

IN PERSON & VIRTUAL BOARD MEETING

*The Committee meeting will be held prior to the Board of Investments meeting.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

Members of the public may address the Committee 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 Committee meeting.

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

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

AGENDA

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., WEDNESDAY, FEBRUARY 14, 2024

This meeting will be conducted by the Equity: Public/Private Committee and Board of Investments both in person and by teleconference under California Government Code Sections 54953 (b), (f).

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

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

*Teleconference Location for Trustees and the Public under California
Government Code Section 54953(b)*

1118 Ala Moana Blvd., 2nd Floor in Honolulu, HI 96814

COMMITTEE TRUSTEES:

Herman Santos, Chair

David Ryu, Vice Chair

Mike Gatto, Trustee

Nicole Mi, Trustee

Patrick Jones, Alternate Trustee

- I. CALL TO ORDER
- II. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)
 - A. Just Cause
 - B. Action on Emergency Circumstance Requests
 - C. Statement of Persons Present at AB 2449 Teleconference Locations

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of November 8, 2023.

IV. 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 request 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.)

V. NON-CONSENT ITEM

- A. **Growth Functional Category Investment Guidelines Update**
Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer and Esmeralda del Bosque, Principal Investment Officer: That the Committee advance the proposed modifications to the Growth functional category investment guidelines as outlined on slides 8 - 13 of the attached presentation. (Presentation) (Memo dated January 18, 2024)

VI. 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.)

VII. 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.)

February 14, 2024

Page 3

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

IX. ADJOURNMENT

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

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

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

MINUTES OF THE REGULAR MEETING OF THE EQUITY:
PUBLIC/PRIVATE COMMITTEE AND BOARD OF INVESTMENTS
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, NOVEMBER 8, 2023

This meeting was conducted by the Equity: Public/Private Committee and Board of Investments both in person and by teleconference under California Government Code Sections 54953 (b), (f).

*Teleconference Location for Trustees and the Public under California Government Code Section 54953(b)
Omni Rancho Las Palmas Resort & Spa - 41000 Bob Hope Drive Rancho Mirage, CA 92270*

PRESENT:

Herman Santos, Chair

Patrick Jones, Vice Chair (Teleconference under Section 54953 (b))

Onyx Jones

David Ryu

Gina Sanchez, Alternate

MEMBERS AT LARGE:

Keith Knox

David Green (Joined the meeting at 8:24 a.m.)

Joseph Kelly (Joined the meeting at 8:17 a.m.)

November 8, 2023

Page 2

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Christopher Wagner, Principal Investment Officer

StepStone Group LP

Jose Fernandez, Partner

Natalie Walker, Partner

I. CALL TO ORDER

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

II. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)

A. Just Cause

B. Action on Emergency Circumstance Requests

C. Statement of Persons Present at AB 2449 Teleconference Locations

No requests were received for (A) Just Cause or (B) Emergency Circumstances.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Equity: Public/Private Committee Meeting of March 8, 2023.

A motion was made by Trustee O. Jones, seconded by Trustee Ryu, to approve the minutes of the Equity: Public/Private Committee regular meeting of March 8, 2023. The motion passed by the following roll call vote:

Yes: Santos, P. Jones, O. Jones, Ryu

No: None

November 8, 2023

Page 3

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. REPORT

A. Private Equity Portfolio Performance Review
Christopher Wagner, Principal Investment Officer
Jose Fernandez, Partner, StepStone Group LP
Natalie Walker, Partner, StepStone Group LP
(Memo dated October 31, 2023)

Mr. Wagner, and Mr. Fernandez and Ms. Walker of StepStone Group LP provided a presentation and answered questions from the Committee.

VI. ITEMS FOR STAFF REVIEW

There was nothing to report.

VII. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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

There was nothing to report.

IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 8:39 a.m.

January 18, 2024

TO: Trustees – Equity: Public/Private Committee

FROM: Christopher J. Wagner *CJW*
Principal Investment Officer

Esmeralda del Bosque *EdB*
Principal Investment Officer

FOR: February 14, 2024 Equity: Public/Private Committee Meeting

SUBJECT: **Growth Functional Category Investment Guidelines Update**

RECOMMENDATION

Advance the proposed modifications to the Growth functional category investment guidelines, as outlined on slides 8 - 13 of the attached presentation, to the Board of Investments for approval.

BACKGROUND

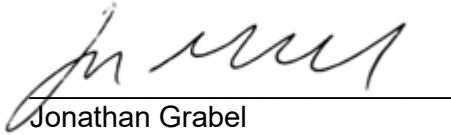
Asset category structure reviews are generally approved by the Board of Investments (the “Board”) on a biennial basis. In addition to identifying key investment themes and upcoming initiatives, each structure review also contains investment guidelines that set forth Board-approved benchmarks, subcategory asset allocation ranges, geographic market allocation ranges, and any pertinent investment manager parameters. The Board last approved the Growth structure review and investment guidelines in December 2022 with the next structure review planned for the November 2024 Equity: Public/Private Committee meeting (the “Equity Committee”).

