

# IN PERSON & VIRTUAL BOARD MEETING



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, you should visit the above link and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

**Attention:** If you have any questions, you may email [PublicComment@lacera.com](mailto:PublicComment@lacera.com). If you would like to make a public comment during the board meeting, review the [Public Comment instructions](#).

# AGENDA

## A REGULAR MEETING OF THE BOARD OF INVESTMENTS

### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, JANUARY 11, 2023

This meeting will be conducted by the Board of Investments both in person and by teleconference under California Government Code Section 54953(e).

Any person may view the meeting in person at LACERA's offices or online at <https://LACERA.com/leadership/board-meetings>

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

NOTICE: Pursuant to FPPC Regulation 18702.5, this statement provides notice, before elections take place, that appointed trustees and the retired trustee, when elected or appointed to a committee, will receive a stipend of \$100 per meeting attended, up to a total of \$500 per month for all Board of Investments and committee meetings attended during the term of their appointment. Upon completion of today's election and the Chair's appointment of other committee members, LACERA will post Form 806 on [lacera.com](http://lacera.com) to provide public notice of the fees to be received by such trustees. Active general and safety member elected trustees, the ex-officio trustee, and the alternate ex-officio do not receive compensation for attending LACERA Board and committee meetings, other than their regular salary as County employees. All trustees receive reasonable and necessary expenses.

Appointed trustees to the Board of Investments are Gina Sanchez, Patrick Jones, Onyx Jones and Elizabeth Greenwood. The retired trustee is Joseph Kelly. The active general and safety member elected trustees are David Green, Herman Santos and Jason Green. The ex-officio member is Keith Knox, and the alternate ex-officio is Elizabeth B. Ginsberg.

#### I. CALL TO ORDER

#### II. RATIFICATION OF OFFICERS

##### A. **Board Officers: 2023 Calendar Year**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board ratify its slate of board officers who will serve their term in the 2023 calendar year: Gina Sanchez as Chair, Herman Santos as Vice Chair, and Joseph Kelly as Secretary.  
(Memo dated December 29, 2022)

III. ELECTIONS OF COMMITTEE MEMBERS

Election of Trustees to Joint Organizational Governance Committee (1 Trustee) and Audit Committee (3 Trustees)

IV. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of December 14, 2022

V. PUBLIC COMMENT

(Members of the public may address the Board orally and in writing. To provide Public Comment, you should visit <https://LACERA.com/leadership/board-meetings> and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

If you select oral comment, we will contact you via email with information and instructions as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Board. Oral comment requests will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email [PublicComment@lacera.com](mailto:PublicComment@lacera.com).)

VI. EXECUTIVE UPDATE

A. Chief Executive Officer's Report

B. Chief Investment Officer's Report

VII. CONSENT ITEMS

A. **Approval of the Use of Teleconference Meeting**

Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that other public agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the

VII. CONSENT ITEMS (Continued)

next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of Section 54953(e)(3). Action taken by each Board will only apply to that Board and its Committees. (Memo dated December 21, 2022)

**B. Real Assets Emerging Manager Program Discretionary Separate Account Manager Request for Proposal – Minimum Qualifications**

Recommendation as submitted by Patrick Jones, Chair, Real Assets Committee: That the Board approve the proposed Real Assets emerging manager program discretionary separate account manager search Request for Proposal minimum qualifications advanced by the Real Assets Committee. (Memo dated December 29, 2022)

**C. 2023 SuperReturn International in Berlin, Germany on June 5 – 9, 2023**

Recommendation that the Board approve attendance of Trustees at the 2023 SuperReturn International to be held in Berlin, Germany on June 5 – 9, 2023, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Placed on the agenda at the request of Trustee D. Green) (Memo dated December 16, 2022)

VIII. EXCLUDED FROM CONSENT ITEMS

IX. NON-CONSENT ITEMS

**A. Towards Best-In-Class Investor 2023 Work Plan and Strategic Initiatives**

Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve the 2023 Work Plan and Strategic Initiatives. (Memo dated December 30, 2022)

**B. OPEB Master Trust – Investments Beliefs Recommendation**

Recommendation as submitted by Jude Pérez, Principal Investment Officer and Esmeralda del Bosque, Acting Principal Investment Officer: That the Board adopt the LACERA Pension Investment Beliefs approved at the December 14, 2022, Board Meeting and incorporate



IX. NON-CONSENT ITEMS (Continued)

them into the OPEB Master Trust (“OPEB Trust”) Investment Policy Statement (“IPS”). (Memo dated December 29, 2022)

C. **AB 2449 Teleconference Meeting Procedures**

Recommendation as submitted by Steven P. Rice: That the Board discuss and provide input on the implementation process for the AB 2449 teleconference meeting procedures that may be used by staff in preparing a policy for consideration by the Board at a future meeting. (Memo dated January 3, 2023)

D. **Reimbursement of Trustee Accommodation Expenses**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board consider whether to allow reimbursement of hotel accommodation expenses for travel to scheduled Board or Committee meeting to Trustees who reside more than two to three hours, or other time and distance, from the regular place of the meetings in Pasadena, California. (Memo dated December 20, 2022)

E. **Information Systems Acceptable Use and Mobile Device Policies for Trustees**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board refer to the Joint Organizational Governance Committee (JOGC) the development of an Information Systems Acceptable Use Policy and a Mobile Device Policy that is uniform for all LACERA Trustees and that requires the use of a LACERA email address and eliminates the use of private email and data storage as well as unmanaged, personal devices to conduct LACERA business. (Memo dated January 3, 2023)

X. REPORTS

A. **FPPC Form 700 e-Filing Solution**

Jessica Rivas, Staff Counsel  
(Presentation) (Memo dated January 11, 2023)

B. **Trustee Travel & Education Reports – November 2022**

Ted Granger, Interim Chief Financial Officer  
(For Information Only) Monthly Trustee Travel & Education Report – November 2022 (Memo dated December 21, 2022)

X. REPORTS (Continued)

Comprehensive Monthly Trustee Travel & Education Report –  
November 2022 (Confidential memo dated December 21, 2022 –  
Includes Pending Travel)

C. **BOR Board Officers: 2023 Calendar Year**

Santos H. Kreimann, Chief Executive Officer  
(For Information Only) (Memo dated December 29, 2022)

D. **Legal Projects**

Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated January 4, 2022)

E. **December 2022 Fiduciary Counsel Report**

Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 20, 2022)  
(Privileged and Confidential/Attorney-Client Communication/Attorney  
Work Product)

XI. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

XII. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

XIII. GOOD OF THE ORDER

(For Information Purposes Only)

XIV. 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. **STG VII, LP**

Christopher J. Wagner, Principal Investment Officer  
Derek Kong, Investment Officer  
(Memo dated December 22, 2022)

XIV. EXECUTIVE SESSION (Continued)

2. **Sprott Private Resource Streaming and Royalty Annex (US), LP**

James Rice, Principal Investment Officer  
Pushpam Jain, Investment Officer  
(Memo dated December 28, 2022)

3. **Private Equity Investment Update – Item 1**

Didier Acevedo, Investment Officer  
Cheryl Lu, Investment Officer  
(For Information Only) (Memo dated December 20, 2022)

4. **Private Equity Investment Update – Item 2**

Didier Acevedo, Investment Officer  
Calvin Chang, Senior Investment Analyst  
(For Information Only) (Memo dated December 22, 2022)

B. Conference With Legal Counsel—Existing Litigation  
(Pursuant to Paragraph (1) of Subdivision (d) of California  
Government Code Section 54956.9)

1. *Wells Fargo Bank, National Association, as Trustee for Morgan Stanley Bank of America Merrill Lynch Trust 2013-C9, Commercial Mortgage Pass-Through Certificates, Series 2013-C9 v. 700 Milford Holdings LLC, et al.*, Supreme Court of the State of New York, County of New York, Index No. 653442/2022  
(Memo dated December 27, 2022)

XV. ADJOURNMENT

***Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement 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 Retirement Trustees 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 and will also be posted on [lacera.com](http://lacera.com) at the same time, [Board Meetings | LACERA](#).***

***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](mailto:PublicComment@lacera.com), but no later than 48 hours prior to the time the meeting is to commence.***

December 29, 2022

TO: Each Trustee  
Board of Investments

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

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: **Board Officers: 2023 Calendar Year**

## **RECOMMENDATION**

That the Board of Investments ratify its slate of board officers who will serve their term in the 2023 calendar year: Gina Sanchez as Chair, Herman Santos as Vice Chair, and Joseph Kelly as Secretary.

## **LEGAL AUTHORITY**

The Board of Investments (BOI) Regulations provide that each January the BOI shall elect from its members a Chair, Vice Chair, and Secretary to serve for a term of one year or until his or her successor is duly elected and qualified.

The [BOI Board Officer Rotation Policy](#) provides that the process of selecting board officers will be a seniority-based system. At the first regular meeting in January, the BOI shall hold a vote to ratify the slate of board officers determined by the Executive Board Assistant.

## **DISCUSSION**

The BOI Board Officer Rotation Policy provides that with reasonable and sufficient time before the first regular meeting in January, the Executive Board Assistant shall verify the seniority of each trustee on the seniority list for each board officer position who would be in office during the calendar year commencing in January and ascertain in order of seniority which trustee opts to serve as in each position for the upcoming year.

According to the Executive Board Assistant and based on the Rotation Policy and the current seniority list, the following trustees opt to serve as BOI Chair, Vice Chair, and Secretary for the 2023 calendar year.

Chair: Gina Sanchez  
Vice Chair: Herman Santos  
Secretary: Joseph Kelly

Board Officers: 2023 Calendar Year  
Board of Investments  
December 29, 2022  
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**IT IS THEREFORE RECOMMENDED THAT THE BOARD** ratify its slate of board officers who will serve their term in the 2023 calendar year: Gina Sanchez as Chair, Herman Santos as Vice Chair, and Joseph Kelly as Secretary.

cc: Board of Retirement      Luis Lugo      JJ Popowich      Laura Guglielmo  
Steven P. Rice      Jon Gabel



# BOARD OF INVESTMENTS SENIORITY LIST

## CHAIR

<b>Trustee Name</b>	<b>Priority Date*</b>	<b>Seniority</b>
David Green	01/01/2012	11 Years
<i>Shawn R. Kehoe</i>	<i>01/01/2014</i>	<i>9 Years</i>
Joseph Kelly	10/15/2014	6 Years, 9 Months
Gina V. Sanchez	01/01/2018	5 Years
Alan J. Bernstein	01/01/2019	4 Years
<i>Elizabeth Greenwood</i>	<i>01/01/2020</i>	<i>3 Years</i>
Keith Knox, Ex-Officio	01/01/2022	2 Year
Patrick L. Jones	04/06/2021	1 Year, 9 Months
Onyx Jones	04/05/2022	9 Months
Herman B. Santos	01/01/2004	0 Years

## VICE CHAIR

<b>Trustee Name</b>	<b>Priority Date*</b>	<b>Seniority</b>
Herman B. Santos	01/01/2004	19 Years
<i>Shawn R. Kehoe</i>	<i>01/01/2014</i>	<i>9 Years</i>
Gina V. Sanchez	01/01/2018	5 Years
Alan J. Bernstein	01/01/2019	4 Years
Keith Knox, Ex-Officio	07/13/2019	3 Years, 5 Months
<i>Elizabeth Greenwood</i>	<i>01/01/2020</i>	<i>3 Years</i>
Joseph Kelly	01/01/2022	2 Year
Patrick L. Jones	04/06/2021	1 Year, 9 Months
Onyx Jones	04/05/2022	9 Months
David Green	01/01/2012	0 Years

## SECRETARY

<b>Trustee Name</b>	<b>Priority Date*</b>	<b>Seniority</b>
Herman B. Santos	01/01/2004	19 Years
David Green	01/01/2012	11 Years
Joseph Kelly	10/15/2014	6 Years, 9 Months
Gina V. Sanchez	01/01/2018	5 Years
Keith Knox, Ex-Officio	7/13/2019	3 Years, 5 Months
<i>Elizabeth Greenwood</i>	<i>01/01/2020</i>	<i>3 Years</i>
Alan J. Bernstein	01/01/2022	2 Year
Patrick L. Jones	04/06/2021	1 Year, 9 Months
Onyx Jones	04/05/2022	9 Months
<i>Shawn R. Kehoe</i>	<i>01/01/2014</i>	<i>0 Years</i>

\*Priority Date reflects the first term date of the Trustee on the Board till the end of 2022. *Italicized* Trustees will not be returning for another term, or no replacement has yet been appointed.

2022 Officers have been placed at the end of the list and the priority date reset to zero.

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CA 91101

9:00 A.M., WEDNESDAY, DECEMBER 14, 2022

This meeting was conducted by the Board of Investments both in person and by teleconference under California Government Code Section 54953(e).

PRESENT: Herman Santos, Chair (By Teleconference)

David Green, Vice Chair (By Teleconference) (Left the meeting at 1:15 a.m.)

Elizabeth Greenwood (By Teleconference)

Shawn Kehoe, Secretary (By Teleconference) (Left the meeting at 10:45 a.m.)

Joseph Kelly (In-Person)

Keith Knox (In-Person)

Onyx Jones (By Teleconference) (Joined the meeting at 9:01 a.m.)

Patrick Jones (By Teleconference)

Gina Sanchez (In-Person)

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Santos H. Kreimann, Chief Executive Officer

Steven P. Rice, Chief Counsel

Luis Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Roberta Van Nortrick, Acting Division Manager, Administrative Services

Ted Granger, Interim Chief Financial Officer

Carly Ntoya, Human Resources Director

Barry W. Lew, Legislative Affairs Officer

Vache Mahseredjian, Principal Investment Officer

James Rice, Principal Investment Officer

Jude Pérez, Principal Investment Officer

Scott Zdrzil, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Esmeralda del Bosque, Acting Principal Investment Officer

Chad Timko, Senior Investment Officer

Magdalia Armstrong, Senior Investment Analyst

Dale Johnson, Investment Officer

Calvin Chang, Senior Investment Analyst

Noah Damsky, Senior Investment Analyst

Terra Elijah, Senior Investment Analyst

Ron Senkandwa, Investment Officer

Pushpam Jain, Investment Officer

Cheryl Lu, Investment Officer

Quoc Nguyen, Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Krista Powell, Investment Officer

Cindy Rivera, Senior Investment Analyst

Meketa Investment Group (General Investment Consultants)

Aysun Kilic, Managing Principal

Tim Filla, Managing Principal

Albourne (Real Assets ex-Real Estate, Illiquid Credit & Hedge Funds Consultant)

James Walsh, Partner

Mark White, Partner

StepStone Group LP (Private Equity Consultants)

Jose Fernandez, Partner

Milliman (Consulting Actuary)

Nick Collier, Principal Actuary

Craig Glyde, Principal Actuary

Cavanaugh Macdonald Consulting, LLC (Reviewing Actuary)

Brent Banister, Chief Actuary

I. CALL TO ORDER

The meeting was called to order by Chair Santos at 9:00 a.m.

II. APPROVAL OF MINUTES (Ms. Jones joined the meeting at 9:01 a.m.)

A. Approval of the Minutes of the Regular Meeting of November 9, 2022

Mr. Kehoe made a motion, Mr. Green seconded, to approve the minutes of the regular meeting of November 9, 2022. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Knox, Kelly, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. EXECUTIVE UPDATE

A. CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated November 29, 2022)

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

B. CHIEF INVESTMENT OFFICER'S REPORT  
(Presentation dated December 14, 2022)

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

V. CONSENT ITEMS

A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that other public agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of Section 54953(e)(3). Action taken by each Board will only apply to that Board and its Committees. (Memo dated November 28, 2022)

Ms. Sanchez made a motion, Ms. Greenwood seconded, to approve consent item, V.A. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Knox, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes and Mr. Kelly voting no.



V. CONSENT ITEMS (Continued)

Mr. Kelly made a motion, Mr. Knox seconded, to approve consent item, V.B and V.C. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Kelly, Knox, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes.

- B. Recommendation as submitted by Herman Santos, Chair, Public/Private Committee: That the Board approve the Growth Functional Category Biennial Structure Review. (Memo dated November 23, 2022)
- C. Recommendation that the Board approve attendance of Trustees at RFK Compass Investors Program in Miami, Florida on February 26-28, 2023, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated November 28, 2022) (Placed on the agenda at the request of Trustee Santos)
- D. Recommendation as submitted by Laura Guglielmo, Assistant Executive Officer and Roberta Van Nortrick, Acting Division Manager, Administrative Services: That the Board of Retirement review and approve the FY 2022-2023 Mid-Year Budget Amendments for the LACERA Administrative Budget. (Memo dated November 18, 2022)

Ms. Greenwood made a motion, Mr. Green seconded, to approve consent item, V.D. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Knox, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes and Mr. Kelly voting no.

## VI. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer, Scott Zdrazil, Principal Investment Officer, Jude Pérez, Principal Investment Officer, Esmeralda del Bosque, Acting Principal Investment Officer, Krista Powell, Investment Officer, Cindy Rivera, Senior Investment Analyst and Magdalia Armstrong, Senior Investment Analyst: That the Board approve revised Investment Beliefs and insert the revised Investment Beliefs into LACERA's Investment Policy Statement. (Memo dated November 29, 2022)

Messrs. Grabel, Zdrazil, Perez and Mses. del Bosque, Powell, Armstrong and Rivera provided a presentation and answered questions from the Board.

Mr. Kelly made a motion, Mr. Knox seconded, to approve revised Investment Beliefs and insert the revised Investment Beliefs into LACERA's Investment Policy Statement. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Kelly, Knox, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes.

- B. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer and Ted Granger, Interim Chief Financial Officer: 1. Adopt the economic assumptions identified in Appendix A on pages 61-82 of the draft 2022 Investigation of Experience for Retirement Benefit Assumption Report (2022 Experience Study), as submitted by the plan actuary (Milliman). 2. Adopt the economic actuarial methods and the demographic assumptions recommended by LACERA staff and Milliman. 3. Delegate authority to the Chief Executive Officer working in concert with LACERA's Interim Chief Financial Officer, Chief Investment Officer, and Chief Counsel to ensure the actuarial assumptions adopted by the Board of Investments, as more fully detailed in Appendix A of the 2022 Experience Study report, are incorporated in Milliman's calculation of plan liabilities presented in the upcoming 2022 Actuarial Valuation of Retirement Benefits report. (Memo dated December 5, 2022)

VI. NON-CONSENT ITEMS (Continued)

Messrs. Kreimann and Granger and Messrs. Collier and Glyde of Milliman, and Mr. Banister of Cavanaugh Macdonald Consulting provided a presentation and answered questions from the Board.

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Kelly, Knox, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes.

- C. Recommendation as submitted by Carly Ntoya, Ph.D., Human Resources Director: That the Board 1) Approve the proposed classification and compensation changes for implementation for the existing Accounting Officer II, LACERA; Accounting Officer I, LACERA; Senior Accountant, LACERA; Accountant, LACERA; and Accounting Technician I, LACERA, including submission to the Board of Supervisors (BOS); 2) Approve the proposed classification and compensation changes for implementation for the creation of new Senior Investment Accountant, LACERA; Investment Accountant, LACERA; and Accountant II, LACERA classifications, including submission to the Board of Supervisors; and 3) Approve that the Accounting Technician II, LACERA classification be deleted from the Ordinance, including submission to the Board of Supervisors. (Memo dated November 28, 2022)

Ms. Ntoya and Mr. Granger were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Green seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Green, Kehoe, P. Jones, Knox, Santos, Mses. Sanchez, Greenwood and O. Jones voting yes and Mr. Kelly voting no.

VI. NON-CONSENT ITEMS (Continued)

- D. Recommendation as Santos H. Kreimann, Chief Executive Officer: That the Boards review and approve the 2023 meeting calendar and consider rescheduling meeting dates that conflict with a holiday and/or the potential of a lack of quorum. (Memo dated November 28, 2022)

This item was received and filed. Therefore, the 2023 meeting schedule will remain unchanged from the schedule as provided in the Board of Investments Bylaws.

VII. REPORTS

- A. Annual Update and Review of LACERA Towards Inclusion, Diversity, and Equity (LACERA T.I.D.E.)  
Jonathan Grabel, Chief Investment Officer  
Dale Johnson, Investment Officer  
Cheryl Lu, Investment Officer  
Ronald Senkandwa, Investment Officer  
Cindy Rivera, Senior Investment Analyst  
(Memo dated December 2, 2022)

Messrs. Grabel, Johnson, Senkandwa and Mses. Lu and Rivera provided a presentation and answered questions from the Board. This item was received and filed.

- B. LACERA Investment Cost Report – Fiscal Year 2022  
Calvin Chang, Senior Investment Analyst  
Noah Damsky, Senior Investment Analyst  
Terra Elijah, Senior Investment Analyst  
(Memo dated December 2, 2022)

Messrs. Chang and Damsky and Ms. Elijah provided a presentation and answered questions from the Board. This item was received and filed.

VII. REPORTS (Continued) Mr. Kehoe left the meeting at 10:45 a.m.)

- C. LACERA Quarterly Performance Book  
Jude Pérez, Principal Investment Officer  
(For Information Only) (Memo dated December 1, 2022)

This item was received and filed.

- D. OPEB Quarterly Performance Book  
Jude Pérez, Principal Investment Officer  
(For Information Only) (Memo dated December 1, 2022)

This item was received and filed.

- E. Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated October 31, 2022)

This item was received and filed.

- F. 2022 Year-End Legislative Report  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated November 23, 2022)

This item was received and filed.

- G. FY 2021-2022 Final Budget Control Report  
Laura Guglielmo, Assistant Executive Officer  
(For Information Only) (Memo dated November 17, 2022)

This item was received and filed.

- H. Tier I Merit Salary Adjustment and Tier II Step Advancement  
Santos H. Kreimann, Chief Executive Officer  
(For Information Only) (Memo dated November 23, 2022)

This item was received and filed.

- I. Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2021  
Richard P. Bendall, Chief Audit Executive and the Audit Committee  
(For Information Only) (Memo dated November 30, 2022)



VII. REPORTS (Continued)

This item was received and filed.

- J. Principles For Responsible Investment Signatory Ballot  
Scott Zdrzil, Principal Investment Officer  
(For Information Only) (Memo dated November 9, 2022)

This item was received and filed.

- K. AB 2449 Teleconference Meeting Procedures  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated December 5, 2022)

This item was received and filed.

- L. Albourne Self-Assessment  
James Walsh, Stephen Kennedy, Tom Cawkwell, Mark White  
Albourne America LLC  
(For Information Only) (Memo dated December 2, 2022)

This item was received and filed.

- M. StepStone Group Private Equity Self-Evaluation  
Jose Fernandez, Natalie Walker, Daniel Krikorian  
StepStone Group LP  
(For Information Only) (Memo dated November 22, 2022)

This item was received and filed.

- N. StepStone Group Real Estate Self-Evaluation  
Margaret McKnight, Thomas Hester, Kristen Moore, James Maina  
StepStone Real Estate  
(For Information Only) (Memo dated November 29, 2022)

This item was received and filed.

- O. Meketa Investment Group Self-Evaluation  
Tim Filla, Aysun Kilic, Leandro Festino, Imran Zahid, Meketa  
Investment Group  
(For Information Only) (Memo dated December 14, 2022)

This item was received and filed.

VII. REPORTS (Continued)

- P. Monthly Trustee Travel & Education Reports for October 2022  
Ted Granger, Interim Chief Financial Officer  
(Public memo dated November 21, 2022)  
(Confidential memo dated November 21, 2022 – Includes Pending Travel)

This item was received and filed.

Quarterly Trustee Travel & Education Reports – 1st Quarter Fiscal Year 2023 (Public memo dated November 21, 2022)  
Quarterly Staff Travel Report- 1st Quarter Fiscal Year 2023  
(Public memo dated November 21, 2022)

This item was received and filed.

- Q. 2022 Fiduciary Counsel Annual Self-Assessments and DEI Report.  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated November 28, 2022) (Privileged and Confidential Attorney-Client Communication/Attorney Work Product)

This item was received and filed.

- R. November 2022 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 28, 2022)

This item was received and filed.

- S. Semi-Annual Report on Approved Engagements  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated November 25, 2022)

This item was received and filed.

VIII. ITEMS FOR STAFF REVIEW

There were no requests for items for staff review.

IX. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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

There was nothing to report.

XI. 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. Waterfall Illiquid Credit Strategy Dedicated Managed Account  
Vache Mahseredjian, Principal Investment Officer  
Chad Timko, Senior Investment Officer  
Krista Powell, Investment Officer  
Quoc Nguyen, Investment Officer  
(Memo dated November 23, 2022)

Messrs. Mahseredjian, Timko, Nguyen and Ms. Powell provided a presentation and answered questions from the Board.

Mr. Kelly made a motion, Mr. Santos seconded, to approve an investment of \$675 million to the Waterfall Illiquid Credit Strategy managed by Waterfall Asset Management, LLC to be invested in a dedicated managed account. The strategy invests across asset backed credit, loans, bonds, and specialty finance, primarily in opportunities in housing, commercial real estate, consumer, and small business. The motion passed (roll call), with Messrs. Green, P. Jones, Kelly, Knox, and Santos and Meses. Greenwood, O. Jones, and Sanchez voting yes. Mr. Kehoe was absent from the vote.

XI. EXECUTIVE SESSION (Continued)

2. ACCEL-KKR Capital Partners VII, L.P.

Christopher J. Wagner, Principal Investment Officer

Cheryl Lu, Investment Officer

(Memo dated November 22, 2022)

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

Mr. Kelly made a motion, Ms. Sanchez seconded, to approve a commitment of up to \$150 million to Accel-KKR Capital Partners VII, L.P., which is a private equity middle market buyout fund making investments in the information technology sector, with a geographic focus in the United States and Western Europe. The motion passed (roll call), with Messrs. P. Jones, Kelly, Knox, and Santos and Meses. O. Jones and Sanchez voting yes. Messrs. Green and Kehoe and Ms. Greenwood were absent from the vote.

(Mr. Green left the meeting at 1:15 a.m.)

3. TIAA-CREF Global Agriculture LLC

James Rice, Principal Investment Officer

Pushpam Jain, Investment Officer

(Memo dated November 24, 2022)

Messrs. J. Rice and Jain provided a presentation and answered questions from the Board.

XI. EXECUTIVE SESSION (Continued)

Ms. Sanchez made a motion, Mr. Knox seconded, to approve an investment of up to \$85 million for a secondary purchase in TIAA-CREF Global Agriculture LLC, which is a private agriculture fund making investments in farmland properties in row crops and permanent crops in the United States, Australia, and Brazil. The motion passed (roll call), with Messrs. P. Jones, Kelly, Knox, and Santos and Meses. Greenwood, O. Jones, and Sanchez voting yes. Messrs. Green and Kehoe were absent from the vote.

4. Correction To Slide in November 9, 2022 Credit and Real Assets & Inflation Hedges Manager Recommendations Presentation (Agenda Item X.A.1)  
Vache Mahseredjian, Principal Investment Officer  
(For Information Only) (Memo dated November 30, 2022)

There is nothing to report.

XII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:30 p.m.

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SHAWN KEHOE, SECRETARY

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HERMAN SANTOS, CHAIR



December 27, 2022

TO: Each Trustee,  
Board of Retirement  
Board of Investments

FROM: Santos H. Kreimann *SHK*  
Chief Executive Officer

**SUBJECT: CHIEF EXECUTIVE OFFICER'S REPORT – JANUARY 2023**

The following Chief Executive Officer's Report highlights key operational and administrative activities that have taken place during the past month.

### **Strategic Plan Update**

Staff, along with KH Consulting, have been working on finalizing the strategic priorities and objectives. The final draft of the Strategic Plan will then be presented for review by the Trustees as part of the February Board of Retirement (BOR) offsite.

### **Board of Retirement Offsite**

The Board of Retirement Offsite will be held in-person at the end of February 2023. Day one of the offsite will focus on LACERA's strategic planning efforts and gaining Trustee insights and direction. Day two of the offsite will focus on the RHC Program and other educational topics. Details to follow.

### **Welcome New Board Member**

The Board of Supervisors approved Supervisor Barger's appointment of Mr. Okum at its December 20, 2022, meeting. Trustee Okum's term will be effective January 1, 2023 through December 31, 2025.

We are also pleased to officially welcome Trustees Jason E. Green and Elizabeth Greenwood to their first Board of Retirement meeting.

### **OneMeeting: Board/Committee Agenda Management, Recordings, Online Archives, and Public Interface Update**

At its March 2022 Board of Retirement meeting, the Board approved a contract with Prime Government Solutions, Inc. (PrimeGov) now called OneMeeting. This application will be used for both Boards and all Committee meetings, including agenda management, livestreaming, recordings, online archives, and a public interface solution, with an indefinite retention period for archiving the audio and visual recordings. Staff will be going live in January 2023.

## **OneMeeting: Board/Committee Agenda Management, Recordings, Online Archives, and Public Interface Update (Continued)**

Over the last month, both Trustees and staff have been trained on the functionality and use of the new system. In addition to training videos on the new platform, staff will be on hand at the BOR and BOI board meetings to help Trustees with navigating the new platform and to answer any questions you may have. We welcome any feedback from both Trustees and staff as we implement and transition to the OneMeeting platform.

### **Member Services Call Center**

Member Services is pleased to share that our first of two CORE Benefits Training classes officially graduated and have reported to their respective assignments. Nine Specialists have joined the Member Services Call Center and are now taking calls from members, while four Specialists have reported to the Benefits CORE team. Our second CORE Benefits Training class is going through the final stages of training in our Member Services Call Center and will be fully integrated into the Call Center or the Benefits CORE team by mid-January.

The addition of these Specialists will be a big help as we move into the 2022-2023 March Madness season. The Specialists in the first class were already taking calls in the month of November as part of their training and have had a positive impact on our service levels as reflected in the CEO Dashboard report.

This year all of our trainees spent time training in our Call Center. This new addition to our training process helps provide a foundation for the type of highly personalized, accurate and compassionate service that we expect to deliver to our members. Providing a service foundation will help those that move to Benefits to understand the member experience, which will only help as they process member requests in the future.

I would like to take a moment and thank staff members in Quality Assurance, Benefits, Member Services, and Human Resources for their hard work in getting our trainees ready to assist our members. I would also like to thank all the trainees who successfully completed our CORE training program. This is an accomplishment to be proud of and the beginning of their professional growth at LACERA.

As we enter March Madness season, we have a high interest from members for retirement counseling. Twenty-eight percent of all calls in November were for retirement counseling. This is consistent with our October experience. However, while the percentage of calls related to retirement counseling stayed constant, the overall call volume was lower in November (9,501 calls offered) compared to October's volume (13,001 calls offered). This

**Member Services Call Center (Continued)**

reduction in calls was expected due to new MOUs with salary increases being approved by the County.

**Recruitment Updates**

*Vacancies and Hiring*

The investment staff is continuing to review the eligibility lists of prospective candidates for the Senior Investment Officer (Real Estate) and Financial Analyst III (Real Estate) positions.

Also, in collaboration with EFL Associates, LACERA is actively working to secure a pool of qualified and diverse candidates for the Deputy Chief Investment Officer position. The job bulletin has been posted for over a week and EFL is in the process of gathering candidate profiles to build their highly qualified list for interviews.

Classification	# of		
	Vacancies	LACERA Priority	Recruitment Stage
Deputy Chief Investment Officer	1	Tier 0	Recruitment Open
Senior Investment Officer (SIO)	1	Tier 0	9 – Division Interviews
Finance Analyst III (FA III)	2	Tier 0	9 – Division Interviews
Finance Analyst II (FA II)	3	Tier 1	Not Started
Principal Investment Officer	1	Tier 2	Not Started
Senior Investment Officer	1	Tier 2	Not Started
Executive Administrative Asst	1	Tier 3	Not Started
Finance Analyst I (FA I)	1	Unassigned	Not Started

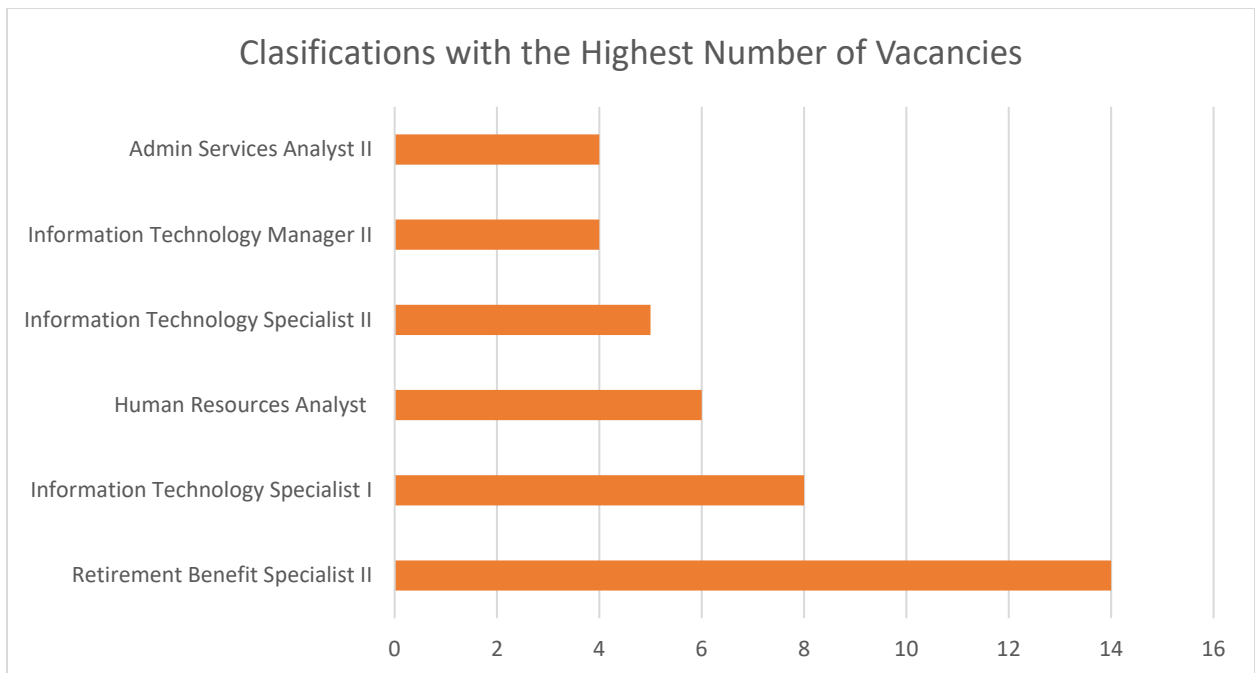
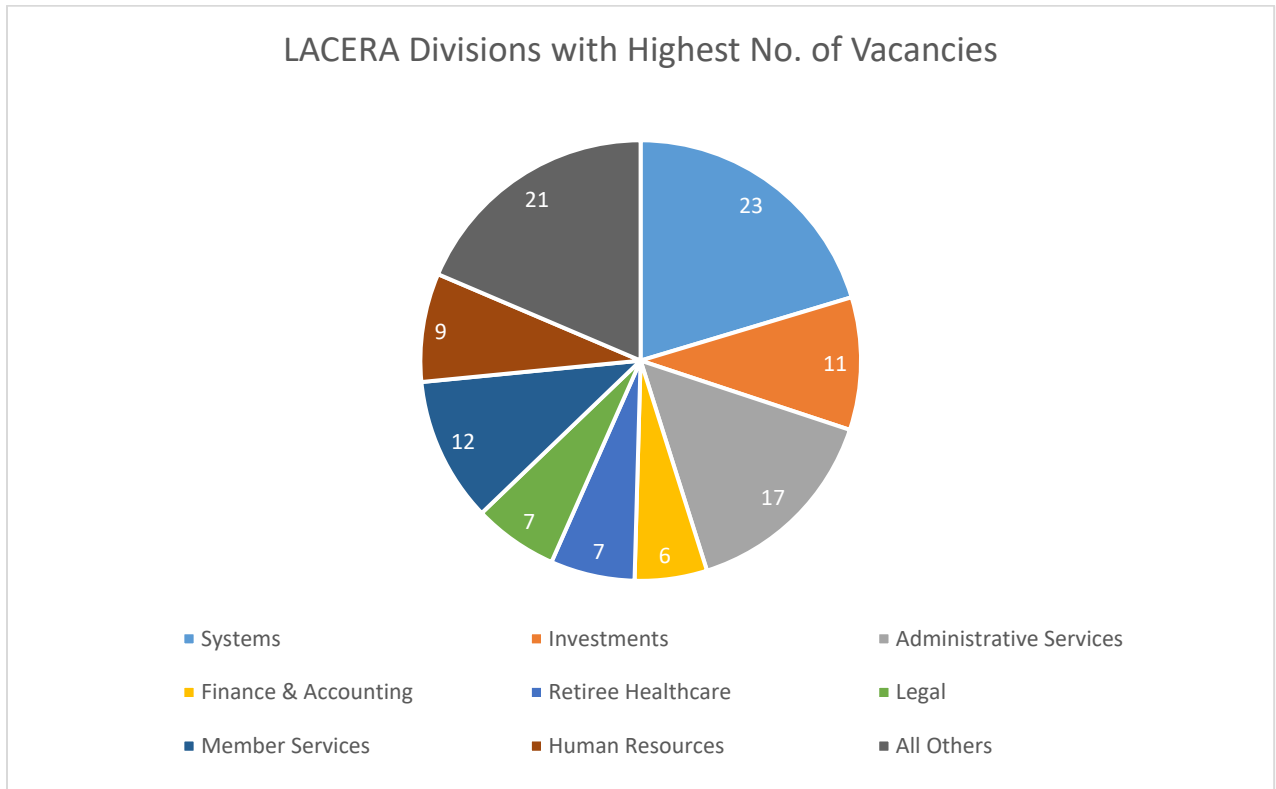
*Other External Recruitments*

Alliance Resource Consulting has finalized the recruitment brochure for the Chief, Information Technology and Information Security Officer positions and has begun their recruitment efforts for both positions. The positions are currently open and being broadly advertised, including on LACERA.com.

LACERA has 530 budgeted positions, of which 113 are vacant (21% vacancy rate). The Divisions with the highest number of vacancies, and the classifications with the highest number of vacancies, are shown below.

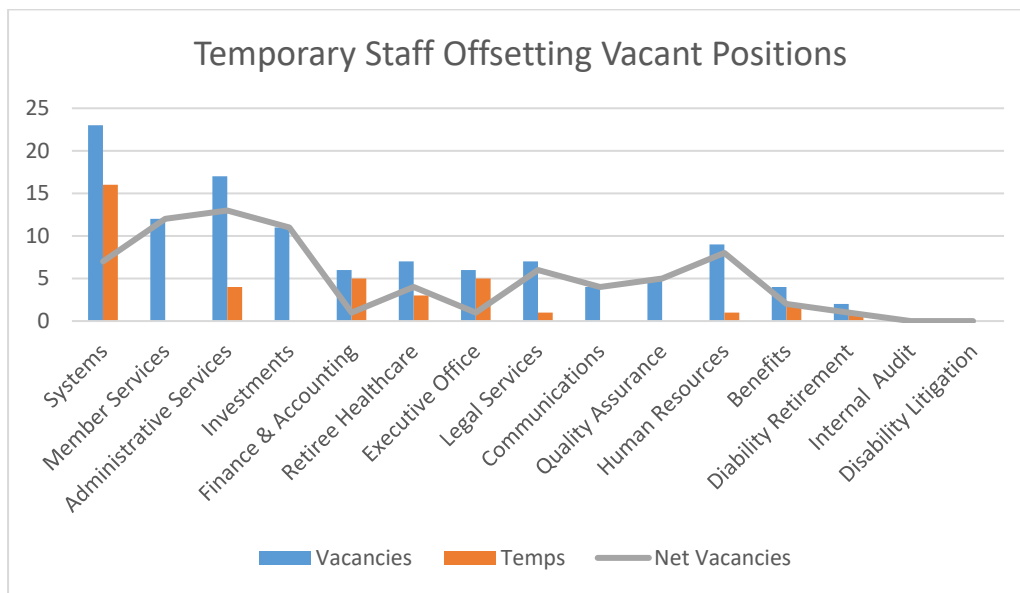


**Recruitment Updates (Continued)**



The chart below highlights temporary hires across divisions to address critical vacancy needs in the short term.

**Recruitment Updates (Continued)**



***Development***

The recruitments/assessments for the following classifications are currently in development in partnership with the various hiring divisions:

- Retirement Systems Specialist
- Division Manager

***Recruiting & Assessment***

Open recruitment for the following legal positions yielded a limited number of candidates with minimal experience in the public pension field. As such, a request was sent out to engage an outside search firm to help recruit for these specialized positions. Staff members worked with General Counsel to prepare the firm selection criteria and update the job bulletins to be used in our recruitment efforts.

- Senior Staff Counsel (Investments)
- Staff Counsel (Investments)
- Staff Counsel (Benefits)

The examinations for the Human Resources Analyst, Senior Human Resources Analyst, and Senior Human Resources Assistant assessments continue. The Senior Human Resources Assistant written examination is pending. The interviews for the Senior Human Resources Analyst position are scheduled to begin the week of January 9, 2023; invitations are pending. The Human Resources Analyst applications review is nearing completion.

**Recruitment Updates (Continued)**

*New Lists Promulgated*

The Eligible Register (List) for Retirement Benefits Specialist I was promulgated and consists of 90 eligible candidates. The List has been provided to the Benefits, Member Services, and Retiree Healthcare Divisions to review and begin their selection process. The Divisions can review the candidate’s applications and resumes and conduct a selection interview.

The recruitment for the Financial Analyst III - Corporate Governance position continues. Additional candidates are in the assessment phase and those that pass will be added to the eligibility register (list).

*Hiring*

We are pleased to announce that during the first half of the fiscal year we have hired 16 new staff members and promoted four staff. Recent and upcoming hiring and selection activities are reflected below as follows:

Classification	# of Positions	Division	Status
Accountant	3	FASD	Started December 1
Accountant	1	RHC	Starting January 3

**CEO Dashboard Update**

The CEO Dashboard now includes member satisfaction data for both the Member Services Call Center and the Member Service Center virtual and in-person counseling sessions.

Since the beginning of the COVID-19 pandemic and our switch to a cloud-based call center solution, and our overall cloud-based system environment, we have been unable to collect and process member satisfaction survey results. Pre-pandemic our call center survey system was connected to our on-premises call center system, and our Member Service Center survey process was paper-based and reliant on a problematic, end-of-life, survey scanning and processing system. Restoring this functionality has been a key initiative in our overall Member Experience program.

Our Call Center survey system is a modern opt-in survey that asks members four questions about their interaction during the call. The questions are worded to focus the members rating on the specific interaction they just completed. The overall satisfaction question will be the rating that is included in our Key Performance Indicator rating that appears on the Dashboard. The overall satisfaction score is the percentage of respondent

## **CEO Dashboard Update (Continued)**

callers who rated us a 4 or 5 (out of 5) on their responses. The remainder of the survey data will be included in the quarterly updates that are shared with the Operations Oversight Committee.

Our Member Service Center satisfaction survey is part of our new appointment scheduling and queuing program which went live in November. The new appointment scheduling system generates a text message (SMS) survey to every person who completes an in-person or virtual counseling session. Members are presented with four questions (Attached). Respondents can indicate they strongly agree, slightly agree, are neutral, slightly disagree, or strongly disagree to respond to the survey. As with the Call Center, we will be reporting the results of the overall satisfaction question, "I was satisfied with my overall experience with the specialist." In this case, we will use the percentage of respondents who indicate they strongly or slightly agree to determine the number we report on the Dashboard. This number will appear at the top of the Dashboard's first page under the "MSC Overall Satisfaction" box. Also, as with the Call Center, the full rating will be shared in the quarterly Member Service updates to the Operations Oversight Committee.

## **Retiree Healthcare**

### *Group Contract Termination Update*

Last month staff reported that during the week of November 15<sup>th</sup>, the RHC Call Center had received several calls from LACERA retirees indicating they received notification that their medical group (Providence) was terminating their contract with United Healthcare (UHC) effective January 1, 2023.

The termination of Providence Medical Group would have impacted both active and retired members.

Shortly after placing notice of the planned termination in last month's CEO report, staff received updated notification that UHC and Providence had reached a multi-year agreement that ensured members uninterrupted access to Providence's physicians, facilities and hospitals. Letters were being mailed out by UHC to impacted members informing them of the renewed relationship with Providence and that Providence would be remaining in the UHC network.

# MEMBER SERVICE CENTER SATISFACTION SURVEY

## Introduction:

We value your feedback and appreciate you taking a few minutes to complete the next four brief questions regarding the service you received today. When answering these questions please consider only the service you received from the last Specialist you spoke with. Your feedback will help us assist you more effectively.

Let's get started. Please provide your response by using your touchtone telephone key pad where "1" is poor and "5" is excellent.

## Question 1

How would you rate your satisfaction with the way you were greeted today by the Specialist who assisted you?

## Question 2:

How would you rate the Specialist's patience & politeness?

Remember, using your telephone keypad, "1" is poor and "5" is excellent.

## Question 3:

How would you rate your satisfaction with the Specialist's knowledge?

Remember, using your telephone keypad, "1" is poor and "5" is excellent.

## Question 4:

How would you rate your overall satisfaction with the Specialist handling your call?

