AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, MARCH 13, 2019

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

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of February 13, 2019

IV. REPORT ON CLOSED SESSION ITEMS

V. PUBLIC COMMENT

VI. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated March 4, 2019)

VII. CHIEF INVESTMENT OFFICER'S REPORT
(Memo dated March 4, 2019)

VIII. CONSENT ITEMS

A. Recommendation as submitted Alan Bernstein, Chair, Corporate Governance Committee: That the Board approve revisions to the Corporate Governance Policy. (Memo dated February 14, 2019)

B. Recommendation as submitted Alan Bernstein, Chair, Corporate Governance Committee: That the Board approve revisions to the Corporate Governance Principles. (Memo dated February 14, 2019)

VIII. CONSENT ITEMS (Continued)

C. Recommendation as submitted Alan Bernstein, Chair, Corporate Governance Committee: That the Board endorse the International Corporate Governance Network Global Stewardship Principles. (Memo dated February 14, 2019)

D. Recommendation that the Board approve attendance of Board members at the Pension Bridge Annual Conference on April 9–10, 2019 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated March4, 2019)

E. Recommendation that the Board approve attendance of Board members at the Global Investors Annual Meeting on June 24–25, 2019 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated March 4, 2019)

F. Recommendation that the Board approve attendance of Board members at the Meketa Investment Group Conference on April 9, 2019 in San Diego, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Kehoe)
(Memo dated March 4, 2019)

G. Recommendation that the Board approve attendance of Board members at the KKR's 2019 Americas Investors' Meeting on June 24–25, 2019 in Palos Verdes, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Green)
(Memo dated March 4, 2019)

H. Recommendation that the Board approve attendance of Board members at the SuperReturn Emerging Managers Markets Conference on June 24–26, 2019 in Amsterdam, Netherlands and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Santos)
(Memo dated March 4, 2019)

VIII. CONSENT ITEMS (Continued)

I. Recommendation that the Board approve attendance of Board members at the AVCJ Private Equity & Venture Forum on June 26–27, 2019 in Tokyo, Japan and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Placed on the agenda at the request of Mr. Green) (Memo dated March 4, 2019)

IX. NON-CONSENT

A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, James Rice, Principal Investment Officer, David Chu, Senior Investment Officer and Quoc Nguyen, Senior Investment Analyst: That the Board select a Hedge Funds, Illiquid Credit, and Real Assets Consultant(s), following finalist interviews by Albourne, Aksia, and Cambridge Associates. (Memo dated February 26, 2019)

B. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Board of Investments consider rescheduling the Wednesday, October 9, 2019 Board of Investments meeting.
(Memo dated by March 4, 2019)

X. REPORTS

A. Investment-Related Services Procurement Process Survey of Industry Practices
John McClelland, Principal Investment Officer
Tim Filla, Meketa Investment Group
(Memo dated March 4, 2019)

B. Board of Investments 2019 Offsite Tentative Agenda
Jon Grabel, Chief Investment Officer
(Memo dated February 27, 2019)

C. Additional Information Regarding Potential Use of E-Voting Procedure for Board Elections
Lou Lazatin, Chief Executive Officer
Steven P. Rice. Chief Counsel
(Memo dated March 4, 2019)

D. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated February 28, 2019)

X. REPORTS (Continued)

E. Workplace Diversity and Inclusion – Searches
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated February 27, 2019)

F. Institutional Limited Partners Association Joint Letter to the U.S. Securities and Exchange Commission Regarding Fiduciary Protections
Scott Zdrazil, Senior Investment Officer
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated February 15, 2019)

G. Council of Institutional Investors Voting Items
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated February 22, 2019)

H. Nomination Information for PRI and ICGN Boards
Scott Zdrazil, Senior Investment Officer
(For Information Only) (Memo dated March 1, 2019)

I. LACERA's Iran and Sudan Policy
Dale Johnson, Investment Officer
(For Information Only) (Memo dated March 1, 2019)

J. 2018 Fourth Quarter Hedge Fund Performance Report
James Rice, Principal Investment Officer
(For Information Only) (Memo dated February 27, 2019)

K. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated March 4, 2019)

L. February 2019 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated March 4, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only)

XI. ITEMS FOR STAFF REVIEW

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

XIII. EXECUTIVE SESSION

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments (Pursuant to California Government Code Section 54956.81)

1. ADVENT INTERNATIONAL GPE IX, L.P.

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

Number of Potential Cases: One

XIV. ADJOURNMENT

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

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MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, FEBRUARY 13, 2019

PRESENT: Shawn Kehoe, Chair

Joseph Kelly, Vice Chair

Alan Bernstein

David Green

David Muir

Herman B. Santos

ABSENT: Wayne Moore, Secretary

Ronald Okum

Gina V. Sanchez

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Christine Roseland, Senior Staff Counsel

Christopher Wagner, Principal Investment Officer

John McClelland, Principal Investment Officer

Jude Perez, Principal Investment Officer

Ted Wright, Principal Investment Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

James Rice, Principal Investment Officer

David Chu, Senior Investment Officer

Esmeralda V. del Bosque, Senior Investment Officer

David Simpson, Investment Officer

Amit Aggarwal, Investment Officer

Trina Sanders, Investment Officer

Quoc Nguyen, Senior Investment Analyst

John Kim, Senior Investment Analyst

Shelly Tilaye, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Meketa Investment Group
Stephen McCourt, Managing Principal
Timothy Filla, Managing Principal

StepStone Group LP
Natalie Walker, Managing Director

The Townsend Group
Jennifer Stevens, Partner

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:08 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Santos led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of January 9, 2019

Mr. Green made a motion, Mr. Bernstein seconded, to approve the revised minutes of the regular meeting of January 9, 2019. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

Steven Rice, Chief Counsel, reported that:

At the September 12, 2018 Board of Investments meeting, the Board met and voted in closed session, under agenda item XII.A.5., pursuant to California Government Code Section 54956.81, 9–0 on a motion made by Mr. Santos, seconded by Mrs. Sanchez, to approve a group of 11 real estate transactions. It is appropriate and necessary to report out four of those transactions. On January 31, 2019, LACERA owned holding companies transferred management of four apartment properties from Capri Capital Partners to DWS (RREEF). The four properties were: 1) Tower 801 located in Seattle, Washington; 2) Park Lane Place located in Dallas, Texas; 3) Esprit located in Marina Del Rey, California; and 4) Dominion Post Oak located in Houston, Texas. The market value of the assets transferred is $534,600,000.

At the October 10, 2018 Board of Investments meeting, the Board met and voted in closed session, under agenda item XII.A.1., pursuant to California Government Code Section 54956.81, to authorize staff to pursue certain private equity secondary sales. The motion was made by Mr. Santos, seconded by Mr. Muir, and was supported 7–0, by all members present, with Messrs., Green, Kehoe, Kelly, Muir, Okum and

IV. REPORT ON CLOSED SESSION ITEMS (Continued)

Santos and Mrs. Sanchez voting yes, and Messrs. Moore and Schneider absent. Certain sales were reported out at the January 9, 2019 meeting; however, an additional sale has now officially closed. On January 31, 2019, the sale of one additional interest closed. In total including the sales previously reported, by January 31, 2019, the sale of 58 private equity interests closed, with an allocated purchase price for all sold interest being approximately $800 million.

At the January 9, 2019 Board of Investments meeting, the Board met and voted in closed session, under agenda item XIV.A.1., pursuant to California Government Code Section 54956.81, to terminate LACERA's investment management agreements with three credit managers. The terminated managers are: 1) Penn Capital Management, which had a high yield bond mandate; 2) Principal Global Investors, which had an opportunistic fixed income mandate; and 3) Western Asset Management, which had and opportunistic fixed income mandate. The motion was made by Mr. Muir, seconded by Mr. Kelly, and passed 7–0, with Messrs., Bernstein, Kehoe, Kelly, Muir, Moore and Okum and Mrs. Sanchez voting yes, and Messrs. Green and Santos absent. Those terminations have now been completed.

At the January 9, 2019 Board of Investments meeting, the Board met and voted in closed session, under agenda item XIV.A.2., pursuant to California Government Code Section 54956.81, to terminate LACERA's relationship with two Investment Grade Bond managers and transition the assets under their management to the BlackRock U.S. Debt Index Fund. The managers are: 1) Loomis, Sayles &

IV. REPORT ON CLOSED SESSION ITEMS (Continued)

Company, which had a Core Plus fixed income mandate, and 2) Dolan McEniry Capital Management, which had had a Core Plus fixed income mandate. The transfer of assets to BlackRock is under way and will be completed soon. The motion was made by Mr. Kelly, seconded by Mr. Muir, and passed 7–0, Messrs. Bernstein, Kehoe, Kelly, Muir, Moore and Okum and Mrs. Sanchez voting yes, and Messrs. Green and Santos absent.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CHIEF EXECUTIVE OFFICER’S REPORT
(Memo dated February 4, 2019)

Ms. Lazatin provided a brief discussion on the Chief Executive Officer's Report.

VII. CHIEF INVESTMENT OFFICER’S REPORT
(Memo dated January 31, 2019)

Mr. Grabel provided a brief discussion on the Chief Investment Officer's Report.

VIII. CONSENT ITEMS

Mr. Kehoe made a motion, Mr. Green seconded, to approve the following agenda items. The motion passed unanimously.

A. Recommendation as submitted Herman Santos, Past Chair, Equity: Public/Private Committee: That the Board approve the following changes to the Global Equity portfolio structure:

VIII. CONSENT ITEMS (Continued)

1. Combine oversight of U.S. and Non-U.S. Public Equity Composites;
2. Consolidate U.S. and Non-U.S. passive index strategies into MSCI ACWI IMI Index separate account;
3. Approve an RFP for MSCI ACWI IMI Index separate account manager;
4. Lower the Global Equity Composite tracking error to 1.0% to 2.5% on a rolling 7-year basis;
5. Approve risk spectrum allocation groupings and ranges; and
6. Develop an RFP and establish minimum qualifications for external Factor Strategy separate account manager(s).
(Memo dated February 4, 2019)

B. Recommendation as submitted by Herman Santos, Past Chair, Equity: Public/Private Committee: That the Board approve the proposed Minimum Qualifications specified in the MSCI ACWI IMI Request for Proposal. (Memo dated February 4, 2019)

C. Recommendation that the Board approve attendance of Board members at the 3rd Annual Delegation trip to Africa held on March 30- April 7, 2019 and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.
(Placed on the agenda at the request of Mr. Green)
(Memo dated February 5, 2019)

D. Recommendation as submitted by Jon Grabel, Chief Investment Officer: That the Board consider rescheduling its 2019 offsite meeting from Monday, July 8 and Tuesday, July 9 to Monday, July 1 and Tuesday, July 2. (Memo dated January 23, 2019)

E. Recommendation as submitted by Steven P. Rice: That the Board approve the ballot insert entitled "Powers and Duties of Retirement Board Members," which will be included with the ballot materials for the election of the Fourth Member of the Board of Investments and posted on lacera.com (Memo dated February 5, 2019)

This item, which was agendized as Non-Consent Item IX.C, was acted on, without objection, upon consent.

IX. NON-CONSENT

A. Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, James Rice, Principal Investment Officer, David Chu, Senior Investment Officer and Quoc Nguyen, Senior Investment Analyst:

That the Board invite Albourne to the March 13, 2019 Board of Investments meeting to interview as LACERA's Hedge Funds, Illiquid Credit, and Real Assets Consultant. (Memo dated January 30, 2019)

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

Mr. Kehoe made a motion, Mr. Kelly seconded, to invite Albourne, Aksia and Cambridge Associates to the March 13, 2019 Board of Investments meeting to interview as LACERA's Hedge Funds, Illiquid Credit, and Real Assets Consultant. The motion passed unanimously.

B. Recommendation as submitted by James Rice, Principal Investment Officer, Amit Aggarwal, Investment Officer, Shelly Tilaye, Senior Investment Analyst and Calvin Chang, Senior Investment Analyst: That the Board hire DWS to manage an active Real Assets completion portfolio in a separate account. (Memo dated February 1, 2019)

Messrs. Grabel, Rice and Aggarwal provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Green seconded, to hire DWS to manage an active Real Assets completion portfolio in a separate account. The motion passed with Messrs. Bernstein and Kelly voting no.

C. Recommendation as submitted by Steven P. Rice: That the Board approve the ballot insert entitled "Powers and Duties of Retirement Board Members," which will be included with the ballot materials for the election of the Fourth Member of the Board of Investments and posted on lacera.com (Memo dated February 5, 2019)

IX. NON-CONSENT (Continued)

This item was acted on, without objection, upon consent as Item VIII.E above.

X. REPORTS

A. LACERA Quarterly Performance Report as of December 31, 2018
Meketa Report: Total Fund Performance Report
Jude Perez, Principal Investment Officer
Esmeralda V. del Bosque, Senior Investment Officer
John Kim, Senior Investment Analyst
(Memo dated February 4, 2019)

Messrs. Grabel, Perez, Kim and Ms. del Bosque provided a presentation and answered questions from the Board.

B. Public Markets Internal Management Assessment
Jon Grabel, Chief Investment Officer
(Memo dated January 31, 2019)

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

Mr. Kehoe made a motion, Mr. Muir seconded, to have staff return the Public Markets Internal Management Assessment in 90 days with an additional report on proceedings. The motion passed unanimously.

The following items were received and filed:

C. Implementation Update on LACERA Pension Trust Strategic Asset Allocation
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated January 29, 2019)

D. LACERA OPEB Master Trust Quarterly Performance Report as of December 31, 2018
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated February 4, 2019)

X. REPORTS (Continued)

E. Semi-Annual Interest Crediting for Reserves as of December 31, 2018 (Unaudited)
Beulah S. Auten, Chief Financial Officer
(For Information Only) (Memo dated January 31, 2019)

F. Trustees United
Jonathan Grabel, Chief Investment Officer
(For Information Only) (Memo dated January 28, 2019)

G. Meketa Investment Group Merger with Pension Consulting Alliance
Leandro Festino, Managing Principal
Stephen McCourt, Managing Principal
Tim Filla, Managing Principal
(For Information Only) (Memo dated January 22, 2019)

H. Monthly Status Report on Board of Investments Legal Projects
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 4, 2019)

I. January 2019 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(Memo dated February 4, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only)

J. Report on Security Incident
Steven P. Rice, Chief Counsel
(Memo dated February 6, 2019) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(For Information Only)

XI. ITEMS FOR STAFF REVIEW

In regards to item VI. A., the Board requested the Chief Executive Officer Report be changed to include 5 year and 10 year returns in the Key Financial Metrics.

In regards to item VII. A., the Board requested for staff to report back on the impact of the Iran and Sudan Investment under Office of Foreign Assets Control.

In regards to item IX. A., the Board requested a copy of the Board approved RFP Process be distributed to the Board.

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

Mr. Santos shared his experience in attending the NCPERS in Washington D.C. and thanked Ms. Lazatin for participating in the sessions at NCPERS. In addition, he suggested moving the Executive Session agenda items earlier in the day.

Mr. Kelly reminded the Board and staff that Friday, March 8, 2019 is Independence Women's Day.

Mr. Grabel welcomed Terra Elijah, Financial Analyst I in the Portfolio Analytics Unit. In addition, he welcomed and introduced LACERA's Investment Office interns, DaJaun Bennett and Wei-Wei Lee.

XIII. EXECUTIVE SESSION

A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)

1. Other Manager: 1

Messrs. Wright and Grabel were present and answered questions from the Board.

The Board met in Executive Session with counsel pursuant to California Government Code Section 54956.81, to consider several specific pension fund investments. The Board took action, which will be reported out at a future date pursuant to the Brown Act. There is nothing to report at this time.

2. Real Estate Commingled Fund – Core Property Index Fund

Messrs. Grabel, McClelland and Mrs. Sanders and Mrs. Stevens of the Townsend Group provided a presentation and answered questions from the Board.

XIII. EXECUTIVE SESSION (Continued)

Mr. Santos made a motion, Mr. Green seconded, to approve staff's recommendation. The motion passed unanimously (roll call) by all members present, with Messrs. Bernstein, Green, Kehoe, Kelly, Muir and Santos voting yes. The Board's decision and vote to approve a commitment of up to $250 million to the Core Property Index Fund, which is an open-end commingled real estate fund that will seek to match the returns of the NCREIF NFI-ODCE index, was reported out in open session. Messrs. Moore, Okum and Mrs. Sanchez were absent.

3. Real Estate Commingled Fund – Bain Capital Real Estate Fund I

Messrs. Grabel, McClelland and Aggarwal and Mrs. Stevens of the Townsend Group provided a presentation and answered questions from the Board.

Mr. Santos made a motion, Mr. Bernstein seconded, to approve staff's recommendation. The motion passed unanimously (roll call) by all members present, with Messrs. Bernstein, Green, Kehoe, Kelly, Muir and Santos voting yes. The Board's decision and vote to approve a commitment of up to $100 million to Bain Capital Real Estate Fund I, which is a value-add real estate commingled fund that will focus on making investments in small to mid-sized assets primarily in North America and up to 25% outside North America, was reported out in open session. Messrs. Moore, Okum and Mrs. Sanchez were absent.

XIII. EXECUTIVE SESSION (Continued)

4. SH Holding, L.P.

Messrs. Grabel, McClelland and Aggarwal and Mrs. Stevens of the Townsend Group provided a presentation and answered questions from the Board.

The Board met in Executive Session with counsel pursuant to California Government Code Section 54956.81, to consider several specific pension fund investments. The Board took action, which will be reported out at a future date pursuant to the Brown Act. There is nothing to report at this time.

5. BRV Aster Fund III, L.P. and BRV Aster Opportunity Fund II, L.P.

Messrs. Grabel, Wagner and Chu and Mrs. Walker of StepStone Group LP 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. Bernstein, Green, Kelly, Muir and Santos voting yes and Mr. Kehoe voting no. The Board's decision and vote to approve a commitment of up to $75 million to be allocated approximately $50 million to BRV Aster Fund III, L.P., and approximately $25 million to BRV Aster Opportunity Fund II, L.P. was reported out in open session. The investments are venture capital private equity funds with a focus on China. BRV Aster Fund III will make early stage investments in China based technology companies. BRV Aster Opportunity Fund II will primarily invest in the follow on rounds of BRV Aster Fund III's most promising companies. Messrs. Moore, Okum and Mrs. Sanchez were absent.

XIII. EXECUTIVE SESSION (Continued)

6. Vinci Capital Partners III, L.P.

Messrs. Grabel, Wagner and Simpson and Mrs. Walker of StepStone Group LP were present and answered questions from the Board.

Mr. Santos made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Bernstein, Green, Kelly, Muir and Santos voting yes and Mr. Kehoe voting no. The Board's decision and vote to approve a commitment of up commitment of up to $75 million to Vinci Capital Partners III, L.P., which is a private equity investment focusing on a Brazilian middle market buy-out strategy, targeting primarily consumer related and industrial companies, was reported out in open session. Messrs. Moore, Okum and Mrs. Sanchez were absent.

XIV. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:52 a.m.

WAYNE MOORE, SECRETARY

SHAWN KEHOE, CHAIR

March 4, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Lou Lazatin
Chief Executive Officer

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

I am pleased to present the Chief Executive Officer's Report that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and an educational calendar.

March Madness

We refer to the period beginning in December through the end of March as "March Madness" because retirements tend to spike during this period as members desire to retire in time to be eligible for any April 1st cost-of-living adjustment (COLA) that may be approved. As we have in years past, we are continuing our commitment to share the annual March Madness statistics in the Chief Executive Officer's report. There are two key statistics we track during this time of year.

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

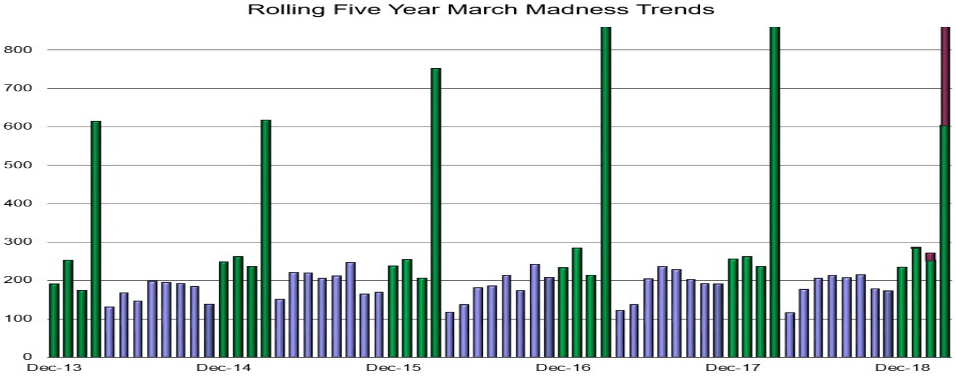
Retirement Month	Retirement Elections
December 2018	**0**
January 2019	**3**
February 2019	**21**
March 2019	**333**
Pending Disability Cases	**79**
Total Pending	**436**

The 357 retirement elections not completed for December - March are pending for the following reasons: additional research or information required (12), processed after the month end payroll process (25), in process (actively assigned for work) (208), and pending processing (112).

The 79 Pending Disability Cases represents the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board, the Benefits Division staff work with the member and their employer to select a disability effective date, determine the member's option election, and bring them on payroll. These disability cases are pending for the following reasons: pending research or appeal (5), waiting for reciprocal validation (2), in process (42), pending a decision on the effective date (5), and waiting for an action by the member (25). These cases are not assigned to a specific month in the "March Madness" period because the final effective date has not been determined. As with service retirements, some cases have mitigating factors such as legal splits and uncompleted purchases, which can also extend processing. We expect to successfully meet the retirement agenda deadlines for a majority of our March Madness retirees.

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

The green bars in the following chart reflect those members who have been approved to retire (i.e., their retirement elections have been approved and completed). The red bars reflect those cases that have not been processed as of the date of this report. As of March 1, 2019, we have processed 1,376 out of 1,733 retirements for the March Madness period so far. Comparing the total processed and pending per month we are running on ahead of the five-year average (last five completed years) for both December (238 vs. avg. of 233), January (302 vs. avg. of 263), and February (273 vs. avg. 213). Putting this into perspective during last year's March Madness 1,685 members retired, which was higher than the rolling five-year average of 1,466 (the five-year averages may change from month-to-month as disability cases are processed due to retroactive retirement dates).



Expanded Member Service Hours for March Madness

The expanded hours for March Madness seem to be a hit so far with our members. On average we are seeing about 60 people each Saturday between the Workshop and the one-on-one counseling hours. The feedback received from members indicates they appreciate the extended service hours. The Member Services and Systems teams have done a tremendous job coordinating together to provide this service. We are now working to make this a permanent service offered each March Madness period.

Update on Our Focus on Strategic Plan Goals and Operations Improvement

As I outlined last month, our Workgroups focusing on the four prioritized Strategic Plan goals, are meeting weekly and developing their work plans to complete their respective goals. The entire management team gathered on February 5th to finalize the Workgroups that are focusing on completing our prioritized goals and to discuss the need to develop project plans for each goal. On February 20th, the team met again to hear the team's progress. Each team turned in drafts of their proposed project plans to date. The teams will continue fleshing out the plans with final plans due within the next 30-60 days. As reminder our teams are:

- **Case Management Capabilities**: The Legal Office, Disability Retirement Services (DRS), and Disability Litigation have all identified the need for a case management software solution. This request has been around since the re-engineering of DRS, which began circa 2012. A team consisting of Systems, the Legal Office, Disability Retirement Services (DRS), Disability Litigation and the Executive Office has begun discussing how we can provide Case Management Capabilities to the Legal Office, Disability Litigation and DRS. This team has been merged with the Workspace Development team outlined in my January CEO Report.

  Both teams recognized the synergy the two teams could achieve by working together as one. While each team has unique case management tool needs and processes, both case management processes will need to work together to provide service to our members. Cases often start in one division and have to circle through several other divisions before it can be completed and ensuring they all work as one will improve member services. Member Services, Benefits, Retiree Healthcare and Quality Assurance are working with Systems to complete an initial needs analysis to make sure we have a similar needs document for both teams. Within the next few months we will begin evaluating consultants to help come in and complete an overall needs assessment so we can define what we need to build. This goal combines three separate Case Management goals from our Strategic Plan and will likely be completed in phases defined by our needs assessment.

- **LACERA.com Redesign**: We have been working on a redesign of the LACERA.com for several years. This month a Workgroup began meeting and developing plans to move this effort towards the finish line. The team is headed up by Communications consists of members from Benefits, Disability Retirement Services, the Executive Office, Financial Accounting Services, Internal Audit, Investments, the Legal Office, Member Services, Retiree Healthcare, and Systems. The team is building upon the site architecture designed by the Systems Division over the last several years. They are currently assessing site navigation on several mid to large size pension system websites and will be defining a preliminary navigation flow in the next week or so. The team is on target to develop a robust project plan that will be the roadmap to launching a new website.

- **Retirement Estimate Redesign Project**: Another of our Strategic Plan goals that the Management Team prioritized is the redesign of the Retirement Benefit Estimate and Election form. The organization has been discussing the need for a redesigned estimate and election for many years. The team is in the early stages of discussing design concepts. For example, one concept being considered is the development of a "retirement prospectus" with a separate election form. The revised design would be able to provide a member all the information they need to make an informed decision and help them understand their benefits better, which can enhance any one on one counseling they receive. This is just one idea out of many the team is considering and we look forward to seeing what their final design will be. Additionally, the team has decided to incorporate an on-line election process in their redesign efforts (taking an opportunity to tackle a related Strategic Plan goal). The team is on track to complete their project plan within the next 30-60 days.

- **PEPRA Implementation**: This team is reviewing all the progress made to date on the implementation of the Public Employees Pension Reform Act of 2013 and subsequent updates to the act passed since then. This final stage of our implementation plan is to review all work completed to date and make sure that we have addressed all areas of the legislation. One area of focus is the actual retirement process for PEPRA members. With over 25,000 PEPRA plan members we are beginning to see a few retirements being filed. The Workgroup consists of members from Benefits, Communications, the Executive Office, Internal Audit, the Legal Office, Member Services, Quality Assurance, and Systems.

In addition, to these Strategic Plan Workgroups several other cross functional teams are working hard to provide improvements to LACERA's operations and the services we provide to our members.

- **Matter/Knowledge Management System**: Investments, Legal Services, and Systems have been working together for over a year to develop requirements and evaluate various software providers of knowledge management systems. The idea was to create an environment where knowledge and work papers could be shared among Staff Members and where processes could be developed to streamline routine work. This team is making a vendor selection recommendation to the Operations Oversight Committee this month.

- **Business Continuity**: Last month we announced that Administrative Services introduced the next phase of an existing project to revamp our Business Continuity program at our January Management Team meeting. Administrative Services had partnered with SunGard – a respected consulting company that provides program design and software to support a robust business continuity program. At a recent kickoff meeting LACERA's Executive Office was informed the company had been acquired by Assurance Software, Inc. As a result, in the change of ownership, we have placed this project on a temporary hold as we learn more about the acquisition and assess its impact on our long range plans.

- **Credit Card Policy:** Financial Accounting Services, the Executive Office, Internal Audit, and the Legal Office recently teamed up to update and issue a new Credit Card Policy. The Policy strengthens LACERA's procedures in a way that will provide better management oversight and adherence to the policy rules. The new rules were effective on March 1, 2019. All credit card carrying Staff Members have attended training on the new policy.

Active Assailant Readiness Training

The world we live in can be a dangerous place and all too often we hear news about workplace violence event. These events can range from a disgruntled employee, a domestic violence situation or to a random active assailant. LACERA's number one asset is our Staff Members and we take their security very seriously. One of the best ways to protect Staff Members is to provide them training that prepares them with knowledge on how to prevent dangerous situations and how best to respond to mitigate the impact and maximize their safety. LACERA engaged Trident Shield to provide a comprehensive Active Assailant Readiness Training to create a culture of safety and trust for all Staff Members, both at work and at home. This Training educates Staff Members on preventing, preparing for, and surviving a security event in the workplace. The Training will help Staff Members to tune-in to their environment, to notice the indicators, and to respond appropriately and proactively.

Safety Incident: Restroom Dangers Addressed

One of the smaller restrooms on the eighth floor experienced a minor toilet tank explosion that caused cosmetic and water damage to some of the Executive Office. A preliminary review of the event indicates the explosion was caused by a defective water Flushmate III Pressure Assist Flushing system. The product had been recalled by the manufacturer in 2016 and 2018. Fortunately, no one was injured during the incident. I'd like to thank Administrative Services, Systems, the Executive Office Staff Members and the Office of the Building for their quick response to help mitigate and begin repair of the damage. We have identified one other restroom in the building with a similar device and it has been taken offline and is being repaired. We also notified all Staff Members of the incident and how they can check to make sure their restrooms at home does not have a similar type of system.

CEO Report Dashboard

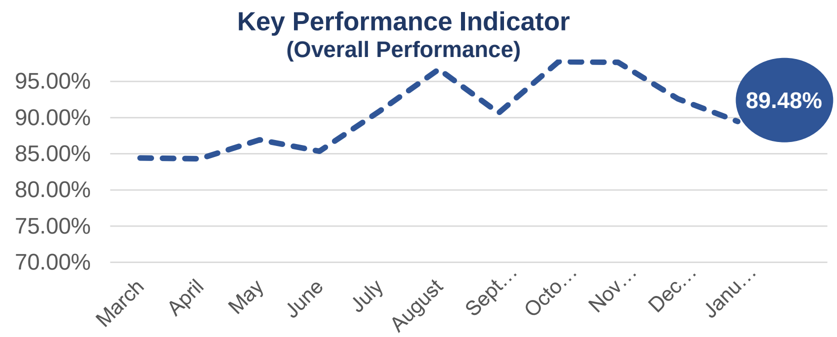
About one year ago today we launched a new CEO Report Dashboard. The new report was updated with a new look and feel that modernized the report, making it easier to read at a glance. Since then we have published both the new and old report while we worked to finalize the content and design. The new report has been stabilized with minimal changes for the last several months and we feel it's time to retire the older version. Effective April 2019 the CEO Report we will no longer publish the old dashboard. As always, we welcome and encourage Board members to provide feedback on the report and any information they would like to see in the report going forward.

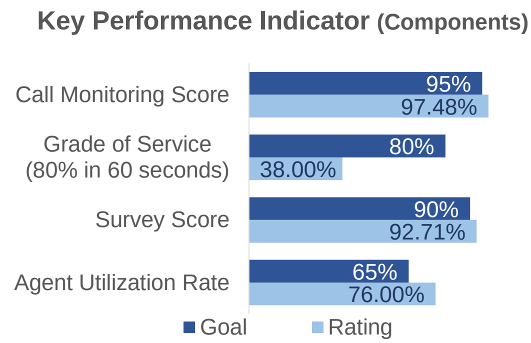
LL: jp
CEO report Mar 2019.doc
Attachments

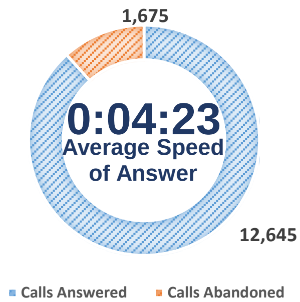
Striving for Excellence in Service

Outreach Attendance	Outreach Events	Outreach Satisfaction	Member Service Center	Member Services Calls
3,063	24	93.4%	100.0%	14,320
23,618 Year-to-Date	256 Year-to-Date	2.1% Change Since Last Mo.	0.0% Change Since Last Mo.	10,916 3 Mo. Avg.

Member Services



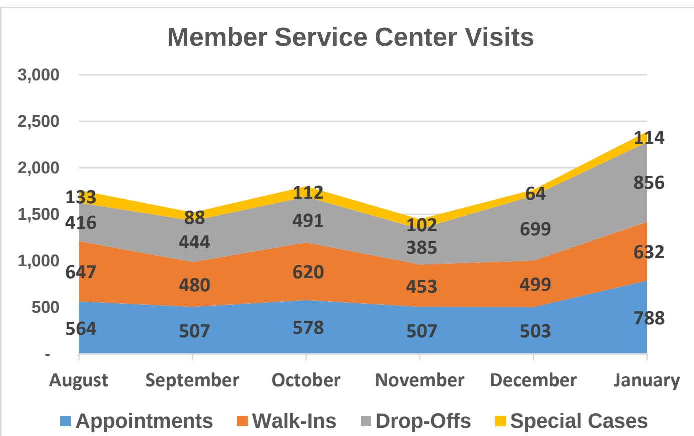


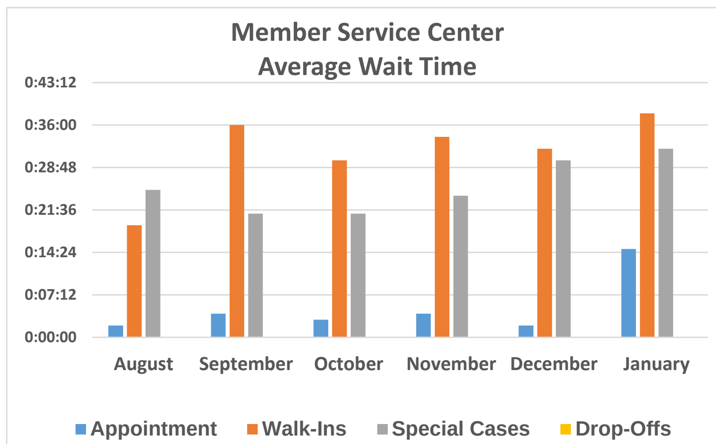


Top Calls

1. Workshop Info./Appointments: Inquiry
2. Retirement Counseling: Estimate
3. Retirement Counseling: Process Overview

513 Emails
12:00 hours
Avg. Response Time (ART)





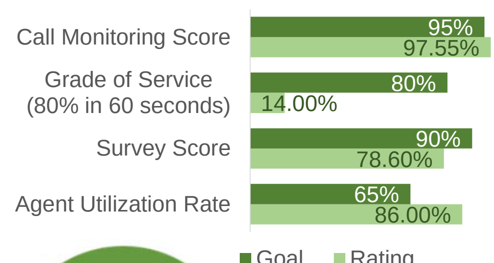
*Drop Off Wait Time: No Waiting

Retiree Healthcare

Total RHC Calls: 8,355

Top Calls

1. General Inquiries (RHC)
2. Med. Benefits - General Inquiries (RHC)
3. Part B Premium Reimbursement



224 Emails
5 day
Avg. Response Time (ART)

Striving for Excellence in Service (Continued)

Disability

Applications

523
On Hand

32 Received
282 Year-to-Date

0 Re-opened
0 Year-to-Date

35 To Board - Initial
309 Year-to-Date

2 Closed
21 Year-to-Date

523 In Process
523 Year-to-Date

Appeals

99
On Hand

3 Received
14 Year-to-Date

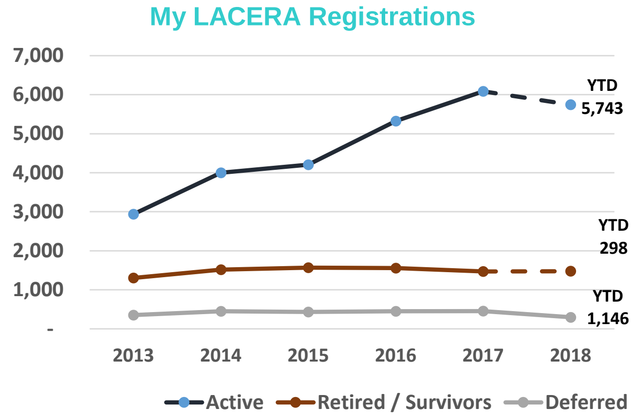
2 Admin Closed/Rule 32
10 Year-to-Date

1 Referee Recommended
7 Year-to-Date

0 Revised/Reconsidered for Granting
4 Year-to-Date

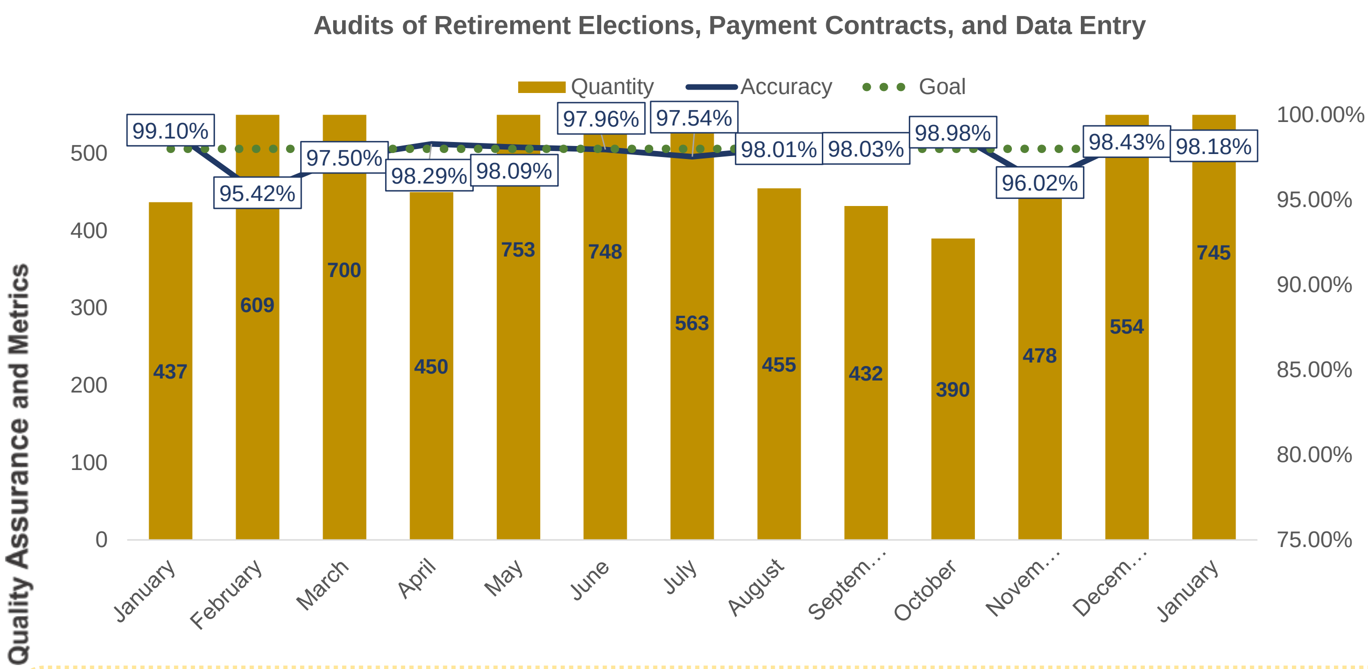
98 In Process
98 Year-to-Date

My LACERA



MORE COMING SOON!

Striving for Excellence in Quality

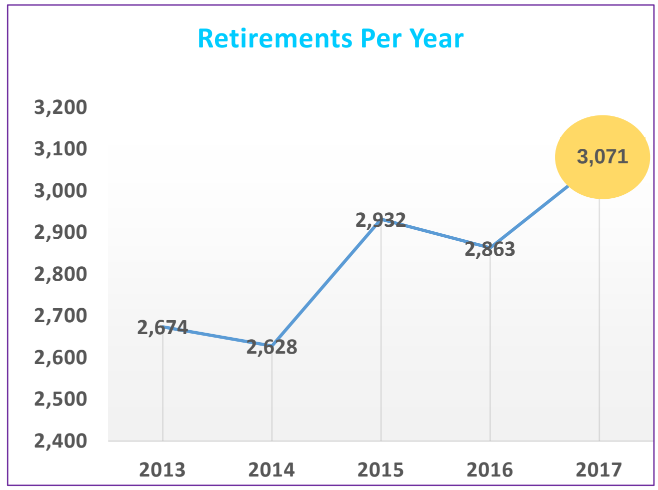


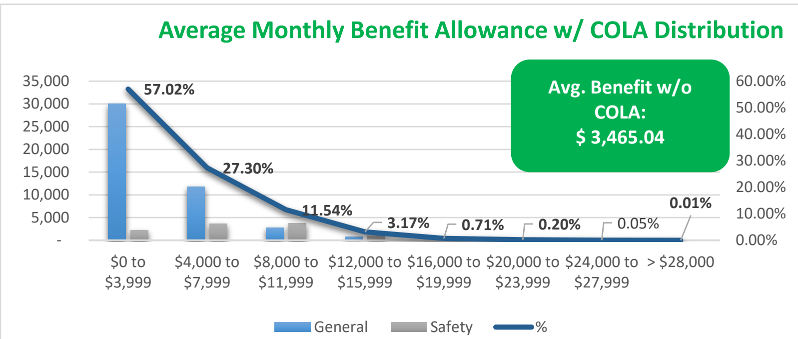
January 2018
98.18%

Retirement Elections		Payment Contracts		Data Entry	
505	Samples	109	Samples	90	Samples
98.87%	Accuracy	96.50%	Accuracy	99.16%	Accuracy

Member Snapshot

	Members as of 01/18/19				
	Plan	Active	Retired	Survivors	Total
General	Plan A	124	17,149	4,472	**21,745**
General	Plan B	42	683	67	**792**
General	Plan C	51	422	67	**540**
General	Plan D	42,703	14,875	1,368	**58,946**
General	Plan E	17,882	12,710	1,152	**31,744**
General	Plan G	25,669	20	1	**25,690**
General	**Total General**	**86,471**	**45,859**	**7,127**	**139,457**
Safety	Plan A	5	5,347	1,592	**6,944**
Safety	Plan B	10,123	5,532	274	**15,929**
Safety	Plan C	2,862	8	0	**2,870**
Safety	**Total Safety**	**12,990**	**10,887**	**1,866**	**25,743**
TOTAL MEMBERS		**99,461**	**56,746**	**8,993**	**165,200**
% by Category		**60%**	**34%**	**5%**	**100%**

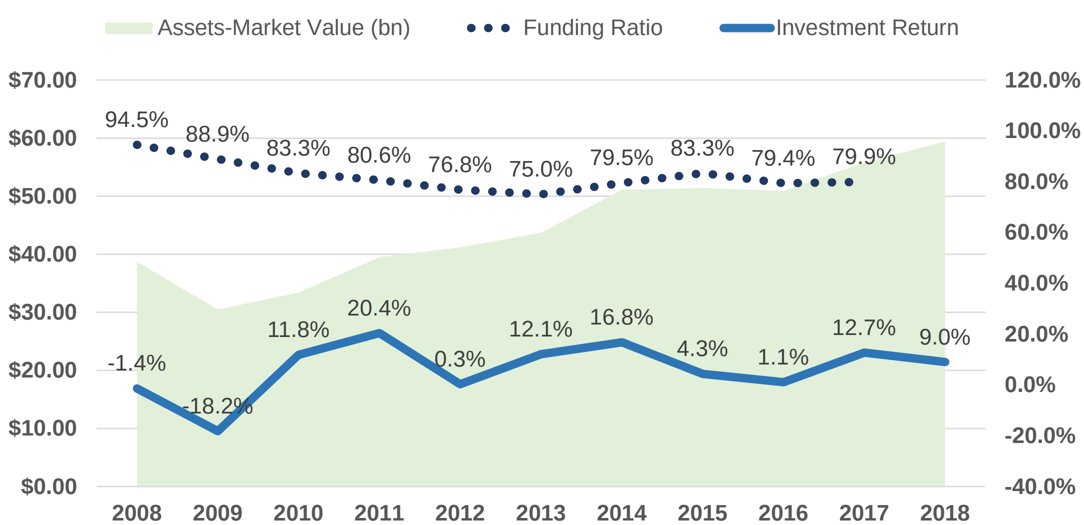




	Healthcare Program (YTD)	
	Employer	Member
Medical	$298.1m	$25m
Dental	$25.5m	$2.6m
Part B	$36.5m	xxxx
Total	**$360m**	**$27.6m**

Healthcare Enrollments (Monthly)	
Medical	50,303
Dental	51,536
Part B	33,882
LTC	654
Total	**136,375**

Key Financial Metrics



Funding Metrics
(as of 6/30/18)

Employer NC	9.92%*
UAAL	10.99%
Assumed Rate	7.25%
Star Reserve	$614m*
Total Assets	$56.3b*

Contributions
(as of 6/30/18)

	Employer	Member
Annual Add	$1,524.8m	$591.3m
% of Payroll	20.91%	6.88%

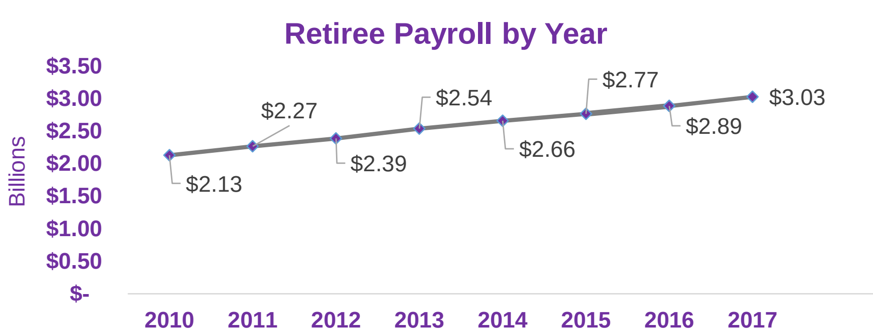
*Effective July 1, 2018, as of 06/30/18 actuarial valuation

TOTAL FUND RETURN
(Net of Fees)

5 YR: 8.5% **10 YR:** 6.3%

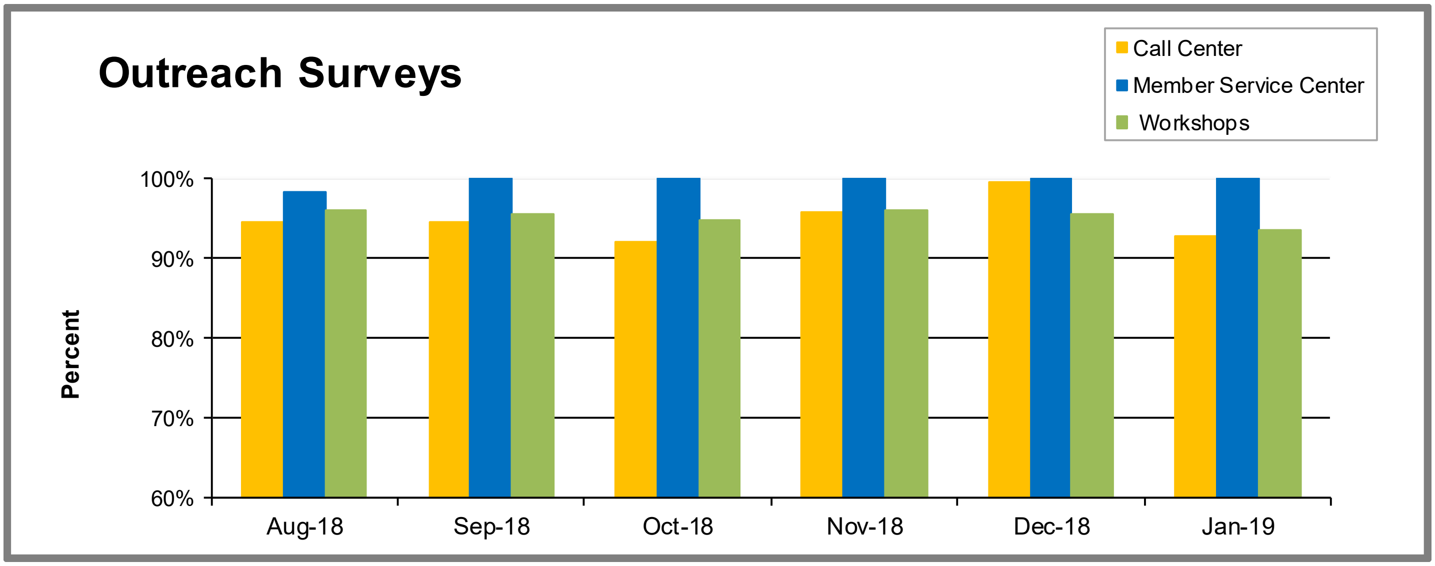
Retired Members Payroll

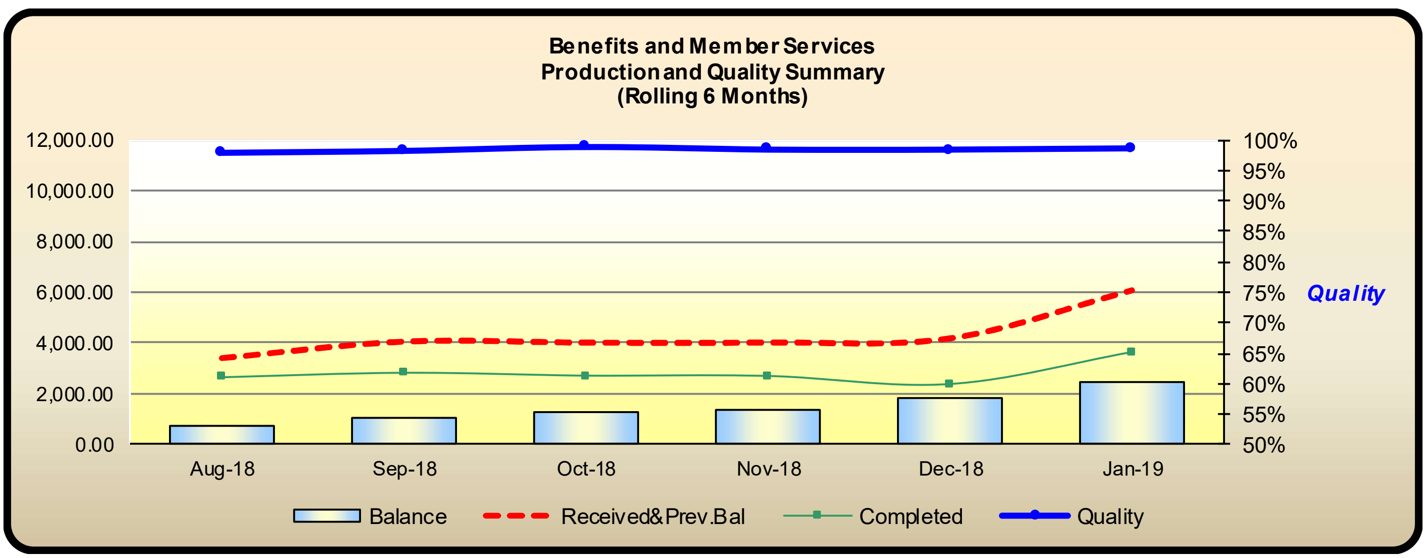
Monthly Payroll	$281.49m
Payroll YTD	2.0b
New Retired Payees Added	325
Seamless %	98.46%
New Seamless Payees Added	2,048
Seamless YTD	97.85%
By Check %	4.00%
By Direct Deposit %	96.00%



LACERA's KEY BUSINESS METRICS

OUTREACH EVENTS AND ATTENDANCE				
Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	5	103	154	6,466
Mid Career	1	17	55	895
New Member	10	70	343	1,802
Pre-Retirement	6	44	181	1,105
General Information	0	17	0	864
Retiree Events	2	5	60	335
Member Service Center	Daily	Daily	2,270	12,151
TOTALS	**24**	**256**	**3,063**	**23,618**





Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)		89.48%		
Category	**Goal**	**Rating**		Member Services
Call Center Monitoring Score	95%	97.48%	97.55%	1) Workshop Info.\Appointments: Inquiry
Grade of Service (80% in 60 seconds)	80%	38%	14%	2) Retirement Counseling: Estimate
Call Center Survey Score	90%	92.71%	78.60%	3) Retirement Counseling: Process
Agent Utilization Rate	65%	76%	86%	Overview
Number of Calls		14,320	8,355	Retiree Health Care
Number of Calls Answered		12,645	5,947	1) General Inquiries (RHC)
Number of Calls Abandoned		1,675	2,408	2) Medical Benefits - General Inquiries
Calls-Average Speed of Answer (hh:mm:ss)		00:04:23	00:12:03	3) Part B Premium Reimbursement
Number of Emails		513	224	
Emails-Average Response Time (hh:mm:ss)		12:00:00	(Days) 5	Adjusted for weekends

Metrics YTD from July 1, 2018 through January 31, 2019

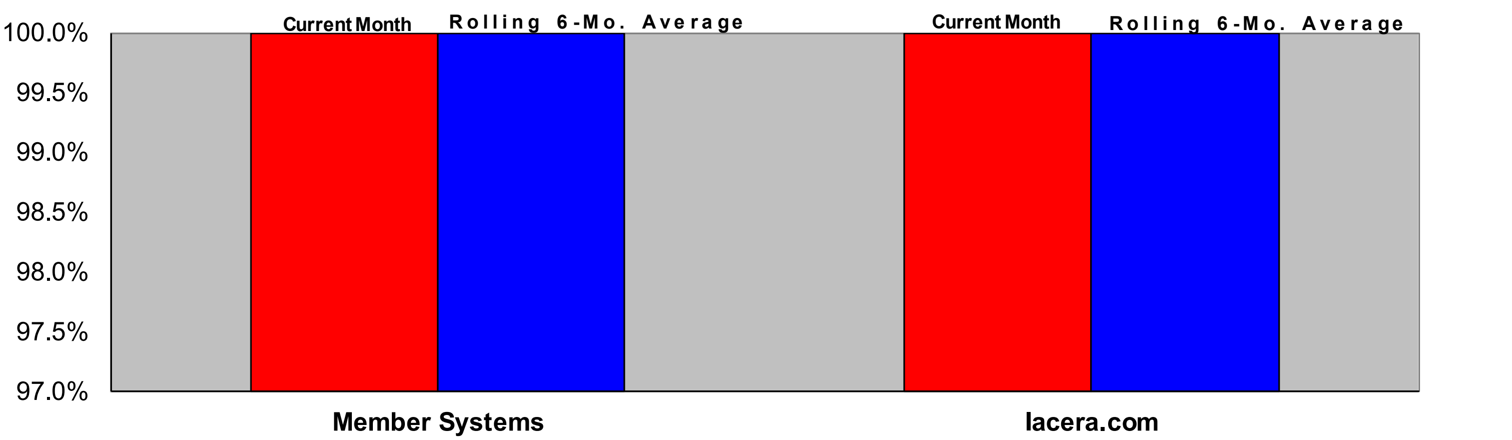
LACERA's KEY BUSINESS METRICS

Fiscal Years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets-Market Value	$30.5	$33.4	$39.5	$41.2	$43.7	$51.1	$51.4	$50.9	$55.8	$59.4
Funding Ratio	88.9%	83.3%	80.6%	76.8%	75.0%	79.5%	83.3%	79.4%	79.9%	80.6%
Investment Return	-18.3%	11.6%	20.2%	0.0%	11.9%	16.5%	4.1%	0.8%	12.7%	9.0%

DISABILITY INVESTIGATIONS

APPLICATIONS	TOTAL	YTD	APPEALS	TOTAL	YTD
On Hand	523	xxxxxxx	On Hand	99	xxxxxxx
Received	32	282	Received	3	14
Re-opened	0	0	Administratively Closed/Rule 32	2	10
To Board – Initial	35	309	Referee Recommendation	1	7
Closed	2	21	Revised/Reconsidered for Granting	0	4
In Process	**523**	**523**	**In Process**	**98**	**98**

SYSTEMS AVAILABILITY - JANUARY 2019



Active Members as of 2/14/19	
General-Plan A	124
General-Plan B	42
General-Plan C	51
General-Plan D	42,703
General-Plan E	17,882
General-Plan G	25,669
Total General	**86,471**
Safety-Plan A	5
Safety-Plan B	10,123
Safety-Plan C	2,862
Total Safety	**12,990**
TOTAL ACTIVE	**99,461**

Retired Members/Survivors as of 2/14/19	Retirees	Survivors	Total
General-Plan A	17,149	4,472	21,621
General-Plan B	683	67	750
General-Plan C	422	67	489
General-Plan D	14,875	1,368	16,243
General-Plan E	12,710	1,152	13,862
General-Plan G	20	1	21
Total General	**45,859**	**7,127**	**52,986**
Safety-Plan A	5,347	1,592	6,939
Safety-Plan B	5,532	274	5,806
Safety-Plan C	8	0	8
Total Safety	**10,887**	**1,866**	**12,753**
TOTAL RETIRED	**56,746**	**8,993**	**65,739**

Retired Members	
Monthly Payroll	281.49 Million
Payroll YTD	2.0 Billion
No. Monthly Added	325
Seamless %	98.46%
No. YTD Added	2,048
Seamless YTD %	97.85%
Direct Deposit %	96.00%

Health Care Program (YTD Totals)

	Employer Amount	Member Amount
Medical	298,110,387	24,980,259
Dental	25,451,179	2,579,377
Med Part B	36,526,086	xxxxxxxxxx
Total Amount	**$360,087,652**	**$27,559,636**

Health Care Program Enrollments (Monthly)

Medical	50,303
Dental	51,536
Med Part B	33,882
Long Term Care (LTC)	654

Funding Metrics as of 6/30/18

Employer Normal Cost	9.92%
UAAL	10.99%
Assumed Rate	7.25%
Star Reserve	$614 million
Total Assets	$56.3 billion

Member Contributions as of 6/30/18

Annual Additions	$591.3 million
% of Payroll	6.88%

Employer Contributions as of 6/30/18

Annual Addition	$1,524.8 million
% of Payroll	20.91%

Metrics YTD from July 1, 2018 through January 31, 2019

Date	Conference
April, 2019	
Mar. 30-Apr. 7	NASP (National Association of Securities Professionals) and USAID (United States Agency for International Development 3rd Annual Delegation Trip to Africa Nairobi, Kenya and Johannesburg, South Africa
5-6	2019 Traumatic Brain Injury Legal Conference San Diego, CA
8-10	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute Phoenix, AZ
10-13	2019 Forum for Institutional Investors: Protecting Shareholder Rights New Orleans, LA
14-17	CRCEA (California Retired County Employees Association) Spring Conference San Diego, CA
28-May 1	World Healthcare Congress Washington D.C.
28-May 1	Milken Institute Global Conference Beverly Hills, CA
May, 2019	
6-8	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Boston, MA
7-10	SACRS Spring Conference Lake Tahoe, CA
19-22	Government Finance Officers Association (GFOA) Annual Conference Los Angeles, CA
19-22	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference Austin, TX
20-21	IFEBP (International Foundation of Employment Benefit Plans) Legislative Update Washington D.C.
June, 2019	
3-7	Investment Strategies & Portfolio Management *(prev. Pension Fund & Investment Mgmt.)* Wharton School, University of Pennsylvania
7	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Marriott Burbank Airport

March 4, 2019

TO: Each Member
Board of Investments

FROM: Jon Grabel
Chief Investment Officer

SUBJECT: **CHIEF INVESTMENT OFFICER'S REPORT—JANUARY 2019**

Starting last month, the CIO Report introduced a new format that varies from the previous memoranda by incorporating three changes. First, the section titled "Updates" has been replaced with a new segment called "Delegated Authority." This section serves to update the Board on monthly activities that derive from specific investment authority and responsibility directly delegated to the CIO by the Board as described in the Investment Policy Statement, as well as completed actions from approved recommendations. Second, a new area that will highlight specific and different areas within the Investment Division on a monthly basis called "Investment Division Spotlight" has been added to the report. Lastly, the section pertaining to investment manager meetings has been moved to the quarterly "Compliance Monitor" report.

The following memorandum and attachments constitute the CIO report for January 2018. **Attachment 1** presents summary investment information including market values, actual and target allocations, and returns. **Attachment 2** is a summary investment report for the OPEB Master Trust. A list of all current applicants for public investment-related searches is included as **Attachment 3** and will be provided on a monthly basis to identify firms with whom LACERA is in a quiet period.

PERFORMANCE

The Total Fund finished the month with an investment balance of approximately $55.8 billion.[1] The month had a return of 4.0%. For fiscal year to date, the Total Fund is up 0.7% net of fees.

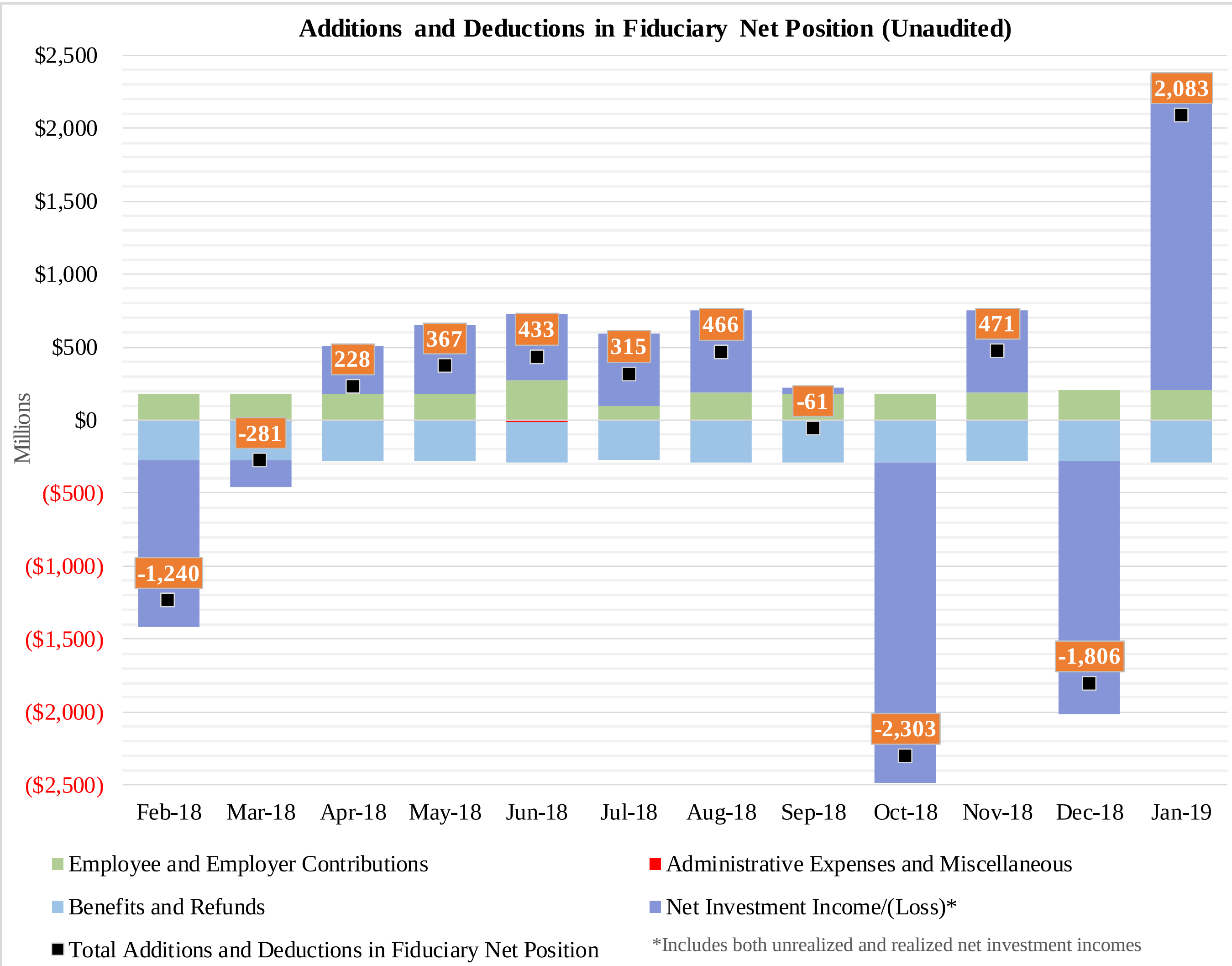
The OPEB Master Trust generated a positive return in January. For the month, the L.A. County, LACERA and Superior Court funds had a net gain of 6.3%. Fiscal year to date, the L.A. County and LACERA funds are flat 0.0% and the Superior Court fund is down -0.2% net of fees.

[1] For months that coincide with calendar quarter end, the Total Fund value is calculated using the custodian's quarter-end market values for all asset classes. For inter-quarter periods, the Total Fund value is calculated using the custodian's month-end market value for all asset classes except for private equity and real estate. Private equity and real estate market values are calculated by adjusting the preceding quarter-end market value for subsequent cash flows.

CASH FLOWS, CASH BALANCES, AND FIDUCIARY NET POSITION[2]

As illustrated in Chart 1 below, included to provide detail on the sources of monthly transactional flows, the Plan's Fiduciary Net Position increased by $2.1 billion during the month of January. Over the last twelve months, the Plan's incremental net position is down $1.3 billion.

Chart 1: Additions and Deductions in Fiduciary Net Position (Unaudited)



With respect to cash, LACERA finished the month of January with approximately $1.1 billion in the Fund's primary operating account, as reported by the master custodian and identified as "cash" on various Total Fund reports. There was additional cash held in internal accounts dedicated to asset categories with frequent cash flows as well as cash held by select external managers. As illustrated in Chart 2, LACERA held a total

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[2] LACERA's fiduciary net position is an unaudited snapshot of account balances as of the preceding month end and reflects assets available for future payments to retirees and their beneficiaries, including investment fund assets, as well as any liabilities owed as of the report date. The Plan's net position is inclusive of both investment and operational net assets, while the Total Fund's position includes investment net assets only.

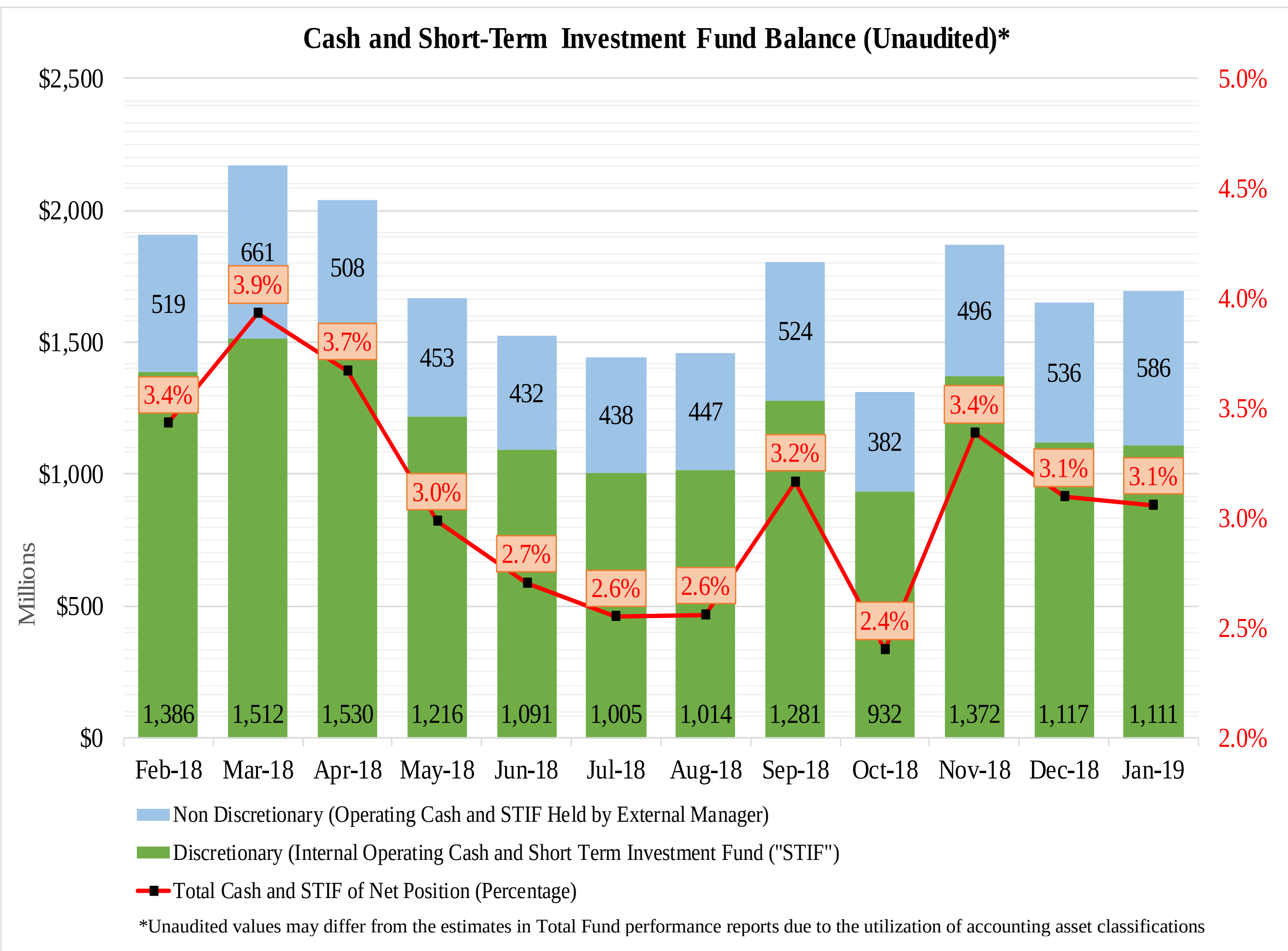
of $1.1 billion of internal operating cash and short-term investments across all of its operating accounts and LACERA's external investment managers held a further $586 million in cash and short-term investments.

In total, LACERA held approximately $1.7 billion in cash and short-term investment funds at the end of January, which can be categorized as follows:

- Non-discretionary (operating cash and Short Term Investment Fund ("STIF") balances held by external investment managers): $586 million
- Discretionary (internal operating cash and STIF balances accessible for the daily operating needs of the Plan): $1.1 billion

The Fund's total cash and short-term investment fund balance represented 3.1% of the Plan's unaudited net position, while its discretionary cash and short-term investment fund balance represented 2.0% of the Plan's unaudited net position.

Chart 2: Cash and Short-Term Investment Fund Balance (Unaudited)



The following table (Table 1) provides a summary of cash flows at the asset category level. For the month of January, the Total Fund had net investment inflows totaling $52.7 million.

Table 1: Asset Category Cash Flows

Asset Category and Activity	Total (in $ millions)	Cash Impact
PRIVATE EQUITY		
Distributions	125.2	Inflow
Capital Calls	-161.7	Outflow
Total Net Activity	**-36.5**	**Net Outflow**
PUBLIC EQUITY: U.S.		
Distributions	0.0	n/m
Contributions	-5.3	Outflow
Total Net Activity	**-5.3**	**Net Outflow**
PUBLIC EQUITY: NON-U.S.		
Distributions	0.0	n/m
Contributions	-0.8	Outflow
Currency Hedge	42.1	Inflow
Total Net Activity	**41.3**	**Net Inflow**
FIXED INCOME		
Distributions	0.0	n/m
Contributions	-10.0	Outflow
Total Net Activity	**-10.0**	**Net Outflow**
COMMODITIES		
No Activity	0.0	n/m
Total Net Activity	**0.0**	**n/m**
HEDGE FUNDS		
Distributions	0.0	n/m
Contributions	0.0	n/m
Total Net Activity	**0.0**	**n/m**
REAL ESTATE		
Separate Account Net Activity	71.7	Inflow
Commingled Fund Net Activity	-8.5	Outflow
Total Net Activity	**63.2**	**Net Inflow**
Total Fund Net Activity	**52.7**	**Net Inflow**

The Global Equity asset class realized a $42.1 million cash inflow from the Non-U.S. Equity currency-hedging program. LACERA's Non-U.S. Equity Investment Policy requires that the developed markets Non-U.S. Equity allocation, currently $8.9 billion, maintain a passive currency hedge overlay on 50% of its investment value. Note that when the currency overlay program sustains a loss due to a depreciating U.S. dollar, underlying Non-U.S. equity values should be positively impacted. Conversely, in an appreciating U.S. dollar environment, the currency-hedging program will have a gain, while underlying Non-U.S. equity values should be negatively impacted. Due to currency market movements in the previous three months, the currency hedges maturing in early January realized a gain and $42.1 million was transferred to cash from LACERA's passive currency overlay account. The hedged Non-U.S. Equity portfolio was up 7.4% net of fees, or approximately $659.2 million during the month. A change in currency valuation is one of many variables that influences returns for a hedged Non-U.S. Equity portfolio. Cash flow from the currency-hedging program and the related equity portfolio can both deliver positive or negative results in a given period due to the staggered rolling of multiple futures contracts across three months.

ACTIVE SEARCHES

This section is intended to keep the Board of Investments apprised of active investment-related searches that include Requests for Proposal (RFP) and Information (RFI). At this time, there are five searches currently underway.

The first search is an RFP issued for specialized consultant services in each asset category of hedge funds, illiquid credit and real assets. Interviews and diligence have been conducted and interviews are scheduled for the March BOI.

The second search is an RFP issued for a cash overlay manager. The RFP was released in November 2018 and responses have been received and are being reviewed. Onsite interviews have been scheduled for March.

The third search is an RFI issued for real estate administrative services. Responses have been received and are being reviewed. Onsite interviews have been conducted.

The fourth search is an RFP issued for a Total Fund risk system. The RFP was released in January 2019 and responses are expected in early March.

The fifth search is an RFP issued for emerging manager fixed income core/core plus services. The RFP was released in January 2019 and responses were received.

DELEGATED AUTHORITY

This section provides an update on the monthly activities that derive from specific investment authority and responsibility directly delegated to the CIO by the Board as described in the Investment Policy Statement as well as completed actions from approved recommendations.

- **Rebalancing** - $10 million to fixed income from cash

- **Illiquid Commitments** - One re-up was approved in the Private Equity portfolio
  - LAV Biosciences Fund V, L.P. ($100 million)

- **Completed Actions From Approved Recommendations**
  - Real Estate completed the transfer of assets from Capri Capital to DWS
  - US debt commingled funds were transitioned to separate accounts ($4 billion)

COMPLIANCE MONITOR

Evaluating the Fund's investment portfolios against established policies and guidelines is an integral part of the ongoing portfolio management process and is commonly referred to as compliance. The Fund's portfolio is implemented in a nuanced way across multiple asset categories, so LACERA utilizes a multi-faceted approach to evaluate compliance. A summary of compliance activities across the Total Fund identifying advisory notifications where appropriate is provided on a calendar quarter basis. Compliance categories include allocation target weights, portfolio policies such as the use of leverage, and guidelines for various items such as types of permissible holdings. The next report is scheduled to be provided as part of the March CIO Report.

INVESTMENTS DIVISION SPOTLIGHT

The Real Estate (R/E) team is now overseeing assets falling within three of the Functional Asset Classes. As illustrated in the table below, these include Real Assets and Inflation Hedges, Growth and Credit. Overall R/E is over-allocated by approximately $768 million, comprised of nearly $1.5 billion over-allocation to Real Assets and Inflation Hedges, and under-allocations of $272 million and $438 million respectively to Growth and Credit.[3] This condition is driving much of staff's activity.

[3] Real estate is modeled with a one-third allocation of the illiquid credit target.

FUNCTIONAL ASSET CLASS and REAL ESTATE ASSET ALLOCATION TARGETS
(As of June 30, 2018, $ in millions)[4]

Functional Asset Class/Strategy	Current Market Value		Target		Difference
	$	%	$	%	
Real Assets and Inflation Hedges	$5,394	9.6%	$3,917	7.0%	($1,477)
Growth	$847	1.5%	$1,119	2.0%	$272
Credit	$122	0.2%	$560	1.0%	$438
Total	**$6,363**	**11.4%**	**$5,595**	**10.0%**	**($768)**

Significant disposition activity is underway within the separate accounts as core and value-add assets are being sold. These activities are expected to bring the allocation to Real Assets and Inflation Hedges closer to the target of 7%. The pending sale of several very large assets will significantly contribute to this effort.

Staff is evaluating domestic and international commingled fund opportunities on an ongoing basis as we seek additional growth (opportunistic R/E) investments. International investment recommendations are being paced as we seek to invest up to 15% of the R/E allocation outside of the U.S. An intern is working as part of the team this semester, with a primary assignment of investigating the state of the market for investing in R/E within Latin America.

Separate account managers continue to seek additional real estate debt investments, which fit the Credit allocation. Additional exposure to R/E within Credit may come from a potential search for managers specializing in illiquid credit.

Board-approved asset management changes are being implemented. Asset transfers from one manager were completed at the end of January 2019 and another transfer is being completed at the end of February 2019. These changes are expected to enhance performance as under-performing managers are replaced.

The structures used for portfolio holdings are being expanded to include the first open-end core property index fund available to institutional investors. The investment in this commingled fund that will seek to match the net-of-fee returns of LACERA's real estate benchmark, the NCREIF ODCE, should lead to improved returns and better diversification.[5] If deemed successful, LACERA's position in this index fund could grow in the future.

Lastly, the R/E team, along with members from portfolio analytic, legal, and accounting, are participating in an evaluation of external service providers that may be able to provide improved real estate administrator services. If determined to be feasible, a real estate administrator could serve as the book of record for real estate market values, cash flows, and returns, thereby improving performance measurement, fee transparency, and reporting. Such improvements may allow for more detailed inputs into the oversight of the R/E portfolio and Total Fund.

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[4] The most recent value available for real estate due to performance information lag.
[5] NCREIF ODCE is the National Counsel of Real Estate Investment Fiduciaries Open-end Diversified Core Equity fund.

FEBRUARY FORECAST

In February, global equities returned approximately 3% while high yield credit and commodities gained modestly. Yield on the U.S. 10-year Treasury note was little changed. The Bureau of Economic Analysis announced that U.S. gross domestic product grew at an annualized rate of 2.6% in Q4 2018 after expanding at a 3.4% pace in the third quarter. The U.S. economy grew 2.9% in 2018. Growth is being restrained by the trade tension between U.S. and China and by uncertainty regarding Britain's departure from the European Union. In testimony before Congress, Fed Chairman Powell reiterated that low inflation pressures are allowing the Fed to maintain a patient stance towards future rate policy changes. Chairman Powell described the economy as "healthy," but identified slowing growth in major foreign economies, particularly China and Europe.

As of publication of this report, during the month of February, the S&P 500 stock index was up 3.0% while the Bloomberg Barclays Global Aggregate bond index was down -0.5%. The Total Fund will have a positive month.

Attachments

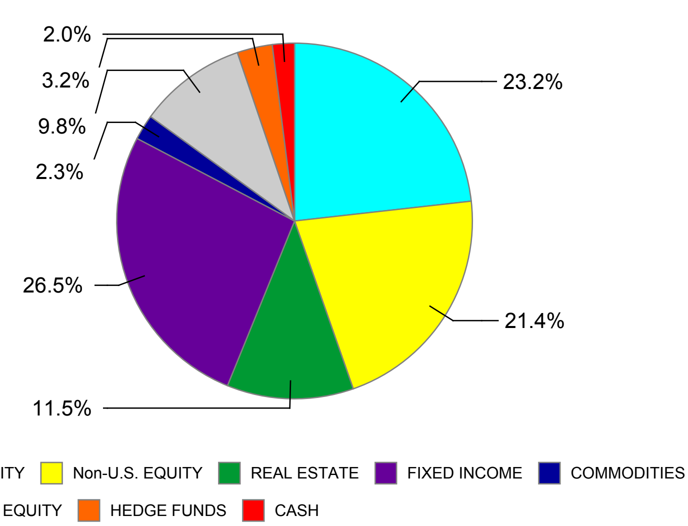
JG:jp:ct:cq

LACERA'S ***ESTIMATED*** TOTAL FUND

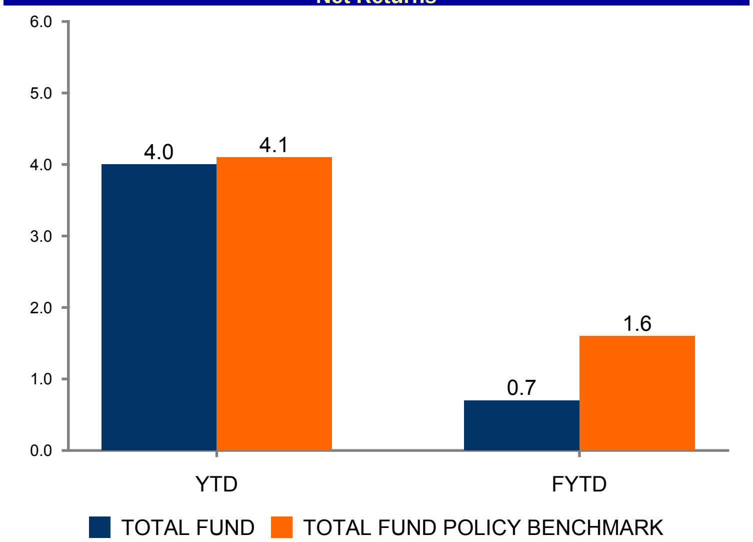
January 31, 2019

	Market Value (millions)	Actual % Total Fund	Target % Total Fund	TOTAL RETURNS (NET) YTD	FYTD	3 Year	5 Year	10 Year
U.S. EQUITY	**12,964.7**	**23.2**	**22.7**	**8.8**	**-1.4**	**13.5**	**9.9**	**14.9**
RUSSELL 3000 (DAILY)				8.6	-0.3	14.2	10.4	15.1
Non-U.S. EQUITY (Hedged)	**11,928.7**	**21.4**	**18.7**	**7.4**	**-4.1**	**10.3**	**5.2**	**9.9**
Custom MSCI ACWI IMI N 50% H				7.2	-4.2	9.7	4.7	9.6
REAL ESTATE	**6,435.7**	**11.5**	**11.0**	**0.0**	**5.0**			
REAL ESTATE TARGET				0.5	4.5			
FIXED INCOME	**14,810.7**	**26.5**	**27.8**	**1.6**	**2.6**	**4.2**	**3.3**	**5.8**
FI CUSTOM INDEX				1.4	2.8	2.7	2.7	4.3
PRIVATE EQUITY	**5,446.6**	**9.8**	**10.0**	**0.2**	**8.8**			
PRIVATE EQUITY TARGET [1]				1.5	9.3			
COMMODITIES	**1,308.9**	**2.3**	**2.8**	**5.7**	**-7.2**	**4.3**	**-6.7**	**-0.7**
Bloomberg Comm Index TR				5.4	-6.4	2.7	-7.9	-2.7
HEDGE FUNDS [2]	**1,811.1**	**3.2**	**5.0**	**-1.1**	**-2.3**	**2.9**	**2.4**	
HEDGE FUND CUSTOM INDEX [2]				0.6	4.1	6.0	5.6	
CASH	**1,089.0**	**2.0**	**2.0**	**0.3**	**1.5**	**1.4**	**1.0**	**1.3**
FTSE 6 M Treasury Bill Index				0.2	1.3	1.1	0.7	0.4
TOTAL FUND [3]	**55,795.3**	**100.0**	**100.0**	**4.0**	**0.7**			
TOTAL FUND POLICY BENCHMARK				4.1	1.6			
7.25% Annual Hurdle Rate				0.6	4.2			

Asset Allocation



Net Returns



[1] Rolling ten-year return of the Russell 3000 plus 500 basis points (one-quarter lag).

[2] One-month lag. Performance included in the Total Fund beginning 10/31/11

[3] Returns for private equity and real estate are calculated on a quarterly basis and are not updated intra quarter. Therefore, 3-, 5- and 10-year returns are only calculated at quarter-end for private equity and real estate. In addition, the Total Fund's returns are based on the latest available quarterly returns for these two asset classes.

These are preliminary returns

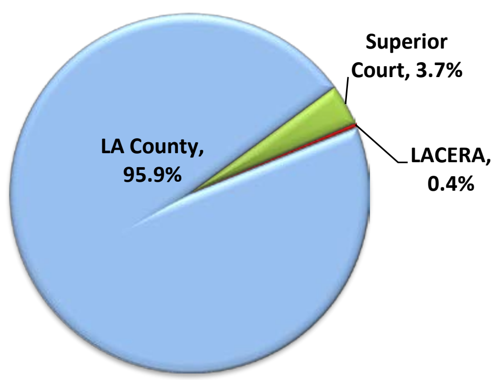
Periods greater than 1-year are annualized

OPEB MASTER TRUST

January 31, 2019

Fund Name		Inception Date	Market Value (millions)	Trust Ownership	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
Los Angeles County:	Gross	Feb-2013	$991.1	95.9%	6.28	2.61	0.03	-3.35	11.02	6.33	5.31
	Net				6.27	2.59	-0.03	-3.43	10.96	6.28	5.26
	Net All				6.27	2.57	-0.06	-3.47	10.91	6.23	5.21
LACERA:	Gross	Feb-2013	$3.8	0.4%	6.29	2.63	0.04	-3.27	11.08	6.37	5.34
	Net				6.28	2.60	-0.03	-3.34	11.02	6.31	5.29
	Net All				6.26	2.48	-0.26	-3.65	10.26	5.85	4.90
Superior Court:	Gross	Jul-2016	$38.1	3.7%	6.28	2.44	-0.16	-3.60	---	---	8.04
	Net				6.27	2.41	-0.23	-3.68	---	---	7.98
	Net All				6.26	2.36	-0.32	-3.81	---	---	7.30
TRUST OWNERSHIP TOTAL:			**$1,033.0**	**100.0%**							

Trust Ownership



Fund Name		Inception Date	Market Value (millions)	Trust Ownership	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
OPEB Growth	Gross	Jul-2016	$517.8	50.1%	8.15	1.82	-2.41	-7.43	---	---	10.63
	Net				8.15	1.82	-2.43	-7.46	---	---	10.59
OPEB Credit	Gross	Jul-2018	$202.6	19.6%	3.77	1.77	2.04	---	---	---	2.04
	Net				3.74	1.67	1.81	---	---	---	1.81
OPEB Risk Reduction & Mitigation	Gross	Jul-2016	$106.4	10.3%	0.91	2.91	2.62	3.58	---	---	2.08
	Net				0.91	2.91	2.61	3.56	---	---	2.04
OPEB Inflation Hedges	Gross	Jul-2018	$206.0	19.9%	7.12	3.76	1.29	---	---	---	1.29
	Net				7.11	3.73	1.25	---	---	---	1.25
Uninvested Cash			$0.1	0.0%	---	---	---	---	---	---	---
TRUST OWNERSHIP TOTAL:			**$1,033.0**	**100.0%**							

 Periods greater than 1-year are annualized

Allocation		Inception Date	Market Value (millions)	Allocation %	Month	3 Month	FYTD	1 Year	3 Year	5 Year	Since Incept.
OPEB Global Equity:	Gross	Mar-2014	$517.8	50.1%	8.15	1.82	-2.41	-7.43	12.07	---	6.07
	Net				8.15	1.82	-2.43	-7.46	12.03	---	6.03
Benchmark: MSCI ACWI IMI Net					8.14	1.73	-2.59	-7.74	11.69	---	5.70
Excess Return (Net - Benchmark)					*0.01*	*0.09*	*0.16*	*0.28*	*0.34*	*---*	*0.33*
OPEB BTC High Yield Bonds:	Gross	Jul-2018	$60.6	5.9%	4.65	1.40	2.15	---	---	---	2.15
	Net				4.64	1.38	2.08	---	---	---	2.08
Benchmark: BC High Yield Index					4.52	1.40	2.18	---	---	---	2.18
Excess Return (Net - Benchmark)					*0.12*	*-0.02*	*-0.10*	*---*	*---*	*---*	*-0.10*
OPEB BTC EM Debt LC:	Gross	Jul-2018	$42.2	4.1%	5.48	9.70	5.34	---	---	---	5.34
	Net				5.47	9.67	5.27	---	---	---	5.27
Benchmark: JPM GBI-EM Global Diversified Index					5.46	9.83	5.72	---	---	---	5.72
Excess Return (Net - Benchmark)					*0.01*	*-0.16*	*-0.45*	*---*	*---*	*---*	*-0.45*
OPEB BTC Inv. Grade Bonds:	Gross	Jul-2018	$82.7	8.0%	1.08	3.56	2.79	---	---	---	2.79
	Net				1.08	3.55	2.78	---	---	---	2.78
Benchmark: BBG BARC US Aggregate Index					1.06	3.53	2.73	---	---	---	2.73
Excess Return (Net - Benchmark)					*0.02*	*0.02*	*0.05*	*---*	*---*	*---*	*0.05*
OPEB BTC TIPS:	Gross	Jul-2018	$60.3	5.8%	1.37	2.42	0.16	---	---	---	0.16
	Net				1.37	2.41	0.15	---	---	---	0.15
Benchmark: BBG US TIPS Index					1.35	2.39	0.09	---	---	---	0.09
Excess Return (Net - Benchmark)					*0.02*	*0.03*	*0.06*	*---*	*---*	*---*	*0.06*
OPEB BTC REITs:	Gross	Jul-2018	$105.7	10.2%	11.41	6.82	4.85	---	---	---	4.85
	Net				11.39	6.78	4.80	---	---	---	4.80
Benchmark: DJ US Select Real Estate Sec Index					11.41	6.77	4.80	---	---	---	4.80
Excess Return (Net - Benchmark)					*-0.02*	*0.01*	*0.00*	*---*	*---*	*---*	*0.00*
OPEB BTC Commodities:	Gross	Jul-2018	$40.0	3.9%	5.42	-2.29	-6.33	---	---	---	-6.33
	Net				5.41	-2.33	-6.42	---	---	---	-6.42
Benchmark: Bloomberg Commodity Index (Total Return)					5.45	-2.37	-6.41	---	---	---	-6.41
Excess Return (Net - Benchmark)					*-0.03*	*0.04*	*-0.01*	*---*	*---*	*---*	*-0.01*
OPEB BlackRock Bank Loans:	Gross	Jul-2018	$99.8	9.7%	2.55	-1.04	0.63	---	---	---	0.63
	Net				2.49	-1.20	0.24	---	---	---	0.24
Benchmark: S&P/LSTA Leveraged Loan Index					2.55	-0.96	0.82	---	---	---	0.82
Excess Return (Net - Benchmark)					*-0.05*	*-0.24*	*-0.58*	*---*	*---*	*---*	*-0.58*
OPEB Enhanced Cash:	Gross	Feb-2013	$23.8	2.3%	0.30	0.73	1.93	2.64	1.65	1.15	1.01
	Net				0.29	0.72	1.93	2.62	1.60	1.09	0.96
Benchmark: FTSE 6 M T-Bill Index					0.21	0.60	1.32	2.00	1.12	0.71	0.61
Excess Return (Net - Benchmark)					*0.09*	*0.12*	*0.61*	*0.61*	*0.48*	*0.38*	*0.35*

PUBLIC INVESTMENT-RELATED SEARCHES APPLICANTS

This document identifies firms who have pro-actively submitted an application to LACERA in response to a publicly posted request. These publicly posted requests are commonly referred to as searches and may include minimum qualifications. When an external firm submits an application to a search, LACERA is in a quiet period with the applying firm while the search is active.

The following firms have responded to a request for proposal regarding specialized consultant services in hedge funds, illiquid credit and real assets:

Albourne America LLC
StepStone Group LP
Cliffwater LLC
Cambridge Associates
Aksia LLC
Hamilton Lane
Wilshire Private Markets
TorreyCove Capital Partners
Portfolio Advisors LLC
Pension Consulting Alliance
Meketa Investment Group

The following firms have responded to a request for information regarding real estate administrative services:

SS&C Technologies Holdings, Inc./SS&C Globe Op
Citco Fund Services (USA), Inc.
State Street Bank and Trust Company

The following firms have responded to a request for information regarding cash overlay services:

Parametric Portfolio Associates, LLC
Millennium Global Investments
(LIGMA) Legal & General Investment Management America, Inc.
Russell Investments
Goldman Sachs Asset Management, L.P.
State Street Global Advisors Trust Company
Neuberger Berman
CIBC Asset Management
NISA Investment Advisors, LLC

Adrian Lee & Partners
AlphaEngine Global Investment Solutions, LLC
BNP Paribas Asset Management
UBS Asset Management
Mesirow Financial Currency Management
BlackRock

The following firms have responded to a request for information regarding emerging manager fixed income investment management services:

Quadratic Capital Management, LLC
Liquid Strategies
GIA Partners, LLC
Integrity Fixed Income Management, LLC
Prytania
Garcia Hamilton & Associates, L.P.

JG: cq

February 14, 2019

TO: Each Member
Board of Investments

FROM: Corporate Governance Committee

Scott Zdrazil
Senior Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: ***CORPORATE GOVERNANCE POLICY* REVIEW**

RECOMMENDATION

Approve revisions to the *Corporate Governance Policy*.

BACKGROUND

On February 13, 2019, the Corporate Governance Committee ("Committee") unanimously recommended that the Board of Investments ("Board") approve select revisions to LACERA's *Corporate Governance Policy* ("Policy").

Attached are a redlined version with suggested revisions (incorporating Corporate Governance Committee feedback) (**Appendix A**), a clean version (**Appendix B**), and staff's original memo to the Committee (**Appendix C**).

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 expressed approval for all recommended changes presented to the Committee with the exception of one staff recommendation: Staff initially recommended to the Committee that an additional option be availed to the Board when deliberating how to vote for or against board nominees at LACERA-affiliated corporate governance associations. In light of occasional circumstances in which staff has a limited amount of time to make an informed recommendation to the Board regarding how to vote LACERA's ballot at affiliated associations, staff had recommended adding an option for the Board to assign voting authority to staff with a subsequent report back to the Board. The Committee expressed the view that in such circumstances in which there is not adequate time to develop an "informed recommendation" in advance of materials being due for Board distribution, the current Policy language provides the ability for staff to consult with the Corporate Governance Committee Chair to determine a vote. To reflect the Committee's feedback, suggested language revisions have been struck from the attached redlined version.

A Committee member also suggested that going forward, recommended revisions to LACERA policies be presented to Board committees in only redlined formats (without a "clean version") in order to minimize Board materials and in recognition of the environmental impact of printed materials. The Committee suggested making "clean copies" available only when the Board is presented with policy revisions for formal approval. The Committee and staff expressed agreement with this approach. Accordingly, this memo includes both clean and redlined versions so that the Board may identify suggested revisions and see the clean copy being presented for approval.

Note that on page 3 of the redlined version, the word "cooperates" has been revised to "coordinates," in consultation with the Committee Chair. The word choice change is intended to express the active role that LACERA plays to coordinate communication among its proxy voting platform provider, general custodian, and any other relevant third party to address account setups and any issues that may arise regarding LACERA's ability to properly cast a proxy vote. The word change is not considered material.

The Committee moved to recommend Board approval of the revised Policy.

RISKS OF ACTION AND INACTION

The recommended changes to the Policy generally enhance clarity and update the Policy to reflect recent changes to LACERA's global equities portfolio. No procedural matters have been revised. If acted upon, the recommendation is intended to enhance clarity and ensure the Policy reflects LACERA's current portfolio structure.

Should the Board not approve the recommendation, there is a mild risk of lack of clarity on items addressed in the suggested revisions, but there would be no anticipated changes to the procedures outlined in the Policy.

CONCLUSION

The Committee supports advancing the aforementioned modified recommendation to the Board.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Appendix A
Redlined Version

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
LACERA

Corporate Governance Policy

~~August 2017~~ [To be determined]

CORPORATE GOVERNANCE POLICY

I. Purpose

The Corporate Governance Policy (Policy) outlines the objectives, legal authority, and procedures guiding LACERA's corporate governance program.

II. Strategic Objective

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."

Through its corporate governance program, LACERA prudently exercises its rights as an investor to support policies and practices at portfolio companies, as well as public policies governing financial markets, that are consistent with LACERA's economic interests in order to promote sustainable, long-term value on behalf of LACERA's members and enhance LACERA's ability to fulfill its mission.

III. 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. 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.

IV. Program Components

LACERA's corporate governance program may include the following components and responsibilities:

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 ~~. LACERA~~ votes proxies of companies held in its global equity portfolio~~U.S. and non-U.S. equity separate accounts, unless otherwise designated in the Investment Management Agreement, and~~ in accordance with ~~LACERA's~~its *Corporate Governance Principles*.

LACERA seeks to vote all proxies for which it has proxy voting authority. LACERA ~~cooperates~~ 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 Principles*, and mission through dialogue and engagement strategies with portfolio companies, 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 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 Principles*.

V. 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 *Corporate Governance Principles* and this *Corporate Governance Policy*, 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 *Procedures for Evaluating ESG-Related Divestments* (Appendix A), as developed and recommended by the Corporate Governance Committee.

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

(i.) Recommends the *Corporate Governance Principles*, the *Corporate Governance Policy*, 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 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 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~~, or may assign such authority to a staff delegate~~. 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~~, or to assign such authority to a staff delegate~~. 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 Principles* and related policies for review and consideration by the Corporate Governance Committee.

(ii.) Executes proxy votes in adherence to the *Corporate Governance Principles*. Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance 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 Principles* in dialogues and communication with portfolio companies, 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 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 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 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 Principles* at investor associations, including managing membership surveys, business meeting votes (other than selecting which candidates to a governing board to support or oppose~~, unless otherwise assigned consistent with §V[B]viii above~~), and other operational interactions, in adherence to the *Corporate Governance 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 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.

VI. Regular 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 A: Procedures 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 is periodically requested to 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 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 CEO, CIO, 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[1] 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.

Revised and Reviewed: August 9, 2017
Reviewed: October 12, 2016
Revised: November 19, 2014

[1] 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."

Appendix B
CLEAN VERSION

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
LACERA

Corporate Governance Policy

[To be determined]

CORPORATE GOVERNANCE POLICY

I. Purpose

The Corporate Governance Policy (Policy) outlines the objectives, legal authority, and procedures guiding LACERA's corporate governance program.

II. Strategic Objective

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."

Through its corporate governance program, LACERA prudently exercises its rights as an investor to support policies and practices at portfolio companies, as well as public policies governing financial markets, that are consistent with LACERA's economic interests in order to promote sustainable, long-term value on behalf of LACERA's members and enhance LACERA's ability to fulfill its mission.

III. 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. 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.

IV. Program Components

LACERA's corporate governance program may include the following components and responsibilities:

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 of companies held in its global equity portfolio in accordance with its *Corporate Governance 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 Principles*, and mission through dialogue and engagement strategies with portfolio companies, 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 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 Principles*.

V. 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 *Corporate Governance Principles* and this *Corporate Governance Policy*, 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 *Procedures for Evaluating ESG-Related Divestments* (Appendix A), as developed and recommended by the Corporate Governance Committee.

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

(i.) Recommends the *Corporate Governance Principles*, the *Corporate Governance Policy*, 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 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 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 Principles* and related policies for review and consideration by the Corporate Governance Committee.

(ii.) Executes proxy votes in adherence to the *Corporate Governance Principles*. Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance 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 Principles* in dialogues and communication with portfolio companies, 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 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 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 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 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 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 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.

VI. Regular 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 A: Procedures 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 is periodically requested to 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 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 CEO, CIO, 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[1] 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.

Revised and Reviewed: August 9, 2017
Reviewed: October 12, 2016
Revised: November 19, 2014

[1] 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."

LACERA

December 19, 2018

TO: Each Member
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

FOR: February 13, 2019 Corporate Governance Committee Meeting

SUBJECT: ***Corporate Governance Policy* Review**

RECOMMENDATION

Recommend for Board of Investment approval a revised *Corporate Governance Policy*.

EXECUTIVE SUMMARY

LACERA adopted a revised and consolidated *Corporate Governance Policy* (Policy) in August 2017. The Policy defines the core program components and delegated authorities guiding LACERA's corporate governance responsibilities, such as proxy voting, and other initiatives. Staff believes the recently revised Policy has served LACERA well in providing adequate procedural parameters for LACERA to accomplish its program objectives. Accordingly, staff has limited its recommendations to four modifications:

1. Update and simplify language pertaining to LACERA's proxy voting in light of recent changes to the global equity portfolio that expand LACERA's proxy voting authority.

