

IN PERSON & VIRTUAL BOARD MEETING

*The Committee meeting will be held prior to the Board of Investments meeting scheduled prior.



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

Members of the public may address the Committee 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 Committee meeting.

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

AGENDA

A REGULAR MEETING OF THE REAL ASSETS COMMITTEE

AND THE BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., WEDNESDAY, DECEMBER 13, 2023

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

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

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

COMMITTEE TRUSTEES:

Patrick L. Jones, Chair
Joseph Kelly, Vice Chair
Jason Green, Trustee
Keith Knox, Trustee
Herman Santos, Alternate Trustee

- I. CALL TO ORDER
- II. 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

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Real Assets Committee Meeting of June 14, 2023

IV. PUBLIC COMMENT

Members of the public may address the Committee 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 Committee meeting.

If you select oral comment, we will contact you via email with information and instruction as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. 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

V. NON – CONSENT ITEM

A. **Real Assets Structure Review**

Recommendation as submitted by James Rice, Principal Investment Officer, Pushpam Jain, Investment Officer, Daniel Joye, Investment Officer, and Terra Elijah, Senior Investment Analyst: That the Committee advance the Real Estate Structure Review. (Memo dated November 30, 2023)

VI. 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.)

VII. 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.)

VIII. GOOD OF THE ORDER

(For information purposes only)

IX. ADJOURNMENT

****The Board of Investments has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Investments. Members of the Board of Investments who are not members of the Committee may attend and participate in a meeting of a Committee but may not vote, make a motion, or second on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.***

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

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

MINUTES OF THE REGULAR MEETING OF THE REAL ASSETS COMMITTEE
AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., WEDNESDAY, JUNE 14, 2023

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

COMMITTEE TRUSTEES

PRESENT: Patrick Jones, Chair

Joseph Kelly, Vice Chair

Jason Green, Trustee

Herman Santos, Alternate Trustee

ABSENT: Keith Knox, Trustee

OTHER BOARD OF INVESTMENT TRUSTEES

David Ryu, Trustee

Gina Sanchez, Trustee

David Green, Trustee

STAFF ADVISORS AND PARTICIPANTS

Jonathan Gabel, Chief Investment Officer

Santos Kreimann, Chief Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Steven P. Rice, Chief Counsel

Scott Zdrazil, Principal Investment Officer

James Rice, Principal Investment Officer

Cindy Rivera, Investment Officer

Dale Johnson, Investment Officer

StepStone Group

Thomas Hester, Managing Partner

James Maina, Vice President

Albourne

Mark White, Head of Real Assets

Jennifer Yeung, Senior Portfolio Analyst

I. CALL TO ORDER

This meeting was called to order by Chair P. Jones at 8:02 a.m. in the Board Room at Gateway Plaza.

II. 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

No requests were received for Just Cause (A) or Emergency Circumstance (B).

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Real Assets Committee Meeting of December 14, 2022

III. APPROVAL OF MINUTES (Continued)

Trustee Santos made a motion, Trustee Kelly seconded, to approve the minutes of the regular meeting of December 14, 2022. The motion passed by the following roll call vote:

Yes: P. Jones, Kelly, Santos, J. Green

Absent: Knox

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. REPORTS

- A. Global Real Estate Sustainability Benchmark Update
Scott Zdrazil, Principal Investment Officer
James Rice, Principal Investment Officer
Cindy Rivera, Investment Officer
Dale Johnson, Investment Officer
(Presentation) (Memo dated May 19, 2023)

Messrs. Zdrazil, Johnson, J. Rice and Ms. Rivera provided a presentation and answered questions from the Committee. This item was received and filed.

- B. Real Estate Performance Review Presentation
James Rice, Principal Investment Officer
Thomas Hester, StepStone Group, Managing Partner
James Maina, StepStone Group, Vice President
(Presentation) (Memo dated, June 2, 2023)

Mr. J. Rice and Mr. Hester of StepStone Group provided a presentation and answered questions from the Committee. This item was received and filed.

- C. Real Assets Performance Review Presentation
James Rice, Principal Investment Officer
Mark White, Albourne, Head of Real Assets
Jennifer Yeung, Albourne, Senior Portfolio Analyst
(Presentation) (Memo dated June 2, 2023)

V. REPORTS (Continued)

Mr. J. Rice and Mr. White and Ms. Yeung of Albourne provided a presentation and answered questions from the Committee. This item was received and filed.

VI. ITEMS FOR STAFF REVIEW

There was nothing to report.

VII. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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


There was nothing to report.

IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 9:20 a.m.

November 30, 2023

TO: Trustees – Real Assets Committee

FROM: James Rice 
Principal Investment Officer

FOR: December 13, 2023 Real Assets Committee Meeting

SUBJECT: **REAL ASSETS STRUCTURE REVIEW**

RECOMMENDATION

Advance the Real Assets Structure Review (**Attachment A**) including initiatives, guidelines, and recommendations throughout the document as well as those summarized on pages 33-37 to the Board of Investments for approval.

BACKGROUND

The Board of Investments approved the first structure review for the Real Assets Category (excluding Real Estate) in November 2019, and the subsequent structure review in February 2022. The strategic asset allocation analysis completed in May 2021 raised the Infrastructure allocation target weight from 3 to 5%, and reduced Natural Resources from 4% to 3%.

SUMMARY

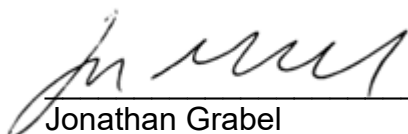
This structure review recommends the continuation of the program to invest in private Infrastructure and Natural Resources assets through funds, co-investment vehicles, and secondary purchase. Over the next three to five years these private assets are expected to largely replace the existing public market equities and commodities portfolios in the Infrastructure and Natural Resources categories.

The presentation consists of an overview followed by sections on the strategies and guidelines to be employed in implementing the recommendation.

LACERA's consultants, Albourne and Meketa, reviewed the structure review and are in support of the recommendation. Albourne's concurrence memo is included as **Attachment B** and Meketa's concurrence memo is included as **Attachment C**.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Real Assets

Structure Review

Real Assets Committee Meeting
December 13, 2023

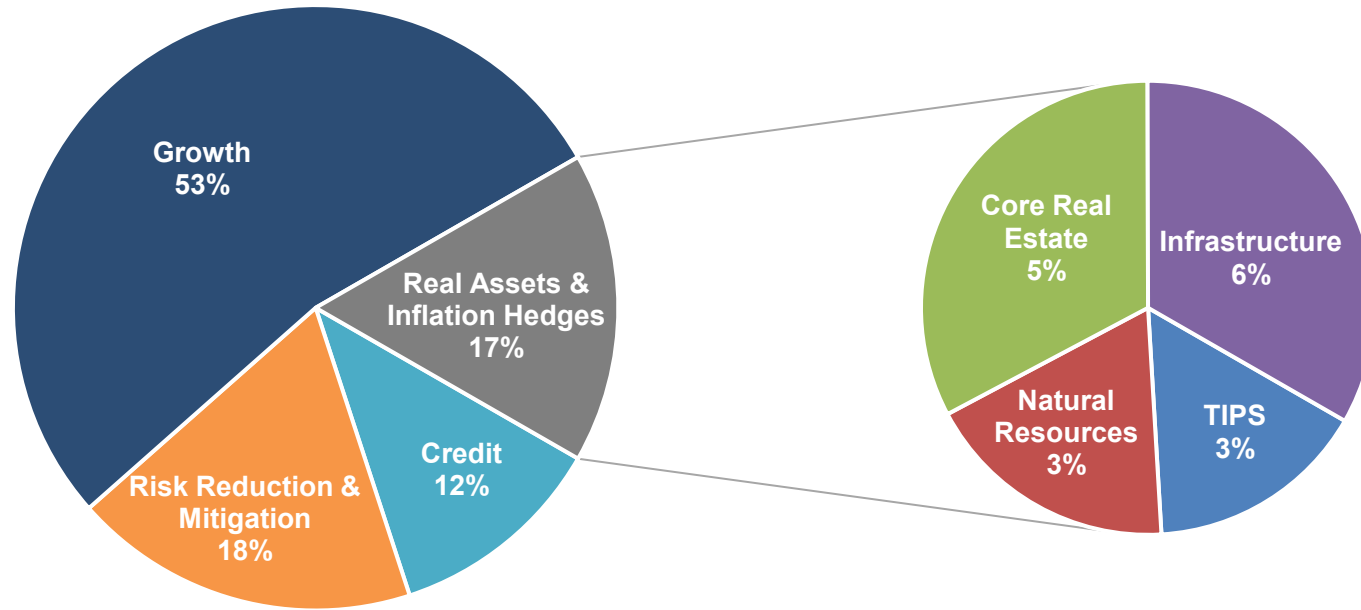
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Real Assets: Portfolio Composition



Asset Class	Allocation	Policy Target	Over/Under	Target Range +/-	Target Range %	Benchmark
Real Assets & Inflation Hedges	16.5%	17%	(0.5)%	+/- 3%	14-20%	Custom Blend
Core Real Estate	5.4%	6%	(0.6)%	+/- 3%	3-9%	NFI ODCE (three-month lag)
Infrastructure	5.5%	5%	0.5%	+1/- 3%	2-6%	Dow Jones Brookfield Global Infrastructure Composite
Natural Resources / Commodities	3.0%	3%	0.0%	+/- 2%	1-5%	33% Bloomberg Commodity / 66% S&P Global Natural Resources
TIPS	2.6%	3%	(0.4)%	+/- 3%	0-6%	Bloomberg Barclays U.S. TIPS

Note: Allocation weights are as of September 30, 2023; private assets based on latest asset valuation including any actual cash flows.