## Closing:

We appreciate you taking the time to complete our survey. Have a great day



# CEO DASHBOARD



January 4, 2023



# Striving for Excellence

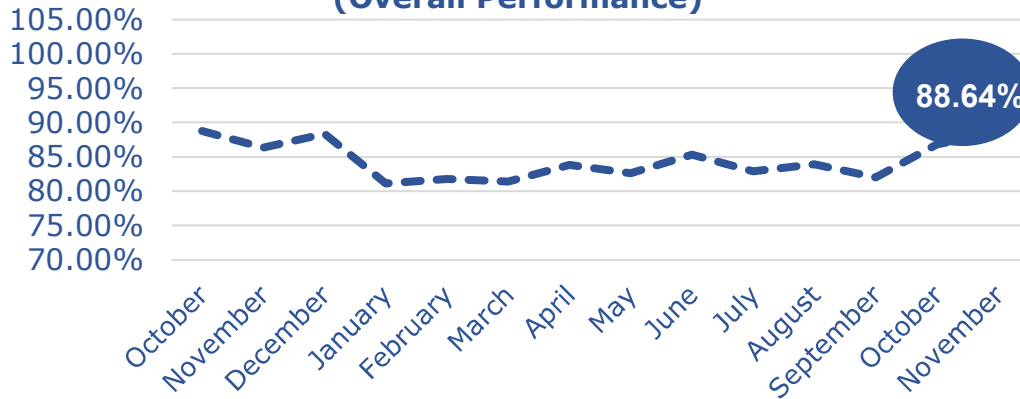
Service Metrics Reported on a Fiscal Year Basis (July 1) Through: November 2022

<b>WORKSHOP ATTENDANCE</b> <b>1,108</b> Year-to-Date: 7,018	<b>OUTREACH EVENTS</b> <b>18</b> Year-to-Date: 100	<b>WORKSHOP SATISFACTION</b> <b>N/A</b>		<b>MSC OVERALL SATISFACTION</b> <b>100.00%</b>		<b>MEMBER SERVICES CALL CENTER</b> <b>9,501</b> 3 Month Average: 10,438
		Resp. Rate	Change	Resp. Rate	Change	
		0.0%	0	13.4%	0	

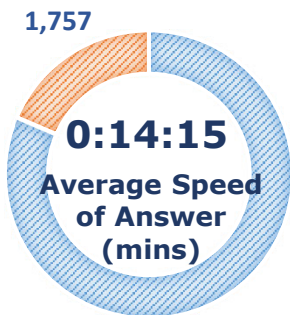
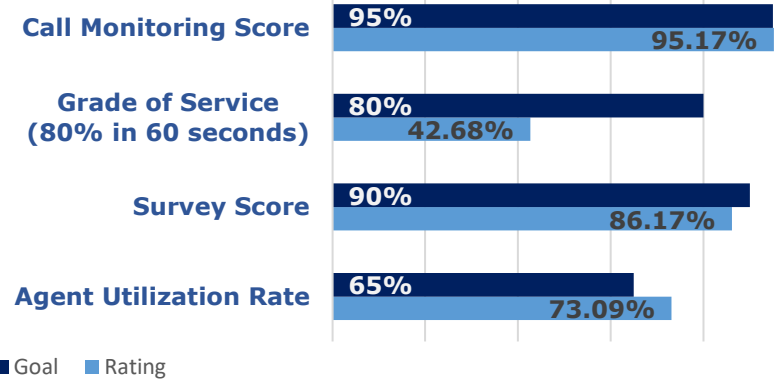
Member Services

## Key Performance Indicator (Overall Performance)

Goal: 100%



## Key Performance Indicator (Components)



## Top Calls

1. Retirement Counseling: Process Overview
2. Retirement Counseling: Estimate
3. My LACERA: Login-Forgot Password



## Emails

**476**  
Avg. Response Time (ART)

**24:00 hours**

**Secure Message**  
**794**



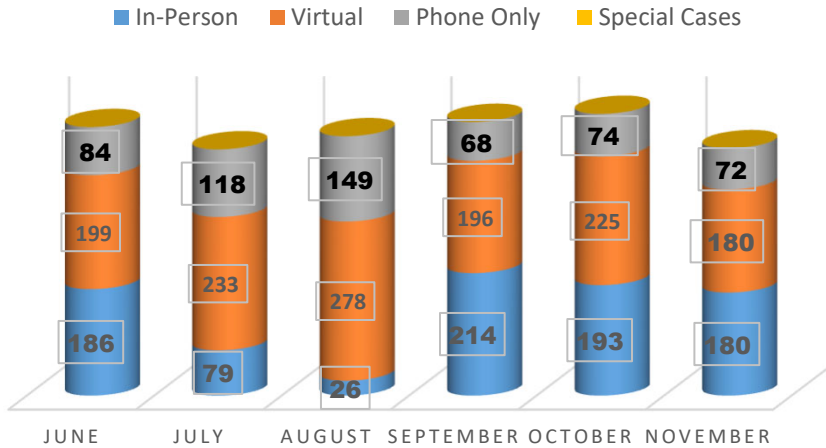


# Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: November 2022

## Member Services

### Member Service Center Appointments

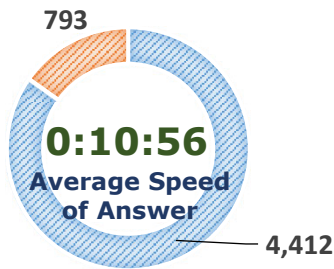


COMING SOON

## Retiree Healthcare



Total RHC Calls: 5,205



■ Calls Answered ■ Calls Abandoned

### Top Calls

1. Medical/Dental Enrollments

2. Medicare Part B Inquiries

3. General Inquiries

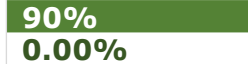
Call Monitoring Score



Grade of Service (80% in 60 seconds)



Survey Score



Agent Utilization Rate



■ Goal ■ Rating



Emails 388

Avg. Response Time (ART) 5 Days



Secure Messages 509





# Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: November 2022

**Applications**  
973

**979** Pending on: 10/31/2022

**47** Received

**343** Year-to-Date

**0** Re-Opened

**0** Year-to-Date

**53** To Board - Initial

**251** Year-to-Date

**0** Closed

**14** Year-to-Date

**In Process**  
**As Of**  
**11/30/2022**

**Appeals**  
73

**71** Pending on: 10/31/2022

**2** Received

**5** Year-to-Date

**0** Admin Closed/Rule 32

**5** Year-to-Date

**0** Referee Recommended

**2** Year-to-Date

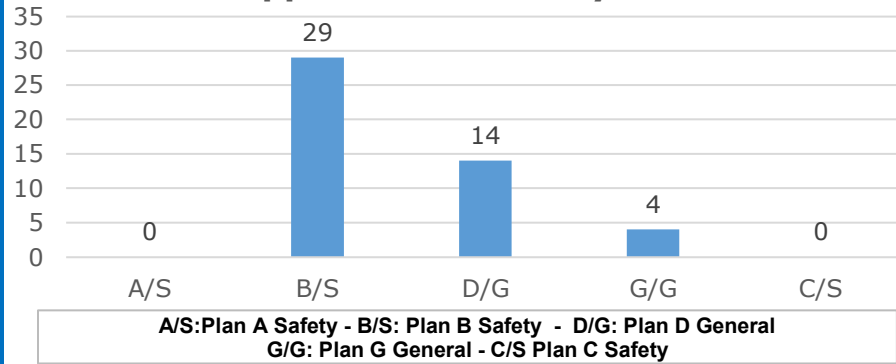
**0** Revised/Reconsidered for Granting

**2** Year-to-Date

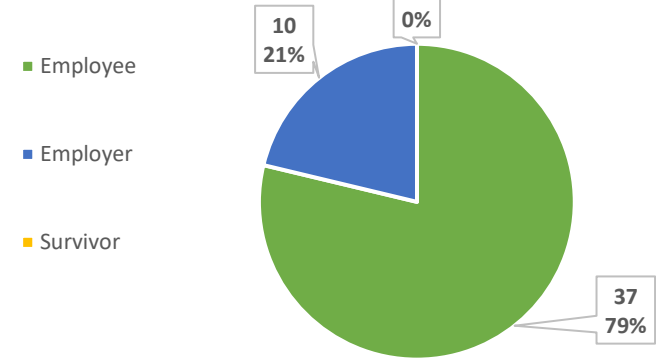
**In Process**  
**As Of**  
**11/30/2022**

Disability

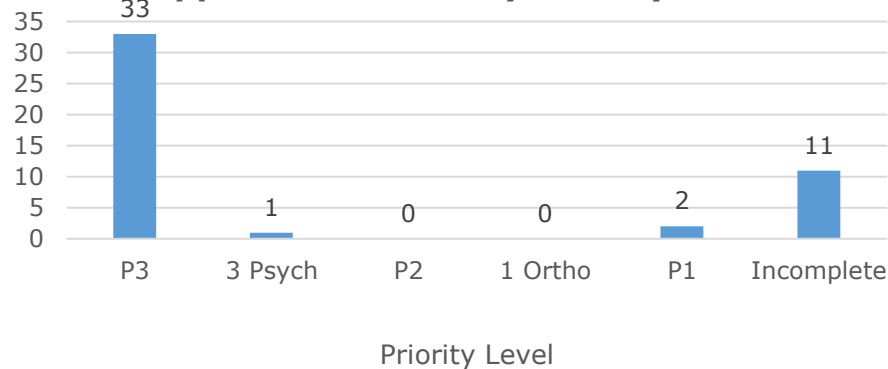
### Applications Filed By Plan



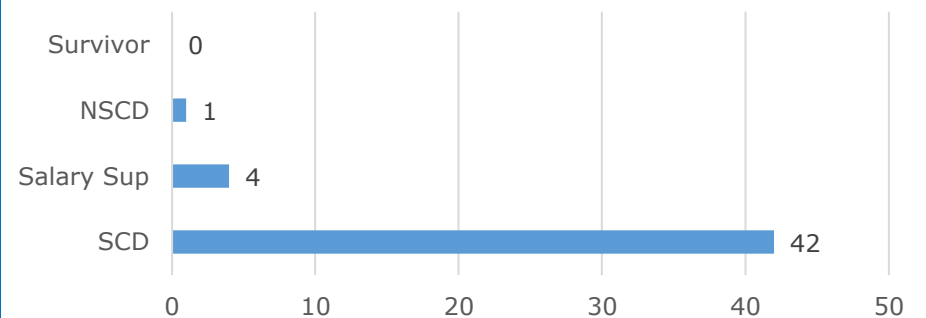
### Applications Filed By Source



### Applications Filed By Priority Level



### Applications Filed By Type

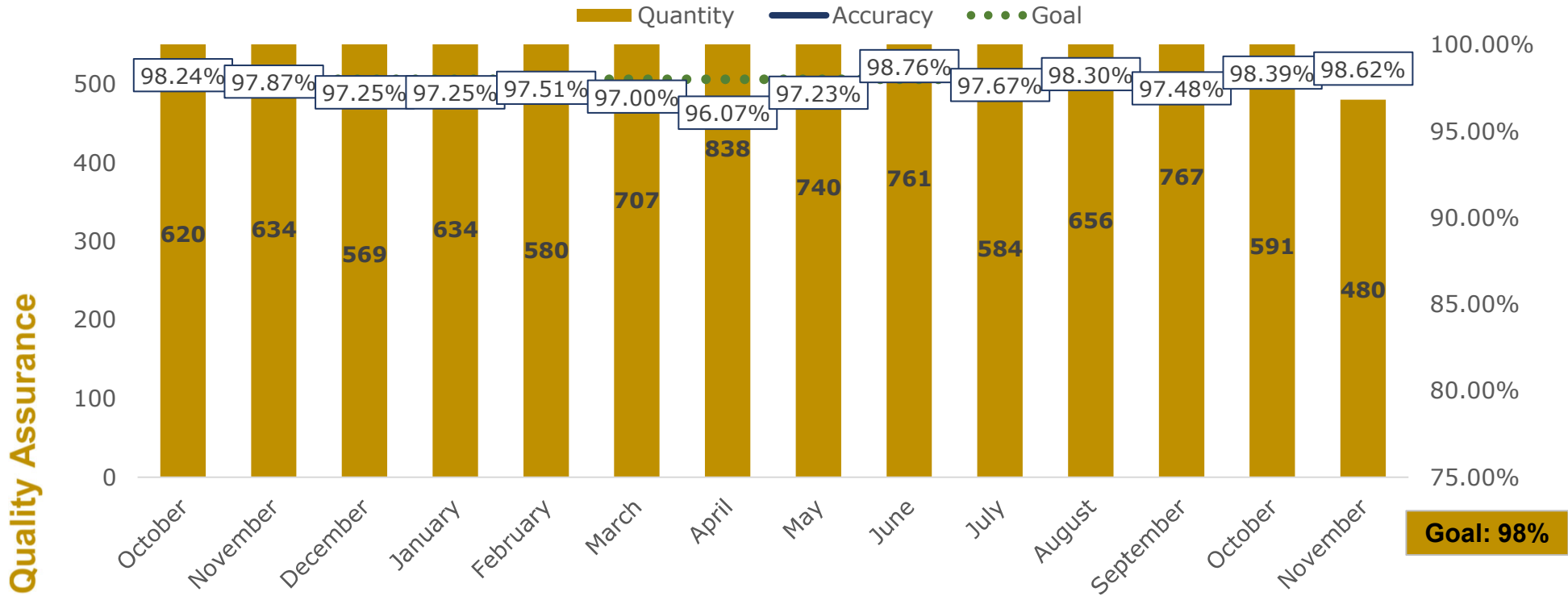




# Striving for Excellence in Quality

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: November 2022

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



**November**

**98.62%**



### Retirement Elections

**230** Samples

**99.05%** Accuracy

### Payment Contracts

**160** Samples

**97.18%** Accuracy

### Data Entry

**90** Samples

**99.63%** Accuracy

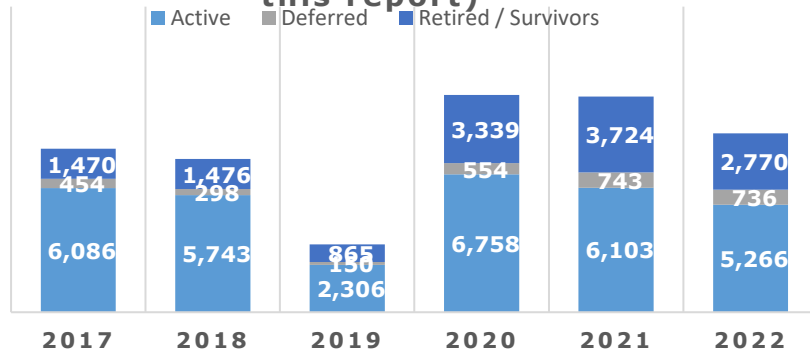


# Service On-Line for All

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: November 2022

Serving Members Through LACERA.com and MyLACERA

**MyLACERA Annual Registration**  
(as of the 15th of the month prior to this report)

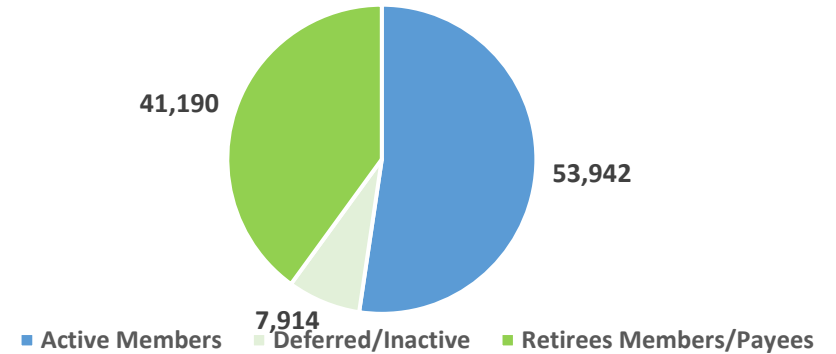


**Total Registered Members**

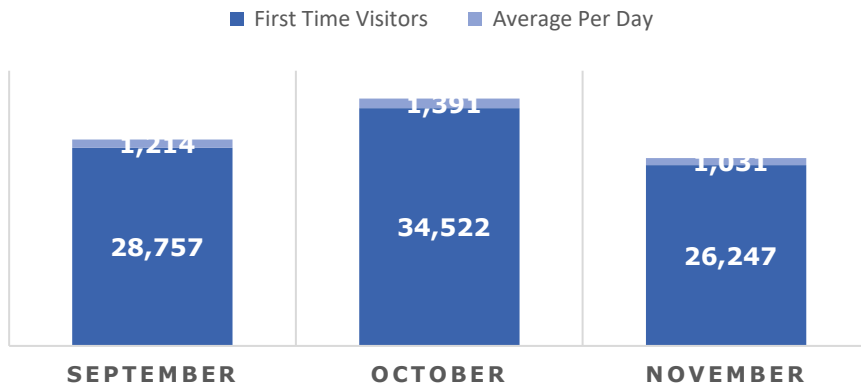
**103,046**

**55%**

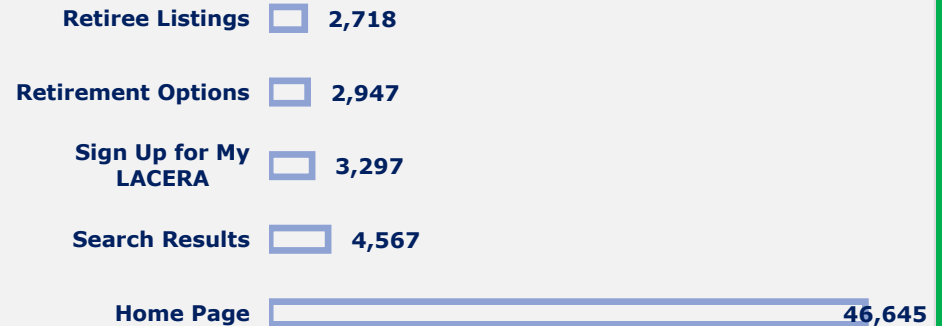
**Total Registrations By Member Type**



**LACERA.com User Traffic**



**Top Five LACERA.com Page Views**



Home Page "I Would Like To" View	Views	% of Change	Home Page Tile Views	Views	% of Change
See my retirement options	3,606	-75%	My LACERA	4,669	-43%
View Pre-Retirement Workshops	2,287	-22%	Pre-Retirement Workshops	2,287	-22%
Start my retirement planning	2,457	-55%	Careers	2,098	-55%
Add or update my beneficiary	1,180	-31%	Investments	1,561	-34%
View job opportunities	2,340	N/A	Annual Reports	1,093	-39%
<b>Busiest Day of the Month:</b>	<b>Thursday, 11/28/2022</b>		Forms and Publications	223	-10%



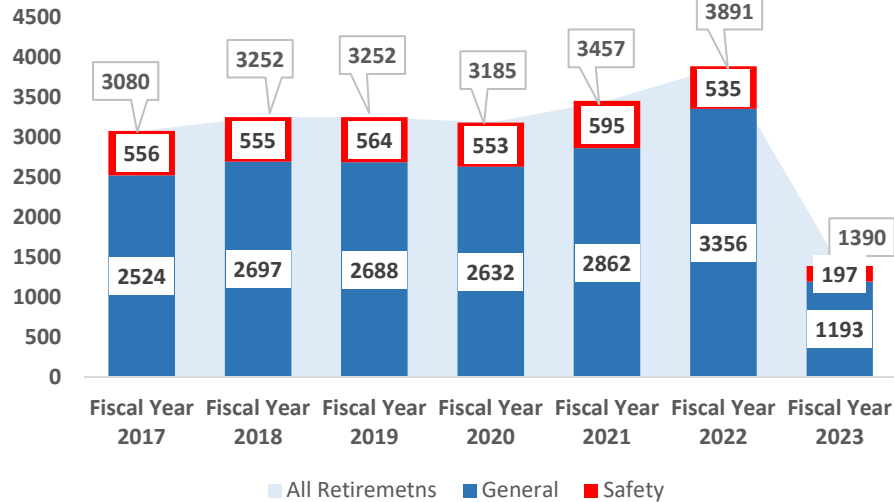
# Member Snapshot

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: November 2022

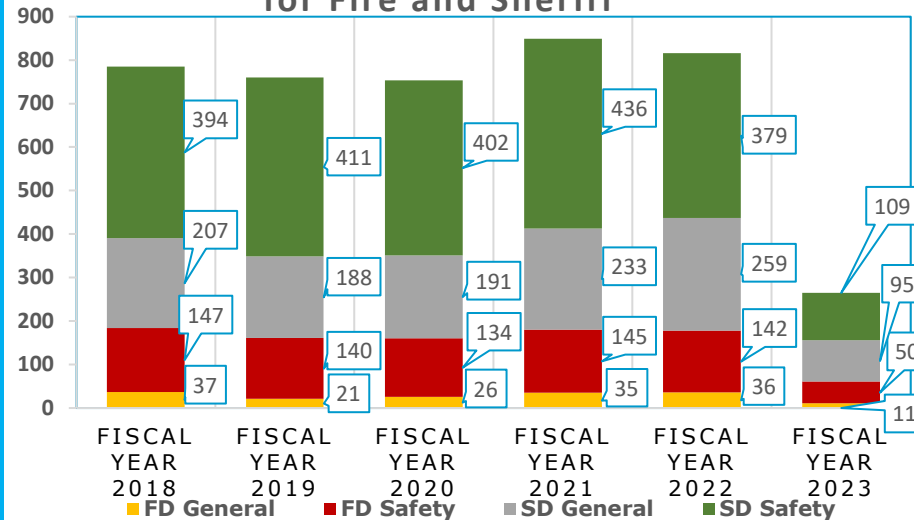
Membership Count as of: 11/15/22

	PLAN	ACTIVE		INACTIVE		RETIRED				Totals by Plan/Type
		Vested	Non-Vested	Vested	Non-Vested	Service	SCD - Disability	NSCD - Disability	Survivors	
General	PLAN A	55	-	15	32	12,363	1,000	176	4,124	17,765
	PLAN B	14	-	5	3	581	44	8	72	727
	PLAN C	16	-	5	8	367	40	8	66	510
	PLAN D	35,034	141	4,516	3,391	17,946	1,921	440	1,892	65,281
	PLAN E	13,587	33	2,965	106	15,052	-	-	1,569	33,312
	PLAN G	16,714	17,920	1,371	6,080	199	23	4	18	42,329
	<b>TOTAL GENERAL</b>	<b>65,420</b>	<b>18,094</b>	<b>8,877</b>	<b>9,620</b>	<b>46,508</b>	<b>3,028</b>	<b>636</b>	<b>7,741</b>	<b>159,924</b>
Safety	PLAN A	1	-	2	2	1,883	2,497	27	1,653	6,065
	PLAN B	7,848	91	582	233	3,245	4,272	56	392	16,719
	PLAN C	2,201	2,599	110	457	11	13	-	2	5,393
	<b>TOTAL SAFETY</b>	<b>10,050</b>	<b>2,690</b>	<b>694</b>	<b>692</b>	<b>5,139</b>	<b>6,782</b>	<b>83</b>	<b>2,047</b>	<b>28,177</b>
	<b>TOTAL ALL TYPES</b>	<b>75,470</b>	<b>20,784</b>	<b>9,571</b>	<b>10,312</b>	<b>51,647</b>	<b>9,810</b>	<b>719</b>	<b>9,788</b>	<b>188,101</b>

Total Retirements Compared by Type



General vs. Safety Retirements for Fire and Sheriff





# Member Snapshot

## Average Monthly Benefit Allowance Distribution 12/22/2022

	General	Safety	Total	%
<b>\$0 to \$3,999</b>	30,207	1,500	31,707	51.0%
<b>\$4,000 to \$7,999</b>	14,238	3,452	17,690	28.5%
<b>\$8,000 to \$11,999</b>	4,050	4,282	8,332	13.4%
<b>\$12,000 to \$15,999</b>	1,121	2,136	3,257	5.2%
<b>\$16,000 to \$19,999</b>	371	439	810	1.3%
<b>\$20,000 to \$23,999</b>	111	139	250	0.4%
<b>\$24,000 to \$27,999</b>	30	40	70	0.1%
<b>&gt; \$28,000</b>	23	5	28	0.0%
<b>Totals</b>	50,151	11,993	62,144	100%

## Average Monthly Benefit Amount:

**\$ 4,708.00**

### Healthcare Program

(Mo. Ending:11/30/2022)

	Employer	Member
Medical	\$250.0	\$18.2
Dental	\$19.7	\$1.9
Part B	\$39.1	\$0.0
<b>Total</b>	<b>\$308.8</b>	<b>\$20.1</b>

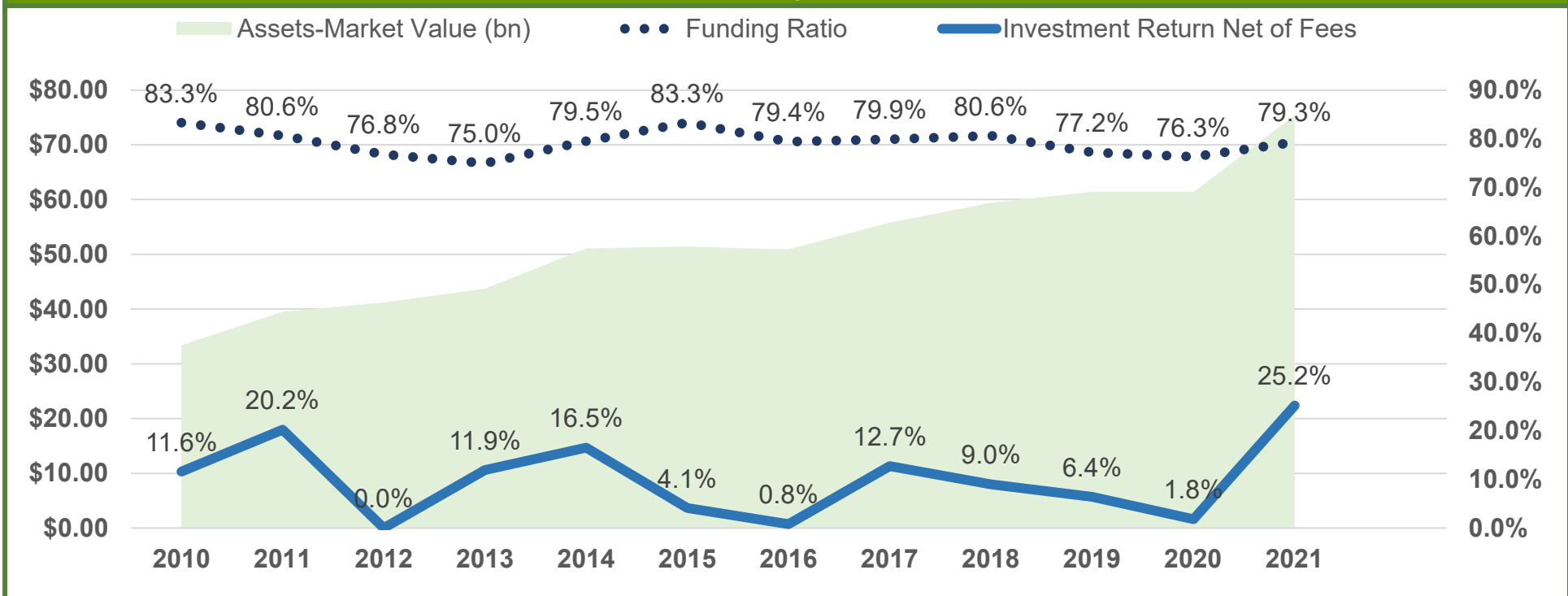
### Health Care Enrollments

(Mo. Ending:11/30/2022)

Medical	54,578
Dental	56,352
Part B	37,483
LTC	517
<b>Total</b>	<b>148,930</b>

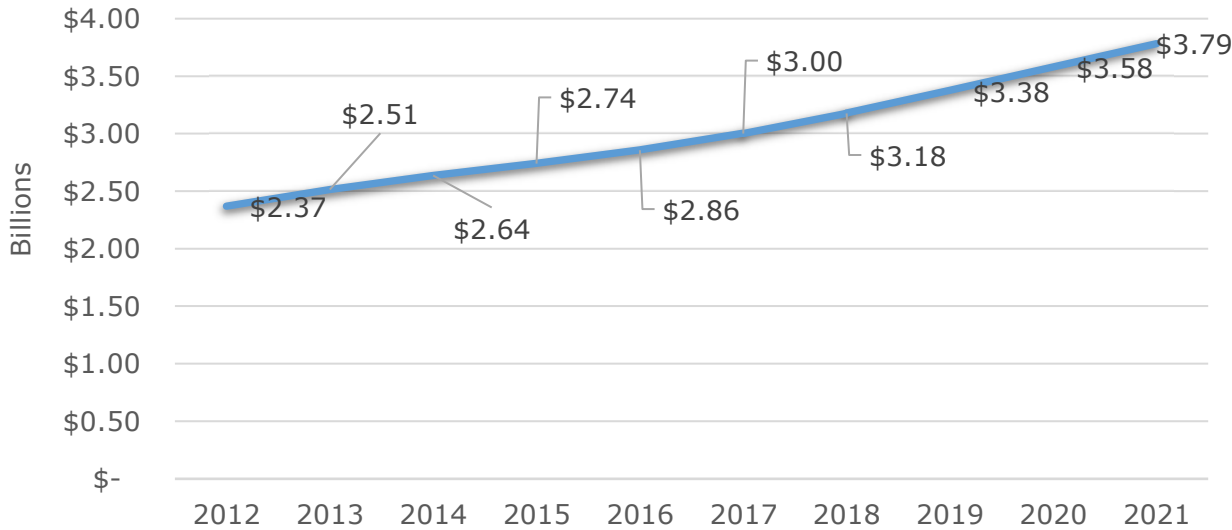
## KEY FINANCIAL METRICS

Fiscal Year End Financial Update (as of 06/30/2021)



# Key Financial Metrics

## Retiree Payroll by Year



## FUNDING METRICS (as of 6/30/21)

Employer NC	10.88%
UAAL	13.58%
Assumed Rate	7.00%
Star Reserve	\$614m
Total Assets	\$73.0b

## Contributions (as of 6/30/21)

	Employer	Member
Annual Add	\$2.0b	\$761.0m
% of Payroll	24.46%	7.87%

## Contributions (as of 6/30/21)

(Net of Fees)

<b>5 YR:</b>	10.8%	<b>10 YR:</b>	8.6%
--------------	-------	---------------	------

## Retired Members Payroll

(As of 11/30/2022)

Monthly Payroll	\$352.08m
Payroll YTD	\$1.8b
New Retired Payees Added	290
Seamless %	97.24%
New Seamless Payees Added	1,499
Seamless YTD	95.60%
By Check %	2.00%
By Direct Deposit %	98.00%

**QUIET PERIOD LIST**  
Last Update 12/30/2022

**ADMINISTRATIVE/OPERATIONS**

<b>RFP/RFQ/RFI Name</b>	<b>Issuing Division</b>	<b>Date Issued</b>	<b>Status*</b>	<b>Quiet Period for Respondents*</b>
<b>Search for Classification &amp; Compensation Study Services (HR)</b>	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> <li>• Koff and Associates</li> <li>• Magnova Consultant</li> <li>• Grant Thornton</li> <li>• Reward Strategy Group</li> </ul>
<b>Search for Classification &amp; Compensation Study Services (RHC)</b>	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> <li>• Koff and Associates</li> <li>• Magnova Consultant</li> <li>• Grant Thornton</li> <li>• Reward Strategy Group</li> </ul>
<b>Investments Operational Due Diligence</b>	Internal Audit	5/20/2022	Contract Development	<ul style="list-style-type: none"> <li>• KPMG</li> </ul>
<b>External Financial Auditor</b>	Internal Audit	11/03/2022	Solicitation Process	<ul style="list-style-type: none"> <li>• Plante Moran</li> <li>• Clifton Larson Allen</li> <li>• BDO</li> <li>• RSM-McGladrey</li> <li>• Moss Adams</li> </ul>
<b>Prepaid Debit Card Services</b>	Benefits	6/15/2022 Posted on ISD's solicitation website August 2022	Bid review	<ul style="list-style-type: none"> <li>• US Bank</li> <li>• Conduent</li> </ul>
<b>Business Continuity Professional Services</b>	Administrative Services	8/17/2022	Selection Process	<ul style="list-style-type: none"> <li>• BDO</li> <li>• BDA Global</li> <li>• Riskconnect</li> <li>• MHA Consulting</li> <li>• Treuvizion Consulting Corp.</li> </ul>



RFP/RFQ/RFI Name	Issuing Division	Date Issued	Status*	Quiet Period for Respondents*
<b>Federal Legislative Advocacy Services</b>	Legal Division	11/09/2022	Solicitation Process	<ul style="list-style-type: none"> <li>• Williams &amp; Jensen / Doucet Consulting Solutions</li> </ul>
<b>State Legislative Advocacy Services</b>	Legal Division	11/09/2022	Solicitation Process	<ul style="list-style-type: none"> <li>• McHugh Koepke &amp; Associates</li> </ul>
<b>Securities Litigation Monitoring and Approved Counsel</b>	Legal Division	11/14/2022	Selection Process	<ul style="list-style-type: none"> <li>• Kirby McInerney</li> <li>• Grant &amp; Eisenhofer</li> <li>• Quinn Emanuel</li> <li>• Labaton</li> <li>• Barack Rodos</li> <li>• Bleichmar Fonti Auld</li> <li>• Bernstein, Litowitz, Berger &amp; Grossmann</li> <li>• Berman Tabacco</li> <li>• Dividex</li> <li>• Cohen Milstein</li> <li>• Kessler Topaz</li> <li>• Rosen</li> <li>• Kaplan Fox</li> <li>• Lieff Cabraser</li> <li>• Motley Rice</li> <li>• Pomerantz</li> <li>• Robbins Geller Rudman &amp; Dowd</li> <li>• Saxena White</li> </ul>

\*Subject to change

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## INVESTMENTS QUIET PERIOD FOR SEARCH RESPONDENTS

None at this time



Date	Conference
<b>January, 2023</b>	
22-24	NCPERS (National Conference on Public Employee Retirement Systems) Legislative Conference Washington, D.C.
30-February 1	IFEBP (International Foundation of Employment Benefit Plans) Health Benefits Conference Clearwater Beach, FL
<b>February, 2023</b>	
26-28	RFK Compass Investors Program Miami, FL
<b>March, 2023</b>	
1-3	Pacific Pension Institute (PPI) Winter Roundtable La Jolla, CA
4-7	CALAPRS (California Association of Public Retirement Systems) General Assembly Meeting Monterey, CA
6-8	Council of Institutional Investors (CII) Spring Conference Washington D.C.
14-16	AHIP (America's Health Policy and Markets Forum) Washington D.C.
20-23	2023 Infrastructure Investor Global Summit Berlin, Germany
22-23	PREA (Pension Real Estate Association) Spring Conference Seattle, WA
29-31	CALAPRS (California Association of Public Retirement Systems) Advanced Principles of Pension Governance for Trustees at UCLA Los Angeles, CA
<b>April, 2023</b>	
17-21	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania
23-26	CRCEA (California Retired County Employees Association) Spring Conference Ontario, CA
24-25	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Miami, FL
24-25	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute New Orleans, LA

Date	Conference
30-May 3	Milken Institute Global Conference Los Angeles, CA
<b>May, 2023</b>	
9-12	SACRS Spring Conference San Diego, CA
20-21	NCPERS (National Conference on Public Employee Retirement Systems) Trustee Educational Seminar (TEDS) New Orleans, LA
20-21	NCPERS (National Conference on Public Employee Retirement Systems) Accredited Fiduciary (NAF) Program New Orleans, LA
21-24	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference & Exhibition (ACE) New Orleans, LA
21-24	Government Finance Officers Association (GFOA) Annual Conference Portland, OR
22-23	IFEBP (International Foundation of Employment Benefit Plans) Washington Legislative Update Washington D.C.
<b>June, 2023</b>	
13-15	AHIP (America's Health Insurance Plans) 2023 Portland, OR
<b>July, 2023</b>	
19-21	Pacific Pension Institute (PPI) Summer Roundtable San Francisco, CA
<b>September, 2023</b>	
11-13	Council of Institutional Investors (CII) Fall Conference Long Beach, CA
<b>October, 2023</b>	
1-4	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference Boston, MA
8-11	National Association of Corporate Directors (NACD) Summit 2023 Fort Washington, MD
18-20	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Boston, MA

Date	Conference
22-25	NCPERS (National Conference on Public Employee Retirement Systems) FALL (Financial, Actuarial, Legislative & Legal) Conference Las Vegas, NV
25-27	Pacific Pension Institute (PPI) Asia Roundtable Tokyo, Japan
<b>November, 2023</b>	
7-10	SACRS Fall Conference Rancho Mirage, CA

# Chief Investment Officer Monthly Report

Board of Investments  
January 11, 2023



Jonathan Grabel   
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

# Market Environment

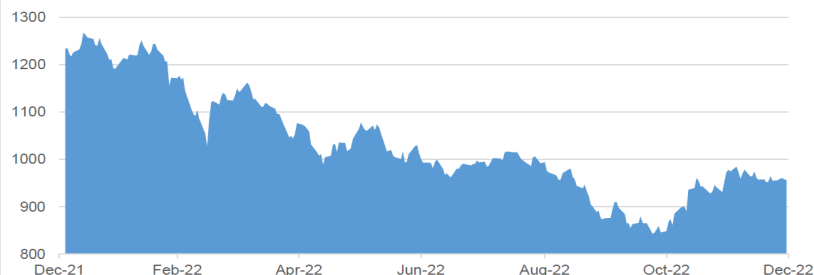


# Global Market Performance as of December 31, 2022

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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-3.8	9.8	-18.4	-18.4	3.9	5.0	7.9

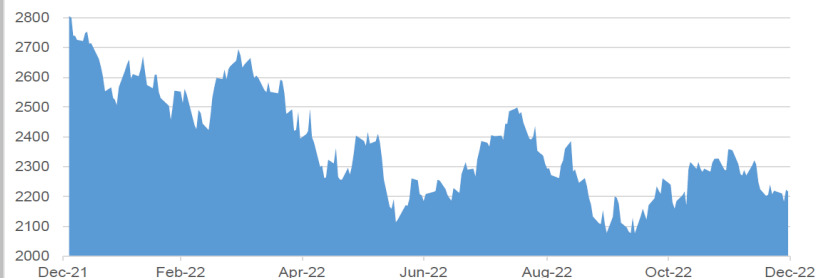
MSCI Emerging Markets 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-5.9	7.2	-19.2	-19.2	7.1	8.8	12.1

Russell 3000 1-Year Performance



## MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-1.4	9.7	-20.1	-20.1	-2.7	-1.4	1.4

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
-0.5	1.9	-13.0	-13.0	-2.7	0.0	1.1

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



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

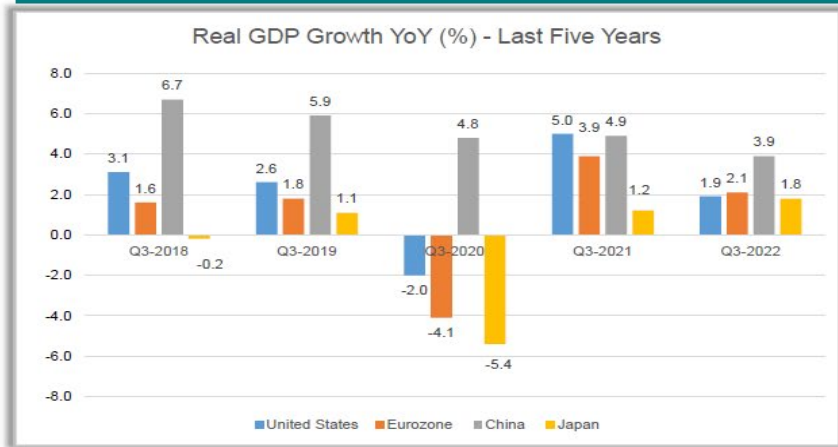
\*\*Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

Source: Bloomberg

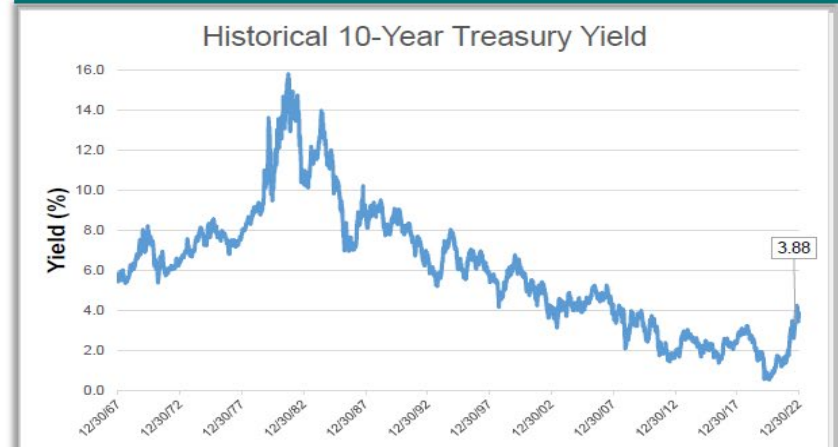


# Key Macro Indicators\*

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



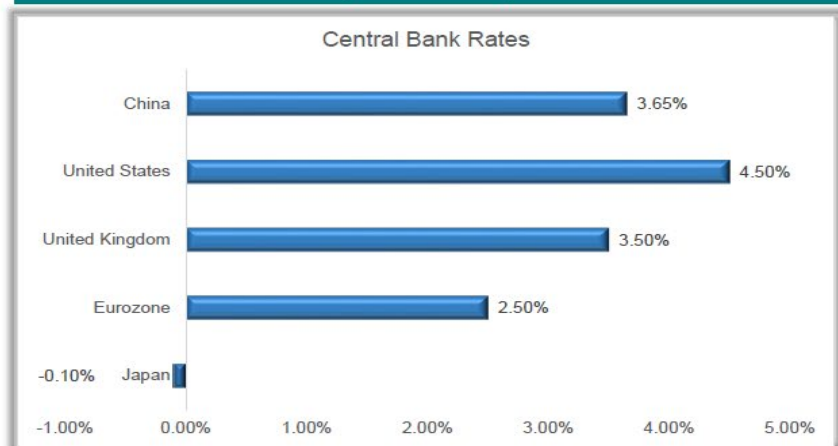
## 10-Year Treasury Yield<sup>2</sup>



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



## Central Bank Rates<sup>4</sup> (as of 12/31/2022)



\*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/22 and may not reflect the current market and economic environment.

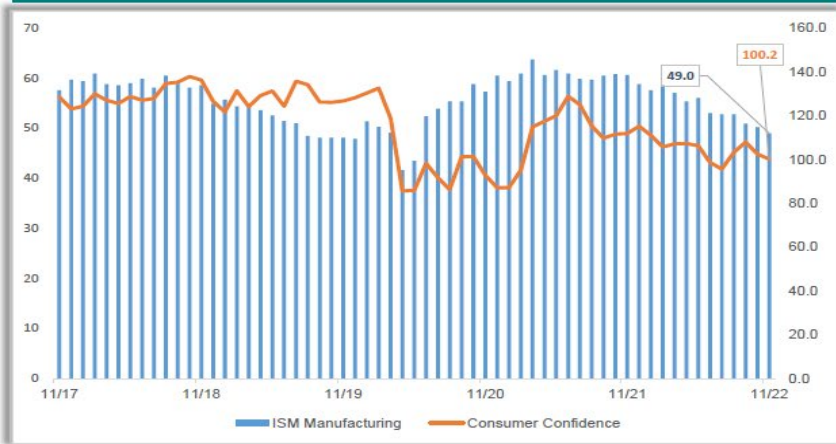
Sources: 1. Bloomberg  
2. St. Louis Federal Reserve  
3. FactSet  
4. FactSet





# Key Macro Indicators\*

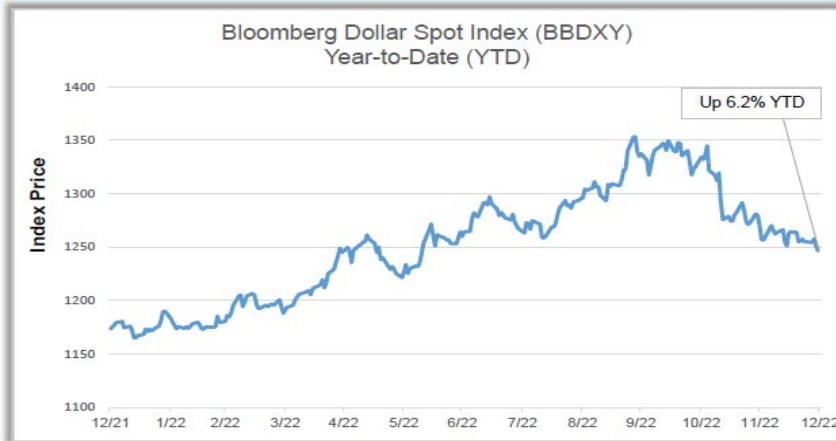
### Consumer Confidence & ISM Manufacturing<sup>1</sup>



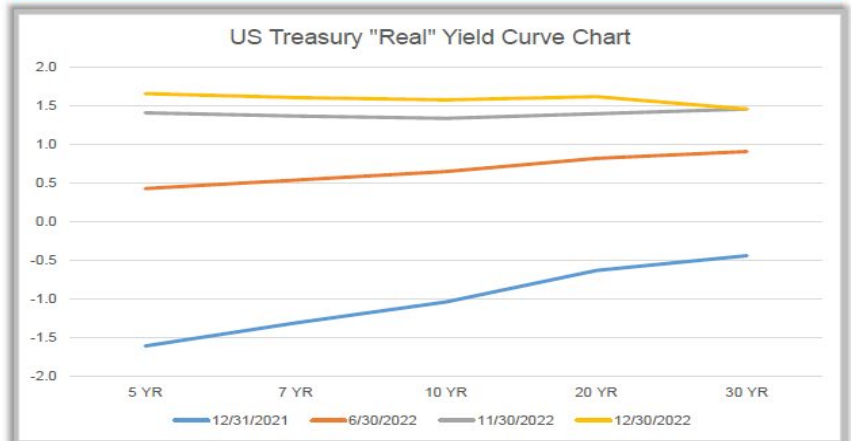
### U.S. Inflation, Unemployment, & Labor Force Participation<sup>2</sup>



### Performance of US Dollar vs. Leading Global Currencies<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 12/31/22 and may not reflect the current market and economic environment.



# Market Themes and Notable Items to Watch

## Recent Themes

- On December 14th, the Federal Reserve announced a 0.50% interest rate increase
- The 0.50% rate increase comes after four 0.75% increases between June 2022 and November 2022
- Federal Reserve Chairman Jerome Powell indicated that Fed policy is not “sufficiently restrictive” yet and that more rate increases are appropriate while reiterating that the fight against inflation is not over
- The U.S. 10-year Treasury yield ended December 2022 at 3.88%, up from 1.52% at the end of 2021 and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Market Index) lost 3.8% in December and lost 18.4% in 2022

## What to Watch

- Interest rates and central bank actions
- Economic data and trends
  - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Environmental, social, and governance
  - Securities and Exchange Commission adopted amendments to Rule 10b5-1 plans, enhancing protections against insider trading
  - Shareholder resolutions requesting greater transparency of market-specific tax strategies gain investor traction
- Covid-19
  - Covid variants, cases, transmission, vaccines
  - Economic and consumer behavior implications



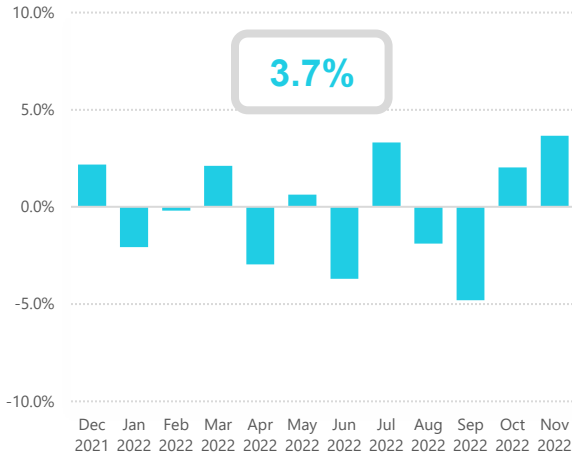
# Portfolio Performance & Risk Updates



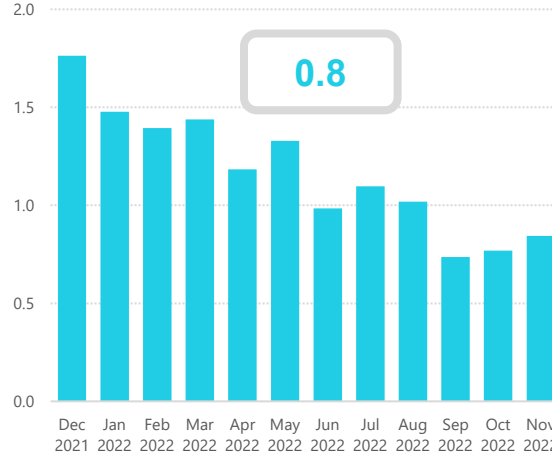
# Total Fund Summary

as of November 2022

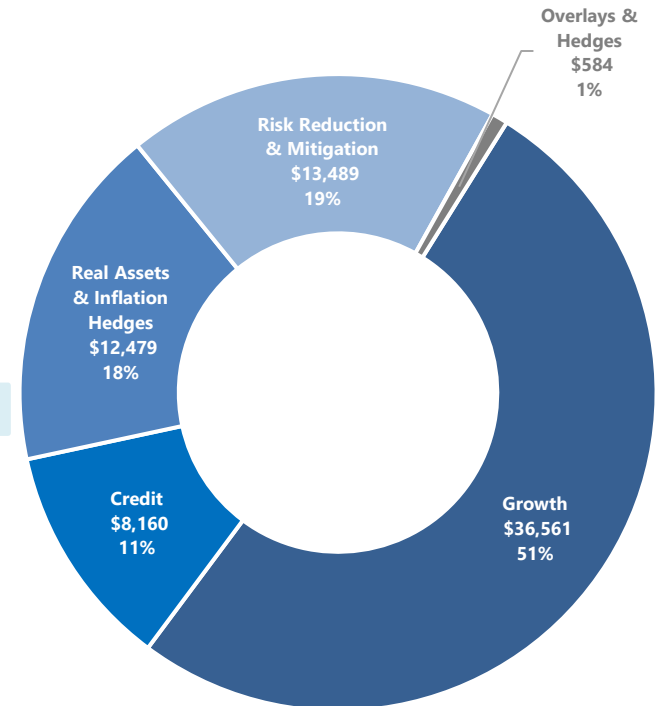
## Monthly Return (net)



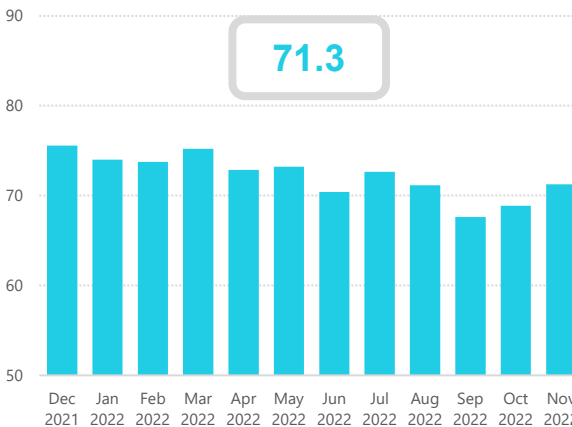
## Sharpe Ratio (3-year annualized)



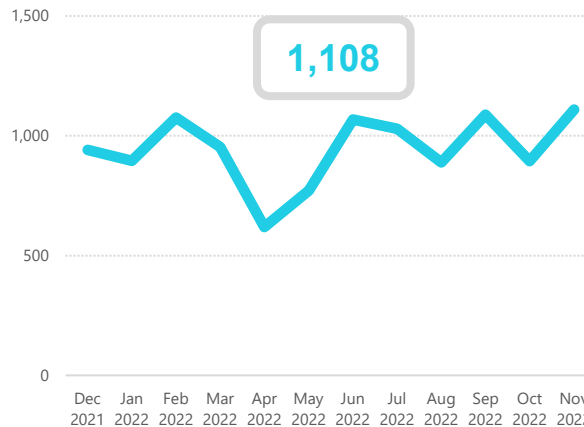
## Asset Allocation (\$ millions)



## Total Market Value (\$ billions)



## Cash (\$ millions)

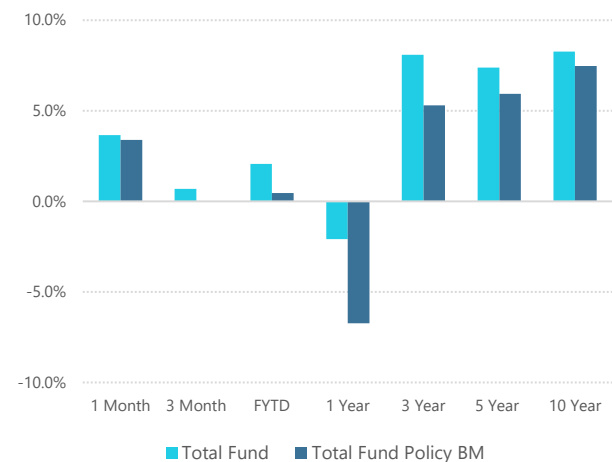


# Historical Net Performance

## as of November 2022

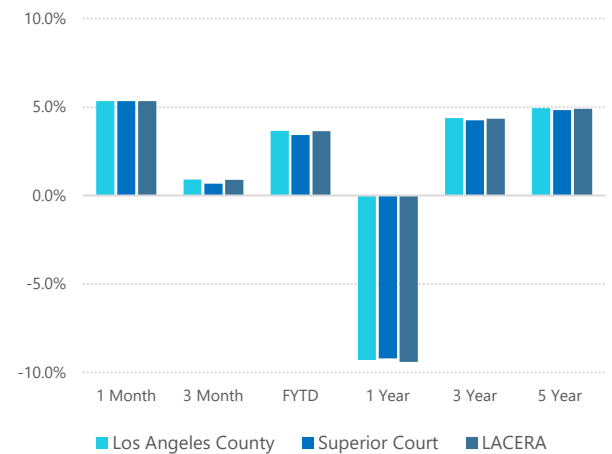
### LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	<b>71,273</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.7%</b>	<b>0.7%</b>	<b>2.1%</b>	<b>-2.1%</b>	<b>8.1%</b>	<b>7.4%</b>	<b>8.3%</b>
Total Fund Policy BM				3.4%	0.0%	0.5%	-6.7%	5.3%	5.9%	7.5%
7% Annual Hurdle Rate				0.6%	1.7%	2.9%	7.0%	7.0%	7.0%	7.0%
<b>Growth</b>	<b>36,561</b>	<b>51.3%</b>	<b>53.0%</b>	<b>4.5%</b>	<b>2.0%</b>	<b>3.1%</b>	<b>-4.8%</b>	<b>11.7%</b>		
Growth Policy BM				3.5%	0.6%	0.5%	-10.8%	8.2%		
<b>Credit</b>	<b>8,160</b>	<b>11.4%</b>	<b>11.0%</b>	<b>1.8%</b>	<b>0.0%</b>	<b>1.4%</b>	<b>-4.5%</b>	<b>3.3%</b>		
Credit Policy BM				1.8%	-1.4%	-0.8%	-8.7%	0.2%		
<b>Real Assets &amp; Inflation Hedges</b>	<b>12,479</b>	<b>17.5%</b>	<b>17.0%</b>	<b>3.4%</b>	<b>-0.5%</b>	<b>2.7%</b>	<b>12.2%</b>	<b>9.4%</b>		
Real Assets & Inflation Hedges Policy BM				3.9%	1.0%	3.8%	12.3%	9.8%		
<b>Risk Reduction &amp; Mitigation</b>	<b>13,489</b>	<b>18.9%</b>	<b>19.0%</b>	<b>2.9%</b>	<b>-2.0%</b>	<b>-2.6%</b>	<b>-10.0%</b>	<b>-0.9%</b>		
Risk Reduction & Mitigation Policy BM				3.4%	-2.1%	-2.5%	-10.8%	-1.8%		
<b>Overlays &amp; Hedges</b>	<b>584</b>	<b>0.8%</b>		<b>0.4%</b>	<b>13.9%</b>					



### OPEB Master Trust<sup>1</sup>

	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
<b>OPEB MASTER TRUST</b>	<b>2,595</b>			<b>5.3%</b>	<b>0.9%</b>	<b>3.7%</b>	<b>-9.3%</b>	<b>4.4%</b>	<b>4.9%</b>
Los Angeles County	2,526	97.3%	—	5.3%	0.9%	3.7%	-9.3%	4.4%	4.9%
Superior Court	58	2.2%	—	5.3%	0.7%	3.4%	-9.2%	4.3%	4.8%
LACERA	12	0.4%	—	5.3%	0.9%	3.6%	-9.4%	4.3%	4.9%
<b>OPEB Growth</b>	<b>1,265</b>	<b>48.8%</b>	<b>47.5%</b>	<b>7.6%</b>	<b>3.3%</b>	<b>6.8%</b>	<b>-11.5%</b>	<b>6.7%</b>	<b>6.4%</b>
OPEB MT Growth Policy BM				7.0%	2.8%	5.7%	-12.6%	6.2%	5.9%
<b>OPEB Credit</b>	<b>484</b>	<b>18.7%</b>	<b>19.0%</b>	<b>2.7%</b>	<b>0.7%</b>	<b>3.8%</b>	<b>-5.3%</b>	<b>0.1%</b>	<b>--</b>
OPEB MT Credit Policy BM				2.3%	0.0%	2.6%	-6.8%	0.3%	--
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>505</b>	<b>19.5%</b>	<b>20.0%</b>	<b>4.0%</b>	<b>-3.4%</b>	<b>-1.1%</b>	<b>-6.1%</b>	<b>4.3%</b>	<b>--</b>
OPEB MT RA & IH Policy BM				2.5%	0.2%	1.9%	-3.7%	5.2%	--
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>340</b>	<b>13.1%</b>	<b>13.5%</b>	<b>3.0%</b>	<b>-1.5%</b>	<b>-1.8%</b>	<b>-10.1%</b>	<b>-1.8%</b>	<b>0.9%</b>
OPEB MT RR & M Policy BM				3.8%	-2.5%	-3.1%	-11.3%	-2.3%	0.5%
Operational Cash	0	0.0%							

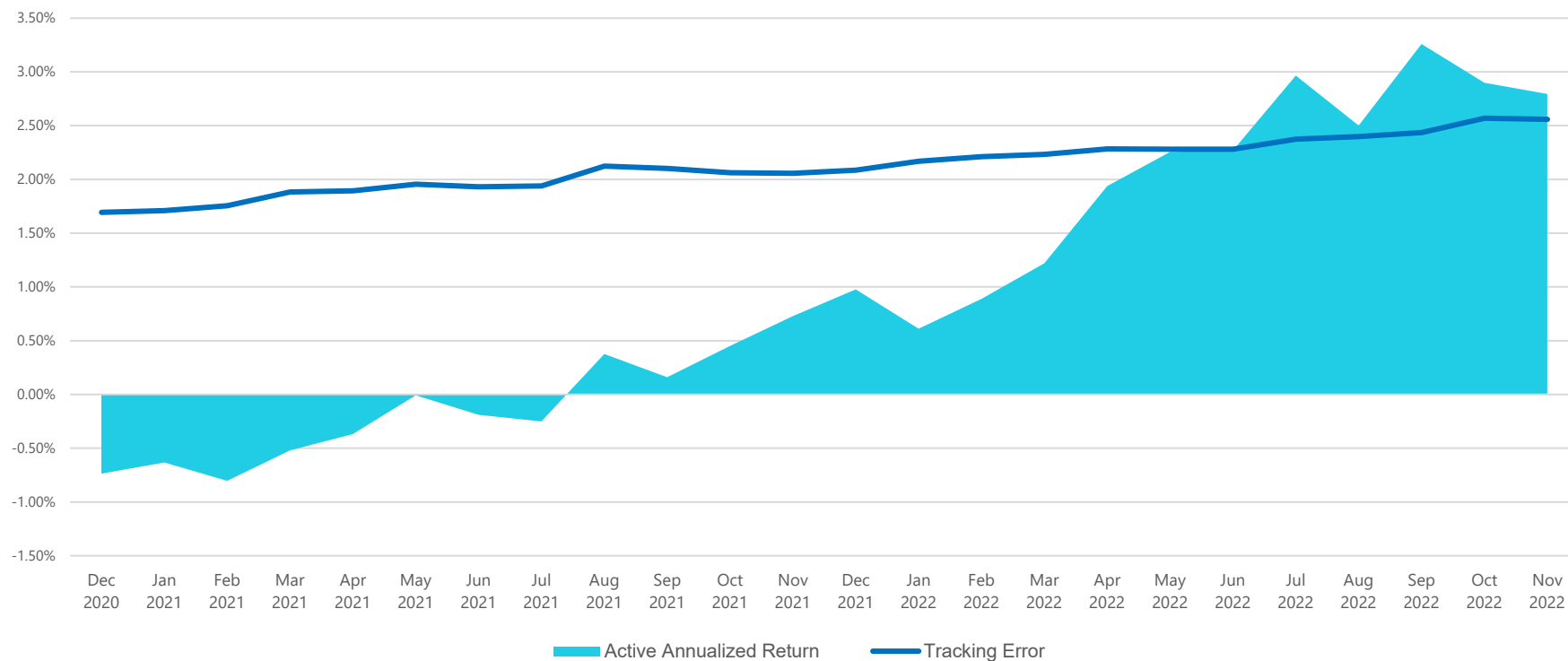


1. Market value differences between the sub-trusts and functional composites are due to operational cash.

# Performance Based Risk

as of November 2022

Active Return vs. Tracking Error<sup>1,2,3</sup>



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Nov 2022	8.1%	5.3%	2.8%	2.6%

1. Rolling 36 months.

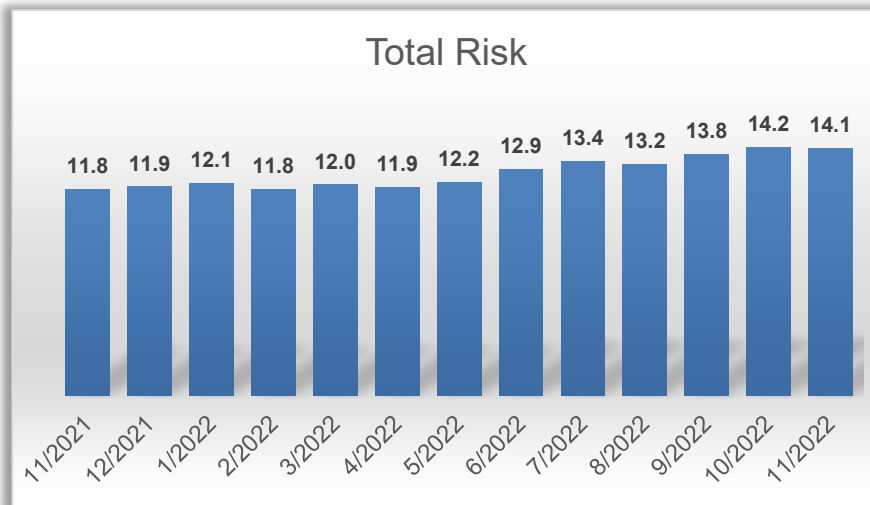
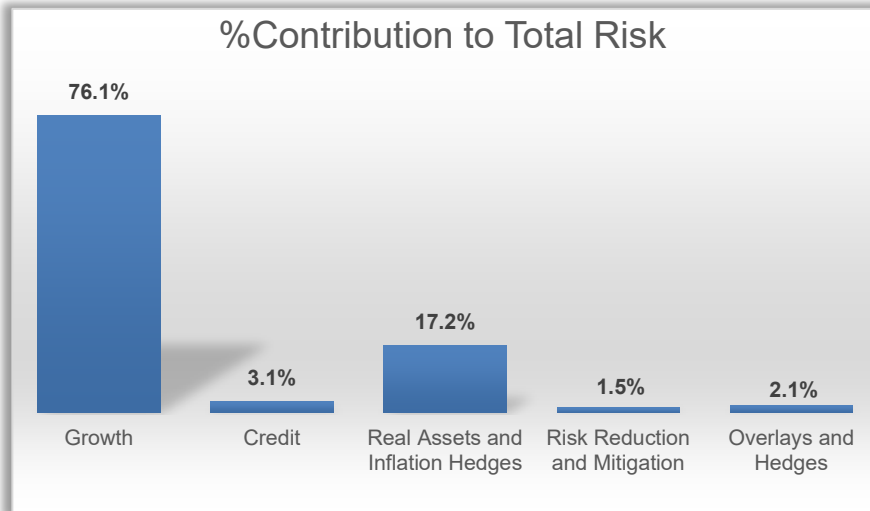
2. Active return equals the difference in return between a portfolio and its benchmark.

