written recommendations, including results of investment and operational due diligence, strategic considerations, and LACERA portfolio fit
- Provide LACERA with access to Consultant's database containing all investment due diligence produced by Consultant on private equity funds and private equity-owned businesses
- Create a sourcing program that incorporates LACERA's and Consultant's resources to identify investment opportunities for LACERA's private equity portfolio

## **Physical Presence at Meetings:**

- Attend all Board of Investments meetings, equity committee meetings, annual off-site meetings, and other meetings as requested by LACERA

## **Collaboration with Board, Staff, and General Consultant:**

- Provide educational workshops to the Board
- Collaborate with LACERA's general consultant to provide ongoing advice and technical support in the establishment and refinement of portfolio asset allocation, investment goals and objectives, and investment policies and procedures

**SCOPE OF WORK**

**Strategic Consulting**

- Carry out the Board’s strategic goals and initiatives and report directly to the Board.
- Provide recurring recommendations concerning long-term investment policy, objectives, and strategy for LACERA’s private equity portfolio that are consistent with LACERA’s Investment Policy Statement.
- Review applicable investment policies and objectives prepared and established by LACERA and recommend any changes or modifications as may be appropriate in light of changes in the private equity portfolio, private equity markets, and capital markets.
- Advise on structure reviews of LACERA’s private equity portfolio, recommend any changes or modifications as may be appropriate, and provide an opinion to the Board on each structure review outlining any concerns or concurrence. Structure reviews are periodic, forward-looking reviews performed by staff of portfolio construction and investment plan for the private equity portfolio.
- Provide information and comprehensive research regarding significant changes in the private equity industry, including best practices, trends, and major events.
- Provide LACERA staff, on a quarterly basis, a rolling 24-month forward calendar of high conviction general partners, presented by investment strategy and geography.
- Present and provide a full review of the private equity portfolio to the Board on at least an annual basis.

**Sourcing, Diligence and Monitoring**

- Create a sourcing program that incorporates LACERA’s and Consultant’s resources to identify investment opportunities that are consistent with LACERA’s investment policies, objectives, and strategy.
- Provide LACERA with access to Consultant’s database containing all investment due diligence produced by Consultant on private equity funds and private equity-owned businesses, including all operational and quantitative due diligence reports produced by Consultant, all performance information obtained by Consultant, and all investment committee reports prepared by Consultant.
- Conduct independent evaluations and provide written recommendations on private equity fund investment opportunities as requested by LACERA. Recommendations will include a



detailed memorandum outlining the results of Consultant's due diligence, strategic considerations, and fit within the LACERA portfolio, as well as merits and concerns of the investment. Due diligence must include an evaluation of the prospective manager's investment history, team, performance and strategy, as well as operational evaluation of the prospective manager's governance, organization, back office, accounting, external relationships, risk systems, cash controls, and valuation methodologies. Due diligence should also incorporate environmental, social, governance factors, and diversity and inclusion considerations.

- Provide LACERA staff guidance and introductions to managers executing successful investment strategies in niche markets and geographies.
- Provide LACERA with all Consultant-generated private equity market/industry research and make Consultant's research staff available to LACERA as requested.
- Evaluate and provide written recommendations on any amendments to fund partnership agreements proposed by sponsors of funds in which LACERA is an investor, including, without limitation, amendments regarding fund restructurings, fee waivers, term extensions, and investor liquidity options.
- Evaluate secondary interests offered to LACERA by private equity fund sponsors and provide LACERA with guidance on the valuation of the interests offered and appropriateness of the interest for LACERA's portfolio.
- Report to LACERA on changes with existing investment managers that could reasonably be expected to materially and negatively affect the performance of the fund in which LACERA is an investor, including any organizational, structural or key personnel changes, or client turnover.
- Notify LACERA of any identified material issues that may impact investment performance and recommend a course of action to enhance returns or mitigate risk.
- Assist LACERA staff in providing detailed attribution analysis on the private equity portfolio, including reasons for over/under performance compared to applicable benchmarks.
- Provide other reasonably requested consulting services ancillary to identification, analysis and evaluation of goals, strategies and objectives of the private equity portfolio.

### **Physical Presence at Meetings**

- Consultant's representatives will be required to attend:
  - One Board of Investments meeting per month (typically the second Wednesday);
  - Equity committee meetings (typically once per quarter);

- Annual Board off-site meeting (typically 2-3 days in July); and
- Meetings as requested by the Board or LACERA staff to (i) present research, analyses, written reports and recommendations, and (ii) respond to questions relating to private equity portfolio or market in general.

### **Collaboration with Board and Staff**


- Provide assistance on special projects as requested by LACERA and participate in ad hoc workshops on specific issues designated by the Board.
- Respond to inquiries between meetings in an appropriate and timely manner and is expected to communicate with and be available to LACERA Trustees as needed.
- The Board will review and evaluate the Consultant annually to ensure that services and communications provided by the Consultant are clear, effective, and meaningfully aligned with the Board's overall policy objectives, and that the Board is receiving the quality services envisioned at the time of Consultant's engagement. The Consultant will provide the Board with the necessary information to conduct an annual assessment, including but not limited to, a completed self-assessment questionnaire, a list of projects showing status of completion, and status of changes recommended by the Board at the prior evaluation.
- The Consultant may also be asked to provide other services on a time and materials basis as required by the Board and/or LACERA staff.
- Periodically provide educational presentations to the Board on specific issues.


### **Collaboration with General Consultant Regarding Formulation and Review of Investment Goals, Objectives, Policies, and Procedures**

- Collaborate with LACERA's general consultant to provide ongoing advice and technical support in the establishment and refinement of portfolio strategic asset allocation, investment goals and objectives, and LACERA policies and procedures. The Consultant will produce and utilize investment pricing models, as requested by staff.
- LACERA periodically engages the services of the general consultant and actuary to conduct an asset/liability modeling study. While the general consultant will take the lead on asset liability studies, the Consultant shall assist in any matter necessary and applicable.

October 23, 2020

TO: Trustees – Equity: Public/Private Committee

FROM: Christopher J. Wagner   
Principal Investment Officer

Ted Wright   
Principal Investment Officer

FOR: November 5, 2020 Equity: Public/Private Committee Meeting

SUBJECT: **GROWTH FUNCTIONAL CATEGORY BIENNIAL STRUCTURE REVIEW**

### RECOMMENDATION

Advance the Growth functional category Biennial Structure Review and the proposed modifications to the Private Equity program as recommended on slide 37 of the attached presentation to the Board of Investments for approval.

### BACKGROUND

This biennial Growth functional category structure review combines the Global Equity and Private Equity asset categories. While Opportunistic Real Estate is also part of Growth, its structure review was included in the Real Assets functional category structure review last month.

The benefit of a consolidated structure review at the functional level is the specific role each functional category plays in the Fund. For example, Growth's role in the portfolio is that of primary driver of long-term total returns for the Fund.

Staff has prepared the Growth functional category Biennial Structure Review (**Attachment A**) for evaluation by the Equity: Public/Private Committee and ultimately for approval by the Board of Investments ("Board"). The structure review identifies key themes and outlines upcoming initiatives across the functional category. A key purpose of the Growth structure review is to establish the framework to optimize LACERA's Global Equity portfolio for the 2021 calendar year. A second purpose of the Growth structure review is to establish an appropriate commitment pace for Private Equity in the 2021 calendar year and ensure appropriate diversification to private equity investment strategies (i.e., Buyouts, Venture Capital, and Co-Investments/Fund-of-Funds).

### GLOBAL EQUITY

The purpose of this structure review for Global Equity, since the consolidation of the portfolio into a single global structure in April 2019, is to identify initiatives that strengthen processes and evaluate portfolio construction in the 2021-2022 calendar years.

Trustees approved recommendations in the December 2019 Global Equity Implementation Update to simplify the portfolio's benchmark to the MSCI ACWI IMI Index and establish market capitalization and regional bands for the portfolio relative to the benchmark. These bands help to mitigate risk and construct a more intentional portfolio. Additional recommendations approved by Trustees in 2020 included the

funding of factor strategies, terminating underperforming managers, and trimming of exposures to align the portfolio closer to target weights. These modifications were designed to optimize the risk-adjusted prospects for the global equity portfolio. Their effectiveness will be evaluated over time.

Over the past ten years, capturing above-benchmark returns from U.S. active managers has been a challenge. As a result, staff has identified areas for improvement. In collaboration with the general consultant, Meketa, staff will address these areas in the upcoming year. Discussion topics will include: (1) a review of active management, (2) an evaluation of new portfolio management tools, (3) an assessment of the manager search process, (4) an analysis of the role of activist managers, and (5) a study of the current currency hedging program.

Meketa has reviewed the Global Equity component of the Growth Structure Review. Their comments are in **Attachment B**.

### **PRIVATE EQUITY**

The primary purpose of this structure review for Private Equity is to establish an appropriate commitment pace for the 2021 calendar year, identify key investment themes, outline upcoming initiatives, and ensure appropriate diversification to private equity investment strategies (i.e., Buyouts, Venture Capital, and Co-Investments/Fund-of-Funds). Further, the review proposes certain changes to the parameters of the Co-Investment and Secondary Program.

StepStone calculated a potential annual commitment pace for the 2021-2026 period. Using their investment-pacing model for estimating private equity commitments, for the years covered by this Structure Review, StepStone projected that LACERA should commit up to \$1.6 billion (+/- 20%) in 2021. The wide range recognizes variability in the economy, the private equity marketplace, fund availability, constraints to allocation access, and fluctuations in the total plan assets denominator.

In calculating the projected commitment pace, StepStone made several assumptions about the rate of contributions and distributions to the Fund, economic growth rates, fund durations, and LACERA's commitments by strategy. As the economy and market are subject to change, the pacing model is viewed as a planning tool and proposed investments during the year will depend on market conditions, the availability of high-quality opportunities, and LACERA's overall exposure to private equity.

Staff is proposing several changes to the Co-Investment and Secondary Program that will enhance its effectiveness. The changes include: (1) increase the single investment limit for co-investments, (2) increase the annual deployment pace for co-investment and secondary opportunities, (3) expand the growth capital definition applicable to co-investments, (4) remove certain parameters relating to the maturity of secondary opportunities, and (5) allow for international co-investments to be made directly by LACERA subject to certain conditions.

Throughout calendar year 2021, staff and StepStone will look for quality investments (both re-ups and new) in each investment strategy, in addition to co-investments and secondaries. Over the past five years, LACERA's commitments have been approximately 63% to Buyouts and 78% to U.S. managers. While LACERA will maintain relationships with compelling managers returning to the marketplace, an emphasis in the upcoming period will be on increasing exposure to funds outside of the United States. Staff and StepStone expect this strategy will incorporate several new managers. StepStone's assessment of the Private Equity component of the Growth Structure Review is in **Attachment C**.

## CONCLUSION

As identified in the Structure Review, staff proposes no changes to the Global Equity portfolio structure. Staff will continue to align portfolio exposures with the benchmark, reduce tracking error, and incorporate exposure analysis across the combined public and private equity portfolio.

Staff proposes the Private Equity program to maintain its deployment pace of up to \$1.6 billion (+/- 20%) in 2021. This best positions LACERA to stay at or slightly above the target private equity exposure of 10% of the overall Fund. Staff also proposes modifications to the Co-Investment and Secondary Program parameters to expand the opportunity set available to LACERA.

### Attachments

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer

# Growth Functional Category Biennial Structure Review\*

*\* Select portions of this presentation have been redacted pursuant to California Government Code Sections 54956.81 and 54957.5(a) and will be reviewed in closed session.*

**Equity: Public/Private Committee**

**November 5, 2020**

Christopher J. Wagner – Principal Investment Officer

Ted Wright, CFA – Principal Investment Officer

David Chu – Senior Investment Officer

David E. Simpson, CFA – Investment Officer

Ron Senkandwa – Investment Officer

Jeff Jia – Senior Investment Analyst



**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION**

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# Role of Growth

Growth<sup>1</sup>

Global Equities

Private Equity

## Growth

Growth investments are the primary driver of long-term total Fund returns

## Global Equities

Within the Growth category, public equity is primarily expected to provide global market beta exposure with alpha (excess returns) as a secondary consideration.

## Private Equity

Within the Growth category, private equity is expected to generate the highest performance at an acceptable level of risk.

<sup>1</sup>Opportunistic Real Estate sub-asset category was reviewed as part of the Real Assets Structure Review.



