

IN PERSON & VIRTUAL BOARD MEETING

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



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

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

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

AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, APRIL 10, 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.

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. RATIFICATION OF OFFICERS
 - A. Board Officers: Revised Slate for 2024 Calendar Year**

Recommendation as submitted by Santos H. Kreimann, Chief Executive Officer: That the Board ratify a revised slate of board officers who will serve the remaining term in the 2024 calendar year as the result of a vacancy: David Ryu as Vice Chair, and Jason Green as Secretary. (Memo dated March 15, 2024)
- IV. Election of Trustees to Joint Organizational Governance Committee (1 Trustee) and Audit Committee (1 Trustees)
- 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

VI. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Regular Meeting of March 13, 2024

VII. 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.)

VIII. EXECUTIVE UPDATE

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

IX. CONSENT ITEMS

- A. **Impact Investor Global Summit 2024 in London, England on May 14 -15, 2024**

Recommendation that the Board approve attendance of Trustees at the Impact Investor Global Summit 2024 in London, England on May 14 -15, 2024, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Placed on the agenda by Trustee David Ryu)
(Memo dated March 20, 2024)

IX. CONSENT ITEMS (Continued)

B. **Ethics and Compliance as Strategic Priorities: LACERA Ethics and Compliance Program Framework**

Recommendation as submitted by Vivian H. Gray, Chair, Joint Organizational Governance Committee: That the Board refer the proposed Ethics and Compliance Program Charter to the Audit Committee for further development, and then return it to the Boards for final approval. (Memo dated March 27, 2024)

X. EXCLUDED FROM CONSENT ITEMS

XI. NON CONSENT ITEMS

A. **LACERA Pension Trust Strategic Asset Allocation**

Recommendation as submitted by Jonathan Grabel, Chief Investment Office and Jude Perez, Deputy Chief Investment Officer and Tim Filla, Managing Principal of Meketa: That the Board approve the Strategic Asset Allocation Option B, on page 11 of Meketa Investment Group's presentation and within Chart 1 of this memorandum, for the LACERA Pension Trust. (Memo dated April 1, 2024)

B. **OPEB Master Trust Strategic Asset Allocation**

Recommendation as submitted by Jonathan Grabel, Chief Investment Office and Jude Perez, Deputy Chief Investment Officer, Esmeralda V. del Bosque, Principal Investment Officer and Tim Filla, Managing Principal of Meketa: That the Board approve the Strategic Asset Allocation Option D, on page 7 of Meketa Investment Group's presentation and within Chart 1 of this memorandum, for the OPEB Master Trust. (Memo dated April 1, 2024)

C. **Risk Reduction and Mitigation Functional Category Investment Guidelines Review**

Recommendation as submitted by Vache Mahseredjian, Principal Investment Officer, Chad Timko, Senior Investment Officer, Krista Powell, Investment Officer, Quoc Nguyen, Investment Officer, Jason Choi, Senior Investment Analyst and Josiah Bezet, Senior Investment Analyst: That the Board Reaffirm the Risk Reduction and Mitigation functional category investment guidelines, as outlined in the attached presentation. (Memo dated March 28, 2024)

XII. REPORTS

- A. **Council of Institutional Investors Member Ballot**
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated March 15, 2024)
- B. **Succession Process Following the Retirement of BOR/BOI Trustee Knox and BOI Trustee Santos**
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated March 22, 2024)
- C. **Legal Projects**
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated April 2, 2024)
- D. **Monthly Status Report on Legislation**
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated March 25, 2024)
- E. **Monthly Trustee Travel & Education Reports – February 2024**
Ted Granger, Chief Financial Officer
(Public Memo dated March 20, 2024) (Confidential memo dated March 20, 2024 - Includes Pending Travel)
- F. **March 2024 Fiduciary Counsel Contact and Billing Report**
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated March 22, 2024) (Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

XIII. 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.)

XIV. 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.)

XV. GOOD OF THE ORDER

(For Information Purposes Only)

XVI. 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**
Christopher J. Wagner, Principal Investment Officer
Cherly Lu, Investment Officer
(For Information Only) (Memo dated March 28, 2024)
 2. **Orion Mine Finance Fund IV LP and Orion Mine Finance Co-Fund IV LP**
James Rice, Principal Investment Officer
Pushpam Jain, Investment Officer
(For Information Only) (Memo dated March 25, 2024)
 3. **Notice of Redemption**
Vache Mahseredjian, Principal Investment Officer
Chad Timko, Senior Investment Officer
(For Information Only) (Memo dated March 28, 2024)
- B. Conference With Legal Counsel—Existing Litigation (Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)
1. LACERA v. County of Los Angeles
LASC Case No. 21STCP03475,
Court of Appeal Case No. B326977

XVII. ADJOURNMENT

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

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Retirement Trustees at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday and will also be posted on lacera.com at the same time, [Board Meetings | LACERA](#).

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

March 15, 2024

TO: Each Trustee
Board of Investments

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

FOR: April 10, 2024 Board of Investments Meeting

SUBJECT: **Board Officers: Revised Slate for 2024 Calendar Year**

RECOMMENDATION

That the Board of Investments ratify a revised slate of board officers who will serve their term in the 2024 calendar year as the result of a vacancy: David Ryu as Vice Chair, and Jason Green as Secretary.

LEGAL AUTHORITY

The [Board of Investments \(BOI\) Board Officer Rotation Policy](#) provides that in the event of a vacancy in the office of Chair, Vice Chair, or Secretary, the seniority list for that board officer position will be used to determine which trustee is eligible to serve out the remaining term of office as a successor. The BOI shall vote to ratify the filling of such vacancy at the next meeting following the vacancy. A trustee who opts to serve out the remaining term of office resulting from a vacancy shall not have his or her seniority reset to zero, and if eligible, may serve as an officer in this position the following year.

DISCUSSION

Revised Slate of Board Officers

At its first regular meeting on January 10, 2024, the BOI ratified the following slate of board officers who were to serve their term in the 2024 calendar year:

- Chair: Patrick Jones
- Vice Chair: Keith Knox
- Secretary: Herman Santos

Trustee Knox announced his retirement and resignation from the Vice Chair position effective March 29, 2024. Accordingly, Trustee Green has seniority for the position of Vice Chair but has opted not to serve as successor of Vice Chair. Trustee Ryu is next in line for the position of Vice Chair and has agreed to serve as successor for Vice Chair.

Trustee Santos announced his retirement and resignation from the Secretary position effective March 29, 2024. Accordingly, Trustee Green has seniority for the position of Secretary and has opted to serve as successor for Secretary.

The following is the *revised* slate of board officers who will serve their term in the 2023 calendar year:

- Vice Chair: David Ryu
- Secretary: Jason Green

Seniority List: Vice Chair

Due to the mid-year retirement of Trustee Knox, Trustee Ryu retains his seniority on the seniority list for Vice Chair next year.

Seniority List: Secretary

Due to the mid-year retirement of Trustee Santos, Trustee Green retains his seniority on the seniority list for Secretary next year.

IT IS THEREFORE RECOMMENDED THAT THE BOARD ratify its revised slate of board officers as identified above to serve their term in the 2024 calendar year.

Attachment

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

MINUTES OF 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, MARCH 13, 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

Trevor Fay

Mike Gatto (Joined the meeting at 9:03 a.m.)

Jason Green (Joined the meeting at 9:06 a.m.)

Debbie Martin

Nicole Mi

David Ryu (Joined the meeting at 9:50 a.m.)

STAFF, ADVISORS, PARTICIPANTS:

Jonathan Grabel, Chief Investment Officer

Santo Kreimann, Chief Executive Officer

Jude Pérez, Deputy Chief Investment Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Luis Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Ted Granger, Chief Financial Officer

Michael Herrera, Senior Staff Counsel

Christine Roseland, Senior Staff Counsel

Vache Mahseredjian, Principal Investment Officer

Esmeralda del Bosque, Principal, Investment Officer

James Rice, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Scott Zdrazil, Principal Investment Officer

Dale Johnson, Investment Officer

Didier Acevedo, Investment Officer

John Kim, Investment Officer

Amit Aggarwal, Investment Officer

Cindy Rivera, Investment Officer

Ron Senkandwa, Investment Officer

Kathryn Ton, Senior Investment Analyst

Calvin Chang, Senior Investment Analyst

Soniah Ginoyan, Senior Investment Analyst

STAFF, ADVISORS, PARTICIPANTS (Continued)

Barry W. Lew, Legislative Affairs Officer

Meketa Investment Group (General Investment Consultants)

Timothy Filla, Managing Principal

Aysun Kilic, Managing Principal

Imran Zahid, Vice President

Albourne (Illiquid Credit, Real Assets and Hedge Funds Consultants)

Steven Kennedy, Partner

Jennifer Yeung, Senior Portfolio Analyst

StepStone Group LP (Real Assets Consultants)

Tom Hester, Partner

Margaret McKnight, Partner

StepStone Group LP (Equity Consultants)

Jose Fernandez, Partner & Co-COO

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 (Trustee Green joined the meeting at 9:03 a.m.)

Trustee Fay led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953(f)

A. Just Cause

B. Action on Emergency Circumstance Requests

C. Statement of Persons Present at AB 2449 Teleconference Locations

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE
UNDER AB 2449, California Government Code Section 54953(f)
(Continued)

A physical quorum was present at the noticed meeting location. There were two requests received from Trustee Knox and Trustee Green to attend by teleconference for Just Cause (A) contagious illness. Trustee Knox confirmed that there were no individuals 18 years of age or older present at the teleconference location. Trustee Green confirmed that there were no individuals 18 years of age or older present at the teleconference location. No requests were received for Emergency Circumstances (B).

IV. APPROVAL OF MINUTES (Trustee Green joined the meeting at 9:05 a.m.)

A. Approval of the Minutes of the Regular Meeting of February 14, 2024

A motion was made by Trustee Santos, seconded by Trustee Green to approve the minutes of the Board of Investments meetings of February 14, 2024. The motion passed by following roll call vote:

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

Absent: Ryu

V. PUBLIC COMMENT

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

VI. EXECUTIVE UPDATE

A. Chief Investment Officer's Report

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

B. Member Spotlight

Mr. Popowich recognized LACERA member, Jenice Hines.

VI. EXECUTIVE UPDATE (Continued)

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.

VII. NON-CONSENT ITEMS

A. **Growth Functional Category Investment Guidelines Update**

Recommendation as submitted by Christopher J. Wagner, Principal Investment Officer and Esmeralda del Bosque, Principal Investment Officer: That the Board approve the proposed modifications to the Growth functional category investment guidelines, as outlined on slides 8 - 13 of the attached presentation.

(Memo dated February 23, 2024)

A motion was made by Trustee Santos, seconded by Trustee Ryu, to approve the recommendation. The motion passed by the following roll call vote:

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

B. **Real Estate Investment Guidelines Update**

Recommendation as submitted by James Rice, Principal Investment Officer: That the Board approve the proposed modifications to the Real Estate investment guidelines, as outlined on slides 10 - 15 of the attached presentation. (Memo dated February 28, 2024)

A motion was made by Trustee Santos, seconded by Trustee Ryu, to approve the recommendation. The motion passed by the following roll call vote:

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

Abstain: Gatto

VIII. REPORTS

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

Scott Zdrazil, Principal Investment Officer

(Presentation) (Memo dated February 15, 2024)

Mr. Zdrazil provided a presentation and answered questions from the Board. This item was received and filed.

B. **Strategic Asset Allocation Review and Risk Analysis**

Jonathan Grabel, Chief Investment Officer

Jude Perez, Deputy Chief Investment Officer

Tim Filla, Meketa

(Presentation) (Memo dated March 6, 2024)

Messrs. Grabel, Perez and Mr. Filla of Meketa provided a presentation and answered questions from the Board. This item was received and filed.

C. **LACERA Total Fund Quarterly Performance Book
Meketa Total Fund Quarterly Performance Book**

Esmeralda del Bosque, Principal Investment Officer

Dale Johnson, Investment Officer

John Kim, Investment Officer

Soniah Ginoyan, Senior Investment Analyst

Kathryn Ton, Senior Investment Analyst

(Presentation) (Memo dated March 1, 2024)

Mses. Del Bosque, Ton, Ginoyan and Messrs. Johnson and Kim provided a presentation and answered questions from the Board. This item was received and filed.

D. **OPEB Trust Quarterly Performance Book
Meketa OPEB Trust Quarterly Performance Book**

Esmeralda del Bosque, Principal Investment Officer

Dale Johnson, Investment Officer

John Kim, Investment Officer

Soniah Ginoyan, Senior Investment Analyst

Kathryn Ton, Senior Investment Analyst

(Presentation) (Memo dated March 1, 2024)

VIII. REPORTS (Continued)

Mses. Del Bosque, Ton, Ginoyan and Messrs. Johnson and Kim provided a presentation and answered questions from the Board. This item was received and filed.

E. **Private Equity Emerging Manager Program Update**

Christopher J. Wagner, Principal Investment Officer
Calvin Chang, Senior Investment Analyst
(Presentation) (Memo dated February 27, 2024)

Messrs. Wagner and Chang provided a presentation and answered questions from the Board. This item was received and filed.

F. **OPEB Master Trust Account Conversion**

Esmeralda V. del Bosque, Principal Investment Officer
John Kim, Investment Officer
Kathryn Ton, Senior Investment Analyst
Soniah Ginoyan, Senior Investment Analyst
(For Information Only) (Memo dated February 23, 2024)

Mses. Del Bosque, Ton, and Mr. Kim provided a presentation and answered questions from the Board. This item was received and filed.

G. **Legal Projects**

Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated March 4, 2024)

This item was received and filed.

H. **Salary Adjustments for Legal Office Staff Members**

Santos H. Kreimann, Chief Executive Officer
(For Information Only) (Memo dated February 21, 2024)

This item was received and filed.

I. **Monthly Status Report on Legislation**

Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated February 27, 2024)

This item was received and filed.

VIII. REPORTS (Continued)

- J. **Monthly Trustee Travel & Education Reports – January 2024, FY 22-23 2nd Quarter Trustee Travel & Education Expenditure Reports, and FY 23-24 2nd Quarter Staff Travel Report**
Ted Granger, Chief Financial Officer
(Public memo dated February 21, 2024) (Confidential memo dated February 21, 2024 - Includes Pending Travel)

This item was received and filed.

- K. **February 2024 Fiduciary Counsel Contact and Billing Report**
Steven P. Rice, Chief Counsel
(For Information Only) (Memo dated February 26, 2024) (Privileged and Confidential/Attorney-Client Communication/Attorney Work Product)

This item was received and filed.

IX. ITEMS FOR STAFF REVIEW

Trustee Mi requested a discussion regarding the challenges in the hiring process at LACERA.

X. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

- XI. GOOD OF THE ORDER
(For Information Purposes Only)

The Board thanked Trustee Santos and Trustee Knox for their service on the Board of Investments.

XII. EXECUTIVE SESSION

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

1. Securities Lending Update

XII. EXECUTIVE SESSION (Continued)

Vache Mahseredjian, Principal Investment Officer
(For Information Only) (Memo dated February 29, 2024)

There was nothing to report.

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

1. *In re Interest Rate Swaps Antitrust Litigation*

United States District Court, Southern District of New York,
Case No. 16 MD 02704

The Board took action, which will be reported out at the appropriate time under the Brown Act. There is nothing to report at this time.

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

Title: Chief Investment Officer

There was nothing to report.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:22 p.m.

HERMAN SANTOS, SECRETARY

PATRICK JONES, CHAIR



Chief Investment Officer Monthly Report

Jonathan Grabel – Chief Investment Officer 

Board of Investments Meeting

April 10, 2024

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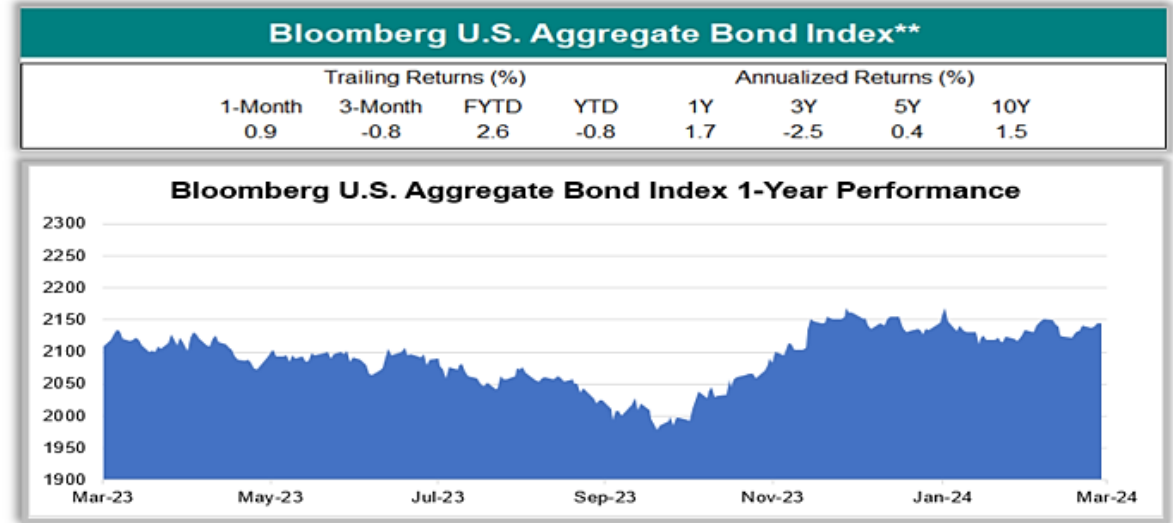
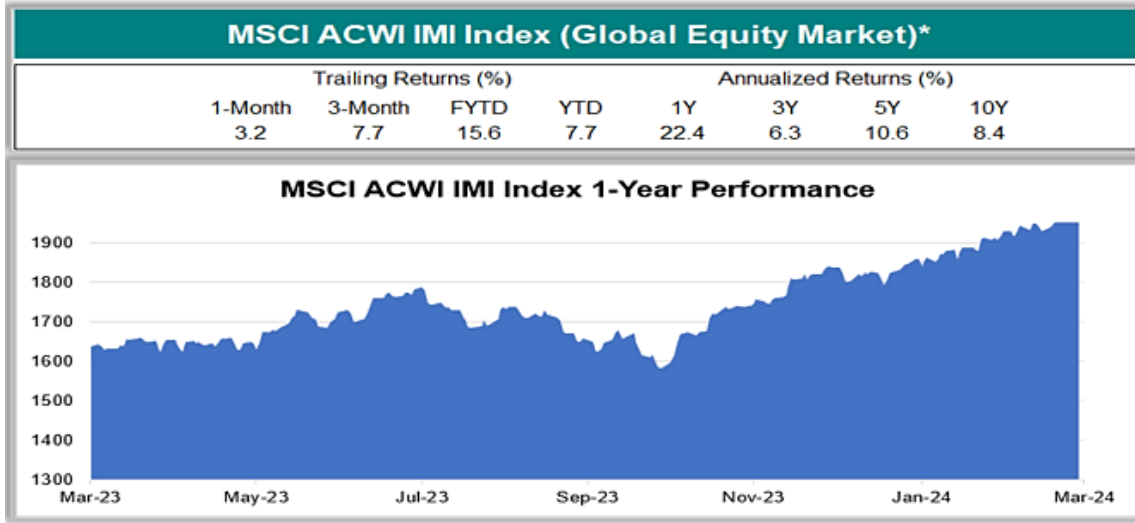