3. Tracking error (or active risk) measures the volatility of active returns.



# Total Fund Forecast Risk\*

## as of November 2022



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
<b>Total Fund</b>			<b>14.1</b>	<b>13.5</b>
<b>Growth</b>	<b>50.5%</b>	<b>76.1%</b>	<b>21.5</b>	<b>20.4</b>
Global Equity	32.0%	41.6%	19.3	19.4
Private Equity	17.1%	31.5%	29.6	28.0
Non-Core Private Real Estate	1.4%	3.0%	44.1	20.3
<b>Credit</b>	<b>12.9%</b>	<b>3.1%</b>	<b>4.5</b>	<b>5.7</b>
Liquid Credit	6.4%	2.2%	6.2	5.7
Illiquid Credit	6.4%	0.9%	3.7	5.7
<b>Real Assets &amp; Inflation Hedges</b>	<b>17.4%</b>	<b>17.2%</b>	<b>15.4</b>	<b>14.7</b>
Core Private Real Estate	6.1%	6.8%	22.6	20.3
Natural Resources & Commodities	3.3%	3.2%	17.9	21.5
Infrastructure	5.4%	6.7%	19.0	19.1
TIPS	2.6%	0.5%	6.5	6.6
<b>Risk Reduction and Mitigation</b>	<b>18.5%</b>	<b>1.5%</b>	<b>5.9</b>	<b>5.9</b>
Investment Grade Bonds	7.0%	0.7%	6.4	6.3
Diversified Hedge Funds	5.8%	0.5%	3.9	0.2
Long-Term Government Bonds	4.1%	0.3%	14.0	14.0
Cash	1.6%	0.0%	-	-
<b>Overlays and Hedges</b>	<b>0.8%</b>	<b>2.1%</b>	<b>-</b>	<b>-</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2022

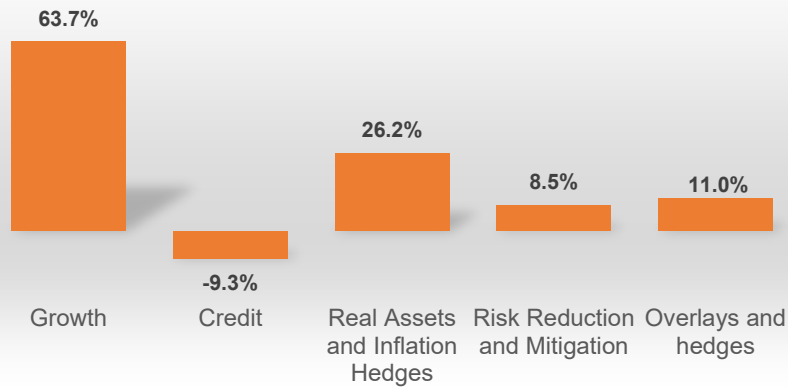
\*\*BMK Risk stands for Benchmark Risk



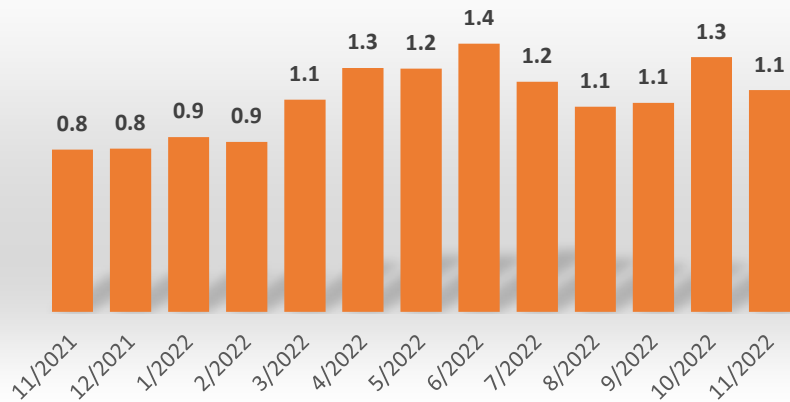
# Total Fund Forecast Active Risk\*

as of November 2022

## Active Risk Contribution



## Active Risk



	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
<b>Total Fund</b>			<b>1.14</b>	<b>-0.05</b>	<b>1.19</b>
<b>Growth</b>	<b>50.5%</b>	<b>-2.50%</b>	<b>0.73</b>	<b>-0.11</b>	<b>0.84</b>
Global Equity	32.0%				
Private Equity	17.1%				
Non-Core Private Real Estate	1.4%				
<b>Credit</b>	<b>12.9%</b>	<b>1.85%</b>	<b>-0.11</b>	<b>-0.09</b>	<b>-0.01</b>
Liquid Credit	6.4%				
Illiquid Credit	6.4%				
<b>Real Assets &amp; Inflation Hedges</b>	<b>17.4%</b>	<b>0.41%</b>	<b>0.30</b>	<b>-0.01</b>	<b>0.31</b>
Core Private Real Estate	6.1%				
Natural Resources & Commodities	3.3%				
Infrastructure	5.4%				
TIPS	2.6%				
<b>Risk Reduction and Mitigation</b>	<b>18.5%</b>	<b>-0.52%</b>	<b>0.10</b>	<b>0.03</b>	<b>0.06</b>
Investment Grade Bonds	7.0%				
Diversified Hedge Funds	5.8%				
Long-Term Government Bonds	4.1%				
Cash	1.6%				
<b>Overlays and Hedges</b>	<b>0.8%</b>	<b>0.75%</b>	<b>0.13</b>	<b>0.13</b>	<b>-</b>

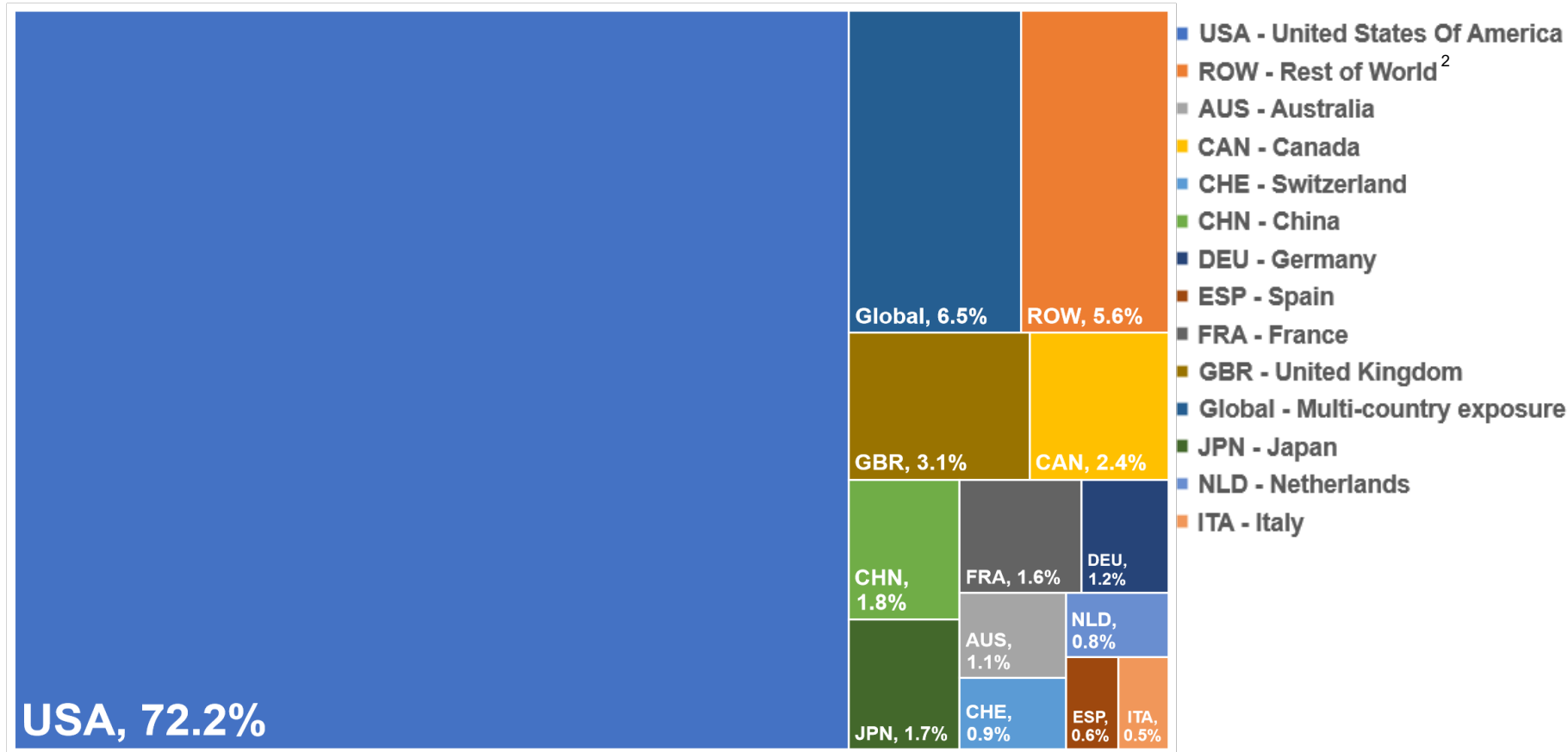
\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2022





# Geographic Exposures by AUM\* - Total Fund

as of November 2022 ex-overlays and hedges



\*AUM = assets under management

<sup>1</sup> Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2022

<sup>2</sup> "ROW - Rest of World" is sum of countries with weight below 0.5%

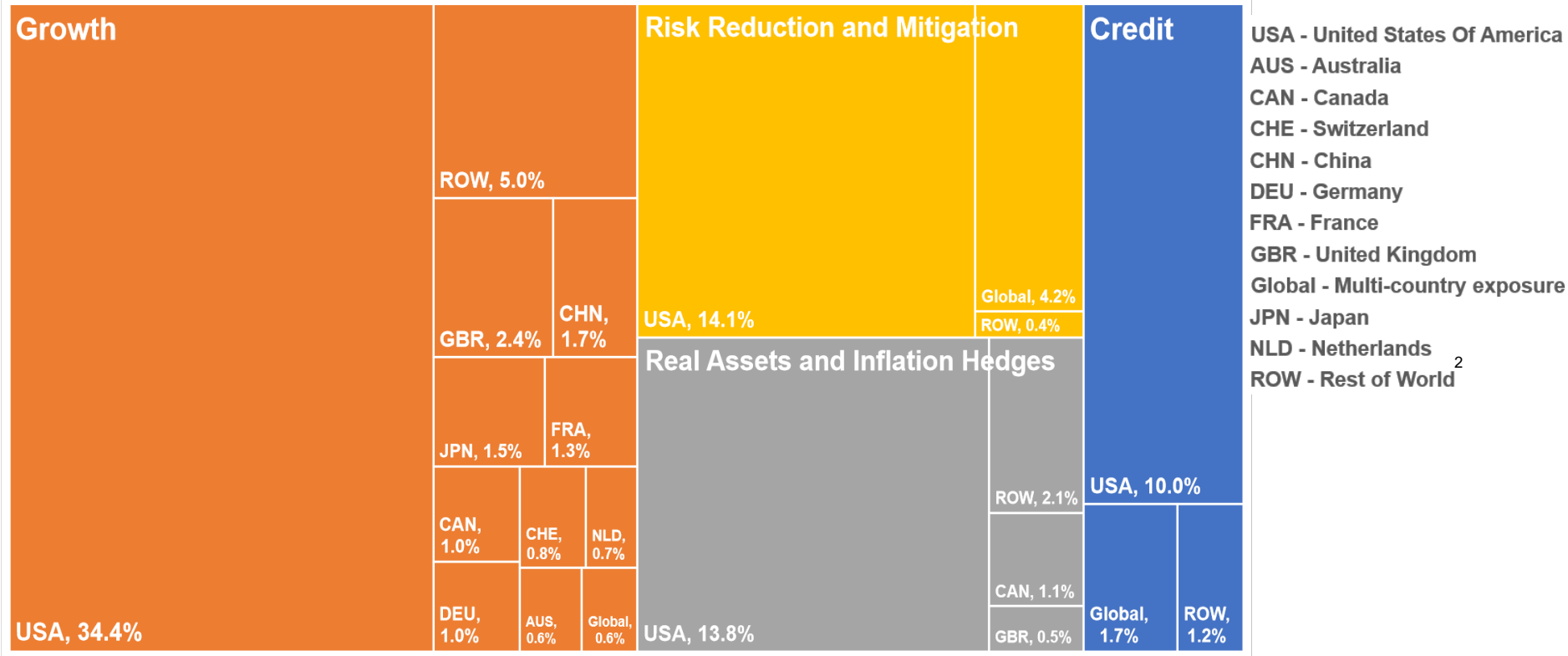
<sup>3</sup> Geographic exposure is based on the domicile country of a given security/asset



# Geographic Exposures by AUM\* - Asset Categories

## as of November 2022 ex-overlays and hedges

■ Credit ■ Growth ■ Real Assets and Inflation Hedges ■ Risk Reduction and Mitigation



USA - United States Of America  
 AUS - Australia  
 CAN - Canada  
 CHE - Switzerland  
 CHN - China  
 DEU - Germany  
 FRA - France  
 GBR - United Kingdom  
 Global - Multi-country exposure  
 JPN - Japan  
 NLD - Netherlands<sup>2</sup>  
 ROW - Rest of World

\*AUM = assets under management

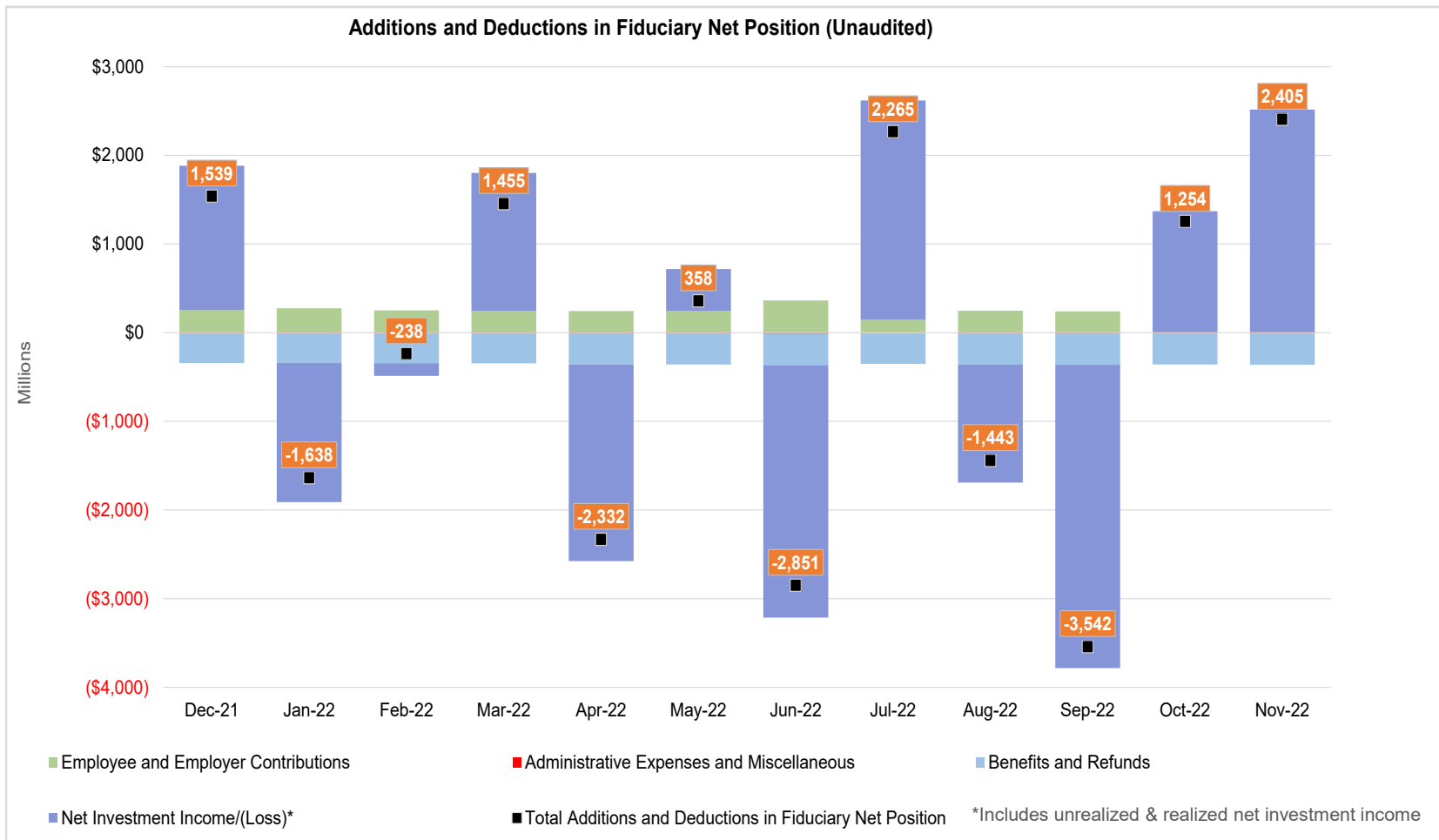
<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2022

<sup>2</sup> "ROW - Rest of World" is sum of countries with weight below 0.5%

<sup>3</sup> Geographic exposure is based on the domicile country of a given security/asset



# Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-21	2	10	\$13.8 billion
FY-22	7	5	(\$2.5 billion)
FY-23	2	3	(\$939.7 million)



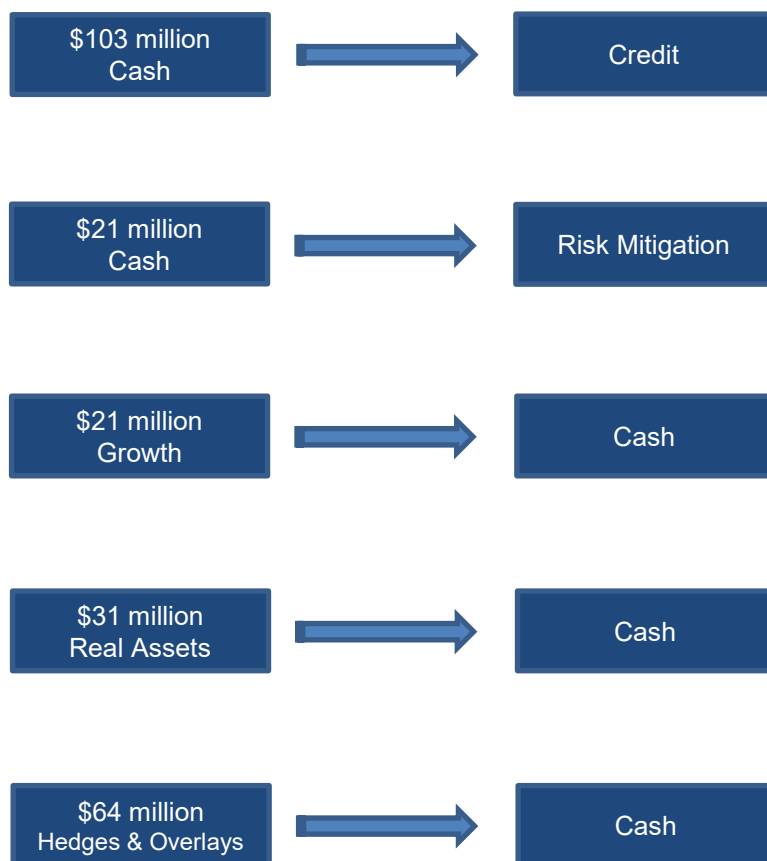
# Portfolio Structural Updates



# Portfolio Structural Updates

## Portfolio Movements

### Rebalancing Activity



## Hedges & Overlays

### Monthly Activity

Program	Nov Return	Nov Gain/(Loss)	Inception* Gain/(Loss)
Currency Hedge**	-1.9%	\$63.6 Million	\$1.5 Billion
Cash/Rebalance Overlay***	5.2%	\$118.9 Million	\$293.3 Million

## Current Search Activity

There are no active public searches at this time.

The quiet period list will be updated when the next public search is released.

\*Currency and overlay program inception dates are 9/2010 & 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

- Implementation is ongoing for the new strategic asset allocation final policy targets and benchmarks
- OPEB structure change approved at the November BOI meeting is complete

## Operational Updates

- Annual contract compliance review underway
- Preparation for operational due diligence review

## Manager/Consultant Updates

Lazard - Growth – Informed LACERA of the retirement of a director and portfolio manager/analyst for the Emerging Markets Discounted Assets strategy. A replacement has been identified and will join the team in January 2023. Key members of the team, including its lead portfolio managers, continue to manage the strategy for LACERA.

## Team Searches and Open Positions

- Working on launching new searches
  - 1 – Deputy Chief Investment Officer
    - Search in progress
  - 1 – Principal Investment Officer
  - 2 – Senior Investment Officer
    - 1 search in progress
  - 2 – Financial Analyst-III
    - 2 searches in progress
  - 3 – Financial Analyst-II
  - 1 – Financial Analyst-I

# Commentary



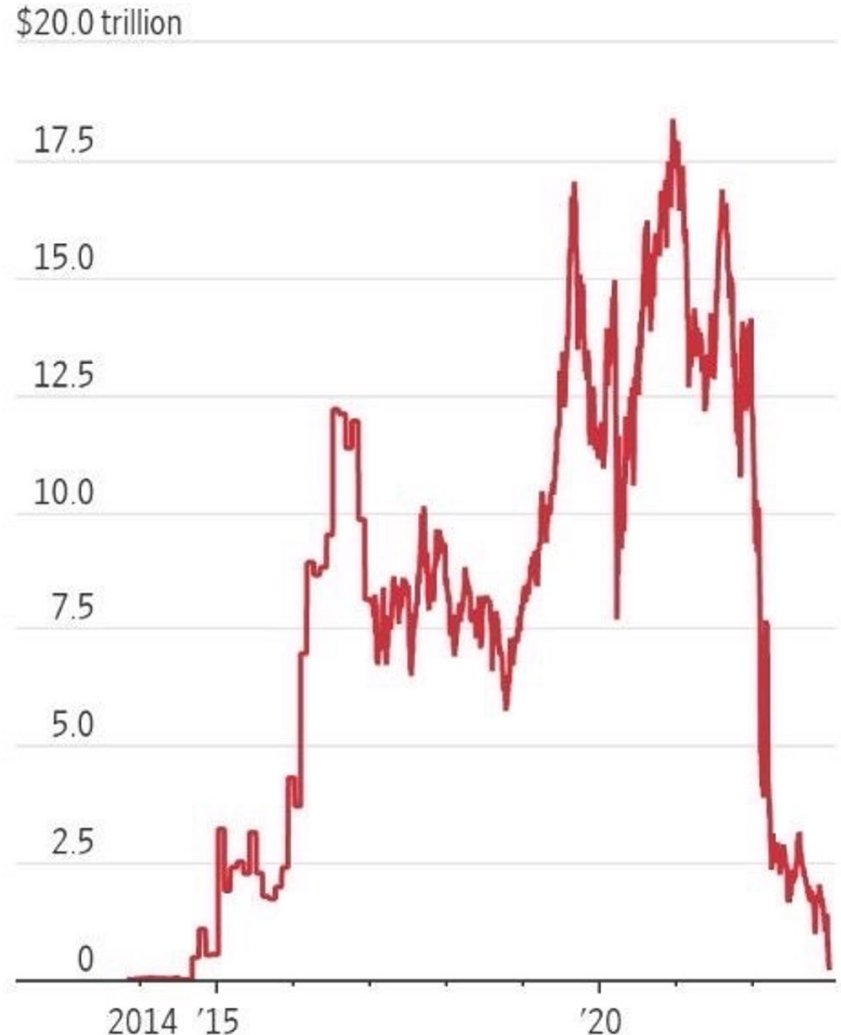


# Staff Chart of the Month

## Negative Yielding Debt a Thing of the Past?

### Positive thinking

Negative-yielding debt peaked at more than \$18 trillion in 2020 but has now almost completely evaporated



Source: Bloomberg index data accessed via FactSet

December 21, 2022

TO: Each Trustee,  
Board of Retirement  
Board of Investments

FROM: Steven P. Rice, *SPR*  
Chief Counsel

FOR: January 4, 2023 Board of Retirement Meeting  
January 11, 2023 Board of Investments Meeting

SUBJECT: Approval of the Use of Teleconference Meeting Technology Under AB 361 and Government Code Section 54953(e), including as Part of Hybrid Board and Committee Meetings

## **RECOMMENDATION**

That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that other public agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of Section 54953(e)(3). Action taken by each Board will only apply to that Board and its Committees.

Pursuant to the action of both Boards at the joint meeting on September 23, 2022, starting with the November 2022 Board and Committee meetings, teleconference meetings, if approved, will be agendized as hybrid meetings where trustees may attend by teleconference or in person in the boardroom at LACERA's offices at 300 N. Lake Avenue, Pasadena, California 91101, with adequate provision being made for public comment via teleconference, in person, and in writing and for public attendance via teleconference and in person.

## **LEGAL AUTHORITY**

Under Article XVI, Section 17 of the California Constitution, the Boards have plenary authority and exclusive fiduciary responsibility for the fund's administration and investments. This authority includes the ability of each Board to manage their own Board and Committee meetings and evaluate legal options for such meetings, such as whether to invoke teleconferencing of meetings under AB 361 and Government Code Section 54953(e) of the Brown Act to protect the health and safety of Trustees, staff, and the

public. The Boards previously took this action at their meetings since October 2021. Findings made under this memo will be effective for meetings during the next 30 days, so long as the State of Emergency remains in effect.

## **DISCUSSION**

### ***A. Summary of Law.***

On September 16, 2021, the Governor signed AB 361 which enacted new Government Code Section 54953(e) of the Brown Act to put in place, effective immediately and through December 31, 2023, new teleconferencing rules that may be invoked by local legislative bodies, such as the LACERA Boards, upon making certain findings and following certain agenda and public comment requirements.

Specifically, Section 54953(e)(3) provides that the Boards may hold teleconference meetings without the need to comply with the more stringent procedural requirements of Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act impacts the safety of in person meetings or state or local officials have imposed or recommended social distancing rules, provided that the Board makes the following findings by majority vote:

(A) The Board has considered the circumstances of the state of emergency; and

(B) Any of the following circumstances exist:

- (i) The state of emergency continues to directly impact the ability of the Trustees to meet safely in person; or
- (ii) State or local officials continue to impose or recommend measures to promote social distancing.

If each Board makes the required findings, that Board and its Committees may hold teleconference meetings for the next 30 days without the need to comply with the regular rules of Section 54953(b)(3) provided that: agendas are prepared and posted under the Brown Act; members of the public are allowed to access the meeting via a call-in option or an internet-based service option; and the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment. Upon making the required findings, the Boards have discretion to hold meetings either entirely by teleconference or as hybrid meetings with individual trustees and the public able to attend either by teleconference or in person.

These emergency rules under Section 54953(e) remain in effect under AB 2449, which becomes law on January 1, 2023 and create additional new grounds for teleconference attendance at Board and Committee meetings. AB 2449 is discussed separately on the agenda for this meeting.

***B. Information Supporting the Required Findings and Process if the Boards Determine to Invoke Section 54953(e).***

The Governor's State of Emergency for the COVID-19 pandemic as declared in the Proclamation of a State of Emergency dated March 4, 2020 remains active. The Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act. Over the past year, the Governor actively terminated many emergency provisions. See, e.g., Order No. N-21-21, issued November 10, 2021, Order No. N-04-22, issued February 25, 2022. Very recently, the Governor terminated additional COVID provisions. See Order No. N-11-22, issued June 17, 2022. In the press release for the June 17 Order, the Governor's Office stated that, after June 30, 2022, "only 5 percent of the COVID-19 related executive order provisions issued throughout the pandemic will remain in place."

On October 17, 2022, the Governor announced that the COVID State of Emergency will end on February 28, 2023. However, the State of Emergency remains in effect until then. The Governor's press release stated that one of the purposes of deferring the end of pandemic until 2023 was to "provid[e] state and local partners the time needed to prepare for this phaseout and set themselves up for success afterwards." Among the transition items reasonably interpreted as included for local agencies such as LACERA is a phaseout of teleconference meetings.

The Los Angeles County Department of Public Health still maintains guidance "That there are certain places where COVID-19 spreads more easily: ● Closed spaces with poor air flow. ● Crowded places with many people nearby. ● Close contact settings especially where people are talking (or breathing heavily) close together." <http://publichealth.lacounty.gov/acd/ncorona2019/reducingrisk/>. The County Public Health Department also maintains guidance for employers: "Reduce indoor crowding. A few example strategies to decrease crowding include, but are not limited to: ● Host larger meetings outdoors or virtually. ● Reduce occupancy and spread-out seating in meeting rooms and other small spaces such as locker rooms, weight rooms, restrooms, and saunas. Ensure good ventilation . . . ● Establish procedures to prevent crowding among persons waiting to enter or exit a large event. Limiting attendance, establishing unidirectional foot traffic patterns, reservations, online waiting lists, timed entry or exit, and using staff to help direct traffic and limit access if the area becomes too crowded can help." <http://publichealth.lacounty.gov/acd/ncorona2019/BestPractices/>.

Despite this County Health Department guidance, the Board of Supervisors recently resumed in person meetings on September 27, 2022. However, on December 6 and 20, 2022, the Board of Supervisors again approved AB 361 findings to permit teleconference meetings. For in person meetings, the County provides enhanced air filtration, limits

Re: Approval of Teleconference Meetings

December 21, 2022

Page 4 of 5

attendance, and provides a designated media area. All persons in attendance must be masked. Telephonic public comment and livestreaming are still be provided. The LACERA Boards are not required to follow the Board of Supervisors' decision with regard to how meetings are conducted, but the County's change in practices is instructive.

The City of Pasadena (City), where LACERA's offices are located and Board and Committee meetings are held, has substantially revised its guidance to give more flexibility. The City still offers guidance that businesses recognize that COVID-19 continues to pose a risk to communities, and it is important for employers to continue to take steps to reduce the risk of COVID-19 transmission among their workers and visitors.

<https://www.cityofpasadena.net/economicdevelopment/covid-19-business-resources/>.

Earlier guidance promoting physical distancing by business in certain circumstances also remains posted on the City's COVID web page as a reference. However, as of the date of this memo, the City Council has not renewed its teleconference findings, and LACERA staff is informed that in person meetings will likely resume on January 9, 2023.

The Centers for Disease Control and Prevention (CDC) recently updated its guidance, but the CDC still advises the public that they can "Prevent the Spread of COVID-19." Among the methods cited by CDC is "Keeping a Safe Distance Helps Stop COVID-19: Stay away from people who are sick. Stay away from people who have COVID-19. Stay away from people with COVID-19 even if they don't feel sick. Stay away from crowds. Stay away from inside places with lots of people." <https://www.cdc.gov/coronavirus/2019-ncov/easy-to-read/prevent-getting-sick/how-covid-spreads.html>.

Under these circumstances, the Boards may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for Board and Committee meetings, including on a hybrid basis, during the next 30 days, so long as the State of Emergency remains in effect, because (1) the State of Emergency continues to impact the ability of the Trustees to meet safely in person, or (2) the County and other authorities continue to recommend measures to promote a safe workplace, including physical distancing to avoid crowding, as required by the statute. Either finding is sufficient under Section 54953(e) to support continued teleconference meetings.

If each Board makes these findings and directs teleconferencing under Section 54953(e), procedures exist and will be implemented to ensure compliance with the agenda and public comment requirements of the statute, as stated above. As required by the Boards' September 23, 2022 action, hybrid in person and teleconference meetings will be implemented in accordance with procedures required by the Brown Act.

Finally, LACERA management recently updated staff work standards in light of increased transmission and infection levels. Nevertheless, management continues to support

Re: Approval of Teleconference Meetings

December 21, 2022

Page 5 of 5

hybrid office/telework procedures and continues a balance between hybrid and in office work, in division manager discretion based on business needs. Management will adjust staff working conditions as required based on future changes in COVID transmission and infection rates.

### **CONCLUSION**

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that other public agencies still maintain guidelines regarding distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and if so, direct staff to comply with the agenda and public comment requirements of the statute. Action taken by each Board will only apply to that Board and its Committees.

If the required findings are made, teleconference technology will be used as part of hybrid Board and Committee meetings conducted by teleconference and in person at LACERA's Pasadena offices, so long as permissible under applicable law.


c:	Santos H. Kreimann	Luis A. Lugo	JJ Popowich
	Jonathan Grabel	Laura Guglielmo	Carly Ntoya


December 29, 2022

TO: Trustees – Board of Investments

FROM: Real Assets Committee

James Rice   
Principal Investment Officer

Pushpam Jain, Ph. D.   
Investment Officer

Cindy Rivera   
Investment Officer

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: **REAL ASSETS EMERGING MANAGER PROGRAM  
DISCRETIONARY SEPARATE ACCOUNT MANAGER REQUEST FOR PROPOSAL –  
MINIMUM QUALIFICATIONS**

#### **RECOMMENDATION**

Approve the proposed Real Assets emerging manager program discretionary separate account manager search Request for Proposal minimum qualifications advanced by the Real Assets Committee.

#### **BACKGROUND**

At the December 14, 2022 Real Assets Committee (the “Committee”) meeting, staff proposed minimum qualifications (“MQs”) for a Real Assets emerging manager program separate account manager search, which the Committee advanced (**Attachment**).

The **Attachment** contains the recommendation and background, evaluation process, evaluation criteria, proposed search timeline, minimum qualifications, scope of services, and strategic considerations of the proposed Real Assets emerging manager separate account manager search.

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

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

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

The Committee unanimously approved the recommendation to advance the MQs for a Real Assets equity program discretionary separate account manager request for proposal (“RFP”).

A Committee member asked whether this search would consider two separate firms or is meant to be a combined search.

*We would consider a single firm qualified in Real Estate and Real Assets or two separate firms. The final manager selection could be either a single firm or two.*

A Committee member asked if the search is for multiple managers or a single manager to serve as a manager of managers.

*The search targets a manager who would then select emerging managers. This approach is consistent with the emerging manager program searches LACERA has completed in Credit, Hedge Funds, and Private Equity in the recent couple of years.*

A Committee member inquired about the rationale behind MQ #4, requiring the firm, or emerging manager strategy team, to have at least \$400 million of assets under management (“AUM”) as a fiduciary in Real Assets of Real Estate investments; or \$750 million combined.

*An AUM minimum threshold requirement at the stated level increases the potential that LACERA’s commitment to the firm does not represent a disproportionate amount of the firm’s AUM based on LACERA’s expected commitment, and that the firm has operational capabilities to manage a sufficiently large program. Additionally, this minimum requirement helps ensure LACERA engages a discretionary separate account manager with applicable experience in Real Assets and Real Estate.*

A Committee member asked whether alleged inappropriate behavior (e.g., sexual harassment) on behalf of a firm principal is covered under MQ #6, which requires the firm to be in good standing with the SEC and regulatory authorities in applicable jurisdictions.

*Firm principal behavior would be something that we would try to uncover in our own diligence of the firm and would be in addition to the firm simply meeting the MQs. It would be part of the firm’s organizational and professional staff assessments covered under the evaluation criteria. The MQs are meant as a set of minimum and measurable qualifications to identify firms for further evaluation. The evaluation criteria applied would be comprised of seven different factors: organization, professional staff, investment process, operational process, transparency and collaboration, performance and risk management, and fees.*

A committee member asked about the method LACERA intends to use to publicize the RFP so that the marketplace is aware of the search.

*LACERA intends to notify several industry publications focused on institutional investments in Real Estate and Infrastructure as well as publications specific to emerging manager investments on the specifics of LACERA’s Request for Proposal for this mandate.*

### **RISK OF ACTION AND INACTION**

If the Board approves the recommendation, LACERA will issue an RFP to conduct a search for a Real Assets emerging manager program discretionary separate account manager.

Should the Board reject the recommendation, additional discussions would need to occur to determine LACERA’s approach regarding an emerging manager program within Real Assets. This could include revising the RFP to create an emerging manager program with a different operational structure or having LACERA staff administer a program directly.

### **CONCLUSION**

The Committee unanimously approved the recommendation to advance the MQs for a Real Assets emerging manager program discretionary separate account manager RFP to the Board for approval. If the Board approves, LACERA will issue an RFP using the attached MQs.

Attachment

Noted and Reviewed:


  
\_\_\_\_\_  
Jonathan Grabel  
Chief Investment Officer



November 16, 2022

TO: Trustees - Real Assets Committee

FROM: James Rice   
Principal Investment Officer

Pushpam Jain, Ph. D.   
Investment Officer

Cindy Rivera   
Senior Investment Analyst

FOR: December 14, 2022 Real Assets Committee Meeting

SUBJECT: **REAL ASSETS EMERGING MANAGER PROGRAM  
DISCRETIONARY SEPARATE ACCOUNT MANAGER REQUEST FOR PROPOSAL –  
MINIMUM QUALIFICATIONS**

### **RECOMMENDATION**

Advance the Real Assets emerging manager program discretionary separate account manager search Request for Proposal minimum qualifications to the Board of Investments for approval.

### **BACKGROUND**

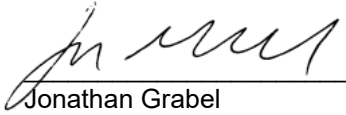
The Board of Investments (“BOI”) approved the structure reviews for Real Estate in January 2022 and Real Assets in February 2022, which included a provision for emerging manager programs (the “Programs”). The goal of the Programs, in alignment with LACERA’s Towards Inclusion Diversity and Equity (“T.I.D.E.”) initiative, is to increase the prospects for better risk-adjusted returns through exposure to smaller, private investment managers in real estate and real assets, including infrastructure and natural resources. The Programs will have a target allocation of up to 8-10% of the Real Estate and Real Assets expected commitment pacing in the asset classes over the next three years, with allocation amounts of up to \$400 million for each of the two categories. The search will be jointly conducted for Real Estate and Real Assets, and the Programs could be managed by a single manager or could be split between Real Estate and Real Assets across two different managers. Staff believes the potential for a single manager for both real estate and real assets warrants conducting the search jointly.

A key objective of the emerging manager program in private markets is to position LACERA as a significant investor to firms and funds early in their organizational development, which in Real Estate and Real Assets can help foster graduation into the core programs.

Staff prepared materials related to the RFP for discussion with the Real Assets Committee. **Attachment I** describes the recommended search criteria in compliance with the Procurement Policy for Investment-Related Services. This includes: (i) evaluation process; (ii) evaluation criteria; (iii) search timeline; (iv) minimum qualifications; and (v) scope of services. **Attachment II** provides additional details to the Minimum Qualifications, which are consistent with LACERA’s T.I.D.E. initiative within the Capital Formation pillar, which focuses on widening the opportunity set to diverse managers. Following this discussion, staff will incorporate any recommended changes before presenting the revised documents to the BOI for consideration.

Attachments

Noted and Reviewed:



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Jonathan Gabel  
Chief Investment Officer

PJ:CR:dr

**Real Assets Emerging Manager  
Discretionary Separate Account Search  
Request for Proposal  
Minimum Qualifications**

**Real Assets Committee Meeting**

**December 14, 2022**



# Recommendation and Background

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## Recommendation

- Advance to the Board of Investments the Request for Proposal ("RFP") search Minimum Qualifications
  - The RFP will be to manage one or more discretionary separate account emerging manager program(s) for Real Estate and Real Assets, which includes Infrastructure and Natural Resources, for up to 8-10% of capital to be deployed within Real Estate and Real Assets, for up to \$400 million each

## Background

- Board approved the Real Estate structure review at the Jan 2022 meeting and the Real Assets structure review at the Feb 2022 meeting, which included launch of new separate account emerging manager program(s) for Real Estate and Real Assets
- Board approved allocation of up to 8-10% for emerging manager program(s) in Real Estate and Real Assets, for up to \$400 million each

# Evaluation Process

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- Proposed Evaluation Team consists of six team members from Real Assets and Real Estate
- Evaluation Team will conduct the Request for Proposal process in two phases:
  - Phase I (Parts A and B): Written RFP responses evaluation
  - Phase II: Candidate interviews
- Final scores, evaluation review, and recommendation will be provided to the Board
- Selection authority for this RFP will be the Board of Investments



# Evaluation Criteria

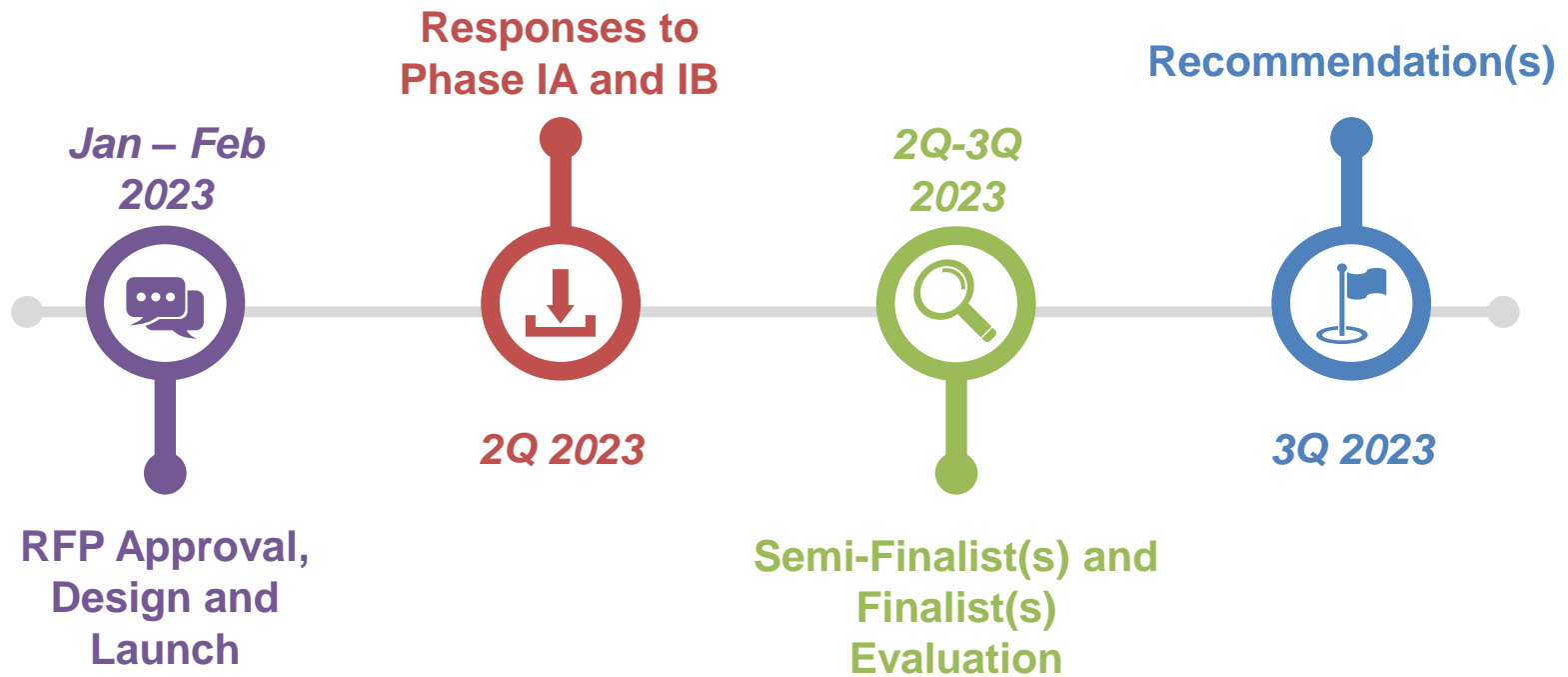
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All responses received shall be subject to evaluations on the following seven categories and portfolio fit within the Real Assets and Inflation Hedges portfolio:

1. Organization
2. Professional Staff
3. Investment Process
4. Operational Process
5. Transparency and Collaboration
6. Performance and Risk Management
7. Fees

# Proposed Search Timeline

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Note: Timeline subject to Board approval.

# Minimum Qualifications

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The below listed minimum qualification rationale is explained in a memo in Attachment II

1. The firm must have a five-year track record of committing capital to emerging managers<sup>1</sup>
2. The firm, or founding team, must have committed a minimum of \$100 million to emerging managers within the past 36 months
3. The firm, or founding team, must have at least three institutional clients, with a minimum of one public pension fund with a plan size of at least \$10 billion
4. The firm, or founding team, must have at least \$400 million of assets under management as a fiduciary in Real Assets or Real Estate investments; or \$750 million combined
5. Must agree to be a fiduciary to LACERA under California and other applicable laws
6. The firm must be in good standing with the SEC and regulatory authorities in applicable jurisdictions

<sup>1</sup> Emerging managers for Real Assets are defined by LACERA as first, second, or third institutional funds with capital commitments of up to \$1 billion for real estate and for real asset funds.



# Scope of Services Summary

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## **Identify and Select High-Quality Emerging Managers**

- Conduct independent evaluations of investment opportunities and provide detailed written recommendations, including results of investment and operational due diligence

## **Investment Monitoring**

- Monitor and report on investments in collaboration with LACERA's custodian bank, as well as meet all reporting requirements under California and other applicable laws
- Assess the general partner's commitment to diversity, equity, and inclusion ("DEI") and provide DEI metrics
- Evaluate the general partner's environmental, social, and governance ("ESG") policy and provide ESG metrics

## **Collaboration with LACERA**

- Provide educational workshops and periodic Separate Account updates
- Collaborate with staff in investment diligence opportunities and future initiatives
- Facilitate LACERA's direct access and maximum allocation to co-investment and secondary opportunities offered by general partners in the emerging manager program

## **Favorable Terms**

- Make best efforts to obtain an advisory board seat for LACERA in each fund contained in the Program
- Negotiate favorable terms in current funds, and position LACERA for favorable terms in future funds including items such as management fees, carry rates including preferred rate and catchup structure, capacity rights, and potential revenue share

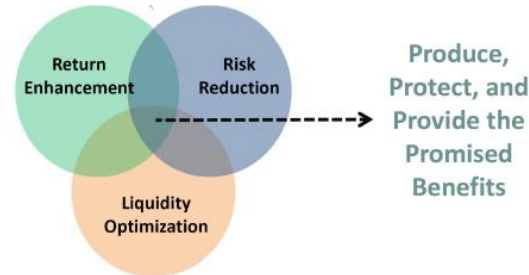
# Strategic Considerations

## Strategic Initiatives:



Execute Strategic Asset Allocation

*while balancing...*



Enhance  
Operational  
Effectiveness

Optimize  
Investment Model

Maximize  
Stewardship and  
Ownership Rights

Strengthen  
Influence on Fees  
and Cost of Capital

LACERA  
T.I.D.E.

## Recommendation advances the following initiatives:

### Optimize Investment Model

- Exposure to smaller managers
- LACERA could benefit from growth of smaller firms

### Strengthen Influence on Fees and Cost of Capital

- Favorable terms in current funds
- Positions LACERA for favorable terms in future funds

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

- Facilitate capital formation among smaller firms

## Recommendation

- Advance to the Board of Investments the Request for Proposal search Minimum Qualifications
  - The RFP will be to manage discretionary separate account emerging manager program(s) for Real Estate and Real Assets, which includes Infrastructure and Natural Resources for up to 8-10% of allocation within Real Estate and Real Assets, for up to \$400 million each

The list of criteria for minimum qualifications below is based on experiences from recent emerging manager request for proposals in private equity and the OPEB private markets program.

