

LIVE VIRTUAL BOARD MEETING



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing 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.

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

9:00 A.M., WEDNESDAY, JANUARY 12, 2022*

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
<http://www.lacera.com/leadership/board-meetings>

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

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

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

I. CALL TO ORDER

II. RATIFICATION OF OFFICERS

- A. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board direct staff to update the Board of Investments Seniority List to reflect zero (0) years of service for the outgoing board officers who served in 2021. (Memo dated December 29, 2021)

II. RATIFICATION OF OFFICERS (Continued)

- B. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board ratify its slate of board officers who will serve their term in the 2022 calendar year, which includes Chair, Vice Chair, Secretary. (Memo dated December 21, 2021)

III. ELECTIONS OF COMMITTEE MEMBERS

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

IV. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Regular Meeting of December 8, 2021

V. REPORT ON CLOSED SESSION ITEMS

VI. PUBLIC COMMENT

(Written Public Comment - You may submit written public comments by email to 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 may be submitted via email to PublicComment@lacera.com before and during the meeting at any time up to the end of the Public Comment item. 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.)

VII. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated December 27, 2021)

VIII. CHIEF INVESTMENT OFFICER'S REPORT
(Presentation dated January 12, 2022)

IX. CONSENT ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Investments consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of

IX. CONSENT ITEMS (Continued)

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 December 27, 2021)

- B. Recommendation as submitted by Patrick Jones, Chair, Real Assets Committee: That the Board approve the Real Estate Structure Review (Attachment A) including initiatives, guidelines, and recommendations throughout the document as well as those summarized on slides 27, 28 and 29. A portion of this presentation concerning the purchase or sale of particular, specific real estate assets was also advanced, in executive session under Government Code Section 54956.81 and the Board's Policy Governing the Use of Open and Closed Sessions to Consider the Purchase or Sale of Particular, Specific Investments. Executive session information is redacted on Attachment A on slides 17, 19, 20, 30, 31, 33, and 35. Unredacted copies are provided to the Board for consideration in a separate item to be held in executive session. (Memo dated December 23, 2021)
- C. Recommendation as submitted by Shawn Kehoe, Chair, Joint Organizational Governance Committee: That the Board approve the revised Joint Organizational Governance Committee JOGC Charter. (Memo dated December 27, 2021)

X. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve the 2022 Work Plan and Strategic Initiatives. (Memo dated December 29, 2021)
- B. Recommendation as submitted by Jude Perez, Principal Investment Officer: That the Board approve the proposed OPEB Master Trust private markets search Minimum Qualifications, Evaluation Criteria, and Scope of Work. (Memo dated December 29, 2021)
- C. Recommendation as submitted by Esmeralda del Bosque, Acting Principal Investment Officer, Ron Senkandwa, Investment Officer and Jeff Jia, Senior Investment Analyst: That the Board graduate Global Alpha Capital Management from the global equity emerging manager program. (Memo dated December 29, 2021)

X. NON-CONSENT ITEMS (Continued)

- D. Recommendation as submitted that the Board approve attendance of Trustees at the Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium in Delray Beach, FL on May 5, 2022, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated December 14, 2021) (Placed on the agenda at the request of Trustee Greenwood)

XI. REPORTS

- A. Risk Budgeting and Fee Analytics
John Kim, Senior Investment Analyst
Bruno Picinane, Portfolio Analytics Intern
Martin Wolff, Portfolio Analytics Intern
(Memo dated December 31, 2021)
- B. Global Equity Emerging Manager Search Update
Esmeralda del Bosque, Acting Principal Investment Officer
Ron Senkandwa, Investment Officer
Jeff Jia, Senior Investment Analyst
(Memo dated December 29, 2021)
- C. Meketa Investment Group Self-Evaluation
Stephen McCourt, Managing Principal/Co-CEO
Leandro A. Festino, Managing Principal/Consultant
Timothy Filla, Managing Principal/ Portfolio Consultant
Imran Zahid, Assistant Vice President/Senior Investment Analyst
Aysun Kilic, Executive Vice President/Consultant and Portfolio Strategist
(For Information Only) (Memo dated December 21, 2021)
- D. 2021 Audit Committee Annual Report
Joseph Kelly, Audit Committee Chair
Richard Bendall, Chief Audit Executive
(For Information Only) (Memo dated December 20, 2021)
- E. Board Officers: 2022 Calendar Year
Santos H. Kreimann, Chief Executive Officer
(For Information Only) (Supplemental Memo dated January 3, 2022)

XI. REPORTS (Continued)

- F. Legal Projects
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated January 3, 2022)
- G. Monthly Travel & Education Report – November 2021
Comprehensive Monthly Travel & Education Report – November 2021
Ted Granger, Interim Chief Financial Officer
(Public Memo dated December 21, 2021)
(Confidential Memo dated December 21, 2021– Includes Anticipated Travel)
- H. December 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 December 27, 2021)

XII. ITEMS FOR STAFF REVIEW

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

XIV. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)
 - 1. Great Hill Equity Partners Fund VIII, L.P.
Christopher J. Wagner, Principal Investment Officer
Didier Acevedo, Investment Officer
(Memo dated December 17, 2021)
 - 2. TSG9 L.P.
Christopher J. Wagner, Principal Investment Officer
Derek Kong, Investment Officer
(Memo dated December 17, 2021)

XIV. EXECUTIVE SESSION (Continued)

3. Real Estate Structure Review
James Rice, Principal Investment Officer
(Memo dated December 23, 2021)
4. Notice of Re-Up Commitment of up to \$100 Million to Accel -
KKR Growth Capital Partners IV, L.P.
David Chu, Senior Investment Officer
Cheryl Lu, Investment Officer
(For Information Only) (Memo dated December 15, 2021)

B. PUBLIC EMPLOYMENT

(Pursuant to Paragraph (1) of Subdivision (b) of California
Government Code Section 54957)

Title: Chief Investment Officer

XV. ADJOURNMENT

****Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Committee meeting preceding it.***

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to trustees 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 trustees at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

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

December 29, 2021

TO: Each Trustee
Board of Investments

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

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **Board Officer Rotation Seniority List**

RECOMMENDATION

That the Board of Investments direct staff to update the Board of Investments Seniority List to reflect zero (0) years of service for the outgoing board officers who served in 2021.

LEGAL AUTHORITY

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

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

DISCUSSION

At the meeting of November 17, 2021, the BOI voted to approve the Board Officer Rotation Policy. Based on discussion of the motion as it related to the seniority list, the motion to approve the policy also included direction to include one (1) year of service for the board officers who served in 2021. Thus, the seniority list as of December 31, 2021 reflects one (1) year of service for outgoing Chair Keith Knox, Vice Chair Joseph Kelly, and Secretary Alan J. Bernstein.

As the attached seniority list demonstrates, each outgoing board officer consequently ranks higher than trustee Patrick L. Jones for each board officer position. After further discussions with the Board Chair and Vice Chair, it does not appear that this was the intent in the formulation of the BOI Board Officer Rotation Policy, which was to broaden the opportunities for trustees who wish to serve as board officers.

Trustee Jones began service on the BOI in April 2021 rather than January 2021, which would have resulted in one (1) year of service instead of nine (9) months. That would

have been a tie in seniority with the outgoing board officers, and the policy would have placed him higher on the list.

Accordingly, providing that the outgoing board officers have zero (0) years of service as of December 31, 2021 would ensure that the formulation of the seniority list is in keeping with the BOI's intent for the policy.

IT IS THEREFORE RECOMMENDED THAT THE BOARD direct staff to update the Board of Investments Seniority List to reflect zero (0) years of service for the outgoing board officers who served in 2021.

Attachment

Board of Investments Seniority List

c: Luis Lugo
JJ Popowich
Laura Guglielmo
Steven P. Rice
Jon Grabel

BOARD OF INVESTMENTS SENIORITY LIST

CHAIR

Trustee Name	Priority Date*	Seniority
Herman B. Santos	1/1/2004	18 Years
David Green	1/1/2012	10 Years
Shawn R. Kehoe	1/1/2014	8 Years
Joseph Kelly	10/15/2014	5 Years, 9 Months
Gina V. Sanchez	1/1/2018	4 Years
Alan J. Bernstein	1/1/2019	3 Years
Elizabeth Greenwood	1/1/2020	2 Years
Keith Knox, Ex-Officio	1/1/2022	1 Year
Patrick L. Jones	4/6/2021	9 Months

VICE CHAIR

Trustee Name	Priority Date*	Seniority
Herman B. Santos	1/1/2004	18 Years
David Green	1/1/2012	10 Years
Shawn R. Kehoe	1/1/2014	8 Years
Gina V. Sanchez	1/1/2018	4 Years
Alan J. Bernstein	1/1/2019	3 Years
Keith Knox, Ex-Officio	7/13/2019	2 Years, 5 Months
Elizabeth Greenwood	1/1/2020	2 Years
Joseph Kelly	1/1/2022	1 Year
Patrick L. Jones	4/6/2021	9 Months

SECRETARY

Trustee Name	Priority Date*	Seniority
Herman B. Santos	1/1/2004	18 Years
David Green	1/1/2012	10 Years
Shawn R. Kehoe	1/1/2014	8 Years
Joseph Kelly	10/15/2014	5 Years, 9 Months
Gina V. Sanchez	1/1/2018	4 Years
Keith Knox, Ex-Officio	7/13/2019	2 Years, 5 Months
Elizabeth Greenwood	1/1/2020	2 Years
Alan J. Bernstein	1/1/2022	1 Year
Patrick L. Jones	4/6/2021	9 Months

*Priority Date reflects the first term date of the Trustee on the Board till the end of 2021.

2021 Officers have been placed at the end of the list and the priority date reset.

December 21, 2021

TO: Each Trustee
Board of Investments

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

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **Board Officers: 2022 Calendar Year**

RECOMMENDATION

That the Board of Investments ratify its slate of board officers who will serve their term in the 2022 calendar year.

LEGAL AUTHORITY

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

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

DISCUSSION

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

According to the Executive Board Assistant, the following trustees opted to serve as BOI Chair, Vice Chair, and Secretary for the 2022 calendar year.

Chair: Herman Santos
Vice Chair: David Green
Secretary: Shawn Kehoe

IT IS THEREFORE RECOMMENDED THAT THE BOARD ratify its slate of board officers who will serve their term in the 2022 calendar year.

Board Officers: 2022 Calendar Year
Board of Investments
December 21, 2021
Page 2

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

BOARD OF INVESTMENTS SENIORITY LIST

CHAIR

Trustee Name	Priority Date*	Seniority
Herman B. Santos	1/1/2004	18 Years
David Green	1/1/2012	10 Years
Shawn R. Kehoe	1/1/2014	8 Years
Joseph Kelly	10/15/2014	5 Years, 9 Months
Gina V. Sanchez	1/1/2018	4 Years
Alan J. Bernstein	1/1/2019	3 Years
Elizabeth Greenwood	1/1/2020	2 Years
Keith Knox, Ex-Officio	1/1/2022	1 Year
Patrick L. Jones	4/6/2021	9 Months

VICE CHAIR

Trustee Name	Priority Date*	Seniority
Herman B. Santos	1/1/2004	18 Years
David Green	1/1/2012	10 Years
Shawn R. Kehoe	1/1/2014	8 Years
Gina V. Sanchez	1/1/2018	4 Years
Alan J. Bernstein	1/1/2019	3 Years
Keith Knox, Ex-Officio	7/13/2019	2 Years, 5 Months
Elizabeth Greenwood	1/1/2020	2 Years
Joseph Kelly	1/1/2022	1 Year
Patrick L. Jones	4/6/2021	9 Months

SECRETARY

Trustee Name	Priority Date*	Seniority
Herman B. Santos	1/1/2004	18 Years
David Green	1/1/2012	10 Years
Shawn R. Kehoe	1/1/2014	8 Years
Joseph Kelly	10/15/2014	5 Years, 9 Months
Gina V. Sanchez	1/1/2018	4 Years
Keith Knox, Ex-Officio	7/13/2019	2 Years, 5 Months
Elizabeth Greenwood	1/1/2020	2 Years
Alan J. Bernstein	1/1/2022	1 Year
Patrick L. Jones	4/6/2021	9 Months

*Priority Date reflects the first term date of the Trustee on the Board till the end of 2021.

2021 Officers have been placed at the end of the list and the priority date reset.

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, DECEMBER 8, 2021

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

PRESENT: Keith Knox, Chair

Joseph Kelly, Vice Chair

Alan Bernstein, Secretary

David Green

Elizabeth Greenwood

Patrick Jones

Gina V. Sanchez

Herman Santos

ABSENT: Shawn Kehoe

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Santos H. Kreimann, Chief Executive Officer

Steven P. Rice, Chief Counsel

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Christine Roseland, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Ted Granger, Interim Chief Financial Officer

Barry W. Lew, Legislative Affairs Officer

Christopher Wagner, Principal Investment Officer

Vache Mahseredjian, Principal Investment Officer

James Rice, Principal Investment Officer

Jude Perez, Principal Investment Officer

Esmeralda del Bosque, Interim Principal Investment Officer

Scott Zdrazil, Senior Investment Officer

Chad Timko, Senior Investment Officer

David Chu, Senior Investment Officer

Quoc Nguyen, Investment Officer

Calvin Chang, Senior Investment Analyst

Noah Damsky, Investment Analyst

Terra Elijah, Investment Analyst

Daniel Joye, Investment Officer

Cheryl Lu, Investment Officer

Carly Ntoya, Ph.D., Human Resources Director

STAFF ADVISORS AND PARTICIPANTS (Continued)

Meketa Investment Group (General Investment Consultants)
Stephen McCourt, Managing Principal/Co-CEO
Timothy Filla, Managing Principal/ Portfolio Consultant
Aysun Kilic, Executive Vice President/Consultant and Portfolio Strategist

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

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

Milliman (Consulting Actuary)

Nick Collier, Principal
Craig Glyde, Pricipal

I. CALL TO ORDER

The meeting was called to order virtually by Chair Knox at 9:10 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of November 17, 2021

Mr. Green made a motion, Mr. Kelly seconded, to approve the minutes of the special meeting of November 17, 2021. The motion passed (roll call) with Messrs. Green, Santos, Bernstein, Jones, Kelly, Knox, Ms. Sanchez and Ms. Greenwood voting yes. Mr. Kehoe was absent for the vote.

III. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

IV. PUBLIC COMMENT

Jordan Ash and Allen Pineda addressed the Board regarding a PAI portfolio company.

V. CHIEF EXECUTIVE OFFICER'S REPORT (Memo dated November 22, 2021)

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

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

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

VII. CONSENT ITEMS

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

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of 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

VII. CONSENT ITEMS (Continued)

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 November 23, 2021)

- B. Recommendation as submitted by Alan Bernstein, Chair, Corporate Governance Committee: That the Board approve LACERA's nomination of Scott Zdrazil for re-election to the Council of Institutional Investors Board in the 2022 annual Board elections. (Memo dated November 22, 2021)
- C. Recommendation as submitted by Shawn Kehoe, Chair, Joint Organizational Governance Committee: That the Board adopt the FY 2021-2022 Mid-Year Budget Amendments for the LACERA Administrative Budget. (Memo dated November 24, 2021)

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jude Perez, Principal Investment Officer: That the Board approve the Proposed Custody Bank Search Minimum Qualifications, Evaluation Criteria, and Scope of Work. (Memo dated November 22, 2021)

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

Mr. Santos made a motion, Mr. Kelly seconded, to approve the Proposed Custody Bank Search Minimum Qualifications, Evaluation Criteria, and Scope of Work. The motion passed (roll call) with Messrs. Green, Santos, Bernstein, Jones, Kelly, Knox, Ms. Greenwood and Ms. Sanchez voting yes. Mr. Kehoe was absent for the vote.

- B. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board review the 2022 meeting calendar and consider rescheduling meeting dates that conflict with a holiday and/or the potential of a lack of quorum. (Memo dated November 16, 2021)

Mr. Kreimann was present and answered questions from the Board. The

Board did not take action on this item, which was received and filed.

VIII. NON-CONSENT ITEMS (Continued)

- C. Recommendation as submitted that the Board approve attendance of Trustees at the Institutional ESG Investing Conference North America on April 20, 2022 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated November 14, 2021) (Placed on the agenda at the request of Trustee Sanchez)

Mr. Bernstein made a motion, Mr. Kelly seconded, to approve attendance of Trustees at the Institutional ESG Investing Conference North America on April 20, 2022 in New York, New York and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. The motion passed (roll call) with Messrs. Green, Santos, Bernstein, Jones, Kelly, Knox, Ms. Greenwood and Ms. Sanchez voting yes. Mr. Kehoe was absent for the vote.

- D. Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer and Ted Granger, Interim Chief Financial Officer:

It is recommended that the Board of Investments:

1. Accept the June 30, 2021 Actuarial Valuation of Retirement Benefits as submitted by the plan actuary, Milliman.
2. Adopt recommended employer contribution rates (all plan tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C).
3. Delegate authority to the Chief Executive Officer to communicate the results of the 2021 Actuarial Valuation of Retirement Benefits to the Board of Supervisors by May 15, 2022, with a recommendation to implement the employer and employee rates no later than September 29, 2022. (Memo dated November 22, 2021)

VIII. NON-CONSENT ITEMS (Continued)

Mr. Santos made a motion, Ms. Greenwood seconded, to 1) Accept the June 30, 2021 Actuarial Valuation of Retirement Benefits as submitted by the plan actuary, Milliman, 2) Adopt recommended employer contribution rates (all plan tiers) and employee contribution rates (plan tiers General Plan G and Safety Plan C), and 3) Delegate authority to the Chief Executive Officer to communicate the results of the 2021 Actuarial Valuation of Retirement Benefits to the Board of Supervisors by May 15, 2022, with a recommendation to implement the employer and employee rates no later than September 29, 2022.

The motion passed (roll call) with Messrs. Green, Santos, Bernstein, Jones, Kelly, Knox, Ms. Greenwood and Ms. Sanchez voting yes. Mr. Kehoe was absent for the vote.

IX. REPORTS

- A. Annual Update and Review of LACERA Towards Inclusion, Diversity, and Equity (LACERA TIDE)
Jonathan Grabel, Chief Investment Officer
(Memo dated November 29, 2021)

Messrs. Grabel, Zdrazil, Johnson, Nguyen, Senkandwa, Acevedo, Jia and

Mses. Rivera and Lu provided a presentation and answered questions from the

Board. The item was received and filed.

- B. Assembly Bill 2833 Report – Fiscal Year 2021
Calvin Chang, Senior Investment Analyst
Noah Damsky, Senior Investment Analyst
Terra Elijah, Investment Analyst
(Memo date November 23, 2021)

IX. REPORTS (Continued)

Mr. Chang and Ms. Elijah provided a presentation and answered questions from the Board. The item was received and filed.

- C. LACERA Quarterly Performance Book
Meketa Fund Evaluation Report
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated November 22, 2021)

This item was received and filed.

- D. OPEB Quarterly Performance Book
Meketa OPEB Fund Evaluation Report
Jude Perez, Principal Investment Officer
(For Information Only) (Memo dated November 23, 2021)

This item was received and filed.

- E. Fiduciary Counsel Annual Self-Assessments
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated November 22, 2021/Attachments are Privileged and Confidential Attorney-Client Communications/Attorney Work Product)

This item was received and filed.

- F. 2021 Year-End Legislative Report
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated November 18, 2021)

This item was received and filed.

- G. Legal Projects
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated November 19, 2021)

This item was received and filed.

IX. REPORTS (Continued)

- H. Monthly Travel & Education Report – October 2021
Ted Granger, Interim Chief Financial Officer
Comprehensive Monthly Travel & Education Report – October 2021
(Public Memo dated November 17, 2021)
(Confidential Memo dated November 17, 2021– Includes Anticipated Travel)

1st Quarter Trustee Travel & Education Reports
(Memo dated November 17, 2021)

This item was received and filed.

- I. November 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 November 22, 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 thanked Mr. Bernstein for his service on the Board.

Mr. Grabel welcomed Krista Powell to the Investment Office and Mr. McCourt of Meketa introduced Aysun Kilic to the Board.

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)

XII. EXECUTIVE SESSION (Continued)

1. Silver Rock Tactical Allocation Strategy Dedicated Managed Account

Vache Mahseredjian, Principal Investment Officer

Chad Timko, Senior Investment Officer

Quoc Nguyen, Investment Officer

(Memo dated November 24, 2021)

Messrs. Mahseredjian, Timko and Nguyen and Messrs. Walsh, White and Kennedy of Alboure provided a presentation and answered questions from the Board.

Mr. Jones made a motion, Mr. Santos seconded, to approve an illiquid credit investment of \$775 million to the Silver Rock Tactical Allocation Strategy to be managed by Silver Rock Financial L.P. in a dedicated managed account that includes a \$600 million primary portfolio and a \$175 million co-investment portfolio. The motion (roll call), with Messrs. Bernstein, Green, Jones, Knox, and Santos and Mses. Greenwood and Sanchez voting yes. Messrs. Kehoe and Kelly were absent from the vote.

2. Partners Group Direct Infrastructure 2020, L.P.

Jim Rice, Principal Investment Officer

Daniel Joye, Investment Officer

(Memo dated November 23, 2021)

Messrs. Rice and Joye and Messrs. Walsh, White and Kennedy of Alboure provided a presentation and answered questions from the Board.

Mr. Bernstein made a motion, Mr. Knox seconded, to approve a commitment of up to \$200 million to Partners Group Direct Infrastructure 2020, L.P., which is a real

XII. EXECUTIVE SESSION (Continued)

assets fund with a focus in renewable power, energy infrastructure, communication, transportation, social infrastructure, and water management primarily in North America and Europe. The motion passed (roll call), with Messrs. Bernstein, Green, Jones, Knox, and Santos and Meses. Greenwood and Sanchez voting yes. Messrs. Kehoe and Kelly were absent from the vote.

3. Private Equity Investment Update

David Chu, Senior Investment Officer

Cheryl Lu, Investment Officer

(For Information Only) (Memo dated November 15, 2021)

The Board received an information only report providing notice that LACERA completed a co-investment commitment of \$7 million alongside approved manager GGV 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. *Iowa Public Employees' Retirement System, et al. v. Bank of America Corporation, et al., etc.*
U.S.D.C., Southern District of New York, Case No. 17 CV 6221

Mr. Herrera was present and answered questions from the Board. The Board took action, which will be reported out at a future date in accordance with the Brown Act.

XII. EXECUTIVE SESSION (Continued)

2. *In re Interest Rate Swaps Antitrust Litigation*,
U.S.D.C., Southern District of New York, Case No. 16 MD
02704

Mr. Herrera was present and answered questions from the Board. The Board took action, which will be reported out at a future date in accordance with the Brown Act.

- C. Public Employee Performance Evaluation
(Pursuant to Paragraph (1) of Subdivision (b) of California Government
Code Section 54957)

Title: Chief Investment Officer

There is nothing to report.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:00 p.m.

Supplemental Information (Information provided to the Trustees prior to the meeting)

1. IPERS, et al. v. Bank of America Corporation, et al., etc. (S.D.N.Y)
Case No. 17-cv-6221(Memo dated December 3, 2021)
2. *In re Interest Rate Swaps Antitrust Litigation* (S.D.N.Y)
Case No. 16-md-02704 (Memo dated December 6, 2021)

ALAN BERNSTEIN, SECRETARY

KEITH KNOX, CHAIR



December 27, 2021

TO: Each Trustee,
Board of Retirement
Board of Investments

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

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT – JANUARY 2022**

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

LACERA Board of Retirement (BOR) and Board of Investments (BOI) Appointments

On behalf of the LACERA staff and Trustees, we would like to congratulate and welcome the following individuals to the LACERA Boards as newly appointed trustees.

On Tuesday, December 7, 2021, on a recommendation by Supervisor Hilda L. Solis, the Board of Supervisors appointed Antonio Sanchez to serve on the BOR commencing on January 1, 2022. Mr. Sanchez currently serves as the Political Director for the International Brotherhood of Electrical Workers (IBEW), Local 11. Mr. Sanchez has been with IBEW since 2013.

On Tuesday, December 21, 2021, on a recommendation by Supervisor Holly J. Mitchell, the Board of Supervisors appointed Michael Miller to serve on the BOI commencing on January 1, 2022. Mr. Miller currently serves as Vice President of Public and Non-profit Finance at Western Alliance Bank. He has extensive experience as a municipal finance officer and issuer of affordable housing bonds.

My staff and I congratulate Mr. Sanchez and Mr. Miller on their appointments to the BOR and BOI, respectively. We very much look forward to working with them on delivering on our promise to our members.

LACERA's Return to Office

We have finalized a contract to administer at home tests and securely capture and report test results, which will allow us to welcome staff back into the office effective Monday, January 31, 2022. Our Human Resources, Executive Office, and Systems Division, along with the vendor (Fulgent) are working collaboratively on executing the implementation and rollout plan to all LACERA staff. A formal return-to-office communication to all staff will be delivered by the management team on Monday, January 3, 2022.

We continue to take a proactive approach in maintaining the health and safety of our staff members and members. Our staff members 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

As of the date of this memo, there were two (2) incidents of staff member exposure and one (1) COVID-19 positive staff member between November 16, 2021 and December 15, 2021. Staff member exposures are LACERA staff members who had direct close contact to a person outside the office who tested positive for COVID-19.

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. The number of staff on site will steadily rise at the end of January 2022 once the return to office plan is initiated.

Strategic Planning Consultant Update

The Strategic Planning Consultant Request for Proposal (RFP) closed on October 15, 2021. The selection committee is composed of four Trustees and three LACERA staff members. The committee will begin to review vendor proposals and schedule interviews in the coming weeks. The committee anticipates recommending a final selection to the Board of Retirement at its meeting in February 2022.

Recruitment Updates

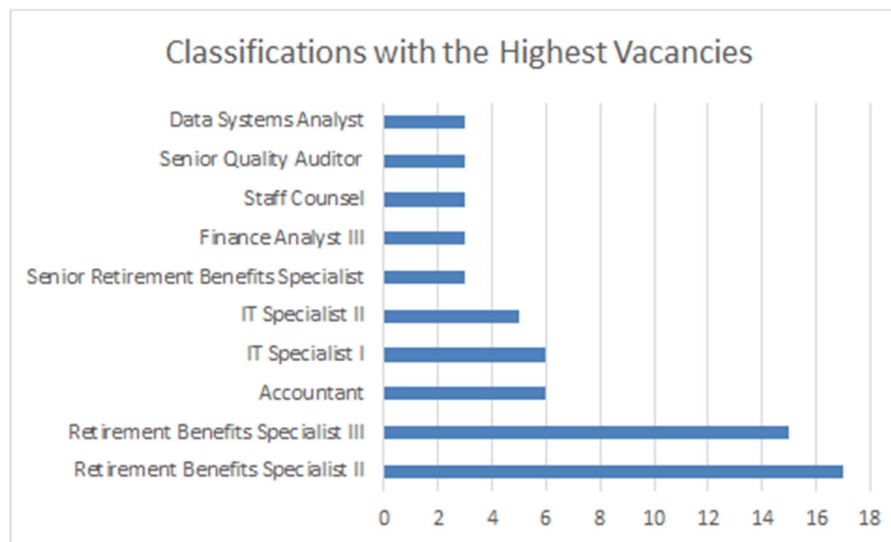
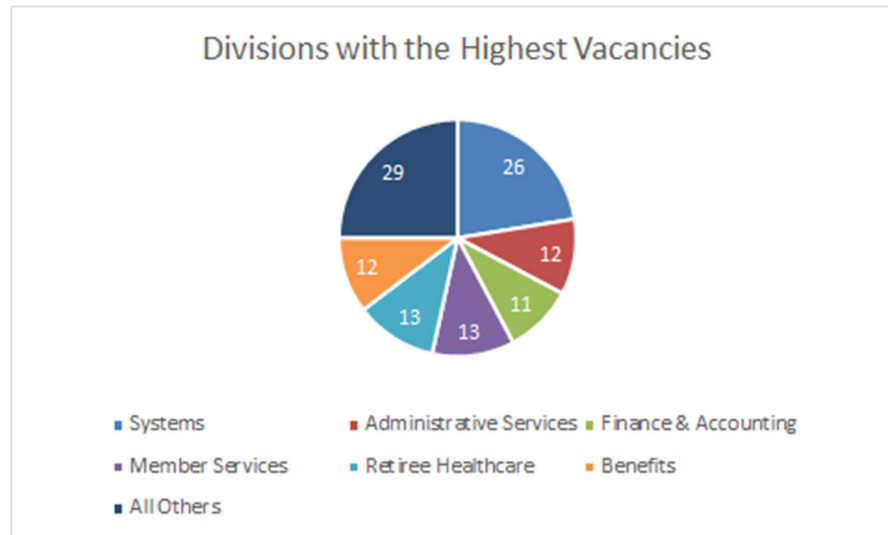
Vacancies and Hiring

Filling vacant positions continues to be a high priority. Executive and Senior Management, in collaboration with Human Resources (HR), is developing a hiring plan that reflects our priorities, such as filling member facing positions to ensure a positive member experience. Member facing Divisions, Investments Division, Systems Division, and Legal Division are the top priorities. The Executive team, HR, and our Investments Division have met to clearly outline their hiring priorities and develop a recruitment strategy. We plan to take a similar approach with other divisions. The organizational recruitment plan will be reviewed by the Executive management and HR teams at least quarterly to ensure the priorities are still appropriate given attrition that may have occurred in the prior quarter.

For the member facing Divisions, hiring new Retirement Benefits Specialist I candidates is the primary goal, followed by promotions in the Retirement Benefits III classification. In the Investments Division, the hiring priority is the Principal Investment Officer position in ESG, followed by Finance Analyst III and Finance Analyst II. In the Systems Division the hiring priorities are Retirement Systems Specialist, Data Systems Analyst, IT Specialist I and IT Specialist II (in that order).

The following summary provides an update of LACERA's vacancies and hiring efforts to reduce the number of vacancies.

LACERA has 508 budgeted positions, of which 116 are vacant (23% vacancy rate). The Divisions with the highest number of vacancies, and the classifications with the highest number of vacancies are shown below.



Development

Human Resources works with the hiring Division to review the classification description, create an ideal candidate profile, and discuss the assessment process. This information is used by HR to create the job bulletin and recruiting brochure (management positions only). The recruitments/assessments in development are listed below:

Classification	Vacancies	Division
Principal Investment Officer	2	Investments
Data Systems Analyst I	3	Systems
Retirement Systems Specialist	1	Systems
Information Technology Specialist I	6	Systems & Exec
Information Technology Specialist II	5	Systems & Exec

Document Processing Assistant	2	Admin. Services
Administrative Services Analyst I	1	Admin. Services
Administrative Services Analyst II	2	Admin. Services
Administrative Services Analyst III	2	Admin Services
Human Resources Analyst	2	Human Resources

Recruiting & Assessment

The Human Resources Team is recruiting qualified internal and external candidates to fill vacancies in our Legal Division. Qualified applicants are encouraged to apply for Staff Counsel and Senior Staff Counsel. Interdepartmental Transfer opportunities were posted for Human Resources Analyst and Senior Human Resources Assistant. There are currently no examinations in the assessment phase.

Additionally, the Human Resources Team is preparing a Request for Proposal to solicit executive recruitment services to fill the Deputy Chief Investment Officer, Chief Financial Officer, Chief Information Technology, and Information Security Officer positions.

Hiring

Three new staff members were hired in December that filled one Administrative Services Officer, one Management Secretary, and one Finance Analyst III position. Conditional Offers of Employment were extended to twenty-six (26) Retirement Benefits Specialist I (Trainee Class) candidates. Twenty-two (22) candidates accepted and are currently going through the background process. Promotional decisions were made for Retirement Benefits Specialist III, Procurement and Supply Clerk, Procurement Assistant, Media Artist, and Senior Disability Retirement Specialist. These hiring actions will decrease the number of vacancies by 45 positions; resulting in 71 vacancies remaining (14% vacancy rate).

Member Operations Group

CEO Dashboard Update

We have made additional updates to the CEO Dashboard for the December edition. The “Member Snapshot” section of the report has been expanded to include the following reports:

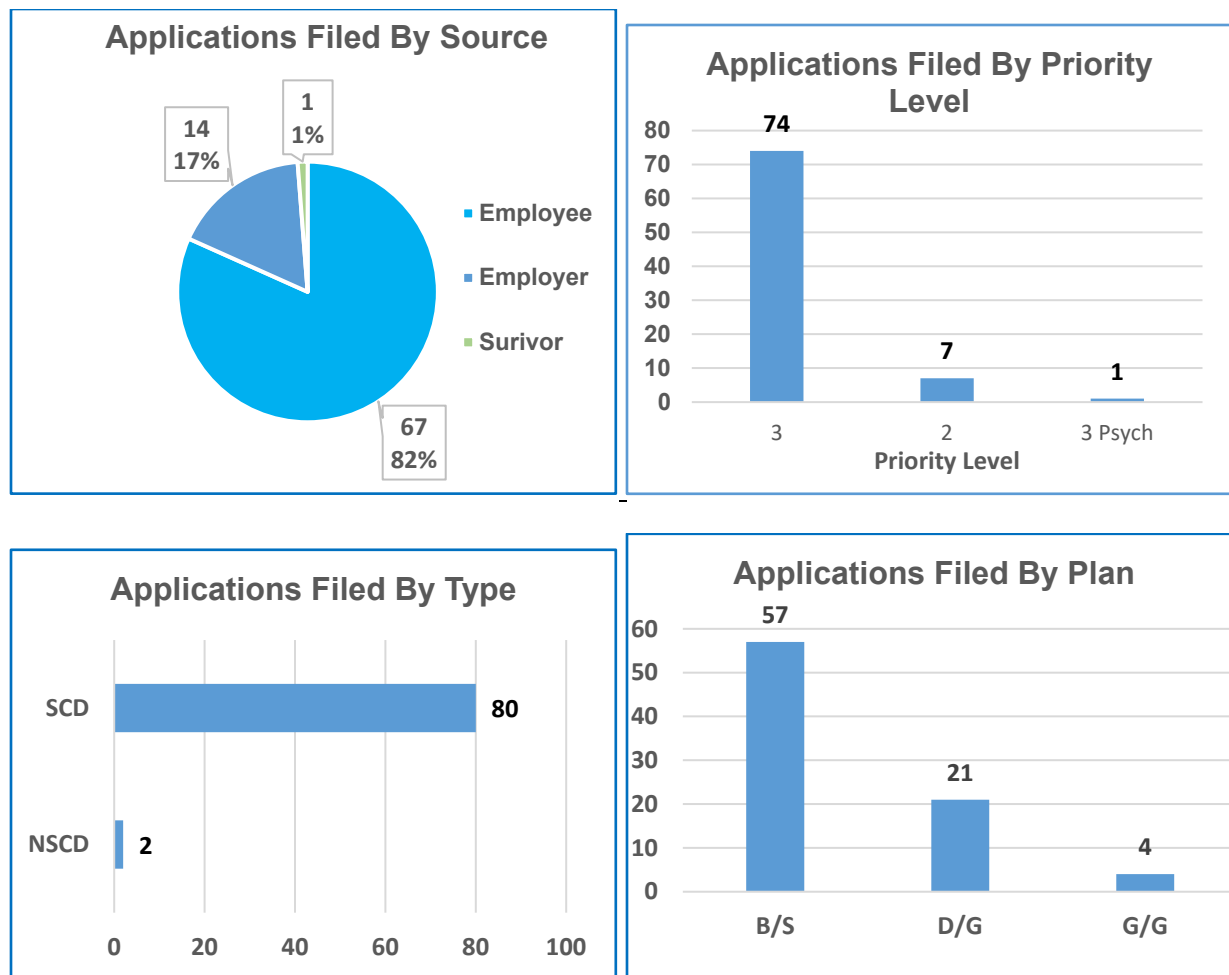
- **Retirements By Year Report (improved):** This report will show the retirements by each year, including the current year. These numbers will change every month as we add new members to the retirement roles.
- **Annual Retirements by Type:** This is a new report which shows the annual retirements broken down between General and Safety.
- **General vs Safety Retirements for Fire and Sheriff:** This report shows the number of retirements for the Fire Department and the Sheriff’s Department by membership type. We often get inquiries about how many safety members in either of these departments have retired.

We are working on finalizing a more detailed membership by status report for general and safety members and hope to have this update in the next few months

Disability Retirement Services Sees a Record Number of New Cases

We have been reporting an increase in the number of retirement counseling calls and inquiries in Member Services and Benefits for the last few months. This trend continues indicating this will be a busy “March Madness” period.

We are now seeing the first sign of a corresponding increase in Disability Retirement Services (DRS). DRS saw a record-breaking 82 new disability applications received in October. This is a 64% increase over our normal intake rate of around 50 cases per month during this time of the year. We looked at the incoming applications and put together some informative graphs to help dissect what was submitted:



Of the 57 Safety applications received, 54 were from the Sheriff’s Department. We are working on putting together statistics of applications received per month over the last 12 months for comparison. This is obviously a significant number of new applications and will have an impact on our processing rates. The Disability Retirement Services team have been working on ideas on how we can help “boost” the number of cases processed. We will keep the Trustees up to date as we move forward.

Retiree Healthcare (RHC) Update

County of Los Angeles Board of Supervisors (BOS) - 2022 Medicare Part B Premium Reimbursement Approval Update

Last month, staff reported that the Centers for Medicare & Medicaid Services (CMS) had announced the Medicare Parts A & B premium and coinsurance rates for 2022 in mid- November. As a reminder, the standard Part B premium will increase to \$170.10 compared to \$148.50 for 2021; an increase of \$21.60.

Segal provided their 2021-2022 Part B Premium Reimbursement Analysis confirming that it is still in the best interest of the County to approve and continue the program. The analysis was forwarded to the Board of Supervisor's (BOS) office for their consideration. During last month's report, we were not sure if we would be able to get this item agendaized on the BOS last agenda for 2021. Fortunately, the CEO report was submitted timely and approved by the BOS at its December 21, 2021 meeting.

Accordingly, RHC staff has begun processing the Part B verifications received in our office in December 2021.

Retiree Healthcare Plan to Address Recent Ending of Medicare Open Enrollment Period

Each year during the Federal Medicare Open Enrollment Period we tend to see an influx of retirees and their eligible covered dependents becoming disenrolled from their LACERA-administered Medicare Advantage plan effective January 1st. This year, staff has proactively requested and obtained a list of members enrolled by plan who CMS is reporting to be disenrolled from our group Medicare Advantage plans.

Targeted letters are being sent to affected members and/or dependents along with a LACERA-administered Medicare Advantage Prescription Drug (MA-PD) enrollment form that is needed to get our retirees and eligible covered dependents re-enrolled without a lapse in coverage back into the LACERA Retiree Healthcare Benefit Program effective January 1, 2022.

\$1 Million Lifetime Maximum Benefit (LMB) for Non-Medicare Plans - Update

My staff and I continue to engage the Board of Supervisors and County of Los Angeles CEO's office on the elimination of the \$1 million dollar Lifetime Maximum Benefit (LMB) that applies to over 8,700 County active members and retirees enrolled now (or in the future) in the PPO and indemnity plan options.

On December 16, 2021, LACERA, Board of Supervisors staff, and the County CEO's office met to discuss the \$1 million lifetime maximum benefit. All County and BOS districts were present and represented either by their Chief Deputies and/or Budget Deputies.

The LACERA team, healthcare consultant (Segal), and actuary (Milliman) provided meeting participants with an overview of our Retiree Healthcare program, population impacted by the \$1 million LMB, and cost analysis of eliminating the LMB. The meeting was very productive.

December 27, 2021

Page 7

We plan to schedule another follow-up meeting once the County CEO's office has completed their own impact and cost analysis on the elimination of the \$1 million LMB. They expect to have analysis completed sometime in late January 2022.

SHK

CEO report Dec.2021.doc

Attachments

Vacant Positions



Division	Budgeted Position	# of Positions
Administrative Services	Administrative Services Analyst I	1
	Administrative Services Analyst II	2
	Administrative Services Analyst III	2
	Administrative Services Officer, LACERA	1
	Document Processing Assistant, LACERA	2
	Procurement & Supply Clerk, LACERA	2
	Procurement Assistant II, LACERA	1
	Supervising Admin Assist II, LACERA	1
	Division Totals:	12
Benefits	Retirement Benefits Specialist II	3
	Retirement Benefits Specialist III	6
	Senior Retirement Benefits Specialist	2
	Division Manager	1
	Division Totals:	12
Communications	Media Artist, LACERA	2
	Public Information Officer, LACERA	1
	Senior Writer, LACERA	1
	Division Totals:	4
Disability Retirement	Senior Disability Retirement Specialist	1
	Staff Assistant II, LACERA	1
	Division Totals:	2
Executive Office	Data Systems Coordinator, LACERA	1
	Information Security Officer, LACERA	1
	Information Technology Specialist I, LACERA	2
	Information Technology Specialist II, LACERA	1
	Special Assistant, LACERA	1
	Division Totals:	6
Financial & Accounting	Accountant, LACERA	6
	Accounting Officer II, LACERA	1
	Accounting Technician I, LACERA	1
	Chief Financial Officer, LACERA	1
	Secretary, LACERA	1
	Senior Accountant, LACERA	1
	Division Totals:	11
Human Resources	Human Resources Analyst, LACERA	2
	Division Totals:	2
Internal Audit Svcs	Internal Auditor, LACERA	1
	Division Totals:	1
Investments	Deputy, Chief Investment Officer, LACERA (UC)	1
	Finance Analyst II, LACERA	1
	Finance Analyst III, LACERA	3
	Principal Investment Officer, LACERA	1

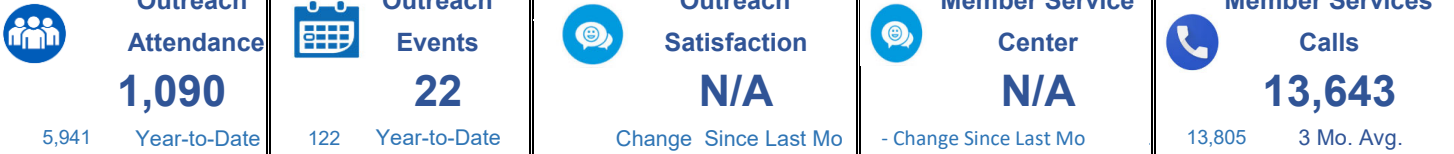
Vacant Positions



Division	Budgeted Position	# of Positions
	Principal Investment Officer, LACERA (UC)	1
	Division Totals:	7
Legal Services	Senior Management Secretary, LACERA	2
	Senior Staff Counsel, LACERA	2
	Staff Counsel, LACERA	3
	Division Totals:	7
Member Services	Retirement Benefits Specialist II	4
	Retirement Benefits Specialist III	7
	Secretary, LACERA	1
	Senior Retirement Benefits Specialist	1
	Division Totals:	13
Quality Assurance	Quality Auditor II, LACERA	2
	Senior Quality Auditor, LACERA	3
	Division Totals:	5
Retiree Health Care	Quality Auditor I, LACERA	1
	Retirement Benefits Specialist II	8
	Retirement Benefits Specialist III	4
	Division Totals:	13
Retirement Systems	Assistant Information Systems Manager, LACERA	2
	Chief, Information Technology, LACERA (UC)	1
	Data Systems Analyst I, LACERA	3
	Data Systems Supervisor II, LACERA	2
	Information Systems Manager, LACERA	1
	Information Technology Manager I, LACERA	1
	Information Technology Manager II, LACERA	1
	Information Technology Specialist I, LACERA	4
	Information Technology Specialist II, LACERA	4
	Retirement Systems Specialist, LACERA	1
	Senior Secretary, LACERA	1
	Division Totals:	21
Grand Totals:		116 Positions Listed

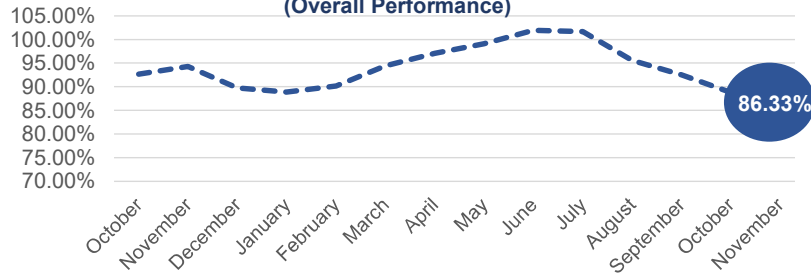
Striving for Excellence in Service

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

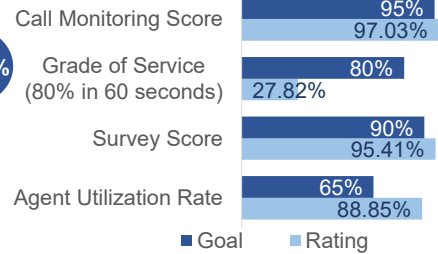


Key Performance Indicator (Overall Performance)

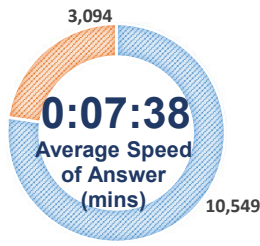
Goal: 100%



Key Performance Indicator (Components)



Member Services



■ Calls Answered ■ Calls Abandoned

Top Calls

1. Retirement Counseling: Process Overview
2. Retirement Counseling: Estimate
3. Retirement Counseling: Plan Overview

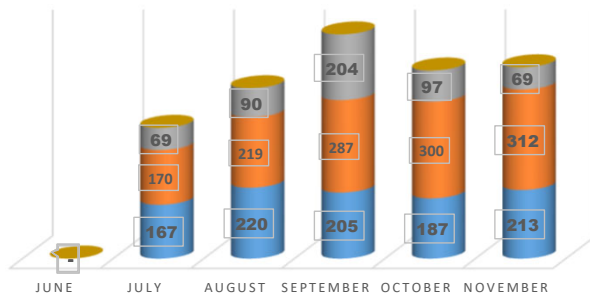
Emails 543
24:00 hours
Avg. Response Time (ART)



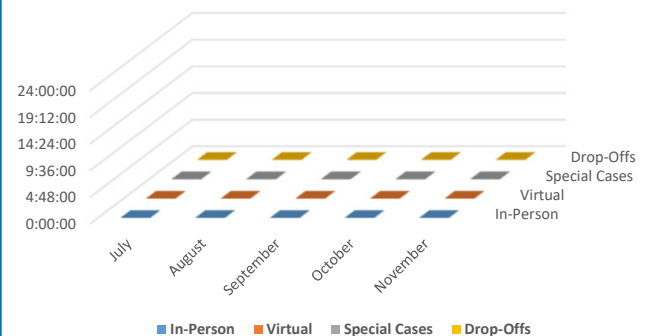
Secure Messages 838

Member Service Center Appointments

■ In-Person ■ Virtual ■ Phone Only ■ Special Cases



Member Service Center Average Wait Times

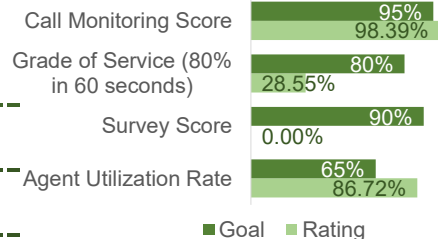


*Wait time not currently available - However, minimal for all categories.

