

# LIVE VIRTUAL BOARD MEETING

**OCTOBER 13, 2021 AT 8:00 AM**

**BOARD OF INVESTMENTS MEETING &  
BOARD OFFSITE MEETING**



**TO VIEW VIA WEB**

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**TO PROVIDE PUBLIC COMMENT**

You may submit a request to speak during Public Comment or provide a written comment by emailing [PublicComment@lacera.com](mailto:PublicComment@lacera.com). If you would like to remain anonymous at the meeting without stating your name, please let us know.

**Attention:** Public comment requests must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com).

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

# AGENDA

## A REGULAR MEETING OF THE BOARD OF INVESTMENTS

### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

8:00 A.M., WEDNESDAY, OCTOBER 13, 2021

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

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

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

#### I. CALL TO ORDER

#### II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of September 8, 2021

#### III. REPORT ON CLOSED SESSION ITEMS

#### IV. PUBLIC COMMENT

Written Public Comment - You may submit written public comments by email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com). Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

Verbal Public Comment - You may also request to address the Board. A request to speak must be submitted via email to [PublicComment@lacera.com](mailto:PublicComment@lacera.com). We will contact you with information and instructions as to how to access the meeting as a speaker. If you would like to remain anonymous at the meeting without stating your name, please let us know.

#### V. CHIEF EXECUTIVE OFFICER'S REPORT (Memo dated September 20, 2021)

#### VI. CHIEF INVESTMENT OFFICER'S REPORT (Presentation dated October 13, 2021)

## VII. CONSENT ITEMS

- A. Recommendation as submitted by Gina Sanchez, Chair, Credit and Risk Mitigation Committee: That the Board approve the initiatives and recommendations listed on page 33 and throughout the Credit Structure Review advanced by the Credit and Risk Mitigation Committee.  
(Memo dated September 30, 2021)
- B. Recommendation as submitted by Gina Sanchez, Chair, Credit and Risk Mitigation Committee: Approve an illiquid credit emerging manager program separate account manager search and approve the related minimum qualifications, evaluation criteria, and scope of work as advanced by the Credit and Risk Mitigation Committee (attachment)  
(Memo dated September 30, 2021)

## VIII. NON-CONSENT ITEM

- A. Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer, David Chu, Senior Investment Officer and David E. Simpson, Investment Officer: That the Board approve the proposed amendments to the 2021- 2022 Growth Functional Category Biennial Structure Review as recommended on slide 13 of the attached presentation.  
(Memo dated September 24, 2021)
- B. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Investments consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Board and its Committees shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute. (Memo dated October 4, 2021)
- C. Recommendation as submitted that the Board approve attendance of Trustees at the Latin America US Real Estate Meeting on November 29 – 30, 2021 in Miami, FL and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated September 12, 2021)  
(Placed on the agenda at the request of Herman Santos)

## VIII. NON-CONSENT ITEM (Continued)

- D. Recommendation as submitted that the Board approve attendance Approve attendance of Trustees at the Oxford Impact Investing Program on January 31, 2022 – February 4, 2022 in Oxford, United Kingdom and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.  
(Memo dated October 5, 2021)  
(Placed on the agenda at the request of Gina Sanchez)

## IX. REPORTS

- A. Rotation of Board Officers  
Alan J. Bernstein, Chair Board of Retirement  
Keith Knox, Chair Board of Investments  
(Memo dated September 28, 2021)
- B. Council of Institutional Investors Voting Ballot  
Scott Zdrazil, Senior Investment Officer  
(For Information Only) (Memo dated September 22, 2021)
- C. Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated October 4, 2021)
- D. Monthly Status Report on Legislation  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated September 27, 2021)
- E. Monthly Travel & Education Report – August 2021  
Ted Granger, Interim Chief Financial Officer  
(Public Memo dated September 22, 2021)  
(Confidential Memo dated September 22, 2021 – Includes Anticipated Travel)
- F. September 2021 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(For Information Only) (Memo dated September 24, 2021)

## X. ITEMS FOR STAFF REVIEW



XI. GOOD OF THE ORDER

(For information purposes only)

XII. 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. Notice Of Re-Up Commitment of Up To \$200 Million To Clearlake Capital Partners VII, L.P.  
Christopher J. Wagner, Principal Investment Officer  
Didier Acevedo, Investment Officer  
(For Information Only) (Memo dated October 1, 2021)

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

Number of Cases: 1

XIII. BOARD OFFSITE

A. INTRODUCTION

A brief overview of LACERA’s progress from Allocator to Investor.

Speaker: Jonathan Grabel, Chief Investment Officer

B. REVIEW AND DISCUSSION OF EACH STRATEGIC PILLAR

The following five pillars comprise the Investments Division’s “Allocator to Investor” strategic initiatives:

1. Enhancing operational effectiveness
2. Optimizing the investment model
3. Maximizing stewardship and ownership rights
4. Strengthening the Fund’s influence on fees and cost of capital
5. Implementing “Towards Inclusion, Diversity, and Equity” throughout the investment program

Each pillar will be reviewed, including a summary of key accomplishments, ongoing efforts, and notable developments that inform future steps and aspirations.

### XIII. BOARD OFFSITE (Continued)

Speakers: Esmerelda del Bosque, Acting Principal Investment Officer  
David Chu, Senior Investment Officer  
Scott Zdrazil, Senior Investment Officer  
Chad Timko, CFA, Senior Investment Officer  
Didier Acevedo, CFA, Investment Officer

#### C. PEER EVALUATION

Meketa Investment Group will lead a discussion on investment models and practices at other public pension plans.

Speakers: Tim Filla, Meketa Investment Group  
Leo Faustino, Meketa Investment Group

#### D. GEOGRAPHIC EXPOSURE

Albourne and Stepstone will facilitate a conversation on the merits and considerations of geographic diversification.

Speakers: Jose Fernandez, StepStone  
James Walsh, Albourne

#### E. CONCLUSION

Potential next steps will be discussed.

Speaker: Jonathan Grabel, Chief Investment Officer

### XIV. ADJOURNMENT

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

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

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS  
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, SEPTEMBER 8, 2021

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

PRESENT: Keith Knox, Chair

Joseph Kelly, Vice Chair

Alan Bernstein, Secretary

David Green

Elizabeth Greenwood

Shawn Kehoe

Patrick Jones

Gina V. Sanchez

Herman Santos

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Luis A. Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Christine Roseland, Senior Staff Counsel

Ted Granger, Interim Chief Financial Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Jude Perez, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Vache Mahseredjian, Principal Investment Officer

James Rice, Principal Investment Officer

Esmeralda del Bosque, Interim Principal Investment Officer

Chad Timko, Senior Investment Officer

Quoc Nguyen, Investment Officer

Pushpam Jain, Investment Officer

Amit Aggarwal, Investment Officer

Derek Kong, Investment Officer

Calvin Chang, Senior Investment Analyst

Kevin Bassi, Senior Investment Analyst

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal

Albourne

Mark White, Head of Real Assets

James Walsh, Partner

Steven Kennedy, Partner

StepStone Group LP (Real Estate Consultants)

Thomas Hester, Managing Director

Margaret McKnight, Partner

StepStone Group LP (Private Equity Consultants)

Natalie Walker, Partner

I. CALL TO ORDER

The meeting was called to order virtually by Chair Knox at 9:05 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of August 11, 2021

Mr. Green made a motion, Mr. Kelly seconded, to approve the minutes of the regular meeting of August 11, 2021. The motion passed (roll call) with Messrs. Green, Santos, Bernstein, Kehoe, Jones, Kelly, Knox, Ms. Sanchez and Ms. Greenwood voting yes.

III. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

IV. PUBLIC COMMENT

Amber Height and Kim Yergan addressed the Board regarding the Baldwin Hills Crenshaw Plaza. In addition, Michael Guynn, provided a written comment.

V. CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated August 20, 2021)

Mr. Lugo provided a brief presentation on the Chief Executive Officer's Report.

VI. CHIEF INVESTMENT OFFICER'S REPORT  
(Presentation dated September 8, 2021)

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

## VII. CONSENT ITEMS

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

- A. Recommendation as submitted by Gina Sanchez, Chair, Credit and Risk Mitigation Committee: That the Board approve the initiatives and recommendations listed on page 37 of the Risk Reduction and Mitigation Structure Review advanced by the Credit and Risk Mitigation Committee. (Memo dated August 30, 2021)
- B. Recommendation as submitted by Gina Sanchez, Chair, Credit and Risk Mitigation Committee: That the Board approve the Minimum Qualifications advanced by the Credit and Risk Mitigation Committee and authorize a Request for Proposal for Long-Term U.S. Treasury Bond investment managers. (Memo dated August 30, 2021)

## VIII. NON CONSENT ITEM

- A. Recommendation as submitted by Jude Pérez, Principal Investment Officer and Esmeralda del Bosque, Senior Investment Officer: That the Board approve the adoption of the revised Investment Policy Statement. (Memo dated August 30, 2021)

Mr. Perez and Ms. del Bosque was present and answered questions from the Board.

Mr. Kelly made a motion, Mr. Santos seconded, to approve the adoption of the revised Investment Policy Statement. The motion passed (roll call) with Messrs. Green, Santos, Kehoe, Bernstein, Jones, Kelly, Knox, Ms. Greenwood and Ms. Sanchez voting yes.

## IX. REPORTS

- A. Options for Election of Board Officers  
Keith Knox, Chair Board of Investments  
Alan J. Bernstein, Chair Board of Retirement  
(Memo dated August 19, 2021)

Messrs. Knox, Bernstein, Lugo and Rice were present to answer questions from the Board. The Board provided input and comments. This item will be agendaized for further review at a future meeting.

- B. LACERA Quarterly Performance Book  
Meketa Quarterly Performance Book  
Jude Pérez Principal Investment Officer  
Esmeralda del Bosque Senior Investment Officer  
(For Information Only) (Memo dated August 31, 2021)

This item was received and filed.

- C. LACERA Quarterly OPEB Master Trust as of June 30, 2021  
Meketa Quarterly OPEB Master Trust as of June 30, 2021  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated August 30, 2021)

This item was received and filed.

- D. Albourne Consultant Self-Assessment  
James Rice, Principal Investment Officer  
Vache Mahseredjian, Principal Investment Officer  
(For Information Only) (Memo dated August 30, 2021)

This item was received and filed.

- E. Private Equity Consultant Search Slide Correction  
Christopher J. Wagner, Principal Investment Officer  
(For Information Only) (Memo dated August 21, 2021)

This item was received and filed.



IX. REPORTS (Continued)

- F. International Corporate Governance Network Annual General Meeting  
Ballot  
Scott Zdrazil, Senior Investment Officer  
Dale Johnson, Investment Officer  
(For Information Only) (Memo dated August 27, 2021)

This item was received and filed.

- G. Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated August 30, 2021)

This item was received and filed.

- H. Monthly Status Report on Legislation  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated August 22, 2021)

This item was received and filed.

- I. Monthly Education and Travel Reports for July 2021  
Ted Granger, Interim Chief Financial Officer  
Monthly Education and Travel Reports for July 2021  
(Public Memo dated August 18, 2021)  
(Confidential Memo dated August 18, 2021 – Includes Anticipated Travel)

4th Quarter Education & Travel Expenditure Reports  
(Memo dated August 18, 2021)

This item was received and filed.

- J. August 2021 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(For Information Only) (Memo dated August 16, 2021)

This item was received and filed.

X. ITEMS FOR STAFF REVIEW

There was nothing to report.

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

The Board and staff congratulated Mr. Santos on his election to the Board of Investments. Senior Staff Counsel Johanna Fontenot was congratulated on her retirement after 30 years of LACERA and County service.

XII. EXECUTIVE SESSION

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

1. STG Allegro, L.P.  
Christopher J. Wagner, Principal Investment Officer  
Derek Kong, Investment Officer  
(Memo dated August 16, 2021)

Messrs. Wagner, Kong and Ms. Walker of StepStone Group LP were present and answered questions from the Board.

Mr. Kelly made a motion, seconded by Mr. Green, to approve a commitment of up to \$100 million to STG Allegro, L.P. This investment is a private equity small market buyout fund focusing on the technology sector. The motion passed (roll call), with Messrs. Knox, Bernstein, Santos, Kehoe, Jones, Green, and Kelly and Ms. Sanchez and Greenwood voting yes.

2. Atlantic Street Capital V, L.P.  
Christopher J. Wagner, Principal Investment Officer  
Calvin Chang, Senior Investment Analyst  
(Memo dated August 25, 2021)

## XII. EXECUTIVE SESSION (Continued)

Messrs. Wagner, Chang and Ms. Walker of StepStone Group LP were present and answered questions from the Board.

Mr. Kelly made a motion, seconded by Mr. Santos, to approve a commitment of up to \$150 million to Atlantic Street Capital V, L.P. This investment is a private equity small market buyout fund focusing on the healthcare, consumer discretionary, information technology, and industrial sectors. The motion passed (roll call), with Messrs. Knox, Bernstein, Santos, Kehoe, Jones, Green, and Kelly and Ms. Sanchez voting yes. Ms. Greenwood was absent from the vote.

3. Orion Mine Finance Fund III, L.P. & Orion Mineral Royalty Fund I, L.P.  
James Rice, Principal Investment Officer  
Pushpam Jain, Investment Officer  
(Memo dated August 18, 2021)

Messrs. Rice and Jain and Messrs. Kennedy, White and Walsh of Albourne were present and answered questions from the Board.

Mr. Santos made a motion, seconded by Mr. Kehoe, to approve a commitment of up to \$150 million to Orion Mine Finance Fund III, L.P. and a commitment of up to \$100 million to Orion Mineral Royalty Fund I, L.P. These investments are private equity real asset funds focusing on mining opportunities. The motion passed (roll call), with Messrs. Knox, Bernstein, Santos, Kehoe, Jones, Green, and Kelly and Ms. Sanchez voting yes. Ms. Greenwood was absent from the vote.

## XII. EXECUTIVE SESSION (Continued)

4. Brevan Howard Master Fund  
Vache Mahseredjian, Principal Investment Officer  
Chad Timko, Senior Investment Office  
Quoc Nguyen, Investment Officer  
(Memo dated August 30, 2021)

Messrs. Mahseredjian, Timko and Nguyen and Messrs. Kennedy, White and Walsh of Albourne were present and answered questions from the Board.

On a motion by Mr. Kelly, seconded by Mr. Bernstein, the Board approved a new share class in existing hedge fund investment Brevan Howard Master Fund. The motion passed (roll call) with Messrs. Knox, Bernstein, Santos, Kehoe, Jones, Green, Kelly and Ms. Sanchez voting yes. Ms. Greenwood was absent from the vote.

5. Private Equity Investment Update  
David Chu, Senior Investment Officer  
Derek Kong Investment Officer  
(For Information Only) (Memo dated August 16, 2021)

The Board received an information only report providing notice that LACERA completed a co-investment commitment of \$40 million alongside approved manager STG Capital Partners. The commitment is compliant with the private equity co-investment guidelines.

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

1. Wells Fargo Bank, National Association, as Trustee for Morgan Stanley Bank of America Merrill Lynch Trust 2013-C9, Commercial Mortgage Pass-Through Certificates, Series 2013-C9 v. 700 Milford Holdings LLC, et al., Case No. 1:21-cv-06059-JPC (S.D.N.Y.)

There was nothing to report.

September 8, 2021

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## XII. EXECUTIVE SESSION (Continued)

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

### 1. One Case

There was nothing to report.

## XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was  
adjourned at 11:36 a.m.

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ALAN BERNSTEIN, SECRETARY

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KEITH KNOX, CHAIR



September 20, 2021

TO: Each Trustee,  
Board of Retirement  
Board of Investments

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

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT – OCTOBER 2021**

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

**Our Ongoing COVID-19 Response and Return to Office**

Our Human Resources office continues to review and reconcile the responses from LACERA staff members regarding COVID-19 vaccination status. Approximately 329 staff members and 24 temporary staff, or 90.88% of LACERA staff, have reported they are fully vaccinated. There are 31 regular and temporary employees who are not vaccinated and 29 of those unvaccinated employees have already or plan to submit exemption requests. The numbers have been adjusted from the last report following Human Resources confirming responses; therefore, the number of vaccinated staff members will continue to be adjusted pending sufficient proof of vaccination.

We are actively engaged in securing a COVID 19 testing logistics vendor for staff members approved for vaccination exceptions and hope to have a repository solution to securely capture and report test results. To ensure we have adequate time to efficiently secure and orderly rollout a testing solution, we have decided to delay our staff Return-to-Office date of October 1, 2021. Once we have properly secured our testing protocols, we will provide our staff with two weeks advance notice on the new Return-to-Office date.

We continue to take a proactive approach in maintaining the health and safety of our staff and LACERA members. Our staff continue to follow established safety protocols when visiting our building, allowing us to continue to meet member expectations and deliver the high level of service we strive to always provide.

**LACERA COVID-19 Incidents**

The following chart shows the number of LACERA staff members who were exposed (had direct close contact) to a person who tested positive for COVID-19; the number of LACERA staff members who tested positive for COVID-19; and the number of staff members who were in the office 14 days before testing positive for COVID-19.

**August 20, 2021 - September 20, 2021**

<b>Exposed</b>	<b>Confirmed Positive</b>	<b>In Office Before Positive Test</b>
10	5	2

LACERA continues to follow the Public Health guidelines as they change and evolve, including the City of Pasadena's requirement to use masks indoors. Management continues to limit the number of staff members physically in our offices daily. Based on the most recent numbers, we are averaging approximately 16% of our staff in the office on any given day. Staff members have the option to be vaccinated during working hours and may apply for Supplemental Paid Sick Leave (SPSL) for COVID-19 and vaccine related absences. The SPSL is currently available through September 30, 2021, for staff members to use.

**Recruitment Updates**

To provide a more complete reporting of LACERA's recruitment, assessment, and hiring efforts to reduce the number of vacancies, provided below is an expanded summary of Human Resources (HR) activities.

*Development*

Before the position is advertised and applications are accepted, Human Resources (HR) works with the Division(s) to review the classification description, create an ideal candidate profile, and discuss the assessment process. This is used to create the job bulletin and recruiting brochure (management positions only). HR is currently working on several recruitments/assessments in development: Data Systems Analyst I, Principal Investment Officer, (Corporate Governance), Administrative Services Analyst I, Administrative Services Analyst II, and Administrative Services Analyst III. There is currently two (2) Principal Investment Officer; three (3) Data Systems Analyst I; one (1) Administrative Services Analyst I; two (2) Administrative Services Analyst II; and two (2) Administrative Services Analyst III vacancies.

*Recruiting*

The HR team is recruiting qualified internal and external candidates to fill vacancies. Finding the right candidate(s) who will add value to the organization and help move us forward in meeting our goals is a top priority of our Human Resources Division. LACERA is currently accepting applications for:

- Data Systems Analyst II Promotional Examination: Bulletin posted on August 19, 2021 and closed on September 2, 2021.
- Competitive candidates are encouraged to apply for Senior Accountant, Senior Staff Counsel, and Staff Counsel. The recruiting period remains open though early applicants are continuing to participate in the assessment process.

### *Assessment*

Having received a pool of qualified candidates, HR is administering assessments for the below recruitments. Examples of assessments include multiple choice tests, interviews, job simulations, and technical projects.

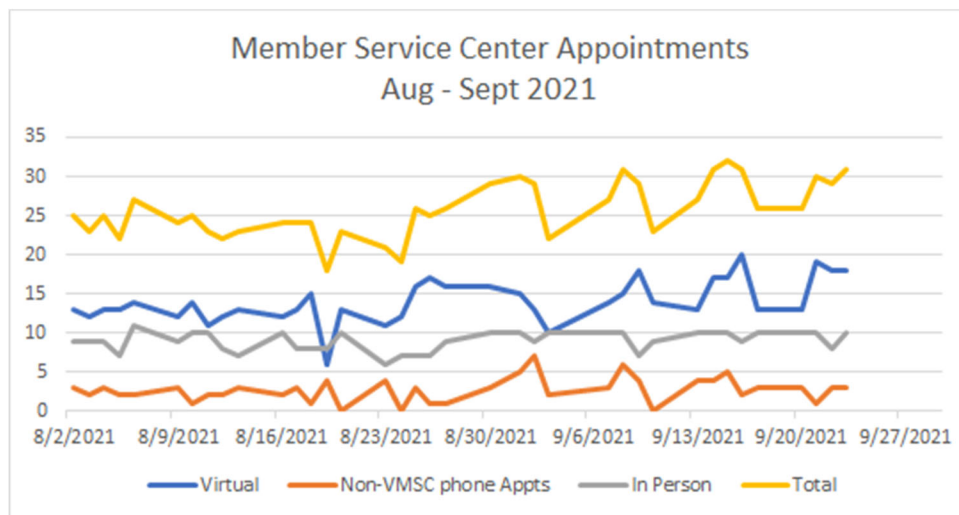
- Data Systems Analyst II
- Media Artist
- Procurement and Supply Clerk
- Retirement Benefits Specialist (RBS) I
- Senior Accountant
- Senior Staff Counsel
- Staff Counsel

Upon completing the above assessments, HR staff creates the eligible lists from which Divisions may hire. Lastly, once offers have been made, HR staff have the capacity to start the development process for other recruitments/assessments.

Based on the current requests the next classifications for exam development are, Data Systems Coordinator and Human Resources Analyst.

### **Member Service Center (MSC) Update**

Member Services increased the number of appointments offered daily in mid-September. We are currently offering approximately 32 appointments a day – 22 virtual appointments and 10 in-person appointments and a small number of phone only appointments. The chart below shows the growth in the number of appointments offered.



While we schedule an average of 32 appointments per day, after no shows and cancellations, we are averaging 28 counseling sessions per day. This cancellation rate is on par with what we would see pre-COVID-19.



We continue to remain open and focused on serving our members in person, even in the face of an increase in the number of COVID-19 cases throughout LACERA this month. Staff remain vigilant in following the protocols (face coverings always required, gloves for handling documents, social distancing practices, and routine cleaning of work areas). Members have also been adhering to those protocols and we have not had any incidents with non-compliant members this month. The safety protocols we put in place seem to be working.

As reported in the August 2021 CEO Report, the number of appointments offered is dictated by the available staff to see members. Last month, we provided a breakdown of the available staff. Since then, one staff member has resigned for personal reasons, and we are aware of two additional staff members who may be going out on leave.

We remain focused on ensuring we can provide as many appointments as possible, even in light of the reduced staff available. To this end, the Executive and MS Management team are looking at the possibility of increasing the number of appointments we can offer by moving staff assigned to the Call Center to the MSC and offering overtime, where feasible, until we can complete planned recruitments and the required training. This is a careful balancing act as moving staff from one area to another can cause additional delays in another area. It also requires additional training and preparation of staff. Looking long term, the team estimates it will not be until mid to late 2022 that MSC staffing is restored to full capacity as we train new Member Services staff. It should be noted this delay may have some impacts to the services we provide across the board, but we intend to mitigate them as described above.

In the meantime, we will continue to monitor the member demand through all channels and adjust as needed to provide the highest level of service possible with the current staffing levels.

### **Retiree Healthcare (RHC) Update**

As of August 31, 2021, the Retiree Healthcare Staff has completed the March Madness enrollment forms with a balance of zero work objects in the March Madness queue (1,700 work objects received in April 2021). In addition to clearing the March Madness queue, RHC staff was able to complete other critical assignments such as processing other healthcare enrollment forms, responding to member correspondence and inquiries, completing healthcare-related service requests, processing Medicare Part B verifications and assisting the Retiree Healthcare Call Center Unit as needed. The team will now focus its efforts on the 2022 Medicare Part B Premium Verification annual project.

We appreciate the teams effort in working through enrollment backlogs. RHC is committed to improving our customer service and overall service delivery, which includes reducing our enrollment processing time.

### **Communications**

#### *Intranet Redesign*

Now that LACERA.com has launched, the Systems and Communications divisions are pivoting to their next major web project: redesigning LACERA's intranet in conjunction with an outside vendor. With new content management and hosting capabilities, the intranet will be based on the

style created for LACERA.com. Communications Division will soon begin working with division managers to develop or streamline their content, with the goal of improving usability for staff members.

*LACERA.com: Post-Launch Statistics and User Analytics*

The new LACERA.com launch on July 30<sup>th</sup> has been a huge success. We have received overwhelmingly positive user feedback and seen significantly increased web traffic thanks to our email and newsletter promotional efforts.

Following are some of the initial post-launch statistics (7/30/21–8/31/21, except where noted):

**Jump in user traffic:**

LACERA.com	Traffic
<b>First Time Visitors</b>	42,365
<b>Average Visitors per Day</b>	1,283
<b>% Increase (average daily visitors)</b>	98%

**Top Five LACERA.com Page Views:**

LACERA Pages	Views
<b>LACERA Homepage</b>	59,015
<b>Search Results</b>	7,643
<b>Board Meeting</b>	2,899
<b>LACERA Plan D Center</b>	2,656
<b>Retirement Planning</b>	2,548

**My LACERA Signups:**

With 2,030 views, the Sign Up for My LACERA page (linked from a homepage tile) contributed to a substantial increase in account sign-ups, since we have not had any additional marketing campaigns.

From 8/1/21–9/1/21, 811 members signed up for the My LACERA portal—an increase of about 23% over June, which had 660 sign-ups, and about 46% over July, which had 555 sign-ups.

Our Communications Division continues to make minor edits to the site and add new content, while intently assessing the user analytics. We will be using the analytics on an ongoing basis to identify needs, prioritize or develop improvements, and measure and report on site performance.

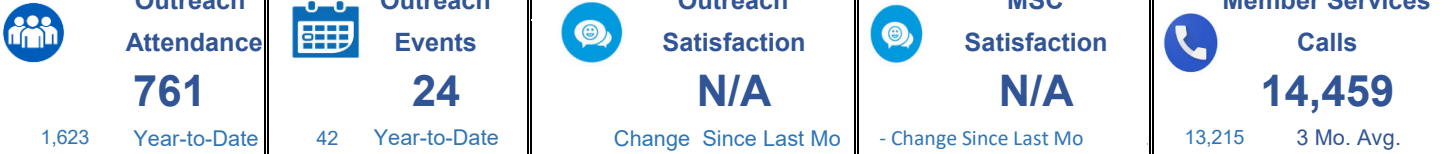
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CEO report Oct.2021.doc

Attachments

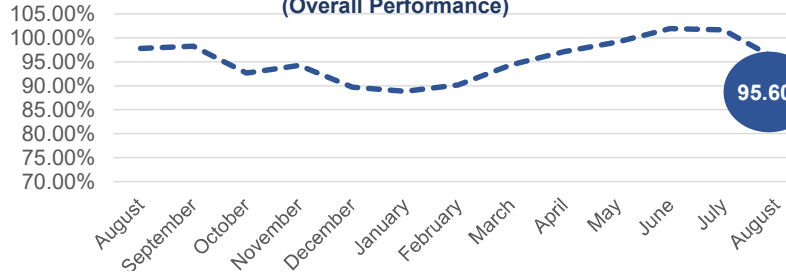
# Striving for Excellence in Service

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2021

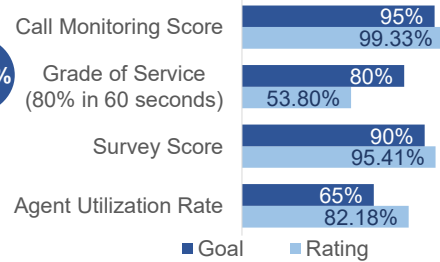


## Key Performance Indicator (Overall Performance)

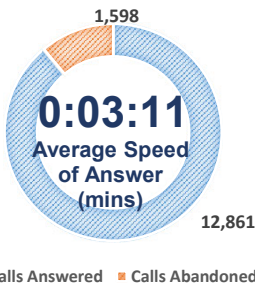
Goal: 100%



## Key Performance Indicator (Components)



## Member Services



## Top Calls

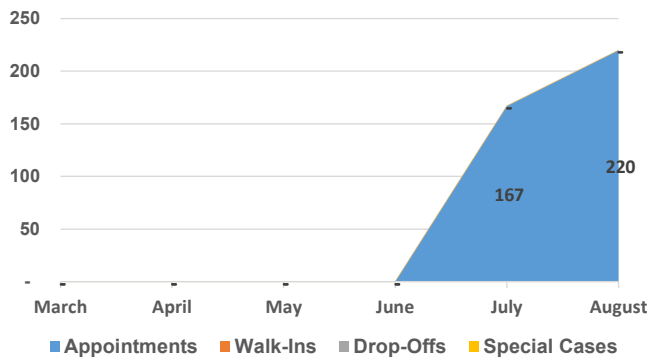
1. Retirement Counseling: Process Overview
2. MyLACERA Portal Login Issues
3. Retirement Counseling: Estimate

**Emails 779**  
24:00 hours  
Avg. Response Time (ART)

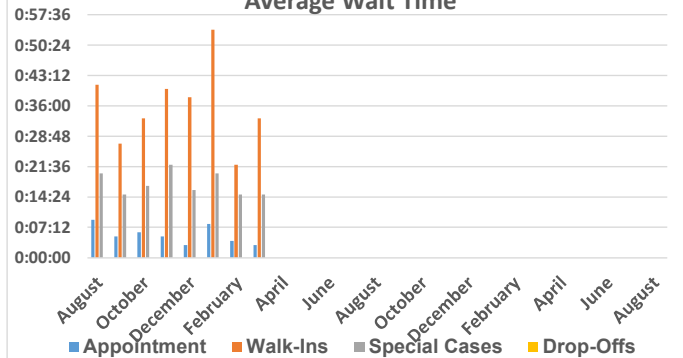


**Secure Messages 775**

## Member Service Center Visits



## Member Service Center Average Wait Time

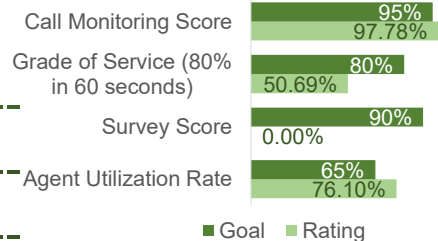


\*Drop Off Wait Time: No Waiting

Total RHC Calls: 6,670

## Top Calls

1. Medical/Dental Enrollments
2. Medical Benefits
3. General Inquiries



## Retiree Healthcare



**Emails 315**  
10 Days  
Avg. Response Time (ART)  
**Secure Messages 274**



## Striving for Excellence in Service (Continued)

### Applications

**698**

**In Process**  
**As Of:**  
**8/31/2021**

**705** Pending on: 7/31/2021  
**43** Received  
**81** Year-to-Date  
**0** Re-Opened  
**0** Year-to-Date  
**47** To Board - Initial  
**88** Year-to-Date  
**3** Closed  
**6** Year-to-Date

### Appeals

**93**

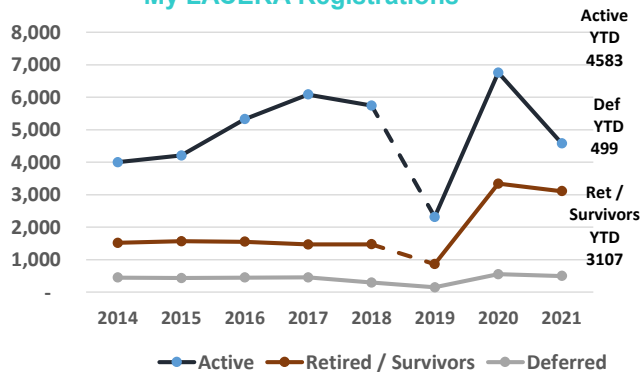
**In Process**  
**As Of:**  
**8/31/2021**

**95** Pending on: 7/31/2021  
**2** Received  
**7** Year-to-Date  
**4** Admin Closed/Rule 32  
**8** Year-to-Date  
**0** Referee Recommended  
**2** Year-to-Date  
**0** Revised/Reconsidered for Granting  
**0** Year-to-Date

Disability

### My LACERA Registrations

My LACERA

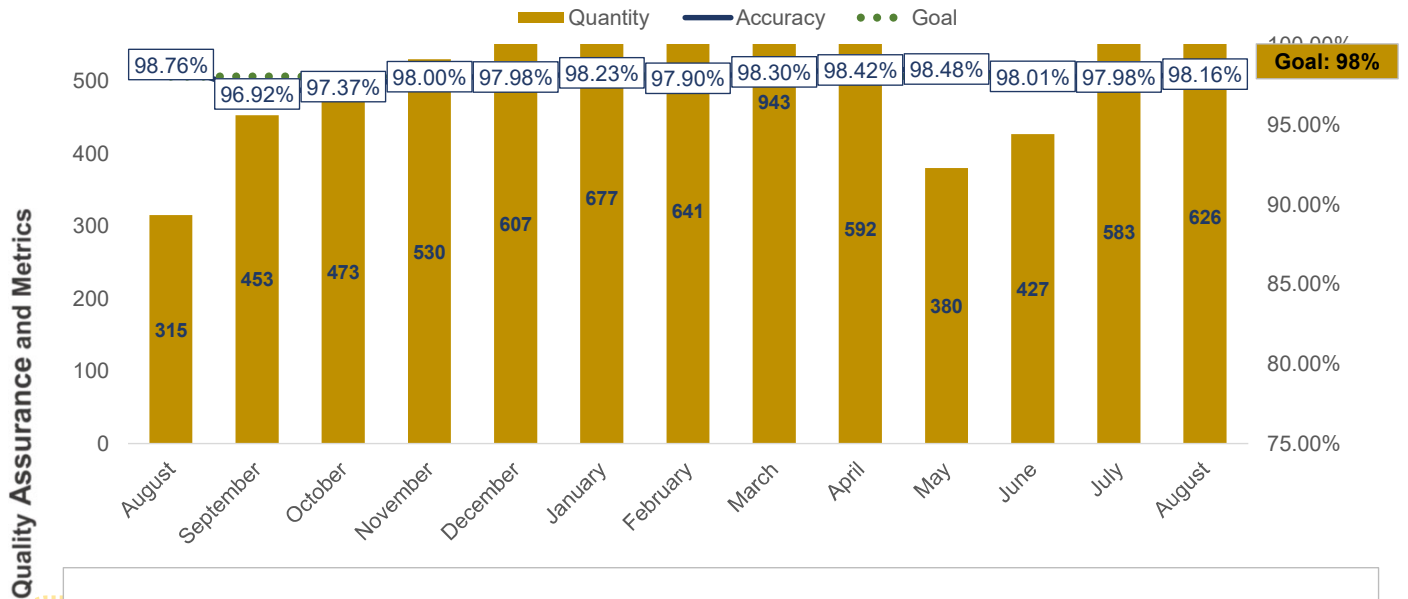


### COVID-19 NOTE

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

## Striving for Excellence in Quality

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



**August**

**98.16%**



### Retirement Elections

**283** Samples  
**97.03%** Accuracy

### Payment Contracts

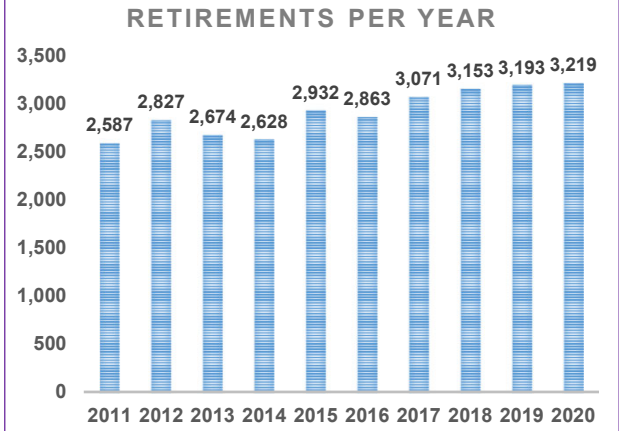
**253** Samples  
**97.81%** Accuracy

### Data Entry

**90** Samples  
**99.63%** Accuracy

## Member Snapshot

	Members as of 09/16/2021			
	Plan	Active	Retired	Survivors
General	Plan A	70	14,690	4,253
	Plan B	19	656	65
	Plan C	21	425	65
	Plan D	37,862	18,436	1,705
	Plan E	15,043	14,313	1,418
	Plan G	32,491	120	10
	<b>Total General</b>	<b>85,506</b>	<b>48,640</b>	<b>7,516</b>
Safety	Plan A	2	4,745	1,633
	Plan B	8,592	6,969	349
	Plan C	4,515	15	1
	<b>Total Safety</b>	<b>13,109</b>	<b>11,729</b>	<b>1,983</b>
<b>TOTAL MEMBERS</b>		<b>98,615</b>	<b>60,369</b>	<b>9,499</b>
<b>% by Category</b>		<b>59%</b>	<b>36%</b>	<b>6%</b>



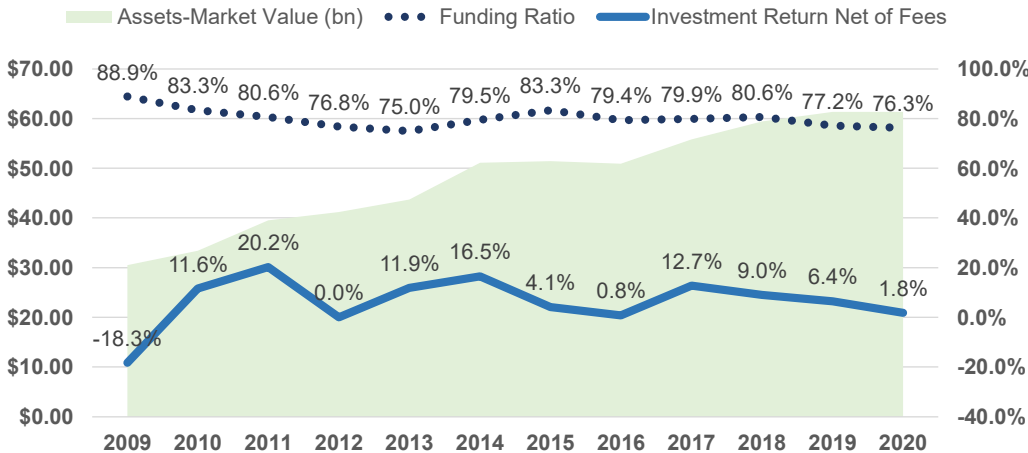
Average Monthly Benefit Allowance Distribution September 23, 2021				
	General	Safety	Total	%
\$0 to \$3,999	29,935	1,701	31,636	52.51%
\$4,000 to \$7,999	13,465	3,469	16,934	28.11%
\$8,000 to \$11,999	3,662	4,259	7,921	13.15%
\$12,000 to \$15,999	1,000	1,792	2,792	4.63%
\$16,000 to \$19,999	328	347	675	1.12%
\$20,000 to \$23,999	99	114	213	0.35%
\$24,000 to \$27,999	24	27	51	0.08%
> \$28,000	20	3	23	0.04%
<b>Totals</b>	<b>48,533</b>	<b>11,712</b>	<b>60,245</b>	<b>100%</b>

**Average Monthly Benefit Allowance: \$ 4,616.00**

Healthcare Program		Healthcare Enrollments	
(Mo. Ending: 08/31/2021)		(Mo. Ending: 08/31/2021)	
	<u>Employer</u>	<u>Member</u>	
Medical	96.95	7.21	Medical 52,952
Dental	7.70	744,595	Dental 54,414
Part B	13.46	0	Part B 36,334
LTC			LTC 564
<b>Total</b>	<b>118.11</b>	<b>7.95</b>	<b>Total 144,264</b>

## Key Financial Metrics

### Fiscal Year End Financial Update (as of 06/30/2020)



### Funding Metrics (as of 6/30/20)

Employer NC	10.89%
UAAL	14.85%
Assumed Rate	7.00%
Star Reserve	\$614m
Total Assets	\$58.5b

### Contributions (as of 6/30/20)

	<u>Employer</u>	<u>Member</u>
Annual Add	\$1.8b	\$659.3m
% of Payroll	24.64%	7.80%

### TOTAL FUND RETURN (Net of Fees)

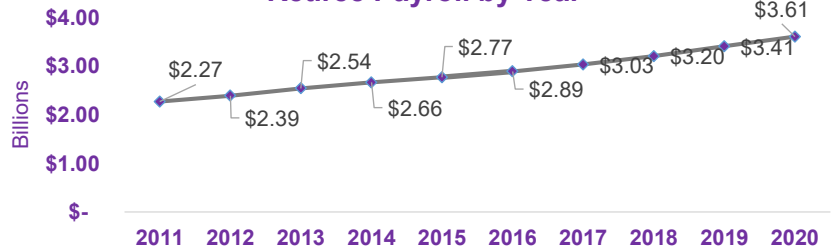
5 YR: 6.1% 10 YR: 8.2%

### Retired Members Payroll

(As of 08/31/2021)

Monthly Payroll	\$334.97m
Payroll YTD	\$0.7b
New Retired Payees Added	333
Seamless %	95.80%
New Seamless Payees Added	704
Seamless YTD	94.32%
By Check %	2.00%
By Direct Deposit %	98.00%

### Retiree Payroll by Year



**QUIET PERIOD LIST**  
**Current Active Quiet Period List for Non-Investments**

RFP/RFI Name	Issuing Division	RFP Issued	Status*	Quiet Period for RFP Respondents*
Search for Classification and Compensation Study Services (HR)	Human Resources	May 24, 2021	Bid Review	<ul style="list-style-type: none"> <li>• Koff and Associates</li> <li>• Magnova Consultant</li> <li>• Grant Thornton</li> <li>• Reward Strategy Group</li> </ul>
Search for Classification and Compensation Study Services (RHC)	Human Resources	May 24, 2021	Bid Review	<ul style="list-style-type: none"> <li>• Koff and Associates</li> <li>• Magnova Consultant</li> <li>• Grant Thornton</li> <li>• Reward Strategy Group</li> </ul>
Agenda Management, Livestream, Recording, and Archiving	Board Offices	April 16, 2021	Vendor Selection	<ul style="list-style-type: none"> <li>• Granicus</li> <li>• Diligent iCompass</li> <li>• PrimeGov</li> <li>• eSCRIBE</li> <li>• Hyland</li> <li>• Provox Systems</li> </ul>
Contract Lifecycle Management Application	Administrative Services/ Systems	February 16, 2021	Vendor Review	<ul style="list-style-type: none"> <li>• Icertis</li> <li>• Cobblestone</li> <li>• Agiloft</li> <li>• Iron Clad</li> <li>• SmartSheet</li> </ul>
External Quality Assessment	Internal Audit	August 9, 2021	Solicitation Process	<ul style="list-style-type: none"> <li>• No bids received at this time</li> </ul>
Strategic Planning Consultant	Board Offices	August 23, 2021	Solicitation Process	<ul style="list-style-type: none"> <li>• No bids received at this time</li> </ul>

\*Subject to change

\*\*Does not include Investments related vendor searches

Date	Conference
<b>October, 2021</b>	
11-15	Investment Strategies & Portfolio Management ( <i>prev. Pension Fund &amp; Investment Mgmt.</i> ) Wharton School, University of Pennsylvania
17-20	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference Denver, CO
17-20	Milken Institute Global Conference Los Angeles, CA
25-27	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Chicago, IL
25-27	ICGN (International Corporate Governance Network) Annual Conference Toronto, Canada
29	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual ( <i>subject to change in venue</i> )
<b>November, 2021</b>	
7-10	CRCEA (California Retired County Employees Association) Conference Long Beach, CA
9-11	Institutional Limited Partners Association (ILPA) General Partner Summit Virtual
9-12	SACRS Fall Conference Hollywood, CA
9-12	2021 SuperReturn Berlin Conference Berlin, Germany
<b>December, 2021</b>	
13-14	2021 Global Investors Annual Meeting New York, NY
<b>January, 2022</b>	
23-25	NCPERS (National Conference on Public Employee Retirement Systems) Legislative Conference Washington, D.C.

# Chief Investment Officer Monthly Report

Board of Investments

October 13, 2021



Jonathan Grabel   
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



# Table of Contents

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1. Market Environment
2. Portfolio Performance and Risk Updates
3. Portfolio Structural Updates
4. Key Initiatives and Operational Updates
5. Commentary
6. Appendix
  1. Quite Period for Search Respondents

# Market Environment



# Global Market Performance as of September 30, 2021

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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-4.0	-1.1	11.4	28.9	12.4	13.1	12.0

MSCI ACWI IMI Index 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-4.5	-0.1	15.0	31.9	16.0	16.9	16.6

Russell 3000 1-Year Performance



## MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-4.0	-8.1	-1.2	18.2	8.6	9.2	6.1

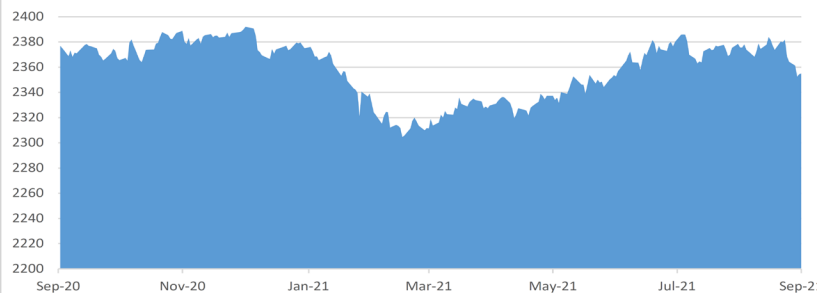
MSCI Emerging Markets 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-0.9	0.1	-1.6	-0.9	5.4	2.9	3.0

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



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

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

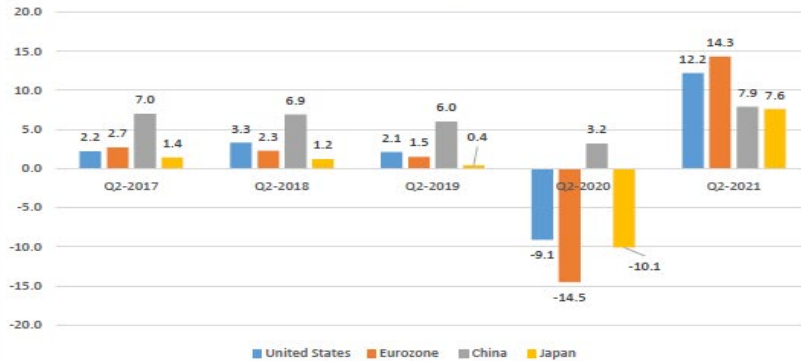
Source: Bloomberg



# Key Macro Indicators\*

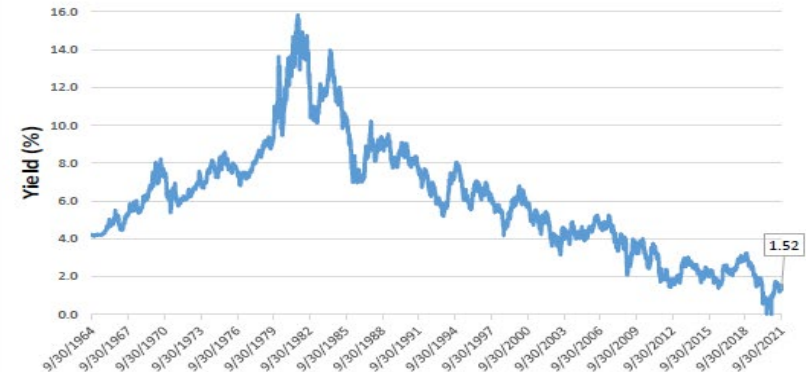
## GDP Growth of Major Economies<sup>1</sup>

Real GDP Growth YoY (%) - Last Five Years



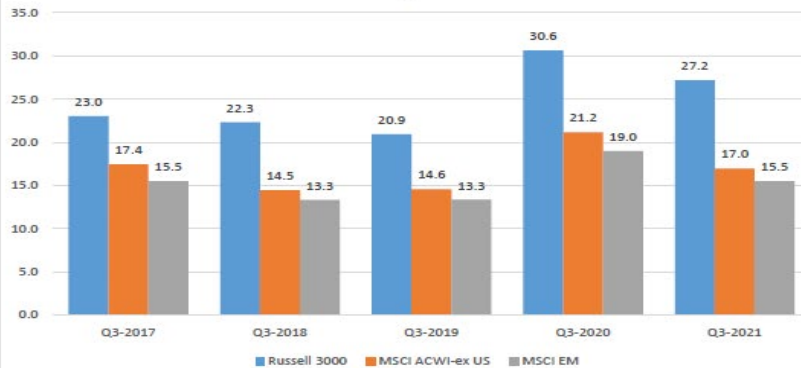
## Historical Low for 10-Year Treasury Yield<sup>2</sup>

Historical 10-Year Treasury Yield



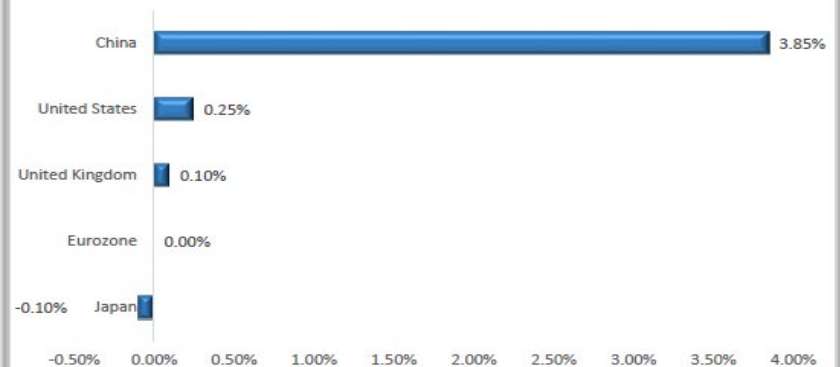
## World Equity Valuation<sup>3</sup>

Price-to-Earnings - Last Five Years



## Central Bank Rates<sup>4</sup> (as of 9/30/2021)

Central Bank Rates

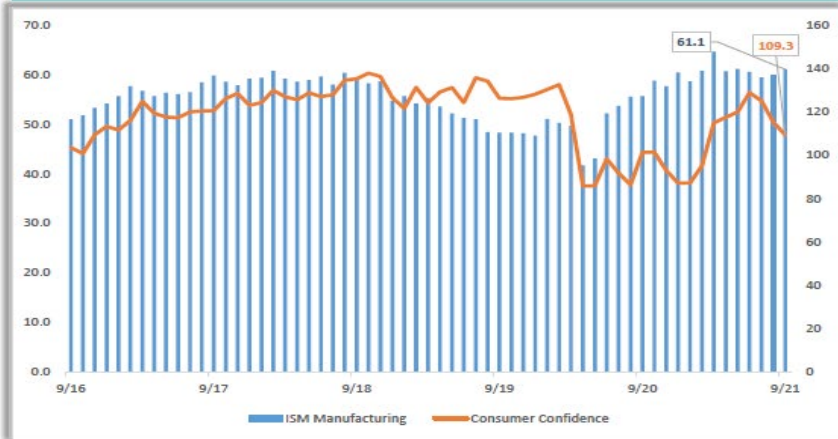


\*The information on the "Key Macro Indicators" charts is the best available data as of 9/30/21 and may not reflect the current market and economic environment.

