

# LIVE VIRTUAL BOARD MEETING

\*

\*This meeting will take place following the Committee meeting being held prior.



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](mailto:PublicComment@lacera.com). If you would like to remain anonymous at the meeting without stating your name, please let us know.

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

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

## AGENDA

### A REGULAR MEETING OF THE BOARD OF INVESTMENTS

### LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CA 91101

9:00 A.M.\*, WEDNESDAY, JULY 13, 2022

*This meeting will be conducted 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.*

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of June 13, 2022

III. REPORT ON CLOSED SESSION ITEMS

IV. PUBLIC COMMENT

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

Verbal Public Comment - You may also request to address the Board. A request to speak may be submitted via email to [PublicComment@lacera.com](mailto: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.)

V. CHIEF EXECUTIVE OFFICER'S REPORT  
(Memo dated June 28, 2022)

VI. CHIEF INVESTMENT OFFICER'S REPORT  
(Presentation dated July 13, 2022)

VII. CONSENT ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approves 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. (Memo dated June 27, 2022)
- B. Recommendation as submitted by Patrick Jones, Chair, Real Assets Committee: That the Board approve LACERA's formal affiliation to the Global Real Estate Sustainably Benchmark (GRESB). (Memo dated June 13, 2022)
- C. Recommendation as submitted by Patrick Jones, Chair, Real Assets Committee: That the Board approve a revised Responsible Contractor Policy. (Memo dated June 13, 2022)

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Esmeralda del Bosque, Acting Principal Investment Officer; Ron Senkandwa, Investment Officer; Jeff Jia, Senior Investment Analyst; and Magdalia Armstrong, Senior Investment Analyst: That the Board pause the internal management project for public markets and reassess after the next strategic asset allocation. (Memo dated June 30, 2022)

IX. REPORTS

- A. SEIU Local 850/851 Meeting Held on May 25, 2022  
Luis A. Lugo, Deputy Chief Executive Assistant  
(For Information Only) (Memo dated June 29, 2022)

IX. REPORTS (Continued)

B. Monthly Status Report on Legislation  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated June 26, 2022)

C. Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated July 1, 2022)

D. Monthly Travel & Education Report – May 2022  
Ted Granger, Interim Chief Financial Officer

Monthly Trustee Travel and Education Reports for May 2022  
(Public Memo dated June 22, 2022)  
(Confidential Memo dated June 22, 2022 – Includes Anticipated Travel)

E. Semi-Annual Report on Approved Engagements  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated June 23, 2022)

F. June 2022 Fiduciary Counsel Contact and Billing Report  
Steven P. Rice, Chief Counsel  
(For Information Only) (Privileged and Confidential)  
(Attorney-Client Communication/Attorney Work Product)  
(Memo dated June 27, 2022)

X. ITEMS FOR STAFF REVIEW

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

XII. EXECUTIVE SESSION

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

1. Primary Venture Partners IV, L.P. and Primary Select III, L.P.  
Christopher J. Wagner, Principal Investment Officer  
Didier Acevedo, Investment Officer  
(Memo dated June 24, 2022)

## XII. EXECUTIVE SESSION (Continued)

2. Genesis Investment Management, LLP  
Esmeralda del Bosque, Acting Principal Investment Officer  
Ron Senkandwa, Investment Officer  
Magdalia Armstrong, Senior Investment Analyst  
(Memo dated July 5, 2022)
3. Private Equity Investment Update  
Didier Acevedo, Investment Officer  
Cheryl Lu, Investment Officer  
(For Information Only) (Memo dated June 29, 2022)

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

***Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days' notice before the meeting date.***

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

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CALIFORNIA 91101

9:00 A.M., WEDNESDAY, JUNE 8, 2022

*This meeting was conducted by teleconference under California Government Code Section 54953(e).*

PRESENT: Herman Santos, Chair

David Green, Vice Chair

Shawn Kehoe, Secretary

Onyx Jones

Patrick Jones

ABSENT: Gina Sanchez

Elizabeth Greenwood

Joseph Kelly

Keith Knox

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Santos H. Kreimann, Chief Executive Officer

Steven P. Rice, Chief Counsel

Luis Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Christine Roseland, Senior Staff Counsel

Ted Granger, Interim Chief Financial Officer

Jude Perez, Principal Investment Officer

Jim Rice, Principal Investment Officer

Pushpam Jain, Investment Officer

Derek Kong, Investment Officer

Cheryl Lu, Investment Officer

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group (General Investment Consultants)

Leandro Festino, Managing Principal

Timothy Filla, Managing Principal/ Portfolio Consultant

Aysun Kilic, Managing Principal

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

Mark White, Head of Real Assets

James Walsh, Partner

Steven Kennedy, Partner

Milliman,

Nick Collier, Consulting Actuary

Craig Glyde, Consulting Actuary

I. CALL TO ORDER

The meeting was called to order virtually by Chair Santos at 9:00 a.m.

## II. APPROVAL OF MINUTES

### A. Approval of the Minutes of the Regular Meeting of May 13, 2022

Mr. Green made a motion, Ms. Jones seconded, to approve the minutes of the regular meeting of May 13, 2022. The motion passed (roll call), with Messrs. Green, P. Jones, Kehoe, Santos, and Ms. O. Jones voting yes. Messrs. Knox, Kelly and Mses. Greenwood and Sanchez were absent from the vote.

## III. REPORT ON CLOSED SESSION ITEMS

There was nothing to report.

## IV. PUBLIC COMMENT

There were no requests from the public to speak.

## V. CHIEF EXECUTIVE OFFICER'S REPORT (The following agenda items were held after XII.B.) (Memo dated May 23, 2022)

Mr. Kreimann provided a brief presentation on the Chief Executive Officer's Report and answered questions from the Board.

## VI. CHIEF INVESTMENT OFFICER'S REPORT (Presentation dated June 8, 2022)

Mr. Grabel provided a brief presentation on the Chief Investment Officer's Report and answered questions from the Board.



VII. CONSENT ITEMS (The following items were held before agenda item V.)

Mr. Kehoe made a motion, Mr. Jones seconded, to approve the following consent items, VII.A through VII.C. The motion passed (roll call), with Messrs. Green, P. Jones, Kehoe, Santos, and Ms. O. Jones voting yes. Messrs. Knox, Kelly and Mses. Greenwood and Sanchez were absent from the vote.

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approves 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. (Memo dated May 24, 2022)
- B. Recommendation as submitted by Herman B. Santos, Chair, Joint Organizational Governance Committee: That the Board approve the revised LACERA Budget Policy and review it annually as a companion to the adoption of the Administrative, Retiree Healthcare Benefits Program and Other Post- Employment Benefits Trust Budgets. (Memo dated May 20, 2022)
- C. Recommendation as submitted by Herman B. Santos, Chair, Joint Organizational Governance Committee: That the Board adopt the LACERA Fiscal Year 2022-2023 Administrative, Retiree Healthcare Benefits Program and Other Post-Employment Benefits Trust Budgets. (Memo dated May 20, 2022)

## VIII. NON-CONSENT ITEM

- A. Recommendation as submitted Barry W. Lew, Legislative Affairs Officer: That the Board adopt the revised LACERA Legislative Policy. (Memo dated May 26, 2022)

Mr. Lew was present and answered questions from the Board.

Mr. Santos made a motion, Mr. Green seconded, to adopt the revised LACERA Legislative Policy. The motion passed (roll call), with Messrs. Green, P. Jones, Kehoe, Santos, and Ms. O. Jones voting yes. Messrs. Knox, Kelly and Mses. Greenwood and Sanchez were absent from the vote.

## IX. REPORTS

- A. 2022 Actuarial Risk Assessment Report  
Santos H. Kreimann, Chief Executive Officer  
Ted Granger, Interim Chief Financial Officer  
Nick Collier, Milliman – Consulting Actuary  
Craig Glyde, Milliman – Consulting Actuary  
(Memo dated May 24, 2022)

Mr. Granger and Messrs. Collier and Glyde of Milliman provided a presentation and answered questions from the Board. The item was received and filed.

- B. Legal Transactions Year End Report  
Christine Roseland, Senior Staff Counsel  
(Memo dated May 31, 2022)

Ms. Roseland provided a brief presentation and answered questions from the Board. The item was received and filed.

- C. Board of Investments 2022 Offsite Tentative Agenda  
Jonathan Grabel, Chief Investment Officer  
(For Information Only) (Memo dated May 25, 2022)

This item was received and filed.

IX. REPORTS (Continued)

- D. LACERA Quarterly Performance Book  
Meketa Quarterly Performance Book  
Jude Pérez Principal Investment Officer  
(For Information Only) (Memo dated May 27, 2022)

This item was received and filed.

- E. LACERA OPEB Quarterly Performance Book  
Meketa OPEB Quarterly Performance Book  
Jude Perez, Principal Investment Officer  
(For Information Only) (Memo dated May 27, 2022)

This item was received and filed.

- F. Monthly Status Report on Legislation  
Barry W. Lew, Legislative Affairs Officer  
(For Information Only) (Memo dated May 20, 2022)

This item was received and filed.

- G. Legal Projects  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated May 31, 2022)

This item was received and filed.

- H. Monthly Travel & Education Report – April 2022  
Ted Granger, Interim Chief Financial Officer

Monthly Trustee Travel and Education Reports for April 2022  
(Public Memo dated May 16, 2022)  
(Confidential Memo dated May 16, 2022 – Includes Anticipated Travel)  
3rd Quarter Trustee Travel and Education Reports  
(Memo dated May 17, 2022)

This item was received and filed.

IX. REPORTS (Continued)

- I. May 2022 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 May 23, 2022)

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)

There was nothing to report.

XII. EXECUTIVE SESSION (The following items were held after VIII.A.)

- 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. Hitec Vision New Energy Fund SCSP  
Jim Rice, Principal Investment Officer  
Pushpam Jain, Investment Officer  
(Memo dated May 16, 2022)

Messrs. Rice and Jain and the Albourne team were present and answered questions from the Board.

Mr. Green made a motion, Mr. Santos seconded, to approve a commitment of up to €125 million (approximately \$130 million) to Hitec Vision New Energy Fund SCSp, which is a private equity real assets fund focusing on energy transition primarily in the Nordic region, with some exposure to Europe.

## XII. EXECUTIVE SESSION (Continued)

The motion passed (roll call), with Messrs. Green, P. Jones, Kehoe, Santos and Ms. O. Jones voting yes. Messrs. Kelly, Knox and Mses. Greenwood and Sanchez were absent from the vote.

2. Private Equity Investment Update  
Derek Kong, Investment Officer  
Cheryl Lu, Investment Officer  
(For Information Only) (Memo dated May 18, 2022)

The Board received an information only report providing notice that, on December 17, 2021, LACERA approved a secondary purchase commitment of up to \$85 million in a special purpose vehicle managed by GHO Capital Partners, a Board of Investments approved private equity manager. The transfer of LACERA funds took place on April 26, 2022. The secondary purchase is compliant with LACERA's secondary investment guidelines.

## XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 10:46 a.m.

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SHAWN KEHOE, SECRETARY

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HERMAN SANTOS, CHAIR



June 28, 2022

TO: Each Trustee,  
Board of Retirement  
Board of Investments

FROM: Santos H. Kreimann  
Chief Executive Officer

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

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

### **Strategic Plan Update**

The LACERA Strategic Planning process is continuing to progress smoothly. Over the past month, the Advisory (Spark) team agreed upon the strategic priorities and formulated seven Action Planning Teams (APTs) to further outline specific objectives and tactics. All LACERA staff were invited to participate with a goal of six to ten participants for each APT. In total, 65 staff from entry level to managers, representing every Division, have agreed to participate. Most volunteers received their first choice. KH Consulting Group will provide the APT orientation in the last week of June.

Additionally, a member survey has been developed and will be sent to all members, active and retired, on July 14<sup>th</sup>. Members will have four weeks to complete the survey online (preferred), or mail it in. LACERA Management has also been working with the County to send the survey electronically to all active County employees. This stakeholder engagement is a critical part of the strategic planning process.

The findings and recommendations that come from the APTs, as well as member engagement surveys, will be presented to the Advisory team in September. KH Consulting and The Advisory team will continue to provide periodic updates on our Strategic Planning milestones, keeping staff and members regularly informed of important Strategic Planning information, dates, activities, and status updates throughout the process.

### **Cost of Living Adjustment Update**

The Board of Supervisors administratively approved the successor Memorandum of Understanding (MOU) for LACERA represented employees and related salary and fringe benefit changes for LACERA non-represented employees during their June 28, 2022 meeting. LACERA will act quickly to initiate the one-time bonus of \$1,000, and to process retroactive pay increases for LACERA's staff effective January 1, 2022.

### **2022 Safety Member Elections**

Elections will be held Friday, August 5 through Wednesday, August 31, 2022 for the safety member trustee seats on both boards. The positions are: seventh trustee seat and alternate safety trustee seat on the Board of Retirement, and the fourth trustee seat on the Board of Investments. The trustees' three-year terms will run from 2023 through 2025.

The Executive Office of the Board of Supervisors recently notified LACERA that the Registrar Recorder has certified three candidates for both the seats available on the Board of Retirement and on the Board of Investments. The three candidates are as follows:

Seventh Member and Alternate Safety Member, Board of Retirement:

Jason E. Green  
Shawn R. Kehoe  
David Lucky Ly

Fourth Member, Board of Investments:

Jason E. Green  
Shawn R. Kehoe  
David Lucky Ly

LACERA's Communication Division continues to work with the Executive Office of the Board of Supervisors to update Safety members on the election. We will share future communication plans as they develop.

### **Recruitment Updates**

#### *Vacancies and Hiring*

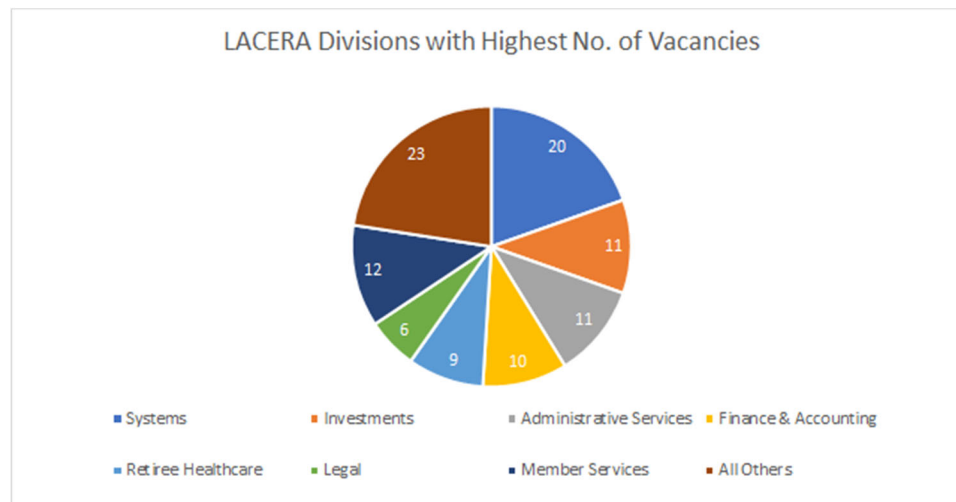
The current hiring priority in the Investments Division recruitment efforts is the Senior Investment Officer. There are eleven (11) vacancies in Investments (24% vacancy rate) and below is a summary of the recruitment status of these positions.

## Status of Vacant Positions in the Investments Division

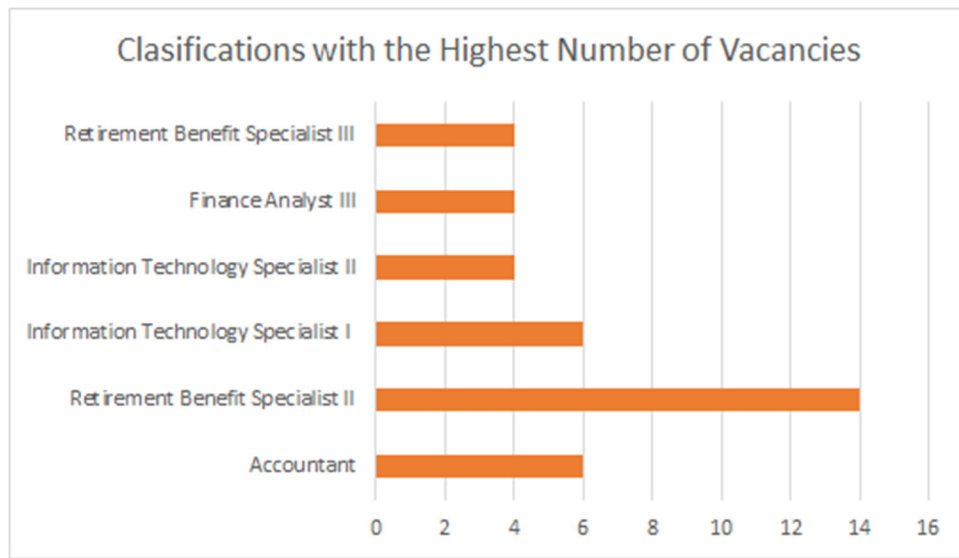
Classification	# of Vacancies	LACERA Priority	Recruitment Stage
Deputy Chief Investment Officer	1	Tier 2 – December 2022	Outsourced Recruitment
Senior Investment Officer (SIO)	1	Tier 1 – June 2022	7 – Assessment Review
Finance Analyst III (FA III)	4	Tier 1 – June 2022	7 – Assessment Review
Finance Analyst II (FA II)	2	Tier 2 – December 2022	1 – Exam Requested
Senior Management Secretary	1	Tier 2 – December 2022	N/A
Principal Investment Officer (PIO)	1	Tier 2 – December 2022	N/A
Senior Investment Officer	1	Unassigned	N/A

*Recruitment Stages: (1) Exam requested, (2) Classification review, (3) Test development, (4) Resume canvas, (5) Recruitment, (6) Assessment qualification, (7) Assessment review, (8) List promulgated, (9) Division interviews, (10) Background check, (11) Onboarding*

At the time of this report, LACERA has 508 budgeted positions, of which 102 are vacant (20% 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 continue to be in development for Accountant and Retirement Systems Specialist along with the Staff Counsel (Benefits).

### *Recruiting & Assessment*

The Human Resources Team opened the recruitment for Staff Counsel (Investments). The recruitment for Finance Analyst III in Corporate Governance and Stewardship, Portfolio Analytics, and Real Estate, and the recruitment for Senior Investment Officer in Real Estate continue to be open for filing while applications that have already been received are in the assessment phase. The Senior Accountant exam was closed and is currently in the final assessment phase with the intent of filling the remaining vacancy.

### *Hiring*

Three (3) offers for the Data Systems Analyst I were made, and the candidates are currently going through the background process. Three (3) offers were made for Retirement Benefits Specialist I (Temporary) for Retiree Health Care, those candidates are also currently in the background process. One (1) promotional offer from Staff Counsel to Senior Staff Counsel was accepted in the Legal Division.

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

#### *California Dental Disclosure Matrix*

In early 2021, the Department of Insurance approved a regulation requiring all specialized health care services plans that cover dental services and operating in California to provide a Summary of Dental Benefits and Coverage (SDBC) Disclosure Matrix to groups offering dental coverage to their retirees.

Cigna has provided this matrix for our Dental Preferred Provider Organization (DPPO) plan. Per the regulation, this document must be made available to members either electronically or in paper format. Due to the timing of the receipt of this information, we were unable to include it in the annual premium notification packet, so it's been made available on the website.

The California Department of Managed Care (CA DMHC) has not completed its final SDBC regulation for the Dental Health Maintenance Organization (DHMO) plan. The document for the DHMO will be provided upon approval of the DMHC's final regulation and as required by the regulation.

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

LACERA staff continues to be engaged with the Board of Supervisors and County of Los Angeles CEO's office on the elimination of the \$1 million Lifetime Maximum Benefit (LMB). The LMB applies to over 8,700 County active members and retirees enrolled now (or in the future) in the PPO and indemnity plan options.

On June 10, 2022, the County CEO's office, LACERA staff, LACERA's Healthcare consultant, and actuary, met to discuss the findings of the County's actuarial analysis. The County CEO's office will look to schedule a follow-up meeting after adoption of the County Budget in June to discuss next steps in addressing the \$1 million LMB. We will continue to work through the situation and keep the Board apprised of any new updates or developments.

SHK  
CEO report July 2022.doc

Attachments



# CEO DASHBOARD



July 6, 2022

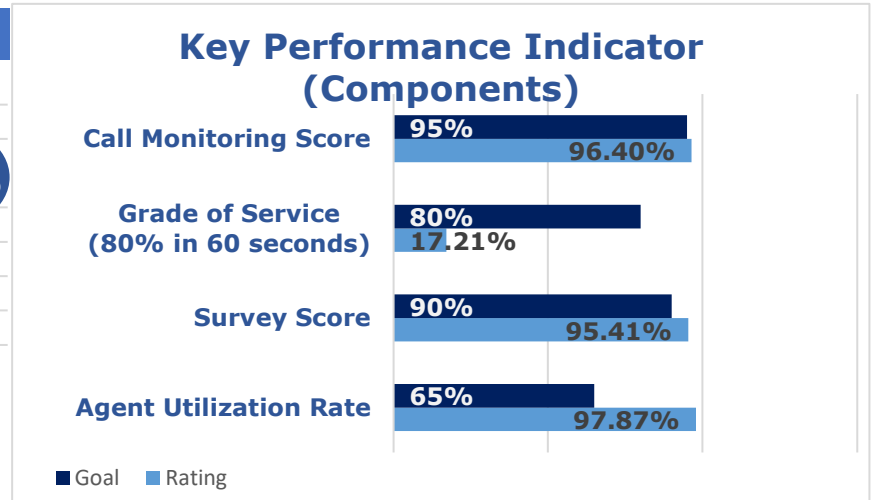
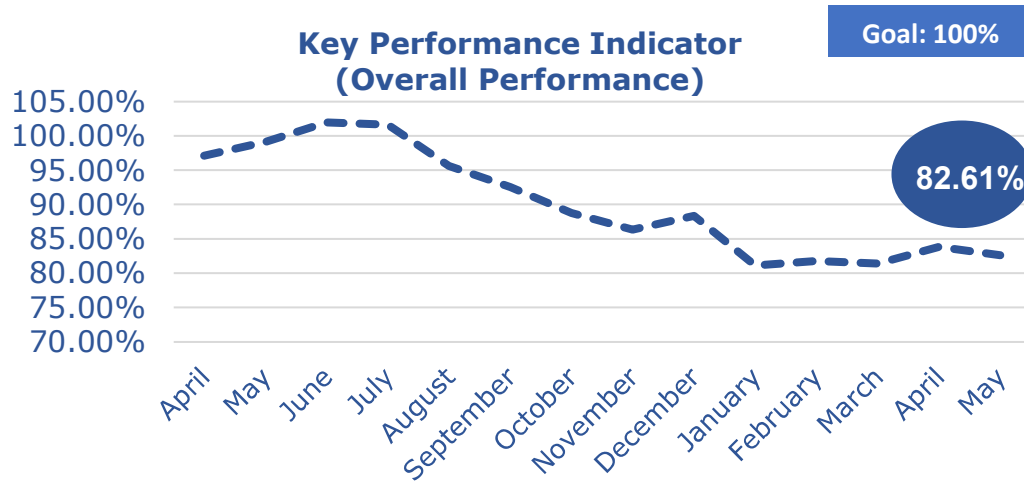


# Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: May 2022

 <b>WORKSHOP ATTENDANCE</b> <b>1,012</b> Year-to-Date: 11,011	 <b>OUTREACH EVENTS</b> <b>20</b> Year-to-Date: 192	 <b>WORKSHOP SATISFACTION</b> <b>N/A</b> Mo. To Mo. Change N/A	 <b>MSC SATISFACTION</b> <b>N/A</b> Mo. To Mo. Change N/A	 <b>MEMBER SERVICES CALL CENTER</b> <b>13,272</b> 3 Month Average 15,970
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## Member Services



## Top Calls

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



## Emails

**685**  
Avg. Response Time (ART)

**24:00 hours**

**Secure Message**  
**1,093**



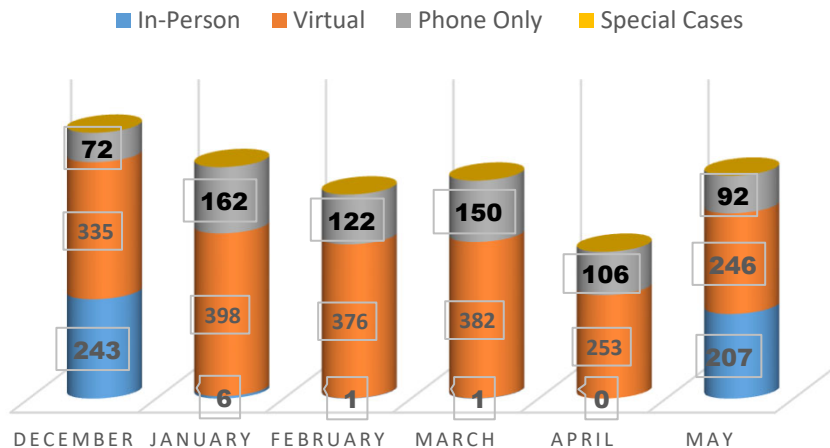


# Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: May 2022

## Member Services

### Member Service Center Appointments

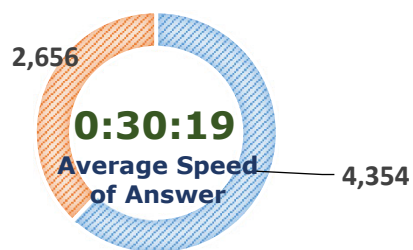


COMING SOON

## Retiree Healthcare



Total RHC Calls: 7,010



■ Calls Answered ■ Calls Abandoned

### Top Calls

1. Medical/Dental Enrollments

2. Medicare Part B Inquiries

3. General Inquiries

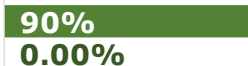
Call Monitoring Score



Grade of Service  
(80% in 60 seconds)



Survey Score



Agent Utilization Rate



■ Goal ■ Rating



Emails 416

Avg. Response Time (ART) 5 Days



Secure Messages

608



# Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: May 2022

**Applications**  
**844**

**In Process**  
**As Of**  
**5/31/2022**

**869** Pending on: 4/30/2022

**49** Received

**699** Year-to-Date

**0** Re-Opened

**0** Year-to-Date

**60** To Board - Initial

**529** Year-to-Date

**14** Closed

**65** Year-to-Date

**Appeals**  
**72**

**In Process**  
**As Of**  
**5/31/2022**

**68** Pending on: 4/30/2022

**6** Received

**26** Year-to-Date

**2** Admin Closed/Rule 32

**28** Year-to-Date

**0** Referee Recommended

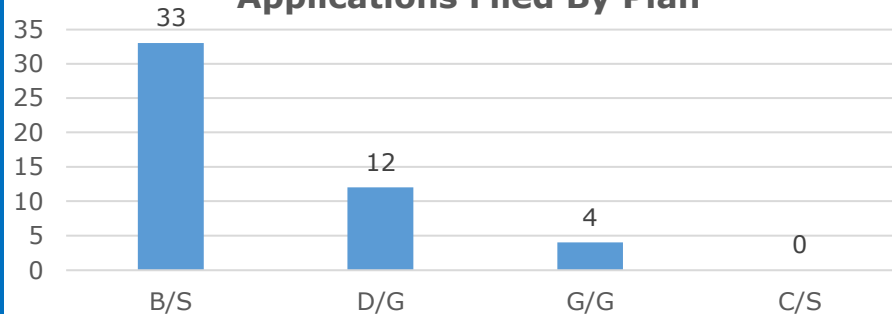
**6** Year-to-Date

**0** Revised/Reconsidered for Grant

**0** Year-to-Date

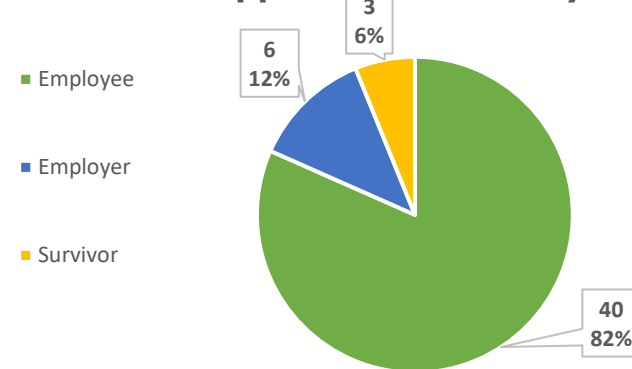
Disability

Applications Filed By Plan

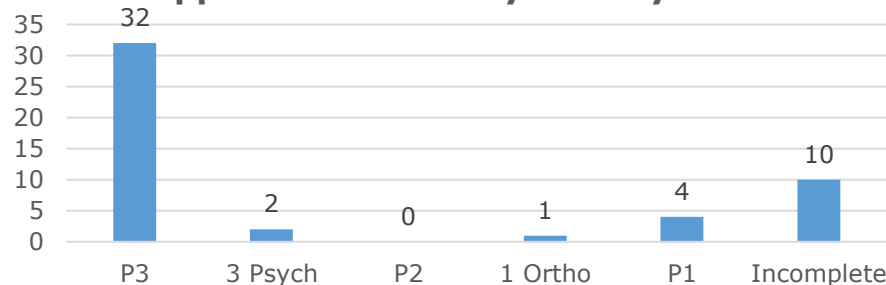


B/S: Plan B Safety - D/G: Plan D General  
G/G: Plan G General - C/S Plan C Safety