1. Market Environment
2. Portfolio Performance & Risk Updates
3. Portfolio Structural Updates
4. Key Initiatives & Operational Updates
5. Commentary
6. Appendix
 - Quiet Period for Search Respondents



01 Market Environment

Global Market Performance as of March 31, 2024



*Global Equity Policy Benchmark - MSCI ACWIIMI Index

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

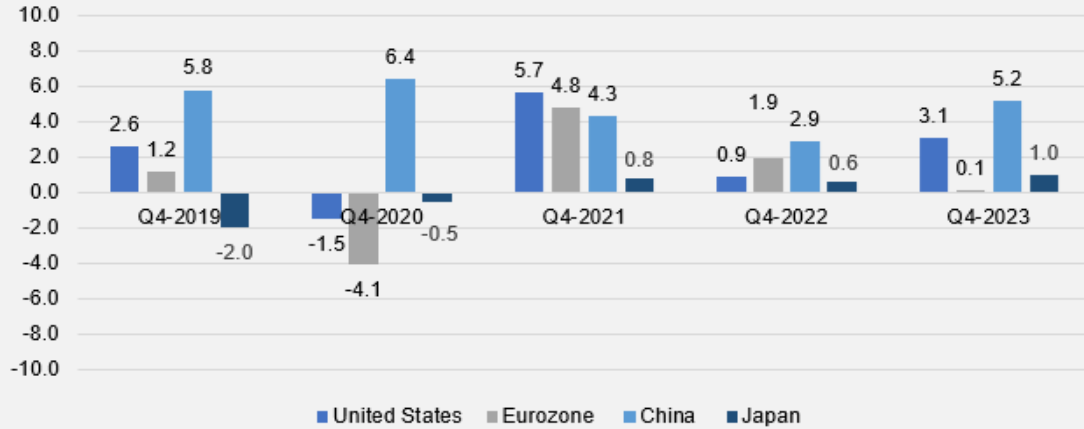
Market	Sub-Category	Index Name	1-Month	3-Month	FYTD	YTD	1 Y	3 Y	5 Y	10 Y
Reference Portfolio	60:40 Equity:Bond Portfolio	60% MSCI ACWI IMI/ 40% Bloomberg U.S. Aggregate Index	2.3	4.3	10.3	4.3	13.8	2.9	6.7	5.9
Equity	Global All Cap	MSCI ACWI IMI Total Return	3.2	7.7	15.6	7.7	22.4	6.3	10.6	8.4
	U.S. All Cap	Russell 3000 Total Return	3.2	10.0	19.3	10.0	29.2	9.8	14.3	12.3
	U.S. Large Cap	S&P 500 Total Return	3.2	10.6	19.4	10.6	29.8	11.5	15.0	12.9
	U.S. Small Cap	Russell 2000 Total Return	3.6	5.2	13.8	5.2	19.6	-0.1	8.1	7.6
	Non-U.S. All Cap	MSCI ACWI-ex U.S. IMI Total Return	3.1	4.3	10.6	4.3	13.2	1.7	6.0	4.3
	Emerging Markets	MSCI Emerging Markets Total Return	2.5	2.4	7.2	2.4	8.1	-5.0	2.2	2.9
	Private Equity	Private Equity Buyout	Thomson Reuters PE Buyout Index	5.2	18.6	31.2	18.6	34.0	1.9	10.4
Fixed Income	U.S. Investment Grade Bonds	Bloomberg U.S. Aggregate Index	0.9	-0.8	2.6	-0.8	1.7	-2.5	0.4	1.5
	U.S. Corporate High Yield Bonds	Bloomberg U.S. Corporate High Yield Total Return	1.2	1.5	9.2	1.5	11.1	2.2	4.2	4.4
	U.S. Long Term Treasury Bonds	Bloomberg Long Term U.S. Treasury Total Return Index	1.2	-3.3	-3.9	-3.3	-6.1	-8.0	-2.8	1.2
	Developed Markets Leveraged Loans	Credit Suisse Leveraged Loan Total Return	0.8	2.5	9.0	2.5	12.4	5.8	5.3	4.6
	U.S. Treasury Inflation Protected Securities	Bloomberg U.S. Treasury TIPS Total Return Index	0.8	-0.1	1.9	-0.1	0.5	-0.5	2.5	2.2
	U.S. 3 Month Treasury Bill	FTSE 3 Month Treasury Bill	0.5	1.4	4.2	1.4	5.5	2.7	2.1	1.4
	Commodity	Commodity Prices Index	Bloomberg Commodity Index Total Return	3.3	2.2	2.1	2.2	-0.6	9.1	6.4
	Natural Resources	S&P Global LargeMidCap Commodity & Resources Index	8.2	1.3	5.4	1.3	1.6	9.4	9.3	4.9
Infrastructure	Global Infrastructure	Dow Jones Brookfield Global Infrastructure Composite Index	3.2	0.6	4.1	0.6	3.7	4.8	3.8	4.3
Real Estate	U.S. REITs	MSCI U.S. REIT Index	2.0	-0.3	7.5	-0.3	10.3	4.0	4.2	6.6

Source: Bloomberg

Key Macro Indicators*



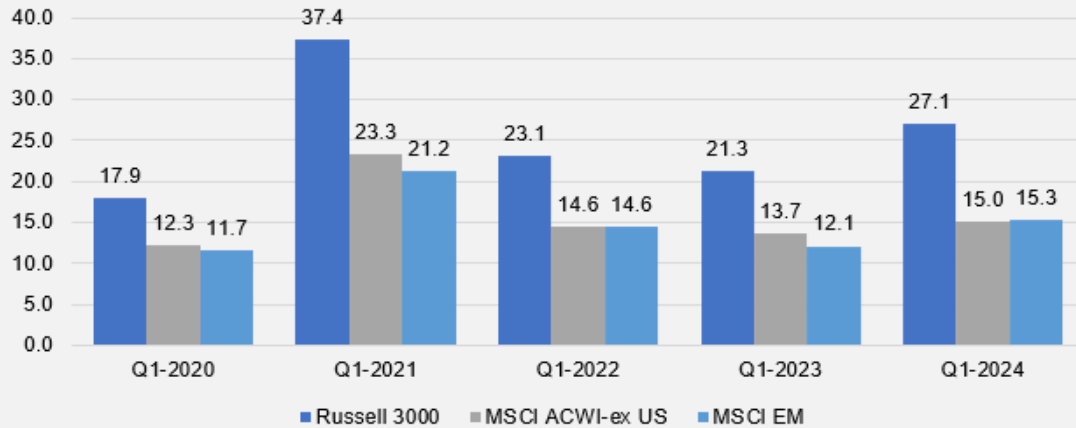
Real GDP Growth YoY (%) - Last Five Years¹



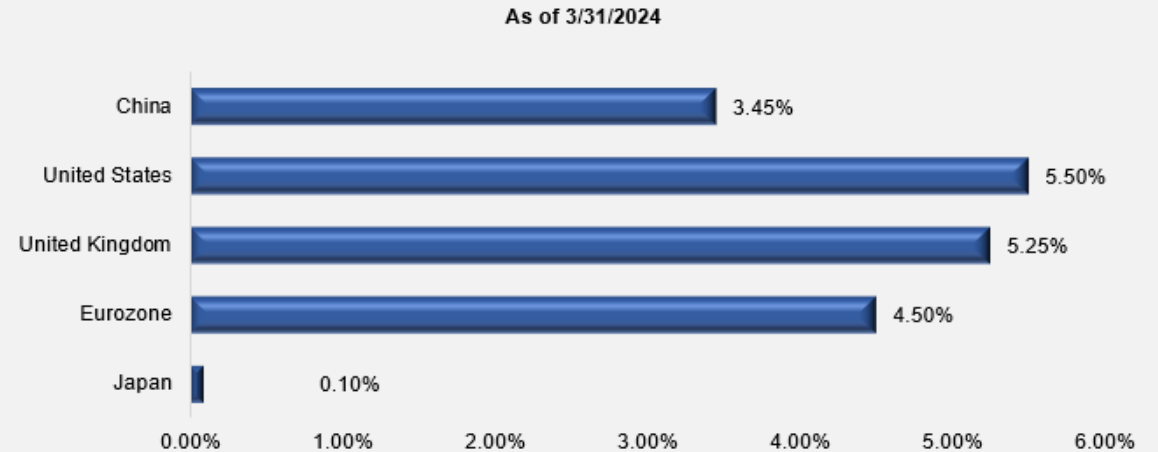
Historical 10-Year Treasury Yield²



Price-to-Earnings - Last Five Years³



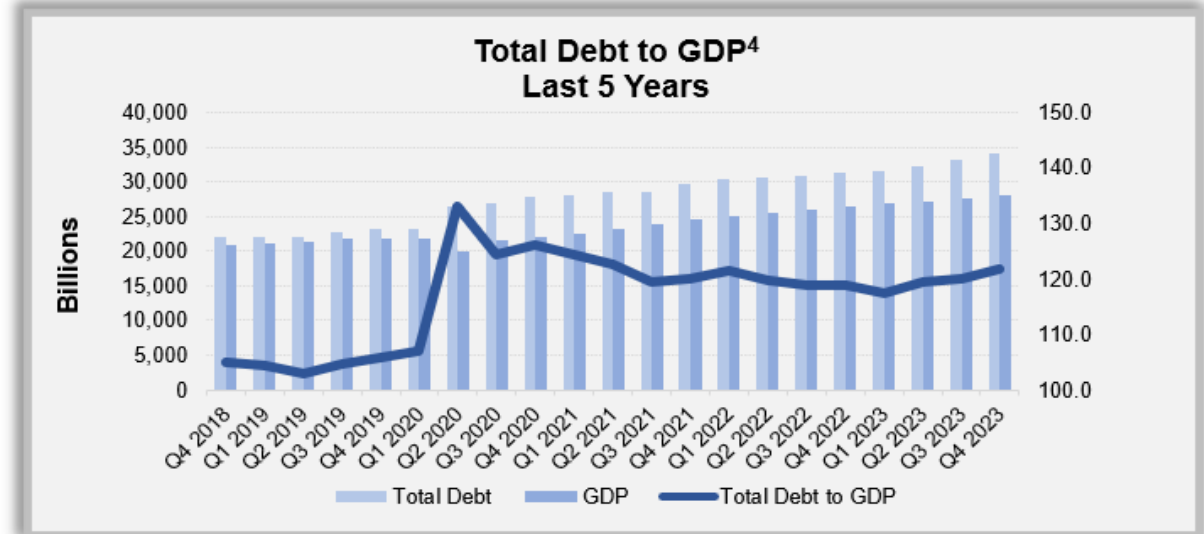
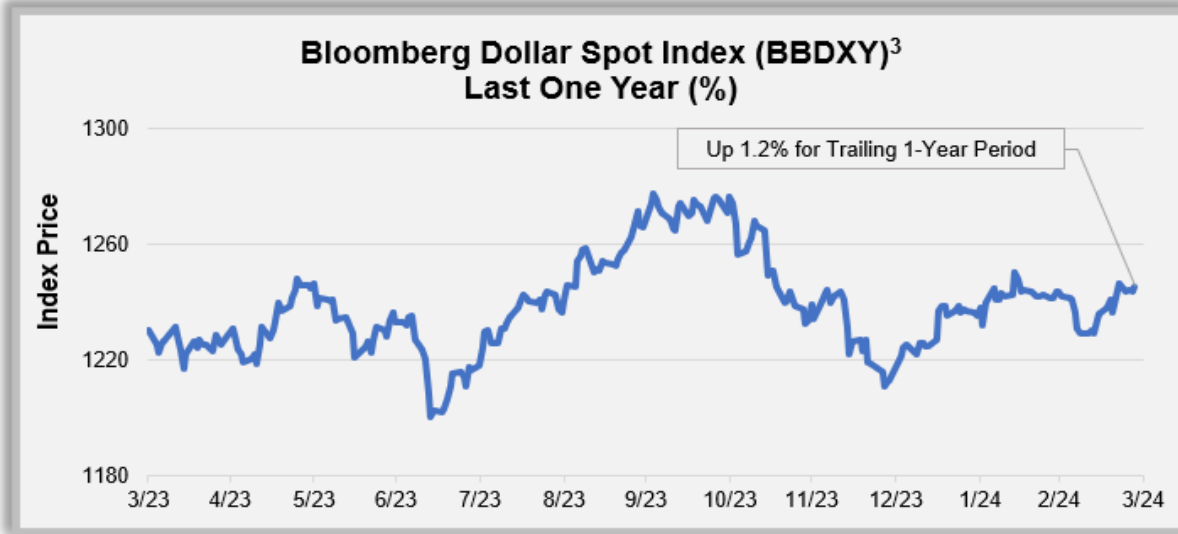
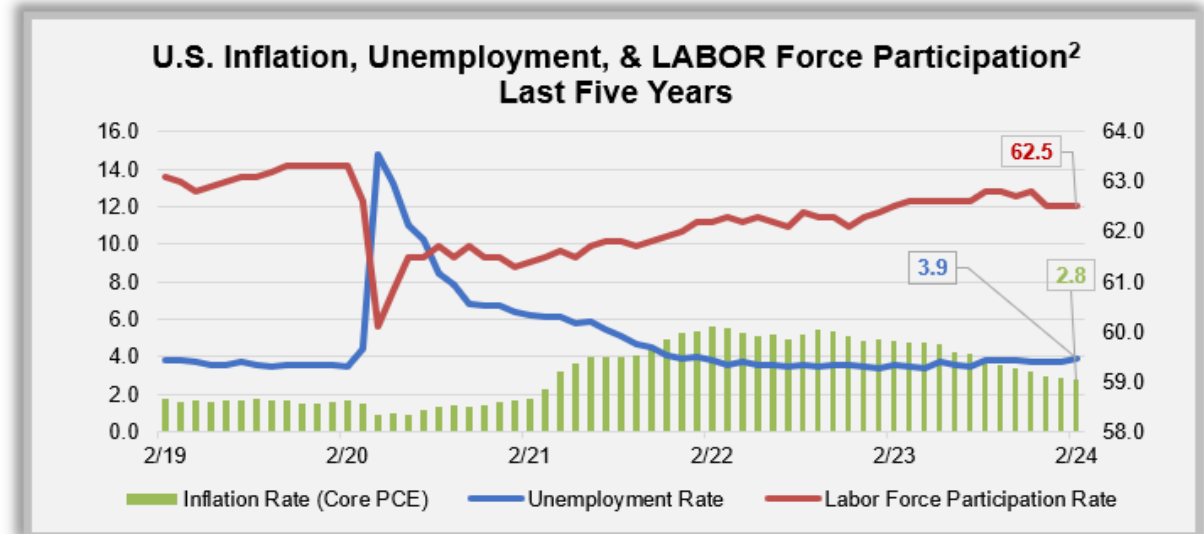
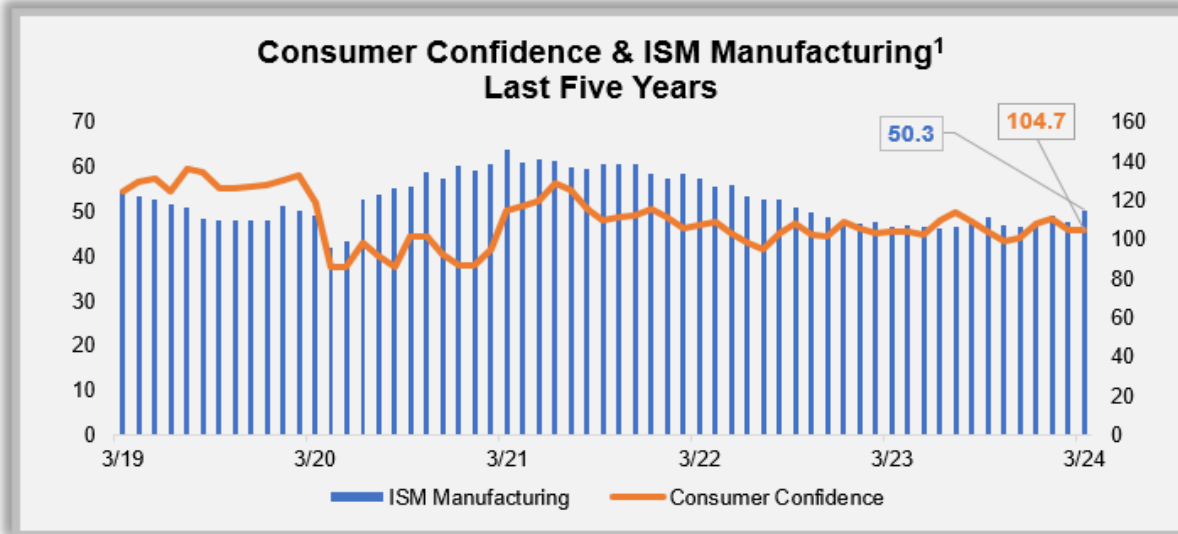
Central Bank Rates⁴



*The information on the "Key Macro Indicators" charts is the best available data as of 3/31/24 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 3/31/24 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



Recent Themes

- U.S. Federal Reserve held its benchmark overnight borrowing rate in a range between 5.25% and 5.5% during their mid-March meeting
 - Rate unchanged since July 2023 and the highest in more than 23 years
- Anonymous projections from U.S. Federal Reserve officials indicated that three quarter-percentage point rate cuts are expected this calendar year
 - Chair Jerome Powell struck a watchful tone by indicating that incoming data is being monitored and considered
- The U.S. 10-year Treasury yield ended March at 4.20% 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 Index) returned 3.2% in March

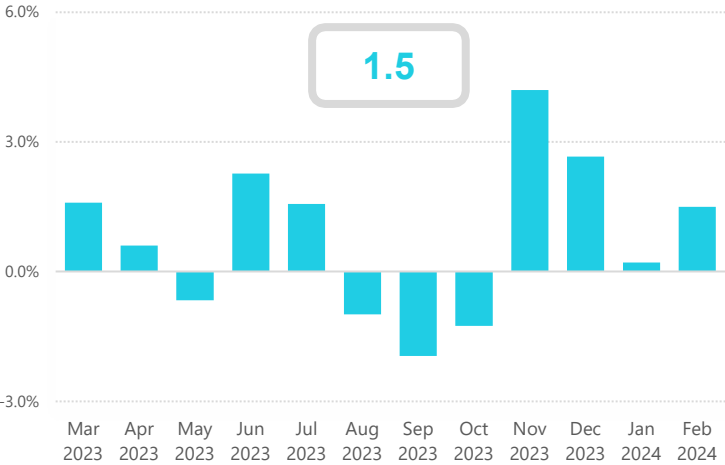
What to Watch

- 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
 - U.S. Securities and Exchange Commission approved new rules for climate-related risk reporting from public companies, including Scope 1 and 2 emissions. The new rule has been stayed pending judicial review. LACERA commented on the proposed SEC rules in 2022, available [here](#).