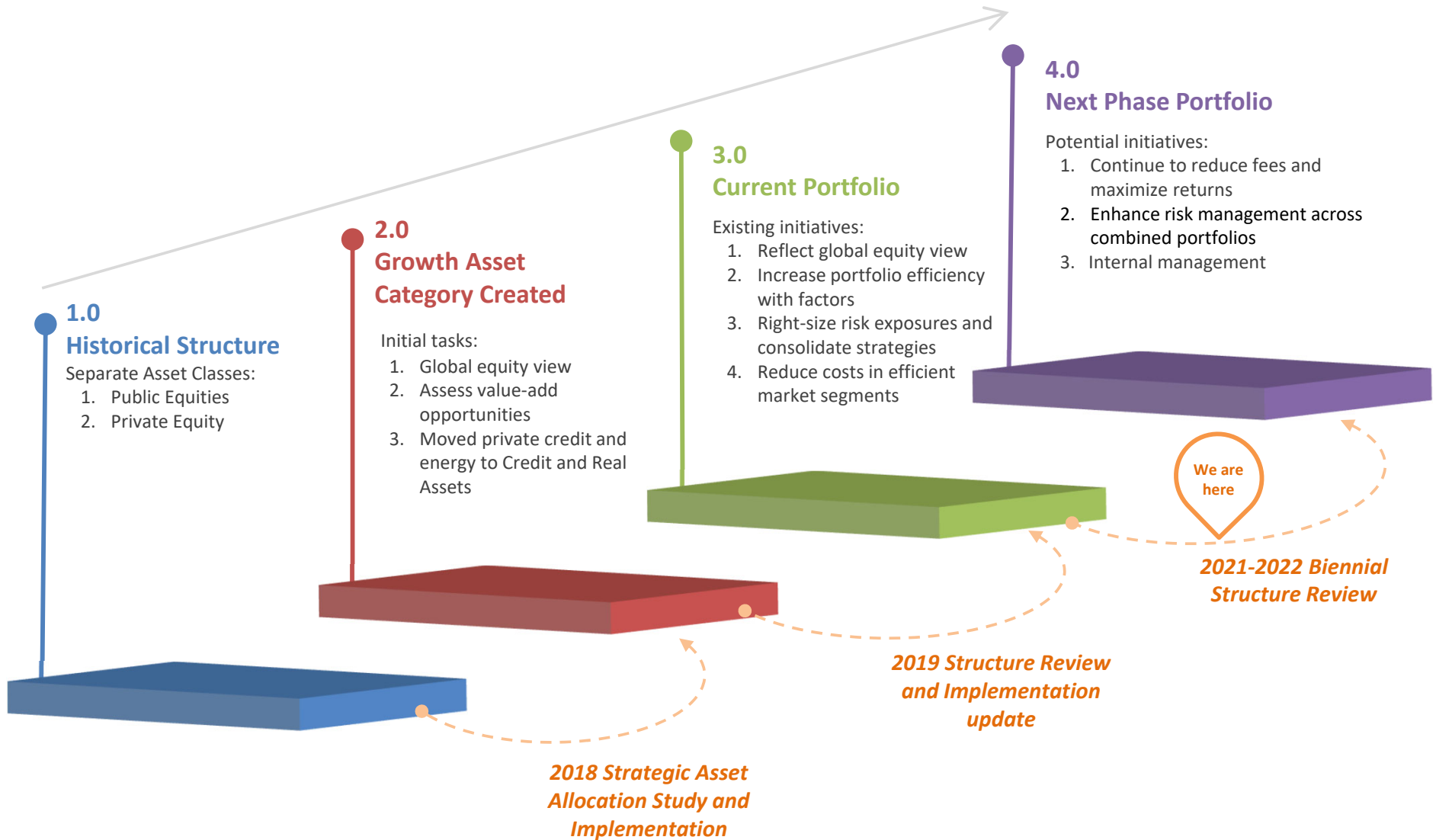


# Role of Growth



- Provides global market beta exposure to growth assets
- Seeks risk-adjusted returns to higher performing private capital assets

# Structure Review – Background

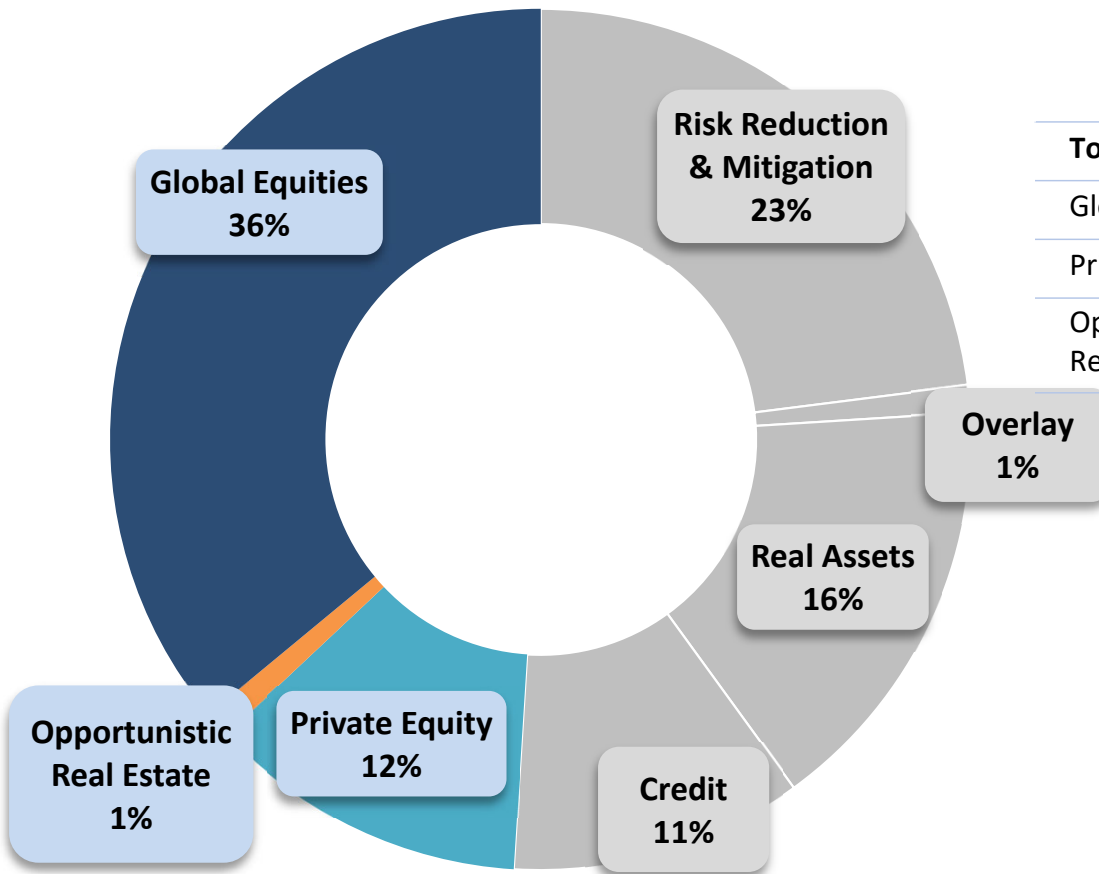


# Growth Portfolio Composition

**Total Fund Asset Allocation\***  
as of September 30, 2020 Preliminary (\$ in millions)

	% of Total	Final Target	Target Ranges	vs Target (%)	vs Target (\$)
<b>Total Growth</b>	<b>48.9%</b>	<b>47.0%</b>	<b>+/- 7%</b>	<b>1.9%</b>	<b>\$1,147</b>
Global Equity	36.3%	35.0%	+/- 7%	1.3%	\$769
Private Equity	11.5%	10.0%	+/- 3%	1.5%	\$905
Opportunistic Real Estate	1.1%	2.0%	+1%/-2%	-0.9%	-\$527

- **Growth is overweight by 190 bps**
- **Largest overweight component is Private Equity by 150 bps or \$905 million**



\*Asset weights are preliminary as of September 30, 2020; Private Equity valuation reflect latest available and are adjusted for cash flows.



# Growth Portfolio Composition - Sector Exposures

Data as of June 30, 2020

Sector	LACERA Weights			Benchmark Weight	Difference
	Global Equity	Private Equity	Growth Total		
Communication Services	8.0%	1.5%	6.5%	8.7%	-2.2%
Consumer Discretionary	11.4%	15.4%	12.4%	11.9%	0.5%
Consumer Staples	7.6%	4.7%	6.9%	7.7%	-0.8%
Energy	2.7%	1.2%	2.3%	3.4%	-1.1%
Financials	12.2%	6.4%	10.9%	13.3%	-2.4%
Health Care	12.6%	12.5%	12.6%	12.9%	-0.3%
Industrials	10.3%	13.1%	10.9%	10.3%	0.6%
Information Technology	19.9%	38.5%	24.1%	20.0%	4.1%
Materials	4.3%	4.7%	4.4%	4.9%	-0.5%
Real Estate	3.3%	0.3%	2.6%	3.7%	-1.1%
Utilities	2.8%	0.3%	2.2%	3.2%	-1.0%
[Cash]	0.8%	0.0%	0.7%	0.0%	0.7%
[Unassigned]	4.2%	1.3%	3.6%	0.1%	3.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>

## Sector Exposure Commentary

- In the Private Equity portfolio, Information Technology is overweight versus its benchmark and has driven outperformance. In the aggregate Equity portfolio, the Information Technology overweight stands at 4.1%
- Staff is being intentional and thematic in its relative overweight in the technology sector in the Private Equity portfolio as technology-led disruption is likely to continue to permeate every sector

# Growth Performance

<i>Period Ending 9/30/2020 Net-of-Fees</i> <sup>1</sup>	<i>3-Month</i>	<i>YTD</i>	<i>1 -Year</i>	<i>Since Incep</i>
<b>GROWTH</b> <sup>2</sup>	<b>7.37</b>	<b>1.19</b>	<b>8.61</b>	<b>8.85</b>
<i>Growth Custom BM</i>	<i>10.28</i>	<i>2.16</i>	<i>9.16</i>	<i>10.12</i>
<i>Excess Return</i>	<i>(2.91)</i>	<i>(0.97)</i>	<i>(0.54)</i>	<i>(1.27)</i>
<b>GLOBAL EQUITY</b>	<b>7.54</b>	<b>(0.15)</b>	<b>8.62</b>	<b>8.35</b>
<i>Global Equity Custom BM</i>	<i>8.11</i>	<i>0.48</i>	<i>9.57</i>	<i>8.50</i>
<i>Excess Return</i>	<i>(0.57)</i>	<i>(0.63)</i>	<i>(0.95)</i>	<i>(0.15)</i>
<b>PRIVATE EQUITY - GROWTH</b>	<b>7.60</b>	<b>4.87</b>	<b>7.99</b>	<b>9.31</b>
<i>Private Equity - Growth Custom BM</i>	<i>20.39</i>	<i>2.87</i>	<i>3.20</i>	<i>13.52</i>
<i>Excess Return</i>	<i>(12.79)</i>	<i>2.00</i>	<i>4.79</i>	<i>(4.21)</i>
<b>OPPORTUNISTIC REAL ESTATE</b>	<b>0.00</b>	<b>4.25</b>	<b>5.50</b>	<b>3.65</b>
<i>Opportunistic Real Estate Custom BM</i>	<i>(1.02)</i>	<i>2.49</i>	<i>4.36</i>	<i>5.27</i>
<i>Excess Return</i>	<i>1.02</i>	<i>1.76</i>	<i>1.14</i>	<i>(1.62)</i>

## Performance Commentary

- Underperformance across Growth is due to the volatility of the Private Equity benchmark in Q2 2020
- Short term Private Equity performance measured against a public benchmark is less meaningful

<sup>1</sup> Preliminary net-of-fee returns as of September 30, 2020; Private Equity valuation reflect latest available and are adjusted for cash flows.