According to the delegated authority framework approved by the Board in November 2023, the Chief Investment Officer has the authority to approve investments that comply with the investment guidelines set forth in each asset category’s structure review. As a result, staff has prepared updates to the Growth investment guidelines that reflect this new governance authorization for the Equity Committee’s consideration (**Attachment 1**). Slides 8 through 13 of **Attachment 1** show both the proposed modifications and the relevant existing guidelines being modified, while slides 16 through 20 in the Appendix provide a complete set of the guidelines if all of the proposed modifications are approved. The proposed modifications are intended to improve consistency and clarity of the authority delegated by the Board and enhance the effectiveness of LACERA’s investment program. LACERA will present investment guidelines updates for each of the functional categories at subsequent Committee asset category meetings.

Attachments 2 and 3 are investment guideline concurrence memorandums from both Meketa, the Board's general consultant, and Stepstone Group LP, the Board's private equity consultant.

Attachments

Noted and Reviewed:

A handwritten signature in black ink, appearing to read 'Jonathan Grabel', is written over a horizontal line.

Jonathan Grabel
Chief Investment Officer



Growth

Investment Guidelines Update

Equity: Public/Private Committee Meeting

February 14, 2024

Growth – Portfolio Structure Timeline



Growth functional category at LACERA

2020 Mid-Cycle and Biennial Structure Reviews

- First consolidated structure review combining Global Equity, Private Equity and Non-Core Private Real Estate in Growth category
- Review COVID impact to portfolio
- Review and refine private equity co-investment program

2021 Amended Biennial Structure Review

- Amended Growth Structure Review to implement new allocation targets approved by BOI in 2021 SAA

Delegated Authority Approved

- Delegated authority framework approved by BOI in November

Today

Growth Investment Guidelines Update

- Propose updates to investment guidelines

Upcoming 2024 Biennial Structure Review

- To be proposed to BOI taking into account results of 2024 SAA



2021 Strategic Asset Allocation

- Decrease Global Equity allocation to 32% of total Fund
- Increase Private Equity allocation to 17% of total Fund
- Increase Non-Core Private Real Estate allocation to 4% of total Fund

2022 Biennial Structure Review

- Continue to reduce fees and maximize returns
- Simplify portfolio structure
- Expand emerging manager program
- Enhance risk management across combined portfolios

Upcoming 2024 Strategic Asset Allocation

- Completion expected in Q2 2024

← Ongoing implementation of initiatives consistent with the strategic asset allocation, strategic initiatives and structure reviews →

Delegated Authority Framework



1. Investment Policy Statement

- BOI approves IPS, including investment beliefs
- IPS defines the framework by which the BOI manages the assets of LACERA

2. Strategic Asset Allocation

- BOI approves SAA every three to five years or as needed
- Includes investment allocations and benchmark targets with defined asset categories

3. Asset Class Structure Reviews

- BOI approves investment guidelines for each functional asset category every two years or as needed
- Includes investment allocations, benchmark targets and investment guidelines for each asset category



4. Staff-Led Sourcing and Due Diligence

- Staff conducts due diligence and analysis on manager selection, rebalancing and terminations consistent with Board-approved Structure Review guidelines
- External consultants conduct independent due diligence

5. Internal Committee Approval and Consultant Concurrence

- Internal committee processes must adhere to well-defined and documented governance procedures
- Affirmative approval of internal committee is required for manager selection and termination of existing managers
- Concurrence from external consultant must be obtained for manager selection and termination

6. CIO Approval

- CIO may only approve investment-related actions that comply with the policies, SAA and guidelines approved by BOI
- Prior internal committee approval is required before CIO can approve new investments and terminations

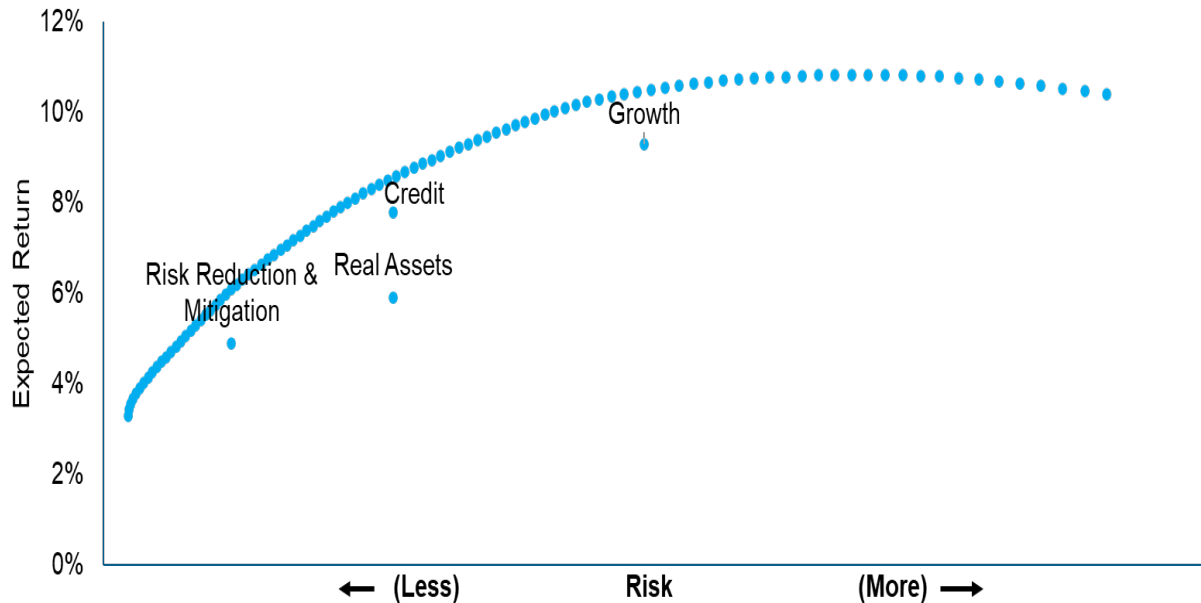
7. Continuous Board Oversight and Monitoring