Applications Filed By Source

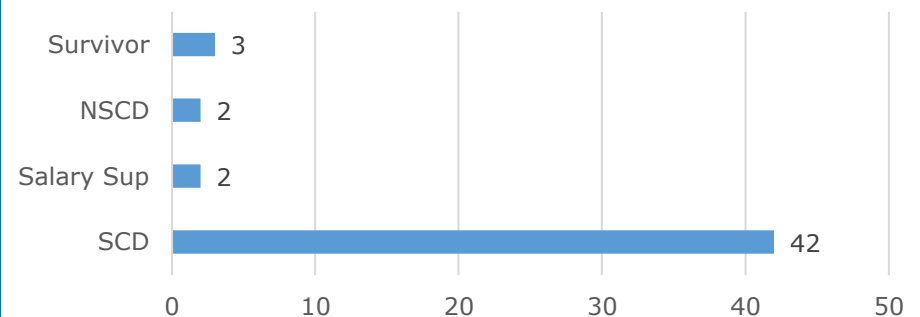


Applications Filed By Priority Level



Priority Level

Applications Filed By Type

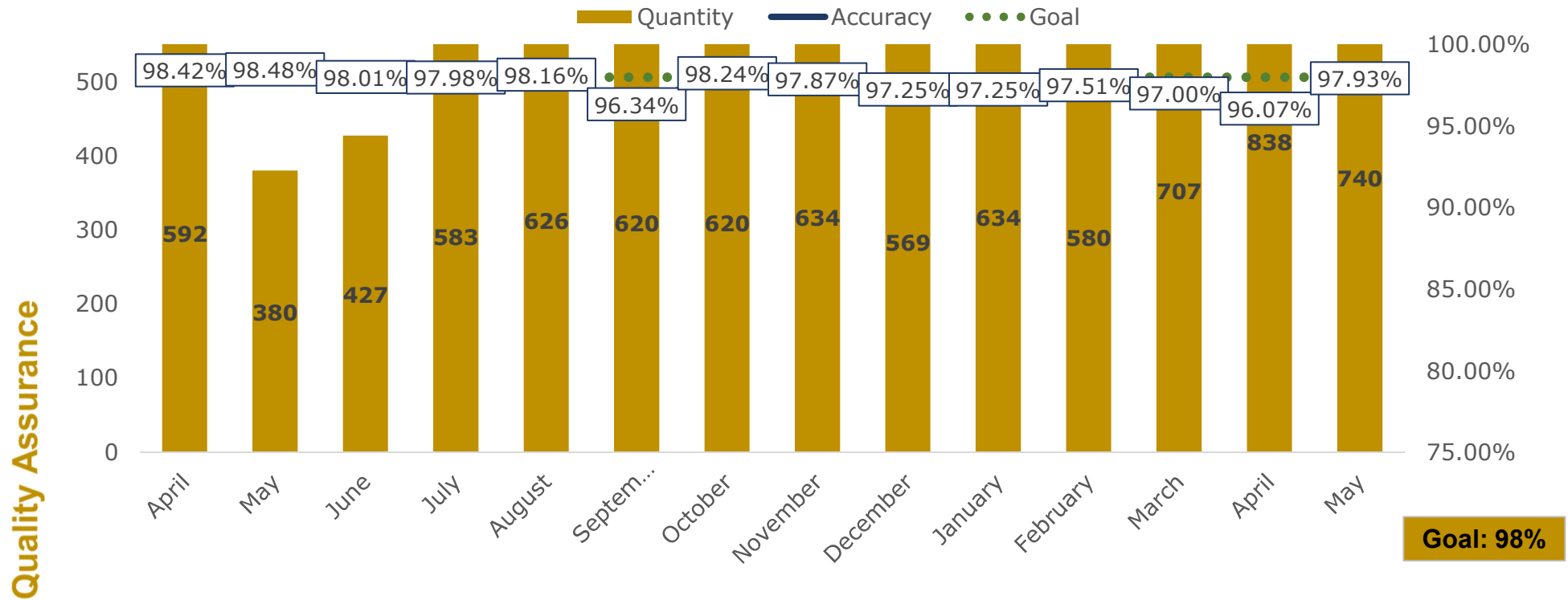




## Striving for Excellence in Quality

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: May 2022

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



May 2022

97.93%



### Retirement Elections

204

Samples

97.74%

Accuracy

### Payment Contracts

446

Samples

96.05%

Accuracy

### Data Entry

90

Samples

100.00%

Accuracy

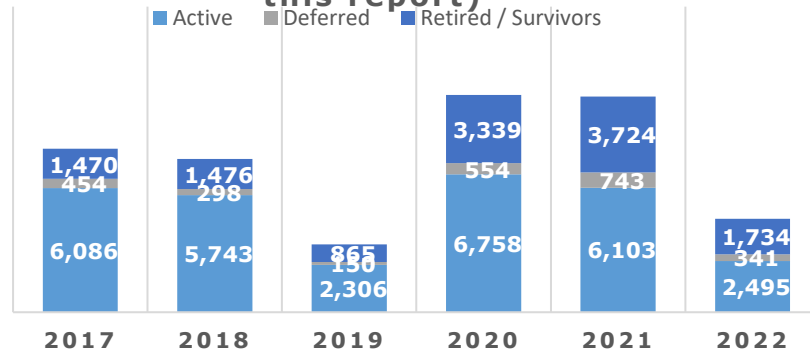


# Service On-Line for All

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: May 2022

Serving Members Through LACERA.com and MyLACERA

**MyLACERA Annual Registration**  
(as of the 15th of the month prior to this report)

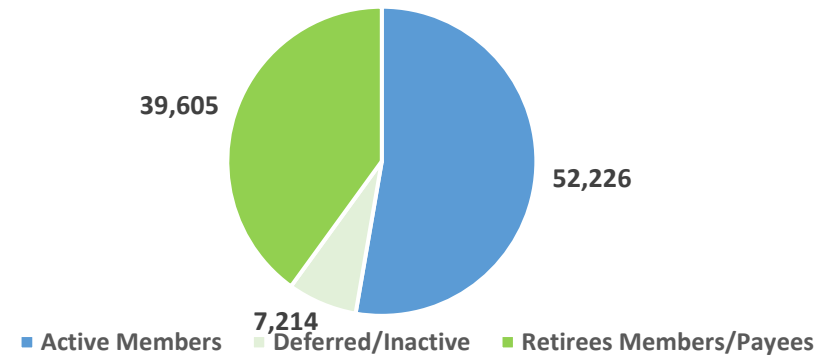


**Total Registered Members**

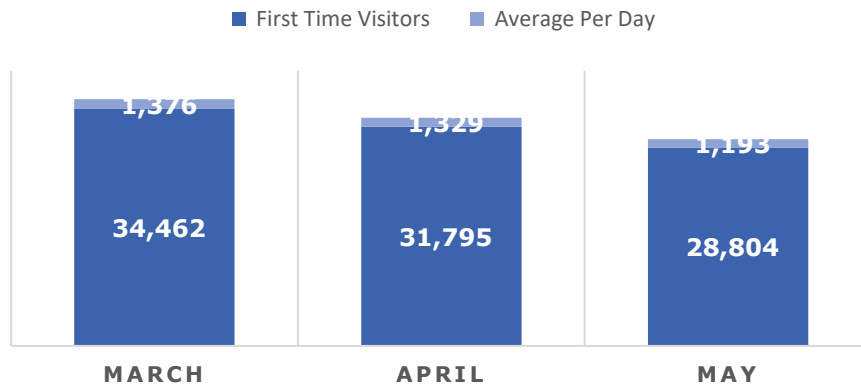
**99,045**

**59%**

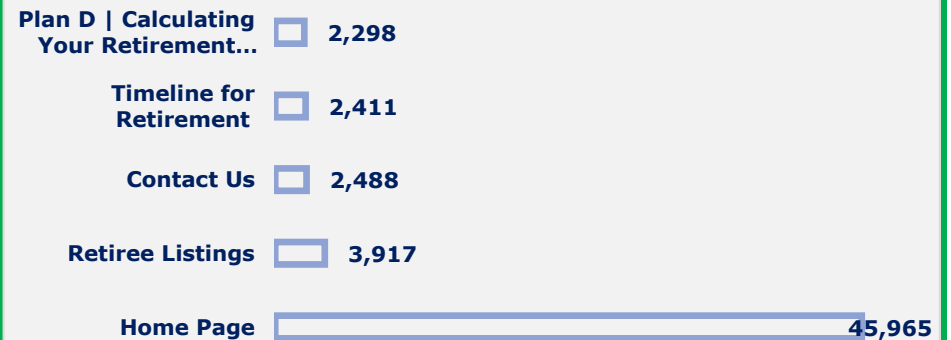
**Total Registrations By Member Type**



**LACERA.com User Traffic**



**Top Five LACERA.com Page Views**



Home Page "I Would Like To" View	Views	% of Change	Home Page Tile Views	Views	% of Change
Print a Payday Calendar	1,322	25%	My LACERA	1,969	-28%
Update My Beneficiary	1,119	2%	Pre-Retirement Workshops	1,023	-8%
Apply for Survivor Benefits	663	-15%	Careers	1,185	-1%
Change My Tax Settings	947	-35%	Investments	895	18%
View Retirement Timeline	2,411	N/A	Annual Reports	489	-12%
Busiest Day of the Month	Thursday, May 26, 2022		Forms & Publications	189	11%



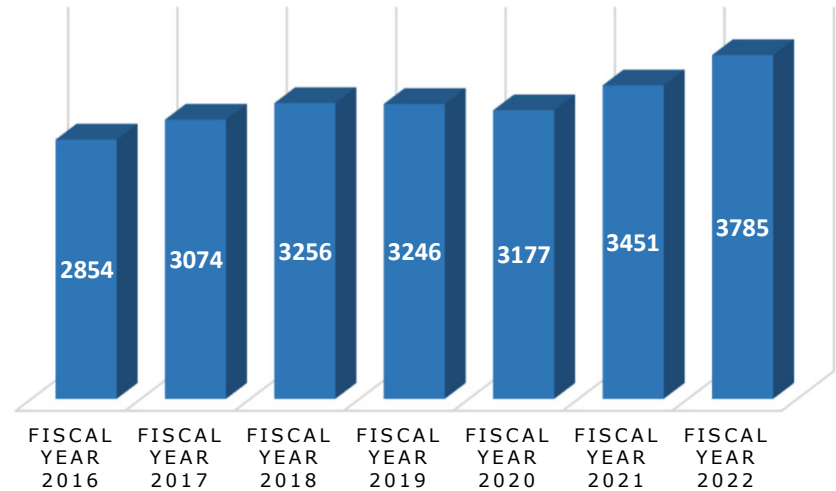


# Member Snapshot

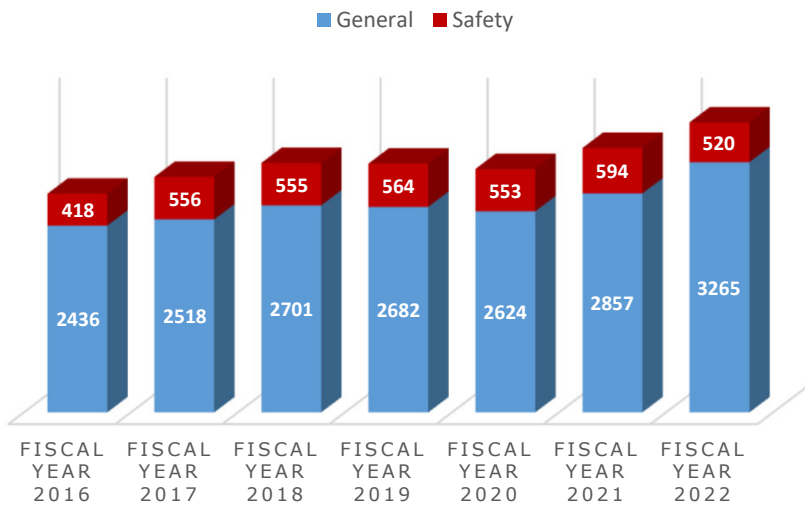
Service Metrics Reported on a Fiscal Year Basis (July 1) Through: May 2022

General	Members as of 06/15/2022				
	Plan	Active	Retired	Survivors	Total
	Plan A	55	13,980	4,155	18,190
	Plan B	15	644	69	728
	Plan C	18	421	65	504
	Plan D	35,898	19,942	1,820	57,660
	Plan E	14,079	14,842	1,514	30,435
	Plan G	33,312	179	13	33,504
	<b>Total General</b>	<b>83,377</b>	<b>50,008</b>	<b>7,636</b>	<b>141,021</b>
Safety	Plan A	1	4,546	1,651	6,198
	Plan B	8,112	7,392	383	15,887
	Plan C	4,718	19	2	4,739
	<b>Total Safety</b>	<b>12,831</b>	<b>11,957</b>	<b>2,036</b>	<b>26,824</b>
<b>TOTAL MEMBERS</b>		<b>96,208</b>	<b>61,965</b>	<b>9,672</b>	<b>167,845</b>
<b>% by Category</b>		<b>57%</b>	<b>37%</b>	<b>6%</b>	<b>100%</b>

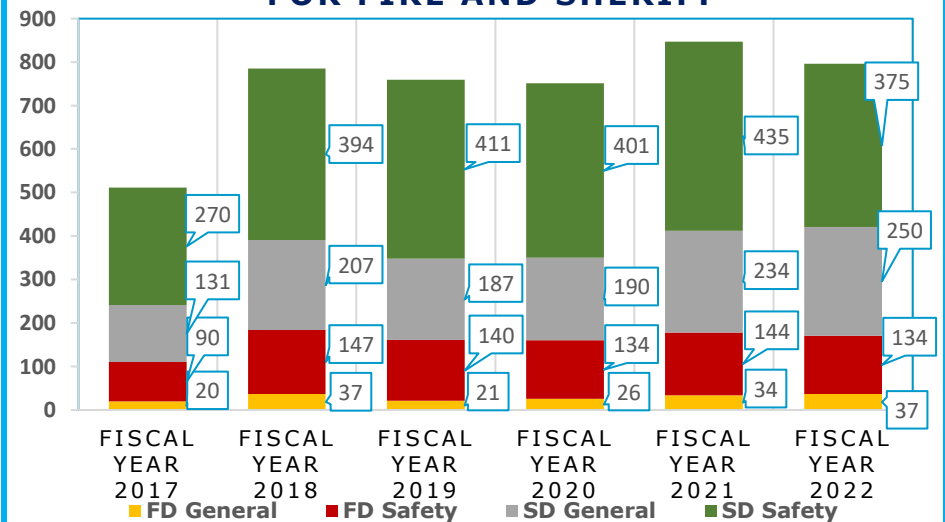
## RETIREMENTS BY YEAR



## ANNUAL RETIREMENTS BY TYPE



## GENERAL VS. SAFETY RETIREMENTS FOR FIRE AND SHERIFF





## Member Snapshot

### Average Monthly Benefit Allowance Distribution June 23, 2022

	General	Safety	Total	%
<b>\$0 to \$3,999</b>	30,053	1,498	31,551	51.0%
<b>\$4,000 to \$7,999</b>	14,167	3,451	17,618	28.5%
<b>\$8,000 to \$11,999</b>	4,040	4,276	8,316	13.4%
<b>\$12,000 to \$15,999</b>	1,120	2,107	3,227	5.2%
<b>\$16,000 to \$19,999</b>	368	430	798	1.3%
<b>\$20,000 to \$23,999</b>	113	138	251	0.4%
<b>\$24,000 to \$27,999</b>	31	41	72	0.1%
<b>&gt; \$28,000</b>	23	4	27	0.0%
<b>Totals</b>	49,915	11,945	61,860	100%

### Average Monthly Benefit Amount:

\$ **4,729.00**

#### Healthcare Program

(Mo. Ending:5/31/2022)

	Employer	Member
Medical	\$534.5	\$39.6
Dental	\$42.6	\$4.1
Part B	\$75.3	\$0.0
<b>Total</b>	<b>\$652.4</b>	<b>\$43.7</b>

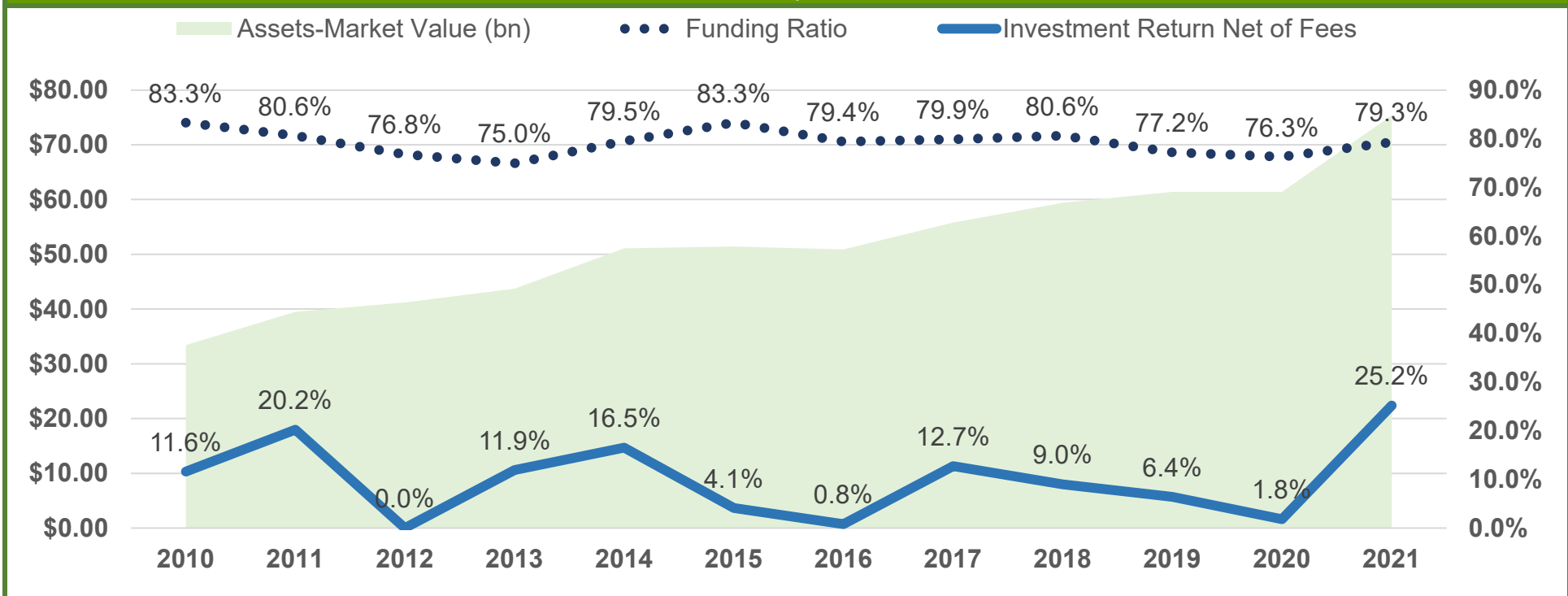
#### Health Care Enrollments

(Mo. Ending:5/31/2022)

Medical	53,731
Dental	55,447
Part B	36,846
LTC	536
<b>Total</b>	<b>146,560</b>

## KEY FINANCIAL METRICS

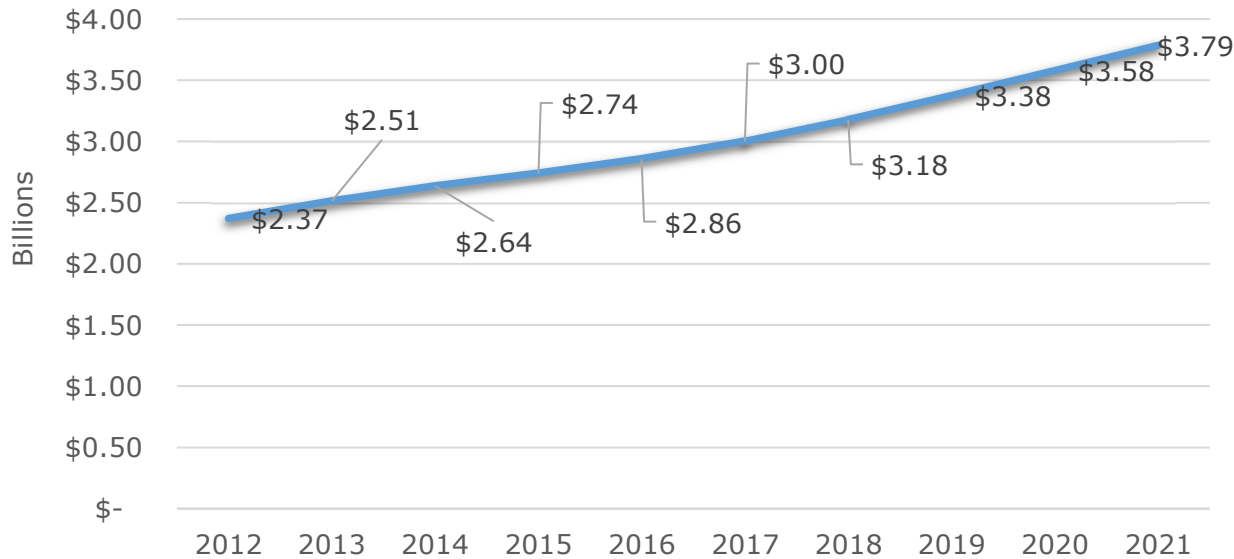
Fiscal Year End Financial Update (as of 06/30/2021)





## Key Financial Metrics

**Retiree Payroll by Year**



### 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%

### Contributions (as of 6/30/21)

(Net of Fees)

5 YR: 10.8%    10 YR: 8.6%

### Retired Members Payroll

(As of 5/31/2022)

Monthly Payroll	\$353.51m
Payroll YTD	\$3.7b
New Retired Payees Added	275
Seamless %	96.00%
New Seamless Payees Added	4,877
Seamless YTD	96.76%
By Check %	2.00%
By Direct Deposit %	98.00%

**QUIET PERIOD LIST**  
**Administrative/Operations**  
 Last Update:6/9/2022

RFP/RFI Name	Issuing Division	RFP Issued	Status*	Quiet Period for RFP Respondents*
Search for Classification & Compensation Study Services (HR)	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> <li>• Koff and Associates</li> <li>• Magnova Consultant</li> <li>• Grant Thornton</li> <li>• Reward Strategy Group</li> </ul>
Search for Classification & Compensation Study Services (RHC)	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> <li>• Koff and Associates</li> <li>• Magnova Consultant</li> <li>• Grant Thornton</li> <li>• Reward Strategy Group</li> </ul>
Contract Lifecycle Management Application	Administrative Services/ Systems	3/4/2022	Vendor Presentation and Evaluation	<ul style="list-style-type: none"> <li>• Agiloft</li> <li>• Cobblestone</li> <li>• DocuSign</li> <li>• Icertis</li> <li>• Pantheon</li> <li>• </li> </ul>
				<ul style="list-style-type: none"> <li>• </li> </ul>
2Case Management Software Solution	Systems Division	10/6/2021	Contract Negotiation	<ul style="list-style-type: none"> <li>• Eccentex</li> <li>• </li> </ul>
Budget Software	Administrative Services/ Systems	3/10/2022	RFP Review	<ul style="list-style-type: none"> <li>• Neubrain</li> <li>• ClearGov</li> <li>• Workday</li> <li>• Vena</li> <li>• Prophix</li> <li>• Questica</li> <li>• Denovo/Oracle</li> <li>• Board</li> <li>• TruEd/TruGov</li> <li>• IGM/Gravity</li> </ul>

RFP/RFI Name	Issuing Division	RFP Issued	Status*	Quiet Period for RFP Respondents*
Executive Recruitment Services	Human Resources	2/23/2022	Bid Review	<ul style="list-style-type: none"> <li>• Alliance Consulting</li> <li>• David Gomez Partners, Inc</li> <li>• EFL</li> <li>• Ralph Anderson</li> <li>• Spencer Stuart</li> <li>• WBCP</li> </ul>
Investments Operational Due Diligence	Internal Audit	5/20/2022	Solicitation Process	<ul style="list-style-type: none"> <li>• KPMG</li> <li>• Deloitte</li> </ul>

\*Subject to change

## INVESTMENTS QUIET PERIOD FOR SEARCH RESPONDENTS

### Custody Bank Search

- ✓ State Street Bank and Trust Co.

### Illiquid Credit Emerging Manager Program Search

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

### OPEB Private Markets Investments Search

- ✓ BlackRock Financial Management Inc.
- ✓ Cambridge Associates LLC
- ✓ Goldman Sachs Asset Management, L.P.
- ✓ Hamilton Lane Advisors, LLC
- ✓ HarbourVest Partners, LLC
- ✓ J.P. Morgan Asset Management
- ✓ Morgan Stanley Investment Management
- ✓ Neuberger Berman Alternatives Advisers, LLC
- ✓ Pathway Capital Management, LP
- ✓ StepStone Group Holdings, LLC

Date	Conference
<b>July, 2022</b>	
13-15	Pacific Pension Institute (PPI) Summer Roundtable Vancouver, British Columbia
17-22	Leading in Artificial Intelligence: Exploring Technology and Policy Harvard Kennedy School, Cambridge, MA
<b>August, 2022</b>	
21-23	NCPERS (National Conference on Public Employee Retirement Systems) Public Pension Funding Forum Los Angeles, CA
29-September 1	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Governance for Trustees Tiburon, CA
<b>September, 2022</b>	
16	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual
20-22	Council of Institutional Investors (CII) Fall Conference Boston, MA
<b>October, 2022</b>	
8-11	National Association of Corporate Directors (NACD) Summit 2022 National Harbor, MD ( <i>or virtual</i> )
9-10	CRCEA (California Retired County Employees Association) Fall Conference Sacramento, CA
10-14	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania
19-21	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Washington D.C.
19-21	Pacific Pension Institute (PPI) Asia Roundtable Singapore
23-26	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference Nashville, TN
23-26	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference Las Vegas, NV
28	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual

# Chief Investment Officer Monthly Report

Board of Investments

July 13, 2022



Jonathan Grabel   
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

# Table of Contents

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



# Market Environment

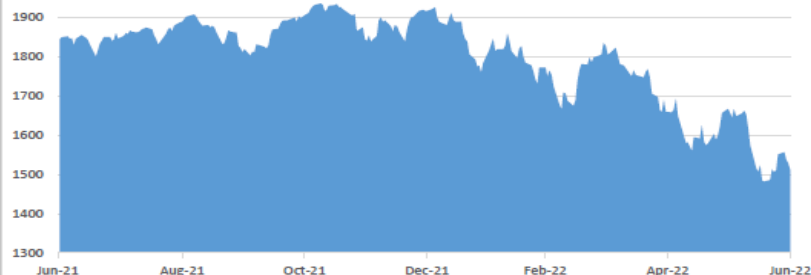


# Global Market Performance as of June 30, 2022

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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-8.6	-15.8	-20.4	-16.5	6.0	6.7	8.7

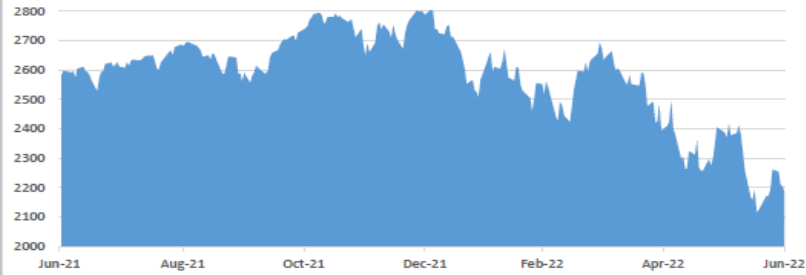
MSCI ACWI IMI Index 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-8.4	-16.7	-21.1	-13.9	9.8	10.6	12.6

Russell 3000 1-Year Performance



## MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-6.6	-11.5	-17.6	-25.3	0.6	2.2	3.1

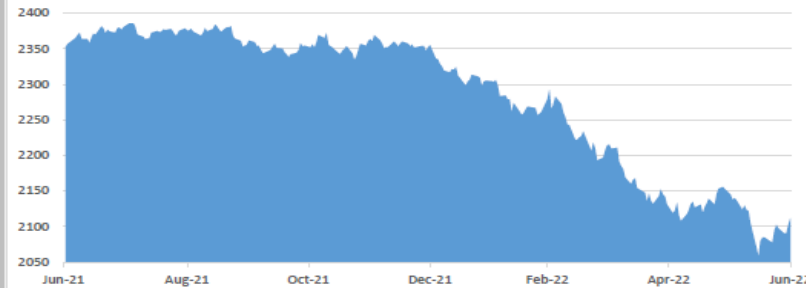
MSCI Emerging Markets 1-Year Performance



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

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-1.6	-4.7	-10.3	-10.3	-0.9	0.9	1.5

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



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

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

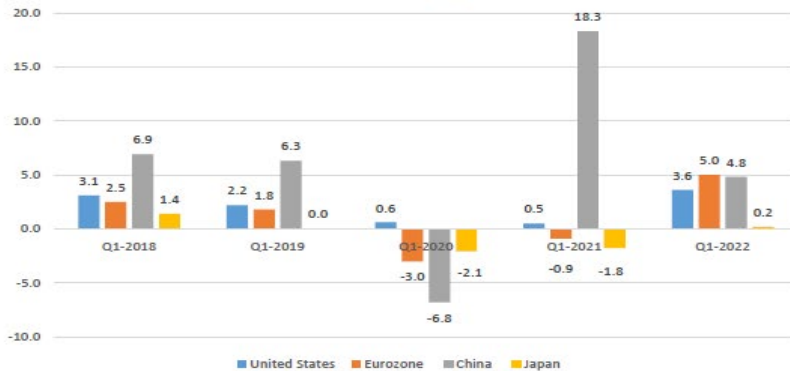
Source: Bloomberg



# Key Macro Indicators\*

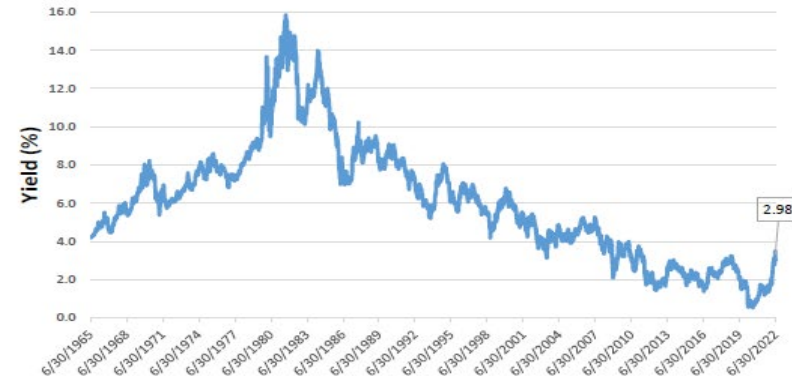
## GDP Growth of Major Economies<sup>1</sup>

Real GDP Growth YoY (%) - Last Five Years



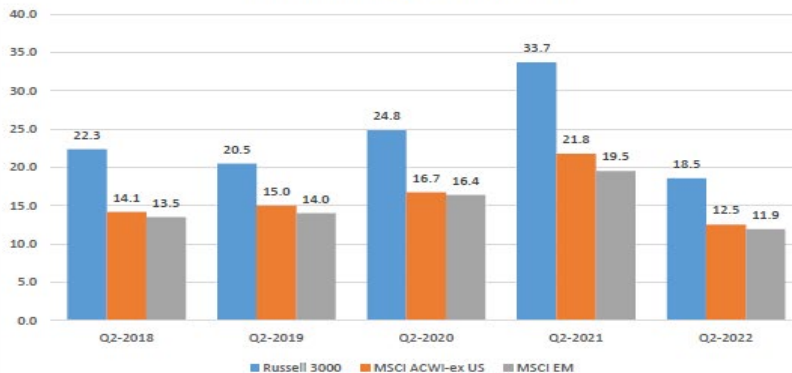
## 10-Year Treasury Yield<sup>2</sup>

Historical 10-Year Treasury Yield



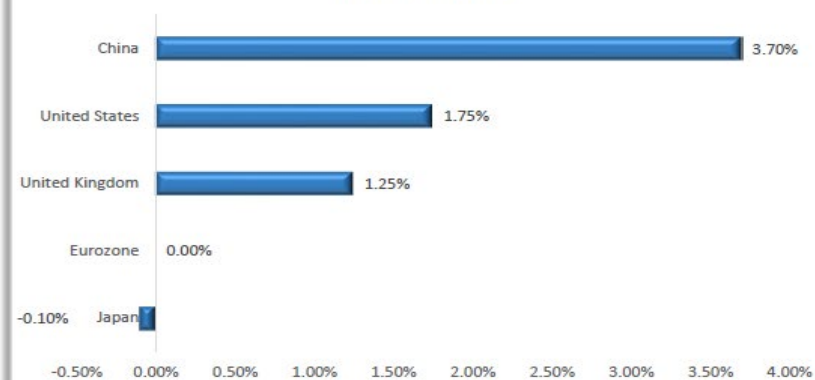
## World Equity Valuation<sup>3</sup>

Price-to-Earnings - Last Five Years



## Central Bank Rates<sup>4</sup> (as of 6/30/2022)

Central Bank Rates



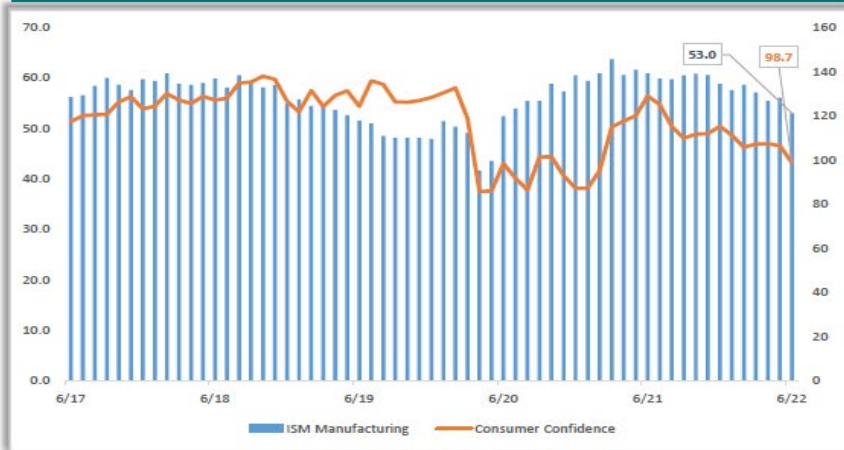
\*The information on the "Key Macro Indicators" charts is the best available data as of 6/30/22 and may not reflect the current market and economic environment.