<sup>2</sup> Growth Functional Asset category inception is April 1, 2019



# Market Environment / Themes

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## ***COVID-19 continues to be topical***

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- Market uncertainty and volatility
- Lingering effects on different sectors - positive impact on technology sector and negative impacts on travel, leisure, and hospitality sectors
- Different rate of recovery for countries will impact future economic growths
- Impact of rapid global debt increase

## ***Increased Political Risk***

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- U.S. election and subsequent policies
- Heightened geopolitical tensions

## ***Investment Themes***

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- Cautious on U.S. market as indices reach new historical levels
- Continue to diversify regional exposures as well as factor risk exposures
- Further enhance risk management capabilities

# Environmental, Social, and Governance Factors

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## ***LACERA Mission Statement***

“We Produce, Protect and Provide the Promised Benefits”

## ***Environmental, Social, and Governance (ESG) Principles***

- Advance Investment Beliefs by articulating LACERA’s view on sound governance
- Advocate practices in line with the Corporate Governance Principles

## ***Present and Forward-Looking Initiatives***

- Increased tools and resources dedicated to ESG engagement and monitoring with investment managers and general partners
- Utilizing ESG lenses and analytics to evaluate investment merits and reporting
- Increasing the transparency of reporting to foster visibility into ESG considerations
- Implement Manager Score Card Report for Public Markets into private equity
- Systematic roll out of operational due diligence questionnaire dedicated to ESG evaluation and diversity and inclusion efforts
- Work with organizations comprised of like-minded investors

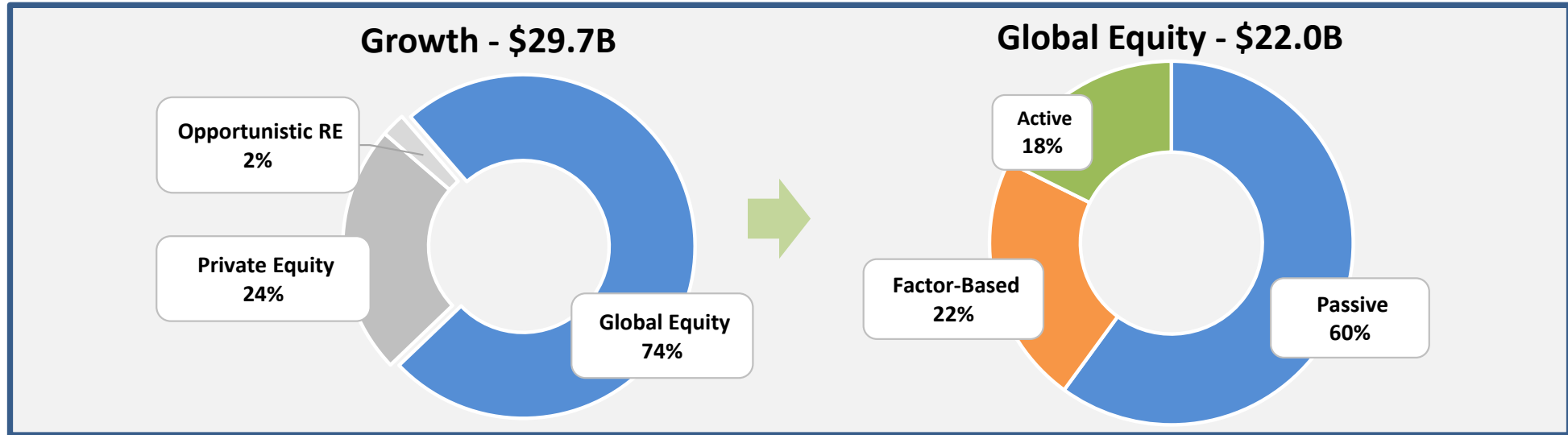
# Global Equity





# Role of Global Equity and Structure

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%



(% of total Fund)	Target Allocation	Allocation Ranges
Global Equity	35%	28-42%
Breakdown by Strategies (% of Global Equity)		
	Target Allocation	Allocation Ranges
Passive	60%	40% - 80%
Factor-Based	15%	0% - 30%
Active	25%	10% - 40%

- Global Equity primarily provides global market beta exposure with alpha (excess returns) as a secondary consideration
- Slight overweight in Global Equity due to market recovery since March low
- Passive and Factor-based allocations reflect efforts to improve portfolio efficiency
- Active strategies, which collectively have small cap and value biases, have struggled recently versus a broad market that favored growth oriented large cap stocks.

Data from the 2018 Board-approved asset allocation study and 2019 Global Equity Structure Review.

Asset weights and performance are based on preliminary report as of September 30, 2020 and may be subject to revisions.



# Recent Performance

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%

April 2019 - September 2020

	Returns (%)			Risk Metrics			
	YTD 2020	1-Year	Since April 2019	Tracking Error (%)	Sharpe Ratio	Up Capture	Down Capture
Global Equity (Gross)	0.01	8.84	8.55	1.09	0.34	99.8%	99.7%
Global Equity (Net)	(0.14)	8.62	8.35	1.10	0.33	99.4%	99.9%
Benchmark <sup>1</sup>	0.48	9.57	8.50	--	0.34	--	--
<b>Difference: Net-Benchmark</b>	<b>(0.62)</b>	<b>(0.95)</b>	<b>(0.15)</b>				

See Appendix E – Glossary of Terms for definitions

- Global Equity structure was adopted in April 2019
- Performance needs more time to be evaluated as several changes, including funding of factor strategies, were implemented recently
- Currency hedge detracting year-to-date performance due to recent U.S. dollar weakness

<sup>1</sup>The benchmark for Global Equity portfolio since July 2019 is the MSCI ACWI IMI Index. The benchmark from April 2019 to June 2019 is 80% MSCI ACWI IMI and 20% MSCI World ex-U.S. IMI currency hedged.

Total Fund transitioned to functional category in April 2019. As a result, Global Equity portfolio inception date is April 2019. Performance is based on preliminary report as of September 30, 2020 and may be subject to revisions.



# Performance Pre-Global Structure

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%

- Prior to April 2019, the equity portfolio was structured with separate U.S. and Non-U.S. portfolios
- U.S. strategies have underperformed due to value and small cap tilt
- Non-U.S. strategies have consistently outperformed
- Currency hedge has been beneficial since program inception in 2010

## Performance as of March 31, 2019

U.S. Equity Portfolio <sup>1</sup>	Annualized Return (%)			
	1-Year	3-Year	5-Year	10-Year
U.S. Equity (Gross)	7.1	12.8	9.9	15.8
U.S. Equity (Net)	7.0	12.7	9.8	15.7
Russell 3000 Index	8.8	13.5	10.4	16.0
<b>Difference: Net-Index</b>	<b>(1.8)</b>	<b>(0.8)</b>	<b>(0.6)</b>	<b>(0.3)</b>

## Performance as of March 31, 2019

Non-U.S. Equity Portfolio <sup>1</sup>	Annualized Return (%)			
	1-Year	3-Year	5-Year	10-Year
Non-U.S. Equity (Gross)	(0.8)	10.0	5.2	10.7
Non-U.S. Equity (Net)	(1.0)	9.7	4.9	10.5
Custom Hedged Index <sup>2</sup>	(1.8)	9.1	4.5	10.1
<b>Difference: Net-Index</b>	<b>0.8</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>

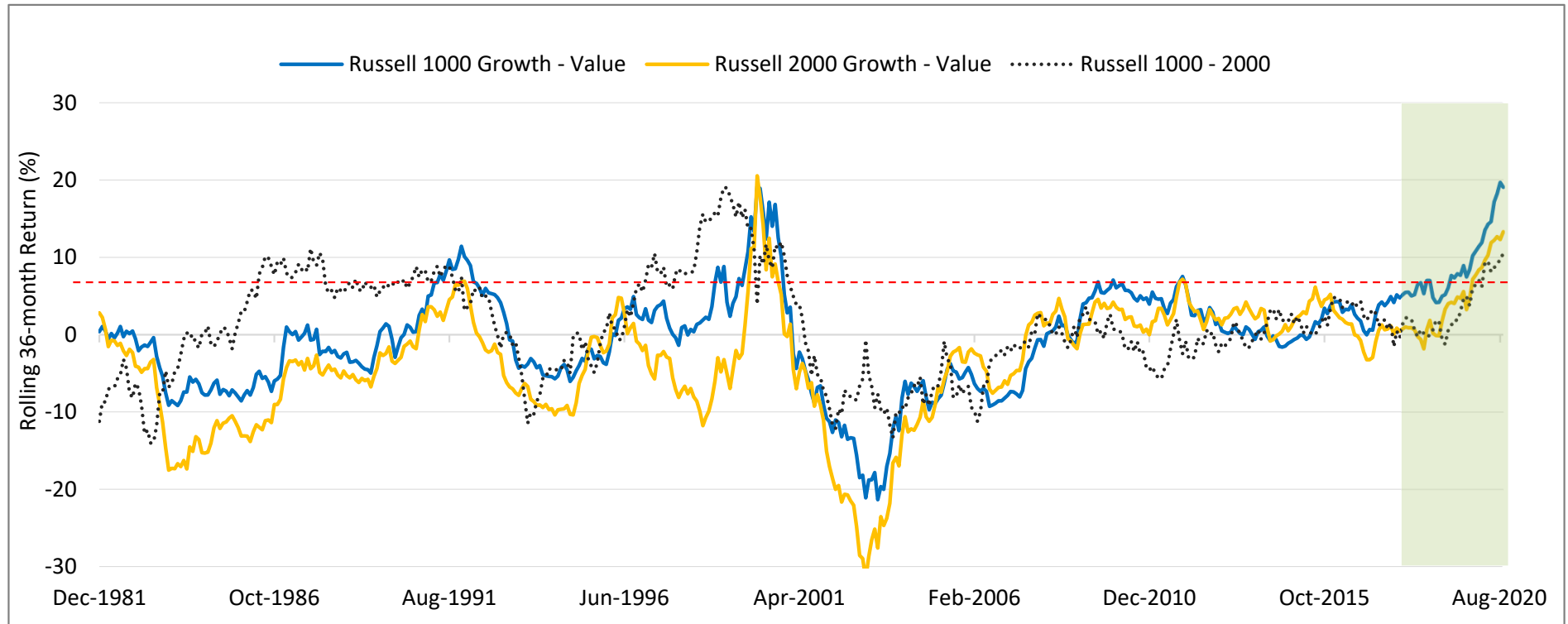
<sup>1</sup>Equity portfolio transitioned into single global equity portfolio on April 1, 2019.

<sup>2</sup>MSCI ACWI ex-U.S. IMI Custom Hedged Index.



# U.S. Growth/Large Cap Outperform

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%



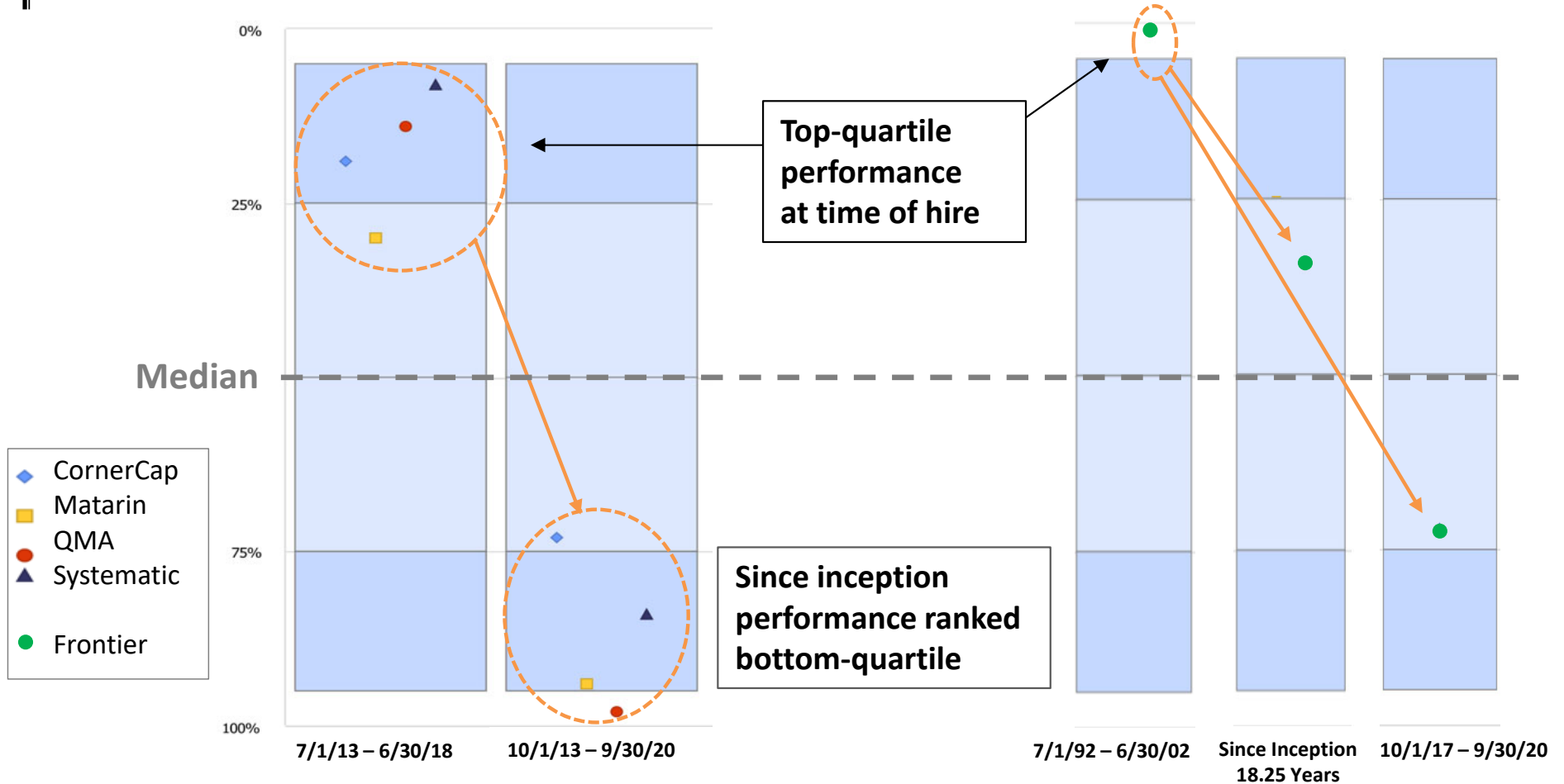
- Market in recent years characterized by
  - U.S. large cap stocks outperforming small cap stocks
  - U.S. growth stocks outperforming value stocks **near historical highs**

Russell 1000 index represents the top 1,000 U.S. stocks by market cap and is a proxy for large cap stocks. Russell 2000 index represents the 2,000 smallest cap U.S. stocks and is a proxy for small cap stocks.