## Minimum Qualifications

1. **The firm must have a five-year performance track record of committing capital to emerging managers.**  
Five years of performance history in real assets and real estate allows for assessment of the quality of partnership selection by a separate account manager and covers a range of economic environments. Firms with a longer successful track record and audited performance returns will be considered more favorably.
2. **The firm, or founding team, must have committed a minimum of \$100 million to emerging managers within the past 36 months.**  
By requiring a firm to have a recent history of investing with emerging managers, LACERA will be able to hire a separate account manager that is actively investing and is familiar with the marketplace and the various investment strategies employed by emerging managers.
3. **The firm, or founding team, must have at least three institutional clients, with a minimum of one public pension fund with a plan size of at least \$10 billion.**  
This ensures that the firm is not dependent on just a few clients to sustain the business and understands the specialized requirements of public pension funds.
4. **The firm, or founding team, must have at least \$400 million of real estate or real assets investments under management as a fiduciary; or \$750 million combined.**  
Increases the potential that the amount of capital that LACERA commits to the firm does not represent a disproportionate amount of the firm's assets under management and that the firm has operational capabilities to manage a large program.
5. **Must agree to be a fiduciary to LACERA under California and other applicable laws.**  
Formally establishes a duty of loyalty to require the firm to put the interest of LACERA ahead of its own interest and a duty of care, which requires that fiduciaries perform their functions with a high level of competence and in LACERA's best interest.
6. **The firm must be in good standing with the SEC and regulatory authorities in applicable jurisdictions.**  
This confirms that the firm is not in violation of any SEC regulation or respective regulatory authority for firms outside of the U.S.



December 16, 2022

TO: Each Trustee,  
Board of Investments

FOR: Board of Investments Meeting of January 11, 2023

SUBJECT: 2023 SuperReturn International in Berlin, Germany on June 5 – 9, 2023

The 2023 SuperReturn International will be held in Berlin, Germany on June 5 – 9, 2023. The conference is structured so that you can meet and do business with the largest, most senior gathering in private capital. There will be closed-door discussions, interactive Q&A with speakers, dedicated networking breaks and a range of social events are just some of the ways we help you connect with the people who matter to you. Plus an online networking App which helps you reach them before, during and after the event.

The main conference highlights include the following:

- Emerging Markets: A Prosperous Opportunity In Uncertain Times?
- Gaining Exposure, Selecting Strategies, And Measuring Risk
- Finding The Keys To Success For Infrastructure Debt And Financing

Following are approximate conference and travel costs:

**Registration:** \$1,000.00

**Hotel:** \$250.00 daily rate (plus taxes and fees)

**Additional Travel Days:** 4

**Airfare:** \$7,000.00 - \$8,000.00

**Ground Transportation:** \$60.00 per day

**Per Diem & Incidentals:** \$106.00 per day

(The registration fee includes most meals)

**Approximate Cost Per Traveler:** \$11,500.00- \$12,500.00

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

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

Approve attendance of Trustees at the 2023 SuperReturn International will be held in Berlin, Germany on June 5 – 9, 2023, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.

Attachment

LE

# SCHEDULE

WOMEN IN PRIVATE MARKETS FORUM & PRE-EVENT WELCOME DRINKS - 05/06/  
2023

SuperReturn  
International

5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	WOMEN IN PRIVATE MARKETS FORUM	WELCOME DRINKS RECEPTION
11:00	11:15 - Registration and welcome coffee 11:50 - Chair's welcome address	
12:00	12:00 - Opening keynote: How is PE positioning for long term growth in the current environment? 12:30 - Fundraising trends for 2023 and beyond	
13:00	13:00 - Networking lunch	
14:00	14:00 - Guest Speaker 14:45 - Hosted roundtables	
15:00	15:30 - Hosted roundtables	
16:00	16:15 - Chair's closing remarks	
18:00		18:00 - Welcome Drinks Reception

# SCHEDULE

SUMMITS DAY - 06/06/2023

SuperReturn International

5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	PRIVATE DEBT SUMMIT	GERMAN PRIVATE EQUITY SUMMIT	DISRUPTION AND INNOVATION SUMMIT MIT	ESG SUMMIT	LP ONLY
<b>07:00</b>	07:30 - Registration and welcome coffee				
<b>08:00</b>	08:20 - Chair's welcome address 08:30 - What are the key risks and opportunities for private debt as we head deeper into a difficult macro-economic environment?	08:00 - Registration and welcome coffee	08:00 - Registration and welcome coffee	08:00 - Registration and welcome coffee	
<b>09:00</b>	09:10 - Keynote interview: Private Credit's moment – The coming of age of the asset class 09:40 - Is private credit a bubble, or just a little frothy? How will valuations hold up vs public markets?	09:00 - Chair's opening remarks 09:05 - State of the market 09:40 - Geopolitical snapshot	09:00 - Chair's welcome address 09:05 - Keynote address: chasing disruption: the brave new world of growth investing 09:30 - AI: the engine of the 4th industrial revolution. How the multi trillion dollar AI opportunity will change not what we invest in, but how we make those investments	09:00 - Chair's welcome address 09:10 - The mainstreaming of ESG in private equity 09:40 - The role of ESG in driving value creation	
<b>10:00</b>	10:20 - Keynote interview: How will the current challenges in the global economy affect private credit investing? 10:50 - Morning coffee and networking break	10:00 - The future of fundraising 10:30 - Morning coffee and Networking break	10:00 - PE Investing in security in Europe – a turning point? 10:15 - Investing in defence: tackling the innovation gap 10:45 - Morning coffee and networking break	10:15 - Morning coffee and networking break 10:45 - Advanced ESG integration to offer a competitive edge	
<b>11:00</b>	11:20 - Finding value in dislocation	11:00 - LP views on PE allocation 11:40 - ESG and sustainable investing	11:15 - Alternative assets meet blockchain 11:45 - Keynote address: How digitization is reshaping your business today	11:20 - GP and LP views on integrating ESG KPIs into financial reporting 11:55 - Climate impact: a key area to address, both internally as well as in portfolios	

# SCHEDULE

SUMMITS DAY - 06/06/2023

SuperReturn International

5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	PRIVATE DEBT SUMMIT	GERMAN PRIVATE EQUITY SUMMIT	DISRUPTION AND INNOVATION SUMMIT	ESG SUMMIT	LP ONLY
<b>12:00</b>	<p><b>12:00</b> - Mid market lending: sector specific of generalist approach?</p> <p><b>12:40</b> - Sector specific lending: what is it, who is doing it and why it matters</p>	<p><b>12:20</b> - Diversity: insights into the German PE market</p>	<p><b>12:15</b> - Key digital value creation levers in private equity</p> <p><b>12:35</b> - How to successfully integrate tech value creation into the full potential plan/value potential plan?</p>	<p><b>12:30</b> - Lunch and networking break</p>	<p><b>12:30</b> - LP-only Lunch</p>
<b>13:00</b>	<p><b>13:20</b> - Lunch and networking break</p>	<p><b>13:00</b> - Networking lunch break</p> <p><b>13:55</b> - Afternoon chair</p>	<p><b>13:05</b> - Lunch and networking break</p>	<p><b>13:55</b> - Afternoon Chairman</p>	
<b>14:00</b>	<p><b>14:10</b> - Afternoon Chairman</p> <p><b>14:15</b> - Retail market - the untapped universe for private markets: Will private debt see increased opportunities with retail investors in the coming years?</p> <p><b>14:50</b> - US vs Europe: to what extent are the two regions converging and what are the key distinctions?</p>	<p><b>14:00</b> - Secondaries: Examining the returns and opportunities in the German secondaries market</p> <p><b>14:30</b> - Co-investing: exploring the latest trends, considerations and challenges for co-investing in the current climate</p>	<p><b>14:00</b> - Bringing private equity into the digital age: How far have we really come?</p> <p><b>14:30</b> - Is space the next investment frontier for private equity?</p>	<p><b>14:00</b> - Making sense of ESG disclosure frameworks &amp; standards: How should it be measured?</p> <p><b>14:35</b> - It's time to focus on the "G" in ESG</p>	
<b>15:00</b>	<p><b>15:30</b> - Countering today's headwinds with opportunistic credit strategies</p>	<p><b>15:10</b> - Afternoon refreshments and Networking break</p> <p><b>15:50</b> - Value creation: how do we create value and how do we approach value creation in our portfolio companies?</p>	<p><b>15:00</b> - Keynote solo: idealistic realism: redefining disruption and innovation</p> <p><b>15:30</b> - Afternoon refreshments and networking break</p>	<p><b>15:10</b> - Afternoon refreshments and networking break</p> <p><b>15:40</b> - LP perspectives</p>	
<b>16:00</b>	<p><b>16:10</b> - Afternoon refreshments and networking break</p> <p><b>16:40</b> - The LP perspective: does private debt still offer an attractive haven in the current environment as the global search for yield increases?</p>	<p><b>16:25</b> - Sector spotlight: investing in Tech</p>	<p><b>16:00</b> - Necessity: when disruption meets recession</p> <p><b>16:35</b> - How alternative investment tech is disrupting the industry</p>	<p><b>16:15</b> - Underpinning robust ESG frameworks in private equity for both LPs and GPs: the integration of ESG factors into investment sourcing, due diligence and decision making</p> <p><b>16:50</b> - Chair's closing remarks</p>	



# SCHEDULE

SUMMITS DAY - 06/06/2023

SuperReturn International

5 - 9 June 2023

InterContinental Hotel, Berlin

TIME	PRIVATE DEBT SUMMIT	GERMAN PRIVATE EQUITY SUMMIT	DISRUPTION AND INNOVATION SUMMIT	ESG SUMMIT	LP ONLY
17:00	<p>17:10 - Credit secondaries: niche strategy but compelling tool to help provide liquidity solutions?</p> <p>17:50 - Chair's closing remarks</p> <p>17:55 - Summit day networking drinks reception sponsored by Franklin Templeton</p>	<p>17:00 - Chair's closing remarks</p> <p>17:05 - Summit day networking drinks reception sponsored by Franklin Templeton</p>	<p>17:10 - Chair's closing remarks</p> <p>17:15 - Summit day networking drinks reception sponsored by Franklin Templeton</p>	<p>17:00 - Summit day networking drinks reception sponsored by Franklin Templeton</p>	<p>17:00 - Summit day networking drinks reception. Sponsored by: Franklin Templeton</p>

# SCHEDULE

MAIN CONFERENCE DAY ONE - 07/06/2023

SuperReturn International

5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	MAIN CONFERENCE DAY ONE	ENGAGED CONVERSATION	LP ONLY
07:00	07:15 - Registration and welcome coffee		
08:00	08:00 - Chair's welcome address 08:10 - Macroeconomic perspective: description of a destabilised world and the effects on private markets 08:40 - Keynote interview		
09:00	09:05 - Keynote interview: the global investment landscape for 2023 and beyond 09:30 - State of the union: facing the headwind	09:00 - Update on regulation, climate change and carbon emissions 09:45 - Engaged Conversation	
10:00	10:00 - Keynote interview: steering a course through uncertainty: how will sustainability change the structure of financial markets? 10:25 - Morning coffee and networking break 10:50 - Keynote interview: utilising innovation and portfolio construction to drive tomorrow's returns	10:50 - Secondaries	
11:00	11:15 - Keynote interview: PE - key drivers of growth across market cycles 11:40 - Keynote Address: PE investing in the next tech cycle	11:35 - Engaged conversation	
12:00	12:05 - Keynote panel: The nexus of strategy, culture and investing 12:35 - Keynote interview: The global investment landscape for 2023 and beyond	12:20 - Engaged conversation	
13:00	13:00 - Keynote address: 13:25 - Lunch and networking break 13:55 - Afternoon chair		
14:00	14:00 - Keynote panel: From compliance to impact and value creation: the mainstreaming of ESG in private equity 14:30 - Keynote address: finding creative ways to deploy capital as interest rates increase and the cost of financing rises 14:55 - Keynote address:		14:10 - LP-only session
15:00	15:20 - Keynote address: 15:45 - Keynote panel: LP perspective: navigating a volatile market	15:10 - Engaged conversation 15:45 - Engaged conversation	

# SCHEDULE

MAIN CONFERENCE DAY ONE - 07/06/2023

SuperReturn International

5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	MAIN CONFERENCE DAY ONE	ENGAGED CONVERSATION	LP ONLY
16:00	<p>16:15 - Afternoon refreshments and networking break</p> <p>16:30 - Keynote panel: the state of primary credit markets for leveraged buyouts</p>		
17:00	<p>17:00 - Keynote address:</p> <p>17:25 - Keynote joint address</p> <p>17:50 - Closing Keynote Address</p>		
18:00	<p>18:20 - Chair's closing remarks</p> <p>18:25 - Networking drinks reception sponsored by Raymond James</p>		

# SCHEDULE

MAIN CONFERENCE DAY TWO - 08/06/2023

SuperReturn International  
5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	MAIN CONFERENCE DAY TWO	LP ONLY	ENGAGED CONVERSATION	CLOSED DOOR/SMALL GROUP DISCUSSIONS
08:00	08:15 - Registration and welcome coffee 08:55 - Chair's welcome address			
09:00	09:00 - Keynote panel: climate impact and catalytic capital – time to act 09:35 - Keynote interview			
10:00	10:00 - State of the Union: private equity - what are the catalysts and cautions for 2023 and beyond? 10:30 - Morning coffee and networking break	10:10 - LP-only session		
11:00	11:00 - Keynote interview: 11:25 - Keynote panel: the power of diversity and inclusion in private equity to improve risk-adjusted returns in private equity 11:55 - Keynote interview: Successfully navigating difficult market conditions, creating resilient portfolios and positioning companies for growth		11:00 - Engaged conversation 11:35 - Engaged conversation	
12:00	12:20 - Keynote panel: GP stakes – what are the market drivers? Is the market growing faster than funds can invest? 12:50 - Keynote interview:			
13:00	13:15 - Lunch and networking break 13:45 - Afternoon plenary chairman 13:50 - Keynote panel: The rise and rise of GP-Led deals			

# SCHEDULE

MAIN CONFERENCE DAY TWO - 08/06/2023

SuperReturn International  
5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	MAIN CONFERENCE DAY TWO	LP ONLY	ENGAGED CONVERSATION	CLOSED DOOR/SMALL GROUP DISCUSSIONS
14:00	14:20 - Keynote Panel - headwinds in the mid market 14:50 - Guest speaker			14:40 - Women in private equity networking session followed by afternoon tea and refreshments hosted by Sagard
15:00	15:15 - Afternoon refreshments and networking break 15:45 - Keynote address:			
16:00	16:15 - Keynote panel: Investment opportunities in alternative credit 16:45 - Closing Keynote Address			
17:00	17:15 - Chair's closing remarks 17:20 - Networking drinks reception sponsored by Z Capital Group			

# SCHEDULE

MAIN CONFERENCE DAY THREE - 09/06/2023


SuperReturn International

5 - 9 June 2023  
InterContinental Hotel, Berlin

TIME	MAIN CONFERENCE DAY THREE	LP ONLY
08:00	08:00 - Registration and welcome coffee	08:00 - LP-only breakfast
09:00	09:00 - Chair's welcome address 09:05 - Keynote academic address: what happens to returns (and risk) as funds get larger? 09:35 - Keynote follow-on panel: An in-depth discussion on the findings of the previous address: "what happens to returns (and risk) as funds get larger?"	
10:00	10:00 - Keynote panel: secondaries – what has changed, what is driving the changes and where is the market headed? 10:30 - Guest speaker	
11:00	11:00 - Morning coffee and networking break 11:30 - Keynote panel: Update on co-investment	
12:00	12:00 - TBC 12:30 - Data presentation - 2023: the private capital market in Europe	
13:00	13:00 - Lunch and networking break 13:45 - Keynote panel: sector managers vs diversified managers: do specialists have an edge?	
14:00	14:15 - Europe and Asia? Fund selection masterclass: blind date "fund raising". Will the GPs answers resonate with the LP audience. Or will they fall flat? 14:45 - Off the record session: boardroom discussion of red-hot issues	
15:00	15:15 - End of SuperReturn International 2023	

December 30, 2022

TO: Trustees – Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: **TOWARDS BEST-IN-CLASS INVESTOR: 2023 WORK PLAN AND STRATEGIC INITIATIVES**

### **RECOMMENDATION**

Approve the 2023 Work Plan and Strategic Initiatives.

### **BACKGROUND**

Attached is the recommended Work Plan and Strategic Initiatives for calendar year 2023. It includes key agenda items for calendar year 2023 while reviewing Strategic Initiatives that the Board of Investments has approved. Prospective agenda items and committee schedules are subject to future modifications by the Board.

Attachment

# **Towards Best-In-Class Investor**

## **2023 Work Plan and Strategic Initiatives**

### **Investments Division**

**Board of Investments**  
**January 11, 2023**

Jonathan Grabel – Chief Investment Officer





# 2023 Work Plan Recommendation and Overview

## Recommendation

- Approve the 2023 Work Plan and Strategic Initiatives

## Overview



The updated 2023 Work Plan and Strategic Initiatives for LACERA's Investments Division aims to:

1. Provide **visibility** into current and upcoming initiatives
2. Reflect and **synthesize** Board-approved projects and input, recent Board meetings, and Offsite discussions into a cohesive action plan
3. Promote **disciplined execution** and aligned resources for defined priorities while acknowledging that LACERA is resilient and adaptable to unforeseen circumstances

# LACERA Investments Division

## Work Plan and Strategic Initiatives Timeline

Components of the Investments Division's Work Plan and Strategic Initiatives have evolved over several years while maintaining the goal to improve portfolio outcomes



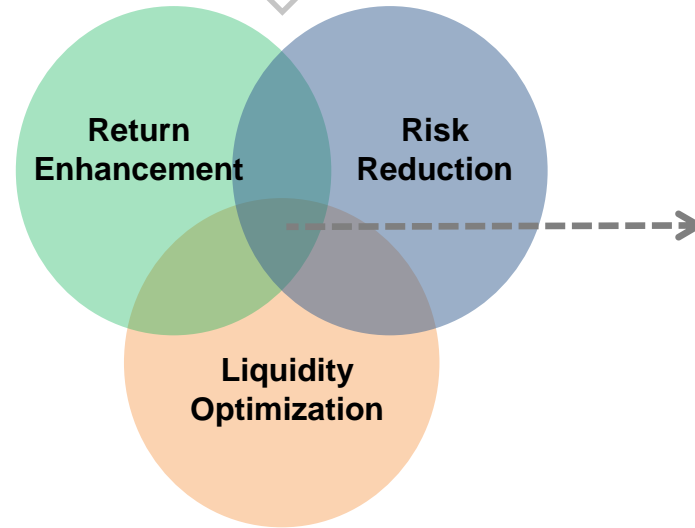
# 2023 Work Plan

## Background and Strategic 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**



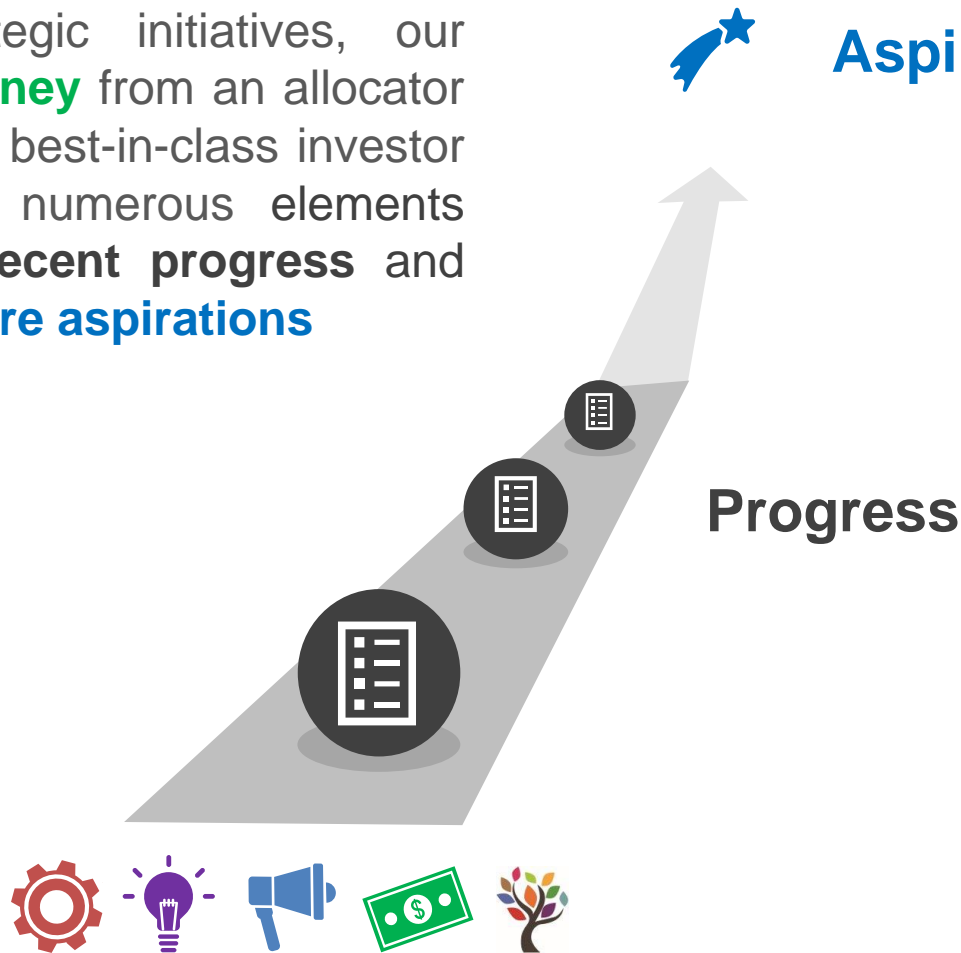
**LACERA  
T.I.D.E.**



# 2023 Work Plan

## Strategic Initiatives Towards Best-In-Class Investor

Across LACERA's five strategic initiatives, our **journey** from an allocator to a best-in-class investor has numerous elements of **recent progress** and **future aspirations**



*Progress points and aspirations may overlap -- in areas where we have both accomplishments and incremental goals*

*Upcoming slides highlight each initiative and reflect feedback from the BOI* →

# 2023 Work Plan

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.



**Enhance  
Operational  
Effectiveness**

### Objective:

To maximize the efficiency of our resources (internal and external, human and technological) and mitigate varied investment and enterprise risks, which can improve future outcomes

### Progress:

- Enhanced risk analytics and reporting
- Improved asset transparency and wire transfer processes
- Established single-investor vehicles and dedicated managed accounts

### Aspirations:

- Continuous improvement of investment and operational due diligence
- Optimize presentation and quality of information provided to the Board
- Advance OPEB strategic asset allocation and unitization structure
- Derive and maximize value from technology
- Avoid uncompensated complexity

# 2023 Work Plan

## Strategic Initiatives

  
Enhance  
Operational  
Effectiveness

  
Optimize  
Investment  
Model

  
Maximize  
Stewardship and  
Ownership Rights

  
Strengthen  
Influence on Fees  
and Cost of Capital

  
LACERA  
T.I.D.E.



### Optimize Investment Model

#### Objective:

To leverage our competitive advantages through deliberate investment models and structures that harness technology, cost effectiveness, and human capital to maximize risk-adjusted returns

#### Progress:

- Expanded co-investment programs to additional asset categories
- Created revenue sharing agreements with asset managers through emerging manager programs
- Completed analysis of internal asset management for public markets

#### Aspirations:

- Evolve internal staff investment committees
- Further cultivate an investor mindset
- Continuously right-size capital invested to asset managers and mandates

# 2023 Work Plan

## Strategic Initiatives

  
Enhance  
Operational  
Effectiveness

  
Optimize  
Investment  
Model

  
Maximize  
Stewardship and  
Ownership Rights

  
Strengthen  
Influence on Fees  
and Cost of Capital

  
LACERA  
T.I.D.E.



### Maximize Stewardship and Ownership Rights

#### Objective:

To steward our investments – including legal rights associated with them – in a manner that promotes and safeguards our economic interests and durable financial value, including through proxy voting, engagement, and policy advocacy

#### Progress:

- Institutionalized consistent ESG and DEI due diligence and monitoring across all mandates
- Routinized global proxy voting consistent with LACERA Principles
- Expanded engagements on board diversity, climate, public policy

#### Aspirations:

- Expanding climate risk analysis to total Fund including private markets
- Implement recently restated Responsible Contractor Policy
- Integrate Global Real Estate Sustainability Benchmark in real assets
- Assume voting rights in OPEB separate account structure
- Amplify progress and leadership in governance and ESG initiatives

# 2023 Work Plan

## Strategic Initiatives

  
Enhance  
Operational  
Effectiveness

  
Optimize  
Investment  
Model

  
Maximize  
Stewardship and  
Ownership Rights

  
Strengthen  
Influence on Fees  
and Cost of Capital

  
LACERA  
T.I.D.E.



### Strengthen Influence on Fees and Cost of Capital

#### Objective:

To strengthen our influence on fees and cost of capital with the goal of maximizing returns by minimizing cost across all investment strategies and structures in a manner that promotes durable investment returns

#### Progress:

- Increased allocation to private equity co-investment program, reducing costs
- Elevated non-economic terms such as capacity rights, revenue sharing, and beneficial rights
- Established dedicated managed accounts with better terms

#### Aspirations:

- Be “term-makers” as opposed to “term-takers”
- Promote creativity and solutions when tailoring terms
- Further measure and reduce costs across portfolio



# 2023 Work Plan

## Strategic Initiatives

  
Enhance  
Operational  
Effectiveness

  
Optimize  
Investment  
Model

  
Maximize  
Stewardship and  
Ownership Rights

  
Strengthen  
Influence on Fees  
and Cost of Capital

  
LACERA  
T.I.D.E.



LACERA  
T.I.D.E.

### Objective:

To improve outcomes through comprehensive, total Fund efforts that encourage constructive, inclusive, and equitable talent management at investment partners, industry, and internally

### Progress:

- Instituted comprehensive annual updates to the BOI
- Increased insight of manager practices for portfolio evaluation
- Vast increase in manager reporting, DEI focus, and candor
- Expanded industry collaboration and external advocacy
- Expanded allocation opportunities for emerging managers

### Aspirations:

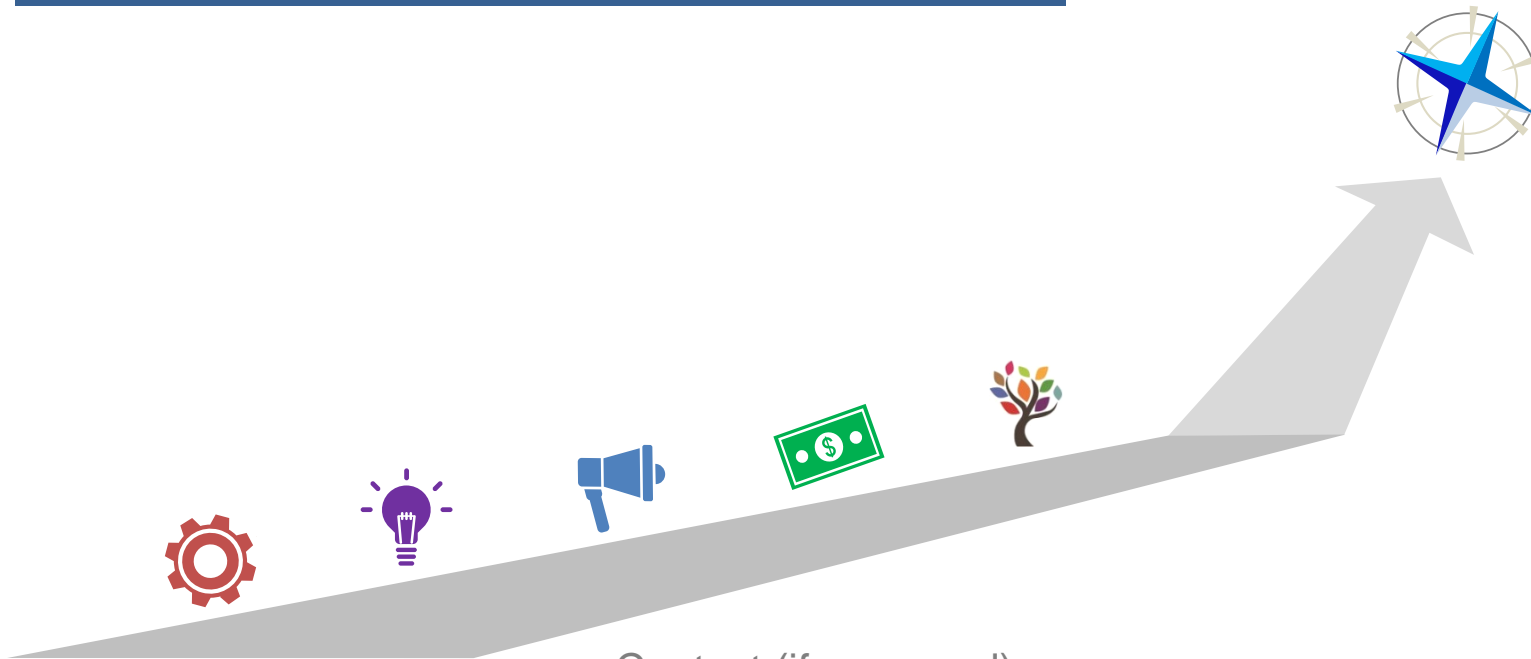
- Constructive influence for manager adoption of leading DEI practices
- Evolve holistically towards inclusion and diversity and equity
- Maximize functional empowerment and engagement of internal team

# 2023 Work Plan Recommendation

## Recommendation:

Approve the 2023 Work Plan and Strategic Initiatives

Execute  
Strategic Asset Allocation  
Towards Best-In-Class Investor



## Context (if approved):

- The Investments Division's 2023 Work Plan and Strategic Initiatives would be a component of LACERA's strategic plan
- The Investments Division may re-evaluate its work plan as circumstances warrant

# Appendix



# Prospective 2023 Calendar

	January	February	March	April	May	June	July	August	September	October	November	December
Board of Investments	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
							[ Potential Offsite ]					
Corporate Governance Committee				✓						✓		
Credit and Risk Mitigation Committee					✓				✓			
Equity: Public/Private Committee			✓				✓				✓	
Real Assets Committee						✓						✓

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



# 2023 Work Plan

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

FEBRUARY 8, 2023	
Board of Investments:	
Category	Subject
Total Fund	OPEB Public Markets Search Minimum Qualifications Recommendation
Growth	Private Equity Investment Recommendation
Committee: (open)	
Category	Subject

MARCH 8, 2023	
Board of Investments:	
Category	Subject
Total Fund	Trust and OPEB Performance Report and Review
Total Fund	General Consultant Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendations
Real Assets	Investment Recommendation
Committee: Equity: Public/Private	
Category	Subject
Growth	Private Equity Performance Report and Review
Growth	Guest Speaker(s)

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



# 2023 Work Plan

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

**APRIL 12, 2023**

**Board of Investments:**

Category	Subject
Total Fund	Annual Securities Lending Income Report
Growth	Private Equity Investment Recommendation
Real Assets	Investment Recommendation



**Committee: Corporate Governance**

Category	Subject
Corporate Gov.	Principles Policy Review
Corporate Gov.	Guest Speaker(s)



**MAY 10, 2023**

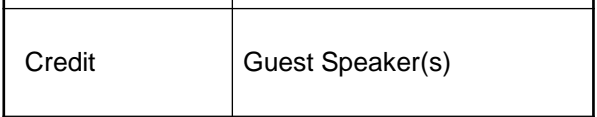
**Board of Investments:**

Category	Subject
Total Fund	OPEB Public Markets Search Recommendation
Growth	Private Equity Investment Recommendation



**Committee: Credit and Risk Mitigation**

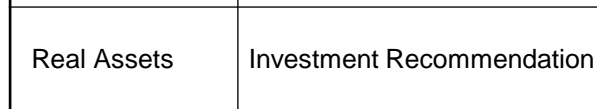
Category	Subject
Credit	Performance Report and Review
Risk Mitigation	Performance Report and Review
Credit	Guest Speaker(s)



**JUNE 14, 2023**

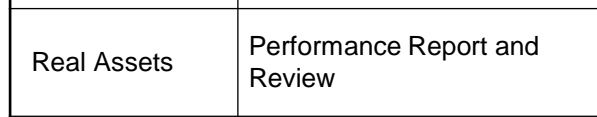
**Board of Investments:**

Category	Subject
Total Fund	Trust and OPEB Performance Report
Total Fund	General Consultant Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendation
Real Assets	Investment Recommendation



**Committee: Real Assets**

Category	Subject
Real Assets	Implementation Update
Real Assets	Guest Speaker(s)
Real Assets	Performance Report and Review



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



# 2023 Work Plan

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

JULY 12, 2023	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Total Fund & OPEB	Strategic Asset Allocation Study - Process Overview
Real Assets	Real Estate Findings Update Memo
Growth	Private Equity Investment Recommendation
Credit	Investment Recommendation
Committee: Equity: Public/Private	
Category	Subject
Growth	Global Equity – Review of Active Portfolio

AUGUST 9, 2023	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Real Assets	Real Assets and Real Estate Emerging Manager Program Search Manager Recommendation
Committee: (open)	
Category	Subject

SEPTEMBER 13, 2023	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Total Fund	Trust and OPEB Performance Report and Review
Total Fund	General Consultant Trust and OPEB Performance Report
Growth	Private Equity Portfolio Performance Review
Real Assets	Private Fund Investment Recommendation
Committee: Credit and Risk Mitigation	
Category	Subject
Credit	Structure Review
Risk Mitigation	Structure Review

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



# 2023 Work Plan

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

### OCTOBER 11, 2023

#### Board of Investments:

Category	Subject
Total Fund & OPEB	Strategic Asset Allocation Study
Total Fund	Fee Attribution Analysis
Growth	Private Equity Investment Recommendation
Real Assets	Investment Recommendation
Real Assets	Responsible Contractor Policy – Compliance Update

#### Committee: Corporate Governance

Category	Subject
Corporate Gov.	Proxy Voting Results and Trends
Corporate Gov.	Review of Engagement and Stewardship Initiatives

### NOVEMBER 8, 2023

#### Board of Investments:

Category	Subject
Total Fund & OPEB	Strategic Asset Allocation Study
Credit	Asset Category Consultant Search Minimum Qualifications Recommendation
Risk Mitigation	Asset Category Consultant Search Minimum Qualifications Recommendation
Real Assets	Asset Category Consultant Search Minimum Qualifications Recommendation
Real Assets	Investment Recommendation

#### Committee: Equity: Public/Private

Category	Subject
Growth	Global Equity MSCI Risk Review
Growth	Private Equity Performance Report and Review

### DECEMBER 13, 2023

#### Board of Investments:

Category	Subject
Total Fund & OPEB	Strategic Asset Allocation Study
Total Fund	Trust and OPEB Performance Report
Total Fund	General Consultant Trust and OPEB Performance Report
Total Fund	T.I.D.E. Initiative Update
Total Fund	7514.7 – Investment Fee Update
Other	Actuarial Valuation of Retirement Benefits

#### Committee: Real Assets

Category	Subject
Real Assets	Structure Review
Real Assets	Guest Speaker(s)

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





December 29, 2022

TO: Trustees – Board of Investments

FROM: Jude Pérez   
Principal Investment Officer

Esmeralda del Bosque   
Acting Principal Investment Officer

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: **OPEB MASTER TRUST - INVESTMENT BELIEFS RECOMMENDATION**

### RECOMMENDATION

That the Board of Investments adopt the LACERA Pension Investment Beliefs approved at the December 2022 Board Meeting and incorporate them into the OPEB Master Trust (“OPEB Trust”) Investment Policy Statement (“IPS”).

### SUMMARY

At the December 2022 Board of Investments (“BOI”) meeting, staff, along with LACERA’s general consultant, Meketa Investment Group (“Meketa”), presented revisions to LACERA’s Pension Plan Investment Beliefs. The proposed revisions were a culmination of survey input and feedback from multiple discussions with the Board and incorporated edits from Meketa. As the OPEB Trust IPS and Investment Beliefs are modeled after the Pension Plan IPS, including the recently approved Investment Belief revisions is an appropriate next step for the OPEB Trust IPS.

Included for Trustee review are the following attachments:

- Attachment 1: The December 2022 Pension Plan presentation deck that includes a side-by-side comparison of each Investment Belief and proposed revisions highlighted in green font, including explanations of the proposed refinements.
- Attachment 2: Redlined copy of proposed changes to the Investment Beliefs, as excerpted from the OPEB Trust IPS. Note: References to the Pension plan have been updated to the OPEB Trust in the redline.
- Attachment 3: Clean copy of the proposed Investment Beliefs, reflecting refined language and excerpted from the OPEB Trust IPS.
- Attachment 4: Full copy of the current OPEB Trust IPS, as adopted by the Board in September 2021, with the current Investment Beliefs starting on page 5.

Attachment 5: Memo from Meketa Investment Group concurring with staff's recommendation.

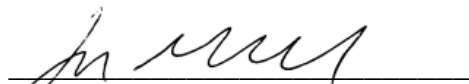
If approved by the Board, the clean copy of the proposed language refinements (Attachment 3) will be inserted into the OPEB Trust IPS to replace the existing Investment Beliefs language.

### **CONCLUSION**

Staff recommends that the revised Pension Investment Beliefs, adopted at the December 2022 BOI meeting, be incorporated into the OPEB Trust IPS. Additionally, any instances in the Investment Beliefs that specifically reference the Pension Plan will be updated to point to the OPEB Trust.

Attachments

Noted and Reviewed:



Jonathan Grabel  
Chief Investment Officer

# Investment Beliefs

**Board of Investments Meeting**

**December 14, 2022**

Tim Filla – Senior Vice President (Meketa Investment Group)

Krista Powell – Investment Officer (LACERA)

Cindy Rivera – Senior Investment Analyst (LACERA)

Magdalia Armstrong – Senior Investment Analyst (LACERA)



**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION**

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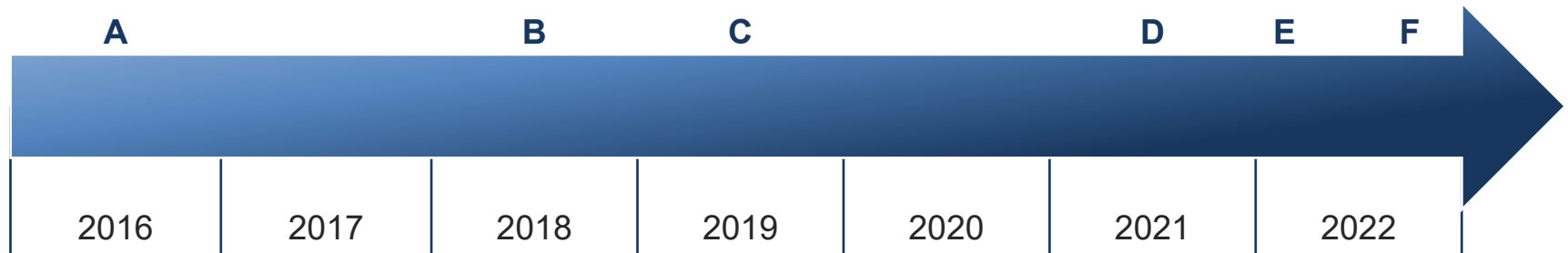
# Recommendation

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## Recommendation

Approve revised Investment Beliefs and insert the revised Investment Beliefs into LACERA's Investment Policy Statement.

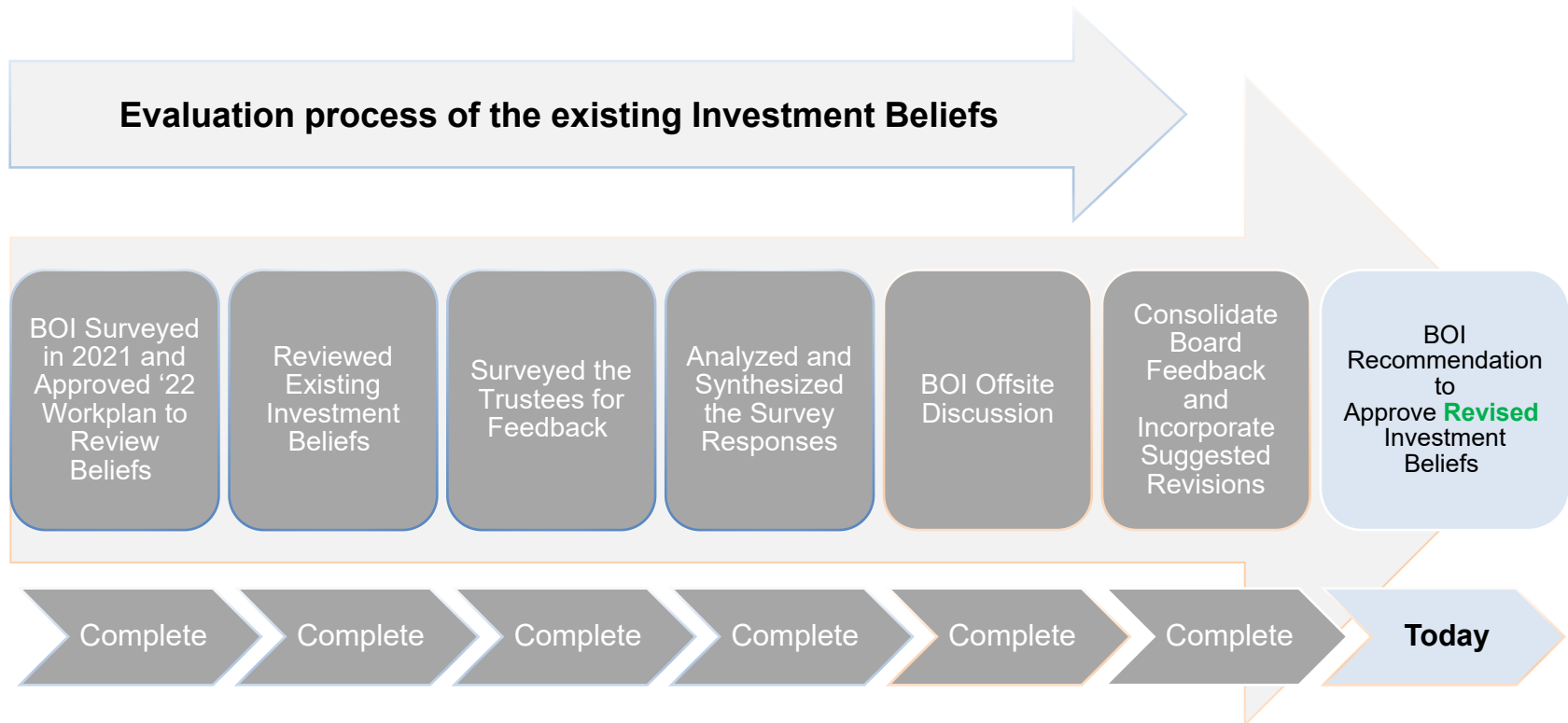
# Background



- A** LACERA adopted a standalone Statement of Investment Beliefs
- B** The Investment Beliefs were incorporated into and frame LACERA's updated and restated Investment Policy Statement
- C** The Investment Beliefs help shape the Board-approved "Allocator to Best-in-Class Investor" strategic initiatives
- D** LACERA's BOI Offsite discussion on strategic initiatives included questions on possible refinements to Investment Beliefs
- E** LACERA's 2022 Work Plan<sup>1</sup> demonstrated how each strategic initiative is rooted in Investment Beliefs
- F** LACERA's BOI Offsite included a review of survey results and a discussion on Investment Beliefs

1. Approved by the Board of Investments on 1/12/2022.

# Process



*The following section provides context for recommended revisions for each investment belief and signals **revised language** in green font*

# Proposed Revisions





# I. Strategic Asset Allocation

## BOI Input and Summary of Proposed Language Refinement

- General feedback, the current version did not need too much refinement
- Incorporated language with reference to diversification
- Expanded on inputs of strategic asset allocation

### Current Investment Belief(s)

#### Strategic Asset Allocation

Long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes.

- It is important that LACERA be forward looking, as its investment horizon spans decades, if not indefinitely into the future.
- Asset allocation has a greater effect on return variability than asset class investment structure or manager selection. It is essential to account for LACERA's liabilities in setting long-term investment strategy.
- Rebalancing the portfolio is a key aspect of prudent long-term asset allocation policy.

### Proposed Revisions

#### Strategic Asset Allocation

Long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes.

- It is important that LACERA be forward-looking as its investment horizon spans decades, if not indefinitely, into the future.
- Strategic** asset allocation has a greater effect on return variability than asset class investment structure or manager selection.
- Strategic asset allocation is a critical source of investment diversification to optimize growth and mitigate risk across the total Fund.**
- Strategic asset allocation must carefully consider plan liabilities, actuarial assumptions, and capital market assumptions.**
- Rebalancing the portfolio is a key aspect of prudent long-term **strategic** asset allocation policy.

## II. Market Dynamics

### BOI Input and Summary of Proposed Language Refinement

- Discussed vagueness of current language and interest in refining for more explanatory power
- Proposed language adds nuance to suggest how market efficiency may vary and is considered to inform portfolio construction and investment allocation decisions

#### Current Investment Belief(s)

##### Market Efficiency

Markets are largely efficient over the long-term (10–20 years); however, during certain economic and financial environments markets may not be efficient in setting prices.

- Consequently, LACERA will allow for modest tactical asset allocation adjustments during times of disruption.

#### Proposed Revisions

##### Market Dynamics

Capital market efficiencies inform LACERA's strategic asset allocation and portfolio construction.

- The efficiency of financial markets may vary by market segment, geographic region, geopolitical regimes, and across public versus private markets.
- Market transparency, the regulatory environment, behavioral finance factors, and investment time horizons may influence and shape market efficiency.
- LACERA's investment processes should be adequately nimble to prudently capture attractive investment opportunities.

## BOI Input and Summary of Proposed Language Refinement

- Investment beliefs should be forward looking and align with the functional framework
- Taking an “umbrella” approach is favorable when viewing the portfolio holistically

### Current Investment Belief(s)

#### Active Versus Passive Management

As markets are largely efficient, passive management, when available, is the preferred structure for investment management; however, the Board recognizes that some asset classes may justify the higher fees and/or expected enhanced returns associated with active management.

- Consequently, active strategies will be used only when there is strong conviction that they can be expected to add value net of their higher fees and are adjusted for risk.

#### Private Markets and Liquidity

Private market assets can add value to a portfolio, providing opportunities for returns that exceed those expected from public markets.

- The total capital allocated to illiquid strategies must be kept at a prudent level.
- The high return potential of these assets needs to be balanced with LACERA’s need for liquidity.
- Liquid assets serve a critical role to fund benefit payments and rebalance the portfolio.

### Proposed Revisions

#### Return

Risk and return are expected to be positively correlated over long-term periods. Returns can be enhanced through active strategies, illiquid investments, and leverage; however, such strategies need to be balanced with LACERA’s risk tolerances, portfolio objectives, and liquidity needs.

- Active strategies will be used when they **are** expected to add value net-of-fees **while adjusting** for risk.
- The total capital allocated to illiquid strategies must be kept at a prudent level.
- Liquid assets serve a critical role to fund benefit payments and rebalance the portfolio.

# IV. Risk

## BOI Input and Summary of Proposed Language Refinement

- The current belief has some confusing and redundant language
- Need to make it more succinct and reduce/eliminate redundant or conflicting language
- Proposed language simplifies the existing language to reflect LACERA's emphasis on IDD\* and ODD\*

### Current Investment Belief(s)

#### Risk

Risk is a broad term used to capture the concept of uncertainty. Since no single metric adequately conveys risk, LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio.

- LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective.
- Diversification across different risk factors is necessary for risk reduction.
- Markets are cyclical; risk premia, volatility, and correlations vary over time.
- The pattern of returns matters because the volatility levels and the sequence of gains and losses can impact funded status and contribution rates.
- Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.
- For LACERA, not taking enough risk is risky; therefore, LACERA will accept a prudent amount of risk to achieve its long-term target returns.
- LACERA considers the risks of environmental, social, and governance (“ESG”) factors as relevant to its investment process.
- LACERA believes that conflicts of interest may pose risk; therefore, any perceived conflicts should be identified and explored as a material factor in risk analysis.

### Proposed Revisions

#### Risk

Risk is a broad term used to capture the concept of uncertainty. No single metric adequately conveys risk. LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio.

**Monitoring and managing risk is a key focus for LACERA.** Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.

**Risks confronted by LACERA include, but are not limited to:**

- Investment Risks (macroeconomic, volatility, leverage, illiquidity, geography, currency, political, credit, environmental, social, and governance); and**
- Operational Risks (valuation, counterparty, benchmarking, business continuity, talent management, cybersecurity, reputational, fraud, regulatory, and conflicts of interest).**

## BOI Input and Summary of Proposed Language Refinement

- Discussed defining ESG as both financial risk and opportunity in separate subsection
- Trustees emphasized maintaining focus on financial implications of ESG factors (i.e., avoid impact)
- Proposed language reflects IPS language that ESG factors may present financial risk and opportunity
- Adds language to base LACERA's ESG focus in protecting and producing investment returns

### Current Investment Belief Language

#### ESG

LACERA considers the risks of environmental, social, and governance (ESG) factors as relevant to its investment process.

### Proposed Revisions

#### Stewardship

LACERA recognizes that environmental, social, and corporate governance factors (ESG) may present financial risks and opportunities for the Fund. LACERA seeks to identify, evaluate, and manage financially relevant ESG factors in its investment process—including portfolio construction, investment due diligence, and stewardship strategies—to safeguard and enhance Fund performance.

## BOI Input and Summary of Proposed Language Refinement

- Discussed adding the importance of contract “terms” to the current language on fees and costs
- Also discussed belief that LACERA should assert its influence to shape fees, costs, and terms
- Proposed language below incorporates terms and reference to LACERA’s ability to exert influence

### Current Investment Belief(s)

#### Costs and Fees

Investment outcomes are determined by risk, returns, and costs. All three must be managed, and cost is the most certain.

- Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy.
- Costs and fees should be actively monitored and negotiated to the greatest extent possible.

### Proposed Revisions

#### Terms

Investment outcomes are determined by risk, returns, and costs. All three must be managed, and **each mandate should be structured with the best possible terms available across the total Fund to enhance future outcomes.**

- The breadth of LACERA’s presence in financial markets is an asset to influence terms and fees.**
- Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy.
- Costs, fees, **and terms** should be actively monitored and negotiated to the greatest extent possible.

# VII. Productivity

## BOI Input and Summary of Proposed Language Refinement

- Broaden current “Education” belief to include the role of human capital; consider referencing resources
- Proposed language incorporates the role of people and resources to optimize investment outcomes

Current Investment Belief(s)	Proposed Revisions
<p><b>Education</b></p> <p>In an increasingly complex and dynamic investment universe, continued education on investment concepts and investment strategies within that universe is fundamental for long-term success.</p>	<p><b>Productivity</b></p> <p>People and resources matter. Constructive talent management, efficient operations and procedures, and a commitment to ongoing education and improvement are essential to optimizing LACERA’s investment performance.</p> <ul style="list-style-type: none"><li>a. <b>Human Capital:</b> Trustees and staff are vital to executing LACERA’s investment program. LACERA must cultivate a talented and collaborative workforce that is inclusive of diverse perspectives and backgrounds and demonstrates a steadfast commitment to high ethical conduct.</li><li>b. <b>Education:</b> In an increasingly complex and dynamic investment universe, continued education on investment concepts and investment strategies within that universe is fundamental for long-term success.</li><li>c. <b>Operations:</b> Strong operational processes and sufficient resources can maximize efficiency, mitigate risks, and optimize investment performance.</li></ul>

# Recommendation and Summary

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## Recommendation

- Approve revised Investment Beliefs and insert the revised Investment Beliefs into LACERA's Investment Policy Statement.

## Summary

- This recommendation is being made in consideration of: (i) timeliness relative to the Board Offsite survey and discussion; and (ii) continuity of current Trustees who participated in the Board Offsite survey and discussion
- Meketa and staff collaborated to consolidate Trustee feedback from survey results and the Board Offsite, which inspired the proposed changes
- Below is a summary of considerations regarding the proposed updates to the Investment Beliefs:
  - Reflect the Allocator to Best-in-Class strategic plan
  - Maintain LACERA's core views and principles with language that is timeless
  - Integrate updates to the Fund (e.g., functional framework)
  - Apply a framework that Investment Beliefs should be mission-relevant, principles-based, succinct, and actionable



# Investment Policy

## I. Investment Philosophy and Strategy

### A. Objectives of the Investment Program

LACERA follows a carefully planned and executed strategic investment program in order to:

i. **Produce** the promised benefits for OPEB Trust participants and beneficiaries by achieving the OPEB Trust assumed rate of return on a total return basis over the long-term, consistent with LACERA's mission;

ii. **Protect** the promised benefits on behalf of OPEB Trust participants and beneficiaries by mitigating investment risks through Fund diversification and other means, consistent with LACERA's mission; and

iii. **Provide** the promised benefits for OPEB Trust participants and beneficiaries, in part by ensuring adequate liquidity, consistent with LACERA's mission.

