

IN PERSON & VIRTUAL BOARD MEETING

*The Board meeting will be held after the Committee meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, you should visit the above link and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

Attention: If you have any questions, you may email PublicComment@lacera.com. If you would like to make a public comment during the board meeting, review the [Public Comment instructions](#).

AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, MAY 10, 2023*

This meeting will be conducted by the Board of Investments both in person and by teleconference under California Government Code Section 54953 (b), (f).

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

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

*Teleconference Location for Trustees and the Public under California Government Code Section 54953(b)
Paradise Point Resort & Spa - 1404 Vacation Rd., San Diego, CA 92109*

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)
 - A. Just Cause
 - B. Action on Emergency Circumstance Requests
 - C. Statement of Persons Present at AB 2449 Teleconference Locations
- IV. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Regular Meeting of April 12, 2023

V. PUBLIC COMMENT

(Members of the public may address the Board orally and in writing. To provide Public Comment, you should visit <https://LACERA.com/leadership/board-meetings> and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Board meeting.

If you select oral comment, we will contact you via email with information and instructions as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Board. Oral comment request will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.com.)

VI. EXECUTIVE UPDATE

- A. Chief Investment Officer's Report
- B. Member Spotlight
- C. Chief Executive Officer's Report

VII. CONSENT ITEMS

A. **Corporate Governance and Stewardship Principles Review**

Recommendation as submitted by Keith Knox, Chair, Corporate Governance Committee: That the Board approve the revised Corporate Governance and Stewardship Principles.

(Memo dated April 24, 2023)

B. **Montreal Alternative Investment Forum (AIMA) in Montreal, Canada on June 21, 2023**

Recommendation that the Board approve attendance of Trustees at the Montreal Alternative Investment Forum in Montreal, Canada on June 21, 2023, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies and 2) Approve an exception to the Trustee Education Policy's minimum educational requirement. (Memo dated April 26, 2023) (Placed on the agenda by Trustee Gina Sanchez)

VIII. NON-CONSENT ITEMS

A. **Commercial Real Estate Brokerage Services Request for Proposal – Minimum Qualifications**

Recommendation as submitted by James Rice, Principal Investment Officer, Amit Aggarwal, Investment Officer and Mike Romero, Senior Investment Analyst: That the Board approve the Request for Proposal for Commercial Real Estate Brokerage Services - Minimum Qualifications. (Memo dated April 26, 2023)

IX. REPORTS

A. **Board of Investments 2023 Offsite Tentative Agenda**

Jonathan Grabel, Chief Investment Officer
(Memo dated April 18, 2023)

B. **Monthly Status Report on Legislation**

Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated April 21, 2023)

C. **Real Estate Recoveries Report**

Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated April 28, 2023)

D. **Legal Projects**

Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated May 2, 2023)

E. **Monthly Trustee Travel & Education Reports – March 2023**

Ted Granger, Interim Chief Financial Officer
(For Information Only) (Memos dated April 19, 2023)

Monthly Trustee Travel & Education Report

Comprehensive Monthly Trustee Travel & Education Report
(Confidential Memo – Includes Pending Travel)

F. **Selection of Securities Litigation Monitoring and Approved Counsel**

Michael D. Herrera, Senior Staff Counsel
(For Information Only) (Memo dated May 3, 2023)

IX. REPORTS (Continued)

G. **April 2023 Fiduciary Counsel Contact and Billing Report**

Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated April 24, 2023)

(Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

X. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

XI. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

XII. GOOD OF THE ORDER

(For Information Purposes Only)

XIII. EXECUTIVE SESSION

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

1. **Ara Fund III, L.P.**

James Rice, Principal Investment Officer

Pushpam Jain, Investment Officer

(Memo dated April 26, 2023)

2. **Appian Natural Resources Fund III LP**

James Rice, Principal Investment Office

Pushpam Jain, Investment Officer

(Memo dated April 26, 2023)

3. **TIAA-CREF Global Agriculture II LLC**

James Rice, Principal Investment Officer

Pushpam Jain, Investment Officer

(Memo dated April 26, 2023)

XIII. EXECUTIVE SESSION (Continued)

- 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)

4. **One Item**

James Rice, Principal Investment Officer
Cindy Rivera, Investment Officer
(Memo dated May 2, 2023)

5. **Private Equity Investment Update**

Didier Acevedo, Investment Officer
Cheryl Lu, Investment Officer
(For Information Only) (Memo dated April 21, 2023)

- B. Potential Threats to Public Services or Facilities (Pursuant to Subdivision (a) of California Government Code Section 54957 (a))

1. **LACERA Trustee: Information Security Services**

Carmelo Marquez, Interim Chief Information Security Officer
(For Information Only) (Memo dated April 25, 2023)

XIV. 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 Retirement that are distributed to members of the Board of Retirement 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 Retirement Trustees at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday and will also be posted on lacera.com at the same time, [Board Meetings | LACERA](#).

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

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, APRIL 12, 2023

This meeting was conducted by the Board of Investments both in person and by teleconference under California Government Code Section 54953 (f).

TRUSTEES PRESENT

Gina Sanchez, Chair (In-Person)

Herman Santos, Vice Chair (In-Person)

Keith Knox, Ex-Officio Trustee (In-Person)

David Green (In-Person)

Jason Green (In-Person)

Onyx Jones (In-Person)

Patrick Jones (In-Person)

David Ryu (By Teleconference)

TRUSTEES ABSENT

Joseph Kelly

STAFF ADVISORS AND PARTICIPANTS

Jonathan Gabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Luis Lugo, Deputy Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Laura Guglielmo, Assistant Executive Officer

Ted Granger, Interim Chief Financial Officer

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

Scott Zdrazil, Principal Investment Officer

James Rice, Principal Investment Officer

Didier Acevedo, Investment Officer

Cindy Rivera, Investment Officer

Noah Damsky, Senior Investment Analyst

Meketa Investment Group (General Investment Consultants)
Leandro Festino, Managing Principal

StepStone Group LP (Real Assets Consultants)
Margaret McKnight, Partner
James Maina, Vice President

Albourne
James White, Partner
Jennifer Yeung, Senior Portfolio Analyst

Buchalter Law Firm
Jenni Kregel, Shareholder

I. CALL TO ORDER

The meeting was called to order by Chair Sanchez at 9:12 a.m.

II. PLEDGE OF ALLEGIANCE

Mr. Knox led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f) (Memo dated February 23, 2023)

- A. Just Cause
- B. Action on Emergency Circumstance Requests
- C. Statement of Persons Present at AB 2449 Teleconference Locations

A physical quorum was present at the noticed meeting location. Trustee Ryu participated via teleconference having claimed just cause under Section 54953(f).

IV. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Regular Meeting of March 8, 2023

A motion was made by Trustee Santos, seconded by Trustee D. Green, to approve the Regular Meeting Minutes of February 8, 2023. The motion passed by the following roll call vote:

Yes: Knox, D. Green, Santos, J. Green, P. Jones, O. Jones, Sanchez, Ryu

No: None

Absent: Kelly

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. EXECUTIVE UPDATE

- A. Chief Investment Officer's Report

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

- B. Member Spotlight

Mr. Popowich recognized LACERA member, Ricardo Toscana.

- C. Chief Executive Officer's Report

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

VII. NON-CONSENT ITEMS

- A. **CFA Institute's Diversity, Equity, And Inclusion Code Signatory**
Recommendation as submitted by Scott Zdrazil, Principal Investment Officer and Didier Acevedo, Investment Officer: That the Board approve LACERA becoming a signatory to the CFA Institute's Diversity, Equity, and Inclusion Code. (Memo dated March 21, 2023)

Messrs. Zdrazil and Acevedo provided a presentation and answered questions from the Board.

A motion was made by Trustee Santos, seconded by Trustee D. Green, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Knox, D. Green, Santos, J. Green, Ryu, P. Jones, O. Jones, Sanchez

No: None

Absent: Kelly

VIII. REPORTS

- A. **Taxability of Trustee Travel Expenses for Board and Committee Meetings and Other Payments Made to Enable Trustees to Perform Their Duties**

Steven P. Rice, Chief Counsel

Jenni Krenzel, Buchalter - Tax Counsel

(Memo dated March 28, 2023) (Attachment is Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

Mr. Rice and Ms. Krenzel were present and answered questions from the Board.

- B. **Nomination Window for International Corporate Governance Network Board of Governors**

Scott Zdrazil, Principal Investment Officer

(For Information Only) (Memo dated March 15, 2023)

This item was received and filed.

VIII. REPORTS (Continued)

- C. **Council Of Institutional Investors Member Ballot**
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated March 15, 2023)

This item was received and filed.

- D. **Monthly Status Report on Legislation**
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated March 28, 2023)

This item was received and filed.

- E. **2022 Audit Committee Annual Report**
Onyx Jones, Audit Committee Chair
Richard P. Bendall, Chief Audit Executive
(For Information Only) (Memo dated March 28, 2023)

This item was received and filed.

- F. **Legal Projects**
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated April 4, 2023)

This item was received and filed.

- G. **Selection of Securities Litigation Monitoring and Approved Counsel**
Michael D. Herrera, Senior Staff Counsel
(For Information Only) (Memo dated March 28, 2023)

A motion was made by Trustee Santos, seconded by Trustee J. Green, to refer back to staff for further development. The motion passed by the following roll call vote:

Yes: Knox, D. Green, Santos, J. Green, Ryu, P. Jones, O. Jones, Sanchez

No: None

Absent: Kelly

VIII. REPORTS (Continued)

H. **Monthly Trustee Travel & Education Reports – February 2023**

Ted Granger, Interim Chief Financial Officer

(For Information Only) (Memos dated March 22, 2023)

Monthly Trustee Travel & Education Report

Comprehensive Monthly Trustee Travel & Education Report

(Confidential Memo – Includes Pending Travel)

This item was received and filed.

I. **March 2023 Fiduciary Counsel Contact and Billing Report**

Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated March 28, 2023)

(Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

This item was received and filed.

J. **In Re FirstEnergy Corp. Securities Litigation Case Nos. 2:20-cv-3785 & 2:20-cv-4287**

Michael D. Herrera, Senior Staff Counsel

(For Information Only) (Memo dated April 3, 2023)

(Privileged and Confidential Attorney-Client Communication)

This item was received and filed.

IX. ITEMS FOR STAFF REVIEW

The Board requested for staff to provide a short video of the Member for the Member Spotlight. In addition, the Board requested for staff to provide information regarding internal promotion vs. new hires.

X. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

XI. GOOD OF THE ORDER

(For Information Purposes Only)

This item was received and filed.

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. Separate Account Real Estate Asset Dispositions

James Rice, Principal Investment Officer

Margaret McKnight, Stepstone Group (Real Estate)

(Presentation) (Memo dated April 1, 2023)

Messrs. Grabel, James Rice, and Ms. McKnight of StepStone Group provided a presentation and answered questions from the Board.

This item was in connection with the real estate separate account portfolio sale process as reported in the Supplemental Report Out from the January 12, 2022, Board of Investments meeting. Mr. Santos made a motion, seconded by Mr. Knox, to receive and file staff's memo in support of this item and to direct that priority be given to a comprehensive update of the plan for LACERA's separate account real estate program and staffing. The motion passed by the following roll call vote:

Yes: Knox, D. Green, Santos, J. Green, Ryu, P. Jones, O. Jones, Sanchez

No: None

Absent: Kelly

2. Macquarie Global Infrastructure Fund SCSP

James Rice, Principal Investment Officer

Noah Damsky, Senior Investment Analyst

(Memo dated March 30, 2023)

Mr. Santos made a motion, seconded by Mr. D. Green, to approve a commitment of up to \$600 million in Macquarie Global Infrastructure Fund SCSP, which is an open-end fund with a global core infrastructure strategy in energy/renewables, utilities, telecom, and transportation and a geographic focus predominantly in North America, Europe, and Asia Pacific. The motion passed by the following roll call vote:

XII. EXECUTIVE SESSION (Continued)

Yes: Knox, D. Green, Santos, J. Green, Ryu, P. Jones, O. Jones, Sanchez

No: None

Absent: Kelly

3. One Item

James Rice, Principal Investment Officer
Cindy Rivera, Investment Officer
(Memo dated April 5, 2023)

There is nothing to report at this time. The Board took action, which will be reported out a future date in accordance with the Brown Act

4. Real Assets Investment Update - I

Daniel Joye, Investment Officer
Noah Damsky, Senior Investment Analyst
(For Information Only) (Memo dated March 15, 2023)

The Board received an information only report that, on February 21, 2023, LACERA approved a \$50 million co-investment commitment alongside DIF, a Board of Investments approved manager for DIF VI and CIF III. The co-investment is compliant with LACERA's real assets co-investment guidelines.

5. Real Assets Investment Update - II

Daniel Joye, Investment Officer
Noah Damsky, Senior Investment Analyst
(For Information Only) (Memo dated March 15, 2023)

The Board received an information only report that, on February 23, 2023, LACERA approved a \$46 million co-investment commitment alongside Partners Group, a Board of Investments approved manager for Partners Group Direct Infrastructure 2020. The co-investment is compliant with LACERA's real assets co-investment guidelines.

XII. EXECUTIVE SESSION (Continued)

6. Private Equity Investment Update

Derek Kong, Investment Officer

Cheryl Lu, Investment Officer

(For Information Only) (Memo dated March 14, 2023)

The Board received an information only report that, on October 16, 2022, LACERA approved a secondary purchase commitment of up to €70.0million, or \$69.0 million at the time of commitment, in a special purpose vehicle managed by Rivean Capital B.V., formerly known as Gilde Buyout, a LACERA Board of Investments approved private equity manager. The commitment is compliant with LACERA's private equity secondary investment parameters.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 12:46 p.m.

JOSEPH KELLY, SECRETARY

GINA SANCHEZ, CHAIR



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer

Board of Investments Meeting
May 10, 2023

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 - Compliance Report



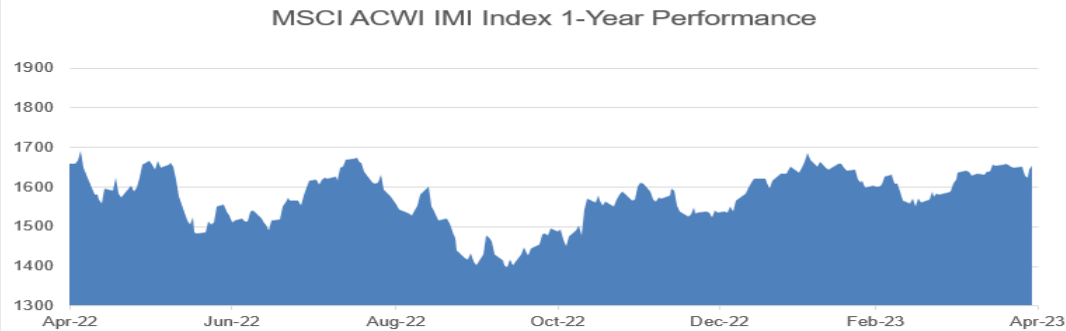
01 Market Environment

Global Market Performance as of April 30, 2023



MSCI ACWI IMI Index (Global Equity Market)*

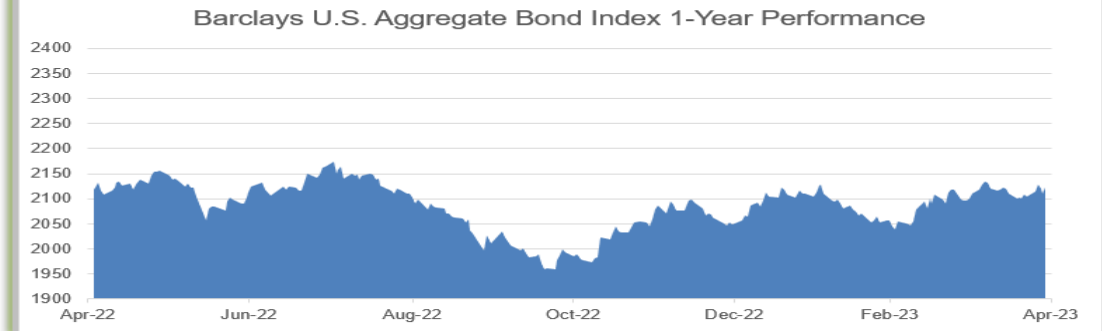
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
1.3	0.9	11.1	8.3	1.6	12.2	6.6	7.8



*Global Equity Policy Benchmark - MSCI ACWI IMI Index

Barclays U.S. Aggregate Bond Index**

Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
0.6	0.5	0.5	3.6	-0.4	-3.1	1.2	1.3



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

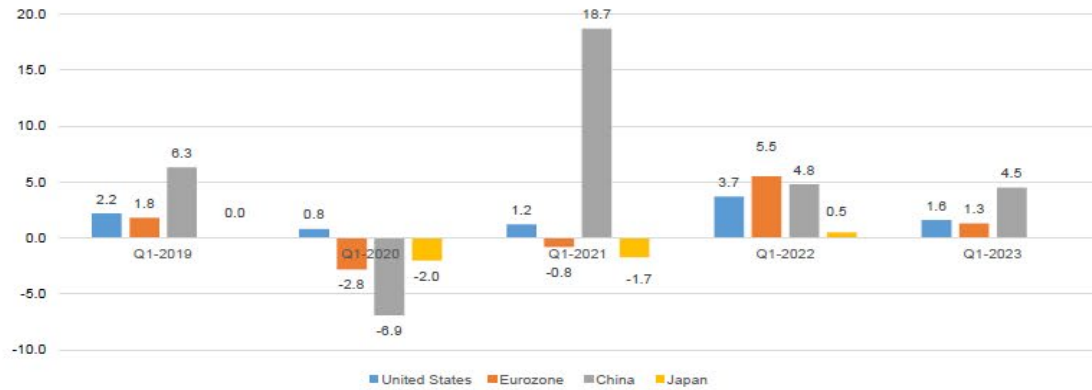
Market	Sub-Category	Index Name	1-Month	3-Month	FYTD	YTD	1 Y	3 Y	5 Y	10 Y
Equity	Global All Cap	MSCI ACWI IMI Total Return	1.3	0.9	11.1	8.3	1.6	12.2	6.6	7.8
	U.S. All Cap	Russell 3000 Total Return	1.1	1.3	10.9	8.3	1.5	14.1	10.6	11.7
	U.S. Large Cap	S&P 500 Total Return	1.6	2.7	11.7	9.2	2.7	14.5	11.4	12.2
	U.S. Small Cap	Russell 2000 Total Return	-1.8	-8.1	4.8	0.9	-3.6	11.9	4.1	7.9
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	1.7	0.4	11.7	8.4	2.2	9.9	2.4	4.1
	Emerging Markets	MSCI Emerging Markets Total Return	-1.1	-4.7	-0.3	2.8	-6.5	4.3	-1.0	1.8
	Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	3.9	-5.7	5.8	-4.1	-6.7	10.1	6.5
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	0.6	0.5	0.5	3.6	-0.4	-3.1	1.2	1.3
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	1.0	0.8	8.3	4.6	1.2	4.7	3.3	4.0
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	0.9	1.5	7.8	4.1	2.9	7.2	3.6	3.9
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	0.1	1.6	0.1	3.5	-4.0	0.9	3.0	1.4
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.4	1.2	2.9	1.5	3.0	1.1	1.5	0.9
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	-0.8	-5.6	-7.9	-6.1	-16.6	21.1	4.7	-1.5
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	0.9	-6.1	11.9	-0.5	-0.4	24.5	9.2	5.2
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	2.6	0.1	3.9	5.8	-0.9	9.5	5.7	5.0
Real Estate	U.S. REITs	MSCI U.S. REIT Index	0.8	-6.4	-1.9	3.6	-14.7	9.4	5.9	5.4

Key Macro Indicators*



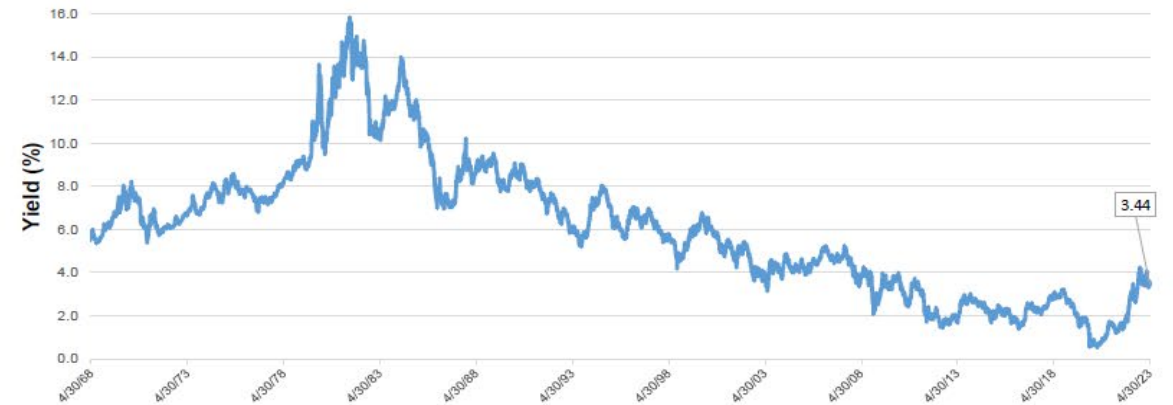
GDP Growth of Major Economies¹

Real GDP Growth YoY (%) - Last Five Years



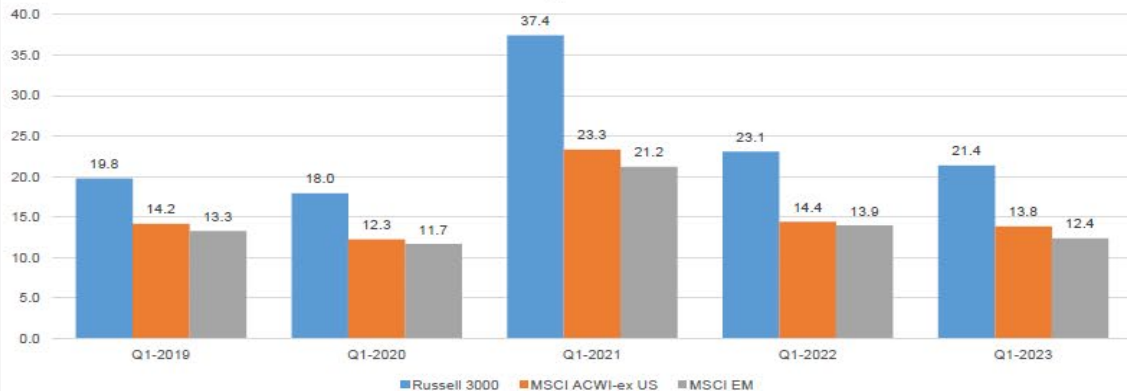
10-Year Treasury Yield²

Historical 10-Year Treasury Yield



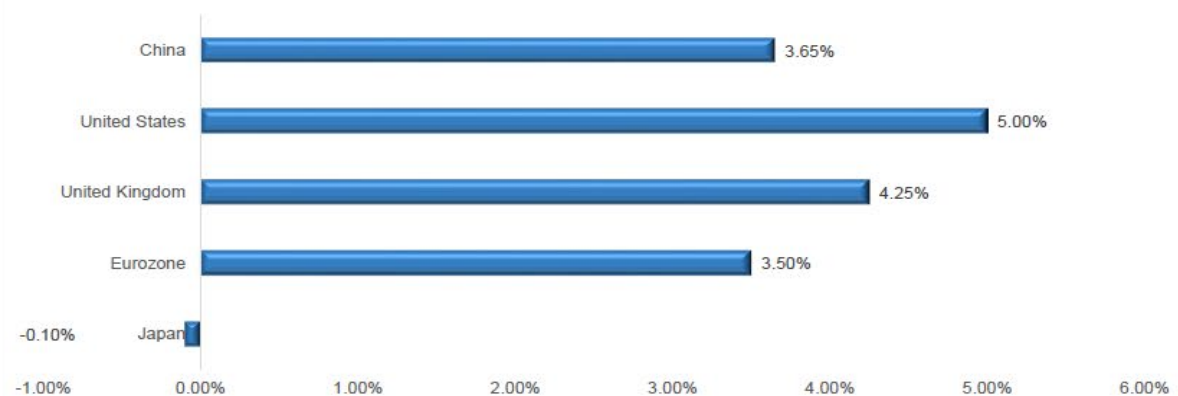
World Equity Valuation³

Price-to-Earnings - Last Five Years



Central Bank Rates⁴ (as of 4/30/2023)

Central Bank Rates

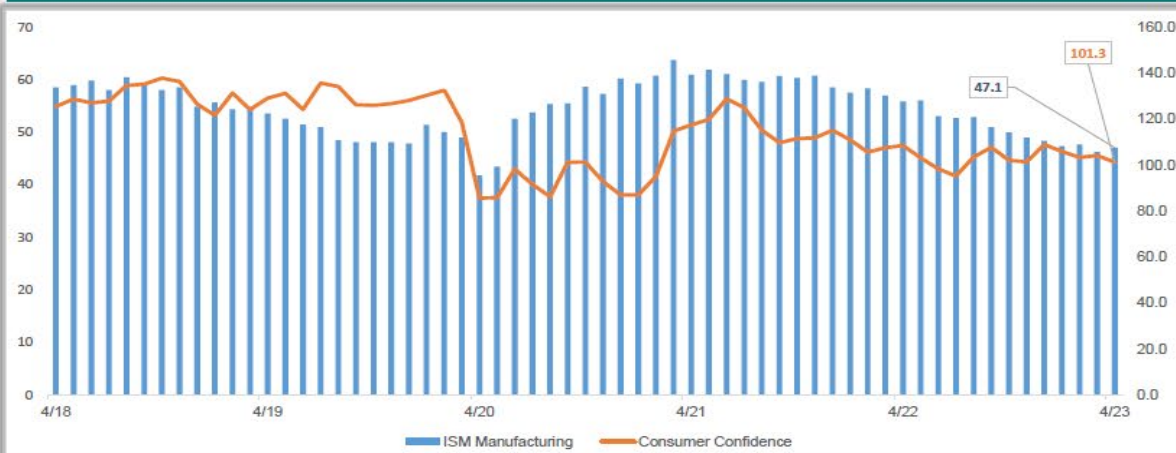


*The information on the "Key Macro Indicators" charts is the best available data as of 4/30/23 and may not reflect the current market and economic environment

Key Macro Indicators*



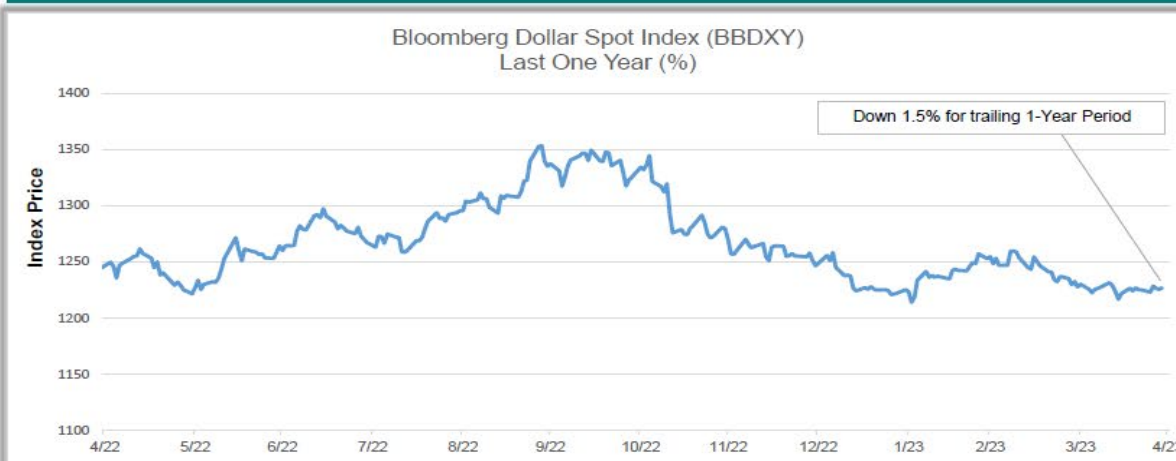
Consumer Confidence & ISM Manufacturing¹



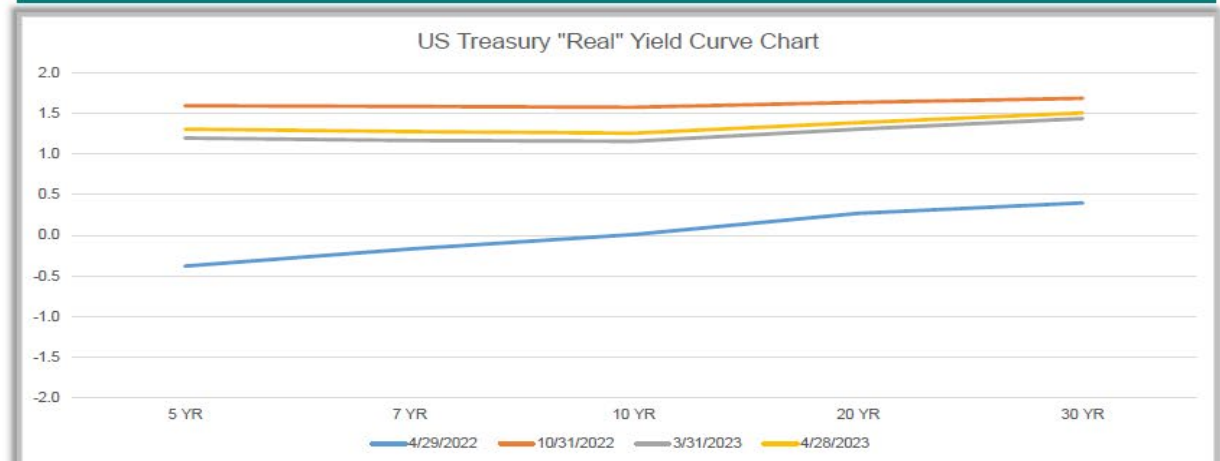
U.S. Inflation, Unemployment, & Labor Force Participation²



Performance of US Dollar vs. Leading Global Currencies³



U.S. Treasury "Real" Yield Curve⁴



*The information on the "Key Macro Indicators" charts is the best available data as of 4/30/23 and may not reflect the current market and economic environment

Market Themes and Notable Items to Watch



Recent Themes

- March data revealed that on an annual basis, the personal consumption expenditures price index excluding food and energy increased 4.6%, higher than the U.S. Federal Reserve's 2% target
- U.S. Gross domestic product, a measure of all goods and services produced for the period, rose at a 1.1% annualized pace in the first quarter, representing slowing growth amid interest rate increases and inflation
- The U.S. 10-year Treasury yield ended March at 3.44%, after being 3.88% at the end of 2022, 1.52% at the end of 2021 and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Market Index) gained 1.3% in April

What to Watch

- Interest rates and central bank actions
- Economic data and trends
 - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Environmental, social, and governance
 - Several high-profile proxy contests by hedge fund activists settle before proxy season (Disney, Salesforce, Bath & Body Works)

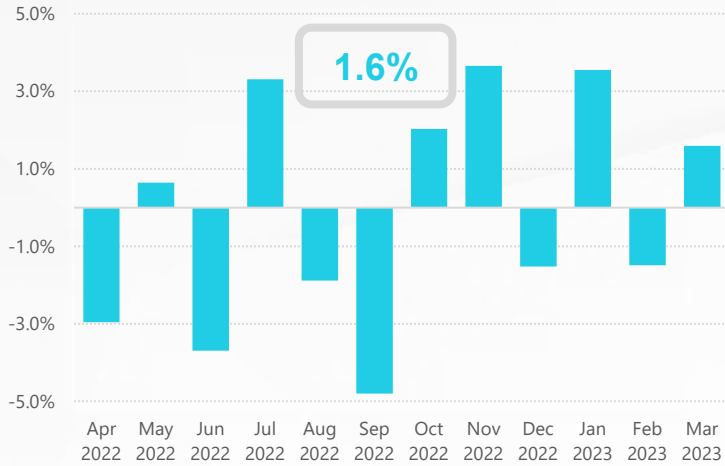


02 Portfolio Performance & Risk Updates

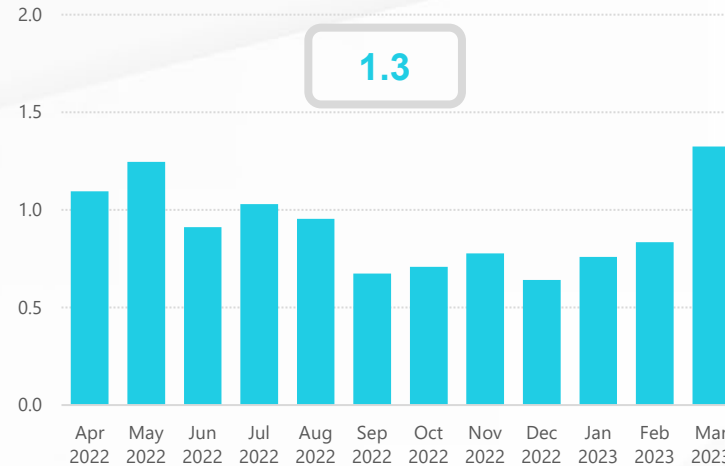
Total Fund Summary as of March 2023



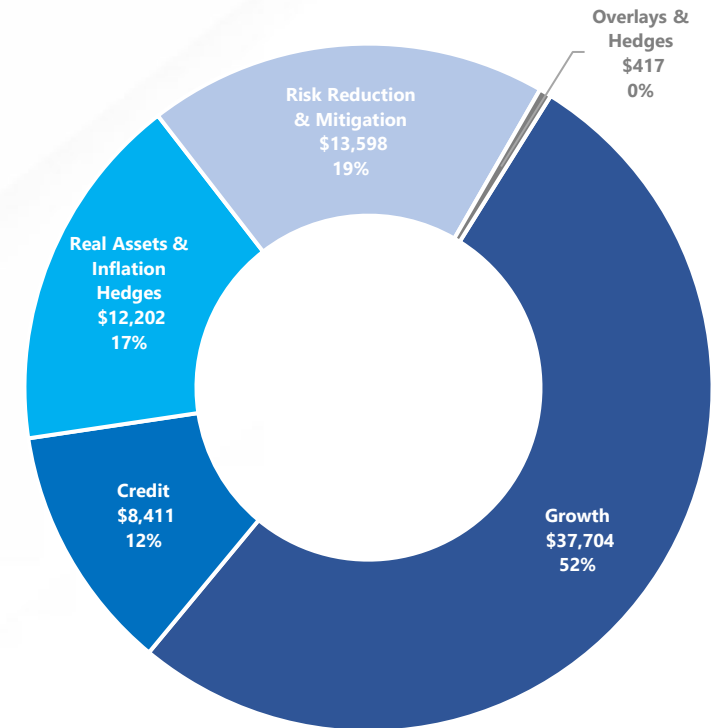
Monthly Return (net)



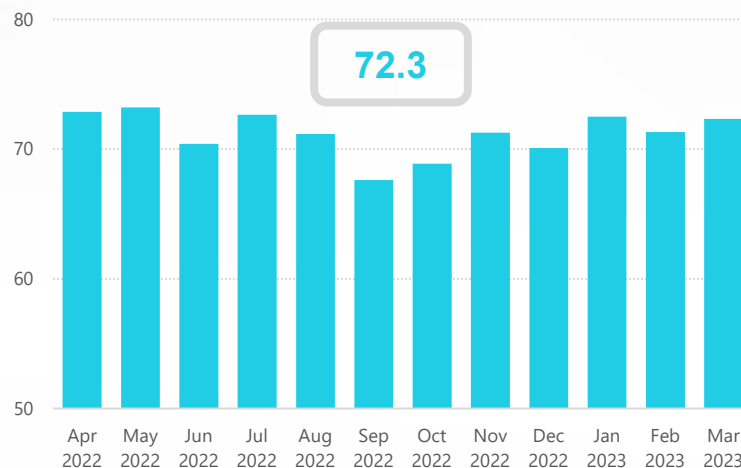
Sharpe Ratio (3-year annualized)



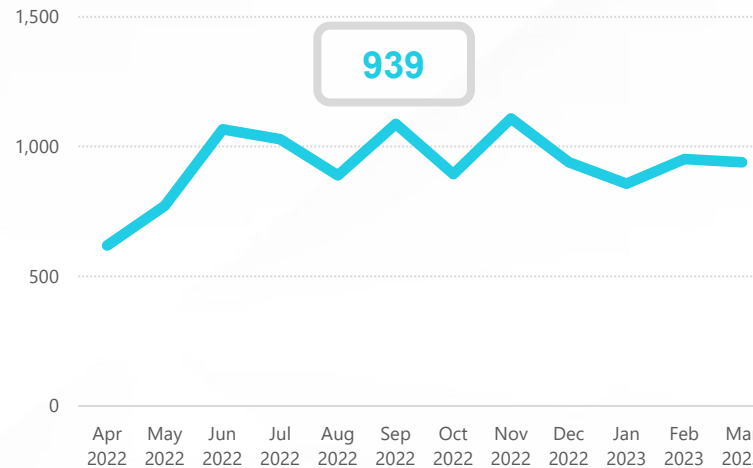
Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

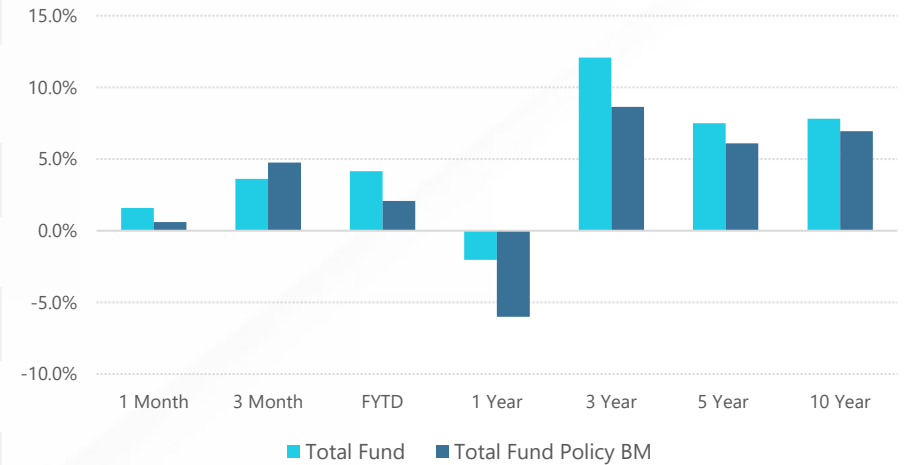


Historical Net Performance as of March 2023



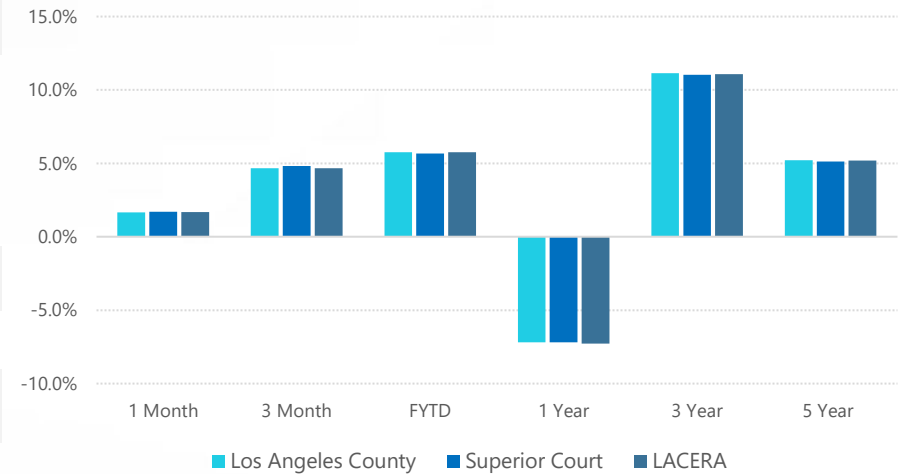
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	72,332	100.0%	100.0%	1.6%	3.6%	4.1%	-2.0%	12.1%	7.5%	7.8%
Total Fund Policy BM				0.6%	4.7%	2.1%	-6.0%	8.6%	6.1%	6.9%
7% Annual Hurdle Rate				0.6%	1.7%	5.2%	7.0%	7.0%	7.0%	7.0%
Growth	37,704	52.1%	53.0%	1.7%	4.9%	5.7%	-4.2%	18.4%		
Growth Policy BM				0.2%	7.3%	2.1%	-9.7%	13.7%		
Credit	8,411	11.6%	11.0%	0.8%	3.5%	5.2%	-0.3%	7.7%		
Credit Policy BM				-0.1%	3.1%	4.1%	-1.8%	4.5%		
Real Assets & Inflation Hedges	12,202	16.9%	17.0%	1.3%	-0.4%	1.3%	-0.4%	11.5%		
Real Assets & Inflation Hedges Policy BM				0.4%	-0.6%	1.5%	-1.8%	11.9%		
Risk Reduction & Mitigation	13,598	18.8%	19.0%	2.2%	3.7%	0.9%	-2.5%	-0.4%		
Risk Reduction & Mitigation Policy BM				2.4%	3.4%	0.3%	-3.6%	-1.7%		
Overlays & Hedges	417	0.6%		-7.5%	14.0%					



OPEB Master Trust

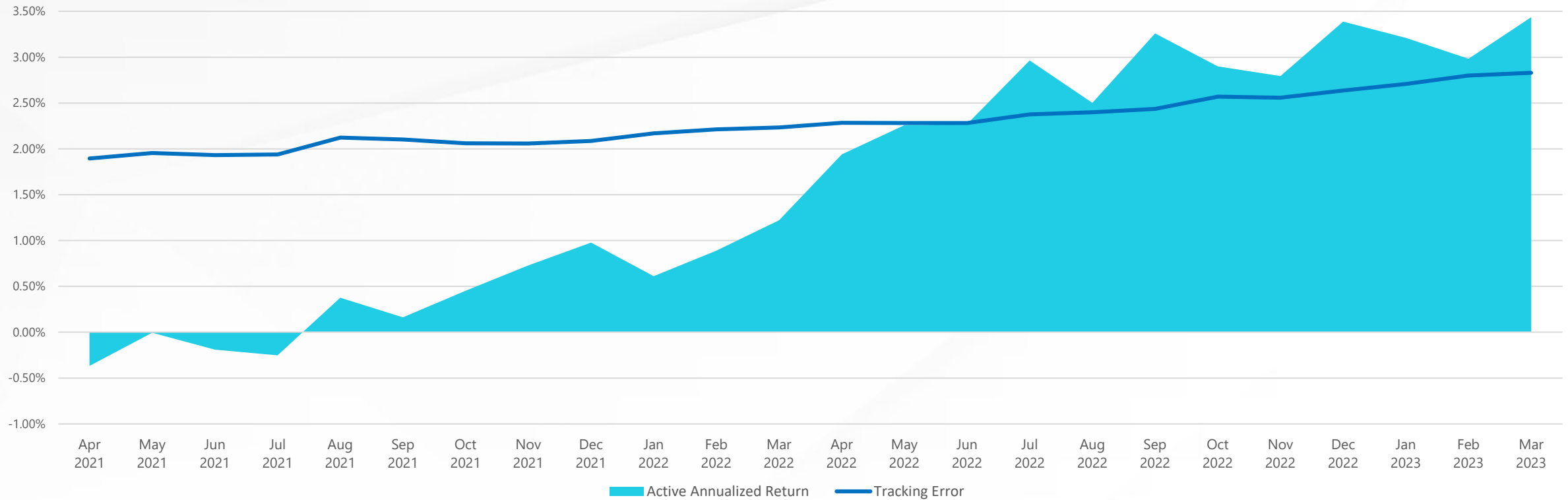
	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
OPEB Master Trust	2,879			1.7%	4.7%	5.8%	-7.2%	11.1%	5.2%
Los Angeles County	2,806	97.5%	—	1.7%	4.7%	5.8%	-7.2%	11.1%	5.2%
Superior Court	60	2.1%	—	1.7%	4.8%	5.7%	-7.2%	11.0%	5.1%
LACERA	13	0.4%	—	1.7%	4.7%	5.8%	-7.3%	11.1%	5.2%
LACERA Master OPEB Trust Fund	2,877		100.0%	1.7%	4.8%	5.6%	-7.3%	11.1%	5.3%
OPEB Master Trust Policy Benchmark				1.2%	4.3%	5.2%	-7.6%	10.8%	4.8%
OPEB Growth	1,372	47.7%	47.5%	2.5%	6.9%	9.8%	-7.5%	15.9%	6.8%
OPEB Growth Policy Benchmark				2.1%	7.2%	8.5%	-8.6%	15.2%	6.4%
OPEB Credit	544	18.9%	19.0%	1.3%	3.7%	8.0%	0.3%	5.5%	--
OPEB Credit Policy Benchmark				0.5%	3.2%	6.4%	-1.3%	5.7%	--
OPEB Real Assets & Inflation Hedges	578	20.1%	20.0%	-0.4%	1.6%	-3.1%	-14.7%	10.7%	--
OPEB RA & IH Policy Benchmark				-1.2%	-1.0%	-0.6%	-12.6%	11.6%	--
OPEB Risk Reduction & Mitigation	383	13.3%	13.5%	2.7%	3.4%	1.1%	-2.7%	-1.7%	1.4%
OPEB RR & M Policy Benchmark				2.6%	3.3%	-0.5%	-4.2%	-2.3%	1.0%



Performance Based Risk as of March 2023



Active Return vs. Tracking Error^{1,2,3}



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Mar 2023	12.1%	8.6%	3.4%	2.8%

¹ Rolling 36 months.

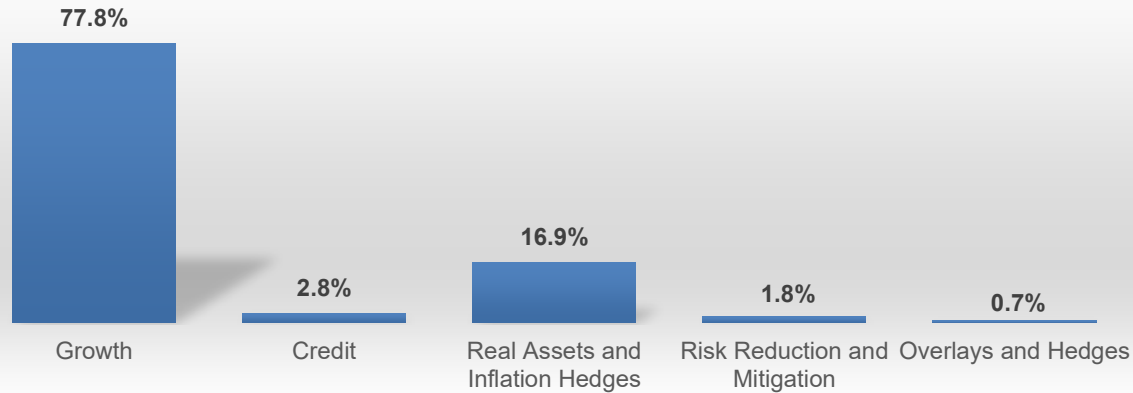
² Active return equals the difference in return between a portfolio and its benchmark.

