

# 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](mailto: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, FEBRUARY 14, 2024\*

*This meeting will be conducted by the 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 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)*

*1118 Ala Moana Blvd., 2nd Floor in Honolulu, HI 96814*

- 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 January 10, 2024

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](mailto:PublicComment@lacera.com).)

VI. EXECUTIVE UPDATE

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

VII. NON-CONSENT ITEMS

A. **Strategic Asset Allocation Capital Markets Expectations**

Recommendation as submitted by Jonathan Grabel, Chief Investment Officer and Jude Pérez, Deputy Chief Investment Officer and Tim Filla of Meketa Investment Group: That the Board approve Meketa Investment Group's proposed 10-year capital market expectations for use in determining LACERA's policy portfolio in the upcoming Strategic Asset Allocation Studies ("SAA") for the Total Fund ("Fund") and the OPEB Master Trust ("OPEB"). (Presentation) (Memo dated February 6, 2024)

VII. NON-CONSENT ITEMS (Continued)

B. **Risk, Analytics, and ESG Research Services – Request for Proposal**

Recommendation as submitted by Esmeralda del Bosque, Principal Investment Officer, Dale Johnson, Investment Officer, John Kim, Investment Officer, Kathryn Ton, Senior Investment Officer and Soniah Ginoyan, Senior Investment Officer: That the Board approve the proposed scope of services, minimum qualifications, evaluation criteria, and selection authority for a risk, analytics, and environmental, social, and governance (“ESG”) research and analytics services Request for Proposal. (Presentation) (Memo dated January 30, 2024)

C. **LACERA 2024 Election of Third Member: Approval of Statement of Powers and Duties of Board of Investments Trustees**

Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the attached document entitled “Powers and Duties of Board of Investments Trustees,” which will be included with the ballot materials for the 2024 election of the Third Member of the Board of Investments and posted on lacera.com. (Memo dated February 5, 2024)

VIII. REPORTS

A. **Fiduciary Training**

Steven P. Rice, Chief Counsel  
Peter H. Mixon, Nossaman LLP, Fiduciary Counsel  
(Presentation) (Memo dated February 7, 2024)

B. **Background on Strategic Approach to ESG-Related Investment Matters and Protocol for Incoming Inquiries**

Scott Zdrazil, Principal Investment Officer  
(Presentation) (Memo dated January 31, 2024)

C. **Cost-of-Living Adjustment Effective April 1, 2024**

Ted Granger, Chief Financial Officer  
(For Information Only) (Memo dated January 22, 2024)



VIII. REPORTS (Continued)

- D. **Semi-Annual Interest Crediting for Reserves as of December 31, 2023 (UNAUDITED)**  
Ted Granger, Chief Financial Officer  
(For Information Only) (Memo dated January 24, 2024)
- E. **Legal Projects**  
Christine Roseland, Senior Staff Counsel  
(For Information Only) (Memo dated February 2, 2024)
- F. **Monthly Trustee Travel & Education Reports – December 2023**  
Ted Granger, Chief Financial Officer  
(Public memo dated January 24, 2024) (Confidential memo dated January 24, 2024 – Including Pending Travel)
- G. **January 2024 Fiduciary Counsel Contact and Billing Report**  
Steven P. Rice, Chief Counsel  
(For Information Only) (Memo dated January 29, 2024) (Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

IX. 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.)

X. 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.)

XI. GOOD OF THE ORDER

(For Information Purposes Only)

XII. EXECUTIVE SESSION

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

1. **One Item – I**

Christopher J. Wagner, Principal Investment Officer  
(For Information Only) (Memo dated February 1, 2024)

XII. EXECUTIVE SESSION (Continued)

2. **One Item – II**

Christopher J. Wagner, Principal Investment Officer  
Didier Acevedo, Investment Officer  
(For Information Only) (Memo dated January 16, 2024)

3. **Private Equity Investment Update – I**

Derek Kong, Investment Officer  
Cheryl Lu, Investment Officer  
(For Information Only) (Memo dated January 26, 2024)

4. **Private Equity Investment Update – II**

Didier Acevedo, Investment Officer  
Calvin Chang, Investment Analyst  
(For Information Only) (Memo dated January 3, 2024)

5. **Secondary Sale**

Christopher J. Wagner, Principal Investment Officer  
Derek Kong, Investment Officer  
(For Information Only) (Memo dated January 16, 2024)

6. **Notice of Redemption**

Vache Mahseredjian, Principal Investment Officer  
Chad Timko, Senior Investment Officer  
(For Information Only) (Memo dated January 31, 2024)

XIII. ADJOURNMENT

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

***Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Investments 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](http://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](mailto:PublicComment@lacera.com), but no later than 48 hours prior to the time the meeting is to commence.***

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

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

9:00 A.M., WEDNESDAY, JANUARY 10, 2024

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

TRUSTEES PRESENT

Patrick Jones, Chair

Keith Knox, Vice Chair

Herman Santos, Secretary

Mike Gatto (Left the meeting at 12:45 p.m.)

Jason Green (Joined the meeting at 9:28 a.m.) (Left the meeting at 12:54 p.m.)

Debbie Martin

Nicole Mi

David Ryu (Joined the meeting at 9:10 a.m.) (Left the meeting at 12:58 p.m.)

Seventh Trustee Seat is Vacant

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Santos Kreimann, Chief Executive Officer

Jude Pérez, Deputy Chief Investment Officer

Steven P. Rice, Chief Counsel

STAFF, ADVISORS, PARTICIPANTS (Continued)

Luis Lugo, Deputy Chief Executive Officer

James Rice, Principal Investment Officer

Scott Zdrazil, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Derek Kong, Investment Officer

Pushpam Jain, Investment Officer

Daniel Joye, Investment Officer

Ted Granger, Interim Chief Financial Officer

Christine Roseland, Senior Staff Counsel

Ronald Senkandwa, Investment Officer

Adrian Gonzalez, Senior Investment Analyst

Meketa Investment Group (General Investment Consultants)  
Timothy Filla, Managing Principal  
Aysun Kilic, Managing Principal

Albourne (Illiquid Credit, Real Assets and Hedge Funds Consultants)  
Mark White, Partner  
Steven Kennedy, Partner

StepStone Group LP (Real Assets Consultants)  
Tom Hester, Partner

StepStone Group LP (Equity Consultants)  
Jose Fernandez, Partner & Co-COO

Zeno AN Solutions  
Vinod Pakianathan, Managing Director

I. CALL TO ORDER

The meeting was called to order by Chair Jones at 9:00 a.m. in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. RATIFICATION OF OFFICERS

**A. Board of Investments Board Officers – 2024 Calendar Year**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board ratify its slate of board officers who will serve their term in the 2024 calendar year under the Board's Board Officer Rotation Policy: Patrick Jones as Chair, Keith Knox as Vice Chair, and Herman Santos as Secretary.  
(Memo dated December 26, 2023)

A motion was made by Trustee Santos, seconded by Trustee Knox, to ratify and approve its slate of board officers for 2024. The motion passed by following roll call vote:

Yes: Gatto, Jones, Knox, Martin, Mi ,Santos,

Absent: Ryu, Green

IV. ELECTIONS OF COMMITTEE MEMBERS

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

Trustee Jones announced that Trustee Santos, on a nomination by Trustee Jones, was elected to the position of Joint Organizational Governance Committee Member for 2024. There were no other nominations.

Trustee Martin (on a nomination by Trustee Knox) and Trustee Santos and Trustee Green (both by nomination of Trustee Jones) were nominated to the position of Audit Committee Member. Hearing no other nominations, the nominations were closed. Trustee Jones announced that Trustee Martin, Trustee Santos, and Trustee Green were elected to the position of Audit Committee Member for 2024.



V. 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

There was nothing to report. No trustees participated under Section 54953(f).

VI. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of December 13, 2023

A motion was made by Trustee Santos, seconded by Trustee Knox, to approve the minutes of the Board of Investments meetings of December 13, 2023. The motion passed by following roll call vote:

Yes: Gatto, Jones, Knox, Martin, Mi, Santos,

Absent: Ryu, Green

VII. PUBLIC COMMENT (Mr. Ryu joined the meeting at 9:10 a.m.)

Messrs. Fein, Dressbach and Ms. Mejia from Unite Here Local 11 addressed the Board regarding an investment in Areas by PAI Europe VII.

VIII. EXECUTIVE UPDATE (Mr. Green joined the meeting at 9:28 a.m.)

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, Gloria D'Orazi.

C. Chief Executive Officer's Report

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

IX. CONSENT ITEM

A. **Real Assets Structure Review**

Recommendation as submitted by Patrick Jones, Chair, Real Assets Committee: That the Board approve the Real Assets Structure Review (Attachment A) including initiatives, guidelines, and recommendations throughout the document as well as those summarized on slides 34-38. (Memo dated January 2, 2024)

A motion was made by Trustee Knox, seconded by Trustee Gatto, to approve Consent Item A. The motion passed by the following roll call vote:

Yes: Gatto, Green, Jones, Knox, Mi, Martin, Santos, Ryu,

No: None

X. NON-CONSENT ITEM

A. **Towards Best-In-Class Investor: 2024 Strategic Initiatives and Work Plan**

Recommendation as submitted by Jonathan Grabel, Chief Investment Officer: That the Board approve the 2024 Strategic Initiatives and Work Plan. (Memo dated December 20, 2023)

A motion was made by Trustee Green, seconded by Trustee Knox to approve the 2024 Strategic Initiatives and Work Plan. The motion passed by the following roll call vote:

Yes: Gatto, Green, Jones, Knox, Mi, Martin, Santos, Ryu,

No: None

XI. REPORTS

A. **Strategic Asset Allocation Benchmark Review**

Jonathan Grabel, Chief Investment Officer  
Jude Pérez, Deputy Chief Investment Officer  
Tim Filla, Principal - Meketa Investment Group  
(Presentation) (Memo dated January 2, 2024)

XI. REPORTS (Continued)

Messrs. Grabel and Pérez, Mr. Filla and Ms. Aysun of Meketa

Investment Group provided a presentation and answered questions from the Board. This item was received and filed.

**B. Trade Cost Analysis Education**

Esmeralda V. del Bosque, Principal Investment Officer  
Ron Senkandwa, Investment Officer  
Adrian Gonzalez, Senior Investment Analyst  
Vinod Pakianathan, Managing Director, Zeno AN Solutions  
(Presentation) (Memo dated December 28, 2023)

(This item was held after item XV.A. 1)

Messrs. Grabel, Senkandwa, and Gonzalez and Mr. Pakianathan of Zeno AN Solutions provided a presentation and answered questions from the Board. This item was received and filed.

**C. Principles For Responsible Investment Signatory Ballot**

Scott Zdrazil, Principal Investment Officer  
(For Information Only) (Memo dated December 8, 2023)

This item was received and filed.

**D. Update regarding Council of Institutional Investors Nomination**

Scott Zdrazil, Principal Investment Officer  
(For Information Only) (Memo dated December 26, 2023)

Following discussion regarding this item, it was received and filed.

**E. StepStone Group Self-Evaluation**

Jose Fernandez, Natalie Walker, Daniel Krikorian  
StepStone Group LP  
(For Information Only) (Memo dated December 21, 2023)

This item was received and filed.

XI. REPORTS (Continued)

F. **StepStone Real Estate Self-Evaluation**

Margaret McKnight, Thomas Hester, Kristen Moore, James Maina  
StepStone Real Estate  
(For Information Only) (Memo dated December 29, 2023)

This item was received and filed.

G. **Meketa Investment Group Self-Evaluation**

Tim Filla, Aysun Kilic, Leandro Festino, Imran Zahid  
Meketa Investment Group  
(For Information Only) (Memo dated December 22, 2023)

This item was received and filed.

H. **Albourne - Self-Assessment**

James Walsh, Stephen Kennedy, Tom Cawkwell, Mark White  
Albourne America LLC  
(For Information Only) (Memo dated December 11, 2023)

This item was received and filed.

I. **Legal Projects**

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

This item was received and filed.

J. **Semi-Annual Report on Approved Engagements**

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

This item was received and filed.

K. **Board of Retirement Board Officers – 2024 Calendar Year**

Santos H. Kreimann, Chief Executive Officer  
(For Information Only) (Memo dated December 17, 2023)

This item was received and filed.

XI. REPORTS (Continued)

L. **2023 Audit Committee Annual Report**

Onyx Jones, 2023 Audit Committee Chair

Richard P. Bendall, Chief Audit Executive

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

This item was received and filed.

M. **FPPC Formal Advice Letter**

Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated December 26, 2023)

This item was received and filed.

N. **Monthly Trustee Travel & Education Reports - November 2023**

Ted Granger, Interim Chief Financial Officer

(Public memo dated December 21, 2023) (Confidential memo dated December 21, 2023 – Including Pending Travel)

This item was received and filed.

O. **December 2023 Fiduciary Counsel Contact and Billing Report**

Steven P. Rice, Chief Counsel

(For Information Only) (Memo dated December 26, 2023) (Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

This item was received and filed.

XII. ITEMS FOR STAFF REVIEW

Trustee Gatto requested a discussion regarding PAI Europe VII.

Trustee Santos requested that information regarding the Stanford Law Educational program be provided to the Board of Investments.

XIII. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

XIV. GOOD OF THE ORDER  
(For Information Purposes Only)

Trustees and staff welcomed new Trustees, Mses. Mi and Martin and Mr. Gatto to the Board. In addition, Trustees thanked the 2023 officers and congratulated the 2024 officers.

XV. EXECUTIVE SESSION (This item was held before item XI.B)

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. **Secondary Sale**

(Presentation) (Memo dated December 24, 2023)

There is nothing to report.

2. **One Item - I**

Christopher J. Wagner, Principal Investment Officer

Didier Acevedo, Investment Officer

(For Information Only) (Memo dated December 22, 2023)

The Board received an information only memo reporting that LACERA's Chief Investment Officer, within his Board-approved authority, approved a commitment of \$250 million to Centerbridge Capital Partners Fund V, which is a private equity fund that will focus on value-oriented private equity transactions in North America and Europe, with an industry focus in financials, health care, industrials, and technology.

3. **One Item - II**

Christopher J. Wagner, Principal Investment Officer

Calvin Chang, Senior Investment Analyst

(For Information Only) (Memo dated December 22, 2023)

The Board received an information only memo reporting that LACERA's Chief Investment Officer, within his Board-approved authority, approved a commitment of \$115 million to Wynnchurch Capital VI, L.P., which is a private equity fund that will focus on a value-based, middle market buyout strategy focused on equity and debt investments primarily in



XV. EXECUTIVE SESSION (Continued)

the United States and Canada, with an industry focus including industrials, consumer discretionary, and materials.

**4. Update On Real Assets Emerging Manager Program**

James Rice, Principal Investment Officer

Pushpam Jain, Investment Officer

Cindy Rivera, Investment Officer

Mel Tsao, Senior Investment Analyst

Inga Tadevosyan, Investment Analyst

(For Information Only) (Memo dated December 22, 2023)

The Board received an information only memo reporting that LACERA will issue an RFP for the selection of a firm to manage the Emerging Manager Programs for Real Estate and Real Assets, either jointly or separately.

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

LACERA v. County of Los Angeles

LASC Case No. 21STCP03475,

Court of Appeal Case No. B32697

(For Information Only) (Memo dated December 27, 2023)

There is nothing to report.

XVI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned in memory of Santos Kreimann's stepson, Raymie Sanchez at 1:45 p.m.

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HERMAN SANTOS, SECRETARY

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PATRICK JONES, CHAIR





# Chief Investment Officer Monthly Report

**Jonathan Grabel – Chief Investment Officer**

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Board of Investments Meeting

February 14, 2024

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1. Market Environment
2. Portfolio Performance & Risk Updates
3. Portfolio Structural Updates
4. Key Initiatives & Operational Updates
5. Commentary



# 01 Market Environment

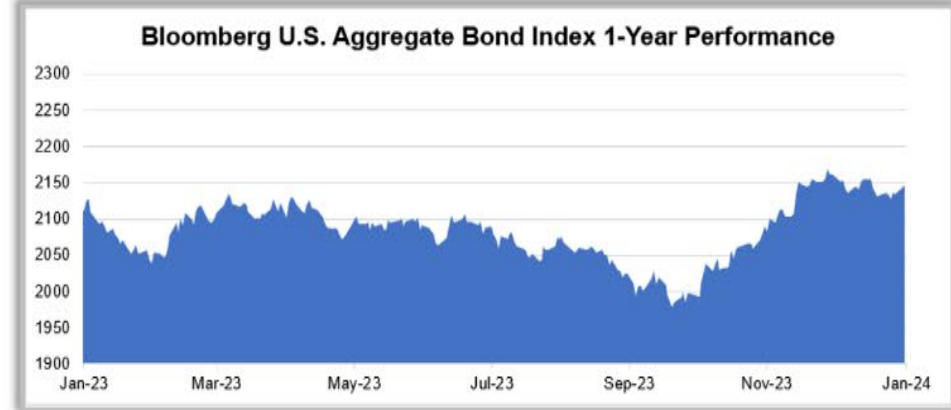
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# Global Market Performance as of January 31, 2024



MSCI ACWI IMI Index (Global Equity Market)*							
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
0.2	15.2	7.6	0.2	13.5	5.6	9.8	8.2

Bloomberg U.S. Aggregate Bond Index**							
Trailing Returns (%)				Annualized Returns (%)			
1-Month	3-Month	FYTD	YTD	1Y	3Y	5Y	10Y
-0.3	8.2	3.1	-0.3	2.1	-3.2	0.8	1.6



\*Global Equity Policy Benchmark - MSCI ACWI IMI Index

\*\*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
Reference Portfolio	60:40 Equity/Bond Portfolio	60% MSCI ACWI IMI/ 40% Bloomberg U.S. Aggregate Index	0.0	12.4	5.8	0.0	8.9	2.1	6.2	5.6
Equity	Global All Cap	MSCI ACWI IMI Total Return	0.2	15.2	7.6	0.2	13.5	5.6	9.8	8.2
	U.S. All Cap	Russell 3000 Total Return	1.1	16.4	9.6	1.1	19.1	9.1	13.5	12.0
	U.S. Large Cap	S&P 500 Total Return	1.7	16.0	9.9	1.7	20.8	11.0	14.3	12.6
	U.S. Small Cap	Russell 2000 Total Return	-3.9	17.6	4.0	-3.9	2.4	-0.8	6.8	7.0
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	-1.1	13.5	4.8	-1.1	5.9	1.1	5.4	4.3
	Emerging Markets	MSCI Emerging Markets Total Return	-4.6	7.0	-0.2	-4.6	-2.9	-7.5	1.0	2.9
Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	3.5	29.4	14.5	3.5	6.2	-0.6	8.4	11.0
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	-0.3	8.2	3.1	-0.3	2.1	-3.2	0.8	1.6
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	0.0	8.4	7.7	0.0	9.3	1.9	4.4	4.5
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	-2.2	15.9	-2.8	-2.2	-5.3	-11.0	-1.8	1.5
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	0.8	3.6	7.1	0.8	11.1	5.5	5.2	4.4
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	0.2	5.7	2.2	0.2	2.2	-1.0	2.9	2.2
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.5	1.4	3.3	0.5	5.4	2.4	2.0	1.3
Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	0.4	-4.5	0.3	0.4	-7.1	10.0	6.2	-1.1
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	-6.3	-0.2	-2.5	-6.3	-12.5	10.3	8.2	4.8
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	-2.4	9.7	1.0	-2.4	-2.0	6.1	4.3	4.5
Real Estate	U.S. REITs	MSCI U.S. REIT Index	-4.1	16.3	3.4	-4.1	-1.4	5.5	4.2	6.7

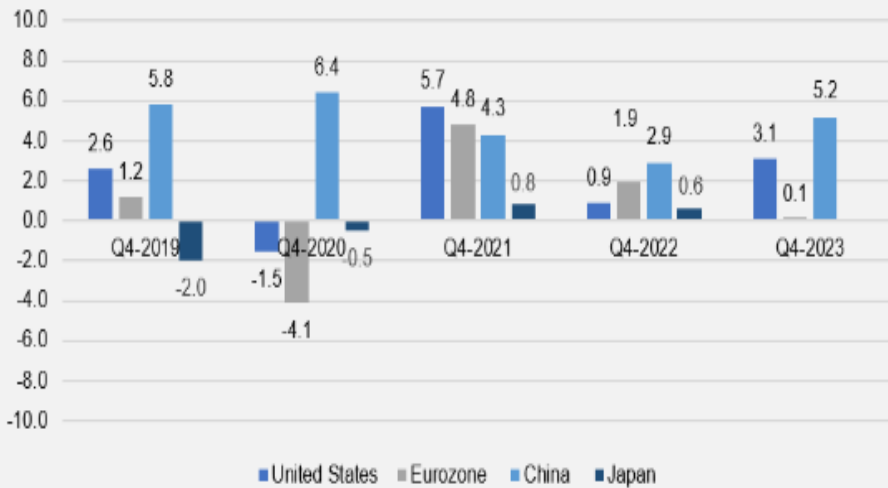
Source: Bloomberg



# Key Macro Indicators\*



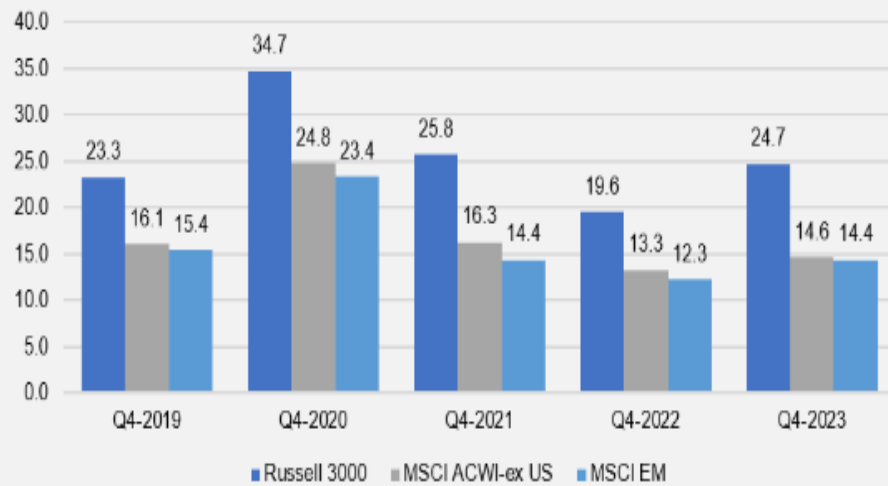
### Real GDP Growth YoY (%) - Last Five Years<sup>1</sup>



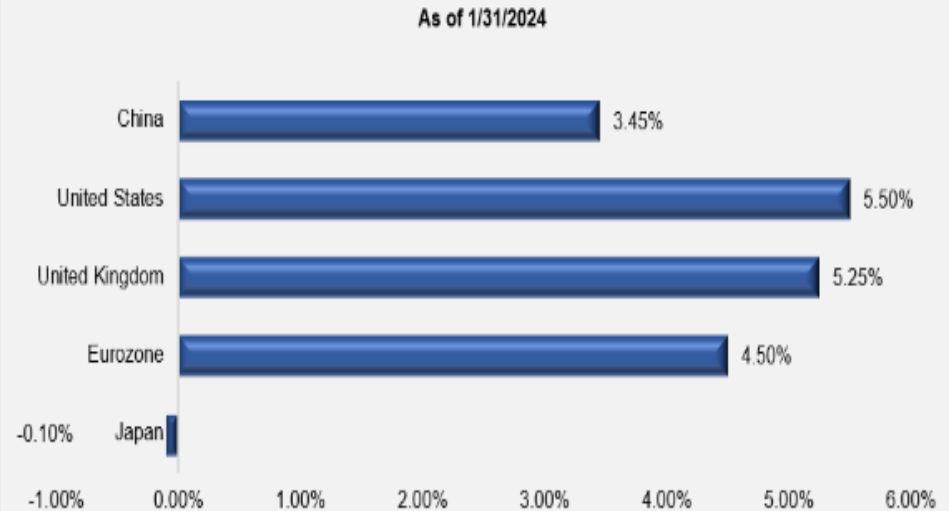
### Historical 10-Year Treasury Yield<sup>2</sup>



### Price-to-Earnings - Last Five Years<sup>3</sup>



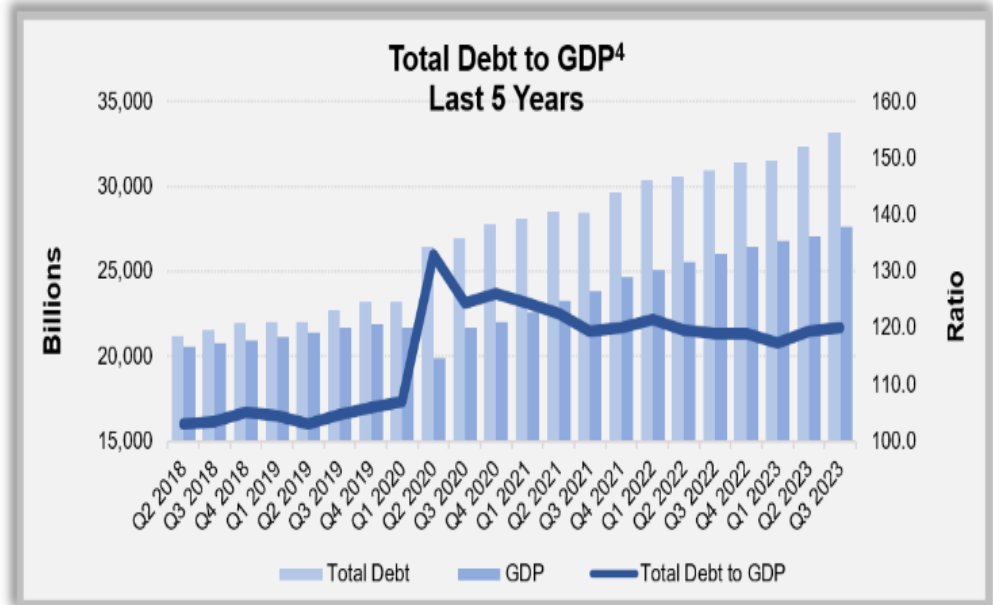
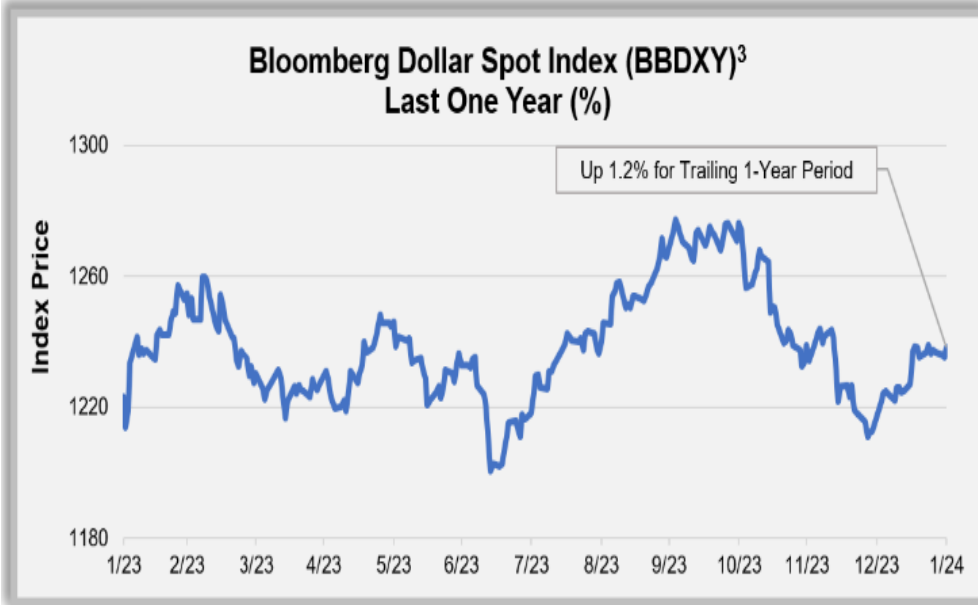
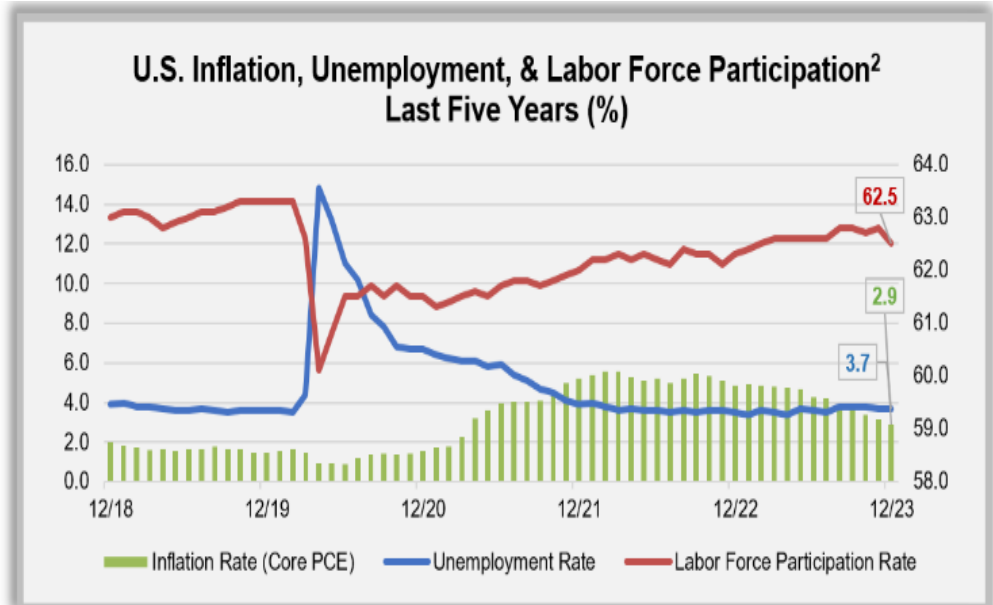
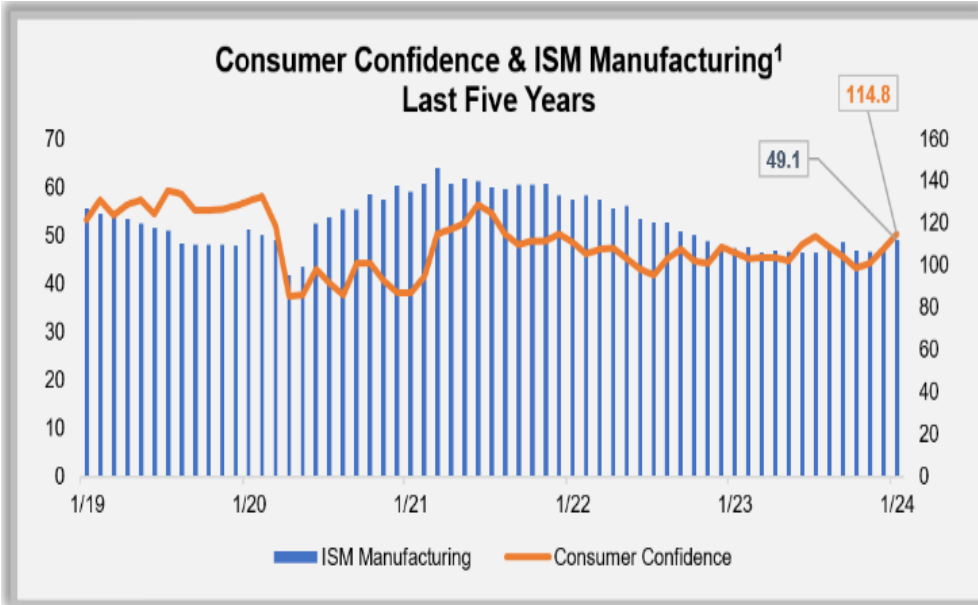
### Central Bank Rates<sup>4</sup>



\*The information on the "Key Macro Indicators" charts is the best available data as of 1/31/24 and may not reflect the current market and economic environment

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

# Key Macro Indicators\*



\*The information on the "Key Macro Indicators" charts is the best available data as of 1/31/24 and may not reflect the current market and economic environment

Sources: 1. Bloomberg 3. Bloomberg  
2. Bloomberg 4. Office of Management and Budget; St. Louis Federal Reserve



# 02 Portfolio Performance & Risk Updates

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# Market Themes and Notable Items to Watch



## Recent Themes

- At the January Federal Open Market Committee (“FOMC”) meeting, policymakers unanimously voted to hold interest rates steady at a 22-year high of 5.25% to 5.5%
  - Federal Reserve Chair Jerome Powell stated that “inflation is still too high”
  - “I don’t think it’s likely that the committee will reach a level of confidence by the time of the March meeting” to cut rates, Powell additionally said
- The U.S. 10-year Treasury yield ended January at 3.99% after being 3.88% at the end of both 2022 and 2023, 1.52% at the end of 2021 and 0.93% at the end of 2020
- Global equities (MSCI All Country World Investable Market Index) returned 0.2% in January after rising 21.6% in the calendar year of 2023

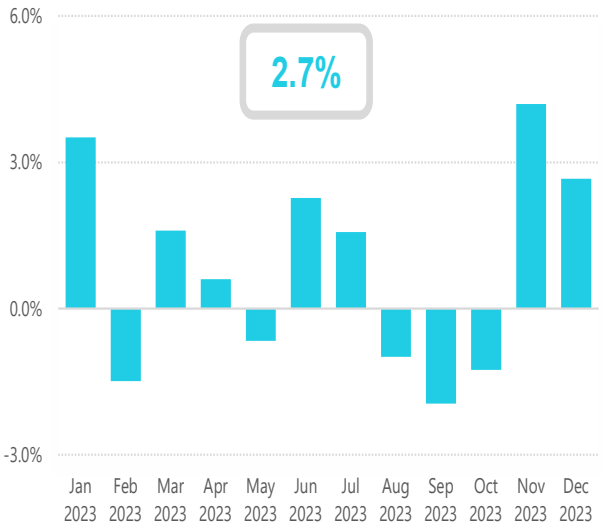
## What to Watch

- Interest rates and central bank actions
- Economic data and trends
  - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Stewardship and ESG-related developments
  - Nations convening at 28<sup>th</sup> Conference of the Parties (COP28) global climate summit in Dubai, United Arab Emirates, issue statement outlining commitment to phase out unabated coal power, inefficient fossil fuel subsidies, and support orderly, just transition

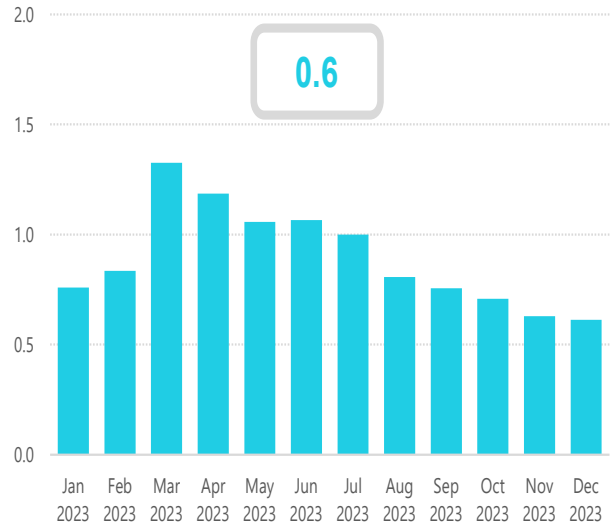
# Total Fund Summary as of December 2023



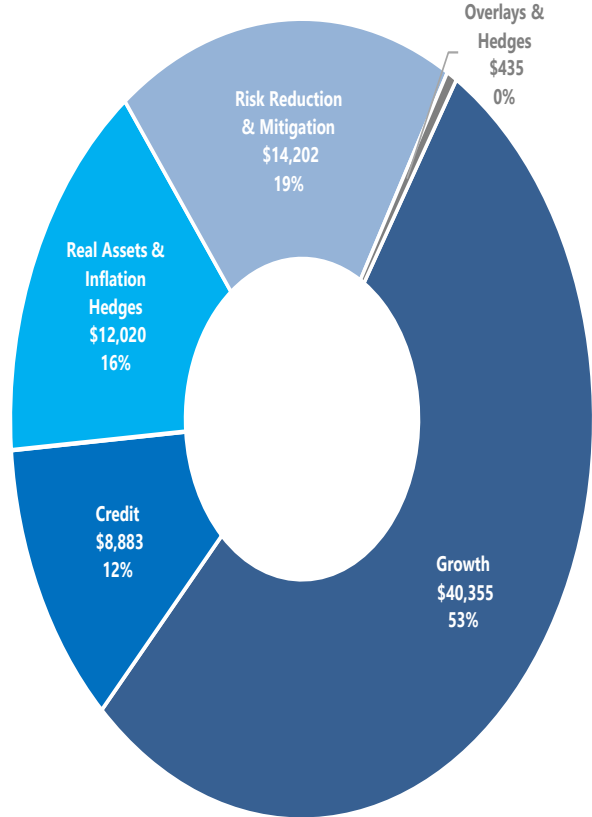
Monthly Return (net)



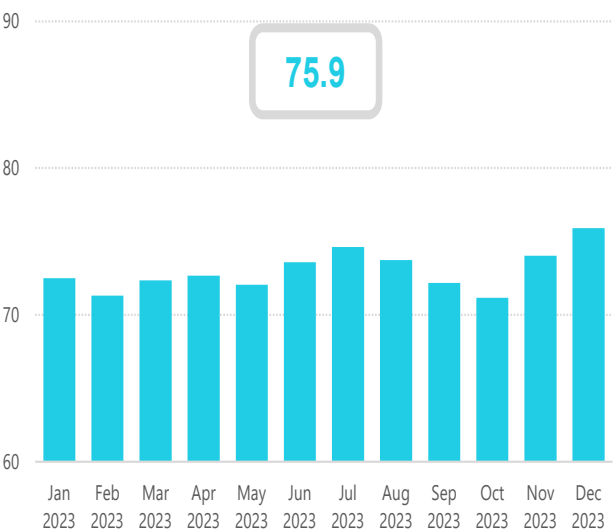
Sharpe Ratio (3-year annualized)



Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

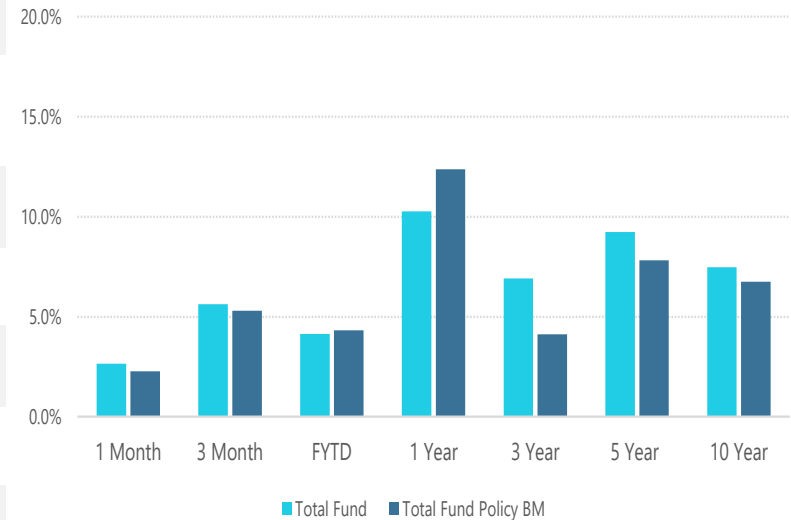


# Historical Net Performance as of December 2023



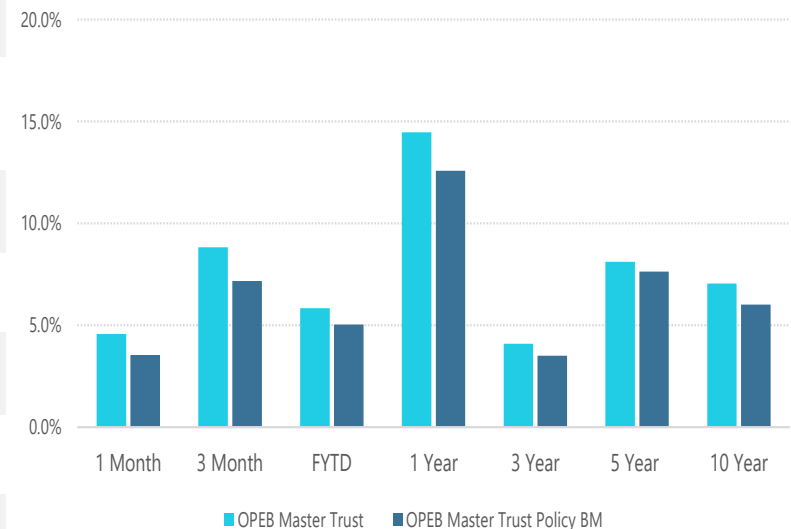
## LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	<b>75,895</b>	<b>100.0%</b>	<b>100.0%</b>	<b>2.7%</b>	<b>5.6%</b>	<b>4.1%</b>	<b>10.3%</b>	<b>6.9%</b>	<b>9.2%</b>	<b>7.5%</b>
Total Fund Policy BM				2.3%	5.3%	4.3%	12.4%	4.1%	7.8%	6.8%
7% Annual Hurdle Rate				0.6%	1.7%	3.4%	7.0%	7.0%	7.0%	7.0%
<b>Growth</b>	<b>40,355</b>	<b>53.2%</b>	<b>53.0%</b>	<b>3.2%</b>	<b>7.0%</b>	<b>5.4%</b>	<b>15.0%</b>	<b>9.9%</b>		
Growth Policy BM				1.8%	5.8%	5.6%	19.9%	6.3%		
<b>Credit</b>	<b>8,883</b>	<b>11.7%</b>	<b>11.0%</b>	<b>1.7%</b>	<b>4.1%</b>	<b>7.2%</b>	<b>13.7%</b>	<b>5.6%</b>		
Credit Policy BM				3.2%	3.5%	6.7%	12.0%	2.1%		
<b>Real Assets &amp; Inflation Hedges</b>	<b>12,020</b>	<b>15.8%</b>	<b>17.0%</b>	<b>0.9%</b>	<b>2.1%</b>	<b>-0.2%</b>	<b>-1.9%</b>	<b>7.2%</b>		
Real Assets & Inflation Hedges Policy BM				1.3%	3.5%	0.6%	-2.1%	6.8%		
<b>Risk Reduction &amp; Mitigation</b>	<b>14,202</b>	<b>18.7%</b>	<b>19.0%</b>	<b>3.4%</b>	<b>5.8%</b>	<b>2.4%</b>	<b>5.0%</b>	<b>-1.9%</b>		
Risk Reduction & Mitigation Policy BM				3.9%	6.6%	2.7%	5.8%	-2.1%		
<b>Overlays &amp; Hedges</b>	<b>435</b>	<b>0.6%</b>								



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

	Market Value (\$ millions)	% of Master Trust	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>OPEB Master Trust</b>	<b>3,534</b>			<b>4.6%</b>	<b>8.8%</b>	<b>5.8%</b>	<b>14.5%</b>	<b>4.1%</b>	<b>8.1%</b>	<b>7.0%</b>
OPEB Master Trust Policy BM				3.5%	7.2%	5.0%	12.6%	3.5%	7.6%	6.0%
6% Annual Hurdle Rate				0.5%	1.5%	3.0%	6.0%	6.0%	6.0%	6.0%
<b>OPEB Growth</b>	<b>1,598</b>	<b>45.2%</b>	<b>45.0%</b>	<b>5.2%</b>	<b>11.2%</b>	<b>7.5%</b>	<b>21.8%</b>	<b>5.7%</b>	<b>11.7%</b>	
OPEB Growth Policy BM				4.2%	9.6%	7.1%	21.6%	5.0%	11.2%	
<b>OPEB Credit</b>	<b>639</b>	<b>18.1%</b>	<b>18.0%</b>	<b>2.7%</b>	<b>5.3%</b>	<b>6.1%</b>	<b>12.6%</b>	<b>2.5%</b>	<b>4.4%</b>	
OPEB Credit Policy BM				2.9%	4.5%	6.8%	12.8%	2.3%	4.4%	
<b>OPEB Real Assets &amp; Inflation Hedges</b>	<b>702</b>	<b>19.9%</b>	<b>20.0%</b>	<b>5.0%</b>	<b>8.0%</b>	<b>4.2%</b>	<b>6.4%</b>	<b>5.8%</b>	<b>6.0%</b>	
OPEB RA & IH Policy BM				1.5%	3.4%	1.1%	-1.7%	4.7%	5.3%	
<b>OPEB Risk Reduction &amp; Mitigation</b>	<b>593</b>	<b>16.8%</b>	<b>17.0%</b>	<b>4.6%</b>	<b>7.8%</b>	<b>2.4%</b>	<b>5.1%</b>	<b>-2.4%</b>	<b>1.2%</b>	
OPEB RR & M Policy BM				4.8%	7.9%	2.2%	4.8%	-2.9%	0.8%	
OPEB HL PM Cash	0	0.0%								



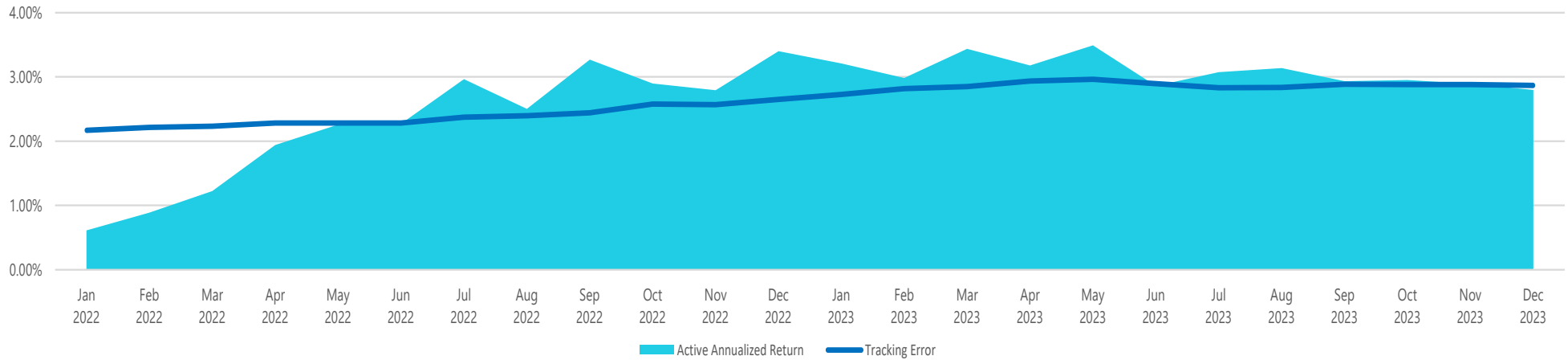
<sup>1</sup> OPEB Master Trust total market value includes participant level cash.