2. Provide transparency on circumstances under which LACERA may not vote a proxy by describing certain restrictions and practices in select global markets.

3. Clarify the Policy's application to investments-related public policy.

4. Expand the Board of Investment's (Board) options when voting at affiliated governance associations.

Each of the modifications is explained below. Attached are both a clean version and redlined version (**ATTACHMENT 1** and **ATTACHMENT 2**, respectively).

BACKGROUND

LACERA's *Corporate Governance Policy* defines core aspects of LACERA's corporate governance work, such as proxy voting, corporate engagement, public policy advocacy, and investor collaboration. LACERA restructured, revised, and consolidated its *Corporate Governance Policy* in August 2017, incorporating language from the former *Corporate Governance Committee Policy Statement* and delineating a newly defined *Corporate Governance*

Committee Charter. Per the Policy, LACERA reviews the Policy at least every three years to ensure its alignment with LACERA's objectives and evolving market practices (§VI, page 5).

Staff is recommending a limited number of modifications to ensure clarity and to reflect recent changes to the LACERA portfolio:

1. **Update the Policy to recognize recently adopted changes to the global equity portfolio that expand LACERA's proxy voting authority**

   In light of changes to LACERA's global equity portfolio structure, by which LACERA is taking custody and retaining voting rights of a much larger proportion of its equities holdings in separate account structures, Policy language has been simplified to state, "LACERA seeks to vote all proxies for which it has proxy voting authority." The proposed language drops reference to U.S. versus non-U.S. equity, as well as reference to separate accounts. Staff believes it is an accurate, more straightforward description of the LACERA's proxy voting authority.

2. **Clarify how LACERA addresses share blocking and other practices in place in certain global markets that may affect or impede LACERA's ability to vote proxies**

   It is common practice, and generally considered best practice by corporate governance associations, to address in fund policies the circumstances under which funds may not vote a proxy, due to administrative restrictions, local regulations, or other reasons that may be encountered, particularly in international markets. New language addresses the following:

   a. *Share blocking:* In eleven international markets, companies may require shareholders to "block" their shares from trading during a designated period of time leading up to the annual or special meeting in order to cast a vote (i.e., "share blocking").[1] Due to the trading restrictions, shareholders may refrain from voting in order to retain the ability to trade shares in the event that it is in their economic interest.

      Shareholder criticism of trading restrictions and advocacy work have prompted numerous markets to discontinue share blocking procedures in recent years. Based on LACERA's existing portfolio during the last annual reporting period, share blocking impacted only one market (Norway) where LACERA had exposures to 13 portfolio companies. These holdings were in two actively managed accounts.

[1] Markets permitting share blocking currently include Argentina, Curaçao, Egypt, Iceland, Kazakhstan, Lebanon, Luxembourg, Mauritius, Morocco, Norway, and Switzerland.

The proposed language revision is consistent with market practice and affirms that LACERA may evaluate the economic value of casting a proxy vote compared to the risk of limiting trading during share blocking periods. Absent a compelling justification (such as a significant proposed merger or acquisition), LACERA generally avoids freezing external managers' ability to trade shares and accordingly, does not vote proxies at companies that require share blocking.[2]

b. *Powers of Attorney:* In 29 global markets, a Power of Attorney may be required to be in place between the beneficial owner and the custodian (or a local market subcustodian of LACERA's custodian) in order for the local subcustodian to process a proxy vote. Local regulations and practices vary. LACERA cooperates with its custodian bank and its contracted proxy voting platform to receive notification when Powers of Attorney are required. During the last reporting period, there were no meetings at which LACERA was impeded from voting due to a lack of a current Power of Attorney. The proposed Policy language seeks to recognize that international subcustodian chains may impede timely notification of expired powers of attorney that may affect LACERA's voting authority.

c. *Timely Notification of Ballots and Voting Eligibility:* For portfolio holdings in various international markets, LACERA may receive notification of its eligibility to vote at upcoming shareholder meetings through a chain of custodians and transfer agents that extend to the local market where the portfolio company is domiciled. Each custodian may impose a designated cutoff date by which it must receive vote direction from LACERA in order to process a proxy vote. Portfolio companies in some international markets provide limited advance notification of an upcoming shareholder meeting. The chain of notifications sometimes impedes investors from exercising their vote before a deadline. During the latest proxy vote reporting period, LACERA did not experience any missed proxy votes due to untimely notification or expired voting cutoff dates.

3. Clarify the Policy's application to LACERA's public policy advocacy related to investment subjects

The Policy provides that staff may take action on public policy debates, when LACERA's *Corporate Governance Principles,* as approved by the Board, articulate a defined position on the subject, or when an investor association to which LACERA has formally affiliated organizes joint letters or engagements. The Policy's procedures are designed to ensure alignment with policy positions established and approved by the Board through

[2] LACERA is a member of numerous investor associations, such as the International Corporate Governance Association, that have advocated for markets to drop share blocking as a local market practice in order to facilitate proxy voting.

LACERA's *Corporate Governance Principles*, while meeting the Board's objective to be more engaged and nimble in public policy matters and responsive to evolving market debates, specific regulatory or legislative proposals, and sometimes rapid developments in federal legislative proposals.[3] The Policy requires internal oversight and approval, including the Chief Executive Officer, Chief Investment Officer, and Chief Counsel.

Subsequent to adoption of the Policy, the Board inquired whether the Policy should apply to all federal policy matters that may impact LACERA, such as taxation policy related to benefit fund administration. In consultation with the Legal Office, it is staff's current view that LACERA's current Legislative Policy provides appropriate procedural guidance to address a range of topics that are outside of the scope of the investment-related topics enshrined in the *Corporate Governance Principles*. As the Policy is relatively new, staff is recommending that the Committee retain current procedural guidance that appears to be working well and add clarifying language that the Policy's procedural guidance, applies to investment- and financial market-related legislative or regulatory matters that are addressed in the *Corporate Governance Principles* or being addressed by formal associations to which LACERA has affiliated. LACERA may revisit this matter at a future date. Please see Sections B(vi) and C(v) on pages 4 and 5, respectively.

4. **Empower the Board to designate a voting delegate to cast LACERA's ballot at corporate governance associations**

LACERA is a member of several corporate governance associations (such as the Asian Corporate Governance Association, Council of Institutional Investors, and the International Corporate Governance Network. The Board reserved the right to approve LACERA's votes in support or opposition of board candidates at such associations. Specifically, the Policy provides for "cascading" authorities for approval, depending on the amount of time between receipt of ballot materials and the vote deadline. Where time permits, the Corporate Governance Committee recommends a vote for full Board approval. If there is not adequate time before a vote deadline, the ballot may go directly to the Board. And if there is not enough time in accordance with the Brown Act's advance notice

[3] During the past year, LACERA took action on several policy matters in adherence with the Policy's parameters:

- In November 2018, LACERA submitted a comment letter to the Securities and Exchange Commission (SEC), as reported to the Board, in advance of the SEC's Roundtable on the Proxy Process to provide LACERA's views on proxy vote confirmation, universal ballots, shareholder resolutions, and proxy research regulation.
- LACERA joined with the Council of Institutional Investors and its members in a February 2018 letter to the U.S. Senate Committee on Banking, Housing, and Urban Affairs regarding proposed legislation relating to proxy research firms and institutional investors.
- In February 2018, LACERA participated in a joint letter organized by the Council of Institutional Investors to the U.S. House of Representatives Committee on Financial Services regarding proposed legislation related to institutional investors and proxy research firms.

requirements, staff consults with the Chair of the Corporate Governance Committee to determine a vote.

Staff receives and produces Board materials in adherence to the Policy, but has encountered incidents where the amount of time between receipt of ballot material and advanced distribution to the Board may limit the formulation of a fully informed recommendation to the Board on how to cast LACERA's ballot:

- If materials are received with little time before distribution to the Board, staff may not have adequate time to formulate an informed recommendation;

- In contested elections, staff may lack time to engage candidates on their proposed actions and formulate an informed recommendation;

- Events may occur prior to the vote deadline that may impact a vote recommendation (e.g., a candidate's retirement from her professional affiliation).

The proposed language provides additional flexibility in such circumstances by adding an option for the Board to delegate authority for a staff member to cast an appropriate vote after the Board meets. The proposed language does not delete or remove any authority for the Board to take action; instead, it seeks to complement the Board's options when limited time may impede the development of an informed vote that is in LACERA's best interests.

CONCLUSION

Staff considers that the Policy is currently working well to facilitate and guide LACERA's corporate governance activities. As a young document, staff is recommending a small number of language modifications to lend further clarity and to update the Policy consistent with Board actions restructuring LACERA's global equity portfolio.

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

Attachment 1
[Clean Version]

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Corporate Governance Policy

[To be determined]

CORPORATE GOVERNANCE POLICY

I. Purpose

The Corporate Governance Policy (Policy) outlines the objectives, legal authority, and procedures guiding LACERA's corporate governance program.

II. Strategic Objective

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."

Through its corporate governance program, LACERA prudently exercises its rights as an investor to support policies and practices at portfolio companies, as well as public policies governing financial markets, that are consistent with LACERA's economic interests in order to promote sustainable, long-term value on behalf of LACERA's members and enhance LACERA's ability to fulfill its mission.

III. 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. 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.

IV. Program Components

LACERA's corporate governance program may include the following components and responsibilities:

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 of companies held in its global equity portfolio in accordance with its *Corporate Governance Principles*.

LACERA seeks to vote all proxies for which it has proxy voting authority. LACERA cooperates 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 Principles*, and mission through dialogue and engagement strategies with portfolio companies, 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 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 Principles*.

V. 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 *Corporate Governance Principles* and this *Corporate Governance Policy*, 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 *Procedures for Evaluating ESG-Related Divestments* (Appendix A), as developed and recommended by the Corporate Governance Committee.

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

(i.) Recommends the *Corporate Governance Principles*, the *Corporate Governance Policy*, 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 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 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, or may assign such authority to a staff delegate. 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, or to assign such authority to a staff delegate. 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 Principles* and related policies for review and consideration by the Corporate Governance Committee.

(ii.) Executes proxy votes in adherence to the *Corporate Governance Principles*. Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance 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 Principles* in dialogues and communication with portfolio companies, 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 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 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 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 Principles* at investor associations, including managing membership surveys, business meeting votes (other than selecting which candidates to a governing board to support or oppose, unless otherwise assigned consistent with §V[B]viii above), and other operational interactions, in adherence to the *Corporate Governance 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 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.

VI. Regular 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 A: Procedures 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 is periodically requested to 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 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 CEO, CIO, 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[1] 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.

Revised and Reviewed: August 9, 2017
Reviewed: October 12, 2016
Revised: November 19, 2014

[1] 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."

Attachment 2
[Redlined Version]

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Corporate Governance Policy

~~August 2017~~ [To be determined]

CORPORATE GOVERNANCE POLICY

I. Purpose

The Corporate Governance Policy (Policy) outlines the objectives, legal authority, and procedures guiding LACERA's corporate governance program.

II. Strategic Objective

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."

Through its corporate governance program, LACERA prudently exercises its rights as an investor to support policies and practices at portfolio companies, as well as public policies governing financial markets, that are consistent with LACERA's economic interests in order to promote sustainable, long-term value on behalf of LACERA's members and enhance LACERA's ability to fulfill its mission.

III. 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. 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.

IV. Program Components

LACERA's corporate governance program may include the following components and responsibilities:

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 ~~. LACERA~~ votes proxies of companies held in its global equity portfolio~~U.S. and non-U.S. equity separate accounts, unless otherwise designated in the Investment Management Agreement, and~~ in accordance with ~~LACERA's~~its *Corporate Governance Principles*.

LACERA seeks to vote all proxies for which it has proxy voting authority. LACERA cooperates 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 Principles*, and mission through dialogue and engagement strategies with portfolio companies, 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 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 Principles*.

V. 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 *Corporate Governance Principles* and this *Corporate Governance Policy*, 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 *Procedures for Evaluating ESG-Related Divestments* (Appendix A), as developed and recommended by the Corporate Governance Committee.

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

(i.) Recommends the *Corporate Governance Principles*, the *Corporate Governance Policy*, 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 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 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, or may assign such authority to a staff delegate. 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, or to assign such authority to a staff delegate. 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 Principles* and related policies for review and consideration by the Corporate Governance Committee.

(ii.) Executes proxy votes in adherence to the *Corporate Governance Principles*. Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance 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 Principles* in dialogues and communication with portfolio companies, 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 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 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 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 Principles* at investor associations, including managing membership surveys, business meeting votes (other than selecting which candidates to a governing board to support or oppose, unless otherwise assigned consistent with §V[B]viii above), and other operational interactions, in adherence to the *Corporate Governance 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 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.

VI. Regular 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 A: Procedures 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 is periodically requested to 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 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 CEO, CIO, 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[1] 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.

Revised and Reviewed: August 9, 2017
Reviewed: October 12, 2016
Revised: November 19, 2014

[1] 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."

February 14, 2019

TO: Each Member
Board of Investments

FROM: Corporate Governance Committee

Scott Zdrazil
Senior Investment Officer

Dale Johnson
Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: ***CORPORATE GOVERNANCE PRINCIPLES* REVIEW**

RECOMMENDATION

Approve revisions to the *Corporate Governance Principles*.

BACKGROUND

On February 13, 2019, the Corporate Governance Committee ("Committee") unanimously recommended that the Board of Investments ("Board") approve select revisions to LACERA's *Corporate Governance Principles* ("Principles"). Attached are a redlined version with suggested revisions that incorporate Committee feedback (**Appendix A**), a clean version (**Appendix B**), and staff's original memo to the Committee (**Appendix C**).

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 expressed general comfort with all staff recommendations and suggested additional clarification to proposed revisions addressing corporate board's risk oversight. The Principles' §I(E)1 provides general parameters by which LACERA evaluates corporate director nominees at portfolio companies, including risk oversight, attendance, investor responsiveness, etc. Staff had recommended that existing language addressing risk oversight be expanded to acknowledge that business risks may be financial, operational, and reputational, and extend to internal controls such as cybersecurity and data privacy. Committee members suggested that staff incorporate explicit reference to climate risks as well in this section and give consideration to referencing broader corporate governance, environmental, and social risks. There was discussion that the Principles currently address a wide range of environmental, social, and governance

("ESG") subjects throughout the document, including climate risk, improper accounting practices, and compensation, but that staff could add "flowing" language to recognize broader risks that directors should oversee, including explicit reference to climate change.

To address the Committee's input, staff modified the proposed language revision as follows:

> **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 Principles*, such as risks associated with accounting practices, climate change, and human capital management.

The recommended language recognizes that business risks to a company's ability to generate sustainable financial results are referenced throughout the Principles, including accounting practices or corruption and bribery from corporate political spending. Providing an exhaustive list in this section may not fully contemplate all risks that a business might face, may be unwieldy in a document intended to be high-level and succinct, and may appear disjointed from other sections of the Principles that address similar risks. Accordingly, the revision aims to provide cohesion in the document by giving general reference to risks identified throughout the Principles and highlights several examples to illustrate a range of relevant risks, including climate change.

RISKS OF ACTION AND INACTION

Attachment 2 of Appendix C details how the proposed revisions might impact proxy voting. Proposed language by which LACERA may oppose certain director nominees (such as Nominating/Governance Committee chairs) at boards that lack a credible track record of gender inclusivity would moderately decrease LACERA's support levels for corporate directors. There is little anticipated impact from other proposed modifications. Other revisions would add clarity to topics such as executive compensation perquisites and non-GAAP financial reporting. Should the Board not approve the recommendation, LACERA's current Principles will continue to guide LACERA's proxy votes and other governance initiatives.

CONCLUSION

The Committee supports advancing the aforementioned modified recommendation to the Board.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Appendix A
REDLINED VERSION

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Corporate Governance Principles

~~February 2018~~[Date TBD]

Corporate Governance Principles

Table of Contents

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 its *Investment Beliefs* and in consideration of actuarial analysis.

LACERA
Mission Statement:

We Produce, Protect, and Provide the Promised Benefits

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.

Statement of Purpose

The fundamental objective of LACERA's *Corporate Governance Principles* is to safeguard and promote the economic interests of the trust. LACERA believes that strong corporate governance practices and policies at the firms in which it invests help generate long-term economic performance.

The *Corporate Governance Principles* identify LACERA's fundamental principles of corporate governance. They are intended to advance LACERA's *Investment Beliefs* by articulating LACERA's view on sound governance and guiding LACERA's proxy votes at public companies. In advocating practices in line with these *Corporate Governance Principles*, LACERA aims to maximize the long-term value of plan holdings.

The *Corporate Governance Principles* are organized into five sections. Each section addresses common corporate governance and proxy voting issues. 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 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 the accountability of a firm's board of directors to the investors who provide the firm with capital. Accountability helps to ensure that a firm is managed in the best interests of its 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 incentive practices should align the interests of senior executives with those of investors.
>
> **Transparency**: Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm's business and financial activities.
>
> **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 Principles* and their application. 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 recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of corporate boards to direct and manage the firm. 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 Principles* in a universal and consistent manner, while observing and taking into consideration — as applicable and appropriate — local laws, regulations, and customs.

The procedures by which LACERA applies and promotes the *Corporate Governance Principles,* including executing proxy votes, engaging policymakers and portfolio companies, and collaborating with other institutional investors when it shares common objectives (such as actively participating in investor associations), are described in LACERA's *Corporate Governance Policy.*

Principles

I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management. LACERA relies upon the directors it elects 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.

   ~~**Diversity:**~~ 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, including, but not limited to, diverse gender, racial, and ethnic backgrounds. 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, including, but not limited to, gender diversity.

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.[1]

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.

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

[1] 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.

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. **Director 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 Principles*, such as risks associated with accounting practices, climate change, and human capital management. ~~Risk oversight is broadly understood to encompass financial risk, reputational risk, and operational risk, including, but not limited to, internal controls related to legal compliance, cyber security, and data privacy.~~

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. **Golden 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, ~~T~~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.

Document History

Consolidated, reorganized, and adopted by the Board of Investments on February 14, 2018.
Revisions adopted by the Board of Investments on August 9, 2017.
Reviewed by the Board of Investments on October 12, 2016.
Reviewed by the Board of Investments on November 19, 2014.
Revisions adopted by the Board of Investments on April 10, 2013.
Revisions adopted by the Board of Investments on April 22, 2009.
Revisions adopted by the Board of Investments on April 27, 2005.
Revisions adopted by the Board of Investments on May 26, 2004.
Revisions adopted by the Board of Investments on August 13, 2003.
Revisions adopted by the Board of Investments on June 11, 2003.
Original adopted by the Board of Investments on March 12, 2003.

Appendix B
CLEAN VERSION

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Corporate Governance Principles

[Date TBD]

Corporate Governance 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 its *Investment Beliefs* and in consideration of actuarial analysis.

LACERA
Mission Statement:

We Produce, Protect, and Provide the Promised Benefits

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.

Statement of Purpose

The fundamental objective of LACERA's *Corporate Governance Principles* is to safeguard and promote the economic interests of the trust. LACERA believes that strong corporate governance practices and policies at the firms in which it invests help generate long-term economic performance.

The *Corporate Governance Principles* identify LACERA's fundamental principles of corporate governance. They are intended to advance LACERA's *Investment Beliefs* by articulating LACERA's view on sound governance and guiding LACERA's proxy votes at public companies. In advocating practices in line with these *Corporate Governance Principles*, LACERA aims to maximize the long-term value of plan holdings.

The *Corporate Governance Principles* are organized into five sections. Each section addresses common corporate governance and proxy voting issues. 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 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 the accountability of a firm's board of directors to the investors who provide the firm with capital. Accountability helps to ensure that a firm is managed in the best interests of its 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 incentive practices should align the interests of senior executives with those of investors.
>
> **Transparency**: Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm's business and financial activities.
>
> **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 Principles* and their application. 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 recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of corporate boards to direct and manage the firm. 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 Principles* in a universal and consistent manner, while observing and taking into consideration — as applicable and appropriate — local laws, regulations, and customs.

The procedures by which LACERA applies and promotes the *Corporate Governance Principles,* including executing proxy votes, engaging policymakers and portfolio companies, and collaborating with other institutional investors when it shares common objectives (such as actively participating in investor associations), are described in LACERA's *Corporate Governance Policy.*

Principles

I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management. LACERA relies upon the directors it elects 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, including, but not limited to, diverse gender, racial, and ethnic backgrounds. 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, including, but not limited to, gender diversity.

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.[1]

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.

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

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[1] 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.

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. **Director 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 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. **Golden 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.

Document History

Consolidated, reorganized, and adopted by the Board of Investments on February 14, 2018.
Revisions adopted by the Board of Investments on August 9, 2017.
Reviewed by the Board of Investments on October 12, 2016.
Reviewed by the Board of Investments on November 19, 2014.
Revisions adopted by the Board of Investments on April 10, 2013.
Revisions adopted by the Board of Investments on April 22, 2009.
Revisions adopted by the Board of Investments on April 27, 2005.
Revisions adopted by the Board of Investments on May 26, 2004.
Revisions adopted by the Board of Investments on August 13, 2003.
Revisions adopted by the Board of Investments on June 11, 2003.
Original adopted by the Board of Investments on March 12, 2003.

LACERA

December 26, 2018

TO: Each Member
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer

Dale Johnson
Investment Officer

FOR: February 13, 2019 Corporate Governance Committee Meeting

SUBJECT: ***Corporate Governance Principles* Review**

RECOMMENDATION

Recommend that the Board of Investments approve revised *Corporate Governance Principles.*

BACKGROUND

LACERA adopted a significantly revised and consolidated *Corporate Governance Principles* policy (the Principles) in February 2018. The Principles articulate LACERA's position on common corporate governance issues and provide a framework to guide LACERA's proxy voting, corporate engagement, and public policy advocacy on investment-related matters.

Upon Board adoption last February, staff applied the custom LACERA Principles into proxy voting operations during the 2018 proxy voting season. LACERA's proxy voting trends and results were presented and reviewed at the Corporate Governance Committee's October 2018 meeting.

Staff considers that the current Principles provide sound guidance and position LACERA well to assume expanded proxy voting authority across the global equity portfolio in order to vote LACERA's global equity exposures in a consistent manner that adheres to LACERA's policy. Staff is therefore limiting the number of suggested revisions to a few relatively minor recommendations. These refinements are generally secondary to the major revisions the Committee conducted last year and are intended to complement the new policy by enhancing clarity on a select number of topics. These refinements address six topics:

(1.) Board composition disclosure and gender diversity votes;
(2.) Risk oversight of cybersecurity and data privacy;
(3.) Nominating and Governance Committee performance expectations;
(4.) Perquisites provided as part of executive compensation;
(5.) Non-GAAP financial reporting; and
(6.) Workplace harassment.

The attached materials provide further explanation and information:

ATTACHMENT 1: Overview of 2019 *Corporate Governance Principles* Review;
ATTACHMENT 2: Issue briefs explaining each of the six proposed revisions;
ATTACHMENT 3: Clean version of proposed revised Principles; and
ATTACHMENT 4: Redlined version of the proposed revisions.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Attachment 1

2019 *Corporate Governance Principles* Review

Corporate Governance Committee
February 13, 2019

Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Outline

I. Brief Recap and Background on *Corporate Governance Principles*

II. Proposed Refinements

Appendix: Proxy Voting Process and Timeline

Policy Background

➢ Key Applications

- Guide public equity proxy votes (high-volume, condensed proxy season)
- Define LACERA view of corporate governance "best practices" to encourage long-term value
  - Guide support of financial market public policy *(CII, SEC comment letters)*
  - Facilitate collaborative corporate engagement on select topics *(board diversity, Climate Action 100+)*
- Provide clear, concise statement of LACERA principles to stakeholders

➢ Recent Significant Policy Revision

- New policy applied during 2018 proxy season
- Results and trends reported at October 2018 Committee meeting

2017 to February 2018

Policy Harmonization and Customization

LACERA consolidated three policies (100+ pages into 20)

LACERA-specific, "customized" policy

Consistent for all markets

Expanded to address "E" and "S" issues of ESG

Simplified structure, organized into five common proxy topics:

1. Directors
2. Investor Rights and Capital Structure
3. Executive Compensation
4. Performance Reporting
5. Environmental and Social Factors

April to October 2018

Application & Analysis

Voted proxies per new Principles

Reported and discussed voting results and trends at the October 2018 Corporate Governance Committee meeting

February 2019 and Beyond

Affirm & Apply

Consider proposed Principles refinements

Apply Principles to expanded proxy voting authority

Limited Number of Proposed Policy Refinements

- Implementation of new policy has gone smoothly
- Current policy adequately addresses key voting topics
- Staff is proposing modest refinements to address a limited number of topics, as outlined below and explained in the accompanying issue briefs

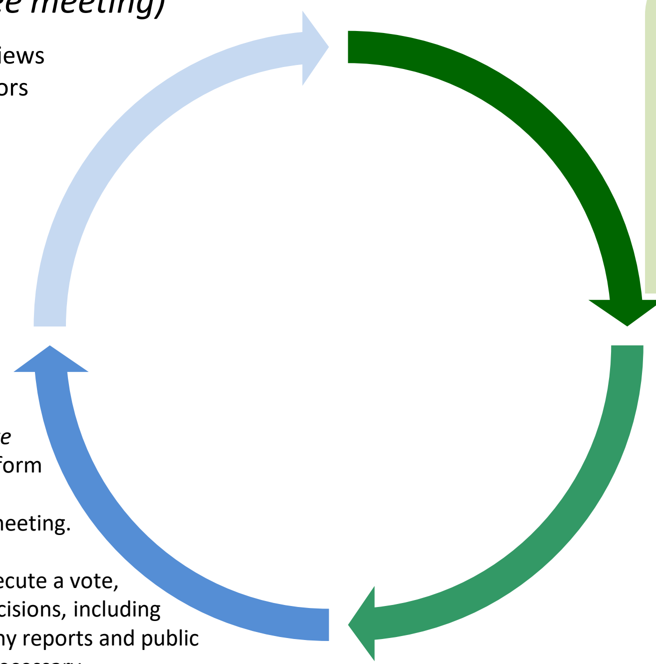
Proposed language refinements address ***six topics*** in several policy sections

Board of Directors	Investor Rights and Capital Structure	Executive Compensation	Performance Reporting	Social and Environmental
1. Diversity disclosure and voting **2. Risk oversight including cybersecurity and data privacy** **3. Nominating and Governance Committee performance**	**[no changes]**	**4. Perquisites**	**5. Non-GAAP reporting**	**6. Human capital – workplace harassment**

Appendix

Proxy Voting Process

LACERA votes proxies in adherence to its *Corporate Governance Principles* in order to support practices that safeguard and enhance shareholder value.



1. Affirm Policy Guidance – *Today*

LACERA's *Corporate Governance Principles* define positions on sound corporate governance practices.

The Corporate Governance Committee develops, reviews, and recommends Board approval of the *Corporate Governance Principles,* as well as the *Corporate Governance Policy* which establishes the procedures by which LACERA implements the Principles, including voting proxies.

2. Board Approval *(TBD)*

The Board of Investments approves the *Corporate Governance Principles* and *Corporate Governance Policy*, as recommended by the Committee.

3. Implementation *(Proxy Season)*

The Investment Division integrates the *Corporate Governance Principles* into an online voting platform to apply policy parameters and generate vote recommendations for each annual and special meeting.

Investment staff reviews each voting item to execute a vote, using all available resources to inform voting decisions, including research from two proxy research firms, company reports and public filings with the SEC, and company dialogue, as necessary.

Internal oversight is provided by the CIO and Chief Counsel who are consulted on unique voting items, per policy and running practice.

4. Board Oversight *(Fall Committee meeting)*

The Corporate Governance Committee reviews proxy voting results and trends, and monitors evolving market trends and issues.

Attachment 2

Issue Briefs of Proposed Policy Revisions

Below is background information addressing six proposed refinements to LACERA's *Corporate Governance Principles,* including draft language, explanations, and the potential impact of the draft language on LACERA's proxy voting.

1. Diversity Disclosure and Voting

Recommendation: Unify sections addressing board composition and diversity, state expectation for firms to disclose directors' skill sets and backgrounds, and oppose select directors at boards lacking gender diversity. Redlined language in §I(B)1 (p. 5):

> **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.
>
> ~~**Diversity:**~~ 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, including, but not limited to, diverse gender, racial, and ethnic backgrounds. 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, including, but not limited to, gender diversity.

Rationale: *Merge "Composition" and "Diversity" Subsections:* Diversity fundamentally pertains to board composition. The *Principles* take a broad view of diversity, inclusive of diverse skills relevant to the business, as well as gender, race and ethnic backgrounds. Unifying the sections underscores an integrated view.

Expect firms to disclose skill sets and diversity: Disclosure of nominee skills and backgrounds informs investors of directors' mix of expertise and expected contributions, and why nominees are suitable to serve investors' interests.

Initiate opposition votes at companies lacking gender diversity: Research indicates a correlation between gender diversity and financial outperformance.[1] Initiatives have focused on gender and broader dimensions of diversity, prompting the proportion of women among newly-elected U.S. directors to rise 15% to 32% from 2008-2017 and increasing diversity, particularly at large firms. The U.S. lags numerous developed markets. Over 25% of directors are women in Norway, Sweden, France, Australia, Germany, etc.; whereas developing markets, such as China, Brazil, Mexico, South Korea, are under 10%.[2]

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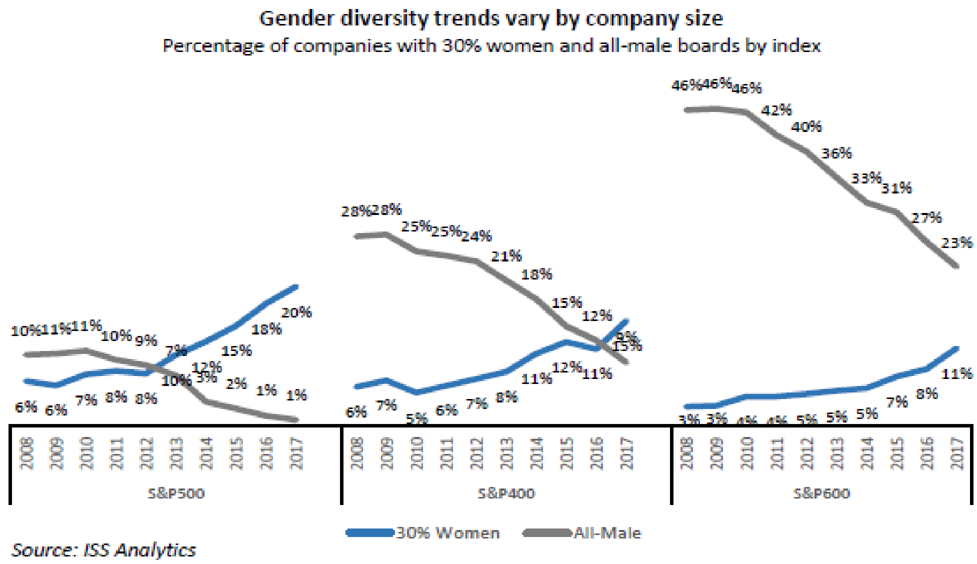
[1] Credit Suisse, "Gender diversity and corporate performance," 2012; MSCI. "The Tipping Point: Women on Boards and Financial Performance." December 2016; MSCI. "Women on Boards." November 2015.

[2] Institutional Shareholder Services. U.S. Board Study: Board Diversity Review. ISS: April 11, 2018.



Investors and advisors have begun opposing boards lacking gender diversity:

Firms	Approach to Voting at Corporate Boards Lacking Any Gender Diversity
Glass Lewis	Starting 2019, vote against Nominating Committee Chair at all-male boards absent compelling reason (applied in US, Canada, Japan, Europe, UK)
ISS	Generally vote against Nominating Committee chairs absent gender diversity (starting in 2019 for Canada; 2020 for U.S.)
BlackRock	Expects US and Canadian companies to have at least two women; may withhold from Nominating Committee members or board leadership
State Street	Oppose Nominating Committee chair if no female directors (select markets)
CalPERS/CalSTRS	Only opposes directors if company does not respond to funds' engagements
Canada Pension Plan Inv. Board	First known fund to announce opposition to Nominating Committee chairs at boards lacking gender diversity applicable to all markets

Impact on Proxy Voting: If adopted, LACERA would scrutinize Nominating/Governance committees at boards lacking gender diversity and would generally vote against the Committee Chair (or other Committee members if the chair is not up for election). LACERA would seek to apply the policy universally, similar to LACERA's other principles regarding board independence and other governance matters.[3]

Markets	Impact of Opposing Committee Chairs at Boards Lacking Gender Diversity
United States	Proposed policy could decrease LACERA's overall support for U.S. directors by **about 2-3%**, given LACERA's current exposure to the Russell 3000 Index. About 18% of Russell 3000 companies have no female directors.
Non-U.S.	Proposed policy could lower LACERA's support of non-U.S. directors by **about 4%,** given the proposed restructuring of LACERA's global equity portfolio to an MSCI All-Country World Index Investible Market Index (MSCI ACWI IMI). About 32% of the index's non-U.S. boards lack gender diversity.

[3] Staff estimates that 88% of LACERA's assets by value are in markets where corporate disclosures are adequate to identify board nominees' gender composition. Similar disclosures are currently not provided in any market regarding other dimensions of diversity, such as race and ethnicity. In some markets, such disclosures may not be legally permissible.

2. Risk Oversight including Cybersecurity and Data Privacy

Recommendation: Incorporate cybersecurity and data privacy into expectations for effective risk oversight. Proposed language in §I(E)1.1 (p. 7) in red underline:

> **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 oversight is broadly understood to encompass financial risk, reputational risk, and operational risk, including, but not limited to, internal controls related to legal compliance, cyber security, and consumer data privacy.

Rationale: LACERA *Principles* expect corporate boards to identify and mitigate risks relevant to the firm's business strategy on behalf of investors. Risk is a broad, multi-faceted concept and may include several dimensions depending on a company's business model and exposures:

- Financial risk (e.g., risk of over-leveraging);
- Reputational risk (e.g., Wells Fargo's consumer lending practices); or
- Operational (e.g., inadequate internal controls, regulatory scrutiny, etc).

Increasing utilization of digital technologies has increased companies' exposures to cyber risks. High-profile data breaches and hacking incidents (such as Equifax, Target, Yahoo, Visa, etc.) indicate the operational, regulatory, and reputational risks that firms may face and data breaches are expected to grow.[4] Various corporate governance organizations recognize cybersecurity to fall under management's purview but call upon corporate boards to exercise oversight of cybersecurity to ensure firms have processes and procedures in place, like any other routine business risks.[5] The SEC recognizes the materiality of cybersecurity and has issued guidance for corporate reporting based in federal securities law.[6] Data privacy – i.e., how firms avail and protect consumer data – similarly poses risks to a firm (e.g. Facebook and Cambridge Analytica data use).

Impact on Proxy Voting: Minimal. A small number of related shareholder resolutions are presented each year, generally requesting board oversight of cyber security (last year, three resolutions were filed in the U.S.; 1 was voted). The language may guide director votes in cases of egregious failed oversight, such as Equifax. LACERA would continue to support reasonable requests to ensure governance oversight, but may not support requests to report sensitive info that could make a firm vulnerable to further hacking, to the detriment of shareholder value.

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[4] Juniper Research. "Cybercrime will costs business over $2 trillion by 2019." May 2015. https://www.juniperresearch.com/press/press-releases/cybercrime-cost-businesses-over-2trillion.

[5] See National Association of Corporate Directors*.* *Cyber-Risk Oversight: Directors Handbook Series*. 2017. Available at: https://www.nacdonline.org/applications/secure/?FileID=220685; National Association of Corporate Directors. *Cybersecurity: Boardroom Implications.* 2014. https://www.nacdonline.org/applications/secure/?FileID=88578.

[6] U.S. Securities and Exchange Commission, Division of Corporation Finance. *CF Disclosure Guidance: Topic No. 2 Cybersecurity*. October 13, 2011. Available at: http://www.sec.gov/divisions/corpfin/guidance/cfguidance-topic2.htm.

3. Nominating and Governance Committee performance expectations

Recommendation: Incorporate performance expectations for Nominating and Governance Committee members. Proposed language in §I(E)2 (p. 8) in red underline:

> **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.

Rationale: The proposed language aims to fill a gap in LACERA's *Principles.* Corporate boards generally have committees to oversee core areas (audit, compensation, and nominating/governance). LACERA *Principles* also recommend three committees (see §1[A]3, p.4). LACERA consolidated its U.S. and non-U.S. proxy voting policies in 2018, which included language by which LACERA might oppose incumbent directors serving on audit or compensation committees. LACERA did not, however, have language addressing the performance of Nominating and Governance Committee members.

The proposed language also clarifies that in instances where LACERA is inclined to vote against an incumbent member of a committee, but the incumbent is not presented for election due to a staggered board or other governance provisions, LACERA may hold other board members accountable, such as the board leadership or other board nominees, depending on the specific circumstances presented on the ballot.

Impact on Proxy Voting: The proposed language adds clarity to common practice by which investors expect board members serving on specified committees to fulfill the responsibilities of that committee, absent which investors might cast a vote against select directors. When evidence indicates a pattern or egregious record of failed oversight, LACERA will continue to oppose select directors only after careful consideration of the individual circumstances.

4. Perquisites provided as part of executive compensation

Recommendation: Incorporate specific reference to executive perquisites that may be problematic in pay practices. Proposed language in §III(B)10 (p. 17) in red underline:

> **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.

Rationale: LACERA's *Principles* encourage compensation practices that promote the alignment of interests between executives and investors. As such, they promote pay-for-performance and expect companies to minimize executive pay components that are unrelated to a firm's performance.

Firms have historically offered executives a variety of perquisites. "Perquisites" are defined by the Securities and Exchange Commission as personal benefits that are not widely available and not integrally and directly related to an executive's job duties. Such perquisites can range from personal use of corporate aircraft, yacht expenses, commitments to pay an executive's excise taxes ("gross-up's"), financial planning to manage an executive's compensation and personal investments, home security details and devices, charitable donations in the executive's name, cosmetic surgery, and more.

In 2006, the Securities and Exchange issued stricter guidance requiring disclosure of all aspects of executive compensation, including perquisites if aggregates exceed $10,000 annually. Companies that do not comply face the risk of regulatory fines.[7] As a result of greater transparency and investor scrutiny, numerous previously widespread perquisites have subsided in the U.S. market. For example, gross-up provisions declined from 58% of CEO's being eligible for such perks in 2008 down to 17% by 2013.[8]

Impact on Proxy Voting: In the U.S. and select non-U.S. markets, LACERA may cast a vote on executive compensation practices (commonly called "say-on-pay"). The proposed language will guide assessment of pay plans and practices and may prompt votes against pay proposals, such as particularly egregious or excessive perks.

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[7] See for example Securities and Exchange Commission. January 18, 2017. "Company Settles Charges Over Undisclosed Perks and Improper use of Non-GAAP Measures." https://www.sec.gov/news/pressrelease/2017-21.html, in which MDC Partners paid $1.5 million fine for undisclosed CEO perks; and Securities and Exchange Commission. July 2, 2018. "Dow Chemical Agrees to $1.75 Million Penalty and Independent Consultant for Failing to Disclose Perquisites." Administrative Proceeding File No. 3-18570. https://www.sec.gov/enforce/34-83581-s.

[8] David Schmidt, James Reda, and Kimberly Glass. "Executive Severance Arrangements: How and Why They Are Changing." Journal of Compensation and Benefits. July/August 2015.

5. Non-GAAP financial reporting

Recommendation: Incorporate guidance to address non-GAAP reporting (§IV[A], p. 20 in redline):

> **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.

Rationale: Companies appear to be using more financial metrics that do not conform to established accounting standards, such as U.S. Generally-Accepted Accounting Principles (GAAP) or the International Financial Reporting Standards (IFRS) in non-U.S. markets. For example, in 2014, 334 S&P 500 companies reported non-GAAP earnings, compared to 232 in 2009.[9] Such growth in non-standardized financial reporting has prompted regulatory and investor scrutiny.[10]

Non-GAAP metrics may provide useful, supplemental insight into how management views corporate performance; however, investors may be concerned when non-GAAP measures are given greater prominence, employ questionable exclusions (such as stock option expenses), lack or are inconsistent in their definitions, or generally obscure an assessment of a firm's overall financial performance either over time or compared to peers.[11] The Securities and Exchange Commission issued Regulation G in 2002, as required by the Sarbanes-Oxley Act, to provide guidance for non-GAAP reporting, including requiring reconciliation to GAAP figures and ensuring primary prominence be placed on GAAP measures.[12]

Impact on Proxy Voting: Minimal. May be applied to annual financial report review and when financial metrics in executive compensation are adjusted with little or no explanation.

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[9] Jack T. Ciesielski. "Where It Lives in the S&P 500: The Non-GAAP Earnings Epidemic, Part 1." The Analysts' Accounting Observer. August 28, 2015.

[10] More than 40% of companies that used non-GAAP metrics in their IPO prospectuses in 2014 received SEC comment letters addressing the issue, and 25% of those companies received further commentary subsequent SEC filings. National Association for Corporate Directors. "Audit Committee Oversight of Non-GAAP Financial Measures." 2016.

[11] CFA Institute. "Investor Uses, Expectations, and Concerns on Non-GAAP Financial Measures." CFA Institute: September 2016.

[12] Securities and Exchange Commission. Final Rule: Conditions for Use of Non-GAAP Financial Measures." 17 CFR Parts 228, 229, 244 and 249. https://www.sec.gov/rules/final/33-8176.htm. Additional information available at SEC. "Non-GAAP Measures: Questions and Answers of General Applicability." April 4, 2018. https://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm.

6. Workplace harassment

Recommendation: Incorporate workplace harassment into expectations for effective human capital management. Proposed language in §V(A)1 (page 23) in red underline:

> **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.

Rationale: LACERA *Principles* expect firms to effectively manage their human capital. LACERA's language explicitly states that equal employment opportunity is a core dimension of effective human capital management.

The Equal Employment Opportunities Commission defines equal employment opportunity to include prohibitions on harassment of an employee "because of race, color, sex (including gender identity, sexual orientation, and pregnancy), national origin, age (40 or over), disability or genetic information."[13] As such, the current *Principles* language can be broadly understood to address sexual harassment in the workplace, including high-profile incidents prompting executive turnover at CBS and Wynn Resorts, scrutiny into toxic workplace environments at Nike and Under Armour, and employee sentiment following non-disclosure settlements and severance packages at Google.

That said, staff would like to ensure clarity that productive human capital management encompasses promoting workplaces free of harassment in any form (be it sexual, racial, age, or otherwise). Accordingly, staff is recommending a modest revision. The language supports sound governance and prudent risk oversight of harassment-related risks that may present a range of reputational, legal, and operational risks.[14]

Impact on Proxy Voting: Minimal. The proposed language supports LACERA's assessment of effective board oversight at companies, such as Wynn, where board members' inaction contributed to select votes against incumbent directors in 2017. Shareholder resolutions do not typically address workplace harassment policies. The SEC has defined a limited number of topics which it permits companies to exclude from shareholder resolutions listed in corporate proxy statements. The SEC has historically considered workplace issues to be "ordinary business operations," which is one of the SEC's permitted exclusions.[15]

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[13] U.S. Equal Employment Opportunity Commission. *Prohibited Employment Policies/Practices.* https://www.eeoc.gov/laws/practices/index.cfm.

[14] Cleary Gottlieb. *Bringing The #MeToo Movement Into The Board Room.* Cleary M&A and Corporate Governance Watch. February 27, 2018. https://www.clearymawatch.com/2018/02/bringing-metoo-movement-board-room/.

[15] Securities and Exchange Act of 1934. *17 CFR § 240.14a-8 – Shareholder Proposals.* https://www.law.cornell.edu/cfr/text/17/240.14a-8.

Attachment 3
[Clean Version]

LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Corporate Governance Principles

[Date TBD]

Corporate Governance Principles

Table of Contents

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 its *Investment Beliefs* and in consideration of actuarial analysis.

LACERA
Mission Statement:

We Produce, Protect, and Provide the Promised Benefits

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.

Statement of Purpose

The fundamental objective of LACERA's *Corporate Governance Principles* is to safeguard and promote the economic interests of the trust. LACERA believes that strong corporate governance practices and policies at the firms in which it invests help generate long-term economic performance.

The *Corporate Governance Principles* identify LACERA's fundamental principles of corporate governance. They are intended to advance LACERA's *Investment Beliefs* by articulating LACERA's view on sound governance and guiding LACERA's proxy votes at public companies. In advocating practices in line with these *Corporate Governance Principles*, LACERA aims to maximize the long-term value of plan holdings.

The *Corporate Governance Principles* are organized into five sections. Each section addresses common corporate governance and proxy voting issues. 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 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 the accountability of a firm's board of directors to the investors who provide the firm with capital. Accountability helps to ensure that a firm is managed in the best interests of its 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 incentive practices should align the interests of senior executives with those of investors.
>
> **Transparency**: Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm's business and financial activities.
>
> **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 Principles* and their application. 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 recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of corporate boards to direct and manage the firm. 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 Principles* in a universal and consistent manner, while observing and taking into consideration — as applicable and appropriate — local laws, regulations, and customs.

The procedures by which LACERA applies and promotes the *Corporate Governance Principles,* including executing proxy votes, engaging policymakers and portfolio companies, and collaborating with other institutional investors when it shares common objectives (such as actively participating in investor associations), are described in LACERA's *Corporate Governance Policy.*

Principles

I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management. LACERA relies upon the directors it elects 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, including, but not limited to, diverse gender, racial, and ethnic backgrounds. 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, including, but not limited to, gender diversity.

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.[1]

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.

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

[1] 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.

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. **Director 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 oversight is broadly understood to encompass financial risk, reputational risk, and operational risk, including, but not limited to, internal controls related to legal compliance, cyber security, and data privacy.

   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. **Golden 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.

Document History

Consolidated, reorganized, and adopted by the Board of Investments on February 14, 2018.
Revisions adopted by the Board of Investments on August 9, 2017.
Reviewed by the Board of Investments on October 12, 2016.
Reviewed by the Board of Investments on November 19, 2014.
Revisions adopted by the Board of Investments on April 10, 2013.
Revisions adopted by the Board of Investments on April 22, 2009.
Revisions adopted by the Board of Investments on April 27, 2005.
Revisions adopted by the Board of Investments on May 26, 2004.
Revisions adopted by the Board of Investments on August 13, 2003.
Revisions adopted by the Board of Investments on June 11, 2003.
Original adopted by the Board of Investments on March 12, 2003.

Attachment 4
[REDLINED VERSION]

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION LACERA

Corporate Governance Principles

~~February 2018~~[Date TBD]

Corporate Governance 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 its *Investment Beliefs* and in consideration of actuarial analysis.

LACERA
Mission Statement:

We Produce, Protect, and Provide the Promised Benefits

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.

Statement of Purpose

The fundamental objective of LACERA's *Corporate Governance Principles* is to safeguard and promote the economic interests of the trust. LACERA believes that strong corporate governance practices and policies at the firms in which it invests help generate long-term economic performance.

The *Corporate Governance Principles* identify LACERA's fundamental principles of corporate governance. They are intended to advance LACERA's *Investment Beliefs* by articulating LACERA's view on sound governance and guiding LACERA's proxy votes at public companies. In advocating practices in line with these *Corporate Governance Principles*, LACERA aims to maximize the long-term value of plan holdings.

The *Corporate Governance Principles* are organized into five sections. Each section addresses common corporate governance and proxy voting issues. 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 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 the accountability of a firm's board of directors to the investors who provide the firm with capital. Accountability helps to ensure that a firm is managed in the best interests of its 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 incentive practices should align the interests of senior executives with those of investors.
>
> **Transparency**: Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm's business and financial activities.
>
> **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 Principles* and their application. 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 recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of corporate boards to direct and manage the firm. 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 Principles* in a universal and consistent manner, while observing and taking into consideration — as applicable and appropriate — local laws, regulations, and customs.

The procedures by which LACERA applies and promotes the *Corporate Governance Principles,* including executing proxy votes, engaging policymakers and portfolio companies, and collaborating with other institutional investors when it shares common objectives (such as actively participating in investor associations), are described in LACERA's *Corporate Governance Policy.*

Principles

I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management. LACERA relies upon the directors it elects 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.

   ~~**Diversity:**~~ 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, including, but not limited to, diverse gender, racial, and ethnic backgrounds. 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, including, but not limited to, gender diversity.

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.[1]

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.

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

[1] 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.

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. **Director 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 oversight is broadly understood to encompass financial risk, reputational risk, and operational risk, including, but not limited to, internal controls related to legal compliance, cyber security, and data privacy.

   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. **Golden 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, ~~T~~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.

Document History

Consolidated, reorganized, and adopted by the Board of Investments on February 14, 2018.
Revisions adopted by the Board of Investments on August 9, 2017.
Reviewed by the Board of Investments on October 12, 2016.
Reviewed by the Board of Investments on November 19, 2014.
Revisions adopted by the Board of Investments on April 10, 2013.
Revisions adopted by the Board of Investments on April 22, 2009.
Revisions adopted by the Board of Investments on April 27, 2005.
Revisions adopted by the Board of Investments on May 26, 2004.
Revisions adopted by the Board of Investments on August 13, 2003.
Revisions adopted by the Board of Investments on June 11, 2003.
Original adopted by the Board of Investments on March 12, 2003.

February 14, 2019

TO: Each Member
Board of Investments

FROM: Corporate Governance Committee

Scott Zdrazil
Senior Investment Officer

Dale Johnson
Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **INTERNATIONAL CORPORATE GOVERNANCE NETWORK GLOBAL STEWARDSHIP PRINCIPLES**

RECOMMENDATION

Endorse the International Corporate Governance Network's Global Stewardship Principles.

BACKGROUND

On February 13, 2019, the Corporate Governance Committee ("Committee") unanimously recommended the advancement of a formal endorsement of the International Corporate Governance Network ("ICGN") Global Stewardship Principles to the Board of Investments ("Board") for approval. Attached are staff's memo and presentation to the Committee (**Appendix**).

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 provided positive feedback for endorsing the ICGN Global Stewardship Principles. Committee members noted LACERA's longstanding membership with ICGN, observed that LACERA's current policies and practices are already significantly aligned with the Global Stewardship Principles, and expressed comfort with being publicly affiliated with them.

The Committee asked staff if there are principles sponsored by other organizations where LACERA is a member. Staff commented that the Asian Corporate Governance Association does not have formal principles that can be endorsed. Although the Council of Institutional Investors does not have formal "stewardship principles," it does maintain "corporate governance principles," as voted and approved by Council members, and that LACERA's own *Corporate Governance Principles* are closely aligned with the Council's policies. LACERA is also a signatory to the United Nations-affiliated Principles for Responsible Investment and completes an annual assessment measuring LACERA's adherence to the PRI, as presented to the October 2018 Committee meeting for review and discussion.

The Committee inquired how compliance with the ICGN Global Stewardship Principles is monitored. Staff noted that adherence is voluntary, aspirational, and self-monitored by endorsing funds. Should LACERA formally endorse the Stewardship Principles, LACERA may integrate monitoring its adherence into the course of its regular review of its corporate governance initiatives and other fund activities.

The Committee moved to recommend a formal endorsement of the ICGN Global Stewardship Principles to the Board of Investments for approval.

RISKS OF ACTION AND INACTION

If the Board approves the recommendation to formally endorse the ICGN Global Stewardship Principles, LACERA would be listed as an endorsing organization on ICGN's website. In addition, LACERA may publicly reference its endorsement of the ICGN Global Stewardship Principles in LACERA's public materials. LACERA may also incorporate self-monitoring of how it adheres to the ICGN Global Stewardship Principles into the course of its periodic reviews of LACERA's corporate governance initiatives and other activities.

ICGN may, from time to time, review the Global Stewardship Principles and revise their content. As an ICGN member, LACERA will have the opportunity for feedback and input into such reviews. LACERA may determine, at any time, to no longer endorse the Global Stewardship Principles if it considers that it no longer wishes to be publicly affiliated with them.

If the Board does not approve the recommendation, there will be no impact to LACERA's corporate governance program or initiatives.

CONCLUSION

The Committee supports advancing the recommendation to the Board for its approval.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

LACERA

January 18, 2019

TO: Each Member
Corporate Governance Committee

FROM: Scott Zdrazil
Senior Investment Officer – Corporate Governance

Dale Johnson
Investment Officer

FOR: February 13, 2019 Corporate Governance Committee Meeting

SUBJECT: **International Corporate Governance Network Global Stewardship Principles**

RECOMMENDATION

That the Committee advance a formal endorsement of the International Corporate Governance Network (ICGN) Global Stewardship Principles to the Board of Investments for approval.

EXECUTIVE SUMMARY

Staff is presenting the option for LACERA to formally endorse the International Corporate Governance Network Global Stewardship Principles ("Stewardship Principles"), consistent with LACERA's *Corporate Governance Principles* and in adherence to LACERA's *Corporate Governance Policy*. In recent years, local regulators and investor-led initiatives have established country-specific stewardship codes in a wide number of local markets to address responsible investment standards and related reporting mechanisms. The ICGN, of which LACERA is a member, established the Stewardship Principles to provide a globally-applicable foundation for investment stewardship relevant to all markets. Staff is presenting information regarding the ICGN Global Stewardship Principles following Board member inquiry in 2018 and considers the Stewardship Principles to be a sound global framework, organized by an association to which LACERA is formally affiliated, and consistent with LACERA policies and practices.

BACKGROUND

The International Corporate Governance Network is an investor-driven organization focused on promoting effective corporate governance standards and stewardship to foster capital market efficiency and sustainable economies across the globe. ICGN furthers this objective by influencing policy, connecting peers, and informing debate.

As presented in the attached materials (**ATTACHMENT 1**), the Stewardship Principles define seven principles for effective stewardship and guidance for implementation of each (**ATTACHMENT 2**). The Stewardship Principles are intended to apply to asset owners and asset managers in the oversight of the companies in which they invest. The ICGN does not track compliance with the Stewardship Principles; it is the responsibility of asset owners and asset managers endorsing the Stewardship Principles to monitor their individual compliance. To date, over 40 investors have endorsed the Stewardship Principles. More information is available here: https://www.icgn.org/policy/icgn-global-stewardship-principles-endorsers.

Staff believes that endorsing the Stewardship Principles is consistent with and supports LACERA's *Corporate Governance Policy* and LACERA's *Corporate Governance Principles*.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Attachment 1

International Corporate Governance Network Global Stewardship Principles

Corporate Governance Committee

February 13, 2019

Scott Zdrazil, Senior Investment Officer
Dale Johnson, Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Outline of Discussion

I. What Does “Stewardship” Refer to?

II. What Are Stewardship Codes

III. Alignment of Stewardship Principles with LACERA Practice

IV. Observations for Committee Discussion

Defining Stewardship: What does it mean?

"Stewardship is about preserving and enhancing long-term value as part of a responsible investment approach"

- International Corporate Governance Network (ICGN)

Broadly-framed, stewardship is the concept of how asset owners, such as LACERA, and asset managers, "steward" assets to protect and promote capital throughout the investment chain with the aim of increasing risk-adjusted returns. Examples include:

- ✓ Monitor investments and portfolio companies, i.e. understand underlying exposures;
- ✓ Procedures to navigate potential conflicts of interest (e.g. asset managers act in clients' interests);
- ✓ Encourage good practice through proxy voting and engagement with companies and policymakers;
- ✓ Ensure internal oversight and governance of stewardship activities;
- ✓ Integrate ESG considerations into investments;
- ✓ Be transparent about stewardship work.

Development of Stewardship "Codes"

20 local markets around the world have developed national-level codes defining "best practice" and principles of stewardship:

- ➢ EU Directive (2011) encouraging local EU member markets to develop their own regulatory models
- ➢ UK Stewardship Code (2012) urging investors to describe how their practices align with the code
- ➢ Japan Stewardship Code (2014) designed to enhance capital efficiency, encourage investor-company engagement, and facilitate reinvestment in stagnated financial market

Notably:

- Generally voluntary "codes" with self-reported compliance
- Either introduced by regulators or investor-led
- Each governed by different bodies with revisions announced periodically

See ICGN for links to "codes"
https://www.icgn.org/policy/global-stewardship-codes-network

ICGN Global Stewardship Principles

The International Corporate Governance Network Global Stewardship Principles outline seven key practices for effective stewardship. They are designed to be:

- ✓ Broad-based
- ✓ Voluntary
- ✓ Aspirational
- ✓ Flexible for local market and individual investor practices

They are intended for several potential applications:

- ✓ A guide for local market policy makers
- ✓ A broad framework for policies developed by investors
- ✓ Encouraging and improving dialogue with companies

41 endorsers, including:

- ❖ Aberdeen Standard Investments
- ❖ Alliance Bernstein
- ❖ AP1, AP2, AP3
- ❖ Aviva Investors
- ❖ AXA Investment Managers
- ❖ BlackRock
- ❖ BNP Paribas Asset Management
- ❖ CalPERS
- ❖ CalSTRS
- ❖ Cartica Management, LLC
- ❖ Deutsche Asset Management
- ❖ Hermes Investment Management
- ❖ J.P. Morgan Asset Management
- ❖ Legal & General Investment Management
- ❖ Nordea Funds
- ❖ Ontario Teachers' Pension Plan
- ❖ Robeco
- ❖ Schroders
- ❖ State Board of Administration of Florida
- ❖ UBS Asset Management

Alignment of ICGN Principles and LACERA

LACERA's policies and practices generally correspond to the ICGN Global Stewardship Principles

ICGN Global Stewardship Principles	Examples of LACERA's Practices
1. Internal governance: foundations of effective stewardship	✓ Board of Investments exercises oversight ✓ Established formal Corporate Governance Committee ✓ Internal controls with CIO and Chief Counsel oversight
2. Developing and implementing stewardship policies	✓ CG Policy outlines core stewardship activities in describing governance work, such as: proxy voting, corporate engagement, public policy advocacy, investor collaboration, and reporting
3. Monitoring and assessing investee companies	✓ Manager monitoring ✓ Portfolio analytics
4. Engaging companies and investor collaboration	✓ Public policy advocacy (e.g. via Council of Institutional Investors, SEC letters) ✓ Corporate engagement (e.g. California Board Diversity Initiative, Climate Action 100+)
5. Exercising voting rights	✓ Vote proxies with view toward long-term, sustainable value ✓ Custom voting policy reflects LACERA's expectations ✓ Voting approximately 60% of public equity assets with plans to assume additional 30% by end of 2019
6. Promoting long-term value creation and integration of environmental, social, and governance (ESG) factors	✓ LACERA's Investment Beliefs ✓ Assess all public markets managers on ESG integration ✓ Expanding to private markets with current survey of private equity managers
7. Enhancing transparency, disclosure and reporting	✓ Corporate Governance section of LACERA.com ✓ PRI Assessment Report ✓ Public Board and Committee materials

Observations for Committee Consideration

LACERA has the option to endorse the ICGN Global Stewardship Principles

1. Endorse one set of "global" principles rather than market by market
2. No cost to LACERA
3. ICGN reserves the right to revise the principles – LACERA may have input as member of ICGN
4. Aligns with LACERA's *Corporate Governance Policy*'s four core program strategies (proxy voting, corporate engagement, public policy, investor collaboration) to collectively promote LACERA's *Corporate Governance Principles*

Attachment 2

ICGN
International Corporate Governance Network

ICGN Global Stewardship Principles

Influence • Connect • Inform

Published by the International Corporate Governance Network 2016.

British Library Cataloguing in Publication Data

ISBN 978-1-907387-18-0

ICGN Global Stewardship Principles

Preamble

The ICGN Global Stewardship Principles set out ICGN's view of best practices in relation to investor stewardship obligations, policies and processes. These Principles provide a framework to implement stewardship practices in fulfilling an investor's fiduciary obligations to beneficiaries or clients.

Stewardship can be defined in general terms as the responsible management of something entrusted to one's care. This suggests a fiduciary duty of care on the part of those agents entrusted with management responsibility to act on behalf of the end beneficiaries. In an investment context institutional investors are the agents acting on behalf of beneficiaries, who are often long-term savers or members of pension funds.

At an individual company level stewardship helps to promote high standards of corporate governance which contributes to sustainable value creation, thereby increasing the long-term risk adjusted rate of return to investors and their beneficiaries or clients. At an investor level, stewardship is about preserving and enhancing long-term value as part of a responsible investment approach. This includes the consideration of wider ethical, environmental and social factors as core components of fiduciary duty. In a broader context, stewardship enhances overall financial market stability and economic growth.

A cornerstone of ICGN's policy programme relates to investor responsibilities and making effective stewardship a reality. The ICGN Global Stewardship Principles draw from ICGN's policy work in this area over the last twenty years. These Principles replace the ICGN Statement of Principles for Institutional Investor Responsibilities (2013), which date back to 2003. These new Global Stewardship Principles incorporate this earlier guidance and recommendations, while adding new principles and guidance in keeping with changes in market practice and regulation. In particular, there is now a principle dedicated to promoting long-term value creation and the integration of environmental, social and governance (ESG) factors into investment decision-making.

The ICGN Global Stewardship Principles also draw on the ICGN Model Mandate, published in 2012, which outlines model contract language for investment management agreements between asset owners and asset managers to integrate core stewardship practices into the asset management process. Included in the scope of the Model Mandate are sections on systemic responsibility, long-termism and integrating ESG factors into investment analysis and decision-making.

The more recent publication of the ICGN Global Governance Principles builds further on the responsibilities of institutional investors, and focuses on the internal governance arrangements of investors which sit alongside an investee company's responsibility to maintain good corporate governance practices. Drawing from these policy foundations, ICGN has made contributions to consultations about stewardship code developments in a number of jurisdictions. Such codes are publicly available on the ICGN website.

The standards set out here are intended to apply, with appropriate flexibility, to all investment styles and approaches. They are aspirational standards that ICGN encourages Members and their peers to adhere to as appropriate to their circumstances. The application of the Global Stewardship Principles should be governed and monitored by market forces in the spirit of promoting good corporate governance, investor stewardship and the sustainable success of companies. While ICGN encourages asset managers and asset owners to make constructive use of the Principles, ICGN does not currently intend to monitor statements of compliance. Monitoring of the asset manager's compliance to the Principles should be undertaken in the first instance by the asset owner to ensure that the asset manager is robust in its approach to supporting the Principles. Monitoring of the asset owner's governing body adherence to the Principles should in turn be undertaken by the asset owner's to ensure that the asset owner is taking the necessary steps to conform to the Principles on behalf of the asset owner's end beneficiaries.

The ICGN Global Stewardship Principles offer a basic framework of key stewardship responsibilities, and is drafted with a view towards application in either developed or developing countries. The Principles offer several possible applications, including:

- Serving as an international framework for global stewardship policies developed by investors seeking to signal their approach to stewardship, either when investing in markets without codes or when they invest in multiple markets with differing codes. This enables investors with international portfolios to efficiently communicate fundamental stewardship standards in a global context. The ICGN Global Stewardship Principles serve as a single source of international reference for both investors and companies on what stewardship entails and how to implement it in practical terms. It also provides a useful benchmark for investors when periodically reviewing and refreshing their in-house stewardship policies.

- Enhancing dialogue between companies and investors by complementing Corporate Governance Codes applied in a 'comply or explain' context. In the event that company explanations are inadequate, it is the role of investors to use ownership rights to challenge companies when necessary. Without the active monitoring of explanations by investors, a "comply or explain" system would lack an ultimate means of enforcement or influence. A stewardship code therefore plays a critical role in providing a market-based system for investors to hold companies to account for their corporate governance practices.

- Serving as a point of reference for regulators and standard setters seeking to establish their own stewardship codes by providing an overarching model of stewardship which has been developed from international experience that can be adapted to the individual situations of countries or regions. As a global point of reference the ICGN Global Stewardship Principles can be a useful source of latest innovation both for stewardship codes under formation, and also as existing codes come up for periodic review. The ICGN Global Stewardship Principles are therefore intended to complement (and not supersede) national or regional codes which reflect domestic realities, laws and governance standards. If there is a difference or conflict between the ICGN Global Stewardship Principles and the local code, it is ICGN's expectation that the investor in the local market should first adhere to standards of stewardship articulated in the domestic stewardship code.

The ICGN Global Stewardship Principles have been developed following a peer review and consultation with ICGN Members and were ratified at the 2016 ICGN Annual General Meeting in San Francisco, USA. As such ICGN hopes to encourage a robust commitment by all market participants to continuously refresh and contribute to the evolution of defining good stewardship policies and practices. It is in this spirit that ICGN will ensure that the Principles remain relevant and fit for purpose over time, which will call for periodic reviews and updates of the Principles themselves.

The seven high-level principles that comprise the ICGN Global Stewardship Principles are summarised in Part One. For each of these principles, ICGN provides guidance on how they can be implemented in practice; this is presented in Part Two. The final part of this document outlines the ecosystem of stewardship and the pre-conditions for effective adoption within the context of a 'comply or explain' system of corporate governance oversight.

The ICGN Global Stewardship Principles are supplemented by ICGN Guidance on a range of governance themes which are published from time to time to elaborate on key concepts. All ICGN Principles and Guidance are publicly available on the ICGN website along with previous versions.

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Principle 7: Investors should publicly disclose their stewardship policies and activities and report to beneficiaries or clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.

Part 2: Guidance

1. Internal governance: foundations of effective stewardship

Principle 1: Investors should keep under review their own governance practices to ensure consistency with the aims of national requirements and the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries or clients.

1.1 Time horizons for delivering value

Investors should recognise that a primary responsibility is to preserve and enhance value which is aligned in the interest of beneficiaries or clients over an appropriate time horizon, which in most cases requires a long-term perspective.

1.2 Independent oversight

Investors should be overseen by governance structures that act independently and without bias to advance beneficiary or client interests. This may involve the need to separate or ring-fence investment activities for clients from the investor's own commercial pressures. Such governance structures should be subject to periodic independent review as consistent with good corporate governance practice. This includes the conduct of regular internal evaluations and periodic third-party led evaluations, to ensure they meet expectations of accountability and effectiveness. The way in which individuals are appointed to serve on the governing body should be disclosed.

1.3 Ethics and conduct

Investors should have in place a code of ethics or conduct that guides investment and fiduciary activities on behalf of their beneficiaries or clients. The investor's board or trustees are ultimately accountable for the investor's stewardship activities, and they should provide the proper tone and support for meaningful execution of stewardship duties.

1.4 Capacity and experience

Investors should have appropriate capacity and experience to effectively oversee and manage their stewardship obligations (particularly in terms of monitoring, voting and engagement) in the interests of beneficiaries or clients. This includes devoting time and training to decision-makers along all parts of the investment chain, particularly co-ordinating with fund managers, to exercising stewardship and fiduciary duties. It can also include, delegating to governance specialists to guide governance policies and voting.

1.5 Investment chain

Investors should consider their position in the chain of responsibility for stewardship matters and be prepared to call to account other agents in the investment chain, including custodians and service providers, to preserve or enhance value on behalf of beneficiaries or clients.

1.6 Conflicts of interest

Investors should have robust policies to minimise or avoid conflicts of interest and such policies should address how matters are handled when the interests of clients or beneficiaries diverge from each other. Investors should rigorously review their investment activities and their client interests to identify and appropriately manage real or potential conflicts of interest.
Examples of conflicts might include situations in which an investor in a company also provides financial products and services to the same company. Such conflicts of interest should be disclosed, along with the remedies to mitigate them. Comprehensive compliance capabilities should help in minimizing conflicts and ensuring investors have effective policies to deal with issues, including insider information and market manipulation.

1.7 Appropriate remuneration

Investors should reinforce their obligations to act fully in the interests of beneficiaries or clients by setting fee and remuneration structures that provide appropriate alignment over relevant time horizons. Investors should disclose to their beneficiaries or clients an explanation of how their remuneration structures and performance horizons for individual staff members advance alignment with the interests of beneficiaries or clients.

2. Developing and implementing stewardship policies

Principle 2: Investors should commit to developing and implementing stewardship policies which outline the scope of their responsible investment practices.

2.1 Developing policies

Investors should develop stewardship policies which address the components of relevant national stewardship code requirements (if one exists) and the ICGN Global Stewardship Principles (as appropriate). Such policies should address the scope of assets held in an investment portfolios including, but not limited to, listed equities and debt obligations.

2.2 Periodic review

Investors should periodically review stewardship policies which should be endorsed at the highest level of the investor's management and governance structure. This provides an accountability mechanism to ensure that the investor is taking the necessary steps to conform to recommended principles and guidance on behalf of their beneficiaries or clients.

2.3 Delegation

Asset owners cannot delegate their fiduciary responsibilities, and where they are unable to exercise stewardship over investee companies directly, they should ensure that their asset managers are undertaking these activities on their behalf through contracts or by other means.

2.4 Investment contracts

Asset owners should clearly incorporate their expectations regarding stewardship practices in the awarding of investment management agreements and in selecting asset managers to ensure that the responsibilities of share ownership are appropriately and fully delivered in the interests of their beneficiaries.

2.5 Stewardship oversight

Asset owners should effectively oversee and monitor asset manager stewardship activities and their consistency with the asset owner's investment beliefs, policies and guidelines. Asset owners with passive or index-linked strategies should take into account the stewardship capabilities of the asset manager, particularly given the often large number of holdings in institutional indexed portfolios.

3. Monitoring and assessing investee companies

Principle 3: Investors should exercise diligence in monitoring companies held in investment portfolios and in assessing new companies for investment.

3.1 Regular monitoring

Investors should regularly monitor investee companies in order to assess their individual circumstances, performance and long-term potential. Company monitoring should be integrated with the investor's engagement programme, particularly to help identify situations where there is value in intervening to encourage change.

3.2 Risk analysis

Investors should develop methods or risk-based tools to identify and prioritise portfolio companies for further analysis and engagement, which can include environmental, social and governance issues. This is particularly important for asset owners and managers with passively run portfolios, where the number of companies held in portfolios may be large.

3.3 Comprehensive factors

Investors should be clear about what standards they are applying and how they monitor investee companies. Monitoring companies encompasses a wide range of factors including:

a) the company's business model, strategy and ongoing performance, as well as developments within and external to the company that might affect its value and the risks it faces;

b) the company's approach to environmental and social matters that may influence its sustainable long-term success;

c) the effectiveness of the company's governance and leadership; and

d) the quality of the company's reporting.

3.4 Corporate governance

Investors should develop an understanding of the company's corporate governance practices and consider the quality of company reporting against relevant national or international codes. They should also understand the specific circumstances of the investee company, taking into account the legal environment, cultural norms and ownership characteristics.

3.5 Reasoned judgements

Investors should carefully assess the quality of explanations given for any deviations from relevant corporate governance codes that a company may report from a "comply or explain" perspective, and be prepared to engage with companies regarding their reasoned judgements.

3.6 Periodic review

Investors should periodically review and measure the effectiveness of their monitoring activities and communicate the results to beneficiaries or clients.

4. Engaging companies and investor collaboration

Principle 4: Investors should engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients and should be prepared to collaborate with other investors to communicate areas of concern.

4.1 Strategic approach

Investors should develop their own risk-based approaches to select individual companies for engagement in alignment with the overall investment strategy. The spectrum of engagement activities may vary, depending on the nature of the investment or the size of shareholding, and this will affect the appropriateness of the engagement approach taken with investee companies. Pressures on investor resources for engagement call for due weight to be placed on quality, evidence based engagement focusing on clear outcomes.

4.2 Engagement policies

Investors should establish clear policies outlining their approach to the engagement process which should be communicated to companies as part of a framework for company dialogue. Part of this policy should address how engagement might be escalated in the event any concerns are unresolved.

4.3 Engagement escalation

Investors should clarify how engagement might be escalated when company dialogue is failing including:

a) expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholders' meeting;

b) expressing their concern collectively with other investors;

c) making a public statement;

d) submitting shareholder resolutions;

e) speaking at general meetings;

f) submitting one or more nominations for election to the board as appropriate and convening a shareholders' meeting;

g) seeking governance improvements and/or damages through legal remedies or arbitration; and

h) exit or threat to exit from the investment as a last resort.

Note that many of the engagement tactics noted above, shareholder nominations to the board for example, are also relevant in normal engagement situations when escalation is not required.

4.4 Integrated approach

Investors, from both corporate governance teams and portfolio management, should seek to engage not only with company executive management, but also with board directors. In the case of controlled companies, investor engagement may also extend to meeting with controlling shareholders.

4.5 Investor collaboration

Investors should be open to collaborating with other investors (both domestic and overseas investors) to leverage the voice of minority investors and exert influence, where required, with investee companies. Investors should respect individual market regulations relating to acting in concert and market manipulation, and be prepared to form or join investor associations to promote collective engagement.

4.6 Public policy

Where relevant, investors should engage with policy makers on issues that affect responsible investment and corporate governance. Organisations like ICGN and national investor membership organisations can be useful to help encourage public policy changes.

5. Exercising voting rights

Principle 5: Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across their entire portfolio in the interests of beneficiaries or clients.

5.1 Voting policies

Investors should develop and publicly disclose clear voting policies, including how potential conflicts of interest are addressed in the exercise of voting rights. Where an investor chooses not to vote in specific circumstances, for example where holdings are below a certain threshold, this should be disclosed.

5.2 Decision-making

Investors should be prepared to abstain or vote against management resolutions if such resolutions are regarded as inconsistent with good corporate governance practices. In doing so, investors should seek to explain to companies the reasons underlying their voting decisions, preferably before the shareholders' meeting.

5.3 Voting records

Investors should regularly disclose their actual voting records publicly on their website as well as directly to clients. Voting records should indicate whether resolutions were cast for, against or abstained.

5.4 Vote confirmation

Investors should include voting activity in client and beneficiary reporting and, where possible, seek to confirm from companies whether or not such voting instructions have been received and formally counted.

5.5 Voting services

Investors should disclose the extent to which they use proxy research and voting services, including the identity of the provider and the degree to which any recommendations are followed. Use of a proxy voting advisor is not a substitute for the investor's own responsibility to ensure that votes are cast in an informed and responsible manner. Investors should clearly specify how they wish votes to be cast and should ensure that such votes are cast in a manner consistent with their own voting policies.

5.6 Stock lending

Investors should disclose their approach to stock lending and voting in a clear policy which should clarify the types of circumstances where shares would be recalled to vote and how stock lending of individual shares may have affected voting activity. In order to preserve the integrity of the shareholders' meeting, shares should not be borrowed or lent for the primary purpose of voting them.

6. Promoting long-term value creation and integration of environmental, social and governance (ESG) factors

Principle 6: Investors should promote the long-term performance and sustainable success of companies and should integrate material environmental, social and governance (ESG) factors in stewardship activities.

6.1 Long-term focus

Investors should understand the objectives and timeframes of their clients and beneficiaries and should promote a company's long-term success and sustainable value creation over short-term considerations. This long-term perspective is particularly relevant for pension funds and other long-term savings or retirement funds.

6.2 Awareness and understanding

Investors should build awareness of factors that may affect a company's long-term prospects which includes an understanding of the investee company's business model and strategy and how ESG factors may influence risks and opportunities affecting a company's long-term performance and sustainable value.

6.3 Systemic threats

Investors should build awareness of long-term systemic threats, including ESG factors, relating to overall economic development, financial market quality and stability and should prioritise the mitigation of system-level risk and respect for basic norms (e.g. anti-corruption, human rights) over short-term value.

6.4 ESG integration

Investors should consider ways to analyse, monitor, assess and integrate ESG related risks and opportunities as part of their approach to stewardship and in particular in their monitoring, voting and engagement practices.

6.5 Integrated reporting

Investors should encourage integrated reporting by companies to link ESG and other qualitative factors more clearly with company strategy and operations, and ultimately long-term value creation. If a company's ESG disclosures are insufficient to allow for investors to gain an appropriate understanding of a company's sustainability-related risks, investors should encourage more robust ESG reporting.

7. Enhancing transparency, disclosure and reporting

Principle 7: Investors should publicly disclose their stewardship policies and activities and report to beneficiaries and clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.

7.1 Signifying commitment

Investors should signify their commitment to stewardship by becoming a signatory to a relevant national code (if one exists) while also taking into consideration appropriate recommendations in the ICGN Global Stewardship Principles.

7.2 Meaningful disclosure

Investors should publicly disclose their stewardship policies, preferably on their website and, in a 'comply or explain' context, should provide meaningful explanations regarding aspects of the stewardship code that the investor does not comply with.

7.3 Periodic review

Investors should annually review their public disclosure regarding stewardship, and review activities with respect to the national stewardship codes, while also having regard to the ICGN Global Stewardship Principles.

7.4 Maintaining records

Investors should maintain records of meetings, voting and engagement to document summaries of stewardship activities for the benefit of their beneficiaries or clients.

7.5 Accountability

Investors should disclose to their beneficiaries or clients their key internal governance arrangements in order to be held effectively accountable for exercising stewardship duties on their behalf.

7.6 Client reporting

Investors should provide regular and appropriate reports to clients, which may be more detailed than public disclosure, regarding stewardship activities and performance. Such reports should include their major stewardship priorities and forward-looking engagement strategy.

7.7 Assurance

Investors should recognise that external assurance of stewardship code activities is encouraged as good practice.

Part 3: Ecosystem of stewardship

Applied in an investment and capital markets context, institutional investors are the agents, or stewards, on behalf of assets owned by the end beneficiaries of stewardship. These beneficiaries include individual savers, pensioners and holders of long-term insurance policies. They rely on institutional investors as their agents, which include both asset owners and asset managers to act in their interests.

Institutional investors invest in a range of assets, including the equity and debt of listed companies, to produce investment returns for their beneficiaries. Particularly for pension funds and insurance companies funding annuities, the perspective of institutional investors is typically long-term. Both institutional investors and their beneficiaries therefore have a strong interest in ensuring that investee companies are successful and sustainable over time. This has broader systemic implications in terms of promoting healthy capital markets and economic development.

While stewardship codes are most fundamentally a statement of investor responsibilities, the effective implementation of stewardship activities requires constructive coordination of many market participants. The ICGN Global Stewardship Principles recognise that these participants have differing agency roles throughout the investment chain for the successful application of stewardship. The success of stewardship implementation also relies on participants understanding their roles and working in good faith to contribute positive outcomes.

These participants extend along the "investment chain" from the end provider of capital to the user of capital and include specific roles for asset owners and asset managers, companies, regulators and service providers to play in making stewardship a reality:

Asset owners

One of the main applications of the ICGN Global Stewardship Principles is to serve as a guide for asset owners and their trustees in terms of monitoring an asset manager's adherence to stewardship practices. Many asset owners have limited in-house capacity to implement all aspects of stewardship; where this may be the case asset owners should instead satisfy themselves that stewardship principles are being implemented satisfactorily by their asset managers and service providers.

Asset managers

In many cases asset managers provide stewardship services on behalf of asset owners and their beneficiaries, often including monitoring, engaging and voting. As such, they should signify commitment to stewardship to their clients by adhering to investment management agreements and ensuring alignment with their client's own investment beliefs, policies and guidelines. It is of particular importance that asset managers dedicate capacity to meet stewardship commitments, which include reviewing internal resourcing in light of the asset manager's business models. They should be prepared to challenge investee companies on governance, strategy and other management practices when these do not align with the long-term interests of the company and its minority shareholders, and report regularly to clients on how they fulfil their stewardship obligations.

Companies

While companies (as issuers of equity and debt to investors) are not themselves signatories to stewardship codes, they do have a role to play in supporting the spirit and ambitions of a stewardship code in order for it to be effective. Companies should recognise the benefits of building investor relationships that can strengthen trust and enhance financial flexibility by enhancing access to cost effective capital. In doing so companies should cooperate in good faith with investors, particularly in facilitating engagement and constructive dialogue, including willingness to meeting with investors acting collectively. Companies should recognise the responsibility of board members to meet with key investors to build understanding and dialogue about governance matters.

For listed companies with their own pension funds, companies also act as asset owners, and companies should call for appropriate stewardship practices in corporate pension funds.

Regulators

Regulators wishing to promote effective stewardship in any market have a primary role in developing, publishing and requiring reporting against a national stewardship code. The ICGN Global Stewardship Principles are intended to complement local requirements, and are not intended to supersede national codes. Instead the ICGN Global Stewardship Principles offer an internationally recognised set of principles which are applicable across markets and can be viewed as a statement of high standards. Some investors, particularly those with internationally diversified portfolios, may prefer to provide a global stewardship policy statement as a means to respond to multiple local code disclosure requirements.

Creditors

Stewardship in the first instance is often focused on an investor's equity holdings given voting and other ownership rights. However, stewardship need not be limited to listed or private equity as an asset class. It is also relevant in the area of fixed income investment. Bondholders in particular provide long-term risk capital to companies and share with equity holders an interest in promoting responsible and sustainable corporate governance and investor stewardship practices. The ICGN Global Stewardship Principles can therefore be applied to fixed income investors, though certain provisions, such as those relating to voting, will not have the same relevance.

A key focus on stewardship from a creditor's perspective will be on a company's risk management oversight and on the company maintaining financial policies that appropriately balance the interests of shareholders and creditors. The stewardship principles of monitoring and engagement are both relevant to creditors in this context.

Investment consultants and advisors

Investment consultants and advisors can assist asset owner and asset managers with developing and implementing their responsibilities as part of their advisory services. Such consultants and advisors provide research and voting services which can assume stewardship responsibilities and they are therefore subject to many of the principles outlined in the ICGN Global Stewardship Principles. In doing so consultants, advisors and other service providers – which include proxy voting agencies, analytical services and custodians – should endeavour to understand their role in the investment chain and to provide services in the interests of their immediate clients and ultimate beneficiaries.

Pre-conditions of effective stewardship

The pre-conditions to effective stewardship in a given market include having a critical mass of investors willing to adopt stewardship and the willingness of companies to engage with investors in good faith. Asset owners play a particularly important role to ensure that stewardship responsibilities are built into investment management mandates as a standard feature of asset management practices. It is also very important to have regulatory encouragement for stewardship activities to take place.

It is important to recognise that there are very different legal and cultural frameworks in each market and this will influence the way in which stewardship is implemented and monitored. Perhaps more important is the understanding that there are different models of corporate finance and ownership of listed companies around the world, for example the family or state owned corporate model prevalent in Asia and Continental Europe, compared with a more widely dispersed ownership type of company typically found in the UK, USA or Australia. Such models can differ in very basic principles such as shareholder primacy versus stakeholder primacy, and may require deeper consideration in terms of how stewardship can be effectively applied.

The risk of an overly prescriptive approach to a stewardship code would be to encourage a counterproductive “tick box” compliance exercise by investors – which is not what lies behind the intent of ICGN Global Stewardship Principles. In this context, it is important to highlight the intangible qualities of tone and culture as critical components to a stewardship code's success in any market.

Investors play a critical role in ensuring the effectiveness of a “comply or explain” corporate governance framework. “Comply or explain” provides companies with flexibility to not adhere to provisions of a corporate governance code, without legal or regulatory sanction. This reflects recognition that not all aspects of a corporate governance code may be relevant for an individual company to apply to be well governed. But this approach also carries the obligation for companies to explain the reasoning as to why specific governance practices have not been adopted.

For a “comply or explain” system to be effective, a company’s explanation of non-compliance with its corporate governance code needs to be monitored to ensure a company’s explanations are robust. While regulators must be able to monitor company compliance with hard law and regulation, they are less well placed to make sometimes subjective judgements as to the quality of a company’s explanations. This is where institutional investors have a role to play to be proactive in engaging with companies whose explanations are unsatisfactory.

In the event that company explanations are inadequate, it is the role of institutional investors to use ownership rights to challenge companies when necessary. Without the active monitoring of explanations by investors, a “comply or explain” system would lack an ultimate means of enforcement or influence. A stewardship code therefore plays a critical role in providing a market-based system for investors to hold companies to account for their corporate governance practices.

Annex 1: Excerpts from the ICGN Model Mandate: A selection of model contract terms to embed stewardship practices in investment management agreements

Integrating stewardship activities in investment management agreements between asset owners and asset managers can play an important role in embedding stewardship as a component of institutional investment. ICGN's Model Contract Terms Between Asset Owners and Managers (2012) contain detailed provisions of contract terms that can be inserted into investment management agreements to promote stewardship practices. Some of the key model contract clauses, including possible alternative clauses, are summarised below – sometimes with an indication of the circumstances under which one alternative may be more appropriate than another. The Model Contract itself includes additional clauses that are of relevance, as well as suggestions as to how these might be structured in schedules attached to investment management agreements.

An asset owner's ability to negotiate acceptance and wording of these specific clauses is likely to vary between managers, investment vehicles and situations. Not all clauses will be suitable for all contracts, and asset owners may need to consider whether they should seek clauses such as those below in the fund management agreement or within a side letter or the equivalent. Questions of enforceability may be particularly relevant to this consideration.

Proposed model terms for high-level commitment

The Manager acknowledges that it acts as a fiduciary on behalf of the Client and its investors/beneficiaries.

The Manager will not make investments which would contravene the Investment Policy Statement/Statement of Investment Principles or would be in contravention of the restrictions on investments referred to in the Regulations governing the Client's authority.

Proposed model terms for integration of long-term factors including ESG issues

The Manager will have an investment process which incorporates relevant long-term factors such as ESG issues consistent with the Client's responsible investment policy.

Proposed model terms for investment horizon

The Manager acknowledges that the risks which the Client and its investors/beneficiaries face are not solely related to deviations from market benchmarks. The Manager acknowledges its need to consider long-term and systemic risk factors in order to manage risks which are relevant on the Client's long-term investment horizon and to the Client's fiduciary responsibilities.

Proposed model terms for systemic responsibility

The Manager acknowledges that both it and the Client rely on the integrity of the marketplace to generate returns for the Client's investors/beneficiaries. The Manager will play a positive role in supporting the maintenance of appropriate and fit-for-purpose market regulation and infrastructure and will at least annually report to the Client on its activities in this regard.

Proposed model terms for ongoing due diligence

The Manager will facilitate access by the Client to its staff and systems such that the Client can gain assurance on an ongoing basis that the Manager is appropriately implementing the Client's responsible investment policy, monitoring key long-term risks and integrating such factors into its investment and risk management decision-making.

Proposed model terms for stewardship and engagement

The Manager will engage in stewardship activities as are appropriate in the circumstances to monitor and influence the management of the investee companies/ underlying funds/underlying assets, where such activity is considered by the Manager to be likely to enhance the value of such securities or assets and in the best financial interests of the Client.

Proposed model terms for voting

The Manager will enable the Client or its designated agent to direct the exercise of any voting rights attaching to the Portfolio investments.

The Manager will procure the exercise of any voting rights attaching to the Portfolio investments in accordance with the Client's expressed voting guidelines, with a view to achieving best practice standards of corporate governance and equity stewardship and with the aim of adding value to, and/or preserving value in, the Portfolio, as well as reducing unwanted risk exposures.

The Manager will procure the exercise of all voting rights attached to the Portfolio investments on the Client's behalf, in accordance with the Managers' voting policy and any market-specific guidelines approved by the Client.

The Manager will have in place appropriate policies to manage any conflicts of interest in relation to voting matters and shall report at least quarterly on all votes involving companies where the Manager or an affiliate have a contractual relationship or other material financial interest.

Proposed model terms for fees, remuneration and culture

The Manager will ensure that the pay structures of its staff align their interests appropriately with those of the Client and its investors/ beneficiaries, as well as the investment time horizon of the Portfolio.

Proposed model terms for conflicts of interest

The Manager will establish and maintain a conflicts of interest policy. The Manager will inform the Client of material amendments to, and waivers of, this policy from time to time, within [one month] of such event. The Manager will ensure that it adheres to this policy such that it effectively identifies and manages conflicts with the Manager's duty to the Client or otherwise entailing a material risk of damage to the interests of the Client or its investors/beneficiaries. Where the Manager does not consider that the arrangements under its conflicts of interest policy are sufficient to manage a particular conflict, it will inform the Client of the nature of the conflict so that the parties can agree how to proceed.

Proposed model terms for reporting

In addition to reporting requirements set forth elsewhere, the Manager will prepare no later than x business days after the end of the relevant [quarter], reports covering the reporting period, including:

- Standards and High Level Commitment
- Systemic Risk
- Monitoring
- Stewardship, voting and stock lending
- Portfolio turnover
- Developments and conflicts
- Commission and counterparties.

Annex 2: Acknowledgements

ICGN was established in 1995 and its members are led by investor's responsible for US$26 trillion in assets under management.

ICGN's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. This sets the tone for our work programme which is centered around:

Influencing policy by providing a reliable source of investor-led opinion and experience around governance and stewardship;

Connecting peers at global events to provide a forum for dialogue between companies, investors and other stakeholders; and

Informing debate through knowledge and education to enhance the professionalism of corporate governance and investor stewardship.

The ICGN Global Stewardship Principles replace the ICGN Statement of Principles for Institutional Investor Responsibilities (2013); and includes references to the original recommendations, while adding new principles and guidance in keeping with changes in regulation and market practice.

The ICGN acknowledges and is grateful to the ICGN Shareholder Responsibilities Committee, particular the working group members involved in the 2013 Principles development being: Paul Lee, Rita Benoy Bushon, Stephen Davis, Carol Drake, David Jackson, Niels Lemmers, Charles Macek and Ryoko Ueda. ICGN is also grateful to George Dallas and Kerrie Waring for producing the new Global Stewardship Principles having researched codes around the world, reviewed existing ICGN guidance and included new recommendations based on regulatory developments. Gratitude is also extended to Chris Hodge, Members of the Global Network of Investor Associations and the ICGN Board of Directors for their feedback.

In particular, the ICGN is grateful to those who responded to the public consultation which informed the drafting process being: Aberdeen Asset Management, AMEC, Assogestioni, bcIMC, CalSTRS, Cartica Capital, CFA Institute, Daiwa SB Investments (UK) Ltd, Delphic Advisors, Eumedion, FirstState, FRC, FutureFund, Governance Institute of Australia Ltd, Hermes, IIRC, Investec Asset Management, Martin Currie, MSCI, MSWG, Nationwide Pension Fund, NEI Investments, Regnan, SASB, Susannah Haan, The CAQ, ValueBridge Advisors and Walter Scott.

For more information, contact the ICGN Secretariat by telephone: **+44 (0) 207 612 7011**, email: **secretariat@icgn.org** or visit **www.icgn.org**.

Annex 3: References

International Corporate Governance Network: Global Governance Principles, 2014

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ICGN
International Corporate Governance Network

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ISBN 9781907387180

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LACERA

March 4, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of March 13, 2019

SUBJECT: The Pension Bridge Annual Conference
San Francisco, California on April 9-10, 2019

The Pension Bridge Annual Conference will be held on April 9–10, 2019 at the Westin St. Francis Hotel in San Francisco, California. The conference will provide the highest level of education with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts and also help build relationships between the pension plans, consultants and investment managers.

The main conference highlights include the following:

- Options to Ease the Pension Funding Crisis and Unsustainable Costs
- Best Strategies and Approaches to Mitigate Tail Risk
- Best Implementation and Allocation Strategies for a Public Fund LDI Program
- Does Risk Parity Make Sense Now?
- Expectations for Results during the Next Downturn
- Where are the Greatest Risks and Triggers in the Debt Markets?

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Westin St. Francis Hotel is $350.00 per night plus applicable taxes and the registration fee to attend is $189.00.

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 Board members at The Pension Bridge Annual Conference on April 9-10, 2019 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

THE PENSION BRIDGE ANNUAL

April 9th & 10th, 2019 | Westin St. Francis Hotel, San Francisco

INFO@PENSIONBRIDGE.COM · FLORIDA OFFICE: (561) 455-2729 · NEW YORK OFFICE: (516) 818-7989

THE PENSION BRIDGE ANNUAL

April 9th & 10th, 2019 | Westin St. Francis Hotel, San Francisco

The Pension Bridge Annual Conference provides the highest level of education and networking to the institutional investment community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Union Funds, Taft-Hartley Funds, Family Offices, Sovereign Wealth Funds, Consultants and Investment Managers will come together for this exclusive event.

The Pension Bridge Annual provides the industry's only controlled attendance structured event. This helps The Pension Bridge to maintain the best conference ratio in the industry. **There will be over 200 Pension Fund Representatives and Non-Discretionary Consultants in attendance. We have allowed for only 100 Manager Firms.** This better than 2:1 ratio, combined with participation from the most influential industry figures, creates a more enjoyable environment for all.

LEARN FROM THE EXPERTS

ABOUT THE MOST IMPORTANT TRENDS, CHALLENGES, OPPORTUNITIES AND STRATEGIES TO ATTACK THE LONG-AWAITED CYCLE CONTRACTION THAT WILL SHAPE OUR INDUSTRY FOR THE IMMEDIATE AND LONG-TERM FUTURE:

- Options to Ease the Pension Funding Crisis and Unsustainable Costs
- Best Strategies and Approaches to Mitigate Tail Risk
- Best Implementation and Allocation Strategies for a Public Fund LDI Program
- Does Risk Parity Make Sense Now? Expectations for Results during the Next Downturn
- Where are the Greatest Risks and Triggers in the Debt Markets?
- Gender Diversity and Advancement of Women in the Industry
- How can your Future Investment Returns be Impacted by Climate Change?
- What are the Latest Trends and Most Promising Areas for Impact Investing?
- Why should Plan Sponsors Actively Manage Currency – Hedging vs. Alpha?
- Challenges and Concerns in China and other EM Regions
- The Benefits and Concerns of Multi-Asset Strategies
- Expected Performance for Various Hedge Fund Strategies during the Next Downturn
- Where is the Relative Value in Credit Strategies?
- Which Sectors and Strategies will create the Best Opportunities in Distressed?
- Biggest Concerns for Private Equity and Best Approaches to New Investments
- Lower Return Expectations for Real Estate? Where is the Most Risk?
- Most Appealing Infrastructure Sectors, Geographies and Approaches
- The Portfolio Benefits of Farmland and Benefiting from the Global Food Demand
- Identifying Water Risks in your Portfolio and Profiting from Water Stress and Scarcity
- Insights from Impactful CIOs on Risks, Allocations and More

We remain in a low growth, low return environment with unfavorable demographics in the U.S. The Pension Bridge Annual will uncover various structural transformations and investment ideas that will be beneficial for long-term fiscal sustainability.

In addition to the listed themes above, we will be covering many more challenging issues that are crucial to the investment decision making process during these uncertain economic times. We will learn from the best about how to adapt in our industry which is always evolving and transforming.

THE PENSION BRIDGE ANNUAL HAS TWO GOALS IN MIND

First is to provide the **highest level of education** with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help **build relationships** between the pension plans, consultants and investment managers. We have provided the best possible environment for this event which is designed to be conducive for networking. We will cap off the event with a fun and enjoyable networking outing necessary for maintaining relationships and connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have structured this conference in a manner that will be most productive and beneficial for you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies, and trends.

TUESDAY, APRIL 9TH
Westin St. Francis Hotel, San Francisco

7:00 AM – BREAKFAST

SPONSORED BY: JENNISON ASSOCIATES

8:00 AM – OPENING REMARKS

8:05 AM – KEYNOTE SPEAKER

Speaker:
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer, **Massachusetts Pension Reserves Investment Management Board, (PRIM)**

Interviewed By:
Clifford S. Asness, PhD, Founder, Managing Principal, Chief Investment Officer, **AQR Capital Management**

8:35 AM – KEYNOTE SPEAKER – MACROECONOMIC VIEW

- Fed Balance Sheet Unwind – Effects for U.S., the Dollar and Globally
- The Everything Bubble
- Longer Term Implication of Tax Cuts Adding to the Deficit
- Debt to GDP Ratio
- Buffett Indicator at an Extreme
- Valuation Levels
- Margin Debt
- Corporate Debt Growth for Financial Engineering
- High Yield Defaults Outlook
- Algos and Passive Investment as a Market Risk
- Inflation/Deflation Debate
- Where are the Most Unfavorable Demographics Globally?
- What Countries Debt and Risks pose the Biggest Threat in Europe? Does that put the EU and Euro at Risk?
- China – Debt Levels, Leverage and Real Estate Bubble
- Japan's Demographics and Debt – what might be the Far-Reaching Effects?
- Which are the Shakier Emerging Market Countries that have High Debt that can be Hurt by a Strong Dollar?
- Derivatives Risk
- Expectations for Equities and Bonds
- Expectations for the Next Black Swan?
- What are the Most Appealing Investments for Low Return Environment?

PRESENTED BY: BLACKROCK®

Speaker:
Rick Rieder, Managing Director, Global Chief Investment Officer of Fixed Income, **BlackRock**

9:05 AM – THE DEEPENING CRISIS OF UNFUNDED PENSION PLANS AND ITS FAR REACHING EFFECTS OF FISCAL DISTRESS

- Background on how we got here – what are the Contributing Factors?
- What are some Examples you've seen when Cities, Counties, School Districts, and Other Local Entities are Forced to Contribute More to Keep the State System Afloat?
- Have you seen Cut-Backs on Repairing Streets and Bridges or Staffing Police and Teachers due to Pensions Crowding out Budget Spending? Any Other Cut-Backs you've seen in Education, Public Safety, and Social Services?
- What sort of Higher Taxes have you seen for Scantier Services in Returns?
- What Recent Controversial Pension Reform Bills have been Passed Into Law? What were some Concessions Received and those they Didn't?
- What Trends have you seen in regards to Court Rulings on Reduced Benefits and Higher Contributions? Are the Courts Hindering Repair of this Funding Crisis?
- Do you Envision Further Credit Downgrades for Particular States due to High Unfunded Pension Liabilities? How much would this Further Complicate the Budget and Hamper Economic Growth?
- If we Face Another Strong Market Decline or Recession, what's the Time Frame for when Particular States or Plans would Face Insolvency?
- What Actions should be taken by the Joint Select Committee on Solvency of Multi-Employer Pension Plans?
- Aside from Raising Taxes, what are some Possible Options to Overcome Unsustainable Pension Costs? Thoughts on Initiating a Tax on Plan Members?
- Is Issuing Bonds to Pay Off Shortfalls a Solution or a Gamble?
- How Far Reaching would a Government Bailout be if Congress included Provision in the Budget Deal for Federal Funds towards Pension Plans?
- What are the Methods of Navigating the Challenges Posed by your Governance Structure?
- Are you Getting Pressured that your Investment Costs are Too High? How do you respond to such Allegations?
- Which Investment Strategies or De-Risking Strategies do you Favor for Decreasing a Pension Plan's Unfunded Liability While Helping to Preserve Cash?
- Will we see a Shift to Hunt for Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures?
- Do you believe Plans in Danger will Cut Illiquid Asset Classes in Favor of More Liquid Investments in order to Meet Benefit Payments?
- Do you see the Benefits of Adopting a Hybrid DB/DC Plan for New Hires? What are the Drawbacks?