- CIO-authorized investments promptly reported to BOI
- CIO-sourced investment opportunities require BOI review and approval
- Quarterly compliance monitor with delegation reports to BOI
- Quarterly and annual performance reporting and manager scorecards
- BOI oversight of programmatic topics such as fee reporting & T.I.D.E. updates
- Annual CIO performance review

Growth – Portfolio Role



Growth¹



- Growth investments are the primary driver of long-term total Fund returns
- Provides global market beta exposure to growth assets
- Seeks risk-adjusted returns to higher performing private capital assets

Global Equity

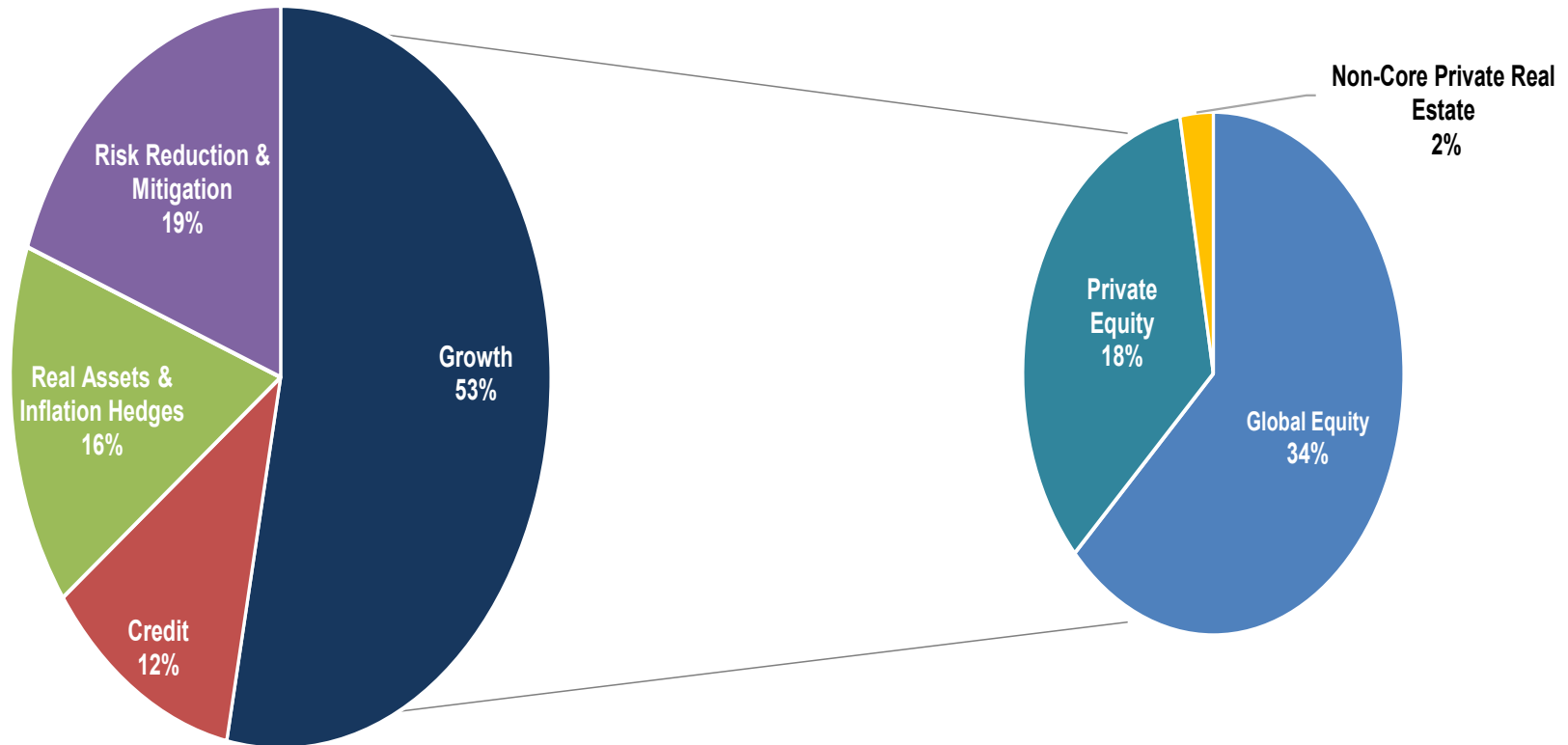
- Provide global equity market beta exposure with excess returns (alpha) as a secondary consideration
- Passive strategy used to obtain market beta by closely tracking a broad market index
- Factor strategies seek incremental return and lower risk versus active strategies
- Active strategies seek alpha in less efficient market segments