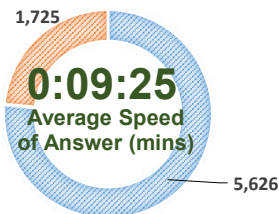
Total RHC Calls: 7,351

Top Calls

1. Medical/Dental Enrollments
2. Medicare Part B Inquiries
3. General Inquiries



Retiree Healthcare



■ Calls Answered ■ Calls Abandoned

Emails 330
10 Days
Avg. Response Time (ART)



Secure Messages 304

Striving for Excellence in Service (Continued)

Applications

741

In Process
As Of:
11/30/2021

737 Pending on: 10/31/2021
49 Received
256 Year-to-Date
0 Re-Opened
0 Year-to-Date
45 To Board - Initial
211 Year-to-Date
0 Closed
15 Year-to-Date

Appeals

87

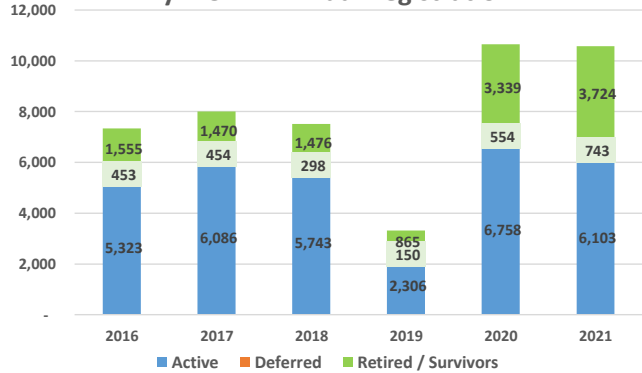
In Process
As Of:
11/30/2021

90 Pending on: 10/31/2021
2 Received
12 Year-to-Date
3 Admin Closed/Rule 32
15 Year-to-Date
2 Referee Recommended
6 Year-to-Date
0 Revised/Reconsidered for Granting
0 Year-to-Date

Disability

My LACERA

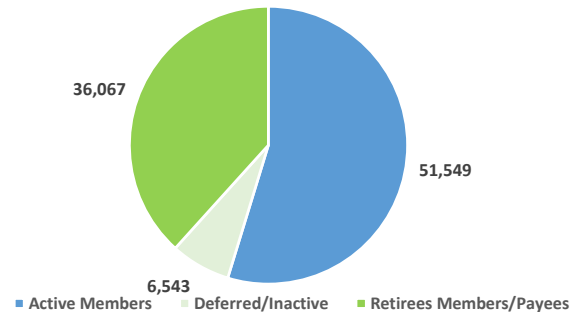
MyLACERA Annual Registration



Total MyLACERA Registrations

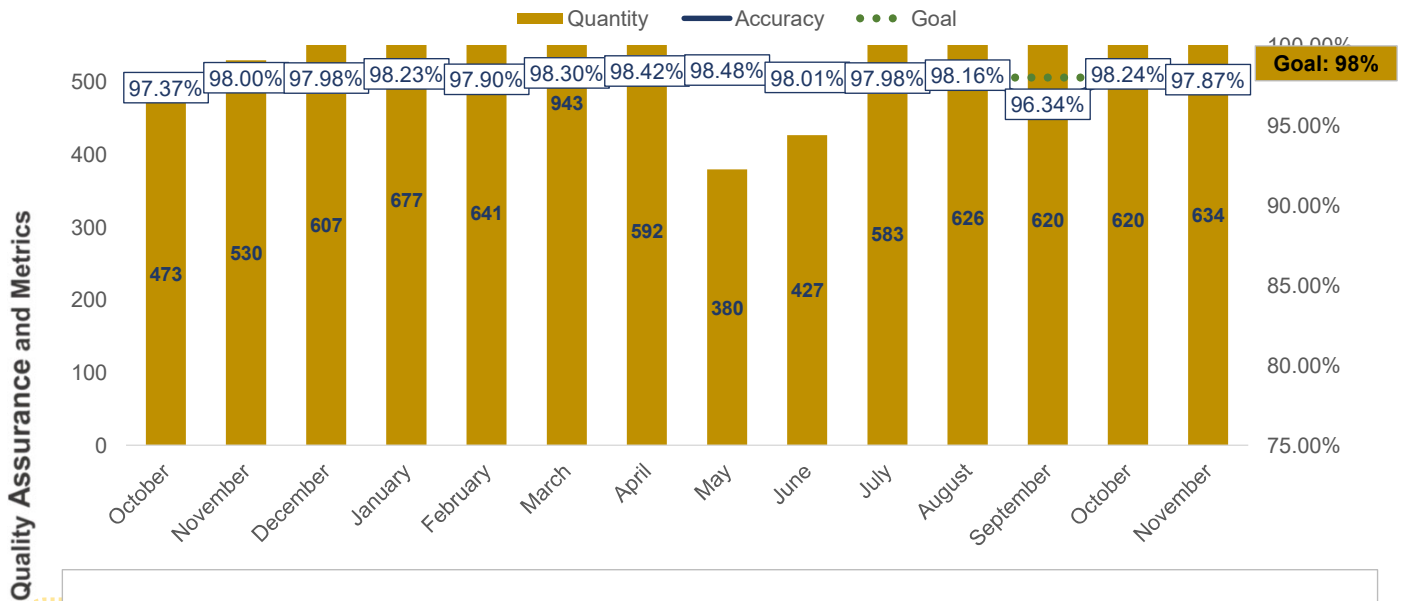
94,159

Total Registrations By Member Type



Striving for Excellence in Quality

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



November

97.87%



Retirement Elections

378

Samples

97.73%

Accuracy

Payment Contracts

167

Samples

98.13%

Accuracy

Data Entry

89

Samples

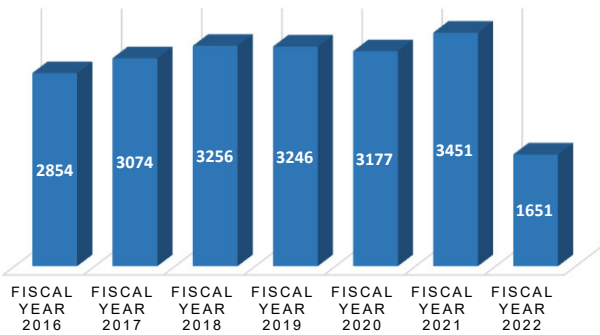
97.75%

Accuracy

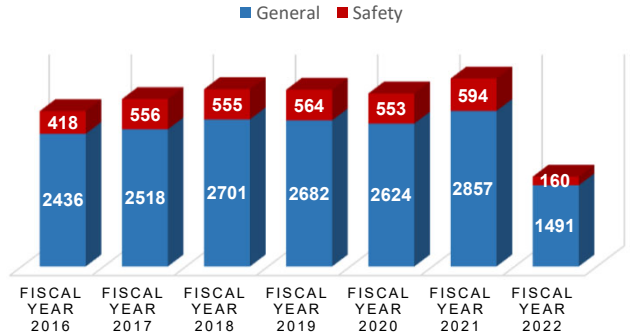
MEMBER SNAPSHOT

Members as of 12/15/2021					
General	Plan	Active	Retired	Survivors	Total
	Plan A	66	14,466	4,207	18,739
	Plan B	19	652	68	739
	Plan C	20	421	65	506
	Plan D	37,380	18,828	1,734	57,942
	Plan E	14,728	14,500	1,452	30,680
	Plan G	32,665	137	11	32,813
	Total General	84,878	49,004	7,537	141,419
Safety	Plan A	2	4,687	1,651	6,340
	Plan B	8,497	7,045	363	15,905
	Plan C	4,576	16	1	4,593
	Total Safety	13,075	11,748	2,015	26,838
TOTAL MEMBERS		97,953	60,752	9,552	168,257
% by Category		58%	36%	6%	100%

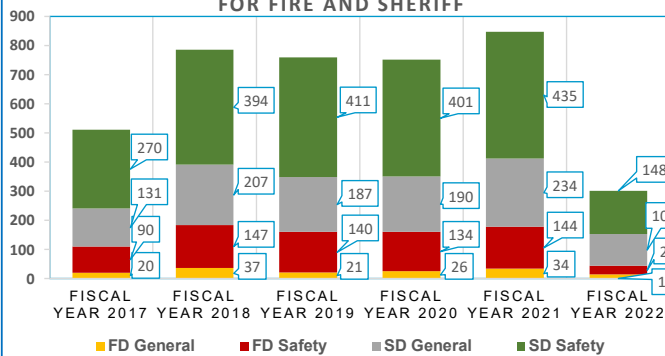
RETIREMENTS BY YEAR



ANNUAL RETIREMENTS BY TYPE



GENERAL VS. SAFETY RETIREMENTS FOR FIRE AND SHERIFF



SPACE AVAILABLE FOR FUTURE EXPANSION

Average Monthly Benefit Allowance Distribution December 22, 2021

	General	Safety	Total	%
\$0 to \$3,999	30,081	1,692	31,773	52.47%
\$4,000 to \$7,999	13,597	3,459	17,056	28.16%
\$8,000 to \$11,999	3,678	4,270	7,948	13.12%
\$12,000 to \$15,999	1,004	1,809	2,813	4.64%
\$16,000 to \$19,999	329	350	679	1.12%
\$20,000 to \$23,999	100	116	216	0.36%
\$24,000 to \$27,999	25	27	52	0.09%
> \$28,000	20	3	23	0.04%
Totals	48,834	11,726	60,560	100%

Average Monthly Benefit Allowance: \$ 4,565.00

Healthcare Program

(Mo. Ending: 11/30/2021)

	Employer	Member
Medical	\$242.2	\$18.0
Dental	\$19.3	\$1.9
Part B	\$33.5	\$0.0
Total	\$295.0	\$19.9

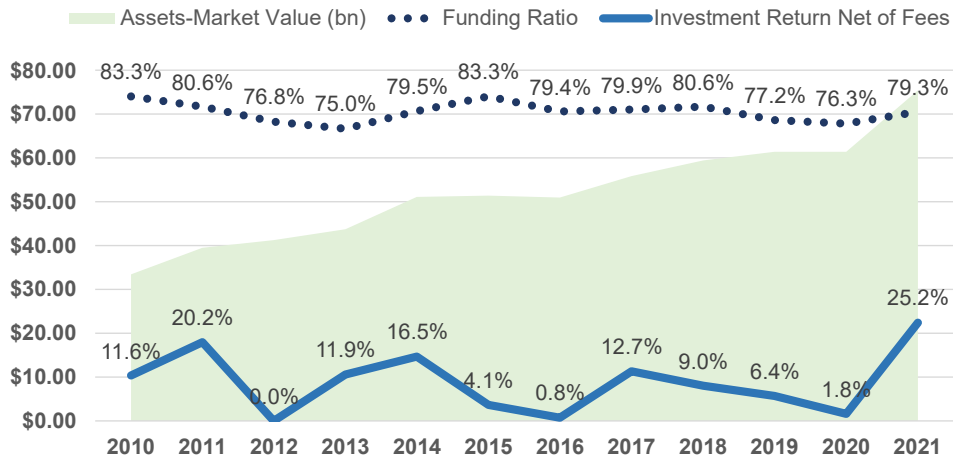
Healthcare Enrollments

(Mo. Ending: 11/30/2021)

Medical	53,270
Dental	54,833
Part B	36,650
LTC	558
Total	145,311

Key Financial Metrics

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



Funding Metrics (as of 6/30/21)

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

Contributions (as of 6/30/21)

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

TOTAL FUND RETURN

(Net of Fees)

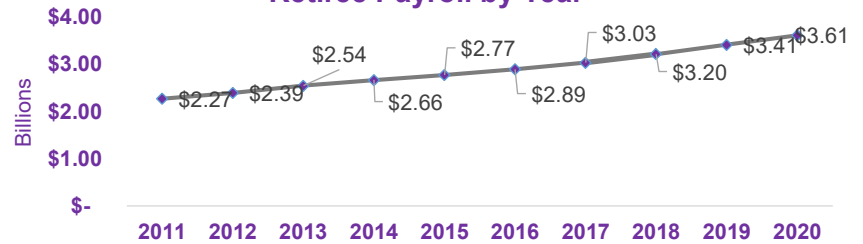
5 YR: 6.1% 10 YR: 8.2%

Retired Members Payroll

(As of 11/30/2021)

Monthly Payroll	\$332.06m
Payroll YTD	\$1.7b
New Retired Payees Added	373
Seamless %	95.44%
New Seamless Payees Added	1,800
Seamless YTD	95.28%
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"> • Koff and Associates • Magnova Consultant • Grant Thornton • Reward Strategy Group
Search for Classification and Compensation Study Services (RHC)	Human Resources	May 24, 2021	Bid Review	<ul style="list-style-type: none"> • Koff and Associates • Magnova Consultant • Grant Thornton • Reward Strategy Group
Agenda Management, Livestream, Recording, and Archiving	Board Offices	April 16, 2021	Vendor Selection	<ul style="list-style-type: none"> • Granicus • Diligent iCompass • PrimeGov • eSCRIBE • Hyland • Provox Systems
Contract Lifecycle Management Application	Administrative Services/ Systems	February 16, 2021	RFP Peer Review	<ul style="list-style-type: none"> • Icertis • Cobblestone • Agiloft • Iron Clad • SmartSheet
Strategic Planning Consultant	Board Offices	August 23, 2021	Solicitation Process	<ul style="list-style-type: none"> • Academy for Leadership and Training • Bellatrix Group • The Segal Group

RFP/RFI Name	Issuing Division	RFP Issued	Status*	Quiet Period for RFP Respondents*
				<ul style="list-style-type: none"> • Athenian Group • KH Consulting • TBM & Associates
Case Management Software Solution	Systems Division	October 6, 2021	Vendor Evaluation & Selection	<ul style="list-style-type: none"> • RGB Projects • Aeon Nexus • Oracle • CrossFuze • Incapsulate • Main Street Computing • MERP Systems • Accenture • MTX Group • Inovar • Slalom • Salesforce • Klearai • Eccentex

*Subject to change

**Does not include Investments related vendor searches

Date	Conference
January, 2022	
23-25	NCPERS (National Conference on Public Employee Retirement Systems) Legislative Conference Washington, D.C. CANCELLED
31-February 2	IFEBP (International Foundation of Employment Benefit Plans) Health Benefits Conference Clearwater Beach, FL
February, 2022	
23-25	Pacific Pension Institute (PPI) Winter Roundtable Westlake Village, CA
March, 2022	
2-3	National Association of Securities Professionals (NASP) Women's Forum Philadelphia, PA
5-8	CALAPRS (California Association of Public Retirement Systems) General Assembly Meeting TBD
7-9	Council of Institutional Investors (CII) Spring Conference Washington D.C.
7-9	National Association of Corporate Directors (NACD) Master Class Laguna Beach, CA
14-17	AHIP (America's Health Insurance Plans) National Health Policy Conference Washington D.C.
23-24	PREA (Pension Real Estate Association) Spring Conference Beverly Hills, CA
24	NASP 12 th Annual "Day of Education in Private Equity" for Trustees and Staff TBD
30 – April 1	CALAPRS (California Association of Public Retirement Systems) Advanced Principles of Pension Governance for Trustees at UCLA Los Angeles, CA
April, 2022	
4-8	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania Live Online
25-26	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Phoenix, AZ

Chief Investment Officer Monthly Report

Board of Investments

January 12, 2022



Jonathan Grabel 
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

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

Market Environment

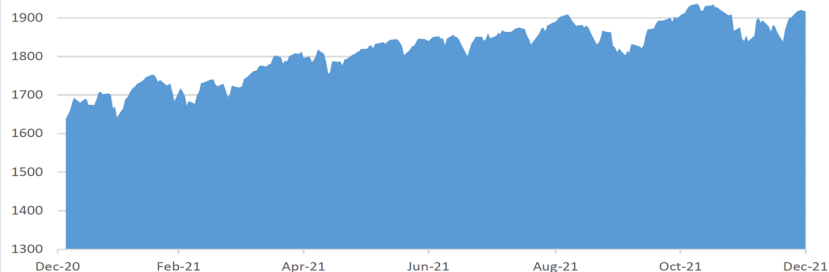


Global Market Performance as of December 31, 2021

MSCI ACWI Index (Global Equity Market)*

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
4.0	6.1	18.2	18.2	20.2	14.1	11.8

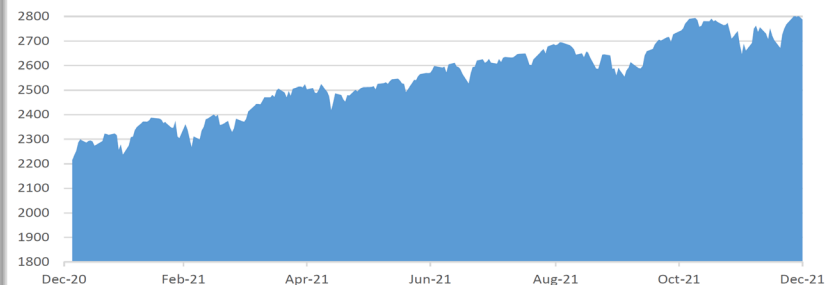
MSCI ACWI IMI Index 1-Year Performance



Russell 3000 Index (U.S. Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
3.9	9.3	25.6	25.6	25.8	17.9	16.3

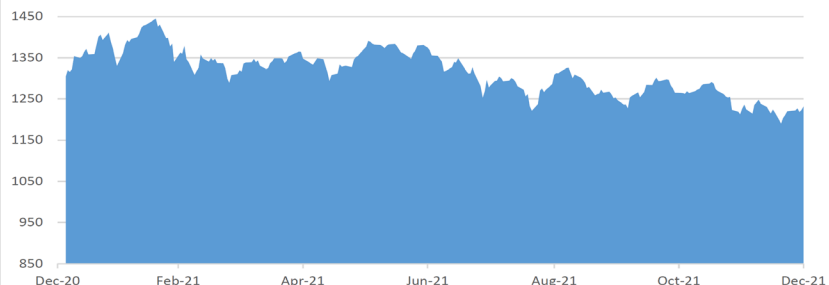
Russell 3000 1-Year Performance



MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
1.9	-1.3	-2.5	-2.5	10.9	9.9	5.5

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
-0.3	0.0	-1.5	-1.5	4.8	3.6	2.9

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

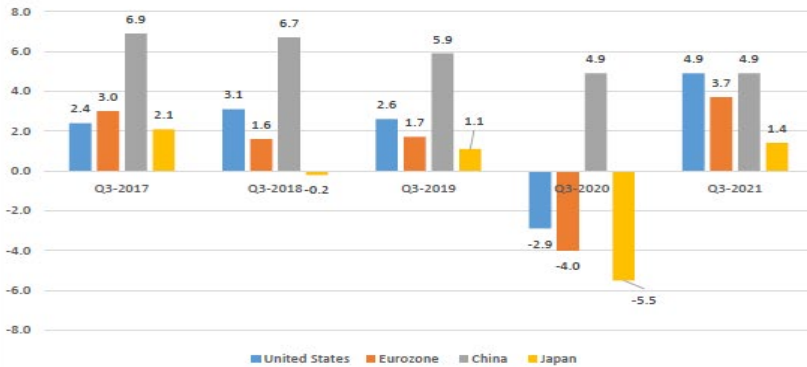
Source: Bloomberg



Key Macro Indicators*

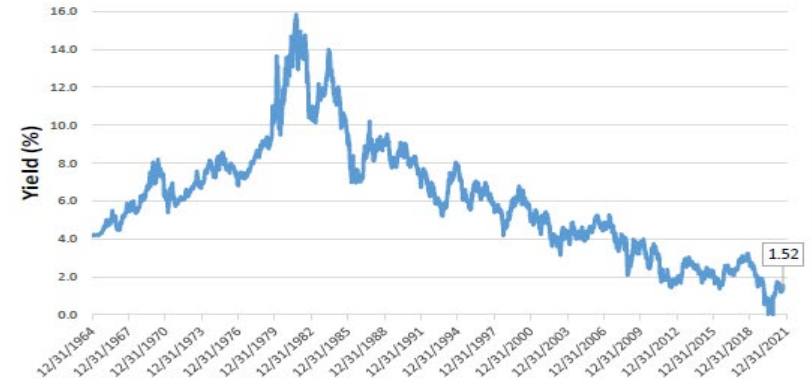
GDP Growth of Major Economies¹

Real GDP Growth YoY (%) - Last Five Years



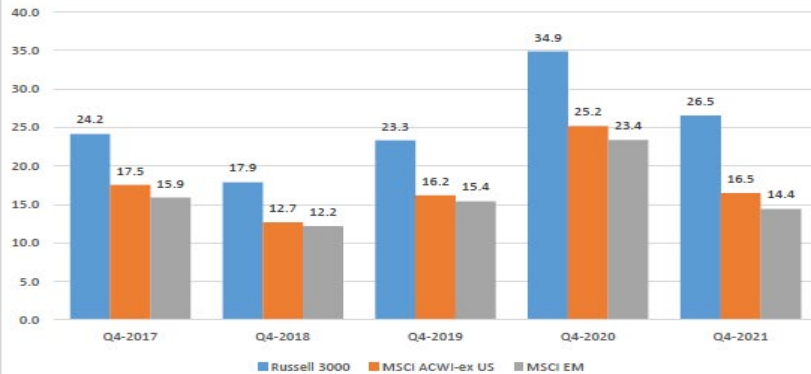
Historical Low for 10-Year Treasury Yield²

Historical 10-Year Treasury Yield



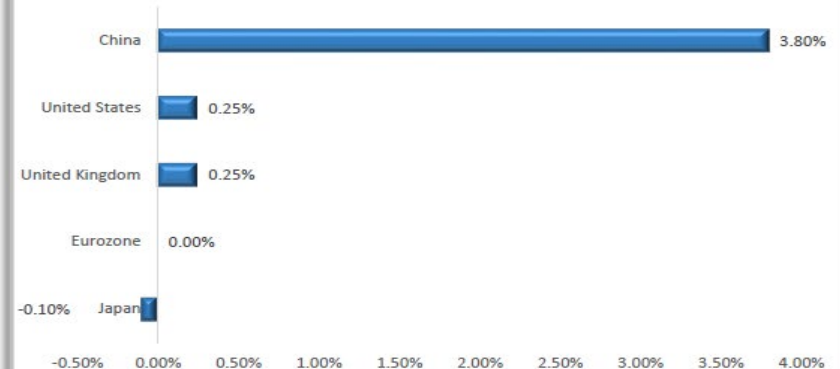
World Equity Valuation³

Price-to-Earnings - Last Five Years



Central Bank Rates⁴ (as of 12/31/2021)

Central Bank Rates



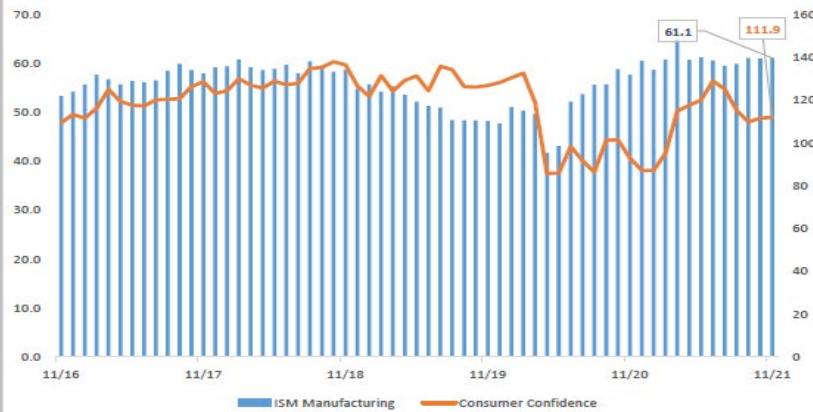
*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/21 and may not reflect the current market and economic environment.

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



Key Macro Indicators*

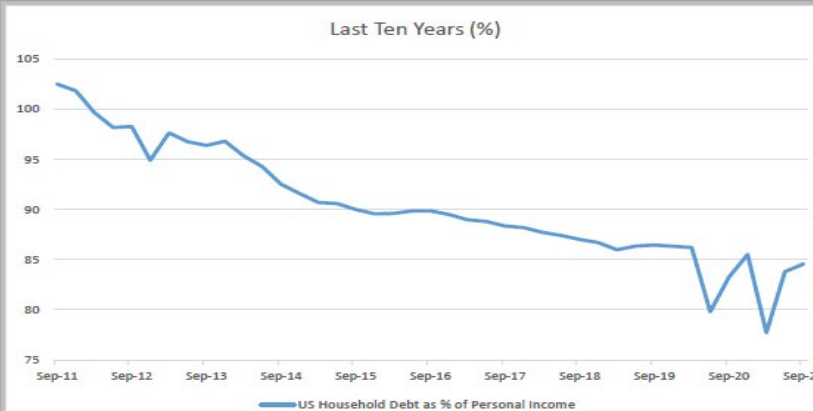
Consumer Confidence & ISM Manufacturing¹



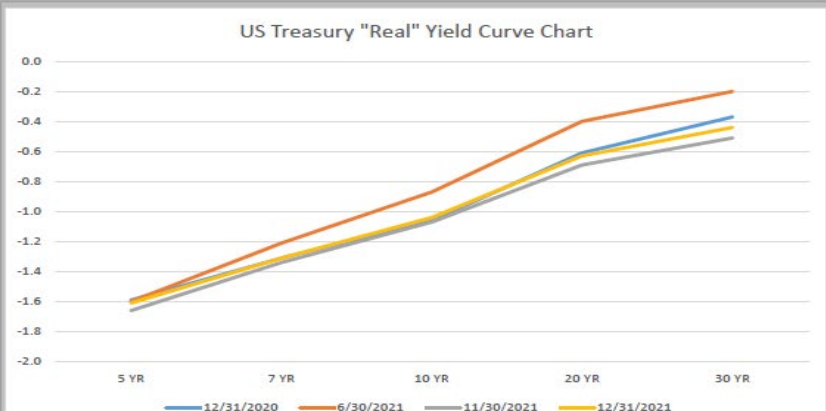
U.S. Inflation, Unemployment, & Labor Force Participation²



U.S. Household Debt as % of Personal Income³



U.S. Treasury "Real" Yield Curve⁴



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

*The information on the "Key Macro Indicators" charts is the best available data as of 12/31/21 and may not reflect the current market and economic environment.



Market Themes and Notable Items to Watch

Recent Themes

- Covid-19
 - More than 290 million cases, 5.4 million deaths, and 9.2 billion vaccine doses administered worldwide
 - Sharp spike in the count of recent cases in many regions, including the U.S.
 - Record 1.44 million worldwide daily cases set
- The U.S. 10-year treasury yield ended November 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) gained 4.0% in December and 18.2% in 2021
- The U.S. Federal Reserve released new economic projections showing that officials expect to raise interest rates three times next year and cut back on stimulus more quickly than previously forecasted

What to Watch

- Covid-19
 - Economic and consumer behavior impacts
 - Evolution of Covid variants such as Omicron, transmissibility, and vaccine efforts
- Environmental, social, governance
 - SEC proposed action to close insider trading loopholes following CII and investor advocacy
 - Heightened focus on IPO governance, with over 50% of recent IPO's including sunset provisions on any multiclass/weighted voting rights
 - New industry projects to enhance ESG reporting in private markets
- Economic data and trends
 - Transitory versus persistent inflation, labor market developments such as composition of newly added jobs, and infrastructure legislation
- Changing macro conditions
 - Central bank actions and geopolitical risks

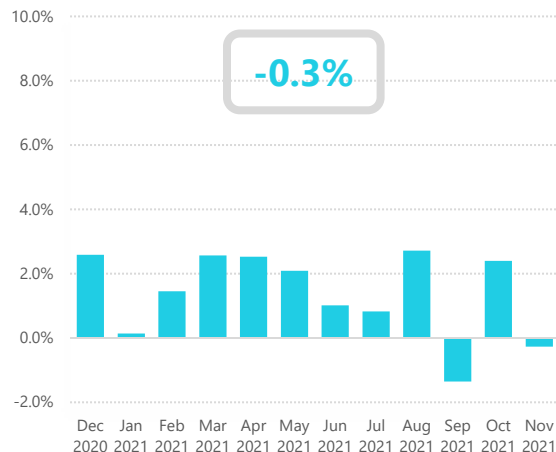
Portfolio Performance & Risk Updates



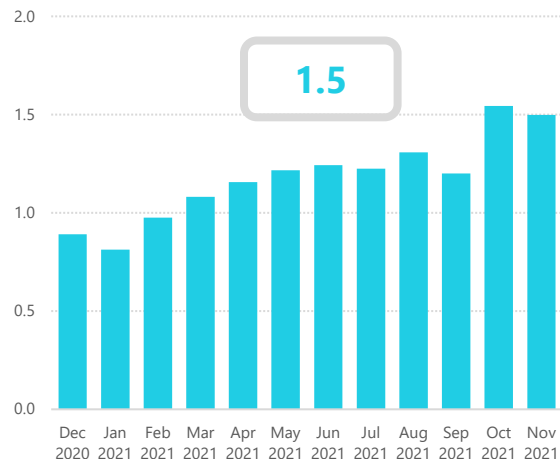
Total Fund Summary

as of November 2021

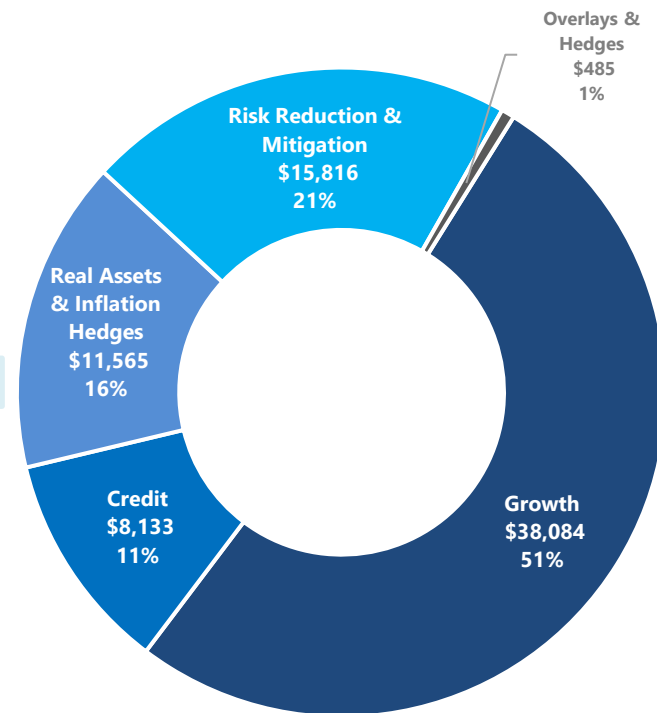
Monthly Return (net)



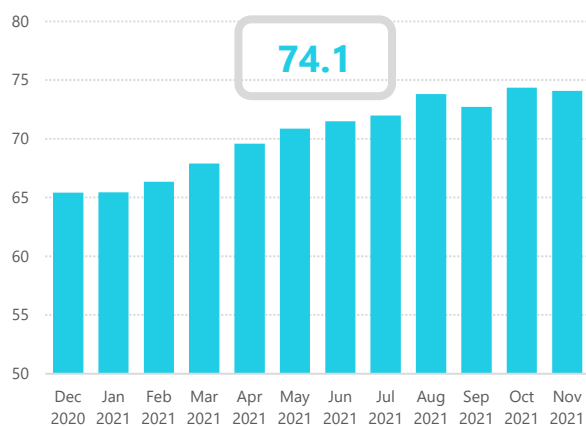
Sharpe Ratio (3-year annualized)



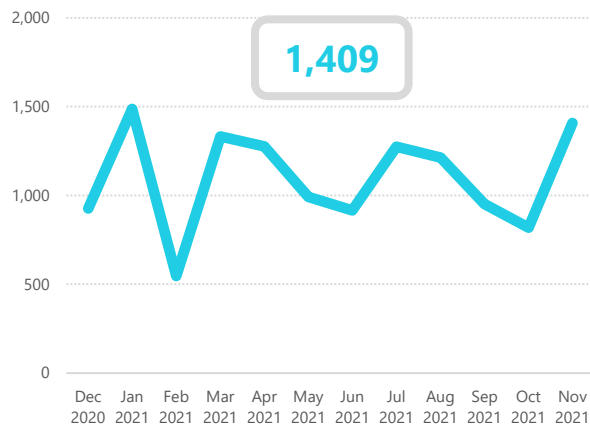
Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

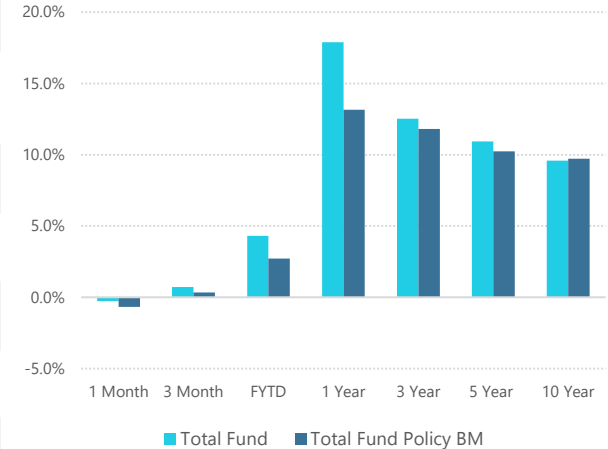


Historical Net Performance

as of November 2021

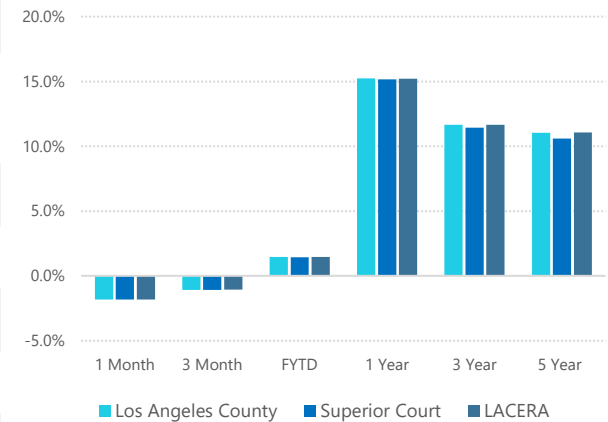
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	74,083	100.0%	100.0%	-0.3%	0.7%	4.3%	17.9%	12.5%	10.9%	9.6%
Total Fund Policy BM				-0.7%	0.3%	2.7%	13.2%	11.8%	10.2%	9.7%
7% Annual Hurdle Rate				0.6%	1.7%	2.9%	7.0%	7.0%	7.0%	7.0%
Growth	38,084	51.4%	51.0%	-0.6%	0.5%	6.2%	28.7%			
Growth Policy BM				-0.9%	-0.1%	3.6%	22.3%			
Credit	8,133	11.0%	11.0%	0.1%	0.5%	1.7%	10.7%			
Credit Policy BM				-0.4%	-0.6%	0.5%	3.8%			
Real Assets & Inflation Hedges	11,565	15.6%	17.0%	-0.4%	2.1%	4.7%	15.3%			
Real Assets & Inflation Hedges Policy BM				-1.4%	2.0%	3.9%	14.4%			
Risk Reduction & Mitigation	15,816	21.3%	21.0%	0.2%	-0.1%	0.5%	0.6%			
Risk Reduction & Mitigation Policy BM				0.5%	0.0%	0.8%	-0.1%			
Overlays & Hedges	485	0.7%								



OPEB Master Trust¹

	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
OPEB MASTER TRUST	2,434			-1.8%	-1.1%	1.5%	15.2%	11.7%	11.0%
Los Angeles County	2,362	97.0%	—	-1.8%	-1.1%	1.5%	15.2%	11.7%	11.0%
Superior Court	63	2.6%	—	-1.8%	-1.1%	1.4%	15.2%	11.4%	10.6%
LACERA	9	0.4%	—	-1.8%	-1.1%	1.5%	15.2%	11.7%	11.1%
OPEB Growth	1,220	50.1%	50.0%	-2.7%	-2.0%	1.0%	19.6%	16.0%	14.0%
OPEB MT Growth Policy BM				-2.7%	-2.0%	0.9%	19.4%	15.7%	13.7%
OPEB Credit	477	19.6%	20.0%	-1.0%	-1.6%	-1.1%	2.3%	4.4%	--
OPEB MT Credit Policy BM				-0.7%	-1.1%	-0.5%	3.4%	5.0%	--
OPEB Real Assets & Inflation Hedges	497	20.4%	20.0%	-1.5%	1.2%	5.8%	26.3%	9.5%	--
OPEB MT RA & IH Policy BM				-1.5%	1.3%	6.0%	26.6%	9.4%	--
OPEB Risk Reduction & Mitigation	240	9.9%	10.0%	0.2%	-0.5%	0.3%	-0.9%	4.7%	3.3%
OPEB MT RR & M Policy BM				0.2%	-0.5%	0.3%	-0.9%	4.6%	3.1%
Operational Cash	0	0.0%							

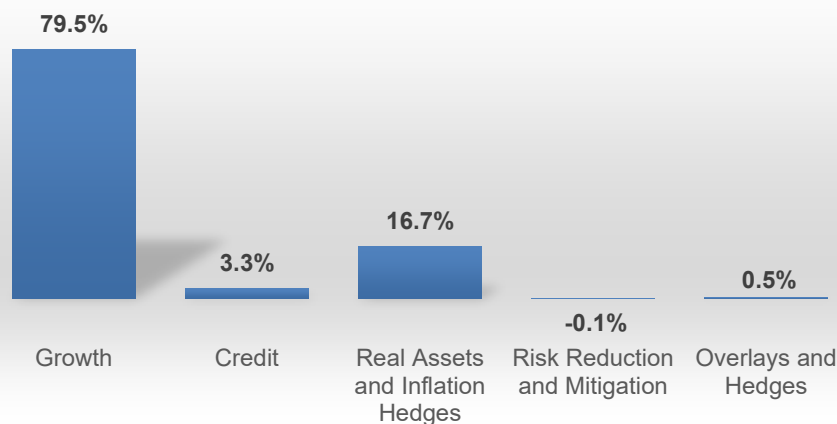


1. Market value differences between the sub-trusts and functional composites are due to operational cash.

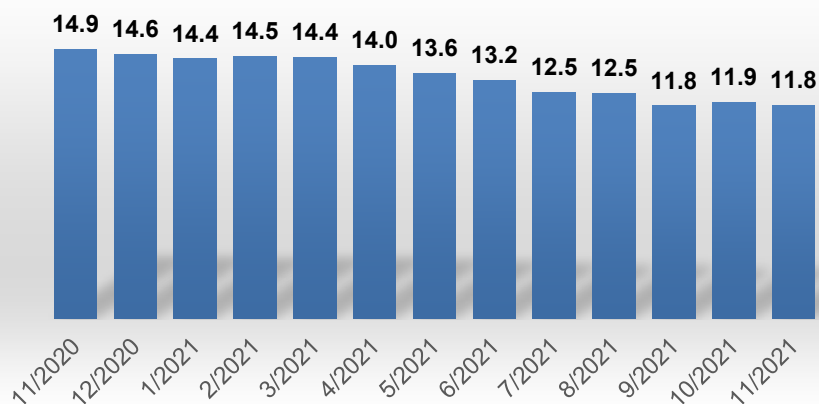
Total Fund Forecast Risk*

as of November 2021

%Contribution to Total Risk



Total Risk



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
Total Fund			11.8	11.9
Growth	51.3%	79.5%	18.4	18.2
Global Equity	35.0%	50.9%	17.7	17.8
Private Equity	15.0%	26.9%	24.2	24.4
Non-Core Private Real Estate	1.3%	1.7%	20.7	18.2
Credit	11.0%	3.3%	4.4	5.3
Liquid Credit	6.9%	2.5%	5.5	5.3
Illiquid Credit	4.1%	0.8%	3.9	5.3
Real Assets & Inflation Hedges	16.2%	16.7%	13.6	14.0
Core Private Real Estate	5.8%	7.3%	21.8	18.2
Natural Resources & Commodities	4.2%	4.3%	14.3	21.8
Infrastructure	3.2%	4.7%	18.7	18.7
TIPS	2.9%	0.4%	4.6	4.6
Risk Reduction and Mitigation	20.7%	-0.1%	3.4	2.3
Investment Grade Bonds	12.5%	0.0%	3.6	3.5
Diversified Hedge Funds	4.2%	0.3%	3.9	0.1
Long-Term Government Bonds	2.1%	-0.4%	9.8	4.9
Cash	1.9%	0.0%	-	-
Overlays and Hedges	0.8%	0.5%	-	-

*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2021

**BMK Risk stands for Benchmark Risk



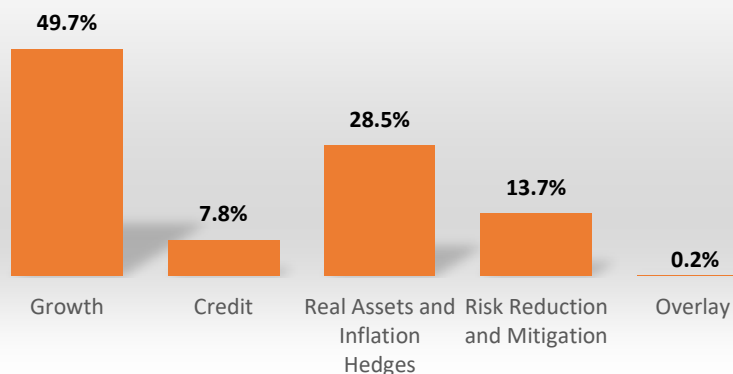
SOURCE: MSCI BarraOne

LACERA Investments

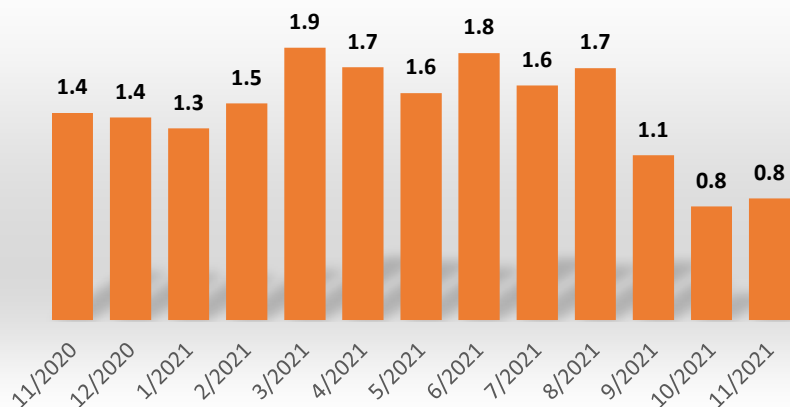
Total Fund Forecast Active Risk*

as of November 2021

%Contribution to Active Risk



Active Risk



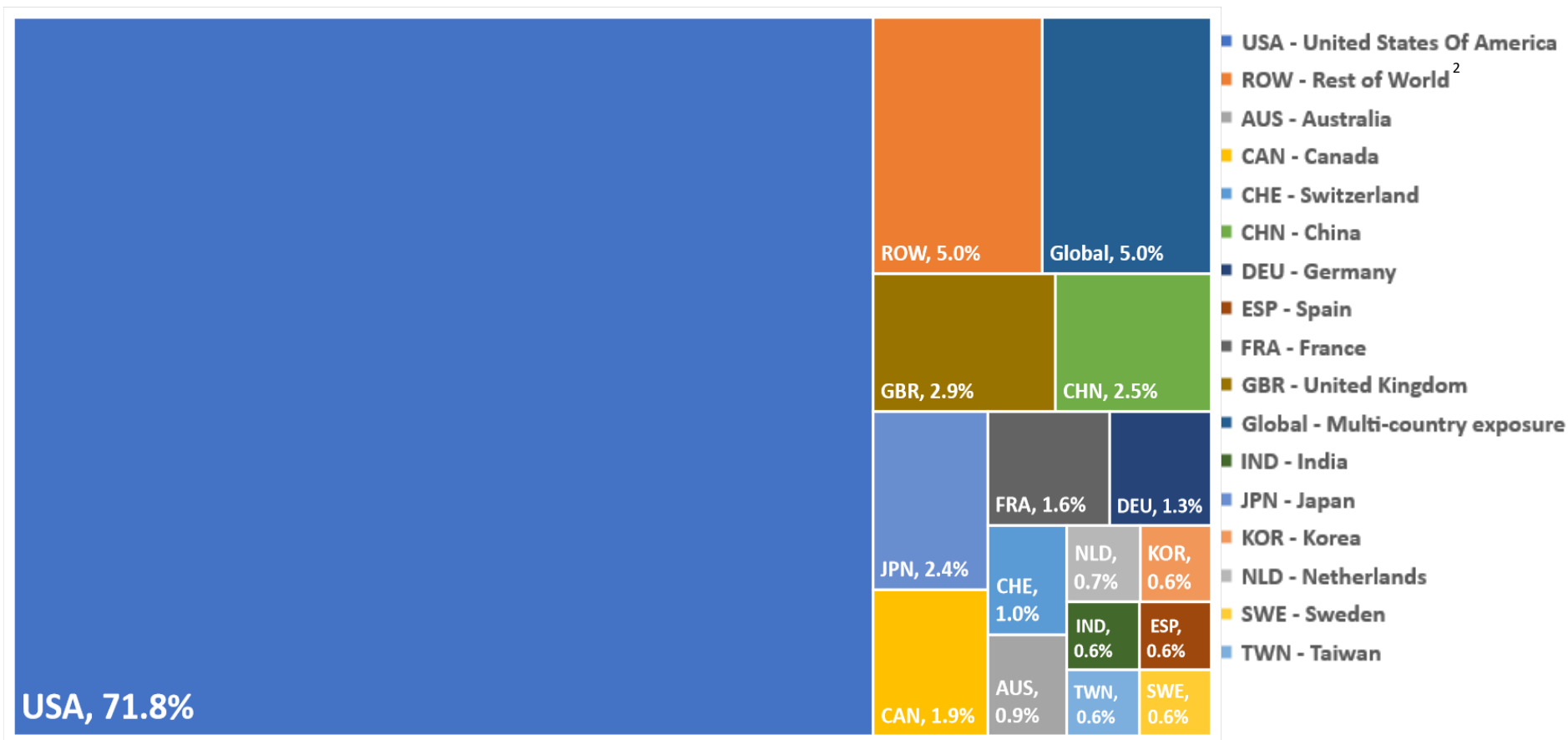
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
Total Fund			0.84	0.01	0.82
Growth	51.3%	0.35%	0.42	0.00	0.42
Global Equity	35.0%				
Private Equity	15.0%				
Non-Core Private Real Estate	1.3%				
Credit	11.0%	-0.02%	0.07	0.00	0.07
Liquid Credit	6.9%				
Illiquid Credit	4.1%				
Real Assets & Inflation Hedges	16.2%	-0.82%	0.24	0.02	0.22
Core Private Real Estate	5.8%				
Natural Resources & Commodities	4.2%				
Infrastructure	3.2%				
TIPS	2.9%				
Risk Reduction and Mitigation	20.7%	-0.26%	0.11	-0.01	0.12
Investment Grade Bonds	12.5%				
Diversified Hedge Funds	4.2%				
Long-Term Government Bonds	2.1%				
Cash	1.9%				
Overlays and Hedges	0.8%	0.75%	0.00	0.00	0.00