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

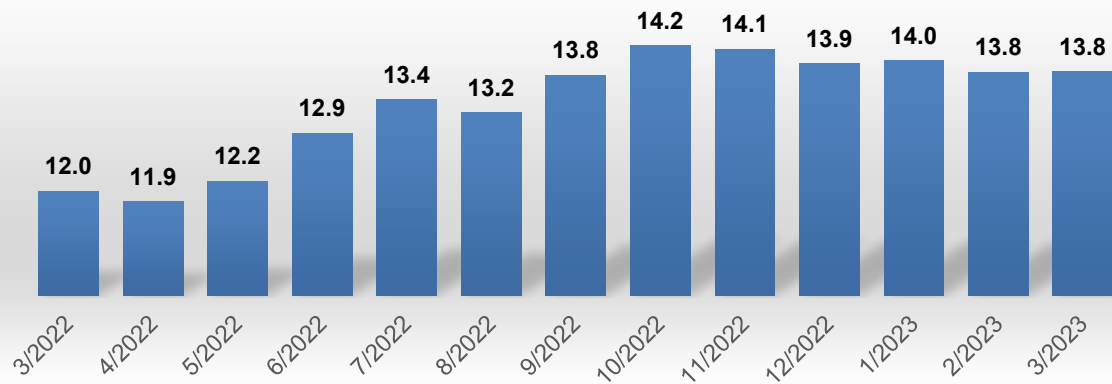
Total Fund Forecast Risk* as of March 2023 (Preliminary)



%Contribution to Total Risk



Total Risk



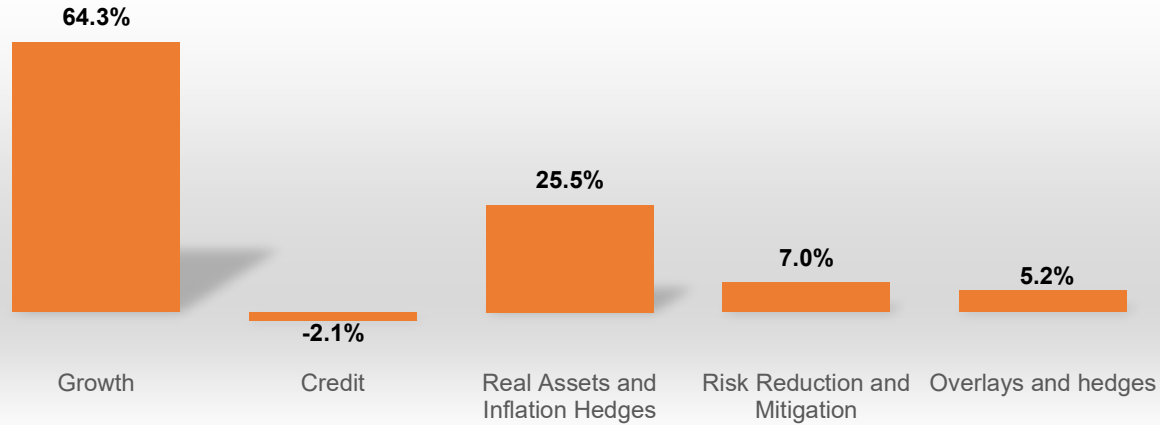
	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone Benchmark Risk
Total Fund			13.8	13.1
Growth	52.5%	77.8%	20.7	19.7
Global Equity	33.2%	42.9%	18.7	18.7
Private Equity	17.6%	31.5%	27.9	26.9
Non-Core Private Real Estate	1.6%	3.3%	41.1	19.3
Credit	11.2%	2.8%	4.5	5.8
Liquid Credit	5.5%	2.0%	6.4	5.8
Illiquid Credit	5.7%	0.8%	3.6	5.8
Real Assets & Inflation Hedges	17.1%	16.9%	15.0	14.2
Core Private Real Estate	5.8%	6.3%	21.3	19.3
Natural Resources & Commodities	3.0%	3.4%	18.7	20.4
Infrastructure	5.4%	6.6%	18.3	18.4
TIPS	2.7%	0.6%	6.9	7.0
Risk Reduction and Mitigation	18.7%	1.8%	6.4	6.3
Investment Grade Bonds	7.0%	0.8%	6.8	6.7
Diversified Hedge Funds	6.1%	0.6%	3.8	0.2
Long-Term Government Bonds	4.3%	0.5%	14.7	14.7
Cash	1.3%	0.0%	-	-
Overlays and Hedges	0.5%	0.7%	-	-

*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 9/30/2022

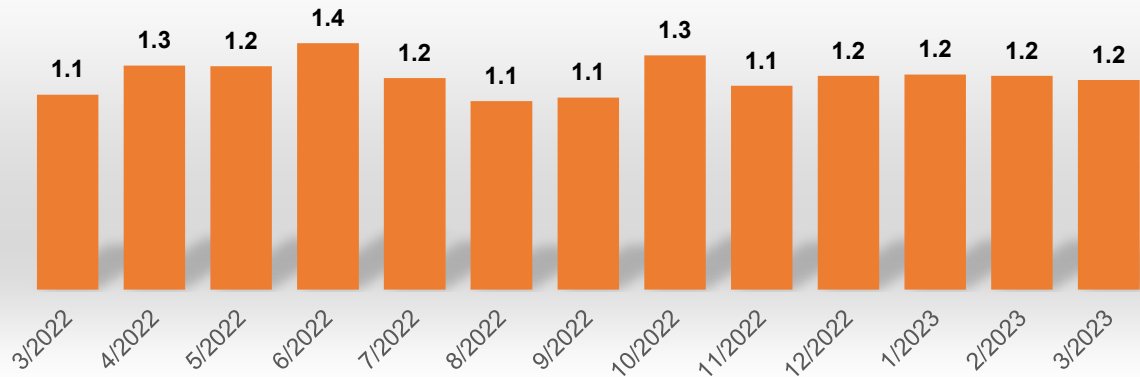
Total Fund Forecast Active Risk* as of March 2023 (Preliminary)



Active Risk Contribution



Active Risk



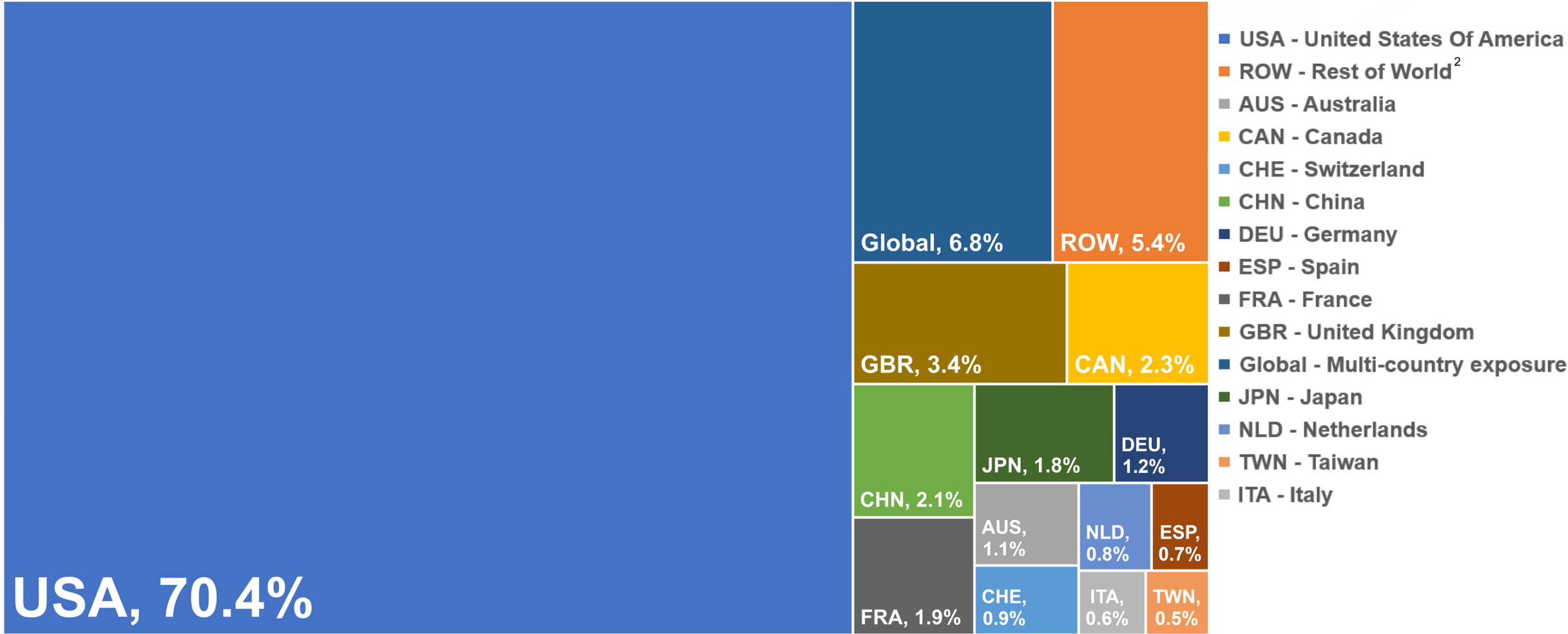
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
Total Fund			1.17	0.05	1.13
Growth	52.5%	-0.53%	0.75	-0.02	0.78
Global Equity	33.2%				
Private Equity	17.6%				
Non-Core Private Real Estate	1.6%				
Credit	11.2%	0.23%	-0.02	-0.01	-0.01
Liquid Credit	5.5%				
Illiquid Credit	5.7%				
Real Assets & Inflation Hedges	17.1%	0.08%	0.30	0.00	0.30
Core Private Real Estate	5.8%				
Natural Resources & Commodities	3.0%				
Infrastructure	5.4%				
TIPS	2.7%				
Risk Reduction and Mitigation	18.7%	-0.32%	0.08	0.02	0.06
Investment Grade Bonds	7.0%				
Diversified Hedge Funds	6.1%				
Long-Term Government Bonds	4.3%				
Cash	1.3%				
Overlays and Hedges	0.5%	0.54%	0.06	0.06	-

*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 9/30/2022

SOURCE: MSCI BarraOne

Geographic Exposures by AUM* - Total Fund

as of March 2023 ex-overlays & hedges (Preliminary)



*AUM = assets under management

¹ *Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 9/30/2022

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

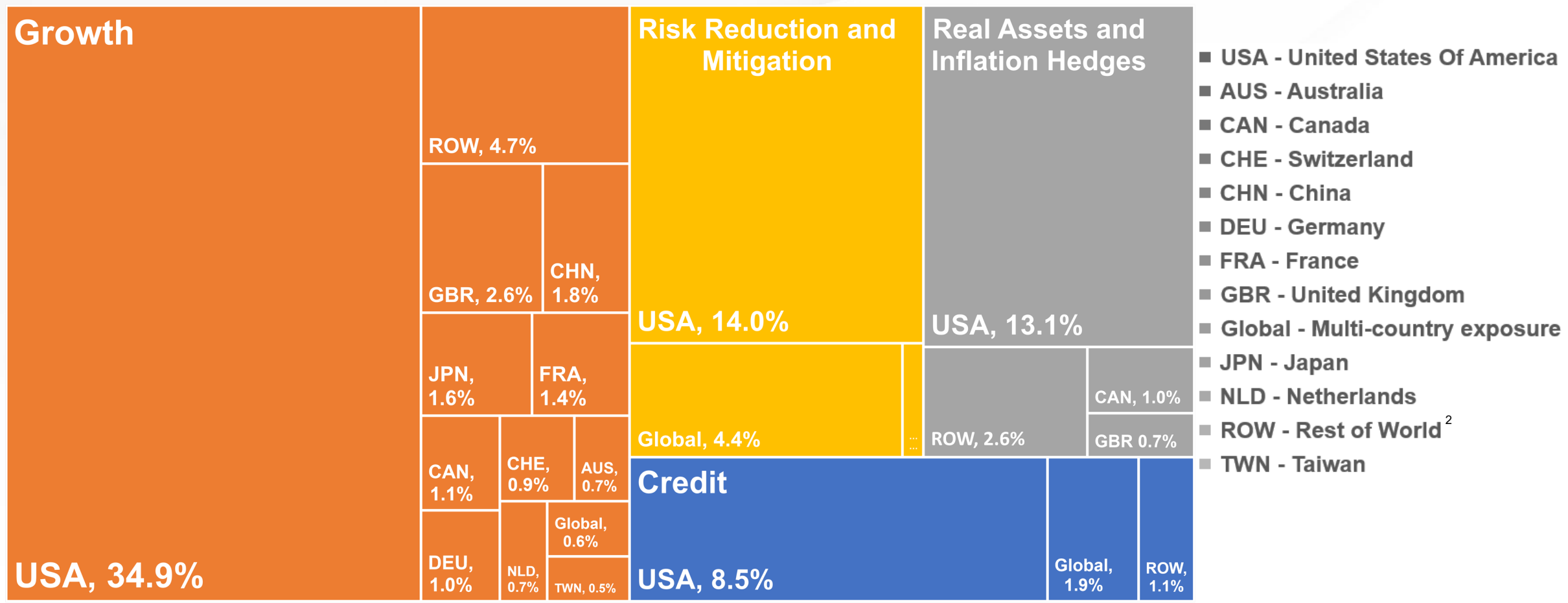
³ Geographic exposure is based on the domicile country of a given security/asset

SOURCE: MSCI BarraOne

Geographic Exposures by AUM* - Asset Categories as of March 2023 ex-overlays & hedges (Preliminary)



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



*AUM = assets under management

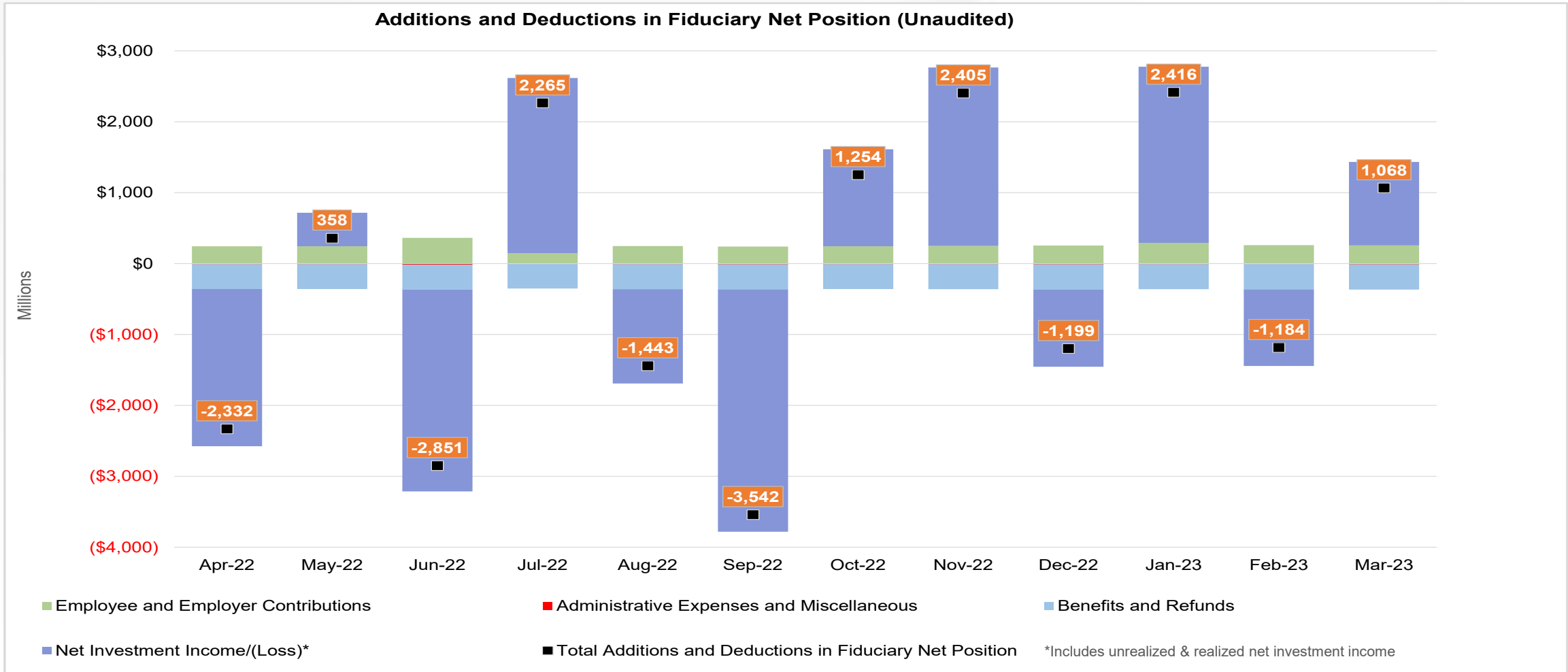
¹ *Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 9/30/2022

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

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

SOURCE: MSCI BarraOne

Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-21	2	10	\$13.8 billion
FY-22	7	5	(\$2.5 billion)
FY-23	4	5	\$2.0 billion



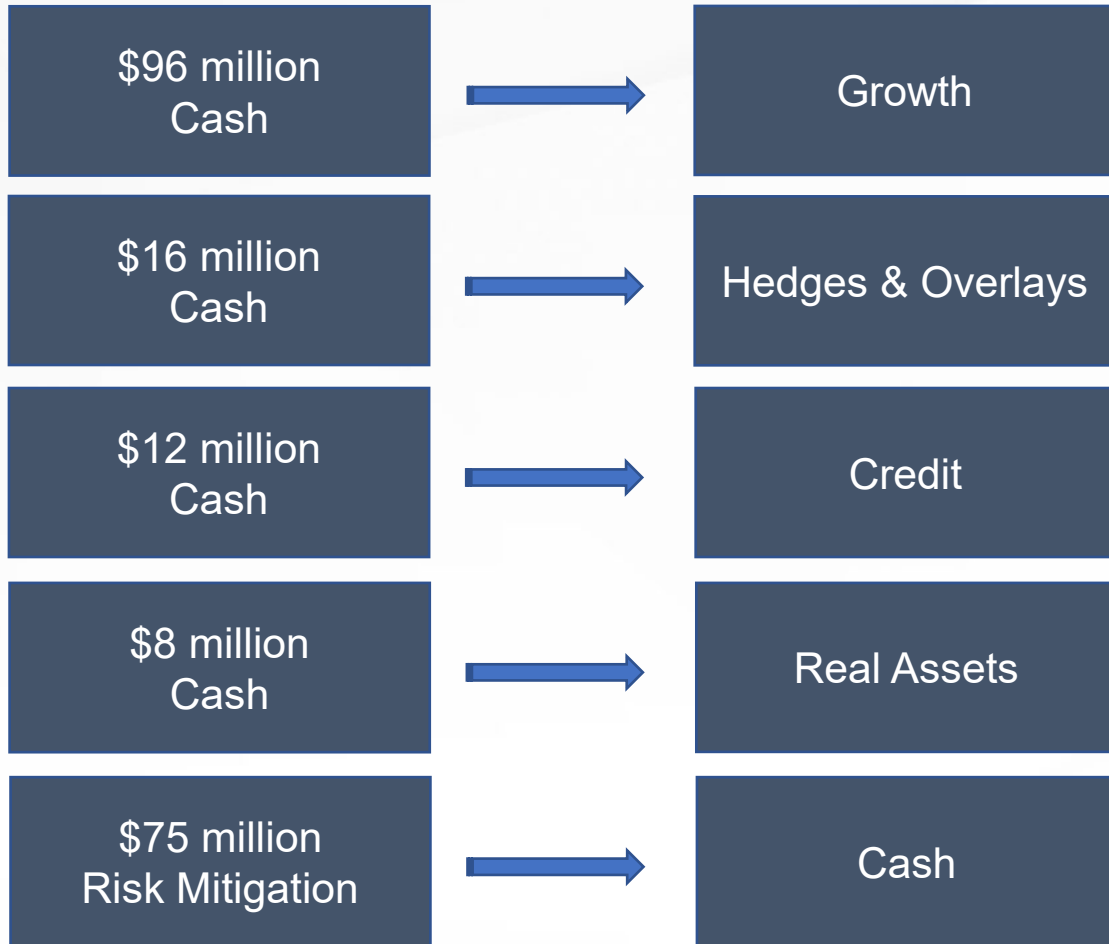
03 Portfolio Structural Updates

Portfolio Structural Updates



Portfolio Movements

Rebalancing Activity



Hedges & Overlays

Monthly Activity

Program	March Return	March Gain/(Loss)	Inception ¹ Gain/(Loss)
Currency Hedge ²	-0.8%	(\$16.2 Million)	\$1.3 Billion
Cash/Rebalance Overlay ³	1.0%	\$18.6 Million	\$294.4 Million

¹ Currency and overlay program inception dates are 8/2010 & 7/2019, respectively.

² 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.

³ 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
Real Assets Emerging Manager Program Search	✓	✓	Anticipated Q3 2023
OPEB Public Markets Passive Investment Management Search	✓	✓	Anticipated Q2 2023



04 Key Initiatives & Operational Updates

Notable Initiatives and Operational Updates



Key Initiative Updates

- Jonathan Grabel was named to the Council of Institutional Investors U.S. Asset Owner Advisory Council
- The 2024 Strategic asset allocation study will begin in the Q3 of this year
- The Investment Division is adhering to the 2023 Work Plan and Strategic Initiatives approved at the January 2023 BOI

Operational Updates

- Annual contract compliance review is complete
- Operational due diligence review in progress

Manager/Consultant Updates

State Street Global Advisors (SSGA) – Growth - is reorganizing its equity investment teams, combining four legacy groups into two: Systematic Equity and Fundamental Equity. John Tucker will oversee the Systematic Equity Team and Michael Solecki will oversee the Fundamental Equity Team. Both will report to Lori Heinel, Global Chief Investment Officer of SSGA.

Global Alpha – Growth – In April, Janine Tran Lam, Chief Compliance Officer (CCO), resigned from Global Alpha to pursue an opportunity outside of asset management. David Savignac will be the acting CCO until a replacement is found. David will have the support of a recent hire in Global Alpha’s operations team along with Connor, Clark, & Lunn’s (Global Alpha’s parent company) Legal and Compliance teams.

Team Searches and Vacancies

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



05 **Commentary**

Staff Chart of the Month

U.S. Growth Slows in the First Quarter of 2023





06 Appendix

Quiet Period for Search Respondents



Real Assets Emerging Manager Program Discretionary Separate Account Manager Search

- ✓ BlackRock Investments, LLC
- ✓ ACRES Capital
- ✓ Aether Investment Partners
- ✓ Cloverlay
- ✓ ORG Portfolio Management
- ✓ Barings
- ✓ Belay Investment Group
- ✓ Encore Enterprises, Inc.
- ✓ Stable
- ✓ Cambridge Associates
- ✓ GCM Grosvenor
- ✓ The Townsend Group
- ✓ Cypress Creek Partners
- ✓ Hamilton Lane Advisors
- ✓ Neuberger Berman Group
- ✓ Wafra Inc.
- ✓ Artemis Real Estate Partners
- ✓ Hawkeye Partners, LP
- ✓ BlackRock
- ✓ Astarte Capital Partners
- ✓ Bentall Green Oak
- ✓ Clear Sky Advisers
- ✓ Clear Investment Group
- ✓ Poverni Sheikh Group
- ✓ Trilogy
- ✓ Stepstone
- ✓ Oak Street
- ✓ White Deer

OPEB Public Markets Passive Investment Management Search

- ✓ BlackRock Investments, LLC
- ✓ Northern Trust Investments, Inc
- ✓ RhumbLine Advisers
- ✓ State Street Global Advisors

Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division¹
As of March 2023

LACERA PENSION FUND

9

GROWTH

Total # of Advisory

GROWTH	
Global Equity	
Asset Allocation Policy Compliance	✓
Investment Guideline Compliance	✓
Emerging Manager Program	✓
# of Sudan/Iran Holdings Held by Managers	✓
Private Equity - Growth²	
Asset Allocation Policy Compliance	✓
Guideline Compliance by Strategy	✓
Guideline Compliance by Geographic Location	✓
Investment Exposure Limit	✓
Non-Core Private Real Estate² (See Real Assets & Inflation Hedges - Core Private Real Estate section)	

Quarterly Review Status	# of Advisory	Notes
✓		
✓	1	A manager briefly breached maximum sector weight relative to the benchmark. The portfolio was brought back into compliance within six days.
✓		
✓	8	8 issuers held, totaling \$15.6 mm in market value

2

CREDIT

Total # of Advisory

CREDIT	
Liquid Credit, Illiquid Credit²	
Asset Allocation Policy Compliance	✓
Investment Guideline Compliance	✓
Emerging Manager Program	✓
# of Sudan/Iran Holdings Held by Managers	✓

Quarterly Review Status	# of Advisory	Notes
✓		
✓		
✓		
✓	2	2 issuers held, totaling \$4.9 mm in market value

Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division¹
As of March 2023

LACERA PENSION FUND

1

REAL ASSETS & INFLATION HEDGES

Total # of Advisory

REAL ASSETS & INFLATION HEDGES⁴

Core Private Real Estate²

- Asset Allocation Policy Compliance
- Guideline Compliance by Strategy (Core/Non-Core)
- Guideline Compliance by Manager^{*}
- Guideline Compliance by Property Type
- Guideline Compliance by Geographic Location
- Guideline Compliance by Leverage

Quarterly Review Status	# of Advisory	Notes
✓		
✓		
✓	1	One manager is 36% of the core risk category which exceeds the 35% limit. The actual allocations of the portfolio may fall outside of the ranges as the portfolio makes its Board approved strategic transition.
✓		
✓		
✓		

Natural Resources & Commodities³

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓		
✓		
✓		

Infrastructure

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓		
✓		
✓		

TIPS

- Asset Allocation Policy Compliance
- Investment Guideline Compliance
- # of Sudan/Iran Holdings Held by Managers

✓		
✓		
✓		

Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division¹
As of March 2023

LACERA PENSION FUND

6

RISK REDUCTION & MITIGATION

Total # of Advisory

RISK REDUCTION & MITIGATION

Investment Grade Bonds

Asset Allocation Policy Compliance

✓

Investment Guideline Compliance

✓

Emerging Manager Program

✓

of Sudan/Iran Holdings Held by Managers

✓

6

6 issuers held, totaling \$2.5 mm in market value

Diversified Hedge Funds²

Asset Allocation Policy Compliance

✓

Portfolio Level Compliance

✓

Direct Portfolio Manager Guideline Compliance

✓

Long-term Government Bonds

Asset Allocation Policy Compliance

✓

Investment Guideline Compliance

✓

Emerging Manager Program

✓

of Sudan/Iran Holdings Held by Managers

✓

Cash

Asset Allocation Policy Compliance

✓

Investment Guideline Compliance

✓

of Sudan/Iran Holdings Held by Managers

✓

Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division¹
As of March 2023

INVESTMENT OPERATIONS

6			
INVESTMENT OPERATIONS			
Total # of Advisory			
	Quarterly Review Status	# Advisory	Notes
INVESTMENT OPERATIONS			
Securities Lending			
Investment Guideline Compliance	✓		
\$ Value on Loan	✓	1	State Street \$3,564.7 mm
\$ Value of Cash/Non-Cash Collaterals	✓	1	State Street \$3,749.7 mm
Total Income - Calendar YTD	✓	1	State Street \$3.1 mm
Total Fund Overlays and Hedges			
Investment Guideline Compliance	✓		
Proxy Voting			
Number of Meetings Voted	✓	1	1,131 meetings voted
Tax Reclaims			
Total Paid Reclaims - Calendar YTD	✓	1	De minimis
Total Pending Reclaims	✓	1	\$24.6 mm in process; timing of recovery is unique to each country
Fee Validation			
Fee Reconciliation Project	✓		
AB 2833	✓		
Investment Manager Meetings⁵			
Manager Meeting Requests	✓		

Compliance Monitor

This report highlights operational and compliance metrics monitored by the Investment Division¹
As of March 2023

OPEB MASTER TRUST

Functional Asset Categories	Quarterly Review Status	# Advisory	Notes
(Growth, Credit, Inflation Hedges, Risk Reduction & Mitigation)			
Asset Allocation Policy Compliance	✓		
Investment Guideline Compliance	✓		
# of Sudan/Iran Holdings Held by Managers	✓		

¹ This list is not exhaustive as various compliance processes are completed throughout the year. Each quarter, different items may appear on the compliance monitor.

² Represents the comprehensive Private Equity (3-month lag), Real Estate (3-month lag), Illiquid Credit (1- and 3-month lags), and Hedge Funds (1-month lag) programs across the total plan.

³ Investment guideline compliance based on public market exposure.

⁴ Reflects the most recent data available.

⁵ Advisory noted if the CEO or a Board member recommends staff to meet with a specific manager three or more times in a year. The purpose of notifying the activity is to promote transparency and governance best practices designed to preserve the integrity of the decision-making process.

* Data as of 12/31/2022



Recognizing Our Members' Service and Accomplishments

LACERA has nearly 100,000 active members working in dozens of L.A. County departments, many of whom dedicate their working lives to serving the community. Meet some of our long-serving members as they prepare to enjoy their well-earned retirement.



Retiring Member Margarita Lien

Division Administrator, Child Support Services Division

Years of Service: 36

Most Fulfilling County Experiences: Career achievements; the friendships she has made in her professional journey.

LACERA Experience/Before: “Nervous, unsure, and even a little scared.”
After: “I’m very grateful that my retirement benefits specialist took the time to explain everything to me, and I actually feel less stressed now and am happy walking out of here today.”

Other Roles: Wife, mother, grandmother, and caregiver

Retirement Plans : More time with family; traveling; gym classes, enjoying a more leisurely pace. “I’m just grateful for the time that I’ll have.”

MEMBER SPOTLIGHT





April 27, 2023

TO: Each Trustee,
Board of Retirement
Board of Investments

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

SUBJECT: CHIEF EXECUTIVE OFFICER'S REPORT – MAY 2023

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

Strategic Plan and Budget Update

LACERA staff have presented the five-year LACERA Strategic Plan during the April 5, 2023 Board of Retirement (BOR) meeting. Staff are working to finalize and incorporate trustee feedback before presenting a finalized plan sometime in May 2023.

LACERA staff presented the FY 23-24 Administrative, Retiree Healthcare, and Other Post Employment Benefits (OPEB) budget to the Joint Organizational Governance Committee (JOGC) on Thursday, April 27, 2023. The JOGC will now recommend the budget for approval to both the Board of Retirement (BOR) and Board of Investments (BOI) via a joint board meeting in June 2023.

General and Retired Member Elections 2023 Update

On April 18, 2023, the Board of Supervisors adopted the resolution establishing the procedures for the 2023 LACERA elections for the Second, Eighth, and Alternate Retired Members (Trustees) for the Board of Retirement and the Second and Eighth Member (Trustees) of the Board of Investments. The resolution added clarification on the scheduled dates as provided to Trustees and the public as part of the April Board agendas. We have updated the schedule based on the final resolution below:

Date	Event
05/12/2023	Election Notification and Call for Nominations to eligible retired members (as of April 15, 2023).
05/19/2023	Election Notification and Call for Nominations emailed to eligible General (active members as of April 15, 2023), and departmental postings as required by the Board of Supervisors resolution.

Date	Event
05/22/2023 – 06/20/2023	Nomination period. Please note the nominations packages must be filed with the Registrar-Recorder/County Clerk no later than 5:00 p.m. on June 20, 2023.
06/26/2023	The Registrar-Recorder/County Clerk will confirm the eligible candidates and notify each candidate.
06/27/2023	Election Announcement: Announcement of qualified candidates and whether an election is necessary. This is also the date the ballot order will be confirmed.
First Week of July	LACERA sends mailer regarding election status.
July 17, 2023	Election notices emailed by vendor.
08/02/2023	Voter information and ballot mailed to all retirees, as well as to all active members who requested a paper ballot.
08/03/2023	LACERA election reminder notice.
08/04/2023	Voting Begins. Election credentials mailed to all General members (active as of April 15, 2023).
08/16/2023	LACERA election reminder notice.
08/31/2023	Voting Ends.
09/08/2023	Executive Office of the Board of Supervisors will have the unofficial results available.
10/17/2023	BOS Declares Election Result Official.

The resolution provides that all General Members (active members as of April 15, 2023) will receive electronic notification via email and through their departments of the election, a call for nominations and how to receive a nomination package, and subsequently receive voting credentials for voting online and instructions on how to request a paper ballot if they wish to vote by ballot. Otherwise, General members will be able to vote online or via the 24-hour telephone voting option.

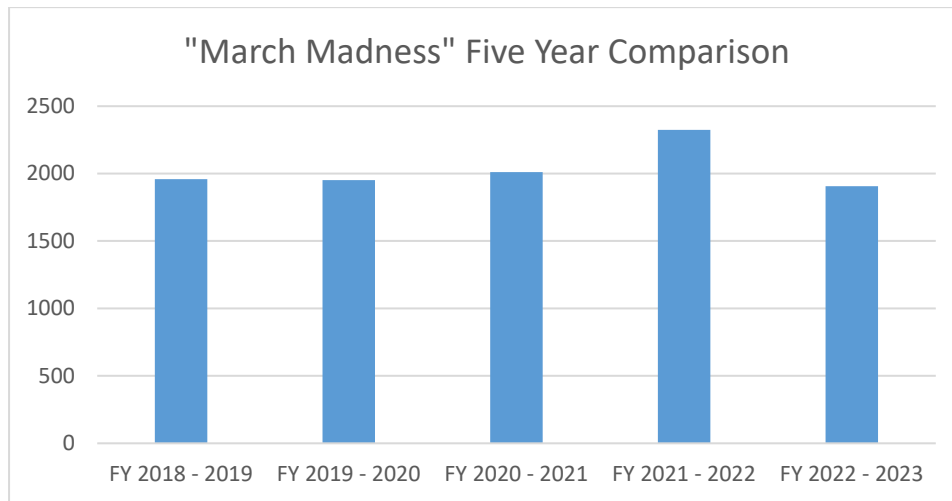
All retired members as of April 15, 2023, will receive a mailed notice of a call for nominations sent by LACERA (and approved by the Executive Office of the Board of Supervisors). Subsequently once the candidates have been confirmed, all retired

members will receive a paper ballot, and will have the choice to vote using that ballot, online, or by using the 24-hour telephone system.

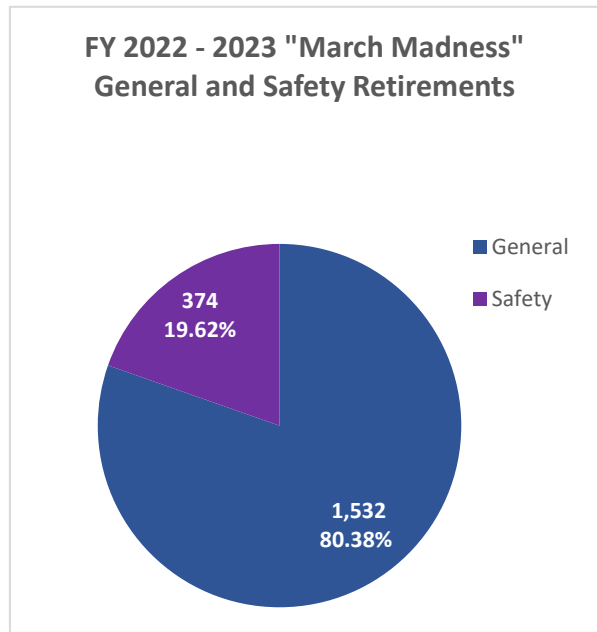
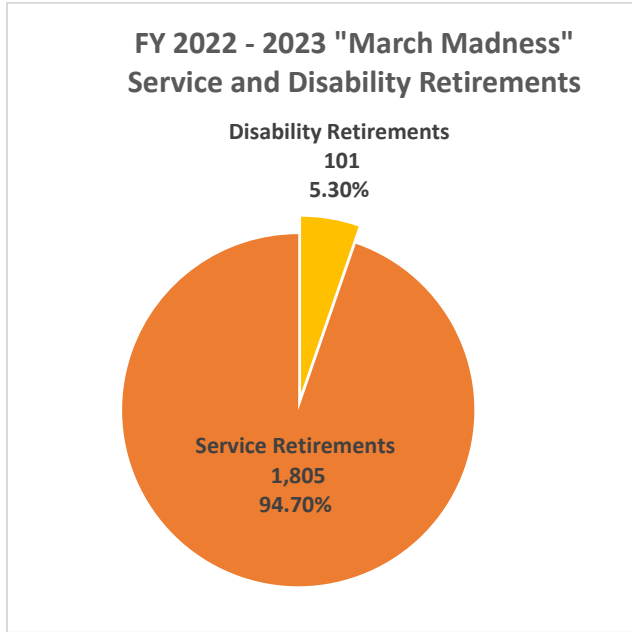
March Madness Update

The annual “March Madness” season for FY 2022-2023 is nearing the end. This is the annual period from December through March when we typically see the highest number of members retire. Over the last few years, we have seen successive increases in the number of members interested in, and actually, retiring. This increasing number of retiring members was driven by the crest of the baby boomer generation reaching retirement age as well as the impacts of the COVID-19 Pandemic.

Staff are now in the process of completing the transition of members from active status to the retiree payroll process. As we have reported over the last few months, the volume of retirements decreased from the previous years. Overall, 1,906 members retired during the December through March time frame – less than last year’s final tally of 2,324 during the same period. The chart below provides an overview of the number of retirees during the March Madness period for the last five years:

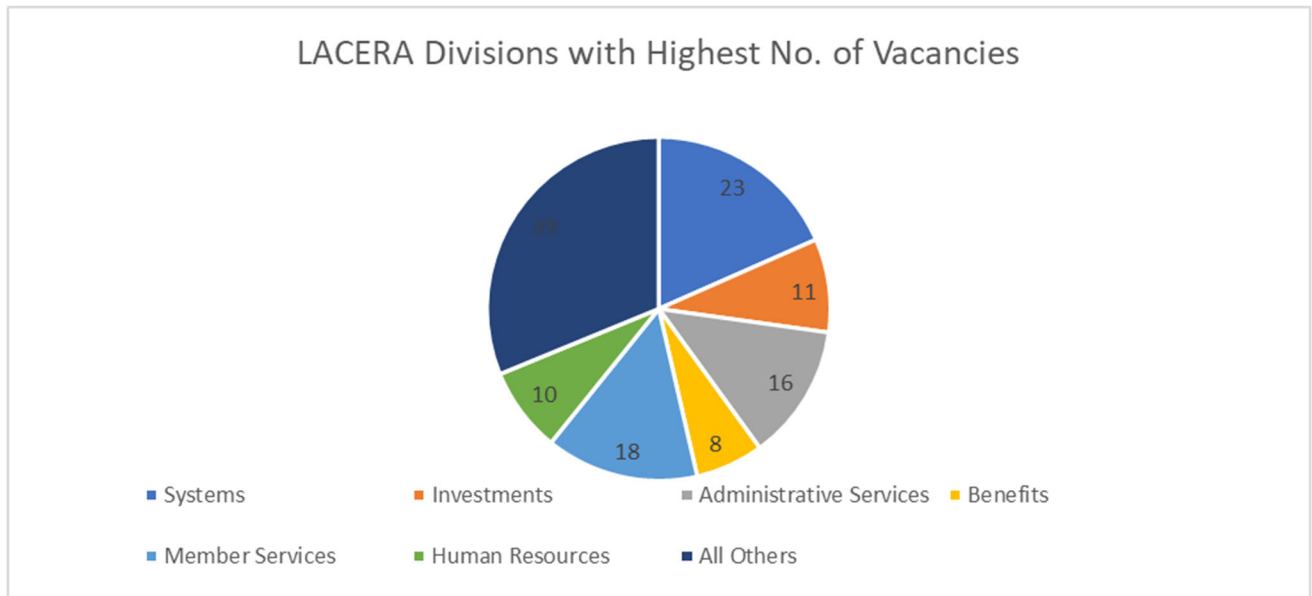


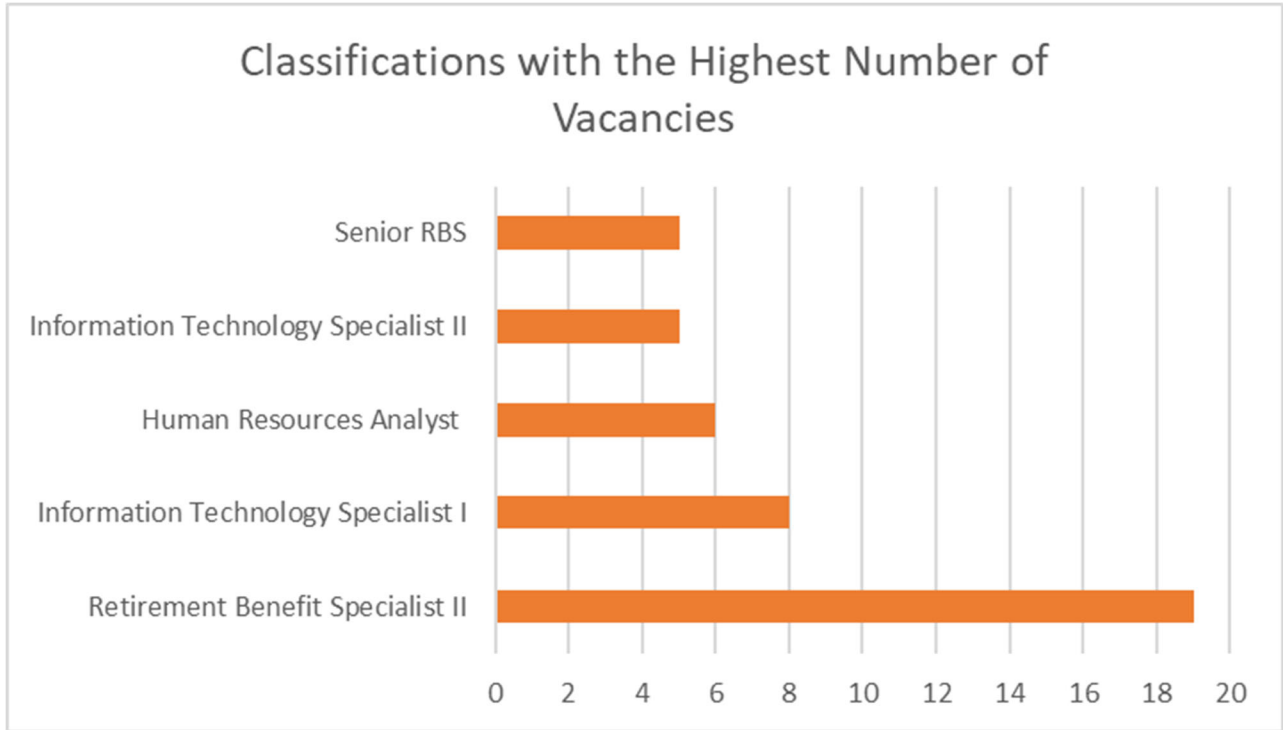
The following two charts provide some further insights into the types of retirements (Service/Disability) as well as the member types:



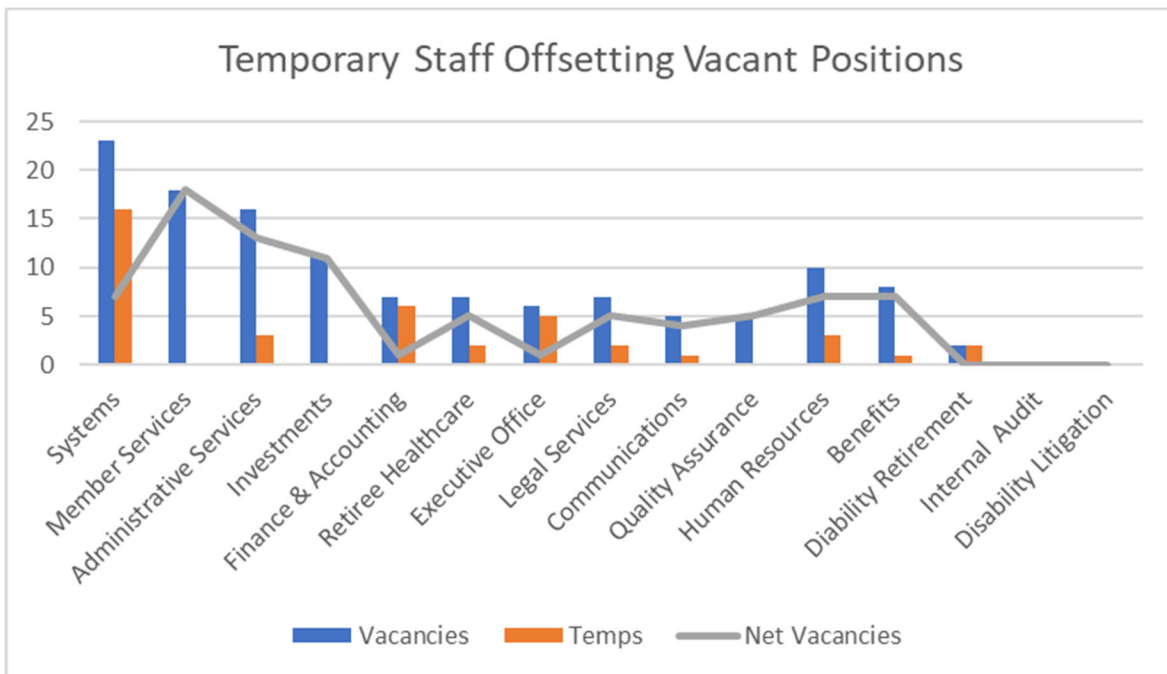
Recruitment Updates

LACERA has 530 budgeted positions, of which 125 are vacant (24% vacancy rate). The Divisions with the highest number of vacancies, and the classifications with the highest number of vacancies, are shown below.





The chart below highlights temporary hires across divisions to address critical vacancy needs in the short term.



Investment Recruitment and Hiring

LACERA has contracted with EFL Associates (EFL) to secure a pool of qualified and diverse candidates for the Deputy Chief Investment Officer position. The first set of interviews have taken place. Selection interviews of the finalists are pending.

Other External Recruitments

The final interviews for the Chief, Information Technology, and Information Security Officer positions have been completed. Offers of employment are pending.

Development

The recruitments/assessments for the following classifications are currently in development in partnership with the various hiring divisions:

- Retirement Systems Specialist
- Division Manager
- Senior Writer
- Administrative Services Analyst II and III

Legal Services Recruitments

A contract is being finalized for a legal recruiting firm to fill vacancies in the following positions:

- Senior Staff Counsel (Investments)
- Staff Counsel (Investments)
- Senior Staff Counsel (Benefits)
- Staff Counsel (Benefits)

Human Resources Recruitments

The examinations for the Human Resources Analyst and Senior Human Resources Analyst assessments are in process.

New Lists Promulgated, Hiring and Promotions

The Finance Analyst II Eligible Register was promulgated. Selection interviews are continuing and additional candidates are being placed on the eligible register.

A promotional appointment was made to the Legal Analyst position.

The Trainee Class will begin on May 1, 2023. Six (6) Trainees will be assigned to Retiree Health Care and 25 Trainees will be split between Benefits and Member Services Divisions. The background check for the Senior Human Resources Assistant is in process.

Retiree Healthcare

Some Anthem Blue Cross Members to Experience a Change in Their Prescription Drug Benefit

There are currently legislative efforts relating to limiting certain PBM practices that are taking place within the industry such as requiring patients use of affiliated pharmacies, providing for the expansion of pharmacy network participation.

On April 18th, a retiree residing in Oklahoma provided RHC with a copy of the notification they had received from CVS making RHC aware that some of our retirees and their dependents are beginning to experience the impact of this bill; specifically, members residing in Oklahoma. In coordination with our CVS account manager, RHC staff confirmed that LACERA has 118 members residing in Oklahoma that were also sent notification. CVS' notice informed members that per HB 2632, members can no longer (1) have mail order services and (2) they can only fill up to a 30-day supply of their medication(s) at a participating in-network retail pharmacy.

What does this mean for our Anthem Blue Cross I, II and III members?

All LACERA retirees residing in Oklahoma and enrolled in one of the LACERA-administered Anthem Blue Cross I, II, or III medical plans are able to obtain only one month (30-days) worth of medication, rather than three months (90-days) every 90-days. In addition, members must go into an in-network pharmacy, pay their 20% coinsurance amount as opposed to the copay (\$10 copay for generic, \$30 brand, and \$50 non-preferred brand, with \$150 for the specialty) they now appreciate; they no longer have the mail order option.

At this time, no other state has implemented any similar restrictions. Since becoming aware, staff have been and will continue to actively engage with Segal (as well as CVS where possible, due to current litigation) to keep you informed.

An Act

ENROLLED HOUSE
BILL NO. 2632

By: Echols, McEntire, Roberts
(Dustin), Sanders,
Patzkowsky, West (Josh),
Townley, Pae, Boles,
Hasenbeck, Davis, Roberts
(Sean), Phillips, Talley,
Stark, Roe, McDugle,
Vancuren, Virgin, Bell,
Strom, Fugate, Frix,
Newton, West (Tammy),
Dills, Taylor, Perryman,
Munson, Boatman, Sterling,
Cornwell, Sneed, Lawson,
Sims, Randleman, Caldwell
(Trey), Manger, Grego,
Dollens, West (Kevin),
McBride, May, Ford, Gann,
Humphrey, Burns, Harden
(David), O'Donnell, Johns,
Kiger, Hilbert, Moore,
Brewer, Ortega and
Provenzano of the House

and

McCortney, Pemberton,
Haste, Dahm, Hicks,
Murdock, Silk, Coleman,
Kidd, Bergstrom,
Montgomery, Stanley,
Simpson, Pederson, Scott,
Standridge, Boggs, Shaw,
Rader, Weaver, Leewright,
Allen, Bullard, Smalley,
Jech, Matthews, Rosino,
Stanislawski, Paxton,
Dossett, Sharp, Dugger,
Ikley-Freeman, Thompson,
Boren and Quinn of the
Senate

An Act relating to insurance; creating the Patient's Right to Pharmacy Choice Act; declaring purpose; defining terms; providing compliance standards for retail pharmacy networks; providing for review of retail pharmacy network access; prohibiting certain actions; providing exceptions; providing for monitoring of certain actions; prohibiting restrictions; directing a health insurer's pharmacy and therapeutics committee to establish a formulary; prohibiting conflicts of interest; providing conditions for persons to serve on pharmacy and therapeutics committee; authorizing investigations and examinations; directing the Insurance Commissioner to establish a Patient's Right to Pharmacy Choice Advisory Committee; providing duties; providing for appointment of members; providing for hearing process; providing for confidentiality; providing exception; providing for severability; providing for codification; and providing an effective date.

SUBJECT: Patient's Right to Pharmacy Choice Act

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6958 of Title 36, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Patient's Right to Pharmacy Choice Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6959 of Title 36, unless there is created a duplication in numbering, reads as follows:

The purpose of the Patient's Right to Pharmacy Choice Act is to establish minimum and uniform access to a provider and standards and prohibitions on restrictions of a patient's right to choose a pharmacy provider.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6960 of Title 36, unless there is created a duplication in numbering, reads as follows:

For purposes of the Patient's Right to Pharmacy Choice Act:

1. "Health insurer" means any corporation, association, benefit society, exchange, partnership or individual licensed by the Oklahoma Insurance Code;

2. "Mail-order pharmacy" means a pharmacy licensed by this state that primarily dispenses and delivers covered drugs via common carrier;

3. "Pharmacy benefits manager" or "PBM" means a person that performs pharmacy benefits management and any other person acting for such person under a contractual or employment relationship in the performance of pharmacy benefits management for a managed-care company, nonprofit hospital, medical service organization, insurance company, third-party payor or a health program administered by a department of this state;

4. "Pharmacy and therapeutics committee" or "P&T committee" means a committee at a hospital or a health insurance plan that decides which drugs will appear on that entity's drug formulary;

5. "Retail pharmacy network" means retail pharmacy providers contracted with a PBM in which the pharmacy primarily fills and sells prescriptions via a retail, storefront location;

6. "Rural service area" means a five-digit ZIP code in which the population density is less than one thousand (1,000) individuals per square mile;

7. "Suburban service area" means a five-digit ZIP code in which the population density is between one thousand (1,000) and three thousand (3,000) individuals per square mile; and

8. "Urban service area" means a five-digit ZIP code in which the population density is greater than three thousand (3,000) individuals per square mile.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6961 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Pharmacy benefits managers (PBMs) shall comply with the following retail pharmacy network access standards:

1. At least ninety percent (90%) of covered individuals residing in an urban service area live within two (2) miles of a retail pharmacy participating in the PBM's retail pharmacy network;

2. At least ninety percent (90%) of covered individuals residing in an urban service area live within five (5) miles of a retail pharmacy designated as a preferred participating pharmacy in the PBM's retail pharmacy network;

3. At least ninety percent (90%) of covered individuals residing in a suburban service area live within five (5) miles of a retail pharmacy participating in the PBM's retail pharmacy network;

4. At least ninety percent (90%) of covered individuals residing in a suburban service area live within seven (7) miles of a retail pharmacy designated as a preferred participating pharmacy in the PBM's retail pharmacy network;

5. At least seventy percent (70%) of covered individuals residing in a rural service area live within fifteen (15) miles of a retail pharmacy participating in the PBM's retail pharmacy network; and

6. At least seventy percent (70%) of covered individuals residing in a rural service area live within eighteen (18) miles of a retail pharmacy designated as a preferred participating pharmacy in the PBM's retail pharmacy network.

B. Mail-order pharmacies shall not be used to meet access standards for retail pharmacy networks.

C. Pharmacy benefits managers shall not require patients to use pharmacies that are directly or indirectly owned by the pharmacy benefits manager, including all regular prescriptions, refills or specialty drugs regardless of day supply.

D. Pharmacy benefits managers shall not in any manner on any material, including but not limited to mail and ID cards, include

the name of any pharmacy, hospital or other providers unless it specifically lists all pharmacies, hospitals and providers participating in the preferred and nonpreferred pharmacy and health networks.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6962 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Oklahoma Insurance Department shall review and approve retail pharmacy network access for all pharmacy benefits managers (PBMs) to ensure compliance with Section 4 of this act.

B. A PBM, or an agent of a PBM, shall not:

1. Cause or knowingly permit the use of advertisement, promotion, solicitation, representation, proposal or offer that is untrue, deceptive or misleading;

2. Charge a pharmacist or pharmacy a fee related to the adjudication of a claim, including without limitation a fee for:

a. the submission of a claim,

b. enrollment or participation in a retail pharmacy network, or

c. the development or management of claims processing services or claims payment services related to participation in a retail pharmacy network;

3. Reimburse a pharmacy or pharmacist in the state an amount less than the amount that the PBM reimburses a pharmacy owned by or under common ownership with a PBM for providing the same covered services. The reimbursement amount paid to the pharmacy shall be equal to the reimbursement amount calculated on a per-unit basis using the same generic product identifier or generic code number paid to the PBM-owned or PBM-affiliated pharmacy;

4. Deny a pharmacy the opportunity to participate in any pharmacy network at preferred participation status if the pharmacy is willing to accept the terms and conditions that the PBM has established for other pharmacies as a condition of preferred network participation status;

5. Deny, limit or terminate a pharmacy's contract based on employment status of any employee who has an active license to dispense, despite probation status, with the State Board of Pharmacy;

6. Retroactively deny or reduce reimbursement for a covered service claim after returning a paid claim response as part of the adjudication of the claim, unless:

- a. the original claim was submitted fraudulently, or
- b. to correct errors identified in an audit, so long as the audit was conducted in compliance with Sections 356.2 and 356.3 of Title 59 of the Oklahoma Statutes; or

7. Fail to make any payment due to a pharmacy or pharmacist for covered services properly rendered in the event a PBM terminates a pharmacy or pharmacist from a pharmacy benefits manager network.

C. The prohibitions under this section shall apply to contracts between pharmacy benefits managers and pharmacists or pharmacies for participation in retail pharmacy networks.

1. A PBM contract shall:

- a. not restrict, directly or indirectly, any pharmacy that dispenses a prescription drug from informing, or penalize such pharmacy for informing, an individual of any differential between the individual's out-of-pocket cost or coverage with respect to acquisition of the drug and the amount an individual would pay to purchase the drug directly, and
- b. ensure that any entity that provides pharmacy benefits management services under a contract with any such health plan or health insurance coverage does not, with respect to such plan or coverage, restrict, directly or indirectly, a pharmacy that dispenses a prescription drug from informing, or penalize such pharmacy for informing, a covered individual of any differential between the individual's out-of-pocket cost under the plan or coverage with respect to acquisition of the drug and the amount an individual

would pay for acquisition of the drug without using any health plan or health insurance coverage.