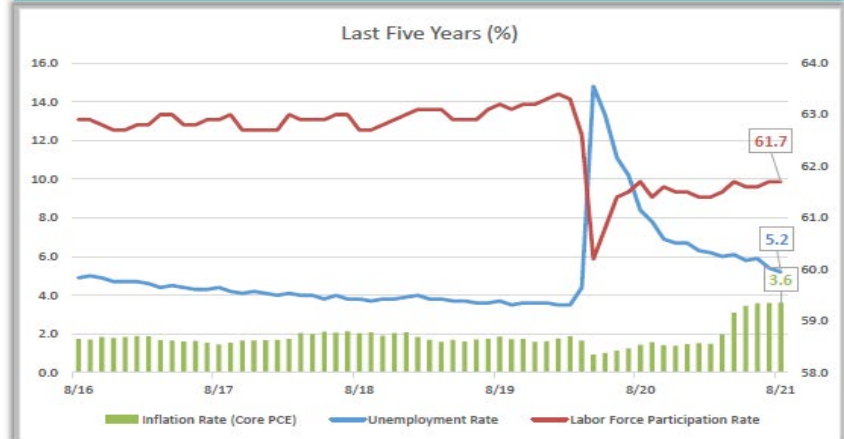
Sources: 1. Bloomberg 3. FactSet  
2. St. Louis Federal Reserve 4. FactSet

# Key Macro Indicators\*

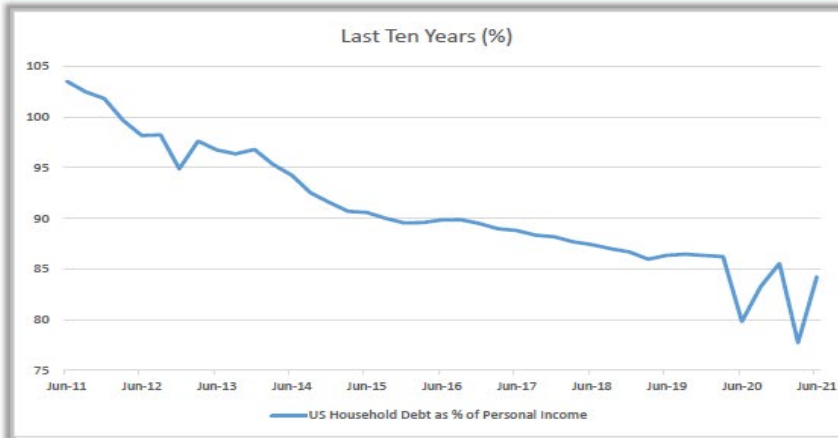
## Consumer Confidence & ISM Manufacturing<sup>1</sup>



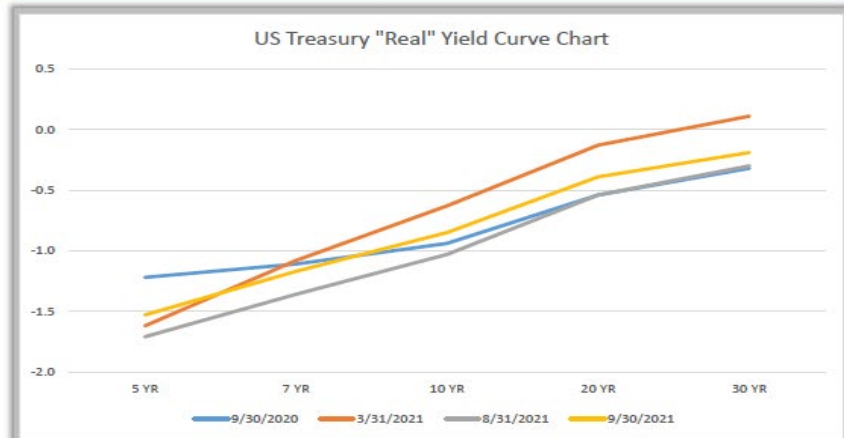
## U.S. Inflation, Unemployment, & Labor Force Participation<sup>2</sup>



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



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



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

\*The information on the "Key Macro Indicators" charts is the best available data as of 9/30/21 and may not reflect the current market and economic environment.



# Market Themes and Notable Items to Watch

## Recent Themes

- COVID-19
  - More than 233 million cases, 4.7 million deaths, and 6.2 billion vaccine doses administered worldwide
- The U.S. 10-year treasury yield ended September at 1.52%, up from 0.93% at the end of 2020 and below 1.74% at the end of March 2021
- Global equities (MSCI All Country World Investable Market Index) declined 4.0% in September after seven consecutive months of setting new highs
- U.S. Federal Reserve Chair Jerome Powell described inflation as “frustrating” and sees it persisting into 2022
- The U.S. Federal Reserve indicated that it would likely start pulling back monetary stimulus in the coming months by tapering bond purchasing activity

## What to Watch

- COVID-19
  - Economic and consumer behavior impacts
  - Evolution of virus variants and vaccine efforts
- Environmental, social, governance
  - House Financial Services Committee considers draft legislation to ban multiclass stocks without sunset provisions and expand board diversity disclosures
  - COP26 Conference starts October 31 may update Paris Agreement goals
  - Over half of S&P 1200 now disclose some ESG data using SASB standards
- Inflation
  - Employment
  - Consumer prices
  - Supply chain disruptions
- Changing macro conditions
  - Central bank policies and actions
  - Geopolitical risks

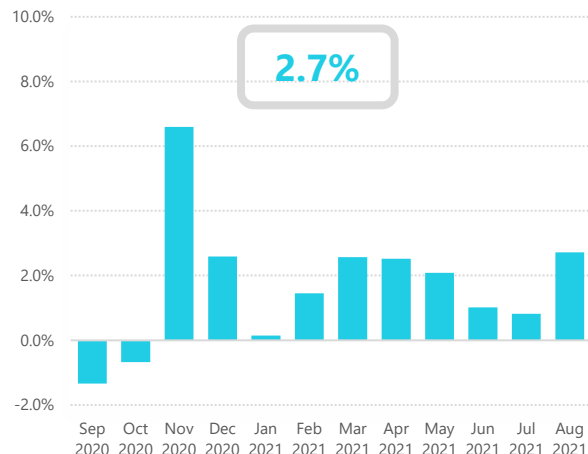
# Portfolio Performance & Risk Updates



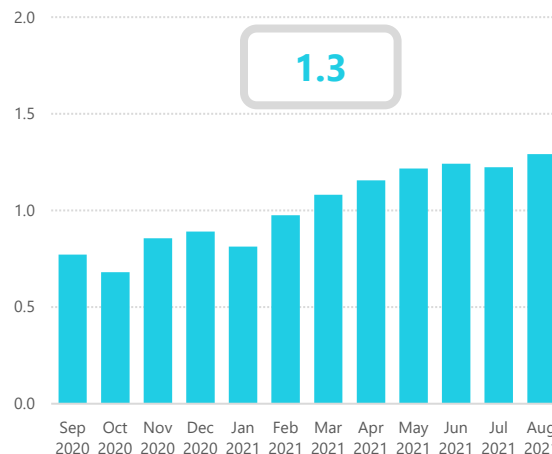
# Total Fund Summary

as of August 2021

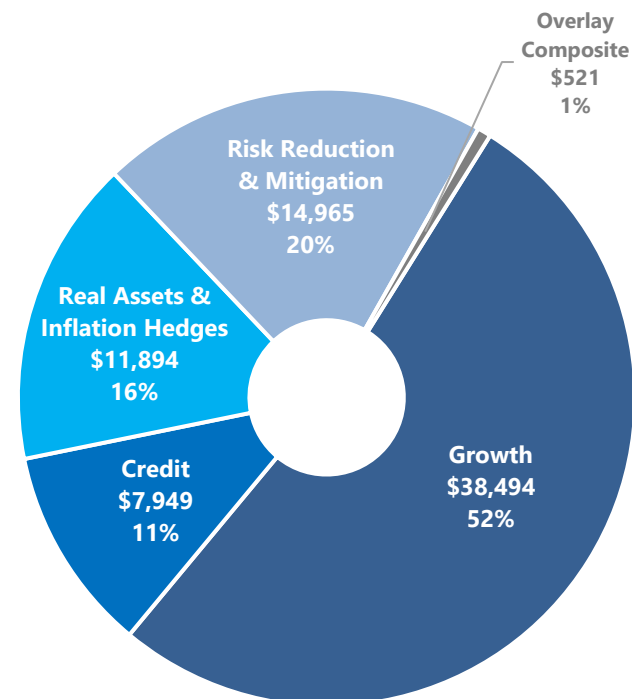
## Monthly Return (net)



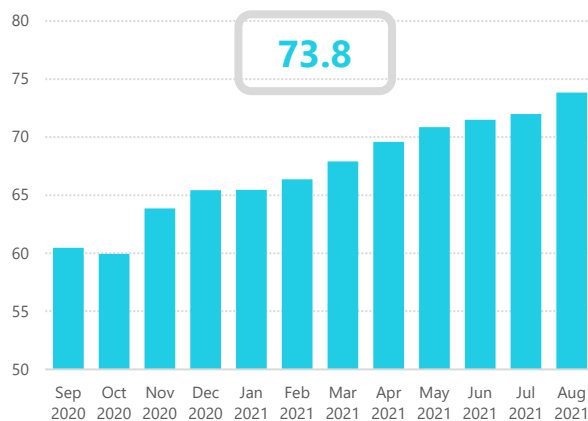
## Sharpe Ratio (3-year annualized)



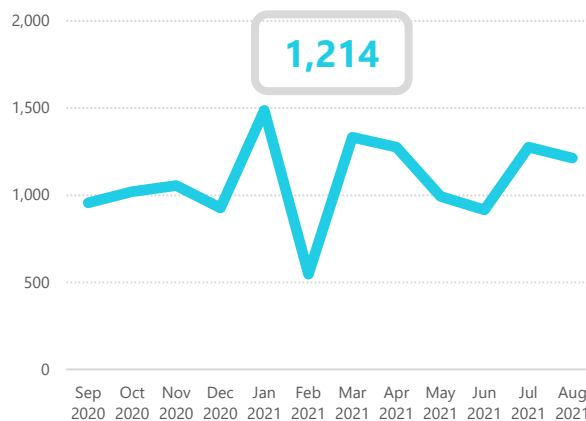
## Asset Allocation (\$ millions)



## Total Market Value (\$ billions)



## Cash (\$ millions)





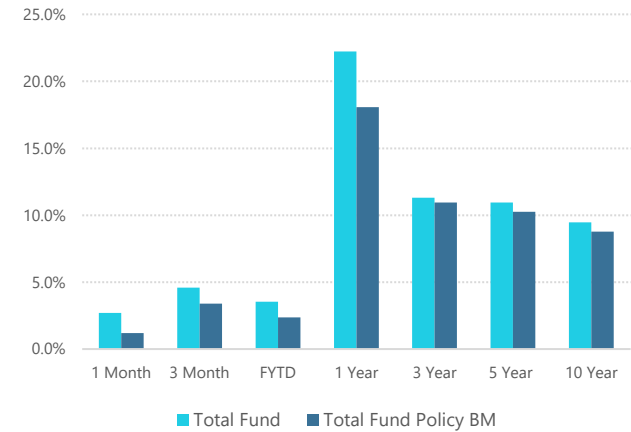
# Historical Net Performance

as of August 2021

## LACERA Pension Fund (net)

	Market Value (\$ millions)	% of Total Fund	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	<b>73,822</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.7%</b>	<b>4.6%</b>	<b>3.6%</b>	<b>22.2%</b>	<b>11.3%</b>	<b>10.9%</b>	<b>9.5%</b>
Total Fund Policy BM				1.2%	3.4%	2.4%	18.1%	10.9%	10.2%	8.8%
7% Annual Hurdle Rate				0.6%	1.7%	1.1%	7.0%	7.0%	7.0%	7.0%
<b>Growth</b>	<b>38,494</b>	<b>52.1%</b>	<b>47.0%</b>	<b>4.9%</b>	<b>7.3%</b>	<b>5.6%</b>	<b>37.5%</b>			
Growth Policy BM				2.3%	5.3%	3.7%	32.8%			
<b>Credit</b>	<b>7,949</b>	<b>10.8%</b>	<b>12.0%</b>	<b>0.6%</b>	<b>2.0%</b>	<b>1.2%</b>	<b>14.0%</b>			
Credit Policy BM				0.8%	1.8%	1.1%	6.6%			
<b>Real Assets &amp; Inflation Hedges</b>	<b>11,894</b>	<b>16.1%</b>	<b>17.0%</b>	<b>1.5%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>14.2%</b>			
Real Assets & Inflation Hedges Policy BM				0.5%	2.2%	1.9%	14.3%			
<b>Risk Reduction &amp; Mitigation</b>	<b>14,965</b>	<b>20.3%</b>	<b>24.0%</b>	<b>-0.2%</b>	<b>1.2%</b>	<b>0.6%</b>	<b>1.7%</b>			
Risk Reduction & Mitigation Policy BM				-0.1%	1.4%	0.8%	0.4%			
<b>Overlay Composite</b>	<b>521</b>	<b>0.7%</b>								

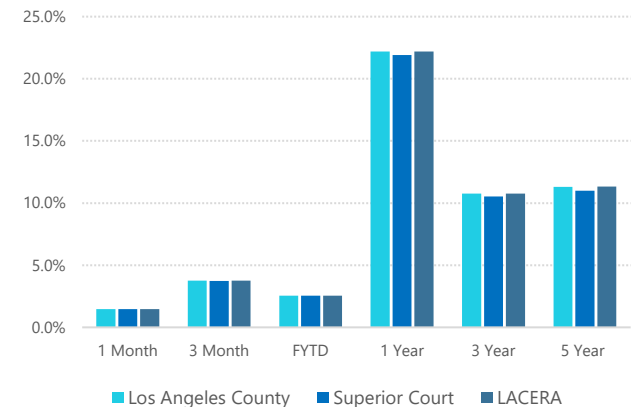
## Historical Returns (net)



## OPEB Master Trust (net)

	Market Value (\$ millions) <sup>1</sup>	% of Master Trust	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
<b>OPEB MASTER TRUST</b>	<b>2,366</b>			<b>1.5%</b>	<b>3.8%</b>	<b>2.6%</b>	<b>22.2%</b>	<b>10.8%</b>	<b>11.3%</b>
Los Angeles County	2,293	96.9%	—	1.5%	3.8%	2.6%	22.2%	10.8%	11.3%
Superior Court	63	2.7%	—	1.5%	3.7%	2.6%	21.9%	10.5%	11.0%
LACERA	9	0.4%	—	1.5%	3.8%	2.6%	22.2%	10.8%	11.3%
<b>OPEB Growth</b>	<b>1,180</b>	<b>49.9%</b>	<b>50.0%</b>	<b>2.5%</b>	<b>4.3%</b>	<b>3.0%</b>	<b>30.3%</b>	<b>14.3%</b>	<b>14.4%</b>
OPEB MT Growth Policy BM				2.5%	4.2%	3.0%	30.1%	14.0%	14.1%
<b>OPEB Credit</b>	<b>475</b>	<b>20.1%</b>	<b>20.0%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>0.5%</b>	<b>7.2%</b>	<b>4.9%</b>	—
OPEB MT Credit Policy BM				0.5%	0.9%	0.6%	8.1%	5.4%	—
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>470</b>	<b>19.9%</b>	<b>20.0%</b>	<b>0.8%</b>	<b>6.4%</b>	<b>4.6%</b>	<b>29.0%</b>	<b>8.6%</b>	—
OPEB MT RA & IH Policy BM				0.8%	6.4%	4.6%	29.2%	8.6%	—
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>240</b>	<b>10.1%</b>	<b>10.0%</b>	<b>-0.2%</b>	<b>1.3%</b>	<b>0.8%</b>	<b>0.0%</b>	<b>4.7%</b>	<b>3.5%</b>
Custom OPEB MT RR & M Policy BM				-0.2%	1.3%	0.7%	0.0%	4.6%	3.2%
<b>Operational Cash</b>	<b>0</b>	<b>0.0%</b>							

## Historical Returns (net)

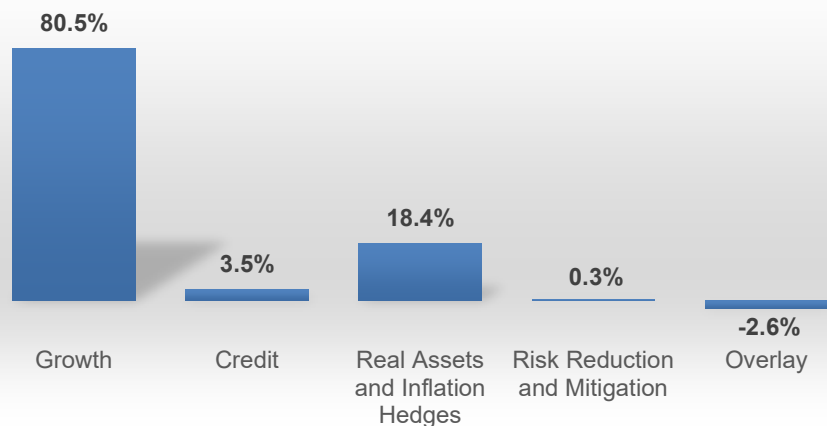


1. Market value differences between the sub-trusts and functional composites are due to operational cash

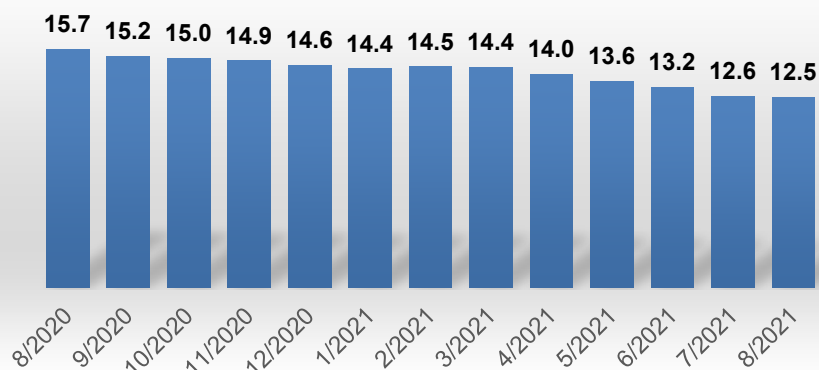
# Total Fund Forecast Risk\*

as of August 2021

%Contribution to Total Risk



Total Risk



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
<b>Total Fund</b>			<b>12.5</b>	<b>11.4</b>
<b>Growth</b>	<b>52.8%</b>	<b>80.5%</b>	<b>19.3</b>	<b>18.9</b>
Global Equity	37.5%	54.1%	18.6	18.7
Private Equity	14.4%	24.8%	25.1	25.4
Opportunistic Real Estate	0.9%	1.5%	29.6	19.1
<b>Credit</b>	<b>9.6%</b>	<b>3.5%</b>	<b>5.3</b>	<b>4.3</b>
High Yield Bonds	2.4%	0.9%	6.0	4.9
Bank Loans	3.7%	0.9%	4.8	6.4
Illiquid Credit	2.3%	0.9%	7.2	3.4
Emerging Market Debt	1.3%	0.7%	9.7	7.6
<b>Real Assets &amp; Inflation Hedges</b>	<b>16.9%</b>	<b>18.4%</b>	<b>14.9</b>	<b>14.1</b>
Core & VA Real Estate	6.3%	8.9%	22.2	19.1
Natural Resources & Commodities	4.3%	4.4%	15.3	20.9
Infrastructure	3.3%	4.6%	19.3	19.8
TIPS	2.9%	0.4%	4.8	4.7
<b>Risk Reduction and Mitigation</b>	<b>20.0%</b>	<b>0.3%</b>	<b>3.0</b>	<b>2.7</b>
Investment Grade Bonds	15.6%	0.1%	3.6	3.4
Diversified Hedge Funds	2.7%	0.2%	5.5	0.1
Cash	1.7%	0.0%	-	-
<b>Overlay</b>	<b>0.7%</b>	<b>-2.6%</b>	<b>-</b>	<b>-</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2021

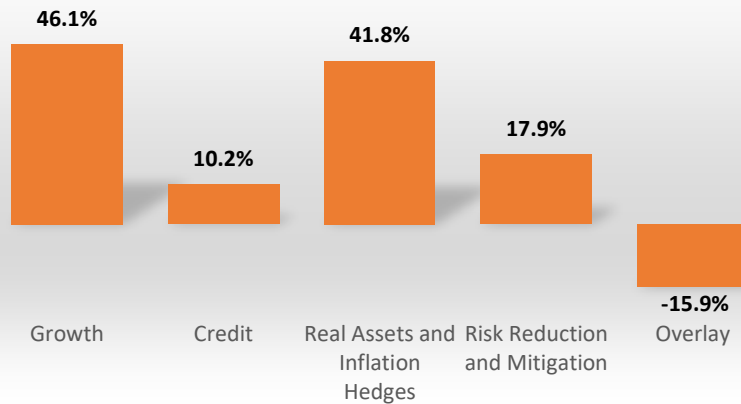
\*\*BMK Risk stands for Benchmark Risk



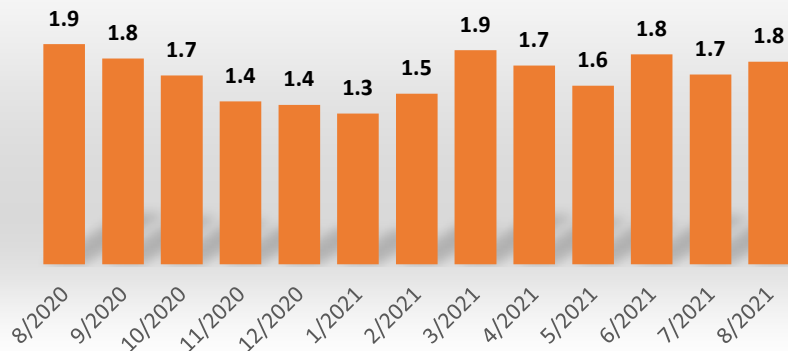
# Total Fund Forecast Active Risk\*

as of August 2021

## %Contribution to Active Risk



## Active Risk



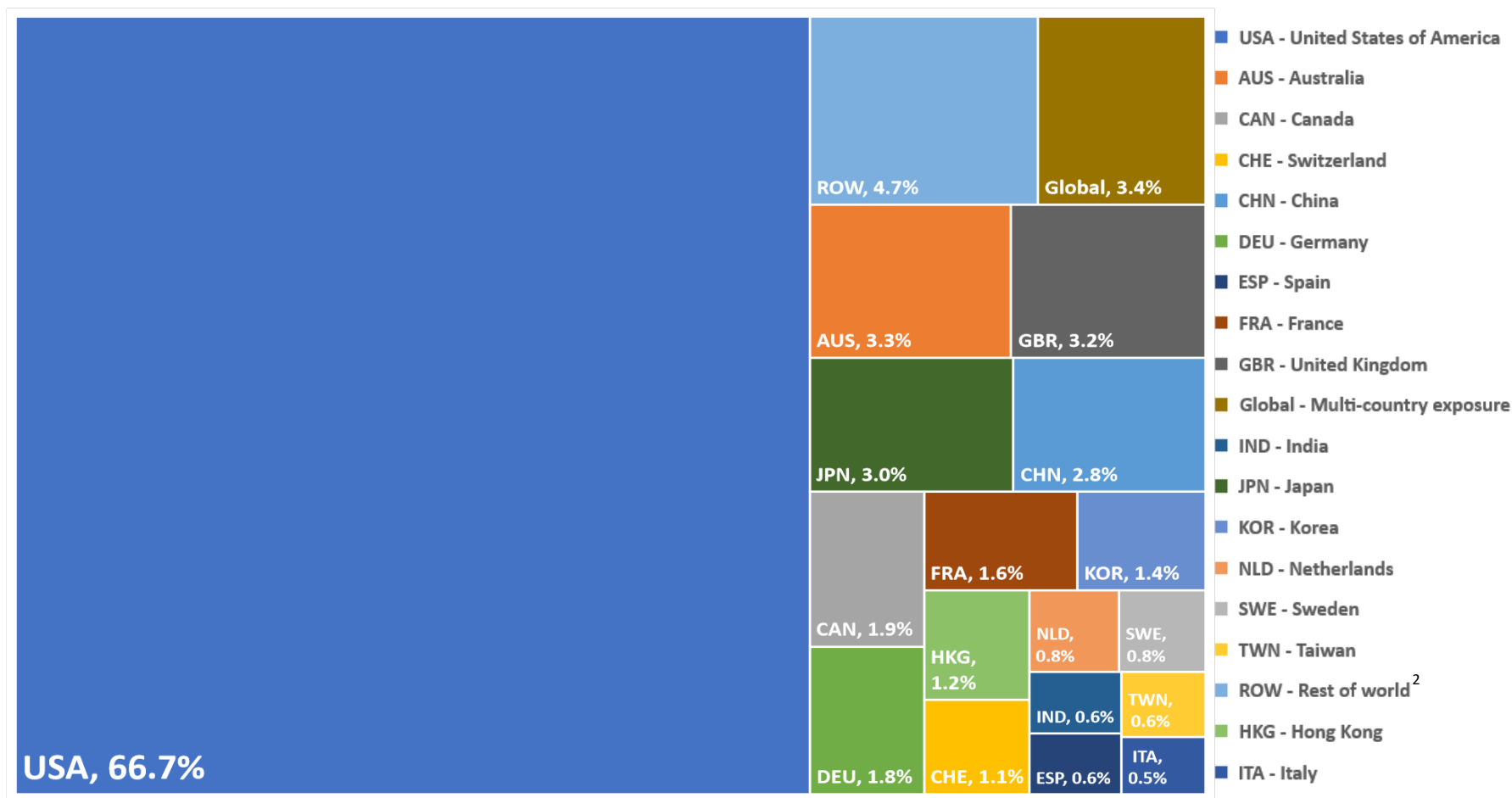
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
<b>Total Fund</b>			<b>1.77</b>	<b>0.48</b>	<b>1.29</b>
<b>Growth</b>	<b>52.8%</b>	<b>5.80%</b>	<b>0.82</b>	<b>0.34</b>	<b>0.48</b>
Global Equity	37.5%				
Private Equity	14.4%				
Opportunistic Real Estate	0.9%				
<b>Credit</b>	<b>9.6%</b>	<b>-2.37%</b>	<b>0.18</b>	<b>0.12</b>	<b>0.06</b>
High Yield Bonds	2.4%				
Bank Loans	3.7%				
Illiquid Credit	2.3%				
Emerging Market Debt	1.3%				
<b>Real Assets &amp; Inflation Hedges</b>	<b>16.9%</b>	<b>-0.13%</b>	<b>0.74</b>	<b>0.00</b>	<b>0.74</b>
Core & VA Real Estate	6.3%				
Natural Resources & Commodities	4.3%				
Infrastructure	3.3%				
TIPS	2.9%				
<b>Risk Reduction and Mitigation</b>	<b>20.0%</b>	<b>-4.04%</b>	<b>0.32</b>	<b>0.29</b>	<b>0.02</b>
Investment Grade Bonds	15.6%				
Diversified Hedge Funds	2.7%				
Cash	1.7%				
<b>Overlay</b>	<b>0.7%</b>	<b>0.75%</b>	<b>-0.28</b>	<b>-0.28</b>	<b>0.00</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2021



# Geographic Exposures by AUM\* - Total Fund

as of August 2021 ex-overlay



\*AUM = assets under management

<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2021

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

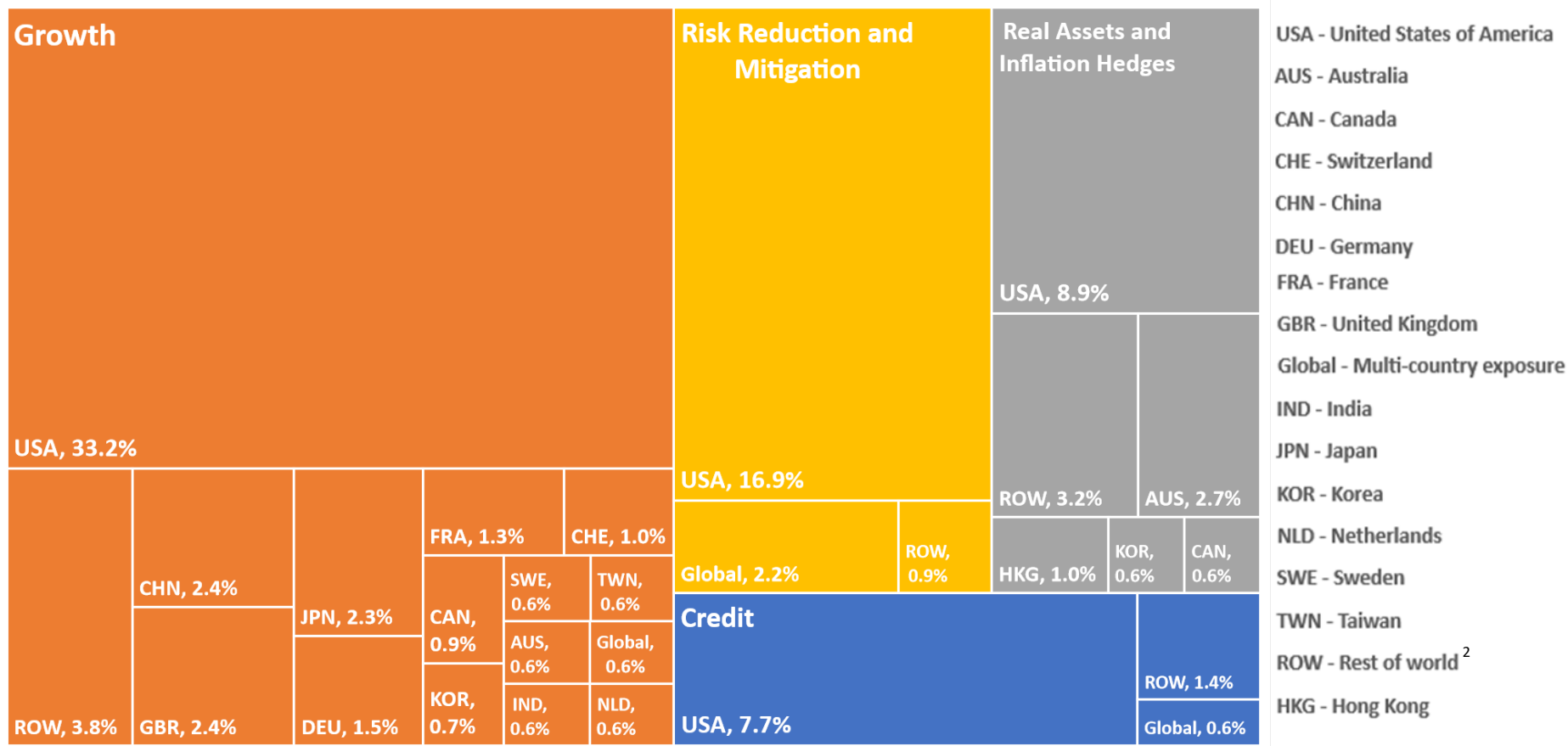
<sup>3</sup> Geographic exposure is based on the domicile country of a given security/asset



# Geographic Exposures by AUM\* - Asset Categories

as of August 2021 ex-overlay

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



\*AUM = assets under management

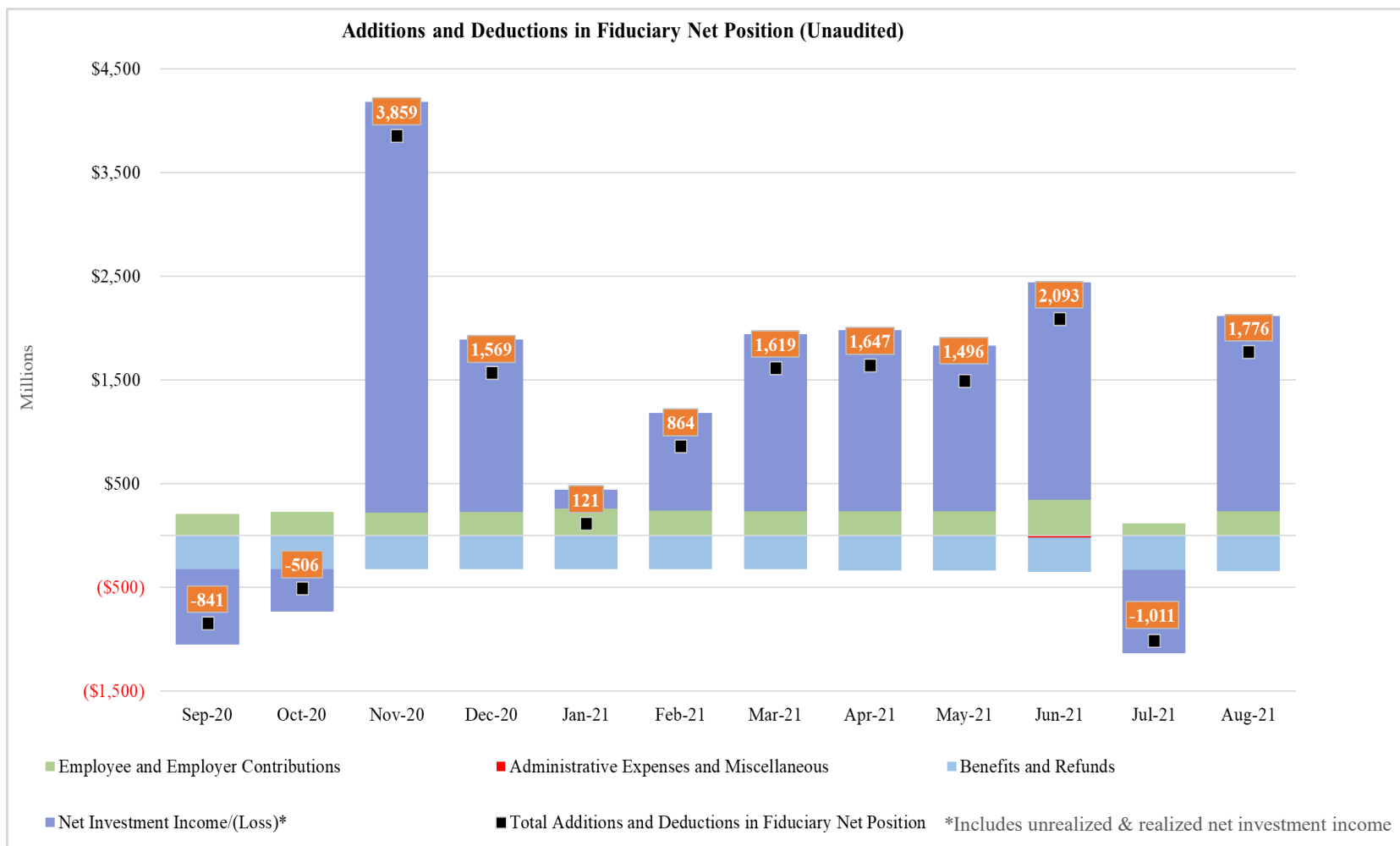
<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2021

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

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



# Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-20	5	7	-
FY-21	2	10	\$13.8 billion
FY-22	1	1	\$0.8 billion



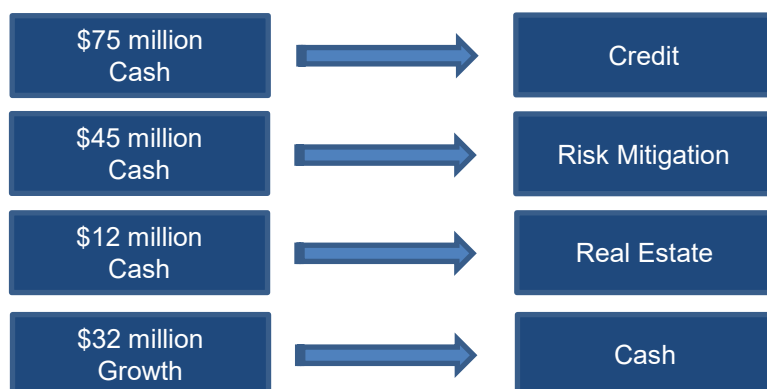
# Portfolio Structural Updates



# Portfolio Structural Updates

## Portfolio Movements

### Rebalancing Activity



### Hedges and Overlays

Program	August Return	August Gain/Loss	Inception* Gain/Loss
Currency Hedge**	0.3%	\$25.4 Million	\$857.9 Million
Cash/Rebalance Overlay***	-0.8%	-\$31.2 Million	-\$53.7 Million

## Current Search Activity

### Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
Global Equity Emerging Manager Search	●	●	Anticipated Late 2021
Private Equity Emerging Manager Discretionary Separate Account Search	●	●	Anticipated Early 2022
General Consultant Search	●		Anticipated Early 2022
Long-Term U.S. Treasury Bonds Manager Search			Anticipated Mid 2022

### Quiet Period for Search Respondents

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



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

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

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



# Key Initiatives and Operational Updates



# Notable Initiatives and Operational Updates

## Key Initiative Updates

- Ongoing development of LACERA T.I.D.E. initiative
- The new strategic asset allocation implementation began on October 1 with interim policy targets and benchmarks
- Hedge Fund emerging manager program completed its first capital contribution

## Operational Updates

- Annual contract compliance exercise for public markets in process
- LACERA T.I.D.E demographic data collection across all managers is in process

## Completed Actions

- The new performance and risk systems onboarding process has been completed

## Team Searches and Open Positions

- Active Searches
  - Financial Analyst III – Credit
  - Interns – Started October 1, 2021

## Manager/Consultant Updates

- QMA (Global Equity) – has announced a rebrand of its business as PGIM Quantitative Solutions, effective September 28, 2021. The rebrand was chosen to reflect the close ties with parent PGIM, the investment arm of Prudential Financial, Inc.
- QMA (Global Equity) – announced that Linda Gibson has been selected as its next CEO, replacing Andrew Dyson, who is stepping down for personal reasons unrelated to the business. Ms. Gibson's appointment is effective October 15, 2021.



# Commentary

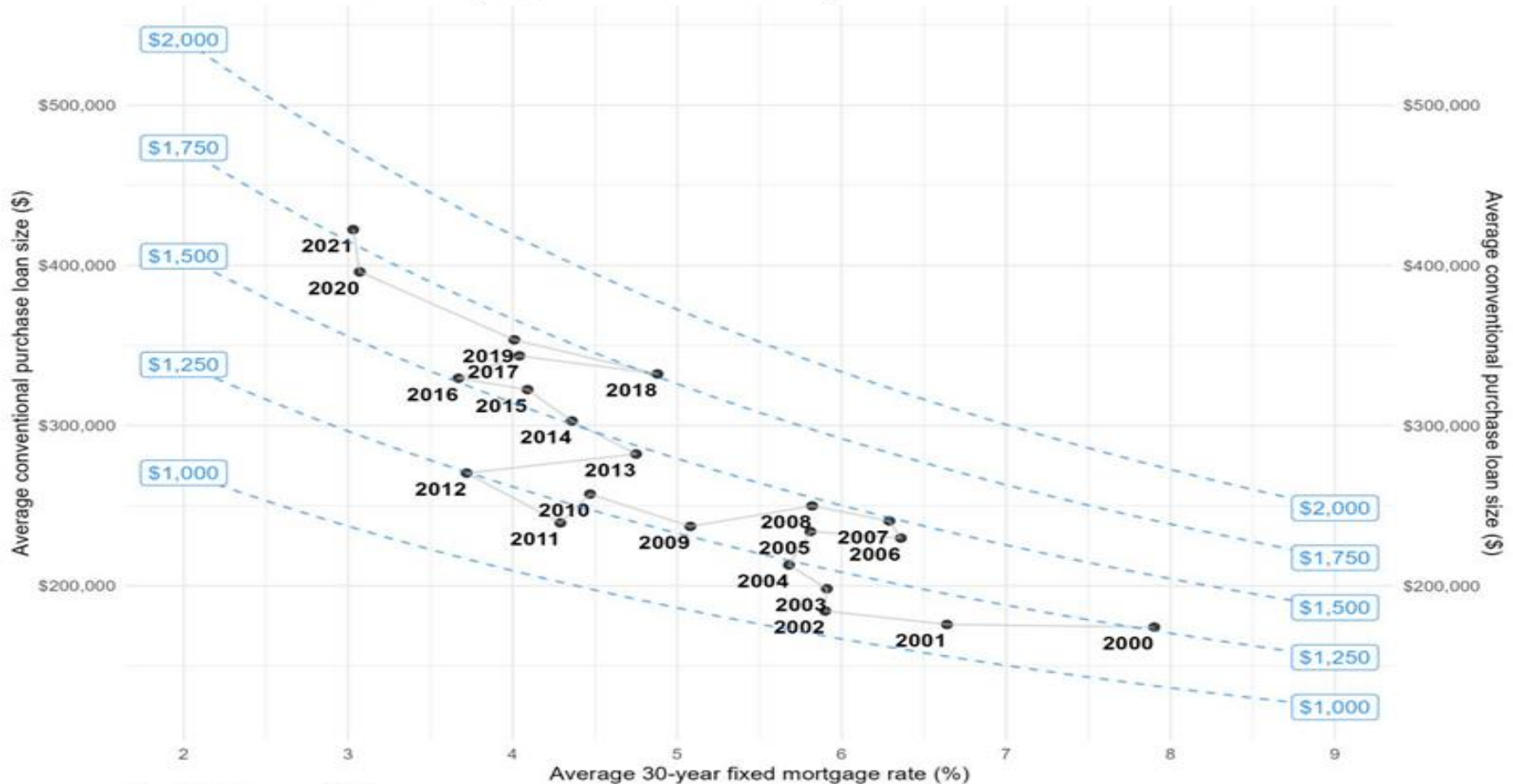


# Staff Chart of the Month\*

## Mortgage Payments, Interest Rates & Loan Size

### Mortgage payments, interest rates and loan size

dotted line shows equal payment combinations of rate and loan size  
each dot value for week 37 of the year (latest week available in 2021)



@lenkier Data source: MBA  
payments principal and interest (P&I) for 30-year fixed mortgage



# Quiet Period for Search Respondents

## Private Equity Emerging Manager Discretionary Separate Account Search

- ✓ 50 South Capital Advisors
- ✓ AlpInvest
- ✓ Barings
- ✓ Cambridge Associates
- ✓ Commonfund Capital
- ✓ Fairview Capital
- ✓ HamiltonLane
- ✓ HarbourVest
- ✓ Invesco
- ✓ JP Morgan
- ✓ Morgan Stanley
- ✓ Neuberger Berman
- ✓ PineBridge Investments
- ✓ Sango Capital
- ✓ Unigestion
- ✓ Wilshire


## Global Equity Emerging Manager Search

- ✓ Advisory Research Investment Management
- ✓ Akiya Investment Management
- ✓ Applied Research Investments, LLC
- ✓ Blackcrane Capital, LLC
- ✓ Brasil Capital
- ✓ Bridge City Capital
- ✓ Cartica Management, LLC
- ✓ CDAM (UK) Limited
- ✓ Cedar Street Asset Management
- ✓ Centerstone Investors, LLC
- ✓ Columbus Point LLP
- ✓ Cove Street Capital, LLC
- ✓ Dundas Partners LLP
- ✓ EAM Investors, LLC
- ✓ Emerge Capital Management
- ✓ Evolutionary Tree Capital Management
- ✓ Foresight Global Investors, Inc.
- ✓ FountainCap Research & Investment
- ✓ Frontier Global Partners
- ✓ Legion Partners Asset Management, LLC
- ✓ MayTech Global Investments, LLC
- ✓ Metis Global Partners, LLC
- ✓ Nipun Capital, LP
- ✓ NZS Capital, LLC
- ✓ Port Capital, LLC
- ✓ Redwood Investments, LLC
- ✓ Sustainable Insight Capital Management
- ✓ Taylor Frigon Capital Management, LLC
- ✓ Trinity Alps Capital Partners, LP

September 30, 2021

TO: Trustees – Board of Investments

FROM: Credit and Risk Mitigation Committee

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

FOR: October 13, 2021 Board of Investments Meeting

SUBJECT: **CREDIT STRUCTURE REVIEW**

### **RECOMMENDATION**

Approve the initiatives and recommendations listed on page 33 and throughout the Credit Structure Review (see **Attachment**) advanced by the Credit and Risk Mitigation Committee.