*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2021



Geographic Exposures by AUM* - Total Fund

as of November 2021 ex-overlay



*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 6/30/2021

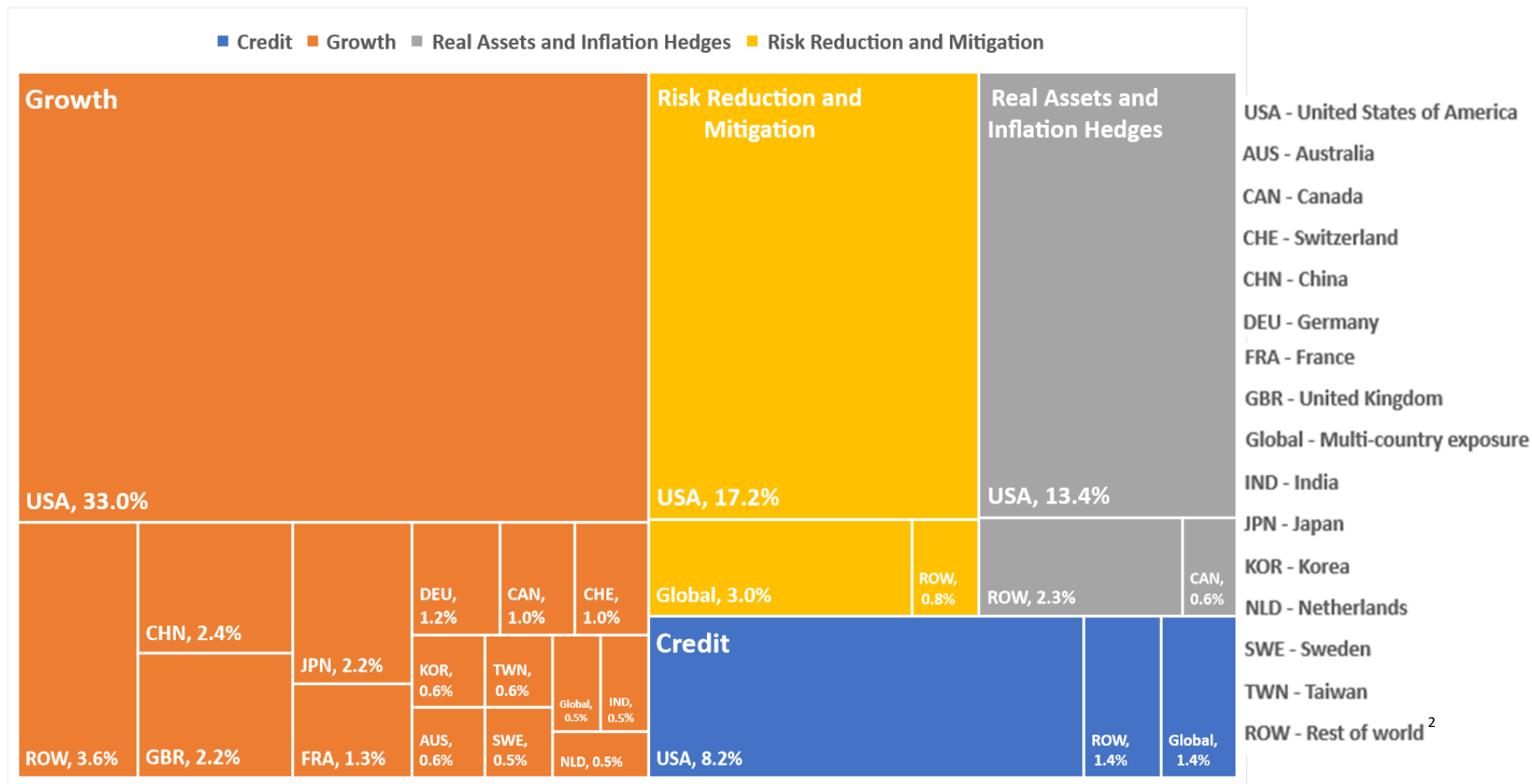
² "ROW - Rest of World" is sum of countries with weight below 0.5%

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



Geographic Exposures by AUM* - Asset Categories

as of November 2021 ex-overlay



*AUM = assets under management

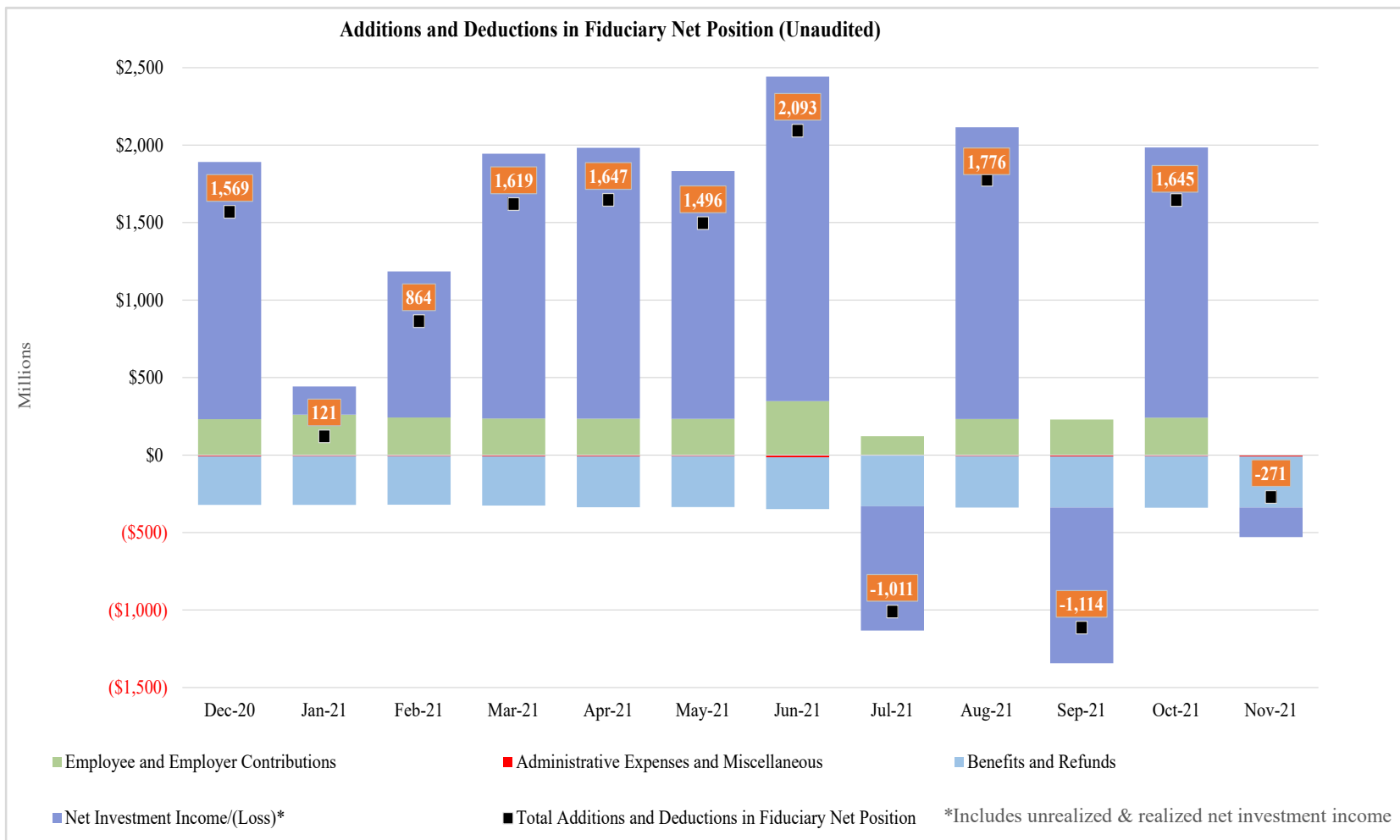
¹ *Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 6/30/2021

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



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	3	2	\$1.0 billion



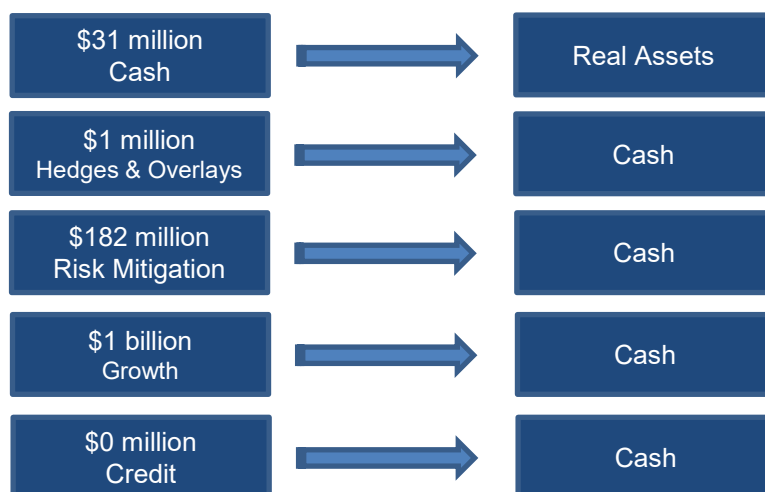
Portfolio Structural Updates



Portfolio Structural Updates

Portfolio Movements

Rebalancing Activity



Hedges and Overlays

Program	November Return	November Gain/Loss	Inception* Gain/Loss
Currency Hedge**	1.2%	\$1.2 Million	\$919.9 Million
Cash/Rebalance Overlay***	-3.8%	-\$68.4 Million	-\$89.6 Million

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
Global Equity Emerging Manager Search	●	●	Anticipated Early 2022
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
Illiquid Credit Emerging Manager Program Search	●	●	Anticipated Mid 2022
Custody Bank Search			Anticipated Late 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

- 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
- Onboarding LACERA's first dedicated managed account with expected launch in 1Q2022

Operational Updates

- Annual contract compliance review underway

Manager/Consultant Updates

No material updates for this month's report.

Completed Actions

- Implemented the global equity overlay for geographic and market-cap exposure

Team Searches and Open Positions

- Working on launching new searches
 - Deputy CIO
 - 2 – PIO
 - 3 – FA-III
 - 2 – FA-II

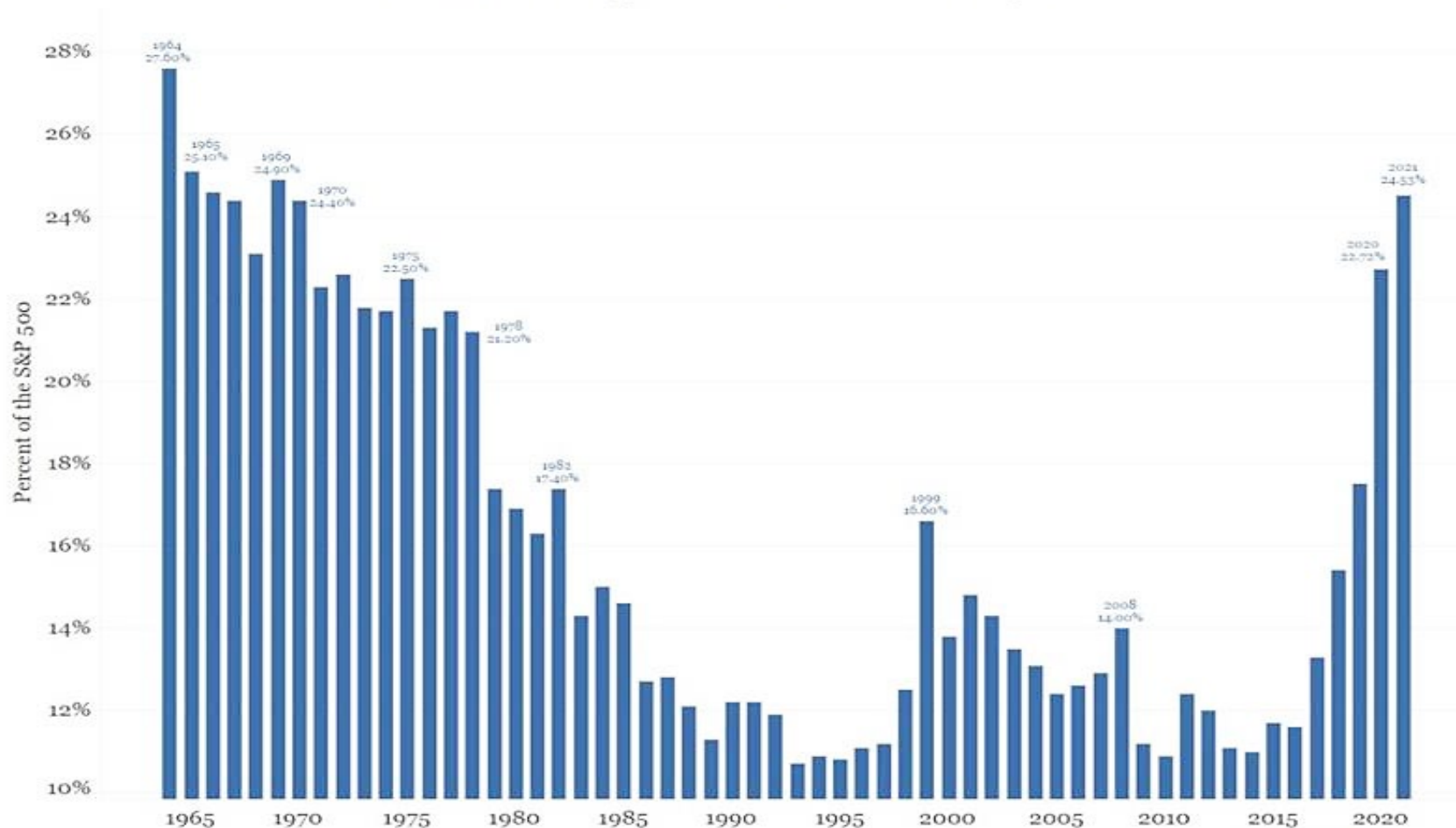
Commentary



Staff Chart of the Month*

Five Largest Stocks in the S&P 500

The Five Largest Stocks in the S&P 500



Source: S&P, Dow Jones, Bloomberg

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<https://www.biancoresearch.com/>



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

General Investment Consultant Search

- ✓ Callan LLC
- ✓ Meketa Investment Group, INC
- ✓ NEPC, LLC

Long-Term U.S. Treasury Manager Search

- ✓ BlackRock Investments, LLC
- ✓ State Street Global Advisors (SSgA)

Illiquid Credit Emerging Manager Program Search

- ✓ BlackRock Alternative Advisors
- ✓ Blackstone Alternative Asset Management
- ✓ Cambridge Associates
- ✓ GCM Grosvenor
- ✓ Stable Asset Management

December 27, 2021

TO: Each Trustee,
Board of Retirement
Board of Investments

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

FOR: January 5, 2022 Board of Retirement Meeting
January 12, 2022 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 Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that each 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. Action taken by each Board will only apply to that Board and its Committees.

LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Boards have plenary authority and exclusive fiduciary responsibility for the fund's administration and investments. This authority includes the ability of each Board to manage their own Board and Committee meetings and evaluate 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. The Boards previously took this action at their October, November, and December 2021 meetings. Findings made under this memo will be effective for meetings held during the next 30 days.

DISCUSSION

A. Summary of Law.

On September 16, 2021, the Governor signed AB 361 which enacted new Government

Code Section 54953(e) of the Brown Act to put in place, effective immediately and through December 31, 2023, new relaxed teleconferencing rules that may be invoked by local legislative bodies, such as the LACERA Boards, upon making certain findings and following certain agenda and public comment requirements.

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

- (A) The Board has considered the circumstances of the state of emergency;
- (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 each Board makes the required findings, that Board and its Committees may hold teleconference meetings for the next 30 days without the need to comply with the regular rules of Section 54953(b)(3) provided that: agendas are prepared and posted under the Brown Act; members of the public are allowed to access the meeting via a call-in option or an internet-based service option; and the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment.

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

The Governor's State of Emergency for the COVID-19 pandemic as declared in the Proclamation of a State of Emergency dated March 4, 2020 remains active. The Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act. It is unclear when the State of Emergency will end, although the Governor recently extended certain COVID-19 emergency provisions to March 31, 2022. See Order No. N-21-21, issued November 10, 2021.

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

CONCLUSION

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor’s COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that each 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. Action taken by each Board will only apply to that Board and its Committees.

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

December 23, 2021

TO: Trustees – Board of Investments

FROM: Real Assets Committee

James Rice, CFA 
Principal Investment Officer

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **REAL ESTATE STRUCTURE REVIEW**

RECOMMENDATION

Approve the Real Estate Structure Review (**Attachment A**) including initiatives, guidelines, and recommendations throughout the document as well as those summarized on slides 27, 28 and 29. A portion of this presentation concerning the purchase or sale of particular, specific real estate assets was also advanced, in executive session under Government Code Section 54956.81 and the Board's Policy Governing the Use of Open and Closed Sessions to Consider the Purchase or Sale of Particular, Specific Investments. Executive session information is redacted on **Attachment A** on slides 17, 19, 20, 30, 31, 33, and 35. Unredacted copies are provided to the Board for consideration in a separate item to be held in executive session.

BACKGROUND

On December 12, 2021, the Real Assets Committee ("Committee") unanimously approved a recommendation (**Attachment**) that the Board of Investments approve the Real Estate Structure Review. This structure review (**Attachment A**) recommends revamping the Core Real Estate structure to emphasize open-ended fund vehicles to improve asset diversification and reduce operational risk. The Non-Core allocation is intended to grow over the next few years to reach a 4% target. It is recommended that LACERA invest in traditional closed-ended fund structures rather than rely on separate account vehicles to achieve the target allocation.

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 raised questions about the following topics that were addressed by staff and the Consultant: the allocation to emerging and developed markets investments, how income from funds would flow to LACERA in contrast to how LACERA receives income from its current

separate account properties, staffing on the real estate team, and the proposed size for delegated authority for re-ups to existing commitments.

RISKS OF ACTION AND INACTION

LACERA's core real estate program has existed in its current structure for decades. Its role as a lower risk, return-oriented component of LACERA's total Fund requires consideration of alternatives such as the proposed structure as a way to reduce the concentration and operational risks of the current core portfolio, enhance performance, and emphasize the yield-oriented focus of the core portfolio. The allocation to non-core will be a larger part of LACERA's growth portfolio in the future and the proposed strategy of obtaining real estate returns from closed-end fund structures align LACERA's interests with its General Partners and allows access to talented real estate teams.

The risk of inaction is that the real estate portfolio may continue to have uncompensated risks and may not achieve its objectives.

CONCLUSION

The Committee unanimously approved this recommendation that LACERA adopt the proposed Structure Review.

LACERA's specialty Real Estate consultant, StepStone, reviewed the Structure Review and concurs with its recommendations (**Attachment B**).

Attachments


Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

November 23, 2021

TO: Trustees – Real Assets Committee

FROM: James Rice 
Principal Investment Officer

FOR: December 8, 2021 Real Assets Committee Meeting

SUBJECT: **REAL ESTATE STRUCTURE REVIEW**

RECOMMENDATION

Advance the Real Estate Structure Review (**Attachment A**) including initiatives, guidelines, and recommendations throughout the document as well as those summarized on pages 27, 28 & 29 to the Board of Investments for approval. A portion of this presentation concerning the purchase or sale of particular, specific real estate assets will be discussed, and action requested, in executive session under Government Code Section 54956.81 and the Board's Policy Governing the Use of Open and Closed Sessions to Consider the Purchase or Sale of Particular, Specific Investments. Executive session information is redacted on Attachment A on Slides 17, 19, 20, 30, 31, 33, and 35. Unredacted copies will be provided to the Board for consideration in executive session.

BACKGROUND

At the September Committee meeting this year, Stepstone, LACERA's recently hired real estate consultant, provided its preliminary observations on LACERA's Real Estate program particularly in reducing investment and operational risk in core real estate and addressing general longer-term underperformance across asset class risk categories. Staff and consultant have considered these findings in the structure review and in its recommendations prepared for this meeting.

The strategic asset allocation analysis completed in May of this year confirmed the Core Real Estate allocation target weight of 6%, and moved Value Added Real Estate to the Growth category where, with Opportunistic Real Estate, they form a combined 4% Non-Core Real Estate target allocation.

SUMMARY

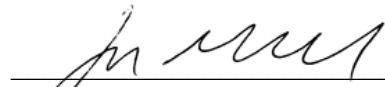
This structure review recommends revamping the Core Real Estate structure to emphasize open-ended fund vehicles to improve asset diversification and reduce operational risk. The Non-Core allocation is intended to grow over the next few years to reach a 4% target. It is recommended that LACERA invest in traditional closed-ended fund structures rather than rely on separate account vehicles to achieve the target allocation.

The presentation consists of an overview followed by sections on the recommended structural changes and the strategies and guidelines to be employed in implementing the recommendations. The presentation will include materials intended for open session and some materials that are intended to be addressed in closed session that are included under separate cover.

LACERA's consultant Stepstone reviewed the structure review and is in support of the recommendation. The consultant's concurrence memo is included as **Attachment B**.

Attachment

Noted and Reviewed:

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

Jonathan Grabel

Chief Investment Officer

Real Assets and Inflation Hedges

2021 Structure Review

Part 1 : Real Estate

Real Assets Committee

December 8, 2021



Table of Contents

Pages 3 - 8	Real Assets	Role	Background	Overview	Allocation
Pages 9 - 21	Real Estate – Structural	Background	Business Model	Performance and Risk	Proposed Structural Changes
Pages 22 - 31	Real Estate – Strategy	Investment Strategy	Proposed Investment Guidelines	Initiatives	Summary
Pages 32 - 38	Appendix	Pacing Model	Risk Profile Definitions	Investment Process	Total Risk

Role of Real Assets

Core & Value-Added Real Estate

Natural Resources & Commodities

Infrastructure

TIPS

Income Generation

Returns mainly come from yield generated by Real Estate, Infrastructure, Natural Resources, and TIPS

Inflation Hedge

Provides portfolio protection when inflation increases

Diversification

Provides returns that are moderately correlated to global equities and GDP growth

Role in LACERA's Implementation

Real Estate

Real Assets
Excluding
Real Estate

Real Assets and Inflation Hedges

- Provide income
- Hedge against inflation
- Diversify the Fund due to the assumed low correlation of returns between these assets and other asset classes

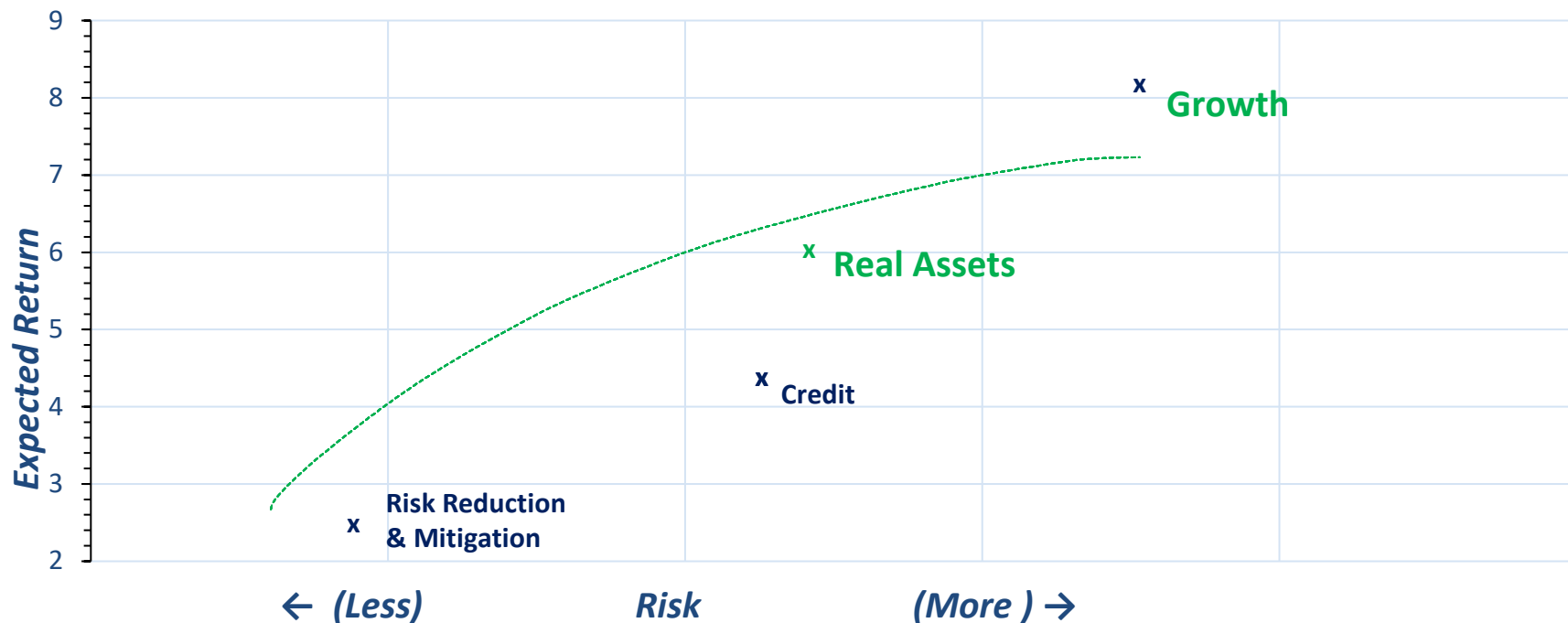


Growth

- Primary driver of long-term returns for the Fund



Portfolio Role



- Diversify exposure to growth assets to mitigate portfolio downside risk
- Provide consistent yield for the broader portfolio
- Hedge the risk of inflation with investments in hard or inflation-linked assets

Structure Review - Background

1.0 Real Estate: Historical Structure

1. Fully owned assets
2. Improve sector and regional diversification

2.0 Real Assets: Asset Category Created

Includes

1. Historical Real Estate and Commodities programs
2. New assets for Natural Resources, Infrastructure and TIPS

3.0 Real Assets: Future

Existing initiatives

1. Consideration of changes to Real Estate structure
2. Private program for Infrastructure and Natural Resources

4.0 Real Assets: Next Phase

1. Reduce Real Estate portfolio operational and concentration risk
2. Real Estate focus on open-ended and closed-ended funds rather than separate accounts
3. Real Assets continued implementation. To be covered in January 2022 Structure Review

We are here

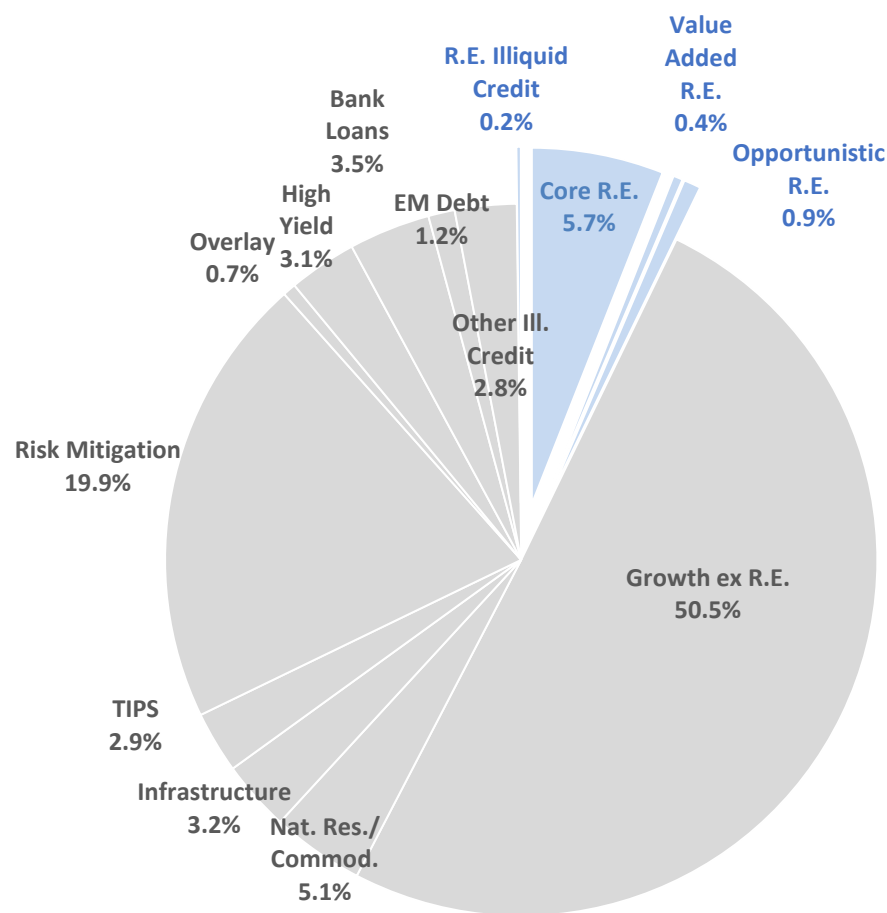
2018 Strategic Asset Allocation Study and Implementation

2019 Structure Review and Initiatives

2020 Mid-Cycle & 2021 Structure Reviews

Real Estate Overview – Objectives and Allocation

	Objective	Allocation	
		Current	Policy
Core Real Estate	Income, Diversification, Inflation Hedge	5.7%	6% of total Fund
Non-Core Real Estate	Higher Return Growth	1.3%	Current Target 3% of total Fund; 4% of total effective mid-2022



Data as of September 30, 2021 (lagged with best available data).



2021 Asset Allocation Changes

- Value-Added Real Estate has moved to Growth functional asset category from Real Assets and Inflation Hedges effective October 2021.
- Core Real Estate remains in Real Assets and Inflation Hedges with an allocation policy of 6% within a range of +/-3%.
- Policy Allocation for Real Estate in the Growth asset category now comprises 4% of the total Fund for the Non-Core categories of Opportunistic and Value-Added Real Estate. The range for Non-Core Real Estate is +/-2% from the policy allocation.

CURRENT

Asset Class	Current Target Weight (%)
Growth	47.0%
Global Equity	35.0%
Private Equity	10.0%
Opportunistic Real Estate	2.0%
Real Assets and Inflation Hedges	17.0%
Core and Value-Added Real Estate	7.0%
Natural Resources & Commodities	4.0%
Infrastructure	3.0%
Treasury Inflation-Protected Securities	3.0%

NEW

Asset Class	New Target Weight (%)
Growth	53.0%
Global Equity	32.0%
Private Equity	17.0%
Non-Core Private Real Estate	4.0%
Real Assets and Inflation Hedges	17.0%
Core Private Real Estate	6.0%
Natural Resources & Commodities	3.0%
Infrastructure	5.0%
Treasury Inflation-Protected Securities	3.0%

Chart Source: LACERA SAA Changes-Pension Total Fund



Real Estate – Structural



September 2021

Real Assets Committee Meeting Take-aways

LACERA's Real Estate portfolio has **underperformed** over long-term time periods against custom benchmark and peers

Portfolio risk is high due to asset concentration and asset risk classification

- Tracking error at **4.4%**
- Core portfolio includes Non-Core risk
- High operational risk

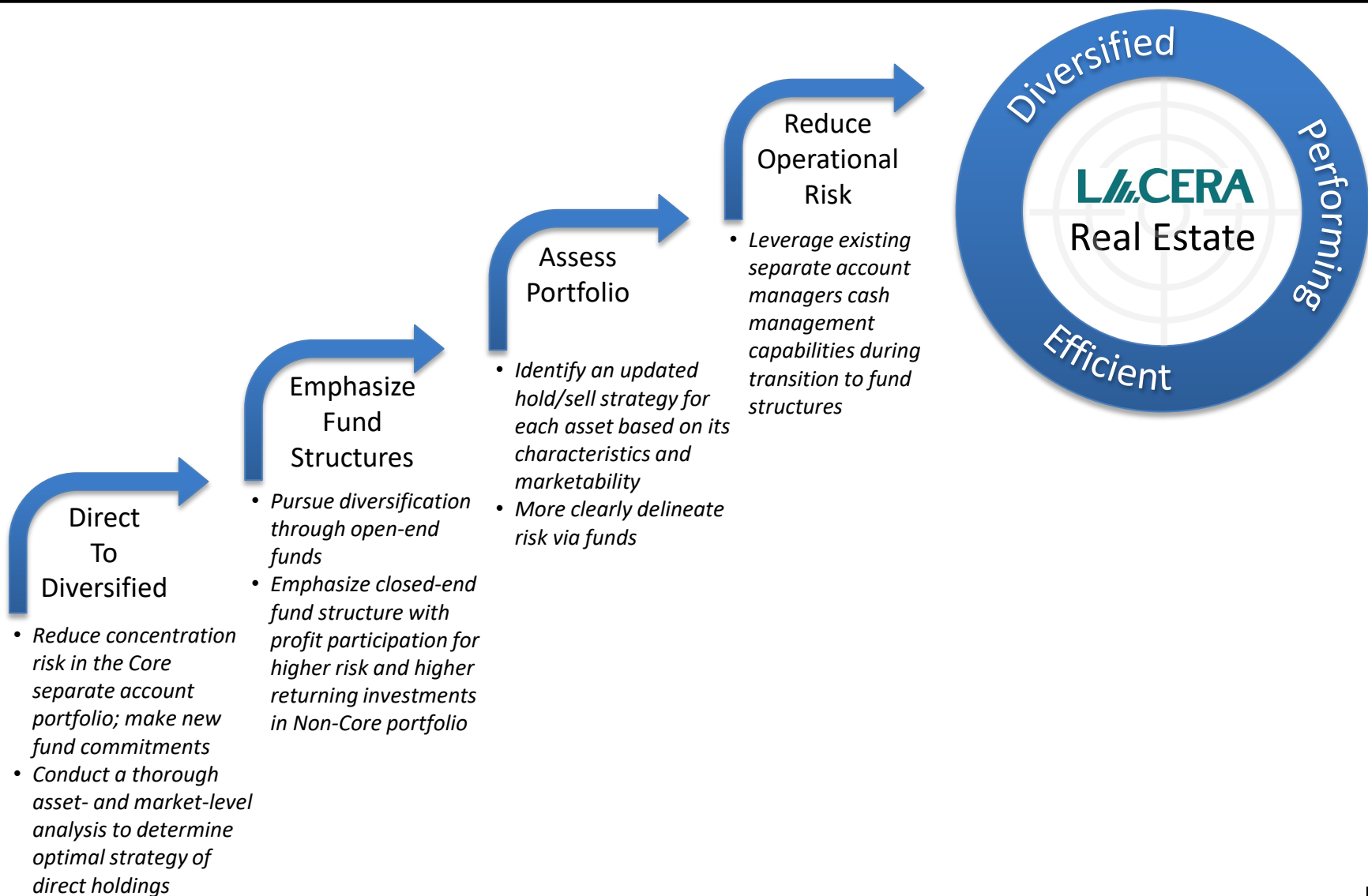
Higher risk is uncompensated

- Both risk and underperformance can be reduced

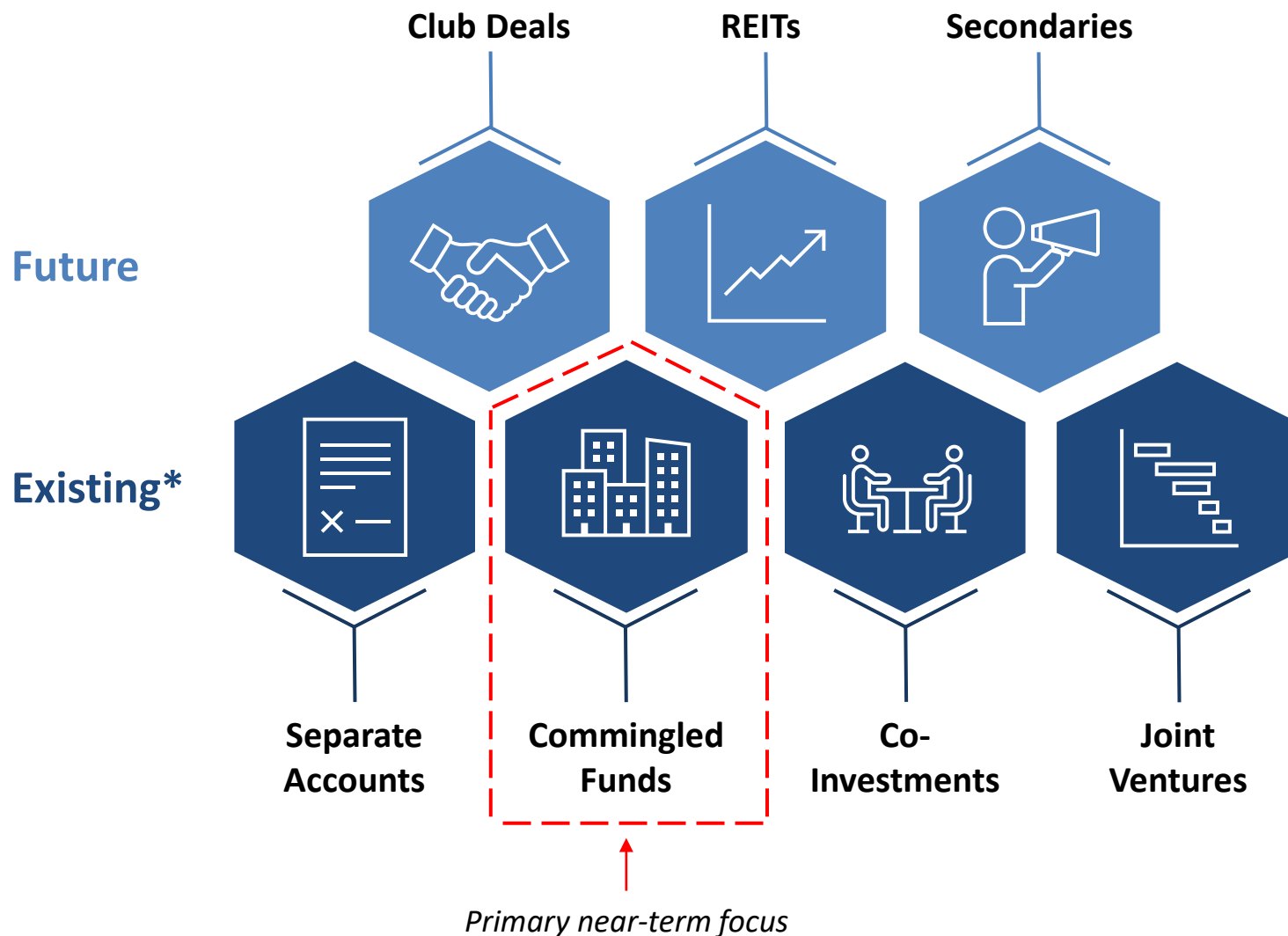
Source: StepStone Real Assets Committee Presentation, September 2021.



Proposed Business Model Refinements

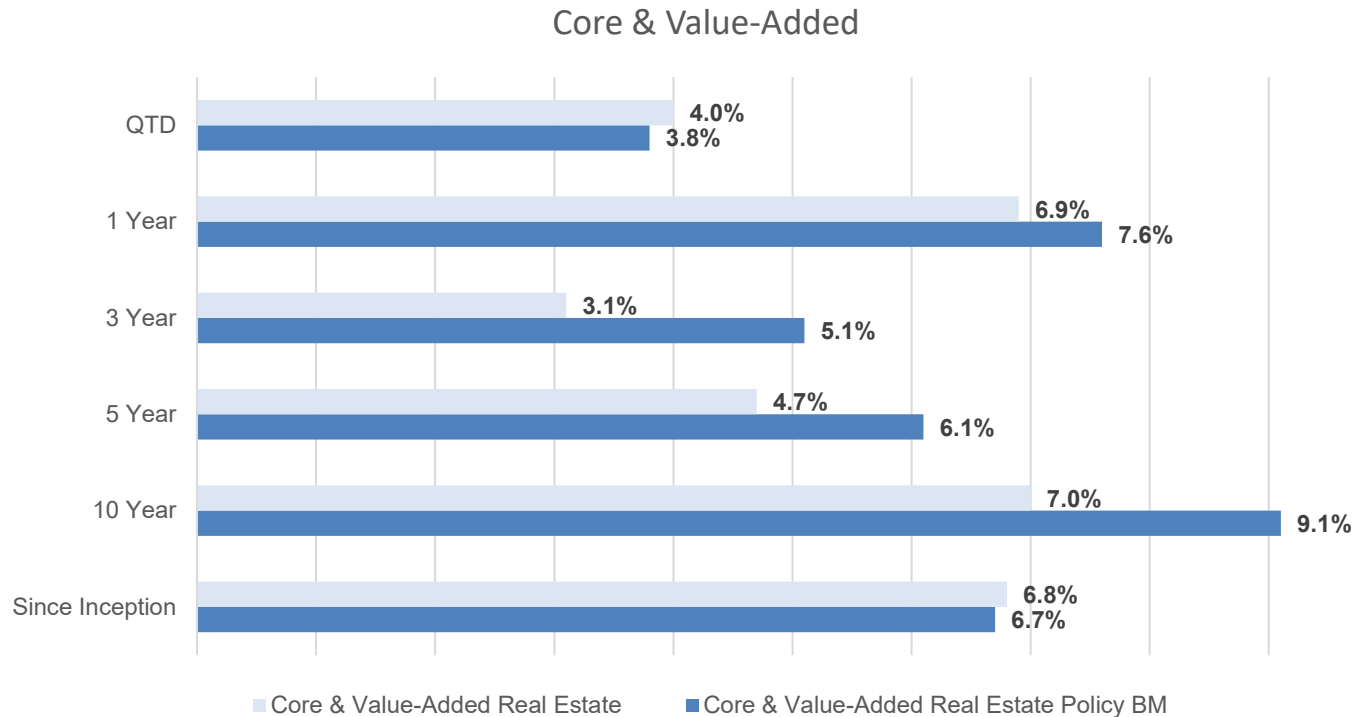


Evolution of Investment Vehicles



**Includes five managers and 78 assets in separate accounts (of which 17 are joint ventures), 20 closed-end and four open-end commingled funds, one co-investment as of September 30, 2021.*

Performance Summary – Core and Value-Added Portfolio

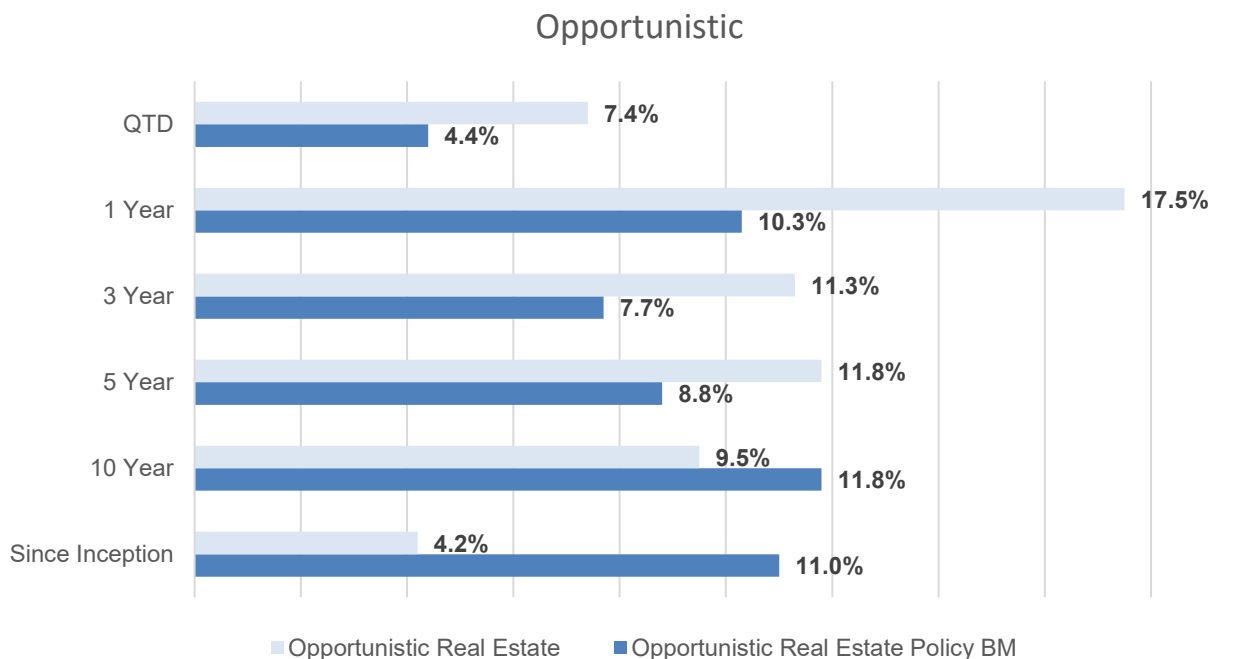


- Core and Value-Add portfolio, representing 6.2% of the total Fund, has under-performed the benchmark in the 1-year, 3-year, 5-year and 10-year periods
- Underperformance was caused by commingled closed end funds, terminated separate account managers, and some current separate account managers

Note: The National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open End Diversified Core Equity, also known as the NFI-ODCE Index, is utilized as an institutional real estate performance benchmark. The Index is an index of investment returns (gross of fees) of the largest private real estate funds (27) pursuing a core investment strategy which is typically characterized by low risk, low leverage (less than 40%), and stable properties diversified across the U.S. It was established in 1978. Source –NCREIF.org.

Source: Total Fund Board Book – State Street – As of September 30, 2021 (lagged with best available data).

Performance Summary – Opportunistic Portfolio



- The Opportunistic category, currently representing about 0.9% of total Fund, has performed well in the quarter, 1-year, 3-year and 5-year periods but underperformed the 10-year benchmark by 230 bps.
- A favorable tilt into industrial and multi-family assets in the separate accounts helped performance.
- Outperformance is also from funds that have fully distributed.
- Current active funds and separate account portfolios have underperformed, though early year performance of newer funds may not yet be indicative of future performance.

Source: Total Fund Board Book – State Street – As of September 30, 2021 (lagged with best available data).

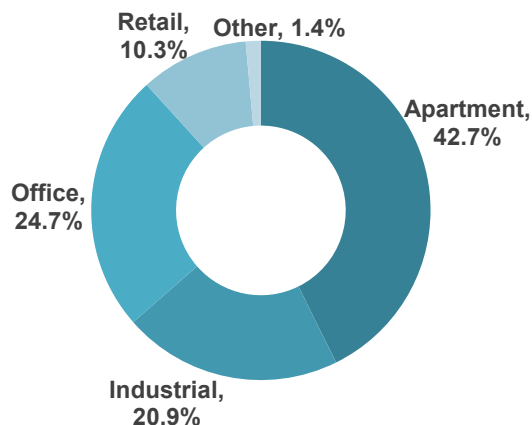


MSCI Forecast Active Risk – Real Estate*

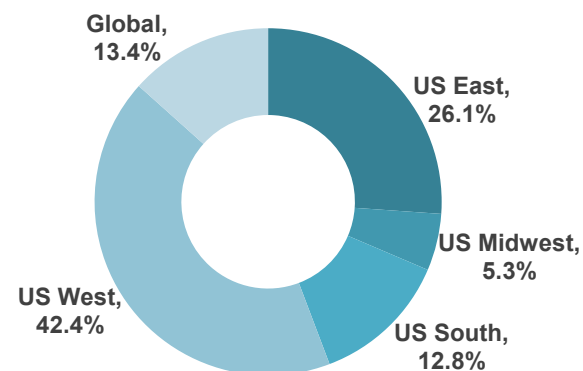
as of September 30, 2021

	Weight%	Benchmark Weight%	Active Weight%	Active Risk Contribution	Allocation Risk Cont.	Selection Risk Cont.	Standalone Active Risk
Total Fund				1.1%	0.1%	1.1%	1.1%
Real Estate	7.2%	9.0%	-1.8%	0.2%	0.0%	0.1%	5.5%
Opportunistic Real Estate	0.9%	2.0%	-1.1%	0.1%	0.0%	0.0%	9.9%
Core and Value-Added Real Estate	6.3%	7.0%	-0.7%	0.1%	0.0%	0.1%	5.2%
Ex Real Estate	92.8%	91.0%	1.8%	0.8%	0.0%	0.8%	1.3%

Active Risk by Property Type



Active Risk by Region



*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Data is as of September 30, 2021 (lagged with best available data). Commingled funds are reported at the property level. %CTR – Percent Contribution to Total Risk.