Private Equity

- Expected to generate the highest performance at an acceptable level of risk
- Identify equity exposures that are unavailable, mispriced or difficult to find in public markets
- Diversification by strategy, sector and geography to mitigate volatility

¹Non-Core Real Estate will be reviewed as part of the Real Estate Structure Review.

Growth – Portfolio Composition



Asset Class	Allocation	Policy Target	Over/Under	Target Range +/-	Target Range %	Benchmark
Growth	53.2%	53.0%	+0.2%	+/- 7%	45-61%	Custom Blend
Global Equity	33.5%	32.0%	+1.5%	+/- 7%	25-39%	MSCI AWCI IMI Net
Private Equity	18.2%	17.0%	+1.2%	+/- 3%	12-20%	MSCI ACWI IMI + 200 basis points (three-month lag)
Non-Core Real Estate	1.5%	4.0%	-2.5%	+1%/-2%	2-6%	NFI ODCE + 225 basis points (three-month lag)

Note: Allocation weights are as of December 31, 2023; private assets based on latest asset valuation including any actual cash flows.



Growth: Investment Guidelines Updates

Growth – Global Equity Investment Guidelines Updates



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines			
Sub-Asset Class (Allocation)	Passive (60% Target +/- 20%)	Factor-Based (20% Target +/- 10%)	Active (20% Target +/- 10%, including emerging managing program)
Sector/Industry	GICS sectors relative to policy benchmark: +/- 5%		
Manager Diversification	Active: Single investment manager shall not exceed 10% of global equity portfolio, excluding assets managed by separate account manager through emerging manager program		

Existing Guidelines			
Sub-Asset Class (Allocation)	Passive (60% Target +/- 20%)	Factor-Based (15% Target +/- 15%)	Active (25% Target +/- 15%, including emerging manager program)

Growth – Global Equity Emerging Manager Program (EMP) Updates¹



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines	
Benchmark	MSCI ACWI IMI Net
Investment Size/Range	Up to 10% of the Global Equity Portfolio
Manager Diversification²	LACERA is to represent no more than 40% of separate account manager/emerging managers' firm assets
Program Framework²	<ul style="list-style-type: none"> • Typically has less than \$3 billion in firm assets under management. Firm assets cannot exceed \$5 billion • No person or entity, other than the principals or employees of the emerging manager, shall own more than 49% interest in the firm • Portfolio management team must have an average of at least five (5) years of investment experience managing a strategy similar to the investment style as LACERA's proposed investment • Firm age is typically less than 5 years and cannot exceed 15 years at time of hire. The weighted average age of the total LACERA portfolio can be no more than 10 years at the program's inception • Emerging manager: i) is registered as an investment adviser under the Investment Advisers Act of 1940 or is exempt from registration, ii) has audited financial statements or will obtain within one year of hire, and iii) complies with Global Investment Performance Standards (GIPS). Firm undergoes annual GIPS verification or separate account manager confirms compliance • LACERA retains consent right for emerging manager selection
Emerging Manager Definition	Emerging managers are independent firms that have less substantial assets under management, may lack a long-term investment performance record, and are further defined by the Program Framework above
Graduation Description	Graduation entails re-categorizing an investment from LACERA's emerging manager program to LACERA's primary portfolio that may adjust the size of the investment
Graduation Target Timeframe	3 – 7 years after an initial investment

¹ The Board has previously approved certain emerging manager program parameters via completed request for proposals. These parameters are being documented as investment guidelines to be incorporated in structure reviews.

² Under the Investment Policy Statement, CIO has authority to approve temporary variances from asset-level program and investment manager guidelines. Any waivers granted will be reported to the Board of Investments.

Growth – Private Equity Investment Guidelines Updates



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines				
Sub-Asset Class (Allocation)	Buyouts (50% - 85%)	Venture Capital / Growth Equity (5% - 25%)	Separately Managed Accounts / Fund-of-Funds (0% - 15%)	Co-Investments / Secondaries (5% - 35%)
Geography	U.S. 55% - 80%, Non-U.S. 20% - 45%, Emerging Markets 0% - 15% (Emerging Markets allocation included in Non-U.S.)			
Annual Allocation	Up to 100% of LACERA's annual PE budget		Up to 30% of LACERA's annual PE budget	Up to 30% of LACERA's annual PE budget
Investment Size/Range	Minimum \$5 million to maximum 10% of LACERA's PE NAV plus undrawn commitments		Up to 70% of SMA/FoF annual budget	25% of Co-Inv. and Sec. annual budget
Prohibited Investment Type	1.) Hostile takeovers 2.) Privatization of jobs held by LACERA members			