### B. Investment Beliefs

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

#### i. Strategic Asset Allocation

Long-term strategic asset allocation will be the primary determinant of OPEB Trust LACERA's risk/return outcomes.

- a. It is important that LACERA be forward-looking, as its investment horizon spans decades, if not indefinitely, into the future.
- b. Strategic asset allocation has a greater effect on return variability than asset class investment structure or manager selection. ~~It is essential to account for OPEB Trust liabilities in setting long term investment strategy.~~
- c. Strategic asset allocation is a critical source of investment diversification to optimize growth and mitigate risk across the total Fund.
- d. Strategic asset allocation must carefully consider plan liabilities, actuarial assumptions, and capital market assumptions.
- e. Rebalancing the portfolio is a key aspect of prudent long-term strategic asset allocation policy.

#### ii. Market Efficiency Dynamics

~~Markets are largely efficient over the long term (10–20 years); however, during certain economic and financial environments markets may not be efficient in setting prices.~~

Capital market efficiencies inform LACERA's strategic asset allocation and portfolio construction.

- a. ~~Consequently, LACERA will allow for modest tactical asset allocation adjustments during times of disruption.~~

- a. The efficiency of financial markets may vary by market segment, geographic region, geopolitical regimes, and across public versus private markets.
- b. Market transparency, the regulatory environment, behavioral finance factors, and investment time horizons may influence and shape market efficiency.
- c. LACERA's investment processes should be adequately nimble to prudently capture attractive investment opportunities.

### iii. **Active Versus Passive Management Return**

~~As markets are largely efficient, passive management, when available, is the preferred structure for investment management; however, the Board recognizes that some asset classes may justify the higher fees and/or expected enhanced returns associated with active management.~~

Risk and return are expected to be positively correlated over long-term periods. Returns can be enhanced through active strategies, illiquid investments, and leverage; however, such strategies need to be balanced with LACERA's risk tolerances, portfolio objectives, and liquidity needs.

- a. ~~Consequently, A~~ active strategies will be used ~~only~~ when ~~there is strong conviction that they can be~~ are expected to add value net ~~of fees while their higher fees and are~~ adjusted for risk.

### iv. **Private Markets and Liquidity**

~~Private market assets can add value to a portfolio, providing opportunities for returns that exceed those expected from public markets.~~

- b. The total capital allocated to illiquid strategies must be kept at a prudent level.

~~The high return potential of these assets needs to be balanced with the OPEB Trust's need for liquidity.~~

- c. Liquid assets serve a critical role to fund benefit payments and rebalance the portfolio.

### v-iv. **Risk**

Risk is a broad term used to capture the concept of uncertainty. ~~Since n~~No single metric adequately conveys risk, LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio. Monitoring and managing risk is a key focus for LACERA.

~~LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective.~~

~~Diversification across different risk factors is necessary for risk reduction.~~

~~Markets are cyclical; risk premia, volatility, and correlations vary over time.~~

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Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.

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- ~~g. LACERA believes that conflicts of interest may pose risk; therefore, any perceived conflicts should be identified and explored as a material factor in risk analysis.~~

Risks confronted by LACERA include, but are not limited to:

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- b. Operational Risks (valuation, counterparty, benchmarking, business continuity, talent management, cybersecurity, reputational, fraud, regulatory, and conflicts of interest).

#### **v. Stewardship**

LACERA recognizes that environmental, social, and corporate governance factors (ESG) may present financial risks and opportunities for the Fund. LACERA seeks to identify, evaluate, and manage financially relevant ESG factors in its investment process—including portfolio construction, investment due diligence, and stewardship strategies—to safeguard and enhance Fund performance.

#### **vi. Costs and Fees Terms**

Investment outcomes are determined by risk, returns, and costs. All three must be managed, and ~~cost is the most certain~~ each mandate should be structured with the best possible terms available across the total Fund to enhance future outcomes.

- a. The breadth of LACERA's presence in financial markets is an asset to influence terms and fees.
- b. Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy.
- c. Costs, ~~and fees,~~ and terms should be actively monitored and negotiated to the greatest extent possible.

#### **vii. Productivity**

People and resources matter. Constructive talent management, efficient operations and procedures, and a commitment to ongoing education and improvement are essential to optimizing LACERA's investment performance.

- a. Human Capital: Trustees and staff are vital to executing LACERA's investment program. LACERA must cultivate a talented and collaborative workforce that is inclusive of diverse perspectives and backgrounds and demonstrates a steadfast commitment to high ethical conduct.
- b. Education: In an increasingly complex and dynamic investment universe, continued education on investment concepts and investment strategies within that universe is fundamental for long-term success.
- c. Operations: Strong operational processes and sufficient resources can maximize efficiency, mitigate risks, and optimize investment performance.

# Investment Policy

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

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- c. Strategic asset allocation is a critical source of investment diversification to optimize growth and mitigate risk across the total Fund.
- d. Strategic asset allocation must carefully consider plan liabilities, actuarial assumptions, and capital market assumptions.
- e. Rebalancing the portfolio is a key aspect of prudent long-term strategic asset allocation policy.

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Capital market efficiencies inform LACERA's strategic asset allocation and portfolio construction.

- a. The efficiency of financial markets may vary by market segment, geographic region, geopolitical regimes, and across public versus private markets.
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- c. LACERA's investment processes should be adequately nimble to prudently capture attractive investment opportunities.

### **iii. Return**

Risk and return are expected to be positively correlated over long-term periods. Returns can be enhanced through active strategies, illiquid investments, and leverage; however, such strategies need to be balanced with LACERA's risk tolerances, portfolio objectives, and liquidity needs.

- a. Active strategies will be used when they are expected to add value net-of-fees while adjusting for risk.
- b. The total capital allocated to illiquid strategies must be kept at a prudent level.
- c. Liquid assets serve a critical role to fund benefit payments and rebalance the portfolio.

### **iv. Risk**

Risk is a broad term used to capture the concept of uncertainty. No single metric adequately conveys risk. LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio. Monitoring and managing risk is a key focus for LACERA. Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.

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LACERA recognizes that environmental, social, and corporate governance factors (ESG) may present financial risks and opportunities for the Fund. LACERA seeks to identify, evaluate, and manage financially relevant ESG factors in its investment process—including portfolio construction, investment due diligence, and stewardship strategies—to safeguard and enhance Fund performance.

### **vi. Terms**

Investment outcomes are determined by risk, returns, and costs. All three must be managed, and each mandate should be structured with the best possible terms available across the total Fund to enhance future outcomes.

- a. The breadth of LACERA's presence in financial markets is an asset to influence terms and fees.
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- c. Operations: Strong operational processes and sufficient resources can maximize efficiency, mitigate risks, and optimize investment performance.

# Investment Policy Statement

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# OPEB Master Trust

Restated September 8, 2021



L/CERA

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- Placement Agent Policy
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# About LACERA and the OPEB Trust

The Los Angeles County Employees Retirement Association (“LACERA”) administers a defined benefit retirement plan (the “Fund”) and has been appointed as the Investment Manager for the Los Angeles County’s, LACERA’s, and Los Angeles County Superior Court’s Other Post-Employment Benefit Trusts (“Trust[s]”), which are the participating employers under the LACERA Master Trust (“OPEB Trust”).

The Los Angeles County Board of Supervisors established LACERA by ordinance in 1937. LACERA has operated since 1938, and today, serves over 170,000 active and retired members.

LACERA’s mission is to “produce, protect, and provide the promised benefits.” LACERA aims to fulfill its mission through prudent investment and conservation of plan assets, in accordance with its Investment Beliefs and in consideration of actuarial analysis.

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## LACERA MISSION STATEMENT

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We Produce, Protect, and Provide  
the Promised Benefits

LACERA’s Board of Investments (the “Board”) is responsible for establishing LACERA’s investment policy and objectives, as well as exercising oversight of the investment management for both the Fund and the OPEB Trust.

The County of Los Angeles (“County”) established the OPEB Trust for the purpose of pre-funding the Retiree Healthcare Benefits Program (“OPEB Program”). The OPEB Trust serves as a funding tool for the participating employers to hold and invest assets used to pay OPEB Program benefits, such as medical, dental and vision.

In 2012, the County Board of Supervisors approved entering into a Trust and Investment Services Agreement with the LACERA Board to serve as trustee and investment manager for two participating employers: Los Angeles County and LACERA. In 2016, the governing body of the Los Angeles Superior Court approved a similar agreement, and the Board of Supervisors in turn approved amending the County agreement to include the Superior Court as a third participant in a pooled investment structure through the OPEB Master Trust Declaration.

# Statement of Purpose

The OPEB Trust Investment Policy Statement (the “IPS”) defines the framework by which LACERA manages the assets of the OPEB Trust in order to fulfill its mission. The document provides the primary guidance for OPEB Trust investment activities by outlining the philosophy and structure of the OPEB Trust investment program, describing the general process by which assets are managed, and defining the key roles and responsibilities for the investment program.

The IPS is in furtherance of the OPEB Trust’s purpose to permit the co-investing and commingling the assets of the participating Trusts for investments purposes. The ultimate purpose of the investment program is to fund and pay benefits under the OPEB Program.

# Legal Authority

Article 8.6 of the County Employees Retirement Law of 1937, as amended (California Government Code Sections 31694 - 31694.5) (“CERL”) provides authority to governing bodies of the County and Superior Court to establish a Trust to fund an OPEB Program and for the Board of Investments to be appointed and serve as Trustee, investment manager and/or third-party administrator for such Trust. The County and Court Trust agreements were established pursuant to this legal authority and approved by the Board of Investments. LACERA, in turn, used its authority to create the Master Trust to facilitate the investment of the County, Court, and LACERA funds set aside for the OPEB Program. Under the OPEB Trust Declaration, the Board of Investments has “sole and exclusive authority, control over and responsibility for directing the investment and management of” OPEB Trust assets. The Board of Investments is a fiduciary in performing its responsibilities as Trustees. The Trust documents provide for the Board of Investments to adopt investment policies and asset allocation formula as the Board sees fit in the performance of its duties to fulfill the purpose of the Trusts.

LACERA’s governing statutes create a legal framework within which this IPS must be interpreted and implemented by the Board in approaching its decisions. Under the OPEB Trust Declaration, the Board is independent and has sole and exclusive legal responsibility over investment of OPEB Trust assets, including the establishment of the investment policy and asset allocation.

## A. Fiduciary Duty

The Board and its Trustees are fiduciaries under the Trust documents and applicable by law, making decisions for the benefit of the Trusts as a whole without other concerns or outside influence. All Trustees, whether they are elected, appointed, or ex officio, have the same fiduciary duty under the law. This fiduciary duty has two components:

- *Duty of Loyalty.* Under the duty of loyalty, Trustees have the sole and exclusive responsibility to administer the OPEB Trust in the interest of and for the exclusive purpose of providing benefits to the participating employers’ participants in the OPEB Program and their beneficiaries. In making every decision, the Board must act according to a three-pronged legal formula that balances the interests of OPEB Trust stakeholders: (1) solely in the interest of providing OPEB Program benefits to Program participants and beneficiaries, (2) to minimize employer contributions necessary to fund the OPEB Program, and (3) to defray the expenses of administering the OPEB Trust. The Board’s duty to participants and their beneficiaries takes precedence over any other duty.
- *Duty of Prudence.* Trustees must discharge their duties with the care, skill, prudence, and diligence that a prudent fiduciary familiar with the matters and the circumstances of each particular decision would use in the conduct of a similar enterprise with like aims. The Board must diversify OPEB Trust investments so as to minimize risk of loss and maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. The Board may invest or delegate the authority to invest OPEB Trust assets through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board.

## B. Ethics and Code of Conflicts

The Board and LACERA staff must refrain from personal activity that could conflict with the proper management of the OPEB Trust investment program, or that could impair their ability to make decisions in compliance with

fiduciary duty. Further details are defined in LACERA's Code of Ethical Conduct, Conflict of Interest Code, the Political Reform Act, Fair Political Practices Commission regulations, and other applicable law.

### **C. Process**

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

# Investment Policy

## I. Investment Philosophy and Strategy

### A. Objectives of the Investment Program

LACERA follows a carefully planned and executed strategic investment program in order to:

- i. **Produce** the promised benefits for OPEB Trust participants and beneficiaries by achieving the OPEB Trust assumed rate of return on a total return basis over the long-term, consistent with LACERA's mission;
- ii. **Protect** the promised benefits on behalf of OPEB Trust participants and beneficiaries by mitigating investment risks through diversification and other means, consistent with LACERA's mission; and
- iii. **Provide** the promised benefits for OPEB Trust participants and beneficiaries, in part by ensuring adequate liquidity, consistent with LACERA's mission.

### B. Investment Beliefs

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

#### i. Strategic Asset Allocation

Long-term strategic asset allocation will be the primary determinant of OPEB Trust risk/return outcomes.

- a. It is important that LACERA be forward looking, as its investment horizon spans decades, if not indefinitely into the future.
- b. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection. It is essential to account for OPEB Trust liabilities in setting long-term investment strategy.
- c. Rebalancing the portfolio is a key aspect of prudent long-term asset allocation policy.

#### ii. Market Efficiency

Markets are largely efficient over the long term (10–20 years); however, during certain economic and financial environments markets may not be efficient in setting prices.

- a. Consequently, LACERA will allow for modest tactical asset allocation adjustments during times of disruption.

#### iii. Active Versus Passive Management

As markets are largely efficient, passive management, when available, is the preferred structure for investment management; however, the Board recognizes that some asset classes may justify the higher fees and/or expected enhanced returns associated with active management.

- a. Consequently, active strategies will be used only when there is strong conviction that they can be expected to add value net of their higher fees and are adjusted for risk.

#### **iv. Private Markets and Liquidity**

Private market assets can add value to a portfolio, providing opportunities for returns that exceed those expected from public markets.

- a. The total capital allocated to illiquid strategies must be kept at a prudent level.
- b. The high return potential of these assets needs to be balanced with the OPEB Trust's need for liquidity.
- c. Liquid assets serve a critical role to fund benefit payments and rebalance the portfolio.

#### **v. Risk**

Risk is a broad term used to capture the concept of uncertainty. Since no single metric adequately conveys risk, LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio.

- a. LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective.
- b. Diversification across different risk factors is necessary for risk reduction.
- c. Markets are cyclical; risk premia, volatility, and correlations vary over time.
- d. The pattern of returns matters because volatility levels and the sequence of gains and losses can impact funded status and contribution rates.
- e. Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.
- f. For LACERA, not taking enough risk is risky; therefore, LACERA will accept a prudent amount of risk to achieve its long-term target returns.
- g. LACERA considers the risks of environmental, social, and governance ("ESG") factors as relevant to its investment process.
- h. LACERA believes that conflicts of interest may pose risk; therefore, any perceived conflicts should be identified and explored as a material factor in risk analysis.

#### **vi. Costs and Fees**

Investment outcomes are determined by risk, returns, and costs. All three must be managed, and cost is the most certain.

- a. Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy.
- b. Costs and fees should be actively monitored and negotiated to the greatest extent possible.

#### **vii. Education**

In an increasingly complex and dynamic investment universe, continued education on investment concepts and investment strategies within that universe is essential for long-term success.

### **C. Strategic Asset Allocation**

LACERA fundamentally believes long-term strategic asset allocation will be the primary determinant of risk/return outcomes, and therefore establishes a strategic asset allocation to meet its mission and investment objectives.

The OPEB Trust strategic asset allocation categorizes capital outlays into four groups, defined by the function each allocation is intended to serve in the portfolio: (1) Growth, (2) Credit, (3) Real Assets and Inflation Hedges, and (4) Risk Reduction and Mitigation. The functional categories include various asset classes that represent the risk/return characteristics of each area. LACERA expects the four functional categories to diversify the OPEB Trust and optimize upside growth while mitigating downside risk. The asset allocation determines what proportion of the OPEB Trust are allocated to each functional category and underlying asset class, including target weights and allowable ranges as a percentage of the OPEB Trust.

In order to determine the OPEB Trust strategic asset allocation, LACERA conducts a comprehensive asset allocation study every three to five years, or at the Board's request. The asset allocation study considers a number of factors, such as:

- A projection of actuarial assets, liabilities, benefits payments, contributions, and the actuarial rate of return for the OPEB Trust, as well as its current and projected funded status.
- Historical results and expected long-term capital market risk, return, and correlation forecasts.
- An assessment of future economic conditions, including inflation and interest rate levels.
- Various risk/return scenarios.
- OPEB Trust liquidity requirements.

Approved asset allocation and benchmarks for the OPEB Trust are detailed in the tables of the Appendix.

## **D. Overview of Strategic Asset Allocation**

LACERA groups asset classes into the following functional categories:

### **i. Growth**

- a. Role in the portfolio: The role of assets in this category is to be the primary driver of long-term total returns for the OPEB Trust.
- b. Asset Classes: Global Equity and Private Equity.
- c. Investment Approach: Growth assets generally represent equity or equity-like interests in current and future income streams. Growth assets include public and private market strategies that include both liquid and illiquid investments. The OPEB Trust utilizes passive strategies in relatively efficient segments of the market for global equity and employs active strategies in relatively less efficient market segments including private equity.
- d. Risk Factors: Growth assets are primarily equity ownership positions that tend to perform well in times of positive economic growth. They are highly sensitive to economic conditions and are subject to potential loss in value based on a number of factors. For example, growth assets may be sensitive to inflation and generally perform poorly in times of high and unexpected inflation. To a lesser extent, growth assets may be sensitive to interest rates due to the use of leverage in certain strategies as well as the relationship between interest rates and the discount rates used to price securities.

### **ii. Credit**

- a. Role in the portfolio: LACERA expects assets categorized as Credit to produce current income and moderate long-term total returns. Credit has more moderate levels of risk than assets categorized as Growth, and, accordingly, provides incremental diversification to the OPEB Trust.



- b. Asset Classes: Liquid Credit (High Yield, Bank Loans, Emerging Market Debt), and Illiquid Credit.
- c. Investment Approach: Credit assets are generally fixed claims on assets or income streams of an issuer (e.g., government, corporation, asset-backed securities). The category is composed of certain fixed income, real estate, and private debt investments. Investment strategies within this category may have a specific mandate or be multi-strategy. The investment strategies may be liquid, illiquid, or a combination of both, depending on the nature and terms of the specific investment vehicle. The OPEB Trust employs passive strategies for the more efficient segments of the credit market and may employ active strategies in certain segments that are relatively less efficient.
- d. Risk Factors: The primary risk for owners of Credit assets is the failure of the borrower to make timely payments of interest and principal. There are three elements of credit risk: the risk of default, the risk of a credit downgrade, and spread risk, which is the risk that investors may demand greater compensation for bearing the first two types of risk. Bonds with credit risk offer a yield premium over government bonds to compensate investors for the additional risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) are typically less liquid than higher quality bonds.

### iii. Real Assets and Inflation Hedges

- a. Role in the portfolio: LACERA expects assets in this category to provide income as well as a hedge against inflation, while diversifying the OPEB Trust due to the assumed low correlation of returns between these assets and other asset classes.
- b. Asset classes: Private Real Estate, Natural Resources, Commodities, Private Infrastructure, and Treasury Inflation-Protected Securities (“TIPS”).
- c. Investment Approach: Real Assets generally include physical assets, such as real estate and infrastructure, or securities whose value is derived from a physical asset, such as commodities or natural resources. Assets in this category may be invested in both public and private investments and may be liquid or illiquid, as well as passively or actively managed.
- d. Risk Factors: Real Assets and Inflation Hedges are sensitive to inflation. The primary risk for owners of real assets/inflation hedges is that they fail to provide a hedge against long-term changes in inflation. A secondary risk is loss of principal. The value of real estate and natural resources assets may fall, particularly during an economic downturn, but also due to idiosyncratic aspects of each asset. Diversification may offset asset-specific risk. Foreign assets are also subject to currency movements against the U.S. dollar. TIPS are exposed to liquidity risk, as they tend to be less liquid than nominally U.S. Treasuries, particularly during a market environment in which there is a flight to safety.

### iv. Risk Reduction and Mitigation

- a. Role in the portfolio: LACERA expects assets in this category to provide moderate amounts of current income by generating a modest level of return while also reducing risks for the OPEB Trust, in part by preserving capital in the event of a downturn in equity markets. LACERA anticipates that assets in this category will have a low level of volatility and a low correlation to Growth assets, thereby providing downside protection. In the event of a market correction, these assets could also provide a source of liquidity for benefit payments.

- b. Asset classes: Investment Grade Bonds, Long-Term Government Bonds, and Cash.
- c. Investment Approach: The category is composed of investment grade bonds, long-term government bonds, and cash. Cash is the least volatile asset class, as well as the most liquid; the flexibility it provides during periods of market decline helps to mitigate risk. Investment grade bonds comprise a mix of U.S. Treasuries, corporate debt, and other bonds of high quality, typically rated “BBB” or above by rating agencies. High quality bonds would be expected to protect the OPEB Trust by retaining or increasing their value during a market correction.
- d. Risk Factors: The primary risk factor for Risk Reduction and Mitigation Assets is that they will fail to provide the anticipated level of protection during market downturns. Assets in this category are also subject to additional risks. For example, investment grade bonds are sensitive to fluctuations in interest rates and have some risk of default. Cash can include short-term instruments and vehicles where there is a low probability of loss of principal.

#### **E. Performance Objectives**

The OPEB Trust’s long-term performance objective is to generate risk-adjusted returns that meet or exceed its defined actuarial target as well as its policy benchmark, net-of-fees, over the OPEB Trust designated investment time horizon. The OPEB Trust’s policy benchmarks at the total OPEB Trust level, the functional category level, and the asset class level can be found in the Appendix.

#### **F. Rebalancing**

LACERA considers rebalancing the OPEB Trust a key aspect of prudent long-term portfolio management. LACERA rebalances the OPEB Trust portfolio in accordance with established guidelines and procedures to adhere to its approved strategic asset allocation, consistent with the OPEB Trust stated Investment Beliefs. The approved ranges for each functional asset category and underlying asset class are defined in the Appendix.

#### **G. Responsible Stewardship and Beneficial Ownership Rights**

In pursuing its investment program, and as part of mitigating risks associated with the OPEB Trust investments, LACERA seeks to manage its investments in a manner that promotes and safeguards the economic interests of its participants, consistent with LACERA’s mission. LACERA prudently exercises its rights as an investor to support policies and practices at companies in which LACERA invests, as well as public policies governing financial markets, that are consistent with the OPEB Trust’s economic interests. In doing so, LACERA aims to promote sustainable, long-term value on behalf of its participants and enhance LACERA’s ability to fulfill its mission. LACERA has therefore adopted Corporate Governance and Stewardship Principles (see Attachments). Beneficial ownership rights pertaining to the OPEB Trust investments, including, but not limited to proxy voting where LACERA has retained voting authority, are managed in accordance with LACERA’s Corporate Governance and Stewardship Principles.

#### **H. Integration of Environmental, Social, and Governance (ESG) Factors**

LACERA recognizes that environmental, social, and governance factors may influence the risk-return profile and financial performance of investments. Financially material ESG factors may vary by industry, geographic exposure, business strategy, investment time horizon, and other variables. LACERA endeavors to identify, assess, and manage relevant ESG factors in its market research, portfolio construction, and throughout its investment process in furtherance of its mission and fiduciary duties. Careful consideration of ESG factors throughout LACERA’s investment process aims to generate sustainable investment returns. LACERA assesses

and monitors all investment partners on their capacity and skill in evaluating ESG risks and opportunities in a compelling manner to enhance LACERA's risk-adjusted returns.

#### **I. Diversity, Equity, and Inclusion**

LACERA values diversity, equity, and inclusion, and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA considers diversity broadly, inclusive of—but not limited to—professional backgrounds, age, experience, race, sexual orientation, gender, gender identity, disability status, military service, ethnicity, national origin, and culture. LACERA expects external asset managers and other third-party providers to respect and reflect LACERA's value of diversity, equity, and inclusion. LACERA's ongoing monitoring of third-party service providers incorporates an assessment of vendors' commitment to, adherence with, and track record of accessing and retaining diverse workforces in an inclusive and equitable manner.

## II. Investment Process

The following sections articulate the general parameters and processes by which LACERA executes its investment strategy, in adherence to established policies and procedures.

### A. Structure Review

After an asset allocation study apportions capital across categories, LACERA conducts a structure review to address how to implement each asset category. A structure review establishes the framework for each asset category by addressing its role within a total portfolio context. The structure review evaluates the objectives, portfolio composition, related strategic initiatives, and how the portfolio may evolve in the near to medium term. These reviews are presented to the Board no less frequently than the comprehensive asset allocation study conducted for the OPEB Trust, or at the Board's request.

### B. Investment Management

#### i. Investment Agreements

Board-approved investment recommendations are subject to negotiation and execution of an agreement that, in the judgment of LACERA's Chief Investment Officer and Chief Counsel, includes all terms necessary to provide adequate protection for the OPEB Trust's interests under the circumstances of the transaction, including but not limited to an appropriate standard of care on the part of the investment manager.

#### ii. Selection and Monitoring

LACERA may utilize internal resources or externally managed portfolios implemented by asset management firms and service providers to effectuate the OPEB Trust investment program. In determining whether to use internal or external resources to implement a specific investment mandate, strategy, or investment-related service, LACERA takes into consideration numerous factors, including, but not limited to, return expectations, associated risks, compliance requirements, and expenses related to the specific strategy or service.

LACERA has adopted formal procedures to guide the selection, appointment, and monitoring of external managers and service providers. LACERA expects any external party that manages assets on behalf of the OPEB Trust to serve as a fiduciary

#### iii. Costs

LACERA considers the costs and expenses related to executing its investment program to be a crucial component of its fiduciary duty and an important element in determining its strategic asset allocation. In all aspects and functions of its investment program, LACERA seeks to actively identify, assess, and monitor expenses. LACERA expects that the economic terms and conditions by which any external party is compensated for investment-related services should promote an alignment of interests between the OPEB Trust and the external party in fulfilling LACERA's mission and investment objectives. Accordingly, LACERA diligently attends to and negotiates the economic terms of investment services rendered to the OPEB Trust.

## C. Liquidity Management and Other Investment Functions

The following sections provide the general guiding principles and parameters for certain components of LACERA's investment process, including liquidity management, the use of derivative instruments, securities lending, and certain prohibited transactions.

### i. Liquidity and Cash Management

Effective cash management is integral to LACERA's investment process. LACERA strives to maintain appropriate levels of liquidity—i.e., the ability to convert investments into cash—in order to meet immediate or short-term obligations and liabilities, such as satisfying a request by a participating employer to fund OPEB Program participant benefits, meeting capital calls, and rebalancing the portfolio per the strategic asset allocation. LACERA manages liquidity by monitoring the aggregate liquidity and liquidity risk exposures of the OPEB Trust.

### ii. Derivatives Management

LACERA may employ derivative instruments to hedge or gain exposure to certain investments. A derivative is a financial instrument that derives its value from an underlying asset which represents direct ownership of a security or a direct obligation of an issuer. Derivatives may be exchange-traded or traded over the counter (OTC). LACERA expects that any use of derivatives by external managers must adhere to LACERA's policies and investment guidelines.

### iii. Prohibited Transactions

LACERA prohibits the following transactions unless stated otherwise in the investment management agreement:

- “Prohibited transactions” as defined under the Employee Retirement Income Security Act of 1974 (ERISA)
- Transactions that involve a broker acting as a “principal,” where such broker is also the investment manager (or an entity related to the investment manager) who is making the transaction
- Any or all applicable investment activities forbidden by the United States Securities and Exchange Commission or other applicable governing bodies
- Any acts or omissions that violate state and local laws regarding conflicts of interest and disclosures

LACERA does not lever the OPEB Trust investment portfolio as a whole. However, leverage is implicit in many investment strategies. LACERA expects that any use of leverage by external managers must adhere to LACERA's established policies and investment guidelines.

## III. Risk Management

LACERA manages risk by establishing and adhering to investment guidelines, pursuing multiple approaches to diversification (such as asset class, geography, liquidity profile, currency, and degree of active management), and conducting regular measurement and analytical exercises. LACERA assumes certain risks to achieve sufficient returns to meet the OPEB Trust's financial obligations and investment objectives. Investment risks pertain to the prospect of a permanent loss of capital or of not meeting objectives within the designated timeframe. LACERA seeks to mitigate the impact of a drawdown to the OPEB Trust in order to accomplish its investment objectives, reduce volatility, and avoid increased contributions to the OPEB Trust from the participating employers.

### A. Philosophy and Objectives

LACERA considers risk multi-faceted and, therefore, views risk from multiple perspectives. Risk may vary and evolve over time, across sectors or geographic exposures, and depends on the nature and terms of the investment vehicle that LACERA deploys to implement OPEB Trust investment strategies. Risk may be systematic (i.e., present across the market) or unsystematic (i.e., specific to a particular investment strategy). A risk may pertain to and potentially impact the OPEB Trust, a functional asset category, or individual underlying asset classes.

LACERA seeks to diligently identify, assess, and monitor relevant investment risks throughout the investment process, from determining its strategic asset allocation to ongoing evaluation and monitoring of OPEB Trust performance. This helps to ensure that risks assumed by the OPEB Trust are intentional and adequately compensated.

### B. Approach

The OPEB Trust strategic asset allocation attempts to position the OPEB Trust to capture growth while mitigating large drawdowns. LACERA's investment strategy is designed to take intentional risk, called active risk, in order to achieve commensurate investment results. LACERA may define expectations for active return earned per unit of active risk taken for various investment strategies and portfolios.

LACERA seeks to identify and acknowledge the sources and types of risk inherent in each investment strategy. However, LACERA also recognizes that even sophisticated risk measurement techniques may not detect certain risks, including extreme events, in advance. Accordingly, risk models may only provide limited predictive qualities. LACERA endeavors to test and challenge investment strategies and assumptions prior to a capital outlay as well as for ongoing monitoring.

LACERA measures investment risk using multiple metrics on both an absolute and relative basis at all relevant levels (i.e., total OPEB Trust, functional asset categories, and underlying asset classes). LACERA also strives to employ stress testing, scenario analyses, and broader financial and economic analyses to understand current and potential risks related to its investment strategy and decisions. LACERA selects appropriate benchmarks to assess and determine whether investment risks taken by the OPEB Trust are appropriate in order to achieve expected investment returns.

LACERA may establish a risk budget to set active risk targets for each functional asset category and underlying asset classes. LACERA aims to minimize unintended risk caused by asset allocation drift or other factors.

## IV. Roles and Responsibilities

LACERA has established the following roles and responsibilities to implement its investment program, all of which must be performed under the terms of the Trust documents and the Board's fiduciary duty as defined above. The duties explained below apply to the Board, staff, and various external parties who collectively oversee and administer the functions necessary for LACERA to accomplish its investment objectives.

The overview outlined below is further complemented by the following documents: (*Board of Investments Charter, Board of Investments Powers Reserved Defined, Board of Investments Powers Reserved and Delegated Authorities, and the Board of Investments Regulations (previously referred to as "Bylaws").*) Roles and responsibilities are performed in a manner consistent with these governance documents and other Board policies.

### A. Board of Investments

#### i. Board

The exclusive fiduciary responsibility of the Board is to ensure prudent investment and management of the OPEB Trust so as to provide, through the utilization of the Board's powers and duties as Trustee, the timely payment of OPEB Program benefits to participants and their beneficiaries, minimize employer contributions, and defray the reasonable cost of administration, with the duty to participants being paramount. It is the responsibility of the Board to ensure that LACERA employees administer OPEB Trust investments at reasonable cost, while preserving the quality of investments. The Board exercises oversight of all aspects of the investment program. The Board oversees the management of the OPEB Trust in compliance with all aspects of this IPS and all applicable federal and state laws and regulations. The Board may request staff and investment consultants to inform and make recommendations on matters pertinent to OPEB Trust investment operations. The Board may also delegate specific authorities to the Chief Investment Officer ("CIO"), as further outlined in the Appendix.

#### ii. Committees

To assist the Board in carrying out its duties, the Board may establish one or more committees ("Committee"). A Committee makes recommendations to the Board on investment actions related to its area of focus. A Committee may request staff and investment consultants to inform and make recommendations to it on matters pertinent to the OPEB Trust investment program.

### B. Staff

#### i. Chief Executive Officer

The Board and LACERA'S Board of Retirement jointly appoint the Chief Executive Officer ("CEO"). The CEO is responsible for planning, organizing, and administering the operations of LACERA under policy guidance and direction from the Board and the Board of Retirement. The CEO exercises administrative oversight of the CIO, excluding investment decisions delegated to the CIO. The Board provides input to the CEO in the CEO's oversight of the CIO.

#### ii. Chief Investment Officer and Investment Staff

The CIO and staff assist the Board in performing its fiduciary duty. The internal investment staff reports to the CIO, who in turn reports to the CEO, with the input of the Board. The CIO, with the assistance of



staff, has the responsibility and authority to assist the Board in establishing investment and administrative policies. The CIO and staff are responsible for implementing the policies and programs established by the Board. The CIO has primary responsibility for the implementation of the Board's investment decisions.

The CIO and staff manage the portfolio according to the Board's policies, advise and inform the Board about investments, assist with development and review of investment policies and procedures, oversee operational aspects of the OPEB Trust, report on the progress of the OPEB Trust in meeting its investment objectives, and monitor and report to the Board on the performance of the OPEB Trust relative to the appropriate benchmarks. The Board has delegated specific investment authority and responsibility directly to the CIO as described in the Appendix. The CIO is authorized to interact with and communicate directly with the Board regarding all investment-related matters. The CEO does not have any authority over any and all investment decisions that are delegated to the CIO.

### **iii. Chief Counsel and Legal Staff**

The Office of Chief Counsel and legal staff (Legal Counsel) are primarily responsible for legal issues concerning the investment program and advise the Board, CEO, CIO, and staff on investment-related legal matters. Legal Counsel advises the Board in performing its fiduciary responsibility. In addition to reliance upon internal resources for such matters, the Chief Counsel or designee within the Legal Office may retain external legal counsel, when deemed necessary and appropriate, to advise staff, negotiate and prepare contracts on investment-related matters and individual transactions, and provide other investment legal advice to protect LACERA's interests.

## **C. Third Party Service Providers**

LACERA may engage external service providers, as described below, to implement the OPEB Trust investment program. All service providers, unless otherwise not applicable, are expected to serve as fiduciaries to the OPEB Trust in fulfilling their contracted services. Third party service providers must refrain from gift-giving or other efforts that may jeopardize the impartiality, or appearance thereof, of LACERA's Board and staff.

### **i. Investment Consultants**

An investment consultant works for the Board in the oversight and implementation of investment objectives. In meeting the Board's objectives, investment consultants may work with staff and investment managers. The Board's general investment consultant provides advice and recommendations to the Board or Committee regarding OPEB Trust strategic objectives, risks, oversight, and implementation of investment objectives. Investment consultants, both general and specialized, provide advice and recommendations regarding strategic asset allocation, portfolio implementation, and oversight of the OPEB Trust to the Board, CIO, and staff. Investment consultants report to the Board or the Committee, as directed, and serve as an independent resource accountable to the Board. Investment consultants have a fiduciary duty to LACERA and must report economic interests and conflicts in accordance with California law and LACERA policy, including the Code of Ethical Conduct and filing of Form 700s.

### **ii. Custodian Bank**

The Custodian Bank ("Bank") serves as a fiduciary in the safekeeping of OPEB Trust assets. The Bank is responsible for maintaining the OPEB Trust's official accounting book of record, including the ongoing pricing and valuation of all assets, collection of income generated by those assets, any corporate action notification, and performance calculation. The Bank cooperates with and provides assistance to staff



and investment managers in the reconciliation process. LACERA may opt to designate other duties to the Bank as stipulated in the professional services agreement. LACERA's investment office works with LACERA's accounting division to manage the custodial relationship.

### **iii. Investment Managers**

Investment managers are selected by the Board and, subject to the terms and conditions of this IPS, serve LACERA through contracts that specify investment guidelines, administrative requirements, responsibilities, investment fees, and performance expectations for management of each mandate. Investment managers provide reporting for the OPEB Trust to LACERA on the performance of specific investment mandates in adherence to established guidelines and agreements. Staff and consultants synthesize investment managers' performance for presentation to the Board in accordance with established performance monitoring and oversight procedures. Investment managers should accept a fiduciary duty to LACERA, must report economic interests and conflicts in accordance with California law and LACERA policy, including the Code of Ethical Conduct and filing of Form 700s, and enforce their own diversity, ethics, and sexual harassment policies.

### **iv. Other Third Party Service Providers**

Additional third-party service providers may be retained, subject to the terms and conditions of LACERA's established policies and procedures, in order to perform other duties to assist in the administration of the OPEB Trust.

## **D. Participating Employers**

The Participating Employers, the County, the Court, and LACERA, have those roles and responsibilities set forth in the County and Court Trust agreements and the Master Trust Declaration, including the right to determine contributions made. The Participating Employers have given the fiduciary responsibility over investments and disbursements to the Board of Investments, according to the terms set forth in the Trust documents.

# Appendix

## A. Investment Tables

Table 1: Approved Asset Allocation

Asset Class	Target Allocation (%)	Allocation Range +/- (%)	Target Allocation (Step I) 10/1/2021	Target Allocation (Step II) 7/1/2022	Target Allocation (Step III) 7/1/2023
<b>Growth</b>	<b>45</b>	<b>+/-10</b>	<b>50</b>	<b>48</b>	<b>45</b>
Global Equity	40	+/-10	50	45	40
Private Equity	5	+/-5	0	3	5
<b>Credit</b>	<b>18</b>	<b>+/-5</b>	<b>20</b>	<b>20</b>	<b>18</b>
Liquid Credit	13	+/-5	20	17	13
Illiquid Credit	5	+/-5	0	3	5
<b>Real Assets and Inflation Hedges</b>	<b>20</b>	<b>+/-5</b>	<b>20</b>	<b>20</b>	<b>20</b>
Real Estate	8	+/-4	10	9	8
Natural Resources	2	+/-2	0	1	2
Commodities	2	+/-2	4	3	2
Infrastructure	2	+/-2	0	1	2
TIPS	6	+/-4	6	6	6
<b>Risk Reduction and Mitigation</b>	<b>17</b>	<b>+/-6</b>	<b>10</b>	<b>14</b>	<b>17</b>
Investment Grade Bonds	10	+/-4	8	9	10
Long-term Government Bonds	5	+/-5	0	3	5
Cash	2	+/-2	2	2	2
<b>TOTAL FUND</b>	<b>100</b>		<b>100</b>	<b>100</b>	<b>100</b>

Table 2: Benchmark Table

Asset Class	Benchmark
<b>Growth</b>	<b>Custom Blend</b>
Global Equity	MSCI ACWI IMI Net
Private Equity	MSCI ACWI IMI + 200 bps (3-Month lagged)
<b>Credit</b>	<b>Custom Blend</b>
Liquid Credit	38% BBg Barc U.S. Corporate High Yield; 46% Credit Suisse Leveraged Loans; 8% JP Morgan EMBI GD; 4% JP Morgan GBI-EM GD; 4% JP Morgan CEMBI BD
Illiquid Credit	Custom Liquid Credit Benchmark + 150 bps (1-month lagged)
<b>Real Assets and Inflation Hedges</b>	<b>Custom Blend</b>
Real Estate	75% NFI ODCE; 25% DJ US Select Real Estate (Private 3-Month lagged)
Natural Resources	S&P Global Natural Resources TR
Commodities	Bloomberg Commodity TR
Infrastructure	Dow Jones Brookfield Global Composite Infrastructure TR
TIPS	BBg Barc US TIPS
<b>Risk Reduction and Mitigation</b>	<b>Custom Blend</b>
Investment Grade Bonds	BBg Barc US Aggregate TR
Long-term Government Bonds	BBg Barc U.S. Long Treasury Bond
Cash	FTSE 3-Month US Treasury Bill
<b>TOTAL FUND</b>	<b>Custom Blended Policy Benchmark</b>

**B. Chief Investment Officer Delegated Authorities**

The Board has delegated to the CIO the following authorities in accordance with Board-approved asset class specific program parameters. CIO actions will be reported to Trustees consistent with the reporting provisions below, or in a timely manner.

**Total Fund**

<p><b>General Authorities</b></p>	<p>Authority to limit or freeze manager trading activity pending discussion and action by the Board. Such actions shall be reported as an informational item as reasonably practicable to the Board, and no later than the next scheduled meeting of the Board.</p> <p>Authority to take actions not otherwise specifically delegated, in concurrence with the CEO and the Chair of the Board, when deemed necessary in the best interest of the OPEB Trust and when there is not enough time to take the action to the full Board. Such actions shall be reported as an informational item as soon as reasonably practicable to the full Board, and no later than the next scheduled meeting of the Board.</p> <p>Authority to rebalance the OPEB Trust in order to raise cash for satisfying a participating employer’s request, adjust investment exposures, or pay operational expenses while adhering to investment policy targets. Rebalancing may include increasing or decreasing all Board-approved mandates.</p> <p>Authority to take actions as specified in LACERA’s Procurement Policy.</p>
<p><b>Approval of Variances</b></p>	<p>Authority to approve temporary variances from asset-level program and investment manager guidelines.</p>
<p><b>Contract Authorities</b></p>	<p>Authority to sign, or delegate authority to sign, all investment-related contracts and agreements necessary to implement Board-approved action. Thereafter, during the original term, authority to sign all amendments and modifications with respect to such contracts and agreements and make all decisions with respect to their day-to-day operation and implementation where the investment mandate remains substantially unchanged. Upon expiration of a contract or agreement for Board-approved mandates, an extension or modification may only be made with Board approval or as outlined in LACERA’s Procurement Policy.</p> <p>Authority to approve reductions to investment manager fee schedules and service provider costs.</p> <p>Authority to negotiate and execute investment agreements that, in the judgment of the CIO and Chief Counsel, provide adequate protection for LACERA’s interests, including an appropriate standard of care on the part of each manager</p>

### Asset Class Specific

<b>Private Equity</b>	<p>Authority to approve the purchase or sale of any existing fund investment within the Private Equity portfolio.</p> <p>Authority to approve co-investments, secondary transactions, re-ups, and advisory board seats.</p>
<b>Real Estate</b>	<p>Authority to approve the purchase or sale of any existing fund investment within the Real Estate portfolio.</p> <p>Authority to approve co-investments, secondary transactions, re-ups, and advisory board seats.</p>
<b>Real Assets (ex-Real Estate)</b>	<p>Authority to approve the purchase or sale of any existing fund investment within the Real Assets portfolio.</p> <p>Authority to approve co-investments, secondary transactions, re-ups, and advisory board seats.</p>
<b>Credit</b>	<p>Authority to approve the purchase or sale of any existing fund investment within the Credit portfolio.</p> <p>Authority to approve co-investments, secondary transactions, re-ups, and advisory board seats.</p>

In the event the CIO is not available, and time is of the essence in making a decision, LACERA will follow the Board-approved Crisis Response Plan. The Board will receive written notification of all such actions.

# List of Attachments

Corporate Governance and Stewardship Principles  
Responsible Contractor Policy  
Emerging Manager Policy Placement Agent Policy  
Placement Agent Policy  
Private Equity Privatization Policy  
Procurement Policy for Investment-Related Services



**Corporate  
Governance and  
Stewardship  
Principles**

March 2021

# Corporate Governance and Stewardship Principles

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# About LACERA

The Los Angeles County Employees Retirement Association (“LACERA”) administers defined benefit retirement plans and other post-employment benefits for employees of Los Angeles County and certain other districts.

The Los Angeles County Board of Supervisors established LACERA in 1937 under the terms of California’s County Employees Retirement Law. LACERA is governed by the California Constitution (Article XVI, Section 17), the California County Employees Retirement Act of 1937, and the California Public Employees’ Pension Reform Act of 2013. Today, LACERA serves over 160,000 active and retired members.

LACERA’s mission is to “produce, protect, and provide the promised benefits.” LACERA aims to fulfill its mission through prudent investment and conservation of plan assets, in accordance with the *Investment Beliefs* that frame its *Investment Policy Statement* and in consideration of actuarial analysis.

LACERA’s Board of Investments is responsible for establishing LACERA’s investment policy and objectives, as well as exercising oversight of the investment management of the fund.

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## **LACERA MISSION STATEMENT:**

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We Produce, Protect, and Provide  
the Promised Benefits

# Statement of Purpose

LACERA seeks to responsibly steward its investments in a manner that promotes and safeguards the economic interests of LACERA and its members, consistent with LACERA's mission to "produce, protect, and provide the promised benefits." LACERA believes that robust investor rights, strong corporate governance practices and policies at the firms in which it invests, and sound public policies governing financial markets help generate long-term economic performance. LACERA prudently exercises its rights as an investor to support corporate governance practices and financial market policies that promote sustainable, long-term value and enhance LACERA's ability to fulfill its mission.

The fundamental objective of LACERA's *Corporate Governance and Stewardship Principles* (the "Principles") is to safeguard and promote the economic interests of the trust. The *Principles* identify LACERA's core principles of corporate governance and the key stewardship strategies LACERA pursues to advance them. They are intended to further the *Investment Beliefs* that frame LACERA's *Investment Policy Statement* by articulating LACERA's view on sound governance and broader environmental, social, and governance (also known as "ESG") issues.

LACERA seeks to exercise the legal rights it has as an investor and to steward its assets by applying these *Principles*. The *Principles* guide LACERA's proxy votes, engagements with policymakers and portfolio companies, and collaboration with other institutional investors when it shares common objectives (such as actively participating in investor associations). The *Principles* help inform LACERA's investment process, including the evaluation and monitoring of portfolio investments, consistent with the rights and legal obligations of each asset. And the *Principles* outline the legal authority, roles, and responsibilities guiding LACERA's application of the *Principles* and initiatives.

In advocating practices in line with these *Corporate Governance and Stewardship Principles*, LACERA aims to maximize the long-term value of plan holdings.

# Legal Authority

The LACERA Board of Investments has “the sole and exclusive fiduciary responsibility over the assets of” the system, as provided by the California Constitution (Article XVI, Section 17(a)). LACERA exercises its legal rights on corporate governance matters in furtherance of its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other governing laws, regulations, and case authority. The Board’s fiduciary duty has two components:

## A. Duty of Loyalty

Under the duty of loyalty, Board members have the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. (Article XVI, Section 17(a).) Board members shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. (CERL Section 31595(a).) The Board’s duty to participants and their beneficiaries shall take precedence over any other duty. (Article XVI, Section 17(b).)

## B. Duty of Prudence

Under the duty of prudence, Board members shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. (Article XVI, Section 17(c); CERL Section 31595(b).) “[T]he Board may, in its discretion, invest or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board.” (CERL Section 31595.) Further, the Board “[s]hall diversify the investments of the system so as to minimize risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.” (CERL Section 31595(c).)

The fiduciary obligations of prudence and loyalty to plan participants and beneficiaries compel and guide LACERA’s corporate governance activities and consideration of financially material environmental, social, and governance factors in its investment process. LACERA’s fiduciary duties extend to, but are not limited to, prudently managing its proxy votes, vigilantly monitoring and diligently mitigating risks to the value of its investments, and judiciously determining action in order to assist in the effective administration of the fund and promote the interest of members and their beneficiaries.

# Stewardship Strategies

LACERA's corporate governance and stewardship efforts may include the following strategies:

## A. Proxy Voting

Proxy votes are plan assets, have value, and should be managed in a manner consistent with fiduciary duty and LACERA's interest in long-term value. LACERA exercises its voting rights for the exclusive benefit of LACERA's members and votes proxies in accordance with its *Corporate Governance and Stewardship Principles*.

LACERA seeks to vote all proxies for which it has proxy voting authority. LACERA coordinates with its custodian bank and investment service vendors to maximize its opportunities to responsibly cast proxy votes in line with its fiduciary duty, while recognizing that administrative requirements and practices in certain local markets may affect LACERA's ability to cast proxy votes, such as delayed notification of proxies subsequent to vote deadlines and required powers of attorney in subcustodial chains. At meetings that require share blocking, LACERA evaluates the economic value of casting a proxy vote compared to the risk of limiting trading in the designated security and may opt to refrain from voting in order to preserve LACERA's ability to act in its best economic interests.

LACERA participates in securities lending to earn incremental income, per LACERA's *Securities Lending Program Policy*. In securities lending, the legal rights accorded those shares, including proxy voting, are transferred to the borrower of the securities during the period that the securities are on loan. As a result, LACERA forfeits its right to vote proxies on loaned securities unless those shares have been recalled from the borrower no later than the share's record date.

## B. Corporate Engagement

LACERA advocates its *Investment Beliefs, Corporate Governance and Stewardship Principles*, and mission through dialogue and engagement strategies with portfolio companies and external asset managers, which may include exercising legal rights associated with LACERA's investments, such as sponsoring shareowner resolutions.

## C. Public Policy

LACERA represents its interests to policymakers, such as legislators, regulatory agencies, and standards-setting agencies, in line with its *Corporate Governance and Stewardship Principles*.

## D. Investor Collaboration

LACERA collaborates with other public pension funds, asset owners and asset managers, both informally and formally through investor associations such as the Council of Institutional Investors, in order to enhance LACERA's ability to achieve its objectives and advance its *Corporate Governance and Stewardship Principles*.

# Principles

The *Corporate Governance and Stewardship Principles* are organized into five sections. Each section addresses common corporate governance, proxy voting, and broader environmental, social, and governance (“ESG”) issues relevant to LACERA’s investment portfolio and investment partners. The five sections address issues pertaining to boards of directors, investor rights and capital structure, executive compensation and incentives, performance reporting, and environmental and social factors.

The *Corporate Governance and Stewardship Principles* are guided by five core concepts that collectively provide a framework by which LACERA aims to promote sustainable investment returns and responsible stewardship of fund assets:

**Accountability:** Governance structures and practices should be designed to promote accountability to the investors who provide the firm with capital. This extends to both board directors overseeing portfolio companies on investors’ behalf, and external managers entrusted with LACERA’s capital. Accountability helps to ensure that investments are managed in the best interests of investors.

**Integrity:** Integrity and trust are the cornerstone of financial markets and essential for economic stability. Core investor rights and protections are crucial to promoting integrity in financial markets.

**Aligned Interests:** Compensation and incentives should align the interests of the managers of capital and the investors who provide capital. This extends to senior executives at portfolio companies and external asset managers managing capital on LACERA’s behalf.

**Transparency:** Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm’s business, financial activities, and performance.

**Prudence:** Firms should prudently identify, assess, and manage environmental and social factors that may impact the firm’s ability to generate sustainable economic value.

Fiduciary duty guides LACERA’s *Corporate Governance and Stewardship Principles*. LACERA recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of portfolio company boards to direct and manage the firm.

LACERA recognizes that the application of the *Principles* may vary depending on the specific terms, constraints, and nature of LACERA’s investments in different asset classes. In public markets where LACERA retains voting authority to vote in line with these *Principles*, LACERA evaluates the financial impact of each issue presented on corporate proxies and votes proxies for the exclusive benefit of plan participants and beneficiaries in all instances. LACERA may oppose overly prescriptive or unduly burdensome measures proposed on corporate proxies, or resolutions that may otherwise restrict a firm’s board of directors from acting in the best economic interests of investors.

LACERA also recognizes that the laws, regulations, and customs guiding corporate governance practices vary by market. LACERA seeks to apply its *Corporate Governance and Stewardship Principles* in a universal and consistent manner, while observing and taking into consideration — as applicable and appropriate — local laws, regulations, and customs.

# I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management. LACERA relies upon the directors of portfolio companies to exercise effective oversight and ensure that the firm is managed in the best interests of investors. Directors should understand the firm's long-term business strategy as well as risks that may impact the firm's value, and demonstrate a record of sound stewardship and performance. LACERA advocates policies and practices that encourage directors to be accountable to investors. Accountability ensures that a firm's operations and reporting are managed in the best interests of investors.

## A. Independent Oversight

- 1. Board Independence:** At least two-thirds of the board should be composed of independent directors in order to oversee management on behalf of investors, promote accountability to investors, and avoid potential conflicts of interest.

