

LOS ANGELES COUNTY  
EMPLOYEES RETIREMENT  
ASSOCIATION  
LACERA

Board of Investments  
Powers Reserved and Delegated Authorities

Adopted by the Board of Investments on October 12, 2016

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# LACERA

## Powers Reserved and Delegated Authorities

### Overview

In May 2016, the Board agreed to the Powers Reserved for the Board. The Board has assigned certain authorities to the CEO. This document, aligns these authorities to the Powers Reserved.

### Level of Involvement

Given its overall responsibility and accountability, the BOI has determined the level of its involvement in the exercise of various powers / authorities. The following framework uses three levels of involvement which reflect largely the degree of involvement:

Power	Description
<b>Conduct</b>	The Board itself performs the tasks described. This is the highest level of involvement. The Board or its Committees (standing or ad hoc) is actively involved in doing the work, e.g., writing the requirements, conducting due diligence, selecting and interviewing finalists, making the recommendation to the full Board for Approval.
<b>Approve or Set</b>	The Board retains final decision authority on prudently delegated activities to approve or set policies and limits, e.g., Asset Allocation. Once approved, the Board must then Oversee to ensure that actual practice reflects policy.
<b>Oversee</b>	The Board has a minimum legal duty to monitor and question. The Board reserves the power to oversee that prudently delegated authorities are properly exercised, appropriate policies and controls are in place and delegates (CEO/staff) are held accountable for performance. Oversee does not constitute close supervision and day to day management.

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### LEGEND

The following table has been developed based on input from the Board of Investments (BOI). Powers Reserved that are joint with the Board of Retirement (BOR) have not been discussed with the Board of Retirement and were not part of the scope of this review.

**A** = Approves final decision based upon recommendations from CEO and others.

**O** = Oversees, monitors and questions activities in delegated authorities.

**C** = Conducts activity and has the authority to make decisions within certain parameters.

**R** = Makes recommendations to the body with authority for approval.

Note: CIO authorities indicated are delegated from the CEO; the CEO retains responsibility

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## Powers Reserved and Delegated Authorities

#	Powers Reserved for Board	Board	Committee	CEO	CIO	Others
	<b>Governance and Strategy</b>					
1	Approve powers reserved for the Board of Investments	A		R		
2	Approve Board charter	A		R		
3	Approve Board committee structure, roles and charters	A	R	R		
4	Approve Board delegations to staff	A		R		
5	Approve Board development policy and education programs	A		R		
6	Approve Board governance principles and policies	A		R		
7	Conduct Board self-assessment of its effectiveness	C				
8	Oversee strategic planning process	O		C	C	
9	Oversee the effectiveness of Board of Investments strategic plans	O		C	C	
10	Oversee Board stakeholder engagement program	O		C		
11	Oversee Board business planning process and business plans	O		C	C	
	<b>Investments</b>					
12	Approve investment policy statement	A	O		R	R: General
13	Approve investment beliefs	A			R	R: General
14	Approve investment allocations and benchmark targets	A			R	R: General
15	Approve expected rate of return (asset/liability study)	A			R	R: General
16	Approve actuarial assumptions (discount rate)	A				C: Actuarial
17	Approve actuarial policies	A				C: Actuarial
18	Approve investment risk appetite and strategy (e.g., Hedge funds/ risk parity)	A	O		R	R
19	Approve the Investment organization structure (budget)	A		R		
20	Approve Investment organization performance metrics	A	O		R	R: General
21	Approve investment related legislative policy	A		R		
22	Conduct selection of investment consultants and advisors	C				
23	Oversee overall investment organization performance	O		C		
24	Oversee effectiveness of investment risk management	O			C	
25	Oversee liquidity plans	O			C	
26	Oversee investment performance	O			C	C
27	Oversee due diligence (investment and operational)	O			C	C: Various
28	Approve selection of investment managers or funds	A			R	R: Various
29	Oversee private asset valuations	O			C	C
30	Oversee investment operations and cost effectiveness	O			C	
31	Oversee actuarial valuations and employer rate setting	O				C: Actuarial
32	Oversee pension soundness	O				C: Actuarial