Core Real Estate

- Capital preservation and stable yields from rents
- Hard assets provide inflation protection
- Diversified sources of returns less correlated with growth assets
- Non-core also provides Growth returns

Infrastructure

- Core: generate yield with highly contracted revenues to limit downside across market environments
- Non-core: growth opportunities across energy/utilities, transportation, communications and social infrastructure

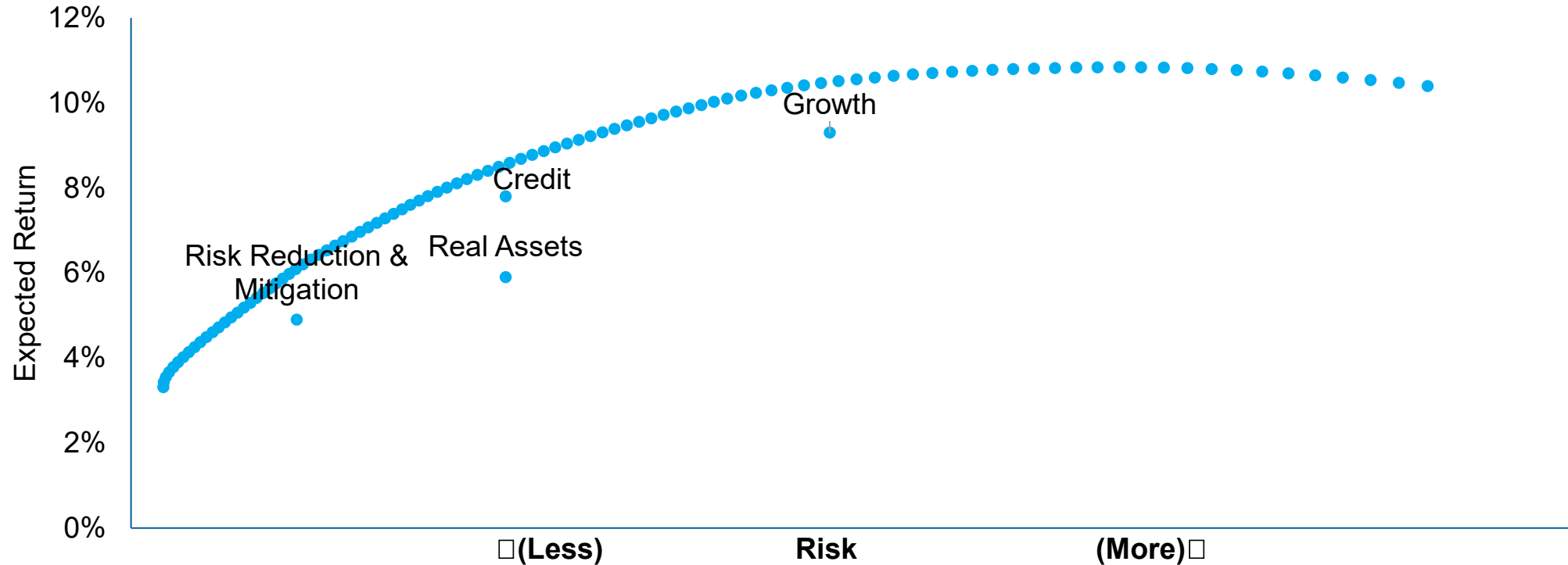
Natural Resources & Commodities

- Diversification, income generation, and inflation hedging
- Farmland and agriculture less correlated to broader markets, and income generators
- Energy Transition and mining are diversifiers with some inflation hedging

TIPS

- Inflation hedge through public markets
- Diversification benefits with inflation-linked and interest rate exposure
- Generates income

Real Assets: Portfolio Role



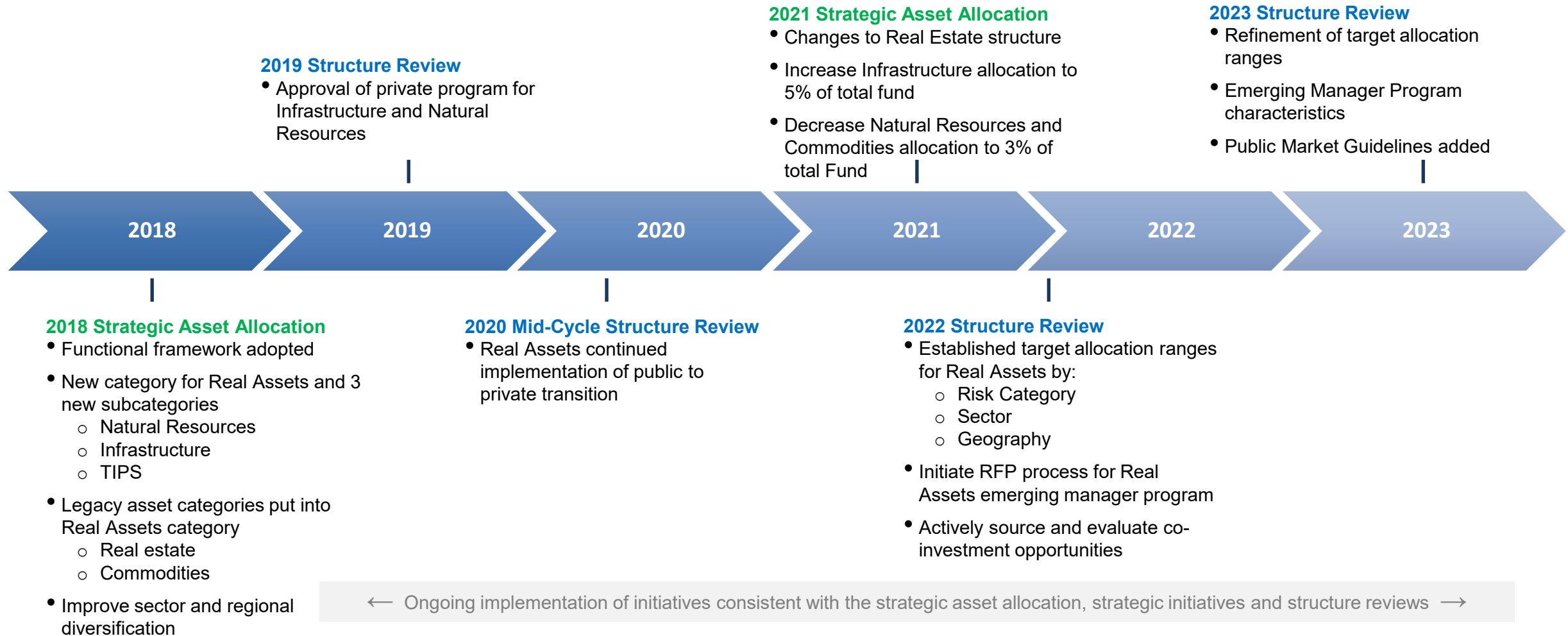
- Diversify exposure to growth assets to mitigate portfolio downside risk
- Provide consistent yield for the broader portfolio
- Hedge the risk of inflation with investments in physical or inflation-linked assets

Source: Meketa, Data from the asset allocation study.

Real Assets: Portfolio Timeline



Real Assets functional category at LACERA





ESG in Real Assets

ESG evaluation to ensure a sustainable rate of return over the long-term life of private investments

Manager Assessment

Evaluated at entry and monitored on:

- Manager's investment process incorporate material ESG factors
- Manager resources for ESG monitoring
- Operating assets to high ESG standards
- Transparency of ESG related reporting

Monitoring & Future

- Evaluation tools include LACERA specific DDQ questionnaires, and ESG evaluation
- ESG results incorporated into manager scorecard
- ESG risk measures in new LACERA risk system
- Side letters related to ESG issues
- LPAC role to monitor ESG
- Responsible Contractor Policy
- Climate-related portfolio analytics to measure risk and opportunities related to energy transition and climate change



Real Assets (Ex Real Estate)

Real Assets Preferences



Role for Real Assets is Diversification, Income Generation, and Inflation Hedging

Objectives

- Investments sensitive to inflation
- Assets less dependent on GDP growth
- Return from yield and capital appreciation/multiple expansion
- Contracted revenues with reliable counterparties

Maintain market exposure

- For sub-asset categories, use public market Completion Portfolio and commodities in private transition implementation.

Diversify by Vintage year:

- Steady private commitment deployment



Focus on Fees

- Seeking lower cost entries into private assets
- Open ended core structures
- Anchor investor terms
- Low or no cost co-invests
- Secondary purchase at discount to NAV

Energy Transition Aware

- Avoid stranded asset risk
- Seek attractive emerging investment opportunities

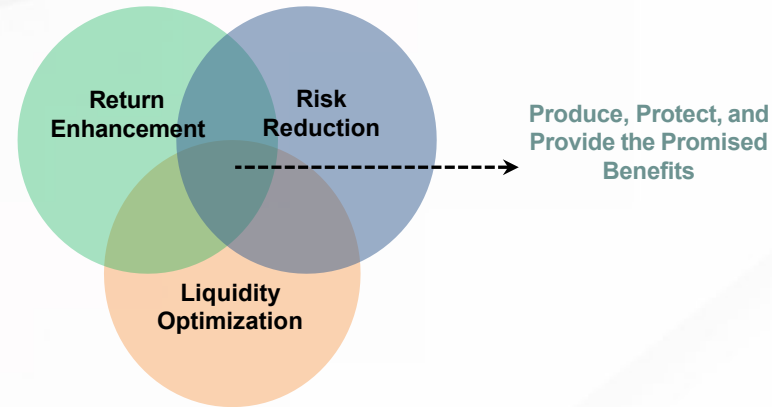
Intentional Portfolio Structure:

- Incorporating a variety of investment types and vehicles
- Active management implementation in public markets portfolios in commodities, infrastructure, and natural resources
- Public markets exposure includes passive exposure to TIPS

Real Assets Strategic Considerations



Real Assets Structure is aligned with strategic initiatives focused on **operations**, **investments**, **governance**, **terms**, and **diversity**



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 strategic initiatives

Internal committee process for approval of all investments

Combination of fund investments, co-investments, and secondaries

Participation in LPACs and co-investments, with greater voice in fund investments

Investment structures impact fees paid

Evaluation of fund DEI initiatives and Emerging Manager program aligned with TIDE

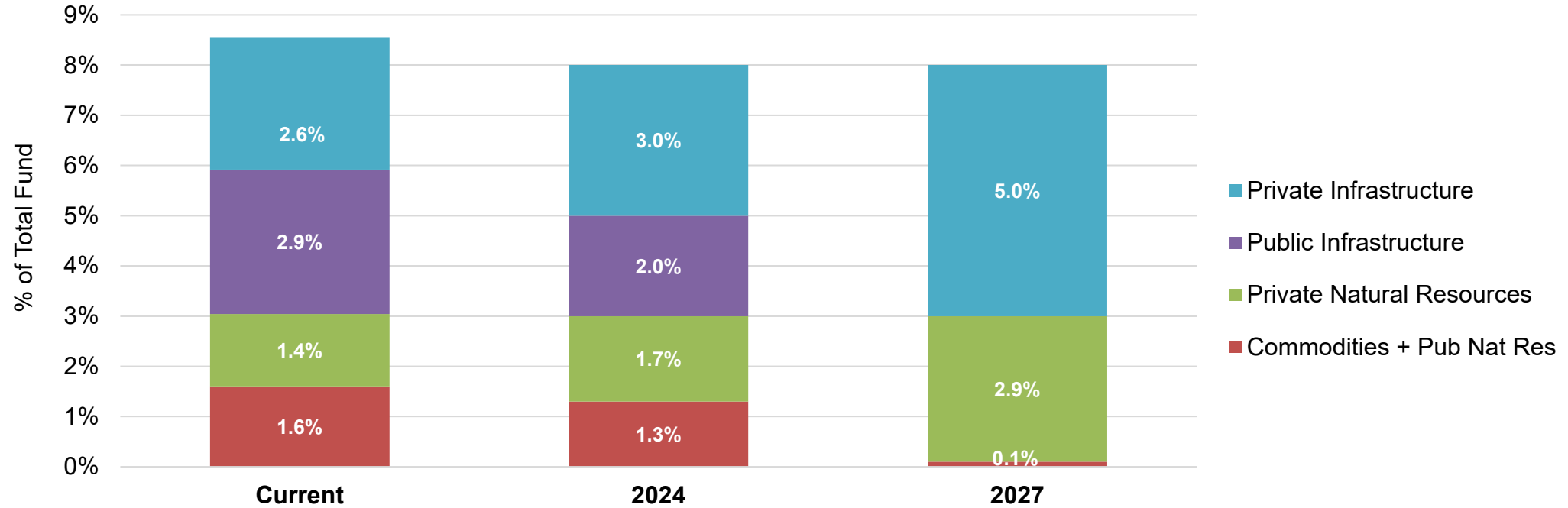
Real Assets ex Real Estate: Structural Plan Steps