2. A pharmacy benefits manager's contract with a participating pharmacist or pharmacy shall not prohibit, restrict or limit disclosure of information to the Insurance Commissioner, law enforcement or state and federal governmental officials investigating or examining a complaint or conducting a review of a pharmacy benefits manager's compliance with the requirements under the Patient's Right to Pharmacy Choice Act.

3. A pharmacy benefits manager shall establish and maintain an electronic claim inquiry processing system using the National Council for Prescription Drug Programs' current standards to communicate information to pharmacies submitting claim inquiries.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6963 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. A health insurer shall be responsible for monitoring all activities carried out by, or on behalf of, the health insurer under the Patient's Right to Pharmacy Choice Act, and for ensuring that all requirements of this act are met.

B. Whenever a health insurer contracts with another person to perform activities required under this act, the health insurer shall be responsible for monitoring the activities of that person with whom the health insurer contracts and for ensuring that the requirements of this act are met.

C. An individual may be notified at the point of sale when the cash price for the purchase of a prescription drug is less than the individual's copayment or coinsurance price for the purchase of the same prescription drug.

D. A health insurer or pharmacy benefits manager (PBM) shall not restrict an individual's choice of in-network provider for prescription drugs.

E. An individual's choice of in-network provider may include a retail pharmacy or a mail-order pharmacy. A health insurer or PBM shall not restrict such choice. Such health insurer or PBM shall not require or incentivize using any discounts in cost-sharing or a reduction in copay or the number of copays to individuals to receive

prescription drugs from an individual's choice of in-network pharmacy.

F. A health insurer, pharmacy or PBM shall adhere to all Oklahoma laws, statutes and rules when mailing, shipping and/or causing to be mailed or shipped prescription drugs into the State of Oklahoma.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6964 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. A health insurer's pharmacy and therapeutics committee (P&T committee) shall establish a formulary, which shall be a list of prescription drugs, both generic and brand name, used by practitioners to identify drugs that offer the greatest overall value.

B. A health insurer shall prohibit conflicts of interest for members of the P&T committee.

1. A person may not serve on a P&T committee if the person is currently employed or was employed within the preceding year by a pharmaceutical manufacturer, developer, labeler, wholesaler or distributor.

2. A health insurer shall require any member of the P&T committee to disclose any compensation or funding from a pharmaceutical manufacturer, developer, labeler, wholesaler or distributor. Such P&T committee member shall be recused from voting on any product manufactured or sold by such pharmaceutical manufacturer, developer, labeler, wholesaler or distributor.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6965 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Insurance Commissioner shall have power to examine and investigate into the affairs of every pharmacy benefits manager (PBM) engaged in pharmacy benefits management in this state in order to determine whether such entity is in compliance with the Patient's Right to Pharmacy Choice Act.

B. All PBM files and records shall be subject to examination by the Insurance Commissioner or by duly appointed designees. The

Insurance Commissioner, authorized employees and examiners shall have access to any of a PBM's files and records that may relate to a particular complaint under investigation or to an inquiry or examination by the Insurance Department.

C. Every officer, director, employee or agent of the PBM, upon receipt of any inquiry from the Commissioner shall, within thirty (30) days from the date the inquiry is sent, furnish the Commissioner with an adequate response to the inquiry.

D. When making an examination under this section, the Insurance Commissioner may retain subject matter experts, attorneys, appraisers, independent actuaries, independent certified public accountants or an accounting firm or individual holding a permit to practice public accounting, certified financial examiners or other professionals and specialists as examiners, the cost of which shall be borne by the PBM which is the subject of the examination.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6966 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The Insurance Commissioner shall provide for the receiving and processing of individual complaints alleging violations of the provisions of the Patient's Right to Pharmacy Choice Act.

B. The Commissioner shall establish a Patient's Right to Pharmacy Choice Advisory Committee to review complaints, hold hearings, subpoena witnesses and records, initiate prosecution, reprimand, place on probation, suspend, revoke and/or levy fines not to exceed Ten Thousand Dollars (\$10,000.00) for each count for which any pharmacy benefits manager (PBM) has violated a provision of this act. The Advisory Committee may impose as part of any disciplinary action the payment of costs expended by the Insurance Department for any legal fees and costs including, but not limited to, staff time, salary and travel expense, witness fees and attorney fees. The Advisory Committee may take such actions singly or in combination, as the nature of the violation requires.

C. The Advisory Committee shall consist of seven (7) persons appointed as follows:

1. Two persons who shall be nominated by the Oklahoma Pharmacists Association;

2. Two consumer members not employed or related to insurance, pharmacy or PBM nominated by the Office of the Governor;

3. Two persons representing the PBM or insurance industry nominated by the Insurance Commissioner; and

4. One person representing the Office of the Attorney General nominated by the Attorney General.

D. Committee members shall be appointed for terms of five (5) years. The terms of the members of the Advisory Committee shall expire on the thirtieth day of June of the year designated for the expiration of the term for which appointed, but the member shall serve until a qualified successor has been duly appointed. No person shall be appointed to serve more than two consecutive terms.

E. Hearings shall be held in the Insurance Commissioner's offices or at such other place as the Insurance Commissioner may deem convenient.

F. The Insurance Commissioner shall issue and serve upon the PBM a statement of the charges and a notice of hearing in accordance with the Administrative Procedures Act, Sections 250 through 323 of Title 75 of the Oklahoma Statutes.

G. At the time and place fixed for a hearing, the PBM shall have an opportunity to be heard and to show cause why the Insurance Commissioner or his or her duly appointed hearing examiner should not revoke or suspend the PBM's license and levy administrative fines for each violation. Upon good cause shown, the Commissioner shall permit any person to intervene, appear and be heard at the hearing by counsel or in person.

H. All hearings will be public and held in accordance with, and governed by, Sections 250 through 323 of Title 75 of the Oklahoma Statutes.

I. The Insurance Commissioner, upon written request reasonably made by the licensed PBM affected by the hearing and at such PBM's expense shall cause a full stenographic record of the proceedings to be made by a competent court reporter.

J. If the Insurance Commissioner determines, based on an investigation of complaints, that a PBM has engaged in violations of this act with such frequency as to indicate a general business

practice and that such PBM should be subjected to closer supervision with respect to such practices, the Insurance Commissioner may require the PBM to file a report at such periodic intervals as the Insurance Commissioner deems necessary.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6967 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Documents, materials, reports, complaints or other information in the possession or control of the Insurance Department that are obtained by or disclosed to the Insurance Commissioner or any other person in the course of an evaluation, examination, investigation or review made pursuant to the provisions of the Patient's Right to Pharmacy Choice Act shall be confidential by law and privileged, shall not be subject to open records request, shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action if obtained from the Insurance Commissioner or any employees or representatives of the Insurance Commissioner.

B. Nothing in this section shall prevent the disclosure of a final order issued against a pharmacy benefits manager by the Insurance Commissioner or his or her duly appointed hearing examiner. Such orders shall be open records.

SECTION 11. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6968 of Title 36, unless there is created a duplication in numbering, reads as follows:

If any one or more provision, section, subsection, sentence, clause, phrase or word of this act or the application hereof to any person or circumstance is found to be unconstitutional, the same is hereby declared to be severable and the balance of this act shall remain effective notwithstanding such unconstitutionality. The Legislature hereby declares that it would have passed this act, and each provision, section, subsection, sentence, clause, phrase or word thereof, irrespective of the fact that any one or more provision, section, subsection, sentence, clause, phrase, or word be declared unconstitutional.

SECTION 12. This act shall become effective November 1, 2019.

Passed the House of Representatives the 8th day of May, 2019.

Presiding Officer of the House
of Representatives

Passed the Senate the 16th day of May, 2019.

Presiding Officer of the Senate

OFFICE OF THE GOVERNOR

Received by the Office of the Governor this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____

Approved by the Governor of the State of Oklahoma this _____

day of _____, 20_____, at _____ o'clock _____ M.

Governor of the State of Oklahoma

OFFICE OF THE SECRETARY OF STATE

Received by the Office of the Secretary of State this _____

day of _____, 20_____, at _____ o'clock _____ M.

By: _____



CEO DASHBOARD



May 3, 2023



Striving for Excellence

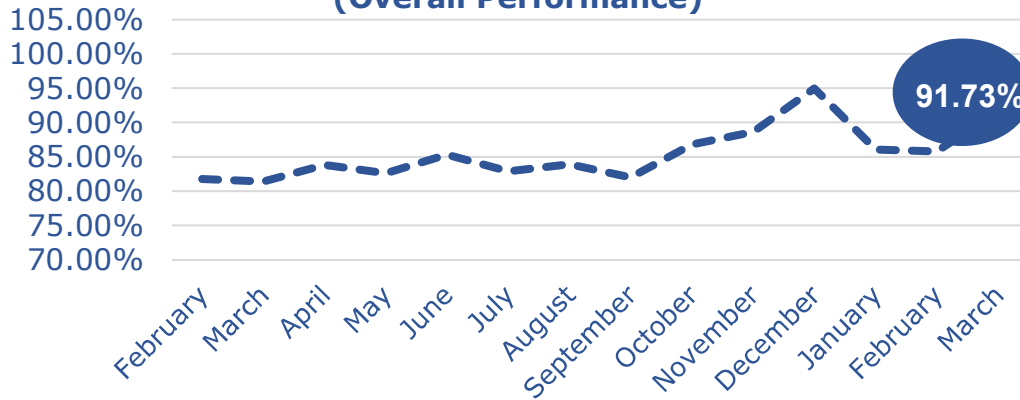
Service Metrics Reported on a Fiscal Year Basis (July 1) Through: March 2023

	WORKSHOP ATTENDANCE 609 Year-to-Date: 5,955		OUTREACH EVENTS 15 Year-to-Date: 140		WORKSHOP SATISFACTION 0 Resp. Rate: 0.0% Change: 0		MSC OVERALL SATISFACTION 95.19% Resp. Rate: 23.6% Change: -0.07%		MEMBER SERVICES CALL CENTER 11,586 3 Month Average: 11,771
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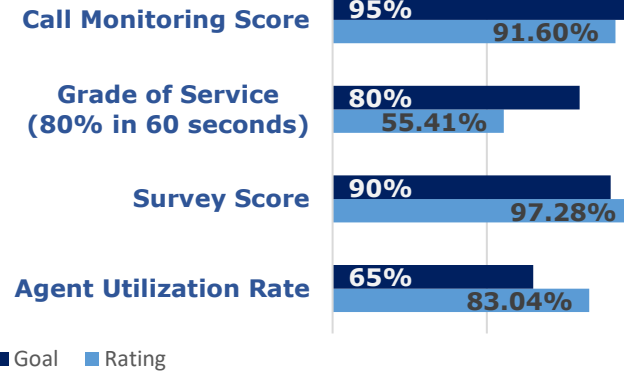
Member Services

Key Performance Indicator (Overall Performance)

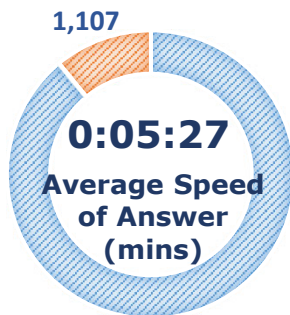
Goal: 100%



Key Performance Indicator (Components)



##



■ Calls Answered ■ Calls Abandoned

Top Calls

1. Retirement Counseling: Process Overview
2. Retirement Counseling: Estimate
3. Confirming receipt of documents.



Emails

534
Avg. Response Time (ART)

4:00 hours

Secure Message
1,118



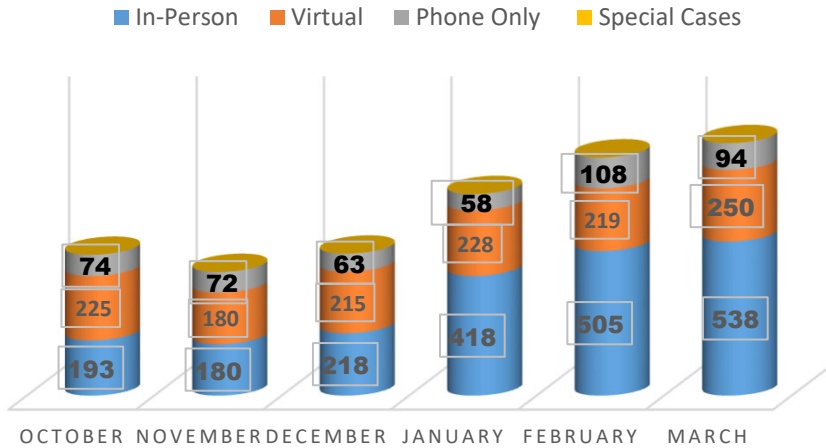


Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: March 2023

Member Services

Member Service Center Appointments

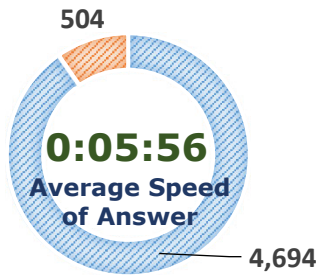


COMING SOON

Retiree Healthcare



Total RHC Calls: 5,779



■ Calls Answered ■ Calls Abandoned

Top Calls

1. Medical/Dental Enrollments

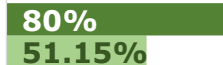
2. Medical Inquiries

3. General Inquiries

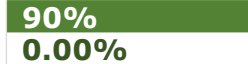
Call Monitoring Score



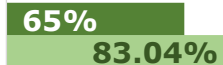
Grade of Service (80% in 60 seconds)



Survey Score



Agent Utilization Rate



■ Goal ■ Rating



Emails 415

Avg. Response Time (ART) 3 Days



Secure Messages

466



Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: March 2023

Applications
973

In Process
As Of
3/31/2023

979 Pending on: 2/28/2023

66 Received

618 Year-to-Date

0 Re-Opened

0 Year-to-Date

56 To Board - Initial

472 Year-to-Date

16 Closed

68 Year-to-Date

Appeals
70

In Process
As Of
3/31/2023

70 Pending on: 2/28/2023

2 Received

9 Year-to-Date

0 Admin Closed/Rule 32

8 Year-to-Date

2 Referee Recommended

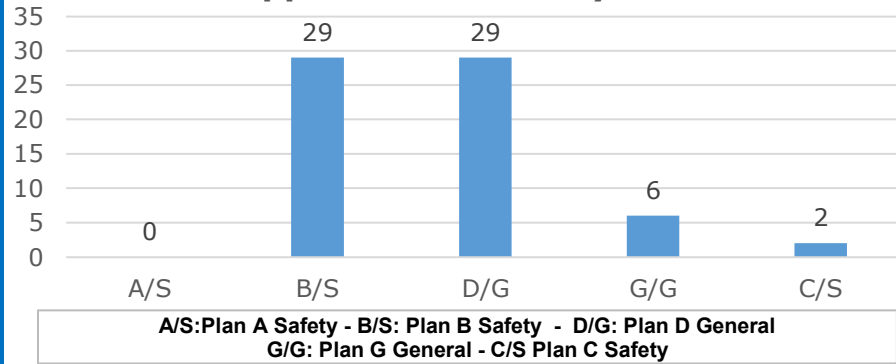
6 Year-to-Date

0 Revised/Reconsidered for Granting

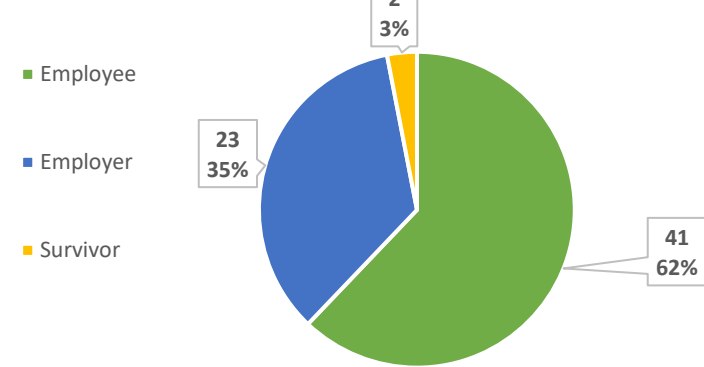
2 Year-to-Date

Disability

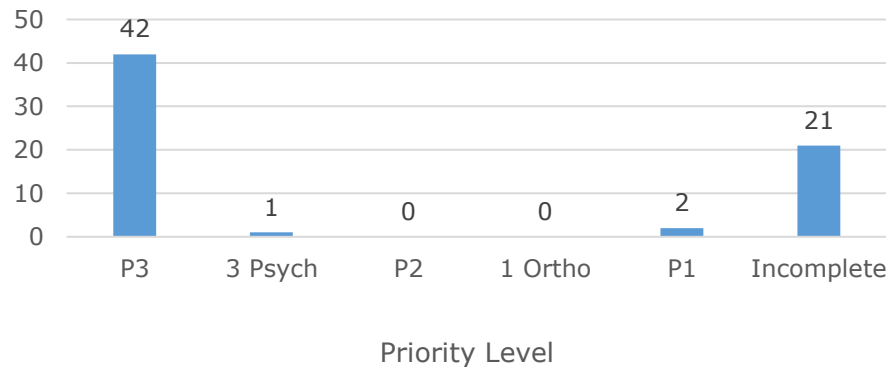
Applications Filed By Plan



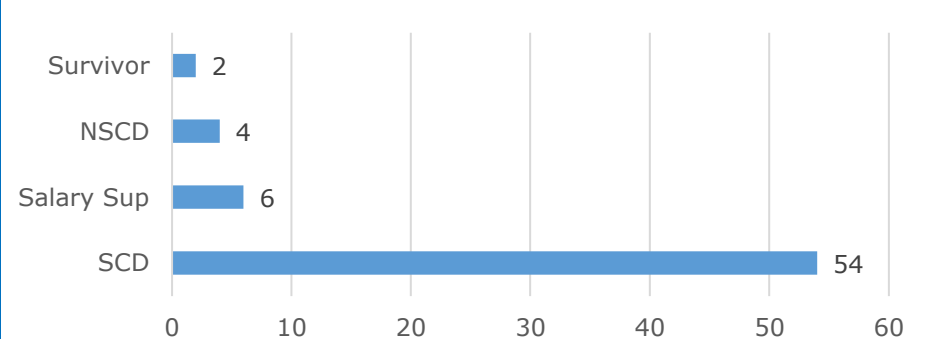
Applications Filed By Source



Applications Filed By Priority Level



Applications Filed By Type

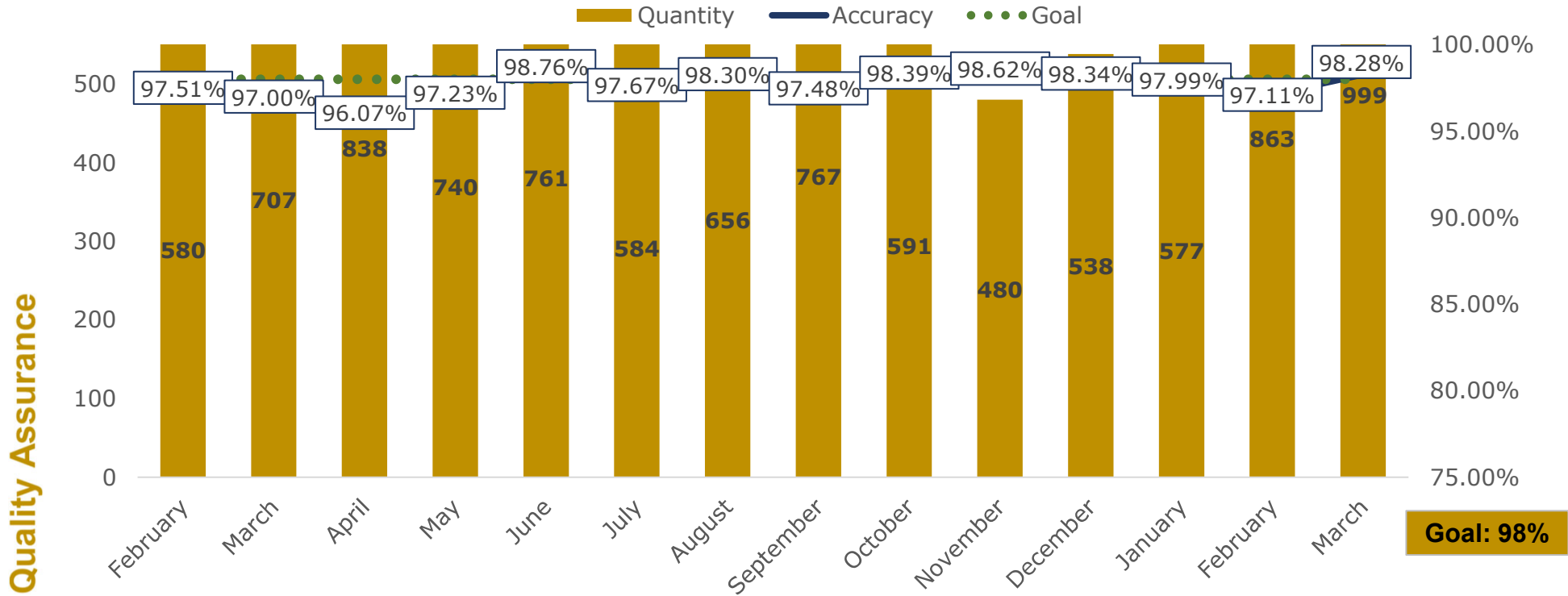




Striving for Excellence in Quality

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: March 2023

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



Goal: 98%

March 2023

98.28%



Retirement Elections

667 Samples
98.25% Accuracy

Payment Contracts

213 Samples
97.31% Accuracy

Data Entry

119 Samples
99.30% Accuracy

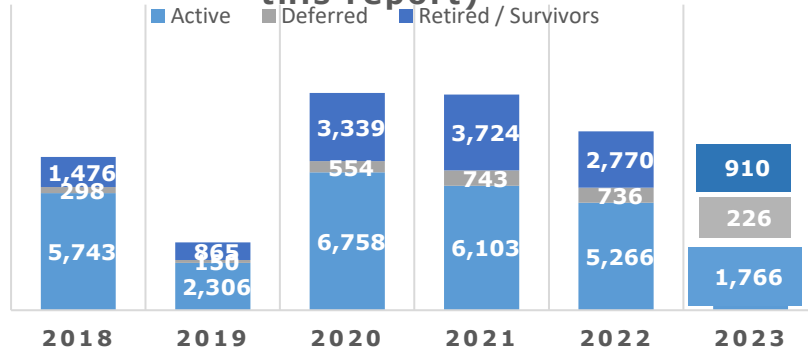


Service On-Line for All

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: March 2023

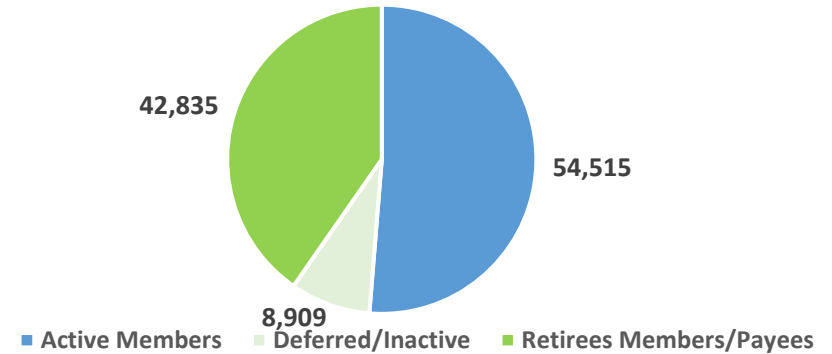
Serving Members Through LACERA.com and MyLACERA

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

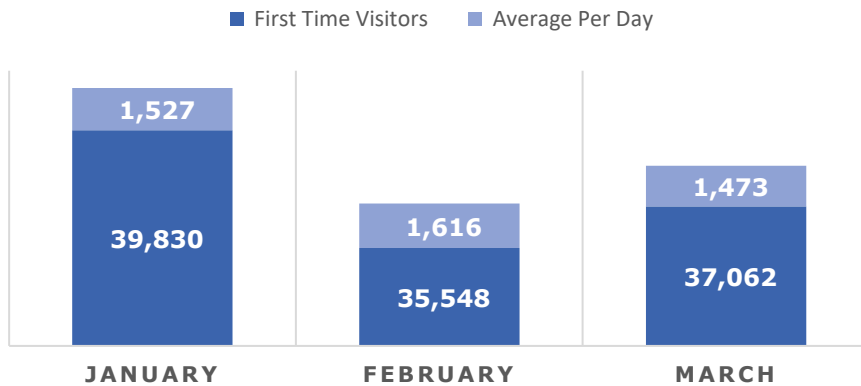


Total Registered Members 106,259 56%

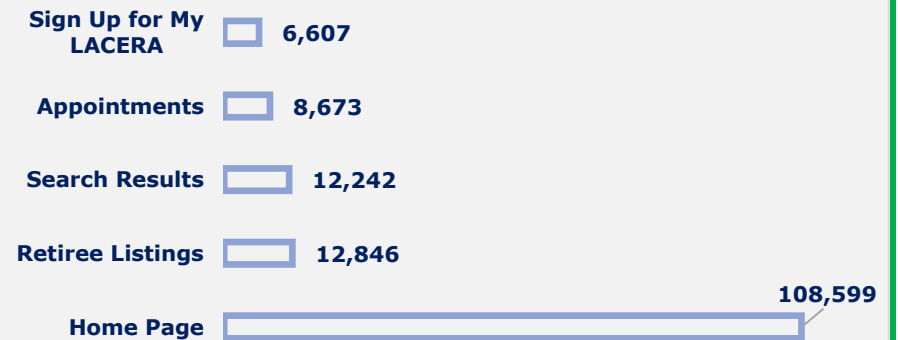
Total Registrations By Member Type



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
See my retirement options	4,763	-1%	My LACERA	6,607	-26%
View Pre-Retirement Workshops	3,143	5%	Pre-Retirement Workshops	3,143	5%
Start my retirement planning	3,143	-3%	Careers	2,530	-2%
Add or update my beneficiary	1,583	2%	Investments	2,108	9%
View job opportunities	3,078	-2%	Board Meetings page	4,665	-3%
Busiest Day of the Month:	Friday, 3/24/2023		Forms and Publications	257	-27%



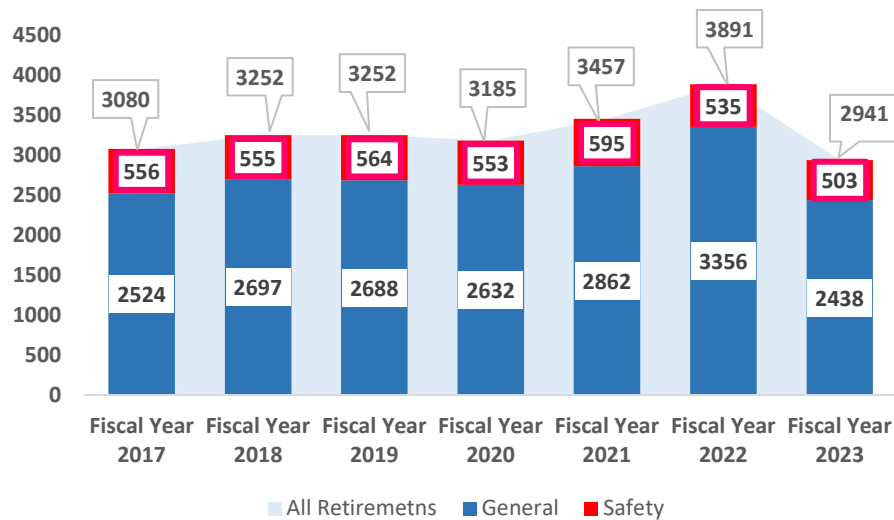
Member Snapshot

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: March 2023

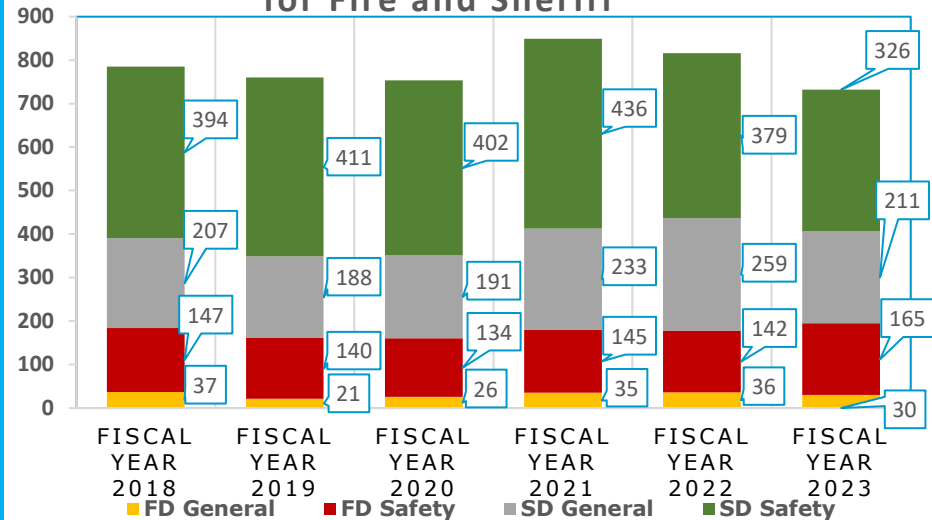
Membership Count as of: 04/15/23

	PLAN	ACTIVE		INACTIVE		RETIRED				Totals by Plan/Type
		Vested	Non-Vested	Vested	Non-Vested	Service	SCD - Disability	NSCD - Disability	Survivors	
General	PLAN A	48	-	16	32	12,077	971	166	4,088	17,398
	PLAN B	12	-	7	3	574	42	7	70	715
	PLAN C	14	-	5	8	364	40	8	66	505
	PLAN D	34,127	132	4,911	3,326	18,651	1,965	446	1,934	65,492
	PLAN E	13,155	19	2,966	97	15,317	-	-	1,602	33,156
	PLAN G	17,645	18,502	1,510	6,368	233	25	6	20	44,309
	TOTAL GENERAL	65,001	18,653	9,415	9,834	47,216	3,043	633	7,780	161,575
Safety	PLAN A	-	-	3	2	1,848	2,454	26	1,637	5,970
	PLAN B	7,519	77	740	228	3,434	4,410	55	402	16,865
	PLAN C	2,396	2,575	118	498	12	15	-	2	5,616
	TOTAL SAFETY	9,915	2,652	861	728	5,294	6,879	81	2,041	28,451
	TOTAL ALL TYPES	74,916	21,305	10,276	10,562	52,510	9,922	714	9,821	190,026

Total Retirements Compared by Type



General vs. Safety Retirements for Fire and Sheriff





Member Snapshot

Average Monthly Benefit Allowance Distribution 04/21/2023

	General	Safety	Total	%
\$0 to \$3,999	29,944	1,339	31,283	49.6%
\$4,000 to \$7,999	14,690	3,441	18,131	28.7%
\$8,000 to \$11,999	4,348	4,290	8,638	13.7%
\$12,000 to \$15,999	1,246	2,424	3,670	5.8%
\$16,000 to \$19,999	432	541	973	1.5%
\$20,000 to \$23,999	127	152	279	0.4%
\$24,000 to \$27,999	33	51	84	0.1%
> \$28,000	30	8	38	0.1%
Totals	50,850	12,246	63,096	100%

Average Monthly Benefit Amount:

\$ 4,778.00

Healthcare Program

(Mo. Ending:03/31/2023)

	Employer	Member
Medical	\$447.8	\$32.8
Dental	\$35.3	\$3.3
Part B	\$69.6	\$0.0
Total	\$552.7	\$36.1

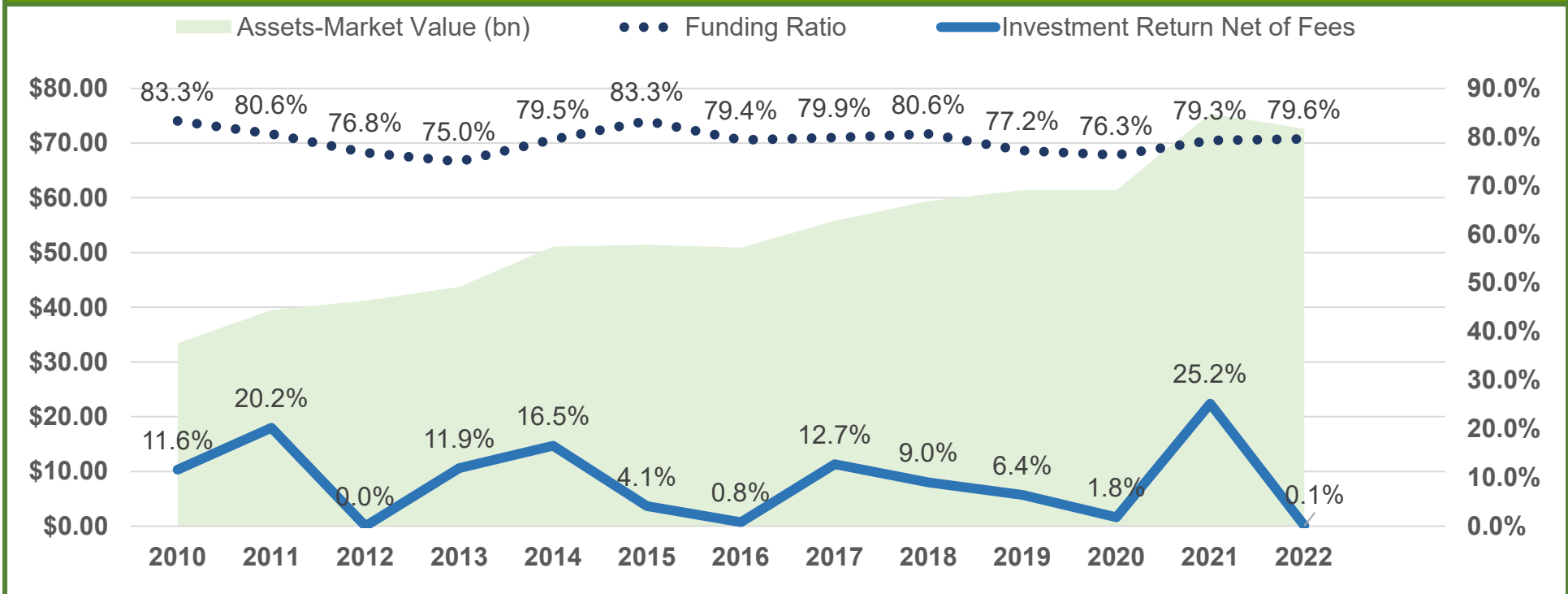
Health Care Enrollments

(Mo. Ending:03/31/2023)

Medical	54,539
Dental	56,318
Part B	37,640
LTC	501
Total	148,998

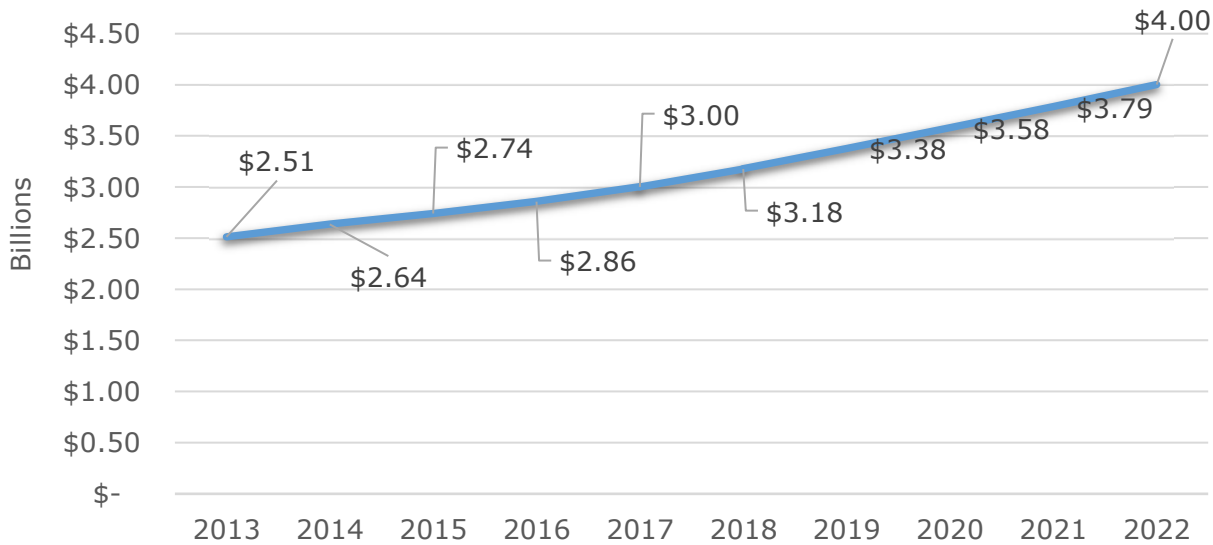
KEY FINANCIAL METRICS

Fiscal Year End Financial Update (as of 06/30/2022)



Key Financial Metrics

Retiree Payroll by Year



FUNDING METRICS (as of 6/30/22)

Employer NC	11.12%
UAAL	14.72%
Assumed Rate	7.00%
Star Reserve	\$614m
Total Assets	\$70.3b

Contributions (as of 6/30/22)

	Employer	Member
Annual Add	\$2.2b	\$758.6m
% of Payroll	25.84%	8.21%

Contributions (as of 6/30/22)

(Net of Fees)

5 YR:	8.1%	10 YR:	8.6%
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Retired Members Payroll

(As of 03/31/2023)

Monthly Payroll	\$359.19m
Payroll YTD	\$3.2b
New Retired Payees Added	367
Seamless %	97.00%
New Seamless Payees Added	2,858
Seamless YTD	96.40%
By Check %	2.00%
By Direct Deposit %	98.00%

QUIET PERIOD LIST
Last Update 04/24/2023

ADMINISTRATIVE/OPERATIONS

RFP/RFQ/RFI Name	Issuing Division	Date Issued	Status*	Quiet Period for Respondents*
Policy Management Solution	Executive Office	2/3/2023	Vendor Selection in process; Rating Sheets being reviewed and tabulated	<ul style="list-style-type: none"> • AccordanceTech • Compass 365 • Eccentex • Navex • NeoGov
Search for Classification & Compensation Study Services (HR)	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> • Grant Thornton • Koff and Associates • Magnova Consultant • Reward Strategy Group
Specialized Legal Recruitment	Human Resources	12/15/2022	Vendor Selected.	<ul style="list-style-type: none"> • Major Lindsay & Africa • Gennard and Potratz
RFI: Death Audit and Data Cleansing Services	Benefits	4/14/2023	Solicitation Process	<ul style="list-style-type: none"> •
External Financial Auditor	Internal Audit	11/03/2022	Contract Development	<ul style="list-style-type: none"> • Plante Moran
External SOC Auditor	Internal Audit	3/08/2023	Vendor Selection	<ul style="list-style-type: none"> • Eide Bailly LLP • Plante Moran • Moss Adams • Clifton Larsen Allen LLP • RSM US LLP • Eisner Amper LLP • Davis Farr LLP • Lazarus Alliance Inc
Prepaid Debit Card Services	Benefits	6/15/2022 Posted on ISD's solicitation website 08/ 2022	Vendor selected.	<ul style="list-style-type: none"> • Conduent • US Bank
Federal Legislative Advocacy Services	Legal Division	11/09/2022	Finalizing vendor selection and preparing Board Memo	<ul style="list-style-type: none"> • Williams & Jensen / Doucet Consulting Solutions



RFP/RFQ/RFI Name	Issuing Division	Date Issued	Status*	Quiet Period for Respondents*
State Legislative Advocacy Services	Legal Division	11/09/2022	Finalizing vendor selection and preparing Board Memo	<ul style="list-style-type: none"> • McHugh Koepke & Associates
Securities Litigation Monitoring and Approved Counsel	Legal Division	11/14/2022	Finalizing vendor selections and preparing Board Memo	<ul style="list-style-type: none"> • Barack Rodos • Berman Tabacco • Bernstein, Litowitz, Berger & Grossmann • Bleichmar Fonti Auld • Cohen Milstein • Dividex • Grant & Eisenhofer • Kaplan Fox • Kessler Topaz • Kirby McInerny • Labaton • Lief Cabraser • Motley Rice • Pomerantz • Quinn Emanuel • Robbins Geller Rudman & Dowd • Rosen • Saxena White

*Subject to change

INVESTMENTS QUIET PERIOD FOR SEARCH RESPONDENTS

INVESTMENTS

RFP/RFQ/RFI Name	Date Issued	Status*	Quiet Period for Respondents*
Real Assets Emerging Manager Program Discretionary Separate Account Manager	1/30/2023	Vendor Selection	<ul style="list-style-type: none"> • ACRES Capital • Aether Investment Partners • ORG Portfolio Management • Barings • Belay Investment Group • Encore Enterprises, Inc.



RFP/RFQ/RFI Name	Date Issued	Status*	Quiet Period for Respondents*
			<ul style="list-style-type: none"> • Stable • Cambridge Associates • GCM Grosvenor • The Townsend Group • Cypress Creek Partners • Hamilton Lane Advisors • Neuberger Berman Group • Wafra Inc. • Artemis Real Estate Partners • Hawkeye Partners, LP • BlackRock • Astarte Capital Partners • Bentall Green Oak • Clear Sky Advisers • Clear Investment Group • Poverni Sheikh Group • Trilogy • Stepstone • Oak Street • White Deer
OPEB Master Trust, Public Markets Passive Investment Management Services Search	2/24/2023	Solicitation Process	<ul style="list-style-type: none"> • BlackRock Investments, llc • NortherTrust Investments, Inc • RhumbLine Advisers • State Street Global Advisors

*Subject to change

Date	Conference
May, 2023	
1-5	2023 AVCA Conference Cairo, Egypt
9-12	SACRS Spring Conference San Diego, CA
11-12	National Association of Corporate Directors (NACD) Master Class (<i>Strategy & Risk Disrupted</i>) Orlando, FL
20-21	NCPERS (National Conference on Public Employee Retirement Systems) Trustee Educational Seminar (TEDS) New Orleans, LA
20-21	NCPERS (National Conference on Public Employee Retirement Systems) Accredited Fiduciary (NAF) Program New Orleans, LA
21-24	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference & Exhibition (ACE) New Orleans, LA
21-24	Government Finance Officers Association (GFOA) Annual Conference Portland, OR
22-23	IFEBP (International Foundation of Employment Benefit Plans) Washington Legislative Update Washington D.C.
22-26	Pacific Pension Institute - PPI in Residence Montreal, Quebec, Canada
24	Pacific Pension Institute (PPI) Salon Montreal, Quebec, Canada – In-Person and Videoconference
June, 2023	
5-9	2023 SuperReturn International Berlin, Germany
13-15	AHIP (America’s Health Insurance Plans) 2023 Portland, OR
19-21	ICGN (International Corporate Governance Network) 2023 Annual Conference Toronto, Ontario, Canada
22	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual

Date	Conference
27-28	2023 PREA (Pension Real Estate Association) Institute University of Southern California Los Angeles, CA
July, 2023	
19-21	Pacific Pension Institute (PPI) Summer Roundtable San Francisco, CA
24-26	National Association of Securities Professionals (NASP) Annual Financial Services Conference Philadelphia, PA
August, 2023	
20-22	NCPERS (National Conference on Public Employee Retirement Systems) Public Pension Funding Forum Chicago, IL
21-22	National Association of Corporate Directors (NACD) Master Class (<i>Digital Innovation & Cyber</i>) Laguna Beach, CA
24-25	National Association of Corporate Directors (NACD) Master Class (<i>ESG</i>) Laguna Beach, CA
28-31	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Governance for Trustees Malibu, CA (<i>Pepperdine University</i>)
September, 2023	
11-13	Council of Institutional Investors (CII) Fall Conference Long Beach, CA
October, 2023	
1-4	CRCEA (California Retired County Employees Association) Fall Conference Stockton, CA
1-4	IFEBC (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference Boston, MA
8-11	National Association of Corporate Directors (NACD) Summit 2023 Fort Washington, MD
16-20	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania
18-20	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Boston, MA

Date	Conference
22-25	NCPERS (National Conference on Public Employee Retirement Systems) FALL (Financial, Actuarial, Legislative & Legal) Conference Las Vegas, NV
22-24	Pacific Pension Institute (PPI) Executive Seminar-Japan at a Crossroads Tokyo, Japan
25-27	Pacific Pension Institute (PPI) Asia Pacific Roundtable Tokyo, Japan
27	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual
November, 2023	
7-9	Institutional Limited Partners Association (ILPA) General Partner Summit New York, NY
7-10	SACRS Fall Conference Rancho Mirage, CA
December, 2023	
1	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual

April 24, 2023

TO: Trustees - Board of Investments

FROM: Trustees - Corporate Governance Committee

Scott Zdrazil 
Principal Investment Officer

Dale Johnson 
Investment Officer

FOR: May 10, 2023, Board of Investments Meeting

SUBJECT: ***Corporate Governance and Stewardship Principles Review***

RECOMMENDATION

Approve a revised *Corporate Governance and Stewardship Principles* policy.

BACKGROUND

On April 12, 2023, the Corporate Governance Committee (“Committee”) approved advancing for Board of Investments (“Board”) consideration a revised *Corporate Governance and Stewardship Principles* (“*Principles*”) policy (see **Appendix 1** for a clean copy and **Appendix 2, Attachment 2** for a redline version of the recommended language modification). The revision addresses excessive director commitments and is intended to reduce LACERA’s guiding principle on how many corporate boards directors at portfolio companies should serve on. If approved, staff would apply the revised guidance when reviewing and casting proxy votes on corporate director nominees at LACERA’s portfolio companies.

As further detailed in background materials provided to the Corporate Governance Committee (**Appendix 2, Attachment 1**), the revised *Principles*—if approved—are intended to communicate a reduction in LACERA’s expectations for how many corporate boards directors at portfolio companies should serve on from 4 to 3 for all directors and from 3 to 2 boards for chief executive officers. LACERA may vote proxies against directors serving above the guidance, absent compelling rationales.

Attached to this memo are a clean copy of the *Principles* and the materials presented to the Committee explaining the proposed revision including a redlined version of the *Principles* policy.

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 was mostly supportive of staff's recommendation. While discussing the item, a trustee inquired if the word "generally" in the proposed language is necessary. As proposed, the policy reads:

"Directors should have adequate time to dedicate to their board service, fulfill their responsibilities, and represent investors' interests. Accordingly, directors and companies should *generally* limit board service to no more than three public company boards for each director, absent a clearly disclosed and compelling rationale. In consideration of the time demands on chief executive officers, they should *generally* not serve on more than two public boards (including any directorship of the company where they concurrently serve as CEO)." *[Italics added.]*

Staff noted the proposed language is intended to enable LACERA to take into account any meaningful disclosures or other information provided by the company when voting on corporate director nominees at LACERA's portfolio companies such as a disclosure of a nominee agreeing to resign from outside boards within a reasonable timeframe. Moreover, the language is intended to take into consideration any disclosures by which not supporting the director's election could have a detrimental impact on the company. For example, a director nominee may be serving as a designated financial expert, in compliance with securities regulations, and the company has disclosed that while a new director appointment is anticipated soon, failure to re-appoint the director may prompt the company to fall out of compliance with securities regulations.

The Committee approved the motion to advance the attached revised *Principles* for Board consideration with three Committee members voting "yes" and one Committee member voting "no."

Staff consulted with LACERA's Legal Office on the proposed language and the Legal Office finds the draft language preferable because it emphasizes flexibility in evaluating director nominees for election to the company's board under certain circumstances as discussed above and provides recognition that there may be circumstances in which strict application with the principle is not in LACERA's interest, while retaining the expectation that the principle will typically apply; if the word "generally" were deleted, the flexibility provided for application of the principle would be less clear. Importantly, this word is used consistently in many places throughout the *Principles* to communicate similar flexibility across the principles.

RISKS OF ACTION AND INACTION

Staff believes that the proposed revised policy would communicate LACERA's expectations to corporate directors that they dedicate adequate time to set the company's strategic direction, exercise effective oversight of management, and ensure that the firm is managed in the best interests of investors as referenced in the *Principles*.

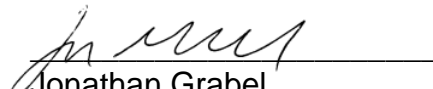
The risk of inaction is namely that, absent the guiding principle revision, the *Principles* would continue to permit directors to serve on a larger number of boards despite increasing time demands and the complexities of corporate boards' oversight responsibilities. Over-committed directors may not be able to dedicate adequate time and focus to their board service to provide the strategic direction and essential oversight on LACERA portfolio companies, impeding their ability to ensure that the company is managed in the best interests of investors. Nevertheless, the *Principles* remain effective in communicating and executing on LACERA's rights as an investor to encourage strong corporate governance practices and prudent financial market policies that promote sustainable, long-term value and strengthen LACERA's ability to fulfill its mission.

CONCLUSION

The Committee approved this recommendation that LACERA accept the revision to the *Principles*, as outlined in **Appendix 2**.

Attachments

Noted and reviewed:


Jonathan Grabel
Chief Investment Officer



Clean Version of Proposed Revised Policy for Board Review



Corporate Governance and Stewardship Principles

May 2023

Corporate Governance and Stewardship Principles

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About LACERA

The Los Angeles County Employees Retirement Association (“LACERA”) administers defined benefit retirement plans and other post-employment benefits for employees of Los Angeles County and certain other districts.

The Los Angeles County Board of Supervisors established LACERA in 1937 under the terms of California’s County Employees Retirement Law . LACERA is governed by the California Constitution (Article XVI, Section 17), the California County Employees Retirement Act of 1937, and the California Public Employees’ Pension Reform Act of 2013 . Today, LACERA serves over 160,000 active and retired members.

LACERA MISSION STATEMENT:

We Produce, Protect, and Provide
the Promised Benefits

LACERA’s mission is to “produce, protect, and provide the promised benefits .” LACERA aims to fulfill its mission through prudent investment and conservation of plan assets, in accordance with the *Investment Beliefs* that frame its *Investment Policy Statement* and in consideration of actuarial analysis.

LACERA’s Board of Investments is responsible for establishing LACERA’s investment policy and objectives, as well as exercising oversight of the investment management of the fund .

Statement of Purpose

LACERA seeks to responsibly steward its investments in a manner that promotes and safeguards the economic interests of LACERA and its members, consistent with LACERA’s mission to “produce, protect, and provide the promised benefits.” LACERA believes that robust investor rights, strong corporate governance practices and policies at the firms in which it invests, and sound public policies governing financial markets help generate long-term economic performance . LACERA prudently exercises its rights as an investor to support corporate governance practices and financial market policies that promote sustainable, long-term value and enhance LACERA’s ability to fulfill its mission .

The fundamental objective of LACERA’s *Corporate Governance and Stewardship Principles* (the “Principles”) is to safeguard and promote the economic interests of the trust . The *Principles* identify LACERA’s core principles of corporate governance and the key stewardship strategies LACERA pursues to advance them . They are intended to further the *Investment Beliefs* that frame LACERA’s *Investment Policy Statement* by articulating LACERA’s view on sound governance and broader environmental, social, and governance (also known as “ESG”) issues .

LACERA seeks to exercise the legal rights it has as an investor and to steward its assets by applying these *Principles* . The *Principles* guide LACERA’s proxy votes, engagements with policymakers and portfolio companies, and collaboration with other institutional investors when it shares common objectives (such as actively participating in investor associations) . The Principles help inform LACERA’s investment process, including the evaluation and monitoring of portfolio investments, consistent with the rights and legal obligations of each asset . And the *Principles* outline the legal authority, roles, and responsibilities guiding LACERA’s application of the *Principles* and initiatives .