### **BACKGROUND**

At the September 8, 2021 meeting of the Credit and Risk Mitigation Committee (“Committee”), staff presented a structure review for the Credit functional asset category. The structure review highlighted proposed portfolio adjustments in response to new strategic asset allocation (“SAA”) targets adopted by the Board of Investments (“BOI”) in May of 2021. The new target allocation to Credit is 11%, consisting of a 4% allocation to Liquid Credit and a 7% allocation to Illiquid Credit.

The structure review included several initiatives and recommendations (summarized on page 33 of the **Attachment**), which the Committee advanced to the Board of Investments (“BOI”). The most salient of those recommendations are to:

- Conduct a search for a separate account manager to implement an Illiquid Credit emerging manager program (the proposed allocation is 15% of the Illiquid Credit target),
- Transfer the BlackRock (previously Tennenbaum) portfolio from Liquid to Illiquid Credit, as that more accurately reflects the manager’s strategy, and
- Allow the legacy investments within Illiquid Credit to naturally wind down as investments either mature or funds reach the end of their term.

Other recommendations in the structure review are not listed above because they pertain to initiatives the BOI has previously approved, such as attaining new strategic asset allocation targets. The structure review also contained program-level guidelines.

## **OPTIONS AVAILABLE TO THE BOARD**

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

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

Committee members asked the following questions:

- **Question 1:** What is LACERA's track record of emerging managers graduating from the program?

**Response:** The proposed emerging manager program for Illiquid Credit is new. LACERA's previous fixed income emerging manager program was established in 2000 and consisted of liquid mandates, comprising Core, Core Plus, and High Yield strategies. During that program, seven managers were hired. Over time, three of those managers "graduated" and were awarded larger allocations. It would be difficult to extrapolate from that experience, given the differences in timing, strategy, and individual manager performance.

- **Question 2:** Has staff conducted a cost analysis comparing an in-house approach with a manager-of-managers approach?

**Response:** Yes. As summarized on page 28 of the presentation, staff compared the two approaches along various quantitative and qualitative dimensions. Based on that analysis, staff recommends conducting a search to hire a separate account manager to oversee the emerging manager program.

- **Question 3:** Has staff explored various liquidity options in the event Illiquid Credit suffers a market downturn?

**Response:** Illiquid Credit is not viewed as a potential source of liquidity; nevertheless, two factors provide some flexibility in the event of a downturn. First, Illiquid Credit will be implemented almost entirely via single-investor vehicles. As the sole investor, LACERA can instruct its Illiquid Credit managers not to sell during a market downturn, thereby avoiding realized losses during market turmoil. Second, the Illiquid Credit portfolio will be constructed to prioritize income as opposed to price appreciation and this type of portfolio should be less impacted in stressed markets.

## **RISKS OF ACTION AND INACTION**

If the Board approves the recommendation, staff will begin implementing initiatives included in the structure review. Should the Board reject the recommendation, the structure of the Credit functional category would be out of alignment with its objectives and its benchmark, thereby increasing the risk of the Total Fund.

## **CONCLUSION**

The Committee voted unanimously to advance the Credit structure review to the Board for approval.

Attachment

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer






August 30, 2021

TO: Trustees - Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA  
Principal Investment Officer 

Chad Timko, CFA, CAIA  
Senior Investment Officer 

Robert Z. Santos   
Investment Officer

Quoc Nguyen, CFA   
Investment Officer

Adam Cheng, CFA   
Senior Investment Analyst

FOR: September 8, 2021 Credit and Risk Mitigation Committee Meeting

SUBJECT: **CREDIT STRUCTURE REVIEW**

### RECOMMENDATION

Advance the Credit Structure Review (**Attachment A**) including initiatives, guidelines, and recommendations throughout the document as well as those summarized on page 33, to the Board of Investments for approval.

### BACKGROUND

The Strategic Asset Allocation (“SAA”) analysis completed in May of this year divided the Credit functional category into Liquid and Illiquid components, with target weights of 4% and 7%, respectively.

As part of the IPS updates approved by the Board of Investments (“BOI”) in August, the benchmark for Liquid Credit is a 40%/40%/20% mix of High Yield, Bank Loans, and Emerging Market Debt (see the Appendix of **Attachment A** for details). The benchmark for the Illiquid Credit component consists of the Liquid Credit benchmark (lagged 1 month) plus 150 basis points.

### SUMMARY

This structure review considers potential portfolio adjustments in response to new SAA targets adopted in May of 2021. The presentation highlights that on the surface, the adjustment to Credit might seem minor, as the total allocation declined from 12% to 11%; however, the rebalancing within Credit is material, amounting to a decrease of approximately \$3 billion in the liquid component, and a commensurate increase in the illiquid component.

The presentation consists of an introductory overview followed by sections dedicated to the liquid and illiquid components. A concluding section provides a summary of initiatives and recommendations (see page 33). The new items on page 33 are shown in bold font; the other items entail implementing recommendations the BOI has previously approved, such as the new SAA targets.

- Within Liquid Credit, the recommendation is to transfer the BlackRock (previously Tennenbaum) portfolio from Liquid to Illiquid, as that more accurately reflects the manager's strategy.
- Within Illiquid Credit, the recommendation is to conduct a search for a separate account manager to implement an emerging manager program (the proposed allocation is 15% of the Illiquid Credit target). Please note that if the search is advanced by the Committee and approved by the BOI, minimum qualifications (MQs) will need to be established. Those MQs will be discussed in a separate agenda item immediately following the structure review.
- The third item in bold font is a recommendation to let the legacy investments within Illiquid Credit naturally wind down as investments either mature or funds reach the end of their term.

LACERA's consultants Meketa and Albourne reviewed the structure review and are in support of the recommendation. The consultants' consent memos are included as **Attachments B and C**).

Attachments

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer

# Credit 2021 Structure Review

## Credit and Risk Mitigation Committee Meeting

September 8, 2021

Vache Mahseredjian – Principal Investment Officer

Chad Timko – Senior Investment Officer

Quoc Nguyen – Investment Officer

Robert Santos – Investment Officer

Adam Cheng – Senior Investment Analyst



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

# Table of Contents

Pages 2-10	<b>Credit Overview</b>	Introduction	Role and Objectives	Risk and Return	SAAS Changes	Performance
Pages 11-19	<b>Liquid Credit</b>	Role and Objectives	Portfolio Evaluation	Future Initiatives		
Pages 20-31	<b>Illiquid Credit</b>	Role and Objectives	Portfolio Evaluation	Future Initiatives		
Pages 32-33	<b>Next Steps</b>	Summary of Initiatives and Timeline				
Pages 34-35	<b>Appendix</b>	Credit Benchmarks				

# Credit: Role & Objectives

## CREDIT

- Produce current income
- Moderate long-term total returns
- Moderate level of risk
- Fixed and Floating rate instruments



### Liquid Credit

- Produce moderate return from lending to companies rated below investment grade
- Higher yields than investment-grade bonds
- Moderate correlation to equities
- EMD provides exposure to non-U.S. issuers and yields

### Illiquid Credit

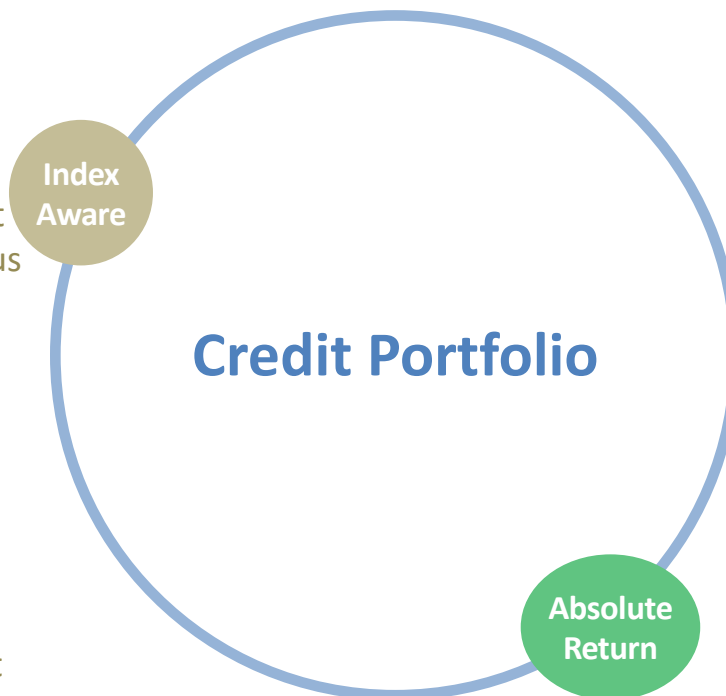
- Moderate to high return and income
- Return sources from contractual yield, complexity, illiquidity, sourcing, upside optionality, and origination
- Broad spectrum of investments

# Risk Mitigation: Liquid/Illiquid Comparison

## An intentionally designed Credit portfolio:

### Liquid Credit

- Clearly defined benchmarks that are investable, so managers focus on performance relative to an index
- Publicly issued or broadly syndicated investments
- Have identifiers (CUSIP/ISIN\*)
- Managers can be tactical within their assigned sub-composite, but not across asset sectors (not blended benchmarks)
- Can ramp up/ramp down quickly

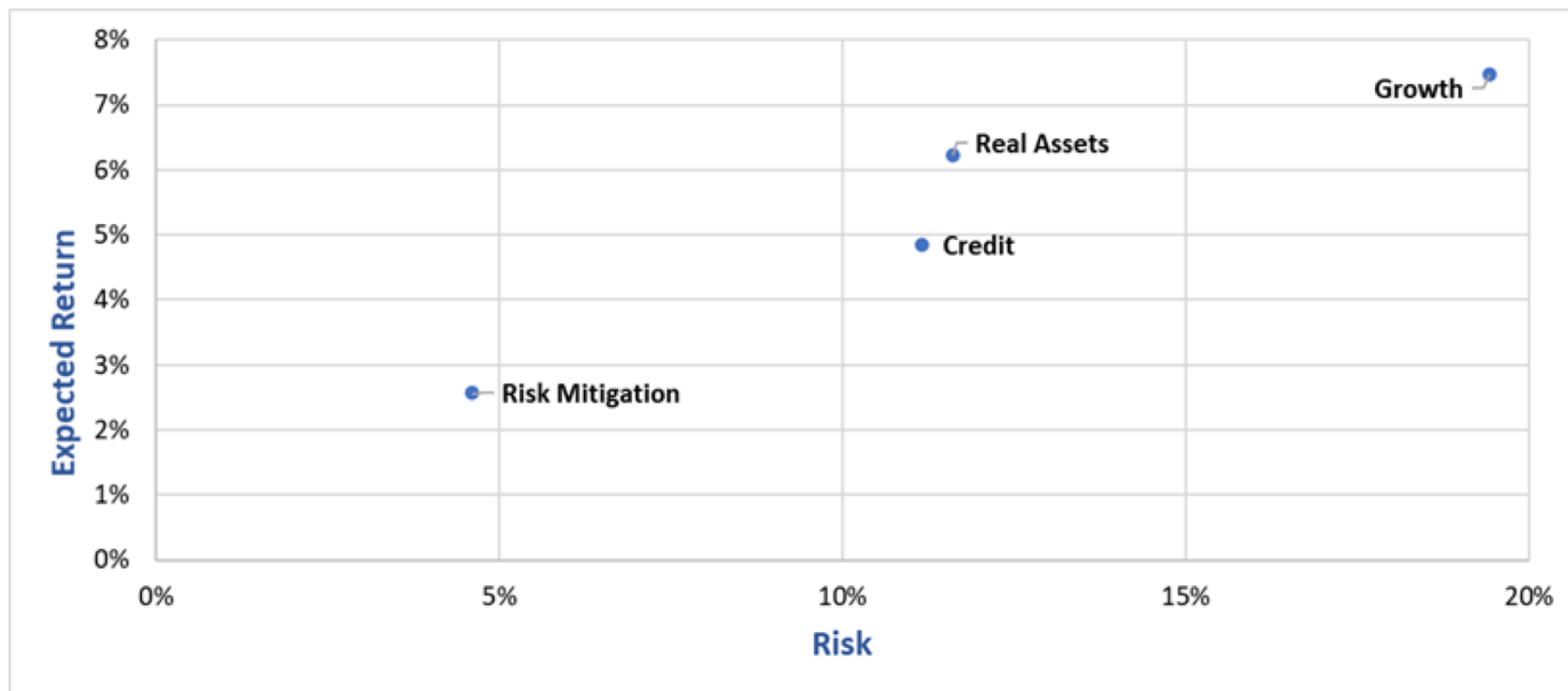


### Illiquid Credit

- No investable benchmark
- Greater focus on absolute return vs “Alpha” relative to an index
- Implemented to capture complex or idiosyncratic sources of risk/return
- Private markets and direct origination
- Managers given more tactical flexibility within guideline limits
- Need time to build/liquidate portfolio

\* CUSIP is a 9-digit identifier for North American securities that facilitates trade settlement.  
ISIN is a similar identification system for international securities that consists of 12 digits.

# Credit: Moderate Return and Risk



- Based on the most recent strategic asset allocation assumptions, Credit has an **expected return of 4.9% and expected risk of 11.2%**

# Credit: Total Fund Risk Contribution as of June 2021

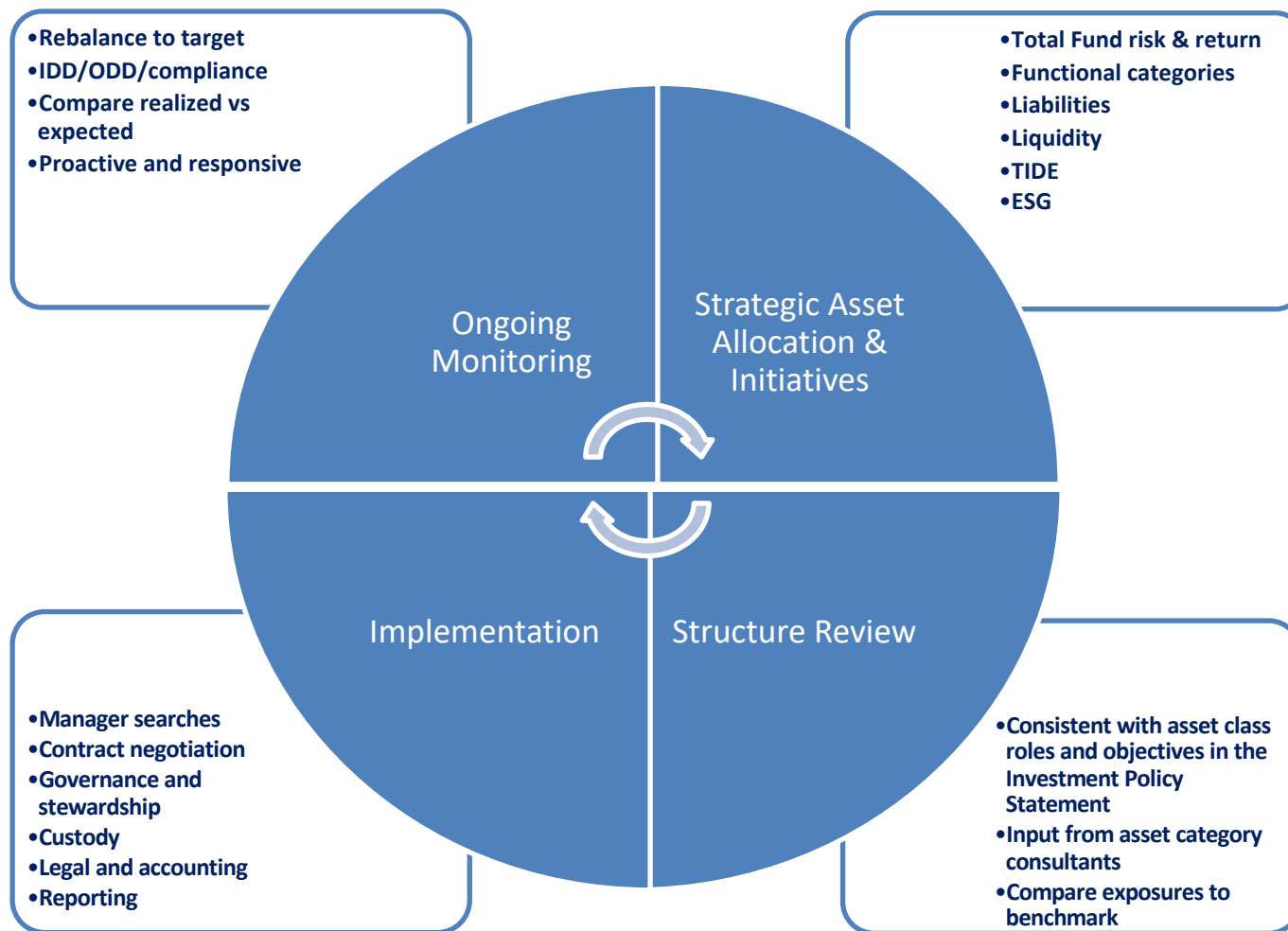
LACERA's Risk Analytics (MSCI BarraOne) confirm that the Credit functional category is a small contributor to Total and Active Fund Risk

Functional Asset Category	Market Value	Weight (%)	Stand Alone Total Risk	% CR to Total Risk	Stand Alone Active Risk	% CR to Active Risk
Growth	36,479,637,511	51.3%	20.3	78.1%	1.3	48.4%
Risk Reduction and Mitigation	14,635,872,141	20.6%	3.1	0.5%	0.8	2.3%
Real Assets and Inflation Hedges	11,886,135,135	16.7%	16.8	19.6%	7.4	53.5%
Credit	7,661,714,481	10.8%	5.4	3.8%	1.9	1.4%
Overlay	485,991,180	0.7%	75.0	-1.9%	75.0	-5.6%
Total Fund	71,149,350,447	100.0%	13.2	100.0%	1.8	100.0%

Asset Grouping	Market Value	Weight (%)	Stand Alone Total Risk	% CR to Total Risk	Stand Alone Active Risk	% CR to Active Total Risk
Credit	7,661,714,480	100.0%	5.40	100%	1.89	100%
Liquid Credit	5,729,908,584	74.8%	5.68	76%	0.94	14%
Illiquid Credit	1,931,805,895	25.2%	6.83	24%	7.03	86%



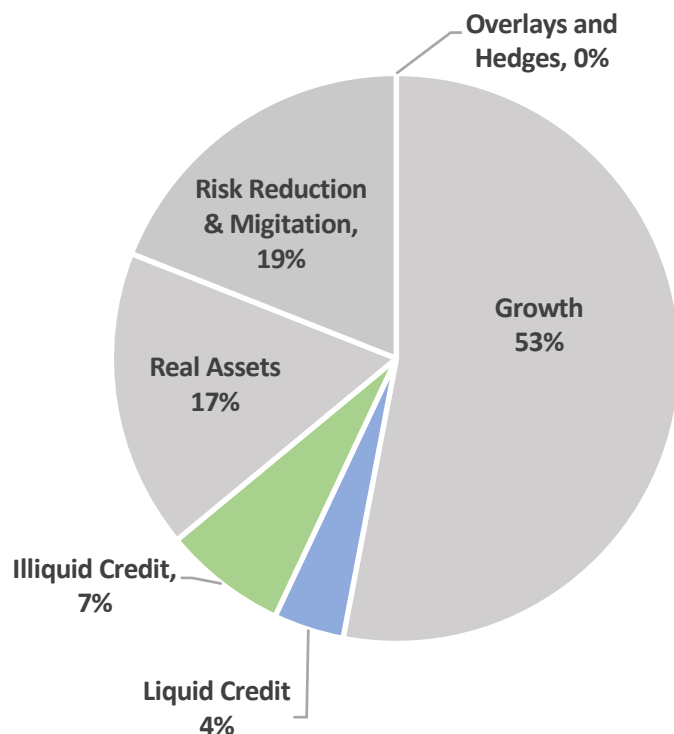
# Credit: Investment Program Oversight Life Cycle\*



\* Items may reside in multiple categories

# Credit: Asset Allocation Changes

Total Fund 2021 Asset Allocation



Credit Asset Allocation Targets

As of June 30, 2021

	Prior SAA Targets	New SAA Targets*	Change in %	Actual Change in (\$ Billions)
Credit	12.0%	11.0%	-1.0%	-\$ 0.1
Liquid	9.0%	4.0%	-5.0%	-\$ 2.9
High Yield	3.0%	1.6%	-1.4%	-\$ 1.1
Bank Loans	4.0%	1.6%	-2.4%	-\$ 1.5
Emerging Market Debt	2.0%	0.8%	-1.2%	-\$ 0.3
Illiquid	3.0%	7.0%	4.0%	\$ 3.0

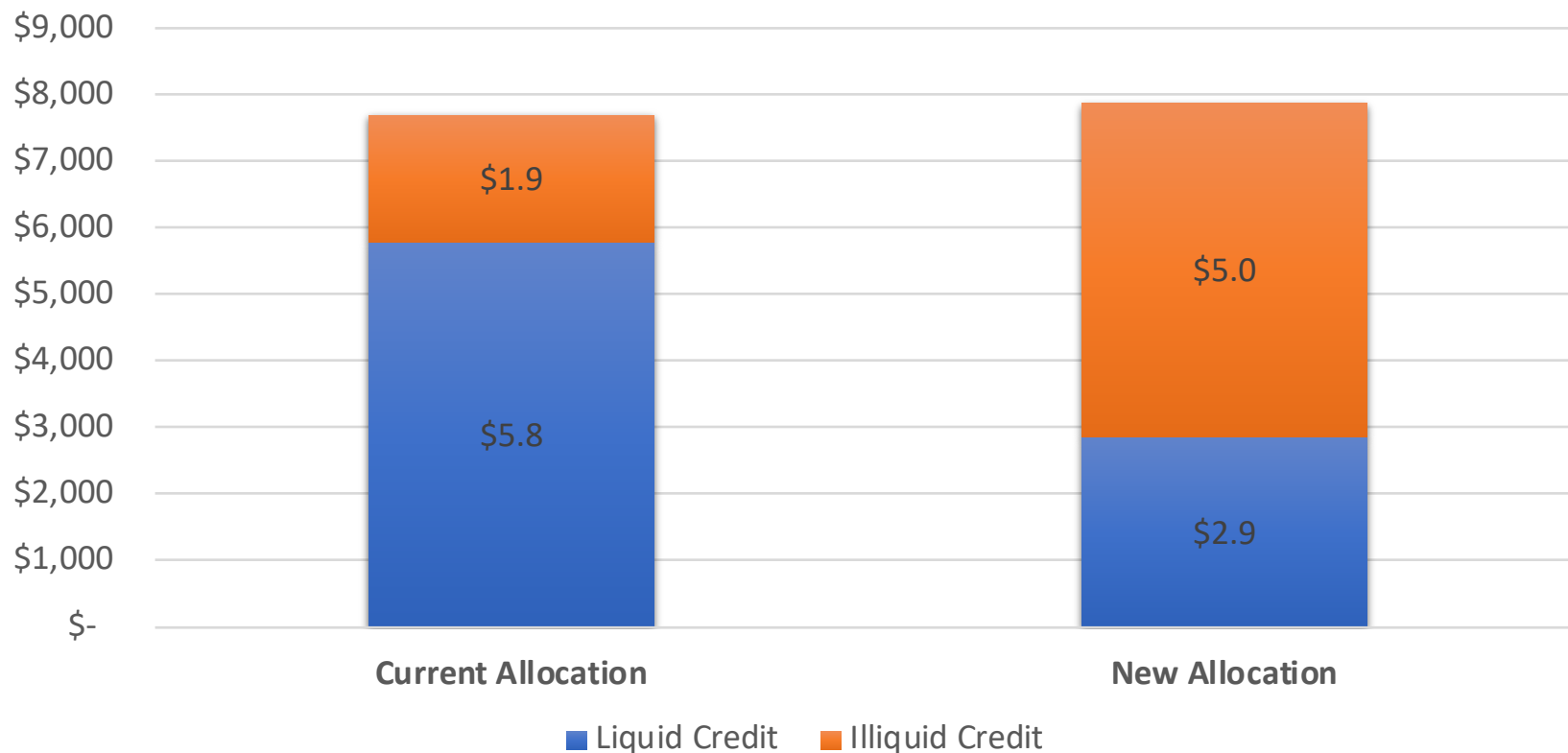
\* Strategic Asset Allocation approved at May 19, 2021 Board of Investments Meeting

Percentage weight for High Yield, Bank Loans, and Emerging Market Debt are based on a 40%/40%/20% benchmark allocation, respectively. - approved at August 2021 BOI Meeting

- Reduction in overall Credit appears small (\$0.1 B), but there are large shifts between Liquid and Illiquid Credit
- Liquid Credit will be reduced by approximately \$3 B
- Illiquid Credit will increase by \$3 B

# Liquid Credit

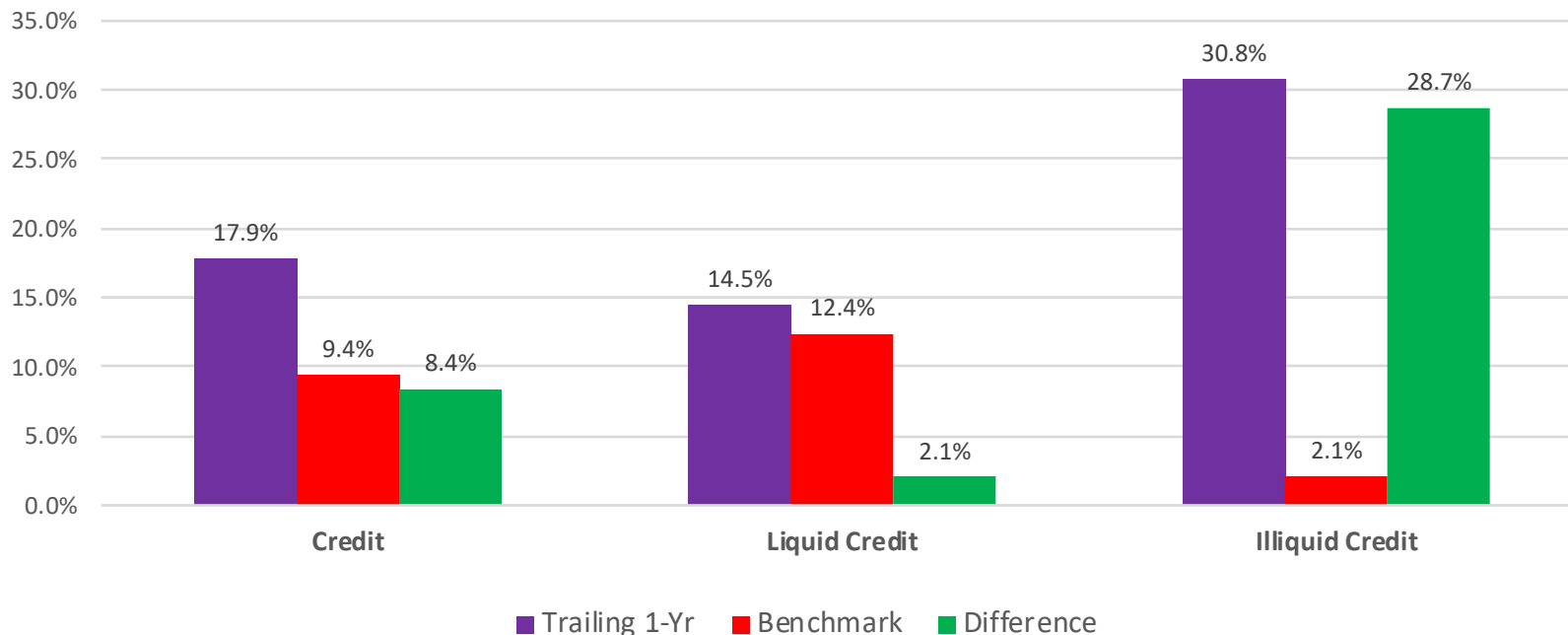
Mkt Value (\$B)



- Substantial shift in assets within Credit
- Transition of assets from Liquid to Illiquid Credit strategy to occur when opportunities within Illiquid are funded

# Credit: Performance

Net-of-Fee Performance as of June 30, 2021



- Solid 1-year trailing relative performance by Credit functional asset category
- Liquid and Illiquid components of Credit outperformed their respective benchmarks

## Section Break

---

Credit

Liquid Credit

# Liquid Credit: Composition

## High Yield

- Bloomberg Barclays US Corporate High Yield Index
- Corporate bonds rated below investment grade
- Index statistics:
  - Mkt Value: \$1.7T

## Bank Loans

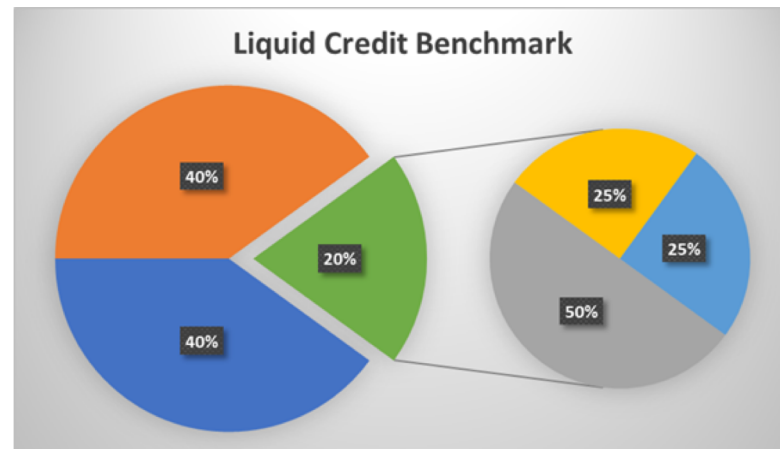
- CS Leveraged Loan Index
- Floating rate instruments
- Index statistics:
  - Mkt Value: \$1.3T

## Emerging Market Debt

- 50% J.P. Morgan EMBI GD\*
- 25% J.P. Morgan CEMBI BD
- 25% J.P. Morgan GBI-EM GD
- Index statistics: (combined)
  - Mkt Value: \$4.6T\*\*
  - Over 70 countries

Board-approved Liquid Credit benchmark:  
40%/40%/20% (HY/BL/EMD)

20% EMD split into U.S. \$ denominated  
Sovereign (50%) and Corporate Debt (25%) plus  
Local Currency Debt (25%)



\* See Appendix for explanation of index acronyms

\*\* Mkt Values: EMBI GD=\$0.8T, CEMBI BD=\$1.4T, GBI-EM GD=\$2.4T

# Liquid Credit: Risk Decomposition as of June 2021

**Portfolio Risk Contribution is in line with the  
40/40/20 Liquid Credit benchmark \***

Liquid Credit: % of Total Risk by Risk Factor				
Risk Source	High Yield Bonds	Bank Loans	EM Debt	Total Liquid Credit
Term Structure Contribution	-4%	-3%	3%	-4%
Spread Contribution	41%	38%	8%	87%
Currency Risk Contribution	0%	-1%	9%	9%
Specific Risk Contribution	0%	1%	0%	1%
Other	4%	4%	0%	7%
Portfolio Risk Contribution	40%	39%	21%	100%

Liquid Credit: Active Risk by Factor	
Risk Source	% of Active Risk
Term Structure Contribution	2%
Spread Contribution	37%
Currency Risk Contribution	9%
Specific Risk Contribution	53%
Other	-1%
Portfolio Risk Contribution	100%

- Nearly 90% of Total Risk is attributable to credit spreads
- Active Risk in the Liquid Credit portfolio consists mostly of Credit Risk (37%) and specific security risk (53%). Currency risk is under 10%.

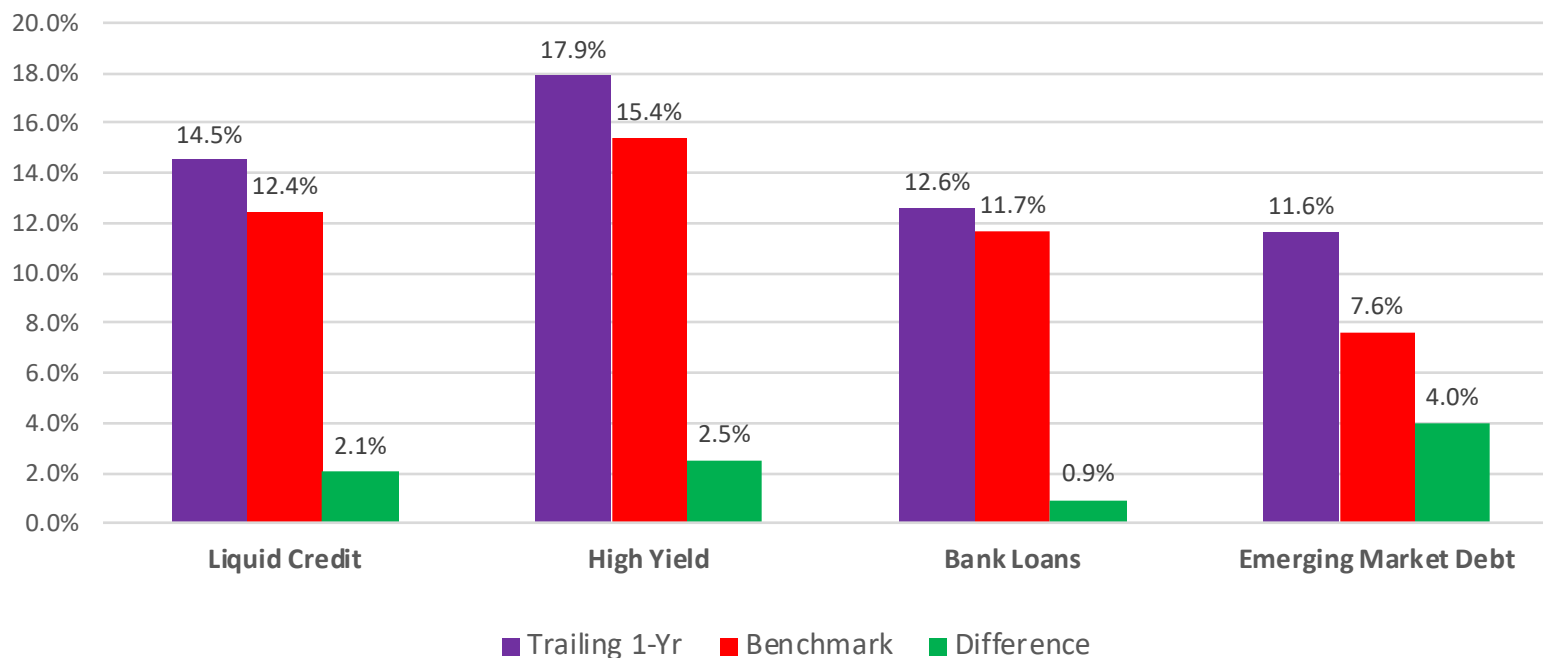
\* Please see Appendix for Benchmark Information

\*\*Source: MSCI BarraOne



# Liquid Credit: Performance

Net-of-Fee Performance: Trailing 1-Year returns as of June 30, 2021



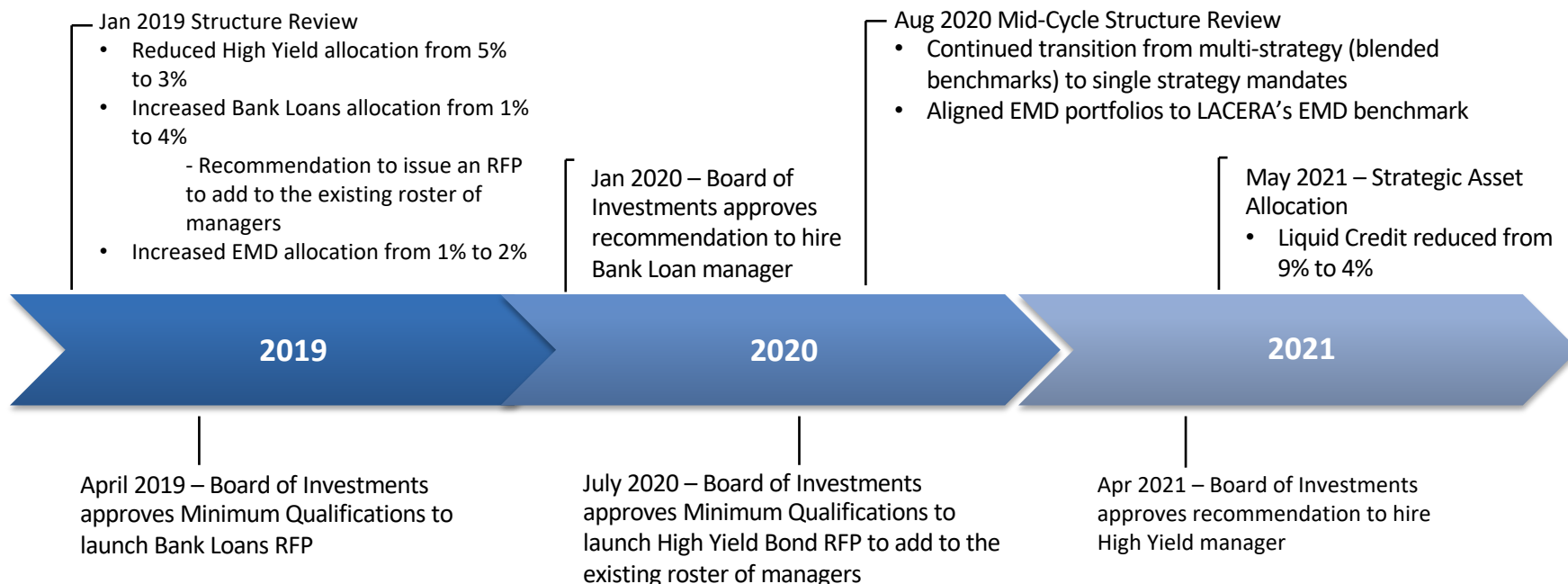
- Solid performance by all components of Liquid Credit, led by 4% excess returns in Emerging Market Debt accounts



# Liquid Credit: Portfolio Investment Guidelines

Benchmarks	Tailored to respective high yield, bank loan, and emerging market debt benchmarks
Return Objective	Meet or exceed the return of each Board approved benchmark
Risk Target	Target tracking error of 2% over 5 years
Sectors	Benchmark weight +/- 10%
Geography	Target non-U.S. 35%, max 40%
Currency	Target non-U.S. dollar 5%, max 7.5%
Credit Quality	Benchmark weight +/- 10%
Leverage	None
Allocation Range	High yield 40% +/- 10% Bank loan 40% +/- 10% Emerging market debt 20% +/- 10%

# Liquid Credit: Update Background



- **Portfolio structure has been refined over the past 3 years to eliminate custom (blended) benchmarks, and more closely aligning strategies to Board-approved policy benchmarks**
- **Renegotiated investment management fees, saving approximately \$4.8 million per year (or 8.4 bps)**
- **Terminated strategies (such as structured credit) and underperforming portfolios**
- **Current roster includes 4 bank loan, 4 high yield, and 2 emerging market debt managers**

# Recommendation

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## Background & Rationale

- Tennenbaum Capital Partners\* was hired in 2014 as part of the Legacy Opportunistic fixed income structure. Tennenbaum's direct lending strategy seeks to originate middle-market senior debt either directly or via lightly syndicated “club deals.” The major sources of risk for direct lending strategies are credit and illiquidity.
- The Board of Investments adopted a functional asset category approach several years ago dividing the Credit functional asset category into Liquid and Illiquid Credit strategies.
- The Tennenbaum portfolio (\$579 million as of 6/30/21) resides in Liquid Credit under Bank Loans, however based on the sources of risk and characteristics of the portfolio, Tennenbaum aligns more with Illiquid Credit.
- Tennenbaum is a better fit for illiquid Credit because they originate their own loans, versus buying broadly syndicated loans. The average yield and coupon of the portfolio are 300-350 bps in excess of the broadly syndicated loan index, reflecting the illiquidity premium of these privately negotiated loans.
- Tennenbaum's absolute net-of-fees returns for the 1, 3, and 5-yrs ending 6/30/21 were 14.3%, 7.2%, and 8.2%, respectively, resulting in excess return of 158, 299, 315 bps, respectively. Since the account's inception, the portfolio has generated annualized returns of 7.3%, outperforming the benchmark by 303 bps net-of-fees.

## Recommendation

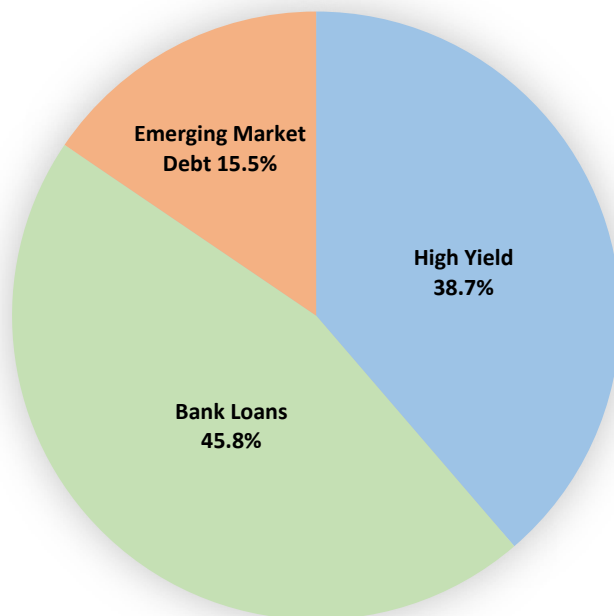
Recategorize Tennenbaum/BlackRock portfolio from Liquid Credit to Illiquid Credit

\* Acquired by BlackRock Inc. in 2018



# Liquid Credit: Portfolio Structure

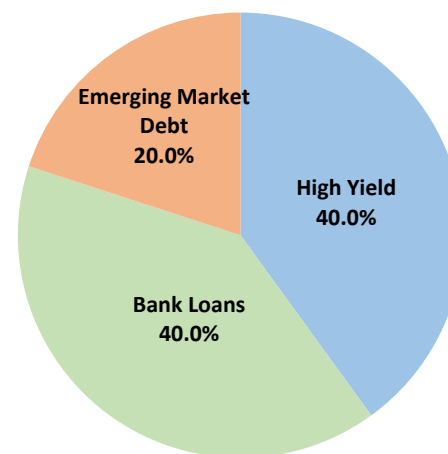
**Current Composition**  
(8.1% of Total Fund or \$5.8 B)



Changes due to new  
strategic asset allocation



**New Composition\***  
(4% of Total Fund or \$2.9 B)



- Timing/reduction in Liquid Credit assets will be dependent upon the pace of the increase in Illiquid Credit assets.
- Individual portfolio reductions within Liquid Credit will be based on manager concentration, portfolio fit, performance, etc.