# U.S. Small Cap Manager Peer Universe

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%



- May indicate lack of persistence in U.S. active management
- Re-evaluate the role of past performance during manager searches

Source: State Street, eVestment. As of September 30, 2020.

\* eVestment U.S. Small Cap Core Equity (QMA, Systematic, Matarin, and Corner Cap) and U.S. Small-Mid Cap Core Equity (Frontier) peer universe.

\*\* Excess return peer ranking versus Russell 2000 Index (QMA, Systematic, Matarin, and Corner Cap) and Russell 2500 Index (Frontier).



# Activist Managers

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%

	Returns (%)					Since Inception Date	3-Year Sharpe Ratio
	YTD 2020	1-Year	3-Year	Since Nov-2016	Since Inception		
JANA (Net)	(4.8)	7.1	8.3	16.1	16.2	Oct-2016	0.26
S&P 500 Index	5.6	15.1	12.3	14.7	13.8		0.60
<b>Difference: Net-Index</b>	<b>(10.4)</b>	<b>(8.0)</b>	<b>(4.0)</b>	1.4	2.4		
Cevian (Net)	(6.2)	(0.1)	(0.4)	4.2	3.6	Oct-2016	<b>(0.11)</b>
MSCI Europe Index	(8.8)	(0.8)	(0.6)	5.7	4.7		<b>(0.14)</b>
<b>Difference: Net-Index</b>	2.7	0.7	0.2	<b>(1.5)</b>	<b>(1.1)</b>		
Symphony (Net)	(3.0)	17.5	16.1	17.7	17.7	Nov-2016	0.54
MSCI Japan Small Cap Index	(1.5)	6.6	2.4	6.0	6.0		0.05
<b>Difference: Net-Index</b>	<b>(1.5)</b>	10.9	13.7	11.7	11.7		

- Activist managers met objectives of the mandates at the time of hire: 1) excess returns, 2) uncorrelated returns, and 3) benefit passive indices holdings
- Activist managers have sustained periods of volatility which may not be additive to the portfolio on a risk-adjusted basis
- Activist strategies should be reconciled with corporate governance program

Performance is based on preliminary report as of September 30, 2020 and may be subject to revisions.



# Evaluation

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%

## What has Worked:



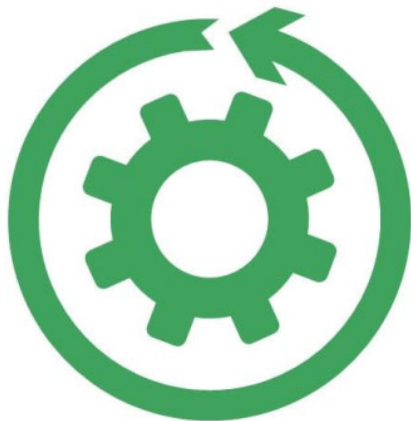
### *Non-U.S. Portfolio*

Active managers in Non-U.S. portfolio have outperformed

### *Lower Volatility*

Better alignment to benchmark and fee savings from reduction of overweight exposures and allocation to lower cost strategies

## Areas for Refinement:



### *U.S. Active Management*

Review implementation of active management

### *Activist Management*

Evaluate fit of activist managers within portfolio

### *Currency Hedge*

Evaluate role of currency hedge within portfolio

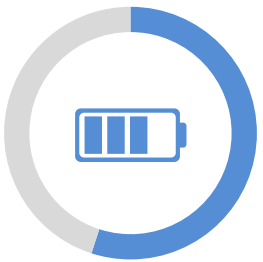
# Initiatives - Strategic

(as of September 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Global Equity	\$22.0	74.2%	36.3%



## Completed

- Simplified portfolio structure
- Fee reduction of approximately 38% compared to five years ago (5 bps per year fee savings)<sup>1</sup>



## In-Process

- Continue to review internal management
- Integrate risk analytics platform
- Continue to build out Emerging Manager Program



## Upcoming

- Align portfolio risks and exposures closer to benchmark
- Meketa and staff presentations on the following topics:
  - Review of active management
  - Evaluation of new portfolio management tools
  - Assessment of manager search process
  - Analysis of the role of activist managers
  - Study of currency hedging program

<sup>1</sup>Effective annualized fees based on comparison of 2015 and 2020 quarterly performance book numbers. If compared to 2016, which is the highest fee level within the past 5 years, the fee savings would be approximately 9 bps per year or 50% fee reduction.

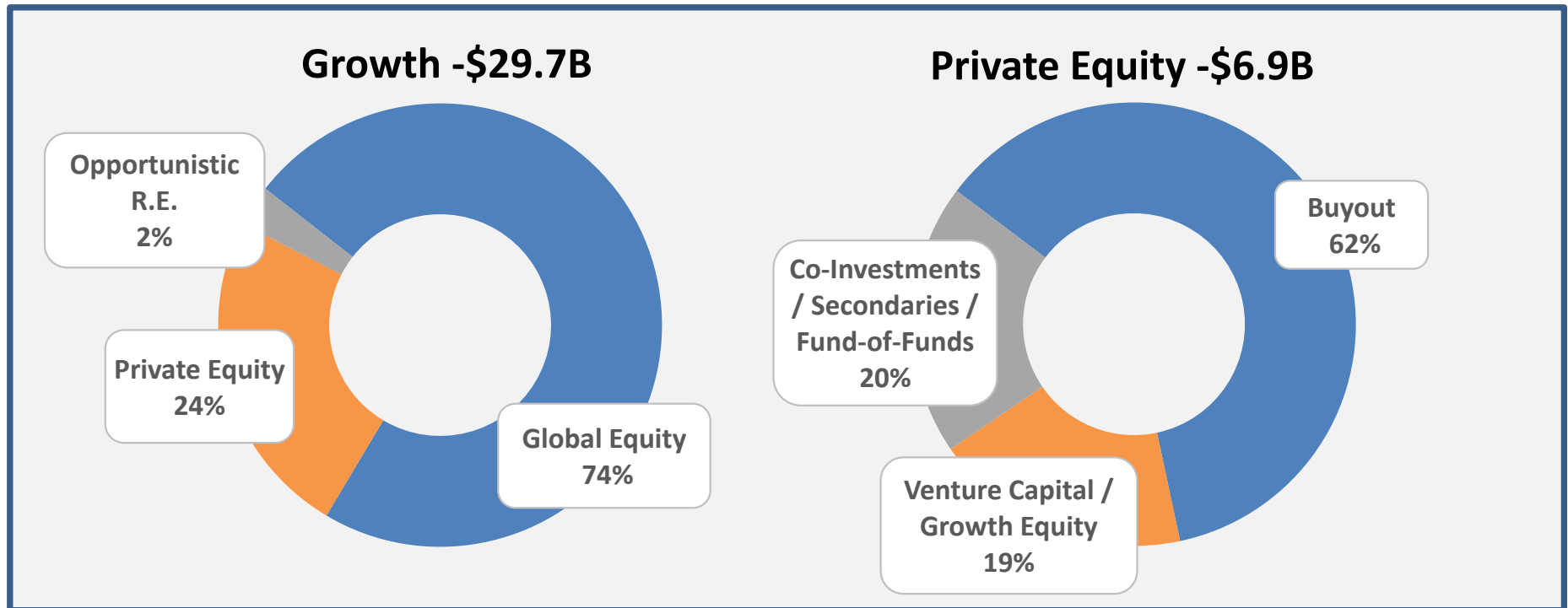


# Private Equity



# Role and Objectives of Private Equity<sup>1</sup>

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%



- Growth investments are the primary driver of long-term total Fund returns
- Within the Growth category, Private Equity is expected to generate the highest performance at an acceptable level of risk
- The target return for Private Equity is 200 basis points over the MSCI ACWI IMI<sup>2</sup> Index, net of all fees

<sup>1</sup>Private Equity market value data as of June 30, 2020. Global Equity value as of September 30, 2020.

<sup>2</sup>Morgan Stanley Capital International, All Country World Index, Investable Market Index.



(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

# Portfolio Structure by Investment Type

<i>As of 6/30/2020</i>	Active GPs	Market Value	Outstanding Commitments	Exposure	% of NAV	Current Range	Proposed Range
Buyouts Sub-Total	42	\$4,245	\$3,719	\$7,964	62%	50% - 85%	50% - 85%
VC/Growth Equity Sub-Total	22	\$1,295	\$732	\$2,027	19%	15% - 30%	15% - 30%
Co-Inv/FoF/Sec Sub-Total	8	\$1,350	\$543	\$1,893	20%	10% - 25%	10% - 25%
<b>Grand Total</b>	<b>72</b>	<b>\$6,890</b>	<b>\$4,994</b>	<b>\$11,884</b>	<b>100%</b>		