Moderator:
Thom Williams, Executive Director, **Employees' Retirement System of the State of Hawaii**

Speakers:
Kurt Summers, Treasurer, **City of Chicago**
David Eager, Executive Director, **Kentucky Retirement Systems**
Dominic Garcia, Chief Investment Officer, **Public Employees Retirement Association of New Mexico, (PERA)**
Glen R. Grell, Executive Director, **Pennsylvania Public School Employees' Retirement System**
Richard W. Ingram, Executive Director, **Teachers' Retirement System of Illinois**

9:55 AM – REFRESHMENT BREAK

SPONSORED BY: GCM GROSVENOR

10:25 AM – RISK MANAGEMENT AND ADOPTING A RISK CULTURE

(A) KEY CONSIDERATIONS AND TOOLS FOR MANAGING RISKS

- Overview of the Transformation from an Asset Allocation-Centered Process to a More Comprehensive Risk Allocation-Based Process
- Are there Governance Challenges that have Prevented Wide-Spread Adoption of a Risk Allocation Framework?
- How has taking a Risk Allocation Approach changed the Structure of your Plan's Fixed Income Investments? Understanding Return Seeking Fixed Income and Traditional Risk Reducing Fixed Income
- What Irregularities have we seen in Portfolios as Asset Classes are Redrawn and Renamed via Risk Allocation? Are we still too Over-Reliant on Equities?
- Challenges of Performance Monitoring, Risk Data and Systems – getting good Risk Information Across All Asset Classes and Investment Vehicles
- How can considering Diversification and Risk Independently help Investors Build More Efficient Portfolios?

(B) TOP PENSION RISKS WE SHOULD BE MOST WARY OF

- Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- What's the Best Approach to Liquidity Risk as it applies to Meeting Future Cash Flow Obligations?
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- Equity, Credit, Duration, Inflation/Deflation, Currency, Geopolitical Risk Considerations
- Understanding Asset Class Correlation and Behavior Risk – Tendency of Interest Rate and Inflation Shocks Driving Both Equities and Bonds in the Same Direction, (Correlations Change)
- Other Risks such as Model Risk or Operational Risk
- How does Stress Testing or Scenario Analysis factor into your Process?
- What should Keep CIOs and Staff Up at Night?

(C) COMMUNICATION

- How do you Communicate your Risk Tolerances with your Board, Managers and Media?
- How has the Role of Fiduciary Responsibility Changed?
- What should Boards/Organizations Consider when Building a Risk Culture?
- How do you go about Educating a Board on Risk?
- What Metrics Aid in the Decision-Making Process?
- How does a Plan's Size affect the Approach to Pension Risk Management?

Moderator:
Farouki Majeed, CFA, Chief Investment Officer, **School Employees Retirement System of Ohio**

Speakers:
Mark Steed, Chief Investment Officer, **Arizona Public Safety Personnel Retirement System Trust, (PSPRS)**
Timothy F. McCusker, FSA, CFA, CAIA, Chief Investment Officer, Partner, **NEPC**
David R. Wilson, CFA, Managing Director, Head of Institutional Solutions Group, **Nuveen Asset Management**
James Nield, CFA, FRM, Chief Risk Officer, **Teacher Retirement System of Texas**

11:15 AM – RISK MITIGATING STRATEGIES

- Understanding Tail Risk Frequency, Severity and Impact
- Why should this be its Own Bucket or Asset Class? What Type of Allocation is Warranted?
- Understanding the Value of Risk Mitigating Strategies – why is it Important to Improve your Risk/Return Profile Now?
- What Risks can be Efficiently Hedged in the Financial Markets?
- What Types of Strategies and Approaches are used to Hedge? Advantages and Disadvantages of Each Approach?
- What are the Merits of an Option Overlay Strategy In Lieu of Owning a Tail Risk Hedge?
- What are the Trend or Momentum Following Strategies that you Prefer for Downside Protection?
- Why is Global Macro the Ideal Hedge Fund Allocation for Diversification and Decreasing the Depth of Drawdowns?
- How has Managed Futures Performed During Periods of Market Stress or Crisis Events?
- Long Duration U.S. Treasuries as a Diversifier in Extreme Market Conditions
- Building a Tactical Portfolio using Futures to Reduce Tail Losses and Enjoy Larger Gains
- Put Options as Insurance
- Using Information from the Derivatives Markets to assess Stress Points – where we are seeing Tail Risks Building?
- Systematic Risk Premia Allocations – does it Enhance Performance Outcomes? Are Short Track Records and Wide Variations in Products Concerning for Trend Risk Premia?
- Are there Alternative Ways to Deal with Equity Risk? How Defensive are these Strategies?
- What's the Most Challenging Aspect of Implementing a Risk Mitigating Strategies Program?
- How do you Measure Success?

Moderator:
Eileen Neill, CFA, Managing Director, Senior Consultant, **Verus**

Speaker:
Kathryn M. Kaminski, PhD, CAIA, Chief Research Strategist, Portfolio Manager, **AlphaSimplex Group**
Neil Rue, CFA, Managing Director, **Pension Consulting Alliance, (PCA)**
Dr. Patrick Welton, Chief Executive Officer & Chief Investment Officer, **Welton Investment Partners**

11:50 AM – LIABILITY DRIVEN INVESTMENT (LDI), AND HOW IT CAN BE APPLIED TO PUBLIC DB PLANS

- What have Plans done to address the Hurdles of Low Pension Funded Status and Low Interest Rates over the past few years?
- Does LDI Make Sense Now Considering Current and Future Market Conditions? What is the Risk/Return?
- Are Plan Liabilities the only appropriate Benchmark?
- How does a Public Fund Implementation and Liability-Focused Allocation Differ from a Corporate Fund?
- Are some Approaches More Appropriate in a Less Liquid Fixed Income World?
- Do Plans need to Customize their Liability Hedging Allocation?
- For a Public Fund, what Cash Flow Generative Strategies would allow for the Portfolio to Reduce the Funding Ratio Volatility and Meet the Benefit Payment Needs?
- Understanding the Components of Performance Measurement and Evaluation – Risk Budgeting, Scenario Analysis, Liquidity Analysis and Performance Reporting
- What are some Industry Trends that Clients should be should be aware of in the LDI Market?
- Beyond the Ability to Earn Excess Returns, what should Investors look for in Selecting LDI Managers?
- Will we see a Strategy More Common in Europe with Plan Sponsors Combining an LDI Strategy with the Purchase of Longevity Insurance to Further Reduce Risk?
- What are some Common Myths that are Holding Back Plan Sponsors from Implementing a De-Risking or LDI Strategy?

Speaker:
Abdallah Nauphal, Chief Executive Officer, **Insight Investment**

PRESENTED BY: Insight INVESTMENT

12:20 PM – RISK PARITY

- Risk Parity Explained
- Do you believe Risk Parity can Play a Role In and Contribute to Market Volatility?
- What are the Hidden Risks and Drawbacks of Risk Parity Portfolios?
- Does Risk Parity Make Sense Now if we Expect Low Market Returns in the Future?
- How did Risk Parity Perform during the last Financial Crisis Compared to other Asset Mix Models? Would you Expect Similar or Different Results for the Next Downturn?
- Is it possible that Bonds will Become Less Likely to Protect against a Large Drawdown in Equities?
- Is there an Over-Reliance on Bonds with Current Valuations? Should we be Worried about Leverage or Leveraging the Inappropriate Assets?
- Commodities Role in Risk Parity and Expectations
- Active Strategy? Passive? Extent to which a Risk Parity Portfolio is Managed?
- Leverage and Illiquidity Do Not Mix – any Approaches to Avoid this Combination?
- What Progress have we seen towards Adopting an Appropriate Benchmark?
- Thoughts on Measuring Expected Tail Loss Rather Than Volatility for Tail Risk Parity? Can it be More Effective?
- How do Investors Bucket the Risk Parity Strategy within the Asset Allocation Framework?
- How should Investors think about Differences in Forecasting Volatility when Selecting a Manager?

Speaker:
Edwin Denson, PhD, Managing Director, Asset & Risk Allocation, **State of Wisconsin Investment Board, (SWIB)**

12:35 PM – LUNCH

SPONSORED BY: CAPITAL GROUP®

1:45 PM – UNCONSTRAINED FIXED INCOME

- Assessing the Current Environment – Implications on Unconstrained for where we are in the Credit Cycle, Interest Rate Cycle and Fed Unwinding of QE
- How do you Approach Portfolio Construction with the Need for Increased Disaggregation of Alpha Sources?
- With the Proliferation of Products which are Diverse, what is the Return Objective?
- How do you Benchmark and Define Success for Unconstrained Fixed Income Strategies?
- With Non-Linearity of Risk Correlations and Volatility Not Being Stable through time, how are you Taking Advantage of Current Market Dislocations?

- How Important is Liquidity Management? Should Investors think about Transparency of Positioning in Unconstrained Fixed Income?
- What are the Implications of Reduced Liquidity? Have you Increased your Use of Bond ETFs to offer Enhanced Liquidity? If so, what were some Other Reasons for this Decision?
- Is the Recent Tilt Towards Higher Carry or Less Carry within specific Spreads such as Bank Loans, High Yield and Syndicated Loans, EM Debt, etc.?
- Where do you see the Greatest Risks in the Debt Markets and what might be the Trigger Points that Enhance that Potential?
- Are you Building Dry Powder at this point in the Credit Cycle?
- What Progress have we seen for a Factor or Risk Premium Approach for Assessing Risk?
- Do you see a Supply/Demand Imbalance in Long-Duration Fixed Income? What does that Imply for Investors?
- Using Structured Products, Swaps and Derivatives to Create Alpha and Hedge Volatility
- Emerging Markets Local Fixed Income – what are the Opportunities? Currency Risk Factors? Should Currency Exposures be Hedged or Unhedged?
- What are your Expectations and Outlook for Corporate Debt? Do you see a Disaster in the Making with the Huge Growth of BBB Bonds and a possible Yield Curve Inversion?
- Taxable Municipals vs. Corporate Bonds – Which Make More Sense Now?
- Do you view Bank Loans as a Hedge in Rising Rate Environment?
- If Trump Moves on GSE Reform, how would that Impact the MBS Market?
- Understanding how to Select Alternative Managers – Multi-Sector, Multi-Region, Multi-Currency Skill Set or Duration Range Targets?

Moderator:
Keith M. Berlin, Director of Global Fixed Income and Credit, **Fund Evaluation Group**

Speaker:
Biagio Manieri, PhD, CFA, Managing Director, **PFM Asset Management**
Michael J. Collins, CFA, Managing Director and Senior Portfolio Manager, **PGIM Fixed Income**
D. William Kohli, Chief Investment Officer, Fixed Income, **Putnam Global Institutional Management**
Scottie D. Bevill, Senior Investment Officer – Global Income Strategies, **Teachers' Retirement System of Illinois**

2:30 PM – WOMEN AND THEIR INCREASING ROLE IN INVESTMENT MANAGEMENT

We'll revisit this topic as it created quite the buzz at last year's event and we'd like to keep the momentum moving for this initiative. Diversity, specifically for women, is a standard that can be achievable when viewed as a requirement, not a commercial imperative.

- What are some Ways we can Encourage Organizations to Embrace and then Require Gender Diversity?
- What is the Most Common Reason why Investors do not have Specific Women-Owned Investment Mandates? How Big an Issue is Lack of Supply?
- With just 6.5% of Global Private Equity Firms having Partners or Managing Partners that are Women (source: Preqin), how do you approach Beating those Odds?
- How does Diversity Impact your Organization? Any Gender Diversity Experiences you can Share?
- Have we seen any Statistical Performance for Women and Minority-Owned Investing? What about the Performance of Female Hedge Fund and Private Equity Managers?
- What Programs or Organizations do you believe are Helpful in the Advancement of Women in the Industry?
- What Programs or Organizations do you believe are Helpful in the Advancement of Women in the Industry?
- What Can Institutions do to Support Women's Advancement to the Top Levels of Leadership?
- How might Specialization be an Important Way for Women to offer a Diversified Strategy Approach?
- Controversial Topic – Is there a way the MeToo Movement can be Destructive with Quotas Resulting in Distortions of Decision-Making and Passing up Superior Candidates for a Job?
- Thoughts on the FTSE Russell Women on Boards Leadership Index Series and its Ability to Achieve Gender Diversity?
- What Career Advancement Advice would you give to Younger Women who are Passionate and Fairly New to Investment Management?

Moderator:
Meredith A. Jones, Partner & Head of Emerging Manager Research, **Aon Hewitt Investment Consulting**

Speakers:
Ronald D. Peyton, Executive Chairman, **Callan**
Dana S. Johns, MSF, Senior Portfolio Manager, **Maryland State Retirement and Pension System**
Susan E. Oh, CFA, Senior Portfolio Manager, Risk Parity and Currency Hedging, **Pennsylvania Public School Employees' Retirement System**
Kristina P. Koutrakos, CAIA, Director of Portfolio Strategy, **Virginia Retirement System**

3:10 PM – REFRESHMENT BREAK

SPONSORED BY: THE WATERMARK GROUP

3:40 PM – ENVIRONMENTAL, SOCIAL AND GOVERNANCE, (ESG)

- What's the Difference Between ESG, Socially Responsible Investing, (SRI) and Impact Investing?
- Do we have Proof that ESG Integration Adds Value?
- ESG Fund Performance vs. Traditional Funds
- What are Some Common Myths About ESG?
- Do Firms with Good Performance on SASB Topics Outperform Firms with Poor Performance on those Topics?
- How do you Approach ESG from a Fiduciary Standpoint and for the Development of your Plan's Investment Beliefs?
- Why are UN Sustainable Development Goals Important? What Ways are you using them to Help Investing in New Opportunities and Identify Future Areas of Risk?
- How should ESG be best Incorporated into the Investment and Due Diligence Process?
- What Tools, Data or Trends have we seen for ESG Implementation? What Initiatives are Focused on Driving Towards a Sustainable Global Economy?
- What are the Perceived Obstacles to applying an ESG Framework to the Stock Selection Process?
- How do ESG Factors Interact with Credit Quality, Affect the Pricing of Credit and how do they Affect Credit Returns?
- How can your Future Investment Returns be Impacted by Climate Change? Aside from Assessing Risks to Real Estate in Rising Sea Level Coastal Areas, what Risk Factors should we be Analyzing?
- What Approach should be taken to have a Climate Change Action Plan in place to address these Climate Risks?
- How should we approach Carbon Risk Management within an ESG Framework?
- Considerations for Investing in a Passive ESG Index – thoughts on Low Carbon Index? Combining ESG with Smart Beta?
- Will there come a time when Plan Sponsors Only Invest with UN PRI Investment Manager Signatory Firms?
- How are you Integrating ESG into your Real Estate, Private Equity and Infrastructure Investments?
- Understanding Relevant Benchmarks for ESG Risk Measurement

Moderator:
Herman Brill, Director, Office of Investment Management, **United Nations Joint Staff Pension Fund**

Speaker:
Mary Jane McQuillen, Managing Director, Portfolio Manager, Head of Environmental, Social and Governance Investment, **ClearBridge Investments**
Michael McCauley, Senior Officer, Investment Programs & Governance, **Florida State Board of Administration, (SBA)**
John Goldstein, Managing Director, **Goldman Sachs Asset Management**

4:15 PM – IMPACT INVESTING

Intent to generate a social and/or environmental impact in addition to a financial return. Tackling the toughest societal challenges: global health (treating and preventing disease), sustainable food systems through better agriculture, education, access to water (resource constraints), environment and climate change, diversity and inclusion, economic development, community building and more.

- The Role of UN's Sustainable Development Goals in Impact Investing Strategy
- What does the Future Hold for Impact Investing?
- What are the Top Challenges or Roadblocks for Investors?
- What are the Opportunities for Impact Investing in Emerging Markets versus Developed Markets?
- What are the Latest Trends in Impact Investment Globally? Most Promising Areas?
- Investing in Technology for Social Impact
- Measuring Social Impact – should you verify that the Funds you Invest in have their Portfolios Independently Measured and Verified by B Lab's GIIRS Impact Rating System?
- What are the Biggest Areas Risks of Impact Investing Projects?
- Do Larger Firms have an Advantage in this Space?

- Why is Private Equity Particularly Well-Suited for Impact Investing?
- What are some of the Socially Impact Bonds or Municipal Impact Bonds you've Invested in?
- Do you find it Difficult to Measure the Impact of Public Market Investments?
- What Evidence have we seen that Impact Investments will Reap Healthy Returns?
- How should Impact Investors think about Reporting?
- For the Next Inevitable Downturn or Recession, will Investors Abandon this Space? When and How Will it Become Mainstream?
- Cambridge Associates PE/VC Impact Investing Benchmark – any early Conclusions Despite the Limited Sample Size and Overall Youth of the Funds?

Moderator:
Laura B. Wirick, CFA, CAIA, Principal, Consultant, **Meketa Investment Group**

Speaker:
Jonathan Bailey, Managing Director, Head of Environmental, Social and Governance (ESG) Investing, **Neuberger Berman**
Falah Madadha, Senior Investment Officer, **Silicon Valley Community Foundation**

4:45 PM – EMERGING MARKETS

- Macro Environment and Recent Developments – how does that affect your Investments?
- With Central Banks Tapering, do you see a Correlation with Weaker EM Returns? What about a Stronger Dollar for a Prolonged Period? Weak Commodity Prices?
- What would be the Effects on Emerging Markets if we see Weak Growth in the U.S.? Instability in the Eurozone? Slowdown in China?
- How will the Trade War affect China and other Emerging Markets? Any Markets that are More Insulated?
- What is an Appropriate Long-Term Allocation to Emerging Markets? What should that Allocation look like, (Public Equity, Fixed Income, Private Equity, Frontier Markets, Alternatives, etc.)?
- What are Realistic Return Expectations? How might that Differ based on Region?
- How do Valuations look Relative to Risk in Different Regions?
- Outlook for China – are you Concerned about their Credit and Real Estate Bubbles? Thoughts on Trade Challenges?
- What are the Key LP Concerns and Challenges in Particular Regions?
- Identify what Country or Region you see Favorable Demographic Trends such as a Growing Middle Class, Urbanization, Promising Consumer Buying Behavior and Economic/Fiscal Reforms
- Which Markets in Frontier Countries can you Profit from Strong Growth and Access a Lower Correlation?
- What can be done to Mitigate Currency Risks?
- After seeing Argentina and Turkey with a Currency Crisis caused by High Debt and Surging Inflation that follows, are there Any EM Countries to Avoid?
- The Case for Emerging Markets Corporate Debt
- What Metrics are you using to Determine Relative Value in Sovereign Bonds?
- Public vs. Private Emerging Markets – Benefits and Drawbacks of each
- Active vs. Passive Debate
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country or Sector?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets?

Moderator:
Trevor Jackson, Senior Consultant, **AndCo Consulting**

Speaker:
Mike Rosborough, Senior Portfolio Manager, Investment Director, Global Fixed Income, **California Public Employees' Retirement System, (CalPERS)**
Yu-Ming Wang, Chief Investment Officer, **Nikko Asset Management Americas**
George Sakoulis, PhD, Head of Global Multi-Asset Solutions, **QMA**

5:25 PM – COCKTAIL RECEPTION

SPONSORED BY: PGIM FIXED INCOME

6:40 PM – COCKTAIL RECEPTION CONCLUDES

WEDNESDAY, APRIL 10TH

Westin St. Francis Hotel, San Francisco

7:00 AM – BREAKFAST

8:00 AM – KEYNOTE SPEAKER

The Science and Technology Revolution – Alpha by Investing in Innovation

- Historic Transformation
- Accelerating Pace of Innovation
- Investment Opportunity through Future Innovation
- Future Innovations and their Impact – Transportation as a Service, Artificial Intelligence/Deep Learning, Robotics, Blockchain, Internet of Things, Life Sciences, Improvements in Education
- Economic Modernization of China – Industries with Opportunity
- Economic Modernization of India Coming Into Focus

Speaker:
William J. Coaker Jr., CFA, MBA, Chief Investment Officer, **San Francisco Employees' Retirement System, (SFERS)**

8:30 AM – THE NEXT FRONTIER OF MULTI-ASSET INVESTING

- How has Multi-Asset Investing Evolved over the Years? How do you Navigate the Various Options and Approaches that are available today?
- Do these Strategies Reduce Correlation, Lower Volatility and Limit Downside Risk or Drawdown? If so, by How Much?
- What are the Common Sub-Asset Classes Included in Multi-Asset Strategies?
- Constructing the Portfolio – Risk Factor Approach
- How are Investors Incorporating Multi-Asset Strategies in their Portfolios?
- How do you see this Space Evolving in a more Treacherous/Volatile Market? Do you Worry that Dynamic and Tactical Asset Allocation Decisions that have been Little Tested in Recent Years can Harm Performance with Too Heavy a Reliance on Market Timing?
- Aside from Asset Allocation Skills, what other Skills are Required for the Ability to Generate Alpha and be Successful?
- Are Tactical Tilts More Transparent Today?
- How Worrisome is the Reliance on Stable Correlation Relationships with No Certainty those Relationships will Persist?
- How Much Value can one get Via Tactical Asset Allocation if you have the Right Expertise?
- Do you believe that Multi-Asset Funds have Sufficiently Incorporated Risk Controls into the Design of their Products?
- Understanding Dynamic Tail Risk Management Via Asset Allocation
- Is Excessive Leverage a Concern?
- How do you Measure Performance?
- Any Favorable Trends in Fees for Investors?
- How do Multi-Asset Managers Differentiate Themselves in this Crowded Field?

PRESENTED BY: Janus Henderson INVESTORS

Speaker:
Ashwin Alankar, PhD, Senior Vice President, Global Head of Asset Allocation & Risk Management, **Janus Henderson Investors**

9:00 AM – **HEDGE FUNDS**

(A) CURRENT AND FUTURE STATE OF THE HEDGE FUND INDUSTRY

- Will Hedge Fund Underperformance Shift and Why?
- With Difficult Investment Conditions Pushing Many Seasoned Firms and Legendary Investors Out of the Business, does that mean some Strategies have Stopped Working or are Less Accurate? How do you approach this Struggle or go about Making your Strategy More Flexible?
- What is an Appropriate Fee Structure for Hedge Funds? Have you Seen More Fee Structures that Reward Alpha and Not Beta for Better Alignment of Interests and Avoid Overpaying for Underperformance?
- As an LP, do you find it Difficult to get Hedge Fund Managers to Provide Accurate Fee Information in a Timely, Efficient Manner? Do you believe we're In Need of a Standardized Reporting Template like ILPA for Private Equity?
- Why do Smaller Hedge Funds Outperform?
- With Crowding in FAANG and other stocks, do you see this as a Risk and a Contrarian Indicator for those Equity Holdings when the Cycle Turns?
- What is Driving the Increase in Demand for Strategies Uncorrelated with the Capital Markets? Which Low Correlated Strategies are Most Attractive?

(B) IMPLEMENTATION OPTIONS

- If there was a Hedge Fund Strategy you would Invest in over the next Few Years, which one would it be and why?
- What sort of Downside Protection, Drawdown or Return Range do you expect we'll see from each of the Different Hedge Fund Strategies during the Next Market Downturn?
- Do you find Opportunities within the Global Macro Space Attractive and if so, why?
- Managed Futures – Diversification and Performance during Periods of Market Stress or Crisis Events. How much can it Decrease the Depth of Portfolio Drawdowns and Volatility?
- What is the Future of the Fund of Funds Space? How has it Changed in Recent Years? Where will Fees be? What will it take to Stay Competitive?
- Long-Short Equity Hedge Funds – what Differentiates Managers that have been able to Outperform?
- Liquid Hedge Fund Products such as UCITS, 40 Act and Hedge Fund Replication – are they a Viable Alternative and Under what Circumstances? How has their Performance and the Lower Fees Fared to Hedge Funds?
- The Role of Alternative Beta/Risk Premia Strategies in a Hedge Fund Portfolio – what are the Appropriate Expectations from a Sharpe Perspective?
- How do Emerging Managers Differentiate Themselves in the Quest for Institutional Capital?
- Implementation Considerations for Due Diligence, Portfolio Function and Manager Selection. What are the Key Traits you should be looking for? Key Characteristics for Quantitative Strategies?

(C) PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT

- What is the Role of Separate Managed Accounts? What are the Benefits? Are they Better than Commingled Funds?
- Any Recent Trends you've seen for Pension Plans as far as Fees, Transparency, Customization, Increased Partnership, etc.? Will the 1 or 30 Model developed by Albourne and TRS Texas Catch On?
- As an Investor, do you Negotiate the Frequency of Performance Fee Payments (Fee Crystallization), with your Managers so that it Doesn't Lead to Hidden and Higher Costs?
- Importance of Operations Due Diligence. Any recent Developments? How often should Operations be Reviewed?
- What Trends do you see Developing in Regards to the way we Evaluate Liquidity Provisions for Hedge Funds?

Moderator:
David E. Francl, Managing Director, Absolute Return, **San Francisco Employees' Retirement System, (SFERS)**

Speakers:
Dr. John Claisse, CEO, **Albourne America**
Ryan LaFond, Deputy Chief Investment Officer, **Algert Global**
R Christian Wyatt, Head of Multi-Strategy Research, **Angelo, Gordon & Co.**
Elizabeth T. Burton, Chief Investment Officer, **Employees' Retirement System of the State of Hawaii**

9:45 AM – **REFRESHMENT BREAK**

SPONSORED BY: Legal & General INVESTMENT MANAGEMENT AMERICA

10:15 AM – CREDIT STRATEGIES

- Current State of the Credit Market
- What will be the Catalyst that will cause Credit Spreads to Widen and Defaults to Rise?
- What is the Opportunity Set in Credit Strategies? Where is the Relative Value?
- What Subsectors of Credit are Most Attractive given the Stretched Valuations? Any Areas you are Avoiding?
- Do you see Investors being more willing to Trade Liquidity for Yield and should that be of Concern?
- High Yield Market – is it possible to see a High Yield Meltdown with a Lack of Liquidity? Understanding the Corporate Debt Risk Factors and the Strong Correlation to Equities
- Bank Loans Overview
- Outlook and Considerations for Structured – Are CLOs Safer than Pre-Crisis?
- Can Securitized Credit Weather Market Turbulence? How has it Performed During Previous Credit Events? Is there a Lower Correlation to Broader Fixed Income Sectors?
- Outlook for Emerging Market Debt
- Public vs. Private Credit
- Is Direct Lending in a Bubble and how would you Position for that?
- Opportunities and Risks for Europe and Asia
- How much should Plan Sponsors be Allocating to Credit? What is the Optimal Structure to a Credit Portfolio?
- Considerations for Selecting a Manager and Strategy
- Why should Multi-Asset Credit Strategies be a Tactical Asset Allocation with Dynamic Management for Pension Plans?
- How do we Develop Return and Risk Expectation for this Asset Class?
- How do we Benchmark Performance?

Moderator:
Zeke Loretto, Senior Investment Director, **Nvidia**

Speaker:
Peter E. Ehret, CFA, Director of Internal Credit, **Employees Retirement System of Texas**
Greg Lippmann, Partner, Chief Investment Officer, **LibreMax Capital**
Theodore L. Koenig, President & CEO, **Monroe Capital**
Jonathan Dorfman, Senior Managing Partner, Chief Investment Officer, **Napier Park Global Capital**

10:55 AM – DISTRESSED INVESTING – OPPORTUNISTIC AND SPECIAL SITUATIONS

- How does the Interest Rate Environment and Fed Balance Sheet Unwind Affect your Plans?
- What are your Expectations for Default Rates going forward?
- What is Most Worrisome in Distressed Markets Today Versus a Few Years Ago?
- When will the Vast Sums of Undeployed Capital come in off the Sidelines? Do you Need an Economic Downturn?
- Is Direct Lending a Bubble and if so, how would you Invest When it Pops?
- Where do you see the Largest Demand from Clients? What are they Most Interested In?
- Which Sectors, Strategies and Geographies will create the Best Opportunities? Any Areas that should be Avoided?
- What Distressed Opportunities are we seeing the Energy Sector?
- What's the Potential Impact of the Debt Piled up by Corporations for their Share Buybacks?
- Will the Prevalent Covenant-Lite Deals create Problems during the Next Cycle?
- What are the Opportunities and Risks in Europe? Any Countries, Sectors or Types of Deals that Stand Out?
- Do you see Opportunities in Asia or Elsewhere Globally?
- What are the Recent Leverage Trends?
- Do you worry about a Liquidity Problem in ETFs and other Structured Credit Vehicles if there is Credit Event?
- Has the Regulatory Environment Changed the Opportunity Set? How has it Impacted your Firm?
- How do Investors go about Choosing the Right Distressed Strategy, Size, Investment Style and Approach?
- How will the Different Implementation Approaches affect Expected Returns? Control vs. Non-Control? Private vs. Public?
- Distressed Debt Vehicles in Hedge Fund Format vs. Private Equity Drawdown Structures – what are the Pros and Cons of Each?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?

Moderator:
Ruchit Shah, Portfolio Manager, Alternative Fixed Income & Private Credit, **Texas Treasury Safekeeping Trust Company**

Speakers:
Scott Graves, Partner, Head of Distressed, Co-Head of North American Private Equity and Portfolio Manager, **Ares Management**
Chris Semple, Partner, U.S. Credit, **Crestline Investors**
Philip Weingord, Managing Partner and CEO, **Seer Capital Management**

11:30 AM – CURRENCY HEDGING AND CURRENCY ALPHA

(A) CURRENCY MARKET OVERVIEW

- What are the Factors Driving Currencies Today?
- Do you Worry about the Uncertainty Surrounding the Euro and EU?
- What is the Relationship Between Volatility and Currency Returns?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Benefits of Active and Dynamic Currency Management
- What are the most Common Reasons Asset Owners give for Not Actively Managing Currency? Are these Reasons Valid or Not?
- What is the Impact Forex can have on Overall Risk and Returns for International Equity and Bond Portfolios?
- Widely Confused Difference Between Currency Hedging and Currency as an Asset Class – how do they Differ in terms of Implementation Approaches?
- What are the Merits and Demerits of Adopting a Hedging Program vs. an Alpha Program?
- Different Skills Required for Currency Hedging vs. Currency Alpha – should a Different Manager be used for Each Approach or is it Possible to be Skilled in Both?

(B) CURRENCY OVERLAY HEDGING

- Given Plan Sponsors Non-U.S. Exposure, what Factors should be Considered in the Determination of Implementing a Currency Hedging Program?
- Is there an Optimum Currency Hedge Ratio for a Plan?
- How much of a Reduction in Portfolio Volatility and Risk should be Expected?
- Can it be More Beneficial to be Unhedged?
- Hedging Costs – how should this factor into your Decision?

(C) CURRENCY ALPHA

- How does Employing a Currency Alpha Strategy fit into an Asset Allocation Framework?
- Benefits of Non-Correlated Returns to Equities, Fixed Income and Alternative Investments
- How does Investing in Currency Diversify and Reduce Risk? Natural Diversifier for the Duration Risk in Bonds?
- How do you Manage Risk Factors?
- What are the Return Expectations?
- When considering Investing in an Active Currency Strategy, what should you look for in a Manager?

Moderator:
Andy T. Iseri, CFA, Senior Vice President, Global Manager Research, **Callan**

Speakers:
Mark Astley, Chief Executive Officer, **Millennium Global Investments**
Jeremy Schwartz, CFA, Director of Research, **WisdomTree Asset Management**

12:00 PM – LUNCH

SPONSORED BY: Crestline

1:05 PM – PRIVATE EQUITY

- What's your Biggest Concern – Valuations, Excess Dry Powder, Downturn, etc?
- How are you Positioning Your Portfolio given the Current Market Conditions?
- Any Lessons Learned from the Financial Crisis? What are you doing Differently when Approaching New Investments?
- Protecting your Current Portfolio – how would you Guard Against your Existing Portfolio?
- Where are your Most Optimistic Returns Going Forward as far as Sector, Geography or Niche Strategy? What's your Biggest Worry?
- Which Lower or Non-Correlated PE Strategies have you Allocated to or Favor?
- Where do you see the LP/GP Relationship in the Future when it comes to Separately Managed Accounts, Strategic Partnerships, Co-Investments, LPs Concentrating Portfolios, etc.?
- Transparency and Fees – As an LP, has this Impacted your Ability to Commit Capital? SEC's Impact?
- Have you gotten More Involved in your GP's Valuation Process? How have you Achieved this Transparency Demand? Thoughts on the Fair Value Quality Initiative?
- Thoughts on GPs Selling Minority Stakes to Third Party Investors like Dyal or Petershill? Any Negative Implications that you can Foresee?
- Subscription Lines of Credit and Risk – how can you Better Understand How these Lines have Altered Returns? Thoughts on ILPA's Guidelines?
- Do you believe we're in a Venture Capital/Technology Bubble? How do you View the Venture Space today?
- For Co-Investment Deals that Underperform, what are the Reasons Why?
- Where can we find Good Returns in Private Credit Without Taking Inordinate Risk?
- Why should Secondaries be a Core Holding?
- Issues, Outlook and Opportunities for European PE

Moderator:
Faraz Shooshani, Managing Director, Senior Private Markets Consultant, **Verus**

Speaker:
Vincent E. Letteri, Managing Director, Private Equity & TMT Growth, **Kohlberg Kravis Roberts, (KKR)**
John Clark, President, **Performance Equity Management**
Prabhu Palani, CFA, Chief Investment Officer, **San Jose Police & Fire Department Retirement Plan; San Jose Federated City Employees' Retirement System**
Lauren Dillard, Managing Director, Head of Investment Solutions Group, **The Carlyle Group**

1:50 PM – INFRASTRUCTURE

- State of the Infrastructure Markets
- Is there Too Much Capital Chasing Too Few Deals?
- With High Competition for Larger Investments, could there be More Return Potential in Smaller Projects?
- How has Performance been and what are the Recent Return Expectations?
- What have been the Effects of the Low Interest Rate Environment on Infrastructure and how might that Affect Returns and Leverage Going Forward?
- Which Sectors are Most Attractive?
- Which Geographies are Most Appealing? Developed or Emerging Economies?
- Approach – Greenfield vs. Brownfield?
- Why is Infrastructure Debt Attractive? Will it deliver for Investors Searching for Yield?
  What are the Biggest Challenges/Risks associated with Infrastructure Investing?
- Do you believe Credit Risk might be Under-Appreciated?
- Opportunities in Public-Private Partnerships?
- How have GPs Adopted ESG Principals?
- What are the Most Attractive Investments within Renewables?
- Listed vs. Unlisted – which do you Favor in a Volatile Market for Downside Protection? Do Rising Interest Rates Favor Either?
- Any Advantages or Limitations for Co-Investments? Separate Accounts?
- What are the Advantages of Open-Ended Funds over Closed-Ended Funds? Will we Continue to see a Surge in Open-Ended Funds in the Coming Years?
- What are the Major Technological Trends that will Shape Infrastructure Investing in the Coming Years?

Moderator:
Todd Lapenna, CFA, CAIA, Partner, Infrastructure & Real Assets, **StepStone Group**

Speaker:
Petya Nikolova, Head of Infrastructure Investments, **New York City Retirement Systems (NYCRS)**
Gregory A. Reid, President and CEO, Salient MLP and Midstream Energy Infrastructure, **Salient Partners**
Michael B. Dorrell, Co-Founder, Chairman and CEO, **Stonepeak Infrastructure Partners**

2:25 PM – REAL ESTATE

- Are you Expecting a Drop in Pricing and Lower Returns? What are your Returns Expectations for the next 5-10 Years?
- Where do you See the Most Risk? How are you De-Risking?
- Are you Slowing Down, Maintaining or Increasing your Pace of Investment?
- Where are the Most Crowded Trades? Are there any Less Crowded Trades?
- What are your Return Expectations for Core?
- Within Non-Core, what Risks are Investors Willing to Take?
- What is the Biggest Threat to Commercial in the next few years for this Fully Priced Market?
- Are you Making Pivots or Tilts to Take Advantage of Macro or Socio/Demographic Trends?
- What are you seeing in the Market Today with Respect to Volume of Transactions and Pricing?
- Thoughts on the Bridge Financing Opportunity for Maturing Commercial Real Estate?
- What Real Estate Technology Trends are you Watching Most Closely?
- What's happening with Leverage? LP Preferences for Use of Leverage?
- Any Niche Property Types that you Like?
- Asia and European Real Estate Outlook – Opportunities and Investment Trends
- With the Privatization of Fannie Mae and Freddie Mac a Possibility, what would be the Effect on Real Estate Portfolios?
- Will Co-Investments become more Common?
- Current State of the Real Estate Secondary Market
- Thoughts on Programmatic Joint Ventures?
- Are we still seeing a Decline in Closed-Ended Funds? If so, Why and Will it Continue?
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- What Strategies do you see as the Biggest Risks and the Biggest Rewards/Relative Value for the Future?

Moderator:
Christy Fields, Managing Director – Real Estate, **Pension Consulting Alliance, (PCA)**

Speaker:
TBD, TBD, **Barings**
Tim Bellman, Managing Director – Head of Global Research, Invesco Real Estate, **Invesco**
Brian Nottage, PhD, CFA, Managing Director, Head of Research for Real Estate Americas, **J.P. Morgan Asset Management**
Anthony Breault, Senior Investment Officer, Real Estate, **Oregon State Treasury**

3:10 PM – REFRESHMENT BREAK

3:35 PM – INVESTING IN FARMLAND

- Demographics, Global Food Demand and Land Scarcity as Macro Drivers
- Is Farmland a Good Investment if we have another Downturn or Financial Crisis?
- How has Historical Performance been?
- What are the Portfolio Benefits?
- Understanding the Evolution of U.S. Farmland Ownership and what the Transition will look like for Institutional Ownership. How might that Compare to Ownership of Timberland?
- What are the Physical-Casualty Risks? Is it a Concern or is it Proactively Managed through Operating Practices of the Farm?
- Would a Drop in Commodities Prices hurt Farmland Returns? Importance of Crop Diversification
- With Interest Rates Rising or Staying Flat, should Permanent Crops be the Choice Over Row Crops for Outsized Performance?
- How might this Asset Class be Impacted by Future Regulatory Decisions?
- Thoughts on the Rise in Farmland Debt Strategies that have Attracted Investors?
- Is it Difficult to Access Farmland through Public Markets? Might the Public REIT Market Evolve for Farmland? What are the Pro's and Cons of these REITS?

Speaker:
Rich Matheson, Portfolio Manager, Agriculture and Real Estate, **Utah Retirement Systems**

3:50 PM – INVESTING IN WATER

The World Economic Forum has ranked water as a top global risk for the past several years. The growing focus on water scarcity has many eyeing opportunities. The United Nations estimates that almost half of the world's population will live in areas of high water stress by 2030, with a 40% shortfall between water supply and demand.

- What Factors are Contributing to Water Stress and Risks?
- How are Investors Identifying and Evaluating Water Risks in their Portfolios?
- Does the Ceres Investor Water Toolkit Serve its Purpose to Help Investors Evaluate and Understand Water Risks in their Holdings?
- ESG Social Benefit – Investing in Projects and Companies that will Help Clean, Distribute and Maintain our Water Supply
- Where are the Most Attractive Opportunities?
- Are you Seeing Situations where the Government is Underwriting some of the High Impact Risks of the Project?
- Should Pensions be Seeking Greenfield or Brownfield Investments and Why?
- What are the Biggest Investor Challenges?
- How do you Overcome the Investor Lack of Clarity on the Yield they will Receive once the Project is Built?
- What are your Predictions for Growth in this Space?

Speaker:
Alan Hsu, Global Industry Analyst and Portfolio Manager, **Wellington Management Company**

4:05 PM – CIO ROUNDTABLE

(A) RISKS, ALLOCATIONS AND MACRO-BASED DECISIONS

- In this Fully-Valued Environment, how are you Balancing the Risk of a Large Drawdown with your Return Goals? Has it Impacted your Asset Allocation?
- Which De-Risking Strategies or Investments with a Low/Non-Correlation have you Allocated to?
- Do you believe your Hedge Fund Strategies will provide a Cushion for the next Market Downturn? How do you use them to Reduce Risk?
- Have you Trended Towards a Passive Equity Allocation? When Volatility Rises, do you Believe Active Managers will Outperform?
- Have you made Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures?
- Do you Believe the Impact of Regulation along with the Shift Towards Passive Management has Created a Reduction in Market Liquidity? Will there be Sufficient Liquidity in the System to Cope with Conditions of Market Stress? Has it Impacted your Fund or Decisions?
- Is there Some Point at which Higher Rates would cause you to Rethink your Asset Allocation or Other Strategies?
- What Percentage of your Pension Fund's External Asset Management uses ESG Factors? Percentage Excluding Hedge Funds? Do you have Plans to Increase the Use of ESG Managers?
- How are you Viewing Emerging Markets Broadly and what do you feel is the proper EM Allocation? Any Regional or Frontier Strategies that interest you?

(B) ALIGNMENT OF INTERESTS

- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power? Has the Size of your Fund been an Advantage or Disadvantage?
- How can you Overcome Governance Hurdles so that you can Effectively Partner with Outside Providers, Bring a Portion of the Investment Management In-House and Provide Incentive-Based Compensation?
- Have you Taken Steps to Address Diversity within your Investment Programs or your Organization's Staff?
- Do You and Your Investment Departments have the Authority to be a Dynamic, Tactical and Active Investor In Response to Extreme Economic Conditions?
- Have you Addressed Cybersecurity Protection for your Plan? How have you Educated of the Risks with Staff and Taken Steps for Protection with Investment Managers?
- Any Important Lessons Learned that you can Share from your Individual Plan Experiences?
- What Keeps You Up at Night?

Moderator:
Kristen Doyle, CFA, Partner, Head of Public Pension Funds, **Aon Hewitt Investment Consulting**

Speakers:
Tom Tull, CFA, Chief Investment Officer, **Employees Retirement System of Texas**
Mansco Perry III, CFA, CAIA, Executive Director, Chief Investment Officer, **Minnesota State Board of Investment**
Michael W. Walden-Newman, State Investment Officer, **Nebraska Investment Council**
Bruce H. Cundick, CFA, CPA, Chief Investment Officer, **Utah Retirement Systems**

5:00 PM – CONFERENCE CONCLUDES

5:00 PM – TICKETS FOR NETWORKING EVENT HANDED OUT IN CONFERENCE ROOM

ATTENDEES OF THE NETWORKING EVENT MUST BE PRESENT IN THE CONFERENCE ROOM IN ORDER TO RECEIVE TICKETS

6:00 PM – NETWORKING EVENT, TBD

Networking Event – The Waterfront Restaurant Cocktail Reception & Dinner
Hosted by The Pension Bridge – Join our group for a cocktail reception and dinner at the Waterfront Restaurant located adjacent to the Financial District at Pier 7. Experience breathtaking views of San Francisco Bay and the iconic Bay Bridge. The Waterfront Restaurant, one of the city's finest seafood restaurants, has been a top culinary destination for more than 45 years and has been a known favorite for politicians, celebrities, and business executives. The Pension Bridge Group will utilize the waterfront space for meetings and conversation with quality contacts while taking in spectacular views.

9:00 PM – NETWORKING EVENT CONCLUDES

REGISTRATION:

To register or receive more information about The 2019 Pension Bridge Annual:

BOCA RATON OFFICE CONTACT:

Brett Semel
(561) 455-2729
bsemel@pensionbridge.com

NEW YORK OFFICE CONTACT:

Andrew Blake
(516) 818-7989
ablake@pensionbridge.com

Please visit **www.pensionbridge.com** for additional details. **Registration is not available online.**

About The Pension Bridge: We are an innovative company offering educational conferences of the highest quality. Our objective is to provide an education to the institutional investment community while providing an impressive speaker faculty in a setting that is conducive to great networking. We help institutional money managers connect with Pension Funds and Consultants across the country in a fun, enjoyable atmosphere. Our events can act as a stepping stone to a successful financial relationship or simply help build the investment education.

Our management team's unique skills, operating experience, and industry relationships help to make our events the main attraction in the industry. We pride ourselves on being there to cater to our clients' wants and needs. Our ratio of plan sponsor to investment manager allows our events to be the most desirable and accommodating in the conference industry. The Pension Bridge is known for its strength, stability, relationships, and operational excellence.

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LACERA

March 4, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of March 13, 2019

SUBJECT: Global Investors Annual Meeting
New York, New York on June 24 – 25, 2019

The Global Investors Annual Meeting will be held on June 24 – 25, 2019 at the Harmonie Club in New York, New York. The Global Investors Annual Meeting is a closed-door program that gathers the world's leading fund managers, institutional allocators and private wealth investors currently investing and fundraising across the globe. The meeting offers a unique platform to learn from and alongside industry thought leaders. Panel sessions and Private meetings throughout both days will allow for deepening relationships, developing partnerships and fostering business. This two-day conference will host more than 400 leading investors, managers and other professionals to discuss investment opportunities and new trends in the market.

The main conference highlights include the following:

- Panel Session: US Institutional Investors Roundtable Discussion
- Private Equity & Debt Opportunities
- Panel Session: Venture Capital Managers
- Panel Session: Private Wealth Allocations

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rates nearby the Harmonie Club range between $350.00 to $450.00 per night plus applicable taxes and the registration fee is $1,800.00.

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 Board members at the Global Investors Annual Meeting on June 24 – 25, 2019 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment


LINKBRIDGE INVESTORS
GLOBAL INVESTORS ANNUAL MEETING
June 24th & 25th 2019 I THE HARMONIE CLUB I NEW YORK

Dear Colleague,

It is with my distinct pleasure that I invite you to the most prominent Global Investors Annual Meeting in New York City. The Global Investors Annual Meeting is a closed-door program that gathers the world's leading fund managers, institutional allocators and private wealth investors currently investing and fundraising across the globe. This meeting offers a unique platform to learn from and alongside industry thought leaders. Panel sessions and Private meetings throughout both days will allow for deepening relationships, developing partnerships and fostering business. This two-day conference will host more than 400 leading investors, managers and other professionals to discuss investment opportunities and new trends in the market.

- **400 Total Participants**
- **175 Institutional & Private Wealth Investors**
- **12 Investor Panel Sessions**
- **Hours of Open Networking**
- **2 days**

We are looking forward to hosting you at the Global Investors Annual Meeting.

Best regards,

Pablo Patrick
Founder & CEO
LinkBridge Investors

LEADERSHIP

PABLO PATRICK
FOUNDER & CEO

NAIRA TRAZZI
PRINCIPAL

GEORGE DEVOLDER
VICE PRESIDENT

Keynote Speakers:

Daniel A. D'Aniello | Co-Founder and Chairman Emeritus | The Carlyle Group

Prior to forming Carlyle in 1987, Mr. D'Aniello was Vice President for Finance and Development at Marriott Corporation. Before joining Marriott, Mr. D'Aniello was a financial officer at PepsiCo, Inc. and Trans World Airlines.

He is a 1968 *magna cum laude* graduate of Syracuse University, where he was a member of Beta Gamma Sigma, and a 1974 graduate of the Harvard Business School, where he was a Teagle Foundation Fellow.

Mr. D'Aniello is Chairman of the American Enterprise Institute; Co-Chairman of the Institute for Veterans and Military Families; a member of the U.S.-China CEO and Former Senior Government Officials' Dialogue of the U.S. Chamber of Commerce; Chairman of the Wolf Trap Foundation for the Performing Arts; a Lifetime Board Trustee of Syracuse University, and a member of the Corporate Advisory Council to the Martin J. Whitman School of Management.

Valerie Rockefeller | Chairman | Rockefeller Brothers Foundation

Valerie Rockefeller chairs the board of the Rockefeller Brothers Fund, a private foundation advancing social change that contributes to a more just, sustainable, and peaceful world. Her professional background is as a middle school special education teacher for adolescents with learning differences and emotional disabilities. She began her teaching career at Central Park East Secondary School in East Harlem, New York, and also taught in Australia. Valerie has a M.Ed. in Special Education from Bank Street College of Education and a MAT in secondary Social Studies from Columbia University Teachers College. She majored in International Relations at Stanford University, and worked as a confidential assistant to Secretary Richard Riley at the U.S. Department of Education during the first Clinton administration. She also serves as a trustee of Achievement First, the Asian Cultural Council, Columbia University Teachers College, D.C. Preparatory Academy, Greenwich Academy, the Gilder Lehrman Institute of American History, and Rockefeller Philanthropy Advisors. Ms. Rockefeller was a trustee of Spelman College, and is a member of the Council on Foreign Relations. Ms. Rockefeller lives with her daughters Percy and Lucy and her son Davis in Old Greenwich, Connecticut.

Mitzi Perdue | Two Long-Time Family Businesses | Sheraton & Perdue

Mitzi Perdue combines the experiences of two long-time family businesses. Her father Ernest Henderson co-founded the Sheraton Hotel Chain and her late husband Frank Perdue was the second generation in the poultry company that today operates in more than 100 countries. She loves to point out that the Henderson family business began in 1840 with the Henderson Estate Company and they have been having yearly family reunions since 1890. If you combine the 178 years since the Henderson business began, and the 98 years that Perdue Farms has been in business, she represents 276 years of family history. The family business that Mitzi founded and runs with her two sons CERES Farms, is a family-owned commercial and agricultural real estate investment company. The vineyards which are a part of CERES sell wine grapes to wineries such as Mondavi, Bogle, Folie a Deux, and Toasted Head. Mitzi Perdue likes nothing better than to share tips for what worked in her two long-running families.

A few testimonials

"Thank you for a most excellent conference. I thought the venue and the number of attendees was appropriate (not too big as to be overwhelming) and appreciate the format for pre-scheduled one-on-one meetings with prospective investors. We did meet with a number of groups and spoke with about 10 qualified prospective investors who expressed continued interest and with whom we are following up."

Partner, True Green Capital

"The LinkBridge investors conference was a special treat for me -- a real learning experience and an opportunity to meet many people from the investment industry who may help Nevada increase its returns and safety on general funds, higher education endowments and public employee retirement investment. I've been a panelist and moderator, and it's a great way to meet these folks and get to know them better."

Controller, State of Nevada

"The Linkbridge conference was a fantastic event, attended by a long list of the top institutional LP's. The panelists were interesting and insightful, and the conference format gave participants plenty of opportunity to meet and discuss opportunities."

Partner, Peterson Partners

"The gathering provided a crisp and comprehensive overview on the current happenings in the US economy from an investor's lens, complimented by a diverse representation of global attendees which helped enhance reach and build perspective."

CIO, RAAY Investments

"The LinkBridge Investors May 2018 New York conference was an excellent opportunity to get new ideas from industry leaders and to develop productive, new relationships. We are already considering investing with three different companies represented at the conference. Very high quality event and worth two days away from the office."

Chief Investment Strategist, Keel Point

"LinkBridge provided an open a lively forum for GPs and LPs to discuss the current economic state of all asset classes. We met a lot of new LPs, and hope to continue building relationships at Linkbridge."

Principal, Ecosystem Integrity Fund

"Linkbridge organized a top notch conference in New York last week. The speakers were leaders from some of the world's top financial institutions. The attendees were diverse and interesting."

Partner, Robbins Geller Rudman & Dowd LLP

"LinkBridge Investors put together a highly curated and elite group of family offices, fund managers, and established investment professionals. By participating at the Global Investors Annual Meeting, we made valuable contacts with potential LPs and co-investors across the globe."

Founding Partner, TMT Blockchain Fund

The Global Investors Annual Meeting in New York was the best conference that I have attended. It delivered significant ROI for our company. The Linkbridge team provided exceptional customer service."

Partner, Vivaris Capital

"I attended Linkbridge's NY conference in May 2018 for the first time. I was struck by the high quality of speakers, the carefully curated content, and the many opportunities to interact with the attendees. The organization, from beginning until the end, was flawless. I will return."

Partner, Acceleration Resources

"Participating at the LinkBridge Investors Global Investors Annual Meeting allowed attendees to share and learn about international investment opportunities and local market insight from institutions asset managers, governments, advisors and family offices. Networking and connecting with company and industry leaders from various Latin American countries was a valuable cross-border experience."

Treasury Manager, City of Stamford

"As a recently launched development Real Estate Fund, the conference provided significant insight and confirmation into current trends and movements in the marketplace. The speaker panels provided a wealth of knowledge and the opportunity to meet with and network with the impressive attendee group was invaluable. I expect to be a regular participant in future conferences."

CEO, Participant Capital

LinkBridge provided a high quality conference in San Francisco in November 2018. The presenters were both varied and of high quality. They spoke to emerging trends and niche strategies to achieve above market returns. The process for matching investors with managers was excellent. My advice – arrive early and stay late.

President, Ulland Investment Advisors

DAY ONE

8:00 A.M. **Welcome Reception & Registration Opens**

8:05 A.M. **Breakfast**

8:45 A.M **Host's Welcome**
LinkBridge Investors

8:50 A.M. **Panel Session: US Institutional Investors Roundtable Discussion**
Where are the opportunities now, and what should we expect going forward? Institutional Investors will share their perspectives and experiences on where they see the most attractive and innovative opportunities.

9:25 A.M. **Panel Session: International Opportunities**
The leading international firms will discuss investment opportunities across their platform. Where are the best strategies and capital destinations given the current market environment? Which countries remain an attractive market to invest in?

10:05 A.M. **Panel Session: Real Estate Opportunities in the US I**
The leading US Real Estate firms will discuss investment opportunities across the region. What type of strategies create value in the current real estate environment?

10:45 A.M. **Morning Networking Break**

11:00 A.M. **Keynote Presentation**

11:20 A.M. **Panel Session: Private Equity & Debt Opportunities**
Managers will discuss investment opportunities across their platform. What are the key emerging trends that are shaping the private equity and debt market in 2019?

12:00 P.M. **Panel Session: Venture Capital Managers**
Venture Capital Managers are indicating an increasing number of opportunities for investors and in result VC firms are facing a combination of a bigger pipeline, new deal structures and valuations. The leading Venture Capital firms will discuss investment opportunities across their platform.

12:40 P.M. **Networking Luncheon Remarks**

1:40 P.M. **Keynote Presentation**

2:00 P.M. **Panel Session: Private Wealth Allocations I**
As more institutional investors move towards concentrated capital with larger managers, where do private clients stand? Which asset classes are of the most interest to Private Clients?

2:40 P.M. **Keynote Presentation**

3:00 P.M. **Afternoon Networking Break**

3:15 P.M. **Panel Session: International Investors Roundtable Discussion**
What are the next big opportunities on the horizon? Which asset classes are well suited for the current market environment? Emerging Managers vs Established Managers?

3:55 P.M. **Panel Session: Investment Consultants Roundtable**
Investment Consultants will discuss the performance of different markets and strategies across the globe. What type of investment structure are investors looking for and where is the greatest potential for growth?

4:35 P.M. **Panel Session: Family Office Allocations I**
Family offices will discuss how they identify opportunities in the current market. Which asset class is delivering competitive returns? What is the current Global Economic Outlook for family offices?

5:15 P.M. **Cocktail Reception**

6:15 P.M. **End of Day One**

DAY TWO

8:00 A.M. **Welcome Reception & Registration Opens**

8:05 A.M. **Breakfast**

8:55 A.M **Host's Welcome**
LinkBridge Investors

9:00 A.M. **Keynote Presentation**

9:20 A.M. **Regional Roundtable: Real Estate Opportunities in the US II**
The leading US Real Estate managers will discuss investment opportunities across the region. What type of strategies create value in the current real estate environment?

10:00 A.M. **Panel Session: Private Equity & Credit Opportunities**
Private Equity & Credit Managers will discuss investment opportunities across their platform. Where are the best strategies and capital destinations given the current market environment? What are the key emerging trends that are shaping the private equity and credit market in 2019?

10:40 A.M. **Morning Networking Break**

10:55 A.M. **Panel Session: Family Office Allocations II**
Family offices will discuss how they identify opportunities in the current market. Which asset class is delivering competitive returns? What is the current Global Economic Outlook for family offices?

11:35 A.M. **Panel Session: The Debate on Hedge Fund Allocation**
Hedge fund investors and managers are indicating a renewed optimism in the industry after a few years since the financial crisis. What is the outlook for hedge strategies in 2019?

12:15 P.M. **Panel Session: Wealth Manager Roundtable Discussion**
Wealth Managers will discuss how they identify opportunities in the current market. Which asset class is delivering competitive returns?

12:50 P.M. **Networking Luncheon**

1:50 P.M. **Panel Session: Advisors Roundtable Discussion**
Advisors will discuss the performance of different markets and strategies across the globe. What type of investment structure are investors looking for and where is the greatest potential for growth?

2:30 P.M. **Keynote Presentation**

2:50 P.M. **Panel Session: Private Wealth Allocations II**
As more institutional investors move towards concentrated capital with larger managers, where do private clients stand? Which asset classes are of the most interest to Private Clients?

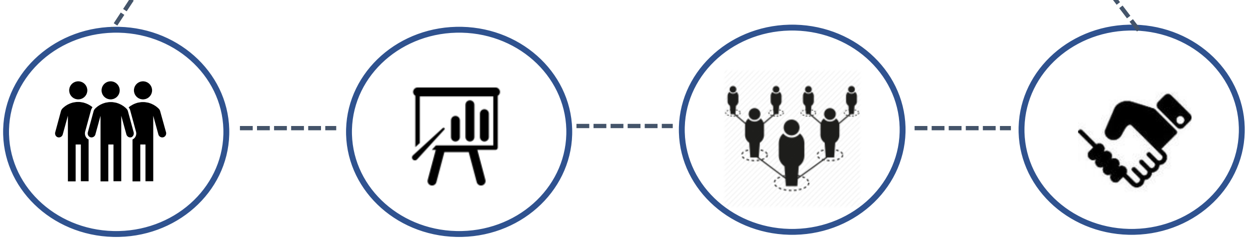
3:30 P.M. **Closing Remarks**
LinkBridge Investors

3:35 P.M. **Close of Conference**

LINKBRIDGE INVESTORS

Connecting Decision Makers

LinkBridge Investors' approach is designed to connect leaders and contribute to the development of relationships and business opportunities.



Our Investor Relations Team reach out to Investors

Investors define their needs

Matchmaking of specific funds with investor needs

Connecting Decision Makers

L//CERA

March 4, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of March 13, 2019

SUBJECT: Meketa Investment Group's 2019 Investment Conference
San Diego, California on April 9, 2019

The Meketa Investment Group's 2019 Investment Conference will be held on April 9, 2019 at the Hilton San Diego Bayfront Hotel in San Diego, California. The day will provide an excellent educational opportunity for both ESG enthusiasts and skeptics alike.

The main conference highlights include the following:

- The Challenge of Data
- ESG Integration
- What Does ESG Mean to My Organization?
- Millennials as Donors, Investors, and Community Members

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Hilton San Diego Bayfront Hotel is $279.00 per night plus applicable taxes and the fee for the meals to attend is approximately $175.00.

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 Board members at Meketa Investment Group's 2019 Investment Conference on April 9, 2019 in San Diego, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

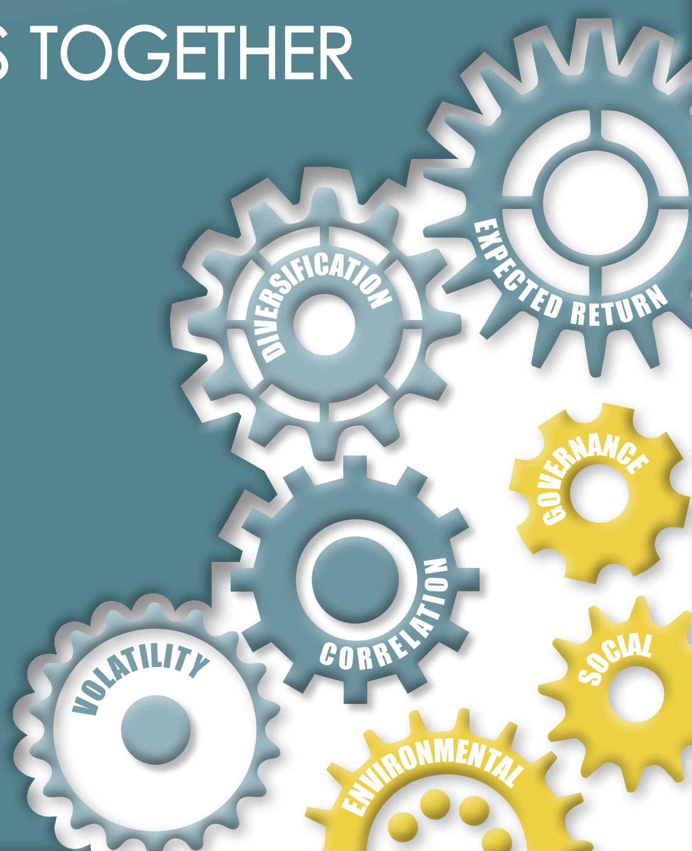
PLEASE JOIN US

APRIL 9TH 2019

MEKETA INVESTMENT GROUP

2019 INVESTMENT CONFERENCE

ESG INTEGRATION: PUTTING THE PIECES TOGETHER



HILTON SAN DIEGO BAYFRONT
8:00am - 5:00pm
Closing Reception 5:00pm - 7:00pm

PLEASE RSVP BY MARCH 15, 2019

For more information, please contact:

Rita McCusker, Director of Client Service:
rmccusker@meketagroup.com
781.471.3500

TOPICS INCLUDE

The Challenge of Data

Sourcing reliable ESG information on public companies can be challenging. How have asset managers evolved their process to include this information? How can asset owners encourage more public disclosure?

ESG Integration

Exploring the path asset managers take to adopting an ESG philosophy and incorporating the evaluation of ESG factors into an investment strategy.

What Does ESG Mean to My Organization?

An overview of why and how asset owners have incorporated ESG into their portfolios.

Impact Investing

Investing in private markets affords the best opportunity to make a direct impact on society. Panelists will explore examples of opportunities that provided both social and economic success.

Millennials as Donors, Investors, and Community Members

Whether it's an investment opportunity, a foundation they are supporting, or their elected officials, millenials expect more than past generations with regards to ESG conscious decision-making.

Passive ESG

As investors move beyond exclusionary indices, is passive ESG exposure active enough? Is proxy voting an effective tool for affecting change?

SPEAKERS INCLUDE

Larry Abele
Impact Cubed and Auriel Investors

Geeta Aiyer
Boston Common Asset Management

Tim Coffin
Breckinridge Capital Advisors

Ira Ehrenpreis
DBL Partners

Katie Schmitz Eulitt
Sustainable Accounting Standards Board

Megan Fielding
Nuveen

Justin Fier
Pacific Community Ventures

Kirsty Jenkinson
California State Teachers' Retirement System

David Lynn
Mission Driven Finance

Fayyaz Mujtaba
Wellington Management Company

Lila Preston
Generation Investment Management

Jennifer Sireklove
Parametric Portfolio Associates

Hannah Strasser
SKY Harbor Capital Management

Jessica Wirth Strine
The Vanguard Group

Scott Zdrazil
Los Angeles County Employees Retirement Association

Steve McCourt
Meketa Investment Group

Colleen Smiley
Meketa Investment Group

HOTEL

HILTON SAN DIEGO BAYFRONT, 1 Park Boulevard, San Diego, CA 92101

Meketa Investment Group has secured hotel rooms at the Hilton San Diego Bayfront at a reduced rate of $279 per night for the nights of April 8th and April 9th only. When making your guest room accommodations at the Hilton San Diego Bayfront, please mention the Meketa Investment Group room block. Please note that the number of guest rooms at this reduced rate is limited so we encourage you to make your reservations as soon as possible.

On April 9th, parking at the Hilton San Diego Bayfront garage will be offered at a reduced rate.

LACERA

March 4, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of March 13, 2019

SUBJECT: KKR's 2019 Americas Investors' Meeting
Rancho Palos Verdes, California on June 24 – 25, 2019

The KKR's 2019 Americas Investors' Meeting will be held on June 24 – 25, 2019 at the Terranea Resort in Rancho Palos Verdes, California.

The main conference highlights include the following:

- Portfolio Review, Trends and Themes, Organization Updates, Current PE Outlook and Transactions
- U.S. Macro Environment Update
- Regulatory & Compliance
- Industry & Portfolio Company

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Terranea Resort is $450.00 per night plus applicable taxes and the registration/meals fee is approximately $250.00 per day.

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 Board members at the KKR's 2019 Americas Investors' Meeting on June 24 – 25, 2019 in Rancho Palos Verdes, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

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Register Now

Agenda

Monday, June 24, 2019

12:30 PM - 3:00 PM	**Market Perspectives Meeting**
6:30 PM - 9:00 PM	**Cocktails & Dinner**

Tuesday, June 25, 2019

7:00 AM - 8:00 AM	**Regulatory & Compliance Roundtable Breakfast**
7:00 AM - 8:00 AM	**Buffet Breakfast**
8:00 AM - 8:20 AM	**Welcome & Introductory Remarks**
8:20 AM - 8:40 AM	**U.S. Macro Environment Update**
8:40 AM - 9:24 AM	**Portfolio Review, Trends and Themes, Organization Updates, Current PE Outlook and Transactions**
9:24 AM - 9:45 AM	**Break**
9:45 AM - 11:00 AM	**Industry & Portfolio Company Updates**
11:00 AM - 11:20 AM	**Break**
11:20 AM - 12:45 PM	**Industry & Portfolio Company Updates (continued)**
12:45 PM - 1:45 PM	**Buffet Luncheon**
1:45 PM - 3:15 PM	**Industry & Portfolio Company Updates (continued)**
3:15 PM - 3:30 PM	**Closing Remarks**
6:30 PM - 9:30 PM	**Cocktails & Closing Dinner**

LACERA

March 4, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of March 13, 2019

SUBJECT: SuperReturn Emerging Markets Conference
Amsterdam, Netherlands on June 24 – 26, 2019

The SuperReturn Emerging Markets Conference will be held on June 24 – 26, 2019 at the Hotel Okura in Amsterdam, Netherlands. The conference is Europe's largest and most impressive gathering of top performing General Partners from around the world and Limited Partners who are ready to invest in emerging market private equity. The event is designed to help you meet the people you most want to learn from and do business with.

The main conference highlights include the following:

- Making the Case for African Private Equity Today
- South Africa: A Case of Continued Conviction?
- Benchmarking African Private Equity: What Really Counts?
- Investing In Innovation: What's Next for Africa?

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Hotel Okura is $320.00 per night plus applicable taxes and the registration fee is approximately $3,200.00.

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 Board members at the SuperReturn Emerging Markets Conference on June 24 – 26, 2019 in Amsterdam, Netherlands and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

SESSIONS

SUMMIT DAY - 24/06/2019

Registration and morning coffee

08:20 - 08:55

Chair's welcome address

08:55 - 09:00
Fundraising Summit

Chair's welcome address

08:55 - 09:00
Africa Summit

Chair's welcome address

08:55 - 09:00
Impact Investing Workshop

Emerging markets: a fundraising market in oscillation

09:00 - 09:30
Fundraising Summit

Who is getting funded and who isn't? Which regions, sectors and fund types are having the most success? Can we be optimistic?

Africa in the global context

09:00 - 09:30
Africa Summit

What is the impact of recent global political and economic events on Africa? How are globalisation trends and regional cross-currents developing within the continent and how is this being shaped by 2019 elections in Nigeria and South Africa? How well is Africa keeping up with its peer markets? Is the risk/reward mismatch greater than ever?

Part i: Defining impact

09:00 - 10:30
Impact Investing Workshop

- How is impact investment defined today? What are the variants? What counts?
- SME Ventures vs GIIN vs UNPRI – understand the various guidelines that exist and how best to use them.
- Catch 22 – what are the returns for impact investing? What does the landscape of impact investment funds look like?

Emerging market: back on the map for LPs?

09:30 - 10:00
Fundraising Summit

What characterises the funds who have managed to raise capital successfully? Are smaller funds being left on the backbench? How well are emerging market funds meeting the criteria of LPs and how much longer can DFIs continue to do the heavy-lifting? How much tougher is fundraising in light of recent negative headline stories?

Participants

Peter Pfister - Managing Director, Pavilion Alternatives Group

Making the case for African private equity today

09:30 - 10:00
Africa Summit

Where is the most compelling deal flow in Africa and do the greatest opportunities exist in the mid-market? Against a backdrop of political and currency volatility globally, how are managers generating superior returns and preparing for the future? Why should Africa remain integral to an LP's emerging markets allocation?

Participants

Souleymane Ba - Partner, Helios Investment Partners

Understanding the investor universe: build it and they will come

10:00 - 10:45
Fundraising Summit

A series of panels/interviews will follow a short opening data presentation. We will invite different investor types to share with the audience their preferences, constraints and objectives with regards to investing in private assets. What makes each LP tick?

Pools of capital

(15 minutes Solo)

Who is investing in emerging markets and how is this changing?

Family Offices

(30 minutes Panel)

What do family offices want from their exposure to emerging markets and how well have these expectations been met? What is the appetite for investing directly and for different fund structures and private asset classes? Do these LPs most often take an opportunistic approach and is a strategic partnership preferable to the traditional LP-GP relationship?

Participants

Solo presentation: Kelly DePonte - Managing Director , Probitas Partners

Sam Mehta - Director, The Atlas Family Office

360 view of the African fund landscape: Date presentation

10:00 - 10:15
Africa Summit

Fundraising, performance and exits: who is leading the way?

Profiling the fund landscape: what funds exist and what fund profiles have performed best? Who has struggled? How prolific are new funds?

SESSIONS

SUMMIT DAY - 24/06/2019

360 view of the African fund landscape

10:15 - 10:45
Africa Summit

Weighing up the options: what is the best approach for investing in Africa?

The Africa opportunity as seen through the eyes of a GP who is:

- Continent wide
- Country specific
- Regional
- Sector specific
- Thematic
- Private debt

Participants

Regional: Lucas Kranck - Founding Partner, Ascent Private Equity

Coffee and networking

10:30 - 11:00
Impact Investing Workshop

Coffee and networking

10:45 - 11:15
Fundraising Summit

Coffee and networking

10:45 - 11:15
Africa Summit

Part ii: Impact measurement techniques

11:00 - 12:30
Impact Investing Workshop

- Discussion of key metrics most often sought and of greatest impact
- Comparison of the most effective and reliable tracking methods
- Identification of the most prevalent challenges and solutions

Institutional LPs

11:15 - 11:45
Fundraising Summit

How are emerging markets perceived by institutional LPs, what is it competing against internally and is a risk premium being sought? How well do emerging market managers seem to understand this? What do these LPs need to see to commit to a fund?

Participants

Marc Roijakkers - Senior Fund Manager, Alternatives, Blue Sky Group

LP strategies for investing in Africa

11:15 - 11:45
Africa Summit

Which regions, sectors and themes within Africa are most attractive to LPs and where are actual allocations to the region vs where LPs want them to be? Are single country funds too risky? Is there now a desire to write larger checks and what barriers to investment are LPs grappling with?

Participants

Moderator: Alexandre Alfonsi - Founding Partner, Axonia Partners

Alison Klein - Manager, Private Equity, FMO

DFIs

11:45 - 12:15
Fundraising Summit

Often continually evolving, how are the various DFIs structured and what do they seek beyond financial returns? Is there now a greater appetite for larger funds and co-investment (transactions sizes)? As seasoned emerging market investors, where do these LPs see GPs most often fall short?

South Africa: a case of continued conviction?

11:45 - 12:15
Africa Summit

How well has the country delivered for investors? How are managers deploying capital and generating alpha amid the noise of upcoming elections and continued rand volatility? What kinds of short and long-term strategies are on the table? How much merit is there in looking North?

Participants

Zain Laher - Co-founder and Partner, Kleoss Capital

Nuts and bolts: what every manager on the road should know

12:15 - 12:45
Fundraising Summit

Unpicking the regulations, legalities and structures integral to a fundraising strategy today. How can smart managers navigate AIFMD and multiple investor requirements to successfully raise capital? What firm/ fund structuring options should be considered?

Road map of sector development across the continent

12:15 - 13:00
Africa Summit

Healthcare | education | agriculture | technology

Which regions can best support the various sectors and what developments are driving the opportunity within each sector/region? How feasible is a continent-wide strategy? What are experiences on the ground from sector focused investors, both positive and negative? How well can Africa support sector focused funds?

Participants

Agriculture: Herman Marais - Managing Partner, EXEO Capital

Lunch

12:30 - 13:30
Impact Investing Workshop

Lunch

12:45 - 14:00
Fundraising Summit

Lunch

13:00 - 14:00
Africa Summit

Part iii: Implementing and scaling impact

13:30 - 15:00
Impact Investing Workshop

- Comparing methods that are used to implement impact
- How is technology improving the options available?
- What is the best way to replicate and scale impact, and which sectors best support this?
- What hard choices need to me made? Experiences will be shared and discussed.

Local LPs

14:00 - 14:30
Fundraising Summit

How are changing regulations and local forces opening up pools of capital from select emerging economies to invest in private equity? What are these LPs seeking? What can GPs do to help them get comfortable enough to increase the momentum of investment into this new asset class?

SESSIONS
SUMMIT DAY - 24/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

Candidly speaking: a seasoned LP on investing in Africa. The good, the bad, the ugly.

14:00 - 14:30
Africa Summit

How well has African private equity delivered? How has the LP seen the market evolve and what are the most notable highs and lows? If you could go back, what would you have done differently? What's next?

Emerging Managers: how to make it as first-time fund

14:30 - 15:30
Fundraising Summit

Who are the first-time funds raising capital?

Where are new managers forming and what themes/ sectors are they targeting? How does fundraising success compare? Are smaller funds having the toughest time?

(10 minutes Presentation)

LPs on first time funds

How big is the appetite for first time funds and what are LPs in search of? Which structures, team and track record attributes will provide most comfort to LPs? How can a new team best demonstrate staying-power?

(30 minutes Panel)

In conversation with a first-time fund Rockstar

One successful GP shares their story on how they managed to raise their first fund. Candid discussion on the assembly of the team, track record, sponsorship and target LP list. What worked and what didn't?

(20 Minutes Interview)

Participants

Kelly DePonte - Managing Director , Probitas Partners

Eric Marchand - Senior Vice President , Unigestion

Investing in innovation: what's next for Africa?

14:30 - 15:00
Africa Summit

What is piquing the interest of leading venture capitalists in the region today? How are managers translating opportunities presented by incremental and disruptive technologies across the continent into returns for investors? How well is the performance of African venture capital fairing on the global stage? Is AgTech next on the agenda?

Participants

Moderator: Michiel Timmerman - Founder and Managing Partner, Mbuyu Capital Partners

Head-to-head debate

15:00 - 15:30
Africa Summit

Is it fair to compare Africa to other emerging markets?

Coffee and networking

15:00 - 15:30
Impact Investing Workshop

Coffee and networking

15:30 - 16:00
Fundraising Summit

Coffee and networking

15:30 - 16:00
Africa Summit

Part iv: The LP view

15:30 - 17:00
Impact Investing Workshop

- Understand what impact investment means to LPs.
- A DFI and commercial LP will explain their objections with regards to impact and how they hope to achieve this through private equity and venture capital.
- Advice will be given on what an LP seeks in both a fund manager and an impact strategy. Where have managers fallen short in the past?

Financing hybrids

16:00 - 16:30
Fundraising Summit

What is the demand for blind pool vs deal by deal vs permanent capital funding options, and what hybrid models exist? How well do current products/strategies on the market match LP appetite? How open are LPs to engaging in longer cycles?

Participants

Moderator: Eric Maillebiau - Founder, CapEos

Zain Latif - Principal, TLG Capital

Jorrit Dingemans - Manager, Private Equity, FMO

Exit – case study

16:00 - 16:30
Africa Summit

The 'how to' of marketing and pitching a fund to investors

16:30 - 17:15
Fundraising Summit

Featuring interactive audience polling

How can you pre-empt the most difficult lines of questioning and have your responses ready? Where are managers falling short?

Participants

Led by: Alexandre Alfonsi - Founding Partner, Axonia Partners

Benchmarking African private equity: what really counts?

16:30 - 17:15
Africa Summit

'Off the record' closed door discussion

- What is the benchmark for African private equity and venture capital returns? How much variation is there?
- Candidly speaking: what are LPs' expectations? How achievable are they?
- Does it make sense to compare returns to those in developed markets? How much of a fair comparable is this, in relative terms?
- Return attrition due to currency – how much should a manager be penalised for this, if at all?
- How much weight is given to non-financial returns?

Participants

Leaders include: Michiel Timmerman - Founder and Managing Partner, Mbuyu Capital Partners

Yemi Lalude - Managing Partner of TPG Africa, TPG

End of workshop

17:00 - 17:05
Impact Investing Workshop

End of Fundraising summit

17:15 - 17:20
Fundraising Summit

End of Africa summit

17:15 - 17:20
Africa Summit

SuperReturn Emerging Markets drinks reception

17:30 - 19:00

SCHEDULE

SUMMIT DAY - 24/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

TIME	AFRICA SUMMIT	FUNDRAISING SUMMIT	IMPACT INVESTING WORKSHOP
08:00	**08:20** - Registration and morning coffee **08:55** - Chair's welcome address	**08:20** - Registration and morning coffee **08:55** - Chair's welcome address	**08:20** - Registration and morning coffee **08:55** - Chair's welcome address
09:00	**09:00** - Africa in the global context **09:30** - Making the case for African private equity today	**09:00** - Emerging markets: a fundraising market in oscillation **09:30** - Emerging market: back on the map for LPs?	**09:00** - Part i: Defining impact
10:00	**10:00** - 360 view of the African fund landscape: Date presentation **10:15** - 360 view of the African fund landscape **10:45** - Coffee and networking	**10:00** - Understanding the investor universe: build it and they will come **10:45** - Coffee and networking	**10:30** - Coffee and networking
11:00	**11:15** - LP strategies for investing in Africa **11:45** - South Africa: a case of continued conviction?	**11:15** - Institutional LPs **11:45** - DFIs	**11:00** - Part ii: Impact measurement techniques
12:00	**12:15** - Road map of sector development across the continent	**12:15** - Nuts and bolts: what every manager on the road should know **12:45** - Lunch	**12:30** - Lunch
13:00	**13:00** - Lunch		**13:30** - Part iii: Implementing and scaling impact
14:00	**14:00** - Candidly speaking: a seasoned LP on investing in Africa. The good, the bad, the ugly. **14:30** - Investing in innovation: what's next for Africa?	**14:00** - Local LPs **14:30** - Emerging Managers: how to make it as first-time fund	
15:00	**15:00** - Head-to-head debate **15:30** - Coffee and networking	**15:30** - Coffee and networking	**15:00** - Coffee and networking **15:30** - Part iv: The LP view
16:00	**16:00** - Exit – case study **16:30** - Benchmarking African private equity: what really counts?	**16:00** - Financing hybrids **16:30** - The 'how to' of marketing and pitching a fund to investors	
17:00	**17:15** - End of Africa summit **17:30** - SuperReturn Emerging Markets drinks reception	**17:15** - End of Fundraising summit **17:30** - SuperReturn Emerging Markets drinks reception	**17:00** - End of workshop **17:30** - SuperReturn Emerging Markets drinks reception

SESSIONS

MAIN CONFERENCE DAY 1 - 25/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

Registration and welcome coffee

08:00 - 08:35

Chair's welcome address

08:35 - 08:40
Day 1

The world in 2019: the geopolitical and macroeconomic forces shaping emerging markets

08:40 - 09:10
Day 1

Exploring the impact and relative risk of U.S.-China trade war, rising U.S. interest rates, changing governments globally and commodity market volatility on emerging markets. What macroeconomic adjustments need to be prepared for? Are things looking up for emerging markets?

Reactions to the world in 2019

09:10 - 09:40
Day 1

Elections, trade wars, fiscal uncertainty and disruptive technologies: how are seismic events shaping the attractiveness of emerging markets and the investment decisions of leading emerging market investors?

LP appetites and allocation plans

09:40 - 10:10
Day 1

How compelling is the investment case for emerging markets? What is the appetite for direct vs co-invest vs fund of fund and the various private asset classes? On what metrics are LPs making their investment decisions and what do LPs seek beyond financial returns? What transferable lessons have LPs adopted from investing in different markets globally?

Participants

Roberta Brzezinski - Managing Principal , Growth Markets, CDPQ

Steve Cowan - Managing Director & Co-Founder, 57 Stars

Keynote address

10:10 - 10:35
Day 1

Participants

Gregory Bowes - Co-Founder & Managing Principal, Albright Capital Management

Coffee and networking

10:35 - 11:00

Crystallising value in emerging markets

11:00 - 11:30
Day 1

How are leading GPs responding to global political and fiscal tailwinds to generate superior returns and protect their investments? Is a specialist approach best? How will the global spread of dry powder be deployed, and could a distressed opportunity be on the cards?

Closed door GP presentations

11:00 - 11:50
Closed Door Session

LPs are welcome to attend this session of consecutive presentations from pre-registered GPs. Only one GP will be present in the room at any given time. Places for LPs to view the presentations are limited.

Data: sector specialisation in emerging markets

11:30 - 11:50
Day 1

Participants

Anouk van der Boor - Investment Managing Director, Cambridge Associates

Consumer behaviour in emerging markets: preparing for tomorrow

11:50 - 12:20
Day 1

How does consumer behaviour vary within emerging markets and compared to developed markets, and what at the relative inflection points? How are trends being altered by social, industry-related and technological disruptors? What is the best way to capitalise on the new generation of consumer?

Sector examples:

Healthcare | Education | Financial Services

Special guest speaker

12:20 - 12:45
Day 1

Participants

Peter van Mierlo - CEO, FMO

Lunch

12:45 - 13:45

Chair's opening remarks

13:45 - 13:50
Stream A

Chair's opening remarks

13:45 - 13:50
Stream B

Emerging market private debt: a concept still to be proven?

13:50 - 14:20
Stream A

How does the scope for private debt investing vary across emerging markets and what localised developments are shaping the investment opportunity in individual markets? How well are downside protection structures and risk adjusted returns to-date satisfying growing LP demand?

A new era of value creation: what works?

13:50 - 14:20
Stream B

How are GPs innovatively adding value to portfolio companies and what are the different models that exist? How is technology transforming traditional strategies?

Generating returns and impact through infrastructure

14:20 - 14:50
Stream A

Exploring new developments, government initiatives, a push towards great impact and a larger number of independent projects across emerging markets. What are the main differentiators between markets and geo-specific opportunities? How are GPs managing FX, counterparty and legal risks to deliver on investments and what fund structures are favoured?

Technology and innovation – a local solution for a local problem or a global play?

14:20 - 14:50
Stream B

How does the adoption of technology in and across emerging markets compare? Which firms are best positioned to capitalise on this theme and what regional and global strategies exist? How do valuations compare geographically and how well are they underpinned? How replicable are the standout exits to-date?

Secondaries: managing a pricing disconnect

14:50 - 15:35
Stream A

Data presentation followed by expert panel

What is driving the growth in the volume of emerging market secondarires and how is the ecosystem of buyers and sellers evolving? What can be done to overcome the pricing disconnect and large number of failed transactions? How mainstream could GP-led deals become and what lessons have been learnt from recent transactions of this nature?

Participants

Moderator: Marleen Groen - Senior Partner, Mbuyu Capital Partners

Yvan Chéné - Director, Capital Dynamics

In practice: how is technology solving sector focused issues?

14:50 - 15:35
Stream B

Real life examples will be presented demonstrating how technology has transformed businesses across different sectors to help turn a profit. Exploring companies are built, the infrastructure required and planning a route to exit:

AgriTech | EdTech | MedTech | New retail

Coffee and networking

15:35 - 16:00

Chair's opening remarks

16:00 - 16:05
Stream A

Chair's opening remarks

16:00 - 16:05
Stream B

Behind the headlines: CEE and Turkey

16:05 - 16:35
Stream A

Which strategies deliver in CEE and how does the region compare to the rest of emerging markets in terms of opportunities, valuations, leverage and exit routes? What are the factors beyond the headlines that have enabled private equity in this region to perform?

Participants

José Cabrita - Principal, Lower Mid-Market, European Investment Fund

Investing in SMEs: the power engine of emerging markets

16:05 - 16:35
Stream B

What are the parameters for defining SME and the mid-market? Is there an overlap? What opportunities exist, how are they sourced and what volume of deals are getting done? What can be done to enhance returns and instil greater confidence in LPs?

South East Asia

16:35 - 17:05
Stream A

How is the region benefiting from a production relocation from China to address US' trade deficit complaints and local government initiatives? Who is investing in the region? How are managers adapting to gain better access to and execute more deals whilst competition from corporates, navigating high valuations and increasing vulnerability to currency moves?

Participants

Moderator: Peter Pfister - Managing Director, Pavilion Alternatives Group

Kuo-Yi Lim - Managing Partner, Monk's Hill Ventures

The do's and don'ts of growing a fund and firm

16:35 - 17:35
Stream B

'Off the record' closed door discussion

- What are the most successful models used to grow a fund and business?
- How far can you diversify your offering/focus?
- Does there have to be a trade-off between size and specialisation?
- What is the best way to franchise and leverage skill set?
- How do LPs view fund growth and proliferation? What do they want to see?
- What back office and management duties are the most critical to get right?
- What lessons can be learnt from GPs who have done it well and those have not?

India: land of opportunities and challenges

17:05 - 17:35
Stream A

How are managers navigating uncertainty surrounding the upcoming elections, Central Bank reforms, high valuations and currency depreciation to generate returns? How is the opportunity changing with a shift from minority investing to control deals? How well is recent exit activity translating into liquidity for investors and what other options to traditional private equity could be optimal today?

End of main conference day one

17:35 - 17:40

SuperReturn Emerging Markets 2019 cruise gala drinks reception

17:40 - 19:05

Departing from the hotel jetty

Enjoy a drink while taking in the beautiful scenes of Amsterdam as seen from the canals. Amsterdam's canals are a new addition to UNESCO's World Heritage list. The 90 minute cocktail cruise display the city highlights.

SCHEDULE

MAIN CONFERENCE DAY 1 - 25/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

TIME	CLOSED DOOR SESSION	DAY 1	STREAM A	STREAM B
08:00	**08:00** - Registration and welcome coffee	**08:00** - Registration and welcome coffee **08:35** - Chair's welcome address **08:40** - The world in 2019: the geopolitical and macroeconomic forces shaping emerging markets	**08:00** - Registration and welcome coffee	**08:00** - Registration and welcome coffee
09:00		**09:10** - Reactions to the world in 2019 **09:40** - LP appetites and allocation plans		
10:00	**10:35** - Coffee and networking	**10:10** - Keynote address **10:35** - Coffee and networking	**10:35** - Coffee and networking	**10:35** - Coffee and networking
11:00	**11:00** - Closed door GP presentations	**11:00** - Crystallising value in emerging markets **11:30** - Data: sector specialisation in emerging markets **11:50** - Consumer behaviour in emerging markets: preparing for tomorrow		
12:00	**12:45** - Lunch	**12:20** - Special guest speaker **12:45** - Lunch	**12:45** - Lunch	**12:45** - Lunch
13:00			**13:45** - Chair's opening remarks **13:50** - Emerging market private debt: a concept still to be proven?	**13:45** - Chair's opening remarks **13:50** - A new era of value creation: what works?
14:00			**14:20** - Generating returns and impact through infrastructure **14:50** - Secondaries: managing a pricing disconnect	**14:20** - Technology and innovation – a local solution for a local problem or a global play? **14:50** - In practice: how is technology solving sector focused issues?
15:00	**15:35** - Coffee and networking	**15:35** - Coffee and networking	**15:35** - Coffee and networking	**15:35** - Coffee and networking

SCHEDULE

MAIN CONFERENCE DAY 1 - 25/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

TIME	CLOSED DOOR SESSION	DAY 1	STREAM A	STREAM B
16:00			**16:00** - Chair's opening remarks **16:05** - Behind the headlines: CEE and Turkey **16:35** - South East Asia	**16:00** - Chair's opening remarks **16:05** - Investing in SMEs: the power engine of emerging markets **16:35** - The do's and don'ts of growing a fund and firm
17:00	**17:35** - End of main conference day one **17:40** - SuperReturn Emerging Markets 2019 cruise gala drinks reception	**17:35** - End of main conference day one **17:40** - SuperReturn Emerging Markets 2019 cruise gala drinks reception	**17:05** - India: land of opportunities and chal-lenges **17:35** - End of main conference day one **17:40** - SuperReturn Emerging Markets 2019 cruise gala drinks reception	**17:35** - End of main conference day one **17:40** - SuperReturn Emerging Markets 2019 cruise gala drinks reception

SESSIONS

MAIN CONFERENCE DAY 2 - 26/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

LP-only breakfast

07:45 - 09:00
LP Only

By invitation only. Informative and invaluable networking for LPs.

Open to pre-registered development finance institutions, endowments, foundations, insurance companies, pension funds and sovereign wealth funds, subject to qualification

Registration and welcome coffee

08:45 - 08:55
Day 2

Chair's welcome address

08:55 - 09:00
Day 2

How to sell emerging markets

09:00 - 09:30
Day 2

Perceived wisdoms from one the world's leading placement agents: how can you sell emerging markets? Connecting with others, getting them on board with an idea, negotiating, and closing the deal: what's the trick?

Preparing for a year of exits

09:30 - 10:00
Day 2

How do viable exit routes across emerging markets compare? Exploring the growth of secondary sales, strategic buyer appetite and what constitutes a successful IPO. How are managers ensuring that exits generate genuine liquidity for investors?

Participants

Dariusz Pronczuk - Managing Partner, Enterprise Investors

Special guest speaker

10:00 - 10:30
Day 2

Coffee and networking

10:30 - 11:00

The 360 view: what's next for emerging market private markets and how do we prepare?

11:00 - 11:30
Day 2

How do LP, buyout, secondary, VC, and private debt views compare?

Currency: the price of USD equity returns in emerging markets

11:30 - 11:40
Day 2

Participants

Ruurd Brouwer - CEO, The Currency Exchange Fund

Currency mitigation strategies in practice

11:40 - 12:10
Day 2

What models are being used to effectively manage currency depreciation and protect returns on both the project and GP level? How much is in the GP's control and is this enough to give comfort to investors?

China: a new economic model

12:10 - 12:40
Day 2

How are smart managers capitalising on China's innovation boom and how is this being impacted by the AI race with the U.S.? What volume and type of deals are populating the evolving buyout market? How is State intervention across different sectors and government tax breaks shaping the deal landscape? Are we witnessing the evolution of a new economic model in China?

Venture Capital

12:40 - 13:10
Day 2

How does the venture capital opportunity across emerging economies compare and how do approaches to access each market vary given new market entrants and later IPO horizons? How can better visibility of returns be generated? What are the best examples of leapfrogging to-date and how replicable are the stand-out exits?

Due diligence 2.0: managing a crisis

12:40 - 13:10
LP Only

LP-only 'Off the record' session

- Damage limitation measures when things don't go to plan
- How have recent events impacted LP selection and oversight of GPs
- How to manage a situation that escalates
- How best to prevent, detect and handle inappropriate governance
- Where have LPs previously failed in their analysis?

Lunch

13:10 - 14:15

Is this Brazil's time?

14:15 - 14:45
Day 2

How well is new administration in Brazil rebuilding trust and stabilising the currency to restore faith in the region? How are leading managers responding? How is this shaping the investment opportunity and when will the flurry of anticipated exits transpire? How well could a recovering Brazil impact the rest of LatAm? What mindset do LPs need to have when investing in the region and how can more be encouraged to reengage?

Quickfire round: the markets that should be on everyone's radar

14:45 - 15:15
Day 2

What is the investment opportunity and how can this be translated into returns? What barriers to investment need to be overcome?

Vietnam | Mexico |Turkey | Ethiopia | Angola

Risk: portfolio management and the role of diversification

15:15 - 15:45
Day 2

Faced with an increasing portfolio size and uncertain macroeconomic environments globally, how are LPs repositioning their portfolios and what models are being using to qualify and quantify risk? What value has diversification brought to portfolios? What does this mean for emerging market allocations?

Participants

Julien Kinic - Managing Partner, IDI Emerging Markets

Emerging market returns: underperformance or unrealistic expectations?

15:45 - 16:45
Day 2

Champagne farewell ‘Off the record’ discussion

- Should a risk premium be demanded for emerging markets?
- Comparing IRR vs multiples for benchmarking: what is best for emerging markets?
- Net vs gross IRRs: how can GPs structure their funds and LP relationships to deliver the performance demanded from LPs?
- Could credit lines provide a solution?
- What can be done against return attrition due to currency?

Participants

Led by: Kelly DePonte - Managing Director , Probitas Partners

Roberta Brzezinski - Managing Principal , Growth Markets, CDPQ

Sam Mehta - Director, The Atlas Family Office

Jaap Reinking - Director Private Equity, FMO

End of SuperReturn Emerging Markets 2019

16:45 - 16:50
Day 2

SCHEDULE

MAIN CONFERENCE DAY 2 - 26/06/2019

SuperReturn Emerging Markets

24 - 26 June, 2019
Hotel Okura
Amsterdam

TIME	DAY 2	LP ONLY
07:00		**07:45** - LP-only breakfast
08:00	**08:45** - Registration and welcome coffee **08:55** - Chair's welcome address	
09:00	**09:00** - How to sell emerging markets **09:30** - Preparing for a year of exits	
10:00	**10:00** - Special guest speaker **10:30** - Coffee and networking	**10:30** - Coffee and networking
11:00	**11:00** - The 360 view: what's next for emerging market private markets and how do we prepare? **11:30** - Currency: the price of USD equity returns in emerging markets **11:40** - Currency mitigation strategies in practice	
12:00	**12:10** - China: a new economic model **12:40** - Venture Capital	**12:40** - Due diligence 2.0: managing a crisis
13:00	**13:10** - Lunch	**13:10** - Lunch
14:00	**14:15** - Is this Brazil's time? **14:45** - Quickfire round: the markets that should be on everyone's radar	
15:00	**15:15** - Risk: portfolio management and the role of diversification **15:45** - Emerging market returns: underperformance or unrealistic expectations?	
16:00	**16:45** - End of SuperReturn Emerging Markets 2019	

March 4, 2019

TO: Each Member
Board of Investments

FOR: Board of Investments Meeting of March 13, 2019

SUBJECT: AVCJ Private Equity & Venture Forum
Tokyo, Japan on June 26 – 27, 2019

The AVCJ Private Equity & Venture Forum will be held on June 26 – 27, 2019 at the Conrad Hotel in Tokyo, Japan. This year's conference will celebrate 20 years in the market with a thorough program that combines editorially driven topics, high-level speakers, deep industry knowledge, and superb organization into a highly anticipated event that predicts trends, creates strategies and forges lasting partnerships in Japan and beyond.

The main conference highlights include the following:

- Venture Capital: Technology in Abundance
- Impact Investments and ESG: Establishing Best Practices
- Value Creation: Building Conviction in Investments
- Japan: Finding Value in a Competitive Market

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at the Conrad Hotel is approximately $330.00 per night plus applicable taxes and the registration fee is $2,199.00.

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 Board members at the AVCJ Private Equity & Venture Forum on June 26 – 27, 2019 in Tokyo, Japan and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LG
Attachment

AVCJ Private Equity & Venture Forum
AVCJプライベートエクイティ&ベンチャー・フォーラム

Global Perspective, Local Opportunity
グローバルな展望とローカルビジネスのチャンス

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2019
SERIES年度

The 20th Japan Forum
第20回日本フォーラム

26-27 June 2019, Conrad Tokyo | 2019年6月26-27日,コンラッド東京

The original Japan-focused international private equity and venture capital event, the AVCJ Japan Forum is unrivalled as the most influential gathering of domestic Japanese and international institutional investors, fund managers and service providers since its inception in 1999.

AVCJジャパンフォーラムは1999年の第1回フォーラム開催以来、日本市場に特化したグローバルなプライベート・エクイティ・ファーム、ベンチャー・キャピタルのためのイベントとして、また、国内外の機関投資家、ファンド運用者やその他業界関係者が一堂に会する場として、他に類を見ない最も影響力のあるイベントであり続けてきました。

2018 Forum key statistics 昨年の同フォーラムへの参加者数

465+	47+	13	270+	210+
Delegates 参加者数	Speakers 講演者数	Countries 参加国数	LPs 参加者数	Organisations 参加機関投資家数

CPD CERTIFIED The CPD Certification Service

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CPD サーティフィケーションサービス認定

AVCJ is now a CPD certified event provider
Attendees can request a CPD certificate after attending the event
AVCJはCPDの正式認定を受けたイベントプロバイダーとなりました
フォーラム参加者はイベント終了後にCPDポイントが申請できます

For further information on CPD accreditation please visit:www.cpduk.co.uk
CPDの単位認定についての詳細は以下のウェブサイトをご覧下さい www.cpduk.co.uk

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AVCJ Japan Forum at a glance AVCJジャパンフォーラム概要

Pioneers of international private equity and venture capital, AVCJ Japan has grown with the local market to welcome a record 465 delegates including 270+ institutional investors interested in alternative assets.

The year, the conference will celebrate 20 years in the market with a thorough program that combines editorially-driven topics, high-level speakers, deep industry knowledge, and superb organization into a highly anticipated event that predicts trends, creates strategies and forges lasting partnerships in Japan and beyond.

