

# LIVE VIRTUAL BOARD 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 REGULAR MEETING OF THE BOARD OF INVESTMENTS

#### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, JANUARY 13, 2021

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

#### I. CALL TO ORDER

#### II. ELECTIONS

Election of Chair, Vice Chair, Secretary, Joint Organizational Governance Committee (1 Trustee) and Audit Committee Trustees (3 Trustees)

Election of appointed or retired trustees to the Joint Organizational Governance Committee or Audit Committee or the appointment of appointed or retired trustees to any committee will entitle such trustees to an additional \$100 stipend for each committee meeting. Such trustees also receive a \$100 stipend for each Board meeting they attend, up to a total of \$500 per month for all Board and committee meetings. Such stipends will be reported on FPPC Form 806 and posted on lacera.com.

The Board and committee service of ex-officio, active general and safety member elected trustees is part of their County employment and no additional compensation is paid for any aspect of their service as a trustee.

All trustees also receive actual and necessary expenses for meetings.

#### III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of December 9, 2020

January 13, 2021

Page 2

IV. REPORT ON CLOSED SESSION ITEMS

V. 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.)

VI. CHIEF EXECUTIVE OFFICER'S REPORT

(Memo dated December 28, 2020)

VII. CHIEF INVESTMENT OFFICER'S REPORT

(Presentation dated January 13, 2021)

VIII. CONSENT ITEMS

A. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the following proposed changes to the investment guidelines: 1) clarify tracking error, 2) affirm currency hedge, and 3) establish parameters for Cash Overlay.

(Memo dated December 18, 2020)

IX. NON-CONSENT ITEMS

A. Recommendation as submitted by John McClelland, Principal Investment Officer; James Rice, Principal Investment Officer, Amit Aggarwal, Investment Officer, Trina Sanders, Investment Officer and Terra Elijah, Investment Analyst: That the Board select Stepstone to provide real estate consulting services. (Memo dated December 21, 2020)

X. REPORTS

A. Envision 2021: Investments Division Work Plan and Strategic Initiatives  
Jonathan Grabel, Chief Investment Officer

(Memo dated December 30, 2020)

B. Strategic Asset Allocation Capital Markets Expectations  
Jude Perez, Principal Investment Officer

(Memo dated December 30, 2020)

X. REPORTS (Continued)

- C. Emerging Manager Program Update  
Ted Wright, Principal Investment Officer  
Vache Mahseredjian, Principal Investment Officer  
Christopher Wagner, Principal Investment Officer  
(Memo dated December 30, 2020)
- D. Private Equity Emerging Manager Program  
Calvin Chang, Senior Investment Analyst  
Ashmi Mehrotra, J.P. Morgan Private Equity Group  
Laureen Costa, J.P. Morgan Private Equity Group  
(Memo dated December 24, 2020)
- E. Meketa Investment Group Self-Evaluation  
Stephen McCourt, Meketa Investment Group  
Leandro Festino, Meketa Investment Group  
Timothy Filla, Meketa Investment Group  
Alina Yuan, Meketa Investment Group  
(For Information Only) (Memo dated January 4, 202)
- F. Institutional Limited Partners Association Diversity in Action Initiative  
Endorsement  
David Simpson, Investment Officer  
(For Information Only) (Memo dated December 21, 2020)
- G. Sustainability Accounting Standards Board Investor Advisory Group Open  
Letter to Financial Infrastructure and Data Providers  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated December 21, 2020)
- H. Board of Investments March Meeting Scheduling and Council of  
Institutional Investors Conference Agenda  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated December 21, 2020)
- I. Amendment to Brown Act – Use of Social Media  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 28, 2020)
- J. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated January 4, 2021)

X. REPORTS (Continued)

- K. Monthly Education and Travel Reports for November 2020  
Ted Granger, Interim Chief Financial Officer  
(For Information Only)

Monthly Education and Travel Reports for November 2020

(Public Memo dated December 24, 2020)

(Confidential Memo dated December 24, 2020 – Includes Anticipated Travel)

- L. December 2020 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(Memo dated December 28, 2020)

XI. ITEMS FOR STAFF REVIEW

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

XIII. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments  
(Pursuant to California Government Code Section 54956.81)
1. LAV Fund VI, L.P. and LAV Fund VI Opportunities, L.P.  
Christopher J. Wagner, Principal Investment Officer  
David Chu, Senior Investment Officer  
Cheryl Lu, Investment Officer  
Jose Fernandez, StepStone Group  
(Memo dated December 18, 2020)
  2. Novacap TMT VI, L.P.  
Christopher J. Wagner, Principal Investment Officer  
David Simpson, Investment Officer  
Jose Fernandez, StepStone Group  
(Memo dated December 21, 2020)

XIII. EXECUTIVE SESSION (Continued)

3. Secondary Sale Recommendation  
Christopher J. Wagner, Principal Investment Officer  
Scott Zdrazil, Senior Investment Officer  
Derek Kong, Investment Officer  
(Memo dated December 29, 2020)
4. Grain Communications Opportunity Fund III, L.P.  
James Rice, Principal Investment Officer  
David E. Simpson, Investment Officer  
Mark White, Albourne  
James Walsh, Albourne  
(Memo dated December 21, 2020)
5. Real Estate Manager Asset Transfer  
Mike Romero, Senior Investment Analyst  
Rob Kochis, The Townsend Group  
Felix Fels, The Townsend Group  
(Memo dated December 17, 2020)
6. Capman Nordic Fund III  
Amit Aggarwal, Investment Officer  
Rob Kochis, The Townsend Group  
Felix Fels, The Townsend Group  
(Memo dated December 21, 2020)
7. Hedge Funds Emerging Manager Program Separate Account  
Manager Search – Supplemental Information  
James Rice, Principal Investment Officer  
Chad Timko, Senior Investment Officer  
Quoc Nguyen, Investment Officer  
(For Information Only) (Memo dated December 22, 2020)
8. Private Equity Co-Investment Update  
David Chu, Senior Investment Officer  
Didier Acevedo, Investment Officer  
(For Information Only) (Memo dated December 23, 2020)

XIII. EXECUTIVE SESSION (Continued)

9. Private Equity Co-Investment Update  
David Chu, Senior Investment Officer  
Cheryl Lu, Investment Officer  
(For Information Only) (Memo dated December 18, 2020)

- B. Conference with Legal Counsel – Anticipated Litigation Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9) And Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of Section 54956.9)

Number of Cases: 1

- C. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Counsel

- D. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Investment Officer

- E. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Executive Officer

XIV. ADJOURNMENT

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

***\*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 REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, DECEMBER 9, 2020

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

PRESENT: David Green, Chair

Herman B. Santos, Vice Chair

Wayne Moore, Secretary

Alan Bernstein

Elizabeth Greenwood

Shawn Kehoe

Keith Knox

David Muir

Gina V. Sanchez

STAFF ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Ted Granger, Interim Chief Financial Officer

Christine Roseland, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel



STAFF ADVISORS AND PARTICIPANTS (Continued)

Christopher Wagner, Principal Investment Officer

Jude Perez, Principal Investment Officer

James Rice, Principal Investment Officer

Ted Wright, Principal Investment Officer

David Chu, Senior Investment Officer

Esmeralda del Bosque, Senior Investment Officer

Scott Zdrazil, Senior Investment Officer

Chad Timko, Senior Investment Officer

Derek Kong, Investment Officer

Cheryl Lu, Investment Officer

Quoc Nguyen, Investment Officer

Mel Tsao, Senior Investment Analyst

Jeff Jia, Senior Investment Analyst

Adam Cheng, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Terra Elijah, Investment Analyst

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Principal

Alina Yuan, Associate

StepStone Group LP

Jose Fernandez, Partner

STAFF ADVISORS AND PARTICIPANTS (Continued)

Milliman

Nick Collier, Actuary  
Mark Olleman, Actuary  
Craig Glyde, Actuary

Klausner, Kaufman, Jensen & Levinson

Robert Klausner, Partner  
Adam Levinson, Partner

I. CALL TO ORDER

The meeting was called to order by Chair Green at 9:00 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of November 5, 2020

Mr. Bernstein made a motion, Ms. Sanchez seconded, to approve the minutes of the regular meeting of November 5, 2020. The motion passed unanimously (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting yes.

III. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that:

At the October 14, 2020 Board of Investments meeting, under Executive Session Agenda Item XI.A.3, on a motion by Ms. Sanchez, seconded by Mr. Moore, the Board voted 8-0 to approve a full redemption from AQR Liquid Enhanced Alternative Premia (LEAP) Fund II, L.P. managed by AQR Capital Management, LLC, as recommended by the Credit and Risk Mitigation Committee. Ms. Greenwood was absent from the Board

### III. REPORT ON CLOSED SESSION ITEMS (Continued)

vote. The Credit and Risk Mitigation Committee's recommendation was made following a motion and vote at the committee's September 9, 2020 meeting under Agenda Item VII.B. of that committee agenda.

### IV. PUBLIC COMMENT

Damien Goodmon, Donald Byers, Margaret Totty, and Jan Williams addressed the Board regarding LACERA's exposure to Baldwin Hills Crenshaw Plaza.

Jordan Fein, Nikolai Dressbach and Silvia Resendiz from Unite Here Local 11 addressed the Board regarding PAI Europe VII's investment in Areas. Mr. Fein also submitted a letter from Seth Magaziner to Leonard Green & Partners.

### V. CHIEF EXECUTIVE OFFICER'S REPORT (Memo dated November 18, 2020)

Mr. Kreimann provided a brief presentation on the Chief Executive Officer's Report and answered questions from the Board.

### VI. CHIEF INVESTMENT OFFICER'S REPORT (Presentation dated December 5, 2020)

Mr. Grabel provided a brief presentation on the Chief Investment Officer's Report and answered questions from the Board.

### VII. CONSENT ITEMS

Mr. Santos made a motion, Mr. Knox seconded, to approve the following consent items. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Greenwood and Ms. Sanchez voting yes.

VII. CONSENT ITEMS (Continued)

- A. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the proposed private equity consultant search Minimum Qualifications, Evaluation Criteria, and Scope of Work advanced by the Equity Committee. (Memo dated November 17, 2020)
- B. Recommendation as submitted by Herman Santos, Chair, Equity: Public/Private Committee: That the Board approve the Growth Functional Category Biennial Structure Review. (Memo dated November 25, 2020)

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by David Chu, Senior Investment Officer and Cheryl Lu, Investment Officer: That the Board approve the replacement of Greenhill & Co. with Jefferies LLC on the list of firms authorized to provide LACERA with private equity secondary sale and purchase consulting services. (Memo dated November 17, 2020)

Mr. Chu and Ms. Lu provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Ms. Sanchez seconded, to approve the replacement of Greenhill & Co. with Jefferies LLC on the list of firms authorized to provide LACERA with private equity secondary sale and purchase consulting services. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Greenwood and Ms. Sanchez voting yes.

- B. Recommendation as submitted by Esmeralda del Bosque, Senior Investment Officer, Adam Cheng, Senior Investment Analyst and Mel Tsao, Senior Investment Analyst: That the Board approve establishing a bench of three transition management service providers including BlackRock Institutional Trust Company, N.A., Citigroup Global Markets, Inc., and State Street Bank and Trust. (Memo dated November 19, 2020)

VIII. NON-CONSENT ITEMS (Continued)

Messrs. Tsao, Cheng and Ms. Del Bosque provided a presentation and answered questions from the Board.

Ms. Sanchez made a motion, seconded by Mr. Santos, to approve establishing a bench of three transition management service providers including BlackRock Institutional Trust Company, N.A., Citigroup Global Markets, Inc., and State Street Bank and Trust. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, and Ms. Sanchez voting yes.

- C. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board review the 2021 meeting calendar and consider rescheduling meeting dates that conflict with a holiday and/or the potential of a lack of quorum. (Memo dated November 13, 2020)

Mr. Kreimann provided a presentation and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Bernstein seconded, to schedule the May meeting to May 19, 2021 and the November meeting to November 17, 2021. The motion passed unanimously. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, and Ms. Sanchez voting yes.

- D. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer and Ted Granger, Interim Chief Financial Officer: That the Board:
1. Accept the June 30, 2020, Actuarial Valuation of Retirement Benefits (Valuation) as submitted by the plan actuary (Milliman).

VIII. NON-CONSENT ITEMS (Continued)

2. Adopt recommended employer contribution rates (all plan tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C).
3. Delegate authority to the Chief Executive Officer to communicate the results of the 2020 Actuarial Valuation of Retirement Benefits to the Board of Supervisors by May 15, 2021, with a recommendation to implement the employer and employee rates no later than September 29, 2021. (Memo dated November 30, 2020)

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

Mr. Moore made a motion, Ms. Sanchez seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, and Ms. Sanchez voting yes.

IX. REPORTS

- A. Strategic Asset Allocation Discussion  
Jonathan Grabel, Chief Investment Officer  
Jude Pérez, Principal Investment Officer  
Stephen McCourt, Principal, Meketa Investment Group  
Tim Filla, Principal, Meketa Investments Group  
(Memo dated November 25, 2020)

Messrs. Perez and Grabel and Mr. Filla of Meketa Investment Group provided a presentation and answered questions from the Board.

- B. LACERA "Towards Inclusion, Diversity, And Equity" – Or "T.I.D.E" – Initiative in the Investment Program  
Jonathan Grabel, Chief Investment Officer  
Jude Perez, Principal Investment Officer  
Scott Zdrazil, Senior Investment Officer  
Cheryl Lu, Investment Officer  
(Memo dated November 24, 2020)

IX. REPORTS (Continued)

Messrs. Grabel, Perez, Zdrazil and Ms. Lu provided a presentation and answered questions from the Board.

- C. Assembly Bill 2833 Report – Fiscal Year 2020  
Quoc Nguyen, Investment Officer  
Calvin Chang, Senior Investment Analyst  
Terra Elijah, Investment Analyst  
(Memo dated November 25, 2020)

Messrs. Nguyen, Chang and Ms. Elijah provided a presentation and answered questions from the Board.

- D. Principles for Responsible Investment Election Ballot  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated November 19, 2020)

This item was received and filed.

- E. LACERA Holdings in Securities Subject to Executive Order 13959  
Related to Investments That Finance Chinese Military Companies  
Ted Wright, Principal Investment Officer  
Mel Tsao, Senior Investment Analyst  
(For Information Only) (Memo dated November 18, 2020)

This item was received and filed.

- F. Custody Services Overview and Search Timeline – Update  
Jude Pérez, Principal Investment Officer  
Esmeralda del Bosque, Senior Investment Officer  
Michael Huang, Accounting Officer II  
(For Information Only) (Memo dated November 24, 2020)

This item was received and filed.

- G. LACERA Quarterly Performance Report  
Meketa Report: Total Fund Performance Report  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated November 25, 2020)

IX. REPORTS (Continued)

This item was received and filed.

- H. OPEB Master Trust Quarterly Performance Report  
Meketa Report: OPEB Master Trust Performance Report  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated November 25, 2020)

This item was received and filed.

- I. Real Estate Recoveries Report  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated November 24, 2020)

This item was received and filed.

- J. 2020 Year-End Legislative Report  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated November 23, 2020)

This item was received and filed.

- K. Monthly Status Report on Board of Investments Legal Projects  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated November 30, 2020)

This item was received and filed.

- L. Monthly Education and Travel Reports for October 2020  
Ted Granger, Interim Chief Financial Officer  
(For Information Only)

Monthly Education and Travel Reports for October 2020  
(Public Memo dated November 18, 2020)  
(Confidential Memo dated November 18, 2020 – Includes Anticipated  
Travel)

1st Quarter Education and Travel Expenditure Reports  
(Memo dated November 18, 2020)

This item was received and filed.



IX. REPORTS (Continued)

- M. November 2020 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(Memo dated November 23, 2020)

This item was received and filed.

X. ITEMS FOR STAFF REVIEW

The Board requested for staff to add an agenda item at the next meeting on PAI.

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

Mr. Green recognized Michael Romero for volunteering to assist with the presentation at the Board of Investment meetings.

XII. EXECUTIVE SESSION

Before going into Executive Session, Chief Counsel, Steven P. Rice stated that Agenda Item XII.C related to one item of investment-related litigation and Item XII.D related to two items of employment-related litigation.

- 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  
Christopher J. Wagner, Principal Investment Officer  
Ted Wright, Principal Investment Officer  
(Memo dated November 16, 2020)

Mr. Wagner and Mr. Wright provided a presentation and answered questions from the Board.

XII. EXECUTIVE SESSION (Continued)

Mr. Santos made a motion, seconded by Mr. Knox, to approve a private equity mandate change for the Morgan Stanley GTB II separate account consistent with the open session action on Agenda Item VII.B. The motion passed unanimously (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting yes.

2. Hedge Funds Emerging Manager Program Separate Account Manager Search Recommendation  
James Rice, Principal Investment Officer  
Chad Timko, Senior Investment Officer  
Quoc Nguyen, Investment Officer  
(Memo dated November 17, 2020)

Messrs. Rice, Timko and Nguyen provided a presentation and answered questions the Board.

Ms. Greenwood made a motion, seconded by Mr. Moore, to approve (1) a change in the definition of “emerging hedge fund manager,” and (2) an investment of \$250 million into an emerging manager portfolio to be managed by Stable Asset Management. The motion passed unanimously (roll call) with Messrs. Bernstein, Green, Kehoe, Knox, Moore, Muir, Santos, Ms. Sanchez and Ms. Greenwood voting yes.

3. Potential Manager Termination  
Ted Wright, Principal Investment Officer  
Jeff Jia, Senior Investment Analyst  
(Memo dated November 17, 2020)

The Board took action. It will be reported out at a future date in accordance with the Brown Act.

XII. EXECUTIVE SESSION (Continued)

4. Private Equity Secondary Investment Update  
David Chu, Senior Investment Officer  
Derek Kong, Investment Officer  
(For Information Only) (Memo dated November 13, 2020)

The Board received an information only report providing notice that LACERA completed a \$70 million secondary investment in three companies managed by Ampersand Capital Partners. The secondary purchase was made in compliance with LACERA's secondary investment guidelines.

- B. Conference with Legal Counsel – Pending Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)
  1. In re BP Securities Litigation  
(MDL No. 10-md-2185)  
Michael D. Herrera Senior Staff Counsel  
(Memo dated November 24, 2020)

Mr. Herrera was present and answered questions from the Board.

The Board took action. It will be reported out at a future date in accordance with the Brown Act.

2. In re FirstEnergy Corp. Securities Litigation  
(Case No. 2:20-cv-03785)  
Michael D. Herrera Senior Staff Counsel  
(For Information Only) (Memo dated November 25, 2020)

The Board received an information only report regarding the above-referenced action pending in the United States District Court for the Southern District of Ohio, including the Court's November 23, 2020 order granting LACERA's application to serve as lead plaintiff and approving LACERA's choice of Robbins Geller Rudman & Dowd to serve as class counsel.

XII. EXECUTIVE SESSION (Continued)

(Ms. Sanchez left the meeting momentarily at 1:00 p.m.)

- C. Conference with Legal Counsel – Anticipated Litigation Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9) And Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of Section 54956.9)

Number of Cases: 1

The Board met with legal counsel to discuss one case of anticipated investment-related litigation. The Board did not take action. There is nothing to report.

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

Number of Cases: 2

The Board met with legal counsel to discuss one case of anticipated investment related litigation. The Board did not take action. There is nothing to report.

(Ms. Sanchez returned to the meeting at 1:30 p.m.)

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:40 p.m.

---

WAYNE MOORE, SECRETARY

---

DAVID GREEN, CHAIR



December 28, 2020

TO: Each Trustee,  
Board of Retirement  
Board of Investments

FROM: Santos H. Kreimann <sup>SHK</sup>  
Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT**

The following reflects the Chief Executive Officer's Report for December 2020 that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and our educational calendar.

### **A Challenging but Inspiring Year**

As we get ready to say goodbye to 2020, I have been reflecting on everything we have gone through as an organization and a nation. We have been challenged by an unprecedented pandemic, an uncertain political environment, civil unrest, and a resurgence in a continuing search for a fair and inclusive society that lives up to the ideals expressed in our Constitution and reflected in our values as an organization.

The unprecedented impact of the COVID-19 virus has been felt by everyone. This single event has required us to be nimble, innovative, and adaptable as we kept our focus in meeting our obligations to our members. While it has not always been easy, individually, and collectively, we rose to the challenge and adapted our business processes and operating practices to live up to our promise of delivering exceptional service to our retired and active members. In a short period of time, and with the support of the Board of Retirement Trustees, we rolled out new technologies allowing many of our staff to continue providing outstanding customer service to our members while securely working from remote locations. We re-built our call centers in under two months. We introduced new service channels for members who can now receive one-on-one counseling or attend a workshop in a safe virtual environment. We introduced new systems to facilitate teamwork and enhanced communication regardless of where our employees work. We introduced new security procedures to continue to protect our members – and we continue to enhance these new business protocols and applications every day.

Through it all we kept our eye on the ball. Our investment team, working almost entirely remotely, and under the careful oversight of our Trustees on the Board of Investments and Chief Investment Officer steered us through this rough time. Through their combined efforts to create a more diversified portfolio of assets, the pension fund not only recovered from the initial shock, but our

funded value increased. While the short-term financial gains are welcomed news, we must recognize that LACERA is a long-term investor and should remain on an even keel as the financial markets rise and fall over time.

We also remained focused on our strategic plan goals. While we did suffer some implementation delays due to the pandemic, we made significant progress on our goal to launch a new LACERA.com. Significant progress was also made on our goal to redesign our retirement election forms, finalize compliance with PEPRRA, and fund our goal to develop a case management system. Additionally, we did our first revamp of our budgeting process and continued to focus on developing a stronger business continuity and disaster recovery plan – incorporating everything we have learned as we continue to move through this pandemic.

I would like to take a moment to thank and recognize all LACERA staff members and the Trustees for their support and efforts during these tumultuous times. I am inspired by and proud of our staff for rising to these challenges, remaining innovative and adaptable, and for the care and devotion they show our members and their survivors. We have been challenged, but I am confident we will come out the other side of these times a more nimble, more prepared organization – with the same fierce focus on providing service to our members.

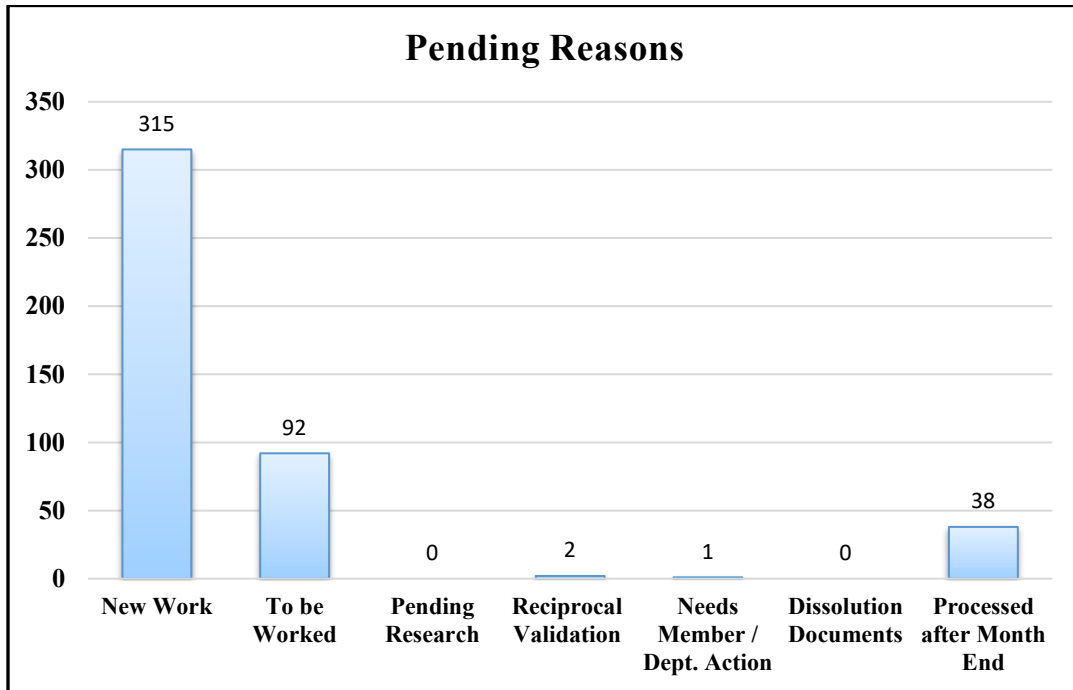
### **March Madness Update**

We refer to the period beginning in December through the end of March as “March Madness” because retirements tend to spike during this period as members disproportionately elect to retire in time to be eligible for any April 1<sup>st</sup> Cost-of-Living Adjustment (COLA) that will be approved. As we have in years past, we are continuing our commitment to share the annual March Madness statistics in this report. There are two key statistics tracked during this time of year.

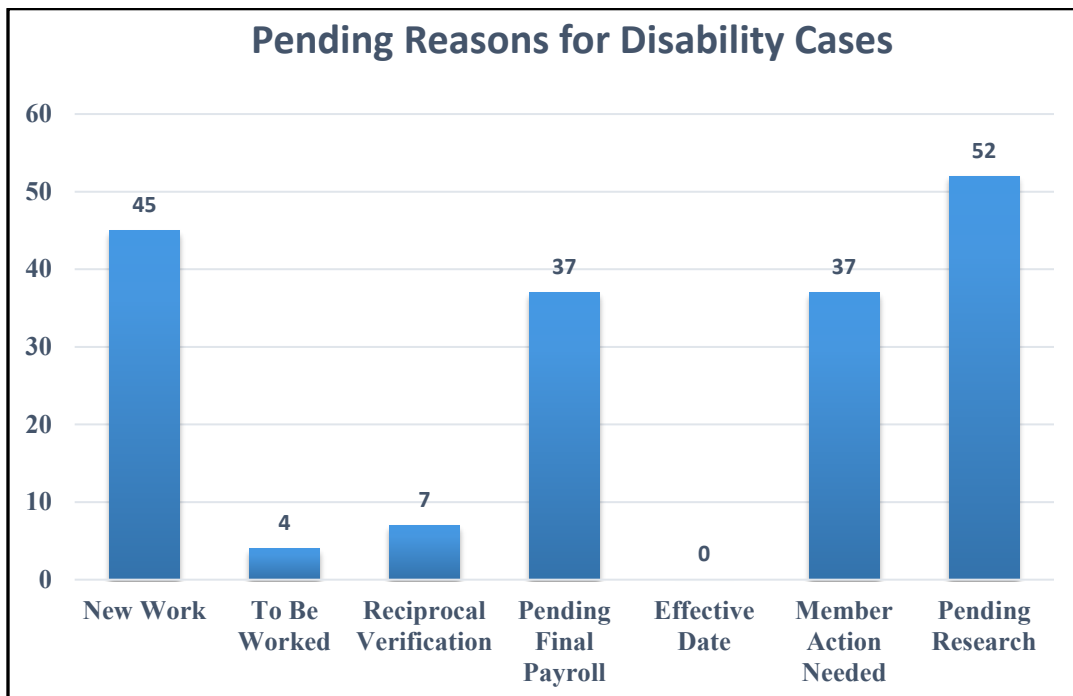
*How well are we keeping up with our member's requests to retire?* The chart below shows the total number of pending retirement elections. All incoming retirement requests are triaged by staff to facilitate processing those retirements with immediate retirement dates and those which will require special handling (i.e., legal splits and those with uncompleted service credit purchases).

<b>Retirement Month</b>	<b>Pending Retirement Elections</b>
December 2020	<b>53</b>
January 2021	<b>196</b>
February 2021	<b>95</b>
March 2021	<b>104</b>
Pending Disability Cases	<b>182</b>
<b>Total Pending</b>	<b>630</b>

The 630 retirement elections to be completed for December - March are pending for the following reasons:



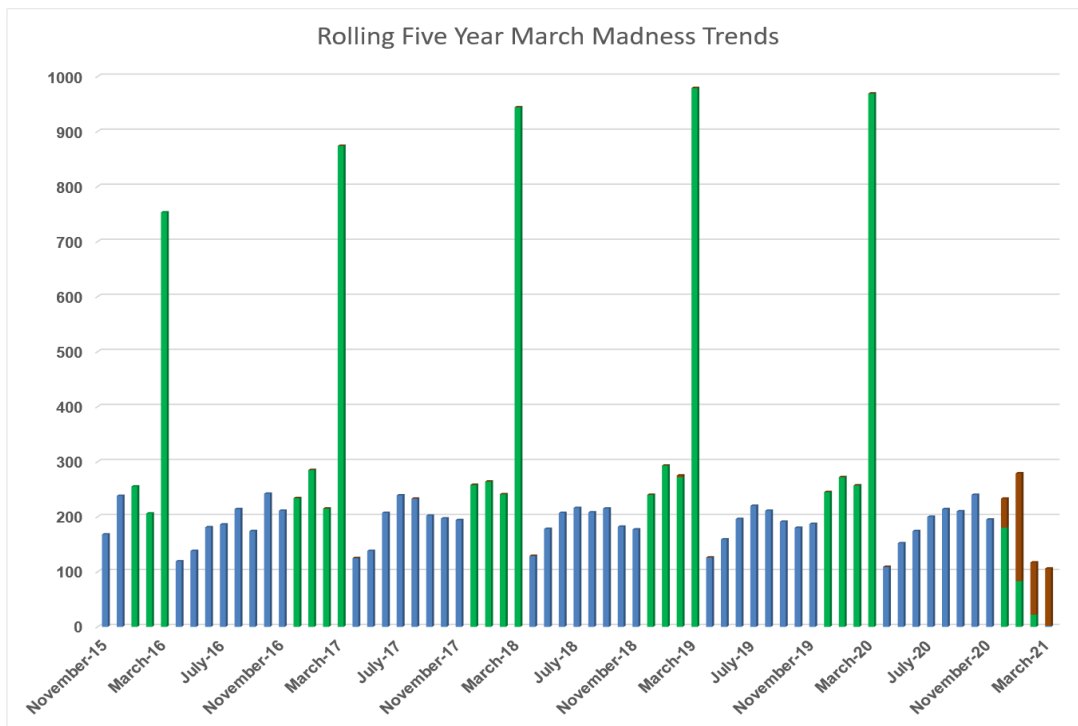
The 182 Pending Disability Cases represents the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board of Retirement, the Benefits Division staff works with the member and their employer to select a disability effective date, determine the member's option election, and bring them on payroll. These disability cases are pending for the following reasons:



These cases are not assigned to a specific month in the "March Madness" period because the final effective date has not been determined. As with service retirements, some cases have mitigating factors such as legal splits and uncompleted purchases, which can also extend processing times. We expect to successfully meet the retirement agenda deadlines for a vast majority of our March Madness retirees.

The second key statistic is the volume of retirements during the year, but especially during March Madness. This gives us an indication on the severity of the stress placed on our capacity to meet our various member service requests and demands placed upon our staff.

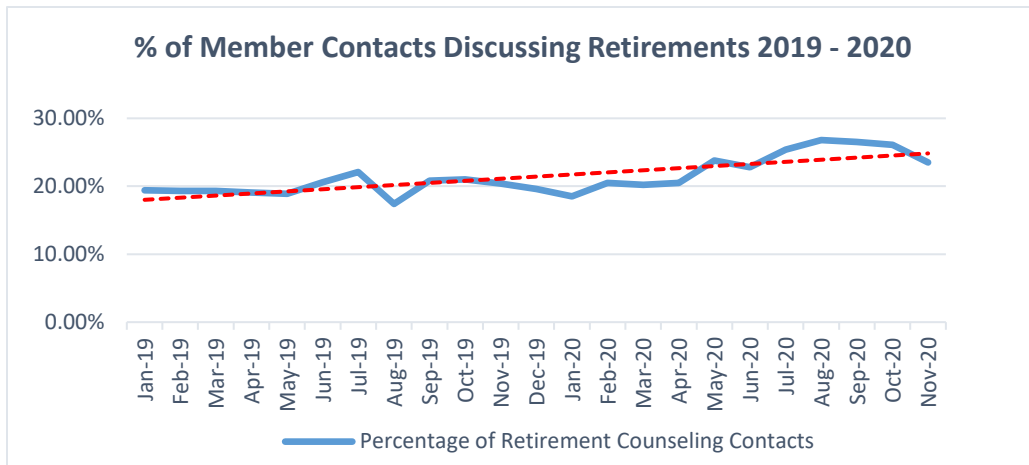
The green bars in the following chart reflect those members approved by the Board of Retirement to retire (i.e., their retirement elections have been approved and completed). The red bars reflect those cases that have not been processed as of the date of this report. The blue bars represent retirement elections processed and approved. As of December 15, 2020, we have processed 287 out of 735 retirements for the March Madness period so far. Comparing the total processed and pending cases per month, we are running slightly behind the five-year average (last five completed years) for December 233 vs. avg. of 243) and slightly ahead of the five-year average for January (279 vs. 273). February and March are too far off to provide relative comparisons. Putting this into perspective during last year's March Madness, 1,743 members retired, which was higher than the rolling five-year average of 1,659 (the five-year averages may change from month-to-month as disability cases are processed due to retroactive retirement dates).



In last month's CEO Report, we predicted the possibility of a higher-than-average March Madness period. This possibility was based on input from our Member Services Call Center reporting of the number of members requesting retirement counseling. Our data holds steady when we compare the level of interest in retirement expressed through the number of members who have contacted our call center for counseling on this subject. Looking at the period of July to November and comparing this year's volume of calls regarding retirement counseling to the same period last year



we see an average increase of approximately 3,500 to 4,700 per month, a 34% increase. As a percentage of total calls received this represents an average 5% increase for this category as reflected in the chart. We have added a trend line to the chart to demonstrate the gradual increase in these calls from 20% to 25% of total calls.



However, we have not seen a corresponding increase in one-on-one virtual counseling sessions which are below expected numbers based on last year’s attendance when the Member Services Center was open. It is possible that members are getting the service they need through the Call Center and are still deciding whether to retire or remain in service. We should point out that comparing just December and January of the 2019-2020 March Madness season and this year, we had a lower number of elections for December, but are ahead for January (which still has time to accept more elections).

Staff are preparing for a higher-than-normal season. Since we are seeing a high interest in retirement counseling through the Call Center, Member Services is evaluating and planning to open the Call Center for half a day on Saturdays for the month of January. At the same time, we are monitoring demand for virtual one-on-one counseling and if we see an increase in demand in this area, we may also offer additional appointments during the day and possibly on Saturday as well.

Benefits is also planning for a possible increase in retirement elections. Through a combination of reassignment of duties and overtime we will be ready to respond to member’s needs. We are evaluating additional plans in case of a spike later in the March Madness period.

**Retiree Healthcare COVID-19 Update**

Staff receives some form of an update from our health plan carrier partners regarding COVID- 19 on almost a weekly basis. The most current information provided is notification that with the current surge in cases over the past weeks, the cost share waiver for COVID-19 treatment (diagnostic testing and related screening, including virtual care, etc.) is being extended further out

beyond the scheduled end date of January 2021 to at least mid-February 2021 at this time. This is likely to be extended even further following the holidays if it has not already been done by the time this CEO report is distributed.

In addition, as you may have seen in the media, the most current target priority group eligible for receiving the vaccine are the frontline health care workers who are at high risk of infection, law enforcement, older adults, and those people at high risk of death because of underlying conditions like heart disease and diabetes. The vast population, at this time, is said to be able to receive the vaccine sometime later in 2021.

Staff will have our carrier specific information, by plan, to report at the Insurance, Benefits, and Legislative Committee meeting on January 14, 2021.

**COVID-19 Response Update**

We continue to see worsening conditions in Los Angeles County and the state in general in terms of the number of reported cases of COVID-19. As of the date of this report LA County added 13,439 new cases to its total, representing a 1.9% increase over the previous day’s count. Sadly, LA County also reported a .8% increase in deaths from the previous day for a total of 73 new deaths. Additionally, the ICU capacity and the ability for patients to be treated in emergency rooms is extremely overtaxed. The LA Times reported today that some patients are being treated in gift shops and that the USC-Medical Center had to shut its doors for a 12-hour period.

As we reported last month LACERA continues to see a surge in cases among our staff members. The following chart shows the number of LACERA staff members who were exposed (had direct close contact) to a person who tested positive for COVID-19; the number of LACERA staff members who tested positive for COVID-19; and the number of staff members who were in the office 14 days before testing positive for COVID-19.

<b>LACERA COVID-19 Incidents</b>		
<b>November 1, 2020 to December 29, 2020</b>		
<b>Exposed</b>	<b>Confirmed Positive</b>	<b>In Office Before Positive Test</b>
28	20	17

Earlier in December, the Los Angeles County Department of Public Health issued new temporary safety protocols for the workplace requiring all staff members working on site to wear masks at all times unless they are in an office with a closed door. Additional requirements were issued for hourly disinfecting routines for common areas. This was on top of earlier OSHA regulations that increased the reporting protocols for COVID-19 incidents and required inspection protocols to

make sure these staff members are following organizational protocols. The temporary protocols issued by Public Health were due to end at the end of the year but have been extended indefinitely until the situation in the County has improved.

LACERA has implemented all required and recommended protocols. We have also taken additional steps to transition additional staff to remote working to lower the number of staff in our offices to the bare minimum. We have been averaging about 17-20% of our staff in the office at any one time (spread out over all our floors). This has been reduced to an average of 10% over the last few weeks. Efforts continue to be made to prepare the office for a safe return to work should conditions change.

LACERA is also working with the County Department of Human Resources to be able to provide vaccinations to our staff when the time is right. While LACERA staff are considered essential due to our role in providing financial support to our members, we recognize that our collective priority as a community should be to focus on vaccinating those vital community members who provide medical services and our first responders. When it is our time, we will do everything in our ability to ensure we can vaccinate staff members as appropriate.

We remain hopeful that the recently approved vaccines will have a positive impact on reducing the number of infected people and help get our country back to a more normal environment. However, we recognize that this will take time and in the interim we need to continue to be vigilant in our adherence to the safety protocols and continue to provide service through remote working staff until things improve.