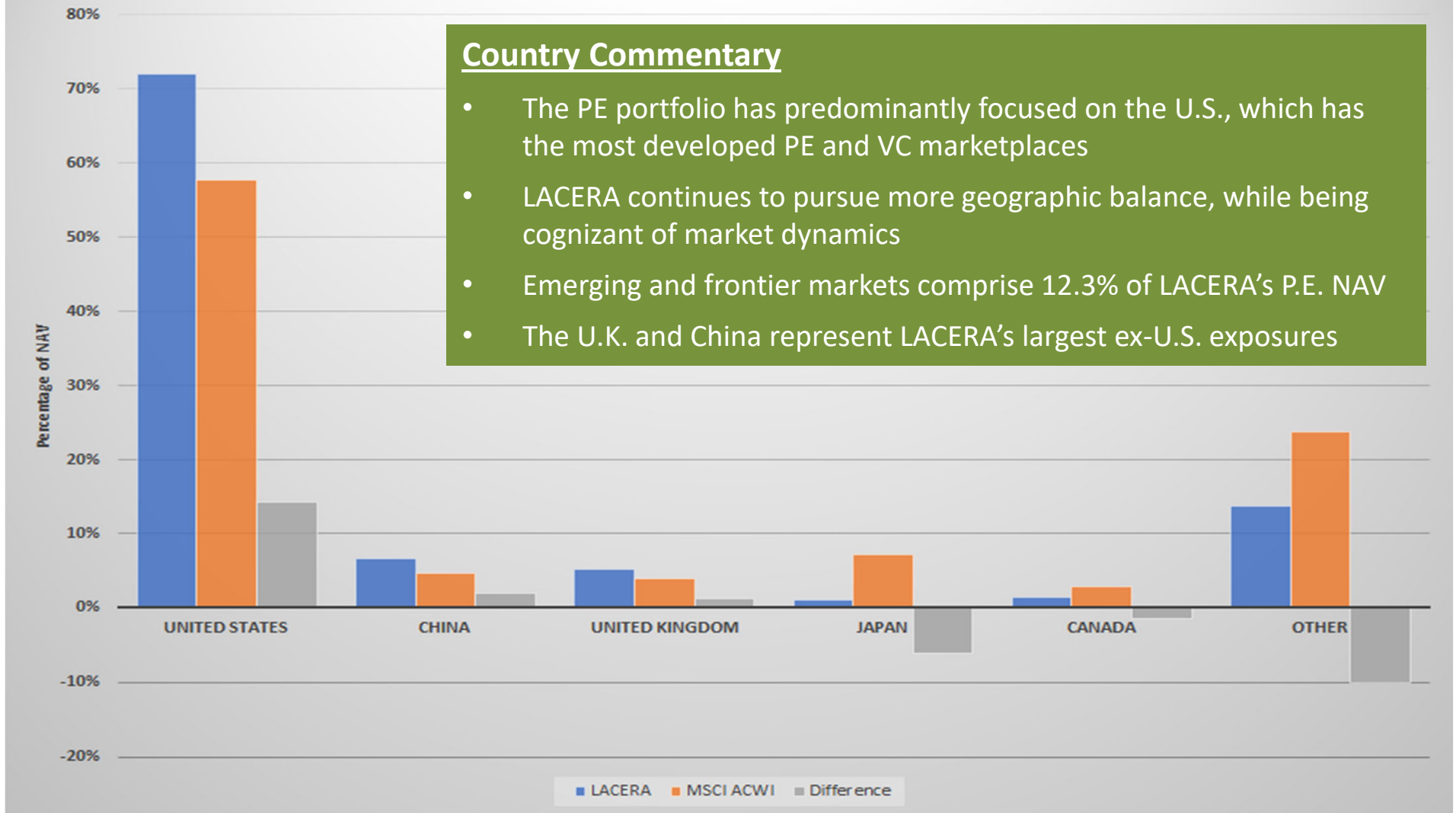
## Portfolio Structure Commentary

- All investment strategies are within range; no proposed changes to the current range
- International exposure stands at 28% within target range of 20%-45%
- As one of the active components of the Growth portfolio, staff will continue to identify equity exposures that are either unavailable, mispriced, or difficult to find in the public markets
- An added benefit of LACERA's increased emphasis on in-house co-Investment and secondaries are the fee savings. Co-Investments are generally entered into on a no-fee, no carry basis while secondaries typically have a lower fee base than primary fund commitments
- Staff is seeking to increase its allocation to in-house co-investments, secondaries, and other alternative structures which can enhance returns, reduce risks, or minimize costs

# Portfolio Structure – Country Weights

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

LACERA PE NAV<sup>1</sup> versus MSCI ACWI<sup>2</sup> by Country



<sup>1</sup>Based on March 31, 2020 values.

<sup>2</sup>Morgan Stanley Capital International, All Country World Index.



# Private Equity Periodic Returns<sup>1,2</sup>

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

## *LACERA Private Equity has exceeded its performance objectives across all periods*

- Given the 10-year terms of illiquid Private Equity investments, the 5-Year and 10-Year performance numbers carry the most weight
- In the 5-Year period, Private Equity outperformed its policy benchmark by 460 bps
- In the 10-Year period, Private Equity outperformed the benchmark by 430 bps

Year	LACERA IRR	MSCI ACWI + 200 bps
1	7.9%	3.2%
3	13.7%	7.6%
5	12.7%	8.1%
10	15.4%	11.1%

<sup>1</sup>Based on June 30, 2020 values.

<sup>2</sup>PE IRR is a dollar-weighted return which calculates the rate of return that will set the present values of all cash flows to the value of the initial investment. This methodology differs from Global Equity's time-weighted return which measures the compound rate of growth in a portfolio.



# Capital Allocation Request for 2021

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

## LACERA'S Plan Level Target Allocation Status Projected December 31, 2020 (\$MM)

Total Fund Value	\$59,864
Net Asset Value (PE)	\$6,330
Allocation %	10.6%
Target Allocation	10.0%
Target Allocation Range	7%-13%

## Recommendation

- Maintain the current \$1.6 billion (+/-20%) commitment level. Revisit the commitment pace after 2021 strategic asset allocation exercise

## StepStone Pacing Model: 2021 - 2026 PROJECTIONS<sup>1</sup> (\$MM)

Calendar Year	New Commitments	PE Draw-downs	PE Distributions	PE Market Value	Total Portfolio Value <sup>2</sup>	PE Allocation
2021	\$1,600	\$1,363	\$1,301	\$6,911	\$62,787	11.0%
2022	\$1,600	\$1,446	\$1,429	\$7,502	\$65,948	11.4%
2023	\$1,600	\$1,519	\$1,592	\$8,055	\$69,296	11.6%
2024	\$1,600	\$1,553	\$1,812	\$8,468	\$72,765	11.6%
2025	\$1,600	\$1,570	\$2,046	\$8,695	\$76,377	11.4%
2026	\$1,600	\$1,582	\$2,209	\$8,785	\$80,117	11.0%

*Grey shaded cells provided for illustrative purposes*

## Target Allocation Model Commentary

- New commitment targets assume a +/- 20% range, based on opportunities available in the marketplace
- Model projects allocations over the next six years

<sup>1</sup>StepStone model assumptions are in Appendix F.

<sup>2</sup>Total Portfolio Value is projected using an assumed 7.0% annual growth with estimated contributions/distributions as provided by Milliman



# Evaluation

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

## What has Worked:



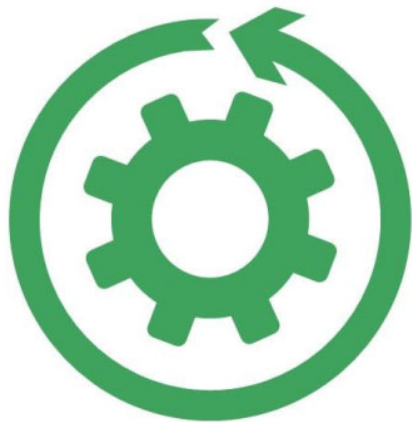
### ***Overweight Technology Exposure***

Intentional overweight to technology, reflective of PE opportunity set, has driven outperformance

### ***In-house Co-Investment and Secondaries Program***

Early performance is promising

## Areas for Refinement:



### ***Portfolio Design***

Better manage vintage year exposure through co-investments and secondaries

### ***Strengthen Influence on Fees / Maximize Returns***

Continue to explore alternative structures which can lower the cost of investing in Private Equity and maximize sources of returns

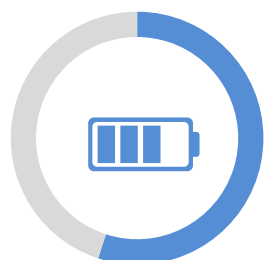
# Initiatives – Strategic

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%



## Completed

- Further expanded sources of co-investment deal flow
- Resumed secondary investments
- Provided Board education on General Partner stakes investments



## In-Process

- Finalize Manager Scorecards across the Private Equity portfolio
- Enhance fund operational due diligence process



## Upcoming

- Refine In-House Co-Investment and Secondary Parameters
- RFP for Private Equity consultant
- RFP for manager of the Emerging Manager Program
- Education session on synthetic Private Equity portfolio



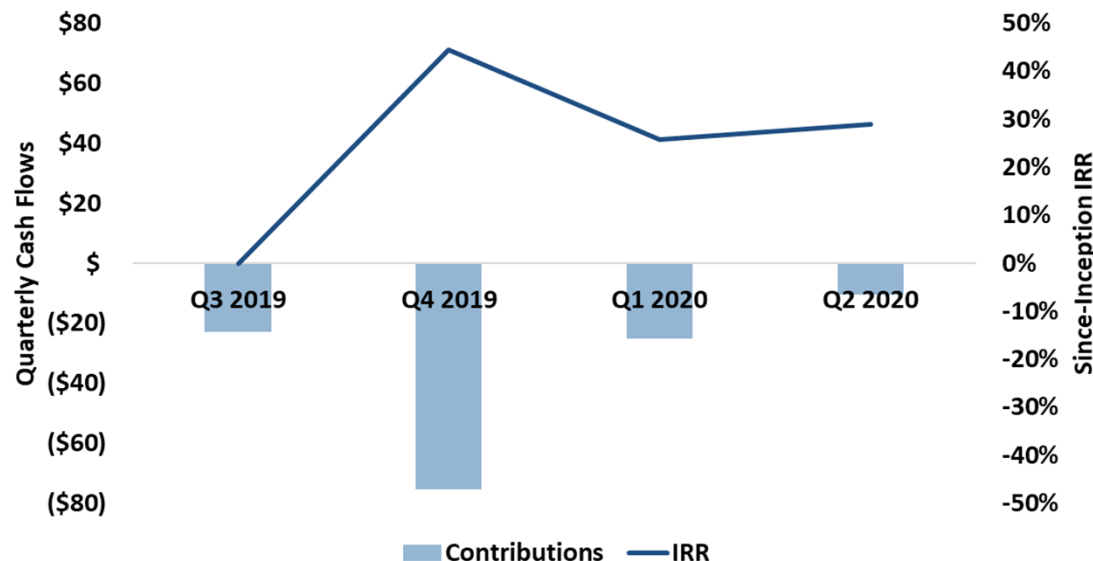
(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

# In-House Co-Investment and Secondary Performance

As of 6/30/2020	Commitments	Cumulative Contributions	Cumulative Distributions <sup>1</sup>	Market Value	Total Value	Net IRR	TVPI	DPI <sup>1</sup>
Co-Investments	\$70.0	\$45.4	\$8.4	\$52.7	\$52.7	35.3%	1.2x	0.2x
Secondaries	\$106.0	\$88.2	\$0.0	\$103.4	\$103.4	22.8%	1.2x	0.0x
<b>Grand Total</b>	<b>\$176.0</b>	<b>\$133.6</b>	<b>\$8.4</b>	<b>\$156.1</b>	<b>\$156.1</b>	<b>28.9%</b>	<b>1.2x</b>	<b>0.1x</b>

Quartile **1<sup>st</sup>** Burgiss All PE – U.S. benchmark

## LACERA In-House Co-Investment and Secondary Program Cash Flows and Net IRR



### Since Q3 2019

- No J-Curve
- ~29% net IRR
- \$8.4M in distributions<sup>1</sup>
- \$3.1M in mgmt. fee savings
- 1st quartile vs. 2019 vintage year U.S. PE funds

## Performance Commentary

- In aggregate, in-house co-investments and secondaries outperformed LACERA's primary Private Equity funds by 2,100 basis points for the fiscal year ending June 30, 2020
- While the in-house program is off to a good start, this performance is still very early; staff will stay vigilant

<sup>1</sup>Cash distribution was received in October 2020 and therefore not reflected in the bar chart above.



(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

# Co-Inv. & Secondaries Parameters – Proposed Changes

Term <sup>1</sup>	2020 Parameters	Proposed Parameters
<b>Investment Size</b>	Co-investment: Maximum \$40 million per investment	<b>Co-Investment: Maximum \$70 million per investment</b>
<b>Annual Deployment</b>	Co-investment: \$150 million Secondary: \$200 million	<b>\$450 million across co-investments and secondaries</b>
<b>Deal Types</b>	Co-Investment: buyouts and growth capital	<b>Co-investment: Expand growth capital definition to include high-growth pre-EBITDA companies with a liquidity event expected in the next two years</b>
<b>Other Parameters</b>	Secondaries: <ul style="list-style-type: none"> <li>• Related primary fund must be at least 70% deployed</li> <li>• Investment must have been managed by the current investment team for at least 3 years</li> </ul>	<b>Secondaries:</b> <ul style="list-style-type: none"> <li>• <b>Remove these parameters to provide flexibility to pursue a wider range of potential opportunities which may arise during a downturn</b></li> </ul>
<b>Geography</b>	Co-Investment: U.S. only	<b>Co-investment: Global with EX-U.S. investments subject to a maximum of i) \$40 million investment size and ii) \$150 million annual deployment</b>

<sup>1</sup> Existing 2020 parameters for co-investments and secondaries are in Appendix B. Any parameters that were not mentioned above are proposed to remain unchanged.