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Reassurance, Risk and Compliance						
33	Oversee internal audits	O				C: Internal Audit
34	Oversee actuarial audits	O				C: Internal Audit
35	Oversee title holding audits	O				C: Internal Audit
36	Oversee investment-related enterprise-wide risk framework and management	O			C	
37	Oversee investment controls and compliance (checks and balances)	O			C	
Administration						
38	Approve staff classification and compensation	A		R		
39	Approve litigation and settlements related to investments	A		R		
40	Approve budget process and budgets	A		R		
41	Conduct hiring, evaluation, compensation, firing of the CEO	C				
42	Oversee human resource policies for investment operations (excluding compensation)	O		C		
43	Oversee accounting policies for investment activities	O			C	
44	Oversee the CEO's effectiveness in hiring/firing and management of performance for senior Investment executives	O		C	R	
45	Oversee investment management succession planning	O		C	C	
46	Oversee disclosures of investment fees and expenses	O			C	
47	Oversee information technology plans and budgets / cyber security for Investments	O		C		
48	Oversee business continuity plans for Investment operations	O			C	

Approved by the Board of Investments October 12, 2016

Note: Reference September 14, 2016 Board of Investment memorandum for detail regarding Power #28 Approve Selection of Investment Managers or Funds . Excerpt on following pages.

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## Powers Reserved and Delegated Authorities

### **Power Reserved #28 - Board Approves the Manager and Fund Selection.**

This is the current power reserved by the Board for all asset classes. In general, the Board has delegated the tasks of developing solicitation materials, identifying investment opportunities, due diligence, and contract execution. The Board retains the power to approve certain milestones during the process including selecting the investment manager or fund based upon the established written record or finalist interviews. It is important to highlight the Board's use of its consultants as additional experts in reviewing the written record and conducting finalist interviews.

Key: A = Approves, C = Conducts, O = Oversees, R = Recommends

#### Investment Manager Selection Process Summary

	Investment Manager Selection Task	Board	Committee	CIO	Staff	Consultant
1	Approve RFP	A	R	O	C	R
2	Due Diligence			O	C	C
3	Manager Selection	A		R	R	R
4	Investment Execution			O	C	
5	Investment Monitoring	O	O	O	C	C
6	Termination	A		R	R	R

#### Investment Manager Selection Process Detail

	Investment Manager Selection Task	Board	Committee	CIO	Staff	Consultant
1	Determine Manager Type			O	C	R
2	Determine Allocation			O	C	R
3	Determine MQ, Evaluation Criteria, SOW			O	C	R
4	Recommendation to issue RFP		C	R	R	R
5	Approval to issue RFP	A	R	R	R	R
6	Issue RFP				C	
7	Score RFP Submissions				C	
8	Document RFP Score Results				C	
9	Eliminate Less Qualified Firms			O	C	R
10	Interview More Qualified Firms In-House				C	C
11	Score In-House Interview Results				C	
12	Document In-House Interview Score Results				C	
13	Eliminate Less Qualified Firms			O	C	R
14	Interview More Qualified Firms On-Site				C	C
15	Score On-Site Interview Results				C	
16	Document On-Site Interview Score Results				C	
17	Finalist Firms Recommendation			O	C	C
18	Finalist Firms Interview	C		R	R	R
19	Manager Selection	A		R	R	R
20	Contract Execution			A	C	
21	Manager Funding			O	C	
22	Performance Monitoring	O	O	O	C	C
23	Manager Operational Relationship			O	C	
24	Maintain Watch List	O	O	O	C	R
25	Termination	A	R	R	R	R
26	Transition Management			O	C	R

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### Investment Fund Selection Process Summary

	Investment Fund Selection Task	Board	Committee	CIO	Staff	Consultant
1	Deal Sourcing				C	C
2	Due Diligence				C	C
3	Investment Fund Approval	A		R	R	R
4	Investment Execution			O	C	
5	Investment Monitoring	O	O	O	C	C

### Investment Fund Selection Process Summary

	Investment Fund Selection Task	Board	Committee	CIO	Staff	Consultant
1	Deal Sourcing				C	C
2	Deal Flow Evaluation				C	C
3	Document Evaluation				C	C
4	Eliminate Less Desirable Deals				C	R
5	Preliminary Due Diligence				C	C
6	Manager Meeting				C	C
7	Document Due Diligence				C	C
8	Eliminate Less Desirable Manager				C	R
9	Manager On-Site Due Diligence				C	C
10	Investment Memorandum				C	C
11	Investment Memorandum Review			C		
12	Investment Fund Approval	A			R	R
13	Contract Execution			A	C	
14	Performance Monitoring	O	O	O	C	C
15	Annual Partnership Meeting				C	
16	Advisory Board Participation				C	

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