Source: MSCI BarraOne

LACERA Investments

Structural Considerations for Investments

Core

Non-Core

Primary Objective	Diversification, Lower Risk, Reliable Returns, Income orientation	Asset value growth, use of development capital to enhance returns
Proposed Structure	Move from separate accounts to largely open-ended commingled funds , eliminate emphasis on separate accounts	Maintain use of closed-ended commingled funds , eliminate use of separate accounts
Liquidity	Some liquidity as open-ended fund units are redeemable after lock-up periods or other restrictions are met. Availability of fund liquidity may be impaired based on market conditions.	Liquidity through redemptions is unavailable as fund units are not redeemable for life of vehicle. Some liquidity may be possible via secondary sales, though likely at reduced value.
Risk Classification	Improve diversification, reduce tracking error with use of more diversified open-ended funds, reduced emphasis on tactical positioning	Allow for higher risk opportunities, broader latitude to tilt toward in-favor sectors or geographies within guidelines
Incentive Fees	Likely in Core Plus, Less likely in Core	Likely

Proposed Core Implementation

(Confidential)



Underwrite and Invest in portfolio of ODCE funds

- Maintain target allocation of **6%** by timing sales of Core direct holdings with entry into open-ended ODCE funds
- Recommend a bench of ODCE funds to be approved by the BOI
- Invest in **6-8 U.S.-focused ODCE funds at \$400-\$800 million per fund**

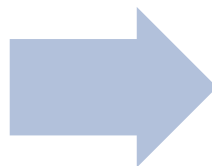
Challenges:

- Manage liquidity from asset sales with possibility of entry queues into open-ended funds

Proposed Non-Core Implementation

Value-Add moved into Growth functional asset class effective 10/1/2021

- Allocations for Value-Add and Opportunistic Real Estate, currently 3%, will be **4% in 2022**
- Target allocations are **2% in Value-add and 2% in Opportunistic Real Estate**



Underwrite U.S., Non-U.S. and Global Value-Add and Opportunistic funds

- Invest in 4-8 funds annually each at approximately **\$125-\$250 million sizes***
- Reach 4% target allocation by 2026

**To be revisited at the next Real Estate Structure Review.*

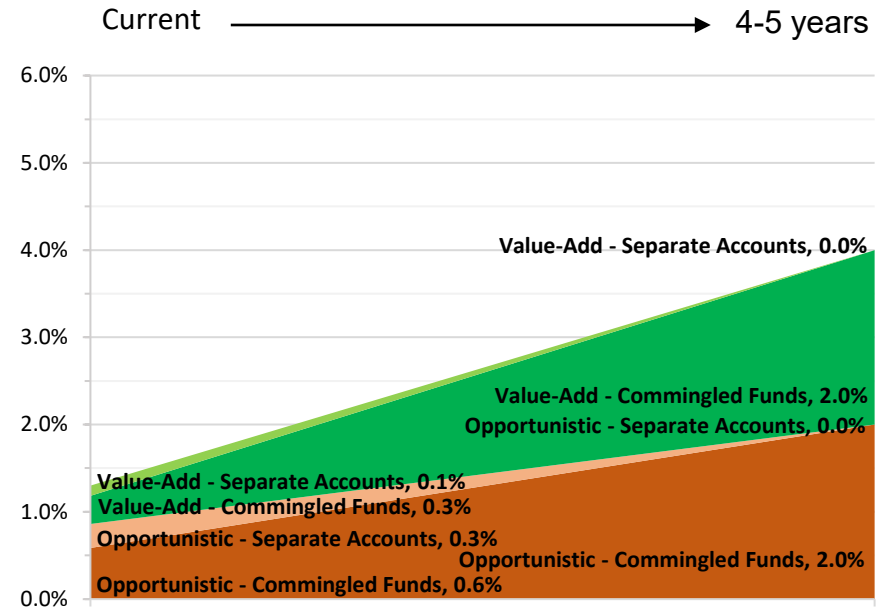
Investment Structure Changes

(Confidential)

Core



Non-Core



- Non-Core Real Estate is currently at 1.3% of total Fund vs 3% target and 4% target in 2022
- Non-Core Real Estate is growing through new allocations to commingled funds. Separate account structures will not be employed
- Targeted allocations of Opportunistic and Value-Add each at 2% of total Fund at end of 4–5-year period

Data as of September 30, 2021 (lagged with best available data).



Third-Party Fiduciary Engagement (Confidential)

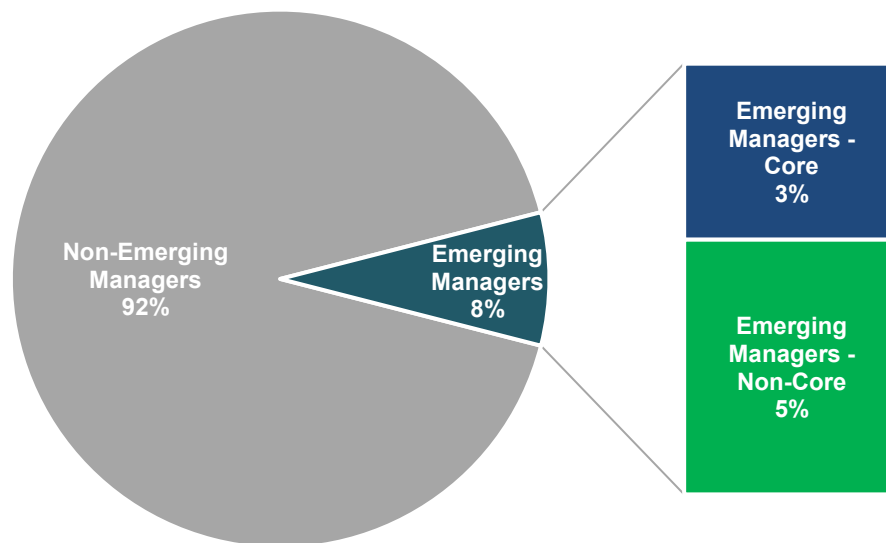


Emerging Manager Program – Overview

- There is currently one emerging manager in the Real Estate program
- LACERA has invested with this manager via separate account and commingled fund investment structures
- 2022 Emerging Manager Plan
 - Structure review proposes moving Real Estate implementation to fund structures
 - Launch RFP in 2022 to retain an Emerging Manager Program advisor
 - Would source and construct a custom portfolio of emerging manager funds largely focusing on Non-Core opportunities
 - Consistent with LACERA's Emerging Manager Policy

Current Real Estate Emerging Manager Program Assets

As of 9/30/2021



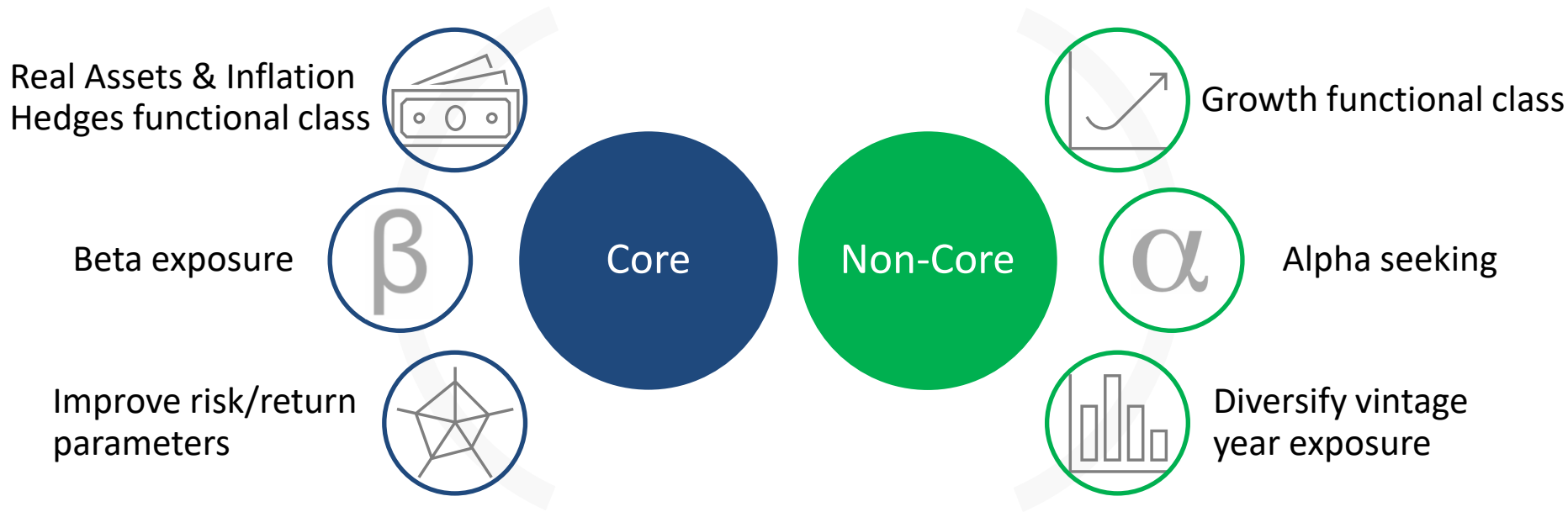
Data as of September 30, 2021 (lagged with best available data).



Real Estate – Strategy



Investment Strategy

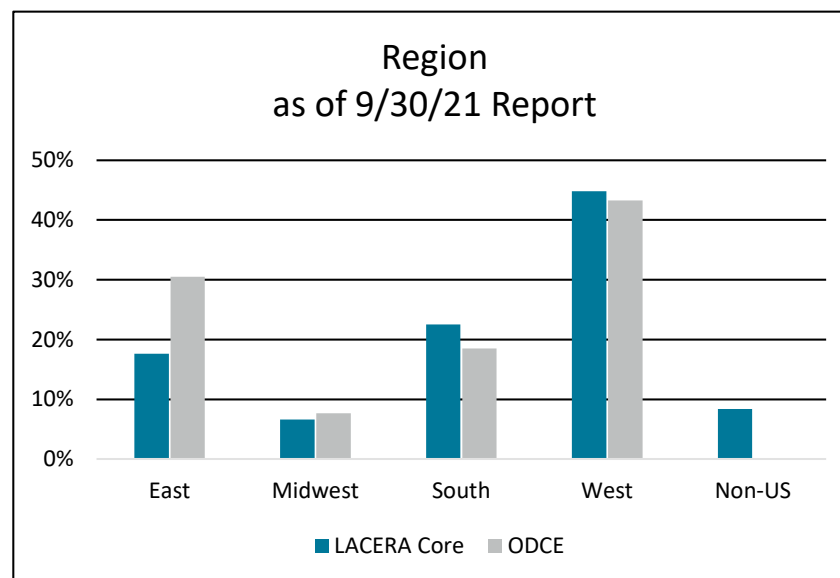
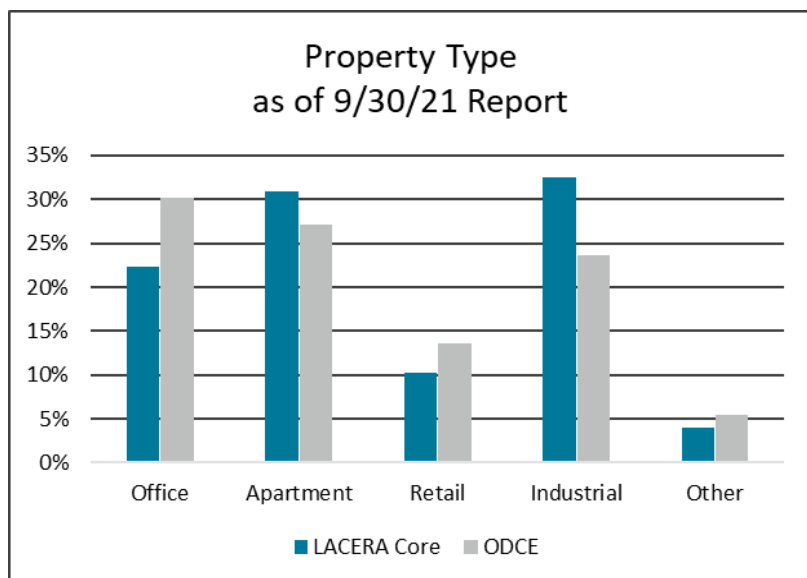


- Objective is to help produce income as well as hedge against inflation while diversifying the Fund
- Use Core commingled funds for “beta exposure” to the benchmark with positive tilt in Industrial, Multifamily, and niche sectors including Life Science/R&D and Storage.
- Greater diversification of assets via new commingled fund investments to help provide more consistent return against core benchmark.

- Objective is to be the primary driver of long-term returns for the Fund
- Use Non-Core commingled funds for “alpha seeking” returns (+200 bps from Value-Add and +300 from Opportunistic) globally, with potential to invest in more dedicated niche sector funds
- Accelerate pace of new investments
- Diversify vintage year exposure, which has been irregular in recent years

Diversification – Core

Current Portfolio Characteristics



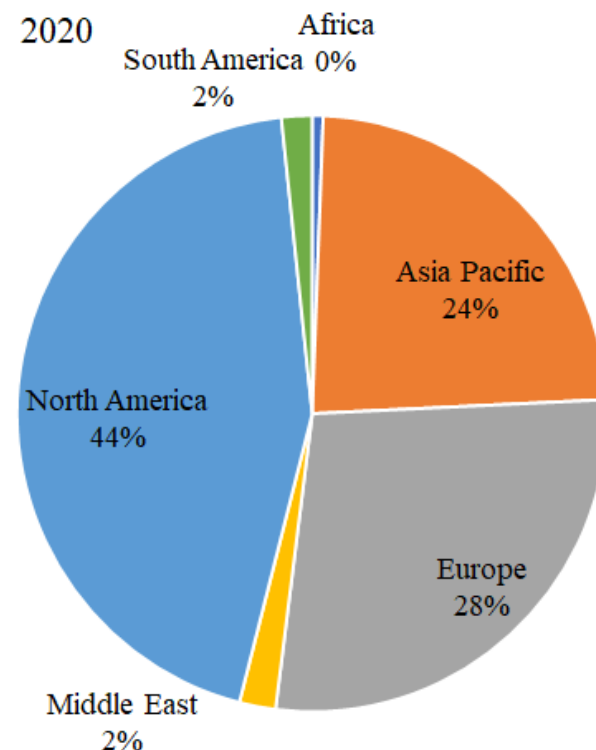
- Maintain overweight to industrial
- Consider reduction of apartments to move closer to ODCE
- Maintain underweight to office and retail
- Consider maintaining tilts to West and South
- Rebalance East exposure to be underweight but within guidelines
- Maintain modest position for Non-U.S. (not in ODCE benchmark)

Data as of September 30, 2021 (lagged with best available data).



Global Investable Universe

- Majority of investable universe of institutional Real Estate resides outside North America
- Growth in Non-Core allocation, using fund structures, allows for expansion of Non-US exposures when attractive opportunities arise
- LACERA Non-Core Real Estate portfolio does not fully reflect the global opportunity set

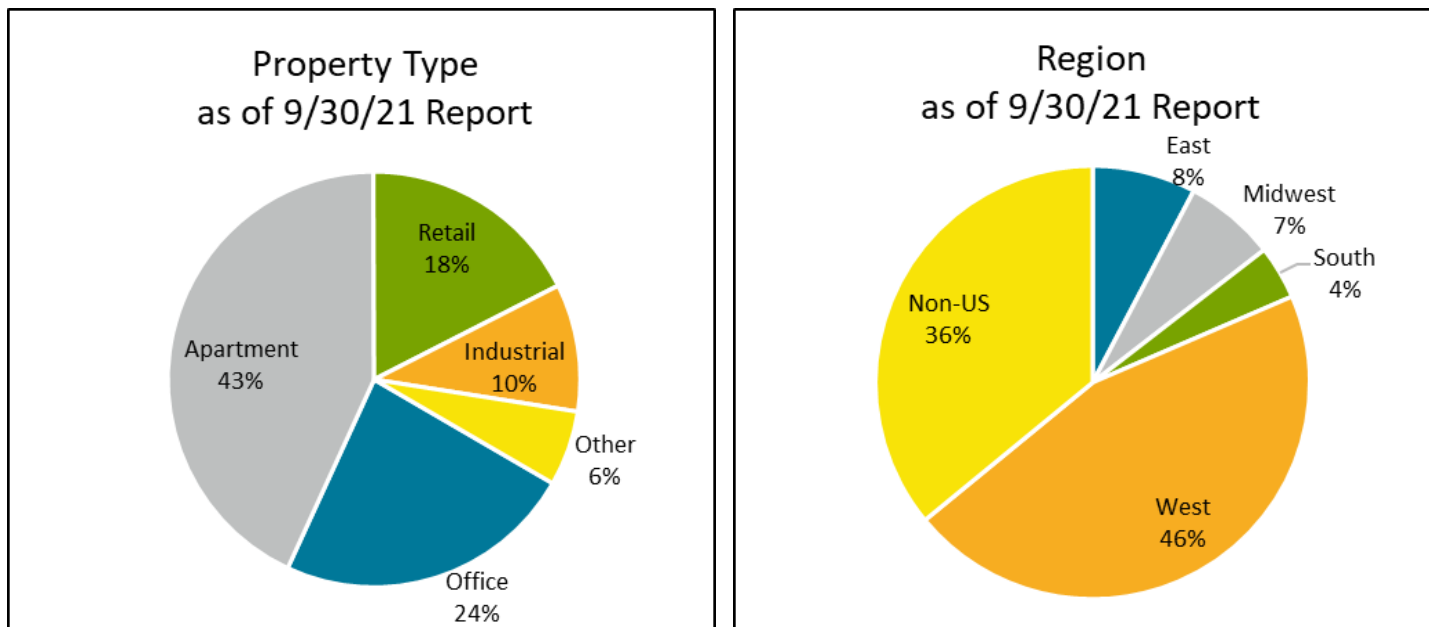


Source: CBRE as of August 2021. Investable total universe 2020 was \$34.05 trillion



Diversification – Non-Core

Current Portfolio Characteristics



- Non-Core will progressively become a larger portion of the overall Real Estate allocation
- Non-Core focus will be on increasing share of Non-U.S. investments consistent with the broader opportunity set
- Invest in closed-ended funds which can provide geographic and sector diversification while still targeting the most attractive opportunities
- Evaluation of niche strategies as part of opportunity set in growing Non-Core exposure

Data as of September 30, 2021 (lagged with best available data).



Proposed Guidelines by Functional Asset Class

	Real Assets & Inflation Hedges/Core (current)	Real Assets & Inflation Hedges/Core (proposed)
Asset Allocation	7%	6% (+/-3%)
Property Type	Within a +/- 10% variance of ODCE Apartment, Industrial, Office, Retail, Other	Within a +/- 15% variance of ODCE Apartment, Industrial, Office Within +/- 10% variance of ODCE Retail and Other
U.S. Geographic	Within a +/- 10% variance of ODCE	U.S. 85%-100% Within a +/- 10% variance of ODCE
Non-U.S. Geographic	20% Limit	Europe 0%-10% Asia 0%-10% Emerging Markets 0%-5%
Leverage	50% Limit	50% Portfolio Limit
Manager Diversification	35% Limit	35% Limit
Fund Concentration	N/A	30% Limit
Active Risk (Tracking Error)	N/A	Long term Target: Less than 1%

Note: The table above depicts the targets and ranges for the various portfolio segments over the long-term. From time to time, the actual allocations of the portfolio may fall outside the recommended ranges.



Proposed Guidelines by Functional Asset Class

	Growth/Non-Core (Current)	Growth/Non-Core (Proposed)
Asset Allocation	2%	4% (+/-2%) Interim Target 3%
Property Type	N/A	Apartment 10%-45% Industrial 10%-40% Office 10%-40% Retail 10-25% Other 0%-20%
U.S. Geographic	N/A	U.S. 35%-60%
Non-U.S. Geographic	N/A	Europe 15%-45% Asia 5-35% Other Emerging Markets 0-15%
Leverage	Opportunistic 80% Limit	Value-Add 65% Limit Opportunistic 80% Limit
Manager Diversification	N/A	20% Limit
Fund Concentration	N/A	30% Limit

Note: The table above depicts the targets and ranges for the various portfolio segments over the long-term. From time to time, the actual allocations of the portfolio may fall outside the recommended ranges.

Proposed New CIO Authority for Follow-on Real Estate Funds

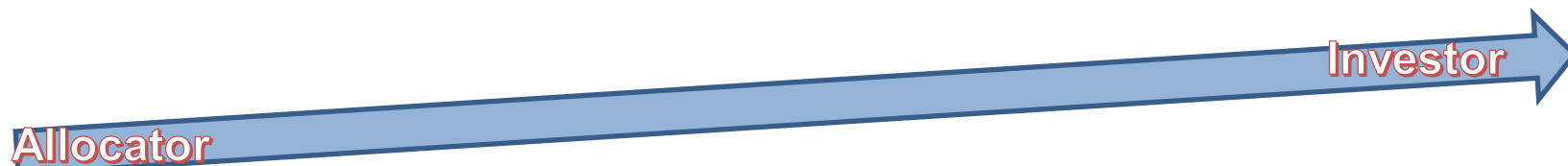
Recommendation

- Incorporate CIO Authority for Follow-on Funds into the Real Estate Investment Guidelines

	Description
CIO Authority for Follow-on Funds	<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">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, andThere have been no material changes in the investment strategy or key persons, andLACERA's Real Estate consultant concurs with the investment <p>The Board will receive written notification of all such actions from staff</p>


Initiatives

(Confidential)




 Completed

- Terminated four under-performing separate account managers in 2018
- Invested in open-end funds
 - IDR ODCE Index fund
 - RREEF Core Plus Industrial Fund
 - Prologis European Logistics Fund
 - Invesco Core Asia Fund
- Hired an Appraisal Management Service Provider
- Created a formal quarterly reconciliation process
- Onboarded Administrator
- Onboarded new Consultant
- Transitioned performance book of record

 In process

- Underwrite re-up opportunities with high conviction managers in value-add and opportunistic funds
- Cull portfolio of under-performing assets
- Review optimal structure
- Formalize desktop procedures
- Incorporate operational due diligence process
- Review of Responsible Contractor Policy
- Annual GRESB review

 Upcoming

- Underwrite new ODCE funds
- Continue improving risk profile of core assets
- Ramp up pacing for underwriting Value-add and Opportunistic funds

- Launch Emerging Manager RFP
- Fill open positions

Recommendation Summary

(Confidential)

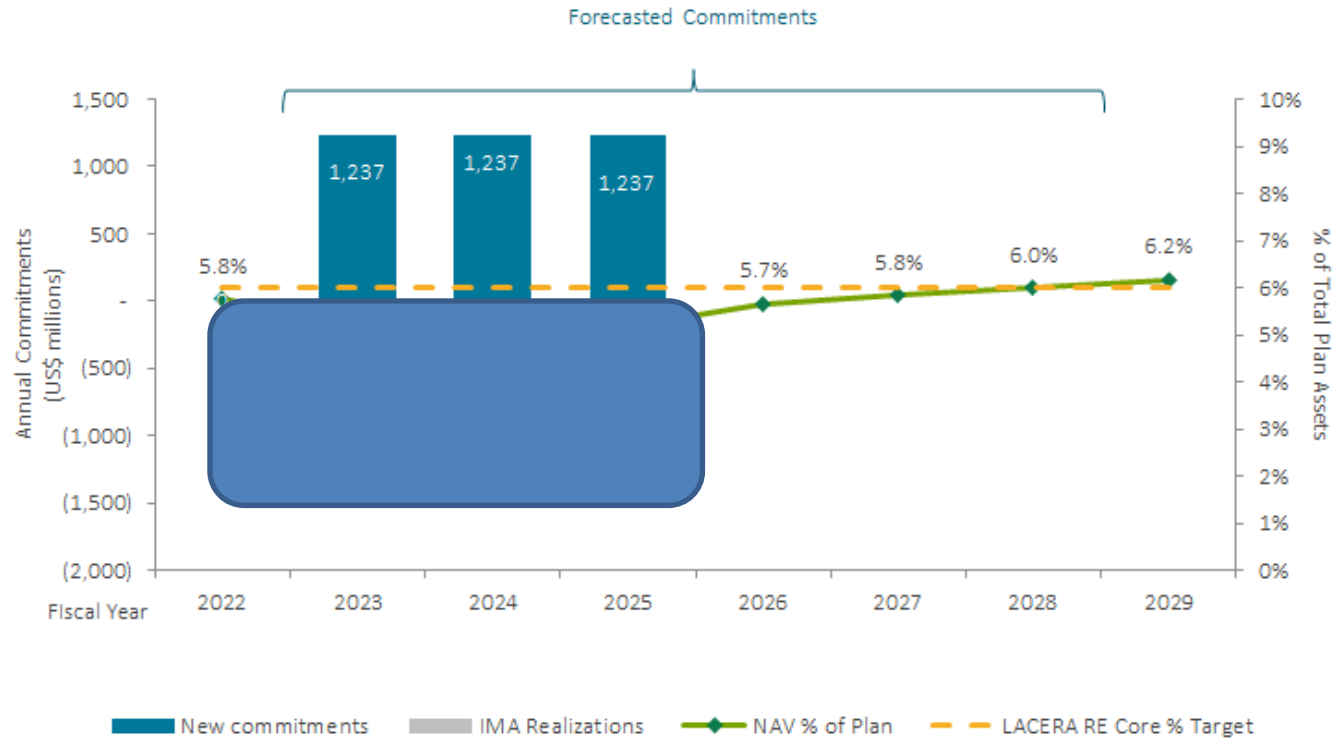
	<div>Underwrite ODCE funds</div> <ul style="list-style-type: none">• Underwrite and commit to 6-8 ODCE funds	<div>Invest in Non-Core funds</div> <ul style="list-style-type: none">• Underwrite and commit to \$125-\$250MM fund allocations to closed-ended funds targeting a 4% Non-Core allocation in 4-5 years.	<div>Revised Guidelines</div> <ul style="list-style-type: none">• Adopt revised guidelines on slides 27, 28, and 29
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Appendix



Pacing Model for Core Portfolio

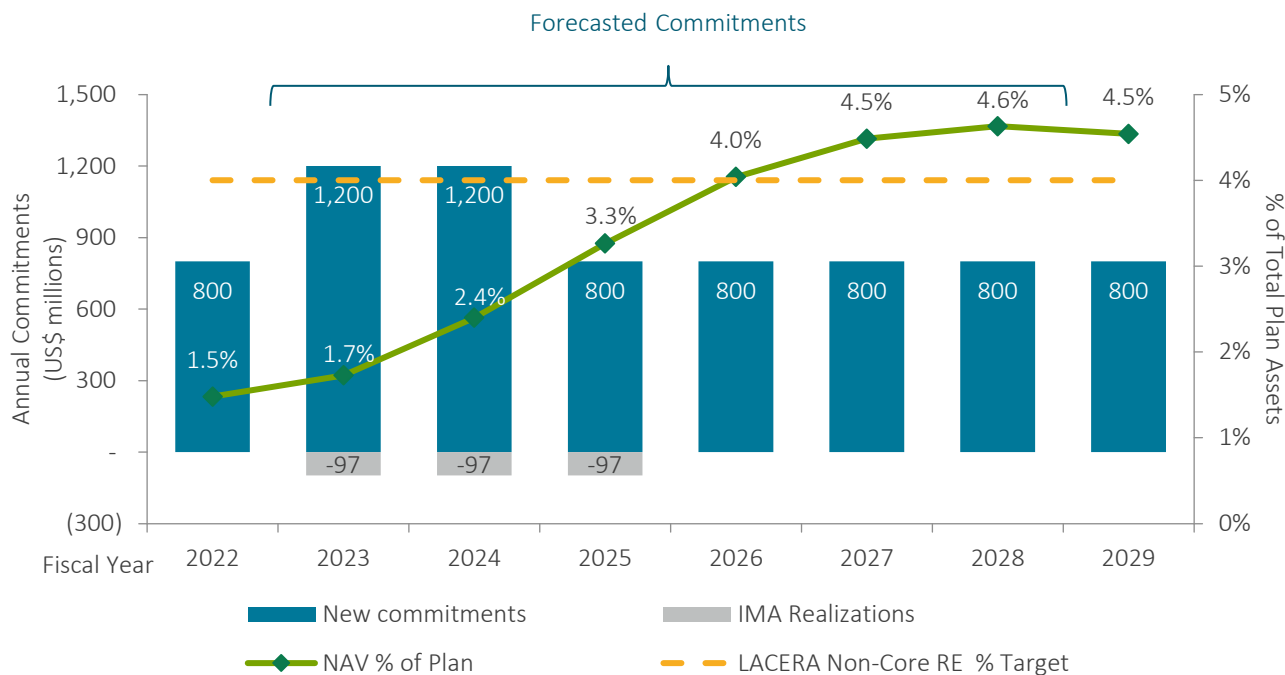
(Confidential)



	2023	2024	2025
Annual Commitments (in millions)	\$1,200	\$1,200	\$1,300

The annual commitments are at \$1.2 billion in 2023, 2024 and 2025. The plan asset growth rate is assumed at 5.5% annually with a Real Estate target of 6% for Core.

Pacing Model for Non-Core Portfolio



	2022	2023	2024
Annual Commitments (in millions)	\$800	\$1,200	\$1,200

Source: StepStone. Pacing Model is assuming that about \$800 million of annual commitments in 2022, and then \$1.2 billion in 2023 and 2024. The plan asset growth rate is assumed at 5.5% annually with a Real Estate target of 4% for Non-Core.



Pacing Model Assumptions

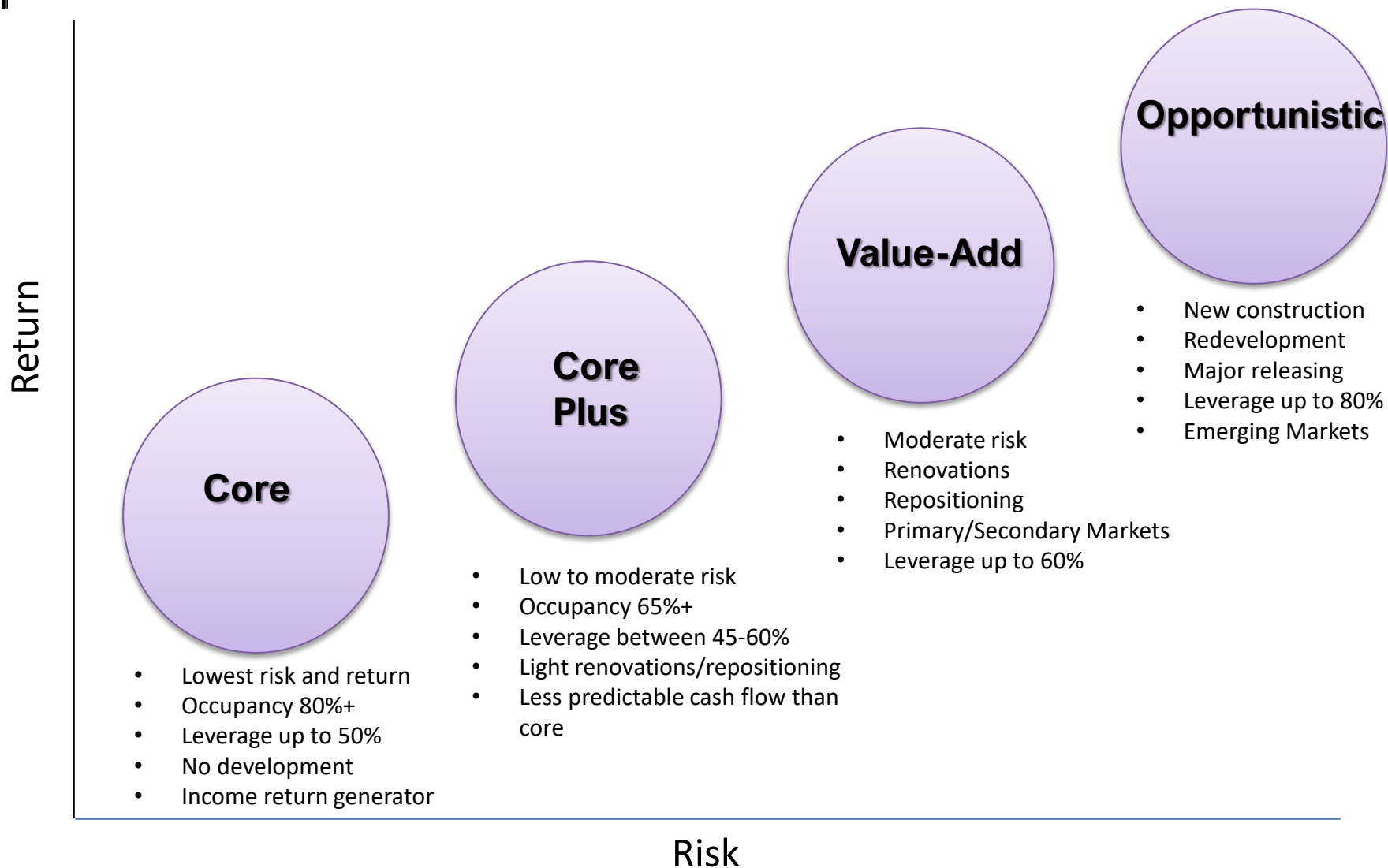
(Confidential)

- Overall Assumptions:
 - Plan asset start date as of fiscal year end 2021
 - Net plan asset growth rate of 5.5% (7% growth with 1.5% cash outflow)
- Core/Core-Plus Assumptions:
 - 6% target allocation of plan assets
 - All commitments are from Core/Core-Plus IMAs dispositions/transfers
 - Commitments are split equally between Core and Core-Plus open-ended funds
 - Core target net IRR: 5.7%
 - Core-Plus target net IRR: 11.3%
- Non-Core Assumptions:
 - 4% target allocation of plan assets
 - Commitments are split equally between Value-Add and Opportunistic closed-ended funds
 - Value-Add target net IRR: 11.3%
 - Opportunistic target net IRR: 12.0%
 - Target allocation by 2026

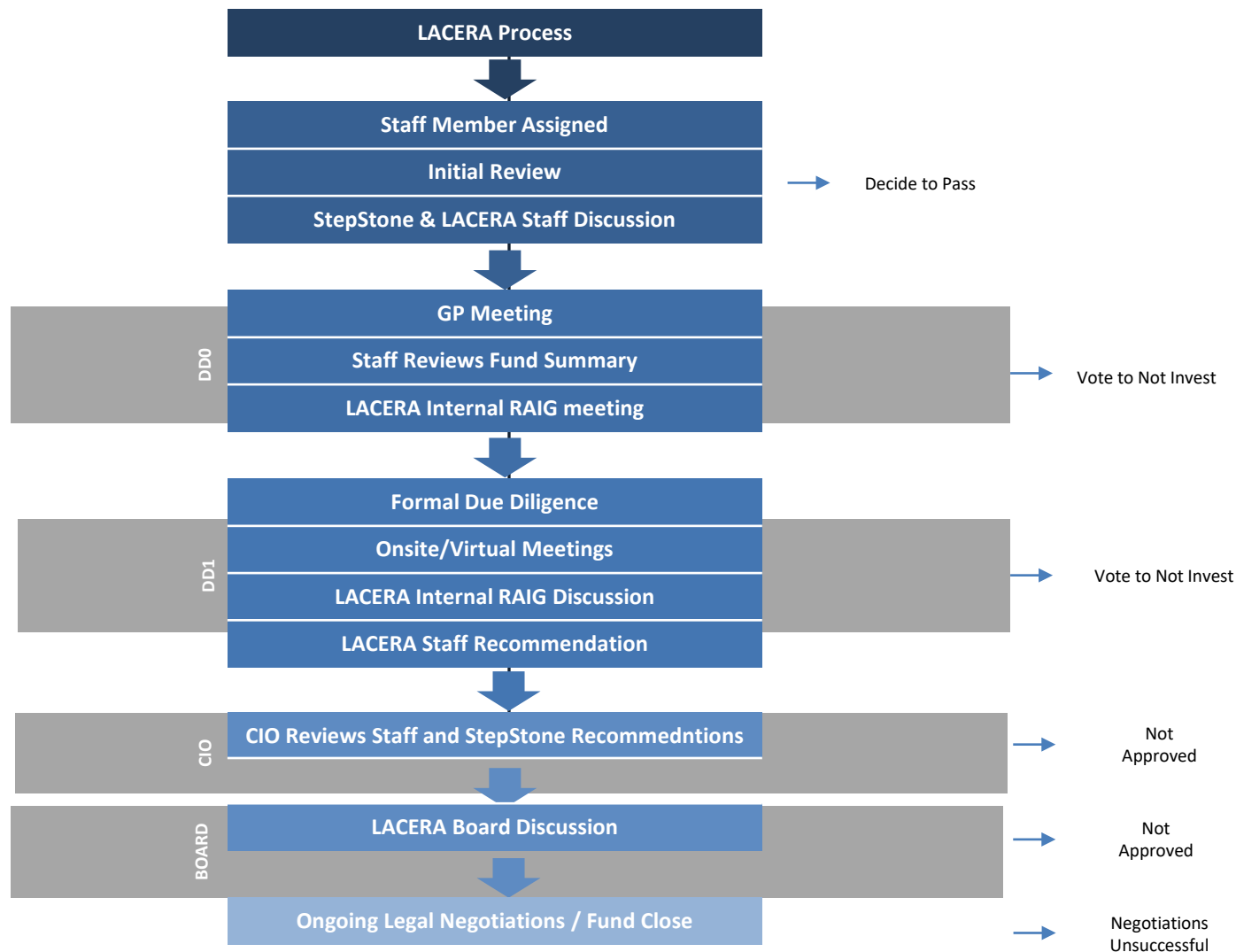
Source: StepStone. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. No representation or warranty is made as to the returns which may be experienced by investors. No representation or warranty is made as to the returns which may be experienced by investors.



Core, Core Plus, Value-Add and Opportunistic



Investment Process

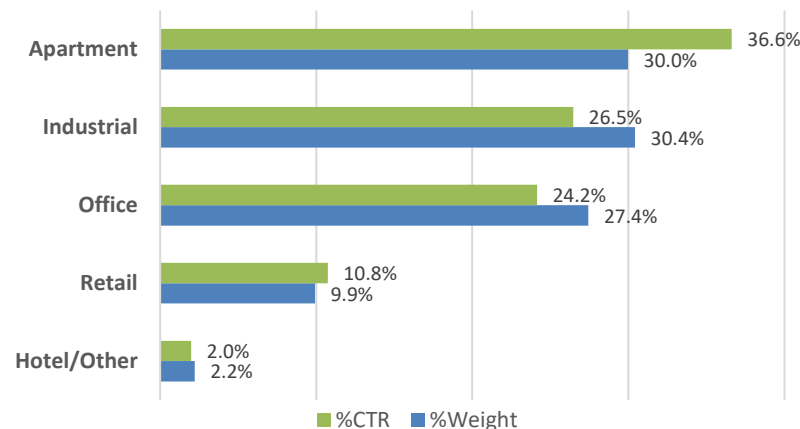


MSCI Forecast Total Risk – Real Estate*

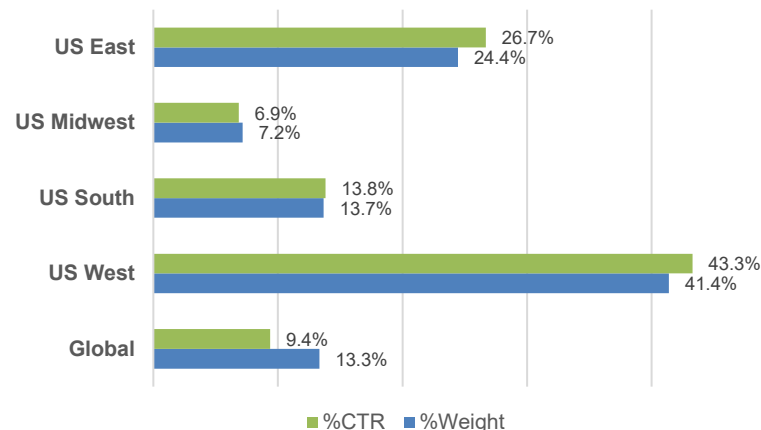
as of September 30, 2021

	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
Total Fund			11.8	11.1
Growth	51.1%	80.5%	18.7	18.5
Global Equity	36.0%	54.0%	18.2	18.3
Private Equity	14.2%	25.2%	24.2	25.0
Opportunistic Real Estate	0.9%	1.3%	23.3	18.8
Credit	10.9%	3.6%	4.8	4.3
High Yield Bonds	3.1%	1.3%	6.0	4.9
Bank Loans	3.5%	0.9%	4.9	6.4
Illiquid Credit	3.0%	0.7%	4.5	3.4
Emerging Market Debt	1.2%	0.7%	9.4	7.7
Real Assets & Inflation Hedges	17.4%	18.0%	13.5	13.8
Core & Value-Added Real Estate	6.2%	7.8%	21.2	18.8
Natural Resources & Commodities	5.1%	5.0%	13.6	19.8
Infrastructure	3.2%	4.8%	19.3	19.5
TIPS	2.9%	0.4%	4.7	4.7
Risk Reduction and Mitigation	19.9%	0.3%	3.0	2.7
Investment Grade Bonds	15.1%	0.0%	3.6	3.4
Diversified Hedge Funds	3.5%	0.3%	4.5	0.1
Cash	1.3%	0.0%	-	-
Overlay	0.7%	-2.4%	-	-

Total Risk by Property Type



Total Risk by Region



*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Data is as of September 30, 2021 (lagged with best available data). Commingled funds are reported at the property level. %CTR – Percent Contribution to Total Risk.

Source: MSCI BarraOne



ATTACHMENT B

StepStone Group Real Estate LP
Two Embarcadero Center, Suite 480
San Francisco, CA 94111
Phone +1.415.318.7980

November 30, 2021

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

Re: 2021-2022 Structure Review – Private Real Estate

Dear Board Members,

StepStone commenced its advisory contract with LACERA effective April 1, 2021. StepStone and staff have collaborated on LACERA's 2021-2022 Structure Review to be presented to the Board of Investments on December 8, 2021.

We believe the themes and initiatives identified in the 2021-2022 Structure Review are pertinent to the current market environment and are consistent with the longterm goals of LACERA's Private Real Estate portfolio. Therefore, in consultation with staff, we recommend that LACERA establishes annual non-core real estate commitment target pacing with the goal of achieving LACERA's target Private Real Estate non-core allocation of 4% of total plan assets by fiscal year-end 2026.. In addition, StepStone recommends the repositioning of its Private Real Estate core asset holdings with the goal of improving execution, diversification, and overall performance, and recommends engaging a third-party fiduciary advisor to evaluate strategic alternatives for repositioning, including disposition of certain assets. Also, in consultation with staff, StepStone recommends implementation of all other strategic and tactical recommendations in the 2021-2022 Structure Review.

In collaborating with staff on the Structure Review, we recognized the importance of maintaining flexible investment pacing 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 enough high quality opportunities are not 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.

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

StepStone Group LP

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.

December 27, 2021

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Joint Organizational Governance Committee
Shawn R. Kehoe, Chair
Elizabeth Greenwood, Vice Chair
Alan J. Bernstein
Vivian H. Gray
Joseph Kelly
Keith Knox
Les Robbins
Herman B. Santos

FOR: January 5, 2022 Board of Retirement Meeting
January 12, 2022 Board of Investments Meeting

SUBJECT: Recommendation for Revised JOGC Charter

Recommendation

That the Boards approve the revised Joint Organizational Governance Committee (JOGC) Charter.

Legal Authority

Under Article XVI, Section 17 of the California Constitution, the Board of Retirement and Board of Investments have “plenary authority” and “exclusive fiduciary responsibility” for the administration and investments of the system. The allocation of responsibility is fully set forth in the County Employees Retirement Law of 1937 (CERL). In the exercise of their fiduciary duty, the Boards have in the past established the JOGC to assist in areas of joint responsibility. The JOGC Charter was last approved by the Boards on May 1, 2019 (Board of Retirement) and May 15, 2019 (Board of Investments). Section 12 of the Charter provides that, “The BOR and BOI shall review and update this Charter, based on recommendations from the JOGC, at least once every three years.”

Discussion

At its meeting of December 15, 2021, the JOGC voted unanimously to recommend to the Board of Retirement and the Board of Investments various changes to the JOGC Charter. The JOGC’s consideration of the Charter changes was the result of a referral to the JOGC from the Board of Retirement. At its November 3, 2021, meeting the Board of Retirement heard the report of the Committee on Board Roles and Responsibilities (the Committee). Following that report and discussion, the Board of Retirement voted to refer the report of the Committee and its recommended JOGC Charter changes to the JOGC for its review.

The JOGC with one amendment, noted below, now recommends the revised Charter to both Boards.

This report explains the reasons for the revisions and the JOGC's adoption of the BOR and Committee's recommendations. The primary basis for the recommendation is that CERL specifies those areas of responsibility that belong specifically to the Board of Retirement (BOR) and those that belong to the Board of Investments (BOI). The existing JOGC Charter confuses those boundaries. The proposed revised Charter simplifies the Charter and the JOGC's responsibilities to the core areas of the Boards' joint responsibilities.

The Committee identified the following responsibilities as solely those of the BOR¹. Where appropriate, CERL citations are noted:

- i. *Pension benefits administration upon service retirement. (Section 31670.)*
- ii. *Compensation earnable and pensionable compensation, including implementation of applicable provisions of PEPR. (Sections 7522.34, 31461.)*
- iii. *Disability retirement benefits administration. (Sections 31530, 31720 et seq.)*
- iv. *All other benefits and benefit-related issues. All other benefits and benefit-related issues under CERL and PEPR, including, for example, survivor benefits, death benefits, investigation of benefits questions, felony forfeiture, and reciprocity, are within the BOR's authority.*
- v. *Collections. The BOR oversees collection issues, including underpayment of contributions and overpayment of benefits.*
- vi. *Administrative appeals. The BOR has established and oversees an administrative appeals process, to provide due process and hears and decides member appeals with regard to plan administration issues.*
- vii. *Procedure for assessing and determining whether an element of compensation was paid to enhance benefits. (Section 31542.) The BOR is required to implement a procedure to address potential "pension spiking." If the BOR determines that compensation was paid*

¹The statutory list is taken from the March 27, 2018, memo from Chief Legal Officer Steven Rice and the accompanying endorsement dated June 15, 2018, from then fiduciary counsel Harvey Leiderman.

to enhance a member's benefit, the member or employer may present evidence that the compensation was not paid for that purpose and request the BOR to reverse its decision. This requirement was implemented in part through the administrative appeals process described in (vi) above.

- viii. LACERA operations. All LACERA operational issues are addressed by the BOR, other than those assigned to the Boards jointly or to the BOI. This includes such important matters as privacy, Public Records Act requests, member communications, and all issues not specifically provided to be performed elsewhere.*
- ix. Financial and accounting services. (Section 31593.) Aside from financial, actuarial, and auditing responsibilities of the BOI and the Audit Committee as explained above, the BOR monitors and supervises the Financial and Accounting Services Division and related financial reporting compliance issues and approves retention of LACERA's external financial auditor based on a recommendation from the Audit Committee.*
- x. Personnel issues. The personnel function, which includes Human Resources, is part of the management of the system, and is therefore under the jurisdiction of the Board of Retirement. Personnel issues includes employment claims and litigation, excluding the CEO and the CAE, who report jointly to both Boards as noted above. It also excludes classification, compensation, and union contracts (although negotiations will be overseen by the BOR), which are joint board responsibilities. Boards have an interest in significant personnel issues concerning senior management, such as the Chief Counsel, who regularly advise the BOR. Accordingly, while the BOR will have oversight responsibility for most personnel issues, certain personnel issues may appropriately be addressed by both Boards working together or by the BOI alone.*
- xi. Aids to benefits administration. The BOR's broad authority over benefits, including service retirements, disability retirements, and other benefits, encompasses the ability to procure consultants and whatever other aids are necessary for the effective performance of that work.*
- xii. Tax compliance issues. The BOR oversees tax qualification issues and monitors that LACERA remains in compliance with applicable requirements of the Internal Revenue Code for plan qualification and*

member related matters such as withholding and tax reporting.