国際的なプライベート・エクイティとベンチャーキャピタルのパイオニアであるAVCJジャパンは昨年、オルタナティブ資産に関心のある270名を越える機関投資家をはじめとして、過去最高の465名のフォーラム参加者をお迎えすることができました。

今年、AVCJジャパンフォーラムは開催20周年を迎えます。今回は、厳選されたテーマ、著名なゲストスピーカー、そして業界関係者の深い知見を組み合わせた包括的なプログラムを提供いたします。業界トレンドを予測して投資戦略を構築し、日本はもちろん、海外においても永続的なパートナーシップが築けるイベントとなることと確信しております。

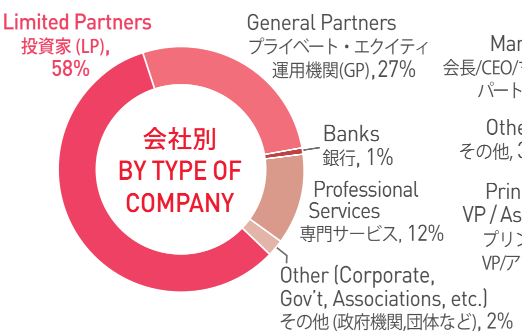
Reasons to attend 本フォーラムの特長

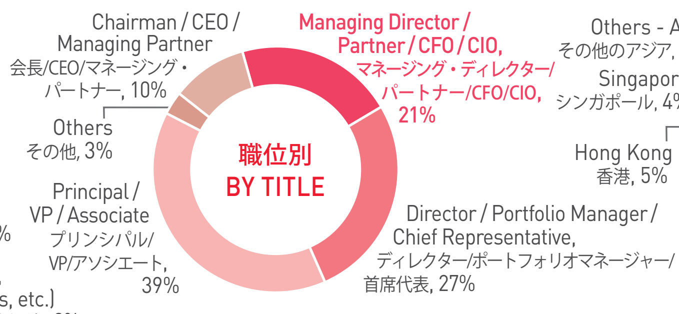
- **Identify** the geographies and sectors that the world's leading GPs are betting on in 2019
- **Debate** strategies for managing the risk of outside forces on the industry
- **Learn** how investors in innovation are uncovering the ideas that will capture growth
- **Discover** the latest Alternative investment options for LPs
- **Uncover** the outlook for carve-outs and mega deals in 2019 and beyond
- **Find out** how mid-market GPs plan to source deals amid increased competition and valuations
- **Hear** experienced LPs share their strategy for building and managing an alternatives portfolio

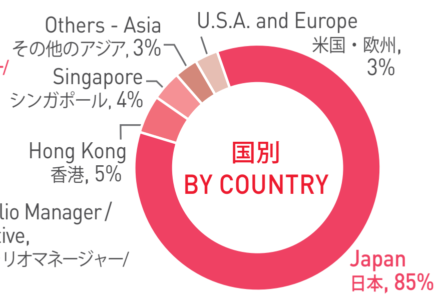
- 現在の投資環境において世界のトップクラスGPが重要視している地域と投資分野を知り得る
- 業界に対する外的要因リスクについて、そのリスク管理戦略を議論できる
- イノベーション分野への投資家が、成長を掴み取るアイデアをどのようにして産み出しているのか知ることができる
- LP向けの最新のオルタナティブ投資オプションを学べる
- 2019年以降のカーブアウト案件、大型案件の見通しが分かる
- バリュエーションが上昇し、競争が激化する中で、ミッドマーケットGPがどのように案件を発掘しているのかが分かる
- 経験豊富なLPによる、オルタナティブ・ポートフォリオの構築、管理、モニタリング戦略を習得できる

2018 Delegate composition 昨年の同フォーラム参加者の構成

- Attended by **270+** limited partners from Japan and overseas
- 日本国内外から**270**人以上のリミテッド・パートナーが参加
- **47+** speakers
- **47**人以上の講演者
- Over **465** participants from **13** countries and more than **210** companies
- **13**カ国、**210**社から**465**人以上の参加者







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2018 Attending Companies 参加企業

- 500 Startups Japan
- Adams Street Partners
- Advantage Partners
- Aflac Asset Management Japan
- Akebono Asset Management Ltd.
- Aksia
- AllianceBernstein Japan Ltd.
- AlpInvest
- Alternative Investment Capital Limited
- ANRI
- Ant Capital Partners Co., Ltd.
- Ant Global Partners (HK) Limited
- Antelope Career Consulting Inc.
- Aon Risk Solutions
- Aozora Bank
- Apax Partners
- Apollo Global Management
- Aramco Asia Japan
- Ark Totan Alternative
- Asia Alternatives
- Asset Management One
- Autologistics Japan Ltd
- Axiom Asia Private Capital
- Bain Capital
- Baring Private Equity Asia
- BC Partners
- BC Partners Advisors L.P.
- BDA Partners
- BlackRock
- Bloomberg
- BlueBay Asset Management International Limited
- Brightrust PE Japan
- Brookfield Asset Management
- Brown Brothers Harriman Securities (Japan) Inc.
- Capital Dynamics
- Capstone Partners
- Carlyle Group
- CIM Group
- Clearwater Capital Partners
- CLSA Capital Partners
- Crosspoint Advisors
- CVC Capital Partners
- Daido Life Insurance Company
- DBJ Asset Management
- Denso Corporation
- Development Bank of Japan Inc.
- Diamond Dragon Advisors Ltd
- East Ventures
- Eelion Capital
- eFront Hong Kong Ltd
- Endeavour United Co., Ltd.
- EQT Partners
- European Investment Fund
- Everbridge Partners
- FTI Consulting
- Fuji Xerox Pension Fund
- Fujitsu Pension Fund
- Fuyo General Lease
- General Atlantic
- Globis Capital Partners
- Government Pension Investment Fund (GPIF)
- Hamilton Lane
- HarbourVest Partners (Japan)
- HC Asset Management Co. Ltd.
- Hibiya-Nakata
- ICG
- Innovation Finders Capital
- Innovation Network Corporation of Japan
- Insight Equity
- Integral Corporation
- International Christian University
- International Financial Corporation
- Intralinks
- JA Mitsui Leasing
- JAFCO Co., Ltd
- Japan Bank of International Cooperation (JBIC)
- Japan Industrial Solutions Co., Ltd.
- Japan Post Bank
- Japan Post Insurance
- Japan Post Investment Corporation
- Japan Venture Philanthropy Fund
- Joyo Bank, Ltd.
- J-STAR Co., Ltd.
- Kanto IT Software Pension Fund
- Khaitan & Co.
- King & Spalding
- KKR Capital Markets Japan
- KKR Japan
- Konomi
- Korea Investment Corporation
- KPMG AZSA LLC
- KPMG FAS Co., Ltd.
- KPMG TAX Corp.
- KWAP
- Kyodo News
- Lexington Partners
- Lunar
- Manulife Capital
- Manulife Insurance Company
- Marubeni Corporation
- MassMutual Life
- Mayer Brown
- Mercuria Investment
- Mercury Capital Advisors Asia, LLC
- MetLife Insurance K.K.
- Millennium 7 Capital
- Mito Securities Co. Ltd
- Mitsubishi Corporation
- Mitsubishi Corporation Asset Management Ltd.
- Mitsubishi UFJ Morgan Stanley Securities
- Mitsubishi UFJ Trust and Banking
- Mitsui & Co.
- Mitsui & Co. Alternative Investment Limited (MAI)
- Mitsui & Co., Pension Fund
- Mitsui & Co., Principal Investments
- Mitsui Sumitomo Insurance Co. Ltd
- Mizuho Bank
- Mizuho Capital Co., Ltd.
- Mizuho Global Alternative Investments
- Mizuho Securities Co., Ltd
- Mizuho Securities Principal Investment Co., Ltd.
- Mizuho Trust & Banking Co., Ltd.
- Moneytree K.K.
- Moore Management Inc
- Morgan Stanley
- Mori Hamada & Matsumoto
- MSD Investment
- MUFG Bank
- MVision Strategic (Asia) Limited
- National Federation of Mutual Aid Associations for Municipal Personnel
- Nebula-Ventures Inc
- New Frontier Capital Management Co., Ltd.
- New Horizon Capital
- NewQuest Capital Partners
- Next Orbit Venture Fund
- Nihon Unisys Pension Fund
- Nikkei Inc.
- Nippon Life Insurance Company
- Nippon Sangyo Suishin Kiko Ltd
- Nissay Asset Management
- Nomura Asset Management
- Nomura Funds Research and Technologies Japan
- Nomura ICG K.K.
- Nomura Trust and Banking
- Norinchukin Bank
- Norinchukin Trust & Banking
- Noritz Corporate Pension Fund
- NSSK Chubu Hokuriku GenPar G.K.
- Ocean Link
- Ontario Teachers' Pension Plan
- Openspace Ventures
- Organization for Small & Medium Enterprises and Regional Innovation Japan
- ORIX Corporation
- PAG
- Partners Group AG
- Pavilion Alternatives Group
- PE&HR Co., Ltd.
- Pension Fund Association (PFA)
- Pension Fund Association for Local Government Officials
- Phronesis Partners Co. Ltd
- Ping An Japan Investment Co., Ltd.
- Preqin Solutions
- PricewaterhouseCoopers Limited
- Providence Equity Partners
- Resona Bank, Ltd.
- Rising Japan Equity, Inc.
- Ruvento Ventures
- S&P Global Market Intelligence
- SECOM Corporate Pension Fund
- Secom Pension Fund
- SEIRYU Asset Management
- Sen Family Office
- SGG Asia
- Shinhan Bank
- Shinkin Central Bank (SCB)
- Sierra Ventures
- Siguler Guff
- Silver Spoon Advisors
- SilverRay Capital, Inc.
- Simpson Thacher & Bartlett LLP
- Social Impact Investment Foundation
- Social Investment Partners
- SoftBank Investment Advisors
- SoftBank Vision Fund
- Soken Inc
- Sompo Japan Nipponkoa Insurance
- Sony Pension Fund
- Stanley Corporate Pension Fund
- StepStone Group
- STIC Investments
- Stone River Capital LLC
- Strait Capital Investment Group
- Sumitomo LIfe Insurance Company
- Sumitomo Mitsui Asset Management
- Sumitomo Mitsui Banking Corporation
- Sumitomo Mitsui Trust Bank
- System2 Co. Ltd
- T&D Asset Management Co., Ltd.
- Tata Opportunities Fund
- Terra Firma Capital Partners Limited
- The Bank of Tokyo-Mitsubishi UFJ
- The Bank of Yokohama Ltd.
- The Blackstone Group Japan K.K.
- The Carlyle Group
- The Dai-Ichi Life Insurance
- The Gibraltar Life Insurance
- The Hyakugo Bank
- The Longreach Group
- The Norinchukin Bank
- The San-In Godo Bank
- The Shizuoka Bank
- The Toho Bank
- The Tokyo Star Bank Limited
- The Wall Street Journal
- Thomson Reuters
- Tokio Marine & Nichido Fire Insurance Co., Ltd
- Tokio Marine Asset Management
- Tokyo Gas Co. Ltd.
- Tokyo University of Science
- Truffle Capital
- Trust Capital
- Unison Capital
- Uzabase, Inc.
- Venture Enterprise Center, Japan
- Vista Equity Partners
- Warburg Pincus Asia LLC
- WaterBridge Ventures
- Wendel Singapore Private Limited

- 500 Startups Japan
- アダムズ・ストリート・パートナーズ
- アドバンテッジパートナーズ
- アフラック・アセット・マネジメント株式会社
- あけぼの投資顧問株式会社
- Aksia
- アライアンス・バーンスタイン株式会社
- アルプインベストメント
- エー・アイ・キャピタル
- ANRI
- アント・キャピタル・パートナーズ
- アント・グローバル・パートナーズ(香港)
- アンテロープキャリアコンサルティング
- エーオンジャパン株式会社
- あおぞら銀行
- エイパックス・パートナーズ
- アポロ・グローバル・マネジメント
- アラムコ・アジア・ジャパン
- アーク東短オルタナティブ
- アジア・オルタナティブズ
- アセットマネジメントOne株式会社
- オートロジスティクスジャパン株式会社
- アクシオム・アジア・プライベート・キャピタル
- ベインキャピタル
- ベアリング・プライベート・エクイティ・アジア
- BCパートナーズ
- BCパートナーズアドバイザー L.P.
- BDA パートナーズ
- ブラックロック
- ブルームバーグ
- ブルーベイ・アセット・マネジメント・インターナショナル
- ブライトラストPEジャパン
- ブルックフィールド ジャパン株式会社
- ブラウン・ブラザーズ・ハリマン証券(ジャパン)株式会社
- キャピタル・ダイナミックス
- キャップストーン・パートナーズ
- カーライル・グループ
- CIM グループ
- クリアウォーター・キャピタル・パートナーズ
- CLSAキャピタルパートナーズ
- 株式会社クロスポイント・アドバイザーズ
- CVCキャピタル・パートナーズ
- 大同生命保険株式会社
- DBJアセットマネジメント株式会社
- 株式会社デンソー
- 株式会社日本政策投資銀行
- ダイヤモンド・ドラゴン・アドバイザー
- イーストベンチャーズ株式会社
- 易麟投資
- eFront Hong Kong Ltd
- エンデバー・ユナイテッド株式会社
- EQT パートナーズ
- 欧州投資基金
- エバーブリッジ・パートナーズ
- FTI コンサルティング
- 富士ゼロックス企業年金基金
- 富士通企業年金基金
- 芙蓉総合リース
- ゼネラル・アトランティック
- 株式会社 グロービス・キャピタル・パートナーズ
- 年金積立金管理運用独立行政法人
- ハミルトン・レーン
- ハーバーベスト・パートナーズ・ジャパン
- HCアセットマネジメント
- 日比谷中田法律事務所
- ICG
- Innovation Finders Capital
- 株式会社 産業革新機構
- インサイトエクイティ
- インテグラル株式会社
- 国際基督教大学
- 国際金融公社(IFC)
- イントラリンクス
- JA三井リース株式会社
- 株式会社ジャフコ
- 株式会社 国際協力銀行
- ジャパン・インダストリアル・ソリューションズ
- 株式会社ゆうちょ銀行
- 株式会社かんぽ生命保険
- JP インベストメント株式会社
- 日本ベンチャーフィランソロピー基金
- 株式会社常陽銀行
- J-STAR株式会社
- 関東ITソフトウェア厚生年金基金
- Khaitan & Co.
- King & Spalding
- KKRキャピタル・マーケッツ・ジャパン
- KKRジャパン
- Konomi
- 韓国投資公社
- 有限責任 あずさ監査法人
- 株式会社 KPMG FAS
- KPMG税理士法人
- KWAP
- 株式会社共同通信社
- レキシントン・パートナーズ
- Lunar
- マニュライフ・キャピタル
- マニュライフ生命保険株式会社
- 丸紅
- マスミューチュアル生命
- メーヤー・ブラウン
- マーキュリアインベストメント
- マーキュリーキャピタル アドバイザーズ
- マニュライフ生命保険株式会社
- Millennium 7 Capital
- 水戸証券株式会社
- 三菱商事株式会社
- 三菱商事アセットマネジメント
- 三菱UFJモルガン・スタンレー証券
- 三菱UFJ信託銀行
- 三井物産株式会社
- 三井物産オルタナティブインベストメンツ株式会社
- 三井不動産厚生年金基金
- 三井物産企業投資株式会社
- 三井住友海上火災保険株式会社
- みずほ銀行
- みずほキャピタル株式会社
- みずほグローバルオルタナティブインベストメンツ株式会社
- みずほ証券株式会社
- みずほ証券プリンシパルインベストメント株式会社
- みずほ信託銀行株式会社
- Moneytree株式会社
- モーレ・マネジメント
- モルガン・スタンレー
- 森・濱田松本法律事務所
- MSDベストメンツ
- 株式会社三菱UFJ銀行
- エムビジョン
- 全国市町村職員共済組合連合会
- ネブラ・ベンチャーズ株式会社
- ニュー・フロンティア・キャピタル・マネジメント株式会社
- ニューホライズン キャピタル株式会社
- ニュー・クエスト・キャピタル・パートナーズ
- Next Orbit Venture Fund
- 日本ユニシス企業年金基金
- 日本経済新聞
- 日本生命保険相互会社
- 日本産業推進機構
- ニッセイアセットマネジメント
- 野村アセットマネジメント
- 野村ファンド・リサーチ・アンド・テクノロジー株式会社
- 野村ICG株式会社
- 野村信託銀行
- 農林中央金庫
- 農中信託銀行株式会社
- ノーリツ企業年金基金
- 日本産業推進機構
- オーシャン・リンク
- Ontario Teachers' Pension Plan
- Openspace Ventures
- 独立行政法人 中小企業基盤整備機構
- オリックス株式会社
- PAG
- Partners Group AG
- Pavilion Alternatives Group
- PE&HR株式会社
- 企業年金連合会
- 地方公務員共済組合連合会
- フロネシス・パートナーズ株式会社
- 平安ジャパン・インベストメント
- Preqin Solutions
- プライスウォーターハウスクーパース
- プロビデンス・エクイティ・パートナーズ
- りそな銀行
- ライジング・ジャパン・エクイティ株式会社
- Ruvento Ventures
- S&P グローバル・マーケット・インテリジェンス
- セコム企業年金基金
- セコム厚生年金基金
- セイリュウ・アセット・マネジメント株式会社
- Sen Family Office
- SGG アジア
- 新韓銀行
- 信金中央金庫
- Sierra Ventures
- Siguler Guff
- Silver Spoon Advisors
- シルバーレイ・キャピタル株式会社
- シンプソン・サッチャー・アンド・バートレット
- 一般財団法人 社会的投資推進財団
- ソーシャル・インベストメント・パートナーズ
- ソフトバンク・インベストメント・アドバイザー
- ソフトバンク・ビジョン・ファンド
- 株式会社想研
- 損保ジャパン日本興亜アセットマネジメント株式会社
- ソニー生命保険
- スタンレー企業年金基金
- ステップストーン　グループ
- STIC Investments
- Stone River Capital LLC
- Strait Capital Investment Group
- 住友生命保険相互会社
- 三井住友アセットマネジメント株式会社
- 三井住友銀行
- 三井住友信託銀行
- System2 Co. Ltd
- T&Dアセットマネジメント株式会社
- Tata Opportunities Fund
- テラ・ファーマ・キャピタルパートナーズ
- 三菱東京UFJ銀行
- 横浜銀行
- ブラックストーングループジャパン株式会社
- カーライル・グループ
- 第一生命保険
- ジブラルタ生命保険株式会社
- 百五銀行
- ロングリーチグループ
- 農林中央金庫
- 山陰合同銀行
- 静岡銀行
- 東邦銀行
- 東京スター銀行
- ウォール・ストリート・ジャーナル
- トムソン・ロイター
- 東京海上日動火災保険
- 東京海上アセットマネジメント株式会社
- 東京ガス株式会社
- 東京理科大学
- Truffle Capital
- トラスト・キャピタル株式会社
- ユニゾン・キャピタル株式会社
- 株式会社ユーザベース
- 一般財団法人ベンチャーエンタープライズセンター
- Vista Equity Partners
- Warburg Pincus Asia LLC
- WaterBridge Ventures
- Wendel Singapore Private Limited

Japan Forum 日本フォーラム

AVCJ
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Simultaneous interpretation in Japanese and English 日英同時通訳あり

Programme

Day 1: Wednesday, 26 June 2019

08.00 **Registration and refreshments**

09.00 **Opening keynote address**

09.30 **The world view: Macro events and private**

Private equity globally has been in rude health for several years, against a backdrop of a favourable macroeconomic conditions and substantial allocations to the asset class. Nevertheless, a range of issues are now making investors nervous, from US-China trade tensions to Brexit to the gnawing sense of an impending downturn. Dry powder at record levels and heady valuations don't help matters. A panel of experienced investors assess the current market conditions, whether the industry can ride out any turbulence, and what strategies are most likely to find success.

- What will be the key investment themes over the next 12 months?
- How can private equity take advantage of potential market turbulence?
- Where does Japan fit into the global picture?
- How are products evolving to meet investors' needs?

10.15 **Japan: Finding value in a competitive market**

Despite operating in an economy that is demographically challenged and unable to generate compelling growth, private equity investors have demonstrated an ability to identify the right companies in the right industries in Japan, add value, and deliver attractive exits. A range of LPs, from home and abroad, are increasingly interested in having exposure to the country, which has helped local GPs raise larger funds. Meanwhile, pan-Asian funds, primarily drawn by corporate carve-out opportunities, expect Japan to feature more prominently in their portfolios. Our panellists share their views on the investment environment.

- Is Japan poised for a stream of mega deals?
- What can investors do to gain an edge in auction situations?
- How difficult is it to implement an outbound growth strategy in Japan?
- What are the main challenges in recruiting and retaining investment talent?

11.00 **Networking coffee break**

11.30 **GSAM Presentation**

12.00 **Value creation: Building conviction in investments**

Competition for deals is intensifying at almost every level of the market, putting upward pressure on entry multiples. As a result, operational improvement has never been more important. Private equity firms, from global buyout firms participating in auctions to midmarket local GPs engaged in one-on-one negotiations, must pursue investments with a conviction based on clear-cut value creation plans. If initiatives fall short in timing, intensity or complexity, it might be difficult to achieve the exit multiples underwritten into deals. In this session, experts offer insights into delivering alpha.

- What kinds of initiatives have tended to work best in Japan?
- What are the best ways to ensure management team buy-in?
- How is digital transformation contributing to value creation?
- How strong is the service provider community in this area?

12.30 **Networking lunch**

13.45 **Middle market: Strong fundamentals, evolving strategies**

Aging founders, a deeper pool of intermediaries, and success stories engendering a greater willingness to do business with private equity – there are multiple forces behind the growth in middle-market deal flow in Japan in recent years. It will be intriguing to see how the latest vintage performs, given the increasing amount of capital available for deployment. Are fund sizes still in sync with an evolving opportunity set or do managers risk falling victim to indiscipline and strategy shift? A panel of experienced GPs will discuss the development of the market.

- Is the middle market becoming about more than succession planning?
- What are the prospects for more take-private deals in Japan?
- Which industries offer the best growth prospects?
- Will the increase in fund sizes on the previous vintage continue?

14.30 **Lessons learnt: 20 years of private equity in Japan**

The AVCJ Japan Forum has captured the growth of the industry in Japan these past two decades, charting the highs and lows. Technology pioneers, the Asian financial crisis, the arrival of international buyout firms, dotcom boom and bust, the lost decade, the global financial crisis, Abenomics – it is easy to break down history into a series of episodes. But the overriding story of Japanese private equity is the emergence of an asset class that has become an important component of the economy as well as a trusted partner for local companies. And, lest we forget, it has also generated some attractive returns for LPs. A panel of industry veterans revisits the past and looks to the future.

15.00 **Networking coffee break**

16.00 **LP spotlight: Engaging with alternatives**

Japan's LP community is in a state of flux, with many investors in the process of launching alternatives programs or looking to ramp up their exposure. Building a diversified portfolio is not straightforward. For many LPs, it is a case of establishing their limitations, based on team size, quantum of capital available, and investment mandate. Secondaries might be the right strategy but at the wrong time; co-investment could be a pipedream; and credit a good fit, if only someone could help identify the best managers. LPs share their experiences.

- To what extent is it difficult to access the best funds globally?
- What are the merits of multi-product GPs versus specialist GPs?
- Is there a shortage of suitably qualified portfolio managers?
- What sort of partnerships do LPs want with GPs?

16.45 **What could go wrong? Dealing with black swans**

There is a widely-held belief that the market has reached the peak of its cycle and the only way from here is down. But what is most likely to trigger a reset? Private equity has experienced downturns in the past, some predicted by market watchers and others unforeseen. Those with the ability to assess risk factors and prepare accordingly should be able to minimize the damage inflicted on their portfolios. In this session, a panel of experienced investors assesses the origins of previous crises and considers how the lessons learned can be applied to a range of worst-case scenarios, from natural disasters to wars to financial scandals.

17.30 Cocktail reception

Register online at: www.avcjforum.com/japan

Japan Forum 日本フォーラム

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Simultaneous interpretation in Japanese and English 日英同時通訳あり

Programme

Day 2: Thursday, 27 June 2019

08.30 Registration and refreshments

08.55 Opening remarks

09.00 Impact investment and ESG: Establishing best practices

ESG and impact investment have become priorities for many LPs – the former largely as an important aspect of manager due diligence and the latter as an investment strategy in its own right. Dedicated ESG professionals are being hired and their advice listened to at senior levels. Meanwhile, a cluster of global private equity firms have launched impact funds tailored to meet institutional investors' requirements in terms of sustainability and attractive returns. In this session, a panel of experts will consider how GPs and LPs can establish strong responsible investment protocols.

- What progress are Japanese LPs making on sustainable investment?
- How are ESG criteria used to drive value creation?
- How is technology contributing to sustainable growth models?
- Is diversity the new ESG?

09.45 The Asia story: Getting regional exposure

What is the best way to access Asian private equity – a large pan-regional manager or a selection of middle-market single country players? The answer will vary based on an LP's resources and experience in the region. But there is certainly appetite for broader and deeper Asian exposure as the industry matures. Fundraising, investment and exit records have been broken in recent years. The problem is that dry powder and valuations have hit new highs as well in certain markets. Our Asia experts offer insights into developing an approach that works.

- Which markets and sectors offer the best opportunities?
- Has Asia solved its exits problem?
- What are GPs of different sizes doing to differentiate themselves?
- Should late-stage tech deals be embraced or avoided?

10.30 Networking coffee break

11.00 Venture capital: Technology in abundance

Japanese venture capital is experiencing an upswing. More capital is entering the system, reflected in fundraising and investment data, and then last year the industry saw its biggest-ever exit as e-commerce platform Mercari went public. The secret sauce is identifying innovative start-ups that work in tandem with traditional businesses, ideally making a transformative impact through the implementation of technology. A cross-border expansion angle helps as well. The panellists will discuss the competitive dynamic in different segments of the market and offer their views on the outlook for innovation in Japan.

- What is being done to fill the growth stage funding gap?
- How is corporate venture capital impacting the market?
- Is a global expansion plan essential to becoming a unicorn?
- What kinds of technologies will define the next phase of Japanese VC?

11.45 Credit and debt: Finding the right strategy

The debt market comprises a range of strategies, each of which presents its own trade-offs involving terms, structures, and risk profiles. The asset class has generated a lot of interest among LPs seeking diversification within private markets, a way to mitigate the j-curve effect, and predictable, yield-based returns. Success is contingent on understanding the market dynamics – for example, how a change in the borrower landscape would impact lenders – in different geographies. In this session, our experts take apart the various strategies available and ask what each one means for investors.

- What are the most common misunderstandings about private debt?
- How are rising interest rates in the US impacting investment?
- To what extent are opportunities driven by banks withdrawing from certain areas?
- How do Asian credit strategies compare to those in the US and Europe?

12.15 Alternatives within alternatives: LPs consider their options

There are various ways of slicing, dicing and aggregating the different aspects of cash flows in private equity. Combine that with an appreciation of how investors differ in terms of risk appetite, liquidity requirements and return expectations, and it's possible to customize products to meet their needs. Secondaries is one example of this phenomenon. Funds that acquire stakes in GPs is another. But in an increasingly complex world, how do LPs figure out what they want? A group of investors share their views on niche – and not so niche – strategies.

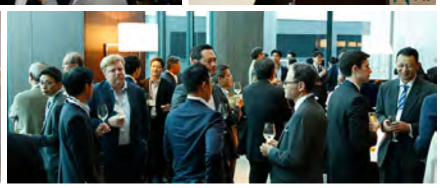
- How transformative have secondaries been in private equity?
- How are product offerings evolving in this space?
- What does exposure to GP fee streams bring to portfolio construction?
- Is there a danger that investors might overcomplicate private equity?
- How are co-investment strategies developing in Asia?

13.15 Networking lunch

14.00 Close of conference





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プログラム

2019年6月26日 (水曜日)

08.00 受付

09.00 基調講演

09.30 グローバルビュー：マクロ環境とプライベートエクイティ投資

プライベートエクイティ投資はここ数年、良好なマクロ経済情勢とアセットクラスへの潤沢な資金配分を受け、健全な環境に恵まれてきた。ところがここに来て、米中貿易摩擦やブレグジット問題、さらには、景気後退に対する拭いきれない懸念など、様々な要素が投資家の不安を掻き立てている。投資準備金として調達したものの、今だ手がつけられていないドライパウダーの額が記録的な水準にあることや、バリュエーションが高騰していることなども一因となっている。本パネルディスカッションでは、経験豊富な投資家が現在の市場環境を分析、プライベートエクイティ業界がこの混乱期を乗りきることができるのか、そしてどういった投資戦略が最も効果的なのかを議論する。

- 今後1年間の主要な投資テーマは何か？
- 今後、市場で起こりうる混乱をプライベートエクイティはいかに逆手に取れるか？
- 現在のグローバルな投資環境の中、日本の立ち位置はどこにあるのか？
- 投資家ニーズに応えるため、投資商品はどのように進化しているのか？

10.15 日本市場：競争市場における価値ある案件の発掘

日本は現在、人口統計学的にも厳しい環境にあり、目を見張るような経済成長を期待できるような環境にはない。にもかかわらず、プライベートエクイティ投資家はその日本市場で、投資対象として適切な企業を適切な業界から見つけ出し、付加価値をつけ、魅力的なエグジットに成功している。国内外のLPはポートフォリオ対象としての日本にますます関心を寄せており、国内GPによる多額の資金調達の一因となっている。一方で、アジア各国の投資ファンドは主に日本国内のカーブアウト案件への投資機会に惹かれており、彼らのポートフォリオの中でより顕著な主役となるよう日本に期待を寄せている。本パネルディスカッションでは、現在の投資環境をパネリストがどう評価しているか意見を聞く。

- 日本はメガディールに対する素地が十分に整っているか？
- 入札案件において投資家はいかにすれば優位性を得られるか？
- 日本市場において対外成長戦略の実施はどの程度難しいのか？
- 新たな人材の採用とその維持について、主な課題は何か？

11.00 コーヒーブレイク

11.30 ゴールドマン・サックス・アセット・マネジメントによるプレゼンテーション

12.00 価値の創出：投資に説得力を持たせる

一つの案件に対する競争は市場のほぼあらゆるレベルで激化しており、買い手側の初回提示額のマルチプルを押し上げる上昇圧力となっている。その結果、投資スキームの改善はこれまで以上に重要なものとなっている。入札に参加するグローバルレベルのバイアウトから相対での交渉を手がける国内ミドルマーケットGPまで、プライベートエクイティ企業による投資には、価値を生み出すための明確なプランに基づいた説得力が必要となってくる。仮に、投資プランのタイミング、規模、または複雑性が不十分な場合、確約したエグジット段階でのマルチプル達成は困難となるかもしれない。本パネルディスカッションでは、プラスアルファを生み出す投資戦略について考察する。

- これまで日本市場では、どういった投資イニシアチブが最も効果的であったのか？
- マネジメント・バイ・インを成功させる鍵は何か？
- デジタルトランスフォーメーションは、価値の創造にどれほど貢献しているか？
- 取引決済や事務処理、資産管理などを担当するサービス・プロバイダーは、この分野においてどの程度の影響力を持っているか？

12.45 ネットワーキング・ランチ

13.45 ミドルマーケット：強固なファンダメンタルズ、進化する投資戦略

高齢化する企業創業者や進出が相次ぐ仲介事業者、そして、プライベートエクイティ企業とのビジネスを希望する声を呼び起こしている事業成功例の数々ー近年見られる日本のミドルマーケット市場での案件数の増加は複数の要素が原因となっている。投下資本の規模が拡大していることもあり直近の成功事例の研究は興味深い。ただ、近年のファンドの規模の拡大は、投資機会の拡大に沿ったものなのか、それとも、ファンドの運用方針変更など、ファンドマネージャーの独断によるものも含まれているのか？　本パネルディスカッションでは、日本のミドルマーケットの状況を経験豊富なGPが解説する

- 日本のミドルマーケットは、単なる後継者問題解決の場から拡大しているのか？
- 日本市場での非上場化の今後の動きの見通しは？
- 最も成長が見込める業種・産業はどこか？
- 過去の案件で見られたファンドの規模の拡大はこれからも続いていくのか？

14.30 教訓：日本におけるプライベートエクイティ業界の20年

AVCJジャパンフォーラムは過去20年、日本のプライベートエクイティ業界とともに成長し拡大期も後退期も目にしてきた。テクノロジー企業の草分け的存在の台頭、アジア金融危機、巨大バイアウト企業の到来、ドットコムブームとその終焉、失われた10年、世界金融危機、そしてアベノミクスーこれまでの年月をその時代を象徴する各出来事で区分することはたた易い。しかし、日本のプライベートエクイティ業界にとってそれらに増して重要なのは、日本経済を構成する一要素となるような資産クラスが出現したこと、そしてそれが、日本企業にとって信頼できるパートナーとなったことである。さらに忘れてはならないのが、この資産クラスが魅力的なリターンをLPにもたらしたことである。本パネルディスカッションでは、プライベートエクイティ業界のプロがこれまでを振り返るとともに、今後の見通しを占う。

15.00 ネットワーキング・コーヒーブレイク

15.30 ハミルトン・レーンによるプレゼンテーション

16.00 LPスポットライト：オルタナティブ投資の模索

日本のLP界は現在、絶え間ない変化に晒されており、多くの投資家がオルタナティブ投資の立ち上げや、ポートフォリオを見直し強化している最中にある。ただ、ポートフォリオの多様化は生易しいことではない。多くのLPにとりそれは、投資チームの規模、振り向けられる資金の量、そして投資方針などに基づいた制約を受けることになるからである。セカンダリー投資は正しい選択かもしれないが、時期が悪い。協調投資(シンジケート)は非現実的かもしれない。クレジット投資は選択肢の一つだが、適当な投資責任者が見つかれば、の話である。本パネルディスカッションでは、LPによるそうした過去の投資戦略実績を考察する。

- 優秀なファンドへのアクセスは世界的にみてどの程度難しいのか？
- ある分野に特化した商品のみを運用するGPに対して、複数商品を運用するGPが持つメリットとは何か？
- ポートフォリオ・マネジメントの適任者は不足しているのか？
- LPはどういった類のパートナーシップをGPに望んでいるか？

16.45 壊滅的被害をもたらすものーブラックスワンへの対処

市場サイクルはすでにピークに達し、ここから先は下る一方との見方が広くあるが、そうした状況をもたらす可能性が最も高いものは何か？　プライベートエクイティ業界は過去にも後退局面を経験しているが、その中にはマーケット・ウォッチャーが予測していたものもあれば、予期していなかったものも含まれている。リスクファクターを正しく認識し、それに対しての適切な備えができる者がポートフォリオへの被害を最小限に食い止めることができる。本パネルディスカッションでは、経験豊富な投資家が前回のクライシスの出発点を分析し、そこから得た教訓が今後起こり得る様々な最悪のシナリオ、自然災害や戦争、金融スキャンダルなどにどう適用できるのかを検証する。

17.30 カクテル・レセプション

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プログラム

2019年6月27日（木曜日）

08.30 受付

08.55 開会のご挨拶

09.00 社会インパクト投資とESG投資：ベストプラクティスの確立

ESG投資や社会インパクト(社会貢献)投資という手法はLPにとっての優先事項となった。前者は主にインベストメント・マネージャーの選考における重要な一要素として、後者はそれ自体が一つの投資戦略として欠かせないものとなっている。ESG投資専門のプロが起用され、また企業幹部も彼らのアドバイスに耳を傾ける。一方、持続可能で魅力的なリターンを求める機関投資家からの要求に応える形で、グローバルレベルのプライベートエクイティ企業の多くがインパクトファンドを立ち上げている。本パネルディスカッションでは、GPやLPによる責任投資に向けた行動原則の確立のあり方を考察する。

- 持続可能な投資実現のため、日本のLPはどのような取り組みを実施しているのか？
- 投資案件の価値を生み出すうえで、ESG基準はどのように活用されているのか？
- 持続可能な成長モデルに対して、テクノロジーはどれほど貢献しているのか？
- 人材の多様化はESG投資の新たな要素か？

09.45 アジアのケース：ローカル市場へのアクセス

アジアのプライベートエクイティ市場へのアプローチとしては何が最も有効だろうかーアジア地域全体をカバーしているファンドマネージャーか、それとも、一つの国のミドルマーケットに特化しているプレーヤーか？　答えは、LP側の資金の規模や同地域での投資経験の程度により変わってくる。ただ、プライベートエクイティ業界が成熟しつつある中で、より広範で、アジア独自のエクスポージャーへの欲求があることは確かである。資金調達額や投資金額、エグジットの規模など近年は記録が塗り替えられている。問題は、市場によってはドライパウダーの額やバリュエーションも記録的なレベルになっていることである。本パネルディスカッションでは、アジア市場の専門家が、同地域への効果的なアプローチをいかに開拓するかを解説する。

- 優良な投資機会はどの市場・セクターに見られるか？
- アジア地域における投資回収というエグジット問題は解決されたのか？
- 規模の異なるGPはそれぞれをどう差別化しているのか？
- レイトステージのテクノロジー案件には参加すべきか止めるべきか？

10.30 ネットワーキング・コーヒーブレイク

11.00 ベンチャーキャピタル：豊富なテクノロジー関連案件

日本のベンチャーキャピタルは今、上昇気流に乗っている。調達資金額や投資データに見られる通り、より多くの資金が流れ込み、昨年にはついに、eコマース・プラットフォームのメルカリ上場により過去最大のエグジットを見るに至った。その秘訣は、旧来の伝統的なビジネスと連携して機能するような革新的なスタートアップ企業の発掘にあり、テクノロジーを活用すれば変革をもたらせるようなケースが理想的である。クロスボーダー案件を通じての海外事業の拡大という見方も効果的である。本パネルディスカッションでは、日本市場における様々な分野での競争環境を検証し、日本でのテクノロジー・イノベーションの展望について議論する。

- プライベート・デット投資に関する最も一般的な誤解とは何か？
- 米国金利の上昇はどの様な影響を与えるか？
- 銀行が特定の地域・分野から撤退することに、投資機会はどの程度左右されるのか？
- アジア地域におけるクレジット投資戦略は、欧米におけるそれとどう比較されるか？

11.45 クレジット投資とデット投資：適切な投資戦略の見極め

債券市場に対してはいくつもの投資戦略が存在し、その一つ一つがそれぞれ、投資条件、商品組成、リスクプロファイルなどに関する独自のかねあいを持っている。この資産クラスに対してはLP側も大いに関心を寄せており、プライベートエクイティ商品の多様化やJカーブ効果の軽減を狙うとともに、利回りベースの予測可能なリターンを生み出す商品を追及している。ここで成功するには、例えば、借り手側の状況の変化が貸し手側にどう影響を与えるかといった、投資先地域における固有の市場力学を理解することが鍵を握る。本パネルディスカッションでは各投資戦略を細かく分析し、それぞれが投資家側に何をもたらすのかを検証する。

- プライベート・デット投資に関する最も一般的な誤解とは何か？
- 米国金利の上昇はどの様な影響を与えるか？
- 銀行が特定の地域・分野から撤退することに、投資機会はどの程度左右されるのか？
- アジア地域におけるクレジット投資戦略は、欧米におけるそれとどう比較されるか？

12.15 オルタナティブ投資の中のオルタナティブ：LP側の選択肢

プライベートエクイティ投資におけるキャッシュフローを細分化し、また再構築するには様々な方法がある。そして投資家側からも、リスクテイクの許容度、流動性に対する要求度合い、期待されるリターンなどに応じた様々な要求がある。そうした様々な要求と、細分化されたキャッシュフローを再構築する方法を組み合わせれば、投資家ニーズに応える商品のカスタマイズが可能となる。セカンダリー投資はその一例であり、ファンドが運用会社(GP)の株式を買い入れる手法もある。しかし、ますます複雑化するこの世界で、そうした数々の選択肢の中から自分の要求に見合う手法をLPはどうやって見分けるのか？　本パネルディスカッションでは、主流派にはなっていないそうした投資手法に光を当てる 。

- プライベートエクイティ分野においてセカンダリー投資はどの様に変遷してきたか？
- この分野での商品開発はどのような進化をしているのか？
- GP側への運用手数料はポートフォリオ構築にどう影響するのか？
- プライベートエクイティ投資を投資家自身が複雑化しすぎていることはあるか？

13.15 ネットワーキング・ランチ

14.00 閉会

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L//.CERA

February 26, 2019

TO: Each Member
Board of Investments

FROM: Hedge Funds, Illiquid Credit, and Real Assets Consultant(s) Evaluation Team
Vache Mahseredjian, Principal Investment Officer
James Rice, Principal Investment Officer
David Chu, Senior Investment Officer
Quoc Nguyen, Senior Investment Analyst

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT(S) – FINALIST INTERVIEWS**

RECOMMENDATION

Select a Hedge Funds, Illiquid Credit, and Real Assets Consultant(s), following finalist interviews by Albourne, Aksia, and Cambridge Associates.

EXECUTIVE SUMMARY

At the February 13, 2019 Board of Investments ("BOI") meeting, following a discussion of the Evaluation Team's recommendation memo (**Attachment**), the Board decided to interview three finalist firms: Albourne, Aksia, and Cambridge Associates, for the hedge funds, illiquid credit, and real assets consulting mandates.

In the recommendation memo, the Evaluation Team recommended Albourne as the best solution for all three mandates. The Evaluation Team's second highest ranked solution is to select Aksia for the hedge funds and illiquid credit mandates and Cambridge Associates for the real assets mandate (see **Table 1)**. The three finalist firms will present and answer questions for those specific consulting mandates at the March 13, 2019 BOI meeting.

Table 1
HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT(S) FINALISTS

Solution	Firm	Finalist Score	MANDATE(S) UNDER CONSIDERATION		
			Hedge Funds	Illiquid Credit	Real Assets
#1	Albourne (*recommended*)[1]	93[2]	☒	☒	☒
#2	Aksia	88[3]	☒	☒	
	Cambridge Associates				☒

The attached recommendation memo from the February 2019 BOI meeting summarizes the Evaluation Team's scoring of the finalist firms, including their relative strengths and concerns. Additional background of the search process, scoring methodology, and timeline is located in **Attachment A** of the recommendation memo.

It should be noted that **Pages 6** and **10** in **Attachment A** of the recommendation memo were updated to reflect information about TorreyCove's ownership changes that occurred and more accurately describe the revenue sharing arrangement TorreyCove has with Alternative Investment Capital. TorreyCove is one of the five semifinalist firms that was mentioned in the February Board memo on the consultant search. These updates are in bold font and footnoted in those respective sections of the memo, and they do not change the Evaluation Team's score of TorreyCove during the evaluation process.

Albourne, Aksia, and Cambridge have provided presentations that they intend to use at the Board meeting; they are located in **Attachment B**, **Attachment C,** and **Attachment D**, respectively.

The attendees from the finalist firms are as follows:

<u>**Albourne:**</u>
Dr. John Claisse, CEO of Albourne Group, Portfolio Analyst, Partner
James Walsh, Head of Portfolio Group, Partner
Kelly McKale, Client Relationship Manager/Business Development, Partner
Steve Kennedy, Portfolio Analyst Coordinator, Partner
Mark White, Investment Due Diligence Analyst, Real Assets, Partner
Tom Cawkwell, Head of Private Markets Research, Partner

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1 Recommended by the Evaluation Team in the February 2019 recommendation memo (attached).
2 Based on Albourne's weighted final scores: Hedge Funds (96); Illiquid Credit (91); and Real Assets (92).
3 Based on 2/3 of Aksia's weighted final score: Hedge Funds (90); Illiquid Credit (88); and 1/3 of Cambridge Associates' final score: Real Assets (86).

Aksia:
Matt Mullarkey, Partner & Head of Advisory, Americas
Jennifer Wilderman, Senior Portfolio Advisor
Patrick Adelsbach, Partner & Head of Credit Strategies
Sylvia Owens, Global Portfolio Strategist

Cambridge Associates:
Craig Beach, Managing Director, Real Assets
Jennifer Urdan, Managing Director, Private Investments
Chris Shepler, Senior Director, Pension Business Development

CONCLUSION

Select a Hedge Funds, Illiquid Credit, and Real Assets Consultant(s), following finalist interviews by Albourne, Aksia, and Cambridge Associates.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

VM:JR:DC:QN:mm

January 30, 2019

TO: Each Member
Board of Investments

FROM: Hedge Funds, Illiquid Credit, and Real Assets Consultant(s) Evaluation Team
Vache Mahseredjian, Principal Investment Officer VM
James Rice, Principal Investment Officer JR
David Chu, Senior Investment Officer DC.
Quoc Nguyen, Senior Investment Analyst QN

FOR: February 13, 2019 Board of Investments Meeting

SUBJECT: **HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT FINALISTS**

RECOMMENDATION

Invite Albourne to the March 13, 2019 Board of Investments meeting to interview as LACERA's Hedge Funds, Illiquid Credit, and Real Assets Consultant.

EXECUTIVE SUMMARY

In August 2018, LACERA initiated a search process to identify the most suitable candidate(s) to serve the Board of Investments ("BOI") as its non-discretionary Hedge Funds, Illiquid Credit, and Real Assets Consultant(s). The reasons LACERA initiated this search were the following:

- LACERA is increasing its allocation to direct hedge funds while reducing its allocation to hedge fund of funds, which will reduce costs by eliminating a layer of fees. LACERA has never had a dedicated non-discretionary hedge funds consultant. LACERA used fund of funds to initially invest in hedge funds and currently uses its fund of funds managers as the BOI's advisors for its direct hedge funds portfolio but would be better served by retaining a dedicated non-discretionary hedge funds consultant. LACERA's target allocation to hedge funds is 4% of the Total Fund.
- In May 2018, the BOI approved a long-range target asset allocation policy which included, for the first time, allocations to illiquid credit and real assets (excluding real estate and TIPS) of 3% and 7% of the Total Fund, respectively. LACERA currently does not have a consultant for illiquid credit or real assets excluding real estate.

Ten firms responded to LACERA's Request for Proposal ("RFP"). The RFP included a questionnaire which consisted of 83 questions and a request for 22 exhibits to be completed. Exhibits included examples of work product, other firm documentation, or formatted presentation of data requested in one of the 83 questions. Each firm responded to either one, two, or all three of the mandates. The details are included in **Table 1**.

Table 1
RFP RESPONDENTS
(10 firms – in alphabetical order. ☒ indicates firm responded to mandate)

FIRM	MANDATE		
	Hedge Funds	Illiquid Credit	Real Assets
1. Aksia	☒	☒	
2. Albourne	☒	☒	☒
3. Cambridge Associates		☒	☒
4. Cliffwater		☒	
5. Hamilton Lane		☒	☒
6. Meketa	☒	☒	☒
7. Portfolio Advisors		☒	
8. StepStone	☒	☒	☒
9. TorreyCove		☒	☒
10. Wilshire		☒	☒

A team of Investments staff members ("Evaluation Team") comprised of Vache Mahseredjian, James Rice, David Chu, and Quoc Nguyen, evaluated and scored the written RFP responses for each firm and each mandate. These scores were then averaged to derive a Phase One score for each firm and mandate which can be found on **Page 3 in Attachment A**. Firms that scored in the top half of each mandate category were selected as semifinalists to be interviewed at LACERA's offices. This resulted in five semifinalist firms. The Evaluation Team met with key members of the semifinalist firms and after ranking each of those firms, the Evaluation Team narrowed that group to three finalist firms. The Evaluation Team interviewed the finalist firms again at LACERA's offices and conducted follow-up calls. Members of the BOI were invited to participate in the semifinalist and finalist interviews and none were able to attend.

Based on the evaluation of RFP responses, subsequent interviews, and follow-up calls, the Evaluation Team recommends that Albourne be selected as the consultant for all three mandates (hedge funds, illiquid credit, and real assets). The Evaluation Team's second highest ranked recommended solution is for Aksia to be selected as the hedge funds and illiquid credit consultant, and for Cambridge Associates to be selected as the real assets consultant (**see Table 2**).

Pages 3 through 13 of this memo summarize the finalists' scores, strengths, and concerns; company profiles are also provided. **Attachment A** provides greater detail on the search, including a timeline, a review of the search process, a description of the scoring methodology, phase one scores, and final scores. **Table 4** of **Attachment A** lists strengths and concerns for each of the five semifinalists organized by each scoring category: Organization, Professional Staff, Investment Process, Fees, and Conflicts of Interest. Also included is a summary chart comparing the semifinalists along six dimensions.

Finalist Scores
For the final phase of scoring, the Evaluation Team developed scores for the two highest recommended solutions given that the three finalist firms responded to a variety of mandates. This is summarized in **Table 2**.

Table 2
FINAL ROUND SCORING
(Maximum score possible is 100 points)

Solution	Respondent	Finalist Score	Mandates	Proposed Annual Fees[1]	Number of Alternative Investment Consulting Professionals[2]	Number of Dedicated Operational Due Diligence Professionals[2]
#1	Albourne	93[3]	Hedge Funds, Illiquid Credit, and Real Assets	$747,200	160	70
	Total proposed annual fee for solution #1			**$747,200**		
#2	Aksia	88[4]	Hedge Funds and Illiquid Credit	$622,500	73	32
	Cambridge Associates		Real Assets	$600,000	80	15
	Total proposed annual fee for solution #2			**$1,222,500**		

Albourne, which responded to all three mandates and received the highest final score in each category, ranked as the best recommended solution. Albourne is also the most cost-effective solution. The Evaluation Team's second highest scoring recommendation is to retain two consultants, Aksia for hedge funds and illiquid credit, and Cambridge Associates for real assets. Aksia responded to only the hedge funds and illiquid credit mandates. Aksia's final scores ranked second to Albourne in both categories. Cambridge Associates responded to the illiquid credit and real assets mandates. Cambridge Associates' final scores ranked second to Albourne in real assets and ranked third overall in illiquid credit.

Though it is possible that LACERA could hire three different firms for the three mandates, the Evaluation Team did not recommend this solution as there are suitable candidates to manage more than one mandate. Furthermore, adding three new consulting relationships adds organizational complexity and results in the highest fee solution.

The scope of services included in each firm's service offering (**Table 3**) provides some context into the value of services provided relative to the fees charged.

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[1] Average annual fees over the first five years of service.
[2] Based on initial RFP responses.
[3] Based on Albourne's weighted final scores: Hedge Funds (96); Illiquid Credit (91); and Real Assets (92).
[4] Based on 2/3 of Aksia's weighted final score: Hedge Funds (90); Illiquid Credit (88); and 1/3 of Cambridge Associates' final score: Real Assets (86).

Table 3
PROPOSED SCOPE OF SERVICES
(☒ indicates service type is included)

Type of Service	Proposed Annual Fees[5]		
	Solution #1 $747,200	Solution #2 $1,222,500	
	Albourne	Aksia	Cambridge Associates
	Hedge Funds, Illiquid Credit, and Real Assets	Hedge Funds and Illiquid Credit	Real Assets
Portfolio Advisory	☒	☒	☒
Investment Due Diligence ("IDD")	☒	☒	☒
Operational Due Diligence ("ODD")	☒	☒	☒
Strategy Research	☒	☒	☒
Portfolio Risk Management	☒	☒	☒
Back Office Services (Performance & Accounting)	☒	☒	
Investment Fees – Reporting & Reconciliation	☒	☒	

With regard to solution number one, Albourne provides the full suite of consulting services for each of the three mandates. With regard to solution number two, Aksia also provides the full suite of consulting services, but only for hedge funds and illiquid credit. Cambridge Associates does not offer back office services (which includes performance reconciliation and accounting support), nor does it offer investment fee reporting and reconciliation services. If Cambridge Associates is selected as the real assets consultant, LACERA will utilize internal resources and/or a third party service provider to perform these additional functions, which will likely result in additional costs.

To further illustrate the trade-offs between the finalist firms, the Evaluation Team outlined strengths and concerns (**Table 4**) discovered during the search process.

[5] Average annual fees over the first five years of service.

Table 4
HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT(S) SEARCH
Finalist Strengths and Concerns Comparison

STRENGTHS		
Albourne **Hedge Funds, Illiquid Credit, & Real Assets**	**Aksia** **Hedge Funds and Illiquid Credit**	**Cambridge Associates** **Real Assets**
1. **Robust IT Platform:** since 2000, invested over $200M on technological platform which the Evaluation Team views as the best in the industry for research and risk analytics 2. **Global Firm:** offices and investment staff in major markets globally covering hedge funds, illiquid credit, and real assets markets 3. **Breadth of Analyst Research:** direct access to 160+ portfolio, research, and risk analysts. 4. **Strong ODD:** 70 dedicated ODD analysts with audit and/or operational backgrounds; robust ODD process 5. **Least Potential Conflicts:** pure **non-**discretionary[6] advisory model presents fewer conflicts 6. **Strong Real Assets Lead Consultant:** Mark White has in-depth knowledge of the real assets market 7. **Sole Focus on Alternatives:** only advises on alternative investments 8. **Lowest Fees for Entire Suite of Solutions:** lowest fees among RFP respondents and most comprehensive services for all three mandates	1. **Experienced Senior Relationship Team:** has a strong understanding of highly ranked managers and their place in the market 2. **Communication Skills:** demonstrated thorough and well-constructed recommendations in its written reports and strong presentation skills 3. **Global Firm:** offices and investment staff in major hedge fund and illiquid credit markets globally 4. **Strong ODD:** 32 dedicated ODD analysts with audit and/or operational backgrounds; robust ODD process. 5. **In-Depth Knowledge of Illiquid Credit:** firm has unique expertise in gathering granular loan level data for corporate credit strategies that is helpful in determining exposures and portfolio quality 6. **Robust Technology:** heavy investment in technology resources to help clients analyze their portfolios and understand risk exposures 7. **Entire Suite of Solutions:** includes risk management, back-office accounting services, and fee monitoring solutions, in addition to the standard advisory services	1. **Strong Real Assets Lead Consultant:** Meagan Nichols has 20+ years of experience in real assets and is the firm's Head of Real Assets Investment Group and Investment Committee Chair 2. **Low Client Load for Real Assets Head:** LACERA would be one of Meagan Nichols' three clients, where capacity is reserved for key clients 3. **Communication Skills:** demonstrated strong presentation skills and well-constructed written reports 4. **Global Firm and Broad Market Coverage:** offices and investment staff located in major real assets markets globally 5. **Good Views of Marketplace and Opportunity Set:** demonstrated skills in identifying attractive opportunities in the market

[6] Updated from the version included in the February 2018 Board materials to correct the word "discretionary" to "non-discretionary".

CONCERNS		
Albourne Hedge Funds, Illiquid Credit, and Real Assets	**Aksia** Hedge Funds and Illiquid Credit	**Cambridge Associates** Real Assets
1. **Communication Presence:** the in-person communication style of Albourne's proposed consulting team did not rank as high as others; however, Albourne's written communications are very strong 2. **Some Recent Turnover at Senior Management:** reflects some generational transition of firm management	1. **Potential for Conflicts:** a portion of the firm's revenue comes from its discretionary clients, which may lead to conflicts relative to the needs and focus of its non-discretionary clients 2. **Concentration of Ownership:** ownership is concentrated around the firm's top five professionals; however, the firm has been successful at retaining talented people with its compensation structure and culture	1. **Ownership of the Firm:** Majority owned by outside minority shareholders 2. **Technology Platform:** less robust than peers; system is at an early stage of implementation 3. **General Consultant Experience Skew:** has a higher focus on general consulting relative to alternatives investment consulting 4. **Fees:** highest proposed fees of the finalist firms; does not include or offer back-office and fee reporting/reconciliation services 5. **Potential for Conflicts:** approximately 20% of clients are discretionary; however, the firm charges a flat fee and does not receive a carry on their discretionary accounts, which should reduce the potential for some conflicts

Company profiles, including the proposed lead hedge funds, illiquid credit, and real assets consultants of Albourne, Aksia, and Cambridge Associates follow.

ALBOURNE

Organization

Albourne was founded in London in 1994 as an independent specialist consultant focused on alternative investments. Albourne has 260+ clients, approximately $450 billion in alternative assets under advisement ("AUA"), and is one of the world's largest independent consultants for alternatives. Albourne has a non-discretionary advisory model which helps eliminate potential for conflicts of interests and ensure that the firm's decisions and advice are made in the best interests of their clients. Albourne employs 345 employees in 11 locations worldwide. The firm is 100% owned by 26 employees and another 50 employees have ownership options. Albourne advises other notable U.S. public pension funds, including Texas Teachers Retirement System, Alaska Permanent Fund, Utah Retirement System, and North Carolina Retirement System. The firm is a signatory to the UN-backed Principles for Responsible Investing.

Albourne's consulting model is designed for regular interaction between the client and the firm's team of analysts that cover the broad market of alternatives. In addition to Albourne's lead consultants, LACERA would have direct access to the firm's 160+ analysts that cover hedge funds, illiquid credit, and real assets investments. This broad coverage would elevate the efficiency and comprehensiveness of LACERA's investment process.

With 70 dedicated operational due diligence ("ODD") professionals, Albourne has the deepest ODD bench of all 10 RFP respondents, making this quality one of firm's key distinctions. Through their interviews, sample reports, and client references, the firm demonstrates a thorough, well-resourced ODD process. The Evaluation Team views a strong ODD process as a key consultant skill-set necessary for assisting LACERA in investing in alternative assets. The identification of managers with operational issues prevents operational risk which can negatively affect returns. Many of Albourne's ODD analysts possess Certified Public Accountant, Chartered Accountant, and/or Chartered Financial Analyst designations, and have previous experience as auditors, fund accountants, operations staff, research staff, or other positions that provide insight into operational matters.

Albourne's client portal, the "Castle", is considered one of the best in their industry. Leveraging this portal would be a significant value-add to LACERA's investment process. Notable features on the Castle include:

- A database of over 22,000 hedge funds, illiquid credit funds, and real asset funds;
- Due diligence reports on over 2,000 hedge funds, 300 illiquid credit funds, and 300 real asset funds covered by the firm's analysts;
- A robust analytics tool that clients can use to measure and monitor various investment risk exposures in their portfolios and understand effects of pro forma portfolio changes; and
- The FeeMometer, a feature which analyzes the effects of various alternative fee structures which can be used to monitor fees within an existing portfolio and compare fees between prospective investment opportunities.

Albourne also has comprehensive middle and back-office services that can help support LACERA's investment accounting and performance reconciliation needs. Included in Albourne's bundled services is a fee reconciliation and reporting feature which would help LACERA with disclosing alternative investment fees including its annual requirement under California Assembly Bill 2833.

<u>Professional Staff</u>

The firm has proposed James Walsh as the primary account consultant, with senior executive support from Steve Kennedy. James Walsh and Steve Kennedy are based in Albourne's San Francisco office; both are partners of the firm with extensive experience in hedge funds and portfolio construction. The firm also proposed Tom Cawkwell, a partner based in San Francisco as the client lead for illiquid credit, and Mark White, a partner based in Nova Scotia, Canada as the client lead for real assets. The biographies of LACERA's proposed consulting team members are provided in the section below.

Primary Consultant

James Walsh, CAIA, Partner & Head of Portfolio Group, has been with Albourne since 2012 and has 22 years of experience in alternative investments. Mr. Walsh previously held positions as CEO and CIO of Cayuga Capital Partners, a global macro hedge fund, CIO at the Cornell University Endowment, and Head of Strategy and Alternatives at Hermes Pension Management in the U.K. Mr. Walsh also served as Macroeconomic Forecaster for The Economist Group. Mr. Walsh holds a BSc in Economics from Brunel University, London (U.K.), and a MSc in Economics from Birkbeck College, University of London (U.K.) and is a Chartered Alternative Investment Analyst.

Co-Consultant

Steve Kennedy, CFA, Partner & Portfolio Analyst Coordinator, has been with Albourne since 2006 and has over 20 years of experience in alternative investments. Mr. Kennedy previously held positions as the Vice President of the Multi-Manager Investment Consulting Program at Bank of America and the Director of Research of a financial services company. Mr. Kennedy holds a BA in Environmental Policy and Analysis and MS in Investment Management from Boston University and is a Chartered Financial Analyst.

Client Head for Illiquid Credit

Tom Cawkwell, Partner & Head of Private Markets Research, has been with Albourne since 2007 and has over 15 years of private equity experience. Mr. Cawkwell previously held positions as an Investment Officer for CalSTRS in the private equity group. Mr. Cawkwell holds an MBA from UC Davis, California and a BA from King's College London, University of London (U.K.).

Client Head for Real Assets

Mark White, Partner & Real Assets Investment Due Diligence Analyst, has been with Albourne since 2008 and has over 28 years of experience in resource management, with 14 years of those years working in the forestry and mining industries. Mr. White also previously served as an Adjunct Professor teaching finance and accounting at Acadia University in Nova Scotia, Canada. Mr. White holds an MBA from Saint Mary's University, Halifax, Nova Scotia, Canada and a BA in Business Administration from Acadia University, Wolfville, Nova Scotia, Canada.

<u>Compliance and Personnel Matters</u>

Albourne has a 12 person legal and compliance team, which includes a U.S. Chief Compliance Officer and U.K. Chief Compliance Officer. No investment compliance or regulatory issues were identified in the firm's ADV or RFP response, nor during discussions of this topic with Albourne.

Based on a search of the public domain and discussions with Albourne, there are no known judicial, regulatory, or legal claims related to equal employment opportunity, workplace discrimination, or sexual harassment regarding the firm or any of its employees.

AKSIA

Organization

Aksia is an alternative investment consulting firm established in 2006 by six partners who previously worked at the financial services firm Credit Suisse. Aksia is 100% owned by 10 employees—the six original founders and four new partners. The firm focuses on hedge funds and illiquid credit; they do not offer advice on private equity, real estate, or real assets. Aksia offers three main services: research, non-discretionary advice, and discretionary portfolio management.

Aksia is a global firm registered with regulatory authorities in the U.S. (SEC & CFTC), U.K. (FSA), Japan (FCA), and Hong Kong (SFC). The firm has 73 clients located around the world as follows: 47% in the Americas, 30% in Europe & the Middle East, and 23% in Asia & Oceania. Aksia clients have a total of $101 billion allocated to alternative investments. Among Aksia's clients are 13 public pension plans, 10 of which are based in the U.S. (including the Public Employees Retirement System of Colorado, the Comptroller of the City of New York, the School Employees Retirement System of Ohio, the Commonwealth of Pennsylvania, Public School Employees' Retirement System and the State of Wisconsin Investment Board). The firm is a signatory to the UN-backed Principles for Responsible Investing.

Aksia is headquartered in New York, with offices in London, Tokyo, Hong Kong, and Athens. The firm has 139 employees, globally. Among the investment professionals are 24 in the advisory team, with primary responsibility for client service. The research team is comprised of 81 professionals, 45 of whom are dedicated to investment research, 32 to operational due diligence, and four to risk analytics. The investment research team is further divided into four sector teams: illiquid credit, event-driven hedge funds, long/short equity hedge funds, and relative value & tactical trading.

Aksia states that one of their distinctions is that the firm, created in 2006, was founded by investors rather than consultants. Therefore, they offer a combination of hands-on investment experience along with deep research capabilities. As part of Aksia's service offering, senior investment and operational due diligence professionals would be directly accessible by LACERA with regard to investment due diligence and portfolio monitoring. Aksia also prides itself on providing customized solutions tailored to each client's specific goals and risk tolerance. Another strength is that clients have online access to a platform called "MAX" which holds research, risk analytics, portfolio performance and attribution reports, manager meeting and call notes, and educational industry materials. The MAX client portal provides access to the very same tools that Aksia employees use to research managers and oversee portfolios. MAX contains information on over 9,300 hedge funds and illiquid credit funds, with due diligence notes (both investment and operational) from Aksia research personnel on over 2,300 of those funds.

Aksia analyzes funds and client portfolios, sometimes at the individual security level for illiquid credit, rather than by merely looking at summary characteristics, so they can have a deeper, more detailed understanding of potential portfolio dynamics. Part of their philosophy is to focus on risk-adjusted returns rather than quartile rankings. They are careful about looking at performance of longer locked credit vehicles which use private equity type structures, as the smoothing effect of fund level IRR and TVPI do not convey much about the amount of risk that was taken to achieve those returns. In this respect they also avoid focusing on a quartile ranking of these metrics since it "misidentifies the riskiest managers as the best managers."

Professional Staff

The advisory team proposed for LACERA consists of Jennifer Wildeman, Senior Portfolio Advisor, and David Sheng, Senior Portfolio Advisor, as the primary account consultants for both hedge funds and illiquid credit. Sylvia Owens, Global Private Credit Strategist, is proposed as the back-up consultant for illiquid credit. The sector heads within the firm are also directly accessible by LACERA which include Patrick Adelsbach, Head of Credit, Joe Larucci, Head of Equity Hedge Funds Strategies, and Norman Kilarjian, Head of Macro and Quant Hedge Funds Strategies. Brief biographies are provided below.

Lead Consultant for Hedge Funds and Illiquid Credit

Jennifer Wildeman, Senior Portfolio Advisor, has been with Aksia since 2015. Ms. Wilderman previously held positions at PNC Asset Management where she helped build out PNC's single-strategy hedge funds, private asset, and alternative mutual fund platforms. Prior to PNC, she worked with Gapstow Capital Partners, where her primary focus was sourcing, evaluating, and executing the firm's direct private investments in financial institutions. Before that, Ms. Wilderman was a Senior Research Analyst at Optima and a Senior Equity Research Analyst at Morgan Stanley. Ms. Wilderman graduated from Columbia University with a BA in Economics and Political Science.

Lead Consultant for Hedge Funds and Illiquid Credit

David Sheng, Senior Portfolio Advisor, has been with Aksia since May 2018**.** Mr. Sheng previously was a Senior Manager Research Analyst at Man Group, FRM, where he focused on sourcing and evaluating global macro and managed futures managers. Prior to Man Group, FRM, Mr. Sheng was a Vice President within the Institutional Sales and Trading business at HSBC, and before that he worked at Morgan Stanley, where he covered clients across the hedge fund, asset management, and sovereign wealth fund universe. Mr. Sheng graduated from Princeton University with a BA in Economics. He completed his MBA at Columbia University.

Back-up Consultant for Illiquid Credit

Sylvia Owens, Global Private Credit Strategist, joined Aksia in July 2016. Ms. Owens is a member of the firm's Private Credit Investment Committee. Ms. Owens has nearly two decades of experience in the private market space. She began her career in 1992 at Goldman Sachs where she oversaw the Midwest Convertibles business and then was co-lead of the institutional synthetics convertibles business. Ms. Owens graduated with a BA in Economics and East Asian Studies from the University of Southern California and a MBA in Finance from the University of Chicago. Ms. Owens is a founding board member of the Private Equity Women Investor Network ("PEWIN"), an invitation-only group founded in 2008 that currently has 550 members globally, consisting of women at the most senior levels of their respective firms.

Client Head for Illiquid Credit & Credit-Oriented Hedge Funds

Patrick Adelsbach, Partner, joined Aksia in 2006 and has over 20 years of financial markets experience. He oversees sourcing, research, and risk management for private credit, public credit, and event-driven investments. Prior to joining Aksia in 2006, he managed event-driven and fixed income emerging markets investments at Credit Suisse and began his career in 1997 at Capital One Financial Corporation. Mr. Adelsbach graduated cum laude in 1997 from the Jerome Fisher Program in Management and Technology at the University of Pennsylvania, contemporaneously earning a BS in Economics from The Wharton School and a BAS in Systems Engineering from the School of Engineering and Applied Science.

Client Head for Macro & Quant Hedge Funds
Norman Kilarjian, Partner, joined Aksia in 2006 and is Head of Macro and Quant Strategies. Mr. Kilarjian has over 30 years of experience in alternative investments. He manages a team of research professionals responsible for the sourcing, underwriting, strategy research, and risk management of funds in the Relative Value and Tactical Trading sectors. Prior to joining Aksia in 2006, Mr. Kilarjian was a Director and Head of the Equity Arbitrage Sector Team and was a member of the Hedge Fund Investment Group Investment Committee at Credit Suisse. Before that, he worked at Focus Investment Group where he was responsible for relative value investments. Mr. Kilarjian started his career as a convertible arbitrage proprietary trader for Ernst & Company in 1989.

Client Head for Equity-Oriented Hedge Funds
Joe Larucci, Partner, joined Aksia in 2006 and is Head of Equity Strategies. Mr. Larucci has over 25 years of experience in equity trading and alternative investments. He manages a team of research professionals responsible for sourcing, underwriting, and managing client allocations to equity strategies. Prior to joining Aksia in 2006, Mr. Larucci was a Director and Head of the Equity Long/Short sector team, and a member of the Hedge Fund Investment Group Investment Committee, at Credit Suisse. Mr. Larucci began his career in 1993 at Cowen and Company as an equity trader for a portfolio management group. Before that, he was part of the fund of hedge funds group at Donaldson Lufkin and Jenrette Asset Management ("DLJAM").

Compliance and Personnel Matters
Aksia has a four-person legal and compliance team, which includes a Chief Compliance Officer. No investment compliance or regulatory issues were identified in the firm's ADV or RFP response, nor during discussions of this topic with Aksia.

In December 2017, Aksia CEO Jim Vos pled no contest to failure to halt possession of alcohol by a minor in connection with a graduation party for Mr. Vos's daughter held at his home. This misdemeanor charge does not relate to Aksia or its business.

Based on a search of the public domain and discussions with Aksia, there are no known judicial, regulatory, or legal claims related to equal employment opportunity, workplace discrimination, or sexual harassment regarding the firm or any of its employees. However, Aksia disclosed that there was one confidential settlement related to an employment matter in 2015.

CAMBRIDGE ASSOCIATES

Organization
Cambridge Associates is a global investment firm that works with endowments and foundations, pensions, private clients, governments, and insurance companies to manage custom investment portfolios. The firm was founded in 1973 and has approximately $390 billion in assets under advisement. Approximately 35% of the firm is owned by current and former employees with the remaining 65% owned by outside minority shareholders. The firm is a signatory to the UN-backed Principles for Responsible Investing.

The global Real Assets Investment Group provides clients with investment advice or management services across public and private real assets investments, comprised of real estate, infrastructure, and natural resources debt and equity. LACERA's relationship would focus on infrastructure and natural resources. Led by senior professionals with significant financial industry and real assets market experience, this global 19-person team is responsible for evaluating real assets markets, identifying investment opportunities, and advising on the management of client portfolios. In their research efforts, the team tracks over 1,200 private real assets managers and more than 4,300 private real assets funds, across strategies, property types, regions, and vehicle types. Today, Cambridge Associates advises over 500 clients on over $60 billion in private real assets commitments.

Cambridge Associates has a specialized Credit Investment Group ("CIG") to advise clients across the spectrum of public, hedge fund and private credit investment strategies, including bank loans, high-yield bonds, structured finance, senior debt/direct lending, mezzanine, distressed, opportunistic, and other credit-related strategies. This team consists of five Managing Directors and six Associate-level support roles to the group. In a given year, the CIG holds more than 350 credit manager meetings and publishes approximately 30 credit due diligence reports.

Professional Staff

Cambridge Associates employs over 1,200 employees in 10 offices located on four continents. For real assets, the firm has proposed Meagan Nichols, the Global Head of the Real Assets Investment Group as LACERA's lead Real Assets Consultant, with senior executive support from Craig Beach. For illiquid credit, the firm has proposed both Tod Trabocco and Jennifer Urdan as the client experts on LACERA's consulting team. The biographies of LACERA's proposed consulting team members are provided in the section below.

Lead Consultant in Real Assets

Meagan A. Nichols, Managing Director and Global Head of the Real Assets Investment Group, is the chair of the Real Assets Investment Committee and has been with Cambridge Associates for 10 years. Ms. Nichols has 20 years of investment experience and before joining Cambridge Associates. Ms. Nichols was an investment advisor in the Private Wealth Management division at Morgan Stanley. Before that, she was head of the Capital Markets division at myCFO Investment Advisory Services and a member of the Alternative Assets Committee, starting at the company as an equity trader. She started her career at Goldman Sachs. Ms. Nichols received an MBA from Tuck School of Business, Dartmouth College and a BA in Political Science from Providence College.

Co-Consultant in Real Assets

Craig Beach, CFA, Managing Director, specializes in hard assets, including public and private real estate, energy, timber, and infrastructure investments, and serves on the firm's Hard Asset Research Committee. Mr. Beach currently works with several U.S and non-U.S. clients, including nonprofit organizations, and private clients ranging in size from $200 million to greater than $20 billion. Before Mr. Beach joined Cambridge Associates in 2001, he was a senior consultant at Deloitte and Touche. Prior to this, he was a financial analyst for Circuit City, Inc. Mr. Beach is a CFA charterholder and received an MBA from the University of North Carolina Kenan-Flagler Business School, and a BA from Bucknell University.

Client Head for in Illiquid Credit

Jennifer Urdan, Managing Director, Ms. Urdan works with universities, foundations, public funds, retirement plans and private clients on their investments in alternative assets and the related governance issues. Ms. Urdan also works with clients on their overall investment portfolio strategy including asset allocation, rebalancing, marketable and alternative asset manager selection, investment program evaluation and governance. In addition to client work, she contributes to the firm's private research and manager due diligence, and serves on non-marketable research committees. Prior to joining Cambridge Associates, Ms. Urdan was a Senior Member of the Private Capital Group at Robertson Stephens & Co.

Previously, she was a Vice President at JP Morgan where she held a range of responsibilities including client coverage; corporate finance advisory work; exposure management transactions; and debt, convertible, and equity offerings in the public and private markets. Ms. Urdan is a graduate of Stanford University.

Client Head for Illiquid Credit
Tod Trabocco, CFA, Managing Director, oversees the firm's private credit efforts, performing due diligence on investment opportunities in private equity, credit, and distressed markets, as well as monitoring investment firms and their portfolio companies. Mr. Trabocco co-chairs Cambridge Associates' Credit Investment Research Committee and co-leads the firm's Credit Investment Group which focuses on manager research and selection and provides specialized credit services to clients. Before joining Cambridge Associates, Mr. Trabocco was a Managing Director with Kayne Anderson Capital Advisors in New York. Mr. Trabocco is a CFA charterholder and received an MBA from Columbia Business School, and a Master of Arts in Law and Diplomacy in Development Economics from The Fletcher School, Tufts University.

Compliance and Personnel Matters
Cambridge Associates has a 24 person legal and compliance team, which includes a Chief Legal Officer and Chief Compliance Officer. No investment compliance or regulatory issues were identified in the firm's ADV or RFP response, nor during discussions of this topic with Cambridge Associates.

Based on a search of the public domain and discussions with Cambridge Associates, there are no known judicial, regulatory, or legal claims related to equal employment opportunity, workplace discrimination, or sexual harassment regarding the firm or any of its employees.

CONCLUSION

LACERA issued a Request for Proposal for Hedge Funds, Illiquid Credit, and Real Assets Consulting services. Based on an evaluation of the RFP responses and meetings with key members of the semifinalist and finalist firms' consulting teams, the Evaluation Team recommends that the Board invite Albourne to the March 13, 2019 Board of Investments meeting to interview as LACERA's consultant for all three mandates (hedge funds, illiquid credit, and real assets).

Attachments

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

VM:JR:DC:QN:mm

ATTACHMENT A

HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT(S) EVALUATION PROCESS AND CRITERIA

The Hedge Funds, Illiquid Credit, and Real Assets Consultant(s) search was structured into six phases, designed to evaluate the responding firms relative to criteria based on the specific needs of LACERA. The process began with LACERA receiving written proposals from 10 firms that responded to LACERA's Request for Proposal ("RFP") which was issued in August 2018. This information was reviewed and scored by four Investments staff members (Vache Mahseredjian, James Rice, David Chu, and Quoc Nguyen), collectively the "Evaluation Team", which narrowed the number of advancing candidates at each phase in the process, resulting in three finalist firms for the BOI's consideration. **Table 1** shows the search timeline:

Table 1
HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT(S) SEARCH PROCESS AND TIMELINE

Phase	Actions	# of Firms by Phase	Timing and Status
RFP Construction	− Gain Board of Investments approval on Minimum Qualifications requirements, Evaluation Criteria, and Scope of Work − Construct Request for Proposal ("RFP")	n/a	Q3 2018 *complete*
RFP Evaluation	− Issue RFP − Review Responses − Phase One Scoring for each mandate	10	Q4 2018 *complete*
Semifinalist Evaluation	− In-person interviews at LACERA offices − Evaluate candidates to advance as finalist firms	5	Q4 2018 *complete*
Finalist Evaluation	− Additional finalist in-person interviews at LACERA offices and follow up calls − Evaluate candidates to recommend to the BOI	3	Q1 2019 *complete*
Finalist – BOI Consideration	− Finalist firms presented to the BOI for interview consideration	**1 to 3**	**February/ March 2019 BOI *in process***
BOI selection	− BOI selects preferred firm to serve as the hedge funds, illiquid credit, and real assets consultant(s)	**1, 2, or 3**	

Each phase of the search is described more fully below.

RFP Construction

The RFP was designed based on the Board-approved Minimum Qualifications, Evaluation Criteria, and Scope of Work for its Hedge Funds, Illiquid Credit, and Real Assets Consultant(s). These were presented for consideration at the August 8, 2018 BOI meeting.

RFP Evaluation

The RFP, issued on August 24, 2018, consisted of 83 questions and a request for 22 exhibits to be completed. Exhibits included examples of work product, other firm documents or formatted presentations of data requested in one of the 83 questions. These questions were grouped into five areas of evaluation (detailed below), for which each was assigned a scoring weight shown in parentheses.

(1) Organization (25%)
This category assesses structure, size, and the importance of advisory consulting within the firm, with an emphasis on understanding expertise, focus and resourcing to cover the global hedge funds, illiquid credit, and real assets markets. How advisory consulting fits in with each firm's other businesses is also assessed.

Firm structures are evaluated for their relative independence and degree of employee ownership, to account for the fact that fully independent (employee-owned and directed) organizations, tend to have highly incentivized staff and more control over long-term firm direction.

Further, each respondent is evaluated for its level of global reach where the firm's offices are located and how they cover hedge funds, illiquid credit, and real assets firms outside the U.S.

Finally, each firm's ability to articulate its "edge" to adding value to a client portfolio, and examples of working with similar clients, is assessed for its degree of insight, clarity, and fit with LACERA.

(2) Professional Staff (30%)

Factors evaluated in this section include the staff depth (team size and experience level) and expertise (by professional certifications, specialization, and types of experience), as well as stability (tenure and turnover statistics). Sources of employee compensation are also assessed to understand how alignment with firm and client objectives is reflected.

Finally, the primary consulting team, including its qualifications, tenure with the firm, and capacity to service LACERA is considered as a key input to the evaluation. Firms with a proposed team with a lower client load are viewed more favorably. The firm's staffing model in delivering consulting services is also evaluated.

The firm's diversity and inclusion practices and policies that deal with handling sexual harassment or other grievances are assessed, along with the firm's diversity statistics and employment litigation or settlement history.

(3) Investment Process (35%)

Factors evaluated in this section include four sub-categories that are critical to investing in hedge funds, illiquid credit strategies, and real assets:

- Portfolio Advisement – the firm's approach to portfolio construction, investment decision making, onboarding, portfolio monitoring tools, and performance and fee validation
- Research – the firm's research philosophy, fund and manager evaluation process, depth and breadth of manager and strategy research, and manager and strategy research staffing structure and recommendation approval process; level and depth of manager research devoted to funding and following newer and emerging managers
- Risk Management – the firm's risk management philosophy, depth and size of dedicated risk team, manager monitoring process, portfolio and manager risk analytics, and access to firm's risk tools and platform
- Operational Due Diligence – robustness of the firm's operational due diligence process and depth and experience of team
- Technology – technology systems that the firm leverages to analyze investments and risks, in additional to technology platforms (e.g., client portal) that their clients can leverage to assist with their investment process

(4) Fees (10%)

This section is ranked on a range where the respondent proposing the lowest fee earns the highest score, and the respondent with the highest fee earns the lowest score.

(5) **Conflicts of Interest (scored as a letter grade from A+ to D-, with A+ being the most favorable)**
Consulting firms may face some potential for conflicts of interest if the firm has discretionary mandates to invest in the same asset categories as their pure advisory clients, or if the firm earns part of their compensation through profit or carry participation of its recommended investment strategies, or if the firm generates discretionary co-investment revenue that derive from recommendations it may make in its advisory businesses.

Evaluation of a firm's allocation process is conducted for recommended strategies that have limited capacity. An understanding is developed for the nature and sources of a firm's revenue coming from various revenue streams.

In our evaluation, we assess which firms have business models that create those or other types of potential for conflicts. If the firm's business model creates a potential for conflicts, we assess how the firm manages those conflicts when faced with this situation.

RFP Scoring

By the September 28, 2018 deadline, LACERA received ten responses to the RFP, of which four firms responded to the hedge funds mandate, ten firms responded to the illiquid credit mandate, and seven firms responded to the real assets mandate. All of the firms met the minimum qualifications. Each member of the Evaluation Team independently read and scored the RFP responses. The individual scores were then averaged to provide a Phase One score for each firm for each of their proposed mandates, as shown in **Table 2**; this scoring considers all five evaluation criteria.

Table 2
HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS
CONSULTANT(S) RFP EVALUATION
PHASE ONE SCORING

Hedge Funds Mandate	Phase I Score	Illiquid Credit Mandate	Phase I Score	Real Assets Mandate	Phase I Score
Albourne	**95**	**Albourne**	**91**	**Albourne**	**85**
Aksia	**86**	**Aksia**	**86**	**StepStone**	**85**
StepStone	79	**StepStone**	**82**	**Cambridge Associates**	**81**
Meketa	69	**Cambridge Associates**	**81**	**TorreyCove**	**80**
		TorreyCove	**76**	Hamilton Lane	75
		Hamilton Lane	75	Meketa	74
		Cliffwater	74	Wilshire	72
		Meketa	73		
		Wilshire	73		
		Portfolio Advisors	72		

After Phase One scoring, the Evaluation Team narrowed the field by advancing the firms that scored in the top half of each mandate category. This resulted in five firms (bolded in **Table 2**) moving on as semifinalists. A brief summary of the strengths and concerns of each semifinalist (Albourne, Aksia, StepStone, Cambridge Associates, and TorreyCove) and a comparison of the firms' consulting styles is shown at the end of this attachment (**Table 4**).

Interview Rounds at LACERA Offices
LACERA moved into the interview phase of the search, which consisted of two rounds of interviews that took place at LACERA's offices. The interviews were conducted by members of the Evaluation Team and Jon Grabel, Chief Investment Officer. Members of the BOI were invited to participate in both rounds of interviews and none were able to attend.

Interviews: Semifinalists
In the first round of interviews, all semifinalists were invited to share more information about their organizations, the proposed consulting teams, and their philosophy for approaching their mandate categories. LACERA used the interviews to gain a better understanding of their respective capabilities, evaluate organizational fit, and clarify any outstanding questions from their written RFP response. Following the initial round of interviews, the Evaluation Team discussed each firm's capabilities in meeting LACERA's needs, as described by the Evaluation Criteria, and Scope of Work.

Following the first round of interviews, the Evaluation Team narrowed the field from five semifinalists to three finalists, which are:

- Albourne – for the **hedge funds**, **illiquid credit**, and **real assets** consulting mandates
- Aksia – for the **hedge funds** and **illiquid credit** consulting mandates
- Cambridge Associates – for the **illiquid credit** and **real assets** consulting mandates

While StepStone and TorreyCove scored well in the evaluation of the written responses, the Evaluation Team did not advance those firms to the next round of interviews due to the following considerations:

- In the case of StepStone, the firm's global reach, broad market coverage, and technological resources were evident. Over the past five years, StepStone has acquired four firms (partial ownership in some cases). These acquisitions include their efforts in hedge funds, illiquid credit, and real assets. While these acquisitions provide the firm with additional capabilities, they raise concerns over the pressures resulting from the integration of these strategies into the overall investment approach of the firm, and the complexity brought on by the mixed ownership stake in the new businesses. The hedge fund and illiquid credit team is largely based in Zurich, Switzerland and Europe, creating difficulty for LACERA, based in the Pacific time zone, to interact with the team more broadly during the business day.
- In the case of TorreyCove, the strength of the firm's lead consultant and non-discretionary consulting model scored high marks. However, they did not advance to the finalist phase due to the challenges of the firm's domestically-based team to cover the worldwide mandates and their less advanced technology resources relative to other firms.

Interviews: Finalists
For the finalist interviews, Albourne, Aksia, and Cambridge Associates were invited back to LACERA's office. Each firm was asked to provide a live demonstration of their technological platform and capabilities in order for LACERA to assess the depth of technological resources that could assist the organization with

investing in hedge funds, illiquid credit, and real assets.

The Evaluation Team also took a closer look into the firm's operational due diligence process, back-office services, fee monitoring and reporting capabilities, due diligence reporting, diversity and inclusion practices, and ESG investing philosophy. Additional follow up calls were held with the firms to further clarify their overall capabilities. The three finalists were evaluated based on material discussed during the first and second round interviews, follow up calls, their RFP responses, and "best and final" fee proposals. The Evaluation Team's final scores for each firm and the mandates they were evaluated for is detailed in **Table 3**.

Table 3
HEDGE FUNDS, ILLIQUID CREDIT, AND REAL ASSETS CONSULTANT(S) FINAL SCORES

Hedge Funds Mandate	Final Score	Illiquid Credit Mandate	Final Score	Real Assets Mandate	Final Score
Albourne	**96**	**Albourne**	**91**	**Albourne**	**92**
Aksia	90	Aksia	88	Cambridge Associates	86
		Cambridge Associates	81		

The Evaluation Team ranked Albourne first in all three mandate categories and as the best overall solution for LACERA. The second best solution ranked by the Evaluation Team is retaining Aksia as the consultant for Hedge Funds and Illiquid Credit, and Cambridge Associates as the Real Assets consultant.

The Evaluation Team did not include Cambridge Associates as a top choice for the illiquid credit mandate due to the firm's less extensive technological resources and greater reliance on illiquid credit funds structured in private equity ("PE") style drawdown funds as opposed to custom evergreen structures. PE style drawdown funds require holdings to be liquidated at the end of the fund's life, which would require LACERA to continually be in the marketplace deploying capital, and after distributions, redeploying capital to maintain target allocations. Evergreen structures allow for capital to be deployed more efficiently over time and generally provide higher levels of liquidity should LACERA decide to redeem. Further, illiquid credit funds tend to buy and sell credit instruments more frequently than PE portfolio companies so an evergreen structure may be more appropriate for investing in illiquid credit. Lastly, investors tend to have more negotiating leverage with fees when investing in evergreen structures.

Finalist BOI Selection of Firm(s) to Interview
Based on this overall assessment, the Evaluation Team recommends that the Board invite Albourne to the March 13, 2019 BOI meeting to be interviewed as LACERA's consultant for all three mandates (hedge funds, illiquid credit, and real assets).

Table 4
Hedge Funds, Illiquid Credit, and Real Assets Investment Consultant Search
Semifinalist **Strengths** and **Concerns** Comparison

Organization (25%) **-** Ownership structure, lines of business, global staffing and office location, company management, and firm evolution since inception

Albourne Hedge Funds, Illiquid Credit, Real Assets	**Aksia** Hedge Funds & Illiquid Credit	**Cambridge Associates** Illiquid Credit & Real Assets	**StepStone** Illiquid Credit & Real Assets	**TorreyCove** Illiquid Credit & Real Assets
– Global presence: 11 offices worldwide – Independent, 100% owned by 26 employees with 50 employees having ownership options – Experienced servicing large public pension clients worldwide – Strong advocate for transparency and investor alignment within the alternatives industry – Heavy focus on technology: invested over $200M in technology – Does not have investment performance track record due to non-discretionary advisory model	– Global presence: six offices in five countries – Independently owned – Robust technological platform; firm's investment staff use the same platform available to clients – Experienced servicing large public pension clients worldwide – Ownership concentrated among the firm's top five professionals	– Global reach: 10 offices in five countries and over 1,200 employees – Four decades of investment consulting experience – Advises three of the five largest public plans in U.S. (CalPERS, CalSTRS, and Florida State Board of Administration) – Research focused; well-known provider of private markets benchmarks – 65% of ownership from outside minority shareholders – Relatively smaller number of public pension clients (in aggregate); has deeper experience and history working with endowment and foundation clients rather than public pensions	– Global presence: 17 offices in 12 countries. – Founded in 2007 by senior investment professionals from PCG Asset Management – Well-resourced, with total headcount of 300+ professionals – Research-driven investment approach. – Advises on $250B+ in private capital allocations – Not fully employee owned; minority shareholder includes a family office – 300% growth in AUM from March 2016 through March 2018 raises concern over firm's rapid growth and business focus	– Focused on providing non-discretionary private markets consulting services. (Low conflicts.) – Experienced with similar sized public pension clients – Founded in 2011 through a management buyout of PCG Asset Management (predecessor firm) in partnership with Mitsubishi Corporation. – Total headcount of 50. – Operate only out of U.S. offices. (Headquarters in San Diego, others in MA and NY.) – ~~Majority owned by Mitsubishi; minority stake owned by TorreyCove~~ **100% employee owned; majority ownership stake by Mitsubishi was sold back to the firm in 2017**[7]. **Ownership** is not broadly distributed

[7] Updated from the version included in the February 2018 Board materials to reflect changes in 2017 to the firm's ownership status.

Table 4
Hedge Funds, Illiquid Credit, and Real Assets Investment Consultant Search
Semifinalist **Strengths** and **Concerns** Comparison

***Professional Staff (30%)* –** Staffing depth, turnover, compensation, and alignment

Albourne Hedge Funds, Illiquid Credit, Real Assets	Aksia Hedge Funds & Illiquid Credit	Cambridge Associates Illiquid Credit & Real Assets	StepStone Illiquid Credit & Real Assets	TorreyCove Illiquid Credit & Real Assets
– Proposed consulting team are senior executives and have 17 years' average experience – Direct access to 160+ global portfolio, research, and risk analysts covering various managers and strategies – Strong real assets lead consultant – Stable: annual turnover has averaged under 5% over the past five years; however, some recent turnover at the senior management level reflects some generational transition of firm management – Deep bench of advisors: in case a change in lead consultant is required	– Research team of 81 professionals around the globe focused on hedge funds and illiquid credit – Prior to establishing Aksia, senior team of advisors were former investors, not consultants – Low employee to client ratio: 1.9 to 1 – Experienced senior team with strong understanding of illiquid credit and hedge funds markets	– Strong real assets lead consultant – Real assets investment group has a global 19-person team – Credit investment group has 11-person team – Relatively stable: annual turnover has averaged under 4% over the past five years – Fairly wide sharing of economics: 200 senior employees have options that give them opportunity to participate in the firm's ownership and share in the option pool	– 23 private credit and 35 real asset professionals; experienced team located around the globe to provide on the ground insights and extensive illiquid credit and real asset markets coverage – Low turnover – Proposed lead private credit consultant is based in Europe which could lead to communication inefficiencies due to the time zone difference – A good portion of the illiquid credit and hedge funds team joined via StepStone's acquisition of Swiss Capital leading to concerns around cohesiveness of approach within StepStone	– Strong consistency in culture from junior through senior ranks at the firm – Concern about employee ownership, could hurt retention/ engagement long-term. – Relatively small illiquid credit and real assets consulting team – Split research and client teams, likely supports scalability

Table 4
Hedge Funds, Illiquid Credit, and Real Assets Investment Consultant Search
Semifinalist **Strengths** and **Concerns** Comparison

Investment Process (30%) – Portfolio advisement, research, risk management, and operational due diligence ("ODD")

Albourne Hedge Funds, Illiquid Credit, Real Assets	Aksia Hedge Funds & Illiquid Credit	Cambridge Associates Illiquid Credit & Real Assets	StepStone Illiquid Credit & Real Assets	TorreyCove Illiquid Credit & Real Assets
– Broad universe coverage of hedge funds, illiquid credit, and real asset investments – New & Emerging Manager ("NEMO") coverage: over 650 investment due diligence reports on NEMO – Client portal, Castle, is one of the most robust in the industry – Proprietary risk system provides timely access to portfolio risk exposures – Dedicated team of 70 ODD analysts – Thorough portfolio construction approach: considers impact to Total Fund for each recommendation	– Strong market views in hedge funds & illiquid credit strategies – Client portal, MAX, is robust; useful tool for research, risk management, and portfolio monitoring – Dedicated team of 32 ODD analysts and strong Client Head of ODD – Broad universe coverage of hedge funds and illiquid credit funds – Customized data queries need to be requested through Aksia team rather than directly from MAX	– Tracks approximately 450 infrastructure funds and 1450 natural resources funds – Demonstrated thought leadership on infrastructure and natural resources investing – Relatively smaller, but dedicated, 15-member ODD team – Client portal – limited capabilities; not as robust as semifinalist peers	– Deal Volume: relatively high number of opportunities reviewed – Robust database of hundreds of illiquid credit and real asset funds – Good investment memoranda – Good consulting relationship in regards to LACERA's existing private equity consulting mandate – Relatively smaller, but dedicated, 12-member ODD team – Illiquid credit and real assets efforts are relatively nascent as a result of recent acquisitions	– Deal Volume: relatively high number of opportunities reviewed – Good investment memoranda – Lack of a funds database or risk system for clients to access (in development) – No dedicated ODD professionals: firm's IDD professionals perform ODD – Requires a lengthy questionnaire be completed by managers as part of their due diligence process; may indicate some rigidity or slower timeline, which could be detrimental to a rapid fundraise process

Table 4
Hedge Funds, Illiquid Credit, and Real Assets Investment Consultant Search
Semifinalist **Strengths** and **Concerns** Comparison

Proposed Fees (10%) – Proposed fees detailed below are annual fees averaged over the first five years of service.

Albourne Hedge Funds, Illiquid Credit, Real Assets	**Aksia** Hedge Funds & Illiquid Credit	**Cambridge Associates** Illiquid Credit & Real Assets	**StepStone** Illiquid Credit & Real Assets	**TorreyCove** Illiquid Credit & Real Assets
– Lowest proposed fees of all respondents – Bundled triple mandate: $747,200 annually for hedge funds, illiquid credit, and real assets mandates – Bundled dual mandate: - $625,800 annually for hedge funds and real assets - $560,600 annually for hedge funds and illiquid credit - $560,600 annually for illiquid credit and real assets – Single mandate: - $445,000 annually for any mandate – Annual fee includes back-office services and fee reporting and reconciliation services	– Second lowest proposed fees of all respondents – Bundled dual mandate: $622,500 annually for hedge funds and illiquid credit – Single mandate: - $415,000 annually for hedge funds - $315,000 annually for illiquid credit – Annual fee includes back-office services and fee reporting and reconciliation services	– Highest proposed fees of the five semifinalist firms – Bundled dual mandate: $990,000 annually for illiquid credit and real assets – Single mandate: - $500,000 annually for illiquid credit - $600,000 annually for real assets – Annual fee does not include back-office services and fee reporting and reconciliation services. Firm does not offer these services	– Bundled dual mandate: $877,500 annually for illiquid credit and real assets – Single mandate: - $500,000 annually for illiquid credit - $475,000 annually for real assets	– Second highest proposed fees of the five semifinalist firms – Bundled dual mandate: $950,000 annually for illiquid credit and real assets – Single mandate: - $700,000 annually for illiquid credit - $400,000 annually for real assets

Table 4
Hedge Funds, Illiquid Credit, and Real Assets Investment Consultant Search
Semifinalist **Strengths** and **Concerns** Comparison

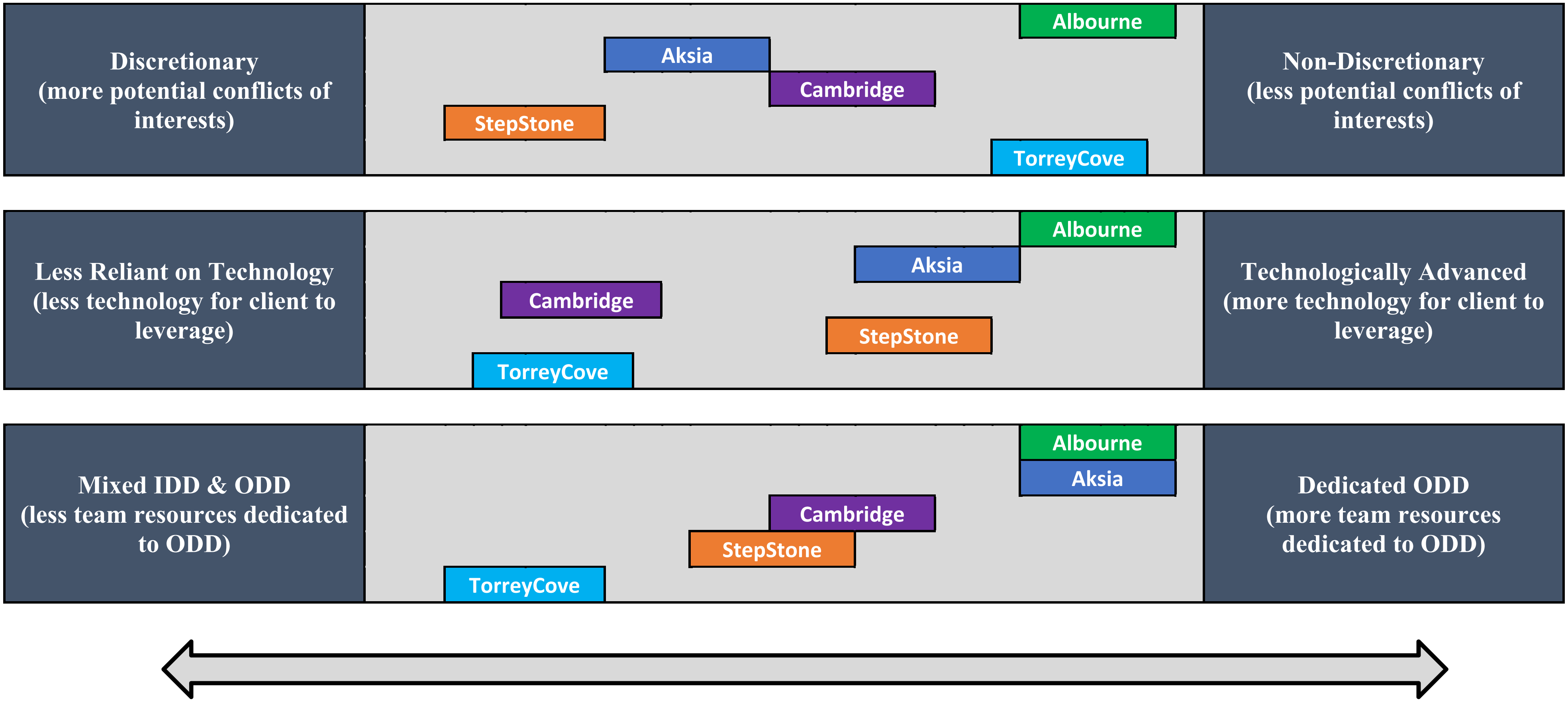
Conflicts of Interest (Grade Score Given from A+ to D-, with A+ being the highest) – Assessment of which firms have business models that give rise to conflicts of interests. Firms that are less susceptible to conflicts received a higher grade.

Albourne A Hedge Funds, Illiquid Credit, Real Assets	Aksia B- Hedge Funds & Illiquid Credit	Cambridge B+ Illiquid Credit & Real Assets	StepStone C Illiquid Credit & Real Assets	TorreyCove A- Illiquid Credit & Real Assets
– 12 person legal and compliance team – Does not offer investment products or discretionary advice – Non-discretionary investment advisory model: helps mitigate potential conflicts of interests – Zero gift policy from alternative investment managers	– Four-person legal and compliance team – As of December 31, 2017, the firm had: - $52B in AUA - $4.7B in AUM	– 24-person legal and compliance team – The firm does not offer investment products – Approximately 20% of the firm's client accounts are discretionary – However, the firm charges a flat fee and does not receive a carry for the discretionary accounts they manage, which should mitigate certain conflicts	– Four-person compliance team – Inherent conflicts with regard to fund allocations between their managed separate accounts and fund-of-funds, and their non-discretionary advisory clients.	– Torrey Cove's business is focused on non-discretionary consulting – The firm serves as a non-discretionary advisor to ~~an affiliate,~~ Alternative Investment Capital ("AIC") where it receives a portion of the management fees and carried interest **under a revenue sharing arrangement**[8]; this is a relatively small portion of the business

[8] Updated from the version included in the February 2018 Board materials to more accurately reflect the firm's relationship with Alternative Investment Capital.