(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

**CONFIDENTIAL**

[Redacted]

[Redacted]

- **Current Situation:** [Redacted]

- **Concern –** [Redacted]

- [Redacted]

- [Redacted]

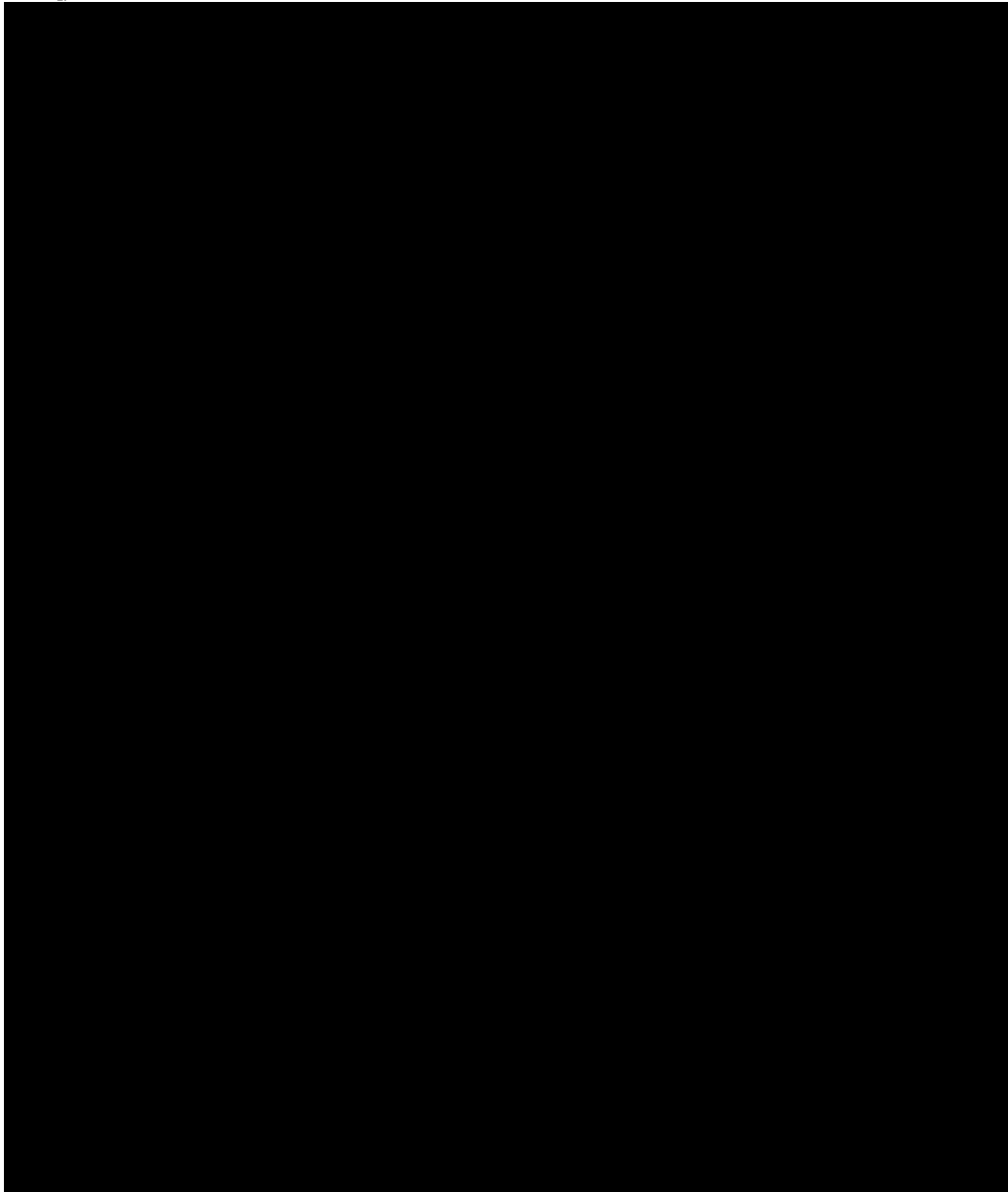
- **What is Working:** [Redacted]

[Redacted]

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

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# Illustrative – Proposed [REDACTED] Change



## Overview

- [REDACTED]
- [REDACTED]

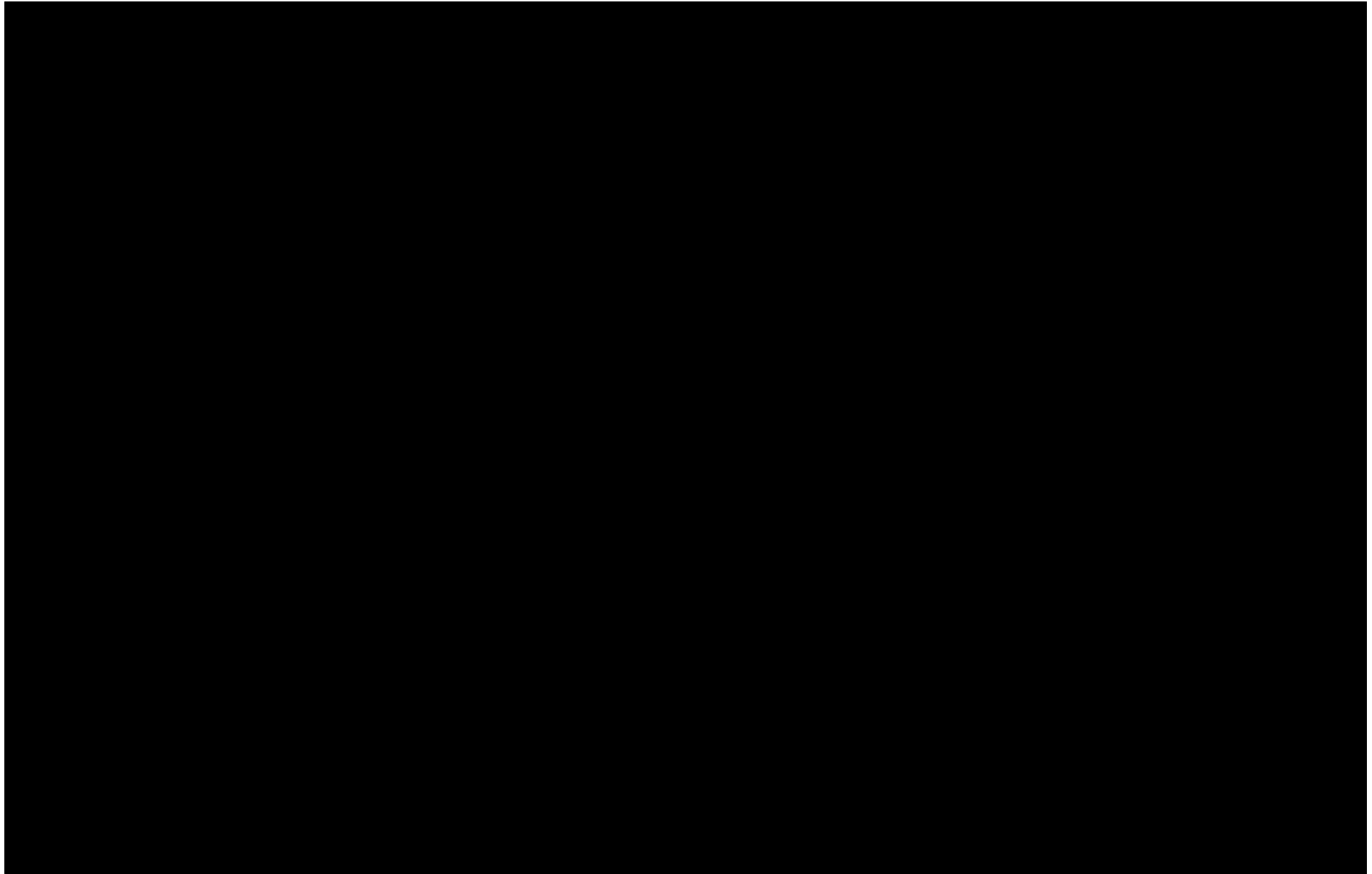
## Benefits

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

**CONFIDENTIAL**

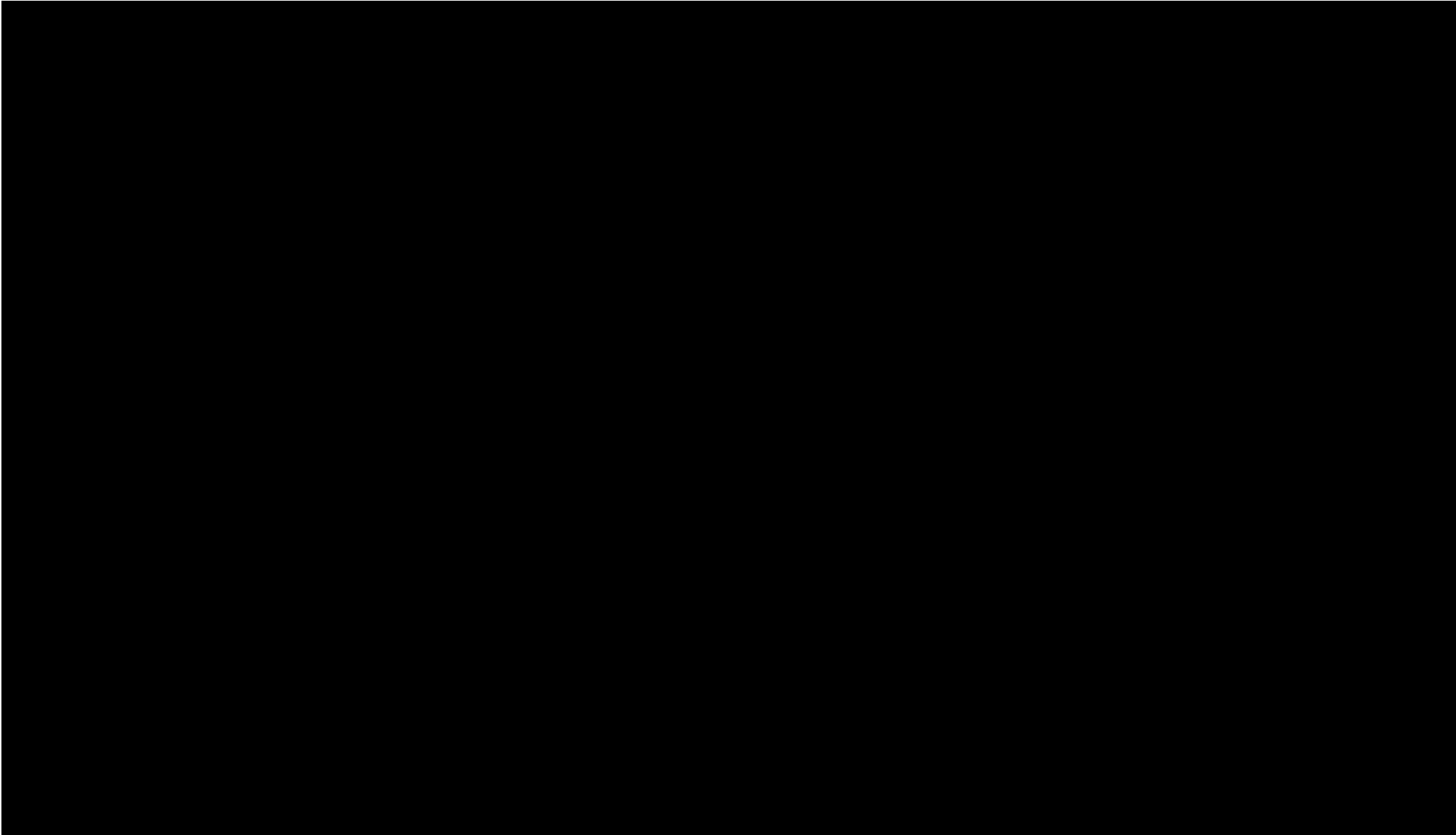
## Case Study –



(as of Sept 2020)	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$6.9	23.5%	11.5%

CONFIDENTIAL

# Transaction Pipeline - Illustrative



# Growth: Next Steps



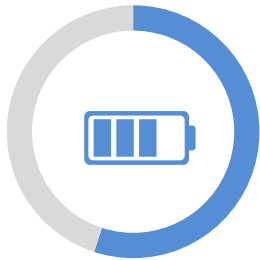
# Initiatives – Strategic

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## Completed

- Combined Global Equity and Private Equity under functional Growth asset category



## In-Process

- Assessing optimal active management strategy across Growth
- Reducing Private Equity costs to maximize returns
- Further integrate ESG assessment into capital deployment processes



## Upcoming

- Review and refine sector exposures with intentionality looking across Growth portfolio holistically
- Focus on risk management tools



# Conclusion

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## *Prioritize Growth Objectives*

---

Provide global market  
beta exposure with  
alpha (excess returns)  
as a secondary  
consideration



Global Equity

Generate highest  
performance at an  
acceptable level of  
risk



Private Equity

# Advance to Board

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- Staff proposes advancing the following

## Growth

- Maintain proposed Private Equity target commitment amount of \$1.6 billion (+/- 20%) for 2021
- Adopt proposed parameter changes for the Private Equity in-house co-investments and secondaries programs
- Reaffirm Global Equity and Private Equity investment guidelines (Appendices A and B )
- [REDACTED]

# Appendices



# Appendix A – Global Equity Investment Guidelines

	Target	
Performance	Meet or exceed the MSCI ACWI IMI Index	
Tracking Error	1.0% – 2.5% rolling 7-year	

	Target Allocation	Target Allocation Range
Passive (Index)	60%	40 – 80%
Factor-based	15%	0 – 30%
Active	25%	10 – 40%

Market	Parameter	Target Allocation Range Relative to Benchmark
Capitalization	Large	+/- 5%
	Mid	+/- 5%
	Small	+/- 5%
Region	United States	+/- 5%
	Developed ex US	+/- 5%
	Emerging	+/- 5%

\*LACERA allows staff and the external managers some latitude outside of the ranges. In the short term, LACERA does not wish to have staff or its external managers constrained by the designated ranges; i.e., fulfilling target allocations will not drive the investment recommendation process. LACERA will invest consistently over time to gain the proper exposures.