Existing Guidelines			
Sub-Asset Class (Allocation)	Buyouts (50% - 85%)	Venture Capital / Growth Equity (15% - 30%)	Fund-of-Funds / Co-Investments/ Secondaries (10% - 30%)
Geography	Non-U.S. 20% - 45%, Emerging Markets 0% - 15%		
Investment Size/Range	Minimum \$5 million to maximum 10% of LACERA's MV plus undrawn commitments		Separately Managed Accounts and Fund of Funds no max; Co-Investments and Secondaries \$130 million maximum
Manager Diversification/Concentration (Replaced by Investment Size/Range)	Maximum 10% of LACERA's PE MV plus undrawn commitment		N/A
Prohibited Investment Type	1.) Hostile takeovers 2.) Privatization		

Growth – Private Equity Emerging Manager Program (EMP) Updates¹



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines	
Benchmark	MSCI ACWI IMI + 200 bps (3-Month lagged)
Sub-Asset Class (Allocation)	Mirrors LACERA PE program ²
Geography	Same as broader asset class investment guidelines
Target Allocation Range	Up to 10% of PE NAV
Investment Size/Range	Up to 70% of annual budgeted capital for Separately Managed Accounts / Fund-of-Funds
Manager Diversification/Concentration	Manager Diversification: Same as broader asset class investment guidelines; Manager Concentration: Total aggregate commitment to a single general partner will not exceed 20% of the Separate Account commitment
Fund Concentration	LACERA's share in a single partnership, once the partnership has closed to new investments, shall not exceed 50% of that partnership's total commitments from all limited partners
Program Framework	Separately Managed Account – emerging manager program
Emerging Manager Definition	Emerging Manager is defined as the general partner's first, second, or third institutional fund with fund sizes: (i) less than \$1 billion for buyouts and growth equity funds; (ii) less than \$400 million for venture capital funds
Graduation Description	Graduation entails a direct commitment to a primary fund from LACERA rather than through LACERA's emerging manager program
Graduation Target Timeframe	3 – 7 years after an initial investment noting that this guideline is a target

¹ The Board has previously approved certain emerging manager program parameters via completed request for proposals. These parameters are being documented as investment guidelines to be incorporated in structure reviews.

² LACERA can and has negotiated narrower sub-asset allocations. For example, current EMP excludes co-investments and secondaries as LACERA executes those strategies in-house.

Growth – Private Equity Co-Investments and Secondaries Updates



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines	Co-Investments	Secondary Purchases
Investment Size/Range	<ul style="list-style-type: none"> Maximum of 25% of total available capital for co-investment and secondaries in calendar year Secondaries exclude amounts rolled over from primary funds in conjunction with a continuation vehicle secondary transaction 	
Sourcing	<ul style="list-style-type: none"> Investments offered by LACERA-approved managers; or Investments alongside a LACERA-approved discretionary PE manager, a PE consultant, or the manager's or consultant's approved managers; or A secondary fund or vehicle that is managed by a manager of the same institutional quality as those LACERA has previously committed to 	
Deal Types	Buyout, growth equity, and venture capital	
Investment Limitations	N/A	

Existing Guidelines	Co-Investments	Secondary Purchases
Investment Size/Range	Maximum of \$130 million; Excludes amounts rolled over from primary funds in conjunction with a continuation vehicle secondary transaction	
Sourcing	<ul style="list-style-type: none"> Co-investments offered by Board-approved managers so long as the manager is currently managing capital on behalf of LACERA; Co-investments alongside a Board-approved discretionary PE manager, PE consultant, or their approved managers 	<ul style="list-style-type: none"> A private equity fund in which LACERA is an existing investor; A private equity fund or vehicle that is managed by a manager of the same institutional quality as those LACERA has previously committed to
Deal Types	Buyout and growth capital; Growth capital includes high growth pre-EBITDA companies with a liquidity event expected in the next two years	
Investment Limitations	N/A	10% of LACERA's PE portfolio market value plus unfunded commitments at the time of purchase

Growth – Private Equity Secondary Sales Updates



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines	
	Secondary Sales
Eligibility	All current LACERA LP positions and co-investment positions
Parameters	<ul style="list-style-type: none"> • All sales must provide strategic, tactical, and/or economic benefits that assist LACERA in meeting its investment goals • The program will consider selling undesired holdings that include both mature secondaries and hybrid secondaries <ul style="list-style-type: none"> • Sell determinations will fall under the following criteria: <ul style="list-style-type: none"> • Poor Performing: Poor performing assets that have little to no potential to materially improve the future performance of the private equity program • Tail Ends: Mature assets that have provided a significant portion of their potential performance, whether attractive or poor, and the remainder of the assets have little to no potential to materially improve the future performance of the private equity program. These assets will typically have little value remaining in the capital account and/or few holdings remaining in the fund • Non-strategic: Assets that have an investment focus that is no longer a strategic part of LACERA's investment objectives and there is little to no potential to materially improve the future performance of the private equity program • Strategic: Assets that can help improve the overall purchase prices and returns associated with the secondary sale • The secondary sale program will opportunistically consider the sale of single limited partnership interests and portions of partnership interests as well as portfolios of multiple limited partnership interests. Portfolio sales will be considered when the aggregated benefit to the private equity program is more attractive than individual dispositions