- Real Assets program has evolved with increased structural complexity and risk-adjusted return expectations
 - 22 commingled funds with \$3.9B in committed capital
 - Co-investments in select deals and innovative pre-structured co-invest vehicles
 - Executed four separate secondary investments in developed farmland

Increased complexity and risk-adjusted return expectations over time

Real Assets ex Real Estate: Transition to Private



- Public markets Completion Portfolio role initiated in 2019, in maintaining exposures in transition towards private assets
- Public markets exposure will slowly decline as private assets increase, and expected to sunset by 2027

Completion Portfolio and Commodities: Role and Construction



Structural Role

- In 2018, Asset category for Real Assets created, including legacy Commodities portfolio
- In 2019, Completion Portfolio created to provide for investment in Infrastructure and Natural Resources Allocation while Private Asset Commitments are being made.
- Provide for a liquid source of investment to be brought down while private investments are funded

Construction

Completion Portfolio

Public Infrastructure Equities in energy/utility, transportation/transmission, and telecom sectors

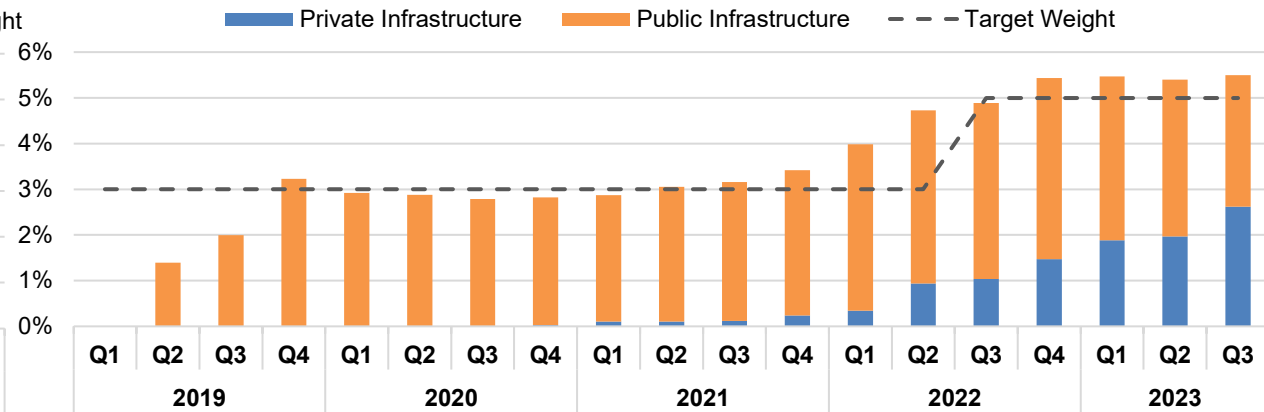
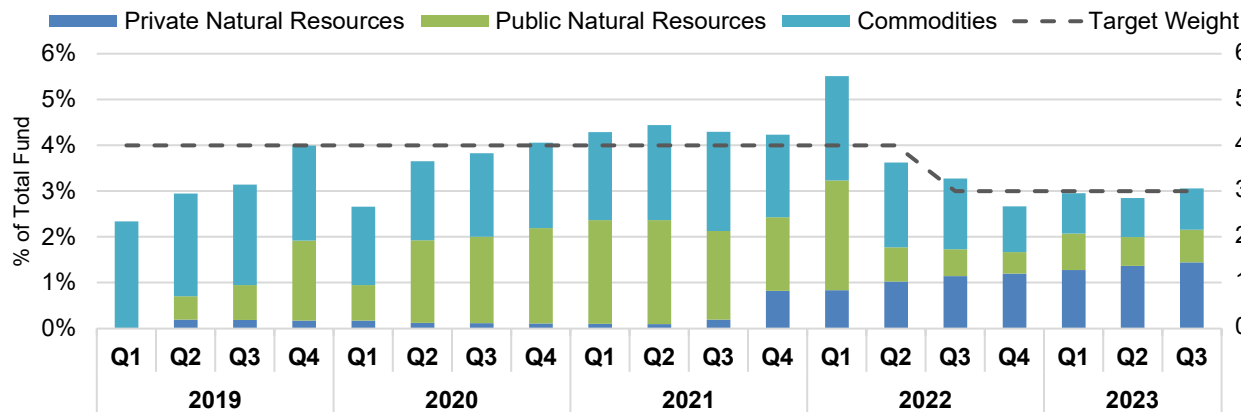
Public Natural Resource Equities in agricultural, metals/mining and energy/oil and gas sectors

Commodities portfolio in Natural Resources Sub-Asset Category

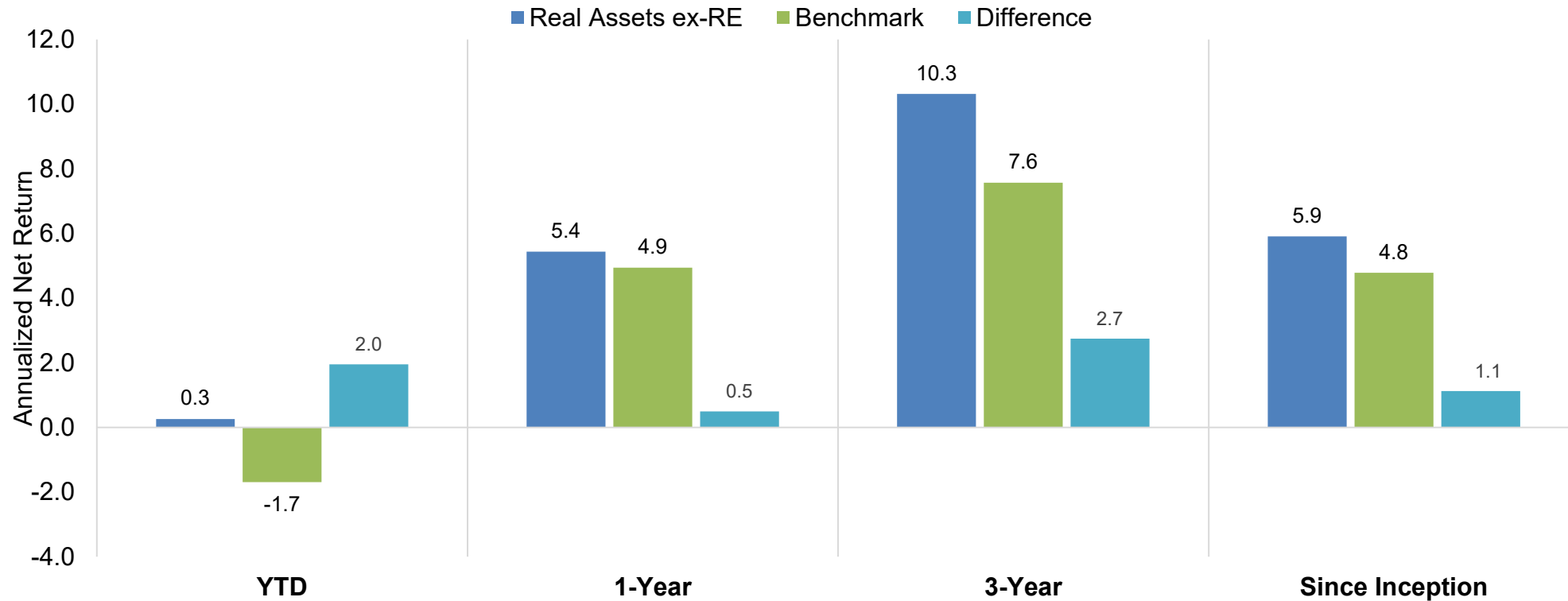
Public market futures portfolio in commodity sectors of energy, livestock, agricultural products, industrial and precious metals

Implementation Notes

- Allocation to public markets is adjusted periodically as private NAV increases to maintain overall allocation to current strategic target weights of 5% to infrastructure and 3% to Natural Resources
- Completion Portfolio and commodities are expected to be reduced and eliminated over time as private markets assets reach full deployment in approximately 3-5 years
- Benchmarks to public market portfolios may be modified in future to better complement existing private exposures



Real Assets ex Real Estate: Performance



Note: Net Returns with YTD returns for Jan – Sep 2023, 1-yr, 3-yr, and since inception returns are annualized.

Note: Current data as of September 30, 2023, Inception dates: Real Assets ex-Real Estate, April 1, 2019, Public Infrastructure June 1, 2019, and Public Natural Resources, April 1, 2019, TIPS, May 1, 2019.

Real Assets ex Real Estate: Performance (Cont'd)



Performance vs. Benchmark (net-of-fees)						
	% of Total Fund	3Q 2023	YTD	Annualized Net Return		
				1-Year	3-Year	Since Inception
Real Assets ex-RE	11.1%	(1.5)	0.3	5.4	10.3	5.9
<i>Custom Benchmark</i>		(2.0)	(1.7)	4.9	7.6	4.8
Excess Return		0.5	2.0	0.5	2.7	1.1
Public Infrastructure	2.9%	(6.9)	(5.5)	2.4	5.3	3.7
<i>Dow Jones Brookfield Global Infrastructure Composite Index*</i>		(6.9)	(4.5)	4.5	5.8	1.8
Excess Return		0.0	(1.1)	(2.1)	(0.5)	1.9
Private Infrastructure	2.6%	0.8	5.8	9.6	N/A	4.1
<i>Dow Jones Brookfield Global Infrastructure Composite 3 mo. lag*</i>		(0.4)	12.3	0.8	N/A	7.1
Excess Return		1.2	(6.5)	8.8	N/A	(3.0)
Public Natural Resources & Commodities	1.6%	4.0	(3.2)	2.6	17.3	8.0
<i>2/3 S&P Global Natl Res. 1/3 Bloomberg Commod. Idx**</i>		3.9	(1.1)	10.8	18.1	8.8
Excess Return		0.0	(2.1)	(8.1)	(0.7)	(0.8)
Private Natural Resources	1.4%	2.8	14.7	15.9	10.2	(3.7)
<i>2/3 S&P Gbl Natl Res. 1/3 Bberg Commod. Idx 3 mo. lag**</i>		(3.6)	8.4	7.0	20.1	13.1
Excess Return		6.4	6.3	8.9	(9.9)	(16.8)
TIPS	2.6%	(2.6)	(0.8)	1.3	(2.0)	1.6
<i>Bloomberg Barclays U.S. TIPS</i>		(2.6)	(0.8)	1.2	(2.0)	1.7
Excess Return		0.0	0.0	0.1	(0.1)	(0.1)

Performance Commentary as of 3Q 2023

- Real Assets (ex real estate) outperformed the benchmark in all periods shown and since inception
- Private assets in early stages of fund cycle detract from overall performance
- Private Natural Resources includes a legacy private energy fund. Other private fund commitments started in past two years
- TIPS have been lowest performing benchmark segment over three-year period

Note: Current data as of September 30, 2023, Inception dates: Real Assets ex-Real Estate, April 1, 2019; Public Infrastructure June 1, 2019, and Public Natural Resources April 1, 2019; TIPS, May 1, 2019.