# Active and Excess Return as of December 2023



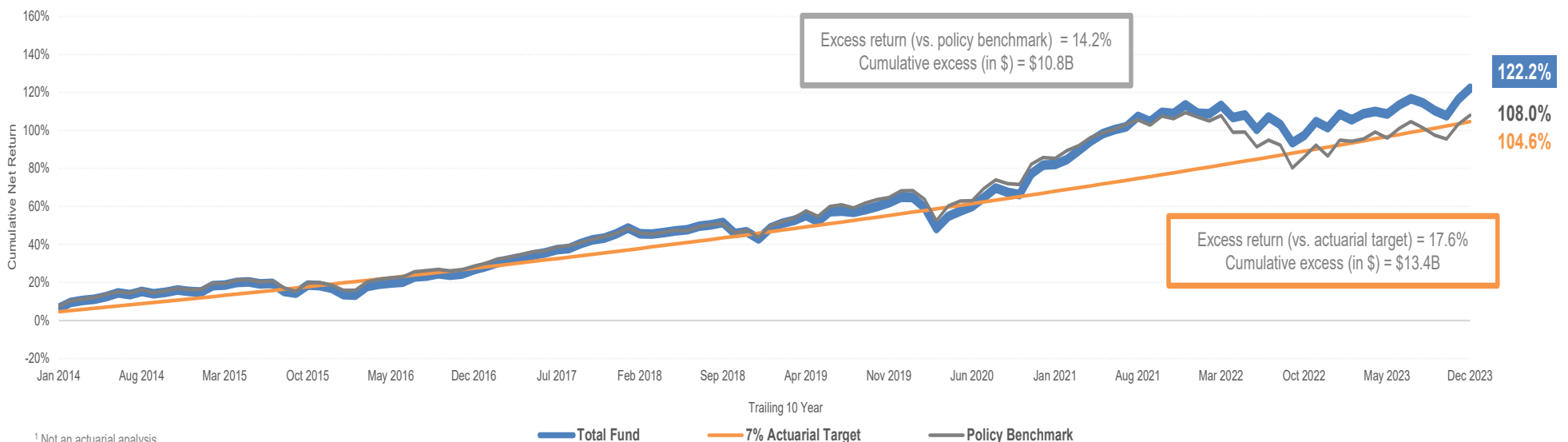
## Active Return vs. Tracking Error<sup>1,2,3</sup>



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Dec 2023	6.9%	4.1%	2.8%	2.9%

<sup>1</sup> Rolling 36 months.  
<sup>2</sup> Active return equals the difference in return between a portfolio and its benchmark.  
<sup>3</sup> Tracking error (or active risk) measures the volatility of active returns.

## Excess Return<sup>1</sup>

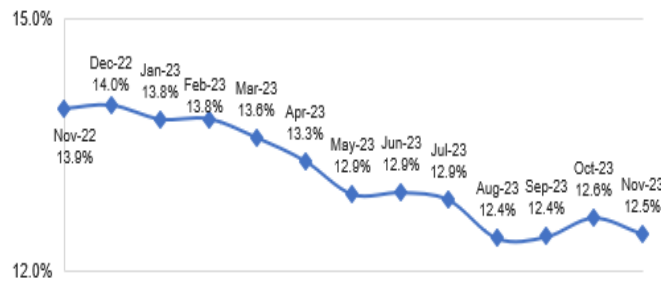


<sup>1</sup> Not an actuarial analysis.

# Total Fund Forecast Volatility as of December 2023\*

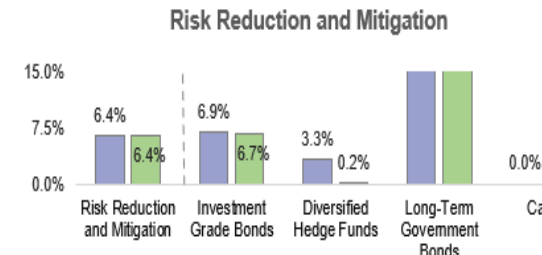
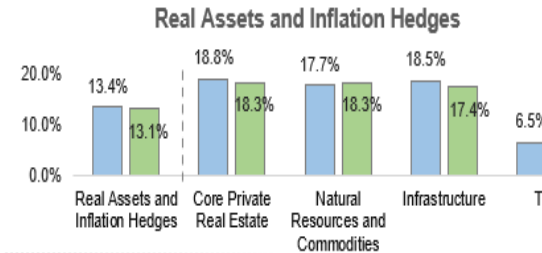
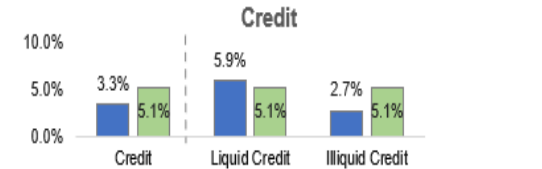


Forecasted Total Fund Volatility Trend



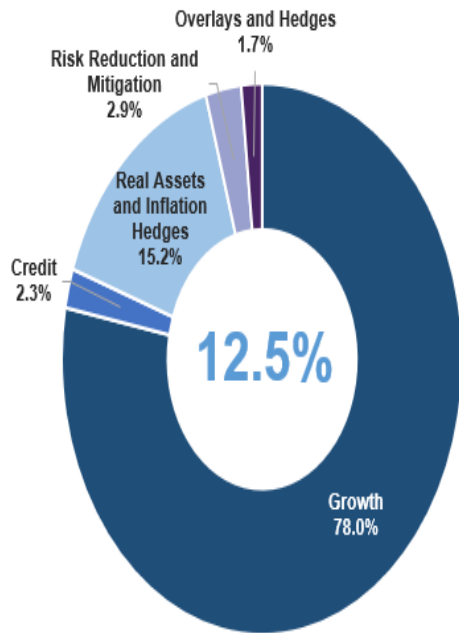
Subcategory Volatility

1 Subcategory volatility is on the left bar and benchmark risk is on the right bar.

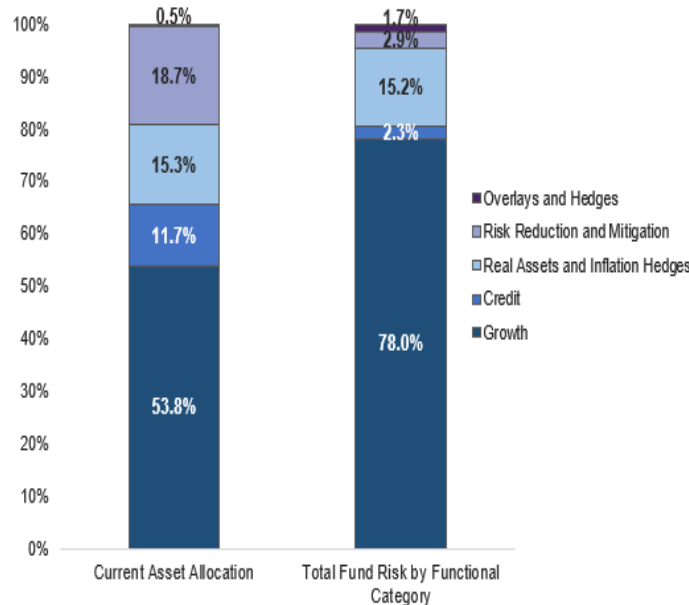


Source: MSCI BarraOne

Functional Category Contributions to Total Fund Volatility



Total Fund Asset Allocation  
Capital-based versus Risk-based



\* Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

# Total Fund Forecast Tracking Error as of December 2023\*

**TOTAL FUND TRACKING ERROR**

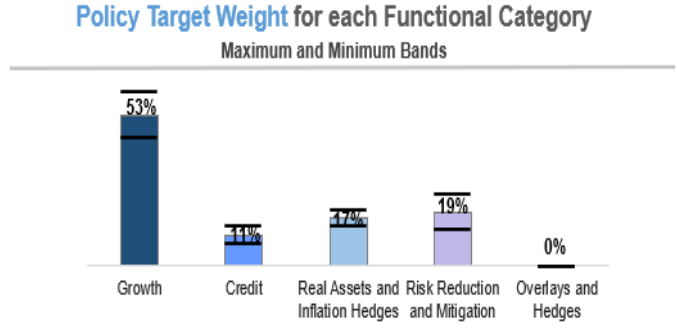
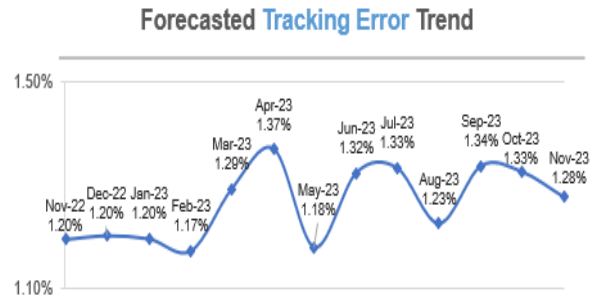
**1.28%**

**ALLOCATION RISK**

**0.19%**

**SELECTION RISK**

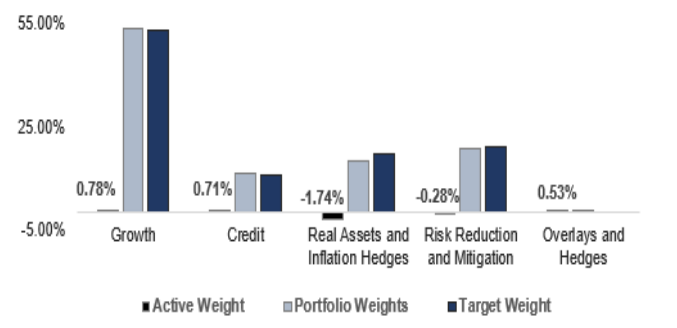
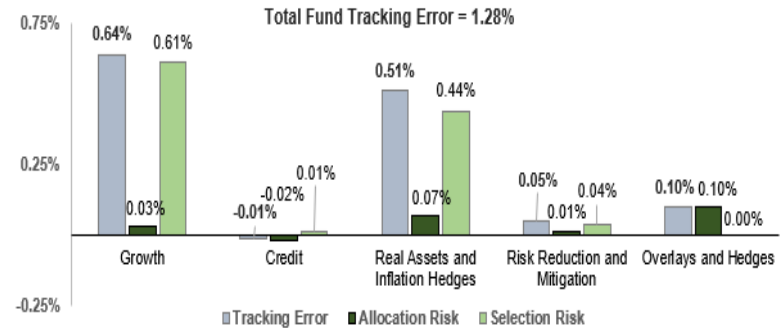
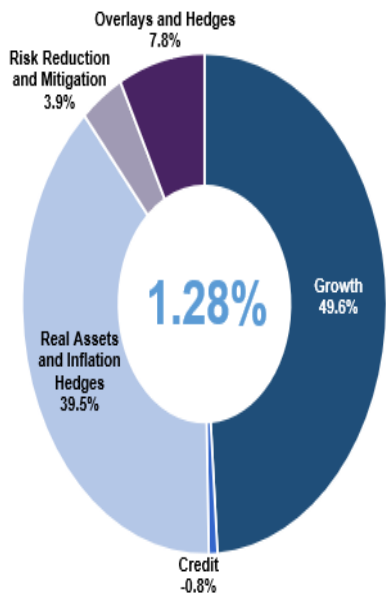
**1.09%**



Functional Category Contributions to Tracking Error

Tracking Error Attribution

Active Weights for each Functional Category



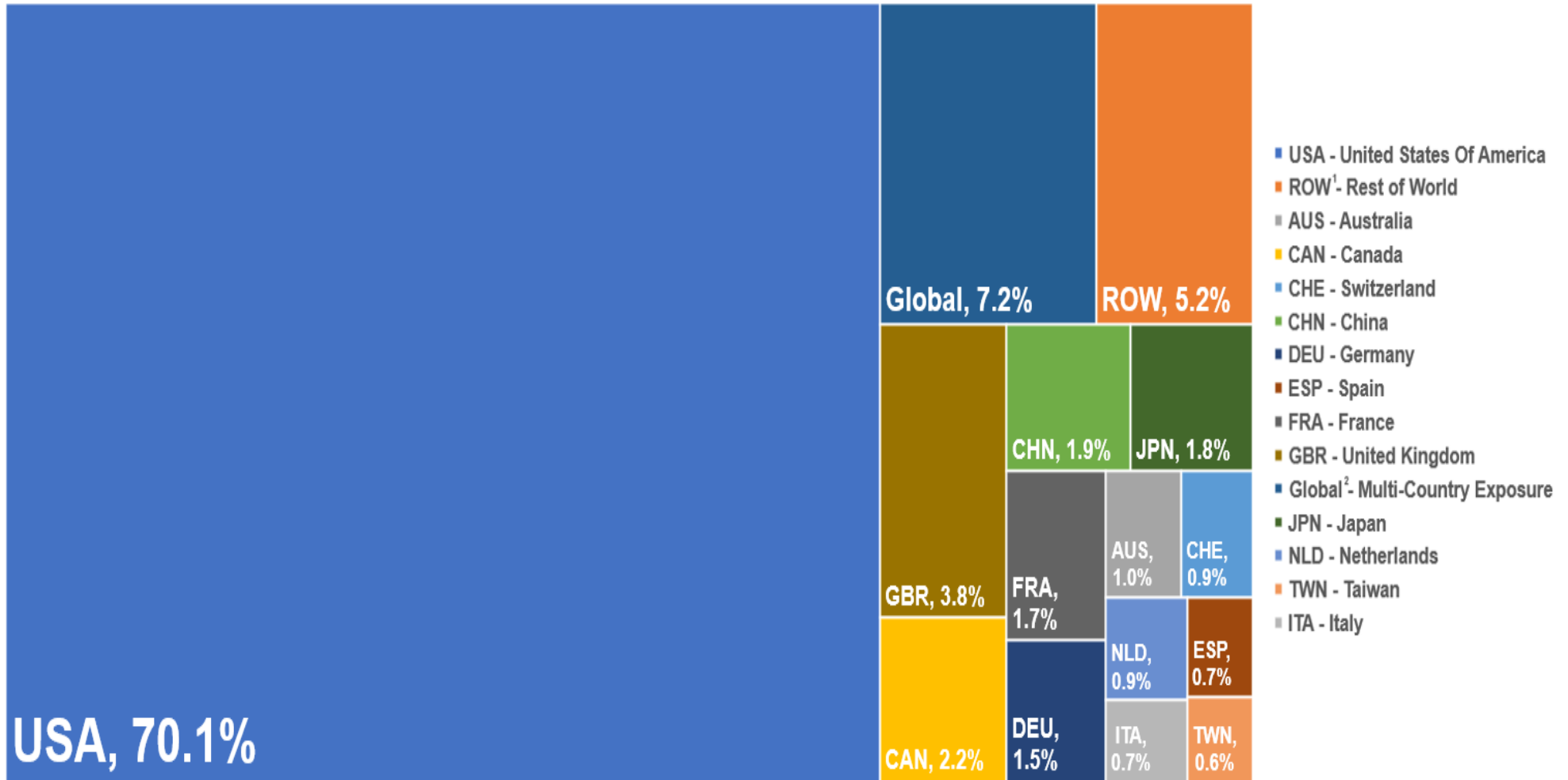
Subcategory Tracking Error

Total Fund	Global	Credit	Real Assets and Inflation Hedges	Risk Reduction and Mitigation	Overlays and Hedges
1.28%	1.35%	0.03%	3.68%	1.02%	71.99%
	Global Equity	Liquid Credit	Real Assets and Inflation Hedges	Risk Reduction and Mitigation	
	0.40%	1.00%	3.68%	1.02%	
	Private Equity	Illiquid Credit	Core Private Real Estate	Investment Grade Bonds	
	3.12%	4.17%	4.19%	0.20%	
	Non-Core Private Real Estate		Natural Resources and Commodities	Diversified Hedge Funds	
	13.97%		4.44%	3.23%	
			Infrastructure	Long-Term Government Bonds	
			8.34%	0.03%	
			TIPS	Cash	
			0.12%	0.24%	

Source: MSCI BarraOne  
 \* Real estate and private equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

# Geographic Exposures by AUM

Total Fund as of December 2023\* Ex-Overlays and Hedges



AUM = Assets under management.

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

\* 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 is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.

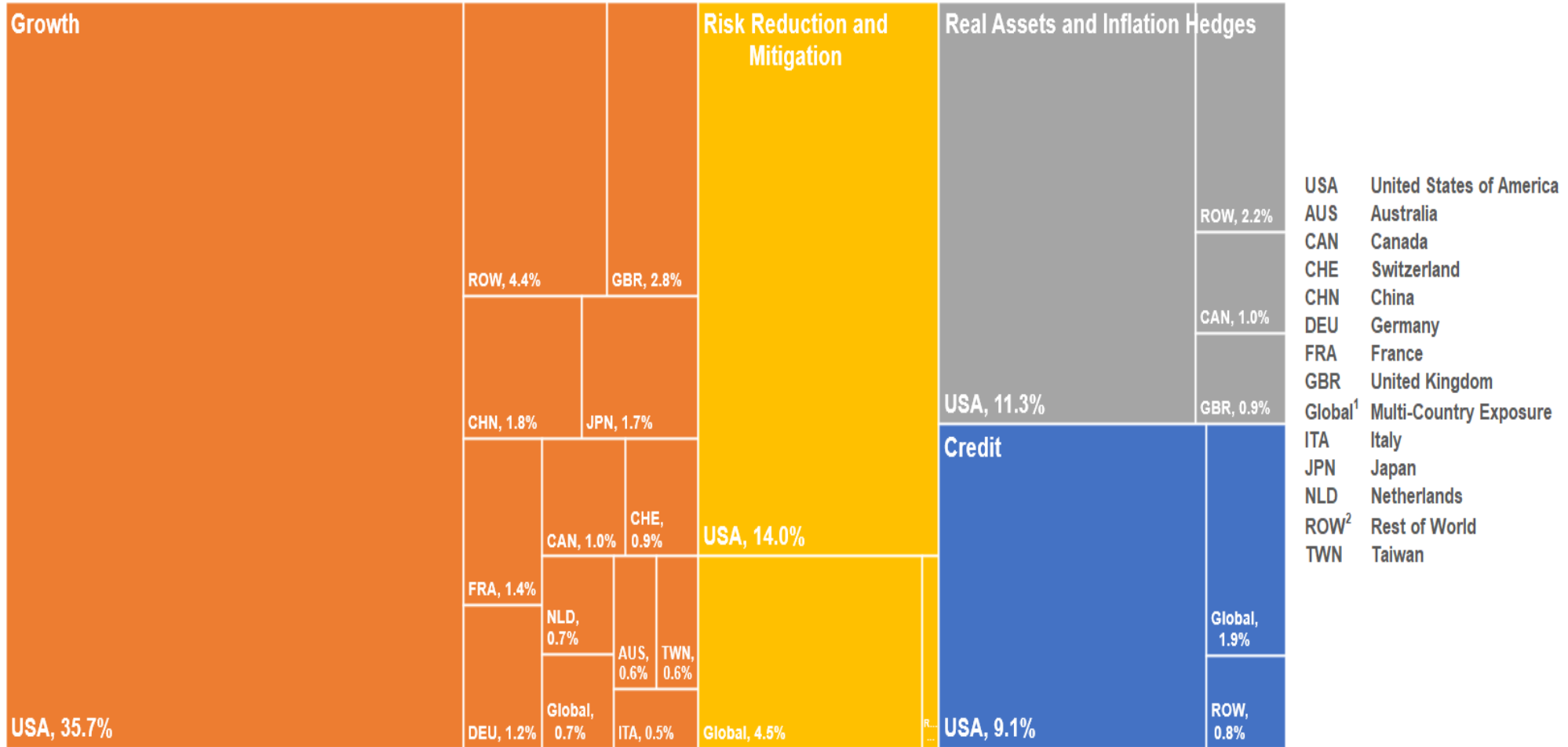
<sup>1</sup> "ROW - Rest of World" is sum of countries with weights below 0.5%.

<sup>2</sup> Global represents investments made in regions where specific country allocations are not available.

SOURCE: MSCI BarraOne

# Geographic Exposures by AUM

## Functional Categories as of December 2023\* Ex-Overlays and Hedges



- USA United States of America
- AUS Australia
- CAN Canada
- CHE Switzerland
- CHN China
- DEU Germany
- FRA France
- GBR United Kingdom
- Global<sup>1</sup> Multi-Country Exposure
- ITA Italy
- JPN Japan
- NLD Netherlands
- ROW<sup>2</sup> Rest of World
- TWN Taiwan

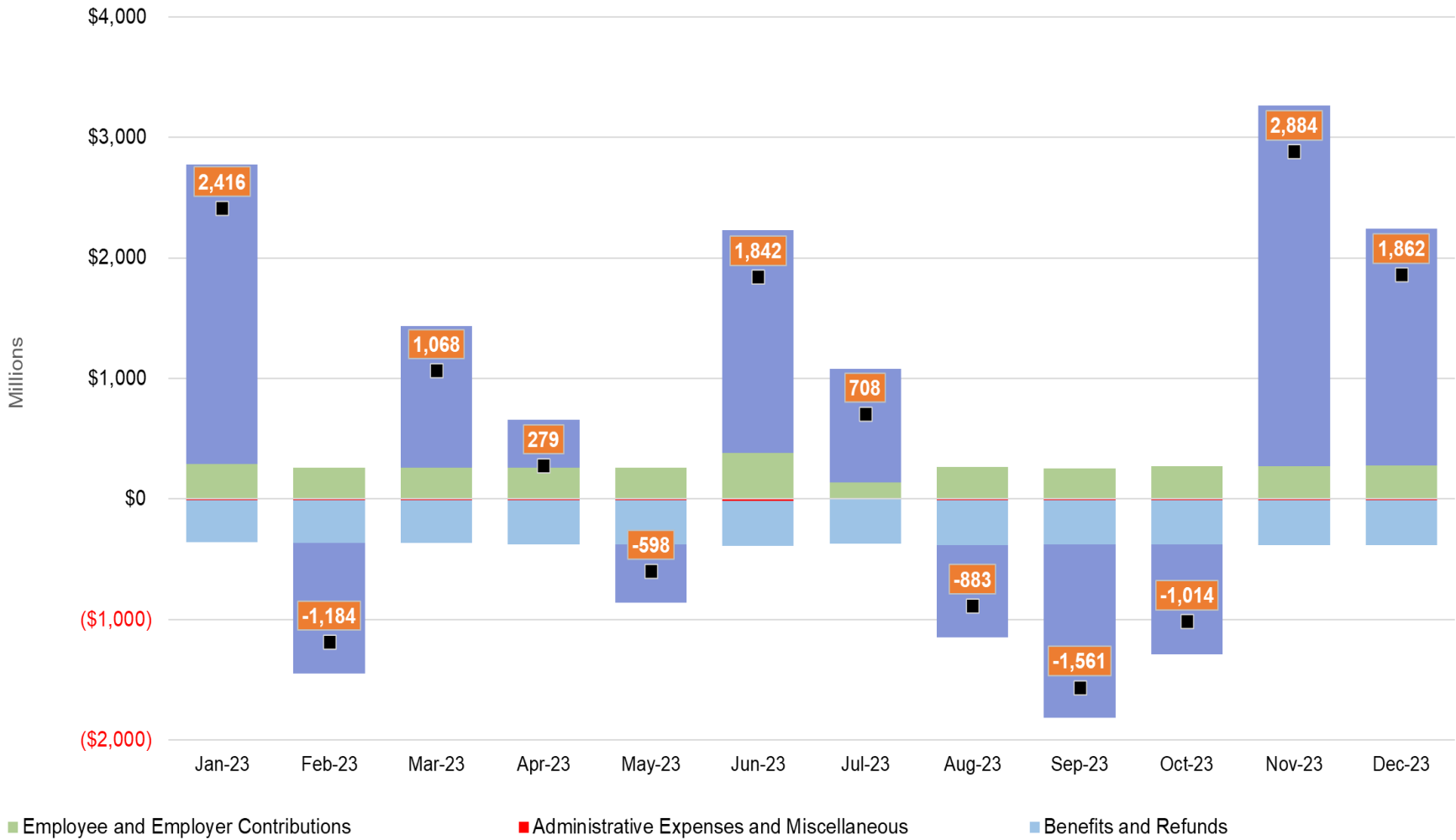
AUM = Assets under management.  
 Geographic exposure is based on the domicile country of a given security/asset.  
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 Real Estate and Private Equity data is based on best available cash flow adjusted market values. Exposure data is based on security level holdings and/or proxies.  
<sup>1</sup> Global represents investments made in regions where specific country allocations are not available.  
<sup>2</sup> "ROW - Rest of World" is sum of countries with weights below 0.5%.

SOURCE: MSCI BarraOne

# Change In Fiduciary Net Position



Additions and Deductions in Fiduciary Net Position (Unaudited)



■ Net Investment Income/(Loss)\*      ■ Total Additions and Deductions in Fiduciary Net Position      \*Includes unrealized & realized net investment income

Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-22	7	5	(\$2.5 billion)
FY-23	5	7	\$3.3 billion
FY-24	3	3	\$2.0 billion



# 03 Portfolio Structural Updates

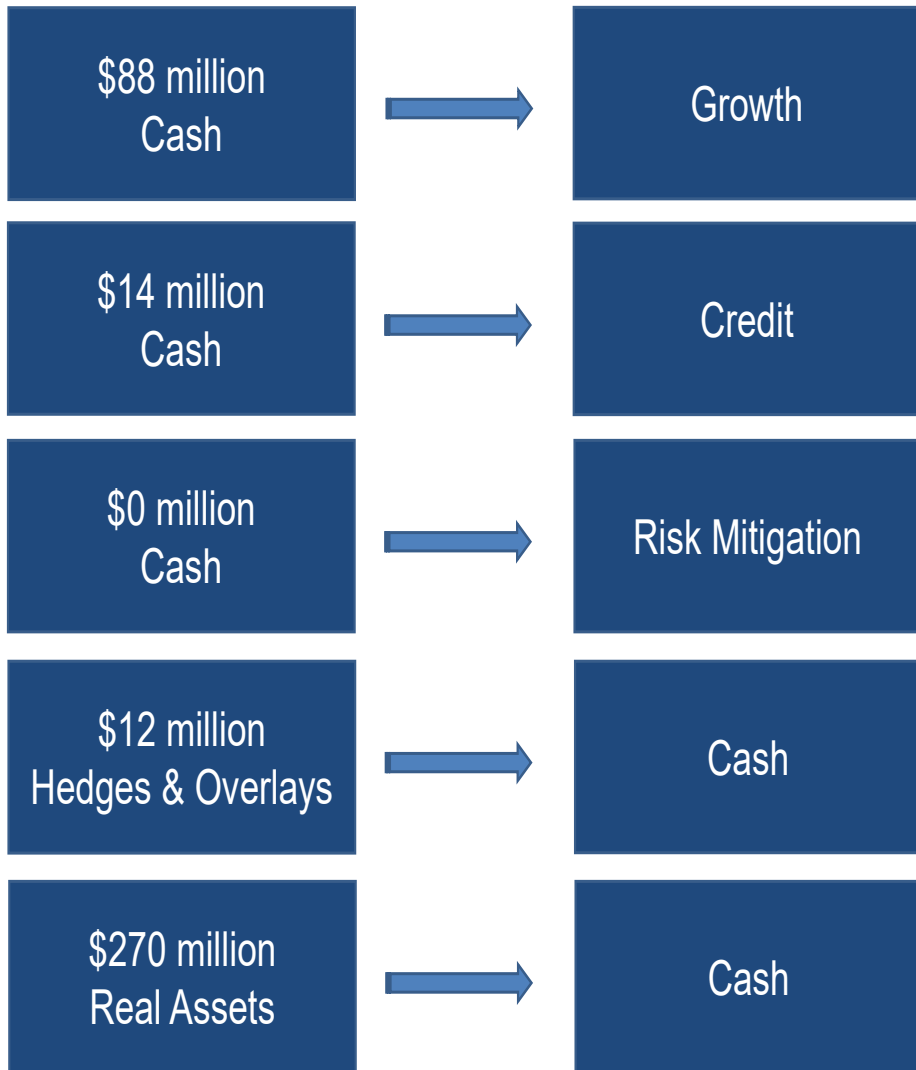
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# Portfolio Structural Updates



## Portfolio Movements

### Rebalancing Activity



## Hedges & Overlays

### Monthly Activity

Program	December Return	December Gain/(Loss)	Inception <sup>1</sup> Gain/(Loss)
Currency Hedge <sup>2</sup>	-1.2%	\$12.3 Million	\$1.5 Billion
Cash/Rebalance Overlay <sup>3</sup>	2.4%	\$68.9 Million	\$435.3 Million

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

<sup>2</sup> 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.

<sup>3</sup> 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	Selection/Review
Hedge Funds, Credit, & Real Assets Consultant Search	✓		TBD





# 04 Key Initiatives & Operational Updates

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# Notable Initiatives and Operational Updates



## Key Initiative Updates

- The 2024 Strategic Asset Allocation study is underway
- Adhering to the BOI-approved 2024 Work Plan and Strategic Initiatives
- Board education library under development

## Operational Updates

- Annual contract compliance is in progress
- Budget review is in process

## Manager/Consultant Updates

State Street Corporation – Bob Dollard, Senior Vice President and Head of North America Asset Owner Relationship Management, will be departing from State Street in March. Michael Knowling, Executive Vice President, Head of Insurance and Asset Owners, North America will assume his role.

Parametric – Brian Langstraat, Parametric's CEO, retired and transitioned to become Senior Advisor at Parametric, effective December 31, 2023. Parametric's Co-Presidents, Tom Lee and Ranjit Kaplia continue in their current roles and have assumed day-to-day leadership responsibility for the firm upon Mr. Langstraat's departure.

## Team Searches and Vacancies

- Principal Investment Officer
- 4 – Senior Investment Officer
  - 2 in progress
- 2 – Financial Analyst-III
  - 2 in progress
- Financial Analyst-II
  - 1 in progress

# Manager/Consultant Updates Continued



## Manager/Consultant Updates

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CornerCap – Global Equities – CornerCap’s Director of Trading, Charles Bettinger, resigned to pursue a new opportunity in December 2023. His responsibilities have been transitioned to Jeff Davenport on an interim basis. Jeff has served as the backup trader since 2012. A search is underway for the vacated role.

BlackRock – Global Equities – BlackRock informed LACERA that Jim Chan, Director, Senior Portfolio Manager within BlackRock’s FX & Synthetics Team is no longer with the firm. Orlando Montalvo, Managing Director, and head of the Team will assume Jim’s responsibilities.

Global Alpha – Global Equities – Announced that Sabrian Lacroix was promoted to Chief Compliance Officer. Sabrian took over the role from David Savignac, Portfolio Manager, who was serving in that role on an interim basis until a replacement was found.

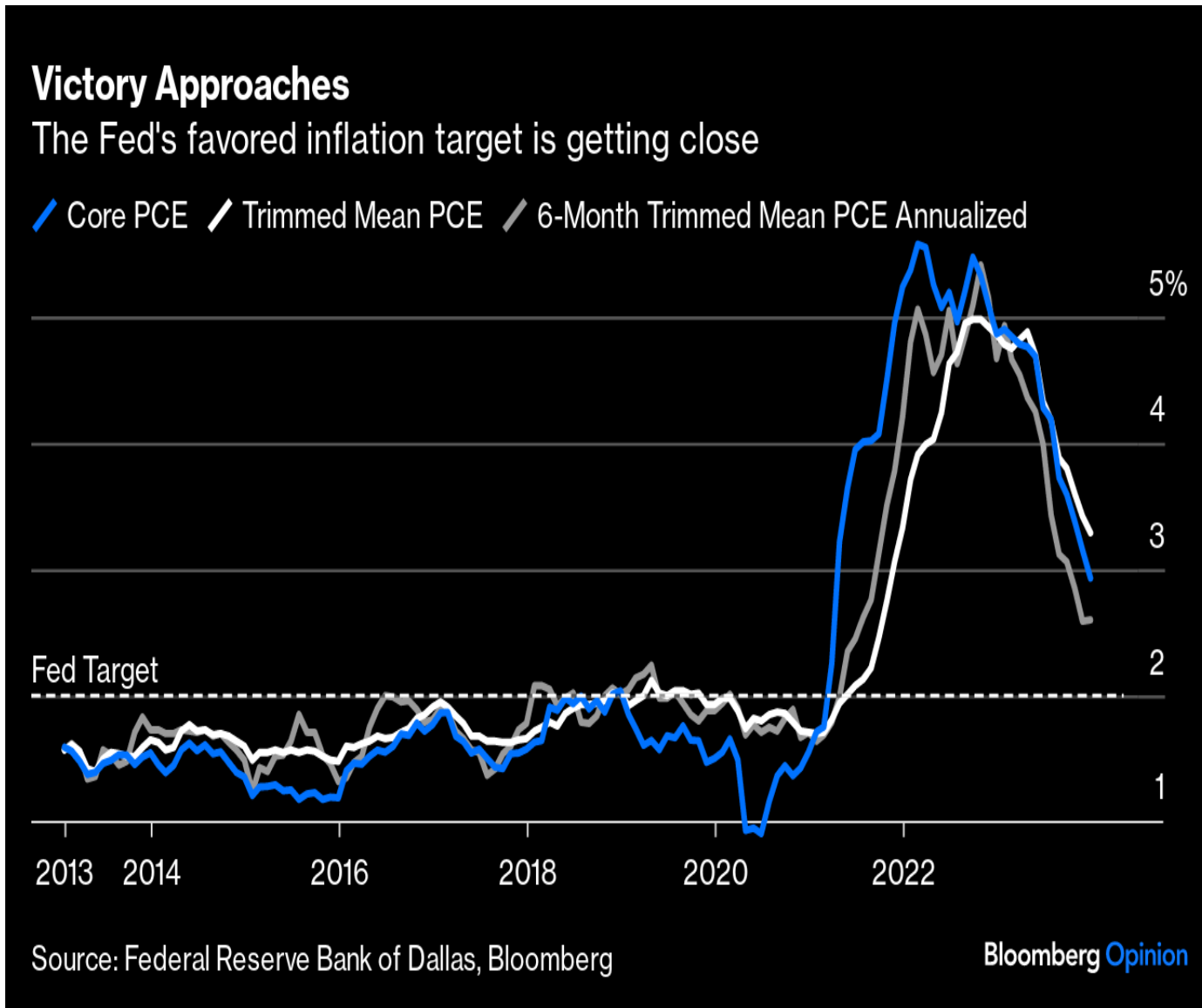


# 05 Commentary

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# Staff Chart of the Month

## Fed's Favored Inflation Measure inches Towards Target



\* Personal Consumption Expenditures (PCE) is a measure of consumer spending on goods and services among households in the U.S. It is used to gauge how much earned income of households is being spent on current consumption for various goods and services.