In advocating practices in line with these *Corporate Governance and Stewardship Principles*, LACERA aims to maximize the long-term value of plan holdings .

Legal Authority

The LACERA Board of Investments has “the sole and exclusive fiduciary responsibility over the assets of” the system, as provided by the California Constitution (Article XVI, Section 17(a)) . LACERA exercises its legal rights on corporate governance matters in furtherance of its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other governing laws, regulations, and case authority . The Board’s fiduciary duty has two components:

A. Duty of Loyalty

Under the duty of loyalty, Board members have the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries . (Article XVI, Section 17(a) .) Board members shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system . (CERL Section 31595(a) .) The Board’s duty to participants and their beneficiaries shall take precedence over any other duty. (Article XVI, Section 17(b).)

B. Duty of Prudence

Under the duty of prudence, Board members shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims . (Article XVI, Section 17(c); CERL Section 31595(b) .) “[T]he Board may, in its discretion, invest or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board .” (CERL Section 31595 .) Further, the Board “[s]hall diversify the investments of the system so as to minimize risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.” (CERL Section 31595(c).)

The fiduciary obligations of prudence and loyalty to plan participants and beneficiaries compel and guide LACERA’s corporate governance activities and consideration of financially material environmental, social, and governance factors in its investment process . LACERA’s fiduciary duties extend to, but are not limited to, prudently managing its proxy votes, vigilantly monitoring and diligently mitigating risks to the value of its investments, and judiciously determining action in order to assist in the effective administration of the fund and promote the interest of members and their beneficiaries .

Stewardship Strategies

LACERA's corporate governance and stewardship efforts may include the following strategies:

A. Proxy Voting

Proxy votes are plan assets, have value, and should be managed in a manner consistent with fiduciary duty and LACERA's interest in long-term value. LACERA exercises its voting rights for the exclusive benefit of LACERA's members and votes proxies in accordance with its *Corporate Governance and Stewardship Principles*.

LACERA seeks to vote all proxies for which it has proxy voting authority. LACERA coordinates with its custodian bank and investment service vendors to maximize its opportunities to responsibly cast proxy votes in line with its fiduciary duty, while recognizing that administrative requirements and practices in certain local markets may affect LACERA's ability to cast proxy votes, such as delayed notification of proxies subsequent to vote deadlines and required powers of attorney in subcustodial chains. At meetings that require share blocking, LACERA evaluates the economic value of casting a proxy vote compared to the risk of limiting trading in the designated security and may opt to refrain from voting in order to preserve LACERA's ability to act in its best economic interests.

LACERA participates in securities lending to earn incremental income, per LACERA's *Securities Lending Program Policy*. In securities lending, the legal rights accorded those shares, including proxy voting, are transferred to the borrower of the securities during the period that the securities are on loan. As a result, LACERA forfeits its right to vote proxies on loaned securities unless those shares have been recalled from the borrower no later than the share's record date.

B. Corporate Engagement

LACERA advocates its *Investment Beliefs, Corporate Governance and Stewardship Principles*, and mission through dialogue and engagement strategies with portfolio companies and external asset managers, which may include exercising legal rights associated with LACERA's investments, such as sponsoring shareowner resolutions.

C. Public Policy

LACERA represents its interests to policymakers, such as legislators, regulatory agencies, and standards-setting agencies, in line with its *Corporate Governance and Stewardship Principles*.

D. Investor Collaboration

LACERA collaborates with other public pension funds, asset owners and asset managers, both informally and formally through investor associations such as the Council of Institutional Investors, in order to enhance LACERA's ability to achieve its objectives and advance its *Corporate Governance and Stewardship Principles*.

Principles

The *Corporate Governance and Stewardship Principles* are organized into five sections . Each section addresses common corporate governance, proxy voting, and broader environmental, social, and governance (“ESG”) issues relevant to LACERA’s investment portfolio and investment partners . The five sections address issues pertaining to boards of directors, investor rights and capital structure, executive compensation and incentives, performance reporting, and environmental and social factors .

The *Corporate Governance and Stewardship Principles* are guided by five core concepts that collectively provide a framework by which LACERA aims to promote sustainable investment returns and responsible stewardship of fund assets:

Accountability: Governance structures and practices should be designed to promote accountability to the investors who provide the firm with capital . This extends to both board directors overseeing portfolio companies on investors’ behalf, and external managers entrusted with LACERA’s capital . Accountability helps to ensure that investments are managed in the best interests of investors .

Integrity: Integrity and trust are the cornerstone of financial markets and essential for economic stability . Core investor rights and protections are crucial to promoting integrity in financial markets .

Aligned Interests: Compensation and incentives should align the interests of the managers of capital and the investors who provide capital . This extends to senior executives at portfolio companies and external asset managers managing capital on LACERA’s behalf .

Transparency: Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm’s business, financial activities, and performance .

Prudence: Firms should prudently identify, assess, and manage environmental and social factors that may impact the firm’s ability to generate sustainable economic value .

Fiduciary duty guides LACERA’s *Corporate Governance and Stewardship Principles* . LACERA recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of portfolio company boards to direct and manage the firm .

LACERA recognizes that the application of the *Principles* may vary depending on the specific terms, constraints, and nature of LACERA’s investments in different asset classes . In public markets where LACERA retains voting authority to vote in line with these *Principles*, LACERA evaluates the financial impact of each issue presented on corporate proxies and votes proxies for the exclusive benefit of plan participants and beneficiaries in all instances . LACERA may oppose overly prescriptive or unduly burdensome measures proposed on corporate proxies, or resolutions that may otherwise restrict a firm’s board of directors from acting in the best economic interests of investors .

LACERA also recognizes that the laws, regulations, and customs guiding corporate governance practices vary by market . LACERA seeks to apply its *Corporate Governance and Stewardship Principles* in a universal and consistent manner, while observing and taking into consideration – as applicable and appropriate – local laws, regulations, and customs .

I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management . LACERA relies upon the directors of portfolio companies to exercise effective oversight and ensure that the firm is managed in the best interests of investors . Directors should understand the firm’s long-term business strategy as well as risks that may impact the firm’s value, and demonstrate a record of sound stewardship and performance . LACERA advocates policies and practices that encourage directors to be accountable to investors . Accountability ensures that a firm’s operations and reporting are managed in the best interests of investors .

A. Independent Oversight

- 1. Board Independence:** At least two-thirds of the board should be composed of independent directors in order to oversee management on behalf of investors, promote accountability to investors, and avoid potential conflicts of interest .

An independent director is defined as someone who has no material affiliation to the company, its chief executive officer, chairperson, or other executive officers, other than the board seat .

Materiality is defined as any financial, personal, or other relationship that a reasonable person might conclude could potentially influence one’s objectivity in a manner that would have a meaningful impact on the individual’s ability to satisfy requisite fiduciary standards on behalf of investors . Directors may not be considered independent if they, or a family member, are or have been an employee of the company (or a subsidiary or affiliate thereof) in the last five years; have a 20 percent or greater economic interest in the company; are or have been part of an interlocking director relationship with the CEO; receive direct payments for professional services unrelated to their service as a director in excess of \$10,000 per year; or engage in any related party transaction in excess of \$10,000 per year .

- 2. Board Leadership:** The board should be chaired by an independent director .
- 3. Board Committees:** Each board should establish an audit committee, a nominating and governance committee, and a compensation committee, each composed exclusively of independent directors .

Deference generally should be afforded to boards in determining appropriate oversight structures, such as the establishment and role of additional board committees . LACERA may support proposals to appoint an additional board committee in limited circumstances where a firm’s performance, oversight structures, and peer comparisons demonstrate that inadequate board consideration and focus has been accorded to a compelling issue related to firm value .

LACERA may oppose or withhold support from non-independent board nominees or key board leadership positions where the board or key committees lack adequate independence .

B. Board Quality and Composition

1. Composition: The board should be composed of highly talented individuals who are best positioned to oversee the company's strategy for creating and sustaining value. Boards should give consideration to ensuring that directors collectively possess a diverse set of relevant skills, competencies, and attributes to exercise oversight on investors' behalf, including expertise, geographic familiarity, and professional backgrounds relevant to the company's strategic objectives. The board should strive for a suitable mix of tenures to ensure both institutional familiarity and fresh perspectives on the board, as a firm's market environment and business strategies evolve.

The board should establish and disclose policies and processes for ensuring that it identifies and nominates suitable directors from a wide pool of candidates relevant to its business strategy, inclusive of including, but not limited to, diverse gender, racial, and ethnic backgrounds, gender identities, sexual orientations, and disability status. A diverse and inclusive board is better positioned to effectively deliberate and oversee business strategy in investors' interests.

Firms should disclose how the board defines and reflects a relevant and diverse mix of skills and backgrounds in its composition. In assessing board composition, LACERA generally expects to see a compelling link between requisite skill sets and a firm's corporate strategy and a credible track record of inclusivity, consistent with the diverse attributes and backgrounds defined above.

2. Board Size: The board should define and disclose in governance documents an appropriate size or range of directors that ensures the board is composed of adequately diverse viewpoints and experience to effectively oversee the firm's business strategy, while not being so large as to diminish the board's operational effectiveness. Modifications to governing documents defining board size and structure should be submitted for investor approval and not be proposed for the purpose of impeding a change in firm control.

3. Excessive Commitments: Directors should have adequate time to dedicate to their board service, fulfill their responsibilities, and represent investors' interests. Accordingly, directors and companies should generally limit board service to no more than three public company boards for each director, absent a clearly disclosed and compelling rationale. In consideration of the time demands on chief executive officers, they should generally not serve on more than two public boards (including any directorship of the company where they concurrently serve as CEO).

4. Tenure and Age Restrictions: LACERA does not support arbitrary restrictions on director qualifications, such as tenure limits or mandatory retirement ages. Such limitations may impede a firm from benefiting from the expertise of an otherwise highly qualified director.

C. Director Selection and Elections

1. Annual Elections: Each director should be elected annually. Directors should not be elected by classes, or to "staggered" terms.

2. Vote Standard for Director Elections: Director nominees in uncontested elections should be elected by a

majority of votes cast . In contested director elections, a plurality of votes should determine the election .

- 3. Universal Proxy Card:** In the event of a contested director election, investors should have the right to select and vote for individual director nominees on a consolidated, or “universal,” proxy ballot, regardless of whether the director nominee is put forward by management or a dissident investor.
- 4. Cumulative Voting:** LACERA supports cumulative voting in director elections, in compliance with California Government Code Section 6900.¹
- 5. Proxy Access:** Long-term investors who have held a significant ownership interest for a reasonable amount of time should have the right to nominate alternative directors for consideration on a firm’s proxy, otherwise known as “proxy access.” Proxy access procedures should have sound safeguards in place to ensure an orderly nominating process and prevent proxy access from being used to effectuate a change in control.
- 6. Ability to Remove Directors:** Investors should have the right to remove directors with or without cause, in order to allow investors to take action when a director is not serving investors’ best interests.

D. Board Roles and Responsibilities

- 1. Governance Guidance:** The board should develop, adopt, disclose, and periodically review clearly defined governance guidelines that govern the board’s operations.
- 2. Resources:** The board should have adequate resources and access to information to enable it to execute its responsibilities and duties. Directors should be provided information in advance of meetings. Directors should have full access to senior management and information concerning the firm’s operations. Directors should be familiar with a firm’s operations independent of the chief executive officer and senior management. Directors should have the authority and adequate budget to hire outside experts, if necessary.
- 3. Independent Proceedings:** Directors should work with the chief executive officer to establish board agendas. Independent directors should meet at least annually without management or non-independent directors’ participation.
- 4. Board Communication and Engagement:** Firms should establish reasonable policies that permit effective communication between investors and directors regarding business strategy and corporate governance matters.
- 5. Management Succession Planning:** The board should conduct a regular evaluation of the chief executive officer and plan for business continuity, including establishing and disclosing a succession plan for the chief executive officer and key senior executives.

¹ Section 6900 . Cumulative Voting . “Government Body .” Whenever any government body is a shareholder of any corporation, and a resolution is before the shareholders which will permit or authorize cumulative voting for directors, such government body shall vote its shares to permit or authorize cumulative voting . As used in this section, the term “government body” means the state, and any office, department, division, bureau, board, commission or agency thereof, and all counties, cities, districts, public authorities, public agencies and other political subdivisions or public corporations in the state.

6. Board Self-Evaluation and Refreshment: Boards should adopt and disclose a process for regular, rigorous, and earnest self-assessment and evaluation . The evaluation process should be conducted under the direction of independent directors and ensure candor, confidentiality, trust, and effective interaction among directors . Board self-evaluation should be tailored to meet the firm’s and board’s strategic objectives and requirements . In order to promote long-term planning aligned with business needs, the board’s self-evaluation process should assess the board’s size and operational effectiveness, identify emerging business risks and relevant skills gaps among its composition, and prudently anticipate and proactively plan for board vacancies and refreshment . It should appraise the alignment and adequacy of director education and development, as well as the delineation of management and board powers, while positioning the board to efficaciously exercise oversight in investors’ interests.

7. Charitable and Political Contributions: Corporate charitable contributions may accrue direct and indirect benefits to a firm and its investors, including goodwill in communities in which it operates and favorable tax treatment . Charitable contributions should not be directed, eliminated, or otherwise restricted by investors.

The board should monitor, assess, and approve all charitable and political contributions (including trade association contributions) made by the firm . Political and charitable contributions should be consistent with the interests of the firm and its investors . The board should clearly define and approve the terms and conditions by which corporate assets may be provided to charitable and political activities, including developing and publicly disclosing guidelines for the approval of such contributions . The board should disclose on an annual basis the amounts and recipients of all monetary and non-monetary contributions made by the firm during the previous fiscal year, including any expenditures earmarked for political or charitable activities that were provided to or through a third party.

8. Indemnification: Directors may be provided reasonable and limited protections, including indemnification and limited personal liability for damages resulting from violating duty of care, where the director is found to have acted in good faith and in a manner the director believed to be in the best interests of the firm. Reasonable limitations may ensure the board is positioned to recruit qualified directors.

E. Board Performance and Effectiveness

1. Performance Evaluation: The board’s performance, and that of individual directors, should be assessed within the context of the board’s suitability for and track record of serving and protecting investors’ interests . LACERA may withhold support or oppose individual directors, members of a board committee, or the entire board where the track record demonstrates directors’ failure to serve investors’ best interests . Director and board performance is evaluated in consideration of the following factors:

1.1. Stewardship and Risk Oversight: Directors should demonstrate a sound track record of stewardship and risk oversight, including avoiding any material failures of governance, risk oversight, or fiduciary responsibilities at the company . Risk is broadly understood to encompass financial, reputational, and operational risks relevant to a firm’s ability to generate sustainable financial returns . Material risks may include, but are not limited to, internal controls related to legal compliance, cyber security, and data privacy, as well as broader risks addressed throughout these *Corporate Governance and Stewardship Principles*, such as risks associated with accounting practices, climate change, and human capital management.

- 1.2. Effective Oversight of Management:** Directors should conduct effective oversight of management, including avoiding any failure to replace management as appropriate.
- 1.3. Attendance:** Each director should attend at least 75 percent of scheduled board meetings each year, including attendance at assigned committees, absent a compelling, clearly disclosed justification.
- 1.4. Board Service:** Directors' track records and performance on other boards may be considered in evaluating director nominees. In particular, a director's failure to effectively exercise oversight on other boards or any egregious actions that raise substantial doubt about the director's ability to fulfill a director's obligations and serve the best interests of investors may prompt opposition to the director's nomination.
- 1.5. Ethics:** Directors should demonstrate the utmost integrity and be free of any criminal wrongdoing, breaches of fiduciary responsibilities, or questionable transactions with conflicts of interest.
- 1.6. Transparency in Reporting:** Financial reports and material disclosures should be published in a satisfactorily diligent and timely manner.
- 1.7. Investor Responsiveness:** Directors should demonstrate accountability and responsiveness to investors. Directors should not unilaterally amend a firm's governing documents in a manner that materially diminishes investor rights or otherwise adversely impacts investors without seeking investor approval. Directors should not adopt a poison pill or make a material change to an existing poison pill without submitting the plan for investor approval within the following 12 months. Directors should take reasonable steps to implement resolutions approved within the previous 12 months by a majority of investors, within the confines of legal and regulatory constraints. Directors should respond to tender offers where a majority of shares have been tendered. There should be no record of abuse against minority investor interests.
- 2. Committee Performance:** Each committee should demonstrably fulfill its core duties and the specific responsibilities outlined in its committee charter. LACERA may oppose the committee chair or incumbent directors who have served on committees that have failed to perform their duties in investors' best interests. In cases where governance provisions, such as staggered board elections, impede LACERA from holding designated directors accountable, LACERA may oppose board leadership or other incumbent directors.

Audit Committee members should ensure that non-audit fees are not excessive, no adverse opinion has been rendered on the company's audited financial statements, and the firm has not entered into an inappropriate indemnification agreement that limits legal recourse against the external auditor.

Nominating and Governance Committee members should establish sound governance practices, reasonable and timely responsiveness to investors on governance concerns, and effective board nomination, evaluation, and refreshment practices.

Compensation Committee members should demonstrate a clear and proven track record of aligning executive pay with the firm's strategic objectives and performance, refrain from permitting problematic pay practices, ensure clear disclosures of all key components of pay plan design and practices, and exhibit reasonable and timely responsiveness to investors.

3. Contested Director Elections: In assessing director nominees in contested elections, LACERA may consider all relevant factors to identify and support the nominees best suited to enhance sustainable firm value and serve investors' economic interests. Consideration may be given to the long-term financial performance of the firm, its governance profile, and management's track record; nominees' proposed strategies for value creation; the qualifications and suitability of director nominees, including their alignment with LACERA's governance principles; and the dissidents' ownership stake and history of generating sustainable returns at other firms.

LACERA may support requests to reimburse dissident nominees for reasonable, incurred expenses when dissident nominees have presented a compelling case and support for their nomination is warranted.

II. Investor Rights and Capital Structure

Integrity and trust are the cornerstones of capital markets and essential for economic stability . Core investor rights ensure fair and equitable treatment of investors and help instill investor confidence, thereby facilitating capital formation and economic stability .

LACERA supports core rights and protections at portfolio companies and within financial market policies in order to safeguard its investments and foster a stable investment climate within the broader financial markets in which it invests . Financial rules and regulations should promote fair, orderly, and competitive markets and provide for investor protections . Investor rights extend to key decisions that may fundamentally impact or modify a firm’s capital structure, such as share issuances, restructuring, and mergers and acquisitions .

A. Investor Rights

1. **Rights Proportionate to Economic Interest:** Investors should have voting rights proportionate to their economic interests . Multiclass ownership structures may entrench certain investors and management, insulating them from acting in the interests of all investors . LACERA therefore supports the principle of “one share, one vote.”
2. **Voting Requirements and Procedures:** Investors should have the right to act on fundamental corporate matters by a simple majority of votes cast . Fundamental matters may include, but are not limited to, amending a firm’s governing documents (such as its charter or bylaws) and effecting corporate transactions, such as a merger or acquisition.
 - 2.1 **Simple Majority Voting:** Companies should not adopt supermajority voting requirements except when such provisions may protect outside or minority investors from unilateral action being taken by an entity (or entities) with controlling interest or significant insider ownership .
 - 2.2 **Voting Procedures:** Voting and tabulation of matters put before investors by proxy or otherwise should be guided by transparent procedures, consistent application of rules, and fairness for all eligible voters . Votes should be counted by an independent tabulator and kept confidential . Voting results should be promptly disclosed once tabulation has been finalized .
 - 2.3 **Bundled Voting:** Investors should be able to review and cast votes on unrelated matters as separate and distinct ballot items . Disparate matters should not be presented for investor consideration as a “bundled” voting item . LACERA may oppose bundled proposals that combine supportable voting items with matters that LACERA opposes .
 - 2.4 **Broker Non-Votes:** Uninstructed broker votes and abstentions should be counted for quorum purposes only .

3. Annual Meetings

- 3.1 Quorum Requirements:** Quorum requirements should promote that a broad range of investors are represented at meetings . Quorum requirements should not be unduly low, in either absolute terms or relative to the economic interest of a controlling investor or significant investor, in order to protect investors from unrepresentative action being conducted .
- 3.2 Technology:** Investors should have the right to attend an annual meeting of a firm in person . Any use of technology, such as audiocasts or webcasts, should expand and enhance, and not restrict or otherwise impede, investors' ability to participate in an annual meeting, and should afford opportunities for meeting participation equal to those afforded investors attending the meeting in person .
- 3.3 Resolutions:** Investors with a reasonable ownership interest in a firm should have the right to put forward a resolution for investors' consideration and vote at the firm's annual meeting .
- 3.4 Advance Notice Requirements:** Investors should be able to submit items for formal consideration at an annual meeting, such as proposals or director nominees, as close to the meeting date as reasonably possible and within the broadest timeframe possible, recognizing the need to allow sufficient notice for company, regulatory, and investor review .
- 3.5 Transaction of Other Business:** LACERA generally opposes requests for advance approval by proxy of undisclosed business items that may come before an investor meeting for consideration .
- 4. Special Meetings:** Investors should be able to call a special meeting to take action on certain matters that may occur between regularly scheduled annual meetings . The right to call a special meeting should require aggregating a minimum of 10 percent ownership interest and be subject to reasonable terms and conditions .
- 5. Action by Written Consent:** Investors should have the right to act by written consent on key governance matters under reasonable terms and conditions .
- 6. Access to Research:** Investors should have access to competitive, timely, and independent market, investment, and proxy research services of their choosing . Market regulation should support and not impede a competitive market of service providers .
- 7. Ownership Disclosure:** Significant ownership interests above 5 percent should be disclosed .
- 8. Incorporation:** A firm's country or state of incorporation may significantly impact the firm's financial health, competitive position, governance profile, and the legal rights afforded to investors, as defined by the jurisdiction of incorporation . When selecting a jurisdiction for incorporation (such as in relation to a merger or acquisition or a proposed reincorporation), firms should give due consideration to competitively positioning the firm for financial success while also ensuring sound governance practices and strong legal rights and protections for investors . LACERA may oppose proposals for reincorporation where the business and financial rationale for reincorporation do not outweigh the detrimental impact of a reincorporation on investor rights and governance provisions .

9. Litigation Rights: Robust and viable litigation rights enable investors to protect firm value, deter misconduct, and seek recourse in the event of egregious corporate malfeasance or fraud . Corporations should not curtail or otherwise diminish investors’ prospective legal recourse through governance provisions, such as exclusive forum designations for legal disputes, mandatory arbitration clauses, or “fee-shifting” provisions by which an investor who unsuccessfully brings legal action must bear the entirety of the corporation’s legal costs .

B. Capital Structure

Finding the optimal mix of equity, long-term debt, and short-term financing is critical to driving economic returns . A firm’s capital structure should support the generation of long-term, sustainable returns . The board should determine and drive a firm’s capital structure, in coordination with senior management . Capital structure should coordinate and balance multiple factors, including the firm’s business profile, strategy, and opportunities for growth; access to and cost of capital; and capital distributions such as the firm’s dividend policy .

Investors should be able to vote on matters that may fundamentally modify or impact a firm’s capital structure, such as common share issuances, and mergers and acquisitions .

1. Share Issuances and Authorizations: Share issuances enable firms to raise funds for financing purposes .

1.1 Authorization of Common Shares Issuance: Requests to authorize capital or approve share issuances should specify the quantity of shares for which approval is sought . Requests should be evaluated upon careful consideration of the individual details and merits of each request and according to LACERA’s economic interests . Firms should present a compelling purpose for the share issuance, demonstrate a track record of responsibly using authorized shares in investors’ interests, and provide for rights and restrictions attached to proposed equity that are aligned with investors’ interests . In evaluating requests, the availability of preemptive rights and any risks of authorizing the share issuance, including the dilutive impact of the request, may also be considered . Capital authorization terms should not facilitate an anti-takeover device or otherwise adversely impact investors’ interests .

1.2 Preemptive Rights: Preemptive rights provide current investors the right to maintain a proportionate interest in a firm by exercising a right to purchase shares proportionate to what they already own in any new issuances of equity . Requests to create or abolish preemptive rights should consider the size of the firm, the characteristics of its investor base, and the liquidity of its equity to ensure that preemptive rights may be pragmatically exercised and do not impose an onerous restriction on capital raising .

1.3 Preferred Shares Authorization: Preferred shares, which provide distinct features such as fixed dividend payments or seniority of claims relative to common shares, may be supportable when the purpose of such issuance is in connection with a proposed transaction appearing on the same ballot that merits support . Otherwise, requests for authorization are evaluated in consideration of the request’s stated purpose, the firm’s past use of authorized preferred shares, and an assessment of the risk of authorizing the share issuance, including the dilutive impact of the request, and should not create or increase shares that carry superior voting rights to common shares . Any conversion rights should define reasonable conversion ratios and not result in excessive dilution of common shares .

- 1.4 Blank Check Preferred Shares:** Firms generally should not create classes of shares providing the board with broad discretion to define voting, conversion, dividend distribution, and other rights, absent a compelling rationale and clearly stated restrictions in line with investors' interests. The voting rights of unissued shares should be presented for investor approval and not be subject to board discretion.
- 1.5 Blank Check Preferred Share Placements:** Investor approval should be required for the placement of preferred shares with any person or group for other than general corporate purposes to enable investor review of the business purpose, prospective impact on dilution and voting positions, and any adverse impact on existing investors.
- 1.6 Reverse Stock Split:** Reverse stock splits, by which multiple shares are exchanged for a lesser amount to increase share price, generally should be accompanied by a proportionate reduction in authorized shares.
- 2. Debt Issuance and Borrowing Powers:** Debt issuances and restructuring, amendments to a firm's aggregate limit on the board's ability to borrow money, and other debt-related items should serve a compelling and clearly articulated business purpose, be in line with and supportive of generating sustainable and viable financial returns, and take into reasonable consideration any detrimental impact on existing investors. LACERA evaluates debt-related proposals upon careful consideration of the individual terms and merits of the request.
- 3. Capital Allocation and Income Distributions:** A firm should allocate capital, including distribution of income through dividends or share repurchases, in a disciplined and balanced manner that supports the generation of long-term value.
- 3.1 Allocation of Income:** Firms should provide adequate justification when seeking investor approval for the allocation of income when the payout ratio appears unbalanced or unsustainable (either inordinately low, such as below 30 percent, or excessive, given the firm's financial position).
- 3.2 Stock (Scrip) Dividend Policy:** Firms may provide investors the option to receive dividend payments in the form of common equity in lieu of cash. Such provisions enable a firm to retain cash and may strengthen the position and commitment of long-term investors. In all circumstances, firms should provide a cash option, absent a compelling justification that such an option may be harmful to investors.
- 3.3 Share Repurchase Programs:** Open market share repurchase plans should enable investors to participate on equal terms and support balanced and disciplined capital allocation. Requests to authorize share repurchases should have a defined and limited duration, incorporate clear and reasonable terms and conditions, and generally not exceed 10 percent for market repurchases within any single authority, absent a compelling rationale in line with investors' interests and market practice.
- 4. Mergers, Acquisitions, and Other Corporate Restructuring:** Mergers and corporate restructuring (including spin-offs, leveraged buyouts, and reorganizations) have major financial implications for investors.

4.1 Evaluation: LACERA carefully examines all relevant facts and circumstances of each proposal to determine whether the proposal, in its entirety, is in LACERA's best interests . Assessment of each proposed transaction takes into account multiple factors .The valuation should be reasonable . Market reaction may be considered . The strategic rationale and expected benefits should be sensible, with any projected synergies or financial impact reasonably achievable . Management should have a favorable track record of successful integration of acquisitions or business combinations . The negotiation and deal process should be fair and equitable . There should be no conflicts of interest, such as factors enabling insiders to disproportionately benefit from the proposed transaction . The resulting entity should observe sound corporate governance practices . The risks of not completing the transaction or corporate restructuring may be considered . Sufficient information should be provided to enable investors to make an informed decision .

4.2 Appraisal Rights: Investors should be afforded appraisal rights by which they may seek a judicial review of the terms of certain corporate transactions in order to determine fair market value .

5. Anti-Takeover Measures: Investors should be afforded the reasonable opportunity to deliberate and decide on the merits of takeover bids and acquisitions . Practices and provisions, including corporate bylaws, charters, laws, and statutes, that may impede or deter a corporate transaction that is otherwise in investors' interests, may take a variety of forms and generally should be submitted for investor review and approval .

5.1 Poison Pills: The board should not enact or amend a poison pill without investor approval . LACERA generally supports the redemption of existing poison pills, except in unique circumstances where a carefully designed, short-term plan may enable a firm to negotiate more favorable terms with a potential bidder . Such plans should require a minimum 20 percent ownership threshold to trigger, provide for limited and reasonable duration, exclude provisions by which only continuing directors may remove the pill, and otherwise provide adequate investor protections so that the plan will not unduly impede a bid that is otherwise in investors' interests .

5.2 Net Operating Loss (NOL) Protective Amendments: Protective amendments with the stated purpose of preserving a company's net operating losses for a tax benefit, such as under the terms of Section 382 of the Internal Revenue Code, should balance the anticipated benefit to investors of preserving the tax value and the risk of potential abuse of such provisions as an anti-takeover measure . Because NOL protective amendments may serve as a poison pill, the board should submit related items for investor review and approval . Such provisions should only be used under limited, clearly justified circumstances and include adequate protections, such as an appropriate ownership threshold and clearly defined and reasonable duration limits .

5.3 Greenmail: Greenmail, by which a firm repurchases shares of a potential acquirer at an above-market price to deter a takeover, should be prohibited .

5.4 Other Anti-Takeover Measures: LACERA generally opposes provisions that impose onerous restrictions or impediments on prospectively beneficial takeover bids, taking into account the specific terms and circumstances of such provisions to determine the provision's alignment with LACERA's economic interests . LACERA supports firms opting out of related anti-takeover laws and statutes, where legally permitted .

Fair price provisions that require an investor seeking to purchase control of a firm to pay a defined fair price should not impose onerous requirements that may deter a competitive bid from being considered by investors.

Firms should opt out of control share acquisition statutes that void the voting rights of an investor surpassing certain ownership thresholds; control share cash-out provisions requiring an investor above a specified ownership threshold to purchase shares from remaining investors at the highest acquiring price if remaining investors exercise their right to sell their shares; and freeze-out provisions requiring an investor who meets a defined ownership threshold to wait a specified period of time before gaining control of the firm.

Disgorgement provisions, by which an investor who acquires ownership interest above a specified threshold must pay the firm any profits realized from the sale of the firm's equity purchased within a defined time period prior to exceeding the defined ownership threshold, should be avoided.

Firms should not provide designated investors (such as the government of a related, formerly state-owned enterprise) "golden shares" that provide for exceptional veto power or voting rights regarding specific corporate proposals.

6. Related-Party Transactions: Investors should have the right to approve significant related-party transactions. Investor approval helps to protect investors against self-dealing. Firms should provide clear information regarding such transactions – including all fees, a compelling rationale for the service or services provided, and the assessment of independent directors and an independent financial advisor of the transactions – in order to permit an informed assessment of prospective conflicts of interest.

III. Compensation and Incentives

Compensation and incentives should align the interests of senior executives and investors . Executive compensation and incentives serve a critical role in recruiting, motivating, and retaining talent . Pay plan design, structure, and goals should be fundamentally derived from and relevant to a firm’s core business objectives and collectively promote sustainable value creation . Accordingly, pay and incentives should incentivize and reward executives for the achievement of outstanding performance, while encompassing prudent risk mitigation and taking care to avoid excessive risks that may be detrimental to the firm’s long-term financial returns .

Boards should determine core components of executive pay design, including target pay levels and incentives . Boards oversee compensation paid to senior executives, award bonuses, and establish incentive plans that may include equity and performance-based grants and awards . The board may also review and approve supplemental compensation plans for firm employees, including employee equity and retirement plans .

Firms should provide investors with transparent, clear, and comprehensive disclosure of senior executives’ total compensation package . This includes disclosure of salary, short and long-term incentive compensation, and all benefits and perquisites . Selected performance metrics and targets upon which compensation is contingent should be provided in a plain and clear format .

A. Advisory Vote on Executive Compensation

Executive compensation design and practices should be submitted for investor review and non-binding approval on an annual basis (also known as “say on pay”) . Advisory votes should consider the firm’s pay design and practices as a whole, taking into account the alignment of executive pay with long-term firm performance, the absence of significant problematic pay practices and excessive risk in targets and reward incentives, and the clarity of the firm’s pay disclosures .

B. Compensation Plan Design

Executive compensation and practices should link pay to firm performance . Compensation should be commensurate with the firm’s long-term performance, appropriately aligned with firms with which the firm competes for executive talent (such as industry peers and firms of comparable size and profile), and properly consider the firm’s long-term outlook for generating sustainable returns .

- 1. Performance Criteria:** Incentive compensation should incorporate clearly defined, rigorous, and disclosed performance criteria upon which incentive pay is contingent . Performance metrics, targets, and hurdles should be consistent with and promote the firm’s strategy for generating sustainable value, including key financial and operating objectives, and effective management of relevant business risks .
- 2. Peer Benchmarking:** Peer groups used to benchmark compensation should be clearly disclosed and relevant to the firm’s business profile and size .

- 3. Compensation Consultants:** Compensation consultants providing strategy, design, and implementation services related to executive compensation to the board's compensation committees should be at the exclusive hire and service of the committee, unquestionably independent, and clearly disclosed.
- 4. Equity Ownership, Retention, and Holding Requirements:** Equity ownership among senior executives may strengthen the alignment of interests between executives and investors and promote prudent risk mitigation, and should be encouraged. Equity ownership guidelines providing that executives should maintain reasonable equity in the firm, requirements for executives to retain a meaningful portion of equity acquired through compensation plans, and equity grant holding requirements should strike an appropriate balance to promote equity ownership while avoiding overly restrictive or onerous provisions that may undermine talent motivation and retention to the detriment of investors' interests.
- 5. Prearranged Trading Plans:** Prearranged trading plans, as provided under Securities and Exchange Commission Rule 10b5-1, define parameters for executives' predetermined securities transactions in advance of an executive becoming aware of material non-public information regarding the firm's securities and are intended to mitigate the risks of insider trading. The adoption, amendment, or termination of prearranged trading plans for senior executives should be governed by the board, promptly disclosed, and provide for timely disclosure of transactions made pursuant to the plan's provisions.
- 6. Hedging and Speculative Transactions:** Senior executives should be prohibited from engaging in derivative or speculative transactions involving equity of the firm, including hedging, holding equity in a margin account, or pledging equity as collateral for a loan.
- 7. Internal Pay Disparity:** Executive compensation should be considered in the context of how a firm compensates its employees, including in relation to industry peers. Firms should disclose the ratio of the chief executive officer's total pay to that of the average firm employee.
- 8. Restrictions:** Executive pay should not be subject to arbitrary restrictions or limitations on the magnitude or form of compensation, such as linking executive pay to average employee compensation. Arbitrary limits and restrictions may undermine a firm's ability to attract and retain competent talent and create a competitive disadvantage for the firm.
- 9. Recoupment Policies:** Firms should adopt and disclose rigorous policies defining the terms and conditions by which incentive compensation may be recouped, in order to align pay with performance, promote accurate financial reporting, and deter misconduct. Robust clawback policies should enable the board to review and recoup senior executive incentive compensation in the event that compensation was calculated using inaccurate financial reports, or in the event of fraud or misconduct. Application of the recoupment policy should be reasonably disclosed.
- 10. Perquisites:** Firms should refrain from providing executives with extraordinary or excessive perquisites that are not linked to firm performance, incongruent with prevailing best practices, and unjustified to adequately attract and retain executive talent. Corporate assets should not be unduly expended on personal expenses that are unrelated to an executive's employment and that extend beyond those

widely offered to a firm's employees . Firms should avoid, or otherwise adequately and cogently justify, paying an executive's personal income tax obligations (including excise tax gross-up's), personal use of corporate aircraft, and extensive personal and home security payments.

C. Equity Plans

Equity plans should motivate plan participants to focus on long-term firm value and returns, encourage equity ownership, and advance the principle of aligning employee interests with those of investors.

Firms should submit equity plans for investor approval. Equity plans should be reviewed taking into account plan features, impact on equity dilution, and prospects to align pay with performance.

1. **Performance-Based:** Equity plans should define robust and appropriate performance requirements by which equity may be granted that are aligned with and justifiable by the firm's business strategy and strategic objectives . Such provisions may include terms and performance criteria permitting a plan to qualify for favorable tax treatment.
2. **Track Record:** The firm should demonstrate a history of responsibly linking equity awards to performance and avoiding grants of excessive awards.
3. **Impact:** The total cost and potential dilution of the plan should be reasonable.
4. **Repricing:** Equity granted under the terms of the plan, such as share options and stock appreciation rights, should not be repriced without investor approval, as repricing may sever the link between pay and performance . Requests to reprice underwater options should clearly define and compellingly justify the rationale and intent, timing, defined participants, and terms, such as a value-for-value exchange, exercise price, and vesting requirements.

D. Employee Equity Programs

1. **Employee Stock Purchase Plans:** Employee stock purchase plans encourage firm employees to acquire an ownership stake in the firms for which they work by providing employees the right to purchase the firm's equity at a set price within a certain period of time . Employee stock purchase plans should define reasonable terms, such as designating exercise prices at no lower than 85 percent of fair market value, fixing a justifiable offering period, and limiting voting power dilution to less than 10 percent.
2. **Employee Stock Ownership Plans:** Employee stock ownership plans (ESOPs) enable employees to accumulate firm equity . ESOPs should balance encouraging employee equity ownership while avoiding harm to existing investors . Shares allocated to ESOPs should not be excessive (generally no more than 5 percent of outstanding shares).

E. Severance and Retirement Arrangements

Severance payments to executives in the event of an employment termination, separation, or change in firm control should be justifiable by the executive's performance, serve the long-term interests of the firm and its investors, and not be excessive.

1. **Parachutes:** Firms should submit for investor approval arrangements to provide executives with extraordinary severance payments in certain circumstances, such as a change in firm control. Extraordinary payments may be assessed in relation to market and peer practice and should not exceed payments greater than three times base salary and bonus. Severance payments should not be so attractive as to influence merger agreements that may not be in the best interests of investors and should have triggering mechanisms beyond the control of senior executives. Any payments in the event of a change in control should be "double triggered," i.e., contingent upon both an actual change in control and an employment separation related to the change-in-control event. Unvested equity should not accelerate upon the change in control. Payments should not trigger, and firms should not commit to paying, executives' excise taxes ("gross ups"). A change in control should not be contingent upon investor approval of executives' severance payments.
2. **Supplemental Executive Retirement Plans:** Retirement plans that provide extraordinary retirement benefits exclusive to executives should be presented for investor approval and avoid excessive payouts, such as excluding all incentive or bonus pay from covered compensation calculations.
3. **Golden Coffins:** Firms should refrain from providing extraordinary compensation upon an executive's death. Firms should submit for investor approval agreements and policies that oblige the firm to make payments or awards following the death of a senior executive, including unearned salary or bonuses, accelerated vesting or continuation in force of unvested equity grants, and other extraordinary payments or awards.

F. Director Compensation

Firms should disclose the philosophy and process used for determining compensation paid to directors serving on the board and the value of all elements of director compensation.

1. **Structure and Design of Director Compensation:** Directors may be compensated in both cash and equity. Fees and compensation paid to directors should be appropriate relevant to market norms, the firm's industry, and its financial performance. Equity should not constitute the entirety of director compensation, as this may undermine directors' incentive to monitor and exercise oversight of long-term risks to firm value.
2. **Equity Ownership:** Equity ownership by directors promotes the alignment of directors' interests with those of investors. Firms should adopt and disclose equity ownership guidelines to encourage directors to acquire and hold a meaningful amount of equity in the firm. Equity ownership should not, however, be a qualification for board service, as such restrictions may impede otherwise highly qualified individuals from serving as directors.
3. **Retirement Benefits:** Retirement benefits for director service are improper, as such benefits may impede objectivity and sever the alignment of interest between directors and investors.

IV. Performance Reporting

Financial markets work most efficiently when investors have timely, reliable, and comparable information about material aspects of a firm's performance. Transparency of a firm's key financial and operating performance is critical for investors to assess the firm's financial viability and prospects. Independent verification of a firm's financial disclosures promotes investor confidence.

LACERA supports clear and comprehensive disclosure of relevant financial and operating performance indicators (including environmental, social, and governance matters) that may provide valuable information for investors to assess a firm's prospects for delivering sustainable value.

A. Financial Reports

Financial statements and auditor reports are essential in evaluating a firm's performance. Financial reports should present clear, reliable, and comprehensive data and information. A firm's overall performance reporting framework should conform with, and place primary prominence on, established accounting standards. Additional reporting measures that do not adhere to generally accepted accounting principles (either GAAP or International Financial Reporting Standards/ IFRS, depending on the reporting market) should be clearly explained and justified, and should supplement, as opposed to replace or otherwise obfuscate, performance reporting that is consistent with established accounting standards.

When presenting financial reports for investor review, there should be no unresolved concerns about the accounts presented or audit procedures, inadequate disclosures, or unresponsiveness regarding investor or regulatory questions on specific items.

B. Fiscal Term

Firms should define an appropriate fiscal term. The fiscal term should not be altered for the purpose of postponing an annual meeting.

C. Auditors

Firms should ensure independent, high-quality, and timely provision of audited financial statements by a clearly disclosed external auditing firm.

1. Ratification: Auditors should be clearly disclosed and presented to investors for ratification. LACERA takes into consideration the following factors when evaluating auditor ratification:

1.1. Independence: The external auditor should be objective and free of conflicts of interest in providing auditing services. Accordingly, non-audit fees paid to an external auditor should not be excessive. Specifically, non-audit fees should not exceed the total of audit and audit-related (such as permissible tax) fees, and the auditing firm should have no financial interest or association with the company.

1.2. Quality: There should be no question as to the accuracy of the external auditor's opinion, the financial report's indication of the company's financial position, and the accurate application of established accounting standards . There should be no aggressive accounting practices or significant audit-related issues at the company, such as a history of restated financial results or material weaknesses in internal controls.

1.3. Timeliness: There should be no unjustified delays in the publication of audited financial statements .

2. Rotation: Requests to rotate auditors should be evaluated in consideration of the audit firm's tenure, any proposed length of rotation, the presence of significant audit-related issues at the company, the extent to which the company periodically assesses audit pricing and quality, and the robustness of the audit committee's functions, such as the presence of financial experts and how often the committee meets.

3. Indemnification: To avoid any impairment of the external auditor's objectivity and independence, companies should not enter into engagement letters that indemnify or otherwise limit the external auditor's liability.

V. Environmental and Social Factors

Environmental and social factors — such as management of human capital, access to natural resources, and environmental risks — may shape and impact a firm’s ability to generate and sustain value . Firms should identify and prudently manage social and environmental factors relevant to the firm’s business strategy, industry, and geographic markets . Social and environmental factors may present opportunities to drive value or risks to a firm’s strategic objectives .

Firms should ensure diligent board oversight and provide reasonable disclosures of relevant environmental and social factors and how they are managed . Reporting enables investors to make informed investment decisions when evaluating companies and the long-term viability and sustainability of their business practices .

In addition to identifying, evaluating, and mitigating the risks presented by social and environmental factors, firms should carefully consider the impact of their business activities . Promotion, adoption, and effective implementation of guidelines for the responsible conduct of business and business relationships are consistent with the fiduciary responsibility of protecting long-term investment interests .

A. Social Factors

1. **Human Capital Management:** Effective management of human capital — including the development, incentives, and retention of the firm’s workforce — is key to accomplishing a firm’s strategic objectives . Companies should identify, ensure board oversight, and disclose information about significant human capital value drivers that are related to the firm’s ability to create and protect firm value . Central to effective human capital management is the assurance of equal employment opportunity, including non-bias in compensation and employment terms, and a workplace free of harassment in all forms .
2. **Human Rights Risk:** Firms should mitigate the risks of human rights abuses in global operations and supply chains by adopting robust human rights policies and ensuring effective internal controls to monitor compliance with stated human rights standards .

B. Environmental Factors

1. **Natural Resource Stewardship:** Firms should give consideration to efficient, sustainable use and stewardship of natural resources, such as energy and water, to enhance operational efficiency and safeguard firm value from the risks of resource scarcity .
2. **Environmental Risk:** Firms should ensure reasonable oversight mechanisms and mitigation of environmental risks, such as hazardous waste disposal and pollution, to mitigate prospective legal, regulatory, and operational risks to firm value .
3. **Climate Risk:** Climate change may present financial, operational, and regulatory risks to a firm’s ability to generate sustainable value, as well as to the broader economy . Firms should assess and disclose material climate-related risks and sufficient, non-proprietary information to enable investors to prudently and adequately evaluate the prospective impact of climate risk on firm value .

Responsibilities and Delegations

A. The Board of Investments:

- (i.) Approves and promulgates policies addressing environmental, social, and governance issues, such as corporate governance and proxy voting matters and including but not limited to the *Corporate Governance and Stewardship Principles*, as recommended by the Corporate Governance Committee of the Board.
- (ii.) Receives periodic reports concerning the program's progress and priorities from the Corporate Governance Committee.
- (iii.) Approves LACERA representatives for nomination to governing bodies of the corporate governance associations to which LACERA is affiliated, as recommended by the Corporate Governance Committee.
- (iv.) Approves procedures to comply with legislated or other mandated divestment or investment exclusions, such as LACERA's Guidelines for Evaluating ESG-Related Divestments (Appendix), as developed and recommended by the Corporate Governance Committee.

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

- (i.) Recommends the *Corporate Governance and Stewardship Principles* and other items concerning environmental, social, and governance matters to the Board of Investments for consideration and approval.
- (ii.) Exercises oversight and monitoring of the corporate governance program, including reviewing program priorities and progress.
- (iii.) Reviews reports regarding proxy voting results and trends and develops recommendations for Board approval for any policy recommendations, as appropriate.
- (iv.) Reviews and ensures alignment of strategic initiatives with the *Corporate Governance and Stewardship Principles*.
- (v.) Provides periodic reports on the program to the Board of Investments.
- (vi.) Delegates authority to the Committee Chair to determine LACERA's action on time-sensitive, investment- or financial market-related legislative or regulatory matters that are not adequately addressed in the *Corporate Governance and Stewardship Principles* or joint investor engagements affiliated with investor associations to which LACERA has formally affiliated.
- (vii.) Recommends for Board of Investment approval, LACERA representatives for nomination to governing bodies of the corporate governance associations to which LACERA is affiliated. In event the Committee is not scheduled to meet or lacks adequate time to recommend a nomination to the Board prior to a formal deadline, the Committee delegates authority to the Committee Chair to recommend consideration of the nomination by the Board.

(viii.) Recommends for Board of Investment approval, time-permitting, LACERA's votes in support or opposition of candidates listed on a formal member ballot and nominated to a governing board of an investor association to which LACERA has formally affiliated . In event the Committee is not scheduled to meet or lacks adequate time to agendize under the Brown Act an informed recommendation to the Board for vote determinations prior to a formal deadline, the Committee delegates authority to the Committee Chair to recommend consideration by the Board, time-permitting, of the votes in support or opposition of board candidates . In time-sensitive circumstances where vote deadlines do not permit such vote considerations by the Committee or the Board, the Committee delegates authority to the Committee Chair to consult with staff per Section V(C)(vi.) below on votes.

C. Staff

- (i.)** Develops and recommends *Corporate Governance and Stewardship Principles* and related policies for review and consideration by the Corporate Governance Committee.
- (ii.)** Executes proxy votes in adherence to the *Corporate Governance and Stewardship Principles* . Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance and Stewardship Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance and Stewardship Principles* . Staff recalls shares of loaned securities when doing so is in LACERA's economic interests, such as at portfolio companies where LACERA has sponsored a shareowner proposal.
- (iii.)** Communicates and represents the *Corporate Governance and Stewardship Principles* in dialogues and communication with portfolio companies, external asset managers and investment partners, other investors and stakeholders, related conferences, and other interested parties.
- (iv.)** Presents any strategic plans for engagement to the Corporate Governance Committee, per the Committee's review and oversight, to promote alignment with Board-approved *Corporate Governance and Stewardship Principles* . In the event of time-sensitive strategic initiatives, staff consults with the Chair of the Committee, who determines action or recommends consideration of the matter by the Committee or Board, time-permitting.
- (v.)** Represents the *Corporate Governance and Stewardship Principles* in written communication to legislators and regulatory agencies, in consultation with the Chief Executive Officer, Chief Investment Officer, and Chief Counsel . Staff may participate in joint investor written communications that are organized as part of formal investor associations to which LACERA has formally affiliated . In event that a time-sensitive, investment- or financial market policy-related legislative or regulatory matter arises that is not adequately considered by the *Corporate Governance and Stewardship Principles* or being addressed by an investor association to which LACERA is affiliated, staff consults with the Chair of the Committee, who determines whether to approve action or recommend consideration of the matter by the Board, time-permitting.

(vi.) Represents LACERA and its *Corporate Governance and Stewardship Principles* at investor associations, including managing membership surveys, business meeting votes (other than selecting which candidates to a governing board to support or oppose), and other operational interactions, in adherence to the *Corporate Governance and Stewardship Principles* and the spirit thereof, in its best judgment and interpretation . In event that a time-sensitive vote arises on a unique item or an issue that is not adequately considered by the *Corporate Governance and Stewardship Principles*, as well as for governance-related investor associations' formal business meeting ballot items pertaining to support or opposition of candidates to a governing board, and time constraints prohibit such items from being presented to the Committee or Board for consideration, staff may determine a vote in consultation with the Chair of the Committee .

Policy Review and Reaffirmation

LACERA reviews and reaffirms this Policy at least every three years in order to ensure its alignment with LACERA's mission and objectives and in light of evolving market practices on corporate governance; environmental, social, and governance ("ESG"); and responsible investment matters.

APPENDIX: Guidelines for Evaluating Prospective ESG-Related Divestments

As stated in LACERA's Investment Beliefs, "LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective . Diversification across different risk factors is necessary for risk reduction."

As a diversified, global investor, LACERA may periodically review its public markets investment exposures to certain issues arising from environmental, social, or governance concerns . It is generally the preference of LACERA, in order to promote diversification and minimize risk, to engage rather than divest investment holdings concerning risks to long-term value . However, in order to address prospective divestment issues and identify LACERA's exposure to exogenous risks related to environmental, social, or governance issues and not addressed elsewhere in the Investment Policy Statement, the following formal process has been adopted:

1. The issue will be directed to Committee for further direction to Staff.
2. If the Committee decides to review the issue, Staff will assess the potential economic and reputational impact of the issue on LACERA.
 - a. Does the issue violate LACERA's *Corporate Governance and Stewardship Principles*?
 - b. Determine criteria for identification of investment(s).
 - c. Preliminary identification of the investment.
 - d. Preliminary estimate on size of the investment.
 - e. Seriousness of the issue/violation and whether it impacts the economics of the investment(s).
 - f. Consultation with LACERA's Chief Executive Officer, Chief Investment Officer, and legal counsel.
3. Staff will report its findings on the potential economic and reputational impact of the issue on LACERA to the Committee.
4. The Committee may forward the issue and potential economic and reputational impact on LACERA to the Board of Investments (Board) for further direction.
5. If the Board directs staff to continue the analysis, staff will calculate the anticipated resources involved in analyzing the issue including, but not limited to:
 - a. Estimate of staff hours required for research and analysis.
 - b. Estimate of the resource impact on current staff initiatives and projects (for example the delay in an RFP search).
 - c. Estimate of cost to obtain information (e.g.: company list) from external service provider.
6. Staff will report back to the Committee with its resource requirements analysis.
7. Committee may make recommendation to the Board to pursue additional analysis.
8. Upon receiving direction from the Board, Staff will contract with external data provider to identify investment(s) impacted by the issue.