Table 4
Hedge Funds, Illiquid Credit, and Real Assets Investment Consultant Search
Consultant Style Spectrum - Comparison of Six Attributes

<u>Comparison of semifinalist firms along the consultant style spectrum</u>



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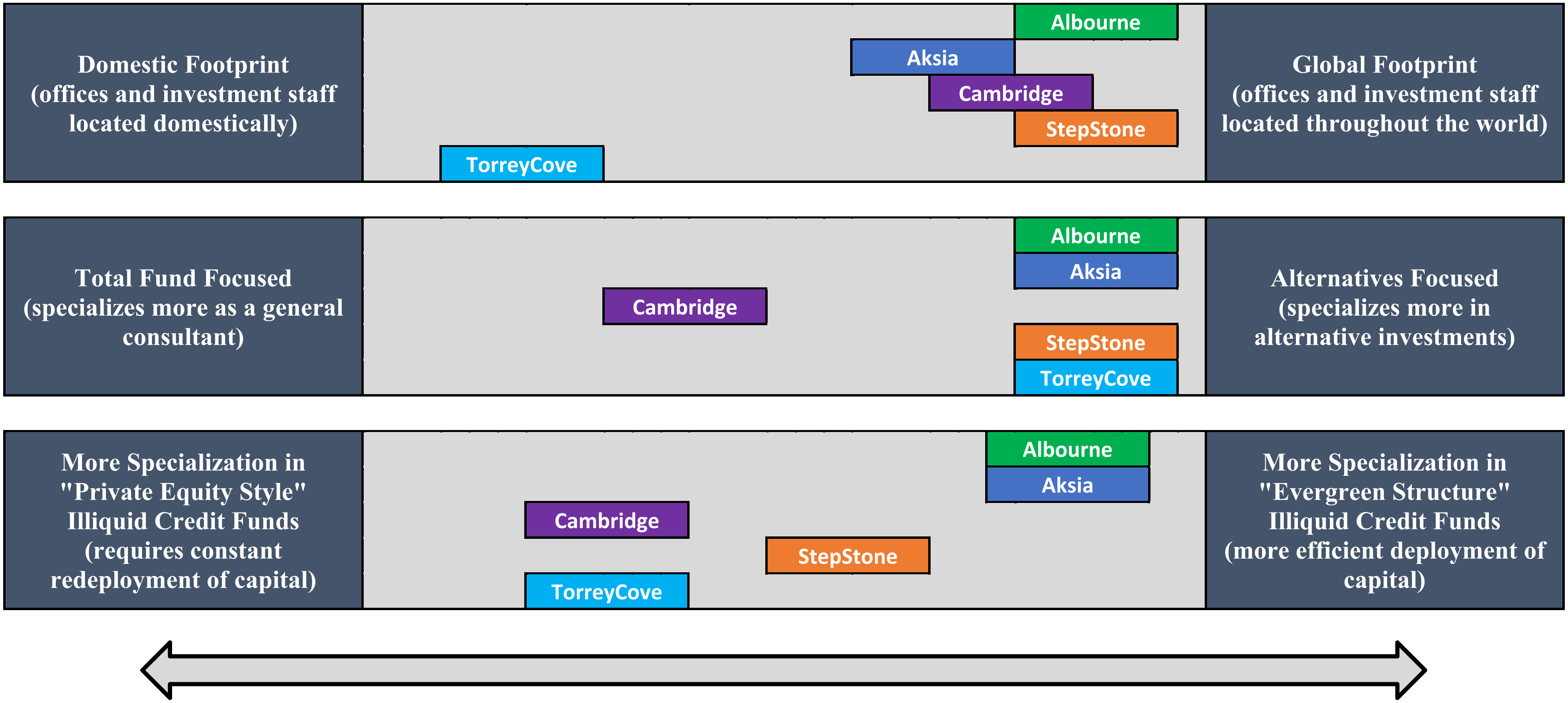


ATTACHMENT B

LACERA Board of Investments

Albourne America LLC

Non-discretionary Advisory/Consulting Services
Hedge Funds, Illiquid Credit, Real Assets & Implementation Support

13 March 2019

ALBOURNE

Agenda

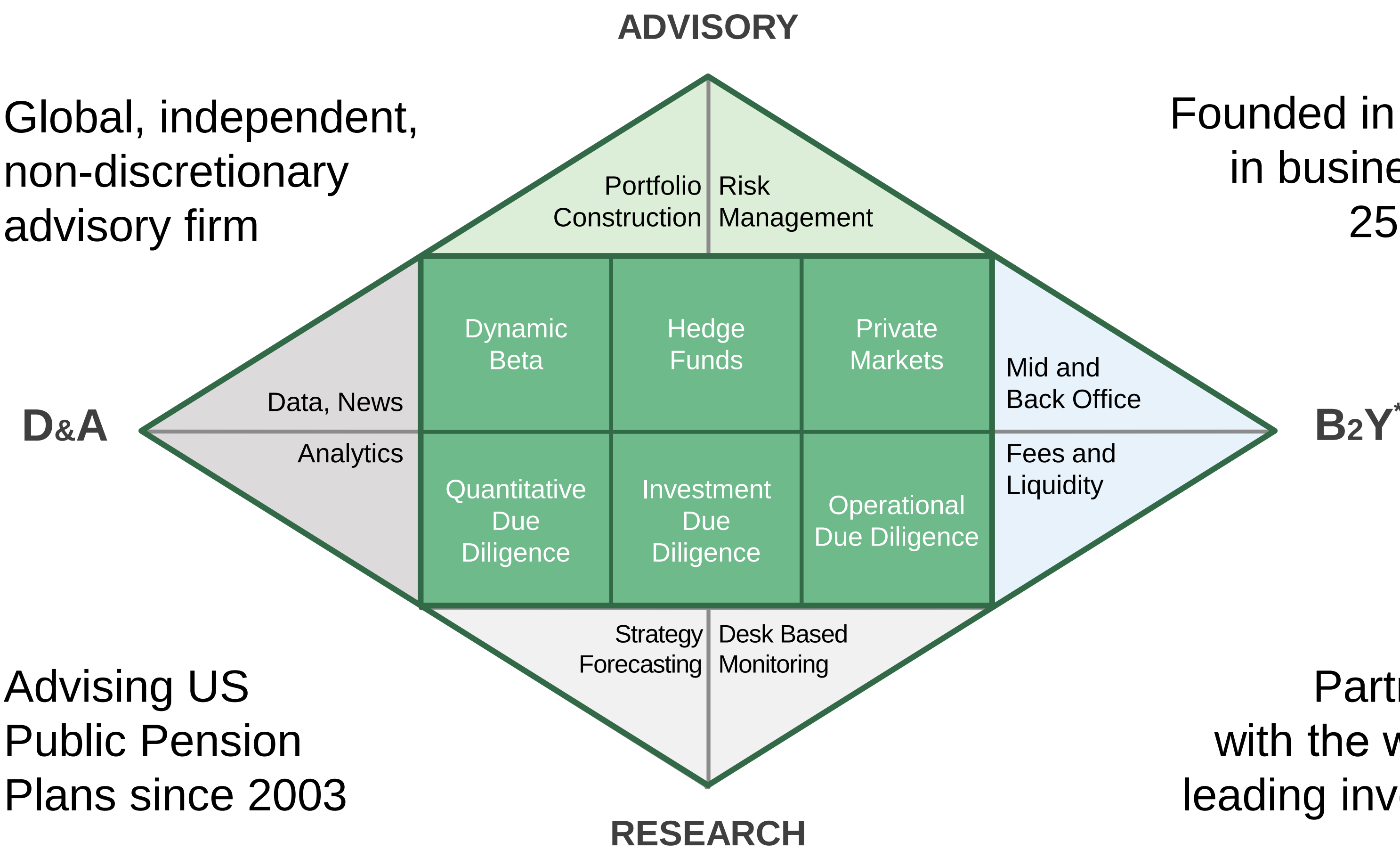
PART	1	Organization and Conflicts	• Albourne America LLC • Business Model Minimizes Conflicts • Broad and Deep Client Base
PART	2	Professional Staff	• Dedicated San Francisco-based Team • Experienced Staff • Global Resources • Diversity - Internal • Diversity - External
PART	3	Investment Process	• LACERA Portfolio Construction Process • LACERA Lead Consultant: James Walsh • Working with the LACERA Board • Research - Investment Due Diligence • Research - Operational Due Diligence • B2Y (Implementation)
PART	4	Fees, Presenters	• Fees • Presenters to LACERA

PART 1 Organization and Conflicts

Organization

Global, independent, non-discretionary advisory firm

Founded in 1994; in business for 25 years



Advising US Public Pension Plans since 2003

Partnering with the world's leading investors

* B2Y – Albourne's Implementation Support Service - is not available in certain jurisdictions.

ALBOURNE

Business Model Minimizes Conflicts

"Our goal is to empower our clients to be the best investors that they can be."

Dr. John Claisse, CEO

Albourne is committed to:

- Non-discretionary advice
- Fixed fee pricing
- Independence

Albourne believes in promoting alignment and avoiding conflicts

Broad and Deep Client Base

>260 Clients[1]

>$500bn Amount our clients have invested in alternatives[2]

>60% Percentage of clients who can access Private Markets or Dynamic Beta research[3]

35 Public Pension Plans

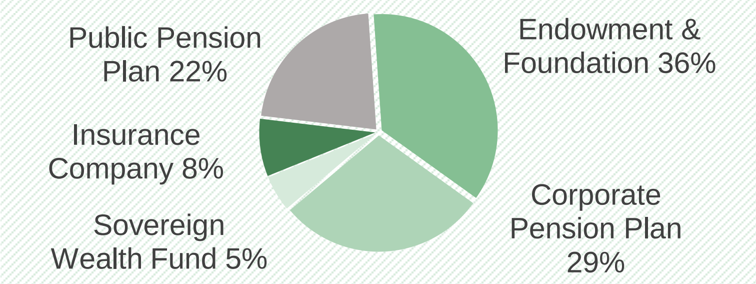
Teacher Retirement System of Texas

The Missouri Education Pension Trust

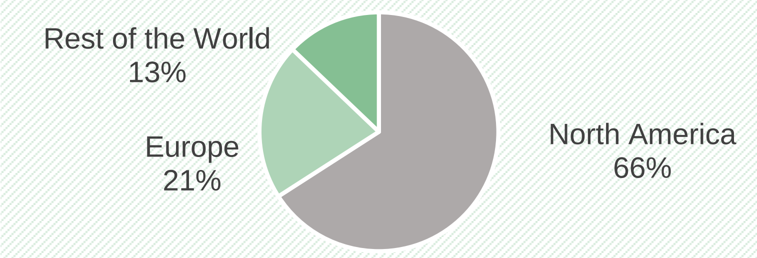
Utah Retirement Systems

Regents of the University of California

Institutions by Type



Clients by Geography



1 This is the aggregate number of client entities for the Albourne Group worldwide. Clients may be subscribed to multiple services.

2 This is a conservative aggregation of the estimated investments in alternatives (where known) of Albourne Group clients worldwide, using public sources where possible.

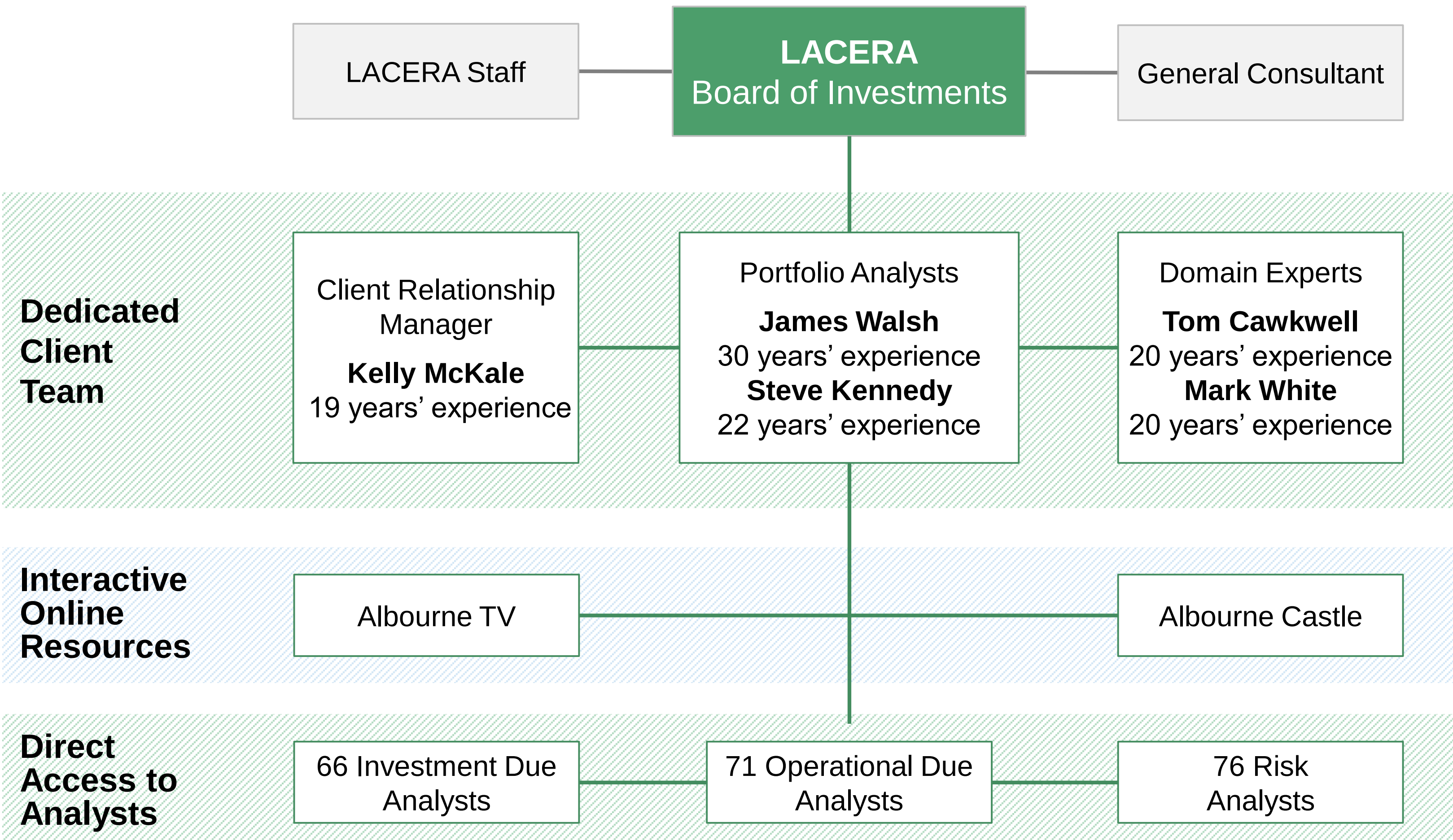
3. Percentage of Albourne Group clients who can access research in Private Markets or Dynamic Beta by contractual agreement (i.e., via subscription, exchange of credits or purchasing a report)

The client list is a partial sampling of Albourne's client universe. In accordance with the SEC's requirement for an objective methodology for partial client lists, these clients are the three largest in each category, using what Albourne believes to be their AUM in hedge funds as the criterion and omitting only those requesting anonymity. It is not known whether the listed clients approve or disapprove of the services provided by Albourne.

All figures are as of 1 January 2019

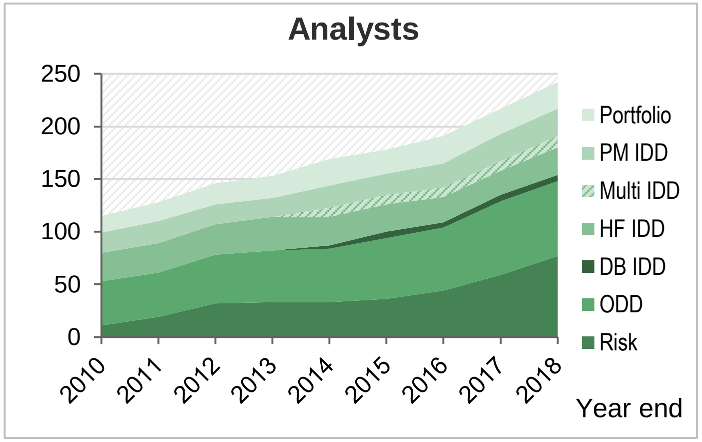
PART 2 Professional Staff

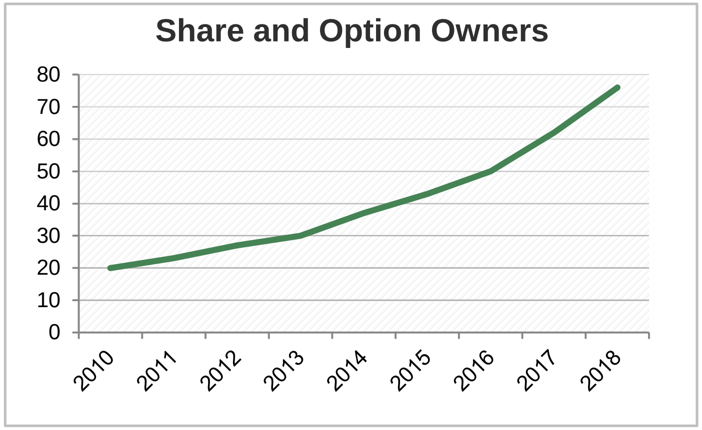
Dedicated San Francisco-based Team



Experienced Staff

Total Headcount[1] 376	
Locations Worldwide	**11**
Owned by full time employees and the Albourne Employee Benefit Trust	**100%**
Partners	**94**
Partners' average experience in alternatives and finance	**>20 years**
Professional staff[2] turnover, average over 3 years	**<5%**





Analysts 238	
Portfolio	**25**
Investment Due Diligence	**66**
Operational Due Diligence	**71**
Risk	**76**
Plus IT Group	**36**

1. Headcount numbers are aggregated across all Albourne Group entities worldwide
2. Professional staff includes all analysts and all staff with a professional qualification
IDD = Investment Due Diligence, ODD = Operational Due Diligence, QDD = Quantitative Due Diligence

Global Resources

Connecticut 48
Investment Due Diligence
  Hedge Funds
  Private Markets
  Dynamic Beta
Operational Due Diligence
Portfolio Advice
Risk Management
Strategy Research
Client Services

Canada 37
Investment Due Diligence
  Hedge Funds
  Private Markets
Operational Due Diligence
Strategy Research
Client Services

London 65
Investment Due Diligence
  Hedge Funds
  Private Markets
  Dynamic Beta
Operational Due Diligence
Portfolio Advice
Risk Management
Strategy Research
Client Services

Munich 4
Investment Due Diligence
  Hedge Funds
Portfolio Advice
Client Services

San Francisco 40
Investment Due Diligence
  Hedge Funds
  Private Markets
Operational Due Diligence
Portfolio Advice
Risk Management
Strategy Research
Client Services

Cyprus 152
Operational Due Diligence
Investment Due Diligence
Risk Management
IT Development
Client Services

Singapore 7
Investment Due Diligence
  Private Markets
Portfolio Advice
Client Services

Hong Kong 14
Investment Due Diligence
  Hedge Funds
  Private Markets
Operational Due Diligence
Strategy Research
Client Services

ALBOURNE

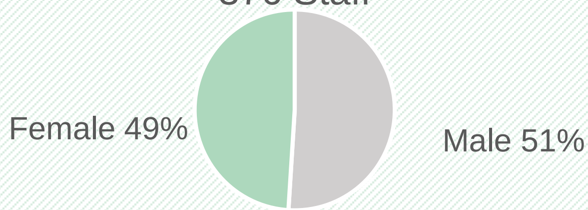
*Figures as of 1 January 2019
Offices with a headcount of 3 or less: Bahrain, Bermuda, and Tokyo

Diversity - Internal

Albourne is committed to diversity and inclusion in the workplace

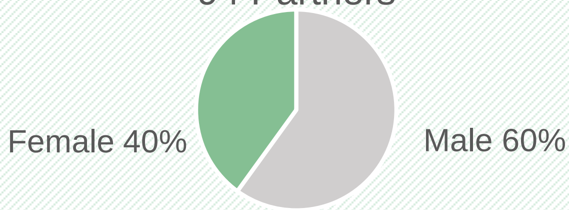
Firm

376 Staff



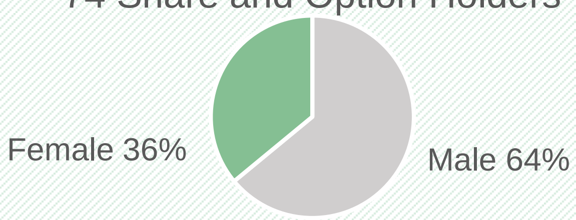
Partners

94 Partners



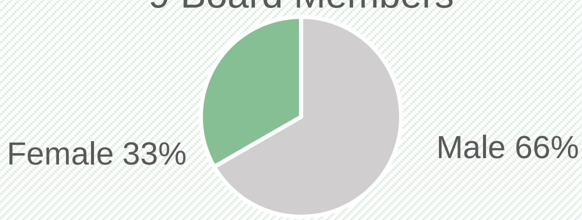
Owners

74 Share and Option Holders



Board

9 Board Members



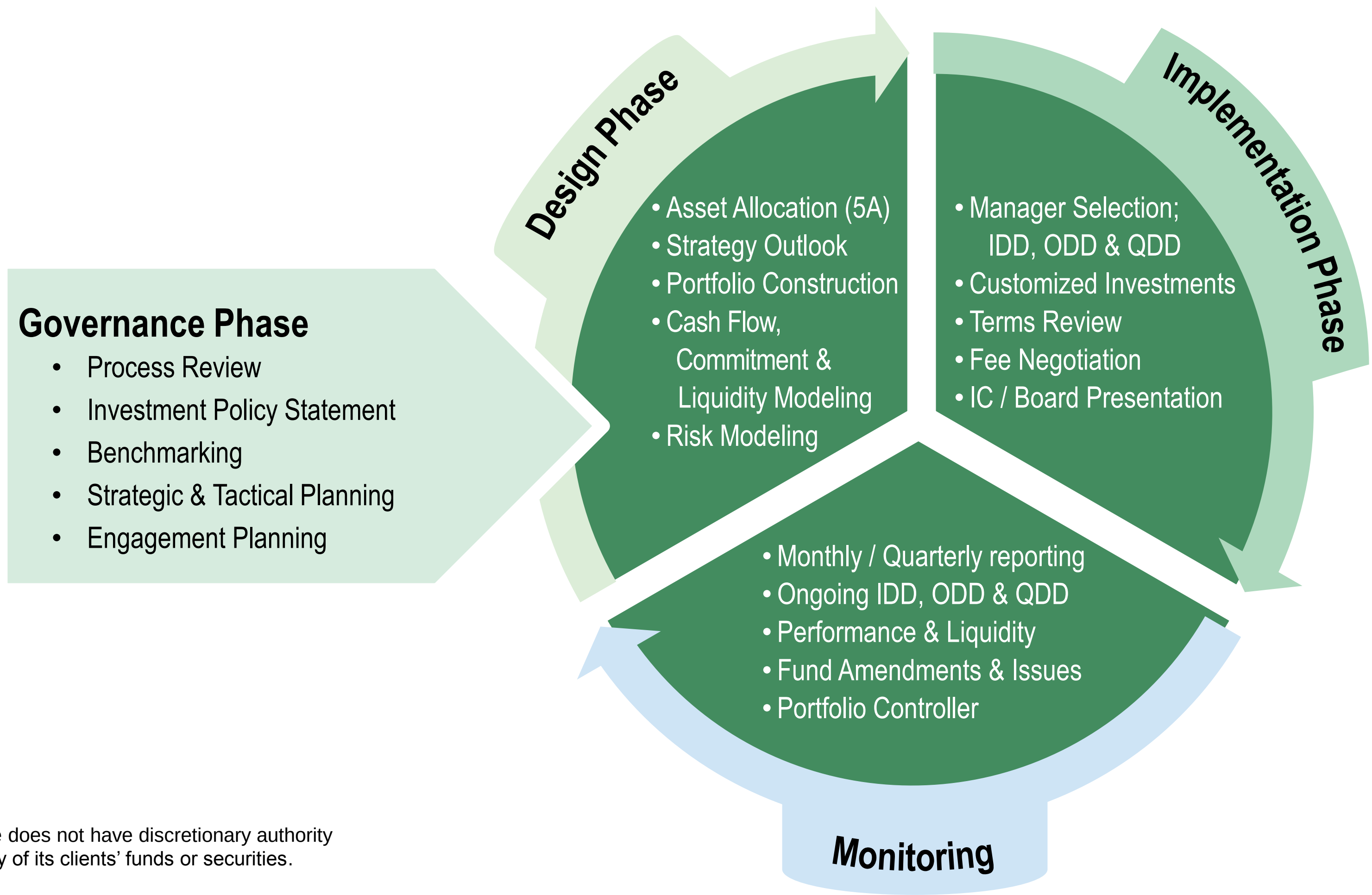
Diversity - External

	Ta Lohachitkul	Sasha Kus	Armeen Bhesania*
Leader			
Initiative	Responsible Investing and Minority / Women Business Enterprises (MWBE)	New and Emerging Manager Organizations (NEMO)	ODD: Employment Practices
Aim	Standardization of corporate-level ESG reporting (Investor Manifesto II). Grow and monitor coverage of MWBE funds	Enhanced coverage of new and smaller managers (including MWBE)	Add new, separate ODD sub-section for ESG & Employment Practices

* North American lead of a global initiative

PART 3 Investment Process

LACERA Portfolio Construction Process



*Albourne does not have discretionary authority or custody of its clients' funds or securities.

LACERA Lead Consultant: James Walsh

Albourne America LLC (San Francisco)
- Global Head of Portfolio Advisory
- Lead Consultant on 2 implementing clients, oversee others

Cayuga Capital Partners
- Founder, CIO and CEO
- Global Macro Hedge Fund

Cornell University Endowment
- Chief Investment Officer
- $6bn Ivy League Endowment

British Telecom Pension Scheme
- Head of Strategy & Alternatives/Executive Team Member
- $50bn, largest UK Corporate Plan

Working with the LACERA Board

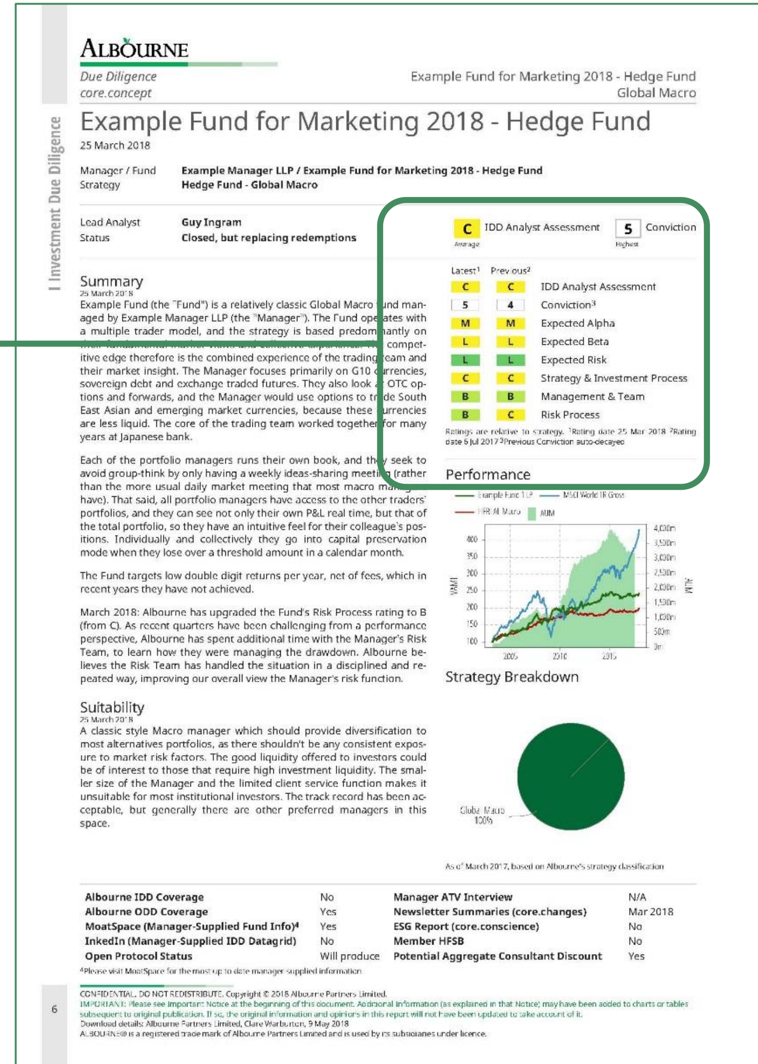
Lead Consultant
Regularly presents to the Board

Customized Board Reporting	Asset Class Specialists present to the Board	Access to information through website	Board Education & Retreats

Local access to global resources

Research - Investment Due Diligence

Section	Analyst Considerations
IDD Analyst Assessment	Overall analyst front-office rating on a scale of A to E (where A is best). Reflects the analyst's assessment of manager skill and ability to generate alpha
Conviction	Rating on a scale of 1 to 5 (where 5 is highest) reflecting transparency of manager and analyst's confidence in fund's overall front-office rating.
Expected Alpha	Rated on a scale of low, medium, high compared to peers
Expected Beta	Rated on a scale of negative, variable, low, medium high compared to peers
Expected Risk	Rated on a scale of low, medium, high compared to peers
Strategy & Investment Process	Analysis of how a fund's strategy is differentiated from peers in terms of style and sourcing of ideas and research
Management & Team	Evaluation of long-term stability and viability
Risk Process	Analysis of risk management at the portfolio level


ALBOURNE

Due Diligence
core.concept

Example Fund for Marketing 2018 - Hedge Fund
Global Macro

I Investment Due Diligence

Example Fund for Marketing 2018 - Hedge Fund

25 March 2018

Manager / Fund	**Example Manager LLP / Example Fund for Marketing 2018 - Hedge Fund**
Strategy	**Hedge Fund - Global Macro**
Lead Analyst	**Guy Ingram**
Status	**Closed, but replacing redemptions**

C IDD Analyst Assessment (Average) 5 Conviction (Highest)

Latest[1]	Previous[2]	
C	C	IDD Analyst Assessment
5	4	Conviction[3]
M	M	Expected Alpha
L	L	Expected Beta
L	L	Expected Risk
C	C	Strategy & Investment Process
B	B	Management & Team
B	C	Risk Process

Ratings are relative to strategy. [1]Rating date 25 Mar 2018 [2]Rating date 6 Jul 2017 [3]Previous Conviction auto-decayed

Summary

25 March 2018

Example Fund (the "Fund") is a relatively classic Global Macro fund managed by Example Manager LLP (the "Manager"). The Fund operates with a multiple trader model, and the strategy is based predominantly on ... compet-itive edge therefore is the combined experience of the trading team and their market insight. The Manager focuses primarily on G10 currencies, sovereign debt and exchange traded futures. They also look at OTC options and forwards, and the Manager would use options to trade South East Asian and emerging market currencies, because these currencies are less liquid. The core of the trading team worked together for many years at Japanese bank.

Each of the portfolio managers runs their own book, and they seek to avoid group-think by only having a weekly ideas-sharing meeting (rather than the more usual daily market meeting that most macro managers have). That said, all portfolio managers have access to the other traders' portfolios, and they can see not only their own P&L real time, but that of the total portfolio, so they have an intuitive feel for their colleague's positions. Individually and collectively they go into capital preservation mode when they lose over a threshold amount in a calendar month.

The Fund targets low double digit returns per year, net of fees, which in recent years they have not achieved.

March 2018: Albourne has upgraded the Fund's Risk Process rating to B (from C). As recent quarters have been challenging from a performance perspective, Albourne has spent additional time with the Manager's Risk Team, to learn how they were managing the drawdown. Albourne believes the Risk Team has handled the situation in a disciplined and repeated way, improving our overall view the Manager's risk function.

Performance

Suitability

25 March 2018

A classic style Macro manager which should provide diversification to most alternatives portfolios, as there shouldn't be any consistent exposure to market risk factors. The good liquidity offered to investors could be of interest to those that require high investment liquidity. The smaller size of the Manager and the limited client service function makes it unsuitable for most institutional investors. The track record has been acceptable, but generally there are other preferred managers in this space.

Strategy Breakdown

As of March 2017, based on Albourne's strategy classification

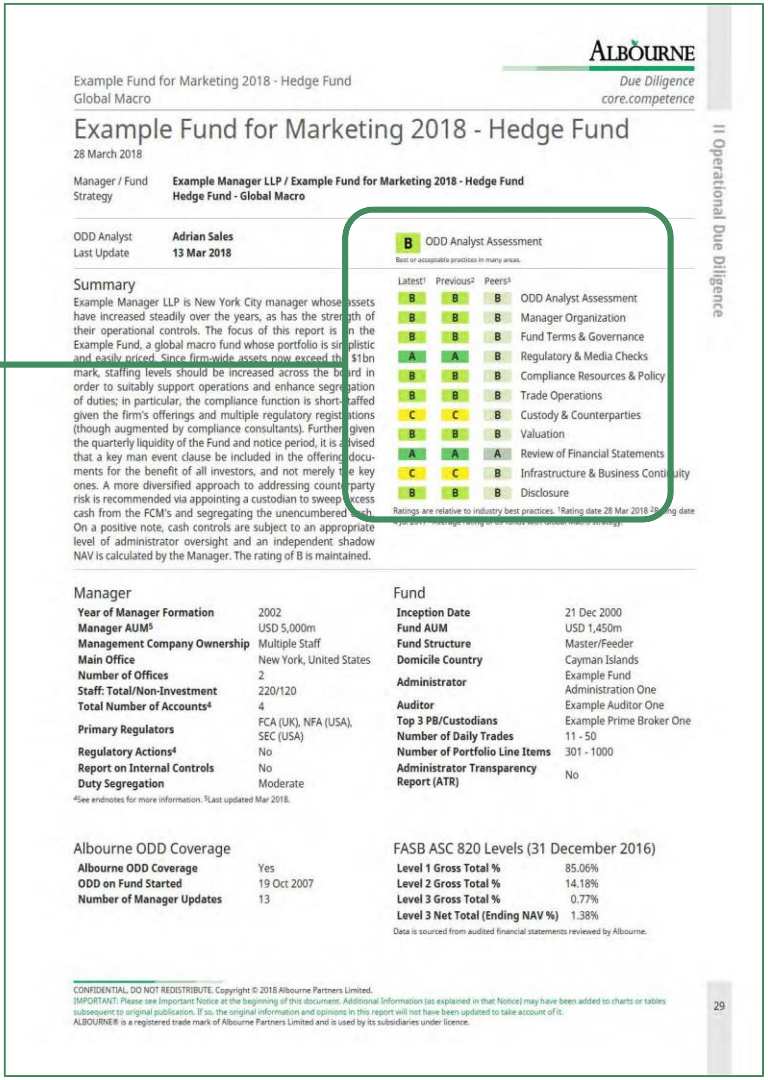
Albourne IDD Coverage	No	**Manager ATV Interview**	N/A
Albourne ODD Coverage	Yes	**Newsletter Summaries (core.changes)**	Mar 2018
MoatSpace (Manager-Supplied Fund Info)[4]	Yes	**ESG Report (core.conscience)**	No
InkedIn (Manager-Supplied IDD Datagrid)	No	**Member HFSB**	No
Open Protocol Status	Will produce	**Potential Aggregate Consultant Discount**	Yes

[4]Please visit MoatSpace for the most up to date manager supplied information

6

Research - Operational Due Diligence

Section	Rated Risk Area
Manager Organization	An assessment of the structure and management of the firm
Fund Terms & Governance	A review of the fund terms & conditions
Regulatory & Media Checks	A review of legal, regulatory & media databases and news
Compliance Resources & Policy	An assessment of the compliance culture of the firm
Trade Operations	An evaluation of the fund’s systems & trade flow, assessing security and controls at each step
Custody & Counterparties	An assessment of the business risks of the fund’s arrangements with its custodian and counterparties
Valuation	An evaluation of the fund’s valuation methodology and processes
Review of Financial Statements	A review of the fund audited financial statements
Infrastructure & Continuity	An assessment of IT and disaster recovery issues
Disclosure	Assess level of transparency offered by manager and staff



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Example Fund for Marketing 2018 - Hedge Fund
Global Macro

Due Diligence
core.competence

|| Operational Due Diligence

Example Fund for Marketing 2018 - Hedge Fund

28 March 2018

Manager / Fund **Example Manager LLP / Example Fund for Marketing 2018 - Hedge Fund**
Strategy **Hedge Fund - Global Macro**

ODD Analyst **Adrian Sales**
Last Update **13 Mar 2018**

B ODD Analyst Assessment

Best or acceptable practices in many areas.

Latest[1]	Previous[2]	Peers[3]	
B	B	B	ODD Analyst Assessment
B	B	B	Manager Organization
B	B	B	Fund Terms & Governance
A	A	B	Regulatory & Media Checks
B	B	B	Compliance Resources & Policy
B	B	B	Trade Operations
C	C	B	Custody & Counterparties
B	B	B	Valuation
A	A	A	Review of Financial Statements
C	C	B	Infrastructure & Business Continuity
B	B	B	Disclosure

Ratings are relative to industry best practices. [1]Rating date 28 Mar 2018 [2]Rating date

Summary

Example Manager LLP is New York City manager whose assets have increased steadily over the years, as has the strength of their operational controls. The focus of this report is on the Example Fund, a global macro fund whose portfolio is simplistic and easily priced. Since firm-wide assets now exceed the $1bn mark, staffing levels should be increased across the board in order to suitably support operations and enhance segregation of duties; in particular, the compliance function is short-staffed given the firm's offerings and multiple regulatory registrations (though augmented by compliance consultants). Further given the quarterly liquidity of the Fund and notice period, it is advised that a key man event clause be included in the offering documents for the benefit of all investors, and not merely the key ones. A more diversified approach to addressing counterparty risk is recommended via appointing a custodian to sweep excess cash from the FCM's and segregating the unencumbered cash. On a positive note, cash controls are subject to an appropriate level of administrator oversight and an independent shadow NAV is calculated by the Manager. The rating of B is maintained.

Manager

Year of Manager Formation	2002
Manager AUM[5]	USD 5,000m
Management Company Ownership	Multiple Staff
Main Office	New York, United States
Number of Offices	2
Staff: Total/Non-Investment	220/120
Total Number of Accounts[4]	4
Primary Regulators	FCA (UK), NFA (USA), SEC (USA)
Regulatory Actions[4]	No
Report on Internal Controls	No
Duty Segregation	Moderate

[4]See endnotes for more information. [5]Last updated Mar 2018.

Fund

Inception Date	21 Dec 2000
Fund AUM	USD 1,450m
Fund Structure	Master/Feeder
Domicile Country	Cayman Islands
Administrator	Example Fund Administration One
Auditor	Example Auditor One
Top 3 PB/Custodians	Example Prime Broker One
Number of Daily Trades	11 - 50
Number of Portfolio Line Items	301 - 1000
Administrator Transparency Report (ATR)	No

Albourne ODD Coverage

Albourne ODD Coverage	Yes
ODD on Fund Started	19 Oct 2007
Number of Manager Updates	13

FASB ASC 820 Levels (31 December 2016)

Level 1 Gross Total %	85.06%
Level 2 Gross Total %	14.18%
Level 3 Gross Total %	0.77%
Level 3 Net Total (Ending NAV %)	1.38%

Data is sourced from audited financial statements reviewed by Albourne.

29

B2Y (Implementation)

Albourne can almost provide A-to-Z middle and back office support services, but we **don't**:

- (A) make the investment decision, sign off legal documents or
- (Z) authorize capital movements.

Back Office Support	Middle Office Support*	Fees & Liquidity
• Portfolio Controller: Back Office software solution • Account statement aggregation • Reconciled portfolio performance reporting • NAV reconciliation with custodian • Cash flow & transaction logging • Capital call & distribution pre-processing and confirmation • Ongoing monitoring of manager communications	• Full-service project management of deal work • Coordinate external legal review of fund documents • Manage external counsel's negotiations and drafting of side letter • Assist in completing subscription documents including AML • Evaluate and advise on fund amendments, consents, notices etc.	• Albourne group fee discounts on some hedge funds • Analysis of investor fee terms and recommended changes* • Bespoke fee negotiation assistance* • Fee collection, aggregation and/or fee reconciliation service • Liquidity calendar

* This Service is not available in certain jurisdictions. Albourne manages client's external counsel, ensuring terms are consistent with client defined requirements
Implementation Support services are provided on a task-based pricing basis, depending on client requirements

PART 5 Fees, Presenters

LACERA Fees

Mandate	Included	Annual Fee
Hedge Funds **Illiquid Credit** **Real Assets**	Portfolio Advisory Services Investment Due Diligence Operational Due Diligence Strategy Research Portfolio risk management Middle office support services Back office / implementation support services Fee Reconciliation Services	**$747,200**

*We anticipate that all due diligence requirements for the program will be covered by our comprehensive fixed annual fee as set out herein, unless the investment falls outside of our understanding of the scope of the mandate

Presenters to LACERA

	Albourne Credentials	Experience and Education
 Dr John Claisse	• CEO of Albourne Group, Portfolio Analyst • Partner • Shareholder • Joined 1996 • Based in San Francisco	• 1996-2003 Albourne Partners Limited, London (UK) 2001-2003 Portfolio Analyst 1996-1997 Analyst • 2000 PhD, Applied Mathematics, University of Sussex, Brighton (UK) • 1996 BSc, Mathematics, University of Sussex, Brighton (UK)
 James Walsh	• Head of Portfolio Group • Partner • Share option holder • Joined in 2012 • Based in San Francisco	• 2010-2012 Cayuga Capital Partners LLP, London (UK), CEO, CIO • 2006-2010 Cornell University Office of University Investments, Ithaca, NY (USA), Chief Investment Officer • 1995-2006 Hermes Pensions Management, London (UK) 2001-2006 Executive Director, Head of Strategy and Alternatives 1998-2001 Director 1995-1998 Senior Economist • 1992-1995 Economist Intelligence Unit (The Economist Group), Macroeconomic Forecaster • 1989-1992 Confederation of British Industry, Senior Economist • 1991 MSc, Economics, Birkbeck College, University of London (UK) • 1989 BSc, Economics, Brunel University, London (UK) • CAIA
 Kelly McKale	• Client Relationship Manager/Business Development • Partner • Share option holder • Joined in 2003 • Based in San Francisco	• 2007 Hermes Pensions Management (UK), Hedge Fund Analyst, 6 months secondment • 2003-2007 Albourne Partners (UK/USA), Operational Due Diligence Analyst • 2001-2002 GNI Fund Management (UK), Hedge Fund Analyst, Product Development • 2000-2001 British Linen Advisors Ltd (UK), Corporate Finance Equity Research Analyst • 2004 BA, Social Science with Economics, Open University (UK) • CAIA

Presenters to LACERA

	Albourne Credentials	Experience and Education
 Steve Kennedy	• Portfolio Analyst Coordinator • Partner • Shareholder • Joined in 2006 • Based in San Francisco	• 2000-2006 MyCFO Inc., CA (USA), Director of Research • 1997-2000 Bank of America Securities (USA), Vice-President of Multi-Manager Investment Management Consulting Program, Senior Manager/Research Analyst, Business Analyst • 2001 MS, Investment Management, Boston University Graduate School of Management, Boston (USA) • 1993 BA, Environmental Policy and Analysis, Boston University, Boston (USA) • CFA
 Mark White	• Hedge Fund IDD Analyst, Real Assets (timber & agriculture) • Partner • Share option holder • Joined in 2008 • Based in Nova Scotia, Canada	• 2004-2008 Keel Capital Management Inc., NS (Canada), Partner, Vice-President, Investment Research • 2000-2004 Nova Scotia Association of Health Organisations Pension Plan, NS (Canada), Vice-President, Investment Research • 1999-2000 Fred C. Manning School of Business, Acadia University, NS (Canada), Adjunct Professor • 2003 MBA, Accounting & Finance, Saint Mary's University, Halifax, NS (Canada) • 1999 BA, Business Administration, Acadia University, Wolfville, NS (Canada)
 Tom Cawkwell	• Head of Private Markets Research • Partner • Shareholder • Joined in 2007 • Based in San Francisco	• 2002-2007 California State Teachers' Retirement System, Sacramento, CA (USA) 2004-2007 Investment Officer 1996-1997 Private Equity Analyst • 2000-2002 Coda Corporate Services, London (UK), Manager of Marketing & Business Development • 1999-2000 Magellan Consulting, London (UK), Associate Consultant • 2004 MBA, UC Davis, Graduate School of Management, Davis, CA (USA) • 1999 BA, King's College London, University of London, London (UK)

Disclaimer

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You are solely responsible for reviewing any Fund, the qualifications of its manager, its offering documents and any statements made by a Fund or its manager and for performing such additional due diligence as you may deem appropriate, including consulting your own legal, tax and compliance advisers.

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Aksia LLC

Los Angeles County Employees Retirement Association
March 2019

Hedge Funds and Illiquid Credit Mandate

Aksia
New York • London • Tokyo

www.aksia.com

Today's Presenters

Partner & Head of Advisory, Americas

Matt works with clients to develop program governance, provide strategy allocation and portfolio construction advice and support the ongoing management of their alternative investment programs.

Experience

- 12+ years specializing as an allocator and advisor in alternative investments
- Prior to joining Aksia in 2011, was an Investment Officer and portfolio manager for the Absolute Strategies Group of the New York State Common Retirement Fund.

Senior Portfolio Advisor

Jennifer is responsible for managing the firm's relationships with North America-based clients and advising on their alternative investment programs, providing tailored, high-touch support.

Experience

- 14+ years industry experience
- Works with some of Aksia's largest public institutions
- Prior to joining Aksia in 2015, worked in various roles sourcing and evaluating HF and private asset investments, most recently at PNC Asset Management.

Partner & Head of Credit Strategies

Patrick oversees sourcing, research, and risk management for private credit, public credit and event driven investments. He led the creation of Aksia's PC business and has worked closely with institutional investors on the development of their PC programs.

Experience

- 20+ years financial markets experience, 18 of which were focused on research and investment management
- Prior to co-founding Aksia in 2006, managed the event driven and fixed income emerging markets investments at Credit Suisse.

Global Private Credit Strategist

Sylvia oversees the implementation of Private Credit portfolios across Aksia's global base of LPs and advises the firm's clients with respect to portfolio construction, investment selection, pacing, performance monitoring, benchmarking, tactical plans and board presentations.

Experience

- 26+ years industry experience
- One of the lead instructors for ILPA's PC educational series
- Prior to joining Aksia in 2016, spent nearly a decade in the private market space, working with both investors and GPs in Private Equity, Real Assets and Private Credit.

Aksia

Why Aksia?

- Specialist
  - Aksia focuses on hedge funds and illiquid credit*
  - Exclusive provider for ILPA's private credit education program

- Customized, high-touch approach
  - Extension of staff – deep resources supporting LACERA Board and Staff
  - Tailored advice specific to LACERA needs – each client is different
  - No 'buy list' – flexible, opportunistic approach
  - High-touch: Staff to Client ratio 1.9 : 1

- Investment experience and research depth
  - Investor mindset: founding partners managed capital together for years prior to Aksia
  - Deep research team, representing 56% of global employees
  - Resources to source investment opportunities for LACERA's specific program needs

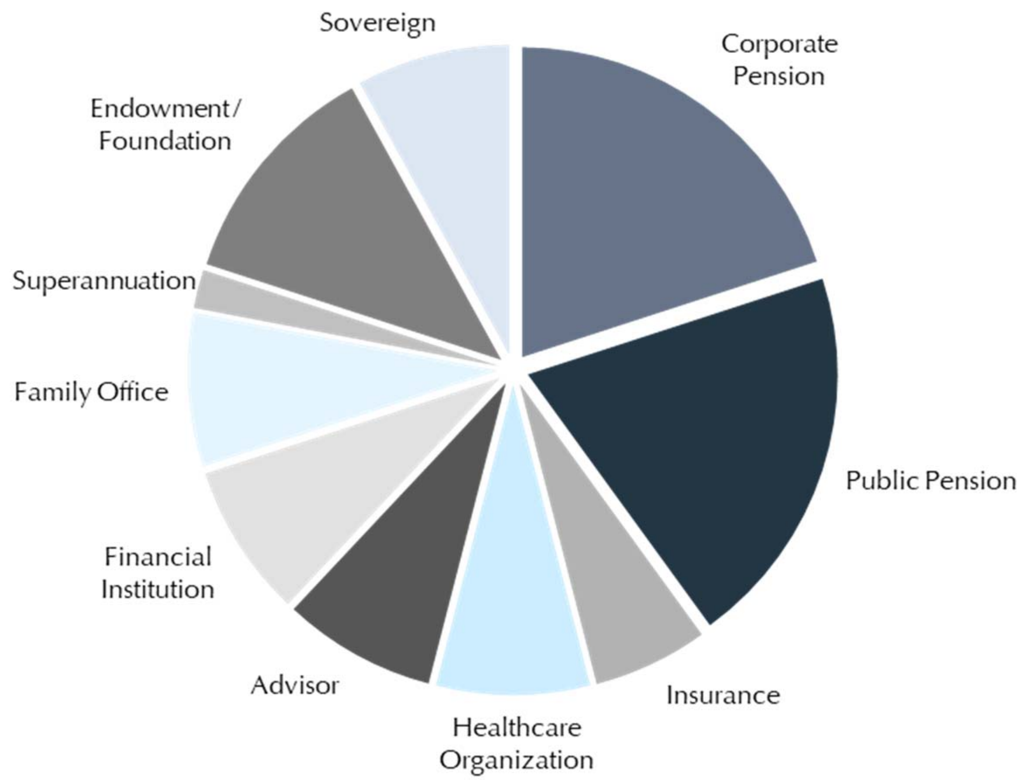
- Comprehensive services, front to back office
  - Independent operations and accounting support
  - 'MAX' portal – technology platform for portfolio and risk management
  - Access to Aksia fee deals

**Aksia focuses on the alternative investment universe including hedge funds and private credit (PC), referred to in the RFP as Illiquid Credit, and liquid alternative strategies. The remainder of the presentation will maintain the reference to PC.*

About Aksia

Aksia provides specialist alternative investment research and portfolio advisory solutions to institutional investors.

- Headquartered in New York, with offices in Europe and Asia
- Aksia's 76 global clients are experienced institutional investors
  - 45% of clients are in North America, with 33% in EMEA and 22% in Asia & Oceania
- Maintain high staff to client ratio of 1.9:1



*As of December 2018

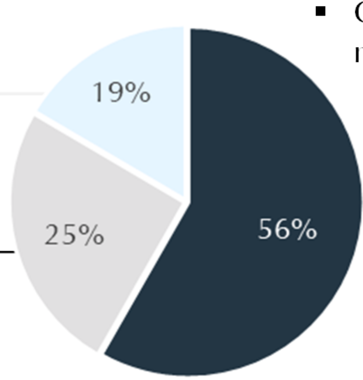
Our Professionals

Team	Size
Investment Research	45
Operational Due Diligence	33
Risk Analytics	4
Portfolio Advisory	25
Client Operations	11
Legal & Compliance	4
Information Technology	13
Administration & Operations	11
	146

	Dec 2013	Dec 2018	5 Year % Change
Total Employees Globally	75	146	95%
Research Employees	42	82	95%
Portfolio Advisory Employees	12	25	108%
Total Clients	53	76	43%

Experienced employees from varied backgrounds bring unique perspectives to the research and advisory processes:

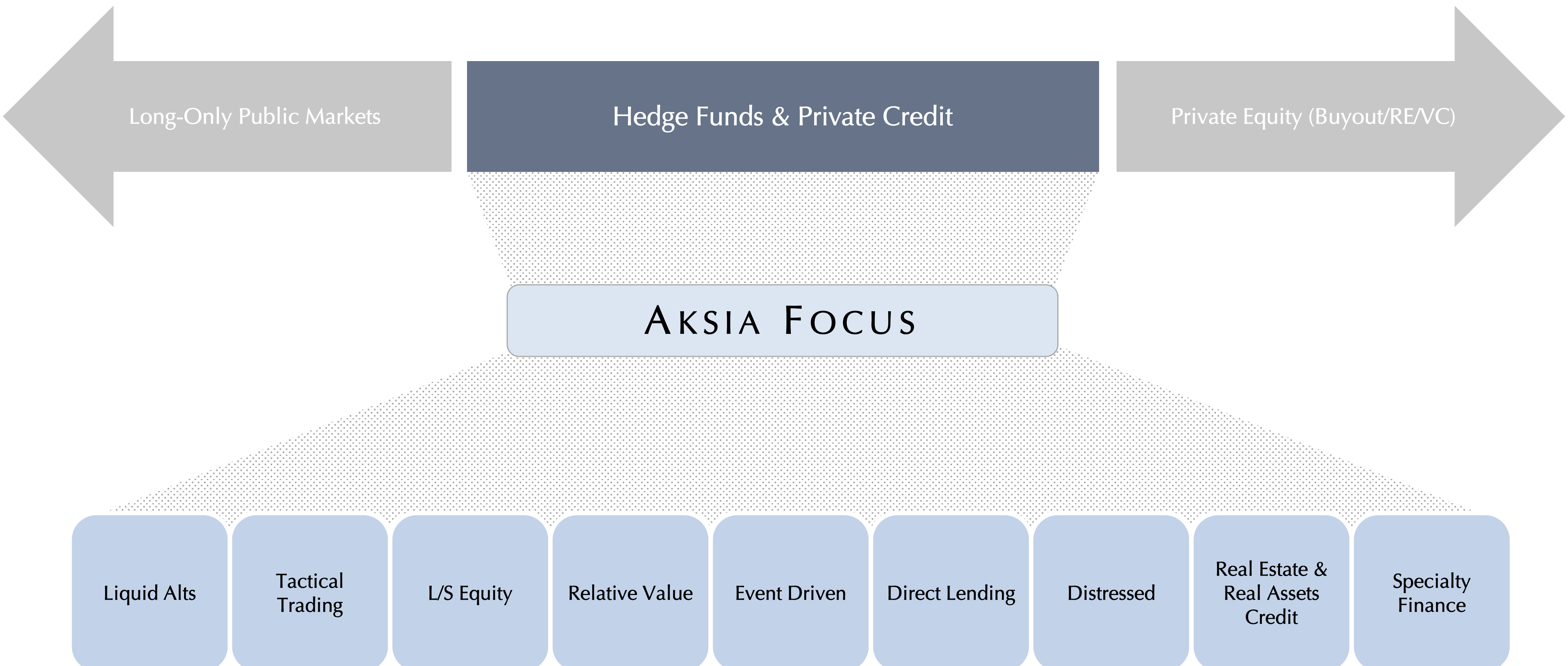
- **HF** – Aksia was founded by experienced investors and added senior hires from FOFs and end-user LPs
- **PC** – Deep team includes former analysts at PC funds, debt advisors to portfolio companies, and members of banks' leveraged finance groups
- **ODD** – Team backgrounds in audit, operations, legal, risk management, and fraud investigations



**As of December 2018*

Aksia

Our Focus



Aksia offers operational due diligence coverage across all asset classes: long only, hedge funds, private equity, etc.

Hedge Fund Coverage Universe

Long / Short Equity

Opportunistic
- US/Global Opportunistic
- Europe Opportunistic
- Asia/EM Opportunistic
- Opportunistic Liquid Alts

Fundamental Growth
- US/Global Growth
- Europe Growth
- Asia/EM Growth
- Growth Liquid Alts

Fundamental Value
- US/Global Value
- Europe Value
- Asia/EM Value
- Value Liquid Alts

Low Net
- US/Global Low Net
- Europe Low Net
- Asia/EM Low Net
- Low Net Liquid Alts

Multi-PM
- US/Global Multi-PM
- Europe Multi-PM
- Asia/EM Multi-PM

Specialist
- Consumer
- Financials
- Healthcare
- Natural Resources
- Real Estate
- TMT

Event Driven

Event and Merger
- Asia Event
- European Event
- Liquid Alts
- US/Global Event (Debt & Equity)
- U/S Global Event (Equity/Merger Focus)
- US Global Event (Hedged)

Event Credit
- Asia High Yield & Distressed
- Emerging Markets Credit
- European High Yield & Distressed
- Financial Credit
- Liquid Alts
- Process Driven Distressed
- US/Global High Yield & Distressed

Performing Credit
- Performing Credit
- Municipal Credit
- Emerging Markets Debt

Activist
- Activist

Relative Value

Long/Short Credit
- Convertible Arbitrage
- Credit Trading
- European Low Net Credit
- Multi-Asset Class RV
- US/Global Low Net Credit
- Liquid Alternatives

Structured Credit
- Commercial Real Estate
- Corporate Structured Credit
- Diversified Structured Credit
- European Structured Credit
- Residential Structured Credit
- Liquid Alts

Fixed Income Arbitrage
- G10 Fixed Income Arbitrage
- Liquid Alts
- Mortgage Derivative RV

Insurance Linked
- Diversified Insurance
- Life
- Liquid Alts
- Non-Life

Quantitative Strategies
- Diversified Quantitative Strategies
- Fundamental Market Neutral
- Liquid Alts
- Statistical Arbitrage

Volatility
- Liquid Alts
- Long-Biased Volatility
- Short-Biased Volatility
- Variable Volatility

Tactical Trading

CTA
- Liquid Alts
- Diversified
- Short Term
- Trend Following

Discretionary Commodities
- Liquid Alts
- Long-Biased Commodities
- Relative Value Focus

Global Macro
- Asia Macro
- G10 Macro
- Emerging Markets Macro
- Liquid Alts
- Systematic Macro

Risk Mitigators
- Liquid Alts
- Short-Biased Credit
- Short-Biased Equity
- Tail Risk

Multi-Strategy

Multi-Strategy
- Asia Multi-Strategy
- Directional Multi-Strategy
- Liquid Alts
- Relative Value Multi-Strategy

Multi Risk Premia
- Liquid Alts

Asset Allocation*

GTAA
- GTAA

Risk Parity
- Risk Parity

**Asset Allocation strategies are predominately long only strategies and as such, Aksia categorizes these strategies as a separate asset class from hedge funds*

Private Credit Coverage Universe

Direct Lending

U.S. Direct Lending
- Sr. Focus
- Opportunistic
- Lower Middle Market - *(sponsored focus)*
- Lower Middle Market - *(non-sponsored focus)*
- Private BDCs
- Industry Focused

European Direct Lending
- Sr. Focus
- Opportunistic
- Lower Middle Market
- Country-Specific Funds

Emerging Markets Lending
- Asia Lending
- Africa Lending
- CEE/Middle East Lending

Latin America Direct Lending
- Pan-EM Lending

Global Direct Lending

SBIC Lending

Mezzanine

U.S. Mezzanine
- Upper Middle Market
- Middle Market
- Lower Middle Market

European Mezzanine

Structured Equity

Distressed & Special Situations

Corporate Distressed
- U.S.
- European
- Emerging Markets
- Global
- Single Trade

Real Estate Distressed
- U.S.
- European
- Global

Cross-Asset
- U.S.
- European
- Emerging Markets
- Global

Specialty Finance

Consumer & SME Lending
- Marketplace Finance
- Lender/Platform Finance

Factoring & Receivables

Regulatory Capital Relief

Royalties
- Healthcare
- Music/Film/Media
- Energy & Minerals

Healthcare Lending

Venture Lending

Insurance Linked

Litigation Finance

Merger Appraisal Rights

PE Portfolio Finance

Structured Credit

CLO
- CLO Debt
- CLO Multi
- Captive CLO Equity
- 3rd Party CLO Equity

CRE
- Non-Agency CRE B-Piece
- Agency CRE B-Piece
- CMBS/CRE

RMBS

Consumer ABS

Esoteric ABS

Europe Structured Credit

Structured Credit Multi-Sector

Real Estate Credit

U.S. CRE Core Lending

U.S. CRE Transitional Lending
- Large Loan
- Middle Market
- Small Balance
- Opportunistic

U.S. CRE Bridge Lending
- Large Loan
- Middle Market
- Small Balance

European CRE Lending
- Bridge Lending
- Transitional Lending
- Core Lending

Emerging Markets CRE Lending

Residential Mortgages
- Residential NPLs
- Single Family Rental
- Mortgage Servicing Rights
- Residential Origination

Real Assets Credit

Infrastructure Lending
- Sr. Focus
- Sub-IG Focus
- Mezz Focus

Energy Credit
- Direct Lending
- Mezzanine
- Opportunistic Credit

Trade Finance

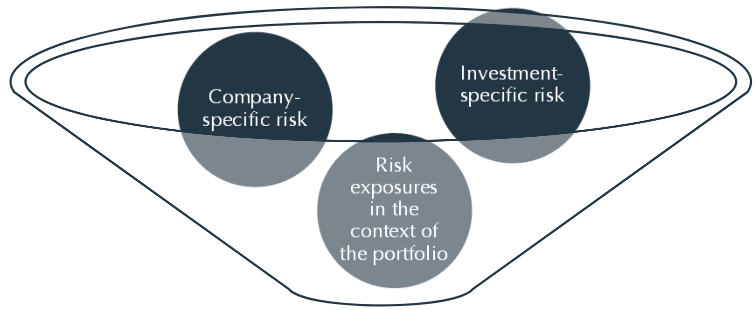
Metals & Mining Finance

Agriculture Credit

Transportation
- Aviation - Leasing
- Aviation - Opportunistic
- Maritime
- Road & Rail
- Diversified Transportation

Risk Monitoring & Portfolio Risk Aggregation

Individual security investment-level metrics are used to evaluate and monitor client investments but can also be rolled up on an aggregated portfolio basis for a holistic portfolio view.



Risk Profile

Return Attribution, Outlier & Trend Analysis

Across Collateral Types

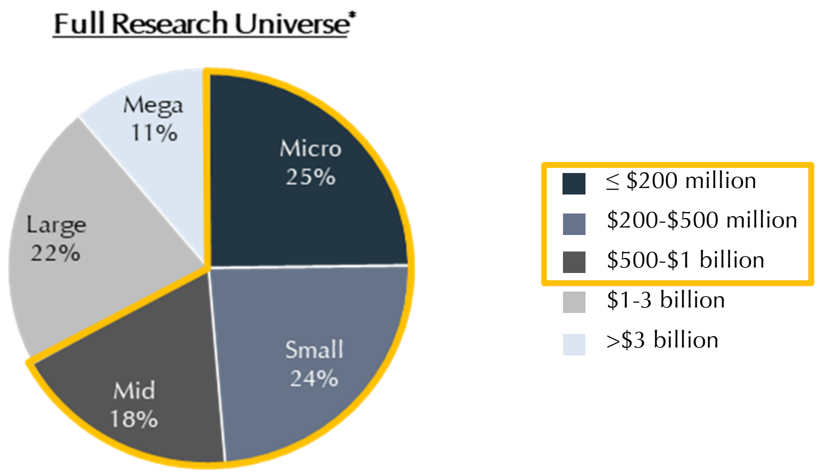
- Investment Size
- Vintage
- Holding Period
- Geography
- Industry
- Asset Class

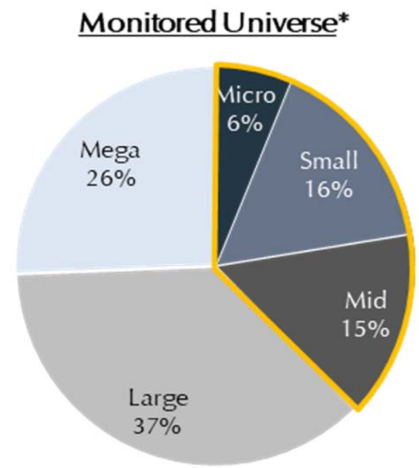
Cash Flow Lending Specific

- Use of Proceeds
- Lien Priority
- Sponsor / Non-sponsor
- EBITDA Trends
- Leverage Trends
- Covenant Protections
- Control of Tranche

Aggregated Quarterly Portfolio Risk Reports

Our Approach





- Roughly 67% of the investment programs we've reviewed since firm inception are under $1 billion

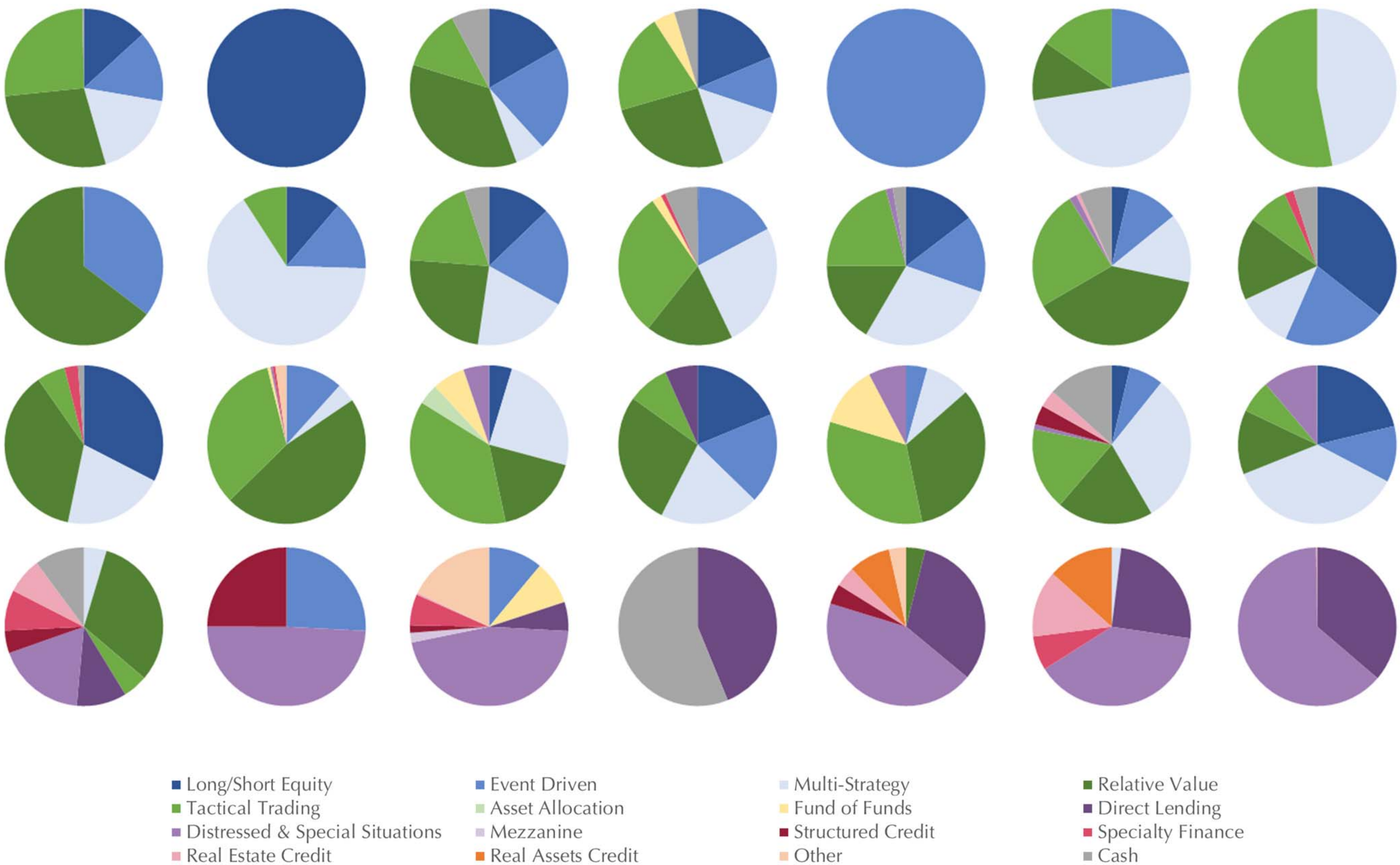
- Roughly 38% of the programs we monitor are under $1 billion

	In MAX[1]	Meeting Notes[2]	Due Diligence Report[3]
Hedge Funds	7,788	2,945	1,899
Private Credit	1,966	1,082	513
TOTAL[4]	9,754	4,027	2,412

1. *Figures represent investment programs for which Aksia's database has received fund materials.*
2. *Figures represent investment programs on which we have conducted at minimum an initial call or meeting.*
3. *Figures represent investment programs on which due diligence has been performed (IDD, ODD, or Insights Report). Insights Reports are shorter than full investment due diligence reviews and are intended to give an overview of a manager.*
4. *Access to a fund manager's confidential information may be subject to Aksia's receipt of such manager's consent to disclose confidential information to the client*

*Data is sourced from Aksia's internal database, as of December 2018; not all funds are included in the analysis, and as such actual percentages may vary slightly from the percentages included herein. Coverage by fund size is representative of: "Full Research Universe" - the universe of investment programs (onshore & offshore count as one) on which Aksia has conducted due diligence (IDD, ODD, or Insights Report) and "Monitored Universe" – the universe of investment programs which are currently being monitored on behalf of advisory clients.

Tailored Advice



* The pie charts represents a selection of 28 client portfolios actively advised by Aksia (both Discretionary and Non-Discretionary), and for whom Aksia performs portfolio accounting, as of December 31, 2018. Note that Aksia can advise on multiple portfolios for clients; portfolios were selected to illustrate diversity of client approaches. "Other" refers to private-equity style strategies including transportation, venture capital, buyout, secondaries, and diversified real assets. Provided for illustrative purposes only.

Aksia

Portfolio & Risk Monitoring

Informs Investment Decisions

Investment Due Diligence

Evaluates the firm, team, strategy, track record, portfolio, and potential investment risks.

- 45 Global Professionals

Operational Due Diligence

Evaluates the manager's operational risks, aiming to detect fraudulent activity, business risk and conflicts of interest.

- 33 Global Professionals

Portfolio Strategies Committee (PSC) & Private Credit Investment Committee (PCIC)

Discuss and formulate portfolio themes, top-down asset allocation frameworks, and Aksia's top down views.

Client Guidelines

Define investment objectives, assess risk parameters, and determine investment restrictions.

Contributors:

- Client Staff & Board
- Aksia Proposed Advisory Team

Portfolio Oversight

Ongoing Portfolio Review

Hedge Funds: Monthly evaluation of client portfolios on a line-by-line basis, including exposures to markets, sectors and individual funds, and portfolio liquidity.

Private Credit: Quarterly portfolio risk aggregation to assess holistic portfolio exposure and ongoing pipeline calls to assess forthcoming capital raises and appropriate investment opportunities.

Contributors:

- Global Advisory Teams
- Senior Research Professionals

Risk Committee

Independently evaluates performance outliers, performs factor-based stress testing and reviews Aksia investor concentration.

- 4 Global Professionals

Compliance

Retroactively reviews portfolio holdings on a quarterly basis for compliance to any established hard constraints.

- 3 Global Professionals

Client Operations & Accounting

Hedge Funds: Tracks client investments on a share class, tranche-specific level, including performance, transactions, and liquidity.

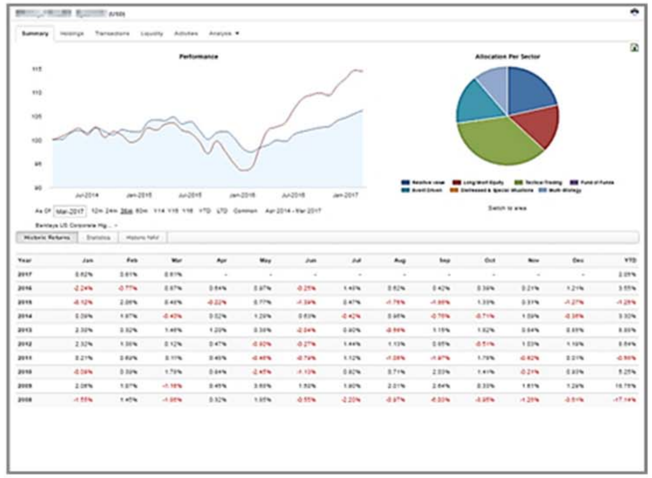
Private Credit: Logs cash flows and NAVs to recalculate IRR and reconcile to GP-reported numbers.

- 11 Global Professionals

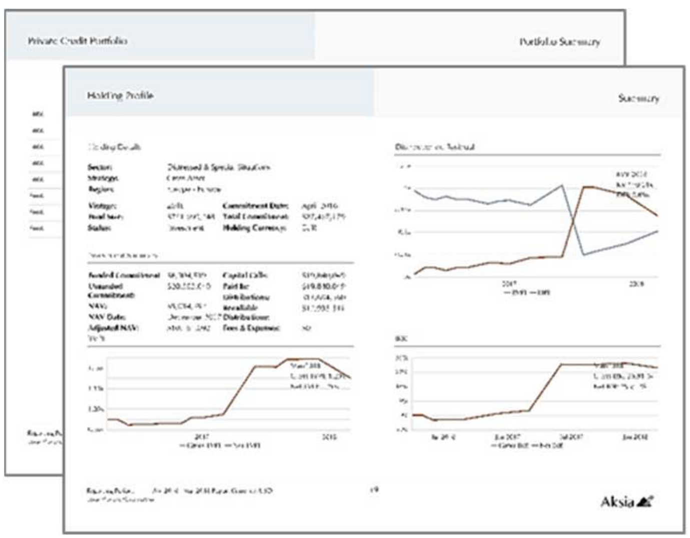
**As of December 2018*

Operations & Accounting Support

Hedge Funds



Private Credit



OUR CAPABILITIES

Performance Reporting:

- Advisory clients receive monthly reports that include detailed portfolio performance and attribution
- Confirm NAV figures with client's custodian and fund statements
- Check proper share class performance and IRRs for investments
- Electronically store manager statements

Fee Oversight & Reporting

- Collect and report fees paid to GPs
- Review fees charged by managers and determine reasonableness

Hedge Fund Services

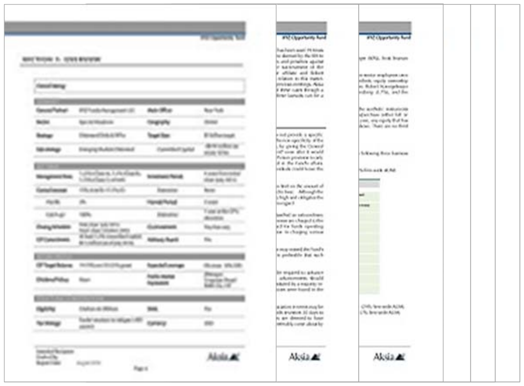
- Track receivables (audit holdbacks and illiquid investments)
- Track share class level liquidity (by tranche) under various scenarios

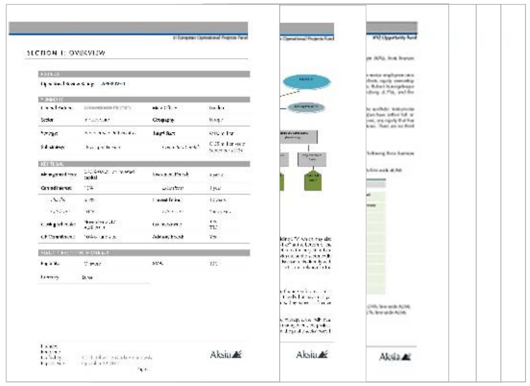
Private Credit Services

- Ad-hoc reports that include historical IRRs, performance of underlying investments and capital call details
- Reconcile with custodian investor specific IRRs against GP reported figures

Manager Research

Investment Research	Operational Due Diligence	Ongoing Due Diligence Updates





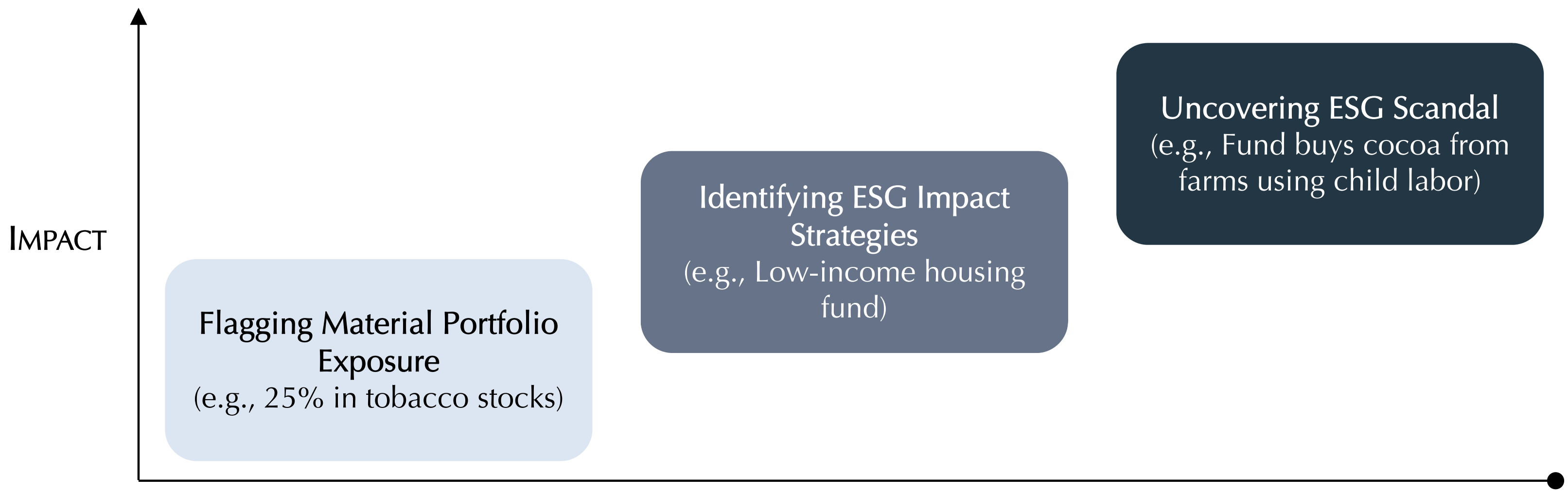
- Investment & Operational Due Diligence conducted by independent teams
- Investment Research:
    - Examines the manager and fund from a number of different perspectives
    - Analysis of the firm, team, strategy, portfolio and risks
- Operational Due Diligence:
    - Aimed at detecting fraudulent activity, business risk, & conflicts of interest
    - Mosaic approach – goal is to obtain independent verification and corroboration where possible
- Current and historical reports are available directly to clients via MAX

- Global News Coverage & Commentary
- Desk Notes when Triggered
- Watch List Status and Alerts
- Risk Exposures
- Hedge Funds:
    - Full IDD & ODD Updates and Onsites
    - Ongoing manager touch points
- Private Credit:
    - Data request and loan-level risk monitoring
    - Document review (financial statements and ADV)

ESG / Impact Considerations When Evaluating GPs

As a signatory to the UN Principles for Responsible Investment, Aksia seeks to incorporate environmental, social and corporate governance principles into our due diligence and internal processes

- Global ESG Committee includes members of the legal, research, and advisory teams
- Positive and negative ESG implications are considered when evaluating a manager and fund's investments, governance, and strategy
- Aksia seeks to flag ESG issues to clients so that they can make informed decisions



Diversity Initiatives

- **Open-door policy**: Aksia has ongoing meetings and calls with emerging managers
  - Actively sources and recommends interesting new and/or smaller managers
  - Aksia will review new managers (on our own or at client's request) and add them to our MAX platform

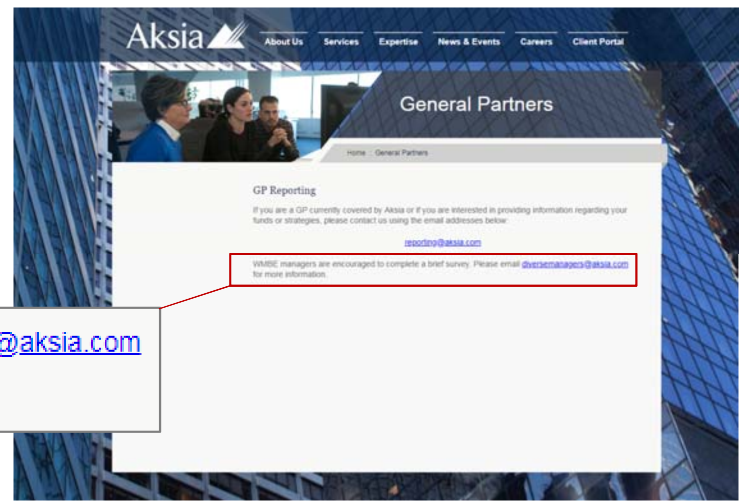
- **Diversemanagers@Aksia.com**: Dedicated contact email on our website, encouraging WMBE manager engagement
  - Research staff assigned to assist WMBE managers through Aksia process

- **Client Support**:
  - Work with a number of clients with emerging/diverse investment manager initiatives
  - Upon client request, or if Aksia determines a fund may be interesting to clients, conduct due diligence and recommend WMBE managers
  - Two public pension clients hold emerging manager conferences, in which we participate

- Hosted our first **Aksia Private Credit Emerging Manager Forum** on December 3, 2018
  - 14 emerging managers, networking with 40+ institutional investors

- Aksia attends conferences featuring emerging/diverse managers to source WMBE managers

WMBE managers are encouraged to complete a brief survey. Please email diversemanagers@aksia.com for more information.



Aksia

"MAX" Research Platform

Proprietary online portal available to clients and used by Aksia professionals internally

- Built with institutional investors in mind and continuously enhanced through client & Aksia feedback
- Dedicated team of IT professionals who build, maintain, and seek to improve the system

Online Access to:

Aksia's Manager Research:

- Insights Reports
- Investment Reviews
- Operational Reviews
- Ongoing Activities (Meetings, Calls, Notes & Media Reviews)

Your Portfolio:

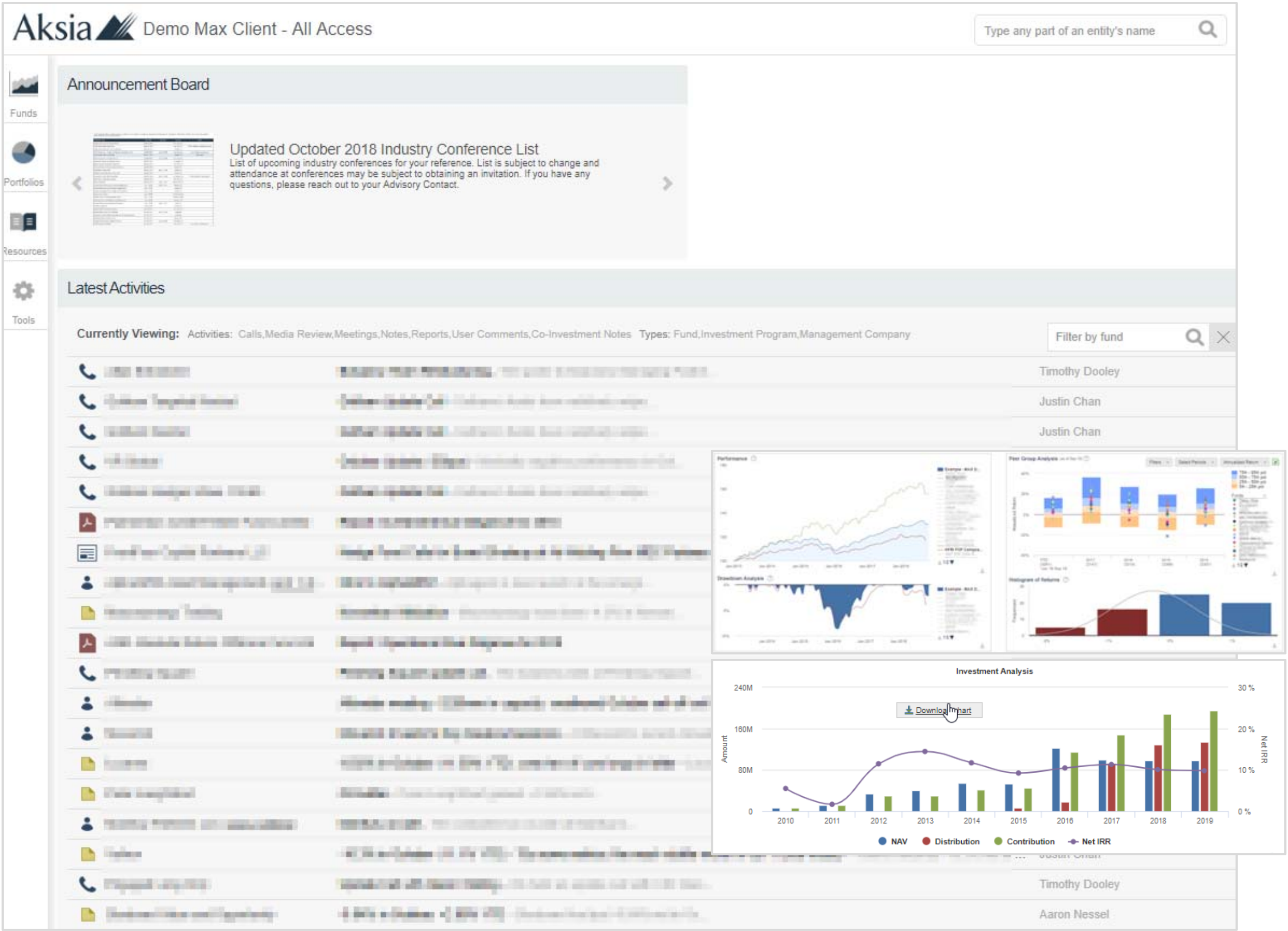
- Holdings & Transactions
- Performance & Attribution
- Sector/Strategy Breakdown

Risk Analysis & Portfolio Construction Tools

Customizable Manager Searches

Document Retention Center

Educational Industry Materials



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852-2168-0615

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INDICES: The indices used in this presentation are well-known indices which are included merely to show the general trends in the larger universe of hedge fund strategies and are not intended to imply that any proposed portfolio is comparable to the funds providing their returns to such indices either in composition or element of risk.

ATTACHMENT D

LACERA

REAL ASSETS INVESTING

CAMBRIDGE ASSOCIATES

MARCH 2019

We offer a dedicated team of senior real assets investment professionals

LACERA'S REAL ASSETS TEAM

Meagan Nichols
Managing Director,
Head of Real Assets Inv. Group
20+ years' experience
Menlo Park, CA

Craig Beach, CFA
Managing Director,
Real Assets
19+ years' experience
Arlington, VA

ADVISORS TO LACERA'S TEAM

Jennifer Urdan
Managing Director,
Private Investments
36+ years' experience
San Francisco, CA

Chris Shepler, CFA
Senior Director,
Pension Business Development
20+ years' experience
Boston, MA

REAL ASSETS INVESTMENT GROUP

Johnny Adji, *22+ years' experience*
Indeesh Bhogal-Tangeraas, *20+ years' experience*
Mike Brand, *12+ years' experience*
Marc Cardillo, *22+ years 'experience*

Cait Haught, 7+ *years' experience*
Kelly Jensen, 8+ *years' experience*
Dwight Keysor, *18+ years' experience*
Bob Lang, *26+ years' experience*

Minesh Mashru, *12+ years' experience*
Yen Yen Ooi, *12+ years' experience*
Kevin Rosenbaum, *10+ years' experience*
Maria Surina, *12+ years' experience*

REAL ASSETS INVESTMENT ASSOCIATES

Ammar James
Associate Investment Director

Mandy Rohrer
Senior Investment Associate

William Brockett
Investment Analyst

Sarah Murray
Associate Investment Director

Alec Root
Associate Investment Director

John Tate
Investment Analyst

Casey Johnson
Senior Investment Associate

Abby Bennet
Investment Analyst

Francesco Dell'Alba
Investment Analyst

REAL ASSETS INVESTMENT COMMITTEE

13-member, cross-discipline oversight body composed of professionals from investment research, portfolio management, and business risk management

BUSINESS RISK MANAGEMENT

15 operational due diligence professionals with audit, accounting, operations, regulatory, risk management and legal experience

FIRM-WIDE PRIVATE INVESTMENT SPECIALISTS

80+ Private Investment Professionals
Avg. Years of Investment Experience: 18 years[1]

[1] Reflects years of investment experience for 49 senior private investment professionals.

Cambridge Associates at a glance

OUR GOAL: Generate long-term outperformance based on your investment objectives and risk tolerances

EXPERIENCE	REACH	ACCESS	ALIGNMENT
45 YEARS OF INVESTMENT INNOVATION	270+ SENIOR INVESTMENT PROFESSIONALS GLOBALLY	6,000+ MANAGER MEETINGS PER YEAR	0 OFF-THE-SHELF PRODUCTS SOLD
$390 BILLION ASSETS UNDER ADVISEMENT[1]	10 GL LC	370+ FOR CLIENTS SINCE 2016[2]	1

COVERAGE OF OVER 30,000 FUNDS ACROSS ASSET CLASSES

PUBLIC INVESTMENTS	HEDGE FUNDS	PRIVATE INVESTMENTS	REAL ASSETS	CREDIT

As of June 30, 2018.

[1] As of December 31, 2017. “Assets under advisement” includes clients worldwide that utilize the firm for portfolio advice or management and receive performance reporting from Cambridge Associates. In some instances, clients may include assets for which Cambridge Associates reports performance but does not provide investment advice. “Regulatory Assets under Management,” as reported in our Form ADV Part 2A, is based on a narrower set of criteria as defined by the US Securities and Exchange Commission; based on this definition, we report $145.7 billion for Cambridge Associates, LLC clients. Various industry surveys define “assets under advisement” differently, and we may report figures to such publications that are different than the numbers provided in this response. We are happy to provide further explanation and reconciliation of reported assets under advisement/management upon request.

[2] As of September 30, 2018. CA does not benefit nor receive compensation from managers in negotiated situations. All economic benefits accrue to our clients directly. Does not reflect the complete scope of feedback and influence on terms. Terms may not be available to all CA clients; may not be currently available; may be contingent on certain criteria such as client type, investment amount or aggregate CA capital invested with a manager or in a specific product; and are subject to change at the manager’s discretion. For CA clients with non-discretionary relationships, fee, access, minimum, and other preferential terms are offered at-will. Managers may cease any such concessions at any time unless formal documentation between the manager and the client(s) has been executed.

You're in good company

U.S. PUBLIC DEFINED BENEFIT PLAN CLIENTS

CalPERS

SFERS
San Francisco Employees' Retirement System

CALSTRS

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FPPA | Fire & Police Pension Association of Colorado

maine PERS Public Employees Retirement System

UTA

- Additional 33 public fund and government agency clients globally

As of June 30, 2018.
In keeping with SEC guidelines, the listing of these institutions is not meant to imply that they endorse Cambridge Associates or the services we provide.

Our team of Business Risk Management professionals has direct, relevant operational experience

SENIOR BRM TEAM	TITLE	YRS. EXPERIENCE	PRIOR EXPERIENCE
Gordon Barnes, CAIA	Managing Director, Head of BRM	21	▪ Manager of Operations and Ops. and Investment Analyst – Kobren Insight Mgmt. (HFOF) ▪ Senior Hedge Fund Accountant - BISYS Hedge Fund Services ▪ Mutual Fund Custody Accountant – Investors Bank & Trust
Nigel Pepper	Senior Director	23	▪ Head of Operational Due Diligence - FQS Capital Partners (HFOF) ▪ Head of Operations and Operational Due Diligence – Integrated Alternative Investments (HFOF) ▪ Global custody experience in various operations roles - Lloyds TSB Securities Services
Rob Tello	Senior Director	19	▪ Senior Compliance Examiner and District Liaison – FINRA (formerly NASD) ▪ Operational Risk Consultant, Senior Internal Auditor, and Portfolio Accountant – BNY Mellon
Mike Coppens	Senior Director	13	▪ Senior Consultant, Financial Services Advisory Group (Strategy and Ops) – PwC ▪ Equity Analyst and Operations Associate - DG Capital Management
Ryan Sauder, CAIA	Director	11	▪ Operations Analyst – JPMorgan Hedge Fund Services ▪ Hedge fund back office accounting and administrative functions – State Street Bank
Alex Devnew	Director	5	▪ Operations Associate responsible for all back office functions - Anchor Capital Advisors LLC

Support from **9 operational due diligence analysts** with certifications/credentials including: CAIA, UK LLM, M.A. in Terrorism and Security, etc.

We are thought leaders who partner with leading industry associations on best practices

- Member of AIMA Sound Practices Committees
- Member of ILPA Operational Due Diligence Committees
- Regular speaker at major industry conferences (i.e. GAIM Ops Cayman Conference, HFM North American COO Summit)

Cambridge client private real assets ex real estate performance

MULTI PERIOD RETURN COMPARISON AS OF MARCH 31, 2018				
	5 Year[4]	7 Year	10 Year	15 Year
CA Client Private Real Assets ex Real Estate IRR[1]	1.1% n=93	2.9% n=92	5.0% n=82	16.6% n=22
MSCI World Natural Resources Index (net) mPME[2]	1.5%	0.8%	1.3%	3.8%
CA Value Added over mPME[3]	-0.4%	2.1%	3.7%	12.8%

This exhibit is provided at specific request and is incomplete without the disclosures at the end of this presentation.

[1] Median CA gross client returns are end-to-end IRRs calculated for the period ended March 31, 2018 for Cambridge Associates Group (CA) clients' private natural resources and infrastructure investments. Returns shown are net of manager fees but gross of CA's fees. Natural Resources and Infrastructure include agriculture, energy upstream and royalties, private equity energy, infrastructure and timber. For purposes of this exhibit, the CA client universe consists of all clients who have worked with CA for at least ten years (to represent mature private investment portfolios), receive advice from one of the firm's private investment specialist directors, and have a private investment portfolio of ten funds or more that is tracked in our private investment performance reporting system. Investments made prior to becoming a Cambridge Associates' client are excluded. The Cambridge Associates Group comprises five investment affiliates that were established for the sole purpose of providing our investment, research, and performance monitoring services in various regulatory jurisdictions around the globe: Cambridge Associates LLC, Cambridge Associates Asia Pte Ltd., Cambridge Associates Investment Consultancy (Beijing) Ld., Cambridge Associates Limited LLC, and Cambridge Associates Limited. These entities serve our clients from our US, Beijing, Singapore, Sydney, and London office locations, respectively. All affiliates have access to all of the firm's investment and research resources.

Public Market Equivalent (mPME) Analysis contains tools that enable benchmarking of any PI data set (from fund-level to entire client portfolios) against public markets, providing context on what performance would have been had the PI cash flows been subject to public returns. mPME assumes that private contributions are invested in the relevant index and that distributions are taken out in the same proportion as in the private investment. It attempts to evaluate what performance would have been had the private investment manager's return-earning skills been replaced with public returns.

[2] Proprietary CA methodology that uses cash flows in and out of the private investment portfolio to determine the timing of purchases and sales of an equity index. Performance is then compared to that of the private investment.

[3] CA Value Add indicates the percentage of outperformance earned by the private portfolios over the public market equivalent index.

[4] Client IRR may not be meaningful due to immaturity of funds during this timeframe.

Sources: Standard & Poor's and Cambridge Associates LLC.

Cambridge Associates is positioned for stability today and into the future

STRONG FIRM LEADERSHIP

- Founders transferred day to day management of the company over a decade ago.
- Strong leadership team and a group of emerging leaders to take the company forward.

COMMITMENT TO INDEPENDENCE

- Firm to remain privately held and independent from financial firms and competitors.
- No proprietary fund product

THOUGHTFUL OWNERSHIP TRANSITION

- Smooth transfer of ownership from founders to employees and a small group of long-tenured clients underway.
- Consistent record of organic growth and profitability without acquisition.

EXCEPTIONALLY STABLE EMPLOYEE BASE

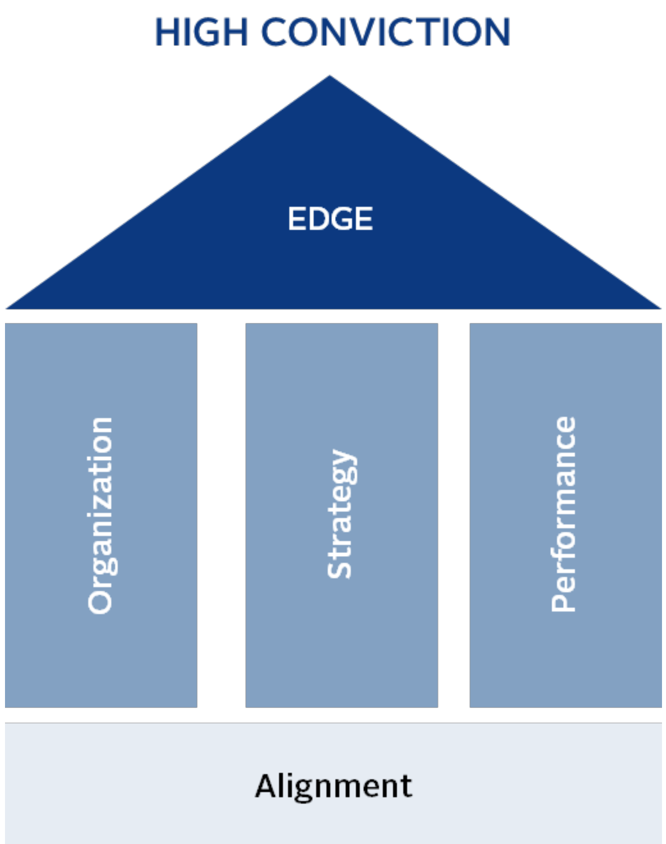
- Managing director turnover has averaged ~5%[1] relative to industry average that exceeds 20%.
- Low turnover results in…
  - Client team stability
  - Wisdom across market cycles
  - Cultivation of future talent

[1] Represents a 10-year turnover rate.

APPENDIX

High conviction framework

A common language for identifying high conviction investment opportunities



- **Organization**
  - Demonstrates characteristics of a stable, cohesive, high-performing team
- **Strategy**
  - Pursues a differentiated, sustainable strategy
- **Performance**
  - Possesses an appropriately consistent track record that is representative of the strategy and attributable to the team over a full market cycle
- **Alignment**
  - Demonstrates sufficient alignment with investors
- **Edge**
  - What is the competitive advantage?
  - Why do we have high conviction?

Private real assets risk/return and liquidity profile

ASSET TYPE	EXPECTED LONG-TERM RETURN	RELATIVE INFLATION SENSITIVITY	CORRELATIONS WITH STOCKS	RELATIVE VOLATILITY	LIQUIDITY	CASH FLOW GENERATION
Public Real Estate Securities	Equity-Like	LOW-MODERATE	MODERATE	MODERATE	HIGH	HIGH
Private Real Estate	Hybrid[1]	MODERATE	LOW	MODERATE	LOW	HIGH
Public Energy / Natural Resources Securities	Equity-Like	MODERATE	MODERATE	HIGH	HIGH	LOW-MODERATE
Private Energy	Equity-Like	MODERATE-HIGH[2]	LOW	HIGH	LOW	NONE/MODERATE[3]
Timber	Hybrid[1]	MODERATE-HIGH	LOW	MODERATE	VERY LOW	MODERATE
Commodities	Hybrid[1]	HIGH	LOW	HIGH	HIGH	LOW[4]
Gold	Low – Short Term Speculative	HIGH	LOW	HIGHEST	MODERATE	NONE
Inflation-Linked Bonds	Bond-Like	LOW-MODERATE	LOW	LOW	HIGH	MODERATE-HIGH
Public Infrastructure Equity	Equity-Like	LOW-MODERATE	MODERATE	MODERATE	HIGH	LOW-MODERATE
Private Infrastructure – Core	Hybrid[1]	HIGH	LOW	LOW-MODERATE	LOW	HIGH

We are committed to identifying and investing with diverse managers

We have the necessary scale to uncover the full opportunity set of minority and women-owned managers

300+

Minority and women-owned investment managers

750+

Minority and women-owned investment strategies

- We are proactive in seeking out diverse managers
- Our firm's minority and women-owned manager working group facilitates the integration of these managers into our firm-wide manager research platform
- We leverage our networks, regularly engage with women- and minority-related affinity groups, and attend events hosted by High Water Women, Toigo, and others

CLIENT EXAMPLE

We worked with a large foundation client to invest more than 10% of the endowment assets with women and minority owned firms, employing more than a dozen of these organizations. These strategies range from those of well-established managers with multiple products to those of newer funds with relatively smaller assets under management.