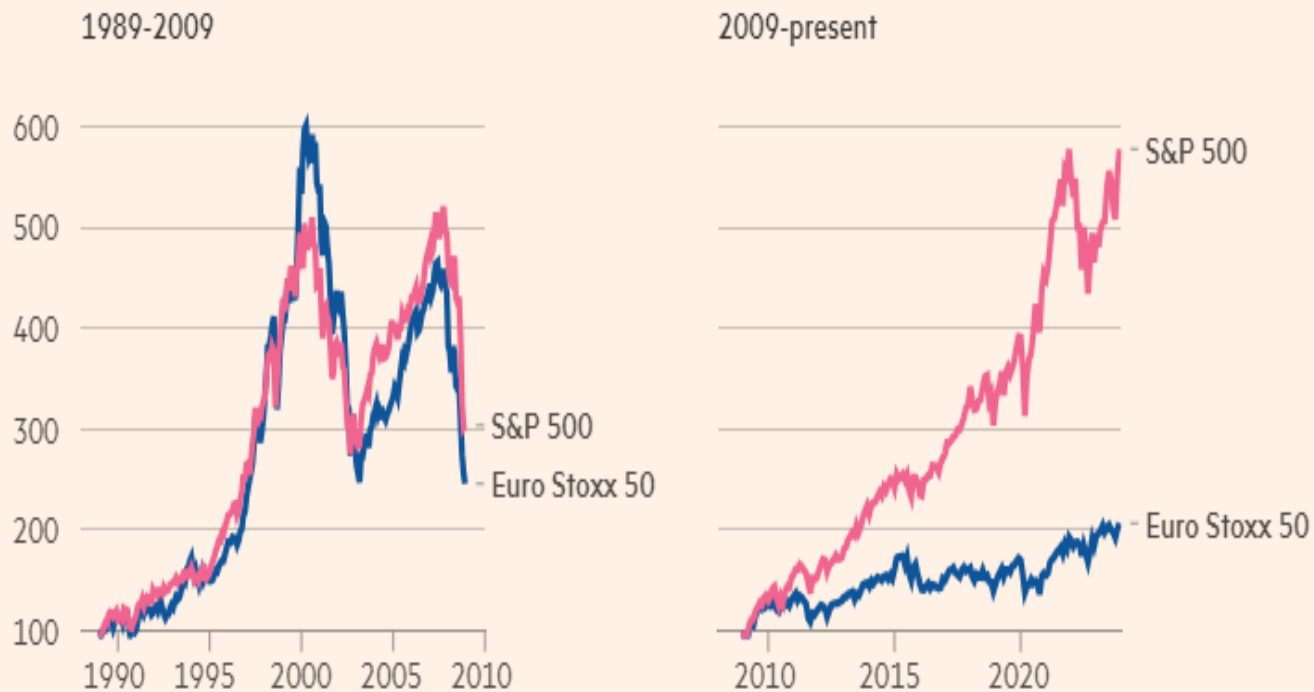
# Staff Chart of the Month

## Divergence between US and European Equity Markets after 2009



US and European equity returns were much more similar before 2009

Indices rebased in local currencies



FINANCIAL TIMES

Source: LSEG

Source: Financial Times and London Stock Exchange Group (LSEG)



# 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 one of our long-serving members, who has recently closed the chapter on a fulfilling career and started her well-earned retirement.



## Retired Member

# Gloria Holder

**Automated Fingerprint Identification System (AFIS) Technician II;  
Records and Identification Bureau, Norwalk Sheriff's Department**

**Years of Service: 12**

**Retirement Date: January 2024**

**MEMBER SPOTLIGHT**

**Notable Contributions and Service:** Ms. Holder started as a records clerk in RIB. She took the advice of her supervisor and completed the coursework, certification, and exam to promote to the position of automated fingerprint identification system (AFIS) technician. Her AFIS responsibilities included comparing life scan fingerprints coming to the RIB from various law enforcement facilities, comparing court and DMV fingerprints, and providing expert testimony in court.

**Proudest Accomplishment:** Holder says achieving her goal of becoming an AFIS technician is her proudest career accomplishment. On the personal side, Holder proudly names her older son as her hero, for his perseverance in overcoming various challenges to extensively train and subsequently flourish as an HVAC journeyman.

**Retirement Plans:** Holder looks forward to babysitting her great-grandson, playing senior pickleball, traveling, going on cruises, and hanging out at the beach.







January 30, 2024

TO: Each Trustee,  
Board of Retirement  
Board of Investments

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

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT – FEBRUARY 2024**

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

### **Strategic Plan (Action Planning)**

The Board of Retirement (BOR) approved Strategic Plan is progressing well. Staff will provide our first quarterly update to the Operations Oversight Committee (OOC) beginning April 2024.

### **Board of Retirement Offsite**

The BOR Offsite will be held in May 2024. Day one of the offsite will focus on LACERA's strategic planning efforts and other educational topics. Day two will focus on the Retiree Healthcare Program and other educational topics. We will be working closely with the BOR leadership to finalize the offsite agenda.

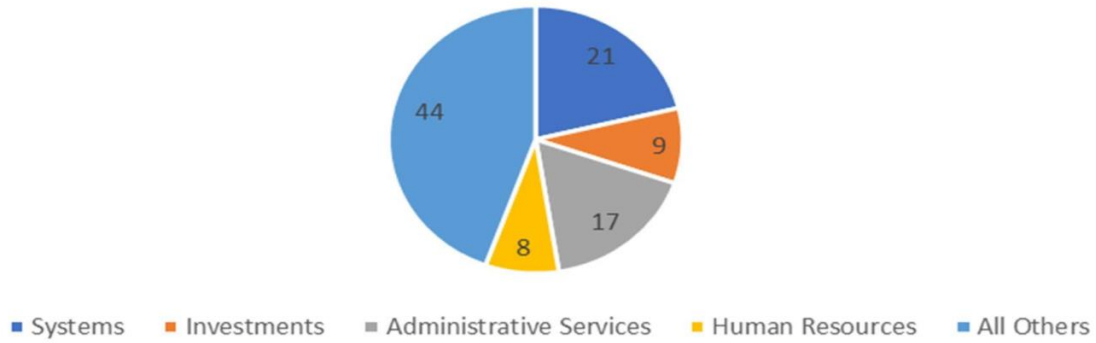
### **Recruitment Updates**

LACERA has 534 budgeted positions, of which 112 are vacant (20% vacancy rate). Additionally, there are 3 over-hired positions (positions that temporary staff members are assigned to but are not permanently budgeted) in the Retirement Benefits Specialist I classification.

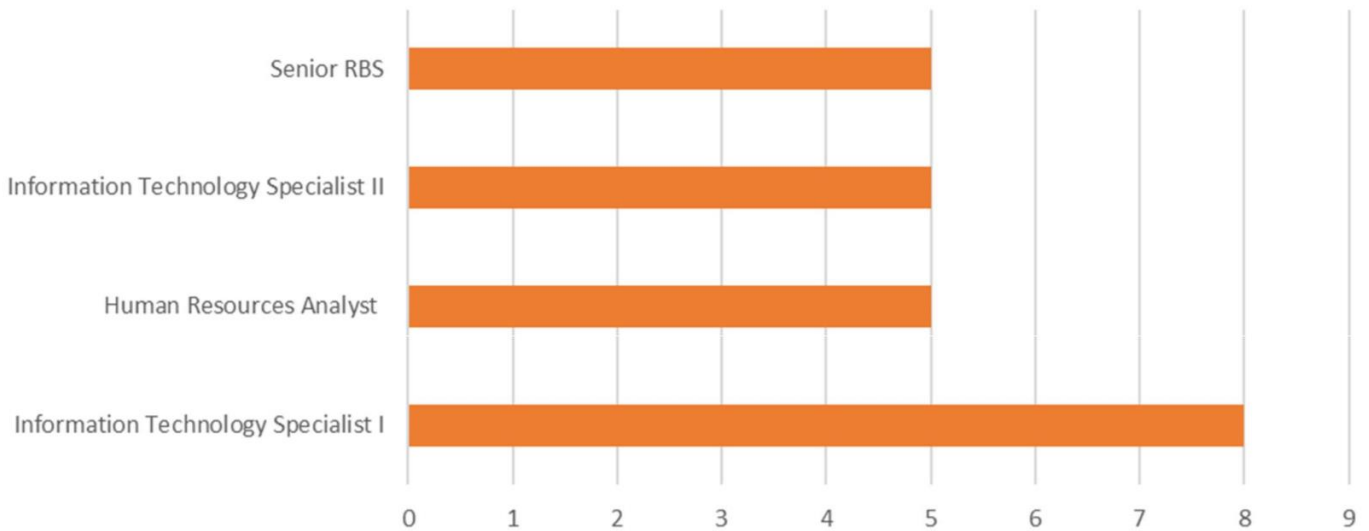
Since the beginning of the current fiscal year, 14 eligible lists/registers were promulgated, with a total of 12 new hires and 11 promotions.

The Divisions with the highest number of vacancies, and the classifications with the highest number of vacancies, are shown below.

### LACERA Divisions with Highest No. of Vacancies

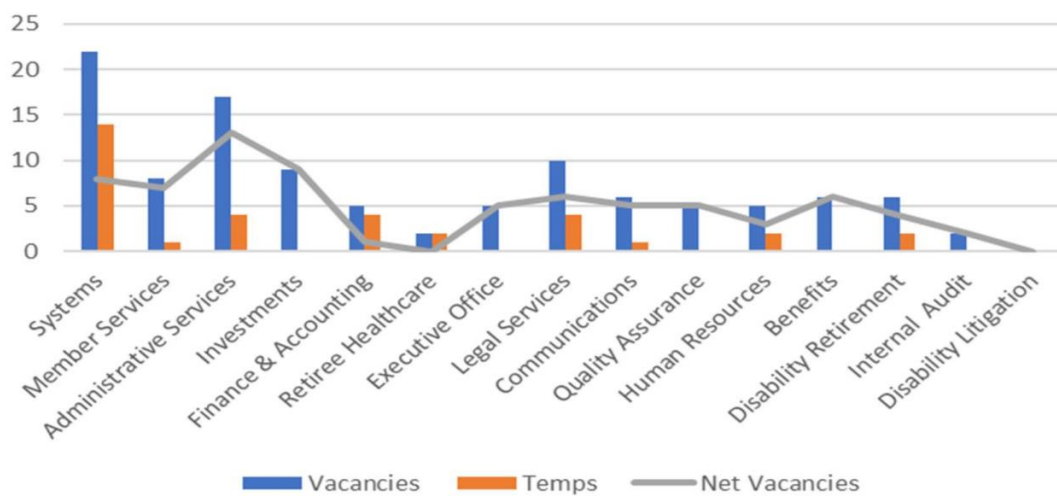


### Classifications with the Highest Number of Vacancies



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

### Temporary Staff Offsetting Vacant Positions



### *External Recruitments*

The Senior Investment Officer (Real Estate) and Finance Analyst III (Corporate Governance) recruitments continue to be open and managed by EFL Associates.

The recruitment brochures for the below listed positions in the Legal Office continue to be open. Interviews continue as qualified candidates are identified. Job bulletins are pending to create eligible lists from which offers may be made:

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

### *Internal Recruitments*

Applications for the Finance Analyst III (Real Estate) position remain open and applications continue to be accepted until the needs of the office are filled. Interviews are pending for Senior Investment Officer (Global Equities).

The Retirement Benefits Specialist I – (Temporary) Trainee examination assessments were completed with 109 candidates to be placed on the eligible list.

### *In Development*

The recruitments/assessments for the following classification(s) are in development:

- Administrative Services Analyst I, II and III
- Information Technology Specialist I and II
- Senior Internal Auditor
- Senior Legal Secretary
- Senior Administrative Assistant
- Administrative Assistant
- Intermediate Typist Clerk
- Special Assistant

### *New Lists Promulgated, Hiring and Promotions*

A promotional appointment to Senior Disability Retirement Specialist was made.

An appointment to an Accountant position was made effective February 5, 2024.

The Chief Financial Officer list has been promulgated and a selection was made.

A selection was made for Finance Analyst II, the background is currently in process.

A selection was made for the Senior Staff Counsel (Investments), the background is in process.

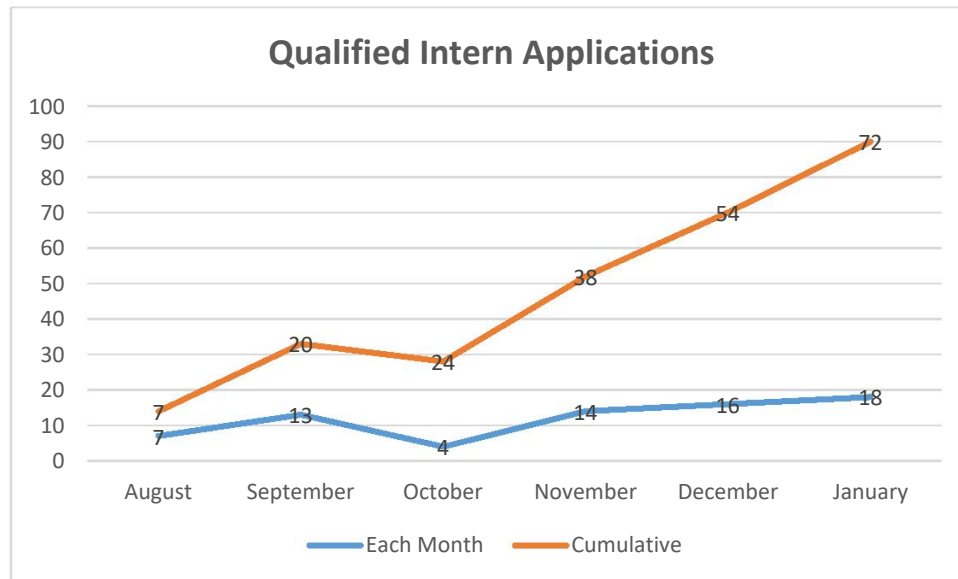
One (1) Senior Human Resources Analyst and one (1) Human Resources Analyst started January 16, 2024. An additional Senior Human Resources Analyst appointment is effective February 1, 2024.

### *Interns*

Resumes continue to be accepted for the 14 Intern positions included in the Fiscal Year 2023-24 Adopted Budget.

A total of 121 applications have been received since the bulletin was reposted in August 2023. Thirty-five of the applications did not meet the selection requirements leaving 72 applicants to be considered.

The following chart tracks the number of qualified applications received each month:



Twenty-three resumes were sent to the Divisions for consideration for assignments beginning immediately, as well as in summer. Additional resumes are under review to be sent to Divisions for consideration and interviews are pending for eight (8) positions in various divisions.

### **New Year – New My LACERA Portal and New Omnichannel Retirement Counseling Methodology**

In alignment with our Superior Member Experience and Innovation through Technology Strategic Plan Priorities, we are excited to announce some recent improvements to the Member Experience during the Ready to Retire and the Retired member journeys. On January 16, 2024, we launched a redesigned My LACERA portal. The portal has been redesigned to display important information on the member's dashboard - eliminating the need for multiple clicks. Active members can now see important information regarding their contributions, eligibility to retire, and disability retirement application status and more. Retired members now see panels information about their retiree healthcare plan, as well as a new feature for members participating in the 120 Day Return to Work program to track how many hours they have accumulated and is designed to help them manage their time, so they do not exceed the legal limits.

Perhaps even more exciting is the new portal includes our first ever online retirement election option. Members can now retire completely online without having to download

and submit a written election. The new feature walks a member through the election process providing them with important reminders to check beneficiaries, ensure they've submitted required documents, and presents an overview of their available options all at their fingertips. This new election process is designed to make it easier for members to submit their retirement election, support upcoming backend changes as we move the election and first payment processes into the Sol Case Management solution, as well as support the new Omnichannel Retirement Counseling Methodology. In the first week, almost 50% of the retirement elections were submitted through this new process.

Effective January 16<sup>th</sup>, we also rolled out the new Omnichannel Retirement Counseling methodology. The new counseling is designed to ensure members receive the same experience and information no matter how they interact with LACERA (via our call center, the member service center, or through the self-retirement process). The new methodology incorporates an expanded Ready to Retire hub on LACERA.com which serves as a resource for everything we cover in a one-on-one session. Staff now incorporate references to this material during counseling, providing members an online resource they can access to remind them of what they've discussed.

Staff will be providing two presentations during the February Operations Oversight Committee to highlight these two milestones.

### **LACERA Attends the 2024 NCPERS Legislative Conference in Washington DC.**

The National Conference on Public Employee Retirement Systems (NCPERS) held their annual Legislative Conference in Washington, D.C. January 22 -24, 2024 with several Trustees and staff in attendance. Day one consisted of general sessions on:

- A Preview of the 2024 Presidential, Congressional, and State Elections
- State Proposals Impacting State & Local Priorities
- Public Plan Access to the Social Security Administration's Master Death Files
- NCPERS Federal Priorities
- A Case for Bringing Back Pensions: A Closer Look at Alaska

The second day of conference focused on legislative policy meetings whereby LACERA and CalSTRS were grouped together with our legislative advocate, Tony Roda, to walk the Hill. The group visited the staff of Representatives Mike Thompson, Jimmy Gomez, Judy Chu, Tony Cardenas, and Senator Laphonza Butler's offices. The popular and main topic of discussion was repealing the Windfall Elimination Provision and Governmental Pension Offset.

## **Retiree Healthcare**

### *LACERA's 2024-2025 Insurance Renewals*

Staff and LACERA's healthcare consultant, Segal, will be presenting the final negotiated 2024-2025 premium renewals at the February 7<sup>th</sup> Insurance, Benefits, & Legislative Committee meeting. We are extremely happy to report that the overall increase will be 8.2%. The renewals will be presented to the full Board of Retirement meeting on March 6, 2024, for final approval.

### *Anthem Blue Cross Notice of Potential Contract Termination with University of California Health System*

In mid-October 2023, staff received notification from our Anthem Blue Cross Account Management team of a potential contract termination. Anthem and the University of California Health System (UC Health) have been in discussions for over a year, noting the following:

- The current facility and professional contract agreements between Anthem and UC Health System were set to expire on January 1, 2024. However, a contract extension was agreed upon between UC Health and Anthem through February 29, 2024 while active discussions continued.
- Both Anthem and UC Health System are engaged in active negotiations, including senior leadership from both entities.
- Contract discussions are a standard part of the healthcare industry and sometimes those discussions on affordability can take time.
- For those being treated for certain serious and complex conditions like pregnancy or cancer, Anthem was working to ensure members continued their care with their current doctor if an agreement cannot be reached by January 1st. If an Anthem member is actively undergoing a medically necessary course of treatment with UC Health prior to January 1, 2024, those members were eligible to receive [continuity of care](#). This includes members receiving treatment for cancer and other chronic conditions.

Staff recently inquired how many members may be impacted should an agreement not be reached with UC Health and was informed that Anthem shows approximately 1,300 of our members have utilized a UC facility in the last 12 months. This member count includes retirees and their dependents. However, members may be counted more than once if they utilized different UC facilities. In addition, we were also reminded that some of these members are utilizing physicians that may have admitting rights to facilities outside of the UC Health system. For those utilizing non-UC physicians with admitting rights to other facilities, their care would not be interrupted.

<b>Medical Centers</b>	<b>Count of Members</b>
UC Davis MC	40
UC IRVINE MC	306
UCSD MC	66
UCSF MC	27
UCLA MED CTR	623
Santa Monica	244
<b>TOTAL</b>	<b>1,306</b>

Notification of potential contract terminations is standard within the healthcare industry. Anthem takes them very seriously, however, at the same time, they are preparing in the event an agreement cannot be reached on or before February 29, 2024, by notifying members, regulatory agencies, physicians, and medical groups about the potential for a contract termination to ensure there are no gaps in care and all have ample time to prepare.

Staff will continue to monitor the status of the discussions. We will keep you informed upon the contract extension end date of February 29, 2024.

SHK  
CEO report February 2024.doc

Attachments



# CEO DASHBOARD



February 7, 2024



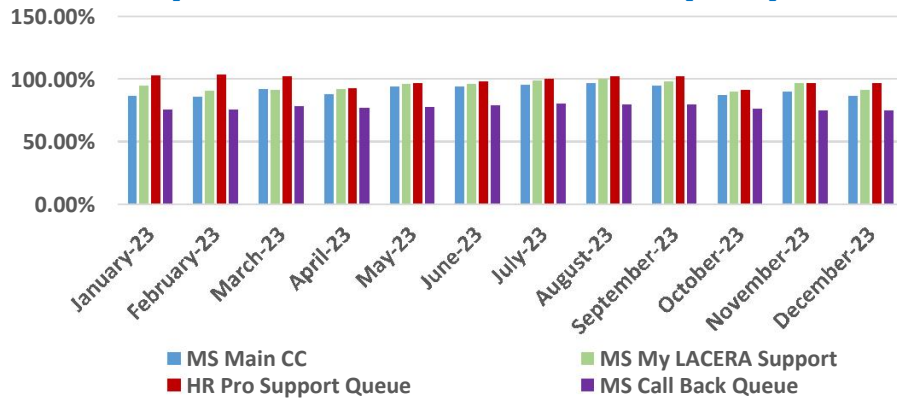


# Striving for Excellence

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

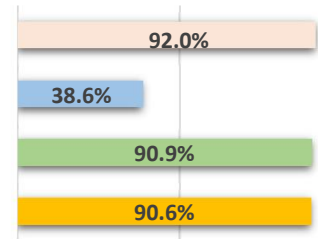
<b>Events / Webinar Attendance</b> Current Mo.: <b>700</b> Year-to-Date: 6,428	<b>Events / Webinar</b> Current Mo.: <b>14</b> Year-to-Date: 120	<b>Webinar Satisfaction</b> <b>0%</b>	<b>Member Service Center Satisfaction</b> <b>93.71%</b>	<b>MS Main Queue Total Calls</b> Current Mo. <b>7,824</b> 3 Month Avg. 7,886				
					Resp. Rate	Change	Resp. Rate	Change
					0%	0%	20.7%	0.98%

## Member Service Call Center Queue Key Performance Indicators (KPI)

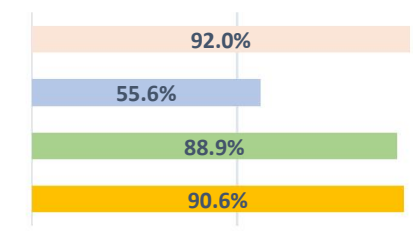


## Key Performance Indicator (Components by Queue)

### MSCC Main Queue



### My LACERA Support Queue



Agent Utilization (Goal: 65%)

After Call Survey (Goal: 90%)

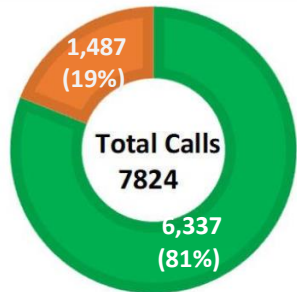
Grade of Service (Goal: 80% in 60 sec)

Call Monitoring (Goal: 95%)

Member Services

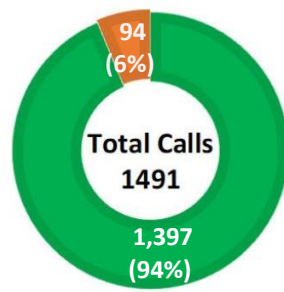
### MSCC MAIN QUEUE

■ Calls Answered ■ Calls Abandoned



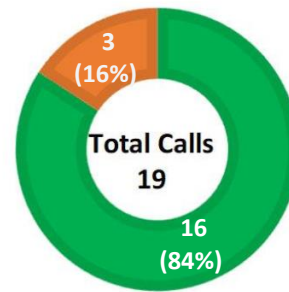
### MY LACERA SUPPORT

■ Calls Answered ■ Calls Abandoned



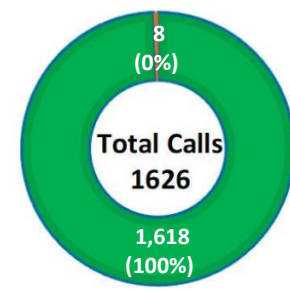
### HR PRO SUPPORT

■ Calls Answered ■ Calls Abandoned



### MS CALL BACK QUEUE

■ Calls Answered ■ Calls Abandoned



Queue KPI:	86.00%	Queue KPI:	91.10%	Queue KPI:	96.30%	Queue KPI:	75.24%
<b>Avg. Speed of Answer</b>	<b>Average Duration</b>	<b>Avg. Speed of Answer</b>	<b>Average Duration</b>	<b>Avg. Speed of Answer</b>	<b>Average Duration</b>	<b>Avg. Speed of Answer</b>	<b>Average Duration</b>
0:10:53	0:15:53	0:01:22	0:12:06	0:01:06	0:11:16	0:35:54	0:15:01



# Striving for Excellence

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

## TOP REASONS MEMBERS CONTACT MEMBER SERVICES

### Member Services Call Center

### Member Service Center (Outreach)

1. Retirement Counseling

1. Retirement Counseling

2. Benefits Payments

2. Retiree Healthcare

3. My LACERA

3. Power of Attorney

## Contact Center Email/Secure Message Performance



Emails (welcome@lacera.com):

359

Service Level: 24 Bus. Hours

On Target



Secure Message (My LACERA)

873

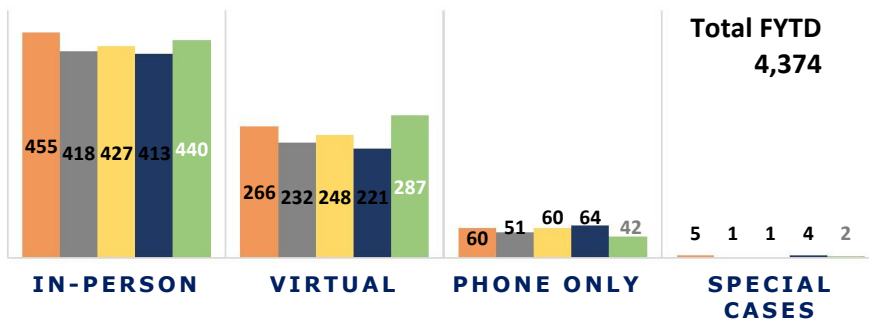
Service Level: 24 Bus. Hours

On Target

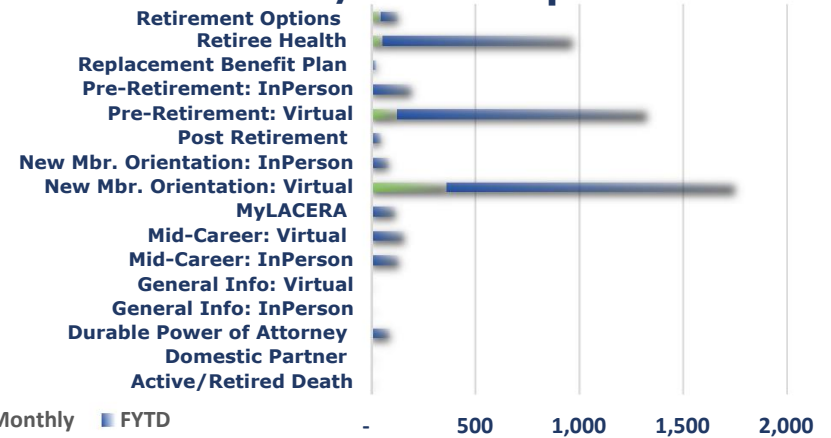
## Member Service Center (Outreach)

### Member Service Center Appointments

August September October November December



### Members Served in Webinars/Workshops



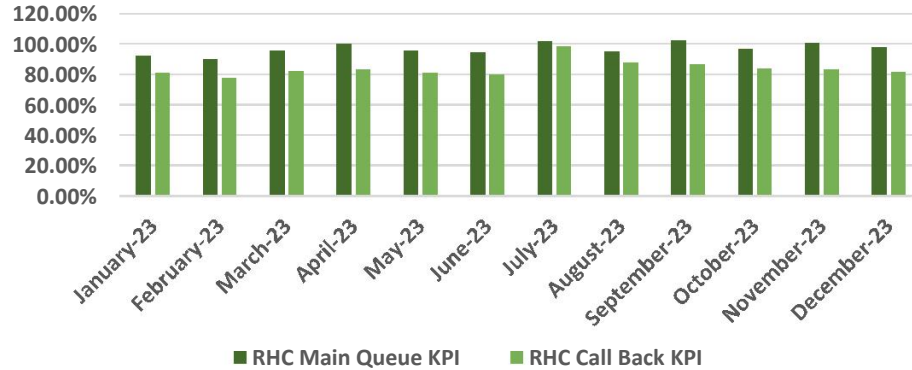
Member Services



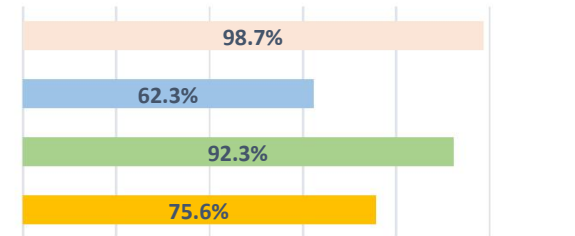
# Striving for Excellence

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

## RHC Call Center Queue Key Performance Indicator (KPI)



## Key Performance Indicator (Components by Queue) Main RHC Call Center Queue

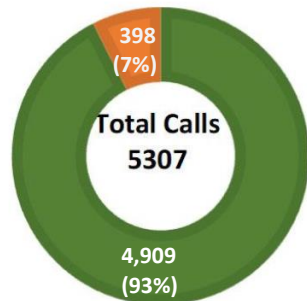


Agent Utilization (Goal:65%)	Grade of Service (Goal: 80% in 60 sec)
After Call Survey (Goal: 90%)	Call Monitoring (Goal: 95%)

Retiree Healthcare

### RHC MAIN QUEUE

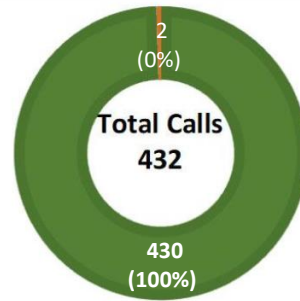
■ Calls Answered ■ Calls Abandoned



Queue KPI:	97.80%
Avg. Speed of Answer	Average Duration
0:03:36	0:11:01

### RHC CALL BACK QUEUE

■ Calls Answered ■ Calls Abandoned



Queue KPI:	81.60%
Avg. Speed of Answer	Average Duration
0:11:24	0:07:43

### TOP RHC CALL TOPICS

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

### RHC Email/Secure Message Performance



Emails (healthcare@lacera.com): 504

Service Level: 24 Bus. Hours

On Target



Secure Message (My LACERA) 518

Service Level: 24 Bus. Hours

On Target



# Striving for Excellence

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

Disability

## Applications

# 956

Pending: Applications  
in Process

78 Received: New Applications  
 387 Received Year-to-Date  
 0 Re-Opened Applications  
 0 Re-Opened Year-to-Date  
 63 To Board - Initial (Presented to BOR)  
 158 To Board - Initial Year-to-Date\*  
 73 Closed (Incomplete/Withdrawn)  
 256 Closed Year-to-Date\*

\*Excludes cases prior to 9/12/23 due to transition to Sol case management system.

## Appeals

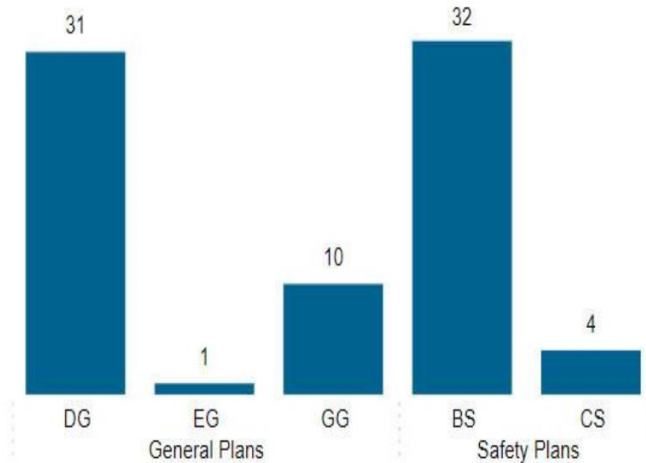
# 67

Pending: Appeals in  
Process

1 Received: New Appeals  
 6 Received Year-to-Date  
 2 Admin Closed  
 6 Admin Closed Year-to-Date  
 2 Referee Recommendations  
 5 Referee Recommendations Year-to-Date  
 0 DLO Recommendations  
 0 DLO Recommendations Year-to-Date

Appeals data was manually reported due to pending changes to Sol reports.

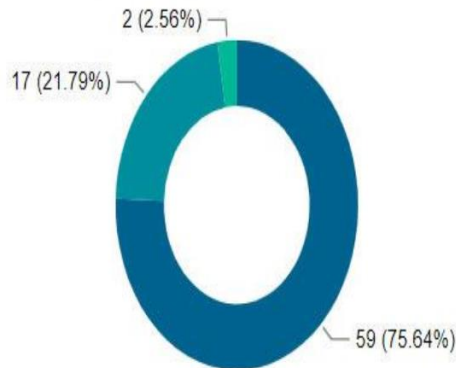
## Applications Filed by Plan



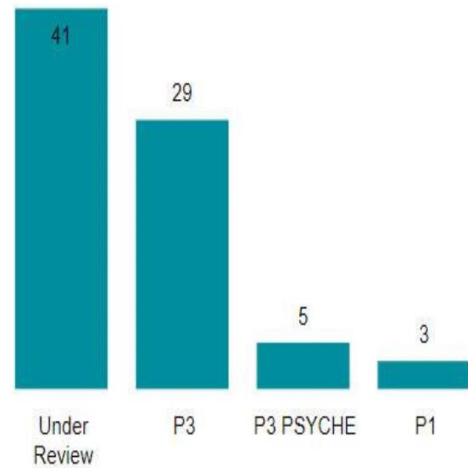
Note: Plan E members are not eligible for a disability retirement allowance

## Applications Filed by Source

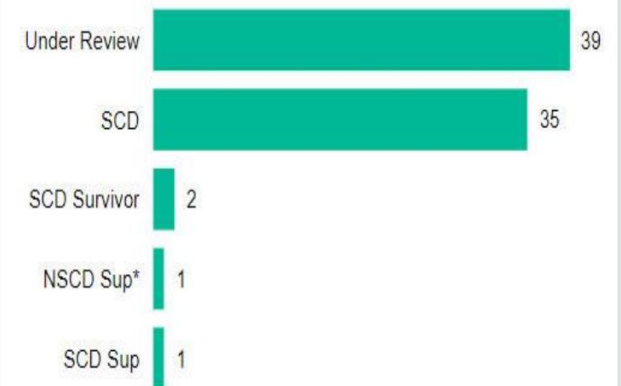
● Employee ● Employer ● Survivor



## Applications Filed by Priority Level



## Applications Filed by Type



\*Under Review



# Striving for Excellence in Quality

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

Quality Assurance



### Monthly Recap

	Samples	Accuracy
<b>December 2023</b>		
Data Entry	120	99.13%
Payment Contract	222	98.61%
Retirement Election	238	97.86%
<b>Total</b>	<b>580</b>	<b>98.41%</b>





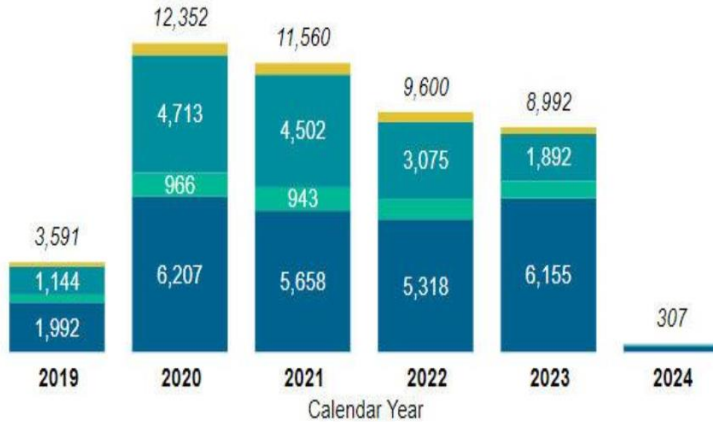
# Service On-Line for All

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

Serving Members Through LACERA.com and MyLACERA

## Annual MyLACERA Registrations\*

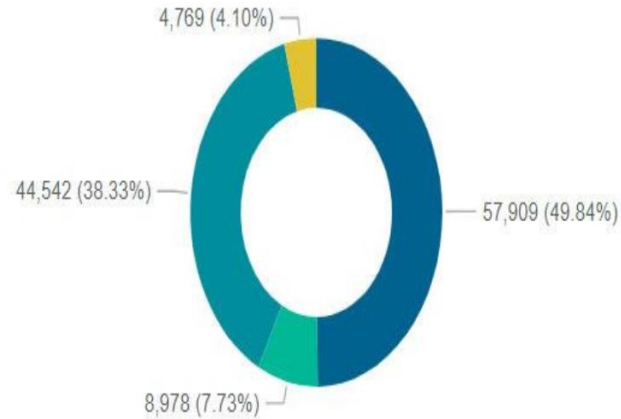
● Active Members ● Deferred & Inactive Members ● Retirees & Survivors ● Non-Members



Data labels may not appear for all values

## Total Registrations by Member Type\*

● Active Members ● Deferred & Inactive Members ● Retirees & Survivors ● Non-Members



Total Registered Members

111,429

% of Total Members

58%

Excludes Non-Members

\*Data as of 1/15/2024. Non-Members include legal split payees and withdrawn members.