Existing Guidelines	
	Secondary Sales
Eligibility	All current LACERA LP positions and co-investment positions
Parameters	<ul style="list-style-type: none"> • The CIO is authorized to approve the secondary sale of limited partnership interests that fall within LACERA's disposition guidelines • The CIO is authorized to approve the disposition of limited partnership interests with aggregate NAV (determined at the time of disposition) of up to \$500 million per year • All sales must provide strategic, tactical, and/or economic benefits that assist LACERA in meeting its investment goals • The program will consider selling undesired holdings that include both mature secondaries and hybrid secondaries <ul style="list-style-type: none"> • Sell determinations will fall under the following criteria: <ul style="list-style-type: none"> • Poor Performing: Poor performing assets that have little to no potential to materially improve the future performance of the private equity program • Tail Ends: Mature assets that have provided a significant portion of their potential performance, whether attractive or poor, and the remainder of the assets have little to no potential to materially improve the future performance of the private equity program. These assets will typically have little value remaining in the capital account and/or few holdings remaining in the fund • Non-strategic: Assets that have an investment focus that is no longer a strategic part of LACERA's investment objectives and there is little to no potential to materially improve the future performance of the private equity program • Strategic: Assets that can help improve the overall purchase prices and returns associated with the secondary sale • The secondary sale program will opportunistically consider the sale of single limited partnership interests and portions of partnership interests as well as portfolios of multiple limited partnership interests. Portfolio sales will be considered when the aggregated benefit to the private equity program is more attractive than individual dispositions



Recommendation

Advance proposed revised Growth Asset Category guidelines

Context (If Approved)

Proposed guideline changes are intended to improve consistency and clarity of delegated authority framework approved by the Board of Investments in November 2023 and enhance the effectiveness of LACERA's investment program



Appendix: Complete Investment Guidelines¹

¹ Subject to Board of Investments approval.

Growth – Global Equity Investment Guidelines



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Growth (Target Allocation 53% +/- 8% of Total Fund); Asset Class: Global Equity (Target Allocation 32% +/- 7% of Total Fund)			
Benchmark	MSCI ACWI IMI Net		
Sub-Asset Class (Allocation)	Passive (60% Target +/- 20%)	Factor-Based (20% Target +/- 10%)	Active (20% Target +/- 10%, including emerging managing program)
Sector/Industry	GICS sectors relative to policy benchmark: +/- 5%		
Market Capitalization	Relative to policy benchmark: Large-cap +/- 5%; Mid-cap +/- 5%; Small-cap +/- 5%		
Geography	Region relative to policy benchmark: US +/- 5%, Developed Ex-US +/- 5%, Emerging Markets +/- 5%		
Investment Size/Range	See sub-asset class allocation		
Manager Diversification	Active: Single investment manager shall not exceed 10% of global equity portfolio, excluding assets managed by separate account manager through emerging manager program (EMP)		
Prohibited Investment Type	Refrain from purchasing securities in tobacco, Sudan, and Iran when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security		
Leverage	Prohibited		
Volatility	Tracking error: 1.0%-2.5% over a 7-year period		
Hedging/Cash Overlay	If market capitalization or regions deviate +/-1% relative to benchmark, the cash overlay may be used to rebalance market exposures back to target		
Emerging Manager Program	Target Allocation Range: 0% - 10% of global equity portfolio; See following slide for emerging manager program details		

Growth – Global Equity Emerging Manager Program (EMP)¹



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Growth (Target Allocation 53% +/- 8% of Total Fund); Asset Class: Global Equity (Target Allocation 32% +/- 7% of Total Fund)	
Benchmark	MSCI ACWI IMI Net
Investment Size/Range	Up to 10% of the Global Equity Portfolio
Manager Diversification ²	LACERA is to represent no more than 40% of separate account manager/emerging managers' firm assets
Program Framework ²	<ul style="list-style-type: none"> Typically has less than \$3 billion in firm assets under management. Firm assets cannot exceed \$5 billion No person or entity, other than the principals or employees of the emerging manager, shall own more than 49% interest in the firm Portfolio management team must have an average of at least five (5) years of investment experience managing a strategy similar to the investment style as LACERA's proposed investment Firm age is typically less than 5 years and cannot exceed 15 years at time of hire. The weighted average age of the total LACERA portfolio can be no more than 10 years at the program's inception Emerging manager: i) is registered as an investment adviser under the Investment Advisers Act of 1940 or is exempt from registration, ii) has audited financial statements or will obtain within one year of hire, and iii) complies with Global Investment Performance Standards (GIPS). Firm undergoes annual GIPS verification or separate account manager confirms compliance LACERA retains consent right for emerging manager selection
Emerging Manager Definition	Emerging managers are independent firms that have less substantial assets under management, may lack a long-term investment performance record, and are further defined by the Program Framework above
Graduation Description	Graduation entails re-categorizing an investment from LACERA's emerging manager program to LACERA's primary portfolio that may adjust the size of the investment
Graduation Target Timeframe	3 – 7 years after an initial investment

¹ The Board has previously approved certain emerging manager program parameters via completed request for proposals. These parameters are being documented as investment guidelines to be incorporated in structure reviews.