\* Each target allocation has a range of +/- 10%

# Liquid Credit: Future Initiatives

## Implement New Asset

### Allocation Target

- Coordinate portfolio rebalancing of Liquid Credit with Illiquid Credit

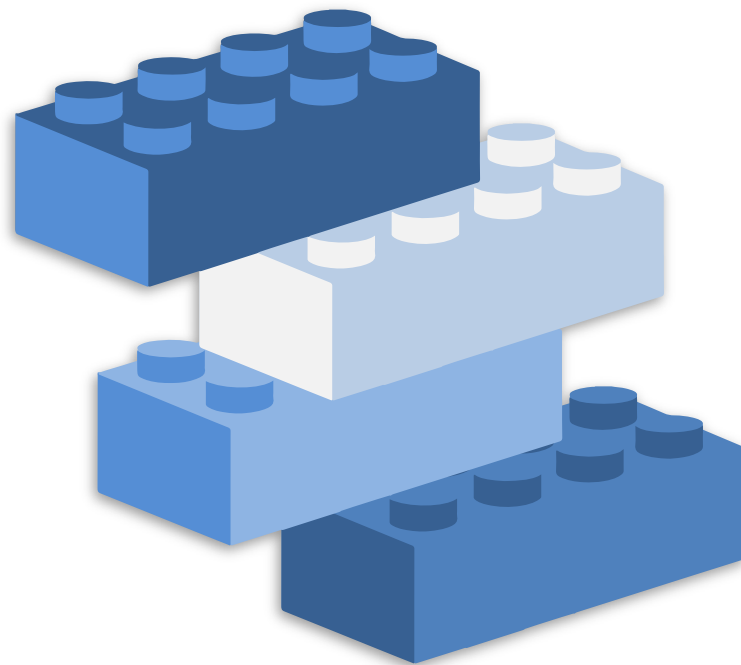
### Continue to improve analytics and reporting

- Onboard MSCI Barra risk system
- Enhance dialogue with managers on ESG/climate risk
- Elevate T.I.D.E. reporting

## Recommendation

### Recategorize Tennenbaum

- Transfer from Liquid Credit to Illiquid Credit
- \$579 million as of 6/30/21



## Section Break - Credit

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Credit

Illiquid Credit

# Illiquid Credit: Role and Objectives

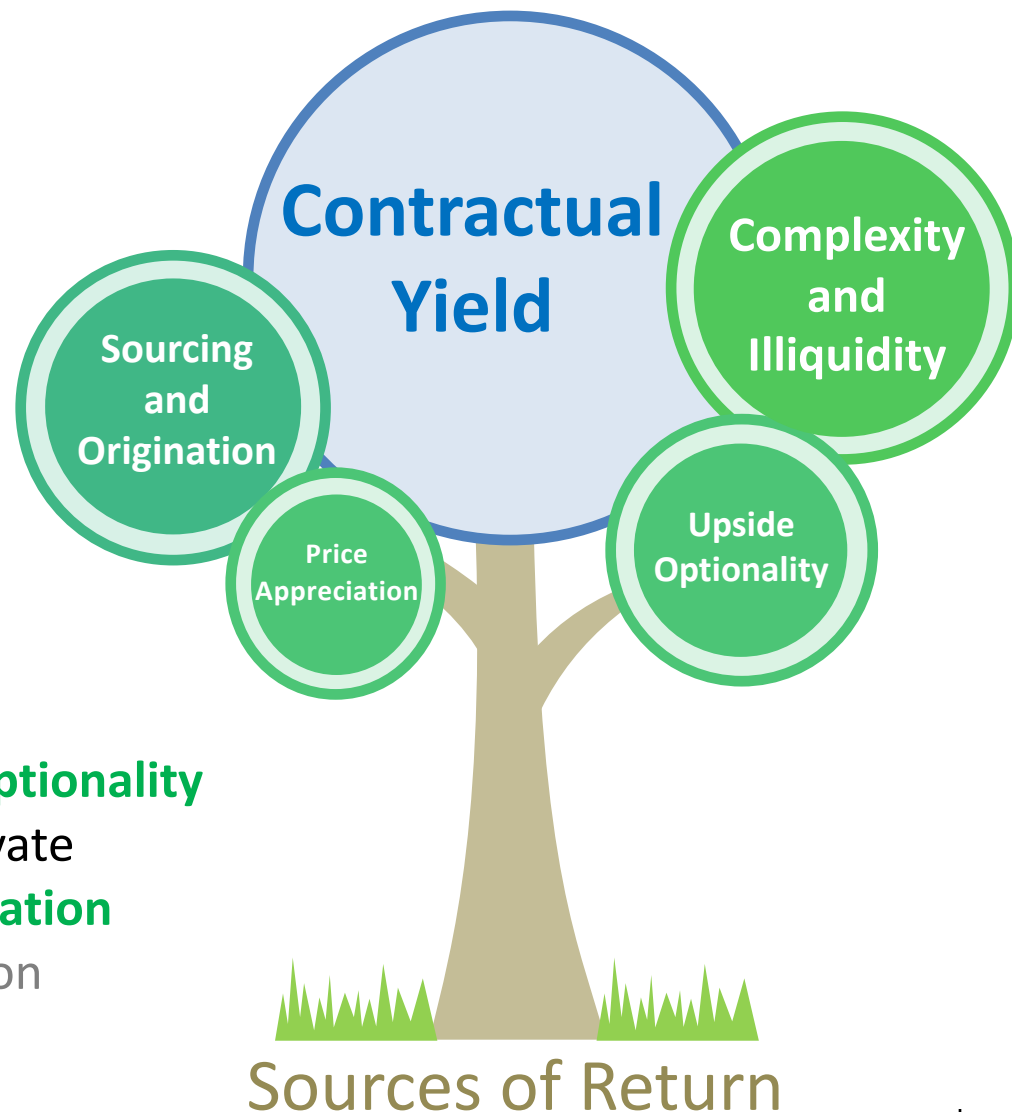
## Illiquid Credit

### Role:

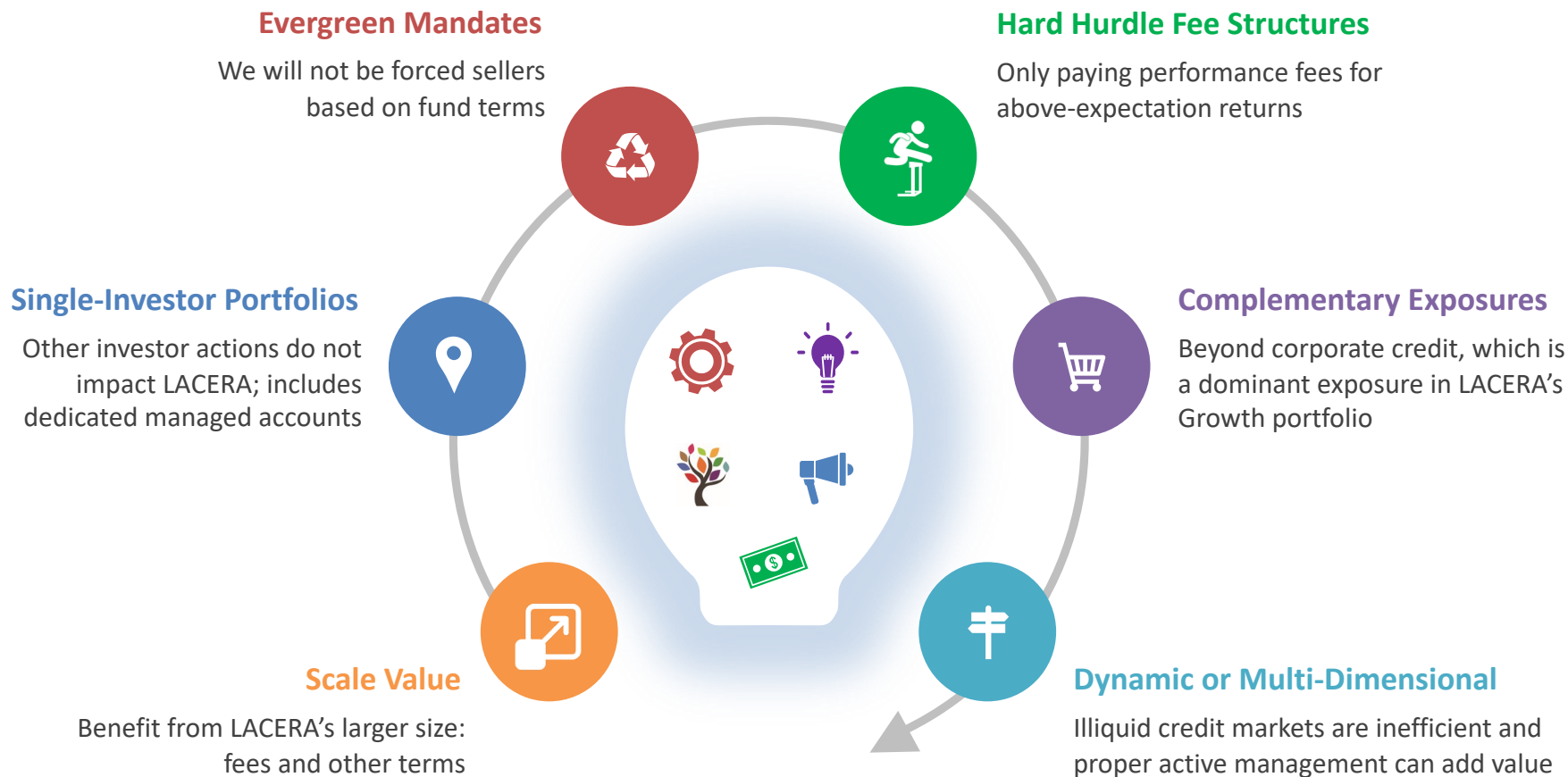
- **Current Income**
- **Moderate Returns**

### Objective:

- Emphasize **yield**
- Profit from **complexity**, **illiquidity**, and **upside optionality**
- Be compensated for private **sourcing** or direct **origination**
- Limited price appreciation expectations



# Illiquid Credit: Desired Portfolio Attributes

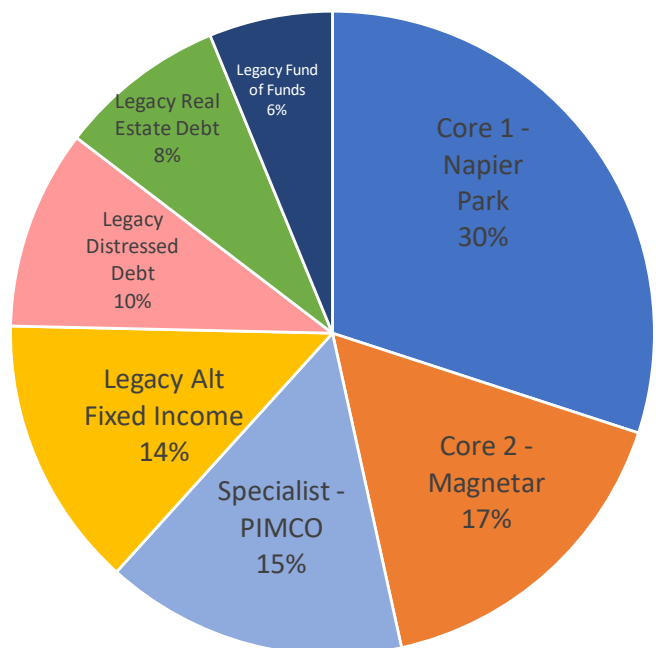




# Illiquid Credit: Portfolio Composition

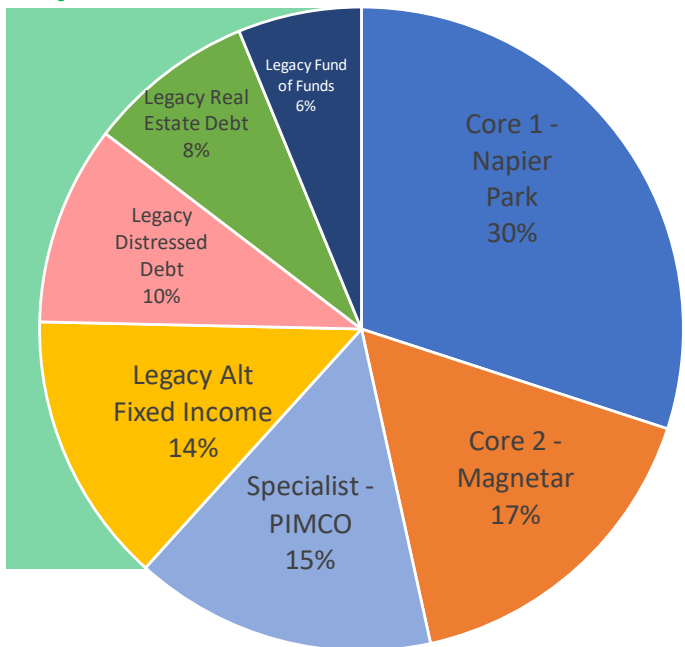
## Current

- 18 funds and a fund of funds mandate
- Several existing categories:
  1. Legacy investments inherited from individual asset categories; investments identified as legacy are closed-end and have a fixed life. These investments are in the process of winding down.
  2. Core mandates are single-investor and evergreen mandates that invest dynamically across multiple Illiquid Credit markets as the opportunity set evolves; core mandates are designed to be relatively larger in size; example: Napier Park and Magnetar hired in 2020
  3. Specialist mandates are smaller in size, have fewer sub-strategy dimensions, or are less dynamic over time compared to Core mandates; example: an existing PIMCO strategy



# Illiquid Credit Portfolio Positioning

## Current

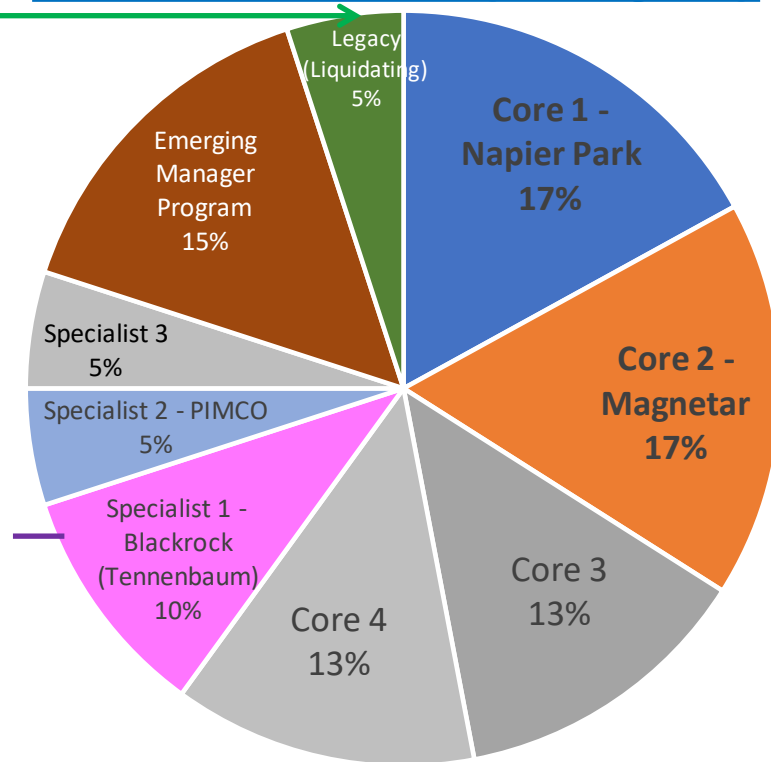


*Increasing  
portfolio by  
~ \$3 Billion*



Recommending to transfer Blackrock (Tennenbaum) from LACERA's Bank Loan portfolio to the Illiquid Credit portfolio.

## Next Phase (1-3yrs)



Legacy and liquidating mandates identified above would be wound down over the natural life of the underlying investments and any investment vehicles or separate account agreements would be dissolved when appropriate after no underlying investments or activity remained to be managed.

### Future steps

- Hire ~2 Core mandates
- Augment with Specialist mandate(s)
- Establish and build an Emerging Manager Program

# Illiquid Credit: Portfolio Analysis

## Illiquid Credit Net Returns (%)

	LACERA Illiquid Credit	Illiquid Credit Benchmark (US Agg + 2.5%)	Bloomberg Barclays US Corporate High Yield Index	Credit Suisse Leveraged Loan Index
1-Year as of 6/30/21	30.8	2.1	15.4	11.7

- The Illiquid Credit portfolio is outperforming its Board-approved benchmark and public market indices

## Illiquid Credit Gains since April 2020 (Napier Park Inception)

	\$ Gain (in millions)	% of Total Gain	% Monthly Average Allocation
Napier Park and Magnetar	\$ 241	75%	41%
Other Illiquid Credit (Legacy and PIMCO)	\$ 79	25%	59%
Total Illiquid Credit	\$ 320	100%	100%

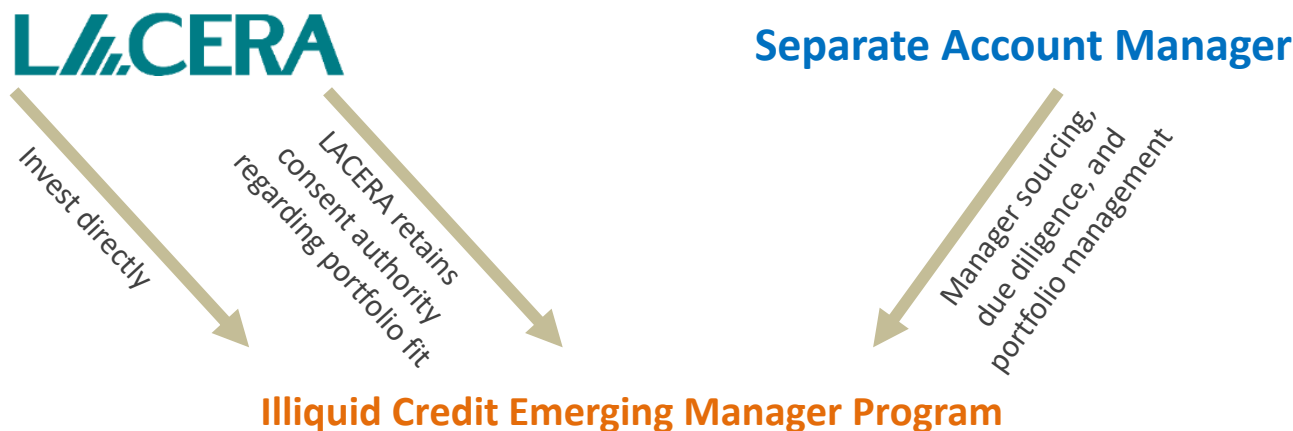
- The two most recent investments, Napier Park and Magnetar, drove outperformance
  - 75% of gains from an allocation averaging 41% of the total Illiquid Credit portfolio
  - Napier Park and Magnetar generated these strong returns with low downside volatility
  - Single-investor, evergreen, dynamic, and multi-dimensional mandates with investor-friendly fee structures are working well for LACERA



# Illiquid Credit: Emerging Manager Program

## Background:

- LACERA does not currently have an Illiquid Credit Emerging Manager Program (“IC EMP”)
- Emerging Manager Programs are consistent with LACERA’s Investment Beliefs, benefit LACERA’s T.I.D.E. initiative, and can improve risk-adjusted return outcomes
- A separate account manager structure would allow LACERA to focus limited resources on larger allocations while casting a relatively larger net of diligence
- A qualified separate account manager may be better equipped than LACERA to cover the universe of newly launching investment firms and guide investment firm development



*This structure is used in LACERA’s hedge funds and private equity emerging manager programs*



# Illiquid Credit: Emerging Manager Program

## Portfolio Fit Considerations:

- The recommended IC EMP would directly uplift and benefit several strategic plan initiatives:



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

- Due diligence
- Capital formation
- Engagement
- Industry advocacy



**Strengthen**  
**Influence on Fees**  
**and Cost of Capital**

- Shared ownership benefits such as revenue sharing
- Future capacity rights at attractive fee terms
- Early-stage strategic partnerships with high influence
- Mandate tailoring, co-investments, and transparency



**Optimize**  
**Investment Model**

- Casting a wide net
- Graduation is the goal and negotiated capacity rights allow for it at scale
- Diversifying sources of risk and return

- 15% target allocation considerations:
  - A 15% of Illiquid Credit target allocation (with a 10-20% range) would be approximately \$750 million of a \$71 billion Total Fund, while Illiquid Credit is a 7% strategic target allocation
  - This allocation target is attractive in several ways:
    - A \$750 million IC EMP allows for manager diversification across ~ 8-12 managers
    - A \$750 million IC EMP allows for individual allocations of \$50-100 million, which can both be impactful to LACERA and underlying emerging firms
    - A \$750 million IC EMP aligns LACERA's actions with messaging that we support inclusion, diversity, and equity efforts as well as investing in smaller and younger investment firms

# Illiquid Credit: Emerging Manager Program

## Expand in-house capabilities

Consistent with allocator to investor aspirations



Fewer agency issues



Potential future portability of knowledge to other parts of the portfolio or division



Lower “investment fees”



## Hire a separate account manager



Less costly for like-quality implementation



Scale – greater breadth and depth of coverage



Likely quicker implementation



Lower division budget and expenses



Potential core competency with easier severability options



Capital efficiency

# Illiquid Credit: Emerging Manager Program

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## Recommendation

- Establish an Illiquid Credit Emerging Manager Program with details noted below:
  - Launch a request for proposal (“RFP”) search to identify a separate account manager
  - Utilize an evergreen separate account manager structure
  - Target an allocation of 15% of Illiquid Credit with a range of 10-20%

# Illiquid Credit: Portfolio Guidelines

## Proposed

<b>Return Objective</b>	Greater than liquid credit markets; more than compensating for incremental risk
<b>Benchmark</b>	LACERA's Custom Liquid Credit Benchmark plus 1.5% per year
<b>U.S. Exposure</b>	Minimum of 50% invested in the U.S. market
<b>Geographic Exposure</b>	Maximum of 15% invested in non-developed markets
<b>Currency Exposure</b>	Minimum of 90% invested in assets that are denominated in or hedged to the U.S. dollar
<b>Manager Count</b>	~ 10 direct portfolio and ~ 10 emerging manager portfolio
<b>Emerging Manager Program</b>	Evergreen separate account emerging manager program 15% target allocation with a 10-20% range (of the Illiquid Credit portfolio)
<b>Emerging Manager Definition</b>	<p>An emerging Illiquid Credit manager meets the following three criteria:</p> <ul style="list-style-type: none"> <li>- Organization has less than \$1 billion of assets under management;</li> <li>- Organization has managed external capital in an institutional vehicle for less than 5 years; and</li> <li>- Organization is at least 66% owned by managing principals and employees</li> </ul> <p>A manager is no longer emerging if any of the following occur:</p> <ul style="list-style-type: none"> <li>- Organization managing the fund has assets under management that exceed \$2 billion for the trailing 24 months and the fund has a performance track record of at least 60 months;</li> <li>- LACERA's initial investment occurred greater than 7 years ago; or</li> <li>- Organization is not at least 66% owned by managing principals and employees</li> </ul>

- The above guidelines are in addition to policies and guidelines established in LACERA's Investment Policy Statement.
- The above benchmark guideline is scheduled to start October 1, 2021 per the approved Investment Policy Statement.
- The Geographic Exposure guideline above is intentionally more conservative than the guideline for LACERA's Liquid Credit portfolio and has a lower maximum allocation to non-developed markets because these markets potentially have fewer or less tested laws and legal precedence to protect investors in Illiquid Credit assets which may need to be held for long periods of time.





# Illiquid Credit: Future Initiatives

## Grow Portfolio to 7% Strategic Target

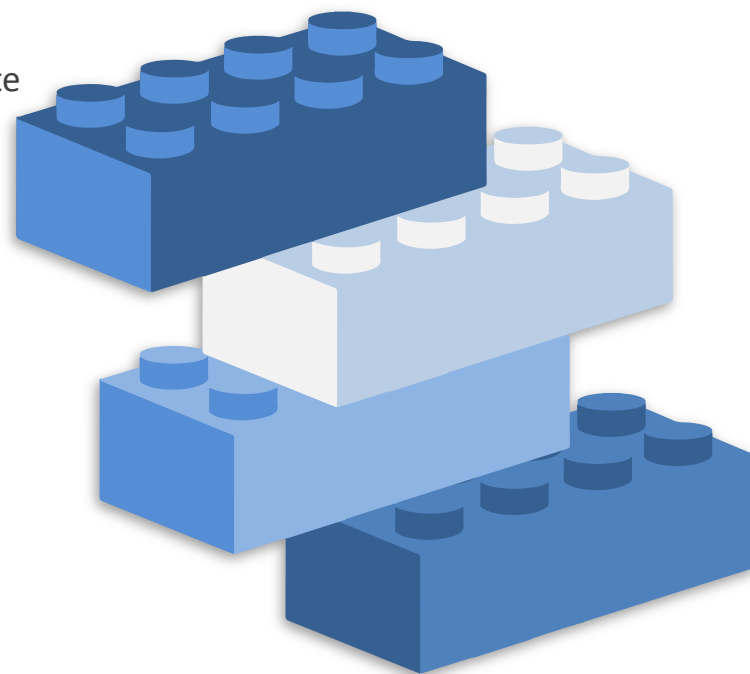
- Continue build-out while targeting the aforementioned role, objectives, and portfolio attributes
- Allow legacy portfolios to wind down and dissolve
  - Closed-end vehicles previously transferred from Private Equity, Opportunistic Fixed Income, and Hedge Funds
  - Real Estate debt separate account mandates

## Build-out Pathway

- Upsize existing Core managers as portfolio size grows and within CIO-delegated rebalancing authority
- Hire ~ 2 additional core managers
- Hire specialist managers over time to augment the portfolio across strategy or geographic gaps
- Establish and build an emerging manager program

## Emerging Manager Program

- Launch an RFP for a separate account manager
- Build an emerging manager program
- Highlight graduations as the goal





## Next Steps

# Credit: Summary of Initiatives and Timeline

Recommendation: Advance the Credit Structure Review including initiatives, guidelines, and recommendations throughout the document as well as those summarized on page 33, to the Board of Investments for approval.



## On-going Projects:

- Fine-tune/customize MSCI Risk reporting
- Enhance monitoring of ESG/Climate risks
- Improve manager reporting on Diversity & Inclusion

Begin implementing New SAA

Conduct due diligence on potential Asian Private Lending strategies

**Establish an Illiquid Credit emerging manager program and launch a separate account manager search**

**Transfer Tennenbaum from Liquid to Illiquid**

**Wind down legacy mandates over time**

Manager recommendations to expand Illiquid Credit over time

Complete transition to New SAA targets



Note: The items shown in bold are new and require approval; remaining items entail implementing recommendations previously authorized by the BOI.

# Appendix



# Appendix: Credit Benchmarks

	Benchmark
<b>Credit</b>	<b>Custom Blend=(4/11)* Liquid Credit Benchmark + (7/11)* Illiquid Credit BM<sup>1</sup></b>
Liquid Credit	40%/40%/20% blend of the following:
- High Yield	Bloomberg Barclays U.S. High Yield Index
- Bank Loans	Credit Suisse Leveraged Loan Index
- Emerging Market Debt	50% J.P. Morgan EMBI (Emerging Market Bond Index); 25% J.P. Morgan GBI-EM GD (Government Bond Index-Emerging Markets Global Diversified); 25% J.P. Morgan CEMBI BD (Corporate Emerging Market Bond Index Broad Diversified).
Illiquid Credit	Liquid Credit Benchmark + 150 basis points

<sup>1</sup> Weights reflect SAA target weights of 4% to Liquid Credit and 7% to Illiquid Credit

The above benchmarks are scheduled to start October 1, 2021 per the approved Investment Policy Statement

## MEMORANDUM

**TO:** Each Member, Credit and Risk Mitigation Committee  
**FROM:** Stephen McCourt, Leo Festino, Tim Filla, and Imran Zahid  
**CC:** Jon Grabel, CIO - LACERA  
**DATE:** August 25, 2021  
**RE:** Credit Structure Review

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The purpose of this memo is for Meketa Investment Group to formalize its support for the recommendations related the recommendations contained in LACERA's Credit 2021 Structure Review presentation.

We support Staff's recommendation to reclassify the Tennenbaum / BlackRock portfolio from the liquid credit category where it currently resides, over to the illiquid credit category within the pension trust based on the characteristics of the investment. Taking into consideration that the manager is originating loans and given the illiquidity associated with this strategy, in our view, housing this investment in the illiquid credit category appears to be a logical decision.

We also support Staff's recommendation to establish an illiquid credit emerging manager program targeting an allocation of 15%, which translates to approximately \$750 million fund size within the illiquid credit category of the pension portfolio. Utilizing an external manager for this initiative is a prudent decision and we are in agreement that a qualified separate account manager would be well suited to provide the guidance needed as it relates to the development of an emerging firm, while being able to source from the full universe of newly launching investment firms. Lastly, we agree with staff's recommendation to let the legacy illiquid credit investments naturally wind down as they mature or reach the end of their terms.

If you have any questions, please feel free to reach us at 760-795-3450. We thank you for your continued trust in Meketa. We look forward to speaking with you soon.

SPM/LF/TF/IZ/sf

**LACERA Illiquid Credit Structure Review Concurrence Memo**

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*August 24, 2021*

**To:** Each Member  
Credit and Risk Mitigation Committee  
Board of Investments

**From:** James Walsh, G. Stephen Kennedy  
Albourne America LLC

**For:** September 8, 2021 Credit and Risk Mitigation Committee Meeting

**Recommendation:** Albourne America LLC (“Albourne”) recommends that the 2021 Structure Review of LACERA’s Illiquid Credit Portfolio be advanced to the Board of Investments for approval.

**Background:** Staff has prepared the 2021 Illiquid Credit Structure Review for the Credit and Risk Mitigation Committee and the Board of Investments for its consideration and ultimately its approval. Albourne has reviewed the Structure Review and agrees with the recommendations.

The Structure Review re-asserts the Investment Role and Objectives as updated in December 2019 and reviewed in August 2020, which emphasize current income, moderate returns, to profit from complexity, illiquidity, and upside optionality. The Structural Review notes that, with the approval the portfolio will continue to be built out to a 7% Strategic Target. The Next Phase of this build out is anticipated to be implemented over 1-3 years adding two Core Managers and to implement an Emerging Manager Program.

**Conclusion:** Staff’s Structure Review outlines the focus on current income, moderate returns, and expanding the size of the program, and the actions necessary to move in that direction.

Sincerely,



James Walsh  
Head of Portfolio Group



G. Stephen Kennedy  
Senior Analyst

## **LACERA Illiquid Credit Structure Review Concurrence Memo**

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## **LACERA Illiquid Credit Structure Review Concurrence Memo**

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September 24, 2021

TO: Trustees – Board of Investments

FROM: Credit and Risk Mitigation Committee

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

Chad Timko, CFA, CAIA   
Senior Investment Officer

Quoc Nguyen, CFA   
Investment Officer

FOR: October 13, 2021 Board of Investments Meeting

SUBJECT: **ILLIQUID CREDIT EMERGING MANAGER PROGRAM SEPARATE  
ACCOUNT MANAGER REQUEST FOR PROPOSAL – MINIMUM  
QUALIFICATIONS**

### **RECOMMENDATION**

Approve an illiquid credit emerging manager program separate account manager search and approve the related minimum qualifications, evaluation criteria, and scope of work as advanced by the Credit and Risk Mitigation Committee (**attachment**).

### **BACKGROUND**

At the September 8, 2021 Credit and Risk Mitigation Committee (“Committee”) meeting, staff proposed minimum qualifications (“MQs”) for an illiquid credit emerging manager program separate account manager search, which the Committee advanced. Emerging Manager programs are consistent with LACERA’s Investment Beliefs, benefit LACERA’s T.I.D.E. initiative, and can improve risk-adjusted return outcomes.

The **attachment** contains the recommendation and background, evaluation process, proposed search timeline, minimum qualifications, evaluation criteria, and scope of work for the proposed illiquid credit emerging manager separate account manager search.

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

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

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

The Committee unanimously approved staff’s recommendation to advance the MQs for an illiquid credit emerging manager program separate account manager search. Committee members did not ask any questions.

### **RISKS OF ACTION AND INACTION**

If the Board approves the recommendation, staff will issue a public request for proposal (“RFP”) to conduct a search for an illiquid credit emerging manager program separate account manager.

Should the Board reject the recommendation, additional discussions would need to occur to determine LACERA’s approach regarding an emerging manager program within illiquid credit.

### **CONCLUSION**

The Committee unanimously approved staff’s recommendation to advance the MQs for an illiquid credit emerging manager program separate account manager RFP to the Board for approval. If the Board approves, staff will issue an RFP using the attached MQs.

Attachment

Noted and Reviewed:




---



Jonathan Grabel  
Chief Investment Officer



August 30, 2021

TO: Trustees - Credit and Risk Mitigation Committee

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA   
Principal Investment Officer

Chad Timko, CFA, CAIA  Quoc Nguyen, CFA   
Senior Investment Officer Investment Officer

FOR: September 8, 2021 Credit and Risk Mitigation Committee Meeting

SUBJECT: **ILLIQUID CREDIT EMERGING MANAGER PROGRAM SEPARATE  
ACCOUNT MANAGER REQUEST FOR PROPOSAL – MINIMUM  
QUALIFICATIONS**

### RECOMMENDATION

Advance the proposed minimum qualifications, evaluation criteria, and scope of work within the **attachment** to the Board of Investments for approval.

### BACKGROUND

The September 2021 Credit Structure Review presentation to the Credit and Risk Mitigation Committee discusses an Illiquid Credit Emerging Manager Program. Emerging Manager Programs are consistent with LACERA's Investment Beliefs, benefit LACERA's T.I.D.E. initiative, and can improve risk-adjusted return outcomes.

The **attachment** contains the recommendation and background, evaluation process, proposed search timeline, minimum qualifications, evaluation criteria, and scope of work for the proposed illiquid credit emerging manager separate account manager search.

Attachment

Noted and reviewed:



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Jonathan Grabel  
Chief Investment Officer

# Illiquid Credit Emerging Manager Program Separate Account Manager Request for Proposal Minimum Qualifications

Credit and Risk Mitigation Committee Meeting  
September 8, 2021



# Recommendation and Background

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## Recommendation

- Advance the proposed minimum qualifications, evaluation criteria, and scope of work to the Board of Investments for approval

## Background

- LACERA does not currently have an Illiquid Credit Emerging Manager Program (“IC EMP”)
- Emerging Manager Programs are consistent with LACERA’s Investment Beliefs, benefit LACERA’s T.I.D.E. initiative, and can improve risk-adjusted return outcomes
- A separate account manager would source, conduct due diligence on, and manage a portfolio of emerging managers that adhere to LACERA’s policies
- A qualified separate account manager may be better equipped than LACERA currently to cover the universe of newly launching investment firms and guide investment firm development

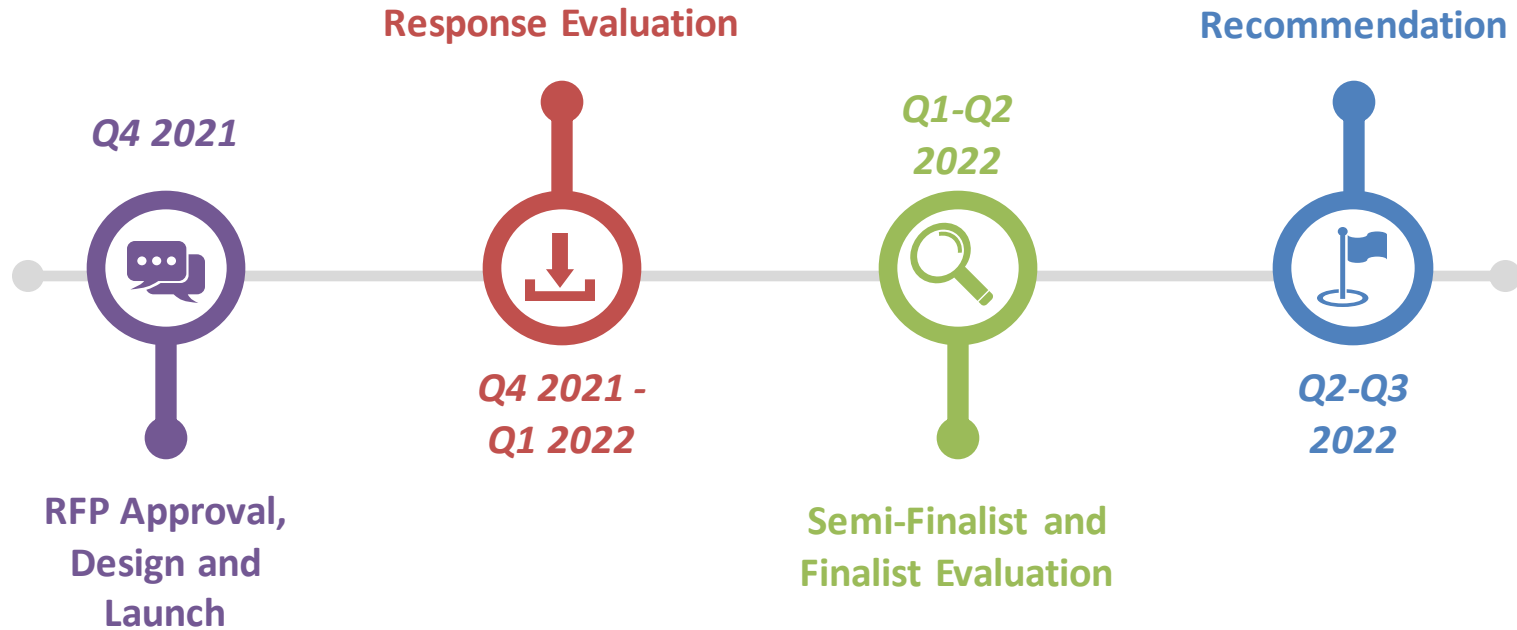
# Evaluation Process

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- Proposed Evaluation Team would consist of members of the Credit and Risk Reduction and Mitigation team
- Evaluation Team will conduct the Request for Proposal process in two phases:
  - Phase One: evaluation of written RFP responses
  - Phase Two: candidate interviews
- Final scores, evaluation review, and recommendation will be advanced to the Board of Investments
- Selection authority for this RFP will be the Board of Investments

# Proposed Search Timeline

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## Minimum Qualifications

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1. The organization must have sourced and invested at least \$200 million in total in at least five emerging managers who managed Illiquid Credit strategies.
2. The organization must have at least three institutional emerging manager program clients with portfolio sizes that exceed \$200 million, with at least one U.S. public pension fund client.
3. The organization must have three years of experience building an emerging manager program tailored to client objectives.
4. The organization must be registered with the U.S. Securities and Exchange Commission as an investment adviser, unless the organization is exempt from registration.
5. The organization must agree to be a fiduciary to LACERA under California and other applicable laws.

All responses received shall be subject to evaluations on the following seven categories:

1. Organization and professional staff
2. Experience with similar mandates and tailoring portfolio
3. Experience establishing shared ownership benefits for investors
4. Experience with early-stage investments and negotiations
5. Investment performance (past investments and proposed model portfolio), sourcing, portfolio construction, risk management
6. Operations, operational due diligence, and related experience
7. Fees

A separate account manager would source, conduct due diligence on, and manage a portfolio of emerging managers that adhere to LACERA's policies

LACERA would seek firms with the following experiences and competencies:

- Identifying outstanding firms early in the firm's lifecycle
- Working with institutional investors and various service providers
- Constructing portfolios with objectives that are tailored to institutions such as LACERA and initiatives such as T.I.D.E.
- Inspiring credible portfolio managers to launch new firms and helping them through a launch process
- Strong operational due diligence capabilities and experience providing related guidance to new investment organizations
- Providing start-up and growth capital to emerging firms in exchange for preferred investor economics

September 24, 2021

TO: Trustees – Board of Investments

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

David Chu *DC*  
Senior Investment Officer

David E. Simpson, CFA *DES*  
Investment Officer

FOR: October 13, 2021 Board of Investments Meeting

SUBJECT: **AMENDED GROWTH FUNCTIONAL CATEGORY BIENNIAL  
STRUCTURE REVIEW**

### **RECOMMENDATION**

Approve the proposed amendments to the 2021-2022 Growth Functional Category Biennial Structure Review as recommended on slide 13 of the attached presentation

### **BACKGROUND**

As a measure of efficiency, this action item is bypassing the usual Equity Committee review process and going directly to the Board of Investments (“Board”) as a non-consent item. The exclusion of the Equity Committee review process for this item was discussed with the Equity Committee Chair and Board leadership. Both parties agreed to this one-time change in process. Importantly, with the new strategic asset allocation (“SAA”) targets going into effect October 1, accelerating the review of this item will assist LACERA in achieving those targets sooner.

Private equity commitment pacing is typically approved by the Board for two-year time periods within each biennial structure review. However, in December 2020 when the Board considered the 2021-2022 Growth Category Biennial Structure Review (“Structure Review”), only calendar year 2021 commitment pacing (\$1.6 billion +/- 20%) was proposed and authorized due to the upcoming SAA recommendation and the potential for a change in the private equity net asset value target.

At the May 2021 Board meeting, the Trustees approved a new SAA. Within the new SAA, the private equity target allocation increased from 10% to 17% of the portfolio. After working with LACERA’s private equity consultant, StepStone Group (“StepStone”), LACERA and StepStone are recommending an updated commitment pacing schedule for 2021 and a new pacing schedule for 2022.

Staff is proposing amendments to the Structure Review which are reflected in **Attachment A** for evaluation by the Board. The amendments incorporate the new pacing schedule for 2021 and 2022 into the Structure Review and include modifications to the private equity co-investment and secondary program to better align the program with the expected increase in deployment pace. StepStone’s confirmation of the proposed new commitment pacing is in **Attachment B**.

## SUMMARY

StepStone has re-calculated a potential annual commitment pace for the 2021-2026 period based on the new 17% target. Using their investment-pacing model for estimating private equity commitments, StepStone projected that LACERA should commit up to \$2.15 billion (+/- 20%) in 2021 and \$2.45 billion (+/- 20%) in 2022. The wide range recognizes variability in the economy, the private equity marketplace, fund availability, constraints to allocation access, and fluctuations in the total plan assets denominator.

In calculating the projected commitment pace, StepStone made several assumptions about the rate of contributions and distributions, economic growth rates, fund durations, and LACERA's commitments by strategy, including to co-investments and secondaries. As the economy and market are subject to change, the pacing model is viewed as a planning tool and proposed investments during the year will depend on market conditions, the availability of high-quality opportunities, and LACERA's overall exposure to private equity.

Next, staff proposes to incorporate the CIO delegated authority for follow-on funds into the Private Equity Investment Guidelines ("Guidelines") in the Structure Review. The current CIO delegated authority for follow-on funds was previously approved by the Board in 2019 and affirmed in the most recent update of the Investment Policy Statement. There are no changes being proposed to the CIO's delegated authority at this time. The follow-on fund delegated authority was inadvertently left out of the Guidelines in the last Structure Review and is now included as approved by the Board.

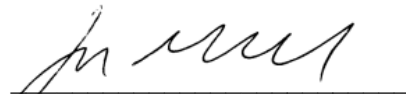
Finally, staff is proposing several changes to the private equity co-investment and secondary program. The changes include: (1) increase maximum investment size for co-investments; (2) establish annual deployment pace for co-investments and secondaries as a percentage of the annual private equity target allocation; and (3) apply the private equity portfolio's non-U.S. target allocation ranges to international co-investments and secondaries.

## CONCLUSION

The proposed changes to the Structure Review best position LACERA to attain the target private equity exposure of 17% of the overall Fund over time. In addition, the proposed modifications to the co-investment and secondary program parameters are expected to provide LACERA more flexibility to effectively scale the program considering the recommended deployment pace increase.

Attachment

Noted and Reviewed:



Jonathan Grabel  
Chief Investment Officer

# Amended Growth Functional Category Biennial Structure Review

Board of Investments

October 13, 2021

Christopher J. Wagner – Principal Investment Officer

David Chu – Senior Investment Officer

David Simpson, CFA – Investment Officer



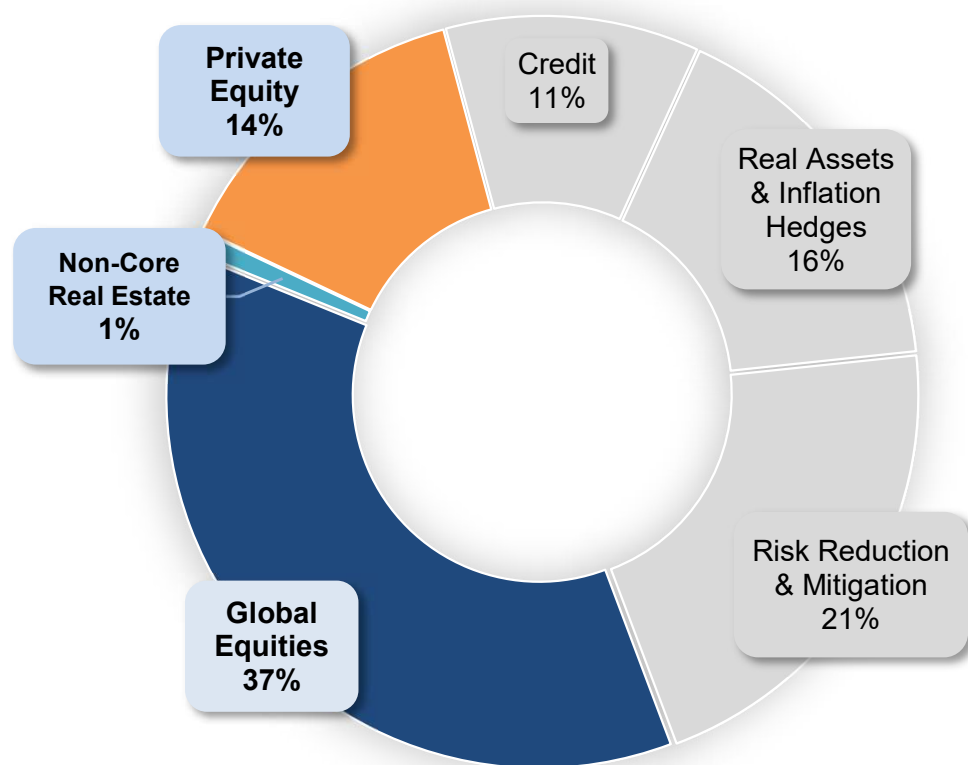
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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# Growth Portfolio Composition



**Total Fund Asset Allocation<sup>1</sup>  
as of July 31, 2021 (\$MM)**

	% of Total	Final Target	Target Ranges	vs Target (%)	vs Target (\$)
<b>Total Growth</b>	<b>51.2%</b>	<b>53.0%</b>	<b>+/- 8%</b>	<b>-1.8%</b>	<b>-\$1,297</b>
Global Equity	36.6%	32.0%	+/- 7%	4.6%	\$3,314
Private Equity	13.7%	17.0%	+3/- 5%	-3.3%	-\$2,378
Non-Core Real Estate	0.9%	4.0%	+/-2%	-3.1%	-\$2,233

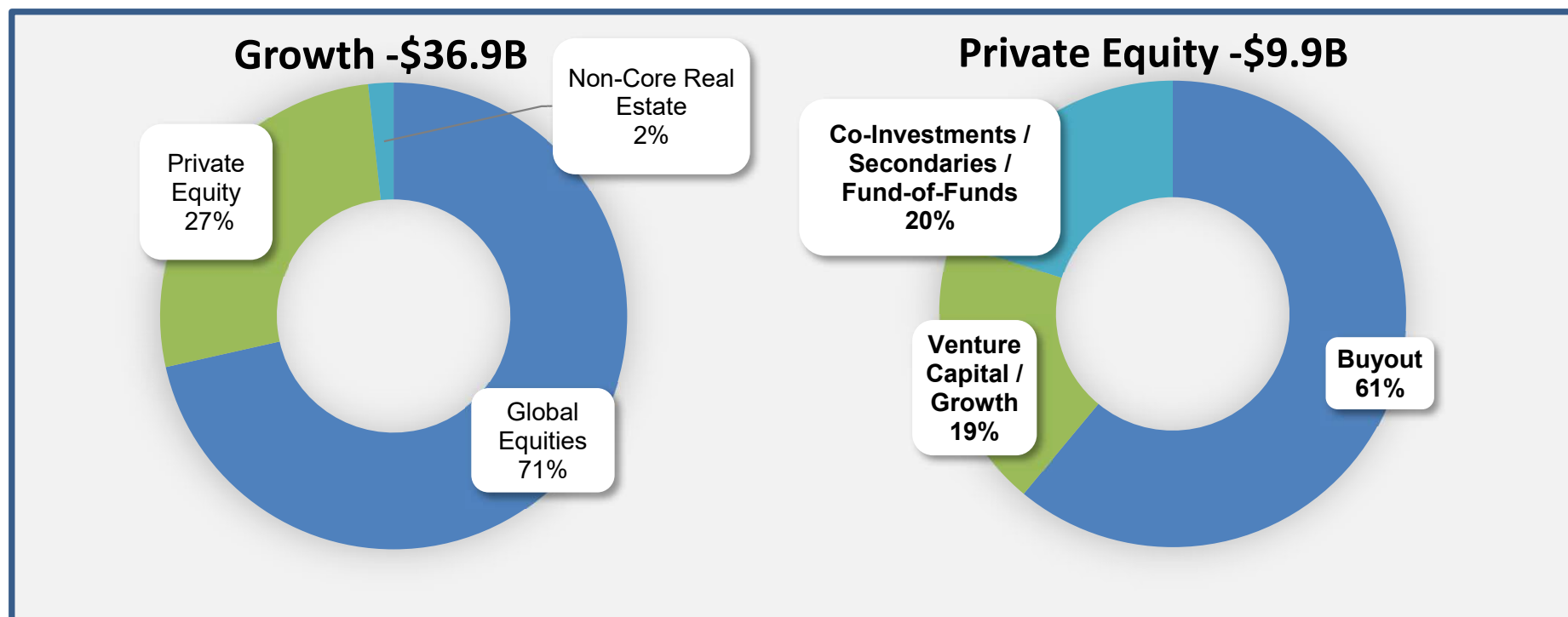
- Growth is under weight by 180 bps
- Largest overweight component is Global Equity by 460 bps or \$3,314 million
- Private Equity is under weight by 330 bps or \$2,378 million

<sup>1</sup>Asset weights are as of July 31, 2021; Private Equity market values reflect latest available and are adjusted for cash flows. Global Equity values as of July 31, 2021. Real Estate market values reflect a three-month lag and best available values for the quarter are in the total fund.



# Role and Objectives of Private Equity

(as of 7/31/21 <sup>1</sup> )	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$9.9	26.8%	13.7%



- Growth investments are the primary driver of long-term total Fund returns
- Within the Growth category, Private Equity is expected to generate the highest performance at an acceptable level of risk
- The target return for Private Equity is 200 basis points over the MSCI ACWI IMI<sup>2</sup>, net of all fees

<sup>1</sup> Private Equity market values reflect latest available and are adjusted for cash flows. Global Equity values as of July 31, 2021. Real Estate market values reflect a 3-month lag and best available values for the quarter are in the total fund.

<sup>2</sup> Morgan Stanley Capital International, All Country World Index, Investable Market Index.