## LACERA.com User Traffic

● First Time Visitors ● Average Per Day



## Top Five LACERA.com Page Views



## Busiest Day

12/27/2023

Home Page Tile	Views	% of Change
Forms & Publications	219	23.73%
Sign Up for My LACERA!	6,501	13.10%
Board Meetings and Agendas	4,027	9.70%
Careers	2,854	6.73%
Pre-Retirement Workshops	2,652	3.11%
Investments	1,988	-9.84%

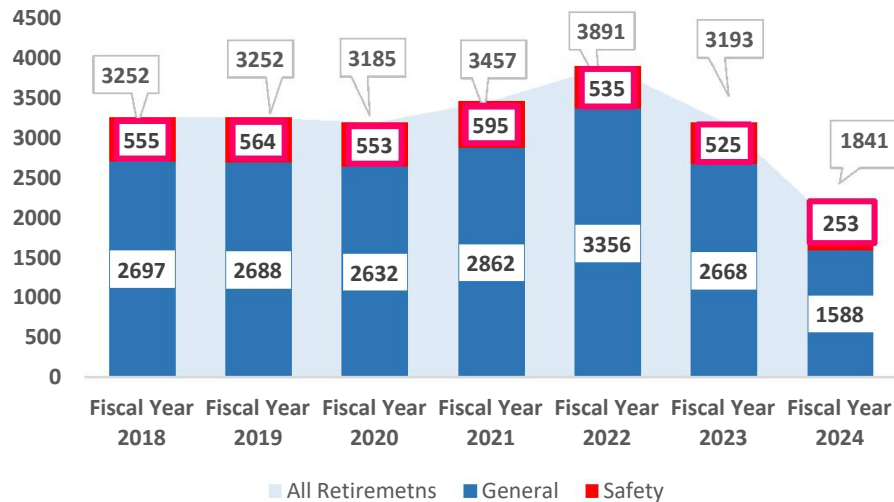


# Member Snapshot

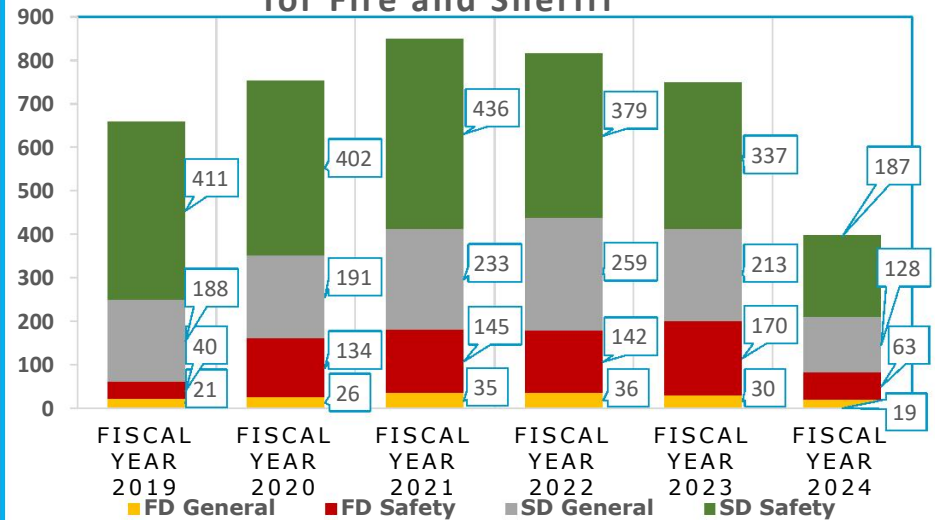
Membership Count as of: January 15, 2024

PLAN	ACTIVE		INACTIVE		RETIRED				Totals by Plan/Type
	Vested	Non-Vested	Vested	Non-Vested	Service	SCD - Disability	NSCD - Disability	Survivors	
<b>General</b> PLAN A	43	-	11	32	11,556	908	154	4,009	16,713
PLAN B	11	-	5	3	561	39	7	74	700
PLAN C	13	-	5	8	357	38	7	66	494
PLAN D	33,102	116	4,509	3,279	19,314	2,034	444	2,058	64,856
PLAN E	12,595	9	2,841	86	15,551	-	-	1,685	32,767
PLAN G	19,995	19,559	1,805	7,029	285	32	8	29	48,742
<b>TOTAL GENERAL</b>	<b>65,759</b>	<b>19,684</b>	<b>9,176</b>	<b>10,437</b>	<b>47,624</b>	<b>3,051</b>	<b>620</b>	<b>7,921</b>	<b>164,272</b>
<b>Safety</b> PLAN A	-	-	2	2	1,797	2,351	25	1,647	5,824
PLAN B	7,303	72	566	227	3,306	4,703	55	435	16,667
PLAN C	2,777	2,450	143	548	12	18	-	3	5,951
<b>TOTAL SAFETY</b>	<b>10,080</b>	<b>2,522</b>	<b>711</b>	<b>777</b>	<b>5,115</b>	<b>7,072</b>	<b>80</b>	<b>2,085</b>	<b>28,442</b>
<b>TOTAL ALL TYPES</b>	<b>75,839</b>	<b>22,206</b>	<b>9,887</b>	<b>11,214</b>	<b>52,739</b>	<b>10,123</b>	<b>700</b>	<b>10,006</b>	<b>192,714</b>

Total Retirements Compared by Type



General vs. Safety Retirements for Fire and Sheriff





# Member Snapshot

## Average Monthly Benefit Allowance Distribution 1/29/2024

	General	Safety	Total	%
\$0 to \$3,999	30,064	1,330	31,394	49.5%
\$4,000 to \$7,999	14,860	3,415	18,275	28.8%
\$8,000 to \$11,999	4,379	4,278	8,657	13.6%
\$12,000 to \$15,999	1,254	2,461	3,715	5.9%
\$16,000 to \$19,999	427	554	981	1.5%
\$20,000 to \$23,999	127	155	282	0.4%
\$24,000 to \$27,999	35	52	87	0.1%
> \$28,000	31	8	39	0.1%
<b>Totals</b>	<b>51,177</b>	<b>12,253</b>	<b>63,430</b>	<b>100%</b>

## Average Monthly Benefit Amount:

\$ **4,868.00**

### Healthcare Program

(Mo. Ending: 12/31/2023)

	Employer	Member
Medical	\$319.7	\$22.6
Dental	\$24.8	\$2.3
Part B	\$46.5	\$0.0
<b>Total</b>	<b>\$391.0</b>	<b>\$24.9</b>

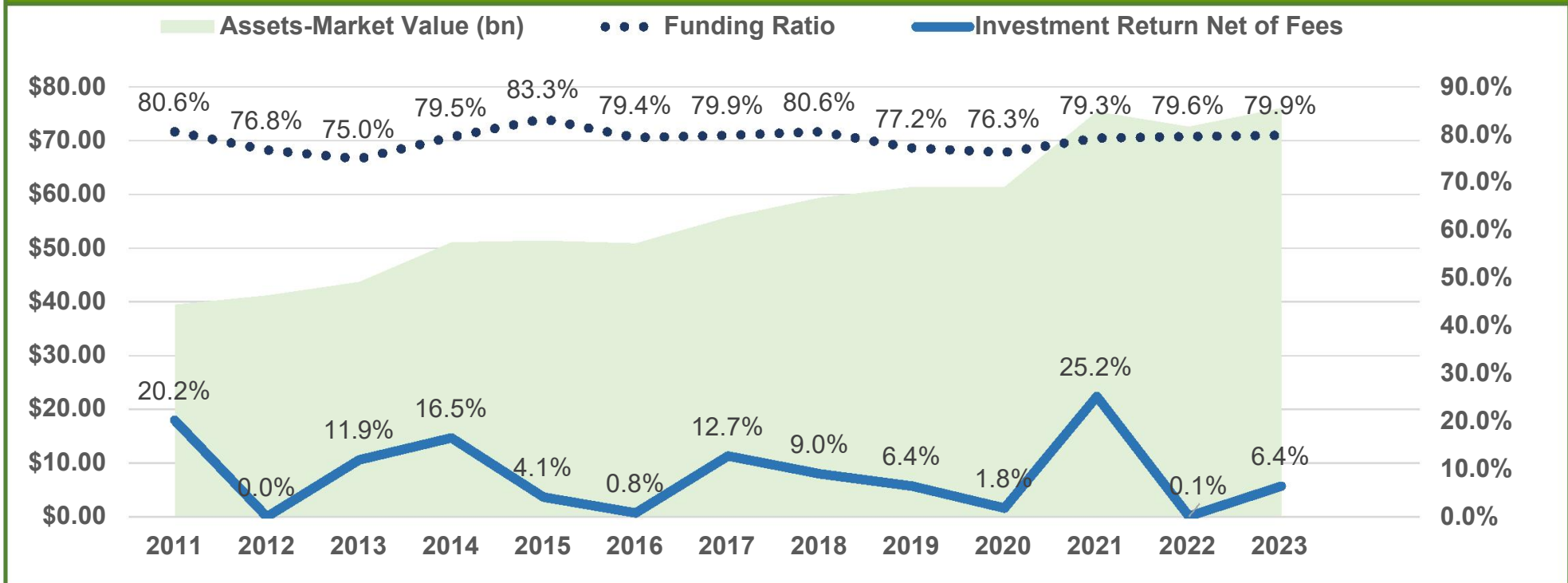
### Health Care Enrollments

(Mo. Ending: 12/31/2023)

Medical	55,624
Dental	57,604
Part B	38,425
LTC	472
<b>Total</b>	<b>152,125</b>

## KEY FINANCIAL METRICS

Fiscal Year End Financial Update (as of 06/30/2023)







# Key Financial Metrics

## LACERA

The Los Angeles County Employees Retirement Association  
Pension Dollar



**10¢**  
Employee  
Contributions

**69¢**  
LACERA  
Investment Earnings

**21¢**  
Employer (County)  
Contributions

### FUNDING METRICS

(as of 6/30/23)

Employer NC	11.01%
UAAL	14.87%
Assumed Rate	7.00%
Star Reserve	\$612m
Total Assets	\$73.9b

### Contributions

(as of 6/30/23)

	Employer	Member
Annual Add	\$2.3b	\$793.2m
% of Payroll	25.88%	8.37%

### Investment Returns

(as of 6/30/23)

(Net of Fees)

<b>5 YR:</b>	7.6%	<b>10 YR:</b>	8.1%
--------------	------	---------------	------

### Retired Members Payroll

(As of 11/30/2023)

Monthly Payroll	\$373.5m
Payroll YTD	\$2.2b
New Retired Payees Added	302
Seamless %	95.36%
New Seamless Payees Added	1,872
Seamless YTD	96.74%
By Check %	2.00%
By Direct Deposit %	98.00%

### RETIREE PAYROLL BY YEAR





**QUIET PERIOD LIST  
FOR TRUSTEES AND  
STAFF**

Last Update  
01/30/2024

**ADMINISTRATIVE/OPERATIONS**

<b>Solicitation Name</b>	<b>Issuing Division</b>	<b>Public Release Date</b>	<b>Solicitation Stage*</b>	<b>Bid Respondents*</b>
<b>RFP: Audit Committee Consultant</b>	Internal Audit	9/06/2023	Contract Development	<ul style="list-style-type: none"><li>• Audit and Risk Management Services</li></ul>
<b>RFB: Classification and Compensation Study Services</b>	Human Resources	8/24/2023	Contract Development	<ul style="list-style-type: none"><li>• CBIZ</li><li>• CPS-HR</li><li>• McLagan</li><li>• Global Governance Advisors</li></ul>

\*Subject to change

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**INVESTMENTS**

<b>Solicitation Name</b>	<b>Public Release Date</b>	<b>Solicitation Stage*</b>	<b>Bid Respondents *</b>
<b>RFP: Actuarial Consulting and Actuarial Auditing Services</b>	11/15/2023	Proposal Evaluation	<ul style="list-style-type: none"><li>• Buck</li><li>• Cavanaugh Macdonald Consulting</li><li>• Milliman</li><li>• Segal</li></ul>

\*Subject to change

Date	Conference
<b>February, 2024</b>	
15	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual
<b>March, 2024</b>	
2-5	CALAPRS (California Association of Public Retirement Systems) General Assembly 2024 Rancho Mirage, CA
4-6	Council of Institutional Investors (CII) Spring Conference Washington D.C.
5-7	AVCJ Private Equity Forum Australia & New Zealand 2024 Sydney, Australia
6-7	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute Rancho Mirage, CA
6-8	Pacific Pension Institute (PPI) Winter Roundtable Napa, CA
26-27	National Association of Corporate Directors (NACD) Master Class – Technology & Innovation Oversight Washington, D.C.
12-14	AHIP (America’s Health Insurance Plans) Medicare, Medicaid, Duals and Commercial Markets Forum Baltimore, MD
18-21	2024 Infrastructure Investor Global Summit Berlin, Germany
21	NASP (National Association of Securities Professionals) 14 <sup>th</sup> Annual Day of Education in Private Equity for Trustees and Staff Marina del Rey, CA
21-22	PREA (Pension Real Estate Association) Spring Conference Nashville, TN
27-29	CALAPRS (California Association of Public Retirement Systems) Advanced Principles of Pension Governance for Trustees at UCLA Los Angeles, CA
<b>April, 2024</b>	
4-5	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Rancho Mirage, CA
15-19	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania


Date	Conference
<b>May, 2024</b>	
3	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual
6-7	IFEBP (International Foundation of Employment Benefit Plans) Washington Legislative Update Washington D.C.
7-10	SACRS Spring Conference Santa Barbara, CA
18-19	NCPERS (National Conference on Public Employee Retirement Systems) Trustee Educational Seminar (TEDS) Seattle, WA
18-19	NCPERS (National Conference on Public Employee Retirement Systems) Accredited Fiduciary (NAF) Program Seattle, WA
19-22	NCPERS (National Conference on Public Employee Retirement Systems) Annual Conference & Exhibition (ACE) Seattle, WA
29-30	thINc360 – The Healthcare Innovation Congress (formerly World Healthcare Congress) Washington D.C.
<b>June, 2024</b>	
10-12	National Association of Securities Professionals (NASP) Annual Financial Services Conference Atlanta, GA
11-13	AHIP (America’s Health Insurance Plans) 2024 Las Vegas, NV
17-19	NCPERS (National Conference on Public Employee Retirement Systems) Chief Officers Summit Nashville, TN
21	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Northern California - TBD
24-26	SuperReturn Emerging Markets Event/Private Equity Conference Amsterdam, Netherlands
<b>July, 2024</b>	
10-12	Pacific Pension Institute (PPI) Summer Roundtable Amsterdam, Netherlands


Date	Conference
<b>July, 2024</b>	
15-17	ICGN 2024 Annual Conference London, England
<b>August, 2024</b>	
18-20	NCPERS (National Conference on Public Employee Retirement Systems) Public Pension Funding Forum Boston, MA
26-29	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Governance for Trustees Location TBD
<b>September, 2024</b>	
9-11	Council of Institutional Investors (CII) Fall Conference Brooklyn, NY
24-26	NCPERS (National Conference on Public Employee Retirement Systems) Public Pension HR Summit Denver, CO
<b>October, 2024</b>	
6-9	National Association of Corporate Directors (NACD) Directors Summit 2024 Gaylord National Harbor, Washington D.C.
11	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Northern California - TBD
14-18	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania
23-25	PPI Asia Pacific Roundtable Hong Kong
23-25	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Washington D.C.
23-25	Pacific Pension Institute (PPI) Asia Pacific Roundtable Hong Kong
26-27	NCPERS (National Conference on Public Employee Retirement Systems) Program for Advanced Trustee Studies (PATS) Palm Springs, CA
26-27	NCPERS (National Conference on Public Employee Retirement Systems) Accredited Fiduciary (NAF) Program Palm Springs, CA

Date	Conference
<b>October, 2024</b>	
27-30	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference Palm Springs, CA
<b>November, 2024</b>	
10-13	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference San Diego, CA
12-14	Institutional Limited Partners Association (ILPA) General Partner Summit New York, NY
12-15	SACRS Fall Conference Monterey, CA
<b>December, 2024</b>	
6	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual

February 6, 2024

TO: Trustees – Board of Investments

FROM: Jonathan Grabel   
Chief Investment Officer

Jude Pérez   
Deputy Chief Investment Officer

FOR: February 14, 2024 Board of Investments Meeting

**SUBJECT: Strategic Asset Allocation Capital Markets Expectations**

### **RECOMMENDATION**

Approve Meketa Investment Group's proposed 10-year capital market expectations for use in determining LACERA's policy portfolio in the upcoming Strategic Asset Allocation Studies ("SAA") for the Total Fund ("Fund") and the OPEB Master Trust ("OPEB").

### **BACKGROUND**

One of the Board of Investments ("BOI") core responsibilities is setting LACERA's Strategic Asset Allocation ("SAA"). The SAA is the key driver of long-term risk and return for the Fund, and therefore, is the method to meet LACERA's mission to produce, protect, and provide the promised benefits to our members. SAA studies are performed for the LACERA Pension Plan and OPEB.

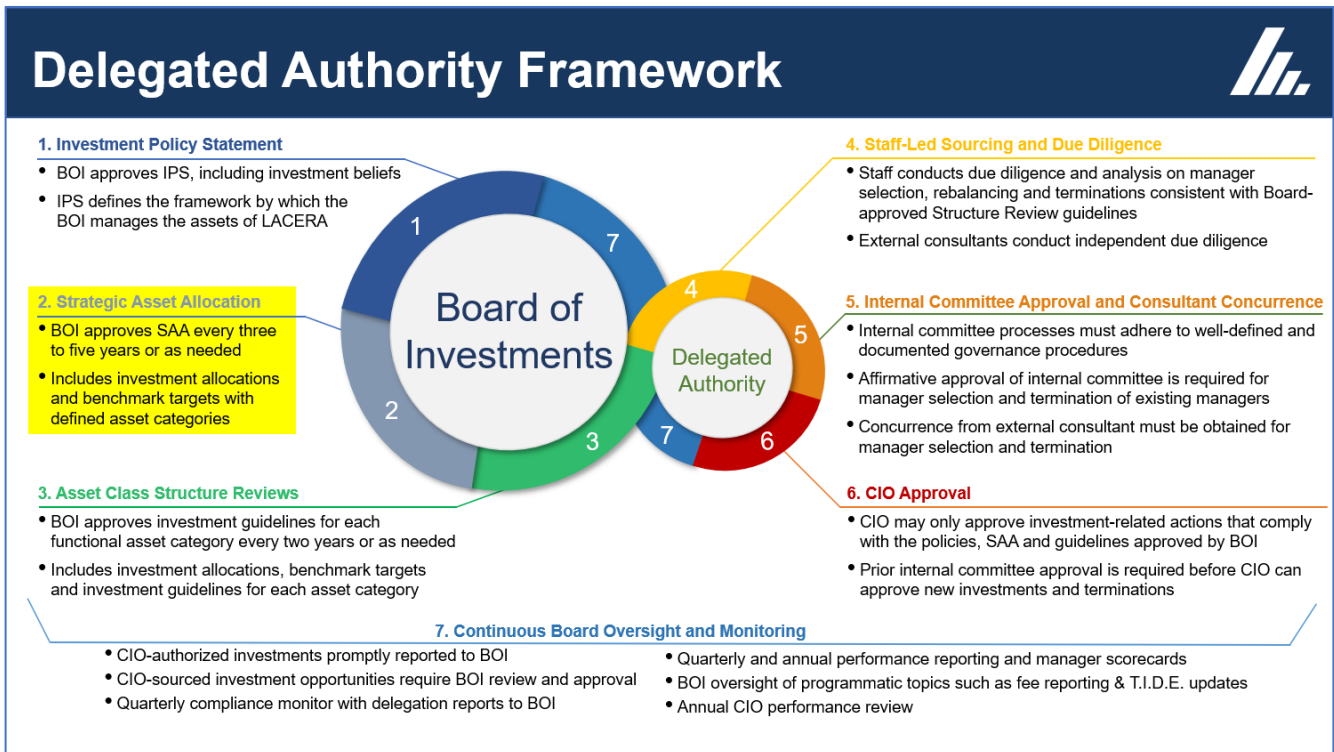
Furthermore, LACERA's Investment Beliefs state that long-term SAA will be the primary determinant of risk/return and further expresses five key tenants of the SAA:

- 1. It is important that LACERA be forward-looking, as its investment horizon spans decades, if not indefinitely into the future;**
- 2. Strategic asset allocation has a greater effect on return variability than asset class investment structure or manager selection;**
- 3. Strategic asset allocation is a critical source of investment diversification to optimize growth and mitigate risk across the total Fund;**
- 4. Strategic asset allocation must carefully consider plan liabilities, actuarial assumptions, and capital market assumptions; and**
- 5. Rebalancing the portfolio is a key aspect of prudent long-term strategic asset allocation policy.**

Per the Investment Policy Statement, comprehensive asset allocation studies are conducted every three to five years, or at the request of the BOI. The objective of the SAA study is to evaluate the structure of the Total Fund and the OPEB and to determine the optimal asset allocations that optimize the risk and return quotients consistent with LACERA’s investment goals and reflect the long-term perspective of the current capital markets.

Over the past few months, Meketa and LACERA's investment team have conducted educational sessions covering key aspects of the SAA study. These sessions included discussions on return expectations, analysis of capital market expectations, evaluation of various asset classes and benchmarks, considerations of climate impact, and the exploration of a risk budgeting framework for the Fund. The purpose of these sessions was to equip the BOI with comprehensive knowledge and insights, laying the groundwork for well-informed recommendations that will be integral to the SAA study.

Collaboratively working with Meketa and asset category consultants, we are advancing the SAA to thoughtfully consider and suggest alternatives to our current policy asset allocation. This step is in direct alignment with LACERA's investment objectives against the backdrop of current market conditions. As a crucial element within the Delegated Authority Framework shown below, and at the second stage of our governance process, this work is setting the stage for a comprehensive SAA recommendation to be presented to the BOI in the upcoming months.





## COMMENTS

A key component in the Strategic Asset Allocation study is defining the capital market expectations (“CMEs”), pivotal for the asset allocation model. Updating the CMEs is a dual-purpose effort: it not only syncs LACERA's investment approach with the current market landscape but also enriches the analysis of the risk-return interplay among various asset groups.

Meketa has formulated a suite of CMEs, proposed for the BOI's application in the SAA analysis, covering projections for returns, risks, and inter-asset correlations over the 10-year and 20-year periods. These were calibrated against data from an independent actuarial firm<sup>1</sup> and leading investment advisory entities, with LACERA finding them in line with cross-industry benchmarks.

Consequently, the LACERA Investment Office recommends the BOI's integration of Meketa's 10-year CMEs to frame LACERA's SAA policy. The 20-year CMEs will serve to validate the institution's long-term return projections. These details are encapsulated in Meketa's February 14, 2024, presentation, "Strategic Asset Allocation Overview and 2024 Capital Markets Expectations," on pages 34 to 39 (see **Attachment 1**).

Attachment

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<sup>1</sup> *Survey of Capital Market Assumptions 2023 Edition* by Horizon Actuarial Services, LLC. Research is based on the capital market assumptions from 42 investment advisors.

# Meketa Investment Group

2024

Strategic Asset Allocation  
Overview and 2024 Capital  
Markets Expectations

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  - a) Introduction
  - b) Our Process
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  - a) Our Track Record
  - b) Peer Comparison

## **Strategic Asset Allocation Overview**


## Introduction

- The Board of Investments (“The Board”) is responsible for establishing investment policy and determining the asset allocation for the Pension Fund.
- LACERA’s Investment Beliefs state that “Long-term strategic asset allocation will be the primary determinant of LACERA’s risk/return outcomes.”
- The primary objective of the strategic asset allocation is to ensure that LACERA’s assets are invested in a manner that is aligned with LACERA’s mission to produce, protect and provide the promised benefits.
- The selection of an asset allocation is equal parts art and science and there is no “one right” strategic asset allocation.
- LACERA has historically utilized a mosaic approach which incorporates multiple tools and types of analysis to select a strategic asset allocation.
- The objective of this section of the presentation is to highlight the multiple aspects of the Strategic Asset Allocation Review and the analysis which will be utilized (CMEs, functional framework and potential changes to any of the categories, liability analysis, liquidity analysis, climate) for the purpose of setting the stage for a more detailed discussion around asset allocation in the upcoming months.


### Key Risks to the Pension Plan?

**01**  **Investments**


- Long-term asset appreciation in value
- Asset return volatility

**04**  **Workforce**


- Constant or growing headcount
- Level of hours worked or wages earned

**02**  **Inflation**


- Depreciating value of the assets
- Strength of the participant benefits

**05**  **Cash Inflow**

- Volatility of contribution requirements
- Employer ability to make contributions

**03**  **Liquidity**

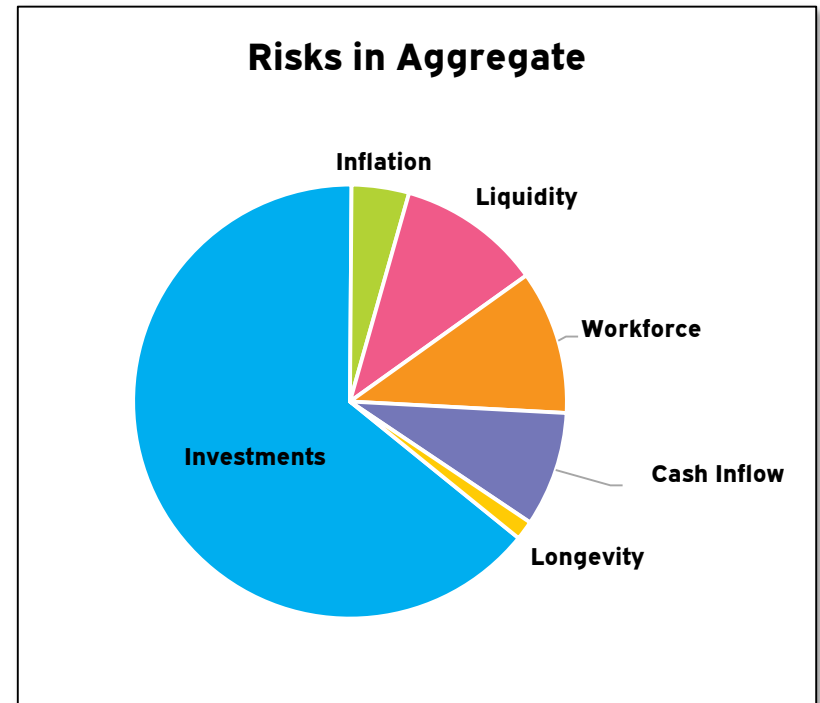
- Ability of assets to pay benefit payments
- Maintain investment policy targets

**06**  **Longevity**

- Participants receiving benefits beyond expectations

### Summary of the Key Risks

1. **Investments:** Asset return volatility is the biggest risk to the Plan.
2. **Liquidity:** While liquidity doesn't present immediate risks, certain liquidity metrics should be tracked ongoing in a risk report.
3. **Workforce:** The Plan experienced a recent decline in active headcount which puts more onus on the County to increase contributions.
4. **Cash Inflow:** The County has historically contributed the amounts determined by the actuary and will need to continue to budget for increased future expectations.



Recognizing and analyzing these risks is essential in the Strategic Asset Allocation process and in ensuring that LACERA is able to fulfill its mission to produce, protect and provide the promised benefits.

### Functional Framework

- Historically, Pension Funds have used a traditional asset-class based approach to categorizing the asset allocation.
- For example, domestic equity, international equity, emerging equity, etc.
- The traditional approach is non-descriptive: Only answers the question, “what are we invested in?”
- Ignores the question of “why are we invested in these strategies?”
- With the traditional approach, strategies in different asset classes may provide similar exposures, potentially leading to inefficient implementation, a misunderstanding of risk, and reducing the Fund’s overall diversification.
- A “Functional Asset Allocation” framework organizes investment strategies by the role they serve in the portfolio.
- The underlying investment strategies remain the same, but the lens through which the Board views the asset allocation changes.
- During the prior SAA Review, LACERA adopted a functional framework with the following categories:
  - Growth
  - Credit
  - Real Assets and Inflation Hedges
  - Risk Reduction and Mitigation
  - Overlays and Hedges

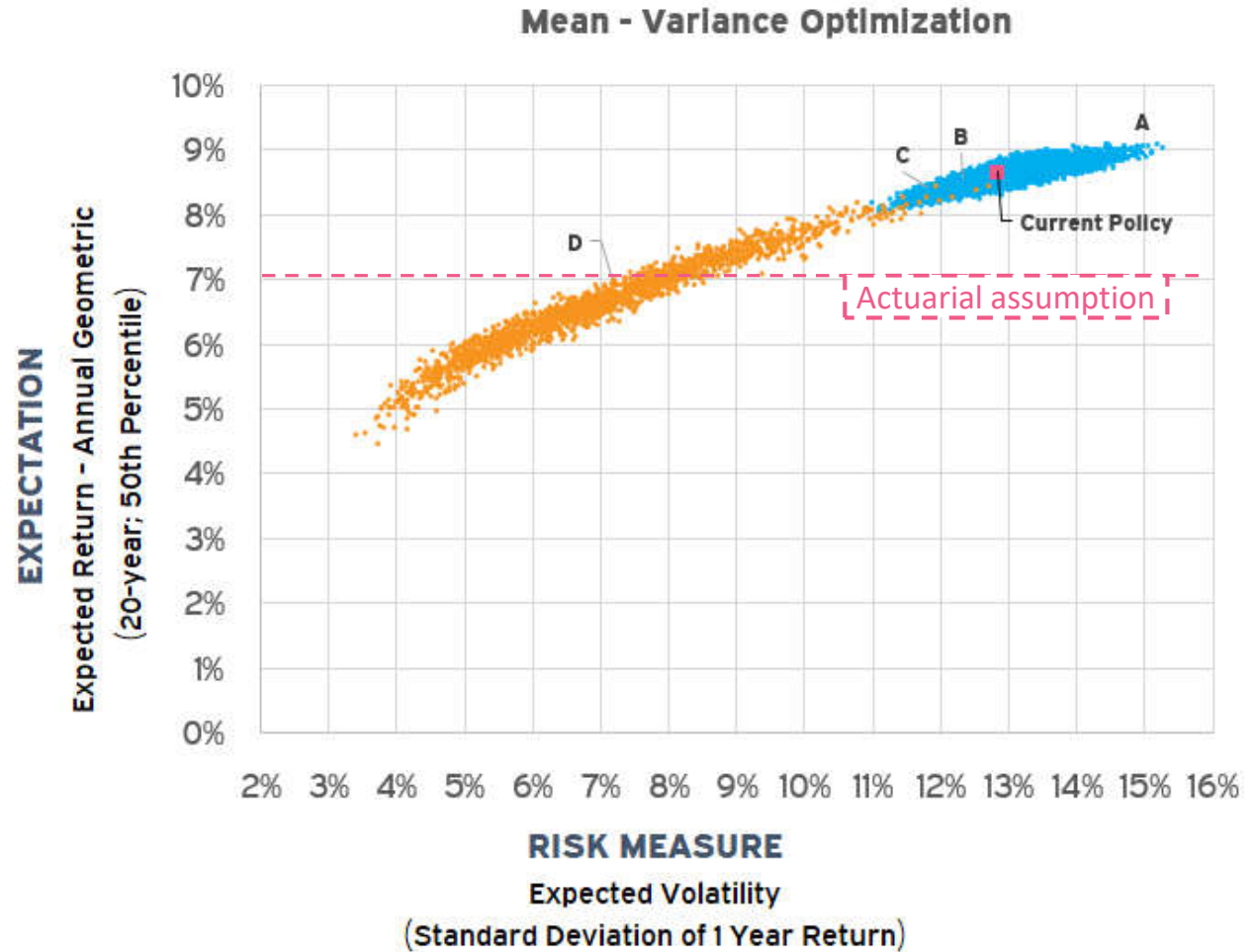


### Types of Analysis Addressed

- Modern Portfolio Theory (“MPT”) based optimization and analytics
  - Relies on a series of assumptions underlying Modern Portfolio Theory
  - Includes worst case return expectations and Value at Risk (“VaR”)
- Risk budgeting
  - Attributes overall portfolio risks to specific asset classes
  - Highlights the source and scale of portfolio level risk
- ALM/Liability aware analysis
  - Incorporates modelling of the liability and additional objective-based optimization (funded status etc.)
- Scenario analysis
  - Stress tests policy portfolios using actual historical examples
  - Stress tests policy portfolios under specific hypothetical scenarios
- Climate aware analysis
  - Meketa worked with LACERA staff during the prior SAA on developing and incorporating a set of climate scenarios and this SAA will expand upon that work by also evaluating third-party scenarios
- Liquidity analysis
  - Stress tests liquidity of portfolio using historical data

### Multi-Dimensional MVO Analysis – Illustrative Portfolios

- While expected return is not an asset/liability risk measure, it's important to ensure the expected return exceeds the current assumption (7.0%).
- Within the constraints, every asset allocation has an expected return greater than 8.0% (blue dots).
- Widening the constraints creates portfolios closer to the 7.0% return levels (orange dots).
- Portfolios right around Sample D have allocations to fixed income of 45%+



## MVO Analysis – Illustrative Portfolios

Scenario	Current Policy (%)	Sample A (%)	Sample B (%)	Sample C (%)	Sample D (%)
<b>Worst Case Returns <sup>1</sup></b>					
OneYear (annualized)	-17.9	-20.2	-16.7	-16.0	-9.8
ThreeYears (annualized)	-7.8	-9.2	-7.0	-6.6	-3.1
FiveYears (annualized)	-4.5	-5.5	-3.9	-3.5	-0.9
TenYears (annualized)	-1.0	-1.7	-0.5	-0.3	1.3
TwentyYears (annualized)	1.5	1.2	1.9	2.0	2.9
<b>Probability of Experiencing Negative Returns</b>					
OneYear	25.8	27.1	24.6	24.1	18.0
ThreeYears	13.0	14.6	11.7	11.2	5.6
FiveYears	7.3	8.7	6.2	5.8	2.0
TenYears	2.0	2.7	1.5	1.3	0.2
TwentyYears	0.2	0.3	0.1	0.1	0.0
<b>Probability of Achieving at least a 7% Return</b>					
OneYear	52.9	53.8	53.1	52.9	49.8
ThreeYears	55.1	56.5	55.3	55.0	49.6
FiveYears	56.5	58.4	56.9	56.4	49.5
TenYears	59.2	61.8	59.7	59.0	49.3
TwentyYears	62.9	66.4	63.5	62.6	49.0

<sup>1</sup> Calculated with a 99% confidence level and based upon Meketa Investment Group's Annual Capital Markets Expectations. cVaR represents the average loss past the 99th percentile.

### Next Steps

- Following this presentation, the BOI will be asked to approve Capital Market Expectations for use in the Strategic Asset Allocation Review.



# Capital Markets Expectations

## Introduction

### Executive Summary

- We update our capital markets expectations each year in January.
  - Changes are driven by many factors, including interest rates, credit spreads, cap rates, and equity prices.
- 2023 was a volatile year for most investors, but ultimately most asset classes experienced positive returns, including double-digit gains for many risky assets.
- With the notable exception of China's markets, global bond and equity markets rallied at the end of the year, posting strong gains as inflation pressures eased and central banks appeared to be turning away from tightening policies.
  - Despite short-term interest rates climbing, the yield on most Treasury bonds finished the year near where they started it.
  - Credit spreads tightened, especially for lower quality credit such as high yield. The result is lower expected returns for many credit-oriented assets.
  - Most equity markets rallied in 2023, generally at a much faster pace than the gain in earnings. Hence many equity markets were trading at higher valuations at year-end, thus reducing their forward-looking returns.
- Our 10-year CMEs continue to be lower than our 20-year CMEs for the vast majority of asset classes, partly due to a higher assumed "risk-free" rate in the future.
- The net result is a meaningful decrease in return assumptions for most assets over the 10-year horizon, with much more mixed and modest changes at the 20-year horizon.
- This objective of this section of the presentation is for the Board to review and approve Meketa's Capital Market Expectations for use in the Strategic Asset Allocation Review.

## Our Process



### Setting Capital Market Expectations

- Capital markets expectations (CMEs) are the inputs needed to determine the long-term risk and returns expectations for a portfolio.
  - They serve as the starting point for determining asset allocation.
- Consultants (including Meketa) generally set them once a year.
  - Our results are published in January and based on data as of December 31 for public markets and September 30 for private markets.
  - Changes are driven by many factors, including interest rates, credit spreads, cap rates, and equity prices.
- Setting CMEs involves crafting long-term forecasts for:
  - Returns
  - Standard Deviation
  - Correlations (i.e., covariance)
- Our process relies on both quantitative and qualitative methodologies.

## Building 10-year Forecasts

→ Our first step is to develop 10-year forecasts based on fundamental models.

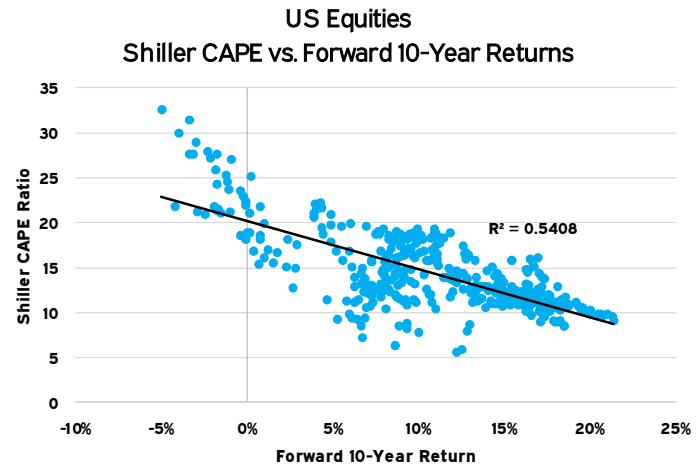
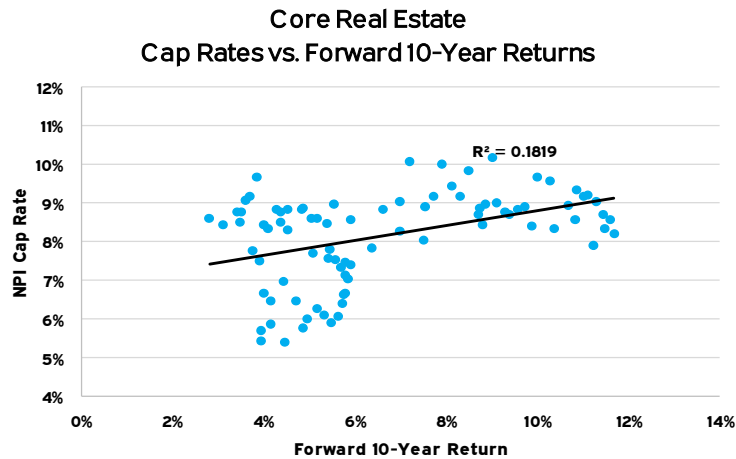
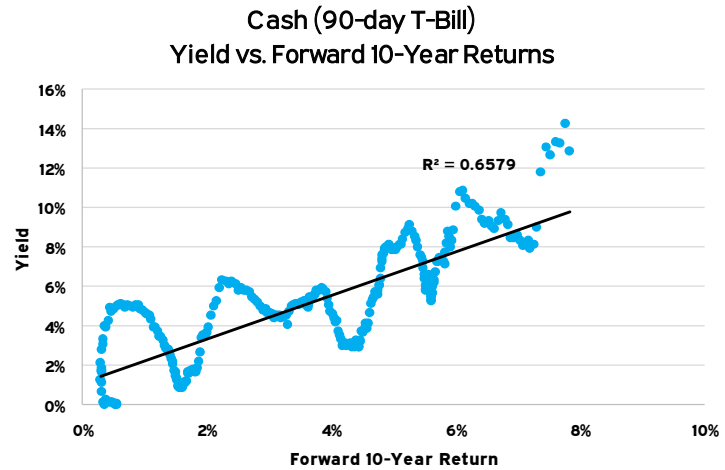
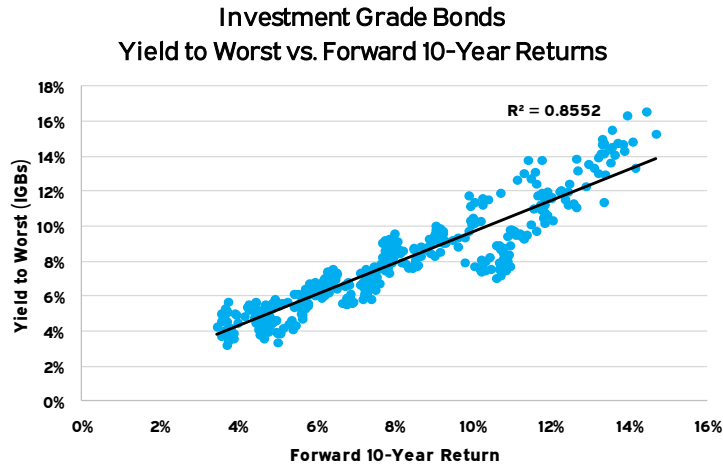
- Each model is based on the most important factors that drive returns for that asset class:

Asset Class Category	Major Factors
Equities	Dividend Yield, GDP Growth, Valuation
Bonds	Yield to Worst, Default Rate, Recovery Rate
Commodities	Collateral Yield, Roll Yield, Inflation
Infrastructure	Public IS Valuation, Income, Growth, Leverage
Natural Resources	Price per Acre, Income, Public Market Valuation
Real Estate	Cap Rate, Yield, Growth, Leverage
Private Equity	EBITDA Multiple, Leverage, Public VC Valuation
Hedge Funds and Other	Leverage, Alternative Betas

→ The common components are income, growth, and valuation.

- Leverage and currency impact are also key factors for many strategies.

## Some factors are naturally more predictive than others



Sources: Bloomberg, FRED, NCREIF, S&P, Robert Shiller (Yale University), and Meketa Investment Group. As of December 31, 2019.

### 10-year Model Example: Bonds

→ The short version for investment grade bond models is:

$$E(R) = \text{Current YTW (yield to worst)}$$

→ Our models assume that there is a reversion to the mean for spreads (though not yields).

→ For TIPS, we add the real yield of the TIPS index to the breakeven inflation rate.

→ As with equities, we make currency adjustments when necessary for foreign bonds.

→ For bonds with credit risk, Meketa Investment Group estimates default rates and loss rates in order to project an expected return:

$$E(R) = \text{YTW} - (\text{Annual Default Rate} \times \text{Loss Rate})$$

### 10-year Model Example: Equities

→ We use a fundamental model for equities that combines income and capital appreciation.

$$E(R) = \text{Dividend Yield} + \text{Expected Earnings Growth} + \text{Multiple Effect} + \text{Currency Effect}$$

→ Meketa evaluates historical data to develop expectations for dividend yield, earnings growth, the multiple effect, and currency effect.

- Earnings growth is a function of real GDP growth, inflation, and exposure to foreign revenue sources.
- We assume that long-term earnings growth is linked to economic growth.
- However, many factors can cause differences between economic growth and EPS growth.

→ Our models assume that there is a reversion toward mean pricing over this time frame.

## The Other Inputs: Standard Deviation and Correlation

→ Standard deviation:

- We review the trailing twenty-year standard deviation, as well as skewness.
- Historical standard deviation serves as the base for our assumptions.
- If there is a negative skew, we increased the volatility assumption based on the size of the historical skewness.

Asset Class	Historical Standard Deviation (%)	Skewness	Assumption <sup>1</sup> (%)
Bank Loans	6.5	-2.9	10.0
FI / L-S Credit	5.8	-2.7	9.0

- We also adjust for private market asset classes with “smoothed” return streams.

→ Correlation:

- We use trailing twenty-year correlations as our guide.
- Again, we make adjustments for “smoothed” return streams.

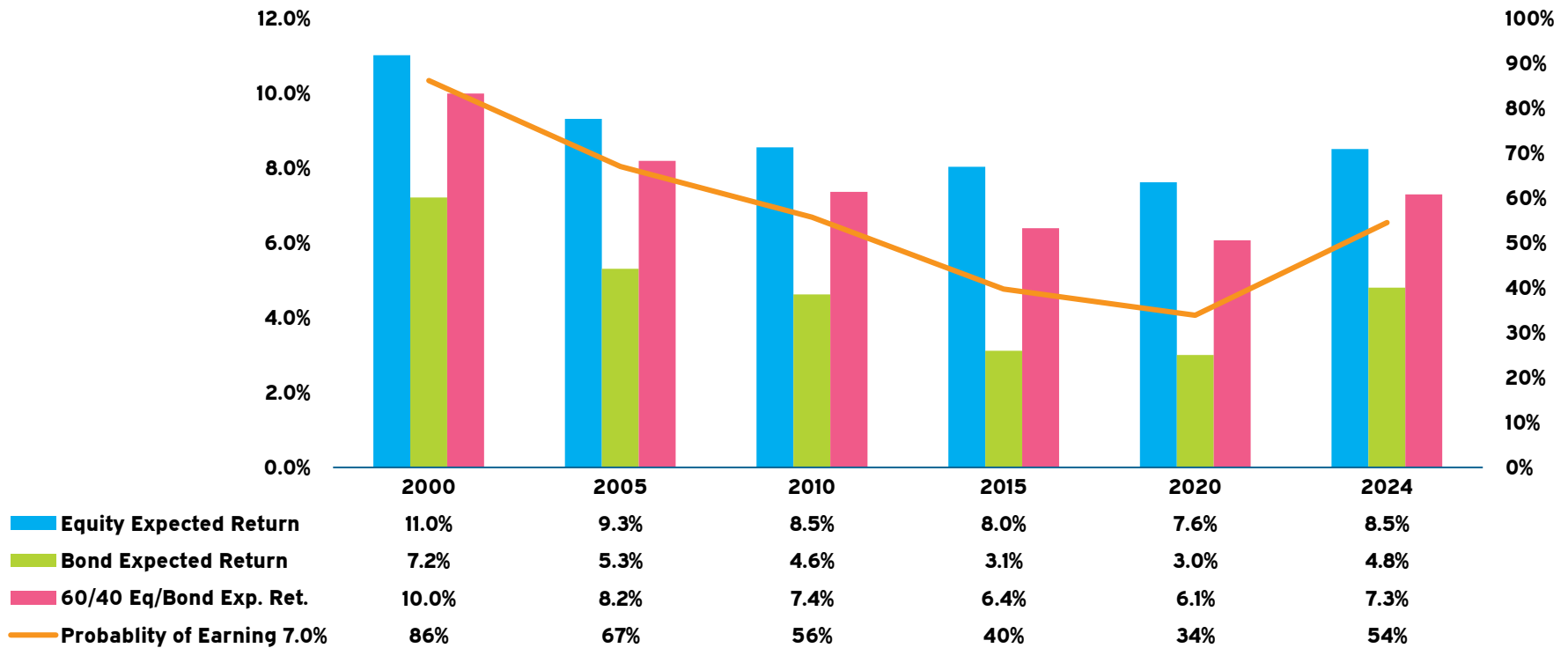
→ Most of our adjustments are conservative in nature (i.e., they increase the standard deviation and correlation).