² Under the Investment Policy Statement, CIO has authority to approve temporary variances from asset-level program and investment manager guidelines. Any waivers granted will be reported to the Board of Investments.

Growth – Private Equity Investment Guidelines



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Growth (Target Allocation 53% +/- 8% of Total Fund); Asset Class: Private Equity (Target Allocation 17% +3%/-5% of Total Fund)				
Benchmark	MSCI ACWI IMI + 200 bps (3-Month lagged)			
Sub-Asset Class (Allocation)	Buyouts (50% - 85%)	Venture Capital / Growth Equity (5% - 25%)	Separately Managed Account / Fund-of-Funds (0% - 15%)	Co-Investments/ Secondaries (5% - 35%)
Geography	U.S. 55% - 80%, Non-U.S. 20% - 45%, Emerging Markets 0% - 15% (Emerging Markets allocation included in Non-U.S.)			
Annual Budget	4% to 5% of LACERA's total Fund NAV			
Annual Allocation	Up to 100% of LACERA's annual PE budget		Up to 30% of LACERA's annual PE budget	Up to 30% of LACERA's annual PE budget
Investment Size/Range	Minimum \$5 million to maximum 10% of LACERA's PE NAV plus undrawn commitments		Up to 70% of SMA/FoF annual budget	Up to 25% co-inv. and sec. annual budget
Fund Concentration	Maximum 50% of total commitments from all LPs		N/A	
Prohibited Investment Type	1.) Hostile takeovers 2.) Privatization of jobs held by LACERA members			
Emerging Manager Program	See following slide for emerging manager program details			
Alternative Investment Vehicles	See following slide for co-investments and secondaries details			

Growth – Private Equity Emerging Manager Program (EMP)¹



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Growth (Target Allocation 53% +/- 8% of Total Fund); Asset Class: Private Equity (Target Allocation 17% +3%/-5% of Total Fund)

Benchmark	MSCI ACWI IMI + 200 bps (3-Month lagged)
Sub-Asset Class (Allocation)	Mirrors LACERA PE program ²
Geography	Same as broader asset class investment guidelines
Target Allocation Range	Up to 10% of PE NAV
Investment Size/Range	Up to 70% of annual budgeted capital for Separately Managed Accounts / Fund-of-Funds
Manager Diversification/Concentration	Manager Diversification: Same as broader asset class investment guidelines; Manager Concentration: Total aggregate commitment to a single general partner will not exceed 20% of the Separate Account commitment
Fund Concentration	LACERA's share in a single partnership, once the partnership has closed to new investments, shall not exceed 50% of that partnership's total commitments from all limited partners
Program Framework	Separately Managed Account
Emerging Manager Definition	Emerging Manager is defined as the general partner's first, second, or third institutional fund with fund sizes: (i) less than \$1 billion for buyouts and growth equity funds; (ii) less than \$400 million for venture capital funds
Graduation Description	Graduation entails a direct commitment to a primary fund from LACERA rather than through LACERA's emerging manager program
Graduation Target Timeframe	3 – 7 years after an initial investment

¹ The Board has previously approved certain emerging manager program parameters via completed request for proposals. These parameters are being documented as investment guidelines to be incorporated in structure reviews.

² LACERA can and has negotiated narrower sub-asset allocations. For example, current EMP excludes co-investments and secondaries as LACERA executes those strategies in-house.

Growth – Private Equity Co-Investments and Secondaries



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Growth (Target Allocation 53% +/- 8% of Total Fund); Asset Class: Private Equity (Target Allocation 17% +3%/-5% of Total Fund)			
Benchmark	MSCI ACWI IMI + 200 bps (3-Month lagged)		N/A
Alternative Investment Vehicle	Co-Investments	Secondary Purchases	Secondary Sales
Annual Capital Deployment	Up to 30% of LACERA's PE allocation		<ul style="list-style-type: none"> All sales must provide strategic, tactical, and/or economic benefits that assist LACERA in meeting its investment goals The program will consider selling undesired holdings that include both mature secondaries and hybrid secondaries Sell determinations will fall under the following criteria: <ul style="list-style-type: none"> Poor Performing: Poor performing assets that have little to no potential to materially improve the future performance of the private equity program Tail Ends: Mature assets that have provided a significant portion of their potential performance, whether attractive or poor, and the remainder of the assets have little to no potential to materially improve the future performance of the private equity program. These assets will typically have little value remaining in the capital account and/or few holdings remaining in the fund Non-strategic: Assets that have an investment focus that is no longer a strategic part of LACERA's investment objectives and there is little to no potential to materially improve the future performance of the private equity program Strategic: Assets that can help improve the overall purchase prices and returns associated with the secondary sale The secondary sale program will opportunistically consider the sale of single limited partnership interests and portions of partnership interests as well as portfolios of multiple limited partnership interests. Portfolio sales will be considered when the aggregated benefit to the private equity program is more attractive than individual dispositions
Investment Size/Range	<ul style="list-style-type: none"> Up to 20% co-investment and secondaries annual budget Secondaries exclude amounts rolled over from primary funds in conjunction with a continuation vehicle secondary transaction 		
Sourcing	<ul style="list-style-type: none"> Investments offered by LACERA-approved managers; Investments alongside a LACERA-approved discretionary PE manager, a PE consultant, or the manager's or consultant's approved managers A secondary fund or vehicle that is managed by a manager of the same institutional quality as those LACERA has previously committed to 		
Deal Types	Buyout, growth equity, and venture capital		
Use of Third Party	Third party confirms LACERA's due diligence was satisfactorily followed	Third party advisor confirms valuation	
Investment Limitations	1.) Hostile takeovers 2.) Privatization of jobs held by LACERA members		