SHK: jp  
CEO report Dec 2020.doc

Attachments

# Striving for Excellence in Service

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: **November 2020**



**Outreach Attendance**  
**1,635**  
8,342 Year-to-Date



**Outreach Events**  
**14**  
65 Year-to-Date



**Outreach Satisfaction**  
**N/A**  
Change Since Last Mo

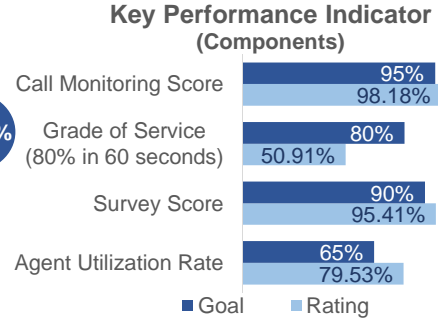
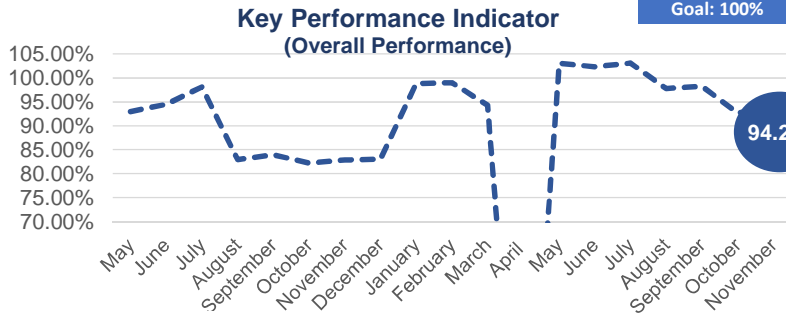


**Member Service Center**  
**N/A**  
- Change Since Last Mo



**Member Services Calls**  
**10,257**  
11,411 3 Mo. Avg.

Member Services



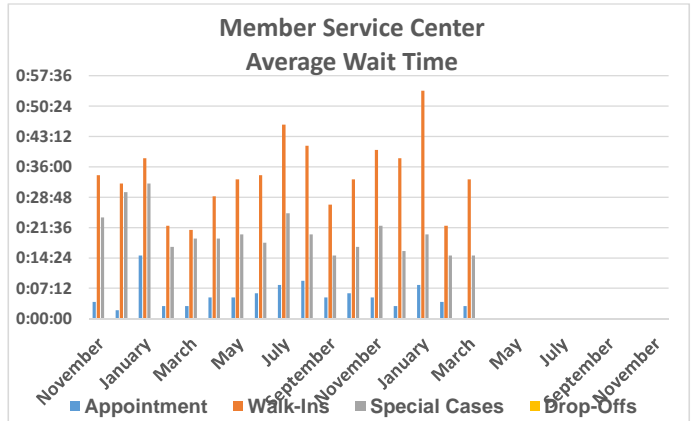
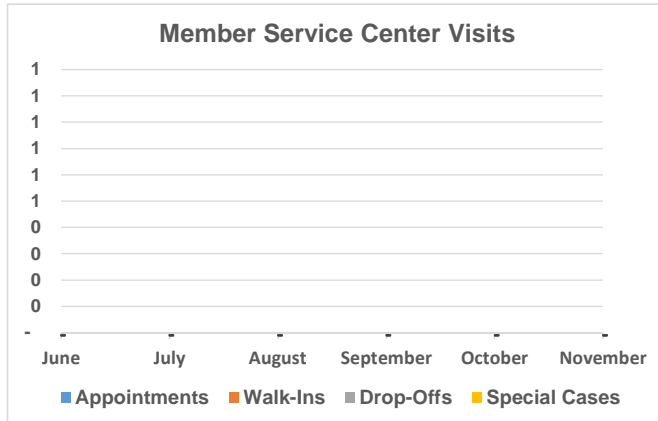
### Top Calls

1. Retirement Counseling: Process Overview
2. Retirement Counseling: Estimate
3. MyLACERA Portal Login Issues

**Emails 498**  
24:00 hours  
Avg. Response Time (ART)



**Secure Messages 647**

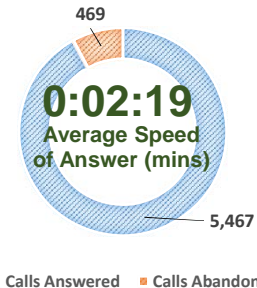


\*Drop Off Wait Time: No Waiting



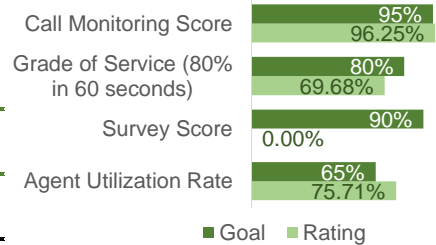
Total RHC Calls: **5,936**

Retiree Healthcare



### Top Calls

1. Medical-New Enrollment/Change/Cancel
2. Medical Benefits
3. Medicare Part B Reimbursement



**Emails 247**  
1 Day  
Avg. Response Time (ART)



**Secure Messages 149**

## Striving for Excellence in Service (Continued)

Disability

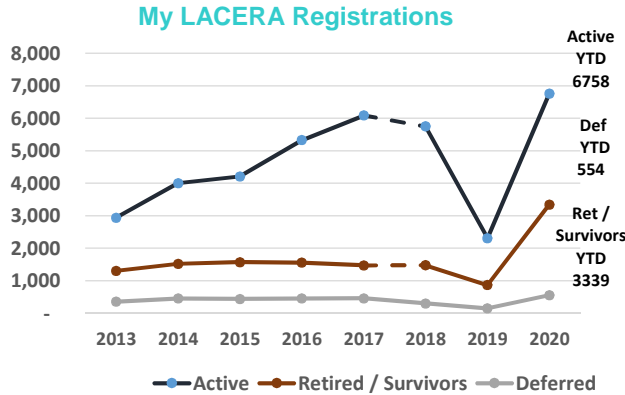
### Applications

<b>692</b>	665 Pending on: 10/31/2020
	60 Received
<b>In Process</b>	256 Year-to-Date
<b>As Of:</b>	0 Re-Opened
<b>11/30/2020</b>	0 Year-to-Date
	32 To Board - Initial
	199 Year-to-Date
	1 Closed
	8 Year-to-Date

### Appeals

<b>91</b>	94 Pending on: 10/31/2020
	0 Received
<b>In Process</b>	5 Year-to-Date
<b>As Of:</b>	1 Admin Closed/Rule 32
<b>11/30/2020</b>	7 Year-to-Date
	2 Referee Recommended
	5 Year-to-Date
	0 Revised/Reconsidered for Granting
	1 Year-to-Date

My LACERA

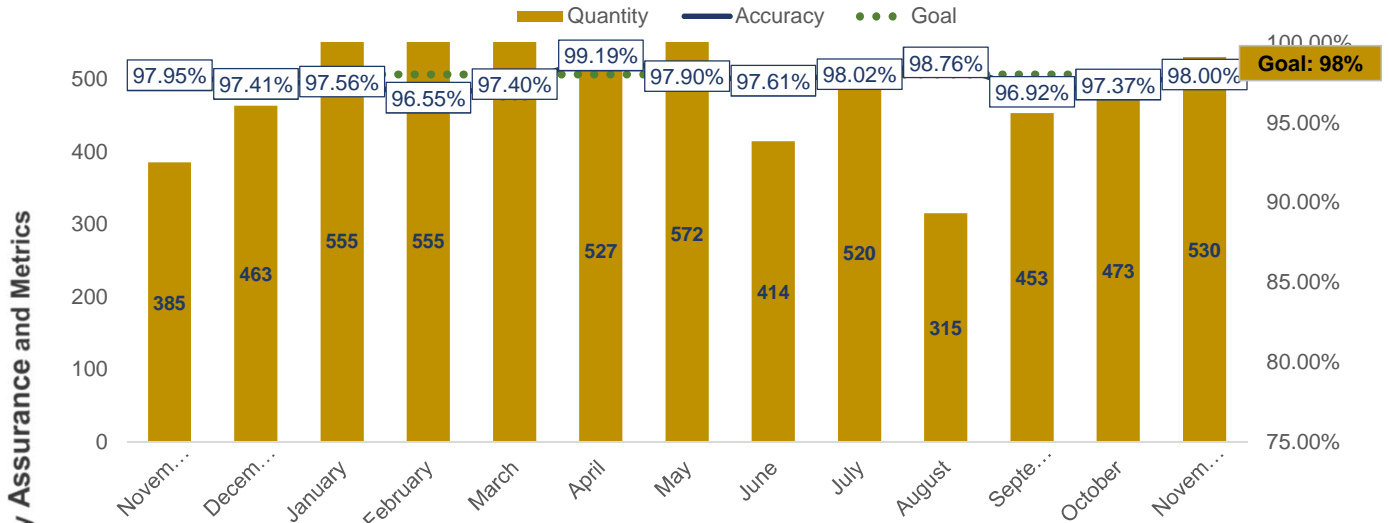


**COVID-19 NOTE**

Some Member Services, Retiree Healthcare, and Quality Assurance statistics became unavailable for a short time beginning in April 2020 due to COVID-19 impacts. Most of the data contained herein is up to date and based on current production both virtually and in the office. However, some data points such as surveys are based on six month average for survey scores prior to the pandemic.

## Striving for Excellence in Quality

### Audits of Retirement Elections, Payment Contracts, and Data Entry Completed by QA



\*Data for April 2020 is incomplete due to COVID-19 challenges. This is an estimated accuracy %

**November**



**98.00%**

#### Retirement Elections

**273** Samples  
97.58% Accuracy

#### Payment Contracts

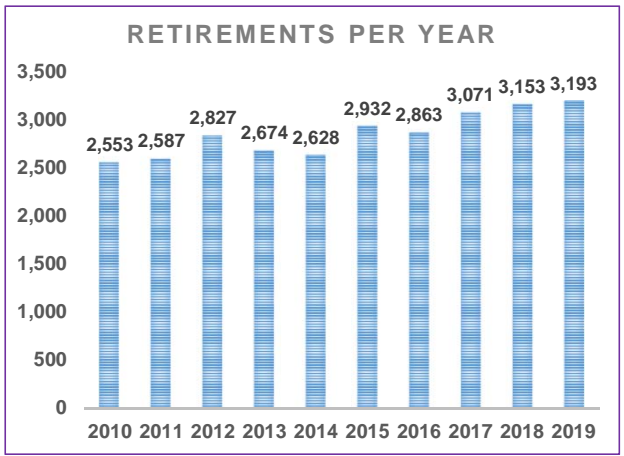
**167** Samples  
97.74% Accuracy

#### Data Entry

**90** Samples  
98.67% Accuracy

## Member Snapshot

		Members as of 12/14/2020			
	Plan	Active	Retired	Survivors	Total
<b>General</b>	Plan A	85	15,504	4,340	<b>19,929</b>
	Plan B	20	675	71	<b>766</b>
	Plan C	30	427	67	<b>524</b>
	Plan D	39,526	17,294	1,609	<b>58,429</b>
	Plan E	15,998	13,831	1,330	<b>31,159</b>
	Plan G	31,375	70	6	<b>31,451</b>
	<b>Total General</b>	<b>87,034</b>	<b>47,801</b>	<b>7,423</b>	<b>142,258</b>
<b>Safety</b>	Plan A	2	4,972	1,614	<b>6,588</b>
	Plan B	9,076	6,505	317	<b>15,898</b>
	Plan C	4,360	11	0	<b>4,371</b>
	<b>Total Safety</b>	<b>13,438</b>	<b>11,488</b>	<b>1,931</b>	<b>26,857</b>
<b>TOTAL MEMBERS</b>		<b>100,472</b>	<b>59,289</b>	<b>9,354</b>	<b>169,115</b>
<b>% by Category</b>		<b>59%</b>	<b>35%</b>	<b>6%</b>	<b>100%</b>



### Average Monthly Benefit Allowance Distribution November 2020

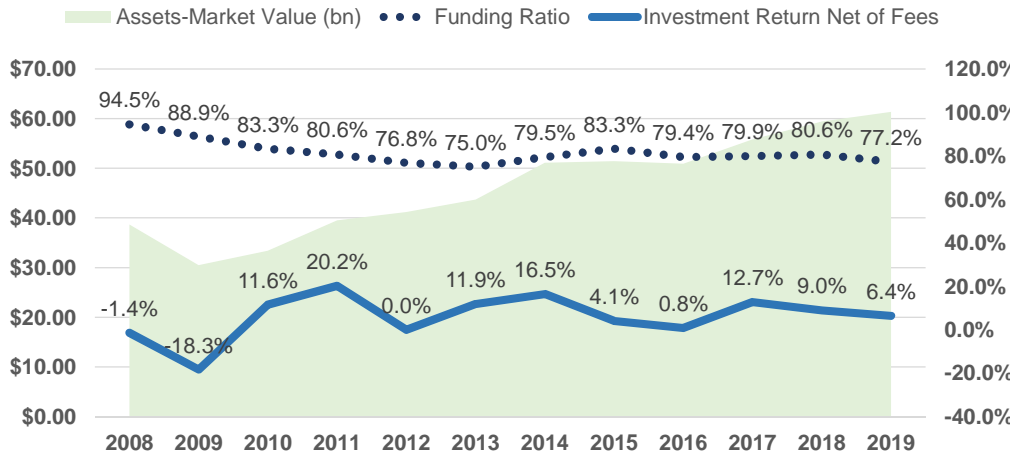
	General	Safety	Total	%
\$0 to \$3,999	29,952	1,834	31,786	53.80%
\$4,000 to \$7,999	12,956	3,502	16,458	27.86%
\$8,000 to \$11,999	3,380	4,169	7,549	12.78%
\$12,000 to \$15,999	936	1,531	2,467	4.18%
\$16,000 to \$19,999	296	276	572	0.97%
\$20,000 to \$23,999	83	107	190	0.32%
\$24,000 to \$27,999	27	19	46	0.08%
> \$28,000	13	3	16	0.03%
<b>Totals</b>	<b>47,643</b>	<b>11,441</b>	<b>59,084</b>	<b>100%</b>

**Average Monthly Benefit Allowance: \$ 4,440.00**

Healthcare Program		Healthcare Enrollments	
(YTD as of 11/30/20)		(Mo. Ending: 11/30/20)	
	Employer	Member	
Medical	237.4	18.6	Medical 52,336
Dental	18.9	1.8	Dental 53,734
Part B	31	0	Part B 35,589
LTC			LTC 597
<b>Total</b>	<b>287.3</b>	<b>20.4</b>	<b>Total 142,256</b>

## Key Financial Metrics

Fiscal Year End Financial Update (as of 06/30/2019)



### Funding Metrics (as of 6/30/19)

Employer NC	10.86%
UAAL	13.92%
Assumed Rate	7.00%
Star Reserve	\$614m
Total Assets	\$58.3b

### Contributions (as of 6/30/19)

	Employer	Member
Annual Add	\$1.7b	\$635.4m
% of Payroll	22.59%	7.68%

### TOTAL FUND RETURN (Net of Fees)

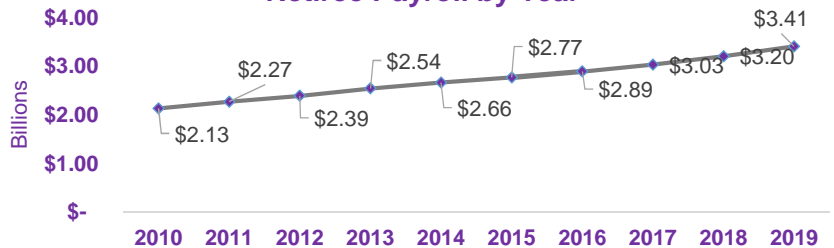
5 YR:	6.5%
10 YR:	9.1%

### Retired Members Payroll

(As of 11/30/2020)

Monthly Payroll	\$315.54m
Payroll YTD	\$1.6b
New Retired Payees Added	357
Seamless %	97.20%
New Seamless Payees Added	1,568
Seamless YTD	96.17%
By Check %	3.00%
By Direct Deposit %	97.00%

### Retiree Payroll by Year



Date	Conference
<b>January, 2021</b>	
<b>February, 2021</b>	
2-3	NCPERS FALL (Financial, Actuarial, Legislative & Legal) Conference Virtual
12	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual
16-18	Pacific Pension Institute (PPI) Winter Roundtable Virtual
22-26	Investment Strategies & Portfolio Management ( <i>prev. Pension Fund &amp; Investment Mgmt.</i> ) Wharton School, University of Pennsylvania LIVE Virtual
<b>March, 2021</b>	
8-9	CALAPRS (California Association of Public Retirement Systems) General Assembly Meeting Virtual
8-10	Council of Institutional Investors (CII) Spring Conference Virtual
25-26	PREA (Pension Real Estate Association) Spring Conference TBD
<b>April, 2021</b>	
11-14	World Healthcare Congress Washington D.C.
20	NCPERS (National Conference on Public Employee Retirement Systems) Legislative Conference Virtual
<b>May, 2021</b>	
11-14	SACRS Spring Conference Long Beach, CA
17-18	IFEBP (International Foundation of Employment Benefit Plans) Legislative Update Washington D.C.
23-26	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference Denver, CO <b>IN-PERSON EVENT CANCELLED</b>
28	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual

# Chief Investment Officer Monthly Report

Board of Investments

January 13, 2021



Jonathan Grabel   
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



# Table of Contents

---

1. Market Environment
2. Portfolio Performance Updates
3. Portfolio Structural Updates
4. Key Initiatives and Operational Updates
5. Commentary
6. Appendix



# Market Environment

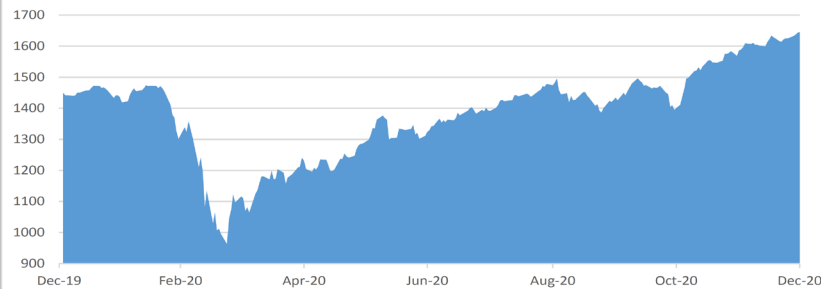


# Global Market Performance as of December 31, 2020

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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
5.0	15.7	16.3	16.3	9.7	12.2	9.1

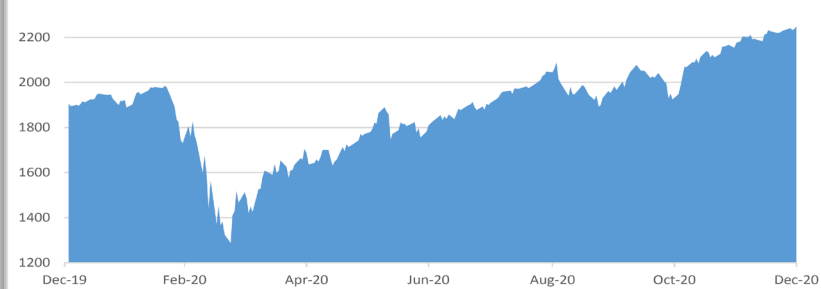
MSCI ACWI IMI Index 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
4.5	14.7	20.9	20.9	14.5	15.4	13.8

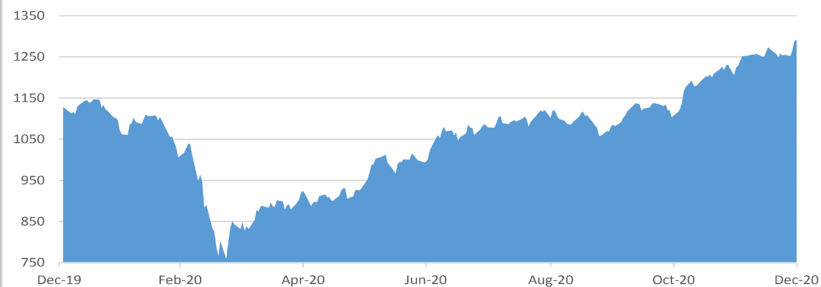
Russell 3000 1-Year Performance



## MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
7.4	19.7	18.3	18.3	6.2	12.8	3.6

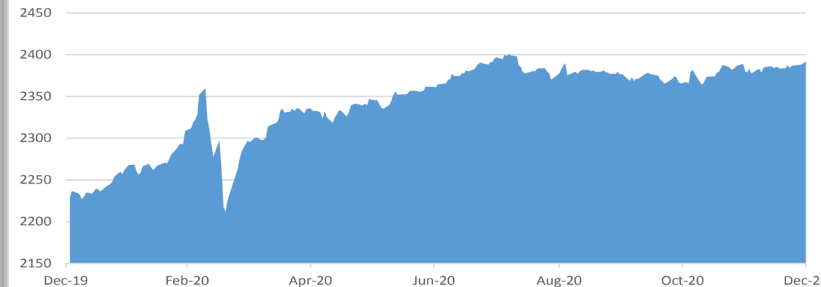
MSCI Emerging Markets 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
0.1	0.7	7.5	7.5	5.3	4.4	3.8

Barclays U.S. Aggregate Bond Index 1-Year Performance



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

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

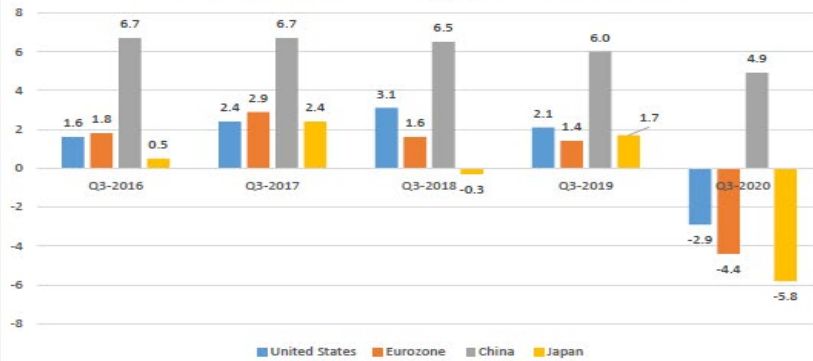
Source: Bloomberg



# Key Macro Indicators\*

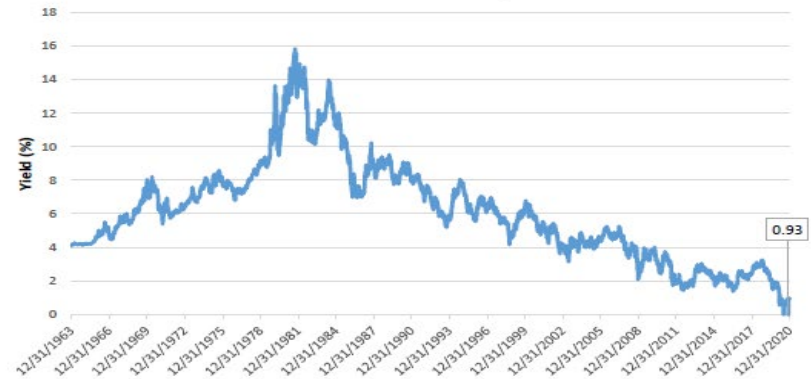
## GDP Growth of Major Economies<sup>1</sup>

Real GDP Growth YoY (%) - Last Five Years



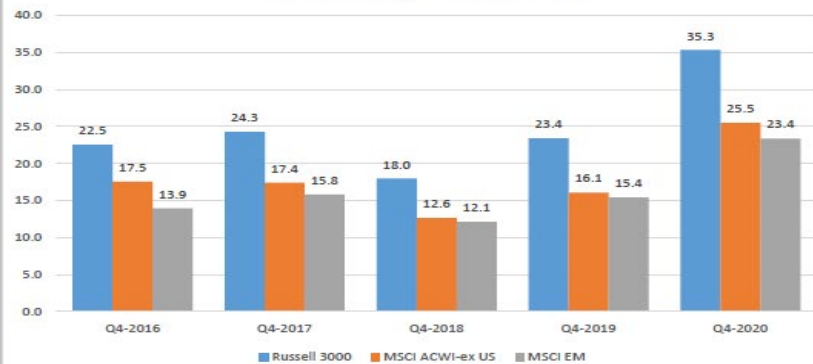
## Historical Low for 10-Year Treasury Yield<sup>2</sup>

Historical 10 Year Treasury Yield



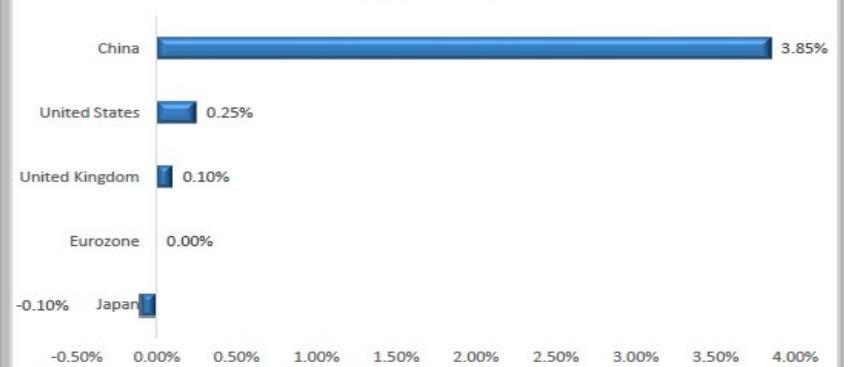
## World Equity Valuation<sup>3</sup>

Price-to-Earnings - Last Five Years



## Central Bank Rates<sup>4</sup> (as of 12/31/2020)

Central Bank Rates



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

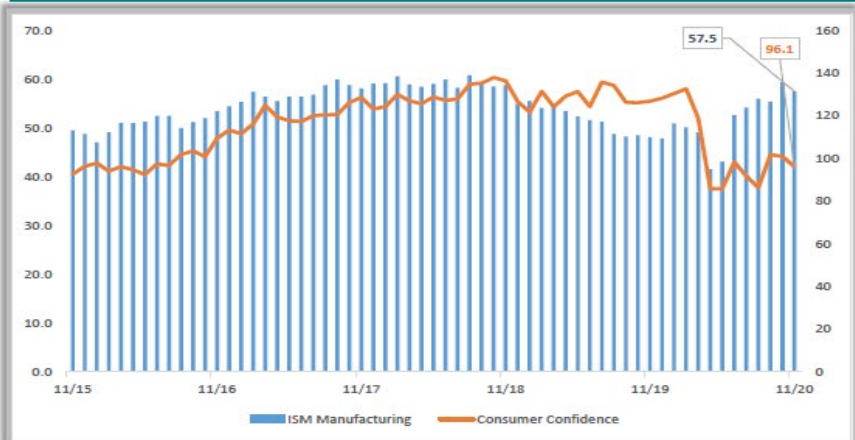
3. FactSet  
4. FactSet

\*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/20 and may not reflect the current market and economic environment.

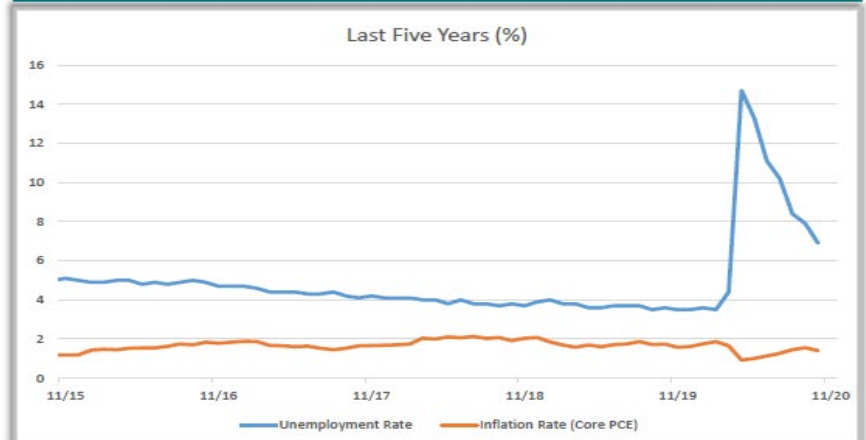


# Key Macro Indicators\*

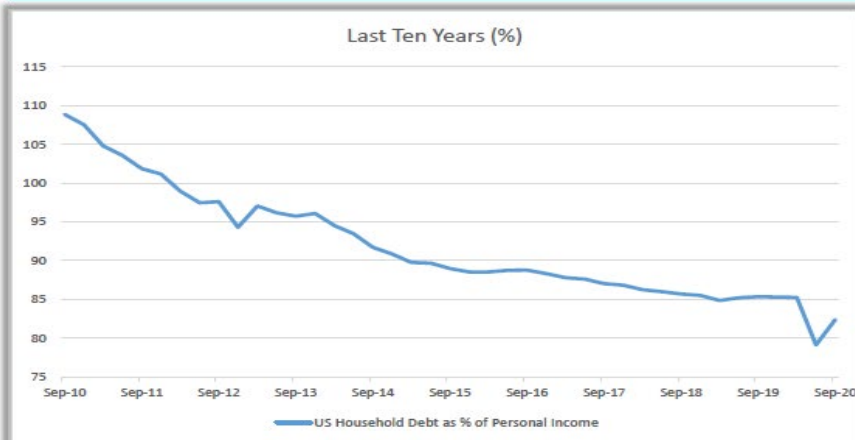
## Consumer Confidence & ISM Manufacturing<sup>1</sup>



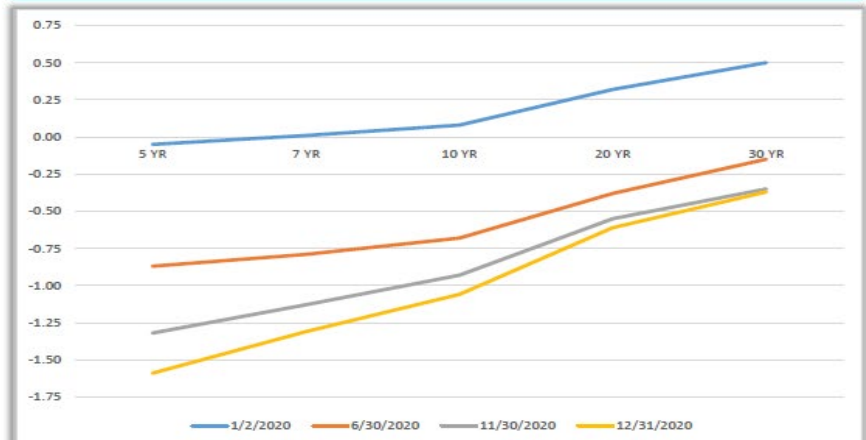
## U.S. Inflation & Unemployment<sup>2</sup>



## U.S. Household Debt as % of Personal Income<sup>3</sup>



## U.S. Treasury "Real" Yield Curve<sup>4</sup>



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

\*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/20 and may not reflect the current market and economic environment.



# Market Themes and Notable Items to Watch

## Recent Themes

- COVID-19
  - More than 83 million cases and 1.8 million deaths worldwide
    - Over 20 million cases in the U.S.
      - Up from 13 million a month ago
    - Over 18 million cases in Brazil and India
  - New coronavirus variants surface
  - Vaccinations begin
- U.S. government passed a \$900 billion COVID-19 economic relief package and a \$1.4 trillion government funding package
- Global equities (MSCI ACWI) closed the year at record levels
- Natural resources continue to rise
  - Oil has more than doubled from decade lows in April
- U.S. dollar index declines 2% and sets a 32-month low in December

## What to Watch

- COVID-19
- Social equity and civil rights initiatives
- Unemployment and consumer spending
- Potential government infrastructure spending
- Health of corporate balance sheets and credit availability
- Interest rates and inflation data
- Geopolitical risks and trade arrangements
- Georgia runoff election results and divided or single-party government in the U.S.
  - Impacts potential future government stimulus and inflation expectations

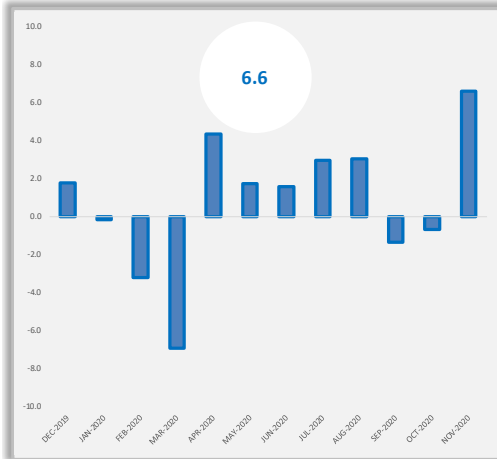


# Portfolio Performance Updates

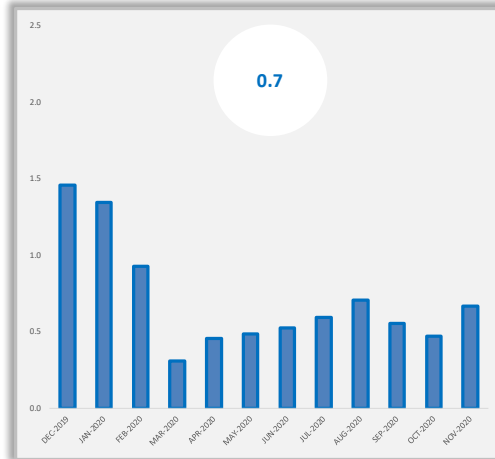


# Total Fund Summary as of November 2020

## Monthly Return (% net)



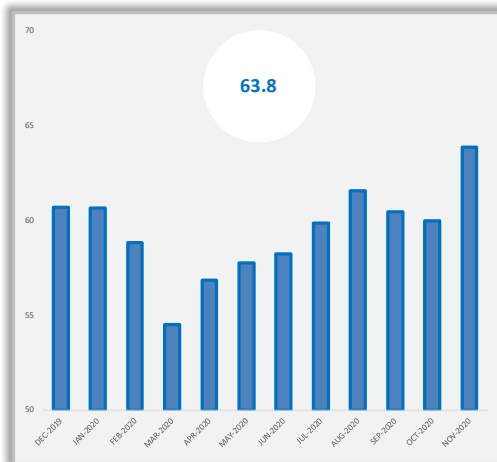
## Sharpe Ratio (3-Year Annualized)



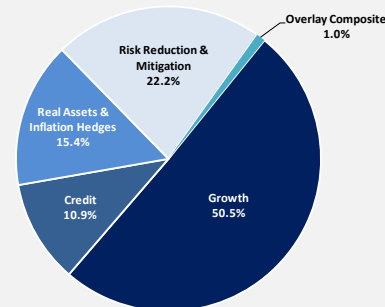
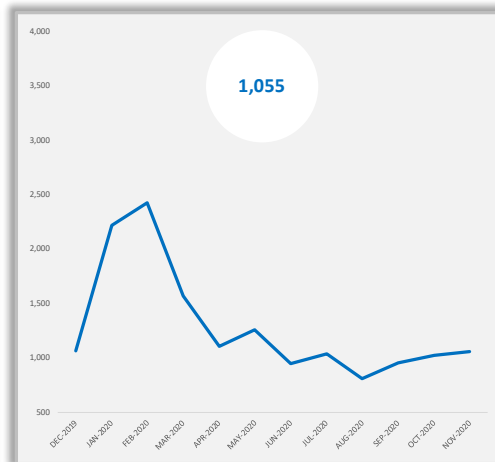
## Asset Allocation

	Market Value <sup>1</sup> (\$ millions)	% of Total	Final Target <sup>2</sup>
<b>TOTAL FUND</b>	<b>63,845</b>	<b>100.0%</b>	
<b>Growth</b>	<b>32,233</b>	<b>50.5%</b>	<b>47.0%</b>
Global Equity	23,665	37.1%	35.0%
Private Equity <sup>3</sup>	7,852	12.3%	10.0%
Opportunistic Real Estate <sup>4</sup>	716	1.1%	2.0%
<b>Credit</b>	<b>6,979</b>	<b>10.9%</b>	<b>12.0%</b>
High Yield	2,099	3.3%	3.0%
Bank Loans	2,497	3.9%	4.0%
Emerging Market Debt	868	1.4%	2.0%
Illiquid Credit <sup>3,4,5</sup>	1,513	2.4%	3.0%
<b>Real Assets &amp; Inflation Hedges</b>	<b>9,858</b>	<b>15.4%</b>	<b>17.0%</b>
Core & Value Added Real Estate <sup>4</sup>	4,393	6.9%	7.0%
Natural Resources & Commodities	2,395	3.8%	4.0%
Infrastructure	1,844	2.9%	3.0%
Treasury Inflation-Protected Securities	1,226	1.9%	3.0%
<b>Risk Reduction &amp; Mitigation</b>	<b>14,167</b>	<b>22.2%</b>	<b>24.0%</b>
Investment Grade Bonds	11,463	18.0%	19.0%
Diversified Hedge Fund Portfolio <sup>5</sup>	1,649	2.6%	4.0%
Cash	1,055	1.7%	1.0%
Overlay Composite <sup>6</sup>	608	1.0%	—

## Total Market Value (\$ billions)



## Cash (\$ millions)



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

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



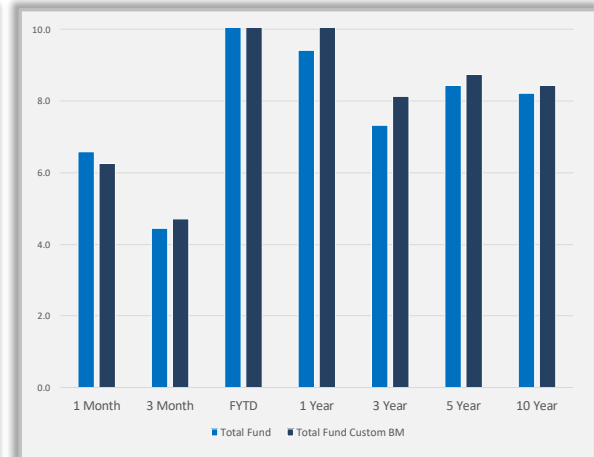


# Historical Net Performance as of November 2020\*

## LACERA Pension Fund (net)

	Market Value (\$ millions)	% of Total Fund	Final Target <sup>1</sup>	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>TOTAL FUND</b>	<b>63,845</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6.6</b>	<b>4.5</b>	<b>10.8</b>	<b>9.4</b>	<b>7.3</b>	<b>8.4</b>	<b>8.2</b>
<i>Total Fund Custom BM</i>				<i>6.3</i>	<i>4.7</i>	<i>11.7</i>	<i>10.6</i>	<i>8.1</i>	<i>8.8</i>	<i>8.4</i>
<i>7% Annual Hurdle Rate</i>				<i>0.57</i>	<i>1.71</i>	<i>2.86</i>	<i>7.00</i>	<i>7.00</i>	<i>7.00</i>	<i>7.00</i>
<b>Functional Composites<sup>2</sup></b>				<b>1 Month</b>	<b>3 Month</b>	<b>FYTD</b>	<b>1 Year</b>			
<b>GROWTH</b>	<b>32,233</b>	<b>50.5%</b>	<b>47.0%</b>	<b>11.0</b>	<b>7.4</b>	<b>17.7</b>	<b>13.7</b>			
<i>Growth Custom BM</i>				<i>10.8</i>	<i>8.5</i>	<i>21.6</i>	<i>16.2</i>			
<b>CREDIT</b>	<b>6,979</b>	<b>10.9%</b>	<b>12.0%</b>	<b>2.7</b>	<b>3.5</b>	<b>8.3</b>	<b>4.2</b>			
<i>Credit Custom BM</i>				<i>2.3</i>	<i>2.1</i>	<i>6.0</i>	<i>6.2</i>			
<b>REAL ASSETS &amp; INFLATION HEDGES</b>	<b>9,858</b>	<b>15.4%</b>	<b>17.0%</b>	<b>3.8</b>	<b>1.1</b>	<b>4.5</b>	<b>1.1</b>			
<i>Real Assets &amp; Inflation Hedges Custom BM</i>				<i>4.3</i>	<i>1.9</i>	<i>4.9</i>	<i>3.0</i>			
<b>RISK REDUCTION &amp; MITIGATION</b>	<b>14,167</b>	<b>22.2%</b>	<b>24.0%</b>	<b>1.0</b>	<b>1.0</b>	<b>2.4</b>	<b>7.4</b>			
<i>Risk Reduction &amp; Mitigation Custom BM</i>				<i>0.8</i>	<i>0.5</i>	<i>1.1</i>	<i>6.4</i>			
<b>OVERLAY COMPOSITE</b>	<b>608</b>	<b>1.0%</b>	<b>—</b>							