<sup>1</sup> Note that we round our standard deviation assumptions to whole numbers.

## Market Overview

### Secular Decline in Returns: An Inflection Point?

#### Secular Decline in Returns

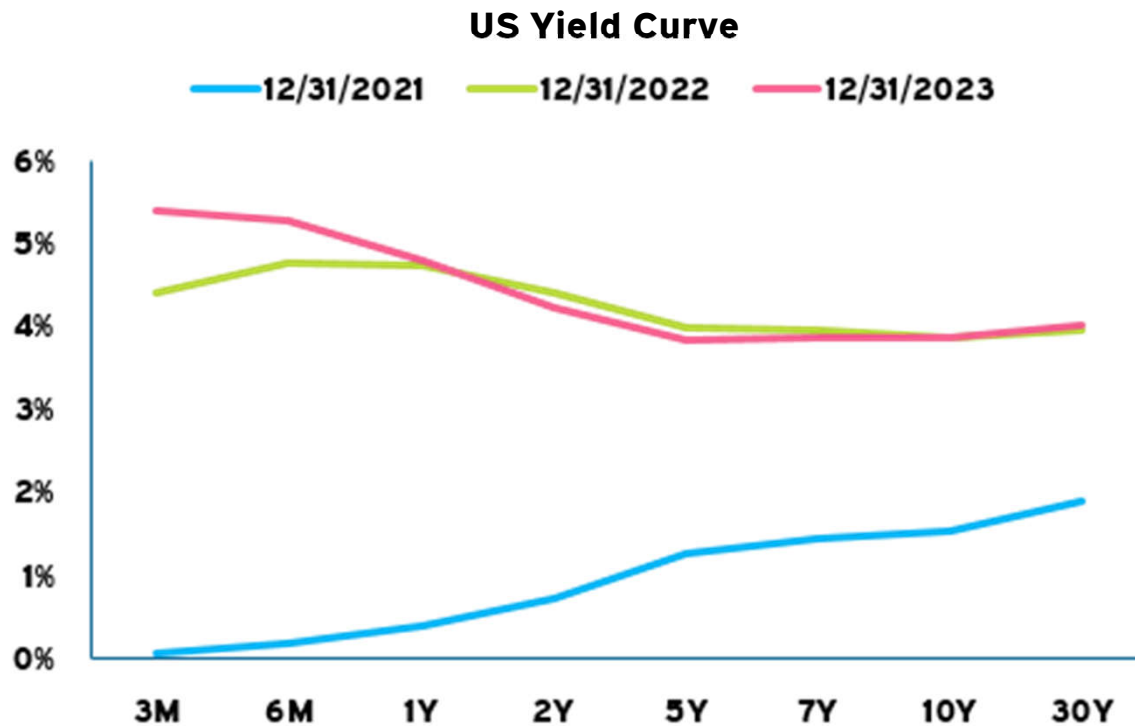


Source: Bloomberg. Data is as of December 31, 2023.



### Rising Interest Rates

- Except for the short end of the curve, the US Treasury yield curve was little changed in 2023 from where it began the year.
- The market expects the Federal Reserve to reverse course and start lowering short-term rates in 2024, believing that the actions taken thus far to fight inflation have been sufficient.



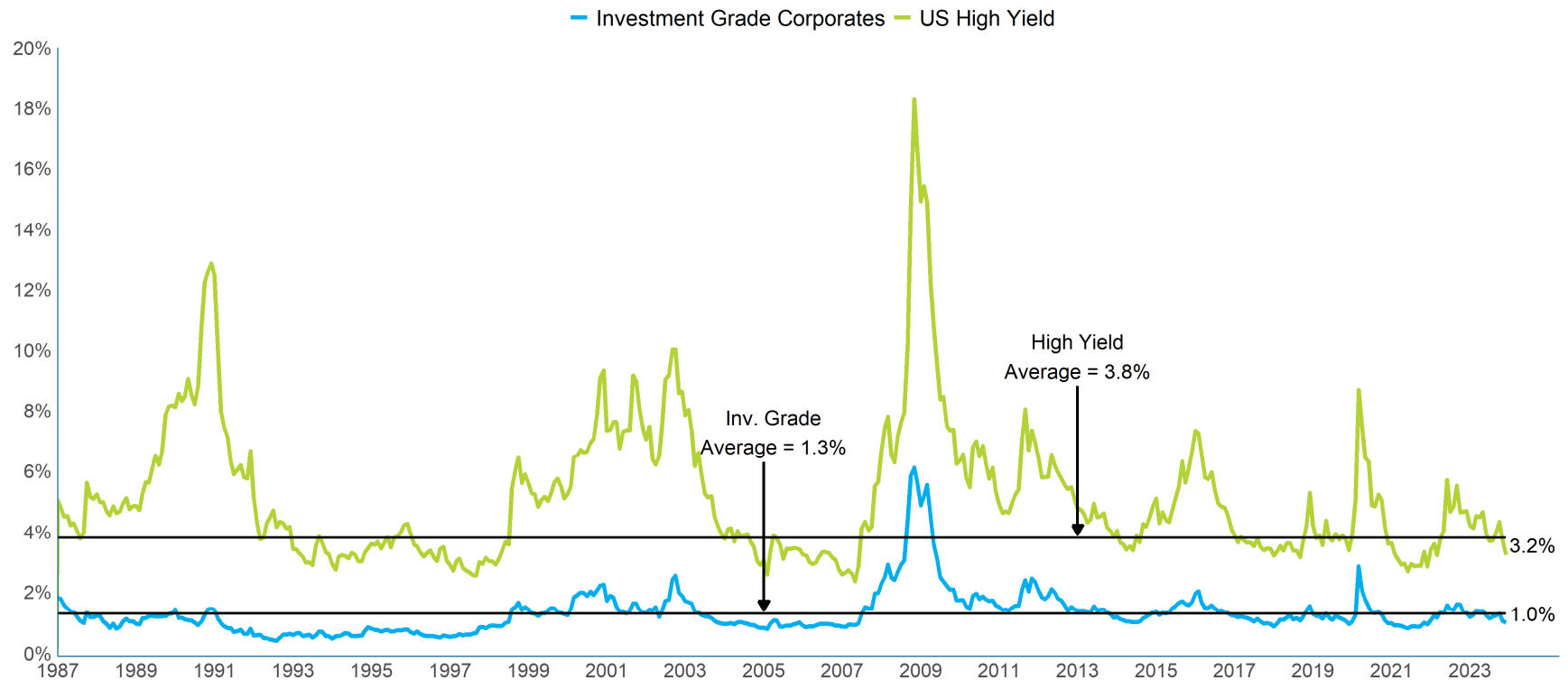
Source: Bloomberg. Data is as of December 31, 2023.

### Narrower Credit Spreads

→ Credit spreads tightened slightly in 2023, though they remain close to their long-term averages.

- Lower quality credit spreads experienced a more substantial tightening. The spread for high yield bonds declined from 469 bp to 323 bp.

### US Investment Grade and High Yield Credit Spreads



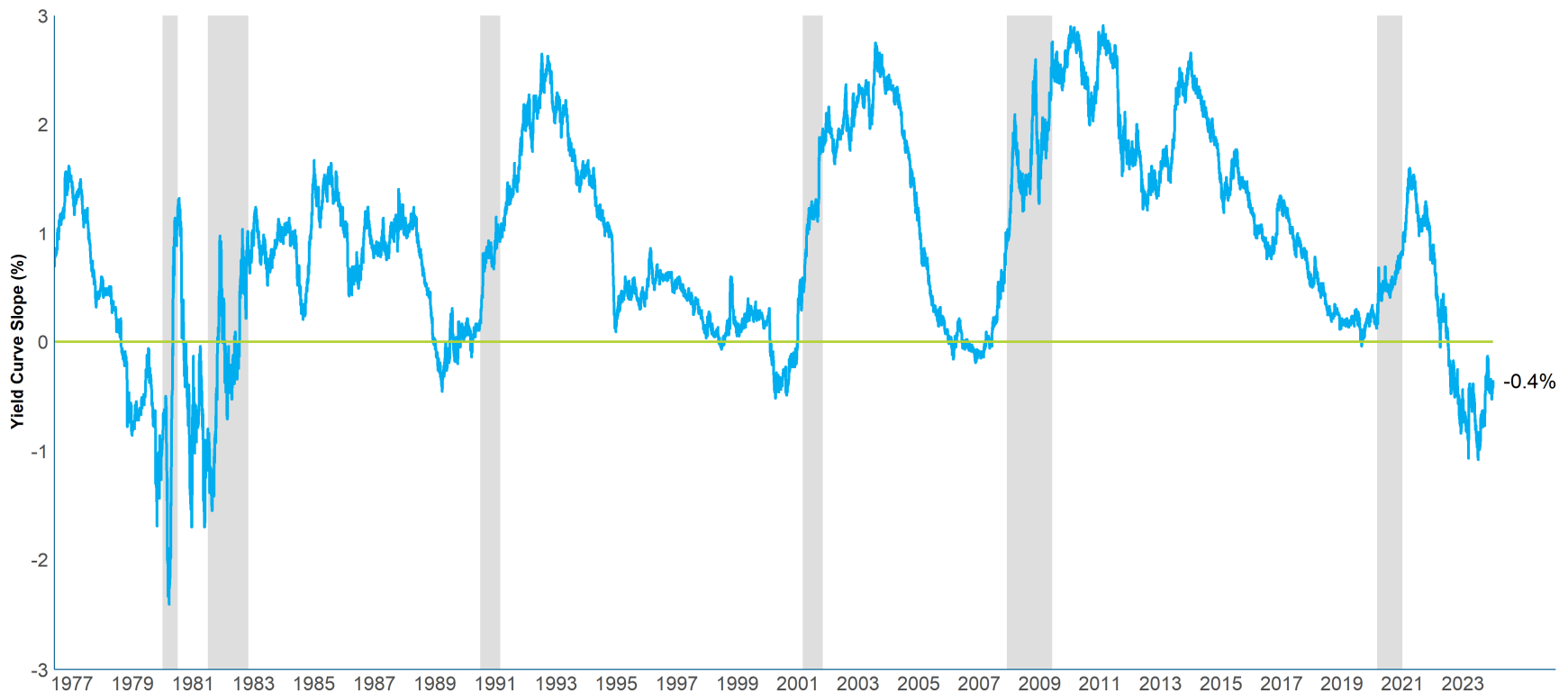
Source: Bloomberg. High Yield is proxied by the Bloomberg High Yield Index and Investment Grade Corporates are proxied by the Bloomberg US Corporate Investment Grade Index. Spread is calculated as the difference between the Yield to Worst of the respective index and the 10-Year US Treasury yield. Data is as of December 31, 2023.

### Inverted Yield Curve

→ The yield curve began the year in inverted territory, and it remained there throughout the year.

- The 2-10 spread has not been inverted for such an extended period in over forty years.

### Yield Curve Slope (Ten Minus Two)



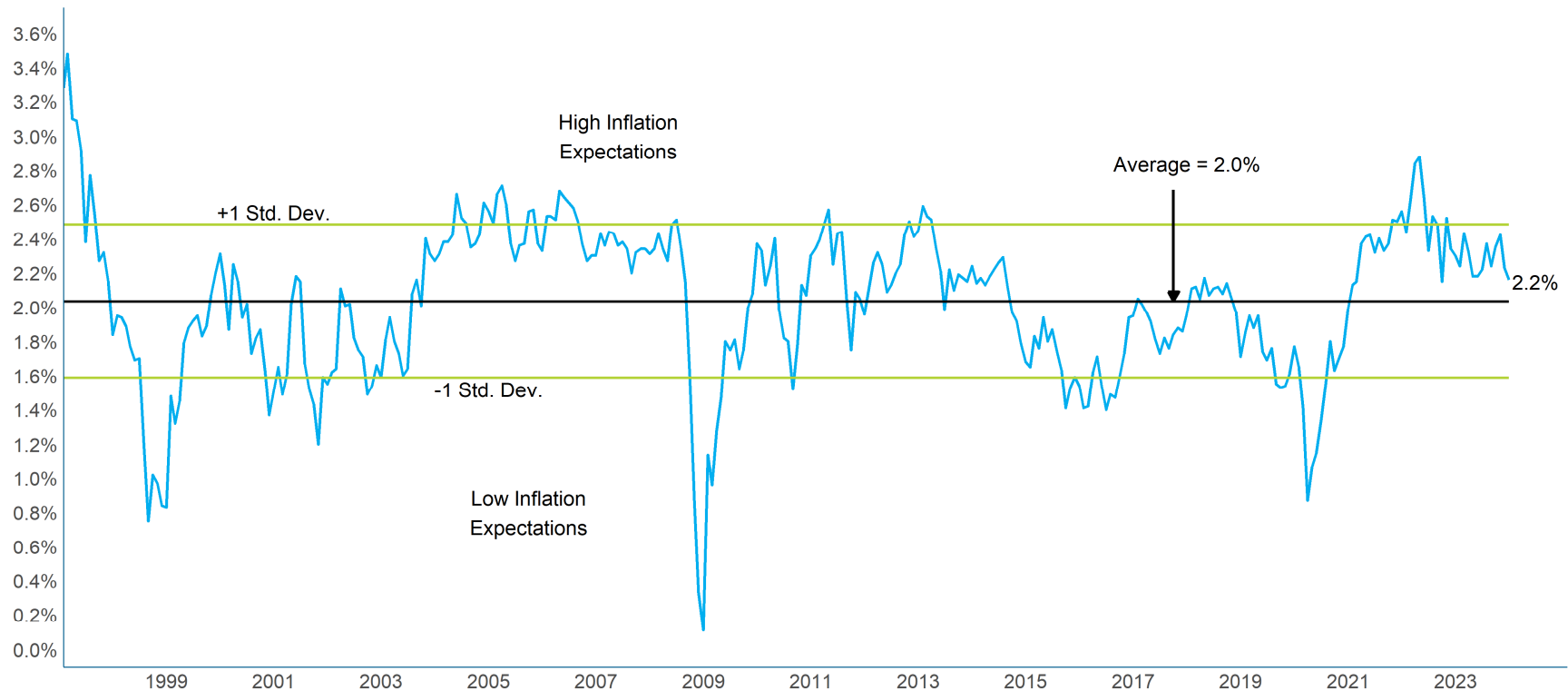
Source: FRED. Yield curve slope is calculated as the difference between the 10-Year US Treasury Yield and 2-Year US Treasury Yield. Data is as of December 31, 2023.

### Slightly Lower Inflation Expectations

→ After substantial changes in inflation expectations in recent years, the market's expectations for inflation were little changed at the end of 2023.

- The 10-year BEI rate dropped from 2.3% to 2.2%. The 5-year BEI was slightly lower, at 2.1%.

### Ten-Year Breakeven Inflation

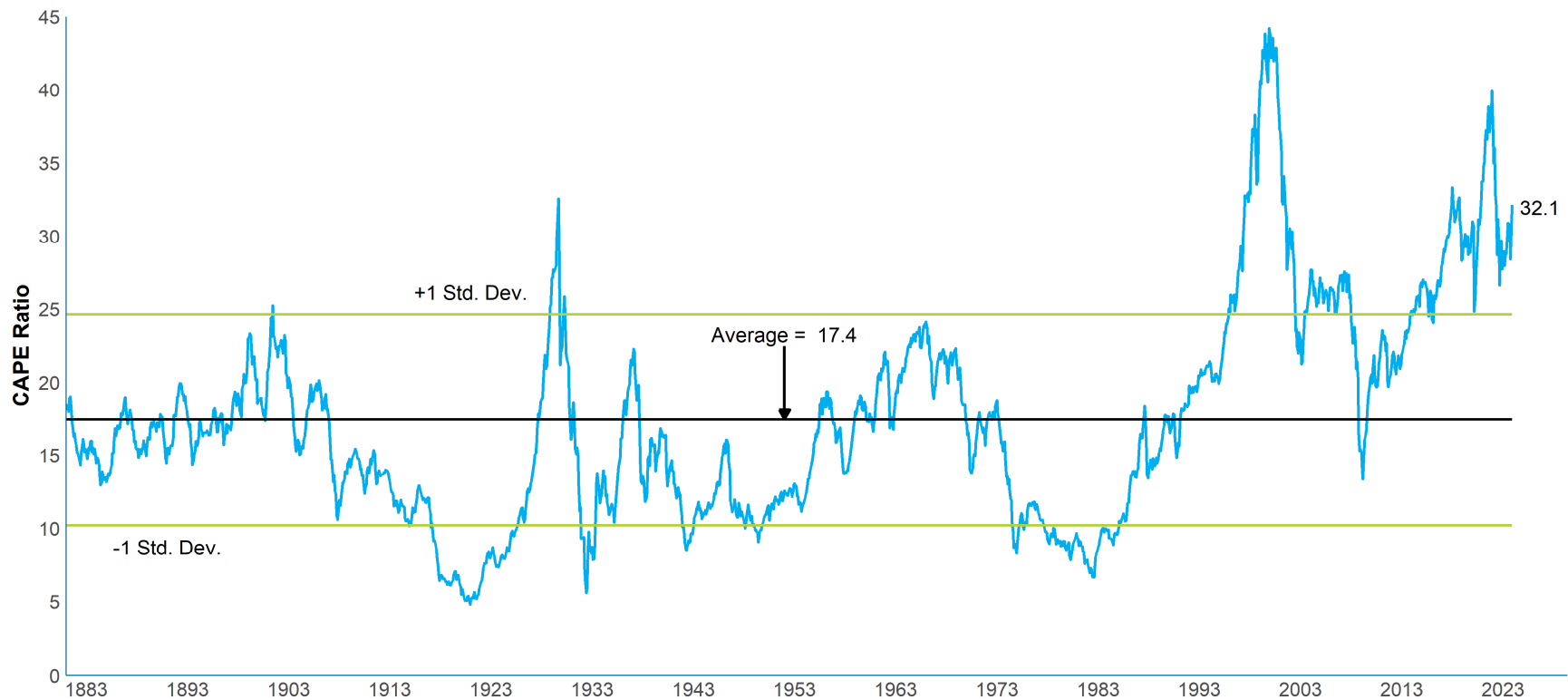


Source: US Treasury and Federal Reserve. Inflation is measured by the Consumer Price Index (CPI-U NSA). Data is as of December 31, 2023.

### Higher Prices for US Equities

- US stocks had a very good year, with the S&P 500 index gaining 26.3%.
- Valuations increased and remain elevated relative to their long-term history, though they are much nearer their average for the past 30 years.

### US Equity Cyclically Adjusted P/E

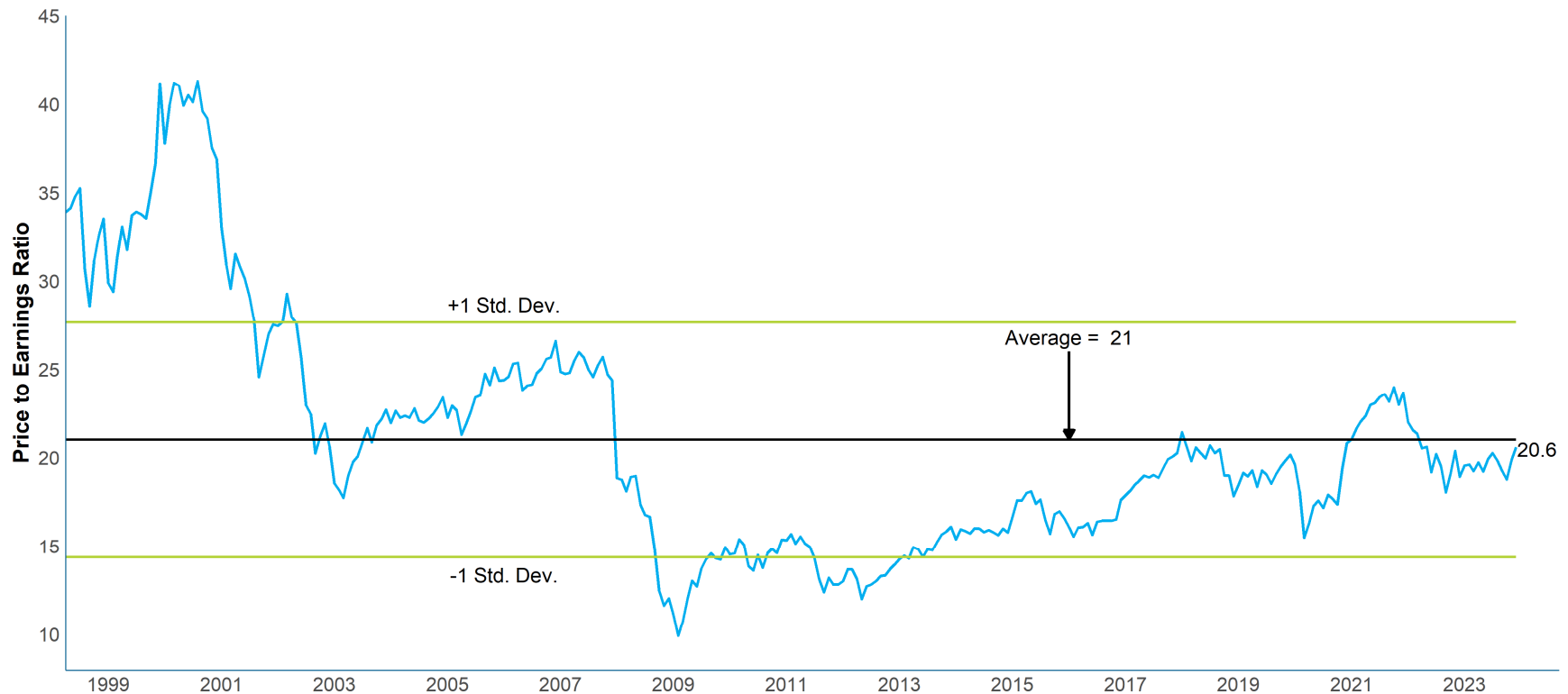


Source: Robert Shiller, Yale University, and Meketa Investment Group. Data is as of December 31, 2023 for the S&P 500 Index.

### Slightly Higher Prices in Non-US Equities, too

- EAFE equities gained 18.2% in USD terms in 2023, benefiting slightly from a currency tailwind.
- Despite increasing from one year ago, EAFE valuations remain close to their 25-year historical average.

### Developed International Equity Cyclically Adjusted P/E

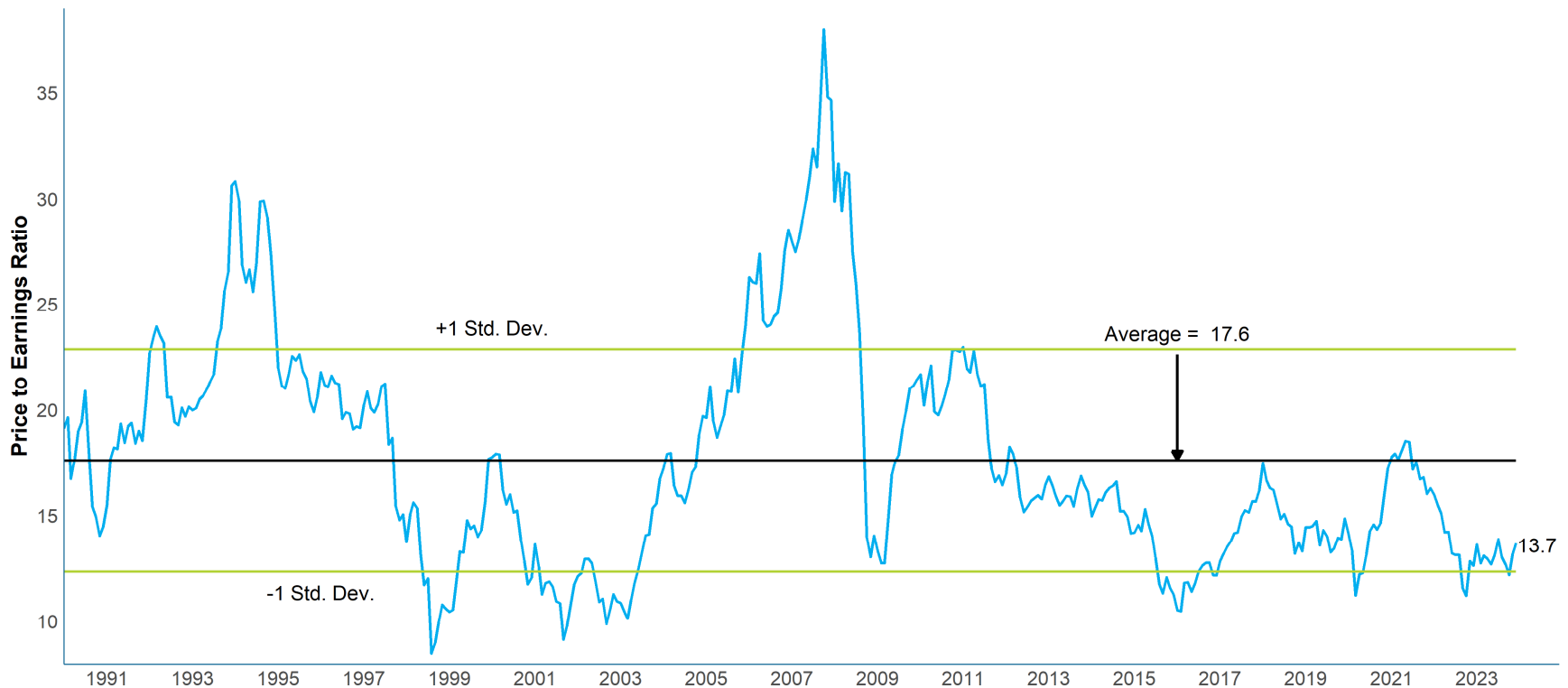


Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of December 31, 2023.

### And Slightly Higher Prices in Emerging Market Equities

- Emerging market equities gained 9.8% in 2023, despite Chinese equities declining 11.2%.
- EM equity valuations remain well below their long-term average, though there is a significant difference between EM ex-China and China valuations.

### Emerging Market Equity Cyclically Adjusted P/E

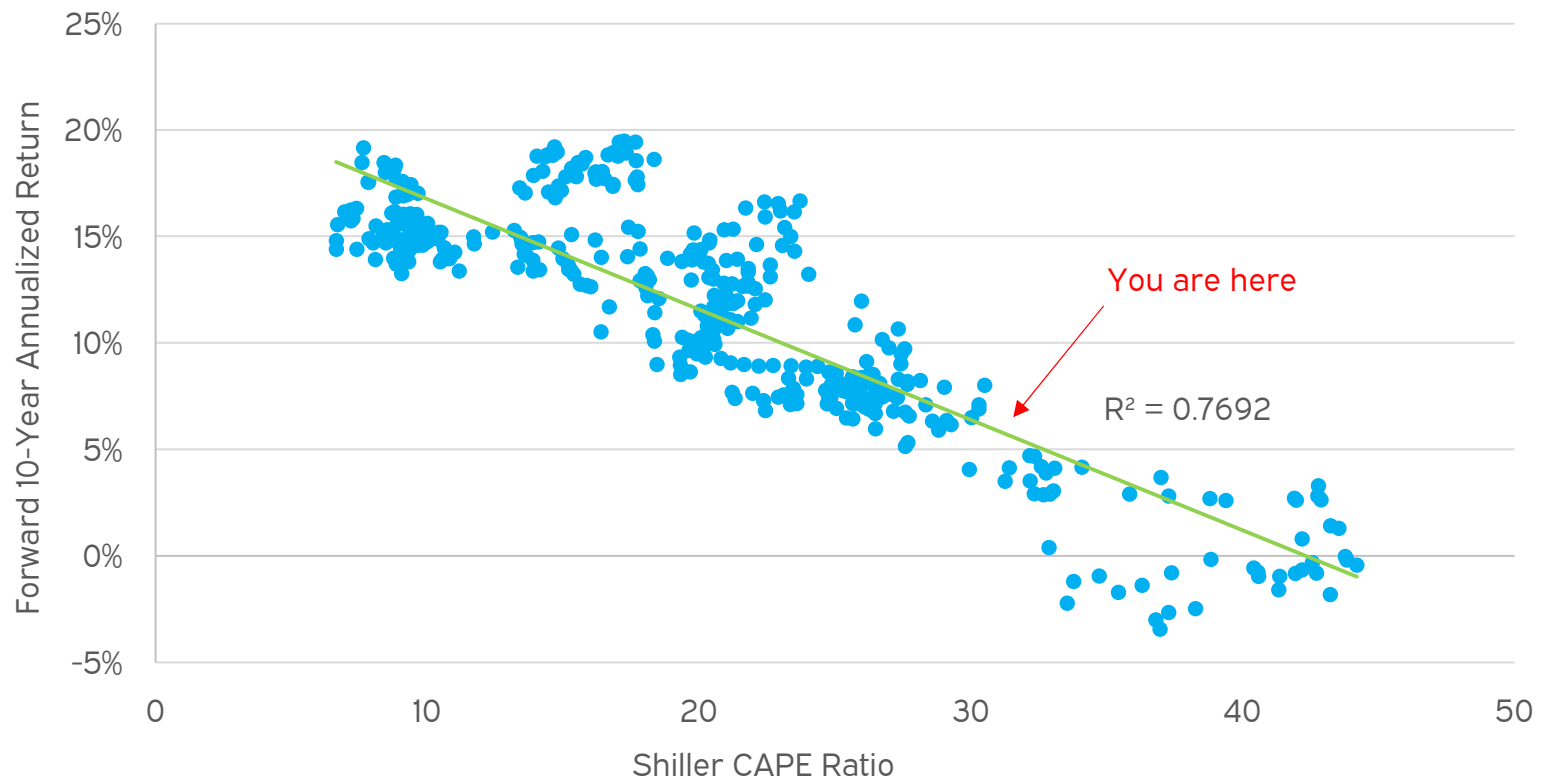


Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years.. Data is as of December 31, 2023.

### Impact of Equity Prices on Returns

- Relative prices have been indicative of future equity returns.
- Higher prices have led to lower future returns, and vice versa.

### US Equities: Shiller CAPE vs. Forward 10-Year Returns



Source: Robert Shiller, Yale University, and Meketa Investment Group. Data is based on monthly returns and Cyclically Adjusted P/E ratio on S&P 500 Index for the period from January 1980 through December 2023.

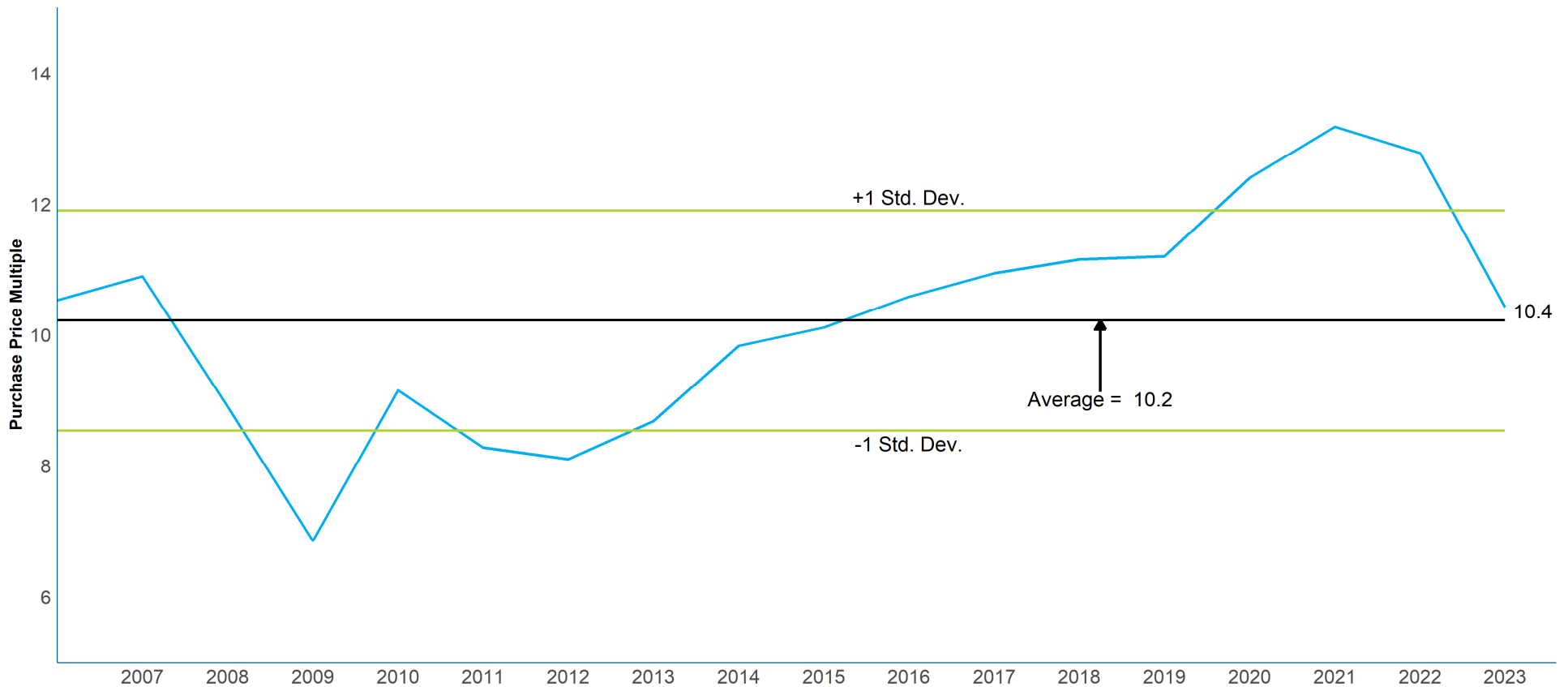


### Private Equity Prices Coming Back Down

→ EBITDA multiples fell in the first half of 2023 for buyouts.

- Valuations remained above their post-GFC average.

### Private Equity Multiples



Source: Preqin Median EBITDA Multiples Paid in All LBOs, as of June 30, 2023.

## 2024 Expected Returns and Changes from Prior Years

### 10-year Geometric Expected Returns Fixed Income

	2024 E(R) (%)	2021 E(R) (%)	Δ From 2021 (%)	Notes
Cash Equivalents	2.4	0.7	+1.7	Higher yields
Short-term Investment Grade Bonds	3.8	0.9	+2.9	Higher yields
Investment Grade (Core) Bonds	4.6	1.2	+3.4	Higher yields
Intermediate Government Bonds	4.0	1.1	+2.9	Higher yields
Long-term Government Bonds	4.3	1.6	+2.7	Higher yields
Mortgage-Backed Securities	4.7	1.2	+3.5	Higher yields
Investment Grade Corporate Bonds	5.2	1.6	+3.6	Higher yields
Short-term TIPS	3.8	1.0	+2.8	Higher yields
TIPS	4.3	1.2	+3.1	Higher yields
Foreign Bonds	3.1	1.6	+1.5	Higher yields
<i>US Inflation</i>	<i>2.4</i>	<i>2.3</i>	<i>+0.1</i>	<i>Slightly higher near-term economist and market projections</i>

### 10-year Geometric Expected Returns Credit

	2024 E(R) (%)	2021 E(R) (%)	Δ From 2021 (%)	Notes
High Yield Bonds	6.5	3.4	+3.1	Higher yields
Bank Loans	6.5	3.5	+3.0	Higher yields
Collateralized Loan Obligations(CLOs)	8.1	3.6	+4.5	Higher yields
Emerging Market Bonds (major)	7.0	3.6	+3.4	Higher yields
Emerging Market Bonds (local)	6.3	4.4	+1.9	Higher yields
Private Debt	9.2	6.8	+2.4	Higher yields

→ Private Debt is a composite consisting of Direct Lending, Asset Based Lending and Special Situations Lending.

### 10-year Geometric Expected Returns Equities

	2024 E(R) (%)	2021 E(R) (%)	Δ From 2021 (%)	Notes
US Equity	6.9	5.5	+1.4	Lower valuations
Developed Non-US (EAFE) Equity	7.7	7.0	+0.7	Lower valuations
Emerging Market Equity	7.6	8.1	-0.5	Slightly higher valuations
Emerging Market ex-China	7.8	NA	NA	
China Equity	7.1	NA	NA	
Global Equity	7.2	6.4	+0.8	Slightly lower valuations
Private Equity	9.9	8.9	+1.0	Mixed valuations and slightly lower borrowing costs

→ Private Equity is a composite consisting of Buyouts, Growth Equity and Venture.

### 10-year Geometric Expected Returns Real Estate & Infrastructure

	2024 E(R) (%)	2021 E(R) (%)	Δ From 2021 (%)	Notes
Real Estate	6.3	6.8	-0.5	
US REITs	5.6	7.7	-2.1	Lower yields, some price reversion expected
Core Private Real Estate	4.8	5.1	-0.3	
Value-Added Real Estate	7.3	7.9	-0.6	Higher borrowing costs
Opportunistic Real Estate	8.4	9.3	-0.9	Higher borrowing costs
Infrastructure	7.4	NA	NA	
Infrastructure (Public)	8.0	7.5	0.5	
Infrastructure (Core Private)	6.5	7.3	-0.8	Higher borrowing costs
Infrastructure (Non-Core Private)	8.0	9.0	-1.0	Higher borrowing costs

### 10-year Geometric Expected Returns Natural Resources & Commodities

	2024 E(R) (%)	2021 E(R) (%)	Δ From 2021 (%)	Notes
Natural Resources	7.8	8.3	-0.5	90% private, 10% public
Natural Resources (Public)	8.3	7.7	+0.6	Improved relative valuations
Natural Resources (Private)	7.7	8.4	-0.7	Higher valuations
Energy	9.1	9.3	-0.2	
Mining	8.6	9.4	-0.8	Higher valuations
Timberland	5.5	5.9	-0.4	Slightly higher valuations
Farmland	5.0	6.3	-1.3	Higher borrowing costs
Sustainability	8.4	NA	NA	
Commodities	4.9	3.6	+1.3	Higher cash yield

- Natural Resources (Private) is a composite consisting Energy, Mining, Timberland, Farmland and Sustainability.
- Sustainability contains energy transition opportunities, which are currently incorporated into LACERA's Infrastructure and Energy exposures.