(as of 7/31/21 <sup>1</sup> )	Market Value (in \$ billion)	% of Growth	% of total Fund
Private Equity	\$9.9	26.8%	13.7%

# Private Equity Capital Allocation Request for 2021 and 2022

## LACERA'S Plan Level Target Allocation Status As of July 31, 2021 (\$MM)

Total Fund Value	\$72,047
Net Asset Value (PE)	\$9,875
Allocation %	13.7%
Target Allocation	17.0%
Target Allocation Range	14%-20%

## Recommendation

Adopt the following proposed new commitment targets:

- 2021: \$2,150 million (+/- 20%)
- 2022: \$2,450 million (+/-20%)

## StepStone Pacing Model: 2021-2026 Projections<sup>2</sup> (\$MM)

Calendar Year	New Commitments	PE Draw-downs	PE Distributions	PE Market Value	Total Portfolio Value <sup>3</sup>	PE Allocation
2021	\$2,150	\$1,744	\$2,309	\$9,161	\$68,739	13.3%
2022	\$2,450	\$2,058	\$2,252	\$9,898	\$72,316	13.7%
2023	\$2,725	\$2,380	\$2,392	\$10,918	\$76,110	14.3%
2024	\$3,000	\$2,639	\$2,591	\$12,127	\$80,056	15.1%
2025	\$3,275	\$2,895	\$2,882	\$13,447	\$84,178	16.0%
2026	\$3,575	\$3,149	\$3,241	\$14,814	\$88,464	16.7%

## Target Allocation Model Commentary

- New commitment targets assume a +/- 20% range, based on opportunities available in the marketplace
- Model projects allocations over the next six years

<sup>1</sup> Private Equity market values reflect latest available and are adjusted for cash flows. Global Equity values as of July 31, 2021. Real Estate market values reflect a three-month lag and best available values for the quarter are in the total fund.

<sup>2</sup> StepStone model assumptions are in Appendix A.

<sup>3</sup> Total Portfolio Value is projected using an assumed 7.0% annual growth with estimated contributions/distributions as provided by Meketa.



# CIO Authority for Follow-on Private Equity Funds

## Recommendation

- Incorporate the Board-approved CIO Authority for Follow-on Funds into the Private Equity Investment Guidelines

	Description
<b>CIO Authority for Follow-on Funds (no changes are being proposed)</b>	<p>The CIO is authorized to approve capital commitments in follow-on-funds up to \$250 million per fund or up to a 25% fund ownership increase compared to LACERA's ownership percentage in the predecessor fund, provided:</p> <ol style="list-style-type: none"><li>LACERA's prior investments in each predecessor fund greater than three years old (based on the fund's inception or commencement of operations date) exceeds the benchmark net IRR and net MOIC median returns for the fund's sub-asset class strategy, and</li><li>There have been no material changes in the investment strategy or key persons, and</li><li>LACERA's private equity consultant concurs with the investment</li></ol> <p>The Board will receive written notification of all such actions from staff</p>

# Private Equity Co-Investment & Secondary Program Update



# Program Timeline

- The Equity Committee and BOI approved the co-investment program in Q4 2018
- First co-investment and re-activation of secondary investments occurred in Q3 2019



# Program Performance (1/2)

- Promising early results for investments over a year old with multiple realizations and zero losses

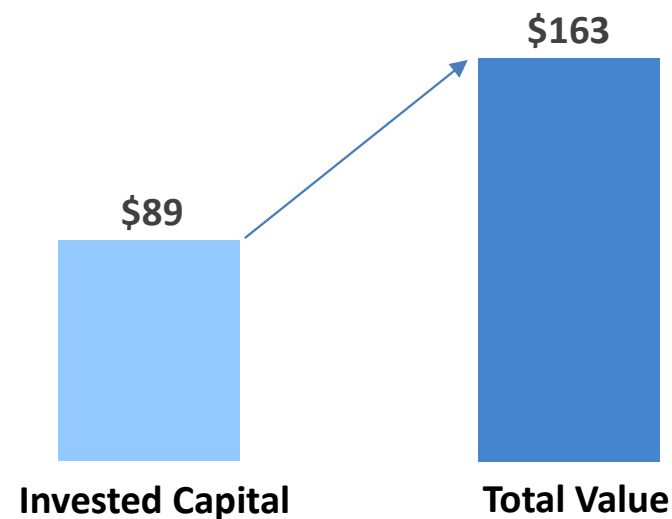
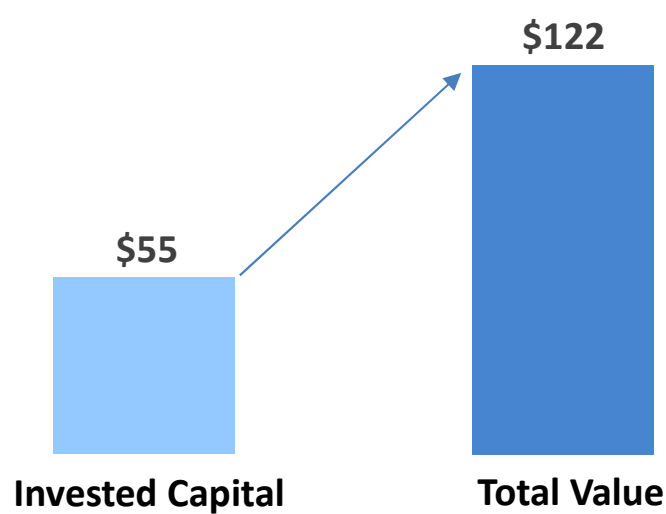
(\$ in millions)

As of June 30, 2021

## Performance – Investments Over A Year Old

Co-Investments		
<b>87.1%</b> Net IRR	<b>2.2x</b> Net TVPI	<b>0.2x</b> Net DPI

Secondaries		
<b>47.4%</b> Net IRR	<b>1.9x</b> Net TVPI	<b>0.4x</b> Net DPI <sup>1</sup>



<sup>1</sup> Secondaries' net DPI is pro forma for distributions received in September 2021.

# Program Performance (2/2)

- Overall portfolio off to a solid start

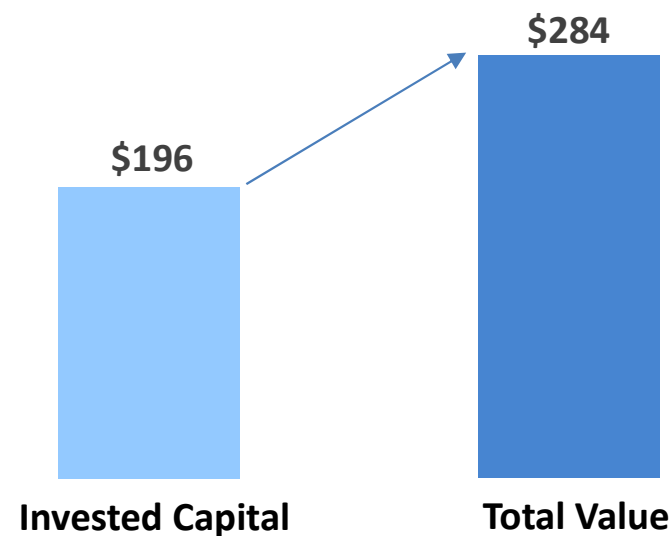
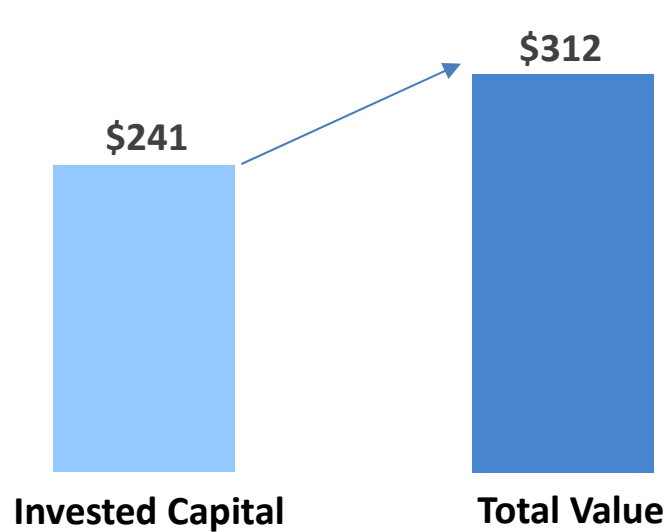
(\$ in millions)

As of June 30, 2021

## Performance – All Investments Since Program Inception

Co-Investments		
<b>59.6%</b> Net IRR	<b>1.3x</b> Net TVPI	<b>0.04x</b> Net DPI

Secondaries		
<b>42.7%</b> Net IRR	<b>1.5x</b> Net TVPI	<b>0.25x</b> Net DPI <sup>1</sup>



<sup>1</sup> Secondaries' net DPI is pro forma for distributions received in September 2021.

# 2021 Deployment Summary

- Staff has reached the 2021 annual deployment limit

(\$ in millions)

As of October 1, 2021

## 2021 Calendar Year

**\$450 Limit**

**\$147**

■ Reserved for Potential Deals

**\$303**

■ Committed



# Proposed Program Parameter Changes

Term <sup>1</sup>	Current Parameters	Proposed 2021/2022 Parameters
Investment Size	<u>Co-Investment</u> : Maximum \$70 million <u>Secondary</u> : Maximum \$130 million	<u>Co-Investment and Secondary</u> : Maximum \$130 million  Up to 30% of annual private equity target allocation: <ul style="list-style-type: none"> <li>• <u>2021</u>: \$645 million across co-investments and secondaries (\$2,150 million annual target x 30%)</li> <li>• <u>2022</u>: \$735 million across co-investments and secondaries (\$2,450 million annual target x 30%)</li> </ul>
Annual Deployment	\$450 million across co-investments and secondaries	
Geography	<u>Co-investment</u> : Global with EX-U.S. investments subject to a maximum of: <ul style="list-style-type: none"> <li>i) \$40 million investment size</li> <li>ii) \$150 million annual deployment</li> </ul> <u>Secondary</u> : Global with EX-U.S. investments subject to \$150 million annual deployment	<u>Co-Investment and Secondary</u> : Global with EX-U.S. investments subject to: <ul style="list-style-type: none"> <li>• Maximum \$130 million investment size (same globally)</li> <li>• Total PE portfolio international exposure target allocation range of 20-45% applies (includes primary funds, co-investments and secondaries)</li> </ul>

<sup>1</sup> Existing 2021 parameters for co-investments and secondaries are in Appendix B. Any parameters not mentioned above are proposed to remain unchanged for 2021/2022.

# Recommendation

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- Staff recommends Board approval of the following

## Growth

- Increase the proposed private equity commitment amount to \$2.15 billion (+/- 20%) for 2021
- Approve the proposed private equity commitment amount of \$2.45 billion (+/- 20%) for 2022
- Incorporate the Board-approved CIO Authority for Follow-on Funds into the Private Equity Investment Guidelines
- Adopt proposed parameter changes to the Private Equity co-investment and secondary program

# Appendices



## Appendix A – Allocation Model Assumptions

- StepStone pacing model driven by five independent variables<sup>(1)</sup>:
  - Rate of contributions
  - Rate of distributions
  - Annual growth or return by sub-sector
  - Life of fund in years
  - Annual commitments by sub-sector
- StepStone's preliminary pacing model utilizes the following assumptions for LACERA's portfolio:
  - Total Portfolio Value: ~\$65 billion<sup>(2)</sup>
  - Actuarial Rate of Return (net): 7.0%<sup>(3)</sup>
  - Target Private Equity (% of Total FMV): 17% (range of 12% - 20%)
- StepStone modeled three scenarios based on the PE Weighted Average Return<sup>(4)</sup>:
  - Low Case Net IRR of 8.0%
  - Base Case Net IRR of 10.9%
  - High Case Net IRR of 13.8%
- Blended 10-year sub-sector exposures on new commitments<sup>(5)</sup>:
  - Buyout: 50%
  - VC/Growth: 20%
  - Co-investments: 15%
  - Secondaries: 15%

(1) Any return contained herein is hypothetical and is not a guarantee of future performance. The returns set forth herein do not constitute a forecast; rather they are indicative of the internal transaction analysis regarding outcome potentials. Any returns set forth herein are based on StepStone's belief about the returns that may be achievable on investments that the Partnership intends to pursue. Such returns are based on current view in relation to future events and financial performance of potential investments and various models, estimations and "base case" assumptions made, including estimations and assumptions about events that have not occurred. Actual events and conditions may differ materially from the assumptions used to establish returns and there is no guarantee that the assumptions will be applicable to the Partnership's investments

(2) Total Portfolio Value for Q4 2020 of US\$65.4 billion as provided by LACERA

(3) The Actuarial Assumed Rate of Return as adopted by the LACERA Board of Investments

(4) Low Case Net IRR reflects Meketa's assumption for 10-Yr Composite PE returns. High Case Net IRR reflects StepStone's blended return assumptions by sub-sector. Base Case Net IRR reflects the Midpoint of Meketa and StepStone.

(5) As provided by LACERA



# Appendix B – Private Equity Investment Guidelines

Limit	Minimum	Maximum	Notes
Investment Size	\$5 Million	10% of LACERA's MV plus undrawn commitments	
Single Partnership		50% of total commitments from all LPs	Does not apply to separate accounts
General Partner		10% of Private Equity portfolio MV plus unfunded commitments	Applies to aggregate across multiple funds

	Parameter	Target Allocation Ranges <sup>1</sup>
Sub-Asset Class	Buyouts	50 – 85%
	Venture Capital/Growth Equity	15 – 30%
	Co-Inv/FoF/Sec	10 – 25%
Geography	Non-United States	20 – 45%
	Emerging Markets	0 – 15% maximum

	Report <sup>2</sup>	Responsible Parties	Audience	Frequency
1	Portfolio Performance	Staff	Board	Semi-annually
2	Status of Current Investments	Staff & PEA	Board	No less than annually
3	Portfolio Performance and Investment Analysis	PEA or other service provider	Staff	Annually & quarterly

<sup>1</sup> LACERA allows staff and the PEA(s) some latitude outside of the ranges. In the short term, LACERA does not wish to have staff or its PEA(s) constrained by the designated ranges; i.e., fulfilling target allocations will not drive the investment recommendation process. LACERA will invest consistently over time to gain the proper exposures.

<sup>2</sup> Reports shall include information on general market environment and expected opportunities, portfolio composition, performance summary, and recent activity.

## Appendix B – Private Equity Investment Guidelines (Cont.)

	Co-Investment Parameters	Secondary Parameters
<b>Sourcing</b>	<ul style="list-style-type: none"> <li>Co-investments offered by Board-approved managers so long as the manager is currently managing capital on behalf of LACERA<sup>1</sup>; or</li> <li>Co-investments alongside a Board-approved discretionary PE manager, PE consultant, or their approved managers</li> </ul> <p><sup>1</sup>Includes funds approved by the CIO through LACERA's private equity fund re-up procedure</p>	<ul style="list-style-type: none"> <li>A private equity fund in which LACERA is an existing investor; or</li> <li>A private equity fund or vehicle that is managed by a manager of the same institutional quality as those LACERA has previously committed to</li> </ul>
<b>Investment Size</b>	\$70 million maximum	\$130 million maximum*
<b>Geography</b>	Global with non-U.S. investments subject to a maximum of (i) \$40 million investment size and (ii) \$150 million annual deployment	Maximum \$150 million outside United States
<b>Deal Types</b>	<p>Buyout and growth capital<sup>2</sup> transactions only</p> <p><sup>2</sup>Growth capital includes high growth pre-EBITDA companies with a liquidity event expected in the next two years</p>	
<b>Annual Capital Deployment</b>	\$450 million across co-investments and secondaries*	
<b>Advisory Confirmation</b>	Third party confirms LACERA's due diligence was satisfactorily followed	Third party secondary advisor confirms valuation

\*In a typical continuation vehicle secondary transaction, one or more assets of a primary fund are acquired by the continuation vehicle which is managed by the same sponsor as the primary fund. If LACERA is an existing limited partner in the primary fund, LACERA may be presented with the option to either (a) cash-out or (b) "roll over" and reinvest any proceeds it would have realized on the transaction into the continuation vehicle. The amounts "rolled over" by LACERA are not included in the dollar limits set forth in these parameters for secondary transactions.



## Appendix B – Private Equity Investment Guidelines (Cont.)

Prohibited Investment Type	Description	Notes
Hostile Takeovers	LACERA avoids investment strategies that primarily involve hostile takeovers, defined as acquisitions opposed by the board of directors of the target company.	
Privatization	<p>LACERA does not aim to promote privatization of public jobs through its private equity investment program. It is highly unlikely that LACERA would invest in private equity investments that are dependent on privatization strategies.</p> <p>When performing due diligence prior to making the initial investment in a domestic partnership, staff and/or PEA, as applicable, will use reasonable efforts to ascertain the following:</p> <ol style="list-style-type: none"> <li>1. Whether the partnership's current investment strategy includes the privatization of jobs held by LACERA members, and</li> <li>2. Whether previous partnerships operated by the general partners, if any, have invested in companies dependent upon privatization of jobs held by LACERA members</li> </ol>	Staff and/or PEA will seek guidance from the Board before investing in a domestic partnership if the due diligence establishes privatization.

September 27, 2021

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

Re: AMENDED 2021-2022 Structure Review - Private Equity

Dear Board Members,

Since 2016, StepStone Group ("StepStone") has worked closely with LACERA's Board of Investments and staff to develop and review LACERA's annual Private Equity investment plans. In 2018, StepStone and staff collaborated on LACERA's 2019-2020 Growth Category Biennial Structure Review ("Structure Review"), which was approved by the Board in December 2018. In June and December 2020, StepStone and staff revisited the annual commitment pace established in the 2019-2020 Structure Review and recommended LACERA maintain its commitment target of up to \$1.6 billion (+/- 20%). In December 2020, StepStone's 2021 pacing recommendation was included and approved by the Board in LACERA's 2021-2022 Structure Review.

In May 2021, the Trustees approved a new Strategic Asset Allocation ("SAA") which includes a target private equity allocation of 17%, up from 10% in the prior SAA. In consultation with staff, StepStone updated its pacing model based on the new 17% target. The process was iterative and involved several analyses to arrive at a recommendation. Based on StepStone's analysis, LACERA should commit \$2.15 billion (+/- 20%) in 2021 and \$2.45 billion (+/- 20%) in 2022. The target pacing was developed with the goal of achieving LACERA's target Private Equity allocation range of 14-20% in the long term, recognizing that market conditions can lead to interim deviations from the target.

In our prior Structure Review letters, we discussed the importance of maintaining a flexible investment pace to invest more or less according to market conditions and opportunities. While a consistent annual investment pace is important to maintain proper vintage year diversification, LACERA should not feel forced to invest a specific amount every year if not enough high-quality opportunities are available and should have the flexibility to invest more if there are more high-quality opportunities in a given year than could be accommodated with a fixed allocation target. We believe this to be especially true in the current market environment, as highlighted by staff in the 2021-2022 Structure Review.

StepStone will review this recommendation each year, and as necessary when market conditions warrant, to ensure it continues to align with LACERA's overall investment goals.

StepStone Group

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



October 4, 2021

TO: Each Trustee,  
Board of Investments

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

FOR: October 13, 2021 Board of Investments Meeting

SUBJECT: Approval of Teleconference Meetings Under AB 361 and Government Code  
Section 54953(e)

## **RECOMMENDATION**

That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Investments consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Board and its Committees shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

## **LEGAL AUTHORITY**

Under Article XVI, Section 17 of the California Constitution, the Board of Investments has plenary authority and exclusive fiduciary responsibility for the fund's investments, actuarial matters, and related issues. This authority includes the ability to manage Board and Committee meetings and evaluate and act on legal options for the conduct of such meetings, such as whether to invoke teleconferencing of meetings under the terms and conditions provided in AB 361 and Government Code Section 54953(e) of the Brown Act to protect the health and safety of Trustees, staff, and the public.

## **DISCUSSION**

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

Section 54953(b)(3), as in effect since before the COVID-19 pandemic, provides for a teleconference meeting if: the agenda is posted at each teleconference location; the agenda identifies all teleconference locations; teleconference locations are accessible to the public and allow for public participation; a quorum of Trustees is located in Los Angeles County; and all votes are by roll call.

The Governor's Executive Order No. N-29-20, issued on March 17, 2020, relaxed these teleconference rules during the COVID-19 State of Emergency. LACERA has held

teleconference meetings throughout the pandemic under the authority of Order No. N-29-20. On June 11, 2021, The Governor issued Executive Order No. N-08-21 providing that the relaxed rules expired on September 30, 2021, at which time the regular rules of Section 54953(b), as described above, would again be in effect.

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

Specifically, Section 54953(e)(3) provides that the Board may hold a teleconference meeting without the need to comply with Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act remains active or state or local officials have imposed or recommended social distancing rules, provided that the Board, within 30 days of the first teleconference meeting and every 30 days thereafter, makes the following findings by majority vote:

- (A) The Board has considered the circumstances of the state of emergency;
- (B) Any of the following circumstances exist:
  - (i) The state of emergency continues to directly impact the ability of the Trustees to meet safely in person;
  - (ii) State or local officials continue to impose or recommend measures to promote social distancing.

If the Board makes the required findings, the Board and its Committees may hold teleconference meetings without the need to comply with the regular rules of Section 54953(b)(3) provided that: agendas are prepared and posted under the Brown Act; members of the public are allowed to access the meeting via a call-in option or an internet-based service option; the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment; and public comment is provided on either a timed period or per agenda item.

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

The Governor's State of Emergency for the COVID-19 pandemic as declared in the Proclamation of a State of Emergency dated March 4, 2020 remains active. The Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act.

The Los Angeles County Department of Public Health maintains guidance to "Keep your

distance. Use two arms lengths as your guide (about 6 feet) for social distancing with people outside your household when you are not sure that they are vaccinated.” <http://publichealth.lacounty.gov/acd/ncorona2019/reducingrisk/>. The County Public Health Department also maintains guidance that employers should, “Implement policies and practices that support physical distancing: Whenever possible, take steps to reduce crowding indoors and enable employees and customers to physically distance from each other. Generally, at least 6 feet of distance (2 arm lengths) is recommended, although this is not a guarantee of safety, especially in enclosed or poorly ventilated spaces.” <http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/>

The Centers for Disease Control and Prevention (CDC) also still advise the public that, “Outside your home: Put 6 feet of distance between yourself and people who don’t live in your household.” <https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html#stay6ft%20>.

The pandemic continues to present a significant health risk, as the virus presents itself in different variants. LACERA has not yet returned to the office. Management is preparing return to office vaccination and testing protocols to ensure the safety of LACERA employees, members, and others, including Trustees.

Under these circumstances, the Board may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for Board and Committee meetings during the next 30 days because (1) the state of emergency continues to directly impact the ability of the Trustees to meet safely in person, and (2) the County and other authorities continue to recommend measures to promote social distancing, as required by the statute.

If the Board makes these findings and directs teleconferencing under Section 54953(e), procedures exist and will be implemented to ensure compliance with the agenda and public comment requirements of the statute, as stated above.

## **CONCLUSION**

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Investments consider whether to find that the Governor’s COVID-19 State of Emergency continues to directly impact the ability of the Board and Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Board and its Committees shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

Attachment

Re: Approval of Teleconference Meetings Under AB 361 and Gov't Code § 54953(e)  
October 4, 2021  
Page 4 of 6

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

**Government Code Section 54953(e)**

(e) (1) A local agency may use teleconferencing without complying with the requirements of paragraph (3) of subdivision (b) if the legislative body complies with the requirements of paragraph (2) of this subdivision in any of the following circumstances:

(A) The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.

(B) The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(C) The legislative body holds a meeting during a proclaimed state of emergency and has determined, by majority vote, pursuant to subparagraph (B), that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

(2) A legislative body that holds a meeting pursuant to this subdivision shall do all of the following:

(A) The legislative body shall give notice of the meeting and post agendas as otherwise required by this chapter.

(B) The legislative body shall allow members of the public to access the meeting and the agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3. In each instance in which notice of the time of the teleconferenced meeting is otherwise given or the agenda for the meeting is otherwise posted, the legislative body shall also give notice of the means by which members of the public may access the meeting and offer public comment. The agenda shall identify and include an opportunity for all persons to attend via a call-in option or an internet-based service option. This subparagraph shall not be construed to require the legislative body to provide a physical location from which the public may attend or comment.

(C) The legislative body shall conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties and the public appearing before the legislative body of a local agency.

(D) In the event of a disruption which prevents the public agency from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the local agency's control which prevents members of the public from offering public comments using the call-in option or internet-based service option, the body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption which prevents the public agency from broadcasting the meeting may be challenged pursuant to Section 54960.1.

(E) The legislative body shall not require public comments to be submitted in advance of

the meeting and must provide an opportunity for the public to address the legislative body and offer comment in real time. This subparagraph shall not be construed to require the legislative body to provide a physical location from which the public may attend or comment.

(F) Notwithstanding Section 54953.3, an individual desiring to provide public comment through the use of an internet website, or other online platform, not under the control of the local legislative body, that requires registration to log in to a teleconference may be required to register as required by the third-party internet website or online platform to participate.

(G) (i) A legislative body that provides a timed public comment period for each agenda item shall not close the public comment period for the agenda item, or the opportunity to register, pursuant to subparagraph (F), to provide public comment until that timed public comment period has elapsed.

(ii) A legislative body that does not provide a timed public comment period, but takes public comment separately on each agenda item, shall allow a reasonable amount of time per agenda item to allow public members the opportunity to provide public comment, including time for members of the public to register pursuant to subparagraph (F), or otherwise be recognized for the purpose of providing public comment.

(iii) A legislative body that provides a timed general public comment period that does not correspond to a specific agenda item shall not close the public comment period or the opportunity to register, pursuant to subparagraph (F), until the timed general public comment period has elapsed.

(3) If a state of emergency remains active, or state or local officials have imposed or recommended measures to promote social distancing, in order to continue to teleconference without compliance with paragraph (3) of subdivision (b), the legislative body shall, not later than 30 days after teleconferencing for the first time pursuant to subparagraph (A), (B), or (C) of paragraph (1), and every 30 days thereafter, make the following findings by majority vote:

(A) The legislative body has reconsidered the circumstances of the state of emergency.

(B) Any of the following circumstances exist:

(i) The state of emergency continues to directly impact the ability of the members to meet safely in person.

(ii) State or local officials continue to impose or recommend measures to promote social distancing.

(4) For the purposes of this subdivision, "state of emergency" means a state of emergency proclaimed pursuant to Section 8625 of the California Emergency Services Act (Article 1 (commencing with Section 8550) of Chapter 7 of Division 1 of Title 2).

September 12, 2021

TO: Board Trustees  
Board of Investments

FOR: Board of Investments Meeting of October 13, 2021

SUBJECT: The Latin America US Real Estate Meeting in Miami FL on November 29 – 30, 2021

The Latin America US Real Estate Meeting will be held on November 29 – 30, 2021 at the W Hotel in South Beach, FL. This exclusive institutional gathering will bring together the most important real estate investment vehicles, institutional allocators and private wealth investors that are actively investing and developing across the United States and Latin America. Over 250 of the leading US and Latin American based private equity real estate funds, institutional investors and other real estate professionals will come together to network and discuss investment opportunities, allocations, and the performance of all real estate related asset classes across these regions

The main conference highlights include the following:

- A Latin American Investor Perspective
- Alternative Real Estate Asset Classes

Following are approximate conference and travel costs:

**Registration:** \$300.00

**Airfare:** \$380.00 - \$2,200.00

**Hotel:** \$280.00 to \$380.00 per night plus taxes      **Ground Transportation:** \$60.00 per day

**Daily Per Diem & Incidentals:** \$66.00 per day (The Registration Fee Includes Most Meals)

**Approximate Cost:** \$1,800 - \$4,000

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

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

Approve attendance of Trustees at the Latin America US Real Estate Meeting on November 29 – 30, 2021 in Miami, FL and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.





# The Latin America US Real Estate Meeting

*Miami Art Basel Week*

---

W South Beach

November 29<sup>th</sup> & 30<sup>th</sup>, 2021



**IN PERSON EVENT**

**LIVE ONLY, RECORDING IS PROHIBITED**



# The Latin America US Real Estate Meeting

W SOUTH BEACH– November 29th & 30th, 2021

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A photograph of a colorful Art Deco building with orange and green accents, set against a clear blue sky with a palm tree frond visible in the upper left corner.

# The Latin America US Real Estate Meeting

W South Beach Miami, FL – November 29 & 30, 2021

Dear Colleague,

It is with great pleasure that I invite you to join us at the Fourth Annual Latin America US Real Estate Meeting during Art Basel week in Miami. This exclusive institutional gathering brings together the most important real estate investment vehicles, institutional allocators and private wealth investors that are actively investing and developing across the United States and Latin America. Over 250 of the leading US and Latin American based private equity real estate funds, institutional investors and other real estate professionals will come together to network and discuss investment opportunities, allocations, and the performance of all real estate related asset classes across these regions. It is our intention that this meeting will serve as a catalyst in generating increased cross border institutional real estate transactions between Latin America and the US in the years to come.

We look forward to hosting you in Miami.

Best,

Roy Carmo Salsinha

President, CEO

Carmo Companies





# Art Basel Week

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## What is Art Basel Miami?

First staged in 2002, Art Basel Miami is an annual art show held at Miami Beach. Art Basel stages three major fairs each year in Hong Kong, Basel Switzerland and Miami Beach. The event draws more than 4,000 artists from across the world and puts on over 250 galleries catering to the most exclusive art collectors, museums and curators. The event focuses on modern and contemporary art. The weekend of Art Basel has become one of the largest draws for Miami, with parties, satellite fairs and major events being held in conjunction with the show.

## When is Art Basel Miami?

Art Basel Miami Beach is held December 5, 2019, through December 8, 2019.

## Where is Art Basel Miami?

Art Basel Miami Beach 2019 is at the Miami Beach Convention Center, located at 1901 Convention Drive, Miami Beach. There are also private shows, film screenings and performances that take place throughout Miami Beach and surrounding Miami areas.

For more information, please visit [www.artbasel.com/miami-beach](http://www.artbasel.com/miami-beach)





# By the Numbers...

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**\$3** Trillion AUM in attendance

**250** Total participants

**100** Institutional & Private Wealth Investors

**50** Private Equity Real Estate Funds

**50** Institutional Real Estate Developers

**50** Leading Real Estate Service Professionals

**6** Industry Exclusive Panel Sessions

**5** Hours of Open Networking/Round Table Discussions

**1** day







# Covid Related Protocols

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The health and safety of our employees and attendees remain our top priority. We are working hard to make sure that we minimize risks related to the spread of COVID-19 to ensure a safe and comfortable experience for all guests. We will run in accordance with official government and local authority guidance, as well as any venue or location specific regulations.

- All attendees are required to provide \*proof of negative COVID-19 test
- Temperature check upon entry
- Modified room set up and seating arrangements
- Sanitation stations
- Limited touch food and beverage service

*\*Proof of negative test must be no more than 2 days before event*

**Health & Safety Advisory:** *If you have a fever, cough, shortness of breath, feeling unwell or suspect to have symptoms of COVID-19, please seek medical attention and do not attend the event.*



## C-Level Executives

# In Attendance...

---

- US Focused Private Equity Real Estate Funds
- US Focused Real Estate Developers (Institutional Quality)
- Hedge Funds
- North American based Pension Funds
- North American based Endowments
- North American based Foundations
- North American based Fund of Funds
- Sovereign Wealth Funds
- US based Family Offices, Multifamily Offices and Private Banks
- LATAM Family Offices, Multifamily Offices and Private Banks
- Latin American Pensions and Investment Consultants
- Miami and Latam Government officials
- Banks and Investment Banks
- Lawyers



# Previous Sponsors Have Included:

**Allen Matkins**  
CHALLENGE. OPPORTUNITY. SUCCESS.

**MENLO EQUITIES**



**C REEL** GARCÍA-CUÉLLAR  
AIZA Y ENRÍQUEZ



**CROW HOLDINGS**  
INDUSTRIAL

**LLOYD JONES**  
CAPITAL  
MULTIFAMILY INVESTMENT

**TCR**  
TRAMMELL CROW RESIDENTIAL



**O'DONNELL**



**GT** Greenberg  
Traurig

**RealCapitalIM**  
investment management



**ACCOR HOTELS**

**AREL**  
CAPITAL



**Hines**

**ARHMF** | Avila Rodriguez Hernandez  
Mena & Ferri LLP

**REDBRICK LMD**

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AND  
CASSEL**

**Baker  
McKenzie.**

**ALLAGISH**

**BOSTON ANDES**  
CAPITAL



**ONE**  
Real Estate Investment



**Belpointe REIT**  
The Opportunity Zone REIT



**PROSPECT CAPITAL**

**CliftonLarsonAllen**



**LDK**  
Ventures



**Tricap**  
**SheppardMullin**

**PRANA**  
INVESTMENTS  
SAN FRANCISCO  
LOS ANGELES  
AND NEW YORK

# Lead Sponsor



For over three decades, real estate development and investment firm Tricap has been exceeding projected returns for their co-investment partners across a variety of asset classes, groundbreaking and market-changing projects.

With the execution of prudent investment decisions against the backdrop of a creative business plan and capital structure implementation, Tricap seeks to create superior investment returns by identifying early-stage market opportunities and unique transactions.

Manhattan-based Tricap has developed and maintained an expansive portfolio of real estate holdings including hotel, office, retail and mixed-use properties in major metropolitan markets including New York City, Miami, Silicon Valley, Seattle and Las Vegas.

Tricap's passionate and devoted team of seasoned experts, led by David Edelstein, applies the core investment principles mirroring that of their founder and continues to differentiate themselves from their competitors while elevating the expectations of their partners and clients.





# Sponsors



Civitas Capital Group is a Dallas, Texas-based alternative asset firm that provides a range of products and services for institutional investors, family offices, and qualified individuals. The firm, which has more than \$1.7 billion of assets under management in more than 60 investments, focuses on compelling, niche investment strategies in U.S. real estate and lodging. Civitas was founded in 2009 by Daniel J. Healy and Rafael Anchia and has since attracted institutions and investors from 40+ countries. Civitas' core values, ever-deepening cultural competency, and a sense of global citizenship define the firm's purpose: to create opportunities that enrich communities, investors, and employees alike. For more information, visit [civitascapital.com](http://civitascapital.com).



Cobra Carmo Group is a vertically integrated, real estate development company delivering institutional quality, purpose-built residential rental communities within the four major metropolitan areas of Texas. Born in Mexico, Raised in Texas, Cobra Carmo is a joint venture between Mexico City based Cobra Development and New York based Carmo Companies. Together, the partners have developed and invested in over 5 million square feet of commercial and residential projects across North America.



Cobra Development ("CD") is a real estate development company dedicated to invest in commercial and residential real estate projects throughout Mexico, offering its investors an attractive risk adjusted return. Being development company allows us to optimize the development process reducing pre-development, construction and commercialization times. Our residential strategy focuses in the development of small to medium projects (4 to 100 units) in Mexico City and its metropolitan area catering to the growing middle class. Our commercial developments include mixed-use projects in major cities including retail, office and residential space.



Greenbridge is a full-service commercial real estate firm that specializes in ownership, property management, leasing, construction and turnaround of value-add and core plus properties. Partners Sean Hashem and Fareed Kanani established the firm in 2012 with a focus on purchasing underachieving projects with the highest potential of becoming "best in class" properties. For over 30 years, the expert team has worked together to apply its resources to the success and optimal repositioning of each asset purchased and has been dedicated to maintaining that standard of excellence. We are constantly looking for innovative yet practical ways of improving metrics of properties with a keen focus on operational effectiveness.



# Sponsors

Kingbird deploys capital on behalf of Grupo Ferré Rangel and third-party family offices and other investors. As a family office investor and partner with a fiduciary mindset, Kingbird understands the importance of institutional best practices and open communication and is focused on protection and capital growth. The Kingbird executive management team has over 60 years of real estate investment experience with first-tier public companies, institutional real estate funds and family offices. With a commitment to trust, transparency and aligned interests, Kingbird builds long-term value by investing in a diversified portfolio of carefully selected properties, guided by a highly disciplined investment process, an experienced team and collaboration with carefully-selected local operating partners.

Peninsula Alternative Real Estate invests in General Partner (GP) equity positions alongside leading developer operators in student and senior housing, as well as provides mezzanine debt to senior housing developers across the United States. GP equity investments provide more attractive returns than those received by limited partners in real estate funds with similar strategies. Student and Senior housing were the most resilient real estate sectors during the global financial crisis. In addition, Senior housing outperformed all other traditional real estate sectors for the past 10 years. Both sectors benefit from strong and growing demographics. Peninsula uses a disciplined investment strategy for selecting developers and projects to create value for its investors. The principals of Peninsula have committed 20% of the capital of its newly raised Fund. Peninsula currently has 17 investments in Florida, Georgia South Carolina, North Carolina, Alabama, Pennsylvania and Arizona.

At Quest Capital, we deliver a quality, professional service and maintain a personalized and dedicated treatment with all our investors. As an investment bank with more than 800 clients, we focus on the asset management, wealth management, corporate finance, and private equity areas. The Real Estate division of Quest Capital offers financial products that allow our clients to participate with successful returns in development, rental and value-add investments and Real Estate in Chile, USA, Peru and abroad. In addition, we identify with projects in which we invest with real estate managers of recognized experience in the industry. In each investment, the quantitative and qualitative variables of the business are methodologically analyzed, seeking a healthy balance between risk, and expected return. We have a strong team with excellent preparation and experience. In our Real Estate area, we manage assets of more than USD 400 million, and we can offer our clients, through different investment vehicles, the possibility of achieving a diversified portfolio for this asset class.

# Speakers

## Juan Fernando Valdivieso

Co-Founder/Managing Director, Peninsula Alternative Real Estate (Miami)

Mr. Valdivieso has been actively involved in real estate investing since 2004. Juan Fernando joined Peninsula in 2015 as Managing Director. At Peninsula, Juan Fernando is responsible for leading the firm's efforts in the US and Latin America in student and senior housing, in partnership with leading specialized developers. Prior to Peninsula, Juan Fernando founded and led various private equity, consulting and real estate companies, including Abu Dhabi Equity Partners, focused on investments in agribusiness and real estate in emerging markets, Gulf Housing Solutions, focused on staff and workforce housing in the UAE, Dubai Equity Partners, a US-based real estate investment company and Park Street Advisors, a boutique strategy consulting and private equity firm. Prior to that, Juan Fernando was a junior partner with McKinsey & Co. where he worked for 7 years. He earned his MBA from the MIT Sloan School of Management and his BA degrees in Economics & Business and International Affairs from Lafayette College. Juan Fernando was awarded the Wall Street Journal Achievement Award in Economics, as one of the top Economics undergraduates in the United States.

## Thomas Verbeken

Head of Real Estate Investments, Inversiones Marchigue (Santiago)

Thomas is Head of Real Estate at Inversiones Marchigue, a Chilean family office with important focus on real estate investments. In this position, Thomas is responsible for the co-investment, analysis and profitability valuation for all new real estate asset classes such as the development of residential and commercial real estate with local developers, direct real estate equity investment for rent and RE Investments funds, amongst others. Previously, Thomas has worked in MetLife Insurance Company on the Real Estate Investment production team and as Head of Real Estate Risk for more than 8 years, and also worked in development area of the regional shopping mall developer Parque Arauco. Thomas has Business Administration in Universidad Católica de Chile and has a Master in International Business Finance in Bournemouth University, UK. Thomas is also teacher on ESE Business School on its different Real Estate programs.

## Luis Raúl Solá, CPA, CCIM

Chief Operating Officer/Chief Financial Officer, Kingbird Investment Management (San Juan)

Mr. Solá has over 30 years experience in public accounting, finance and operations management. For the past 20 years, he has led and managed the operations of various business units for Grupo Ferré Rangel, specifically spearheading real estate portfolio operations, financial reporting and accounting. In this capacity, he provided leadership to position the subsidiaries at the forefront of their industries and markets. Mr. Solá developed strategic plans to advance and meet each respective company's growth objectives, including real estate development, property management, and asset management, while successfully driving revenue, and profitability. Mr. Solá joined Grupo Ferré Rangel in 1996, where he served as Director of Internal Audit for five years. He previously was a Senior Auditor with Price Waterhouse and an accountant with Procter & Gamble. As the Chief Financial Officer of Kingbird Investment Management, Mr. Solá is responsible for all financial functions including financial forecasting and budgets, tracking of financial goals and objectives, cash management and monitoring cash flow. Mr. Solá advises on long-term business and financial planning for business growth, assesses financial risk and opportunities, and oversees the preparation of financial reporting. He collaborates daily with asset management and investor relations and reporting and oversees the compliance function of the Registered Investment Advisor. As the Chief Operating Officer of Kingbird Investment Management, Mr. Solá is responsible for the ongoing business operations, portfolio oversight and asset management functions. He oversees the financial operations, including capital markets, debt placement, accounting, tax, budgetary, treasury and implementation of financial and risk management strategies. Mr. Solá is a key participant in execution of investment acquisitions and dispositions.

# Speakers



Shannon Bolton

Managing Director, StepStone Group (Peru)

Ms. Bolton is member of the business development team, focusing on the Andean region. Prior to joining StepStone, Ms. Bolton was the director at Capital Strategies Partners, a third party marketer and placement agency. Before that she worked in institutional sales at LarrainVial SA, Chile's largest investment bank. Ms. Bolton received a BS in business administration from Boston University School of Management.



Adam Lotterman

Co-founder and Co-CIO, Bluerock (Miami)



# Pre-Event Networking Cocktail

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Day 1- Monday, November 29<sup>th</sup>

**Sponsored by: TBD**

**When: Monday, November 29<sup>th</sup>**

**Where: TBD**

**Time: 6:00 p.m. EST – 8 p.m. EST**

**Who: Conference Attendees & Friends**



# Agenda Outline

**TUESDAY**  
**NOVEMBER 30<sup>TH</sup> – DAY 2**

**8:00 am EST**

## **Registration & Breakfast Networking**

Roy Salsinha, President, CEO, Carmo Companies

**9:00 am EST**

## **Opening Remarks**

Roy Salsinha, President, CEO, Carmo Companies

**9:05 am EST**

## **Keynote Speaker: A Look Into Miami's Growth**

Interviewer:

CEO/Partner/Managing Director, Web Meeting Sponsor

Speaker:

UHNWI or Mayor of Miami

**10:00 am EST**

## **A Latin American Investor Perspective**

Continual political uncertainty across Mexico, Chile, Peru, Colombia and Brazil has forced Latin American Family office investors to invest more in US Real Estate. On this session, investors from the region will discuss what is happening in their countries and their appetite for real estate investment in the US.

Moderator:

CEO/Partner/Managing Director, Web Meeting Sponsor

Panelists:

Thomas Verbeken, Head of Real Estate Investments, Inversiones Marchigue

Luis Raúl Solá, CPA, CCIM, Chief Operating Officer/Chief Financial Officer, Kingbird Investment Management

Shannon Bolton, Managing Director, StepStone Group



# Agenda Outline

**TUESDAY**  
**NOVEMBER 30<sup>TH</sup> – DAY 2**

**11:00 am EST**

## Morning Networking Break

**11:30 am EST**

## Panel- Alternative Real Estate Asset Classes

On this session, current fund managers and real estate investment groups discuss investment opportunities and the performance of Alternative real estate asset classes such as Senior Housing and Student Living. Has the pandemic's disruption created opportunity in this sector?

### Moderator:

CEO/Partner/Managing Director, **Web Meeting Sponsor**

### Panelists:

**Juan Fernando Valdivieso**, Co-Founder/Managing Director, **Peninsula Alternative Real Estate**

CIO/CEO/Managing Partner, Real Estate Investment Firm

CIO/CEO/Managing Partner, Real Estate Investment Firm

**12:30 pm EST**

## Panel-Light Industrial & Last Mile Logistics

COVID-19 has accelerated online retail shopping trends and investors of logistics related industrial properties have directly benefitted. As this trend continues, how much opportunity is there for growth and is there risk of over development in the sector? Our panelists of leading real estate investment groups discuss their perspectives in the sector.

### Moderator:

CEO/Partner/Managing Director, **Web Meeting Sponsor**

### Panelists:

**Adam Lotterman**, Co-founder and Co-CIO, **Bluerock**

CIO/CEO/Managing Partner, Real Estate Investment Firm

CIO/CEO/Managing Partner, Real Estate Investment Firm

**1:30 pm EST**

## Networking Luncheon





# Agenda Outline

**TUESDAY**  
**NOVEMBER 30<sup>TH</sup> – DAY 2**

**3:00 pm EDT**

## **Panel – Multifamily and Single Family Rental**

Cash flow is king when it comes to Latin American investor interest hence there is no question why the residential rental sector is of extreme interest to this group of LPs. Real Estate experts on this panel discuss the resiliency of this asset class throughout the pandemic, investment opportunities across the sun-belt states and the growth and institutionalization of the single family rental sector.

### **Moderator:**

CEO/Partner/Managing Director, **Web Meeting Sponsor**

### **Panelists:**

CIO/CEO/Managing Partner, Real Estate Investment Firm

CIO/CEO/Managing Partner, Real Estate Investment Firm

CIO/CEO/Managing Partner, Real Estate Investment Firm

**4:00 pm EDT**

## **Keynote Speaker: TBD**

### **Interviewer:**

CEO/Partner/Managing Director, **Web Meeting Sponsor**

### **Speaker:**

UHNWI or CIO

**5:00 pm EDT**

## **Closing Remarks and Networking**





# Participation Options : **OPTION A**

## STANDARD PASS:

- **Pass**
  - 1 pass to full conference, event cocktail hours and networking sessions.
- **Networking App Access**
  - 1 pass to event networking app for 1 week.

Early Bird: \$1,500 USD- ENDS October 29<sup>th</sup>

Pre-Registration: \$1,700 USD- ENDS November 12<sup>th</sup>

Standard: \$2,000 USD

## COMPLEMENTARY:

- We only invite Limited Partners at no cost. We qualify LPs as Public Pensions, Corporate Pensions, Pension Consultants, Foundations, Sovereign Wealth Funds, Endowments, Insurance Investors, Single Family Offices, Multi Family Offices, RIAs & UNWI Investors.

## Conditions:

- Carmo carefully vets all participants to make sure they fit the LP criteria
- Carmo has the right to refuse any participant from joining should they not meet the criteria
- If you raise external capital, you cannot join on a complimentary basis.



# Participation Options: **OPTION B**

## CAP INTRO SPONSORSHIP

- **Meeting Facilitation**
  - Select targeted LP/GP attendees from Event
  - Carmo will professionally introduce via email and help arrange one on one meetings at the event.
  - Carmo to put best effort of obtaining at least 10 LP/GP meetings with client and prospective LPs.
- **Passes**
  - 5 Company passes to full conference, event cocktail hours and networking sessions.
- **Networking App Access**
  - 5 Company passes to event networking app for 1 week.
- **Branding**
  - Sponsorship branding throughout meeting, agenda and marketing campaigns.
- **Attendee List**
  - Exclusive access to updated conference attendee list two weeks before the event.  
Attendee list includes companies, names, professional titles, profiles and specific attendee allocation information.

**\$12,500 USD**





# Participation Options: **OPTION C**

## SPEAKING SPONSORSHIP

- **Speaking Position**
  - Client may choose to speak, moderate or present on panel of choice at event of choice
- **Meeting Facilitation**
  - Select targeted LP/GP attendees from Event
  - Carmo will professionally introduce via email and help arrange one on one meetings at the event.
  - Carmo to put best effort of obtaining at least 10 LP/GP meetings with client and prospective LPs
- **Passes**
  - 5 Company passes to full conference, event cocktail hours and networking sessions.
- **Networking App Access**
  - 5 Company passes to event networking app for 1 week.
- **Branding**
  - Sponsorship branding throughout meeting, agenda and marketing campaigns.
- **Attendee List**
  - Exclusive access to updated conference attendee list two weeks before the event.  
Attendee list includes companies, names, professional titles, profiles and specific attendee allocation information.

**\$15,000 USD**





Carmo Companies is a New York based institutional capital introduction consulting firm and professional conference organizer. We work with the most reputable real estate and private equity related operating platforms to establish capital raising relationships with leading private equity funds, institutional investors and private wealth groups located in the Americas and emerging market countries.