- xiii. Adopt BOR regulations. (Sections 31525, 31526.)*
- xiv. Filling of BOR vacancies. (Section 31523.) The BOR is required to cause an election to be held at the earliest possible date for any vacancy in the elected positions.*
- xv. Separation from County service. (Section 31524.) Separation from County service of an elected member vacates the trustee's office.*
- xvi. 24 hours of trustee education. (Section 31522.8.) BOR trustees are required to obtain 24 hours of education every two years on the subjects listed in Section 31522.8.*
- xvii. Conflict of interest and "revolving door" limits. (Section 31528.)*
- xviii. Authority to obtain legal representation. (Sections 31529, 31529.1, 31529.5, 31529.6, 31529.9.)*
- xix. Litigation related to LACERA benefits, operations, and management, excluding investment related litigation.*
- xx. Issuance of subpoenas. (Section 31535.1)*
- xxi. Administration of the OPEB program. (Sections 31691, 31694.) The BOR administers the retiree healthcare program under the 1982 Agreement, as amended, with the County and under separate agreements with participating districts.*
- xxii. Approval of travel. The BOR has the responsibility under the Education and Travel Policy to approve travel and educational opportunities for its trustees according to the terms of the policy.*
- xxiii. Appointment of Committees as provided in BOR Regulations.*

Attached to this report is a redlined version of the revised JOGC Charter as recommended by the JOGC (Attachment A). It eliminates certain functions currently delegated to the JOGC and reduces the number of issues within the JOGC's designated portfolio of responsibilities. A clean copy is also attached (Attachment B), as well as Chief Counsel's 2018 memo, with fiduciary counsel's supporting opinion, regarding the responsibilities of the Boards (Attachment C).

In addition to some stylistic changes to comport with editorial changes, the following substantive changes were made in the revised draft charter as reflected in the attached draft:

Section 3 Purpose: Three of the stated purposes in the current charter have been eliminated, as explained below:

The first is “combined oversight of both Boards.” The Committee’s view was that the JOGC is designed to coordinate where the duties of the BOR and the BOI intersect as required by law, not to act as an oversight vehicle of the distinct duties of each Board.

The second was acting as a liaison between the two Boards. The Committee’s view is that communication can best be handled between the Chairs with the assistance of the CEO and other management. Using the JOGC in the current form created a blurring of the lines of the statutory duties unique to each Board.

The third recommended change was deleting the statement that the JOGC’s purpose was to ensure that each Board is comfortable that its perspectives are properly represented. The Committee expressed the view that this shared perspective should be reserved to the specific duties conferred jointly in the Boards by CERL.

Section 4 Scope: The Committee recommended combining certain responsibilities and eliminating others as set forth below and the attached redline.

Section 7 Responsibilities: As the Scope is explained in Section 7, the corresponding changes in that Section of the current Charter are also discussed here:

Eliminated were “Organizational Philosophy,” “CEO Search,” “Legislation, Engagement and Advocacy,” and “Board disputes.” The Committee expressed the belief that these were too general and again lead to responsibility drift. Reference to Organizational Philosophy in Section 7.1, Legislation in Section 7.5 and Board Disputes in Section 7.8 was also eliminated.

The scope for CEO Search was altered to assistance in recommending a consultant for both CEO and Chief Legal Officer vacancies as those positions equally serve both Boards. This is also referenced in a change to current Section 7.7 (renumbered as 7.4) Current Section 7.5 (renumbered as 7.3) relating to claims and litigation has been narrowed to litigation involving senior staff and other litigation affecting the interests of both Boards. The Committee recommended that litigation concerning senior staff would be managed with assistance from the CEO and the Chief Legal Officer.

“Education and Travel” was combined with “Joint Board Policy Development” to ensure that policies common to the statutory work of both Boards was uniform, while still leaving each Board the flexibility to tailor education and travel to its own needs. This is also reflected in existing Section 7.4 (renumbered as 7.3)

Strategic Planning and Budgeting were divided into separate items. The former may involve the use of an outside consultant and primarily involves Board policy making, whereas budget development is largely a staff driven function. These functions are more

specifically described in current Section 7.2 (renumbered as 7.1)

Classification and salaries of staff was added as this is a responsibility imposed on both Boards by law.

Lastly, a miscellaneous category was retained but made dependent on both Boards requesting the JOGC's assistance.

Section 10 Meeting Frequency:

The Committee members expressed concern about both the number of meetings (Board and committees) and the length of meetings. This would suggest an increase in the amount of delegation to staff of ministerial matters may be desirable. As a result of the recommended changes in the mission of the JOGC, the JOGC recommended that the February meeting be specifically dedicated to election of JOGC officers and a review of System-wide policies. The JOGC further recommended that the April meeting be reserved for budget review. Any additional meetings would be scheduled as needed upon the call of the BOI and BOR chairs.

Implementation of the Recommendations:

The current JOGC membership vetted the Committee's and the BOR's recommendations and now presents them jointly to the BOR and BOI for adoption. The above recommendations are consistent with the recommendation of the Committee. In particular, paragraph 7.3 (formerly 7.5) reflects the Committee's belief that in personnel matters, the direct involvement of the CEO and Chief Legal Officer are essential.

Additional Recommendation proposed by Fiduciary Counsel

In the course of the Committee's original work, it was noted by Fiduciary Counsel that LACERA has a significant number of policies and procedures in separate documents. In addition to the Charter revisions, Fiduciary Counsel recommended creating a master index of all policies which could aid Board members, staff, and advisors in assuring that advice and subsequent decision-making was consistent with existing practice. (Much of that recommendation was independently implemented by staff in the development of the new LACERA website). That does not suggest that once developed, policies and practices should remain unchanged. The Boards were specifically granted rule making authority so that the constantly changing needs of the System allowed for a dynamic process of policy change. This is regular and critical review of policies and practices by each Board itself a sound fiduciary "best practice." To that end, each Board could establish a regular schedule of policy review, which ultimately was recommended by the JOGC to be a recurring part of the February JOGC agenda. In the alternative, the first step of that process could be delegated to staff or advisors. The Committee, and ultimately both the BOR and JOGC adopted that recommendation by Fiduciary Counsel, and it was incorporated in the Committee's recommendation the Board of Retirement and

ultimately to the JOGC.

Summary of Committee, Board of Retirement and JOGC Action and Recommendations:

The Board of Retirement recommended the report of the Committee be adopted without amendment. Following its review of the BOR report and proposed Charter changes, the JOGC amended the scheduling portion of the proposed JOGC Charter to specify the purpose of the February and April meetings. Any additional meetings would be called as needed. In summary, the following action was unanimously recommended by the Committee to the Board of Retirement. The BOR, in turn recommended the report to the JOGC which approved the recommendation with an amendment to the scheduling provision.

Requested Action by the Board of Retirement and the Board of Investments

The JOGC recommends the Board of Retirement and the Board of Investments adopt the revised JOGC Charter accompanying this memorandum.

c: Santos H. Kreimann
Luis Lugo
JJ Popowich
Laura Guglielmo
Steven P. Rice
Robert D. Klausner, Fiduciary Counsel

ATTACHMENT A

JOGC Charter (Red-Lined Version)



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Joint Organizational Governance Committee Charter

Revised and Restated

Adopted by Board of Retirement on ~~May 1, 2019,~~

2021 Adopted by the Board of Investments on

~~May 15, 2019,~~ 2021

LACERA
Joint Organizational Governance Committee Charter

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1 Overview of the LACERA Board of Retirement and the Board of Investments¹

The Los Angeles County Employees Retirement Association (LACERA) is a public pension system formed in 1937 in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the California Constitution. ~~Since 1971, LACERA has also administer~~see the Retiree Healthcare Benefits Program for the County and outside districts, through contractual agreements with the County, and the Other Postemployment Benefits Program (OPEB) trusts formed by the County, LACERA, and the Los Angeles Superior Court to provide support for the retiree health program in the future.

LACERA is an independent governmental entity. LACERA is the largest county retirement system in America. LACERA is funded by the County, participating employers, employees, and investment earnings.

LACERA is governed by two Boards. Both Boards include a mix of trustees that are appointed and elected members and an ex-officio member, the sitting County Treasurer and Tax Collector. The Board of Retirement (BOR) is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program. The Board of Investments (BOI) is responsible for determining LACERA's investment objectives, strategies, and policies, as well as exercising authority and control over the investment management of the Fund. The BOI also invests and manages the ~~Other Postemployment Benefits Program (OPEB) trust~~OPEB trust assets for participating employers. In addition, the BOI is responsible for obtaining pension actuarial valuations that measure the funded status and serve as the basis for setting employer and employee contribution rates required to fund the system. The BOR is responsible for obtaining actuarial valuations for the OPEB Program as part of its responsibility for administration of the OPEB Program.

The BOR and BOI have joint authority under CERL over certain shared responsibilities, including: classification and compensation of personnel; adoption of LACERA's administrative budget; the appointment and evaluation of the Chief Executive Officer (CEO); and other matters as specified in CERL.

Under the California Constitution, the Boards have plenary authority over administration of the pension fund.

¹ For a detailed analysis of the statutory duties of each board and their joint duties, please review the memorandum from Chief Legal Officer Steven Rice date March 27, 2018 and the concurrence from then fiduciary counsel Harvey Leiderman dated June 15, 2018.

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2 Purpose of this Document

The purpose of this document is to describe:

- the purpose, scope, responsibilities, meetings, and structure of the Joint Organizational Governance Committee (JOGC);

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- the committee's membership and leadership; and
- meeting frequency and dates.

3 Purpose of the JOGC

The purpose of the JOGC is to:

- serve and facilitate the work of both Boards when the two boards duties intersect;
- make recommendations, not decisions.

4 Scope

The scope of the JOGC's responsibilities, as explained and defined in Section 7, includes:

- Strategic Planning;
- Budgeting;
- Joint Board Policy Development for ~~s~~System-wide policies such as ethics, conflict of interest, media, and education and travel;
- Senior Staff Related Employment Litigation and other litigation affecting the interests of both Boards ;
- Assist in recommending Search Consultant for Chief Executive Officer and Chief Legal Officer-;
- ~~Recommendations concerning selection of CEO, Chief Legal Officer, and Fiduciary Counsel serving both Boards~~
- ~~Such other assistance as may be jointly requested by the Boards; and~~
- ~~Classification and salaries of staff (consistent) with County Ordinance~~

5 Powers Reserved for the BOR and BOI

The BOR reserves for itself all powers related to (i) retirement and healthcare benefits including policy, legislation, litigation, operations, and administration, and (ii) actuarial valuations of the OPEB Program.

The BOI reserves for itself all powers related to (i) investments, including policy, legislation,

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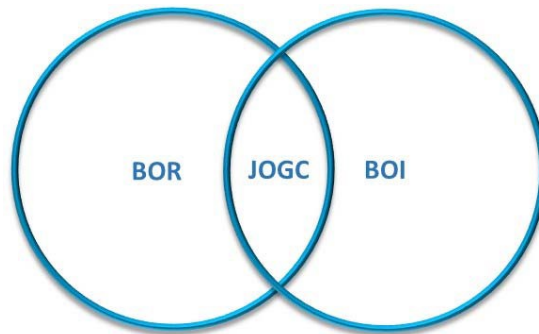
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litigation, operations, and administration, (ii) actuarial valuations of the pension fund, and (iii) oversight of the OPEB Trusts.

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6 Authority

The JOGC will only make recommendations to each Board on matters that intersect and affect both the BOR and BOI as described in Section 7, Responsibilities of this Charter. The following Venn diagram visually highlights the JOGC role to facilitate the work of both Boards when the Boards' duties intersect.



7 Responsibilities

7.1 Strategic Planning and Budgeting

Provide guidance on the development of a three-year strategic plan and the associated annual budgeting process for the Administrative, Retiree Healthcare, OPEB Program, and Non-Administrative budgets and make recommendations to the Boards, including the following:

- Strategic Plan: Provide oversight and guidance on the development of a three-year strategic plan that will guide the annual budgeting process, including resources needed to achieve organizational objectives.

In providing input and guidance on the development of the strategic plan, and associated budget plans, the JOGC will take into account, but will not reconsider, actions taken by the Boards within the areas of their separate jurisdiction, including the Board of Retirement for pension, healthcare, and administrative matters and the Board of

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Investments for investment-related strategic planning. The JOGC's role reflects an understanding that the entire budget process for LACERA, under Government Code Section 31580.2, is subject to the approval of both Boards, and that therefore oversight and guidance for the development of the budget is a joint Board responsibility, based in part upon actions taken by the Boards separately, including vendor selections and other matters.

Additionally, the JOGC's role reflects an understanding that each three-year strategic plan is a rolling plan and will also take into account past strategic plan initiatives that have already been set in motion and for which resources have already been allocated and expended as they provide input on new expectations and initiatives.

- Staffing Needs.
 - Staff Classifications: Review and make recommendations on staff requests to create all new Staff Member classifications.
 - Staff Compensation: Review and make recommendations on Staff Member requests related to:
 - Negotiation and approval of collective bargaining agreements;
 - Approval of initial compensation levels and ranges applicable to new positions to be added to the County Code;
 - Approval of compensation level and range changes for existing positions that require changes to the County Code; and
 - Budgeting for compensation to be provided for existing positions within existing County Code ranges.
- Budget Development: Provide guidance during the annual budget development cycle for the Administrative, Retiree Healthcare, OPEB Program, and Non- Administrative budgets. The staff will develop preliminary budget plans that take into account and support the approved strategic plans and general operating needs. The JOGC will review and provide a recommendation regarding the proposed budgets which will in turn be presented to the Boards during budget hearings. Both Boards will then independently take action on the JOGC's recommended proposed budget.

Staff will present a three-year strategic plan for the ~~SS~~System as a whole incorporating the strategic plan of each Board and annual budget plan development process, including a proposed JOGC meeting schedule with respect to planning and budget issues, for the JOGC's approval. This process will govern how the organization will conduct the strategic plan and budgeting process on an annual basis. Once approved the process will remain in effect until

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reviewed and modified by the JOGC and staff, with a mandatory review every six years.

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The JOGC will complete its strategic planning and budgeting responsibilities on a timetable outlined in the approved annual strategic planning and budgeting process. All plans will include presentation of the budget to the Boards for final approval no later than June of each year.

On-going Oversight: Once a three-year strategic plan and annual budget is approved the JOGC will provide on-going oversight of the budget-to-actual results and the progress made towards fulfilling the Strategic Plan initiatives of each Board and the combined Strategic Plan for the ~~s~~System as a whole, during the fiscal year according to a schedule approved by the Committee in consultation with the staff.

By this section, the JOGC does not assume and will not exercise any responsibility as Appointing Authority not granted to the Boards under the Los Angeles County Code, including Section 5 (Personnel) and Section 6 (Salaries), or otherwise in conflict with the County Code and LACERA Policy.

~~7.2 — Education and Travel~~

~~Oversee and make recommendations with respect to the:~~

- ~~• Education and Travel Policy; and~~
- ~~• Other training issues relevant to both Boards as needed.~~

~~7.3~~ 7.2 Joint Policies

When not otherwise reserved to either the BOR or the BOI, assist in the ~~-development of and make recommendations with respect to all joint policies, — such as ethics, conflict of interest, media, and education and travel as outlined in Section 4, —~~

~~7.4 — Legislation, Engagement, and Advocacy~~

~~May make recommendations about legislation, engagement, and advocacy that impact both Boards.~~

~~7.5~~ 7.3 Litigation and Claims

Make recommendations about employment related and other Litigation and Claims affecting the interests of both Boards as described in Section 4. In matters specifically related to employment litigation concerning senior staff that serve both Boards, the CEO and Chief Legal Officer shall participate in the Committee's deliberations.

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. They may also include any other Litigation and Claims, including ones that each Board is generally expected to separately manage, that the Board Chairs, the CEO, or Chief Counsel reasonably believe justify the involvement of this Committee because of mutual interest and concern to both Boards.

Litigation and Claims are defined as court actions, pre-litigation demands or claims, potential court actions, demands, or claims, and other forms of dispute resolution, such as arbitration and mediation.

Each Board is generally expected to separately manage:

- (1) As to the Board of Retirement, Litigation and Claims relating to the regular course of business regarding retirement, disability, and healthcare benefits, all LACERA personnel (other than the Chief Executive Officer, and all those reporting directly to them or as to whom the Boards or any of their committees have an Appointing Authority role as stated in this section), and the general operations and administration of the retirement system and the OPEB Program (including actuarial services for the OPEB Program),
- (2) As to the Board of Investments, Litigation and Claims relating to the regular course of business regarding investments, pension actuarial services, and the OPEB Trusts, and
- (3) Litigation and Claims concerning contracts approved only by that Board.

By this section, the JOGC does not assume any responsibility as Appointing Authority not granted to the Boards under the Los Angeles County Code, including Section 5 (Personnel) and Section 6 (Salaries) or otherwise in conflict with the County Code.

7.67.4 [Chief Executive Officer and Chief Legal Officer](#)

Should a vacancy occur:

- Make a recommendation for a search consultant; and
- Provide such additional assistance in the selection process as the Boards may determine at the time.

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~~7.7~~ 7.5 [Miscellaneous Matters](#)

Miscellaneous matters that may need to be brought before the JOGC will be determined on a case by case basis by the respective Board Chairs and the Chair of the JOGC in consultation with the CEO. Additionally, miscellaneous matters may be brought before the JOGC by any JOGC member.

8 Membership, Quorum, and Rules

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. In making their appointment, each Chair will endeavor to include an overall mix of trustees who are appointed by the Board of Supervisors, elected by active employees (general and safety), elected by retired members, and who serve in an ex officio capacity. The Chairs will also consider continuity of service when appointing members, so that development of expertise and familiarity with the subject matters jurisdictional to the JOGC are encouraged, and to benefit the JOGC's goals.

If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap.

A quorum exists when a majority of the members are present, without regard to the Board from which individual members were appointed.

The JOGC is subject to the Ralph M. Brown Act (Brown Act), and its meetings will be noticed, agendized, and conducted in accordance with the Brown Act. The JOGC may meet in closed session as provided in the Brown Act.

Robert's Rules of Order will also apply in the JOGC's meetings. A motion may be made or seconded by any member. A motion passes if a majority of the members present, without regard to the Board from which they were appointed, vote in favor of the motion.

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9 Leadership

The Chair and Vice Chair of the JOGC will be elected by members of the JOGC at the first meeting of each year.

10 Meeting Frequency and Dates

10.1 Frequency

The Committee shall meet in February for the purpose of electing Committee officers and to review policies applicable to the System as a whole. The Committee shall meet in April for budget review for the System. Further meetings shall be scheduled as needed with the concurrence of the Board Chairs or the committee Chair ~~with exception of budget. Meetings related to budget and strategic planning shall be scheduled~~. All meetings shall be noticed in accordance with the Ralph M. Brown Act.

10.2 Dates

To the extent possible, meetings will alternate between scheduled BOR and BOI meetings, and as needed.

11 Charter Review

The BOR and BOI shall review and update this Charter, based on recommendations from the JOGC, at least once every three years.

~~This Charter was adopted by the Board of Retirement on _____ and by the Board of Investments on _____.~~

HISTORY:

Revised and Restated by the Board of Retirement on _____ and by the Board of Investments on _____.

ATTACHMENT B

JOGC Charter (Clean Version)

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Joint Organizational Governance Committee Charter

Revised and Restated

Adopted by Board of Retirement on ____, 2021

Adopted by the Board of Investments on ____, 2021

LACERA
Joint Organizational Governance Committee Charter

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LACERA
Joint Organizational Governance Committee Charter

1 Overview of the LACERA Board of Retirement and the Board of Investments¹

The Los Angeles County Employees Retirement Association (LACERA) is a public pension system formed in 1937 in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the California Constitution. LACERA also administers the Retiree Healthcare Benefits Program for the County and outside districts, through contractual agreements with the County, and the Other Postemployment Benefits Program (OPEB) trusts formed by the County, LACERA, and the Los Angeles Superior Court to provide support for the retiree health program in the future.

LACERA is an independent governmental entity. LACERA is the largest county retirement system in America. LACERA is funded by the County, participating employers, employees, and investment earnings.

LACERA is governed by two Boards. Both Boards include a mix of trustees that are appointed and elected members and an ex-officio member, the sitting County Treasurer and Tax Collector. The Board of Retirement (BOR) is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program. The Board of Investments (BOI) is responsible for determining LACERA's investment objectives, strategies, and policies, as well as exercising authority and control over the investment management of the Fund. The BOI also invests and manages the OPEB trust assets for participating employers. In addition, the BOI is responsible for obtaining pension actuarial valuations that measure the funded status and serve as the basis for setting employer and employee contribution rates required to fund the system. The BOR is responsible for obtaining actuarial valuations for the OPEB Program as part of its responsibility for administration of the OPEB Program.

The BOR and BOI have joint authority under CERL over certain shared responsibilities, including: classification and compensation of personnel; adoption of LACERA's administrative budget; the appointment and evaluation of the Chief Executive Officer (CEO); and other matters as specified in CERL.

Under the California Constitution, the Boards have plenary authority over administration of the pension fund.

2 Purpose of this Document

The purpose of this document is to describe:

¹ For a detailed analysis of the statutory duties of each board and their joint duties, please review the memorandum from Chief Legal Officer Steven Rice date March 27, 2018 and the concurrence from then fiduciary counsel Harvey Leiderman dated June 15, 2018.

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Joint Organizational Governance Committee Charter

- the purpose, scope, responsibilities, meetings, and structure of the Joint Organizational Governance Committee (JOGC);
- the committee's membership and leadership; and
- meeting frequency and dates.

3 Purpose of the JOGC

The purpose of the JOGC is to:

- serve and facilitate the work of both Boards when the two boards duties intersect; make recommendations, not decisions.

4 Scope

- The scope of the JOGC's responsibilities, as explained and defined in Section 7, includes: Strategic Planning;
- Budgeting; Joint Board Policy Development for system-wide policies such as ethics, conflict of interest, media, and education and travel;
- Senior Staff Related Employment Litigation and other litigation affecting the interests of both Boards ;
- Assist in recommending Search Consultant for Chief Executive Officer and Chief Legal Officer;
- Such other assistance as may be jointly requested by the Boards; and Classification and salaries of staff

5 Powers Reserved for the BOR and BOI

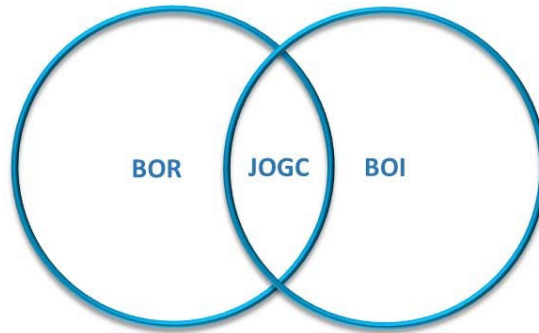
The BOR reserves for itself all powers related to (i) retirement and healthcare benefits including policy, legislation, litigation, operations, and administration, and (ii) actuarial valuations of the OPEB Program.

The BOI reserves for itself all powers related to (i) investments, including policy, legislation, litigation, operations, and administration, (ii) actuarial valuations of the pension fund, and (iii) oversight of the OPEB Trusts.

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6 Authority

The JOGC will only make recommendations to each Board on matters that intersect and affect both the BOR and BOI as described in Section 7, Responsibilities of this Charter. The following Venn diagram visually highlights the JOGC role to facilitate the work of both Boards when the Boards' duties intersect.



7 Responsibilities

7.1 Strategic Planning and Budgeting

Provide guidance on the development of a three-year strategic plan and the associated annual budgeting process for the Administrative, Retiree Healthcare, OPEB Program, and Non-Administrative budgets and make recommendations to the Boards, including the following:

- Strategic Plan: Provide oversight and guidance on the development of a three-year strategic plan that will guide the annual budgeting process, including resources needed to achieve organizational objectives.

In providing input and guidance on the development of the strategic plan, and associated budget plans, the JOGC will take into account, but will not reconsider, actions taken by the Boards within the areas of their separate jurisdiction, including the Board of Retirement for pension, healthcare, and administrative matters and the Board of Investments for investment-related strategic planning. The JOGC's role reflects an understanding that the entire budget process for LACERA, under Government Code Section 31580.2, is subject to the approval of both Boards, and that therefore oversight and guidance for the development of the budget is a joint Board responsibility, based in part upon actions taken by the Boards separately, including vendor selections and other matters.

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Additionally, the JOGC's role reflects an understanding that each three-year strategic plan is a rolling plan and will also take into account past strategic plan initiatives that have already been set in motion and for which resources have already been allocated and expended as they provide input on new expectations and initiatives.

- Staffing Needs.
 - Staff Classifications: Review and make recommendations on staff requests to create all new Staff Member classifications.
 - Staff Compensation: Review and make recommendations on Staff Member requests related to:
 - Negotiation and approval of collective bargaining agreements;
 - Approval of initial compensation levels and ranges applicable to new positions to be added to the County Code;
 - Approval of compensation level and range changes for existing positions that require changes to the County Code; and
 - Budgeting for compensation to be provided for existing positions within existing County Code ranges.
- Budget Development: Provide guidance during the annual budget development cycle for the Administrative, Retiree Healthcare, OPEB Program, and Non- Administrative budgets. The staff will develop preliminary budget plans that take into account and support the approved strategic plans and general operating needs. The JOGC will review and provide a recommendation regarding the proposed budgets which will in turn be presented to the Boards during budget hearings. Both Boards will then independently take action on the JOGC's recommended proposed budget.

Staff will present a three-year strategic plan for the system as a whole incorporating the strategic plan of each Board and annual budget plan development process, including a proposed JOGC meeting schedule with respect to planning and budget issues, for the JOGC's approval. This process will govern how the organization will conduct the strategic plan and budgeting process on an annual basis. Once approved the process will remain in effect until reviewed and modified by the JOGC and staff, with a mandatory review every six years.

The JOGC will complete its strategic planning and budgeting responsibilities on a timetable outlined in the approved annual strategic planning and budgeting process. All plans will include presentation of the budget to the Boards for final approval no later than June of each year.

On-going Oversight: Once a three-year strategic plan and annual budget is approved the JOGC

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Joint Organizational Governance Committee Charter

will provide on-going oversight of the budget-to-actual results and the progress made towards fulfilling the Strategic Plan initiatives of each Board and the combined Strategic Plan for the system as a whole, during the fiscal year according to a schedule approved by the Committee in consultation with the staff.

By this section, the JOGC does not assume and will not exercise any responsibility as Appointing Authority not granted to the Boards under the Los Angeles County Code, including Section 5 (Personnel) and Section 6 (Salaries), or otherwise in conflict with the County Code and LACERA Policy.

7.2 Joint Policies

When not otherwise reserved to either the BOR or the BOI, assist in the development of and make recommendations with respect to all joint policies, such as ethics, conflict of interest, media, and education and travel .

7.3 Litigation and Claims

Make recommendations about employment related and other Litigation and Claims affecting the interests of both Boards as described in Section 4. In matters specifically related to employment litigation concerning senior staff that serve both Boards, the CEO and Chief Legal Officer shall participate in the Committee's deliberations.

They may also include any other Litigation and Claims, including ones that each Board is generally expected to separately manage, that the Board Chairs, the CEO, or Chief Counsel reasonably believe justify the involvement of this Committee because of mutual interest and concern to both Boards.

Litigation and Claims are defined as court actions, pre-litigation demands or claims, potential court actions, demands, or claims, and other forms of dispute resolution, such as arbitration and mediation.

Each Board is generally expected to separately manage:

- (1) As to the Board of Retirement, Litigation and Claims relating to the regular course of business regarding retirement, disability, and healthcare benefits, all LACERA personnel (other than the Chief Executive Officer, and all those reporting directly to them or as to whom the Boards or any of their committees have an Appointing Authority role as stated in this section), and the general operations and administration of the retirement system and the OPEB Program (including actuarial services for the OPEB Program),
- (2) As to the Board of Investments, Litigation and Claims relating to the regular course of business regarding investments, pension actuarial services, and the OPEB Trusts, and

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Joint Organizational Governance Committee Charter

(3) Litigation and Claims concerning contracts approved only by that Board.

By this section, the JOGC does not assume any responsibility as Appointing Authority not granted to the Boards under the Los Angeles County Code, including Section 5 (Personnel) and Section 6 (Salaries) or otherwise in conflict with the County Code.

7.4 Chief Executive Officer and Chief Legal Officer

Should a vacancy occur:

- Make a recommendation for a search consultant; and
- Provide such additional assistance in the selection process as the Boards may determine at the time.

7.5 Miscellaneous Matters

Miscellaneous matters that may need to be brought before the JOGC will be determined on a case by case basis by the respective Board Chairs and the Chair of the JOGC in consultation with the CEO. Additionally, miscellaneous matters may be brought before the JOGC by any JOGC member.

8 Membership, Quorum, and Rules

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. In making their appointment, each Chair will endeavor to include an overall mix of trustees who are appointed by the Board of Supervisors, elected by active employees (general and safety), elected by retired members, and who serve in an ex officio capacity. The Chairs will also consider continuity of service when appointing members, so that development of expertise and familiarity with the subject matters jurisdictional to the JOGC are encouraged, and to benefit the JOGC's goals.

If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap.

A quorum exists when a majority of the members are present, without regard to the Board from which individual members were appointed.

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The JOGC is subject to the Ralph M. Brown Act (Brown Act), and its meetings will be noticed, agendaized, and conducted in accordance with the Brown Act. The JOGC may meet in closed session as provided in the Brown Act.

Robert's Rules of Order will also apply in the JOGC's meetings. A motion may be made or seconded by any member. A motion passes if a majority of the members present, without regard to the Board from which they were appointed, vote in favor of the motion.

9 Leadership

The Chair and Vice Chair of the JOGC will be elected by members of the JOGC at the first meeting of each year.

10 Meeting Frequency and Dates

10.1 Frequency

The Committee shall meet in February for the purpose of electing Committee officers and to review policies applicable to the System as a whole. The Committee shall meet in April for budget review for the System. Further meetings shall be scheduled as needed with the concurrence of the Board Chairs or the committee Chair. All meetings shall be noticed in accordance with the Ralph M. Brown Act.

10.2 Dates

To the extent possible, meetings will alternate between scheduled BOR and BOI meetings, and as needed.

11 Charter Review

The BOR and BOI shall review and update this Charter, based on recommendations from the JOGC, at least once every three years.

HISTORY:

Revised and Restated by the Board of Retirement on _____ and by the Board of Investments on _____.

ATTACHMENT C

April 4, 2018 - Joint and Separate Responsibilities of
the Boards Memo

FOR INFORMATION ONLY

March 27, 2018

TO: Each Member
Board of Retirement
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: April 4, 2018 Joint Board of Retirement and Board of Investments Meeting

SUBJECT: Joint and Separate Responsibilities of the Boards

At the March 15, 2018 Board of Retirement (BOR) meeting, certain BOR members requested a legal analysis of the joint and separate responsibilities of the BOR and the Board of Investments (BOI) (together, Boards) in order to facilitate a clear understanding and compliance with applicable law.

LEGAL AUTHORITY

The responsibilities of the Boards are enumerated in Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450, *et seq.*, the California Public Employees' Pension Reform Act of 2013 (PEPRA), Cal. Gov't Code §§ 7522, *et seq.*, and the Internal Revenue Code, 26 U.S.C. §§ 401(a), *et seq.*

The Boards' overarching plenary authority and fiduciary responsibilities are addressed in Article XVI, Section 17 of the Constitution. Article XVI, Section 17 applies generally to all California public pension boards. The Constitution does not change the division of responsibilities between the Boards as established in CERL.

Specific operational responsibilities of the Boards are set forth in CERL and PEPRA, which describe the duties of LACERA's Boards in detail.

LACERA is the only California public pension system that has separate boards for administration and investments (although a number of California charter cities have established separate pension funds and boards for safety and general members).

DISCUSSION

A. Constitution.

Under Article XVI, Section 17 of the Constitution, "the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for

investment of moneys and administration of the system.” The Constitution only uses the singular term “retirement board,” but it does not create that board. Rather, the Constitution confers duties on governing board(s) otherwise established by plan sponsor agencies under the laws that provide for their respective plans. For example, the Public Employees’ Retirement Law, Cal. Gov’t Code §§ 20000, *et seq.* (PERL), establishes the Board of CalPERS; the Teachers’ Retirement Law, Cal. Ed. Code §§ 22000, *et seq.*, establishes the Board of CalSTRS. So, too, CERL authorizes the twenty California counties adopting the CERL to establish the retirement boards for their respective county systems. For Los Angeles County, CERL authorized the County to establish two boards for jointly governing a single retirement system, and the County exercised that authority to create the BOI. Because of the unique authority granted by CERL, both LACERA Boards have constitutional fiduciary obligations that are important to the performance of their coordinated governance of the retirement system. The Boards both have the same constitutional mission and the same fiduciary duties of prudence and loyalty. It is important to review these fiduciary duties because they have a direct bearing on how the Boards should interact with each other in considering their joint and separate operational responsibilities under CERL.

Article XVI, Section 17 provides for the following duties, which apply to both the BOR and the BOI:

- “The retirement board . . . shall have the sole and exclusive fiduciary responsibility over the assets” of the system. (Section 17(a).)
- “The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries.” (Section 17(a).)
- Fund assets “are trust funds and shall be held for the exclusive purposes of providing benefits to participants . . . and their beneficiaries and defraying reasonable expenses of administering the system.” (Section 17(a).)
- Trustees “shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.” This is the duty of loyalty. (Section 17(b); *see also* CERL, Section 31595(a).)
- Trustees “shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would

use in the conduct of an enterprise of a like character and with like aims.” This is the duty of prudence. (Section 17(b).)

In addition, Article XVI, Section 17 includes two duties that apply to the BOI, although the BOI is not mentioned by name:

- Trustees “shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.” (Section 17(d); see *also* CERL, Section 31595(c).)
- The board, “consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system.” (Section 17(e).)

The BOR and BOI share the same constitutional fiduciary duties in furtherance of the same purpose. The trustees of the boards are co-fiduciaries of the retirement system. The Boards must work together to achieve the purpose of the fund. The need to work together is a constitutional requirement that follows from the duty of prudence because any reasonable trustee in a like position must cooperate fully with their trustees on the other board. Joint effort also follows from the duty of loyalty because the interests of the members and their beneficiaries could be impaired if there are jurisdictional disagreements between the Boards. The Boards must respect clear lines drawn in CERL as to their separate and joint authorities. The Boards should also be flexible and collaborative in addressing ambiguities in the law as to board authority where they exist in CERL and PEPRA and in addressing special circumstances that may prudently require joint action or joint communication.

B. CERL and PEPRA.

1. Background.

a. BOR.

Section 31520 of CERL provides, “Except as otherwise delegated to the board of investments and except for statutory duties of the county treasurer,¹ the management of the retirement system is vested in the board of retirement” Section 31520 provides for a five-member board of retirement. However, where a system (like LACERA) provides for safety member contributions and retirement, Section 31520.1 provides for a nine-

¹ CERL provides that the Boards may delegate certain responsibilities, such as the holding and investment of assets, to the treasurer. The Boards have not exercised this authority.

member board of retirement, with an alternate safety member. The nine members include four elected by the members (two by general members, one by safety members, and one by retired members), four appointed by the board of supervisors, and the county treasurer, sitting ex officio. Section 31520.5 provides for a retired member alternate to the board of retirement.

LACERA has had its Board of Retirement since the fund's formation in 1938.

b. BOI.

Section 31520.2 provides that, in any county with over \$800 million in assets, the board of supervisors may establish a nine-member board of investments. The membership of the board of investments follows the same pattern as described above for the board of retirement, except that there are no alternate members.

LACERA has had a Board of Investments since 1972, shortly after the Board of Supervisors voted to authorize it. LACERA is the only CERL system with a board of investments. Under Section 31520.2(b), "The board of investments shall be responsible for all investments of the retirement system."

2. Definition of "Board."

The responsibilities of the BOR and BOI are contained in various CERL and PEPR provisions. Sometimes, the statutes are clear and specific as to which board is given a particular responsibility. Other provisions simply use the term "board" or are vague as to whether they apply to the BOR, the BOI, or both. Section 31459.1 provides a definition of "board" which is applicable only to LACERA, as follows:

(a) In a county in which a board of investments has been established pursuant to Section 31520.2:

(1) As used in Sections 31453, 31453.5, 31454, 31454.1, 31454.5, 31472, 31588.1, 31589.1, 31591, 31592.3, 31594, 31595.1, 31595.9, 31596, 31596.1, 31601.1, 31607, 31610, 31611, 31612, 31613, 31616, 31618, 31621.11, 31625, 31639.26, 31784, and 31872, "board" means board of investments.

(2) As used in the first paragraph of Section 31592.2 and the first paragraph and subdivision (c) of the second paragraph of Section 31595, "board" means a board of investments.

(3) Sections 31521, 31522, 31522.1, 31522.2, 31523, 31524, 31525, 31528, 31529, 31529.5, 31535.1, 31580.2, 31614, 31680, and 31680.1,

apply to both the board of retirement and board of investments, and “board” means either or both the board of retirement and board of investments.

(4) Subdivision (a) of Section 31526 and subdivisions (a) and (b) of the second paragraph of Section 31595 apply to both the board of retirement and board of investments, and “board” means either or both the board of retirement and board of investments.

(b) In Article 17 (commencing with Section 31880) of this chapter, “board” means the Board of Administration of the Public Employees’ Retirement System.

(c) In all other cases, “board” means the board of retirement.

(d) This section shall apply only in a county of the first class, as defined in Section 28020, as amended by Chapter 1204 of the Statutes of 1971, and Section 28022, as amended by Chapter 43 of the Statutes of 1961.

The specific CERL sections mentioned in Section 31459.1 are discussed in detail in the next section of this memo. Section 31459.1 does not list all provisions of CERL that specifically mention the board of investments. Other provisions must be interpreted in developing a list of the Boards’ responsibilities. In addition, it is important to note that Section 31459.1 is not itself a grant of authority to either board; it is a definitional section to assist in interpreting some but not all of the substantive provisions of CERL that describe specific areas of board responsibility.

3. Responsibilities and Authorities of the Boards.

As quoted above, Section 31520 states that “the management of the retirement system is vested in the board of retirement,” and Section 31520.2(b) provides that “The board of investments shall be responsible for all investments of the retirement system.” However, these statements are so general that they do not provide much practical guidance in understanding how the many specific functions of managing a public retirement system are to be handled by the Boards.

Understanding of the detailed allocation of responsibilities is found in the definition quoted above from Section 31459.1 and in other provisions of CERL that specifically mention one or both of the Boards. Based on Section 31459.1 and the rest of CERL, certain responsibilities belong to both the BOI and the BOR, certain responsibilities belong to the BOI, and everything else that is not specifically identified belongs to the BOR. The next three subsections of this memo list specific responsibilities that fall into each category. CERL is a long and complex statute, over 360 pages in length. There may be specific separate responsibilities of the BOR or BOI that are not listed below. However, the lists below include major responsibilities and authorities of the Boards.

a. Joint Responsibilities and Authorities of the BOR and BOI.

Under CERL, there are two specific responsibilities and authorities that require joint action of both the BOR and the BOI:

- i. *Appointment of personnel.* (Sections 31522.1, 31522.2, 31522.4.) These provisions provide that “the board of retirement and both the board of retirement and board of investment may appoint” the retirement administrator and other staff. Since LACERA has both the BOR and BOI, the statutory language giving appointing authority to “both” the BOR and the BOI governs. Appointing authority includes the power to approve organizational staffing needs, classifications and classification changes, evaluation, compensation adjustments, and discipline. Accordingly, appointment of staff is a statutory joint responsibility of the Boards.

Long ago, the Boards determined to retain joint appointing authority over the Chief Executive Officer (CEO) and delegate appointing authority for all other positions, other than the Chief Audit Executive,² to the CEO. This structure is reflected in County Salary Ordinance provisions, as required by CERL.³

The Salary Ordinance provides, “The person appointed by the Boards of Retirement and Investments to act as retirement administrator pursuant to Government Code Section 31522.2, shall be known as the Chief Executive Officer.” (Ordinance 6.127.020(A).) The Salary Ordinance defines “Appointing Authority” for the CEO as “the board of retirement and the board of investments jointly” and for staff as the “retirement administrator.” (Ordinance 6.127.040(B)(1).)

² The Boards have determined that they are the appointing authority for the Chief Audit Executive (CAE) with respect to appointment, discipline, dismissal, and/or removal. The Audit Committee is the CAE’s appointing authority with respect to performance management and salary adjustments. The CAE reports to the CEO for administrative purposes. The role of the Boards, the Audit Committee, and CEO are fully described in the Audit Committee Charter. Note that changes to the Salary Ordinance to implement the system described in this footnote, as approved by the Boards in January 2017, are pending approval by the Board of Supervisors as of the date of this memo.

³ This structure is not unique to LACERA. A similar arrangement exists in the City of San José, which has separate boards to administer its Police and Fire Department Retirement Plan and its Federated City Employees’ Retirement System. By City Charter (Section 810.1(a)), however, the two boards have the authority to “jointly appoint the chief executive officer and the chief investment officer.”

The CEO's compensation "may be determined by written agreement between the boards of retirement and investments and such designated person." (Ordinance 6.127.030(B)(1); see *also* Ordinance 6.127.040(C).) The CEO's salary may be adjusted "by the boards of retirement and investments," even if it falls outside designated Salary Ranges. (Ordinance 6.127.030(B)(3).) The Boards jointly may authorize additional compensation to the CEO for "exceptional or extraordinary service." (Ordinance 6.127.030(B)(2).) The County's Table of Classes of Positions with Salary Schedule and Level does not state the CEO's compensation; instead, it refers back to the Board's joint compensation setting authority under Ordinance 6.127.020(A). (Ordinance 6.127.050, Note N37.)

Under the Ordinance, salary adjustments and performance management for LACERA staff are the responsibility of the CEO as Appointing Authority under Chapter 127 of the Ordinance.

The Boards also have the independent authority, by joint resolution, to create a Performance Compensation Program for LACERA employees. (Ordinance 6.127.030(C).)

The Boards may, by joint action, request a change in the Ordinance. However, at present, the structure for personnel is as described above. The Civil Services Rules are consistent, where applicable.

- ii. *Budget approval.* (Section 31580.2.) This statute provides that, where "the board of retirement, or the board of retirement and the board of investments, have appointed personnel . . . , the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund." At LACERA, since the Boards jointly appoint personnel under CERL as discussed above, the responsibility and authority to adopt a budget belongs as a matter of law under Section 31580.2 to both Boards acting jointly. This is in fact the way LACERA conducts its budget process.

Although appointment of personnel and budget approval are the only two specified areas of joint Board action under CERL and PEPR, there may be other important issues that flow from the specified areas or otherwise reasonably should be handled by both Boards. Examples include: litigation that presents significant organizational risks; union contracts; legislation that affects LACERA's overall governance structure; changes in LACERA's

Mission, Values, or Vision; joint committees such as the Audit Committee;⁴ policies that affect both Boards, such as the Audit Committee Charter, Education and Travel Policy, Legislative Policy, Code of Ethical Conduct, Conflict of Interest Code, and similar policies that cross board lines; and engagement of fiduciary counsel to advise both Boards. As noted above, a spirit of cooperation, collaboration, and flexibility is legally required among the Boards as a matter of their co-fiduciary duties in addressing other issues of joint interest.

b. BOI Responsibilities and Authorities.

CERL is generally structured so that the responsibilities and powers of the BOI are specifically identified. Any responsibilities and powers not given to the BOI belong to the BOR. Despite this structure, there are still some ambiguities because Section 31459.1 is not complete and other CERL and PEPR provisions are also ambiguous. Responsibilities and authorities that the BOI, and its trustees, may separately exercise as identified in governing law include the following:

- i. All investments.* (Sections 7514.2, 31520.2(b), 31594, 31595, 31595.1, 31595.9, 31601.1, 31602, 31603.) The BOI “shall be responsible for all investments of the retirement system.” (Section 31520.2(b).) The statutory authority is very broad. Investments may be made “in any form or type of investment deemed prudent” in compliance with the BOI’s fiduciary duties. (Section 31494.) Note that investments in real property require approval by at least six votes, except that nine votes are required if the Board of Supervisors or County Board of Education has a material interest. (Section 31601.1.) Investments in in-state infrastructure projects are specifically addressed by statute. (Section 7514.2.)
- ii. Diversification of investments.* (Section 31595(c).) The BOI is required to “diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.” (*Id.*) This same language appears in Article XVI, Section 17(d).

⁴ The responsibilities and authorities of the Audit Committee include oversight of Internal Audit, oversight of the CAE (see footnote 2), oversight of and recommendations regarding selection of the External Auditor, monitoring of the financial reporting process, monitoring management’s system of internal controls and compliance, and conflicts and ethics. These responsibilities are fully defined in the Audit Committee Charter approved by both Boards.

- iii. Delegation of investment authority. (Sections 31595, 31595.1, 31596.) The BOI has the authority and discretion to “invest, or delegate the authority to invest, the assets of the fund.” (Section 31595.) One party to whom the BOI may delegate authority is the treasurer. (Sections 31595.1, 31596.)
- iv. Actuarial investigations, assumptions, and valuations. (Sections 31453, 31453.6, 31454, 31454.1, 31515.1.) The BOI has sole authority under CERL over actuarial matters related to the pension fund. Actuarial issues are also recognized in the Constitution, which provides that board (as to LACERA, the BOI) “shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system.” (Article XVI, Section 17(e).)
- v. Retirement benefit funding policy. (Sections 7522.52, 31591.) The BOI sets the funding policy for LACERA, which includes the funding goal, annual implementation, allocation of actuarial assets, and the valuation cycle.
- vi. Recommendation of interest rates on deposits. (Sections 31453, 31454, 31472, 31591.) Based on actuarial investigation, valuation, and recommendations, the BOI recommends to the Board of Supervisors changes in the interest rate on deposits.
- vii. Recommendation of member contribution rates. (Sections 31453, 31454, 31621.11, 31625, 31639.26, 31872.) Based on actuarial input, the BOI recommends to the Board of Supervisors the rates of member contributions.
- viii. Recommendation of employer contribution rates and appropriations. (Sections 31453, 31453.5, 31454, 31454.5, 31495.) Similarly, the BOI recommends to the Board of Supervisors employer contributions rates and appropriations based on actuarial findings.
- ix. Transfer of excess interest. (Section 31592.2(a).) The BOI has authority, when the surplus interest in excess of the amount credited to contributions and reserves exceeds 1% of total assets, to transfer such surplus into a county advance reserve for the payment of benefits.
- x. Selection of custodian. (Section 31596.) The BOI is responsible to select LACERA’s custodian.