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



# Key Macro Indicators\*

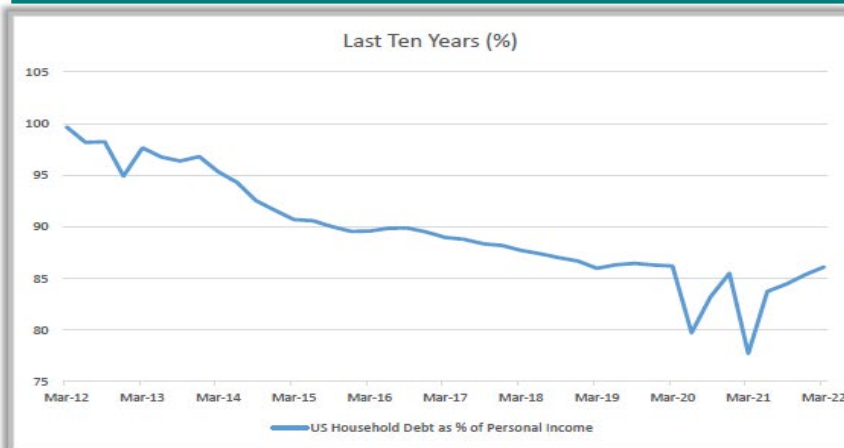
## Consumer Confidence & ISM Manufacturing<sup>1</sup>



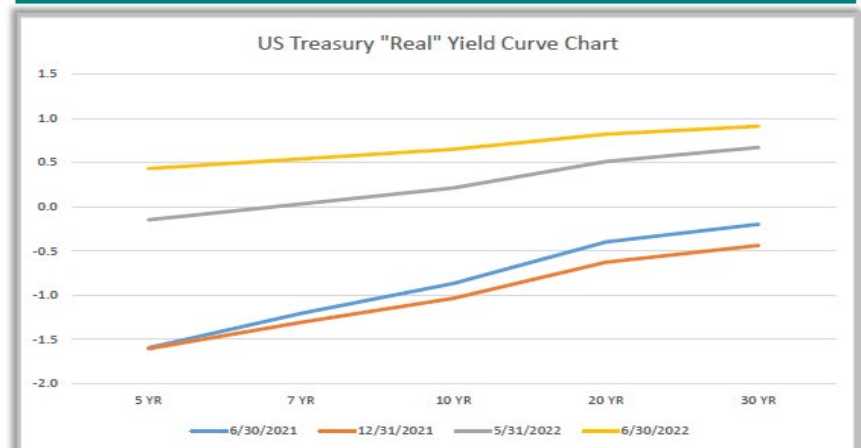
## U.S. Inflation, Unemployment, & Labor Force Participation<sup>2</sup>



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



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



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

\*The information on the "Key Macro Indicators" charts is the best available data as of 6/30/22 and may not reflect the current market and economic environment.



# Market Themes and Notable Items to Watch

## Recent Themes

- The U.S. Federal Reserve raised its primary borrowing rate by 0.75% in June, the sharpest hike since 1994, in an attempt to combat inflation
  - Additional rate hikes are expected this year
- The worst first half of a year in the stock market since 1970
- 40-year highs in inflation continue to be the greatest concern for central banks and a headwind to markets
- The U.S. 10-year Treasury yield ended June at 2.98%, up from 1.52% at the end of 2021 and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Market Index) declined 8.6% in June and is now down 20.4% this calendar year

## What to Watch

- Interest rates and central bank actions
- Economic data and trends
  - Inflation, supply chains, and labor developments
- Changing macro conditions and geopolitical risks
- Environmental, social, governance
  - ESG reporting framework convergence, as SASB becomes part of IFRS
  - 25% increased volume of E&S shareholder proposals in U.S.
  - Regulatory focus on manager ESG window dressing
- Russia-Ukraine war
  - Continued geopolitical, global commerce, commodities, energy markets/transition impacts
- Covid-19
  - Covid variants, cases, transmission, vaccines
  - Economic and consumer behavior implications

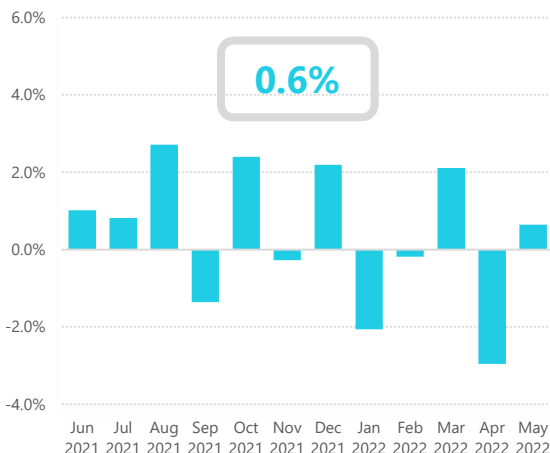
# Portfolio Performance & Risk Updates



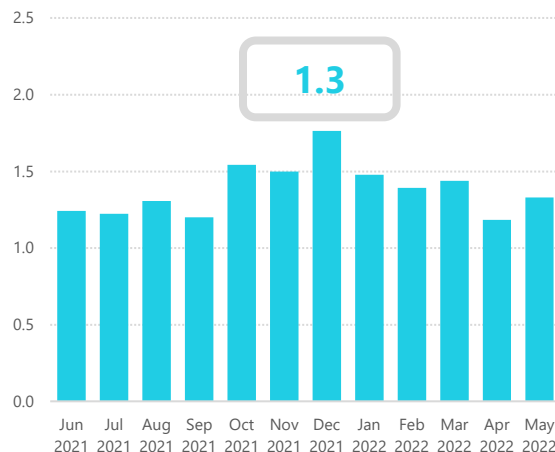
# Total Fund Summary

as of May 2022

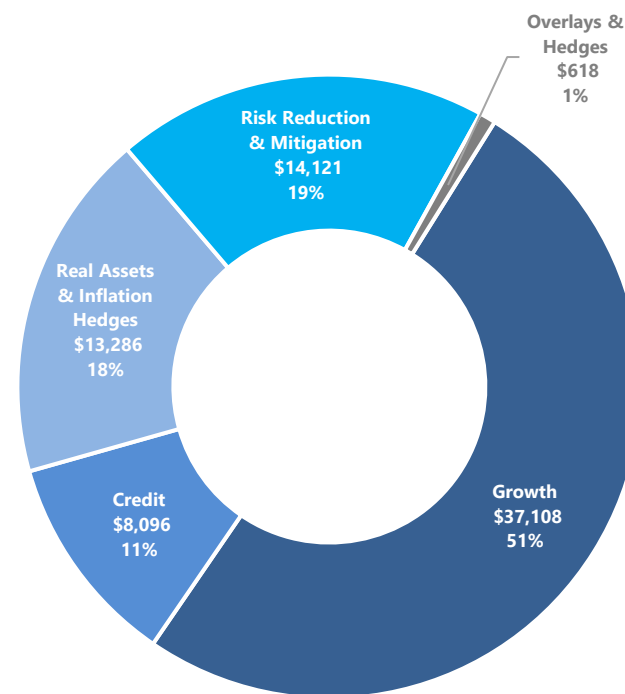
## Monthly Return (net)



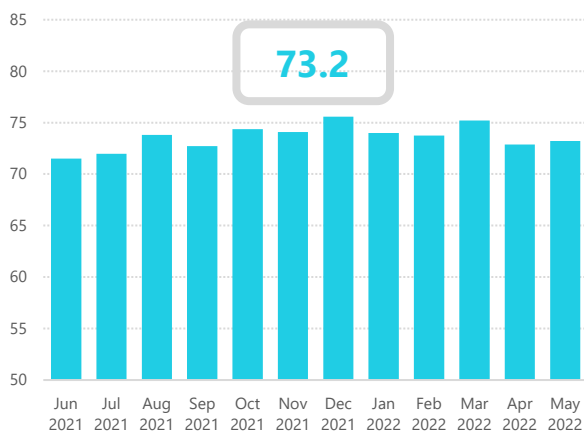
## Sharpe Ratio (3-year annualized)



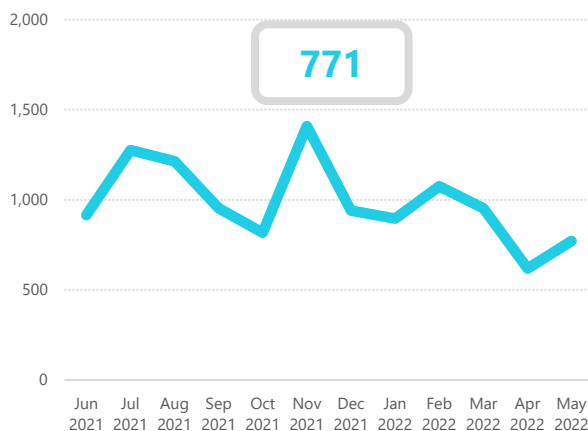
## Asset Allocation (\$ millions)



## Total Market Value (\$ billions)



## Cash (\$ millions)

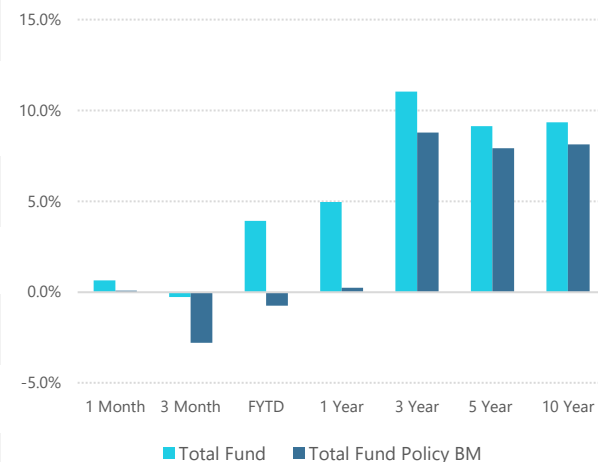


# Historical Net Performance

as of May 2022

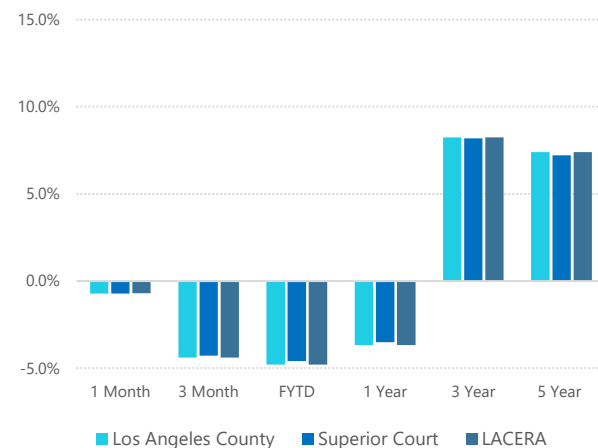
## LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	<b>73,228</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.6%</b>	<b>-0.3%</b>	<b>3.9%</b>	<b>5.0%</b>	<b>11.0%</b>	<b>9.1%</b>	<b>9.3%</b>
Total Fund Policy BM				0.1%	-2.8%	-0.8%	0.2%	8.8%	7.9%	8.1%
7% Annual Hurdle Rate				0.6%	1.7%	6.4%	7.0%	7.0%	7.0%	7.0%
<b>Growth</b>	<b>37,108</b>	<b>50.7%</b>	<b>51.0%</b>	<b>0.0%</b>	<b>-1.4%</b>	<b>3.0%</b>	<b>4.7%</b>	<b>16.4%</b>		
Growth Policy BM				-0.4%	-4.4%	-3.2%	-1.8%	13.2%		
<b>Credit</b>	<b>8,096</b>	<b>11.1%</b>	<b>11.0%</b>	<b>-0.8%</b>	<b>-2.4%</b>	<b>-1.0%</b>	<b>-0.3%</b>	<b>4.7%</b>		
Credit Policy BM				-1.5%	-4.1%	-4.8%	-4.2%	2.8%		
<b>Real Assets &amp; Inflation Hedges</b>	<b>13,286</b>	<b>18.1%</b>	<b>17.0%</b>	<b>3.9%</b>	<b>7.1%</b>	<b>20.1%</b>	<b>19.9%</b>	<b>10.5%</b>		
Real Assets & Inflation Hedges Policy BM				2.3%	5.7%	18.2%	18.6%	11.3%		
<b>Risk Reduction &amp; Mitigation</b>	<b>14,121</b>	<b>19.3%</b>	<b>21.0%</b>	<b>0.4%</b>	<b>-4.2%</b>	<b>-6.1%</b>	<b>-5.5%</b>	<b>1.5%</b>		
Risk Reduction & Mitigation Policy BM				0.3%	-5.0%	-6.8%	-6.2%	0.6%		
<b>Overlays &amp; Hedges</b>	<b>618</b>	<b>0.8%</b>		<b>-6.1%</b>	<b>70.9%</b>					



## OPEB Master Trust<sup>1</sup>

	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
<b>OPEB MASTER TRUST</b>	<b>2,463</b>			<b>-0.7%</b>	<b>-4.4%</b>	<b>-4.8%</b>	<b>-3.7%</b>	<b>8.3%</b>	<b>7.4%</b>
Los Angeles County	2,395	97.2%	—	-0.7%	-4.4%	-4.8%	-3.7%	8.3%	7.4%
Superior Court	59	2.4%	—	-0.7%	-4.3%	-4.6%	-3.5%	8.2%	7.2%
LACERA	9	0.4%	—	-0.7%	-4.4%	-4.8%	-3.7%	8.2%	7.4%
<b>OPEB Growth</b>	<b>1,231</b>	<b>50.0%</b>	<b>50.0%</b>	<b>0.1%</b>	<b>-5.8%</b>	<b>-8.4%</b>	<b>-7.3%</b>	<b>11.8%</b>	<b>9.1%</b>
OPEB MT Growth Policy BM				0.1%	-6.0%	-8.6%	-7.5%	11.5%	8.8%
<b>OPEB Credit</b>	<b>496</b>	<b>20.1%</b>	<b>20.0%</b>	<b>-0.7%</b>	<b>-3.1%</b>	<b>-5.4%</b>	<b>-5.0%</b>	<b>1.7%</b>	<b>--</b>
OPEB MT Credit Policy BM				-1.0%	-3.7%	-5.7%	-5.4%	1.9%	--
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>491</b>	<b>19.9%</b>	<b>20.0%</b>	<b>-3.4%</b>	<b>-0.8%</b>	<b>8.1%</b>	<b>10.0%</b>	<b>9.0%</b>	<b>--</b>
OPEB MT RA & IH Policy BM				-3.4%	-1.2%	7.7%	9.6%	8.7%	--
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>245</b>	<b>9.9%</b>	<b>10.0%</b>	<b>0.5%</b>	<b>-4.6%</b>	<b>-7.1%</b>	<b>-6.5%</b>	<b>0.3%</b>	<b>1.7%</b>
OPEB MT RR & M Policy BM				0.5%	-4.7%	-7.1%	-6.6%	0.2%	1.5%
Operational Cash	0	0.0%							



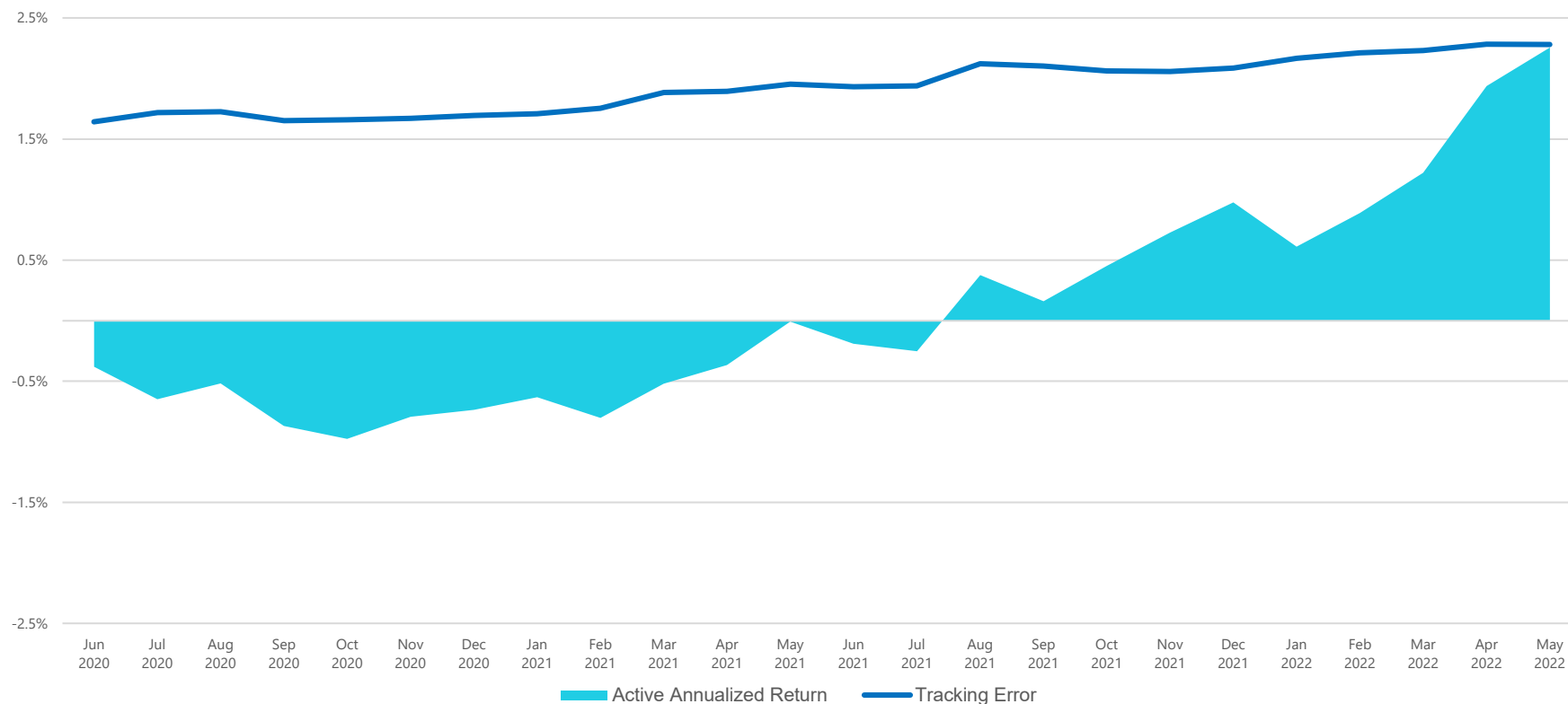
1. Market value differences between the sub-trusts and functional composites are due to operational cash.



# Performance Based Risk

as of May 2022

## Active Return vs. Tracking Error<sup>1,2,3</sup>



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
May 2022	11.0%	8.8%	2.3%	2.3%

1. Rolling 36 months.

2. Active return equals the difference in return between a portfolio and its benchmark.

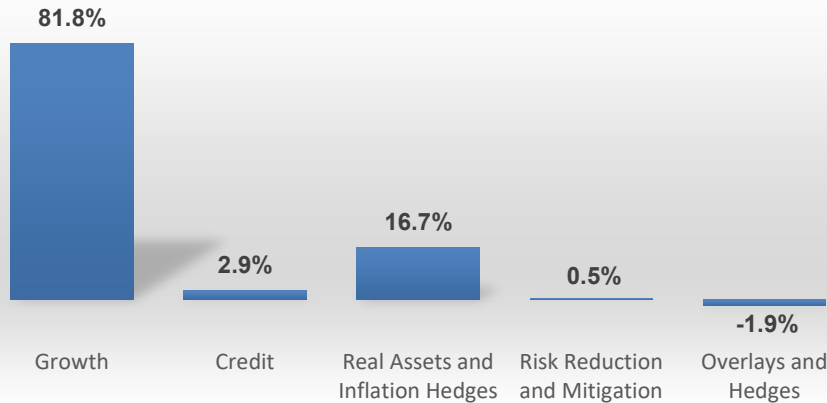
3. Tracking error (or active risk) measures the volatility of active returns.



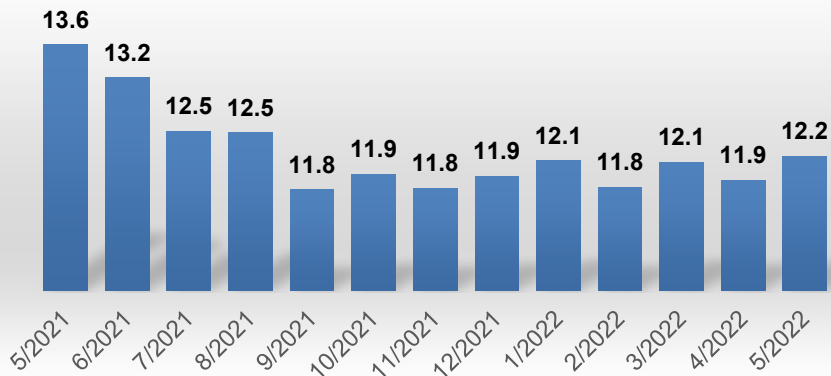
# Total Fund Forecast Risk\*

as of May 2022

## %Contribution to Total Risk



## Total Risk



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
<b>Total Fund</b>			<b>12.2</b>	<b>11.6</b>
<b>Growth</b>	<b>50.8%</b>	<b>81.8%</b>	<b>19.8</b>	<b>18.3</b>
Global Equity	32.4%	44.4%	17.6	17.7
Private Equity	16.9%	33.9%	27.7	25.3
Non-Core Private Real Estate	1.5%	3.4%	41.1	18.5
<b>Credit</b>	<b>11.0%</b>	<b>2.9%</b>	<b>4.3</b>	<b>4.9</b>
Liquid Credit	6.5%	2.2%	5.3	4.9
Illiquid Credit	4.4%	0.8%	4.2	4.9
<b>Real Assets &amp; Inflation Hedges</b>	<b>18.2%</b>	<b>16.7%</b>	<b>12.7</b>	<b>12.9</b>
Core Private Real Estate	6.1%	6.7%	19.4	18.5
Natural Resources & Commodities	5.2%	4.9%	15.6	19.7
Infrastructure	4.2%	4.6%	15.8	16.1
TIPS	2.8%	0.4%	5.6	5.7
<b>Risk Reduction and Mitigation</b>	<b>19.2%</b>	<b>0.5%</b>	<b>4.6</b>	<b>4.4</b>
Investment Grade Bonds	11.0%	0.3%	5.3	5.2
Diversified Hedge Funds	5.4%	0.4%	4.0	0.1
Long-Term Government Bonds	1.7%	-0.1%	13.0	13.0
Cash	1.1%	0.0%	-	-
<b>Overlays and Hedges</b>	<b>0.9%</b>	<b>-1.9%</b>	<b>-</b>	<b>-</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 12/31/2021

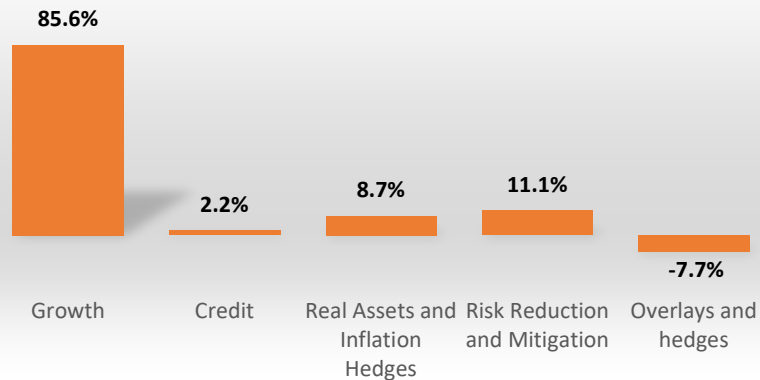
\*\*BMK Risk stands for Benchmark Risk



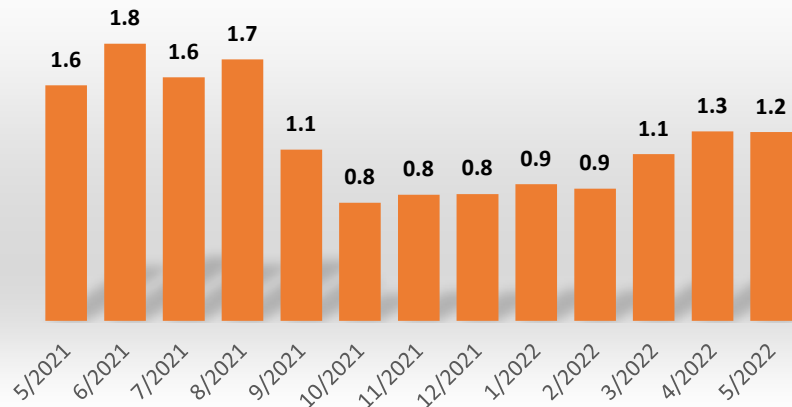
# Total Fund Forecast Active Risk\*

as of May 2022

## Active Risk Contribution



## Active Risk



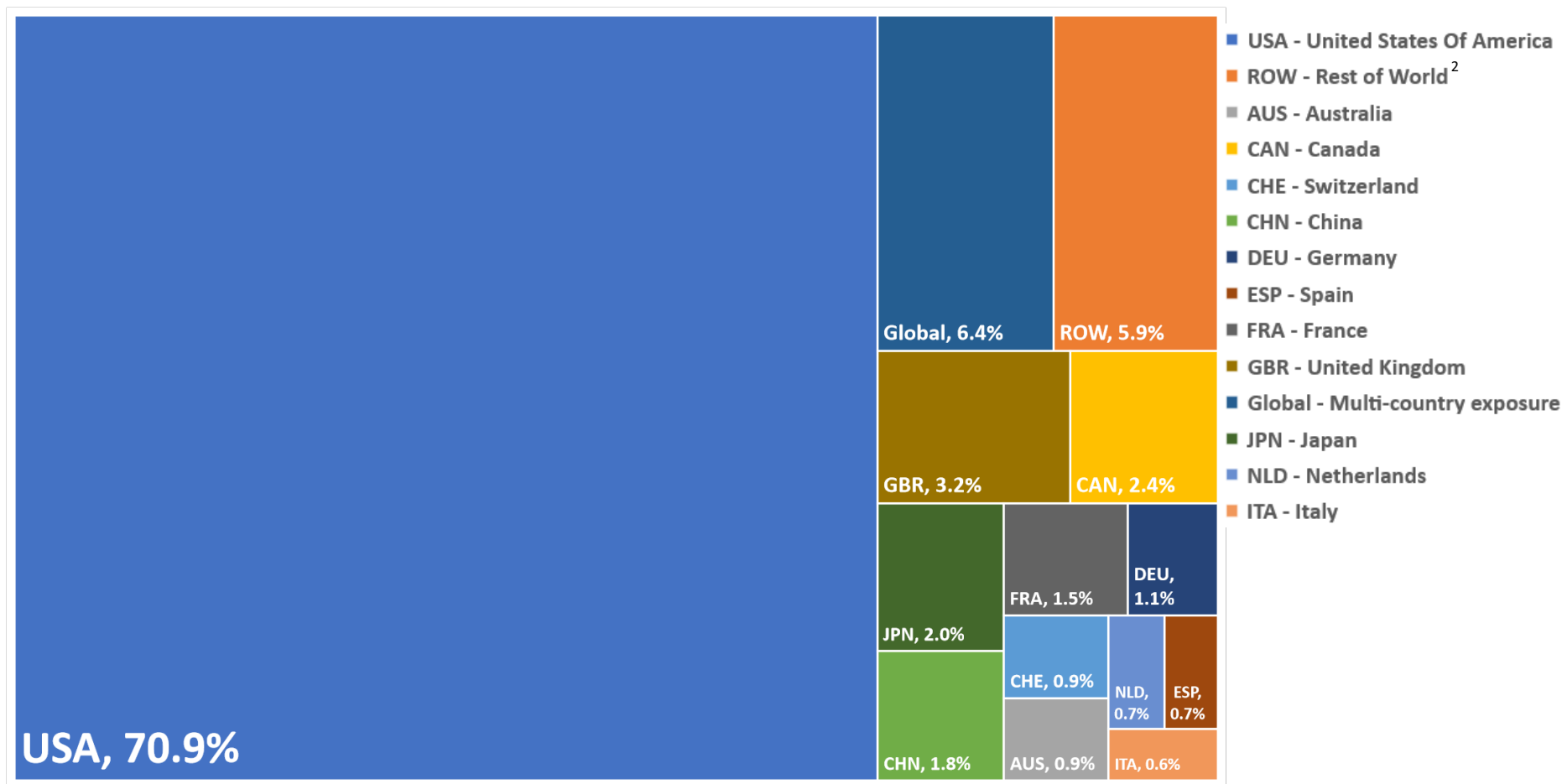
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
<b>Total Fund</b>			<b>1.25</b>	<b>-0.04</b>	<b>1.29</b>
<b>Growth</b>	<b>50.8%</b>	<b>-0.21%</b>	<b>1.07</b>	<b>-0.01</b>	<b>1.08</b>
Global Equity	32.4%				
Private Equity	16.9%				
Non-Core Private Real Estate	1.5%				
<b>Credit</b>	<b>11.0%</b>	<b>-0.02%</b>	<b>0.03</b>	<b>0.00</b>	<b>0.03</b>
Liquid Credit	6.5%				
Illiquid Credit	4.4%				
<b>Real Assets &amp; Inflation Hedges</b>	<b>18.2%</b>	<b>1.21%</b>	<b>0.11</b>	<b>-0.03</b>	<b>0.14</b>
Core Private Real Estate	6.1%				
Natural Resources & Commodities	5.2%				
Infrastructure	4.2%				
TIPS	2.8%				
<b>Risk Reduction and Mitigation</b>	<b>19.2%</b>	<b>-1.84%</b>	<b>0.14</b>	<b>0.09</b>	<b>0.05</b>
Investment Grade Bonds	11.0%				
Diversified Hedge Funds	5.4%				
Long-Term Government Bonds	1.7%				
Cash	1.1%				
<b>Overlays and Hedges</b>	<b>0.9%</b>	<b>0.87%</b>	<b>-0.10</b>	<b>-0.10</b>	<b>-</b>