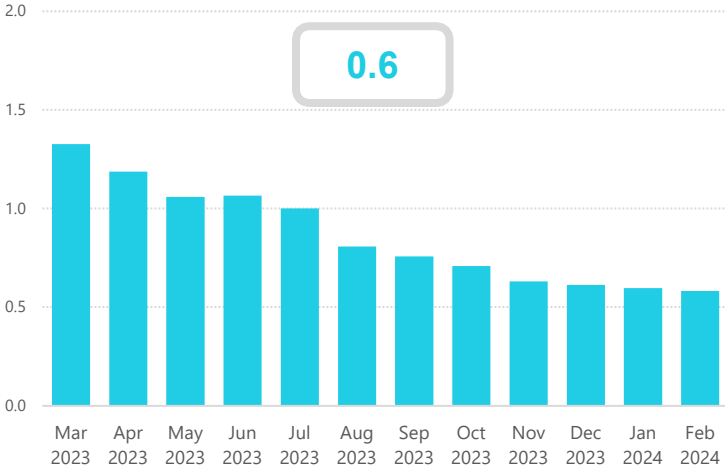
Total Fund Summary as of February 2024



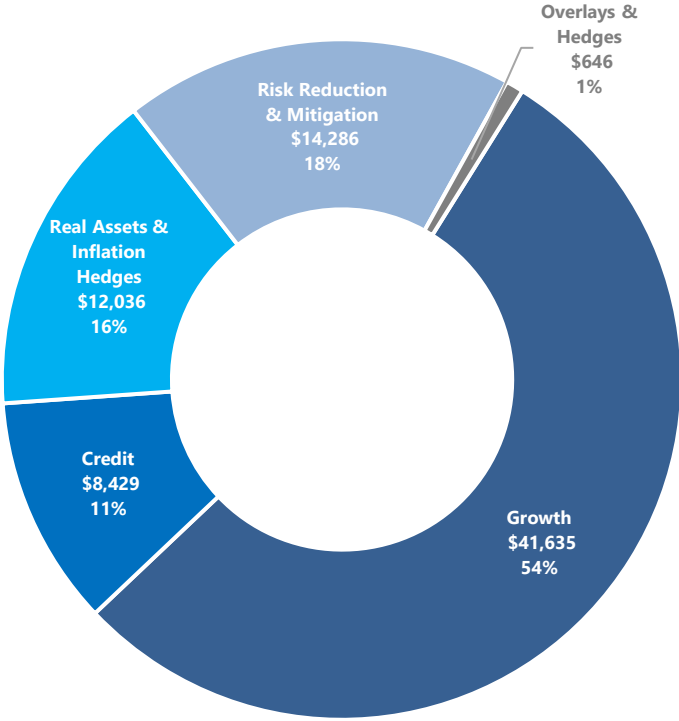
Monthly Return (net)



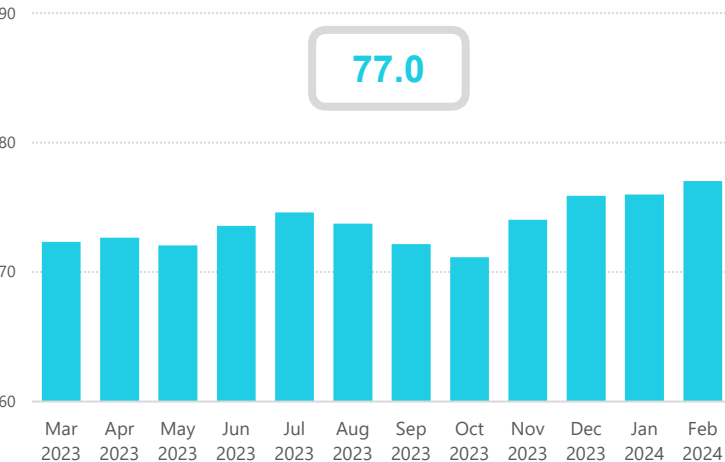
Sharpe Ratio (3-year annualized)



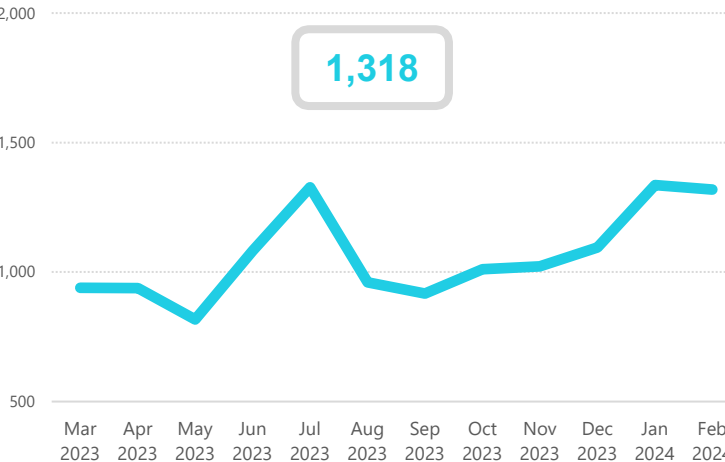
Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

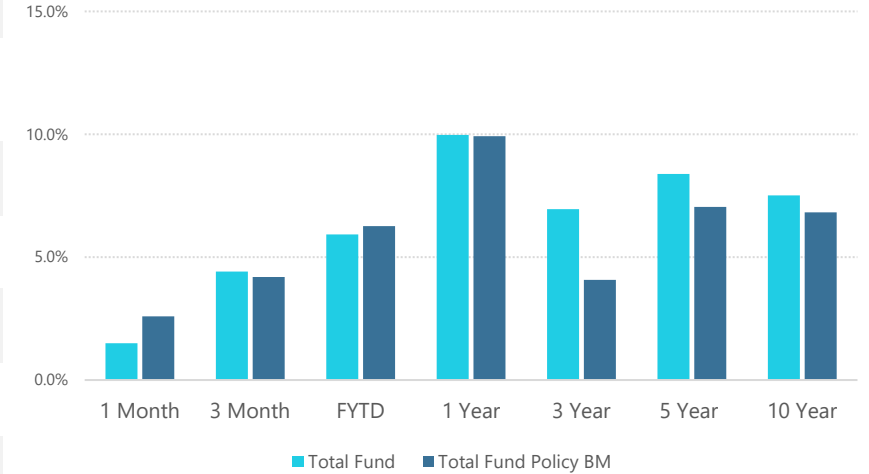


Historical Net Performance as of February 2024



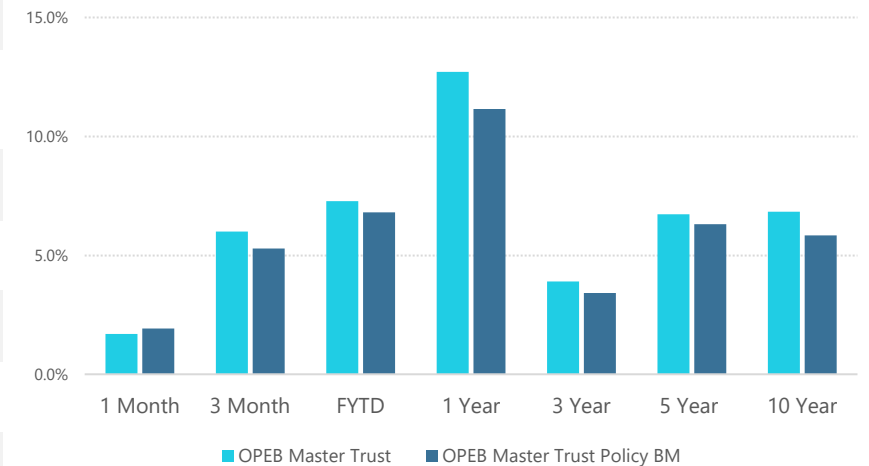
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	77,032	100.0%	100.0%	1.5%	4.4%	5.9%	10.0%	7.0%	8.4%	7.5%
Total Fund Policy BM				2.6%	4.2%	6.3%	9.9%	4.1%	7.0%	6.8%
7% Annual Hurdle Rate				0.6%	1.1%	4.6%	7.0%	7.0%	7.0%	7.0%
Growth	41,635	54.0%	53.0%	2.9%	6.4%	8.6%	15.2%	10.1%		
Growth Policy BM				5.4%	6.3%	10.2%	16.8%	6.4%		
Credit	8,429	10.9%	11.0%	1.2%	4.0%	9.7%	13.3%	5.6%		
Credit Policy BM				0.4%	5.7%	9.2%	11.1%	2.8%		
Real Assets & Inflation Hedges	12,036	15.6%	17.0%	-1.1%	-0.8%	-1.9%	-1.8%	5.9%		
Real Assets & Inflation Hedges Policy BM				-0.9%	-1.6%	-2.3%	-4.0%	5.1%		
Risk Reduction & Mitigation	14,286	18.5%	19.0%	-0.7%	2.6%	1.6%	2.6%	-1.7%		
Risk Reduction & Mitigation Policy BM				-0.9%	2.5%	1.3%	3.4%	-2.0%		
Overlays & Hedges	646	0.8%		15.1%	30.5%	54.9%	87.8%			



OPEB Trust

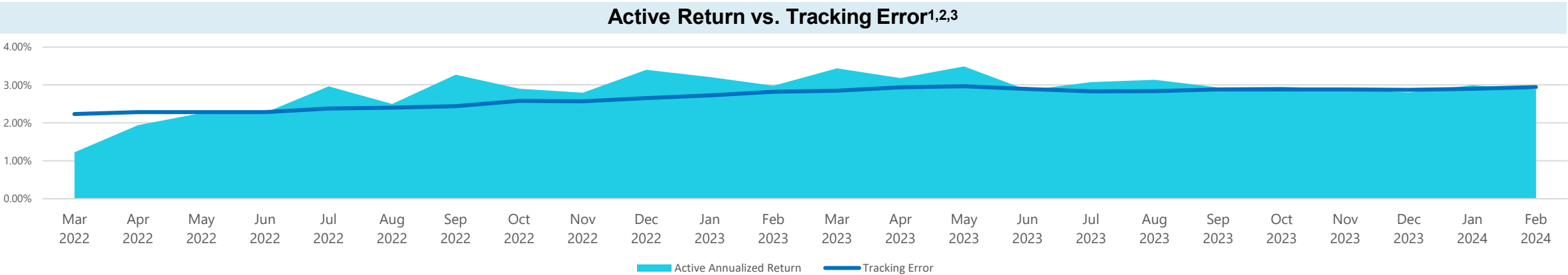
	Market Value (\$ millions)	% of Master Trust	Final Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
OPEB Master Trust	3,588			1.7%	6.0%	7.3%	12.7%	3.9%	6.7%	6.8%
OPEB Master Trust Policy BM				1.9%	5.3%	6.8%	11.2%	3.4%	6.3%	5.8%
6% Annual Hurdle Rate				0.5%	1.0%	4.0%	6.0%	6.0%	6.0%	6.0%
OPEB Growth	1,638	45.7%	45.0%	4.1%	9.9%	12.2%	21.9%	6.3%	10.3%	
OPEB Growth Policy BM				4.8%	9.0%	12.0%	21.3%	5.8%	9.9%	
OPEB Credit	642	17.9%	18.0%	0.3%	3.0%	6.4%	10.3%	2.6%	3.5%	
OPEB Credit Policy BM				0.5%	4.5%	8.4%	11.5%	2.7%	3.8%	
OPEB Real Assets & Inflation Hedges	723	20.2%	20.0%	0.2%	3.3%	2.6%	2.7%	3.8%	4.1%	
OPEB RA & IH Policy BM				-0.3%	0.1%	-0.4%	-3.2%	2.8%	3.4%	
OPEB Risk Reduction & Mitigation	584	16.3%	17.0%	-1.6%	2.4%	0.2%	2.0%	-2.5%	0.6%	
OPEB RR & M Policy BM				-1.5%	2.5%	0.0%	1.8%	-3.1%	0.2%	
OPEB HL PM Cash	0	0.0%								



Active and Excess Return as of February 2024



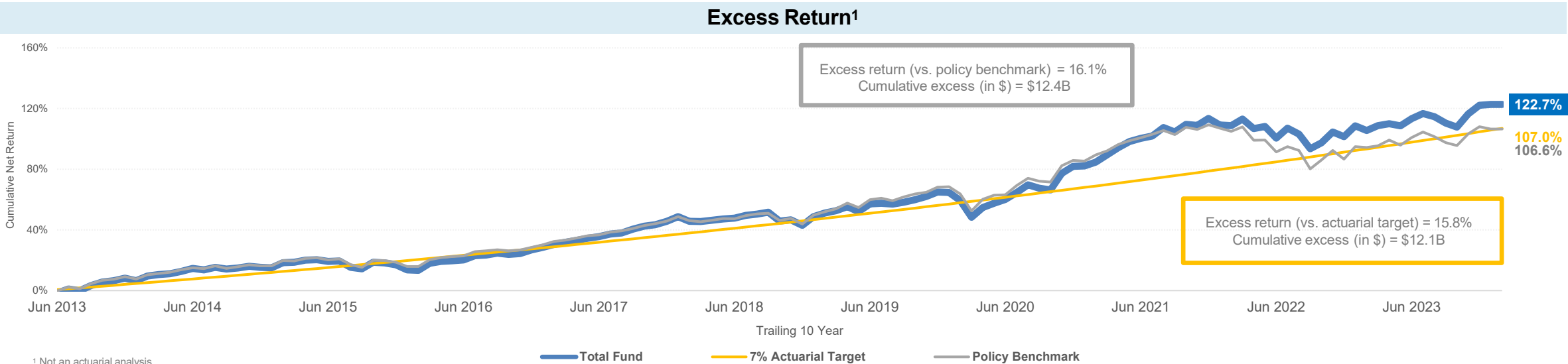
Active Return vs. Tracking Error^{1,2,3}



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Feb 2024	7.0%	4.1%	2.9%	2.9%

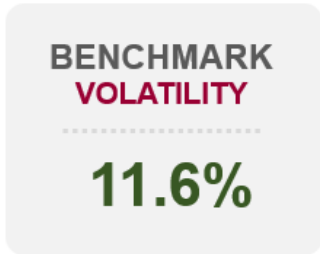
¹ Rolling 36 months.
² Active return equals the difference in return between a portfolio and its benchmark.
³ Tracking error (or active risk) measures the volatility of active returns.

Excess Return¹

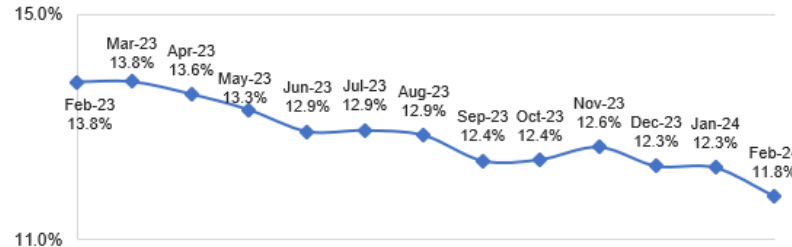


¹ Not an actuarial analysis.