- xi. Investment, actuarial, custodial, and investment legal expenses.* (Section 31596.1) The BOI manages expenses of investment, the fund's actuary, the custodian, and investment counsel, all of which are then charged against investment earnings or fund assets as the BOI determines.
- xii. Adopt BOI regulations.* (Sections 31525, 31526(a).) The BOI is required to adopt board regulations providing for election of officers, their terms, meetings, and all other matters relating to the administrative procedure of the board.
- xiii. Interest on unpaid installments of death benefit.* (Section 31784.) The BOI determines the rate at which interest is paid to a person who elects to receive a death benefit over time.
- xiv. Certain Plan E actions.* (Sections 31488, 31491(f) and (g), 31492(b) and (c).) The interest and mortality tables adopted by the BOI are used for calculation of the early retirement adjustment factors that may be employed under Plan E. (Section 31491(f).) The BOI also adjusts primary insurance amounts for Plan E based on the advice of the actuary. (Section 31491(g).) In addition, the BOI approves the actuarial equivalence of a Plan E member's election for an increased survivor allowance. (Section 31492(c).)
- xv. Filling of BOI vacancies.* (Section 31523.1.) The BOI is required to cause an election to be held at the earliest possible date for any vacancy in the elected positions.
- xvi. Separation from County service.* (Section 31524.) Separation from County service of an elected member vacates the trustee's office.
- xvii. 24 hours of trustee education.* (Section 31522.8.) BOI trustees are required to obtain 24 hours of education every two years on the subjects listed in Section 31522.8.
- xviii. Conflict and revolving door limits.* (Section 31528.) Members of the BOI may not have a personal interest, direct or indirect, in the making of any investment, the profit or losses on any investments, or the sale of any investment, or act as agent for others in the use of trust funds. BOI members also may not, for a period of two years after leaving office, act as an agent or attorney for or otherwise represent for compensation any person, except the County, before the BOI, BOR, or staff by personal appearance or any oral or written communication for the purpose of influencing LACERA administrative or legislative

action or concerning a contract, grant, or purchase or sale of good or property. Beyond Section 31528, the BOI has authority to regulate conflicts that may arise in the conduct of its affairs and the matters under its authority.

- xix. Authority to obtain legal representation. (Sections 31529, 31529.1, 31529.5, 31529.6, 31529.9, 31607.) The BOI may retain outside counsel to act as counsel for the board or assist in the performance of its responsibilities.
- xx. Securities and investment-related litigation. Authorization and oversight of securities and other investment-related litigation is the responsibility of the BOI because the issues involve matters within the broad investment responsibility of that board.
- xxi. Issuance of subpoenas. (Section 31535.1) The BOI has the authority to issue subpoenas in connection with its areas of responsibility.
- xxii. OPEB trust investments and trust administration. (Sections 31694.1, 31694.3, 31694.5.) The BOI may invest Other Post-Employment Benefit (OPEB) trust assets contributed by participating employers. The BOI is trustee under the County, Court, and Master OPEB Trust Agreements with responsibility for trust investment and administration.
- xxiii. Approval of travel. The BOI has the responsibility under the Education and Travel Policy to approve travel for its trustees according to the terms of the policy.
- xxiv. Committees. Under the BOI Regulations, the BOI Chair may appoint such standing and ad hoc committees as he or she deems necessary to accomplish the BOI's responsibilities. The BOI as a whole also has authority to establish committees.

The BOI has the authority to perform and manage their specific responsibilities as listed above, adopt policies and procedures, retain other consultants and vendors, and take other reasonable and necessary actions related to their specifically assigned responsibilities. The BOI's authorities and responsibilities are further addressed in the BOI's Regulations (or Bylaws), Board Charter, Powers Reserved Defined, Powers Reserved and Delegated Authorities, the Powers and Duties of Investments Board Members, Investment Policy Statement, Corporate Governance Committee Charter, Corporate Governance Principles and Policy, Domestic Proxy Voting Guidelines, and other existing policies and procedures. The BOI must manage its meetings and affairs so as to comply with the Brown Act, Cal. Gov't Code 54950, *et seq.*

c. BOR Responsibilities and Authorities.

Under Section 31520, “the management of the retirement system is vested in the” BOR, except for those responsibilities specifically assigned to both Boards or the BOI. Accordingly, the short answer to the question of the BOR’s responsibilities and authorities is that the BOR separately can do anything, required under CERL, PEPRA, and the Constitution to manage the system, that is not specifically listed in paragraph 3(a) (joint BOR and BOI responsibilities) and paragraph 3(b) (BOI responsibilities). However, to provide a more helpful response, the responsibilities and authorities that may be separately exercised by the BOR include the following:

- i. Pension benefits administration upon service retirement.* (Section 31670.) The BOR approves all service retirements and administers all issues and processes under CERL and PEPRA related to delivery and support of pension benefits, including Member Services, Benefits, and Quality Assurance.
- ii. Compensation earnable and pensionable compensation.* (Sections 7522.34, 31461.) The BOR makes determinations as to whether pay codes are compensation earnable under CERL. The BOR also acts upon pensionable compensation recommendations under PEPRA, although there is less board discretion under PEPRA than there is under CERL because PEPRA does not specifically reference a board determination.
- iii. Disability retirement benefits administration.* (Sections 31530, 31720 *et seq.*) The BOR approves all disability retirements. In that role, the BOR administers Disability Retirement Services, engages physicians, manages the board’s medical advisor, decides applications, appoints referees to conduct appeal hearings, receives and acts upon referee reports, sets rules for disability applications and hearings, and makes such other decisions and performs such other oversight as required for delivery of disability retirement benefits. Member Services, Benefits, and Quality Assurance may also be necessary, from time to time, to support the administration of disability retirement.
- iv. All other benefits and benefit-related issues.* All other benefits and benefit-related issues under CERL and PEPRA, including, for example, survivor benefits, death benefits, investigation of benefits questions, felony forfeiture, and reciprocity, are within the BOR’s authority.

- v. Collections. The BOR oversees collection issues, including underpayment of contributions and overpayment of benefits.
- vi. Administrative appeals. The BOR has established and oversees an administrative appeals process, and hears and decides member appeals with regard to plan administration issues. The administrative appeals process adopted by the BOR provides due process to members with disputes.
- vii. Procedure for assessing and determining whether an element of compensation was paid to enhance benefits. (Section 31542.) The BOR is required to implement a procedure to address potential “pension spiking.” If the BOR determines that compensation was paid to enhance a member’s benefit, the member or employer may present evidence that the compensation was not paid for that purpose and request the BOR to reverse its decision. This requirement was implemented in part through the administrative appeals process described in (vi) above.
- viii. LACERA operations. All LACERA operational issues are addressed by the BOR, other than those assigned to the Boards jointly or to the BOI as described in the preceding sections of this memo. The BOR’s operational responsibilities are broad, except as limited, and include such important matters as privacy, Public Records Act requests, member communications, and all issues not specifically provided to be performed elsewhere.
- ix. Financial and accounting services. (Section 31593.) Aside from financial, actuarial, and auditing responsibilities of the BOI and the Audit Committee as explained above, the BOR monitors and supervises the Financial and Accounting Services Division and related financial reporting compliance issues and approves retention of LACERA’s external financial auditor based on a recommendation from the Audit Committee.
- x. Personnel issues. The personnel function, which includes Human Resources, is part of the management of the system, and is therefore under the jurisdiction of the Board of Retirement. Personnel issues includes employment claims and litigation. This responsibility excludes the CEO and the CAE, which report jointly to both Boards as noted above. It also excludes classification, compensation, and union contracts (although negotiations will be overseen by the BOR), which are joint board responsibilities. In addition, it is reasonable to

acknowledge that both Boards have an interest in significant personnel issues concerning senior management, such as the Chief Counsel, who regularly advise the BOR. Accordingly, while the BOR will have oversight responsibility for most personnel issues, certain personnel issues may appropriately be addressed by both Boards working together or by the BOI alone.

- xi. Aids to benefits administration.* The BOR's broad authority over benefits, including service retirements, disability retirements, and other benefits, encompasses the ability to procure consultants and whatever other aids are necessary for the effective performance of that work.
- xii. Tax compliance issues.* The BOR oversees tax qualification issues and monitors that LACERA remains in compliance with applicable requirements of the Internal Revenue Code. The BOR also monitors compliance with other tax laws, such as state and federal withholding requirements for member and beneficiary payments.
- xiii. Adopt BOR regulations.* (Sections 31525, 31526.) The BOR is required to adopt board regulations providing for election of officers, their terms, meetings, and all other matters relating to the administrative procedure of the board.
- xiv. Filling of BOR vacancies.* (Section 31523.) The BOR is required to cause an election to be held at the earliest possible date for any vacancy in the elected positions.
- xv. Separation from County service.* (Section 31524.) Separation from County service of an elected member vacates the trustee's office.
- xvi. 24 hours of trustee education.* (Section 31522.8.) BOR trustees are required to obtain 24 hours of education every two years on the subjects listed in Section 31522.8.
- xvii. Conflict and revolving door limits.* (Section 31528.) Members of the BOR may not have a personal interest, direct or indirect, in the making of any investment, the profit or losses on any investments, or the sale of any investment, or act as agent for others in the use of trust funds. BOR members also may not, for a period of two years after leaving office, act as an agent or attorney for or otherwise represent for compensation any person, except the County, before the BOI, BOR, or staff by personal appearance or any oral or written communication for the purpose of influencing LACERA administrative or legislative action or concerning a contract, grant, or purchase or sale of goods or

property. Beyond Section 31528, the BOR has authority to regulate conflicts that may arise in the conduct of its affairs and the matters under its authority.

- xviii. Authority to obtain legal representation. (Sections 31529, 31529.1, 31529.5, 31529.6, 31529.9.) The BOR may retain outside counsel to act as counsel for the board or assist in the performance of its responsibilities.
- xix. Litigation related to LACERA benefits, operations, and management. All non-investment related litigation is managed by the BOR, with the possible exception that there may be limited, extraordinary situations where good governance and fiduciary duty suggests that the best case management will be performed by both Boards.
- xx. Issuance of subpoenas. (Section 31535.1) The BOR has the authority to issue subpoenas in connection with its areas of responsibility.
- xxi. Administration of the OPEB program. (Sections 31691, 31694.) The BOR administers the retiree healthcare program under the 1982 Agreement, as amended, with the County and under separate agreements with participating districts.
- xxii. Approval of travel. The BOR has the responsibility under the Education and Travel Policy to approve travel for its trustees according to the terms of the policy.
- xxiii. Committees. Under the BOR Regulations, the BOR Chair may appoint such standing and ad hoc committees as he or she deems necessary to accomplish the BOR's responsibilities. The BOR as a whole also has the authority to establish committees.

The BOR also has the authority to perform and manage their specific responsibilities as listed above, adopt policies and procedures, and take other reasonable and necessary actions related to their specifically assigned responsibilities. The BOR's authorities and responsibilities are further addressed in the BOR's Regulations, Board Charter, Committee Charters, the Power and Duties of Retirement Board Members, Policies and Procedures for Handling Disability Applications, Procedures for Disability Retirement Hearings, and other existing policies and procedures. The BOR must manage its meetings and affairs to comply with the Brown Act, Cal. Gov't Code 54950, *et seq.*

///

CONCLUSION

This summary of the Boards' responsibilities is based on the current state of the law. It is also important to repeat that, while this memo is intended to be comprehensive, there may be specific responsibilities of the Boards that are not mentioned with particularity. To the extent there are ambiguities in the law or the Boards would like to change existing practice, LACERA can seek legislative changes. The Boards, separately or jointly depending on the subject matter, also have the discretion to adopt additional policies and procedures to clarify their respective responsibilities.

c:	Robert Hill	Vincent Lim	Leilani Ignacio
	James Brekk	Ted Granger	Fern Billingsy
	John Popowich	John McClelland	Johanna Fontenot
	Bernie Buenaflor	Christopher Wagner	Frank Boyd
	Jon Grabel	Vache Mahseredjian	Michael Herrera
	Beulah Auten	Ted Wright	Christine Roseland
	Richard Bendall	Jude Perez	John Harrington
	Allan Cochran	Jim Rice	Jill Rawal
	Vanessa Gonzalez	Scott Zdrazil	Cheryl Lu
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To: Members of the Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association
c/o Steven P. Rice, Chief Counsel

Date: June 15, 2018

Subject: Boards' Responsibilities

It came to our attention yesterday that some members of the Boards had requested that we, as Fiduciary Counsel, provide an analysis of the law and policies establishing the respective responsibilities of the two Boards, separate and apart from the analysis presented to the Boards during the joint meeting held on April 4, 2018. This Memorandum addresses that request.

Chief Counsel submitted a Memorandum to the Boards, dated March 27, 2018, regarding the "Joint and Separate Responsibilities of the Boards," for the April 4th joint meeting (copy attached.) Prior to submitting that Memorandum, Chief Counsel afforded us an opportunity to review and comment on its content, which we did; our comments and suggestions were incorporated into the final Memorandum presented to the Boards. At the April 4, 2018 meeting, we accompanied Chief Counsel in presenting the Memorandum to the Boards and responding to Board member questions and comments. At the conclusion of the meeting counsel was directed to incorporate the Memorandum into the Board Charters.

Although not expressly stated in the Chief Counsel's Memorandum, we fully agree with the legal analysis and conclusions found in the Memorandum. The respective responsibilities of the two Boards are detailed extensively in the Memorandum, sourced to their statutory bases, and are consistent with the common law of trusts (particularly the law relating to the fiduciary obligations of co-trustees.) Where the law may not be crystal clear in its direction, the Boards have established reasonable policies and procedures to accommodate their respective duties and implement the intent of the law.

In sum, we believe that the March 27, 2018 Memorandum accurately states the current status of the law establishing the respective powers and duties of the Boards, and here confirm our agreement with its analysis and conclusions.

If we can provide further guidance to the Boards please let us know.

December 29, 2021

TO: Trustees – Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **TOWARDS BEST-IN-CLASS INVESTOR: 2022 WORK PLAN AND STRATEGIC INITIATIVES**

RECOMMENDATION

Approve the 2022 Work Plan and Strategic Initiatives.

BACKGROUND

Attached is the recommended Work Plan and Strategic Initiatives for calendar year 2022. It incorporates the Board of Investments' Strategic Initiatives reviewed at the October 2021 Offsite as well as key agenda items for calendar year 2022. Prospective agenda items and committee schedules are subject to future modifications by the BOI.

Attachment

Towards Best-In-Class Investor

2022 Work Plan and Strategic Initiatives

Investments Division

Board of Investments

January 12, 2022

Jonathan Grabel – Chief Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Discussion Outline

I. Work Plan Background

II. Strategic Initiatives

III. Appendix: Preliminary Project Schedules for 2022

2022 Work Plan



It is recommended that the Board approve the 2022 Work Plan and Strategic Initiatives with the **following goals**:

1. Provide **visibility** into current and upcoming initiatives
2. Accurately **reflect and synthesize** all Board-approved projects and input, recent Board meetings, and Offsite discussions into a cohesive action plan that includes best-in-class aspirations
3. Promote **disciplined execution** and aligned resources for defined priorities

2022 Work Plan

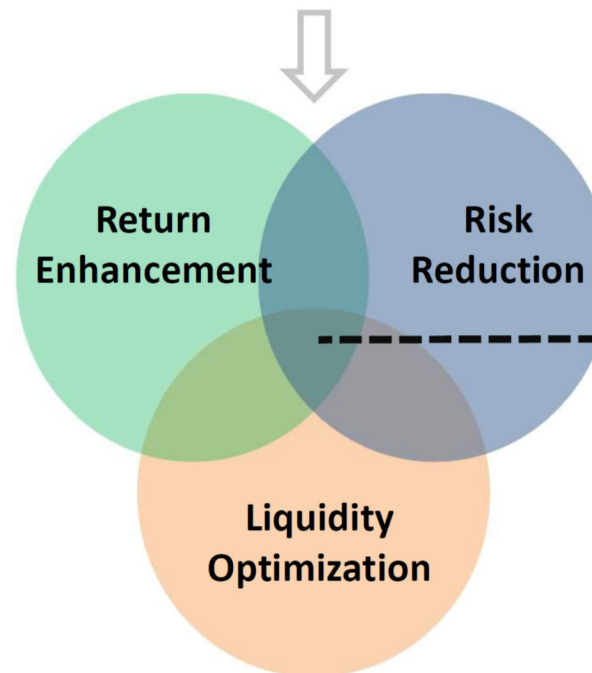
Objective and Strategic Initiatives

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.

Strategic Initiatives



2022 Work Plan

Strategic Initiatives Towards Best-In-Class Investor

Across LACERA's five strategic initiatives, our **journey** from an allocator to a best-in-class investor has numerous **accomplishments**, **ongoing efforts**, and **aspirational considerations**.



2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



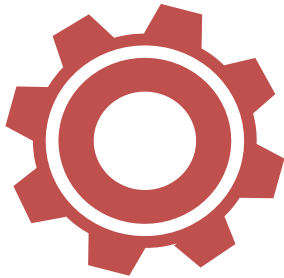
Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Enhance
Operational
Effectiveness

Objective

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

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."

2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



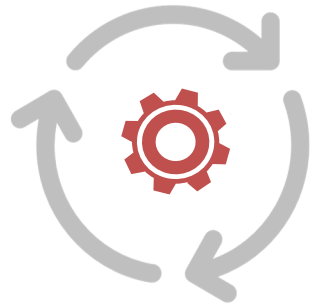
Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



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Aspirational Considerations



- Strengthen risk orientation in a low expected return environment
- Continuously improve BOI meeting information
- Enhance compliance efforts
- Avoid uncompensated complexity



Ongoing Efforts

- Business continuity and information technology
- Comprehensive performance, risk, and return reporting
- Complete investment procedures manual
- Review OPEB operational structure



Accomplishments

- ✓ Elevated operational due diligence (“ODD”) capabilities
- ✓ Improved cash flow accounting for real estate operations
- ✓ Consolidated and simplified securities lending program
- ✓ Approval for initial dedicated managed account (“DMA”)

Enhance Operational
Effectiveness



2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Optimize Investment Model

Objective

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

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."

2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



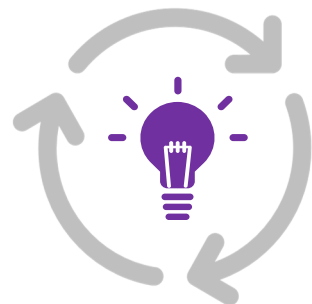
Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Aspirational Considerations

- Shared ownership interests with investment manager firms
- Continued co-investment program developments
- Further development of investor mindset



Ongoing Efforts

- Implement strategic asset allocation nuances
- Risk measurement and monitoring across the portfolio
- Evaluate most advantageous investment structures
- Evaluation of merits and risks for internal management

Accomplishments

- ✓ Co-investment program successes in private equity
- ✓ Co-leading secondary investment
- ✓ Portfolio adjustments towards 2021 strategic asset allocation
- ✓ Rebalancing and exposure management through overlay

Optimize Investment
Model



2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Maximize Stewardship and Ownership Rights

Objective

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

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."

2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Aspirational Considerations



- Total Fund view of climate investment risks and opportunities
- Refine ESG language in investment beliefs
- Expand thought leadership through education and research

Ongoing Efforts



- Continue advancing corporate board diversity initiative
- Improve ESG data availability and reliability, i.e., SASB support
- Encourage corporate climate risk disclosures and reductions
- Ongoing regulatory and legislative advocacy

Accomplishments



- ✓ Global proxy voting authority across 8,000 holdings
- ✓ Routine SEC comment letters on investor rights
- ✓ Climate Action 100+ initiative on climate risks
- ✓ Elevated industry collaboration (i.e., CII, PRI, SASB, etc.)

Maximize Stewardship
and Ownership Rights



2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



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

Objective

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

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."

2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Aspirational Considerations



- Broadly be “term-makers” as opposed to “term-takers”
- Be a prominent co-investment and secondary investor
- Further measure and reduce costs across portfolio
- Develop a risk and fee adjusted performance measurement

Ongoing Efforts

- Expansion of co-investment and secondary programs
- Creative and beneficial fee structures such as hard hurdles
- Shared ownership interest alongside select managers
- Remain mindful of strategic considerations

Accomplishments

- ✓ Secondary purchase activity
- ✓ Beneficial structures such as dedicated managed accounts
- ✓ Capacity rights and fee negotiations
- ✓ Increased influence and improved fee terms

Strengthen Influence on
Fees and Cost of Capital



2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



LACERA T.I.D.E:
Towards Inclusion,
Diversity, and Equity

Objective

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

Connection to Investment Policy Statement

"LACERA values diversity, equity, and inclusion, and believes that effectively accessing and managing diverse talent leads to improved outcomes."

"LACERA's ongoing monitoring of third-party service providers incorporates an assessment of vendors' commitment to, adherence with, and track record of accessing and retaining diverse workforces in an inclusive and equitable manner."

2022 Work Plan

Strategic Initiatives



Enhance
Operational
Effectiveness



Optimize
Investment
Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.



Aspirational Considerations



- All investment partners have clear DEI policies and reporting
- Be a catalyst for leading DEI practices at our business partners and in the investment industry
- Demonstrate cohesive, comprehensive DEI integration



Ongoing Efforts

- Diplomatic agitation of investment partners for further progress
- Industry advocacy to elevate DEI and improve data reporting
- Convening regional institutional investors on DEI practices
- Facilitate avenues for capital formation
- Intern program and avenues for DEI in internal practices



Accomplishments

- ✓ Due diligence across all new and current mandates
- ✓ Strides with partners regarding DEI policies and demographics
- ✓ Progress in corporate board diversity initiative
- ✓ LACERA tracking more data
- ✓ Increased allocation opportunities for emerging managers

LACERA T.I.D.E.



2022 Work Plan Recommendation

Towards Best-In-Class Investor

Recommendation:

Approve the 2022 Work Plan and Strategic Initiatives

Best-In-Class
Investor



Strategic Initiatives

- Execute 2022 Work Plan and Strategic Initiatives
- Maintain principles and re-evaluate as necessary
- Scale division along with Strategic Initiatives
- A component of LACERA's broad strategic plan

Appendix



Prospective 2022 Calendar

Board of Investments and Committee Meetings

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

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

1st Quarter 2022 Preliminary Monthly Calendar

FEBRUARY 9, 2022	
Board of Investments:	
Category	Subject
Total Fund	General Consultant Search Recommendation
Total Fund	4Q2021 Trust and OPEB Performance Report
Total Fund	General Consultant 4Q2021 Trust and OPEB Performance Report
Growth	Private Equity Investment Recommendations
Growth	Private Equity Emerging Manager Recommendation
Real Assets	Private Fund Investment Recommendation
Credit	Illiquid Credit Investment Recommendation
Committee: (open)	
Category	Subject

MARCH 9, 2022	
Board of Investments:	
Category	Subject
Growth	Private Equity Investment Recommendations
Real Assets	Real Estate Restructuring Update
Real Assets	Private Fund Investment Recommendation
Risk Mitigation	Long Duration Treasury Manager Recommendation
Committee: Equity: Public/Private	
Category	Subject
Growth	Analysis of Global Equity Activist Managers

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



2nd Quarter 2022 Preliminary Monthly Calendar

APRIL 13, 2022	
Board of Investments:	
Category	Subject
Total Fund	Annual Securities Lending Income Report
Growth	Private Equity Investment Recommendation
Real Assets	Private Fund Investment Recommendation
Committees: Corporate Governance and Equity	
Category	Subject
Corporate Gov.	Principles Policy Review
Corporate Gov.	ESG Standards Report
Growth	Global Equity Emerging Manager Program Assessment

MAY 11, 2022	
Board of Investments:	
Category	Subject
Total Fund	1Q2022 Trust and OPEB Performance Report
Total Fund	General Consultant 1Q2022 Trust and OPEB Performance Report
Total Fund	OPEB Private Markets Search Recommendation
Growth	Private Equity Investment Recommendation
Committee: Credit and Risk Mitigation	
Category	Subject
Credit	Outside Speaker: Inflation and Interest Rates

JUNE 8, 2022	
Board of Investments:	
Category	Subject
Total Fund	Internal Trading Update (Global Equity and Fixed Income)
Total Fund	Securities Lending Update Report
Real Assets	Private Fund Investment Recommendation
Committee: Real Assets	
Category	Subject
Real Assets	GRESB Review
Real Assets	RCP Review
Real Assets	Real Estate Emerging Manager Program RFP

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



3rd Quarter 2022 Preliminary Monthly Calendar

JULY 13, 2022	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Growth	Private Equity Portfolio Performance Review
Growth	Private Equity Investment Recommendation
Real Assets	Private Fund Investment Recommendation
Credit	Illiquid Credit Emerging Manager Program Recommendation
Committee: (open)	
Category	Subject

AUGUST 10, 2022	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Total Fund	2Q2022 Trust and OPEB Performance Report
Total Fund	General Consultant 2Q2022 Trust and OPEB Performance Report
Credit and Risk Mitigation	Credit and Hedge Funds Portfolio Performance Review
Committee: (open)	
Category	Subject

SEPTEMBER 14, 2022	
Board of Investments:	
Category	Subject
Total Fund	Board Offsite (potential)
Total Fund	Custody Bank Search RFP Recommendation
Total Fund	Fiscal Year End Risk Review
Real Assets	Private Fund Investment Recommendation
Committee: Credit and Risk Mitigation	
Category	Subject
Credit	Investment Manager Panel
Risk Mitigation	Implementation Update

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



4th Quarter 2022 Preliminary Monthly Calendar

OCTOBER 12, 2022	
Board of Investments:	
Category	Subject
Growth	Private Equity Investment Recommendation
Real Assets	Private Fund Investment Recommendation
Real Assets	Real Assets Portfolio Performance Review
Credit	Illiquid Credit Manager Recommendation
Committee: Corporate Governance	
Category	Subject
Corporate Gov.	Proxy Results and Trends
Corporate Gov.	PRI Assessment and ESG Update

NOVEMBER 9, 2022	
Board of Investments:	
Category	Subject
Total Fund	3Q2022 Trust and OPEB Performance Report
Total Fund	General Consultant 3Q2022 Trust and OPEB Performance Report
Committee: Equity: Public/Private	
Category	Subject
Growth	Structure Review

DECEMBER 14, 2022	
Board of Investments:	
Category	Subject
Total Fund	T.I.D.E. Initiative Update
Total Fund	AB2833 – Investment Fee Validation
Real Assets	Private Fund Investment Recommendation
Other	2022 Actuarial Valuation of Retirement Benefits
Committee: Real Assets	
Category	Subject
Real Assets	Real Assets Emerging Manager Program RFP
Real Assets	Structure Review Update

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



December 21, 2021

TO: Trustees – Board of Investments

FROM: Jude Pérez 
Principal Investment Officer

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **OPEB MASTER TRUST PRIVATE MARKETS – REQUEST FOR PROPOSAL, MINIMUM QUALIFICATIONS, AND SCOPE OF WORK**

RECOMMENDATION

Approve the proposed OPEB Master Trust private markets search Minimum Qualifications, Evaluation Criteria, and Scope of Work.

BACKGROUND

The Board approved a new strategic asset allocation for the OPEB Master Trust (“Trust”) at the June 2021 Board meeting. At that time, the introduction of private market assets was approved. Staff has prepared materials related to launching private markets search Request for Proposal for discussion with the Board. **ATTACHMENT 1** describes the recommended search criteria in compliance with the Procurement Policy for Investment-Related Services. This includes: (i) structure of the evaluation team; (ii) the selection authority; (iii) search timing; (iv) minimum qualifications; (v) evaluation criteria; and (vi) scope of work summary.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

**OPEB Master Trust
Private Market Investments Search
Request for Proposal
Minimum Qualifications**

Board of Investments Meeting

January 12, 2022

**Jude Pérez, Principal Investment Officer
Esmeralda del Bosque, Acting Principal Investment Officer
Chad Timko, Senior Investment Officer
David Simpson, Investment Officer
John Kim, Senior Investment Analyst
Terra Elijah, Investment Analyst**

Recommendation and Background

Recommendation

To approve the proposed Minimum Qualifications, Evaluation Criteria, and Scope of Work for an OPEB Master Trust (“OPEB Trust”) private markets investments search

Background

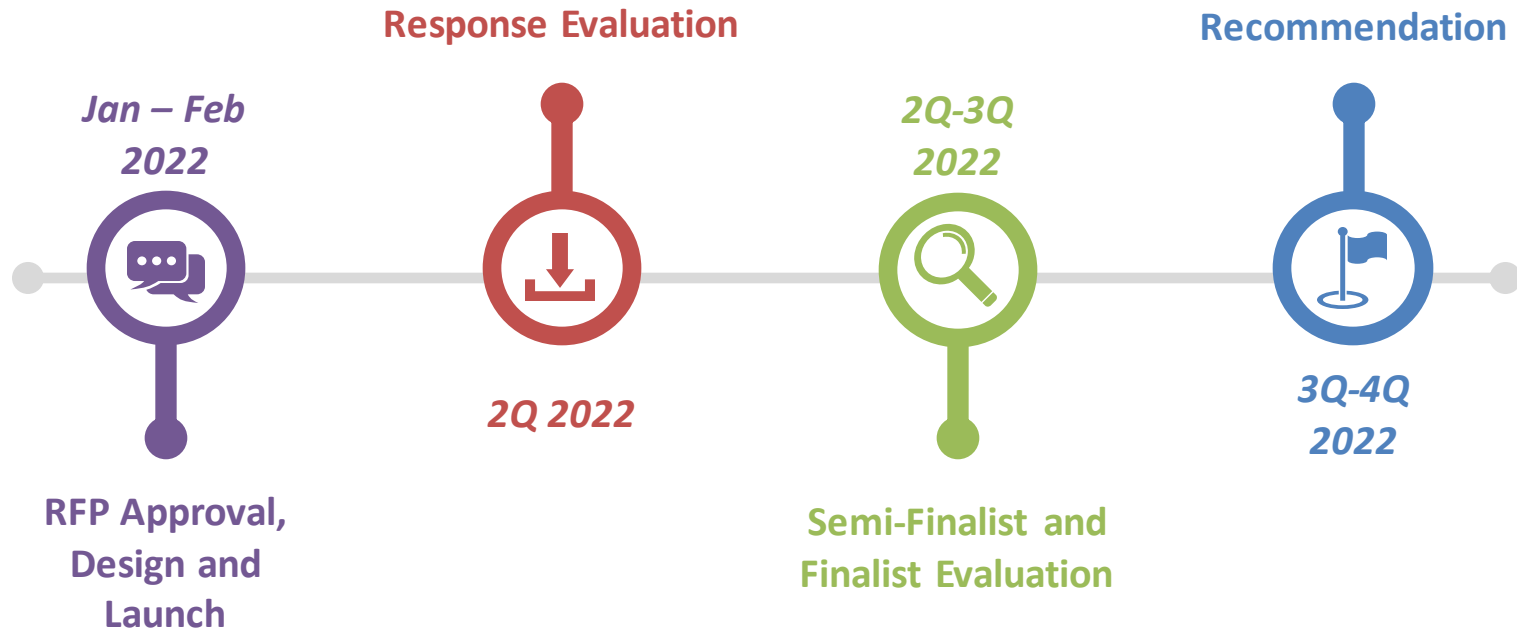
- Trustees approved the OPEB Trust Strategic Asset Allocation (“SAA”) at the June 2021 Board meeting
- The revised SAA included the adoption of a new allocation to private market assets
- Targeted private asset categories include:
 - Private equity, Illiquid Credit, Private Real Estate, and Private Infrastructure
- The SAA report and presentation highlighted the use of either a multi-asset mandate separate account or manager-of-managers model as a first step in obtaining private market exposure



Evaluation Process

- The Proposed **Evaluation Team** includes multiple asset class representatives:
 - Portfolio Analytics, Growth, Credit, Real Assets
- 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





Minimum Qualifications

In order to be eligible, responding firms must meet the following MQs:

1. Must agree to be a fiduciary to LACERA under California and other applicable law.
2. The organization must be registered with the U.S. Securities and Exchange Commission as an investment adviser, unless the organization is exempt from registration.
3. Must be in good standing with regulatory authorities in applicable jurisdictions.
4. Must have at least five (5) years of experience building global, multi-asset class private markets solutions including private equity, illiquid credit, real estate, and private infrastructure.
5. Must have at least \$5 billion in total AUM as of December 31, 2021.
6. Minimum of at least five (5) multi-asset class mandates for U.S. tax-exempt investors, each with a market value greater than \$300 million as of December 31, 2021.

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


1. Organization & Professional Staff
2. Global Multi-Asset Private Market Portfolio Construction
3. Investment Process
4. Operations and Operational Due Diligence
5. Performance and Risk Management
6. Fees


Scope of Work Summary

1.	Source, Diligence, and Select Investments Identify investments, conduct independent evaluation, and select investment opportunities that align with the OPEB Trust investment policy statement and strategic initiatives (including ESG and LACERA's T.I.D.E.); Negotiate terms and conditions
2.	Portfolio Construction Construct multi-asset class private markets portfolio; Monitor investments and rebalance to policy weights
3.	Accounting and Trade Allocation
4.	Reporting Ability to report accounting and performance at the total OPEB Trust, participating trust, and investment levels.
5.	Research Provide research regarding significant changes in the alternative investments industry, including best practices, trends, and major events

December 29, 2021

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque 
Acting Principal Investment Officer

Ron Senkandwa 
Investment Officer

Jeff Jia, CFA 
Senior Investment Analyst

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **GLOBAL EQUITY EMERGING MANAGER GRADUATION**

RECOMMENDATION

Graduate Global Alpha Capital Management from the global equity emerging manager program.

BACKGROUND

Global Alpha Capital Management (“Global Alpha”) began managing an international small cap strategy as part of LACERA’s global equity emerging manager program (“EMP” or “Program”) in 2018. Since then, the firm has delivered solid, consistent performance and experienced significant asset growth - surpassing the \$3 billion firm AUM limit outlined in LACERA’s legacy Global Equity Emerging Manager Policy.

As a reminder, the primary objective of LACERA’s EMP is to enhance the total Fund’s risk-adjusted returns by hiring promising smaller investment management firms early in their development. An additional area of focus for the Program is to graduate qualified firms from emerging status and into the broader portfolio.

In line with the Policy’s focus on graduation, the global equity team (“Team”) reviewed its EMP. As a result of that analysis, the Team recommends Global Alpha for graduation from the Program. From the time of hire to today, we have observed the firm experience considerable asset growth, demonstrate organizational and operational improvements, and provide LACERA with consistent performance. If approved, this would be the global equity Program’s first graduation since 2006. It should be noted that EMP promotions are typically addressed as part of asset class structure reviews. As this recommendation is presented off-cycle, it is provided to the full Board for approval. A brief profile on Global Alpha and merits for graduation are provided in the section below.

GLOBAL ALPHA

Founded in 2008, Global Alpha is a majority employee-owned firm focused on global and international small cap equity strategies. It is an affiliate of the Connor, Clark & Lunn Financial Group, Ltd. (“CC&L”), which provides back office, compliance, and marketing support. This ownership structure allows Global Alpha to focus most of its time on investing and portfolio management. Global Alpha utilizes fundamental analysis to identify “unrecognized growth” companies characterized by solid balance sheets, high insider equity ownership, and business strategies that investors may misinterpret. As of November 30, 2021, Global Alpha managed approximately \$157.3 million for LACERA.

MERITS FOR GRADUATION

Through its three-year and one-month tenure with LACERA, Global Alpha has developed into a mature investment firm. In the following sections, we discuss three reasons the Team recommends that Global Alpha graduate from LACERA’s emerging manager program: 1) AUM growth; 2) stable business with improving operations; and 3) portfolio performance.

AUM Growth

The firm has experienced significant asset growth, reaching an AUM of \$5.5 billion in September. The increase is exceptional as the firm started at \$1.2 billion at the time of LACERA’s hire. Global Alpha has attributed LACERA’s hire as a significant turning point in the firm’s growth. As previously mentioned, the firm’s AUM substantially exceeds the \$3 billion limit outlined in the EMP Policy. LACERA’s CIO granted a waiver for this exception in November 2019; promoting the firm will alleviate the need for the waiver.

Despite the growth in assets, Global Alpha has continued to adhere to its investment philosophy and process while staying aware of capacity constraints. Because of its focus on the non-U.S. small cap equity universe, liquidity management is paramount. As a result of its asset growth, the firm will close the strategy to new investors by year-end to ensure that they can continue to execute their strategy and maintain its focus on small cap stocks. This serves to protect the expected value add (alpha) for existing clients. The fact that the firm is closing its product at the AUM level it told LACERA it would is a testament to Global Alpha’s investment discipline and its philosophy to prioritize protecting client alpha over asset gathering.

Stable Business with Improving Operations

Global Alpha has demonstrated consistent and stable business operations. Global Alpha’s founder, Mr. Robert Beauregard, has been thoughtful in developing and incentivizing personnel through a strong culture of partnership and generous equity ownership. Furthermore, the core investment group was built deliberately with professionals from different backgrounds and industry expertise. For example, most team members have either directly owned a company or ran a firm in their specialized sector, which provides deep insights and industry resources.

Global Alpha has taken steps to enhance its ESG and Diversity, Equity, and Inclusion (“DEI”) efforts. They have continued developing and incorporating ESG considerations in the firm’s investment philosophy and process using proprietary internal ESG ratings. In addition, the firm hired a dedicated ESG analyst in September 2021 to ramp up its ESG efforts. Notably, although it is a non-U.S.-based

firm, Global Alpha has been transparent with its demographic statistics, providing DEI metrics to LACERA. The firm’s professionals comprise 29% women and 50% people of color. Furthermore, Global Alpha holds DEI as a core value and believes that continuous measurement is necessary to improve the firm’s demographics. Accordingly, they developed an annual anonymous diversity and inclusion survey where personnel can self-identify in one or more diverse categories.

Last, the Team has urged Global Alpha to work with CC&L to conduct more thorough independent audits of internal controls. Global Alpha has heard our request and is currently instituting formal audits for system and organization controls (SOC-1).

Portfolio Performance

Global Alpha has demonstrated consistent outperformance. The mandate’s return expectation is to outperform the MSCI EAFE Small Cap benchmark by 50-75 bps net-of-fees within a tracking error of 3-6%. As shown in **Table 3**, Global Alpha has delivered annualized net excess returns of 108 bps since inception with a tracking error of 4.48%. The manager exceeded its risk/return expectation even after having underperformed in 2020 as a result of the Coronavirus pandemic, which impacted their three-year return. Global Alpha rebounded from that experience quickly, outperforming the benchmark by 339 bps and 289 bps for the year-to-date and 1-year periods, respectively.

Table 3: Global Alpha International Small Cap Strategy Performance and Risk Statistics

	Since LACERA Inception (Nov 2018 – Nov 2021)		Since Strategy Inception (Jan 2010 – Nov 2021)	
	LACERA Global Alpha ¹	Benchmark	Global Alpha Composite ²	Benchmark
Annualized Return (%)	11.99	10.91	12.43	8.83
Excess Return (%)		1.08		3.60
Standard Deviation (%)	20.35	19.64	16.17	16.30
Information Ratio	0.24	---	0.85	---
Sharpe Ratio	0.54	0.50	0.73	0.51
Upside Capture (%)	101.3	100.0	101.1	100.0
Downside Capture (%)	97.6	100.0	85.0	100.0
Tracking Error (%)	4.48	---	4.25	---

Given that Global Alpha has managed LACERA’s portfolio for just over 37 months, longer-term statistics are provided to demonstrate the firm’s track record over a full market cycle. **Table 3** includes risk-adjusted statistics for Global Alpha over its time managing the LACERA portfolio as well as over the firm’s composite history (11.9 years for the strategy composite). Global Alpha has outperformed the benchmark, with similar volatility as the benchmark over both periods shown. The information ratios are positive and the portfolio’s Sharpe ratios exceed the benchmark. Also, the portfolio’s positive

¹ Net-of-fees returns.

² eVestment data, gross-of-fees returns.

upside/downside capture ratios show Global Alpha's ability to outperform in up-and down-market environments. These characteristics are additive to the overall global equity portfolio.

CONCLUSION

Staff recommends that Trustees graduate Global Alpha from the LACERA's global equity emerging manager program to the broader global equity portfolio. We have seen Global Alpha mature as a firm over the past three years, and the firm's graduation is substantiated through its asset growth, operations, and performance. The graduation of Global Alpha would be a significant milestone for LACERA's effort to invest in promising investment firms early in their development. If Trustees approve Global Alpha's graduation, staff anticipates deploying additional capital to the strategy as part of LACERA's periodic rebalancing efforts.

LACERA's general consultant, Meketa Investment Group, concurs with staff's recommendation (**Attachment**).

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

MEMORANDUM

TO: Board of Investments, LACERA
FROM: Stephen McCourt, Leo Festino, Tim Filla, Aysun Kilic, and Imran Zahid
CC: Jon Grabel, CIO - LACERA
DATE: December 22, 2021
RE: Global Equity Emerging Manager Graduation

The purpose of this memo is for Meketa Investment Group to formalize its support for staff's recommendation to graduate the international small cap strategy managed by Global Alpha from LACERA's global equity emerging manager program to the broader global equity portfolio.

We concur with staff that during its three plus year tenure with LACERA, Global Alpha has developed into a seasoned investment firm and agree with the reasons highlighted (asset growth, business stability, improved operations, and portfolio performance) in staff's memo titled 'Global Equity Emerging Manager Graduation' as the basis for graduating Global Alpha to the broader LACERA global equity portfolio.

Meketa also views the Global Alpha team's decision to close the international small cap strategy to new investors at the end of the year (given the recent growth in assets under management) as a responsible one while also being favorable to LACERA.

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/AK/IZ/sf

December 14, 2021

TO: Each Trustee
Board of Retirement
Board of Investments

FOR: Board of Retirement Meeting of January 5, 2022
Board of Investments Meeting of January 12, 2022

SUBJECT: The Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium in Delray Beach, FL on May 5, 2022

The Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium will be held on February 10, 2022, in Delray Beach, FL. The event will feature leading women in the pension and investment space in the U.S. and Latin America as they share their diversity investment expertise, discuss the impact of investing in women- and minority-owned investment firms, and highlight the recent trends in ESG investing.

The main conference highlights include the following:

- Latin American Impact Investing
- U.S. Diverse Manager Panel
- U.S. Allocator Panel

Following are approximate conference and travel costs:

Registration: \$300.00

Airfare: \$380.00 - \$1,600.00

Hotel: \$385.00 per night plus taxes

Ground Transportation: \$60.00 per day

Daily Per Diem & Incidentals: \$69.00 per day (The Registration Fee Includes Most Meals)

Approximate Cost: \$2,000 - \$3,500

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 Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium in Delray Beach, FL on May 5, 2022, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.

POSTPONED TO THURS., MAY 5, 2022



The Women's Alliance of Saxena White invites you to attend the

FIRST ANNUAL
**DIVERSITY INVESTING
SYMPOSIUM**

The event will feature leading women in the pension and investment space in the U.S. and Latin America as they share their diversity investment expertise, discuss the impact of investing in women- and minority-owned investment firms, and highlight the recent trends in ESG investing.

THURSDAY, FEBRUARY 10, 2022

The Ray Hotel, Delray Beach, FL

Panel Presentations
2:00pm - 6:00pm

Networking Reception
6:00pm - 7:30pm

FEATURED SPEAKERS

Angela Miller-May
Illinois Municipal
Retirement Fund

Dana Johns
Maryland State Retirement
System and Pension System

Gina Sanchez
LACERA

Janna Hamilton
Garcia Hamilton

Lauren Mathias
Callan

Name to Come
Affiliation Info

Name to Come
Affiliation Info

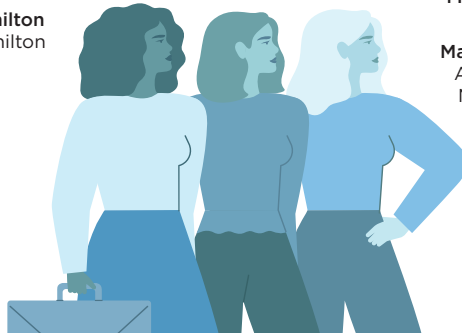
Cate Faddis
Grace Capital

Sheryl Mejia
Steward Asset
Management

Ana Chapman
Hamilton Lane

Meredith Jones
AON

Marilyn Freeman
Attucks Asset
Management



Registration to attend the event is complimentary. A registration link with additional event details, including hotel accommodations, can be accessed at: [Insert link to WA landing page]

For event inquiries, please email: womensalliance@saxenawhite.com
Saxena White is a nationally certified woman- and minority-owned securities litigation firm.

December 31, 2021

TO: Trustees – Board of Investments

FROM: John Kim, CFA, CAIA *JK*
Senior Investment Analyst

Bruno Picinane
Portfolio Analytics Intern

Martin Wolff, MSF
Portfolio Analytics Intern

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **RISK BUDGETING AND FEE ANALYTICS**

DISCUSSION

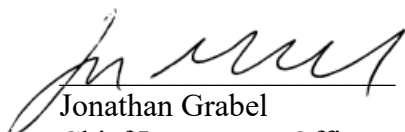
The Investments division has worked with Human Resources to conduct internship programs with local universities. The program objectives are to expand regularity and reach of the Investments division internship opportunities, aiming to enhance the familiarity of prospective careers in investments and public service, as well as benefiting LACERA's Investments staff, internal culture, and recruitment efforts. The current intern class represents the first time that LACERA has paired students to collaboratively work on two distinct projects, one related to risk budgeting and the other related to fee analytics. Each project's objective is highlighted below.

1. A review of risk budgeting for LACERA's consideration.
2. Build a public markets fee analysis report to determine if LACERA is appropriately compensated for the returns generated by its investment managers.

The attached presentations (**ATTACHMENTS 1 and 2**) provide summary reports and potential next steps for Trustee review and discussion at the January 12, 2022 Board of Investments meeting.

Attachments

Noted and Reviewed



Jonathan Grabel
Chief Investment Officer

JP:EdB:jk

Risk Budgeting

Board of Investments

January 12, 2022

Bruno Picinane – Portfolio Analytics Intern
Martin Wolff, MSF – Portfolio Analytics Intern



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

- I. Background
- II. Overview
- III. Risk Budget Assessment
- IV. Key Considerations
- V. Conclusion
- VI. Appendix

Background



Background

Overview

Portfolio Analytics interns started in October 2021 to complete two projects:
(1) Risk Budgeting and **(2) Fee Analytics**.