* DJ Brookfield Infrastructure Idx prior to October 1, 2021.

** ½ S&P Small Mid Natural Resources Commodities ½ Bloomberg Commodities Index January 1, 2019 through September 30, 2021, Bloomberg Commodities Index Prior to January 1, 2019.

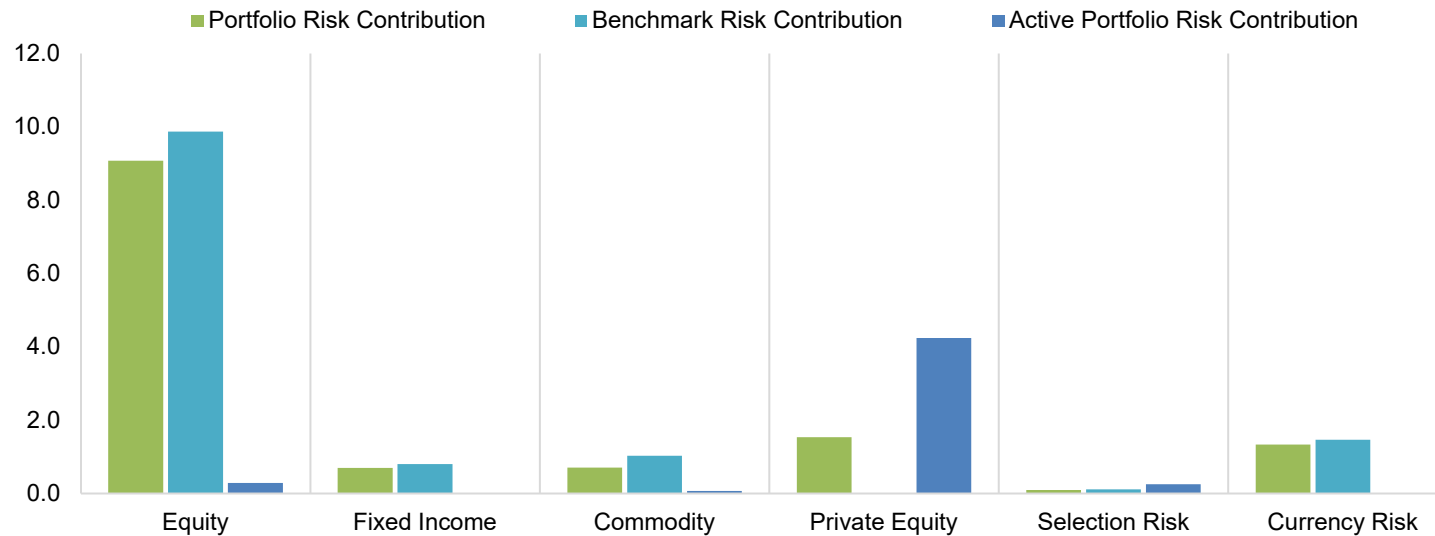
Real Assets ex Real Estate: Forecast Active Risk



Risk Allocation Selection

	Weight%	Benchmark Weight%	Active Weight%	Active Risk Contribution	Allocation Risk Cont.	Selection Risk Cont.	Standalone Active Risk
Total Real Assets (Ex Real Estate)				4.9%	-0.1%	4.9%	4.9%
Natural Resources and Commodities	28.0%	27.3%	0.7%	1.1%	0.0%	1.1%	4.9%
Infrastructure	47.1%	45.5%	1.7%	3.8%	0.0%	3.8%	8.3%
TIPS	24.9%	27.3%	-2.4%	0.0%	-0.1%	0.0%	0.1%

Risk by Source



As of September 30, 2023. Source: MSCI Barra One.



Real Assets: Infrastructure

Infrastructure: Role and Objectives

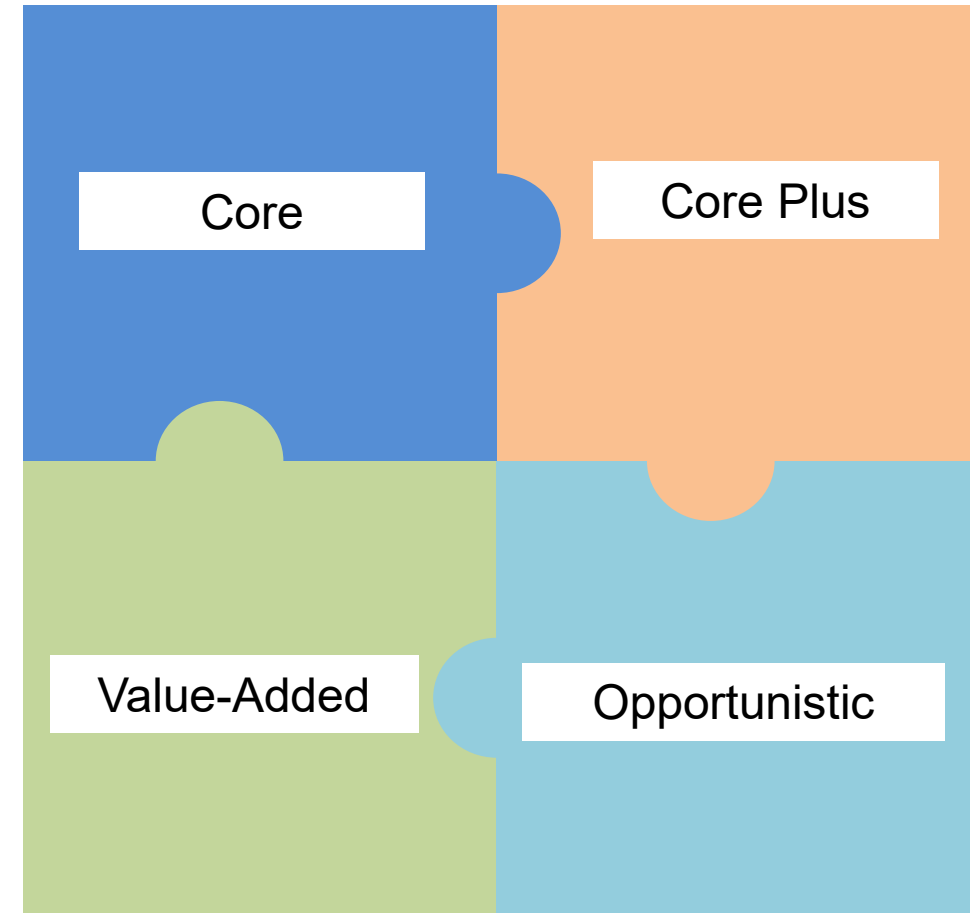


Role

- Diversification: more defensive than public equities
- Provide consistent income

Objectives

- Contracted and regulated assets to provide consistent returns less correlated to GDP growth
- Some potential allocation for higher-returning core plus, value added, opportunistic spectrum
- Co-investments and other structures for lower fees and more intentional allocation



Infrastructure: Private Investments Structure



Sub-Category	Allocation Range	Target Deal Returns ¹	Net Fund Returns ²	Asset Characteristics
Core/Core+	50 - 75%	6 - 12%	5 - 10%	Defensive, contracted assets, asset value based current yield
Non-Core	25 - 50%	11 - 20%	>10%	Balanced income/capital appreciation, regulatory protection

Industrial Sector	Examples
Energy	Power generation (renewables and conventional), energy services, district heating, transmission/distribution systems, storage facilities, midstream, water treatment, water distribution, water transportation, and waste treatment
Telecom	Fiber networks, communication towers, satellite systems, and data centers
Transportation	Toll roads, bridges, tunnels, airports, seaports, rail/transit, and parking facilities
Social	Availability based payment structures for hospitals, universities, and government buildings

- Infrastructure sub-categories differ based on risk premium and income generation
- With the rise in interest rates new capital deployment is expected to yield higher returns than historical capital once valuations have normalized thus average expectations for returns for the portfolio have come down
- Infrastructure investments will generally focus on equity within capital structure
- Current geographic focus: global funds targeting stable jurisdictions with stable currencies, i.e., mainly developed markets

Note: These proposed Core/Non-Core ranges are targets. Given the nature of LACERA's strategy of larger initial core capital deployments in private infrastructure markets, the range of core vs. non-core may be breached in the near-term but will be rebalanced through future capital deployment. Likewise, sector and geographical allocation ranges could potentially be breached but this will be rebalanced with future allocations as the portfolio is still actively deploying new capital.

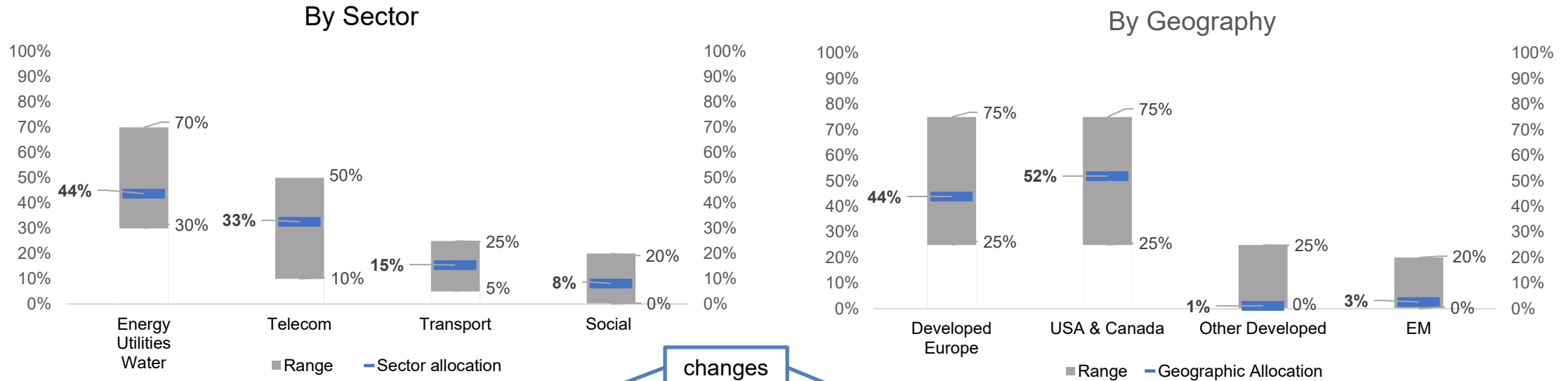
¹ Source Albourne. Target Deal Returns are based on manager underwriting of deals in each respective strategy.

² Source Albourne. Expected Net Fund Returns are Albourne's estimated loss-adjusted IRRs, net of fees, for funds in each respective strategy.

Infrastructure: Sector & Geographic Exposure



Estimated Infrastructure Portfolio at Committed Capital Amounts



changes

Sector Exposure	Energy	Telecom	Transport	Social
Proposed Allocation Range	30 - 70%	10 - 50%	5 - 25%	0 - 20%
Current Approved Range	35 - 65%	10 - 40%	no change	no change

Geographical Exposure	US & Canada	Europe	Other Developed	Emerging Markets
Proposed Allocation Range	25 - 75%	25 - 75%	0 - 25%	0 - 20%
Current Approved Range	no change	no change	no change	no change

Note: The slight change in ranges is motivated by staff seeing more opportunity in the Energy and Telecom sectors. These sectors also tend to fit well the Real Asset mandates of income generation, inflation hedging and diversification.