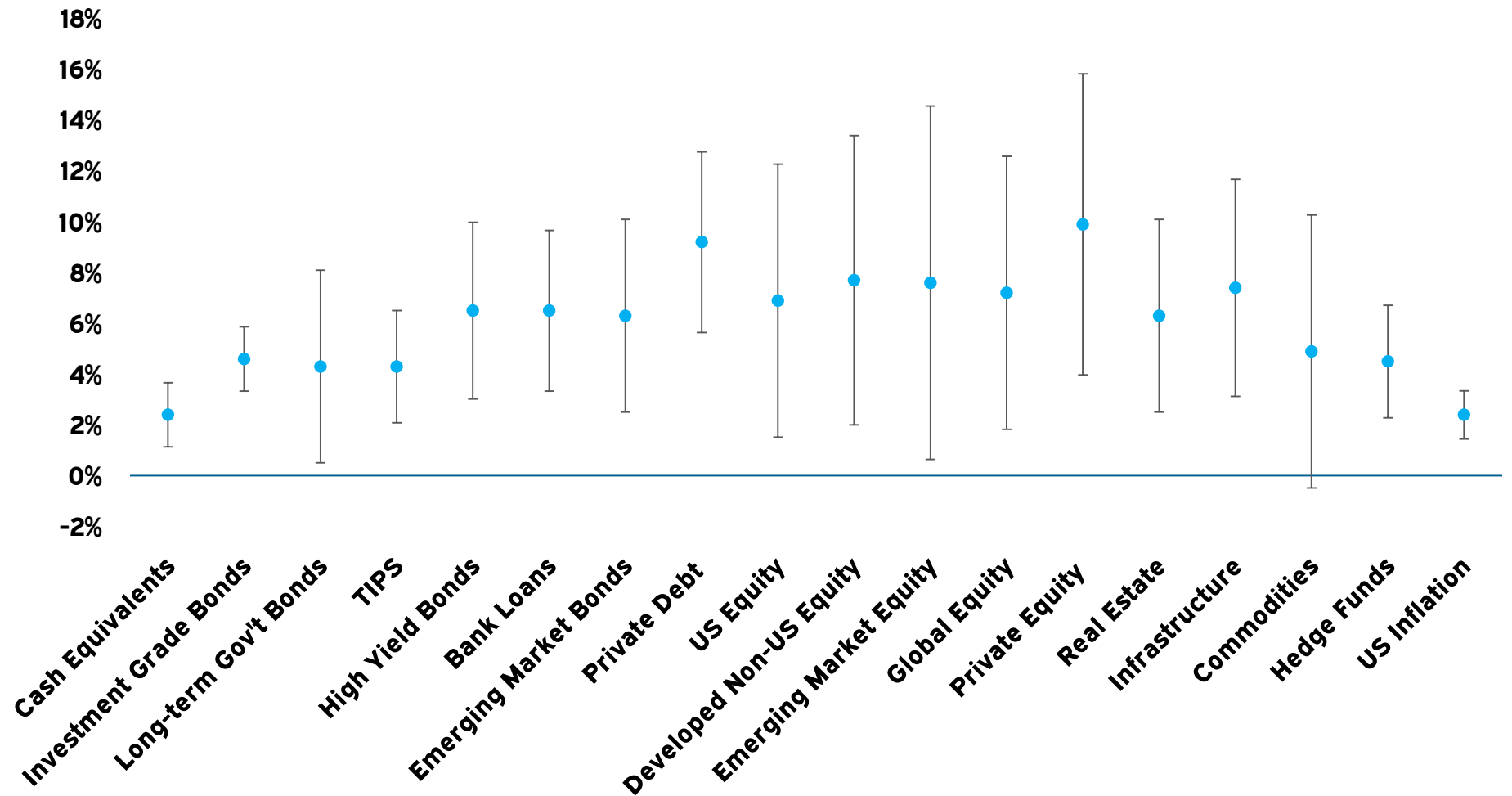
### 10-year Geometric Expected Returns Alternative Strategies (Other)

	2024 E(R) (%)	2021 E(R) (%)	Δ From 2021 (%)	Notes
Hedge Funds	4.5	3.4	+1.1	Higher yields and risk-free rate
Long-Short	3.2	2.2	+1.0	Lower equity prices, higher cash yield
Event Driven	7.0	4.2	+2.8	Higher yields and risk-free rate
Global Macro	4.2	3.6	+0.6	Higher cash yield and risk-free rate
CTA – Trend Following	3.8	4.7	-0.9	
Fixed Income/L-S Credit	5.0	3.2	+1.8	Higher yields and risk-free rate
Relative Value/Arbitrage	5.6	4.5	+1.1	Higher cash yield and risk-free rate
Alternative Risk Premia	4.8	4.3	0.5	Higher cash yield and risk-free rate
Digital Currencies	2.4	NA	NA	



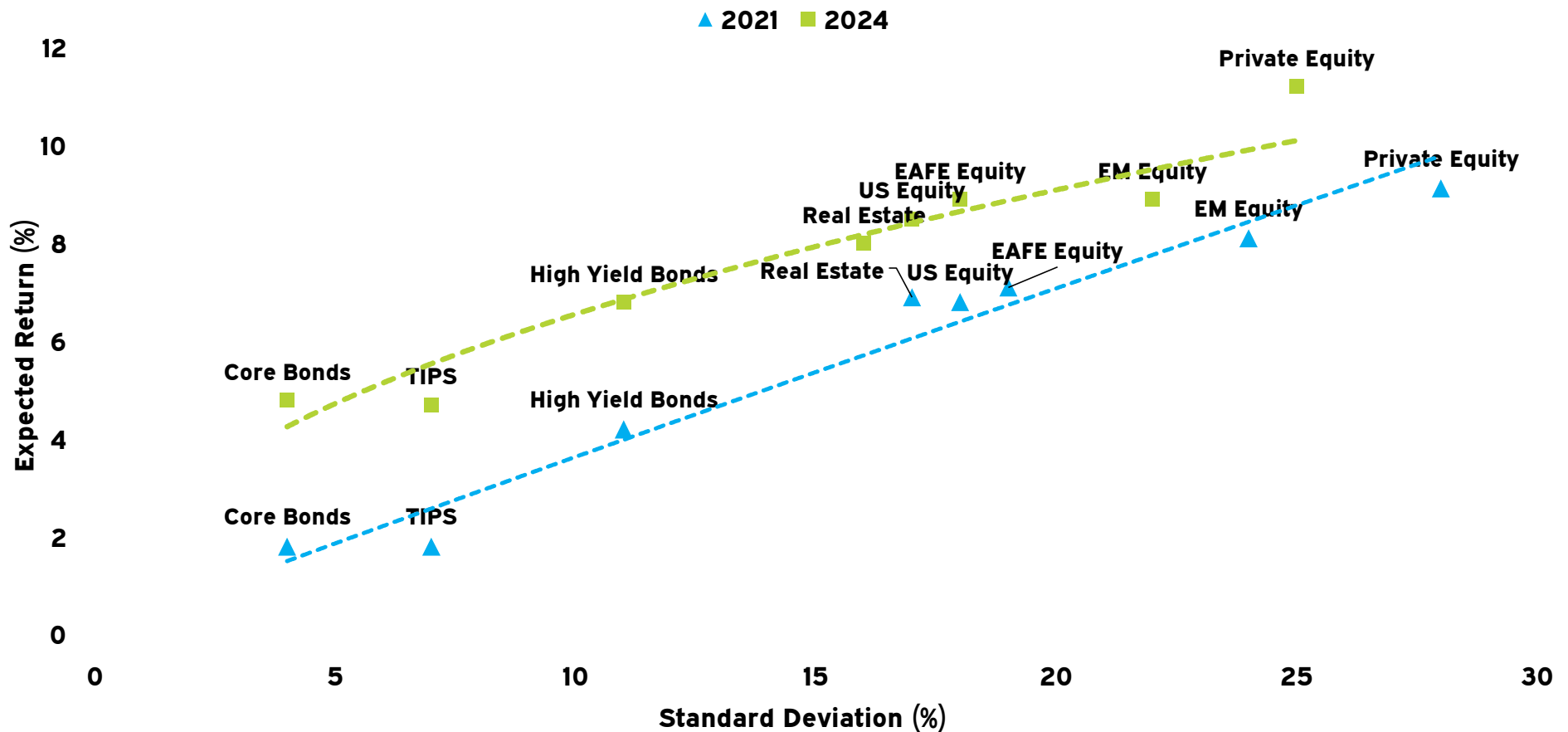
## 10-Year Return Expectations

### 10-year Forecasts and Likely Range



### The Big Picture: Higher Return for Similar Risk<sup>1</sup>

- The relationship between long-term return expectations and the level of risk accepted is not static.
- The higher interest rates of the last two years mean that many investors should be able to take on less risk than they have over the past decade if they want to achieve their target returns.



<sup>1</sup> Expected return and standard deviation are based upon Meketa Investment Group's 2014 and 2024 20-year capital market expectations.

### Correlation Data

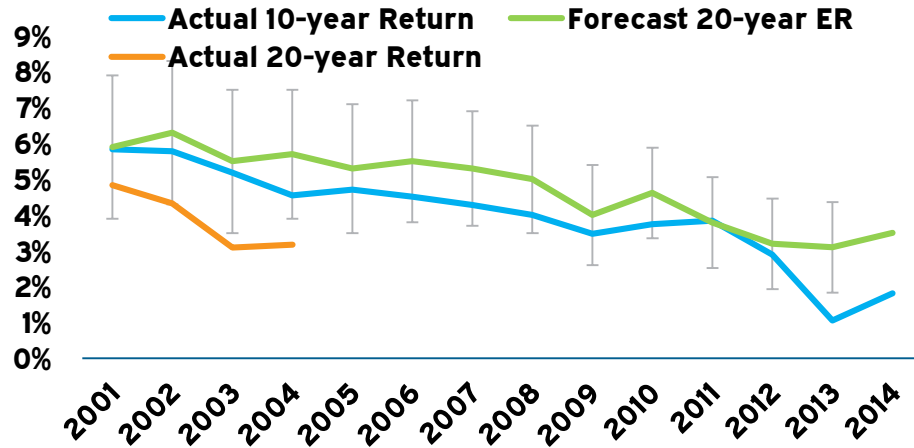
	Inv. Grade Bonds	Long-term Gov't Bonds	TIPS	High Yield Bonds	US Equity	Dev. Non-US Equity	Em. Market Equity	Private Equity	Real Estate	Commod.	Infra.	Hedge Funds
Investment Grade Bonds	1.00											
Long-term Government Bonds	0.86	1.00										
TIPS	0.77	0.61	1.00									
High Yield Bonds	0.35	-0.04	0.46	1.00								
US Equity	0.22	-0.10	0.30	0.76	1.00							
Developed Non-US Equity	0.26	-0.09	0.33	0.76	0.88	1.00						
Emerging Market Equity	0.27	-0.05	0.36	0.72	0.74	0.86	1.00					
Private Equity	0.00	-0.10	0.03	0.66	0.90	0.83	0.79	1.00				
Real Estate	0.26	0.06	0.17	0.56	0.53	0.49	0.43	0.49	1.00			
Commodities	0.00	-0.23	0.28	0.47	0.46	0.55	0.58	0.23	0.15	1.00		
Infrastructure	0.31	0.14	0.32	0.65	0.64	0.68	0.60	0.51	0.61	0.41	1.00	
Hedge Funds	0.12	-0.20	0.30	0.78	0.80	0.83	0.81	0.53	0.47	0.64	0.61	1.00

# Appendix

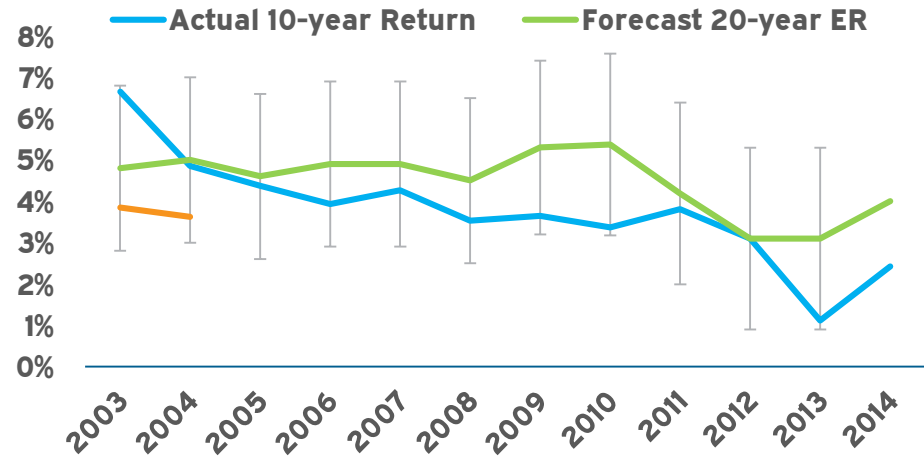
## Our Track Record

### Our Track Record

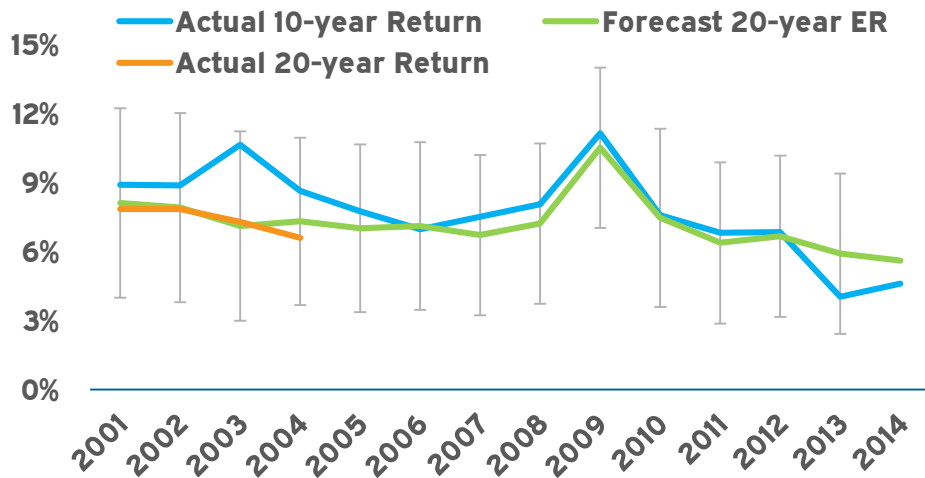
#### Investment Grade Bonds



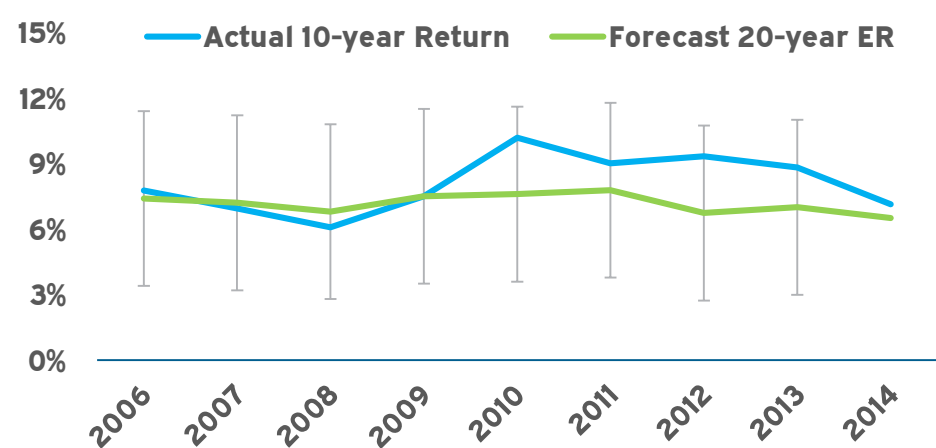
#### TIPS



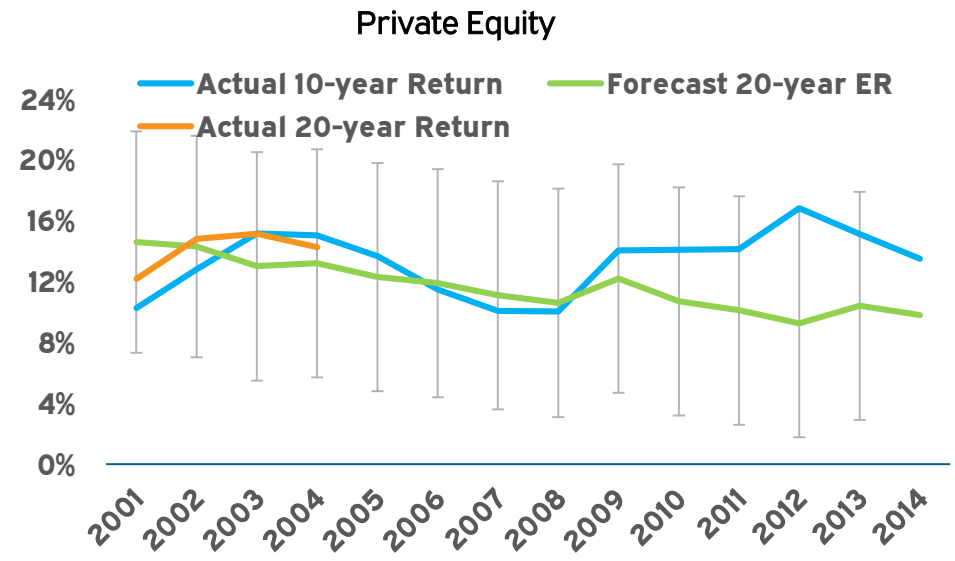
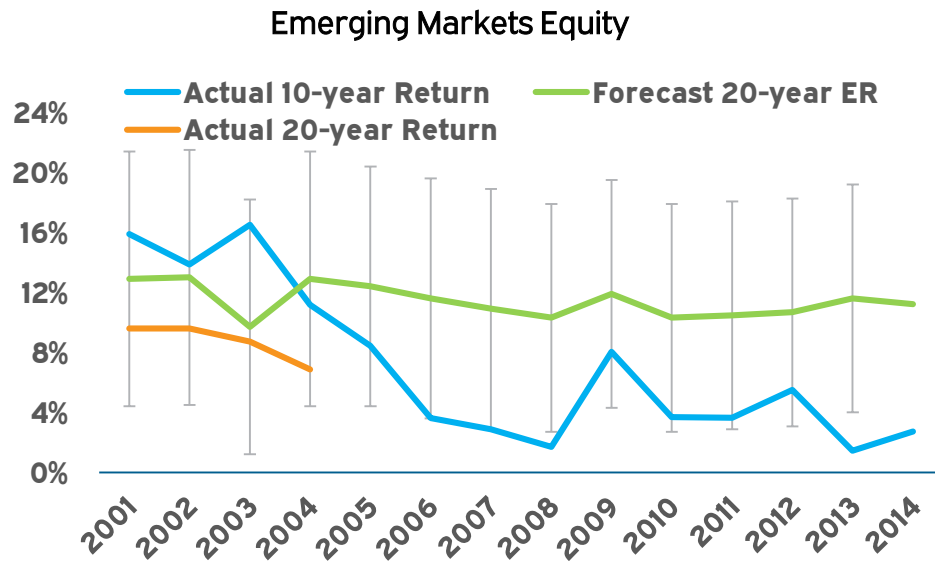
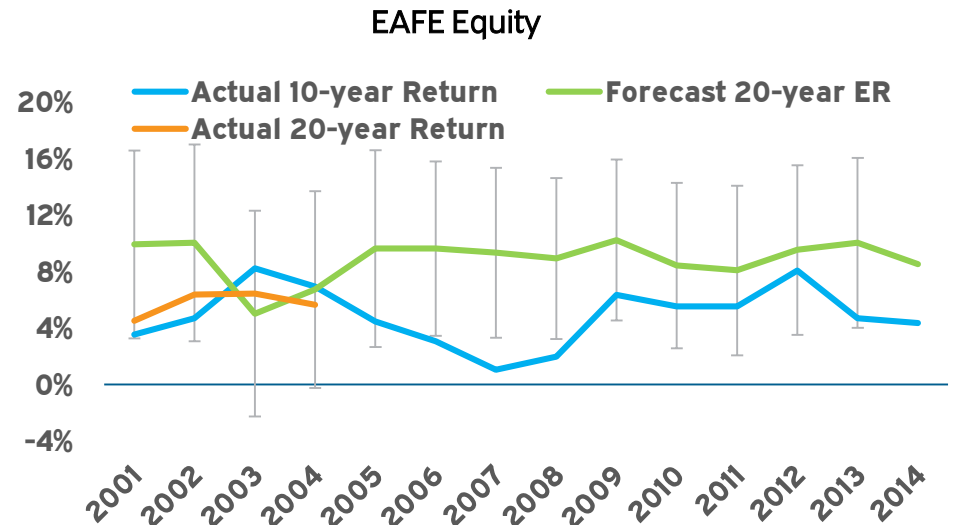
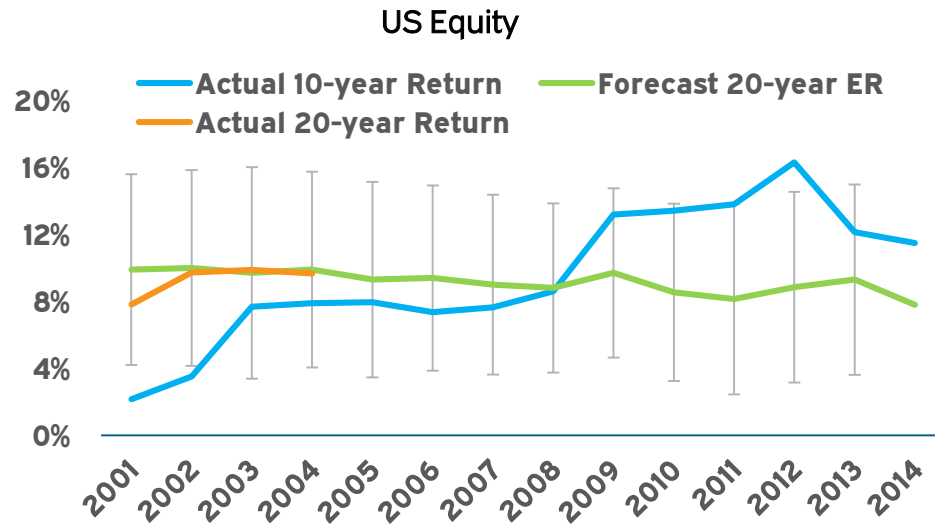
#### High Yield Bonds



#### Core Real Estate



### Our Track Record (continued)



## Peer Comparison



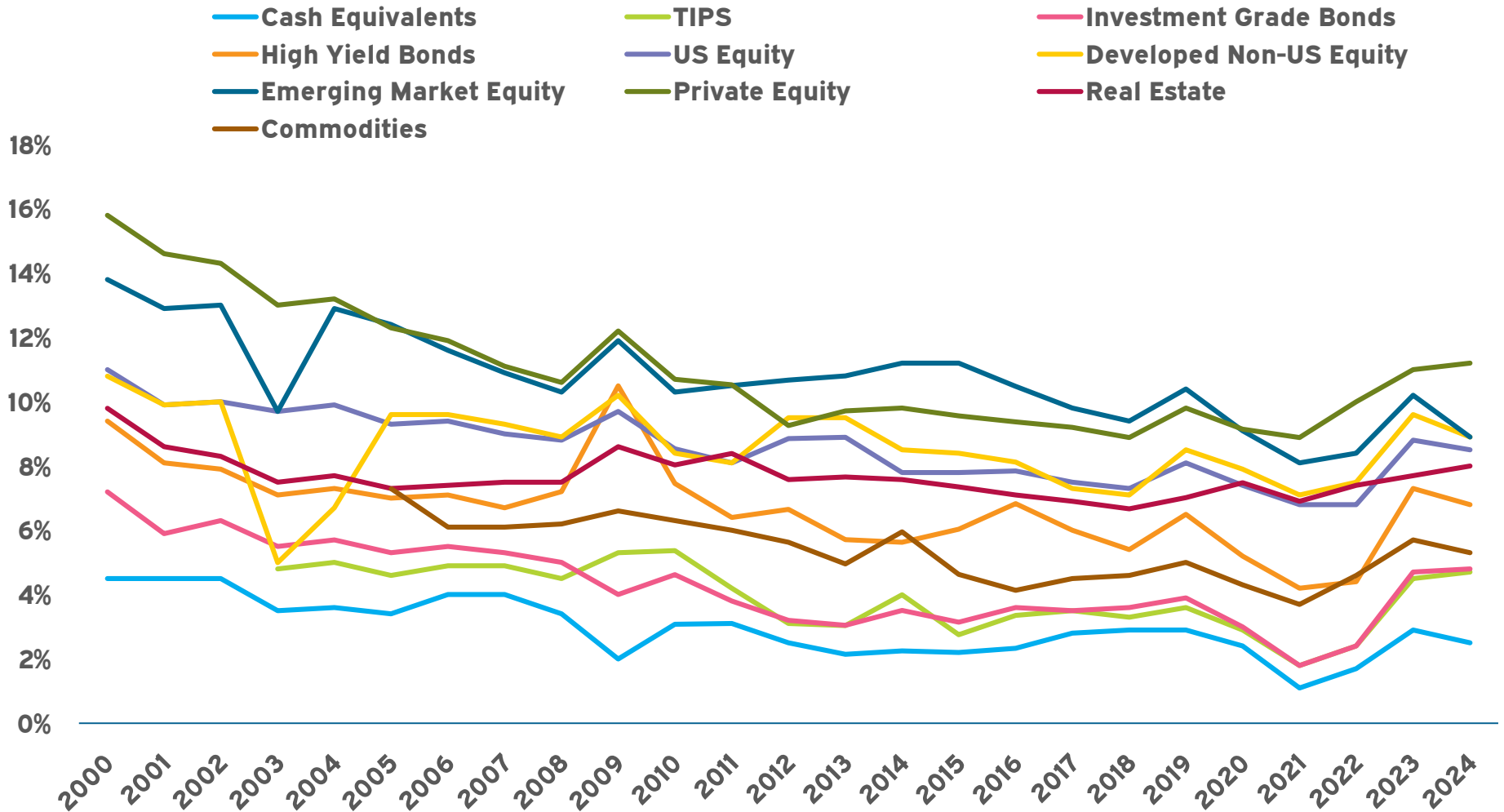
### 2023 Peer Survey

- Annually, Horizon Actuarial Services, LLC publishes a survey of capital market assumptions that they collect from various investment advisors.<sup>1</sup>
- The Horizon survey is a useful tool to determine whether a consultant's expectations for returns (and risk) are reasonable.

Asset Class	Horizon 10-Year	Meketa 10-Year	Horizon 20-Year	Meketa 20-Year
	Average (%)		Average (%)	
Cash Equivalents	3.4	3.1	3.2	2.9
TIPS	4.1	4.3	4.1	4.5
US Core Bonds	4.7	4.8	4.8	4.7
US High Yield Bonds	6.4	8.0	6.5	7.3
Emerging Market Debt	6.3	6.5	6.4	6.2
Private Debt	8.2	9.4	8.2	9.0
US Equity (large cap)	6.9	7.8	7.4	8.7
Developed Non-US Equity	7.5	10.1	7.8	9.8
Emerging Non-US Equity	8.2	10.3	8.6	10.0
Private Equity	9.5	9.7	10.1	11.0
Real Estate	6.0	5.9	6.3	7.8
Infrastructure	7.0	6.9	7.1	8.3
Commodities	5.0	6.3	4.9	5.7
Hedge Funds	6.0	5.4	6.2	6.1
Inflation	2.6	2.5	2.5	2.6

<sup>1</sup> The 10-year horizon included all 42 respondents to the survey, and the 20-year horizon included 27 respondents. Figures are based on Meketa's 2023 CMEs.

### Our 20-year CMEs since 2000



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January 30, 2024

TO: Trustees–Board of Investments

FROM: Esmeralda del Bosque <sup>EDB</sup>  
Principal Investment Officer

Dale Johnson <sup>DJ</sup>  
Investment Officer

John Kim <sup>JK</sup>  
Investment Officer

Kathryn Ton <sup>KT</sup>  
Senior Investment Analyst

Soniah Ginoyan <sup>S.G.</sup>  
Senior Investment Analyst

FOR: February 14, 2024, Board of Investments Meeting

**SUBJECT: Risk, Analytics, and ESG Services – Request for Proposal**

### RECOMMENDATION

Approve the proposed scope of services, minimum qualifications, evaluation criteria, and selection authority for a risk, analytics, and environmental, social, and governance (“ESG”) research and analytics services Request for Proposal (“RFP”).

### SUMMARY

LACERA maintains various service providers to help monitor investment risks, analytics, and exposures: MSCI BarraOne for total Fund risk measurement and MSCI ESG, S&P Trucost, and Morningstar Sustainalytics for specialized ESG research and analytics, including climate-related data. These service providers were retained by the Board of Investments (“BOI”) in 2020 and are due for a periodic rebid. The risk and ESG service provider contracts will expire in July 2025 and February 2025, respectively.

Through this RFP, LACERA seeks to procure risk and ESG service providers that will generate risk reports and analytics for the benefit of Investment staff and the BOI. Aiming to elevate LACERA’s strategic initiatives, the RFP will be focused on enhancing operational effectiveness, optimizing the investment model, and maximizing LACERA’s stewardship and ownership rights.

The search is aligned with LACERA’s current Procurement Policy for Investment-Related Services<sup>1</sup>, which is being revised as part of the harmonization of policy and governance documents relating to the Board-approved delegated authority framework.

BOI approval to launch the search is requested as the cost for prospective services may exceed the amount budgeted for the combined services. Additionally, consistent with the private markets analytics search discussed last month, it is recommended that Trustees delegate selection authority to LACERA’s Chief Investment Officer.

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<sup>1</sup> Per the Procurement Policy for Investment-Related Services, the selection process utilized for Other Investment Related Service providers will be an RFP. The selection process utilized will be authorized by the Board on a case-by-case basis.

Trustees-Board of Investments  
January 30, 2024  
Page 2 of 2

## BACKGROUND

In August 2023, LACERA launched a search for a private market analytics platform provider. At the December BOI meeting, staff provided a memo to inform Trustees that the search was paused (**Attachment 1**). The memo explained the rationale for broadening the search from a stand-alone private markets platform to an integrated portfolio analytics *and* risk management services provider with the ability to analyze both public and private market assets. The proposed criteria for the expanded RFP will be presented today.

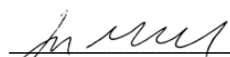
The proposed search criteria aim to integrate the risk measurement platform with an analytics solution to identify a comprehensive, multi-asset class investment risk and analytics provider. This provider will assess, monitor, and report on investment portfolio risk and analytics, including ESG factors, for LACERA's total Fund (Pension) and OPEB Master Trust (Trust).

Furthermore, specialized ESG research and analytics services will be considered to provide additional information that may not be accessible through an integrated platform to address LACERA-specific needs. The goal is to enhance data integration across asset classes, improve analytics and risk reporting, and streamline operations for the Pension and Trust.

Staff has prepared materials (**Attachment 2**) related to the risk, analytics, and ESG research and analytics services RFP for discussion with the Board.

Attachments

Noted and Reviewed:



Jonathan Grabel  
Chief Investment Officer

**FOR INFORMATION ONLY**

November 27, 2023

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque, Principal Investment Officer   
John Kim, Investment Officer   
Kathryn Ton, Sr. Investment Analyst   
Soniah Ginoyan, Sr. Investment Analyst 

FOR: December 13, 2023, Board of Investments Meeting

SUBJECT: **PRIVATE MARKET ANALYTICS PLATFORM SEARCH - UPDATE**

**BACKGROUND**

At the August Board of Investments ("BOI" or "Board") meeting, Trustees approved a private market analytics platform Request for Proposal ("RFP"). This memo is to update the Board on the status of that search.

As of September 30, 2023, LACERA's allocation to private markets assets was approximately \$35 billion of LACERA's \$72 billion total Fund. Given LACERA's significant allocation to private markets, staff noted that a private markets analytics provider could increase transparency and enhance the monitoring and reporting of those assets. The scope of work for the search was intentionally broad to recognize that analytic services for private market assets have developed extensively over the last several years. Specifically, the scope of work for the provider included private capital portfolio monitoring, performance measurement, and exposure management tools inclusive of ESG data.

**DISCUSSION**

The evaluation team ("Team") included eight investment office representatives from private markets, corporate governance, and portfolio analytics. Through its standard two-phase process, the Team evaluated responses that met the minimum qualifications. In phase one, the Team read and scored RFP responses and in phase two, the Team held virtual and in-house interviews, as well as analytics demonstrations with semi-finalist firms. In phase two, it became evident that the private market analytics platform would be better suited as a component to LACERA's broader risk management program. Consequently, the Team believes that the most prudent course of action is to pause the existing search in order to expand it to include a more comprehensive set of services. This broader RFP will be brought to the Board in early 2024. The aim would be to find a multi-asset class portfolio analytics and risk management solution that encompasses both private and public market assets, with an emphasis on ESG and climate data analytics.

Integrating the private markets analytics tool into a wider risk management solution is consistent with staff's intent to run an RFP for a total Fund risk measurement provider in 2024 given that LACERA's Procurement Policy allows for a review of service vendors every five years.

A consolidated RFP is expected to enhance the integration of data across all asset classes, improve analytics and risk measurement reporting, and streamline operations for the LACERA pension and OPEB Master Trust. The Team also anticipates that the expansion of the existing search to include private and public market analytics and risk management systems into a single unified RFP may provide LACERA greater negotiation leverage to arrive at contractual terms that, to the extent of economic benefit, would be most favorable and financially prudent for LACERA.

Moreover, if approved, this expanded search could offer an opportunity to reassess all current analytics services, with the potential to eliminate duplicative services, as well as explore specialized ESG and climate data analytics providers. Our existing agreements in these areas expire in 2025, and there has been significant evolution in the field since our last search, so an assessment of ESG and climate data analytics service providers as part of a broad risk system search is warranted.

### **CONCLUSION**

By seeking to incorporate the private markets analytics platform RFP into a broader, multi-asset class risk measurement platform search, staff aims to find a comprehensive, tailored solution that strengthens LACERA's overall risk management framework. We expect to present revised minimum qualifications and scope of work criteria for the combined search in early 2024.

Attachment

Noted and Reviewed:



Jonathan Grabel  
Chief Investment Officer

## Risk, Analytics, and ESG Services - Request for Proposal

---

Dale Johnson - Investment Officer

John Kim - Investment Officer

Kathryn Ton - Senior Investment Analyst



# Recommendation and Background



## Recommendation

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- Approve the proposed scope of services, minimum qualifications, evaluation criteria, and selection authority for a risk, analytics, and environmental, social, and governance (“ESG”) research and analytics services Request for Proposal (“RFP”).

## Background

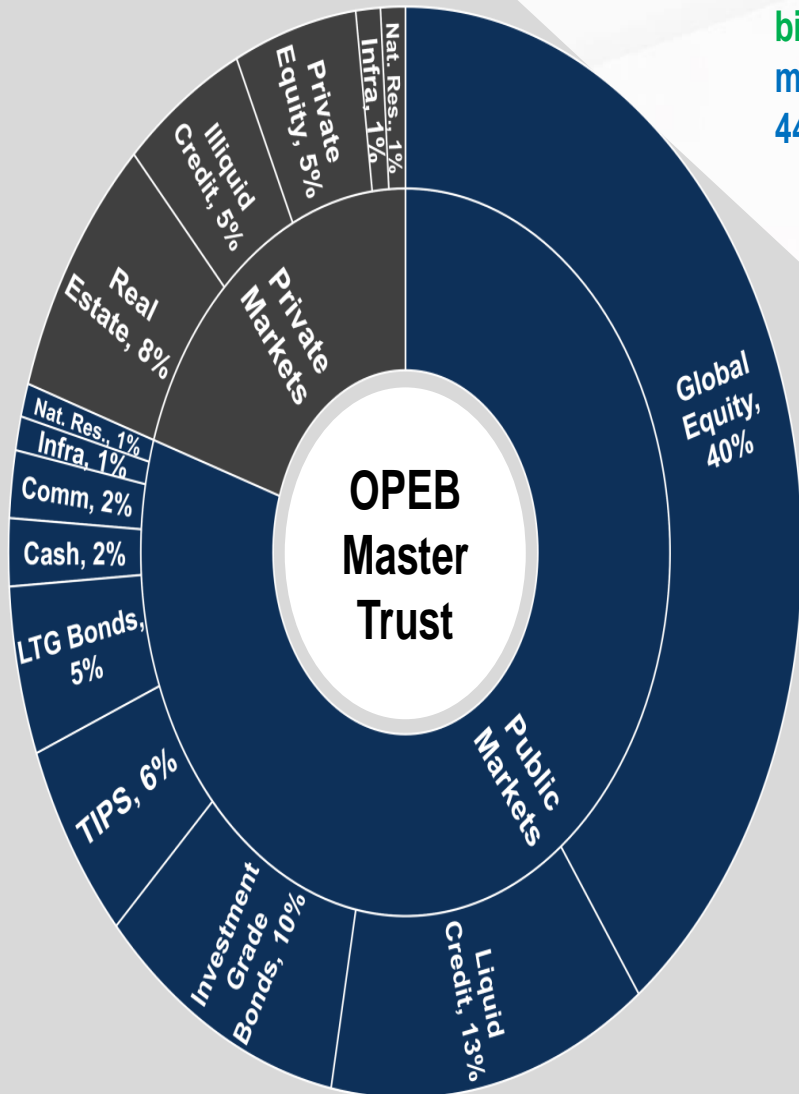
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- LACERA’s mission is to produce, protect, and provide the promised benefits to its members.
  - This search aims to elevate LACERA’s strategic initiatives to enhance operational effectiveness, optimize the investment model, and maximize stewardship and ownership rights.
- The search is for a comprehensive, multi-asset class, investment risk and analytics provider to assess, monitor, and report on investment portfolio risk and analytics, including ESG factors, for LACERA’s total Fund and OPEB Master Trust.
- At the December 2023 Board of Investment meeting, staff provided a memo on pausing an existing private market analytics platform search to broaden the scope for an integrated portfolio analytics and risk management solution covering both public and private market assets.
- The search complies with LACERA’s Procurement Policy for Investment-Related Services. Board of Investment approval is requested as the cost for prospective services may exceed the amount budgeted for the combined services. The final recommendation may include multiple service providers.
- LACERA’s risk and ESG service provider contracts will expire in July 2025 and February 2025, respectively.

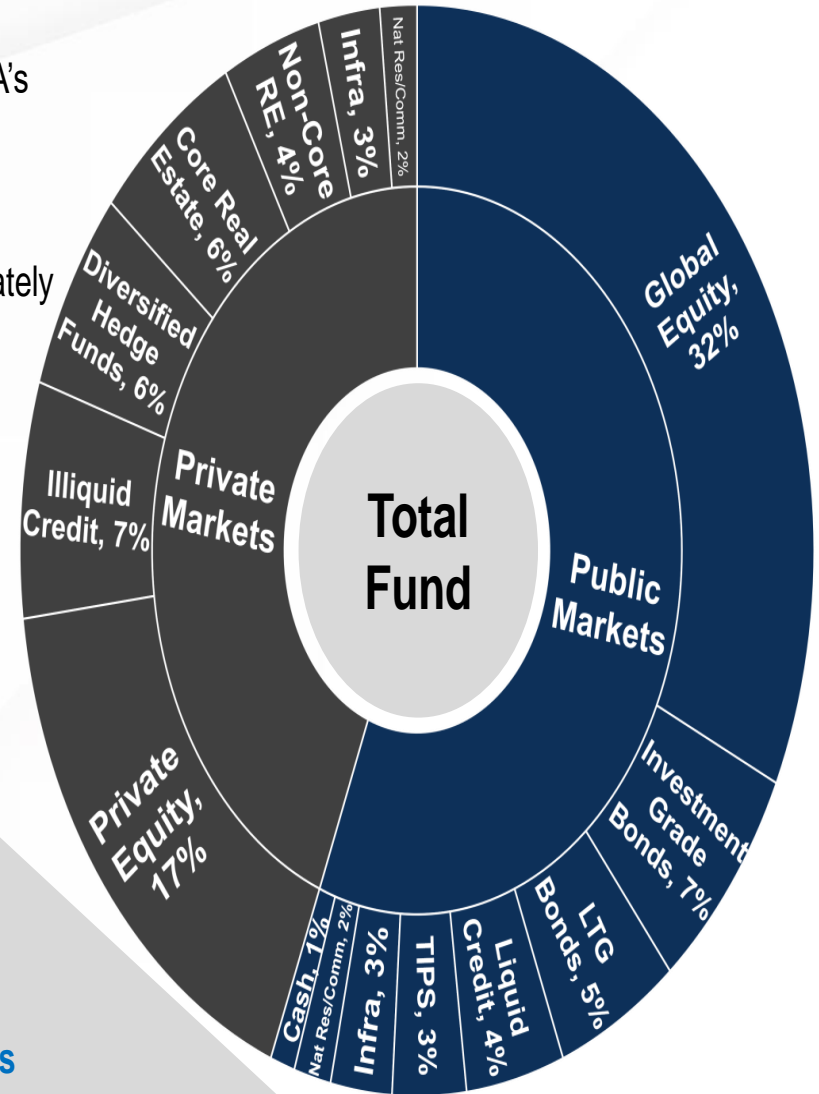
# Total Plan Target Policy Allocations\*



Within the **total Fund**, LACERA's **public markets** account for approximately **56% (or \$42.5 billion)** and LACERA's **private markets** account for approximately **44% (or \$33.4 billion)**.



Within the **OPEB Trust**, **public markets** account for approximately **80% (or \$2.8 billion)** and **private markets** account for approximately **20% (or \$706 million)**.

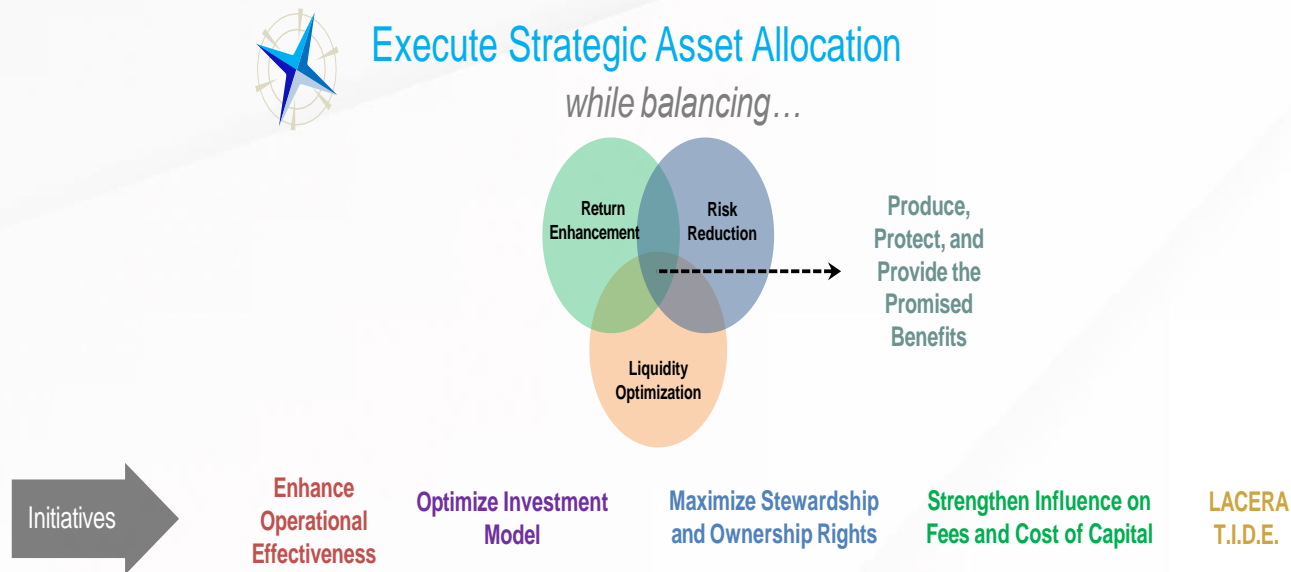


\* Data as of December 31, 2023

# Strategic Considerations



## Strategic Initiatives



## Recommendation advances the following initiatives:

### Enhance Operational Effectiveness

- Optimize presentation and quality of information available to the Board
- Consolidate public and private market analytics platform
- Explore technological opportunities and maximize value from adoption

### Optimize Investment Model

- Active monitoring and quarterly reporting on portfolio risk, analysis, and exposures
- Continue cultivating a dynamic investment program via enhanced portfolio insights

### Maximize Stewardship and Ownership Rights

- Incorporate analytics to model financial impacts from climate change and energy transition for climate-aware strategic asset allocation modeling
- Expand ESG and climate reporting and data coverage in private asset classes
- Improve insight into ESG risks and opportunities across the total Fund



## A. Risk System and Investment Analytics Platform

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### 1. Data Management and System Administration

- Source, aggregate, and incorporate data from multiple sources including custodian, investment managers, fund of funds, and various service providers. Reconcile data to ensure accuracy, comparability, and consistency.
- Integrate manager holdings and benchmark information across all asset classes, including public and private markets.