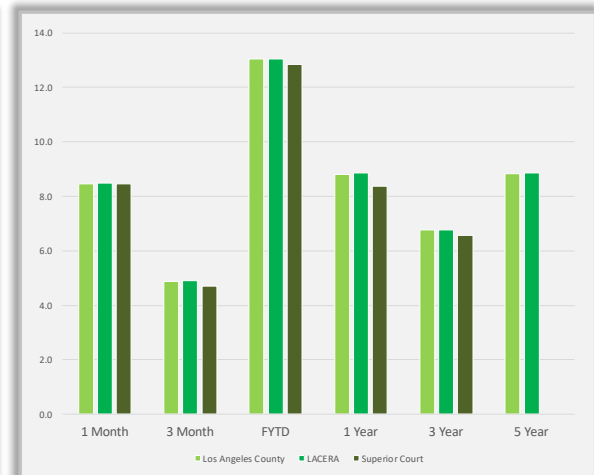
## Historical Returns (net)



## OPEB Master Trust Fund (net)

Sub-Trusts	Market Value (\$ millions) <sup>3</sup>	Trust Ownership %	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
<b>TOTAL OPEB MASTER TRUST</b>	<b>1,769</b>								
Los Angeles County	1,711	96.7%	—	8.5	4.9	13.0	8.8	6.8	8.8
LACERA	7	0.4%	—	8.5	4.9	13.1	8.9	6.8	8.9
Superior Court	51	2.9%	—	8.5	4.7	12.9	8.4	6.6	—
<b>Functional Composites</b>				<b>1 Month</b>	<b>3 Month</b>	<b>FYTD</b>	<b>1 Year</b>	<b>3 Year</b>	
<b>OPEB Growth</b>	<b>910</b>	<b>51.4%</b>	<b>50.0%</b>	<b>12.7</b>	<b>6.9</b>	<b>19.3</b>	<b>15.0</b>	<b>8.8</b>	
<i>Custom OPEB MT Growth Pool</i>				<i>12.7</i>	<i>6.8</i>	<i>19.2</i>	<i>14.7</i>	<i>8.5</i>	
<b>OPEB Credit</b>	<b>344</b>	<b>19.5%</b>	<b>20.0%</b>	<b>3.4</b>	<b>3.1</b>	<b>7.0</b>	<b>3.7</b>	<b>—</b>	
<i>Custom OPEB MT Credit Pool</i>				<i>3.4</i>	<i>3.3</i>	<i>7.5</i>	<i>4.6</i>	<i>—</i>	
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>346</b>	<b>19.6%</b>	<b>20.0%</b>	<b>7.0</b>	<b>3.3</b>	<b>9.2</b>	<b>-4.2</b>	<b>—</b>	
<i>Custom OPEB MT RA &amp; IH Pool</i>				<i>7.2</i>	<i>3.4</i>	<i>9.2</i>	<i>-4.7</i>	<i>—</i>	
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>168</b>	<b>9.5%</b>	<b>10.0%</b>	<b>0.8</b>	<b>0.4</b>	<b>1.0</b>	<b>6.2</b>	<b>5.5</b>	
<i>Custom OPEB MT RR &amp; M Pool</i>				<i>0.8</i>	<i>0.4</i>	<i>0.9</i>	<i>6.0</i>	<i>5.3</i>	
<b>Operating Cash</b>	<b>0.4</b>	<b>0.0%</b>	<b>—</b>						

## Historical Returns (net)



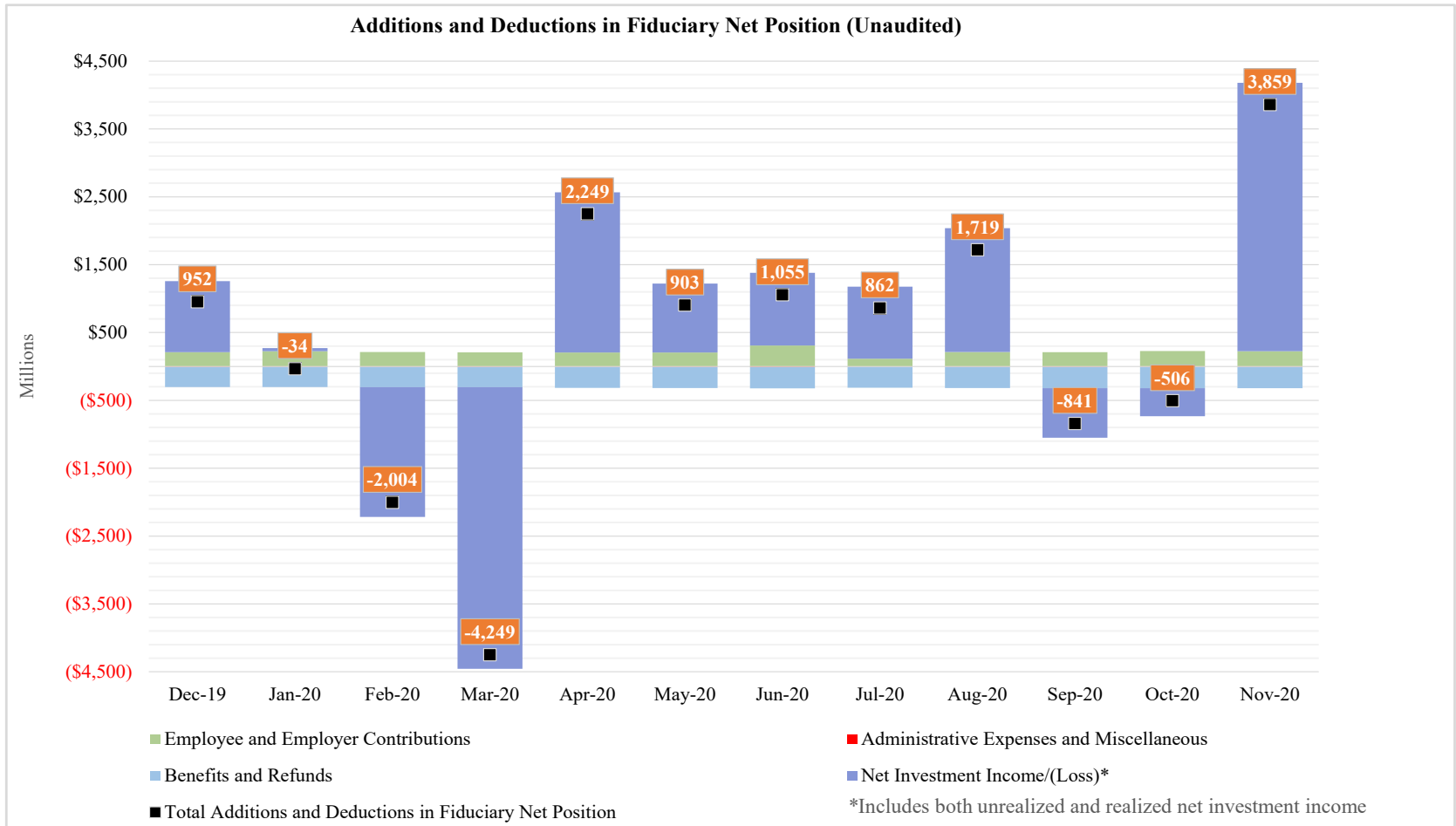
1. Final target weights effective as of 10/1/19  
2. Functional composites were adopted on 4/1/19

3. Market value differences between the sub-trusts and functional composites are due to operational cash

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



# Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-19	4	8	\$1.9 billion
FY-20	5	7	-
FY-21	2	3	\$5.1 billion



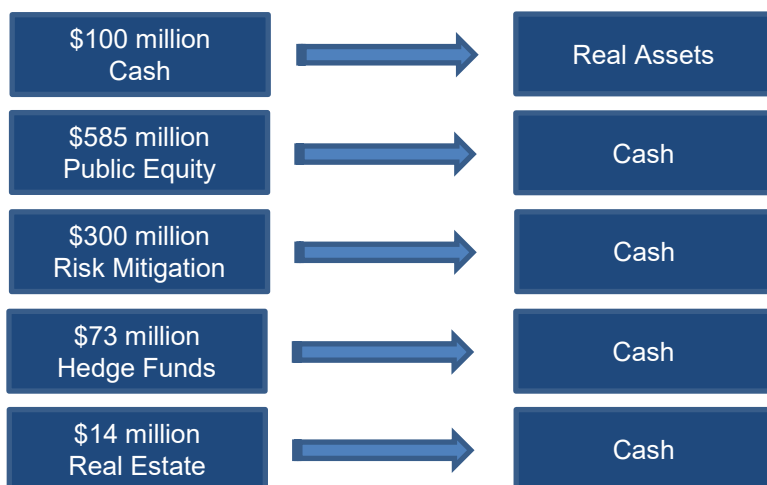
# Portfolio Structural Updates



# Portfolio Structural Updates

## Portfolio Movements

### Rebalancing Activity



### Hedges and Overlays

Program	November Return	November Gain/Loss	Inception* Gain/Loss
Currency Hedge**	-1.1%	-\$14.3 Million	\$891.9 Million
Cash/Rebalance Overlay***	2.6%	\$26.9 Million	\$33.5 Million

## Current Search Activity

### Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
High Yield Fixed Income Investment Management Services	●	●	Anticipated Early 2021
Dedicated Managed Account Services	●	●	Anticipated Early 2021
Real Estate Consultant Services	●	●	January 2021 BOI Meeting
Proxy Research and Proxy Voting Platform Services	●	●	Anticipated Early 2021

### Quiet Period for Search Respondents

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

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

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

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



# Key Initiatives and Operational Updates



# Notable Initiatives and Operational Updates

---

## Key Initiative Updates

- Onboarding process of new risk, performance system, and real estate administrator continues
- Ongoing implementation and development of T.I.D.E. initiative
- Implementation of 2021 Workplan
- Implementation of Private Markets Scorecard
- Review of Global Real Estate Sustainability Benchmark Results

## Operational Updates

- The Annual Contract Compliance exercise is underway across public markets
- Investments formed a “Back To Office” working group to develop plans to return to the office
- Financial Analyst II & III searches
  - Public Equity, Real Assets, Portfolio Analytics (Corporate Governance) and Credit
- Finalization of Investments FY 2021-22 Budget
- Investments formed an Operational Due Diligence (“ODD”) Group to standardize and enhance ODD across the total Fund

## Manager/Consultant Updates

- State Street Custody Bank announced a change to LACERA’s client service team. Ryan Russell will be replaced by Travis Calaibo, as Mr. Russell has taken on a new role at State Street.
- Institutional Shareholder Services Inc. (“ISS”) has announced that it is being acquired by Deutsche Börse Group AG (“DB”), to which DB will acquire a majority stake in ISS in a transaction expected to close by the end of the first quarter of 2021



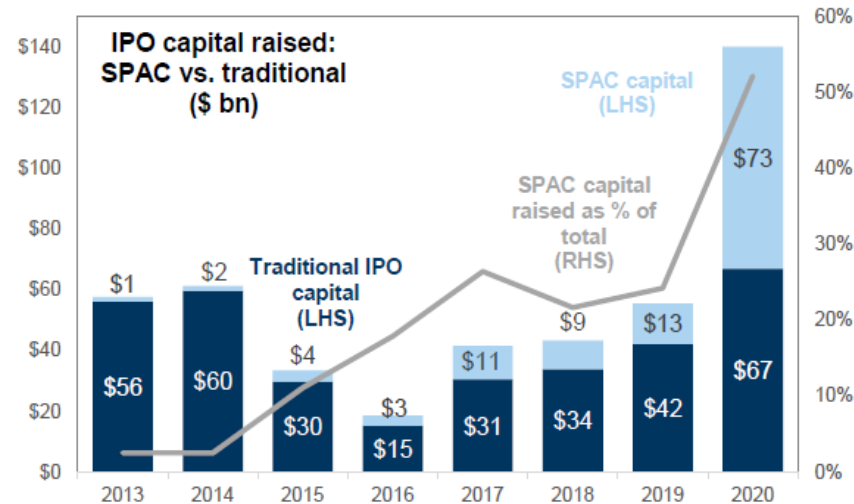
# Commentary



# Staff Chart of the Month\*

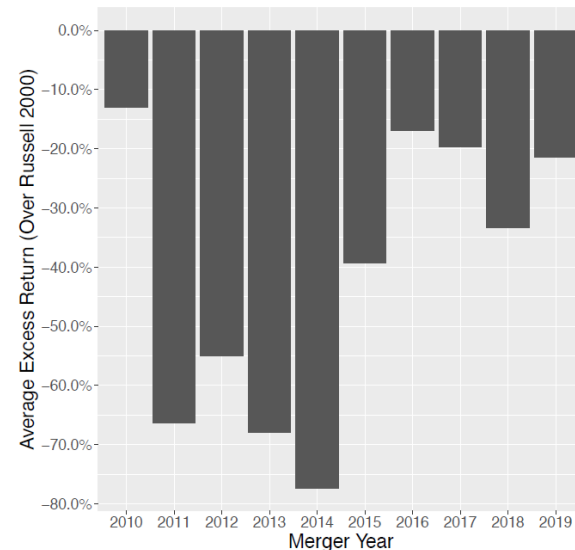
## 2020 SPAC Activity

**Exhibit 1: SPAC IPO volumes have surged in 2020**  
as of December 16th, 2020



Left-hand side ("LHS") and right-hand side ("RHS")

*Average One-Year Post-Merger Returns (Excess Russell 2000) for Earlier SPACs*



- In 2020, SPAC's consisted of over half of the IPO activity
- Traditionally, SPAC's underperform the Russell 2000





# Appendix



# Quiet Period for Search Respondents

## Real Estate Consultant Services

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

## Dedicated Managed Account Services

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

## Proxy Research and Proxy Voting Services

- ✓ Equilar, Inc
- ✓ Glass, Lewis & CO., LLC
- ✓ Institutional Shareholder Services Inc. ("ISS")

## High Yield Fixed Income Investment Management Services

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



December 18, 2020

TO: Trustees – Board of Investments

FROM: Equity: Public/Private Committee

Ted Wright, CFA, FRM, PRM, CAIA *TW*  
Principal Investment Officer

Ron Senkandwa *RS*  
Investment Officer

Jeff Jia *JJ*  
Senior Investment Analyst

FOR: January 13, 2021 Board of Investments Meeting

**SUBJECT: GLOBAL EQUITY - REVIEW OF IMPLEMENTATION OF U.S. ACTIVE MANAGEMENT AND MANAGER SEARCH PROCESS**

### **RECOMMENDATION**

Approve the following proposed changes to the investment guidelines: 1) clarify tracking error, 2) affirm currency hedge, and 3) establish parameters for Cash Overlay.

### **BACKGROUND**

On December 9, 2020, the Equity: Public/Private Committee (“Committee”) unanimously advanced the proposed changes to LACERA’s Global Equity investment guidelines to the Board of Investments (“Board”) for approval. The primary reason for the proposed changes is to enhance the U.S. Equity portfolio’s risk-adjusted returns and to align the portfolio’s risk exposures closer to the benchmark. A secondary reason is to enhance management of the Global Equity portfolio’s risk exposures, thereby mitigating unintended exposures. The proposed changes are consistent with the goal of streamlining the management of the Global Equity portfolio.

Attached are the materials presented to the Committee, including a concurrence memo from the Board’s general consultant, Meketa Investment Group (“Meketa”).

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

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

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

Opinions expressed by Committee members during its discussion include the following:

- In response to a question from Committee members regarding a potential reversal of the current market environment in which growth stocks are leading, it was noted that the objective of the Cash Overlay Program is to align portfolio exposures closer to benchmark and not to take material positions on style or market capitalization.
- Staff also affirmed that the Cash Overlay Program would only be used if market capitalization or regional exposures deviate by +/-1% relative to the benchmark.

## **RISKS OF ACTION AND INACTION**

The Board's approval of the recommendations will enable staff to prudently manage portfolio risk exposures and mitigate unintended risks. If the Board does not approve the investment guideline changes, staff will consult with the Committee and propose an alternative or include the Board's direction in revised documents.

## **CONCLUSION**

The Committee voted unanimously to advance the recommended changes to the Board for approval. The proposed changes are intended to improve risk-adjusted returns and to enhance risk management of the Global Equity portfolio.

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer



November 30, 2020

TO: Trustees – Equity: Public/Private Committee

FROM: Ted Wright, CFA, FRM, PRM, CAIA   
Principal Investment Officer

Ron Senkandwa   
Investment Officer

Jeff Jia   
Senior Investment Analyst

FOR: December 9, 2020 Equity: Public/Private Committee Meeting

SUBJECT: **GLOBAL EQUITY - REVIEW OF IMPLEMENTATION OF U.S. ACTIVE  
MANAGEMENT AND MANAGER SEARCH PROCESS**

### RECOMMENDATION

Advance the proposed changes to the investment guidelines as recommended on slide 17 of the attached presentation to the Board of Investments for approval.

### BACKGROUND

During the Growth Biennial Structure Review presented in November 2020, staff communicated that they, along with Meketa, will present a series of discussion topics at subsequent Committee meetings. These discussions are aimed at further enhancing the Global Equity portfolio's risk-adjusted performance. The attached presentation (**Attachment 1**) covers three topics: 1) assessment of the manager search process, 2) review of implementation of U.S. active management, and 3) evaluation of portfolio management tools. Findings from staff's analysis identified existing tools to mitigate risk exposures within the Global Equity portfolio. As LACERA moves from allocator to investor, prudent management of these exposures will help to ensure that LACERA is compensated appropriately for the risks taken.

Meketa Investment Group ("Meketa"), LACERA's general investment consultant, has provided a memo that concurs with staff's findings (**Attachment 2**).

Attachments

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer

# Global Equity

## Review of Implementation of U.S. Active Management and Manager Search Process

Equity: Public/Private Committee Meeting  
December 9, 2020

Ted Wright, CFA, FRM, PRM, CAIA – Principal Investment Officer

Ron Senkandwa – Investment Officer

Jeff Jia – Senior Investment Analyst



# Table of Contents

---

- I. Recap of November Committee Meeting
- II. Objectives
- III. Assessment of Manager Search Process
- IV. Implementation of U.S. Active Management
- V. Expand Use of Portfolio Management Tools
- VI. Summary
- VII. Conclusion
- VIII. Advance to Board



# Recap of November Committee Meeting

---

- Biennial structure review conducted at November Equity: Public/Private Committee Meeting
- Findings from review: U.S. Portfolio has underperformed due to small cap and value tilt
- Follow-up presentations on following topics:
  - Assessment of manager search process
  - Review of implementation of active management
  - Evaluation of new portfolio management tools
  - Analysis of the role of activist managers
  - Study of currency hedging program





# Objectives

---

*Explore options to enhance risk/return profile of U.S. portfolio*



- Discuss manager search process
- Review implementation of active management within U.S. portfolio
- Expand use of portfolio management tools

# Assessment of Manager Search Process

## Manager search process – prior to November 2019

- Minimum Qualifications (MQs) focused on historical returns
- Performance MQs below were used for public market searches, per prior LACERA IPS

*“At least 60%, or more, of the quarterly rolling one-year excess returns for the last seven years (15 of 25 observations) must exceed the appropriate benchmark by at least the net of fees excess return expectations for LACERA’s managers in the same mandate<sup>1</sup>.”*
- Consistent with IPS, a three-year performance period was used for the U.S. small cap equity manager search conducted in 2017
  - Time period did not capture a full market cycle
  - Resulted in value-biased managers given strong rally of value stocks at the time

## Updated manager search process – post November 2019

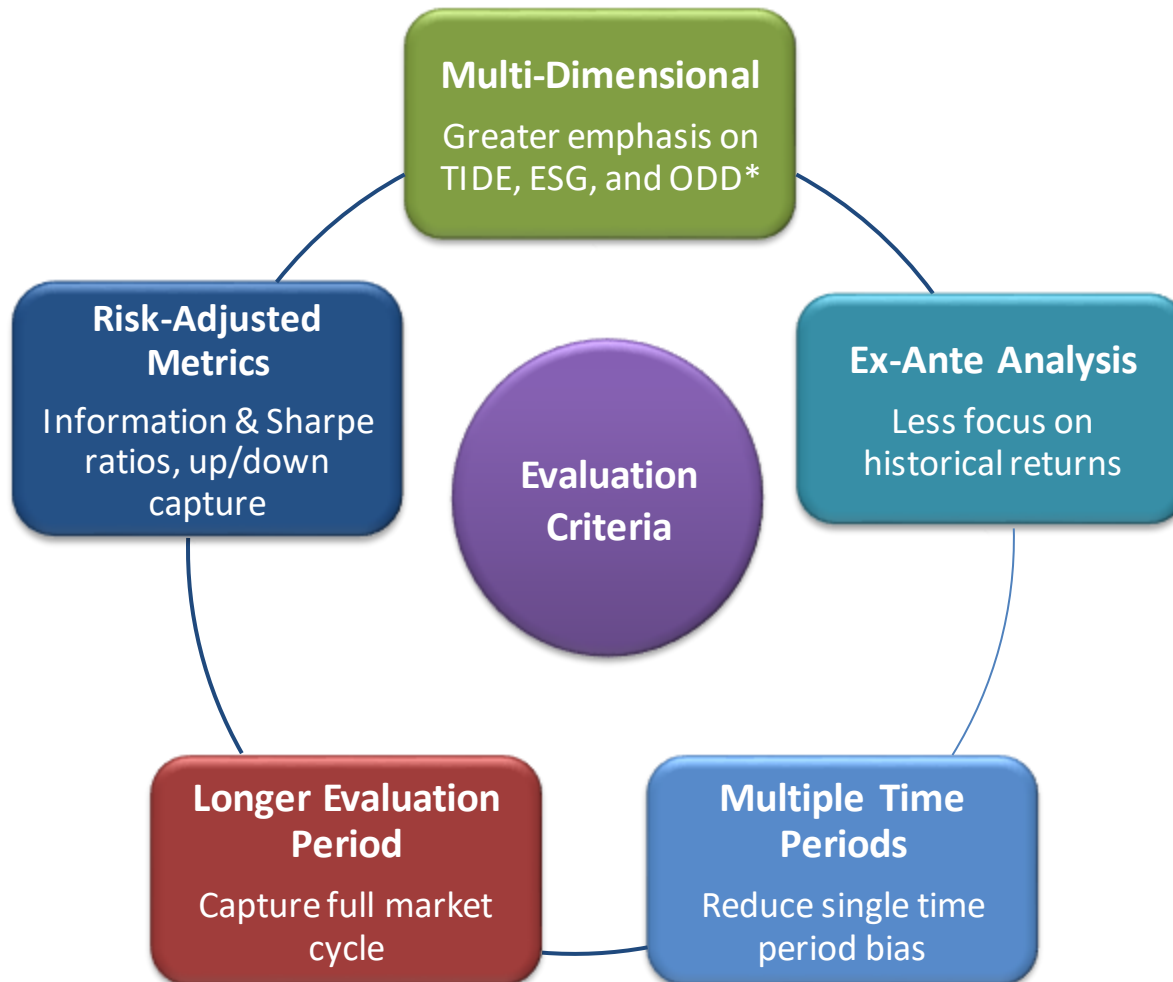
- Revision of IPS and new Procurement Policy remedied most of drawbacks of prior MQs
- New Procurement Policy is designed to be market-aware and new searches will be tailored to the mandate
- Searches will utilize available databases to identify a comprehensive list of managers to optimize responses to RFPs

<sup>1</sup> With the exception of U.S. and international small cap managers: quarterly rolling one-year excess returns for the last three years.

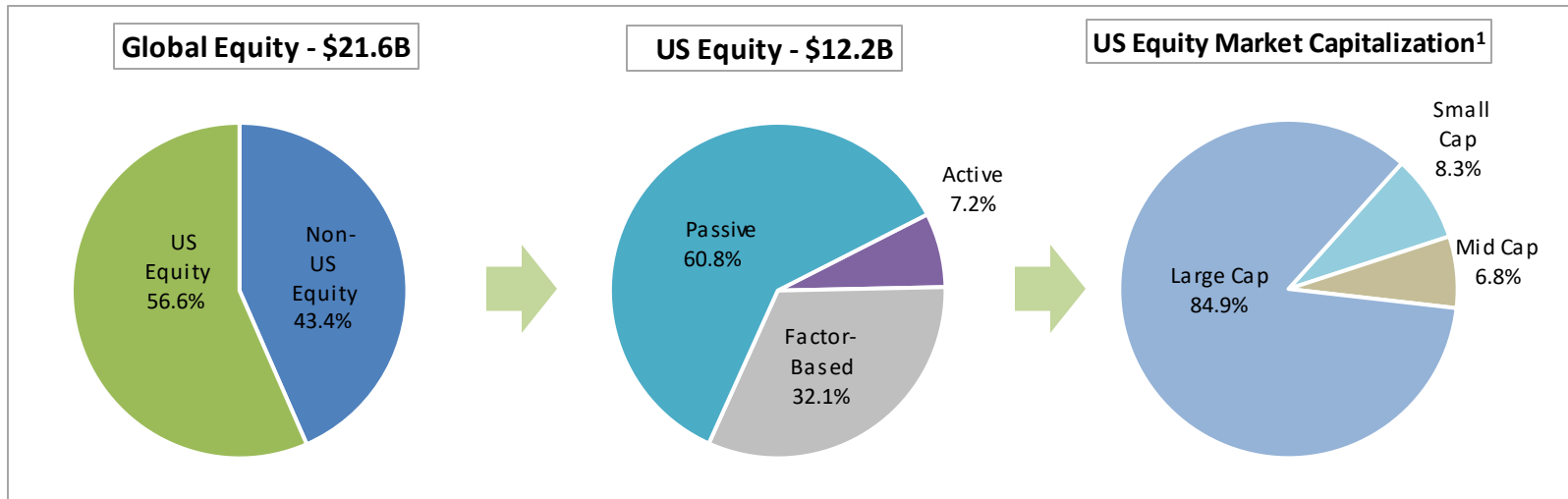


# Assessment of Manager Search Process (Cont'd)

## Broaden Evaluation Criteria:



# Implementation of U.S. Active Management



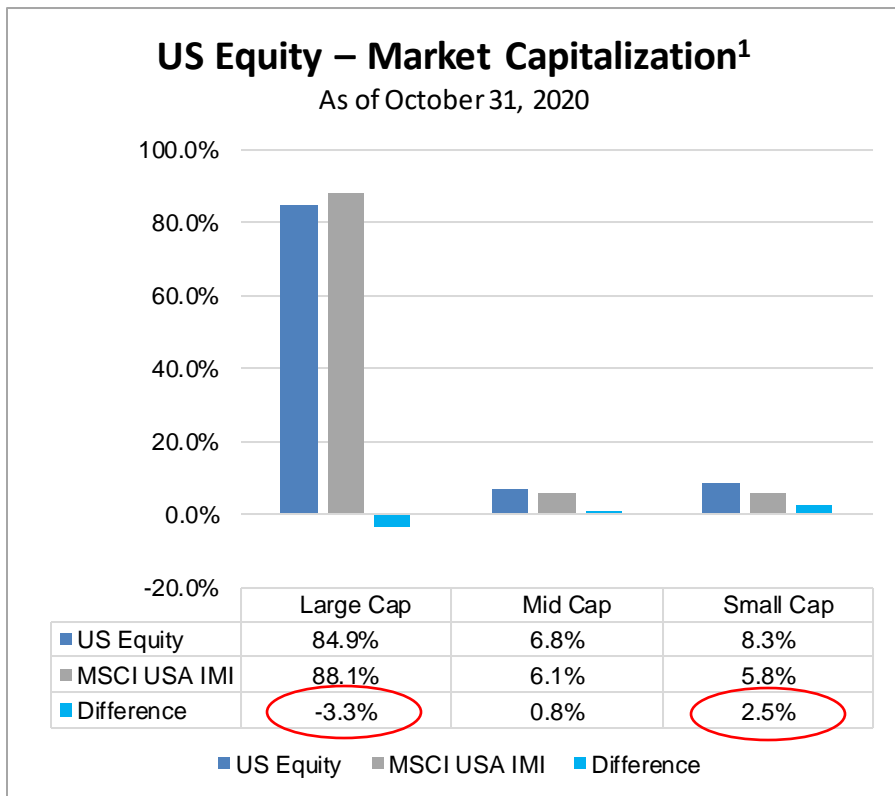
As of October 31, 2020.

- Majority of portfolio is allocated to Passive and Factor-Based
- Passive and Factor-Based allocations reflect efforts to improve portfolio efficiency
- Active management is implemented almost exclusively through small cap and SMID<sup>2</sup> managers

<sup>1</sup> Market cap breakpoints based on LACERA custom breakpoints and may differ from those of MSCI. As of October 31, 2020.

<sup>2</sup> SMID - Small and Mid Capitalization stocks as defined by the Russell 2500 Index.

# Implementation of U.S. Active Management (Cont'd)



- U.S. portfolio is overweight small caps and underweight large caps relative to benchmark
- Overweight to small caps is driven by allocation to small cap managers within active portfolio
- Factor-Based manager has tilt to large cap to offset small cap overweight exposure in active portfolio

<sup>1</sup> Market cap breakpoints based on LACERA custom breakpoints and may differ from those of MSCI.



# Implementation of U.S. Active Management (Cont'd)

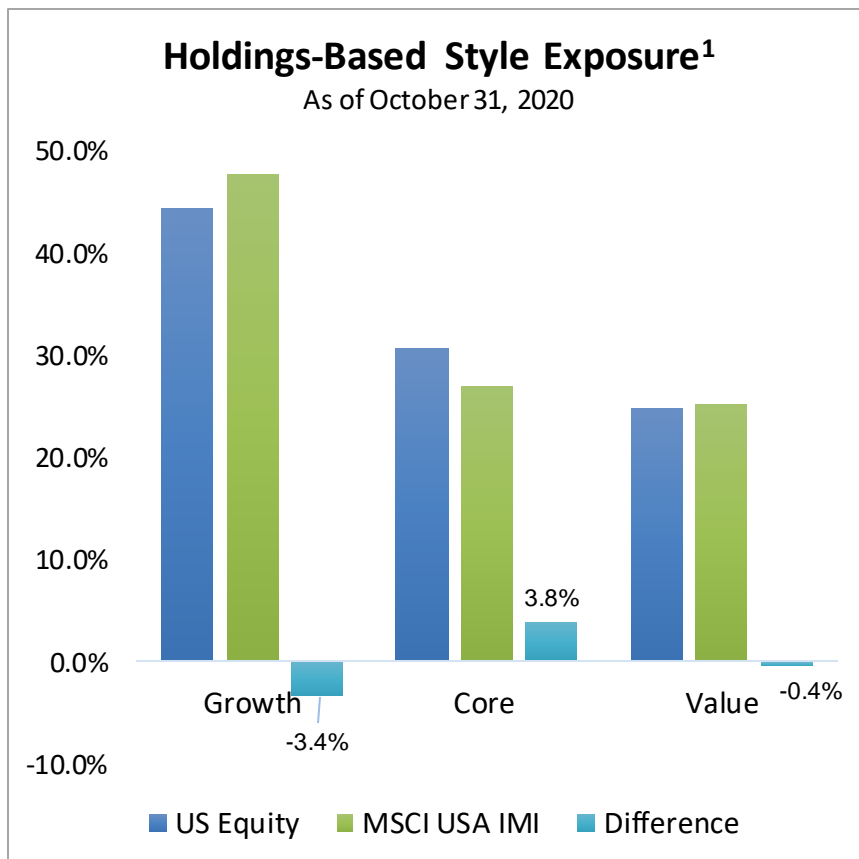
## Style Analysis

As of October 31, 2020

Portfolios	Benchmark	% of Fund	Market Value (\$ Millions)
<b>Large Cap</b>			
JP Morgan US Beta	MSCI USA IMI	81.7%	3,918.3
JANA Partners	S&P 500 Index	1.7%	83.1
<b>SMID Cap</b>			
Frontier	Russell 2500	6.2%	295.8
<b>Small Cap</b>			
QMA	Russell 2000	4.0%	190.9
Systematic	Russell 2000	3.6%	172.2
CornerCap	Russell 2000	1.1%	52.5
Matarin	Russell 2000	1.7%	81.2
<b>US Equity Composite</b>	<b>MSCI USA IMI</b>	<b>100.0%</b>	<b>4,794.0</b>

- U.S. active managers assigned core mandates/benchmarks
- Market dislocations between value and growth stocks may lead managers to favor one style over another in search of alpha
- Decision to tilt managed portfolio to style is active risk undertaken by manager
- Based on assigned mandates, U.S. portfolio is neutral to style

# Implementation of U.S. Active Management (Cont'd)



- U.S. managers' holdings favor core over growth; however, value exposure is roughly in line with the index
- Growth stocks have outperformed value stocks by 32% year-to-date through October 31, 2020<sup>2</sup>
- Manager exposures to style are more dynamic than exposures to market capitalization

<sup>1</sup> Source: FactSet.

<sup>2</sup> As measured by Russell 3000 Growth Index minus Russell 3000 Value Index.



# Implementation of U.S. Active Management (Cont'd)

## Findings



- U.S. portfolio is tilted to less efficient market segments, small cap and SMID cap stocks, in search of alpha
- Pursuit of alpha in these market segments has come at the cost of “beta” (broad market exposure) as small cap stocks have significantly underperformed large cap stocks
- Decision by managers to tilt portfolio away from assigned core benchmark is an active risk decision and potential source of alpha for the manager
- Reducing the small cap overweight would align exposures closer to the benchmark and reduce tracking error



# Expand Use of Portfolio Management Tools

Enhance *risk management capabilities* to reduce *inadvertent exposures*



- LACERA utilizes risk mitigation tools elsewhere within the Global Equity portfolio
  - LACERA uses a 50% passive currency hedge program on the Non-U.S. developed markets portfolio to dampen currency return volatility relative to the U.S. dollar
  - Currency exposures are rebalanced monthly
- Other tools include MSCI's BarraOne risk platform to measure portfolio risk exposures
- In 2019, BOI approved use of Cash Overlay program to rebalance portfolio and better align risk exposures to strategic asset allocation
  - Can use Cash Overlay program to mitigate small cap exposure and to match broad market exposure (beta)

# Cash Overlay Example

## Illustrative Example Only

### No Cash Overlay

U.S. Equity portfolio has a market value of \$10 billion and has an allocation of 5% to large cap stocks versus the benchmark allocation of 7%. The 2% underweight to large caps equals a market value of \$200 million.

#### Scenario 1

If large caps return 20% and the benchmark returns 10%; portfolio will underperform benchmark by **-0.20%\***  $(20\% - 10\%) \times (5\% - 7\%)$ .

#### Scenario 2

If large caps return 10% and the benchmark returns 20%; portfolio will outperform benchmark by **0.20%\***  $(10\% - 20\%) \times (5\% - 7\%)$ .

***Manager alpha and market beta are combined***

### With Cash Overlay

U.S. Equity portfolio uses Cash Overlay to increase exposure to large caps by \$200 million. U.S. Equity allocation to large caps is now in line with benchmark allocation of 7%.

#### Scenario 1

If large caps return 20% and the benchmark returns 10%; portfolio will match benchmark returns **0.00%\***  $(20\% - 10\%) \times (7\% - 7\%)$ .

#### Scenario 2

If large caps return 10% and the benchmark returns 20%; portfolio will match benchmark returns **0.00%\***  $(10\% - 20\%) \times (7\% - 7\%)$ .

***Manager alpha is separated from market beta***

\*Performance is measured relative to benchmark. Large cap return minus benchmark return multiplied by portfolio weight minus benchmark weight. Does not include manager performance.



# Cash Overlay Investment Guidelines

- Establish guidelines to use Cash Overlay program as a risk mitigation tool in Global Equities
- Cash Overlay to align exposures closer to benchmark
  - Not for tactical allocation or market timing



Market Capitalization*	Target Allocation Relative to Benchmark	Action
Large Cap	+/- 1%	Use Cash Overlay to rebalance towards target
Mid Cap	+/- 1%	Use Cash Overlay to rebalance towards target
Small Cap	+/- 1%	Use Cash Overlay to rebalance towards target

Region	Target Allocation Relative to Benchmark	Action
US	+/- 1%	Use Cash Overlay to rebalance towards target
Non-US Developed	+/- 1%	Use Cash Overlay to rebalance towards target
Emerging Markets	+/- 1%	Use Cash Overlay to rebalance towards target



\*Market cap breakpoints based on LACERA custom breakpoints.