## Appendix A – Global Equity Investment Guidelines (Cont.)

Prohibited Investment Type	Description
Tobacco	Investment managers should refrain from purchasing tobacco securities when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.
Sudan	Investment managers should refrain from purchasing securities where the company has been identified as doing business in Sudan or with the government of Sudan, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.
Iran	Investment managers should refrain from purchasing securities where the company has been identified as doing business in Iran’s energy sector or with the government of Iran, when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

# Appendix B – Private Equity Investment Guidelines

Limit	Minimum	Maximum	Notes
Investment Size	\$5 Million	10% of LACERA's MV plus undrawn commitments	
Single Partnership		50% of total commitments from all LPs	Does not apply to separate accounts
General Partner		10% of Private Equity portfolio MV plus unfunded commitments	Applies to aggregate across multiple funds

	Parameter	Target Allocation Ranges*
Sub-Asset Class	Buyouts	50 – 85%
	Venture Capital/Growth Equity	15 – 30%
	Co-Inv/FoF/Sec	10 – 25%
Geography	Non-United States	20 – 45%
	Emerging Markets	0 – 15% maximum

	Report**	Responsible Parties	Audience	Frequency
1	Portfolio Performance	Staff	Board	Semi-annually
2	Status of Current Investments	Staff & PEA	Board	No less than annually
3	Portfolio Performance and Investment Analysis	PEA or other service provider	Staff	Annually & quarterly

\*LACERA allows staff and the PEA(s) some latitude outside of the ranges. In the short term, LACERA does not wish to have staff or its PEA(s) constrained by the designated ranges; i.e., fulfilling target allocations will not drive the investment recommendation process. LACERA will invest consistently over time to gain the proper exposures.

\*\*Reports shall include information on general market environment and expected opportunities, portfolio composition, performance summary, and recent activity.



## Appendix B – Private Equity Investment Guidelines (Cont.)

	Co-Investment Parameters*	Secondary Parameters*
<b>Sourcing</b>	<ul style="list-style-type: none"> <li>Co-investments offered by Board-approved managers so long as the manager is currently managing capital on behalf of LACERA; or</li> <li>Co-investments alongside a Board-approved discretionary PE manager, PE consultant, or their approved managers</li> </ul> <p>*Includes funds approved by the CIO through LACERA’s private equity fund re-up procedure</p>	<ul style="list-style-type: none"> <li>A private equity fund in which LACERA is an existing investor; or</li> <li>A private equity fund or vehicle that is managed by a manager of the same institutional quality as those LACERA has previously committed to</li> </ul>
<b>Investment Size</b>	\$40 million	\$130 million
<b>Geography</b>	<p>United States only</p> <p>International co-investments will continue to be outsourced to Morgan Stanley</p>	Maximum \$150 million outside United States
<b>Deal Types</b>	Buyout and growth capital transactions only	<p>Related primary fund must be at least 70% deployed, committed or reserved</p> <p>Investment must have been managed by current team for at least 3 years</p>
<b>Annual Capital Deployment</b>	\$150 million	\$200 million
<b>Advisory Confirmation</b>	Third party confirms LACERA’s due diligence was satisfactorily followed	Third party secondary advisor confirms valuation

\*Reflects parameters for 2020 calendar year



## Appendix B – Private Equity Investment Guidelines (Cont.)

Prohibited Investment Type	Description	Notes
Hostile Takeovers	LACERA avoids investment strategies that primarily involve hostile takeovers, defined as acquisitions opposed by the board of directors of the target company.	
Privatization	<p>LACERA does not aim to promote privatization of public jobs through its private equity investment program. It is highly unlikely that LACERA would invest in private equity investments that are dependent on privatization strategies.</p> <p>When performing due diligence prior to making the initial investment in a domestic partnership, staff and/or PEA, as applicable, will use reasonable efforts to ascertain the following:</p> <ol style="list-style-type: none"> <li>1. Whether the partnership’s current investment strategy includes the privatization of jobs held by LACERA members, and</li> <li>2. Whether previous partnerships operated by the general partners, if any, have invested in companies dependent upon privatization of jobs held by LACERA members.</li> </ol>	Staff and/or PEA will seek guidance from the Board before investing in a domestic partnership if the due diligence establishes privatization.



# Appendix C – Global Equity Portfolio Liquidity Analysis

## Liquidity Buckets Breakdown

As of September 2020

	Portfolio Weight (%)	Estimated Days to Liquidate
Highly Liquid	96.71	0.45
Moderately Liquid	1.28	3.99
Less Liquid	0.39	8.69
Illiquid Investment	1.62	59.75
Total	100.00	1.55

Source: FactSet. Calculation based on 20% sell threshold and average stock volume.



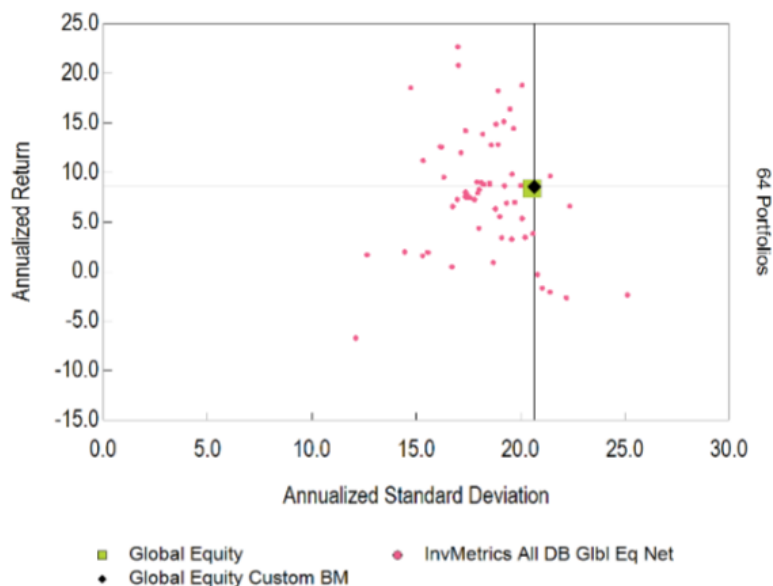
## Appendix D – Universe Comparison

### MEKETA

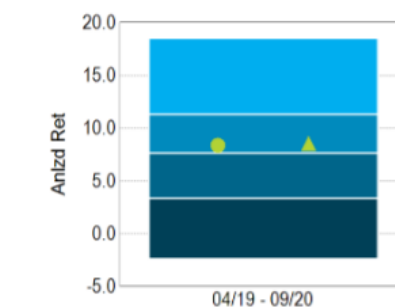
### Los Angeles County Employees Retirement Association

### Global Equity | September 30, 2020

**Annualized Return vs. Annualized Standard Deviation  
1 Year 6 Months Ending September 30, 2020**

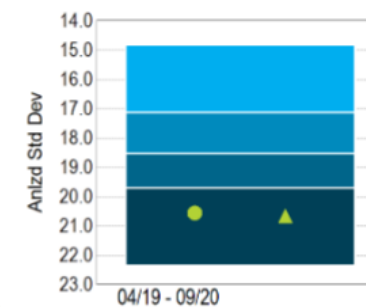


**Anlzd Ret  
vs. InvMetrics All DB Glbl Eq Net**



● Global Equity	
Value	8.3
Rank	45
▲ Global Equity Custom BM	
Value	8.5
Rank	44
Universe	
5th %tile	18.5
25th %tile	11.4
Median	7.7
75th %tile	3.4
95th %tile	-2.4

**Anlzd Std Dev  
vs. InvMetrics All DB Glbl Eq Net**



● Global Equity	
Value	20.6
Rank	84
▲ Global Equity Custom BM	
Value	20.7
Rank	85
Universe	
5th %tile	14.8
25th %tile	17.1
Median	18.5
75th %tile	19.7
95th %tile	22.3

### Statistics Summary

1 Year 6 Months Ending September 30, 2020

	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Information Ratio	Information Ratio Rank	Sharpe Ratio	Sharpe Ratio Rank
Global Equity	45	20.56%	84	-0.18	47	0.34	57
Global Equity Custom BM	44	20.67%	85	--	--	0.35	55



# Appendix E – Glossary of Terms

Term	Definition
<b>Allocation Effect</b>	Returns attributed to decision to tilt composite away from the program benchmark.
<b>Down Capture Ratio</b>	Measure of an investment's performance during down-markets, calculated as the strategy's returns divided by the returns of the benchmark index during the down-market. A lower down-market capture ratio means an investment was less negatively impacted during market downturns.
<b>Information Ratio</b>	The portfolio's excess return over its benchmark divided by its tracking error.
<b>Manager Selection Effect</b>	Returns attributed to decision to implement active management as opposed to a passive index.
<b>MSCI ACWI IMI</b>	Morgan Stanley Capital International All Country World Investable Market Index is the benchmark for Global Equity.
<b>Sharpe Ratio</b>	Measure of risk-adjusted performance, calculated as portfolio excess return over risk-free return over portfolio volatility.
<b>Tracking Error</b>	The standard deviation of the portfolio's excess returns over its benchmark.
<b>Up Capture Ratio</b>	Measure of an investment's performance during up-markets, calculated as returns divided by the returns of the benchmark index during the up-market. A high up capture ratio means an investment outperformed the index during up-markets.



# Appendix F – Allocation Model Assumptions

- StepStone pacing model driven by five independent variables<sup>(1)</sup>:
  - Rate of contributions
  - Rate of distributions
  - Annual growth or return by sub-sector
  - Life of fund in years
  - Annual commitments by sub-sector
- StepStone’s pacing model utilizes the following assumptions for LACERA’s portfolio:
  - Total Portfolio Value: ~\$58.2 billion<sup>(2)</sup>
  - Actuarial Rate of Return (net): 7.0%<sup>(3)</sup>
  - Annual Cash Contributions and Distribution provided by LACERA<sup>(4)</sup>
  - Target Private Equity (% of Total FMV): 10.0% (7-13% Target Range)
- PE Weighted Average Return assumptions equate to:
  - Base Case Net IRR of 8.4%<sup>(5)</sup>
  - Low Case Net IRR of 3.9%
  - High Case Net IRR of 13.2%
- StepStone assumed the following exposures going forward:
  - Buyout 70%
  - VC/Growth 20%
  - Co-investments 10%

(1) Any return contained herein is hypothetical and is not a guarantee of future performance. The returns set forth herein do not constitute a forecast; rather they are indicative of the internal transaction analysis regarding outcome potentials. Any returns set forth herein are based on Stepstone’s belief about the returns that may be achievable on investments that the Partnership intends to pursue. Such returns are based on current view in relation to future events and financial performance of potential investments and various models, estimations and “base case” assumptions made, including estimations and assumptions about events that have not occurred. Actual events and conditions may differ materially from the assumptions used to establish returns and there is no guarantee that the assumptions will be applicable to the Partnership’s investments

(2) Total Portfolio Value as of June 30, 2020 as provided by LACERA

(3) The Actuarial Assumed Rate of Return as adopted by the LACERA Board of Investments

(4) Projected portfolio contributions and distributions for calendar years, as provided by LACERA on 9/25/2020

(5) Net IRRs by Sub-Sector: Buyouts (7.7%), Growth Equity (8.2%), VC (9.2%), Co-investments (12.2%)



# Appendix G1 – 2019 Commitments

Board Date	Fund Name	Commitment (\$ in Millions)
January 9, 2019	LAV Biosciences Fund V, L.P.	\$48
February 13, 2019	BRV Aster Fund III, L.P.	\$50
February 13, 2019	BRV Aster Opportunity Fund II, L.P.	\$25
February 13, 2019	Vinci Capital Partners III, L.P.	\$75
March 13, 2019	Advent International GPE IX, L.P.	\$100
April 10, 2019	TA Associates XIII, L.P.	\$75
May 15, 2019	Accel-KKR Capital Partners VI, L.P.	\$110
June 12, 2019	Joy Capital III, L.P.	\$65
June 12, 2019	Joy Opportunity, L.P.	\$25
July 2, 2019	Blackfin Financial Services Fund III	\$100
August 14, 2019	Atlantic Street Capital IV, L.P.	\$50
August 14, 2019	RedBird Capital Partners Series 2019 L.P.	\$150
September 11, 2019	Co-Investment No. 1	\$20
October 8, 2019	Accel-KKR Capital Partners CV III, L.P.	\$16
October 8, 2019	Green Equity Investors VIII, L.P.	\$150
October 8, 2019	Jade Equity Investors, L.P.	\$50
November 20, 2019	Sterling Investment Partners IV, L.P.*	\$125
November 20, 2019	Revelstoke Capital Partners Single Asset Fund I, L.P.	\$60
December 11, 2019	MBK Partners Fund V, L.P.*	\$150
December 11, 2019	Wynnchurch Capital Partners V, L.P.	\$75
December 27, 2019	Access Foundation Partners Group II, LLC	\$30
<b>Total YTD</b>		<b>\$1,549</b>

\*Denotes re-up commitment approved under CIO authority.