Bruno Picinane

- UCLA MBA
- Career path: Investment Management Research

Martin Wolff

- USC MSF
- Career path: Fixed Income Product Management

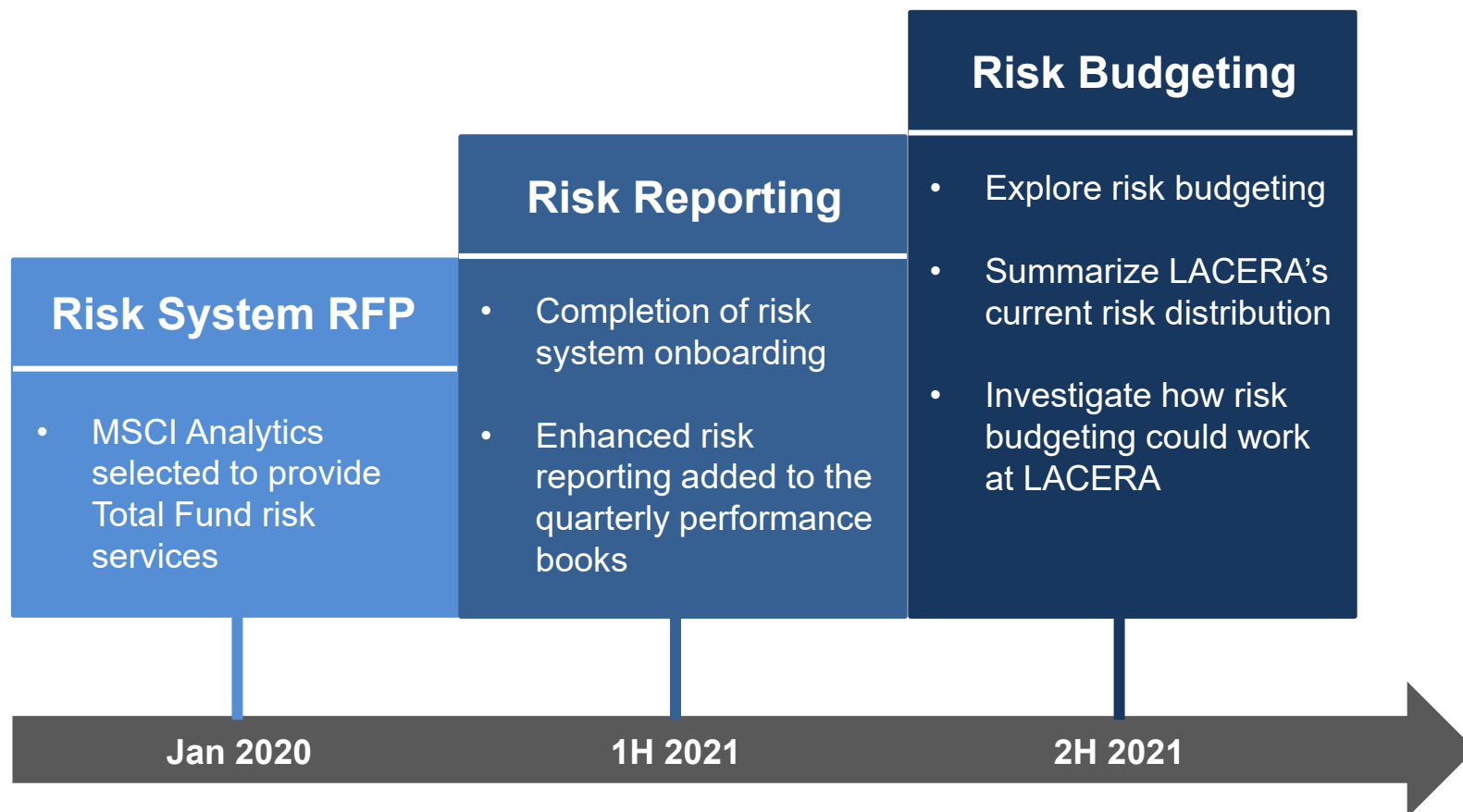
Project Objective

(1) Risk Budgeting

A review of risk budgeting for LACERA's consideration.

Background

LACERA's risk analytics evolution since the adoption of a functional asset allocation structure in April 2019.

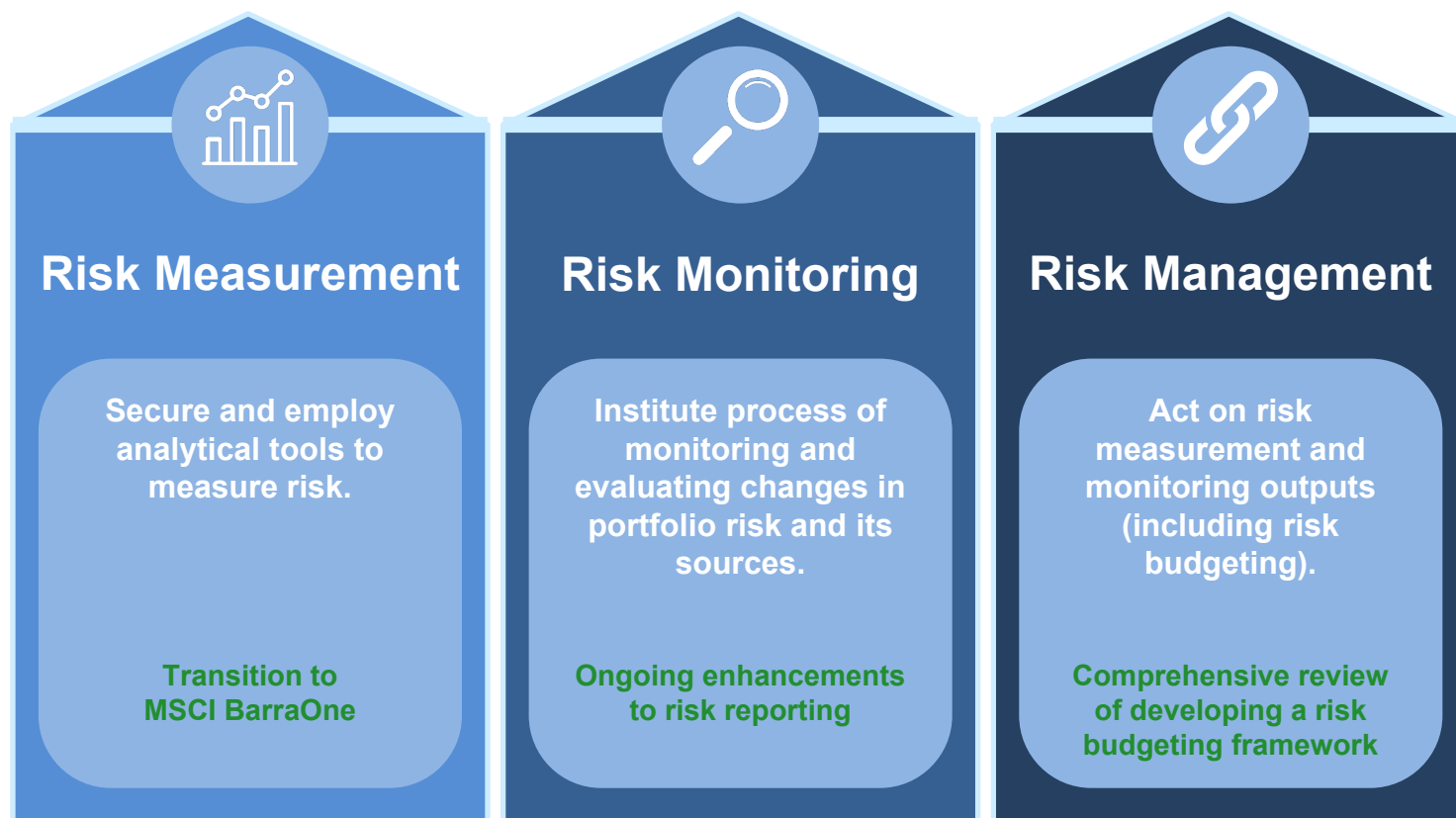


Overview



Overview

Risk Budgeting is the third pillar of a robust risk management implementation.



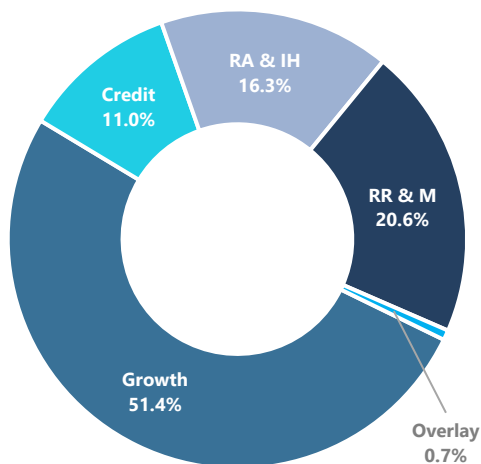
Overview

Asset Allocation

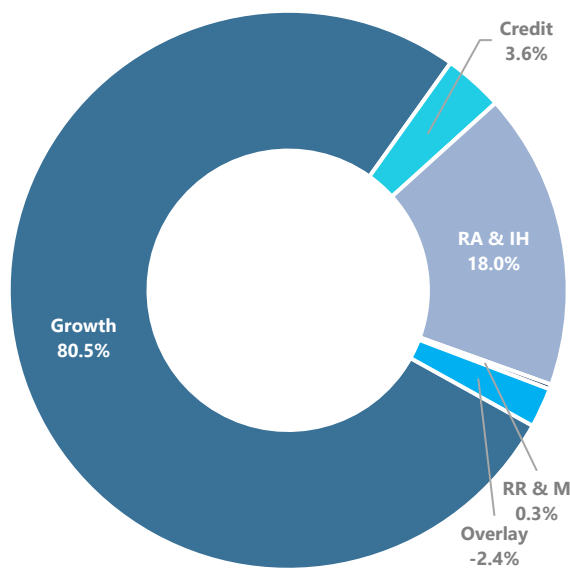
Is LACERA comfortable with the current allocation of risk in the Total Fund?

- A risk budgeting framework can help address this question by creating a systematic framework for allocating total risk, while identifying embedded risk exposures with the greatest potential impact to the Total Fund.

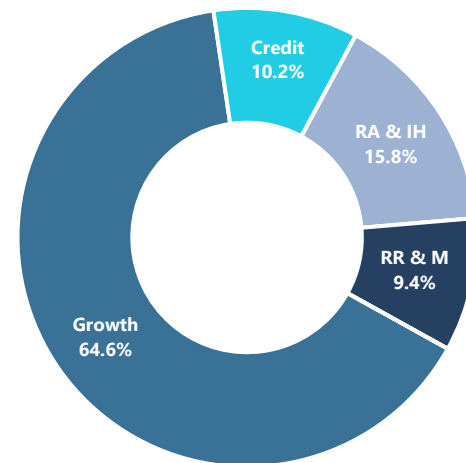
Capital-Based¹



Risk-Based¹



Expected Return-Based¹



• RA & IH = Real Assets & Inflation Hedges

• RR & M = Risk Reduction & Mitigation

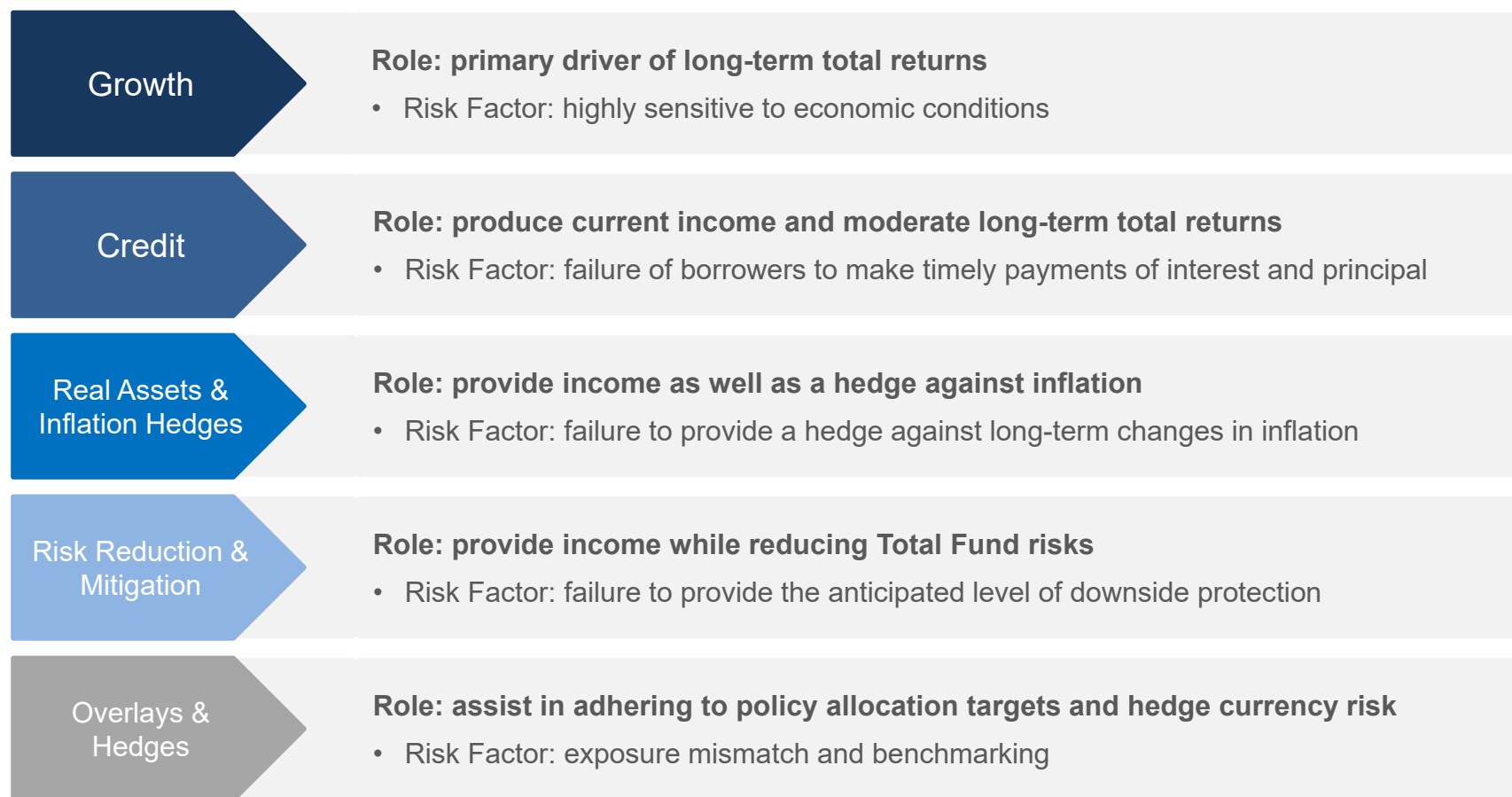


Risk Budget Assessment



Risk Budget Assessment

The adoption of a functional framework has led LACERA to become more risk aware with risk exposures more appropriately categorized and better managed.



Risk Budget Assessment

A risk budget could further LACERA's risk aware mindset by building off the functional asset allocation framework.

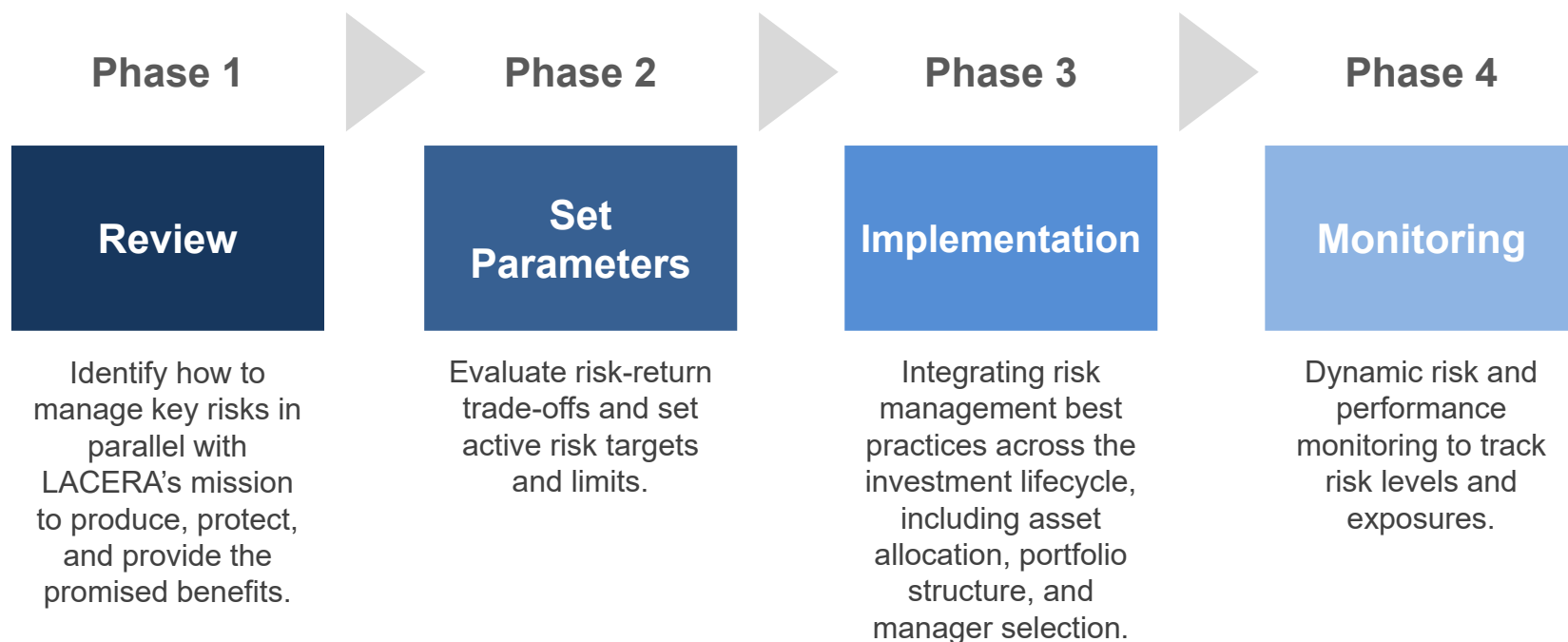
First, selecting an appropriate risk measure would be a priority. Per LACERA's Investment Policy Statement (IPS):

- LACERA's investment strategy is designed to take intentional risk, called **active risk**, in order to achieve commensurate investment results.
- LACERA may establish a **risk budget** to set active risk targets for each functional asset category and underlying asset classes.



Risk Budget Assessment

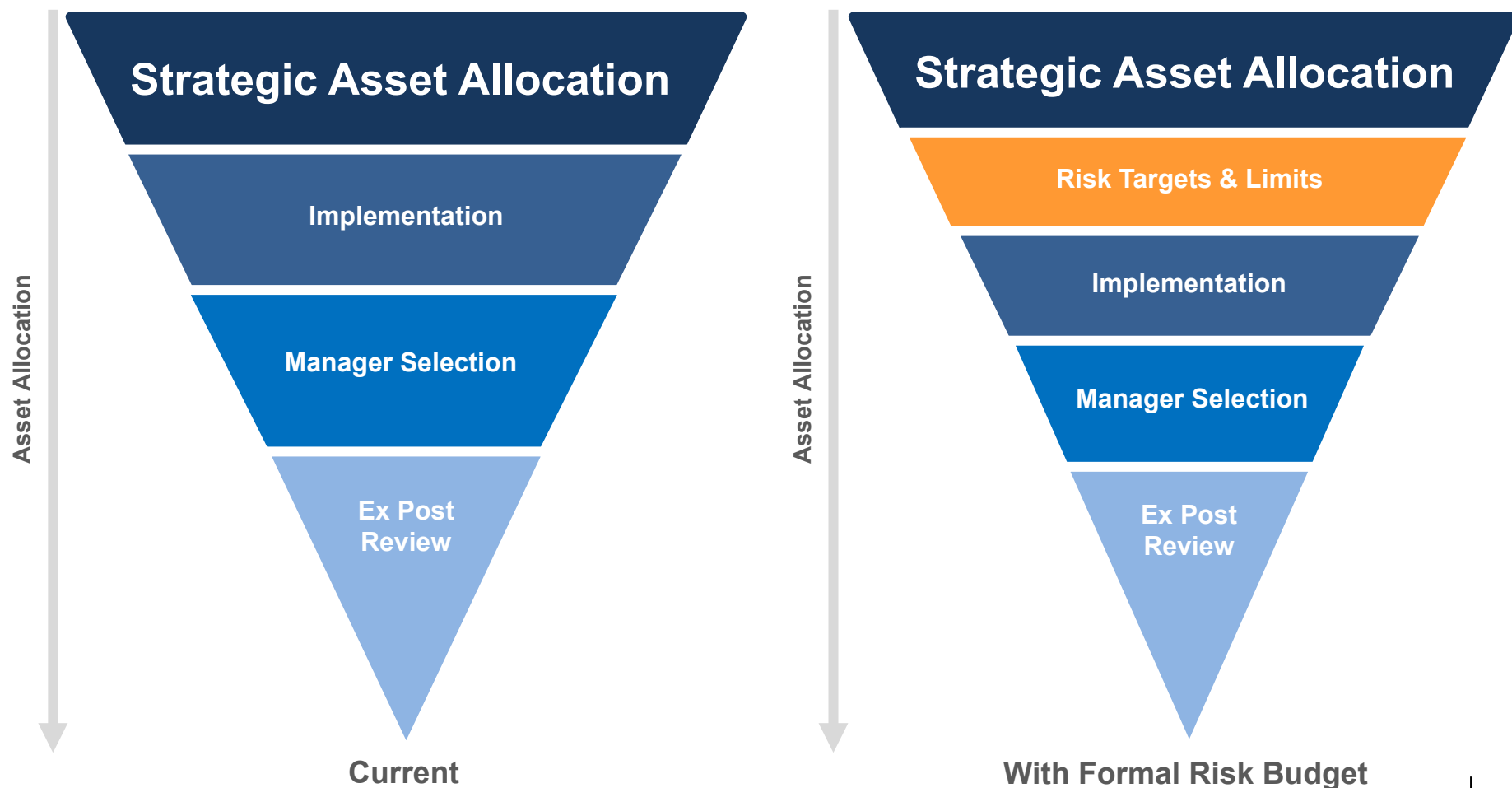
Example roadmap of establishing a risk budget.



Risk Budget Assessment

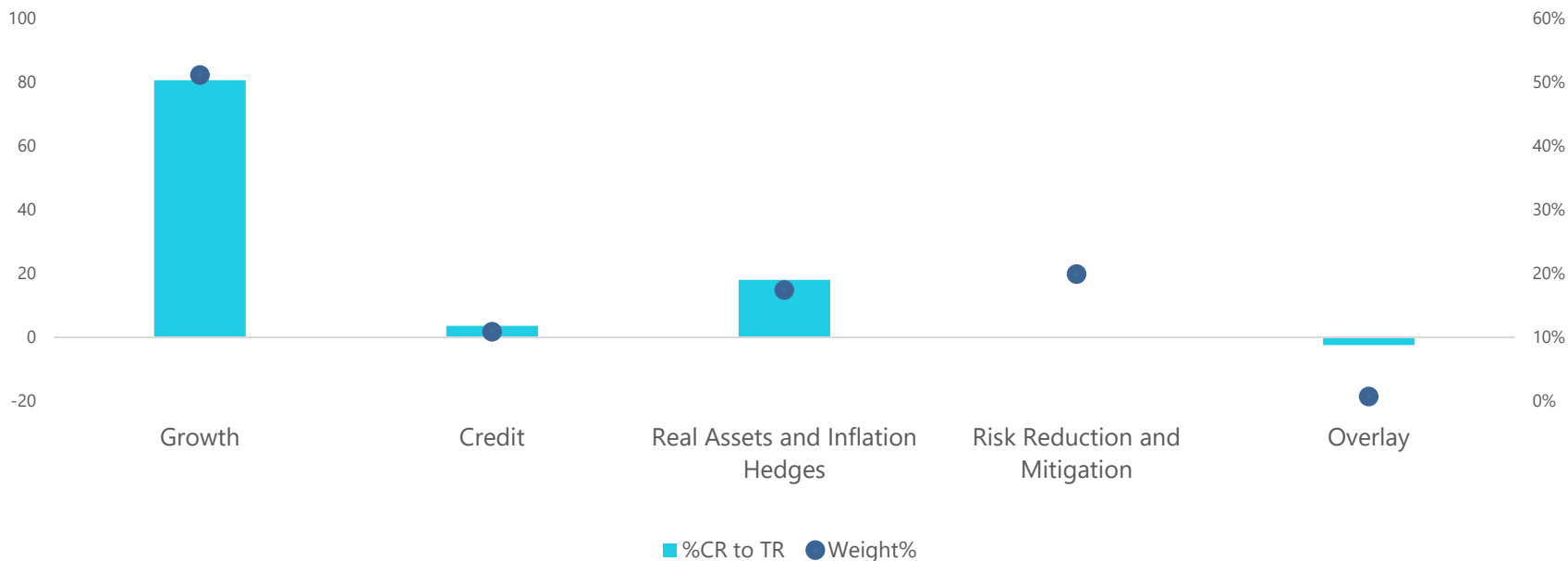
Incorporating a risk budget in LACERA's strategic asset allocation process.

- LACERA to set active risk targets and limits.



Risk Budget Assessment

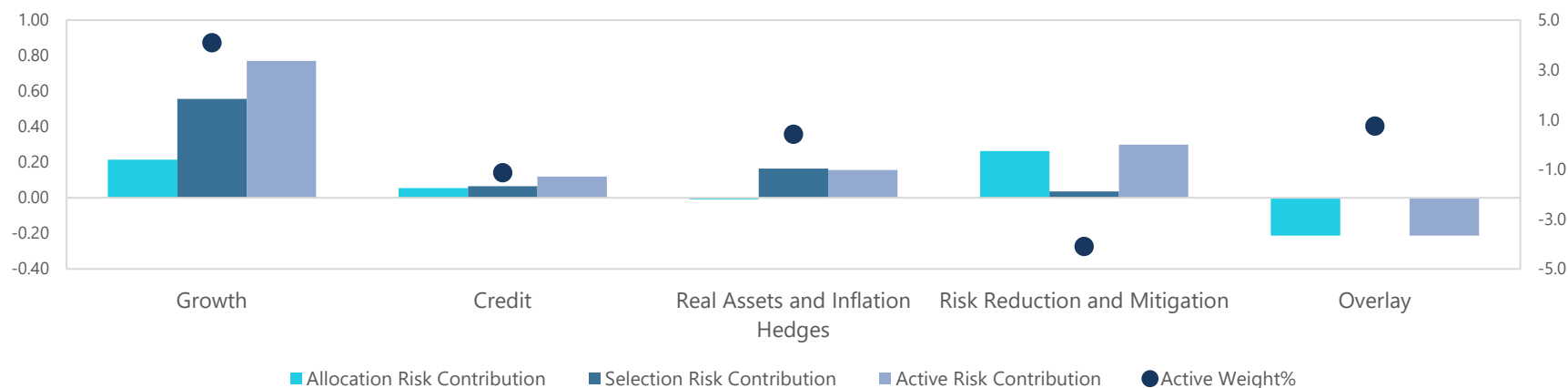
Total Fund Risk Summary¹



	Mkt Value (mm)	Weight%	Total Risk	Risk Contribution	%CR to TR
Total Fund	71,968	100.0%	11.76	11.76	100.00
Growth	36,768	51.1%	18.74	9.47	80.54
Credit	7,818	10.9%	4.75	0.42	3.60
Real Assets and Inflation Hedges	12,529	17.4%	13.49	2.12	18.02
Risk Reduction and Mitigation	14,323	19.9%	2.95	0.03	0.27
Overlay	529	0.7%	-	-0.29	-2.44

Risk Budget Assessment

Snapshot¹ of the Total Fund's active risk with levers to pull for adjustments.



	Active Weight%	Allocation			Selection			Active
		Volatility	Correlation	Risk Contribution	Volatility	Correlation	Risk Contribution	Risk Contribution
Active Total Risk				0.31			0.82	1.13
Growth	4.09	7.75	0.68	0.21	1.41	0.77	0.56	0.77
Credit	-1.14	8.36	-0.57	0.05	1.47	0.41	0.07	0.12
Real Assets and Inflation Hedges	0.41	6.07	-0.34	-0.01	2.01	0.47	0.16	0.16
Risk Reduction and Mitigation	-4.10	11.44	-0.56	0.26	0.80	0.23	0.04	0.30
Overlay	0.74	-	-0.53	-0.21	0.00	0.00	0.00	-0.21

Dial active risk
up (or down)



Allocation Risk Contribution

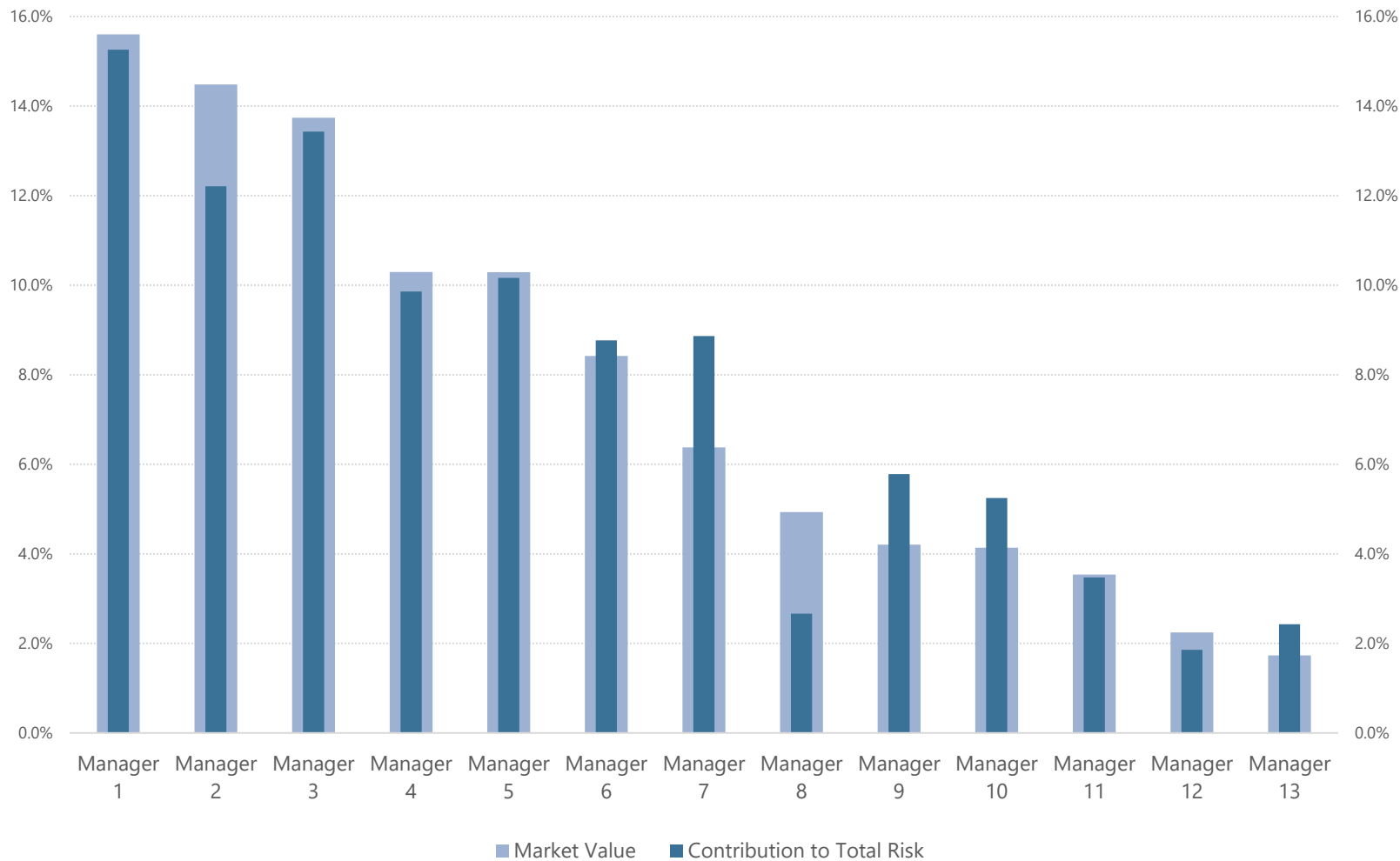


Selection Risk Contribution

Risk Budget Assessment

Case Study: Global Equities

%CR to Total Risk to %Market Value of Active Global Equities Sleeve¹



16



¹ Data as of 11/30/2021

LACERA Investments



16

Key Considerations



Key Considerations

Strengths

Enforces Risk Aware Culture

Spurs discipline and mitigates unintended bets

1

Deeper Understanding

Illuminates how risk is spread across the Total Fund and could lead to better diligence

2

Increased Control of Risk/Return Profile

Maximize risk-adjusted returns, while limiting risks to desired levels

3

Equipped for Extreme Events

Greater understanding of impacts to the Total Fund under volatile market conditions

4

Metrics for Investment Fee Evaluation

Assess the quality of returns by the source of risk
(to be illustrated in the Fee Analytics presentation)

5

Concerns

1

Potential for Faulty Conclusions

Pitfalls related to data integrity and lack of transparency in private markets

2

Ineffective Benchmark Selection

Benchmarks that do not represent a portfolio may fail to provide useful information

3

Limited Predictive Qualities

Even sophisticated risk measurement techniques may not detect certain risks in advance

4

Difficult to Implement

Overlapping responsibility among functional asset class teams

5

Flexibility to Invest in New Strategies

May limit the pursuit of new managers that unfairly increase active risk

Conclusion



Conclusion

Potential Next Steps

A. Collaborate with LACERA's consultants and MSCI Analytics to further discussions on developing a risk budget

- Continue research on framework design and implementation

B. Incorporate a comprehensive risk analysis to due diligence processes

- Aim to keep active risk within reasonable limits to prevent what might be considered unacceptably high tracking error at the portfolio level
- Utilize risk system to perform What-If scenarios to assess impacts on active risk both at the Total Fund as well as the asset class level

Fee Analytics

Board of Investments

January 12, 2022

Bruno Picinane – Portfolio Analytics Intern
Martin Wolff, MSF – Portfolio Analytics Intern



Table of Contents

- I. Background
- II. Overview
- III. Fee Analytics
- IV. Conclusion

Background



Background

Overview

Portfolio Analytics interns started in October 2021 to complete two projects:
(1) Risk Budgeting and **(2) Fee Analytics**.

Bruno Picinane

- UCLA MBA
- Career path: Investment Management Research

Martin Wolff

- USC MSF
- Career path: Fixed Income Product Management

Project Objective

(2) Fee Analytics

Build a **public markets** fee analysis report to determine if LACERA is appropriately compensated for the returns generated by its investment managers.

Background

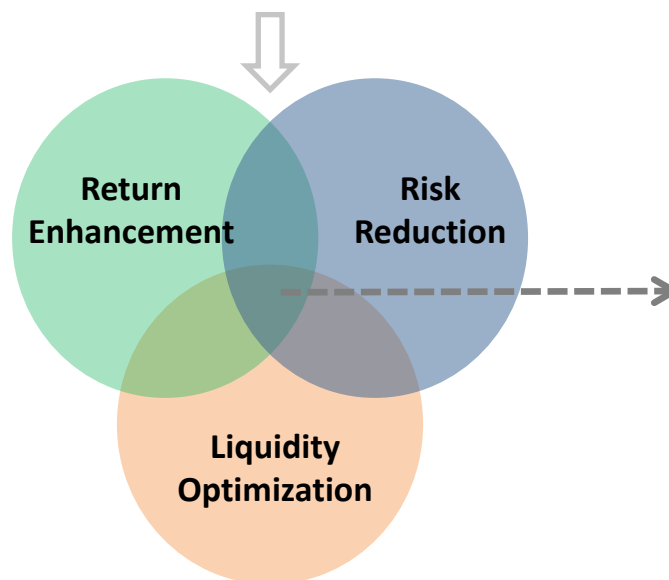
Strategic Objectives and Initiatives

Objective



Execute Strategic Asset Allocation

while balancing...



Produce,
Protect, and
Provide the
Promised
Benefits

Initiatives

Allocator to
“Best-In-Class” Investor



Enhance
Operational
Effectiveness



Optimize
Investment Model



Maximize
Stewardship and
Ownership Rights



Strengthen
Influence on Fees
and Cost of Capital



LACERA
T.I.D.E.

Background

Strengthen Influence on Fees and Cost of Capital



**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."

Overview



Overview

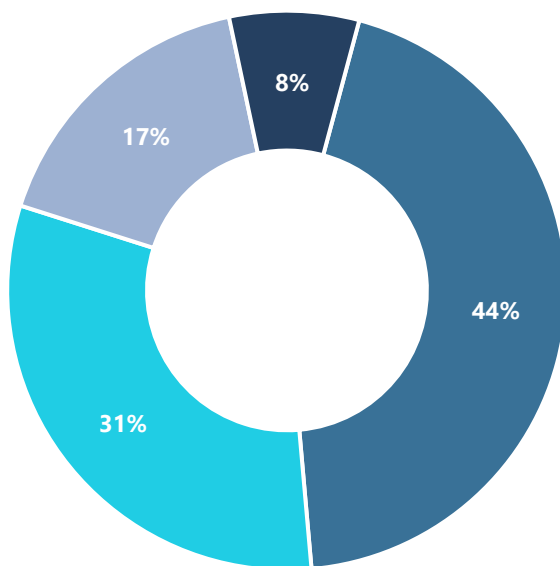
Types of investment management fees

	Asset-Based	Performance-Based	Customized
Structure	<ul style="list-style-type: none">Based on a percentage of assets under management (AUM)	<ul style="list-style-type: none">Based on a percentage of investment profitsCommon in private markets, hedge funds, and other alternative asset classes	<ul style="list-style-type: none">Highly negotiated termsExamples include GP stakes, revenue share relationships
Strengths	<ul style="list-style-type: none">Simple and straightforwardCan be used across all asset classes	<ul style="list-style-type: none">Better alignment of interestTypically includes hurdle rates	<ul style="list-style-type: none">Investor-friendly accounts"term-makers" as opposed to "term-takers"
Concerns	<ul style="list-style-type: none">Investment managers could emphasize asset gathering over generating strong performance	<ul style="list-style-type: none">Could result in an increase in the total level of fees paid	<ul style="list-style-type: none">Fee saving outcomes are not guaranteed

Overview

This presentation will cover fee analytics on LACERA's public markets mandates only, considering private markets fees differ from investor to investor and lack transparency.

Public Markets Fees



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

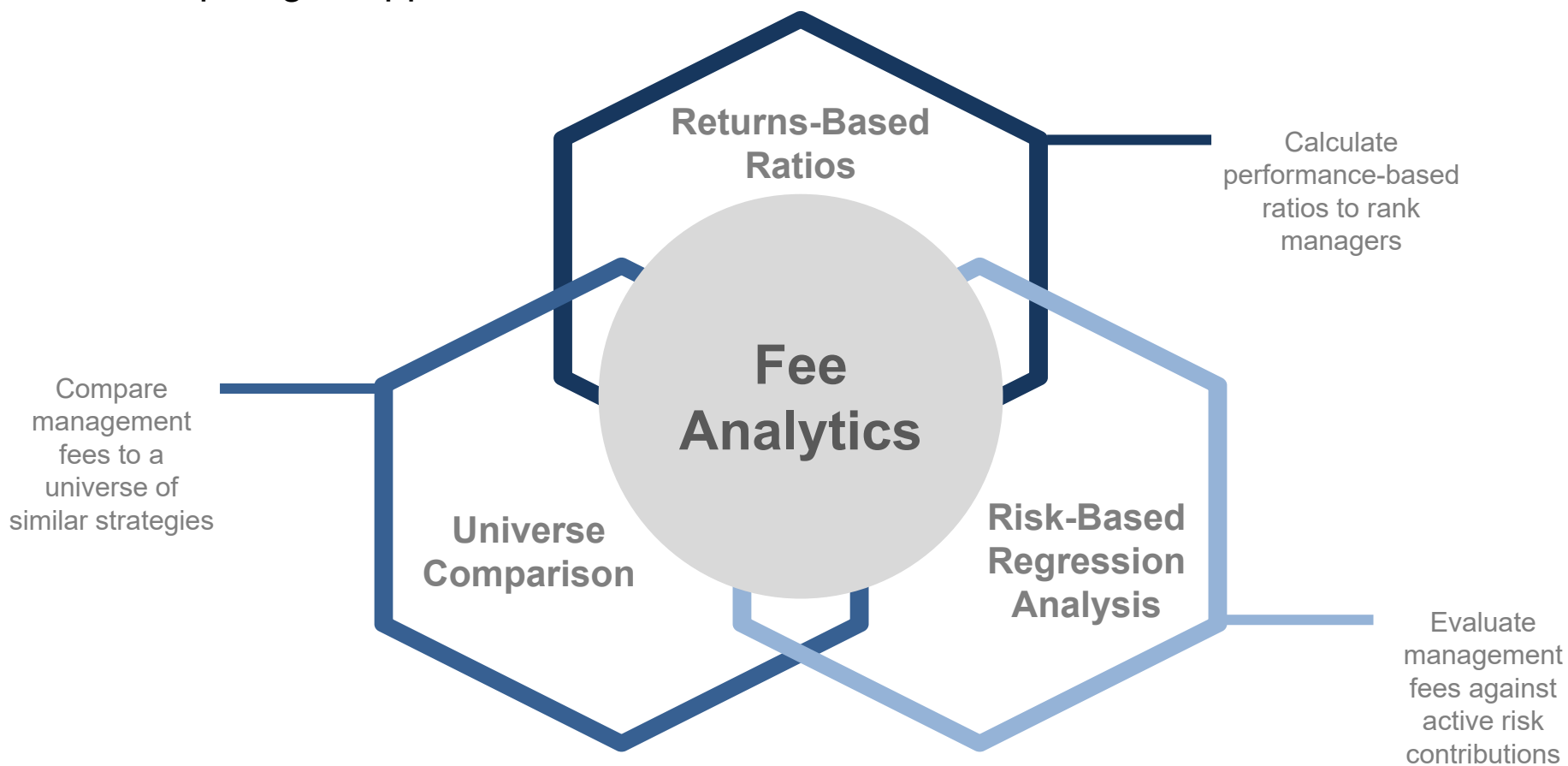
	Estimated Quarterly Fees (in mm)
Growth	\$7.9
Credit	\$5.6
Real Assets & Inflation Hedges	\$3.0
Risk Reduction & Mitigation	\$1.3
	<hr/> \$17.8

Fee Analytics



Fee Analytics

Three-pronged approach



Fee Analytics

Returns-Based Ratios

For illustrative purposes, two of LACERA's active global equity managers with similar mandates will be used for the following returns-based ratio analysis

Manager A Profile

- Market value range: \$400-600 million
- Benchmark: MSCI EAFE + Canada Net Index
- Inception: April 2006

VS.

Manager B Profile

- Market value range: \$400-600 million
- Benchmark: MSCI EAFE + Canada Net Index
- Inception: November 1994



Fee Analytics

Returns-Based Ratios

		Manager A	Manager B
After-fee excess return capture	$= \frac{\text{net-of-fees excess return}}{\text{gross excess return}}$	0.8	1.0
	<ul style="list-style-type: none">Highlights the investor's share of excess returnsLACERA is receiving more value for the fees paid from Manager B, all else equal		
Fee Burden	$= \frac{\text{management fee}}{\text{gross return}}$	3.8%	2.4%
	<ul style="list-style-type: none">Highlights the manager's share of the returnManager A is receiving a larger share in fees than Manager B for comparable returns		
Risk-adjusted fee ratio	$= \frac{\text{Sharpe ratio}}{\text{management fee}}$	7.2	26.7
	<ul style="list-style-type: none">Highlights the value received per unit of risk relative to the fee paidRelative to fees paid, Manager B is generating higher returns on a risk-adjusted basis		



Fee Analytics

Returns-Based Ratios

		Manager A	Manager B
Active risk-adjusted fee ratio	$= \frac{\text{information ratio}}{\text{management fee}}$	30.6	98.3
	<ul style="list-style-type: none">Highlights the value received per unit of tracking error relative to the fee paidRelative to fees paid, Manager B is generating higher excess returns per unit of tracking error		
LACERA cost of capital ratio	$= \frac{\text{net-of-fees return}}{\text{actuarial hurdle}}$	1.3	2.0
	<ul style="list-style-type: none">Highlights the value received above LACERA's cost of capitalIndexed to LACERA's actuarial hurdle rate, Manager B is generating more value than Manager A		

Fee Analytics

Universe Comparison

Highlights each manager's relative attractiveness in two dimensions: price and performance

	Account Type	Universe	Fee Peer Ranking ¹ (percentile)	Return Peer Ranking ² (percentile)	Fee Ranking Relative to Performance
Global Equity					
Passive					
Manager 1	Separately Managed	eV Global All Cap Equity	99	45	2.2
Manager 2	Separately Managed	eV Smart Beta Equity: US	95	46	2.1
Manager 3	Separately Managed	eV Smart Beta Equity: Non-US Dev Mkt	99	52	1.9
U.S. Active					
Manager 4	Separately Managed	eV Small-Mid Cap Equity	29	47	0.6
Manager 5	Separately Managed	eV Small Cap Equity	91	39	2.3
Manager 6	Separately Managed	eV US Small Cap Equity	90	35	2.6
Manager 7	Commingled	eV US All Cap Equity	10	31	0.3
Manager 8	Separately Managed	eV US Small Cap Equity	95	24	4.0
Non-U.S. Active					
Manager 9	Commingled	eV Global Emerging Mkts All Cap	67	68	1.0
Manager 10	Commingled	eV EAFE Core Equity	94	18	5.2
Manager 11	Separately Managed	eV EAFE Core Equity	87	17	5.1
Manager 12	Separately Managed	eV All Emerging Mkts Equity	69	41	1.7
Manager 13	Separately Managed	eV EAFE Core Equity	89	75	1.2
Manager 14	Commingled	eV EAFE Core Equity	2	4	0.5
Manager 15	Commingled	eV Pacific Basin Equity	56	67	0.8
Manager 16	Separately Managed	eV EAFE Small Cap Equity	79	30	2.6

1. Fee Peer Ranking:
Descending order

2. Return Peer Ranking:
Ascending order

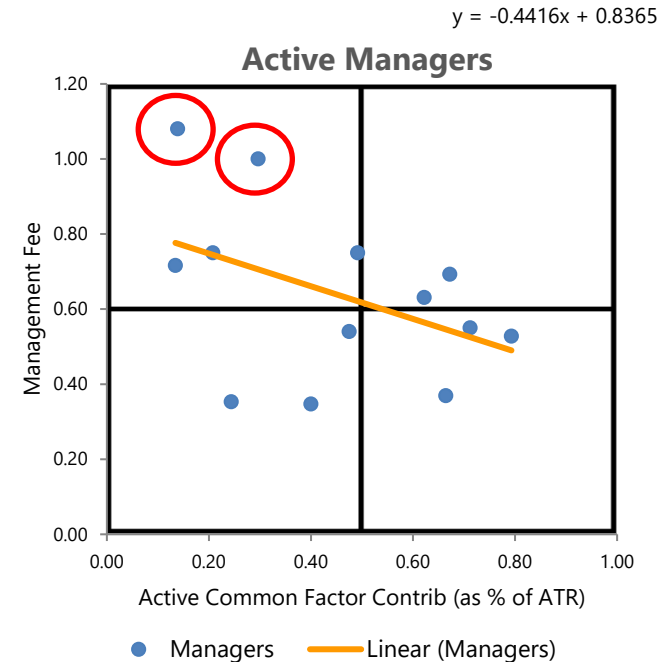
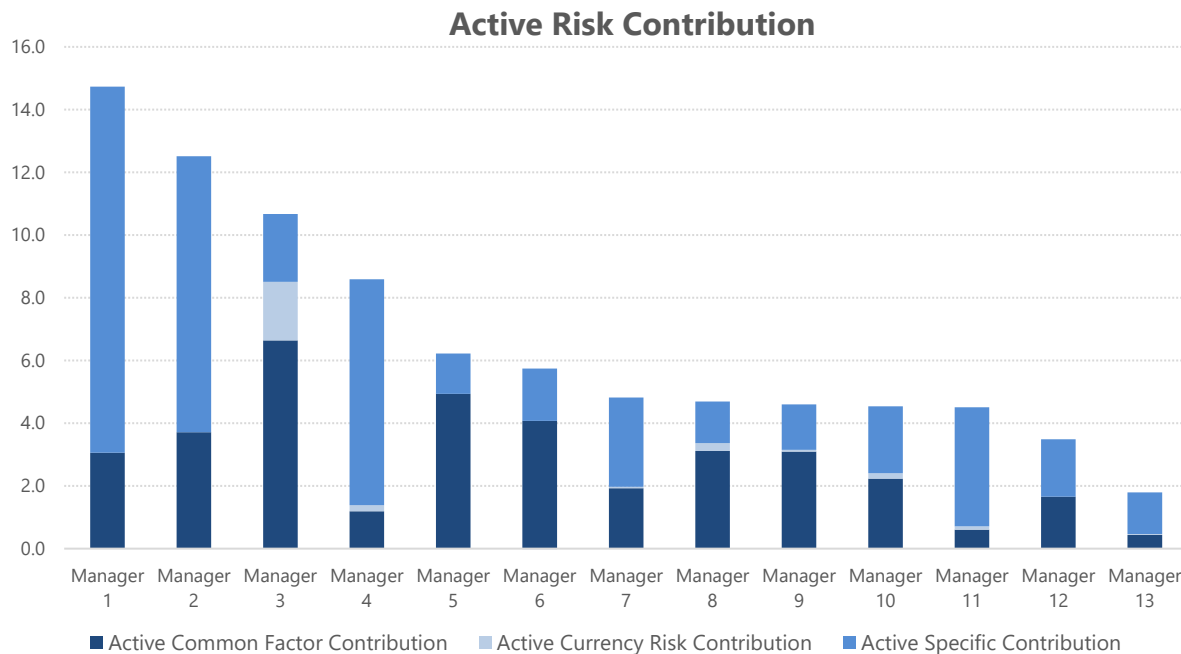
- **Passive managers are ranked in line with each other as a result of minimal fees and similar return distributions.**
- **With the exception of Manager 10, commingled fund accounts ranked relatively lower, primarily due to higher fees compared to universe averages.**



Fee Analytics

Risk-Based Regression Analysis

Managers with relatively higher fees must be carefully considered with respect to their sources of active risk.