## Contact Information

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# Thank You

49 Huntington Bay Road  
Huntington, NY 11743

[www.carmocompanies.com/connect](http://www.carmocompanies.com/connect)

October 5, 2021

TO: Each Trustee,  
Board of Investments

FOR: Board of Investments Meeting of October 13, 2021

SUBJECT: Oxford Impact Investing Program in Oxford, United Kingdom on  
January 31, 2022 – February 4, 2022

The Oxford Impact Measurement Program will be held in Oxford, United Kingdom on January 31, 2022 – February 4, 2022. The Oxford Scenarios Program will focus on developing business solutions to the world's most pressing social problems. During the program, Trustees will develop a deep and broad understanding of the impact investment sector and understand how to make more targeted investment decisions.

The main conference highlights include the following:

- Work Effectively as an Impact Investment Practitioner
- Develop an Effective Strategy and Plan
- Measure and Assess your Impact

**Registration:** \$7,500.00

**Airfare:** \$2,200 - \$4,000

**Hotel:** \$175.00 - \$250.00 per night excluding taxes  
and fees (7 nights)

**Ground Transportation:** \$260-300

**Daily Per Diem & Incidentals:** \$167  
(The Registration Fee Includes Most Meals)

**Approximate Cost Per Traveler:** \$12,400.00 to \$15,500.00

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

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

Approve attendance of Trustees at the Oxford Impact Investing Program on January 31, 2022 – February 4, 2022 in Oxford, United Kingdom and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.





# Oxford Impact Investing Programme

# Introduction

## Benefits

- Develop an impact investing strategy for your business
- Identify and execute deals that yield financial, social and environmental returns by studying innovative impact investments from around the world
- Improve your personal and organisational influence to develop the organisational infrastructure and culture to manage high-impact investment programmes
- Build cultural competency to encourage effective community engagement

## Quick facts



5 days in-person



23 countries represented



20 sectors represented



Innovative programme design

‘The OIIP continues to pay dividends and the amount keeps getting better, each year.’

**Sombo Muzata-Chunda**

PhD Candidate, Virginia Commonwealth University, Cohort: 2014



# Programme journey

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## Day One:

### Opening session

Get an overview of the impact investing ecosystem through the eyes of leaders in the field and dive into an experiential case study to apply leadership strategies for doing no harm.

## Day Two:

### Impact measurement and management

Recognise why and how IMM is integral to impact investing, situate contemporary IMM trends, tensions, and approaches and integrate IMM tools and practices in your impact investing strategy.

## Day Three:

### Impact investing in emerging economies

Walk through steps on deal making and see the theory of change applied to an actual investment and better understand how to implement your learnings to real life scenarios.

## Day Four:

### Impact bonds: policy and practice

Understand the structuring of an impact bond in detail and consider multiple stakeholder perspectives in building a contract.

## Day Five:

### Technology and impact investing

Discover how to evaluate technology enabled impact investments and how emerging technologies are being used to allocate impact investments and help investors measure impact.

# Core faculty

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**Gayle Peterson**

Programme Director and Associate Fellow

Gayle is co-founder of an international consultancy offering strategic guidance in leadership development, programme strategy, and impact measures to leading foundations, corporations, impact investors, governments, and intermediaries.



**Alex Nicholls**

Programme Director and Professor of Social Entrepreneurship

Alex is the first tenured professor in social entrepreneurship appointed at the University of Oxford. He is also a Tutorial Fellow and Member of the Governing Body at Harris Manchester College, University of Oxford, and in 2004, he was the first staff member of the Skoll Centre for Social Entrepreneurship for which he helped raise the funding.

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## Guest speakers

**Karim Harji**, Evalysis, Programme Director for Oxford Impact Measurement Programme and Associate Fellow, Saïd Business School

**Peter Hinton**, Associate Fellow, Summit Development Group

**Daniel Izzo**, Vox Capital

**Aunnie Patton Power**, Intelligent Impact, Associate Fellow, Saïd Business School and Programme Director for Oxford Impact Finance Innovations Programme

**Jenn Pryce**, Calvert Impact Capital



# Testimonial

*'I want to thank you all for organising a wonderful Impact Investment Programme. It's been a truly transformational week where we have learned a lot and are already working to apply the frameworks and the learning into impact investment practice. From pre-programme management to management to lecturers and guest lecturers, everyone added a great value to our learning curve and it deserves an appreciation. Quality of content, to the handling of logistics to the walking tour, everything was a class act.'*

**John Jesani**

Oxford Impact Investing Programme 2019

## Sectors



● Finance/Insurance	13%
● Financial Services	13%
● Investment Management	13%
● Extra-Territorial Organisations/NGOs/Charities	8%
● Education	5%
● Media/Entertainment/Arts	5%
● Non-Profit Organisation Management	5%
● Philanthropy	5%
● Banking	3%
● Civic and Social Organisation	3%
● Electronics/Computer Hardware/Software	3%
● Executive Office	3%
● Health, Wellness and Fitness	3%
● Hospital and Healthcare	3%
● Information Technology and Services	3%
● Investment Banking	3%
● Oil/Gas/Energy Producers	3%
● Professional Services/Consulting/Law	3%
● Think Tanks	3%
● Venture Capital and Private Equity	3%

## Nationalities



● British	17%
● American	13%
● Dutch	13%
● Chinese	6%
● Swedish	6%
● Australian	4%
● Ghanaian	4%
● Indian	4%
● Italian	4%
● Brazilian	2%
● Bulgarian	2%
● Colombian	2%
● French	2%
● German	2%
● Nigerian	2%
● Pakistani	2%
● Peruvian	2%
● Portuguese	2%
● Singaporean	2%
● South African	2%
● Spanish	2%
● Swiss	2%
● Turkish	2%



Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, but yet deeply embedded in an 800-year-old world-class university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

### **Taught Programmes**

- MBA
- Oxford 1+1 MBA
- Executive MBA
- MSc in Financial Economics
- MSc in Global Healthcare
- MSc in Major Programme Management
- MSc in Law and Finance
- Diploma in Artificial Intelligence for Business
- Diploma in Financial Strategy
- Diploma in Global Business
- Diploma in Organisational Leadership
- Diploma in Strategy and Innovation
- BA in Economics and Management

### **Research Programmes**

- DPhil Programme in Management Studies

### **Executive Education**

#### **Custom Executive Education**

- Bespoke learning solutions for organisations to help address critical business challenges and to drive change

#### **Leadership**

- Oxford Advanced Management and Leadership Programme
- Oxford Strategic Leadership Programme
- Oxford High Performance Leadership Programme
- Women Transforming Leadership Programme

#### **Finance**

- Oxford Impact Finance Innovations Programme
- Oxford Private Equity Programme
- Oxford Programme on Valuation of Private Assets
- Oxford Real Estate Programme
- Oxford Impact Investing Programme
- Oxford Social Finance Programme
- Oxford Impact Measurement Programme

#### **Strategy and Negotiation**

- Oxford Programme on Negotiation
- Oxford Networked Strategy Lab Programme
- Oxford Scenarios Programme
- Oxford Programme on Responsible Ownership

#### **Corporate Reputation and Marketing**

- Executive MSc in Change Leadership
- Corporate Affairs Academy
- Driving Disruptive Growth
- Delivering Value Through Digital
- Oxford Bank Governance Programme

#### **Online Programmes**

- Prepare for an ever-changing and uncertain future with our portfolio of online programmes, designed from Oxford research for a global audience.

Visit [www.sbs.oxford.edu/online](http://www.sbs.oxford.edu/online)

Saïd Business School  
University of Oxford  
Park End Street  
Oxford, OX1 1HP  
United Kingdom

[www.sbs.oxford.edu](http://www.sbs.oxford.edu)

All information is correct at the time of going to press. Please check our website for the most up-to-date information.

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September 28, 2021

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Alan J. Bernstein, Chair  
Board of Retirement

Keith Knox, Chair  
Board of Investments

FOR: October 6, 2021 Board of Retirement Meeting  
October 13, 2021 Board of Investments Meetings

SUBJECT: **Rotation of Board Officers**

## **RECOMMENDATION**

That the Board of Retirement (BOR) and the Board of Investments (BOI) provide feedback and approve the key terms that will serve as a template and basis for creating a policy to implement the selection of board officers through a seniority-based system; and direct the Chief Executive Officer and staff to prepare a final policy for implementation prior to the selection of Board officers by January 2022.

## **LEGAL AUTHORITY**

Pursuant to Article XVI, Section 17 of the California Constitution, the BOR and BOI have plenary authority and exclusive fiduciary responsibility for, respectively, the administration of the system and investment of system assets. The Boards may make policies related to the governance of their respective board operations.

Government Code Section 31525 provides that the BOR and BOI may make regulations that are not inconsistent with the County Employees Retirement Law of 1937 (CERL). The regulations become effective when approved by the Board of Supervisors.

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

The BOI Bylaws<sup>1</sup> provide that each January the BOI shall elect from its members a Chair, Vice Chair, and Secretary to serve for a term of one year or until his or her successor is duly elected and qualified.

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<sup>1</sup> The BOI Bylaws were updated and approved by the BOI on August 9, 2017. However, they have not been forwarded to and approved by the Board of Supervisors as provided under Government Code Section 31525. Note that the updated BOI Bylaws did not change the provisions on the election of board officers.

Fiduciary counsel advised that the formulation of a new board policy is sufficient to implement a new process for the selection of board officers without amending the BOR Regulations or the BOI Bylaws.

## **BACKGROUND**

The BOR and BOI each provide for a Chair, Vice Chair, and Secretary to serve as officers of the Board. The current process to determine board officers provides for elections to be held at each Board's first regular meeting in January with nominations submitted by any trustees during the board meeting.

At the BOR meeting on September 1, 2021 and at the BOI meeting on September 8, 2021, BOR Chair Alan J. Bernstein and BOI Chair Keith Knox, respectively, presented different options to potentially replace the current process of annual elections. Trustees from each board provided feedback on the various options. The general consensus favored a seniority-based system to determine the selection of board officers.

## **DISCUSSION**

This memo encapsulates the feedback by trustees from the prior meetings and outlines key terms of the new process that will serve as a template and basis for creating a policy to implement the selection of board officers through a seniority-based system.

This memo is being presented to the Board of Retirement at its meeting of October 6, 2021 and to the Board of Investments at its meeting of October 13, 2021 for further discussion and feedback on details of the various terms of the policy. A final version of the key terms will be presented to the Joint Board of Retirement and Board of Investments meeting on October 20, 2021. A selection policy for each Board will be drafted based on the final terms and presented to each Board for approval in November.

### *Seniority List*

For each position of Chair, Vice Chair, and Secretary in the BOR and BOI, a seniority list in descending order based on each trustee's years of board service shall be used to determine priority to serve as a board officer for a 1-year term. Given some concerns expressed by trustees regarding parity between Elected and Appointed trustees with respect to seniority, there are additional options that the Boards may consider in the formulation of the list, as discussed below.

[Comment: The feedback from trustees was that a seniority list based solely on years of service would initially skew the seniority list to the Elected trustees having most of the top spots on the list, and the skew could be perpetuated into later years if those Elected trustees who opted to serve as an officer begin accruing service anew earlier. Elected trustees tend to have longer tenure due to reelection as incumbents compared to Appointed trustees who do not get reappointed as often.]

### Gap Year for Appointed Trustees

If a single seniority list is to be used, one option to provide more parity between Elected and Appointed trustees is to count as service any 1-year gap between the appointments of Appointed trustees. For example, if an Appointed trustee has served a 3-year term and there is a 1-year gap before that trustee is again appointed for a 3-year term, the trustee would have 7 years of service instead of 6 years of service.

### Separate Seniority Lists of Elected and Appointed Trustees for Odd/Even Years

Another option to consider for providing parity is to have separate seniority lists for Elected and Appointed trustees. For this purpose, the Ex-Officio trustee will be considered an Appointed trustee. Additionally, odd or even years would determine which trustee group serves as Chair, Vice Chair, and Secretary.

For example, in Year 1 (an odd year), the Chair would be selected from the Elected list, the Vice Chair would be selected from the Appointed list, and the Secretary would be selected from the Elected list.

In Year Two (an even year), the Chair would come from the Appointed list, the Vice Chair from the Elected list, and the Secretary from the Appointed list.

[Comment: The alternating use of different group lists combined with alternating odd and even years should make the seniority list more reflective of how Elected versus Appointed trustees accrue seniority.]

### Years of Board Service

Each trustee's years of board service are based on service within that Board for which he or she may serve as an officer (i.e., trustees with service on both the BOR and BOI may not combine their service on both boards to determine seniority). The years of service are accumulated for a trustee's service on all board seats within that Board. The County Treasurer and Tax Collector's years of board service also includes the period in which he or she serves as Interim County Treasurer and Tax Collector.

[Comment: The feedback from trustees was that a trustee's service on the Board should be counted regardless of the seat on which that service was accrued. Some trustees have served in various combinations of Elected, Appointed, and Ex-Officio capacities.]

### Alternate Board Members

Staff and fiduciary counsel believe that there is a strong case under CERL that the alternate seventh and alternate retired members of the BOR are eligible to serve as board officers. The seniority list will include these alternate members since they generally attend meetings concurrently with the seventh and eighth members. However, the seniority list will not include the alternate Ex-Officio member, who does not regularly attend board meetings unless the Ex-Officio member is absent.

If the Chair is a board member whose absence invokes the voting rights of the alternate seventh or alternate retired board member, those alternate board members would serve as a voting member but not as Chair since under each Board's Charter the Vice Chair would serve in the absence of the Chair (assuming an alternate board member is not also serving as Vice Chair); moreover, the Secretary presides over a meeting in the absence of both the Chair and Vice Chair. An alternate member serving as an officer may not vote if his or her voting rights are not invoked by the absence of board members as specified in CERL.

#### Minimum Service Requirement

The Boards should consider whether it should be required or recommended that a trustee have at least 1 year of board service before being eligible to serve as an officer. The Boards should also consider whether a formal trustee training program be established to assist new trustees with their potential role on the Board as an officer.

[Comment: A minimum service requirement can avoid having new trustees with no prior experience on a LACERA board from taking on additional duties to serve as an officer. Trustees have various perspectives as to the length of the minimum service and whether it should be a requirement versus a recommendation.]

#### Term Limits

If a trustee opts to serve in an officer position, his or her years of service under that position is reset to zero and begins accruing anew.

- If a single seniority list is used under the gap year approach described above, it would not be possible for a trustee who served in an officer position to serve a consecutive term in that same position unless everyone else with more seniority decides to opt out of serving the following year.
- If separate seniority lists based on different trustee groups are used, it would not be possible for a trustee to serve consecutive terms in the same position since Elected and Appointed trustees would rotate over odd and even years.

#### Opting Out

A trustee who has seniority for a board officer position may opt out of serving under that position when offered the position.

Note that this opt-out constraint would not apply to a trustee who already opted to serve in another board officer position in a particular year. For example, a trustee who opted to serve as Chair and who also has seniority for the Vice Chair position is not opting out of service as Vice Chair. The Vice Chair position would be offered to the next most senior



trustee on that position's list, who may exercise an opt-out. (This issue would be moot if the Chair and Vice Chair are to be selected from different seniority groups.)

The Boards should consider whether there should be a limit as to how many times a trustee may opt out of service as an officer and whether their seniority would reset to zero after a certain number of times.

[Comment: The feedback from some trustees was that a trustee should not have an unlimited number of opt-outs, which would result in certain trustees indefinitely occupying the top spot on the seniority list and could induce gamesmanship.]

### Vacancies

If a trustee is unable to complete his or her term as a board officer, the trustee next in seniority would be provided the option to serve out the remainder of that term. A trustee who serves in the event of a vacancy should not have his or her years of service reset to zero due to this contingency. That trustee would also be eligible to hold office when he or she next has seniority to serve unless the Board provides a constraint based on the length of the incomplete term. For example, if the incomplete term is more than 9 months, then the trustee is not eligible to hold office the next time he or she is eligible; however, if the complete term is less than 9 months, then the trustee is eligible.

The Boards should consider whether there should be a constraint based on the length of the incomplete term of office as to whether the trustee can serve when his or her "regular turn comes up.

[Comment: Although vacancies were not discussed in the initial feedback, it is a contingency that should be accounted for. A constraint based on the length of the incomplete term may avoid the appearance that a trustee is serving consecutive terms. However, this should not be an issue if separate seniority lists based on trustee groups is used and the groups are rotated each year.]

### Implementation

If the Boards decide to adopt a new policy on the selection of board officers, the implementation of the process would cover the following stages.

- A seniority list (whether single or separate based on trustee groups) would be compiled. Staff would verify the years of service with each individual trustee to create an accurate list. This verification process should occur each year with sufficient time before January to resolve any discrepancies. The list would enumerate the years of service up to December of each year.
- As to when a trustee who has seniority to serve would be offered the opportunity to serve, there are two options.
- One, the offer and acceptance can take place before January through communication between staff and trustees outside of a public meeting. Staff would

start at the top of the list and offer the position until it is accepted. The new officers would then begin service at the January meeting.

- Two, with the seniority list having been verified, the process of offer and acceptance can take place at the public meeting in January.

**Summary of Key Terms to be Considered**

<b>Key Term</b>	<b>Decision</b>
Gap year for Appointed trustees: should the gap year be counted as 1 year of service?	Yes or No
Separate lists: should separate lists for Elected and Appointed trustees be used to determine seniority and, if so, should appointments from each list be made by alternating odd and even years?	Yes or No
Minimum service: should it be required or recommended that a trustee have at least 1 year of board service before being eligible to serve as an officer?	Requirement or Recommendation
Should a different number of years be considered?	Number of Years
Opting out: should a trustee be able to indefinitely opt out of serving as an officer?	Yes or No
If no, then how many times can they opt out?	Number of Times

**CONCLUSION**

The foregoing terms were formulated based on feedback from the BOR and BOI at their respective meetings in September 2021. Additional feedback from the Boards on these specific terms related to a seniority-based system of officer selection would provide the foundation for the drafting of a specific policy to implement this new process.

**IT IS THEREFORE RECOMMENDED THAT THE BOARDS** provide feedback and approve the key terms that will serve as a template and basis for creating a policy to implement the selection of board officers through a seniority-based system; and direct the Chief Executive Officer and staff to prepare a final policy for implementation prior to the selection of Board officers by January 2022.

Rotation of Board Officers  
Board of Retirement and Board of Investments  
September 28, 2021  
Page 7

cc: Santos H. Kreimann  
Luis Lugo  
JJ Popowich  
Laura Guglielmo  
Steven P. Rice  
Jonathan Gabel

**FOR INFORMATION ONLY**

September 22, 2021

TO: Trustees – Board of Investments

FROM: Scott Zdrazil   
Senior Investment Officer

FOR: October 13, 2021, Board of Investments Meeting

SUBJECT: **COUNCIL OF INSTITUTIONAL INVESTORS VOTING BALLOT**

Please find attached LACERA's ballot (**ATTACHMENT**) for the September 22, 2021, business meeting of the Council of Institutional Investors ("CII"), of which LACERA is a member.

CII members voted on four ballot items at the meeting, including approval of CII's annual budget and three modifications to CII policy on best governance standards which it uses for advocacy with companies and regulators. All voting items were approved. The policy revisions were:

1. Approve update on corporate board succession planning.  
This update adds the importance of considering board leadership in board succession planning to facilitate robust board refreshment and alignment with strategic goals.
2. Approve update on CEO succession planning.  
This update provides guidance on CEO succession planning to expand efforts to recruit and develop management talent, which includes creating a broad, diverse candidate pool.
3. Approve update on board's role in strategy and risk oversight.  
This update refines the role of the board in overseeing both strategy and risk, including but not limited to, human capital, supply chain, cybersecurity, and climate change.

Staff submitted LACERA's vote in advance of the vote deadline, consistent with *Corporate Governance and Stewardship Principles* guidance and in consultation with the Corporate Governance Committee Chair.

Attachment

Noted and Reviewed:



---

Jonathan Grabel  
Chief Investment Officer



As the business meeting will be held virtually, CII staff would appreciate receiving advance proxies on or before 5PM ET on Monday, September 20. Proxies may be emailed to [michael@cii.org](mailto:michael@cii.org) or submitted via DocuSign on request.

CII U.S. Asset Owner Members' 2021 Fall Conference Proxy

Date: September 16, 2021

CII Member (Organization/Fund Name): Los Angeles County Employees Retirement Association (LACERA)

Member Representative (Print Name & Signature): Scott Zdrazil

Please see the [Business Meeting Agenda and Supplemental Materials](#) for details on the ballot items.

**Ballot Item 1: Approve 2022 Budget**

(See Appendix 2 for details) X FOR \_\_\_\_\_ AGAINST \_\_\_\_\_ ABSTAIN

**Ballot Item 2: Approve update to Section 2.8a of CII Corporate Governance Policies on board succession planning**

(See Appendix 3 for details) X FOR \_\_\_\_\_ AGAINST \_\_\_\_\_ ABSTAIN

**Ballot Item 3: Approve update to Section 2.9 of CII Corporate Governance Policies on CEO succession planning**

(See Appendix 4 for details) X FOR \_\_\_\_\_ AGAINST \_\_\_\_\_ ABSTAIN

**Ballot Item 4: Approve update to Section 2.7 of CII Corporate Governance Policies regarding the board's role in strategy and risk oversight**

(See Appendix 5 for details) X FOR \_\_\_\_\_ AGAINST \_\_\_\_\_ ABSTAIN

*PLEASE NOTE: One vote per member organization. All ballots must be signed by a membership representative. U.S. Asset Owner Members may change their votes for business meeting action items at business meetings when they have previously submitted a proxy in advance of the meetings. A majority of U.S. Asset Owners 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.*

**FOR INFORMATION ONLY**

October 4, 2021

TO: Trustees,  
Board of Investments

FROM: Christine Roseland *CR*  
Senior Staff Counsel

FOR: October 13, 2021 Board of Investments Meeting

SUBJECT: **Legal Projects**

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of October 13, 2021.

Attachment

c: Santos H. Kreimann  
Luis A. Lugo  
Jonathan Grabel  
Esmeralda Del Bosque  
Vache Mahseredjian  
Jude Perez  
Jim Rice  
Christopher Wagner  
Steven Rice  
John Harrington  
Soo Park  
Margo McCabe  
Lisa Garcia



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




	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
HEDGE FUNDS	Innocap	Engagement Agreement	N/A	March 10, 2021	In Progress	90%	Legal negotiations in process.
	Brevan Howard Master Fund	Subscription	\$150,000,000	September 8, 2021	Completed	100%	Completed.
PRIVATE EQUITY	Stepstone Group, LLC	Agreement for Consulting Services	\$2,025,000	August 11, 2021	Completed	100%	Completed.
	Summit Partners Growth Equity XI, L.P.	Subscription	\$150,000,000	August 11, 2021	Completed	100%	Completed.
	Atlantic Street Capital V, L.P.	Subscription	\$150,000,000	September 8, 2021	In Progress	90%	Legal negotiations in process.
	STG Allegro, L.P.	Subscription	\$100,000,000	September 8, 2021	Completed	100%	Completed.
REAL ASSETS	AXIUM Infrastructure North America	Subscription	\$415,000,000	June 9, 2021	Completed	100%	Completed.
	Smart Infrastructure Capital Partners Fund, L.P.	Subscription	\$500,000,000	July 14, 2021	In Progress	10%	Legal negotiations in process.
	Orion Mine Finance Fund III, L.P.	Subscription	\$150,000,000	September 8, 2021	Completed	100%	Completed.
	Orion Mineral Royalty Fund I, L.P.	Subscription	\$100,000,000	September 8, 2021	Completed	100%	Completed.

**FOR INFORMATION ONLY**

September 27, 2021

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Barry W. Lew   
Legislative Affairs Officer

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

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring or on which LACERA has adopted a position.

**Reviewed and Approved:**



---

**Steven P. Rice, Chief Counsel**

**Attachments**

LACERA Legislative Report Index  
LACERA Legislative Report

cc: Santos H. Kreimann  
Luis Lugo  
JJ Popowich  
Laura Guglielmo  
Steven P. Rice  
Jon Gabel  
Tony Roda, Williams & Jensen  
Joe Ackler, Ackler & Associates



LACERA Legislative Report  
2021-22 Legislative Session  
Status as of September 27, 2021

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2021-22 Legislative Session  
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<b>PUBLIC RETIREMENT</b>	
CA AB 551	<p><b>AUTHOR:</b> Rodriguez [D] <b>TITLE:</b> Teachers' Retirement System: Individual Plans <b>INTRODUCED:</b> 02/10/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> Authorizes the State Teachers' Retirement System to administer an individual retirement plan as described in Section 408 of Title 26 of the United States Code. Eliminates the requirement that the administration of these plans be for the purpose of accepting a rollover from an annuity contract or custodial account offered by the system. <b>STATUS:</b> 06/03/2021 In ASSEMBLY. To Inactive File.</p>
CA AB 627	<p><b>AUTHOR:</b> Waldron [R] <b>TITLE:</b> Recognition of Tribal Court Orders: Retirement Plans <b>INTRODUCED:</b> 02/12/2021 <b>DISPOSITION:</b> Enacted <b>SUMMARY:</b> Establishes a procedure pursuant to which one or both of the parties to a tribal court proceeding may file an application for recognition of a tribal court order that establishes a right to child support, spousal support payments, or marital property rights to a spouse, former spouse, child, or other dependent of a participant in a retirement plan or other plan of deferred compensation, and that assigns all or a portion of the benefits payable with respect to the plan participant to an alternate payee. <b>STATUS:</b> 07/09/2021 Chaptered by Secretary of State. Chapter No. 2021-058</p>
CA AB 826	<p><b>AUTHOR:</b> Irwin [D] <b>TITLE:</b> Compensation and Compensation Earnable <b>INTRODUCED:</b> 02/16/2021 <b>LAST AMEND:</b> 08/31/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> Relates to the bill, which would apply only in Ventura County. Provides that compensation and compensation earnable include flexible benefits plan allowances paid by a county or a district on behalf of its employees as part of a cafeteria plan, as specified, if certain requirements are met. <b>STATUS:</b> 09/08/2021 In SENATE. From third reading. To Inactive File. <b>BOR_Position:</b> Watch 09/01/2021 <b>IBLC_Recommendation:</b> Watch 08/12/2021 <b>Staff_Recommendation:</b> Watch</p>
CA AB 1133	<p><b>AUTHOR:</b> Chen [R] <b>TITLE:</b> State Employee Hybrid Pension System <b>INTRODUCED:</b> 02/18/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> States the intent of the Legislature to enact legislation that would create a</p>

hybrid retirement benefit, consisting of a defined benefit pension and a defined contribution program, within the Public Employees' Retirement System, that state employees would have the option of electing.

**STATUS:**

02/18/2021 INTRODUCED.

CA AB 1293

**AUTHOR:** Cooley [D]  
**TITLE:** Judges' Retirement System II: Federal Law Limits  
**INTRODUCED:** 02/19/2021  
**LAST AMEND:** 07/06/2021  
**DISPOSITION:** Enacted  
**SUMMARY:**

Prohibits the amount payable to a member or a judge under the Legislators' Retirement System, the Judges' Retirement System, and the Judges' Retirement System II, including specified adjustments, from exceeding the federal limits on annual defined benefit plan payments and would incorporate specified provisions of federal law by reference. Requires the retirement allowance of specified judges to be increased to reflect adjustments to payment limits prescribed by federal law under certain circumstances.

**STATUS:**

09/24/2021 Signed by GOVERNOR.

CA SB 278

**AUTHOR:** Leyva [D]  
**TITLE:** PERS Disallowed Compensation Benefit Adjustments  
**INTRODUCED:** 01/29/2021  
**LAST AMEND:** 09/03/2021  
**DISPOSITION:** To Governor  
**SUMMARY:**

Establishes new procedures under Public Employees' Retirement Law (PERL) for cases in which the Public Employees' Retirement System determines that the benefits of a member or annuitant are, or would be, based on disallowed compensation that conflicts with the California Public Employees' Pension Reform Act and other specified laws and thus impermissible under PERL. Applies these procedures retroactively to determinations made on or after a specified date, under specified circumstances.

**STATUS:**

09/14/2021 \*\*\*\*\*To GOVERNOR.

CA SB 294

**AUTHOR:** Leyva [D]  
**TITLE:** Public Retirement: Leave of Absence: Service Credit  
**INTRODUCED:** 02/02/2021  
**LAST AMEND:** 06/14/2021  
**DISPOSITION:** To Governor  
**SUMMARY:**

Removes the 12-year limitation for service credit earned on a compensated leave of absence for purposes of service with an employee organization. States that this leave is in addition to any leave to which public employees may be entitled by other laws or by a memorandum of understanding or collective bargaining agreement.

**STATUS:**

08/30/2021 \*\*\*\*\*To GOVERNOR.

CA SB 634

**AUTHOR:** Labor, Public Employment & Retirement Cmt

**TITLE:** Public Employees' Retirement  
**INTRODUCED:** 02/19/2021  
**LAST AMEND:** 06/14/2021  
**DISPOSITION:** Enacted  
**SUMMARY:**

Applies the above-described requirements regarding signed applications and documents to the Cash Balance Benefit Program and the requirement that State Teachers' Retirement System pay certain Medicare Part A premiums; prohibits a member from purchasing service credit for any school year if the purchase would result in more than one year of service for that school year; deletes an obsolete cross-reference and would extend the requirement to return the total gross distribution amount.

**STATUS:**

09/16/2021 Chaptered by Secretary of State. Chapter No. 2021-186

**Comments:**

This is an omnibus bill that covers technical amendments for CalPERS, CalSTRS, and CERL retirement systems.

US HR 2954

**SPONSOR:** Neal [D]  
**TITLE:** Strong Retirement  
**INTRODUCED:** 05/04/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Secures a Strong Retirement Act of 2021.

**STATUS:**

05/04/2021 INTRODUCED.  
05/04/2021 To HOUSE Committee on WAYS AND MEANS.  
05/04/2021 To HOUSE Committee on FINANCIAL SERVICES.  
05/04/2021 To HOUSE Committee on EDUCATION AND LABOR.

**Comments:**

Would gradually raise the age for mandatory distributions to age 75 by 2032.

US S 1302

**SPONSOR:** Brown S [D]  
**TITLE:** Pension Offset  
**INTRODUCED:** 04/22/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Amends Title II of the Social Security Act to repeal the government pension offset and windfall elimination provisions.

**STATUS:**

04/22/2021 INTRODUCED.  
04/22/2021 In SENATE. Read second time.  
04/22/2021 To SENATE Committee on FINANCE.

**BOR\_Position:** Support 09/01/2021

**IBLC\_Recommendation:** Support 08/12/2021

**Staff\_Recommendation:** Support

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**PUBLIC INVESTMENT**

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CA AB 539

**AUTHOR:** Cooley [D]  
**TITLE:** State Teachers' Retirement: Investment Managers  
**INTRODUCED:** 02/10/2021  
**DISPOSITION:** To Governor  
**SUMMARY:**

Authorizes the Teachers' Retirement Board to contract with investment advisers upon the same finding by the Board and approval by the State Personnel Board. Authorizes the Board to establish a competitive bidding process and to specify the contract terms and conditions the Board solely deems necessary and prudent to contract with qualified investment managers and investment advisers.

**STATUS:**

09/16/2021 \*\*\*\*\*To GOVERNOR.

CA AB 890

**AUTHOR:** Cervantes [D]  
**TITLE:** Public Employee Retirement Systems: Reports  
**INTRODUCED:** 02/17/2021  
**LAST AMEND:** 05/24/2021  
**DISPOSITION:** To Governor  
**SUMMARY:**

Requires the Board of Administration of the Public Employees' Retirement System and the Teachers' Retirement Board to provide reports to the Legislature on the status of achieving objectives and initiatives, to be defined by the boards, regarding participation of emerging managers or diverse managers responsible for asset management within each retirement system's portfolio of investments.

**STATUS:**

09/01/2021 \*\*\*\*\*To GOVERNOR.

CA AB 1019

**AUTHOR:** Holden [D]  
**TITLE:** Public Employee Retirement Systems: Investments  
**INTRODUCED:** 02/18/2021  
**DISPOSITION:** Pending - Carryover  
**SUMMARY:**

prohibit state trust moneys from being used to make additional or new investments or to renew existing investments in investment vehicles issued or owned by the government of Turkey, unless the government adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims.

**STATUS:**

03/04/2021 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA SB 457

**AUTHOR:** Portantino [D]  
**TITLE:** Public Employee Retirement Systems: Investments  
**INTRODUCED:** 02/16/2021  
**DISPOSITION:** Pending - Carryover  
**SUMMARY:**

Requires the boards of administration of the Public Employees Retirement System and the State Teachers Retirement System to provide employers that are school districts and cities that participate in the systems an option to elect an investment portfolio that does not contain investment vehicles that are issued or owned by the government of the Republic of Turkey.

**STATUS:**

05/28/2021 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

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**RETIREMENT PERSONNEL**

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CA AB 761

**AUTHOR:** Chen [R]  
**TITLE:** County Employees' Retirement: Personnel: Orange County  
**INTRODUCED:** 02/16/2021  
**LAST AMEND:** 03/18/2021  
**DISPOSITION:** Enacted  
**SUMMARY:**

Authorizes the board of retirement for Orange County to appoint an administrator, assistant administrators, a chief investment officer, subordinate investment officers, senior management employees, legal counsel, and other specified employees. Provides that the personnel appointed pursuant to these provisions would not be county employees subject to county civil service and merit system rules, and instead would be employees of the retirement system.

**STATUS:**

06/28/2021 Signed by GOVERNOR.

06/28/2021 Chaptered by Secretary of State. Chapter No. 2021-026

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**PUBLIC EMPLOYMENT**

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CA AB 17

**AUTHOR:** Cooper [D]  
**TITLE:** Peace Officers: Disqualification from Employment  
**INTRODUCED:** 12/07/2020  
**LAST AMEND:** 01/12/2021  
**DISPOSITION:** Pending - Carryover  
**SUMMARY:**

Disqualifies a person from being a peace officer if the person has been discharged from the military for committing an offense that would have been a felony if committed in the state or if the person has been certified as a peace officer and has had that certification revoked by the Commission on Peace Officer Standards and Training.

**STATUS:**

01/12/2021 From ASSEMBLY Committee on PUBLIC SAFETY with author's amendments.

01/12/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC SAFETY.

CA AB 444

**AUTHOR:** Public Employment and Retirement Cmt  
**TITLE:** State and Local Employees: Pay Warrants: Designees  
**INTRODUCED:** 02/08/2021  
**DISPOSITION:** Enacted  
**SUMMARY:**

Relates to State and local employees. Prescribes a process by which an appointing power would issue a check directly to a designated person instead of delivering employee warrants to that person. Provides that upon sufficient proof of the designee's identity, the appointing power must endorse and deposit the warrant issued to a deceased employee back into the Treasury to the credit of the fund or appropriation upon which it was drawn, then issue a revolving fund check to the designated person.

**STATUS:**

07/09/2021 Chaptered by Secretary of State. Chapter No. 2021-055

**Comments:**

The SACRS Legislative Committee is considering a similar proposal that would clarify that a deceased member's last pension check may be issued to a corporation, trust, or estate.

CA AB 1354	<b>AUTHOR:</b> Grayson [D] <b>TITLE:</b> Public Employees' Retirement <b>INTRODUCED:</b> 02/19/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> <p>Makes nonsubstantive changes to provisions prohibiting a retired person from being employed by a public employer in the same public retirement system from which the retiree receives pension benefits without reinstatement from retirement into that system, subject to certain exceptions.</p> <b>STATUS:</b> 02/19/2021            INTRODUCED. <b>Comments:</b> This is a spot bill.
CA AB 1460	<b>AUTHOR:</b> Bigelow [R] <b>TITLE:</b> State Employment: COVID-19 Telework: Costs <b>INTRODUCED:</b> 02/19/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> <p>Authorizes the Department of Human Resources (CalHR) to provide a one-time payment of an unspecified amount to employees who have been required to telework as a result of the COVID-19 pandemic in order to offset costs associated with working remotely.</p> <b>STATUS:</b> 03/11/2021            To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
CA SB 411	<b>AUTHOR:</b> Cortese [D] <b>TITLE:</b> Public Employees' Retirement System <b>INTRODUCED:</b> 02/12/2021 <b>LAST AMEND:</b> 04/13/2021 <b>DISPOSITION:</b> Enacted <b>SUMMARY:</b> <p>Eliminates the requirement that a person employed without reinstatement in a manner other than authorized by PERL be reinstated, instead providing that reinstatement is permissive. Makes conforming changes and makes specific reference to the duties of employees and employers regarding reinstatement after retirement in violation of PEPR.</p> <b>STATUS:</b> 07/23/2021            Signed by GOVERNOR. 07/23/2021            Chaptered by Secretary of State.    Chapter No. 2021-136

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#### DISABILITY RETIREMENT

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CA AB 845	<b>AUTHOR:</b> Rodriguez [D] <b>TITLE:</b> Disability Retirement: COVID-19: Presumption <b>INTRODUCED:</b> 02/17/2021 <b>LAST AMEND:</b> 03/30/2021 <b>DISPOSITION:</b> Enacted <b>SUMMARY:</b> <p>Creates a presumption, applicable to the retirement systems that PEPR regulates and to specified members in those systems, that would be applied to disability retirements on the basis, in whole or in part, of a Coronavirus disease 2019-related illness. Requires that it be presumed the disability arose out of, or</p>
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in the course of, the member's employment.

**STATUS:**

07/23/2021 Signed by GOVERNOR.

07/23/2021 Chaptered by Secretary of State. Chapter No. 2021-122

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**WORKERS COMPENSATION**

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CA AB 334	<p><b>AUTHOR:</b> Mullin [D] <b>TITLE:</b> Workers Compensation: Skin Cancer <b>INTRODUCED:</b> 01/27/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> Relates to existing law which provides that skin cancer developing in active lifeguards, for purposes of workers' compensation, is presumed to arise out of and in the course of employment, unless the presumption is rebutted. Expands the scope of this provision to certain peace officers of the Department of Fish and Wildlife and the Department of Parks and Recreation. <b>STATUS:</b> 09/10/2021 In SENATE. From third reading. To Inactive File.</p>
CA AB 415	<p><b>AUTHOR:</b> Rivas R [D] <b>TITLE:</b> Employment: Workers' Compensation <b>INTRODUCED:</b> 02/03/2021 <b>LAST AMEND:</b> 02/12/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> Relates to workers' compensation. Defines injury for certain public employees regularly exposed to active fires or health hazards directly resulting from firefighting operations to include cancer that develops or manifests during a period of exposure to a known carcinogen while in public employment. Establishes a presumption that the cancer arose out of, and in the course of, employment, unless the presumption is controverted by evidence. <b>STATUS:</b> 02/12/2021 To ASSEMBLY Committee on INSURANCE. 02/12/2021 From ASSEMBLY Committee on INSURANCE with author's amendments. 02/12/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.</p>
CA AB 772	<p><b>AUTHOR:</b> Ramos [D] <b>TITLE:</b> Workers' Compensation: Medical Treatment <b>INTRODUCED:</b> 02/16/2021 <b>LAST AMEND:</b> 03/25/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> Clarifies that an employer is not limited in its ability to insure against an act of domestic terrorism or to provide benefits in excess of those required by existing law following an act of terrorism. Clarifies that when an employer approves a request for medical treatment from a treatment provider, without modification, the employer has completed utilization review under the law. <b>STATUS:</b> 03/25/2021 To ASSEMBLY Committee on INSURANCE. 03/25/2021 From ASSEMBLY Committee on INSURANCE with author's amendments.</p>



	03/25/2021	In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.
CA AB 872	<b>AUTHOR:</b> Wood [D] <b>TITLE:</b> Leave of Absence: Firefighters <b>INTRODUCED:</b> 02/17/2021 <b>LAST AMEND:</b> 09/03/2021 <b>DISPOSITION:</b> To Governor <b>SUMMARY:</b> <p>Makes enhanced industrial disability leave benefits for specified state employees employed by the Department of Forestry and Fire Protection applicable only to injuries that occur prior to a specified date. Provides that for injuries occurring on or after a specified date, specified benefits, such as one year of salary in lieu of disability payments, shall be available to all rank-and-file and supervisory firefighters and members of State Bargaining Unit 8 engaged in active fire suppression or prevention.</p>	
	09/20/2021	*****To GOVERNOR.
CA AB 991	<b>AUTHOR:</b> Ward [D] <b>TITLE:</b> Workers' Compensation: Presumed Injuries <b>INTRODUCED:</b> 02/18/2021 <b>LAST AMEND:</b> 03/11/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> <p>Expands presumptions for hernia, pneumonia, heart trouble, cancer, tuberculosis, bloodborne infectious disease, methicillin-resistant Staphylococcus aureus skin infection, and meningitis-related illnesses and injuries to a lifeguard employed on a year-round, full-time basis by the City of San Diego.</p>	
	03/11/2021	To ASSEMBLY Committee on INSURANCE.
	03/11/2021	From ASSEMBLY Committee on INSURANCE with author's amendments.
	03/11/2021	In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.
CA SB 213	<b>AUTHOR:</b> Cortese [D] <b>TITLE:</b> Workers' Compensation: Hospital Employees <b>INTRODUCED:</b> 01/12/2021 <b>LAST AMEND:</b> 03/04/2021 <b>DISPOSITION:</b> Pending - Carryover <b>SUMMARY:</b> <p>Defines injury, for a hospital employee who provides direct patient care in an acute care hospital, to include infectious diseases, cancer, musculoskeletal injuries, post-traumatic stress disorder, and respiratory diseases. Creates a rebuttable presumption that these injuries that develop or manifest in a hospital employee who provides direct patient care in an acute care hospital arose out of and in the course of the employment. Includes COVID-19 in the definitions of infectious and respiratory diseases.</p>	
	06/03/2021	In SENATE. Read third time. Failed to pass SENATE. (20-10)
	06/03/2021	In SENATE. Motion to reconsider.

	06/03/2021	In SENATE. Reconsideration granted.
	06/03/2021	In SENATE. To Inactive File.
CA SB 284	<b>AUTHOR:</b>	Stern [D]
	<b>TITLE:</b>	Workers' Compensation: Firefighters and Peace Officers
	<b>INTRODUCED:</b>	02/01/2021
	<b>LAST AMEND:</b>	08/30/2021
	<b>DISPOSITION:</b>	Pending - Carryover
	<b>SUMMARY:</b>	Relates to existing Law which provides that injury includes post-traumatic stress that develops during a period in which the injured person is in the service of the department or unit. Makes that provision applicable to active firefighting members of the State Department of State Hospitals, the State Department of Developmental Services, and the Military Department, and the Department of Veterans Affairs, including security officers of the Department of Justice when performing assigned duties.
	<b>STATUS:</b>	
	08/30/2021	In ASSEMBLY. Read second time and amended. To second reading.
	08/30/2021	In ASSEMBLY. To Inactive File.
CA SB 335	<b>AUTHOR:</b>	Cortese [D]
	<b>TITLE:</b>	Workers' Compensation: Liability
	<b>INTRODUCED:</b>	02/08/2021
	<b>LAST AMEND:</b>	03/10/2021
	<b>DISPOSITION:</b>	Pending - Carryover
	<b>SUMMARY:</b>	Reduces the time periods after the date the claim form is filed with an employer in which the injury is presumed compensable and the presumption is rebuttable only by evidence discovered subsequent to the time period for certain injuries or illnesses, including hernia, heart trouble, pneumonia, or tuberculosis, among others, sustained in the course of employment of a specified member of law enforcement or a specified first responder.
	<b>STATUS:</b>	
	07/13/2021	In ASSEMBLY Committee on INSURANCE: Failed passage.
CA SB 788	<b>AUTHOR:</b>	Bradford [D]
	<b>TITLE:</b>	Workers' Compensation: Risk Factors
	<b>INTRODUCED:</b>	02/19/2021
	<b>LAST AMEND:</b>	06/17/2021
	<b>DISPOSITION:</b>	To Governor
	<b>SUMMARY:</b>	Prohibits consideration of race, religious creed, color, national origin, gender, marital status, sex, sexual identity, or sexual orientation to determine the approximate percentage of the permanent disability caused by other factors. Expresses the Legislature's intent to eliminate bias and discrimination in the workers' compensation system.
	<b>STATUS:</b>	
	09/09/2021	*****To GOVERNOR.

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#### BROWN ACT

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CA AB 339	<b>AUTHOR:</b>	Lee [D]
	<b>TITLE:</b>	Local Government: Open and Public Meetings

**INTRODUCED:** 01/28/2021  
**LAST AMEND:** 09/03/2021  
**DISPOSITION:** To Governor  
**SUMMARY:**

Requires local agencies to conduct meetings subject to Ralph M. Brown Act consistent with applicable state and federal civil rights laws. Requires all open and public meetings to include an in person public comment opportunity, except in specified circumstances during a declared state or local emergency. Requires all meetings to provide the public with an opportunity to comment on proposed legislation in person and remotely via a telephonic or an internet based service option.

**STATUS:**

09/20/2021 \*\*\*\*\*To GOVERNOR.

CA AB 361

**AUTHOR:** Rivas R [D]  
**TITLE:** Open Meetings: State and Local Agencies: Teleconference  
**INTRODUCED:** 02/01/2021  
**LAST AMEND:** 09/03/2021  
**DISPOSITION:** Enacted  
**SUMMARY:**

Authorizes a local agency to use teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act when a legislative body of a local agency holds a meeting during a declared state of emergency, when state or local health officials have imposed or recommended measures to promote social distancing during a proclaimed state of emergency, provided certain requirements are met. Prohibits the closing of the public comment period.

**STATUS:**

09/16/2021 Chaptered by Secretary of State. Chapter No. 2021-165

CA AB 703

**AUTHOR:** Rubio [D]  
**TITLE:** Open Meetings: Local Agencies: Teleconferences  
**INTRODUCED:** 02/12/2021  
**LAST AMEND:** 04/29/2021  
**DISPOSITION:** Pending - Carryover  
**SUMMARY:**

Removes the requirements of the Ralph M. Brown Act particular to teleconferencing and allows for teleconferencing subject to existing provisions regarding the posting of notice of an agenda and the ability of the public to observe the meeting and provide public comment.

**STATUS:**

04/29/2021 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.

04/29/2021 In ASSEMBLY. Read second time and amended.  
Re-referred to Committee on LOCAL GOVERNMENT.

**Comments:**

According to SACRS lobbyists, this will be a two-year bill and not taken up in 2021.

CA SB 274

**AUTHOR:** Wieckowski [D]  
**TITLE:** Local Government Meetings: Agenda and Documents  
**INTRODUCED:** 01/29/2021  
**LAST AMEND:** 04/05/2021

**DISPOSITION:** To Governor

**SUMMARY:**

Requires a local agency with an internet website, or its designee, to email a copy of, or website link to, the agenda or a copy of all the documents constituting the agenda packet if the person requests that the items be delivered by email. Requires the legislative body or its designee to send by mail a copy of the agenda or a website link to the agenda and to email a copy of all other documents constituting the agenda packet, if specified criteria or circumstances are met.

**STATUS:**

08/30/2021 \*\*\*\*\*To GOVERNOR.