An independent director is defined as someone who has no material affiliation to the company, its chief executive officer, chairperson, or other executive officers, other than the board seat.

Materiality is defined as any financial, personal, or other relationship that a reasonable person might conclude could potentially influence one's objectivity in a manner that would have a meaningful impact on the individual's ability to satisfy requisite fiduciary standards on behalf of investors. Directors may not be considered independent if they, or a family member, are or have been an employee of the company (or a subsidiary or affiliate thereof) in the last five years; have a 20 percent or greater economic interest in the company; are or have been part of an interlocking director relationship with the CEO; receive direct payments for professional services unrelated to their service as a director in excess of \$10,000 per year; or engage in any related party transaction in excess of \$10,000 per year.

- 2. Board Leadership:** The board should be chaired by an independent director.

- 3. Board Committees:** Each board should establish an audit committee, a nominating and governance committee, and a compensation committee, each composed exclusively of independent directors.

Deference generally should be afforded to boards in determining appropriate oversight structures, such as the establishment and role of additional board committees. LACERA may support proposals to appoint an additional board committee in limited circumstances where a firm's performance, oversight structures, and peer comparisons demonstrate that inadequate board consideration and focus has been accorded to a compelling issue related to firm value.

LACERA may oppose or withhold support from non-independent board nominees or key board leadership positions where the board or key committees lack adequate independence.

## B. Board Quality and Composition

**1. Composition:** The board should be composed of highly talented individuals who are best positioned to oversee the company's strategy for creating and sustaining value. Boards should give consideration to ensuring that directors collectively possess a diverse set of relevant skills, competencies, and attributes to exercise oversight on investors' behalf, including expertise, geographic familiarity, and professional backgrounds relevant to the company's strategic objectives. The board should strive for a suitable mix of tenures to ensure both institutional familiarity and fresh perspectives on the board, as a firm's market environment and business strategies evolve.

The board should establish and disclose policies and processes for ensuring that it identifies and nominates suitable directors from a wide pool of candidates relevant to its business strategy, inclusive of including, but not limited to, diverse gender, racial, and ethnic backgrounds, gender identities, sexual orientations, and disability status. A diverse and inclusive board is better positioned to effectively deliberate and oversee business strategy in investors' interests.

Firms should disclose how the board defines and reflects a relevant and diverse mix of skills and backgrounds in its composition. In assessing board composition, LACERA generally expects to see a compelling link between requisite skill sets and a firm's corporate strategy and a credible track record of inclusivity, consistent with the diverse attributes and backgrounds defined above.

**2. Board Size:** The board should define and disclose in governance documents an appropriate size or range of directors that ensures the board is composed of adequately diverse viewpoints and experience to effectively oversee the firm's business strategy, while not being so large as to diminish the board's operational effectiveness. Modifications to governing documents defining board size and structure should be submitted for investor approval and not be proposed for the purpose of impeding a change in firm control.

**3. Excessive Commitments:** Directors should have adequate time to dedicate to their board service, fulfill their responsibilities, and represent investors' interests. Accordingly, directors should not serve on more than four public company boards. Currently serving chief executive officers should not serve on more than three public boards (including their own).

**4. Tenure and Age Restrictions:** LACERA does not support arbitrary restrictions on director qualifications, such as tenure limits or mandatory retirement ages. Such limitations may impede a firm from benefiting from the expertise of an otherwise highly qualified director.

## C. Director Selection and Elections

**1. Annual Elections:** Each director should be elected annually. Directors should not be elected by classes, or to "staggered" terms.

**2. Vote Standard for Director Elections:** Director nominees in uncontested elections should be elected by a majority of votes cast. In contested director elections, a plurality of votes should determine the election.

- 3. Universal Proxy Card:** In the event of a contested director election, investors should have the right to select and vote for individual director nominees on a consolidated, or “universal,” proxy ballot, regardless of whether the director nominee is put forward by management or a dissident investor.
- 4. Cumulative Voting:** LACERA supports cumulative voting in director elections, in compliance with California Government Code Section 6900.<sup>1</sup>
- 5. Proxy Access:** Long-term investors who have held a significant ownership interest for a reasonable amount of time should have the right to nominate alternative directors for consideration on a firm’s proxy, otherwise known as “proxy access.” Proxy access procedures should have sound safeguards in place to ensure an orderly nominating process and prevent proxy access from being used to effectuate a change in control.
- 6. Ability to Remove Directors:** Investors should have the right to remove directors with or without cause, in order to allow investors to take action when a director is not serving investors’ best interests.

#### D. Board Roles and Responsibilities

- 1. Governance Guidance:** The board should develop, adopt, disclose, and periodically review clearly defined governance guidelines that govern the board’s operations.
- 2. Resources:** The board should have adequate resources and access to information to enable it to execute its responsibilities and duties. Directors should be provided information in advance of meetings. Directors should have full access to senior management and information concerning the firm’s operations. Directors should be familiar with a firm’s operations independent of the chief executive officer and senior management. Directors should have the authority and adequate budget to hire outside experts, if necessary.
- 3. Independent Proceedings:** Directors should work with the chief executive officer to establish board agendas. Independent directors should meet at least annually without management or non-independent directors’ participation.
- 4. Board Communication and Engagement:** Firms should establish reasonable policies that permit effective communication between investors and directors regarding business strategy and corporate governance matters.
- 5. Management Succession Planning:** The board should conduct a regular evaluation of the chief executive officer and plan for business continuity, including establishing and disclosing a succession plan for the chief executive officer and key senior executives.

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<sup>1</sup> Section 6900. Cumulative Voting. “Government Body.” Whenever any government body is a shareholder of any corporation, and a resolution is before the shareholders which will permit or authorize cumulative voting for directors, such government body shall vote its shares to permit or authorize cumulative voting. As used in this section, the term “government body” means the state, and any office, department, division, bureau, board, commission or agency thereof, and all counties, cities, districts, public authorities, public agencies and other political subdivisions or public corporations in the state.



**6. Board Self-Evaluation and Refreshment:** Boards should adopt and disclose a process for regular, rigorous, and earnest self-assessment and evaluation. The evaluation process should be conducted under the direction of independent directors and ensure candor, confidentiality, trust, and effective interaction among directors. Board self-evaluation should be tailored to meet the firm's and board's strategic objectives and requirements. In order to promote long-term planning aligned with business needs, the board's self-evaluation process should assess the board's size and operational effectiveness, identify emerging business risks and relevant skills gaps among its composition, and prudently anticipate and proactively plan for board vacancies and refreshment. It should appraise the alignment and adequacy of director education and development, as well as the delineation of management and board powers, while positioning the board to efficaciously exercise oversight in investors' interests.

**7. Charitable and Political Contributions:** Corporate charitable contributions may accrue direct and indirect benefits to a firm and its investors, including goodwill in communities in which it operates and favorable tax treatment. Charitable contributions should not be directed, eliminated, or otherwise restricted by investors.

The board should monitor, assess, and approve all charitable and political contributions (including trade association contributions) made by the firm. Political and charitable contributions should be consistent with the interests of the firm and its investors. The board should clearly define and approve the terms and conditions by which corporate assets may be provided to charitable and political activities, including developing and publicly disclosing guidelines for the approval of such contributions. The board should disclose on an annual basis the amounts and recipients of all monetary and non-monetary contributions made by the firm during the previous fiscal year, including any expenditures earmarked for political or charitable activities that were provided to or through a third party.

**8. Indemnification:** Directors may be provided reasonable and limited protections, including indemnification and limited personal liability for damages resulting from violating duty of care, where the director is found to have acted in good faith and in a manner the director believed to be in the best interests of the firm. Reasonable limitations may ensure the board is positioned to recruit qualified directors.

## **E. Board Performance and Effectiveness**

**1. Performance Evaluation:** The board's performance, and that of individual directors, should be assessed within the context of the board's suitability for and track record of serving and protecting investors' interests. LACERA may withhold support or oppose individual directors, members of a board committee, or the entire board where the track record demonstrates directors' failure to serve investors' best interests. Director and board performance is evaluated in consideration of the following factors:

**1.1. Stewardship and Risk Oversight:** Directors should demonstrate a sound track record of stewardship and risk oversight, including avoiding any material failures of governance, risk oversight, or fiduciary responsibilities at the company. Risk is broadly understood to encompass financial, reputational, and operational risks relevant to a firm's ability to generate sustainable financial returns. Material risks may include, but are not limited to, internal controls related to legal compliance, cyber security, and data privacy, as well as broader risks addressed throughout these *Corporate Governance and Stewardship Principles*, such as risks associated with accounting practices, climate change, and human capital management.

- 1.2. Effective Oversight of Management:** Directors should conduct effective oversight of management, including avoiding any failure to replace management as appropriate.
- 1.3. Attendance:** Each director should attend at least 75 percent of scheduled board meetings each year, including attendance at assigned committees, absent a compelling, clearly disclosed justification.
- 1.4. Board Service:** Directors' track records and performance on other boards may be considered in evaluating director nominees. In particular, a director's failure to effectively exercise oversight on other boards or any egregious actions that raise substantial doubt about the director's ability to fulfill a director's obligations and serve the best interests of investors may prompt opposition to the director's nomination.
- 1.5. Ethics:** Directors should demonstrate the utmost integrity and be free of any criminal wrongdoing, breaches of fiduciary responsibilities, or questionable transactions with conflicts of interest.
- 1.6. Transparency in Reporting:** Financial reports and material disclosures should be published in a satisfactorily diligent and timely manner.
- 1.7. Investor Responsiveness:** Directors should demonstrate accountability and responsiveness to investors. Directors should not unilaterally amend a firm's governing documents in a manner that materially diminishes investor rights or otherwise adversely impacts investors without seeking investor approval. Directors should not adopt a poison pill or make a material change to an existing poison pill without submitting the plan for investor approval within the following 12 months. Directors should take reasonable steps to implement resolutions approved within the previous 12 months by a majority of investors, within the confines of legal and regulatory constraints. Directors should respond to tender offers where a majority of shares have been tendered. There should be no record of abuse against minority investor interests.
- 2. Committee Performance:** Each committee should demonstrably fulfill its core duties and the specific responsibilities outlined in its committee charter. LACERA may oppose the committee chair or incumbent directors who have served on committees that have failed to perform their duties in investors' best interests. In cases where governance provisions, such as staggered board elections, impede LACERA from holding designated directors accountable, LACERA may oppose board leadership or other incumbent directors.

Audit Committee members should ensure that non-audit fees are not excessive, no adverse opinion has been rendered on the company's audited financial statements, and the firm has not entered into an inappropriate indemnification agreement that limits legal recourse against the external auditor.

Nominating and Governance Committee members should establish sound governance practices, reasonable and timely responsiveness to investors on governance concerns, and effective board nomination, evaluation, and refreshment practices.

Compensation Committee members should demonstrate a clear and proven track record of aligning executive pay with the firm's strategic objectives and performance, refrain from permitting problematic pay practices, ensure clear disclosures of all key components of pay plan design and practices, and exhibit reasonable and timely responsiveness to investors.

**3. Contested Director Elections:** In assessing director nominees in contested elections, LACERA may consider all relevant factors to identify and support the nominees best suited to enhance sustainable firm value and serve investors' economic interests. Consideration may be given to the long-term financial performance of the firm, its governance profile, and management's track record; nominees' proposed strategies for value creation; the qualifications and suitability of director nominees, including their alignment with LACERA's governance principles; and the dissidents' ownership stake and history of generating sustainable returns at other firms.

LACERA may support requests to reimburse dissident nominees for reasonable, incurred expenses when dissident nominees have presented a compelling case and support for their nomination is warranted.

## II. Investor Rights and Capital Structure

Integrity and trust are the cornerstones of capital markets and essential for economic stability. Core investor rights ensure fair and equitable treatment of investors and help instill investor confidence, thereby facilitating capital formation and economic stability.

LACERA supports core rights and protections at portfolio companies and within financial market policies in order to safeguard its investments and foster a stable investment climate within the broader financial markets in which it invests. Financial rules and regulations should promote fair, orderly, and competitive markets and provide for investor protections. Investor rights extend to key decisions that may fundamentally impact or modify a firm's capital structure, such as share issuances, restructuring, and mergers and acquisitions.

### A. Investor Rights

- 1. Rights Proportionate to Economic Interest:** Investors should have voting rights proportionate to their economic interests. Multiclass ownership structures may entrench certain investors and management, insulating them from acting in the interests of all investors. LACERA therefore supports the principle of "one share, one vote."
- 2. Voting Requirements and Procedures:** Investors should have the right to act on fundamental corporate matters by a simple majority of votes cast. Fundamental matters may include, but are not limited to, amending a firm's governing documents (such as its charter or bylaws) and effecting corporate transactions, such as a merger or acquisition.
  - 2.1 Simple Majority Voting:** Companies should not adopt supermajority voting requirements except when such provisions may protect outside or minority investors from unilateral action being taken by an entity (or entities) with controlling interest or significant insider ownership.
  - 2.2 Voting Procedures:** Voting and tabulation of matters put before investors by proxy or otherwise should be guided by transparent procedures, consistent application of rules, and fairness for all eligible voters. Votes should be counted by an independent tabulator and kept confidential. Voting results should be promptly disclosed once tabulation has been finalized.
  - 2.3 Bundled Voting:** Investors should be able to review and cast votes on unrelated matters as separate and distinct ballot items. Disparate matters should not be presented for investor consideration as a "bundled" voting item. LACERA may oppose bundled proposals that combine supportable voting items with matters that LACERA opposes.
  - 2.4 Broker Non-Votes:** Uninstructed broker votes and abstentions should be counted for quorum purposes only.

### 3. Annual Meetings

**3.1 Quorum Requirements:** Quorum requirements should promote that a broad range of investors are represented at meetings. Quorum requirements should not be unduly low, in either absolute terms or relative to the economic interest of a controlling investor or significant investor, in order to protect investors from unrepresentative action being conducted.

**3.2 Technology:** Investors should have the right to attend an annual meeting of a firm in person. Any use of technology, such as audiocasts or webcasts, should expand and enhance, and not restrict or otherwise impede, investors' ability to participate in an annual meeting, and should afford opportunities for meeting participation equal to those afforded investors attending the meeting in person.

**3.3 Resolutions:** Investors with a reasonable ownership interest in a firm should have the right to put forward a resolution for investors' consideration and vote at the firm's annual meeting.

**3.4 Advance Notice Requirements:** Investors should be able to submit items for formal consideration at an annual meeting, such as proposals or director nominees, as close to the meeting date as reasonably possible and within the broadest timeframe possible, recognizing the need to allow sufficient notice for company, regulatory, and investor review.

**3.5 Transaction of Other Business:** LACERA generally opposes requests for advance approval by proxy of undisclosed business items that may come before an investor meeting for consideration.

**4. Special Meetings:** Investors should be able to call a special meeting to take action on certain matters that may occur between regularly scheduled annual meetings. The right to call a special meeting should require aggregating a minimum of 10 percent ownership interest and be subject to reasonable terms and conditions.

**5. Action by Written Consent:** Investors should have the right to act by written consent on key governance matters under reasonable terms and conditions.

**6. Access to Research:** Investors should have access to competitive, timely, and independent market, investment, and proxy research services of their choosing. Market regulation should support and not impede a competitive market of service providers.

**7. Ownership Disclosure:** Significant ownership interests above 5 percent should be disclosed.

**8. Incorporation:** A firm's country or state of incorporation may significantly impact the firm's financial health, competitive position, governance profile, and the legal rights afforded to investors, as defined by the jurisdiction of incorporation. When selecting a jurisdiction for incorporation (such as in relation to a merger or acquisition or a proposed reincorporation), firms should give due consideration to competitively positioning the firm for financial success while also ensuring sound governance practices and strong legal rights and protections for investors. LACERA may oppose proposals for reincorporation where the business and financial rationale for reincorporation do not outweigh the detrimental impact of a reincorporation on investor rights and governance provisions.

**9. Litigation Rights:** Robust and viable litigation rights enable investors to protect firm value, deter misconduct, and seek recourse in the event of egregious corporate malfeasance or fraud. Corporations should not curtail or otherwise diminish investors' prospective legal recourse through governance provisions, such as exclusive forum designations for legal disputes, mandatory arbitration clauses, or "fee-shifting" provisions by which an investor who unsuccessfully brings legal action must bear the entirety of the corporation's legal costs.

## B. Capital Structure

Finding the optimal mix of equity, long-term debt, and short-term financing is critical to driving economic returns. A firm's capital structure should support the generation of long-term, sustainable returns. The board should determine and drive a firm's capital structure, in coordination with senior management. Capital structure should coordinate and balance multiple factors, including the firm's business profile, strategy, and opportunities for growth; access to and cost of capital; and capital distributions such as the firm's dividend policy.

Investors should be able to vote on matters that may fundamentally modify or impact a firm's capital structure, such as common share issuances, and mergers and acquisitions.

**1. Share Issuances and Authorizations:** Share issuances enable firms to raise funds for financing purposes.

**1.1 Authorization of Common Shares Issuance:** Requests to authorize capital or approve share issuances should specify the quantity of shares for which approval is sought. Requests should be evaluated upon careful consideration of the individual details and merits of each request and according to LACERA's economic interests. Firms should present a compelling purpose for the share issuance, demonstrate a track record of responsibly using authorized shares in investors' interests, and provide for rights and restrictions attached to proposed equity that are aligned with investors' interests. In evaluating requests, the availability of preemptive rights and any risks of authorizing the share issuance, including the dilutive impact of the request, may also be considered. Capital authorization terms should not facilitate an anti-takeover device or otherwise adversely impact investors' interests.

**1.2 Preemptive Rights:** Preemptive rights provide current investors the right to maintain a proportionate interest in a firm by exercising a right to purchase shares proportionate to what they already own in any new issuances of equity. Requests to create or abolish preemptive rights should consider the size of the firm, the characteristics of its investor base, and the liquidity of its equity to ensure that preemptive rights may be pragmatically exercised and do not impose an onerous restriction on capital raising.

**1.3 Preferred Shares Authorization:** Preferred shares, which provide distinct features such as fixed dividend payments or seniority of claims relative to common shares, may be supportable when the purpose of such issuance is in connection with a proposed transaction appearing on the same ballot that merits support. Otherwise, requests for authorization are evaluated in consideration of the request's stated purpose, the firm's past use of authorized preferred shares, and an assessment of the risk of authorizing the share issuance, including the dilutive impact of the request, and should not create or increase shares that carry superior voting rights to common shares. Any conversion rights should define reasonable conversion ratios and not result in excessive dilution of common shares.

- 1.4 Blank Check Preferred Shares:** Firms generally should not create classes of shares providing the board with broad discretion to define voting, conversion, dividend distribution, and other rights, absent a compelling rationale and clearly stated restrictions in line with investors' interests. The voting rights of unissued shares should be presented for investor approval and not be subject to board discretion.
- 1.5 Blank Check Preferred Share Placements:** Investor approval should be required for the placement of preferred shares with any person or group for other than general corporate purposes to enable investor review of the business purpose, prospective impact on dilution and voting positions, and any adverse impact on existing investors.
- 1.6 Reverse Stock Split:** Reverse stock splits, by which multiple shares are exchanged for a lesser amount to increase share price, generally should be accompanied by a proportionate reduction in authorized shares.
- 2. Debt Issuance and Borrowing Powers:** Debt issuances and restructuring, amendments to a firm's aggregate limit on the board's ability to borrow money, and other debt-related items should serve a compelling and clearly articulated business purpose, be in line with and supportive of generating sustainable and viable financial returns, and take into reasonable consideration any detrimental impact on existing investors. LACERA evaluates debt-related proposals upon careful consideration of the individual terms and merits of the request.
- 3. Capital Allocation and Income Distributions:** A firm should allocate capital, including distribution of income through dividends or share repurchases, in a disciplined and balanced manner that supports the generation of long-term value.
- 3.1 Allocation of Income:** Firms should provide adequate justification when seeking investor approval for the allocation of income when the payout ratio appears unbalanced or unsustainable (either inordinately low, such as below 30 percent, or excessive, given the firm's financial position).
- 3.2 Stock (Scrip) Dividend Policy:** Firms may provide investors the option to receive dividend payments in the form of common equity in lieu of cash. Such provisions enable a firm to retain cash and may strengthen the position and commitment of long-term investors. In all circumstances, firms should provide a cash option, absent a compelling justification that such an option may be harmful to investors.
- 3.3 Share Repurchase Programs:** Open market share repurchase plans should enable investors to participate on equal terms and support balanced and disciplined capital allocation. Requests to authorize share repurchases should have a defined and limited duration, incorporate clear and reasonable terms and conditions, and generally not exceed 10 percent for market repurchases within any single authority, absent a compelling rationale in line with investors' interests and market practice.
- 4. Mergers, Acquisitions, and Other Corporate Restructuring:** Mergers and corporate restructuring (including spin-offs, leveraged buyouts, and reorganizations) have major financial implications for investors.



**4.1 Evaluation:** LACERA carefully examines all relevant facts and circumstances of each proposal to determine whether the proposal, in its entirety, is in LACERA's best interests. Assessment of each proposed transaction takes into account multiple factors. The valuation should be reasonable. Market reaction may be considered. The strategic rationale and expected benefits should be sensible, with any projected synergies or financial impact reasonably achievable. Management should have a favorable track record of successful integration of acquisitions or business combinations. The negotiation and deal process should be fair and equitable. There should be no conflicts of interest, such as factors enabling insiders to disproportionately benefit from the proposed transaction. The resulting entity should observe sound corporate governance practices. The risks of not completing the transaction or corporate restructuring may be considered. Sufficient information should be provided to enable investors to make an informed decision.

**4.2 Appraisal Rights:** Investors should be afforded appraisal rights by which they may seek a judicial review of the terms of certain corporate transactions in order to determine fair market value.

**5. Anti-Takeover Measures:** Investors should be afforded the reasonable opportunity to deliberate and decide on the merits of takeover bids and acquisitions. Practices and provisions, including corporate bylaws, charters, laws, and statutes, that may impede or deter a corporate transaction that is otherwise in investors' interests, may take a variety of forms and generally should be submitted for investor review and approval.

**5.1 Poison Pills:** The board should not enact or amend a poison pill without investor approval. LACERA generally supports the redemption of existing poison pills, except in unique circumstances where a carefully designed, short-term plan may enable a firm to negotiate more favorable terms with a potential bidder. Such plans should require a minimum 20 percent ownership threshold to trigger, provide for limited and reasonable duration, exclude provisions by which only continuing directors may remove the pill, and otherwise provide adequate investor protections so that the plan will not unduly impede a bid that is otherwise in investors' interests.

**5.2 Net Operating Loss (NOL) Protective Amendments:** Protective amendments with the stated purpose of preserving a company's net operating losses for a tax benefit, such as under the terms of Section 382 of the Internal Revenue Code, should balance the anticipated benefit to investors of preserving the tax value and the risk of potential abuse of such provisions as an anti-takeover measure. Because NOL protective amendments may serve as a poison pill, the board should submit related items for investor review and approval. Such provisions should only be used under limited, clearly justified circumstances and include adequate protections, such as an appropriate ownership threshold and clearly defined and reasonable duration limits.

**5.3 Greenmail:** Greenmail, by which a firm repurchases shares of a potential acquirer at an above-market price to deter a takeover, should be prohibited.

**5.4 Other Anti-Takeover Measures:** LACERA generally opposes provisions that impose onerous restrictions or impediments on prospectively beneficial takeover bids, taking into account the specific terms and circumstances of such provisions to determine the provision's alignment with LACERA's economic interests. LACERA supports firms opting out of related anti-takeover laws and statutes, where legally permitted.



Fair price provisions that require an investor seeking to purchase control of a firm to pay a defined fair price should not impose onerous requirements that may deter a competitive bid from being considered by investors.

Firms should opt out of control share acquisition statutes that void the voting rights of an investor surpassing certain ownership thresholds; control share cash-out provisions requiring an investor above a specified ownership threshold to purchase shares from remaining investors at the highest acquiring price if remaining investors exercise their right to sell their shares; and freeze-out provisions requiring an investor who meets a defined ownership threshold to wait a specified period of time before gaining control of the firm.

Disgorgement provisions, by which an investor who acquires ownership interest above a specified threshold must pay the firm any profits realized from the sale of the firm's equity purchased within a defined time period prior to exceeding the defined ownership threshold, should be avoided.

Firms should not provide designated investors (such as the government of a related, formerly state-owned enterprise) "golden shares" that provide for exceptional veto power or voting rights regarding specific corporate proposals.

**6. Related-Party Transactions:** Investors should have the right to approve significant related-party transactions. Investor approval helps to protect investors against self-dealing. Firms should provide clear information regarding such transactions — including all fees, a compelling rationale for the service or services provided, and the assessment of independent directors and an independent financial advisor of the transactions — in order to permit an informed assessment of prospective conflicts of interest.

## III. Compensation and Incentives

Compensation and incentives should align the interests of senior executives and investors. Executive compensation and incentives serve a critical role in recruiting, motivating, and retaining talent. Pay plan design, structure, and goals should be fundamentally derived from and relevant to a firm's core business objectives and collectively promote sustainable value creation. Accordingly, pay and incentives should incentivize and reward executives for the achievement of outstanding performance, while encompassing prudent risk mitigation and taking care to avoid excessive risks that may be detrimental to the firm's long-term financial returns.

Boards should determine core components of executive pay design, including target pay levels and incentives. Boards oversee compensation paid to senior executives, award bonuses, and establish incentive plans that may include equity and performance-based grants and awards. The board may also review and approve supplemental compensation plans for firm employees, including employee equity and retirement plans.

Firms should provide investors with transparent, clear, and comprehensive disclosure of senior executives' total compensation package. This includes disclosure of salary, short and long-term incentive compensation, and all benefits and perquisites. Selected performance metrics and targets upon which compensation is contingent should be provided in a plain and clear format.

### A. Advisory Vote on Executive Compensation

Executive compensation design and practices should be submitted for investor review and non-binding approval on an annual basis (also known as "say on pay"). Advisory votes should consider the firm's pay design and practices as a whole, taking into account the alignment of executive pay with long-term firm performance, the absence of significant problematic pay practices and excessive risk in targets and reward incentives, and the clarity of the firm's pay disclosures.

### B. Compensation Plan Design

Executive compensation and practices should link pay to firm performance. Compensation should be commensurate with the firm's long-term performance, appropriately aligned with firms with which the firm competes for executive talent (such as industry peers and firms of comparable size and profile), and properly consider the firm's long-term outlook for generating sustainable returns.

- 1. Performance Criteria:** Incentive compensation should incorporate clearly defined, rigorous, and disclosed performance criteria upon which incentive pay is contingent. Performance metrics, targets, and hurdles should be consistent with and promote the firm's strategy for generating sustainable value, including key financial and operating objectives, and effective management of relevant business risks.
- 2. Peer Benchmarking:** Peer groups used to benchmark compensation should be clearly disclosed and relevant to the firm's business profile and size.

- 3. Compensation Consultants:** Compensation consultants providing strategy, design, and implementation services related to executive compensation to the board's compensation committees should be at the exclusive hire and service of the committee, unquestionably independent, and clearly disclosed.
- 4. Equity Ownership, Retention, and Holding Requirements:** Equity ownership among senior executives may strengthen the alignment of interests between executives and investors and promote prudent risk mitigation, and should be encouraged. Equity ownership guidelines providing that executives should maintain reasonable equity in the firm, requirements for executives to retain a meaningful portion of equity acquired through compensation plans, and equity grant holding requirements should strike an appropriate balance to promote equity ownership while avoiding overly restrictive or onerous provisions that may undermine talent motivation and retention to the detriment of investors' interests.
- 5. Prearranged Trading Plans:** Prearranged trading plans, as provided under Securities and Exchange Commission Rule 10b5-1, define parameters for executives' predetermined securities transactions in advance of an executive becoming aware of material non-public information regarding the firm's securities and are intended to mitigate the risks of insider trading. The adoption, amendment, or termination of prearranged trading plans for senior executives should be governed by the board, promptly disclosed, and provide for timely disclosure of transactions made pursuant to the plan's provisions.
- 6. Hedging and Speculative Transactions:** Senior executives should be prohibited from engaging in derivative or speculative transactions involving equity of the firm, including hedging, holding equity in a margin account, or pledging equity as collateral for a loan.
- 7. Internal Pay Disparity:** Executive compensation should be considered in the context of how a firm compensates its employees, including in relation to industry peers. Firms should disclose the ratio of the chief executive officer's total pay to that of the average firm employee.
- 8. Restrictions:** Executive pay should not be subject to arbitrary restrictions or limitations on the magnitude or form of compensation, such as linking executive pay to average employee compensation. Arbitrary limits and restrictions may undermine a firm's ability to attract and retain competent talent and create a competitive disadvantage for the firm.
- 9. Recoupment Policies:** Firms should adopt and disclose rigorous policies defining the terms and conditions by which incentive compensation may be recouped, in order to align pay with performance, promote accurate financial reporting, and deter misconduct. Robust clawback policies should enable the board to review and recoup senior executive incentive compensation in the event that compensation was calculated using inaccurate financial reports, or in the event of fraud or misconduct. Application of the recoupment policy should be reasonably disclosed.
- 10. Perquisites:** Firms should refrain from providing executives with extraordinary or excessive perquisites that are not linked to firm performance, incongruent with prevailing best practices, and unjustified to adequately attract and retain executive talent. Corporate assets should not be unduly expended on personal expenses that are unrelated to an executive's employment and that extend beyond those

widely offered to a firm's employees. Firms should avoid, or otherwise adequately and cogently justify, paying an executive's personal income tax obligations (including excise tax gross-up's), personal use of corporate aircraft, and extensive personal and home security payments.

### C. Equity Plans

Equity plans should motivate plan participants to focus on long-term firm value and returns, encourage equity ownership, and advance the principle of aligning employee interests with those of investors.

Firms should submit equity plans for investor approval. Equity plans should be reviewed taking into account plan features, impact on equity dilution, and prospects to align pay with performance.

- 1. Performance-Based:** Equity plans should define robust and appropriate performance requirements by which equity may be granted that are aligned with and justifiable by the firm's business strategy and strategic objectives. Such provisions may include terms and performance criteria permitting a plan to qualify for favorable tax treatment.
- 2. Track Record:** The firm should demonstrate a history of responsibly linking equity awards to performance and avoiding grants of excessive awards.
- 3. Impact:** The total cost and potential dilution of the plan should be reasonable.
- 4. Repricing:** Equity granted under the terms of the plan, such as share options and stock appreciation rights, should not be repriced without investor approval, as repricing may sever the link between pay and performance. Requests to reprice underwater options should clearly define and compellingly justify the rationale and intent, timing, defined participants, and terms, such as a value-for-value exchange, exercise price, and vesting requirements.

### D. Employee Equity Programs

- 1. Employee Stock Purchase Plans:** Employee stock purchase plans encourage firm employees to acquire an ownership stake in the firms for which they work by providing employees the right to purchase the firm's equity at a set price within a certain period of time. Employee stock purchase plans should define reasonable terms, such as designating exercise prices at no lower than 85 percent of fair market value, fixing a justifiable offering period, and limiting voting power dilution to less than 10 percent.
- 2. Employee Stock Ownership Plans:** Employee stock ownership plans (ESOPs) enable employees to accumulate firm equity. ESOPs should balance encouraging employee equity ownership while avoiding harm to existing investors. Shares allocated to ESOPs should not be excessive (generally no more than 5 percent of outstanding shares).

## E. Severance and Retirement Arrangements

Severance payments to executives in the event of an employment termination, separation, or change in firm control should be justifiable by the executive's performance, serve the long-term interests of the firm and its investors, and not be excessive.

- 1. Parachutes:** Firms should submit for investor approval arrangements to provide executives with extraordinary severance payments in certain circumstances, such as a change in firm control. Extraordinary payments may be assessed in relation to market and peer practice and should not exceed payments greater than three times base salary and bonus. Severance payments should not be so attractive as to influence merger agreements that may not be in the best interests of investors and should have triggering mechanisms beyond the control of senior executives. Any payments in the event of a change in control should be "double triggered," i.e., contingent upon both an actual change in control and an employment separation related to the change-in-control event. Unvested equity should not accelerate upon the change in control. Payments should not trigger, and firms should not commit to paying, executives' excise taxes ("gross ups"). A change in control should not be contingent upon investor approval of executives' severance payments.
- 2. Supplemental Executive Retirement Plans:** Retirement plans that provide extraordinary retirement benefits exclusive to executives should be presented for investor approval and avoid excessive payouts, such as excluding all incentive or bonus pay from covered compensation calculations.
- 3. Golden Coffins:** Firms should refrain from providing extraordinary compensation upon an executive's death. Firms should submit for investor approval agreements and policies that oblige the firm to make payments or awards following the death of a senior executive, including unearned salary or bonuses, accelerated vesting or continuation in force of unvested equity grants, and other extraordinary payments or awards.

## F. Director Compensation

Firms should disclose the philosophy and process used for determining compensation paid to directors serving on the board and the value of all elements of director compensation.

- 1. Structure and Design of Director Compensation:** Directors may be compensated in both cash and equity. Fees and compensation paid to directors should be appropriate relevant to market norms, the firm's industry, and its financial performance. Equity should not constitute the entirety of director compensation, as this may undermine directors' incentive to monitor and exercise oversight of long-term risks to firm value.
- 2. Equity Ownership:** Equity ownership by directors promotes the alignment of directors' interests with those of investors. Firms should adopt and disclose equity ownership guidelines to encourage directors to acquire and hold a meaningful amount of equity in the firm. Equity ownership should not, however, be a qualification for board service, as such restrictions may impede otherwise highly qualified individuals from serving as directors.
- 3. Retirement Benefits:** Retirement benefits for director service are improper, as such benefits may impede objectivity and sever the alignment of interest between directors and investors.

## IV. Performance Reporting

Financial markets work most efficiently when investors have timely, reliable, and comparable information about material aspects of a firm's performance. Transparency of a firm's key financial and operating performance is critical for investors to assess the firm's financial viability and prospects. Independent verification of a firm's financial disclosures promotes investor confidence.

LACERA supports clear and comprehensive disclosure of relevant financial and operating performance indicators (including environmental, social, and governance matters) that may provide valuable information for investors to assess a firm's prospects for delivering sustainable value.

### A. Financial Reports

Financial statements and auditor reports are essential in evaluating a firm's performance. Financial reports should present clear, reliable, and comprehensive data and information. A firm's overall performance reporting framework should conform with, and place primary prominence on, established accounting standards. Additional reporting measures that do not adhere to generally accepted accounting principles (either GAAP or International Financial Reporting Standards/ IFRS, depending on the reporting market) should be clearly explained and justified, and should supplement, as opposed to replace or otherwise obfuscate, performance reporting that is consistent with established accounting standards.

When presenting financial reports for investor review, there should be no unresolved concerns about the accounts presented or audit procedures, inadequate disclosures, or unresponsiveness regarding investor or regulatory questions on specific items.

### B. Fiscal Term

Firms should define an appropriate fiscal term. The fiscal term should not be altered for the purpose of postponing an annual meeting.

### C. Auditors

Firms should ensure independent, high-quality, and timely provision of audited financial statements by a clearly disclosed external auditing firm.

**1. Ratification:** Auditors should be clearly disclosed and presented to investors for ratification. LACERA takes into consideration the following factors when evaluating auditor ratification:

**1.1. Independence:** The external auditor should be objective and free of conflicts of interest in providing auditing services. Accordingly, non-audit fees paid to an external auditor should not be excessive. Specifically, non-audit fees should not exceed the total of audit and audit-related (such as permissible tax) fees, and the auditing firm should have no financial interest or association with the company.

**1.2. Quality:** There should be no question as to the accuracy of the external auditor's opinion, the financial report's indication of the company's financial position, and the accurate application of established accounting standards. There should be no aggressive accounting practices or significant audit-related issues at the company, such as a history of restated financial results or material weaknesses in internal controls.

**1.3. Timeliness:** There should be no unjustified delays in the publication of audited financial statements.

**2. Rotation:** Requests to rotate auditors should be evaluated in consideration of the audit firm's tenure, any proposed length of rotation, the presence of significant audit-related issues at the company, the extent to which the company periodically assesses audit pricing and quality, and the robustness of the audit committee's functions, such as the presence of financial experts and how often the committee meets.

**3. Indemnification:** To avoid any impairment of the external auditor's objectivity and independence, companies should not enter into engagement letters that indemnify or otherwise limit the external auditor's liability.

## V. Environmental and Social Factors

Environmental and social factors — such as management of human capital, access to natural resources, and environmental risks — may shape and impact a firm's ability to generate and sustain value. Firms should identify and prudently manage social and environmental factors relevant to the firm's business strategy, industry, and geographic markets. Social and environmental factors may present opportunities to drive value or risks to a firm's strategic objectives.

Firms should ensure diligent board oversight and provide reasonable disclosures of relevant environmental and social factors and how they are managed. Reporting enables investors to make informed investment decisions when evaluating companies and the long-term viability and sustainability of their business practices.

In addition to identifying, evaluating, and mitigating the risks presented by social and environmental factors, firms should carefully consider the impact of their business activities. Promotion, adoption, and effective implementation of guidelines for the responsible conduct of business and business relationships are consistent with the fiduciary responsibility of protecting long-term investment interests.

### A. Social Factors

- 1. Human Capital Management:** Effective management of human capital — including the development, incentives, and retention of the firm's workforce — is key to accomplishing a firm's strategic objectives. Companies should identify, ensure board oversight, and disclose information about significant human capital value drivers that are related to the firm's ability to create and protect firm value. Central to effective human capital management is the assurance of equal employment opportunity, including non-bias in compensation and employment terms, and a workplace free of harassment in all forms.
- 2. Human Rights Risk:** Firms should mitigate the risks of human rights abuses in global operations and supply chains by adopting robust human rights policies and ensuring effective internal controls to monitor compliance with stated human rights standards.

### B. Environmental Factors

- 1. Natural Resource Stewardship:** Firms should give consideration to efficient, sustainable use and stewardship of natural resources, such as energy and water, to enhance operational efficiency and safeguard firm value from the risks of resource scarcity.
- 2. Environmental Risk:** Firms should ensure reasonable oversight mechanisms and mitigation of environmental risks, such as hazardous waste disposal and pollution, to mitigate prospective legal, regulatory, and operational risks to firm value.
- 3. Climate Risk:** Climate change may present financial, operational, and regulatory risks to a firm's ability to generate sustainable value, as well as to the broader economy. Firms should assess and disclose material climate-related risks and sufficient, non-proprietary information to enable investors to prudently and adequately evaluate the prospective impact of climate risk on firm value.



# Responsibilities and Delegations

## A. The Board of Investments:

- (i.) Approves and promulgates policies addressing environmental, social, and governance issues, such as corporate governance and proxy voting matters and including but not limited to the *Corporate Governance and Stewardship Principles*, as recommended by the Corporate Governance Committee of the Board.
- (ii.) Receives periodic reports concerning the program's progress and priorities from the Corporate Governance Committee.
- (iii.) Approves LACERA representatives for nomination to governing bodies of the corporate governance associations to which LACERA is affiliated, as recommended by the Corporate Governance Committee.
- (iv.) Approves procedures to comply with legislated or other mandated divestment or investment exclusions, such as LACERA's Guidelines for Evaluating ESG-Related Divestments (Appendix), as developed and recommended by the Corporate Governance Committee.

## B. The Corporate Governance Committee of the Board of Investments:

- (i.) Recommends the *Corporate Governance and Stewardship Principles* and other items concerning environmental, social, and governance matters to the Board of Investments for consideration and approval.
- (ii.) Exercises oversight and monitoring of the corporate governance program, including reviewing program priorities and progress.
- (iii.) Reviews reports regarding proxy voting results and trends and develops recommendations for Board approval for any policy recommendations, as appropriate.
- (iv.) Reviews and ensures alignment of strategic initiatives with the *Corporate Governance and Stewardship Principles*.
- (v.) Provides periodic reports on the program to the Board of Investments.
- (vi.) Delegates authority to the Committee Chair to determine LACERA's action on time-sensitive, investment- or financial market-related legislative or regulatory matters that are not adequately addressed in the *Corporate Governance and Stewardship Principles* or joint investor engagements affiliated with investor associations to which LACERA has formally affiliated.
- (vii.) Recommends for Board of Investment approval, LACERA representatives for nomination to governing bodies of the corporate governance associations to which LACERA is affiliated. In event the Committee is not scheduled to meet or lacks adequate time to recommend a nomination to the Board prior to a formal deadline, the Committee delegates authority to the Committee Chair to recommend consideration of the nomination by the Board.

**(viii.)** Recommends for Board of Investment approval, time-permitting, LACERA's votes in support or opposition of candidates listed on a formal member ballot and nominated to a governing board of an investor association to which LACERA has formally affiliated. In event the Committee is not scheduled to meet or lacks adequate time to agendize under the Brown Act an informed recommendation to the Board for vote determinations prior to a formal deadline, the Committee delegates authority to the Committee Chair to recommend consideration by the Board, time-permitting, of the votes in support or opposition of board candidates. In time-sensitive circumstances where vote deadlines do not permit such vote considerations by the Committee or the Board, the Committee delegates authority to the Committee Chair to consult with staff per Section V(C)(vi.) below on votes.

### **C. Staff**

- (i.)** Develops and recommends *Corporate Governance and Stewardship Principles* and related policies for review and consideration by the Corporate Governance Committee.
- (ii.)** Executes proxy votes in adherence to the *Corporate Governance and Stewardship Principles*. Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance and Stewardship Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance and Stewardship Principles*. Staff recalls shares of loaned securities when doing so is in LACERA's economic interests, such as at portfolio companies where LACERA has sponsored a shareowner proposal.
- (iii.)** Communicates and represents the *Corporate Governance and Stewardship Principles* in dialogues and communication with portfolio companies, external asset managers and investment partners, other investors and stakeholders, related conferences, and other interested parties.
- (iv.)** Presents any strategic plans for engagement to the Corporate Governance Committee, per the Committee's review and oversight, to promote alignment with Board-approved *Corporate Governance and Stewardship Principles*. In the event of time-sensitive strategic initiatives, staff consults with the Chair of the Committee, who determines action or recommends consideration of the matter by the Committee or Board, time-permitting.
- (v.)** Represents the *Corporate Governance and Stewardship Principles* in written communication to legislators and regulatory agencies, in consultation with the Chief Executive Officer, Chief Investment Officer, and Chief Counsel. Staff may participate in joint investor written communications that are organized as part of formal investor associations to which LACERA has formally affiliated. In event that a time-sensitive, investment- or financial market policy-related legislative or regulatory matter arises that is not adequately considered by the *Corporate Governance and Stewardship Principles* or being addressed by an investor association to which LACERA is affiliated, staff consults with the Chair of the Committee, who determines whether to approve action or recommend consideration of the matter by the Board, time-permitting.

(vi.) Represents LACERA and its *Corporate Governance and Stewardship Principles* at investor associations, including managing membership surveys, business meeting votes (other than selecting which candidates to a governing board to support or oppose), and other operational interactions, in adherence to the *Corporate Governance and Stewardship Principles* and the spirit thereof, in its best judgment and interpretation. In event that a time-sensitive vote arises on a unique item or an issue that is not adequately considered by the *Corporate Governance and Stewardship Principles*, as well as for governance-related investor associations' formal business meeting ballot items pertaining to support or opposition of candidates to a governing board, and time constraints prohibit such items from being presented to the Committee or Board for consideration, staff may determine a vote in consultation with the Chair of the Committee.

## Policy Review and Reaffirmation

LACERA reviews and reaffirms this Policy at least every three years in order to ensure its alignment with LACERA's mission and objectives and in light of evolving market practices on corporate governance; environmental, social, and governance ("ESG"); and responsible investment matters.

## APPENDIX: Guidelines for Evaluating Prospective ESG-Related Divestments

As stated in LACERA's Investment Beliefs, "LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective. Diversification across different risk factors is necessary for risk reduction."

As a diversified, global investor, LACERA may periodically review its public markets investment exposures to certain issues arising from environmental, social, or governance concerns. It is generally the preference of LACERA, in order to promote diversification and minimize risk, to engage rather than divest investment holdings concerning risks to long-term value. However, in order to address prospective divestment issues and identify LACERA's exposure to exogenous risks related to environmental, social, or governance issues and not addressed elsewhere in the Investment Policy Statement, the following formal process has been adopted:

1. The issue will be directed to Committee for further direction to Staff.
2. If the Committee decides to review the issue, Staff will assess the potential economic and reputational impact of the issue on LACERA.
  - a. Does the issue violate LACERA's *Corporate Governance and Stewardship Principles*?
  - b. Determine criteria for identification of investment(s).
  - c. Preliminary identification of the investment.
  - d. Preliminary estimate on size of the investment.
  - e. Seriousness of the issue/violation and whether it impacts the economics of the investment(s).
  - f. Consultation with LACERA's Chief Executive Officer, Chief Investment Officer, and legal counsel.
3. Staff will report its findings on the potential economic and reputational impact of the issue on LACERA to the Committee.
4. The Committee may forward the issue and potential economic and reputational impact on LACERA to the Board of Investments (Board) for further direction.
5. If the Board directs staff to continue the analysis, staff will calculate the anticipated resources involved in analyzing the issue including, but not limited to:
  - a. Estimate of staff hours required for research and analysis.
  - b. Estimate of the resource impact on current staff initiatives and projects (for example the delay in an RFP search).
  - c. Estimate of cost to obtain information (e.g.: company list) from external service provider.
6. Staff will report back to the Committee with its resource requirements analysis.
7. Committee may make recommendation to the Board to pursue additional analysis.
8. Upon receiving direction from the Board, Staff will contract with external data provider to identify investment(s) impacted by the issue.

9. Staff will identify investment exposures within the separate accounts of the public markets asset classes (equities, fixed income and commodities).
10. Staff will contact external investment managers to solicit feedback from portfolio managers on reasoning for the investment and potential return and risk trade-off of economic substitution.
11. Staff will present findings to the Board and any recommendation(s) as necessary. If further action is warranted, such as engagement with companies, staff's report to the Board will include the following:
  - a. An estimate of additional staff hours needed to execute engagement.
  - b. An estimate of the impact of diverting resources from current staff initiatives and projects (for example the delay in an RFP search).
  - c. Cost of retaining external resources (3rd party consultant) to assist in the engagement process.
  - d. Feedback from portfolio managers on their investment in the company.
  - e. Discussion of criteria and terms for company engagement.
12. If further action, such as engagement, is recommended and approved by the Board, staff will seek to engage with companies on the issue. Letters will be written to the company's executive management and their boards requesting responses within 60 days.
13. If company response is determined to be insufficient, staff will assess the need to place the company on an economic substitution list<sup>2</sup> and present recommendation(s) to the Board for approval. Included in the recommendation(s) will be the following:
  - a. Updated company exposure within separate accounts of public markets asset classes.
  - b. Annual cost to procure company list.
  - c. Criteria by which company will be removed from the economic substitution list.
14. Staff will continuously monitor company status relative to criteria for removal from the economic substitution list. Once criteria have been met, staff will recommend removal of the company to the Board.
15. Staff will provide an economic substitution list update to the Board annually which will include the following:
  - a. All companies currently on the list.
  - b. Issue for which the company was placed on the list.
  - c. Investment exposure within separate accounts of public markets asset classes.
  - d. Current status of mitigating factors.

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<sup>2</sup> Companies on the list will be covered by the following investment guideline policy language: "Investment managers should refrain from purchasing securities on the economic substitution list when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security."

**Document History**

Revised March 10, 2021  
Consolidated and restated October 14, 2020  
Revised March 13, 2019  
Consolidated and reorganized February 14, 2018  
Revised August 9, 2017  
Revised October 12, 2016  
Revised November 19, 2014  
Revised April 10, 2013  
Revised April 22, 2009  
Revised April 27, 2005  
Revised May 26, 2004  
Revised August 13, 2003  
Revised June 11, 2003  
Original adopted March 12, 2003



# **Responsible Contractor Policy**

# I. Purpose and Objective

The Los Angeles County Employees Retirement Association's (LACERA) investment philosophy and strategy recognize that careful consideration of financially relevant environmental, social, and governance (ESG) factors in the Fund's investment process may protect and enhance LACERA's risk-adjusted returns, as stated in the Fund's *Investment Policy Statement*. LACERA's *Corporate Governance and Stewardship Principles* (Stewardship Principles) articulate LACERA's position on key corporate governance and broader ESG factors that may impact the financial performance of LACERA's portfolio holdings including, but not limited to:

- Effective legal and regulatory compliance
- Constructive human capital practices
- Inclusive and equitable management of diverse talent
- Robust adherence to human rights standards
- Prudent natural resource stewardship
- Careful mitigation of environmental risks and liabilities

LACERA seeks to steward its assets throughout its investment portfolio in a manner that promotes adherence to its Stewardship Principles in furtherance of its mission, "to produce, protect, and provide the promised benefits." LACERA encourages investment managers who manage capital on its behalf to enact effective and practical measures in their investment processes and portfolio management that exemplify adherence to the principles referenced above.

In furtherance of its Investment Policy Statement and Stewardship Principles, LACERA has adopted this *Responsible Contractor Policy* (Policy) to guide investment managers who manage real estate, infrastructure, and other real assets investments on behalf of LACERA to select construction and operation services contractors that demonstrate practices in line with LACERA's Stewardship Principles. LACERA expects investment managers to ensure effective practices and internal controls are in place to select responsible contractors based upon their demonstrated ability to provide high quality services as evidenced by experience, skill, reputation, responsiveness, fees, dependability, record of compliance with applicable laws, regulations and statutes, and payment of fair compensation and benefits to employees.

By promoting responsible contracting, LACERA seeks to prudently optimize financial performance while mitigating investment risks—including, but not limited to, compliance, legal, operational, and reputational liabilities—that may be presented when business entities fail to meet responsible contracting standards.

# II. Legal Authority and Fiduciary Duty

The LACERA Board of Investments has "the sole and exclusive fiduciary responsibility over the assets of" the system, as provided by the California Constitution (Article XVI, Section 17(a)). LACERA exercises its legal rights in defining responsible contracting provisions in furtherance of its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other governing laws, regulations, and case authority.

The Policy is guided in all aspects by LACERA's fiduciary duties, including loyalty, care, skill, prudence, and diligence, which require evaluation of expected investment returns and risk of loss.



LACERA's assets are diligently and prudently invested and managed in accordance with the Fund's fiduciary duties in the sole interest of plan participants and their beneficiaries, and for the exclusive purpose of providing benefits to its participants and their beneficiaries. LACERA seeks to have its real assets investments managed and operated in a manner that is expected to prudently maximize the rate of return, while minimizing the risk of loss. LACERA's duties, and the duties of its investment managers, to LACERA's participants and their beneficiaries take precedence over any other duty.

### III. Policy Application at Real Assets Investments

LACERA promotes prudent, responsible contracting provisions for construction and operation services throughout its real assets investments. All investment managers who have been selected to manage LACERA's capital in real estate, infrastructure, and natural resources mandates should have in place effective policies, procedures, and internal controls to ensure that contracting practices result in the selection of responsible contractors that reflect the responsible contracting provisions outlined in this Policy.

LACERA recognizes that its control and influence on external investment managers varies by the degree of ownership it maintains in investment funds managed on its behalf by external investment managers. Accordingly, LACERA has defined the application of the terms and provisions of this Policy as follows:

**A. Controlled Investments:** Where LACERA owns more than a 50 percent equity position either directly or indirectly in a real estate, infrastructure, natural resources, or other real assets investment fund or partnership ("Controlled Investments"), LACERA requires the investment manager to use their best efforts to comply with the responsible contractor terms and provisions defined within this Policy when soliciting and selecting contractors and subcontractors for construction and operation services.

At Controlled Investments, LACERA expects investment managers to apply this Policy to all contracts valued at \$100,000 or more. Contract value refers to the total project work to be contracted for, with desegregation by trade or task. Desegregation designed to evade the requirements of this Policy is not permitted.

**B. Non-Controlled Investments:** Where LACERA does not have greater than 50 percent equity ownership and/or control of a real estate, infrastructure, natural resources, or other real assets investment fund or partnership ("Non-Controlled Investments"), LACERA *strongly encourages* its investment managers to comply with the spirit and practice of responsible contracting, including—but not limited to—adhering to the terms of this Policy and defining responsible contracting terms and policies of their own.

For the avoidance of any confusion, while LACERA encourages all real assets firms to practice responsible contracting, the specific terms and requirements of this Policy do not apply to other real assets exposures in LACERA's portfolio, including—but not limited to—publicly-listed REIT's, mezzanine debt, hybrid debt, investments acquired through a secondaries fund acquisition transaction, and indirect, specialty, and mortgage investments lacking equity features, and their respective investment managers.