\*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 12/31/2021



# Geographic Exposures by AUM\* - Total Fund

as of May 2022 ex-overlays and hedges



\*AUM = assets under management

<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 12/31/2021

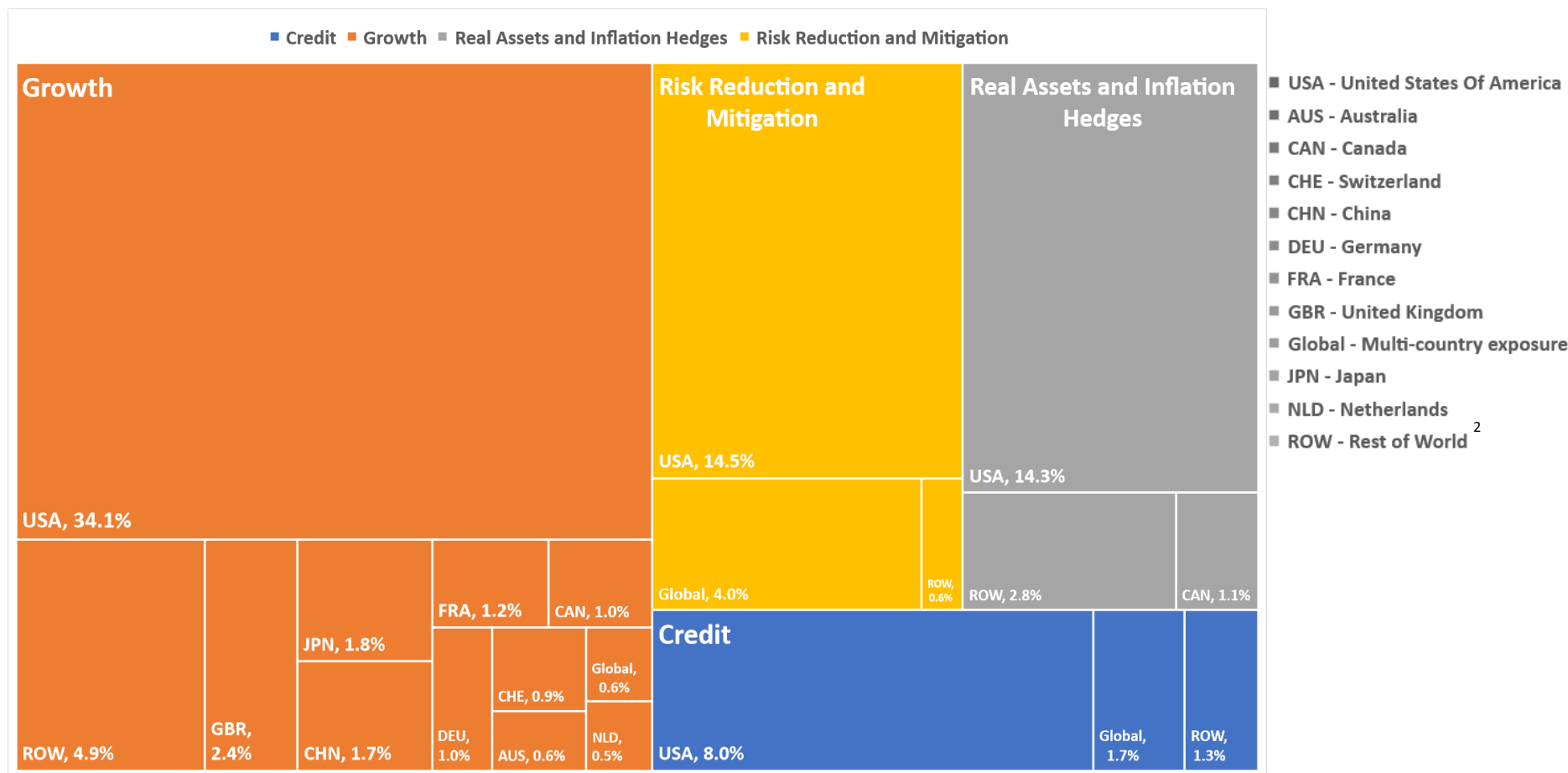
<sup>2</sup> "ROW - Rest of World" is sum of countries with weight below 0.5%

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



# Geographic Exposures by AUM\* - Asset Categories

as of May 2022 ex-overlays and hedges



\*AUM = assets under management

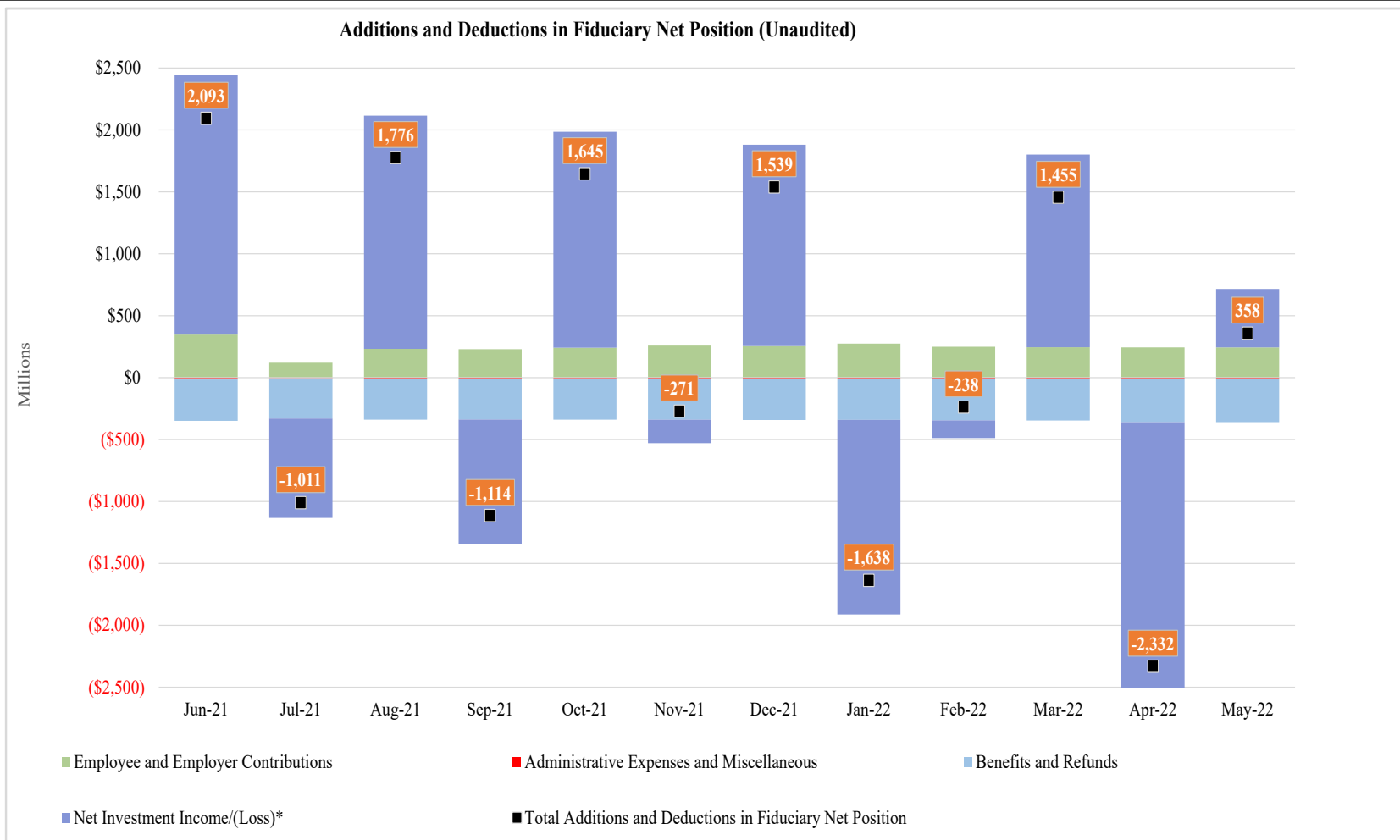
<sup>1</sup> \*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 12/31/2021

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

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



# Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-20	5	7	-
FY-21	2	10	\$13.8 billion
FY-22	6	5	\$170 thousand



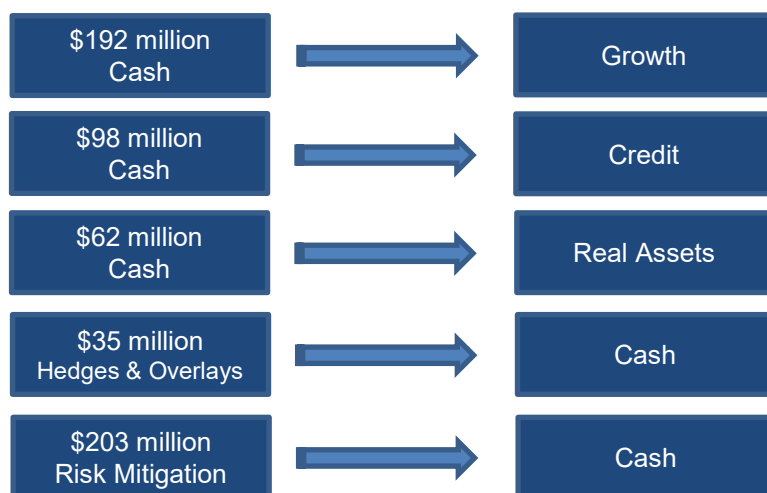
# Portfolio Structural Updates



# Portfolio Structural Updates

## Portfolio Movements

### Rebalancing Activity



### Hedges and Overlays

Program	May Return	May Gain/(Loss)	Inception* Gain/(Loss)
Currency Hedge**	-0.4%	\$34.6 Million	\$1.1 Billion
Cash/Rebalance Overlay***	-0.5%	(\$10.9 Million)	\$105.5 Million

\*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.

## Current Search Activity

### Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
Illiquid Credit Emerging Manager Program Search	●	●	Anticipated Mid 2022
Custody Bank Search	●	●	Anticipated August 2022
OPEB Private Markets Investments Search	●	●	Anticipated August 2022
Global Equity Emerging Separate Account Manager Search	●	●	Anticipated Late 2022

### Quiet Period for Search Respondents

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





# Key Initiatives and Operational Updates



# Notable Initiatives and Operational Updates

## Key Initiative Updates

- Implementation is ongoing for the new strategic asset allocation final policy targets and benchmarks
- Preparations for the BOI Offsite in September are underway

## Team Searches and Open Positions

- Working on launching new searches
  - 1 – Deputy Chief Investment Officer
  - 1 – Principal Investment Officer
  - 2 – Senior Investment Officer
    - 1 search in progress
  - 4 – Financial Analyst-III
    - 4 searches in progress
  - 2 – Financial Analyst-II

## Manager/Consultant Updates

Parametric – Total Fund – Tom Lee, Chief Investment Officer, and Ranjit Kapila, Chief Operations Officer, will become Co-Presidents of Parametric, in addition to their current titles and responsibilities, effective January 1st, 2023. As Co-Presidents, Mr. Lee and Mr. Kapila will work closely with Brian Langstraat, Parametric's CEO, to implement the firm's strategy as well as expand their day-to-day leadership roles.

Genesis - Growth –Yiyong Yang and Rufus Frazier, both Partners and Portfolio Managers at Genesis will be leaving the firm. Mr. Yang will be leaving the firm at the end of the year following a transition period. Mr. Rufus is leaving to pursue other interests. The transition of Mr. Yang and Mr. Frazier's responsibilities to the rest of the portfolio management team is underway.

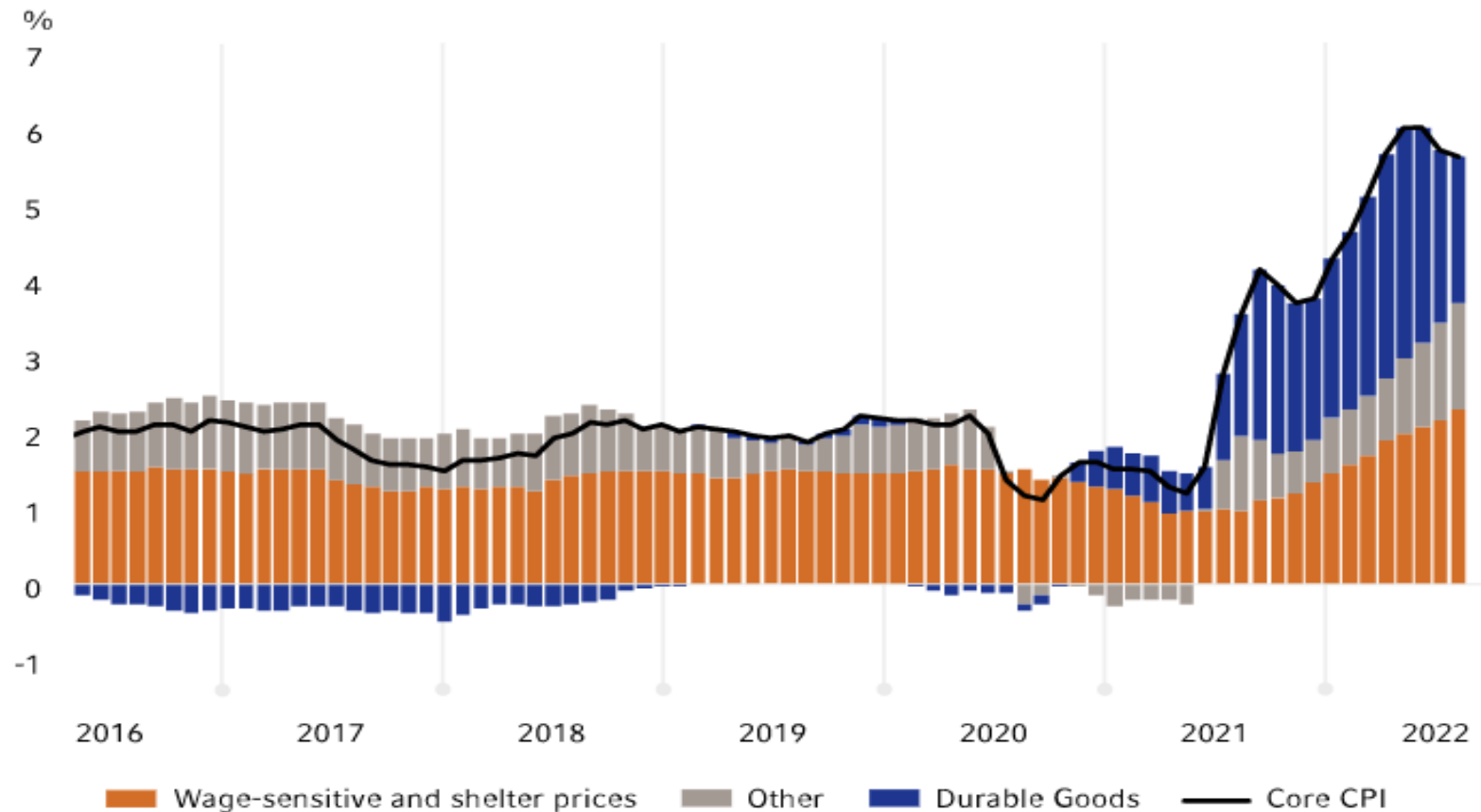
# Commentary



# Staff Chart of the Month\*

## Durable Goods Impact on U.S. Core Inflation

**DURABLE GOODS HAVE BEEN THE BIGGEST CAUSE OF RISING U.S. CORE INFLATION**



Source: Refinitiv® DataStream®, as of May 15, 2022. CPI is consumer price index. Chart shows year-over-year % change.

# Appendix



# Quiet Period for Search Respondents

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## Custody Bank Search

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- ✓ State Street Bank and Trust Co.

## Illiquid Credit Emerging Manager Program Search

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

## OPEB Private Markets Investments Search

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- ✓ BlackRock Financial Management Inc.
- ✓ Cambridge Associates LLC
- ✓ Goldman Sachs Asset Management, L.P.
- ✓ Hamilton Lane Advisors, LLC
- ✓ HarbourVest Partners, LLC
- ✓ J.P. Morgan Asset Management
- ✓ Morgan Stanley Investment Management
- ✓ Neuberger Berman Alternatives Advisers, LLC
- ✓ Pathway Capital Management, LP
- ✓ StepStone Group Holdings, LLC

## Global Equity Emerging Separate Account Manager Search

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- ✓ Attucks Asset Management, LLC
- ✓ Bivium Capital Partners, LLC
- ✓ Leading Edge Investment Advisors, LLC
- ✓ New Alpha Asset Management
- ✓ Stable Asset Management
- ✓ Xponance, Inc.

June 27, 2022

TO: Each Trustee,  
Board of Retirement  
Board of Investments

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

FOR: July 6, 2022 Board of Retirement Meeting  
July 13, 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, so long as the State of Emergency remains in effect, and 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 legal options for such meetings, such as whether to invoke teleconferencing of meetings under 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 meetings since October 2021. Findings made under this memo will be effective for meetings during the next 30 days, so long as the State of Emergency remains in effect.

## **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 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; and

(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; or
- (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 over the past year the Governor actively terminated many emergency provisions. See, e.g., Order No. N-21-21, issued November 10, 2021, Order No. N-04-22, issued February 25, 2022. Very recently, the Governor terminated additional COVID provisions. See Order No. N-11-22, issued June 17, 2022. In the press release for the June 17 Order, the Governor's Office stated that, after June 30, 2022, "only 5 percent of the COVID-19 related executive order provisions issued throughout the pandemic will remain in place."

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, “Whenever possible, take steps to reduce crowding indoors and encourage physical distancing: ... Limit indoor occupancy to increase the physical space between employees at the worksite, between employees and customers, and between customers. ... Continue, where feasible to offer telework options for employees. Offer teleworking options during times of high community transmission (100 or more new cases per 100,000 persons in the past 7 days). In addition, at other times, consider offering teleworking arrangements that do not interfere with business operations to reduce crowding indoors.” <http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/>.

As further indication of the County’s interpretation of the impact of the State of Emergency on public meetings, at its June 14, 2022 meeting, the Board of Supervisors voted to find that the State of Emergency remains active and “local officials continue to recommend measures to promote social distancing” and that the Board of Supervisors shall continue to hold teleconference meetings under the terms of Assembly Bill 361 and Government Code Section 54953(e)(3). However, on June 24, 2022, the Executive Office of the Board of Supervisors issued a press release announcing that “meetings will remain virtual until the transmission level drops to ‘low’ and remains at that level for 7 days.” The Board of Supervisors will resume meetings in the Board hearing room when this standard is met, although Public Comment will continue to be available telephonically.

The City of Pasadena (City), where LACERA’s offices are located and Board and Committee meetings are held, has substantially revised its guidance to give more flexibility. The City still offers guidance that businesses recognize that COVID-19 continues to pose a risk to communities, and it is important for employers to continue to take steps to reduce the risk of COVID-19 transmission among their workers and visitors. <https://www.cityofpasadena.net/economicdevelopment/covid-19-business-resources/>.

Earlier guidance promoting physical distancing by business in certain circumstances also remains posted on the City’s COVID web page as a reference. As of the date of this memo, the City Council continues to hold its meetings by videoconference/teleconference, although some council members have started to attend in person in the council chambers. At its June 20, 2022 meeting, the City Council voted to extend the video and teleconference meeting process through July 20, 2022. It is unclear how long the City Council will continue to hold teleconference meetings.

The Centers for Disease Control and Prevention (CDC) has updated its guidance, but the CDC still advises the public to “Stay 6 feet away from others” and that, “Indoors in public: “If you are not up to date on COVID-19 vaccines, stay at least 6 feet away from other

people, especially if you are at higher risk of getting very sick with COVID-19.”  
<https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html#stay6ft%20>.

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, so long as the State of Emergency remains in effect, because (1) the State of Emergency continues to impact the ability of the Trustees to meet safely in person, or (2) the County and other authorities continue to recommend measures to promote a safe workplace, including physical distancing, as required by the statute. Either finding is sufficient under Section 54953(e) to support continued teleconference meeting.

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.

Finally, while the pandemic continues to present a significant health risk, as the virus presents itself in different variants, LACERA staff returned to the office on May 2, 2022 under hybrid work schedules for most employees, including both on site work and continued teleworking. The return to office for staff is made under COVID safety protocols, including vaccination and testing procedures and encouraging masks and social distancing. When the Boards decide to return to in person meetings, management will develop protocols for the boardroom, which will present separate safety challenges, including, for example, the small size of the room, ingress and egress, and public access and comment requirements.

## **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, so long as the State of Emergency remains in effect, 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.

///

Re: Approval of Teleconference Meetings  
June 27, 2022  
Page 5 of 5

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

June 13, 2022

TO: Trustees - Board of Investments

FROM: Real Assets Committee

James Rice   
Principal Investment Officer

Scott Zdrazil   
Principal Investment Officer

Cindy Rivera   
Senior Investment Analyst

FOR: July 13, 2022, Board of Investments Meeting

SUBJECT: **Global Real Estate Sustainability Benchmark Affiliation**

### RECOMMENDATION

Approve LACERA's formal affiliation to the Global Real Estate Sustainability Benchmark (GRESB).

### BACKGROUND

On June 8, 2022, the Real Assets Committee (Committee) unanimously approved advancing to the Board of Investments (Board) a recommendation that LACERA formally affiliate to GRESB. Background information and the rationale for the recommendation are in materials discussed with the Committee, attached hereto as the **Appendix**.

As detailed in the attached, LACERA adopted an investment belief in 2016 that environmental, social, and governance (ESG) factors may impact the financial performance of LACERA's investments. LACERA has recognized that the materiality of ESG factors may vary by industry and the nature of the mandate that LACERA is investing in. For real assets investments, financially relevant ESG factors may include productive relationships with regulatory authorities and construction permitting agencies, anti-bribery provisions, environmental liability mitigation, energy efficiency, workplace safety, tenant and community relations, and building staff anti-harassment training, for example. LACERA operationalizes ESG integration, in part, by evaluating the extent to which external managers have policies and procedures in place to identify and mitigate such ESG factors in order to protect and enhance the value of LACERA's investments.

To date, LACERA's evaluations of real assets managers' ESG practices have been largely based on qualitative assessments of external managers' reported policies and processes to integrate ESG. While LACERA has access to some ESG data analytics in public markets investments, such

information is currently less available in private markets. GRESB, therefore, may be a complementary tool to provide an objective third-party benchmarking of real assets managers' ESG integration practices and facilitate reporting on several specific data points.

GRESB was founded in 2009 by asset owners and asset managers to develop a common set of metrics by which to report and measure progress on how asset managers mitigate ESG factors that may impact financial performance. Investors and real estate managers collaborate to define specific metrics measured in GRESB. Asset managers report performance against the identified metrics to GRESB in an annual exercise which GRESB then makes available to participating asset owners. Currently, about 140 institutional investors and over 2,200 individual real assets funds participate in GRESB's annual benchmarking and reporting exercise, including all ODCE funds ("Open-end Diversified Core Equity").

LACERA's participation in GRESB, if approved by the Board, is anticipated to be an additional point of information to assist LACERA in evaluating prospective and current managers on their ESG integration strategies in order to further inform a holistic view of manager quality, alongside factors such as past performance, fees, organizational strength, and portfolio fit. LACERA's participation in GRESB would also avail data metrics that could inform portfolio monitoring.

There is no immediate cost to LACERA's affiliation, as referenced in the materials. GRESB may introduce a cost estimated to be about \$20,000 per year starting in 2024 for LACERA's access to the real assets managers' data sets and benchmarking service.

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

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

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

The Committee expressed interest in maintaining an approach to ESG integration that is rooted in financial relevance and receiving additional information about the relationship between GRESB, ESG, and financial performance in real assets. Trustees commented that ESG considerations are useful for a full view of the attractiveness of an investment.

Please find below several recent studies. While research is more extensive in public market investments, such as real estate investment trusts (REIT's), the length of GRESB's history has enabled academics to start to assess private investment fund performance more recently.

- A 10 point higher GRESB score correlated to a 34 basis point higher annual fund return among 340 studied non-listed European real estate funds.<sup>1</sup>
- GRESB participation and performance correlate to cross-sectional fund returns, specifically to price appreciation, independent of local economic conditions.<sup>2</sup>

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<sup>1</sup> Dirk Brounen and Maarten van der Spek. "Sustainable Insights in Private Equity Performance: Evidence from the European Non-listed Real Estate Fund Market." Tilburg University School for Business and Society. July 2017. Available at: [https://www.tias.edu/docs/default-source/Kennisartikelen/gresb-lessons\\_db07172017.pdf?Status=Temp&sfvrsn=2](https://www.tias.edu/docs/default-source/Kennisartikelen/gresb-lessons_db07172017.pdf?Status=Temp&sfvrsn=2).

<sup>2</sup> Avis Devine, Andrew Sanderford, Cohngyu Wang. "Sustainability and Private Equity Real Estate Returns." Journal of Real Estate Finance and Economic. June 2022. Available at: <https://doi.org/10.1007/s11146-022-09914-z>.

- Stronger performance on environmental measures, such as energy efficiency, correlated with cash flow and valuation, as well as net operating income and lower interest costs, among studied real-estate investment trusts.<sup>3</sup>

Staff anticipates continuing to monitor insights from industry research and academic studies, but notes that some research may be incomplete or inconclusive. Accordingly, LACERA intends to use GRESB benchmarking, if approved, as a tool to identify areas to further evaluate with asset managers and to access data metrics as part of a comprehensive approach to manager evaluation, not a solitary litmus test. As noted in the Appendix, LACERA may opt to discontinue its affiliation with GRESB at any time if it considers that its participation is not additive.

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

Staff believes that GRESB affiliation would provide additional information to assist LACERA in evaluating asset managers' ESG integration strengths and prospective areas for improvement. LACERA could compare managers on a like-for-like basis on performance against GRESB as an established benchmarking framework to weigh ESG implementation measures and complement LACERA's ongoing qualitative assessment of asset managers' ESG integration strategies.

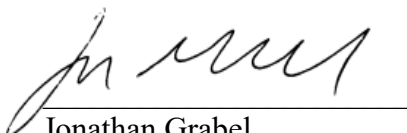
The risk of inaction is namely that, absent access to third-party benchmarking and data from GRESB, LACERA is more reliant on external asset manager representations and reporting as the source of information to assess their ESG integration approaches. Staff considers that complementing manager-supplied reporting with an external benchmark that has been developed with industry and investor input would better position LACERA to have comparative insights on ESG integration, track trendlines of managers' performance, and formulate a more robust view to position LACERA to promote financial returns and mitigate downside risks.

### **CONCLUSION**

The Committee unanimously approved this recommendation that LACERA affiliate to GRESB.

Attachment

Noted and reviewed:



Jonathan Grabel  
Chief Investment Officer

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<sup>3</sup> Avis Devine and Erkan Yonder. "Impact of Environmental Investments on Corporate financial Performance: Decomposing Valuation and Cash Flow Effects." Journal of Real Estate Finance and Economics. October 2021. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3947873](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3947873).



May 24, 2022

TO: Each Member  
Real Assets Committee

FROM: James Rice   
Principal Investment Officer

Scott Zdrazil   
Principal Investment Officer

Cindy Rivera   
Senior Investment Analyst

FOR: June 8, 2022, Real Assets Committee Meeting

SUBJECT: **Global Real Estate Sustainability Benchmark (GRESB) Affiliation**

### RECOMMENDATION

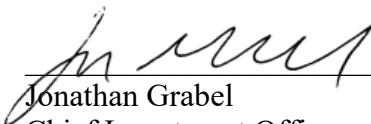
Advance to the Board of Investments for approval that LACERA affiliate to the Global Real Estate Sustainability Benchmark (GRESB).

### BACKGROUND

LACERA's *Investment Policy Statement* recognizes that environmental, social, and governance ("ESG") factors may present financial risks and opportunities to LACERA's investments. The Real Assets Committee reviewed several strategies that LACERA is pursuing to integrate financially relevant ESG factors into its investment process at its January 2022 meeting. One of the strategies has included a trial affiliation to the Global Real Estate Sustainability Benchmark ("GRESB"). GRESB is an industry-led initiative to identify ESG factors relevant to real assets and facilitate reporting and benchmarking between asset managers and asset owners. The January 2022 report indicated that staff was evaluating affiliation to GRESB as a tool to further advance LACERA's strategic work plan objectives to maximize fund stewardship in ESG integration and to enhance operational effectiveness in evaluating and monitoring asset managers and using portfolio analytics tools. The **attached** further describes GRESB and staff's recommendation.

Attachment

Noted and Reviewed:

  
Jonathan Grabel  
Chief Investment Officer

# Affiliation Recommendation

## Global Real Estate Sustainability Benchmark “GRESB”

Real Assets Committee

June 8, 2022

Scott Zdrazil – Principal Investment Officer  
Cindy Rivera – Senior Investment Analyst



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# Recommendation and Summary

## Recommendation

- Formally affiliate to the Global Real Estate Sustainability Benchmark (“GRESB”)

## Summary

### About GRESB

- Pensions and asset managers formed GRESB in 2009 to facilitate a common set of ESG reporting and benchmarking of ESG performance in real assets
- GRESB gathers ESG data from asset managers, analyzes, benchmarks, and avails results to asset owners
- LACERA has participated in a free, trial affiliation with GRESB for two years and found participation to be useful
- No immediate cost to affiliate to GRESB; dues are an estimated \$20,000 per year starting in 2024

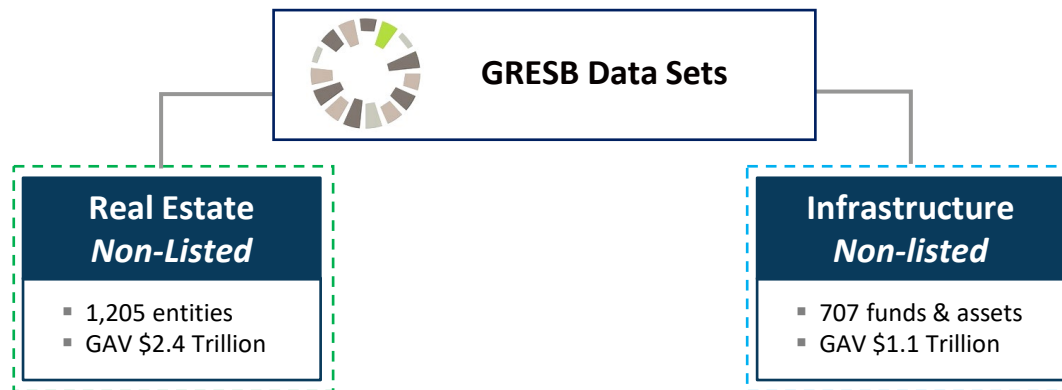
### Benefits to LACERA

- **Investment Beliefs Alignment:** LACERA’s *Investment Policy Statement* recognizes that environmental, social, and governance (“ESG”) factors can affect an investment’s risk/return profile and financial performance<sup>1</sup> LACERA therefore seeks to integrate ESG information into its investment process to support long-term returns
- **Further Strategic Objectives:** GRESB affiliation would further LACERA’s objectives to enhance operational effectiveness and maximize stewardship by availing portfolio analytics and benchmarking on current and prospective real assets managers’ ESG performance
- **Manager Monitoring:** GRESB helps compare real estate mandates, trendlines, and areas for improvement
- **Enhanced Underwriting:** GRESB is an additional insight to assess prospective managers’ ESG track record
- **Portfolio Analytics:** Access to some core ESG data analytics, such as emissions and water usage

<sup>1</sup> Investment Policy Statement. Revised December 11, 2019. Page 5.