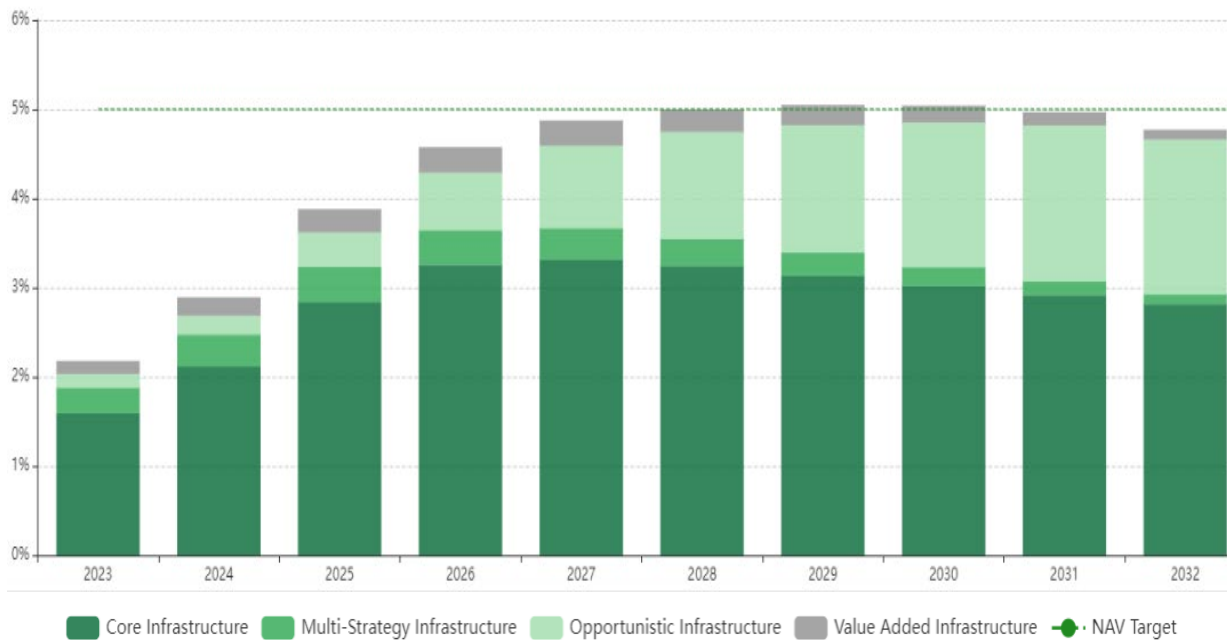
Infrastructure: Forecast NAV at Assumed Pacing



Allocation Target as % of Total Fund	NAV + Undeployed Commitments	NAV + Undeployed Commitments	Current NAV	SAA Target
	\$2.5Bn	3.4%	2.1%	5%

- Targeting 5% Private Infrastructure allocation by 2026

→ Goals: Hit target allocation in prudent time frame; reduce vintage year risk; avoid greatly overshooting target



Core vs. Non-core Split

- Oversize core commitment through open-ended funds in early years (Currently 75% core vs 25% Non-Core):
 - Core deploys in two years (vs. five years for non-core)
 - Core has higher cash yield giving more flexibility for re-investment
 - Core enables to rebalance portfolio in later years through semi-annual to quarterly liquidity
- Non-core progressively becomes a larger portion of allocation mainly due to differences in return expectations (i.e., 7% for core vs. 10% for non-core)
- Core vs Non-core reaches 60/40 over the long term

Source: Albourne.



Real Assets: Natural Resources/Commodities

Natural Resources Role & Objectives

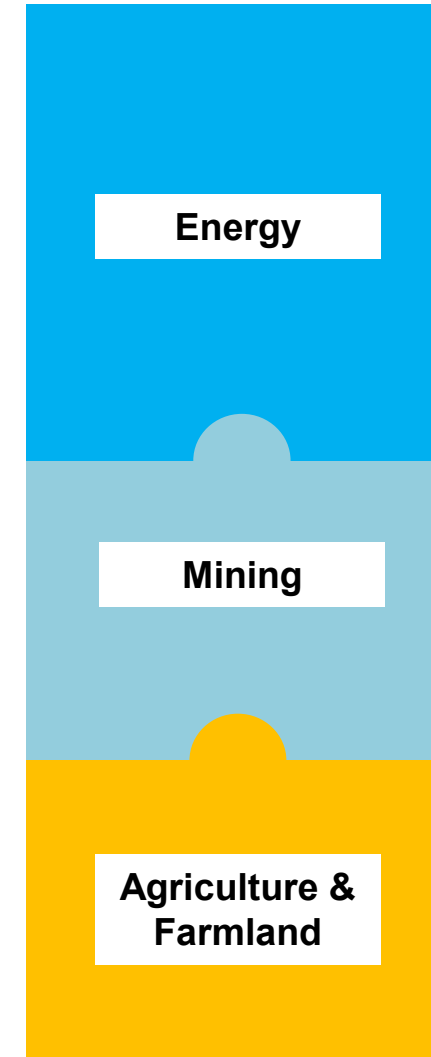


Role

- Diversify broad equity risk
- Serve as inflation hedge
- Generate income

Objectives

- Provide returns less correlated with broader markets
- Generate income and / or stable capital appreciation
- Higher correlation to inflation



Natural Resources: Opportunities



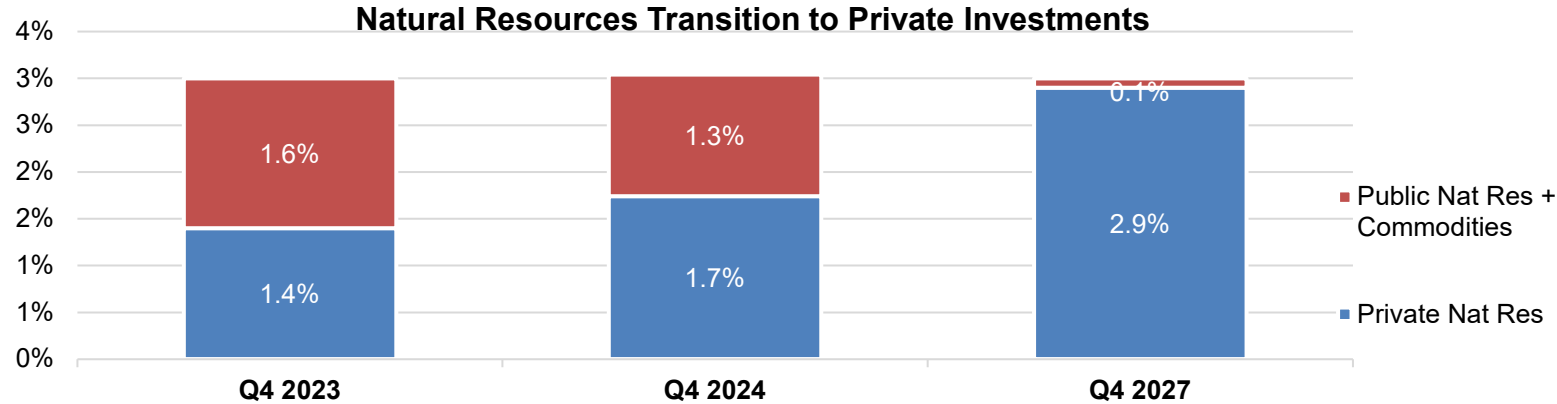
Segment/Sector Exposure	Energy	Mining	Agriculture & Farmland
Proposed Allocation Range	0 – 70%	15 – 70%	15 – 70%
Current Approved Range	0 - 60%	0 - 60%	0 - 60%
Private Markets Focus	Energy transition and low carbon investments	Private funds in Operating Projects or 2-3 years from development	Core Farmland, Agriculture (Farmland+), Agribusiness
Private Fund Returns ¹	11 – 16.5%	10 - 15%	6 - 12%
Public Markets	Exposure to natural resources public equity and commodity futures during transition to private markets		

changes

- Natural Resources at 3% of total LACERA Fund allocation
- Portfolio currently split across public 1.6% and private markets 1.4%
- Portfolio transitioning to primarily private by about 2027, exposure to public markets while private markets ramps up
- Natural Resource Private Strategies:
 - **Energy Transition:** Decarbonization / carbon reduction opportunities across industrial processes, fuels, innovative materials and processes, ranging from venture capital to late-stage growth and buyout.
 - **Mining:** Royalty / streaming, growth equity, and credit investments in junior mining companies
 - **Agriculture & Farmland:** Current farmland holdings (~\$600MM) core component, future investments primarily in Agriculture venture and private equity funds

¹ Source Albourne. Expected Net Fund Returns are estimated loss-adjusted IRRs (net of fees).

Natural Resources: Modeled Transition to Private

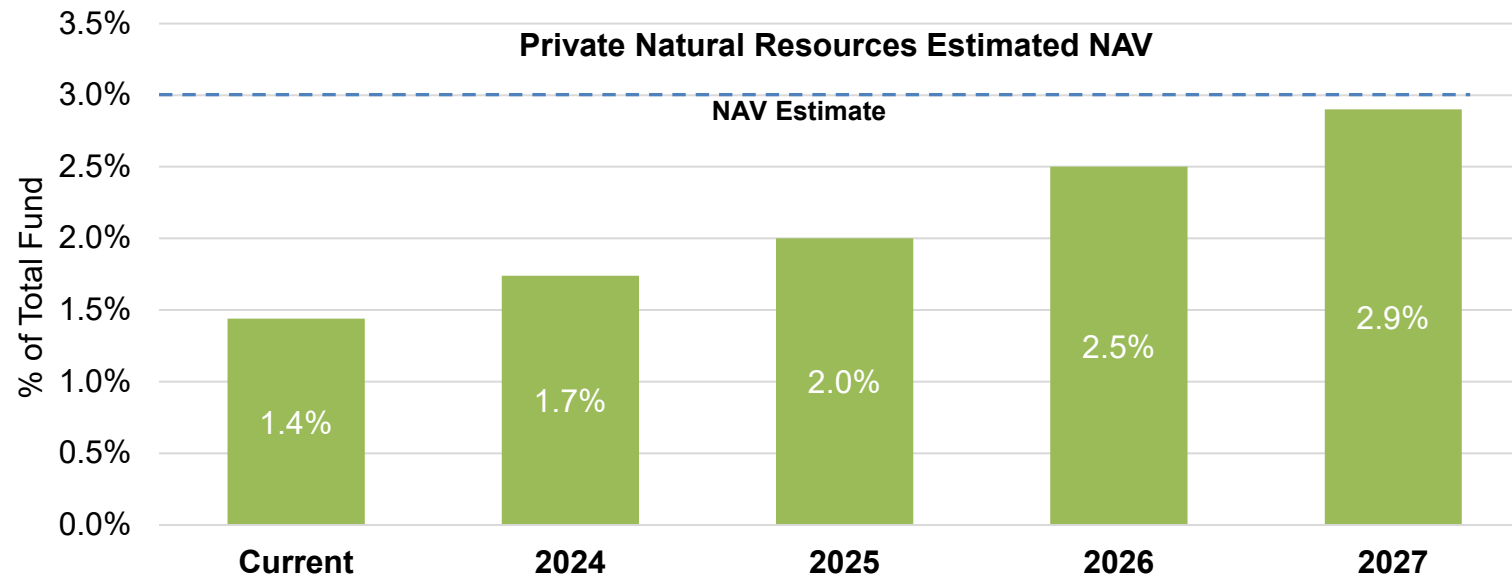


- Current natural resources portfolio about equally split between private and public markets
 - Public markets includes exposure to public natural resources (Energy, Mining, and Agriculture) and commodities
- Public portfolio expected to be replaced by primarily private commitments over next three to five years, to reach 3% allocation
- Broad public market Global Natural Resources equity and commodities benchmarks may be modified to more narrow sectors to complement development of private market portfolio over time
 - Public portfolios may be eliminated within three to five years

Natural Resources: Pacing



- Albourne's pacing model suggests LACERA should be targeting the pacing plan to reach its 3% strategic target to Private Natural Resources by 2027
 - Pacing plan with assumptions on overall LACERA Fund and return assumptions for asset categories could potentially result in overshooting 3% past 2027, which will be monitored and adjusted over next three years
- Net Asset Value for Natural Resources reflects market value as of September 2023



Source: Albourne.