- 9 . Staff will identify investment exposures within the separate accounts of the public markets asset classes (equities, fixed income and commodities).
- 10 . Staff will contact external investment managers to solicit feedback from portfolio managers on reasoning for the investment and potential return and risk trade-off of economic substitution.
- 11 . Staff will present findings to the Board and any recommendation(s) as necessary. If further action is warranted, such as engagement with companies, staff's report to the Board will include the following:
 - a . An estimate of additional staff hours needed to execute engagement .
 - b . An estimate of the impact of diverting resources from current staff initiatives and projects (for example the delay in an RFP search).
 - c . Cost of retaining external resources (3rd party consultant) to assist in the engagement process.
 - d . Feedback from portfolio managers on their investment in the company .
 - e . Discussion of criteria and terms for company engagement .
- 12 . If further action, such as engagement, is recommended and approved by the Board, staff will seek to engage with companies on the issue . Letters will be written to the company's executive management and their boards requesting responses within 60 days .
- 13 . If company response is determined to be insufficient, staff will assess the need to place the company on an economic substitution list² and present recommendation(s) to the Board for approval . Included in the recommendation(s) will be the following:
 - a . Updated company exposure within separate accounts of public markets asset classes .
 - b . Annual cost to procure company list .
 - c . Criteria by which company will be removed from the economic substitution list .
- 14 . Staff will continuously monitor company status relative to criteria for removal from the economic substitution list . Once criteria have been met, staff will recommend removal of the company to the Board .
- 15 . Staff will provide an economic substitution list update to the Board annually which will include the following:
 - a . All companies currently on the list .
 - b . Issue for which the company was placed on the list .
 - c . Investment exposure within separate accounts of public markets asset classes .
 - d . Current status of mitigating factors .

² Companies on the list will be covered by the following investment guideline policy language: "Investment managers should refrain from purchasing securities on the economic substitution list when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security."

Document History

Revised May 10, 2023
Revised March 10, 2021
Consolidated and restated October 14, 2020
Revised March 13, 2019
Consolidated and reorganized February 14, 2018
Revised August 9, 2017
Revised October 12, 2016
Revised November 19, 2014
Revised April 10, 2013
Revised April 22, 2009
Revised April 27, 2005
Revised May 26, 2004
Revised August 13, 2003
Revised June 11, 2003
Original adopted March 12, 2003

March 19, 2023

Appendix 2

TO: Trustees – Corporate Governance Committee

FROM: Scott Zdrazil 
Principal Investment Officer

Dale Johnson 
Investment Officer

FOR: April 12, 2023 Corporate Governance Committee Meeting

SUBJECT: ***Corporate Governance and Stewardship Principles Review***

RECOMMENDATION

Advance revised *Corporate Governance and Stewardship Principles* for Board of Investments approval.

BACKGROUND

Staff is proposing a revision to LACERA's [*Corporate Governance and Stewardship Principles*](#) (Principles) to reduce LACERA's guiding principle on how many corporate boards directors at portfolio companies should serve on. If approved, staff would apply the revised guidance when reviewing and casting proxy votes on corporate director nominees at LACERA's portfolio companies. **Attachment 1** provides additional background information and **Attachment 2** is a redlined version of the language revision to the current Principles.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Corporate Governance and Stewardship Principles Revision

Corporate Governance Committee Meeting
April 12, 2023



Recommendation

Advance revised *Corporate Governance and Stewardship Principles* (Principles) for Board of Investments approval

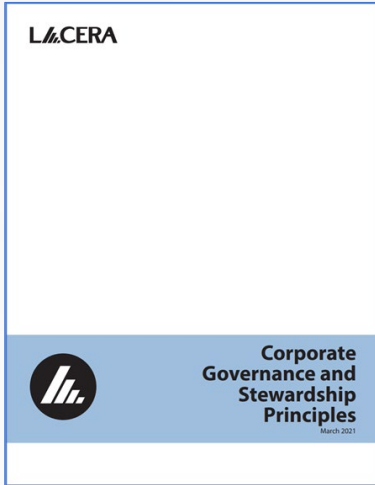
Overview

Staff is recommending revising the Principles to reduce LACERA's expectations for how many corporate boards directors at portfolio companies should serve on from 4 to 3 for all directors and from 3 to 2 boards for chief executive officers. LACERA may vote proxies against directors serving above the guidance, absent compelling rationales.

Discussion Outline

1. Brief Background on the Principles and LACERA's Proxy Voting
2. Proposed Revision to Overboarding Policy
3. Market Trends and Research Insights
4. Estimated Impact of Proposed Revision on LACERA's Proxy Voting Results
5. Summary

Background on LACERA's Principles and Proxy Voting



LACERA votes proxies consistent with its [Corporate Governance and Stewardship Principles](#) to support governance practices at portfolio companies that safeguard and enhance shareholder value

The Principles articulate LACERA's views on five common corporate governance topics:

- Corporate board directors and practices *to encourage director accountability to investors*
- Investor rights and capital structure *to promote integrity in financial markets*
- Executive compensation practices *to align executives' interests with investors*
- Performance reporting *to avail transparent information about firm performance*
- Environmental and social factors *to prudently manage financially relevant operational risks*

LACERA strives to maintain **high, credible, and pragmatic standards** in applying the Principles in a universal manner across markets

Staff regularly reviews the Principles to suggest revisions to ensure the Principles remain robust and address current topics

Staff is proposing revising the Principles related to excessive director commitments (“overboarding”)

About Overboarding and Proposed Revision



LACERA’s Expectations of Corporate Directors

- Investors rely on corporate board directors to
- ✓ Set the company’s strategic direction and exercise effective oversight
 - ✓ Ensure that the firm is managed in the best interests of investors

Investor Concern with “Overboarding”

- LACERA’s Principles seek to ensure directors have adequate time to attend to their board commitments and therefore discourage serving on too many boards, also known as “overboarding”
- ✓ LACERA votes proxies against directors considered to be “overboarded”
 - ✓ 2nd most prevalent reason for voting against directors after lack of director independence
 - ✓ Universal application of LACERA overboarding guidance to all holdings in all markets

Proposed Revision to LACERA’s Guidance on Overboarding

Staff proposes tightening LACERA guidance on “overboarded” directors:

	Current Principles Guideline	Proposed Revision
<i>For all corporate directors:</i>	Maximum of 4 boards	Maximum of 3 boards
<i>For chief executive officers:</i>	Maximum of 3 boards	Maximum of 2 boards

The proposed language in presented as redlined edits on page 7 of **Attachment 2**

Market Trends and Context



Increased Demands on Corporate Directors

- Expanding oversight of complex business risks (i.e., cybersecurity, supply chain, compliance, etc.)
- COVID-19 pandemic meant directors face multiple boards simultaneously navigating acute challenge

Increasing Average Time Commitment per Board Seat

- 250 hours spent on each board on average, up from 210 in last 15 years
- Over 8 board meetings per year at large companies

Companies Discourage Excessive Commitments

- 70% of boards limit number of other boards their directors serve on to avoid competing time demands
- Half of directors (48%) think directors should serve on no more than three public company boards
- 70% of directors think CEOs should serve on no more than two public company boards

Increased Investor Scrutiny

- International Corporate Governance Network limits to 3 boards, less for board and committee chairs
- Council of Institutional Investor limits all directors with full-time jobs to 2 boards (4 for others)
- ISS permits up to 5 boards for all directors and 3 for CEOs
- Glass Lewis permits up to 5 boards for all directors and 2 for CEOs

Korn Ferry. "Are Board Directors Going Overboard?" 2014-2015 (page 15); PwC. ["Directors take a conservative view on overboarding: PwC's 2022 Annual Corporate Directors Survey"](#); Spencer Stuart. "Getting back to normal on the number of board meetings" 2022 U.S. Spencer Stuart Board Index; Spencer Stuart. "Many boards limit additional board activity by directors and CEOs: 2022 U.S. Spencer Stuart Board Index"

Research Finds Correlation with Firm Performance



- **Higher total shareholder returns at firms without overboarded directors**
 - U.S. public companies without overboarded directors (defined as no more than 4 boards for all directors or 2 for CEOs) outperformed those with overboarded directors by 1.0-1.5% annually over 3 years and 2-4% annually over 5 years
 - Firms with overboarded directors are more likely to have other problematic governance practices (i.e., low director independence and attendance record, unequal voting rights, low investor support on CEO pay votes)

- **Positive stock price reactions when “overboarded” directors reduce the number of outside director commitments**
 - Share price movements at firms where directors reduce their director commitments at outside boards
 - Significantly positive market reaction at companies when directors serve on no more than 3 boards

Keren Bar-Hava, Feng Gu, and Baruch Lev. “Market Evidence on Investor Preference for Fewer Directorships.” *Journal of Financial and Quantitative Analysis*. May 2020 (pp. 931–954);
ISS. “Director Overboarding: Global Trends, Definitions, and Impact.” August 2019 (weblinks not available)

Estimated Impact on LACERA Proxy Voting Statistics



Staff conducted backtesting to estimate the impact of the revision on LACERA's director support levels:

- 8% estimated decrease in LACERA support for director nominees globally (about 3,000 nominees)
 - Director support may decrease from 60% in FY2022 to about 52%
 - Overboarding most prevalent in the U.S. market, but also Canada, Hong Kong, and United Kingdom

- LACERA often opposes affected directors for other governance concerns outlined in LACERA's Principles, i.e.:
 - Lack of director independence (largest contributor to LACERA's votes against director nominees)
 - Lack of board diversity
 - Poor governance structures such as multi-class share structures with unequal voting rights
 - Poor director attendance

- Discouraging overboarding may prompt boards to cast a wide net for director talent, including diversity

Summary of Proposed Principles Revision



Staff is proposing revising language in LACERA's Principles to reduce the number of corporate boards that LACERA considers corporate directors should serve on

The revised language aims to encourage that corporate directors have adequate time to serve investors' interests in light of increasing time demands and the complexities of corporate boards' oversight responsibilities

The proposal would reduce current limits on board service, absent which LACERA may vote against nominees:

- ✓ All directors should generally serve on no more than three boards (down from currently four)
- ✓ CEOs should generally serve on no more than two boards (reduced from three)

The proposed language enables LACERA to assess if there may be a detrimental impact of opposing a director for a reason disclosed by the company (such as the director is serving as a financial expert and will transition off the board within a limited number of months once a new director begins)



REDLINED VERSION FOR REVIEW



Corporate Governance and Stewardship Principles

[Date pending upon Board approval] ~~March 2021~~

Corporate Governance and Stewardship Principles

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About LACERA

The Los Angeles County Employees Retirement Association (“LACERA”) administers defined benefit retirement plans and other post-employment benefits for employees of Los Angeles County and certain other districts.

The Los Angeles County Board of Supervisors established LACERA in 1937 under the terms of California’s County Employees Retirement Law . LACERA is governed by the California Constitution (Article XVI, Section 17), the California County Employees Retirement Act of 1937, and the California Public Employees’ Pension Reform Act of 2013 . Today, LACERA serves over 160,000 active and retired members .

LACERA MISSION STATEMENT:

We Produce, Protect, and Provide
the Promised Benefits

LACERA’s mission is to “produce, protect, and provide the promised benefits .” LACERA aims to fulfill its mission through prudent investment and conservation of plan assets, in accordance with the *Investment Beliefs* that frame its *Investment Policy Statement* and in consideration of actuarial analysis .

LACERA’s Board of Investments is responsible for establishing LACERA’s investment policy and objectives, as well as exercising oversight of the investment management of the fund .

Statement of Purpose

LACERA seeks to responsibly steward its investments in a manner that promotes and safeguards the economic interests of LACERA and its members, consistent with LACERA’s mission to “produce, protect, and provide the promised benefits.” LACERA believes that robust investor rights, strong corporate governance practices and policies at the firms in which it invests, and sound public policies governing financial markets help generate long-term economic performance . LACERA prudently exercises its rights as an investor to support corporate governance practices and financial market policies that promote sustainable, long-term value and enhance LACERA’s ability to fulfill its mission.

The fundamental objective of LACERA’s *Corporate Governance and Stewardship Principles* (the “Principles”) is to safeguard and promote the economic interests of the trust . The *Principles* identify LACERA’s core principles of corporate governance and the key stewardship strategies LACERA pursues to advance them . They are intended to further the *Investment Beliefs* that frame LACERA’s *Investment Policy Statement* by articulating LACERA’s view on sound governance and broader environmental, social, and governance (also known as “ESG”) issues .

LACERA seeks to exercise the legal rights it has as an investor and to steward its assets by applying these *Principles* . The *Principles* guide LACERA’s proxy votes, engagements with policymakers and portfolio companies, and collaboration with other institutional investors when it shares common objectives (such as actively participating in investor associations) . The *Principles* help inform LACERA’s investment process, including the evaluation and monitoring of portfolio investments, consistent with the rights and legal obligations of each asset . And the *Principles* outline the legal authority, roles, and responsibilities guiding LACERA’s application of the *Principles* and initiatives .

In advocating practices in line with these *Corporate Governance and Stewardship Principles*, LACERA aims to maximize the long-term value of plan holdings .

Legal Authority

The LACERA Board of Investments has “the sole and exclusive fiduciary responsibility over the assets of” the system, as provided by the California Constitution (Article XVI, Section 17(a)) . LACERA exercises its legal rights on corporate governance matters in furtherance of its fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other governing laws, regulations, and case authority . The Board’s fiduciary duty has two components:

A. Duty of Loyalty

Under the duty of loyalty, Board members have the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries . (Article XVI, Section 17(a) .) Board members shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system . (CERL Section 31595(a) .) The Board’s duty to participants and their beneficiaries shall take precedence over any other duty. (Article XVI, Section 17(b).)

B. Duty of Prudence

Under the duty of prudence, Board members shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims . (Article XVI, Section 17(c); CERL Section 31595(b) .) “[T]he Board may, in its discretion, invest or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board .” (CERL Section 31595 .) Further, the Board “[s]hall diversify the investments of the system so as to minimize risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.” (CERL Section 31595(c).)

The fiduciary obligations of prudence and loyalty to plan participants and beneficiaries compel and guide LACERA’s corporate governance activities and consideration of financially material environmental, social, and governance factors in its investment process . LACERA’s fiduciary duties extend to, but are not limited to, prudently managing its proxy votes, vigilantly monitoring and diligently mitigating risks to the value of its investments, and judiciously determining action in order to assist in the effective administration of the fund and promote the interest of members and their beneficiaries .

Stewardship Strategies

LACERA's corporate governance and stewardship efforts may include the following strategies:

A. Proxy Voting

Proxy votes are plan assets, have value, and should be managed in a manner consistent with fiduciary duty and LACERA's interest in long-term value. LACERA exercises its voting rights for the exclusive benefit of LACERA's members and votes proxies in accordance with its *Corporate Governance and Stewardship Principles*.

LACERA seeks to vote all proxies for which it has proxy voting authority. LACERA coordinates with its custodian bank and investment service vendors to maximize its opportunities to responsibly cast proxy votes in line with its fiduciary duty, while recognizing that administrative requirements and practices in certain local markets may affect LACERA's ability to cast proxy votes, such as delayed notification of proxies subsequent to vote deadlines and required powers of attorney in subcustodial chains. At meetings that require share blocking, LACERA evaluates the economic value of casting a proxy vote compared to the risk of limiting trading in the designated security and may opt to refrain from voting in order to preserve LACERA's ability to act in its best economic interests.

LACERA participates in securities lending to earn incremental income, per LACERA's *Securities Lending Program Policy*. In securities lending, the legal rights accorded those shares, including proxy voting, are transferred to the borrower of the securities during the period that the securities are on loan. As a result, LACERA forfeits its right to vote proxies on loaned securities unless those shares have been recalled from the borrower no later than the share's record date.

B. Corporate Engagement

LACERA advocates its *Investment Beliefs, Corporate Governance and Stewardship Principles*, and mission through dialogue and engagement strategies with portfolio companies and external asset managers, which may include exercising legal rights associated with LACERA's investments, such as sponsoring shareowner resolutions.

C. Public Policy

LACERA represents its interests to policymakers, such as legislators, regulatory agencies, and standards-setting agencies, in line with its *Corporate Governance and Stewardship Principles*.

D. Investor Collaboration

LACERA collaborates with other public pension funds, asset owners and asset managers, both informally and formally through investor associations such as the Council of Institutional Investors, in order to enhance LACERA's ability to achieve its objectives and advance its *Corporate Governance and Stewardship Principles*.

Principles

The *Corporate Governance and Stewardship Principles* are organized into five sections . Each section addresses common corporate governance, proxy voting, and broader environmental, social, and governance (“ESG”) issues relevant to LACERA’s investment portfolio and investment partners . The five sections address issues pertaining to boards of directors, investor rights and capital structure, executive compensation and incentives, performance reporting, and environmental and social factors .

The *Corporate Governance and Stewardship Principles* are guided by five core concepts that collectively provide a framework by which LACERA aims to promote sustainable investment returns and responsible stewardship of fund assets:

Accountability: Governance structures and practices should be designed to promote accountability to the investors who provide the firm with capital . This extends to both board directors overseeing portfolio companies on investors’ behalf, and external managers entrusted with LACERA’s capital . Accountability helps to ensure that investments are managed in the best interests of investors .

Integrity: Integrity and trust are the cornerstone of financial markets and essential for economic stability . Core investor rights and protections are crucial to promoting integrity in financial markets .

Aligned Interests: Compensation and incentives should align the interests of the managers of capital and the investors who provide capital . This extends to senior executives at portfolio companies and external asset managers managing capital on LACERA’s behalf .

Transparency: Firms should provide investors with clear, comprehensive, and timely disclosures about fundamental elements of the firm’s business, financial activities, and performance .

Prudence: Firms should prudently identify, assess, and manage environmental and social factors that may impact the firm’s ability to generate sustainable economic value .

Fiduciary duty guides LACERA’s *Corporate Governance and Stewardship Principles* . LACERA recognizes that sound governance balances the rights of investors providing a firm with capital with the role and responsibility of portfolio company boards to direct and manage the firm .

LACERA recognizes that the application of the *Principles* may vary depending on the specific terms, constraints, and nature of LACERA’s investments in different asset classes . In public markets where LACERA retains voting authority to vote in line with these *Principles*, LACERA evaluates the financial impact of each issue presented on corporate proxies and votes proxies for the exclusive benefit of plan participants and beneficiaries in all instances . LACERA may oppose overly prescriptive or unduly burdensome measures proposed on corporate proxies, or resolutions that may otherwise restrict a firm’s board of directors from acting in the best economic interests of investors .

LACERA also recognizes that the laws, regulations, and customs guiding corporate governance practices vary by market . LACERA seeks to apply its *Corporate Governance and Stewardship Principles* in a universal and consistent manner, while observing and taking into consideration – as applicable and appropriate – local laws, regulations, and customs .

I. Directors

The board of directors drives the strategic direction and oversight of the firm and its management . LACERA relies upon the directors of portfolio companies to exercise effective oversight and ensure that the firm is managed in the best interests of investors . Directors should understand the firm’s long-term business strategy as well as risks that may impact the firm’s value, and demonstrate a record of sound stewardship and performance . LACERA advocates policies and practices that encourage directors to be accountable to investors . Accountability ensures that a firm’s operations and reporting are managed in the best interests of investors .

A. Independent Oversight

- 1. Board Independence:** At least two-thirds of the board should be composed of independent directors in order to oversee management on behalf of investors, promote accountability to investors, and avoid potential conflicts of interest .

An independent director is defined as someone who has no material affiliation to the company, its chief executive officer, chairperson, or other executive officers, other than the board seat .

Materiality is defined as any financial, personal, or other relationship that a reasonable person might conclude could potentially influence one’s objectivity in a manner that would have a meaningful impact on the individual’s ability to satisfy requisite fiduciary standards on behalf of investors . Directors may not be considered independent if they, or a family member, are or have been an employee of the company (or a subsidiary or affiliate thereof) in the last five years; have a 20 percent or greater economic interest in the company; are or have been part of an interlocking director relationship with the CEO; receive direct payments for professional services unrelated to their service as a director in excess of \$10,000 per year; or engage in any related party transaction in excess of \$10,000 per year .

- 2. Board Leadership:** The board should be chaired by an independent director .
- 3. Board Committees:** Each board should establish an audit committee, a nominating and governance committee, and a compensation committee, each composed exclusively of independent directors .

Deference generally should be afforded to boards in determining appropriate oversight structures, such as the establishment and role of additional board committees . LACERA may support proposals to appoint an additional board committee in limited circumstances where a firm’s performance, oversight structures, and peer comparisons demonstrate that inadequate board consideration and focus has been accorded to a compelling issue related to firm value .

LACERA may oppose or withhold support from non-independent board nominees or key board leadership positions where the board or key committees lack adequate independence .

B. Board Quality and Composition

1. Composition: The board should be composed of highly talented individuals who are best positioned to oversee the company's strategy for creating and sustaining value. Boards should give consideration to ensuring that directors collectively possess a diverse set of relevant skills, competencies, and attributes to exercise oversight on investors' behalf, including expertise, geographic familiarity, and professional backgrounds relevant to the company's strategic objectives. The board should strive for a suitable mix of tenures to ensure both institutional familiarity and fresh perspectives on the board, as a firm's market environment and business strategies evolve.

The board should establish and disclose policies and processes for ensuring that it identifies and nominates suitable directors from a wide pool of candidates relevant to its business strategy, inclusive of including, but not limited to, diverse gender, racial, and ethnic backgrounds, gender identities, sexual orientations, and disability status. A diverse and inclusive board is better positioned to effectively deliberate and oversee business strategy in investors' interests.

Firms should disclose how the board defines and reflects a relevant and diverse mix of skills and backgrounds in its composition. In assessing board composition, LACERA generally expects to see a compelling link between requisite skill sets and a firm's corporate strategy and a credible track record of inclusivity, consistent with the diverse attributes and backgrounds defined above.

2. Board Size: The board should define and disclose in governance documents an appropriate size or range of directors that ensures the board is composed of adequately diverse viewpoints and experience to effectively oversee the firm's business strategy, while not being so large as to diminish the board's operational effectiveness. Modifications to governing documents defining board size and structure should be submitted for investor approval and not be proposed for the purpose of impeding a change in firm control.

3. Excessive Commitments: Directors should have adequate time to dedicate to their board service, fulfill their responsibilities, and represent investors' interests. Accordingly, directors and companies should generally limit board service to no more than three public company boards for each director, absent a clearly disclosed and compelling rationale. directors should not serve on more than four public company boards. Currently serving chief executive officers In consideration of the time demands on chief executive officers, they should generally not serve on more than ~~two~~^{three} public boards (including any directorship of the company where they concurrently serve as CEO~~their own~~).

4. Tenure and Age Restrictions: LACERA does not support arbitrary restrictions on director qualifications, such as tenure limits or mandatory retirement ages. Such limitations may impede a firm from benefiting from the expertise of an otherwise highly qualified director.

C. Director Selection and Elections

1. Annual Elections: Each director should be elected annually. Directors should not be elected by classes, or to "staggered" terms.

2. Vote Standard for Director Elections: Director nominees in uncontested elections should be elected by a majority of votes cast. In contested director elections, a plurality of votes should determine the election.

- 3. Universal Proxy Card:** In the event of a contested director election, investors should have the right to select and vote for individual director nominees on a consolidated, or “universal,” proxy ballot, regardless of whether the director nominee is put forward by management or a dissident investor.
- 4. Cumulative Voting:** LACERA supports cumulative voting in director elections, in compliance with California Government Code Section 6900.¹
- 5. Proxy Access:** Long-term investors who have held a significant ownership interest for a reasonable amount of time should have the right to nominate alternative directors for consideration on a firm’s proxy, otherwise known as “proxy access.” Proxy access procedures should have sound safeguards in place to ensure an orderly nominating process and prevent proxy access from being used to effectuate a change in control.
- 6. Ability to Remove Directors:** Investors should have the right to remove directors with or without cause, in order to allow investors to take action when a director is not serving investors’ best interests.

D. Board Roles and Responsibilities

- 1. Governance Guidance:** The board should develop, adopt, disclose, and periodically review clearly defined governance guidelines that govern the board’s operations.
- 2. Resources:** The board should have adequate resources and access to information to enable it to execute its responsibilities and duties. Directors should be provided information in advance of meetings. Directors should have full access to senior management and information concerning the firm’s operations. Directors should be familiar with a firm’s operations independent of the chief executive officer and senior management. Directors should have the authority and adequate budget to hire outside experts, if necessary.
- 3. Independent Proceedings:** Directors should work with the chief executive officer to establish board agendas. Independent directors should meet at least annually without management or non-independent directors’ participation.
- 4. Board Communication and Engagement:** Firms should establish reasonable policies that permit effective communication between investors and directors regarding business strategy and corporate governance matters.
- 5. Management Succession Planning:** The board should conduct a regular evaluation of the chief executive officer and plan for business continuity, including establishing and disclosing a succession plan for the chief executive officer and key senior executives.

¹ Section 6900 . Cumulative Voting . “Government Body .” Whenever any government body is a shareholder of any corporation, and a resolution is before the shareholders which will permit or authorize cumulative voting for directors, such government body shall vote its shares to permit or authorize cumulative voting . As used in this section, the term “government body” means the state, and any office, department, division, bureau, board, commission or agency thereof, and all counties, cities, districts, public authorities, public agencies and other political subdivisions or public corporations in the state.

6. Board Self-Evaluation and Refreshment: Boards should adopt and disclose a process for regular, rigorous, and earnest self-assessment and evaluation . The evaluation process should be conducted under the direction of independent directors and ensure candor, confidentiality, trust, and effective interaction among directors . Board self-evaluation should be tailored to meet the firm’s and board’s strategic objectives and requirements . In order to promote long-term planning aligned with business needs, the board’s self-evaluation process should assess the board’s size and operational effectiveness, identify emerging business risks and relevant skills gaps among its composition, and prudently anticipate and proactively plan for board vacancies and refreshment . It should appraise the alignment and adequacy of director education and development, as well as the delineation of management and board powers, while positioning the board to efficaciously exercise oversight in investors’ interests.

7. Charitable and Political Contributions: Corporate charitable contributions may accrue direct and indirect benefits to a firm and its investors, including goodwill in communities in which it operates and favorable tax treatment . Charitable contributions should not be directed, eliminated, or otherwise restricted by investors .

The board should monitor, assess, and approve all charitable and political contributions (including trade association contributions) made by the firm . Political and charitable contributions should be consistent with the interests of the firm and its investors . The board should clearly define and approve the terms and conditions by which corporate assets may be provided to charitable and political activities, including developing and publicly disclosing guidelines for the approval of such contributions . The board should disclose on an annual basis the amounts and recipients of all monetary and non-monetary contributions made by the firm during the previous fiscal year, including any expenditures earmarked for political or charitable activities that were provided to or through a third party.

8. Indemnification: Directors may be provided reasonable and limited protections, including indemnification and limited personal liability for damages resulting from violating duty of care, where the director is found to have acted in good faith and in a manner the director believed to be in the best interests of the firm . Reasonable limitations may ensure the board is positioned to recruit qualified directors .

E. Board Performance and Effectiveness

1. Performance Evaluation: The board’s performance, and that of individual directors, should be assessed within the context of the board’s suitability for and track record of serving and protecting investors’ interests . LACERA may withhold support or oppose individual directors, members of a board committee, or the entire board where the track record demonstrates directors’ failure to serve investors’ best interests . Director and board performance is evaluated in consideration of the following factors:

1.1. Stewardship and Risk Oversight: Directors should demonstrate a sound track record of stewardship and risk oversight, including avoiding any material failures of governance, risk oversight, or fiduciary responsibilities at the company . Risk is broadly understood to encompass financial, reputational, and operational risks relevant to a firm’s ability to generate sustainable financial returns . Material risks may include, but are not limited to, internal controls related to legal compliance, cyber security, and data privacy, as well as broader risks addressed throughout these *Corporate Governance and Stewardship Principles*, such as risks associated with accounting practices, climate change, and human capital management .

- 1.2. Effective Oversight of Management:** Directors should conduct effective oversight of management, including avoiding any failure to replace management as appropriate.
- 1.3. Attendance:** Each director should attend at least 75 percent of scheduled board meetings each year, including attendance at assigned committees, absent a compelling, clearly disclosed justification.
- 1.4. Board Service:** Directors' track records and performance on other boards may be considered in evaluating director nominees. In particular, a director's failure to effectively exercise oversight on other boards or any egregious actions that raise substantial doubt about the director's ability to fulfill a director's obligations and serve the best interests of investors may prompt opposition to the director's nomination.
- 1.5. Ethics:** Directors should demonstrate the utmost integrity and be free of any criminal wrongdoing, breaches of fiduciary responsibilities, or questionable transactions with conflicts of interest.
- 1.6. Transparency in Reporting:** Financial reports and material disclosures should be published in a satisfactorily diligent and timely manner.
- 1.7. Investor Responsiveness:** Directors should demonstrate accountability and responsiveness to investors. Directors should not unilaterally amend a firm's governing documents in a manner that materially diminishes investor rights or otherwise adversely impacts investors without seeking investor approval. Directors should not adopt a poison pill or make a material change to an existing poison pill without submitting the plan for investor approval within the following 12 months. Directors should take reasonable steps to implement resolutions approved within the previous 12 months by a majority of investors, within the confines of legal and regulatory constraints. Directors should respond to tender offers where a majority of shares have been tendered. There should be no record of abuse against minority investor interests.
- 2. Committee Performance:** Each committee should demonstrably fulfill its core duties and the specific responsibilities outlined in its committee charter. LACERA may oppose the committee chair or incumbent directors who have served on committees that have failed to perform their duties in investors' best interests. In cases where governance provisions, such as staggered board elections, impede LACERA from holding designated directors accountable, LACERA may oppose board leadership or other incumbent directors.

Audit Committee members should ensure that non-audit fees are not excessive, no adverse opinion has been rendered on the company's audited financial statements, and the firm has not entered into an inappropriate indemnification agreement that limits legal recourse against the external auditor.

Nominating and Governance Committee members should establish sound governance practices, reasonable and timely responsiveness to investors on governance concerns, and effective board nomination, evaluation, and refreshment practices.

Compensation Committee members should demonstrate a clear and proven track record of aligning executive pay with the firm's strategic objectives and performance, refrain from permitting problematic pay practices, ensure clear disclosures of all key components of pay plan design and practices, and exhibit reasonable and timely responsiveness to investors.

3. Contested Director Elections: In assessing director nominees in contested elections, LACERA may consider all relevant factors to identify and support the nominees best suited to enhance sustainable firm value and serve investors' economic interests. Consideration may be given to the long-term financial performance of the firm, its governance profile, and management's track record; nominees' proposed strategies for value creation; the qualifications and suitability of director nominees, including their alignment with LACERA's governance principles; and the dissidents' ownership stake and history of generating sustainable returns at other firms.

LACERA may support requests to reimburse dissident nominees for reasonable, incurred expenses when dissident nominees have presented a compelling case and support for their nomination is warranted.

II. Investor Rights and Capital Structure

Integrity and trust are the cornerstones of capital markets and essential for economic stability . Core investor rights ensure fair and equitable treatment of investors and help instill investor confidence, thereby facilitating capital formation and economic stability .

LACERA supports core rights and protections at portfolio companies and within financial market policies in order to safeguard its investments and foster a stable investment climate within the broader financial markets in which it invests . Financial rules and regulations should promote fair, orderly, and competitive markets and provide for investor protections . Investor rights extend to key decisions that may fundamentally impact or modify a firm’s capital structure, such as share issuances, restructuring, and mergers and acquisitions .

A. Investor Rights

1. **Rights Proportionate to Economic Interest:** Investors should have voting rights proportionate to their economic interests . Multiclass ownership structures may entrench certain investors and management, insulating them from acting in the interests of all investors . LACERA therefore supports the principle of “one share, one vote.”
2. **Voting Requirements and Procedures:** Investors should have the right to act on fundamental corporate matters by a simple majority of votes cast . Fundamental matters may include, but are not limited to, amending a firm’s governing documents (such as its charter or bylaws) and effecting corporate transactions, such as a merger or acquisition.
 - 2.1 **Simple Majority Voting:** Companies should not adopt supermajority voting requirements except when such provisions may protect outside or minority investors from unilateral action being taken by an entity (or entities) with controlling interest or significant insider ownership.
 - 2.2 **Voting Procedures:** Voting and tabulation of matters put before investors by proxy or otherwise should be guided by transparent procedures, consistent application of rules, and fairness for all eligible voters . Votes should be counted by an independent tabulator and kept confidential . Voting results should be promptly disclosed once tabulation has been finalized.
 - 2.3 **Bundled Voting:** Investors should be able to review and cast votes on unrelated matters as separate and distinct ballot items . Disparate matters should not be presented for investor consideration as a “bundled” voting item . LACERA may oppose bundled proposals that combine supportable voting items with matters that LACERA opposes .
 - 2.4 **Broker Non-Votes:** Uninstructed broker votes and abstentions should be counted for quorum purposes only.

3. Annual Meetings

- 3.1 Quorum Requirements:** Quorum requirements should promote that a broad range of investors are represented at meetings . Quorum requirements should not be unduly low, in either absolute terms or relative to the economic interest of a controlling investor or significant investor, in order to protect investors from unrepresentative action being conducted .
- 3.2 Technology:** Investors should have the right to attend an annual meeting of a firm in person . Any use of technology, such as audiocasts or webcasts, should expand and enhance, and not restrict or otherwise impede, investors' ability to participate in an annual meeting, and should afford opportunities for meeting participation equal to those afforded investors attending the meeting in person .
- 3.3 Resolutions:** Investors with a reasonable ownership interest in a firm should have the right to put forward a resolution for investors' consideration and vote at the firm's annual meeting .
- 3.4 Advance Notice Requirements:** Investors should be able to submit items for formal consideration at an annual meeting, such as proposals or director nominees, as close to the meeting date as reasonably possible and within the broadest timeframe possible, recognizing the need to allow sufficient notice for company, regulatory, and investor review .
- 3.5 Transaction of Other Business:** LACERA generally opposes requests for advance approval by proxy of undisclosed business items that may come before an investor meeting for consideration .
- 4. Special Meetings:** Investors should be able to call a special meeting to take action on certain matters that may occur between regularly scheduled annual meetings . The right to call a special meeting should require aggregating a minimum of 10 percent ownership interest and be subject to reasonable terms and conditions .
- 5. Action by Written Consent:** Investors should have the right to act by written consent on key governance matters under reasonable terms and conditions .
- 6. Access to Research:** Investors should have access to competitive, timely, and independent market, investment, and proxy research services of their choosing . Market regulation should support and not impede a competitive market of service providers .
- 7. Ownership Disclosure:** Significant ownership interests above 5 percent should be disclosed .
- 8. Incorporation:** A firm's country or state of incorporation may significantly impact the firm's financial health, competitive position, governance profile, and the legal rights afforded to investors, as defined by the jurisdiction of incorporation . When selecting a jurisdiction for incorporation (such as in relation to a merger or acquisition or a proposed reincorporation), firms should give due consideration to competitively positioning the firm for financial success while also ensuring sound governance practices and strong legal rights and protections for investors . LACERA may oppose proposals for reincorporation where the business and financial rationale for reincorporation do not outweigh the detrimental impact of a reincorporation on investor rights and governance provisions .

9. Litigation Rights: Robust and viable litigation rights enable investors to protect firm value, deter misconduct, and seek recourse in the event of egregious corporate malfeasance or fraud . Corporations should not curtail or otherwise diminish investors’ prospective legal recourse through governance provisions, such as exclusive forum designations for legal disputes, mandatory arbitration clauses, or “fee-shifting” provisions by which an investor who unsuccessfully brings legal action must bear the entirety of the corporation’s legal costs .

B. Capital Structure

Finding the optimal mix of equity, long-term debt, and short-term financing is critical to driving economic returns . A firm’s capital structure should support the generation of long-term, sustainable returns . The board should determine and drive a firm’s capital structure, in coordination with senior management . Capital structure should coordinate and balance multiple factors, including the firm’s business profile, strategy, and opportunities for growth; access to and cost of capital; and capital distributions such as the firm’s dividend policy .

Investors should be able to vote on matters that may fundamentally modify or impact a firm’s capital structure, such as common share issuances, and mergers and acquisitions .

1. Share Issuances and Authorizations: Share issuances enable firms to raise funds for financing purposes .

1.1 Authorization of Common Shares Issuance: Requests to authorize capital or approve share issuances should specify the quantity of shares for which approval is sought . Requests should be evaluated upon careful consideration of the individual details and merits of each request and according to LACERA’s economic interests . Firms should present a compelling purpose for the share issuance, demonstrate a track record of responsibly using authorized shares in investors’ interests, and provide for rights and restrictions attached to proposed equity that are aligned with investors’ interests . In evaluating requests, the availability of preemptive rights and any risks of authorizing the share issuance, including the dilutive impact of the request, may also be considered . Capital authorization terms should not facilitate an anti-takeover device or otherwise adversely impact investors’ interests .

1.2 Preemptive Rights: Preemptive rights provide current investors the right to maintain a proportionate interest in a firm by exercising a right to purchase shares proportionate to what they already own in any new issuances of equity . Requests to create or abolish preemptive rights should consider the size of the firm, the characteristics of its investor base, and the liquidity of its equity to ensure that preemptive rights may be pragmatically exercised and do not impose an onerous restriction on capital raising .

1.3 Preferred Shares Authorization: Preferred shares, which provide distinct features such as fixed dividend payments or seniority of claims relative to common shares, may be supportable when the purpose of such issuance is in connection with a proposed transaction appearing on the same ballot that merits support . Otherwise, requests for authorization are evaluated in consideration of the request’s stated purpose, the firm’s past use of authorized preferred shares, and an assessment of the risk of authorizing the share issuance, including the dilutive impact of the request, and should not create or increase shares that carry superior voting rights to common shares . Any conversion rights should define reasonable conversion ratios and not result in excessive dilution of common shares .

- 1.4 Blank Check Preferred Shares:** Firms generally should not create classes of shares providing the board with broad discretion to define voting, conversion, dividend distribution, and other rights, absent a compelling rationale and clearly stated restrictions in line with investors' interests. The voting rights of unissued shares should be presented for investor approval and not be subject to board discretion.
- 1.5 Blank Check Preferred Share Placements:** Investor approval should be required for the placement of preferred shares with any person or group for other than general corporate purposes to enable investor review of the business purpose, prospective impact on dilution and voting positions, and any adverse impact on existing investors.
- 1.6 Reverse Stock Split:** Reverse stock splits, by which multiple shares are exchanged for a lesser amount to increase share price, generally should be accompanied by a proportionate reduction in authorized shares.
- 2. Debt Issuance and Borrowing Powers:** Debt issuances and restructuring, amendments to a firm's aggregate limit on the board's ability to borrow money, and other debt-related items should serve a compelling and clearly articulated business purpose, be in line with and supportive of generating sustainable and viable financial returns, and take into reasonable consideration any detrimental impact on existing investors. LACERA evaluates debt-related proposals upon careful consideration of the individual terms and merits of the request.
- 3. Capital Allocation and Income Distributions:** A firm should allocate capital, including distribution of income through dividends or share repurchases, in a disciplined and balanced manner that supports the generation of long-term value.
- 3.1 Allocation of Income:** Firms should provide adequate justification when seeking investor approval for the allocation of income when the payout ratio appears unbalanced or unsustainable (either inordinately low, such as below 30 percent, or excessive, given the firm's financial position).
- 3.2 Stock (Scrip) Dividend Policy:** Firms may provide investors the option to receive dividend payments in the form of common equity in lieu of cash. Such provisions enable a firm to retain cash and may strengthen the position and commitment of long-term investors. In all circumstances, firms should provide a cash option, absent a compelling justification that such an option may be harmful to investors.
- 3.3 Share Repurchase Programs:** Open market share repurchase plans should enable investors to participate on equal terms and support balanced and disciplined capital allocation. Requests to authorize share repurchases should have a defined and limited duration, incorporate clear and reasonable terms and conditions, and generally not exceed 10 percent for market repurchases within any single authority, absent a compelling rationale in line with investors' interests and market practice.
- 4. Mergers, Acquisitions, and Other Corporate Restructuring:** Mergers and corporate restructuring (including spin-offs, leveraged buyouts, and reorganizations) have major financial implications for investors.

4.1 Evaluation: LACERA carefully examines all relevant facts and circumstances of each proposal to determine whether the proposal, in its entirety, is in LACERA's best interests . Assessment of each proposed transaction takes into account multiple factors .The valuation should be reasonable . Market reaction may be considered . The strategic rationale and expected benefits should be sensible, with any projected synergies or financial impact reasonably achievable . Management should have a favorable track record of successful integration of acquisitions or business combinations . The negotiation and deal process should be fair and equitable . There should be no conflicts of interest, such as factors enabling insiders to disproportionately benefit from the proposed transaction . The resulting entity should observe sound corporate governance practices . The risks of not completing the transaction or corporate restructuring may be considered . Sufficient information should be provided to enable investors to make an informed decision .

4.2 Appraisal Rights: Investors should be afforded appraisal rights by which they may seek a judicial review of the terms of certain corporate transactions in order to determine fair market value .

5. Anti-Takeover Measures: Investors should be afforded the reasonable opportunity to deliberate and decide on the merits of takeover bids and acquisitions . Practices and provisions, including corporate bylaws, charters, laws, and statutes, that may impede or deter a corporate transaction that is otherwise in investors' interests, may take a variety of forms and generally should be submitted for investor review and approval .

5.1 Poison Pills: The board should not enact or amend a poison pill without investor approval . LACERA generally supports the redemption of existing poison pills, except in unique circumstances where a carefully designed, short-term plan may enable a firm to negotiate more favorable terms with a potential bidder . Such plans should require a minimum 20 percent ownership threshold to trigger, provide for limited and reasonable duration, exclude provisions by which only continuing directors may remove the pill, and otherwise provide adequate investor protections so that the plan will not unduly impede a bid that is otherwise in investors' interests .

5.2 Net Operating Loss (NOL) Protective Amendments: Protective amendments with the stated purpose of preserving a company's net operating losses for a tax benefit, such as under the terms of Section 382 of the Internal Revenue Code, should balance the anticipated benefit to investors of preserving the tax value and the risk of potential abuse of such provisions as an anti-takeover measure . Because NOL protective amendments may serve as a poison pill, the board should submit related items for investor review and approval . Such provisions should only be used under limited, clearly justified circumstances and include adequate protections, such as an appropriate ownership threshold and clearly defined and reasonable duration limits .

5.3 Greenmail: Greenmail, by which a firm repurchases shares of a potential acquirer at an above-market price to deter a takeover, should be prohibited .

5.4 Other Anti-Takeover Measures: LACERA generally opposes provisions that impose onerous restrictions or impediments on prospectively beneficial takeover bids, taking into account the specific terms and circumstances of such provisions to determine the provision's alignment with LACERA's economic interests . LACERA supports firms opting out of related anti-takeover laws and statutes, where legally permitted .

Fair price provisions that require an investor seeking to purchase control of a firm to pay a defined fair price should not impose onerous requirements that may deter a competitive bid from being considered by investors.

Firms should opt out of control share acquisition statutes that void the voting rights of an investor surpassing certain ownership thresholds; control share cash-out provisions requiring an investor above a specified ownership threshold to purchase shares from remaining investors at the highest acquiring price if remaining investors exercise their right to sell their shares; and freeze-out provisions requiring an investor who meets a defined ownership threshold to wait a specified period of time before gaining control of the firm.

Disgorgement provisions, by which an investor who acquires ownership interest above a specified threshold must pay the firm any profits realized from the sale of the firm's equity purchased within a defined time period prior to exceeding the defined ownership threshold, should be avoided.

Firms should not provide designated investors (such as the government of a related, formerly state-owned enterprise) "golden shares" that provide for exceptional veto power or voting rights regarding specific corporate proposals.

6. Related-Party Transactions: Investors should have the right to approve significant related-party transactions. Investor approval helps to protect investors against self-dealing. Firms should provide clear information regarding such transactions – including all fees, a compelling rationale for the service or services provided, and the assessment of independent directors and an independent financial advisor of the transactions – in order to permit an informed assessment of prospective conflicts of interest.

III. Compensation and Incentives

Compensation and incentives should align the interests of senior executives and investors . Executive compensation and incentives serve a critical role in recruiting, motivating, and retaining talent . Pay plan design, structure, and goals should be fundamentally derived from and relevant to a firm’s core business objectives and collectively promote sustainable value creation . Accordingly, pay and incentives should incentivize and reward executives for the achievement of outstanding performance, while encompassing prudent risk mitigation and taking care to avoid excessive risks that may be detrimental to the firm’s long-term financial returns .

Boards should determine core components of executive pay design, including target pay levels and incentives . Boards oversee compensation paid to senior executives, award bonuses, and establish incentive plans that may include equity and performance-based grants and awards . The board may also review and approve supplemental compensation plans for firm employees, including employee equity and retirement plans .

Firms should provide investors with transparent, clear, and comprehensive disclosure of senior executives’ total compensation package . This includes disclosure of salary, short and long-term incentive compensation, and all benefits and perquisites . Selected performance metrics and targets upon which compensation is contingent should be provided in a plain and clear format .

A. Advisory Vote on Executive Compensation

Executive compensation design and practices should be submitted for investor review and non-binding approval on an annual basis (also known as “say on pay”) . Advisory votes should consider the firm’s pay design and practices as a whole, taking into account the alignment of executive pay with long-term firm performance, the absence of significant problematic pay practices and excessive risk in targets and reward incentives, and the clarity of the firm’s pay disclosures .

B. Compensation Plan Design

Executive compensation and practices should link pay to firm performance . Compensation should be commensurate with the firm’s long-term performance, appropriately aligned with firms with which the firm competes for executive talent (such as industry peers and firms of comparable size and profile), and properly consider the firm’s long-term outlook for generating sustainable returns .

- 1. Performance Criteria:** Incentive compensation should incorporate clearly defined, rigorous, and disclosed performance criteria upon which incentive pay is contingent . Performance metrics, targets, and hurdles should be consistent with and promote the firm’s strategy for generating sustainable value, including key financial and operating objectives, and effective management of relevant business risks .
- 2. Peer Benchmarking:** Peer groups used to benchmark compensation should be clearly disclosed and relevant to the firm’s business profile and size .

- 3. Compensation Consultants:** Compensation consultants providing strategy, design, and implementation services related to executive compensation to the board's compensation committees should be at the exclusive hire and service of the committee, unquestionably independent, and clearly disclosed.
- 4. Equity Ownership, Retention, and Holding Requirements:** Equity ownership among senior executives may strengthen the alignment of interests between executives and investors and promote prudent risk mitigation, and should be encouraged. Equity ownership guidelines providing that executives should maintain reasonable equity in the firm, requirements for executives to retain a meaningful portion of equity acquired through compensation plans, and equity grant holding requirements should strike an appropriate balance to promote equity ownership while avoiding overly restrictive or onerous provisions that may undermine talent motivation and retention to the detriment of investors' interests.
- 5. Prearranged Trading Plans:** Prearranged trading plans, as provided under Securities and Exchange Commission Rule 10b5-1, define parameters for executives' predetermined securities transactions in advance of an executive becoming aware of material non-public information regarding the firm's securities and are intended to mitigate the risks of insider trading. The adoption, amendment, or termination of prearranged trading plans for senior executives should be governed by the board, promptly disclosed, and provide for timely disclosure of transactions made pursuant to the plan's provisions.
- 6. Hedging and Speculative Transactions:** Senior executives should be prohibited from engaging in derivative or speculative transactions involving equity of the firm, including hedging, holding equity in a margin account, or pledging equity as collateral for a loan.
- 7. Internal Pay Disparity:** Executive compensation should be considered in the context of how a firm compensates its employees, including in relation to industry peers. Firms should disclose the ratio of the chief executive officer's total pay to that of the average firm employee.
- 8. Restrictions:** Executive pay should not be subject to arbitrary restrictions or limitations on the magnitude or form of compensation, such as linking executive pay to average employee compensation. Arbitrary limits and restrictions may undermine a firm's ability to attract and retain competent talent and create a competitive disadvantage for the firm.
- 9. Recoupment Policies:** Firms should adopt and disclose rigorous policies defining the terms and conditions by which incentive compensation may be recouped, in order to align pay with performance, promote accurate financial reporting, and deter misconduct. Robust clawback policies should enable the board to review and recoup senior executive incentive compensation in the event that compensation was calculated using inaccurate financial reports, or in the event of fraud or misconduct. Application of the recoupment policy should be reasonably disclosed.
- 10. Perquisites:** Firms should refrain from providing executives with extraordinary or excessive perquisites that are not linked to firm performance, incongruent with prevailing best practices, and unjustified to adequately attract and retain executive talent. Corporate assets should not be unduly expended on personal expenses that are unrelated to an executive's employment and that extend beyond those

widely offered to a firm's employees . Firms should avoid, or otherwise adequately and cogently justify, paying an executive's personal income tax obligations (including excise tax gross-up's), personal use of corporate aircraft, and extensive personal and home security payments.

C. Equity Plans

Equity plans should motivate plan participants to focus on long-term firm value and returns, encourage equity ownership, and advance the principle of aligning employee interests with those of investors.

Firms should submit equity plans for investor approval. Equity plans should be reviewed taking into account plan features, impact on equity dilution, and prospects to align pay with performance.

- 1. Performance-Based:** Equity plans should define robust and appropriate performance requirements by which equity may be granted that are aligned with and justifiable by the firm's business strategy and strategic objectives . Such provisions may include terms and performance criteria permitting a plan to qualify for favorable tax treatment.
- 2. Track Record:** The firm should demonstrate a history of responsibly linking equity awards to performance and avoiding grants of excessive awards.
- 3. Impact:** The total cost and potential dilution of the plan should be reasonable.
- 4. Repricing:** Equity granted under the terms of the plan, such as share options and stock appreciation rights, should not be repriced without investor approval, as repricing may sever the link between pay and performance . Requests to reprice underwater options should clearly define and compellingly justify the rationale and intent, timing, defined participants, and terms, such as a value-for-value exchange, exercise price, and vesting requirements.

D. Employee Equity Programs

- 1. Employee Stock Purchase Plans:** Employee stock purchase plans encourage firm employees to acquire an ownership stake in the firms for which they work by providing employees the right to purchase the firm's equity at a set price within a certain period of time . Employee stock purchase plans should define reasonable terms, such as designating exercise prices at no lower than 85 percent of fair market value, fixing a justifiable offering period, and limiting voting power dilution to less than 10 percent.
- 2. Employee Stock Ownership Plans:** Employee stock ownership plans (ESOPs) enable employees to accumulate firm equity . ESOPs should balance encouraging employee equity ownership while avoiding harm to existing investors . Shares allocated to ESOPs should not be excessive (generally no more than 5 percent of outstanding shares).

E. Severance and Retirement Arrangements

Severance payments to executives in the event of an employment termination, separation, or change in firm control should be justifiable by the executive's performance, serve the long-term interests of the firm and its investors, and not be excessive.

1. **Parachutes:** Firms should submit for investor approval arrangements to provide executives with extraordinary severance payments in certain circumstances, such as a change in firm control. Extraordinary payments may be assessed in relation to market and peer practice and should not exceed payments greater than three times base salary and bonus. Severance payments should not be so attractive as to influence merger agreements that may not be in the best interests of investors and should have triggering mechanisms beyond the control of senior executives. Any payments in the event of a change in control should be "double triggered," i.e., contingent upon both an actual change in control and an employment separation related to the change-in-control event. Unvested equity should not accelerate upon the change in control. Payments should not trigger, and firms should not commit to paying, executives' excise taxes ("gross ups"). A change in control should not be contingent upon investor approval of executives' severance payments.
2. **Supplemental Executive Retirement Plans:** Retirement plans that provide extraordinary retirement benefits exclusive to executives should be presented for investor approval and avoid excessive payouts, such as excluding all incentive or bonus pay from covered compensation calculations.
3. **Golden Coffins:** Firms should refrain from providing extraordinary compensation upon an executive's death. Firms should submit for investor approval agreements and policies that oblige the firm to make payments or awards following the death of a senior executive, including unearned salary or bonuses, accelerated vesting or continuation in force of unvested equity grants, and other extraordinary payments or awards.