# Summary

---

## Manager Search Process

- New Procurement Policy improves manager search process
- Updated search process is multi-dimensional
- Manager search criteria more tailored to specifics of mandate

## Implementation of U.S. Active Management

- Current implementation combines alpha and beta
- Need to better align risk exposures to strategic asset allocation

## Expand Use of Portfolio Management Tools

- Embrace risk management tools to acquire real-time knowledge of exposures
- Use **Cash Overlay program** for **intra-asset category rebalancing** to mitigate risk
- Cash Overlay program can be used for small caps and across all global equity risk exposures

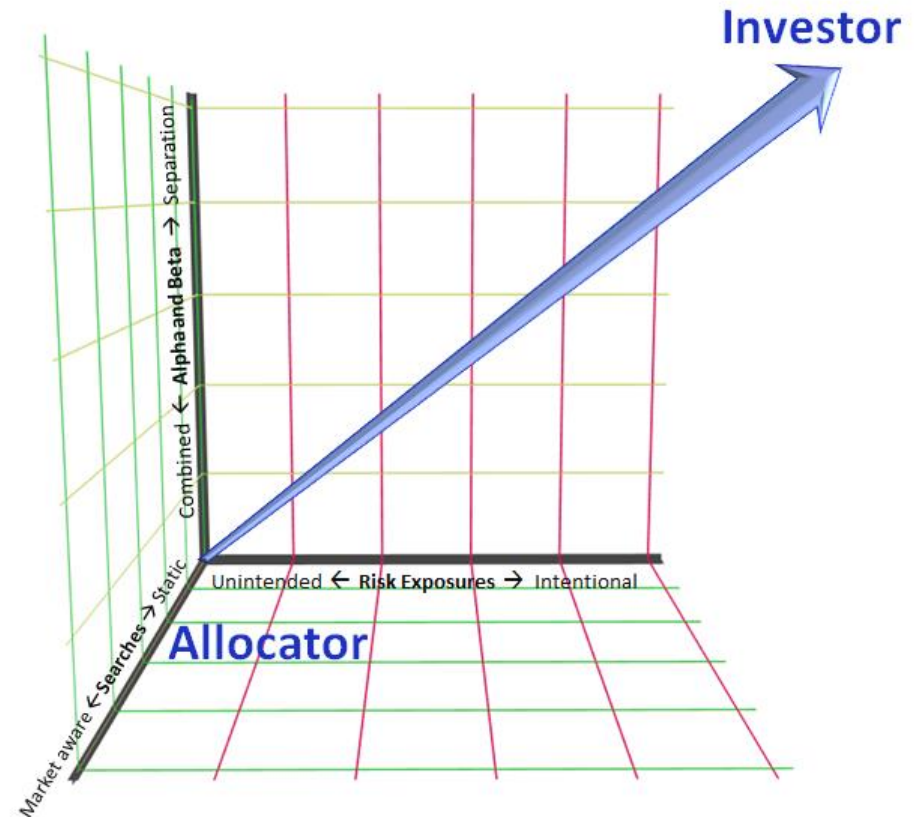


# Conclusion

As LACERA migrates from **allocator** to **investor**, the need to prudently manage risk exposures becomes more paramount

Ensures that LACERA is compensated appropriately for risks taken

Separation of alpha from beta will help capture **global equity market beta** and allow **manager selection to be the driver of portfolio alpha**



# Advance to Board

---

## Staff proposes advancing the following:

- Adopt investment guidelines changes to:
  - i. Clarify tracking error
  - ii. Affirm currency hedge
  - iii. Establish parameters for Cash Overlay

# Appendices



# Guidelines

	Target
Performance	Meet or exceed the MSCI ACWI IMI Index
Tracking Error	1% – 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.





# Guidelines (Continued)

	Description
Cash Overlay	If market capitalization or regions deviate +/-1% relative to benchmark, the Cash Overlay program may be used to rebalance market exposures back to target. Rebalancing will not be used for tactical allocation or market timing.
	Description
Currency Hedge Program	50% passive currency hedge (to U.S. Dollar) on the Non-U.S. developed markets foreign currency exposure in accordance with weights of the MSCI World-ex US IMI Index

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.

\*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 processes. LACERA will invest consistently over time to gain the proper exposures.



# Questions and Answers



**MEMORANDUM**

**TO:** LACERA Board of Investments  
**FROM:** Stephen McCourt, Leo Festino, Tim Filla, Alina Yuan  
**CC:** Meketa Investment Group  
**DATE:** November 30, 2020  
**RE:** Global Equity Structure Review

---

The Growth Functional Category Biennial Structure Review was reviewed during the November 2020 Equity: Public/Private Committee Meeting. The structure review identified initiatives expected to streamline and strengthen global equity portfolio construction in the upcoming 2021-2022 calendar years. Staff's presentation serves as one of a handful of deep-dive reviews of the global equity portfolio that are expected to follow in future meetings.

In the past few weeks, Meketa and staff have worked closely to evaluate potential enhancements to the Global Equity Portfolio. One of the observations that resulted from staff and Meketa analysis is the underperformance of the US portfolio due to small cap and value tilts. In assessing the manager search process, the Minimum Qualifications (MQs) focused heavily on historical returns and may inadvertently have favored managers with recent outperformance. However, manager performance should instead be considered through full market cycles. The updated Procurement Policy and IPS address future manager searches by tailoring the criteria for each specific mandate.

Staff has also proposed to establish parameters for the cash overlay program as a risk mitigation tool within Global Equities. In addition, staff has proposed a number of changes to the Investment Guidelines including clarifying tracking error and affirming the currency hedge. Since Meketa worked concurrently with staff in each of these initiatives, we naturally concur with the findings and the proposed changes to the Investment Guidelines.

Looking into 2021, we would highlight the following initiatives as considerations for analysis:

- Evaluation of fit of activist strategies in the global equity portfolio.
- Revisiting the role of currency hedge in the global equity portfolio.

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

SPM/LF/TF/AY/sf

December 21, 2020

**TO:** Trustees-Board of Investments

**FROM:** John McClelland, Principal Investment Officer   
James Rice, Principal Investment Officer   
Amit Aggarwal, Investment Officer   
Trina Sanders, Investment Officer   
Terra Elijah, Investment Analyst 

**FOR:** January 13, 2021 Board of Investments Meeting

**SUBJECT: REAL ESTATE CONSULTANT SEARCH  
RECOMMENDATION**

### RECOMMENDATION

Select Stepstone to provide real estate consulting services.

### DISCUSSION

As authorized by the Board in September 2020, the Evaluation Team has completed its review and assessment of the firms that responded to the RFP for a real estate consultant. The results of the evaluation are presented on **ATTACHMENT A**. In addition to the evaluation team, Chair Green and CIO Gabel participated in the first-round interviews.

The current real estate consultant, The Townsend Group, did not respond to the RFP. However, they have pledged to work collaboratively with a new consultant to complete an efficient and timely transition.

Attachment

Noted and Reviewed:

  
Jonathan Gabel  
Chief Investment Officer

JM:JR:dr

# Real Estate Consultant Search Recommendation

Board of Investments

January 13, 2021

John McClelland – Principal Investment Officer

James Rice – Principal Investment Officer

Amit Aggarwal – Investment Officer

Trina Sanders – Investment Officer

Terra Elijah – Investment Analyst



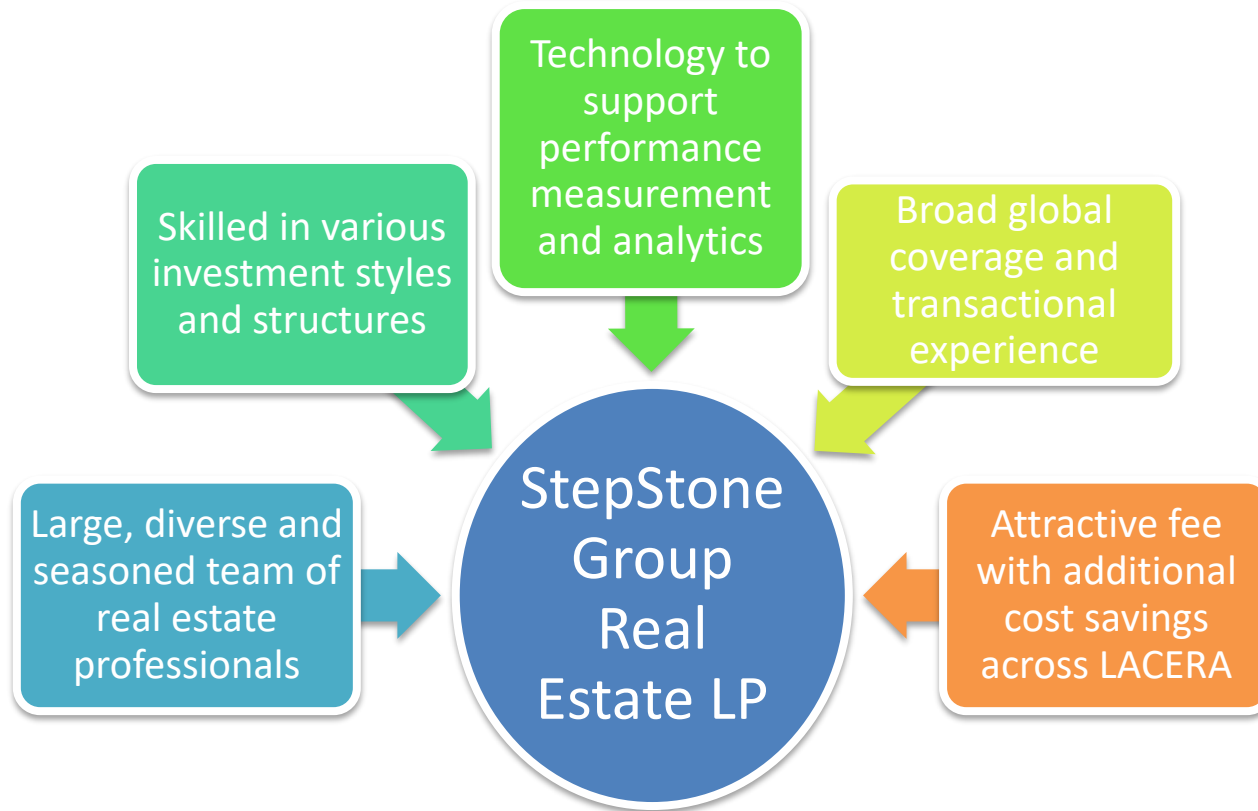
# Table of Contents

---

- I. Real Estate Overview
- II. Evaluation Process and Timeline
- III. Observations and Rankings
- IV. Recommendation
- V. Appendix

# Recommendation

The Evaluation Team recommends that the Board select StepStone to provide real estate consulting services. A description of the RFP process and support for the recommendation follows.



# Real Estate Overview



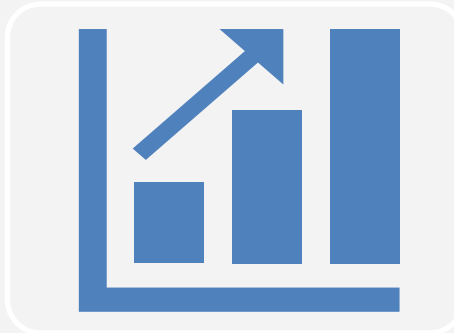


# Role of Real Estate



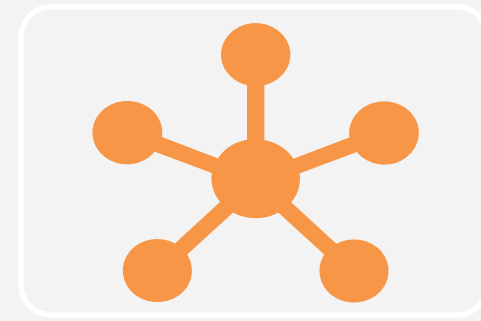
## Income Generation

- Reliable yield from rents
- Capital preservation



## Inflation Hedge

- Hard assets provide inflation protection
- Short and medium-term hedge



## Diversification

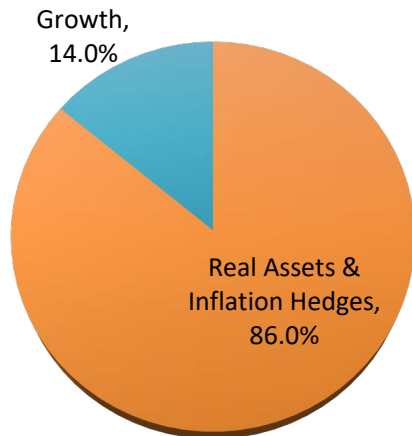
- Sources of return less correlated with growth assets
- Mitigates portfolio downside risk

# Current Real Estate Portfolio

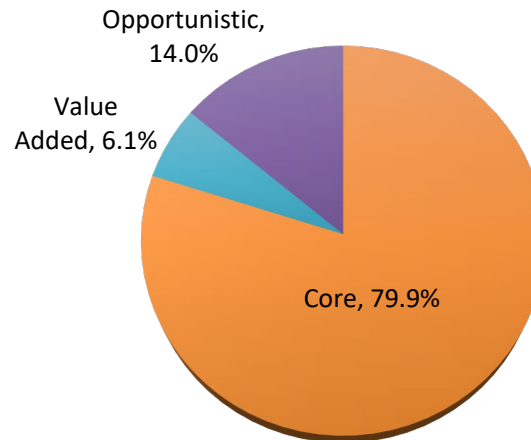
\$ in millions

Risk Profile	Separate Accounts		Commingled Funds		Total	
<b>Core</b>	\$3,493.0	85.6%	\$586.6	14.4%	<b>\$4,079.5</b>	<b>79.9%</b>
<b>Value Added</b>	\$171.2	54.7%	\$141.9	45.3%	<b>\$313.2</b>	<b>6.1%</b>
<b>Opportunistic</b>	\$307.3	42.9%	\$408.3	57.1%	<b>\$715.6</b>	<b>14.0%</b>
<b>Total</b>	<b>\$3,971.5</b>	<b>77.7%</b>	<b>\$1,136.8</b>	<b>22.3%</b>	<b>\$5,108.4</b>	<b>100.0%</b>

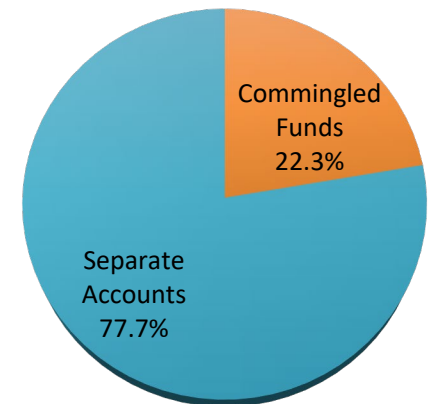
Functional Asset Class



Risk Profile



Account Type



Data as of September 30, 2020 with a quarter lag.

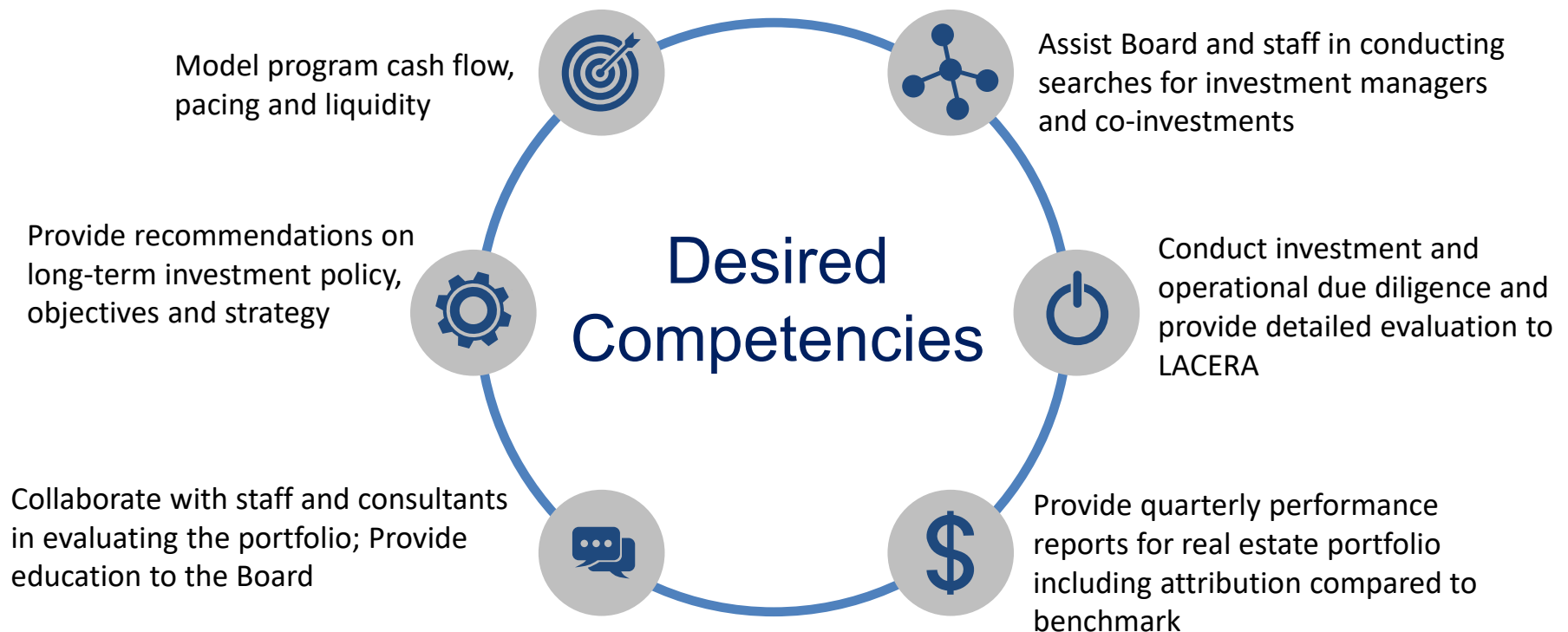


# Evaluation Process and Timeline



# Scope of Services

The consultant would provide consulting services for investments by LACERA in real estate, by making such investments through limited partnerships, separate accounts, funds of one, commingled vehicles and other investment structures. LACERA seeks firms with the experiences and competencies shown below.



# Evaluation Team, Considerations, and Influences

## Evaluation Team

- Co-heads of Real Assets:  
John McClelland and James Rice
- 2 Real Estate Investment Officers:  
Amit Aggarwal and Trina Sanders
- 1 Portfolio Analytics Investment Analyst:  
Terra Elijah

## Additional Participants

- Board of Investments Chair
- Chief Investment Officer

## LACERA Policies & Initiatives

- T.I.D.E.
- IPS – including the Responsible Contractor Policy
- ESG

## Diligence

- Strong operational and investment due diligence processes

## Organization and Staff

- Professional team with diverse backgrounds and industry experience
- Strong organizational capabilities with global presence and solid governance structure

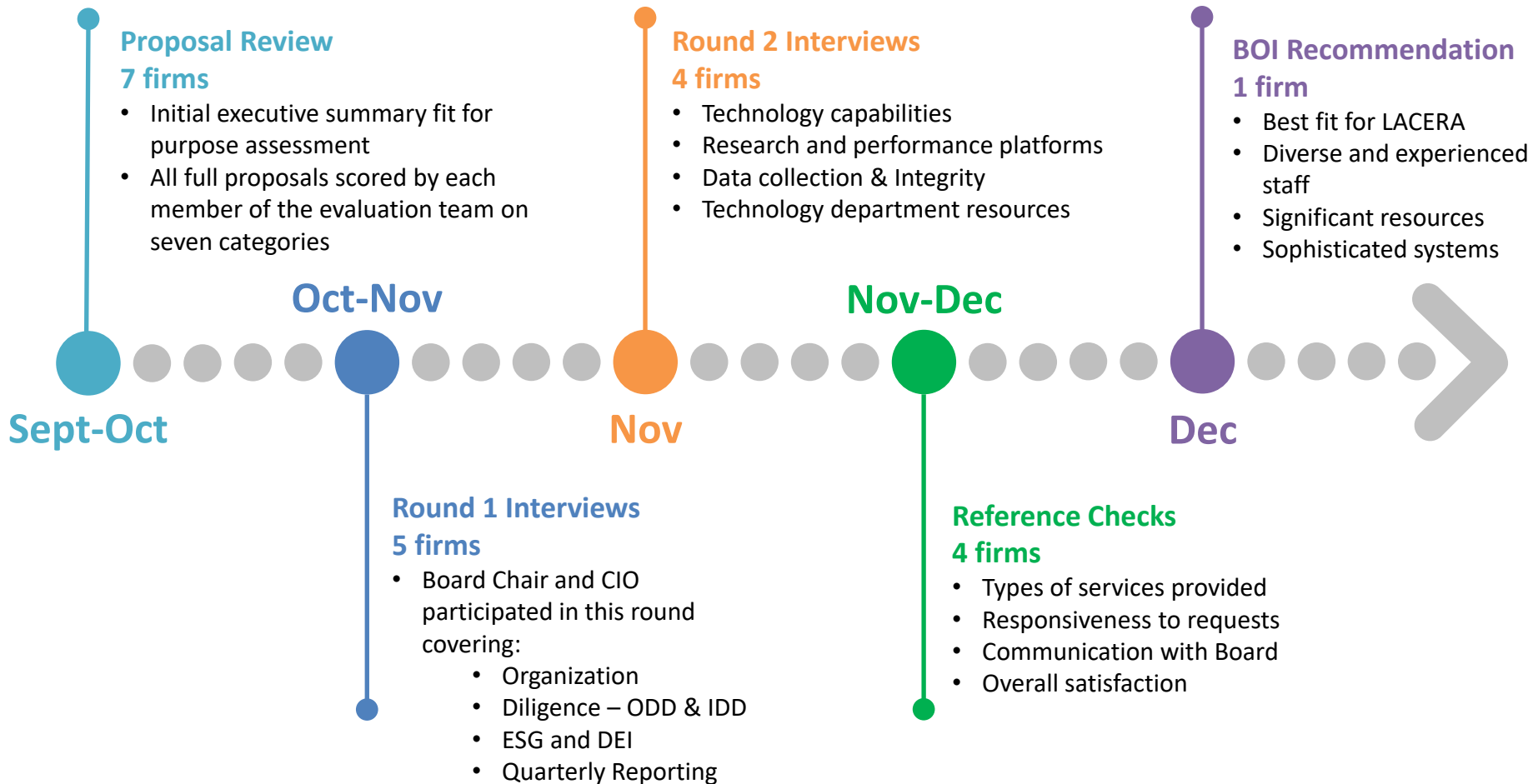
## Research & Analytics

- Access to comprehensive research database on real estate funds and managers
- Platform to perform analytics on the total real estate portfolio and produce performance reports



*Real Estate Consultant / Improving  
LACERA's Real Estate program*

# Evaluation Process and Timeline



# Observations and Rankings



# Proposal Review

Seven responding firms and initial evaluation conclusions are identified below:

Firm (alphabetical order)	Evaluation of written RFP	Evaluation after interviews
Albourne America, LLC	Advanced to interviews	Advanced as finalist
Callan Associates Inc.	Did not advance	--
Cambridge Associates, LLC	Advanced to interviews	Advanced as finalist
Meketa Investment Group	Advanced to interviews	Advanced as finalist
NEPC, LLC	Did not advance	--
RCLCO Fund Advisors, LLC	Advanced to interviews	Did not advance to 2nd interview
StepStone Group Real Estate LP	Advanced to interviews	Advanced as finalist

- **Callan:** relative lower evaluation across all categories
- **NEPC:** relative lower evaluation across most categories, highest fees
- **RCLCO:** more suited for specialist role rather than comprehensive services required from asset class consultant





# Evaluation Observations and Rankings



Interactive  
Collaboration



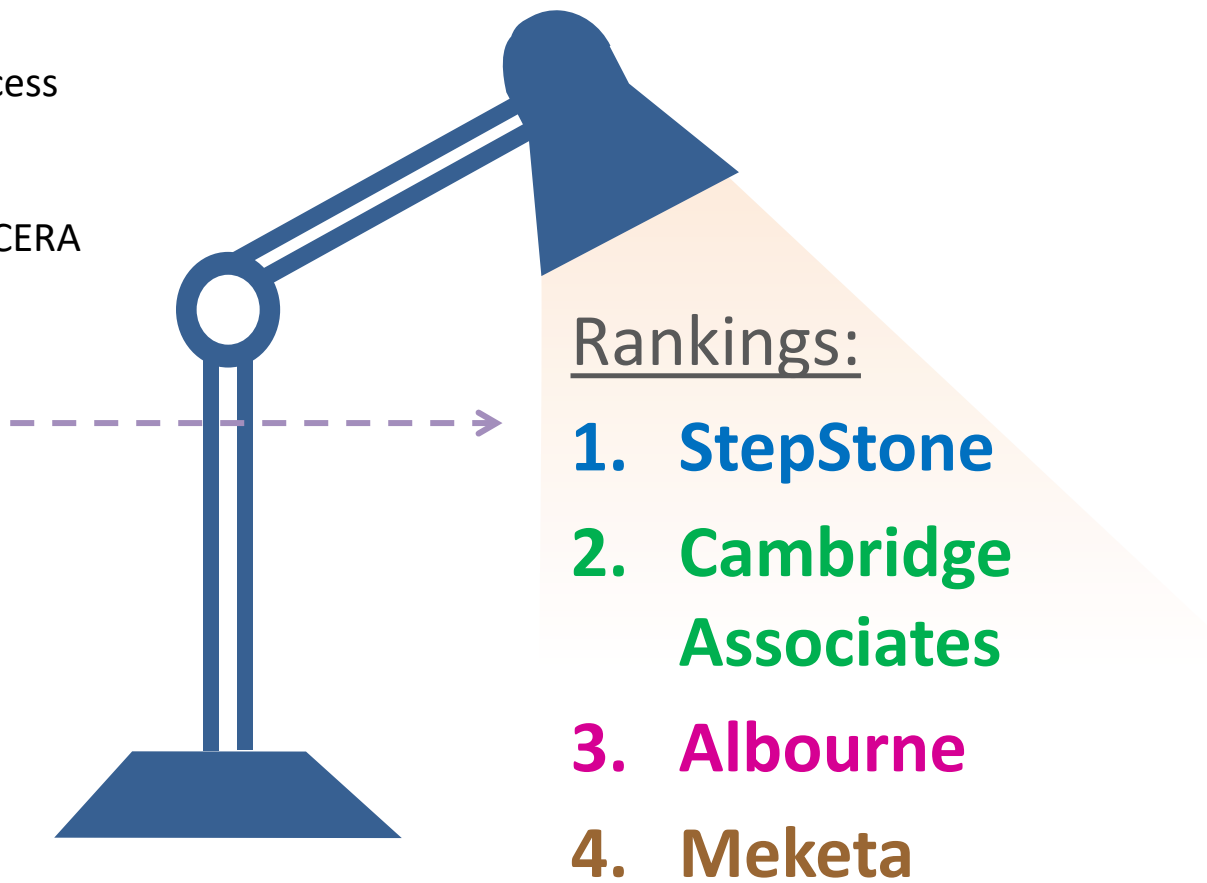
Measured Process



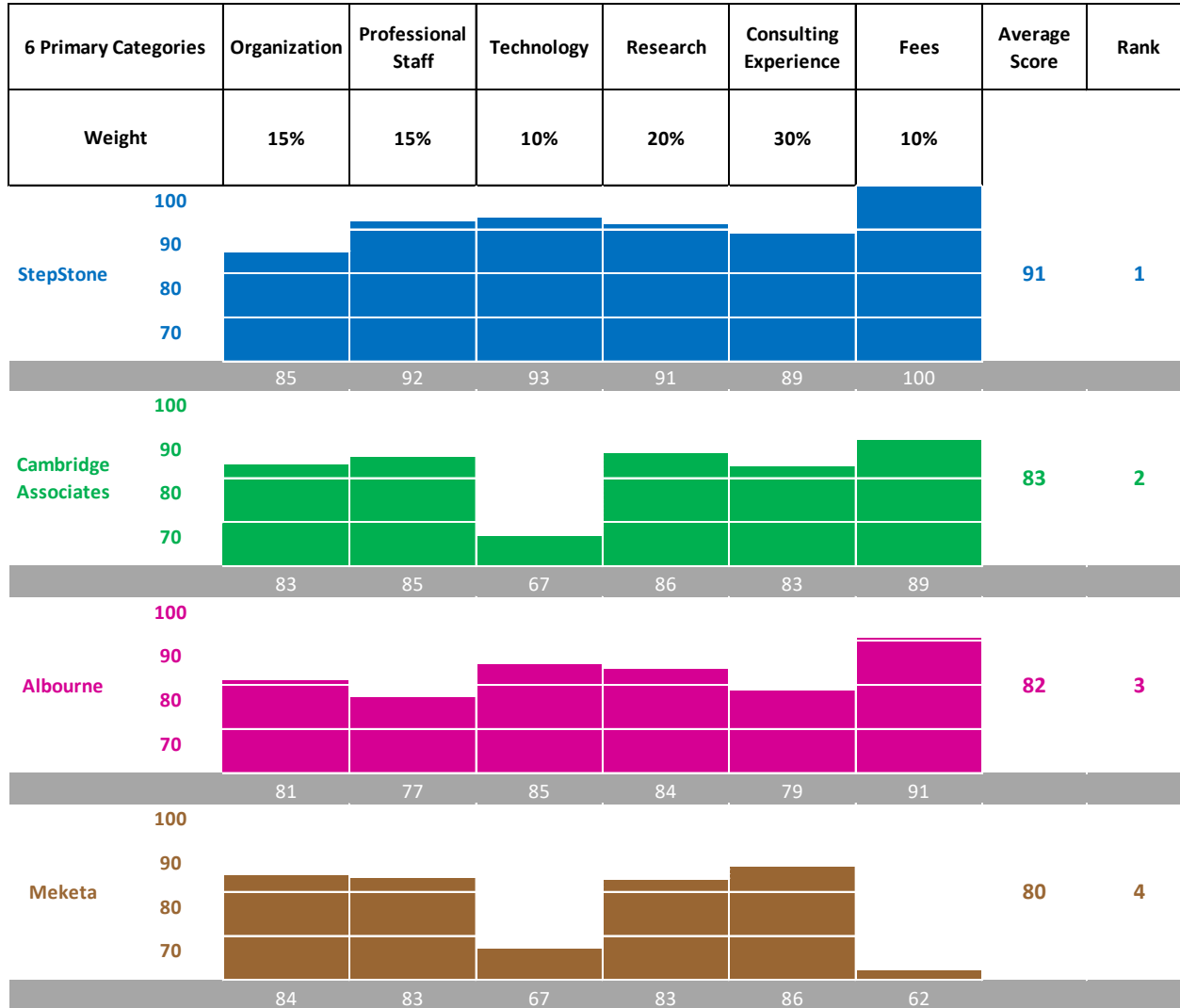
Considered LACERA  
Initiatives



Final Rankings



# Finalists – Evaluation Team Scoring



# Finalists – Fee Proposals

	StepStone*	Cambridge Associates	Albourne	Meketa
Fees Terms After Negotiation	\$335,000 standalone; \$301,500 with 10% multiple services discount for each service; 2% annual increase	\$325,000	\$400,000 standalone; \$250,000 discounted fee for existing relationship (One month free in years 2-5 with five-year lock)	\$500,000 standalone; \$380,000 discounted fee for existing relationship; 3% increase per year
Other	8 memos per year and \$50,000 per memo thereafter			

- Improved fee options resulting from negotiation
- Alignment of interest

\*Discount would also apply to existing Private Equity consultant annual fee of \$850,000, resulting in a further fee reduction of \$85,000



# Finalists – Firm Diversity and Inclusion

Diversity and Inclusion Items	StepStone	Cambridge Associates	Albourne	Meketa
Diversity and inclusion policy	Yes	Yes	Yes	Yes
Workplace anti-harassment policy	Yes	Yes	Yes	Yes
Demographics of investment team and firm leadership, as reported:				
a. Percentage of women in investment professions:	20%	Not Disclosed	44%	25%
b. Percentage of people of color in investment professions:	26%	Not Disclosed	Not Disclosed <sup>1</sup>	32%
c. Percentage of women on the Board of Directors/C-suite:	8%	Not Disclosed	36%	17%
Known EEO regulatory or litigation track record, as reported and researched for past 12 years, if any:	No	No	No	No
Notable initiatives, objectives, and strategies addressing Diversity and Inclusion (including any efforts to improve firm’s track record):	<ul style="list-style-type: none"> <li>Launched formal Sponsorship program</li> <li>Hosts Women in Finance Workshops</li> <li>Sponsor several key organizations including: Girls Who Invest, Toigo, SEO, Women’s Associate of Venture &amp; Equity (WAVE), etc.</li> </ul>	<ul style="list-style-type: none"> <li>Engage with women and minority related affinity groups as part of Employee Engagement Program</li> <li>Broaden base of schools to recruit from including Historically Black Colleges and Universities</li> </ul>	<ul style="list-style-type: none"> <li>Helped develop industry-wide D&amp;I questionnaire for alternative investment managers</li> </ul>	<ul style="list-style-type: none"> <li>Membership in associations that promote D&amp;I including: Women in Institutional Investment Network, Boston Women in Finance, and the CFA Society.</li> <li>Established relationship with Bentley University, a leader in recruitment diversity</li> </ul>

<sup>1</sup>Albourne is evaluating third party data collection services to facilitate the accurate tracking of their minority group composition on a global basis.

# Recommendation



# Recommendation

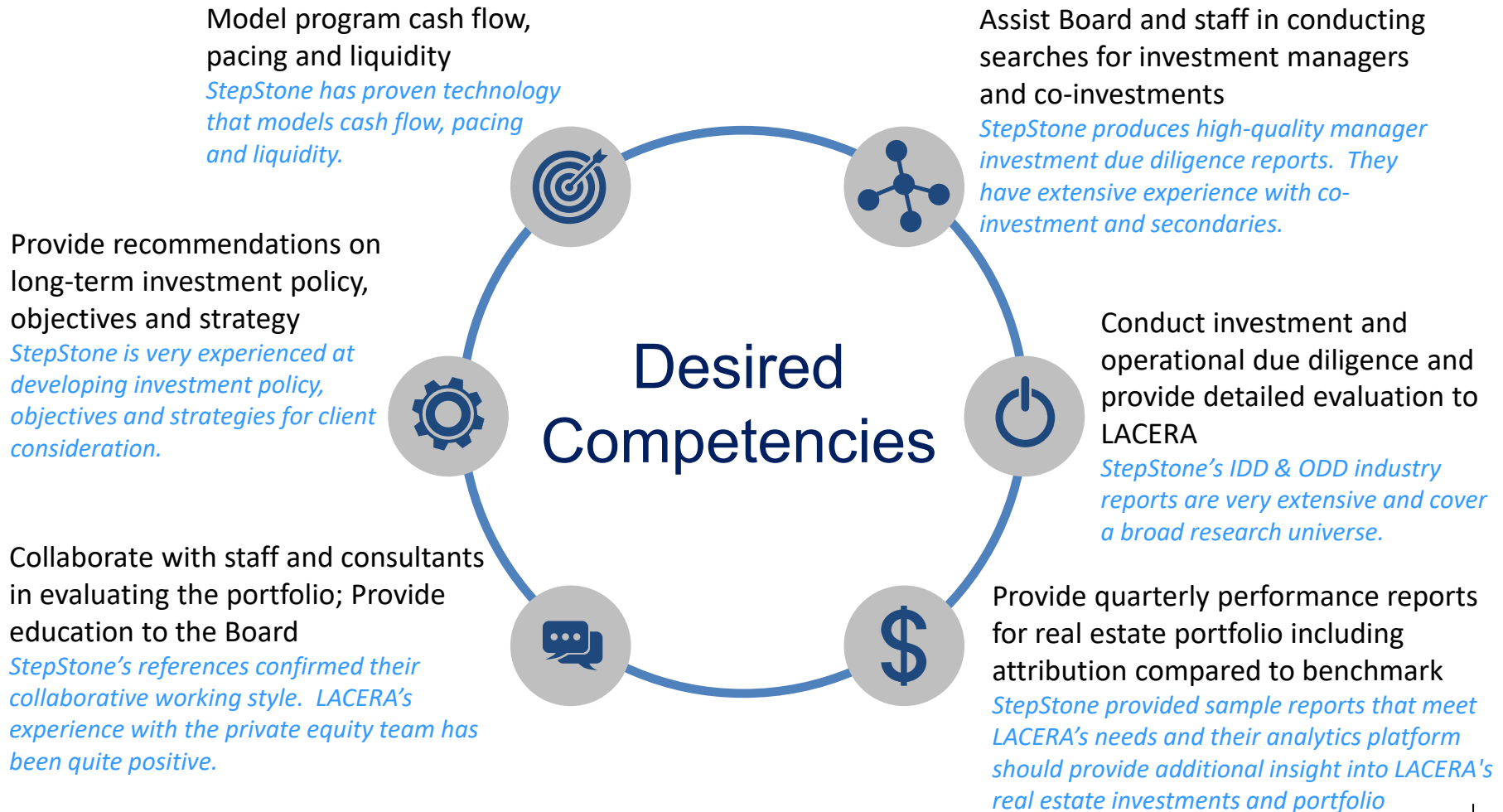
---

**The Evaluation Team recommends that the Board select StepStone to provide real estate consulting services.**

*Rationale for this recommendation is described on the following slides. Merits and concerns for the three other finalist candidates appear in the Appendix.*

# StepStone - Competencies

## StepStone Meets and Exceeds the Desired Competencies:



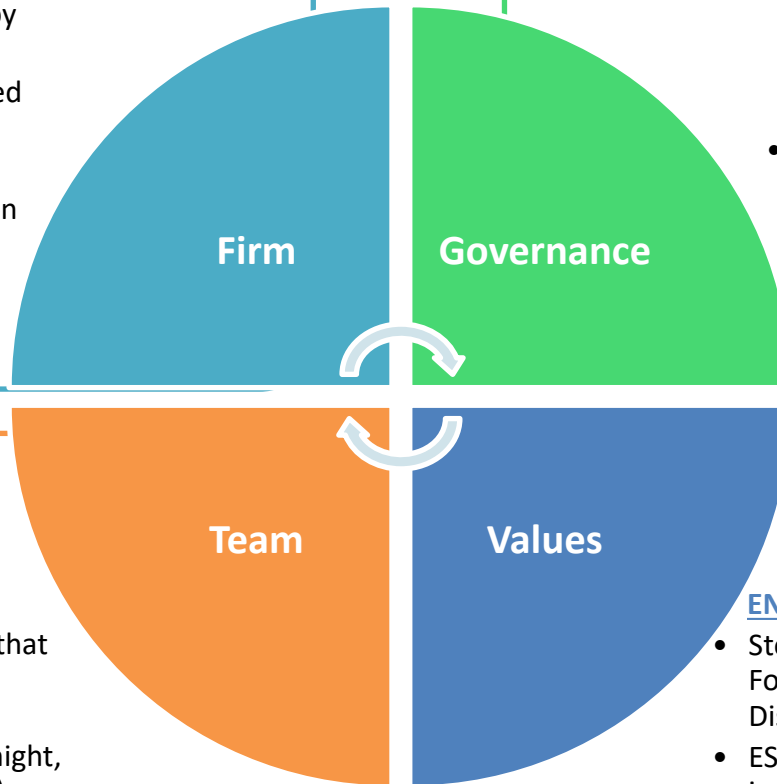
# StepStone – Firm Overview

## DEPTH OF REAL ESTATE EXPERIENCE

- Firm established in 2007 and StepStone Real Estate (SRE) was formed in June 2014 and bolstered by Courtland acquisition in 2018
- Registered advisor and publicly traded company with 67 advisory clients, of which, 23 are pension funds.
- \$104 billion of client capital allocation including over \$96 billion of client’s assets under advisement through a combination of funds and separate accounts

## STRONG INVESTMENT & OPERATIONAL DUE DILIGENCE

- Utilizes a structured manager evaluation process which includes initial and final screening, due diligence and Investment Committee review
- ODD team assesses whether proper service and quality levels are maintained and evaluates the potential risks surrounding the operational aspects with investments.