- **Active managers should have a higher percentage of active risk contribution attributed to Specific Risk.**
- **Management fees should decline as higher contributions of active risk result from common factors. Outlier observations might be worth exploring in more detail.**

Conclusion



Conclusion

Potential Next Steps

A. Continue to test and refine proposed methodologies before integrating into LACERA's quarterly reporting


- Incorporate fee analytics to manager scorecard evaluation process


B. Continue in depth research on private markets fee analytics

- Develop standardized metrics that will assess varying terms and conditions specific to private markets, including general partner commitment amounts, carried interest, preferred returns, catch up splits, and waterfall type

December 29, 2021

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque 
Acting Principal Investment Officer

Ron Senkandwa 
Investment Officer

Jeff Jia, CFA 
Senior Investment Analyst

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **GLOBAL EQUITY EMERGING MANAGER SEARCH UPDATE**

EXECUTIVE SUMMARY

At the June 2021 Board of Investments meeting, Trustees authorized staff to initiate a request for proposal (“RFP”) for global equity emerging managers (“Emerging Manager Search” or “Search”). The Search was launched later that month per LACERA's Procurement Policy for Investment-Related Services and Board-approved Minimum Qualifications (“MQs”).

The objective of LACERA's emerging manager program is to identify and hire smaller, less established firms that may generate attractive performance for the Fund. In addition, potential emerging managers must be suitable for LACERA's portfolio and fit within the approved asset allocation and asset class structure.

The evaluation team (“Team”) has concluded its due diligence, and there is no recommendation to hire a firm at this time. Despite the Team's efforts, the pool of candidates that progressed through the interview phase exhibited multiple organizational risks and portfolio construction issues. This memo provides information about the search process as well as next steps, including discussions with Meketa Investment Group (“Meketa”) to address future global equity emerging manager searches. Their memorandum to support the Search findings is attached (**ATTACHMENT 1**). In addition, a PowerPoint deck will be displayed during staff's presentation to guide the Trustees through the evaluation process and search results (**ATTACHMENT 2**).

BACKGROUND

LACERA's global equity direct emerging manager program (“EMP” or “Program”) was approved by the Board in September 2017. Before the direct EMP, the Program was structured via a fund-of-funds model. The Program currently includes two investment managers and, as of November

30, 2021, had a market value of \$239 million, representing 0.9% of the global equity portfolio. The policy range for the EMP is 0-5%.

Before recommending the launch of the Search, the global equity team worked with Meketa to develop a set of MQs to make them more inclusive. For example, performance measurement requirements were omitted to widen the net of possible respondents. It is worth noting that this search is the first where performance hurdles have been excluded from standard global equity MQs. Consistent with LACERA's Procurement and Emerging Manager Policies, the MQs considered the most recent manager universe characteristics.¹ Additionally, MQs were developed to advance LACERA's T.I.D.E. (Towards Inclusion Diversity & Equity) initiative.

The MQ's were presented at the June 2021 Board meeting, and at that time, Trustees authorized the Search and approved a global equity emerging manager search every two years. The purpose of the Search was to identify qualified managers within the active U.S. equity, non-U.S. equity, and global equity manager universe for potential addition to LACERA's global equity Program. In addition, the Team looked to add managers that could provide diversification benefits versus the existing pool of managers as a means to enhance the portfolio's risk/return profile.

On June 23, 2021, the RFP was posted on LACERA's website. In addition, the Team reached out to industry affinity groups and its two former EMP fund-of-funds advisors to let them know the RFP was posted.² The Search was also announced in three trade publications, including Emerging Manager Monthly.

MANAGER SEARCH PROCESS AND RESULTS

A total of 29 firms responded to the RFP, and 14 firms met the MQs.³ For those firms that qualified, the Team conducted a two-phase search that included a comprehensive evaluation of written responses and multiple virtual due diligence interviews.

In the first phase, the qualified RFP submissions were independently evaluated and scored by each Team member. The 14 managers were assessed and scored on the following factors: 1) organization, 2) professional staff, 3) investment philosophy, process, and research, 4) trading and operations, 5) performance, and 6) fees.

After the initial score, the Team advanced five firms to the next stage. Reasons for candidates not advancing include significant client and/or AUM loss, concerns with firm structure and resources, personnel turnover, portfolios with sustained double digit tracking error, and relatively high fees. The five firms invited to phase two of the evaluation completed two virtual due diligence interviews. The first interview allowed staff to clarify RFP responses further, obtain a deeper understanding of the firms' investment processes, and gain familiarity with key decision-makers,

¹ Universe characteristics included year founded, assets under management, and performance track record. Statistics were sourced from the eVestment manager database.

² Affinity Groups: New America Alliance, National Association of Security Professionals, and Association of Asian American Investment Managers; Former EMP Advisors: Xponance (formerly known as FIS Group) and Northern Trust.

³ 29 firms responded to the RFP across 37 investment strategies.

risk controls, and back-office functions. After the first round of interviews, two firms did not advance.

In the second-round interviews, there was an increased focus on portfolio construction, risk management, internal controls, and assessment of the firm's trading and operations, including demonstrations of the firm's compliance, risk, trading, and portfolio management systems. The due diligence interviews included a comprehensive review of each firm's capabilities as well as an analysis of investment performance and portfolio risk. Through its diligence, the Team identified organizational, operational, and portfolio construction issues beyond the standard levels of risk for a firm LACERA would typically hire.

For the three candidates that advanced to second-round interviews, organizational concerns included a firm barely meeting breakeven profitability, a firm with a weak division of essential duties and roles, lack of depth of operational teams and internal controls, investment team turnover, and inability to meet with key executives despite LACERA's requests. The Team was also concerned that a couple of the firms could not clearly articulate their investment process.

Finally, on the performance and analytics front, the Team evaluated the candidate's portfolio holdings and risk/return metrics versus LACERA's current global equity portfolio, revealing additional concerns. For example, the final three EMP portfolios exhibit high excess return correlations with LACERA's existing managers, present duplicate risk exposures across market capitalization and regions in relation to the global equity portfolio, have high volatility, sub-optimal upside/downside ratios, and fundamentally would not add diversification to the current global equity composite.

OBSERVATIONS AND NEXT STEPS

As mentioned previously, the Team worked with Meketa to broaden MQs and make them more inclusive. The fixed income team did the same in 2019 for their Investment Grade emerging manager search, and as you may recall, the Board voted to pause that search due to the inability to find enough qualified candidates. Conversely, our colleagues in private assets are experiencing greater success finding emerging firms. We observe this experience and note that it may point to an industry shift in fund formation: Investment professionals starting new firms may favor doing so in the private market space where the chances of outperforming benchmarks and obtaining more lucrative fee economics are present.

Given the importance of LACERA's EMP and the priority to increase the Fund's allocation to emerging managers, the Team, along with Meketa, will review the MQ's again and reevaluate our collective experience in recent public markets EMP searches. We anticipate coming back to the Equity Committee in April 2022 with a few options for Trustees to consider, which may include a request to launch another global equity EMP search.

CONCLUSION

The Team has concluded its review of the global equity Emerging Manager Search, and there are no manager(s) to recommend at this time. The Team will reassess the approach to global equity emerging manager searches and come back to the Equity Committee in April 2022 with options to consider.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

MEMORANDUM

TO: Board of Investments, LACERA
FROM: Stephen McCourt, Leo Festino, Tim Filla, Aysun Kilic, and Imran Zahid
CC: Jon Grabel, CIO - LACERA
DATE: December 21, 2021
RE: Global Equity Emerging Manager Search Update

The purpose of this memo is for Meketa Investment Group to formalize its support for staff's recommendation to postpone the Global Equity Emerging Manager search at this time.

We are in agreement with staff that the pool of candidates that progressed through the due diligence process ultimately did not meet all expectations, including portfolio fit and organizational and portfolio construction risks.

Given the additional challenges encountered in the sourcing process, we also believe it may be prudent to reevaluate the minimum qualifications while also leveraging the experience gained from similar searches done previously to find additional suitable manager candidates for LACERA's global equity emerging manager program.

Meketa plans to work with staff to reassess the approach used for global equity emerging manager searches. Staff is scheduled to come back to the Equity Committee in April, so we plan to spend the next few months exploring alternative paths, which may range from more specific MQs to address portfolio fit ex-ante to an ongoing review of opportunities as they come, bypassing the MQs.

We also welcome any feedback and guidance from the BOI on this matter as we prepare our work for the next few months. 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/AK/IZ/sf

Global Equity Emerging Manager Search Update

Board of Investments Meeting

January 12, 2022

Esmeralda Del Bosque – Acting Principal Investment Officer

Ron Senkandwa – Investment Officer

Jeff Jia, CFA – Senior Investment Analyst



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



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Search Findings	9
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Board approved a direct investment approach for the global equity emerging manager program

- Prior program, established in 1995, was structured using a fund-of-funds model



Collaboration between staff and Meketa to develop minimum qualifications (“MQs”) that would be more inclusive

- Omitted performance requirement from MQs to widen net of possible respondents
- MQs considered the most recent manager universe characteristics¹

Board approved an emerging manager search every two years



Current Program consists of two investment managers, with a combined market value of \$239 million or 0.9% of the global equity portfolio

¹ Universe characteristics included year founded, assets under management, and performance track record. Statistics were sourced from the eVestment manager database.



Minimum Qualifications

1. Must be registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) or exempt from registration (if exempt, must explain the nature of the exemption)
2. Must be in good standing with regulatory authorities
3. Must be at least fifty-one percent (51%) employee-owned firm
4. Must have no more than \$3 billion in total firm assets under management as of March 31, 2021
5. Must have no more than fifteen (15) years of operation as an investment firm as of March 31, 2021
6. Must have at least \$150 million of assets under management as of March 31, 2021 in the same investment style to be managed for LACERA and must not be an ETF/mutual fund or carve-out strategy
7. Must have at least three (3) years of verifiable experience for the portfolio manager managing proposed strategy or a similar investment style
8. Must comply with the Global Investment Performance Standards of the CFA Institute

Evaluation Team



Esme del Bosque, Acting Principal Investment Officer

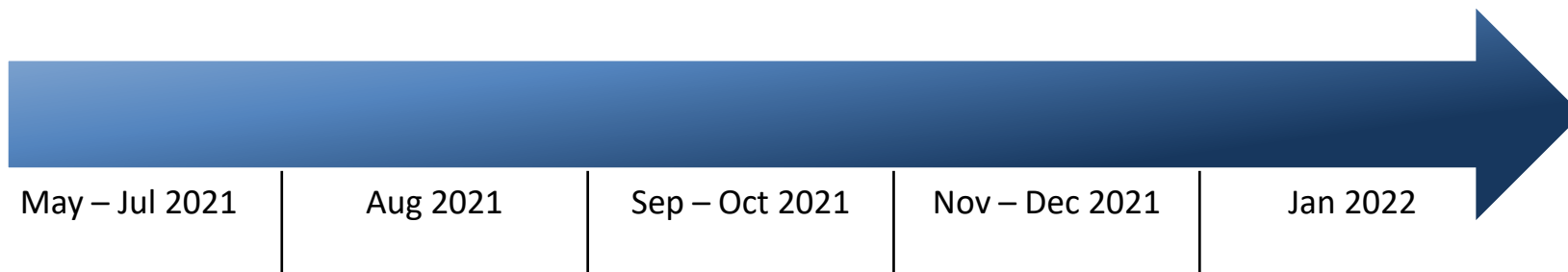


Ron Senkandwa, Investment Officer



Jeff Jia, CFA, Senior Investment Analyst

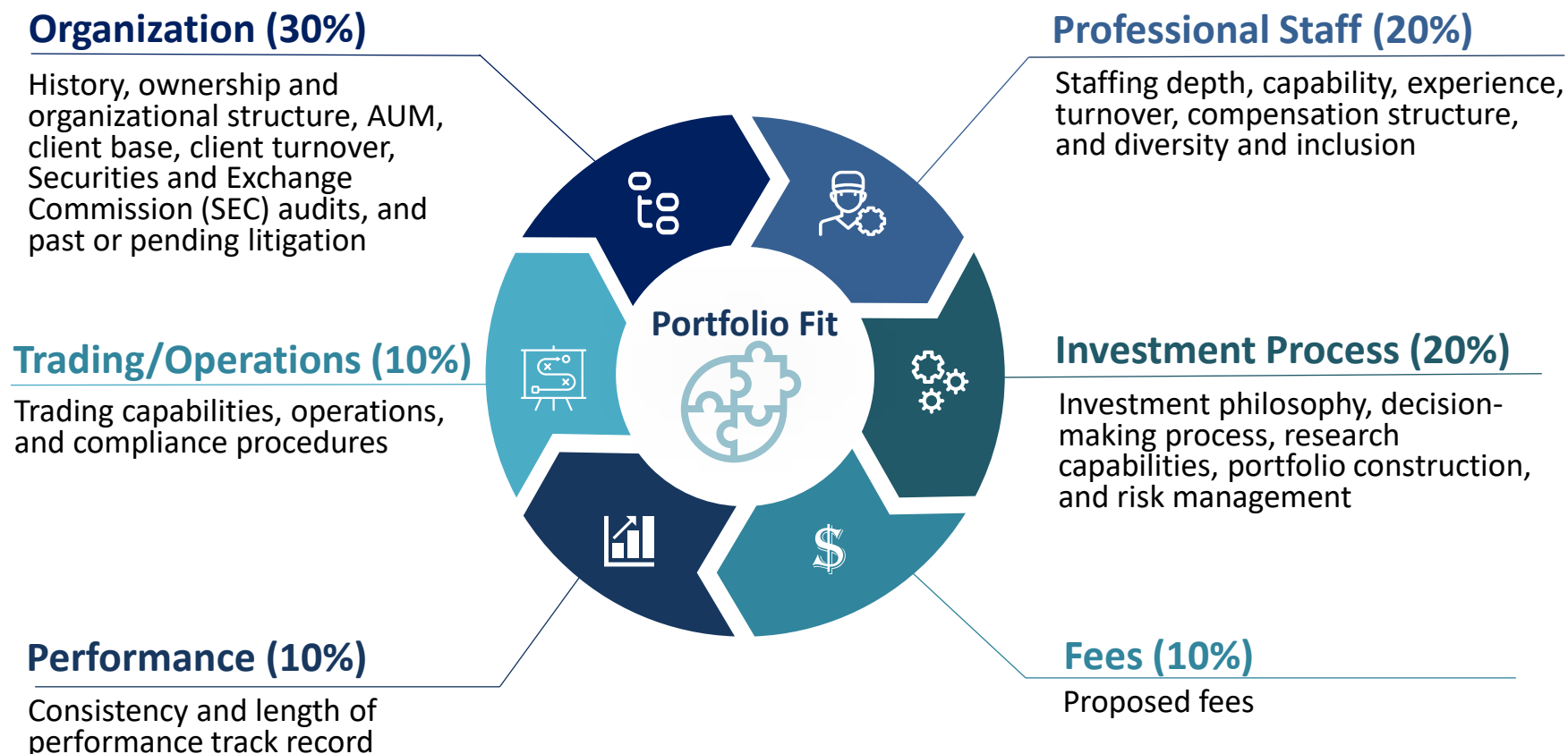
Search Timeline



Timing	Steps	Actions
May - July	RFP Approval; Design and Launch	<ul style="list-style-type: none"> - Equity Committee and BOI approval of search recommendation - Published the RFP document - Received RFPs
August	RFP Evaluation	<ul style="list-style-type: none"> - Reviewed and ranked RFP responses - Selected interview candidates
September – October	Candidate Interviews	<ul style="list-style-type: none"> - Conducted first and second round virtual interviews
November – December	Portfolio Analysis and Drafting of BOI materials	<ul style="list-style-type: none"> - Performed additional portfolio analysis - Drafted BOI recommendation materials
January 2022	BOI Update	<ul style="list-style-type: none"> - Evaluation Team presents search findings to BOI

Evaluation Criteria

The Evaluation Team and LACERA's general consultant, Meketa, independently evaluated the responses. Each phase was scored independently.



Evaluation Process



Reasons candidates did not advance to the next phase

- Firm was less than 51% employee-owned
- Firm was in operations more than 15 years
- Assets within strategy did not meet MQs
- Firm not GIPS compliant/verified
- Manager-of-managers
- Single country or alternative equity mandates
- Significant client/AUM loss
- Concerns with firm structure and resources
- Personnel turnover
- Double-digit tracking error
- High investment management fees
- Highly concentrated portfolio strategy
- Concerns with organization/operations
- Volatility of excess returns
- Concerns with organization/operations
- Sources of return provide low diversification to existing manager line-up
- Overlapping risk exposures to global equity portfolio

Search Findings

- Despite broadening MQs and removing performance requirements, the qualified candidate pool presented various organizational, operational, and investment risks
- Portfolio fit and diversification to existing managers was also considered

Organizational Risks

- Firm break-even/profitability threshold
- Undefined division of duties and roles
- Inability to meet with key executives of firm

Operational Risks

- Depth and experience of operations personnel
- Lack of internal control documentation and/or audited financial statements

Investment Risks

- Investment team turnover
- Inability to explain investment process thoroughly
- Portfolio construction and risk management concerns

Portfolio Fit

- Higher volatility of excess returns
- Duplicate risk exposures relative to global equity portfolio
- High excess return correlations with LACERA's existing managers
- Suboptimal upside/downside ratios

Next Steps

The team will work with Meketa to review our experience on this search and reassess the approach to future global equity emerging manager searches

- Options for consideration will be presented to the Equity Committee in April 2022



MEMORANDUM

TO: LACERA Board of Investments
FROM: Stephen McCourt, Leandro Festino, Tim Filla, Aysun Kilic, and Imran Zahid
DATE: December 21, 2021
RE: Meketa Investment Group Self-Evaluation

Background

Per the contract signed on January 15, 2016 between the general investment consultant, Meketa Investment Group ("Meketa" and/or "Consultant"), and the Los Angeles County Employees Retirement Association ("LACERA"), Meketa is to conduct an annual self-evaluation and provide information for the Board of Investments ("Board") to review and evaluate the Consultant. To facilitate the Board's review, Meketa is providing a self-assessment, as well as a list of projects and the respective status. The evaluation period covers calendar year 2021.

Self-Assessment

Independent Investment Advice: Consultant attended all meetings where its presence was required and requested, provided conflict-free advice to the Board both upon request and proactively, and collaborated with staff as needed during the year.

Status: Achieved.

Strategic Asset Allocation: Meketa conducted a comprehensive asset allocation review, which spanned the latter half of 2020 and continued to the first half of 2021. The review involved multiple presentations across topics such as developing climate aware strategic allocations, investing in low interest rate environments, conducting an asset liability study, reviewing benchmark suitability, addressing risk budgeting, and others.

Status: Achieved.

Assisting LACERA's Board of Investments with Strategic Investments Decisions: Meketa analyzed numerous investment products and asset classes' structures throughout the year. Meketa assessed risk management and provided analysis of various pertinent issues.

Status: Achieved.

Providing Independent Reviews: Meketa provided both verbal and written reviews of LACERA's Asset Class Structures and Strategies, Investment Policies, and Investment Manager Searches, as requested and as deemed prudent by Meketa.

Status: Achieved.

Performance Reporting: Meketa provided the Pension and OPEB reports as requested by staff.

Status: Achieved and ongoing.

Board Meetings: Consultant attended all Board meetings and off-site meetings as requested, and advised the Board on investment matters during such meetings, both upon request and voluntarily.

Status: Achieved.

Consultant Contact and Ad Hoc Workshops: Consultant was available and responsive in addressing requests. Over the past year, we contributed to all of the quarterly performance assessment meetings held by staff. We also participated in LACERA's crisis response testing exercises, which tested elements of LACERA's crisis response plan, which we helped LACERA develop in 2019

Status: Achieved.

Key Projects

The section below summarizes key projects Meketa conducted in 2021.

Strategic Asset Allocation: Meketa conducted an in depth strategic asset allocation ("SAA") that accomplishes one of the BOI's core responsibilities: to set LACERA's SAA. A wide range of relevant topics were discussed including: conducting an asset liability study, conducting a Trustee survey to solicit key considerations, risks, and implementations, investing in a low interest rate environment, introducing a barbell approach, discussing a fifth functional category, and introducing Meketa's Capital Market Expectations.

Investment Policy Statement Review: Meketa worked with staff to review and revise the Investment Policy Statement for the OPEB portfolio. Along with the addition of LACERA's investment beliefs, the new document also addressed several important elements of LACERA's growth and evolution.

Benchmarking Review: Meketa worked with staff to conduct a periodic review of asset category benchmarks as an important component of ongoing portfolio monitoring and management.

Risk Mitigation Strategies Structure Review: Meketa worked with staff to review the current roster of active managers, an evaluation of portfolio management tools, an assessment of the manager search process, an analysis of the role of activist managers, and a study of the currency hedging program. Meketa also worked with staff in incorporating a 5% allocation to Long-Term bonds with this functional category.

Credit Structure Review: Meketa worked with staff to review the current roster and develop plans for reclassifying the category between liquid and illiquid credit strategies.

Best in Class Model: Meketa reviewed investment models and attributes of other large public pension plans to help the Board of Investments assess LACERA's current and potential future investment and operating models in the context of an allocator to investor framework.



ACFR: Meketa produced the necessary documents to assist LACERA in completing its Annual Comprehensive Financial Report (“ACFR”).

Total Fund and Asset Class Performance Reviews: Meketa has attended all four staff quarterly performance reviews. During these reviews, Meketa offers notable market trends and peer universe data.

Manager Searches: Meketa collaborated with staff as requested in the following manager searches:

- High Yield Fixed Income
- Global Equity Emerging
- Long Term US Treasury

Manager Evaluations/Terminations: Meketa provides ongoing monitoring and evaluation of public market managers working closely with staff. During the past year, Meketa supported staff in in-depth reviews of the several managers which led to termination recommendations.

Conclusion

2021 came with several challenges, including the continuation of a global pandemic and the work from home environment. Despite this, Meketa worked with staff and the Board to accomplish several key projects. We attended all of the Board of Investments monthly meetings. Most significantly, we assisted staff in completing a Strategic Asset Allocation, revising the structure of several asset classes, and in conducting manager searches.

For 2022, we will be working with staff and the Board on various projects which include making continued progress towards an allocator to investor model.

We are very appreciative of the trust placed in us every day by Board members and staff alike. Thank you. If you have any questions or would like additional information, please email or call us at (760) 795-3450.

SPM/LF/TF/AK/IZ/sf

FOR INFORMATION ONLY

December 20, 2021

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Joseph Kelly *JK*
Audit Committee Chair

Richard P. Bendall *RPB*
Chief Audit Executive

FOR: January 5, 2022 Board of Retirement Meeting
January 12, 2022 Board of Investments Meeting

SUBJECT: **2021 Audit Committee Annual Report**

We are pleased to submit to your board the Audit Committee Annual Report for the calendar year ended December 31, 2021. The production of an Annual Report and its submission to your boards is provided to address the Audit Committee's responsibility to report to the boards. See Audit Committee Charter (Charter) VII. G.1 (Attachment A).

The responsibilities of the Audit Committee are defined in the Charter which establishes the authority and responsibilities by key area of the Committee. The Committee's activities during calendar year 2021 which relate to its defined responsibilities are listed in the Audit Committee Report Card (Attachment B).

Despite the continuance of the COVID19 pandemic, the Committee met six times during the year and had a quorum at each meeting.

Below is a summary by key area of the work the Committee performed during the calendar year:

A. Internal Audit Activity

- Approved the Revised Internal Audit Charter.
- Oversaw the completion of the Fiscal Year Ended June 30, 2021 Audit Plan. Internal Audits completed during calendar year 2021 included:
 - Death Legal Unit Audit
 - Quality Assurance Operations Review
 - LA County Compliance with Requirements for Rehired Retirees
 - Title Holding State Check Review
 - Chief Executive Officer's Credit Card Expenditures
 - Social Security Member Verification System Audit

- Approved Internal Audit's Budget and the Audit Plan for Fiscal Year Ending June 30, 2022.
- Oversaw LACERA's SOC-1 Type 2 audit over the Other Post-Employment Benefits program conducted by Plante Moran.
- Participated in the selection of an External Quality Assessment (EQA) firm.
- Oversaw the work of Internal Audit and evaluated the Chief Audit Executive's (CAE) performance.
- Oversaw KPMG's EQA of Internal Audit's Recommendation Follow-Up Process.

B. Professional Service Provider Activity

- Approved the extension of the contract of the financial auditor, Plante Moran for an optional sixth year through the Fiscal Year ending June 30, 2022.
- Approved Internal Audits selection of a pool of firms to provide audit services in the following three areas (1) Investments, (2) Information Technology, and (3) Other Organizational Areas.

C. Financial Reporting Process

- Oversaw Plante Moran's financial audit and issuance of an unqualified opinion on LACERA's annual financial statement audit.

D. Values and Ethics

- Received Ethics Hotline reports from Internal Audit.

E. Organizational Governance

- Oversaw and directed Internal Audit staff on revisions to the Audit Committee Charter and obtained board approval of the revised Audit Committee Charter at your July 2021 meetings.

We would like to thank Internal Audit staff and the trustees on the Audit Committee for their valued work and input this past year, and the boards for their ongoing support of the Audit Committee.

Attachments

RPB

Audit Committee Charter

April 2021



2021



AUDIT COMMITTEE CHARTER

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AUDIT COMMITTEE CHARTER

I. CHARTER

This Charter establishes the authority and responsibilities of the Audit Committee, as assigned by Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The Audit Committee Charter is a living document and should be reviewed at least every three years.

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

The purpose of the Audit Committee is to assist the Boards in fulfilling their fiduciary oversight duties for the:

- A.** Internal Audit Activity
- B.** Professional Service Provider Activity
- C.** Financial Reporting Process
- D.** Values and Ethics, and
- E.** Organizational Governance
- F.** Audit Committee and Internal Audit Budget

III. PRINCIPLES OF THE AUDIT COMMITTEE

The Audit Committee will conduct itself in accordance with LACERA's Code of Ethical Conduct and the following core principles from the Institute of Internal Auditors' (IIA) Code of Ethics. The Audit Committee expects the Boards, Management, and staff will also adhere to these requirements.

Integrity – The Audit Committee Members will perform their work with honesty, diligence, and responsibility. The Audit Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Internal Audit will regularly provide the Audit Committee with updates on audit and consulting projects completed and related findings and follow-up.

Independence & Objectivity - The Audit Committee will perform its responsibilities in an independent manner and in compliance with fiduciary duty without exception. Audit Committee Members will disclose any conflicts of interest (actual or perceived) to the Committee.

Confidentiality – The Audit Committee Members will be prudent in the use and protection of information acquired during the course of its duties.

Competency - Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Audit Committee Members are obligated to prepare for and participate in Committee meetings.

Professional Standards - The Audit Committee will ensure all related work will be handled with the highest professional standards consistent with auditing standards of practice and industry guidelines.

IV. AUTHORITY

The Audit Committee will have unrestricted access to Management and staff, and any relevant information it considers necessary to discharge its duties. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of duties, including engaging independent counsel and/or other advisors it deems necessary.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of seven members: three elected annually from each Board and the ex-officio member of both Boards, the Los Angeles County Treasurer. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of his or her term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

At the first Committee meeting of each calendar year, the Committee shall elect a Chair, Vice Chair and Secretary, each to serve for a term of one year or until his or her successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of Chair, the Vice Chair shall immediately assume the office of Chair for the remainder of the term. In the event of a vacancy in the office of Vice Chair or Secretary, the Committee shall elect one of its members to fill such vacancy for the remainder of the term, at its next regular meeting.

VI. AUDIT COMMITTEE MEETINGS

The Audit Committee will conduct regular meetings at least four times per year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months.

All Committee Members are expected to attend each meeting.

All meetings of the Audit Committee shall be as noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Audit Committee discussions, provided that non-committee trustees may not make or second motions or vote and provided further that closed sessions to discuss the CAE's annual assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE shall be noticed for attendance by Committee members only.

Regular meeting notices and agendas will be posted at least 72 hours in advance of the regular meetings and will be made available to the public in accordance with the Ralph M. Brown Act (Government Code Sections 54950, et seq.). Public documents referred to in the agenda will be made available for review at the office of the staff secretary to the Committee and also published on the LACERA website, lacera.com. The Committee will invite members of Management, Internal Auditors, Financial Auditors, all other Professional Service Providers, and/or others to attend meetings and provide pertinent information, as necessary.

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee will have such other powers as provided in the Brown Act.

Robert's Rules of Order, except as otherwise provided herein, shall guide the Committee in its proceedings; however, the Chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the chair. The order of business shall be as determined by formal action of the Committee. Four members of the seven-member Audit Committee, constitute a quorum.

The Secretary of the Committee shall cause to be recorded in the minutes the time and place of each meeting of the Committee, the names of the members present, all official acts of the Committee, the votes given by members except when the action is unanimous, and when requested by a member, that member's dissent or approval with his or her reasons, and shall cause the minutes to be written forthwith and presented for approval at the next regular meeting.

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
 - a. Review and provide input on Internal Audit's annual risk assessment.
 - b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
 - c. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.
2. Internal Audit Engagement & Follow-Up
 - a. Review and discuss engagement reports to take the following action(s):
 - i. accept and file report,
 - ii. instruct staff to forward report to Boards or Committees,
 - iii. make recommendations to the Boards or Committees regarding actions as may be required based on audit findings and/or,
 - iv. provide further instruction to staff.
 - b. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
 - c. Inquire whether any evidence of fraud has been identified during internal or external audit engagements, and evaluate what additional actions, if any, should be taken.
 - d. Inquire whether any audit or non-audit engagements have been completed but not reported to the Audit Committee; if so, inquire whether any matters of significance arose from such work.
 - e. Review and advise Management and the Boards on the results of any special investigations.

3. Standards Conformance

- a. Approve the Internal Audit Charter.
- b. Ensure the Internal Audit Division conforms with the IIA's International Standards for the Professional Practice of Internal Audit, particularly the independence of Internal Audit and its organizational structure.
- c. Ensure the Internal Audit Division has a quality assurance and improvement program (QAIP), and that the results of these periodic assessments are presented to the Audit Committee.
- d. Ensure the Internal Audit Division has an external quality assurance review every five years. Review the results of the external quality assurance review and monitor the implementation of related recommendations.

Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.

4. Chief Audit Executive (CAE)

Since the CAE reports to the Chief Executive Officer (CEO) for administrative purposes, but to the Audit Committee for functional purposes, the Audit Committee will be responsible for the following:

- a. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE, which will be addressed by the Boards in a joint meeting. Both Boards will make the final decisions as to the appointment, discipline, dismissal, and/or removal of the CAE. The CEO has authority to administer minor discipline, which is limited to counseling memos and written warnings, with notice of such discipline to be provided to the Committee and the Boards at their next meetings. Consideration by the Boards and the Committee concerning the appointment, discipline, dismissal, and/or removal of the CAE will be made in executive session under Government Code Section 54957(b).
- b. Perform the CAE's annual assessment with qualitative input from the CAE and CEO. The Committee's discussion regarding the CAE's annual performance evaluation will be made in executive session under Government Code Section 54957(b).
- c. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

B. Professional Service Provider Activity

The Audit Committee is responsible for the oversight of all work performed by professional service providers (Service Providers) for audits, reviews, or investigations, including the audit of LACERA's financial statements.

1. Approve the appointment and compensation of the Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the work of the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.
2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
4. Resolve any significant disagreements regarding risks, findings and/or compensation between management and Professional Service Providers

C. Financial Reporting Process

The Audit Committee is responsible for oversight of the independent audit of LACERA's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.
2. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.
3. Review the annual financial statements, consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
4. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

D. Values and Ethics

1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.
2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.

3. Review reports received relating to conflicts of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

E. Organizational Governance

To obtain reasonable assurance with respect to LACERA's governance process, the Audit Committee will review and provide advice on the governance process established and maintained, and the procedures in place to ensure they are operating as intended.

1. Risk Management

- a. Annually review LACERA's risk profile.
- b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise-wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
- c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.

2. Fraud

- a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
- b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.

3. System of Internal Controls

- a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
- b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
- c. Review and provide advice on control of LACERA as a whole and its individual divisions.

4. System of Compliance

- a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.

- b. As needed, review the observations and findings of any examinations by regulatory agencies.
- c. Obtain regular updates from Management and LACERA's Legal Office regarding compliance matters.
- d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

F. Audit Committee and Internal Audit Budget

LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

G. Other Responsibilities

- 1. Report to the Boards as needed about the Audit Committee's activities, issues, and related recommendations.
- 2. Provide an open avenue of communication between Internal Audit, all Professional Service Providers, including the Financial Auditor, Management, and the Boards.
- 3. Perform other activities related to this Charter as requested by the Boards.
- 4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on April 23, 2021, and approved by the Board of Retirement on July 7, 2021, and the Board of Investments on July 14, 2021. This Charter is thereby effective July 14, 2021 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Joseph Kelly

July 19, 2021

Joseph Kelly
Chair, Audit Committee

Date

Keith Knox

July 19, 2021

Keith Knox
Chair, Board of Investments

Date

Alan Bernstein

July 19, 2021

Alan Bernstein
Chair, Board of Retirement

Date

2021 Audit Committee Report Card			
Documentation	Ref to *AC Charter	Frequency	Comments
Audit Engagement Reports	VII.A.2.a.	Every	See summary of reports reviewed and approved by the AC during calendar year 2021 in cover memo.
Audit Plan Status Update	VII.A.1.d. & VII.A.2.c-d.	Every	At each meeting, the AC reviewed the Audit Plan Status Update report.
Summary of Hotline Investigations	VII.D.3 & VII.E.2.b.	Every	At each meeting, the AC reviewed the Summary of Hotline Investigations report.
Recommendation Follow-Up Reports	VII.A.2.b.	Tri-Annually	AC reviewed the Recommendation Follow-Up Reports at the Febuary, June, and October AC meetings.
Proposed Audit Plan and Budget	VII.A.1.c.	Annually	AC reviewed and approved the Proposed Audit Plan and Budget at the Febuary meeting.
Annual Risk Assessment	VII.A.1.a.	Annually	In April, Trustees, including those on the AC, provided feedback on current risks for the Annual Risk Assessment.
Annual Audit Plan	VII.A.1.b.	Annually	AC reviewed and approved the Annual Audit Plan at the June meeting.
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.B.2	Annually	*PM presented to the AC its proposed scope of work and timing at the August meeting.
Internal Audit Charter	VII.A.3.a.	Annually	AC reviewed and approved IA's Charter at the August meeting.
Internal Audit Annual Performance Report	VII.A.3.b.-c.	Annually	*IA presented its Annual Performance Report at the August meeting.
CAE Performance Evaluation	VII.A.4.b.-c.	Annually	In progress, should be completed by December 31, 2021.
Ethics & Values Review	VII.D.1-3.	Annually	IA is hiring an external firm to complete these reviews. These should be presented to the Audit Committee in June 2022.
Organizational Governance Review	VII.E.	Annually	
Compliance Memo from Legal Office	VII.E.4.c.	Annually	Under review by the Executive Office.
Financial Statements, Correspondence, & Presentation	VII.C.1.-4.	Annually	PM will present the Financial Statements, Correspondence, and related reports at the December AC 2021 meeting.
Audit Committee Annual Performance Report	VII.G.1.	Annually	We anticipate the AC will bring its Annual Performance Report to the Boards in January 2022.
Audit Committee Charter	VII.F.4	Every 3rd year	The Boards approved the AC Charter in July 2021.
Approve the appointment and compensation of the External Financial Auditor	VII.B.1	Every 5th year**	AC approved a fiscal year extension and the fee for PM at the April meeting.
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5th year	CAE will recommend the AC engage a firm at the December 2021 meeting.
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.F.2	Continuous	—
Approve the appointment & compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations	VII.B.2	As needed	Approved the selection of the External Audit Pool at the April meeting.
Review with Professional Service Providers, including the Financial Auditor, and Mgmt the results of the work performed, any findings & recommendations, Mngmt's responses, and actions taken to implement the audit recommendations.	VII.B.3	As needed	AC reviewed the SOC-1 report at the October meeting and will review the Financial Statement Audit in December.
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.	VII.A.3.e.	As needed	—
Make recommendations to both Boards regarding the appointment, discipline, and/or dismissal, of the CAE, which will be addressed by the Boards in a joint meeting.	VII.A.4.a.	As needed	—
Perform other activities related to this Charter as requested by the Boards.	VII.F.3	As needed	—

***Legend**

AC = Audit Committee

IA = Internal Audit

PM = Plante Moran, LACERA's financial auditors

January 3, 2022

TO: Each Trustee,
Board of Retirement

SUBJECT: Board of Retirement Meeting on January 5, 2022 – Agenda Item II. A.

Following you will find supplemental information regarding the above-mentioned meeting:

1. Ratification of Officers (Corrected to reflect Secretary, Alan Bernstein)
(Memo dated January 3, 2022)

CORRECTED

January 3, 2022

TO: Each Trustee
Board of Retirement

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

FOR: January 5, 2022 Board of Retirement Meeting

SUBJECT: **Board Officers: 2022 Calendar Year**

RECOMMENDATION

That the Board of Retirement ratify its slate of board officers who will serve their term in the 2022 calendar year.

LEGAL AUTHORITY

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

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

DISCUSSION

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

According to the Executive Board Assistant, the following trustees opted to serve as BOR Chair, Vice Chair, and Secretary for the 2022 calendar year.

Chair: William Pryor
Vice Chair: Shawn Kehoe
Secretary: Alan Bernstein

IT IS THEREFORE RECOMMENDED THAT THE BOARD ratify its slate of board officers who will serve their term in the 2022 calendar year.

Board Officers: 2022 Calendar Year
Board of Retirement
December 21, 2021
Page 2

cc: Board of Investments
Luis Lugo
JJ Popowich
Laura Guglielmo
Steven P. Rice
Jon Grabel

FOR INFORMATION ONLY

January 3, 2022

TO: Trustees,
Board of Investments

FROM: Christine Roseland *CR*
Senior Staff Counsel

FOR: January 12, 2022 Board of Investments Meeting

SUBJECT: **Legal Projects**

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of January 12, 2022.

Attachment

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



LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of January 3, 2022



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
AUDIT	Cavanaugh Macdonald Consulting, LLC	Actuarial Consulting Services Agreement Extension	\$354,350	November 17, 2021	In Progress	<div><div></div></div> 95%	Legal negotiations in process.
	Milliman Inc.	Actuarial Review Services Agreement Extension	\$1,347,300,000	November 17, 2021	In Progress	<div><div></div></div> 95%	Legal negotiations in process.
FIXED INCOME	BlackRock Institutional Trust Company, N.A.	Transition Agreement for Long-Term U.S. Treasury Bonds	\$1,500,000,000	October 13, 2021	Completed	<div><div></div></div> 100%	Completed.
HEDGE FUNDS	Innocap	Engagement Agreement	N/A	March 10, 2021	Completed	<div><div></div></div> 100%	Completed.
	Silver Rock Tactical Allocation Strategy, L.P.	Subscription	\$775,000,000	December 8, 2021	In Progress	<div><div></div></div> 25%	Legal negotiations in process.
REAL ASSETS	Smart Infrastructure Capital Partners Fund, L.P.	Subscription	\$100,000,000	July 14, 2021	In Progress	<div><div></div></div> 10%	Legal negotiations in process.
	TIAA-CREF Global Agriculture, LLC	Secondary Purchase	\$191,000,000	November 17, 2021	Completed	<div><div></div></div> 100%	Completed.
	TIAA-CREF Global Agriculture LLC II, LLC	Secondary Purchase	\$265,000,000	November 17, 2021	Completed	<div><div></div></div> 100%	Completed.
	Partners Group Direct Infrastructure 2020, L.P.	Subscription	\$200,000,000	December 8, 2021	In Progress	<div><div></div></div> 90%	Legal negotiations in process.

FOR INFORMATION ONLY

December 21, 2021

TO: Each Trustee
Board of Retirement
Board of Investments

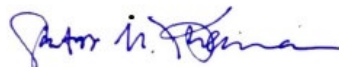
FROM: Ted Granger 
Interim Chief Financial Officer

FOR: January 5, 2022 Board of Retirement Meeting
January 12, 2022 Board of Investments Meeting

SUBJECT: **MONTHLY TRAVEL & EDUCATION REPORT – NOVEMBER 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 November 2021. Staff travel and education has been omitted from this report and reported to the Chief Executive Officer separately.

REVIEWED AND APPROVED:



Santos H. Kreimann
Chief Executive Officer

TG/EW/krh

Attachments

c: L. Lugo
J. Popowich
L. Guglielmo
J. Grabel
S. Rice
J. Beasley

TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2021 - 2022
NOVEMBER 2021

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Alan Bernstein			
A	1 Edu - NCPERS 2021 Public Pension Funding Forum - New York, NY	08/22/2021 - 08/24/2021	Attended
	2 Edu - 2021 SuperReturn North America - Boston, MA	10/04/2021 - 10/05/2021	Attended
	3 Edu - Latin America US Real Estate Meeting - South Beach FL	11/29/2021 - 11/30/2021	Attended
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
X	- Edu - SuperReturn International Berlin - Berlin, Germany	11/09/2021 - 11/12/2021	Canceled
Vivian Gray			
A	1 Edu - NCPERS 2021 Public Pension Funding Forum - New York, NY	08/22/2021 - 08/24/2021	Attended
B	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
V	- Edu - Congressional Black Caucus Foundation - VIRTUAL	09/12/2021 - 09/17/2021	Attended
	- Edu - Private Credit Outlook: Key Trends and the Road Ahead - VIRTUAL	09/16/2021 - 09/16/2021	Attended
	- Edu - NASP 32nd Annual Financial Services Virtual Conference - VIRTUAL	09/22/2021 - 09/24/2021	Attended
	- Edu - New America Alliance: U.S. Economic Recovery - VIRTUAL	11/10/2021 - 11/10/2021	Attended
David Green			
B	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
X	- Edu - 2021 CII Fall Conference - Chicago, IL	09/22/2021 - 09/24/2021	Host Canceled
Elizabeth Greenwood			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
James Harris			
B	- Edu - CRCEA 2021 Fall Conference - Long Beach, CA	11/07/2021 - 11/10/2021	Attended
Patrick Jones			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
V	- Edu - SACRS Public Pension Investment Management Program - VIRTUAL	07/13/2021 - 07/22/2021	Attended
	- Edu - Harvard Kennedy School Executive Education: Leading Smart Policy Design: A Multisectoral Approach to Economic Decisions - VIRTUAL	09/21/2021 - 10/12/2021	Attended
X	- Edu - Duke University Executive Education Program - Corporate Social Responsibility - Durham, NC	09/23/2021 - 09/25/2021	Host Canceled
Shawn Kehoe			
X	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Canceled
	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Canceled

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Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Joseph Kelly			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
V	- Edu - SACRS Public Pension Investment Management Program - VIRTUAL	07/13/2021 - 07/22/2021	Attended
	- Edu - Private Credit Outlook: Key Trends and the Road Ahead - VIRTUAL	09/16/2021 - 09/16/2021	Attended
	- Edu - Pugh Capital 30th Anniversary Virtual Event Series - VIRTUAL	09/22/2021 - 09/22/2021	Attended
	- Edu - 2021 Institute of Internal Auditors Los Angeles Conference: Governance, Grit and Gravitas - VIRTUAL	10/04/2021 - 10/06/2021	Attended
	- Edu - NACD Pacific Southwest / USC Marshall Corporate Directors Symposium - November 2021 - VIRTUAL	11/10/2021 - 11/10/2021	Attended
Keith Knox			
V	- Edu - Harvard Business School Audit Committees In A New Era of Governance - VIRTUAL	07/21/2021 - 07/23/2021	Attended
	- Edu - Pugh Capital 30th Anniversary Virtual Event Series - VIRTUAL	09/22/2021 - 09/22/2021	Attended
	- Edu - New America Alliance: U.S. Economic Recovery - VIRTUAL	11/10/2021 - 11/10/2021	Attended
Wayne Moore			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
William Pryor			
B	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
Les Robbins			
B	- Edu - CRCEA 2021 Fall Conference - Long Beach, CA	11/07/2021 - 11/10/2021	Attended
V	- Edu - CALAPRS Trustees Roundtable - VIRTUAL	10/29/2021 - 10/29/2021	Attended
Gina Sanchez			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
V	- Edu - 2021 CII Fall Conference - VIRTUAL	09/22/2021 - 09/24/2021	Attended
	- Edu - 2021 Virtual NACD Summit - VIRTUAL	10/04/2021 - 10/08/2021	Attended
	- Edu - PRI Roundtable: The Road to Net-Zero with Ophir Bruck - VIRTUAL	10/12/2021 - 10/12/2021	Attended
	- Edu - PRI Roundtable: Equity, Diversity & Inclusion with Ophir Bruck - VIRTUAL	10/14/2021 - 10/14/2021	Attended
	- Edu - CALAPRS Trustees Roundtable - VIRTUAL	10/29/2021 - 10/29/2021	Attended
X	- Edu - 2021 CII Fall Conference - Chicago, IL	09/22/2021 - 09/24/2021	Host Canceled

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FOR FISCAL YEAR 2021 - 2022
NOVEMBER 2021

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Herman Santos			
A	1 Edu - NCPERS 2021 Public Pension Funding Forum - New York, NY	08/22/2021 - 08/24/2021	Attended
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles, CA	10/17/2021 - 10/20/2021	Attended
	- Edu - PPI Asia Pacific Roundtable - Pasadena CA	10/27/2021 - 10/29/2021	Attended
	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
V	- Edu - PPI Roundtable - July 2021 - VIRTUAL	07/13/2021 - 07/15/2021	Attended
	- Edu - Private Credit Outlook: Key Trends and the Road Ahead - VIRTUAL	09/16/2021 - 09/16/2021	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**

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

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