# GRESB – Overview

- Participating asset owners and managers inform what info is gathered in GRESB's annual benchmarking exercise
- Asset managers gather and report information to GRESB, which analyzes and then avails the data to asset owners
- Over 2,200 funds and 140 institutional investors participate GRESB to provide a consistent framework for asset owners and managers to measure, track, and compare management and progress of ESG factors
- GRESB manages separate benchmarks for real estate and infrastructure



## Real Estate Benchmark Trial Affiliation

LACERA encouraged real estate separate account and commingled fund managers to participate in GRESB in 2020 and 2021

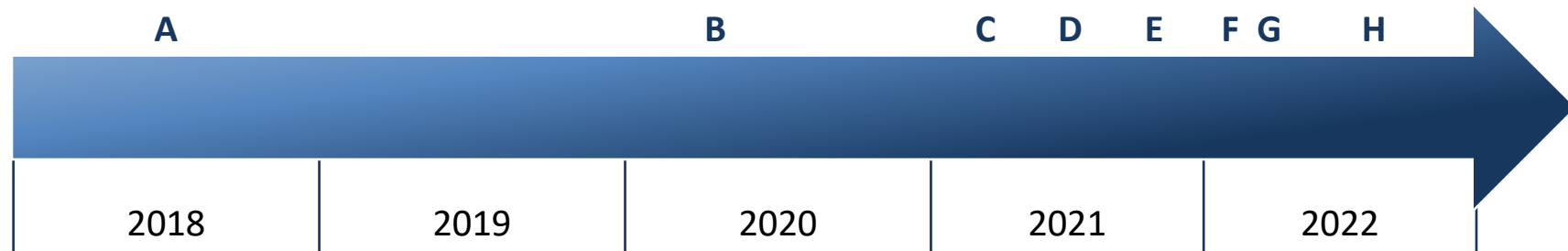
8 LACERA managers (representing U.S. and non-U.S. mandates) reported to GRESB

## Infrastructure

LACERA has committed to 7 private commingled funds in the past 2 years, 3 of which already plan to participate in GRESB infrastructure reporting

- After its establishment by Dutch pension plans, GRESB was owned by Green Business Certification Inc., the global body for green certification programs, such as LEED. GBCI acquired GRESB in 2014. Summit Partners Fund III acquired GRESB in 2020. LACERA is an investor in Fund III

# LACERA – GRESB Affiliation History



**A** LACERA initiated an internal review of GRESB as a prospective resource to assist ESG integration efforts

**B** LACERA initiated a trial affiliation with GRESB and encouraged its real estate managers to report

**C** Reviewed and discussed completed 2020 GRESB Real Estate Assessments with each participating manager

**D** LACERA extended GREB trial for a second year

**E** Reviewed and discussed completed 2021 GRESB Real Estate Assessments with each participating manager and focused on year-over-year progress

**F** LACERA Real Assets Structure Review presented to Real Assets Committee and Board of Investments 2022 Strategic Work Plan incorporate formal evaluation of GRESB affiliation

**G** Formal affiliation recommendation to internal Real Assets Investment Group

**H** Formal affiliation recommendation to Real Assets Committee

# LACERA Real Estate Portfolio – GRESB Results

Year-Over-Year Aggregate GRESB Scores of Participating LACERA Mandates



74

LACERA portfolio asset-weighted GRESB score

*compared to*

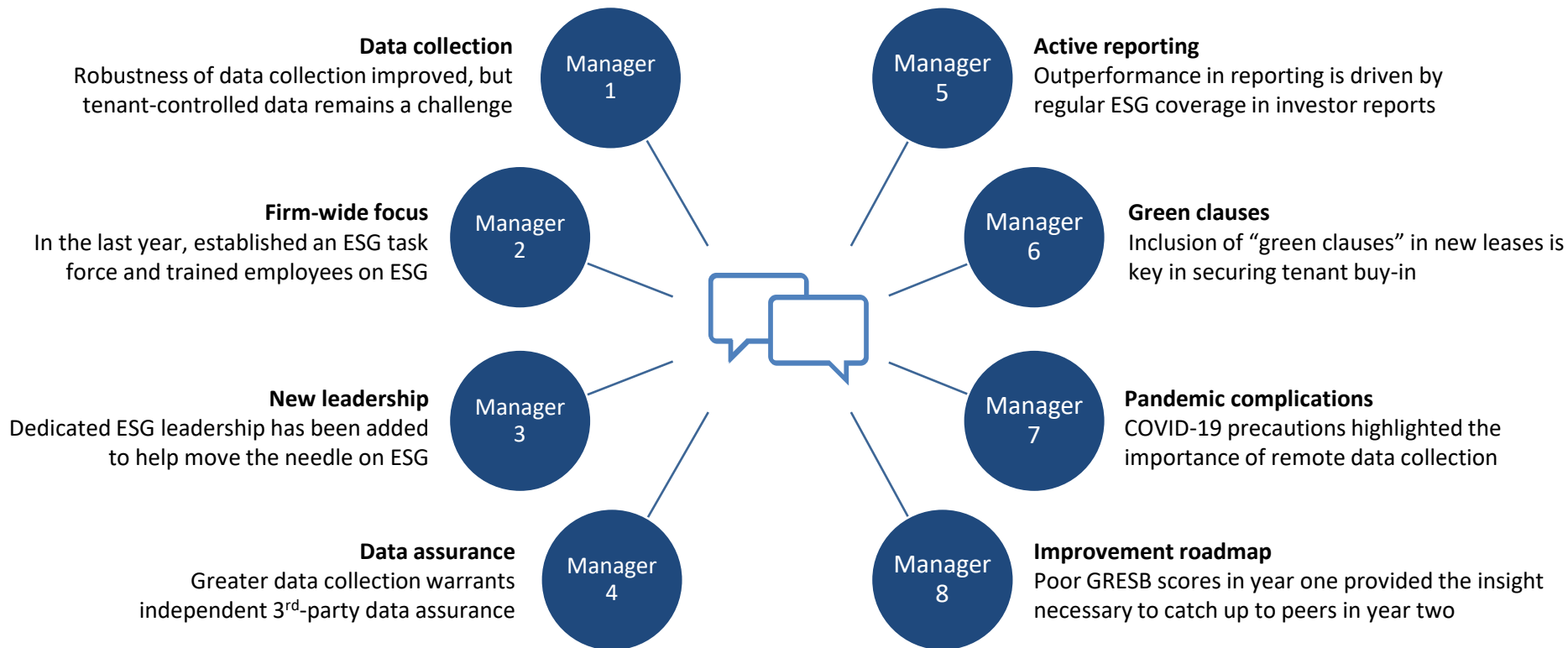
79

GRESB average score of similar portfolio exposures

- Eight LACERA real estate managers participated in GRESB reporting in 2020 and 2021
- Six of eight LACERA managers improved GRESB scores year-over-year while two maintained the same score as prior year
- Manager performance relative to sector and regional peers is mixed – some in line, two outperformance, and several under
- GRESB participation has provided LACERA staff with useful insights and data points to evaluate ESG performance and discuss with managers opportunities to enhance ESG management within their mandates

# LACERA Real Estate Manager Takeaways

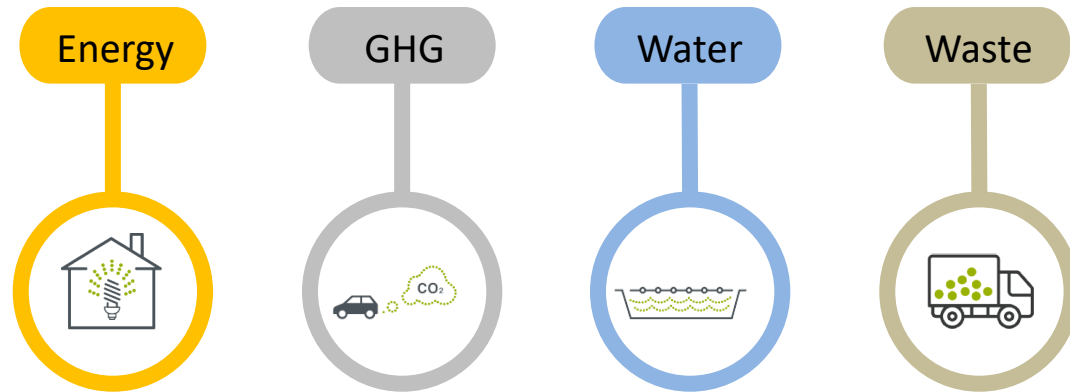
Managers reported a variety of enhanced ESG efforts in light of GRESB participation



Each manager has indicated that they intend to continue participating in GRESB as they report it to be a useful internal tool to systematize their ESG integration efforts and identify areas for further improvement

# LACERA Real Estate Portfolio – GRESB Summary

LACERA gains access to several data points reported by managers through GRESB to compare manager performance, evaluate trendlines, and inform portfolio analytics



<b>Data Coverage</b>	57%	54%	64%	35%
<b>Footprint</b>	40,681 MWh	11,053 tCO <sub>2</sub>	348,158 m <sup>3</sup>	3,191 t
<b>Like-for-Like Coverage</b>	40%	37%	44%	n/a
<b>Like-for-Like Change</b>	-12%	-16%	+1%	n/a
<b>Impact</b>	Reduction equals 423 homes	Reduction equals 349 autos	Increase equals 4 Olympic pools	Equals 118 truck loads



# Strengths and Merits

Strengths	Merits
<b>1. Further LACERA's Strategic Work Plan Goals</b>	<ul style="list-style-type: none"> <li>• GRESB provides data analytics to further LACERA's operational effectiveness goals</li> <li>• GRESB helps integrate ESG, in line with our strategic goal to maximize stewardship</li> </ul>
<b>2. Tool to benchmark and identify roadmap for ESG performance improvements</b>	<ul style="list-style-type: none"> <li>• GRESB has served as a tool for dialogue with managers to identify actions needed to improve ESG performance of the portfolio and monitor ongoing progress</li> <li>• Of the eight managers that reported to GRESB during LACERA's trial period, the manager with the lowest GRESB score in year one, improved its score by 52% in year two, primarily because of the lessons learned at the onset</li> </ul>
<b>3. Collaborate with managers to share and adopt best practices</b>	<ul style="list-style-type: none"> <li>• GRESB assessment questions are aligned with international reporting frameworks such as GRI, PRI, SASB, DJSI, TCFD recommendations, the Paris Climate Agreement, UN SDGs, and regional and country specific disclosure guidelines</li> <li>• Managers (with little to no history of reporting to GRESB prior to LACERA's request to do so) report becoming aware of ESG best practices by way of completing the GRESB questionnaire, informing them to recognize and address prior ESG blind spots</li> </ul>
<b>4. Access objective and validated data points</b>	<ul style="list-style-type: none"> <li>• GRESB facilitates managers reporting ESG performance data that LACERA can use in broader portfolio analytics, such as energy consumption, greenhouse gas emissions, water consumption, and waste usage</li> <li>• Data validation is a core component of ESG performance data. Independent third-party data validation improves the reliability of data</li> </ul>
<b>5. Utilize GRESB assessments as an underwriting tool</b>	<ul style="list-style-type: none"> <li>• LACERA can access past GRESB reports to underwrite new funds</li> <li>• GRESB real estate benchmark enables LACERA staff to better understand potential new managers' ESG performance vs peers similar in strategy, sector, and geography</li> <li>• The benchmark covers nearly 117,000 assets reporting at the asset level and serves as an additional underwriting tool for LACERA staff</li> </ul>



# Concerns and Mitigating Factors

Concerns	Mitigating Factors
<b>1. Future costs</b>	<ul style="list-style-type: none"><li>• No affiliation costs until 2024, after which may be an estimated \$20,000 per year</li><li>• Reasonable annual expense in line with LACERA's other affiliations</li><li>• GRESB is the established ESG real assets benchmark initiative among asset owners and managers</li><li>• LACERA may opt to disaffiliate at any time, should we so choose</li></ul>
<b>2. Benchmark integrity</b>	<ul style="list-style-type: none"><li>• Asset managers may try to “game” the benchmark</li><li>• GRESB scoring is developed with investor and industry input to make scores more meaningful</li><li>• GRESB maintains a multi-dimensional focus on data validation, including a three-layer data quality control process, developed by PwC and involving third-party verification</li><li>• 70% of a GRESB score relies on objective, quantitative data measurement processes, such as energy consumption, greenhouse gas emissions, water consumption, and waste</li></ul>

## Recommendation

- **Formally affiliate to GRESB**

## Summary

### Benefits to LACERA

- **Investment Beliefs Alignment:** LACERA's *Investment Policy Statement* recognizes that ESG factors can affect an investment's risk/return profile and financial performance. LACERA therefore seeks to integrate ESG information into its investment process to support long-term returns
- **Further Strategic Objectives:** GRESB affiliation would further LACERA's objectives to enhance operational effectiveness and maximize stewardship by availing portfolio analytics and benchmarking on current and prospective real assets managers' ESG performance
- **Manager Monitoring:** GRESB helps compare real estate mandates and identify areas to improve ESG efforts
- **Enhanced Underwriting:** GRESB is an additional insight to assess prospective managers' ESG track record
- **Portfolio Analytics:** Access to some core ESG data analytics, such as emissions and water usage

June 13, 2022

TO: Trustees - Board of Investments

FROM: Real Assets Committee

James Rice   
Principal Investment Officer

Scott Zdrazil   
Principal Investment Officer

FOR: July 13, 2022, Board of Investments Meeting

SUBJECT: ***Responsible Contractor Policy Review***

### RECOMMENDATION

Approve a revised *Responsible Contractor Policy*.

### BACKGROUND

On June 8, 2022, the Real Assets Committee (Committee) unanimously voted in support of advancing to the Board of Investments' (Board) for its approval a revised *Responsible Contractor Policy* (RCP). A copy of the proposed RCP incorporating Committee input with redlined edits is included as **Appendix A**.

As described in materials presented for the Committee's review (**Appendix B**), the revisions to the RCP—if approved—are intended to update the RCP's scope of coverage to align with LACERA's expanded real assets portfolio, add clarity to key terms and provisions, integrate the RCP into LACERA's investment policy framework with cross-references to the *Investment Policy Statement* and *Corporate Governance and Stewardship Principles*, enhance transparency by simplifying the policy structure and language, and aspire for a best-in-class approach.

### OPTIONS AVAILABLE TO THE BOARD

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

### DELIBERATIONS AND OPINIONS EXPRESSED BY THE COMMITTEE

The Committee expressed support for staff's recommendation to update and restate the RCP, approved inserting additional modifications addressing freedom of association and reporting provisions, and requested legal review of the language additions, namely pertaining to reporting. The two inserted modifications are discussed below and available in Appendix A as a redlined version presented for the Board's review.

- (1.) **Reporting:** The Committee discussed and approved inserting the redlined language below to Section (V)(D) on page 5 of the proposed RCP, subject to legal review.

“LACERA reviews reports from investment managers of Controlled Investments regarding implementation and compliance with the terms and provisions of this Policy and furnishes reports, including an annual publicly available report on investment manager compliance with the Policy, as part of LACERA’s overall compliance reporting practices to the Board of Investments for its oversight.

The Committee discussed whether the additional reporting reference was additive to provisions within the draft requiring reporting be provided to the Board for its oversight. Trustees also discussed the addition of language requiring that reporting provided to the Board be publicly available. Staff observed that such reporting is anticipated to be publicly available, in adherence to the Brown Act provisions requiring LACERA’s Board to conduct its business in public. Trustees conveyed that the additional language would reinforce expectations for reporting to be provided and publicly available.

Trustees requested a legal review be conducted to assess any considerations that may impede public reporting. The Legal Office has affirmed that reporting that addresses investment manager compliance with the RCP, as proposed in the draft RCP and inclusive of the Committee’s suggested language, is feasible in a manner that respects investment management contract terms. If and when necessary and appropriate, any confidentiality provisions can be addressed, and reporting provided in a way that avoids conflict with any contract terms.

- (2.) **Freedom of Association:** The Committee discussed and approved adding additional language to Section IV(B) related to “Legal Compliance” (page 3) that affirms employees’ freedom to join a union at covered contractors, referencing adherence to local, state, and federal labor laws and the United Nations International Labor Organization core labor standards, as highlighted in red and underlined below:

Legal Compliance: All contractors should demonstrate a compelling track record of compliance with all applicable federal, state, and local laws, regulations, and ordinances, including (but not limited to) those related to insurance, withholding taxes, minimum wage, health and safety, and environmental matters. Responsible Contractors exclude any contractor who has been debarred—or whose principal has been debarred—by a municipal, state, or federal government. Responsible Contractors also recognize the right of all workers to freedom of association in the workplace, as protected under local, state, and federal law, and as recognized by the United Nations International Labor Organization (ILO) core labor standards.

The Committee discussed whether the additional language was additive to references to the freedom of association elsewhere in the draft RCP. The Committee discussed that the first section on the RCP’s objectives references robust adherence to human rights, which would encompass freedom of association; Section IV(B) language requires compliance with all applicable laws, which would encompass labor laws pertaining to organizing rights

as well as health and safety, wage and hour provisions, and other labor-related statutes; and Section IV(E) regarding labor neutrality details expectations of responsible contractors to remain neutral and not oppose unionization efforts if employees wish to form a union. The Committee expressed that the additional language would reinforce related provisions in the draft policy and approved incorporating the references into the proposed revised RCP.

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

The proposed revised RCP is intended to strengthen LACERA's position to mitigate investment risks related to contracting provisions at real assets managers by clarifying LACERA's expectations of external asset managers throughout the real assets portfolio, clarifying key terms and provisions, and incorporating reporting into LACERA's routine manager monitoring reports.

The risk of approving the revised RCP is namely that prospective managers may be reticent to agree to the policy's terms, thereby limiting the universe of asset managers to which LACERA might commit capital. Several factors may mitigate this risk: First, LACERA considers that managers who have clearly defined responsible contracting provisions – such as those identified in the revised RCP – are better positioned to mitigate associated risks, thereby making managers who agree to the policy provisions or have similar policies of their own more attractive. Second, responsible contractor policies have become more commonplace among real assets managers in the twenty years since LACERA first adopted its RCP.

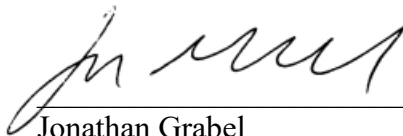
The risk of inaction includes that LACERA's current RCP would continue in place with a limited scope of application and less clarity in key terms. Defining responsible contracting expectations of real assets managers may help avoid operating risks that may cause operational instability, delays, legal liabilities, and associated reputational risks that could impact stable returns.

### **CONCLUSION**

The proposed revised RCP aims to align the policy's scope of coverage with LACERA's evolved real assets portfolio and clarify terms and provisions. The proposed RCP incorporates input from the Real Assets Committee, as approved, and is being presented for the Board's consideration.

Attachments

Noted and reviewed:



Jonathan Grabel

Chief Investment Officer

**PROPOSED REVISED AND  
RESTATED POLICY FOR REVIEW**



**Responsible  
Contractor  
Policy**

# I. Purpose and Objective

The Los Angeles County Employees Retirement Association's (LACERA) investment philosophy and strategy recognize that careful consideration of financially relevant environmental, social, and governance (ESG) factors in the Fund's investment process may protect and enhance LACERA's risk-adjusted returns, as stated in the Fund's *Investment Policy Statement*. LACERA's *Corporate Governance and Stewardship Principles* (Stewardship Principles) articulate LACERA's position on key corporate governance and broader ESG factors that may impact the financial performance of LACERA's portfolio holdings including, but not limited to:

- Effective legal and regulatory compliance
- Constructive human capital practices
- Inclusive and equitable management of diverse talent
- Robust adherence to human rights standards
- Prudent natural resource stewardship
- Careful mitigation of environmental risks and liabilities

LACERA seeks to steward its assets throughout its investment portfolio in a manner that promotes adherence to its Stewardship Principles in furtherance of its mission, "to produce, protect, and provide the promised benefits." LACERA encourages investment managers who manage capital on its behalf to enact effective and practical measures in their investment processes and portfolio management that exemplify adherence to the principles referenced above.

In furtherance of its Investment Policy Statement and Stewardship Principles, LACERA has adopted this *Responsible Contractor Policy* (Policy) to guide investment managers who manage real estate, infrastructure, and other real assets investments on behalf of LACERA to select construction and operation services contractors that demonstrate practices in line with LACERA's Stewardship Principles. LACERA expects investment managers to ensure effective practices and internal controls are in place to select responsible contractors based upon their demonstrated ability to provide high quality services as evidenced by experience, skill, reputation, responsiveness, fees, dependability, record of compliance with applicable laws, regulations and statutes, and payment of fair compensation and benefits to employees.

By promoting responsible contracting, LACERA seeks to prudently optimize financial performance while mitigating investment risks—including, but not limited to, compliance, legal, operational, and reputational liabilities—that may be presented when business entities fail to meet responsible contracting standards.

# II. Legal Authority and Fiduciary Duty

The LACERA Board of Investments has "the sole and exclusive fiduciary responsibility over the assets of" the system, as provided by the California Constitution (Article XVI, Section 17(a)). LACERA exercises its legal rights in defining responsible contracting provisions in furtherance of its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other governing laws, regulations, and case authority.

The Policy is guided in all aspects by LACERA's fiduciary duties, including loyalty, care, skill, prudence, and diligence, which require evaluation of expected investment returns and risk of loss.

LACERA's assets are diligently and prudently invested and managed in accordance with the Fund's fiduciary duties in the sole interest of plan participants and their beneficiaries, and for the exclusive purpose of providing benefits to its participants and their beneficiaries. LACERA seeks to have its real assets investments managed and operated in a manner that is expected to prudently maximize the rate of return, while minimizing the risk of loss. LACERA's duties, and the duties of its investment managers, to LACERA's participants and their beneficiaries take precedence over any other duty.

### III. Policy Application at Real Assets Investments

LACERA promotes prudent, responsible contracting provisions for construction and operation services throughout its real assets investments. All investment managers who have been selected to manage LACERA's capital in real estate, infrastructure, and natural resources mandates should have in place effective policies, procedures, and internal controls to ensure that contracting practices result in the selection of responsible contractors that reflect the responsible contracting provisions outlined in this Policy.

LACERA recognizes that its control and influence on external investment managers varies by the degree of ownership it maintains in investment funds managed on its behalf by external investment managers. Accordingly, LACERA has defined the application of the terms and provisions of this Policy as follows:

- A. **Controlled Investments:** Where LACERA owns more than a 50 percent equity position either directly or indirectly in a real estate, infrastructure, natural resources, or other real assets investment fund or partnership ("Controlled Investments"), LACERA *requires* the investment manager to use their best efforts to comply with the responsible contractor terms and provisions defined within this Policy when soliciting and selecting contractors and subcontractors for construction and operation services.

At Controlled Investments, LACERA expects investment managers to apply this Policy to all contracts valued at \$100,000 or more. Contract value refers to the total project work to be contracted for, with desegregation by trade or task. Desegregation designed to evade the requirements of this Policy is not permitted.

- B. **Non-Controlled Investments:** Where LACERA does not have greater than 50 percent equity ownership and/or control of a real estate, infrastructure, natural resources, or other real assets investment fund or partnership ("Non-Controlled Investments"), LACERA *strongly encourages* its investment managers to comply with the spirit and practice of responsible contracting, including—but not limited to—adhering to the terms of this Policy and defining responsible contracting terms and policies of their own.

For the avoidance of any confusion, while LACERA encourages all real assets firms to practice responsible contracting, the specific terms and requirements of this Policy do not apply to other real assets exposures in LACERA's portfolio, including—but not limited to—publicly-listed REIT's, mezzanine debt, hybrid debt, investments acquired through a secondaries fund acquisition transaction, and indirect, specialty, and mortgage investments lacking equity features, and their respective investment managers.

### IV. Key Provisions of Responsible Contracting

A "Responsible Contractor," as used in this Policy, is a contractor or subcontractor who: (1) has the appropriate experience, skill, reputation, employee relations, responsiveness, fees, and dependability to perform the required work, and (2) provides workers fair compensation and fair benefits for the required work as evidenced by factors including—but not limited to—payroll and employee records, policies, and practices.

Responsible contracting practices include, but are not limited to, the following:

- A. **Fair Wages and Benefits:** In determining fair wages and fair benefits concerning a specific contract in a specific market, items that may be considered include—but are not limited to—local wage practices, prevailing wages, and labor market conditions. This Policy does not mandate a specific wage level or benefits, but instead recognizes and considers that local market practices may vary across LACERA's investment exposures. How investment managers and their respective contractors evaluate what constitutes "fair wages" and "fair benefits" should be informed by relevant market factors that include the nature and location of the project, comparable job or trade classifications, and the scope and complexity of services provided. "Fair benefits" may include—but are not limited to—employer-supported family health care coverage, pension benefits, employee safety training, and apprenticeship training programs.



- B. **Legal Compliance:** All contractors should demonstrate a compelling track record of compliance with all applicable federal, state, and local laws, regulations, and ordinances, including (but not limited to) those related to insurance, withholding taxes, minimum wage, health and safety, and environmental matters. Responsible Contractors exclude any contractor who has been debarred—or whose principal has been debarred—by a municipal, state, or federal government. Responsible Contractors also respect the right of all workers to freedom of association in the workplace, as protected under local, state, and federal law, and as recognized by the United Nations International Labor Organization (ILO) core labor standards.
- C. **Diversity, Equity, and Inclusion:** As outlined in LACERA's *Investment Policy Statement*, LACERA values diversity, equity, and inclusion, and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA considers diversity broadly, inclusive of—but not limited to—professional backgrounds, age, experience, race, sexual orientation, gender, gender identity, disability status, military service, ethnicity, national origin, and culture. LACERA expects real assets investment managers to ensure equal opportunity and non-discrimination in contracting provisions for construction and operation services. Effective assurance of equal opportunity and non-discrimination includes effective policies and practices to prohibit and deter retaliation against any individual or entity who reports incidents of prospective non-compliance.
- D. **Competitive Bidding:** Investment managers should ensure that all requests for proposals and invitations to bid applicable contracts covered by this Policy are made in accordance with the terms of this Policy. LACERA encourages adequate advance notice of bidding opportunities to promote competitive bidding, as practical and appropriate. Investment managers and their associated property managers and contractors should use reasonable methods to provide adequate notice to potential contractors of bidding opportunities for contracted services. Adequate notification may include, but is not limited to, maintaining lists of eligible, qualified Responsible Contractors for inclusion in the bidding process.
- E. **Neutrality:** Where there is a legitimate attempt by a labor organization to organize workers employed in contracted construction, maintenance, operation, and services, LACERA encourages investment managers, property managers, and contractors to maintain a position of neutrality. To remain “neutral” means not taking any action or making any statement that will directly or indirectly state or imply any support for or opposition to the selection by employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent.

For the avoidance of any confusion, nothing in this Policy obligates or prohibits an investment manager, property or asset manager, or contractor from entering into project labor agreements, labor peace or other lawful agreements with a labor organization seeking to represent or that currently represents workers, or take actions to address violations of applicable law.

It is also not the intent of this Policy to call for any involvement by investment managers, property or asset managers, or contractors in resolving any jurisdiction disputes that may arise between or among building trades and other labor organizations and unions.

## V. Policy Implementation

- A. **Notification:** All current and prospective real assets investment managers shall be provided a copy of this Policy (both at Controlled Investments and Non-Controlled Investments).
- B. **Contracts and Contract Renewals:** All contracts and contract renewals at Controlled Investments entered into after the effective date of this Policy shall incorporate expectations of adherence to all applicable provisions of this Policy.
- C. **Investment Manager Administration and Reporting:** All investment managers of Controlled Investments are expected to communicate the terms and provisions of this Policy to property and asset managers and ensure effective practices are in place to implement them. Investment managers of Controlled Investments are further expected to collect, provide, and retain adequate data documenting their compliance with this Policy on no less than an annual basis in reporting to LACERA in a format acceptable to and approved by LACERA. Effective monitoring and enforcement by investment managers includes reasonable investigation of allegations of non-compliance with the terms and provisions of the Policy, as well as cooperative and timely communication with LACERA regarding the status of any such investigations.

Investment managers of Non-Controlled Investments are encouraged to report to LACERA on the administration, monitoring, and compliance with the responsible contracting provisions and terms stated above and any responsible contracting policies or provisions of their own, as well as to be responsive to any inquiries from LACERA related to the same.

- D. **LACERA Monitoring:** LACERA actively monitors all external investment managers, including those managing Controlled Investments and Non-Controlled Investments. All investment managers should demonstrate a compelling track record of adhering to responsible contracting practices. Any investment decisions to renew, increase, or decrease allocations may be informed, in part, by the investment managers track record of adherence to responsible contracting practices.

LACERA's regular review of Controlled Investments includes an assessment of the investment manager's track record in adhering to the terms and provisions of this Policy. LACERA reviews reports from investment managers of Controlled Investments regarding implementation and compliance with the terms and provisions of this Policy and furnishes reports, including an annual publicly-available report on investment manager compliance with the Policy, as part of LACERA's overall compliance reporting practices to the Board of Investments for its oversight.

LACERA's review of all investment managers (both Controlled Investments and Non-Controlled Investments) focuses on the overall pattern of conduct and compliance and not particularly a single incident, depending on the severity and impact of incidents of non-compliance.

### Document History

Revised and restated [month/day/year]

Revised November 19, 2014

Reviewed November 20, 2013

Revised November 13, 2012

Adopted December 11, 2002



May 23, 2022

TO: Trustees – Real Assets Committee

FROM: James Rice   
Principal Investment Officer

Scott Zdrazil   
Principal Investment Officer

FOR: June 8, 2022, Real Assets Committee Meeting

SUBJECT: ***Responsible Contractor Policy Review***

### RECOMMENDATION

Advance a revised *Responsible Contractor Policy* to the Board of Investments for approval.

### BACKGROUND

LACERA's *Responsible Contractor Policy* ("RCP") was initially adopted in 2002 with an objective to guide LACERA's real estate investment managers when selecting building construction and services contractors for properties held in LACERA's separately managed accounts.