## GLOBAL PRESENCE

- 19 offices globally, SRE has 8 offices that contain 63 employees.
- Proposed LACERA Team: Tom Hester (Managing Director), Margaret McKnight, (Partner) Anja Richie (Vice President), and James Maina (Sr. Assoc.)
- Mr. Jeff Giller (Head of SRE) will provide oversight and strategic guidance

## ENVIRONMENTAL SOCIAL, GOVERNANCE

- StepStone is a signatory on the PRI, Task Force on Climate Related Financial Disclosures and SASB Alliance.
- ESG is considered pre- and post-investment.
- Comprehensive assessment on issues ranging from climate change to diversity and inclusion





# StepStone – Merits and Concerns

## Merits

1. **Well Resourced and Experienced:** Well-resourced with the staff having direct real estate experience in sourcing, underwriting, financing, structuring, managing, repositioning, developing and selling real estate opportunities
2. **Technology:** Two proprietary analytical tools (OMNI and SPI) help the firm manage sourcing, analysis, data management, and customized reporting
3. **Strong and Diverse Team:** Four experienced team members that include women and minorities will be dedicated to the LACERA account: Margaret McKnight, Thomas Hester, Anja Ritchie and James Maina. Additionally, Jeff Giller will provide oversight and strategic guidance
4. **Global Coverage:** Offices throughout North America, Europe and Asia providing global manager coverage across core, value-add and opportunistic real estate investments
5. **Current Provider of consulting services to LACERA:** Firm already provides consulting services to LACERA Private Equity and is well regarded



# StepStone – Merits and Concerns (Continued)

## Concerns

- 1. StepStone Recent Acquisition:** In 2018 Stepstone acquired Courtland (managed \$90 billion to over 40 institutional clients solely in real estate).  
**Mitigant:** The merger of two firms appears to have been completed with minimal disruption. The team seems cohesive and references report no challenges
- 2. Recent Firm IPO:** Potentially creates growth pressure from outside shareholders, leadership with less concentrated holding.  
**Mitigant:** StepStone real estate (SRE) retains a 50% ownership position while the larger StepStone company owns the other 50%. The IPO only impacted the larger company and resulted in 20%-30% of that interest being publicly owned. SRE personnel remain in management control of SRE business.
- 3. Conflict of Interest:** Provide both non-discretionary and discretionary investment services in private real estate; discretionary business provides much of team's revenue  
**Mitigant:** Discretionary business is focused primarily on co-investments and secondaries, limiting the potential for conflict. Their evaluation of these opportunities helps sharpen the entire SRE team's current market knowledge
- 4. Team Tenure:** Two members of the proposed team are new to Stepstone  
**Mitigant:** Two other team members have been with the firm greater than 5 years and the new additions bring unique and diverse experience to the team. Jeff Giller, the head of SRE, will provide strategic oversight and guidance to the team

# Stepstone Real Estate Personnel



**Jeff Giller, Head of SRE:** Mr. Giller leads StepStone’s global real estate activities. He is also involved in the Firm’s diversity initiative, as well as various investment and management activities. Prior to joining StepStone in 2014, Mr. Giller was a founder, managing partner and the chief investment officer of Clairvue (2010-2014), a real estate manager that integrated with StepStone to establish SRE. From 2005-2009 Mr. Geller was a managing principal and chief investment officer at Liquid Realty Partners, an investment manager focused on real estate secondaries. Mr. Giller has also held senior positions in other real estate private equity investment firms in the US and Europe such as JER Partners and Somera Capital Management. Mr. Giller earned his BA from the University of California at Berkley and MBA from the University of Virginia. (San Francisco based)



**Margaret McKnight, Partner:** Ms. McKnight joined Stepstone in 2020 and is a member of the real estate team and focuses on various investment and portfolio management activities. Ms. McKnight spent more than a decade (2006-2019) at Carlyle’s Metropolitan Real Estate, where she served as the co-Chief Investment Officer and was the fund head for Metropolitan’s Global Funds series. She was a Consultant with Cambridge Associates (1999-2006) where she started the real estate practice and held various roles with JP Morgan. Ms. McKnight sits on the Investment Committee for Sutter Health, the fifth largest US non-profit community- based healthcare provider and the Real Assets Investment Subcommittee for Swarthmore College. She recently served as a Senior Advisor to Juniper Square, focused on Capital Markets applications of their investment management software. Ms. McKnight graduated with high honors from Swarthmore College and earned an MBA from New York University. (San Francisco based)



**Thomas Hester, Managing Director:** Mr. Hester is a member of the real estate team and focuses on various investment and portfolio management activities. Prior to StepStone, Mr. Hester was a senior vice president at Courtland, an international real estate advisory firm which integrated with StepStone Real Estate. From 2009-2015, Mr. Hester was director of accounting and financial reporting and chief compliance officer at Mesa West Capital, and CFO at Somera Capital Management (2004-2009), both real estate investment managers. Mr. Hester previously held principal positions at the McMahan Group and Westwood Consulting Group and was a senior manager at Kenneth Leventhal & Company/Ernst & Young. Mr. Hester received a BS from San Diego State University and attended the University of California, Los Angeles, John E. Anderson Graduate School of Management. (San Francisco based)

# Stepstone Real Estate Personnel-Continued

---



**Anja Ritchie, Vice President:** Ms. Ritchie is a member of the real estate team. Prior to joining StepStone in 2020, Ms. Ritchie worked at Cara Investment GmbH (2013-2019), a Germany-based Family Office, where she was responsible for the firm's Private Equity and Real Estate fund selection. From 2010-2013, she was a senior analyst (alternative investments) at Bank of Oklahoma after starting her career at ClearRidge, a boutique corporate advisory firm in the US. Ms. Ritchie holds a master's degree in Management from HHL-Leipzig Graduate School of Management and a bachelor's degree in International Business Administration from the European University Viadrina. She is also a CAIA charterholder. (London based)



**James Maina, Senior Associate:** Mr. Maina is a member of the real estate team. Prior to joining the Firm full time in 2013, Mr. Maina was an intern at StepStone supporting the real estate and investor relations teams. Previously, Mr. Maina was a real estate financial analyst intern at University of Virginia Foundation in Charlottesville, Virginia and an investment banking summer analyst at Akemi Capital in New York. Mr. Maina received a BS in commerce with concentration in finance from University of Virginia, McIntire School of Commerce. (New York City based)

# Appendix



# Cambridge Associates—Merits and Concerns

## Merits

1. **Global Coverage:** Offices in North America, Europe and Asia providing global manager coverage across core, value-add and opportunistic real estate investments
2. **Strong and Diverse Team:** Firm's proposed team has considerable consulting experience, is gender diverse and includes minorities: Meagan Nichols, Anelise Hohl, Indeesh Tangeraas and Johnny Adji
3. **Research:** Firm seems to have strong research capabilities
4. **Well Resourced IT team:** Firm appears to have a well-resourced IT team with over 120 staff

## Concerns

1. **Technology:** The portfolio performance tool is not available to clients at this time and does not provide attribution analysis and reliance on general consulting team to run custom analytics  
**Mitigant:** While not available on-line, clients can access portfolio performance via request to the team
2. **Heavy Reliance on One Individual:** The firm appears to rely more heavily on the lead consultant relative to other candidates  
**Mitigant:** References report being pleased with all members of the team
3. **Rating for ODD/IDD:** Ratings not shared with clients  
**Mitigant:** ODD/IDD reports are customized
4. **Conflicts of Interest:** Conflict with Outsourced Chief Investment Officer (OCIO) business and discretionary portfolio management, likely minor  
**Mitigant:** The OCIO business clients are smaller and do not appear to detract from the primary team emphasis on discretionary consulting clients like LACERA



# Albourne – Merits and Concerns

## Merits

1. **Strong Technology:** In depth fund analysis system and portfolio analytics
2. **No Conflicts of Interest:** Firm only provides consulting services and does not have discretionary business
3. **Research:** Firm seems to have strong research capabilities
4. **Strong and Diverse Team:** Proposed team is gender diverse (Heather Christopher and Christian Reel) with many years of experience
5. **Current Provider of Consulting Services to LACERA:** Real Assets, Illiquid Credit and Hedge Funds

## Concerns

1. **Team Size:** Relatively small team of six real estate professionals  
**Mitigant:** Reference checks support ability of team to support strong client service ability despite smaller size
2. **Limited International Coverage:** Firm seems to have limited capacity to complete international diligence  
**Mitigant:** Evolution of virtual due diligence should enable smaller team to expand international coverage
3. **Informal Investment Vetting Process:** There is no formal or documented process for when IDD is pursued  
**Mitigant:** LACERA could request a more formal authorization process for each diligence effort



# Meketa – Merits and Concerns

## Merits

1. **No Internal Investment Products:** Firm only provides investment advisory services and does not manage internal investment products
2. **Numerous Cycle Experience:** Meketa has advised public pension funds over numerous market cycles and economic recessions
3. **Strong and Diverse Team:** Firm's proposed team is gender diverse (Christy Fields and Christy Gahr) and has expertise in all aspects of real estate
4. **Current Provider of Consulting Services to LACERA:** Meketa is currently LACERA's general consultant and has completed a special project for LACERA's real estate program


## Concerns

1. **Technology:** Very basic and their main platform, Essentials is still being developed  
**Mitigant:** Development efforts are currently underway
2. **Team:** Firm has relatively small team at nine real estate professionals  
**Mitigant:** the team's personnel are among the most experienced of the candidates
3. **International Coverage:** Limited international coverage  
**Mitigant:** Evolution of virtual due diligence should enable team to expand international coverage
4. **Recent Acquisition:** In March 2019 acquired Pension Consulting Alliance (PCA), including the head of the team  
**Mitigant:** The teams appear to have successfully merged



December 30, 2020

TO: Trustees – Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **ENVISION 2021: INVESTMENTS DIVISION  
WORK PLAN AND STRATEGIC INITIATIVES**

Attached you will find a prospective work plan for 2021 and the coming years. It incorporates the Board of Investments' current strategic initiatives and recent discussions, as well as key agenda items for calendar year 2021.

Individual items and committee schedules are subject to modification.

Attachment

# Envision 2021: Investments Division Work Plan and Strategic Initiatives

Board of Investments

January 13, 2021

Jonathan Grabel – Chief Investment Officer



# Discussion Outline

---

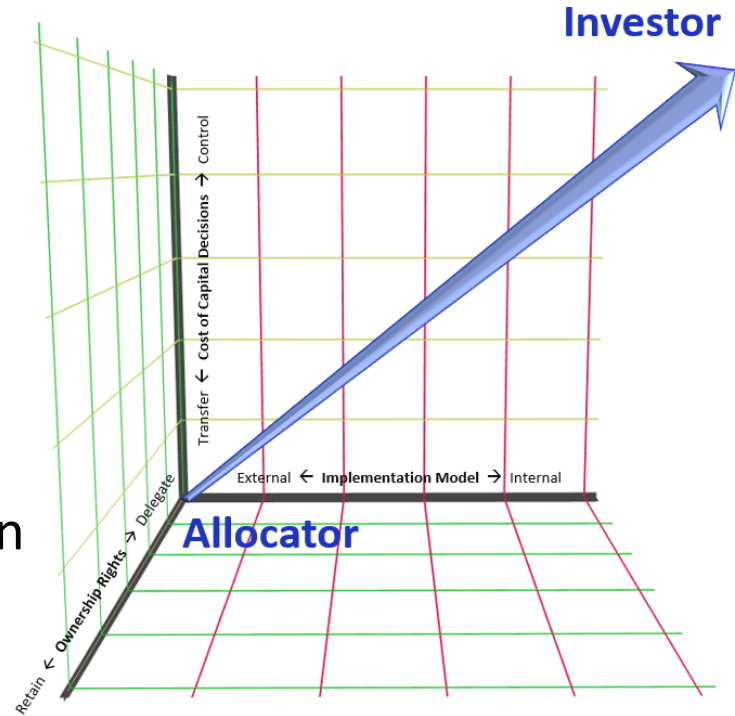
- I. Work Plan Background
  
- II. Plan for 2021 and Beyond
  
- III. Appendix: Preliminary Project Schedules for 2021

# Investments Division Work Plan



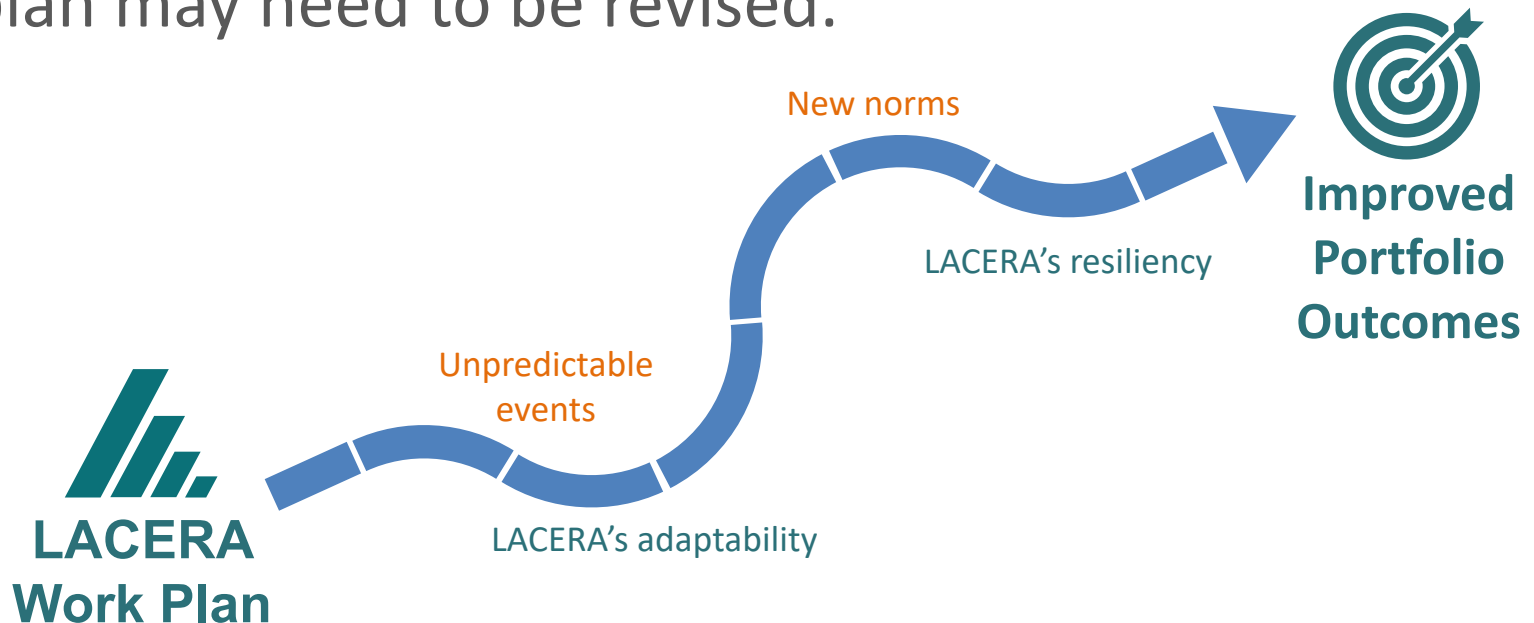
The Investments Division revisits its work plan for the coming year and beyond with the following aims:

1. Provide **visibility** into current and upcoming initiatives
2. Accurately **reflect and synthesize** all Board-approved projects and input from prior work plans, recent Board meetings, and Offsites into a cohesive action plan
3. Promote **disciplined execution** and aligned resources for defined priorities



# Establish a Work Plan and Adapt

A thoughtful work plan is a necessary first step. Beyond having a plan, execution and adaptability are important. 2020 reminds us that surprises happen and even the best plan may need to be revised.



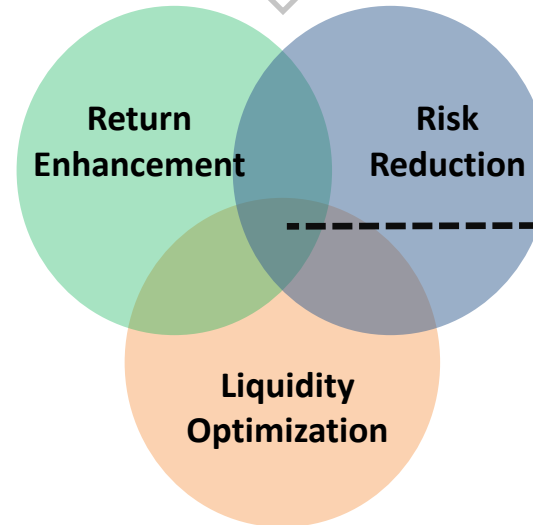
# Envision 2021

## Strategic Objective and Initiatives



Execute Strategic Asset Allocation

*while balancing...*



Produce,  
Protect, and  
Provide the  
Promised  
Benefits



Enhance  
Operational  
Effectiveness



Optimize  
Investment Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.



# Select Highlights of 2020 Accomplishments



## Execute Strategic Asset Allocation



### Enhance Operational Effectiveness

- Conducted review of investment office operational due diligence process
- Successfully managed fund liquidity through onset of COVID-19 economic crisis
- Incorporated remote due diligence practices into LACERA's multi-dimensional process
- Concluded search for Real Estate administrator and total Fund performance and risk platform
- Improved continuity crisis management and remote cash flow capabilities
- Completed private market scorecard methodology and grading and enhanced performance reporting



### Optimize Investment Model

- Completed functional asset category structure reviews
- Continued to evaluate internal asset management for public markets
- Continued to increase Private Equity in-house co-investments and secondary activities
- Adapted to conduct remote diligence including initial mandates in private infrastructure funds



### Maximize Stewardship and Ownership Rights

- Completed full year of exercising voting authority across the global equity portfolio
- Completed initial carbon footprinting assessment and conducted climate scenario analysis to inform upcoming SAA
- Maintained A+ assessment from UN Principles for Responsible Investments for ESG strategy and corporate governance
- Actively supported and collaborated with key associations (CII, SASB, ILPA, PRI and others) to advance LACERA principles



### Strengthen Influence on Fees and Cost of Capital

- Generated fee savings across the portfolio
- Implemented creative structures such as performance fees with a hard hurdle and evergreen mandates
- Expanded in-house and co-investment secondary parameters to help further drive fee savings in PE portfolio



### Raise LACERA T.I.D.E.

- Supported expanded DEI initiatives in private markets with ILPA and AIMA
- Formalized ongoing near and long term objectives under TIDE banner
- Completed baseline assessment of all investment partners' DEI profiles and practices
- Engaged 100 companies on corporate board diversity, with over 110 new directors appointed

# Plan for 2021 and Beyond





# Envision 2021

## Strategic Initiatives: Key Short Term Projects

### Enhance Operational Effectiveness

- Conduct Private Equity and Real Estate consultant searches
- Balance remote working and back-to-the-office
- Address complexities in Real Estate operations
- Create discrete overlay and hedging category
- Refine investment procedure manual
- Elevate operational due diligence

### Optimize Investment Model

- Install risk platform capabilities and incorporate output
- Minimize benchmark misfit
- Enhance risk budgeting methodologies
- Implement structure review initiatives
- Develop emerging manager programs

### Maximize Stewardship and Ownership Rights

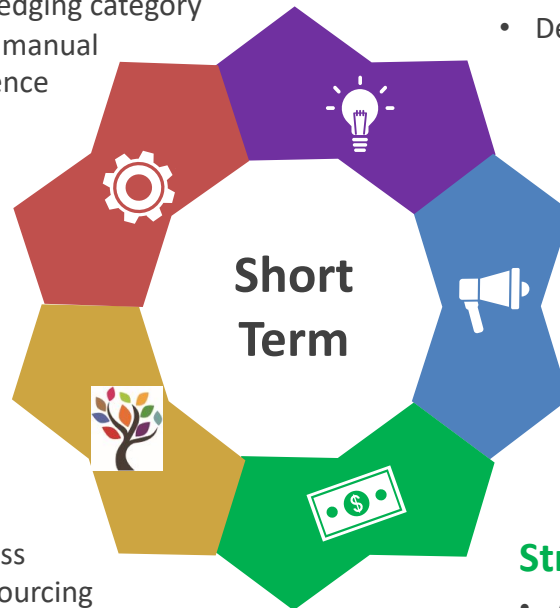
- Review Corporate Governance and Stewardship Principles
- Pursue effective public policy advocacy with CII, others
- Prioritize alignment of interests with business partners
- Complete proxy research and platform RFP
- Execute defined engagement initiatives

### Raise LACERA T.I.D.E.

- Walk the talk
- Influence and monitor progress
- Refine RFP practices; widen sourcing
- DEI reporting from money managers
- Active advocacy including event sponsorship
- Engage with public companies to benefit board diversity

### Strengthen Influence on Fees and Cost of Capital

- Apply creative fee structures to align interests
- Hire a dedicated managed account service provider
- Continue expansion of in-house co-investment and secondary program



Short term strategic initiatives cover those with less than a three-year horizon

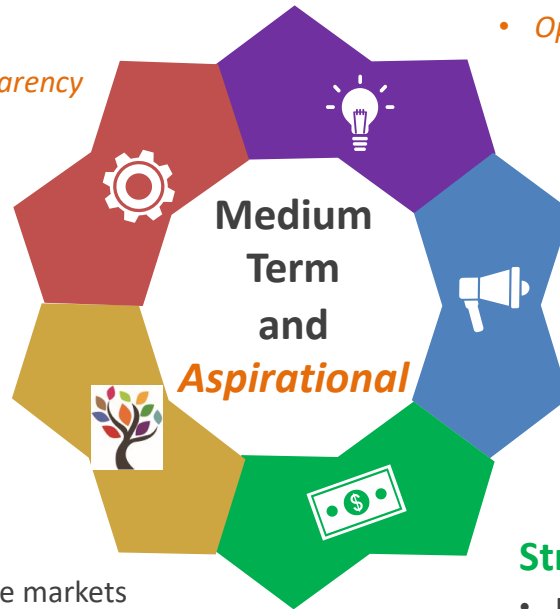


# Envision 2021

## Strategic Initiatives: Medium Term and Aspirational

### Enhance Operational Effectiveness

- Consider operational structure of the OPEB Master Trust
- Standardize and refine performance and risk reports
- Expand contract compliance for private markets
- Refine rebalancing practices
- Custody bank search
- *Increase position-level transparency*



### Raise LACERA T.I.D.E.

- Be adaptable; refine goals
- Move beyond data collection
- Expand engagement to private markets
- Inspire industry towards active DEI participation
- *Be an in-demand employer of choice*

### Optimize Investment Model

- Evaluate additional investment strategies for the OPEB Master Trust
- Explore in-house investment management in public markets
- Form alliances with similarly situated investors
- Develop co-investing in Real Assets
- *Opportunistically evaluate early-stage manager seeding*

### Maximize Stewardship and Ownership Rights

- Refine and continue to execute engagement initiatives
- Elevate relevant discussions with business partners
- Climate aware asset allocation implementation
- Produce thought and white papers
- *Influence market best practices and policy*

### Strengthen Influence on Fees and Cost of Capital

- Partner with like-minded institutional investors
- Consider creative alternative account and fee structures
- Balance being an in-demand LP with top-tier access while driving LP-friendly terms
- *Be dynamic*

Many short-term projects evolve over time and become medium term and aspirational initiatives that may not be shown above



# Prospective 2021 Calendar

## Tentative Board of Investments and Committee Meetings

	January	February	March	April	May	June	July	August	September	October	November	December
Board of Investments	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	<i>[ Potential mid-year virtual or Q4 in-person Offsite ]</i>											
Corporate Governance Committee		✓								✓		
Credit and Risk Mitigation Committee			✓						✓			
Equity: Public/Private Committee					✓						✓	
Real Assets Committee						✓						✓

- Each committee meets at least two times
- Additional meetings would be scheduled on an as-needed basis
- Will work with the Board regarding Offsite format and logistics



# Envision 2021

## Aspirations

IPS and Beliefs



LACERA Values



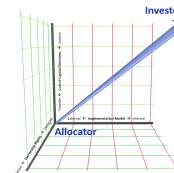
Continuous Board Guidance



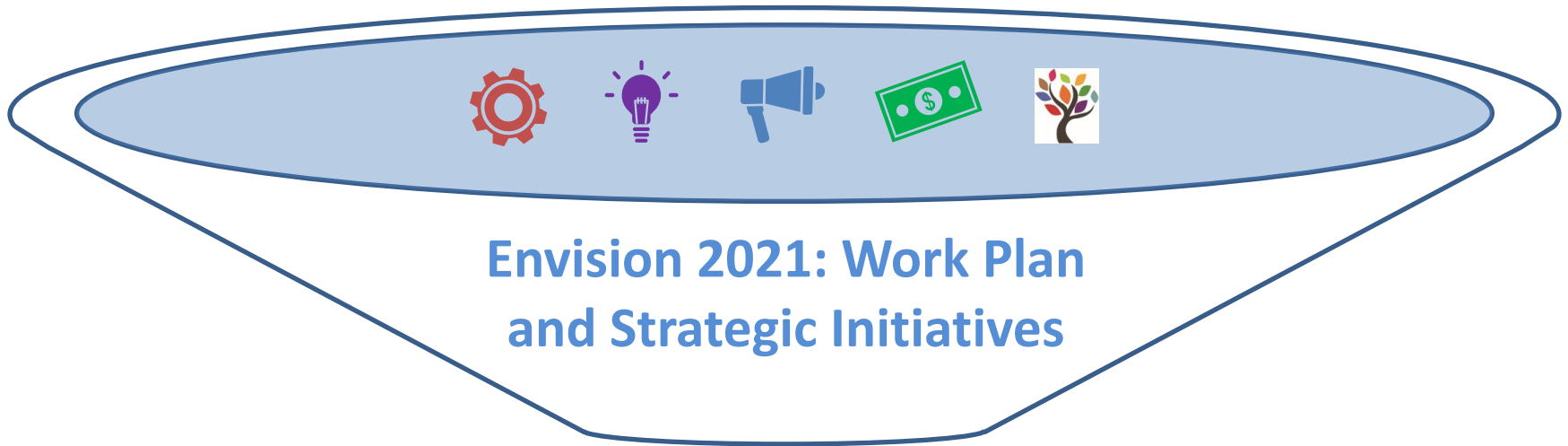
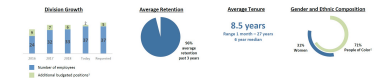
Strategic Asset Allocation



Allocator to Investor



Staffing and Culture



**Envision 2021: Work Plan and Strategic Initiatives**

Enhance risk adjusted return expectations while maintaining liquidity to ...



... produce, protect, and provide the promised benefits



# Appendix



# 1<sup>st</sup> Quarter 2021 Preliminary Monthly Calendar View

FEBRUARY 2021	
Board of Investments:	
Category	Subject
Total Fund	Strategic Asset Allocation Study
Total Fund	4Q2020 Trust and OPEB Performance Report
Total Fund	Meketa 4Q2020 Trust and OPEB Performance Report
Total Fund	Revised Risk Reports – MSCI Barra One Preview
Growth	Private Equity Investment Recommendation
Risk Mitigation	Hedge Funds Investment Recommendation (2)
Real Assets	Real Estate Investment Recommendation (2)
Real Assets	Infrastructure Investment Recommendation
Credit	Illiquid Credit Investment Recommendation
Committee: Corporate Governance	
Category	Subject
Corporate Governance	Governance & Stewardship Principles Review
Corporate Governance	Possible Governance Ballot Actions

MARCH 2021	
Board of Investments:	
Category	Subject
Total Fund	OPEB Strategic Asset Allocation Recommendation
Total Fund	Strategic Asset Allocation Study
Total Fund	Board Offsite Planning
Growth	Private Equity Investment Recommendation
Risk Mitigation	Dedicated Managed Account Recommendation
Real Assets	Real Estate Investment Recommendation
Real Assets	Natural Resources Investment Recommendation
Credit	LIBOR Update Report
Credit	High Yield RFP Manager Recommendation
Corporate Governance	Governance & Stewardship Principles (Advanced)
Corporate Governance	Possible Governance Ballot Actions (Advanced)
Committee: Credit and Risk Mitigation	
Category	Subject
Credit	Illiquid Credit Education

Please note that certain listed items are subject to Committee advancement and/or Board approval



# 2<sup>nd</sup> Quarter 2021 Preliminary Monthly Calendar View

APRIL 2021	
Board of Investments:	
Category	Subject
Total Fund	Strategic Asset Allocation Study
Total Fund	Investment Procedure Manual Update
Total Fund	OPEB IPS Update
Growth	Private Equity Investment Recommendation
Real Assets	Infrastructure Investment Recommendation
Committee: none	
Category	Subject

MAY 2021	
Board of Investments:	
Category	Subject
Total Fund	Strategic Asset Allocation Recommendation
Total Fund	1Q2021 Trust and OPEB Performance Report
Total Fund	Meketa 1Q2021 Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendation
Real Assets	Natural Resources Investment Recommendation
Corporate Governance	Proxy Platform and Research RFP Recommendation
Committee: Equity	
Category	Subject
Growth	Private Equity Synthetic Portfolio Education
Growth	Private Equity Emerging Manager MQs
Growth	Global Equity Currency Hedging Program Review

JUNE 2021	
Board of Investments:	
Category	Subject
Total Fund	IPS Update
Total Fund	General Consultant Search MQs
Growth	Private Equity Emerging Manager MQs (Advanced)
Growth	Private Equity Investment Recommendation
Committee: Real Assets	
Category	Subject
Real Assets	Real Estate Structure Review
Real Assets	Review of Role and Correlation to Other Assets
Real Assets	Title Holding Company Commercial Bank Review

Please note that certain listed items are subject to Committee advancement and/or Board approval



# 3<sup>rd</sup> Quarter 2021 Preliminary Monthly Calendar View

JULY 2021	
Board of Investments:	
Category	Subject
Total Fund	Potential Board Offsite
Total Fund	Active Overlay Recommendation
Growth	Private Equity Investment Recommendation
Growth	Assessment of Manager Search Process
Real Assets	Real Estate Structure Review (Advanced)
Real Assets	Infrastructure Investment Recommendation
Committee: none	
Category	Subject

AUGUST 2021	
Board of Investments:	
Category	Subject
Total Fund	2Q2021 Trust and OPEB Performance Report
Total Fund	Meketa 2Q2021 Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendation
Risk Mitigation	Hedge Funds Investment Recommendation
Real Assets	Natural Resources Investment Recommendation
Committee: none	
Category	Subject

SEPTEMBER 2021	
Board of Investments:	
Category	Subject
Total Fund	Consultant Self-Evaluations
Total Fund	Risk Budgeting Education
Growth	Private Equity Investment Recommendation
Growth	Private Equity Consultant Recommendation
Committee: Credit and Risk Mitigation	
Category	Subject
Risk Mitigation	Structure Review
Credit	Structure Review
Credit	Emerging Manager Program

Please note that certain listed items are subject to Committee advancement and/or Board approval





# 4<sup>th</sup> Quarter 2021 Preliminary Monthly Calendar View

OCTOBER 2021	
Board of Investments:	
Category	Subject
Growth	Private Equity Investment Recommendation
Risk Mitigation	Structure Review (Advanced)
Credit	Structure Review (Advanced)
Credit	Emerging Manager Program (Advanced)
Real Assets	Infrastructure Investment Recommendation
Real Assets	Real Estate Investment Recommendation
Committee: Corporate Governance	
Category	Subject
Corporate Governance	Proxy Voting Results and Trends FY2021
Corporate Governance	PRI Assessment Results and ESG Integration Update
Corporate Governance	Governance Engagement Initiatives Update and Review

NOVEMBER 2021	
Board of Investments:	
Category	Subject
Total Fund	3Q2021 Trust and OPEB Performance Report
Total Fund	Meketa 3Q2021 Trust and OPEB Performance Report
Total Fund	T.I.D.E. Initiative Update
Growth	Private Equity Emerging Manager Recommendation
Growth	Private Equity Investment Recommendation
Real Assets	Natural Resources Investment Recommendation
Committee: Equity	
Category	Subject
Growth	2022 Private Equity Commitment Pacing
Growth	Analysis of the Role of Activist Managers


DECEMBER 2021	
Board of Investments:	
Category	Subject
Total Fund	AB2833 - Investment Fee Validation Review
Total Fund	Custody Bank Search MQs
Growth	Private Equity Investment Recommendation
Growth	2022 Private Equity Commitment Pacing (Advanced)
Growth	Analysis of the Role of Activist Managers (Advanced)
Credit	Illiquid Credit Investment Recommendation
Committee: Real Assets	
Category	Subject
Real Assets	International Real Estate Implementation Plan
Real Assets	Real Assets Structure Review

Please note that certain listed items are subject to Committee advancement and/or Board approval



December 30, 2020

TO: Trustees – Board of Investments

FROM: Jude Pérez   
Principal Investment Officer

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **STRATEGIC ASSET ALLOCATION CAPITAL MARKETS EXPECTATIONS**

This memo provides Trustees with an overview of LACERA's work to develop and affirm capital market expectations (“CMEs”) and the anticipated upcoming timeline for incorporation into approving an upcoming Strategic Asset Allocation ("SAA"), as part of regular, periodic review and consistent with LACERA policies.

One of the Board of Investments’ (“BOI”) core responsibilities is setting LACERA's SAA. The SAA is the key driver of long-term risk and returns for the Fund, and therefore, is a vital component as LACERA pursues its mission to produce, protect, and provide the promised benefits.

Furthermore, LACERA's Investment Beliefs expresses two key tenants on SAA:

- 1. Long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes; and**
- 2. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection**

Per the Investment Policy Statement, comprehensive asset allocation studies are conducted every three to five years, or at the request of the BOI. The objective of the SAA study is to evaluate the structure of the Total Fund and the OPEB Master Trust and to determine the optimal asset allocations that capture the risk and return quotients consistent with LACERA’s investment goals and reflect the long-term perspective of the current capital markets. Thus, one of the most important steps of the SAA study is determining the CMEs that will be used in the asset allocation model. Updating CMEs for the SAA also achieves two important objectives. The first is to effectively align LACERA’s investment strategy with the current market conditions. Second, updating CMEs may facilitate an improved analysis of risk and return tradeoffs associated with different allocations among asset categories.

LACERA, Meketa Investment Group, and the asset class consultants will collaborate to establish CMEs to be recommended to the BOI for use in the SAA study. The process will be led by staff working with Meketa, the BOI’s general investment consultant, to finalize a recommendation for the BOI. The CMEs exercise will consist of using Meketa’s modeled assumptions as a baseline for the 10-year and 20-year estimated expected returns, risks (as measured by annual standard deviation), and correlations for major asset classes and sub-asset categories. It should be noted that Meketa’s CMEs will first be compared to

a survey of capital markets assumptions from a third party actuary firm<sup>1</sup> as well as from leading investment advisory firms. Next, LACERA will then work with the asset class consultants to derive CMEs in their respective asset categories using Meketa’s expectations and LACERA’s functional asset category objectives as a reference point. Once the CMEs are agreed upon by Meketa, with feedback from all parties, they will be presented to the BOI for approval at the March 2021 meeting.

The process will include using the 10-year capital markets assumptions to determine LACERA’s SAA for the policy portfolio and the 20-year capital markets assumptions will be used to help assess the reasonableness of LACERA’s long-term investment return assumption.

Finally, CMEs will be informed by climate risk scenarios, which will be used to provide insight into how the return and risk profiles of the recommended SAA may be impacted by various physical and policy changes so that forward-looking allocations are climate-aware. Meketa will integrate scenarios previously presented and discussed with Trustees at the October 2020 BOI to inform on how climate risks may impact the final SAA and position Trustees to consider climate as an additional factor for risk tolerance and return expectations. Trustees will be able to provide feedback and input on all CMEs and to factors driving them, including climate scenario analysis.

An anticipated timeline for the capital market expectation process is included in Table 1.

**Table 1 – Anticipated Timeline for Capital Market Expectation Process**

Phase	Item	Target Date for Completion
I.	Review Meketa’s 2020 Mid-Year Capital Markets Expectations	Completed
II.	Share Meketa’s 2020 Mid-Year Capital Markets Expectations with asset category consultants for reasonableness	Completed
III.	Review Meketa’s 2021 Capital Markets Expectations	February 2021
IV.	Work with asset category consultants on the reasonableness of CMEs	February 2021
V.	Recommend Capital Market Expectations to the BOI	March 2021
VI	Recommend Strategic Asset Allocation and establish policy benchmarks	May 2021

<sup>1</sup> *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Services, LLC. Research is based on the capital market assumptions from 39 investment advisors.

December 30, 2020

TO: Trustees – Board of Investments

FROM: Ted Wright, CFA, FRM, PRM, CAIA *TW*  
Principal Investment Officer

Vache Mahseredjian, CFA, CAIA, FRM, ASA *VM*  
Principal Investment Officer

Christopher Wagner *cpw*  
Principal Investment Officer

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **EMERGING MANAGER PROGRAM UPDATE**

### **BACKGROUND**

At the September 9, 2020 Board of Investments (“Board”) meeting, Trustees requested an overview of LACERA’s Emerging Manager Programs across the Total Fund. LACERA currently has emerging manager programs in Global Equity, Private Equity, and Real Estate. Additionally, the Board approved an emerging manager program for Hedge Funds in December 2020.

Fixed Income had an emerging manager program for many years. With the implementation of the Strategic Asset Allocation into functional categories, the profile of core fixed income has changed to Risk Mitigation, an area with limited emerging manager participation. As a result, LACERA needs to target credit strategies where emerging managers are more accessible. In the current calendar year, new programs will be evaluated for the Credit category in addition to Real Assets.

Attached is a presentation (**Attachment A**) that provides an overview of each emerging manager program and their respective allocation and returns. The presentation also includes upcoming initiatives to improve existing programs and implement new strategies.

LACERA and Meketa conducted a four-part review and update of the Emerging Manager Policy over the course of 2019 and 2020,<sup>1</sup> culminating with the Trustee’s approval of a new policy (**Attachment B**) at the February 12, 2020 BOI meeting. With the policy recently updated, a review of existing programs and plans to establish additional ones is timely.

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer

<sup>1</sup> Presentations were made in April and June of 2019, and January and February of 2020.