# Appendix G2 – 2020 YTD Commitments

Board Date	Fund Name	Commitment (\$ in Millions)
January 8, 2020	Montefiore Investment V S.L.P.	\$45
February 6, 2020	Co-Investment	\$30
February 12, 2020	Clearlake Capital Partners VI, L.P.*	\$160
February 12, 2020	Summit Partners Europe Growth Equity Fund III, SCSp	\$38
March 16, 2020	One Rock Capital Partners III, L.P.	\$150
May 13, 2020	Thoma Bravo XIV, LP	\$100
May 13, 2020	Thoma Bravo Discover III, LP	\$50
May 13, 2020	Canaan XII, LP	\$100
May 30, 2020	Co-Investment	\$20
June 10, 2020	Silver Lake Partners VI*	\$200
June 10, 2020	CVC Capital Partners VIII	\$218
September 9, 2020	STG VI	\$100
October 14, 2020	Centerbridge Capital Partners Fund IV	\$150
November 5, 2020	GGV VIII*	\$78
November 5, 2020	GGV VIII Plus*	\$20
November 5, 2020	GGV Discovery III*	\$32
<b>Total YTD</b>		<b>\$1,491</b>

\*Denotes re-up commitment approved under CIO authority.



## Appendix G3 – 2019-2020 Re-Ups Not Done

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***LACERA did not re-up into the following funds***

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- Incline Equity V
- Livingbridge 7
- Marlin Equity V
- Blackstone VIII
- Pathway

# Appendix H – 2021-2022 Potential Re-Ups

Investments	Commitment Date	Vintage Year	Strategy	Commitment	Cumulative Contributions	Percent Committed
Excellere Capital Fund III, L.P.	7/31/2015	2016	Buyout - Small	\$70	\$44	63%
GBOF V Feeder SCS	11/20/2015	2016	Buyout - Mid	\$86	\$76	88%
Australis Partners Fund, L.P.	12/4/2015	2016	Growth Equity	\$125	\$88	70%
Harvest Partners VII, L.P.	12/11/2015	2016	Buyout - Mid	\$80	\$83	103%
Lightyear Fund IV, L.P.	2/18/2016	2016	Buyout - Small	\$150	\$147	98%
USV 2016, L.P.	3/3/2016	2016	Venture Capital - Early Stage	\$9	\$6	72%
J.P. Morgan Emerging Managers Program III	9/9/2016	2017	Fund of Funds	\$100	\$71	71%
Sinovation Ventures V, L.P.	3/31/2018	2018	Venture Capital - Early Stage	\$75	\$26	35%
Accel-KKR Growth Equity IV	8/28/2018	2018	Growth Equity	\$50	\$13	25%
Hellman & Friedman Capital Partners IX, L.P.	9/28/2018	2018	Buyout - Global	\$150	\$33	22%
Siris Partners IV, L.P.	10/25/2018	2019	Buyout - Mid	\$100	\$54	54%
LAV Biosciences Fund V, L.P.	1/18/2019	2019	Venture Capital - Balanced	\$48	\$26	54%
TA XIII, L.P.	5/2/2019	2019	Growth Equity	\$75	\$11	15%
Joy Capital Opportunity, L.P.	6/18/2019	2019	Venture Capital - Balanced	\$25	\$21	82%
Joy Capital III, L.P.	6/18/2019	2019	Venture Capital – Early Stage	\$40	\$16	40%
RedBird Capital Partners Series 2019, L.P.	10/4/2019	2019	Growth Equity	\$150	\$66	44%



## MEMORANDUM

**TO:** LACERA Board of Investments  
**FROM:** Stephen McCourt, Leo Festino, Tim Filla, Alina Yuan  
**CC:** Meketa Investment Group  
**DATE:** October 26, 2020  
**RE:** Global Equity Structure Review

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At the May 2018 Board of Investments (“Board”) meeting, the Board approved a new strategic asset allocation. As part of this transition, staff has worked with Meketa to appropriately establish the structure for the new Global Equity composite for the 2019-2020 calendar years. Through 2019 and early 2020, staff has accomplished several actions to better align the Global Equity portfolio with exposures relative to its benchmark including: combining the US and non US Public Equity Composites, consolidating 7 passive index mandates into one MSCI ACWI IMI Index mandate, changing the Global Equity benchmark to the MSCI ACWI IMI Index, and approving a long-term oriented factor strategy. All mentioned initiatives served to create a more simplified, and economical, equity structure.

Subsequent to the July’s global equity structure review, Meketa and staff continued to assess the global equity portfolio. In the attached presentation, staff and Meketa focused on understanding implicit and explicit portfolio tilts, assessing performance, and evaluating potential changes to further optimize the portfolio, in order to improve the risk-adjusted return and lower the tracking error to the global benchmark. In following meetings within the coming months, we plan to present jointly with staff deep-dive reviews on these matters, starting at the December committee meeting.

Meketa acknowledges that performance since April 2019, the start of the new global framework, comprises a short period. Nonetheless, when coupled with prior performance broken down into US and non-US composites, an underperformance versus the broad domestic market is apparent. Given the consistent large cap passive approach utilized by LACERA over many years, the attention focuses on the actively managed strategies, as the factor portfolio was implemented just a few months ago. We would like to highlight several observations.

First, the underperformance versus the broad market is explained largely by the focus of the active strategies in the portfolio. Excluding the activist strategy, we find that QMA, CornerCap, and Systematic may have value characteristics, the degree to which Meketa will seek to evaluate by the next Committee meeting in December. The tilt towards value by some of LACERA’s US small cap strategies, and lack of offsetting growth exposure, has been a recent headwind. Furthermore, LACERA has an overweight to small cap of about 2.8 percentage points. Combined, the small cap and value biases explain the majority of the domestic equity underperformance. However, it would be important to recall that with the exception of Frontier Capital, the other four actively managed domestic strategies have only about two years of tenure with LACERA.

Next, we shift our attention to the hiring process. Historically, LACERA has relied heavily on performance driven Minimum Qualifications (MQs), which were codified in previous versions of the Investment Policy Statement, at the start of manager searches. This has been a long standing practice for the Fund. Subsequent to the small cap search, LACERA updated its Investment Policy Statement, and removed language on MQs from it, including them instead in the Operating Procedures. We believe it is appropriate to revisit the procedures, as they may yield unexpected results. For example, when the small cap search was run, the MQs essentially sorted out better performing funds from the universe. The catch is that the performance referred to is historical performance, which may have a tendency to be mean reverting. Thus, at the time of the search, certain factors had a positive impact on trailing performance, such as value, and it is not surprising that the best strategies that met the MQs had a value orientation. Over a long horizon, this may not matter much. Similarly, during periods where growth and value investing do not deviate much from each other, it may not matter much either. In LACERA's case, however, the horizon has been about two years with four of the five active strategies in the roster, during a period in which a pronounced outperformance of growth stocks materialized. In short, we believe LACERA should reassess the emphasis placed on historical performance to screen out strategies at the onset of a search, and assess performance instead at the end of the process to validate the understanding of the strategies reviewed.

Given the above analysis, we concur with the findings and focus areas mentioned by staff in the presentation. We agree with the decision to align exposures closer to its benchmark, which would benefit LACERA by reducing tracking error and lowering fees. Looking into the future, we would emphasize the following initiatives for the coming year:

- Deep examination of the manager hiring process, with a focus on the Minimum Qualifications and the role of historical performance (this may be extended to other public markets categories such as fixed income).
- Review of selection and use of equity strategy benchmarks.
- Assessment of the case for small cap implementations (such as active vs passive).
- Analysis of current value tilt in domestic equities.
- Evaluation of fit of activist strategies in the global equity portfolio.
- Revision of the role of currency hedge in the global equity portfolio.

In conclusion, for a long-term investor, such as LACERA, it is prudent to continue to invest with a long term horizon. From a risk spectrum perspective, LACERA has target weights of 60% passive, 15% factor-based, and 25% active strategies. We believe these targets remain appropriate for LACERA. From an investment style perspective, the Total Fund is overweight to small cap and has a modest value bias; however, the discussed actions should act to reduce this exposure.

We look forward to working with staff on these matters, and presenting our findings and recommendations to the Committee and the Board.

SPM/LF/TF/AY/sf



StepStone Group LP  
4275 Executive Square, Suite 500  
La Jolla, CA 92037  
Phone +1 858.558.9700

October 21, 2020

Board of Investments  
Los Angeles County Employees Retirement Association ("LACERA")  
300 N Lake Avenue, Suite 850  
Pasadena, CA 91101-6130

Re: 2021-2022 Structure Review - Private Equity

Dear Board Members,

Since 2016, StepStone Group L.P. ("StepStone") has worked closely with LACERA's Board of Investments and staff to develop and review LACERA's annual Private Equity investment plans. In 2018, StepStone and staff collaborated on LACERA's 2019-2020 Structure Review, which was approved by the Board in December 2018. Given the COVID-19 induced market volatility and uncertainty, StepStone and staff revisited the annual commitment pace established in the 2019-2020 Structure Review, and at the June 2020 Board meeting recommended LACERA maintain its commitment target of up to \$1.6 billion (+/- 20%). These processes were iterative and involved a number of analyses to arrive at and reaffirm the recommendations.

We believe the themes and initiatives identified in the 2019-2020 Structure Review and addressed in the 2020 Mid-Cycle Structure Review remain relevant in the current market environment and are consistent with the long-term goals of LACERA's Private Equity portfolio. Therefore, in consultation with staff, we recommend LACERA maintain its annual commitment target of up to \$1.6 billion (+/- 20%) in 2021-2022. This target was developed with the goal of achieving LACERA's target Private Equity allocation range in the long term, recognizing that market conditions can lead to interim deviations from the target.

In our prior Structure Review letters, we discussed the importance of maintaining a flexible investment pace to invest more or less according to market conditions and opportunities. While a consistent annual investment pace is important to maintain proper vintage year diversification, LACERA should not feel forced to invest a specific amount every year if enough high quality opportunities are not available and should have the flexibility to invest more if there are more high quality opportunities in a given year than could be accommodated with a fixed allocation target. We believe this to be especially true in the current market environment, as highlighted by staff in the 2020 Mid-Cycle Structure Review.

StepStone will review this recommendation each year as well as when market conditions warrant to ensure it continues to align with LACERA's overall investment goals.

StepStone Group LP

**To the knowledge of StepStone, (i) this recommendation does not take into account the interest of StepStone or any StepStone Entity (as defined in the Advisory Services Agreement between LACERA and StepStone), (ii) neither StepStone nor any StepStone Entity will receive any benefit from this recommendation other than compensation paid by LACERA to StepStone pursuant to the Advisory Services Agreement, and (iii) there are no conflicts of interest among StepStone and its affiliates in connection with the recommendation herein.**



**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**