Diversity and inclusion

Cambridge is committed to fostering an environment where individual perspectives, backgrounds and life experiences contribute directly to the success of our firm.

ONGOING CAMBRIDGE INITIATIVES

- We recently engaged a third-party consultant to conduct a firm-wide culture and diversity survey, in order to assess and enhance our diversity initiatives
- We've hired a new Head of Human Capital, Liz Ramos, who will lead our ongoing effort to increase various dimensions of diversity
- We recently hired Jasmine Richards who is dedicated to minority and women manager research
- We recently embarked on a firmwide initiative to address Unconscious Bias and help us as a community to make better, more inclusive decisions

PARTNER TO LEADING FOUNDATIONS & ASSSOCIATIONS

- Proud sponsor of the **Robert Toigo Foundation** for over eight years. Hosting two summer MBA interns from the Toigo Foundation in 2018.
- Hosted an educational and networking event with the **Association of Asian American Investment Managers** (AAAIM) in our Boston office.
- Sponsored the **Hispanic Heritage Foundation's** 2018 Annual Conference.

TOIGO
Bringing Diversity to Life

aaaim THE ASSOCIATION OF Asian American Investment Managers

Hispanic Heritage FOUNDATION

REGULAR ATTENDEE AT EMERGING MANAGER CONFERENCES

RG+associates creating connections

PEWIN

CalPERS (Emerging & Diverse Manager Forum)

100 Women in Finance

WOMEN'S PRIVATE EQUITY SUMMIT

STATE COMPTROLLER THOMAS P. DiNAPOLI TENTH ANNUAL Emerging Manager & MWBE CONFERENCE

SFERS Minority-Led and Female-Led Manager Exposure

Since Inception

Portfolio	Female-Led: At least 1 Partner	Female-Led: Founder or >50% of Partner Ranks	Minority-Led: At least 1 Partner	Minority-Led: Founder or >50% of Partner Ranks	Combined Female-Led and/or Minority- Led (Founder or >50% of Partner Ranks)[1]
PE/VC Portfolio	**82** (54.7%)	**7** (4.7%)	**69** (46.0%)	**31** (20.7%)	**34** (22.7%)
Private Credit Portfolio	**12** (52.2%)	**1** (4.2%)	**11** (47.8%)	**3** (12.5%)	**3** (12.5%)
Private Real Assets Portfolio	**19** (29.2%)	**3** (4.6%)	**24** (36.9%)	**8** (12.3%)	**10** (15.4%)
PE/VC, Private Credit, and Private Real Assets Portfolio	**113** (47.5%)	**11** (4.6%)	**104** (43.7%)	**42** (17.6%)	**47** (19.7%)

C|A

Note: Analysis as estimated by Cambridge Associates and does not represent manager-reported data. Figures above represent number of manager relationships that fit the noted criteria, followed by the percentage of total manager relationships that fit the noted criteria. "Partner Ranks" may include managing directors and/or managing partners, depending on the specific naming conventions used by each firm. Managers are only reflected once across "At least 1 Partner" and "Founder or >50% of Partner Ranks." Analysis accounts for SFERS PE/VC, Private Credit and Private Real Assets commitments through December 31, 2018.

1 Managers that are *both* female-led and minority-led are only counted once for the purposes of this analysis.

Emerging (Funds I, II, or III)

PE/VC Portfolio

Fund I	Fund II	Fund III
17 (4.5%)	**43** (11.5%)	**50** (13.3%)

Private Credit Portfolio

Fund I	Fund II	Fund III
5 (12.8%)	**6** (15.4%)	**6** (15.4%)

Private Real Assets Portfolio

Fund I	Fund II	Fund III
17 (18.1%)	**17** (18.1%)	**18** (19.1%)

PE/VC, Private Credit and Private Real Assets Portfolio

Fund I	**Fund II**	**Fund III**
39 (7.7%)	**66** (13.0%)	**74** (14.6%)

Note: Figures above represent number of funds that fit the noted criteria, followed by the percentage of total fund relationships that fit the noted criteria. Analysis accounts for SFERS PE/VC and Private Real Assets commitments through December 31, 2018.

SFERS Minority-Led and Female-Led Manager Exposure

Last 5 Years

	Female-Led		Minority-Led		
	At least 1 Partner	Founder or >50% of Partner Ranks	At least 1 Partner	Founder or >50% of Partner Ranks	Combined Female-Led and/or Minority- Led (Founder or >50% of Partner Ranks)1
PE/VC Portfolio	**33** (46.5%)	**4** (5.6%)	**29** (40.8%)	**25** (35.2%)	**26** (36.6%)
Private Credit Portfolio	**7** (33.3%)	**1** (4.8%)	**8** (38.1%)	**3** (14.3%)	**3** (14.3%)
Private Real Assets Portfolio	**9** (17.3%)	**2** (3.8%)	**19** (36.5%)	**7** (13.5%)	**9** (17.3%)
PE/VC, Private Credit, and Private Real Assets Portfolio	**49** (34.0%)	**7** (4.9%)	**56** (38.9%)	**35** (24.3%)	**38** (26.4%)

C|A

Note: Analysis as estimated by Cambridge Associates and does not represent manager-reported data. Figures above represent number of manager relationships that fit the noted criteria, followed by the percentage of total manager relationships that fit the noted criteria. "Partner Ranks" may include managing directors and/or managing partners, depending on the specific naming conventions used by each firm. Managers are only reflected once across "At least 1 Partner" and "Founder or >50% of Partner Ranks." Analysis accounts for SFERS PE/VC, Private Credit and Private Real Assets commitments with vintage years within trailing five years as of December 31, 2018.
1 Managers that are *both* female-led and minority-led are only counted once for the purposes of this analysis.

SFERS Emerging Manager Fund Investments

Based on SFERS Fund Investments within Past 5 Years

Emerging (Funds I, II, or III)

PE/VC Portfolio

Fund I	Fund II	Fund III
2 (1.7%)	**7** (6.0%)	**11** (9.4%)

Private Credit Portfolio

Fund I	Fund II	Fund III
3 (10.3%)	**3** (10.3%)	**6** (20.7%)

Private Real Assets Portfolio

Fund I	Fund II	Fund III
14 (21.5%)	**11** (16.9%)	**14** (21.5%)

PE/VC, Private Credit and Private Real Assets Portfolio

Fund I	**Fund II**	**Fund III**
19 (9.0%)	**21** (10.0%)	**31** (14.7%)

Note: Figures above represent number of funds that fit the noted criteria, followed by the percentage of total fund relationships that fit the noted criteria. Analysis accounts for SFERS PE/VC and Private Real Assets commitments with vintage years within trailing five years as of December 31, 2018.

Business risk management review

15 dedicated BRM team members with audit, accounting, operations, regulatory, risk management and legal experience

FOUR PHASE PROCESS

Phase 1: Research

- Examination of manager documents
- Terms review
- Background research on Firm /Principals

Phase 2: Risk Profile

- Develop business risk profile of manager
- Operational review

Phase 4: Business Risk Summary

- Identify strengths and weaknesses
- Documentation of conclusions

Phase 3: Follow up

- Follow up due diligence requests
- Service provider review/verifications

ASSESSMENT AREAS

Business & Organization

- Entities/affiliates
- Business plan
- Ownership
- Management team
- Corporate governance
- Staffing / Retention

Systems & Technology

- Infrastructure
- Systems / Applications
- Security
- Business continuity

Terms

- Business
- Economic
- Fee calculation
- Alignment of Interests
- Side letters

Service Providers

- Prime brokers
- Counterparties
- Administrator
- Auditor
- Firm level vendors
- Selection / Oversight

Compliance & Risk

- Team and Reporting
- Compliance program
- Investment allocations
- Conflicts of interest
- Legal and regulatory
- Board of Directors
- Risk Management

Operations & Accounting

- Operations structure
- Transaction processing
- Valuation
- Cash controls
- Treasury operations
- Fund accounting
- Expenses / allocations

Biographies

Meagan Nichols
Managing Director

Meagan is the Global Head of the Real Assets Investment Group, and the chair of the Real Assets Investment Committee. She has 20 years of investment experience and is located in our Menlo Park office. In addition to having management responsibilities, Meagan focuses globally on real assets investment strategy, portfolio management, and manager research. Meagan co-authored the “Time to Get Real About Real Assets” paper and regularly authors topical research on real assets. Meagan has been with Cambridge Associates for over 10 years.

Meagan is a frequent presenter at industry events, including PREA, MIPIM, PERE, Institutional Investor, and Women in Alternative Investments. She is the co-chair of Women in Real Estate’s Boston chapter. Before joining Cambridge, Meagan was an investment advisor in the Private Wealth Management division at Morgan Stanley. Before that, she was head of the Capital Markets division at myCFO Investment Advisory Services and a member of the Alternative Assets Committee, starting at the company as an equity trader. She started her career at Goldman Sachs.

EDUCATION

MBA, Tuck School of Business, Dartmouth College
BA, Political Science, Providence College

Biographies

Craig Beach, CFA
Managing Director

Craig is a Managing Director in Cambridge Associates' Arlington office. Craig currently works with several U.S and non-U.S. institutional and private clients, ranging in size from $200 million to greater than $20 billion. Craig specializes in real assets, including public and private real estate, energy, timber, and infrastructure investments, and serves on the firm's Real Assets Research Committee. He also advises multiple clients on other private investment strategies, including venture capital, buyouts and distressed investments

Craig has authored a research paper on commodities, presented to the firm on investment options in Brazilian real estate, conducted a market overview of Turkish real estate, and recently co-authored a research report on agriculture.

Before Craig joined Cambridge Associates in 2001, he was a senior consultant at Deloitte and Touche, a global consulting organization. Among other responsibilities, his role included reviewing procedures and conducting data analyses related to securities back office operations. He also co-authored a business plan used to solicit $5 million in seed funding for an Internet-based business-to-business advertising company. Prior to this, he was a financial analyst for Circuit City, Inc.

EDUCATION

Chartered Financial Analyst

MBA, University of North Carolina Kenan-Flagler Business School
BA, Bucknell University

Jennifer Urdan
Managing Director

Jennifer is a Managing Director in Cambridge Associates' San Francisco office. She works with public funds, universities and private clients in the U.S. and Asia ranging in size from $40 million to over $250 billion. She is a regular contributor to the firm's private investments research and serves on the firm's private growth and credit investment research committees. Jennifer also frequently presents at firm and industry conferences. Jennifer was named in Chief Investment Officer's annual ranking of the 25 most influential consultants in the institutional investment universe.

Prior to joining Cambridge Associates in 1998, Jennifer was a senior member of the private capital group at Robertson Stephens & Co., where she originated, structured, and placed private equity financings for expansion stage venture-backed companies. Prior to this, she served as vice president at J.P. Morgan. In her role, Jennifer established and managed client relationships, conducted corporate finance advisory work, and originated and executed debt, convertible, and equity offerings in the public and private markets as well as exposure management transactions. She worked with clients in the U.S. and Asia and across a broad range of industry sectors.

EDUCATION
AB, Stanford University

Biographies

Chris Shepler, CFA
Senior Director

Chris is a Senior Director in the Cambridge Associates Pension Practice with twenty years of investment and capital markets experience. In addition to working with clients, Chris leads the business development efforts of the practice and is a member of the Pension Leadership Group.

Previously, Chris spent ten years as an Investment Director of discretionary and non-discretionary portfolios at Bainco International Investors. At Bainco, he developed investment policy statements, crafted asset allocations, researched securities across asset classes, managed portfolios and communicated with clients through multiple market cycles. Prior to joining Cambridge Associates, Chris led the client-facing team for the Barra quantitative analytics business at MSCI. In this role, Chris worked closely with institutional investors to produce deeper insights into the drivers of risk and performance in their investment strategies and construct better portfolios. He has also worked at Morgan Stanley and served as the CFO of a technology start-up, raising several rounds of investor capital.

EDUCATION
Chartered Financial Analyst
MBA, Edinburgh Business School at Heriot Watt University
BA, Political Science, Yale University

CONTACT
cshepler@cambridgeassociates.com
Office: 617-457-5929
Mobile: 781-217-0264

Private real assets performance exhibit disclosures

This exhibit shows the private natural resources and infrastructure returns of Cambridge Associates' clients relative to public market equivalents. The performance information provided is derived from CA's performance monitoring data. In keeping with SEC guidelines, it is important to evaluate this information with the following facts in mind:

- Depending on the complexity of a client's portfolio, there may be a mutually agreed upon transition period that delays the date that the client begins measuring investment team performance after the contract has been signed.
- Because of the private nature of the investments included in this analysis, CA is unable to track and include portfolios for clients that have terminated their services with CA.
- The return figures are provided from the date that CA began managing each clients' portfolio and may or may not reflect investments made by clients prior to joining CA.
- For advisory clients included in this exhibit, the performance may be attributable to factors other than CA's advice because CA advisory clients may or may not follow this advice. As a result, the experience of a client that follows CA's advice may differ materially from the performance presented.
- Past performance does not guarantee future returns.
- The performance data is net of investment managers' fees but has not been adjusted to reflect CA's management fees and other expenses that a client may incur. A client's return will be reduced by the amount of such fees and expenses which are described in Part II of CA's Form ADV. The following example demonstrates the effect, using a model fee, of compounded management fees over a period of years on the value of a client's portfolio:

A hypothetical portfolio with a beginning value of $100 million, experiencing an annual return of 10.00% per annum, would grow to $259.37 million after 10 years, assuming no fees were paid. Accounting for an annual fee payable in advance to CA of 30 bps (0.30%), the same portfolio earning an annual return of 10.0% would only grow to $251.70 million after 10 years. The annualized returns over the 10 year time period are 10.00% (gross of CA's fees) and 9.67% (net of CA's fees). Actual fees could be higher or lower depending on services provided.

March 4, 2019

TO: Each Member
Board of Investments

FROM: Lou Lazatin
Chief Executive Officer

FOR: Board of Investments Meeting on March 13, 2019

SUBJECT: **BOARD OF INVESTMENTS MEETING CALENDAR**

RECOMMENDATION

It is recommended the Board of Investments consider rescheduling the Wednesday, October 9, 2019 Board of Investments meeting.

DISCUSSION

Mr. Bernstein would like to request the Board to reschedule the Wednesday, October 9, 2019 Board of Investments meeting due to the Yom Kippur holiday.

Following are potential meeting dates for our October meeting.

Tuesday, October 8, 2019
Wednesday, October 16, 2019
Thursday, October 17, 2019

A copy of the October educational calendar is attached for your planning convenience.

LL:lg

Attachment

october 2019

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT/SUN
30 September	1 October	2 **BOR Meeting** (Disability Committee)	3	4	5/6
7	8	9 **BOI Meeting** (Committees)	10 **BOR Meeting** (IBL/OOC Committees)	11	12/13
14 Indigenous People's Day	15	16 PREA Conference – Washington, D.C.	17	18	19/20 20: IFEBP Conference – San Diego, CA
21 IFEBP Conference – San Diego, CA	22	23	24	25 CALAPRS Trustees Roundtable – Oakland, CA	26/27 27: NCPERS Conference – New Orleans, LA
28 NCPERS Conference – New Orleans, LA	29	30	31	1 November	2/3
4	5	6	7	8	9/10

LACERA

March 1, 2019

TO: Each Member
Board of Investments

FROM: John McClelland
Principal Investment Officer-Real Estate

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **INVESTMENT-RELATED SERVICES PROCUREMENT PROCESS SURVEY OF INDUSTRY PRACTICES**

Following the initial discussion of a draft Investment-Related Services Procurement Process (Procurement Process or Process) at the January 2019 meeting of the Board, staff enlisted the assistance of the general consultant, Meketa Investment Group (Meketa), to conduct a survey of industry practices. Reviewing the industry procurement practices may prove useful as a standardized, rule-based process is established at LACERA.

As a reminder, this procurement process only relates to investment-related services. Procurement of all non-investment-related services will be controlled by a LACERA-wide Policy for Purchasing Goods and Services, which is currently being developed.

Meketa has completed its survey of large public pension plans. **ATTACHMENT A** is a summary report from the survey. Mr. Tim Filla, Senior Vice President of Meketa, will present the survey results.

Attachments

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JM/dr

Los Angeles County Employees Retirement Association

Procurement Procedure Survey

M E K E T A I N V E S T M E N T G R O U P
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Background

- At the January Board of Investments meeting, staff presented a 2019 Work Plan to advance LACERA's mission. One of the action items under the operational theme was "procurement process standardization."
- The 2019 Work Plan encompasses Board survey results from the July 2018 offsite meeting. When asked if LACERA should strive to accomplish projects relatively faster or slower in the future, all Board members in attendance replied "somewhat faster." Procurement methods is one of several practices that could quicken the pace of projects.
- Also at the January Board of Investments meeting, staff presented a draft of the Investment-Related Services Procurement Process in an effort to standardize and provide clear guidance on how investment-related services are procured.
- Based on the questions asked by the Board at the January meeting, Meketa and staff thought it would be helpful to conduct a broad survey of other retirement plans to evaluate their procurement practices.
- We surveyed twenty public plans with assets of $50 billion or more and also some additional large Meketa clients. As part of this process, we reviewed relevant documents of each plan (e.g. investment policy statements, governance policies, investment manuals/procedure documents, and CAFRs).
- This presentation reviews the procurement procedures and methodologies of other large public pension plans.

Key Findings

- Procurement practices vary widely across most of the categories we investigated.
- Documentation of procurement practices differs widely as well.
- Some organizations have specific standalone procurement manuals/policies, which fall into several categories;
  - Organization wide: Often linked to state/local procedures and utilization of centralized resources
  - Division specific or asset class specific procurement manuals/policies.
- The remaining organizations have procurement related procedures embedded with other documents;
  - Investment Policy Statements
  - Asset Class Manuals
  - Emerging Manager Policies
- We looked at procurement practices across multiple investment functions to search for common practices.
  - Consultants
  - Investment Managers
  - Other investment related services (databases, risk management systems, etc.)
- Consultant searches generally followed an RFP process with the Board or Investment Committee having decision-making authority.
- Investment manager search practices varied widely, but the most common approach was to allow for on-going open access (e.g., a portal) with public postings of active opportunities. The specific selection processes ranges from formal RFPs to highly targeted searches.
- The procurement procedures for more generalized services usually was only articulated for plans that maintained standalone procurement manuals/policies.

Consultant Procurement

Firm Name	Procurement Method
California Public Employees Retirement Systems (CalPERS)	RFP
California State Teachers Retirement System (CalSTRS)	RFP
Office of the New York State Comptroller	RFP
Florida State Board of Administration	RFP
Teacher Retirement System of Texas	RFP
New York State Teachers' Retirement System	RFP
Washington State Investment Board	RFQQ[1]
Maryland State Retirement & Pension System	RFP

- Not all plans surveyed had a specific practice for retaining consultants, however all that did have a specific practice use an RFP/RFQQ process to select investment consultants.
- The Board or Investment Committee typically retains authority for the selection with staff's assistance.

[1] Request for Qualifications and Quotations.

Manager Procurement - Methods

- On-going information requests/questionnaires
  - Portals for managers to submit and update strategy information
  - Standardized forms/questionnaires for managers to utilize to submit information
  - Directions on how to submit strategy information to consultant
- Publication of mandates on government or agency websites
  - Portals for managers to submit and update strategy information
  - Standardized forms/questionnaires for managers to utilize to submit information
- Targeted Searches – Sole sources
  - Utilize databases and screens of known universes
  - Rely on resources of staff and/or consultants
- Invitation to Bid/RFQ
  - Utilized when price is the primary consideration
  - Little to no differentiation between the products or services
- RFI
  - Used as a step in a process to gather information on more than just pricing
  - Typically does not result in final purchase or contract
- RFP/RFO
  - Utilized for procurement of complex products or services
  - Appropriate when the ideas of respondents and differentiation of services will influence the outcome
  - Price is an important, but not the primary consideration

Manager Procurement

Plan	Total DB Assets ($)Billions	Multiple Finalists	Board[1] Interviews	Consultant Concurrence Required
California Public Employees Retirement Systems (CalPERS)	366	-	-	-
California State Teachers Retirement System (CalSTRS)	229	-	-	-
Office of the New York State Comptroller	209	-	-	-
New York City Retirement Systems	194	Yes	Sometimes	Yes
Florida State Board of Administration	149	-	-	-
Teacher Retirement System of Texas	147	-	-	-
New York State Teachers' Retirement System	113	Yes	Yes	-
Washington State Investment Board	113	Yes	Yes	-
Wisconsin Investment Board	110	-	-	-
North Carolina Department of State Treasurer	98	-	-	-
Ohio Public Employees Retirement System	85	-	-	-
New Jersey Division of Investment	79	-	-	-
Virginia Retirement System	78	-	-	-
Ohio State Teachers Retirement System	78	-	-	-
Oregon State Treasury	76	-	Sometimes[2]	-
Massachusetts Pension Reserves Investment Management Board	73	Yes	Yes	-
Teachers Retirement System of Georgia[3]	71	NA	NA	NA
Michigan Department of Treasury	70	-	-	-
Minnesota State Board of Investment	68	Yes	Yes	-
Pennsylvania Public School Employees Retirement System	58	-	-	Yes

1 Board can mean full Board or a subset of the Board, or a Board created body such as an Investment Advisory Committee, where the majority of the vote is not Staff.
2 Alternatives only.
3 The categories are all NA because we were not able to locate the information required, but we did not want to exclude any plans from the analysis.

Other Investment Related Purchases

- Organizations with standalone procurement policies included detailed procedures across a wide range of goods and services.
- Many of the state level plans utilize the state procurement agencies/divisions to handle these types of purchases.
- Most often, oversight and authority for procurement of highly technical products/services is retained at a division level (the user group runs the process).

Small Purchases

- Most organizations with specific procurement policies had provisions for purchases that fall below certain thresholds.
- Designated authority and limitations for these types of purchases varied widely by the type of product/service, the division, the asset category, and the size of the organization.

Appendix

Policy Examples – CalSTRS

CalSTRS utilizes multiple processes for procurement and each of the methods is described in the policy excerpts below.

Alternative Solicitation

The Alternative Solicitation method is utilized to support investment operations and the implementation of investment strategy. CalSTRS uses commonly available industry standard tools, databases and processes to identify candidates by specialty, specifically to secure external investment managers for CalSTRS Fixed Income and Global Equity classes.

The Investments Branch uses the Alternative Solicitation method when:

- There are standard sources of information for identifying potentially qualified candidates.
- The products and services needed are customary in the industry.

Notification of Available Alternative Solicitations

In addition to advertising Alternative Solicitations and other business partnership opportunities on this website, advertisements are posted on the State of California eProcurement website.

Alternative Solicitation Award

Notices of Intent to Award for all Alternative Solicitation procurements are posted on this website and are available at CalSTRS Headquarters.

Policy Examples – CalSTRS (continued)

Invitation For Bid

The Invitation For Bid (IFB) method is for simple products or services requiring routine personal or mechanical skills, such as vending machine supply and servicing. These types of products and services are standard, allowing bidders little discretion in how to perform the work.

Request For Offer

The Request for Offer method is for products or services under existing California Multiple Award Schedules or Master Service Agreements. CalSTRS typically purchases information technology services, such as database administration, using this process.

California Multiple Awards Schedule

Establishes agreements with firms to offer products and services under an already approved multiple-award schedule contract. An approved multiple-award schedule contract could be with a federal program or other government entity. Agreements cover a wide variety of commodities, non-IT services, and IT products and services.

Master Service Agreement

State Master Service Agreements are the result of competitive procurements conducted by the California Department of General Services. They establish a pre-qualified list of vendors. These agreements may be used by multiple state agencies needing the same products and services.

Request For Proposal

The Request for Proposal method secures complex or uncommon products or services needing professional skills and expertise. Loan servicing for CalSTRS real estate holdings is a typical service. Bidders may be asked to recommend innovative methods and approaches to meet CalSTRS need.

Policy Examples – State of Michigan Investment Board

State of Michigan Investment Board (the "Board").

The Bureau of Investments (the "BOI") – an operating bureau within the Michigan Department of Treasury – is delegated the responsibility, pursuant to the Order and this Policy, to invest and manage the assets of the DB Plan on behalf of the Board. The BOI is alone authorized to invest the DB Plan assets.

The investment divisions of the BOI are generally divided into the asset classes described below.

- Domestic Equity Division (DED)
- International Equity Division (IED)
- Real Estate & Infrastructure Division (REID)
- Venture Capital Division (VCD)
- Fixed Income Division (FID)
- Private Equity Division (PED)
- Real, Opportunistic and Absolute Return Division (ROAD)

Approval from the Board is required for new investments made by (i) REID, PED, ROAD, VCD, IED, and FID in amounts greater than 1% of DB Plan assets, or (ii) DED in amounts greater than 1.5% of DB Plan assets; in each case, such investment shall be measured against the DB Plan's most recent combined quarter-ending market value of the assets.

Investment decisions for amounts which are less than the percentages stated in this paragraph are delegated to the BOI and shall not require Board or State Treasurer approval.

The BOI is permitted to commit or invest DB Plan assets and is permitted to create legal entities to facilitate a commitment or investment, in public or private market investments through partnerships, limited lability companies, or other legal structures, consistent with Public Act 314, to add return and diversification profiles to the DB Plan portfolio.

Policy Examples – Other

Minnesota State Board of Investments

When the SBI recognizes a need to hire a new investment manager, the following process is used. Staff, with ideas from IAC members and the SBI's general consultant generates a short list of potential manager candidates and interviews these organizations. The general consultant provides research on the candidate firms. Staff brings the names of the finalist candidates to the IAC for discussion. The IAC interviews the finalist firm(s) and makes a recommendation to the Board. The Board acts on the recommendation, and with approval of the recommendation, Staff enters into a contract with the approved firm.

Pennsylvania Public Schools Employees Retirement System

Monitoring and Reporting/Selection of Investment Managers

The Board delegates to IOS the authority to conduct Investment Manager searches with the assistance of the appropriate Investment Consultant. No Investment Manager shall be presented to the Board for approval without a recommendation from both IOS and the appropriate Investment Consultant to allocate or commit capital to the Investment Manager. All Investment Managers, excluding PMEIM Program Investment Managers, shall be approved by the Board prior to full execution of a contract.

CalPERS

How to Contract With CalPERS

To contract with CalPERS, sign up for email alerts to receive added or updated online solicitation information. We offer the following ways to contract with us:

- **Small Business/Disabled Veterans Business Enterprise (DVBE)** - This option allows us to avoid the lengthy formal bid process and contract with a certified small business or DVBE after obtaining price quotes from at least two small businesses or DVBEs. This option applies to consulting and professional services, goods procurement, and information technology products valued between $5,000.01 and $250,000.
- **Spring Fed Pool (SFP)** - Our SFP saves CalPERS and bidders time by allowing us to enter into a contract with several firms at once. The SFP begins with a solicitation for bid process, where interested firms bid during a specified time. When applicable projects are identified, we engage a firm from the SFP through a Letter of Engagement. This simple process can be used over and over throughout the life of the contract.
- **Vendor Pool** - This process is used to procure various products and services. Firms can apply to be included in the Vender Pool anytime - there's no need to wait for a solicitation to join. Those vendors with a current California Multiple Awards Schedule (CMAS) or General Services Administration (GSA) schedule, who meet the minimum qualifications and requirements, may be added to the Vendor Pool. For more information regarding the Vendor Pool, email us.

Types of Contracts

CalPERS uses a variety of contracts and procurement processes to meet our business needs.

Personal Services & Consulting Contracts

Information Technology Contracts

Contract Solicitation Methods

CalPERS uses several competitive bidding processes to award contracts. Based on the type of services needed, bids or proposals are made using one of the methods below.

Competitive Negotiation (CN)

This method can be used for complex services needing technical or professional skills and expertise. The solicitation document specifies a general business plan describing our needs and the minimum requirements to participate in the process.

In the CN process, CalPERS holds discussions with the highest scoring firms about alternative methods of approach and the cost or fee. A contract is negotiated that best meets the business needs at a fair and reasonable cost.

Invitation for Bid (IFB)

This method is used to secure services for routine personal or mechanical skills when work methods are standard or little discretion exists in terms of how the work is performed. A statement of work is clearly stated and bidders are generally told what, how, when, and where work and services are to be done. In the IFB process, the lowest responsive, responsible bidder is awarded the contract.

Request for Proposals (RFP)

This method is used to secure complex services needing technical or professional skills and expertise. The RFP states qualification requirements, performance specifications, and time frames. Proposers are asked to recommend methods/approaches to meet the need and for how much.

There are two types of RFPs: primary and secondary. The type used depends on the needs or requirements of the service. Refer to the table below to know the difference between the RFPs.

	Primary	Secondary
Services Required	Services are complex.	Services are complex, uncommon, or unique.
Scope of Work	Services or functions needed are well-defined and include required time frames.	Work needed is less precisely defined and may contain only needs, goals, or objectives that must be met.
Performance	This requires varying methods or approaches, but not innovative or creative.	This requires unusual or creative techniques, methods, and approaches.
Evaluation	Proposals are reviewed, evaluated, and scored for compliance with format, content, and qualification requirements. Cost proposals are not scored.	Proposals are reviewed, evaluated, and scored. Oral interviews may be conducted.
Contract Award	The proposal that is most qualified at the lowest cost is awarded the contract.	>The proposal that is most qualified and highest scored is awarded the contract.

ARTICLE 1 – TOTAL FUND AND PORTFOLIO DESIGN

1.1. Introduction

The Teacher Retirement System of Texas ("TRS") administers a pension trust fund and other health insurance programs for retirees and certain active public education employees under State of Texas constitutional and statutory provisions. TRS is governed by a Board of Trustees (the "Board"). TRS provides service and disability retirement benefits and death and survivor benefits for Texas public education employees and their beneficiaries. Benefits are funded by state and member contributions and investment returns.

1.2. Purpose and Design

The purpose of this Investment Policy Statement (this "Policy") is to provide a formal plan for investing pension trust fund and health insurance program assets to achieve defined investment objectives consistent with the TRS mission statement adopted by the Board and with applicable law.

This Policy also defines the roles and responsibilities of the various entities involved in the investment process and facilitates internal and external communication of investment policy.

The appendices to this Policy are incorporated into and form part of this Policy for all purposes.

Terms that are not defined within the body of this Policy have the meanings assigned to them in the "Definitions" at the end of this Policy.

Other policies relevant to this Policy and its subject matter include the Code of Ethics for Contractors, Employee Ethics Policy, Trustee Ethics Policy, Personal Trading Policy, Commission Credits Policy, Confidentiality Policy, Information Security Policy, Proxy Voting Policy, and Securities Lending Policy.

1.3. Roles of Board, Staff, Advisors, and Consultants

The Board has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of a qualified and competent investment staff ("Investment Division") and legal staff. The Board also monitors the actions of staff to ensure compliance with its policies. The Board's standing committees are charged with those responsibilities set forth in the Bylaws of the Board. The Board and the Investment Division are assisted by outside investment Advisors, Consultants and internal and external legal counsel.

a. The Board Investment Advisors ("Advisors") are selected by the Board to provide education, advice, commentary, and discussion as requested at Board meetings, assist with development and review of investment policies and procedures, assist with the development of the strategic asset allocation, report on the progress of the Fund in meeting its investment objectives, compare the performance of the portfolio to established benchmarks, and perform additional duties as directed by the Board, such as due diligence or analysis of a manager or investment. The Investment Division and Board Investment Advisor provide information as needed to assist the consulting actuary in performance of actuarial services.

b. The Investment Division has fiduciary responsibilities delegated by the Board under applicable law. The Investment Division manages the Fund according to the Board's policies, advises and informs the Executive Director and the Board about investments, and recommends modifications to this Policy. The Investment Division executes all transactions, performs risk-management functions, and prepares investment reports.

c. The Internal Investment Committee ("IIC") reviews, considers, and authorizes proposed investments and external manager engagements as required by this Policy. Additionally, the IIC will manage the currency hedge ratios (set forth in Appendix C) and review as needed.

A prudence or recommendation letter will be required in the following circumstances:

1. When the Board will consider authorizing an external investment opportunity because the allocation or commitment exceeds the limits in Appendix B;
2. When the CIO or a Board member requests a letter for any external investment opportunity presented to the IIC; and
3. When an external investment opportunity presented to the IIC meets all three of the following criteria:
    a. The investment will reside in the principal investment Private Markets Portfolio;
    b. The initial allocation or commitment exceeds 0.25% of the Total Fund value; and
    c. The investment is the first with a manager for the Trust

If a Board member desires that any external investment opportunity scheduled for consideration by the IIC be submitted for Board consideration, the Board member should notify the Executive Director and the CIO sufficiently in advance to permit completion of due diligence and consideration by the Board and the appropriate Board committee, as applicable, before the anticipated closing date.

The permanent IIC membership consists of the Chief Investment Officer ("CIO"), the Deputy CIO and the Chief Risk Officer ("CRO"). There must be a minimum of five members on the IIC and, in addition to the CIO and the Deputy CIO, at least two members must be Investment Division Senior Managing Directors ("SMDs"). The CIO will notify the Chairman of the Investment Management Committee in advance of any designation or removal of a SMD from the IIC. Termination of a member's TRS employment terminates IIC membership as of the date the employee or TRS gives notice of termination, as the case may be. The Investment Division shall notify the Board and the Executive Director if there is any change to the membership of the IIC.

The CIO will establish procedures and guidelines for the operations of the IIC. The IIC procedures and guidelines may provide that the CIO may designate and remove select Directors as non-permanent voting members to the IIC. The IIC procedures and guidelines will define a quorum and establish the vote required to authorize an investment or external manager engagement or, if required by this Policy, recommend an investment or external manager engagement to the Board, which vote may not be less than a majority of the then-incumbent IIC members present and voting at a meeting at which a quorum is present. The CIO shall have the power to veto any investment or delegation of investment discretion authorized or recommended by the IIC pursuant to a vote of its members.

The Executive Director or his designee may attend any meeting of the IIC, and the Investment Division shall deliver to the Executive Director copies of all IIC materials, analyses, correspondence, and agendas as and when delivered to IIC members or other TRS employees. The Executive Director is not a member of the IIC, however, acting in his or her capacity as the chief executive officer and chief administrative employee of TRS as set forth in the Board's Bylaws, the Executive Director shall, after consultation with the CIO, have the power to veto any investment or delegation of investment discretion proposed for IIC consideration or authorized or recommended by the IIC pursuant to a vote of its members whenever he deems such veto to be in TRS' best interest.

When this Policy requires that the Board authorize an investment or an engagement of an external manager, the IIC shall vote on whether to recommend such investment or engagement to the Board. The results of the vote shall be reported to the Board in the materials provided to the Board for consideration.

d. All proposed changes to this Policy will be reviewed by the legal staff for compliance with state and federal laws regarding fiduciary responsibility, investment prudence, ethics compliance, and other applicable standards or requirements before submission to the Policy Committee. Except as authorized by the Executive Director, proposed changes to this Policy will first be presented to the Policy Committee, which will consider recommending the proposed changes to the Board. The Board may consider and adopt proposed changes that have not been considered by the Policy Committee. This Policy shall be reviewed at least once every three years.

e. The Investment Division is authorized to engage qualified Consultants on an as-needed basis to assist the Investment Division with respect to investment opportunities and to provide other investment due diligence, analysis and advice.

1.4. Total Fund Objectives

In this Policy, the total or overall investment portfolio includes all assets invested by TRS to provide retirement, death, health, and disability benefits administered by the system, including cash and cash equivalents (the "Total Fund" or the "Fund") and will be structured and managed to achieve the following objectives:

APPENDIX B – IIC APPROVAL AUTHORITY AND MANAGER ORGANIZATION ALLOCATION LIMITS

Allocations to a single manager organization may only exceed the limits specified in this Appendix B with the prior authorization of the Board.

Article Affected	Portfolio	Initial Allocation or Commitment with Manager, by Portfolio	Additional or Follow-On Allocation or Commitment with the same Manager, by Portfolio	Total Manager Organization Limits, by Portfolio
2.7	External Public Markets Portfolios	0.5%	1%	3%
4.2	Private Equity Portfolio	0.5%	1%	3%
5.2	Real Estate Portfolio	0.5%	1%	3%
6.2	Energy, Natural Resources and Infrastructure Portfolio	0.5%	1%	3%
	Total IIC Approval Authority, each Manager Organization			6%

All allocation or commitment limits are expressed as a percentage of the Total Fund value and are to be calculated as of the date the applicable investment is approved by the IIC.

"Affiliate" means any person directly or indirectly controlling, controlled by, or under common control with, another person. A "manager organization" includes its Affiliates without regard to the names of the entities.

The percentage limit for additional or follow-on allocations or commitments applies to each additional or follow-on allocation or commitment by a listed portfolio to a manager and is in addition to, and not cumulative of, the limit specified for initial allocations or commitments. By way of example, if a portfolio initially allocates 0.2% of the Total Fund to a manager, the portfolio may thereafter allocate or commit up to 1.0% in a single additional or follow-on allocation or commitment to the same manager for a total of 1.2% allocated or committed to the same manager (0.2%+1.0%). If a portfolio initially allocates 0.2%, then makes an additional allocation or commitment of 0.8%, and desires to make a further additional or follow-on allocation to the same manager, the applicable limit for the further additional or follow-on allocation is 1.0% of the Total Fund, for a total of 2.0% allocated or committed to the manager (0.2%+0.8%+1.0%). All investments occurring in the six months prior to the follow-on investment, co-investment or additional investment shall be included in the calculation of the percentage limits. If the initial investment occurred less than six months prior to the current investment, the initial allocation limit of 0.5% rather than the follow-on allocation limit of 1.0% will apply.

In calculating the available limits, returned capital is excluded from the sum of existing total allocations or commitments. Committed capital is included during the applicable investment period of a fund without regard to whether the commitment amount is funded or unfunded or the fund is open-ended. After the investment period, committed but unfunded capital is not included in the calculation of outstanding commitments for the purposes of this Appendix B. Capital that has been returned but that is subject to recall by a Private Investment Fund is considered to be committed or allocated for the purposes of the limits in this Appendix B.

Authority for Special Investment Opportunities. Notwithstanding the limits set forth in this Appendix B, the CIO may designate an investment opportunity as a "Special Investment Opportunity" if the circumstances indicate a reasonable probability that a rapid investment response will be required in order for TRS to acquire the investment in excess of the limits on Investment Division authority set forth in this Appendix B. Circumstances requiring a rapid response may include, but are not limited to, distressed situations or market dislocations creating opportunities to acquire interests or assets at pricing that indicates a reasonable probability that the interests or assets are undervalued or will increase in value. The CIO shall notify the Executive Director as promptly as possible of the Special Investment Opportunity. The CIO and the Executive Director shall consult with the Chairman of the Board and the Chairman of the Investment Management Committee and determine if it is not practicable to present the opportunity for consideration by the Board. If the opportunity will not be added to an agenda, and the CIO and the Executive Director conclude that the investment would be in the best interests of TRS, the CIO and the Executive Director may authorize and conclude an investment up to $1 billion in that Special Investment Opportunity.

After one investment in a Special Investment Opportunity has been made, no further investment in a Special Investment Opportunity may be made until the Board has reauthorized the CIO's authority to designate a Special Investment Opportunity. Such reauthorization shall renew the CIO's and the Executive Director's authority to invest up to $1 billion in a Special Investment Opportunity under this provision.

Purpose & Scope	This Procurement Policy applies to the acquisition of goods and services by the TRS Board of Trustees (the "Board"). This Policy will be administered consistent with applicable federal and state laws and TRS policies and procedures, as well as with TRS' fiduciary responsibilities. Nothing in this Policy, any procedures relating to this Policy, or contained in the TRS Contract Administration Manual, as amended, revised or superseded, shall be construed to impede the exercise of the fiduciary duties of the Board or TRS staff. In the event of an actual or potential conflict between fiduciary duties and otherwise applicable laws or policies, the Executive Director, in consultation with the General Counsel, will determine the appropriate course of action for the relevant procurement or contract. Competitive procedures will be used when acquiring goods and services, unless the circumstances are such that using such procedures would not be likely to serve the best interests of the system. For the avoidance of doubt, the phrase "competitive procedures" is not limited to widespread publication of all opportunities, and a range of procedures to be used may be tailored to each opportunity depending on the circumstances. This will be true when the number of qualified vendors is limited, or when barriers to entry to the relevant business are high, such that widespread publication would not be reasonably likely to enhance competition, fairness, or value by producing a greater number of qualified candidates.
Authorities	Section 825.103, Government Code Section 825.203, Government Code Chapter 2254, Government Code
Board Consideration; Delegation of Other Procurements	The Board will consider and authorize awards of the following acquisitions of goods and services: 1. Any contract explicitly required by the Board's Bylaws and policies to be considered for authorization by the Board; and 2. Any contract required to be authorized by the Board pursuant to state law. In addition, a list of potential contracts having an estimated yearly value of $5 million or more will be provided to the Board prior to the commencement of the procurement process (or at such time as the $5 million threshold is estimated, if such determination is made later in the procurement process) to determine the level of participation in the procurement by the Board. This paragraph does not apply to investment transactions involving securities, investment vehicles or external investment managers exercising investment discretion. Pursuant to the Board's Bylaws, the Board of Trustees hereby delegates all other contracting and purchasing decisions not expressly set forth above to the Executive Director (or his or her designees). Contracting and purchasing

activities performed by TRS staff shall follow applicable guidelines set forth in the TRS Contract Administration Manual, as amended, revised, or superseded.

Board's Preferred Methods of Procurement

The Board will generally use one of the following methods to acquire goods and services, based primarily on the nature of the goods and services to be acquired:

1. Request for Proposal (RFP)

2. Request for Qualifications (RFQ)

3. Internal Assessment, as recommended by the Executive Director (or his or her designees)

4. Any other method required by law or determined by the Board to be appropriate, including without limitation the services of, or programs administered by, the Comptroller of Public Accounts or the State Office of Risk Management.

The Board will consider the following factors in determining which method is most appropriate under the prevailing facts and circumstances and in the best interests of the system:

1. The length of time since the last contracting opportunity for the same or similar goods or services;

2. The need for or suitability of a competitive process, including whether a transparent process would be fairer or more likely to deter the most qualified vendors from submitting responses;

3. The type of contract, goods or services to be acquired, including whether the vendor's qualifications are as or more important than cost;

4. The level of competition in the relevant market or whether the prospective pool of vendors is limited to one or a few qualified candidates;

5. TRS' familiarity with the relevant vendors and market for the goods or services (or both) being acquired;

6. The cost of the relevant procurement methods relative to the benefits to be received from the process for each; and

7. The length of time available to complete the procurement process.

The Board may seek the recommendations of TRS staff and the advice of legal and fiduciary counsel when considering which acquisition method would be the most appropriate under the circumstances.

If the RFP or RFQ method is used, TRS will follow applicable federal and state law and applicable procedures set forth in the TRS Contract Administration Manual, as amended, revised, or superseded.

If the Board elects the Internal Assessment method, records will be created and maintained by TRS staff to document the process through the final contracting

	phase. A description of the actual procurement process will be provided to the Board at the time of the vendor selection.
Selection of Vendor	For each opportunity that will be considered by the Board, the Board and all prospective vendors will observe a "blackout period" during which prospective vendors and Board members are prohibited from having any *ex parte* contacts regarding that opportunity. The blackout period will begin upon the start of the formal acquisition process and continue until a final decision on the opportunity has been made. TRS staff will notify the Board when the blackout period commences. The blackout period does not apply to the staff's due diligence communications with prospective vendors or to staff or trustee meetings or communications with an existing vendor, so long as discussions are restricted to matters within the scope of the existing contract and communications relating to the pending opportunity are avoided. As requested by the Board, the Executive Director (or his or her designees) shall evaluate submissions received from prospective vendors, perform appropriate due diligence, and provide a recommendation to the Board on one or more finalists to be selected. No recommendation by the Executive Director (or his or her designees) or other staff will be binding on the Board. When considering an acquisition under this Policy, the Board will select the vendor that, in the Board's judgment, represents the best overall value for the system based the candidates' qualifications, experience, proposed contract terms and conditions, proposed fees, and other relevant factors. In this policy, "best overall value" means a combination of factors that, in the judgment of the Board, are most consistent with the best interests of the system. Except as otherwise expressly authorized by the Board, contracts for acquisitions authorized by the Board under this Policy may have an initial term not to exceed five (5) years in duration, with one or more options for extensions not to exceed a total of two (2) years. The Board, at its option, may authorize renewals or extensions of agreements that are nearing their scheduled expiration dates without requiring a new acquisition process, provided the Board first determines that renewal or extension continues to provide the best overall value. A record that documents the process and rationale for the vendor selection shall be maintained for each Board contracting opportunity. Notwithstanding any other provision of this Policy, no procurement, agreement, contract, or award considered or authorized by the Board will be legally binding on the retirement system unless and until a definitive agreement has been negotiated, executed and delivered on behalf of TRS by the Executive Director or other authorized TRS signatory.
Evaluation and Oversight of Contracts	All vendors who are parties to contracts authorized by the Board will be subject to performance monitoring and periodic evaluation by management and staff throughout the terms of their contracts. The Board may specify factors to be used for such monitoring or evaluation based on recommendations provided by the Executive Director. At the Board's direction, the Executive Director (or his or her designees) will report to the Board the results of the staff's monitoring and evaluation activities involving vendors under Board-authorized contracts. The Executive Director (or

	his or her designees) will also identify in a timely manner any significant issues or actions taken. The Executive Director (or his or her designees) will report in a timely manner to the Board any significant or material failures by vendors to comply with the terms of their respective contracts or to provide the expected levels of services or quality.
Trustee Training	Training for the Board regarding contracting shall be provided by TRS management, staff, and fiduciary counsel at the commencement of a new Trustee's tenure on the Board, and further on an as-needed basis or in conjunction with routine fiduciary training.

Administrative Policy	First Issued: June 12, 2015
Reviewer: Legal Services	Last Board Review: June 12, 2015
Review Cycle: Every Three Years	Next Review Due: June 2018
Adopted by: The Board of Trustees	Dated: June 12, 2015

Selection, Monitoring, and Termination of External Investment Managers for Publicly Traded Securities

I. Introduction

In 1982, the Education Law was amended to authorize the Retirement Board to delegate the investment of System funds to external investment managers. Since that time, the Retirement Board has designated a portion of the System's funds and assets to be managed externally, including by investment managers specializing in equities, bonds and other publicly traded securities. An external investment manager for publicly traded securities is hired with the expectation that the manager will, over a market cycle, add value relative to an appropriate benchmark to the assets under management and help diversify the System's portfolio, or, in the case of passive management assignment, match the risk and return profile of the benchmark. External investment managers are screened and must undergo a rigid business and legal due diligence process designed to select those who are the most appropriate, based upon established criteria.

An external securities investment manager may be engaged to invest funds directly or may be engaged to further hire other external securities investment managers operating as a fund-of-funds or as a manager of managers.

The Managing Director of Public Equities, with the assistance of the general investment consultant, shall oversee the selection of external public equity investment managers and monitor those managers.

The Managing Director of Fixed Income, with the assistance of the general investment consultant, shall oversee the selection of external fixed income investment managers and monitor those managers.

The Managing Director of Real Estate, with the assistance of its investment consultant as well as the System's general investment consultant as the Managing Director deems necessary, shall oversee the selection of external managers for publicly traded equity real estate securities and external managers for commercial mortgage backed securities (CMBS) and monitor those external managers as specified in the Real Estate Investment policies.

II. Selection

Whenever System investment staff is considering engaging an external investment manager (or manager of managers – see Appendix B) for a new investment assignment, staff will communicate directly with the principals of the investment manager candidate, in order to assure transparency and accountability and compliance with the System's Placement Agent Policy on the part of the external investment managers.

The selection process for external publicly traded securities managers will typically involve consultation with the System's general investment consultant. The investment consultant independently monitors investment managers including assessment of the external managers' organization, investment products, teams and performance.

The selection process continues as follows:

A. Determination of Screening Criteria

Screening criteria may include, but is not limited to: investment processes; investment products; dollar value and composition of assets under management; historical performance; years of experience; growth of firm; other client relationships (including experience with large public funds); ownership; the number and depth of investment professionals; research capabilities; structure of the proposed investment (separate account, commingled account, etc.); compliance with the Chartered Financial Analyst Institute Code of Ethics; compliance with global investment performance standards (GIPS); and contract provisions. Other criteria may be added for any given search.

B. Preliminary Screening

1. Staff and/or the investment consultant identify a preliminary list of firms which meet the initial set of screening criteria.

2. Staff and/or the investment consultant contact each firm on the preliminary list to obtain the most current information and any additional information, as required. Follow-up telephone calls, interviews or on-site visits are made as necessary.

3. Based upon the established criteria, staff and/or the investment consultant narrows the preliminary list to a candidate pool.

C. Candidate Pool

1. Staff and/or the investment consultant conduct a more in-depth interview with each candidate. The interview allows for the interaction with and evaluation of the person or persons who will actually be investing the System's assets. Interview topics include:

   a. Investment process

   b. Qualifications of the firm's representatives, including the portfolio management team

   c. Communication with the firm

   d. Employee compensation

   e. Availability of the contact person and portfolio manager to meet with the Retirement Board and staff and responsiveness to Board and staff concerns

   f. Validation of performance and continuation of key individuals who will be responsible for fulfilling assignment

   g. Accommodation of the System's priorities

   h. Potential areas of conflict (Retirement Board policy, statutory, custodial, etc.)

   i. Fee discussions

2. Quantitative analyses are conducted in addition to the qualitative analyses above. For instance, in the case of public equity assignments, the Public Equities Department performs a quantitative analysis of the proposed equity security portfolio(s) strategy. This analysis will include performance attribution and risk management.

3. Subsequent to the interviews and the quantitative analysis of the portfolio(s), the investment consultant and/or staff selects candidates to be interviewed by the System's Internal Investment Committee.

D. Internal Investment Committee

1. Investment managers recommended by the investment consultant and/or staff make presentations to the System's Internal Investment Committee.

2. The System's Internal Investment Committee selects the investment managers to be presented to and considered by the Retirement Board.

E. Retirement Board Review of Investment Manager Selections

1. Presentation to the Investment Committee of the Retirement Board:

   a. Investment managers selected for further consideration submit an informational package which is provided to the Retirement Board prior to the presentation.

   b. Such selected investment managers shall make a presentation to the Investment Committee of the Retirement Board.

   c. A question and answer period follows each presentation.

   d. The Investment Committee of the Retirement Board makes a recommendation to the Retirement Board regarding each investment manager.

2. The Retirement Board approves the investment manager(s) to be retained by the System.

III. Contract Review

Once an external securities investment manager is approved by the Retirement Board, an investment management agreement is negotiated and executed appointing the manager. It is critical that the terms of the contract accurately reflect the terms and conditions of the Retirement Board's authorization. The process may involve highly specialized contract provisions including investment guidelines and result in protracted negotiations. Staff may retain outside counsel to assist in the contract process. Investor protection provisions are incorporated into the investment management agreement and ancillary contract documents as appropriate.

IV. Monitoring

Staff monitors each external securities investment manager to ensure System investment policy guidelines are being met. Moreover, Staff monitors investment manager performance and other criteria to determine whether the investment manager, using the stated style, adds value relative to an appropriate benchmark to the assets under management.

The objective criteria for monitoring the external securities investment manager are agreed upon at hire and may be specified in the contract between the external securities investment manager and the System. The criteria include investment performance, adherence to the stated investment style and thesis, diversification ratios, industry mix, credit quality and interest rate sensitivity of fixed income assets, if applicable, as well as various subjective criteria, such as the impact of key resignations or firm acquisitions/mergers.

The System may engage an investment consultant to aid in the review of external securities investment managers. If so engaged, the consultant shall submit periodic reports and provide advice regarding the impact of various changes at the external securities investment manager's firm.

A. Monthly Performance Review

1. External managers of publicly traded securities are responsible for submitting monthly portfolio appraisals, including positions and valuations to the System.

2. Portfolios of public securities of investment managers who are managing System assets in separate accounts are held at the System's custodian bank. Investment manager holdings are updated daily by the custodian bank based upon trade activity submitted from the investment manager. Investment managers reconcile the portfolio values monthly to the custodian bank. The portfolio holdings and custodial reconciliations are reviewed by the System.

3. Portfolio investment performance is calculated by the custodian bank and is compared to investment performance calculated by the investment manager. These comparisons are reviewed by the System's Investment Operations Department.

B. Quarterly Review

1. Staff communicates with each investment manager on a quarterly basis either by telephone, videoconference or in person to review portfolio performance and to discuss any changes to process, staffing, organization or any other items as warranted.

2. For those investment managers that participate in commingled securities lending programs, staff receives reports describing changes to the lending parameters if any, the average market value of the securities on loan, the collateralization percentage and the credit quality and liquidity of the reinvestment pool.

3. A fund-of-funds manager(s) or manager of managers reports on the investment activity and performance for the managers within the fund.

C. Periodic Review

External securities investment managers are expected to meet with the Retirement Board, Investment Advisory Committee, Real Estate Advisory Committee or staff, as applicable, upon request. Minutes of the Retirement Board, Investment Advisory Committee or Real Estate Advisory Committee will reflect the investment matters reviewed.

D. Annual Contract Renewal

As applicable, the investment consultant submits a formal recommendation regarding the renewal of the investment manager's contract. Staff reviews the recommendation and presents it to the Retirement Board.

E. Special Review As Needed

Staff and the investment consultant(s) review information as it becomes available and meet with the external securities investment manager as required. Each external investment manager has the responsibility to inform the System, quickly and accurately, about any event that may adversely impact to a significant degree the management, professionalism, integrity or financial position of the external investment manager, such as:

1. Personnel changes:

   a. Loss of one or more key professionals at the firm-wide or portfolio team level

b. Changes in responsibility, including the addition of key professionals firm-wide or at the portfolio team level

c. Significant changes at the firm, whether or not they impact the team assigned to the System's portfolio

2. Changes in ownership, control or organizational structure, whether through acquisition, disposition, spin-off, merger, consolidation or otherwise

3. Changes in the assets under management: (i.e. an external investment manager is hired with a proven track record at a particular level of invested assets. Subsequent relationship losses may increase the pressure on the external investment manager not to lose the System as an account. Alternatively, the gain of a significant number of accounts may overburden the investment personnel, force the external investment manager to alter the investment style or decrease the importance of the System as an account to the point where communication or performance suffers).

4. Any material change in the investment process or philosophy

5. Concerns about the securities lending portfolios, for those managers that participate in a commingled securities lending program

6. Other developments having a significant impact such as litigation or regulatory inquiries

The investment consultant may serve as an additional source for this information.

V. Watch List

The System maintains a Watch List of those managers for whom the Retirement Board has concerns about their ability to add value to assets under management. The managers on the Watch List are subject to additional review based on the particular circumstances of the investment manager and the reason(s) the investment manager was placed on the Watch List.

The Retirement Board may place an external investment manager on the Watch List as a result of any of the following concerns:

A. Significant or persistent underperformance compared to the investment manager's mandate

B. Indication that the manager is assuming more risk than appropriate in an attempt to achieve a higher short-term return

C. Key personnel or structural changes that may impact the manager's ability to manage the portfolio effectively

D. Changes in investment style or process or risk composition, which may affect performance or the portfolio's fit within the overall asset allocation

E. Any other circumstances creating a concern over the external securities investment manager's ability to perform as hired

The Retirement Board may remove an external investment manager from the Watch List at any time if the concerns have been resolved and the Retirement Board has confidence the external investment manager will add value to the assets under management.

VI. Termination of External Investment Managers

External investment managers serve at the sole discretion of the Retirement Board. The Retirement Board retains the right to dismiss a manager within the notice provision stated in the investment management agreement, which is typically no more than thirty (30) days written notice. The Retirement Board evaluates the performance of the external investment manager annually or more frequently when necessary.

A. Annual Evaluation

The decision to retain or terminate an external investment manager is part of the annual contract renewal process. As part of this process, the System's investment consultant will make a formal recommendation, including the rationale upon which the recommendation is made. The recommendation is reviewed by staff and presented to the Retirement Board. The recommendation will be part of the permanent record.

B. Special Evaluation

A dramatic loss of confidence during the contract year could result in a contract termination by the Retirement Board.

VII. Responsibilities & Controls

Responsible Party	Action
MANAGER SELECTION: Retirement Board	1. The Executive Director and Chief Investment Officer in consultation with the Retirement Board determine an investment manager search is warranted.
Managing Director of Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees and/or the Investment Consultant	2. Develop screening criteria; consult with Investment Consultants as needed. 3. Designate staff to perform preliminary screening of investment firms. 4. Review results of the preliminary screen. Direct the Investment Consultant to follow-up on open questions as necessary or perform this process internally. 5. Select candidates based on the results of the preliminary screening and the Investment Consultant's recommendation. 6. Perform due diligence, including a quantitative analysis of the strategy.

Designated Staff and/or Investment Consultant	7. Conduct in-depth interviews with each finalist, allowing for interaction with and evaluation of the person or persons who will be investing System assets. 8. Select investment managers to be interviewed and reviewed by the Internal Investment Committee (IIC). 9. Contingent upon the approval of the IIC, present investment managers for consideration by the Retirement Board.
Investment Committee of the Retirement Board	10. Interview and recommend investment managers to be hired or direct staff to continue the search process.
Retirement Board	11. Formally approve hiring of investment managers or direct staff to continue the search process.
Administrative Assistant to the Executive Director and Chief Investment Officer	12. Document, in the Board minutes, approval to hire the investment manager as appropriate.
Managing Director of Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees with Legal	13. Ensure contract with investment manager includes key elements, such as: a product description, key terms, fee structure, deliverables and reporting criteria. Consult and seek assistance of internal and external counsels as necessary.
MONITORING: Manager of External Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees	14. Receive reports from investment managers on a quarterly basis, including holdings, performance attribution and affirmation of compliance with investment guidelines. 15. Review monthly, quarterly and since inception performance as prepared by the Investment Operations Department and/or the System's custodian bank's analytics group. 16. Meet, either by telephone, videoconference or in person with investment managers as necessary on a quarterly basis, or more frequently as necessary, to discuss portfolio performance, any changes to process, staffing or the manager's organization or any other items as warranted. 17. Communicate any significant concerns to Executive Director and Chief Investment Officer. 18. Document meetings and other monitoring activities by filing meeting materials and any notes in paper

	form or electronically. 19. Concerns will be shared with Retirement Board as appropriate. 20. Staff reviews and presents a formal recommendation from the General Investment Consultant regarding the annual renewal of the investment manager's contract. 21. If warranted, recommend, together with the General Investment Consultant, that the manager be placed on the Watch List. Reason(s) for recommendation shall be documented.
Retirement Board	22. Based on recommendations of the General Investment Consultant and/or the Managing Director of Public Equities, Managing Director of Fixed Income or Managing Director of Real Estate, as applicable, or designee, renew the investment manager's contract or, when applicable, determine whether investment manager should be placed on the Watch List.
Administrative Assistant to the Executive Director and Chief Investment Officer	23. Document, in Board minutes, the manager has been renewed or, when applicable, the placement of investment manager on the Watch List.
Managing Director Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees	24. Inform investment manager, verbally, that investment manager has been renewed or, when applicable, placed on the Watch List and reason for this action.
Executive Director and Chief Investment Officer	25. When necessary, inform investment manager, in writing, that investment manager has been placed on the Watch List and reason for this action.
Managing Director Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees	26. If concerns are resolved, recommend, together with General Investment Consultant, that investment manager be removed from the Watch List. Reason(s) for recommendation shall be documented.
Retirement Board	27. Based on recommendations of the General Investment Consultant and/or the applicable Managing Director of Public Equities, Managing Director of Fixed Income or Managing Director of Real Estate, or designee, determine whether investment manager should be removed from the Watch List.

Administrative Assistant to the Executive Director and Chief Investment Officer	28. Document, in Board minutes, removal of investment manager from the Watch List.
Managing Director Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees	29. Inform investment manager, verbally, that investment manager has been removed from the Watch List.
Executive Director and Chief Investment Officer	30. When necessary, inform investment manager, in writing, that investment manager has been removed from the Watch List.
MANAGER TERMINATION: Retirement Board	31. Based on recommendations from the General Investment Consultant and the applicable Managing Director, or designee, determine that investment manager should be terminated.
Administrative Assistant to the Executive Director and Chief Investment Officer	32. Document, in Board minutes, termination of investment manager.
Managing Director Public Equities, Managing Director of Fixed Income, Managing Director of Real Estate or designees	33. Inform investment manager, verbally, that investment manager has been terminated and reason(s) for this action.
Executive Director and Chief Investment Officer	34. When necessary, inform investment manager, in writing, that investment manager has been terminated and reason(s) for this action.

APPENDIX A

Money Manager Protection Principles

The System will give consideration in retaining, evaluating and renewing equity managers as to whether such managers, to the extent reasonably possible, substantially conform to the following:

The Money Manager Protection Principles are:

1. Money management firms must disclose any client relationship, including management of corporate 401(k) plans, where the money manager could invest NYSTRS' assets in the securities of the client. Disclosure should be made in such a way as to not violate any confidentiality agreement.

2. Money management firms must disclose annually the manner in which their portfolio managers and research analysts are compensated and have safeguards in place to ensure that such compensation programs do not influence investment decisions.

3. Money management firms shall report annually the percentage of commissions paid or level of transaction activity, relating to the System's assets, to/with broker-dealers that have adopted the Broker-Dealer Protection Principles.

4. Money management firms affiliated with banks, investment banks, insurance companies or other financial service corporations shall have safeguards in place to ensure that the client relationships of any affiliate company do not influence investment decisions of the money management firm, provide the System with a copy of the safeguard plan, and certify annually that such plan is being fully enforced.

5. In making active investment decisions, money management firms must consider the quality and integrity of the accounting and financial data and the corporate governance policies and practices of the subject company, as well as whether the company's outside auditor also provides consulting or other services to the company.

APPENDIX B

**Requirements for Investment Sub Managers Retained
By External Equity Manager of Managers**

1. Key professionals are majority owners of the firm
2. Key professionals have relevant experience (analysts, portfolio managers)
3. Key professionals have at least five (5) years industry experience and have worked together for at least three (3) years
4. Low client/professional ratio
5. Limited number of individual clients based on discretionary assets under management
6. In general, each firm should have more than $10 million and less than $5 billion of assets under management. Firms with more than $5 billion of assets under management may be considered on a case-by-case basis at the discretion of the Managing Director of Public Equities and may include managers with up to $10 billion in assets under management at time of hire
7. The System's allocation will not represent more than fifty percent (50%) of each firm's total assets under management

POLICY NUMBER: 2.00.230

EFFECTIVE DATE: 9/15/05

TITLE: Service Provider (Vendor) Selection (and Ongoing Interaction)

SUPERSEDES: 9/15/05

BOARD ADOPTION: 9/15/05

APPROVED:

INTRODUCTION

This policy is intended to establish general guidelines and authorities for the selection and retention of WSIB service providers. Specific and detailed selection criteria will be established in investment and other policies of the Board or at the time a search process is initiated.

ROLES AND RESPONSIBILITIES

The role of the Board or designated Committees with respect to the selection of service providers is to:

- Establish appropriate policies to help ensure prudent and sound selection decisions are made;
- Monitor compliance with such policies; and
- Approve, in consultation with the Executive Director and, where appropriate, consultants, the appointment of named service providers, which include:
    - The recommendation to the State Treasurer for the custodian bank;
    - Investment managers;
    - Investment consultants;
    - The financial auditor; and
    - Other service providers, as may be determined by the Board.

Unless the Board determines otherwise, the Executive Director will be responsible for appointing service providers other than named service providers and for informing the Board of such appointments where they are material or significant.

The Executive Director will coordinate all search and due diligence activities, in conjunction with staff, consultants, and other external experts, as required.

Upon completion of the analysis and due diligence involved in the search process, the Executive Director will provide the Board or a designated Committee with, at a minimum:

- A description of the due diligence activities undertaken;
- A list of finalist candidates to be interviewed and an analysis of each candidate;
- A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider in question throughout the term of the engagement.

Named Service Providers

The Board or Committee may interview the candidates prior to the Board making a final selection decision. The Board may delegate this responsibility to conduct interviews to the Executive Director and request that the Executive Director recommend a candidate for ratification by the Board.

The Executive Director will provide the Board or a Committee with periodic reports on the status of all search processes.

A Board “quiet period” will begin:

- Upon the start (i.e., upon the issuance of a formal procurement) of all competitive search processes that may result in the appointment of a new service provider or in the expansion of its relationship with an existing service provider;
- When a current service provider is placed on an official “watch list” and/or probation signifying that the service provider’s performance has fallen below expectations or other issues have arisen such as to warrant closer scrutiny; or
- When the Board deems it is in the best interest of the WSIB to require that, for a limited period of time, communications between Board members and specified service providers be restricted to Board and Committee meetings only.

Staff will notify the Board upon initiation of a quiet period and a description of the service providers or types of service providers to whom it applies. During quiet periods, Board members shall not communicate with potential service providers or with an existing service provider on matters pertaining to the procurement, except during Board or Committee meetings.

In addition, Board members shall exercise particular discretion when considering other communication with affected service providers. For example, Board members should generally not meet with specified service providers for social or entertainment purposes.

Exceptions may be made in the case of conferences or other industry events, where Board members may socialize with affected service providers in open, group social settings such as cocktail receptions and luncheons, provided that they do not discuss matters pertaining to the procurement process.

A quiet period will cease:

- When a service provider has been appointed by the Board or the search process is otherwise ended;
- When a service provider is removed from the watch list and/or probation;
- When the quiet period is ended by action of the Board; or
- When otherwise determined by action of the Board.

Contracts

The Executive Director shall negotiate and execute all contracts for named service providers, and service providers other than named service providers, upon the direction of the Board and subject to review by legal counsel.

Monitoring and Reporting

All service providers will be subject to regular and appropriate performance monitoring by staff, and periodic reviews, as appropriate, throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, and quality of reporting.

The Executive Director will report regularly to the Board on all monitoring efforts involving named service providers, identifying in a timely manner any material issues or actions taken.

All monitoring and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established within other policies of the WSIB, such requirements will prevail.

The Executive Director or consultant, as appropriate, will report in a timely manner to the Board any failures by named service providers to comply with the terms of their contract.

POLICY REVIEW

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

Policy Adopted 8/1/03
Revised 9/15/05
Reviewed 7/20/06
Reviewed 4/16/09
Reviewed 6/21/12
Reviewed 6/18/15

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Revised/Effective 05/01/17
Effective 06/01/11

OPERS PROCUREMENT POLICY AND PROCEDURES MANUAL
ACKNOWLEDGEMENT FORM

This Procurement Policy and Procedures Manual describes important information about the procurement process. I understand that I should contact the Procurement Office staff regarding any questions not answered in this Manual.

I understand that it is my responsibility to read and comply with the policies and procedures contained within this Manual.

- ❑ This form acknowledges that I have received and read the Procurement Policy and Procedures Manual. Furthermore, I agree to abide by all policies and procedures as outlined in the Manual.

Please sign and return this form to the Procurement Assistant in the Procurement Office located on the 10th floor.

Employee’s Name (Please Print):____

Employee’s Signature: ____

Date: ______________________________________

Table of Contents

A. SCOPE

All purchases with a cost of greater than $5,000 must go through the Procurement Office.

This Policy and Procedures Manual (the "Manual") governs the purchase of goods and services for official OPERS business use, subject to any exceptions or exclusions set forth herein. The primary purpose of this Manual is to ensure uniform procurement of goods and services throughout OPERS, while maintaining the transparency, fairness, efficiency, and integrity of the procurement process. OPERS shall act in good faith in the purchase of all goods and services.

Notwithstanding any dollar thresholds contained in this Manual, all contracts and/or terms and conditions of any nature must be submitted to the OPERS Legal department ("Legal") for review and approval prior to execution of the contract, regardless of dollar value.

B. DEFINITIONS

1. **"Authorized Purchaser"** means the Procurement Manager, Procurement Agent, Procurement Assistant, or Requestor.

2. **"Committed Cost"** means the anticipated total cumulative cost of all goods or services which OPERS is obligated to purchase under a procurement contract, including all renewals of the contract. For example, if an anticipated contract commits OPERS to purchase goods or services for a five (5) year term, the anticipated cost to OPERS for the entire five (5) year contract term is the "Committed Cost", which should be used to determine whether a PQ or an RFP selection process is required under this Manual.

3. **"Common Use Goods"** means office supplies that are commonly maintained in the central supply section of Office Services. These items include, but are not limited to, standard office supplies, desk accessories, toner cartridges, envelopes, binders, batteries, and janitorial supplies. A list of Common Use Goods is available on the iNET for review.

4. **"Final Approved"** means a purchase requisition has successfully moved through the applicable procurement approval tree, the purchase has been approved by the appropriate managerial staff, and funds are confirmed in the budget.

5. **"Fully Executed"** means that procurement documentation has been reviewed by Legal, its comments have been adopted by the vendor(s) or successful negotiations have been concluded between both parties regarding the comments, and signatures have been obtained by authorized representatives of OPERS and the vendor(s).

6. **"Goods"** means property or products, including Common Use Goods and Non-Common Use Goods.

7. **"Non-Common Use Goods"** means property or products not commonly maintained in the central supply section of Office Services. These items include, but are not limited to, equipment, furniture, seating, subscriptions, professional dues and registrations.

8. **"On-line Purchase Request Form"** is an application on the OPERS intranet used by a Requestor to alert the Procurement Office of a purchase request.

9. **"PO"** means a purchase order.

10. **“PQ”** means a price quotation.

11. **“Procurement Agent”** means the OPERS employee who reports directly to and assists the Procurement Manager within the Procurement Office.

12. **“Procurement Assistant”** means the OPERS employee who reports directly to the Procurement Manager and assists both the Procurement Manager and Procurement Agent within the Procurement Office.

13. **“Procurement Manager”** means the OPERS employee who heads the Procurement Office.

14. **“Procurement Office”** means the Procurement Manager, Procurement Agent, and Procurement Assistant and their physical location within the OPERS building.

15. **“Project Team”** means OPERS decision makers who are typically involved in purchase requests for goods and services that require a formal PQ or RFP selection process. This group usually consists of the Requestor, Managers, Assistant Directors, and/or Directors within the department requesting the purchase, but may also be cross-departmental in nature. The Project Team is also involved in negotiating terms and conditions with vendors.

16. **“Purchasing Documentation”** means the documentation that supports a purchase decision. These items include, but are not limited to, vendor prices quotes, RFP responses, RFI responses, single source justifications, evaluation criteria, decision matrices, and when appropriate, fully executed purchase agreements, service and maintenance agreements, and contracts of any nature relevant to the purchase.

17. **“Receiving Documentation”** means the documentation used to verify that conforming goods have been delivered and/or services provided to OPERS. These items include, but are not limited to, packing slips, bills of lading, common carrier delivery receipts, and service order acknowledgements.

18. **“Requestor”** means the OPERS employee who requests or initiates an order for goods or services within a particular department and serves as a liaison between that department and the Procurement Office.

19. **“RFI”** means a request for information.

20. **“RFP”** means a request for proposal.

21. **“Services”** means, but is not limited to, the furnishing of labor, time, or effort by a person or entity for non-legal services, temporary assistance, consultation, equipment repair, training, utilities, vehicle maintenance, and investment information feeds such as Bloomberg and Moody’s.

22. **“W-9” or “Request for Taxpayer Identification Number and Certification”** is a form that confirms a vendor has an established identity with the IRS. A W-9 must be on file for all vendors from which OPERS purchases goods or services.

C. PROCUREMENT REQUIREMENTS

1. Non-Common Use Goods

a. Non-Common Use Goods with a Committed Cost of less than $5,000:

No PQ or RFP is required for the purchase of Non-Common Use Goods with a Committed Cost of less than $5,000. Please note that while no competitive selection is required to be used for such purchases, Authorized Purchasers are encouraged to obtain purchase quotes or competitive proposals from vendors whenever possible. All costs for Non-Common Use Goods shall be competitive to the then-current market cost for such Non-Common Use Goods. Appropriate Purchasing Documentation is to be maintained by the Authorized Purchaser.

Notwithstanding the foregoing, all contracts and/or terms and conditions of any nature must be submitted to Legal for review prior to execution of the contract, regardless of dollar value.

b. Non-Common Use Goods with a Committed Cost of $5,000 or greater, but less than $25,000:

PQs are required for the purchase of Non-Common Use Goods with a Committed Cost of $5,000 or greater but less than the threshold of $25,000 for use of the RFP selection process. **OPERS requires the Procurement Office to obtain and document a minimum of three price quotes.** If the Procurement Office is unable to obtain three quotes, an explanation of the reason for such inability shall be documented before proceeding with the available quotes. Appropriate Purchasing Documentation must be filed with the Procurement Office.

c. Non-Common Use Goods with a Committed Cost of $25,000 or greater:

The purchase of Non-Common Use Goods at a Committed Cost of $25,000 or greater requires procurement through the written RFP selection process set forth in this Manual. **OPERS requires the Procurement Office to obtain and document a minimum of three responses to an RFP**. If the Procurement Office is unable to obtain three responses, an explanation of the reason for such inability shall be documented before proceeding with the available responses, after which selection of a vendor from the responses received is permitted. Appropriate Purchasing Documentation must be filed with the Procurement Office.

The threshold for RFPs for Non-Common Use Goods will be reviewed periodically and adjustments will be made when appropriate by the Financial Accounting staff. The $25,000 threshold will be adjusted in increments of not less than $5,000.

2. Common Use Goods

Authorized Purchasers shall obtain Common Use Goods from Office Services by submitting an office supply request form on the iNET. Office Services will fill the order from supplies maintained in inventory and will deliver the Goods to the Authorized Purchaser. OPERS associates are not permitted to access the central supply facility to obtain their own Common

Use Goods. Office Services budgets for, and establishes and controls minimum inventory quantities for, all Common Use Goods. The Procurement Office will review the cost of Common Use Goods periodically. All costs of Common Use Goods shall be competitive to the then-current market cost for such Goods.

3. Services

a. Services with a Committed Cost of less than $5,000:

No PQ or RFP is required for the purchase of Services with a Committed Cost of less than $5,000. Please note that while no competitive selection information is required, Authorized Purchasers are encouraged to obtain competitive proposals whenever possible. Appropriate Purchasing Documentation is to be maintained by the authorized purchaser. All costs of Services shall be competitive to the then-current market cost for such Services.

Notwithstanding the foregoing, all contracts and/or terms and conditions of any nature must be submitted to Legal for review prior to execution of the contract, regardless of dollar value.

b. Services with a Committed Cost of $5,000 or greater but less than $50,000:

PQs are required for the purchase of Services with a Committed Cost of $5,000 or greater but less than the threshold of $50,000 for the use of the RFP selection process. **OPERS requires the Procurement Office to obtain and document a minimum of three price quotes**. If the Procurement Office is unable to obtain three quotes, the reason for such inability shall be documented before proceeding with the available quotes. Appropriate Purchasing Documentation must be filed with the Procurement Office.

c. Services with a Committed Cost of $50,000 or greater:

The purchase of Services with a Committed Cost of $50,000 or greater requires procurement through the written RFP selection process set forth in this Manual. **OPERS requires the Procurement Office to obtain and document a minimum of three responses to an RFP**. If the Procurement Office is unable to obtain three responses, the reason for such inability shall be documented before proceeding with the available responses, after which selection of a vendor from the responses received is permitted. Appropriate Purchasing Documentation must be filed with the Procurement Office.

The threshold for RFPs for Services will be reviewed periodically and adjustments will be made when appropriate by the Financial Accounting staff. The $50,000 threshold will be adjusted in increments of not less than $10,000.

d. Recruiting and Contract-to-Hire Services

Recruiting services can be categorized in three ways:

(i) Engagement of a recruiter to conduct a search and screen candidates on behalf of

OPERS.

This type of arrangement is subject to the procurement terms set forth in subsections 3.a-c above.

(ii) Payment of a recruiting fee associated with a candidate presented by a recruiter that has not been retained by OPERS.

Provided that OPERS has not entered into an exclusive relationship with a recruiter as described in subsection 3.d.(i) above, and in lieu of using a PQ or RFP selection process, the procurement objectives of open opportunity and competition may be satisfied by posting the vacant job position on the OPERS.org website under "Career Opportunities" for at least two (2) weeks, in conjunction with posting a notice under the "Vendor Opportunities" section of the website that invites recruiting firms to offer candidates for all job vacancies.

Once a suitable candidate is identified, the proposed recruiting fee must be evaluated against comparable transactions or benchmarks, taking into consideration the skill, experience, and availability of such candidates. If the recruiting fee exceeds $5,000, a memo documenting the evaluation shall be included in the final purchasing documentation. Furthermore, normal contract review and approval procedures must be satisfied.

(iii) Contract-to-Hire a candidate by combining a fixed contract period and rate with an option to hire, with or without a conversion fee.

Provided that OPERS has not entered into an exclusive relationship with a recruiter as described in subsection 3.d.(i) above, and in lieu of using a PQ or RFP selection process, the procurement objectives of open opportunity and competition may be satisfied by posting the vacant job position on the OPERS.org website under "Career Opportunities" for at least 2 weeks, in conjunction with posting a notice under the "Vendor Opportunities" section of the website that invites recruiting firms to offer candidates for all job vacancies.

Once a suitable candidate is identified and the vendor has offered a contract-to-hire option, the proposed duration, hourly contract rate, and recruiting/conversion fee (if any) must be evaluated against comparable transactions or benchmarks, taking into consideration the skill, experience, and availability of such candidates. If the recruiting/conversion fee exceeds $5,000, a memo documenting the comparison shall be included in the final purchasing documentation. Furthermore, normal contract review and approval procedures must be satisfied.

4. <u>Combination of Goods and Services</u>

a. Combination of Goods and Services with a Committed Cost of less than $5,000

No PQ or RFP is required for the purchase of combined Goods and Services with a Committed Cost of less than $5,000. Please note that while no competitive selection information is required, Authorized Purchasers are encouraged to obtain competitive proposals whenever possible. Appropriate Purchasing Documentation is to be maintained by the authorized purchaser. All costs of combined Goods and Services shall be competitive to the then-current market cost for such Services.

Notwithstanding the foregoing, all contracts and/or terms and conditions of any nature must be submitted to Legal for review prior to execution of the contract, regardless of dollar value.

b. Combination of Goods and Services with a Committed Cost of $5,000 or greater but less than $50,000

PQs are required for the purchase of combined Goods and Services with a Committed Cost of $5,000 or greater but less than the threshold of $50,000 for the use of the RFP selection process. **OPERS requires the Procurement Office to obtain and document a minimum of three price quotes**. If the Procurement Office is unable to obtain three quotes, the reason for such inability shall be documented before proceeding with the available quotes. Appropriate Purchasing Documentation must be filed with the Procurement Office.

c. Combination of Goods and Services with a Committed Cost of $50,000 or greater

The purchase of combined Goods and Services with a Committed Cost of $50,000 or greater requires procurement through the written RFP selection process set forth in this Manual. **OPERS requires the Procurement Office to obtain and document a minimum of three responses to an RFP.** If the Procurement Office is unable to obtain three responses, the reason for such inability shall be documented before proceeding with the available responses, after which selection of a vendor from the responses received is permitted. Appropriate Purchasing Documentation must be filed with the Procurement Office.

The threshold for RFPs for Combination of Goods and Services will be reviewed periodically and adjustments will be made when appropriate by the Financial Accounting staff. The $50,000 threshold will be adjusted in increments of not less than $5,000.

5. <u>Single Source Justification</u>

Certain Services require the use of a service provider that not only can provide the desired Service, but also possesses organizational characteristics and/or knowledge that provide a unique advantage to OPERS. In many cases, a significant part of this advantage is based on the service provider's reputation or standing in the relevant industry. As an example, if OPERS wishes to engage an advertising firm, the reputation of the firm must be compatible with OPERS' reputation for excellence and integrity. Similarly, Goods that OPERS desires to purchase may only be reasonably available from a single source.

When OPERS, on a single-source basis, engages a Service provider or purchases Goods from a vendor, OPERS must document the justification for such a single source engagement or purchase, using a Single Source Justification document. Such documentation must be approved by the Division Director and the Director of Finance, and is to be retained by the Procurement Office. Single source procurements of the Finance Director must be approved by the Executive Director. Once all parties agree, OPERS need not use the applicable competitive selection process for that procurement.

Approvals of single source engagements or purchases apply only to the specific procurement so approved; they do not apply to additional or renewed procurements from that vendor. Subsequent purchases from the same vendor require additional single source justification documentation and approval.

6. Expense Approval Limits

Standing dollar-limit authorizations for OPERS employees to submit purchase requisitions into the OPERS requisition management system are set forth below.* Such purchase requisitions will follow the applicable selection process and approval tree for the procurement.

Staff - $0
Supervisor - $5,000
Manager - $10,000
Assistant Director - $100,000
Director - unlimited

*Some purchase requisition dollar limits are different than those listed above and are based on OPERS' business needs. In order to deviate from the dollar limits listed above, such deviation must be approved in advance in writing by the applicable Division Director.

7. Vendor Information

a. A W-9 or Request for Taxpayer Identification Number and Certification form must be obtained by an authorized purchaser and be on file before a PO is issued to a vendor.

b. Authorized Purchasers must ensure that all vendors are established within the Microsoft Great Plains financial system before POs are issued or invoice processing is initiated.

D. OPERATION OF SELECTION PROCESSES

The purchase of Non-Common Use Goods or Services shall not be divided into multiple lesser dollar amount transactions to avoid triggering the applicability of any of the procurement selection requirements set forth in this Manual.

1. Purchases of Non-Common Use Goods or Services Not Requiring a PQ or RFP

- Please see the flow chart on page 15, which sets forth the steps in the procurement approval tree for purchases with a Committed Cost of less than $5,000.
- Contracts and/or terms and conditions of any nature relevant to the purchase must be submitted to Legal for review prior to execution of the contract.
- Changes requested by Legal should be made by the vendor prior to signing.
- Whenever possible, the vendor must sign the approved contract first, then the

appropriate OPERS Director will countersign to execute the contract.

- A hard copy of the fully-executed contract must be filed with Legal and Legal will update the contract management database.

The Authorized Purchaser shall contact the vendor to obtain the appropriate Purchasing Documentation and pricing. Non-common Use Goods and/or Services shall be requested by an Authorized Purchaser creating and submitting a requisition in Microsoft Business Portal (Requisition Management). The requisition request shall identify the Authorized Purchaser's name, the date, and the division/unit requesting the purchase. When submitted, the requisition will be processed electronically according to the appropriate approval tree for processing based upon established dollar amount thresholds. The Authorized Purchaser will be notified electronically when the requisition is Final Approved. The Authorized Purchaser will then issue a PO to the vendor and place the order. Appropriate Purchasing Documentation will be maintained by OPERS' Accounts Payable department ("Accounts Payable").

Requisition requests will include:

- Non-Common Use Goods or Services description
- Vendor name
- Account/Activity codes to be charged
- Price
- Quantity
- Unit of measure
- Extended price
- Required date
- Any special instructions or comments

2. <u>Purchases of Non-Common Use Goods or Services Requiring a PQ</u>

- Please see the PQ flow chart on page 16, which sets forth the steps in the procurement approval tree for purchases with a Committed Cost of $5,000 or greater but less than $25,000 for Non-Common Use Goods, or less than $50,000 for Services or a combination of Goods and Services.

- Contracts and/or terms and conditions of any nature relevant to the purchase must be submitted to Legal for review prior to execution of the contract.

- Changes requested by Legal should be made by the vendor prior to signing.

- Whenever possible, the vendor must sign the approved contract first, then the appropriate OPERS Director will countersign to execute the contract.

- A hard copy of the fully executed contract must be filed with Legal and Legal will update the contract management database.

Price quotes to procure Non-Common Use Goods and/or Services are to be obtained through the Procurement Office. Requestors can contact the Procurement Office via telephone, email, or by completing an Online Purchase Request Form located as a quick link on the iNet home page. Submitted Online Purchase Request Forms will generate an email to the Procurement Office staff. The request will identify the Requestor's name, the date, and the division/unit requesting the purchase, as well as the specific information outlined above.

The Procurement Office will contact the Requestor to verify the vendor list and to review purchase specifications and selection criteria. The Procurement Office shall obtain written PQs from at least three vendors. Pursuant to sections C.1.b, C.3.b, and C.4.b above, if the Procurement Office is unable to obtain PQs from three vendors, a written explanation for such inability shall be included in the Purchasing Documentation.

Upon receipt of the PQs, the Procurement Office will contact the Requestor or Project Team to review the PQs and select a vendor. Once a vendor is selected, the Procurement Office will submit the contract and/or terms and conditions of any nature to Legal for review. Contracts must be fully executed and filed in Legal prior to the payment of any invoices. Legal will update the contract management database. Any associate who has edit rights for the contract management database is required to accurately and timely update the database.

When the executed contract is filed in Legal, the Requestor and Procurement Office will determine who will create and submit a requisition in Microsoft Business Portal (Requisition Management). Submitted requisitions will follow the appropriate approval tree for processing based upon established dollar amount thresholds. When the requisition is Final Approved, electronic notification will be sent to the Requestor or Procurement Office and a PO created and issued to the vendor to place the order. The Procurement Office will notify the unsuccessful vendors. Appropriate Purchasing Documentation will be maintained by Accounts Payable.

3. <u>Purchases of Non-Common Use Goods or Services Requiring an RFP</u>

- Please see the RFP flow chart on page 17, which sets forth the steps in the procurement approval tree for purchases of Non-Common Use Goods with a Committed Cost of $25,000 or greater, Services of $50,000 or greater or combinations of Goods and Services with a Committed Cost of $50,000 or greater.

- Contracts and/or terms and conditions of any nature relevant to the purchase must be submitted to Legal for review prior to execution of the contract, along with a copy of the RFP from which the purchase will result.

- Changes requested by Legal should be made by the vendor prior to signing.

- Whenever possible, the vendor must sign the approved contract first, then the appropriate OPERS Director will countersign to execute the contract.

- A hard copy of the fully executed contract must be filed with Legal upon receipt and Legal will update the contract management database.

Requests for Proposals to procure Non-Common Use Goods or Services are to be obtained through the Procurement Office. Requestors can contact the Procurement Office via telephone, email, or by completing the Online Purchase Request Form located as a quick link on the iNet home page. Submitted Online Purchase Request Forms will generate an email to the Procurement Office staff. The request will identify the Requestor's name, the date, and the division/unit requesting the purchase, as well as the specific information outlined above.

The Procurement Office will contact the Project Team to verify the project timeline, vendor list, detailed purchase specifications, evaluation criteria, evaluation matrix or score card, selection team members, and vendor conference details, if applicable. The Procurement Office will incorporate this project-specific information into an approved RFP template and forward it to both Legal and the Project Team for review and approval. The procurement process described in the RFP must be followed once the RFP is issued.

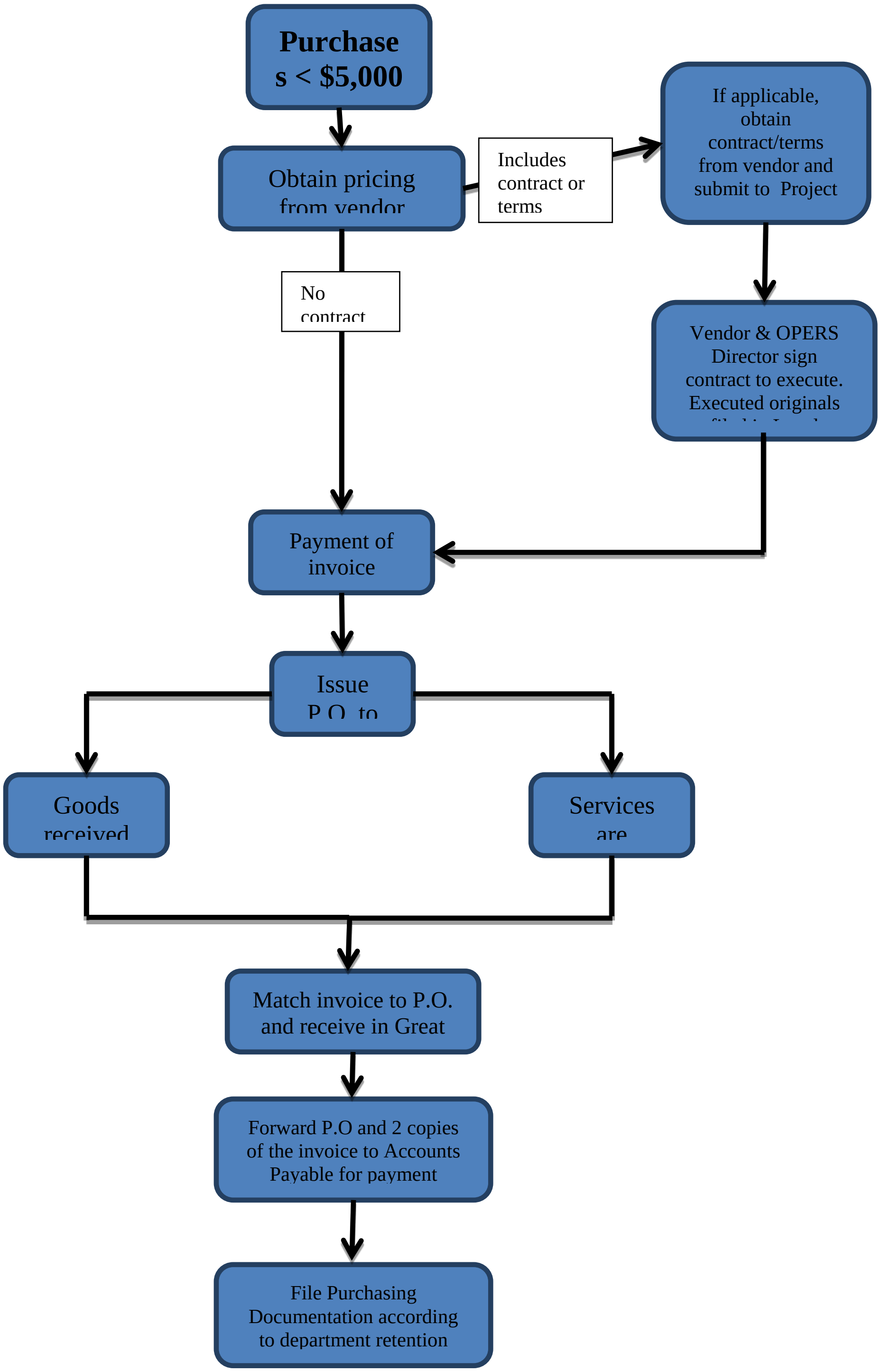
The Procurement Office will post the approved RFP to the OPERS website and send an e-mail notification to all known potentially-qualified vendors. As outlined in the RFP, the Procurement Office will coordinate a vendor conference among vendors, the Procurement Office and the Project Team, as well as post questions and answers from the conference to the OPERS website.

<u>Attachment 1</u> hereto, "RFP Communications Protocols," imposes certain restrictions on communications between vendors responding to an RFP and OPERS. All vendors are restricted from communicating with OPERS in any manner, whether oral, written, electronic or otherwise, that a reasonable person would infer constitutes an attempt to unduly influence the award, denial, or amendment of a contract relating to the RFP, from the time the RFP is issued through final award and approval of the contract or termination of the RFP process.

Upon receipt of written responses from at least three vendors, the Procurement Office will contact the Project Team regarding review of the RFP responses, completing the evaluation matrices or score cards, identifying possible items for negotiation, and selecting a vendor. Pursuant to sections C.1.b, C.3.b, and C.4.b above, if the Procurement Office is unable to obtain responsive proposals from three vendors, a written explanation for such inability shall be included in the Purchasing Documentation.

Once the ranking of finalists has been determined by the Project Team, evaluation matrices or scorecards should be submitted to the Procurement Office and the Procurement Office will contact the highest-scoring finalist to facilitate a sequential negotiation process and submit the resulting contract and/or terms and conditions of any nature to both Legal and the Project Team for review. If a contract is successfully negotiated as a result of the sequential negotiation process, the Procurement Office will submit the executed contract and/or terms and conditions of any nature to Legal to be filed prior to the payment of any invoices. Legal will update the contract management database.

When the executed contract is filed in Legal, the Requestor and Procurement Office will determine who will create and submit a requisition in Microsoft Business Portal (Requisition Management). Submitted requisitions will follow the appropriate approval tree for processing based upon established dollar amount thresholds. When the requisition is Final Approved, electronic notification will be sent to the Requestor or Procurement Office and the Procurement Office will create and issue a PO to the vendor to place the order. The Procurement Office will notify the unsuccessful vendors. Appropriate Purchasing Documentation will be forwarded to the Procurement Office. The Project Team will work directly with the vendor throughout the contract term as Services and/or Goods are provided.


Purchase
s < $5,000
Obtain pricing
from vendor
Includes
contract or
terms
If applicable,
obtain
contract/terms
from vendor and
submit to Project
No
contract
Vendor & OPERS
Director sign
contract to execute.
Executed originals
Payment of
invoice
Issue
P.O. to
Goods
received
Services
are
Match invoice to P.O.
and receive in Great
Forward P.O and 2 copies
of the invoice to Accounts
Payable for payment
File Purchasing
Documentation according
to department retention

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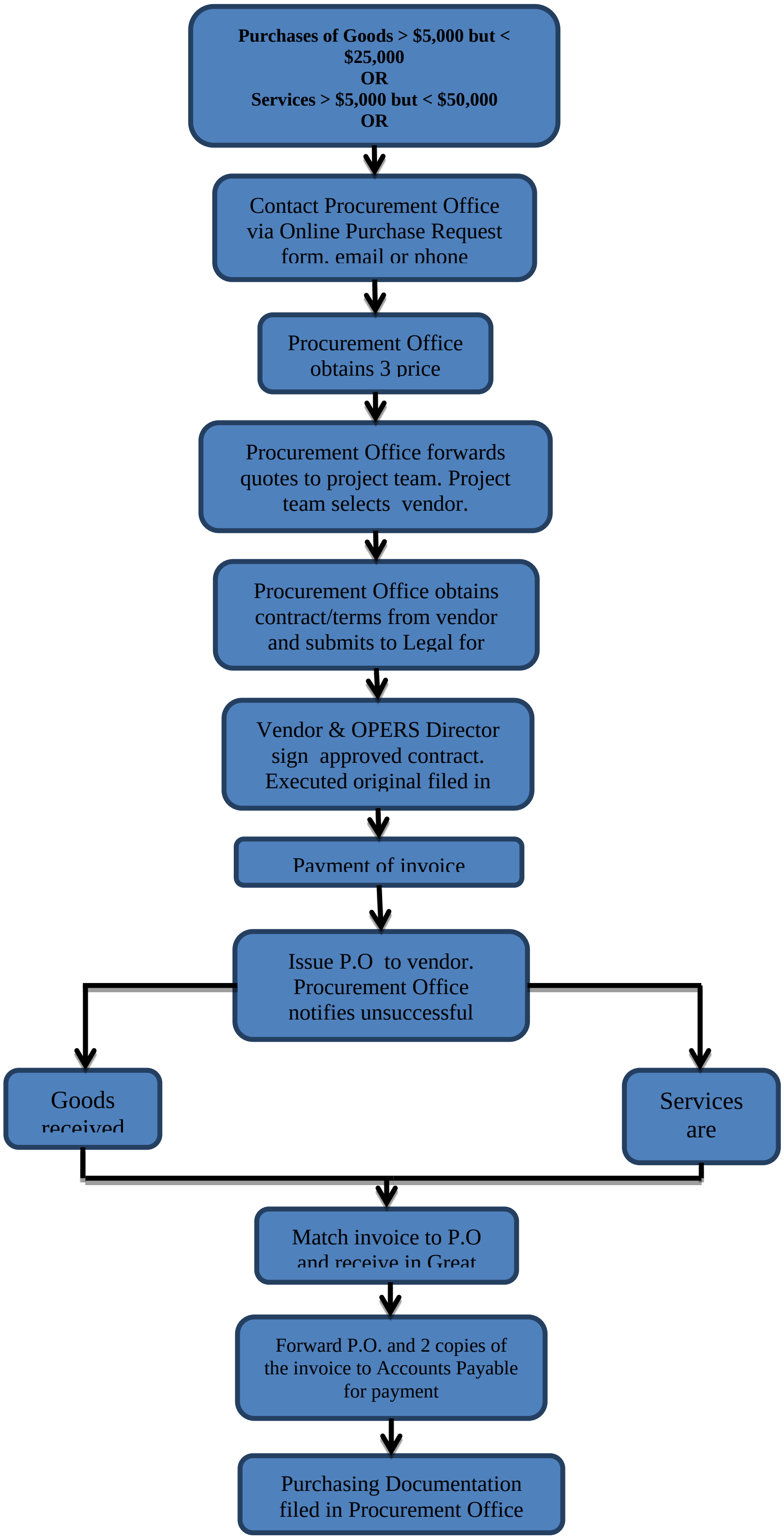
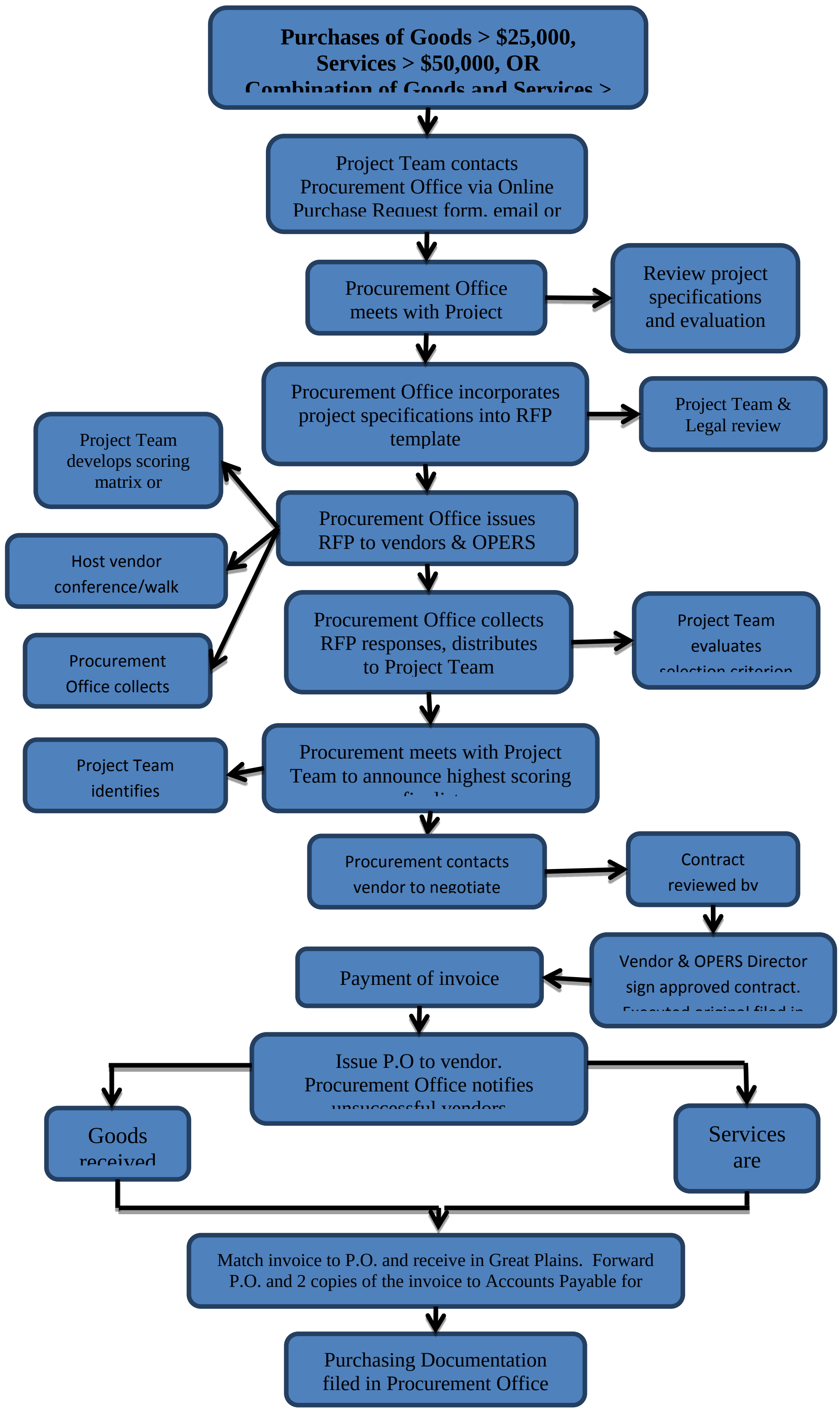

Purchases of Goods > $5,000 but < $25,000
OR
Services > $5,000 but < $50,000
OR
Contact Procurement Office via Online Purchase Request form, email or phone
Procurement Office obtains 3 price
Procurement Office forwards quotes to project team. Project team selects vendor.
Procurement Office obtains contract/terms from vendor and submits to Legal for
Vendor & OPERS Director sign approved contract. Executed original filed in
Payment of invoice
Issue P.O to vendor. Procurement Office notifies unsuccessful
Goods received
Services are
Match invoice to P.O and receive in Great
Forward P.O. and 2 copies of the invoice to Accounts Payable for payment
Purchasing Documentation filed in Procurement Office


Purchases of Goods > $25,000, Services > $50,000, OR Combination of Goods and Services >
Project Team contacts Procurement Office via Online Purchase Request form, email or
Procurement Office meets with Project
Review project specifications and evaluation
Procurement Office incorporates project specifications into RFP template
Project Team & Legal review
Project Team develops scoring matrix or
Procurement Office issues RFP to vendors & OPERS
Host vendor conference/walk
Procurement Office collects
Procurement Office collects RFP responses, distributes to Project Team
Project Team evaluates
Procurement meets with Project Team to announce highest scoring
Project Team identifies
Procurement contacts vendor to negotiate
Contract reviewed by
Vendor & OPERS Director sign approved contract.
Payment of invoice
Issue P.O to vendor. Procurement Office notifies
Goods received
Services are
Match invoice to P.O. and receive in Great Plains. Forward P.O. and 2 copies of the invoice to Accounts Payable for
Purchasing Documentation filed in Procurement Office

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E. REQUESTS FOR INFORMATION

An RFI process may to be used when OPERS does not possess information sufficient to adequately define specific Goods and/or Services to be purchased without obtaining additional information from potential vendors.