# Emerging Manager Program Update

Board of Investments  
January 13, 2021

Ted Wright – Principal Investment Officer  
Vache Mahseredjian– Principal Investment Officer  
Christopher Wagner– Principal Investment Officer



# Table of Contents

---

<i>Title</i>	<i>Slide No.</i>
♦ <b>Introduction</b>	<b>3</b>
♦ <b>Emerging Manager Programs</b>	
<i>Global Equity</i>	<b>5</b>
<i>Fixed Income</i>	<b>6</b>
<i>Real Estate</i>	<b>8</b>
<i>Private Equity</i>	<b>9</b>
<i>Hedge Funds</i>	<b>10</b>
<i>Illiquid Credit</i>	<b>12</b>
<i>Real Assets</i>	<b>13</b>
♦ <b>Allocations and Returns</b>	
<i>Allocation Ranges and Market Values</i>	<b>15</b>
<i>Performance</i>	<b>16</b>
<i>Conclusion</i>	<b>17</b>



# Introduction

*In September 2020, Trustees requested a comprehensive review of the Emerging Manager Programs*

## Past

- LACERA initiated an emerging manager program through investments in U.S. equities
- Expanded into Global Equities, Fixed Income, Private Equity, and Real Estate

## Present

- Staff and Meketa provided a four-part review, and updated LACERA's Emerging Manager Policy in February 2020
- J.P. Morgan to present the Private Equity Program

## Future

- Further expansion to include Hedge Funds, Illiquid Credit, and Real Assets
- Implement LACERA's TIDE initiative, including emerging manager programs

# Emerging Manager Programs





# Global Equity Program



**Program Inception** – Global Equities established first program via a separate account U.S. mandate administered by a third-party advisor



**Program Structure Change** – In 2017 shifted to an internally managed program and expanded to include non-U.S. mandates



**Graduation** – Increase focus on graduation through improved partnership, constructive ODD evaluations, and thorough periodic reviews



**Looking Forward** – Subject to Board approval, future searches will focus on global managers with broad mandates in Q2 2021

# Fixed Income Program



**Program Inception** – Established in 2001 via four direct hire managers covering: Core, Core Plus, and High Yield; three more managers hired in 2005



**Program Structure Change** – No fixed income managers remain in the program. In 2019, LACERA conducted a search but it was halted due to limited response and strategy fit. Furthermore, no emerging managers responded to the 2020 High Yield RFP despite expanded MQ's



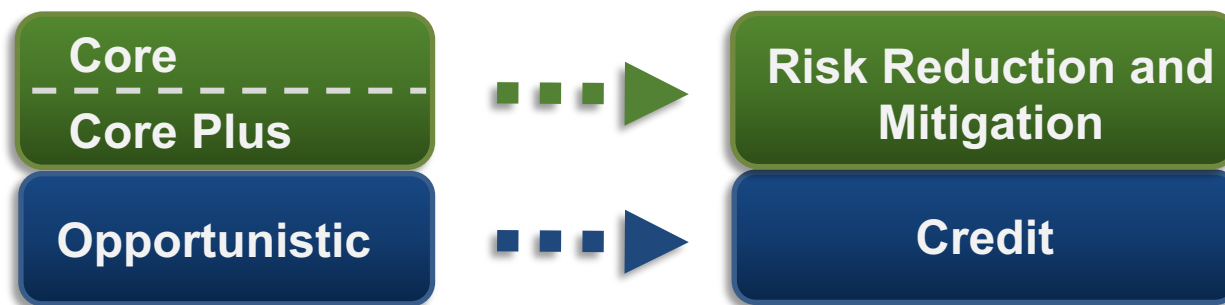
**Graduation** – Several managers graduated with one remaining in the portfolio



**Looking Forward** – Subject to Board approval, future searches will balance the greater availability of funds and the risk-seeking profile of strategies in Illiquid Credit

# Fixed Income Program Evolution

**The 2018 Strategic Asset Allocation separated Fixed Income based on distinct objectives**



- Credit functional category is better aligned with the objective of LACERA's Emerging Manager Policy, which is to enhance the Total Fund's risk-adjusted return
- In contrast, the higher risk (investment and operational) associated with emerging managers is less compatible with the downside protection objective of Risk Mitigation which resulted in the elimination of Core Plus
- Illiquid Credit segment is less efficient and provides opportunities for enhanced returns

# Real Estate Program



**Program Inception** – Program established in December 2000 and managed internally; five managers selected



**Program Structure Change** – Separate account structure implemented in 2002; two additional managers selected



**Graduation** – Improve promotions through structure enhancements and defined criteria



**Looking Forward** – Engage with the new real estate consultant on potential program structures and advance a plan as part of the Structure Review in H2 2021

# Private Equity Program



**Program Inception** – Private Equity program established in 2001 and managed internally



**Program Structure Change** – Shifted to an externally managed separate account with delegated authority to a third-party advisor in 2009



**Graduation** – Continue to work collaboratively with third-party advisor to develop managers for direct investment



**Looking Forward** – RFP expected to launch in 2021 with continued use of a separate account structure

# Hedge Fund Program

---



**Program Inception** – Hedge Fund program approved in December 2020 with a separate account structure



**Looking Forward** – \$250 million portfolio to be built over the next 12-24 months

# Hedge Fund Program: EMP Definition

---

## The Investment Policy Statement allows flexibility in the definition of emerging managers:

*“Specific requirements for assets under management (“AUM”) and length of track record are tailored for each asset class and updated for each mandate to take into account the composition of the manager universe prevailing at the time a search is conducted”.*

---

## The Board approved the following definition for the Hedge Fund Program:

- Length of time firm managing assets: <3 Years
- Assets under management: <\$500 million
- Employee ownership: >66%

# Illiquid Credit Program

---



**Program Structure** – Illiquid Credit team will evaluate the optimal implementation strategy in Q2 2021



**Looking Forward** – Program evaluation at the 2021 Structure Review; estimated program launch date no later than 2022



# Real Assets Program

---



**Program Structure** – Real Assets is a relatively new and inefficient asset class thus it is an opportune area for investment. Emerging managers will be considered for future private mandates



**Looking Forward** – Program planning currently underway. A defined construct will be evaluated at the Structure Review in Q4 2021

# Allocations and Returns



# Allocation Ranges and Market Values

**All allocations are within policy range**

*\$ in millions*

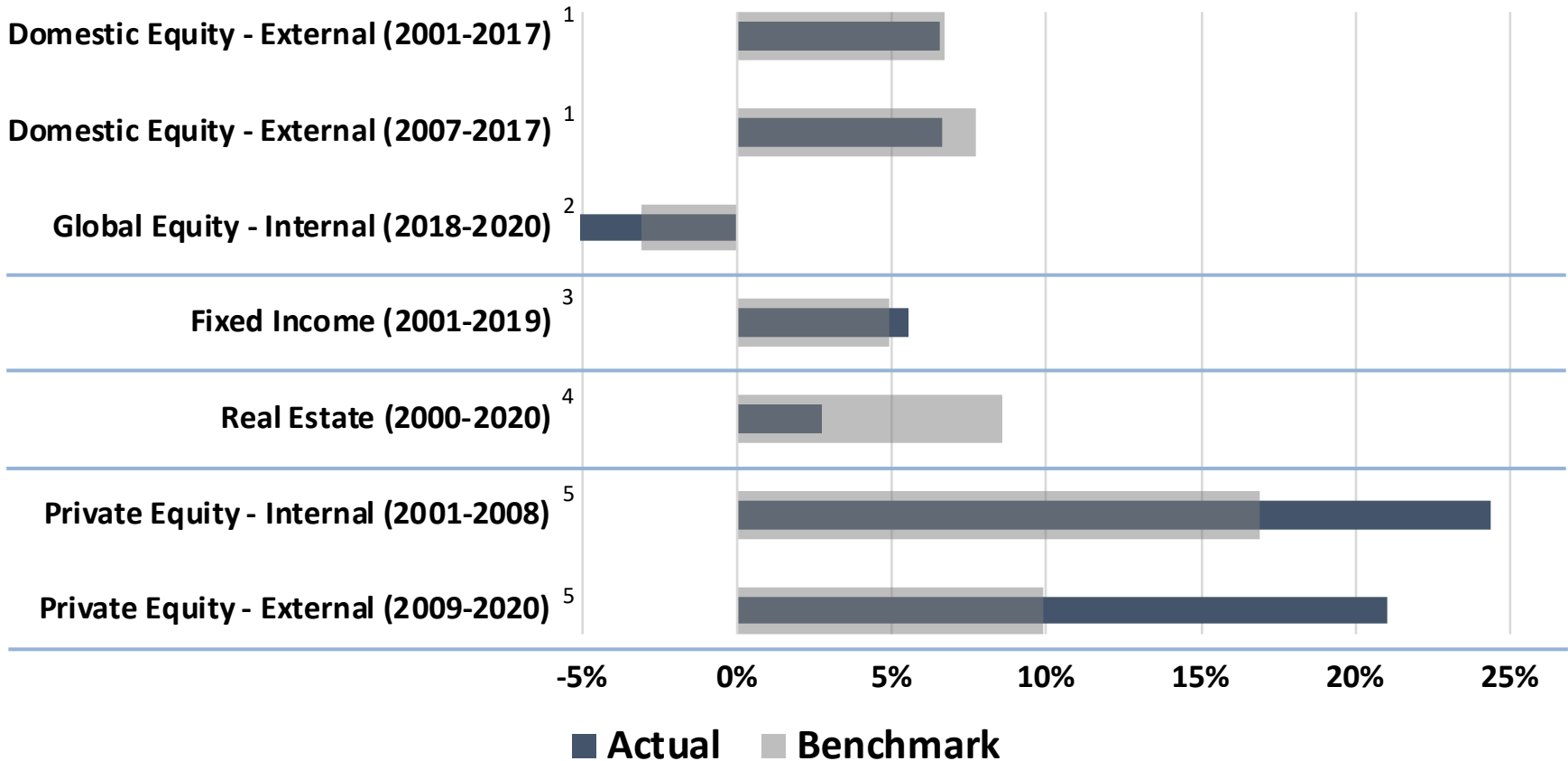
Asset Class	Actual Program \$	9/30/2020 NAV	Policy Range%	Actual Program %
Global Equities	\$ 307.50	\$ 22,022.55	0-5%	1.4%
Fixed Income	\$ -	\$ 14,192.18	0-4%	0.0%
Real Estate	\$ 434.20	\$ 5,108.36	0-20%	8.5%
Private Equity	\$ 354.70	\$ 6,978.05	0-7%	5.1%
Hedge Funds*	\$ -	\$ 1,977.68	0-10%	0.0%
<b>TOTAL FUND</b>	<b>\$ 1,096.40</b>	<b>\$ 60,459.49</b>	<b>0-6%</b>	<b>1.8%</b>

\* \$250 million allocated at the December 2020 Board of Investments meeting



# Since Inception Annualized Net Performance

As of September 30, 2020



<sup>1</sup>Benchmark is the Russell 3000

<sup>2</sup>Benchmark is the weighted return of individual manager benchmarks by market value

<sup>3</sup>Performance as of January 31, 2019; benchmark is the weighted return of individual manager benchmarks by market value

<sup>4</sup>Benchmark is the National Council of Real Estate Investment Fiduciaries Fund Index - Open End Diversified Core Equity

<sup>5</sup>Benchmark utilizes the Long-Nickels methodology which determines how much Private Equity cash flows would have earned if invested in an index (Morgan Stanley Capital International All Country World Index Investable Market Index) that grows like the stated index being compared plus the given spread (200 basis points)



# Conclusion

---

- **LACERA was an early adopter of emerging manager mandates**
- **Further expansion of programs to embrace LACERA's TIDE Capital Formation Pillar:**
  - Wider opportunity set
  - Enhance risk-adjusted returns
- **Increase focus on manager graduation**
  - Emphasize better manager analytics through IDD and ODD
  - Mentorship from emerging to institutional quality firm
- **Adapt to nuances of each asset category**
- **Upcoming initiatives**
  - Implementation of new monitoring tools
  - Expansion into Credit and Real Assets
  - Broaden minimum qualifications in all searches





# **Emerging Manager Policy**

FEBRUARY 2020

# Contents

<b>I. Introduction</b> .....	<b>1</b>
<b>II. Purpose and Objective</b> .....	<b>1</b>
<b>III. Emerging Manager Definition</b> .....	<b>2</b>
<b>IV. Structure</b> .....	<b>2</b>
<b>V. Graduation</b> .....	<b>3</b>
<b>VI. Monitoring and Reporting</b> .....	<b>3</b>

# I. Introduction

LACERA's mission is to "Produce, Protect, and Provide the Promised Benefit" for all its members. In order to achieve this mission, LACERA has developed various policies to guide its investments. These policies are governed by the California constitution and by various statutes, and embedded within the regulations are fundamental concepts of loyalty and prudence. The duty of loyalty means that Board members and staff must act in the sole interest of LACERA's members and beneficiaries; the duty of prudence requires that we discharge our responsibilities with skill, care, and diligence—and that we diversify the portfolio in order to minimize the risk of loss and maximize the expected rate of return.

The Emerging Manager Policy ("Policy") furthers the investment beliefs, philosophy, and strategies outlined in LACERA's Investment Policy Statement ("IPS"), adheres in all respects to the Code of Ethical Conduct and the Conflict of Interest Code, and complies with all applicable governing regulations.

LACERA values diversity and inclusion. These values permeate the entire LACERA portfolio and extend beyond the emerging manager program. As stated in the IPS, LACERA believes that effectively accessing and managing diverse talent—inclusive of varied backgrounds, age, experience, race, sexual orientation, gender, ethnicity, and culture—leads to improved outcomes. LACERA expects all its external asset managers and third party providers to respect LACERA's values of diversity and inclusion and to reflect them in their own organizations.

# II. Purpose and Objective

The objective of LACERA's Emerging Manager Policy is to enhance the total Fund's risk-adjusted return. The Policy seeks a proper balance between the potential for higher returns available to select emerging managers, and the higher risks—both investment-related and operational—associated with less established firms.

The Policy provides LACERA an opportunity to invest in promising investment management organizations early in their development. Investing with managers that have fewer clients, smaller assets, or a short track record may provide LACERA access to investment strategies that larger, more established managers might overlook. Smaller investment management firms may generate attractive performance, net-of-fees, because of increased market flexibility associated with smaller asset bases. In addition, first- or second-time funds may outperform later funds in private markets. Furthermore, investing early in the lifecycle of select emerging managers may carry benefits that include lower fees (founder's terms), future capacity rights, and preferred economics such as a share of future revenues.

Counterbalancing the attractive returns from investing with emerging managers is a greater return dispersion and the possibility of greater investment and operational risk—particularly in areas such as compliance, portfolio administration, cybersecurity, business continuity, and succession planning.

Emerging managers are highly motivated to perform well for early investors because doing so can be crucial to their firm's growth. As a result, institutional investors such as LACERA may have a greater alignment of interests with emerging managers than with more established ones.



### III. Emerging Manager Definition

Emerging investment managers are independent firms that have less substantial assets under management or may lack a long-term investment performance record. LACERA is interested in emerging managers that have strong alignment of interest with their investors and expects principals of the firm to hold a substantial majority of the ownership interest of the company. Specific requirements for assets under management (“AUM”) and length of track record are tailored for each asset class and updated for each mandate to take into account the composition of the manager universe prevailing at the time a search is conducted.

Emerging managers are held to the same high performance standards that apply to all of LACERA’s external managers. In addition, LACERA conducts an ongoing assessment of all external managers’ commitment to, adherence with, and track record of accessing and retaining diverse and inclusive workforces. Emerging managers may include, but are not limited to, investment managers that are owned by individuals of diverse backgrounds that have traditionally been underrepresented in the financial services industry. More broadly, all else equal, LACERA prefers firms that are committed to and have established a demonstrated track record of diversity and inclusion throughout the firm’s workforce, inclusive of investment professionals.

### IV. Structure

LACERA may hire emerging managers either directly or by employing a fund-of-funds manager skilled at sourcing emerging managers. Either type of mandate must adhere to LACERA’s defined procurement procedures and requires approval by the Board of Investments. Investment strategies managed by emerging managers must be suitable for LACERA’s portfolio and fit within the approved strategic asset allocation and asset class structure, as well as the portfolio’s risk and liquidity constraints.

For each asset class, LACERA conducts periodic structure reviews that incorporate specific criteria and recommended allocation ranges for emerging managers (see “Attachment” for current BOI-approved ranges). The structure reviews take into consideration the opportunities and risks of the asset class and are conducted in consultation with LACERA’s applicable investment consultants. The implementation of any emerging manager program must advance the principles, objectives, and initiatives established within the asset class structure review.

## V. Graduation

Selected emerging managers will be reviewed in accordance with their respective asset class policies to determine if they continue to meet the requirements of the emerging manager program or if they qualify for graduation from emerging status. Graduation recommendations will be included in the biennial asset class structure reviews.

## VI. Monitoring and Reporting

LACERA staff will monitor the emerging managers on an ongoing basis and report annually to the Board on potential issues, performance, and significant developments.

# Attachment

## Emerging Manager Allocation Ranges<sup>1</sup>

	Minimum	Maximum
Global Equities	0%	5%
Fixed Income	0%	4%
Real Estate	0%	20%
Private Equity	0%	7%
Hedge Funds <sup>2</sup>	0%	10%
Total Fund	0%	6%

### Document History


Revised February 12, 2020  
 Revised August 8, 2016  
 Revised November 19, 2014  
 Revised November 20, 2013  
 Revised November 13, 2012  
 Revised October 31, 2012  
 Revised July 8, 2009  
 Revised March 11, 2009  
 Revised September 13, 2006  
 Adopted June 13, 2001

<sup>1</sup>The allocation ranges shown are the most recent numbers approved by the BOI.

<sup>2</sup>The BOI approved a \$200 million allocation in September of 2019, and \$200 million is approximately 10% of the target Hedge Fund allocation.

December 24, 2020

TO: Trustees - Board of Investments

FROM: Calvin Chang   
Senior Investment Analyst

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **PRIVATE EQUITY EMERGING MANAGER PROGRAM**

During the Diversity, Equity, and Inclusion (“DEI”) presentation at the September 2020 Board of Investments (“BOI”) meeting, a motion was made by the Trustees to invite J.P. Morgan Private Equity Group (“JPM”), LACERA’s private equity emerging manager program manager, to a future board meeting to share their DEI initiatives.

JPM has managed the Private Equity Emerging Manager Program (“Program”) on a discretionary basis since 2009. JPM currently manages four separately managed accounts with an aggregate commitment of \$650 million. The purpose of the Program is to provide LACERA exposure to smaller, lesser-known firms, and in some cases first time funds, whose general partners acquired their experience working at more established firms.

On January 13, 2021, Ashmi Mehrotra and Laureen Costa of JPM are scheduled to present JPM’s approach and commitment to foster DEI within the Program. Attached is JPM’s presentation booklet for your review.

Disclosure note:

To promote transparency and as disclosed in the private equity separate account emerging manager search documentation at the December 13, 2017 Board of Investments meeting, a member of JPM, Jarrod Fong, Managing Director, was a classmate of Jonathan Grabel, LACERA’s Chief Investment Officer (“CIO”), at the University of Chicago Booth School of Business. The two have been friends since graduate school, many years prior to Mr. Grabel’s employment at LACERA. Furthermore, JPM began managing the Program in advance of Mr. Grabel’s appointment as CIO in 2017. Lastly, Mr. Fong is not an assigned member of JPM’s LACERA team.

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer

# LACERA Emerging Manager Program Update and T.I.D.E.: Towards Inclusion, Diversity, and Equity

---

January 13, 2021



LACERA T.I.D.E.: TOWARDS INCLUSION, DIVERSITY, AND EQUITY

**Private Equity Group (“PEG”)  
represented by:**

**Ashmi Mehrotra**  
Portfolio Manager  
[ashmi.mehrotra@jpmorgan.com](mailto:ashmi.mehrotra@jpmorgan.com)

**Laureen Costa**  
Portfolio Manager  
[laureen.r.costa@jpmorgan.com](mailto:laureen.r.costa@jpmorgan.com)



## Today's Agenda

---

- **LACERA Emerging Manager Program:**
  - Diversity, Equity, & Inclusion (“DEI”)
  - Investment performance
  - Knowledge transfer
  
- Update on PEG’s approach and commitment to enhancing our DEI capabilities
  
- Appendix



## Diversity, Equity, & Inclusion (“DEI”) starts with our own team

### PEG Global Team DEI Snapshot

- 58% of team are women and/or minorities
- 53% of the senior members (MDs and EDs) are women and/or minorities
- First Toigo Fellow hired in 1996
- PEG members are leaders within Toigo, NAIC, Level 20, CUP, SEO, among others

### PEG Global Platform Overview

- 55 member team
- Dedicated to Private Equity investing and client service
- Average tenure of 19 years for senior portfolio managers and 15 years for entire portfolio management team
- Leverage resources of JPM for compliance, tech, HR, etc.
- PEG employee plan co-invests alongside clients

### PEG’s LACERA Team



**Ashmi Mehrotra**  
Managing Director  
Co-Head of PEG



**Lauren Costa**  
Managing Director  
Portfolio Manager



**Dana Haimoff**  
Managing Director  
Portfolio Manager



**Brian McCann**  
Managing Director  
Portfolio Manager



**Joseph Knight**  
Vice President  
Portfolio Manager

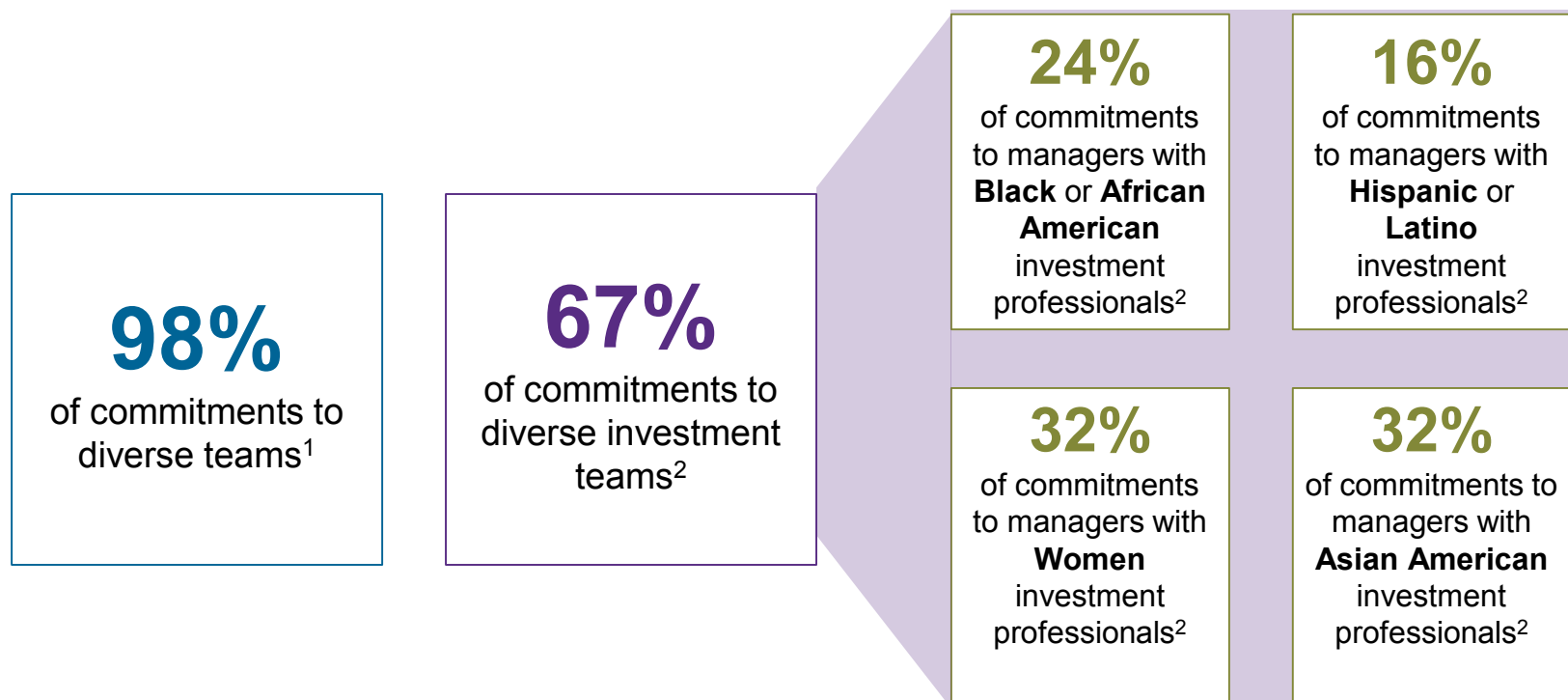
***All PEG PMs source and execute on investments for the Emerging Manager Program***

There can be no assurance that the professionals currently employed will continue to be employed by JPMAM or that the past success of any such professional serves as an indicator of such professional's future performance.



## LACERA Emerging Manager Program: DEI results

We leverage the experience and extended network of the full PEG platform to construct a **high performing, Emerging and Diverse Manager** portfolio comprised of firms with diversity across their senior leadership



<sup>1</sup> Diverse teams defined as U.S. managers having women and/or people of color in roles including: investment, finance/accounting, investor relations, business development; calculated as a % of dollars committed

<sup>2</sup> Black or African American, Hispanic or Latino, Asian, and Woman managers defined as U.S. managers with professionals in investing roles at the Partner or Principal level; calculated as a % of dollars committed



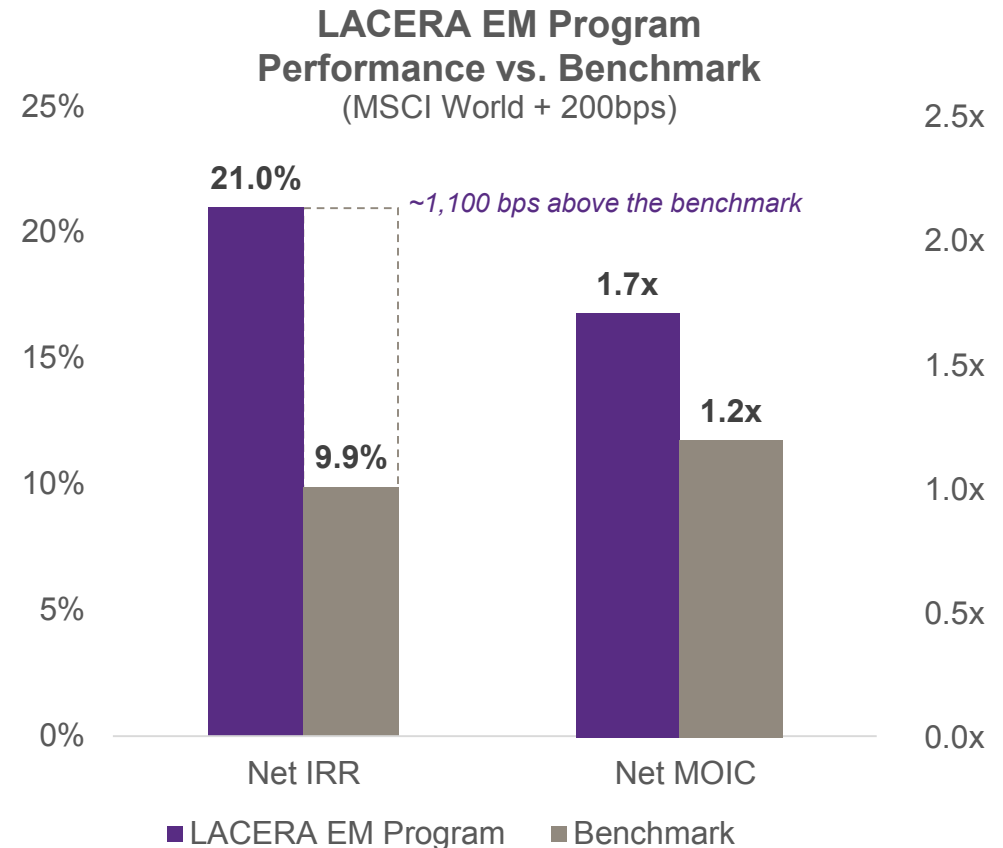


# LACERA Emerging Manager Program: Investment performance

As of September 30, 2020

## LACERA is a leader in the EM market

- LACERA was early to recognize the opportunity of investing with EMs
  - EM is defined as a first, second, or third institutional fund
  - fund size ≤ \$750 million for buyouts
  - fund size ≤ \$300 million for venture capital
  - select co-investments alongside such funds



Preliminary performance as of 9/30/2020. Net of underlying investment fees and expenses and net of Advisor fees including accrued but unpaid performance fees. Past performance is no guarantee of future results. There can be no guarantee the performance shown will be achieved in respect of investments that are not fully realized.

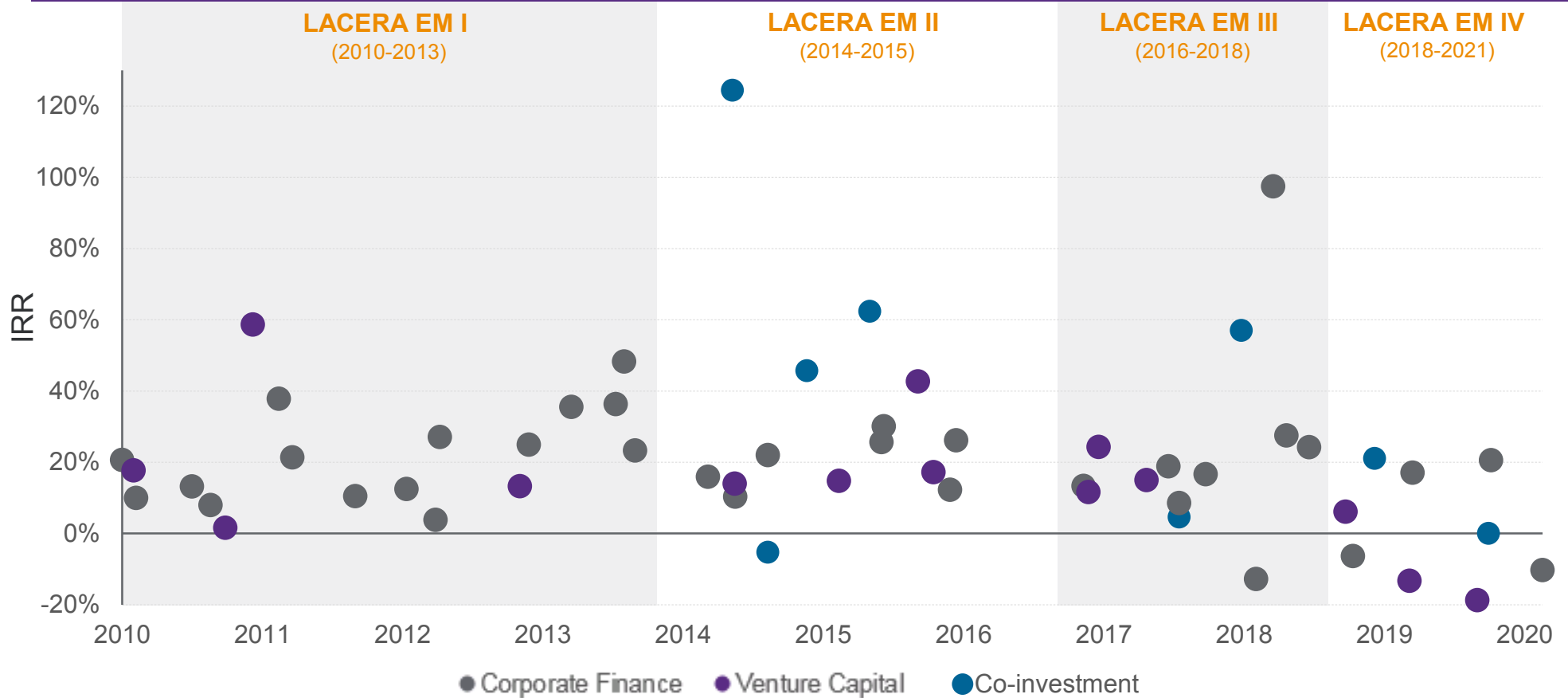
Public benchmark returns calculated with actual timing and dollar amounts of LACERA portfolio cash flows in and out of the index.



# Dispersion of returns across LACERA Emerging Manager Program

As of September 30, 2020

## Performance dispersion: Investment performance by type and by vintage year<sup>1</sup>



Preliminary Performance as of 9/30/2020

<sup>1</sup>Unless specifically noted, performance is net of underlying investment fees and expenses; gross of Advisor fees; if Advisor fees were included, returns would be lower. Past performance is no guarantee of future results. The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.



## Diversified EM portfolio produced returns in each category

LACERA Emerging Manager portfolio results by investment type, strategy, and geography

As of September 30, 2020

	IRR <sup>1</sup>	MOIC <sup>1</sup>	% Commit.
<b>Type:</b>			
Partnership Investments	18.7%	1.7x	94%
Secondary Investments	60.1%	3.9x	1%
Co-investments	84.8%	4.9x	5%
<b>Strategy:</b>			
Buyout / Corporate Finance	19.9%	1.8x	71%
Venture / Growth	16.6%	1.7x	24%
Co-investments	84.8%	4.9x	5%
<b>Geography:</b>			
U.S.	23.3%	2.0x	87%
Europe	12.2%	1.2x	8%
Asia	25.6%	1.6x	5%
<b>LACERA</b>	<b>21.0%<sup>2</sup></b>	<b>1.7x<sup>2</sup></b>	

Preliminary Performance as of 9/30/2020

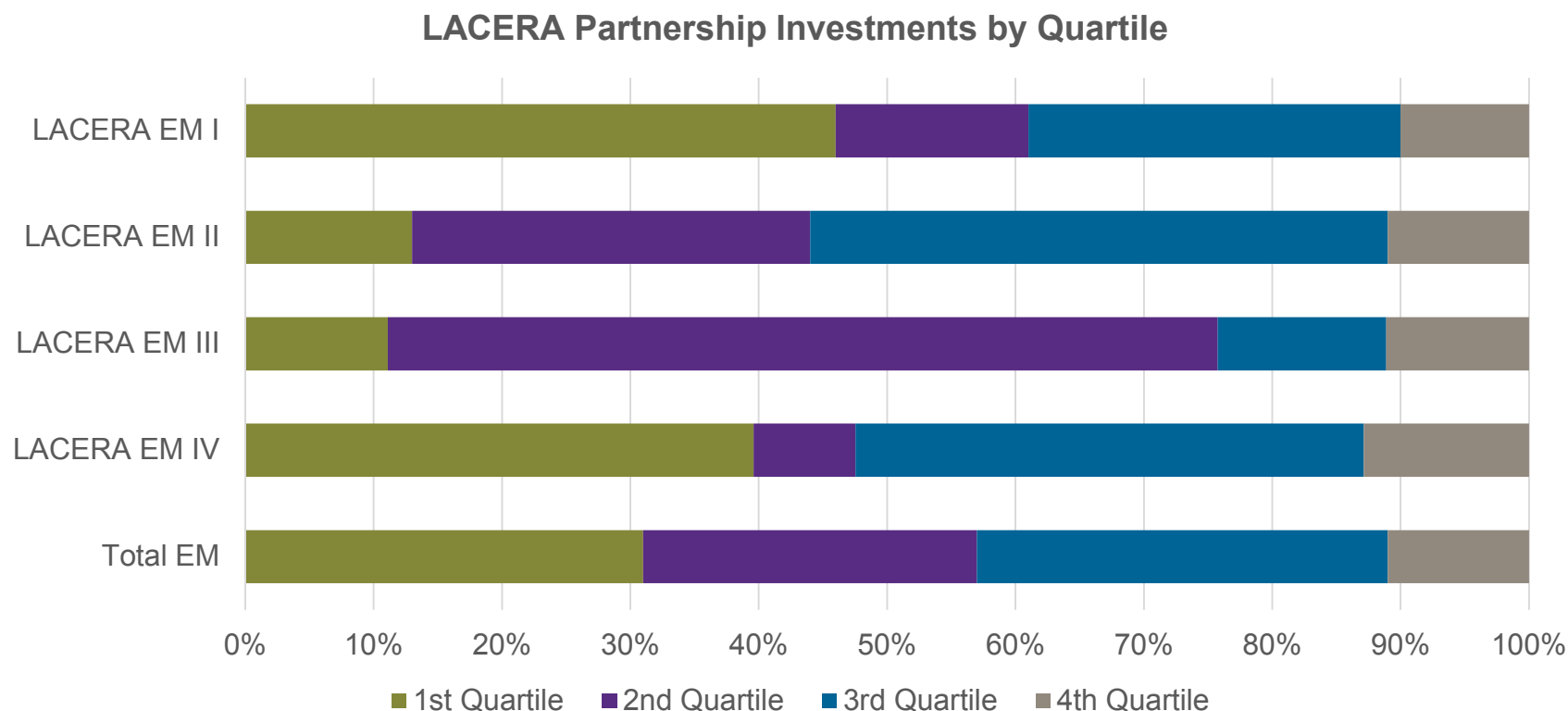
<sup>1</sup>Unless specifically noted, performance is net of underlying investment fees and expenses; gross of Advisor fees; if Advisor fees were included, returns would be lower.

<sup>2</sup>Performance is net of underlying investment fees and expenses and net of Advisor fees including accrued but unpaid performance fees.

Past performance is no guarantee of future results. The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

## LACERA Emerging Manager Program Partnership performance by quartile

57% of LACERA EM Program partnership investments are in the top two quartiles for their respective vintage years



Past performance is no guarantee of future results, and there can be no guarantee the performance shown will be achieved for vintage years that are not fully realized.

Gross performance is net of underlying investment fees and expenses; gross of Advisor fees; if Advisor fees were included, returns would be lower. Gross performance represents underlying investment cash flows and valuations and is inclusive of any fees and expenses at the underlying investment level; gross performance excludes Advisor management and incentive fees which are not applied at the underlying investment level.

PEG Gross IRR relative to Burgiss Private iQ Funds Universe, All Private Equity, All Regions.



## Representative investments with significant minority ownership

### NMS | CAPITAL

#### Partnership Overview:

- LACERA EM 2 invested in NMS' first institutional fund in June 2014
- Formed in 2010 to focus on control investments in lower middle market companies in healthcare services and business services
- Team is led by 2 Managing Partners and 5 Partners/Managing Directors
  - **Martin Chavez**
  - James Wilson
  - Kevin Jordan
  - **Luis Gonzalez**
  - Thomas Nolan
  - David Peterson
  - **Noel Jeon**
- Growth strategies include targeted acquisitions as well as organic growth



### Great Point Partners

#### Partnership Overview:

- LACERA EM 4 invested in Great Point Partners III in April 2019
- Buyout and growth equity firm focused on lower middle market healthcare
- Team is led by 5 Managing Directors
  - Dr. Jeffrey Jay
  - **Adam Dolder**
  - Brett Erkman
  - Noah Rhodes
  - **Rohan Saikia**
- GPs are aided by an advisory board of highly experienced healthcare executives who support the portfolio

Names highlighted in orange represent diverse investment professionals.

As of 9/30/2020. These examples are included solely to illustrate strategies which have been utilized by PEG. It is expected that the portfolio will include a larger number of investments than the example set forth. There can be no guarantee or assurance that the portfolio will be able to make similar investments on similar terms in the future. Not all investments have had or will have similar results. The logos presented are registered trademarks of their respective companies.