Real Assets: TIPS

TIPS: Role and Objectives



Role

- Inflation hedge through public markets
- Income generation through coupon payments
- Diversification benefits with inflation-linked and interest rate exposure

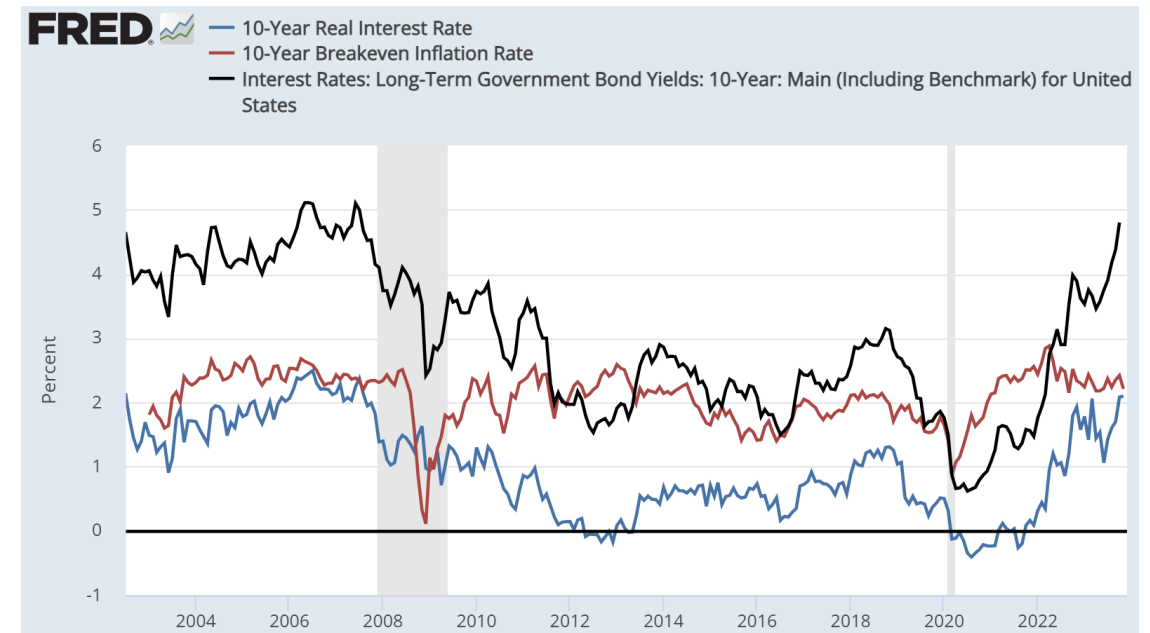
Objectives

- Protection against unanticipated changes in inflation

Implementation

- LACERA has a 3% target allocation to Treasury Inflation Protected Securities (“TIPS”)
- Invested through a passive index investment

10Y Nominal, Real Yields and Breakeven Inflation¹



¹ Breakeven inflation measures the difference in the yield of a nominal US Treasury bond and the real yield of an equivalent-maturity inflation-protected bond (TIPS). It reflects an expectation at which the market is pricing inflation over the term of the securities.



Real Assets: Next Steps

Emerging Manager Program



Program

- RFP process underway for selecting a manager to manage a Real Assets Separate Account program, at up to 10% of Real Assets allocation
- Program at up to \$400 MM of total commitments, with fund investments ranging from \$10MM - \$100MM, and on average \$50MM

Objectives

- Emerging managers identified as Funds I, II, or III or with less than \$1 billion in fund size¹, tend to outperform more established fund managers
- Program can help LACERA establish a source of Funds for future commitments
- Manage consistent with LACERA's TIDE initiative and IPS

¹ The Emerging Manager program will strive to identify funds I, II, or III or with less than \$1 billion in size, and could invest in emerging manager funds on an exceptional basis for emerging funds that fall outside of these categories.



What has Worked:



Inflation Hedging, Diversification, and Exposure

- Real Assets one of the few asset categories that held up well during downturn of 2022
- Inflation sensitive exposure to segments in infrastructure and natural resources paid off in recent inflationary environment
- High correlation (beta) to public markets within Real Assets during down market and TIPS duration worked against portfolio

Program Development:



Assessment

- Real Assets portfolio halfway invested in private markets (\$3.9 billion in funds and \$240MM in co-investments), on path to transition to a full private markets portfolio in next three to five years
- Invested in co-investments, secondaries, and club deal structures with like-minded investors

Future Initiatives:



In Progress

- Benchmark review to reflect evolving public to private markets Real Assets portfolio to be evaluated during strategic asset allocation
- Incorporate Real Assets managers into Responsible Contracting Policy and GRESB affiliation
- RFP for emerging manager underway



Real Assets: Investment Guidelines

Private Real Assets Existing & Proposed Investment Guidelines



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Asset Class: Real Assets (Target Allocation 11% of Total Fund) – <u>Proposed</u> Guidelines, Private							
Sub-Asset Class	Infrastructure (5% Target +1%/-3%)				Natural Resources (3% Target +/-2%)		
Sector	Energy	Telecom	Transport	Social	Energy Transition	Mining	Agriculture & Farmland
Target Allocation Range	Core/Core+: 30%-70%	Core/Core+: 10%-50%	Core/Core+: 5%-25%	Core/Core+: 0%-20%	0-70%	15-70%	15-70%
Allocation Range	Core / Core+: 50-75%; Non-Core: 25-50%				-		
Geography	US & Canada: 25%-75%; Europe: 25%-75%; Other Developed: 0%-25%; Emerging Markets: 0%-20%				Global with non-OECD up to 40%		
Investment Size/Range	Minimum commitment size \$10 million						
Manager Diversification	Total committed amount to a single manager no greater than 30% of total exposure for Real Assets						
Fund Concentration	LACERA no more than 40% of total LP commitments for each fund						
Alternative Investment Vehicles	See following slide for real assets co-investment and secondaries program parameters						

Asset Class: Real Assets (Target Allocation 11% of Total Fund) – <u>Existing</u> Guidelines, Private							
Sub-Asset Class	Infrastructure (5% Target +1%/-3%)				Natural Resources (3% Target +/-2%)		
Sector	Energy	Telecom	Transport	Social	Energy Transition	Mining	Agriculture & Farmland
Target Allocation Range	Core/Core+: 35%-65%	Core/Core+: 10%-40%	Core/Core+: 5%-25%	Core/Core+: 0%-20%	0-60%		
Allocation Range	Core / Core+: 50-75%; Non-Core: 25-50%				-		
Geography	US & Canada: 25%-75%; Europe: 25%-75%; Other Developed: 0%-25%; Emerging Markets: 0%-20%				Primarily OECD, with select non-OECD exposures		
Investment Size/Range	Minimum commitment size \$10 million						
Manager Diversification	Maximum 30% of Total MV plus undrawn commitments						
Fund Concentration	LACERA no more than 40% of Total LP commitments for each fund						

Private Real Assets Co-Investments & Secondaries Existing & Proposed Investment Guidelines



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines	Co-Investments	Secondary Purchases
Sourcing	All current LACERA managers and consultant approved managers	
Investment Size	Up to 4% of existing Infrastructure or Natural Resources allocation	LACERA's ownership of purchased Fund not to exceed 40% of Fund
Geography	Align with private fund guidelines	
Deal Types	Private investments in Infrastructure & Natural Resources	
Annual Capital Deployment	Up to 30% of Real Assets target annual commitments in co-investments and secondaries	
Use of Third Party	Third party consultant confirms LACERA's due diligence was satisfactorily followed	
Deal Exposure	LACERA's ownership of co-investment asset or Fund not to exceed 40% of total under GP (combining co-invest & fund exposure)	

Existing Guidelines	Co-Investments	Secondaries
Sourcing	<ul style="list-style-type: none"> Co-investments by Board-approved Real Asset GPs currently managing capital on behalf of LACERA 	<ul style="list-style-type: none"> A fund managed by a GP in which LACERA is an existing real assets investor
Investment Size	Up to \$50 million	
Geography	USA, Canada, Europe, UK, Australia, and NZ	Global with Majority of Assets in developed markets
Deal Types	<ul style="list-style-type: none"> Infrastructure Natural Resources 	<ul style="list-style-type: none"> Infrastructure and Natural Resources Fund must be at least 70% deployed, committed or reserved Fund must have been managed by current team for at least 3 years
Annual Capital Deployment	\$250 million maximum cumulatively across co-investments and secondaries	
Advisory Confirmation	Third party (Albourne) confirms LACERA's due diligence was satisfactorily followed	Third party advisor confirms valuation
Investment Limitations	N/A	
Deal Exposure	LACERA's ownership of co-investment asset or Fund not to exceed 1/3 of total under GP (combining co-invest & fund exposure)	

Private Real Assets Co-Investments & Secondaries Proposed Investment Guidelines (Cont'd)



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Proposed Guidelines	Secondary Sales
Eligibility	All current LACERA LP positions and Co-Investment positions
Parameters	<ul style="list-style-type: none"> • All sales must provide strategic, tactical, and/or economic benefits that assist LACERA in meeting its investment goals • The program will consider selling undesired holdings that include both mature secondaries (i.e. fully invested funds) and hybrid secondaries (i.e. partially invested funds with undrawn commitments) <ul style="list-style-type: none"> ○ Sell determinations will fall under the following criteria: <ul style="list-style-type: none"> – Poor Performing: Poor performing assets that have little to no potential to materially improve the future performance of the Real Assets program – Tail Ends: Mature assets that have provided a significant portion of their potential performance, whether attractive or poor, and the remainder of the assets have little to no potential to materially improve the future performance of the Real Assets program. These assets will typically have little value remaining in the capital account and/or few holdings remaining in the fund – Non-strategic: Assets that have an investment focus that is no longer a strategic part of LACERA's investment objectives and there is little to no potential to materially improve the future performance of the Real Assets program – Strategic: Assets that can help improve the overall purchase prices and returns associated with the secondary sale • The secondary sale program will opportunistically consider the sale of single limited partnership interests and portions of partnership interests as well as portfolios of multiple limited partnership interests. Portfolio sales will be considered when the aggregated benefit to the Real Assets program is more attractive than individual dispositions