To issue an RFI, Authorized Purchasers must obtain an approved RFI template from the Procurement Office to solicit vendor responses. RFI requests should contain all relevant information and must be reviewed and approved by Legal prior to issuance. RFI responses are maintained by the Authorized Purchaser who has issued the RFI and will be used as reference for the next steps in the procurement process as stated above.

F. RECEIVING

1. Goods

Office Services shall notify the Authorized Purchaser when purchased Goods have been received. Office Services will be responsible for accepting the Goods, performing a visual inspection to confirm the condition of the Goods and conformity to the applicable PO, counting the items, signing for the receipt of the Goods, and forwarding all receiving documentation to the Authorized Purchaser. The only exceptions to this procedure will be:

- If the Authorized Purchaser has asked to specifically receive and inspect the Goods for conformity, and sign for them upon receipt; or

- The Goods are of a technical nature and Office Services requests that the Authorized Purchaser inspect the Goods to ensure that they conform to the PO.

Office Services will make arrangements to deliver the Goods or have the Authorized Purchaser pick-up the Goods from a designated location after receipt and inspection have been made. In the event an Authorized Purchaser is unavailable to perform the necessary inspection, Office Services will secure the Goods and the inspection can be performed. Both Office Services and the Authorized Purchaser are required to sign and date the receiving documentation.

OPERS associates are not permitted to have personal or non-business-related items (*e.g.*, subscription magazines, packages, etc.) delivered or billed to OPERS. Items for personal use, including those ordered from mail-order catalogs, will be returned to sender.

2. Services

The Project Team will work directly with the vendor as Services are provided. After Services are provided to the satisfaction of the Project Team, the vendor shall provide a service order acknowledgement to OPERS for signature. This acknowledgement will act as the receiving documentation for the transaction.

G. INVOICING

If a purchase is under $5,000, the Authorized Purchaser will match the receiving documentation against the invoice and PO and forward to Accounts Payable to process for payment. All Purchasing Documentation will be kept by the Authorized Purchaser.

If a purchase is $5,000 or greater, the Authorized Purchaser, or Procurement Office if requested, will match the receiving documentation against the invoice and PO and forward to Accounts Payable to process for payment.

H. EXCLUSIONS FROM THIS MANUAL

This Manual does not apply to the following purchases, which are covered under separate OPERS policies pertaining to each type of purchase:

- Purchases and sales of investment assets or real property
- Selection of investments and investment managers
- Services purchased by Commission Sharing Agreements
- Individual travel arrangements covered by the OPERS Travel & Expense Policy
- Legal services
- Banking services that are subject to Treasurer of State and/or Board of Deposits recommendations
- Audit services which are subject to Auditor of State recommendations

I. INCREASES IN PROJECT/PROCUREMENT COST

Sometimes the scope of a project/procurement may need to increase during the course of the project/procurement. This often occurs as a result of the need for additional and related functionality or a change in assumptions or circumstances underlying the initial procurement.

It is permissible for the project/procurement cost to be increased due to increases in the scope of the project by up to 10% of the original contract amount for operating expenditures and/or by up to 20% of the original contract amount for capital expenditures, without OPERS obtaining a PQ for the scope change. Additional project hours must be paid at the same rate as the original project hourly rate.

Once a project/procurement price increase exceeds the foregoing thresholds, the Project Team must request additional PQs from all respondents to the original RFP. This may be accomplished on an expedited basis. In choosing which PQ to accept, the Project Team may take into account a vendor's knowledge of the project. Results of the PQ, along with the proposed solution to the cost increase, must be approved by the Division Director and be included as supporting Purchasing Documentation.

In lieu of obtaining any otherwise required additional PQs for a project/procurement cost increase, the Project Team may submit a written memo to the OPERS Board providing details on the project and scope change, the identity of the respondents to the original RFP, and the bases for the Project Team's recommendation for approval of the cost increase with the current vendor. The Board must be notified of the recommendation and be provided with an opportunity to express concerns. This option is only available for projects with costs that exceed the original contract amount by the above referenced thresholds, but do not exceed 200% of the original contract amount. Projects with any costs that exceed 200% of the original contract amount require a new RFP.

J. LONG-TERM CONTRACTUAL RELATIONSHIPS WITH A VENDOR

Periodically, it is in the best interest of OPERS to maintain a long-term (in excess of five (5) years) contractual relationship with a vendor for a particular procurement. This section sets forth terms and conditions under which OPERS may maintain a contractual relationship with a vendor for a particular procurement for longer than five (5) years.

1. <u>Initial Contract Terms</u>

OPERS' standard policy is that a contractual relationship with a vendor for a particular procurement should be no longer than five (5) years, and should be subjected to the applicable competitive procurement process no less often than every five (5) years, whether the five-year business relationship results from a single contract term or renewals of shorter contract terms, unless documented facts and circumstances support maintaining a longer contractual relationship with that vendor for the procurement. The documentation of such facts and circumstances supporting maintaining a longer contractual relationship must be approved by the Division Director and the Finance Director and is to be retained by the Procurement Office. Procurements under this section by the Finance Director must be approved by the Executive Director.

A standard contract may be renewed throughout an initial five (5) year period, subject to a maximum annual increase of 10% of the original contract amount per renewal, but is to be put through the applicable competitive procurement process after the contractual relationship with the vendor has been in effect for five (5) years for the procurement.

<u>Example</u>: OPERS enters into an annual maintenance contract for office equipment with a vendor. After the original one-year term, the annual contract with that vendor can be renewed four times, so long as each annual increase in the cost of the contract does not exceed 10%. After the fourth annual renewal, the procurement must be put through the applicable competitive procurement process.

2. <u>Business Advantage Exception for Renewals Without Competitive Selection Process</u>

OPERS may extend an existing contractual relationship with a vendor for a particular procurement beyond a period of five (5) years without subjecting the procurement to the applicable competitive selection process, if OPERS reasonably concludes that there is a clear business advantage to do so; *provided, however*, that <u>**all**</u> of the following requirements must be met:

- OPERS documents the business advantage that supports forgoing the applicable competitive selection process for the procurement, including any savings or efficiencies that OPERS obtains by continuing the existing vendor relationship without subjecting the procurement to the applicable competitive selection process;

- Both OPERS and the vendor wish to extend the contractual relationship beyond a five-year term without subjecting the procurement to the applicable competitive selection process;

- The vendor has demonstrated satisfactory performance under the existing contract(s);

- OPERS entered into the primary business relationship with the vendor through an RFP; and

- The cost of the Goods and/or Services is competitive to the then-current cost for such Goods or Services.

Failure to meet these requirements will necessitate subjecting the procurement to the applicable competitive selection process. In addition, the documentation of the business advantage of foregoing the applicable competitive selection process must be approved by the Division Director and the Finance Director and is to be retained by the Procurement Office. Procurements under this section by the Finance Director must be approved by the Executive Director.

A clear business advantage pursuant to this section is manifested when any of the following three elements are present:

- A current vendor can commence a project with a very short lead-time due to familiarity with OPERS operations and the vendor has personnel immediately available who are already familiar with the OPERS account;

- An RFI completed during the planning stage indicates that the current, or recent, vendor will likely perform the task more efficiently and complete the task timelier due to their knowledge of OPERS internal systems and governing statutes; and

- OPERS' management can substantiate that the cost of the services is competitive when considering the current market rates for such services and the savings gained from having the services performed more efficiently.

Any extensions of contractual relationships with vendors as provided in this section shall be limited to a term of five (5) years, unless an extension for a longer period is approved by the Executive Director.

3. <u>Computer Software Exception</u>

Computer software license agreements and maintenance renewals may run for a period of time concurrent with the useful life of the software and are not required to be put through the applicable competitive selection process for the sole reason that they extend beyond a period of five (5) years. However, application software must be reviewed and evaluated for relevance, currency, and on-going cost at least once every five (5) years. Contracts for the repair and/or maintenance of hardware assets are to be subjected to the applicable competitive selection process as set forth in this Manual.

4. <u>Blanket Purchase Orders</u>

Blanket purchase orders end when the contract ends. Blanket purchase orders will be subject to re-evaluation at the time of renewal.

5. Peer Review Exception

OPERS maintains contractual relationships with vendors in various industries. In some industries (*e.g.*, actuarial, auditing, etc.), it is common for service providers to be subject to periodic peer reviews. In such industries where the vendor has been peer reviewed, OPERS may maintain a business relationship with the vendor for up to ten (10) years without putting the procurement through the applicable competitive selection process, subject to the following conditions:

- Within the twenty-four (24) months immediately preceding the five-year anniversary of OPERS' contractual relationship with the vendor , the vendor has undergone a formal peer review process and OPERS is provided with:

  ► The full peer review document (*i.e.*, results of the peer review); and

  ► Uncensored and unlimited access to the reviewing firm and/or individuals who performed the peer review.

- OPERS entered into the primary business relationship with the vendor through an RFP.

- The cost of the Goods and/or Services is competitive to the then-current cost for such Goods or Services.

- The peer review does not contain comments or recommendations that are adverse to the vendor providing the Goods and/or Services.

6. Emergency Services

In situations of unusual or compelling urgency, wherein OPERS must acquire immediate assistance in restoring critical systems or life safety functions, OPERS may obtain such services without adhering to the requirements for competitive selection set forth in this Manual. Such situations are expected to be infrequent and of short duration. The appropriate Division Director or Executive Director must provide written approval of the procurement of such emergency services prior to the purchase by OPERS.

K. APPLICABILITY OF THIS MANUAL

The provisions of this Manual are applicable to all OPERS procurements or acquisitions that come within its scope. Furthermore, OPERS, in its sole discretion, may apply the provisions of this Manual to procurements or acquisitions that are excluded from this Manual or otherwise are not covered by its scope.

L. CONSTRUCTION SERVICES

This section applies only to construction projects related to OPERS and excludes any components of the OPERS real estate investment portfolio. Construction projects will be approved by the Board via the budget and are subject to the RFP process.

Prevailing wage rates are applicable for new construction in excess of $50,000 and for building improvements in excess of $15,000.

M. PROCUREMENT ETHICS POLICY

It is the policy of OPERS to carry out its mission in accordance with the strictest ethical guidelines and to ensure that associates conduct themselves in a manner that fosters public confidence in the integrity of OPERS, its processes, and its accomplishments. The Procurement Office staff and all other employees participating in any procurement process must abide by the following standards:

1. Soliciting or accepting anything of value from anyone doing business or seeking to do business with OPERS is strictly prohibited.

2. Conflicts of Interest.

   a. Vendor conflicts of interest must be disclosed on a timely basis and any conflicts that arise must be resolved.

   b. Employees may not vote, authorize, recommend, or in any other way use their positions to secure approval of an OPERS procurement with any vendor in which the employee, a family member, or anyone with whom the employee has a personal business or employment relationship, has an interest.

3. Authorized Purchasers are prohibited from using or disclosing confidential information protected by law, unless appropriately authorized.

4. Business with current and potential vendors will be conducted with honesty and integrity, void of any misrepresentation.

5. OPERS employees are prohibited from using the Procurement Office to make personal or private purchases (including, but not limited to, new and used equipment, subscriptions, materials, and supplies).

Authorized Purchasers must conduct themselves at all times in a manner that avoids the appearance of favoritism, bias, or impropriety.

ATTACHMENT 1: Communication Protocols for Communications Between RFP Vendors and OPERS

These Communication Protocols impose certain restrictions on communications between OPERS and potential vendors ("Vendors") responding to an OPERS RFP.

Vendors are restricted from communicating with OPERS in any manner, whether oral, written, electronic or otherwise, that a reasonable person would infer constitutes an attempt to unduly influence the award, denial, or amendment of a contract (a "Prohibited Communication"), from the time the RFP is issued, through the final award and approval of the contract or termination of the RFP, other than as set forth herein. In the event that a Vendor communicates with an OPERS officer, employee or Board member between the time the RFP is issued through final award and approval of the contract or termination of the RFP, the following requirements shall apply:

1. The OPERS officer, employee or Board member receiving such communication shall immediately report such communication to OPERS' Legal department.

2. The applicable OPERS Division Director shall determine, in consultation with OPERS' Legal department, whether the communication constitutes a Prohibited Communication.

3. If it is determined that the communication did constitute a Prohibited Communication, the Vendor shall be immediately disqualified from the RFP process.

The following communications channels are permissible for Vendors to communicate with OPERS to ensure that no violations of these Communication Protocols occur:

- **RFP Vendor Conferences:** OPERS may provide in an RFP that it may host a pre-proposal vendor conference for all interested Vendors. If such a conference is held, the RFP shall state the date and time of the conference. At the pre-proposal conference, OPERS may describe the applicable RFP process and key terms of the procurement, and answer questions to the extent possible regarding any material included in the RFP. Presentation materials from the vendor conference will be posted to the OPERS website.

- **Question and Answer Period:** OPERS shall notify Vendors that questions about an RFP must be submitted to OPERS via email to an email address designated in the RFP on or before a date set forth in the RFP. Questions submitted and OPERS' responses to such questions shall be posted on the OPERS website. OPERS will not post the identity of the Vendor who submitted the question. OPERS will review and attempt to answer all questions in good faith. However, OPERS reserves the right to not answer any question submitted by a Vendor.

- **Supplemental Questions:** OPERS may, after an RFP has been posted, post to the OPERS website supplemental RFP questions for Vendors to answer. If such supplemental questions are posted by OPERS, Vendors shall respond to such questions according to the instructions included with the supplemental questions.

- **Finalist Presentations:** After the submission of RFP proposals and during the evaluation process, OPERS may, in its sole discretion, request any or all Vendors to make oral presentations to answer questions OPERS has regarding their proposals. Not all Vendors must be asked to make such oral presentations.

- **Additional Information:** OPERS may, but is not obligated to, request additional information and materials from any Vendor for evaluation of its proposal. Information submitted by a Vendor absent a request by OPERS that is not in the nature of a correction or clarification to the proposal will not be considered. A Vendor must immediately notify OPERS if any information in a proposal becomes invalid or untrue prior to the completion of the RFP process. OPERS may disqualify a Vendor from further consideration if the Vendor fails to immediately notify OPERS of invalid or untrue information, or fails to respond to OPERS' request for additional information and materials. OPERS shall have no obligation to inform any Vendor of any deficiency in its proposal.

L//.CERA

February 27, 2019

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: March 13, 2018 Board of Investments Meeting

SUBJECT: **BOARD OF INVESTMENTS 2019 OFFSITE TENTATIVE AGENDA**

The Board of Investments ("BOI") is scheduled to have its annual offsite at the Loews Santa Monica Hotel on Monday, July 1, 2019 and Tuesday, July 2, 2019. The following is the tentative agenda for the event:

<u>Monday, July 1</u>
AM – Actuarial Discussion and Long-term Economic Forecast,
Update on Key Investment Division Initiatives
PM – Internal Management Lessons from Peer Institutions,
Standing Committees Self-evaluation,
Geopolitical Risk Assessment

<u>Tuesday, July 2</u>
AM – Congressional Visit (pending availability),
CA FPPC Statement of Economic Interest - Form 700 Update,
Cybersecurity Discussion
PM – Corporate Governance Committee Meeting,
BOI July Meeting

BACKGROUND

In an effort to develop a responsive and engaging agenda, the Board Chair and Vice Chair, the Chief Executive Officer, the Chief Counsel and the Chief Investment Officer ("Working Group") held a conference call on February 7 to begin planning the July 2019 BOI offsite. At that meeting, the Working Group considered various topics for the agenda. The ideas were based on the categories in the 2019 investment division work plan, as discussed with the BOI at its January 2019 meeting:

- Execute Strategic Asset Allocation
- Enhance Operational Effectiveness
- Optimize Investment Implementation Model
- Maximize Ownership Rights and Stewardship
- Strengthen Influence on Fees and Cost of Capital
- Other Cross Work Plan Topics

The Working Group also discussed ideas raised by BOI members since the prior offsite in July 2018. The Working Group then asked the BOI to rank 16 potential topics through a poll. The survey also included a write-in section for other ideas. Upon completion of the poll, the Working Group reconvened via another conference call. A proxy for the Chief Counsel joined the Working Group for this teleconference. During the call, the Working Group reviewed responses to the poll. The top six items of interest identified by the BOI in the poll are included in the tentative agenda.

Two additional items are also included. The first item is an evaluation of the Standing Committees per the Board's prior direction. The second item, the State of Economic Interest - Form 700, is added as an update on the compliance requirements for LACERA's business partners.

The Working Group also identified the next three highest ranked topics in the event that there are scheduling difficulties with presenters for any of the higher scoring items. These are:

- Investment Culture and Staffing
- Investment Account Structures and Vehicles
- Private Equity Terms and Trends

The Working Group then considered the tentative agenda indicated above for the July BOI offsite. Following a discussion, the Board Chair and Vice Chair asked that this memorandum be prepared and submitted to the BOI for its March meeting.

Over the next several months, staff will be working with key partners to develop content for these topics and invite select outside speakers. These third parties will be instructed to avoid sales pitches and focus their remarks on identified educational topics.

Staff welcomes the Board's comments.

JG:cq

LACERA

March 4, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Lou Lazatin
Chief Executive Officer

Steven P. Rice SPR
Chief Counsel

FOR: March 13, 2019 Board of Investments Meeting
March 14, 2019 Board of Retirement Meeting

SUBJECT: Additional Information Regarding Potential Use of E-Voting Procedure for Board Elections

At the January 9 and 10, 2019 Board meetings, the Board of Investments and Board of Retirement provided input to staff regarding the County of Los Angeles's plan to utilize e-voting in the 2019 Board elections, which will be for the safety member seats on both Boards, and in future elections for other seats. On January 17, 2019, the Chief Executive Officer (CEO) sent a letter to the County presenting the LACERA Boards' comments and concerns. A copy of the CEO's letter is attached.

On February 12, 2019, the County responded with a letter providing additional information. A copy of the County's letter is also attached. Highlights of the County's response include: (1) the County intends to offer at least one alternative to e-voting in this year's elections; (2) the County shares the Boards' concerns regarding retired voters and ensuring accessibility to the voting process by providing a voting alternative; (3) the County's vendor selection process has included a focus on measures to address security, confidentiality, and privacy; and (4) the County provides additional information regarding operational details of e-voting.

The County is in the final stages of vendor selection and election planning. However, if the Boards have additional comments, there is still time to share them.

.Attachments

c: Lou Lazatin
JJ Popowich
Jonathan Grabel

L//.CERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6000

January 17, 2019

Ms. Kathy Markarian
Deputy Executive Officer
County of Los Angeles
Board of Supervisors
500 West Temple Street, Room 383
Los Angeles, California 90012

Re: **E-Voting Solution for LACERA Board Elections**

Dear Ms. Markarian:

Thank you for sharing the County's plan to consider electronic voting for this year's Board of Retirement and Board of Investments safety member elections. LACERA staff discussed the e-voting concept with both Boards. While the Boards are supportive of the use of this technology, the trustees have some thoughts and concerns that I will share with you in this letter.

In summary, the trustees believe that e-voting may be an appropriate technology for this year's safety elections because safety members as a group are familiar with technology and should have little difficulty using it; the trustees agree that an e-voting process may increase voter participation for this group. The trustees are also supportive of the sustainability and cost reduction goals of e-voting. However, as to general and retired members, the trustees are greatly concerned that certain of the general membership and many retirees either will not have access to a computer or will not be comfortable with technology, and therefore might be unable to vote or discouraged from voting. If e-voting is used in future general and retired member elections, the trustees believe it is important that alternative voting procedures, such as paper ballots or telephonic voting also be offered, as CalPERS does to complement its e-voting option. The trustees also suggest that there be a focus on computer education if e-voting is rolled out to general and retired members, which will have the collateral benefit of increasing the familiarity of these members with technology more broadly.

Specific comments and questions from LACERA's Boards and staff include:

1. Alternative voting procedures. Trustees are interested in whether alternative voting procedures will be offered in addition to e-voting, this year or in the future. This is not a major concern for the upcoming safety elections, although since this is a transitional year, it may be appropriate to offer alternatives even in 2019 to test the e-voting process, gauge member preferences for the various alternatives, and assess the process in an environment that does not place complete reliance upon e-voting.

2. Retirees and general members. The Boards believe that many retirees and general members may face difficulties, and could even be unable to vote, if the only available method is electronic. With regard to retirees, age and disability were mentioned as factors, as well as lack of access to a computer or lack of familiarity with computer technology. One trustee noted that the Retired Employees of Los Angeles County (RELAC) recently sent almost 1,000 holiday cards to retirees 90 years of age or older. Another trustee noted the possibility that up to half of retired members may be unable to effectively access or utilize e-voting. Similarly, some general members are likely to lack computer access and experience. The trustees observed that computer education, if offered in connection with elections, could help mitigate, if not completely eliminate, these concerns over time.

3. Security, Confidentiality, and Privacy. The trustees would like to learn more about the security processes that will be employed to ensure the integrity of the election against hacking and other improper use, including the log in process so that only eligible voters can access the system during the voting, steps to ensure only one vote can be cast per eligible voter, and protection of member information and election results and data. The trustees also wish to protect the confidentiality and privacy of individual member information and the vote cast by each member.

4. Operational details. The trustees are interested in exactly how e-voting will work and be implemented, such as:

    a. Who is the vendor? What is their experience and track record? What was the vendor selection process, *e.g.*, was an RFP run? What were the minimum qualifications? When the vendor agreement is available, LACERA is interested in receiving a copy.

    b. How will the election be announced and instructions provided? Will it only be by email or will mail notice also be provided even if the votes are to be cast electronically? Will reminder notices be provided?

    c. How will votes be cast? What is the user interface? What steps will be taken to prevent more than one vote being cast by a member? Can a member's vote be changed by the member during the election?

    d. Will members be able to vote at any time from their personal computers and mobile devices or only from within the County IT environment during the workday? If personal devices are permitted, trustees mentioned the importance of permitting voting from members' smartphones.

    e. What support will be offered to assist members with questions during the election? Will there be a helpdesk?

f. How will votes be counted? How will the outcome be certified? What other data on the election will be collected?

g. How will the e-voting process and its benefits, as well as the entire election process, be affected if more than one voting option is available?

h. What will be the County's role in the election compared to prior years? How will the Board of Supervisors' election resolutions be different?

We appreciate the County's collaboration in seeking the input of LACERA and its Boards. We look forward to receiving additional information so that we can share it with our Boards. We would be happy to meet with you again if that is a beneficial means of further discussing the elections and e-voting.

Best regards,

Lou

Lou Lazatin
Chief Executive Officer

c: Don Garcia, Division Chief, County of Los Angeles, Executive Office
Steven P. Rice, Chief Counsel, LACERA

COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 383
LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 • FAX (213) 620-0636

CELIA ZAVALA
EXECUTIVE OFFICER

February 12, 2019

Lou Lazatin
Chief Executive Officer, LACERA
300 N. Lake Avenue
Pasadena, CA 91101

SUBJECT: **E-VOTING SOLUTION FOR LACERA BOARD ELECTIONS**

Dear Ms. Lazatin:

Thank you for discussing our proposed electronic voting solution with the LACERA Boards and for providing their comments and questions. We are happy to hear that they are supportive of the idea and appreciate the opportunity to address any concerns. We believe that our responses below will alleviate the concerns.

Following are the comments/questions from your January 17, 2019, letter along with our responses.

1. <u>Alternative voting procedures</u>. Trustees are interested in whether alternative voting procedures will be offered in addition to e-voting, this year or in the future. This is not a major concern for the upcoming safety elections, although since this is a transitional year, it may be appropriate to offer alternatives even in 2019 to test the e-voting process, gauge member preferences for the various alternatives, and assess the process in an environment that does not place complete reliance upon e-voting.

<u>Executive Office Response:</u>

Aside from the e-voting method, we intend on offering at least one alternative voting option, such as, telephone voting and/or a paper ballot. While we believe that cost reduction and sustainability are important factors, we agree that complete reliance should not be placed upon e-voting during this transition. We are still exploring the costs associated with the alternative options and will apprise LACERA of the final decision.

2. <u>Retirees and general members.</u> The Boards believe that many retirees and general members may face difficulties, and could even be unable to vote, if the only available method is electronic. With regard to retirees, age and disability were mentioned as factors, as well as lack of access to a computer or lack of familiarity with computer technology. One trustee noted that the Retired

Employees of Los Angeles County (RELAC) recently sent almost 1,000 holiday cards to retirees 90 years of age or older. Another trustee noted the possibility that up to half of retired members may be unable to effectively access or utilize e-voting. Similarly, some general members are likely to lack computer access and experience. The trustees observed that computer education, if offered in connection with elections, could help mitigate, if not completely eliminate, these concerns over time.

Executive Office Response:

We share the same concerns with regards to the retired members and their possible inaccessibility to vote electronically, and agree that an alternative method to e-voting should also be offered. As mentioned above, we are still exploring the various alternative voting options but agree that e-voting should be supplemented with an alternative voting method for those who are unable/unwilling to vote electronically.

3. Security, Confidentiality, and Privacy. The trustees would like to learn more about the security processes that will be employed to ensure the integrity of the election against hacking and other improper use, including the log in process so that only eligible voters can access the system during the voting, steps to ensure only one vote can be cast per eligible voter, and protection of member information and election results and data. The trustees also wish to protect the confidentiality and privacy of individual member information and the vote cast by each member.

Executive Office Response:

Security, confidentiality, and privacy are our top priorities for the upcoming LACERA elections. Our Request for Bid requirements were based on high security standards and approved by our Information Security Officer. The potential E-Voting vendors were asked to elaborate in their bid proposals on the security measures that would be in place to ensure:

- Accuracy of votes by using sophisticated security features embedded within voter credentials that guarantees one vote per eligible voter across all voting platforms
- Added layer of authentication credential for voters accessing the e-voting system, such as verification of the voters' date of birth
- Firewalls and encrypted systems to prevent fraud, digital manipulation of the election results, and security against automated systems accessing the web
- Complete anonymity of candidate selections made by voters by requiring digital separation of the user and the candidate selection stored electronically.
- Availability of a detailed audit trail of the voting process
- Security of hardware/software housed in the vendor's facility
- Data is maintained by redundant backups performed by vendor

All vendor proposals will be evaluated by our IT experts to ensure that the safeguards proposed by the vendors are sufficient. We will be happy to share the details with LACERA and its Board Members once a vendor has been identified.

4. Operational details

a. **Who is the vendor? What is their experience and track record? What was the vendor selection process, *e.g.*, was an RFP run? What were the minimum qualifications? When the vendor agreement is available, LACERA is interested in receiving a copy.**

Executive Office Response:

The vendor has not yet been selected. We solicited bids from five potential vendors and received three bids from Simply Voting, eBallot, and Scytl. The minimum qualifications aside from meeting the requirements described in our scope of work included: minimum of five years of experience hosting online elections, provide detailed verifiable references, and demonstrate having experience with handling large voter population including governmental agencies. Once a vendor is selected, we will be happy to provide LACERA and its Board Members a copy of the purchase order.

b. **How will the election be announced and instructions provided? Will it only be by email or will mail notice also be provided even if the votes are to be cast electronically? Will reminder notices be provided?**

Executive Office Response:

Similar to past elections, we will send Department Heads and Election Coordinators information about the upcoming election. We will also send an email blast to applicable Departments regarding the nomination of candidates, and include language on Mylacounty.gov reminding Safety Members about voting. We would also be happy to work LACERA on any notification efforts such as providing members with information through LACERA's newsletter. In addition to our normal course of business, the added benefit of utilizing the new e-voting vendor is the ability to send customized emails to Safety Members notifying voters about the upcoming new electronic/alternative voting method as well as providing them with their voting credentials. Members without valid email addresses will be notified about the new system and voter credential via secured US mail. The new e-voting system will also allow us to send reminder emails to those Safety Members who have not yet voted during the election period.

c. **How will votes be cast? What is the user interface? What steps will be taken to prevent more than one vote being cast by a member? Can a member's vote be changed by the member during the election?**

Executive Office Response:

Voters would be directed to a website requiring that they login using their credentials and verifying the added security measure (i.e. DOB). A digital ballot containing candidate statements will be presented similar to paper ballots, and the voter will be asked to make a selection for each seat. The voter will then be prompted to review their selection before submitting the ballot as final, or return to the ballot to make changes. Once the final ballot has been submitted, a confirmation number will be generated for the voter and the ballot would be cast as final. As indicated in question #3, our scope of work required that the credentials of each voter be sophisticated enough to ensure that only one vote per voter can be cast, regardless of the voting method.

d. **Will members be able to vote at any time from their personal computers and mobile devices or only from within the County IT environment during the workday? If personal devices are permitted, trustees mentioned the importance of permitting voting from members' smartphones.**

Executive Office Response:

Our minimum requirement in our scope of work indicates that the vendor must offer a system that shall be compatible with all major internet browsers and on smart phones, tablets, and other common digital devices that have internet access.

e. **What support will be offered to assist members with questions during the election? Will there be a helpdesk?**

Executive Office Response:

As always, the Executive Office will be available to assist with voter issues. The vendor will list contact information for the Executive Office on their website, so that voters can contact the Executive Office or their Departmental Election Coordinators with questions. We are also exploring the possibility of a help desk provided by the vendor, and will provide the details of this option once a vendor has been selected. However, as indicated by several of the vendors, most voter questions generally pertain to things that require a response by the customer (i.e. Executive Office), rather than the vendor.

f. **How will votes be counted? How will the outcome be certified? What other data on the election will be collected?**

Executive Office Response:

Electronic and telephone votes will be tallied similar to paper ballots, except it will be done electronically and verified against several levels of security credentials, including audit trails and tracking of IP addresses. The vendor will certify the results after the election period and will provide us with additional data such as the number of votes received by the various voting methods. We have also requested that the vendor provide us with ongoing data throughout the election period regarding bounced emails, returned mail, and any other discrepancies so that solutions may be provided before the election period is closed.

g. **How will the e-voting process and its benefits, as well as the entire election process, be affected if more than one voting option is available?**

Executive Office Response:

We believe that the enhanced process and alternative voting options would increase voting participation and simplify the voting process.

h. **What will be the County's role in the election compared to prior years? How will the Board of Supervisors' election resolutions be different?**

Executive Office Response:

The County's role will still require that we oversee and maintain the integrity of the process. The resolutions will be updated to reflect the election process selected. With the new e-voting system, the Registrar-Recorder/County Clerk (RR/CC) will not be involved in tallying and certifying election results since the vendor would be required to provide this service. However, the RR/CC will continue to review and validate candidate statements.

Thank you again for taking the time to provide us with this feedback. We are committed to working together to ensure that security remains a top priority and that the concerns of the LACERA Board Members are heard.

We will provide you with an update once a vendor has been selected. In the meantime, if you have any additional questions, I can be reached at (213) 974-2553.

Sincerely,

Kathy Mark

Kathy Markarian
Deputy Executive Officer

KM:dg:ak

c: Steven Rice, General Counsel, LACERA
Don Garcia, Division Chief, Executive Office

S:\LACERA e-Voting\Emails and Letters

FOR INFORMATION ONLY

February 28, 2019

TO: Each Member
Board of Investments

FROM: Jonathan Grabel
Chief Investment Officer

FOR: March 13, 2019 Board of Investments

SUBJECT: **IMPLEMENTATION UPDATE ON LACERA PENSION TRUST STRATEGIC ASSET ALLOCATION**

At the May 9, 2018 Board of Investments meeting (BOI), the Board approved a new Strategic Asset Allocation (SAA) for LACERA's Pension Trust. At the July 9, 2018 BOI Offsite, a prospective implementation plan was reviewed.

During the BOI Offsite, staff noted that the SAA could be prudently implemented in the next 12 to 24 months. **Table 1** below summarizes the status of the actions and reports as well as the timeline for transitioning to the new SAA targets. Future items that require BOI approval will be placed on the agenda of subsequent meetings along with supporting documentation.

Table 1
Strategic Asset Allocation Implementation Timeline

Implementation Steps	Target Dates for Completion or Discussion
Determine the appropriate policy ranges for the Pension Trust Asset Allocation	Completed
Identify the appropriate benchmarks for the Pension Trust Asset Allocation	Completed
Update Governance Documents • Investment Policy Statement • Procedures manual	 Completed 2nd Quarter of 2019

Align Management and Oversight
• Align Committees to new SAA
• Staffing
  • Real Assets – PIO
  • Real Assets – FA-III
  • Real Assets – FA-II
  • Portfolio Analytics – SIO
  • Portfolio Analytics – FA-II
  • Portfolio Analytics – FA-I
	
	Completed
	
	Completed
	2nd Quarter of 2019
	2nd Quarter of 2019
	Completed
	Completed
	Completed

• Consultant searches • Recommendation to conduct search	March BOI Interviews Completed

Growth
• Public Equities
  • Implementation of structure review
    • Reduce public equity exposure
    • Factor mandate
• Private Equity
  • Investment plan
  • Secondary sale
• Opportunistic Real Estate
  • Implement structure review and investment plan
	
	In Process
	In Process
	
	Completed
	Completed
	
	Ongoing

Credit
• Conduct consultant search – Credit
• Implementation of Credit structure review
  • Realign weights with targets
  • Resize current liquid managers
• Conduct new mandate searches
	
	March BOI Interviews
	In Process
	
	Ongoing

Risk Reducing & Mitigation • Conduct consultant search – Hedge Funds • Implementation of Fixed Income structure review • Potential manager rebalancing and consolidation • Conduct RFP for cash overlay program	 March BOI Interviews In Process In Process
Real Assets & Inflation Hedges • Conduct consultant search – Real Assets • RFP for a completion portfolio • Add TIPS through invitation to bid process • Conduct new mandate searches	 March BOI Interviews Approved – In Process Approved – In Process Pending New Consultant
Adapt Portfolio Analytics • Analytics Reporting • Performance Reporting • Interim Benchmarks and Policy Weights	 Second Quarter 2019 Second Quarter 2019 Second Quarter 2019
Complete operational updates at State Street	Ongoing
Transition to updated asset allocation	September 2018 – June 2020

This timeline allows for a comprehensive review and revision of LACERA’s Pension Trust Investment Policy Statement as well as pertinent operational changes including composite structure, custodian accounts, investment management agreements and new target allocations. Barring any unforeseen circumstances, staff expects to complete the transition by June 2020. This document will be updated monthly, communicating the progress of individual steps and provided to the BOI throughout the implementation process.

FOR INFORMATION ONLY

February 27, 2019

TO: Each Member
Board of Investments

FROM: Jude Pérez, Principal Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **WORKPLACE DIVERSITY AND INCLUSION - SEARCHES**

At the May 9, 2018 Board of Investments ("Board") meeting, a memo was provided to inform the Board of the development of a method to assess and monitor external managers' policies and practices regarding workplace diversity/inclusion and workplace sexual harassment. Monitoring investment service providers on their policies and practices is consistent with LACERA's Investment Policy Statement ("IPS") on *Diversity and Inclusion* as well as LACERA's *Investment Beliefs*.

At the February 2019 Board meeting, questions were voiced about adherence to these beliefs in recent Requests for Proposal (RFPs). Since August 2018, the Investment Division has incorporated a Diversity and Inclusion Questionnaire ("Questionnaire") as a component of RFPs (attached). The Questionnaire is applicable to all of LACERA's asset classes and has been added to seven searches, including:

1. RFP: Passive Treasury Inflated Protected Securities (TIPS)
2. RFI: Real Estate Administrative Services
3. RFP: Hedge Funds, Illiquid Credit and Real Assets Consultant
4. RFP: Cash Overlay Manager
5. RFP: MSCI ACWI IMI Index Manager
6. RFP: Emerging Manager Fixed Income Core/Core Plus
7. RFP: Total Fund Risk System

It should be noted that in addition to RFPs, these questions are asked of existing managers, private mandates, and is a component of the organizational strength score within the manager scorecard.

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

Attachment

JP:edb:te

LACERA Supplemental Manager Due Diligence Regarding Diversity and Inclusion

Section II of this Due Diligence Questionnaire is voluntary

LACERA values diversity and inclusion, and 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 external asset managers and other third party providers to respect and reflect LACERA's value of diversity 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 and inclusive workforces.

Section I

I. Policy

1. Describe your firm's approach to workplace diversity and inclusion and how it relates to your business model.

2. Does your firm have a written policy addressing workplace diversity and inclusion ("Policy")? A Policy defines the firm's commitment, policies, and practices regarding equal employment opportunity, including the recruitment, development, retention and promotion of a diverse and inclusive workforce and non-discrimination based on gender, race, ethnicity, sexual orientation, age, veteran's status, and other legally protected categories. A Policy may be a standalone document or part of a larger firm document.

   Please provide a copy of your firm's Policy.

3. Does your Policy address sexual harassment in the workplace? If not, please explain.

4. If your firm does not have a written policy, do you commit to promptly adopting and providing a copy of such a Policy, if your firm is awarded an agreement to consult for LACERA?

II. Oversight

5. Who is responsible for overseeing the Policy's implementation? Please provide name and title. What processes are employed to implement and enforce the firm's Policy?

6. Who is responsible for overseeing compliance with the Policy? Please provide name and title. What processes are employed to promote compliance with the Policy?

7. Please describe the oversight and monitoring, if any, exercised by the firm's board and/or executive team regarding the firm's diversity and inclusion policy and efforts.

8. What data, trends, or analysis does the firm's board or oversight committee receive regarding the firm's effectiveness in adhering to the Policy and/or allegations of non-compliance?

9. Under what circumstances would an alleged incident of non-compliance with the Policy prompt notification to and/or consideration by the firm's board and/or executive committee?

III. Track Record

10. Please complete the charts in **Section II** regarding your firm's workplace composition by gender and race/ethnicity as defined by the Equal Employment Opportunity Commission categories for employees of your firm's U.S. operations. We also request completion of similar information for non-U.S. employees, absent any applicable legal or regulatory restrictions.

11. Does your firm commit to providing the firm's workforce composition in a format similar to **Section II** on a periodic basis, if the firm is awarded with a contract to consult for LACERA?

12. Has your firm been subject to any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past twelve years? Please describe.

13. Please identify the number of confidential settlements and/or non-disclosure agreements related to workplace discrimination and/or sexual harassment entered into by your firm during the past twelve years. Please describe the nature of each settlement within the terms of the confidential settlement.

IV. Incentives and Risk Mitigation Strategies

14. Does your firm integrate diversity and inclusion into executives' performance reviews and/or incentive pay objectives? Please describe.

15. Does your firm conduct a compensation or pay disparity analysis to discern any pay disparities by gender, race, or ethnicity? Please describe or explain why not.

16. Does your firm have a clawback or recoupment policy in place by which workplace misconduct, such as sexual harassment, may trigger recoupment of incentive pay, awards, bonuses, or other compensation?

17. Please explain any other incentives or risk mitigation strategies your firm employs to promote compliance with your workplace diversity and inclusion and sexual harassment policies.

18. Describe any efforts, organizations, or leadership positions related to workplace diversity and inclusion in the financial services industry with which your firm is involved.

V. Portfolio Strategies

19. Please describe the policies and procedures your firm has in place, if any, to monitor and address diversity and inclusion, including mitigating the risk of workplace discrimination and harassment, in fund managers/portfolio companies domiciled in the U.S.

20. In the spirit of questions 1 through 18, please describe your firm's practices to evaluate workplace diversity and inclusion, inclusive of non-harassment, for fund managers/portfolio companies. Please describe how you assess the policies that fund managers have in place, fund managers'/portfolio companies' track records, and

incentives and risk mitigation strategies to promote adherence to established policies and standards regarding diversity and inclusion.

Section II

Section II of this Due Diligence Questionnaire is voluntary

General Instructions

The categories have the same definitions as the diversity categories used by the United States Equal Employment Commission (EEOC) in its Employer Report EEO-1. See www.eeoc.gov/employers/eeo1survey/index.cfm for further information.

Please complete all columns in Table 1 and Table 2 (optional) by entering in the number of employees for each category (not percentage of employees). Blank cells will be interpreted as having a value of zero.

Job Categories:
- Board of directors, and CEO, CFO & COO: This row includes all members of the firm's governing board (or executive committee), as well as CEO, CFO, COO or equivalent positions.
- Investment professionals: All professionals who have a role in investment decision making at the firm, such as consultants, portfolio managers, analysts, and traders.
- If an employee is both a member of the board of directors or occupies the position of CEO, CFO or COO, as well as serves as a member of the investment staff, the individual may be counted in both rows.

Total compensation figures should be provided for all investment professionals in each category reported in Row 2 as a percentage of total compensation of all investment professionals (not total personnel of the firm).

Your firm may elect to provide information on additional diversity categories. If you choose to do so, please provide such information on additional sheets.

TABLE 1
Firmwide for U.S. Operations

		Hispanic or Latino			Non-Hispanic Or Latino																		All		
					Black or African American			Asian			Native Hawaiian or Other Pacific Islander			American Indian or Alaska Native			Two or More Races			White					
	Job Categories	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F
1	Board of Directors and CEO, CFO & COO																								
2	Investment Professionals																								
3	For Investment Professionals: Total Compensation %, including Profit Sharing																								

TABLE 2
Employees in Non-U.S. Operations (optional)

		Hispanic or Latino			Non-Hispanic Or Latino																		All		
					Black or African American			Asian			Native Hawaiian or Other Pacific Islander			American Indian or Alaska Native			Two or More Races			White					
	Job Categories	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F
1	Investment Professionals																								
2	For Investment Professionals: Total Compensation %, including Profit Sharing																								

L///.CERA

FOR INFORMATION ONLY

February 15, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer

Barry Lew
Legislative Affairs Director

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **INSTITUTIONAL LIMITED PARTNERS ASSOCIATION JOINT LETTER TO THE U.S. SECURITIES AND EXCHANGE COMMISSION REGARDING FIDUCIARY PROTECTIONS**

Please find attached a copy of a joint investor letter from the Institutional Limited Partners Association (ILPA) and 32 affiliated funds (including LACERA) to the U.S. Securities and Exchange Commission (SEC), dated February 12, 2019. The letter requests the SEC to issue interpretive guidance and take related steps to strengthen fiduciary protections for investors entering limited partner agreements. Among the letter's requests are that private fund advisors clearly state the standard of care owed to limited partners, that such standard of care specifically be "negligence" (and not "gross negligence" as some general partners have imposed), and that details of prospective conflicts of interest from private fund advisors be clearly presented to limited partners in order for limited partners to provide informed consent. Moreover, the letter suggests that the SEC state that it considers the establishment of a Limited Partner Advisory Committee for private funds to be best practice.

The letter aligns with LACERA's *Corporate Governance Principles*, which support core investor rights and protections, robust and viable litigation rights, and clear information regarding conflicts of interests and related-party transactions in order for investors to safeguard investments and foster a stable investment climate (see §II[A]9 and §II[B]6). LACERA participated in this collaborative engagement in adherence with its *Corporate Governance Policy* (§IV[C] and §V[C]v) and with the approval of the chief executive officer, chief investment officer, and chief counsel.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

FOR INFORMATION ONLY

February 22, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer

FOR: November 8, 2018 Board of Investments Meeting

SUBJECT: **COUNCIL OF INSTITUTIONAL INVESTORS VOTING ITEMS**

Please find attached LACERA's ballot for the Council of Institutional Investors' ("CII") March 5th election of public fund directors and general members' business meeting (**ATTACHMENT**).

BACKGROUND

LACERA is a member of CII. CII is holding a general members' business meeting and elections for board directors representing public funds on March 5, 2019. LACERA has submitted its ballots ahead of the advance voting deadline of February 28, 2019. Consistent with LACERA policy, staff consulted with the Corporate Governance Committee Chair on votes in favor of CII board candidates, as well as the proposed bylaw provision. Information regarding the proposed bylaw provision is provided in the attachment.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

APPENDIX 8
PROPOSED REVISION OF BYLAW ON USE OF UNION HOTELS FOR GENERAL MEMBERS' MEETINGS

The CII board recommends approval by General Members a bylaw change on member meeting locations. The proposed change is marked below.

ARTICLE 4 MEMBER MEETINGS

A. **Frequency and Location** The Council will hold two General Member business meetings annually. Each business meeting will be preceded by meetings of the Council's Constituencies. The Council may hold additional special meetings as the Board of Directors may fix. Meetings will be held in various places throughout the U.S., selected to promote member and speaker attendance and participation. The Council will contract with union hotels *and/or* conference centers ~~and restaurants~~ for its *biannual* meetings~~, needs~~ *unless the board approves otherwise*. ~~The Council may hold meetings in members' facilities or other venues, as appropriate.~~

The proposed modest change in bylaw language is intended to provide some flexibility. The language requires that the board specifically approve locating a particular conference at a non-union facility.

These factors are among those that the board considered in making this recommendation:

- CII is contracted at union hotels for spring conferences through 2024, and for fall conferences through 2022.
- In fall 2018, CII was fortunate to identify a satisfactory union location on very short notice after a strike vote was held at our contracted hotel. The board decided we needed to move the conference on the view that it was not viable to hold the conference in a union hotel out on strike. While we succeeded in identifying an alternate location that overall was good, we were lucky.
    - The New York hotel and a hotel in Pittsburgh were the only satisfactory union options we identified after scouring for alternatives in the eastern United States.
    - While the New York conference went well, we were forced to change dates for the meeting, losing most speakers and some participants; we had only marginally adequate space for the last day of the conference, on which we heard member complaints; and we incurred very substantial costs (in excess of $200,000 more than we would have spent at the original location, in Boston).

- CII is a broad tent, and needs to have a national profile and hold conferences in diverse areas within the United States. Locating conferences close to prospective members can help CII recruit new General Members, although that may mean choosing a non-union venue.
    - In some major cities, there are no appropriate union hotels, and in others there are just one or two. It would be useful for hotel negotiating purposes to have some flexibility to price non-union properties in cities with only one or two union hotels, and for the board to have an option to locate a conference in a city with no union properties.
    - CII in recent years has sought to schedule conferences further in advance, as we have struggled to book good hotels at appropriate dates. This comes with some risk, as economic and other conditions can change. Even with earlier booking, we face challenges. For example, we have been unable to book a conference in Denver's one appropriate union property because we could not get good dates.
- CII seeks to maintain a good conference experience at reasonable cost for CII and for members, and the number of hotels from which we can choose is more limited than members may appreciate, including because the size has to be right for a conference that can accommodate 500 to 600 people.
    - We are under pressure from some public pension fund members to limit hotel room costs in an environment of escalating prices.

Council of Institutional Investors®
The voice of corporate governance

CII General Members' Business Meeting Advance Ballot

ADVANCE BALLOTS DUE ON OR BEFORE: 5:00 PM ET ON FRIDAY, MARCH 1

Ballots may be emailed or faxed to:
Attention: Michael Miller
Email: Michael@cii.org
Fax: 202-822-0801

Action Items:

1. Proposed Revision of Bylaw on Use of Union Hotels for General Members' Meetings

__X__ FOR ________ AGAINST ________ ABSTAIN

Signature: ________ Print Name: Scott Zdrazil 2/21/2019

Organization: Los Angeles County Employees Retirement Association (LACERA)

PLEASE NOTE: One vote per fund; all ballots must be signed by a Membership representative. General Members may change their votes at GM business meetings when they have previously submitted a proxy in advance of the meetings. A majority of the General Members must be represented in person or by ballot at Council meetings for the transaction of business. Ballot items require the affirmative vote of a majority of those voting.

--ALL BALLOTS ARE CONFIDENTIAL--

Council of Institutional Investors®
The voice of corporate governance

2019 BOARD OF DIRECTORS, PUBLIC FUNDS BALLOT

You may vote for up to nine candidates. No cumulative voting.

Patti Brammer, Corporate Governance Officer Ohio Public Employees Retirement System	
Simiso Nzima, Investment Director – Global Equity, Head of Corporate Governance California Public Employees' Retirement System (CalPERS)	X
Ron Baker, Executive Director Colorado Public Employees' Retirement Association (PERA)	X
Scott Zdrazil, Senior Investment Officer Los Angeles County Employees Retirement Association (LACERA)	X
Alec Stais, Chief Investment Officer Employees' Retirement System of Rhode Island	
Ashbel Williams, Executive Director and Chief Investment Officer, Florida State Board of Administration (SBA)	X
Michael Garland, Assistant Comptroller, Corporate Governance and Responsible Investment, NYC Pension Funds	X
Denise Daniels, Active Teacher Trustee District of Columbia Retirement Board	X
Aeisha Mastagni, Portfolio Manager California State Teachers' Retirement System (CalSTRS)	X
Jerry Albright, Chief Investment Officer Teacher Retirement System of Texas	X
Jennifer Peet, Corporate Governance Director Office of the Oregon Treasurer and Oregon Public Employees Retirement Fund	X

Write-in candidate(s) name, title and fund:______________________________

Submitted By:
Printed Name: Scott Zdrazil, Senior Investment Officer

Fund name: Los Angeles County Employees Retirement Association (LACERA)

Date: 21 Feb 2019

For advance voting, please return ballots before 5:00 pm (ET) on Thursday, February 28, to Michael Miller (Michael@cii.org or fax: 202.822.0801). You may also vote at the Public Fund Constituency Meeting on Tuesday, March 5. **PLEASE NOTE:** If your fund votes in advance, you may NOT change your vote at the in-person meeting. Membership dues must be paid prior to voting. If you have any questions please contact CII.

FOR INFORMATION ONLY

March 1, 2019

TO: Each Member
Board of Investments

FROM: Scott Zdrazil
Senior Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **NOMINATION INFORMATION FOR PRI AND ICGN BOARDS**

The Principles for Responsible Investment (PRI) and the International Corporate Governance Network (ICGN), both of which LACERA is formally affiliated with, have announced nomination periods for upcoming board elections. LACERA's *Corporate Governance Policy* requires that the Board of Investments (Board) approve any nominee to a governing board of corporate governance associations to which LACERA is formally affiliated. Below is further information for each, followed by observations and considerations.

(1) PRI Board Election

As described in a February 22, 2019 email to Board members, PRI is holding a special "mid-term" election to elect one director representing PRI asset owner signatories, following the recent departure of a PRI director. Asset owners elect 7 of the 11 PRI board seats. The director is expected to serve a nearly-three year term from April 15, 2019 to December 15, 2021, and commit to four in-person international meetings per year over the term, plus additional board committee meetings and related activities. Sponsoring funds may not replace a director who vacates a directorship mid-term. Any serving director is eligible for re-election to facilitate stable oversight of the PRI. Full details are available here: https://www.unpri.org/pri/pri-governance/board-elections (**ATTACHMENT 1**). As described in the February 22 email, nominations were due March 1. Voting is expected to commence on March 13 and close on April 5, 2019. In adherence to LACERA's *Corporate Governance Policy*, staff will consult with the Corporate Governance Committee Chair to vote LACERA's ballot in advance of the deadline and report results to the Board.

(2) ICGN Board Elections

The ICGN Nomination Committee is inviting members to put forward candidates for consideration by the Nomination Committee for ICGN's 2019 board of governors election. Per ICGN's governing documents, the ICGN Nomination Committee considers all applications and proposes a slate of up to 12 candidates each year. Of the current 12 ICGN https://www.unpri.org/pri/pri-governance/board-elections

2019 board elections

7 February 2019

In 2019 the PRI will hold two elections for positions on the PRI Board.

Commencing in February 2019 the PRI is holding a *mid-term election* for one asset owner representative position on the PRI Board. This is to fill the asset owner position vacated by Priya Mathur (CalPERS, US), who resigned in January. The PRI Board decided to hold a mid-term election now, rather than wait until the scheduled annual elections later in the year, because it is important to have all positions on the board filled.

For the mid-term election the PRI Board is encouraging candidates from US asset owner signatories. The PRI is a global organisation and aims to have a good spread of geographical representation on the board. The US is a critical market for responsible investment and the PRI, hence the board encouraging candidates from US asset owners. The PRI welcomes nominations from 4 February to 1 March, with voting commencing on 13 March. For more information on the mid-term election, including skills, expertise, diversity and eligibility see the information below.

In the latter half of 2019 the PRI will also be holding an *annual election*. The annual election will be for two asset owner representatives and one service provider representative. More information will follow on the annual election, after the close of the mid-term election.

Signatory rights and the PRI Board

Nominating candidates for the annual elections and electing PRI Board directors are important signatory rights and responsibilities. The PRI encourages signatories to participate in the nomination and election process to maintain a vibrant and representative PRI Board.

The PRI Board is collectively responsible for the long-term success of the PRI and in particular for: establishing the PRI's mission, vision and values; setting the strategy, risk appetite and structure; delegating the implementation of the strategy to the PRI Association Executive (the Executive); monitoring the Executive's performance against the strategy; exercising accountability to signatories and being responsible to relevant stakeholders.

The board is composed of: one independent Chair (confirmed by a signatory vote) and ten Directors (seven elected by asset owner signatories, two by investment manager signatories and one by service provider signatories). The Chair and all elected Directors are the Statutory

Members of the Company. There are two Permanent UN Advisors to the Board, representatives from the PRI's founding UN partners: UN Global Compact and UNEP Finance Initiative.

Current board Directors are all CEOs, CIOs, Board members, or 'relevant officers' of signatory organisations. Part of the role of the board is to be ambassadors for the PRI and for responsible investment. The PRI considers it important to have high-level C-suite engagement and champions to help bring responsible investment into the mainstream. For information on the current board directors, including directors' terms, see the table below.

Current directors

Role / elected by	**Director**	**Signatory**	**Signatory HQ country**	**Term**
Chair	Martin Skancke	Independent	N/A	2018-2020
Directors elected by asset owner signatories	Angela Emslie	HESTA	Australia	2019-2021
	Eva Halvarsson	Second Swedish National Pension Fund (AP2)	Sweden	2017-2019
	Hiro Mizuno	Government Pension Investment Fund (GPIF)	Japan	2017-2019
	Renosi Mokate	Government Employees Pension Fund (GEPF)	South Africa	2018-2020
	Laetitia Tankwe	Ircantec	France	2019-2021
	Xander den Uyl	ABP	Netherlands	2019-2021
Directors elected by investment manager signatories	Wendy Cromwell	Wellington Management	US	2019-2021
	Tycho Sneyers	LGT Capital Partners	Switzerland	2018-2020
Director elected by service provider signatories	Peter Webster	Vigeo Eiris	France	2017-2019

2019 mid-term elections

The 2019 PRI Board mid-term election is for one asset owner position. Asset owner signatories vote for asset owner candidates. Each asset owner signatory will have one vote. The candidate who receives the highest number of votes is elected.

Skills, experience and diversity

As part of its commitment to strengthen the rigour and accountability of the election process, the PRI is providing more guidance and information to candidates and signatories in advance of their vote.

The board should have the appropriate balance of skills, diversity, experience, independence and knowledge of the organisation to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture, and also gender diversity.

The board needs to be appropriately representative of the diversity of PRI signatories in order to generate effective debate and discussion around the key issues that the board considers, and to deliver the broadly-founded leadership that the initiative requires. The PRI is a global organisation, and aims for global representation on its board, particularly within the asset owner positions.

The board is encouraging, for the mid-term election, candidates:

- from US asset owner signatories;
- with a broad understanding of the role of asset owners in the investment chain in the US market;
- with leadership and governance experience, and
- with demonstrated leadership in responsible investment.

Candidates are asked to elaborate, in their candidate statements, on their leadership and governance experience, and demonstrated leadership in responsible investment. This information – as well as information on the nominating signatory, the candidate biography and statement – will enable the signatory electorate to more easily compare the skills, experience and diversity of the respective candidates.

Eligibility

To be eligible to stand for the election, candidates must be a ‘relevant officer’, a person who is employed or otherwise serving as:

- the Chief Executive Officer of a Signatory;
- the Chief Investment Officer of a Signatory;
- in the case of a Signatory that does not have the offices of Chief Executive Officer or Chief Investment Officer, the most senior investment professional of that Signatory;
- a director serving on the main governing board (and not merely any subsidiary boards, subordinate boards or committees) of a Signatory;
- a trustee of a Signatory;

- an executive employee of a Signatory in a role where his or her immediate line manager is a relevant officer; or
- a former relevant officer.

Candidates must be nominated by their signatory organisation and seconded by another signatory within the same signatory category. Therefore, an asset owner candidate has to be nominated by their signatory organisation and seconded by another asset owner.

The signatory putting a candidate forward must have contributed the invoiced financial contribution in the current financial year, and must have participated in the PRI Reporting and Assessment process.

2019 mid-term election timetable

Date	Action
4 February	Formal publication of the election notice and invitation for signatories to nominate candidates
1 March	Final day for nominations
12 March	Announcement of the election candidates and launch of the election
5 April	Election closes
8 April	Board announcement of the election results
15 April	Start of term for the new director

Expectations

Directors are nominated by a signatory organisation and elected by signatories, from a signatory category, but have a responsibility to fulfil their duties as an individual and in the best interests of the PRI as a whole.

Term

The successful candidate in the mid-term election is elected for one term and is expected to serve from the date of appointment, 15 April 2019, to 31 December 2021.

Time allocation

The board has four planned, in-person, one to two-day meetings per year and one conference call. In 2019 the meetings are as follows

- London (March);
- Amsterdam (June).
- Paris (September) before the annual PRI in Person conference; and

- Melbourne (December).

The expectation is that Directors will participate in every in-person meeting and planned conference calls. Signatory events are usually organised around board meetings as they are an opportunity for directors to meet signatories in the local markets and share expertise.

Board members are typically appointed to one or two Board committees. The committees (Finance, Audit and Risk; Governance; Human Resources and Remuneration; Policy; Signatory Status) facilitate the discussions and workings of the board and are critical to the effectiveness of the board. The workload of each committee is varied, but on average a committee will have three one-hour conference call meetings per year. The expectation is that each committee member will participate in every respective committee meeting, with a requirement to participate in a majority of meetings of that committee in a calendar year.

The time commitment for board and committee meetings together with PRI in Person conference and allied signatory events is typically 12-14 days per year excluding travel. Directors are also expected to dedicate additional reading and preparation time leading up to meetings.

Attendance at planned and ad hoc board meetings and conference calls, and committee meetings and conference calls will be recorded in the annual Signatory General Meeting papers and on the PRI website.

Expenses

The PRI will offer to make a contribution towards the travel expenses of Directors that attend in person meetings. For more information on the role and responsibilities of directors see the Directors Terms of Reference.

Further information

For more information on the role of the board, expectations of Directors and the application process:

- Email christopher.sperling@unpri.org to arrange a 1-1 call about the role, organise a call with a current Director in your local market, and / or register your interest
- Read the Articles of Association of PRI Association and the underlying Rules and Policies, on the PRI governance page, including the Election Rules.

Application

Download the nomination form

Download the candidate application form

directors, two directors are terming off the board in 2019. The Nomination Committee is particularly seeking candidates within the Asian corporate governance community and candidates from the corporate sector to put forward a slate with a balance of skills, experience, professional perspectives, and geographic diversity. Candidates proposed to the Nomination Committee must have the endorsement of three additional ICGN members. ICGN directors serve up to six consecutive one-year terms. Full details are available here: https://www.icgn.org/sites/default/files/Letter%20to%20Members%20%202019%20final%20%281%29.pdf/ (**ATTACHMENT 2**). Nominations are due April 15, 2019 with candidates announced at a later date for elections to be held in July 2019.

Staff is not recommending that the Board nominate any candidates for consideration in these elections. Staff has assessed the terms, commitment requirements, and any known candidates for these two nomination calls and considers that continued focus on further strengthening LACERA's governance work in a proactive, credible, and unified manner would both further LACERA's mission and further fortify LACERA's prospects for success when similar opportunities arise in the future. Towards that end, we would like to facilitate a discussion at a future Corporate Governance Committee on how LACERA might develop a strategic approach to increasing involvement with organizations that are meaningful to our mission. Such a discussion could include how we might approach opportunities similar to these in a methodical manner.

Noted and Reviewed:

____
Jonathan Grabel
Chief Investment Officer

ICGN
International Corporate Governance Network

2019-20 ICGN Board of Governors
Call for Nominations

On behalf of the ICGN Nomination Committee, I invite all Members to put forward nominations for the 2019-2020 ICGN Board of Governors. The election of the Board will take place at the Annual General Meeting being held at the Hotel New Otani in Tokyo on July 16, 2019 at 1330hrs. **Nominations should be received by the ICGN Secretariat by April 15, 2019.**

The Nomination Committee is elected by the Members. It is our responsibility to propose to the Members, 12 candidates for election to the Board of Governors at the upcoming AGM. In doing so, we consider geographic, professional and gender diversity, the long-term strategic direction of the ICGN as well the importance to the ICGN of leadership from the investment community. In addition, we work closely with the Board of Governors to determine the skills and experience that would most helpful to the work of the Board.

Taking all of these considerations into account we ask Members to help us to identify candidates who would bring two particular perspectives to the work of the Board. We are looking in particular for candidates who would represent the perspective of the corporate sector and for candidates from any sector who would represent the Asian governance perspective. An understanding of membership-based organizations would also be helpful. All nominations are of course welcome.

For candidates to become eligible, their nomination must be supported by three ICGN members. Nominations should be made on the following appended forms and sent to Amara Akpan by email at amara@icgn.org

- **Form 1**: This should be completed by the candidate putting himself/herself forward and should include a biography and a motivation statement.
- **Form 2:** This should be submitted each of the three ICGN members supporting the nomination.

If Nomination Committee does not recommend a candidate for a seat on the Board, his/her name will not be disclosed outside the Nomination Committee and current Board unless he/she specifically requests from the outset that his/her candidacy be put to the AGM anyway. The candidate would then require the support of 25 members present at the meeting in order for their nomination to move forward.

Current members of the ICGN Board of Governors are shown in annex 1. Mr. McCauley has finished his term as Chair of the Board of Governors and Mr. Stapledon has served the maximum allowable period. Mr. McCauley and Mr. Stapledon will therefore retire from the Board at the end of the upcoming AGM. All of the other incumbent Board members are expected to stand for re-election.

ICGN members who are ineligible for election to the Board by virtue of prior service are shown in annex 2. We have also provided a list of members of the Nomination Committee in annex 3. Further information is provided as excerpts from the ICGN Articles of Association and Board Charter in annex 4 for your convenience.

Please contact me or any other member of the Nomination Committee directly to discuss Board nominations. We look forward to receiving your recommendations.

Yours sincerely,

Carol Hansell,
Chair, ICGN Nomination Committee

Form 1: Candidate Form for the ICGN Board of Governors

This form should be completed by the candidate being put forward for consideration to stand for the election to the ICGN Board of Governors. Please submit this form to Amara Akpan by 15th April 2019.

---

1. Candidate Details

Please append your recent biography or curriculum vitae/ resume and complete the following information:

Name:

Position:

Organisation:

Business Address:

Tel:

Email:

2. Supporter Details

Your candidacy must be supported by three ICGN Members. Please confirm the name of the individuals that are supporting your nomination.

First Supporter
Name:
Organisation:

Second Supporter
Name:
Organisation:

Third Supporter
Name:
Organisation:

3. Statement of motivation

Please describe why you wish to join the ICGN Board and how you have been involved in the ICGN work programme over previous years in no more than 200 words.

ICGN
International Corporate Governance Network

4. Conflicts of interests

Please disclose of any actual or potential conflicts of interest that could arise from your appointment to the Board.

5. Declaration

I confirm that I am a fully paid up member of the ICGN. I have agreed to my name being put forward to the Nomination Committee and am prepared to serve as a Governor in 2019/20.

I confirm that I am aware that, if the Nomination Committee does not recommend my candidacy for a seat on the Board, my name will not be disclosed outside the Nomination Committee and the current Board unless I specifically request from the outset that my candidacy be put to the Annual General Meeting anyway.

Print name…………………………………………………………….

Signature …………………………………………………………….

Date …………………………………………………………………….

Form 2: Supporter Form for the ICGN Board of Governors

This form should be completed by the supporter of the candidate being put forward for consideration to stand for the election to the ICGN Board of Governors. Please submit this form to Amara Akpan by 15th April 2019.

---

1. Supporter details

Please complete the following information:

Name:

Position:

Organisation:

Business Address:

Tel:

Email:

2. Candidate details

Please confirm the name of the individual that you are supporting.

Name:

Position:

Organisation:

3. Statement of reason

Please provide your reasons for supporting the candidate.

4. Conflicts of interests

Please disclose of any actual or potential conflicts of interest that could arise from your nomination of the candidate to the ICGN Board.

5. Declaration

I confirm that I am a fully paid up member of the ICGN. I confirm that the candidate that I have nominated has agreed to his/her name being put forward to the Nomination Committee and is prepared to serve as a Board Governor in 2019/20.

I have noted that, if the Nomination Committee does not recommend the candidate for a seat on the Board, his/her name and details will not be disclosed outside the Nomination Committee and the current Board unless he/she specifically requests from the outset that his/her candidacy be put to the Annual General Meeting anyway.

Print name……………………………………………………………….

Signature ………………………………………………………………….

Date …………………………………………………………………………

Annex 1: Composition of the ICGN Board of Governors

Under current rules, Board members may be elected for a maximum of six consecutive terms in accordance with the Articles of Association (Articles). The ICGN's Articles also stipulate that the Board 'shall be a minimum of seven and a maximum of 12 Governors'.

Board vacancies arise when Governors wish to stand down or where their maximum tenure has come to an end. The ICGN Nomination Committee informs the ICGN membership of any Board vacancies with a view to enable new Board members to be nominated in advance of the Annual General Meeting (AGM) at which the new Board of Governors for the year ahead is recommended for election to the ICGN membership.

Incumbent board members are as follows:

Name	Company	Region	Gender	Type	Elected (6 years max tenure)
Melsa Ararat	Sabanci University	Europe/Turkey	F	Academia	2015
Ian Burger	Newton Investment Management	Europe/UK	M	Asset Manager	2017
David Couldridge	Investec	Africa/South Africa	M	Asset Manager	2014
Dana Hollinger	CalPERS	Americas/USA	F	Asset Owner	2017
George Iguchi	Nissay Asset Management	Asia/Japan	M	Asset Manager	2015
Anne-Marie Jourdan	FRR	Europe/France	F	Asset Owner	2014
Claudia Kruse	APG	Europe/Netherlands	F	Asset Manager	2016
Mike McCauley	Florida SBA	Americas/USA	M	Asset Owner	2015
Anne Molyneux	CS International	Europe/Switzerland	F	Advisor	2014
Paul Schneider	Ontario Teachers' Pension plan	Americas/Canada	M	Asset Owner	2017
Bob Walker	NEI Investments	Americas/Canada	M	Asset Owner	2015
Geof Stapledon	BHP Billiton	Europe/UK	M	Asset Manager	2014

Annex 2: Ineligible candidates for 2019-20 Board of Governors

According to Article 11.3, a member of the Board is ineligible for nomination and election to the Board upon service of six consecutive terms, until a further three-year period has passed in which the member has remained in good standing. Therefore, a list of ineligible members is as follows:

Former Board Governor	Date retired
Frank Curtiss, UK	2015
Jon Feigelson, USA	2015
Aeisha Mastagni, USA	2015
Yoshiko Takayama, Japan	2015
Carol Hansell, Canada	2016
Erik Breen, Netherlands	2017

Phil Armstrong, Switzerland	2017
David Pitt-Watson, UK	2016

Annex 3: Composition of the ICGN Nomination Committee

The ICGN Nomination Committee is constituted in accordance to Article 12 of the ICGN Articles of Association. The ICGN Board of Governors recommends the composition of the Committee for approval by ICGN members on an annual basis.

Incumbent committee members are as follows:

Name	Nationality	Organisation	Election
Frank Curtiss	British	Railpen	2015
Carol Hansell (Chair)	Canadian	Hansell LLP	2016
Marcel Jeucken	Netherlands	Sustainability in Finance	2017
Yoshiko Takayama	Japan	J/Eurus Co.	2017

Annex 4: Information relevant to Board Nomination Procedures

Articles of Association: Article 9.5

Annual General Meeting – additional nominations of Governors

9.5 In exceptional circumstances additional nominations for candidates to serve as Governors may be added at the Annual General Meeting provided any such candidate(s) has the support of 25 members present at the meeting and provides a statement containing the reasons why the nomination(s) could not have been put forward through the procedure set out in Article 12.

Articles of Association: Article 11: Governors

Number of Governors

11.1 There shall be a minimum of seven and a maximum of 12 Governors.

Appointment

11.2 Governors shall be members of ICGN elected by the members of ICGN at the Annual General Meeting, by an ordinary resolution, or co-opted by the Board under Article 11.4.

Term of appointment

11.3 Members of the Board shall hold office for a term commencing at the end of the Annual General Meeting at which they are elected and terminating at the end of the following Annual General Meeting. Members may be elected for a maximum of six consecutive terms. A member of the Board is ineligible for nomination and election to the Board upon service of six consecutive terms, until a further three-year period has passed in which the member has remained in good standing.

Board power to co-opt

11.4 If a member of the Board resigns or ceases to be a member of ICGN during the term of office and this causes the number of Board members to fall below the minimum specified in Article 11.1, the Board may co-opt a replacement member to the Board to serve for the remainder of the term. If such remainder of the term is more than six months, it shall count as a full term towards the maximum of six consecutive terms (see Article 11.30).

Qualifications

11.5 No person may be appointed as a Governor:
(a) unless he or she is a member of ICGN and is in good standing;
(b) unless he or she has attained the age of 18 years; or
(c) in circumstances such that, had he or she already been a Governor, he or she would have been disqualified from acting under the provisions of the Articles.

Cessation of appointment

11.6 A person ceases to be a Governor if:
(a) he or she ceases to be a member of ICGN;
(b) he or she ceases to be a Governor by virtue of any provision of the Companies Act 2006, or becomes prohibited from being a Governor by law;
(c) he or she is disqualified under the Charities Acts 1993 or 2006 from acting as a Governor;
(d) he or she becomes bankrupt or makes any arrangement or composition with his or her creditors generally;
(e) he or she is suffering from a mental disorder and incapable of acting as is reasonably believed by the Governors and they resolve that he or she be removed from office;
(f) ICGN receives from him or her notice in writing (in an electronic form or hard copy) that he or she resigns from office on receipt of the notice by ICGN or on some later date specified in the notice, provided that at that time at least seven Governors will remain in office; or
(g) he or she fails to attend three consecutive meetings of the Governors and the Governors resolve that he or she be removed for this reason.

Articles of Association: Article 12: Nomination Committee

12 Nomination Committee

Annual Appointment by Members

12.1 The Governors shall propose a Nomination Committee for approval by members each year for the purpose of identifying candidates who are willing and able to contribute to the governance of ICGN as Governors.

Number and qualifications of committee members

12.2 The Nomination Committee shall consist of not less than three members in good standing, a majority of whom are not already Governors and none of whom are standing for election or re-election as Governors.

Call for nominations

12.3 The Nomination Committee shall each year, allowing sufficient time for consideration and response, notify each member of a call for nominations to the Governors for decision at the Annual General Meeting, and in any event no later than four months before the date of the Annual General Meeting. The call for nominations shall include the form in which nominations should be made and require the disclosure by the candidate of any actual or potential conflicts of interest that could arise from his/her appointment as a Governor. A nomination to be valid must be delivered, including electronic delivery, in writing authenticated by the member, and include support of three members in good standing who are not members of the Nomination Committee. The Nomination Committee may seek further information from candidates at their discretion.

Committee to make recommendations

12.4 The Nomination Committee shall make recommendations which recognise the ICGN's mission and board diversity policy, noting that the historic strength of ICGN comes from the investing community.

Annual General Meeting agenda content - election of Governors

12.5 The item on the agenda of the Annual General Meeting for the election of Governors shall include the name, and a statement from new candidates and a statement from candidates seeking re-election of what they have contributed during the year. Board attendance will also be reported. Each candidate shall be the subject to a separate vote.

Board Charter: Section 3.1: Board key responsibilities

Responsibility for the management and control of the business and affairs of the Company is vested in the Board. The Board has delegated certain functions to management in paragraph 4.1.

The Board will exercise all the powers of the Company, including the following:

- Strategy – contributing to, and final approval of, the corporate strategy, including setting performance objectives, and overseeing the implementation of that strategy;
- Financial performance – approving operating budgets and monitoring financial performance;
- Capital management – monitoring capital management, including approving major capital expenditure;
- Reporting – approving financial statements and reports required by the Articles of Association, by statute or other external regulation, and, together with the Finance Committee, monitoring and reviewing management processes supporting the integrity of financial and other reporting;
- Risk management – overseeing the effectiveness of systems of internal control and risk management;
- Chief Executive appointment and succession – selecting, appointing and, where necessary, removing, and planning succession of, the Chief Executive. The full Board will be involved in the process of appointment of the Chief Executive unless it formally delegates part of the process to a committee;

- Management performance – monitoring the performance of the Chief Executive directly and through the Board's committees;
- Management remuneration – reviewing and setting the remuneration of the Chief Executive, including bonuses if applicable.
- Human Resources – based on the proposal of the Chief Executive: reviewing and approving the remuneration of the staff other than the Chief Executive, including bonuses if applicable. In case of vacancies, for senior staff, support the Chief Executive in selecting a candidate and in having interviews with candidates.
- Chair and Vice Chair succession planning – planning for Board leadership succession. Succession planning for these two roles will include consultation with the Nomination Committee, with the current Chair responsible for conveying the full Board's agreed views to the Nomination Committee. Appointment of the Chair and the Vice Chair are matters for the full Board;
- Corporate Governance – reviewing and monitoring the Company's corporate governance policies and practices.

FOR YOUR INFORMATION

March 1, 2019

TO: Each Member
Board of Investments

FROM: Dale Johnson
Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **LACERA'S IRAN AND SUDAN POLICY**

BACKGROUND

At the February 13, 2019 Board of Investments ("Board") meeting, the Board requested information on LACERA's Iran and Sudan policies ("Policies") and to what extent, if any, they relate to companies designated by the Office of Foreign Asset Control Sanctions Program ("OFAC").

DISCUSSION

The Policies and Compliance

The Board adopted the Policies to discourage investment in companies doing business in or with the governments of Iran and Sudan in 2009 and 2007, respectively. The policies were established in response to the genocide in Sudan's Darfur region and California legislation prohibiting CalPERS and CalSTRS from investing in companies with business operations and investments in Iran's defense, nuclear or energy sectors. The Policies pertain specifically to LACERA's public markets separate account portfolios (equities, fixed income, and commodities) and state that investment managers should refrain from purchasing securities where the company has been identified as doing business in the designated market, when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security. The Board approved the Policies to minimize investment in companies through this "economic substitution" approach which contrasts with a restrictive or divestment approach where investment managers are precluded from purchasing the securities altogether.

The full Policies are included in the **Attachment** for your reference and are incorporated in each separate account investment managers' guidelines as an exhibit to the investment management agreement ("IMA").

To implement the Policies, LACERA engaged MSCI and EIRIS Conflict Risk Network (collectively, the “Vendors”) to research and identify designated companies doing business in or with the governments of Iran and Sudan, respectively. Each service provider is responsible for the efficacy and quality of its company research and for the accuracy of the lists. MSCI sources companies based upon research conducted by the firm to identify companies with “business ties” to Iran, specifically, in the energy sector or doing business with the government of Iran. EIRIS Conflict Risk Network has dedicated research analysts that investigate companies’ operations in Sudan.

LACERA reviews the lists upon their issuance (i.e. no less frequently than quarterly) and distributes the updated lists to public markets separate account managers and State Street’s compliance application. If an investment manager wants to purchase the stock or bond of a company on either list, the investment manager must consider whether or not “…the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.”

OFAC, a division of the U.S. Department of the Treasury, publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.

The Vendors develop the Iran and Sudan-related lists by looking at companies with current or prospective business activities in areas such as energy and mining in respective countries. Companies that may have conducted business in the past with entities on the OFAC list may appear among companies on the Vendors’ lists. The Vendors lists are intended to capture current, known business activities in the targeted sectors according to the criteria of LACERA’s Policies.

LACERA relies on its managers to monitor their compliance with the law as required by the terms of their IMAs, see **Attachment**. Therefore, managers are responsible for complying with the Policies in addition to the OFAC regulations.

Compliance Monitoring

LACERA actively monitors how managers adhere to LACERA’s stated investment guidelines regarding Iran and Sudan. If the investment manager purchases a listed company identified by LACERA’s external vendors as doing business with Iran or Sudan, as described above, it must list the position on the manager’s monthly compliance certificate provided to LACERA. In addition, the position will be flagged by State Street’s compliance application. On a monthly basis, staff reviews the compliance certificates and compares the listed companies to a report from State Street’s compliance application to identify discrepancies. Currently, staff reports the number of companies and market value held in LACERA’s public markets separate accounts within the Compliance Monitor section reported quarterly in the Chief Investment Officer’s Report. The quarterly reporting is intended to communicate to staff and the Board ongoing exposures to LACERA’s investment guidelines that address economic substitution

<u>Status</u>

The latest list of Sudan designated companies identifies a universe of 58 companies and related subsidiaries that conduct business in or with the government of Sudan, out of which one LACERA public equity separate account manager held two of the identified companies, as of December 2018 monthly compliance reports. While the number of designated companies has remained generally consistent over the past six years, LACERA's exposure to identified companies and their subsidiaries has moderately fluctuated and is currently below 1% of designated companies.

The latest list of Iran designated companies identifies a universe of 27 companies who directly conduct, or have subsidiaries doing business in or with the government of Iran, out of which three LACERA public equity separate account managers reported holding three designated securities, as of December 2018 monthly compliance reports. LACERA's exposure to designated securities has also fluctuated during the past six years, but is currently in the middle of the range.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

ATTACHMENT

Standard IMA language:

"Compliance with Legal Requirements. Manager shall comply with all applicable foreign, international, federal, state, county and local laws, regulations, rules, ordinances, registrations, filings, approvals, authorizations, consents and examinations ("Legal Requirements"), and all provisions required by such Legal Requirements to be included in this Agreement are hereby incorporated by reference."

Investment Manager's Guidelines

Iran Policy

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

Sudan Policy

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

Tobacco Policy

Investment managers should refrain from purchasing tobacco securities when the same investment goals concerning risk, return and diversification can be achieved through the purchase of another security.

OFAC

The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC publishes lists of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.

https://www.treasury.gov/resource-center/sanctions/Pages/default.aspx

FOR INFORMATION ONLY

February 27, 2019

TO: Each Member
Board of Investments

FROM: James Rice, CFA
Principal Investment Officer

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: **2018 FOURTH QUARTER HEDGE FUND PERFORMANCE REPORT**

Attached is the Hedge Fund Performance Report for the fourth quarter of 2018. The performance report provides a summary of the hedge fund program's ("Program") fourth quarter performance, Program objectives, and key statistics.

During the quarter, the Program returned -2.7%, which underperformed the 1.8% return of LACERA's primary hedge fund absolute return benchmark, the 90-Day U.S. T-Bills Index plus 500 basis points and outperformed the -5.6% return of LACERA's secondary hedge fund benchmark, HFRX Global Hedge Fund Index, which is comprised of hedge funds across broad strategy categories. All of LACERA's hedge fund sub-strategies performed negatively during the fourth quarter with Equity Long/Short detracting the most. The quarter was marked by a significant downturn in equity markets and the MSCI ACWI IMI, LACERA's public equity benchmark, was down 12.7%. Hedge funds provided some diversification benefits to the Total Fund. LACERA's direct hedge funds portfolio returned -0.6%, which had the smallest losses of all portfolios in the Program for the quarter with the exception of San Gabriel 2, a fund of credit hedge funds managed by Grosvenor Capital Management which was fully redeemed in November 2018.

Since inception, the Program has met its objective to reduce Total Fund volatility without materially decreasing Total Fund returns by positively impacting the risk-adjusted returns of the Total Fund, as measured by the Sharpe ratio. The Program's 1.41 Sharpe ratio since inception compares favorably to a 0.94 Sharpe ratio for LACERA's public market assets composite over the same time period. Of the portfolios that have been in existence for greater than three years, the portfolio managed by Goldman Sachs Asset Management is the only one that has a Sharpe ratio materially below that of LACERA's public markets assets composite. This and other matters will be considered after a new Hedge Funds consultant is hired and during a structure review of the Program, expected to occur in the third quarter of 2019. Details of this and other metrics can be found in the attached Hedge Fund Performance Report.

As of December 31, 2018, the portfolio managed by Grosvenor Capital Management had a relative value strategy level leverage measurement that exceeded portfolio guidelines. The portfolio managed by Goldman Sachs Asset Management had a relative value strategy level leverage measurement and cash holdings level that exceeded portfolio guidelines and a realized Sharpe ratio that was lower than portfolio guidelines. LACERA is working with Goldman and Grosvenor in regards to these matters.

As mentioned previously, San Gabriel 2 was fully redeemed in November 2018. The returns for San Gabriel 2 included in the attached quarterly report are through the period ending October 31, 2018.

Attachment

Noted and Reviewed:

Jonathan Grabel
Chief Investment Officer

JR:ct:qn:mm

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

LACERA HEDGE FUND PERFORMANCE REVIEW

2018 Fourth Quarter March 13, 2019

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Plan Allocation Status

As of December 31, 2018

LACERA Assets	$55,795.3 mm
Hedge Fund Program Target Allocation at 4.2% of Total Fund	$2,343.4 mm
Grosvenor Diversified (San Gabriel) Portfolio Market Value	$467.7 mm
Grosvenor Opportunistic Credit (San Gabriel 2) Portfolio Market Value[1]	$0.0 mm
Grosvenor Opportunistic Credit 2 (San Gabriel 3) Portfolio Market Value	$355.1 mm
Total GCM Grosvenor Hedge Fund Program Market Value	**$822.8 mm**
Goldman Diversified Hedge Fund Portfolio Market Value	$469.6 mm
Total GSAM Goldman Sachs Hedge Fund Program Market Value	**$469.6 mm**
Direct Hedge Fund Portfolio Market Value[2]	$518.8 mm
Total Direct Hedge Fund Portfolio Market Value	**$518.8 mm**
Total Hedge Fund Program Market Value	**$1,811.2 mm**

[1] San Gabriel 2 was fully redeemed in November 2018.

[2] This market value includes $75 million for a fund contribution made in December 2018 for a January 1, 2019 effective date.

Portfolio Returns

As of December 31, 2018

Total Hedge Fund Composite

	4Q18	YTD	1 Year	---- Annualized ---- 3 Year	5 Year	ITD[3]
Hedge Fund Program Aggregate Portfolio [1,2]	-2.73%	-0.61%	-0.61%	2.84%	2.36%	4.21%
90-Day U.S. T-Bills plus 500 basis points	1.80%	6.95%	6.95%	6.04%	5.63%	5.45%
HFRX Global Hedge Fund Index	-5.56%	-6.72%	-6.72%	0.45%	-0.59%	0.90%

Grosvenor Diversified Portfolio

	4Q18	YTD	1 Year	---- Annualized ---- 3 Year	5 Year	ITD[4]
San Gabriel Fund, L.P.[1] (Diversified)	-4.67%	-0.72%	-0.72%	1.70%	1.12%	3.05%
90-Day U.S. T-Bills plus 500 basis points	1.80%	6.95%	6.95%	6.04%	5.63%	5.45%
HFRX Global Hedge Fund Index	-5.56%	-6.72%	-6.72%	0.45%	-0.59%	0.90%

Grosvenor Opportunistic Credit Portfolio 2013[5]

	4Q18	YTD	1 Year	---- Annualized ---- 3 Year	5 Year	ITD[6]
San Gabriel Fund 2, L.P.[1] (Opportunistic Credit)	1.17%	1.17%	3.49%	4.21%	4.09%	5.86%
90-Day U.S. T-Bills plus 500 basis points	0.59%	5.68%	6.74%	5.90%	5.55%	5.49%
HFRX Fixed Income Credit Index	-1.06%	-0.58%	-0.20%	1.53%	0.46%	1.46%

Goldman Sachs Diversified Portfolio

	4Q18	YTD	1 Year	---- Annualized ---- 3 Year	5 Year	ITD[7]
Goldman Sachs Hedge Fund of Fund[1]	-3.36%	-1.76%	-1.76%	1.36%	n/a	1.18%
90-Day U.S. T-Bills plus 500 basis points	1.80%	6.95%	6.95%	6.04%	n/a	5.85%
HFRX Global Hedge Fund Index	-5.56%	-6.72%	-6.72%	0.45%	n/a	-1.26%

Grosvenor Opportunistic Credit Portfolio 2016

	4Q18	YTD	1 Year	---- Annualized ---- 3 Year	5 Year	ITD[8]
San Gabriel Fund 3, L.P.[1] (Opportunistic Credit)	-2.15%	0.25%	0.25%	n/a	n/a	7.45%
90-Day U.S. T-Bills plus 500 basis points	1.80%	6.95%	6.95%	n/a	n/a	6.06%
HFRX Fixed Income Credit Index	-3.04%	-2.55%	-2.55%	n/a	n/a	2.78%

Direct Hedge Fund Portfolio

	4Q18	YTD	1 Year	3 Year	5 Year	ITD[9]
Direct Hedge Fund Portfolio[1]	-0.59%	n/a	n/a	n/a	n/a	-2.56%
Diversified Hedge Funds Benchmark[4]	1.80%	n/a	n/a	n/a	n/a	5.28%
HFRX Global Hedge Fund Index	-5.56%	n/a	n/a	n/a	n/a	-5.76%

1 Portfolio returns are net of all fees and expenses.
2 Returns prior to 1/1/2013 are that of San Gabriel Fund, L.P. (Grosvenor Diversified Portfolio) only.
3 ITD returns for the HF Composite and benchmarks commence on 10/1/2011 (the inception date of the Composite).
4 ITD returns for San Gabriel Fund, L.P. and benchmarks commence on 10/1/2011 (the inception date of the Fund).
5 San Gabriel 2 was fully redeemed in November 2018. Returns and benchmarks are through the period ending 10/31/18.
6 ITD returns for San Gabriel Fund 2, L.P. and benchmarks commence on 1/1/2013 (the inception date of the Fund).
7 ITD returns for Goldman Sachs and benchmarks commence on 5/1/2015 (the inception date of the Fund).
8 ITD returns for San Gabriel Fund 3, L.P. and benchmarks commence on 2/1/2016 (the inception date of the Fund).
9 ITD returns for Direct Hedge Fund Portfolio. and benchmarks commence on 4/1/2018 (the inception date of the Portfolio).

Past performance is not necessarily indicative of future results, and the performance of the portfolio could be volatile.

Portfolio Risk and Return Statistics

Measured Since Inception Through December 31, 2018

LACERA Hedge Fund Portfolios

	Return [1]	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
Total Hedge Fund Program	4.21%	2.68%	1.41	0.14	10/1/2011
Grosvenor Diversified (San Gabriel)	3.05%	2.82%	0.93	0.15	10/1/2011
Grosvenor Opportunistic Credit 2013 (San Gabriel 2) [2]	5.86%	3.42%	1.58	0.16	1/1/2013
Goldman Sachs Diversified	1.18%	3.00%	0.12	0.13	5/1/2015
Grosvenor Opportunistic Credit 2016 (San Gabriel 3)	7.45%	3.16%	2.04	0.14	2/1/2016
Direct Portfolio	-2.56%	-- N/A: Time period insufficient --			4/1/2018

LACERA's Public Market Assets Composite

	Return [1]	Standard Deviation	Sharpe Ratio	Beta to MSCI ACWI	Inception
Total Public Equities, Fixed Income, Commodities and Cash	7.53%	7.57%	0.940	0.65	10/1/2011

The Hedge Fund Program's 1.41 Sharpe ratio since inception compares favorably to a 0.94 Sharpe ratio for LACERA's public market assets composite over the same time period. This indicates that the Program is meeting its primary objective by positively impacting the risk-adjusted returns of the Total Fund.

1 Returns are net of all fees and expenses and annualized for periods greater than one year.

2 San Gabriel 2 was fully redeemed in November 2018. Returns and return statistics are through the period ending 10/31/18.

Portfolio Upside and Downside Capture

Measured Since Inception Through December 31, 2018

Relative to LACERA's Public Markets Assets Composite (equities, fixed income, commodities, and cash):

	Upside Capture	Downside Capture	Up / Down Spread
Total Hedge Fund Program	36.3%	21.0%	15.3%

Explanation:

Upside Capture: Using monthly returns for only those months when LACERA's Public Markets Assets Composite generated positive returns, upside capture measures the share of LACERA's Public Market Composite return captured by the hedge fund program. Example: For a 36% upside capture, on average, the hedge fund program earns 0.36% for each 1% generated by the Public Markets Assets Composite in its positively performing months.

Downside Capture: Using monthly returns for only those months when LACERA's Public Markets Assets Composite generated negative returns, downside capture measures the share of LACERA's Public Market Composite return captured by the hedge fund program. Example: For a 21% downside capture, on average, the hedge fund program loses 0.21% for each 1% lost by the Public Markets Assets Composite in its negatively performing months.

Up / Down Spread: Subtracting the Downside Capture from the Upside Capture determines the Up / Down Spread. A positive Up / Down Spread indicates that the hedge fund program has a greater degree of participation in market gains compared to market loses.

Grosvenor Capital Management

Portfolio Fund Summary

Portfolio Returns

Los Angeles County Employees Retirement Association (December 31, 2018)

				Annualized		
	4Q18	YTD	1 Year	3 Year	5 Year	ITD[2]
San Gabriel Fund, L.P.[1] (Diversified)	-4.67%	-0.72%	-0.72%	1.70%	1.12%	3.05%
90-Day U.S. T-Bills plus 500 basis points	1.80%	6.95%	6.95%	6.04%	5.63%	5.45%
HFRX Global Hedge Fund Index	-5.56%	-6.72%	-6.72%	0.45%	-0.59%	0.90%

				Annualized		
	4Q18	YTD	1 Year	3 Year	5 Year	ITD
San Gabriel Fund 2, L.P.[1,3] (Opportunistic Credit)*	0.63%	1.26%	2.78%	3.97%	3.95%	5.73%
90-Day U.S. T-Bills plus 500 basis points[3]	0.59%	5.68%	6.74%	5.90%	5.55%	5.49%
HFRX Fixed Income Credit Index[3]	-1.06%	-0.58%	-0.20%	1.53%	0.46%	1.46%

				Annualized		
	4Q18	YTD	1 Year	3 Year	5 Year	ITD[4]
San Gabriel Fund 3, L.P.[1] (Opportunistic Credit)	-2.15%	0.25%	0.25%	-	-	7.45%
90-Day U.S. T-Bills plus 500 basis points	1.80%	6.95%	6.95%	-	-	6.06%
HFRX Fixed Income Credit Index	-3.04%	-2.55%	-2.55%	-	-	2.78%

*Performance calculated by Grosvenor Capital Management. Performance metrics reported by LACERA's custodian and Grosvenor differ materially during the fourth quarter for the San Gabriel 2 portfolio due to differences in performance calculation methodologies. LACERA's custodian considers current period cash activity and lagged hedge fund values to calculate performance. Grosvenor considers cash activity and hedge fund values from the same period for performance calculations. In periods with large cash activity related to the size of the portfolio, performance calculations can be materially different. In the fourth quarter, this portfolio was liquidated and there was a large cash flow relative to the asset value.

1 Portfolio returns are net of fees and expenses.

2 ITD returns for San Gabriel Fund, L.P. and benchmarks commence on 10/1/2011 (the inception date of the Fund).

3 All returns for San Gabriel Fund 2, L.P. and benchmarks commence on 1/1/2013 (the inception date of the Fund) and end on 11/1/2018 (the liquidation date of the Fund).

4 ITD returns for San Gabriel Fund 3, L.P. and benchmarks commence on 2/1/2016 (the inception date of the Fund).

Past performance is not necessarily indicative of future results.

Hedge Fund Categories

Los Angeles County Employees Retirement Association (December 31, 2018)

San Gabriel Fund, L.P.						Cumulative returns			Annualized returns		
Hedge fund category	QTD opening balance	QTD subscriptions/ (redemptions)	QTD gain (loss)	QTD ending balance	% of NAV (As of 12/31/18)	4Q18	YTD	1 Year	3 Year	5 Year	ITD[1]
Credit	$127,830,448	$1,749,629	($3,733,648)	$125,846,430	26.91%	-2.92%	1.08%	1.08%	4.60%	3.80%	6.82%
Equities	$114,461,086	($6,321,516)	($9,855,763)	$98,283,806	21.01%	-8.80%	-5.25%	-5.25%	-0.17%	-0.72%	1.66%
Quantitative	$26,403,061	-	($926,159)	$25,476,902	5.45%	-3.51%	2.89%	2.89%	-2.65%	-	-5.58%
Macro	$65,525,672	-	($2,955,358)	$62,570,314	13.38%	-4.51%	3.50%	3.50%	3.39%	3.44%	4.21%
Relative Value	$68,472,971	-	($937,674)	$67,535,297	14.44%	-1.37%	6.18%	6.18%	4.05%	4.78%	7.14%
Multi-Strategy	$68,712,852	$8,000,000	($3,823,935)	$72,888,916	15.58%	-4.98%	-2.67%	-2.67%	6.41%	3.33%	6.50%
Commodities	-	-	-	-	-	-	-4.45%	-4.45%	-	-	-8.14%
Portfolio Hedges	-	-	-	-	-	-	-	-	-	-	-13.68%
APPA[4]	($7,765)	-	$6,570	($1,195)	-	-	-	-	-	-	-
Other[5]	$1,738,828	($151,763)	$3,583	$1,590,648	0.34%	0.01%	-1.46%	-	-	-	-
Uninvested[6]	$17,625,046	($3,276,350)	($853,337)	$13,495,359	2.89%	-	-	-	-	-	-
Net asset value	**$490,762,197**	**-**	**($23,075,720)**	**$467,686,477**	**100.00%**	**-4.67%**	**-0.72%**	**-0.72%**	**1.70%**	**1.12%**	**3.05%**

San Gabriel Fund 2, L.P.[7]						Cumulative returns			Annualized returns		
Hedge fund category	QTD opening balance	QTD subscriptions/ (redemptions)	QTD gain (loss)	QTD ending balance	% of NAV (As of 10/31/18)	4Q18	YTD	1 Year	3 Year	5 Year	ITD[2]
Credit	$8,356,437	($8,393,400)	$36,965	$1	99.01%	0.51%	2.36%	4.32%	5.94%	5.51%	7.25%
Relative Value	-	-	-	-	-	-	-	-	-	-	-8.09%
APPA[4]	($11,865)	-	$11,865	-	-	-	-	-	-	-	-
Other[5]	$575,000	($592,810)	$17,810	-	-	3.10%	21.33%	-	-	-	-
Uninvested[6]	$1,129,424	($1,122,197)	($7,228)	-	0.99%	-	-	-	-	-	-
Net asset value	**$10,048,996**	**($10,108,407)**	**$59,412**	**$1**	**100.00%**	**0.63%**	**1.26%**	**2.78%**	**3.97%**	**3.95%**	**5.73%**

San Gabriel Fund 3, L.P.						Cumulative returns			Annualized returns		
Hedge fund category	QTD opening balance	QTD subscriptions/ (redemptions)	QTD gain (loss)	QTD ending balance	% of NAV (As of 12/31/18)	4Q18	YTD	1 Year	3 Year	5 Year	ITD[3]
Credit	$351,092,774	($5,205,368)	($7,406,234)	$338,481,172	95.30%	-2.13%	1.12%	1.12%	-	-	8.62%
APPA[4]	($460,681)	-	$104,747	($355,935)	-0.10%	-	-	-	-	-	-
Other[5]	-	$2,044,587	($37,448)	$2,007,139	0.57%	1.47%	1.47%	-	-	-	-
Uninvested[6]	$12,491,671	$3,160,781	($626,543)	$15,025,910	4.23%	-	-	-	-	-	-
Net asset value	**$363,123,764**	**-**	**($7,965,478)**	**$355,158,286**	**100.00%**	**-2.15%**	**0.25%**	**0.25%**	**-**	**-**	**7.45%**

1 ITD returns for San Gabriel Fund, L.P. commence on 10/1/2011 (the inception date of the Fund).
2 ITD returns for San Gabriel Fund 2, L.P. commence on 1/1/2013 (the inception date of the Fund).
3 ITD returns for San Gabriel Fund 3, L.P. commence on 2/1/2016 (the inception date of the Fund).
4 Aggregated Prior Period Adjustment.
5 “Other” may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.
6 “Uninvested” may include: cash, expenses, management fees, and net receivables/payables.
7 The Fund fully liquidated on 10/31/18.