## IV. Key Provisions of Responsible Contracting

A “Responsible Contractor,” as used in this Policy, is a contractor or subcontractor who: (1) has the appropriate experience, skill, reputation, employee relations, responsiveness, fees, and dependability to perform the required work, and (2) provides workers fair compensation and fair benefits for the required work as evidenced by factors including—but not limited to—payroll and employee records, policies, and practices.

Responsible contracting practices include, but are not limited to, the following:

- A. Fair Wages and Benefits:** In determining fair wages and fair benefits concerning a specific contract in a specific market, items that may be considered include—but are not limited to—local wage practices, prevailing wages, and labor market conditions. This Policy does not mandate a specific wage level or benefits, but instead recognizes and considers that local market practices may vary across LACERA’s investment exposures. How investment managers and their respective contractors evaluate what constitutes “fair wages” and “fair benefits” should be informed by relevant market factors that include the nature and location of the project, comparable job or trade classifications, and the scope and complexity of services provided. “Fair benefits” may include—but are not limited to—employer-supported family health care coverage, pension benefits, employee safety training, and apprenticeship training programs.
- B. Legal Compliance:** All contractors should demonstrate a compelling track record of compliance with all applicable federal, state, and local laws, regulations, and ordinances, including (but not limited to) those related to insurance, withholding taxes, minimum wage, health and safety, and environmental matters. Responsible Contractors exclude any contractor who has been debarred—or whose principal has been debarred—by a municipal, state, or federal government. Responsible Contractors also respect the right of all workers to freedom of association in the workplace, as protected under local, state, and federal law, and as recognized by the United Nations International Labor Organization (ILO) core labor standards.
- C. Diversity, Equity, and Inclusion:** As outlined in LACERA’s *Investment Policy Statement*, LACERA values diversity, equity, and inclusion, and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA considers diversity broadly, inclusive of—but not limited to—professional backgrounds, age, experience, race, sexual orientation, gender, gender identity, disability status, military service, ethnicity, national origin, and culture. LACERA expects real assets investment managers to ensure equal opportunity and non-discrimination in contracting provisions for construction and operation services. Effective assurance of equal opportunity and non-discrimination includes effective policies and practices to prohibit and deter retaliation against any individual or entity who reports incidents of prospective non-compliance.
- D. Competitive Bidding:** Investment managers should ensure that all requests for proposals and invitations to bid applicable contracts covered by this Policy are made in accordance with the terms of this Policy. LACERA encourages adequate advance notice of bidding opportunities to promote competitive bidding, as practical and appropriate. Investment managers and their associated property managers and contractors should use reasonable methods to provide adequate notice to potential contractors of bidding opportunities for contracted services. Adequate notification may include, but is not limited to, maintaining lists of eligible, qualified Responsible Contractors for inclusion in the bidding process.

- E. Neutrality:** Where there is a legitimate attempt by a labor organization to organize workers employed in contracted construction, maintenance, operation, and services, LACERA encourages investment managers, property managers, and contractors to maintain a position of neutrality. To remain “neutral” means not taking any action or making any statement that will directly or indirectly state or imply any support for or opposition to the selection by employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent.

For the avoidance of any confusion, nothing in this Policy obligates or prohibits an investment manager, property or asset manager, or contractor from entering into project labor agreements, labor peace or other lawful agreements with a labor organization seeking to represent or that currently represents workers, or take actions to address violations of applicable law.

It is also not the intent of this Policy to call for any involvement by investment managers, property or asset managers, or contractors in resolving any jurisdiction disputes that may arise between or among building trades and other labor organizations and unions.

## V. Policy Implementation

- A. Notification:** All current and prospective real assets investment managers shall be provided a copy of this Policy (both at Controlled Investments and Non-Controlled Investments).
- B. Contracts and Contract Renewals:** All contracts and contract renewals at Controlled Investments entered into after the effective date of this Policy shall incorporate expectations of adherence to all applicable provisions of this Policy.
- C. Investment Manager Administration and Reporting:** All investment managers of Controlled Investments are expected to communicate the terms and provisions of this Policy to property and asset managers and ensure effective practices are in place to implement them. Investment managers of Controlled Investments are further expected to collect, provide, and retain adequate data documenting their compliance with this Policy on no less than an annual basis in reporting to LACERA in a format acceptable to and approved by LACERA. Effective monitoring and enforcement by investment managers includes reasonable investigation of allegations of non-compliance with the terms and provisions of the Policy, as well as cooperative and timely communication with LACERA regarding the status of any such investigations.

Investment managers of Non-Controlled Investments are encouraged to report to LACERA on the administration, monitoring, and compliance with the responsible contracting provisions and terms stated above and any responsible contracting policies or provisions of their own, as well as to be responsive to any inquiries from LACERA related to the same.

- D. LACERA Monitoring:** LACERA actively monitors all external investment managers, including those managing Controlled Investments and Non-Controlled Investments. All investment managers should demonstrate a compelling track record of adhering to responsible contracting practices. Any investment decisions to renew, increase, or decrease allocations may be informed, in part, by the investment managers track record of adherence to responsible contracting practices.

LACERA's regular review of Controlled Investments includes an assessment of the investment manager's track record in adhering to the terms and provisions of this Policy. LACERA reviews reports from investment managers of Controlled Investments regarding implementation and compliance with the terms and provisions of this Policy and furnishes reports, including an annual publicly-available report on investment manager compliance with the Policy, as part of LACERA's overall compliance reporting practices to the Board of Investments for its oversight.

LACERA's review of all investment managers (both Controlled Investments and Non-Controlled Investments) focuses on the overall pattern of conduct and compliance and not particularly a single incident, depending on the severity and impact of incidents of non-compliance.

**Document History**

Revised and restated July 13, 2022

Revised November 19, 2014

Reviewed November 20, 2013

Revised November 13, 2012

Adopted December 11, 2002



# Emerging Manager Policy

FEBRUARY 2020

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# 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.



# Placement Agent Policy

NOVEMBER 2014

Investment managers in both the public and private markets use placement agents to help them raise capital. The purpose of this Policy is to bring transparency to placement agent activity in connection with LACERA's investments and to help ensure that all investment decisions are made solely on their merits and in a manner consistent with the fiduciary duties of LACERA's Board of Investments (the "Board").

Prior to LACERA investing with any External Manager<sup>1</sup>, investment staff shall obtain a written representation from the External Manager, in a form acceptable to the Legal Office, stating that the External Manager has not used a Placement Agent<sup>2</sup> in connection with LACERA's investment (and that a Placement Agent will not receive compensation from the External Manager if LACERA invests in the investment), or if the External Manager has used a Placement Agent (or if a Placement Agent will receive compensation from the External Manager if LACERA invests in the investment), it will disclose the following in writing, on a form prepared by staff:

- The name of the Placement Agent and the relationship between the External Manager and the Placement Agent
- A resume for each officer, partner, or principal of the Placement Agent detailing the individual's education, professional designations, regulatory licenses, and investment and work experience
- A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent
- A description of the services to be performed by the Placement Agent
- Representation that the fee is the sole obligation of the External Manager and not of LACERA, the Investment Vehicle, the Investment Fund, or any investor(s) in the Investment Vehicle or in the Investment Fund
- The name(s) of current or former LACERA board members, employees, or consultants or member(s) of the immediate family of any such individuals that are either employed or receiving compensation of any kind provided, or agreed to be provided, directly or indirectly from the Placement Agent
- The name(s) of any current or former LACERA Board members, employees, or consultants who suggested the retention of the Placement Agent
- A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association or any similar state regulatory agency, or any similar regulatory agency in a country other than the United States, and the details of that registration or explanation as to why no registration is required
- A statement whether the Placement Agent, or any of its affiliates, is registered (or is required to be registered as of a date certain) as a lobbyist with any state or national government

Any External Manager or Placement Agent that violates the Policy shall not solicit new investments from LACERA for five years after the violation was committed. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

## Document History

Reviewed November 19, 2014

Revised November 9, 2011

Effective retroactively to October 9, 2011

<sup>1</sup>As defined in California Government Code section 7513.8, "External Manager" means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; or (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, "Person" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, "Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

As defined in section 7513.8, "Investment Fund" means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

<sup>2</sup>As defined in section 7513.8, "Placement Agent" means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time during a calendar year managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

### **PRIVATE EQUITY PRIVATIZATION POLICY**

LACERA does not aim to promote privatization of public jobs through its private equity investment program. It is highly unlikely that LACERA private equity investments would be in domestic partnerships or similar pooled investment vehicles ("partnerships") that are dependent on privatization strategies.

When performing due diligence prior to making the initial investment in a domestic partnership, staff and/or Consultant, as applicable, will use their reasonable efforts to ascertain:

- (1) Whether the partnership's current investment strategy includes the privatization of jobs held by LACERA members.
- (2) Whether previous partnerships operated by the general partners, if any, have invested in companies dependent upon privatization of jobs held by LACERA members.

Staff and/or Consultant will seek guidance from the Board of Investments before investing in a domestic partnership if the due diligence establishes a positive answer to either (1) or (2) above.

Adopted on May 21, 2003.

# **PROCUREMENT POLICY FOR INVESTMENT-RELATED SERVICES**

**Adopted: November 20, 2019**

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## **Statement of Purpose**

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

## **Legal Authority**

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

### **A. Fiduciary Duty**

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

### **B. Ethics and Code of Conflicts**

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

## **C. Process**

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

## 1. Introduction

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

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

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

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

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

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

## **Scope**

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

## **Term**

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

- i. **Investment Managers.** Terms for agreements with separate account investment managers may be evergreen. Investment managers engaged via separate accounts and open-end comingled funds are monitored closely relative to return objectives, benchmarks, and alternative options. All contracts between LACERA and separate account managers must contain reasonable termination rights for LACERA.
- ii. **Custody Services.** Engagements with custody service providers may be for terms of up to ten years and may provide for two one-year extensions at the discretion of the Chief Investment Officer. The Board will be notified of any extensions. Agreements with custody providers shall contain reasonable termination provisions.
- iii. **Other Service Providers.** Other services procured using the Procurement Policy will have a term of no longer than five years, with two one-year extensions at the discretion of the Chief Investment Officer with respect to investment-related matters, or Chief Legal Counsel for the procurement of services for legal-related matters. The Board will be notified of any extensions.

## 2. Definitions

- a) **Active Management** refers to investment managers whose investment strategy and process allow them to make investments that attempt to exceed their benchmarks.
- b) **Board** means the LACERA Board of Investments
- c) **Evaluation Team** means the group of individuals that have been assigned responsibility to review the search respondents relative to the criteria set forth in the search as well as to each other, as appropriate. Each phase of evaluation must be completed by the same participating members of the Evaluation Team. The Evaluation Team will include staff as appropriate and possibly a third-party advisor.
- d) **Fund** or **Funds** means both the Los Angeles County Employees Retirement Association (LACERA), and the Other Post-Employment Benefits Master Trust (OPEB).
- e) **Illiquid Investment** means securities or other assets that cannot easily be sold or exchanged for cash within one month without a substantial loss in value. These investments include private equities, private credit, private real assets (including real estate), and hedge fund strategy products. These assets are intended to provide the portfolio with higher risk-adjusted returns and/or enhanced diversification. They are not intended to be a source of short-term liquidity.
- f) **Legal Services Procurements** means the procurement of investment-related legal services to assist in transactions or other investment matters.
- g) **Liquid Investments** means securities and other assets that can be converted into cash quickly without material impact on fair value and where there is typically a transactional price available on a daily basis. These assets include

global equities, investment-grade bonds, publicly-traded real estate and real assets, and overlays implemented via exchange-traded instruments.

- h) **Miscellaneous Small Purchases** means the procurement of investment-related services for flat-fee or hourly compensation that may not exceed a total of \$150,000 per provider for any single transaction or assignment, even if the services are provided over a five-year period. Small Purchases may be approved, and later renewed or extended every five years subject to a new \$150,000 cap, jointly by the Chief Executive Officer and Chief Investment Officer. Small Purchases do not include any services for on-going investment management.
- i) **Passive Management** refers to investment managers whose investment strategy and process are designed to replicate a benchmark.
- j) **RFP** means open Requests for Proposals. An RFP is a public solicitation posted on LACERA's website inviting all qualified bidders to respond. Recommendations to initiate an RFP will be presented to the Board and will identify the recommended: (i.) Scope of Services; (ii.) Minimum Qualifications; (iii.) Search timing; (iv.) Structure of the Evaluation Team; (v.) Evaluation Criteria; and (vi.) Selection Authority.
- k) **Selection Authority** refers to the body, group or individual that has authority to select the service provider that will be retained. This may be the Board, the Evaluation Team, the Chief Investment Officer, Chief Legal Counsel, or some combination of the above. A Selection Authority will be recommended to the Board for its approval for each procurement effort unless otherwise delegated in existing LACERA policy.
- l) **Staff** means employees of LACERA.
- m) **Trustee** means a member of the Board of Investments.



### **3. Service Being Procured and Selection Method**

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

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

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

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

#### **a) Investment Management Services**

- Active Management
  - Liquid Investments

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

- Illiquid Investments

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

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

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

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

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

#### **b) Consulting Services**

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

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

#### **c) Other Investment Related Services**

Numerous specialized investment related service providers that **do not** directly manage money are utilized to support Fund investment activities. Some specialized providers are on retainer or under an open

contract for services as needed and are utilized repetitively to deliver expert services, such as legal counsel negotiating and documenting transactions. Other specialized providers may be retained to deliver ongoing operational support services, such as a master custodian or securities lending service provider. Still other specialized providers may be retained to deliver frequently needed services, such as private equity fee verifications or real estate appraisals.

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

**d) Legal Services Procurements**

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

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

litigation counsel presented to the Board for ratification at the next meeting.

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

**e) Miscellaneous Small Purchases**

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

#### **4. Proposal Evaluation**

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

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

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

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

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

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

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

## 5. Observance of a Quiet Period

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

- A. The quiet period shall be maintained after the issuance of a solicitation and continue until a final selection is made or the process is otherwise terminated.
- B. Initiation, continuation, and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.
- C. During the quiet period, all Trustees and staff, except for designated LACERA contact persons, shall refrain from communicating with contractor candidates regarding any product or service offered by the candidate, except as permitted by Subsection G below.
- D. During the quiet period, no Trustee or staff member shall accept meals, travel, lodging, entertainment, or any other good or service of value from the candidates.
- E. All authority related to the search process shall be exercised, when the Board has authority under this policy, solely by the Board, or by delegated staff, and not by individual Board members. With respect

to procurements within the authority of Staff, authority related to the search process shall be exercised solely by the authorized staff member with contracting authority for the search.

- F. If any Trustee or staff member is contacted by a candidate during the quiet period about a matter relating to the pending selection, the Trustee or staff member shall refer the candidate to the designated LACERA contact person and report the contact to the Chief Counsel.
  
- G. The quiet period does not prevent Board-approved meetings or communications by staff with an incumbent contractor that is also a candidate provided that their communication is strictly limited to matters necessary in connection with the contractor's existing scope of work. Other than due diligence, discussion related to the pending selection is not permitted during these activities.
  
- H. A contractor candidate may be disqualified from a search process for a willful violation of this policy.



## MEMORANDUM

**TO:** LACERA Board of Investments  
**FROM:** Tim Filla, Aysun Kilic, Leo Festino, and Imran Zahid  
**DATE:** January 11, 2023  
**RE:** OPEB Master Trust Investment Beliefs

---

The purpose of this memo is for Meketa Investment Group to review and support the recommendation that the Board of Investments (“BOI”) adopt the LACERA Pension Trust Investment Beliefs for the OPEB Master Trust (“OPEB Trust”) and incorporate them into the OPEB Trust Investment Policy Statement.

### Background

The purpose of developing and adopting Investment Beliefs is to provide a framework in which investment decisions are made for LACERA’s assets. Specifically, they explicitly define the core beliefs that the Board of Investments uses as a foundation for its decision making as an institutional investor with a long-term investment horizon. Meketa believes it is important for the BOI to review and reaffirm or refine its Investment Beliefs every few years.

At the December 2022 BOI meeting, the Board approved updated Investment Beliefs for the Pension Trust. The current OPEB Trust incorporates LACERA’s prior set of Investment Beliefs.

### Evaluation

The OPEB Trust and Pension Trust are both long-term pools of capital managed to meet post-retirement liabilities and are both governed by the BOI and managed by LACERA staff. For consistency, Meketa believes the OPEB Master Trust’s Investment Policy Statement should be updated to reflect LACERA’s recently adopted Investment Beliefs.

The overall nature of the proposed changes is to add greater clarity and provide better alignment with LACERA’s strategic plan of evolving from allocator to best-in-class investor. The main pillars and overall structure of LACERA’s current Investment Beliefs remain intact. All of the updates are pertinent to both the Pension Trust and OPEB Trust.

A few key areas worth highlighting are as follows:

- i. Strategic Asset Allocation remains the first section of the Investment Beliefs with additional language to highlight diversification and describe the inputs into setting the Strategic Asset Allocation.



- ii. The section regarding Market Efficiency has been renamed Market Dynamics and changed to reflect broader considerations and more concrete linkage to investment implementation decisions.
- iii. The Active Versus Passive Management and Private Markets and Liquidity Beliefs were merged into a single Belief named Return.
- iv. The proposed Belief about Risk is more succinct and explicit about the types of risks LACERA faces and is focused on mitigating.
- v. ESG has been renamed to Stewardship to reflect LACERA's strong capabilities as an investor and the importance of Stewardship in protecting and providing the promised benefits.
- vi. The name of the Costs and Fees Belief was changed to Terms to encompass all types of terms and to formally recognize LACERA's ability as an investor to influence those terms.
- vii. The Belief regarding education was expanded to include multiple areas of both human capital and organizational resources and was renamed Productivity.

Consistent with past practice and the overall governance of LACERA's assets, Meketa believes that LACERA's Investment Beliefs should be reflected in the Investment Policy Statements of both the Pension Trust and OPEB Trust. If you have any questions, please feel free to reach us at 760-795-3450. We look forward to speaking with you soon.

TF/AK/LF/IZ/sf

January 3, 2023

TO: Each Trustee,  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: AB 2449 Teleconference Meeting Procedures

## **Recommendation**

That the Board of Investments discuss and provide input on the implementation process for the AB 2449 teleconference meeting procedures that may be used by staff in preparing a policy for consideration by the Board at a future meeting.

## **Legal Authority**

Under Article XVI, Section 17 of the California Constitution, the Board of Investments has plenary authority and exclusive fiduciary responsibility for investments, actuarial matters, and other issues. See *also* Cal. Gov't Code §§ 31520, 31520.1, and 31595 of the County Employees Retirement Act of 1937. This authority includes the ability of the Board to manage its own Board and Committee meetings under the Brown Act and evaluate legal options for meetings, such as how to administer teleconferencing under AB 2449.

This item was originally presented to the Board at its December 14, 2022 meeting as an information only item. It is presented today for discussion and direction to staff on a policy for AB 2449 meeting procedures. A trustee also requested that the discussion of this include discussion of accommodation for Trustees who reside more than two to three hours from the regular place of the meetings in Pasadena, California. The accommodation issue is the subject of a separate Board memo, but it is also included here insofar as it relates to teleconferencing under AB 2449.

## **Background on AB 2449**

This memo discusses implementation options for the new teleconference meeting procedures under AB 2449, which was signed into the law by the Governor on September 13, 2022, effective January 1, 2023. A copy is attached.

The AB 2449 procedures are separate from the COVID emergency rules under AB 361 and Section 54953(e) that the Boards have utilized since September 2021, and which will remain in effect until January 1, 2024 and at that time are repealed. While AB 2449 is effective on January 1, 2023, the AB 2449 rules will not be relevant or operative for

LACERA's Boards and Committees until the March 2023 meetings and thereafter. This is because the Board of Retirement and Board of Investments approved at their September 23, 2022 joint meeting that the Boards and Committees will continue to use the COVID emergency rules until the State of Emergency ends, which is expected to occur on February 28, 2023.

The traditional teleconference rules requiring that each teleconference location be identified and open to the public will continue to be available under AB 2449.

AB 2449 creates three sets of new rules for teleconferencing under Section 54953, each of which applies for a different period of time.

- **Effective from January 1, 2023 through January 1, 2024.** Under this version of Section 54953(f)-(l), the following rules will apply:
  - A quorum of the legislative body must participate from the same physical location in the County of Los Angeles, for which the meeting is agendized. A quorum must be physically present for the entire meeting. This location must be open to the public. The meeting must be livestreamed, and there must be a two-way telephonic or audio-visual method of viewing and providing public comment.

Applying this part of the statute for the Board of Investments, its Committees, and joint Committees, AB 2449 imposes the following limits for quorum and teleconference attendance, subject to the individual attendance limits discussed below:

<b>Body</b>	<b>Quorum in Person</b>	<b>Maximum by Teleconference</b>
BOI	Five	Four
Corporate Governance	Three	One (plus alternate if not needed for a quorum)
Credit	Three	One (plus alternate if not needed for a quorum)
Equity	Three	One (plus alternate if not needed for a quorum)
Real Assets	Three	One (plus alternate if not needed for a quorum)
JOGC	Five	Three
Audit	Four	Three

- The remaining members of the body may participate remotely, without the need to agendize their location or open it to the public, if either:
  - First, the member notifies the body at the earliest opportunity, including at the start of a regular meeting, of their need to appear remotely for just cause, including a general description of the circumstances supporting the just cause. “Just cause” is defined as (1) childcare or caregiving needs of certain family members or a domestic partner, (2) contagious illness that prevents attendance, (3) a need related to a physical or mental disability as defined in Government Code Sections 12926 and 12926.1 which is not accommodated, or (4) travel while on official public business of the body or another state or local agency. As stated above, a quorum must be physically present in person for the entire meeting; if an in-person quorum is lost, the body will not be able to take action. Even though notice of “just cause” can be made as late as the start of the meeting, the meeting cannot proceed if there is not an in-person quorum.

The “just cause” excuse from in-person attendance cannot be invoked more than two meetings per calendar year; or

- Second, the member requests the legislative body to allow them to participate remotely due to emergency circumstances and the body takes action to approve the request. “Emergency circumstances” are defined as a physical or family medical emergency that prevents the member from attending in person. The body must request a general description of the circumstances of not more than twenty words and without disclosing personal medical information. The member making the request must make it as soon as possible. The body may act on the request as an urgency item by majority vote under Section 54952.2(b)(4), only if there is not sufficient time to place the request on the posted agenda. Separate requests must be made by a member each time they seek to request to participate remotely. An in-person quorum must be present for the entire meeting. A request cannot be acted upon in the absence of an in-person quorum.
- These provisions in total may not be used as a means for any members to participate in teleconference meetings for a period of more than three consecutive months or 20% of the regular meetings of the body within a

calendar year or more than two meetings if the body regularly meets fewer than ten times per calendar year.

Therefore, for the Board of Investments, its Committees, and joint Committees, AB 2449 imposes the following limits on each Trustee's teleconference attendance at regular meetings per calendar year:

BOI	Maximum of two teleconference meetings/Trustee/year
Corporate Governance	Maximum of two teleconference meetings/Trustee/year
Credit	Maximum of two teleconference meetings/Trustee/year
Equity	Maximum of two teleconference meetings/Trustee/year
Real Assets	Maximum of two teleconference meetings/Trustee/year
JOGC	Maximum of two teleconference meetings/Trustee/year
Audit	Maximum of two teleconference meetings/Trustee/year

- The member participating remotely must state whether any other individuals 18 years or older are present in the room at the remote location with the member and the general nature of the member's relationship with any such individuals.
- The body must have and implement a procedure for receiving and swiftly resolving request for reasonable accommodation from individuals with disabilities under the ADA. The ADA defines disability for purposes of accommodation as a physical or mental impairment that substantially limits one or more major life activities (sometimes referred to in the regulations as an "actual disability"), or a record of a physical or mental impairment that substantially limited a major life activity ("record of" disability). See 42 U.S.C. § 12102. The body shall conduct meetings under this section consistent with applicable civil rights and nondiscrimination laws.

Therefore, in response to the trustee question about accommodation, if there is a disability that prevents a trustee from travelling to Pasadena on the morning of a regular meeting, LACERA's policy will need to provide for accommodation of that request. However, AB 2449 limits teleconference attendance to less than a quorum of the body, and therefore there may be circumstances where accommodation is not possible to meet the business needs of the body for an in-person quorum to meet legal requirements. As discussed below, LACERA's policy will need to include a reasonable

process for resolving competing requests for teleconference attendance. Under the ADA, requests based on disability should take priority.

- The body may offer additional teleconference or physical locations from which the public may observe and address the body.
- The COVID emergency teleconference rules under Section 54953(e) will still be in effect concurrently with the above rules through January 1, 2024.
- **Effective from January 1, 2024 to January 1, 2026.** Under this version of Section 54953(f)-(i), the same rules as described above apply, except this version will go into effect after the current COVID emergency provisions will no longer be in effect, having been repealed on January 1, 2024.
- **Effective from and after January 1, 2026.** Under this version of Section 54953, the above rules are repealed, and the Brown Act will return exclusively to the historical teleconference rules where teleconference locations must be agendized and open to the public.

### **Options for AB 2449 Implementation Procedures**

The Board's AB 2449 policy must include provisions consistent with the requirements set forth above, which are not discretionary insofar as they relate to the in person quorum requirement and teleconferencing limits for each Trustee. The Executive Board Assistants will maintain records to ensure that all Trustees do not exceed the maximum permitted number of teleconference meeting attendance each calendar year. Forms will be created for trustees to use in making their request and presenting their general description of "just cause" or "emergency circumstances." A designated email address will be provided for submission of requests.

Since it may develop that there is a greater demand for teleconferencing positions at any given meeting than permitted by AB 2449 (i.e., requests by more than a quorum), it may be helpful to have a system of established priorities. Any system will need to be capable of implementation by staff or by the Board or Committee Chair because it is not possible under AB 2449 for the Board, or a Committee, to act in the absence of a quorum in person. Any system will also need to be separately implemented for each Board and Committee since each body has different quorum requirements and teleconference limits based on size and meeting frequency. Any system must be built to ensure ADA compliance, which is required by AB 2449, so as not to allow cause based on attendance at a conference or other business event to take priority over a health or disability necessity. Therefore, the statute implies that requests based on disability must receive priority.

The options listed below are possible solutions for resolving priorities if there is a greater demand for teleconferencing than allowed for any given Board or Committee meeting:

1. *Evaluate All Requests.* The Board may determine that each teleconference request will be considered and evaluated by staff. Under this option, action would be taken based on evaluation of the “general description” as required by AB 2449 that must be provided by each requesting Trustee. Decisions would be based on staff’s evaluation of the merit of each request. This option has the disadvantage of placing staff in the difficult position of deciding the relative merit of individual requests.
2. *First Come, First Served.* Under this system, priority will be determined by the order in which Trustees advise staff in writing of their need for teleconference based on either just cause or emergency and provide the required “general description.” This option has the advantage of being objective, without any need for staff discretion, but it suffers from the disadvantage of not considering the relative merit of requests.
3. *Chair Discretion.* This system assigns responsibility for weighing requests to the Chair of the Board and each Committee. This option reserves authority for each Board or Committee meeting to the Chair of the body, which is an existing Chair authority. The Board of Investments Charter provides in Section 4.1 that the Chair shall “facilitate and preside over Board meetings.” This option also removes the responsibility from staff for administering the allocation of teleconference attendance.
4. *Prioritization Based on Trustee Seniority.* The Board may adopt a system of seniority lists like those maintained used for Board officer selection. Such lists would be constructed identically to the officer selection lists, but they would be created and maintained separately for the Board and each Committee. Like the “first come, first served” option, a list system is objective, but it does not consider the relative merits of requests. This system has the advantage of having already been debated by the Board and accepted in its implementation to date.

The Board may consider variations of these options or propose others.

### **Conclusion**

Based on the above discussion, staff recommends that the Board of Investments discuss and provide input on the implementation process for the AB 2449 teleconference meeting procedures that may be used by staff in preparing a policy for consideration by the Board at a future meeting.



Re: AB 2449 Teleconference Meeting Procedures

January 3, 2023

Page 7

Attachment

c: Santos H. Kreimann Jonathan Grabel Luis A. Lugo JJ Popowich  
Laura Guglielmo Barry Lew



## AB-2449 Open meetings: local agencies: teleconferences. (2021-2022)



Date Published: 09/14/2022 09:00 PM

### Assembly Bill No. 2449

#### CHAPTER 285

An act to amend, repeal, and add Sections 54953 and 54954.2 of the Government Code, relating to local government.

[ Approved by Governor September 13, 2022. Filed with Secretary of State September 13, 2022. ]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2449, Blanca Rubio. Open meetings: local agencies: teleconferences.

Existing law, the Ralph M. Brown Act, requires, with specified exceptions, that all meetings of a legislative body of a local agency, as those terms are defined, be open and public and that all persons be permitted to attend and participate. The act generally requires posting an agenda at least 72 hours before a regular meeting that contains a brief general description of each item of business to be transacted or discussed at the meeting, and prohibits any action or discussion from being undertaken on any item not appearing on the posted agenda. The act authorizes a legislative body to take action on items of business not appearing on the posted agenda under specified conditions. The act contains specified provisions regarding providing for the ability of the public to observe and provide comment. The act allows for meetings to occur via teleconferencing subject to certain requirements, particularly that the legislative body notice each teleconference location of each member that will be participating in the public meeting, that each teleconference location be accessible to the public, that members of the public be allowed to address the legislative body at each teleconference location, that the legislative body post an agenda at each teleconference location, and that at least a quorum of the legislative body participate from locations within the boundaries of the local agency's jurisdiction. The act provides an exemption to the jurisdictional requirement for health authorities, as defined.

Existing law, until January 1, 2024, authorizes a local agency to use teleconferencing without complying with those specified teleconferencing requirements in specified circumstances when a declared state of emergency is in effect, or in other situations related to public health.

This bill would revise and recast those teleconferencing provisions and, until January 1, 2026, would authorize a local agency to use teleconferencing without complying with the teleconferencing requirements that each teleconference location be identified in the notice and agenda and that each teleconference location be accessible to the public if at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda that is open to the public and situated within the local agency's jurisdiction. Under this exception, the bill would authorize a member to participate remotely under specified circumstances, including participating remotely for just cause or due to emergency circumstances. The emergency circumstances basis for remote participation would be contingent on a request to, and action by, the legislative body, as prescribed. The bill, until January 1, 2026, would authorize a legislative body to consider and

take action on a request from a member to participate in a meeting remotely due to emergency circumstances if the request does not allow sufficient time to place the proposed action on the posted agenda for the meeting for which the request is made. The bill would define terms for purposes of these teleconferencing provisions.

This bill would impose prescribed requirements for this exception relating to notice, agendas, the means and manner of access, and procedures for disruptions. The bill would require the legislative body to implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with federal law.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

The California Constitution requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose.

This bill would make legislative findings to that effect.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 54953 of the Government Code, as amended by Section 3 of Chapter 165 of the Statutes of 2021, is amended to read:

**54953.** (a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all otherwise applicable requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. If the legislative body of a local agency elects to use teleconferencing, the legislative body of a local agency shall comply with all of the following:

(A) All votes taken during a teleconferenced meeting shall be by rollcall.

(B) The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency.

(C) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.

(D) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivisions (d) and (e).

(c) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive, as defined in subdivision (d) of Section 3511.1, during the open meeting in which the final action is to be taken. This paragraph shall not affect the public's right under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(d) (1) Notwithstanding the provisions relating to a quorum in paragraph (3) of subdivision (b), if a health authority conducts a teleconference meeting, members who are outside the jurisdiction of the authority may be counted toward the establishment of a quorum when participating in the teleconference if at least 50 percent of the number of members that would establish a quorum are present within the boundaries of the territory over which the authority exercises jurisdiction, and the health authority provides a teleconference number, and associated access codes, if any, that allows any person to call in to participate in the meeting and the number and access codes are identified in the notice and agenda of the meeting.

(2) Nothing in this subdivision shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority. A teleconference meeting for which a quorum is established pursuant to this subdivision shall be subject to all other requirements of this section.

(3) For purposes of this subdivision, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code, and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

(e) (1) The legislative body of a local agency may use teleconferencing without complying with the requirements of paragraph (3) of subdivision (b) if the legislative body complies with the requirements of paragraph (2) of this subdivision in any of the following circumstances:

(A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.

(B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B), that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(2) A legislative body that holds a meeting pursuant to this subdivision shall do all of the following:

(A) In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment. The agenda shall identify and include an opportunity for all persons to attend via a call-in option or an internet-based service option.

(B) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(C) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(D) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(E) (i) A legislative body that provides a timed public comment period for each agenda item shall not close the public comment period for the agenda item, or the opportunity to register, pursuant to subparagraph (F), to provide public comment until that timed public comment period has elapsed.

(ii) A legislative body that does not provide a timed public comment period, but takes public comment separately on each agenda item, shall allow a reasonable amount of time per agenda item to allow public members the opportunity to provide public comment, including time for members of the public to register pursuant to subparagraph (F), or otherwise be recognized for the purpose of providing public comment.

(iii) A legislative body that provides a timed general public comment period that does not correspond to a specific agenda item shall not close the public comment period or the opportunity to register, pursuant to subparagraph (F), until the timed general public comment period has elapsed.

(3) If a state of emergency remains active, or state or local officials have imposed or recommended measures to promote social distancing, in order to continue to teleconference without compliance with paragraph (3) of subdivision (b), the legislative body shall, not later than 30 days after teleconferencing for the first time pursuant to subparagraph (A), (B), or (C) of paragraph (1), and every 30 days thereafter, make the following findings by majority vote:

(A) The legislative body has reconsidered the circumstances of the state of emergency.

(B) Any of the following circumstances exist:

(i) The state of emergency continues to directly impact the ability of the members to meet safely in person.

(ii) State or local officials continue to impose or recommend measures to promote social distancing.

(4) This subdivision shall not be construed to require the legislative body to provide a physical location from which the public may attend or comment.

(f) (1) The legislative body of a local agency may use teleconferencing without complying with paragraph (3) of subdivision (b) if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda, which location shall be open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction and the legislative body complies with all of the following:

(A) The legislative body shall provide at least one of the following as a means by which the public may remotely hear and visually observe the meeting, and remotely address the legislative body:

(i) A two-way audiovisual platform.

(ii) A two-way telephonic service and a live webcasting of the meeting.

(B) In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment.

(C) The agenda shall identify and include an opportunity for all persons to attend and address the legislative body directly pursuant to Section 54954.3 via a call-in option, via an internet-based service option, and at the in-person location of the meeting.

(D) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(E) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(F) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(2) A member of the legislative body shall only participate in the meeting remotely pursuant to this subdivision, if all of the following requirements are met:

(A) One of the following circumstances applies:

(i) The member notifies the legislative body at the earliest opportunity possible, including at the start of a regular meeting, of their need to participate remotely for just cause, including a general description of the circumstances relating to their need to appear remotely at the given meeting. The provisions of this clause shall not be used by any member of the legislative body for more than two meetings per calendar year.

(ii) The member requests the legislative body to allow them to participate in the meeting remotely due to emergency circumstances and the legislative body takes action to approve the request. The legislative body shall request a general description of the circumstances relating to their need to appear remotely at the given meeting. A general description of an item generally need not exceed 20 words and shall not require the member to disclose any medical diagnosis or disability, or any personal medical information that is already exempt under existing law, such as the Confidentiality of Medical Information Act (Chapter 1 (commencing with Section 56) of Part 2.6 of Division 1 of the Civil Code). For the purposes of this clause, the following requirements apply:

(I) A member shall make a request to participate remotely at a meeting pursuant to this clause as soon as possible. The member shall make a separate request for each meeting in which they seek to participate remotely.

(II) The legislative body may take action on a request to participate remotely at the earliest opportunity. If the request does not allow sufficient time to place proposed action on such a request on the posted agenda for the meeting for which the request is made, the legislative body may take action at the beginning of the meeting in accordance with paragraph (4) of subdivision (b) of Section 54954.2.

(B) The member shall publicly disclose at the meeting before any action is taken, whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with any such individuals.

(C) The member shall participate through both audio and visual technology.

(3) The provisions of this subdivision shall not serve as a means for any member of a legislative body to participate in meetings of the legislative body solely by teleconference from a remote location for a period of more than three consecutive months or 20 percent of the regular meetings for the local agency within a calendar year, or more than two meetings if the legislative body regularly meets fewer than 10 times per calendar year.

(g) The legislative body shall have and implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and resolving any doubt in favor of accessibility. In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the procedure for receiving and resolving requests for accommodation.

(h) The legislative body shall conduct meetings subject to this chapter consistent with applicable civil rights and nondiscrimination laws.

(i) (1) Nothing in this section shall prohibit a legislative body from providing the public with additional teleconference locations.

(2) Nothing in this section shall prohibit a legislative body from providing members of the public with additional physical locations in which the public may observe and address the legislative body by electronic means.

(j) For the purposes of this section, the following definitions shall apply:

(1) "Emergency circumstances" means a physical or family medical emergency that prevents a member from attending in person.

(2) "Just cause" means any of the following:

(A) A childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. "Child," "parent," "grandparent," "grandchild," and "sibling" have the same meaning as those terms do in Section 12945.2.

(B) A contagious illness that prevents a member from attending in person.

(C) A need related to a physical or mental disability as defined in Sections 12926 and 12926.1 not otherwise accommodated by subdivision (g).

(D) Travel while on official business of the legislative body or another state or local agency.

(3) "Remote location" means a location from which a member of a legislative body participates in a meeting pursuant to subdivision (f), other than any physical meeting location designated in the notice of the meeting. Remote locations need not be accessible to the public.

(4) "Remote participation" means participation in a meeting by teleconference at a location other than any physical meeting location designated in the notice of the meeting. Watching or listening to a meeting via webcasting or another similar electronic medium that does not permit members to interactively hear, discuss, or deliberate on matters, does not constitute remote participation.

(5) "State of emergency" means a state of emergency proclaimed pursuant to Section 8625 of the California Emergency Services Act (Article 1 (commencing with Section 8550) of Chapter 7 of Division 1 of Title 2).

(6) "Teleconference" means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both.

(7) "Two-way audiovisual platform" means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic function.

(8) "Two-way telephonic service" means a telephone service that does not require internet access, is not provided as part of a two-way audiovisual platform, and allows participants to dial a telephone number to listen and verbally participate.

(9) "Webcasting" means a streaming video broadcast online or on television, using streaming media technology to distribute a single content source to many simultaneous listeners and viewers.

(k) This section shall remain in effect only until January 1, 2024, and as of that date is repealed.

**SEC. 2.** Section 54953 of the Government Code, as added by Section 4 of Chapter 165 of the Statutes of 2021, is amended to read:

**54953.** (a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all otherwise applicable requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. If the legislative body of a local agency elects to use teleconferencing, the legislative body of a local agency shall comply with all of the following:

(A) All votes taken during a teleconferenced meeting shall be by rollcall.

(B) The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency.

(C) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.

(D) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivision (d).

(c) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive, as defined in subdivision (d) of Section 3511.1, during the open meeting in which the final action is to be taken. This paragraph shall not affect the public's right under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(d) (1) Notwithstanding the provisions relating to a quorum in paragraph (3) of subdivision (b), if a health authority conducts a teleconference meeting, members who are outside the jurisdiction of the authority may be counted toward the establishment of a quorum when participating in the teleconference if at least 50 percent of the number of members that would establish a quorum are present within the boundaries of the territory over which the authority exercises jurisdiction, and the health authority provides a teleconference number, and associated access codes, if any, that allows any person to call in to participate in the meeting and the number and access codes are identified in the notice and agenda of the meeting.

(2) Nothing in this subdivision shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority. A teleconference meeting for which a quorum is established pursuant to this subdivision shall be subject to all other requirements of this section.

(3) For purposes of this subdivision, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code, and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

(e) (1) The legislative body of a local agency may use teleconferencing without complying with paragraph (3) of subdivision (b) if, during the teleconference meeting, at least a quorum of the members of the legislative body participates in person from a singular physical location clearly identified on the agenda, which location shall be open to the public and situated within the boundaries of the territory over which the local agency exercises jurisdiction and the legislative body complies with all of the following:

(A) The legislative body shall provide at least one of the following as a means by which the public may remotely hear and visually observe the meeting, and remotely address the legislative body:

(i) A two-way audiovisual platform.

(ii) A two-way telephonic service and a live webcasting of the meeting.

(B) In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by



which members of the public may access the meeting and offer public comment.

(C) The agenda shall identify and include an opportunity for all persons to attend and address the legislative body directly pursuant to Section 54954.3 via a call-in option, via an internet-based service option, and at the in-person location of the meeting.

(D) In the event of a disruption that prevents the legislative body from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption that prevents the legislative body from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(E) The legislative body shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time.

(F) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(2) A member of the legislative body shall only participate in the meeting remotely pursuant to this subdivision, if all of the following requirements are met:

(A) One of the following circumstances applies:

(i) The member notifies the legislative body at the earliest opportunity possible, including at the start of a regular meeting, of their need to participate remotely for just cause, including a general description of the circumstances relating to their need to appear remotely at the given meeting. The provisions of this clause shall not be used by any member of the legislative body for more than two meetings per calendar year.

(ii) The member requests the legislative body to allow them to participate in the meeting remotely due to emergency circumstances and the legislative body takes action to approve the request. The legislative body shall request a general description of the circumstances relating to their need to appear remotely at the given meeting. A general description of an item generally need not exceed 20 words and shall not require the member to disclose any medical diagnosis or disability, or any personal medical information that is already exempt under existing law, such as the Confidentiality of Medical Information Act (Chapter 1 (commencing with Section 56) of Part 2.6 of Division 1 of the Civil Code). For the purposes of this clause, the following requirements apply:

(I) A member shall make a request to participate remotely at a meeting pursuant to this clause as soon as possible. The member shall make a separate request for each meeting in which they seek to participate remotely.

(II) The legislative body may take action on a request to participate remotely at the earliest opportunity. If the request does not allow sufficient time to place proposed action on such a request on the posted agenda for the meeting for which the request is made, the legislative body may take action at the beginning of the meeting in accordance with paragraph (4) of subdivision (b) of Section 54954.2.

(B) The member shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member, and the general nature of the member's relationship with any such individuals.

(C) The member shall participate through both audio and visual technology.

(3) The provisions of this subdivision shall not serve as a means for any member of a legislative body to participate in meetings of the legislative body solely by teleconference from a remote location for a period of more than three consecutive months or 20 percent of the regular meetings for the local agency within a calendar year, or more than two meetings if the legislative body regularly meets fewer than 10 times per calendar year.

(f) The legislative body shall have and implement a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities, consistent with the federal Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and resolving any doubt in favor of accessibility. In each instance in which notice of the time of the meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the procedure for receiving and resolving requests for accommodation.

(g) The legislative body shall conduct meetings subject to this chapter consistent with applicable civil rights and nondiscrimination laws.

(h) (1) Nothing in this section shall prohibit a legislative body from providing the public with additional teleconference locations.

(2) Nothing in this section shall prohibit a legislative body from providing members of the public with additional physical locations in which the public may observe and address the legislative body by electronic means.

(i) For the purposes of this section, the following definitions shall apply:

(1) "Emergency circumstances" means a physical or family medical emergency that prevents a member from attending in person.

(2) "Just cause" means any of the following:

(A) A childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner that requires them to participate remotely. "Child," "parent," "grandparent," "grandchild," and "sibling" have the same meaning as those terms do in Section 12945.2.

(B) A contagious illness that prevents a member from attending in person.

(C) A need related to a physical or mental disability as defined in Sections 12926 and 12926.1 not otherwise accommodated by subdivision (f).

(D) Travel while on official business of the legislative body or another state or local agency.

(3) "Remote location" means a location from which a member of a legislative body participates in a meeting pursuant to subdivision (e), other than any physical meeting location designated in the notice of the meeting. Remote locations need not be accessible to the public.

(4) "Remote participation" means participation in a meeting by teleconference at a location other than any physical meeting location designated in the notice of the meeting. Watching or listening to a meeting via webcasting or another similar electronic medium that does not permit members to interactively hear, discuss, or deliberate on matters, does not constitute remote participation.

(5) "Teleconference" means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both.

(6) "Two-way audiovisual platform" means an online platform that provides participants with the ability to participate in a meeting via both an interactive video conference and a two-way telephonic function.

(7) "Two-way telephonic service" means a telephone service that does not require internet access, is not provided as part of a two-way audiovisual platform, and allows participants to dial a telephone number to listen and verbally participate.

(8) "Webcasting" means a streaming video broadcast online or on television, using streaming media technology to distribute a single content source to many simultaneous listeners and viewers.

(j) This section shall become operative January 1, 2024, shall remain in effect only until January 1, 2026, and as of that date is repealed.

**SEC. 3.** Section 54953 is added to the Government Code, to read:

**54953.** (a) All meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body of a local agency, except as otherwise provided in this chapter.

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. All votes taken during a teleconferenced meeting shall be by rollcall.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivision (d). The agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3 at each teleconference location.

(4) For the purposes of this section, "teleconference" means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both. Nothing in this section shall prohibit a local agency from providing the public with additional teleconference locations.

(c) (1) No legislative body shall take action by secret ballot, whether preliminary or final.

(2) The legislative body of a local agency shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

(3) Prior to taking final action, the legislative body shall orally report a summary of a recommendation for a final action on the salaries, salary schedules, or compensation paid in the form of fringe benefits of a local agency executive, as defined in subdivision (d) of Section 3511.1, during the open meeting in which the final action is to be taken. This paragraph shall not affect the public's right under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1) to inspect or copy records created or received in the process of developing the recommendation.

(d) (1) Notwithstanding the provisions relating to a quorum in paragraph (3) of subdivision (b), if a health authority conducts a teleconference meeting, members who are outside the jurisdiction of the authority may be counted toward the establishment of a quorum when participating in the teleconference if at least 50 percent of the number of members that would establish a quorum are present within the boundaries of the territory over which the authority exercises jurisdiction, and the health authority provides a teleconference number, and associated access codes, if any, that allows any person to call in to participate in the meeting and the number and access codes are identified in the notice and agenda of the meeting.

(2) Nothing in this subdivision shall be construed as discouraging health authority members from regularly meeting at a common physical site within the jurisdiction of the authority or from using teleconference locations within or near the jurisdiction of the authority. A teleconference meeting for which a quorum is established pursuant to this subdivision shall be subject to all other requirements of this section.

(3) For purposes of this subdivision, a health authority means any entity created pursuant to Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, and 14087.9605 of the Welfare and Institutions Code, any joint powers authority created pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 for the purpose of contracting pursuant to Section 14087.3 of the Welfare and Institutions Code, and any advisory committee to a county-sponsored health plan licensed pursuant to Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code if the advisory committee has 12 or more members.

(e) This section shall become operative January 1, 2026.

**SEC. 4.** Section 54954.2 of the Government Code is amended to read:

**54954.2.** (a) (1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description of an item

generally need not exceed 20 words. The agenda shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to members of the public and on the local agency's Internet Web site, if the local agency has one. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. The agenda shall include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

(2) For a meeting occurring on and after January 1, 2019, of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site, the following provisions shall apply:

(A) An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda. The direct link to the agenda shall not be in a contextual menu; however, a link in addition to the direct link to the agenda may be accessible through a contextual menu.

(B) An online posting of an agenda including, but not limited to, an agenda posted in an integrated agenda management platform, shall be posted in an open format that meets all of the following requirements:

(i) Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications.

(ii) Platform independent and machine readable.

(iii) Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

(C) A legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site and an integrated agenda management platform shall not be required to comply with subparagraph (A) if all of the following are met:

(i) A direct link to the integrated agenda management platform shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state. The direct link to the integrated agenda management platform shall not be in a contextual menu. When a person clicks on the direct link to the integrated agenda management platform, the direct link shall take the person directly to an Internet Web site with the agendas of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state.

(ii) The integrated agenda management platform may contain the prior agendas of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state for all meetings occurring on or after January 1, 2019.

(iii) The current agenda of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state shall be the first agenda available at the top of the integrated agenda management platform.

(iv) All agendas posted in the integrated agenda management platform shall comply with the requirements in clauses (i), (ii), and (iii) of subparagraph (B).

(D) For the purposes of this paragraph, both of the following definitions shall apply:

(i) "Integrated agenda management platform" means an Internet Web site of a city, county, city and county, special district, school district, or political subdivision established by the state dedicated to providing the entirety of the agenda information for the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state to the public.

(ii) "Legislative body" has the same meaning as that term is used in subdivision (a) of Section 54952.

(E) The provisions of this paragraph shall not apply to a political subdivision of a local agency that was established by the legislative body of the city, county, city and county, special district, school district, or

political subdivision established by the state.

(3) No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3. In addition, on their own initiative or in response to questions posed by the public, a member of a legislative body or its staff may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. Furthermore, a member of a legislative body, or the body itself, subject to rules or procedures of the legislative body, may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

(b) Notwithstanding subdivision (a), the legislative body may take action on items of business not appearing on the posted agenda under any of the conditions stated below. Prior to discussing any item pursuant to this subdivision, the legislative body shall publicly identify the item.

(1) Upon a determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

(2) Upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in subdivision (a).

(3) The item was posted pursuant to subdivision (a) for a prior meeting of the legislative body occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

(4) To consider action on a request from a member to participate in a meeting remotely due to emergency circumstances, pursuant to Section 54953, if the request does not allow sufficient time to place the proposed action on the posted agenda for the meeting for which the request is made. The legislative body may approve such a request by a majority vote of the legislative body.

(c) This section is necessary to implement and reasonably within the scope of paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

(d) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency's Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

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

**SEC. 5.** Section 54954.2 is added to the Government Code, to read:

**54954.2.** (a) (1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description of an item generally need not exceed 20 words. The agenda shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to members of the public and on the local agency's Internet Web site, if the local agency has one. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. The agenda shall include information regarding how, to whom, and when a request for disability-related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

(2) For a meeting occurring on and after January 1, 2019, of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site, the following provisions shall apply:

(A) An online posting of an agenda shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state that is accessible through a prominent, direct link to the current agenda. The direct link to the agenda shall not be in a contextual menu; however, a link in addition to the direct link to the agenda may be accessible through a contextual menu.

(B) An online posting of an agenda including, but not limited to, an agenda posted in an integrated agenda management platform, shall be posted in an open format that meets all of the following requirements:

(i) Retrievable, downloadable, indexable, and electronically searchable by commonly used Internet search applications.

(ii) Platform independent and machine readable.

(iii) Available to the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

(C) A legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state that has an Internet Web site and an integrated agenda management platform shall not be required to comply with subparagraph (A) if all of the following are met:

(i) A direct link to the integrated agenda management platform shall be posted on the primary Internet Web site homepage of a city, county, city and county, special district, school district, or political subdivision established by the state. The direct link to the integrated agenda management platform shall not be in a contextual menu. When a person clicks on the direct link to the integrated agenda management platform, the direct link shall take the person directly to an Internet Web site with the agendas of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state.

(ii) The integrated agenda management platform may contain the prior agendas of a legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state for all meetings occurring on or after January 1, 2019.

(iii) The current agenda of the legislative body of a city, county, city and county, special district, school district, or political subdivision established by the state shall be the first agenda available at the top of the integrated agenda management platform.

(iv) All agendas posted in the integrated agenda management platform shall comply with the requirements in clauses (i), (ii), and (iii) of subparagraph (B).

(D) For the purposes of this paragraph, both of the following definitions shall apply:

(i) "Integrated agenda management platform" means an Internet Web site of a city, county, city and county, special district, school district, or political subdivision established by the state dedicated to providing the entirety of the agenda information for the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state to the public.

(ii) "Legislative body" has the same meaning as that term is used in subdivision (a) of Section 54952.

(E) The provisions of this paragraph shall not apply to a political subdivision of a local agency that was established by the legislative body of the city, county, city and county, special district, school district, or political subdivision established by the state.

(3) No action or discussion shall be undertaken on any item not appearing on the posted agenda, except that members of a legislative body or its staff may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Section 54954.3. In addition, on their own initiative or in response to questions posed by the public, a member of a legislative body or its staff may ask a question for clarification, make a brief announcement, or make a brief report on his or her own activities. Furthermore, a member of a legislative body, or the body itself, subject to rules or procedures of the legislative body, may provide a reference to staff or other resources for factual information, request staff to report back to the body

at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

(b) Notwithstanding subdivision (a), the legislative body may take action on items of business not appearing on the posted agenda under any of the conditions stated below. Prior to discussing any item pursuant to this subdivision, the legislative body shall publicly identify the item.