## Knowledge transfer

### Transparent communication

- Monthly pipeline reports & calls
  - 2<sup>nd</sup> Thursday of every month
  - pipeline review
    - investments in active due diligence
    - discussion of any overlap (*i.e.*, opportunities LACERA is reviewing directly)
    - reporting of new offerings
  - pipeline report sent to LACERA for review and confirmation
  - portfolio updates
- Ad hoc investment calls (*e.g.*, share due diligence on non-emerging manager opportunities)
- Special projects (*e.g.*, secondary investing training)

### Facilitating graduation

- Manager annual meeting schedule for LACERA to develop direct relationships
- Fundraising timeline for potential graduates
- LACERA participates in PEG team meetings for EM investment discussions
  - invited to 24 investment discussions<sup>1</sup>
- Information sharing with LACERA in-house legal team on graduating investments

<sup>1</sup> Since July 2018

Items listed above include proprietary, confidential information and will only be shared on condition that appropriate confidentiality agreements/non-disclosure agreements are in place.



## Today's Agenda

---

- **LACERA Emerging Manager Program:**
  - Diversity, Equity, & Inclusion (“DEI”)
  - Investment performance
  - Knowledge transfer

- **Update on PEG’s approach and commitment to enhancing our DEI capabilities**

- **Appendix**



## PEG's approach to DEI for LACERA's Emerging Manager Program

---







## Enhancements to PEG's sourcing

---

### Sourcing

- Increased focus on Black or African American and Hispanic or Latino managers
  - tracking list doubled from 75 to 150 in the last year
- Support for the Recast Enablement Program, the “Y Combinator” for emerging venture funds
  - marketing/fundraising guidance module
  - pitch day module
- Office Hours: one-on-one meetings with diverse first-time funds focused on coaching, strategy discussions, practice pitches



# Visible and active sourcing presence in EM communities

OECD Forum



NAIC Board member

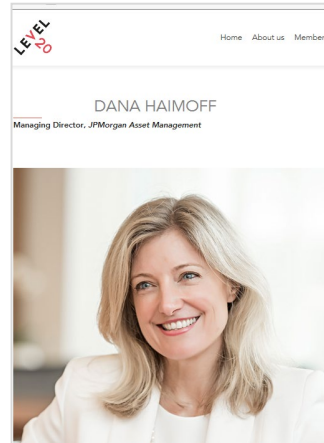


Active with the Toigo Foundation since 1998


**Alumni Leading by Example**  
 HONOREE  
**Jarrood Fong**  
 MANAGING DIRECTOR, PORTFOLIO MANAGER  
 J.P. MORGAN ASSET MANAGEMENT  
 TOIGO ALUMNUS, CHICAGO BOOTH 1996  
 CHAIR | TOIGO ALUMNI ENDOWMENT BOARD OF DIRECTORS



New York State Conference



LEVEL 20  
 Home About us Membership  
 DANA HAIMOFF  
 Managing Director, JPMorgan Asset Management




13<sup>th</sup> Annual  
**Emerging Markets  
 & MWBE Conf**

NASP SoCal



SEO Alternative Investments LP Advisory Council




WOMEN IN ASSET MANAGEMENT SUMMIT & AWARDS SERIES  
  
 Katherine Balle  
 Portfolio Manager  
 J.P.Morgan Asset Management

Co-founder of Level 20



Women's Summit



Council of Urban Professionals  
 Home | Staff | Jarrood Fong  
**JARROOD FONG**  
 Portfolio Manager, JPMorgan Chase & Co.  


Board of the Council of Urban Professionals



## Enhancements to PEG's procedures

### Procedures

- Additional DEI metrics added to our new Offerings Database
- Assessment of GP's commitment to DEI included in due diligence process
- New DEI section included in our standard Operational Due Diligence Questionnaire
- Investment recommendation memos include diversity of the manager
- Request and coordinate the completion of LACERA's DEI Questionnaire by every manager in LACERA EM program
- Industry signatories and recognition:
  - JPM a signatory to UN PRI since 2007
  - PEG received "A" rating by UN PRI
  - PEG is in process of becoming a signatory to ILPA's Diversity in Action initiative



## Enhancements to PEG's value add

### Value Add

- Introductions
  - Introduced experienced diverse investment professional to a first-time fund in need of additional experience on their team
  - Introduced large LP who ultimately invested in first-time, woman-led fund
  - Introduced qualified female CFO to small, non-diverse buyout fund
- Active in diverse communities
  - Helped non-diverse, mid-market buyout fund find diverse investment professional via Toigo and SEO
  - Advised up-and-coming diverse investment professional as he looked to change firms; served as a reference
  - Serve in leadership roles and sponsor multiple diversity-focused industry associations
- Mentoring
  - Shared modeling on key terms with first-time VC fund
  - Recommended new slide in presentation to better explain evolution of strategy
  - Advised firm raising their second fund on strategy and team for ~6 months prior to fundraising



## Where do we go from here? How can we do more/better?

### Diversity, Equity, and Inclusion

- Capture more data
  - respectfully ask for transparency
    - be mindful of Title VII of the Civil Rights Act as all of our EM managers have <30 employees
  - follow-up with NAIC/NAA movement to add DEI to SEC questions
- Introduce managers to diverse applicants
- Make GPs aware of the ILPA Diversity in Action initiative and encourage them to become signatories
- Refine method for measuring managers' progress toward becoming more diverse or maintaining diversity
- Raise awareness and engage in implementing improved transparency

### Emerging Manager Program

- Continue to facilitate knowledge transfer and partnership with LACERA
- Hone investment strategy
  - fund size requirements
  - geographic expansion
  - co-investments

There can be no assurance that the professionals currently employed will continue to be employed by JPMAM or that the past success of any such professional serves as an indicator of such professional's future performance.



## Today's Agenda

---

- **LACERA Emerging Manager Program:**
  - Diversity, Equity, & Inclusion (“DEI”)
  - Investment performance
  - Knowledge transfer
  
- **Update on PEG’s approach and commitment to enhancing our DEI capabilities**

- **Appendix**



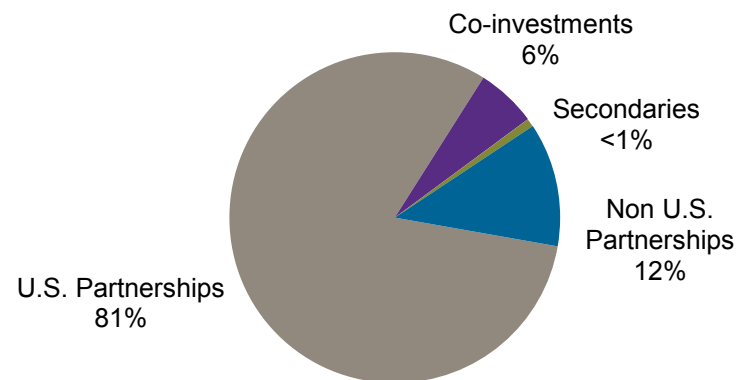
# LACERA Emerging Manager Program snapshot

As of December 15, 2020

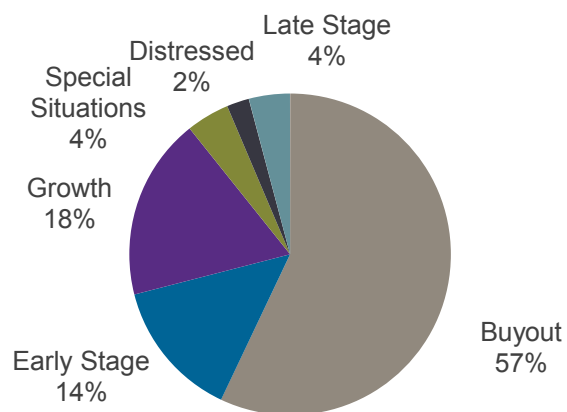
## Summary

Inception date	2009
Mandate	\$650mm
Investment period	2009-2021
Capital committed (\$ / % of mandate)	\$489mm/75%
Capital invested (\$ / % of committed)	\$376mm/77%
Distributions received (\$ / % of invested)	\$340mm/90%
IRR as of September 30, 2020*	21.0% IRR
MOIC as of September 30, 2020*	1.7x MOIC

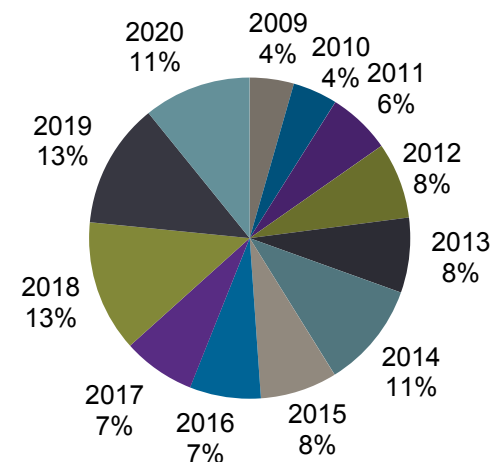
## Commitments by investment type



## Partnership composition<sup>1</sup> by strategy



## Commitments by vintage year



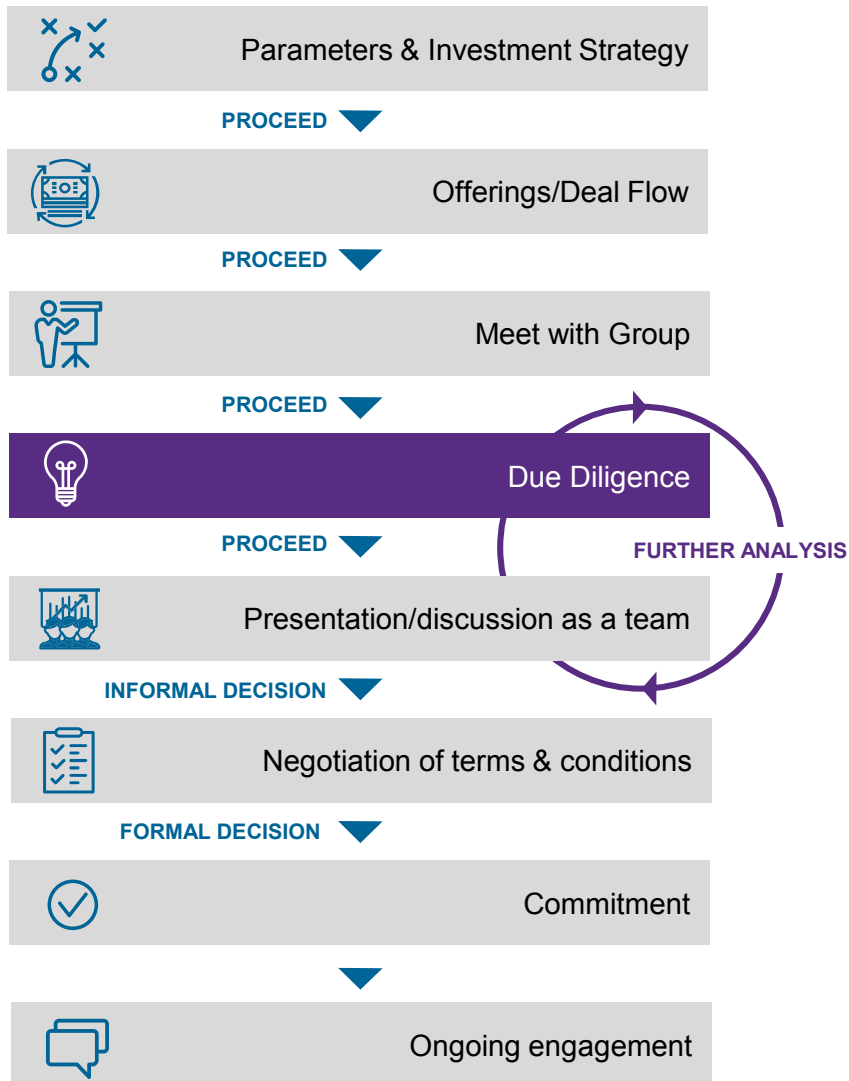
<sup>1</sup>Composition by commitment amount to underlying partnership and secondary investments.

\*Preliminary performance as of 9/30/2020. Net of underlying investment fees and expenses and net of Advisor fees including accrued but unpaid performance fees. Past performance is no guarantee of future results.

# Each investment opportunity is vetted using a thorough and well-documented due diligence process



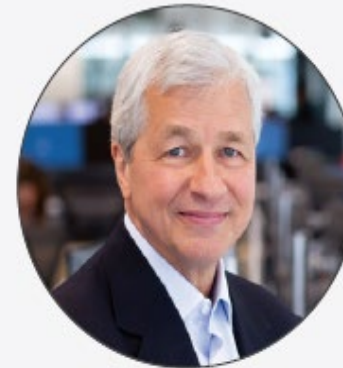
No “formula” for conducting due diligence as each investment is unique







# JPMorgan's commitment to diversity comes from the top



“We look for the best people to do the best job for our customers. In order to find the best and be the best, you must be diverse. It’s that simple.”

**JAMIE DIMON**  
CHAIRMAN AND CEO



“We believe in, and are committed to, a culture of respect and inclusion. A company that is, can better serve the world and have generational impact – and that is good for everyone.”

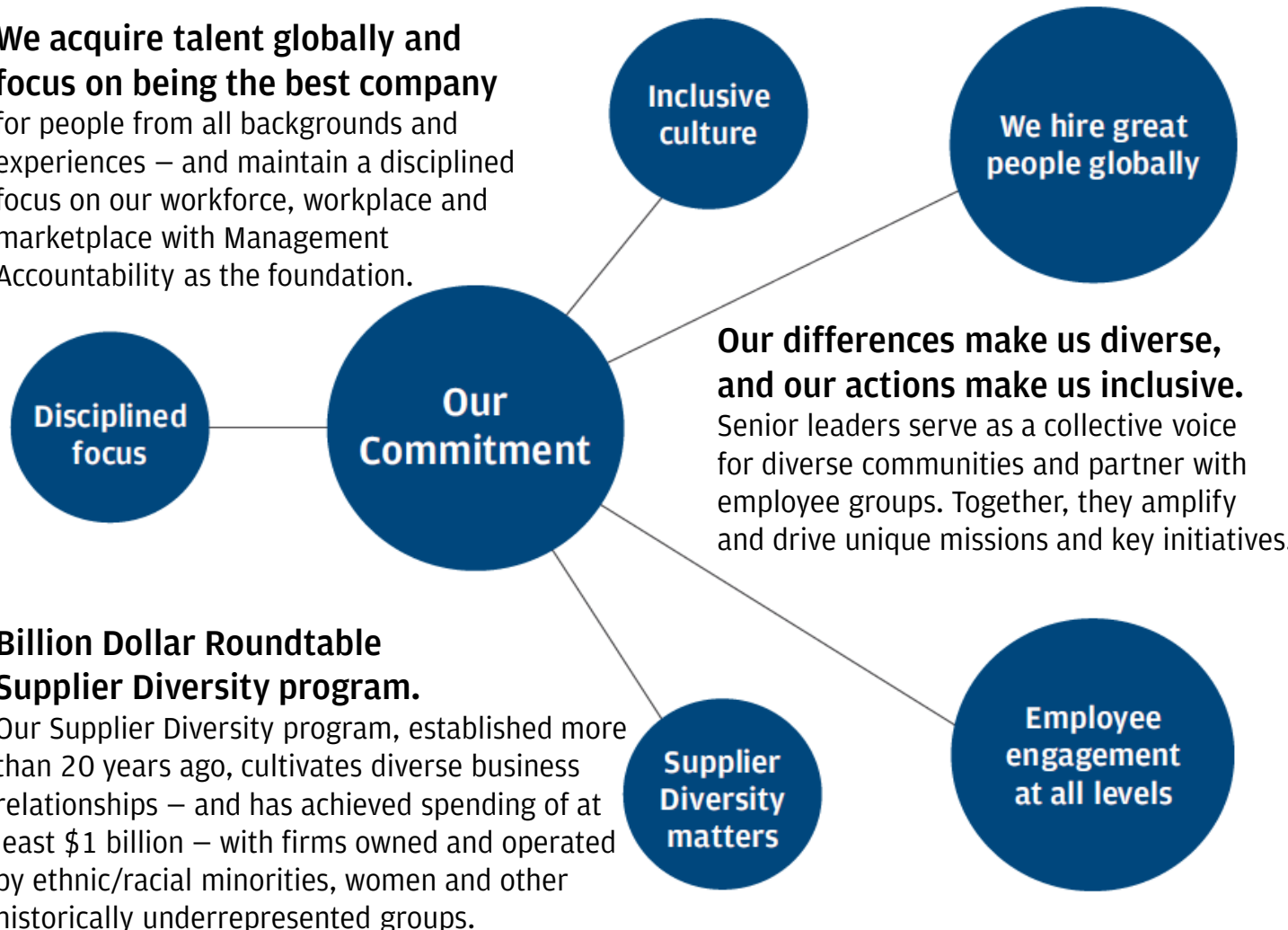
**BRIAN LAMB**  
GLOBAL HEAD OF  
DIVERSITY & INCLUSION



## JPMorgan’s strategic engagement

*At JPMorgan Chase & Co., we believe our success is directly linked to our people and our culture. We aim to attract, train, develop and retain the best diverse talent for today and the future.*

**We acquire talent globally and focus on being the best company** for people from all backgrounds and experiences – and maintain a disciplined focus on our workforce, workplace and marketplace with Management Accountability as the foundation.

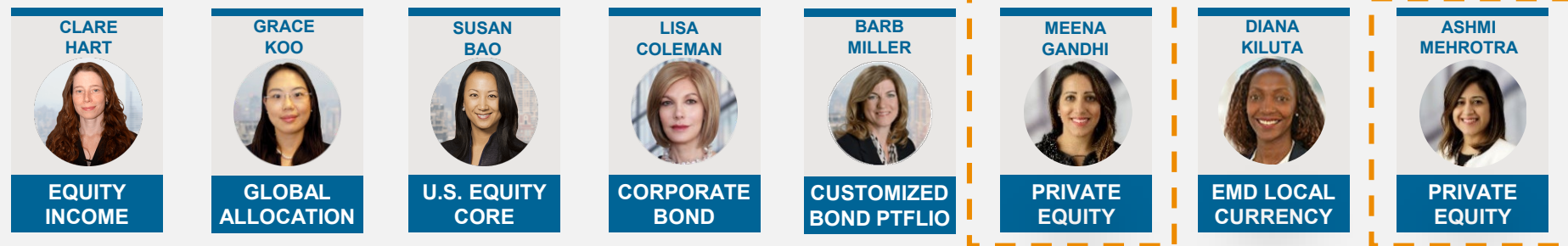


**Billion Dollar Roundtable Supplier Diversity program.** Our Supplier Diversity program, established more than 20 years ago, cultivates diverse business relationships – and has achieved spending of at least \$1 billion – with firms owned and operated by ethnic/racial minorities, women and other historically underrepresented groups.



# Spotlight on JPMorgan's Asset/Wealth Management's diversity initiatives

## 2x+ the AM industry average for female portfolio managers



### Key Programming & Events

- The fourth annual Women's Summit was a showcase of insightful and inspiring women – from across the investing universe to the leading edges of technology and business
  - The 2018 summit attracted **145 female financial professionals** from **72 U.S. firms** representing an astounding **\$11 trillion in AUM**
- In 2019, the Women's Summit was part of the firmwide Women on the Move event at Radio City Music Hall that included 2,000 employees and clients
- **ReEntry Program:**
  - Targets VP+ candidates returning after a career break. Started in Asset & Wealth in 2013, now firmwide. To date: 174 participants, with almost 80% of participants placed in full-time roles
- **Raising LGBT+ Kids Panel:**
  - Firmwide event inspired by leaders in AWM to create a platform to support other parents/families who are raising LGBT+ kids

Sources: J.P. Morgan Asset Management. Industry average source New York Times 5/4/2018

### AWM's Affinity Networks

- Asset & Wealth Management has four affinity networks that support our business strategy and goal of recruiting, retaining and developing talented, diverse teams. These networks include:
  - **Women on the Move—Asset & Wealth Management**
  - **AWM Asian Leadership Forum**
  - **AWM Black Leadership Forum**
  - **AWM Hispanic Leadership Forum**

### Talent Development & Councils

- **Asset Management Advisory Council:**
  - The Council provides a platform to discuss global strategic and business issues, share best practices and identify any specific areas of interest or concern for the AM Operating Committee
- **Ascend:**
  - An 18-month program designed to enhance the career progression and retention of high-performing, diverse VPs through sponsorship assignments, networking opportunities, and manager engagement



# JPMorgan's employee engagement

## Business Resource Groups ("BRGs")



*While each BRG has a core focus, all employees are invited to join any BRG and many choose to join more than one.*



Internally: [go/diversity](https://go/diversity)  
 External: [jpmorganchase.com/diversity](https://jpmorganchase.com/diversity)

- Access Ability**  
Disability and Caregiver Resource Group
- Adelante**  
Latino/Hispanic Business Resource Group
- AsPIRE**  
Asians & Pacific Islanders Reaching for Excellence
- BOLD**  
Black Organization for Leadership Development
- NEXTGEN**  
Leadership Development for Early Career Professionals
- PRIDE**  
Lesbian, Gay, Bisexual, Transgender, + and Ally Resource Group
- Sage**  
Administrative Professionals Resource Group
- VETS**  
voices for employees that served
- Women on the Move**  
Interactive Network
- WFN**  
Working Families Network



## Selected risks and disclaimers

The following considerations, which summarize some, but not all, of the risks of an investment in the Fund, should be carefully evaluated before making an investment in the Fund. The information set forth under “Risk Factors” and “Potential Conflicts of Interest” in the Private Placement Memorandum of the Fund must be reviewed in its entirety prior to making a decision to invest in the Fund.

**General.** An investment in a Private Equity Fund involves a high degree of risk as a result of both (i) the types of investments expected to be made by the Fund and by the pooled investment vehicles in which the Fund will invest and (ii) the structure of the Fund and the pooled investment vehicles. There can be no assurance that the investment objectives of the Fund will be achieved or that there will be any return of capital to investors.

**Risks of private equity investments.** The venture capital companies in which the Fund will seek to invest may be in a conceptual or early stage of development, may not have a proven operating history and may have products that are not yet developed or ready to be marketed or that have no established market. Investments made in connection with acquisition transactions are subject to a variety of special risks, including the risk that the acquiring company has paid too much for the acquired business, the risk of unforeseen liabilities, the risks associated with new or unproven management or new business strategies and the risk that the acquired business will not be successfully integrated with existing businesses or produce the expected synergies.

**Illiquidity of private equity investments.** The pooled vehicles in which the Fund will invest are highly illiquid, long-term investments. The Fund will be limited in its ability to transfer its interests in, or to withdraw from, such pooled vehicles.

**New and emerging managers.** The Fund intends to invest its assets with emerging managers. Investments with such sponsors may involve greater risks than are generally associated with investments with more established sponsors. Less established sponsors tend to have fewer resources (including capital and employees) and, therefore, are often more vulnerable to financial failure. Such sponsors may also experience start-up or growth related difficulties that are not faced by established sponsors. Furthermore, assessing the integrity of sponsors with limited experience may necessarily be based on less background information than would be the case with more experienced sponsors. The general risks involved in investing in pooled vehicles may be accentuated in a pooled vehicle with a partnership sponsor that has been established relatively recently.

**An Internal Rate of Return – also sometimes called an Asset Weighted Return – measures the performance of a portfolio or investment between two dates, taking into account the amount of capital invested during each time period. An Internal Rate of Return calculation gives greater weight to those time periods where more capital was invested, and takes into account not only the size of cash flows, but also the length of time that each cash flow affected the portfolio. Essentially, an Internal Rate of Return answers the question, “if all the capital had been invested in a money market account instead (but the same contributions and withdrawals were made), what interest rate would have resulted in the same ending value?” These calculations are used where the timing and size of cash flows are important to the validity of the results, for example, when reviewing the returns on individual investment positions. Internal Rates of Return are also used to compute an unleveraged return in order to illustrate the impact of leverage on performance.**

**Target Returns – The target returns discussed herein have been established as of the date of this presentation. The target returns have been established by each investment adviser based on its assumptions and calculations using data available to it and available investment opportunities and is subject to the risks set forth herein and set forth more fully in the applicable Fund’s Memorandum. A more detailed explanation along with the data supporting the target returns is on file with the applicable investment adviser and is available for inspection upon request. The target returns are for illustration/discussion purposes only and are subject to significant limitations. An investor should not expect to achieve actual returns similar to the target returns shown above. The target returns are the investment advisor’s estimate based on the investment adviser’s assumptions, as well as past and current market conditions, which are subject to change. Each investment adviser has the discretion to change the target returns for the Fund at any time. Because of the inherent limitations of the target returns, potential investors should not rely on them when making a decision on whether or not to invest in any Fund. The target returns cannot account for the impact that economic and market factors have on the implementation of an actual investment program. Unlike actual performance, the target returns do not reflect actual trading, liquidity constraints, fees, expenses, and other factors that could impact the future returns of a Fund. Any investment adviser’s ability to achieve the target returns is subject to risk factors over which such investment adviser may have no or limited control. No representation is made that a Fund will achieve the target return or its investment objective. Actual returns could be higher or lower than the target returns. The data supporting the Target Return is on file with J.P. Morgan and is available for inspection upon request.**

**Private equity funds invest exclusively or almost entirely in financial instruments issued by companies that are not listed (or that takeover publicly listed companies with a view to delisting them). Investment in private equity funds is typically by way of commitment (i.e. whereby an investor agrees to commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed to make private equity investments). Interest in an underlying private equity fund will consist primarily of capital commitments to, and investments in private equity strategies and activities which involve a high level of risk and uncertainty. Except for certain secondary funds, private equity funds will have no operating history upon which to evaluate their likely performance. Historical performance of private equity funds is not a guarantee or prediction of their future performance. Investments in private equity are often illiquid and investors seeking to redeem their holdings can experience significant delays and fluctuations in value.**



## Disclosures

**NOT FOR RETAIL DISTRIBUTION: This communication has been prepared exclusively for institutional, wholesale, professional clients and qualified investors only, as defined by local laws and regulations.**

This is a promotional document and is intended to report solely on investment strategies and opportunities identified by J.P. Morgan Asset Management and as such the views contained herein are not to be taken as advice or a recommendation to buy or sell any investment or interest thereto. This document is confidential and intended only for the person or entity to which it has been provided. Reliance upon information in this material is at the sole discretion of the reader. The material was prepared without regard to specific objectives, financial situation or needs of any particular receiver. Any research in this document has been obtained and may have been acted upon by J.P. Morgan Asset Management for its own purpose. The results of such research are being made available as additional information and do not necessarily reflect the views of J.P. Morgan Asset Management. This presentation is qualified in its entirety by the offering memorandum, which should be carefully read prior to any investment in a fund. The purchase of shares of a fund is intended only for sophisticated investors for whom an investment in such fund does not constitute a complete investment program and who fully understand and are willing to assume the risks involved in such fund's investment program. An investment in the funds involves a number of risks. For a description of the risk factors associated with an investment in a fund, please refer to the section discussing risk factors in the offering memorandum (available upon request). Shares of the funds are not deposits, obligations of, or endorsed or guaranteed by, JPMorgan Chase Bank, NA or any other bank and are not insured by the FDIC, the Federal Reserve Board or any other government agency. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are those of J.P. Morgan Asset Management, unless otherwise stated, as of the date of issuance. They are considered to be reliable at the time of production, but no warranty as to the accuracy and reliability or completeness in respect of any error or omission is accepted, and may be subject to change without reference or notification to you. Investments in Alternative Investment Funds (AIFs) involves a high degree of risks, including the possible loss of the original amount invested. The value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements. Changes in exchange rates may have an adverse effect on the value, price or income of the products or underlying investment. Both past performance and yields are not reliable indicators of current and future results. There is no guarantee that any forecast will come to pass. Any investment decision should be based solely on the basis of any applicable local offering documents such as the prospectus, annual report, semi-annual report, private placement or offering memorandum. For further information, any questions and for copies of the offering material you can contact your usual J.P. Morgan Asset Management representative. Any reproduction, retransmission, dissemination or other unauthorized use of this document or the information contained herein by any person or entity without the express prior written consent of J.P. Morgan Asset Management is strictly prohibited.

In the United Kingdom, the Funds are categorized as a Non-Mainstream Pooled Investment as defined by the Financial Conduct Authority (FCA). The Funds are not available to the general public and may only be promoted in the UK to limited categories of persons pursuant to the exemption to Section 238 of the Financial Services and Markets Act 2000 (FSMA 2000). This information is only directed to persons believed by JPMorgan Asset Management (UK) Limited to be an eligible counterparty or a professional client as defined by the FCA. Persons who do not have professional experience in matters relating to investments should not rely on it and any other person should not act on such information.

Investors should note that there is no right to cancel an agreement to purchase shares under the Rules of the Financial Conduct Authority, the normal protections provided by the UK regulatory system do not apply and compensation under the Financial Services Compensation Scheme is not available. J.P. Morgan Asset Management or any of its affiliates and employees may hold positions or act as a market maker in the financial instruments of any issuer discussed herein or act as the underwriter, placement agent or lender to such issuer. The investments and strategies discussed herein may not be appropriate for all investors and may not be authorized or its offering may be restricted in your jurisdiction, it is the responsibility of every reader to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdictions. Prior to any application investors are advised to take all necessary legal, regulatory and tax advice on the consequences of an investment in the products.

Securities products, if presented in the U.S., are offered by J.P. Morgan Institutional Investments, Inc., member of FINRA.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://am.jpmorgan.com/global/privacy>.

This communication is issued by the following entities:

In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients' use only, by local J.P. Morgan entities, as the case may be. In Canada, for institutional clients' use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific ("APAC"), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919).

**For U.S. only:** If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

## INTERNAL MEMORANDUM

**TO:** LACERA Board of Investments  
**FROM:** Stephen McCourt, Leandro Festino, Tim Filla, Alina Yuan  
Meketa Investment Group  
**DATE:** January 04, 2021  
**RE:** Meketa Investment Group Self-Evaluation

---

### Background

Per the contract signed on January 15, 2016 between the general investment consultant, Meketa Investment Group (“Meketa” and/or “Consultant”), and the Los Angeles County Employees Retirement Association (“LACERA”), Meketa is to conduct an annual self-evaluation and provide information for the Board of Investments (“Board”) to review and evaluate the Consultant. To facilitate the Board’s review, Meketa is providing a self-assessment, as well as a list of projects and the respective status. The evaluation period covers calendar year 2020.

### Self-Assessment

**Independent Investment Advice:** Consultant attended all meetings where its presence was required and requested, provided conflict-free advice to the Board both upon request and proactively, and collaborated with staff as needed during the year.

**Status:** Achieved.

**Conducting a Strategic Asset Allocation:** Meketa conducted a comprehensive asset allocation review, which spanned the latter half of 2020 and will continue to the first half of 2021. The review involved multiple presentations across topics such as developing climate aware strategic allocations, investing in low interest rate environments, conducting an asset liability studies, reviewing benchmark suitability, addressing risk budgeting, and others.

**Status:** Ongoing.

**Assisting LACERA’s Board of Investments with strategic investments decisions:** Meketa analyzed numerous investment products and asset classes’ structures throughout the year. Meketa assessed risk management and provided analysis of various pertinent issues.

**Status:** Achieved.

**Providing Independent Reviews:** Meketa provided both verbal and written reviews of LACERA’s Asset Class Structures and Strategies, Investment Policies, and Investment Manager Searches, as requested and as deemed prudent by Meketa.

**Status:** Achieved.

**Performance Reporting:** Meketa provided the Pension and OPEB reports as requested by staff.

**Status:** Achieved and ongoing.

**Board Meetings:** Consultant attended all Board meetings and off-site meetings as requested, and advised the Board on investment matters during such meetings, both upon request and voluntarily.

**Status:** Achieved.

**Consultant Contact and Ad hoc Workshops:** Consultant was available and responsive in addressing requests.

**Status:** Achieved.

## Key Projects

The section below summarizes key projects Meketa conducted in 2020.

**Strategic Asset Allocation:** Meketa began to conduct an in depth strategic asset allocation (SAA) that will accomplish one of the BOI's core responsibilities: to set LACERA's SAA. A wide range of relevant topics were discussed including: conducting an asset liability study, conducting a Trustee survey to solicit key considerations, risks, and implementations, investing in a low interest rate environment, introducing a barbell approach, discussing a fifth functional category, and introducing Meketa's Capital Market Expectations. The SAA will be completed in 2021.

**Emerging Manger Policy Review:** Meketa has worked with staff to review and revise the Emerging Manager Policy to streamline the policy and enhance LACERA's efforts to access Emerging Managers. The emerging manager policy review began in early 2019.

**Delegated Authority:** During the onset of the COVID-19 pandemic, Meketa reviewed and provided feedback of staff's proposal to temporarily invoke provisions in LACERA's Investment Policy Statement to expand the CIO's delegated authority.

**Real Estate Review of Processes and Controls:** Meketa performed a comprehensive review of staff's key findings in LACERA's real estate workflow processes. Meketa identified best practices and evaluated LACERA's real estate business model for efficiency and efficacy.

**Core Plus Allocation Adjustment:** Meketa worked with staff to review both Core and Core Plus investment performance under the Risk Reduction and Mitigation functional category.

**Benchmarking Review:** Meketa worked with staff to conduct a periodic review of asset category benchmarks as an important component of ongoing portfolio monitoring and management.

**Evaluating a "Climate-Aware" Strategic Asset Allocation:** To accomplish one of LACERA's "Vision 2020" Strategic Objectives and Workplan, Meketa introduced a top-down approach that provides a forward-looking climate analysis to assess return assumptions and risks.



**Growth Structure Review:** Meketa worked in concert with staff to review the current roster of active managers, an evaluation of portfolio management tools, an assessment of the manager search process, an analysis of the role of activist managers, and a study of the currency hedging program.

**CAFR:** Meketa produced the necessary documents to assist LACERA in completing its Comprehensive Annual Financial Report (CAFR).

**Credit Structure Review:** Meketa worked with staff to adjust both Emerging Market debt investment vehicles to better align portfolios to their benchmark and generate fee savings.

**Total Fund and Asset Class Performance Reviews:** Meketa has attended all four staff quarterly performance reviews. During these reviews, Meketa offers notable market trends and peer universe data.

**Manager Searches:** Meketa collaborated with staff as requested in the following manager searches:

- Securities Lending
- Alternative Asset Administrator
- High Yield Fixed Income Management
- Transition Management Bench
- Total Fund Performance Measurement
- Equity Factor-Based Investment Management Search

### Conclusion

2020 came with several challenges, including a global pandemic and a complete transition to a work from home environment. Despite this, Meketa worked with staff and the Board to accomplish several key projects. We attended all (eleven) Board of Investment monthly meetings. Most significantly, we assisted staff in revising the structure of several asset classes, conducted RFP searches, and began the Strategic Asset Allocation.

For 2021, we will be working with staff and the Board on various projects, including completing the Strategic Asset Allocation.

We are very appreciative of the trust placed in us every day by Board members and staff alike. Thank you. If you have any questions or would like additional information, please email or call us at (760) 795-3450.

SPM/LF/TF/AY/sf

**FOR INFORMATION ONLY**

December 21, 2020

TO: Trustees  
Board of InvestmentsFROM: David Simpson   
Investment Officer

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **INSTITUTIONAL LIMITED PARTNERS ASSOCIATION DIVERSITY IN ACTION INITIATIVE ENDORSEMENT**

Please find below and attached information regarding LACERA's endorsement of the Institutional Limited Partners Association (ILPA) Diversity in Action (DIA) initiative (**Attachment**).

LACERA is formally affiliated with ILPA and formally endorsed its DIA initiative in accordance with the principles and procedures of LACERA's [Corporate Governance and Stewardship Principles](#) and in furtherance of our TIDE (Towards Inclusion, Diversity, and Equity) Initiative. Endorsement means that LACERA's name will be publicly listed on ILPA's website as an endorsing asset owner and signal to the industry asset owner support of ILPA's diversity efforts. There are no additional fees above LACERA's regular ILPA membership dues.

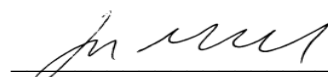
ILPA's DIA Initiative focuses on a foundational set of actions that general partners and limited partners are taking to advance diversity, both internally and within the industry more broadly. The suggested actions are consistent with the spirit of LACERA's TIDE Initiative and other LACERA actions. For example, LACERA's due diligence process includes evaluating external managers' diversity practices, LACERA formally commits to equal employment opportunity itself, and we engage corporate boards on diversity.

ILPA will be tracking endorsers' actions to inform the analysis of trends and disseminate best practices in private equity over time. David Simpson is a member of an ILPA diversity, equity and inclusion working group and has played a key role in the development and launch of the DIA initiative. As members of ILPA with staff participation in its diversity efforts, LACERA will monitor and inform further development of the initiative.

LACERA's formal endorsement is intended to signal to the financial services industry, private equity general partners, and peers LACERA's commitment to DEI throughout the industry.

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer



# DIVERSITY IN ACTION INITIATIVE

NOVEMBER 2020



## Overview

ILPA launched the *Diversity in Action* initiative as a means for demonstrating the industry's collective commitment to advancing diversity, equity and inclusion (DEI), by identifying both the breadth of support for DEI among both LPs and GPs as well as calling out the specific actions being undertaken and progress made over time.

The initiative focuses on a foundational set of actions that LP and GP organizations are taking to advance diversity and inclusion, both internally and within the industry more broadly. The framework consists of two parts - four essential criteria and a set of nine optional criteria that span a broader range of possible actions, addressing talent management, investment management and industry engagement. All of the actions prioritized within the Diversity in Action framework are drawn from [ILPA's D&I Roadmap](#), a clearinghouse of best practices and resources for GPs and LPs to consider at each stage of the development and implementation of their own DEI programs.