As discussed at the Real Assets Committee January 2022 meeting, staff considers that periodic policy review is prudent to ensure that the RCP and its provisions are aligned with their stated objectives. Staff noted that LACERA's real assets portfolio has evolved. LACERA has expanded its real assets allocation from real estate alone to include infrastructure and natural resources, which are currently not referenced in the RCP. Moreover, LACERA's recently approved real assets and real estate structure reviews anticipate LACERA reducing investment allocations in separately managed accounts and increasing use of commingled investment vehicles, which are not referenced in the current RCP. In addition, recently revised RCPs at peer plans have incorporated clarifications of key terms and provisions.

As discussed at the January Committee meeting, staff has prepared a revised and restated RCP for the Committee's review that aims to:

1. Reflect LACERA's current portfolio, including broadening the focus from real estate alone to all of real assets and incorporating reference to commingled fund exposures;
2. Clarify key terms and provisions, similar to recent revisions at peer plans;
3. Integrate the RCP into LACERA's broader investment policy framework by incorporating cross-references to LACERA's *Investment Policy Statement* and *Corporate Governance and Stewardship Principles*;

4. Enhance transparency by simplifying the policy structure and using plain language to facilitate comprehension as a public-facing fund document; and
5. Aspire for a “best-in-class” approach, consistent with the Board of Investment’s strategic work plan to aim for best-in-class investment policies, strategies, and operations.

Please find attached a summary deck explaining the proposed RCP revisions (**Attachment 1**), the proposed revised and restated RCP (**Attachment 2**), and a copy of LACERA’s current RCP (**Attachment 3**) for the Committee’s review and discussion at the upcoming June 8<sup>th</sup> meeting. Although the proposed revised RCP incorporates language drawn from the current RCP, a redlined version is not included given the extensive restructuring of the policy and language simplification.

Attachments

Noted and Reviewed:

  
\_\_\_\_\_  
Jonathan Grabel  
Chief Investment Officer

# Responsible Contractor Policy (RCP) Review and Proposed Revised Policy

Real Assets Committee

June 8, 2022

James Rice, Principal Investment Officer  
Scott Zdrazil, Principal Investment Officer



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

# Discussion Outline

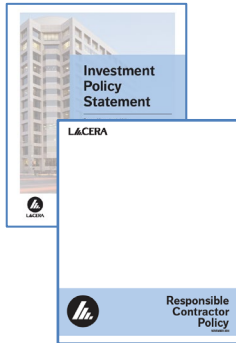
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- I. Background on Responsible Contractor Policy (RCP) Objectives and Policy Review
- II. Overview and Explanation of Proposed Revisions

# Background on RCP Objective and Review



# Background on Responsible Contractor Policy



## About LACERA's Responsible Contractor Policy

LACERA's [Investment Policy Statement](#) recognizes that environmental, social, and governance (ESG) factors may impact investment risks and opportunities

LACERA adopted a Responsible Contractor Policy in 2002; Last revised in 2014

## What the RCP Does

The RCP aims to guide real estate separate account managers to select high-quality, stable, safe construction and operations contractors, as evidenced by their track records of legal compliance, stability, and fair wages and benefits

- Enhance risk-adjusted returns through **“high-road”** real estate, i.e.:
  - Compliance with all applicable laws and regulations
  - Workforce safety and stability
  - “Fair” pay and benefits
- Avoid **“low-road”** strategies that may present:
  - Operational instability, project delays, workforce unrest, undercut local pay levels
  - Legal and regulatory risks
  - Reputational risks





# RCP Policy Review Rationale and Timeline



## What Prompted the Policy Review

### ■ Prudent Periodic Policy Review

- LACERA's current RCP largely reflects an industry template adopted 20 years ago

### ■ Recent Changes in LACERA's Real Assets Portfolio

- **Expanded:** LACERA's real assets portfolio has been expanded beyond real estate investments to include infrastructure and natural resource investments
- **Shifting:** Increasing portfolio exposures to commingled funds from separate accounts

### ■ Evolving Market RCP Provisions

- Numerous peer funds (CalPERS, CalSTRS, Maryland, NYC Funds, NY State, Oregon) as well as asset managers have revised their policies in recent years to a "Version 2.0"

## Policy Review Timeline

2021

- Policy gap analysis
- Peer policies review
- Interviews with peer funds and stakeholders

January 2022

- Committee report on LACERA's real assets ESG integration strategies included preliminary RCP policy gap analysis
- Indicated intent to present revised RCP for Committee review

Spring 2022

- Staff drafted revised RCP
- Legal Office consultation

Today

- Committee review of draft revised policy
- If advanced, revised policy to be presented for Board of Investments approval

# Objectives in Drafting the Proposed RCP Revision



- 1. Ensure alignment of the RCP scope of coverage with current portfolio structure**
  - Address investment exposures not covered; e.g., infrastructure and commingled funds
- 2. Add clarity for key provisions and address any policy gaps with market practice**
  - Scope of coverage
  - Clarity of terms and provisions have been added at peer funds' RCPs
- 3. Promote policy cohesion with key investment policies**
  - Significant updates to LACERA's Investment Policy Statement and Corporate Governance and Stewardship Principles in recent years
- 4. Promote transparency**
  - Simplify structure for reading comprehension
  - Aim to use plain language or explain terms to facilitate policy comprehension
- 5. Aim for “best-in-class”**
  - Execute on Investments Strategic Work Plan objective to aspire to “best-in-class” strategies

# Overview and Explanation of Proposed Revisions



# 1. Align Scope of Coverage with Portfolio Structure



## Objective #1: Ensure alignment of the RCP scope of coverage with current portfolio structure

Address investment exposures not covered, such as infrastructure and commingled fund investments

Current RCP	Observations	Proposed RCP Provisions
<b>Limited coverage:</b> Covers real estate investments only	Real assets portfolio has expanded; now includes infrastructure, natural resources Peer policies include all real assets	All real assets investments covered
<b>High ownership threshold:</b> Applies RCP at accounts where LACERA owns 100% of equity	Peers use “over 50%” ownership threshold Some LACERA separate accounts have JV partners with minority stake	<u>Requires</u> RCP compliance at “Controlled Investments” in which LACERA owns more than 50% equity
<b>Commingled funds:</b> No reference or coverage	Commingled fund investors have less control LACERA increasing investment exposures in commingled funds Some peer policies <i>encourage</i> commingled fund managers to follow spirit of RCP More managers adopting RCPs of their own	<u>Encourages</u> “Non-Controlled Investments” (i.e., commingled funds where LACERA has less than 50% ownership) to apply RCP and adopt RCPs of their own; Incorporates use of responsible contracting into manager due diligence and monitoring

## 2. Enhance Clarity of Terms and Address Policy Gaps



### Objective #2: Identify and address any policy gaps with market practice

- Scope of coverage
- Clarity of terms and provisions added at peer funds

Current RCP	Observations	Proposed RCP Provisions
<b>Supports “fair wages and benefits”</b>	No definition of what constitutes “fair” Market dynamics vary across regions Peer policies cite factors to consider when managers evaluate wages and benefits	Adds explanatory guidance mirroring peer policies, recognizing local markets vary and citing factors to consider, such as family health care coverage, employee safety training, etc.
<b>Requires Legal Compliance</b>	Peers also prohibit contractors who have been debarred by a government agency	Adds language from peer policies prohibiting debarred contractors
<b>Supports competitive bidding</b>	Peer policies encourage adequate notification of bidding opportunities	Adds language mirroring peers to encourage adequate advance notification of bidding opportunities
<b>Supports labor neutrality</b>	No definition of what “neutrality” means Peer policies define neutrality provisions	Adds language from peer policies

# 3. Promote Cohesion of LACERA Investment Policies



## Objective #3: Promote policy cohesion with key investment policies

- Significant updates to LACERA's Investment Policy Statement and Corporate Governance and Stewardship Principles in recent years

Current RCP	Observations	Proposed RCP Provisions
<b>Standalone policy:</b> No references to key LACERA investment policies	RCP predates recent, significant revisions to LACERA <i>Investment Policy Statement (IPS)</i> , investment beliefs, and <i>Corporate Governance and Stewardship Principles</i>	Aims to support policy cohesion and surpass market practice by framing introduction with references to IPS and Stewardship Principles policies
<b>Legal Authority:</b> No reference	LACERA policies generally reference the Board of Investments' legal authority to adopt policies, such as the RCP	Adds language reflecting language in more recently revised LACERA policies
<b>Supports non-discrimination by race or gender</b>	IPS has broader language supporting DEI at investment partners and has broader definition; e.g., LGBTQ, disability, and more	Expands DEI language to reflect the IPS
<b>Isolated, Prescriptive Manager Monitoring</b>	RCP requires specific steps at investment managers, property managers, subcontractors  LACERA has comprehensive manager monitoring; e.g., Manager Scorecards  Limited control of managers' operations	Elevates and integrates RCP into LACERA's broader manager compliance and monitoring practices

## 4. Promote Transparency



### Objective #4: Promote transparency

- Simplify structure for reading comprehension
- Aim to use plain language or explain terms to facilitate clear policy interpretation

Current RCP	Observations	Proposed RCP Provisions
Structure and terms based on external template	<p>LACERA, as a public agency, operates in the public eye</p> <p>Clear policy structure, terms, and language may make the policy more accessible to LACERA stakeholders, including members, plan sponsors, and investment partners</p>	<p>Aims to be more user-friendly and transparent, using plain language where feasible, to explain what LACERA expects in responsible contracting provisions at investment managers</p>

## 5. Aim for “Best-In-Class”



### Objective #5: Execute on Strategic Work Plan Objective for “Best-In-Class” Approaches

- Strategic Work Plan aspires to be “best-in-class” across investment policies, strategies, operations
- Several features of the proposed RCP would distinguish LACERA’s RCP

#### Integrated Policy Framework

*Cross-references to Investment Policy Statement and Stewardship Principles; Not siloed approach*

#### Aspirational, Universal Guiding Principles

*Framed by principles LACERA expects of all investment managers (compliance, human rights, etc.)*

#### Comprehensive Scope of Coverage

*Incorporates commingled funds and includes real estate, infrastructure, as well as natural resources*

#### Broad, Integrated Promotion of Diversity, Equity, and Inclusion

*Elevates DEI beyond expectation of non-discrimination and includes inclusive definition of diversity*

#### Elevated Accountability of External Investment Managers

*Places onus on external managers to demonstrate adherence*

#### Integrated Monitoring

*Incorporates RCP compliance into routine, comprehensive manager monitoring strategies*





**PROPOSED REVISED AND  
RESTATED POLICY FOR REVIEW**



**Responsible  
Contractor  
Policy**

# I. Purpose and Objective

The Los Angeles County Employees Retirement Association's (LACERA) investment philosophy and strategy recognize that careful consideration of financially relevant environmental, social, and governance (ESG) factors in the Fund's investment process may protect and enhance LACERA's risk-adjusted returns, as stated in the Fund's *Investment Policy Statement*. LACERA's *Corporate Governance and Stewardship Principles* (Stewardship Principles) articulate LACERA's position on key corporate governance and broader ESG factors that may impact the financial performance of LACERA's portfolio holdings including, but not limited to:

- Effective legal and regulatory compliance
- Constructive human capital practices
- Inclusive and equitable management of diverse talent
- Robust adherence to human rights standards
- Prudent natural resource stewardship
- Careful mitigation of environmental risks and liabilities

LACERA seeks to steward its assets throughout its investment portfolio in a manner that promotes adherence to its Stewardship Principles in furtherance of its mission, "to produce, protect, and provide the promised benefits." LACERA encourages investment managers who manage capital on its behalf to enact effective and practical measures in their investment processes and portfolio management that exemplify adherence to the principles referenced above.

In furtherance of its Investment Policy Statement and Stewardship Principles, LACERA has adopted this *Responsible Contractor Policy* (Policy) to guide investment managers who manage real estate, infrastructure, and other real assets investments on behalf of LACERA to select construction and operation services contractors that demonstrate practices in line with LACERA's Stewardship Principles. LACERA expects investment managers to ensure effective practices and internal controls are in place to select responsible contractors based upon their demonstrated ability to provide high quality services as evidenced by experience, skill, reputation, responsiveness, fees, dependability, record of compliance with applicable laws, regulations and statutes, and payment of fair compensation and benefits to employees.

By promoting responsible contracting, LACERA seeks to prudently optimize financial performance while mitigating investment risks—including, but not limited to, compliance, legal, operational, and reputational liabilities—that may be presented when business entities fail to meet responsible contracting standards.

# II. Legal Authority and Fiduciary Duty

The LACERA Board of Investments has "the sole and exclusive fiduciary responsibility over the assets of" the system, as provided by the California Constitution (Article XVI, Section 17(a)). LACERA exercises its legal rights in defining responsible contracting provisions in furtherance of its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other governing laws, regulations, and case authority.

The Policy is guided in all aspects by LACERA's fiduciary duties, including loyalty, care, skill, prudence, and diligence, which require evaluation of expected investment returns and risk of loss.

LACERA's assets are diligently and prudently invested and managed in accordance with the Fund's fiduciary duties in the sole interest of plan participants and their beneficiaries, and for the exclusive purpose of providing benefits to its participants and their beneficiaries. LACERA seeks to have its real assets investments managed and operated in a manner that is expected to prudently maximize the rate of return, while minimizing the risk of loss. LACERA's duties, and the duties of its investment managers, to LACERA's participants and their beneficiaries take precedence over any other duty.

### III. Policy Application at Real Assets Investments

LACERA promotes prudent, responsible contracting provisions for construction and operation services throughout its real assets investments. All investment managers who have been selected to manage LACERA's capital in real estate, infrastructure, and natural resources mandates should have in place effective policies, procedures, and internal controls to ensure that contracting practices result in the selection of responsible contractors that reflect the responsible contracting provisions outlined in this Policy.

LACERA recognizes that its control and influence on external investment managers varies by the degree of ownership it maintains in investment funds managed on its behalf by external investment managers. Accordingly, LACERA has defined the application of the terms and provisions of this Policy as follows:

- A. **Controlled Investments:** Where LACERA owns more than a 50 percent equity position either directly or indirectly in a real estate, infrastructure, natural resources, or other real assets investment fund or partnership ("Controlled Investments"), LACERA *requires* the investment manager to use its best efforts to comply with the responsible contractor terms and provisions defined within this Policy when soliciting and selecting contractors and subcontractors for construction and operation services.

At Controlled Investments, LACERA expects investment managers to apply this Policy to all contracts valued at \$100,000 or more. Contract value refers to the total project work to be contracted for, with desegregation by trade or task. Desegregation designed to evade the requirements of this Policy is not permitted.

- B. **Non-Controlled Investments:** Where LACERA does not have greater than 50 percent equity ownership and/or control of a real estate, infrastructure, natural resources, or other real assets investment fund or partnership ("Non-Controlled Investments"), LACERA *strongly encourages* its investment managers to comply with the spirit and practice of responsible contracting, including—but not limited to—adhering to the terms of this Policy and defining responsible contracting terms and policies of their own.

For the avoidance of any confusion, while LACERA encourages all real assets firms to practice responsible contracting, the specific terms and requirements of this Policy do not apply to other real assets exposures in LACERA's portfolio, including—but not limited to—publicly-listed real estate investment trusts (or REITs), mezzanine debt, hybrid debt, investments acquired through a secondaries fund acquisition transaction, and indirect, specialty, and mortgage investments lacking equity features, and their respective investment managers.

### IV. Key Provisions of Responsible Contracting

A "Responsible Contractor," as used in this Policy, is a contractor or subcontractor who: (1) has the appropriate experience, skill, reputation, employee relations, responsiveness, fees, and dependability to perform the required work, and (2) provides workers fair compensation and fair benefits for the required work as evidenced by factors including—but not limited to—payroll and employee records, policies, and practices.

Responsible contracting practices include, but are not limited to, the following:

- A. **Fair Wages and Benefits:** In determining fair wages and fair benefits concerning a specific contract in a specific market, items that may be considered include—but are not limited to—local wage practices, prevailing wages, and labor market conditions. This Policy does not mandate a specific wage level or benefits, but instead recognizes and considers that local market practices may vary across LACERA's investment exposures. How investment managers and their respective contractors evaluate what constitutes "fair wages" and "fair benefits" should be informed by relevant market factors that include the nature and location of the project, comparable job or trade classifications, and the scope and complexity of services provided. "Fair benefits" may include—but are not limited to—employer-supported family health care coverage, pension benefits, employee safety training, and apprenticeship training programs.

- B. **Legal Compliance:** All contractors should demonstrate a compelling track record of compliance with all applicable federal, state, and local laws, regulations, and ordinances, including (but not limited to) those related to insurance, withholding taxes, minimum wage, health and safety, and environmental matters. Responsible Contractors exclude any contractor who has been debarred—or whose principal has been debarred—by a municipal, state, or federal government.
- C. **Diversity, Equity, and Inclusion:** As outlined in LACERA’s *Investment Policy Statement*, LACERA values diversity, equity, and inclusion, and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA considers diversity broadly, inclusive of—but not limited to—professional backgrounds, age, experience, race, sexual orientation, gender, gender identity, disability status, military service, ethnicity, national origin, and culture. LACERA expects real assets investment managers to ensure equal opportunity and non-discrimination in contracting provisions for construction and operation services. Effective assurance of equal opportunity and non-discrimination includes effective policies and practices to prohibit and deter retaliation against any individual or entity who reports incidents of prospective non-compliance.
- D. **Competitive Bidding:** Investment managers should ensure that all requests for proposals and invitations to bid applicable contracts covered by this Policy are made in accordance with the terms of this Policy. LACERA encourages adequate advance notice of bidding opportunities to promote competitive bidding, as practical and appropriate. Investment managers and their associated property managers and contractors should use reasonable methods to provide adequate notice to potential contractors of bidding opportunities for contracted services. Adequate notification may include, but is not limited to, maintaining lists of eligible, qualified Responsible Contractors for inclusion in the bidding process.
- E. **Neutrality:** Where there is a legitimate attempt by a labor organization to organize workers employed in contracted construction, maintenance, operation, and services, LACERA encourages investment managers, property managers, and contractors to maintain a position of neutrality. To remain “neutral” means not taking any action or making any statement that will directly or indirectly state or imply any support for or opposition to the selection by employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent.

For the avoidance of any confusion, nothing in this Policy obligates or prohibits an investment manager, property or asset manager, or contractor from entering into project labor agreements, labor peace or other lawful agreements with a labor organization seeking to represent or that currently represents workers, or take actions to address violations of applicable law.

It is also not the intent of this Policy to call for any involvement by investment managers, property or asset managers, or contractors in resolving any jurisdiction disputes that may arise between or among building trades and other labor organizations and unions.

## V. Policy Implementation

- A. Notification:** All current and prospective real assets investment managers shall be provided a copy of this Policy (both at Controlled Investments and Non-Controlled Investments).
- B. Contracts and Contract Renewals:** All contracts and contract renewals at Controlled Investments entered into after the effective date of this Policy shall incorporate expectations of adherence to all applicable provisions of this Policy.
- C. Investment Manager Administration and Reporting:** All investment managers of Controlled Investments are expected to communicate the terms and provisions of this Policy to property and asset managers and ensure effective practices are in place to implement them. Investment managers of Controlled Investments are further expected to collect, provide, and retain adequate data documenting their compliance with this Policy on no less than an annual basis in reporting to LACERA in a format acceptable to and approved by LACERA. Effective monitoring and enforcement by investment managers includes reasonable investigation of allegations of non-compliance with the terms and provisions of the Policy, as well as cooperative and timely communication with LACERA regarding the status of any such investigations.

Investment managers of Non-Controlled Investments are encouraged to report to LACERA on the administration, monitoring, and compliance with the responsible contracting provisions and terms stated above and any responsible contracting policies or provisions of their own, as well as to be responsive to any inquiries from LACERA related to the same.

- D. LACERA Monitoring:** LACERA actively monitors all external investment managers, including those managing Controlled Investments and Non-Controlled Investments. All investment managers should demonstrate a compelling track record of adhering to responsible contracting practices. Any investment decisions to renew, increase, or decrease allocations may be informed, in part, by the investment managers track record of adherence to responsible contracting practices.

LACERA's regular review of Controlled Investments includes an assessment of the investment manager's track record in adhering to the terms and provisions of this Policy. LACERA reviews reports from investment managers of Controlled Investments regarding implementation and compliance with the terms and provisions of this Policy and furnishes reports as part of LACERA's overall compliance reporting practices to the Board of Investments for its oversight.

LACERA's review of all investment managers (both Controlled Investments and Non-Controlled Investments) focuses on the overall pattern of conduct and compliance and not particularly a single incident, depending on the severity and impact of incidents of non-compliance.

### Document History

Revised and restated [month/day/year]

Revised November 19, 2014

Reviewed November 20, 2013

Revised November 13, 2012

Adopted December 11, 2002

**Current Policy**



# **Responsible Contractor Policy**

NOVEMBER 2014

# I. Purpose

The Responsible Contractor Policy (the “Policy”) of the Los Angeles County Employees Retirement Association (“LACERA” or the “Fund”) is designed to guide, in a manner consistent with the Fund’s fiduciary duties, the Fund’s real estate investment advisers and other participants in the process of selecting contractors to provide building operations services and construction services to the real estate properties owned by the Fund.

The Policy seeks to ensure that such contractors will be selected based upon demonstrated ability to provide high quality services, and thereby enhance the value of LACERA’s real estate investments, as evidenced by their experience, reputation, responsiveness, fees, and dependability, and further by their record of compliance with applicable statutes and payment of fair compensation and benefits to employees.

# II. Introduction

LACERA supports and encourages fair compensation and fair benefits for workers employed by its contractors, subject always, however, to the Fund’s overriding fiduciary duties to LACERA’s participants and their beneficiaries, duties which take precedence over any other duty, including any duty or obligation established by this Policy.

The LACERA Board of Investments hereby adopts the Responsible Contractor Policy described herein in order to support and encourage the engagement of contractors who can be expected to provide high quality services to LACERA properties, utilizing properly trained and fairly compensated employees, subject always to LACERA’s fiduciary duties, including loyalty, care, skill, prudence, and diligence, which require evaluation of expected investment returns and risk of loss when awarding contracts with respect to LACERA’s assets.

Utilization of responsible contractors adds value to the investments by ensuring that essential building operations services and construction services are provided by adequately trained, experienced, and motivated workers. An adequately compensated and trained workforce can be expected to deliver a higher quality product and service. Therefore, LACERA supports a healthy and profitable business environment through market competition, small business development, and control of operating costs.

# III. Definition of Responsible Contractor

A Responsible Contractor is a contractor who: (1) has the appropriate experience, reputation, employee relations, responsiveness, fees, and dependability to perform the required work, and (2) provides workers fair compensation and fair benefits for the required work, based on market conditions.

# IV. Basic Requirements of the Responsible Contractor Policy

- **Fiduciary Duties Take Precedence:** Notwithstanding any other considerations, LACERA’s assets shall be diligently and prudently invested and managed in accordance with the Fund’s fiduciary duties in the sole interest of plan participants and their beneficiaries, and for the exclusive purpose of providing benefits to its participants and their beneficiaries. LACERA’s duties, and the duties of its advisers, to LACERA’s participants and their beneficiaries shall take precedence over any other duty.
- **Competitive Rate of Return:** LACERA seeks to have its real estate investments managed and operated in a manner that is expected to produce a competitive rate of return for its participants and beneficiaries at an acceptable level of risk.

- **Legal Compliance:** LACERA seeks to have all LACERA contractors comply with all applicable federal, state, and local laws, regulations, and ordinances, including (but not limited to) those related to insurance, withholding taxes, minimum wage, health and safety, and environmental matters.
- **Non-discrimination:** LACERA shall give equal consideration to minority-controlled firms, firms owned and controlled by women, and ventures involving those same firms, that meet the selection criteria for contractors and service providers.

## V. Preference for Responsible Contractors

Provided the basic requirements in the foregoing section have been satisfied, LACERA expresses a strong preference that Responsible Contractors be hired in accordance with this Policy.

## VI. Administration, Monitoring, and Enforcement

- **Applicable Contracts:** This Policy applies to all contractors and subcontractors who provide building operations services and construction services to real estate properties that are wholly owned by LACERA either directly or indirectly through subsidiary entities. The contractors and subcontractors shall use their best efforts to comply with this Policy. This Policy does not apply to real estate properties in LACERA's portfolio that are not wholly owned by LACERA either directly or indirectly.
- **Notification:** All current and prospective real estate advisers shall be provided a copy of this Policy.
- **Contract Solicitation:** All requests for proposals and invitations to bid applicable contracts covered by this Policy shall be made in accordance with the terms of this Policy.
- **Contracts and Contract Renewals:** All contracts and contract renewals entered into after the effective date of this Policy shall include applicable provisions of this Policy.

**Minimum Contract Size:** This Policy shall apply to all contracts valued at \$25,000 or more. Contract value refers to the total project work to be contracted for, with desegregation by trade or task. Desegregation designed to evade the requirements of this Policy shall not be permitted.

- **Reporting:** All advisers and contractors shall collect and retain adequate data documenting their compliance with this Policy and shall be prepared to produce such data for review upon request. LACERA staff shall produce periodic reports to LACERA's Board of Investments, when non-compliance with this Policy is identified.
- **Definition of Fair Wages and Benefits:** This Policy does not mandate any strict definition of fair wages and benefits. In the determination of fair wages and benefits, this Policy recognizes and considers indicators such as local wage practices, state law and labor market conditions, as well as prevailing wages.
- **Neutrality:** Where there is a legitimate attempt by a labor organization to organize workers employed in the construction, maintenance, operation, and services of a LACERA property, LACERA encourages a position of neutrality.
- **Enforcement:** LACERA shall place any adviser or property manager who fails to comply with this Policy on a probation list. In reviewing adviser and property management contracts for renewal, LACERA shall take into consideration the failure of any LACERA adviser or property manager to comply with this Policy.



## VII. Duties of Responsible Parties

Responsibilities of the LACERA staff shall include:

- Review of the real estate advisers' annual reports regarding compliance with this Policy.
- Furnish periodic reports to LACERA's Board of Investments, as requested, on each adviser's compliance with this Policy, and make recommendations as needed for action to correct any pattern of non-compliance.

Responsibilities of the adviser shall include:

- Communicate this Policy to property managers of LACERA properties and to managers of LACERA's real estate investment vehicles and direct them to implement it.
- Maintain a simplified bid summary for each applicable contract. The summary should include identification of the contract's successful bidder and the bidder's status as a Responsible Contractor.
- Provide an annual report to LACERA staff describing actions taken by such adviser to comply with this Policy, including those taken by property managers and their subcontractors.
- Monitor and enforce compliance with this policy, including reasonable investigation of potential violations.

Responsibilities of the property manager shall include:

- Communicate this Policy in all bid documents seeking to secure construction or building service contracts subject to this policy.
- Provide to adviser property level annual reports regarding compliance with this Policy.
- Provide to advisers for each LACERA property under management a list of contracts subject to this Policy.
- Maintain a list of Responsible Contractors utilized at each LACERA Property.

Responsibilities of contractor shall include:

- Provide the property manager with Responsible Contractor documentation.
- File with the property manager reports, certifications, and other forms relating to this Policy, as required by LACERA or the manager.

### Document History

Revised November 19, 2014


Reviewed November 20, 2013

Revised November 13, 2012

Adopted December 11, 2002


June 30, 2022

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque   
Acting Principal Investment Officer

Ron Senkandwa   
Investment Officer

Jeff Jia, CFA   
Senior Investment Analyst

Magdalia Armstrong, CFA, CAIA   
Senior Investment Analyst

FOR: July 13, 2022 Board of Investments Meeting

SUBJECT: **INTERNAL ASSET MANAGEMENT UPDATE**

### **RECOMMENDATION**

Pause the internal management project for public markets and reassess after the next strategic asset allocation.

### **BACKGROUND**

In August 2018, Trustees requested staff to conduct a study on the feasibility of internal asset management for public markets<sup>1</sup>. In 2019, staff provided the Board two presentations on the considerations of adopting internal management for certain public market assets. In addition, at the 2019 Board Offsite, there was a session featuring guest speakers from peer plans to share their experience with adopting internal management. Subsequently, Trustees requested staff to engage an independent consultant and provide a proposal on how LACERA could implement an internal management program. Net Alpha Advisors (“Net Alpha”) was hired as a project-based consultant to support this effort in the fourth quarter of 2019.

Net Alpha’s preliminary report and draft cost analysis were provided to Trustees at the October 2020 Board meeting. Further progress on LACERA’s internal management effort continued; Investments had discussions with the project consultant, peer plans, and third-party providers to identify more accurate infrastructure costs and operational resources.

As a result of the work-from-home experience, considerable thought has been given to prioritizing the adoption of internal management at this time. Since LACERA’s and Net Alpha’s initial reviews, there have been several changes that warrant a re-evaluation of the project: A revised asset allocation, changes to public market investment fees paid, Trustees’ responses to survey question related to internal management from the 2021 Board offsite, the adoption of LACERA’s strategic initiatives, personnel needs, and most importantly, lessons learned from teleworking and a hybrid work schedule which impact the operational framework and many LACERA divisions for this project.

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<sup>1</sup> Internal management refers to public market assets throughout this memo.

The prepared presentation contains three sections (**Attachment A**): A historical timeline of the internal asset management project to date, an updated preview of costs, and an assessment of internal asset management considering LACERA's investment beliefs and strategic initiatives. We conclude with closing thoughts, the recommendation, and next steps.

Meketa has provided a support memo that concurs with staff's analysis (**Attachment B**).

#### Attachments

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer

# Internal Asset Management Update

Board of Investments Meeting

July 13, 2022

Esmeralda del Bosque  
Acting Principal Investment Officer

Ron Senkandwa  
Investment Officer

Jeff Jia, CFA  
Senior Investment Analyst

Magdalia Armstrong, CFA, CAIA  
Senior Investment Analyst

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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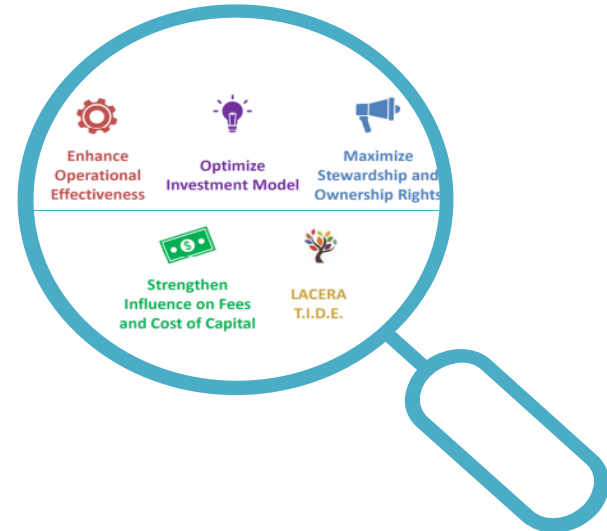
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# Objective and Recommendation

## Objective

The internal asset management project for public markets was paused during the pandemic. The goal for this presentation is to review and refresh the considerations for pursuing internal management (“IM”)<sup>1</sup>.