F. Director Compensation

Firms should disclose the philosophy and process used for determining compensation paid to directors serving on the board and the value of all elements of director compensation.

1. **Structure and Design of Director Compensation:** Directors may be compensated in both cash and equity. Fees and compensation paid to directors should be appropriate relevant to market norms, the firm's industry, and its financial performance. Equity should not constitute the entirety of director compensation, as this may undermine directors' incentive to monitor and exercise oversight of long-term risks to firm value.
2. **Equity Ownership:** Equity ownership by directors promotes the alignment of directors' interests with those of investors. Firms should adopt and disclose equity ownership guidelines to encourage directors to acquire and hold a meaningful amount of equity in the firm. Equity ownership should not, however, be a qualification for board service, as such restrictions may impede otherwise highly qualified individuals from serving as directors.
3. **Retirement Benefits:** Retirement benefits for director service are improper, as such benefits may impede objectivity and sever the alignment of interest between directors and investors.

IV. Performance Reporting

Financial markets work most efficiently when investors have timely, reliable, and comparable information about material aspects of a firm's performance. Transparency of a firm's key financial and operating performance is critical for investors to assess the firm's financial viability and prospects. Independent verification of a firm's financial disclosures promotes investor confidence.

LACERA supports clear and comprehensive disclosure of relevant financial and operating performance indicators (including environmental, social, and governance matters) that may provide valuable information for investors to assess a firm's prospects for delivering sustainable value.

A. Financial Reports

Financial statements and auditor reports are essential in evaluating a firm's performance. Financial reports should present clear, reliable, and comprehensive data and information. A firm's overall performance reporting framework should conform with, and place primary prominence on, established accounting standards. Additional reporting measures that do not adhere to generally accepted accounting principles (either GAAP or International Financial Reporting Standards/ IFRS, depending on the reporting market) should be clearly explained and justified, and should supplement, as opposed to replace or otherwise obfuscate, performance reporting that is consistent with established accounting standards.

When presenting financial reports for investor review, there should be no unresolved concerns about the accounts presented or audit procedures, inadequate disclosures, or unresponsiveness regarding investor or regulatory questions on specific items.

B. Fiscal Term

Firms should define an appropriate fiscal term. The fiscal term should not be altered for the purpose of postponing an annual meeting.

C. Auditors

Firms should ensure independent, high-quality, and timely provision of audited financial statements by a clearly disclosed external auditing firm.

1. Ratification: Auditors should be clearly disclosed and presented to investors for ratification. LACERA takes into consideration the following factors when evaluating auditor ratification:

1.1. Independence: The external auditor should be objective and free of conflicts of interest in providing auditing services. Accordingly, non-audit fees paid to an external auditor should not be excessive. Specifically, non-audit fees should not exceed the total of audit and audit-related (such as permissible tax) fees, and the auditing firm should have no financial interest or association with the company.

1.2. Quality: There should be no question as to the accuracy of the external auditor's opinion, the financial report's indication of the company's financial position, and the accurate application of established accounting standards . There should be no aggressive accounting practices or significant audit-related issues at the company, such as a history of restated financial results or material weaknesses in internal controls.

1.3. Timeliness: There should be no unjustified delays in the publication of audited financial statements .

2. Rotation: Requests to rotate auditors should be evaluated in consideration of the audit firm's tenure, any proposed length of rotation, the presence of significant audit-related issues at the company, the extent to which the company periodically assesses audit pricing and quality, and the robustness of the audit committee's functions, such as the presence of financial experts and how often the committee meets.

3. Indemnification: To avoid any impairment of the external auditor's objectivity and independence, companies should not enter into engagement letters that indemnify or otherwise limit the external auditor's liability.

V. Environmental and Social Factors

Environmental and social factors — such as management of human capital, access to natural resources, and environmental risks — may shape and impact a firm’s ability to generate and sustain value . Firms should identify and prudently manage social and environmental factors relevant to the firm’s business strategy, industry, and geographic markets . Social and environmental factors may present opportunities to drive value or risks to a firm’s strategic objectives .

Firms should ensure diligent board oversight and provide reasonable disclosures of relevant environmental and social factors and how they are managed . Reporting enables investors to make informed investment decisions when evaluating companies and the long-term viability and sustainability of their business practices .

In addition to identifying, evaluating, and mitigating the risks presented by social and environmental factors, firms should carefully consider the impact of their business activities . Promotion, adoption, and effective implementation of guidelines for the responsible conduct of business and business relationships are consistent with the fiduciary responsibility of protecting long-term investment interests .

A. Social Factors

- 1. Human Capital Management:** Effective management of human capital — including the development, incentives, and retention of the firm’s workforce — is key to accomplishing a firm’s strategic objectives . Companies should identify, ensure board oversight, and disclose information about significant human capital value drivers that are related to the firm’s ability to create and protect firm value . Central to effective human capital management is the assurance of equal employment opportunity, including non-bias in compensation and employment terms, and a workplace free of harassment in all forms .
- 2. Human Rights Risk:** Firms should mitigate the risks of human rights abuses in global operations and supply chains by adopting robust human rights policies and ensuring effective internal controls to monitor compliance with stated human rights standards .

B. Environmental Factors

- 1. Natural Resource Stewardship:** Firms should give consideration to efficient, sustainable use and stewardship of natural resources, such as energy and water, to enhance operational efficiency and safeguard firm value from the risks of resource scarcity .
- 2. Environmental Risk:** Firms should ensure reasonable oversight mechanisms and mitigation of environmental risks, such as hazardous waste disposal and pollution, to mitigate prospective legal, regulatory, and operational risks to firm value .
- 3. Climate Risk:** Climate change may present financial, operational, and regulatory risks to a firm’s ability to generate sustainable value, as well as to the broader economy . Firms should assess and disclose material climate-related risks and sufficient, non-proprietary information to enable investors to prudently and adequately evaluate the prospective impact of climate risk on firm value .

Responsibilities and Delegations

A. The Board of Investments:

- (i.) Approves and promulgates policies addressing environmental, social, and governance issues, such as corporate governance and proxy voting matters and including but not limited to the *Corporate Governance and Stewardship Principles*, as recommended by the Corporate Governance Committee of the Board.
- (ii.) Receives periodic reports concerning the program's progress and priorities from the Corporate Governance Committee.
- (iii.) Approves LACERA representatives for nomination to governing bodies of the corporate governance associations to which LACERA is affiliated, as recommended by the Corporate Governance Committee.
- (iv.) Approves procedures to comply with legislated or other mandated divestment or investment exclusions, such as LACERA's Guidelines for Evaluating ESG-Related Divestments (Appendix), as developed and recommended by the Corporate Governance Committee.

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

- (i.) Recommends the *Corporate Governance and Stewardship Principles* and other items concerning environmental, social, and governance matters to the Board of Investments for consideration and approval.
- (ii.) Exercises oversight and monitoring of the corporate governance program, including reviewing program priorities and progress.
- (iii.) Reviews reports regarding proxy voting results and trends and develops recommendations for Board approval for any policy recommendations, as appropriate.
- (iv.) Reviews and ensures alignment of strategic initiatives with the *Corporate Governance and Stewardship Principles*.
- (v.) Provides periodic reports on the program to the Board of Investments.
- (vi.) Delegates authority to the Committee Chair to determine LACERA's action on time-sensitive, investment- or financial market-related legislative or regulatory matters that are not adequately addressed in the *Corporate Governance and Stewardship Principles* or joint investor engagements affiliated with investor associations to which LACERA has formally affiliated.
- (vii.) Recommends for Board of Investment approval, LACERA representatives for nomination to governing bodies of the corporate governance associations to which LACERA is affiliated. In event the Committee is not scheduled to meet or lacks adequate time to recommend a nomination to the Board prior to a formal deadline, the Committee delegates authority to the Committee Chair to recommend consideration of the nomination by the Board.

(viii.) Recommends for Board of Investment approval, time-permitting, LACERA's votes in support or opposition of candidates listed on a formal member ballot and nominated to a governing board of an investor association to which LACERA has formally affiliated. In event the Committee is not scheduled to meet or lacks adequate time to agendaize under the Brown Act an informed recommendation to the Board for vote determinations prior to a formal deadline, the Committee delegates authority to the Committee Chair to recommend consideration by the Board, time-permitting, of the votes in support or opposition of board candidates. In time-sensitive circumstances where vote deadlines do not permit such vote considerations by the Committee or the Board, the Committee delegates authority to the Committee Chair to consult with staff per Section V(C)(vi.) below on votes.

C. Staff

- (i.)** Develops and recommends *Corporate Governance and Stewardship Principles* and related policies for review and consideration by the Corporate Governance Committee.
- (ii.)** Executes proxy votes in adherence to the *Corporate Governance and Stewardship Principles*. Staff consults with and seeks the input of the Chief Investment Officer and Chief Counsel, when applicable, to apply the *Corporate Governance and Stewardship Principles*, and the spirit thereof, to unique or new proxy voting items in their best judgment and interpretation of the *Corporate Governance and Stewardship Principles*. Staff recalls shares of loaned securities when doing so is in LACERA's economic interests, such as at portfolio companies where LACERA has sponsored a shareowner proposal.
- (iii.)** Communicates and represents the *Corporate Governance and Stewardship Principles* in dialogues and communication with portfolio companies, external asset managers and investment partners, other investors and stakeholders, related conferences, and other interested parties.
- (iv.)** Presents any strategic plans for engagement to the Corporate Governance Committee, per the Committee's review and oversight, to promote alignment with Board-approved *Corporate Governance and Stewardship Principles*. In the event of time-sensitive strategic initiatives, staff consults with the Chair of the Committee, who determines action or recommends consideration of the matter by the Committee or Board, time-permitting.
- (v.)** Represents the *Corporate Governance and Stewardship Principles* in written communication to legislators and regulatory agencies, in consultation with the Chief Executive Officer, Chief Investment Officer, and Chief Counsel. Staff may participate in joint investor written communications that are organized as part of formal investor associations to which LACERA has formally affiliated. In event that a time-sensitive, investment- or financial market policy-related legislative or regulatory matter arises that is not adequately considered by the *Corporate Governance and Stewardship Principles* or being addressed by an investor association to which LACERA is affiliated, staff consults with the Chair of the Committee, who determines whether to approve action or recommend consideration of the matter by the Board, time-permitting.

(vi.) Represents LACERA and its *Corporate Governance and Stewardship Principles* at investor associations, including managing membership surveys, business meeting votes (other than selecting which candidates to a governing board to support or oppose), and other operational interactions, in adherence to the *Corporate Governance and Stewardship Principles* and the spirit thereof, in its best judgment and interpretation . In event that a time-sensitive vote arises on a unique item or an issue that is not adequately considered by the *Corporate Governance and Stewardship Principles*, as well as for governance-related investor associations' formal business meeting ballot items pertaining to support or opposition of candidates to a governing board, and time constraints prohibit such items from being presented to the Committee or Board for consideration, staff may determine a vote in consultation with the Chair of the Committee .

Policy Review and Reaffirmation

LACERA reviews and reaffirms this Policy at least every three years in order to ensure its alignment with LACERA's mission and objectives and in light of evolving market practices on corporate governance; environmental, social, and governance ("ESG"); and responsible investment matters.

APPENDIX: Guidelines for Evaluating Prospective ESG-Related Divestments

As stated in LACERA's Investment Beliefs, "LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective . Diversification across different risk factors is necessary for risk reduction."

As a diversified, global investor, LACERA may periodically review its public markets investment exposures to certain issues arising from environmental, social, or governance concerns . It is generally the preference of LACERA, in order to promote diversification and minimize risk, to engage rather than divest investment holdings concerning risks to long-term value . However, in order to address prospective divestment issues and identify LACERA's exposure to exogenous risks related to environmental, social, or governance issues and not addressed elsewhere in the Investment Policy Statement, the following formal process has been adopted:

1. The issue will be directed to Committee for further direction to Staff.
2. If the Committee decides to review the issue, Staff will assess the potential economic and reputational impact of the issue on LACERA .
 - a. Does the issue violate LACERA's *Corporate Governance and Stewardship Principles*?
 - b. Determine criteria for identification of investment(s).
 - c. Preliminary identification of the investment.
 - d. Preliminary estimate on size of the investment.
 - e. Seriousness of the issue/violation and whether it impacts the economics of the investment(s).
 - f. Consultation with LACERA's Chief Executive Officer, Chief Investment Officer, and legal counsel.
3. Staff will report its findings on the potential economic and reputational impact of the issue on LACERA to the Committee .
4. The Committee may forward the issue and potential economic and reputational impact on LACERA to the Board of Investments (Board) for further direction .
5. If the Board directs staff to continue the analysis, staff will calculate the anticipated resources involved in analyzing the issue including, but not limited to:
 - a. Estimate of staff hours required for research and analysis.
 - b. Estimate of the resource impact on current staff initiatives and projects (for example the delay in an RFP search).
 - c. Estimate of cost to obtain information (e.g.: company list) from external service provider .
6. Staff will report back to the Committee with its resource requirements analysis .
7. Committee may make recommendation to the Board to pursue additional analysis .
8. Upon receiving direction from the Board, Staff will contract with external data provider to identify investment(s) impacted by the issue .

- 9 . Staff will identify investment exposures within the separate accounts of the public markets asset classes (equities, fixed income and commodities).
10. Staff will contact external investment managers to solicit feedback from portfolio managers on reasoning for the investment and potential return and risk trade-off of economic substitution.
11. Staff will present findings to the Board and any recommendation(s) as necessary. If further action is warranted, such as engagement with companies, staff's report to the Board will include the following:
 - a. An estimate of additional staff hours needed to execute engagement.
 - b. An estimate of the impact of diverting resources from current staff initiatives and projects (for example the delay in an RFP search).
 - c. Cost of retaining external resources (3rd party consultant) to assist in the engagement process.
 - d. Feedback from portfolio managers on their investment in the company.
 - e. Discussion of criteria and terms for company engagement.
- 12 . If further action, such as engagement, is recommended and approved by the Board, staff will seek to engage with companies on the issue . Letters will be written to the company's executive management and their boards requesting responses within 60 days .
- 13 . If company response is determined to be insufficient, staff will assess the need to place the company on an economic substitution list² and present recommendation(s) to the Board for approval . Included in the recommendation(s) will be the following:
 - a . Updated company exposure within separate accounts of public markets asset classes .
 - b. Annual cost to procure company list.
 - c. Criteria by which company will be removed from the economic substitution list.
14. Staff will continuously monitor company status relative to criteria for removal from the economic substitution list . Once criteria have been met, staff will recommend removal of the company to the Board.
15. Staff will provide an economic substitution list update to the Board annually which will include the following:
 - a. All companies currently on the list.
 - b. Issue for which the company was placed on the list.
 - c. Investment exposure within separate accounts of public markets asset classes.
 - d. Current status of mitigating factors.

² Companies on the list will be covered by the following investment guideline policy language: "Investment managers should refrain from purchasing securities on the economic substitution list when the same investment goals concerning risk, return, and diversification can be achieved through the purchase of another security."

Document History

Revised March 10, 2021
Consolidated and restated October 14, 2020
Revised March 13, 2019
Consolidated and reorganized February 14, 2018
Revised August 9, 2017
Revised October 12, 2016
Revised November 19, 2014
Revised April 10, 2013
Revised April 22, 2009
Revised April 27, 2005
Revised May 26, 2004
Revised August 13, 2003
Revised June 11, 2003
Original adopted March 12, 2003



April 26, 2023

TO: Each Trustee,
Board of Investments

FOR: Board of Investments Meeting of May 10, 2023

SUBJECT: Montreal Alternative Investment Forum (AIMA) in Montreal, Canada on
June 21, 2023

The Montreal Alternative Investment Forum will be held in Montreal, Canada on June 21, 2023. The AIMA Montreal Alternative Investment Forum aims to discuss current trends impacting hedge funds, liquid alternatives, private credit, private equity and more.

The main conference highlights include the following:

- Macroeconomic Case for Alternative Investments
- Designing External Portfolio Management Excellence
- Key Due Diligence Considerations in Alternatives

The conference is scheduled for one day and therefore limits the number of educational hours available to meet the current education policy that requires a minimum of five educational hours per day. However, we are recommending the Board approve an exception given the strength of the entirety of the agenda.

Following are approximate conference and travel costs:

Registration: \$135.00

Hotel: \$425.00 daily rate (plus taxes and fees)

Additional Travel Days: 2

Airfare: \$1,200.00 - \$3,600.00

Ground Transportation: \$80.00 per day

Per Diem & Incidentals: \$114.00 per day
(The registration fee includes most meals)

Approximate Cost Per Traveler: \$2,500.00- \$6,500.00

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

April 26, 2023

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IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:




Approve attendance of Trustees at the Montreal Alternative Investment Forum will be held in Montreal, Canada on June 21, 2023, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies and 2) Approve an exception to the Trustee Education Policy's minimum educational requirement.

Attachment

LE



Montreal Alternative Investment Forum

 June 21, 2023  8:45 AM - 2:00 PM  Club Saint-James, Montreal

In partnership with



Supporting event partners



Agenda

- 08:45am** Registration
- 09:00am** Opening Remarks
- 09:05am** Macroeconomic Case for Alternative Investments
- 09:30am** Hedge funds: Portfolio Fit for All Seasons
- 10:10am** Designing External Portfolio Management Excellence
- 10:35am** Coffee/Networking
- 11:00am** Private Markets and the Big Valuation Question
- 11:40am** Key Due Diligence Considerations in Alternatives
- 12:05pm** Lunch prep/Networking
- 12:30pm** CIO Perspective: Alternative Approach to Fiduciary Leadership
- 01:30pm** Closing Remarks & Networking
- 02:00pm** Close

April 26, 2023

TO: Trustees – Board of Investments

FROM: James Rice 
Principal Investment Officer

Amit Aggarwal 
Investment Officer

Mike Romero 
Senior Investment Analyst

FOR: May 10, 2023 – Board of Investments

SUBJECT: **COMMERCIAL REAL ESTATE BROKERAGE SERVICES REQUEST
FOR PROPOSAL – MINIMUM QUALIFICATIONS**

RECOMMENDATION

Approve the Request for Proposal for Commercial Real Estate Brokerage Services-Minimum Qualifications.

BACKGROUND

The Board of Investments (“BOI”) approved the structure review for Real Estate in January 2022, which included the plan for selling core separate account directly held assets and retaining Stepstone Real Estate advisors (“Stepstone”) as an advisor on the disposition process. Stepstone has recommended LACERA engage up to 3 preferred commercial real estate brokerage firms to help facilitate the disposition process. Staff is recommending the Board of Investments approve a Request for Proposal (“RFP”) process to search for brokerage firms that meet LACERA’s minimum qualifications as outlined in **Attachment I**.

Currently LACERA’s real estate managers engage brokers directly to sell individual real estate assets. As a supplement to this approach, the key objective of selecting a small number of preferred brokers to be used in the sales process are: (a) to centralize LACERA market intelligence as it sells down its real estate assets within multiple manager portfolios across property types and regions, (b) to prepare for the potential for a portfolio sale(s) of multiple assets to a single buyer across manager portfolios, (c) to advise on capital market conditions affecting potential buyers ability to finance their purchases, and (d) to have brokers provide strategic research that would be useful to LACERA as it considers its disposition and refinancing strategy in a dynamic marketplace.

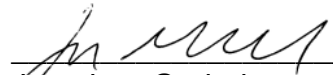
Brokers' basic essential services provided for sellers are to market and sell commercial real estate properties like those that are currently in LACERA's separately held portfolio. Brokers assist with all other customary activities and services associated with real estate transactions. These include developing strategies for sale of properties specific to the local market, developing marketing materials to highlight property attributes, distributing materials to potential buyers, generating interest, responding to requests from potential buyers, analyzing and advising sellers like LACERA on potential offers and then representing sellers in negotiations with prospective buyers from the time of offer to eventual closing.

Staff prepared materials related to the RFP. **Attachment I** describe the recommended search criteria in compliance with the Procurement Policy for Investment-Related Services. This includes: (i) evaluation process; (ii) evaluation criteria; (iii) search timeline; (iv) minimum qualifications; and (v) scope of services. **Attachment I** also provides additional details to the Minimum Qualifications.

Attachment 2 represents the concurrence memorandum from the Board's real estate consultant, Stepstone Group, for this investment recommendation.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Real Estate Commercial Brokerage Services Request for Proposal Minimum Qualifications

Board of Investments Meeting
May 10, 2023

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Recommendation

- Approve the Request for Proposal ("RFP") search Minimum Qualifications
- The RFP will be select up to 3 preferred brokers to be used in the sales process:
 - to centralize LACERA's market intelligence as it sells down its real estate assets within multiple manager portfolios across property types and regions;
 - to prepare for the potential for a portfolio sale of multiple assets to a single buyer across manager portfolios;
 - to advise on capital market conditions affecting potential buyers' ability to finance their purchases, and to have brokers provide strategic research that would be useful to LACERA as it considers its disposition strategy in a dynamic marketplace.

Overview

Board approved the structure review for Real Estate in January 2022, which included the plan for selling core separate account directly held assets and retaining Stepstone Real Estate Advisors ("Stepstone") as an advisor on the disposition process. Stepstone has recommended LACERA engage up to 3 preferred commercial real estate brokerage firms to help facilitate the disposition process.



- Proposed Evaluation Team consists of three team members from Real Estate and Stepstone, LACERA's advisor on the disposition process
- Evaluation Team will conduct the Request for Proposal process in two phases:
 - Phase I: Written RFP responses evaluation
 - Phase II: Candidate interviews
- Final scores, evaluation review, and recommendation will be provided to the Board
- Selection authority for this RFP will be the Chief Investment Officer

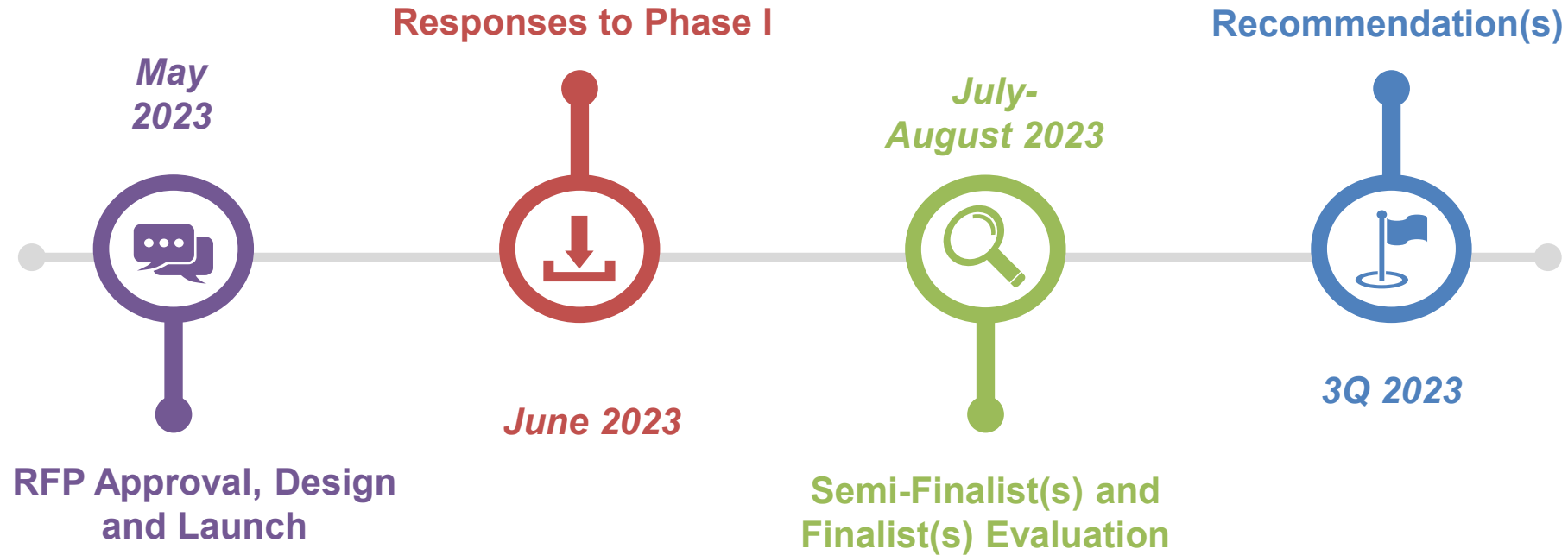
Evaluation Criteria



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

1. Organization (10%)
2. Professional Staff (25%)
3. Brokerage Services (35%)
4. Research Capabilities (20%)
5. Fees (10%)

Proposed Search Timeline



Note: Timeline subject to Board approval.

Minimum Qualifications



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

1. As of March 31, 2023, the firm must be licensed to perform real estate brokerage services throughout the U.S. with a national network of office sufficient to provide local coverage of LACERA portfolio assets

LACERA'S real estate portfolio are in various locations in the U.S. and therefore a brokerage firm(s) is required that has national network of offices to execute the sales.

2. As of March 31, 2023, the firm must have at least ten (10) years of experience providing brokerage and related services to institutional clients

Require a firm that has sufficient experience to cover LACERA's entire real estate portfolio

3. The firm must have successfully brokered at least \$20 billion of closed sales in the calendar year 2021, to include at least \$5 billion in sales in each property type of retail, industrial, multi-family and office

Given LACERA's gross asset value of \$6.5 billion in LACERA's real estate separate account portfolio, this provides the broker capacity to cover all or a portion of the portfolio.

4. Wholly-owned affiliate arranged at least \$30 billion in debt financing in 2021

This reflects the scope of LACERA's asset size

5. Experience brokering and closing multiple, multi asset portfolio sales in the range of \$2-5 billion

If the current real estate market changes, it would allow for multi asset portfolio sales of LACERA's real estate portfolio.

Scope of Services Summary



- Provide as needed strategic guidance on market conditions, exit timing and strategy
- Asset level review and valuation of the portfolio at least annually for 4 years (assuming material exposures remain) along with both individual and bulk sale plans to optimize exit goals
- Advise on key leasing and capital budget considerations affecting disposition and exit goals
- Serve as a preferred broker for individual asset sales, which will continue to be run by the separate account managers. Provide LACERA with periodic updates on these efforts
- Provide full brokerage services for any bulk sales undertaken
- Assist in analyzing offers from potential buyers and advise with respect to negotiations
- Advise on potential in-kind asset transfers to LACERA identified desired Fund managers in lieu of cash transaction
- Advise LACERA on refinancing and seller financing strategies

Strategic Considerations

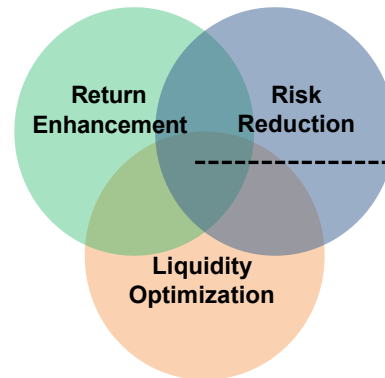


Strategic Initiatives



Execute Strategic Asset Allocation

while balancing...



Produce, Protect,
and Provide the
Promised Benefits



**Enhance
Operational
Effectiveness**

**Optimize Investment
Model**

**Maximize Stewardship
and Ownership Rights**

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

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

Recommendation advances the following initiatives

Enhance Operational Effectiveness

- Sell individual assets to reduce the operational risk inherent in title holding structures

Optimize Investment Model

- Invest proceeds from sales into commingled funds to improve diversification

Strengthen Influence on Fees and Cost of Capital

- Potential discounted fees for transaction execution



Recommendation

Approve the Request for Proposal (“RFP”) search Minimum Qualifications

Summary

The RFP will be to select up to 3 preferred brokers to be used in the sales process:

- to centralize LACERA’s market intelligence as it sells down its real estate assets within multiple manager portfolios across property types and regions;
- to prepare for the potential for a portfolio sale of multiple assets to a single buyer across manager portfolios;
- to advise on capital market conditions affecting potential buyers' ability to finance their purchases, and to have brokers provide strategic research that would be useful to LACERA as it considers its disposition strategy in a dynamic marketplace.



INVESTMENT RECOMMENDATION

To: Each Member of the LACERA Board of Investments
From: StepStone Real Estate ("SRE")
Date: May 1, 2023
Re: Commercial Real Estate Broker Services RFP ("RFP")

GENERAL SUMMARY

In January 2022 the Board of Investments ("BOI") approved a structure review of LACERA's real estate portfolio. The structure review included a recommendation, with StepStone's full support, for liquidating the investment management account ("IMA") directly held assets in an orderly fashion over time. LACERA retained SRE to conduct work to assist in planning the disposition process under certain special project terms contained in SRE's advisory contract with LACERA. An update on this work was presented to the Board during its May meeting. This included a recommendation by SRE that LACERA engage 1-2 (up to three) highly qualified, national commercial real estate brokerage firms to help facilitate the disposition process, including providing advice and potentially brokering a bulk sale if and when market conditions allow. Staff is recommending the BOI approve an RFP process to commence the search for brokerage firms that meet LACERA's minimum qualifications.

Under existing IMA contract mandates, LACERA's IMA managers engage brokers directly to sell individual real estate assets that they determine, along with LACERA's approval, to be market ready and where a current sale is the best strategy execution for LACERA. Historically, sales proceeds were more likely than not to be reinvested in new real estate assets within the subject IMA. The managers are presently working under three year plans to conduct an orderly sale of the assets pursuant to the liquidation plan in the structure review.

SRE believes that by LACERA retaining high conviction brokers in the manner described herein, it will improve sale options and outcomes. As the portfolio assets are sold individually by the IMA managers, the selected brokers will comprise a "preferred broker list" and IMA managers will be requested to use one of them except in the unusual event that they have high conviction that none of the firms have the expertise to obtain best execution for a particular asset. If market conditions allow for a bulk sale, LACERA will choose among the selected brokers to execute. Selection now situates LACERA to promptly capitalize on such a window by eliminating the need to fit in the RFP process then and potentially miss the window as that process is undertaken.

Selection of a short list of brokers also consolidates revenue to better ensure bulk discounts, improve broker alignment and communication with LACERA, and also enable them to dedicate resources to providing strategic advice to LACERA as it contemplates exit strategy and a potential bulk sale. This includes providing perspective across the entire portfolio that any individual IMA manager or local broker may lack as they work with only a portion of the portfolio. Under certain market conditions, it may be possible to attract a single buyer across the IMA portfolios, either in total, or by property type, market/region, or by constructing specific diversified portfolio mixes. In addition, the preferred broker will be well-qualified to assist with debt consulting and financing placement. In any case, the brokers will be expert in completely managing market bid sale processes, vetting potential buyers, maximizing price and providing LACERA with additional information and perspective that may improve its decision making.

SUPPORT RECOMMENDATION

SRE believes the approach outlined above and more fully described in the RFP document itself, along with minimum qualification requirements, and evidence of conformance to LACERA contracting policies, will be the best execution available to facilitate the liquidation and maximize proceeds. StepStone recommends that LACERA approve the RFP mandate.

April 18, 2023

TO: Trustees – Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

FOR: May 10, 2023 Board of Investments Meeting

SUBJECT: **BOARD OF INVESTMENTS 2023 OFFSITE TENTATIVE AGENDA**

SUMMARY

On September 12th and 13th, LACERA's Board of Investments is scheduled to have its annual offsite meeting. We are planning to gather in-person at the Hilton Los Angeles North/Glendale. Additional information regarding logistics will be provided in the future. Offsite topics will be presented and discussed on both days and a Board meeting is scheduled to occur on the afternoon of the 13th. We expect to collaborate with numerous business partners and advisors to arrange for an insightful and productive event. The following is a tentative high-level agenda¹ that reflects Trustee rankings in an online survey:

Tuesday, September 12, 2023

Morning

- The Macro Environment
- Board and Committee Evaluation

Afternoon

- Capital Markets Expectations (CME's)
- Actuarial Funding Policy Review

Wednesday, September 13, 2023

Morning

- Risk Management
- Evolution of LACERA's Portfolio

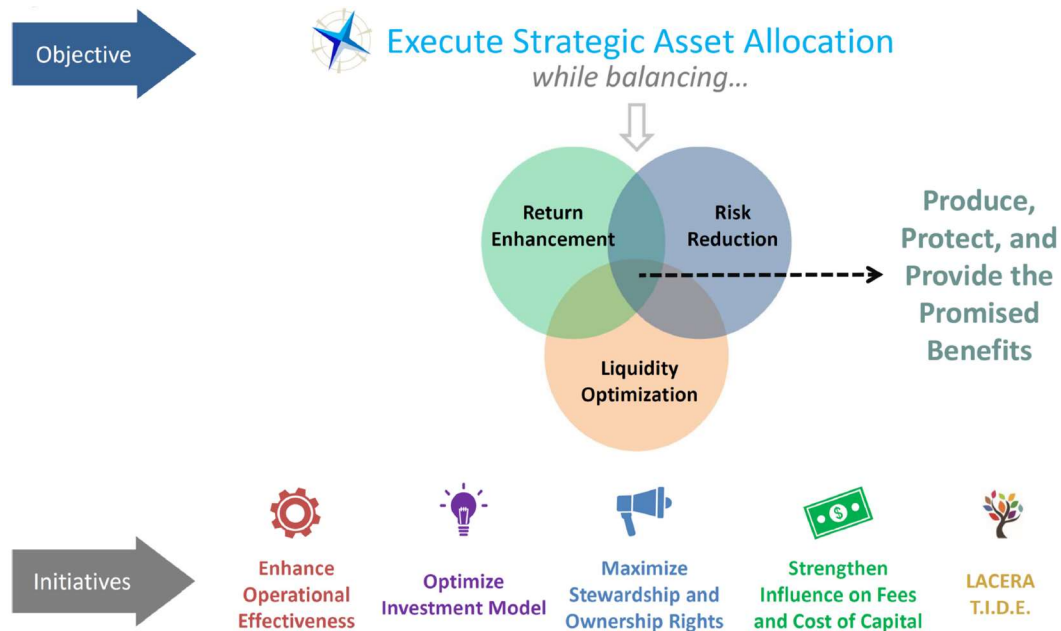
Afternoon

- Board of Investments Meeting

¹ The tentative high-level agenda shown above is subject to change or refinement.

BACKGROUND

In an effort to develop a responsive and engaging agenda, a list of potential topics was compiled while considering interactions with Trustees, current events, and LACERA's 2023 Work Plan and Strategic Initiatives, as referenced below.



An online survey was created, and Trustees were asked to rank their relative interest in each of five broad categories and nineteen potential topics with an option to identify a new topic. Aggregate survey results were discussed with Board leadership. The five categories are shown below with a brief description.


- **Board Governance Topics**
 - Policy and procedure / Board and Committee effectiveness
- **Macro Topics**
 - Broad economic landscape
- **Investment Effectiveness Topics**
 - Investment opportunities, overview of LACERA portfolio(s)
- **Operational Topics**
 - Overview of operational practices
- **T.I.D.E. / ESG Topics**
 - Topics related to inclusion, diversity, equity and ESG

The tentative agenda topics shown above received the most votes from the online survey. Over the next several months, staff will work with key partners to develop content for these topics and invite select outside speakers.

FOR INFORMATION ONLY

April 21, 2023

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 3, 2023 Board of Retirement Meeting
May 10, 2023 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

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

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

LACERA Legislative Report Index
LACERA Legislative Report

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

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PUBLIC RETIREMENT

CA AB 738	AUTHOR: TITLE: INTRODUCED: DISPOSITION: SUMMARY:	Lackey [R] State Actuarial Advisory Panel: Reports 02/13/2023 Pending Relates to existing law under which the State Actuarial Advisory Panel is required to report to the Legislature on or before February 1 of each year. Changes the deadline for that report to January 31 of each year.
	STATUS:	
	02/23/2023	To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
CA AB 739	AUTHOR: TITLE: INTRODUCED: DISPOSITION: SUMMARY:	Lackey [R] Public Retirement Systems: Defined Benefit Plans 02/13/2023 Pending Revises the conditions for suspending contributions to a public retirement system defined benefit plan to increase the threshold percentage amount of plan funding to more than 130%.
	STATUS:	
	02/23/2023	To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
CA AB 1246	AUTHOR: TITLE: INTRODUCED: LAST AMEND: DISPOSITION: SUMMARY:	Nguyen [D] Public Employees' Retirement System Optional Settlement 02/16/2023 03/16/2023 Pending Extends the ability of a retiree to change their designated beneficiary to include naming a new spouse following a retiree's divorce and subsequent remarriage. Allows a retiree's new spouse to receive the retiree's postdivorce retirement settlement benefits.
	STATUS:	
	04/12/2023	From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (7-0)
CA SB 300	AUTHOR: TITLE: INTRODUCED: DISPOSITION: SUMMARY:	Seyarto [R] Public Employees Retirement: Fiscal Impact: Information 02/02/2023 Pending Requires any bill, introduced on or after January 1, 2024, that is referred to the Senate Labor, Public Employment and Retirement Committee and relates to PERS to include a fiscal impact analysis from the Legislative Analysts Office that describes the fiscal impact of the bill on PERS and what the outcome of the bill would be if implemented.
	STATUS:	

	02/22/2023	To SENATE Committees on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT and APPROPRIATIONS.
CA SB 432	AUTHOR:	Cortese [D]
	TITLE:	Teachers' Retirement
	INTRODUCED:	02/13/2023
	DISPOSITION:	Pending
	SUMMARY:	Specifies that compensation reported in accordance with State Teachers Retirement System rules includes rules relating to timeliness and accuracy and would eliminate the requirement that supersession by other law or order be express, as described.
	STATUS:	
	02/22/2023	To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.
CA SB 548	AUTHOR:	Niello [R]
	TITLE:	Public Employees Retirement: County and Trial Court
	INTRODUCED:	02/15/2023
	DISPOSITION:	Pending
	SUMMARY:	Authorizes a county and the trial court located within the county to elect to separate their joint PERS contract into individual contracts, if the county and the trial court make that election voluntarily, and would prescribe a process for this.
	STATUS:	
	04/19/2023	From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (5-0)
CA SB 660	AUTHOR:	Alvarado-Gil [D]
	TITLE:	Public Employees' Retirement Systems
	INTRODUCED:	02/16/2023
	LAST AMEND:	03/21/2023
	DISPOSITION:	Pending
	SUMMARY:	Establishes the California Public Retirement System Agency Cost and Liability Panel, located in the Controller's office. Assigns responsibilities to the panel related to retirement benefit costs, including determining how costs and unfunded liability are apportioned to a public agency when a member changes employers within the same public retirement system or when a member concurrently retires with a specified number or more retirement systems that have entered into reciprocity agreements.
	STATUS:	
	04/19/2023	From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (5-0)

PUBLIC INVESTMENT

CA SB 252	AUTHOR:	Gonzalez [D]
	TITLE:	Public Retirement Systems: Fossil Fuels: Divestment
	INTRODUCED:	01/30/2023
	LAST AMEND:	04/20/2023
	DISPOSITION:	Pending

SUMMARY:

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, as defined. The bill would require the boards to liquidate investments in a fossil fuel company on or before July 1, 2030.

STATUS:

04/20/2023 In SENATE. Read second time and amended. Re-referred to Committee on APPROPRIATIONS.

PUBLIC EMPLOYMENT

CA SB 765 **AUTHOR:** Portantino [D]
TITLE: Teachers: Retired Teachers: Teacher Preparation
INTRODUCED: 02/17/2023
LAST AMEND: 04/11/2023
DISPOSITION: Pending
SUMMARY:
Provides that existing law permits members retired for service from the State Teachers' Retirement System to perform retired member activities without reinstatement into the system if certain conditions are met. Authorizes a member retired from service to perform retired member activities, notwithstanding the compensation limitation, if a request for exemption containing specified information is submitted to the system.
STATUS:
04/19/2023 From SENATE Committee on EDUCATION: Do pass to Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT. (7-0)

CA SB 885 **AUTHOR:** Labor, Public Employment & Retirement Cmt
TITLE: Public Employees' Retirement
INTRODUCED: 03/14/2023
LAST AMEND: 04/17/2023
DISPOSITION: Pending
SUMMARY:
Relates to the County Employees Retirement Law of 1937, which authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to county, city, and district employees and their beneficiaries. Clarifies the definition of final compensation for specified members, members who are subject to the California Public Employees' Pension Reform Act of 2013, and members whose services are on a tenure that is temporary, seasonal, intermittent, or part time in the CERL.
STATUS:
04/19/2023 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on PUBLIC SAFETY. (5-0)

DISABILITY RETIREMENT

CA AB 1020 **AUTHOR:** Grayson [D]
TITLE: County Employees Retirement Law 1937: Disability
INTRODUCED: 02/15/2023
LAST AMEND: 03/13/2023
DISPOSITION: Pending
SUMMARY:

Related to law that requires, if a safety member, a firefighter member, or a member in active law enforcement who has completed 5 years or more of service develops heart trouble, that the heart trouble be presumed to arise out of and in the course of employment. Requires, if a safety member, firefighter, or member in active law enforcement who has completed a certain number of years or more of service develops hernia or pneumonia, that it shall be presumed to arise out of and in the course of employment.

STATUS:

04/20/2023 In ASSEMBLY. Read third time. Passed ASSEMBLY.
*****To SENATE. (76-0)

CA SB 327

AUTHOR: Laird [D]
TITLE: State Teachers' Retirement: Disability Allowances
INTRODUCED: 02/07/2023
DISPOSITION: Pending
SUMMARY:

Prohibits the service retirement date of a member who submits an application for retirement under the Teachers' Retirement Law from being earlier than 180 calendar days prior to when the application for service retirement is received by the system.

STATUS:

02/15/2023 To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

WORKERS COMPENSATION

CA AB 489

AUTHOR: Calderon [D]
TITLE: Workers' Compensation: Disability Payments
INTRODUCED: 02/07/2023
DISPOSITION: Pending
SUMMARY:

Relates to existing law which, until January 1, 2024, allows an employer to commence a program under which disability indemnity payments are deposited in a prepaid card account for employees. Extends the authorization to deposit indemnity payments in a prepaid card account until January 1, 2025.

STATUS:

04/20/2023 In ASSEMBLY. Read second time. To Consent Calendar.

CA AB 597

AUTHOR: Rodriguez [D]
TITLE: Workers' Compensation: First Responders: Stress
INTRODUCED: 02/09/2023
LAST AMEND: 02/23/2023
DISPOSITION: Pending
SUMMARY:

Provides that for certain State and local firefighting personnel and peace officers, the term injury includes post-traumatic stress that develops or manifests during a period in which the injured person is in the service. Requires the compensation awarded pursuant to this provision to include full hospital, surgical, medical treatment, disability indemnity, and death benefits. Makes this applicable to emergency medical technicians and paramedics for injuries on and after certain date.

STATUS:

02/23/2023 From ASSEMBLY Committee on INSURANCE with author's amendments.

	02/23/2023	In ASSEMBLY. Read second time and amended. Re-referred to Committee on INSURANCE.
CA AB 621	AUTHOR:	Irwin [D]
	TITLE:	Workers' Compensation: Special Death Benefit
	INTRODUCED:	02/09/2023
	DISPOSITION:	Pending
	SUMMARY:	Relates to existing law which provides that no benefits, except reasonable expenses of burial not exceeding \$1,000, shall be awarded under the workers' compensation laws on account of the death of an employee who is an active member of the Public Employees' Retirement System, unless the death benefits available under the Public Employees Retirement Law are less than the workers' compensation death benefits. Expands an exemption from the limitation to include state safety members and peace officers.
	STATUS:	
	03/22/2023	From ASSEMBLY Committee on INSURANCE: Do pass to Committee on APPROPRIATIONS. (12-0)
CA AB 699	AUTHOR:	Weber A [D]
	TITLE:	Workers' Compensation: Presumed Injuries
	INTRODUCED:	02/13/2023
	DISPOSITION:	Pending
	SUMMARY:	Expands presumptions for hernia, pneumonia, heart trouble, cancer, tuberculosis, bloodborne infectious disease, methicillin-resistant Staphylococcus aureus skin infection, and meningitis-related illnesses and injuries to a lifeguard employed on a year-round, full-time basis in the Boating Safety Unit by the City of San Diego Fire-Rescue Department.
	STATUS:	
	04/20/2023	In ASSEMBLY. Read second time. To Consent Calendar.
CA AB 1107	AUTHOR:	Mathis [R]
	TITLE:	Workers' Compensation: Presumptive Injuries
	INTRODUCED:	02/15/2023
	DISPOSITION:	Pending
	SUMMARY:	Makes a workers' compensation system provision applicable to additional members and employees of the Department of Corrections and Rehabilitation, including members of the Office of Correctional Safety or the Office of Internal Affairs.
	STATUS:	
	03/02/2023	To ASSEMBLY Committee on INSURANCE.
CA AB 1145	AUTHOR:	Maienschein [D]
	TITLE:	Workers' Compensation
	INTRODUCED:	02/16/2023
	DISPOSITION:	Pending
	SUMMARY:	Provides, only until January 1, 2030, that in the case of certain state nurses, psychiatric technicians, and various medical and social services specialists, the term injury also includes post-traumatic stress that develops or manifests itself during a period in which the injured person is in the service of the department

or unit. Applies to injuries occurring on or after January 1, 2024.

STATUS:

04/12/2023 From ASSEMBLY Committee on INSURANCE: Do pass to Committee on APPROPRIATIONS. (13-0)

CA AB 1156

AUTHOR: Bonta M [D]
TITLE: Workers' Compensation: Hospital Employees
INTRODUCED: 02/16/2023
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 2019 novel coronavirus disease (COVID-19) from SARS-CoV-2 and its variants, among other conditions, in the definitions of infectious and respiratory diseases.

STATUS:

03/02/2023 To ASSEMBLY Committee on INSURANCE.

CA SB 391

AUTHOR: Blakespear [D]
TITLE: Workers' Compensation: Skin Cancer
INTRODUCED: 02/09/2023
DISPOSITION: Pending
SUMMARY:

Expands the scope of Workers' compensation and skin cancer regulations to certain peace officers of the Department of Fish and Wildlife and the Department of Parks and Recreation.

STATUS:

04/19/2023 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (5-0)

CA SB 623

AUTHOR: Laird [D]
TITLE: Workers Compensation: Post-Traumatic Stress Disorder
INTRODUCED: 02/15/2023
LAST AMEND: 03/20/2023
DISPOSITION: Pending
SUMMARY:

Relates to workers compensation for post-traumatic stress disorder. Expands such provisions to, among others, firefighting members of the State Department of State Hospitals, the State Department of Developmental Services, the Military Department, and the Department of Veterans Affairs.

STATUS:

04/12/2023 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (5-0)

BROWN ACT

CA AB 557

AUTHOR: Hart [D]
TITLE: Open Meetings: Local Agencies: Teleconferences
INTRODUCED: 02/08/2023
DISPOSITION: Pending
SUMMARY:

Extends the abbreviated teleconferencing provisions when a declared state of

emergency is in effect, or in other situations related to public health, indefinitely. The bill would also extend the period for a legislative body to make specified findings related to a continuing state of emergency and social distancing to not later than 45 days after the first teleconferenced meeting, and every 45 days thereafter, in order to continue to meet under the abbreviated teleconferencing procedures.

STATUS:

02/17/2023 To ASSEMBLY Committee on LOCAL GOVERNMENT.

CA AB 817

AUTHOR: Pacheco [D]
TITLE: Open Meetings: Teleconferencing: Subsidiary Body
INTRODUCED: 02/13/2023
LAST AMEND: 03/16/2023
DISPOSITION: Pending
SUMMARY:

Relates to the Ralph Brown Act. Authorizes a subsidiary body to use alternative teleconferencing provisions similar to the emergency provisions indefinitely and without regard to a state of emergency.

STATUS:

03/16/2023 To ASSEMBLY Committee on LOCAL GOVERNMENT.

03/16/2023 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.

03/16/2023 In ASSEMBLY. Read second time and amended.
Re-referred to Committee on LOCAL GOVERNMENT.

CA AB 1379

AUTHOR: Papan [D]
TITLE: Open Meetings: Local Agencies: Teleconferences
INTRODUCED: 02/17/2023
LAST AMEND: 03/23/2023
DISPOSITION: Pending
SUMMARY:

Relates to teleconferencing. Requires a legislative body electing to use teleconferencing to post agendas at a singular designated physical meeting location, as defined, rather than at all teleconference locations.

STATUS:

03/23/2023 To ASSEMBLY Committee on LOCAL GOVERNMENT.

03/23/2023 From ASSEMBLY Committee on LOCAL GOVERNMENT with author's amendments.

03/23/2023 In ASSEMBLY. Read second time and amended.
Re-referred to Committee on LOCAL GOVERNMENT.

CA SB 411

AUTHOR: Portantino [D]
TITLE: Open Meetings: Teleconferences: Appointed Membership
INTRODUCED: 02/09/2023
DISPOSITION: Pending
SUMMARY:

Authorizes a legislative body to use alternate teleconferencing provisions similar to the emergency provisions indefinitely and without regard to a state of emergency. Defines a legislative body for this purpose to mean a board, commission, or advisory body of a local agency, the membership of which board, commission, or advisory body is appointed and which board, commission, or advisory body is otherwise subject to the Ralph M. Brown Act.

STATUS:

04/19/2023 From SENATE Committee on GOVERNANCE AND FINANCE:
Do pass as amended to Committee on JUDICIARY. (6-2)

Note:

SACRS lobbyists say this is intended for neighborhood councils.

CA SB 537

AUTHOR: Becker [D]
TITLE: Open Meetings: Local Agencies: Teleconferences
INTRODUCED: 02/14/2023
LAST AMEND: 03/22/2023
DISPOSITION: Pending
SUMMARY:

Authorizes certain legislative bodies to use alternate teleconferencing provisions similar to certain emergency provisions indefinitely and without regard to a state of emergency. Requires a legislative body to provide a record of attendance on its internet website within seven days after a teleconference meeting.

STATUS:

04/19/2023 From SENATE Committee on GOVERNANCE AND FINANCE:
Do pass as amended to Committee on JUDICIARY. (6-2)

PUBLIC RECORDS ACT

CA AB 1637

AUTHOR: Irwin [D]
TITLE: Local Government: Internet Websites and Email Addresses
INTRODUCED: 02/12/2023
LAST AMEND: 03/16/2023
DISPOSITION: Pending
SUMMARY:

Requires a local agency that maintains an internet website for use by the public to ensure that the internet website utilizes a .gov top-level domain or a .ca.gov second-level domain, and requires a local agency that maintains an internet website that is noncompliant with that requirement to redirect that internet website to a domain name that does utilize a .gov or .ca.gov domain.

STATUS:

04/19/2023 From ASSEMBLY Committee on LOCAL GOVERNMENT: Do
pass to Committee on PRIVACY AND CONSUMER
PROTECTION. (6-0)

SOCIAL SECURITY

CA SJR 1

AUTHOR: Cortese [D]
TITLE: Social Security Act: Repeal of Benefit Reductions
INTRODUCED: 12/05/2022
LAST AMEND: 04/12/2023
DISPOSITION: Pending
SUMMARY:

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

STATUS:

04/12/2023 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND
RETIREMENT with author's amendments.
04/12/2023 In ASSEMBLY. Read second time and amended.
Re-referred to Committee on PUBLIC EMPLOYMENT AND
RETIREMENT.

US HR 82

SPONSOR: Graves [R]
TITLE: Pension Offset and Windfall Elimination Repeal
INTRODUCED: 01/09/2023
DISPOSITION: Pending
SUMMARY:

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

STATUS:

01/09/2023 INTRODUCED.
01/09/2023 To HOUSE Committee on WAYS AND MEANS.