Public Real Assets Existing & Proposed Investment Guidelines Public



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Asset Class: Real Assets (Target Allocation 11% of Total Fund) – Existing & Proposed Guidelines				
Sub-Asset Class	Infrastructure (5% Target +1%/-3%)	Commodities & Public Natural Resources (3% Target +/-2%)		TIPS (3% Target +/-3%)
Category		Public Natural Resources (2% Target)	Commodities (1% Target)	
Benchmark	Dow Jones Brookfield Global Infrastructure Composite Index	S&P Global Natural Resources Index	Bloomberg Commodity Index*	Bloomberg Barclays U.S. TIPS
Leverage	None	None	No Intended leverage. Commodity exposure should be managed between 95-105% of account value including collateral	None
Currency Hedging	Allowable	Allowable	No	N/A
Duration	N/A	N/A	N/A	+/-0.2 years vs benchmark duration
Tracking Error	3-8% against Benchmark	3-8% against Benchmark	3-5% against benchmark	N/A
Proxy Voting	Yes	Yes	N/A	N/A
Securities Lending	No	No	Yes (collateral fixed income)	Yes

Note: The collateral portion of the Commodities portfolio is benchmarked against ICE BofA 3-Month Treasury Bill Index.

Real Assets Emerging Manager Program Proposed Investment Guidelines



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Asset Class: Real Assets (Target Allocation 11% of Total Fund) – Proposed Guidelines		
Sub-Asset Class	Infrastructure (5% Target +1%/-3%)	Natural Resources (3% Target +/-2%)
Sectors	Infrastructure and Natural Resources Sectors	
Program Framework	Separate Account or Fund of one emerging manager program	
Allocation Target and Range	10% target with a 0-15% range	
Emerging Manager Definition	In general funds I, II, or III or with less than \$1 billion in fund size, with select exceptions	
Investment Size	Fund investments ranging from \$10MM - \$100MM, average of \$50MM	
Graduation Description	Graduation entails an investment from LACERA directly in a future fund outside of the emerging manager program	
Graduation Target Timeframe	3-7 years after an initial investment	
Graduation Approval	In accordance with Board-approved Asset Class Structure Review private fund investment guidelines	



Continue Private Asset Pacing in New Funds and Co-invests

- For Infrastructure commit to Non-Core and Core fund allocations, targeting an overall **5%** allocation in **3-5** years with up to **40%** in Non-Core
- For Natural Resources commit to funds in Energy Transition, Mining, and Agriculture & Farmland, targeting an overall **3%** allocation in **3-5** years
- Commit to co-investment and secondaries up to **30%** of Real Assets target **annual** commitments

Revised Guidelines

- Adopt proposed revised guidelines on slides **32-36**



Appendix

Investment Pacing: Infrastructure



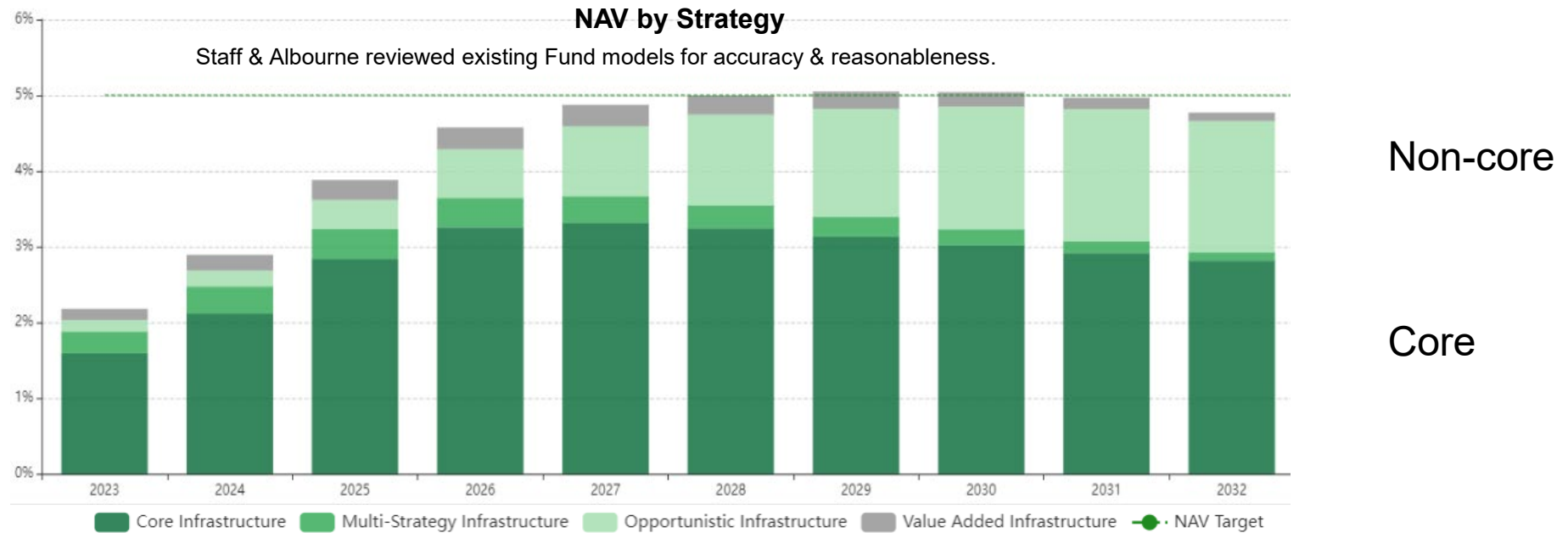
- Albourne's commitment model suggests LACERA should be targeting the pacing plan to reach its 5% strategic target to Private Infrastructure by 2027
- Assuming the goal is for LACERA to build a portfolio with a 60%/40% split between Core and Non-Core investments, respectively

US\$, millions

	2024	2025	2026	2027	2028
Core	\$ 600	\$ 300			
Non-Core	300	300	300	300	300
Total	\$ 900	\$ 600	\$ 300	\$ 300	\$ 300

Strategy Model (assumptions for new commitments)

- Core: Open, 5% yield, target return = 7%
- Non-Core: Closed-end, target return = 10%



Source: Albourne.

For illustrative purposes only

Investment Pacing: Natural Resources



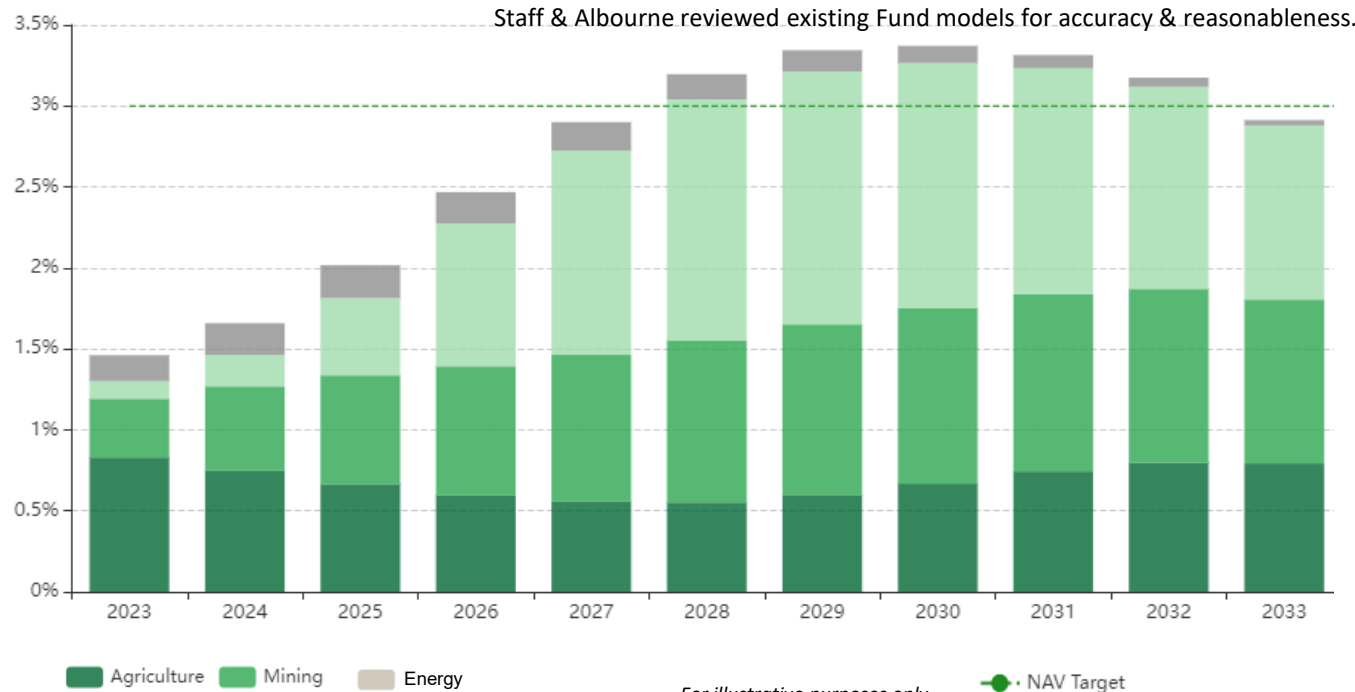
- Albourne’s commitment model suggests LACERA should be targeting the pacing plan to reach its 3% strategic target to Private Natural Resources by 2027
- Assuming the goal is for LACERA to build a diversified portfolio across Agriculture, Mining and Energy Transition Fund strategies

US\$, millions

	2024	2025	2026	2027	2028
Ag & Mining	\$ 150	\$ 150	\$ 150	\$ 300	\$ 300
Energy	500	500	300		
Total	\$ 650	\$ 650	\$ 450	\$ 300	\$ 300

Strategy Model (assumptions for new commitments)

- Agriculture: target return = 6%
- Mining: target return = 15%
- Energy : target return = 16.5%



Source: Albourne.