- Provide the Board with the background of efforts completed to date
- Assess previous findings through an investment beliefs and strategic initiatives lens given lessons learned through the pandemic



## Recommendation

Pause the internal management project for public markets and reassess after the next strategic asset allocation

<sup>1</sup> Internal management refers to public market assets throughout this presentation.

This project extended across multiple asset functional teams and included:

- Esmeralda del Bosque, Acting Principal Investment Officer
- Vache Mahseredjian, Principal Investment Officer
- Jim Rice, Principal Investment Officer
- Chad Timko, Senior Investment Officer
- Ron Senkandwa, Investment Officer
- Jeff Jia, Senior Investment Analyst
- Magdalia Armstrong, Senior Investment Analyst

Aug  
2018  
BOI

The Board of Investments (“BOI”) requested a study on the merits and risks of adopting IM at LACERA

Feb  
2019  
BOI

A peer review and cost-benefit analysis of IM on a subset of public asset categories were presented, noting advantages and disadvantages of IM

Internal Management Considerations



Jun  
2019  
BOI &  
Jul  
2019  
Offsite

Further data from peer plans and service providers were presented

Guest speakers from Oregon State Treasury and Utah Retirement System shared their IM experience at the Offsite:

- Compliance/operations mentioned as a must-have for a strong program
- Board requested an independent feasibility study on the potential implementation of a LACERA IM program



# History - Continued

Oct  
2020  
BOI

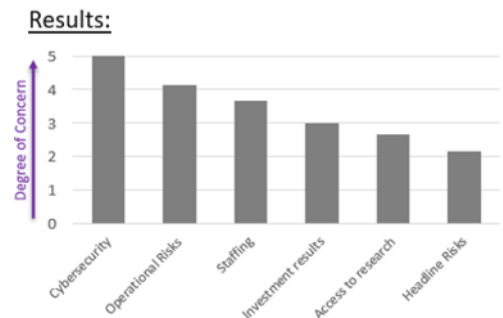
IM consultant's preliminary findings were provided to Trustees

- Net Alpha Advisors<sup>1</sup> ("Net Alpha"), was selected under CIO's approved delegated authority to assist LACERA in determining feasibility, cost, implementation plan, and recommendations for an IM program
- Net Alpha's report:
  - Provided independent analysis
  - Proposed internalizing passive US equities assets first
  - Preliminary costs provided in the first iteration focused mainly on data and software expenses

Oct  
2021  
Offsite

Board offsite survey included three questions indicating ongoing interest and concerns with IM

- Key findings<sup>2</sup>:
  - Cybersecurity and operational risks are top concerns
  - Public market assets rank highest for internal management
  - Ideal implementation of internal management within two years



Jan  
2022  
BOI

Presented 2022 Work Plan and Strategic Plan

- Internal management update scheduled in mid-year


<sup>1</sup> Net Alpha Advisors LLC is an investment-consulting firm whose services include supporting asset internalization programs with several plan sponsors.

<sup>2</sup> Survey results from the October 2021 Board Offsite poll.



# Initial Estimated Operational Cost Breakdown

- The initial 2020 preliminary report<sup>1</sup>:
  - Considered data/technology expenses and implementation plan focusing on passive US equity index as the first stage only
- Draft cost estimate included data plus basic middle-and back-office services quoted at approximately \$200,000
  - **Expanded scope of the preliminary report includes larger expenses:**
    - Additional LACERA personnel (e.g., corporate actions, compliance, and investment accounting)
    - Resources for remote/hybrid work model
    - Order management system with pre- and post-trade compliance
    - Subscription/pricing data and custodial costs
    - Risk and performance modules for an effective IM trading framework



Item	Cost	Notes
<b>Data Costs</b>		
Index Constituent Data	\$55,000	Incremental cost of constituent data for internal management of assets
Market Data	-	No incremental fees from current subscriptions
Reference Data	-	Included in market data fees.
<b>Technology</b>		
Technology Infrastructure	\$5,175	Servers, connections, system build
SWIFT Integration	\$40,000	Installation and integration, messaging fees
Portfolio Management System*	-	Current providers, OMS
Risk System*	-	Expand Current Relationships
Performance Attribution*	-	Current providers, Expand Current Relationships
OMS/EMS	\$60,000	Estimated quote of \$60,000 for 3 full access users and includes market data
<b>Trading &amp; Operations</b>		
Middle & Back Office	\$31,900	Estimated mid-tier vendor quote. Awaiting top-tier vendor quotes.
Trading Commissions	-	

**A deeper dive into the costs and resources needed for IM was paused due to the pandemic**

<sup>1</sup> Net Alpha conducted the analysis and provided the preliminary report.

# Cost Savings – Initial vs. Current

- Updated preliminary analysis to build upon initial cost estimates
- Revised potential cost savings have decreased due to 1) More comprehensive analysis 2) Reduced allocation to global equity and 3) Improved fee terms for existing managers
- Cumulative estimated savings are negative across all three stages (Stage A + B + C)
  - Adjusted internalization costs include expanded scope totaling \$1.8 million difference:** Additional staffing<sup>4</sup> (\$1M), OMS System (\$350k), custody costs (\$100k), subscription/pricing data (\$85k) and other costs (\$215k)<sup>5</sup>

	INITIAL ANALYSIS <sup>1</sup>			CURRENT ANALYSIS <sup>2</sup>		
STAGE/ASSET CLASS	MANAGEMENT FEE	INTERNALIZATON COST	ESTIMATED SAVINGS	MANAGEMENT FEE <sup>3</sup>	INTERNALIZATON COST	ESTIMATED SAVINGS
A – Passive US Equities	\$700,000	\$190,000	\$510,000	\$655,000	\$1,230,000	-\$575,000
B – Factor-Based US	\$1,320,000	\$750,000	\$570,000	\$635,000	\$980,000	-\$345,000
B – Passive Dev Non-US	\$430,000	\$195,000	\$235,000	\$565,000	\$620,000	-\$55,000
C – Passive EM Equities	\$1,260,000	\$190,000	\$1,070,000	\$1,000,000	\$300,000	\$700,000
D – US TIPS		TBD	TBD	TBD	TBD	TBD
D – Cash		TBD	TBD	TBD	TBD	TBD
CUMULATIVE COSTS	MANAGEMENT FEE	INTERNALIZATON COST	ESTIMATED SAVINGS	MANAGEMENT FEE	INTERNALIZATON COST	ESTIMATED SAVINGS
Stage A	\$700,000	\$190,000	\$510,000	\$655,000	\$1,230,000	-\$575,000
Stage A + B	\$2,450,000	\$1,135,000	\$1,315,000	\$1,855,000	\$2,830,000	-\$975,000
Stage A + B + C	\$3,710,000	\$1,325,000	\$2,385,000	\$2,855,000	\$3,130,000	-\$275,000
Stage A + B + C + D		TBD	TBD	TBD	TBD	TBD

<sup>1</sup> Based on U.S. weight in MSCI ACWI IMI index as of October 2018.

<sup>2</sup> Based on U.S. weight in MSCI ACWI IMI index as of March 2022.

<sup>3</sup> Based on target allocations from Investment Policy Statement.

<sup>4</sup> Additional staffing includes personnel from Investments, Legal, Accounting, Systems, and IT departments.

<sup>5</sup> Other costs include differences in investment management fees and outsourced middle- and back-office.

# Key Considerations – Strategic Initiatives

Revisiting internal management identified applicable LACERA key strategic initiatives while assessing LACERA's competitive advantages and current operational state



- **Investment Beliefs as a guiding principle:**

- Risk: “Since no single metric adequately conveys risk, LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio.”
- Costs and Fees: “Investment outcomes are determined by risk, returns, and costs. All three must be managed, and cost is the most certain.”

- **Applicable strategic initiative pillars from LACERA Investment’s Strategic Plan**



Enhance  
Operational  
Effectiveness

- Strengthen risk orientation in a low expected return environment
- Avoid uncompensated complexity



Optimize  
Investment  
Model

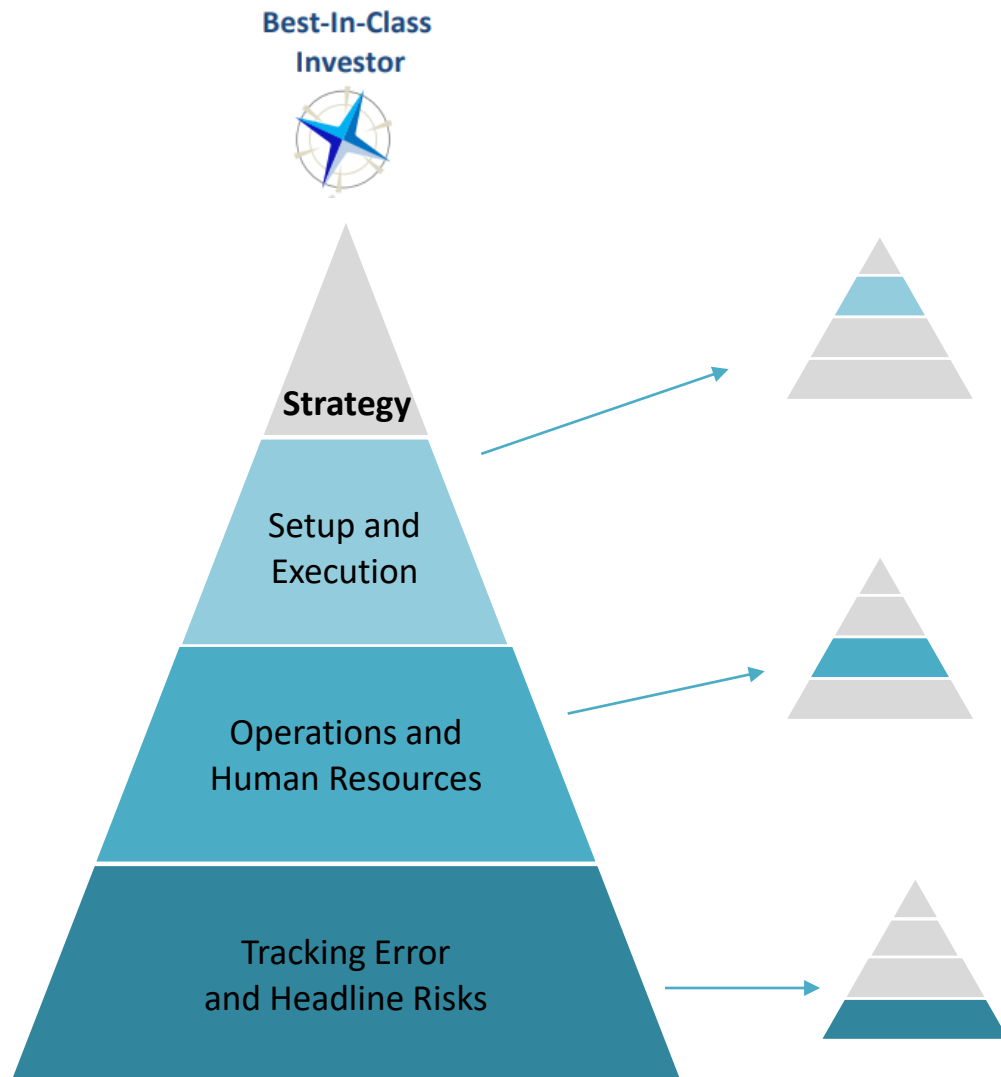
- Further development of investor mindset



Strengthen  
Influence on Fees  
and Cost of Capital

- Broadly be “term-makers” as opposed to “term-takers”
- Further measure and reduce costs across portfolio
- Develop a risk and fee adjusted performance measurement approach

# Key Considerations – Three Areas for Discussion



## Areas for Discussion

### Setup and Execution

- Cost perspective
- Lessons learned from pandemic
- Complexities of internal management

### Operations and Human Resources

- Interdepartmental dependencies
- Internal guidelines and compliance
- Cybersecurity and operational risk
- Human resources considerations

### Tracking Error and Headline Risks

- Tracking error risk
- Transfer of risk(s) to LACERA

# Key Considerations – Setup and Execution

Best-In-Class  
Investor



Strategy

Setup and  
Execution

Operations and  
Human Resources

Tracking Error  
and Headline Risks

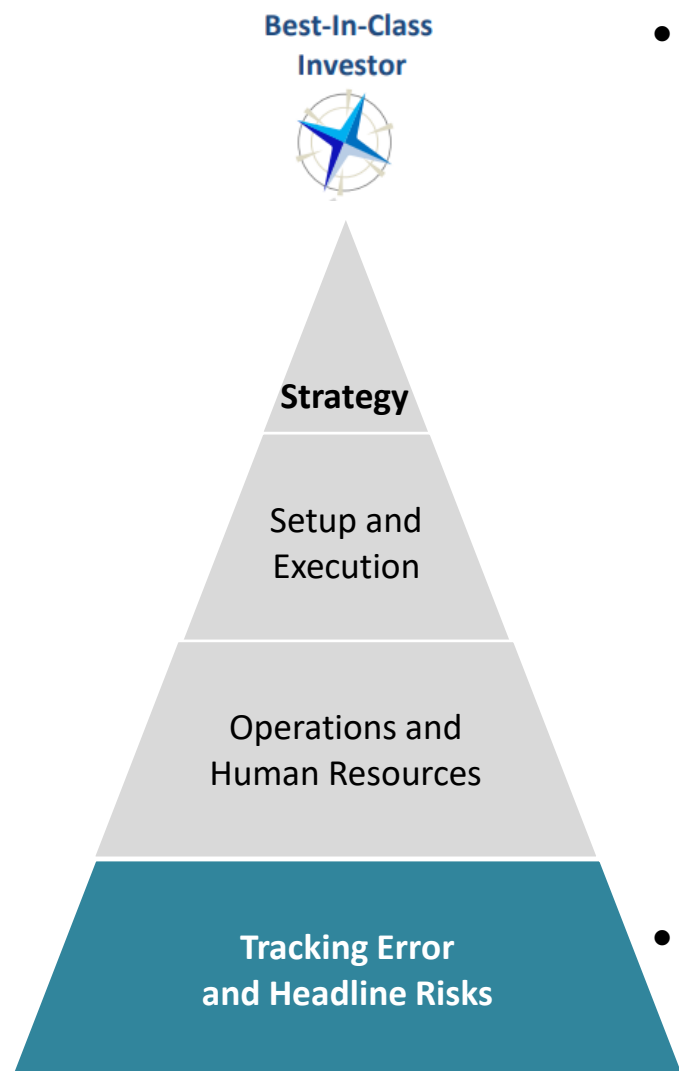
- **Cost perspective**
  - Do the potential cost savings still make sense?
    - Original draft costs in the preliminary analysis for IM were underestimated; cumulative costs detract from overall savings when largest expenses are considered
  - Higher human resources costs – personnel needs must be addressed
  - Greater infrastructure setup costs
- **Lessons learned from remote/hybrid work schedule must be further vetted with internal divisions and custodian**
  - Business Continuity and Disaster Recovery protocols
  - Trade execution and connectivity between custodian, risk, and performance systems
- **Complexities of liquid versus illiquid assets**
  - Unique infrastructure requirements for liquid versus illiquid assets; lessons learned from real estate and Title Holding Companies

# Key Considerations – Operations and Human Resources



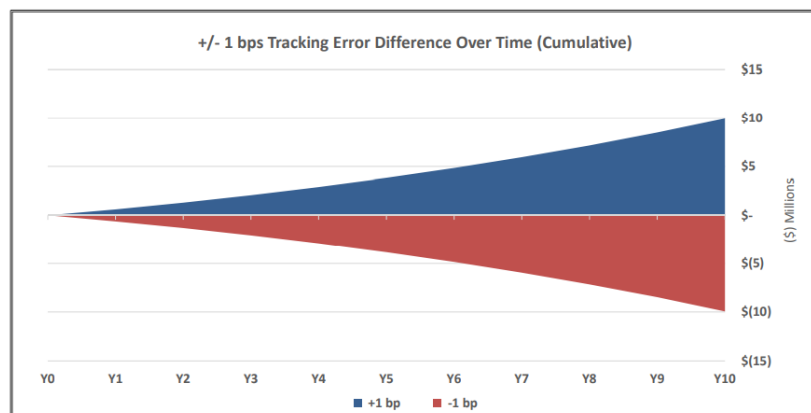
- **Interdepartmental dependencies**
  - Legal, Systems, Information Security, Financial Accounting, Internal Audit, Human Resources
  - A holistic implementation plan across the LACERA organization is key
- **Internal guidelines and compliance**
  - Requires robust internal legal, regulatory, and compliance processes
  - Need for greater oversight and compliance
- **Cybersecurity and operational risk**
  - IT infrastructure and maintenance
  - Potential greater preventive measures
- **Human resources considerations**
  - Requires changes to talent acquisition and retention
  - Impact of LACERA's hybrid work environment

# Key Considerations – Tracking Error and Headline Risks



- **Tracking error risk<sup>1</sup>**

- Full replication of the index holdings and less liquid market segments such as small and micro-cap stocks can be a challenge
- Risk of incurring higher tracking error as LACERA lacks economies of scale
- Risk of underperforming the index
  - For example, underperformance of 0.01% on \$15.5 billion passive global equity portfolio equates to a loss of \$1.55 million annually



- **Transfer of risk from external manager to LACERA**

- Transfer of “liability” (including trading error and business plus operational risks) can lead to negative news about LACERA in the “headlines”

<sup>1</sup> Tracking error is the volatility of a manager’s excess return. It is measured by subtracting the benchmark return from the manager’s return and calculating the standard deviation.



# Review of Benefits and Concerns

## BENEFITS

1

**Leverage LACERA's asset size and relative scale**

2

**Enhanced Investment Culture**

- Consistent with strategic initiatives and principles

3

**Potential Investment Cost Reduction**

- Incremental cost savings with additional asset growth

## CONCERNS

1

**Increased Risks**

- Higher tracking error
- Potential headline risk
- Hybrid work environment

2

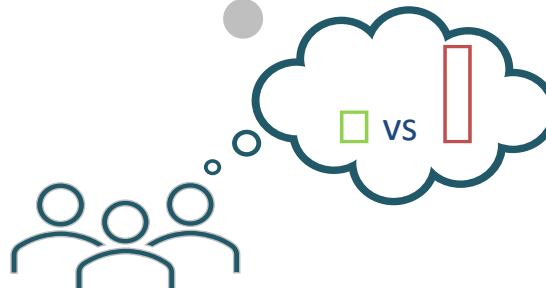
**Setup and Execution**

- Trading controls
- Fiduciary liability and insurance
- Compliance parameters and monitoring

3

**Infrastructure Cost**

- Upfront cost of IT Systems and trading software
- Additional personnel



# Summary, Recommendation, and Next Steps

## Summary

- The internal asset management project began in 2018/2019; an independent project-based consultant was hired to provide preliminary implementation report (2020)
- Research was conducted to further revise costs and implications of a remote/hybrid work schedule
- Refinement of preliminary cost estimates reveals that *external* investment management is economically advantageous
- Despite benefits to LACERA's investment culture, internal management requires a multi-divisional concerted effort, further development of operational and personnel needs, and may introduce higher than anticipated business and financial risks

## Recommendation

- Pause the internal management project for public markets and reassess after the next strategic asset allocation

## Next Steps

- Continue to review and enhance total Fund in accordance with LACERA's strategic initiatives
- Focus internal efforts on initiatives that are most cost-effective, such as co-investments



## MEMORANDUM

**TO:** LACERA Board of Investments  
**FROM:** Tim Filla, Aysun Kilic, Leo Festino, and Imran Zahid  
**CC:** Jon Grabel, CIO - LACERA  
**DATE:** July 13, 2022  
**RE:** Internal Asset Management Update

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The purpose of this memo is for Meketa Investment Group to discuss LACERA staff's findings and recommendations in the Internal Asset Management Update.

We agree with the recommendation reached by staff to pause the Internal Asset Management project. LACERA has been very successful in reducing fees across the portfolio and in public markets that has greatly reduced or eliminated the potential fee savings when compared to the projected costs and added risks of internal management.

While LACERA's external fees have declined, the costs associated with attracting and retaining talent have increased. The greater operational burdens of internal management will lead to increased staffing across many LACERA departments. Internal management will also require the addition of experienced equity traders in the Investments division. The combination of these costs greatly diminishes the potential attractiveness of internal management.

Analysis of the risks associated with internal management is a critical element of staff's update. Internal management requires the assumption of significant additional risks ranging from trade error liability to increased operational exposures to reputational risk. While these may be difficult to quantify, they clearly represent added levels of risk for LACERA.

In conclusion, when considering the additional elements of potential risk associated with internal management and the lack of compelling economics, Meketa concurs with staff that LACERA should pause the Internal Management Project as currently envisioned.

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.

TF/AK/LF/IZ/sf



June 29, 2022

**FOR INFORMATION ONLY**

**TO:** Each Trustee,  
Board of Retirement  
Board of Investments

**FROM:** Luis A. Lugo   
Deputy Chief Executive Officer

**FOR:** July 6, 2022 Board of Retirement Meeting  
July 13, 2022 Board of Investments Meeting

**SUBJECT: SEIU Local 850/851 Meeting Held on May 25, 2022**

During the June 13, 2022 Joint Board meeting, the Joint Boards directed staff to investigate remarks made during Public Comment. More specifically, union representatives made statements that included alleged inappropriate conduct by a LACERA management staffer during an SEIU sponsored meeting held on May 25, 2022, at LACERA's main office in Pasadena.

On May 25, 2022, I received an email communication from the leadership team at SEIU 850/851 requesting to meet "regarding LACERA falsely accusing SEIU of violating Memorandum of Understanding." The issue in question was whether SEIU's representative followed proper procedures in scheduling an onsite luncheon for their membership within LACERA's offices. I promptly responded with an email that same day to coordinate a meeting between LACERA management and SEIU 850/851 leadership.

A virtual meeting was held on June 2, 2022, with LACERA management and SEIU 850/851 leadership to discuss issues and alleged conduct from a LACERA staff member. During the meeting, it was determined that the incident was a mutual misunderstanding and miscommunication between an SEIU representatives and LACERA's Human Resource Division regarding the process used for scheduling meeting space at our headquarters building. Also, the union representatives wrote a letter and sent an email to LACERA's Chief Executive Officer and Deputy Chief Executive Officer on June 2, 2022, alleging a LACERA staff member was videotaping their meeting. This allegation was determined to be unfounded. Instead, at the time and later confirmed, the LACERA staff member was logged into a regular virtual LACERA all-staff Brown Bag meeting using their mobile device.

During the June 2<sup>nd</sup> meeting, we addressed with our labor partners the conduct allegations detailed in the letter and protocols for scheduling meeting space in the future. Both LACERA and SEIU 850/851 mutually agreed upon a process moving forward that would allow for a back-up point of contact, if needed. The meeting was productive and LACERA believed the issue was resolved, which is the reason management did not bring this to the attention of the Trustees. In fact, SEIU representatives successfully used the agreed upon scheduling protocol the following day to secure meeting space.

June 29, 2022

Page 2

The public comments made to the Joint Boards on June 13, 2022, were unexpected, as we considered the issue properly addressed and timely resolved following our June 2, 2022, meeting with SEIU 850/851 leadership.

We are committed to moving forward and working collaboratively in a collegial manner by establishing regularly scheduled joint labor and management meetings with union representatives. As always, management will continue to foster a positive and productive work environment for all represented and non-represented staff at LACERA.

Noted and Reviewed:




Santos H. Kreimann  
Chief Executive Officer

SK:ll

**FOR INFORMATION ONLY**

June 26, 2022

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: July 6, 2022 Board of Retirement Meeting  
July 13, 2022 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring or on which LACERA has adopted a position. Also included is a copy of a recent support letter.

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

**Attachments**

LACERA Legislative Report Index  
LACERA Legislative Report  
AB 1971 support letter

cc: Santos H. Kreimann  
Luis Lugo  
JJ Popowich  
Laura Guglielmo  
Steven P. Rice  
Jon Gabel  
Scott Zdrazil  
Tony Roda, Williams & Jensen  
Shari McHugh, McHugh Koepke & Associates  
Naomi Padron, McHugh Koepke & Associates

LACERA Legislative Report  
2021-22 Legislative Session  
Status as of June 26, 2022

<b>PUBLIC RETIREMENT</b>	<b>AUTHOR</b>	<b>TITLE</b>	<b>PAGE</b>
AB 551	Rodriguez (D)	Disability Retirement: Covid-19: Presumption	1
AB 826	Irwin (D)	Compensation and Compensation Earnable	1
AB 1667	Cooper (D)	State Teachers' Retirement System: Administration	1
AB 1722	Cooper (D)	Public Employees' Retirement: Safety Members	1
AB 1824	Public Employment and Retirement Cmt	Public Employees' Retirement	2
AB 1971	Cooper (D)	County Employees Retirement Law of 1937	2
AB 2443	Cooley (D)	Public Employees' Retirement: Federal Law	3
AB 2493	Chen (R)	County Employees' Retirement Disallowed Compensation	3
HR 2954	Neal (D)	Strong Retirement	3
HR 6241	Thompson M (D)	Use of Retirement Funds	3
S 1703	Grassley (R)	Retirement Plan Administration	4
S 1770	Cardin (D)	Retirement Provisions	4
 <b>PUBLIC INVESTMENT</b>			
SB 1173	Gonzalez (D)	Public Retirement Systems: Fossil Fuels: Divestment	4
SB 1328	McGuire (D)	Investments and Contracts: Russia and Belarus	4
 <b>WORKERS COMPENSATION</b>			
AB 334	Mullin (D)	Workers Compensation: Skin Cancer	5
AB 1751	Daly (D)	Workers' Compensation: COVID-19: Critical Workers	5
SB 213	Cortese (D)	Workers Compensation: Hospital Employees	5
SB 284	Stern (D)	Workers' Compensation: Firefighters and Peace Officers	6
SB 335	Cortese (D)	Workers' Compensation: Liability	6
 <b>BROWN ACT</b>			
AB 1944	Lee (D)	Local Government: Open and Public Meetings	6
AB 2449	Rubio (D)	Open Meetings: Local Agencies: Teleconferences	7
AB 2647	Levine (D)	Local Government: Open Meetings	7
SB 1100	Cortese (D)	Open Meetings: Orderly Conduct	7
 <b>PUBLIC RECORDS ACT</b>			
AB 343	Fong (R)	California Public Records Act Ombudsperson	7
AB 386	Cooper (D)	Public Employees Retirement: Investments: Confidential	8
 <b>SOCIAL SECURITY</b>			
HR 82	Davis R (R)	Government Pension Offset Repeal	8
HR 2337	Neal (D)	Noncovered Employment	8
HR 5723	Larson (D)	Social Security System Benefits	9
S 1302	Brown S (D)	Pension Offset	9
 <b>HEALTHCARE</b>			
HR 4148	Malinowski (D)	First Responders Medicare Option	9
S 2236	Brown S (D)	Medicare Buy In Option for First Responders	9
S 4312	Brown S (D)	Health and Long Term Care Insurance Distributions	10

LACERA Legislative Report  
2021-22 Legislative Session  
Status as of June 26, 2022

<b>PUBLIC RETIREMENT</b>	
CA AB 551	<p><b>AUTHOR:</b> Rodriguez [D]  <b>TITLE:</b> Disability Retirement: Covid-19: Presumption  <b>INTRODUCED:</b> 02/10/2021  <b>LAST AMEND:</b> 05/09/2022  <b>DISPOSITION:</b> Pending  <b>SUMMARY:</b>  Establishes a disability retirement presumption that is applicable to the members of various public employee retirement systems who are employed in certain firefighter, public safety officer, and health care job classifications, among others, who test positive for COVID-19, as specified. Extends the operation of the provisions until specified date.  <b>STATUS:</b>  06/21/2022 In SENATE. Read second time. To third reading.</p>
CA AB 826	<p><b>AUTHOR:</b> Irwin [D]  <b>TITLE:</b> Compensation and Compensation Earnable  <b>INTRODUCED:</b> 02/16/2021  <b>LAST AMEND:</b> 08/31/2021  <b>DISPOSITION:</b> Pending  <b>SUMMARY:</b>  Relates to the bill, which would apply only in Ventura County. Provides that compensation and compensation earnable include flexible benefits plan allowances paid by a county or a district on behalf of its employees as part of a cafeteria plan, as specified, if certain requirements are met.  <b>STATUS:</b>  09/08/2021 In SENATE. From third reading. To Inactive File.  <b>BOR_Position:</b> Watch 09/01/2021  <b>IBLC_Recommendation:</b> Watch 08/12/2021  <b>Staff_Recommendation:</b> Watch</p>
CA AB 1667	<p><b>AUTHOR:</b> Cooper [D]  <b>TITLE:</b> State Teachers' Retirement System: Administration  <b>INTRODUCED:</b> 01/19/2022  <b>LAST AMEND:</b> 05/19/2022  <b>DISPOSITION:</b> Pending  <b>SUMMARY:</b>  Defines exclusive representative for purposes of State Teachers' Retirement System. Requires the public agency to provide, as specified, the board and the exclusive representative a list of the names of any member affected by the audit not included in the board's list.  <b>STATUS:</b>  06/22/2022 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on JUDICIARY. (4-0)</p>
CA AB 1722	<p><b>AUTHOR:</b> Cooper [D]  <b>TITLE:</b> Public Employees' Retirement: Safety Members  <b>INTRODUCED:</b> 01/27/2022  <b>DISPOSITION:</b> Pending  <b>SUMMARY:</b></p>



Relates to the Public Employees' Retirement Law which, until January 1, 2023, provides a state safety member of the Public Employees' Retirement System who retires for industrial disability a retirement benefit equal to the greatest amount resulting from 3 possible calculations. Deletes the termination of these provisions on January 1, 2023, thereby making them operative in perpetuity.

**STATUS:**

06/01/2022 To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

CA AB 1824

**AUTHOR:** Public Employment and Retirement Cmt  
**TITLE:** Public Employees' Retirement  
**INTRODUCED:** 02/07/2022  
**LAST AMEND:** 05/25/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Establishes the State Teachers' Retirement System and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, creditable service, and age at retirement, subject to certain variations.

**STATUS:**

05/25/2022 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT with author's amendments.

05/25/2022 In SENATE. Read second time and amended. Re-referred to Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

**Comments:**

Omnibus bill containing SACRS 2022 legislative proposals.

**BOR\_Position:** Support 05/05/2022

**IBLC\_Recommendation:** Support 04/06/2022

**Staff\_Recommendation:** Support

CA AB 1971

**AUTHOR:** Cooper [D]  
**TITLE:** County Employees Retirement Law of 1937  
**INTRODUCED:** 02/10/2022  
**LAST AMEND:** 06/09/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes a person who is retired and receiving a retirement benefit from a county system to serve without reinstatement for service on a part-time board or commission operating under a participating agency of the same county retirement system. Prohibits a retired person acting in this capacity from acquiring benefits, service credit, or retirement rights with respect to the service and would prescribe limits on the salary or stipend for service with the board or commission.

**STATUS:**

06/09/2022 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT with author's amendments.

06/09/2022 In SENATE. Read second time and amended. Re-referred to Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

**Comments:**

Omnibus bill containing SACRS 2022 legislative proposals.