US S 597

SPONSOR: Brown S [D]
TITLE: Government Pension Offset Repeal
INTRODUCED: 03/01/2023
DISPOSITION: Pending
SUMMARY:

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

STATUS:

03/01/2023 INTRODUCED.
03/01/2023 In SENATE. Read second time.
03/01/2023 To SENATE Committee on FINANCE.

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**FOR INFORMATION ONLY**

April 28, 2023

TO: Trustees - Board of Investments
FROM: Christine Roseland *CR*
Senior Staff Counsel
FOR: Board of Investments Meeting of May 10, 2023
SUBJECT: Real Estate Recoveries Report

This report provides the savings and recoveries that the Legal Office achieved in 2022 in connection with LACERA's separate account real estate investment program.

Separate Account Real Estate Program

LACERA's Real Estate Program consists of, among other things, separate account equity positions that cover a broad array of property types diversified throughout the U.S., including office buildings, industrial properties, multi-family apartments, retail centers, and development projects. LACERA acquires and sells properties utilizing private real estate advisory firms that are fiduciaries to LACERA. Most of the properties are held through tax exempt title holding companies ("THCs") formed as corporations, limited liability companies, or limited partnerships. Currently, LACERA maintains about 99 THCs holding approximately 61 assets for the separate account Real Estate Program.

The Legal Office handles the documentation relating to the transactions involving the acquisition¹, disposition, and leveraging of these properties as well as the formation, maintenance, management, and dissolution of the THCs holding title to the properties. The Legal Office's management of the THCs includes tax exemption filings, recovery of unclaimed property, and pursuing refunds relating to property tax reassessments, state and local transfer, income, and franchise taxes and withholdings as well as annual state registration fees.

Recovery

Through these efforts, LACERA recovered \$398,738.25 in tax and unclaimed property related proceeds in calendar year 2022. This brings the total amount recovered on behalf of the fund to over \$4,710,583.69 since 2014.

¹ LACERA has ceased acquisitions as of January 2022 when the Board voted to wind down the separate account program as part of the real estate structure review.

The following is a breakdown of the amounts recovered on an annual basis since that time:

Year	Recovery
2014	\$ 447,579.38
2015	\$ 6,681.82
2016	\$ 748,771.65
2017	\$ 280,020.77
2018	\$ 768,403.15
2019	\$ 646,875.39
2020	\$ 1,115,201.62 ²
2021	\$ 298,311.66
2022	\$ 398,738.25
Total	\$4,710,583.69³

In addition, many of the separate account real estate transactions are handled by LACERA's outside counsel, who are in turn overseen by the Legal Office. After each transaction (such as a sale, purchase or financing), the firm engaged by LACERA submits an invoice for their services based on their hourly fees. The Legal Office frequently negotiates these invoices down based on circumstances. Through these negotiations, LACERA has saved over \$873,493.06 between 2014 and 2022. These amounts are in addition to discounted rates negotiated at the time the law firm is engaged to serve on the LACERA-bench of firms and result from staff monitoring the efficiency and value provided by outside counsel on a particular real estate transaction. The following is a breakdown of the amounts saved off invoice amounts on an annual basis since 2014:

Year	Legal Fee Savings
2014	\$ 21,786.40
2015	\$ 110,692.80
2016	\$ 40,409.27
2017	\$ 53,784.84
2018	\$ 165,127.31
2019	\$ 195,480.22
2020	\$ 25,033.13
2021	\$ 159,565.92
2022	\$ 101,613.17
Total	\$ 873,493.06

Similar legal fee savings exist for other asset classes too but they are not included in this report because the focus here is on the separate account Real Estate Program.

² This amount includes a refund check in the amount of \$383,119.65 which was received in 2022.

³ The data in this memo is current through December 30, 2022.

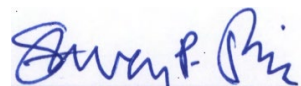
Background

The Transactions Team within the Legal Division oversees all legal aspects of investment transactions including the Real Estate Program. That team is responsible for handling the transactions as well as the management of the THCs. Among other things related to the management of the THCs, the team is responsible for (1) filing all tax exemption applications for each THC with the federal and applicable state governments (when such exemption is available), (2) recovering taxes for each THC at the federal, state, or local levels, to the extent taxes were paid when there was an exemption available, (3) monitoring and processing property tax refunds for each THC, (4) researching and applying for unclaimed property in various states when discovered, (5) managing state registrations for each THC, (6) monitoring income tax filings and withholdings, including applying for refunds when applicable, and (7) selecting, supervising, and monitoring outside counsel.

LACERA typically negotiates a discounted hourly rate with its panel of outside counsel engaged in connection with investment transactions. These discounts are usually 10 to 20% off regular rates. In addition to this rate discount, the Legal Office often negotiates an additional discount on final invoices of outside counsel in connection with individual transactions. Reasons for these discounts include, among other things, (1) exceeding the budgeted amount due to unanticipated issues or out of scope work, (2) reasonableness of the total amount in light of the circumstances, including value and efficiency of services provided, (3) volume discounts, (4) a hard not to exceed fee cap in situations where the hourly fees could eat up any gains (such as a tax refund or settlement), and (5) fairness in situations where multiple firms bid on the same transaction.

As noted above, efforts on tax and unclaimed property claims have resulted in the recovery by the fund of \$398,738.25 in 2022, and over \$4,710,583.69 in total proceeds since 2014, plus an additional \$101,613.17 in legal fee savings. When combined, these recoveries total \$5,584,076.75 since 2014. Because most of these recoveries were handled internally, offsetting fees or costs incurred to collect these amounts are negligible. Accordingly, these real estate recoveries directly benefit the pension fund.

Reviewed and Approved:



Steven P. Rice
Chief Counsel

cc: Santos H. Kreimann
Luis Lugo
Jonathan Grabel
Ted Granger
Richard Bendall
Jim Rice

FOR INFORMATION ONLY

May 2, 2023

TO: Trustees,
Board of Investments

FROM: Christine Roseland *CR*
Senior Staff Counsel

FOR: May 10, 2023 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 May 2, 2023.

Attachment

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



LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of May 2, 2023



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes	
EQUITIES	Leading Edge Investment Advisors (LEIA)	Investment Management Agreement for Global Equity Emerging Manager Program	\$500,000,000	October 12, 2022	In Progress	<div style="width: 50%; background-color: #4682B4;"></div> 50%	Legal negotiations in process.	EB
	New Alpha Asset Management (New Alpha)	Investment Management Agreement for Global Equity Emerging Manager Program	\$500,000,000	October 12, 2022	In Progress	<div style="width: 50%; background-color: #4682B4;"></div> 50%	Legal negotiations in process.	EB
OPEB	Hamilton Lane	Investment Management Agreement	\$500,000,000	August 10, 2022	Completed.	<div style="width: 100%; background-color: #4682B4;"></div> 100%	Completed.	CR
PRIVATE EQUITY	Alpine Investors IX, L.P.	Subscription	\$150,000,000	March 8, 2023	Completed.	<div style="width: 100%; background-color: #4682B4;"></div> 100%	Completed.	EB
PORTFOLIO ANALYTICS	State Street Bank and Trust Co.	Global Custody and Commercial Banking Services Agreement for LACERA's Pension Plan and OPEB Master Trust	\$72,000,000,000	August 10, 2022	In Progress	<div style="width: 65%; background-color: #4682B4;"></div> 65%	Legal negotiations in process.	CR
REAL ESTATE	Clarion Lion Property Fund	Subscription	\$600,000,000	February 8, 2023	In Progress	<div style="width: 90%; background-color: #4682B4;"></div> 90%	Legal negotiations in process.	EB
	CBRE U.S. Core Partners Fund (Open-End)	Subscription	\$600,000,000	March 8, 2023	In Progress	<div style="width: 50%; background-color: #4682B4;"></div> 50%	Legal negotiations in process.	CR
REAL ASSETS	Macquarie Global Infrastructure Fund SCSP	Subscription	\$600,000,000	April 12, 2023	In Progress	<div style="width: 15%; background-color: #4682B4;"></div> 15%	Legal negotiations in process.	CR

**FOR INFORMATION ONLY**

April 19, 2023

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Ted Granger *TG*
Interim Chief Financial Officer

FOR: May 3, 2023 Board of Retirement Meeting
May 10, 2023 Board of Investments Meeting

SUBJECT: MONTHLY TRAVEL & EDUCATION REPORT – MARCH 2023

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 March 2023. Staff travel and education reports are provided to the Chief Executive Officer monthly and to the Boards quarterly.

REVIEWED AND APPROVED:

Santos H. Kreimann
Chief Executive Officer

TG/EW/SC/se

Attachments

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

**TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2022 - 2023
MARCH 2023**

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Alan Bernstein			
A	1 Edu - CII Fall 2022 Conference - Boston MA	09/21/2022 - 09/23/2022	Attended
	2 Edu - NCPERS 2022 Public Safety Conference - Nashville TN	10/23/2022 - 10/26/2022	Attended
B	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
V	- Edu - NACD: The Theranos Implosion - VIRTUAL	09/28/2022 - 09/28/2022	Attended
	- Edu - NACD The Future of the American Board - Virtual CA	02/08/2023 - 02/08/2023	Attended
X	- Edu - NCPERS 2023 Legislative Conference - Washington, DC MD	01/22/2023 - 01/24/2023	Canceled
Elizabeth Ginsberg			
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
	- Edu - CALAPRS Advanced Principles of Pension Governance for Trustees - Los Angeles CA	03/29/2023 - 03/31/2023	Attended
V	- Edu - NACD Cyber-Risk Oversight Certificate - At Your Own Pace - VIRTUAL	11/04/2022 - 11/04/2022	Attended
Vivian Gray			
A	1 Edu - CII Fall 2022 Conference - Boston MA	09/21/2022 - 09/23/2022	Attended
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
	- Admin - SACRS Board of Directors Meeting - Los Angeles CA	08/22/2022 - 08/22/2022	Attended
	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Admin - SACRS Program Committee & Board of Directors Meeting - Santa Barbara CA	09/26/2022 - 09/27/2022	Attended
	- Admin - SACRS Board of Directors Meeting - San Diego CA	12/01/2022 - 12/01/2022	Attended
	- Admin - SACRS Board of Directors Meeting - Sacramento CA	01/09/2023 - 01/10/2023	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
	- Admin - SACRS Program Committee Meeting - Sacramento CA	03/20/2023 - 03/20/2023	Attended
	- Edu - 2023 NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/22/2023 - 03/23/2023	Attended
V	- Edu - The Global Conversation on Gender Diversity - VIRTUAL	11/02/2022 - 11/02/2022	Attended
	- Edu - 50/50 Women on Boards - VIRTUAL	11/02/2022 - 11/02/2022	Attended
X	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Canceled
	- Edu - NCPERS 2023 Legislative Conference - Washington, DC MD	01/22/2023 - 01/24/2023	Canceled

**TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2022 - 2023
MARCH 2023**

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
David Green			
A	1 Edu - PPI 2022 Summer Roundtable - Canada, Vancouver	07/13/2022 - 07/15/2022	Attended
	2 Edu - NCPERS 2023 Legislative Conference - Washington, DC MD	01/22/2023 - 01/24/2023	Attended
	3 Edu - RFK Compass Winter Investors Conference - Miami FL	02/26/2023 - 02/28/2023	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
	- Edu - 2023 PPI Winter Roundtable - San Diego CA	03/01/2023 - 03/03/2023	Attended
Jason Green			
B	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
C	- Edu - NCPERS 2023 Legislative Conference - Washington, DC MD	01/22/2023 - 01/24/2023	Attended
	- Admin - Federal Engagement Visit with Congress - Washington, DC MD	01/24/2023 - 01/25/2023	Attended
Elizabeth Greenwood			
A	1 Edu - 16th Annual Small and Emerging Managers (SEM) Conference - Chicago IL	10/12/2022 - 10/13/2022	Attended
James Harris			
B	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
Patrick Jones			
A	1 Edu - Leading in Artificial Intelligence: Exploring Technology and Policy - Harvard Kennedy School - Cambridge MA	07/17/2022 - 07/22/2022	Attended
	2 Edu - 2022 Infrastructure Investor America Forum - New York NY	12/06/2022 - 12/07/2022	Attended
	3 Edu - 2023 Infrastructure Investor Global Summit - Berlin Germany	03/20/2023 - 03/23/2023	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
	- Edu - 2023 Pension Bridge ESG Summit - Los Angeles CA	02/28/2023 - 03/01/2023	Attended
Onyx Jones			
A	1 Edu - SACRS Public Pension Investment Management Program - San Francisco CA	07/17/2022 - 07/20/2022	Attended
	2 Edu - 2022 CALAPRS Principles of Pension Governance for Trustees - Tiburon CA	08/29/2022 - 09/01/2022	Attended
	3 Edu - 2022 SuperReturn Summit Africa - Cape Town, South Africa	12/05/2022 - 12/07/2022	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - Women in Institutional Investments Network - Los Angeles CA	10/12/2022 - 10/12/2022	Attended
	- Edu - 2023 NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/22/2023 - 03/23/2023	Attended
V	- Edu - The World to Africa Webinar - VIRTUAL	07/27/2022 - 07/27/2022	Attended

**TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2022 - 2023
MARCH 2023**

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Shawn Kehoe			
B	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
V	- Edu - 2022 Board of Investments Offsite - VIRTUAL	09/13/2022 - 09/14/2022	Attended
Joseph Kelly			
A	1 Edu - PPI Executive Seminar and the Asia Pacific Roundtable - Singapore	10/16/2022 - 10/21/2022	Attended
	2 Edu - CII-NYU Corporate Governance Bootcamp - New York NY	11/16/2022 - 11/18/2022	Attended
B	- Edu - 2022 Pension Bridge Alternatives - Los Angeles CA	11/30/2022 - 12/01/2022	Attended
	- Admin - Board of Investments & Committee Meetings - Pasadena CA	01/11/2023 - 01/11/2023	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
	- Admin - Board of Investments & Committee Meetings - Pasadena CA	03/08/2023 - 03/08/2023	Attended
V	- Edu - NACD Conflict, Climate, Cyber: What's Next? - VIRTUAL	08/23/2022 - 08/23/2022	Attended
	- Edu - 2022 Board of Investments Offsite - VIRTUAL	09/13/2022 - 09/14/2022	Attended
	- Edu - NACD Risk Mitigation Through Board Quality and Compliance Committees: Lessons from Theranos - VIRTUAL	09/28/2022 - 09/28/2022	Attended
	- Edu - Institute of Internal Auditors 2022 Cybersecurity Virtual Conference - VIRTUAL	10/27/2022 - 10/27/2022	Attended
	- Edu - NACD Wake Up! Are You Prepared for Post-Pandemic Industry Disruption? - VIRTUAL	01/25/2023 - 01/25/2023	Attended
Keith Knox			
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
V	- Edu - What Makes an Effective Trustee - VIRTUAL	01/30/2023 - 01/30/2023	Host Canceled
Ronald Okum			
B	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
William Pryor			
A	1 Edu - NCPERS 2022 Public Safety Conference - Nashville TN	10/23/2022 - 10/26/2022	Attended
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
Les Robbins			
B	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
David Ryu			
B	- Edu - 2023 PPI Winter Roundtable - San Diego CA	03/01/2023 - 03/03/2023	Attended
	- Edu - 2023 NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/22/2023 - 03/23/2023	Attended

TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2022 - 2023
MARCH 2023

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Gina Sanchez			
A	1 Edu - PPI Executive Seminar and the Asia Pacific Roundtable - Singapore	10/16/2022 - 10/21/2022	Attended
	2 Edu - CII 2023 Spring Conference - Washington, DC MD	03/06/2023 - 03/08/2023	Attended
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
	- Edu - 2022 Fall Editorial Advisory Board Meeting – Institutional Real Estate Americas - Pasadena CA	09/06/2022 - 09/08/2022	Attended
	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Attended
	- Edu - 2022 Toigo Foundation Gala - Los Angeles CA	11/17/2022 - 11/17/2022	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
	- Edu - 2023 PPI Winter Roundtable - San Diego CA	03/01/2023 - 03/03/2023	Attended
	- Edu - 2023 NASP Southern California "Day of Education in Private Equity Conference" - Los Angeles CA	03/22/2023 - 03/23/2023	Attended
	- Edu - The 8th Annual ALTSLA - Los Angeles CA	03/27/2023 - 03/29/2023	Attended
V	- Edu - NACD Summit 2022 - VIRTUAL	10/08/2022 - 10/11/2022	Attended
Antonio Sanchez			
B	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
Herman Santos			
A	1 Edu - PPI 2022 Summer Roundtable - Canada, Vancouver	07/13/2022 - 07/15/2022	Attended
	2 Edu - CII Fall 2022 Conference - Boston MA	09/21/2022 - 09/23/2022	Attended
	3 Edu - 2022 AAAIM Elevate National Conference - New York NY	09/28/2022 - 09/30/2022	Attended
	4 Edu - RFK Compass Winter Investors Conference - Miami FL	02/26/2023 - 02/28/2023	Attended
	5 Edu - 2023 Infrastructure Investor Global Summit - Berlin Germany	03/20/2023 - 03/23/2023	Attended
B	- Edu - 2022 Board of Investments Offsite - Long Beach CA	09/13/2022 - 09/14/2022	Attended
	- Edu - 2022 Toigo Foundation Gala - Los Angeles CA	11/17/2022 - 11/17/2022	Attended
	- Admin - Board of Retirement and Committee Meeting - Pasadena CA	02/01/2023 - 02/01/2023	Attended
	- Admin - Board of Investments & Committee Meetings - Pasadena CA	02/08/2023 - 02/08/2023	Attended
	- Admin/Edu - Board of Retirement Offsite - Pasadena CA	02/22/2023 - 02/23/2023	Attended
	- Admin - Board of Investments & Committee Meetings - Pasadena CA	03/08/2023 - 03/08/2023	Attended
C	- Edu - NCPERS 2023 Legislative Conference - Washington, DC MD	01/22/2023 - 01/24/2023	Attended
	- Admin - Federal Engagement Visit with Congress - Washington, DC MD	01/24/2023 - 01/25/2023	Attended
X	- Edu - SACRS 2022 Fall Conference - Long Beach CA	11/08/2022 - 11/11/2022	Canceled

Category Legend:

A - Pre-Approved/Board Approved

B - Educational Conferences and Administrative Meetings in CA where total cost is no more than \$3,000 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**

May 3, 2023

TO: Each Trustee
Board of Investments

FROM: Michael D. Herrera *MH*
Senior Staff Counsel

FOR: Board of Investments Meeting of May 10, 2023

SUBJECT: Selection of Securities Litigation Monitoring and Approved Counsel

At last month's meeting, the Legal Office advised the Board that it selected five U.S. law firms to serve as securities litigation monitoring counsel (Bernstein Litowitz Berger & Grossman; Berman Tabacco; Cohen Milstein Sellers & Toll; Labaton Sucharow; and Robbins Geller Rudman & Dowd), and eight law firms to serve in LACERA's pool of approved securities litigation counsel (the firms listed above plus Grant & Eisenhofer; Lieff Cabraser Heimann & Bernstein; and Quinn Emmanuel Urquhart & Sullivan). At that time, the Board directed the Legal Division to provide further detail regarding the search. A copy of last month's memo is included for ease of reference as Attachment A.

This memo will detail the scope and purpose, process and methodology, and the criteria and factors considered by the cross divisional evaluation committee in conducting this counsel search. We note that because this involves a law firm search for monitoring and litigation counsel, the information received, reviewed and relied on by the Legal Office and the evaluation committee constitutes privileged attorney-client communication. See Cal. Evid. Code §§ 951, 954 (954 (attorney communications with a party who "consults a lawyer for the purpose of retaining the lawyer" are privileged). Disclosing certain information about firms we considered, whether or not selected at this time, could also place LACERA at a disadvantage in connection with future litigation. To avoid this risk and to preserve the privilege and LACERA's professional relationships, we have not included those communications and materials. Nonetheless, in order to provide information sufficient for the Board to understand and exercise informed oversight over the authority delegated to the Legal Office under its Policy to monitor, identify and evaluate litigation in which LACERA may have an interest, we have provided a thorough discussion regarding this RFP and our selection of counsel in a manner we believe preserves confidentiality and avoids unintentional waiver of privileged information and communications.

1. Scope and Purpose

With a significant portion of its portfolio invested in equity and debt securities, LACERA is in a position to seek recovery from issuers and others who engage in wrongful acts that diminish the value of these securities. Accordingly, in 2001, the Board of Investments adopted a Securities Litigation Policy (the "Policy") to formalize the Legal Office's securities class action monitoring and evaluation function, and implement procedures designed to enhance LACERA's recovery of damages from corporate

wrongdoers. A copy is included as Attachment B. The Policy provides that the Legal Office shall actively identify, evaluate, and monitor securities cases on behalf of LACERA, both foreign and domestic, and recommend to the Board of Investments that the fund take an active role in those cases where: (i) LACERA's estimated loss is \$2 million or more, or \$1 million if LACERA will join with one or more other public retirement funds in pursuing such action; and (ii) the Legal Office has determined the case to be meritorious and the best interest of the fund will be served through active involvement.

To fulfill its obligations under the Policy, the Legal Office utilizes the portfolio monitoring services of U.S. law firms with significant resources and demonstrated securities litigation experience and expertise. In this connection, the Policy provides:

“[t]he Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.”

The Legal Office also maintains a pool of approved securities litigation counsel. Firms in the pool are not promised or guaranteed that they will be selected to represent LACERA in connection with a particular case simply by virtue of being in the pool. Rather, the Legal Office maintains the pool to ensure it can obtain timely assistance and representation as necessary by firms that have been evaluated and vetted in advance since the time to act in some cases may be short. Per the Policy, any firm ultimately recommended by the Legal Office to represent LACERA in connection with a particular case must be approved in advance by the Board or, where permissible, by the CEO.

The Legal Office issues a securities litigation-related counsel request for proposals every three to five years to canvas the market for experienced, qualified and well-resourced law firms, by criteria more fully developed below, that can effectively partner with LACERA to provide best in class representation. Since it had been almost five years since our last search, the Legal Office issued a RFP for securities litigation monitoring services and for approved securities litigation counsel on November 14, 2022. A copy is included as Attachment C.

2. Process and Methodology

- The Request for Proposals

On November 14, 2022, the Legal Office posted the attached RFP on LACERA.com. The Legal Office also sent the RFP directly to law firms that are members of the National Association of Public Pension Attorneys identified as specializing in securities litigation, as well as to firms that currently represent LACERA or have previously represented LACERA in securities litigation-related matters. The schedule for the RFP was as follows:

Issuance of RFP:	November 14, 2022
Written Questions/Requests for Clarification:	November 21, 2022
Responses to Questions:	November 30, 2022
Proposals Due:	December 14, 2022
Finalist Interviews:	January 17 – January 27, 2023 ¹
Estimated Final Selection and Approval:	February 2023

The Legal Office received 18 timely proposals in response to the RFP. This is consistent with expectations and prior similar securities litigation-related RFPs. A complete list of firms is included as Attachment D.

- The Quiet Period

To ensure an efficient, diligent, and fair process, LACERA recognizes a “no contact period” during which fund personnel, except for designated LACERA contact persons, shall refrain from communicating with firms. In this connection, all the firms listed in Attachment D appeared on the quiet period lists provided to the BOR and BOI as an attachment to the monthly CEO’s report.

- Questions and Responses

The Legal Office received 5 questions/requests for clarification from candidates. The Legal Office posted responses on November 30, 2022, which were made public for all candidates during the evaluation period. They are included as Attachment E.

- The Evaluation Committee

As with prior securities litigation-related RFPs, the Legal Office invited Board trustees to participate in this counsel search. See memo dated September 29, 2022 included as Attachment F. Consistent with Legal Office practice to coordinate securities litigation-related matters with the Investment Office and align decisions regarding securities litigation with the goals, principles, and policies of the Board’s investment programs, the Legal Office also invited representatives from the Investment Office to participate in the search. In response, Chief Investment Officer Jonathan Grabel appointed Principal Investment Officer Scott Zdrzil and Investment Officer Ronald Senkandwa to participate. Messrs. Zdrzil and Senkandwa joined Chief Counsel Steven Rice and Senior Staff Counsel Michael Herrera in making up the evaluation committee, which collectively made recommendations regarding finalists and firm selections.

3. Scope, Criteria and Factors

Based on the scope of services, and consistent with Legal Office needs, experience and obligations under the Policy, the evaluation committee evaluated candidates based upon each of the following criteria:

¹ Due to availability of finalists and the evaluation committee, interviews were conducted between February 27 and March 3, 2023.

- Experience and quality of work in representing and/or providing securities litigation monitoring services for other public pension systems and/or institutional investors.
- Experience, relationships and affiliations with firms in non-U.S. foreign jurisdictions.
- Experience assisting/representing investors in non-U.S. foreign jurisdictions;
- Quality of the team proposed to provide services to LACERA.
- Commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce.
- Information provided by references.
- Communications skills, written and oral.
- Pricing and value.
- Team work and fit, both internally and with LACERA.
- Level of investment and commitment to the LACERA relationship.
- The organization, completeness, and quality of the proposal, including cohesiveness, conciseness, and clarity.

The foregoing factors were considered and evaluated as a whole, without a specific weighting. However, given that this was a search for securities litigation monitoring and approved counsel, the evaluation committee gave special attention and consideration to firm resources, including a diverse team, depth of experience and results, communication effectiveness, and fit and alignment with LACERA's strategic needs and interests.

4. Evaluation and Finalist Review

Based on its review of the 18 firm proposals, and guided by the above scope of services, criteria, factors and considerations, the committee unanimously narrowed the field to 10 finalist firms.

In keeping with past practice, and consistent with the Board's commitment to promoting principles of diversity, equity, and inclusion (DEI), we asked the 10 finalists to supplement their RFP proposals by completing a Diversity Survey. A copy of the survey is included as Attachment G.

We note that LACERA may consider a broad range of criteria and factors in deciding whether an existing or potential vendor maintains a diverse workforce that promotes principles of equity and inclusion, including gender, race, ethnicity, national origin, and others. However, under the California Constitution, Art. I., Sec. 31, as revised by Proposition 209, LACERA may not "discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting." *See Hi-Voltage Wire Works v. San Jose*, 24 Cal. 4th 537 (2000) ("'[D]iscriminate' means to make distinctions in treatment; show partiality (in favor of) or prejudice (against), ... 'preferential means giving 'preference,' which is 'a giving priority or advantage to one person ... over others.'") The Legal Office therefore employs a holistic review, including consideration of all the criteria and factors listed above, including, but not limited to,

whether each candidate's DEI beliefs, practices and initiatives are in alignment with the vendor objectives set forth in LACERA's T.I.D.E. initiative, such as:

- Adoption of a formal DEI Policy.
- Reporting available DEI demographic information.
- Willingness to consider adopting leading policies and governance practices.

Interviews with the 10 finalists were conducted virtually and each lasted 45 minutes. All evaluation committee members participated in all interviews. The interviews took place between February 27 and March 3, 2023. Based on each firm's written proposals, supplemental survey responses, due diligence research conducted by the Legal Office, and interview, the evaluation committee discussed and unanimously selected five firms to serve as monitoring counsel and eight firms to serve in LACERA's pool of approved litigation counsel.

The 10 finalists selected by the evaluation committee for interviews demonstrated various strengths, experience and expertise in the practice areas covered by the scope of services. However, certain firms distinguished themselves as best in class to meet the fund's needs as monitoring counsel and/or to serve in its pool of approved securities litigation counsel. The following section includes a discussion of key characteristics of each successful firm (in alphabetical order) that we are able to share in a public document. Firms were ranked as follows:

Very Strong



Strong




Medium



The evaluation committee collectively decided to select only those firms that ranked Very Strong or Strong based on its review and consideration of all the factors listed above, including and especially firm resources, including a diverse team, depth of experience and results, communication effectiveness, and fit and alignment with LACERA's strategic needs and interests.

Firms Selected as Monitoring and Approved Litigation Counsel

 **Berman Tabacco** rated as Very Strong. It is highly experienced in securities monitoring and evaluation services, having performed such services for institutional investors, primarily public pension funds, since 1998. They provide portfolio monitoring, case evaluation and/or litigation services to over 100 institutional clients in the U.S. and Canada on a no cost basis. The firm's clients include state retirement systems in more than 17 states, 18 public funds with more than \$50 billion in assets, six of the 10 largest public pension plans in the country and 10 of the largest 20. The firm provides electronic portfolio monitoring services to more than 70 of these clients, including several 1937 Act county retirement systems. The firm has provided monitoring

services to LACERA since 2001. Their monitoring reports are among the best in terms of the quality of the writing and analysis, comprehensive coverage of active cases, timeliness, regulatory, and currency. The firm's robust technical capabilities, expertise with both U.S. and foreign actions, and long track record with LACERA distinguished it from the other finalists. Their vast client database will insure to LACERA's benefit in being able to quickly and thoroughly identify cases and LACERA's interest and position relative to other investors.

With over 40 lawyers and offices in San Francisco and Boston, the firm has excellent resources. With regard to the firm's securities litigation practice, the firm has a demonstrated track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds. For four decades, the firm's securities litigation group has prosecuted some of the largest, and most significant securities class action lawsuits in history, recovering billions of dollars on behalf of clients and the classes they represented. The firm's securities and antitrust attorneys have also coordinated efforts to pursue claims on behalf of institutional investors who suffered investment losses stemming from violations of the U.S. antitrust laws.

Berman Tabacco has served as monitoring counsel to LACERA since 2001 and has represented the fund in connection with several cases and matters. For example, in 2001, after the Board of Investments adopted the Policy, the firm represented LACERA in its first case as lead plaintiff, *In re Enterasys Networks, Inc. Securities Litigation*. With the assistance of Berman Tabacco as lead counsel, LACERA achieved the largest recovery ever obtained in a securities action in the State of New Hampshire along with significant and then-novel corporate governance improvements, including a provision allowing investors with 5 percent of the company's stock to nominate alternative candidates to the board, elimination of the company's staggered board, and implementing one-year terms for all directors. The firm also represented LACERA as named plaintiff in *In re IndyMac Mortgage-Backed Securities Litigation*, which settled for \$346 million in 2015. It was one of the largest private MBS class recoveries, and the largest where the issuer bank was in bankruptcy. Significantly, LACERA's experience with the lead partners for this relationship, Nicole Lavalley and Leslie R. Stern, dates back to 2001. Ms. Lavalley is the managing partner of the firm's San Francisco office and a member of the firm's Executive Committee. Ms. Stern is a partner in the firm's Boston office and leads the Firm's New Case Investigations Team.


The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns

with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations. The committee found it significant that at the leadership level, the managing partners of both of the firm's offices are women and three of the five executive committee members are women. Moreover, four of the firm's nine equity partners — or over 44% — are women. 50% of the firm's attorneys are women and over 70% of the non-attorneys are women. Moreover, 31% of the firm's employees identify as an underrepresented group, and in the Securities Litigation group it is 25%.

Based on all the foregoing, the evaluation committee unanimously recommended Berman Tabacco to serve as monitoring counsel and to serve in LACERA's pool of approved securities litigation counsel.

 **Bernstein Litowitz Bernstein & Grossmann** rated as Very Strong. The firm has served as portfolio monitoring counsel for LACERA for over two decades and, as noted below, has represented the fund in several important matters. It maintains a dedicated in-house case development and client advisory group, consisting of attorneys, financial analysts, and investigators tasked with performing these portfolio monitoring services. Its team of financial analysts, including professionals with backgrounds in business, economics, and forensic accounting, review and analyze its clients' portfolios, identify when clients have suffered losses, and calculate those losses using all applicable methods. The team reviews and updates securities holdings and trading records that are provided to them via their proprietary online platform. The firm provides portfolio monitoring and securities litigation services to over 300 institutional investors worldwide, including more than 275 public pension funds on a no cost basis. The firm's analysis and monitoring reports are well-written, comprehensive and timely. Their vast client database will insure to LACERA's benefit in being able to quickly and thoroughly identify cases and LACERA's interest and position relative to other investors.

With nearly 300 lawyers and professional staff, the firm has excellent resources. It has a demonstrated track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds. Its efforts on behalf of public pension fund clients includes some of the largest recoveries in history. The firm has served as monitoring counsel to LACERA since 2001 and has represented the fund in connection with several cases and matters. Notably, the firm represented LACERA as class counsel in *In re King Pharmaceuticals, Inc. Securities Litigation*, a securities class action involving a scheme to defraud Medicaid. The firm also represented LACERA, along with CalPERS and other public pension funds, in the Columbia/HCA derivative matter, in which we obtained significant and comprehensive corporate governance reforms, including increasing the board of directors' power and responsibility to oversee internal controls and financial reporting. LACERA's experience with the lead partner for this relationship, Hannah Ross, dates back more than two decades. Ms. Ross is a senior partner and member of the firm's Executive Committee. Ms. Ross has over two decades of experience as a civil and criminal litigator and is a member of the


Massachusetts and New York bars. She is also one of the partners who oversee the firm's Global Securities and Litigation Monitoring Team, and serves as Chair of the firm's Diversity Committee and as Co-Chair of the firm's Forum for Institutional Investors and Women's Forum. She also serves on the Corporate Leadership Committee of the New York Women's Foundation and just completed a three-year term on the Council of Institutional Investors' Market Advisory Council.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations. The firm maintains a Diversity Committee, whose mission it is to facilitate the firm's ongoing commitment to promoting equality and inclusion within the firm, and co-chairs a Forum for Institutional Investors and Women's Forum. The Diversity Committee works with the firm's Executive Committee, other partners, the Chief Operating Officer, and the Director of Human Resources to ensure that the firm embraces all employees' differences with regard to race, ethnicity, gender, national origin, age, sexual orientation, religion, socio-economic status, disability, or veteran status, and that all employees are provided with every possible opportunity to succeed and thrive at the firm.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on all the foregoing, the evaluation committee unanimously recommended Bernstein Litowitz to serve as monitoring counsel and to serve in LACERA's pool of approved securities litigation counsel.

 **Cohen Milstein** rated as Very Strong. The firm has more than 100 lawyers in six offices. In addition to its robust resources, focused on representing plaintiffs in complex litigation. The firm has a demonstrated, strong track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds. The firm also has a national ethics and fiduciary practice that advises some of the largest public funds in the country.

The firm currently provides securities litigation and monitoring services to more than 200 institutional investors on a no cost basis. Roughly half are public investment entities, including 29 state or statewide funds, seven of the 10 largest public pension funds in the

country, and more than half of the top fifty. Notably, they serve as approved litigation and monitoring counsel to eight California public pension funds. Cohen Milstein conducts all monitoring in-house. It does not rely on third parties to monitor for portfolio losses or evaluate legal claims. Access to client data is restricted to a very small group once it is downloaded to the firm's secure servers and the data is encrypted in transit and at rest. Its robust and broad portfolio monitoring program will add value to LACERA. The firm's case analysis and monitoring reports are well-written, thoughtful and comprehensive.

The firm successfully represented LACERA in its *In re CDS Antitrust/Securities Class Action*, which resulted in a \$1.6 billion recovery to the class, and currently represents LACERA in its pending antitrust class actions involving securities lending and interest rate swaps. The team handling the LACERA relationship will be led by Julie Goldschmidt Reiser, a Partner and Co-Chair of the firm's Securities Litigation practice group. She has more than 20 years of experience in the relevant areas of practice and has earned numerous honors for her work on behalf of investors. Significantly, she was recognized last year by Corporate Counsel as an Innovative Leader as part of its 2022 Women, Influence and Power in Law Awards. Prior to that, in 2021, Law360 recognized her as one of the "25 Most Influential Women in Securities Law."


The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The firm did report to the Legal Office that a partner in its Florida office was arrested by the FBI on March 29, 2023. The firm first learned of the FBI investigation on that day when the FBI conducted a search of his personal property and he was arrested for alleged sex crimes. That partner was immediately terminated and has not been affiliated with the firm since that day. To the best of our knowledge neither the firm nor any of its other lawyers or staff are the subject of the FBI investigation, and the firm does not believe firm resources were used in connection with any alleged crime. The firm is cooperating fully with the FBI. The former partner had no access to any LACERA or securities proprietary material, never worked in the securities practice, and has never worked on a LACERA matter, including the pending cases listed noted above, and was not considered or proposed to provide services to LACERA as part of this search. Legal Office did not find any other matters through its own search and determined this one was immaterial to our consideration given the remote nature of the matter and lack of connection to the firm itself.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. The firm's Hiring and Diversity Committee regularly reviews all aspects of its

hiring, retention, and promotion practices while working closely with Human Resources staff and Firm leadership to advance diversity and inclusion in the workplace. Significantly, the chair of the firm's Hiring and Diversity Committee, the co-chair of the Securities Litigation practice and leader of the proposed securities litigation monitoring team for LACERA, the chair of the Public Client practice group, a member of Firm's Executive Committee, Professional Development and Mentoring Committee, and the Diversity Committee are all women. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations.

Based on all the foregoing, the evaluation committee unanimously recommended Cohen Milstein to serve as monitoring counsel and to serve in LACERA's pool of approved securities litigation counsel.

 **Labaton Sucharow** rated as Strong. The firm has excellent resources. It has more than 85 attorneys, the majority of which specialize in investment-related litigation, as well as almost 70 professional in-house staff that includes certified public accountants, certified fraud examiners, licensed private investigators, securities and data analysts, paralegals, law clerks, case evaluation staff, a managing clerk, litigation case managers, and additional support staff. It employs The firm has a demonstrated strong track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds. In the last decade, Labaton Sucharow has secured billions of dollars in recoveries for injured investors in notable victories against American International Group ("AIG"), Bear Stearns, Massey Energy, Schering-Plough, Federal National Mortgage Association ("Fannie Mae"), Amgen, Facebook, and SCANA. Notably, all of these significant recoveries were prosecuted on behalf of public pension plans.

Labaton provides global portfolio monitoring, case evaluation, and U.S. and non-U.S. securities litigation services to more than 225 institutional investors, including more than 130 public pension plans on a no cost basis. Its Case Evaluation and Development Group is completely in-house. The firm's in-house investigator groups is one of the largest internal investigative teams in the industry. In 2011, the firm launched its non-U.S. Securities Litigation Practice that established a dedicated team to counsel clients regarding fraud-related losses in all forums with mechanisms for seeking recoveries. In the since growing field of non-U.S. securities litigation, Labaton has achieved a level of specialization and facility that is among the best in the country. Its worldwide infrastructure enables the firm to identify and provide analysis of non-U.S. actions, which are generally not tracked by U.S. custodians. The firm has served as monitoring counsel to LACERA for over a decade, and successfully assisted LACERA in obtaining a recovery in the *In re Royal Ahold* securities fraud class action in the Netherlands. The firm's case analysis and monitoring reports have always been clear, comprehensive and timely.

The team assigned to handle matters for LACERA will be led by Partner Mark Willis and Carol Villegas. LACERA's experience with Mr. Willis dates back to 2001 when he was with a prior firm overseeing portfolio monitoring services for LACERA. He is currently

the Chair of Labaton's Non-U.S. Securities Litigation Practice. Under his leadership, the firm has been awarded Law360 Practice Group of the Year Awards for Class Actions and Securities. With over 15 years of securities litigation experience, Ms. Villegas leads one of the firm's Securities Litigation Teams focused on prosecuting complex securities fraud cases on behalf of institutional investors. She also serves as the firm's Chief of Compliance.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations. The committee found it significant that the firm has a number of female and minority partners in leadership and management positions. The firm currently employs 27 diverse lawyers and on six occasions, in the past three years, the Firm has promoted diverse lawyers to positions including of counsel, partner, equity partner, chief compliance officer, hiring partner, and department head. In addition, during that time, firm attorneys twice elected diverse lawyers to the firm's Executive Committee.

Based on all the foregoing, the evaluation committee unanimously recommended Labaton to serve as monitoring counsel and to serve in LACERA's pool of approved securities litigation counsel.



Robbins Geller Rudman & Dowd rated as Very Strong. It is a California-based law firm. With approximately 200 attorneys and 225 skilled professionals in nine offices around the U.S., it has excellent resources and is regularly recognized as one of the most successful law firms in the country primarily representing institutional shareholders in complex litigation involving violations of securities laws. The firm currently provides securities monitoring and/or litigation services to hundreds of public pension funds and institutional investors throughout the country. The firm has been ranked as a top law firm in both amount recovered for shareholders and total number of class action settlements in every annual ISS Securities Class Action Services Top 50 Report published since 2010. The firm has a demonstrated strong track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds.

The firm's Portfolio Monitoring Program is a proprietary software platform that allows it to track client investments, analyze losses, and promptly alert our clients when losses may be attributable to fraud or other violations of securities laws. The firm's portfolio monitoring services are performed entirely in-house, in the Firm's San Diego office, by a team of attorneys, damages analysts, economists, forensic accountants, investigators, paralegals, and other professional staff overseen by one of the firm's managing partners. It provides this service on a no cost basis to clients. The Legal Office has significant experience with the assigned team, including named Partner Darren Robbins with whom we worked directly with in our *In re Worldcom Opt Out Action* and successfully resolved in 2005, as well as Partner Mark Solomon and Of Counsel Ruby Menon with whom we have worked on several matters for more than a decade. The firm's case analysis and monitoring reports have always been clear, comprehensive and timely.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations. The committee found it significant that the firm's Management Committee is comprised of approximately 40% women attorneys and attorneys of color. Thirty percent of the Firm's owners are women attorneys or attorneys of color. The managing partners of the firm's key practice groups are women and attorneys of color, including their lead plaintiff practice group and Portfolio Monitoring Program, its San Francisco office, and its shareholder derivative practice group.

Significantly, in LACERA's pending securities class action against FirstEnergy Corp., where LACERA is the court-appointed lead plaintiff and Robbins Geller is the court-appointed sole lead counsel, the court considered and specifically emphasized the diversity of the firm's litigation team in making its appointment. Specifically, U.S. District Court Judge Algenon Marbley stated:


"This Court is also impressed by Robbins Geller because its proposed leadership team of five lawyers includes one woman and at least two minority lawyers. The firm's overall composition is also diverse: thirteen percent of its partners are minorities, its management committee is comprised of approximately twenty-five

percent minorities, and thirty-five percent of its attorneys are female. The Court looks favorably upon this composition because, whenever possible, the Court strives to “appoint a diverse leadership team that is representative of the diversity of the [p]laintiffs.” . . . Lead Counsel in this case will represent a large and heterogeneous group of investors, and the Court finds that the diverse team put forth by Robbins Geller is well-suited to represent the plaintiffs’ diversity and to act on their behalf.” *Owens v. FirstEnergy Corp.*, 2020 WL 6873421, at *12 (S.D. Ohio Nov. 23, 2020.)

Based on all the foregoing, the evaluation committee unanimously recommended Robbins Geller to serve as monitoring counsel and to serve in LACERA’s pool of approved securities litigation counsel

Firms Selected as Additional Approved Litigation Counsel

In addition to the firms listed above, the evaluation committee selected the following additional three firms to serve in our pool of approved securities litigation counsel. As with those above, these firms distinguished themselves as best-in-class litigators. However, placement in the pool does not mean the firms are retained, promised or guaranteed to represent LACERA in connection with a particular case. Rather, the Legal Office maintains a pool to ensure it can obtain assistance in evaluating a case quickly by firms that have been evaluated and vetted in advance since the time to act in some cases may be short. Accordingly, the Legal Office and the Board are not constrained by the pool and, as in the past, may also consider law firms that are not in the pool to represent LACERA if/as necessary to ensure that the fund receives the best possible representation under the circumstances. Additionally, per the Policy, any firm recommended by the Legal Office to represent LACERA in connection with a particular case must be approved in advance by the Board or, where permissible, the CEO.

 **Grant and Eisenhofer** rated as Very Strong. It is a Delaware based law firm. With 89 attorneys and 76 support staff, it has excellent resources. The firm also maintains offices in New York, Chicago, San Francisco, London, Paris, Stockholm, and Amsterdam. Over the past 25 years, G&E has served in leading roles in hundreds of U.S. class action and opt-out securities litigation cases as lead or co-lead counsel. G&E was the first law firm in the country to argue the provisions of the Private Securities Litigation Reform Act of 1995 (“PSLRA”) in a case that appointed the State of Wisconsin Investment Board as lead plaintiff and G&E as lead counsel.

G&E has a demonstrated strong track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds. The Firm began to monitor and pursue non-U.S. securities litigation for public pension plans over two decades ago in 2001. Since 2010, G&E has expanded its international presence and experience, which now covers jurisdictions across Europe, the Netherlands, and several others. In just the past 16 years, G&E has recovered billions of dollars on behalf of clients and the classes they represented in U.S. securities fraud cases. G&E has also served as global counsel or litigation funder in several non-U.S. cases

representing U.S. public pension funds. The firm's sample case analysis and monitoring reports are clear, thoughtful and comprehensive.


G&E has served as monitoring counsel to LACERA in the past and has represented the fund in prior securities cases.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. Through its own search, the Legal Office identified one matter from 2010 where the firm was sued for malpractice in connection with a securities class action for allegedly concealing an earlier fee agreement with the lead plaintiff and taking an excessive payout. The suit was not filed by the lead plaintiff, but by a class member, and was ultimately dismissed. The Legal Office did not find any other matters and determined this one was immaterial to our consideration given the age and outcome of the matter.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations. The committee found it significant that approximately 60% of G&E's total workforce is female and about 25% of its workforce is minority. Also, the firm's commitment to DEI includes a continuing focus on women in leadership within the firm, as first-chair litigators and practice group chairs. Almost half of the membership of the firm's Executive Committee are women, including the firm's Chief Operating Officer who also serves on the Executive Committee. Several of the firm's principals are women, including the co-chair of the firm's Delaware Practice Group, and the chair of the firm's ESG Institute. Half of the firm's senior counsel are women. The attorneys that will lead the LACERA relationship include a diverse group of experienced lawyers with whom LACERA has significant experience, including named Partner Jay Eisenhofer, Partner Daniel Berger, and Principals Barbara Hart and Caitlin Moyna. Ms. Moyna leads the firm's ESG Institute.

Based on all the foregoing, the evaluation committee unanimously recommended Grant and Eisenhofer to serve in LACERA's pool of approved securities litigation counsel

 **Lieff Cabraser** rated as Strong. It is a California based law firm, with 125 attorneys and 136 support with offices in San Francisco, New York, Nashville, and Munich, Germany. It has concentrated its practice in the field of complex civil litigation across several practice areas, including securities and financial fraud, antitrust, and

others. has a demonstrated strong track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds.

The firm has excellent resources and extensive experience serving as court-appointed lead or class counsel in hundreds of state and federal coordinated, multi-district, and complex litigation throughout the U.S. Notably, the firm has extensive experience and success litigating complex cases from inception through resolution, including taking a variety of cases to trial. Most recently, it prosecuted the landmark trial in opioids-related litigation brought on behalf of the City and County of San Francisco against Walgreens Company. process that led to the acts complained of in this case. The firm has represented LACERA in connection with several matters. Most notably, the firm represented LACERA in *In re Brooks Automation Securities Litigation* where, in addition to a cash recovery, the firm assisted LACERA and the class of investors it represented in achieving significant corporate governance improvements. The firm's sample case analysis and monitoring reports have always been clear, comprehensive and timely. The attorneys that will lead the LACERA relationship include a diverse group of experienced lawyers with whom LACERA has significant experience, including Senior Partner Richard Heimann, Managing Partner Steven Fineman, Partners Katherine Benson and Sharon Lee, and Of Counsel Lydia Lee.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. For example, the committee found it significant that of the firm's 261 employees/members, 139 identify as women and 94 identify as people of color. This includes lawyers in leadership roles, including a founding partner, the Managing Partner of the firm's San Francisco office, members of the firm's Executive Committee, the Chair of the firm's Torts practice group, the Chair of the firm's Employment practice group; the Chair of the firm's False Claims Act/Whistleblower practice group, the Chair of the firm's Sexual Abuse practice group, and numerous partners and senior partners. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations.

Based on all the foregoing, the evaluation committee unanimously recommended Loeff Cabraser to serve in LACERA's pool of approved securities litigation counsel.

Quinn Emanuel rated as Very Strong. It has over 1,000 lawyers in 31 offices worldwide. Based on its size, personnel and robust resources, Quinn Emanuel is a litigation powerhouse. Because it is headquartered in Los Angeles, LACERA will have access to nearby leading litigators, while also being able to draw on a global network of attorneys without having to search for additional local counsel. The firm has a demonstrated strong track record of handling large scale securities actions on behalf of institutional investors, including U.S. public pension funds. Securities litigation is one of Quinn Emanuel's largest practice areas, and it has distinguished itself among its peers in identifying wrongdoing on an asset-class scale. It is well resourced and equipped to handle, and has handled, a wide range of securities cases, including disputes related to collateralized debt obligations, credit default swaps, auction-rate securities, municipal bonds, equities, insurance policies on financial instruments, Ponzi schemes, short selling, market timing, corporate governance, and suitability disputes. Significantly, the firm successfully represented LACERA in the *In re CDS Antitrust/Securities Class Action*, which resulted in a \$1.6 billion recovery to the class, and currently represents the fund in its pending antitrust class actions involving securities lending and interest rate swaps. The team will be led by Manisha M. Sheth who Co-Chairs the firm's Government and Regulatory Litigation Practice and its Sexual Harassment and Employment Discrimination practice. She is a seasoned trial lawyer with over 24 years of experience in both private practice and government prosecutions. Ms. Sheth was named 'Litigator of the Week' by The American Lawyer after obtaining a \$1.84 billion settlement for Ambac Financial Group after five weeks of trial in the Commercial Division of the New York State Supreme Court. The firm's prior and sample case analysis are clear, thoughtful and comprehensive.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

The evaluation committee agreed that their interview validated the firm's written materials, and demonstrated the strength of their communication effectiveness and alignment with LACERA's interests and needs.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the information provided by the firm aligns with LACERA's T.I.D.E. initiative, and that the firm has a demonstrated commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. For example, the committee found it impressive that 62 of the firm's 280 partners are women, and 59 are minority group members (including ethnic minority, LGBTQ, disabled, and veteran partners.) 19 of the firm's 47 core Practice Groups are headed by women, and 8 of the firm's branch office managing partners are women. The firm is just one of two private law firms that have half of their attorney appearances in front of the United States Supreme Court staffed by female attorneys. 57% percent of the firm's Supreme Court cases include women. Diverse attorneys also regularly argue before other appellate and trial courts, as well as try cases to verdict. The founding chair

of the firm's national appellate practice is a woman. The firm has a formal DEI policy, reported DEI demographic information, and expressed a willingness to consider policies and governance practices such as a clawback provision for policy violations.

Based on all the foregoing, the evaluation committee unanimously recommended Quinn Emmanuel to serve in LACERA's pool of approved securities litigation counsel.

Other Finalists

As noted, the evaluation committee considered 10 finalists, but only approved selection of 8.² In deference to the finalists that were unsuccessful as part of this current search, and to avoid placing LACERA or the firm at a strategic or competitive disadvantage should we decide to work with them in connection with a particular case in the future or join a case in which they already serve as counsel, we identify them below in this public document simply as Firm A, Firm B, and Firm C. Firms in this group ranked lower (Medium) than the successful firms based on consideration of all the factors listed above, including and especially, as noted, communication effectiveness, resources and fit and alignment with LACERA's needs and interests.

Firm A rated as Medium. The firm provides portfolio monitoring services to U.S. public pension funds through a proprietary, in-house monitoring program. It provides comprehensive reporting throughout the life of a case, and is updated daily with current information. It is available to clients via a secure, password-protected portal on the firm's website. However, the firm charges an annual fee for its monitoring service based on the client's assets under management. Given that the other finalists provide this service on a no cost basis, the evaluation committee determined that this disqualified Firm A from consideration as monitoring counsel.