Glossary of Terms



Term	Acronym	Definition
Alpha		The excess return of an investment against a specified benchmark
Beta		Represents the degree of correlation between a security and the market
Co-Investment		An investment in a single company that is made alongside a private equity general partner
Emerging Manager Program	EMP	Seeks to identify and invest in independent firms that have less substantial assets under management or may lack a long-term investment performance record
Exposure		Net asset value (“NAV”) plus any unfunded commitments
Fund-of-Funds	FoF	An investment fund that pools capital from multiple investors to invest in a diversified portfolio of other private equity funds rather than directly in individual companies
GICS Sector	GICS	Method for assigning companies to a specific economic sector and industry group that best defines its business operations
Global Investment Performance Standards	GIPS	A set of standardized, industry-wide ethical principles that guide investment firms on how to calculate and present their investment results to prospective clients
MSCI All Country World Index, Investable Market Index	MSCI ACWI IMI	Morgan Stanley Capital International All Country World Investable Market Index is the benchmark for global equity
Net Asset Value	NAV	The value of an asset minus any expenses and liabilities
Secondaries/Secondary Investment		The purchase or sale of existing investor commitments or ownership stakes in private equity funds or individual private-equity-owned companies
Separately Managed Account	SMA	An investment portfolio that is managed separately from other investment vehicles and hold investments for only client
Tracking Error	TE	Volatility of a manager’s excess return; measured by subtracting the standard deviation of the manager’s returns from the standard deviation of the benchmark return

MEMORANDUM

TO: Each Member, Equity: Public/Private Committee
FROM: Tim Filla, Aysun Kilic, and Imran Zahid
CC: Jon Grabel, CIO - LACERA
DATE: January 30, 2024
RE: Growth Functional Category Investment Guidelines

The purpose of this memo is for Meketa Investment Group to formalize its support for staff's proposed updates to the investment guidelines for the Growth functional category related specifically to global equity.

Evaluation of Recommendation

In November 2023, LACERA's Board of Investments approved a revised Investment Policy Statement which formalized delegation of authority to the Chief Investment Officer and elevated structure reviews as a key component of Board of Investments oversight and direction setting. A critical aspect of the structure review process is reviewing and setting the guidelines which both inform and regulate the investment activity managed by LACERA's Chief Investment Officer and staff.

The recommendations contained in the Growth Functional Category Investment Guidelines Update memo are modest in nature, but in the context of delegated authority are important for further enhancing controls and oversight of the Growth category. Staff recommendations include minor changes to the investment guidelines for global equity which Meketa would categorize as either clarifications or additional controls. Within clarifications, related to the Emerging Manager Program, the graduation target timeframe has been noted as 3-7 years after an initial investment. Related to additional controls, the target allocation to factor-based strategies has been slightly increased while the target allocation to active management has been revised downwards modestly.

Adopting the proposed guidelines will create a bridge that is consistent with delegation of authority between the prior Biennial Structure Review and the upcoming structure review scheduled to take place later this year.

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/IZ/sf



ATTACHMENT 3

StepStone Group
4225 Executive Square, Suite 1600
La Jolla, CA 92037
Phone +1 858.558.9700

January 29, 2024

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

Re: Growth Investment Guidelines

Dear Board Members,

As LACERA's private equity ("PE") advisor, StepStone Group ("StepStone") works closely with LACERA's Board of Investments ("BOI") and staff to develop and review LACERA's annual private equity investment plans and Biennial Structure Reviews. StepStone and staff have reviewed and discussed the proposed updated guidelines which will be presented by the private equity team to the Equity Committee in February 2024. StepStone is supportive of the recommended changes to the guidelines and believes that ratification in advance of the 2024 Biennial Structure Review is prudent. Specifically, the changes provide staff with the necessary flexibility to pursue attractive investment opportunities under the new Delegated Authority Framework.

We look forward to working with the Board and staff on the upcoming 2024 Strategic Asset Allocation and Biennial Structure Review.

StepStone Group

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