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**PUBLIC RECORDS ACT**

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CA AB 343	<b>AUTHOR:</b>	Fong [R]
	<b>TITLE:</b>	California Public Records Act Ombudsperson
	<b>INTRODUCED:</b>	01/28/2021
	<b>LAST AMEND:</b>	05/24/2021
	<b>DISPOSITION:</b>	Pending - Carryover
	<b>SUMMARY:</b>	Establishes, within the California State Auditor's Office, the California Public Records Act Ombudsperson. Requires the California State Auditor to appoint the Ombudsperson subject to certain requirements. Requires the Ombudsperson to receive and investigate requests for review, determine whether the denials of original requests complied with the California Public Records Act, and issue written opinions of its determination.
	<b>STATUS:</b>	
	06/09/2021	To SENATE Committees on JUDICIARY and GOVERNMENTAL ORGANIZATION.
CA AB 386	<b>AUTHOR:</b>	Cooper [D]
	<b>TITLE:</b>	Public Employees Retirement: Investments: Confidential
	<b>INTRODUCED:</b>	02/02/2021
	<b>LAST AMEND:</b>	06/29/2021
	<b>DISPOSITION:</b>	Pending - Carryover
	<b>SUMMARY:</b>	Exempts from disclosure under the California Public Records Act specified records regarding an internally managed private loan made directly by the Public Employees' Retirement Fund. Provides that these records would include quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. Prescribes specified exceptions to this exemption from disclosure.
	<b>STATUS:</b>	
	07/13/2021	In SENATE Committee on JUDICIARY: Failed passage.
	07/13/2021	In SENATE Committee on JUDICIARY: Reconsideration granted.
CA AB 473	<b>AUTHOR:</b>	Chau [D]
	<b>TITLE:</b>	California Public Records Act
	<b>INTRODUCED:</b>	02/08/2021
	<b>LAST AMEND:</b>	08/16/2021
	<b>DISPOSITION:</b>	To Governor
	<b>SUMMARY:</b>	

Recodifies and reorganizes the provisions of the act. The bill would include provisions to govern the effect of recodification and states that the bill is intended to be entirely nonsubstantive in effect. The bill would contain related legislative findings and declarations. The bill would become operative on a specified date.

**STATUS:**

09/08/2021 \*\*\*\*\*To GOVERNOR.

CA AB 474

**AUTHOR:** Chau [D]  
**TITLE:** California Public Records Act: Conforming Revisions  
**INTRODUCED:** 02/08/2021  
**LAST AMEND:** 08/16/2021  
**DISPOSITION:** To Governor  
**SUMMARY:**

Enacts various conforming and technical changes related to another bill, AB 473, which recodifies and reorganizes the California Public Records Act.

**STATUS:**

09/09/2021 \*\*\*\*\*To GOVERNOR.

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**SOCIAL SECURITY**

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CA AJR 9

**AUTHOR:** Cooper [D]  
**TITLE:** Social Security  
**INTRODUCED:** 03/01/2021  
**DISPOSITION:** Adopted  
**SUMMARY:**

Requests the Congress of the United States to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.

**STATUS:**

07/15/2021 Chaptered by Secretary of State.  
 07/15/2021 Resolution Chapter No. 2021-078  
**BOR\_Position:** Support 05/05/2021  
**IBLC\_Recommendation:** Support 04/15/2021  
**Staff\_Recommendation:** Support

US HR 82

**SPONSOR:** Davis R [R]  
**TITLE:** Government Pension Offset Repeal  
**INTRODUCED:** 01/04/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Amends the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

**STATUS:**

01/04/2021 INTRODUCED.  
 01/04/2021 To HOUSE Committee on WAYS AND MEANS.  
**BOR\_Position:** Support 05/05/2021  
**IBLC\_Recommendation:** Support 04/15/2021  
**Staff\_Recommendation:** Support

US HR 2337

**SPONSOR:** Neal [D]  
**TITLE:** Noncovered Employment  
**INTRODUCED:** 04/01/2021  
**DISPOSITION:** Pending

**SUMMARY:**

Amends Title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

**STATUS:**

04/01/2021 INTRODUCED.

04/01/2021 To HOUSE Committee on WAYS AND MEANS.

**BOR\_Position:** Support 09/01/2021

**IBLC\_Recommendation:** Support 08/12/2021

**Staff\_Recommendation:** Support

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**HEALTHCARE**


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CA AB 1092

**AUTHOR:**

Mayes [R]

**TITLE:**

Public Employees' Retirement: Health Benefits

**INTRODUCED:**

02/18/2021

**LAST AMEND:**

04/26/2021

**DISPOSITION:**

Pending - Carryover

**SUMMARY:**

Precludes a person who has retired under PERS and who obtains work with a subsequent employer from receiving any health benefits offered under PEMHCA if the person's subsequent employer offers health care coverage that provides reasonably comparable benefits. Prohibits, among other things, employees, annuitants, and family members who become eligible to enroll on or after a specified date in Part A and Part B of Medicare from being enrolled in a basic health benefit plan.

**STATUS:**

04/26/2021 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

04/26/2021 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

CA AB 1400

**AUTHOR:**

Kalra [D]

**TITLE:**

Guaranteed Health Care for All

**INTRODUCED:**

02/19/2021

**DISPOSITION:**

Pending - Carryover

**SUMMARY:**

Creates the Guaranteed Health Care for All Program, or CalCare, to provide comprehensive universal single-payer health care coverage and a health care cost control system for the benefit of all residents of the state. Provides that CalCare cover a wide range of medical benefits and other services and would incorporate the health care benefits and standards of other existing federal and state provisions. Creates the CalCare Board to govern CalCare, made up of 9 voting members.

**STATUS:**

02/19/2021 INTRODUCED.

US HR 4148

**SPONSOR:**

Malinowski [D]

**TITLE:**

First Responders Medicare Option

**INTRODUCED:**

06/24/2021

**DISPOSITION:**

Pending

**SUMMARY:**

Amends Title XVIII of the Social Security Act to provide an option for first

responders age 50 to 64 who are separated from service due to retirement or disability to buy into Medicare.

**STATUS:**

06/24/2021 INTRODUCED.

06/24/2021 To HOUSE Committee on WAYS AND MEANS.

06/24/2021 To HOUSE Committee on ENERGY AND COMMERCE.

US S 2236

**SPONSOR:** Brown S [D]

**TITLE:** Medicare Buy In Option for First Responders

**INTRODUCED:** 06/24/2021

**DISPOSITION:** Pending

**SUMMARY:**

Amends Title XVIII of the Social Security Act to provide an option for first responders age 50 to 64 who are separated from service due to retirement or disability to buy into Medicare.

**STATUS:**

06/24/2021 INTRODUCED.

06/24/2021 In SENATE. Read second time.

06/24/2021 To SENATE Committee on FINANCE.

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**FOR INFORMATION ONLY**

September 22, 2021

TO: Each Trustee  
Board of Retirement  
Board of Investments


FROM: Ted Granger   
Interim Chief Financial Officer

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

SUBJECT: **MONTHLY TRAVEL & EDUCATION REPORT – AUGUST 2021**

Attached, for your review, is the Trustee Travel & Education Report. This report includes all events (i.e., attended and canceled) from the beginning of the fiscal year through August 2021. Staff travel and education is not included in this report and will be reported to the Chief Executive Officer separately.

REVIEWED AND APPROVED:



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Santos H. Kreimann  
Chief Executive Officer

TG/EW/krh

Attachments

c: L. Lugo  
J. Popowich  
L. Guglielmo  
J. Grabel  
S. Rice  
R. Van Nortrick



**TRUSTEE TRAVEL AND EDUCATION  
REPORT FOR FISCAL YEAR 2021 - 2022  
AUGUST 2021**

Attendee Purpose of Travel - Location			Event Dates	Travel Status
<b>Alan Bernstein</b>				
A	1	Edu - NCPERS 2021 Public Pension Funding Forum - New York, NY	08/22/2021 - 08/24/2021	Attended
<b>Vivian Gray</b>				
A	1	Edu - NCPERS 2021 Public Pension Funding Forum - New York, NY	08/22/2021 - 08/24/2021	Attended
<b>Patrick Jones</b>				
V	-	Edu -SACRS Public Pension Investment Management Program - VIRTUAL	07/13/2021 - 07/22/2021	Attended
<b>Joseph Kelly</b>				
V	-	Edu -SACRS Public Pension Investment Management Program - VIRTUAL	07/13/2021 - 07/22/2021	Attended
<b>Keith Knox</b>				
V	-	Edu - Harvard Business School Audit Committees In A New Era of Governance - VIRTUAL	07/21/2021 - 07/23/2021	Attended
<b>Herman Santos</b>				
A	1	Edu - NCPERS 2021 Public Pension Funding Forum - New York, NY	08/22/2021 - 08/24/2021	Attended
V	-	Edu - PPI Roundtable - July 2021 - VIRTUAL	07/13/2021 - 07/15/2021	Attended

Category Legend:

A - Pre-Approved/Board Approved

B - Educational Conferences and Administrative Meetings in CA where total cost is no more than \$2,000 per Trustee Travel Policy; Section III.A

C - Second of two conferences and/or meetings counted as one conference per Trustee Education Policy Section IV.C.2 and Trustee Travel Policy Section IV.

V – Virtual Event

X - Canceled events for which expenses have been incurred.

Z - Trip was Canceled - Balance of \$0.00

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

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



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Pasadena, CA 91101**

October 1, 2021

TO: Trustees – Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

FOR: October 13, 2021, Board of Investments Offsite Meeting

SUBJECT: **BOARD OF INVESTMENTS OFFSITE MEETING DETAILS**

Please find attached the discussion deck for the October 13, 2021, Board of Investments (“BOI”) Offsite meeting (**ATTACHMENT**). As discussed at the June 2021 BOI meeting, this year’s offsite focuses on reviewing the Investments Division’s strategic initiatives with an aim of taking stock of progress made to date, identifying any requisite course corrections, and informing refinements to further evolve LACERA under the theme of “**Allocator to *Best-In-Class* Investor.**”

### **AGENDA OUTLINE**

The offsite materials and discussion are organized as presented below. Results from a recent survey of LACERA Trustees have been incorporated and inform each section.

**Introduction:** A brief overview of LACERA’s recent strategies to evolve from “Allocator to Investor,” as initially adopted in 2018.

**Review and Discussion of Each Strategic Pillar:** The five pillars currently comprising the Investments Division’s “Allocator to Investor” strategic initiatives and work plan (as reviewed with the Board each January) will be discussed, including a summary of key accomplishments, ongoing efforts, and notable developments that inform prospective future steps and aspirations.

- Enhancing LACERA’s operational effectiveness.
- Optimizing our investment model.
- Maximizing our stewardship and ownership rights.
- Strengthening the fund’s influence on fees and cost of capital.
- Implementing LACERA’s comprehensive “Towards Inclusion, Diversity, and Equity” initiative throughout the investment program (added through further planning in 2021).

**Peer Evaluation:** To help inform how LACERA might define “best-in-class,” LACERA’s general investment consultant—Meketa Investment Group—has contributed and incorporated content into the slide deck to highlight and guide discussion of investment models and practices at other public pension plans.

**Geographic Exposure:** Trustees will also review LACERA’s current geographic exposures and research of market opportunities, as contributed and incorporated into the consolidated slide deck by the Board’s consultants, Albourne and Stepstone.

Trustees – Board of Investments

October 1, 2021

Page 2 of 2

Trustee feedback and insight during the offsite will help identify opportunities to enhance strategic initiatives and refine the Investment Division's work plan, to be presented for BOI approval at a subsequent meeting. Trustee input will also inform strategic planning underway for the full agency.

Attachment

# Offsite 2021

## Allocator to Best-In-Class Investor

Board of Investments - Offsite

October 13, 2021

Investments Division



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

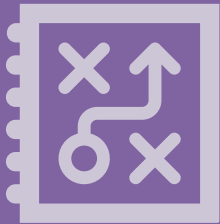


# Discussion Outline

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- I. Introduction and Path to Best-In-Class Investor
- II. Strategic Initiatives
  - Enhance Operational Effectiveness
  - Optimize Investment Model
  - Maximize Stewardship and Ownership Rights
  - Strengthen Influence on Fees and Cost of Capital
  - LACERA T.I.D.E. (Towards Inclusion, Diversity, and Equity)
- III. Peer Evaluation – Meketa Investment Group
- IV. Geographic Exposure – Albourne Partners and StepStone Group
- V. Conclusion

# Today's Objectives



Evaluate progress  
of strategic  
initiatives



Solicit Trustee  
input on potential  
modifications



Identify “best-in-  
class” aspirations

**Inform future strategic planning efforts**

# Introduction and Path to Best-In-Class Investor

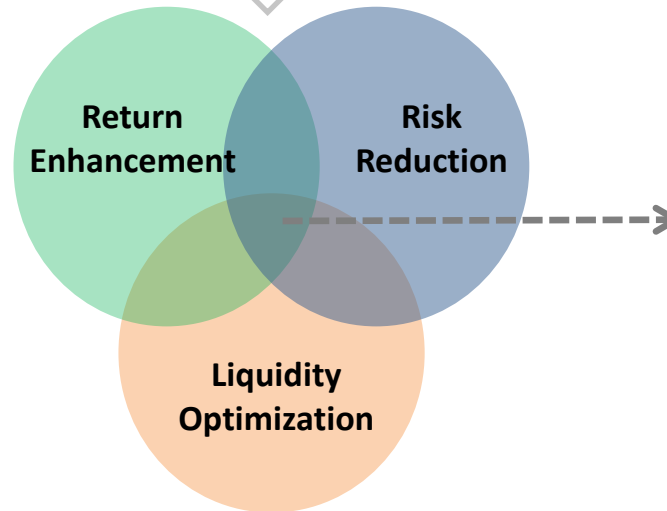


# Strategic Objective and Initiatives

Objective



Execute Strategic Asset Allocation  
*while balancing...*



Produce,  
Protect, and  
Provide the  
Promised  
Benefits

Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.

Allocator to  
“Best-In-Class” Investor

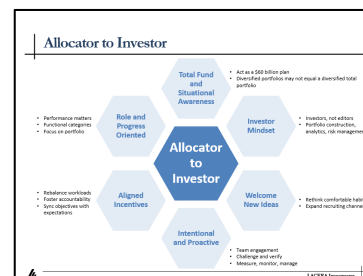
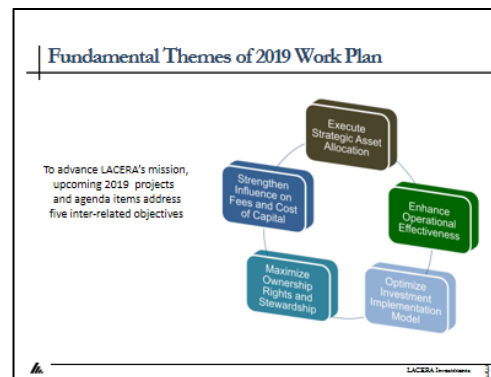
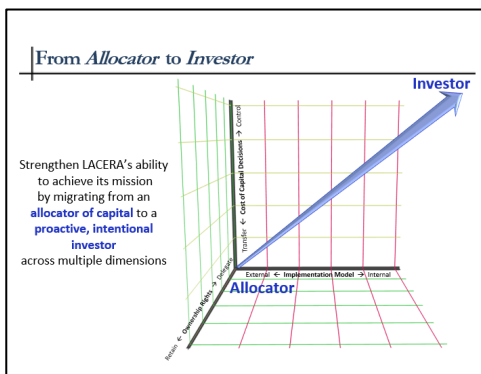
# “Allocator to Investor” Evolution

- Beginning with a Board survey at the 2018 July BOI offsite, LACERA began conceptualizing how to evolve from an *allocator of capital* to an engaged, multi-dimensional *investor* in order to strengthen LACERA’s ability to fulfill its mission
- Subsequent BOI offsites, meetings, and annual work plans have expanded LACERA’s definition and have included strategic initiatives and projects to help aid its evolution

## 3-D Chart and Suitcases (Inspired by July ‘18 Offsite)

## Honeycomb (July ‘19 Offsite)

## Lenses\* (Jan ‘20 Workplan)



\* LACERA T.I.D.E. initiative was added in 2021

# Recent Progress from Allocator to Investor

## Maximize Stewardship and Ownership Rights

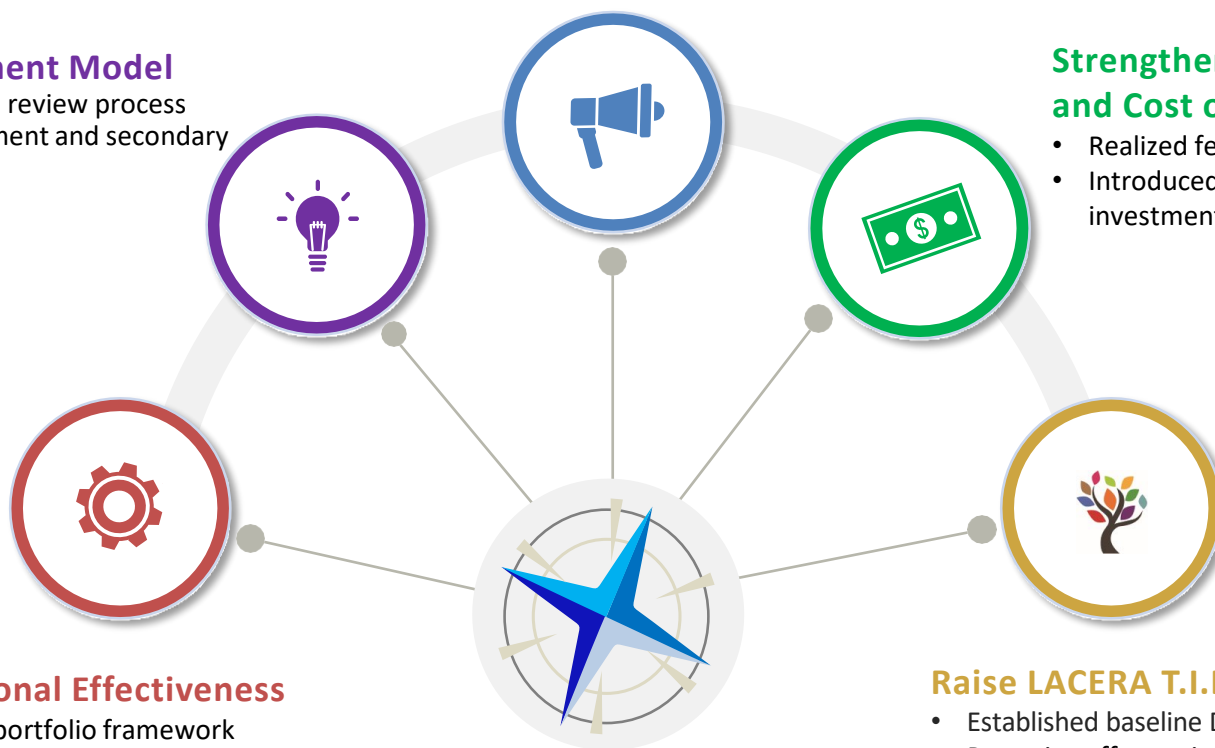
- ESG assessments of all investment mandates
- Active engagement initiatives

## Optimize Investment Model

- Formalized structure review process
- Expanded co-investment and secondary programs

## Strengthen Influence on Fees and Cost of Capital

- Realized fee savings across portfolio
- Introduced revenue share investment models



## Enhance Operational Effectiveness

- Adopted functional portfolio framework
- Onboarded total Fund performance provider, comprehensive risk system and real estate administrator

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

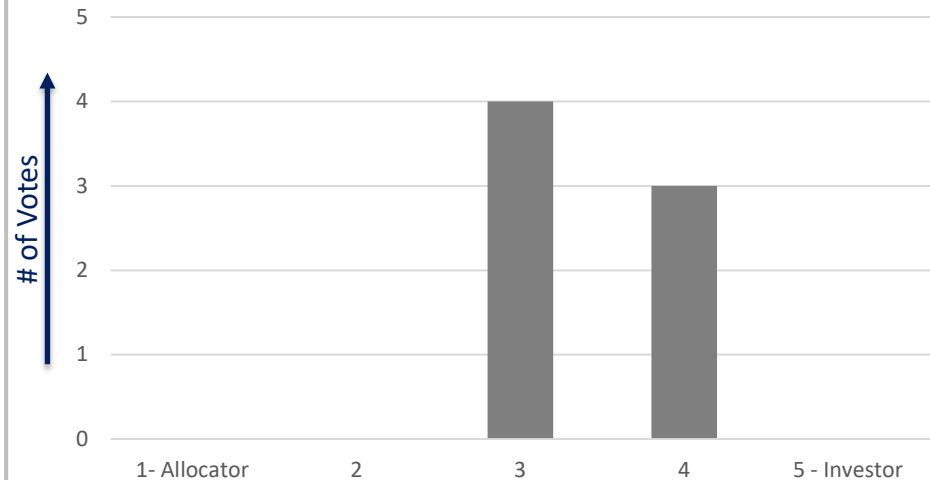
- Established baseline DEI metrics on partners
- Proactive effort to influence managers

## Allocator to Best-In-Class Investor

### Survey Question 1:

On a scale of 1 to 5 (1 = allocator and 5 = investor), where do you think LACERA is on its progress of moving from being an allocator that is passive and delegates investment decisions to external managers, to being an investor that is engaged, intentional and proactive in all stages of its investment processes?

### Results:



### Discussion Points

- Survey results indicate that progress has been made in our journey from Allocator to Investor, but there is opportunity for continued advancement in the coming years
- Flexibility and adaptability are critical to the evolution from Allocator to Investor

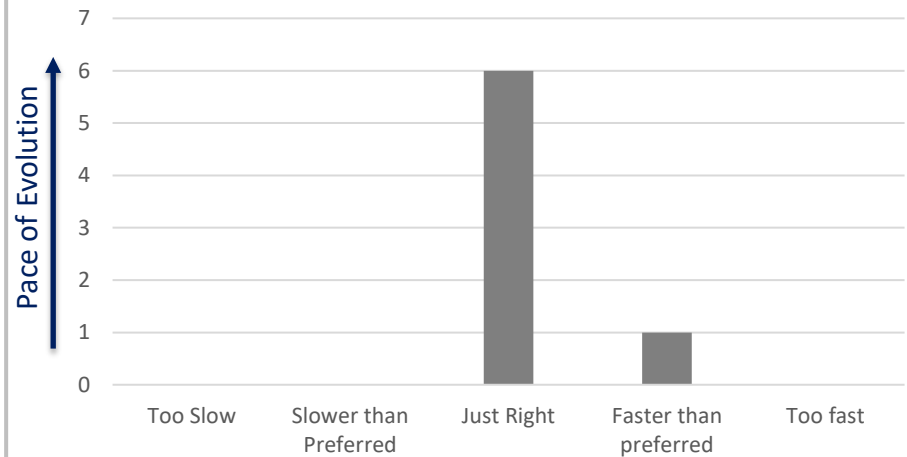
## Allocator to Best-In-Class Investor

### Survey Question 2:

LACERA's portfolio implementation has and likely will continue to evolve over time while considering overall objectives, strategic initiatives, market conditions, Board actions, and fund size. Which of the following options best describes LACERA's pace of evolution in recent years?

- A. Too slow
- B. Slower than preferred
- C. Just right
- D. Faster than preferred
- E. Too fast

### Results:



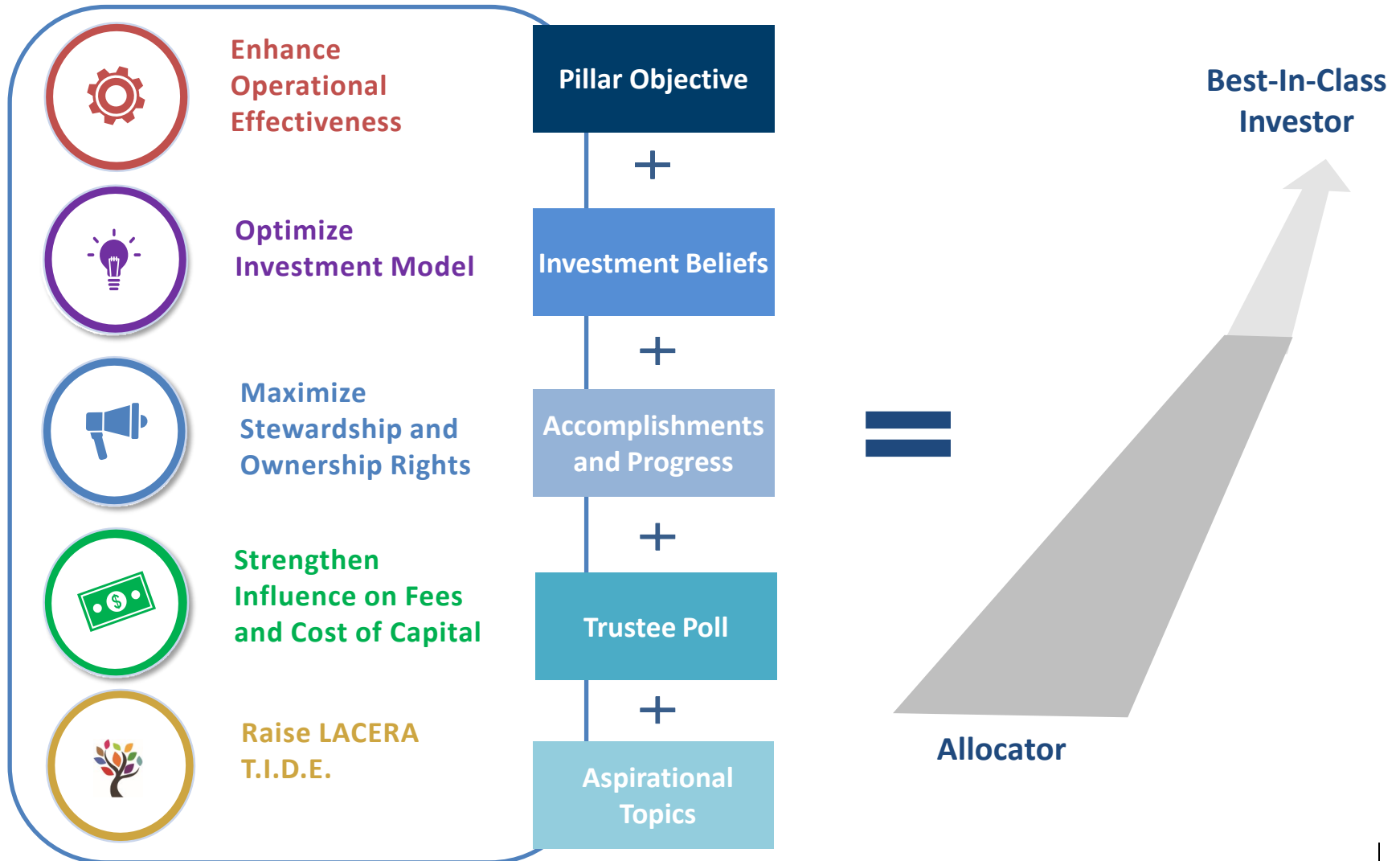
### Discussion Points

- Multi-dimensional journey reflects a calculated investment process that is evolving, mostly, at a suitable pace
- Pace of evolution is grounded by mission to members



# Allocator to Best-In-Class Investor Roadmap

Today's discussion of each of the five strategic initiatives will cover these areas and incorporate multiple views



# Strategic Initiatives



# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



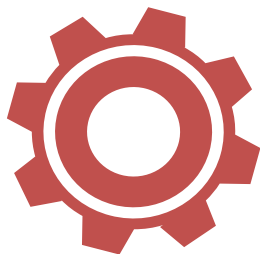
Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.



**Enhance  
Operational  
Effectiveness**

### Objective

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

### Connection to Investment Beliefs

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

"Rebalancing the portfolio is a key aspect of prudent long-term asset allocation policy."



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



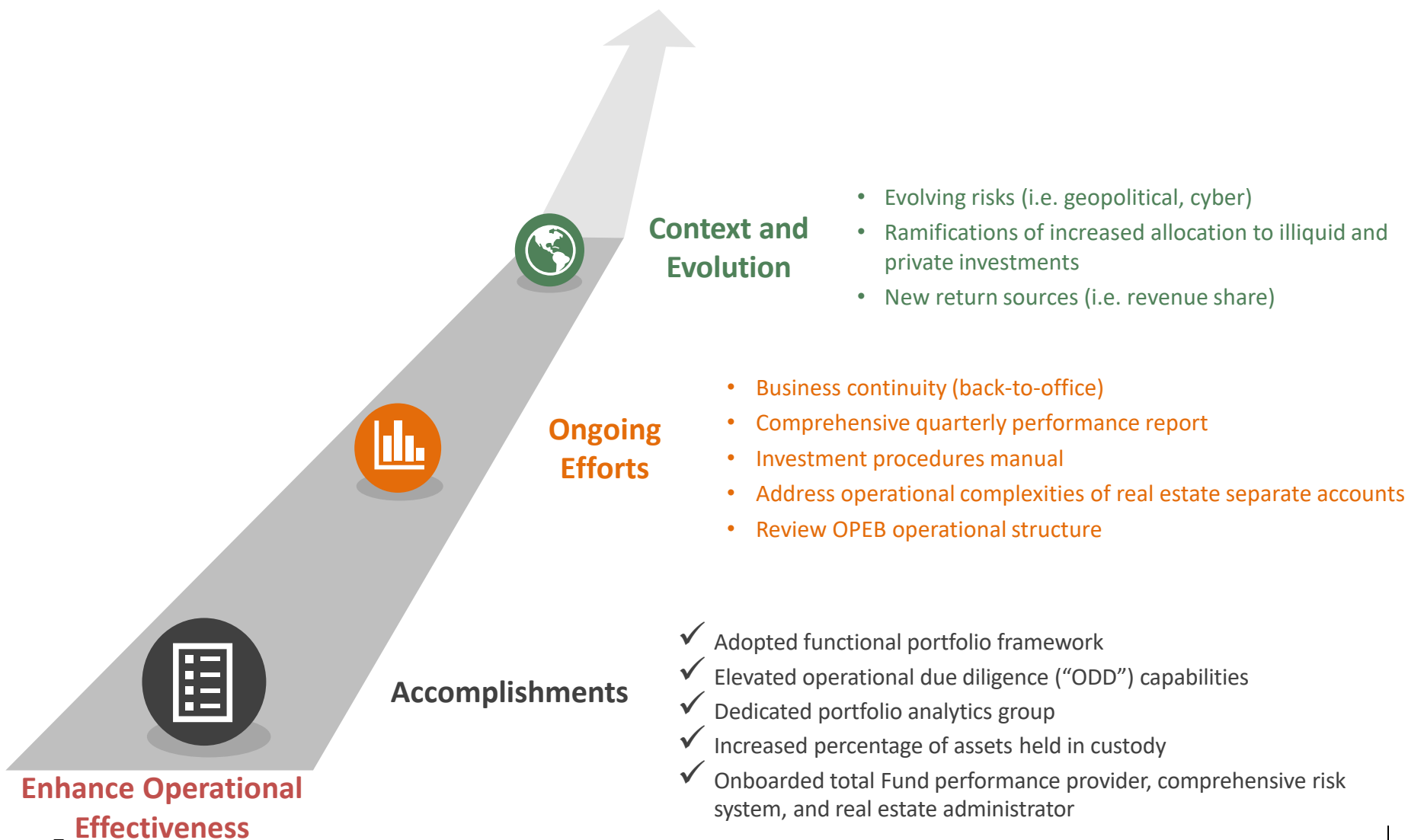
Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.





Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



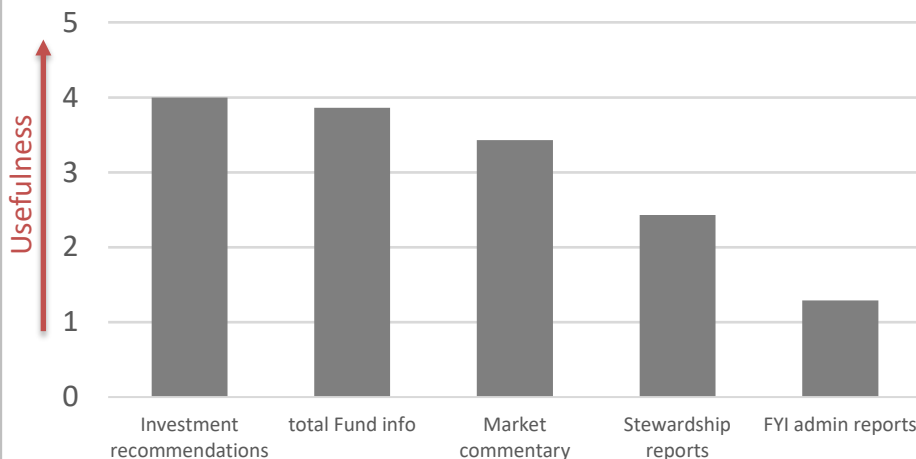
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T.I.D.E.

### Survey Question 4:

Rank in order the relative usefulness of the following aspects of the BOI meeting materials:

- A. Total Fund information (i.e. CIO report, quarterly performance, and strategic allocations)
- B. Individual investment recommendations
- C. Macro commentary and market intelligence
- D. Stewardship reports and updates
- E. Miscellaneous information-only administrative matters

### Results:



### Discussion Points

- No clear category identified as "most useful"
- Optimize information for Trustees

# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



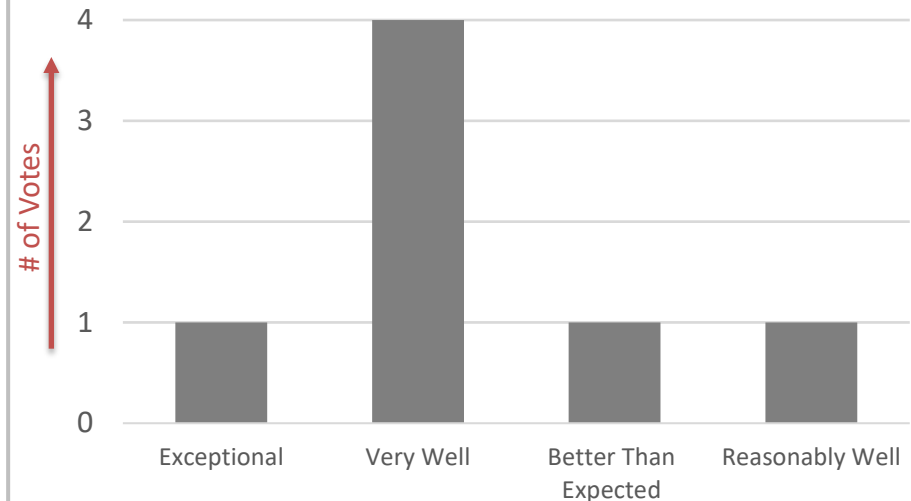
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### Survey Question 21:

How well do you feel our investment program operated/functioned during the pandemic?

Note: Response was a fill-in-the-blank

### Results:



### Discussion Points

- Trustees broadly indicated that LACERA's investment program functioned very well during the pandemic
- Continue to build out the operational infrastructure for a remote/hybrid environment
- What can we do better – Trustees, staff and consultants

# Offsite 2021

## Strategic Initiatives



**Enhance  
Operational  
Effectiveness**



**Optimize  
Investment  
Model**



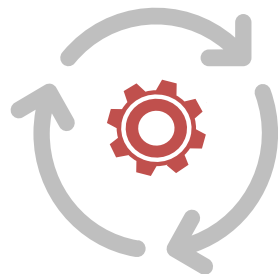
**Maximize  
Stewardship and  
Ownership Rights**



**Strengthen  
Influence on Fees  
and Cost of Capital**



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T.I.D.E.**



### Aspirational Considerations



- Strengthen risk orientation in a low-return environment
- Continuously improve BOI meeting information
- Enhance compliance efforts
- Evolve team structure/organizational chart
- Expand depth and breadth of diligence



#### Context and Evolution

- Evolving risks (i.e. geopolitical, cyber)
- Ramifications of increased allocation to illiquid and private investments
- New return sources (i.e. revenue share)



#### Ongoing Efforts

- Business continuity (back-to-office)
- Comprehensive quarterly performance report
- Investment procedures manual
- Address operational complexities of real estate separate accounts
- Review OPEB operational structure



#### Accomplishments

- ✓ Adopted functional portfolio framework
- ✓ Elevated operational due diligence (“ODD”) capabilities
- ✓ Dedicated portfolio analytics group
- ✓ Increased percentage of assets held in custody
- ✓ Onboarded total Fund performance provider, comprehensive risk system, and real estate administrator

**Enhance Operational  
Effectiveness**



# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



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### Optimize Investment Model

#### Objective

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

#### Connection to Investment Beliefs

"Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy."

"LACERA will allow for modest tactical asset allocation adjustments during times of disruption."

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





Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



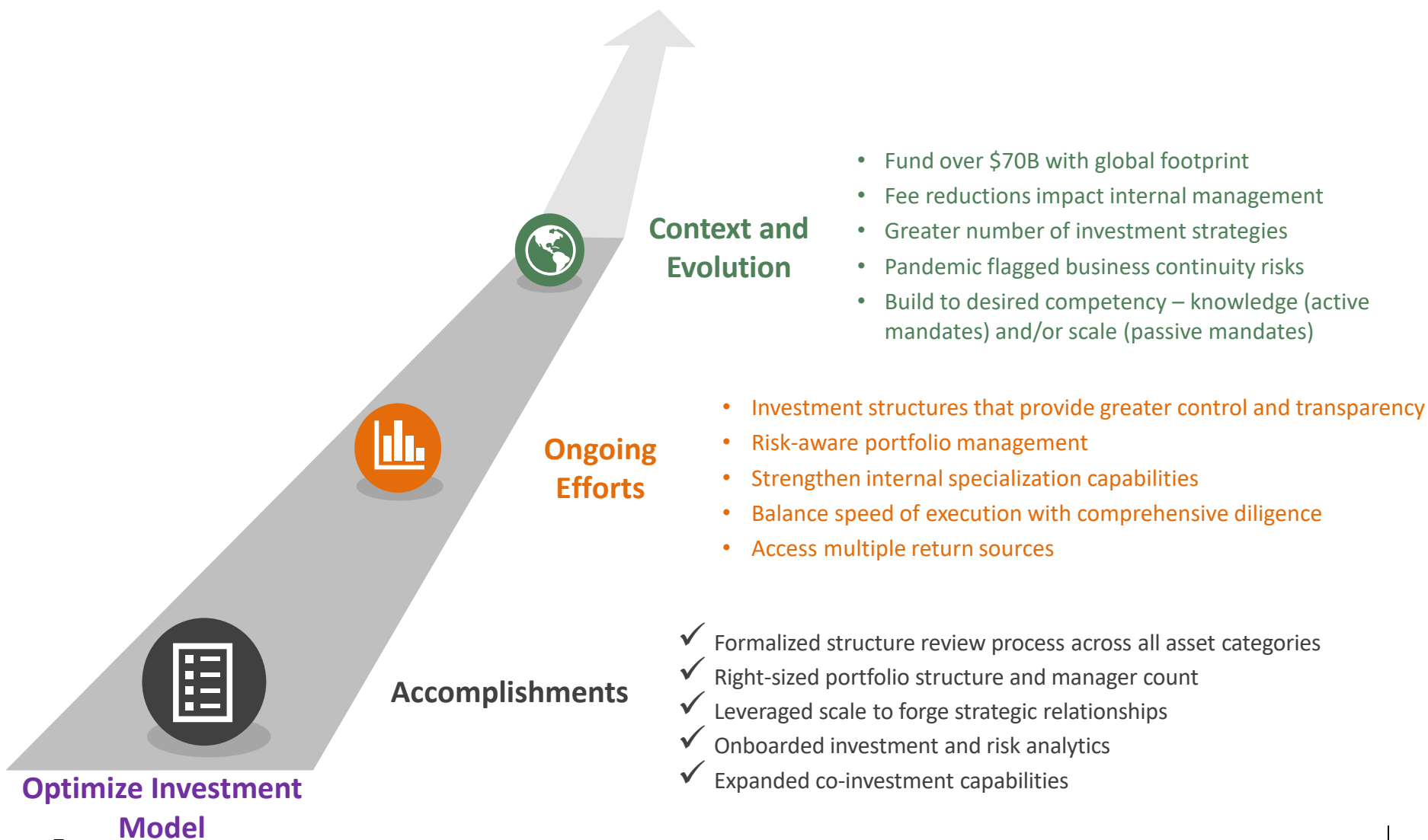
Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



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# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
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Optimize  
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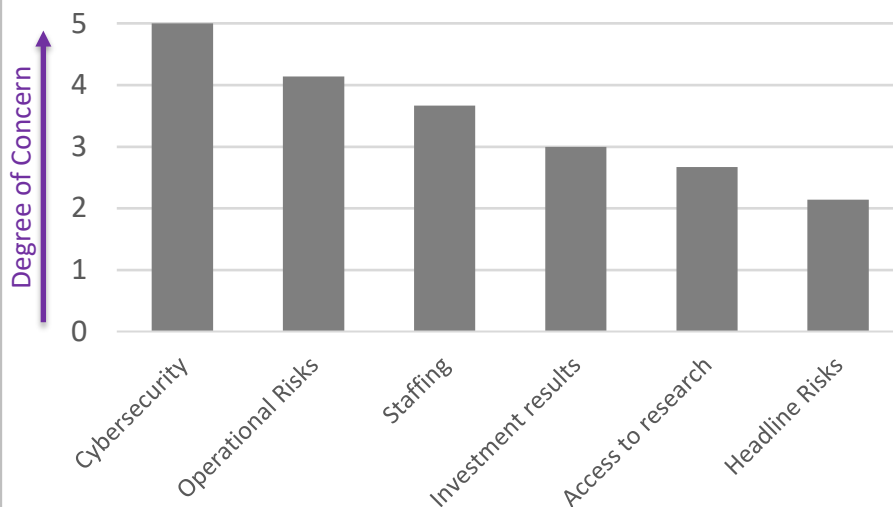
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### Survey Question 11:

Rank the relative concerns you have associated with internal management at LACERA:

- A. Cybersecurity
- B. Poor investment returns
- C. Limited access to proprietary research
- D. Operational risks
- E. Staffing
- F. Headline risks

### Results:



### Discussion Points

- Cybersecurity risks, operational risks, and adequate staffing are top concerns
- Reconcile internal management assessment with total Fund risk tolerance and potential benefits

# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
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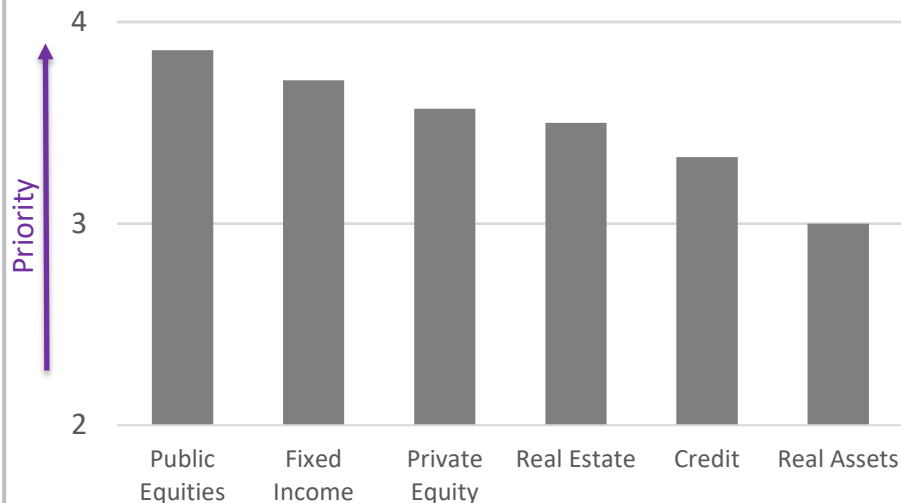
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### Survey Question 12:

Rank which asset classes you would relatively prioritize for internal management at LACERA:

- A. Public Equities
- B. Fixed Income
- C. Credit
- D. Real Estate
- E. Private Equity
- F. Real Assets

### Results:



### Discussion Points

- Public market asset categories rank highest for internal management
- Understand systems, personnel, compliance, and reporting requirements
- Unique complexities for liquid and illiquid asset categories
- Identify LACERA's internal management competitive advantages (scale and/or knowledge)

# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
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Optimize  
Investment  
Model



Maximize  
Stewardship and  
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and Cost of Capital



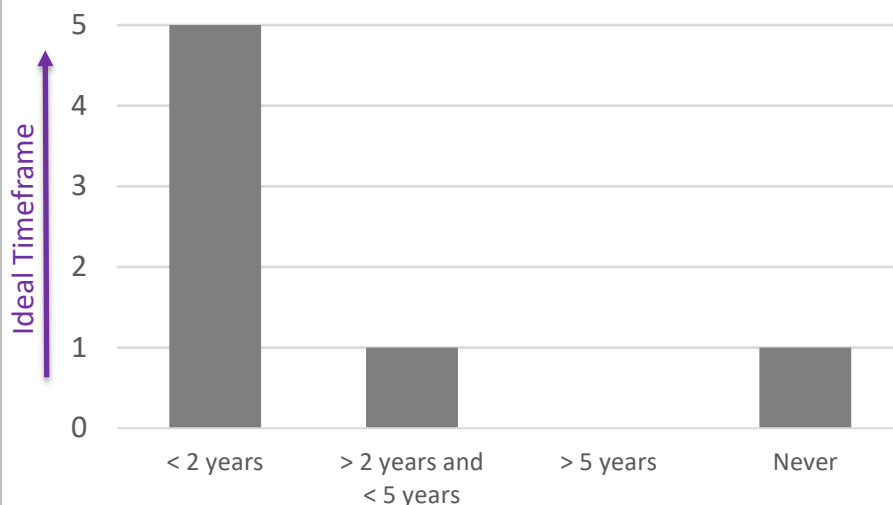
LACERA  
T.I.D.E.

### Survey Question 13:

Based on previous responses, what would be the ideal timetable for internal management at LACERA?

- A. Within the next two years
- B. Between two to five years
- C. Greater than five years
- D. Never

### Results:



### Discussion Points

- Feasibility of internal management within two years
- Liquid versus illiquid strategies require different timelines
- Evaluate the "never" option

# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.



### Aspirational Considerations



- Augment risk budgeting methodologies
- Evaluate merits and timing of prospective internal management
- Investment models cognizant of cyber, operations, staffing
- Mindfulness of competitive advantages
- Align investment organization with larger fund size
- Business model adjustments beyond internal management
- Cross-asset category co-investment program



### Context and Evolution

- Fund over \$70B with global footprint
- Fee reductions impact internal management
- Greater number of investment strategies
- Pandemic flagged business continuity risks
- Build to desired competency – knowledge (active mandates) and/or scale (passive mandates)



### Ongoing Efforts

- Investment structures that provide greater control and transparency
- Risk-aware portfolio management
- Strengthen internal specialization capabilities
- Balance speed of execution with comprehensive diligence
- Access multiple return sources



### Accomplishments

- ✓ Formalized structure review process across all asset categories
- ✓ Right-sized portfolio structure and manager count
- ✓ Leveraged scale to forge strategic relationships
- ✓ Onboarded investment and risk analytics
- ✓ Expanded co-investment capabilities

Optimize Investment  
Model



# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.



### Maximize Stewardship and Ownership Rights

#### Objective

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

#### Connection to Investment Beliefs

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

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



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



LACERA  
T.I.D.E.