Total Fund Forecast Volatility as of February 2024*

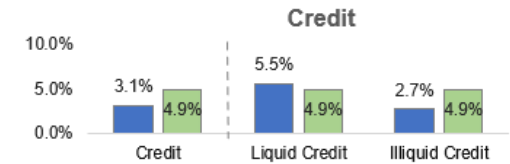
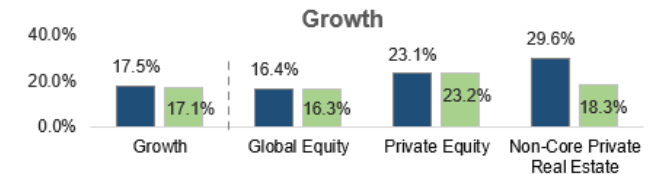


Forecasted Total Fund Volatility Trend

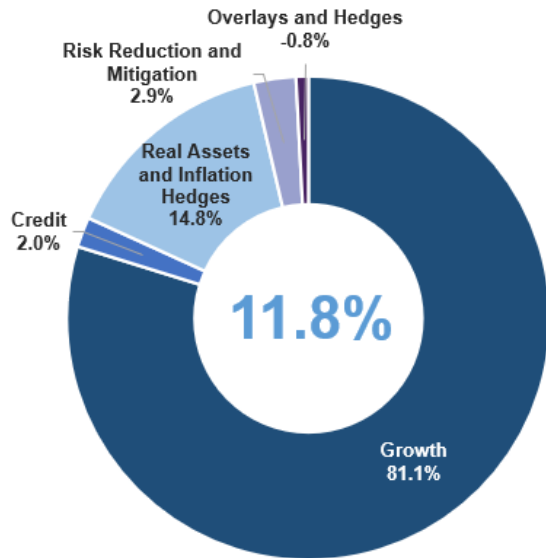


Subcategory Volatility

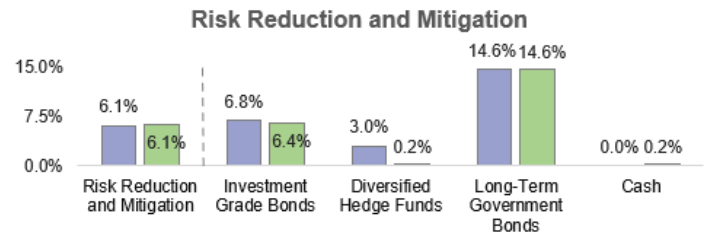
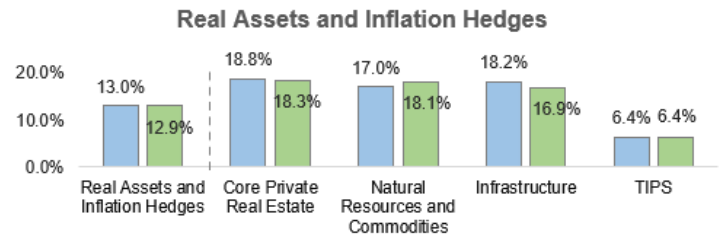
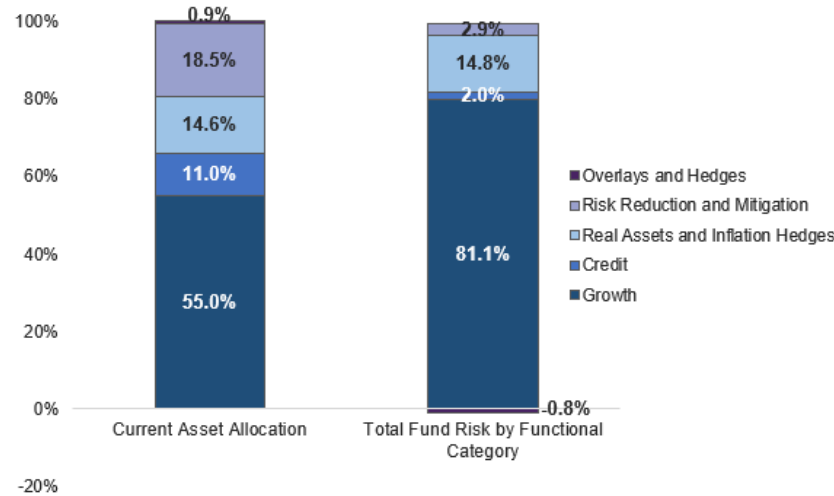
1 Subcategory volatility is on the left bar and benchmark risk is on the right bar.



Functional Category Contributions to Total Fund Volatility



Total Fund Asset Allocation
Capital-based versus Risk-based



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.

Total Fund Forecast Tracking Error as of February 2024*



TOTAL FUND TRACKING ERROR

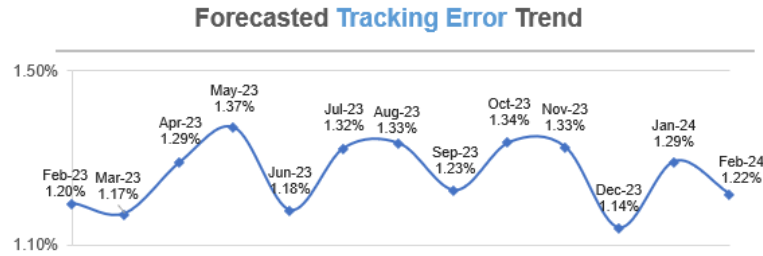
1.22%

ALLOCATION RISK

0.15%

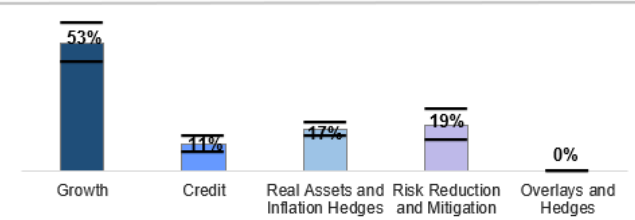
SELECTION RISK

1.07%

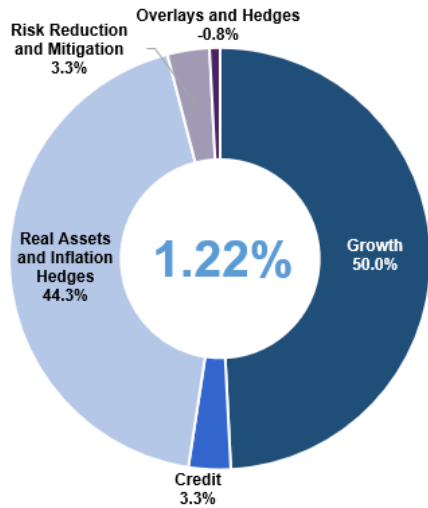


Policy Target Weight for each Functional Category

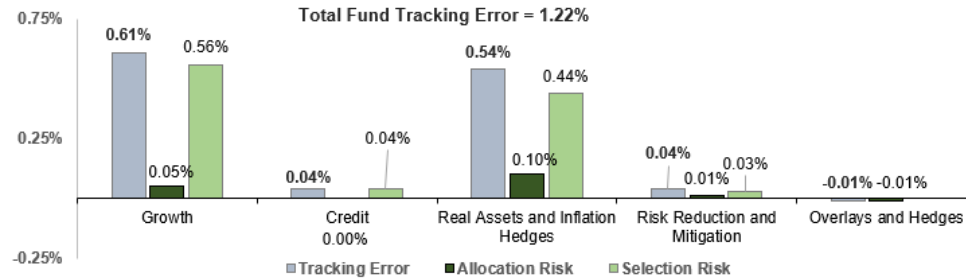
Maximum and Minimum Bands



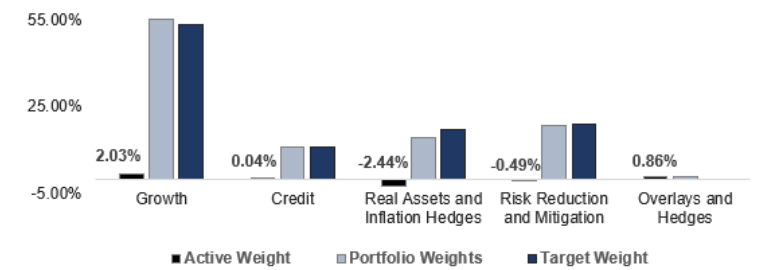
Functional Category Contributions to Tracking Error



Tracking Error Attribution



Active Weights for each Functional Category



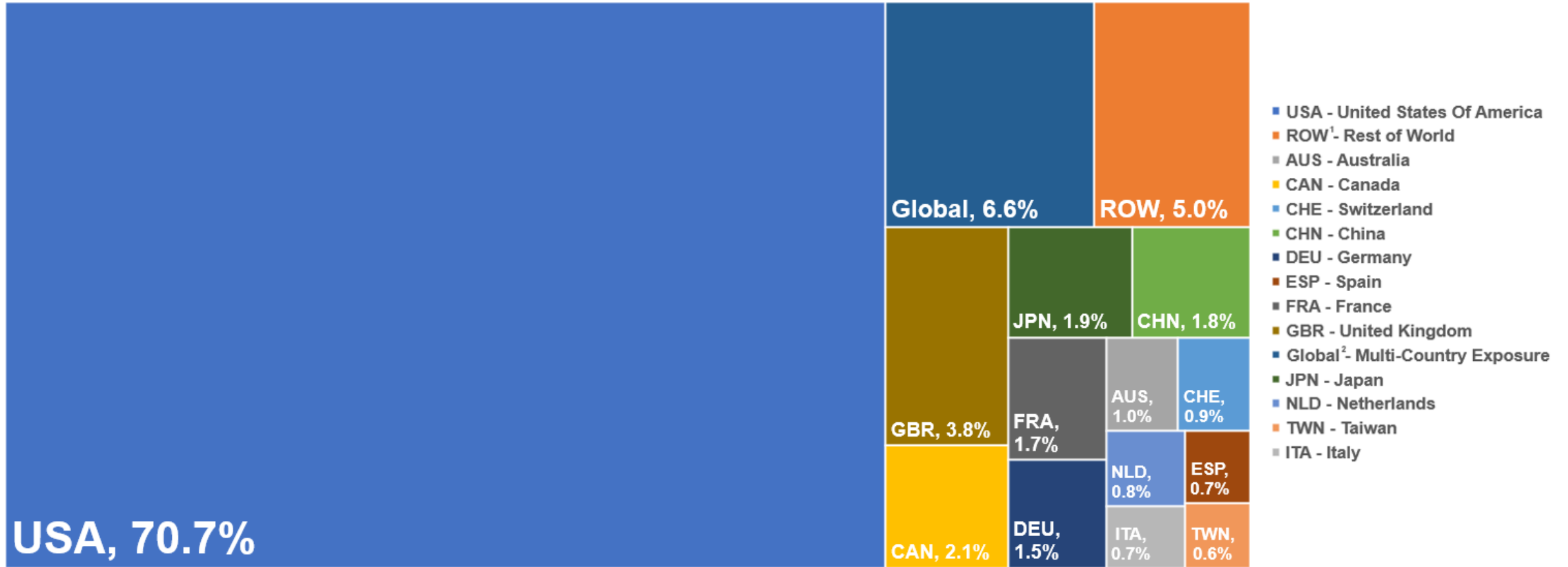
Subcategory Tracking Error

Total Fund	Global				Credit			Real Assets and Inflation Hedges					Risk Reduction and Mitigation				
1.22%	1.30%	0.45%	3.04%	13.27%	0.03%	0.97%	4.00%	3.79%	4.10%	4.48%	8.37%	0.08%	0.92%	0.45%	2.97%	0.04%	0.23%
Total Fund	Growth	Global Equity	Private Equity	Non-Core Private Real Estate	Credit	Liquid Credit	Illiquid Credit	Real Assets and Inflation Hedges	Core Private Real Estate	Natural Resources and Commodities	Infrastructure	TIPS	Risk Reduction and Mitigation	Investment Grade Bonds	Diversified Hedge Funds	Long-Term Government Bonds	Cash

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 February 2024* 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.

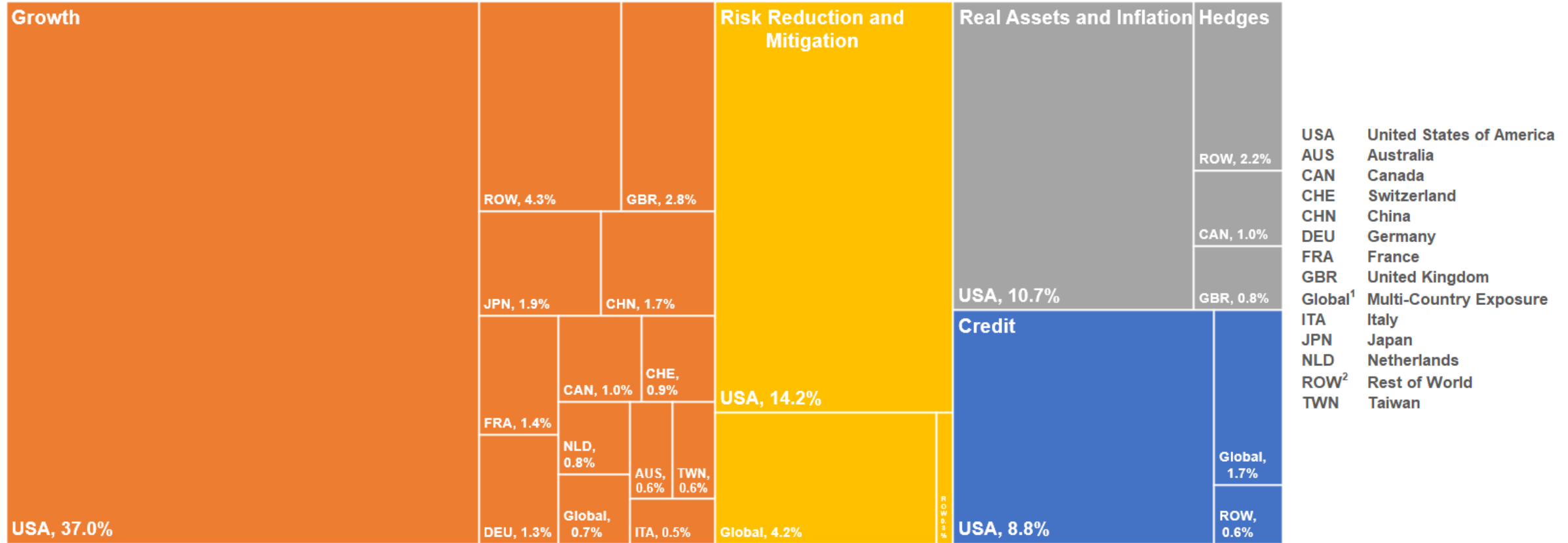
¹ "ROW - Rest of World" is sum of countries with weights below 0.5%.

² Global represents investments made in regions where specific country allocations are not available.

SOURCE: MSCI BarraOne

Geographic Exposures by AUM

Functional Categories as of February 2024* Ex-Overlays and Hedges



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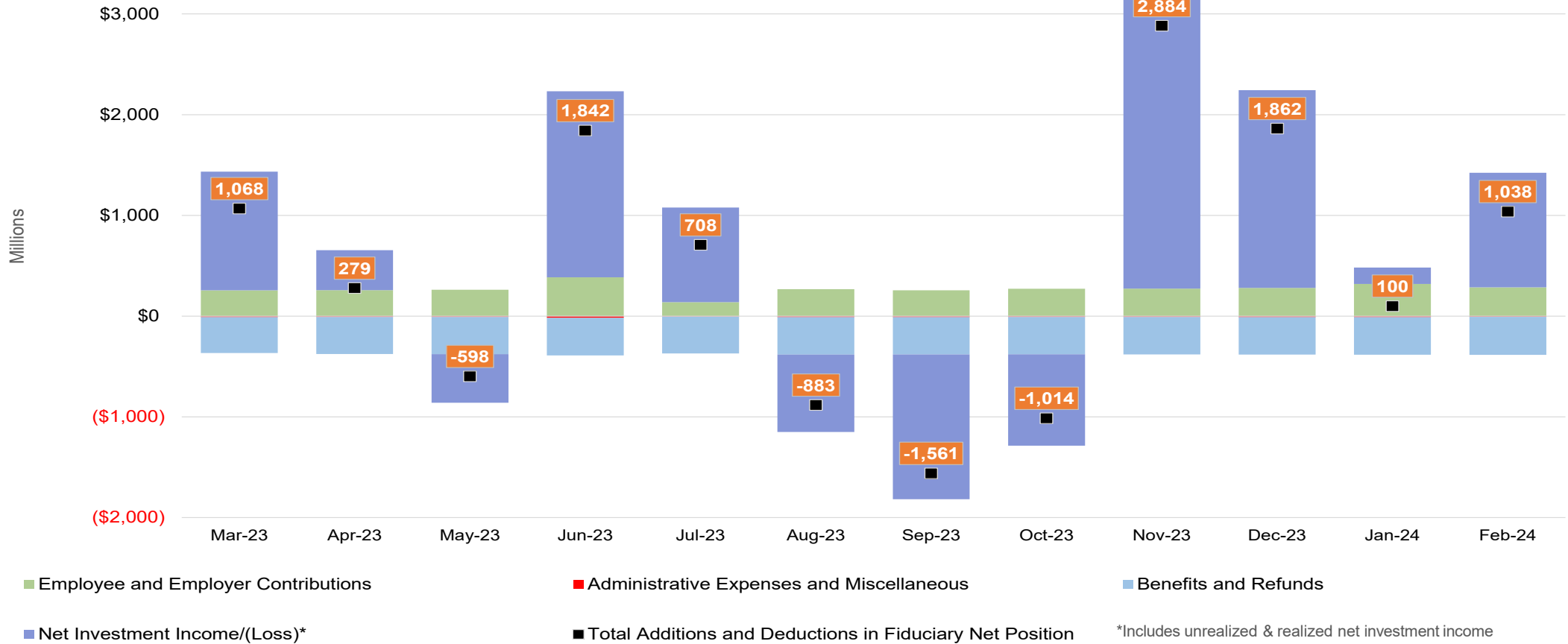
² "ROW - Rest of World" is sum of countries with weights below 0.5%.

SOURCE: MSCI BarraOne

Change In Fiduciary Net Position



Additions and Deductions in Fiduciary Net Position (Unaudited)



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	5	\$3.1 billion



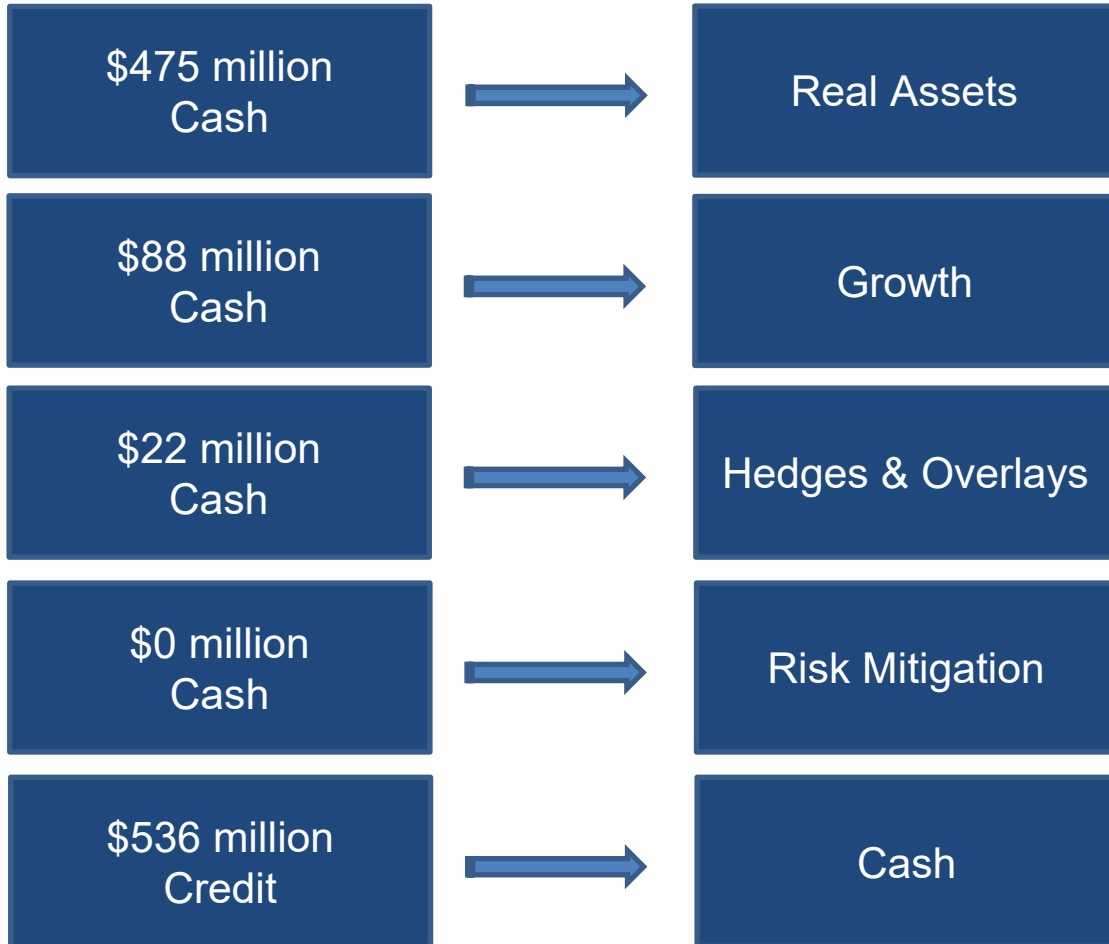
03 Portfolio Structural Updates

Portfolio Structural Updates



Portfolio Movements

Rebalancing Activity



Hedges & Overlays

Monthly Activity

Program	February Return	February Gain/(Loss)	Inception ¹ Gain/(Loss)
Currency Hedge ²	0.7%	(\$21.6 Million)	\$1.5 Billion
Cash/Rebalance Overlay ³	1.3%	\$30.4 Million	\$470.5 Million

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

² LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches.

³ LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts.

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	Selection/ Review
Hedge Funds, Credit, & Real Assets Consultant Search	✓	✓	TBD
Risk and Analytics System, and ESG Research Services Search	✓		TBD
Real Assets Emerging Manager Program Separate Account Manager Search	✓		TBD



04 Key Initiatives & Operational Updates

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

Operational Updates

- Annual contract compliance has been completed
- Budget review is in process

Manager/Consultant Updates

State Street Global Advisors – Global Equities and Cash – Informed LACERA that Jackie Collier, Chief Compliance Officer (“CCO”), State Street Global Advisors, will be resigning, effective May 3, 2024. Tim Corbett, Chief Risk Officer, will assume interim CCO responsibilities until a replacement is found.

Team Searches and Vacancies

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



05 Commentary

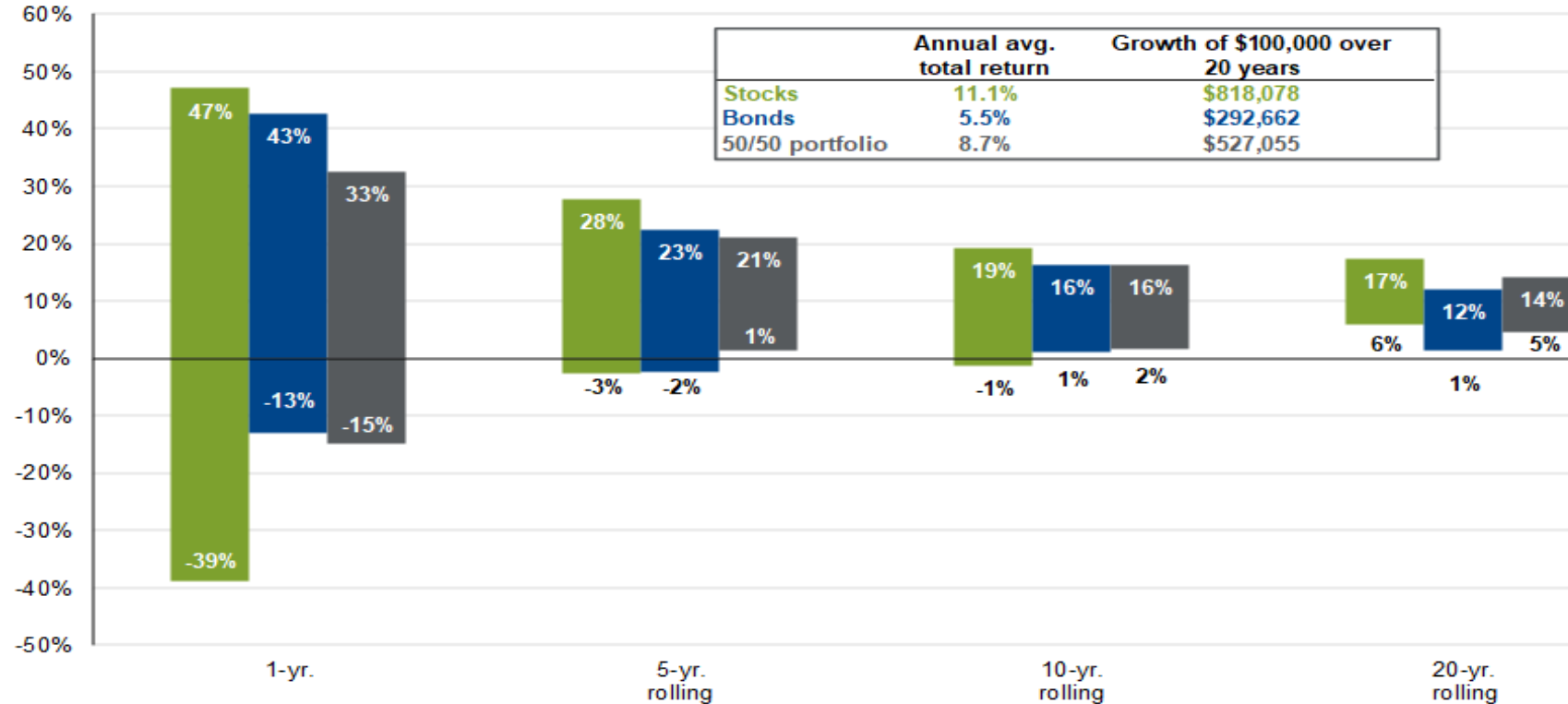
Staff Chart of the Month

Time, Diversification and the Volatility of Returns



Range of stock, bond and blended total returns

Annual total returns, 1950-2022



Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2021. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2022. Guide to the Markets – U.S. Data are as of September 30, 2023.

J.P.Morgan
ASSET MANAGEMENT

Quiet Period for Search Respondents



Hedge Funds, Credit, and Real Assets Consultant Search

- ✓ Albourne
- ✓ Meketa
- ✓ Mercer
- ✓ Wilshire



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 careers to serving the community. Meet one of our long-serving members working to provide health services to residents.



Active Member

Maria Lucero

Patient Resources Worker; Rancho Los Amigos Hospital

Years of Service: 42

Notable Contributions and Service: Four decades of hospital administrative service with L.A. County, which includes 27 years at Martin Luther King Hospital and 15 years at Rancho Los Amigos. Her first role at Rancho Los Amigos was coordinating admissions for patients with epilepsy; she currently manages updates to Medi-Cal patient accounts.

Thoughts on Her Long Career: Lucero will retire this year. She is proud of her time with the County and grateful for the financial independence her many years of service will afford her in retirement.

Retirement Plans: Lucero looks forward to enjoying her favorite pastimes, which include camping out with her family, collecting antique dolls and Barbies, and spoiling her German Shepherd, Gunther.

MEMBER SPOTLIGHT





March 26, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

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

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

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

Board of Retirement Offsite

The 2024 BOR Offsite will be held on Tuesday, May 28th and Wednesday, May 29th in Long Beach, CA at the Westin Hotel. Day one of the offsite will focus on LACERA's strategic planning efforts and other educational topics. Day two will center on the Retiree Healthcare Program and other educational topics.

LACERA Visit to the State Capital

LACERA's Legislative Officer, Barry Lew, and legislative advocate, Naomi Padron, along with LACERA's CEO, Santos Kreimann, and Deputy CEO, Luis Lugo, conducted a two-day legislative visit to the California State Capital in Sacramento on March 19th and 20th. We met with thirteen state Assemblymembers and Senators, including the Assembly Chair and Vice Chair of the Public Employment and Retirement Committee, Assemblymember Tina McKinnor (D-Inglewood) and Assemblymember Tom Lackey (D-Palmdale), as well as staff from Senator Scott Wilk's (R-Santa Clarita) office. Senator Wilk serves as the Vice Chair for the Senate Labor, Public Employment, and Retirement Committee.

The visit aimed to provide legislators with an overview of LACERA, its membership, and their economic impact on the State of California and County of Los Angeles. We also discussed a few bills sponsored by the State Association of County Retirement Systems (SACRS) that will come to the Assembly Public Employment and Retirement committee during this legislative cycle. A formal report of the visit will be provided by Barry Lew in the May 2024 Insurance, Benefits, and Legislative (IBL) committee.

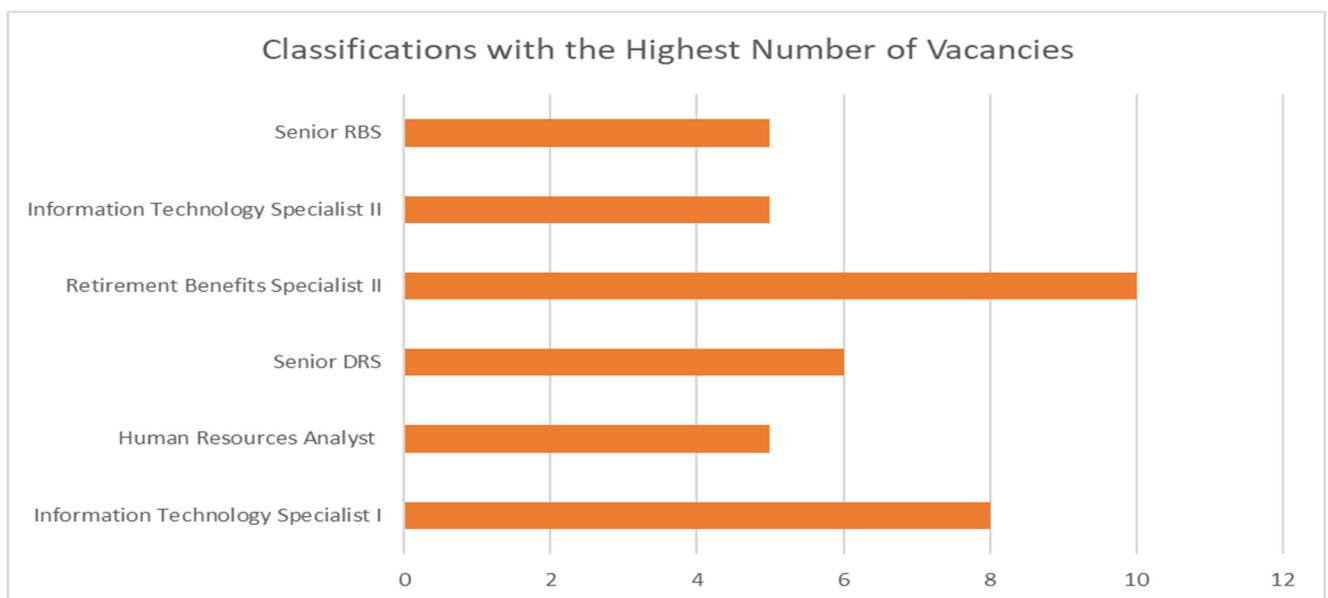
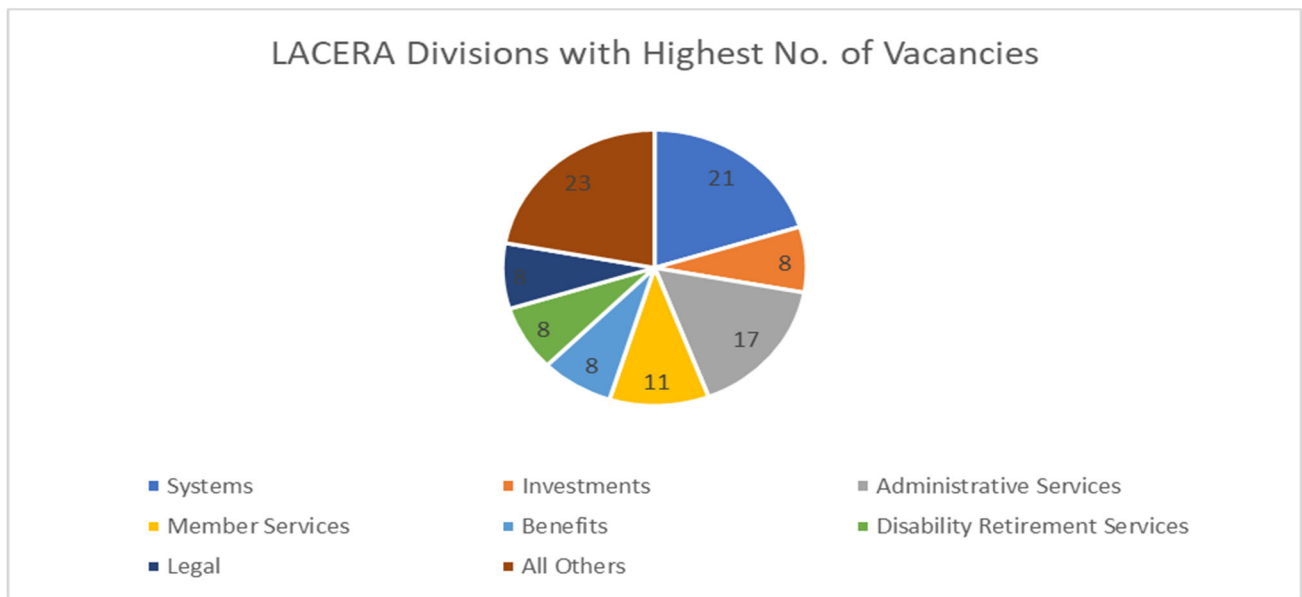
Lastly, we had a productive lunch visit with CalSTRS Chief Executive Officer, Cassandra Lichnock and her team at their Sacramento headquarters.

Recruitment Updates

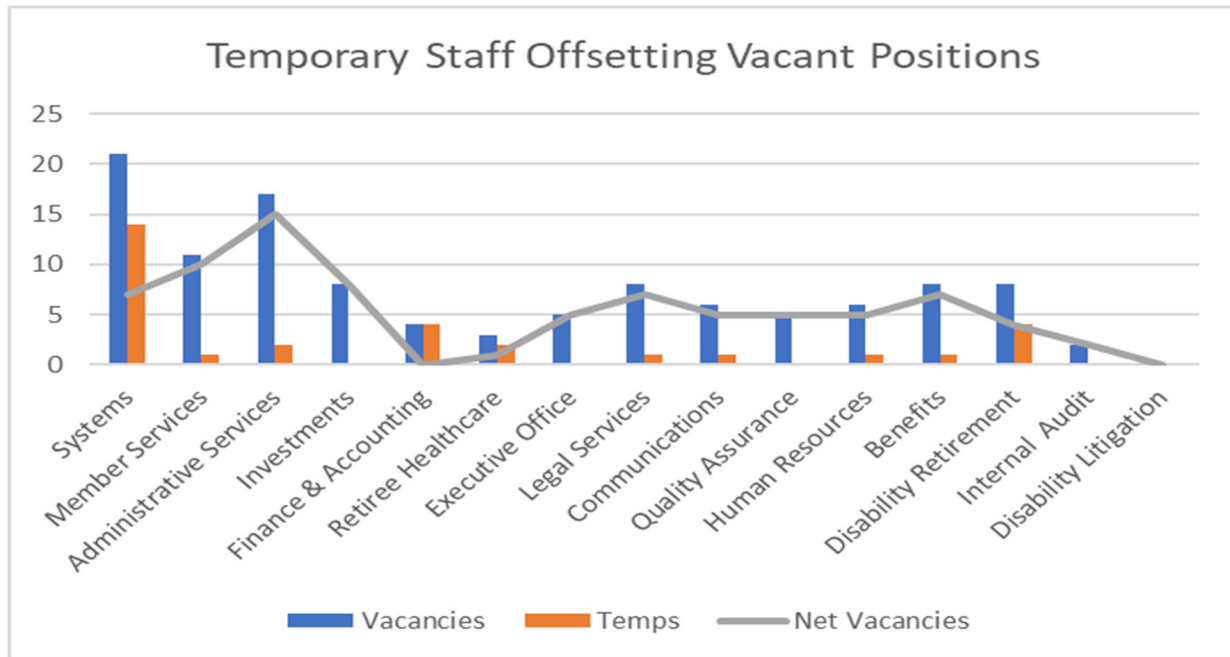
LACERA has 534 budgeted positions, of which 114 are vacant (21% vacancy rate). Additionally, there are three over-hired positions (positions that temporary staff members are assigned to but are not permanently budgeted) in the Retirement Benefits Specialist I classification.

Since the beginning of the current fiscal year, 15 eligible lists/registers were promogulated, resulting in a total of 14 new hires and 12 promotions.

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



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



External Recruitments

The Information Technology Specialist II, (Information Security Engineer), and (Mainframe Architect and Administrator) job bulletins closed on March 12, 2024. Applications are currently under review.

The Senior Investment Officer (Corporate Governance) recruitment continues to be open and managed by EFL Associates.

The recruitment brochures for the below listed positions in the Legal Office continue to be open and managed by Major Lindsey & Africa. 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

Interviews continue for the Senior Investment Officer (Global Equities).

The Finance Analyst III (Real Estate) position closed on March 6, 2024. Interviews have been scheduled.

In Development

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

- Administrative Services Analyst I, II and III
- Information Technology Specialist I
- Legal Analyst
- Legal Secretary

- Senior Internal Auditor
- Senior Legal Secretary
- Senior Administrative Assistant
- Administrative Assistant
- Intermediate Typist Clerk
- Special Assistant

New Lists Promulgated, Hiring

The Staff Counsel (Investments) List was promulgated on February 13, 2024. An offer was made and accepted. The staff member's start date is April 16, 2024.

The Senior Investment Officer (Real Estate) List was promulgated on March 4, 2024. The Investment Division and Human Resources continues to work through the selection process.

A Human Resources Analyst and Senior Human Resources Assistant for Employee Organizational and Development in Human Resources are currently in the background process.