The objectives of the initiative are several:

- To draw attention to the good work that LPs and GPs are undertaking *now*, and to provide a platform for assessing our collective progress around a targeted set of meaningful actions
- To provide concrete evidence of broad-based industry support for advancing DEI
- To motivate more market participants to engage in the journey towards becoming more diverse and inclusive
- To build momentum around the adoption of specific actions that advance DEI over time

## The Framework

*Participating organizations agree that their diversity, equity and inclusion activities include a combination of foundational and optional activities as indicated below:*

### *Required - All 4 of the Following*

- Has in place a DEI statement or strategy, communicated publicly, and/or a DEI policy communicated to employees and investment partners, that addresses recruitment and retention\*
- Tracks internal hiring and promotion statistics by gender and race/ethnicity\*\*
- Has in place organizational goals that result in demonstrable practices to make recruitment and retention more inclusive
- Requests (LPs) or provides (GPs) DEI demographic data, e.g., [ILPA Metrics Template](#)\*, for any new commitments (LPs) or new fundraises (GPs)

### *Plus, Any 2 or More of the Following*

- Tracks gender and race/ethnicity statistics within partner organizations (LPs: managers; GPs: portfolio company boards/management teams)\*\*
- Has assigned senior-level DEI accountability, aligned with an investment or senior management role
- Provides unconscious bias training for employees on an ongoing basis
- Has in place diverse employee resource groups
- Incorporates contributions towards advancing DEI into employee performance reviews
- Commits to encourage and promote diversity within boards of directors at portfolio companies
- Requests (LPs) or provides (GPs) DEI demographic data, e.g., [ILPA Metrics Template](#)\*\* , for *all funds*, i.e., not solely new commitments/new fundraises
- Supports DEI research in the private markets industry by participating in surveys that capture data on diversity in the workforce
- On a programmatic basis, supports industry efforts to educate underrepresented groups about careers in private markets

\* In addition, participating organizations should address harassment, either within the DEI policy or within a separately articulated policy or statement.

\*\* At minimum, gender data. Racial/ethnic data to be provided in jurisdictions allowing for the capture and reporting of such information.

## Frequently Asked Questions

### **What are the specific goals of this initiative?**

The primary goal of the Initiative is to produce quantifiable evidence of the number of LP and GP organizations that have undertaken specific actions to advance diversity and inclusion, whether that pertains to recruitment, retention and promotion, engagement with investment partners, or support for broader industry initiatives.

Over time, the initiative will allow for the demonstration of growth in the number of organizations pursuing specific activities and a means of showcasing best practices and the broad sharing of resources among participating organizations.

### **What does participation in the Initiative mean for our organization?**

By signing on to the Initiative, your organization publicly demonstrates its support for advancing diversity, equity, and inclusion within our industry and signals that your organization:

- Believes in the importance of diversity, equity and inclusion to the future success and sustainability of the private equity industry
- Agrees that only by sharing information about specific actions taken will we encourage the mainstream implementation of DEI best practices and be able to measure our progress over time
- On a best-efforts basis, will voluntarily provide up to date information on specific actions being undertaken, but at minimum annually
- Recognizes the benefits that accrue to all market participants by collaborating to address specific challenges to diversity, equity and inclusion and commits to participating in future conversations about industry progress against the framework

Participation in the Initiative is fully voluntary and self-reported. Participating organizations are asked to identify which elements of the framework are in place within their organizations. Participating organizations are also invited to provide any additional detail desired, on a voluntary basis, for the purposes of aggregating information on best practices and resources.

By participating, you agree to allow ILPA to list your organization on the *Diversity in Action* Initiative page at [ilpa.org](http://ilpa.org); within periodic press releases related to the Initiative; and in quarterly reports that detail newly joined organizations and best practices among Initiative participants.

### **How can we become a participating organization?**

Once your organization has determined that you satisfy all four of the required criteria, and at least two of the nine optional criteria, please contact [diversity@ilpa.org](mailto:diversity@ilpa.org) to indicate your interest in being included and to authorize ILPA to list your organization's name among participating organizations in future communications, including the ILPA website.

ILPA will feature your organization as part of our quarterly communications about the Initiative and will link to your firm's homepage on the *Diversity in Action Initiative* webpage. Participating organizations are encouraged to make their own announcements and promotions regarding their involvement and are asked to work with ILPA Director of Strategic Communications, Kari Grant ([kgrant@ilpa.org](mailto:kgrant@ilpa.org)) to coordinate these efforts.

***Will the framework or reporting requirements change after launch or over time?***

No changes will occur without the engagement of all participating organizations; any changes made will be subject to extensive deliberation, and meaningful advance notice will be provided to participating organizations. ILPA will consider, in close consultation with ILPA's Diversity & Inclusion Advisory Council and all participating organizations, changes that reflect an emerging consensus around specific activities that should be added or elevated over time.

***We have DEI initiatives in progress but aren't ready to endorse yet. At what point should we reach out to become a participating organization?***

Even if your organization is not quite ready to join the Initiative, you are encouraged to reach out at any point if you would like to confer with others within the Initiative network about best practices and implementation of specific activities. ILPA will endeavor to support you in navigating to resources that could be helpful as you advance your own diversity, equity and inclusion activities.

***What if we operationalize additional criteria within the framework after signing on as a participating organization?***

If you would like to voluntarily provide information on newly implemented activities since joining the Initiative, you are encouraged to communicate to the ILPA team, and we will update our records accordingly. With your permission, we will use that new information to inform the trends data provided in any forthcoming quarterly reports.

***What will ILPA do with the information being collected from participating organizations about their DEI activities in place?***

Any details provided to ILPA on a voluntary basis will be held confidentially and used only to inform the analysis of trends regarding specific activities or best practices over time. Note that ILPA will *not* collect demographic information from participating organizations; this is data best shared directly between GPs and LPs. Participating organizations are welcome to suggest any new models or resources to share with the network and/or to be added to the [ILPA D&I Roadmap & Resources](#), a publicly available clearinghouse of information for LPs and GPs.

***What is meant by "a statement or strategy, communicated publicly" in the context of the framework?***

Organizations take a range of approaches in communicating their DEI priorities, but, at minimum, signatories are willing to share their commitment to DEI through publicly available

statements, framed as strategies or priorities. While policies are often internal-facing documents, signatories commit to making their policies available both to employees and to investment partners upon request.

***What is meant by “goals” in the context of the framework?***

Organizational “goals” as indicated in the framework do not refer to prescriptive hard targets, i.e., quotas, but should reflect meaningful, actionable efforts and measurable expressions of progress that are demonstrable through an organization’s recruitment and retention practices.

***Are signatories obligated to use the ILPA Metrics Template for requesting or providing demographic data? Are signatory GPs required to provide this data to all their LPs?***

The [ILPA Metrics Template](#) is intended as a model for the request and capture of this information, but we acknowledge that LPs may request this data, or GPs may provide it, in a slightly different format. Signatory GPs are expected to provide this information to any LPs that request it, ideally in the format requested by their LPs.

***What is meant by “incorporating contributions towards advancing diversity and inclusion within employee performance reviews,” in the context of the framework?***

Employee contributions towards advancing an organization’s diversity, equity, and inclusion goals can take many forms—for example, participating in employee resource groups; mentoring or participating in other industry efforts to engage underrepresented groups; supporting industry events or initiatives that advance diversity, equity and inclusion; helping to diversify organizational recruiting efforts; encouraging colleagues to use inclusive language, etc.


## Questions?

Please direct any further questions regarding the Diversity in Action Initiative to Jennifer Choi at [jchoi@ilpa.org](mailto:jchoi@ilpa.org).

**FOR INFORMATION ONLY**

December 21, 2020

TO: Trustees  
Board of Investments

FROM: Scott Zdrazil   
Senior Investment Officer

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **SUSTAINABILITY ACCOUNTING STANDARDS BOARD INVESTOR  
ADVISORY GROUP OPEN LETTER TO FINANCIAL  
INFRASTRUCTURE AND DATA PROVIDERS**

Please find attached an open letter from the Sustainability Accounting Standards Board (SASB) Investor Advisory Group, of which LACERA is a member, to financial infrastructure and data providers (**Attachment**). The letter encourages financial service data, research, and ratings firms to consider incorporation and use of SASB's environmental, social, and governance (ESG) standards in their research methods.

LACERA is formally affiliated to SASB's Investor Alliance and participates on its Investor Advisory Group as a means to encourage high-quality, investment-useful, comparable corporate reporting of material ESG facts that can impact enterprise value of our portfolio companies. SASB is an industry-driven effort that has developed industry-specific ESG reporting standards across 77 industries, which has had significant uptake in corporate reporting in recent years. While several ESG data vendors already integrate SASB standards into their research methodologies, the open letter is intended to further fuel consideration of SASB's focus on financially-relevant factors in ESG research and improve consistent, comparable, and investment-useful reporting by companies.

LACERA's support of the letter is consistent with one of LACERA's corporate governance engagement objectives to support improved ESG data quality and availability in the market. LACERA participated in the letter in accordance with the principles and procedures of its [\*Corporate Governance and Stewardship Principles\*](#).

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer





The Sustainability Accounting Standards Board  
Investor Advisory Group

1045 Sansome Street, Suite 450  
San Francisco, CA 94111  
+1 (415) 830-9220  
[www.sasb.org](http://www.sasb.org)

## **An open letter to financial infrastructure and data providers from the Investor Advisory Group (IAG) of the Sustainability Accounting Standards Board (SASB)**

Data establishes a common language for investors, underpinning investment decisions across markets. Data in financial statements helps inform valuations of companies, determinations of creditworthiness, and a range of other investment considerations across markets, but this has not always been the case. Prior to the advent of generally accepted accounting principles (GAAP) for financial reporting, financial data lacked consistency, comparability, and reliability, leaving investors with unreliable insights into the historical, current, or future financial health of the companies to which they provide capital.

Investors today face similar challenges with regard to the data available to them on the environmental, social, and governance (ESG) issues that can affect corporate performance. While the ESG disclosure landscape has evolved and continues to mature<sup>1, 2, 3</sup>, the expertise, technology, and skills of established financial data infrastructure firms are needed today to harmonize existing ESG data sets. Thus, as members of [SASB's Investor Advisory Group \(IAG\)](#) – over 50 institutional investors representing over US\$40 Trillion in assets and markets around the world (members appended below) – we are writing this open solicitation to data providers for the creation of new data sets based on the collection and organization of SASB-based data as reported by companies, to complement other data sets.

[SASB Standards](#) – which are industry-specific and framed upon financial materiality – improve understanding of company performance on the ESG issues most relevant to long-term value creation (or destruction). The Standards, which are the result of eight years of research and feedback from thousands of market participants around the world, balance concerns of reporting companies about cost-effective disclosure with needs of investors for decision-useful information. Detailed supporting context underpinning SASB Standards, and technical protocols for the collection and normalization of data included in the Standards, strike a balance between rigor and transparency. Disclosure via SASB Standards yields improved quality and comparability of ESG data. Furthermore, SASB's ongoing standards maintenance and due process enable SASB to respond to evolving ESG issues and market needs.

---

<sup>1</sup> [The European Commission \(EC\) issued a request for technical advice mandating EFRAG to undertake preparatory work for the elaboration of possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive.](#)

<sup>2</sup> [Statement of Intent to Work Together towards Comprehensive Corporate Reporting](#)

<sup>3</sup> [IFRS Foundation Consultation Paper on Sustainability Reporting](#)

In 2020 alone (as of November 30, 2020), [497 companies](#) disclosed SASB metrics, which is a 324% increase from the number of companies that disclosed SASB metrics in all of 2019. We expect the number of reporting companies to continue to quickly grow as more investors ask their portfolio companies to include SASB-based disclosure on ESG performance in their investor-focused communications.<sup>4,5</sup>

While the asset owners and asset managers comprising SASB's IAG span markets and employ a range of investment styles and strategies, we share the common belief that SASB Standards can help meet investor needs for consistent, comparable, and reliable disclosure of financially-material, decision-useful ESG information. Just as we rely on data from financial statements to inform investment decisions, we need equally reliable, transparent ESG information to help inform investment decision-making. We invite data providers to meet this market need through the collection and provision of company reported SASB data, in addition to other ESG data sets.

Thank you,

Members of SASB's Investor Advisory Group

**SASB's Investor Advisory Group Members supporting this letter:**

**Allianz Global Investors**

Dr. Steffen Hörter, Global Head of ESG

---

**APG (All Pensions Group)**

Egon Vavrek, Director Global Emerging Markets Equities, Fundamental Strategies

---

**ATP**

Christian Kjaer, Head of Liquid Markets, Vice President

Ole Buhl, Head of ESG, Senior Vice President

---

**AXA Investment Managers**

Clémence Humeau Responsible Investment Coordinator

Rebecca Greenberg

Investment Grade Credit Analyst

---

**BCI (British Columbia Investment Management Corporation)**

Jennifer Coulson, Vice President, ESG | Public Markets

---

---

<sup>4</sup> Consistent with the [IAG Statement](#), IAG members ask for the inclusion of SASB disclosure in investor-focused communications.

<sup>5</sup> Recent statements and resolutions from investor trade associations call on companies to base their ESG disclosure on SASB and TCFD, including: a [joint statement from the CEO's of Canada's eight largest pension funds](#); a declaration from 80 investors who are members of Mexico's [Consejo Consultivo de Finanzas Verdes](#); [recommendations of the UK Treasury-led Asset Management Task Force on Stewardship](#), and; [the unanimous board resolution of the Investment Company Institute](#).

**BlackRock**

Michelle Edkins, Managing Director & Global Head of Investment Stewardship

Ray Cameron, Head of Investment Stewardship – The Americas

**Boston Trust Walden**

Heidi Soumerai, Managing Director

Amy Augustine, Director of ESG Investing

---

**Breckinridge Capital Advisors**

Peter Coffin, Founder & President

Rob Fernandez, Vice President & Director of ESG Research

---

**Brunel Pension Partnership**

Faith Ward, Chief Responsible Investment Officer

---

**CalPERS**

Dan Bienvenue, Deputy Chief Investment Officer, Total Portfolio

Simiso Nzima, Investment Director & Head of Corporate Governance, Global Equity

---

**CalSTRS**

Christopher Ailman, Chief Investment Officer; *IAG Chair Emeritus*

Kirsty Jenkinson, Investment Director, Sustainable Investment & Stewardship Strategies

---

**Calvert Research & Management**

John Streur, President & CEO

John Wilson, Vice President, Director of Corporate Engagement

---

**Capital Group**

Robert W. Lovelace, Vice Chairman

Heather Lord, Senior Vice President, Strategy & Innovation

Jessica Ground, Global Head of ESG

---

**CBUS**

Nicole Bradford, Portfolio Head, Responsible Investment

---

**CDPQ**

Réjean Nguyen, Director, Investment Stewardship

---

**CPP Investments**

Richard Manley, Managing Director, Head of Sustainable Investing

Ben Lambert, Senior Portfolio Manager, Sustainable Equity

---

**Dai-ichi Life Insurance Group**

Akifumi Kai, General Manager, Investment Planning Department

Miyuki Zeniya, Head of Sustainable Finance

---

**Domini Impact Investments**

Carole Laible, CEO

Corey Klemmer, Director of Engagement

---

**Federated Hermes**

Eoin Murray, Head of Investment

Dr. Michael Viehs, Associate Director – ESG Integration

---

**Fidelity Investments**

Pam Holding, Co-Head, Equity Division

Nicole Connolly, Head of ESG Investing and Portfolio Manager

---

**Franklin Templeton Investments**

Julie Moret, Head of ESG

---

**Future Fund**

Joel Posters, Head of Investment Stewardship & ESG

---

**Goldman Sachs Asset Management**

John Goldstein, Managing Director, Head of the Sustainable Finance Group

Catherine Winner, Vice President, Global Head of Stewardship

---

**Harvard Management Company**

Michael Cappucci, Managing Director, Compliance and Sustainable Investing

---

**Inclusive Capital Partners**

Eva Zlotnicka, Founder & Managing Partner

---

**Ivy Investment Management Company**

Dan Hanson, Chief Investment Officer

Gil Scott, Director of Research

---

**LACERA**

Jonathan Gabel, Chief Investment Officer

Scott Zdrazil, Senior Investment Officer

---

**Legal & General Investment Management America**

Aaron Meder, Chief Executive Officer

---

John Hoepfner, Head of US Stewardship and Sustainable Investments

---

**Man Group**

Robert Furdak, CIO for ESG

Jason Mitchell, Co-Head of Responsible Investment

Steven Desmyter, Co-Head of Responsible Investment

---

**Manulife Investment Management**

Peter Mennie, Global Head of ESG and Risk

Margaret Childe, Managing Director, Head of ESG, Canada

---

**Morgan Stanley Investment Management**

Ted Eliopoulos, Vice Chair Investment Management & Head of Strategic Partnerships

Rui de Figueiredo, Co-Head and Chief Investment Officer, Solutions & Multi-Asset Group

---

**Neuberger Berman**

Joseph V. Amato

President of Neuberger Berman Group LLC, Chief Investment Officer of Equities

Jonathan Bailey, Managing Director and Head of ESG Investing

---

**New York City Retirement Systems**

Alex Doñé, Deputy Comptroller & Chief Investment Officer, NYC Bureau of Asset Management

Michael Garland, Assistant Comptroller – Corporate Governance and Responsible Investment, NYC Office of the Comptroller

---

**Nissay Asset Management**

Tomoaki Fujii, Co-CIO

Toshikazu Hayashi, Chief Analyst

---

**Nordea Asset Management**

Eivind Lorgen Director Active Ownership, Responsible Investments

*IAG Chair*

Katarina Hammar, Head of Responsible Investments

---

**Norges Bank Investment Management**

Wilhelm Mohn, Head of Sustainability Initiatives, Corporate Governance

---

**Northern Trust Asset Management**

Christopher Shipley, Senior Vice President and Head of Fundamental Equities

Catherine Moyer, Head of North America Stewardship

---

**Ontario Teachers' Pension Plan**

Deborah Ng, Director, Strategy and Risk

Walter Viguiliouk, Principal, Responsible Investing

---

**Oregon State Treasury, Investment Division**

Anna Totdahl, Investment Officer, ESG & Sustainability

Jennifer Peet, Corporate Governance Director

---

**PGGM**

Hans Op 't Veld, Head of Responsible Investment  
*IGAG Vice Chair*

---

**PIMCO**

Del Anderson, Senior Vice President, Credit Research

---

**Putnam Investments**

Katherine Collins, Portfolio Manager and Head of Sustainable Investing

Paul Scanlon, Head of Credit Research

---

**QMA (a PGIM company)**

Margaret Stumpp, Senior Advisor

Pat Watral, Senior Governance Officer

---

**RBC**

Lindsay Patrick, Managing Director & Head, Sustainable Finance

Melanie Adams, Vice President and Head of Corporate Governance and Responsible Investment - RBC Global Asset Management

---

**RPMI Railpen**

Mads Gosvig, Chief Fiduciary Officer

Michael Marshall, Head of Sustainable Ownership

---

**Schroders**

Sarah Bratton Hughes, Head of Sustainability, North America

Andrew Howard, Global Head of Sustainable Investing

---

**State Street Global Advisors**

Lynn Blake, Executive Vice President & Chief Investment Officer, Global Head of Beta Solutions

---

Ben Colton, Co-head Asset Stewardship

Rob Walker, Co-head Asset Stewardship

---

**Sustainable Insight Capital Management**

George Parker, Chief Operating Officer & General C

---

**Temasek International**

Chin Yee Png, Deputy Chief Financial Officer, Head Financial Services

Kim Huay Neo, Managing Director, Sustainability

---

**UAW Retiree Medical Benefits Trust**

Hershel Harper, Chief Investment Officer

Malcolm Goepfert, Deputy Chief Investment Officer

---

**UBS Asset Management**

Bruno Bertocci, Managing Director, Head of Sustainable Investors

Christopher Greenwald, Head of Sustainable and Impact Investing Research

---

**Vanguard**

Glenn Booraem, Principal & Senior Adviser, Investment Stewardship

Bill Roberts, Principal & Head of Investment Stewardship Policy and Research

---

**Wells Fargo Asset Management**

Hannah Skeates, Co-head, Sustainable Investing

Jessica Mann, Head of Stewardship

---

**Wespath Investment Management**

David Zellner, Chief Investment Officer


Nizida Arriaga, Manager, Fixed Income

---

**FOR INFORMATION ONLY**

December 21, 2020

TO: Trustees  
Board of Investments

FROM: Scott Zdrazil   
Senior Investment Officer

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: **BOARD OF INVESTMENTS MARCH MEETING SCHEDULING AND  
COUNCIL OF INSTITUTIONAL INVESTORS CONFERENCE AGENDA**

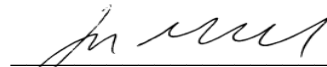
Please find attached the current agenda for the Council of Institutional Investors' (CII) spring conference, which will take place virtually on March 8-11, 2021 (**Attachment**).

At the December 2020 meeting of the Board of Investments, trustees requested that the CII agenda be presented once available, to inform any prospective consideration of altering the anticipated March 10, 2021, meeting date of the Board of Investments.

As noted on pages 2-3 of the attached, CII's core sessions on Wednesday, March 10, are scheduled to run from 8:00 – 11:30AM Pacific Time (EST in the attached draft agenda) and include sessions regarding federal regulatory and legislative developments; diversity, equity, and inclusion in asset manager selection; and an international case study of the Wirecard scandal; among others.

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer



## CII 2021 SPRING CONFERENCE

# Moving Forward Together

All times are in Eastern Time. Biographies for conference speakers can be found underneath the conference schedule. Online registration for the conference can be found [here](#) on CII's website.

## Monday, March 8

11:00 – 11:45 AM	<b>New Member Icebreaker (Invitation Required)</b>
12:00 – 12:45 PM	<p><b>Plenary 1 Takeaways from Covid-19: View from the Boardroom</b></p> <p><a href="#">Michael Todman</a>, Director, Brown-Forman, Carrier, Mondelez International, Prudential Financial</p> <p><a href="#">Harriet Edelman</a>, Chair, Bed Bath &amp; Beyond; Director, Assurant, Brinker International</p> <p><a href="#">Leslie Brun</a>, Chairman &amp; CEO, SARR Group LLC; Director, Broadridge Financial Solutions, CDK Global, Corning, Merck</p>
12:45 – 1:00 PM	<b>Break</b>
1:00 – 1:45 PM	<p><b>Plenary 2 Jamie Dimon Looks Forward</b></p> <p><a href="#">Jamie Dimon</a>, Chair &amp; CEO, JPMorgan Chase</p> <p>Moderator: <a href="#">Ash Williams</a>, Executive Director &amp; CIO, Florida State Board of Administration</p>
1:45 – 2:00 PM	<b>Break</b>
2:00 – 2:30 PM	<p><b>Plenary 3 What's Next for the NYSE</b></p> <p><a href="#">Stacey Cunningham</a>, President, NYSE Group</p> <p>Moderator: <a href="#">Theresa Whitmarsh</a>, Executive Director, Washington State Investment Board</p>
2:30 – 2:45 PM	<b>Break</b>
2:45 – 3:45 PM	<b>Member-Hosted Meetings</b>

GRI's Global Tax Standard 207 and the Investor Case for Country-level Corporate Tax Disclosure – Hosted by AFSCME and Oxfam  
Sustainable Finance and Climate Change – Hosted by S&P Global  
Post-Pandemic: Pharmaceutical Challenges – Hosted by Federated Hermes

## Tuesday, March 9

11:00 AM – 11:45 PM

**Plenary 4 Diversity, Equity & Inclusion at Leading U.S. Companies**  
[Sandra Leung](#), EVP & General Counsel, Bristol-Myers Squibb  
Other Speakers TBD

11:45 – 12:00 PM

**Break**

12:00 – 12:30 PM

**Plenary 5 What's Next for the SEC**  
[Caroline Crenshaw](#), Commissioner, Securities and Exchange Commission

12:30 – 1:00 PM

**Lunch Break**

1:00 – 1:45 PM

**Plenary 6 The Do's and Don'ts of ESG Ratings**  
[Andrew Cave](#), Head of Governance and Sustainability, Baillie Gifford  
[Carolina San Martin](#), Managing Director, Wellington Management  
Moderator: [Tara Stacy](#), Director of Investment Stewardship, Colorado PERA

1:45 – 2:00 PM

**Break**

2:00 – 2:30 PM

**Plenary 7 TBD**

2:30 – 2:45 PM

**Break**

2:45 – 3:45 PM

**Member-Hosted Meetings**  
Benchmarking Environment, Social, and Data Privacy Policies Risk Factors and Disclosures Against Key Financial Drivers – Hosted by MyLogIQ  
First Nations Communities and Indigenous People's Stakeholder Risks – Hosted by Australian Council of Superannuation Investors  
ESG Investing in Private Equity – Hosted by LiUNA

## Wednesday, March 10

11:00 – 11:45 AM

**Plenary 8 CII's International Governance Committee Dissects Germany's Wirecard Scandal: Takeaways for Investors**  
[Michael Herskovich](#), Head of Corporate Governance, BNP Paribas  
[Dr. Alexander Juschus](#), Managing Partner, Governance & Values GmbH

<b>11:45 – 12:00 PM</b>	<b>Break</b>
<b>12:00 – 12:30 PM</b>	<b>Plenary 9 Capitol Hill Outlook</b> Moderator: <a href="#">Jeff Mahoney</a> , General Counsel, CII
<b>12:30 – 1:00 PM</b>	<b>Lunch Break</b>
<b>1:00 – 1:45 PM</b>	<b>Plenary 10 CII’s Shareholder Advocacy Committee Discusses The Business Case for Diversity and Inclusion in Manager Selection</b> Speakers TBD
<b>2:00 – 2:30</b>	<b>Lightning Round: CII Members Summarize Their Proxy Season Initiatives</b>
<b>2:30 – 3:30 PM</b>	<b>Member-Hosted Meetings</b> Climate Solutions: How to Allocate Capital to the Green Economy – Hosted by Morgan Stanley Case Studies in Hedge Fund Activism (2010-2020) – Hosted by Communication Workers of America Incentivizing the Future – Hosted by MSCI
<b>3:30 – 4:30 PM</b>	<b>Closing Happy Hour</b>

### **Thursday, March 11 – CII Leadership Meetings**

<b>11:00 AM – 12:15 PM</b>	<b>Corporate Governance Advisory Council Meeting</b> <b>Markets Advisory Council Meeting</b>
<b>12:30 – 1:30 PM</b>	<b>U.S Asset Owners Advisory Council Meeting</b>
<b>2:00 – 3:00 PM</b>	<b>CII Member Constituency Meetings</b> Corporate Fund Constituency Meeting Labor Fund Constituency Meeting Public Pension Fund Constituency Meeting Associate Members Meeting
<b>3:15 – 4:15 PM</b>	<b>U.S. Asset Owner Members' Business Meeting</b>

### **Friday, March 12 – CII Board Meetings**

<b>11:00 AM – 12:00 PM</b>	<b>Policies Committee Meeting</b>
<b>12:30 – 1:30 PM</b>	<b>Board of Directors Meeting</b>

**FOR INFORMATION ONLY**

December 28, 2020

TO: Each Trustee,  
Board of Retirement

Each Trustee,  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: January 6, 2021 Board of Retirement Meeting  
January 13, 2021 Board of Investments Meeting

SUBJECT: Amendment to Brown Act – Use of Social Media

Effective January 1, 2021, the Brown Act was amended to explicitly address for the first time rights and limitations of members of a legislative body, such as LACERA trustees, to utilize social media. The Act has long provided that a quorum of trustees may not engage in a series of communications, directly or through intermediaries, to discuss, deliberate, or take action on an item within the Board of Retirement or Board of Investments' jurisdiction outside of an authorized meeting. The Act has also long provided that trustees may respond to member questions and requests for information without violating the Act, provide the recipient does not transmit one trustee's position to another. However, questions have arisen over the past few years, given the rise of new technologies as means of communication, as to whether the Act may be violated when trustees utilize social media to communicate with members, the public, or other stakeholders because many social media platforms are open and available to the public, including potentially a quorum of other trustees.

AB 992 amended and clarified Government Code Section 54952.2 of the Act to provide that, until January 1, 2026, public officials, like LACERA trustees, do not violate the Act by engaging in separate conversations or communications with any other person using an internet-based social media platform to answer questions, provide information to the public, or to solicit information from the public, provided that a majority of trustees do not use the platform to discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the Boards, and that a trustee shall not respond directly to any communication regarding LACERA business that is made, posted, or shared by any other trustee.

The social media platforms concerned by this amendment only include platforms open to the public without charge.

Re: Amendment to Brown Act – Use of Social Media  
December 28, 2020  
Page 2 of 4

Prohibited communications include not only trustee responses in words but also any digital icon, such as an emoji, thumbs up, or other graphic.

The provision sunsets on January 1, 2026.

A copy of the full statute, Government Code Section 54952.2, is attached, with the relevant portions highlighted.

Because AB 992 largely simply extends principles of current law to social media, it should not have major impact on the communication practices of LACERA trustees. Trustees may continue to communicate with members, the public, and other stakeholders including through meetings, phone calls, emails, and newsletter columns as well as social media. As in the past, trustees should be cautious that these communications are not used intentionally to communicate their position on LACERA issues to other trustees, build trustee consensus, or exchange information with other trustees. Because the social media platforms covered by AB 992 are public, there is the possibility of incidental communication of trustee positions to other trustees who may view the platforms. However, the keys to compliance are that such platforms are not used intentionally for communication between trustees and that trustees viewing another trustee's communications do not respond.

If trustees have questions about specific situations, please contact the Legal Office.

Attachment

- c. Santos H. Kreimann  
Jonathan Grabel  
JJ Popowich

**Government Code Section 54952.2 as Amended by AB 992**

Section 54952.2

(a) As used in this chapter, “meeting” means any congregation of a majority of the members of a legislative body at the same time and location, including teleconference location as permitted by Section 54953, to hear, discuss, deliberate, or take action on any item that is within the subject matter jurisdiction of the legislative body.

(b) (1) A majority of the members of a legislative body shall not, outside a meeting authorized by this chapter, use a series of communications of any kind, directly or through intermediaries, to discuss, deliberate, or take action on any item of business that is within the subject matter jurisdiction of the legislative body.

(2) Paragraph (1) shall not be construed as preventing an employee or official of a local agency, from engaging in separate conversations or communications outside of a meeting authorized by this chapter with members of a legislative body in order to answer questions or provide information regarding a matter that is within the subject matter jurisdiction of the local agency, if that person does not communicate to members of the legislative body the comments or position of any other member or members of the legislative body.

(3) (A) Paragraph (1) shall not be construed as preventing a member of the legislative body from engaging in separate conversations or communications on an internet-based social media platform to answer questions, provide information to the public, or to solicit information from the public regarding a matter that is within the subject matter jurisdiction of the legislative body provided that a majority of the members of the legislative body do not use the internet-based social media platform to discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body. A member of the legislative body shall not respond directly to any communication on an internet-based social media platform regarding a matter that is within the subject matter jurisdiction of the legislative body that is made, posted, or shared by any other member of the legislative body.

(B) For purposes of this paragraph, all of the following definitions shall apply:

(i) “Discuss among themselves” means communications made, posted, or shared on an internet-based social media platform between members of a legislative body, including comments or use of digital icons that express reactions to communications made by other members of the legislative body.

(ii) “Internet-based social media platform” means an online service that is open and accessible to the public.

(iii) “Open and accessible to the public” means that members of the general public have the ability to access and participate, free of charge, in the social media platform without the approval by the social media platform or a person or entity other than the social media

platform, including any forum and chatroom, and cannot be blocked from doing so, except when the internet-based social media platform determines that an individual violated its protocols or rules.

(c) Nothing in this section shall impose the requirements of this chapter upon any of the following:

(1) Individual contacts or conversations between a member of a legislative body and any other person that do not violate subdivision (b).

(2) The attendance of a majority of the members of a legislative body at a conference or similar gathering open to the public that involves a discussion of issues of general interest to the public or to public agencies of the type represented by the legislative body, provided that a majority of the members do not discuss among themselves, other than as part of the scheduled program, business of a specified nature that is within the subject matter jurisdiction of the local agency. Nothing in this paragraph is intended to allow members of the public free admission to a conference or similar gathering at which the organizers have required other participants or registrants to pay fees or charges as a condition of attendance.

(3) The attendance of a majority of the members of a legislative body at an open and publicized meeting organized to address a topic of local community concern by a person or organization other than the local agency, provided that a majority of the members do not discuss among themselves, other than as part of the scheduled program, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(4) The attendance of a majority of the members of a legislative body at an open and noticed meeting of another body of the local agency, or at an open and noticed meeting of a legislative body of another local agency, provided that a majority of the members do not discuss among themselves, other than as part of the scheduled meeting, business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(5) The attendance of a majority of the members of a legislative body at a purely social or ceremonial occasion, provided that a majority of the members do not discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the legislative body of the local agency.

(6) The attendance of a majority of the members of a legislative body at an open and noticed meeting of a standing committee of that body, provided that the members of the legislative body who are not members of the standing committee attend only as observers.

(d) This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

**FOR INFORMATION ONLY**

January 4, 2021

TO: Trustees,  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: January 13, 2021 Board of Investments Meeting

SUBJECT: Monthly Status Report on Board of Investments Legal Projects

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of January 4, 2021.

Attachment

c: Santos H. Kreimann  
Jonathan Grabel  
JJ Popowich  
Vache Mahseredjian  
John McClelland  
Christopher Wagner  
Ted Wright  
Jim Rice  
Jude Perez  
Christine Roseland  
John Harrington  
Soo Park  
Margo McCabe  
Lisa Garcia





LACERA Legal Division  
 Board of Investments Projects  
 Monthly Status Report - Pending as of January 4, 2021



Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
Stable Asset Management	Investment Manager Agreement	\$250,000,000.00	December 9, 2020	In Progress	25%	Legal negotiations in process.
Morgan Stanley GTB II	Amendment No. 1 to the Fourth Amended and Restated Limited Partnership Agreement	n/a	December 9, 2020	Completed	100%	Completed.

HEDGE FUNDS

PRIVATE EQUITY

**FOR INFORMATION ONLY**

December 24, 2020

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Ted Granger <sup>EW FOR</sup>  
Interim Chief Financial Officer

FOR: January 6, 2020 Board of Retirement Meeting  
January 13, 2020 Board of Investments Meeting

**SUBJECT: MONTHLY EDUCATION & TRAVEL REPORTS – NOVEMBER 2020**

Attached, for your review, are the Board and Staff Education & Travel Reports as of November 2020. These reports include travel (i.e., completed and canceled) during Fiscal Year 2020-2021.

REVIEWED AND APPROVED:

---

Santos H. Kreimann  
Chief Executive Officer

TG/EW/krh

Attachments

c: J. Popowich  
J. Grabel  
S. Rice  
K. Hines

**BOARD EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
NOVEMBER 2020**

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
<b>Alan Bernstein</b>			
B	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
<b>Elizabeth Ginsberg</b>			
B	- Edu - CALAPRS Principles for Trustees - VIRTUAL	08/18/2020 - 08/26/2020	Attended
<b>Vivian Gray</b>			
B	- Edu - SACRS Public Pension Investment Management Program 2020 - VIRTUAL	07/28/2020 - 08/13/2020	Attended
	- Edu - Koried Black Directors' Virtual Workshop - VIRTUAL	10/15/2020 - 10/15/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
<b>David Green</b>			
B	- Edu - PPI 2020 Summer Roundtable - Los Angeles CA	07/14/2020 - 07/16/2020	Attended
	- Edu - Pacific Council - "Beyond the Horizon" Summit - VIRTUAL	07/20/2020 - 07/24/2020	Attended
<b>Elizabeth Greenwood</b>			
A	1 Edu - Yale School of Management Executive Education -Women's Leadership Program - VIRTUAL	11/18/2020 - 11/18/2020	Attended
B	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu- PPI 2020 Asia Pacific Roundtable - VIRTUAL	10/20/2020 - 10/22/2020	Attended
<b>James Harris</b>			
B	- Edu - SACRS Sexual Harassment Prevention Training - VIRTUAL	07/15/2020 - 07/15/2020	Attended
	- Edu - SACRS Public Pension Investment Management Program 2020 - VIRTUAL	07/28/2020 - 08/13/2020	Attended
<b>Shawn Kehoe</b>			
B	- Edu- PPI 2020 Asia Pacific Roundtable - VIRTUAL	10/20/2020 - 10/22/2020	Attended
<b>Keith Knox</b>			
B	- Edu - PPI 2020 Summer Roundtable - Los Angeles CA	07/14/2020 - 07/16/2020	Attended
	- Edu - SACRS Public Pension Investment Management Program 2020 - VIRTUAL	07/28/2020 - 08/13/2020	Attended
	- Edu - CII & NYU Corporate Governance Bootcamp - VIRTUAL	09/23/2020 - 09/25/2020	Attended
	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu - CALAPRS Virtual Trustees Round Table - VIRTUAL	10/23/2020 - 10/23/2020	Attended
<b>Ronald Okum</b>			
B	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
<b>Les Robbins</b>			
B	- Edu - IFEBP 66th Annual Employee Benefits Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
X	- Edu - IFEBP 66th Annual Employee Benefits Conference - Honolulu HI	11/15/2020 - 11/18/2020	Host Canceled

**BOARD EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
NOVEMBER 2020**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Gina Sanchez</b>			
A	1 Edu - Harvard Business School Executive Education - Audit Committees - VIRTUAL	11/12/2020 - 11/14/2020	Attended
B	- Edu - SACRS Sexual Harassment Prevention Training - VIRTUAL	07/15/2020 - 07/15/2020	Attended
	- Edu - 2020 Milken Institute Virtual Global Conference - VIRTUAL	10/12/2020 - 10/21/2020	Attended
	- Edu - 2020 Virtual NACD Summit - VIRTUAL	10/12/2020 - 10/13/2020	Attended
	- Edu - CALAPRS Virtual Trustees Round Table - VIRTUAL	10/23/2020 - 10/23/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended
<b>Herman Santos</b>			
B	- Edu- LAVCA's Annual Investor Meeting - VIRTUAL	09/14/2020 - 09/17/2020	Attended
	- Edu- PPI Virtual Equity, Diversity, and Inclusion Conversation - VIRTUAL	09/24/2020 - 09/24/2020	Attended
	- Edu - Nossaman's 2020 Public Pensions and Investments Fiduciaries' Forum - VIRTUAL	10/01/2020 - 10/01/2020	Attended
	- Edu- 2020 SACRS Fall Virtual Conference - VIRTUAL	11/10/2020 - 11/13/2020	Attended

Category Legend:

A - Pre-Approved/Board Approved

B - Educational Conferences and Administrative Meetings in CA where total cost is no more than \$2,000 or international prerequisite conferences per 705.00 A. 8.

C - Second of two conferences and/or meetings counted as one conference per Section 705.00.A.1 in the Travel Policy

X - Canceled events for which expenses have been incurred.

Z - Trip was Canceled - Balance of \$0.00



**STAFF EDUCATION AND TRAVEL REPORT  
FOR FISCAL YEAR 2020 - 2021  
NOVEMBER 2020**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Systems</b>			
Celso Templo	1 Admin - Conduct Site Visit of Mesa, AZ Facility - Mesa AZ	10/09/2020 - 10/09/2020	Attended



---

**Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.**

**For further information, contact:  
LACERA  
Attention: Public Records Act Requests  
300 N. Lake Ave., Suite 620  
Pasadena, CA 91101**



---

**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**



**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**





---

**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**



---

**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**



---

**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**



---

**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**



---

**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**



---

**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**



---

**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**



---

**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**





---

**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**



---

**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**



---

**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**



---

**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**