In addition to providing portfolio monitoring and case evaluation services to its clients, Firm A has handled large scale securities actions on behalf of institutional investors, including U.S. public pension funds. The firm has served as sole or co-counsel to large U.S. public pension funds in successful securities actions, including landmark settlements in securities fraud cases stemming from the 2008 financial meltdown. With approximately 20 lawyers, the firm is moderately resourced.

Firm A reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.


To date, the fund has not served as monitoring counsel for LACERA or represented the fund in connection with a securities litigation-related or other type of case. The firm's sample case analysis and monitoring reports are clear, succinct and thoughtful.

² Although there were 10 finalists, one of the proposals was submitted jointly by two law firms – Quinn Emanuel and Firm B. This is why there are 3 unsuccessful candidates rather than just 2.

With regard to the interview, the evaluation committee agreed that the firm did not clearly demonstrate effective communication or alignment with LACERA's interests and needs. Specifically, the committee felt their responses to questions were unclear, vague and not forthcoming.

The firm did not provide requested demographic information in response to the Diversity Survey. The firm does not have a formal, standalone DEI policy, but is instead contained in the firm's Harassment Policy. Also, the firm does not have and is not currently open to considering a clawback provision for policy violations.

Based on all the foregoing, the evaluation committee did not recommend Firm A to serve as either monitoring counsel or to serve in LACERA's pool of approved securities litigation counsel at this time.

 **Firm B** rated as Medium. It has over two decades of experience monitoring the investment portfolios of public pension funds and representing pension funds and institutional investors in complex class action litigation. The firm has successfully represented public pension funds and other institutional investors in hundreds of securities class actions and has helped achieve significant amounts on behalf of the clients and the classes it has represented. Most recently, for example, the firm represented two U.S. public pension funds in separate individual actions against the funds' securities lending manager, which they successfully resolved for a \$50 million settlement representing approximately 65% of their actual damages. With under 20 lawyers, the firm is moderately resourced.

Its portfolio monitoring services are performed in-house by a team of attorneys. The firm electronically monitors client portfolios for potential and actual litigation filings in the U.S. and around the world to identify potential claims. The portfolio monitoring team reviews a full array of investigative resources to identify wrongdoing and litigation opportunities, some publicly available and some private sources such as proprietary databases, in addition to a secure web-based computer monitoring program. It provides this service on a no cost basis. The firm's sample case analysis and monitoring reports are clear, succinct and thoughtful.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

To date, the fund has not served as monitoring counsel for LACERA or represented the fund in connection with a securities litigation-related or other type of case.

With regard to the interview, the evaluation committee agreed that the firm did not clearly demonstrate effective communication or alignment with LACERA's interests and needs. Specifically, the committee felt their responses to questions were overly general

and unfocused. The lack of equal participation by all firm participants during the interview also suggested a lack of organizational cohesion and parity.

Based on the firm's responses to the diversity survey and answers provided during the interview, the evaluation committee agreed the firm failed to demonstrate alignment with LACERA's T.I.D.E. initiative. While the firm has a formal DEI policy, it is not currently open to considering a clawback provision for policy violations. Based on the demographic information provided by the firm, only 16% of the firm's partners are women. None of the firm's partners identify as minorities, and only 25% of the firm's associates do.

Based on all the foregoing, the evaluation committee unanimously did not recommend Firm B to serve as either monitoring counsel or to serve in LACERA's pool of approved securities litigation counsel at this time.

Firm C rated as Medium. It has over 40 attorneys in several offices across the country. The firm's securities litigation practice is bolstered and focused in its corporate governance practice, in which it has achieved significant derivative settlements. Its efforts on behalf of clients have led to or supported the filing of successful litigation as a result of uncovering conduct that created shareholder harm or to verify that its clients' assets were invested in companies with strong corporate governance. Significantly, the firm currently serves as lead or co-lead counsel representing public pension funds in numerous large actions. The firm has helped achieve significant recoveries for investors and shareholders since its founding.

The firm has a dedicated in-house team of experts and an extensive network of foreign affiliates to analyze and litigate non-U.S. claims. Its attorneys have broad expertise facilitating client participation in non-U.S. actions, including serving as liaison counsel in more than 30 non-U.S. actions. With over 40 lawyers in multiple offices, the firm is moderately to well resourced. The firm's sample case analysis and monitoring reports are clear, succinct and thoughtful.

With regard to the interview, the evaluation committee agreed that the firm did not clearly demonstrate effective communication or alignment with LACERA's interests and needs. Their answers to certain questions were not sufficiently specific or fully responsive. Significantly, answers provided during the interview were not completely consistent with the information provided in the firm's written submissions. Additionally, the evaluation committee felt the firm's shift towards becoming a "derivative specialist" and its view on ESG disclosure cases through litigation does not align with LACERA's corporate governance principles or efforts because such actions can work against the type of non-legal efforts aimed at achieving corporate governance. The evaluation committee also felt the number of cases currently being handled by the firm may be disproportionate to its current staffing and resources.

The firm reported no actual or potential conflicts of interest. The firm also reported no recent, pending or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims

against the firm or any of the attorneys proposed to provide services to LACERA. The Legal Office did not find any through its own search.

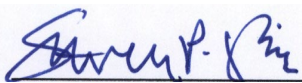
The firm is a woman and minority owned firm, and devotes significant resources to education, training, recruitment, tracking and enforcement in this area. Because the firm did not consent to disclosure of its substantive responses to the Diversity Survey, including demographic information, we cannot provide further detail.

Based on all the foregoing, the evaluation committee unanimously did not recommend Firm C to serve as either monitoring counsel or to serve in LACERA's pool of approved securities litigation counsel at this time.

5. Conclusion

In keeping with best and Legal Office practice, as well as its commitment to honor and safeguard Board delegation over this important area as set for in the Policy, the Legal Office, with assistance and collaboration from the Investment Office, engaged in a lengthy, transparent and rigorous RFP process. The cross divisional evaluation committee engaged in a holistic review, including a consideration of the criteria and factors listed and discussed in this memo based on the experience, expertise and considered judgment and of all committee members. Consistent with the Board's commitment to promoting principles of diversity, equity, and inclusion, we also evaluated and considered each candidate's commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. Based on all these factors, the Legal Office believes that the above-named firms selected as monitoring counsel and approved litigation counsel are best qualified to assist and represent LACERA.

Reviewed and Approved:



Steven P. Rice
Chief Counsel

cc: Santos H. Kreimann
Luis A. Lugo
JJ Popowich
Laura Guglielmo
Jonathan Gabel
Scott Zdrzil
Ronald Senkandwa

Attachments

legal/seclit/BOI Securities Lit Supplemental RFP Update_050323

ATTACHMENT A

**FOR INFORMATION ONLY**

March 28, 2023

TO: Each Trustee
Board of Investments

FROM: Michael D. Herrera 
Senior Staff Counsel

FOR: Board of Investments Meeting of April 12, 2023

SUBJECT: Selection of Securities Litigation Monitoring and Approved Counsel

After a lengthy and thorough RFP evaluation and selection process, the Legal Office with input and assistance from the Investment Office selected five U.S. law firms to serve as securities litigation monitoring counsel. The firms are Bernstein Litowitz Berger & Grossman, Berman Tabacco, Cohen Milstein, Labaton Sucharow, and Robbins Geller Rudman & Dowd. We also selected eight law firms to serve in LACERA's pool of approved securities litigation counsel. The firms in the pool of approved counsel include those listed above, as well as Grant & Eisenhofer, Lieff Cabraser, and Quinn Emmanuel.¹

By way of background, virtually every public pension fund with significant funds invested in the securities markets is a passive member of the securities class actions filed every year on behalf of defrauded investors. With a significant portion of its portfolio invested in equity and debt securities, LACERA is well served by evaluating whether to actively participate in these cases. To assist in identifying and evaluating cases within the United States and in foreign jurisdictions in which LACERA may have recognized losses, the Board of Investment's Securities Litigation Policy provides:

“[t]he Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.”

A copy of the Policy is attached for ease of reference. Litigation may also involve deficient corporate governance practices, and in such cases, efforts will be made in the litigation not only to recover losses but also obtain corporate governance improvements. In all cases, the management of securities litigation is a joint effort between the Legal Office and the Investment Office.

Consistent with internal and best practice, the Legal Office regularly evaluates LACERA's securities litigation monitoring firms and its pool of approved litigation counsel to ensure LACERA is receiving the best possible and most cost-effective assistance and representation in this area. In this connection, the Legal Office typically issues a request for proposal every three to five years to identify, evaluate and select qualified firms. Since it

¹ We should note that while these firms comprise LACERA's pool of approved counsel, the Legal Office is not limited to this pool. The Legal Office and the Board may consider other firms as necessary or appropriate on a case-by-case basis.

Each Trustee, Board of Investments

March 28, 2023

Page 2

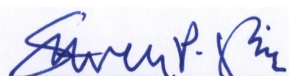
was five years since our last RFP, the Legal Office issued an RFP in November 2022 to identify and evaluate firms to provide this service. We received 18 proposals and conducted interviews with 10 finalist candidates. The evaluation team consisted of Chief Counsel Steven Rice, Senior Staff Counsel Michael Herrera, Principal Investment Officer Scott Zdrzil, and Investment Officer Ronald Senkandwa.

As part of our RFP process, we evaluated candidates based on a variety of factors, including, among others, the qualifications and experience of the attorneys, professionals and other staff, size and resources of the firm, technical capabilities and data security, familiarity and experience in U.S. courts and foreign jurisdictions, as well as their overall success, reputation and specialization in the area of practice. In keeping with past practice, and consistent with the Board's commitment to promoting principles of diversity, equity, and inclusion, we also evaluated and considered each candidate's commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce. Based on consideration of all these factors, as well as our interviews, the Legal Office determined, with Messrs. Zdrzil and Senkandwa both concurring, that the above-named firms are best qualified to assist and represent LACERA.

Each firm selected to serve as monitoring counsel will provide this service on a no cost basis. Consistent with the Board's Securities Litigation Policy, firms selected to serve as approved litigation counsel must still be approved by the Board or CEO on a case by case basis to represent LACERA in connection with a particular case only after and upon recommendation by the Legal Office.

We want to acknowledge and again thank the Investment Office, Mr. Zdrzil and Mr. Senkandwa for their time, expertise and valuable insight in participating in this counsel search.

Reviewed and Approved:



Steven P. Rice

Chief Counsel

Marc

cc: Santos H. Kreimann
Luis A. Lugo
JJ Popowich
Laura Guglielmo
Jonathan Grabel
Scott Zdrzil
Ronald Senkandwa

Attachment

legal/seclit/BOISecuritiesLitRFPUpdate_032823



BOARD OF INVESTMENTS SECURITIES LITIGATION POLICY

PURPOSE

The Board of Investments adopts this policy to establish procedures and guidelines for monitoring and participating in securities class actions as appropriate to protect LACERA's interests. For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state and/or federal securities and antitrust laws and regulations, as well as similar claims arising under the laws and/or regulations of foreign jurisdictions.

PRINCIPLES

As a large institutional shareholder, LACERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.

The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek appointment as lead or named plaintiff in a securities class action pending within the United States under U.S. federal securities laws. The lead or named plaintiff in a securities class action gains the right to supervise and control, or assist in the supervision or control, of the prosecution of such case.

Since enactment of the PSLRA, it has been demonstrated that active participation in a securities class action by large, sophisticated shareholders, particularly institutional shareholders, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.

In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("Morrison") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery.

STATEMENT OF FUNCTIONS AND RESPONSIBILITIES

1. Review of Class Action Filings

The Legal Office shall identify and evaluate securities class actions, brought or pending within the United States and in foreign jurisdictions, in which LACERA may have recognized losses. In this connection, the Legal Office may retain a vendor specializing in identifying and analyzing securities cases to perform this function, and to report its findings to the

Legal Office on a timely basis. The Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.

2. Active Case Monitoring

The Legal Office shall actively monitor each case in which the Legal Office has determined the case has merit and LACERA's estimated loss is \$2 million or more. Active monitoring may include participation by the Legal Office in significant motions and in settlement discussions when permitted by the parties or the court.

3. Active Participation

The Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action beyond monitoring, which may include, but is not limited to, seeking appointment as a lead or named plaintiff, or opting out of the class action and pursuing an individual action, in cases where:

(a) the Legal Office, after consulting with outside counsel, has determined the case has merit and the best interests of LACERA will be served by taking such action, and;

(b) LACERA's estimated loss is \$2 million or more, or LACERA's estimated loss exceeds \$1 million and LACERA will join with one or more other public retirement funds in pursuing such action.

In addition, the Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action by filing an amicus curiae (friend-of-the-court) brief in those cases where the criteria set forth in Section 3(a) is satisfied.

Recommendations on whether to take an active role in a securities class action shall be submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where the Chief Executive Officer determines that immediate approval is required in order to preserve LACERA's rights and/or interests by taking such action, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board. Notwithstanding the foregoing, recommendations on whether to commence new litigation, as in the case of opting out of an existing securities class action and pursuing an individual action, shall be submitted to the Board of Investments for approval.

For purposes of this policy, a foreign securities action is defined as a lawsuit brought or pending outside the United States involving securities purchased on a foreign securities exchange by LACERA or on its behalf. Participation as a class member in a foreign

securities action, if participation in such foreign action requires registration or other affirmative action by LACERA, shall be considered “Active Participation” and shall be submitted to the Board of Investments for approval.

4. Asset Recovery

LACERA’s claims filing agent shall be responsible for filing all proofs of claim, including the necessary supporting documents and information, necessary to recover assets in every securities class action brought or pending within the United States and in foreign jurisdictions in which LACERA has suffered losses. In this connection, the Legal Office shall prepare, and revise as necessary, a retainer agreement and statement of work setting forth formalized claims filing procedures for the claims filing agent to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to LACERA, filing claims correctly and timely on LACERA’s behalf, and providing quarterly reports regarding its efforts. The Legal Office, in consultation with the Financial Accounting and Services Division, shall monitor the performance of the claims filing agent in that regard. The claims filing agent shall submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Board.

5. Reports to the Board

The Legal Office shall provide the Board of Investments with annual reports covering its responsibilities under this policy. In addition, the Legal Office shall provide the Board with status reports as needed to keep the Board apprised of major developments in cases in which LACERA is a party.

6. Retention of Outside Counsel

The Legal Office shall retain one or more private law firms with demonstrated expertise and experience in prosecuting securities class actions (the “Securities Litigation Counsel”) to advise and/or represent LACERA in securities actions. All retainer agreements shall be negotiated by the Legal Office and submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where it is determined that immediate approval is required in order to preserve LACERA’s rights and/or interests by retaining such counsel, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board.

CHANGES TO CURRENT PRACTICE

The Legal Office has been monitoring securities class actions since passage by Congress of the PSLRA and has been evaluating the merits of LACERA taking an active role in such actions in which LACERA has a significant financial interest. The adoption of this policy will formalize the monitoring function being carried out by the Legal Office, and will create additional responsibilities for the Board of Investments and the Legal Office.

No additional staffing requirements or significant expense will result from the implementation of this policy.

Legal/SecuritiesLit/Securities Lit Policy_Revised_102217_FINAL

Policy Revised: November 2, 2017

Policy Revised: November 9, 2011

Policy Revised: April 29, 2010

Policy Adopted: March 28, 2001

ATTACHMENT B



BOARD OF INVESTMENTS SECURITIES LITIGATION POLICY

PURPOSE

The Board of Investments adopts this policy to establish procedures and guidelines for monitoring and participating in securities class actions as appropriate to protect LACERA's interests. For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state and/or federal securities and antitrust laws and regulations, as well as similar claims arising under the laws and/or regulations of foreign jurisdictions.

PRINCIPLES

As a large institutional shareholder, LACERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.

The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek appointment as lead or named plaintiff in a securities class action pending within the United States under U.S. federal securities laws. The lead or named plaintiff in a securities class action gains the right to supervise and control, or assist in the supervision or control, of the prosecution of such case.

Since enactment of the PSLRA, it has been demonstrated that active participation in a securities class action by large, sophisticated shareholders, particularly institutional shareholders, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.

In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("Morrison") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery.

STATEMENT OF FUNCTIONS AND RESPONSIBILITIES

1. Review of Class Action Filings

The Legal Office shall identify and evaluate securities class actions, brought or pending within the United States and in foreign jurisdictions, in which LACERA may have recognized losses. In this connection, the Legal Office may retain a vendor specializing in identifying and analyzing securities cases to perform this function, and to report its findings to the

Legal Office on a timely basis. The Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.

2. Active Case Monitoring

The Legal Office shall actively monitor each case in which the Legal Office has determined the case has merit and LACERA's estimated loss is \$2 million or more. Active monitoring may include participation by the Legal Office in significant motions and in settlement discussions when permitted by the parties or the court.

3. Active Participation

The Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action beyond monitoring, which may include, but is not limited to, seeking appointment as a lead or named plaintiff, or opting out of the class action and pursuing an individual action, in cases where:

(a) the Legal Office, after consulting with outside counsel, has determined the case has merit and the best interests of LACERA will be served by taking such action, and;

(b) LACERA's estimated loss is \$2 million or more, or LACERA's estimated loss exceeds \$1 million and LACERA will join with one or more other public retirement funds in pursuing such action.

In addition, the Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action by filing an amicus curiae (friend-of-the-court) brief in those cases where the criteria set forth in Section 3(a) is satisfied.

Recommendations on whether to take an active role in a securities class action shall be submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where the Chief Executive Officer determines that immediate approval is required in order to preserve LACERA's rights and/or interests by taking such action, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board. Notwithstanding the foregoing, recommendations on whether to commence new litigation, as in the case of opting out of an existing securities class action and pursuing an individual action, shall be submitted to the Board of Investments for approval.

For purposes of this policy, a foreign securities action is defined as a lawsuit brought or pending outside the United States involving securities purchased on a foreign securities exchange by LACERA or on its behalf. Participation as a class member in a foreign

securities action, if participation in such foreign action requires registration or other affirmative action by LACERA, shall be considered “Active Participation” and shall be submitted to the Board of Investments for approval.

4. Asset Recovery

LACERA’s claims filing agent shall be responsible for filing all proofs of claim, including the necessary supporting documents and information, necessary to recover assets in every securities class action brought or pending within the United States and in foreign jurisdictions in which LACERA has suffered losses. In this connection, the Legal Office shall prepare, and revise as necessary, a retainer agreement and statement of work setting forth formalized claims filing procedures for the claims filing agent to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to LACERA, filing claims correctly and timely on LACERA’s behalf, and providing quarterly reports regarding its efforts. The Legal Office, in consultation with the Financial Accounting and Services Division, shall monitor the performance of the claims filing agent in that regard. The claims filing agent shall submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Board.

5. Reports to the Board

The Legal Office shall provide the Board of Investments with annual reports covering its responsibilities under this policy. In addition, the Legal Office shall provide the Board with status reports as needed to keep the Board apprised of major developments in cases in which LACERA is a party.

6. Retention of Outside Counsel

The Legal Office shall retain one or more private law firms with demonstrated expertise and experience in prosecuting securities class actions (the “Securities Litigation Counsel”) to advise and/or represent LACERA in securities actions. All retainer agreements shall be negotiated by the Legal Office and submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where it is determined that immediate approval is required in order to preserve LACERA’s rights and/or interests by retaining such counsel, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board.

CHANGES TO CURRENT PRACTICE

The Legal Office has been monitoring securities class actions since passage by Congress of the PSLRA and has been evaluating the merits of LACERA taking an active role in such actions in which LACERA has a significant financial interest. The adoption of this policy will formalize the monitoring function being carried out by the Legal Office, and will create additional responsibilities for the Board of Investments and the Legal Office.

No additional staffing requirements or significant expense will result from the implementation of this policy.

Legal/SecuritiesLit/Securities Lit Policy_Revised_102217_FINAL

Policy Revised: November 2, 2017

Policy Revised: November 9, 2011

Policy Revised: April 29, 2010

Policy Adopted: March 28, 2001

ATTACHMENT C



The Los Angeles County Employees Retirement Association (LACERA) invites proposals from qualified firms in response to this Request for Proposals (RFP) to provide securities litigation monitoring services and for approved securities litigation counsel.

LACERA is a defined benefit public pension fund established to administer retirement benefits to employees of the County of Los Angeles and other participating agencies pursuant to the County Employees Retirement Law (CERL) of 1937 (California Government Code Section 31450, et seq.), the California Public Employees' Pension Reform Act of 2013 (PEPRA) (California Government Code Section 7522, et seq.), and other applicable law. LACERA operates as an independent governmental entity separate and distinct from Los Angeles County. LACERA is governed by a Board of Retirement and Board of Investments with plenary authority and fiduciary responsibility for investment of moneys and administration of the retirement system. Through its boards and approximately 380 employees, LACERA invests and administers retirement, disability, and death benefits for nearly 185,000 active and retired members, and also administers the County's retiree health benefits program. With over \$75 billion in assets, LACERA is the largest county retirement system in the country.

LACERA's staff includes a Legal Division consisting of ten (10) lawyers, a Legislative Affairs Officer, and other professional support staff, with expertise in governance, benefits, disability, investments, litigation, and legislative matters. Additional background information about LACERA may also be found at www.LACERA.com.

I. SCOPE OF SERVICES AND CORE SKILLS

In March 2001, LACERA's Board of Investments adopted a Securities Litigation Policy to formalize the Legal Office's securities class action monitoring and evaluation function, and implement procedures designed to enhance LACERA's recovery of damages from corporate wrongdoers. As a result of its efforts and success over the past two decades, LACERA is widely viewed as a leader in this area and its Policy has served as a model for public pension funds throughout the country.

After the United States Supreme Court's decision in *Morrison v. National Australia Bank Ltd.*, 130 S.Ct. 2869 (2010), the Board of Investments acted quickly to adopt a "global" policy to ensure LACERA continues to meet its fiduciary duty by identifying, monitoring and evaluating securities actions in which the fund has an interest, both foreign and domestic, and pursuing such claims when and in a manner the Board determines is in the best interest of the fund. A copy of the Policy is attached.

To assist LACERA in its continuing effort to identify, evaluate, and monitor securities actions in which the fund may have an interest, the Legal Office is looking to retain one or more firms to provide securities litigation monitoring services. This RFP is not limited to law firms. The firm(s) selected may include law firms, consulting firms, or a combination thereof (hereinafter collectively referred to as "Firms"). LACERA also recognizes the value of small and emerging Firms and will consider Firms of all sizes.

The Firm(s) selected to provide securities litigation monitoring services will be expected to:

1. Obtain LACERA's securities trading and holdings information directly from its custodial bank, State Street Bank and Trust Company;
2. Identify, monitor and provide timely notice to LACERA of securities class actions filed in the United States, and provide an analysis of its estimated loss, if any, in the affected security or securities in each action;
3. Identify, monitor and provide timely notice to LACERA of securities actions that are filed or may be filed outside the United States in foreign jurisdictions, and provide an analysis of its estimated loss, if any, in the affected security or securities in each action;
4. Identify, evaluate and provide timely notice and analysis of those potential and pending U.S. and non-U.S securities actions (collectively, "Securities Actions") in which the Firm determines LACERA may have a significant financial interest and where active participation may be necessary and warranted;
5. Assist LACERA in joining and filing claims in non-U.S securities actions in which the Board of Investments or its approved delegee approves active participation, including obtaining, assisting in the review and negotiation, and submission of engagement agreements, third-party funder agreements, and insurance agreements.

Core skills include comprehensive knowledge and understanding of relevant securities laws and the U.S. and non-U.S. securities markets, experience advising, representing and/or providing securities litigation monitoring services for public pension public pension systems and/or institutional investors, excellent oral and written communication skills, sound judgment, the ability to work well with and maintain the confidence of the Board of Retirement, the Board of Investments, and staff, and the ability to deliver services in a timely and cost effective manner.

The Scope of Services does not include representation as attorney of record in connection with a Securities Action or any other type of legal action. LACERA will solicit and obtain such representation as necessary on a case by case basis through a separate RFP for litigation counsel as required and approved in advance by the Board of Investments. However, any law firm selected to provide securities litigation monitoring services will not be excluded or foreclosed from being considered or selected to serve as litigation counsel.

II. RFP PROCESS

This RFP and other relevant information related to the RFP, including addenda, modifications, answers to questions, and other updates, may be posted on LACERA's "RFPs" page at www.LACERA.com, and the website for the National Association of Public Pension Attorneys at www.NAPPA.org.

A. Calendar

Issuance of RFP:	Issue/Due Date November 14, 2022
Written Questions/Requests for Clarification:	November 21, 2022, 5:00 P.M. PDT
Responses to Questions:	November 30, 2022, 5:00 P.M. PDT
Proposals Due:	December 14, 2022, 5:00 P.M. PDT
Finalist Interviews Period:	January 17 – January 27, 2023
Estimated Final Selection and Approval:	February 2023

B. Communication and Questions

Except for communications expressly permitted by this RFP and communications in the normal course of ongoing business, communications by respondents with LACERA staff or Members of its Boards regarding this RFP are prohibited from the date of this RFP through the date LACERA completes or terminates the RFP process, as publicly disclosed by LACERA. Respondents violating the communications prohibition may be disqualified in LACERA's discretion. Respondents having current business with LACERA must limit their communications to the subject of such business.

Respondents are encouraged to communicate any questions regarding this RFP by the deadline stated above in the RFP Calendar. Questions should be sent in writing via email to mherrera@lacera.com. Questions and answers will be communicated to all respondents by the date stated in the RFP Calendar.

C. Errors in the RFP

If a respondent discovers an ambiguity, conflict, discrepancy, omission or other error in this RFP, notice should be immediately provided to mherrera@lacera.com. LACERA is not responsible for, and has no liability for or obligation to correct, any errors or omissions in this RFP.

D. Addenda

Modifications or clarifications of the RFP, if deemed necessary, will be made by addenda to the RFP and may be posted on www.LACERA.com.

E. Delivery of Submissions

Submissions must be delivered in PDF or Microsoft Word format via email to mherrera@lacera.com by the due date stated above in the RFP Calendar.

See "Notice Regarding the California Public Records Act and Brown Act" in this RFP for information regarding redactions and disclosure.

F. Proposal Format and Content

All responses to this RFP should follow the format and address the areas described in this section. For each part of the response, restate the RFP item immediately above the response. When requested, please provide details and state all qualifications or exceptions. All information provided should be concise and clearly relevant to qualifications to provide securities litigation monitoring services.

Cover Letter

The cover letter must provide a statement affirming that the signatory is empowered and authorized to bind the respondent to an engagement agreement with LACERA and represents and warrants that the information stated in the proposal is accurate and may be relied upon by LACERA in considering, and potentially accepting, the proposal.

Executive Summary

In this section, an overview should be provided of the respondent's background, experience, and other qualifications to provide securities litigation monitoring services.

Experience and Approach

The proposal must provide a detailed statement of the respondent's experience in providing securities litigation monitoring services for public pension systems and/or institutional investors. LACERA's goal in the RFP process is to understand each respondent's experience and approach in identifying, monitoring and evaluating Securities Actions. LACERA is also interested in how the respondent differentiates themselves from other firms offering similar services.

Assigned Professionals

LACERA values diversity, equity, and inclusion ("DEI"), and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA takes a broad view of diversity, inclusive of varied backgrounds including, but not limited to, age, experience, race, ethnicity, sexual orientation, gender, gender identity, disability status, national origin, and culture. Consistent with the LACERA Board of Investment's commitment to promoting principles of DEI, we will also evaluate and consider each respondent's commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce.

The proposal must set forth the professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with LACERA's Boards and staff in performing the scope of services. Please also include a description of the diversity of the team that will support your firm's work for LACERA.

References

In this section, the proposal must identify at least three (3) references for which the respondent has provided securities litigation monitoring services and/or served as approved securities litigation counsel, with at least one (1) of the references being a public pension system. Please include for each reference the individual point of contact, a summary of the work performed, and the length of time the respondent provided this service.

Fees and Costs, Billing Practices, and Payment Terms

The respondent must explain the pricing proposal for the scope of work including pricing of fees and costs, billing practices and payment terms, if any, that would apply assuming a three (3) to five (5) year initial duration of the engagement as well as any additional period during which the engagement may extend. LACERA does not place any limits on the approach to pricing and is open to presentation of more than one pricing alternative for the scope of work, or portions of it. This section of the response should include an explanation as to how the pricing approach(es) will be managed to provide the best value to LACERA. The respondent should represent that the pricing offered to LACERA is, and will remain, equivalent to or better than that provided to other public pension fund and/or institutional investor clients, or should provide an explanation as to why this representation cannot be provided. All pricing proposals should be "best and final," although LACERA reserves the right to negotiate on pricing.

Conflicts of Interest

The proposal must identify all actual or potential conflicts of interest that the respondent may face in the representation of LACERA. Specifically, and without limitation to other actual or potential conflicts, the proposal should identify any representation of the County of Los Angeles, Los Angeles County Office of Education, the South Coast Air Quality Management District, Little Lake Cemetery District, and Local Agency Formation Commission, and, to the respondent's knowledge, any of LACERA's members, vendors, other contracting parties, investments, and employees. The proposal should also identify any positional conflicts of which the respondent is aware.

Claims

The proposal must identify all past, pending, or threatened litigation, including but not limited to malpractice claims, and all administrative, state ethics, and disciplinary proceedings and other claims against the firm and any of the attorneys proposed to provide services to LACERA.

Insurance

The proposal must explain the insurance that the respondent will provide with respect to the services to be provided and other acts or omission of the firm and its attorneys and staff in the representation of LACERA.

Other Information

The proposal may contain any other information that the respondent deems relevant to LACERA's selection process.

G. Post-Proposal Request for Information

LACERA reserves the right in its discretion to request additional information from any respondent, although such requests may not be made to all respondents.

H. Interviews and Personal Presentations

LACERA expects to require one or more interviews with or personal presentations by finalists to be conducted with staff, Board members, and/or the full Board of Investments.

Evaluation Criteria Respondents will be evaluated in the discretion of LACERA based upon the following factors:

1. Experience and quality of work in representing and/or providing securities litigation monitoring services for other public pension systems and/or institutional investors.
2. Experience, relationships and affiliations with firms in non-U.S. foreign jurisdictions;
3. Experience assisting/representing investors in non-U.S. foreign jurisdictions;
4. Quality of the team proposed to provide services to LACERA.
5. Commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce.
6. Information provided by references.
7. Communications skills.
8. Pricing and value.
9. Team work, both internally and with LACERA.
10. Level of investment and commitment to the LACERA relationship.

11. The organization, completeness, and quality of the proposal, including cohesiveness, conciseness, and clarity.

The factors will be considered as a whole, without a specific weighting. The balancing of the factors is in LACERA's sole discretion. Factors other than those listed may be considered by LACERA in making its selection.

I. Engagement Agreement

LACERA will propose an engagement agreement to successful respondent(s), which will contain such terms as LACERA in its sole discretion may require.

III. GENERAL CONDITIONS

This RFP is not an offer to contract. Acceptance of a proposal neither commits LACERA to award a contract to any respondent even if all requirements stated in this RFP are met, nor does it limit LACERA's right to negotiate the terms of an engagement agreement in LACERA's best interest, including requirement of terms not mentioned in this RFP. LACERA reserves the right to contract with a vendor for reasons other than lowest price.

Failure to comply with the requirements of this RFP may subject the proposal to disqualification.

Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP.

A. Notice Regarding the California Public Records Act and Brown Act

The information submitted in response to this RFP may be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq.) and the Brown Act (California Government Code Section 54950, et seq.) (collectively, the Acts). The Acts provide generally that records relating to a public agency's business are open to public inspection and copying and that the subject matter of this RFP is a matter for public open session discussion by the Boards, unless specifically exempted under one of several exemptions set forth in the Acts. If a respondent believes that any portion of its proposal is exempt from public disclosure or discussion under the Acts, the respondent must provide a full explanation and mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," and make it readily separable from the balance of the response. Proposals marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," a respondent represents it has a good faith belief that the material is exempt from disclosure under the Acts; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by LACERA under the Acts.

LACERA will use reasonable means to ensure that material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" is safeguarded and held in confidence. LACERA will not be liable, however, for disclosure of such material if deemed appropriate in LACERA's sole discretion. LACERA retains the right to disclose all information provided by a respondent.

If LACERA denies public disclosure of any materials designated as "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY", the respondent agrees to reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its Boards, officers, fiduciaries, employees and agents from and against:

1. Any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses, including without limitation attorneys' fees, expenses and court costs of any nature whatsoever (collectively, Claims) arising from or relating to LACERA's non-disclosure of any such designated portions of a proposal; and
2. Any and all Claims arising from or relating to LACERA's public disclosure of any such designated portions of a proposal if LACERA reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

LACERA's engagement of any respondent, including the terms and reasons for the engagement, may appear on a publicly posted agenda and in supporting materials for public meetings of the Boards.

B. Reservations by LACERA

In addition to the other provisions of this RFP, LACERA reserves the right to:

1. Cancel this RFP, in whole or in part, at any time.
2. Make such investigation as it deems necessary to determine the respondent's ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as LACERA may request.
3. Reject the proposal of any respondent who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner, or for any other reason in LACERA's sole discretion.
4. Waive irregularities, to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.
5. Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of LACERA in LACERA's sole discretion, which may not be the proposal offering the lowest fees.
6. Reject any or all proposals submitted in response to this RFP.
7. Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.

C. Ownership of Proposals

The information that a respondent submits in response to this RFP becomes the exclusive property of LACERA. LACERA will not return any proposal or reimburse proposal preparation expenses.

D. Valid Period of Proposal

The pricing, terms, conditions, and other information stated in respondent's proposal must remain valid for 120 days from the date of delivery of the proposal to LACERA.

E. Cost of Proposal

LACERA shall not be liable for any costs respondents incur in connection with the preparation or submission of a proposal.

ATTACHMENT D

2022 Securities Litigation RFP

Barrack Rodeos & Bacine

Berman Tabacco

Bernstein Litowitz Berger & Grossman

Bleichmar Fonti & Auld

Cohen Milstein Sellers & Toll

Dividex Management

Grant & Eisenhofer

Kaplan Fox and Kilsheimer

Kessler Topaz Meltzer an& Check

Kirby McInerney

Labaton Sucharow

Lieff Cabraser Heimann & Bernstein

Motley Rice

Pomerantz

Robbins Geller Rudman & Dowd

Saxena White

The Rosen Law Firm

Quinn Emmanuel Urquhart & Sullivan

ATTACHMENT E



The following are the responses of LACERA to the written questions it received by the stated deadline of November 21, 2022 concerning the Request for Proposals (RFP) to provide securities litigation monitoring services and for approved securities litigation counsel.

1. What are LACERA's total recoveries from securities litigation for each of the past five years? What portion of that was derived from non-US securities actions?

2017	\$ 2,306,483.22	2020	\$ 470,289.59
2018	\$ 1,188,585.75	2021	The total is not yet available
2019	\$ 948,736.47		

None of the amounts during the specified years include non-US securities recoveries.

2. Does LACERA track all its securities holdings in a Bloomberg Portfolio (PORT)?
- If yes, will LACERA grant RFP awardee access to that portfolio data in Blomberg via Bloomberg PORT functionality?
 - If yes, is there a single comprehensive portfolio, or are users required to aggregate across multiple portfolios?

LACERA does not utilize Bloomberg Portfolio in connection securities class action claims filing. For purposes of securities class action claims filing, LACERA's claims filing agent will be provided access to obtain all of LACERA's current and historical securities trading and holdings information as necessary directly from its custodial bank, State Street Bank and Trust Company.

3. Please describe the filing method (account level, client level or something else) used by LACERA to file securities class action claims.
- What if any process or system does LACERA use to reconcile recoveries against entitlements from those settlements?
 - May the RFP response include claims filing reconciliation and analysis to seek to ensure LACERA recovers the correct amount from its filed securities litigation claims?

LACERA does not perform claims filing services internally. LACERA relies on its claims filing agent to determine the appropriate method for filing securities class action claims on the fund's behalf.

To the extent the respondent deems it relevant to the Scope of Services or Core Skills described in Section I of the RFP, the respondent may include a description of its claims filing reconciliation and analysis in addressing its "Experience and Approach" and/or "Other Information."

4. May the RFP response include pre-filing claims analysis to seek to assist LACERA in improving securities litigation recoveries as compared with standard custodial filing?

To the extent the respondent deems it relevant to the Scope of Services or Core Skills described in Section I of the RFP, the respondent may include a description of its pre-filing claims analysis in addressing its "Experience and Approach" and/or "Other Information."

5. May the RFP response include ancillary products and services, such as the provision of adverse party cost (loser pays) insurance to LACERA for overseas cases, the premiums for which will be included in the cost proposal?

To the extent the respondent deems it relevant to the Scope of Services or Core Skills described in Section I of the RFP, respondent may include these in discussing and describing the respondent's "Experience and Approach" and/or "Other Information."

ATTACHMENT F

**FOR INFORMATION ONLY**

September 29, 2022

TO: Each Trustee,
Board of Investments

FROM: Michael D. Herrera, 
Senior Staff Counsel

FOR: Board of Investments Meeting of October 12, 2022

SUBJECT: RFP For Securities Litigation Monitoring And Approved Counsel.

The Legal Office regularly evaluates LACERA's securities litigation monitoring firms and pool of approved litigation counsel to ensure LACERA is receiving the best possible and most cost-effective assistance and representation in this area. In this connection, the Legal Office typically issues a request for proposals every three to five years to identify, evaluate and select qualified firms. Since it has been five years since our last RFP, the Legal Office plans to issue a RFP to identify and evaluate firms to provide this service.

By way of background, virtually every public pension fund with significant funds invested in the securities markets is a passive member of the securities class actions filed every year on behalf of defrauded investors. With a significant portion of its portfolio invested in equity and debt securities, LACERA is well served by evaluating whether to actively participate in these cases or seek recovery as a passive class member. To assist in identifying and evaluating those cases within the United States and in foreign jurisdictions in which LACERA may have recognized losses, the Board of Investment's Securities Litigation Policy provides that "[t]he Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA." A copy of the Policy is attached for ease of reference.

As part of our RFP process, we will evaluate candidates using a variety of factors, including, among others, the qualifications and experience of the attorneys, professionals and other staff, size and resources of the firm, technical capabilities and data security, familiarity and experience in U.S. courts and foreign jurisdictions, as well as their overall success, reputation and specialization in the area of practice. In keeping with past practice, and consistent with the Board's commitment to promoting principles of diversity, equity, and inclusion, we will also evaluate and consider each candidate's commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce.

As with our current securities litigation monitoring counsel, each firm selected to provide this service will do so on a no cost basis. Consistent with the Board's Securities Litigation Policy, firms selected to serve as approved litigation counsel must still be approved by the Board or CEO, as appropriate, to represent LACERA in connection with a particular case only after and upon recommendation by the Legal Office.

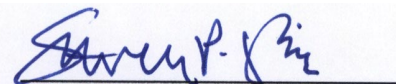
Each Trustee,
Board of Investments
September 29, 2022
Page 2

We expect to issue the RFP by November, complete our initial review and valuation of responses by January, and conduct interviews and make final selections by February. We will keep the Board apprised of our progress and the final outcome.

The Legal Division is sensitive to the need to coordinate securities litigation, including the cases and issues that are pursued or not pursued, and the manner in which cases are litigated and resolved, with the Investment Office to align decisions regarding securities litigation with the goals, principles, and policies of the investment program. Accordingly, representatives of the Investment Office will be invited to participate in the RFP process.

We welcome the involvement of Board members in the evaluation process. If interested, please contact me or Chief Counsel Steven Rice directly.

Reviewed and Approved:



Steven P. Rice
Chief Counsel

cc: Santos H. Kreimann
Jonathan Grabel
Luis A. Lugo
Scott Zdrazil

MDH/kt
L:\Div\Legal\SecLit\BOI Memo_RFP Sec Lit Monitoring and Approved Counsel

EXHIBIT



BOARD OF INVESTMENTS SECURITIES LITIGATION POLICY

PURPOSE

The Board of Investments adopts this policy to establish procedures and guidelines for monitoring and participating in securities class actions as appropriate to protect LACERA's interests. For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state and/or federal securities and antitrust laws and regulations, as well as similar claims arising under the laws and/or regulations of foreign jurisdictions.

PRINCIPLES

As a large institutional shareholder, LACERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.

The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek appointment as lead or named plaintiff in a securities class action pending within the United States under U.S. federal securities laws. The lead or named plaintiff in a securities class action gains the right to supervise and control, or assist in the supervision or control, of the prosecution of such case.

Since enactment of the PSLRA, it has been demonstrated that active participation in a securities class action by large, sophisticated shareholders, particularly institutional shareholders, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.

In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("Morrison") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery.

STATEMENT OF FUNCTIONS AND RESPONSIBILITIES

1. Review of Class Action Filings

The Legal Office shall identify and evaluate securities class actions, brought or pending within the United States and in foreign jurisdictions, in which LACERA may have recognized losses. In this connection, the Legal Office may retain a vendor specializing in identifying and analyzing securities cases to perform this function, and to report its findings to the

Legal Office on a timely basis. The Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.

2. Active Case Monitoring

The Legal Office shall actively monitor each case in which the Legal Office has determined the case has merit and LACERA's estimated loss is \$2 million or more. Active monitoring may include participation by the Legal Office in significant motions and in settlement discussions when permitted by the parties or the court.

3. Active Participation

The Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action beyond monitoring, which may include, but is not limited to, seeking appointment as a lead or named plaintiff, or opting out of the class action and pursuing an individual action, in cases where:

(a) the Legal Office, after consulting with outside counsel, has determined the case has merit and the best interests of LACERA will be served by taking such action, and;

(b) LACERA's estimated loss is \$2 million or more, or LACERA's estimated loss exceeds \$1 million and LACERA will join with one or more other public retirement funds in pursuing such action.

In addition, the Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action by filing an amicus curiae (friend-of-the-court) brief in those cases where the criteria set forth in Section 3(a) is satisfied.

Recommendations on whether to take an active role in a securities class action shall be submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where the Chief Executive Officer determines that immediate approval is required in order to preserve LACERA's rights and/or interests by taking such action, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board. Notwithstanding the foregoing, recommendations on whether to commence new litigation, as in the case of opting out of an existing securities class action and pursuing an individual action, shall be submitted to the Board of Investments for approval.

For purposes of this policy, a foreign securities action is defined as a lawsuit brought or pending outside the United States involving securities purchased on a foreign securities exchange by LACERA or on its behalf. Participation as a class member in a foreign

securities action, if participation in such foreign action requires registration or other affirmative action by LACERA, shall be considered “Active Participation” and shall be submitted to the Board of Investments for approval.

4. Asset Recovery

LACERA’s claims filing agent shall be responsible for filing all proofs of claim, including the necessary supporting documents and information, necessary to recover assets in every securities class action brought or pending within the United States and in foreign jurisdictions in which LACERA has suffered losses. In this connection, the Legal Office shall prepare, and revise as necessary, a retainer agreement and statement of work setting forth formalized claims filing procedures for the claims filing agent to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to LACERA, filing claims correctly and timely on LACERA’s behalf, and providing quarterly reports regarding its efforts. The Legal Office, in consultation with the Financial Accounting and Services Division, shall monitor the performance of the claims filing agent in that regard. The claims filing agent shall submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Board.

5. Reports to the Board

The Legal Office shall provide the Board of Investments with annual reports covering its responsibilities under this policy. In addition, the Legal Office shall provide the Board with status reports as needed to keep the Board apprised of major developments in cases in which LACERA is a party.

6. Retention of Outside Counsel

The Legal Office shall retain one or more private law firms with demonstrated expertise and experience in prosecuting securities class actions (the “Securities Litigation Counsel”) to advise and/or represent LACERA in securities actions. All retainer agreements shall be negotiated by the Legal Office and submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where it is determined that immediate approval is required in order to preserve LACERA’s rights and/or interests by retaining such counsel, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board.

CHANGES TO CURRENT PRACTICE

The Legal Office has been monitoring securities class actions since passage by Congress of the PSLRA and has been evaluating the merits of LACERA taking an active role in such actions in which LACERA has a significant financial interest. The adoption of this policy will formalize the monitoring function being carried out by the Legal Office, and will create additional responsibilities for the Board of Investments and the Legal Office.

No additional staffing requirements or significant expense will result from the implementation of this policy.

Legal/SecuritiesLit/Securities Lit Policy_Revised_102217_FINAL

Policy Revised: November 2, 2017

Policy Revised: November 9, 2011

Policy Revised: April 29, 2010

Policy Adopted: March 28, 2001

ATTACHMENT G

LACERA Due Diligence Regarding Diversity, Equity, and Inclusion

LACERA values **diversity, equity, and inclusion (“DEI”)**, and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA takes a broad view of diversity, inclusive of varied backgrounds including, but not limited to, age, experience, race, ethnicity, sexual orientation, gender, gender identity, disability status, national origin, and culture. LACERA expects external asset managers and other third party providers to respect and reflect LACERA’s value of DEI. LACERA’s ongoing monitoring of third party service providers incorporates an assessment of vendors’ commitment to, adherence with, and track record of accessing and retaining diverse and inclusive workforces.

Section I

I. Policy

1. Describe your firm’s approach to diversity, equity, and inclusion (“DEI”) in the workplace and its relation to your strategic objectives.
2. Does your firm have a written policy (or policies) addressing workplace DEI (“Policy”)? A Policy defines the firm’s commitment, policies, and practices regarding equal employment opportunity, including the recruitment, development, retention and promotion of a diverse and inclusive workforce and non-discrimination based on gender, race, ethnicity, sexual orientation, gender identity, age, veteran’s status, and other legally protected categories. A Policy (or policies) may be a standalone document or part of a larger firm document.

Please provide a copy of your firm’s Policy.

3. Does your Policy address sexual harassment in the workplace? If not, please explain.
4. If your firm does not have a written policy, do you commit to promptly adopting and providing a copy of a Policy, if your firm is awarded a mandate/contract with LACERA?

II. Oversight

5. Who is responsible for overseeing the Policy’s implementation? Please provide name and title. What processes are employed to implement and enforce the firm’s Policy?
6. Who is responsible for overseeing compliance with the Policy? Please provide name and title. What processes are employed to promote compliance with the Policy?
7. What oversight, if any, does your firm’s board and/or executive team exercise regarding the firm’s DEI policy and efforts?
8. What data, trends, or analysis does the firm’s board or executive committee receive regarding the firm’s effectiveness in adhering to DEI policies, objectives, and compliance?

9. Under what circumstances would an allegations of non-compliance with the Policy prompt notification and/or consideration by the firm's board or executive committee?

III. Track Record

10. Please complete the charts in **Section II** regarding your firm's workplace composition as defined by the Equal Employment Opportunity Commission categories for employees of your firm's U.S. operations. We also request completion of similar information for non-U.S. employees, absent any applicable legal or regulatory restrictions.
11. Does your firm commit to providing the firm's workforce composition in a format similar to **Section II** on a periodic basis to clients like LACERA?
12. Has your firm been subject to any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past twelve years? Please describe.
13. Please identify the number of confidential settlements and/or non-disclosure agreements related to workplace discrimination and/or sexual harassment entered into by your firm during the past twelve years. Please describe the nature of each settlement within the terms of the confidential settlement.

IV. Objectives and Compliance Strategies

14. Does your firm integrate DEI into executives' performance reviews and/or incentive pay objectives? Please describe.
15. Does your firm conduct pay disparity analyses to discern any disparities by gender, race, ethnicity, or other attributes of diversity? Please describe or explain why not.
16. Does your firm have a clawback or recoupment policy in place by which workplace misconduct, such as sexual harassment, may trigger recoupment of incentive pay, awards, bonuses, or other compensation?
17. Does your firm provide paid family leave provisions? If yes, please describe.
18. Please explain any other incentives or risk mitigation strategies your firm employs to promote compliance with your DEI policies.
19. How does your firm promote an accessible workplace for employees with disabilities?
20. Please describe any DEI objectives or goals your firm has.
21. Describe any affiliations or leadership positions related to DEI in the financial services industry with which your firm is involved.

Section II

General Instructions

LACERA seeks to understand the track record of vendors in accessing and retaining talent inclusive of diverse backgrounds.

We invite all firms to provide the demographics and diversity attributes of their leadership (such as boards or executive committees) and professionals, consistent with applicable laws, regulations, and privacy considerations in the markets in which they operate.

LACERA takes a broad view of diversity and welcomes firms to report on diversity attributes relevant to your business. However, as a standard baseline, LACERA requests all firms with U.S. operations to provide reporting consistent with the gender, race, and ethnicity categories used by the United States Equal Employment Commission (EEOC) in your firm's Employer Report EEO-1. See www.eeoc.gov/employers/eeo1survey/index.cfm for further information.

Please complete all columns in Tables 1, 2, and 3 by entering in the number of employees/individuals for each relevant category (not percentages). Blank cells will be interpreted as having a value of zero.

Job Categories:

- Management: This row includes all members of the firm's governing board (or executive committee), as well as CEO, CFO, COO or equivalent positions.
- Partners: All professionals who have a role in decision-making at the firm
- Associates: All professionals with a law degree who provide legal services to clients of the firm
- All other employees, staff, and support roles such as secretaries, paralegals, accounting, and IT.
- If an employee is both a member of management as well as serves as partner, the individual may be counted in both rows.

Total compensation figures should be provided for all partners and associates in each category reported in Row 2 as a percentage of total compensation of all professionals (not total personnel of the firm).

Your firm may elect to provide information on additional diversity categories. If you choose to do so, please provide such information on additional sheets.

TABLE 1
Firmwide for U.S. Operations

		Non-Hispanic Or Latino																		All												
		Hispanic or Latino			Black or African American			Asian			Native Hawaiian or Other Pacific Islander			American Indian or Alaska Native			Two or More Races			White			Other Undisclosed Race			All						
Job Categories		Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F				
1	Management																													0	0	
2	Partners																													0	0	
3	Associates																													0	0	
4	All other supporting employees																															
5	For Legal professionals: Total Compensation including profit sharing																															

TABLE 2
Employees in Non-U.S. Operations (optional)

Job Categories	Hispanic or Latino			Non-Hispanic Or Latino															All														
	Total	M	F	Black or African American			Asian			Native Hawaiian or Other Pacific Islander			American Indian or Alaska Native			Two or More Races			White			Other/Undisclosed Race			Total	M	F						
				Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F	Total	M	F												
1 Legal Professionals																												0	0	0			
2 All other supporting employees																															0	0	0
3 For Legal professionals Total Compensation including profit sharing																																	

FIRM OWNERSHIP

LACERA invites disclosure of any diversity attributes among your firm’s ownership (where applicable) and the percentage of ownership of each individual. LACERA takes a broad view of diversity (inclusive of gender, race and ethnicity, sexual orientation, gender identity, disability, and other attributes). We invite you to describe how your firm defines diversity in your ownership profile below.

U.S. firms are also requested to provide the baseline demographic information of the firm’s owners, consistent with EEO-1 categories, in Table 3.

Table 3: Firm Ownership of Attributes Consistent with EEO-1 Categories

		# of Owners	% Ownership
Hispanic or Latino	F		
	M		
	Total		
Black or African American	F		
	M		
	Total		
Asian	F		
	M		
	Total		
Native Hawaiian or Other Pacific Islander	F		
	M		
	Total		
American Indian or Alaska Native	F		
	M		
	Total		
Two or More Races	F		
	M		
	Total		
White	F		
	M		
	Total		
Other Race/Ethnicity	F		
	M		
	Total		
Not disclosed	F		
	M		
	Total		
TOTAL	F	0	0%
	M	0	0%
	Total	0	0%



DE/DBQ Ownership
Summary.xlsx



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

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



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