(1) Upon a determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.

(2) Upon a determination by a two-thirds vote of the members of the legislative body present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in subdivision (a).

(3) The item was posted pursuant to subdivision (a) for a prior meeting of the legislative body occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

(c) This section is necessary to implement and reasonably within the scope of paragraph (1) of subdivision (b) of Section 3 of Article I of the California Constitution.

(d) For purposes of subdivision (a), the requirement that the agenda be posted on the local agency's Internet Web site, if the local agency has one, shall only apply to a legislative body that meets either of the following standards:

(1) A legislative body as that term is defined by subdivision (a) of Section 54952.

(2) A legislative body as that term is defined by subdivision (b) of Section 54952, if the members of the legislative body are compensated for their appearance, and if one or more of the members of the legislative body are also members of a legislative body as that term is defined by subdivision (a) of Section 54952.

(e) This section shall become operative January 1, 2026.

**SEC. 6.** The Legislature finds and declares that Sections 1 and 2 of this act, which amend Section 54953 of the Government Code, impose a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

By removing the requirement for agendas to be placed at the location of each public official participating in a public meeting remotely, including from the member's private home or hospital room, this act protects the personal, private information of public officials and their families while preserving the public's right to access information concerning the conduct of the people's business.

**SEC. 7.** The Legislature finds and declares that Sections 1 and 2 of this act, which amend Section 54953 of the Government Code, further, within the meaning of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the purposes of that constitutional section as it relates to the right of public access to the meetings of local public bodies or the writings of local public officials and local agencies. Pursuant to paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the Legislature makes the following findings:

This act is necessary to ensure minimum standards for public participation and notice requirements allowing for greater public participation in teleconference meetings.

December 20, 2022

TO: Each Trustee,  
Board of Retirement  
Board of Investments

FROM: Santos H. Kreimann *SHK*  
Chief Executive Officer

FOR: January 4, 2023 Board of Retirement Meeting  
January 11, 2023 Board of Investments Meeting

SUBJECT: Reimbursement of Trustee Accommodation Expenses for Board and  
Committee Meetings in Pasadena, California

### **Recommendation**

That the Board of Retirement and Board of Investments consider and clarify whether the Travel Policy should allow for reimbursement of hotel accommodation expenses for travel to scheduled Board or Committee meetings for Trustees who reside more than two hours or 50 miles, or some other time and distance, as directed by the Board, from the regular place of the meetings in Pasadena, California.

### **Legal Authority**

The Boards have plenary authority and exclusive fiduciary responsibility for the administration of LACERA in the paramount interest of providing benefits to members and their beneficiaries. Cal. Const., art. XVI, § 17; Cal. Gov't Code § 31595. Establishment of standards for reimbursements to Trustees for reasonable and necessary costs of serving in their office is within the Boards' legal authority.

### **Discussion**

A question has been raised as to whether or not the Boards have authority to grant reimbursement to Trustees for one night of hotel accommodation expenses if they live more than two hours from the place of the meeting on the grounds that it imposes difficulty and may reduce effectiveness for Trustees to participate in early morning meetings and maintain a quorum due to long travel times from their homes to the meeting location in Pasadena. The Chief Executive Officer has consulted with the Legal Office and fiduciary counsel in connection with this issue. Counsel have advised that this is a matter of policy that the Boards should specifically consider and determine.



LACERA's [Trustee Travel Policy](#) does not explicitly address attendance at regular Board and Committee meetings, or the costs of such attendance, and it has not been invoked in the past to cover such meeting expenses. While the general definition of "Administrative Meetings" in Section 1 of the LACERA Policy (p. 1) could reasonably be interpreted to include on-site LACERA Board and Committee meetings, the more specific recitation of conditions precedent to approval of reimbursements for Administrative Meetings in Section IV of the LACERA Policy (p. 7) is not explicitly read to include such regular on-site meetings. The policy states, in pertinent part, "The relevant Board will be informed of Trustee's need to attend Administrative Meetings and provide advance approval of the cost on such terms as deemed appropriate," which does not clearly apply to LACERA Board and Committee meetings.

However, the Travel Policy provides the CEO and Board Chair with the power to "authorize deviations of less than \$1,000 per trip from the expense limits in this policy and subject to subsequent review of all expenses under this policy" (pp. 4-5). The policy also provides that either Board may, upon good cause presented in writing, "waive compliance with specific requirements of this policy when in the best interest of LACERA" (p. 8). Under these provisions, the CEO, Board Chairs, and the Boards themselves have the ability to approve policy deviations, including reimbursement of expenses for Board and Committee meetings in Pasadena. Counsel advised the CEO that it would be most prudent to bring this issue to the Boards for action rather than exercising his discretion given that the wording and intent of the policy does not clearly include Board and Committee meetings in the definition of "Administrative Meetings."

There is precedent for reimbursing Trustees for certain meeting expenses. LACERA reimburses all Trustees for mileage to meetings in Pasadena. LACERA also reimburses Trustees for travel expenses, including accommodations, incurred as the result of annual off-site Board meetings.

Regarding governance and Board trustee, elected Trustees and the ex officio members are not required by the County Employees Retirement Law of 1937 to live within Los Angeles County and therefore may reside outside the County. This is in contrast to the appointed Trustees who are required to be "electors" of L.A. County and thus be residents within the County. Cal. Gov't Code §§ 31520.1, 31520.2. Los Angeles County is large, however, and therefore even appointed trustees may live and work a substantial distance from LACERA's headquarters.

If a Trustee has a disability that prevents travel the day of the meeting, the Americans with Disabilities Act (ADA) may support reimbursement for accommodations necessary to travel the day before to ensure access to Board and Committee meetings as a governmental function of a local agency. The ADA defines disability for purposes of

accommodation as a physical or mental impairment that substantially limits one or more major life activities (sometimes referred to in the regulations as an "actual disability"), or a record of a physical or mental impairment that substantially limited a major life activity ("record of" disability). See 42 U.S.C. § 12102.

Consequently, based on the above factors, the Boards may consider these various factors in determining whether reimbursement should be provided for the cost of such travel by Trustees.

If a policy were adopted to reimburse accommodations for Pasadena meetings, it would be appropriate to consider limitations, such as (1) providing that it is only available to trustees who meet a time and distance standard, such as more than two or three hours from Pasadena, or 50 miles, or some other criteria, and (2) limiting reimbursable expenses to one night of accommodations at an approved rate and mileage, and discuss whether payment should be made for meals since meals would be paid personally by Trustees regardless of where they live.

### **Conclusion**

Based on this information, it is recommended that the Board of Retirement and Board of Investments consider whether to allow reimbursement of hotel accommodation expenses for travel to scheduled Board or Committee meeting for Trustees who reside more than two to three hours, or 50 miles, or some other time and distance, from the regular place of the meetings in Pasadena, California.

### Attachment

cc: Jonathan Grabel  
Luis A. Lugo  
Steven P. Rice  
JJ Popowich  
Laura Guglielmo  
Carly Ntoya



# TRUSTEE TRAVEL POLICY

LACERA Board of Retirement & Board of Investments

Adopted May 11, 2022

# TRUSTEE TRAVEL POLICY

## I. PURPOSE

The purpose of this policy is to align travel by Trustees in connection with educational conferences and administrative meetings on LACERA's behalf with the Mission, Vision, Values, and work culture of the organization. The Board of Retirement and Board of Investments recognize that travel associated with education and administrative meetings on LACERA's behalf is a component of building the knowledge base and operational understanding of Trustees given their fiduciary responsibilities and will equip them to discharge their fiduciary duties for the sole benefit of active members, retirees, and their beneficiaries. To ensure incurring and paying travel expenses are allowed for only those expenses deemed reasonable and necessary for the proper administration of the system, the policy will be administered in a manner that can be overseen by the Boards and understood by LACERA members and other stakeholders as reasonable, cost effective, value-driven, and necessary to fulfill LACERA's Mission to Produce, Protect, and Provide the Promised Benefits.

This policy applies to travel in connection with Educational Conferences and Administrative Meetings. "Educational Conferences" are those conferences, seminars, and meetings that have an educational purpose. "Administrative Meetings" are meetings attended by Trustees in their LACERA capacity and further LACERA's interests, including legislative advocacy, speaking engagements, including a domestic and international Educational Conference at which a Trustee gives a speech, positions in the administration of pension related organizations, and similar events. This policy applies to LACERA Trustees only.

## II. PRINCIPLES

The following principles shall govern Trustee travel in connection with Educational Conferences and Administrative Meetings on LACERA's behalf and the interpretation of this policy.

**A. *Performance of Fiduciary Duty.*** Travel for educational conferences and administrative meetings in furtherance of LACERA's interests is necessary and should be encouraged and undertaken in order that Trustees may obtain and share knowledge relevant to the proper performance of their fiduciary duty under the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other applicable laws by a reasonable method and at reasonable cost for the value received. Specifically:

1. Duty of Loyalty. Education and travel must assist the Trustees to perform their fiduciary duty of loyalty to "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." Cal. Const., art. XVI, § 17(b); see Cal. Gov't Code § 31595(a).

## TRUSTEE TRAVEL POLICY

2. Duty of Prudence. Education and travel must assist the Trustees to perform their fiduciary duty of prudence to “discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise with a like character and like aims.” Const., art. XVI, § 17(c); see Cal. Gov’t Code § 31595(b).

**B. Focus on Mission.** Trustees have a fiduciary duty to make policy decisions consistent with applicable law, including constraints imposed by the Fund’s budget. At the same time, travel may be necessary to support and enhance LACERA’s Mission to Produce, Protect and Provide the Promised Benefits on behalf of LACERA members.

Trustees are expected to be and believed to be mindful and financially prudent in all travel and trip-related expenditures that consume resources funded by LACERA members.

- i. All monies held in the Fund by LACERA are ultimately due and payable in the form of pension benefits to active and retired members. Therefore, all administrative, operational and travel expenditures should be able to withstand the scrutiny of our members, stakeholders, plan sponsors and the public at large, thereby minimizing any reputational risk to LACERA.
- ii. Trustees are accountable for their actions and responsible for appropriate use of organizational resources and establishing policy creating limits and constraining expenditures. Travel policies for staff can be more restrictive depending on circumstances and financial constraints.

**C. Transparency.** Travel administrative procedures and guidelines are established and carried out in a manner that is easy for members and all other stakeholders to identify actions taken by Trustees.

- i. Expenses incurred for travel and trips are clearly identifiable as business-related expenses only, not for personal expenses of the Trustee or any traveling companions.
- ii. Travel expenses and trip information are reported to LACERA members and stakeholders via a public forum.
- iii. Trustees recognize and accept their accountability and responsibility to LACERA members for travel and trip expenditures which are charged to LACERA.
- iv. All Trustees electronically acknowledge and sign a travel attestation document (Appendix B) provided by staff annually on a calendar year basis, confirming their commitment to act responsibly and prudently and in the best interest of LACERA members.

**D. Simplicity, Uniformity and Consistency.** Travel administrative procedures and guidelines for claiming and reimbursing expenses are designed to be simple, uniform, and consistent, and should not be overly onerous so as to negatively affect Trustees.

## TRUSTEE TRAVEL POLICY

- i. Travel procedures should be a guide with simple, unambiguous rules for making and approving travel arrangements, and for the timely processing and accounting of trip related expenditures and reimbursements.
- ii. Travel expenditures are documented on expense claims that are clear and concise.
- iii. Travel expense reimbursement processes should be clear, consistent, transparent, convenient, efficient, and compliant with the Trustee Travel Policy.
- iv. Travel expense methods are simple and universally applied so the reimbursement claim process is streamlined (e.g., all meals are claimed under the Per Diem Method).
- v. Travel procedures, including administrative expense guidelines and reimbursement process, are maintained under the direction of the Chief Executive Officer (CEO) or their designee.

**E. Ease of Execution.** Travel administrative procedures and guidelines are established with administrative ease and designed to reduce the manual processes and the considerable effort required of staff. Processes related to travel reimbursements and processing expense claims should not be cumbersome and complicated for staff and Trustees.

- i. Travel accommodations and Trustee conveniences are streamlined and provide a group of appropriate choices instead a vast menu of options.
- ii. The process itself of conducting travel bookings and expense processing are considered a priority.
- iii. Expense categories, reimbursement process, and claim forms are periodically reviewed and updated by staff.
- iv. Trustees, not proxies, are responsible for obtaining, gathering, and submitting the appropriate documentation justifying expenditures in a timely manner.
- v. External providers including travel agents and other travel-related industry services are to be considered and integrated into the process for Trustees and administrative ease.
- vi. Technological tools for capturing and recording trip documentation are employed where reasonable and necessary considering cost implications.
- vii. Practices will periodically be reviewed to ensure best practices and industry norms are included within the Trustee Travel Policy.

### III. TRUSTEE TRAVEL

**A. Approval.** All travel requires approval of that Trustee's Board, except that Educational Conferences and Administrative Meetings in California where the total cost of attendance is no more than \$3,000 are pre-approved for attendance and reimbursement, provided that a Trustee may not incur over \$15,000 for all expenses of attending all such Educational Conferences and Administrative Meetings in a fiscal year without Board approval.

**B. Cease Travel and Other Expenses.** Trustees may consider whether and when to cease arranging future travel and expenses for Educational



## TRUSTEE TRAVEL POLICY

Conferences and Administrative Meetings once they become aware their term of service will end. In considering this issue, Trustees may consider the following factors: For appointed Trustees, awareness may occur in the final year of their appointment and after the Board of Supervisors votes on the next appointment, or when an appointed Trustee has been told they will not be reappointed. For elected Trustees, awareness may occur when an elected Trustee decides not to run for reelection or when, as a candidate, is replaced once election results are certified by the Board of Supervisors. For the Ex-Officio Trustee, this occurs once a retirement is announced.

**C. *Authorized Expenses.*** Authorized travel expenses shall be determined by the Boards as set forth in Appendix A. LACERA shall use reasonable efforts to promptly reimburse trustees in accordance with this policy and Appendix A.

**D. *Costs of Administration.*** Travel expenses for Trustees shall be administrative costs of the Fund and may not be paid through third party contracts. It is LACERA's policy that Trustees shall not accept gifts of travel. Gifts of travel, including transportation, lodging, and meals, may be reportable as gifts to individual Trustees if not paid by LACERA.

**E. *Claims for Reimbursement.***

i. Submission. A travel expense reimbursement shall be claimed by completing an expense voucher form available from the Executive Board Assistants and submitting it to the appropriate authorizing person. Trustees may submit their expense reimbursements to their respective Executive Board Assistant. All expense reimbursement requests shall be accompanied by receipts and/or other reasonable documentation. Expense reimbursement records are subject to disclosure under the Public Records Act, with redaction of confidential information, such as personal addresses, telephone numbers, and credit card information. The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted by the Board Chair.

ii. Approval. The Executive Board Assistants will receive and review, for compliance with this policy, all expense reimbursement requests prior to submission. The Financial and Accounting Services Division (FASD) will review expense reimbursement requests for compliance with this policy and shall only process and use reasonable efforts to promptly pay those that are in compliance and approved by the CEO or their designee. FASD will notify the CEO or their designee of all deficiencies in a submission by a Trustee, and the CEO or their designee will in turn notify the respective Trustee. LACERA will not reimburse a Trustee for expenses that are not authorized under this policy unless specifically exempted and approved by that Trustee's Board, except that, without Board approval, each Board Chair or the Chief Executive Officer may authorize deviations of less than \$1,000

## TRUSTEE TRAVEL POLICY

per trip from the expense limits in this policy and subject to subsequent review of all expenses for compliance with this policy.

### ***F. Cancellation of Travel Arrangements.***

- i. Responsibility for Timely Cancellation. Trustees are responsible for timely canceling travel arrangements made on behalf of the Trustee which will not be used so that no costs will be incurred by LACERA.
- ii. Responsibility for Costs Resulting from Untimely Cancellation. Trustees are responsible for all costs LACERA incurs as a result of the Trustee's failure to cancel travel arrangements before cancellation charges accrue, unless the failure to cancel was due to facts or circumstances beyond the Trustee's control. The Trustee must reimburse LACERA within 30 days after notification of the amount due. Notice will be provided by the Chief Executive Officer. If reimbursement is not made within such 30-day period, and payment is still due, the amount shall be deducted from any payment due the Trustee from LACERA. If a Trustee is enrolled for an Educational Conference or Administrative Meeting but fails to attend or timely cancel and LACERA incurs an expense as a result (e.g., conference registration, travel and lodging cancellation fees), that conference or meeting counts toward the limit under Section IV.C.2. of the Trustee Education Policy until the Trustee reimburses LACERA for all expenses incurred or cancellation is excused under Section III. F. iii. of this Trustee Travel Policy.
- iii. Approval of Cancellation Costs with Good Cause. If the Trustee believes the failure to cancel was due to facts or circumstances beyond their control, they must submit written justification to the Board Chair within 30 days after receiving notification of the cancellation expenses due. For Trustees, the Board Chair will approve or disapprove the excuse in writing to the Trustee, with a copy to the Executive Board Assistant. If the individual is a Board Chair, then the written excuse must be submitted to that Board's Vice Chair who will then approve or disapprove the excuse. If the individual is a Vice Chair simultaneously serving as the acting Chair, then the Vice Chair's written excuse must be submitted to that Board's Secretary who will then approve or disapprove the excuse. Should a Trustee disagree with the Board Officer's determination, the Trustee may request the Executive Board Assistant to agendize the matter for consideration by the full Board.

***G. Cash Advances.*** Hotel and airfare shall be purchased in advance by the Executive Board Assistants, and no cash advances will be allowed for such expenses. Cash advances for permitted per diem expenses in accordance with this policy may be allowed by the Chief Executive Officer for good cause. Trustees will account for any per diem cash advance on their trip expense report upon completion of the travel.



## TRUSTEE TRAVEL POLICY

- H. Expenses for Traveling Companions.** Travel expenses for family members and/or traveling companions are not reimbursable by LACERA.
- I. Additional Travel Days to Minimize Overall Travel Cost.** Travel resulting in arrival one day prior to and/or one day after an Educational Conference or Administrative Meeting will be reimbursed if reasonably necessary because of time constraints. Travel resulting in arrival two days prior to and/or one day after international travel will be reimbursed as reasonably necessary based on the location of the Educational Conference or Administrative Meeting. In addition, lodging and per diem for extra days prior to or after an Educational Conference or Administrative Meeting will be reimbursed if such extension results in lower overall trip costs. If a Trustee adds personal travel before or after a trip, the extra personal days outside of the above restrictions shall not be reimbursed. Written justification for travel expenses incurred prior to or after an Educational Conference or Administrative Meeting shall be submitted with the claim for reimbursement.
- J. Ground Transportation.** Trustees will be expected to use taxis or ride sharing services to and from domestic destinations. Limousine or executive car services shall not be used in domestic locations unless the cost for such services is comparable to that of taxi services and/or airport parking; they may be used without restriction in international locations. Reimbursement of rental vehicles require justification and prior approval from the Chief Executive Officer. When renting a vehicle, purchase of optional insurance is not necessary as LACERA's insurance will cover the same risks.
- K. International Travel Insurance.** LACERA will purchase travel insurance covering Trustees while traveling internationally on LACERA business. The insurance will include accident, medical, security assistance and evacuation, travel assistance, trip cancelation, interruption or delay, and baggage loss or delay coverage.
- L. Travel Reports.**
- i. Monthly. A monthly Travel Report shall be submitted to both Boards listing the current fiscal year's completed, anticipated, and canceled Education Conferences and Administrative Meetings (including whether excused under Section III. F. iii) for all Trustees on both Boards.
  - ii. Quarterly. A quarterly Travel Report shall be submitted to both Boards listing education and administrative travel expenses paid/reimbursed by LACERA for all Trustee on both Boards. Such report shall identify whether each item of travel was for an Educational Conference or Administrative Meeting, the purpose, location, cost by expense category, and whether excused under Section III. F. iii.

## TRUSTEE TRAVEL POLICY

- iii. Availability. The monthly and quarterly reports shall be agendized as reports for the Boards in the first month after they are available (and for privacy and personal security reasons, after travel has been completed) and shall be posted on lacera.com.

### IV. ADMINISTRATIVE MEETINGS

The relevant Board will be informed of a Trustee's need to attend Administrative Meetings and provide advance approval of the cost on such terms as deemed appropriate.

### V. BROWN ACT COMPLIANCE

Attendance at external Education Conferences and Administrative Meetings by more than four Trustees of a Board is not a violation of this provision, provided that the Trustees may not discuss any item of LACERA business.

### VI. GIFTS AND CONFLICTS

The Boards desire to avoid even the appearance of impropriety in connection with education, and related expenses. The Boards acknowledge that acceptance of gifts of education and related expenses, such as registration, transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages "pay to play" and may, unwittingly, create opportunities for undue influence on Trustees. This policy therefore does not permit LACERA as an entity to accept gifts of education, and related expenses. This policy does not prohibit certain payments for education and/or related expenses as part of the negotiated consideration under agreements with vendors, consultants, and managers, although all such payments should be reviewed in advance with the Legal Division to ensure compliance with applicable law, regulations, and reporting.

Items provided during Educational Conferences and Administrative Meetings may constitute reportable gifts.

Trustees should be familiar with the provisions of LACERA's Code of Ethical Conduct as it may apply to certain education and administrative meeting interaction with and items received from the sponsors or other attendees.

The Boards acknowledge that international travel, though expensive, is increasingly necessary in light of today's global economy and LACERA's ongoing prudent investment of a substantial portion of its assets outside the United States.

### VII. EDUCATION POLICY AND PROCEDURES

This policy is subject to and will be read and interpreted in conjunction with the Trustee Education Policy.

## TRUSTEE TRAVEL POLICY

### VIII. POLICY PROVISIONS AND APPLICABLE LAW

**A. Waiver of Policy Provisions.** For good cause presented in writing, and in the exercise of its sound discretion, the Board of Retirement or the Board of Investments may waive compliance with specific requirements of this policy when in the best interest of LACERA.

**B. Applicable Law.** This policy is to be implemented in compliance with the relevant provisions of the California Government Code and other applicable law, and in harmony with existing philosophy, objectives, policies and guidelines previously approved by the Board of Retirement and the Board of Investments.

### IX. SUSTAINABILITY

Trustees are encouraged to consider sustainability in making education and travel choices, including whether and how to travel, the viability and efficacy of alternative forms of participation (such as geographically closer or virtual meetings), the impact of business class vs. coach, the number of trips taken, and the number of Trustees participating in a single event, avoidance of car transportation when possible, and obtaining an estimate of the carbon footprint of travel and lodging options through available online tools and inclusion of estimates in board recommendation memos.

### X. REVIEW

This policy shall be reviewed by the Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments every three years or as needed and may be amended by both Boards at such time.

**Policy History:** Restated and Approved by the Board of Retirement and Board of Investments on December 16, 2020 and updated and approved by the Board of Retirement and Board of Investments on May 5, 2022 and May 11, 2022, respectively. Prior versions are superseded and of no effect as of the stated approval date.

## TRUSTEE TRAVEL POLICY

### APPENDIX A REIMBURSEMENT SCHEDULE

Amounts which can be reimbursed for transportation, lodging, meals, and other covered items are indicated as follows:

#### I. TRANSPORTATION:

##### A. Airline Travel

1. Trustees will travel in coach/economy class except that they may travel in business class or its equivalent for:
  - a. Flights having (i) a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more, or (ii) a scheduled non-stop roundtrip flight time or total connecting roundtrip travel time of ten hours or more.
  - b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.
  - c. Flights arriving or departing at an international location, including Canada and Mexico.
2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.
3. Air travel will only be reimbursed at the lowest available non-refundable fare at the time of purchase (for class travel authorized under this Policy). Trustee may elect to fly on United, American, Delta, JetBlue, or Southwest Airlines for the dates and times of travel. Other carriers are authorized, but reimbursement shall not exceed the lowest non-refundable fare offered either amongst the five major airlines carriers mentioned above or three other major carriers who fly to selected destination.
4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages will not be reimbursed.
5. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.
6. Trustees traveling by air to conduct LACERA business may use only regularly scheduled airline services operating by an air carrier certified by the Federal

## TRUSTEE TRAVEL POLICY

### APPENDIX A REIMBURSEMENT SCHEDULE

Aviation Administration or comparable foreign authority. Trustees are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Trustee. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance. Trustees may not use travel points to pay for LACERA travel. Any points earned on LACERA's credit card will be used at the Chief Executive Officer's discretion.

#### B. Other Common Carrier Travel

1. Travel permitted under this policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.
2. Generally, air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 300 miles from LACERA's headquarters.
3. Where a traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).
4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.

## II. LODGING:

#### A. Room Cost

Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts. For example, room upgrades, and bed and breakfast additions will be at the expense of the Trustee, unless for good cause such as the unavailability of standard rooms and/or international destinations.

#### B. Government Rates

Trustees traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher

## TRUSTEE TRAVEL POLICY

### APPENDIX A REIMBURSEMENT SCHEDULE

than the federal government rate, or may not be available at all, especially in connection with international travel.

#### C. Attendance at Educational Conferences and Administrative Meetings.

LACERA acknowledges that the cost of a standard room at an event hotel may exceed the standard lodging reimbursement rate. Nevertheless, Trustees attending events may stay at the designated hotel to promote convenient access, networking, and safety. Reimbursement for lodging at an event is limited to the standard room rate charged by the event hotel unless for good cause such as the unavailability of standard rooms and/or international destinations. When lodging at the event hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The Trustee will be responsible for any excess cost.

#### D. Travel Not Connected with An Established Hotel Venue

The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted without association with an established hotel venue. Reimbursement for lodging connected with such travel is limited to:

1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the U.S. General Services Administration, found at [www.gsa.gov](http://www.gsa.gov) (click on "per diem rates").
2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: [www.state.gov/m/a/als/prdm](http://www.state.gov/m/a/als/prdm).

### III. MEALS:

It is the policy's intent for the Trustee to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the Trustee for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the Trustee consumed the meal, except where the Trustee could not consume the pre-paid meal because:

1. The Trustee has special dietary or medical concerns, or
2. It was reasonably necessary for the Trustee to conduct LACERA business while the pre-paid meal was being served.



## TRUSTEE TRAVEL POLICY

### APPENDIX A REIMBURSEMENT SCHEDULE

Written justification as to which of the above two exceptions applies will be provided with the reimbursement request. However, written justification for any dietary restrictions or medical concerns need only be provided once annually by the Trustee.

Likewise, LACERA will not reimburse the Trustee for a meal paid for by a third party unless approved by the Chief Executive Officer.

#### Meal Reimbursement

Reimbursement for meals shall be based on the "Per Diem Method" only as defined below.

##### A. The Per Diem Method

1. Under the Per Diem Method, the Trustee agrees to accept a flat rate for meals. Trustees are not required to submit receipts.
2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the "M&IE Rate") published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.
3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown ("M&IE Breakdown") per the IRS, based on the M&IE Rate. The portion of the per diem the Trustee receives depends upon when the travel occurs. For example, if the travel occurs during normal breakfast and lunch times, the Trustee receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the Trustee receives the per diem for lunch and dinner, etc.

#### **IV. PORTERAGE:**

Porterage may not be claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.

#### **V. PARKING:**

Parking, including airport parking, will be reimbursed at actual rate (receipt required).

#### **VI. MILEAGE:**

Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.

# TRUSTEE TRAVEL POLICY

## APPENDIX A REIMBURSEMENT SCHEDULE

### VII. OTHER BUSINESS EXPENSES:

Other covered business expenses reasonably incurred in connection with LACERA business, such as registration fees, business and personal telephone, fax, internet access, gym access (including the standard gym fee charged by the Trustee's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. Required vaccinations and required tests (such as PCR rapid tests for COVID-19) to enter or exit the origin or destination of travel or to comply with other requirements necessary to travel to or attend approved educational and administrative conferences, seminars, or meetings shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the LACERA Systems Division in advance to develop appropriate solutions for the Trustee's needs and to manage cost.

Reimbursement for lost or damaged property is subject to a separate policy to be developed.





**TRUSTEE TRAVEL POLICY**

**APPENDIX B  
TRAVEL ATTESTATION**

As a LACERA Board Trustee, I acknowledge:

- a. I have received, read, and understand all of the provisions within the Trustee Travel Policy; and
- b. I attest my commitment to act responsibly and prudently in the best interest of LACERA members, in all travel-related matters.

\_\_\_\_\_  
LACERA Board

\_\_\_\_\_  
Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date



January 3, 2023

TO: Each Trustee,  
Board of Investments

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

FOR: Board of Investments Meeting on January 11, 2023

SUBJECT: **Information Systems Acceptable Use and Mobile Device Policies for Trustees**

## **RECOMMENDATION**

It is recommended the Board of Investments (BOI) refer to the Joint Organizational Governance Committee (JOGC) the development of an Information Systems Acceptable Use Policy and a Mobile Device Policy that is uniform for all LACERA Trustees and that requires the use of a LACERA email address and eliminates the use of private email and data storage as well as unmanaged, personal devices to conduct LACERA business.

## **BACKGROUND**

In August 2020, LACERA established an Information Security Office, separate from the Systems Division. The Information Security Office's primary responsibility is to establish an industry recognized security standard. The Security Office selected the National Institute of Standards and Technology (NIST) framework on Security and Privacy Controls for Information Systems and Organizations<sup>1</sup> as LACERA's standard. This framework provides a common language so that LACERA staff members and Trustees have a shared understanding of our cybersecurity risks. The framework also addresses how our association can reduce these risks as well as respond to and recover from a cybersecurity attack or unintentional data breach.

With the business need to mobilize the workforce with a Cloud based approach, LACERA enhanced our device security to allow further control of devices accessing LACERA data, including the LACERA email system. In a cloud-based environment, it is critical to add controls in the confidentiality and integrity of the data. High profile individuals (such as Trustees and executives) are more likely to be targets of cyber-attacks and phishing campaigns due to the nature of their positions, thus requiring stricter adherence to controls.

<sup>1</sup> The specific standard selected is NIST Special Publication (SP) 800-53 Rev. 5, Security and Privacy Controls for Information Systems and Organizations.

Following the selection of NIST, the Security Office used the framework to compose Information Security and Technology policies for LACERA staff members. These policies protect the security of LACERA staff members, the security of LACERA applications, and the privacy of LACERA member data. The security framework became paramount given the need to transition from on-site servers to cloud-based servers and applications required to facilitate remote access to critical business systems by staff.

LACERA is implementing Acceptable Use and Mobile Device policies for LACERA Staff members. All LACERA employees are required to use LACERA email addresses to conduct LACERA business; since July 2022 all LACERA employees have been required to use LACERA issued and managed computers to connect to LACERA resources; and in the next six months, all LACERA employees will be required to use a LACERA issued and managed phone or a managed, personal phone to connect to Microsoft Outlook and Teams. Now that the LACERA staff member policies have been drafted and are being implemented, it is important that we consider policies for LACERA Trustees. These policies will further protect the privacy and security of our Trustees as well as the privacy and personal information entrusted to LACERA by our retired and active members as well as other confidential and sensitive LACERA information; however, the Information Security Office can only begin to draft such policies with the input and collaboration of our Trustees.

There are two important issues to consider when drafting Acceptable Use and Mobile Device Policies:

1. Using private email or data storage to conduct LACERA business

The use of personal email addresses or data storage to conduct LACERA business can create privacy issues. Personal email and data sit on servers that are not subject to the same security and governance policies enforced at LACERA. These servers fall outside the control of the LACERA IT security framework and can be scanned and compromised without user knowledge or proper disclosure, risking the leakage of confidential information.

The use of personal email addresses or data storage to conduct LACERA business can create legal risks. Personal email and data sit on servers outside of the control of LACERA. Data on external servers can create difficulty in complying with document retention standards as well as challenges in collecting documents in response to Public Records Act request and discovery in litigation, creating legal risks to our organization. While the California Supreme Court has stated that LACERA can legally rely on Trustees to search their own devices in response to Public Records Act requests (*City of San Jose v. Superior Court* (2017) 2 Cal.5th 608), this does not resolve the security issue nor address the issue of LACERA having control of its own information without the

need to collect records from all the Trustees and organize them to ensure full and timely responses to requests. Trustees may also prefer not to have this search responsibility. However, as noted above, the dominant concern raised by this memo is the security risk associated with Trustee's separate personal devices and accounts.

## 2. Using unmanaged, personal devices to conduct LACERA business

The use of an unmanaged, personal device to conduct LACERA business can lead to accidental data loss. The use of personal devices allows the ability to download sensitive data for business purposes. If an unmanaged, personal device is lost or stolen, LACERA cannot remotely erase and/or contain the sensitive data.

The use of an unmanaged, personal device to conduct LACERA business can lead to unintentional data loss. Separate devices and accounts will have varied storage, retention, and deletion practices, threatening not only data security but loss of organizational information and records. The use of personal devices also allows the ability to download or forward sensitive data without a record of the action.

Although Trustees are not LACERA employees, they are fiduciaries with a paramount fiduciary duty of prudence and loyalty, under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595 of the County Employees Retirement Law of 1937 (CERL), to protect the interests of members and their beneficiaries. Maintaining sound information security practices with respect to LACERA business, all of which affect the interests of members and beneficiaries, is consistent with the expectations of prudent fiduciaries. Such practices are also consistent with Government Code Section 31532 of CERL ("Sworn statements and individual records of members shall be confidential and shall not be disclosed to anyone except" as necessary for fund administration, as required by court order, or upon written member authorization). Numerous exemptions to the Public Records Act (California Government Code Section 7920.000 *et seq.*) and provisions of the Brown Act (California Government Code Section 54950 *et seq.*) also protect many categories of LACERA information, including, by way of only a few examples, personnel information, attorney-client communications, investment due diligence and other investment information, and closed session memos. Therefore, staff's proposal here is consistent with fiduciary and statutory duties in that LACERA's Information Security Office has advised that acceptable use and mobile device policies for Trustees are appropriate to protect the security of LACERA information, including member and business information.

## **CONCLUSION**

LACERA established an Information Security Office to increase awareness of

RE: Information Systems Acceptable Use and Mobile Device Policies for Trustees

January 3, 2023

Page 4

LACERA's cybersecurity risks, protect LACERA applications, protect Trustee privacy, and protect member privacy. Creating cybersecurity policies is an essential role of the Information Security Office.

It is recommended the Board of Investments (BOI) refer to the Joint Organizational Governance Committee (JOGC) the development of an Information Systems Acceptable Use Policy and a Mobile Device Policy that is uniform for all LACERA Trustees and that requires the use of a LACERA email address and eliminates the use of private email and data storage as well as unmanaged, personal devices to conduct LACERA business.

SHK:mb;nm



January 11, 2023

TO: Each Trustee,  
Board of Investments

FROM: Jessica C. Rivas,   
Staff Counsel

FOR: January 11, 2023 Board of Investments Meeting

**SUBJECT: FPPC Form 700 e-Filing Solution**

## **I. INTRODUCTION**

Legal Services, with Systems, has spent the past several months exploring an e-filing solution for LACERA's Fair Political Practices Commission (FPPC) Form 700 Statement of Economic Interest filers and Legal Services' management of that process. We plan to move forward with one of two possible vendors, which we are confident will make the process more efficient for filers and Legal Services alike. See attached presentation.

## **II. BACKGROUND**

The California FPPC oversees conflict of interest issues as set forth in the Political Reform Act (PRA) (Gov. Code §§ 81000, et seq.). The PRA prohibits any public official from making, participating in making, or otherwise using his or her official position to influence a governmental decision in which the official has a financial interest. In addition, the PRA requires every public official to disclose economic interests set forth in disclosure categories that could foreseeably be affected materially by the exercise of their official duties. (§§ 81002(c), 87200-87314.)

Accordingly, Trustees and certain LACERA employees, as well as consultants and financial managers for LACERA, must file annual Statements of Economic Interests via Form 700 disclosing those personal assets and interests that may be affected during the performance of their official duties. (§§ 87200-87350.) These filers must also file Assuming Office Statements within thirty (30) days of joining LACERA and Leaving Office Statements within thirty (30) days of termination of service. Trustees, employees, consultants, and financial managers who are required to file Statements of Economic Interest are either identified in Section 87200 (Statutory Filers) or designated in the agency's Conflict of Interest Code (Code Filers). (§§ 87300 and 87302.)

We currently have a total of approximately 228 filers for LACERA, which includes trustees, employees, consultants, and financial managers. Most of them file directly with LACERA, while 26 file with the County.

Those that file with LACERA must manually complete a new PDF Form 700 each year, sign, and e-mail to Legal Services. There is no way for filers to access the information in previous years' filings (unless they save them for their own records) and no mechanism

for their forms to be reviewed for errors and omissions before submission. Legal Services manually sends e-mail notices to advise filers of deadlines and if their filing is late or needs to be amended; manually maintains a database of filings and e-mail communications with filers in SharePoint; manually tracks the status of filings through an Excel spreadsheet; and manually conducts a thorough review of a subset of the filings to meet the FPPC's audit requirement.

### **III. POTENTIAL E-FILING SOLUTIONS**

An e-filing solution would promote ease of use for filers, ease of administration for Legal Services, and compliance with FPPC requirements.

Netfile and Granicus are software vendors that offer Form 700 e-filing solutions for public agencies that largely eliminate the repetitive manual tasks necessary to assist hundreds of filers. Once a public agency chooses to contract with one of these vendors and receives approval from the FPPC, the agency is onboarded to their system. The software automatically generates notices to filers, provides FPPC instructions on how to complete the Form 700 as well as instructions on how to use the software, automatically checks for errors or omissions, and largely automates the audit process. Additionally, these e-filing solutions save filers' information so that filers can easily review and quickly update their filing each year. These e-filing solutions are used by hundreds of other public agencies across the state. The annual cost ranges from \$5,000 to \$7,000 per year.

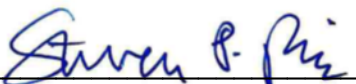
We have coordinated with the County of Los Angeles, which is our Conflict of Interest Code reviewing body under the PRA, and plan to be ready for filers to use the new system for the next annual filing period (March-April 2023).

The e-filing solution would initially only be available to those who file directly with LACERA, but we will work to make this option available to those who currently file with the County as well. This will require additional coordination with the County and an amendment to the LACERA Conflict of Interest Code.

### **IV. CONCLUSION**

No action from the Committee is required, but we welcome and appreciate your input. We previously presented this item to the Operations Oversight Committee of the Board of Retirement and Board of Investments as an information only item in October. Staff will inform the Trustees when the new product is available and provide training.

Reviewed and Approved:

  
\_\_\_\_\_  
Steven P. Rice, Chief Counsel

Attachment

cc: Santos H. Kreimann    Jonathan Grabel    Luis A. Lugo    JJ Popowich  
    Laura Guglielmo      Carly Ntoya      Richard Bendall



# FORM 700

# e-Filing Solution

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Jessica Rivas, Staff Counsel

Margo McCabe, Legal Analyst

Legal Services Division



# Background



- Political Reform Act
- California Fair Political Practices Commission (FPPC)
- Form 700 Statement of Economic Interests
  - Annual
  - Assuming Office
  - Leaving Office
- LACERA filers
- County filers
- Filers include trustees, certain staff, and consultants and managers



## Filers

- Manually fill in new PDF each year and e-mail to Legal
- Cannot save data from year to year
- No automatic review for missing data

## Legal Services

- Manually sends e-mail notices to filers
- Manually maintains database of filings
- Manually tracks status of filings via Excel spreadsheet
- Manually performs audit and requests filers to amend as needed

# e-Filing Solution



- Automatically generates notices to filers
- Provides FPPC instructions on how to complete the Form 700
- Provides instructions on how to use the software
- Automatically checks for errors or omissions
- Automates the audit process
- Saves filers' information
- Used by hundreds of other public agencies throughout the state
- Cost range: \$5,000 – 7,000/year
- Coordinated with the County's Executive Office of the Board of Supervisors, Conflict of Interest/Lobbyist Division



## Potential Vendors

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# Next Steps



- ~~Decide on vendor~~
- Contracting
- Onboarding
- Training for Legal Services & Systems
- Training for filers
- **Goal: up and running for 2023 Annual Filing period (Mar. 1 – Apr. 1)**

# Thank You!



## Questions?

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[jrivas@lacera.com](mailto:jrivas@lacera.com) | [mmccabe@lacera.com](mailto:mmccabe@lacera.com)

**FOR INFORMATION ONLY**

December 21, 2022

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Ted Granger *TG*  
Interim Chief Financial Officer

FOR: January 4, 2023 Board of Retirement Meeting  
January 11, 2023 Board of Investments Meeting

SUBJECT: **MONTHLY TRAVEL & EDUCATION REPORT – NOVEMBER 2022**

Attached for your review is the Trustee Travel & Education Report. This report includes all events (i.e., attended and canceled) from the beginning of the fiscal year through November 2022. Staff travel and education has been omitted from this document and reported to the Chief Executive Officer separately.

REVIEWED AND APPROVED:

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Santos H. Kreimann  
Chief Executive Officer

TG/EW/SC/wg

Attachments

c: L. Lugo  
J. Popowich  
L. Guglielmo  
J. Grabel  
S. Rice  
R. Van Nortrick

**TRUSTEE TRAVEL AND EDUCATION REPORT  
FOR FISCAL YEAR 2022 - 2023  
NOVEMBER 2022**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Alan Bernstein</b>			
A	1 Edu - CII Fall 2022 Conference - Boston MA	09/21/2022 - 09/23/2022	Attended
	2 Edu - NCPERS 2022 Public Safety Conference - Nashville TN	10/23/2022 - 10/26/2022	Attended
B	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
V	- Edu - NACD: The Theranos Implosion - VIRTUAL	09/28/2022 - 09/28/2022	Attended
<b>Elizabeth Ginsberg</b>			
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
<b>Vivian Gray</b>			
A	1 Edu - CII Fall 2022 Conference - Boston MA	09/21/2022 - 09/23/2022	Attended
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
	- Admin - SACRS Board of Directors Meeting - Los Angeles CA	08/22/2022 - 08/22/2022	Attended
	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Admin - SACRS Program Committee & Board of Directors Meeting - Santa Barbara CA	09/26/2022 - 09/27/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Canceled
V	- Edu - The Global Conversation on Gender Diversity - VIRTUAL	11/02/2022 - 11/02/2022	Attended
	- Edu - 50/50 Women on Boards - VIRTUAL	11/02/2022 - 11/02/2022	Attended
X	- Edu - TLF Annual Convening 2022 - Cambridge MA	07/18/2022 - 07/20/2022	Canceled
<b>David Green</b>			
A	1 Edu - PPI 2022 Summer Roundtable - Canada, Vancouver	07/13/2022 - 07/15/2022	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
<b>Elizabeth Greenwood</b>			
A	1 Edu - 16th Annual Small and Emerging Managers (SEM) Conference - Chicago IL	10/12/2022 - 10/13/2022	Attended
<b>Onyx Jones</b>			
A	1 Edu - SACRS Public Pension Investment Management Program - San Francisco CA	07/17/2022 - 07/20/2022	Attended
	2 Edu - 2022 CALAPRS Principles of Pension Governance for Trustees - Tiburon CA	08/29/2022 - 09/01/2022	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - Women in Institutional Investments Network - Los Angeles CA	10/12/2022 - 10/12/2022	Attended
V	- Edu - The World to Africa Webinar - VIRTUAL	07/27/2022 - 07/27/2022	Attended



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NOVEMBER 2022**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Patrick Jones</b>			
A	1 Edu - Leading in Artificial Intelligence: Exploring Technology and Policy - Harvard Kennedy School - Cambridge MA	07/17/2022 - 07/22/2022	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
<b>Shawn Kehoe</b>			
V	- Edu - 2022 Board of Investments Offsite - VIRTUAL	09/13/2022 - 09/14/2022	Attended
<b>Joseph Kelly</b>			
A	1 Edu - PPI Executive Seminar and the Asia Pacific Roundtable - Singapore	10/16/2022 - 10/21/2022	Attended
	2 Edu - CII-NYU Corporate Governance Bootcamp - New York NY	11/16/2022 - 11/18/2022	Attended
V	- Edu - NACD Conflict, Climate, Cyber: What's Next? - VIRTUAL	08/23/2022 - 08/23/2022	Attended
	- Edu - 2022 Board of Investments Offsite - VIRTUAL	09/13/2022 - 09/14/2022	Attended
	- Edu - NACD Risk Mitigation Through Board Quality and Compliance Committees: Lessons from Theranos - VIRTUAL	09/28/2022 - 09/28/2022	Attended
	- Edu - Institute of Internal Auditors 2022 Cybersecurity Virtual Conference - VIRTUAL	10/27/2022 - 10/27/2022	Attended
<b>Keith Knox</b>			
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
V	- Edu - What Makes an Effective Trustee - VIRTUAL	11/16/2022 - 11/16/2022	Attended
<b>William Pryor</b>			
A	1 Edu - NCPERS 2022 Public Safety Conference - Nashville TN	10/23/2022 - 10/26/2022	Attended
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
<b>Les Robbins</b>			
B	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
<b>Gina Sanchez</b>			
A	1 Edu - PPI Executive Seminar and the Asia Pacific Roundtable - Singapore	10/16/2022 - 10/21/2022	Attended
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
	- Edu - 2022 Fall Editorial Advisory Board Meeting – Institutional Real Estate Americas - Pasadena CA	09/06/2022 - 09/08/2022	Attended
	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
	- Edu - 2022 Toigo Foundation Gala - Los Angeles CA	11/17/2022 - 11/17/2022	Attended
V	- Edu - NACD Summit 2022 - VIRTUAL	10/08/2022 - 10/11/2022	Attended

**TRUSTEE TRAVEL AND EDUCATION REPORT  
FOR FISCAL YEAR 2022 - 2023  
NOVEMBER 2022**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Herman Santos</b>			
A	1 Edu - PPI 2022 Summer Roundtable - Canada, Vancouver	07/13/2022 - 07/15/2022	Attended
	2 Edu - CII Fall 2022 Conference - Boston MA	09/21/2022 - 09/23/2022	Attended
	3 Edu - 2022 AAAIM Elevate National Conference - New York NY	09/28/2022 - 09/30/2022	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Canceled
	- Edu - 2022 Toigo Foundation Gala - Los Angeles CA	11/17/2022 - 11/17/2022	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 per Trustee Travel Policy; Section III.A

C - Second of two conferences and/or meetings counted as one conference per Trustee Education Policy Section IV.C2 and Trustee Travel Policy Section IV.

V - Virtual Event

X - Canceled events for which expenses have been incurred.

Z - Trip was Canceled - Balance of \$0.00



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**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**

December 19, 2022

TO: Each Trustee  
Board of Retirement

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

FOR: January 4, 2023 Board of Retirement Meeting

SUBJECT: **Board Officers: 2023 Calendar Year**

## RECOMMENDATION

That the Board of Retirement ratify its slate of board officers who will serve their term in the 2023 calendar year.

## LEGAL AUTHORITY

The Board of Retirement (BOR) Regulations provide that each January the BOR shall elect from its members a Chair, Vice Chair, and Secretary to serve for a term of one year or until his or her successor is duly elected and qualified.

The [BOR Board Officer Rotation Policy](#) provides that the process of selecting board officers will be a seniority-based system. At the first regular meeting in January, the BOR shall hold a vote to ratify the slate of board officers determined by the Executive Board Assistant.

## DISCUSSION

The BOR Board Officer Rotation Policy provides that with reasonable and sufficient time before the first regular meeting in January, the Executive Board Assistant shall verify the seniority of each trustee on the seniority list for each board officer position who would be in office during the calendar year commencing in January and ascertain in order of seniority which trustee opts to serve as a board officer for the upcoming year.

According to the Executive Board Assistant, the following trustees opted to serve as BOR Chair, Vice Chair, and Secretary for the 2023 calendar year.

Chair: Les Robbins  
Vice Chair: Alan Bernstein  
Secretary: Shawn Kehoe

**IT IS THEREFORE RECOMMENDED THAT THE BOARD** ratify its slate of board officers as identified above to serve their term in the 2023 calendar year.

Attachment

cc: Board of Investments      Luis Lugo      JJ Popowich      Laura Guglielmo  
Steven P. Rice      Jon Gabel

# BOARD OF RETIREMENT SENIORITY LIST

## CHAIR

Trustee Name	Priority Date*	Seniority
Les Robbins	11/1/1997	22 Years, 2 Months
Shawn R. Kehoe	01/01/2011	12 Years
Vivian H. Gray	01/01/2013	10 Years
JP Harris	01/01/2008	7 Years, 3 Months
Herman B. Santos	09/14/2017	5 Years, 3 Months
Keith Knox, Ex-Officio	07/13/2019	3 Years, 5 Months
Alan J. Bernstein	01/01/2022	2 Year
Antonio Sanchez	01/01/22	1 Year
Elizabeth Greenwood	12/01/2022	1 Month
Jason Green	01/01/2023	0 Years
Ronald Okum	01/01/2023	0 Years

## VICE CHAIR

Trustee Name	Priority Date*	Seniority
Les Robbins	11/01/1997	22 Years, 2 Months
Alan J. Bernstein	02/01/2011	11 Years, 11 Months
JP Harris	01/01/2008	7 Years, 3 Months
Herman B. Santos	09/14/2017	5 Years, 3 Months
Keith Knox, Ex-Officio	07/13/2019	3 Years, 5 Months
Vivian H. Gray	01/01/2022	2 Year
Antonio Sanchez	01/01/2022	1 Year
Elizabeth Greenwood	12/01/2022	1 Month
Shawn R. Kehoe	01/01/2011	1 Year
Jason Green	01/01/2023	0 Years
Ronald Okum	01/01/2023	0 Years

## SECRETARY

Trustee Name	Priority Date*	Seniority
Les Robbins	11/01/1997	22 Years, 2 Months
Shawn R. Kehoe	01/01/2011	12 Years
Vivian H. Gray	01/01/2013	10 Years
JP Harris	01/01/2008	7 Years, 3 Months
Herman B. Santos	09/14/2017	5 Years, 3 Months
Keith Knox, Ex-Officio	07/13/2019	3 Years, 5 Months
Antonio Sanchez	01/01/2022	1 Year
Elizabeth Greenwood	12/01/2022	1 Month
Alan J. Bernstein	02/01/2011	1 Year
Jason Green	01/01/2023	0 Years
Ronald Okum	01/01/2023	0 Years

\*Priority Date reflects the first term date of the Trustee on the Board as of January 2023.  
2022 Officers have been placed at the end of the list and the priority date reset to one year of service.

**FOR INFORMATION ONLY**

January 4, 2023

TO: Trustees,  
Board of Investments

FROM: Christine Roseland *CR*  
Senior Staff Counsel

FOR: January 11, 2023 Board of Investments Meeting

SUBJECT: **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, 2023.

Attachment

c: Santos H. Kreimann  
Luis A. Lugo  
Jonathan Grabel  
Esmeralda Del Bosque  
Vache Mahseredjian  
Jude Perez  
Jim Rice  
Christopher Wagner  
Scott Zdrazil  
Steven Rice  
John Harrington  
Earl Buehner  
Margo McCabe  
Lisa Garcia



**LACERA Legal Division**  
**Board of Investments Projects**  
**Monthly Status Report - Pending as of January 4, 2023**



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
EQUITIES	Leading Edge Investment Advisors (LEIA)	Investment Management Agreement for Global Equity Emerging Manager Program	\$500,000,000	October 12, 2022	In Progress	15%	Legal negotiations in process.
	New Alpha Asset Management (New Alpha)	Investment Management Agreement for Global Equity Emerging Manager Program	\$500,000,000	October 12, 2022	In Progress	15%	Legal negotiations in process.
HEDGE FUNDS	Waterfall Illiquid Credit Strategy	Subscription	\$675,000,000	December 14, 2022	In Progress	90%	Legal negotiations in process.
OPEB	Hamilton Lane	Investment Management Agreement	\$500,000,000	August 10, 2022	In Progress	35%	Legal negotiations in process.
PORTFOLIO ANALYTICS	State Street Bank and Trust Co.	Global Custody and Commercial Banking Services Agreement for LACERA's Pension Plan and OPEB Master Trust	\$72,000,000,000	August 10, 2022	In Progress	35%	Legal negotiations in process.
PRIVATE EQUITY	Accel-KKR Capital Partners VII, L.P.	Subscription	\$150,000,000	December 14, 2022	Completed	100%	Completed.
REAL ASSETS	TIAA-CREF Global Agriculture, LLC	Secondary Purchase	\$85,000,000	December 14, 2022	Completed	100%	Completed.



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