# Offsite 2021

## Strategic Initiatives



Enhance  
Operational  
Effectiveness



Optimize  
Investment  
Model



Maximize  
Stewardship and  
Ownership Rights



Strengthen  
Influence on Fees  
and Cost of Capital



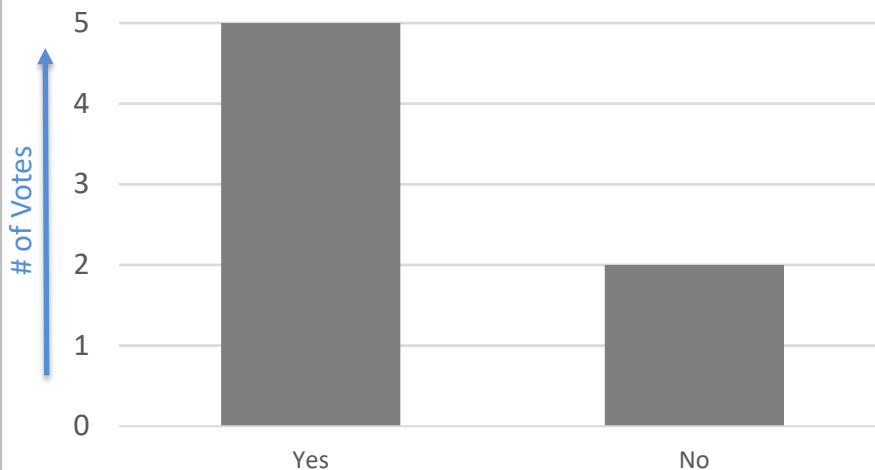
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### Survey Question 8:

Should ESG investment considerations be separate from the “risks” section of the Investment Beliefs and added as a separate Investment Belief?

- A. Yes
- B. No

### Results:



### Discussion Points

- General preference to revisit ESG Investment Belief as a separate Investment Belief
- Board revised Investment Policy Statement in August 2021, detailing ESG as part of investment strategy section
- Corporate Governance and Stewardship Principles articulate LACERA positions on various specific ESG matters
- Recognize "timeless" nature of Investment Beliefs





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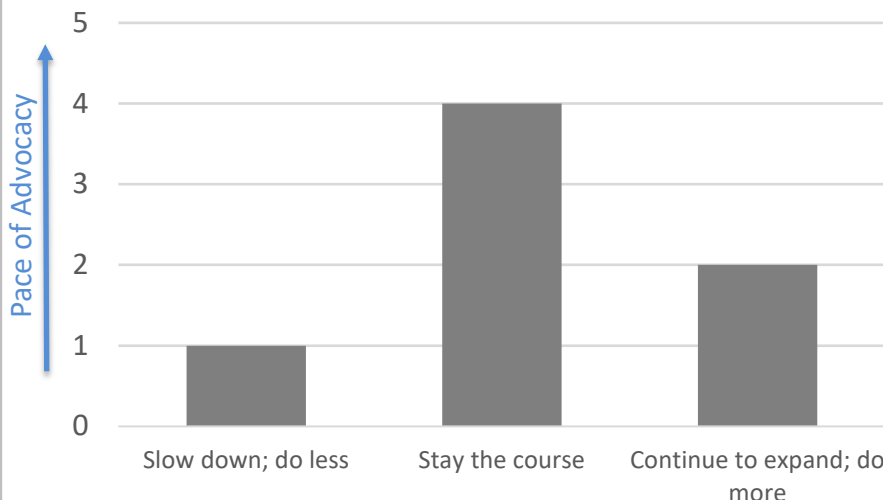
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### Survey Question 15:

LACERA has expanded its corporate governance and active stewardship initiatives in recent years. How active should LACERA be in its advocacy efforts?

- A. Slow down; do less
- B. Stay the course
- C. Continue to expand; do more

### Results:



### Discussion Points

- General preference to continue a deliberate approach to initiatives to promote practices in line with our core stewardship principles and economic interests
- Corporate Governance Committee reviews stewardship initiatives each year
- Considerations for where it is strategic to expand versus moderate initiatives and efforts



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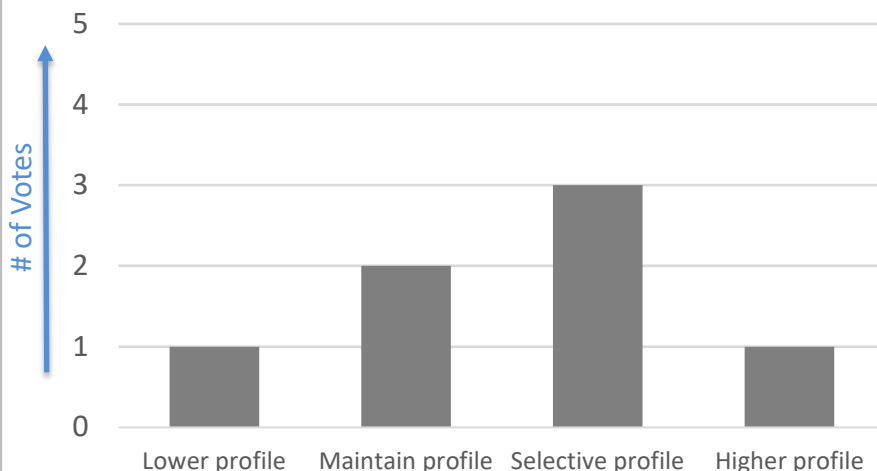
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### Survey Question 16:

In our engagement and advocacy efforts, LACERA has generally pursued “quiet diplomacy” by engaging with asset managers and companies. More public-facing advocacy (i.e., congressional testimony, speaking with reporters) may further amplify LACERA’s profile, but can also pose additional responsibilities. Should LACERA consider a more public profile in select initiatives?

- A. Lower profile – LACERA should have a lower public profile
- B. Maintain profile – LACERA should maintain its current approach
- C. Selective profile – LACERA should consider a more public profile on a select and strategic basis
- D. Higher profile – LACERA should broadly increase its public profile

### Results:



### Discussion Points

- Trustee feedback spans all response categories with highest support for selectively increasing our profile
- LACERA has institutional capacity to strategically take a more public profile in select initiatives
- Recognition of advantages and risks of "public profile"

# Offsite 2021

## Strategic Initiatives



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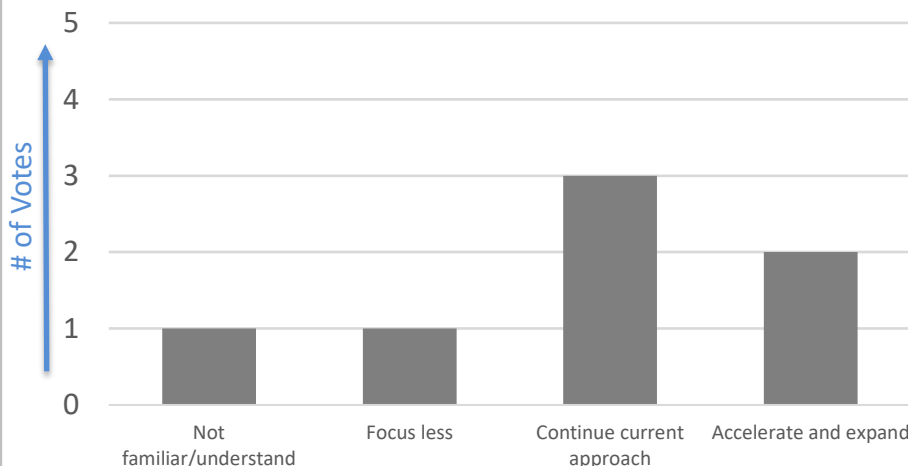
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### Survey Question 17:

Since LACERA adopted a climate change policy position in 2018, LACERA is implementing a deliberate approach to addressing climate investment factors. What is your view on LACERA's current approach on climate risk?

- A. I am not familiar with or do not fully understand LACERA's current approach
- B. LACERA should focus less on this topic
- C. LACERA should continue its current deliberate approach
- D. LACERA should accelerate and expand its current approach and efforts

### Results:



### Discussion Points

- LACERA policy recognizes climate presents financial risks and opportunities to the portfolio
- Conducted footprinting and scenario analysis in public markets and strategic asset allocation
- Continue to engage with companies, policy makers, and asset managers to expand disclosures
- Span of Trustee responses may warrant continued discussion and clarification

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### Aspirational Considerations



- Stewardship efforts compelled by fiduciary duty
- Expand prominence of ESG in Investment Beliefs
- Prudent total Fund positioning of climate opportunities and risks
- Influential, outcome-oriented engagements
- Recognized leadership; effective communication



### Context and Evolution

- Increased market focus on ESG, including regulators, asset managers, and stakeholders
- Emphasis on measurement and outcomes
- Investor and corporate climate pledges (i.e. "net zero")
- ESG as investment process versus ESG products



### Ongoing Efforts

- Active SEC input
- California fund collaboration
- Incorporation of ESG analytics for portfolio monitoring and decisions
- Energy transition investment opportunities



### Accomplishments

- ✓ ESG assessments of all investment mandates
- ✓ Active engagement program and policy advocacy
- ✓ Expanded industry collaboration
- ✓ Carbon footprinting analysis
- ✓ Tailored BOI Committee educational series
- ✓ Annual Stewardship Report
- ✓ Increased internal proxy voting

Maximize Stewardship  
and Ownership Rights



# Offsite 2021

## Strategic Initiatives



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Strengthen  
Influence on Fees  
and Cost of Capital



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T.I.D.E.



**Strengthen  
Influence on Fees  
and Cost of Capital**

### Objective

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

### Connection to Investment Beliefs

"Consideration of net-of-fees returns is an integral part of a successful long-term investment strategy."

"Costs and fees should be actively monitored and negotiated to the greatest extent possible."

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



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Strengthen  
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### Context and Evolution

- Industry awareness of AB2833
- Increased passive allocations
- Manager asset gathering (i.e. "ESG" products)
- Fee analytics



### Ongoing Efforts

- Growth of in-house co-investment and secondary programs
- Explore opportunities with GP economics
- Negotiating hard hurdle fee structures
- Dedicated managed accounts
- Total Fund mindset



### Accomplishments

- ✓ Alignment of interest with business partners
- ✓ Use of lower cost factor-based strategies
- ✓ More precise benchmarking to identify "alpha"
- ✓ Grouped like investments in functional framework
- ✓ New revenue share relationships
- ✓ Major secondary private equity sale
- ✓ Updated securities lending program

Strengthen Influence on  
Fees and Cost of Capital



# Offsite 2021

## Strategic Initiatives



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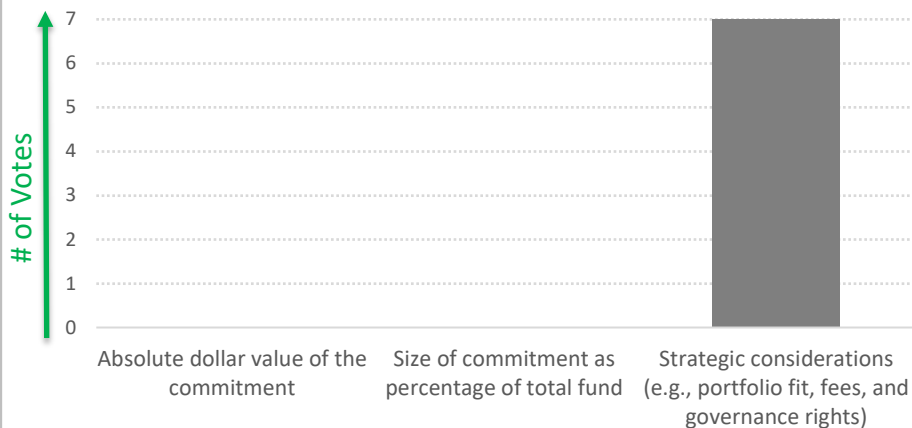
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### Survey Question 3:

LACERA now has over \$70B in assets and over 350 manager/fund/account relationships. The most important variable in making future commitments is:

- A. Absolute dollar value of the commitment
- B. Size of commitment as percentage of total Fund
- C. Strategic considerations (e.g., portfolio fit, fees, and governance rights)

### Results:



### Discussion Points

- All Trustees voted that the most important variable in making future commitments is strategic considerations
- Evaluate strategic characteristics

# Offsite 2021

## Strategic Initiatives



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### Survey Question 14:

Do you think LACERA should further expand its co-investment program in the various asset classes?

- A. Yes; across all applicable asset classes
- B. Yes; but only in select asset classes
- C. No; I would prefer to maintain the current co-investment exposure

### Results:



### Discussion Points

- Trustees responded that LACERA should expand its co-investment program
- Discuss merits of depth and breadth of program
- Require careful diligence to mitigate the higher investment concentration risk



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## Strategic Initiatives



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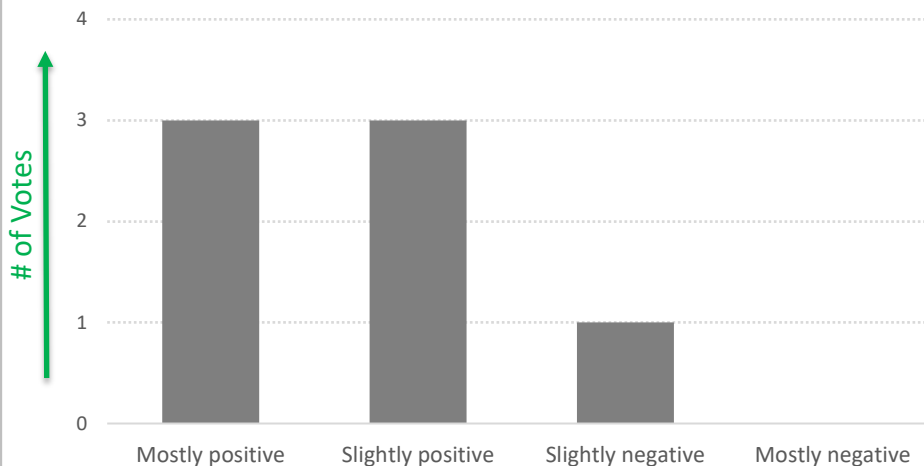
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### Survey Question 22:

What are your views on General Partner (“GP”) stake investing, which may also be characterized as revenue sharing agreements?

- A. Mostly positive – The positives of GP stake investing seem to outweigh the risks and LACERA should start to look for
- B. Slightly positive – GP stake investments seem interesting, but LACERA should do more research and provide more Board education before seeking out GP stake opportunities
- C. Slightly negative – I am hesitant to support a GP stake investment but would like to learn more
- D. Mostly negative – The risks of GP stake investing outweigh the positives and I am not inclined to support GP stake investments

### Results:



### Discussion Points

- Majority of Trustees view GP stake investing favorably
- Merits of GP stakes should be refined to balance all feedback
- Revisit education on topic

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## Strategic Initiatives



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### Aspirational Considerations



- Investor-friendly accounts
- Be "term-makers" as opposed to "term-takers"
- Become a prominent co-investor/secondary investor
- GP stakes re-evaluation
- Operationalize strategic considerations in portfolio construction



### Context and Evolution

- Industry awareness of AB2833
- Increased passive allocations
- Manager asset gathering (i.e. "ESG" products)
- Fee analytics



### Ongoing Efforts

- Growth of in-house co-investment and secondary programs
- Explore opportunities with GP economics
- Negotiating hard hurdle fee structures
- Dedicated managed accounts
- Total Fund mindset



### Accomplishments

- ✓ Alignment of interest with business partners
- ✓ Use of lower cost factor-based strategies
- ✓ More precise benchmarking to identify "alpha"
- ✓ Grouped like investments in functional framework
- ✓ New revenue share relationships
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Strengthen Influence on  
Fees and Cost of Capital





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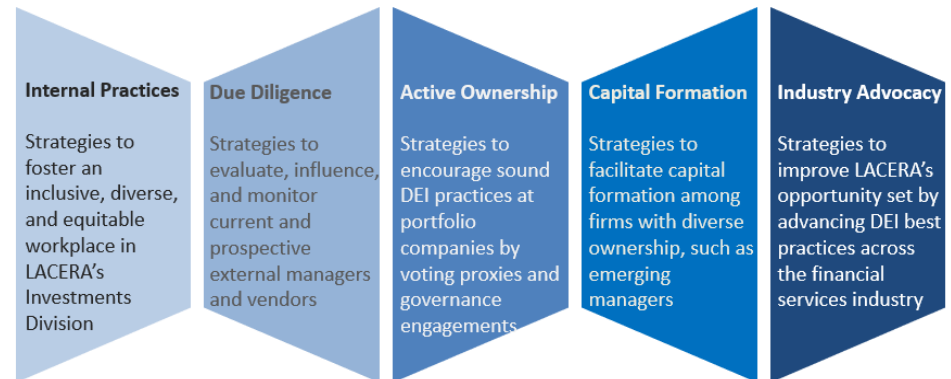
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### Objectives Include:

- Recap of the T.I.D.E. pillars
- Overview of strategic initiative
- Discuss the survey result
- Outline annual T.I.D.E. update, expected Q4 2021

### Recap and Summary of LACERA TIDE's Five Pillars

Comprehensive, synergistic strategies to implement Board-approved policies and principles to advance diversity, equity, and inclusion (DEI) in LACERA's investment program and the financial services industry



Full range of tools-in-the-toolbox initiative to advance mission in adherence to fiduciary duty

Pillars range in LACERA's degree of direct influence, from left to right



LACERA Investments | 4



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### Context and Evolution

- Increased market focus on diversity, equity, and inclusion
- Empirical support of correlation to financial performance
- Diversity of thought to inform better decisions
- Inclusion enhances employee, client, stakeholder relations
- Mismatches in asset manager claims versus track records

### Ongoing Efforts

- Regular T.I.D.E. progress review, report, and refinement
- Separate DEI as standalone section in manager scorecard
- Measure ownership attributes and demographics across all mandates
- Corporate board diversity engagement initiative and track record
- Expanding emerging manager mandates across various asset classes

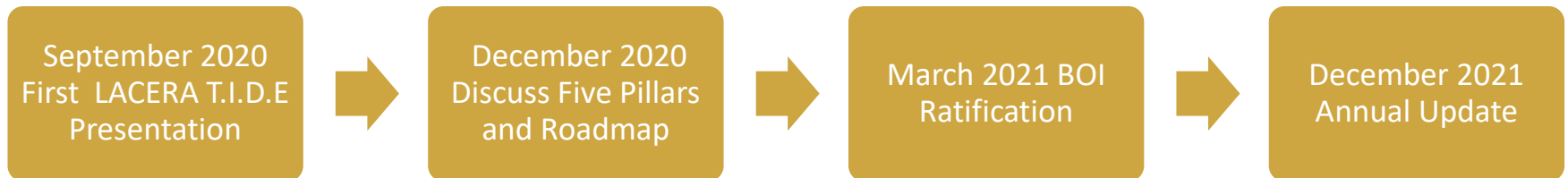
### Accomplishments

- ✓ DEI formalized in Investment Policy Statement and governance principles
- ✓ Incorporated DEI into all manager evaluations and monitoring
- ✓ Established baseline of all investment partners' DEI practices
- ✓ Elevated and ratified T.I.D.E. as distinct, integral component of the Investments Division Work Plan and Strategic Initiatives
- ✓ Expanded successful intern program

# Recap and Forthcoming T.I.D.E. Annual Review

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- LACERA's T.I.D.E. activities, progress, and trendlines will be presented to the Board of Investments for oversight, review, and input in Q4 2021
- Includes updates from all T.I.D.E. distinct pillars
- Assess progress against stated near and long-term objectives for each pillar





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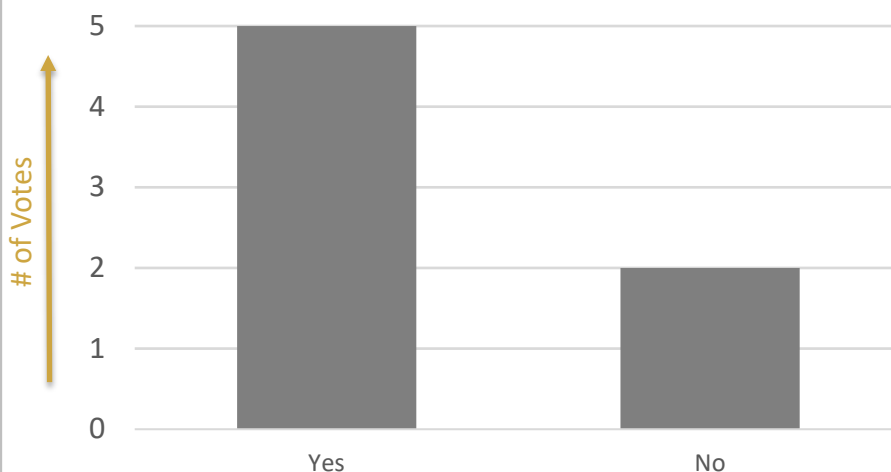
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T.I.D.E.

### Survey Question 7:

Do you think LACERA's diversity, equity, and inclusion efforts "T.I.D.E." should be elevated from the investment strategy and philosophy section of the Investment Policy Statement and added to LACERA's Investment Beliefs?

- A. Yes
- B. No

### Results:



### Discussion Points

- Currently, diversity, equity, and inclusion is a formal section in the Investment Policy Statement's discussion of LACERA's investment philosophy and strategy
- General Trustee preference to incorporate DEI as a separate Investment Belief
- Consider "permanent" nature of Investment Beliefs

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## Strategic Initiatives



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### Aspirational Considerations



- Total Fund approach compelled by fiduciary duty
- Set the standard
- Be influential: Disseminate best practices and move the needle at investment partners and within financial services industry
- Enhance LACERA's reputation as an employer of choice
- Be deliberate: Measure progress with earnest self-assessment



### Context and Evolution

- Increased market focus on diversity, equity, and inclusion
- Empirical support of correlation to financial performance
- Diversity of thought to inform better decisions
- Inclusion enhances employee, client, stakeholder relations
- Mismatches in asset manager claims versus track records



### Ongoing Efforts

- Regular T.I.D.E. progress review, report, and refinement
- Separate DEI as standalone section in manager scorecard
- Measure ownership attributes and demographics across all mandates
- Corporate board diversity engagement initiative and track record
- Expanding emerging manager mandates across various asset classes



### Accomplishments

- ✓ DEI formalized in Investment Policy Statement and governance principles
- ✓ Incorporated DEI into all manager evaluations and monitoring
- ✓ Established baseline of all investment partners' DEI practices
- ✓ Elevated and ratified T.I.D.E as distinct, integral component of the Investments Division Work Plan and Strategic Initiatives
- ✓ Expanded successful intern program

LACERA T.I.D.E.



# LACERA Peer Evaluation



The content for the LACERA Peer Evaluation section was developed by Meketa Investment Group





- **Background**
- **Public Pension Plan Universe Analysis**
- **Considerations and Next Steps**
- **Appendix**
  - **Public Pension Plan Universe**

## Background

- This presentation is designed to explore investment models and other attributes of other large public pension plans to help the BOI assess LACERA's current and potential future investment and operating models in the context of an allocator to investor framework.
- The analysis is based on extensive primary research into a universe of large public pension plans and a group of California county and city plans.
- The universe includes most plans identified through the survey.
- Many elements of operating and investment models are difficult to quantify, so we present data on some attributes and commentary regarding others.
- We believe LACERA's most direct peers are state level plans with assets between \$50B and \$120B, and identify that subset of the universe as LACERA peers throughout the presentation.

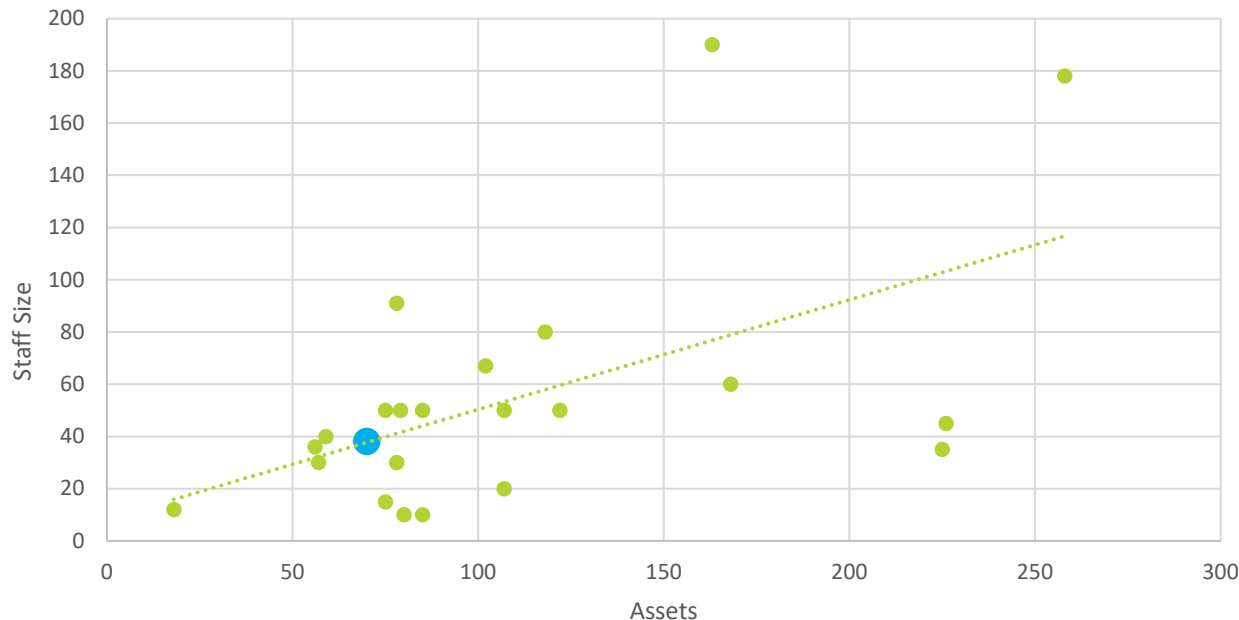
## **Public Pension Plan Universe Analysis**

- From the total universe, 79% utilize internal management to some degree.
- 84% of LACERA's peer plans utilize internal management.
- Plans smaller than LACERA are mixed (50%) on the use of internal management.
  - Four of the plans smaller than LACERA are in the category of county or city plans.
- In the survey conducted by staff, over 70% of BOI respondents indicated that LACERA should move to utilize internal management within the next two years.
- The models of internal management vary greatly within the universe, ranging from passive management of core fixed income only to active management in multiple asset categories, including direct private market investments and co-investments.

# Investment Model: External Manager Selection

- Consistent with LACERA's Investment Belief that "asset allocation has a greater effect on return variability than asset class investment structure or manager selection, most Boards in the universe have delegated manager selection.
- Manager selection is delegated to staff for 79% of peer plans.
  - For plans larger than LACERA that number is 90%.
  - For plans smaller than LACERA 50% of Boards retain selection authority.
- For nearly all plans with internal management (86%), selection of external managers is also delegated to staff.
- Of the seven plans that do not delegate discretion, the four largest rely on staff and/or the consultant to provide an affirmative recommendation.
- A very small minority (3 of 29) have managers present to the board as finalists.

- Nearly all plans we looked at have specialist staff for various asset classes.
- Staffing needs increase substantially for plans employing an active approach such as internal management, ESG initiatives, risk management, and operations, but the relationship appears linear.



- There is not an apparent relationship between the frequency of committee/board meetings (monthly, quarterly, etc.) and the investment model.
- The vast majority of plans utilize a single investment committee under the full board/state treasurer.
- A handful of other plans employ asset class specific sub-committees.
- Most peer plans conduct in-depth asset class/category analysis similar to LACERA's structure reviews.



- LACERA's efforts in regards to investment stewardship and ownership rights have been transformational over the past several years.
- LACERA has moved from largely a passive owner and delegator of shareholder rights to an active and engaged asset owner with comprehensive policies and reporting.
- LACERA BOI members and staff have assumed leadership positions as well and expanded active engagement in working groups at several prominent industry groups.

- LACERA's Investment Beliefs state, "investment outcomes are determined by risk, returns, and costs. All three must be managed, and cost is the most certain.
- LACERA's investment program is very fee conscious and is continuously improving.
- Over the past several years LACERA has consolidated the manager roster in both public and private markets, which has lowered LACERA's fees and increased bargaining power with external managers.
- LACERA's private equity co-investment program has led to significant fee savings, strong current performance, and improved alignment with external investment partners and has helped LACERA do better fund due diligence.

- LACERA has identified that diversity, equity and inclusion are a critical component of its fiduciary duty and are at the forefront of incorporating these into policies and actions plans.
- Several state plans operate under legislative mandates for emerging and diverse managers.
- Some other plans identify DEI as a core value/important initiative.
- From our review of the universe, it is clear that LACERA has become a leader in this area by taking an intentional and multi-dimensional approach.
  - LACERA has elevated DEI into its Investment Policy.
  - LACERA's staff and hiring practices reflect these values.
  - DEI policies and practices are a key criteria in LACERA's evaluation of external partners.

- The largest Canadian plans operate essentially as multi asset-class, asset managers with multiple offices located across the globe.
- The investment offices function largely as independent corporate entities.
- Staff compensation is primarily performance based.
- The Canadian Investment Model involves active internal management across all asset classes and direct investments involving sole/lead/majority ownership positions in private market categories.

## **Considerations and Next Steps**

- Internal Management:
  - Many plans with internal management adopted that model at a time when management fees were significantly higher, especially for passive mandates.
  - There is a trade-off between cost savings and the risks associated with internal management.
- A plan's lifecycle and liability duration are important factors as well as governance and staffing as it relates to evaluating the attractiveness of adopting different investment models.
- LACERA has made substantial investments in risk management and portfolio management capabilities, but a pivot to active internal management likely involves additional costs for trading systems and personnel.
- The BOI should discuss and further explore what constitutes a “best-in-class” model across all five dimensions of the allocator to investor framework.

## Appendix

# Public Pension Plan Universe – Sorted by Assets<sup>1,2</sup>

Plan	Total Assets	Internally Managed Assets
CALPERS	424	309
CALSTRS	258	129
NY State Common	226	111
NYC	225	5
Florida	168	77
Texas Teachers	163	58
<b>NY State Teachers</b>	<b>122</b>	<b>74</b>
<b>SWIB</b>	<b>118</b>	<b>59</b>
<b>NC</b>	<b>107</b>	<b>56</b>
<b>WSIB</b>	<b>107</b>	<b>21</b>
<b>OPERS</b>	<b>102</b>	<b>44</b>
<b>VRS</b>	<b>85</b>	<b>25</b>
<b>GA Teachers</b>	<b>85</b>	<b>85</b>
<b>Oregon</b>	<b>80</b>	<b>15</b>

1 According to P&I Research as of 12/21/20.

2 LACERA peer group is in bold.



# Public Pension Plan Universe – Sorted by Assets<sup>1,2</sup>

(continued)



Plan	Total Assets	Internally Managed Assets
<b>MA</b>	<b>79</b>	<b>0</b>
<b>NJ</b>	<b>78</b>	<b>59</b>
<b>Ohio Teachers</b>	<b>78</b>	<b>53</b>
<b>Michigan</b>	<b>76</b>	<b>21</b>
<b>UC Retirement System</b>	<b>75</b>	<b>4</b>
<b>Minnesota State Board of Investment</b>	<b>75</b>	<b>0</b>
<b>PA Schools</b>	<b>59</b>	<b>30</b>
<b>MD</b>	<b>57</b>	<b>4</b>
<b>TN</b>	<b>56</b>	<b>34</b>
<b>Colorado</b>	<b>53</b>	<b>34</b>
<b>Illinois Teachers</b>	<b>53</b>	<b>0</b>
<b>SFERS</b>	<b>28</b>	<b>0</b>
<b>LA Fire &amp; Police</b>	<b>25</b>	<b>0</b>
<b>LACERS</b>	<b>19</b>	<b>0</b>
<b>OCERS</b>	<b>18</b>	<b>0</b>

1 According to P&I Research as of 12/21/20.

2 LACERA peer group is in bold.



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# Geographic Exposure

ALBOURNE



The content for the Geographic Exposure section was developed by Albourne Partners and StepStone Group



# Executive Summary

ALBOURNE

STEPSTONE  
*inside private markets*

## Investment Beliefs

- LACERA operates in a global financial marketplace, and as a result, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective
- LACERA should always expect adequate compensation for portfolio risks

## Background

- As of July 2021, 67% of LACERA's assets under management are domiciled in the U.S. and 33% are international
- LACERA's benchmarks include international exposures
- Monthly CIO report includes geographic exposure for the Fund and functional asset categories

## Discussion

- A recent survey solicited feedback from the Trustees as to whether LACERA should:
  - 1) Maintain a U.S. bias or increase international exposure in the coming period?
  - 2) Overweight developed, emerging or frontier markets?
  - 3) Overweight exposure to Asia, Europe & Middle East, North America, South America or Africa?
- Discussion at recent board meetings and survey responses suggest mixed sentiment as it relates to geographic diversification



# Global Perspective

- As global firms, StepStone and Albourne have been asked to facilitate a discussion on geographic diversification to clarify board views
- Combined, StepStone and Albourne have 27 offices across five continents
  - StepStone is LACERA's private equity and real estate consultant
  - Albourne is LACERA's hedge fund, private credit, and real asset consultant

## AMERICAS

## EMEA

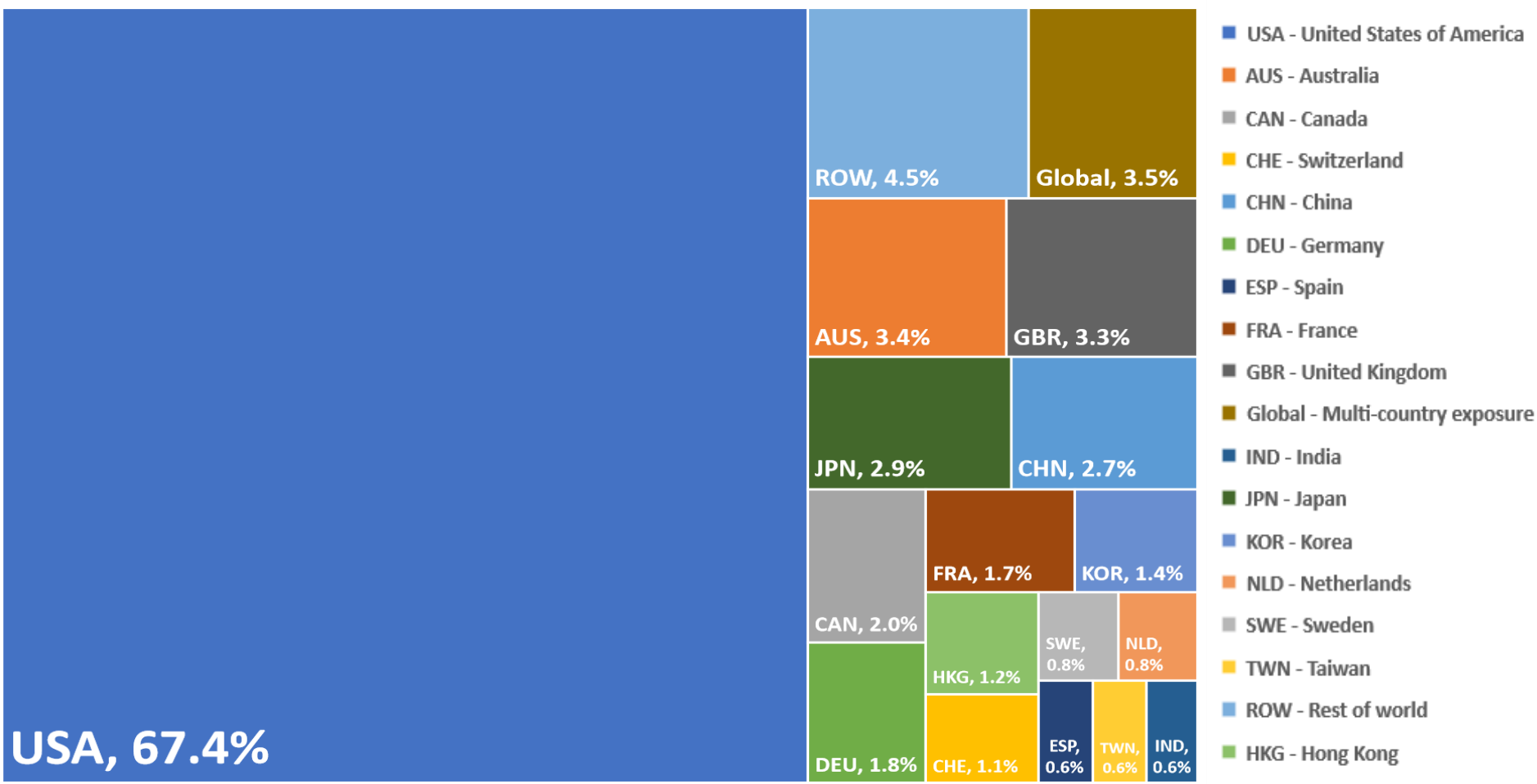
## ASIA-PACIFIC



# Geographic Exposure

ALBOURNE

STEPSTONE  
inside private markets



Source: LACERA, as of July 2021 based on AUM = assets under management

1 \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2021

2 "ROW - Rest of World" is sum of countries with weight below 0.5%

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



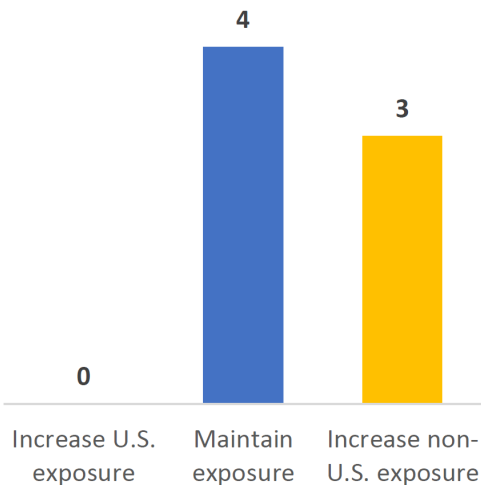
# Survey Results

ALBOURNE

STEPSTONE  
*inside private markets*

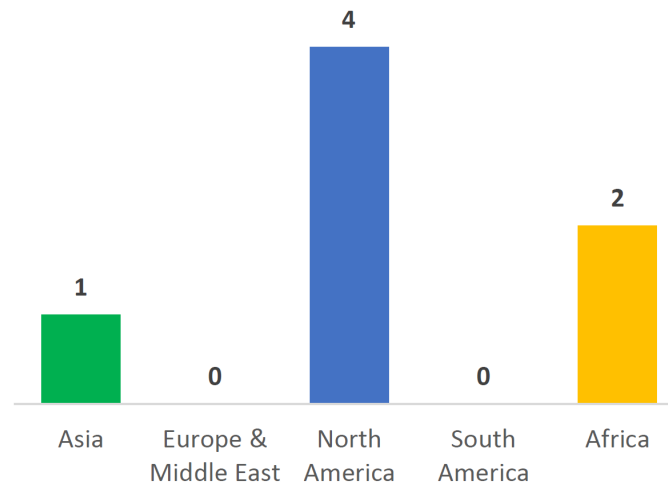
- 1.** The Total Fund currently has a bias towards investments domiciled in the U.S.  
Should LACERA:

Answered: 7



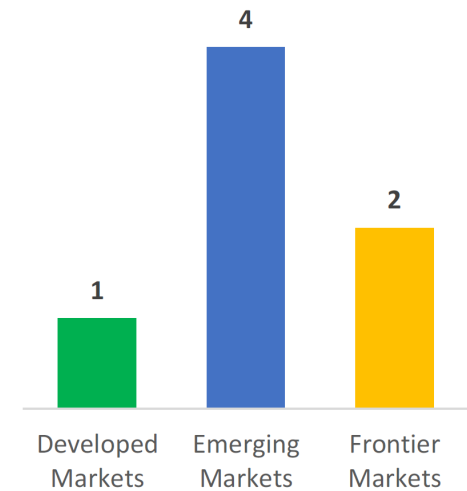
- 2.** Which geographic region would you prefer to be overweight for the next decade?

Answered: 7



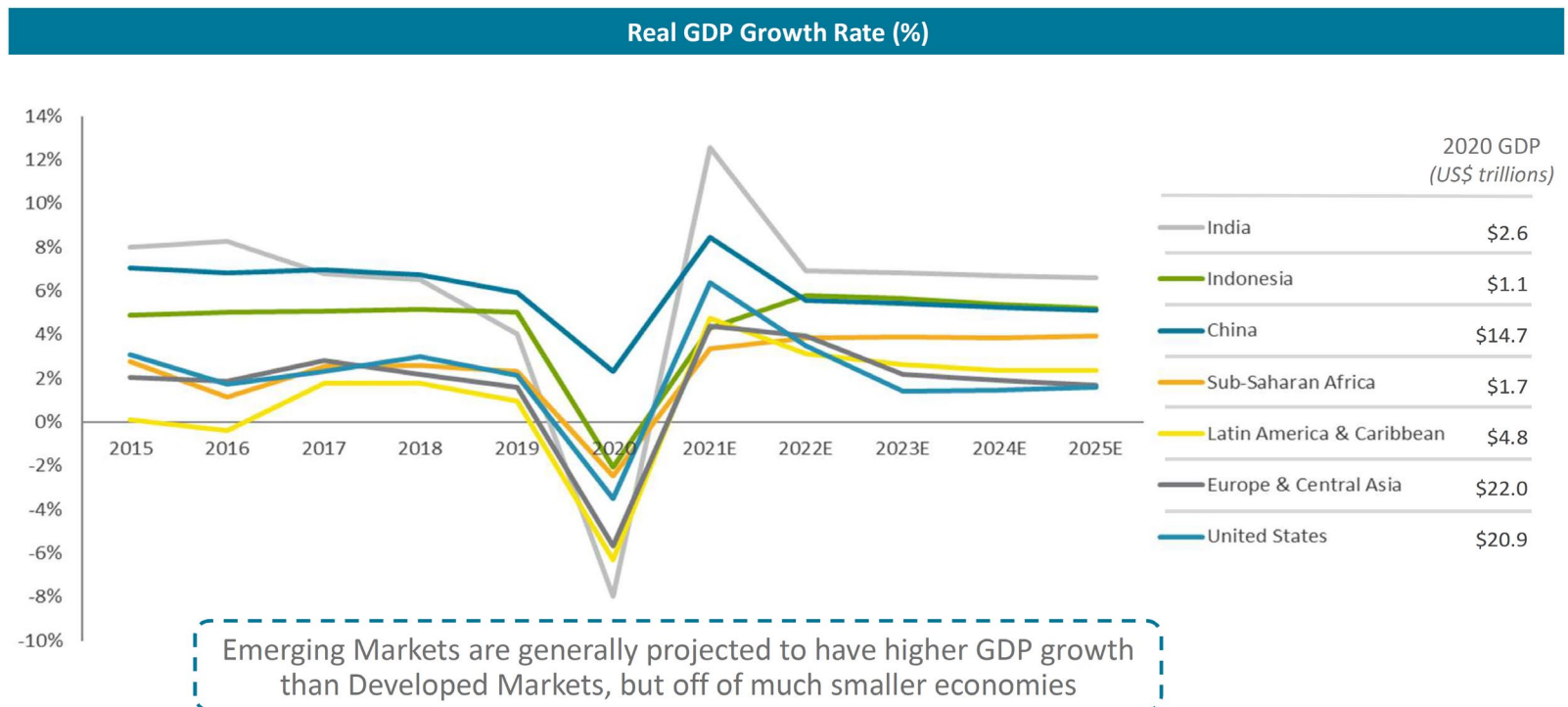
- 3.** Which geographic market would you prefer to be overweight for the next decade?

Answered: 7



# Merits of Geographic Diversification

- International markets are projected to grow at higher rates than the U.S., leading to attractive investment opportunities
  - The size of the investable universe in emerging and frontier markets presents challenges
- Exposure to international markets can positively impact a portfolio's overall returns
- Sector selection, supported by innovation, is critical in capturing the upside given inherent market risks
- Each market and asset class has its own opportunities, which should be evaluated independently





# Key Considerations

## Home country bias

- Pensions plans tend to have more 'home country bias' because of domestic liabilities
- Endowments tend to have less 'home country bias' because they are more focused on real return

## Risk needs to be compensated

- Introduces currency, political and other risks/complexities
- US assets have represented 'safe haven' so tend to do well in a crisis

## Global diversification doesn't always 'work'

- In the past decade US equities have outperformed
- Correlations between markets have tended to increase

## Bottomline

- Geographic diversification is not a 'free lunch'
- But potentially provides exposure to additional opportunity sets:
  - Different markets
  - Stages of development
  - Innovation

# Regulatory Developments in China

- Background
  - Regulatory action taken by the Chinese government over the past 12 months signals that authorities are focused on increasing oversight of certain sectors and companies that were liberally supervised or had presented anti-competitive behavior
- What sectors are being targeted?
  - Regulations on P2P Lending & FinTech Sector
  - Anti-trust & Unfair Competition Enforcement
  - Regulatory Scrutiny Around Data Security & Privacy
  - Regulations on After-School Tutoring & Education Sector
  - Continued Regulations on Real Estate Sector
  - Restriction on Video Game Usage by Young People
- What are the implications for Overseas Investors?
  - In general, China remains committed to opening its economy to foreign capital without fundamental directional changes in the political landscape
  - Investors must consider how certain sectors align with the long-term goals and announced policy initiatives of China's government
  - From a risk-reward perspective, investing in high-growth emerging markets like China DOES require a higher risk appetite for potential outsized returns

## Representative Affected Companies



## Summary

### Sectors that will benefit from recent regulatory changes:

- Enterprise Tech/Deep Tech
- Advanced Manufacturing
- Consumer/Retail

### Sectors with mixed impacts:































- Consumer Internet
- Education
- Real Estate
- Financial Services

# Global Market Comparison

ALBOURNE

STEPSTONE  
inside private markets

## MARKET COMPARISON

	MACROECONOMIC CHARACTERISTICS			INVESTMENT CHARACTERISTICS		
REGION	PROJECTED GDP GROWTH	GEOPOLITICAL ENVIRONMENT	FOREIGN EXCHANGE	ESG MANAGEMENT	INVESTABLE UNIVERSE	HISTORICAL PERFORMANCE
ASIA						
SOUTH AMERICA						
AFRICA						
NORTH AMERICA						
EUROPE						



VERY ATTRACTIVE



MODERATELY ATTRACTIVE



LESS ATTRACTIVE

Source: StepStone Analysis

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Foreign Currency opinion from the perspective of a USD denominated investor's perspective.



# Risks and Other Considerations



**Risks Associated with Investments.** Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

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**Reliance on Managers.** The investment will be highly dependent on the capabilities of the managers.

**Risk Associated with Portfolio Companies.** The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

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# Conclusion



# Allocator to "Best-In-Class" Investor Roadmap



## Enhance Operational Effectiveness

- Strengthen risk orientation in a low-return environment
- Continuously improve BOI meeting information



## Optimize Investment Model

- Evaluate merits and timing of prospective internal management
- Mindfulness of competitive advantages



## Maximize Stewardship and Ownership Rights

- Diligent analysis of total Fund climate opportunities and risks
- Influential, outcome-oriented engagements



## Strengthen Influence on Fees and Cost of Capital

- Investor-friendly accounts [with influence on terms and fees]
- Be "term-makers" as opposed to "term-takers"



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

- Be influential: disseminate best practices and move the needle at investment partners and within financial services industry
- Be deliberate: measure progress with earnest self-assessment

**Best-In-Class  
Investor**





# Progress and Considerations towards “Best-In-Class”



- Process today's discussion
- Extract themes and incorporate input for LACERA's strategic initiatives and future BOI meetings
- Remain committed to continuous improvement journey



**Best-In-Class  
Investor**



**Strategic Initiatives**

# Thank You