### 2. System Capabilities

- Value at Risk (VaR) and additional risk statistics: The ability to measure risk and calculate ex-ante and ex-post statistics.
- Portfolio exposures: Identify and measure LACERA's exposure to various risk factors, such as equity, credit, interest rates, etc. and the ability to provide detailed investment analytics.
- Stress testing and scenario analysis: Measure potential losses given certain historical or prospective events.
- Record, classify, and calculate cashflows and commitments at the fund level.
- Provide risk budgeting capabilities.

### 3. Monitoring and Reporting

- Deliver monthly and quarterly reports that include benchmarks, risk exposures, measures of return, performance multiples, transaction summaries, and peer comparisons.
- Track and analyze energy transition, climate, and other ESG exposures data.
- Reporting: Produce detailed reports at the manager, asset class, and portfolio level covering desired system capabilities.
- Ability to create and run custom reports.



## B. ESG and Climate-Related Service Providers

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### 1. Data and Analytics

- Provide public and private market environmental, social, and governance and climate-related data, research, metrics, key performance indicators, and analytics where available.
- Provide tools for modeling and scenario analysis as applicable.
- Provide research to enable ongoing implementation of Board-approved economic substitution policies related to public market exposures regarding Iran, Sudan, and tobacco.

### 2. Reporting Capabilities

- Provide asset level detail reports, portfolio level reporting, and aggregate portfolio level reporting.

# Proposed Minimum Qualifications



In order to be eligible for risk and analytics services, respondents must meet the following Minimum Qualifications (“MQs”):

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1. Must offer a multi-asset class risk model appropriate for analyzing the risk and performance of a broad, institutional portfolio invested globally in both public and private markets. The application must enable users to both identify and monitor risk, measure and report investment performance and analytics for LACERA’s asset classes. Must allow for stress testing, scenario analysis, and risk statistic measurements at the manager, asset class, and portfolio level.
2. Must have at least five (5) years of history providing a comprehensive, multi-asset class, investment risk and analytics system to institutional investors such as pension funds, endowments, or other large asset owners. The proposing firm must have at least three (3) such clients, each overseeing assets in excess of \$5 billion.
3. Must include tools for analyzing asset categories in LACERA’s total Fund and OPEB Master Trust.
4. Must offer quantitative measurement of ESG and climate-related factors.
5. Must offer dedicated product specialist and technical support services to advise in the configuration and use of the proposed product.
6. At least one key professional member of the firm assigned to the LACERA account must have a minimum of five (5) years’ experience in assisting clients with the implementation of risk oversight solutions.

# Proposed Minimum Qualifications continued



In order to be eligible for the ESG and climate-related service providers, respondents must meet the following MQs:

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1. Must have at least three (3) years of history providing ESG and climate-related data to institutional investors such as pension funds, endowments, or other large asset managers. The proposing firm must have at least three (3) such clients with assets in excess of \$5 billion.
2. Must offer public and/or private market environmental, social, and governance and climate-related data, metrics, and key performance indicators where available.
3. At least one key professional member of the firm assigned to the LACERA account must have a minimum of three (3) years' experience in assisting clients with ESG and climate-related data and metrics.



# Proposed Evaluation Criteria



Firms that have met the stated MQs will be subject to further evaluations on the following criteria:

## Organization and Professional Staff (25%)

- Firm history and structure
- Firm's professional experience
- Team's client experience and risk/analytics/ESG background
- Conflicts and legal matters
- Insurance coverage
- Diversity, Equity, and Inclusion
- Client references

## Risk System and Reporting Capabilities (40%)

- Breadth of asset class coverage provided by the proposed solution
- Range of risk analytics and portfolio monitoring tools
- Integration of environmental, social, and governance and climate-related data and metrics
- Screening tools to identify and assess portfolio exposures
- Platform customization and solutions capabilities
- Sample reports and demonstration quality

## Data Management and System Administration (25%)

- Data collection and integration
- Data completeness and accuracy
- Data classification and enhancement
- Ability to automate data entry from the custodian bank and other sources
- Firm's detailed approach to perform services required by this search

## Fee Proposal (10%)

- Fees proposed to complete engagement





# Evaluation Process



Proposed **Evaluation Team** includes a cross-functional team from various asset categories.



Evaluation Team will conduct the RFP process in **two phases**:

Phase I: Evaluation of written responses & Phase II: Candidate interviews and platform demonstrations



Service provider selection(s) authority, if Board approved, would be delegated to LACERA's Chief Investment Officer.



Final scores, evaluation review, and selection(s) will be reported to the Board of Investments.

# RFP Search Timeline



# Conclusion



## Recommendation

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- Approve the proposed scope of services, minimum qualifications, evaluation criteria, and selection authority for a risk, analytics, and ESG research and analytics services RFP.



February 5, 2024

TO: Each Trustee,  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: February 14, 2024 Board of Investments Meeting

SUBJECT: LACERA 2024 Election of Third Member: Statement of Powers and Duties  
of Board of Investments Trustees

### **RECOMMENDATION**

Approve the attached document entitled “Powers and Duties of Board of Investments Trustees,” which will be included with the ballot materials for the 2024 election of the Third Member of the Board of Investments and posted on lacera.com.

### **LEGAL AUTHORITY**

The information in the Power and Duties is based on the responsibilities of Board of Investments Trustees under the California Constitution (Cal. Const., art XVI, § 17), the County Employees Retirement Law of 1937 (CERL) (Cal. Gov’t Code §§ 31450 *et seq.*), the California Public Employees’ Pension Reform Act of 2013 (PEPRA) (Cal. Gov’t Code §§ 7522 *et seq.*), other applicable law, and LACERA’s policies, procedures, and practices. Approval of this document is consistent with the exercise of the Board’s plenary authority and fiduciary responsibility over fund investments, actuarial matters, and administration under the California Constitution, Cal. Const., art. XVI, § 17, and CERL, Government Code Sections 31520.2 and 31595.

### **BACKGROUND**

Each year, the Board of Supervisors adopts a resolution to govern that year’s LACERA election. The election this year for the Board of Investments will include the Third Member (an active general member seat currently held by Herman Santos) for a three-year term commencing January 1, 2025.

At LACERA's request, the Board of Supervisors will include with Board election materials a ballot insert entitled “Powers and Duties of Board of Investments Trustees” provided by LACERA to assist voters in evaluating candidates. In addition, the Powers and Duties serve as a reference for Board candidates to understand the responsibilities of Board Trustees. Finally, the Powers and Duties are posted on lacera.com, and they are

Board of Investments

Re: Statement of Powers and Duties of Board of Investments Trustees

February 5, 2024

Page 2

available to stakeholders and the public throughout the year to communicate the responsibilities of Board Trustees.

The proposed 2024 Powers and Duties is attached. The changes proposed by staff from the version approved in 2023 are redlined for the Board's consideration. A clean copy is also provided.

## **DISCUSSION**

The proposed Powers and Duties complies with best practices to fully and clearly describe the responsibilities and duties of Board Trustees. The Power and Duties is generally based on content recommended in a report issued by The Stanford Institutional Investors' Forum Committee on Fund Governance. *The Clapman Report 2.0 Model Governance Provisions to Support Pension Fund Best Practice Principles*, at pages 9-10 (Clapman Report).

The proposed Powers and Duties includes changes from the current document, as follows:

***Title and Opening Paragraph.*** The title is changed to refer to "Board of Investment Trustees," instead of "Investment Board Trustees," to track the correct name of the Board. The opening paragraph is also revised to clarify that the Powers and Duties provides a high-level summary of Board responsibilities but is not itself a governing document. A link to the Board's governing documents on lacera.com is provided, which should be helpful to candidates and stakeholders who wish to look deeper.

***Introduction.*** This section states the general responsibilities of Board of Investments Trustees. A reference to the separate trust for retiree healthcare, or other post-employment benefits (OPEB), is added in recognition of its importance and recent changes to diversify its portfolio. This section also addresses the monthly time commitment required of Board Trustees. The Clapman Report recommends that an estimated time commitment be provided. Staff invites the Board to review and provide input on the current estimate of 60-80 hours per month to ensure that interested candidates are informed of the commitment they should reasonably anticipate while balancing not deterring interested candidates.

***Board Trustee Responsibilities.*** This section provides a detailed description of the main responsibilities of Board Trustees. This section includes sections on:

1. Board and Committee Meetings. A change to this section is made to specifically state that meetings are in person at LACERA's Pasadena offices unless otherwise provided. In addition, the current estimates of hours per monthly Board (4-6 hours) and committee (1-2 hours) meetings and preparation time (8-12 hours) are subject to the Board's review and consideration;
2. Pension Fund Investments. Changes are made to reflect the Board's oversight role in setting investment objectives, guidelines, and policies given the Board's decision to delegate investment decisions to staff;
3. Retiree Healthcare Funds. This section is expanded to reflect the growing size, importance, and diversification of the OPEB Trust portfolio and the Board's oversight of these assets;
4. Contribution Rates and Actuarial Services. No changes are made to this section;
5. Securities and Other Claims and Litigation. No changes are made to this section;
6. Other Fund Administration. This section, which has appeared as a single long paragraph in past years, is separated into three subparagraphs for readability. In addition, a reference to the budget policy is added;
7. Delegation. A change is made to this section confirming the Board's delegation to staff of manager selection and termination, subject to the Board's oversight. Language is added to state that stakeholder management, including media and the plan sponsor, are the responsibility of the Chief Executive Officer for administrative issues and the Chief Investment Officer for investment matters;
8. Legal, Regulatory, and Policy Compliance and Risk Management. This section is revised to clearly state the Board's role in setting the policies that govern the investment and funding of the system;
9. Education. No changes are made to this section; and
10. Involvement. No changes are made to this section.

Board of Investments

Re: Statement of Powers and Duties of Board of Investments Trustees

February 5, 2024

Page 4

***Fiduciary Duties.*** The Powers and Duties includes a separate section on fiduciary duties, with subsections on the Duty of Loyalty and the Duty of Care. There are no substantive changes to this section.

***Conflicts of Interest.*** This section states basic conflict principles. No changes are made.

***Compensation and Expenses.*** This section provides an explanation of payments that certain Trustees may receive under CERL and LACERA policy for attendance at meetings and reasonable and necessary expenses. There are no changes.

## **CONCLUSION**

Based the information provided in this memo, it is recommended that the Board consider and approve the attached document entitled “Powers and Duties of Board of Investments Trustees,” which will be included with the ballot materials for the 2024 election of the Third Member of the Board of Investments and posted on lacera.com.

### Attachments

c: Santos H. Kreimann  
Jonathan Grabel  
Luis Lugo  
JJ Popowich  
Laura Guglielmo  
Cynthia Martinez  
Barry Lew

**REDLINE**  
**PROPOSED BOI POWERS AND**  
**DUTIES**



## POWERS AND DUTIES

### OF ~~INVESTMENTS~~ BOARD OF INVESTMENTS TRUSTEES

The Board of Investments provides this high level summary to enable voters to evaluate candidates for the Board. The Board urges voters to review this summary prior to voting. This Powers and Duties document is drawn from the Board's adopted governing policies and the input of the Board in its providing approval, but it is not itself a governing document for the Board or LACERA. The Board's governing documents may be found at <https://www.lacera.com/accountability/governing-documents/>.

### INTRODUCTION

The Board of Investments oversees investment of LACERA's pension retirement fund (~~\$70.373.9~~ billion as of June 30, ~~2022~~2023) and determination of County and member contribution rates, as well as funds to support retiree healthcare benefits, also referred to as other post-employment benefits (OPEB) (\$3.1 billion as of June 30, 2023). In total, trustees of the Board of Investments can expect to commit as many as [60 to 80] hours of their time each month to discharging their duties to the retirement system, subject to hours spent on a trustee's activities under Section 10 (Involvement) below.

As to those elected Board trustees who are employed by the County or a participating district, the law provides that these LACERA duties are included as part of their County or other public employment and shall normally take precedence over any other duties. Given the time commitment necessary to fulfill the responsibilities of Board membership, elected Board trustees will be required to spend a material amount of their working time each month in carrying out their important LACERA duties and responsibilities.

The responsibilities and duties of the Board trustees are explained in detail below.

### BOARD TRUSTEE RESPONSIBILITIES

Board of Investments trustees' duties include:

1. ***Board and Committee Meetings.*** The Board meets once each month in person at LACERA's Pasadena offices unless otherwise specified, usually on the second Wednesday, with each meeting generally lasting from [4 to 6] hours. In addition to the time required to attend meetings, approximately [8 to 12] hours per meeting is required to prepare for meetings and review relevant materials developed by staff and management. The Board has established committees to assist in carrying out its responsibilities. The Board also shares additional committees jointly with the system's Board of Retirement, including the Audit Committee and Joint Organizational Governance Committee. The Board of Retirement is a separate board having responsibility for overseeing general plan administration.

Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last [1 to 2] hours per committee plus additional preparation time of several hours. The Board also holds an annual two-day offsite meeting to devote focused attention to strategic issues, education, and discussion.

2. ***Pension Fund Investments.*** The Board of Investments has exclusive fiduciary responsibility for all retirement system investments and is responsible for approving investment beliefs and objectives, the asset allocation for the portfolio, strategies, policies, and governance processes, which are subject to evaluation and change by the Board as part of strategic initiatives. The Board evaluates risk and return, including consideration of corporate governance issues. The Board makes these decisions based on information and input provided by staff and external consultants. Currently, LACERA's investment portfolio is, with a few exceptions, externally managed. The Board establishes investment objectives and guidelines and has delegated authority to the Chief Investment Officer (CIO) to approve selection of external investment managers in accordance with Board-approved guidelines and policies. The Board does not make individual investment selections for the externally managed portfolio; ~~rather, it selects investment managers to make investments for LACERA in accordance with investment objectives and guidelines established by the Board.~~ The Board of Investments ~~then continuously monitors and evaluates~~ oversees the investment activities and results of the portfolio based on ongoing due diligence by staff which is reported to the Board.
3. ***Retiree Healthcare Funds.*** Under agreement with the County and other participating employers, the Board of Investments manages and invests the OPEB trust funds prepaid for future retiree healthcare benefits, which total \$2.4 billion as of June 30, 2022. As with the pension fund, the Board of Investments oversees OPEB trust investments and is responsible for approving investment beliefs and objectives, the asset allocation, strategies, policies, and governance processes, which are subject to evaluation and change by the Board as part of strategic initiatives.
4. ***Contribution Rates and Actuarial Services.*** Using an annual actuarial valuation process, the Board of Investments determines the level of contributions necessary to fund retirement benefits. The Board of Investments is responsible for setting actuarial valuation policies, selecting the actuary who will perform the annual valuation and the triennial investigation of experience, approving the actuarial valuation services provided, and approving the actuarial assumptions utilized in the valuation based on the actuary's recommendation. The actuary submits to the Board of Investments for the Board's approval such changes in County and member contribution rates as are necessary to fund retirement benefits.
5. ***Securities and Other Claims and Litigation.*** The Board of Investments, ~~with the assistance of~~ through counsel and staff, is charged with actively

identifying, evaluating and monitoring securities class action lawsuits and other investment-related claims in which the fund has sustained a loss, and to determine whether the best interests of the fund are served by actively participating in such cases. The Board also participates with the Board of Retirement in certain other claims appropriate for joint Board oversight. The Board of Retirement oversees claims and litigation related to fund administration.

**6. Other Fund Administration.** A few administrative functions are shared with the Board of Retirement:

a. CEO Appointment and Evaluation. The two Boards jointly act as the appointing authority for LACERA's Chief Executive Officer (CEO) and oversee the CEO's performance evaluation; the Boards work together on certain other senior staff personnel matters.

b. Budget Approval and Oversight. The Boards of Retirement and Investments, acting jointly, review, evaluate, and adopt LACERA's annual budget and monitor actual results against the annual budget covering LACERA's operations. The Boards jointly approve a budget policy to govern the process.

c. Certain Employee Relations. The two Boards also act jointly in certain employee relations matters, including the approval of class specifications for LACERA's employees, the approval of Memoranda of Understanding (MOUs) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and approval of compensation to be provided to LACERA's nonrepresented employees.

~~6. The Boards of Retirement and Investments, acting jointly, review, evaluate, and adopt and monitor results against the annual budget covering LACERA's operations. The two Boards also act jointly in certain employee relations matters, including the approval of class specifications for LACERA's employees, the approval of Memoranda of Understanding (MOUs) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and approval of compensation to be provided to LACERA's nonrepresented employees. The two Boards jointly act as the appointing authority for LACERA's Chief Executive Officer (CEO) and oversee the CEO's performance evaluation; the Boards work together on certain other senior staff personnel matters. The Board of Investments alone provides input on the Chief Investment Officer's appointment and performance evaluation. Other personnel responsibilities are the responsibility of the Board of Retirement. The Board of Investments is not responsible for general administration of the retirement system and benefits. The Legislature assigned those responsibilities to the Board of Retirement.~~

**7. *Delegation.*** The day-to-day investment operations, [including manager selection and termination](#), of the retirement system are delegated to the Chief Investment Officer, who oversees other staff and outside service providers. Board trustees consider what responsibilities will be delegated and to whom delegation is made. Board trustees ensure that delegated responsibilities are clearly defined and properly performed through monitoring, questioning, and accountability. In addition, the Board approves and oversees the retention and performance of expert consultants to assist in investment decision-making and monitoring, interact with staff, and aid the Board in performing its fiduciary duty.

~~7.~~ [The Boards have delegated stakeholder management to the Chief Executive Officer for administrative matters such as media and plan sponsor relations and to the Chief Investment Officer for matters related to LACERA's investments.](#)

- 8. *Legal, Regulatory, and Policy Compliance and Risk Management.*** The Board ensures that the retirement system maintains compliance with the plan documents and all other applicable laws, regulations, and policies governing the [investment and funding of the](#) system. Board trustees comply with this responsibility by overseeing investments and actuarial matters, evaluating organizational and investment risks and controls, conducting a periodic review of plan documents and policies concerning matters within the Board's oversight, monitoring changing legal and regulatory requirements, with the assistance of counsel and other advisors, and maintaining accountability.
- 9. *Education.*** Board trustees are legally required to further their education on appropriate topics, which may include pension fund investments and investment management processes, actuarial matters, pension funding, pension fund governance, ethics, and fiduciary responsibilities, among other topics. Such education must consist of a minimum of 24 hours within two years of assuming office and 24 hours every subsequent two-year period the trustee serves on the Board.
- 10. *Involvement.*** Subject to applicable laws, Board policies, and LACERA protocols, Board trustees may participate in state and national pension and investment related organizations, including serving as an executive or committee member in these organizations. Subject to the same laws, policies, and protocols, Board trustees, with approval, may also represent LACERA's interests through engagement with the legislative and executive branches of state and federal government, which may add to the hours of time spent on a trustee's responsibilities depending on the extent of the trustee's organizational involvement.

## **FIDUCIARY DUTIES**

The funds set aside for the payment of retirement benefits to LACERA members are trust funds held for the benefit of these members and their beneficiaries, and LACERA's investment operations further the delivery of plan benefits. The California Constitution requires that Board of Investments trustees have the following fiduciary duties as trustees of the fund:

1. **Duty of Loyalty.** The California Constitution provides that Board of Investments trustees are fiduciaries and are required to; "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." All Board trustees, whether elected or appointed, have the same fiduciary duty. The Board trustees' duty of loyalty at all times is to the participants and beneficiaries as a whole. Board trustees do not serve as the agent or representative of the agency or group responsible for their election or appointment. Where different groups of participants have different interests on an issue, Board trustees have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.
2. **Duty of Care.** The California Constitution provides that assets of the retirement system are trust funds to be used only for the purpose of providing benefits and paying the costs of administering the system. Under the Constitution, trustees of the Board of Investments "shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so." Governing law provides that the 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." The Constitution further requires that Board trustees "shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."

The duty of care means that Board trustees must exercise a prudent level of effort and diligence in administering and exercising oversight over the investments of the system, including: implementing, and periodically reviewing and updating, policies, procedures, and processes; determining whether and when to delegate authority to staff and third-parties, and exercising proper oversight; requesting necessary reports and information; analyzing the information, advice, and recommendations received; asking questions; seeking expert advice when required from staff and outside

expert consultants; deliberating carefully before making decisions; and understanding the reason for actions before taking them. Board trustees must monitor the investments of the system, follow the plan documents and other applicable law, and take corrective action when required to ensure the sound administration of the retirement fund's investments and the other matters under the responsibility of the Board of Investments are properly performed.

## **CONFLICTS OF INTEREST**

Board trustees must be free of conflicts of interest in compliance with applicable legal requirements and LACERA's Conflict of Interest Code and Code of Ethical Conduct. Board trustees must disclose conflicts of interest when they arise, and they cannot participate in decisions that will impact, positively or negatively, their own financial interests or the interests of certain of their related persons and entities. Board trustees are public officials under California conflict of interest laws, and they must be familiar with and follow those laws. Board trustees are subject to public disclosure of their economic interests (Form 700) and annual reporting requirements under the Political Reform Act and Fair Political Practices Commission regulations. Violation of conflict of interest laws and regulations can result in civil and criminal penalties. Conflict of interest laws and regulations are complex, and Board trustees should seek legal advice when appropriate. See <http://www.fppc.ca.gov/> for more information.

## **COMPENSATION AND EXPENSES**

Elected Board trustees who are employed by the County or a participating district and the Treasurer and Tax Collector who serves on the Board *ex officio* do not receive payment for attendance at Board meetings; they receive their County salary.

Board trustees elected by retirees and appointed trustees receive payment of \$100 per Board or committee meeting attended up to a maximum of \$500 per month. Required federal and state income tax and federal Health Insurance Tax (HIT) withholding is made from payments, which is reported on a Form W-2 for tax reporting purposes. Federal Social Security tax is not withheld.

All Board trustees receive reimbursement of reasonable and necessary expenses and are provided reasonable support for the performance of their duties.

APPROVED BY THE BOARD OF INVESTMENTS ON FEBRUARY 8, ~~2023~~2024.

**CLEAN COPY**  
**PROPOSED BOI POWERS AND**  
**DUTIES**



## POWERS AND DUTIES

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election or appointment. Where different groups of participants have different interests on an issue, Board trustees have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.

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All Board trustees receive reimbursement of reasonable and necessary expenses and are provided reasonable support for the performance of their duties.

APPROVED BY THE BOARD OF INVESTMENTS ON FEBRUARY \_\_, 2024.



February 7, 2024

TO: Each Trustee,  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: February 14, 2024 Board of Investments Meeting

SUBJECT: Fiduciary Training

Attorney Peter Mixon, who is one of the Boards' fiduciary counselors at Nossaman LLP, will provide interactive fiduciary training. The presentation slides are attached.

Before joining Nossaman, Mr. Mixon was CalPERS's General Counsel for 11 years. In that position, he provided legal advice to the CalPERS Board and Chief Executive Officer on the fiduciary responsibilities applicable to their administrative and investment governance activities. He also served on the New York Stock Exchange Commission on Corporate Governance.

#### Attachment

c: Santos H. Kreimann  
Jonathan Grabel  
Luis Lugo  
Jude Perez  
Scott Zdrazil





# Fiduciary Training for LACERA Board of Investments

**Ashley K. Dunning and Peter H. Mixon | LACERA Fiduciary Counsel**  
February 14, 2024



# Overview

- What Is a Fiduciary
- Fiduciary Framework: Fundamental Duties of a California Public Plan Fiduciary
- Prudent Delegation
- Fiduciary Roles and Responsibilities: Do's and Don'ts
- Fiduciary Compliance





# What Is A Fiduciary?

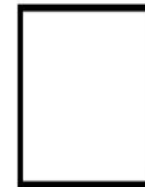
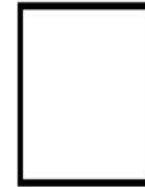
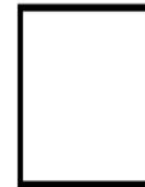
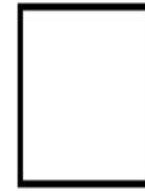
- A fiduciary is any person or organization that has discretionary authority or control over management or disposition of LACERA assets or plan administration for the benefit of members and beneficiaries of LACERA and that has a duty to put the interests of those members/beneficiaries ahead of the interests of anyone else.
- Not everyone who interacts with LACERA is a fiduciary, either to LACERA or its members.
  - For example: plan sponsors, employee associations, state agencies, investment professionals (unless by contract with LACERA), and members themselves (unless they are also LACERA Board or executive staff members) are not LACERA fiduciaries.

# Examples of Fiduciaries

- Members of LACERA Boards and their Committees (individually and collectively), with respect to their responsibility to administer LACERA in the overall best interest of its members and beneficiaries
- In-house staff who have discretionary authority or control over the investment of assets and/or administration and/or management of LACERA, with respect to those responsibilities
- Certain consultants and advisors, including separate account external investment managers, with fiduciary duty to LACERA (as defined by contract too)

# Fundamental Fiduciary Duties of BOI

- Duty of loyalty (exclusive benefit rule)
- Duty of prudence
- Duty to diversify investments
- Duty to assure competency of retirement system assets to pay promised benefits
- Duty to administer plan in accordance with plan terms and applicable law



# Fiduciary Framework: BOI Members

- Is the purpose of this decision to **benefit the members and beneficiaries** with respect to their **LACERA benefit security**?
- Has the Board adopted **sound policies and process** to guide staff?
- Is the Board exercising **prudent oversight** regarding delegated matters?
- Is the contemplated decision or other action **consistent with the terms of the LACERA plan** and with other applicable law?
- Does the action fulfill one of the **Board's governance roles** in overseeing administration of LACERA?

# Duty of Loyalty: Hypothetical A



- William is a LACERA BOI member who was elected by the retired members of the system. A community group – Go Retirees! – helped elect William to the BOI by providing “get out the vote” support and campaign donations to William prior to the election.
- During public comments at a recent BOI meeting, members of Go Retirees! urge William and the Board to oppose certain proposed actions that the Board will decide at its next meeting.
- What are fiducially appropriate, and not appropriate, considerations for William and the rest of the BOI in this context?

# Duty of Loyalty

- A fiduciary must discharge its duties “solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries.”
- A Board’s “duty to its participants and beneficiaries shall take precedence over any other duty.” This is referred to as the “primary duty” rule.
- Constitutional obligations of “minimizing employer contributions and defraying reasonable expenses of administering the system,” are secondary to the primary duty. Note that duty to employer is not a “fiduciary” duty.

(Cal. Const., Art. XVI, Section 17)

# Duty of Loyalty

- Purpose of a trust is to hold assets for the benefit of another person or persons. Duty of loyalty embodies this purpose.
- Putting the fiduciary's personal interests, plan sponsor's, union's, or any third party's interests ahead of the interests of plan participants and beneficiaries is not consistent with fiduciary compliance.
- Basic conflict-of-interest rule—fiduciaries cannot have conflicting loyalties. A fiduciary has a duty not to use or deal with trust assets for the fiduciary's profit, the benefit of a third person, including that of the plan sponsor/settlor, or for any other purpose unconnected with the trust.
  - *O'Neal v Stanislaus County Employees' Retirement Association* (2017) 8 Cal.App.5th 1184, 1209, 1218 (“O'Neal”).

# Duty of Loyalty: Not an “agent” for another

- Trustees may not place the interests of any third party over the interests of the retirement plan members. Trustees are not permitted to administer the retirement system as an “agent” for the party that appointed, or subgroup of members that elected, that individual to the Board.
- On the contrary, the California Constitution, Art. XVI, Sec. 17 seeks to prevent such political “meddling” or “interference” by others and mandates loyalty to the overall best interest of members and beneficiaries.
  - See generally *NLRB v. Amax Coal Co.*, 453 U.S. 322 (1981) (no “dual loyalties”); *Hittle v. Santa Barbara CERA*, 39 Cal. 3d 374 (1985) (traditional fiduciary duties apply to public retirement system trustees); *Claypool v. Wilson*, 4 Cal.App.4th 646, 676-7 (1992) (Cal. Const., art. XVI, sec. 17 imports the existing law of trusts).





# Duty of Loyalty: Hypothetical B

- Sam is an appointed member of the Board of Investments. Sam also is actively engaged, in his private sector job, with efforts to improve municipal water quality. An agent of the County asks Sam about LACERA's investments in this area, which is also a County priority.
- What are fiducially appropriate, and not appropriate, considerations for Sam and the rest of the BOI in this context?

# Duty of Loyalty: Hypothetical C



- Sally is a LACERA BOI member who was elected by the active members of the system. She is a former official of the union that represents some members of LACERA.
- Sally is informed by members of her former union that union leadership is planning a new initiative to persuade government investors, including LACERA and other pension plans, to avoid any investments in a specific geopolitical market.
- A member of that union attends a BOI meeting to present in public comment on this topic. What fiduciary topics are implicated here for Sally and the rest of the BOI?

# Duty of Prudence—“Prudent Fiduciary with Experience in Similar Enterprise”

- A fiduciary must discharge its duties:
  - “With the care, skill, prudence, and diligence 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.”
  - The question is whether the fiduciary, at the time it made the decision, employed the appropriate methods.
- Good faith is not enough if not also prudent.
  - Example: The BOI is genuinely concerned about geopolitical developments and directs investment staff to take divestment actions that the CIO concludes, and states, are imprudent from a risk-adjusted return perspective.

# Duty of Prudence—“Prudent Fiduciary with Experience in Similar Enterprise”

- A fiduciary need not be the expert but may need to consult an expert. When using experts, the fiduciary may take into consideration the advice of experts but the fiduciary is still ultimately responsible.
  - *Donovan v. Mazzola*, 716 F.2d 1226, 1235 (9th Cir. 1983).



# Duty of Prudence—*Process and Soundness of Analysis Matter*

- Duty of prudence does not require a fiduciary to guarantee specific outcomes but does require use of a prudent process.
- Highlights the importance of surfacing relevant facts/analysis, documenting fiduciary considerations, and engaging in informed decision-making.
- Note, however, that substantively, a prudent decision may be neither “arbitrary” nor “capricious.” Deliberations by fiduciaries should illustrate the relationship between the information presented and fiduciary’s response, if any.
  - Courts may review a fiduciary’s decisions substantively, rather than simply deferring to a determination that a fiduciary may make after a prudent process.

# Duty of Prudence—*Process and Soundness of Analysis Matter*

- What does prudence look like?
  - Acting consistently with laws and plan governance documents, which include Board policies and procedures (and making sure the plan governance documents match each other).
  - Periodic and systematic monitoring such as the BOI's adopted delegated authority and reporting framework.
  - Facts, analysis, questions, answers.
  - Documented decision-making.
  - Agendas, staff/consultant supporting materials, minutes, resolutions detailing facts, findings and conclusions are all ways to document procedural prudence.
- Is there a process for handling requests?
- Does the process lead to justified outcomes in light of Board approved policies and fiduciary duty?





# Duty of Prudence: Hypothetical A

- Sam, a member of the BOI, asked the Board's investment consultant to speak with the BOI about potential investment opportunities for LACERA in cryptocurrency. Sam also personally invests in cryptocurrency opportunities.
- The investment consultant, as well as the LACERA CIO, presented on the topic and recommended that the BOI refrain from allocating any material portion of the trust fund to cryptocurrency because of valuation and accessibility concerns.
- Sam texts fellow BOI member Sally asking that she move that the BOI hire another investment advisor to opine on the same topic. Sally makes that motion, Sam seconds it, and the BOI hires the second advisor. On that advisor's recommendation, the Board commits LACERA assets to cryptocurrency.
- What fiduciary issues arise in this hypothetical? For example, is there an adequate explanation for the difference in recommendations? Are there any bias issues to address? Any concern about the texting to, and among, BOI members during a meeting?

# Duty of Prudence: Hypothetical B

- BOI member Sally is attending a meeting during her first year on the Board, at which the BOI is reviewing annual fund performance and determining whether to make asset allocation changes.
- LACERA's Investment Consultant presents alternative asset mix options 1-5, with varying levels of anticipated risk and return, and recommends that the BOI adopts asset mixes 2, 3 or 4.
- LACERA's CIO agrees with the recommendations for asset mixes 2 and 3, but expresses reservations about asset mix 4.
- Longtime BOI member Raina, who has been identified as Sally's "mentor" on the BOI, expresses conviction in the prudence of asset mix 4
- How should Sally, and other BOI members and staff, respond to Raina and the CIO's comments?



# Duty to Diversify

- A fiduciary must “diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.” (Cal. Const., art. XVI, Section 17.)
- The “duty to diversify is not measured by hard and fast rules or formulas. Congress has instructed that ‘[t]he degree of investment concentration that would violate this requirement to diversify cannot be stated as a true percentage, because a prudent fiduciary must consider the facts and circumstances of each case.’” (*In re Unisys Sav. Plan Litig.*, 74 F.3d 420, 438 (3d Cir. 1996) (citing 1974 U.S. Code Cong. & Admin News 5038, 5085) (interpreting ERISA, rather than governmental plan rules).

# Fiduciary Duty of Care:

## Duty to Defray Administrative Expenses

- “The assets of the public pension or retirement system are trust funds and shall be held for the exclusive purpose of providing benefits to participants in the pension or retirement system and their beneficiaries and **defraying reasonable expenses of administering the system.** (Cal. Const., art. XVI, §17(a).)
- The Boards are charged with the determination as to what administrative expenses are required to support the system and performance of fiduciary duty. (Gov. Code §§ 31522.1, 31580.2.)
- “Cost-conscious management is fundamental to prudence” and requires that expenses be monitored and periodically reviewed. See *Tibble*, supra, at pp.1197-1198.
- BOI and BOR exercise this responsibility through adoption of, and LACERA compliance with, policies such as: [LACERA Budget Policy](#), [LACERA Purchasing Policy on Goods and Services](#), [LACERA Trustee Travel Policy](#), and [LACERA Procurement Policy for Investment-Related Services](#).

# Fiduciary Duty of Care: Actuarial Services and “Competency” of Assets

- In *O’Neal*, petitioners challenged various board of retirement decisions relating to the actuarial methodologies and transfers of funds among reserves authorized by the board of retirement.
- *O’Neal* concluded that the retirement board had not violated its fiduciary duty of care by making certain actuarial decisions that resulted in lowering the employer contribution rate (such as permitting negative amortization), though it deferred a final decision on that topic with respect to the alleged breach of the duty of loyalty.
  - *O’Neal, supra*, 8 Cal. App. 5th at pp. 1209, 1221, n. 10.

# Prudent Delegation

- Delegation of duties and authority is a fiduciary decision. Prudence is the key to delegation as to all aspects of the topic:
  - Whether to delegate;
  - How to delegate;
  - To whom a task is delegated; and
  - How to supervise and oversee.
- BOI Adopted a Prudent Delegation Model in November 2023.
- Tools for BOI to oversee performance of delegees:
  - E.g., reporting framework approved by BOI in the annual workplan

# Roles and Responsibilities: Examples of “Do’s and Don’ts”

Do’s	Don’ts
<p>Board members consider how investments of retirement plan ensure ability of LACERA to timely pay retirement benefits and maximize risk-adjusted rates of return.</p>	<p>Board members consider whether retirement plan investments further goals of the County or any other third party.</p>
<p>Board members assess the Board’s governance role in making a decision: policy setting, oversight, or direct action.</p>	<p>Board members step out of the Board’s role by, for example, individually influencing, or directing, investment staff to take action on a single investment or other aspect of the investment portfolio.</p>
<p>Board members determine actuarial assumptions as recommended by actuary so as to prudently fund LACERA in order to pay promised retirement benefits when due.</p>	<p>Board members assess whether actuarial assumptions will result in required contributions that County’s current budget may, or may not, contemplate.</p>

# Questions?



# Thank You



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January 31, 2024

TO: Trustees – Board of Investments

FROM: Scott Zdrzil<sup>Sc</sup>  
Principal Investment Officer

FOR: February 14, 2024, Board of Investments Meeting

**SUBJECT: Background on Strategic Approach to ESG-Related Investment Matters and Protocol for Incoming Inquiries**

The attached presentation is intended to provide Trustees with background information about LACERA's policies and strategies to consider financially relevant environmental, social, and governance (ESG) factors in its investment process, as well as describe established protocols to implement Board-approved policies to assess ESG-related requests and inquiries from external parties.

Attachment

Noted and Reviewed:



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Jonathan Grabel  
Chief Investment Officer



## Background on Strategic Approach to ESG-related Investment Matters and Protocol for Incoming Inquiries

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Board of Investments Meeting

February 14, 2024

# Discussion Outline



1. Background on LACERA's Policies and Approach to Consider Financially-relevant Environmental, Social, and Governance (ESG) Investment Risks and Opportunities
2. Protocol for Incoming Inquiries and Requests related to ESG Investment Matters



# **1. Background on Strategic, Total Fund ESG Approach**

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# ESG Approach Rooted in Mission and Policies



**LACERA's mission is to produce, protect, and provide the promised benefits to our members**



LACERA's approach to considering investment risks and opportunities related to environmental, social, and corporate governance (ESG) factors is framed by how ESG factors may impact LACERA's ability **to produce and protect investment returns**

Integrated and explicit component of investment strategy as adopted by the Board in the [Investment Policy Statement](#) (IPS)

IPS language includes:

- LACERA recognizes ESG factors may influence risk-return profiles and financial performance
- Financially relevant ESG factors vary by industry, geographic exposures, investment time horizon
- LACERA assesses all prospective and current asset managers on their “capacity and skill” to manage ESG risks
- “In furtherance of LACERA's mission and fiduciary duties”

# Fund Policy and Positions on Specific ESG Factors



LACERA's [Corporate Governance and Stewardship Principles](#) (“Principles”) articulate fund positions on key ESG factors organized into the five categories below

All adopted Principles aim to create and sustain financial value to position LACERA to fulfill its mission



**Director Elections:**  
Board Quality and  
Accountability



**Investor Rights and  
Protections**



**Executive Compensation:**  
Aligned Interests and  
Pay-for-Performance



**Performance Reporting:**  
Transparent, Reliable,  
Comparable



**Environmental and Social Factors:**  
Climate Change / Energy Transition  
Human Capital / Labor  
Natural Resource Stewardship  
Diversity, Equity, Inclusion  
Human Rights

The Principles are approved by the Board, as developed and recommended by staff and the Corporate Governance Committee

The Board-approved Principles assign to staff the responsibility to “represent and communicate” the Principles in dialogues and communication with:

- Portfolio companies
- External asset managers and investment partners
- Other investors and stakeholders
- Related conferences
- Legislators and regulatory agencies
- Other interested parties

\* See Principles, including page 26, sections C(iii) and C(v)

# Proactive, Strategic Approaches to Apply Policies



- LACERA pursues multiple avenues to operationalize the IPS and Corporate Governance and Stewardship Principles throughout the portfolio
- Using legal rights, investment analysis, and data where available
- Strive for credible, pragmatic, thoughtful approach driven by mission and fiduciary duty



## Proxy Voting

- Vote at shareholder meetings
- Over 7,500 meetings per year
  - More than 60 global markets



## Engagement

- Focused, defined initiatives at portfolio companies, e.g.:
- Board diversity: Over 350 directors appointed at nearly 300 portfolio companies following constructive engagement
  - Climate Action 100+ global initiative to address heaviest emitters on climate risks
  - Better availability and quality of material ESG disclosures by supporting IFRS International Sustainability Accounting Standards Board



## Policy Advocacy

- Engage policymakers such as regulators, standards-setters, and legislators to promote LACERA's *Principles*
- SEC comment letters on investor rights, human capital and climate disclosure proposals, proxy voting regulations



## Investment Due Diligence

- Upfront diligence for each investment and ongoing monitoring of each mandates process to consider financially material ESG factors
- Upfront ESG DDQ and analysis
  - Factor in Manager Scorecard to inform holistic view of manager quality
  - Ongoing tracking in quarterly calls, Limited Partner Advisory Committees (LPACs), annual investor meetings, etc.
  - Annual update DDQs



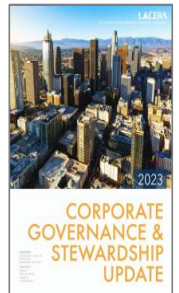
## Fund Analytics

- Data insights and portfolio analytics to identify, assess, track identifiable exposures and model related investment risks and opportunities
- Energy transition / carbon footprinting and analyses
  - "Climate-aware" strategic asset allocation, using scenario analyses and stress testing of physical and transition risks and energy transition opportunities
  - Company research and exposure analytics



## Transparency

- Communicate approach, key initiatives, and progress
- [lacera.com](https://www.lacera.com) updates
  - Annual stewardship report



# “Compelled and Guided” by Fiduciary Duties



“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 Corporate Governance and Stewardship Principles

## Duty of Loyalty

**Act solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries**  
(CERL Section 31595(a).)



## Duty of Prudence

**Act with the care, skill, prudence, and diligence**  
(Article XVI, Section 17(c); CERL Section 31595(b).)

# LACERA Scores Above PRI Median



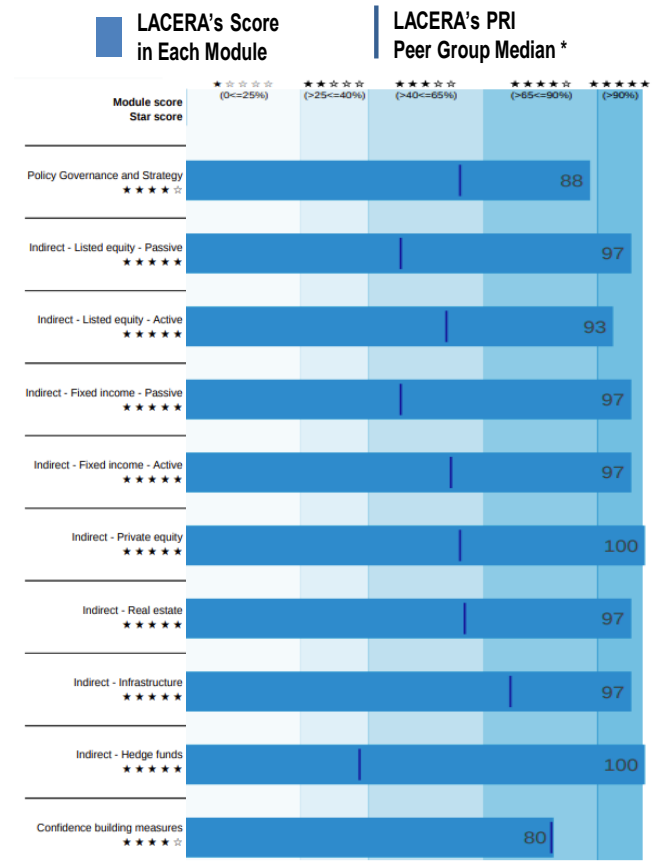
- LACERA signed United Nations Principles for Responsible Investment in 2008
- PRI signatories commit to pursue six principles defined below
- LACERA scores well above median and near top points in each asset class in PRI assessment

## PRI's Six Principles

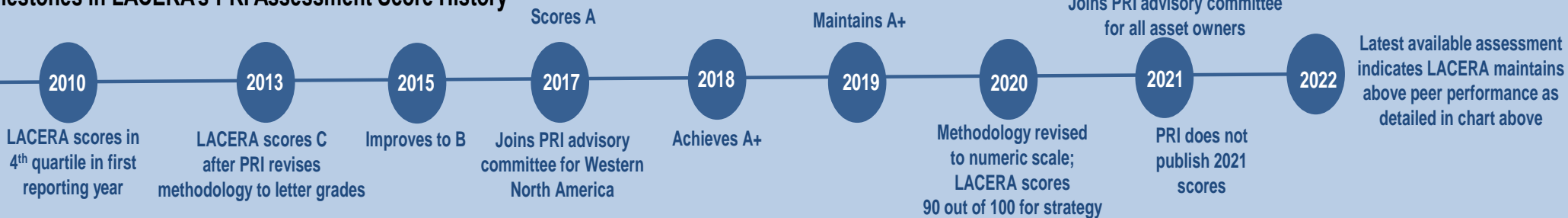
**PRI** Principles for Responsible Investment

- 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3** We will seek appropriate disclosures on ESG issues by the entities in which we invest.
- 4** We will promote acceptance and implementation of the Principles within the investment industry.
- 5** We will work together to enhance our effectiveness in implementing the Principles.
- 6** We will each report on our activities and progress towards implementing the Principles.