There are a total of 19 new Retirement Benefits Specialist I (RBS I) (Temporary) Trainees to be made offers for the Core Benefits Training Class. Two (2) trainees are being hired for Retiree Health Care. The expected start date is pending candidate background clearances.

Interns

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

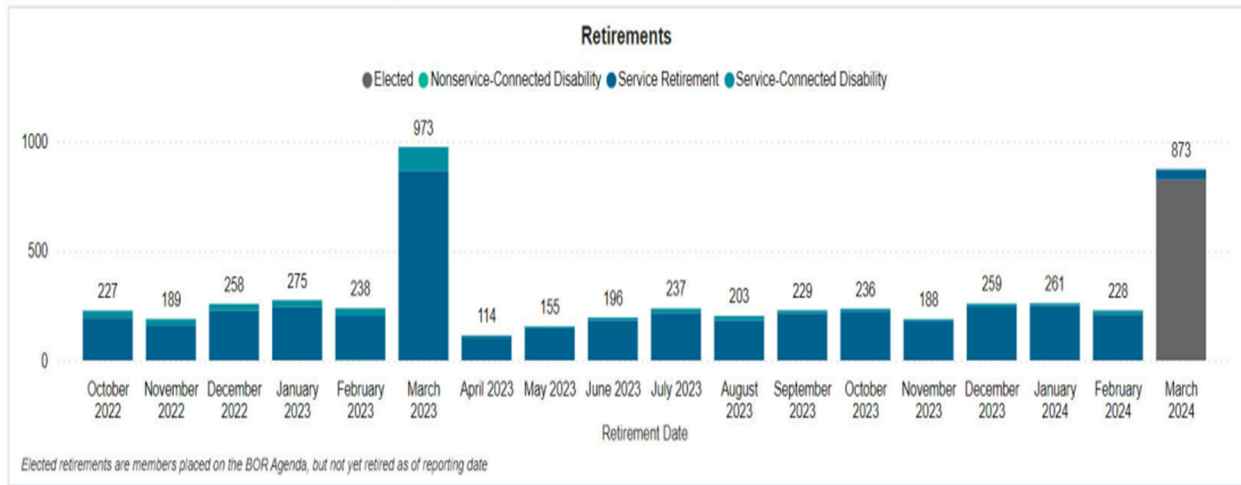
One hundred seventy applications have been received since the bulletin was reposted in August 2023. Fifty-one of the applications did not meet the selection requirements, 21 applications need to be reviewed. Ninety-eight applicants are being considered.

To date, four interns have been chosen for the Summer. Two in the Legal Office to begin in May, one in Human Resources to begin in May/June and, as previously reported, the Executive Office chose one to begin in June. Additionally, the Systems Division is finalizing selections and anticipates three interns to begin in May/June.

CEO Dashboard Update

We have made two new additions to the CEO Dashboard under the Member Snapshot section. These new reports will provide readers with insight into the retirement trends over the last 18 months and the current month's processed and in-process retirements. Please see the notes and descriptions for each below. Both reports are generated on the 15th of the month and reflect all recorded activity through the 15th of the month.

Retirement Trend Report



LACERA processes retirements year-round but every year between December and March we experience a spike in retirements. The 18-month Retirement Trend Report is designed to provide users with an insight into the volume of retirements processed each month and will allow users to compare the previous March Madness season to the current March Madness season. Here are some key details to be aware of regarding this trend report:

- This report will show the volume of retirements by category:
 - Elected (those that are in process)
 - Service Retirements (SR)
 - Non-Service-Connected Disability Retirements (NSCD)
 - Service-Connected Disability Retirements (SCD)
- The vast majority of retirements processed in any given month are Service Retirements.
- The current month in this report, especially during March Madness, will always reflect a high number of “elected” retirements vs. the other three categories. This occurs because staff is working on those retirements, and they have not been categorized yet (which occurs once it is processed). This does not mean there will be delays in these retirements. This is just the normal processing progression.

Monthly Retirements Snapshot Report

Monthly Retirements	
Retirement Type	March 2024
Elected	824
Service Retirement	46
Service-Connected Disability	3
Total	873

- The current month Retirement Snapshot represents the activity in just the current month. Again, this will often show a high number of elected retirements as they are still in process on the 15th of the month.
- The number of SCD and NCSD retirements in this report will not match the number of disability retirements granted in the previous month. This is because the granted disability retirements in any given month have different elected retirement dates. Often, we will not know the retirement date until the transition to the retiree payroll begins.

Retiree Healthcare

Medicare Part B Verification Update

In December 2022, the Retiree Healthcare Division (RHC), in collaboration with IT staff, began using a new interface designed to assist RHC process the thousands of incoming Medicare Part B verification documents received each year.

Prior to December 2022, it would take the RHC division staff several months to review and update about 40,000 Medicare Part B verifications submitted by retirees and their eligible covered dependents each December - February.

Verification Year	Part B Reimbursements Paid	Updated via Automation	Percentage Updated Automatically
2022 for 2023	38,784	21,330	55%
2023 for 2024	39,785	28,770	72%

As a result of improved automation, all Medicare Part B verifications received in December 2023 through February 2024 have been processed. In addition, since utilizing the new interface, and upon the Board of Supervisors approving the continued offering of the Medicare Part B reimbursement program, RHC staff has, for the second year in a row, completed the influx of verifications no later than the end of March. The ability to complete this project so quickly allows RHC staff to focus on the increased volume of healthcare enrollment forms received due to the annual March rush.

Kudos to RHC staff and Systems Division for their assistance with this accomplishment.

Cigna Healthcare Notice of Potential Contract Termination with Providence (Southern CA) - Update

In last month’s CEO report, staff reported receiving notification from Cigna Healthcare that Cigna has been negotiating in good faith with Providence (Southern CA) to renew their agreement; noting if an agreement was not reached by April 8, 2024, then Providence will no longer be part of their Cigna provider network. Ending the contract with Providence would impact approximately 35 LACERA members totaling close to \$100,000 in spend over the last 18 months. A targeted mailing was made to those 35 impacted members.

We recently received notification from our Cigna contact that Providence issued an extension, and the new potential termination date is now 5/31/2024. In the meantime, should members have any questions, they are encouraged to call Cigna's customer service representatives to answer their questions, help them find in-network providers, and arrange for continuity of care if members are eligible should the contract be terminated. We will keep you informed as more information is provided to staff.

SHK
CEO report April 2024.doc

Attachments



CEO DASHBOARD



April 3, 2024

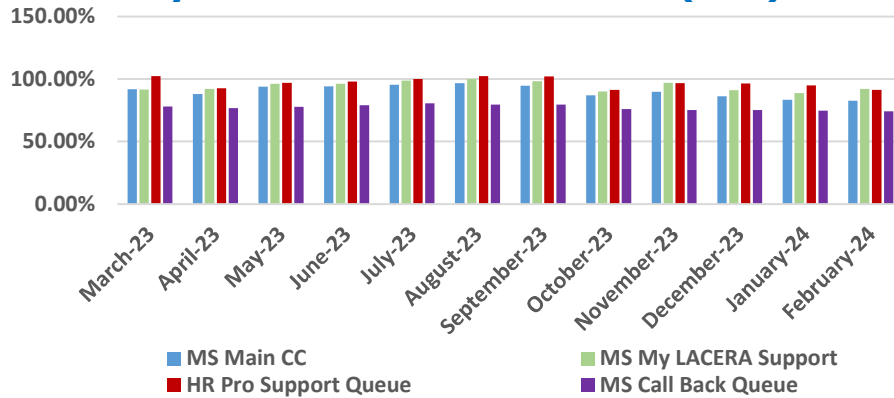


Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: February 2024

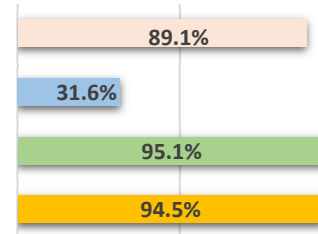
Events / Webinar Attendance Current Mo.: 681 Year-to-Date: 8,212	Events / Webinar Current Mo.: 13 Year-to-Date: 154	Webinar Satisfaction 0% Resp. Rate: 0% Change: 0%	Member Service Center Satisfaction 98.72% Resp. Rate: 18.7% Change: 2.91%	MS Main Queue Total Calls Current Mo. 8,602 3 Month Avg. 8,422				
					Resp. Rate	Change	Resp. Rate	Change
					0%	0%	18.7%	2.91%

Member Service Call Center Queue Key Performance Indicators (KPI)

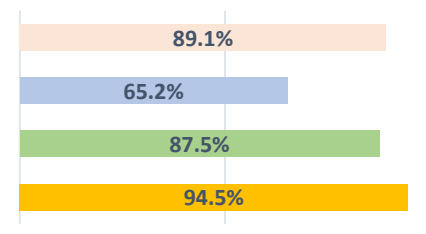


Key Performance Indicator (Components by Queue)

MSCC Main Queue



My LACERA Support Queue



Agent Utilization (Goal: 65%)

After Call Survey (Goal: 90%)

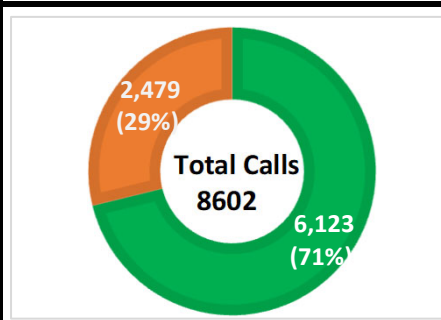
Grade of Service (Goal: 80% in 60 sec)

Call Monitoring (Goal: 95%)

Member Services

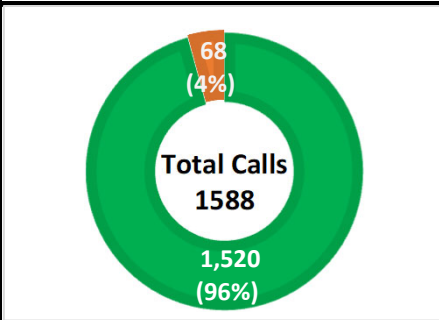
MSCC MAIN QUEUE

■ Calls Answered ■ Calls Abandoned



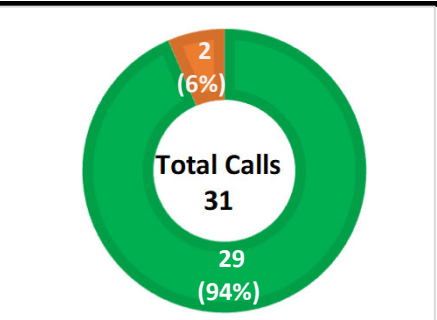
MY LACERA SUPPORT

■ Calls Answered ■ Calls Abandoned



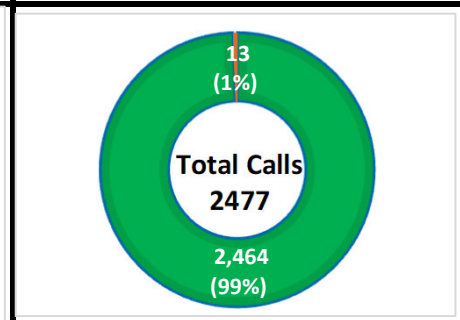
HR PRO SUPPORT

■ Calls Answered ■ Calls Abandoned



MS CALL BACK QUEUE

■ Calls Answered ■ Calls Abandoned



Queue KPI:	82.50%	Queue KPI:	92.10%	Queue KPI:	91.30%	Queue KPI:	74.21%
Avg. Speed of Answer	Average Duration	Avg. Speed of Answer	Average Duration	Avg. Speed of Answer	Average Duration	Avg. Speed of Answer	Average Duration
0:17:38	12:17:17	0:01:06	0:12:10	0:01:03	0:13:12	0:39:48	0:15:00



Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: February 2024

TOP REASONS MEMBERS CONTACT MEMBER SERVICES

Member Services Call Center

Member Service Center (Outreach)

1. Retirement Counseling

1. Retirement Counseling

2. My LACERA

2. Retiree Healthcare

3. Taxes

3. Power of Attorney

Contact Center Email/Secure Message Performance



Emails (welcome@lacera.com):

419

Service Level: 24 Bus. Hours

On Target



Secure Message (My LACERA)

1,082

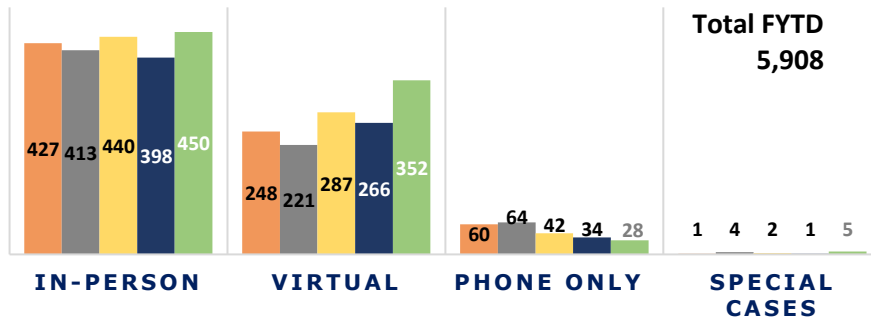
Service Level: 24 Bus. Hours

On Target

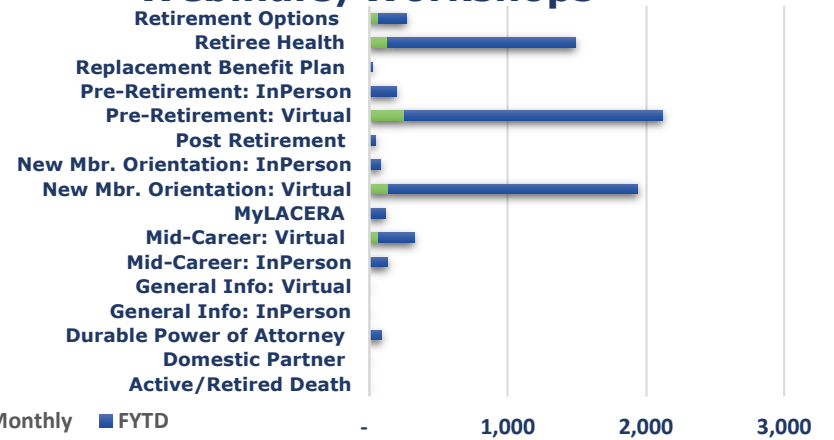
Member Service Center (Outreach)

Member Service Center Appointments

October November December January February



Members Served in Webinars/Workshops



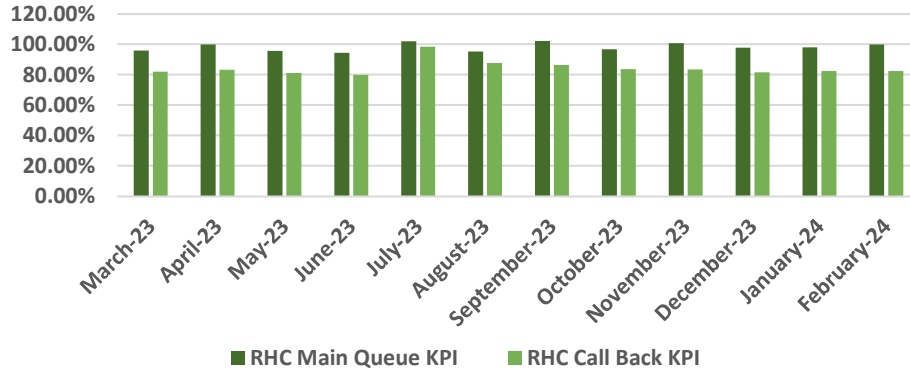
Member Services



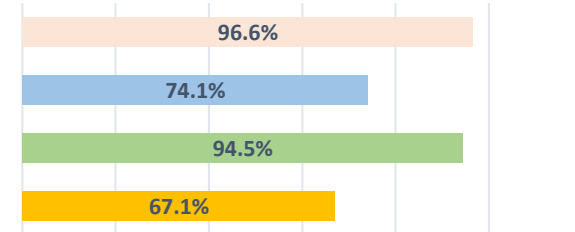
Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: February 2024

RHC Call Center Queue Key Performance Indicator (KPI)



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

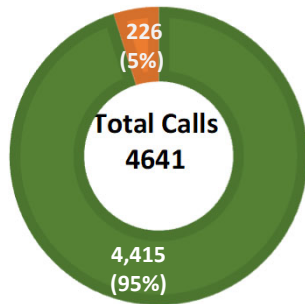


Agent Utilization (Goal:65%)	Grade of Service (Goal: 80% in 60 sec)
After Call Survey (Goal: 90%)	Call Monitoring (Goal: 95%)

Retiree Healthcare

RHC MAIN QUEUE

■ Calls Answered ■ Calls Abandoned

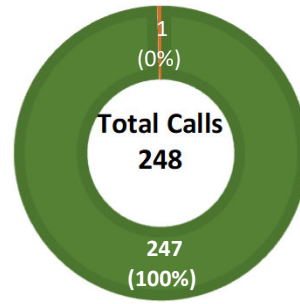


Queue KPI: 99.80%

Avg. Speed of Answer	Average Duration
0:02:03	0:12:02

RHC CALL BACK QUEUE

■ Calls Answered ■ Calls Abandoned



Queue KPI: 82.40%

Avg. Speed of Answer	Average Duration
0:05:38	0:07:55

TOP RHC CALL TOPICS

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

RHC Email/Secure Message Performance



Emails (healthcare@lacera.com): 484

Service Level: 24 Bus. Hours

On Target



Secure Message (My LACERA) 517

Service Level: 24 Bus. Hours

On Target



Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: February 2024

Disability

Applications

899

Received: New Applications	86
Received Year-to-Date	539
Pending: Applications in Process	0
Re-Opened Applications	0
Re-Opened Year-to-Date	0
To Board - Initial (Presented to BOR)	62
To Board - Initial Year-to-Date*	284
Closed (Incomplete/Withdrawn)	79
Closed Year-to-Date*	440

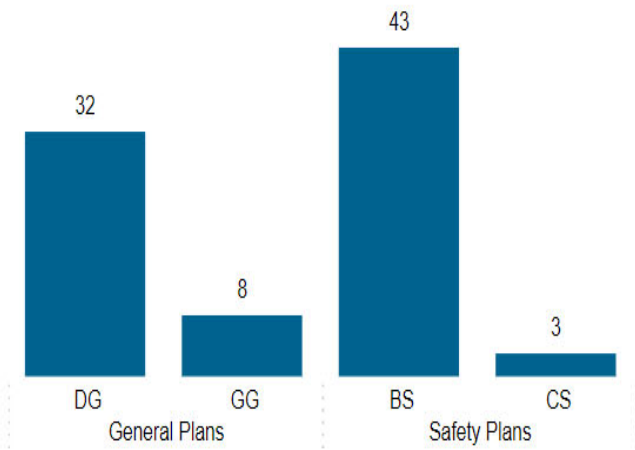
*Excludes cases prior to 9/12/23 due to transition to Sol case management system.