Past performance is not necessarily indicative of future results.

Hedge Fund Categories

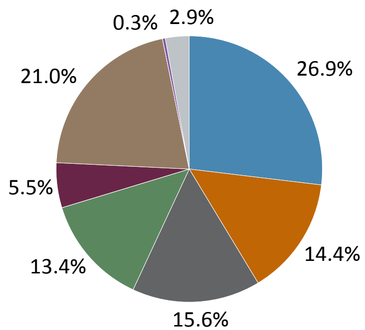
Los Angeles County Employees Retirement Association (December 31, 2018)

Credit | Relative Value | Multi Strategy | Macro | Quantitative | Equities | Other | Uninvested

San Gabriel Fund, L.P.

Asset allocation by strategy[1,2]

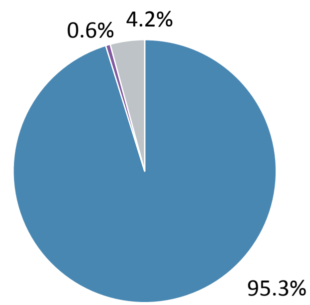
Percent of fund's net asset value



San Gabriel Fund 3, L.P.

Asset allocation by strategy[1,2]

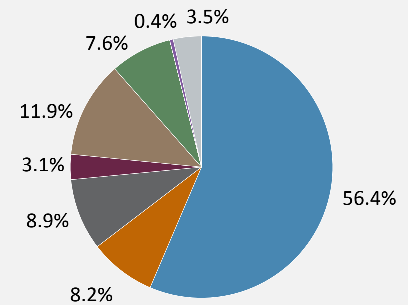
Percent of fund's net asset value



Total Hedge Fund Program

Asset allocation by strategy[1,2]

Percent of fund's net asset value



1 "Other" (if present) may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

2 "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (December 31, 2018)

San Gabriel Fund, L.P.

Fund Name	Fund Category	QTD ending balance	% of NAV (as of 12/31/18)	Start date of investment	End date of investment	Cumulative returns 4Q18	Cumulative returns YTD	Cumulative returns 1 Year	Annualized returns 3 Year	Annualized returns 5 Year	Annualized returns ITD[1]
Fund 1	Credit	$17,854,788	3.82%	04/01/2013	Present	-5.22%	1.20%	1.20%	8.30%	4.67%	5.88%
Fund 2	Credit	$28,705,740	6.14%	02/01/2014	Present	-3.78%	0.54%	0.54%	7.26%	-	5.67%
Fund 3	Credit	$3,615,516	0.77%	05/01/2013	Present	-3.85%	-9.52%	-9.52%	-0.61%	2.12%	3.62%
Fund 4	Credit	$25,263,584	5.40%	10/01/2011	Present	-0.54%	5.05%	5.05%	7.02%	5.67%	8.33%
Fund 5	Credit	$26,701,868	5.71%	10/01/2011	Present	-2.76%	0.82%	0.82%	3.22%	3.81%	7.11%
Fund 6	Credit	$16,445,311	3.52%	11/01/2017	Present	-3.12%	1.39%	1.39%	-	-	1.30%
Fund 7	Credit	$2,344,923	0.50%	10/01/2018	Present	-2.29%	-2.29%	-	-	-	-2.29%
Fund 8	Credit	$4,914,700	1.05%	12/01/2018	Present	0.30%	0.30%	-	-	-	0.30%
Fund 9	Equities	$11,647,618	2.49%	11/01/2015	Present	-5.59%	3.83%	3.83%	4.49%	-	4.46%
Fund 10	Equities	$6,332,315	1.35%	08/01/2016	Present	-7.37%	-5.82%	-5.82%	-	-	1.46%
Fund 11	Equities	$12,088,926	2.58%	05/01/2017	Present	-4.92%	-4.05%	-4.05%	-	-	-0.78%
Fund 12	Equities	$10,862,388	2.32%	07/01/2014	Present	-9.59%	-11.48%	-11.48%	2.67%	-	-5.21%
Fund 13	Equities	$11,029,915	2.36%	02/01/2018	Present	-14.86%	-18.51%	-	-	-	-18.51%
Fund 14	Equities	$16,600,670	3.55%	11/01/2017	Present	-11.05%	-10.06%	-10.06%	-	-	-9.63%
Fund 15	Equities	$1,418,494	0.30%	11/01/2012	Present	-5.96%	-0.36%	-0.36%	-7.22%	-3.32%	2.05%
Fund 16	Equities	$25,163,354	5.38%	11/01/2015	Present	-8.40%	3.58%	3.58%	13.00%	-	10.99%
Fund 17	Quantitative	$25,476,902	5.45%	08/01/2017	Present	-3.51%	2.89%	2.89%	-	-	5.11%
Fund 18	Macro	$29,260,449	6.26%	04/01/2012	Present	-6.38%	16.55%	16.55%	13.30%	12.89%	12.57%
Fund 19	Macro	$15,942,831	3.41%	05/01/2017	Present	-2.15%	-2.40%	-2.40%	-	-	-5.15%
Fund 20	Macro	$17,367,034	3.71%	10/01/2013	Present	-3.40%	-7.59%	-7.59%	2.17%	1.36%	2.18%
Fund 21	Relative Value	$26,825,072	5.74%	03/01/2013	Present	-3.93%	9.42%	9.42%	9.26%	12.31%	13.20%
Fund 22	Relative Value	$10,866,875	2.32%	06/01/2018	Present	-0.38%	0.62%	-	-	-	0.62%
Fund 23	Relative Value	$19,357,077	4.14%	05/01/2015	Present	-2.05%	5.52%	5.52%	8.09%	-	4.44%
Fund 24	Relative Value	$3,795,339	0.81%	08/01/2015	Present	4.27%	3.66%	3.66%	-2.42%	-	-2.15%
Fund 25	Relative Value	$6,690,935	1.43%	11/01/2015	Present	7.24%	0.95%	0.95%	-13.95%	-	-11.59%
Fund 26	Multi-Strategy	$24,672,432	5.28%	11/01/2011	Present	0.08%	2.55%	2.55%	7.75%	6.56%	7.74%
Fund 27	Multi-Strategy	$27,287,297	5.83%	04/01/2017	Present	-5.16%	-8.70%	-8.70%	-	-	-0.84%
Fund 28	Multi-Strategy	$20,929,187	4.48%	02/01/2017	Present	-10.13%	-3.16%	-3.16%	-	-	0.85%
Terminated Fund 49	Equities	$3,140,127	0.67%	10/01/2012	01/01/2019	-2.43%	5.42%	5.42%	5.41%	11.02%	11.47%
APPA	APPA[2]	($1,195)	-	-	-	-	-	-	-	-	-
Other	Other[3]	$1,590,648	0.34%	-	-	0.01%	-1.46%	-	-	-	-
Total Uninvested	Uninvested[4]	$13,495,359	2.89%	-	-	-	-	-	-	-	-
Net asset value	**Total**	**$467,686,477**	**100.00%**			**-4.67%**	**-0.72%**	**-0.72%**	**1.70%**	**1.12%**	**3.05%**

1 ITD return for the portfolio commenced 10/1/2011.
Individual fund returns are over the period indicated by the Start date of investment and End date of investment columns in the table. Returns for funds for a period of 12 months or less are not annualized.

2 Aggregated Prior Period Adjustment.

3 "Other" may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

4 "Uninvested" may include: cash, expenses, management fees, and net receivables/payables.

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Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (October 31, 2018)

San Gabriel Fund 2, L.P.[1]

						Cumulative returns			Annualized returns		
Fund name	Fund category	QTD ending balance	% of NAV (As of 10/31/18)	Start date of investment	End date of investment	4Q18	YTD	1 Year	3 Year	5 Year	ITD[2]
Fund 1	Credit	$1	99.01%	01/01/2013	Present	0.68%	-0.90%	-1.09%	-0.41%	0.24%	1.83%
Terminated Fund 16	Credit	-	-	04/01/2013	11/01/2018	0.46%	-4.06%	-2.08%	1.60%	5.93%	6.20%
APPA	APPA[3]	-	-	-	-	-	-	-	-	-	-
Other	Other[4]	-	-	-	-	3.10%	21.33%	-	-	-	-
Total Uninvested	Uninvested[5]	-	0.99%	-	-	-	-	-	-	-	-
Net asset value	**Total**	**$1**	**100.00%**			**0.63%**	**1.26%**	**2.78%**	**3.97%**	**3.95%**	**5.73%**

1 The Fund fully liquidated on 10/31/2018.

2 ITD return for the portfolio commenced 1/1/2013. Individual fund returns are over the period indicated by the Start date of Investment and End date of Investment columns in the table. Returns for funds for a period of 12 months or less are not annualized.

3 Aggregated Prior Period Adjustment.

4 “Other” may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

5 “Uninvested” may include: cash, expenses, management fees, and net receivables/payables.

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Hedge Fund Program Summary

Los Angeles County Employees Retirement Association (December 31, 2018)

San Gabriel Fund 3, L.P.

Fund name	Fund category	QTD ending balance	% of NAV (As of 12/31/18)	Start date of investment	End date of investment	Cumulative returns 4Q18	Cumulative returns YTD	Cumulative returns 1 Year	Annualized returns 3 Year	Annualized returns 5 year	Annualized returns ITD[1]
Fund 1	Credit	$34,298,013	9.66%	02/01/2016	Present	-3.78%	0.54%	0.54%	-	-	7.52%
Fund 2	Credit	$29,428,018	8.29%	02/01/2016	Present	1.52%	9.59%	9.59%	-	-	6.78%
Fund 3	Credit	$5,675,488	1.60%	11/01/2018	Present	0.91%	0.91%	-	-	-	0.91%
Fund 4	Credit	$49,638,658	13.98%	02/01/2016	Present	-0.54%	5.06%	5.06%	-	-	7.44%
Fund 5	Credit	$18,005,664	5.07%	06/01/2017	Present	0.97%	4.69%	4.69%	-	-	5.10%
Fund 6	Credit	$20,517,962	5.78%	02/01/2016	Present	-1.82%	6.56%	6.56%	-	-	13.67%
Fund 7	Credit	$13,475,255	3.79%	02/01/2018	Present	-6.40%	0.97%	-	-	-	0.97%
Fund 8	Credit	$13,076,311	3.68%	08/01/2016	Present	-25.30%	-47.04%	-47.04%	-	-	-14.82%
Fund 9	Credit	$6,779,442	1.91%	02/01/2016	Present	-4.53%	-12.70%	-12.70%	-	-	8.72%
Fund 10	Credit	$22,620,184	6.37%	06/01/2017	Present	-3.70%	0.81%	0.81%	-	-	6.17%
Fund 11	Credit	$12,780,186	3.60%	02/01/2016	Present	-4.27%	0.20%	0.20%	-	-	20.25%
Fund 12	Credit	$4,470,312	1.26%	09/01/2018	Present	-1.87%	0.77%	-	-	-	0.77%
Fund 13	Credit	$25,617,600	7.21%	04/01/2016	Present	2.71%	10.76%	10.76%	-	-	9.50%
Fund 14	Credit	$18,156,051	5.11%	02/01/2016	Present	1.79%	8.18%	8.18%	-	-	7.84%
Fund 15	Credit	$20,993,681	5.91%	04/01/2017	Present	-3.21%	3.51%	3.51%	-	-	5.85%
Fund 16	Credit	$39,973,628	11.26%	03/01/2016	Present	2.22%	11.70%	11.70%	-	-	10.23%
Terminated Fund 1	Credit	$2,974,720	0.84%	02/01/2016	01/01/2019	-3.85%	-9.52%	-9.52%	-	-	0.00%
APPA	APPA[2]	($355,935)	-0.10%	-	-	-	-	-	-	-	-
Other	Other[3]	$2,007,139	0.57%	-	-	1.47%	1.47%	-	-	-	-
Total Uninvested	Uninvested[4]	$15,025,910	4.23%	-	-	-	-	-	-	-	-
Net asset value	**Total**	**$355,158,286**	**100.00%**			**-2.15%**	**0.25%**	**0.25%**	**-**	**-**	**7.45%**

1 ITD return for the portfolio commenced 2/1/2016. Individual fund returns are over the period indicated by the Start date of investment and End date of investment columns in the table. Returns for funds for a period of 12 months or less are not annualized.

2 Aggregated Prior Period Adjustment.

3 “Other” may include: residual positions with underlying funds from which the Fund has redeemed, and general trades.

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Portfolio Characteristics

Los Angeles County Employees Retirement Association (Allocation Period: January 1, 2019)

	San Gabriel Fund, L.P.[1,2,6]			San Gabriel Fund 3, L.P.[1,3,7]			Total Hedge Fund Program[1,4]		
Volatility	Guideline	Forward looking estimate	Realized since inception	Guideline	Forward looking estimate	Realized since inception	Guideline	Forward looking estimate	Realized since inception
Standard deviation of returns	5-7%	4.4%	2.9%	≤8%	3.9%	3.1%	5-8%	4.2%	2.9%
Sharpe Ratio	≥1.0	1.25	0.99	>1.0	1.35	2.10			1.33

Diversification	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception	Guideline	10-year historical simulation	Forward looking estimate[5]	Realized since inception
Portfolio beta to MSCI World	≤0.20	0.19	0.20	0.17	≤0.25	0.14	0.13	0.12	≤0.25	0.17	0.17	0.15

Manager Allocation	Guideline	Actual	Guideline	Actual	Guideline	Actual
Number of investment managers	20-40	24	7-15	8		30

Portfolio category	Compliance range	Target allocation	Capital allocation	Target range	Maximum	Capital allocation	Target range	Maximum	Capital allocation
Credit	10%-40%	30%	26.9%			93.5%			55.6%
Equities	5%-40%	20%	20.0%			0.0%			11.4%
Multi-Strategy	0%-30%	15%	15.6%			0.0%			8.9%
Relative Value	0%-30%	14%	14.4%			0.0%			8.2%
Macro	0%-20%	13%	13.4%			0.0%			7.6%
Commodities	0%-15%	2%	0.0%			0.0%			0.0%
Quantitative	0%-15%	5%	5.5%			0.0%			3.1%
Portfolio Hedges	0%-10%	1%	0.0%			0.0%			0.0%

Look-through exposure category	Target range	Maximum	Capital allocation
Corporate Credit	<50%		18.3%
Mortgage Credit	<50%		33.7%
Structured Credit	<50%		24.8%
Relative Value			
Other (Event Driven, Macro, Equities)			

1 Forward looking estimates, historical simulation returns and related statistics are net of underlying manager fees/expenses but gross of GCM Grosvenor fees/expenses.

2 Assumes historical strategy correlation average of 0.3.

3 Assumes historical strategy correlation average of 0.5.

4 Assumes historical strategy correlation average of 0.4.

5 Forward Looking Estimate Beta statistic is presented for informational purposes only.

6 Forward Looking Estimate Sharpe Ratio is calculated using the Risk-based Allocation Report as follows: Portfolio ROR less Risk-free Rate (assumed to be 2.25% for this purpose) divided by Portfolio Standard Deviation at the 0.3 correlation level.

7 Forward Looking Estimate Sharpe Ratio is calculated using the Risk-based Allocation Report as follows: Portfolio ROR less Risk-free Rate (assumed to be 2.25% for this purpose) divided by Portfolio Standard Deviation at the 0.5 correlation level.

The statistics on this slide are for illustrative purposes only, and are summarized from data contained in the attached portfolio reports. <u>The Notes and Disclosures following this presentation and accompanying the attached portfolio reports are integral to your review of the statistics, and must be read with your review of the statistics.</u>

Risk Summary

Los Angeles County Employees Retirement Association (Allocation Period: January 1, 2019)

	San Gabriel Fund, L.P.		San Gabriel Fund 3, L.P.		Total hedge fund program	
Leverage within hedge funds	Guideline maximum	Leverage	Guideline maximum	Leverage	Guideline maximum	Leverage
Hedge fund category						
Credit	4.0x	1.4x	3.0x	1.3x		1.3x
Relative Value	8.0x	8.6x				8.7x
Event Driven	4.0x	1.9x				1.8x
Equities	4.0x	1.3x				1.2x
Macro	20.0x	8.3x				7.9x
Other	5.0x	1.5x	3.0x	0.9x		1.0x

Downside loss	Guideline	Current portfolio	Guideline	Current portfolio	Guideline	Current portfolio
Actual allocation to single fund, % of capital (at market)	10% maximum	6.3%				9.1%
% ROR impact of Severe Case Loss in a single fund (at market)	≥ -4%	-2.0%				-1.1%
Impact of Severe Case Loss in a single sub-strategy (at market)	≥ -7%	-2.5%				-1.2%
Fund-Level ROR Impact of Severe Case Loss (at market)	≥ -10%	-8.1%[1]	≥ -15%	-5.2%[1]		-6.4%[1]
Actual allocation to single investment manager, % of capital (at cost)			25% maximum	12.6%		9.0%
Actual allocation to GCM Special Opportunities Fund (at market)	10% maximum	5.8%				
Actual allocation to Self Liquidating Funds, % of capital (at cost)	20% maximum	6.0%				
Actual allocation to Self Liquidating Funds, % of capital (at market)	20% maximum	5.8%				
% ROR impact of Severe Case Loss in a single investment manager (at market)			≥ -7%	-1.7%		-1.1%

Liquidity excluding fund level and discretionary gates, notice periods, and side pocket investments[2]	Guideline	Actual	Guideline	Actual	Guideline	Actual
Fund capital with lockups greater than 1 year but less than 2 years	<35%	7.2%				21.0%
Fund capital with lockups greater than 2 years	0.0%	0.0%				0.0%
Fund capital available within one year, after lockups expire, including the effect of mandatory investor-level gates	>65%	81.5%			>50%	64.8%
Fund capital with quarterly or more frequent liquidity after lockups expire, excluding the effects of mandatory investor-level gates					>50%	69.0%
Initial Anticipated End Date			At least 90% of the Fund's capital (at cost) 60 months from San Gabriel 3 inception			

1 Assumes historical strategy correlation of 0.4.

2 Self-liquidating Funds are considered to have lockups of greater than 1 year but less than 2 years for purposes of measuring the above constraints.

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Compliance Summary

Los Angeles County Employees Retirement Association (Allocation Period: January 1, 2019)

San Gabriel Fund, L.P.

Category	In compliance	Discussion
Forward looking return, volatility, and correlation objectives	YES	-
Downside risk case	YES	-
Number of investment managers	YES	-
Allocation to single hedge fund	YES	-
Maximum leverage	NO	San Gabriel's look-through Relative Value leverage has risen to 8.6x as of January 1, compared to an 8.0x maximum, due to recent changes in underlying portfolio fund exposures and not due to any allocation changes. As previously communicated, our forward-looking allocation plan, including a planned full redemption from Atlas Enhanced Fund (subject to a 4-quarter gate) and a planned full redemption from Atlas Global, brings this constraint back into compliance. As of April 1, 2019, San Gabriel's look-through Relative Value leverage comes back into compliance at 6.4x.
Lockups	YES	-
Fund liquidity after lockups	YES	-
Strategy categories	YES	-

San Gabriel Fund 3, L.P.

Category	In compliance	Discussion
Forward looking return, volatility, and correlation objectives	YES	-
Downside risk case	YES	-
Number of investment managers	YES	-
Allocation to single investment manager	YES	-
Downside risk to a single investment manager	YES	-
Maximum leverage	YES	-
Look-through exposure categories	YES	-

GCM GROSVENOR

Allocation Report – San Gabriel Fund, L.P.

GROSVENOR CAPITAL MANAGEMENT, L.P.

Allocation Report
Expressed in US Dollars
Period is 01 January 2019

GABRIEL - San Gabriel Fund, L.P. (the "Fund")

Portfolio Fund Name	Ending Balance as of 31 December 2018 Before EOM Activity: Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Allocation as of 01 January 2019: Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Credit											
Fundamental Credit											
Fund 1	17,854,788	38.35%	14.19%	3.93%	3.82%	-	17,854,788	38.35%	14.19%	3.97%	3.82%
Fund 2	28,705,740	61.65%	22.81%	6.32%	6.14%	-	28,705,740	61.65%	22.81%	6.39%	6.14%
Total - Fundamental Credit	46,560,528	100.00%	37.00%	10.25%	9.96%	-	46,560,528	100.00%	37.00%	10.37%	9.96%
Structured Credit											
Fund 3	3,615,516	12.52%	2.87%	0.80%	0.77%	-	3,615,516	12.52%	2.87%	0.80%	0.77%
Fund 4	25,263,584	87.48%	20.07%	5.56%	5.40%	-	25,263,584	87.48%	20.07%	5.62%	5.40%
Total - Structured Credit	28,879,100	100.00%	22.95%	6.36%	6.17%	-	28,879,100	100.00%	22.95%	6.43%	6.17%
Long/Short Credit											
Fund 5	26,701,868	61.89%	21.22%	5.88%	5.71%	-	26,701,868	61.89%	21.22%	5.94%	5.71%
Fund 6	16,445,311	38.11%	13.07%	3.62%	3.52%	-	16,445,311	38.11%	13.07%	3.66%	3.52%
Total - Long/Short Credit	43,147,179	100.00%	34.29%	9.50%	9.23%	-	43,147,179	100.00%	34.29%	9.61%	9.23%
Emerging Market Credit											
Fund 7	2,344,923	100.00%	1.86%	0.52%	0.50%	-	2,344,923	100.00%	1.86%	0.52%	0.50%
Total - Emerging Market Credit	2,344,923	100.00%	1.86%	0.52%	0.50%	-	2,344,923	100.00%	1.86%	0.52%	0.50%
Specialist Credit											
Fund 8	4,914,700	100.00%	3.91%	1.08%	1.05%	-	4,914,700	100.00%	3.91%	1.09%	1.05%
Total - Specialist Credit	4,914,700	100.00%	3.91%	1.08%	1.05%	-	4,914,700	100.00%	3.91%	1.09%	1.05%
Total Credit	125,846,430		100.00%	27.71%	26.91%	-	125,846,430		100.00%	28.02%	26.91%
Equities											
Directional Equity / U.S./Canada											
Fund 9	11,647,618	100.00%	11.85%	2.56%	2.49%	-	11,647,618	100.00%	12.45%	2.59%	2.49%
Total - Directional Equity / U.S./Canada	11,647,618	100.00%	11.85%	2.56%	2.49%	-	11,647,618	100.00%	12.45%	2.59%	2.49%
Fundamental Market Neutral Equity / Global											
Fund 10	6,332,315	29.37%	6.44%	1.39%	1.35%	(1,583,079)	4,749,236	28.21%	5.08%	1.06%	1.02%
Fund 11	12,088,926	56.07%	12.30%	2.66%	2.58%	-	12,088,926	71.79%	12.92%	2.69%	2.58%
Terminated Fund 49	3,140,127	14.56%	3.19%	0.69%	0.67%	(3,140,127)	-	-	-	-	-
Total - Fundamental Market Neutral Equity / Global	21,561,368	100.00%	21.94%	4.75%	4.61%	(4,723,206)	16,838,162	100.00%	18.00%	3.75%	3.60%

Event Driven											
Fund 12	10,862,388	100.00%	11.05%	2.39%	2.32%	-	10,862,388	100.00%	11.61%	2.42%	2.32%
Total - Event Driven	10,862,388	100.00%	11.05%	2.39%	2.32%	-	10,862,388	100.00%	11.61%	2.42%	2.32%
Specialist Equity / U.S./Canada											
Fund 13	11,029,915	100.00%	11.22%	2.43%	2.36%	-	11,029,915	100.00%	11.79%	2.46%	2.36%
Total - Specialist Equity / U.S./Canada	11,029,915	100.00%	11.22%	2.43%	2.36%	-	11,029,915	100.00%	11.79%	2.46%	2.36%
Specialist Equity / Asia											
Fund 14	16,600,670	100.00%	16.89%	3.65%	3.55%	-	16,600,670	100.00%	17.74%	3.70%	3.55%
Total - Specialist Equity / Asia	16,600,670	100.00%	16.89%	3.65%	3.55%	-	16,600,670	100.00%	17.74%	3.70%	3.55%
Specialist Equity / Global											
Fund 15	1,418,494	5.34%	1.44%	0.31%	0.30%	-	1,418,494	5.34%	1.52%	0.32%	0.30%
Fund 16	25,163,354	94.66%	25.60%	5.54%	5.38%	-	25,163,354	94.66%	26.90%	5.60%	5.38%
Total - Specialist Equity / Global	26,581,848	100.00%	27.05%	5.85%	5.68%	-	26,581,848	100.00%	28.41%	5.92%	5.68%
Total Equities	98,283,806		100.00%	21.64%	21.01%	(4,723,206)	93,560,601		100.00%	20.83%	20.01%
Quantitative											
Non-Directional Quantitative											
Fund 17	25,476,902	100.00%	100.00%	5.61%	5.45%	-	25,476,902	100.00%	100.00%	5.67%	5.45%
Total - Non-Directional Quantitative	25,476,902	100.00%	100.00%	5.61%	5.45%	-	25,476,902	100.00%	100.00%	5.67%	5.45%
Total Quantitative	25,476,902		100.00%	5.61%	5.45%	-	25,476,902		100.00%	5.67%	5.45%
Macro											
Diversified Macro											
Fund 18	29,260,449	64.73%	46.76%	6.44%	6.26%	-	29,260,449	64.73%	46.76%	6.51%	6.26%
Fund 19	15,942,831	35.27%	25.48%	3.51%	3.41%	-	15,942,831	35.27%	25.48%	3.55%	3.41%
Total - Diversified Macro	45,203,280	100.00%	72.24%	9.95%	9.67%	-	45,203,280	100.00%	72.24%	10.06%	9.67%
Specialist Macro											
Fund 20	17,367,034	100.00%	27.76%	3.82%	3.71%	-	17,367,034	100.00%	27.76%	3.87%	3.71%
Total - Specialist Macro	17,367,034	100.00%	27.76%	3.82%	3.71%	-	17,367,034	100.00%	27.76%	3.87%	3.71%
Total Macro	62,570,314		100.00%	13.78%	13.38%	-	62,570,314		100.00%	13.93%	13.38%
Relative Value											
Diversified Relative Value											
Fund 21	26,825,072	47.02%	39.72%	5.91%	5.74%	-	26,825,072	47.02%	39.72%	5.97%	5.74%
Fund 22	10,866,875	19.05%	16.09%	2.39%	2.32%	-	10,866,875	19.05%	16.09%	2.42%	2.32%
Fund 23	19,357,077	33.93%	28.66%	4.26%	4.14%	-	19,357,077	33.93%	28.66%	4.31%	4.14%
Total - Diversified Relative Value	57,049,024	100.00%	84.47%	12.56%	12.20%	-	57,049,024	100.00%	84.47%	12.70%	12.20%
Option Volatility Arbitrage											
Fund 24	3,795,339	36.19%	5.62%	0.84%	0.81%	-	3,795,339	36.19%	5.62%	0.84%	0.81%
Fund 25	6,690,935	63.81%	9.91%	1.47%	1.43%	-	6,690,935	63.81%	9.91%	1.49%	1.43%
Total - Option Volatility Arbitrage	10,486,274	100.00%	15.53%	2.31%	2.24%	-	10,486,274	100.00%	15.53%	2.33%	2.24%
Total Relative Value	67,535,297		100.00%	14.87%	14.44%	-	67,535,297		100.00%	15.03%	14.44%
Multi-Strategy											
Diversified Multi-Strategy											

Fund 26	24,672,432	33.85%	33.85%	5.43%	5.28%	-	24,672,432	33.85%	33.85%	5.49%	5.28%
Fund 27	27,287,297	37.44%	37.44%	6.01%	5.83%	-	27,287,297	37.44%	37.44%	6.07%	5.83%
Fund 28	20,929,187	28.71%	28.71%	4.61%	4.48%	-	20,929,187	28.71%	28.71%	4.66%	4.48%
Total - Diversified Multi-Strategy	72,888,916	100.00%	100.00%	16.05%	15.58%	-	72,888,916	100.00%	100.00%	16.23%	15.58%
Total Multi-Strategy	72,888,916		100.00%	16.05%	15.58%	-	72,888,916		100.00%	16.23%	15.58%
Aggregated Prior Period Adjustment											
Multi-Manager											
APPA USD	(1,195)	100.00%	100.00%	0.00%	0.00%	-	(1,195)	100.00%	100.00%	0.00%	0.00%
Total - Multi-Manager	(1,195)	100.00%	100.00%	0.00%	0.00%	-	(1,195)	100.00%	100.00%	0.00%	0.00%
Total Aggregated Prior Period Adjustment	(1,195)		100.00%	0.00%	0.00%	-	(1,195)		100.00%	0.00%	0.00%
Other											
Other Investments											
Terminated Fund 25	12,202	0.77%	0.77%	0.00%	0.00%	-	12,202	0.93%	0.93%	0.00%	0.00%
Terminated Fund 32	206,694	12.99%	12.99%	0.05%	0.04%	-	206,694	15.73%	15.73%	0.05%	0.04%
Terminated Fund 46	1,289,724	81.08%	81.08%	0.28%	0.28%	(276,498)	1,013,226	77.10%	77.10%	0.23%	0.22%
Terminated Fund 4	82,028	5.16%	5.16%	0.02%	0.02%	-	82,028	6.24%	6.24%	0.02%	0.02%
Total - Other Investments	1,590,648	100.00%	100.00%	0.35%	0.34%	(276,498)	1,314,150	100.00%	100.00%	0.29%	0.28%
Total Other	1,590,648		100.00%	0.35%	0.34%	(276,498)	1,314,150		100.00%	0.29%	0.28%
Total ALLOCATED	**454,191,118**			**100.00%**	**97.11%**	**(4,999,704)**	**449,191,414**			**100.00%**	**96.05%**
Cash	13,571,162				2.90%	4,207,021	17,778,183				3.80%
Expenses	(196,820)				-0.04%	51	(196,770)				-0.04%
Management Fees	(273)				0.00%	798,384	798,111				0.17%
Net Rec/(Pay)	121,290				0.03%	(5,752)	115,539				0.02%
Total UNALLOCATED	**13,495,359**				**2.89%**	**4,999,704**	**18,495,063**				**3.95%**
NET ASSET VALUE	**467,686,477**				**100.00%**	**0**	**467,686,477**				**100.00%**

Notes and Disclosures

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GCM GROSVENOR

Allocation Report – San Gabriel Fund 2, L.P.

GROSVENOR
CAPITAL MANAGEMENT, L.P.

Allocation Report
Expressed in US Dollars
Period is 01 November 2018

GABRIEL2 - San Gabriel Fund 2, L.P. (the "Fund")

Portfolio Fund Name	Ending Balance as of 31 October 2018 Before EOM Activity					Allocation as of 01 November 2018					
	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Credit											
Structured Credit											
Fund 1	1,631,384	22.47%	22.47%	20.77%	17.18%	(1,631,383)	1	100.00%	100.00%	100.00%	99.01%
Terminated Fund 16	5,629,349	77.53%	77.53%	71.68%	59.27%	(5,629,349)	-	-	-	-	-
Total - Structured Credit	7,260,734	100.00%	100.00%	92.45%	76.44%	(7,260,733)	1	100.00%	100.00%	100.00%	99.01%
Total Credit	7,260,734		100.00%	92.45%	76.44%	(7,260,733)	1		100.00%	100.00%	99.01%
Aggregated Prior Period Adjustment											
Multi-Manager											
APPA USD	-	-	-	-	-	-	-	-	-	-	-
Total - Multi-Manager	-	-	-	-	-	-	-	-	-	-	-
Total Aggregated Prior Period Adjustment	-		-	-	-	-	-		-	-	-
Other											
Other Investments											
Terminated Fund 11	592,810	100.00%	100.00%	7.55%	6.24%	(592,810)	-	-	-	-	-
Total - Other Investments	592,810	100.00%	100.00%	7.55%	6.24%	(592,810)	-	-	-	-	-
Total Other	592,810		100.00%	7.55%	6.24%	(592,810)	-		-	-	-
Total ALLOCATED	**7,853,544**			**100.00%**	**82.68%**	**(7,853,543)**	**1**			**100.00%**	**99.01%**
Cash	8,464,754				89.12%	(7,229,269)	1,235,485				122325210.89%
Expenses	(64,436)				-0.68%	10,375	(54,061)				-5352550.50%
Management Fees	10,966				0.12%	(10,966)	-				-
Net Rec/(Pay)	(6,766,418)				-71.24%	5,584,994	(1,181,424)				-116972659.41%
Total UNALLOCATED	**1,644,866**				**17.32%**	**(1,644,866)**	**0**				**0.99%**
NET ASSET VALUE	**9,498,409**				**100.00%**	**(9,498,408)**	**1**				**100.00%**

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GCM GROSVENOR

Allocation Report – San Gabriel Fund 3, L.P.

GROSVENOR
CAPITAL MANAGEMENT, L.P.

Allocation Report
Expressed in US Dollars
Period is 01 January 2019

GABRIEL3 - San Gabriel Fund 3, L.P. (the "Fund")

Ending Balance as of 31 December 2018 Before EOM Activity						Allocation as of 01 January 2019					
Portfolio Fund Name	Ending Balance	as Percentage of Substrategy/ Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV	Subscriptions (Redemptions)	Allocated Balance	as Percentage of Substrategy Region	as a Percentage of Strategy	as a Percentage of Allocated	as a Percentage of NAV
Credit											
Fundamental Credit											
Fund 1	34,298,013	100.00%	10.13%	10.08%	9.66%	(6,861,249)	27,436,764	100.00%	8.28%	8.16%	7.73%
Total - Fundamental Credit	34,298,013	100.00%	10.13%	10.08%	9.66%	(6,861,249)	27,436,764	100.00%	8.28%	8.16%	7.73%
Structured Credit											
Fund 2	29,428,018	23.31%	8.69%	8.65%	8.29%	-	29,428,018	23.17%	8.88%	8.76%	8.29%
Terminated Fund 1	2,974,720	2.36%	0.88%	0.87%	0.84%	(2,974,720)	-	-	-	-	-
Fund 3	5,675,488	4.50%	1.68%	1.67%	1.60%	(72,325)	5,603,162	4.41%	1.69%	1.67%	1.58%
Fund 4	49,638,658	39.32%	14.67%	14.59%	13.98%	-	49,638,658	39.09%	14.98%	14.77%	13.98%
Fund 5	18,005,664	14.26%	5.32%	5.29%	5.07%	3,800,000	21,805,664	17.17%	6.58%	6.49%	6.14%
Fund 6	20,517,962	16.25%	6.06%	6.03%	5.78%	-	20,517,962	16.16%	6.19%	6.11%	5.78%
Total - Structured Credit	126,240,509	100.00%	37.30%	37.12%	35.54%	752,955	126,993,464	100.00%	38.32%	37.79%	35.76%
Distressed											
Fund 7	13,475,255	50.75%	3.98%	3.96%	3.79%	-	13,475,255	50.75%	4.07%	4.01%	3.79%
Fund 8	13,076,311	49.25%	3.86%	3.84%	3.68%	-	13,076,311	49.25%	3.95%	3.89%	3.68%
Total - Distressed	26,551,566	100.00%	7.84%	7.81%	7.48%	-	26,551,566	100.00%	8.01%	7.90%	7.48%
Emerging Market Credit											
Fund 9	6,779,442	14.53%	2.00%	1.99%	1.91%	-	6,779,442	14.78%	2.05%	2.02%	1.91%
Fund 10	22,620,184	48.49%	6.68%	6.65%	6.37%	-	22,620,184	49.31%	6.83%	6.73%	6.37%
Fund 11	12,780,186	27.40%	3.78%	3.76%	3.60%	(780,951)	11,999,235	26.16%	3.62%	3.57%	3.38%
Fund 12	4,470,312	9.58%	1.32%	1.31%	1.26%	-	4,470,312	9.75%	1.35%	1.33%	1.26%
Total - Emerging Market Credit	46,650,124	100.00%	13.78%	13.72%	13.14%	(780,951)	45,869,173	100.00%	13.84%	13.65%	12.92%
Specialist Credit											
Fund 13	25,617,600	24.46%	7.57%	7.53%	7.21%	-	25,617,600	24.50%	7.73%	7.62%	7.21%
Fund 14	18,156,051	17.33%	5.36%	5.34%	5.11%	(164,468)	17,991,583	17.20%	5.43%	5.35%	5.07%
Fund 15	20,993,681	20.04%	6.20%	6.17%	5.91%	-	20,993,681	20.07%	6.33%	6.25%	5.91%
Fund 16	39,973,628	38.16%	11.81%	11.75%	11.26%	-	39,973,628	38.22%	12.06%	11.90%	11.26%
Total - Specialist Credit	104,740,960	100.00%	30.94%	30.79%	29.49%	(164,468)	104,576,493	100.00%	31.55%	31.12%	29.45%
Total Credit	338,481,172		100.00%	99.51%	95.30%	(7,053,713)	331,427,460		100.00%	98.62%	93.32%
Aggregated Prior Period Adjustment											
Multi-Manager											
APPA USD	(355,935)	100.00%	100.00%	-0.10%	-0.10%	-	(355,935)	100.00%	100.00%	-0.11%	-0.10%
Total - Multi-Manager	(355,935)	100.00%	100.00%	-0.10%	-0.10%	-	(355,935)	100.00%	100.00%	-0.11%	-0.10%

Total Aggregated Prior Period Adjustment	(355,935)		100.00%	-0.10%	-0.10%	-	(355,935)		100.00%	-0.11%	-0.10%
Other											
Other Investments											
Other Investment 1	539,480	26.88%	26.88%	0.16%	0.15%	-	539,480	10.83%	10.83%	0.16%	0.15%
Other Investment 2	1,467,659	73.12%	73.12%	0.43%	0.41%	-	1,467,659	29.46%	29.46%	0.44%	0.41%
Other Investment 3	-	-	-	-	-	2,974,720	2,974,720	59.71%	59.71%	0.89%	0.84%
Total - Other Investments	2,007,139	100.00%	100.00%	0.59%	0.57%	2,974,720	4,981,858	100.00%	100.00%	1.48%	1.40%
Total Other	2,007,139		100.00%	0.59%	0.57%	2,974,720	4,981,858		100.00%	1.48%	1.40%
Total ALLOCATED	**340,132,377**			**100.00%**	**95.77%**	**(4,078,993)**	**336,053,384**			**100.00%**	**94.62%**
Cash	10,950,694				3.08%	792,080	11,742,773				3.31%
Expenses	(127,915)				-0.04%	402	(127,513)				-0.04%
Management Fees	(301)				0.00%	621,690	621,389				0.18%
Net Rec/(Pay)	4,203,432				1.18%	2,664,821	6,868,253				1.93%
Total UNALLOCATED	**15,025,910**				**4.23%**	**4,078,993**	**19,104,903**				**5.38%**
NET ASSET VALUE	**355,158,286**				**100.00%**	**0**	**355,158,286**				**100.00%**

Notes and Disclosures

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GCM Grosvenor considers numerous factors in evaluating and selecting investments, and GCM Grosvenor may use some or all of the processes described herein when conducting due diligence for an investment. Assets under management for hedge fund investments include all subscriptions to, and are reduced by all redemptions from, a GCM Fund effected in conjunction with the close of business as of the date indicated.

Asset Management

Goldman Sachs Asset Management

Portfolio Fund Summary

Hedge Fund Categories

Los Angeles County Employees Retirement Association (December 31, 2018)

								Cumulative Returns			Annualized Returns	
Hedge Fund Category	**Inception Date**	**End Date**	**QTD Opening Balance**	**QTD Subscriptions/ (Redemptions)**	**QTD Gain/(Loss)**	**QTD Ending Balance**	**% of Nav (as of 12/31/2018)[2]**	**4Q2018[1]**	**YTD**	**1 Year**	**3 Year**	**ITD[1]**
Deep Basin Long-Short Fund LP Strategic Shares	11/1/2017	-	9,681,982.34	-	560,585.27	10,242,567.61	2.18%	5.79%	10.44%	10.44%	-	11.72%
Kintbury Equity Fund LP Class F (NIE)	5/1/2015	-	23,415,217.06	-	(55,469.15)	23,359,747.91	4.97%	-0.24%	6.55%	6.55%	-5.10%	2.04%
Lakewood Capital Partners LP (NIE)	5/1/2015	-	20,819,712.66	-	(2,071,994.43)	18,747,718.23	3.99%	-9.95%	-14.29%	-14.29%	1.08%	1.36%
Palestra Capital Part LP (Ser 3 Int 1.5/20)(NIE)	6/1/2015	-	29,644,889.21	-	(2,761,817.94)	26,883,071.27	5.72%	-9.32%	-1.62%	-1.62%	7.25%	7.99%
PFM Oncology Opp Fund II, LP Class A (NIE)	6/1/2015	6/30/2018	-	-	-	-	-	-	2.24%	6.25%	8.34%	9.29%
PFM Therapeutics Fund, L.P. Class B (NIE)	7/1/2018	-	11,407,766.05	-	(3,146,285.44)	8,261,480.61	1.76%	-27.58%	-28.36%	-28.36%	-	-28.36%
Rubric Capital Partners LP Series F1 Interests NIE	3/1/2017	-	26,450,749.49	-	(3,817,807.23)	22,632,942.26	4.82%	-14.43%	-17.56%	-17.56%	-	-0.87%
Swiftcurrent Partners, L.P. (Class C, NIE)	7/1/2016	10/31/2018	9,271,059.76	(8,594,961.34)	(676,098.42)	-	-	-7.29%	-1.52%	0.11%	-	2.80%
The BosValen US Feeder Fund Class F (NIE)	8/1/2018	-	9,716,144.24	9,000,000.00	(707,165.85)	18,008,978.39	3.83%	-6.26%	-8.92%	-8.92%	-	-8.92%
Equity Long/Short			140,407,520.81	405,038.66	(12,676,053.19)	128,136,506.28	27.28%	-9.11%	-7.10%	-7.10%	0.54%	2.17%
Empyrean Capital Fund LP (Class 2 Ser N - NIE)	7/1/2015	-	27,231,963.00	-	(1,139,726.00)	26,092,237.00	5.55%	-4.19%	1.15%	1.15%	7.76%	4.49%
Farallon Capital Institutional Partners, L.P. LP	7/1/2015	6/30/2018	-	-	-	-	-	-	3.25%	6.08%	4.20%	4.20%
HG Vora Special Opportunities Fd LP Series 1 (NIE)	10/1/2017	-	27,142,226.00	-	(1,085,552.00)	26,056,674.00	5.55%	-4.00%	1.08%	1.08%	-	3.37%
Manikay Onshore Fund LP Class A1 (NIE)	6/1/2015	10/31/2018	11,813,670.05	(11,371,544.75)	(442,125.30)	-	-	-3.74%	-3.19%	-1.07%	5.26%	4.91%
Manikay Onshore Fund LP Class A3 NIE	6/1/2018	-	15,012,848.32	11,371,544.75	(1,471,130.33)	24,913,262.74	5.30%	-7.10%	-4.78%	-4.78%	-	-4.78%
Palmetto Catastrophe Fund L.P. Class H - NV	6/1/2018	-	15,257,091.00	-	(1,011,487.00)	14,245,604.00	3.03%	-6.63%	-5.03%	-5.03%	-	-5.03%
Taconic Opportunity Fund LP (CL AA, Non Lockup)	3/1/2018	-	24,003,892.00	-	50,264.00	24,054,156.00	5.12%	0.21%	4.58%	4.58%	-	4.58%
Warlander Partners, LP Class W (NIE)	2/1/2016	-	4,671,224.83	(1,556,919.24)	319,457.29	3,433,762.88	0.73%	10.26%	15.84%	15.84%	-	-0.65%
Event Driven			125,132,915.20	(1,556,919.24)	(4,780,299.34)	118,795,696.62	25.29%	-3.87%	-0.08%	-0.08%	4.99%	1.71%
Alyeska Fund 2 LP Class A - Unrestricted (NIE)	6/1/2015	11/30/2018	23,562,627.25	(23,206,190.10)	(356,437.15)	-	-	-1.51%	-6.65%	-4.34%	-1.00%	-1.92%
D.E. Shaw Valence Fund, LLC (NIE)	2/1/2016	-	28,294,136.00	-	(563,940.00)	27,730,196.00	5.90%	-1.99%	9.08%	9.08%	-	11.86%
ExodusPoint Partners Fund LP Class C (NIE)	8/1/2018	-	18,307,573.00	-	(72,646.00)	18,234,927.00	3.88%	-0.40%	0.11%	0.11%	-	0.11%
ExodusPoint Partners Fund LP Class D (NIE)	7/1/2018	7/31/2018	-	-	-	-	-	0.09%	0.09%	-	-	0.09%
Holocene Advisors Fund LP Class AI-A LP Int (NIE)	5/1/2017	-	28,074,133.37	-	349,110.37	28,423,243.74	6.05%	1.24%	4.15%	4.15%	-	8.00%
Macquarie Global Alpha US Feeder Fund Class L	6/1/2017	5/31/2018	-	-	-	-	-	-	1.21%	3.37%	-	3.27%
Relative Value		-	98,238,469.62	(23,206,190.10)	(643,912.78)	74,388,366.74	15.84%	-0.26%	2.67%	2.67%	3.98%	2.80%
Atreaus Fund, LP Class F	6/1/2017	-	10,671,744.95	-	231,476.22	10,903,221.17	2.32%	2.17%	-2.88%	-2.88%	-	-4.16%
Bridgewater Pure Alpha Major Markets II, LLC	5/1/2015	-	19,482,348.25	-	1,975,511.48	21,457,859.73	4.57%	10.14%	8.74%	8.74%	4.90%	2.48%
Crabel Fund, L.P. (Class A, Fee Option 1 GS, 2/20)	7/1/2015	-	10,370,287.04	-	96,056.68	10,466,343.72	2.23%	0.93%	10.63%	10.63%	4.65%	4.11%
Dymon Asia Macro (US) Fund Class P (NIE)	6/1/2015	-	14,409,658.59	-	(78,497.04)	14,331,161.55	3.05%	-0.54%	-1.33%	-1.33%	1.27%	-0.81%
Edgestream Sumatra Fund LP	7/1/2015	-	9,269,711.64	-	188,340.37	9,458,052.01	2.01%	2.03%	-2.37%	-2.37%	1.79%	4.56%
EMSO Saguaro Ltd Class A-NV	2/1/2018	-	12,939,909.95	-	(206,322.03)	12,733,587.92	2.71%	-1.59%	-5.68%	-5.68%	-	-5.68%
Glen Point Macro Fund LP Cl A NV USD Shares (NIE)	10/1/2017	-	12,323,605.89	-	500,411.38	12,824,017.27	2.73%	4.06%	-4.46%	-4.46%	-	-4.03%
Stone Milliner Macro Fd Delaware LP Cl N (NIE)	1/1/2018	-	18,265,779.71	-	(338,920.42)	17,926,859.29	3.82%	-1.86%	1.76%	1.76%	-	1.76%
Winton Diversified Strategy Fund (US) L.P.	9/1/2016	-	10,320,100.36	-	(212,577.63)	10,107,522.73	2.15%	-2.06%	0.60%	0.60%	-	2.61%
Tactical Trading			118,053,146.38	-	2,155,479.01	120,208,625.39	25.59%	1.83%	1.14%	1.14%	0.24%	-0.04%
Total Assets and Liabilities not Allocated to Underlying Managers of Los Angeles County Employees Retirement Association						28,209,032.22	6.01%					
Net Asset Value						469,738,227.25	100.00%					

[1] The LACERA Portfolio incepted on May 1, 2015. Returns less than 12 months are cumulative, not annualized. **Past performance does not guarantee future results, which may vary.**

[2] Based on the end equity value of the Fund.

Goldman Sachs Asset Management

Los Angeles County Employees Retirement Association

PERFORMANCE HIGHLIGHT DECEMBER 2018 | **ALTERNATIVE INVESTMENTS & MANAGER SELECTION (AIMS)**

GOLDMAN SACHS HEDGE FUND STRATEGIES (HFS)

Overview

Most markets produced negative returns in 2018, with political and economic factors driving performance. Trade tensions, several major elections, and central bank actions were key drivers of market moves throughout the year. Equities saw negative performance across regions and most sectors, with the US outperforming and Japan underperforming, and financials and materials leading losses. Credit also experienced a weak 2018 as high yield spreads widened. The Fed raised rates four times during the year, more than was priced coming into 2018 – and signalled two rate hikes are likely in 2019 – though the market is now pricing a small cut.

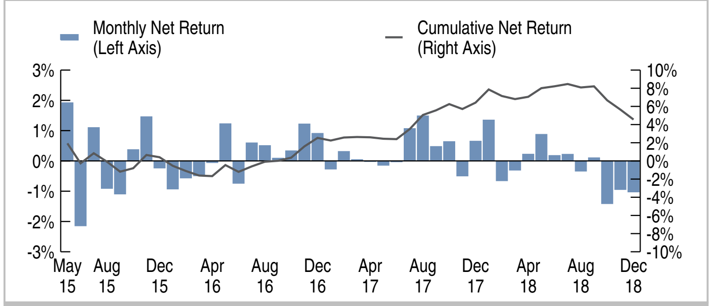
The drawdown in global equities accelerated in December, creating a challenging environment for equity long/short managers. AIMS managers' net exposure was the main driver of losses in the month, as they performed roughly in-line with global indices on a net-exposure adjusted basis. In 2018 global equity markets were generally positive through the first three quarters of the year before falling sharply during Q4. While managers successfully navigated the volatility of Q1, excess returns over the second half of the year were negative. For the year as a whole, sector allocations were additive to performance, notably overweights in information technology, healthcare and consumer discretionary and underweight to the energy sector also contributed. However, relative gains from sector positioning were more than offset by negative stock selection.

AIMS Event Driven managers generally protected capital in 2018. Equity sub-strategies detracted most from performance, driven by a weak global equity market backdrop, and mixed contribution from stock selection. Merger arbitrage sub-strategies were a meaningful positive contributor in 2018, followed by credit sub-strategies. Deals with regulatory uncertainty were top contributors, due in part to the Department of Justice challenging a deal between Time Warner and AT&T. Competitive bidding processes were another theme in 2018. The top detractor within merger arbitrage in 2018 was a deal between NXP and Qualcomm, which broke after not receiving approval from the Chinese regulator. Within credit, certain distressed situations that avoided full bankruptcy processes were contributors to platform performance.

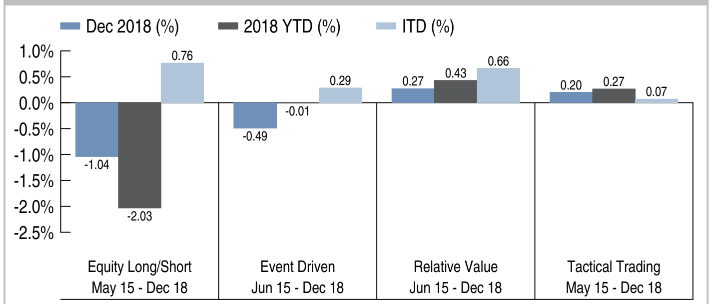
After a persistent low volatility environment over the previous few years, Tactical Trading managers outperformed other hedge fund strategies and broad markets in 2018. Developed market macro managers generally had good performance, with gains from both discretionary and systematic funds. The largest gains for discretionary managers came from being short US fixed income, despite partially offsetting losses in Q4 as US rates fell. Trading in equities realized losses. Systematic macro managers had more diverse P&L, with some profiting from being short equities in Q4. EM-focused macro managers generated mixed but in aggregate positive returns in 2018. In credit, long exposure to Puerto Rican bonds generated gains as the country's economic conditions showed signs of improvement. In 2019, AIMS sees an attractive opportunity set for Tactical Trading amid late cycle dynamics of more active monetary policy, more uncertainty around growth and higher volatility.

CTA managers were up in aggregate over the month. Equities and commodities drove the gains in December as managers benefited from shorts in equity indices outside US. Conversely, short exposure to precious metals generated losses.

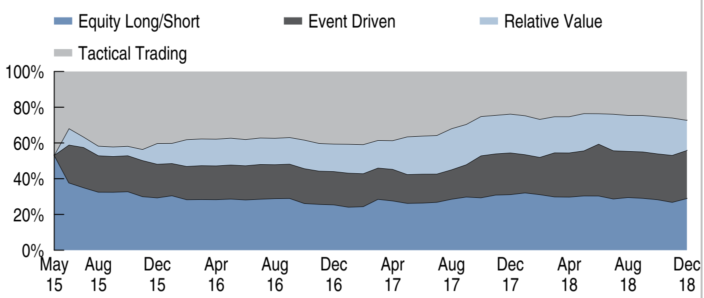
Monthly & Cumulative Net Returns[1]



Contribution to Return by Sector[2]



Historical Sector Allocations[3]



Performance & Characteristics[1]

	Cumulative (%)			Annualized (%)					Max.	MSCI World USD		Barclays Agg		Sharpe	Inception
	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD	Drawdown (%)	Correlation	Beta	Correlation	Beta	Ratio[5]	Date
LACERA (A1)	**-1.04**	**-3.38**	**-1.75**	-1.75	1.36	N/A	1.22	3.02	-3.61	0.60	0.17	-0.18	-0.20	0.02	May 15
HFRX Global Hedge Fund Index	-1.93	-5.56	-6.72	-6.72	0.45	N/A	-1.25	4.10	-8.95	0.89	0.33	-0.03	-0.05	-0.59	May 15
MSCI World Index Hedged USD	-7.90	-13.24	-8.35	-8.35	4.71	N/A	2.44	10.86	-13.24	1.00	1.00	-0.13	-0.50	0.12	May 15
Bloomberg Barclays Aggregate Bond Index	1.84	1.64	0.02	0.02	2.06	N/A	1.50	2.74	-3.28	-0.13	-0.03	1.00	1.00	0.12	May 15
3 Month Libor	0.20	0.60	2.19	2.19	1.35	N/A	1.16	0.21	N/A	N/A	N/A	N/A	N/A	N/A	May 15

For Existing Investors Only. Past performance does not guarantee future results, which may vary. Please refer to the Disclosures page for important information.

[1] This is the performance for Los Angeles County Employees Retirement Association (Class A, Series 1). Returns are net of underlying manager fees, Goldman Sachs incentive fees and Goldman Sachs management fees. Not all investors may be holders of this Class and this Class currently may not be available for purchase. Please refer to the offering documents of the Fund for a discussion of the differences among Classes that might impact performance. Returns are presented in USD. The figures published here are final and unaudited.

[2] Contribution data is geometrically calculated based on a monthly time series. Data will not arithmetically sum to fund total due to fund level assets and liabilities not allocated to underlying managers. Cumulative geometric returns for less than 12 months are calculated as follows: $(1+r_1)*(1+r_2)*...*(1+r_n)-1$. Annualized geometric returns for returns greater than 12 months are calculated as follows: $[(1+r_1)*(1+r_2)*...*(1+r_n)]^{12/m}-1$.

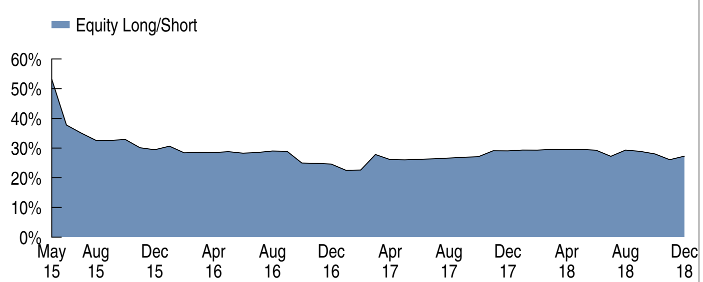
[3] Based on invested assets. The investment manager may change the allocations over time. The allocations noted should not be deemed representative of allocations in the future. All the allocations were done using the portfolio's valuations at month-end.

[4] Returns less than 12 months are cumulative, not annualized.

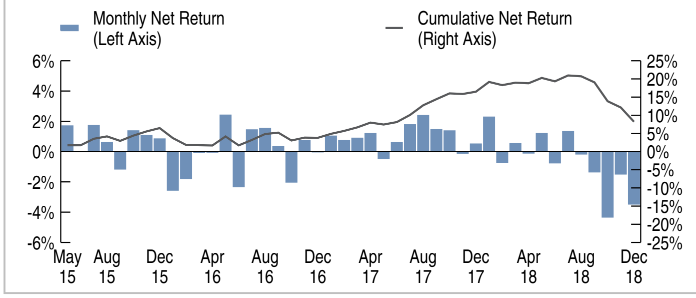
[5] The 3 Month Libor (USD) rate is used for this calculation.

Sector Level Returns — Equity Long/Short

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]

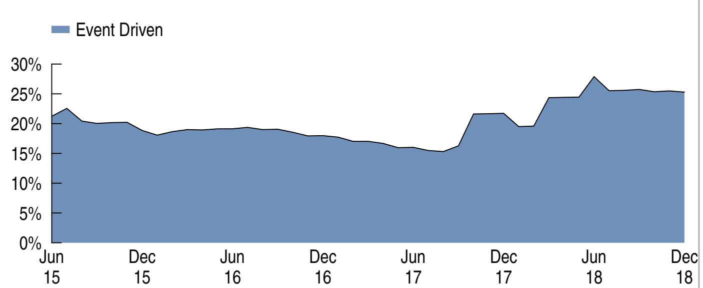


Performance & Characteristics[2,3]

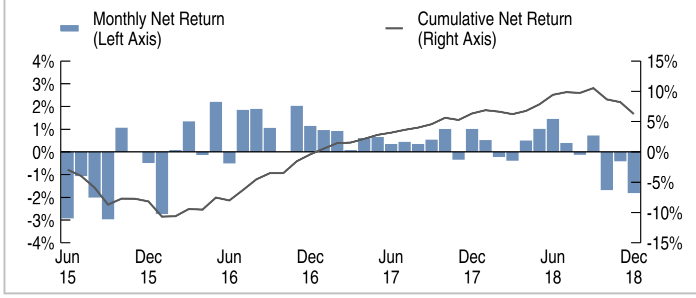
	Weight[1] (%)	Cumulative (%) MTD	Cumulative (%) QTD	Cumulative (%) YTD	Annualized (%) 1Y	Annualized (%) 3Y	Annualized (%) 5Y	Annualized (%) ITD[4]	Vol ITD	Max. Drawdown (%)	MSCI World USD Correlation	MSCI World USD Beta	Barclays Agg Correlation	Barclays Agg Beta	Sharpe Ratio[5]	Inception Date	End Date
Performance	27.28	-3.50	-9.11	-7.10	-7.10	0.54	N/A	2.17	5.42	-10.53	0.62	0.31	-0.19	-0.38	0.19	May 15	Dec 18
Contribution	N/A	-1.04	-2.70	-2.03	-2.03	0.13	N/A	0.76	1.64	N/A	N/A	N/A	N/A	N/A	N/A	May 15	Dec 18

Sector Level Returns — Event Driven

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]



Performance & Characteristics[2,3]

	Weight[1] (%)	Cumulative (%) MTD	Cumulative (%) QTD	Cumulative (%) YTD	Annualized (%) 1Y	Annualized (%) 3Y	Annualized (%) 5Y	Annualized (%) ITD[4]	Vol ITD	Max. Drawdown (%)	MSCI World USD Correlation	MSCI World USD Beta	Barclays Agg Correlation	Barclays Agg Beta	Sharpe Ratio[5]	Inception Date	End Date
Performance	25.29	-1.81	-3.87	-0.08	-0.08	4.99	N/A	1.71	4.39	-10.69	0.73	0.29	-0.18	-0.29	0.12	Jun 15	Dec 18
Contribution	N/A	-0.49	-1.03	-0.01	-0.01	0.94	N/A	0.29	0.92	N/A	N/A	N/A	N/A	N/A	N/A	Jun 15	Dec 18

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[1] Based on the end equity value of the Fund. Allocations as of December 2018. The investment manager may change the allocations over time. The allocations noted should not be deemed representative of allocations in the future.The returns presented above are net of manager management and incentive fees, but do not reflect the fees paid to GS Hedge Fund Strategies LLC.

[2] This is the performance for the Fund classification of Los Angeles County Employees Retirement Association. Returns are presented in USD. The figures published here are final and unaudited.

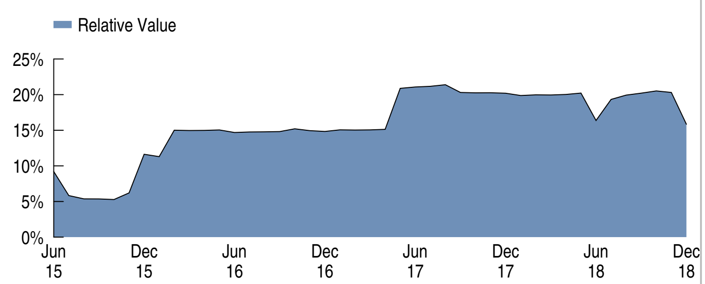
[3] Contribution data is geometrically calculated based on a monthly time series. Data will not arithmetically sum to fund total due to fund level assets and liabilities not allocated to underlying managers. Cumulative geometric returns for less than 12 months are calculated as follows: $(1+r_1)*(1+r_2)*...*(1+r_n)-1$. Annualized geometric returns for returns greater than 12 months are calculated as follows: $[(1+r_1)*(1+r_2)*...*(1+r_n)]^{12/m}-1$.

[4] Returns less than 12 months are cumulative, not annualized.

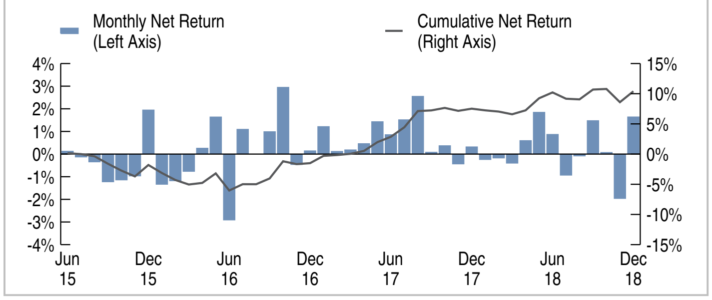
[5] The 3 Month Libor (USD) rate is used for this calculation.

Sector Level Returns — Relative Value

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]

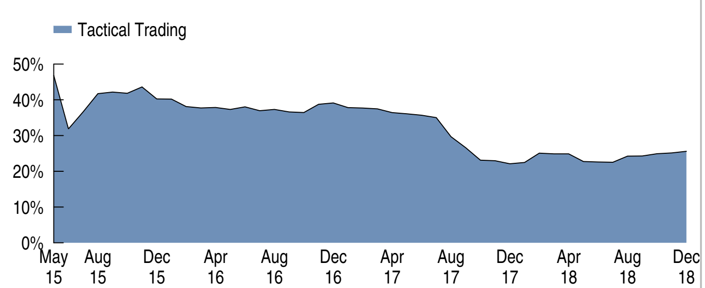


Performance & Characteristics[2,3]

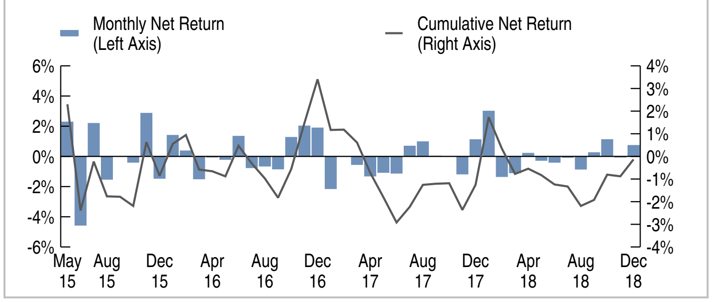
		Cumulative (%)			Annualized (%)					Max.	MSCI World USD		Barclays Agg		Sharpe	Inception	End
	Weight[1] (%)	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD	Drawdown (%)	Correlation	Beta	Correlation	Beta	Ratio[5]	Date	Date
Performance	15.84	1.66	-0.26	2.67	2.67	3.98	N/A	2.80	4.17	-6.17	-0.02	-0.01	-0.13	-0.19	0.39	Jun 15	Dec 18
Contribution	N/A	0.27	-0.13	0.43	0.43	0.79	N/A	0.66	0.71	N/A	N/A	N/A	N/A	N/A	N/A	Jun 15	Dec 18

Sector Level Returns — Tactical Trading

Historical Sector Allocations[1]



Monthly & Cumulative Net Returns[2]



Performance & Characteristics[2,3]

		Cumulative (%)			Annualized (%)					Max.	MSCI World USD		Barclays Agg		Sharpe	Inception	End
	Weight[1] (%)	MTD	QTD	YTD	1Y	3Y	5Y	ITD[4]	Vol ITD	Drawdown (%)	Correlation	Beta	Correlation	Beta	Ratio[5]	Date	Date
Performance	25.59	0.75	1.83	1.14	1.14	0.24	N/A	-0.04	5.03	-6.11	0.10	0.05	-0.01	-0.02	-0.24	May 15	Dec 18
Contribution	N/A	0.20	0.46	0.27	0.27	0.03	N/A	0.07	1.81	N/A	N/A	N/A	N/A	N/A	N/A	May 15	Dec 18

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[3] Contribution data is geometrically calculated based on a monthly time series. Data will not arithmetically sum to fund total due to fund level assets and liabilities not allocated to underlying managers. Cumulative geometric returns for less than 12 months are calculated as follows: $(1+r_1)*(1+r_2)*...*(1+r_n)-1$. Annualized geometric returns for returns greater than 12 months are calculated as follows: $[(1+r_1)*(1+r_2)*...*(1+r_n)]^{12/m}-1$.
[4] Returns less than 12 months are cumulative, not annualized.
[5] The 3 Month Libor (USD) rate is used for this calculation.

Manager Level — Cumulative Manager Performance[1,2] (%)

Manager	Classification	Weight[3]	MTD Return	MTD Contrib.	QTD Return	QTD Contrib.	YTD Return	YTD Contrib.	Inception Date	End Date
Equity Long/Short										
Palestra Capital	United States	5.72	-3.75	-0.79	-9.32	-2.01	-1.62	-0.34	Jun 15	Dec 18
Kintbury	Europe	4.97	3.42	0.58	-0.24	-0.05	6.55	0.99	May 15	Dec 18
Rubric Capital	Global	4.82	-7.69	-1.42	-14.43	-2.80	-17.56	-3.46	Mar 17	Dec 18
Lakewood	Global	3.99	-7.59	-1.16	-9.95	-1.54	-14.29	-2.21	May 15	Dec 18
BosValen	Asia	3.83	-1.10	-0.15	-6.26	-0.54	-8.92	-0.74	Aug 18	Dec 18
Deep Basin Long-Short Fund	United States	2.18	5.39	0.39	5.79	0.41	10.44	0.70	Nov 17	Dec 18
PFM Therapeutics	Global	1.76	-13.32	-0.96	-27.58	-2.32	-28.36	-2.41	Jul 18	Dec 18
Bridger (Swiftcurrent)	United States	N/A	N/A	N/A	-7.29	-0.48	-1.52	0.20	Jul 16	Oct 18
PFM Oncology Opportunities Fund II	Global	N/A	N/A	N/A	N/A	N/A	2.24	0.18	Jun 15	Jun 18
Overall		**27.28**	**-3.50**	**-1.04**	**-9.11**	**-2.70**	**-7.10**	**-2.03**	**May 15**	**Dec 18**
Event Driven										
Empyrean Capital Partners	Multi-Strategy	5.55	-0.99	-0.21	-4.19	-0.93	1.15	0.30	Jul 15	Dec 18
HG Vora	Multi-Strategy	5.55	-3.26	-0.73	-4.00	-0.89	1.08	0.21	Oct 17	Dec 18
Manikay Class A3	Multi-Strategy	5.30	-3.79	-0.81	-7.10	-1.20	-4.78	-0.92	Jun 18	Dec 18
Taconic Opportunity	Multi-Strategy	5.12	-0.30	-0.06	0.21	0.04	4.58	0.84	Mar 18	Dec 18
Palmetto Catastrophe Fund	Credit Opps - Dist	3.03	0.01	0.00	-6.63	-0.82	-5.03	-0.62	Jun 18	Dec 18
Warlander	Credit Opps - Dist	0.73	-0.14	-0.00	10.26	0.26	15.84	0.42	Feb 16	Dec 18
Manikay	Multi-Strategy	N/A	N/A	N/A	-3.74	-0.36	-3.19	-0.58	Jun 15	Oct 18
Farallon Capital Partners	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	3.25	0.31	Jul 15	Jun 18
Overall		**25.29**	**-1.81**	**-0.49**	**-3.87**	**-1.03**	**-0.08**	**-0.01**	**Jun 15**	**Dec 18**
Relative Value										
Holocene	Equity Market Neutral	6.05	2.95	1.11	1.24	0.63	4.15	1.42	May 17	Dec 18
D.E. Shaw Valence Fund	Equity Market Neutral	5.90	1.75	0.65	-1.99	-0.41	9.08	2.66	Feb 16	Dec 18
ExodusPoint	Multi-Strategy	3.88	-0.43	-0.11	-0.40	-0.10	0.11	-0.01	Aug 18	Dec 18
Alyeska Fund 2	Equity Market Neutral	N/A	N/A	N/A	-1.51	-0.36	-6.65	-1.62	Jun 15	Nov 18
ExodusPoint	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	0.09	0.02	Jul 18	Jul 18
Macquarie Global Alpha Fund (Class L)	Equity Market Neutral	N/A	N/A	N/A	N/A	N/A	1.21	0.24	Jun 17	May 18
Overall		**15.84**	**1.66**	**0.27**	**-0.26**	**-0.13**	**2.67**	**0.43**	**Jun 15**	**Dec 18**
Tactical Trading										
Bridgewater Pure Alpha Major Markets II	Macro	4.57	4.32	0.75	10.14	1.67	8.74	1.51	May 15	Dec 18
Stone Milliner Macro	Macro	3.82	-0.47	-0.07	-1.86	-0.29	1.76	0.31	Jan 18	Dec 18
Dymon Asia Macro Fund	Macro	3.05	-0.70	-0.08	-0.54	-0.06	-1.33	-0.14	Jun 15	Dec 18
Glen Point Global Macro	Macro	2.73	2.85	0.30	4.06	0.42	-4.46	-0.50	Oct 17	Dec 18
Emso Saguaro	Macro	2.71	-0.45	-0.05	-1.59	-0.17	-5.68	-0.67	Feb 18	Dec 18
Atreaus (Class F)	Macro	2.32	1.47	0.13	2.17	0.19	-2.88	-0.27	Jun 17	Dec 18
Crabel	Managed Futures	2.23	-0.80	-0.07	0.93	0.08	10.63	0.99	Jul 15	Dec 18
Winton Diversified Futures Fund (US) L.P	Managed Futures	2.15	-1.38	-0.12	-2.06	-0.18	0.60	0.12	Sep 16	Dec 18
Edgestream (Sumatra/Nias)	Managed Futures	2.01	-0.36	-0.03	2.03	0.16	-2.37	-0.17	Jul 15	Dec 18
Overall		**25.59**	**0.75**	**0.20**	**1.83**	**0.46**	**1.14**	**0.27**	**May 15**	**Dec 18**

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Manager Level — Annualized Manager Performance[1,2] (%)

Manager	Classification	Weight[3]	1 Year Return	1 Year Contrib.	3 Year Return	3 Year Contrib.	5 Year Return	5 Year Contrib.	ITD[4] Return	ITD[4] Contrib.	Vol ITD	Inception Date	End Date
Equity Long/Short													
Palestra Capital	United States	5.72	-1.62	-0.34	7.25	1.43	N/A	N/A	7.99	1.50	8.30	Jun 15	Dec 18
Kintbury	Europe	4.97	6.55	0.99	-5.10	-1.15	N/A	N/A	2.04	0.35	10.60	May 15	Dec 18
Rubric Capital	Global	4.82	-17.56	-3.46	N/A	N/A	N/A	N/A	-0.87	0.00	10.05	Mar 17	Dec 18
Lakewood	Global	3.99	-14.29	-2.21	1.08	0.33	N/A	N/A	1.36	0.44	8.80	May 15	Dec 18
BosValen	Asia	3.83	N/A	N/A	N/A	N/A	N/A	N/A	-8.92	-0.74	N/A	Aug 18	Dec 18
Deep Basin Long-Short Fund	United States	2.18	10.44	0.70	N/A	N/A	N/A	N/A	11.72	0.77	7.70	Nov 17	Dec 18
PFM Therapeutics	Global	1.76	N/A	N/A	N/A	N/A	N/A	N/A	-28.36	-2.41	N/A	Jul 18	Dec 18
Bridger (Swiftcurrent)	United States	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.80	0.61	7.94	Jul 16	Oct 18
PFM Oncology Opportunities Fund II	Global	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9.29	0.62	8.72	Jun 15	Jun 18
Overall		**27.28**	**-7.10**	**-2.03**	**0.54**	**0.13**	**N/A**	**N/A**	**2.17**	**0.76**	**5.42**	**May 15**	**Dec 18**
Event Driven													
Empyrean Capital Partners	Multi-Strategy	5.55	1.15	0.30	7.76	1.85	N/A	N/A	4.49	1.16	4.36	Jul 15	Dec 18
HG Vora	Multi-Strategy	5.55	1.08	0.21	N/A	N/A	N/A	N/A	3.37	0.78	4.70	Oct 17	Dec 18
Manikay Class A3	Multi-Strategy	5.30	N/A	N/A	N/A	N/A	N/A	N/A	-4.78	-0.92	N/A	Jun 18	Dec 18
Taconic Opportunity	Multi-Strategy	5.12	N/A	N/A	N/A	N/A	N/A	N/A	4.58	0.84	N/A	Mar 18	Dec 18
Palmetto Catastrophe Fund	Credit Opps - Dist	3.03	N/A	N/A	N/A	N/A	N/A	N/A	-5.03	-0.62	N/A	Jun 18	Dec 18
Warlander	Credit Opps - Dist	0.73	15.84	0.42	N/A	N/A	N/A	N/A	-0.65	-0.34	8.13	Feb 16	Dec 18
Manikay	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.91	1.51	6.26	Jun 15	Oct 18
Farallon Capital Partners	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4.20	0.83	3.82	Jul 15	Jun 18
Overall		**25.29**	**-0.08**	**-0.01**	**4.99**	**0.94**	**N/A**	**N/A**	**1.71**	**0.29**	**4.39**	**Jun 15**	**Dec 18**
Relative Value													
Holocene	Equity Market Neutral	6.05	4.15	1.42	N/A	N/A	N/A	N/A	8.00	2.30	4.97	May 17	Dec 18
D.E. Shaw Valence Fund	Equity Market Neutral	5.90	9.08	2.66	N/A	N/A	N/A	N/A	11.86	3.39	5.05	Feb 16	Dec 18
ExodusPoint	Multi-Strategy	3.88	N/A	N/A	N/A	N/A	N/A	N/A	0.11	-0.01	N/A	Aug 18	Dec 18
Alyeska Fund 2	Equity Market Neutral	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-1.92	-1.44	8.82	Jun 15	Nov 18
ExodusPoint	Multi-Strategy	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.09	0.02	N/A	Jul 18	Jul 18
Macquarie Global Alpha Fund (Class L)	Equity Market Neutral	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.27	0.75	3.31	Jun 17	May 18
Overall		**15.84**	**2.67**	**0.43**	**3.98**	**0.79**	**N/A**	**N/A**	**2.80**	**0.66**	**4.17**	**Jun 15**	**Dec 18**
Tactical Trading													
Bridgewater Pure Alpha Major Markets II	Macro	4.57	8.74	1.51	4.90	0.82	N/A	N/A	2.48	0.60	13.64	May 15	Dec 18
Stone Milliner Macro	Macro	3.82	1.76	0.31	N/A	N/A	N/A	N/A	1.76	0.31	3.50	Jan 18	Dec 18
Dymon Asia Macro Fund	Macro	3.05	-1.33	-0.14	1.27	0.13	N/A	N/A	-0.81	-0.19	7.00	Jun 15	Dec 18
Glen Point Global Macro	Macro	2.73	-4.46	-0.50	N/A	N/A	N/A	N/A	-4.03	-0.42	12.68	Oct 17	Dec 18
Emso Saguaro	Macro	2.71	N/A	N/A	N/A	N/A	N/A	N/A	-5.68	-0.67	N/A	Feb 18	Dec 18
Atreaus (Class F)	Macro	2.32	-2.88	-0.27	N/A	N/A	N/A	N/A	-4.16	-0.38	5.41	Jun 17	Dec 18
Crabel	Managed Futures	2.23	10.63	0.99	4.65	0.48	N/A	N/A	4.11	0.44	8.70	Jul 15	Dec 18
Winton Diversified Futures Fund (US) L.P	Managed Futures	2.15	0.60	0.12	N/A	N/A	N/A	N/A	2.61	0.25	8.81	Sep 16	Dec 18
Edgestream (Sumatra/Nias)	Managed Futures	2.01	-2.37	-0.17	1.79	0.12	N/A	N/A	4.56	0.29	6.76	Jul 15	Dec 18
Overall		**25.59**	**1.14**	**0.27**	**0.24**	**0.03**	**N/A**	**N/A**	**-0.04**	**0.07**	**5.03**	**May 15**	**Dec 18**

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[4] Returns less than 12 months are cumulative, not annualized.

LACERA
Investment Guidelines Summary

Goldman Sachs Asset Management

Performance Objectives	Investment Guidelines	LACERA Portfolio	Measurement Period	In Compliance?	Date of Certification
•Target annualized return					
–Absolute: 3-month T-Bills + 500 bps	6.1%	1.4%	3 year rolling	No	12/31/2018
–Relative: HFRX Global Hedge Fund Index	0.4%	1.4%	3 year rolling	Yes	12/31/2018
•Target range of annualized volatility	3.0% – 8.0%	2.5%	3 year rolling	No	12/31/2018
•Sharpe ratio	0.6 - 1.0	0.1	3 year rolling	No	12/31/2018
•Beta to equity markets	0.2	0.2 [1]	3 year rolling	Yes	12/31/2018
•Beta to fixed income markets	0.2	-0.3 [2]	3 year rolling	Yes	12/31/2018
Capital Allocation Constraints					
•Number of investment managers	15-35	25	Monthly	Yes	12/31/2018
	Equity Hedge: 10-50%	27.3%	Monthly	Yes	12/31/2018
	Event Driven: 10-50%	25.3%	Monthly	Yes	12/31/2018
•Target/compliance range of allocation to strategies (at market)	Directional/Tactical: 10-50%	25.6%	Monthly	Yes	12/31/2018
	Relative Value: 0-40%	15.8%	Monthly	Yes	12/31/2018
	Other Assets / Liabilities (cash): <5%	6.0%	Monthly	No	12/31/2018
•Maximum allocation to a single fund (at market)	10%	6.1%	Monthly	Yes	12/31/2018
•Maximum allocation to a single advisor (at market)	15%	6.1%	Monthly	Yes	12/31/2018
•Maximum percentage ownership of a single fund	30%	6.0%	Quarterly	Yes	12/31/2018
Downside Risk Case (See risk report)					
•Portfolio-level RoR Impact of Severe Case Loss (at market)	25%	20.5%	Monthly	Yes	12/31/2018
•Severe Case Loss in a single fund (at market)	<3% Capital at Risk	1.4%	Monthly	Yes	12/31/2018
•Severe Case Loss in a single advisor (at market)	<6% Capital at Risk	1.4%	Monthly	Yes	12/31/2018
Liquidity					
•Hard lockup period of 1 year or greater	<20%	1.8%	Monthly	Yes	12/31/2018
•Quarterly liquidity or better (excluding locks)	>75%	83.1%	Monthly	Yes	12/31/2018
•Percent of portfolio available within 1 year (excluding locks)	>65%	83.1%	Monthly	Yes	12/31/2018
•Hard lockup more than 2 years (not to exceed three years)	<10%	0.0%	Monthly	Yes	12/31/2018
Leverage					
•Strategy level leverage	Tactical Trading: 20x	9.2	Quarterly	Yes	12/31/2018
	Event Driven: 4x	1.6	Quarterly	Yes	12/31/2018
	Equity Long / Short: 4x	1.7	Quarterly	Yes	12/31/2018
	Relative Value: 8x	9.0	Quarterly	No	12/31/2018

As of December 2018. Investment guideline targets are subject to change and are current as of the date of this presentation. Investment guideline targets are objectives and do not provide any assurance as to future results.
Past performance does not guarantee future results, which may vary. Source: HFR Database © HFR, Inc. 2018, www.hedgefundresearch.com. Pertrac Indicies Database, www.msci.com, www.barcap.com.
1. Beta to equity markets represents the LACERA portfolio's beta to the MSCI World Index Hedged USD. 2. Beta to fixed income markets represents the LACERA portfolio's beta to the Barclays Aggregate Bond Index.

Additional Information

The information contained herein is non-public and proprietary in nature and may constitute trade secrets under California law, the disclosure of which could have adverse effects on Goldman Sachs or the Fund described herein and its investments. This information includes a detailed account of investment strategy based on proprietary methods and techniques of an financial analysis and valuation, which is used in Goldman Sachs' businesses. Goldman Sachs has taken reasonable efforts to preserve the confidential nature of this information and derives independent economic value from the fact that such methods and techniques are not widely known. The following confidential information was prepared by Goldman Sachs solely in connection with a proposed investment in the Fund described herein by LACERA and may not be disclosed, reproduced or used for any other purposes. The following confidential information may be excepted from public disclosure pursuant to Section 6254.15 of the California Government Code, or alternatively pursuant to Section 6254.26 of the California Government Code. Any information provided by or on behalf of the Fund must be returned upon request of Goldman Sachs. Please advise Goldman Sachs if LACERA is subject to any additional entity-specific (including, but not limited to, pursuant to internal policies) Freedom of Information Act or similar open records disclosure requirements before any disclosure pursuant to such requirements is made.

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Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of "failed" or closed hedge funds may mean that each index overstates the performance of hedge funds generally.

MSCI World Index

he MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies. Source: PerTrac Indices Database, www.mscidata.com.

Barclays Aggregate Bond Index

The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. Source: PerTrac Indices Database, www.barcap.com

HFRX Global Hedge Fund Index

The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. Source: HFR Database © HFR, Inc. 2015, www.hedgefundresearch.com. Please note that HFRX performance indications are based on preliminary estimates.

General Disclosures

Past performance does not guarantee future results, which may vary. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

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The strategy may include the use of derivatives. Derivatives often involve a high degree of financial risk because a relatively small movement in the price of the underlying security or benchmark may result in a disproportionately large movement in the price of the derivative and are not suitable for all investors. No representation regarding the suitability of these instruments and strategies for a particular investor is made.

LACERA Direct Portfolio

Portfolio Fund Summary

LACERA Direct Portfolio Summary (December 31, 2018)

Investment Manager and Fund	Inception Date	QTD Opening Balance	QTD Subscriptions / (Redemptions)	QTD Gain / (Loss)	QTD Ending Balance	% of Direct HF Program (12/31/2018)	4Q 2018	YTD	1 Year	3 Year	ITD
Multi-Strategy											
AQR Liquid Enhanced Alternative Premia Fund, L.P.	4/1/2018	68,091,125		(1,807,539)	66,283,586	14.9%	-2.65%	-11.62%	-	-	-11.62%
Davidson Kempner Institutional Partners, L.P.	4/1/2018	86,588,431	15,000,000	(1,531,086)	100,057,345	22.5%	-1.63%	0.68%	-	-	0.68%
HBK Multi-Strategy Fund L.P.	5/1/2018	126,872,538		957,728	127,830,266	28.8%	0.75%	2.26%	-	-	2.26%
Multi-Strategy Total		**281,552,094**	**15,000,000**	**-2,380,897**	**294,171,197**	**66.3%**	**-0.83%**	**-2.80%**	**-**	**-**	**-2.80%**
Relative Value											
PIMCO Tactical Opportunities Fund L.P.	11/1/2018	0	50,000,000	(512,769)	49,487,231	11.2%	-1.03%	-1.03%	-	-	-1.03%
Capula Global Relative Value Fund L.P.	12/1/2018	0	100,000,000	143,490	100,143,490	22.6%	0.14%	0.14%	-	-	0.14%
Relative Value Total		**0**	**150,000,000**	**-369,279**	**149,630,721**	**33.7%**	**-0.38%**	**-0.38%**	**-**	**-**	**-0.38%**
Total Direct Portfolio		**281,552,094**	**165,000,000**	**(2,750,176)**	**443,801,918**	**100.0%**	**-0.82%**	**-2.79%**	**-**	**-**	**-2.79%**

LACERA - DIRECT PORTFOLIO

Investment Guidelines Summary (as of December 31, 2018)

Performance Objectives	Investment Guidelines	LACERA Direct Portfolio	Measurement Period	In Compliance?
• Target annualized return				
– Absolute: 3-month T-Bills + 250 bps	5.28%	-2.79%	ITD	n/a
– Relative: HFRX Global Hedge Fund Index	-5.76%	-2.79%	ITD	n/a
• Target range of annualized volatility	3.0% – 8.0%	n/a	3 year rolling	n/a
• Beta to equity markets referencing MSCI ACWI	< 0.2	n/a	3 year rolling	n/a
Capital Allocation Constraints				
• Number of investment managers	8 to 20	5	Quarterly	n/a
• Minimum allocation to a single fund (at market)	$5 million	$50 million	Quarterly	Yes
• Maximum percentage ownership of a single fund	35%	17%	Quarterly	Yes
• Maximum exposure to an investment manager across multiple funds	20% of Direct HF Portfolio (fully invested)	n/a	Quarterly	n/a
Downside Risk Case				
• Portfolio-level RoR Impact of Severe Case Loss (at market)	> -10%	n/a	Quarterly	n/a
Liquidity				
• Remaining lock up period of 1 year or greater	< 40%	6.7%	Quarterly	Yes
• Remaining lock up period of 2 year or greater	< 25%	2.2%	Quarterly	Yes
• Remaining lock up period of 3 year or greater	< 10%	0.0%	Quarterly	Yes
• Remaining lock up period of 5 year or greater	0%	0.0%	Quarterly	Yes
• Minimum invested as % of portfolio asset value in funds where full or partial liquidity is available within one quarter (excluding notification periods and after lock-up expires)	> 40%	88.8%	Quarterly	Yes
• Minimum invested in funds liquid within 1 year (excluding notification periods and after lock-up expires)	> 65%	93.3%	Quarterly	Yes
Leverage				
• Strategy level leverage	Macro / Tactical Trading: 20x	n/a	Quarterly	n/a
	Event Driven: 4x	n/a	Quarterly	n/a
	Equity Hedge: 4x	n/a	Quarterly	n/a
	Relative Value: 8x	14.3	Quarterly	n/a
	Multi-Strategy: 5x	5.3	Quarterly	n/a

Disclosures

In the interest of transparency, Investment Staff would like to document the following two personal relationships that exist between LACERA staff and hedge fund managers where LACERA is invested. Staff have openly disclosed these relationships to avoid any perception of conflict or bias.

Jonathan Grabel, LACERA's Chief Investment Officer, and Ashish Kishore, a Partner at Manikay Partners, LLC have a long-standing, personal friendship that dates back over 20 years. Manikay Partners runs a hedge fund held by LACERA in the fund of funds portfolio managed by Goldman Sachs Asset Management. The following details are provided to establish the independence of the institutional relationship between LACERA and Manikay Partners relative to the personal relationship between Messrs. Grabel and Kishore: (1) Mr. Grabel's relationship with Mr. Kishore pre-dates the employment of Mr. Grabel as CIO of LACERA in 2017 and LACERA's investment in Manikay pre-dates Mr. Grabel's employment at LACERA; (2) Goldman Sachs has had and maintains full discretion, within established guidelines, for selecting or terminating fund managers, including the Manikay Fund, in its portfolio; and (3) Mr. Grabel disclosed that he has no current or former financial relationship with Mr. Kishore and has had no communication about LACERA's investment with Manikay with him.

James Rice, Principal Investment Officer at LACERA, and Kathleen Salvaty, Vice President Legal at AQR, have a personal friendship that dates back five years. AQR runs the Liquid Enhanced Alternative Premia Fund held by LACERA in its direct hedge fund portfolio. The following details are provided to establish the independence of the institutional relationship between LACERA and AQR relative to the personal relationship between Mr. Rice and Ms. Salvaty: (1) Even though Mr. Rice's relationship with Ms. Salvaty pre-dates Staff's recommendation of AQR to its direct portfolio in December 2017 and initial investment in April 2018, Mr. Rice only became aware that Ms. Salvaty had been hired by and accepted a position with AQR in May 2018, after LACERA was already invested in the AQR Fund. Ms. Salvaty also became aware of Mr. Rice's business relationship with AQR at that same time and no ongoing communication about LACERA's investment with AQR has been occurring; (2) Mr. Rice did not introduce Ms. Salvaty to AQR and had no communication with the firm or her about her potential employment during the hiring process; and (3) Mr. Rice disclosed that he has no current or former financial relationship with Ms. Salvaty.

Glossary of Hedge Fund Terms

Hedge Fund Strategies

Overview

- Credit strategies
  - Directional and relative value investments in debt securities, credit derivatives and related instruments
  - Strategies include long-biased credit, long/short credit, structured credit and mortgage credit
  - Hedging investments include short credit index, individual short, credit default swap and sovereign credit investments
- Relative value strategies
  - Trades constructed to capitalize on perceived mispricings of one instrument relative to another or one maturity relative to another for a given instrument
  - Generally less dependent on market direction
  - Strategies include convertible arbitrage, statistical arbitrage, fixed income arbitrage and option volatility arbitrage
- Equities strategies
  - Purchases (buying long) and/or sales (selling short) of equities based on fundamental and/or quantitative analysis and other factors
  - Managers typically seek to capitalize on discrepancies between their assessment of security valuations and current market prices
  - Strategies include long-biased hedged equities, less-correlated hedged equities and activist
- Quantitative strategies
  - Utilizes a combination of researcher insights, statistical analysis and technology in seeking to parse data, identify alpha signals, construct efficient portfolios and execute with minimal transaction costs
  - Invests across liquid asset classes and instruments and seeks to generate an uncorrelated return stream
  - Directional quantitative strategies take directional positions in themes and across instruments
  - Non-directional quantitative strategies implement a beta neutral or low-net approach; may limit risk premia factor exposure

There can be no assurance that any fund will achieve its objectives or avoid losses.

Hedge Fund Strategies

Overview (continued)

- Event driven strategies
  - Investments that seek to exploit situations in which an announced or anticipated event creates inefficiencies in the pricing of securities
  - Potential events include mergers, acquisitions, recapitalizations, bankruptcies and litigation decisions
  - Strategies include risk arbitrage and diversified event driven
- Macro strategies
  - Investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends and inter-country relations
  - Strategies include discretionary and systematic
- Commodities strategies
  - Investments across global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors
  - Strategies may be long/short directional, spread-oriented or volatility-oriented
  - Strategies include discretionary and systematic
- Portfolio hedging strategies
  - Investments designed to reduce a portfolio's overall exposure to various systemic risks and intended to provide protection during broad market downturns
  - Strategies include dedicated short equity, synthetic short equity, dedicated short credit and tail risk protection

Hedge Fund Strategies

Overview

Equity

- Fundamental long/short
  - Long-biased
  - Neutral
  - Short-biased
  - Variable
- Activist
- Trading-oriented long/short
- Event driven
  - Merger arbitrage
  - Spin-offs
  - Recapitalizations
  - Special situations
- Regional focus
- Sector specialist

Credit

- Long/short
- Directional credit
  - Bank debt
  - Distressed securities
  - Mezzanine debt
  - Direct lending
- Structured credit
  - Residential mortgages (RMBS)
  - Commercial mortgages (CMBS)
  - Other Asset-Backed Securities (ABS)

Relative value

- Convertible bond arbitrage
- Fixed income arbitrage
- Option volatility arbitrage
- Statistical arbitrage

Tactical trading

- Global macro
  - Discretionary
  - Systematic
- Commodities
  - Relative value
  - Directional
  - Systematic
- Quantitative
  - Non-Directional
  - Directional

Hedging strategies

- Short equity
- Short credit
- Synthetic put convertible bond arbitrage
- Tail risk “protection” strategies

Risk Measure

Leverage

FOR ILLUSTRATIVE PURPOSES ONLY. NOT INTENDED TO PRESENT DATA RELATED TO ANY FUND.

The leverage of investments within a portfolio should be understood within the context of the portfolio's volatility or variance.

Leverage illustrations

- Buy equity shares on margin
  - Apple stock: $345
  - Initial margin: 20%
  - Leverage = ($345 / $69) = 5x
- Buy a futures contract on margin
  - S&P 500 Index: 1330
  - E-mini futures notional value: $66,500 ($50 * 1330)
  - Exchange margin: $3,500
  - Leverage = $66,500 / $3,500 = 19x
- Buy a credit default swap (CDS)
  - Purchase $100 million notional protection for 5 years on General Electric's senior debt costing 115 bps a year
  - Leverage = $100mm / ($1.15mm * 5) = 17x
- Borrow money to buy a bond
  - Term financing on commercial mortgage-backed security collateral. 2 year term, cost is LIBOR + 150 bps, haircuts (margin) are 25%.
  - 25% margin = 4x leverage

Goal	▪ Understand how leverage can magnify returns, both positive and negative ▪ Understand that levered investments may have higher volatility
Formula	$Leverage = \frac{Notional\ Exposure}{Capital\ Exposure}$
History	▪ Excessive use of leverage has been the source of many financial crises
Usefulness	▪ Some types of leverage are risk mitigating ▪ Should carefully examine levered investments to understand whether use of leverage is prudent
Limitations	▪ Various sources of leverage › Borrowing › Inherent to instrument ▪ Terminology can be confusing › Leverage versus exposure

GCM GROSVENOR

Risk Measure

Liquidity

FOR ILLUSTRATIVE PURPOSES ONLY. NOT INTENDED TO PRESENT DATA RELATED TO ANY FUND.

The liquidity of investments within a portfolio should be understood within the context of the portfolio's volatility or variance.

Liquidity illustration

Investment	Liquidity
Equity	Daily, in many cases
Fixed Income	Daily, in many cases
Hedge Funds	▪ Varies from monthly liquidity to multi-year lockups ▪ Quarterly or semi-annual liquidity is common
Private Equity	5-10 year duration
Real Estate	Multi year

Goal	Understand ability to liquidate investments, especially during crises
Measures	Time needed to liquidate investment without incurring a material negative price impact as a result of the sale
History	▪ Liquidity typically "dries up" during financial crises ▪ Less liquid investments › May be more volatile than their return streams indicate › Have higher expected returns
Usefulness	▪ Liquidity indicates how quickly cash may be raised ▪ Liquidity informs the reliability of certain risk statistics when evaluating an investment
Limitations	Assessment influenced by the chosen representative market environment

In reviewing this presentation relating to San Gabriel Fund, L.P. (the “Gabriel”), San Gabriel Fund 2, L.P. (“Gabriel 2”) or San Gabriel Fund 3, L.P. (“Gabriel 3” together with Gabriel and Gabriel 2, the “Gabriel Funds”), you should consider the following:

Gabriel commenced operations on October 1, 2011.

Gabriel 2 commenced investment operations on January 1, 2013.

Gabriel 3 commenced investment operations on February 1, 2016.

To the extent this report includes the performance of the Gabriel Funds, such returns are calculated net of all fees and expenses.

Figures for 2011–2017, as applicable, are derived from books and records of the Gabriel Funds that have been audited by the Gabriel Funds’ independent public accountants.

Figures for 2018 are estimated based on unaudited books and records of the Gabriel Funds.

Target Returns, Forward Looking Estimates, and Risk Parameters

Notes and Disclosures

Target Returns, Forward Looking Estimates, and Risk Parameters: Target returns, forward looking estimates, and risk parameters are shown to illustrate the current risk/return profile of how the fund or investment is/will be managed. **Target returns, forward looking estimates, and risk parameters do not forecast, predict, or project any fund, investment, or investor return.** It does not reflect the actual or expected returns of any investor, investment, GCM fund, or strategy pursued by any GCM fund, and does not guarantee future results.

Target returns, forward looking estimates, and risk parameters:

- are based solely upon how the fund or investment is expected to be managed including, but not limited to, GCM Grosvenor's current view of the potential returns and risk parameters of the investment, investments in the GCM fund, or strategy pursued by a GCM fund;
- do not forecast, predict, or project the returns or risk parameters for any investor, investment, GCM fund, or any strategy pursued by any GCM fund; and
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Changes in the assumptions will have a material impact on the target returns, forward looking estimates, and risk parameters presented. Target returns and forward looking estimates are generally shown before fees, transactions costs and taxes and do not account for the effects of inflation. Management fees, transaction costs, and potential expenses may not be considered and would reduce returns and affect parameters. **Target Returns And Risk Parameters May Not Materialize.**

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LACERA

FOR INFORMATION ONLY

March 4, 2019

TO: Each Member
Board of Investments

FROM: Steven P. Rice SPR
Chief Counsel

FOR: March 13, 2019 Board of Investments Meeting

SUBJECT: Monthly Status Report on Board of Investments Legal Projects

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of March 4, 2019.

Attachment

c: Lou Lazatin
John Popowich
Jon Grabel
Vache Mahseredjian
John McClelland
Christopher Wagner
Ted Wright
Jim Rice
Jude Perez
Scott Zdrazil
Christine Roseland
John Harrington
Cheryl Lu
Margo McCabe
Lisa Garcia

LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of March 4, 2019

	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
EQUITIES FIXED INCOME	BlackRock Institutional Trust Company, N.A.	Treasury Inflation Protected Securities (TIPS) Separate Account Investment Management Agreement	$1,500,000,000.00	December 12, 2018	In Progress	75%	Legal review and negotiations in process.
PRIVATE EQUITY	BRV Aster Fund III, L.P.	Subcription	$50,000,000.00	February 13, 2019	In Progress	75%	Legal review and negotiations in progress.
PRIVATE EQUITY	BRV Aster Opportunity Fund II, L.P.	Subcription	$25,000,000.00	February 13, 2019	In Progress	75%	Legal review and negotiations in progress.
PRIVATE EQUITY	Vinci Capital Partners III, L.P.	Subcription	$75,000,000.00	February 13, 2019	In Progress	50%	Legal review and negotiations in progress.
REAL ASSETS	DWS	Completion Portfolio Equity Manager Investment Management Agreement	$1,300,000,000.00	February 13, 2019	In Progress	10%	Draft IMA sent to DWS.
REAL ESTATE	AG Asia Realty Fund IV	Subscription	$100,000,000.00	January 9, 2019	Complete	100%	Completed.
REAL ESTATE	Bain Capital Real Estate Fund I	Subscription	$100,000,000.00	February 13, 2019	In Progress	75%	Legal review and negotiations in progress.
REAL ESTATE	Core Property Index Trust Fund	Subscription	$250,000,000.00	February 13, 2019	In Progress	25%	Legal review in progress.
REAL ESTATE	SH Holding, L.P.	Sale of Limited Partnership Interest	$1,647,830.00	February 13, 2019	Complete	100%	Completed.

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Attention: Public Records Act Requests
300 N. Lake Ave., Suite 620
Pasadena, CA 91101

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