For illustrative purposes only

Real Assets and Inflation Hedges – Private: Infra., NR & Commodities Investment



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Real Assets and Inflation Hedges (Target Allocation 17% +/- 3% of Total Fund); Asset Class: Infrastructure (Target Allocation 5% +1%/-3% of Total Fund), Natural Resources & Commodities (Target Allocation 3% +/- 2% of Total Fund), and TIPS (Target Allocation 3% +/- 3% of Total Fund)

Benchmark	Infrastructure: Dow Jones Brookfield Global Composite Infrastructure TR; Natural Resources & Commodities: 33% Bloomberg Commodity, 66% S&P Global						
Sub-Asset Class (Allocation)	Infrastructure (5% Target +1%/-3%)				Natural Resources (3% Target +/- 2%)		
Industry Sector	Energy	Telecom	Transport	Social	Energy Transition	Mining	Agriculture & Farmland
Sector Target Allocation Range	Core/Core+: 30%-70%	Core/Core+: 10%-50%	Core/Core+: 5%-25%	Core/Core+: 0%-20%	0%-70%	15%-70%	15%-70%
Geography	US & Canada: 25%-75%; Europe: 25%-75%; Other Developed: 0%-25%; Emerging Markets: 0%-20%				Global with non-OECD up to 40%		
Investment Size/Range	Minimum commitment size \$10 million						
Manager Diversification/Concentration	Manager Diversification: Total committed amount to a single manager no greater than 30% of total exposure to Real Assets						
Fund Concentration	LACERA no more than 40% of Total LP commitments for each fund						
Emerging Manager Program	Allocation: 10% target with a 0% - 15% range; See Emerging Manager Program page for details						
Co-Investments and Secondaries	See Co-Investments and Secondaries page for details						
Asset Class Specific – Other							
Core/Non-Core	Core/Core+: 50%-75%; Non-Core: 25%-50%				N/A		

Real Assets and Inflation Hedges – Infra., NR & Commodities Co-Investments and Secondaries



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines¹

Functional Asset Class: Real Assets and Inflation Hedges (Target Allocation 17% +/- 3% of Total Fund); Asset Class: Infrastructure (Target Allocation 5% +1%/-3% of Total Fund), Natural Resources & Commodities (Target Allocation 3% +/- 2% of Total Fund)

Benchmark	Infrastructure: Dow Jones Brookfield Global Composite Infrastructure TR; Natural Resources: 33% Bloomberg Commodity, 66% S&P Global		
Sub-Asset Class (Allocation)	Infrastructure (5% Target +1%/-3%); Natural Resources & Commodities (3% Target +/- 2%)		
Alternative Investment Vehicle	Co-Investments	Secondary Purchases	Secondary Sales
Geography	Align with private fund guidelines		
Investment Size/Range	Up to 4% of existing Infrastructure or Natural Resources allocation	LACERA's ownership of purchased Fund not to exceed 40% of Fund	
Sourcing	All current LACERA managers and consultant-approved managers		
Deal Types	Private investments in Infrastructure and Natural Resources		
Annual Capital Deployment	Up to 30% of Real Assets target annual commitments in co-investments and secondaries		
Use of Third Party	Third party consultant confirms LACERA's due diligence was satisfactorily followed		
Deal Exposure	LACERA's ownership of co-investment asset or Fund not to exceed 40% of total under GP (combining co-invest and fund exposure)		
			<ul style="list-style-type: none"> All sales must provide strategic, tactical, and/or economic benefits that assist LACERA in meeting its investment goals The program will consider selling undesired holdings that include both mature secondaries (i.e. fully invested funds) and hybrid secondaries (i.e., partially invested funds with undrawn commitments) <ul style="list-style-type: none"> Sell determinations will fall under the following criteria: <ul style="list-style-type: none"> Poor Performing: Poor performing assets that have little to no potential to materially improve the future performance of the Real Assets program Tail Ends: Mature assets that have provided a significant portion of their potential performance, whether attractive or poor, and the remainder of the assets have little to no potential to materially improve the future performance of the Real Assets program. These assets will typically have little value remaining in the capital account and/or few holdings remaining in the fund Non-strategic: Assets that have an investment focus that is no longer a strategic part of LACERA's investment objectives and there is little to no potential to materially improve the future performance of the Real Assets program Strategic: Assets that can help improve the overall purchase prices and returns associated with the secondary sale The secondary sale program will opportunistically consider the sale of single limited partnership interests and portions of partnership interests as well as portfolios of multiple limited partnership interests. Portfolio sales will be considered when the aggregated benefit to the Real Assets program is more attractive than individual dispositions

¹ Board-approved Asset Class Structure Review investment guidelines, in their entirety, apply to the asset class's Co-Investments and Secondaries. In the event of conflict or inconsistency, asset class Co-Investments and Secondaries-specific parameters supersede broader asset class investment guidelines.

Real Assets and Inflation Hedges – Public: Infra., NR & Commodities, TIPS Investment



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines

Functional Asset Class: Real Assets and Inflation Hedges (Target Allocation 17% +/- 3% of Total Fund); Asset Class: Infrastructure (Target Allocation 5% +1%/-3% of Total Fund), Natural Resources & Commodities (Target Allocation 3% +/- 2% of Total Fund), and TIPS (Target Allocation 3% +/- 3% of Total Fund)

Benchmark	Infrastructure: Dow Jones Brookfield Global Composite Infrastructure TR; Natural Resources & Commodities ¹ : 33% Bloomberg Commodity, 66% S&P Global; TIPS: BBg Barc U.S. TIPS			
Sub-Asset Class (Allocation)	Infrastructure (5% Target +1%/-3%)	Natural Resources & Commodities (3% Target +/- 2%)		TIPS (3% Target +/- 3%)
Sub-Asset Class Category		Natural Resources	Commodities	
Leverage	None		None intended. Commodity exposure should be managed between 95%-105% of account value including collateral	None
Volatility	Tracking Error: 3%-8% vs benchmark		Tracking Error: 3%-5% vs benchmark	None
Hedging/Currency	Currency Hedging: Allowable		No	N/A
Quality/Duration	N/A			Duration: +/- 0.2 years vs benchmark
Asset Class Specific – Other				
Proxy Voting	Yes			N/A
Securities Lending	No		Yes (collateral fixed income)	Yes

¹ The collateral portion of the Commodities portfolio is benchmarked against ICE BofA 3-Month Treasury Bill Index.

Real Assets & Inflation Hedges – Infra., NR & Commodities Emerging Manager



Per the IPS, the CIO has delegated authority to approve investments in accordance with Board-approved Asset Class Structure Review investment guidelines¹

Functional Asset Class: Real Assets and Inflation Hedges (Target Allocation 17% +/- 3% of Total Fund); Asset Class: Infrastructure (Target Allocation 5% +1%/-3% of Total Fund), Natural Resources & Commodities (Target Allocation 3% +/- 2% of Total Fund)

Benchmark	Infrastructure: Dow Jones Brookfield Global Composite Infrastructure TR; Natural Resources & Commodities: 33% Bloomberg Commodity, 66% S&P Global	
Sub-Asset Class (Allocation)	Infrastructure (5% Target +1%/-3%)	Natural Resources & Commodities (3% Target +/- 2%)
Investment Size/Range	Fund investments ranging from \$10MM - \$100MM, average of \$50MM	
Program Framework	Separate Account or Fund of one emerging manager program	
Program Allocation Target and Range	Allocation: 10% target with a 0% - 15% range	
Emerging Manager Definition	In general funds I, II, or III or with less than \$1 billion in fund size, with select exceptions	
Graduation Description	Graduation entails an investment from LACERA directly in a future fund outside of the emerging manager program	
Graduation Target Timeframe	3 – 7 years after an initial investment	
Graduation Approval	In accordance with Board-approved Asset Class Structure Review private fund investment guidelines	

¹ Board-approved Asset Class Structure Review investment guidelines, in their entirety, apply to the asset class's EMP. In the event of conflict or inconsistency, asset class EMP-specific parameters supersede broader asset class investment guidelines.

LACERA Real Assets (ex Real Estate) Structural Review Concurrence Memo

November 30, 2023

To: Each Member
Real Assets Committee
Board of Investments

From: James Walsh, Mark White
Albourne America LLC

For: December 13th, 2023 Real Assets Committee Meeting

Recommendation: Albourne America LLC (“Albourne”) recommends that the 2023 Structural Review of LACERA’s Real Assets (ex Real Estate) portfolio be advanced to the Board of Investments for approval.

Background: Staff has prepared the 2023 Real Assets (ex Real Estate) Structural Review for the Real Assets Committee and the Board of Investments for its consideration and ultimately its approval. Albourne has reviewed the Structural Review and agrees with the recommendations.

The Structural Review re-asserts the Investment Role and Objectives as updated in November 2018 and reviewed in January 2022, which emphasize income generation, inflation protection, risk mitigation characteristics of the portfolio to achieve uncorrelated risk adjusted returns complementary to the overall investment plan. Commensurate with that, the Staff of LACERA recommends building a private Natural Resources and Infrastructure portfolio. The Natural Resources portfolio, including Commodities will be up to 3% of total Plan value and include potential allocations to Energy, Mining and Agriculture. The Infrastructure portfolio will be up to 5% of total Plan value and consist of Core, Core Plus, Value-Added and Opportunistic sub-strategies. The review further outlines a plan to establish allocations to high quality and diversifying managers gaining potential economies of scale and benefits and possible investment structuring leverage. Staff has provided sizing targets to potential sub-strategies and set ranges of allocations for asset allocation.

Conclusion: Staff’s Structure Review outlines the focus of the Real Asset (ex Real Estate) portfolio’s role to meet Plan objectives and the action points to move in that direction.

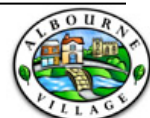
Sincerely,



James Walsh
Head of Portfolio Group
Senior Analyst



Mark White
Head of Real Assets
Senior Portfolio Analyst



LACERA Real Assets (ex Real Estate) Structural Review Concurrence Memo

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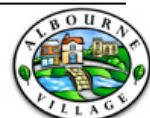
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LACERA Real Assets (ex Real Estate) Structural Review Concurrence Memo

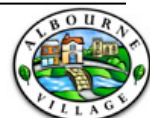
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MEMORANDUM

TO: Each Member, Real Assets Committee
FROM: Tim Filla, Aysun Kilic and Imran Zahid
CC: Jon Grabel, CIO - LACERA
DATE: December 13, 2023
RE: Real Assets Structure Review

The purpose of this memo is for Meketa Investment Group to formalize its support for the recommendations related to Investment Guidelines contained in the Real Assets Structure Review.

In November, the BOI approved a revised IPS which formalized delegation of authority to the CIO and elevated Structure Reviews as key component of BOI oversight and direction setting. A critical aspect of the Structure Review process is reviewing and setting the guidelines which both inform and regulate the investment activity managed by LACERA's CIO/staff.

The Investment Guideline recommendations contained in the Real Assets Structure Review are modest in nature, but in the context of delegated authority are import for enhancing controls and oversight of the Real Assets category.

Within the Real Assets Category LACERA has public market exposure in TIPS, Infrastructure, Natural Resources and Commodities. There are no recommended changes to the implementation plan or structure of these categories from the previous Structure Review.

The TIPS exposure is an explicit allocation from LACERA's previous Strategic Asset Allocation Review and will be discussed and analyzed as part of the current Strategic Asset Allocation Review.

The other public market categories are utilized as an implementation bridge as LACERA's private Real Assets portfolios grow towards their respective target allocations. LACERA's implementation plan described in the Real Assets Structure Review calls for the gradual wind down of these public market exposures. While declining in value over time these assets still are significant to LACERA's portfolio and therefore staff has provided detailed guidelines to govern and monitor them. We concur with the guidelines detailed for these exposures in the Real Assets Structure Review.



December 13, 2023

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

TF/AK/IZ/sf