**BOR\_Position:** Support 06/01/2022

**IBLC\_Recommendation:** Support 05/05/2022  
**Staff\_Recommendation:** Support

CA AB 2443

**AUTHOR:** Cooley [D]  
**TITLE:** Public Employees' Retirement: Federal Law  
**INTRODUCED:** 02/17/2022  
**LAST AMEND:** 06/22/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Prescribes the method by which benefits are to be reduced when federal law requires aggregation of benefits from different plans maintained by the same employer and federal limits on benefits are reached.

**STATUS:**

06/22/2022 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT with author's amendments.  
06/22/2022 In SENATE. Read second time and amended. Re-referred to Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

CA AB 2493

**AUTHOR:** Chen [R]  
**TITLE:** County Employees' Retirement Disallowed Compensation  
**INTRODUCED:** 02/17/2022  
**LAST AMEND:** 04/05/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes a county retirement system to adjust retirement payments based on disallowed compensation for sworn peace officers and firefighters of that system. Provides that if the retirement system determines that the compensation reported for a sworn peace officer or firefighter of the system is disallowed compensation, as defined, the system would require the county employer or agency to discontinue reporting the disallowed compensation.

**STATUS:**

06/22/2022 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on JUDICIARY. (4-0)

**IBLC\_Recommendation:** Neutral 06/01/2022

**Staff\_Recommendation:** Neutral

US HR 2954

**SPONSOR:** Neal [D]  
**TITLE:** Strong Retirement  
**INTRODUCED:** 05/04/2021  
**LAST AMEND:** 03/29/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Secures a Strong Retirement Act of 2021.

**STATUS:**

03/30/2022 In SENATE. Read second time.  
03/30/2022 To SENATE Committee on FINANCE.

**Comments:**

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

US HR 6241

**SPONSOR:** Thompson M [D]  
**TITLE:** Use of Retirement Funds

	<b>INTRODUCED:</b> 12/09/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Amends the Internal Revenue Code of 1986 to provide for rules for the use of retirement funds in connection with federally declared disasters. <b>STATUS:</b> 12/09/2021 INTRODUCED. 12/09/2021 To HOUSE Committee on WAYS AND MEANS.
US S 1703	<b>SPONSOR:</b> Grassley [R] <b>TITLE:</b> Retirement Plan Administration <b>INTRODUCED:</b> 05/19/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Amends the Internal Revenue Code of 1986 to increase retirement savings, to improve retirement plan administration. <b>STATUS:</b> 05/19/2021 INTRODUCED. 05/19/2021 In SENATE. Read second time. 05/19/2021 To SENATE Committee on FINANCE.
US S 1770	<b>SPONSOR:</b> Cardin [D] <b>TITLE:</b> Retirement Provisions <b>INTRODUCED:</b> 05/20/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Amends the Internal Revenue Code of 1986 to reform retirement provisions. <b>STATUS:</b> 05/20/2021 INTRODUCED. 05/20/2021 In SENATE. Read second time. 05/20/2021 To SENATE Committee on FINANCE.
<b>PUBLIC INVESTMENT</b>	
CA SB 1173	<b>AUTHOR:</b> Gonzalez [D] <b>TITLE:</b> Public Retirement Systems: Fossil Fuels: Divestment <b>INTRODUCED:</b> 02/17/2022 <b>LAST AMEND:</b> 04/21/2022 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> Prohibits the boards of the Public Employees' Retirement System and the State Teachers' Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company. Suspends the above described liquidation provision upon a good faith determination by the board that certain conditions materially impact normal market mechanisms for pricing assets. <b>STATUS:</b> 06/02/2022 To ASSEMBLY Committees on PUBLIC EMPLOYMENT AND RETIREMENT and JUDICIARY.
CA SB 1328	<b>AUTHOR:</b> McGuire [D] <b>TITLE:</b> Investments and Contracts: Russia and Belarus <b>INTRODUCED:</b> 02/18/2022 <b>LAST AMEND:</b> 05/19/2022

**DISPOSITION:** Pending

**SUMMARY:**

Prohibits the boards of specified state and local public retirement systems from making additional or new investments in prohibited companies, as defined, domiciled in Russia or Belarus, as defined, companies that the United States government has designated as complicit in the aggressor countries', as defined, war in Ukraine, or companies that supply military equipment to the aggressor countries, and to liquidate the investments of the board in those companies, as specified.

**STATUS:**

06/09/2022 To ASSEMBLY Committees on PUBLIC EMPLOYMENT AND RETIREMENT and ACCOUNTABILITY AND ADMINISTRATIVE REVIEW.

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**WORKERS COMPENSATION**

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CA AB 334

**AUTHOR:** Mullin [D]

**TITLE:** Workers Compensation: Skin Cancer

**INTRODUCED:** 01/27/2021

**DISPOSITION:** Pending

**SUMMARY:**

Relates to existing law which provides that skin cancer developing in active lifeguards, for purposes of workers' compensation, is presumed to arise out of and in the course of employment, unless the presumption is rebutted. Expands the scope of this provision to certain peace officers of the Department of Fish and Wildlife and the Department of Parks and Recreation.

**STATUS:**

09/10/2021 In SENATE. From third reading. To Inactive File.

CA AB 1751

**AUTHOR:** Daly [D]

**TITLE:** Workers' Compensation: COVID-19: Critical Workers

**INTRODUCED:** 02/01/2022

**DISPOSITION:** Pending

**SUMMARY:**

Extends specified workers' compensation provisions relating to COVID-19 until January 1, 2025.

**STATUS:**

06/08/2022 To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

CA SB 213

**AUTHOR:** Cortese [D]

**TITLE:** Workers Compensation: Hospital Employees

**INTRODUCED:** 01/12/2021

**LAST AMEND:** 05/05/2022

**DISPOSITION:** Pending

**SUMMARY:**

Defines injury for a hospital employee who provides direct patient care in an acute care hospital, to include infectious diseases, cancer, musculoskeletal injuries, post traumatic stress disorder, and respiratory diseases. Includes the novel coronavirus 2019, among other conditions, in the definitions of infectious and respiratory diseases. Creates rebuttable presumptions that these injuries that develop or manifest in a hospital employee who provides direct patient care in an acute care hospital.

**STATUS:**

	06/22/2022	In ASSEMBLY Committee on INSURANCE: Heard, remains in Committee.
CA SB 284	<b>AUTHOR:</b> Stern [D] <b>TITLE:</b> Workers' Compensation: Firefighters and Peace Officers <b>INTRODUCED:</b> 02/01/2021 <b>LAST AMEND:</b> 08/30/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> <p>Relates to existing Law which provides that injury includes post-traumatic stress that develops during a period in which the injured person is in the service of the department or unit. Makes that provision applicable to active firefighting members of the State Department of State Hospitals, the State Department of Developmental Services, and the Military Department, and the Department of Veterans Affairs, including security officers of the Department of Justice when performing assigned duties.</p>	
	08/30/2021	In ASSEMBLY. Read second time and amended. To second reading.
	08/30/2021	In ASSEMBLY. To Inactive File.
CA SB 335	<b>AUTHOR:</b> Cortese [D] <b>TITLE:</b> Workers' Compensation: Liability <b>INTRODUCED:</b> 02/08/2021 <b>LAST AMEND:</b> 03/10/2021 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> <p>Reduces the time periods after the date the claim form is filed with an employer in which the injury is presumed compensable and the presumption is rebuttable only by evidence discovered subsequent to the time period for certain injuries or illnesses, including hernia, heart trouble, pneumonia, or tuberculosis, among others, sustained in the course of employment of a specified member of law enforcement or a specified first responder.</p>	
	07/13/2021	In ASSEMBLY Committee on INSURANCE: Failed passage.
<hr/> <b>BROWN ACT</b> <hr/>		
CA AB 1944	<b>AUTHOR:</b> Lee [D] <b>TITLE:</b> Local Government: Open and Public Meetings <b>INTRODUCED:</b> 02/10/2022 <b>LAST AMEND:</b> 05/25/2022 <b>DISPOSITION:</b> Pending <b>SUMMARY:</b> <p>Requires the agenda to identify any member of the legislative body that will participate in the meeting remotely. Requires an updated agenda reflecting all of the members participating in the meeting remotely to be posted, if a member of the legislative body elects to participate in the meeting remotely after the agenda is posted.</p>	
	06/22/2022	In SENATE Committee on GOVERNANCE AND FINANCE: Not heard.
	<b>BOR_Position:</b>	Support 05/05/2022
	<b>IBLC_Recommendation:</b>	Support 04/06/2022

**Staff\_Recommendation:** Support

CA AB 2449

**AUTHOR:** Rubio [D]  
**TITLE:** Open Meetings: Local Agencies: Teleconferences  
**INTRODUCED:** 02/17/2022  
**LAST AMEND:** 06/23/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes a member to participate remotely under specified circumstances, including participating remotely for just cause or due to emergency circumstances. Relates to the emergency circumstances basis for remote participation would be contingent on a request to, and action by, the legislative body. Defines terms for purposes of these teleconferencing provisions.

**STATUS:**

06/23/2022 From SENATE Committee on JUDICIARY with author's amendments.

06/23/2022 In SENATE. Read second time and amended. Re-referred to Committee on JUDICIARY.

CA AB 2647

**AUTHOR:** Levine [D]  
**TITLE:** Local Government: Open Meetings  
**INTRODUCED:** 02/18/2022  
**LAST AMEND:** 04/19/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Requires a local agency to make those writings distributed to the members of the governing board available for public inspection at a public office or location that the agency designates and list the address of the office or location on the agenda for all meetings of the legislative body of the agency unless the local agency meets certain requirements, including the local agency immediately posts the writings on the local agency's internet website in a position and manner that makes it clear.

**STATUS:**

06/22/2022 In SENATE Committee on GOVERNANCE AND FINANCE: Not heard.

CA SB 1100

**AUTHOR:** Cortese [D]  
**TITLE:** Open Meetings: Orderly Conduct  
**INTRODUCED:** 02/16/2022  
**LAST AMEND:** 06/06/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Authorizes the presiding member of the legislative body conducting a meeting to remove an individual for disrupting the meeting. Requires removal to be preceded by a warning to the individual by the presiding member of the legislative body or their designee that the individual's behavior is disrupting the meeting and that the individual's failure to cease their behavior may result in their removal.

**STATUS:**

06/22/2022 In ASSEMBLY. Read second time. To third reading.

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**PUBLIC RECORDS ACT**

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CA AB 343

**AUTHOR:** Fong [R]

**TITLE:** California Public Records Act Ombudsperson  
**INTRODUCED:** 01/28/2021  
**LAST AMEND:** 06/15/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Requires the California Public Records Act Ombudsperson to create a process through which a person whose information is contained in a record being reviewed may intervene to assert their privacy and confidentiality rights, and would otherwise require the ombudsperson to maintain the privacy and confidentiality of records, as provided.

**STATUS:**

06/21/2022 From SENATE Committee on JUDICIARY: Do pass to Committee on GOVERNMENTAL ORGANIZATION. (11-0)

CA AB 386

**AUTHOR:** Cooper [D]  
**TITLE:** Public Employees Retirement: Investments: Confidential  
**INTRODUCED:** 02/02/2021  
**LAST AMEND:** 06/29/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

Exempts from disclosure under the California Public Records Act specified records regarding an internally managed private loan made directly by the Public Employees' Retirement Fund. Provides that these records would include quarterly and annual financial statements of the borrower or its constituent owners, unless the information has already been publicly released by the keeper of the information. Prescribes specified exceptions to this exemption from disclosure.

**STATUS:**

07/13/2021 In SENATE Committee on JUDICIARY: Failed passage.  
07/13/2021 In SENATE Committee on JUDICIARY: Reconsideration granted.

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**SOCIAL SECURITY**

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US HR 82

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

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

**STATUS:**

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

US HR 2337

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

Amends Title II of the Social Security Act to provide an equitable Social Security

formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

**STATUS:**

04/01/2021 INTRODUCED.

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

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

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

**Staff\_Recommendation:** Support

US HR 5723

**SPONSOR:** Larson [D]

**TITLE:** Social Security System Benefits

**INTRODUCED:** 10/26/2021

**DISPOSITION:** Pending

**SUMMARY:**

Protects our Social Security system and improve benefits for current and future generations.

**STATUS:**

10/26/2021 In HOUSE Committee on WAYS AND MEANS: Referred to Subcommittee on SOCIAL SECURITY.

US S 1302

**SPONSOR:** Brown S [D]

**TITLE:** Pension Offset

**INTRODUCED:** 04/22/2021

**DISPOSITION:** Pending

**SUMMARY:**

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

**STATUS:**

04/22/2021 INTRODUCED.

04/22/2021 In SENATE. Read second time.

04/22/2021 To SENATE Committee on FINANCE.

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

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

**Staff\_Recommendation:** Support

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**HEALTHCARE**

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US HR 4148

**SPONSOR:** Malinowski [D]

**TITLE:** First Responders Medicare Option

**INTRODUCED:** 06/24/2021

**DISPOSITION:** Pending

**SUMMARY:**

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

**STATUS:**

06/24/2021 INTRODUCED.

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

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

06/25/2021 In HOUSE Committee on ENERGY AND COMMERCE:  
Referred to Subcommittee on HEALTH.

US S 2236

**SPONSOR:** Brown S [D]

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



**INTRODUCED:** 06/24/2021  
**DISPOSITION:** Pending  
**SUMMARY:**

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

**STATUS:**

06/24/2021 INTRODUCED.  
06/24/2021 In SENATE. Read second time.  
06/24/2021 To SENATE Committee on FINANCE.

US S 4312

**SPONSOR:** Brown S [D]  
**TITLE:** Health and Long Term Care Insurance Distributions  
**INTRODUCED:** 05/25/2022  
**DISPOSITION:** Pending  
**SUMMARY:**

Amends the Internal Revenue Code of 1986 to repeal the direct payment requirement on the exclusion from gross income of distributions from governmental plans for health and long term care insurance.

**STATUS:**

05/25/2022 INTRODUCED.  
05/25/2022 In SENATE. Read second time.  
05/25/2022 To SENATE Committee on FINANCE.

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June 21, 2022

The Honorable Dave Cortese, Chair  
Senate Committee on Labor, Public Employment  
And Retirement  
1021 O Street, Room 6740  
Sacramento, CA 95814

**RE: Support AB 1971 (Cooper)**

Dear Chair Cortese:

The Los Angeles County Employees Retirement Association (LACERA) respectfully requests your Committee's support of Assembly Bill 1971, which is sponsored by the State Association of County Retirement Systems (SACRS).

SACRS represents 20 independent county retirement systems, including LACERA, which operate under the County Employees Retirement Law of 1937 (CERL). The bill makes important amendments to CERL related to absences and furloughs of employees as well as a clarification for retired persons of county retirement systems who serve on that county's boards or commissions.

The bill also contains an important provision proposed by LACERA to SACRS that would equalize the treatment of members who apply for disability retirement after retiring for service with regard to changing their optional allowances. These amendments ensure efficient and effective administration of plan benefits for our members.

The Board of Retirement of LACERA respectfully requests your Committee's support and an "aye" vote for AB 1971.

Respectfully submitted,

Santos H. Kreimann  
Chief Executive Officer

SHK:bwl

Honorable Dave Cortese  
AB 1971 – Support  
June 21, 2022  
Page 2

cc: Members of the Senate LPE&R Committee  
Shari McHugh, McHugh Koepke & Associates  
Naomi Padron, McHugh Koepke & Associates

**FOR INFORMATION ONLY**

July 1, 2022

TO: Trustees,  
Board of Investments

FROM: Christine Roseland   
Senior Staff Counsel

FOR: July 13, 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 July 1, 2022.

Attachment

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



LACERA Legal Division  
Board of Investments Projects  
Monthly Status Report - Pending as of July 1, 2022



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete		Notes
HEDGE FUNDS	Varde Global Illiquid Credit Strategy	Subscription	\$775,000,000	February 9, 2022	In Progress	<div><div></div></div>	75%	Legal negotiations in process.
PRIVATE EQUITY	Hamilton Lane	Investment Management Agreement	\$400,000,000	February 9, 2022	In Progress	<div><div></div></div>	80%	Legal negotiations in process.
	Silver Lake Partners VII, L.P.	Subscription - Re-Up	\$200,000,000	April 13, 2022	Completed	<div><div></div></div>	100%	Completed.
REAL ASSETS	Smart Infrastructure Capital Partners Fund, L.P.	Subscription	\$100,000,000	July 14, 2021	Completed	<div><div></div></div>	100%	Completed.
	Hitec Vision New Energy Fund SCSp	Subscription	\$130,000,000	June 8, 2022	Completed	<div><div></div></div>	100%	Completed.

**FOR INFORMATION ONLY**

June 22, 2022

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Ted Granger   
Interim Chief Financial Officer

FOR: July 6, 2022 Board of Retirement Meeting  
July 13, 2022 Board of Investments Meeting

SUBJECT: **MONTHLY TRAVEL & EDUCATION REPORT – MAY 2022**

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 May 2022. Staff travel and education has been omitted from this document and reported to the Chief Executive Officer separately.

REVIEWED AND APPROVED:



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Santos H. Kreimann  
Chief Executive Officer

TG/EW/gj

**Attachments**

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

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

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
<b>Alan Bernstein</b>			
A	1 Edu - NCPERS 2021 Public Pension Funding Forum - New York NY	08/22/2021 - 08/24/2021	Attended
	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
	- Edu - 2022 SACRS Spring Conference - Rancho Mirage CA	05/10/2022 - 05/13/2022	Attended
V	- Edu - NACD Women in the Workforce: Beyond Diversity, Equity, and Inclusion - VIRTUAL	04/20/2022 - 04/20/2022	Attended
X	- Edu - SuperReturn International Berlin - Berlin, Germany	11/09/2021 - 11/12/2021	Canceled
<b>Vivian Gray</b>			
A	1 Edu - NCPERS 2021 Public Pension Funding Forum - New York NY	08/22/2021 - 08/24/2021	Attended
	2 Edu - The Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium - Delray Beach FL	05/05/2022 - 05/05/2022	Attended
	3 Edu - NCPERS Annual Conference & Exhibition - Washington, DC MD	05/21/2022 - 05/25/2022	Attended
B	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
	- Admin - SACRS Board of Directors Meeting - Rancho Mirage CA	12/14/2021 - 12/14/2021	Attended
	- Admin - SACRS Board of Directors and Program Committee Meeting - Berkeley CA	01/24/2022 - 01/25/2022	Attended
	- Edu - 2022 CALAPRS - General Assembly - San Diego CA	03/05/2022 - 03/08/2022	Attended
	- Admin - SACRS Program Committee Meeting - Long Beach CA	03/22/2022 - 03/23/2022	Attended
	- Edu - NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/23/2022 - 03/24/2022	Attended
	- Edu - 2022 SACRS Spring Conference - Rancho Mirage CA	05/10/2022 - 05/13/2022	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
	- Edu - CFA Society of Los Angeles - Diversity, Equity, and Inclusion Virtual Conference - VIRTUAL	02/10/2022 - 02/10/2022	Attended
	- Edu - NASP Women's Forum - VIRTUAL	03/30/2022 - 03/31/2022	Attended
<b>David Green</b>			
B	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
	- Edu - 2022 PPI Winter Roundtable - Westlake Village CA	02/23/2022 - 02/25/2022	Attended
	- Edu - 2022 CALAPRS - General Assembly - San Diego CA	03/05/2022 - 03/08/2022	Attended
	- Edu - 2022 Milken Institute Global Conference - Los Angeles CA	05/01/2022 - 05/04/2022	Attended
X	- Edu - 2021 CII Fall Conference - Chicago IL	09/22/2021 - 09/24/2021	Host Canceled

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

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
<b>Elizabeth Greenwood</b>			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles CA	10/17/2021 - 10/20/2021	Attended
<b>James Harris</b>			
B	- Edu - CRCEA 2021 Fall Conference - Long Beach CA	11/07/2021 - 11/10/2021	Attended
<b>Patrick Jones</b>			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles CA	10/17/2021 - 10/20/2021	Attended
	- Edu - 2022 CALAPRS - General Assembly - San Diego CA	03/05/2022 - 03/08/2022	Attended
	- Edu - NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/23/2022 - 03/24/2022	Attended
	- Edu - 2022 Milken Institute Global Conference - Los Angeles CA	05/01/2022 - 05/04/2022	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
	- Edu - Duke University Executive Education Program - Corporate Social Responsibility - VIRTUAL	12/06/2021 - 12/14/2021	Attended
	- Edu - Harvard Kennedy School Executive Education: Behavioral Insights and Public Policy Program - VIRTUAL	01/31/2022 - 02/16/2022	Attended
	- Edu - CFA Society of Los Angeles - Diversity, Equity, and Inclusion Virtual Conference - VIRTUAL	02/10/2022 - 02/10/2022	Attended
<b>Shawn Kehoe</b>			
V	- Edu - Morgan Stanley Virtual Global Insights Day - VIRTUAL	02/09/2022 - 02/09/2022	Attended
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
<b>Joseph Kelly</b>			
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
	- Edu - 2022 CII Spring Conference - VIRTUAL	03/07/2022 - 03/09/2022	Attended
	- Edu - NACD Pacific Southwest / USC Marshall Corporate Directors - March 2022 - VIRTUAL	03/24/2022 - 03/24/2022	Attended
	- Edu - ESG - SEC Proposed Rule on Climate Disclosures: Roles for Internal Audit - VIRTUAL	04/06/2022 - 04/06/2022	Attended
	- Edu - NACD - Future of Water in the Pacific Southwest - VIRTUAL	04/06/2022 - 04/06/2022	Attended
	- Edu - 2022 Milken Institute Global Conference VIRTUAL - VIRTUAL	05/01/2022 - 05/04/2022	Attended



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

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
<b>Keith Knox</b>			
V	- Edu - Harvard Business School Audit Committees In A New Era of Governance - VIRTUAL	07/21/2021 - 07/23/2021	Attended
	- 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
	- Edu - NACD Climate Continuous Learning Cohort Two-Day Program - VIRTUAL	03/31/2022 - 04/01/2022	Attended
X	- Edu - 2022 Milken Institute Global Conference - Los Angeles CA	05/01/2022 - 05/04/2022	Canceled
<b>Wayne Moore</b>			
B	- Edu - 2021 Milken Institute Global Conference - Los Angeles CA	10/17/2021 - 10/20/2021	Attended
	- Edu - NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/23/2022 - 03/24/2022	Attended
	- Edu - 2022 Milken Institute Global Conference - Los Angeles CA	05/01/2022 - 05/04/2022	Attended
<b>William Pryor</b>			
A	1 Edu - IFEBP Healthcare Management and Investments Institute Conference - Phoenix AZ	04/25/2022 - 04/28/2022	Attended
	2 Edu - NCPERS Annual Conference & Exhibition - Washington, DC MD	05/21/2022 - 05/25/2022	Attended
B	- Edu - SACRS Fall Conference - Los Angeles CA	11/09/2021 - 11/12/2021	Attended
V	- Edu - 2022 CII Spring Conference - VIRTUAL	03/07/2022 - 03/09/2022	Attended
	- Edu - CALAPRS Special Virtual Trustee Round Table - VIRTUAL	04/29/2022 - 04/29/2022	Attended
<b>Les Robbins</b>			
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

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

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
<b>Gina Sanchez</b>			
A	1 Edu - 2022 CII Spring Conference - Washington, DC MD	03/07/2022 - 03/09/2022	Attended
	2 Edu - The Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium - Delray Beach FL	05/05/2022 - 05/05/2022	Attended
	3 Edu - NCPERS Annual Conference & Exhibition - Washington, DC MD	05/21/2022 - 05/25/2022	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
	- Edu - 2022 PPI Winter Roundtable - Westlake Village CA	02/23/2022 - 02/25/2022	Attended
	- Edu - NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/23/2022 - 03/24/2022	Attended
	- Edu - 2022 Annual Pension Bridge - San Francisco CA	04/18/2022 - 04/20/2022	Attended
	- Edu - 2022 Milken Institute Global Conference - Los Angeles CA	05/01/2022 - 05/04/2022	Attended
	- Edu - 2022 SACRS Spring Conference - Rancho Mirage CA	05/10/2022 - 05/13/2022	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
	- Edu - Institutional ESG Investing Conference North America - VIRTUAL	04/10/2022 - 04/10/2022	Attended
X	- Edu - 2021 CII Fall Conference - Chicago IL	09/22/2021 - 09/24/2021	Host Canceled
<b>Herman Santos</b>			
A	1 Edu - NCPERS 2021 Public Pension Funding Forum - New York NY	08/22/2021 - 08/24/2021	Attended
	2 Edu - 2022 CII Spring Conference - Washington, DC MD	03/07/2022 - 03/09/2022	Attended
	3 Edu - Congress of Private Capital and Entrepreneurial Capital of the Pacific Alliance - Bogota, Colombia	04/26/2022 - 04/27/2022	Attended
	4 Edu - The Women's Alliance of Saxena White ~ First Annual Diversity Investing Symposium - Delray Beach FL	05/05/2022 - 05/05/2022	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
	- Admin - SACRS Board of Directors Meeting - Rancho Mirage CA	12/14/2021 - 12/14/2021	Attended
	- Edu - 2022 PPI Winter Roundtable - Westlake Village CA	02/23/2022 - 02/25/2022	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
X	- Edu - Global Investors Annual Meeting - New York NY	12/13/2021 - 12/14/2021	Canceled
	- Edu - NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/23/2022 - 03/24/2022	Canceled

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**

## FOR INFORMATION ONLY

June 23, 2022

TO: Insurance, Benefits and Legislative Committee  
Les Robbins, Chair  
Vivian H. Gray, Vice Chair  
Shawn R. Kehoe  
Ronald A. Okum  
Wayne Moore, Alternate

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: July 6, 2022 Insurance, Benefits and Legislative Committee Meeting

SUBJECT: **Semi-Annual Report on Approved Engagements**

### LEGAL AUTHORITY

The Board of Retirement's Policy on Engagement for Public Policy Issues Relating to Plan Administration and Retirement and Health Care Benefits provides that staff will present semi-annual reports to the Insurance, Benefits and Legislative Committee each year as to the status of all approved engagements.

### ENGAGEMENTS

#### Meetings with California State Legislators: April 26-27, 2022

An important part of protecting members' benefits includes advocating on LACERA's behalf and maintaining relationships with lawmakers. On April 26-27, 2022, Chief Executive Officer Santos H. Kreimann and Legislative Affairs Officer Barry Lew visited with members of the Los Angeles County Delegation in the California State Legislature. The meetings were arranged and facilitated by LACERA's state legislative advocates Shari McHugh and Naomi Padron of McHugh Koepke & Associates. The purpose of the visits was to continue introducing Mr. Kreimann as LACERA's Chief Executive Officer to legislators, and staff did not engage in advocacy on any specific bills. For future visits, staff will coordinate with the Board and our legislative advocate to include any trustees who would be interested in visiting with legislators.

The Legislature's retirement policy committees deal with most of LACERA's relevant issues. In the Assembly Public Employment and Retirement Committee, we visited with Chair Jim Cooper, Vice Chair Randy Voepel, and committee consultant Michael Bolden. Other Assembly members we visited include Phillip Chen, Reginald Jones-Sawyer, Lackey, Jacqui Irwin, Freddie Rodriguez, Laura Friedman, and Richard Bloom.

In the Senate Labor, Public Employment and Retirement Committee, we visited with Vice Chair Rosilicie Ochoa Bogh, committee members John Laird, Josh Newman, Maria Elena Durazo, and committee consultant Glenn Miles. We also visited with Senator Anthony Portantino, in whose district LACERA's offices are located.

The meetings were an important opportunity to introduce Mr. Kreimann as the Chief Executive Officer of California's fourth largest public retirement system and to update them on how we have been working through the challenge of the pandemic to continue providing the promised benefits to our members.

Meetings with Congress: May 25, 2022

On May 5, 2022, the Board of Retirement approved a visit with Congress by Board trustees as designated by the Board of Retirement Chair and by staff as designated by the Chief Executive Officer. The visit was to take place after the International Foundation of Employee Benefit Plans (IFEBP) Washington Legislative Update taking place on May 23-24, 2022. Deputy Chief Executive Officer Luis Lugo attended the IFEBP conference. The conference provided education on a variety of topics, including single employer, multiemployer, and public sector benefit plans; the current environment of benefits issues; the regulatory climate on benefits and investments; health care legislative and regulatory activity; mental health issues; benefits litigation; labor and employment law; and DEI in benefits.

Our federal legislative advocates Tony Roda and Shane Doucet were able to schedule in-person meetings for DCEO Lugo with the offices of Senator Dianne Feinstein and Representative Jimmy Gomez to discuss the repeal of the Windfall Elimination Provision and Government Pension Offset as well as the elimination of the direct payment requirement of the public safety officer health care tax benefit. However, a late scheduling conflict did not result in a meeting with Representative Gomez. Given the continuing challenges of in-person meetings with Congress, Mr. Roda indicated that there will be opportunities for Zoom meetings with various Congressional offices in July.

Legislative Positions

During the 2022 legislative session, LACERA adopted positions on the following bills.

AB 1824 (Assembly Committee on Public Employment and Retirement): Provides clarifications and technical updates to the County Employees Retirement Law of 1937 (CERL) on beneficiaries, prior military service, safety member service retirement, nonservice-connected disability retirement, optional settlements, and death benefits.

Status: In Senate Committee on Labor, Public Employment and Retirement.  
(05/25/2022)

Board of Retirement Position: Support.

AB 1944 (Lee and Garcia): Specifies that a local agency's legislative body need not disclose the address of a nonpublic teleconference location or make it accessible to the public if it elects to use teleconferencing for its meetings. Requires that the legislative body electing to use teleconferencing provide a publicly accessible video stream and audio-visual or call-in options for public comment.

Status: In Senate Committee on Governance and Finance: not heard. (06/22/2022)

Board of Retirement Position: Support.

AB 1971 (Cooper): Amends CERL regarding the purchase of service credit for family leave, granting of service credit for temporary mandatory furloughs, clarification of post-retirement service without reinstatement, and optional adjustments for members retired for service who subsequently apply for and are granted disability retirement.

Status: In Senate. Read second time and amended. Re-referred to Senate Committee on Labor, Public Employment and Retirement. (06/09/2022)

Board of Retirement Position: Support.

#### SACRS Legislative Committee

Although public health guidelines have become less restrictive on travel and in-person gatherings, the State Association of County Retirement Systems (SACRS) Legislative Committee continues to meet virtually, and staff participates in monthly virtual meetings of the Committee. The Committee's activities include monitoring current legislation, formulating and advocating legislative proposals, and discussing current events related to public pension plans.

#### **CONCLUSION**

Staff will continue to work with its legislative advocates and the SACRS Legislative Committee to monitor and advocate on issues relevant to LACERA.

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

cc: Board of Investments  
Santos H. Kreimann  
Luis Lugo  
JJ Popowich  
Laura Guglielmo  
Steven P. Rice  
Jon Grabel  
Tony Roda, Williams & Jensen  
Shane Doucet, Doucet Consulting Solutions  
Shari McHugh, McHugh Koepke & Associates  
Naomi Padron, M McHugh Koepke & Associates



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

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