Appeals

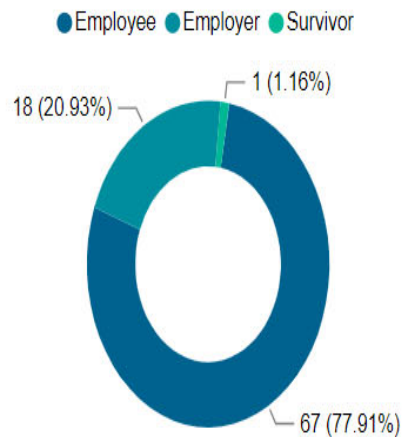
72

Received: New Appeals	3
Received Year-to-Date	11
Pending: Appeals in Process	1
Admin Closed	10
Admin Closed Year-to-Date	10
Referee Recommendations	1
Referee Recommendations Year-to-Date	7
DLO Recommendations	0
DLO Recommendations Year-to-Date	0

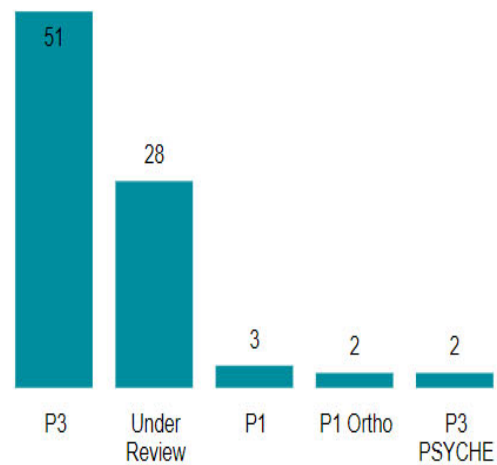
Applications Filed by Plan



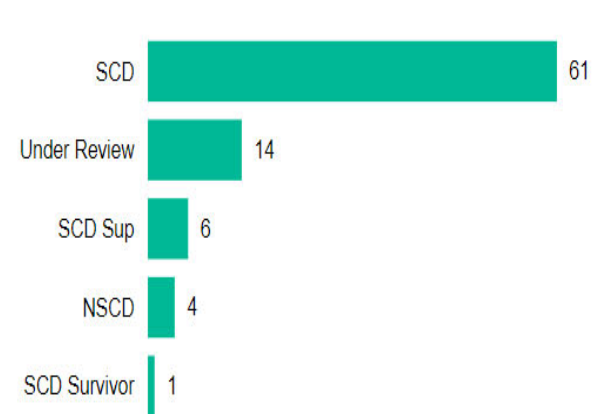
Applications Filed by Source



Applications Filed by Priority Level



Applications Filed by Type

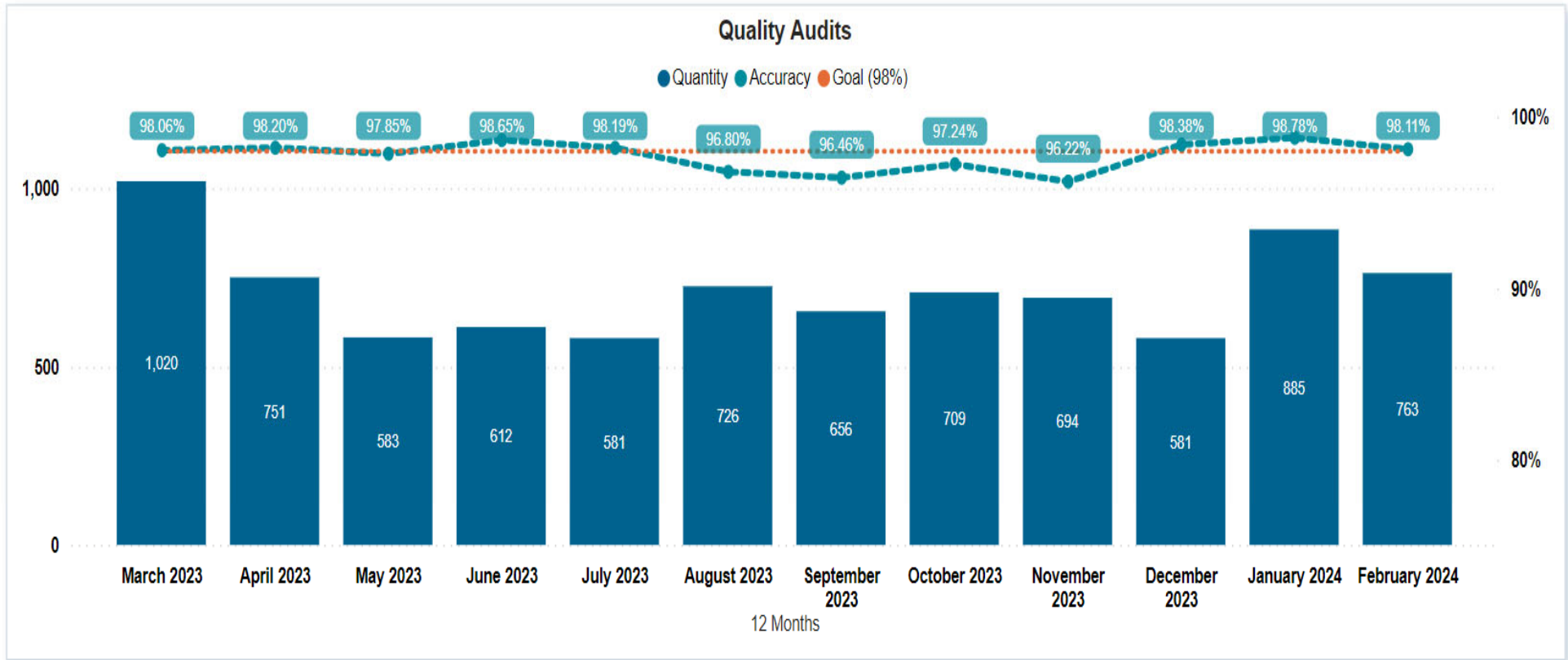




Striving for Excellence in Quality

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: February 2024

Quality Assurance



Monthly Recap

February 2024

	Samples	Accuracy
Data Entry	120	98.21%
Payment Contract	142	97.99%
Retirement Election	501	98.12%
Total	763	98.11%



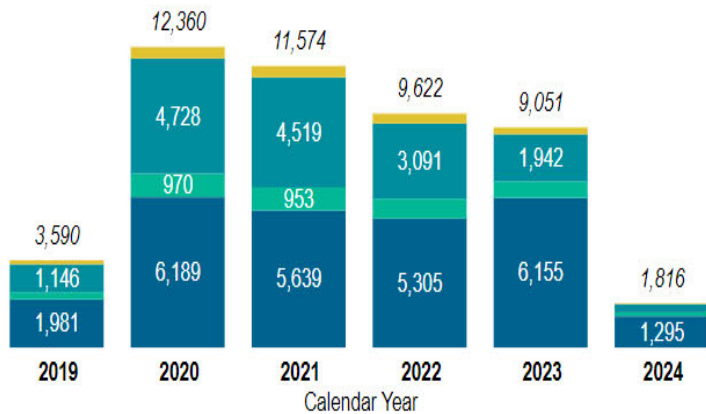
Service On-Line for All

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: February 2024

Serving Members Through LACERA.com and MyLACERA

Annual MyLACERA Registrations*

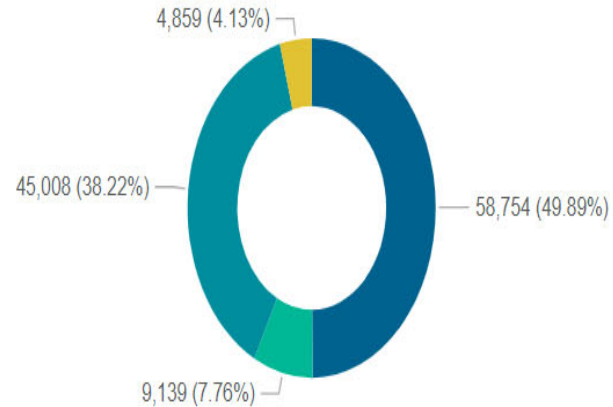
● Active Members ● Deferred & Inactive Members ● Retirees & Survivors ● Non-Members



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

112,901

% of Total Members

58%

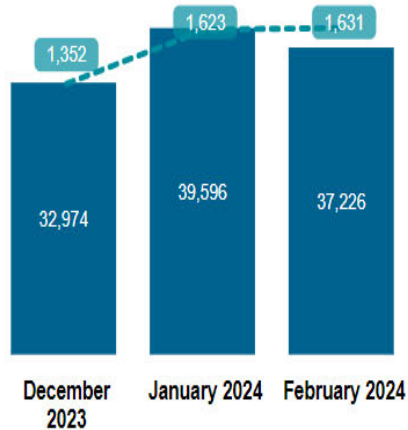
Excludes Non-Members

*Data as of March 15, 2024

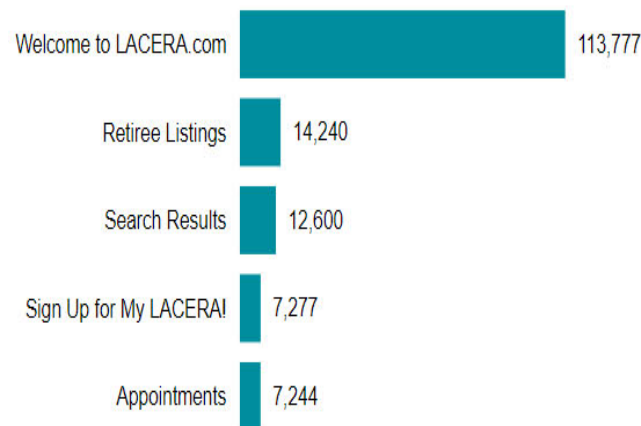
Non-Members include legal split payees and withdrawn members.

LACERA.com User Traffic

● First Time Visitors ● Average Per Day



Top Five LACERA.com Page Views



Busiest Day

02/29/2024

Home Page Tile	Views	% of Change
Forms & Publications	278	17.80%
Board Meetings and Agendas	4,263	11.68%
Investments	2,298	-14.73%
Careers	2,452	-15.59%
Sign Up for My LACERA!	7,277	-18.59%
Pre-Retirement Workshops	2,348	-46.07%

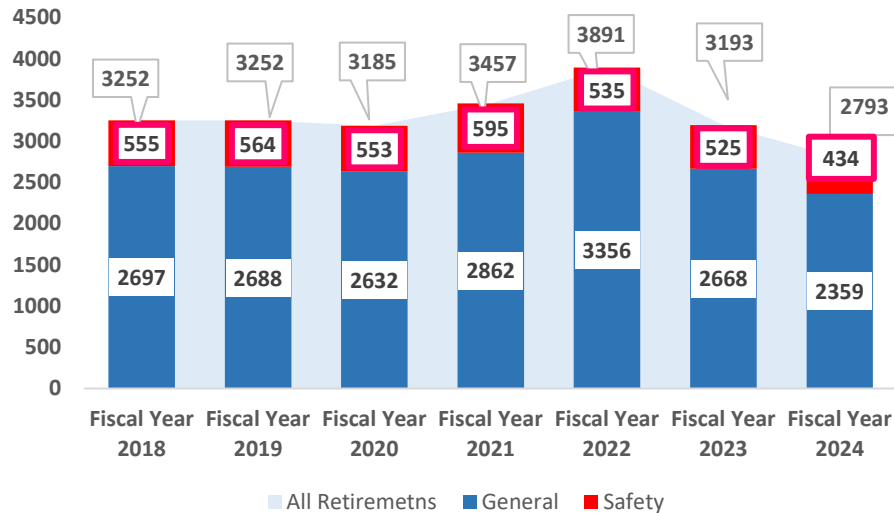


Member Snapshot

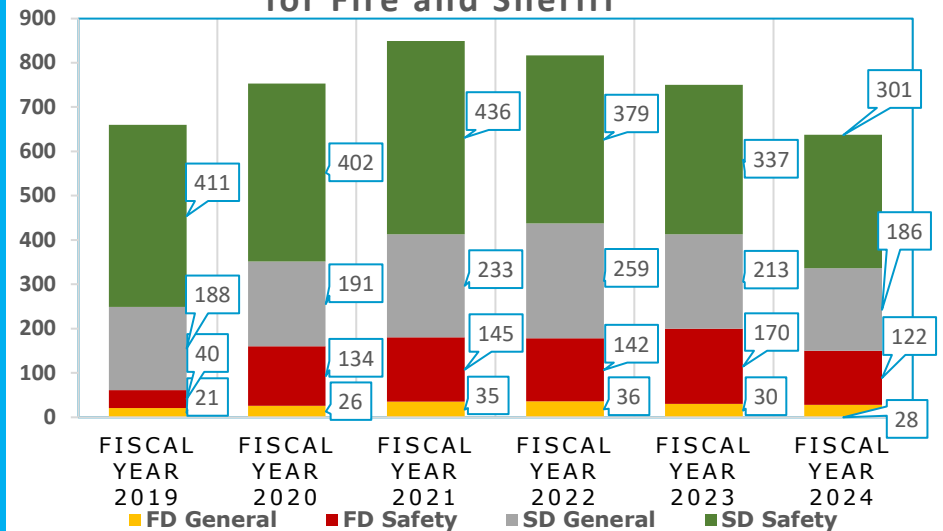
Membership Count as of: March 15, 2024

PLAN	ACTIVE		INACTIVE		RETIRED				Totals by Plan/Type
	Vested	Non-Vested	Vested	Non-Vested	Service	SCD - Disability	NSCD - Disability	Survivors	
General PLAN A	41	-	11	32	11,402	901	154	4,007	16,548
PLAN B	10	-	5	3	560	38	7	75	698
PLAN C	13	-	5	8	354	38	7	65	490
PLAN D	32,805	110	4,490	3,251	19,491	2,061	446	2,083	64,737
PLAN E	12,479	9	2,791	83	15,579	-	-	1,711	32,652
PLAN G	20,512	19,598	1,845	7,171	299	37	8	32	49,502
TOTAL GENERAL	65,860	19,717	9,147	10,548	47,685	3,075	622	7,973	164,627
Safety PLAN A	-	-	2	2	1,782	2,327	25	1,648	5,786
PLAN B	7,205	68	583	230	3,338	4,771	54	441	16,690
PLAN C	2,881	2,414	149	549	12	22	-	3	6,030
TOTAL SAFETY	10,086	2,482	734	781	5,132	7,120	79	2,092	28,506
TOTAL ALL TYPES	75,946	22,199	9,881	11,329	52,817	10,195	701	10,065	193,133

Total Retirements Compared by Type



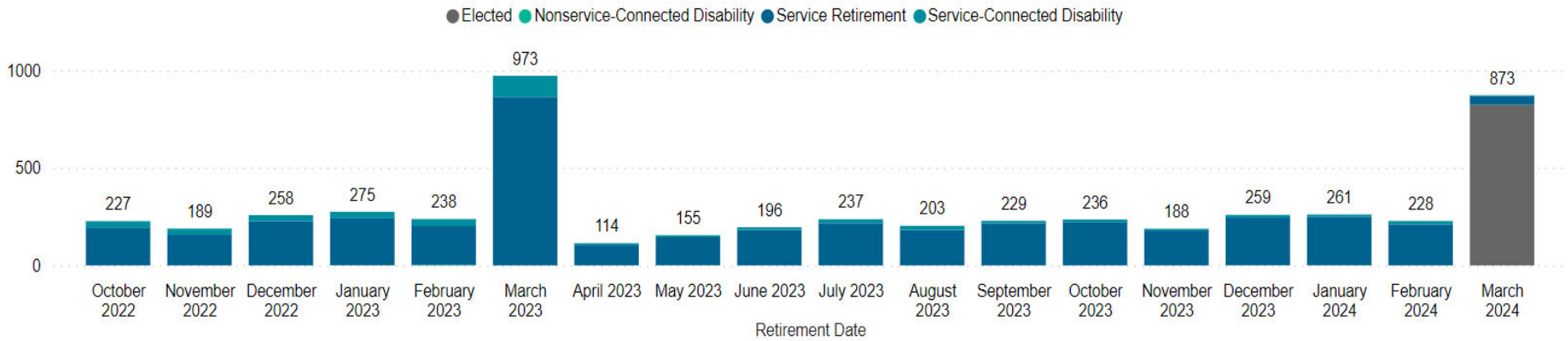
General vs. Safety Retirements for Fire and Sheriff





Member Snapshot

Retirements



Elected retirements are members placed on the BOR Agenda, but not yet retired as of reporting date

Monthly Retirements

Retirement Type	March 2024
Elected	824
Service Retirement	46
Service-Connected Disability	3
Total	873

Average Monthly Benefit Amount:		\$ 4,934.00		
Average Monthly Benefit Allowance Distribution 3/21/2024				
	General	Safety	Total	%
\$0 to \$3,999	30,105	1,329	31,434	49.4%
\$4,000 to \$7,999	14,951	3,424	18,375	28.9%
\$8,000 to \$11,999	4,412	4,294	8,706	13.7%
\$12,000 to \$15,999	1,264	2,485	3,749	5.9%
\$16,000 to \$19,999	430	569	999	1.6%
\$20,000 to \$23,999	127	156	283	0.4%
\$24,000 to \$27,999	35	54	89	0.1%
> \$28,000	31	8	39	0.1%
Totals	51,355	12,319	63,674	100%

Retired Members Payroll

(As of 2/29/2024)

Monthly Payroll	\$378.63m
Payroll YTD	\$3.0b
New Retired Payees Added	420
Seamless %	98.57%
New Seamless Payees Added	2,636
Seamless YTD	97.12%
By Check %	2.00%
By Direct Deposit %	98.00%

Healthcare Program

(Mo. Ending: 2/29/2024)

	Employer	Member
Medical	\$425.9	\$30.0
Dental	\$33.1	\$3.1
Part B	\$62.8	\$0.0
Total	\$521.8	\$33.1