## LACERA's Most Recent PRI Summary Scorecard - 2022



## Milestones in LACERA's PRI Assessment Score History



\* LACERA's 2022 peer group consists of 22 U.S. asset owners with assets over \$50 billion



# Proactive Due Diligence Integral to PRI Scores



Intentional and structured upfront ESG due diligence, monitoring, and engagement with asset managers



**LACERA assesses each mandate on the asset manager's skill and capacity to integrate and manage ESG factors and risks on the 5-point scale below**

Assess each mandate on manager's skill to identify and manage ESG factors

- Process
- Resources
- Transparency to LACERA

LACERA secures side letter agreements from managers to provide updates on ESG process

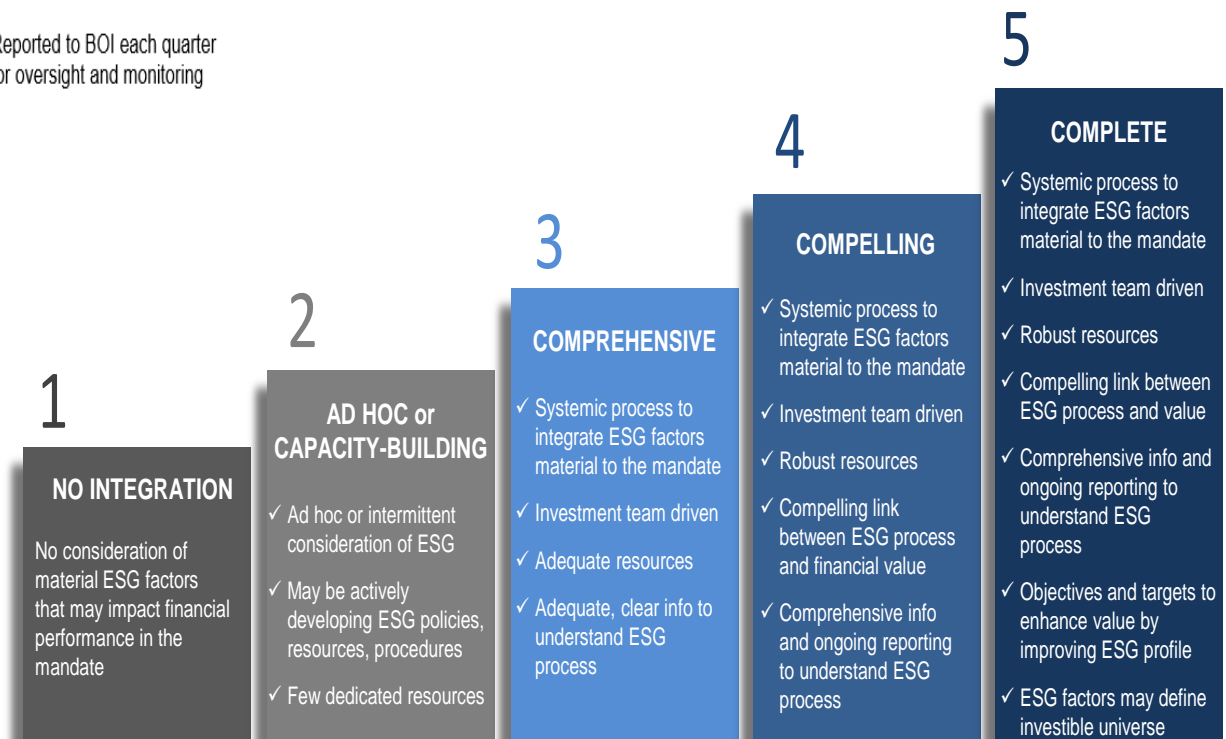
Routine asset manager calls, LPAC meetings, and annual meetings

Additional resources, analytics, and reporting

Annual ESG DDQ updates

LACERA scores each manager on 1-5 ESG scale

Reported to BOI each quarter for oversight and monitoring



\* Each mandate's ESG assessment score reported to the Board in quarterly performance reports



## **2. Protocol for Incoming Inquiries Related to ESG**

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# Navigating Incoming Inquiries and Requests



In addition to proactive engagement, manager assessments, and advocacy initiatives, LACERA from time-to-time receives incoming inquiries and requests related to ESG matters in its investment portfolio

Inquiries take a variety of forms, such as:

-  Phone calls
-  Emails
-  Public comment



**Framework and protocol** established in 2020 to guide management of incoming inquiries and requests

- Operationalize Board-approved Principles and policies for staff to represent Principles with asset managers, portfolio companies, and interested parties
- Reviewed by Board of Investments in July 2020
- Part of both Trustee and staff orientation materials
- Ensuring procedural prudence, consistent with fiduciary framework

# Key Objectives of Protocol



1. **Responsive:** Enable LACERA to responsibly respond as a public agency
2. **Fiduciary alignment:** Ensure alignment with fiduciary duties, including following a prudent process
3. **Clarity:** Provide clear guidance for Trustees and staff to know what process is
4. **Cohesion:** Position Trustees and staff to act with one voice and support the Board as a singular fiduciary Board
5. **Policy Adherence:** Ensure any action is in accordance with Board-approved policies
6. **Compliance:** Act in adherence with legal and contractual constraints and parameters of governing laws, regulations, and contractual terms that LACERA has agreed to
7. **Credibility:** Ensure any action is based on informed assessment of available facts and information
8. **Consistency:** Facilitate action that is consistent across LACERA's portfolio and similar exposures
9. **Resource-conscious:** Manage finite organizational and staff resources in furtherance of the Board's strategic plan
10. **Effective:** Unify LACERA behind credible, compliant, fiduciary-driven, strategic approaches that advance LACERA's mission to produce, protect, and provide the promised benefits to members

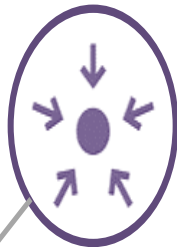


# Protocol for Incoming Inquiries



Protocol for handling incoming inquiries, as reviewed by the Board of Investment in 2020

**A** Coordination and Routing



**Direct all incoming inquiries to Chief Investment Officer**

who coordinates relevant asset classes and legal counsel, when warranted

**B** Due Diligence, Assessment, Dialogue



**Investment staff take the following steps (in conjunction with Legal Office, when appropriate)**

1. **Facts and Details:** Identify facts, including LACERA's exposure and available information and context on the matter
2. **Principles Policy Guidance** Consult LACERA policies for relevant guiding principles (e.g., Corporate Governance and Stewardship Principles)
3. **Legal Parameters:** Identify legal, contractual, confidentiality, due diligence constraints or opportunities
4. **Materiality:** Identify size and materiality of exposure
5. **Dialogue:** Dialogue with key contacts (such as stakeholder and asset manager) to further clarify facts, concerns, and context, when feasible
6. **Board-Policy Adherence:** Assess and ensure adherence with Board-approved policies (e.g., media and communications policies) and Public Records Act
7. **Impact:** Assess possible courses of action and likely effectiveness and impact of available actions
8. **Consistency:** Assess consistency of prospective action with material exposures in portfolio

**C** Engagement, Action, Monitoring



**Staff may engage asset manager or portfolio company within legal and contractual parameters**

1. **Policy Guidance:** Encourage all parties to resolve matter consistent with LACERA's Principles and policy position
2. **Communication:** Inform interested stakeholder if engagement is pursued (while adhering to legal, contractual, confidentiality parameters)
3. **Monitoring:** Track developments with facts through dialogue and available investor rights (e.g., advisory committee participation)
4. **Strategic Options:** LACERA may increase, decrease, terminate allocations to asset managers, or determine to not invest in subsequent fund capital raises, based on developments, resolution, and responsiveness

# Private Fund Considerations



LACERA's Board-approved strategic asset allocation calls for investing in private market funds (e.g., private equity, real estate). Additional legal and strategic considerations of being an investor in private market funds include:

## 1) Limited Liability Expressly Contingent Upon Not Engaging in Portfolio Management Activities

- As a "limited partner," LACERA gains exposure to "blind pool" private funds and gives discretionary authority to the fund manager in exchange for limited liability
- Limited liability provides protection to LACERA's financial assets if legal action is pursued against a private fund manager or its portfolio holdings
- By agreeing to limited liability to LACERA, fund managers prohibit investors like LACERA from intervening in operational matters of portfolio companies
- LACERA actively monitors its investments, including the fund manager's investment thesis, portfolio management process, and outcomes
- LACERA proactively secures legal rights to gain information and strengthen its position to monitor its investments, such as representation on fund advisory committees (Limited Partner Advisory Committees or "LPACs") and side letters to investment contracts to facilitate reporting on management of ESG factors
- Information can help LACERA to ask informed questions, re-allocate capital to a fund manager in future funds, and take legal action when necessary

## 2) Contractual Requirements for Confidentiality

- LACERA, as a limited partner, enters into contractually binding legal agreements that require confidentiality about fund matters
- Investment agreements expressly prohibit LACERA from publicly disclosing certain information about the fund and LACERA's due diligence
- To conduct due diligence and monitoring to build private market exposures consistent with Board-approved strategic asset allocations, LACERA signs non-disclosure agreements ("NDAs") to access data rooms and additional information

## 3) Selective Disclosures of LACERA's Private Fund Monitoring Pose Legal and Reputational Risks

- LACERA has legal exemptions by which LACERA's investment due diligence and ongoing monitoring of private funds are exempt from public disclosure
- The legal exemption is intended, in part, to avoid impairing public funds' ability to conduct effective due diligence and invest in private markets
- Acting contrary to the legal exemption may impact LACERA's ability to reference the legal exemption and diligence investments
- Selective public disclosure of fund due diligence may influence LACERA's credibility/reputation when committing to NDAs

## 4) Proactive, Outcome-Focused Approach Versus Reactive, Ad Hoc, One-Off Tactic/Response

- LACERA secures legal rights to raise questions and concerns within contractual and legal parameters, inform LACERA diligence, and promote LACERA interests

# Strategic, Intentional, Integrated ESG Integration



## Established and Integrated ESG Approach

- LACERA has an established, integrated approach to considering ESG investment risks that aims to be proactive and strategic
- Defined and Board-approved policies and articulated positions on ESG matters
- Proactive investment due diligence and monitoring across the Total Fund, including each individual investment mandate
- Active history of engagement and leadership in ESG-related associations

## Fiduciary-Aligned

- LACERA's approach is "guided and compelled" by fiduciary duties to focus on financially-relevant ESG risks
- Defined Principles, policies, and protocols further prudent governance

## Established Protocol to Manage Incoming Inquiries and Requests

- Support the Board as a fiduciary governing body that acts as one
- Ensure a prudent process to assess and consider inquiries and requests, including legal, contractual, and fiduciary parameters
- Protocol has served the fund to be effective and avoid legal, reputational, and operational risks
- Facilitates implementation of Board-approved policies and assigned staff responsibilities

## Proactive Approach Enables Strategic Action

- LACERA's established approach to upfront fund diligence and securing legal rights strengthen LACERA's ability to consider incoming inquiries and requests in an informed and compliant manner within contractual and legal parameters

**Defined policies and protocols aim to strengthen LACERA's ability to advance our mission to produce, protect, and provide benefits to members**



January 22, 2024

**TO:** Trustees – Board of Retirement

**FROM:** Ted Granger *TG*  
Interim Chief Financial Officer

**FOR:** February 7, 2024 – Board of Retirement Meeting

**SUBJECT: COST-OF-LIVING ADJUSTMENT EFFECTIVE APRIL 1, 2024**

CONSUMER PRICE INDEX CHANGE

Sections 31870, 31870.1, and 31495.5 of the California Government Code govern cost-of-living adjustment (COLA) for retired LACERA members and beneficiaries. These Government Code sections provide that the Board of Retirement shall, before April 1 of each year, determine whether there has been an increase or decrease in the cost-of-living, as shown by the U.S. Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of January 1 of each year.

Information concerning the Bureau of Labor Statistics CPI for All Urban Consumers for the Los Angeles-Long Beach-Anaheim area is as follows:

CPI Index for Year Ended December 2023	323.456
CPI Index for Year Ended December 2022	312.601
CPI Index Change	<u>10.855</u>
CPI Percentage Change	<u>3.5%</u>
BLS Annual Change (December 2022 to December 2023)	3.5%
<b>LACERA 2024 COLA Change<sup>1</sup></b> (rounded to nearest one-half of 1.0%)	<b>3.5%</b>

MAXIMUM ALLOWABLE COLA CHANGES

Every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member, who retires or dies or who has retired or died shall, as of April 1 of each year, be increased or decreased by a percentage of the total allowance to approximate to the nearest one-half of 1.0%, the percentage of annual increase or decrease in the cost-of-living as of January 1 of each year subject to the following limitations:

<sup>1</sup>This COLA Change amount exceeds LACERA retirement plan maximums and increases will be divided between the COLA retirement allowances and the COLA Accumulation accounts as explained below.



Section 31870.1 of the California Government Code governing cost-of-living increases for retired Plan A members and beneficiaries provides that such change shall not exceed 3.0% per year.

- Section 31870 of the California Government Code governing cost-of-living increases for retired Plans B, C, and D, as well as PEPRA Plans C and G, members and beneficiaries provides that such change shall not exceed 2.0% per year.
- Section 31495.5 of the California Government Code governing cost-of-living increases for retired Plan E members and beneficiaries provides that such change shall not exceed 2.0% per year for Plan E members who retire on and after June 4, 2002. Effective June 4, 2002, Plan E members and their survivors are also eligible for a COLA. The portion of the COLA percentage received by each Plan E member is a ratio of the member's service credit earned after June 4, 2002, to total service credit. The portion of the full increase not awarded may be purchased by the member.

#### COLA INCREASES EFFECTIVE APRIL 1, 2024

Based on the LACERA COLA award of 3.5% and applicable Government Code provisions, cost-of-living increases for retired members and beneficiaries, which may be approved to become effective April 1, 2024 based on retirement plan and date of retirement or death, are as follows:

#### **PLAN A MEMBERS AND ELIGIBLE BENEFICIARIES**

- ALL DATES UP TO MARCH 31, 2024: 3.0%

The 3.0% increase equals the maximum allowable increase.

#### **PLANS B, C, & D, AND PEPRA PLANS C & G MEMBERS AND ELIGIBLE BENEFICIARIES**

- ALL DATES UP TO MARCH 31, 2024: 2.0%

The 2.0% increase equals the maximum allowable increase.

#### **PLAN E MEMBERS AND ELIGIBLE BENEFICIARIES**

- ALL DATES BEGINNING JUNE 4, 2002 TO MARCH 31, 2024: 2.0%

Plan E COLA increases apply only to service credit earned on and after June 4, 2002. Plan E members who retire on and after June 4, 2002 will receive up to a 2.0% COLA increase. The portion of the 2.0% COLA is based upon a ratio defined as the months of service earned on and after June 4, 2002 divided by the total months of service.

## COLA ACCUMULATION

The above Government Code sections also provide that the amount of any CPI cost-of-living increase or decrease in any year, which is not met by the maximum annual change of 3.0% or 2.0% in retirement allowances, shall be accumulated to be met by increases or decreases in retirement allowances in future years. The accumulated percentage carryover is known as the *COLA Accumulation*.

The determination methodology for the amount of increase or decrease to the COLA Accumulation differs from the methodology for the determination of the COLA Award increase or decrease each year. Government Code provisions require that the CPI is rounded to the nearest one-half of 1.0% to determine the COLA Award. The differences between the actual CPI and the maximum annual retirement allowance changes are determined to increase or decrease the COLA Accumulation balances. Rounding of the CPI is not applied when calculating increases or decreases to the COLA Accumulation accounts.

## CHANGES TO THE COLA ACCUMULATION BALANCE

Based on the CPI percentage change of 3.5% and applicable Government Code provisions, COLA Accumulation adjustments for retired members and beneficiaries, which may be approved to be effective April 1, 2024 based on retirement plan and date of retirement or death, are as follows:

### **PLAN A MEMBERS AND ELIGIBLE BENEFICIARIES (ATTACHMENT 1)**

- ALL DATES UP TO MARCH 31, 2024: 0.5% INCREASE

As the LACERA COLA Award is 3.0%, the excess of 0.5% was added to the COLA Accumulation balance to equal the 2023 total CPI percentage increase of 3.5%.

### **PLANS B, C, & D AND PEPRA PLANS C & G MEMBERS AND ELIGIBLE BENEFICIARIES (ATTACHMENTS 1 & 2)**

- ALL DATES UP TO MARCH 31, 2024: 1.5% INCREASE

As the LACERA COLA Award is 2.0%, the excess of 1.5% was added to the COLA Accumulation balance to equal the 2023 total CPI percentage increase of 3.5%.

### **PLAN E MEMBERS AND ELIGIBLE BENEFICIARIES (ATTACHMENT 3)**

- ALL DATES BEGINNING JUNE 4, 2002 TO MARCH 31, 2024: 1.5% INCREASE

As the LACERA COLA Award is 2.0%, the excess of 1.5% was added to the COLA Accumulation balance to equal the 2023 total CPI percentage increase of 3.5%.

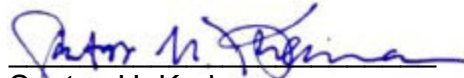
The COLA Accumulation percentages as of April 1, 2024 are shown in the Attachments and reflect the above adjustments. LACERA's Systems Division and Financial and Accounting Services Division staff, reviewed and agreed on the data set presented.

**THEREFORE, IT IS RECOMMENDED THAT THE BOARD OF RETIREMENT:**

For the year ended December 2023, determine the Consumer Price Index changed by 3.5% (or when rounded to the nearest one-half of 1.0% as the COLA benefit rules require, 3.5%: the LACERA 2024 COLA Award), and approve cost-of-living adjustments and respective COLA Accumulation changes for retired LACERA members and beneficiaries, based on retirement plan and date of retirement or death, to become effective April 1, 2024 in accordance with applicable California Government Code Sections.

Attachments

REVIEWED AND APPROVED:



Santos H. Kreimann  
Chief Executive Officer

January 29, 2024

\_\_\_\_\_  
Date

SK:TG:ew:cl:se

c: Board of Investments, LACERA  
Luis A. Lugo  
JJ Popowich  
Laura Guglielmo  
Steven P. Rice

Cost-of-Living Accumulation Chart  
Percentages as of April 1, 2024

Retirement Date	General Plan A and Safety Plan A				General Plans B, C & D, and Safety Plans B & C			
	COLA % Accumulation 1-Apr-23	STAR Benefit Adjustment in 2024	COL Adjustment 1-Apr-24	COLA % Accumulation 1-Apr-24	COLA % Accumulation 1-Apr-23	STAR Benefit Adjustment in 2024	COL Adjustment 1-Apr-24	COLA % Accumulation 1-Apr-24
Before 4/1/77	10.8	-	0.5	11.3	-	-	-	-
4/1/1977 - 3/31/1978	10.8	0.0	0.5	11.3	22.9	(2.9)	1.5	21.5
4/1/1978 - 3/31/1979	10.8	0.0	0.5	11.3	22.9	(2.9)	1.5	21.5
4/1/1979 - 3/31/1980	10.8	0.0	0.5	11.3	22.9	(2.9)	1.5	21.5
4/1/1980 - 3/31/1981	10.8	0.0	0.5	11.3	22.9	(2.9)	1.5	21.5
4/1/1981 - 3/31/1982	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1982 - 3/31/1983	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1983 - 3/31/1984	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1984 - 3/31/1985	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1985 - 3/31/1986	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1986 - 3/31/1987	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1987 - 3/31/1988	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1988 - 3/31/1989	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1989 - 3/31/1990	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1990 - 3/31/1991	5.5	0.0	0.5	6.0	22.9	(2.9)	1.5	21.5
4/1/1991 - 3/31/1992	5.5	0.0	0.5	6.0	18.8	0.0	1.5	20.3
4/1/1992 - 3/31/1993	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1993 - 3/31/1994	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1994 - 3/31/1995	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1995 - 3/31/1996	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1996 - 3/31/1997	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1997 - 3/31/1998	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1998 - 3/31/1999	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/1999 - 3/31/2000	5.5	0.0	0.5	6.0	18.2	0.0	1.5	19.7
4/1/2000 - 3/31/2001	5.5	0.0	0.5	6.0	17.9	0.0	1.5	19.4
4/1/2001 - 3/31/2002	5.5	0.0	0.5	6.0	16.2	0.0	1.5	17.7
4/1/2002 - 3/31/2003	5.5	0.0	0.5	6.0	16.1	0.0	1.5	17.6
4/1/2003 - 3/31/2004	5.5	0.0	0.5	6.0	14.4	0.0	1.5	15.9
4/1/2004 - 3/31/2005	5.5	0.0	0.5	6.0	14.4	0.0	1.5	15.9
4/1/2005 - 3/31/2006	5.5	0.0	0.5	6.0	12.0	0.0	1.5	13.5
4/1/2006 - 3/31/2007	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2007 - 3/31/2008	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2008 - 3/31/2009	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2009 - 3/31/2010	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2010 - 3/31/2011	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2011 - 3/31/2012	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2012 - 3/31/2013	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2013 - 3/31/2014	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2014 - 3/31/2015	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2015 - 3/31/2016	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2016 - 3/31/2017	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2017 - 3/31/2018	5.5	0.0	0.5	6.0	10.8	0.0	1.5	12.3
4/1/2018 - 3/31/2019	5.5	0.0	0.5	6.0	9.2	0.0	1.5	10.7
4/1/2019 - 3/31/2020	5.5	0.0	0.5	6.0	8.0	0.0	1.5	9.5
4/1/2020 - 3/31/2021	5.5	0.0	0.5	6.0	7.5	0.0	1.5	9.0
4/1/2021 - 3/31/2022	5.5	0.0	0.5	6.0	7.5	0.0	1.5	9.0
4/1/2022 - 3/31/2023	1.9	0.0	0.5	2.4	2.9	0.0	1.5	4.4
4/1/2023 - 3/31/2024	0.0	0.0	0.5	0.5	0.0	0.0	1.5	1.5

Cost-of-Living Accumulation Chart  
 Percentages as of April 1, 2024

Retirement Date	<b>[PEPRA] General Plan G and Safety Plan C</b>			
	COLA % Accumulation 1-Apr-23	STAR Benefit Adjustment in 2024	COL Adjustment 1-Apr-24	COLA % Accumulation 1-Apr-24
1/1/2013 - 3/31/2013	10.8	0.0	1.5	<b>12.3</b>
4/1/2013 - 3/31/2014	10.8	0.0	1.5	<b>12.3</b>
4/1/2014 - 3/31/2015	10.8	0.0	1.5	<b>12.3</b>
4/1/2015 - 3/31/2016	10.8	0.0	1.5	<b>12.3</b>
4/1/2016 - 3/31/2017	10.8	0.0	1.5	<b>12.3</b>
4/1/2017 - 3/31/2018	10.8	0.0	1.5	<b>12.3</b>
4/1/2018 - 3/31/2019	9.2	0.0	1.5	<b>10.7</b>
4/1/2019 - 3/31/2020	8.0	0.0	1.5	<b>9.5</b>
4/1/2020 - 3/31/2021	7.5	0.0	1.5	<b>9.0</b>
4/1/2021 - 3/31/2022	7.5	0.0	1.5	<b>9.0</b>
4/1/2022 - 3/31/2023	2.9	0.0	1.5	<b>4.4</b>
4/1/2023 - 3/31/2024	0.0	0.0	1.5	<b>1.5</b>

Note: PEPRA Plans G and C were effective January 1, 2013.

Cost-of-Living Accumulation Chart  
 Percentages as of April 1, 2024

Retirement Date	General Plan E		
	COLA % Accumulation 01-Apr-23	COL Adjustment 01-Apr-24	COLA % Accumulation 01-Apr-24
4/1/2002 - 3/31/2003	16.1	1.5	17.6
4/1/2003 - 3/31/2004	14.4	1.5	15.9
4/1/2004 - 3/31/2005	14.4	1.5	15.9
4/1/2005 - 3/31/2006	12.0	1.5	13.5
4/1/2006 - 3/31/2007	10.8	1.5	12.3
4/1/2007 - 3/31/2008	10.8	1.5	12.3
4/1/2008 - 3/31/2009	10.8	1.5	12.3
4/1/2009 - 3/31/2010	10.8	1.5	12.3
4/1/2010 - 3/31/2011	10.8	1.5	12.3
4/1/2011 - 3/31/2012	10.8	1.5	12.3
4/1/2012 - 3/31/2013	10.8	1.5	12.3
4/1/2013 - 3/31/2014	10.8	1.5	12.3
4/1/2014 - 3/31/2015	10.8	1.5	12.3
4/1/2015 - 3/31/2016	10.8	1.5	12.3
4/1/2016 - 3/31/2017	10.8	1.5	12.3
4/1/2017 - 3/31/2018	10.8	1.5	12.3
4/1/2018 - 3/31/2019	9.2	1.5	10.7
4/1/2019 - 3/31/2020	8.0	1.5	9.5
4/1/2020 - 3/31/2021	7.5	1.5	9.0
4/1/2021 - 3/31/2022	7.5	1.5	9.0
4/1/2022 - 3/31/2023	2.9	1.5	4.4
4/1/2023 - 3/31/2024	0.0	1.5	1.5

Note: Plan E COLA benefit is effective for members who retire on and after June 4, 2002.

**FOR INFORMATION ONLY**

January 24, 2024

TO: Trustees,  
Board of Investments

FROM: Ted Granger   
Interim Chief Financial Officer

FOR: February 14, 2024 – Board of Investments Meeting

SUBJECT: **Semi-Annual Interest Crediting for Reserves as of December 31, 2023  
(UNAUDITED)**

Pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31591, regular interest shall be credited semi-annually on June 30 and December 31 to all eligible member contributions in the retirement fund, which have been on deposit six months immediately prior to such date at an interest rate determined by the Board.

The Retirement Benefit Funding Policy requires that LACERA conduct an experience and assumption study every three years and perform annual valuations of the retirement benefits plan. Milliman, LACERA's consulting actuary, prepares the valuation to confirm the existing actuarial assumptions and methods, and calculate the employer and employee contribution rates for the beginning of the upcoming fiscal year.

**Interest Credit Application for Fiscal Year 2023-2024**Rate

Plan sponsors and LACERA require ample time to prepare for annual changes to employer and employee contribution rates and interest crediting rates, so the actuarial valuation from one year prior establishes the interest crediting target rate effective July 1 of a given fiscal year.

For Fiscal Year 2023-2024, the annual investment return assumption of 7.00% was used to prepare the June 30, 2022 actuarial valuation report, and determines that 3.50% (i.e., 1/2 of the annual rate) is semi-annual interest crediting rate applicable on December 31, 2023.

Realized Earnings

The Retirement Benefit Funding Policy stipulates that interest credits are allocated to Reserve accounts in the same priority order as the allocation of actuarial assets, to the extent there are Realized Earnings available in the six-month period to perform such an allocation. Interest crediting application to Reserve accounts for the six-month period stops once all Realized Earnings have been allocated.

As of December 31, 2023, there were sufficient Realized Earnings to meet the required interest credit rates for Priority 1, the Member Reserve. In as much as there were no balances in the

Advanced Employer Contributions Reserve at the beginning of the fiscal year, the remaining realized earnings were applied to Priority 3, the Employer Reserve.

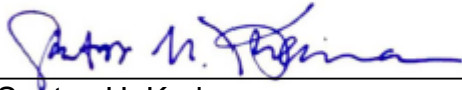
The table below depicts the actual interest credit allocations for the six-month period ended December 31, 2023.

<b>Priority Order</b>	<b>Reserve Account</b>	<b>Interest Credit Rate Applied</b>
1	Member	3.50%
2	Advanced Employer Contributions	N/A
3	Employer	2.18%

### **Next Cycle**

For June 30, 2024, the semi-annual interest crediting rate for reserve accounts is 3.50% and will be applied to future interest crediting cycles until the Board changes the investment return assumption. The next experience study is scheduled for June 30, 2025.

### **REVIEWED AND APPROVED:**



---

Santos H. Kreimann  
Chief Executive Officer

SHK:tg:mh

c: Board of Retirement, LACERA  
Fesia Davenport, CEO, Los Angeles County



**FOR INFORMATION ONLY**

February 2, 2024

TO: Trustees,  
Board of Investments

FROM: Christine Roseland *CR*  
Senior Staff Counsel

FOR: February 14, 2024 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 February 2, 2024.

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  
Lisa Garcia



LACERA Legal Division  
Board of Investments Projects  
Monthly Status Report - Pending as of February 2, 2024



	Project/ Investment	Description	Amount	Board Approval Or Report Out Date	Completion Status	% Complete	Notes
PRIVATE EQUITY	Centerbridge Capital Partners Fund V	Subscription	\$250,000,000	January 10, 2024	Completed	100%	Completed.
	Wynnchurch Capital VI, L.P.	Subscription	\$115,000,000	January 10, 2024	Completed	100%	Completed.
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	80%	Legal negotiations in process.
REAL ESTATE	AG Europe Realty Fund IV, L.P.	Subscription	\$180,000,000	December 13, 2023	Completed	100%	Completed.



January 25, 2024

**TO:** Trustees – Board of Retirement

**FROM:** Ted Granger *TG*  
Interim Chief Financial Officer

**FOR:** February 7, 2024 – Board of Retirement Meeting

**SUBJECT: Disability Case Review CPI Increase in Compensation  
Effective April 1, 2024**

BOARD COMPENSATION FOR REVIEW OF DISABILITY CASES

Section 31521.3 of the California Government Code provides that the fourth, fifth, sixth, eighth, ninth, and alternate retired trustees of the Board of Retirement receive compensation for the review and analysis of disability retirement cases. Compensation is, therefore, payable to the appointed and retired trustees only. Compensation is also limited to the first time the Board of Retirement considers a case. The number of hours of compensation may not exceed 32 hours per month.

The Los Angeles County Board of Supervisors originally set the compensation at \$100 for an eight-hour day, which is prorated for less than eight hours of work in a single day. The hourly rate equated to \$12.50 per hour.

Section 31521.3 provides that beginning on or before March 31, 2010, and on or before March 31 of each even-numbered year thereafter, the Board of Retirement may adjust the compensation biennially to reflect any change in the Consumer Price Index (CPI) for the Los Angeles-Long Beach-Anaheim area that occurred in the previous two calendar years, rounded to the nearest dollar. Effective April 1, 2022, the Board of Retirement approved the current compensation for the review and analysis of disability retirement cases of \$135 per day for an eight-hour day, which equates to \$16.88 per hour.

CONSUMER PRICE INDEX CHANGE

Information published by the U.S. Bureau of Labor Statistics CPI for All Urban Consumers for the Los Angeles-Long Beach-Anaheim area for the two years is as follows:

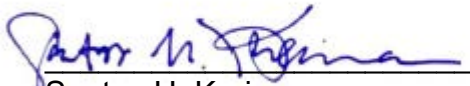
CPI Index for Year Ended December 2023	323.456
CPI Index for Year Ended December 2021	<u>297.925</u>
CPI Index Change (two years)	<u>25.531</u>
<b>CPI Percentage Change</b>	<b><u>8.6%</u></b>

Based on the CPI increase of 8.6% over the last two calendar years, the disability case review compensation for an eight-hour day of work will increase from \$135, which equals \$16.88 per hour, to \$147 (\$146.61, rounded to the nearest dollar). The new hourly rate equates to \$18.38 per hour.

**THEREFORE, IT IS RECOMMENDED THAT THE BOARD OF RETIREMENT:**

Determine the Consumer Price Index changed by 8.6% for the last two calendar years ended December 2023 and adjust the compensation for the review and analysis of disability retirement cases to a maximum of \$147 per day, to be prorated for less than eight hours in a single day at the hourly rate of \$18.38, effective April 1, 2024.

REVIEWED AND APPROVED:



Santos H. Kreimann  
Chief Executive Officer

01/29/24

Date

SK:TG:ew:sc:se  
Disability Case Review CPI 2024\_FINAL.doc

c: Board of Investments, LACERA  
Luis A. Lugo  
JJ Popowich  
Laura Guglielmo  
Steven P. Rice

**FOR INFORMATION ONLY**

January 24, 2024

TO: Each Trustee  
Board of Retirement  
Board of Investments

FROM: Ted Granger *TG*  
Interim Chief Financial Officer

FOR: February 7, 2024 Board of Retirement Meeting  
February 14, 2024 Board of Investments Meeting

**SUBJECT : MONTHLY TRUSTEE TRAVEL & EDUCATION REPORT – DECEMBER 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 December 2023.

Trustees attend monthly Board and Committee meetings at LACERA's office which are considered administrative meetings per the Trustee Travel Policy. In order to streamline report volume and information, these regular meetings are excluded from the monthly travel reports but are included in the quarterly travel expenditure reports.

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/gj

**Attachments**

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

**TRUSTEE TRAVEL AND EDUCATION REPORT  
FOR FISCAL YEAR 2023 - 2024  
DECEMBER 2023**

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
<b>Alan Bernstein</b>			
A	1 Edu - PREA's 33rd Annual Institutional Investor Conference - Boston MA	10/18/2023 - 10/20/2023	Attended
B	- Edu - NACD DE&I Deep Dive: A Road Map for Becoming an Inclusion-Focused Board - Laguna Beach CA	08/22/2023 - 08/23/2023	Attended
<b>Vivian Gray</b>			
A	1 Edu - Prosper Africa U.S. Institutional Investors Delegation Trip & GEBF Thought Leadership Conference - Johannesburg and Cape Town South Africa	09/30/2023 - 10/06/2023	Attended
B	- Admin - SACRS Board of Directors and Committee Meeting - San Mateo CA	08/07/2023 - 08/08/2023	Attended
	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended
	- Admin - TLF Trustee Peer Coaching Program - Boston MA	10/26/2023 - 10/27/2023	Attended
	- Admin - CALAPRS Intermediate Course in Retirement Plan Administration - Burbank CA	11/01/2023 - 11/03/2023	Attended
	- Edu - SACRS 2023 Fall Conference - Rancho Mirage CA	11/07/2023 - 11/10/2023	Attended
	- Admin - NASP New York Symposium - New York City NY	11/14/2023 - 11/15/2023	Attended
<b>David Green</b>			
A	1 Edu - 2023 SuperInvestor International - Zürich Switzerland	11/14/2023 - 11/17/2023	Attended
<b>Jason Green</b>			
A	1 Edu - 2023 SuperInvestor International - Zürich Switzerland	11/14/2023 - 11/17/2023	Attended
B	- Edu - CII 2023 Fall Conference   Next Frontier in Governance - Long Beach CA	09/11/2023 - 09/13/2023	Attended
<b>James Harris</b>			
B	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended
<b>Onyx Jones</b>			
X	- Edu - NCPERS 2023 Fall Conference - Las Vegas NV	10/21/2023 - 10/25/2023	Canceled
<b>Patrick Jones</b>			
A	1 Edu - 2023 Investment Diversity Advisory Council (IDAC) Global Summit - Chicago IL	09/19/2023 - 09/20/2023	Attended
	2 Edu - NCPERS 2023 Fall Conference - Las Vegas NV	10/21/2023 - 10/25/2023	Attended
B	- Edu - PPI 2023 Summer Roundtable - San Francisco CA	07/19/2023 - 07/21/2023	Attended
	- Edu - SACRS 2023 Fall Conference - Rancho Mirage CA	11/07/2023 - 11/10/2023	Attended
<b>Keith Knox</b>			
A	1 Edu - 2023 PPI Executive Seminar and Asia Roundtable - Tokyo Japan	10/22/2023 - 10/27/2023	Attended
B	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended
<b>Les Robbins</b>			
B	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended

**TRUSTEE TRAVEL AND EDUCATION REPORT  
FOR FISCAL YEAR 2023 - 2024  
DECEMBER 2023**

<b>Attendee</b>	<b>Purpose of Travel - Location</b>	<b>Event Dates</b>	<b>Travel Status</b>
<b>Gina Sanchez</b>			
A	1 Edu - 2023 Investment Diversity Advisory Council (IDAC) Global Summit - Chicago IL	09/19/2023 - 09/20/2023	Attended
	2 Edu - Midwest and West Coast Investor Insight Summit - Chicago IL	10/05/2023 - 10/06/2023	Attended
	3 Edu - 2023 LAVCA Week Conference - New York City NY	10/10/2023 - 10/13/2023	Attended
	4 Edu - 2023 PPI Executive Seminar and Asia Roundtable - Tokyo Japan	10/22/2023 - 10/27/2023	Attended
B	- Edu - PPI 2023 Summer Roundtable - San Francisco CA	07/19/2023 - 07/21/2023	Attended
	- Edu - SACRS 2023 Fall Conference - Rancho Mirage CA	11/07/2023 - 11/10/2023	Attended
<b>Herman Santos</b>			
A	1 Edu - 2023 LAVCA Week Conference - New York City NY	10/10/2023 - 10/13/2023	Attended
	2 Edu - 2023 PPI Executive Seminar and Asia Roundtable - Tokyo Japan	10/22/2023 - 10/27/2023	Attended
B	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended
	- Edu - SACRS 2023 Fall Conference - Rancho Mirage CA	11/07/2023 - 11/10/2023	Attended

Category Legend:

A - Pre-Approved/Board Approved Educational Conferences

B - 1) Board Approved Administrative Meetings and 2) Pre-Approved Educational Conferences in CA where total cost is no more than \$3,000 provided that a Trustee may not incur over \$15,000 for all expenses of attending all such Educational Conferences and Administrative Meetings in a fiscal year 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.



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**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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