Health Care Enrollments

(Mo. Ending: 2/29/2024)

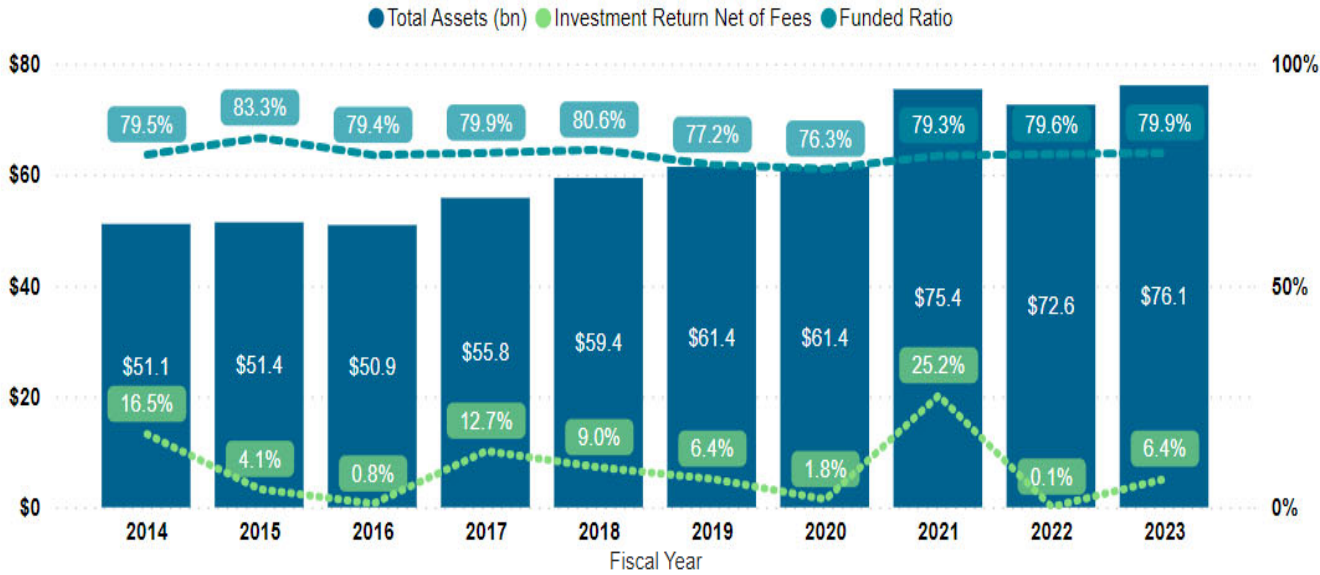
Medical	55,630
Dental	57,638
Part B	38,549
LTC	465
Total	152,282



Key Financial Metrics

(as of June 30, 2023)

Fiscal Year End Financial Update



Funding Metrics

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

Contributions

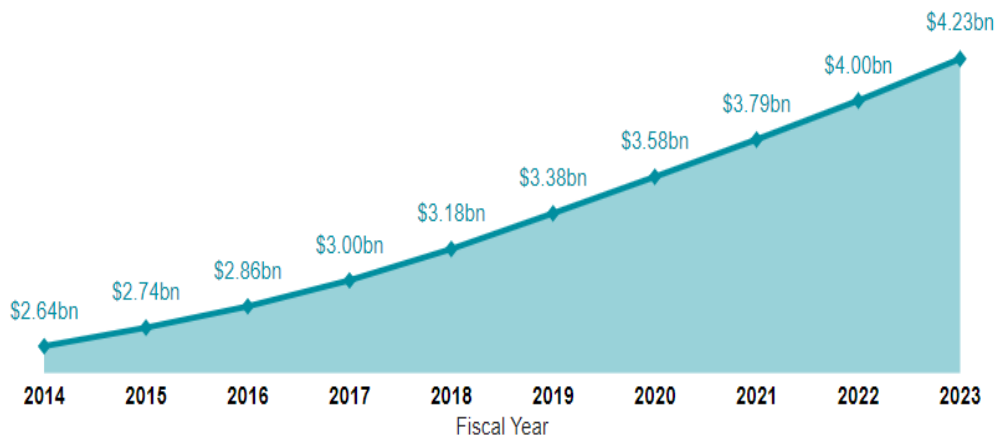
\$2.3bn Employer Annual Contribution
 25.88% Employer % of Payroll
 \$793.2m Member Annual Contribution
 8.37% Member % of Payroll

Investment Returns

7.6% 5-Year Return
 8.1% 10-Year Return

net of fees

Retiree Payroll by Year



LACERA Pension Dollar





QUIET PERIOD LIST FOR TRUSTEES AND STAFF

Last Update
03/26/2024

ADMINISTRATIVE/OPERATIONS

Solicitation Name	Issuing Division	Public Release Date	Solicitation Stage*	Bid Respondents*
RFB: Classification and Compensation Study Services	Human Resources	8/24/2023	Contract Execution	<ul style="list-style-type: none">• CBIZ
RFP: Member Experience Communications Platform (MECP)	Systems	11/6/2023	Bid Review	<ul style="list-style-type: none">• 8x8, Inc• ConvergeOne, Inc.• Five9• NWN• RingCentral• Talkdesk• TTEC Government Solutions

*Subject to change

INVESTMENTS

Solicitation Name	Public Release Date	Solicitation Stage*	Bid Respondents *
RFP: Actuarial Consulting and Actuarial Auditing Services	11/15/2023	Proposal Evaluation	<ul style="list-style-type: none">• Buck• Cavanaugh Macdonald Consulting• Milliman• Segal
Hedge Funds, Credit, and Real Assets Consultant Search	12/29/2023	Proposal Evaluation	<ul style="list-style-type: none">• Albourne• Meketa• Mercer• Wilshire

*Subject to change

Date	Conference
April, 2024	
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
May, 2024	
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.
June, 2024	
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

Date	Conference
June, 2024 24-26	SuperReturn Emerging Markets Event/Private Equity Conference Amsterdam, Netherlands
July, 2024 10-12	Pacific Pension Institute (PPI) Summer Roundtable Amsterdam, Netherlands
15-17	ICGN 2024 Annual Conference London, England
August, 2024 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
September, 2024 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
October, 2024 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

Date	Conference
October, 2024	
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
27-30	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference Palm Springs, CA
November, 2024	
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
December, 2024	
6	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Virtual



March 20, 2024

TO: Each Trustee,
Board of Investments

FOR: Board of Investments Meeting of April 10, 2024

SUBJECT: Impact Investor Global Summit 2024 in London, England on May 14 -15, 2024

The Impact Investor Global Summit 2024 will be held in London, England on May 14 -15, 2024. This event will showcase some of the most exciting impact managers in the world as well as active institutional investors in the market. Hear from the best-in-theme managers on the latest investment opportunities and connect with attendees who share similar interests.

The main conference highlights include the following:

- Impact PE in healthcare: where are the most impactful opportunities?
- Transition investments in emerging markets.
- Impact debt funds: a good time for credit.

Following are approximate conference and travel costs:

Registration: \$3,000.00

Hotel: \$585.00 daily rate (plus taxes and fees)

Additional Travel Days: 3

Airfare: \$8,000.00 - \$10,000.00

Ground Transportation: \$60.00 per day

Per Diem & Incidentals: \$178.00 per day
(The registration fee includes most meals)

Approximate Cost Per Traveler: \$15,500.00- \$17,500.00

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

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Trustees at the Impact Investor Global Summit 2024 in London, England on May 14 -15, 2024, and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.

New
Private Markets

Impact Investor Global Summit London 2024

Impact Investor Global Summit 2024

14-15 May 2024

Royal Lancaster Hotel, London

The leading event for impact investing in private markets.

Event website: www.peievents.com/en/event/impact-investor-global-summit

Agenda

Day one - Tuesday 14th May 2024

8.00 *Networking breakfast and registration*

8.55 *Chair's opening remarks*

Xenia Loos, Co-Founder, Partner, **Collective Action**

9.00 **Opening keynote TBC**

9.15 **Plenary #1: State of the impact market: fundraising, investment trends and the exit environment**

- What are the systemic risks and opportunities for the impact investing market?
- Is the impact market mature enough to show 'proof of concept' in terms of return performance?
- What issues are getting funding, and which aren't?
- Is the age of the generalists over, and will we only see more specialisation in the market?

Max Odefey, Co-founder, **GENUI**

Matt Christensen, Global Head of Sustainable and Impact Investing, **Allianz Global Investors**

Impact Investor Global Summit London 2024

Moderated by Laurie Spengler, President and CEO, **Courageous Capital Advisors**

10.00 **Plenary #2: Institutional investor outlook: what is driving allocation to impact funds for different types of LPs?**

- What are the allocation priorities of institutional investors in 2024 and beyond?
- How are allocators filtering managers?
- Does the impact label, article 8 or 9 classification, SDG reference, or thematic positioning matter in the investment decision?
- Is the sophistication of impact products sufficient to meet the needs and risk appetite of investors?

Nancy Curtin, Global Chief Investment Officer, **ALTi Tiedemann Global**

Carlotta Saporito, Executive Director, Head of Impact Investing, **J.P. Morgan Private Bank**

Claudia Kruse, Chief Sustainability & Strategy Officer, **APG Asset Management**

Paula Langton, Partner, **Campbell Lutyens**

Peter Cashion, Managing Investment Director - Sustainable Investments, **CalPERS**

Moderated by Rhys Davies, Partner, **Kirkland & Ellis**

10.45 *Break*

11.15 **Plenary #3: Investing in the transition: how to achieve impact at scale?**

- What strategies, technologies and innovations have the greatest 'impact at scale' potential?
- Have middle-market growth-stage opportunities been overlooked by private market investors?
- Is it time to also be considering climate resilience and adaptation investing?
- Is the climate sector capable of absorbing a significant influx of capital without overinflating valuations?

Julian Thomas, Managing Director, Head of Strategic Initiatives, **Brookfield's Renewable Power & Transition Group**

Willem Huidekoper, Head of Non-Listed Equities, **IMAS Foundation**

New
Private Markets

Impact Investor Global Summit London 2024

Clara Barby, Senior Partner, **Just Climate**
Jack Azoulay, Senior Partner, **Argos Wityu**
Nick Wood, CEO, **Resonance Asset Management**

12.00 **Keynote TBC**

12.15 **Plenary #4: Beyond venture and growth – deep dive into the impact buyout playbook**

- What is the impact market's composition in terms of funds looking at venture, growth and buyout strategies?
- In what geographies and themes are buyout opportunities most present?
- What are the unique considerations at play when investing in more mature companies?
- What are some good examples of buyout strategies with clear impact stories?

Jan Ståhlberg, Founder and Managing Partner, **Trill Impact**
Tai Lin, Managing Partner, **Proterra Asia**

13.00 Lunch

After lunch the conference splits into four streams, the streamed sessions are designed for you to hear about the latest investment opportunities from best-in-theme managers and get detailed insights on innovations on the horizon.

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	Frontier tech	Social and inequality	Climate and energy transition	Nature
14.00	<p>Biotech: what's on the investment and impact horizon?</p> <ul style="list-style-type: none"> • Which advances in biotech that are reaching commercial maturity? • What is the intersection between biotech, life sciences and impact investing? • What is the impact potential of different biotech technologies and innovations? • How can impact investors access deployment opportunities in the biotech space? 	<p>Addressing inequality: Just Transition and the social impact landscape</p> <ul style="list-style-type: none"> • What are some examples of assets in a Just Transition context? • Social impact funds resonate most with their locally-based investors, what can be done to increase their appeal to other types of investors? • What models provide the most promise in scaling impact on inequality? • Is it possible to both provide above market returns and deliver genuine impact on the ground in a social impact context? <p>Stephen Muers, CEO, Big Society Capital</p>	<p>Energy transition: what's next, what's new?</p> <ul style="list-style-type: none"> • Which aspect of the energy transition value chain is underfunded? • To what extent are funds in the market taking an impact lens to their investment strategy? • What is the scale of investment opportunity in clean energy revolution? • What is the next wave of energy transition opportunities and how does it intersect with impact investing? <p>Jesse de Klerk, Partner, Stafford Capital Partners</p> <p>Diana Wesselius, Managing Director Multi Asset Impact Investing, Anthos Fund and Asset Management</p> <p>Stephanie Bilo, Chief Client &</p>	<p>Natural capital and biodiversity: how and why to invest in nature?</p> <ul style="list-style-type: none"> • How dependant are nature investments on the carbon markets, and to what extent is this a strategic risk? • What are the fundamentals driving viability of natural capital as investments? • How are managers active in the market deploying their capital? • What are the environmental objectives and impact goals of nature funds? <p>Anne Valto, Senior Development Impact Advisor, Finnfund</p> <p>Francisco Saraiva Gomes, Founding Partner and CIO, Ocean14 Capital</p>

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		<p>Liz Roberts, Head of Impact Investing – Investment Management, Massmutual</p> <p>Cyril Gouiffes, Head of Social Impact, European Investment Fund</p> <p>Luc Rigouzzo, Founder and Managing Partner, Amethis</p>	<p>Investment Solutions Officer, responsiAbility</p> <p>Moderated by Marleen Dijkstra, Managing Director, Primary Fund Investments, AlpInvest Partners</p>	
14.45	<i>5-min switchover break</i>			
14.50	<p>Impact Investing & megatrends: how to take good risky bets?</p> <ul style="list-style-type: none"> • How can investors identify unique opportunities and make well-informed investment decisions in a fast changing world? • What are the ‘megatrends’ that you should invest against? • Being the fund of choice: How can early-stage impact funds find, attract and support the their entrepreneurs? • What is the practical methodology of good 	<p>Impact PE in healthcare: where are the most impactful opportunities?</p> <ul style="list-style-type: none"> • Are healthcare investments impact-by-default? • Are LPs looking for increased healthcare exposure? • What are the investment stories that exemplify impact funds in the healthcare space? • How is impact measurement practiced in the healthcare context? <p>Abrar Mir, Co-founder and Managing Partner, Quadria Capital</p>	<p>Equity and debt opportunities in climate: what’s does the next wave of climate opportunities look like?</p> <ul style="list-style-type: none"> • What is the landscape of PE climate investments? • How are climate funds looking to differentiate themselves and which verticals/sub-sectors are being most targeted? • Is there a risk of price inflation for climate assets? • What technologies promises scalable impact when it comes to climate change mitigation? <p>Sarah Miller, Senior Vice President,</p>	<p>Impact in food systems and regenerative agriculture</p> <ul style="list-style-type: none"> • What tailwinds and headwinds are facing sustainable agriculture investors? • What are the most promising technologies being pioneered in food supply chains that can reduce emissions? • What are the fundamentals and disruptors driving commercial opportunities in agriculture? • What is the current status of investment in these sectors, and is enough capital being

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	<p>megatrend investing?</p> <p>Moderated by Johannes Weber, Managing Partner and Co-Founder, Ananda Impact Ventures</p> <p>Dimple Patel, CEO, Nature Metrics</p> <p>Hakim Yadi, CEO, Closed Loop Medicine</p> <p>Harlin Singh, Global Head of Sustainable Investing, Citi Global Wealth</p> <p>Marc Moser, Head of Impact, Lightrock</p>		<p>Manager Research, Redington</p> <p>Rhea Hamilton, Managing Director, BeyondNetZero, General Atlantic</p> <p>Irina Markina, Managing Director, Chief Decarbonization Officer, Ara Partners</p>	<p>deployed?</p> <p>Rosie Wardle, Co Founder, Partner, Synthesis Capital</p> <p>Matteo Squilloni, Head of Climate Transition - Equity Investments, European Investment Fund</p> <p>Ben Stafford, CEO, Regenerate Asset Management</p> <p>Carli Roth, Principal, Innovative Finance, The Rockefeller Foundation</p>
15.35	<i>Networking Break</i>			
16.00	<p>The science of decarbonisation investing</p> <ul style="list-style-type: none"> How are investors differentiating between scope, 1,2,3,4 emissions in investments, is this a useful lens for decarbonisation investing? 	<p>Transition investments in emerging markets</p> <ul style="list-style-type: none"> How are investors active in EM investing in the clean energy transition? What can be done to derisk EM through blended finance and other risk mechanisms? 	<p>Industrial decarbonisation: deep dive into industrial solutions and brown-to-green strategies</p> <ul style="list-style-type: none"> How are corporates looking to decarbonise their operations and supply chains? Which technologies are being used to decarbonise? 	<p>Ocean health and blue economy: a growing asset class</p> <ul style="list-style-type: none"> Which types of assets are ocean funds targeting? Ocean and blue funds are a relative recent development, what are the fundamentals and basics of the sector?

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	<ul style="list-style-type: none"> • What standards are GPs using the calculate avoided emissions? • With so much venture risk in decarbonisation opportunities, how can investors ensure their due diligence is robust? • Which subsectors are satisfied in terms of investment, and which are on the up? <p>Charlotte Jacobs Senior Investment Manager, fund investments, Swisscanto</p> <p>Liza Rubinstein Malamud, Co-founder & Head of Impact at Carbon Equity, Carbon Equity</p> <p>Maddalena Orlandini Senior member, Private Markets team, Kieger AG</p>	<ul style="list-style-type: none"> • Is the pool of EM-focused capital growing? • How can investors help ensure developing countries skip the ‘fossil fuel’ stage of their economic development? <p>Joohee Rand, Director & Head of Secretariat, Impact Principles, Global Impact Investing Network</p> <p>Guna Lasmane, Senior Underwriter, Multilateral Investment Guarantee Agency</p> <p>Abi Mustapha-Maduakor, Chief Executive Officer, African Private Capital Association</p>	<ul style="list-style-type: none"> • How capital intensive are industrial decarbonisation solutions? • What are some examples of good brown-to-green investment stories? <p>Caroline Laberge, Director, Sustainable Investing, CDPQ</p> <p>Ayo Olabimtan, Senior Investment Manager, Climate Innovation Fund, Microsoft</p> <p>Imraan Mohammed, Portfolio Manager – Climate Opportunities Fund, Border to Coast Pensions Partnership</p>	<ul style="list-style-type: none"> • What is the return and impact potential of ocean funds? • What are the challenges of allocating toward ocean impact from an LP perspective? <p>Moderated by Diane Damskey, Secretariat Emeritus, Operating Principles for Impact Management</p> <p>Karen Sack, Executive Director, Ocean Risk and Resilience Action Alliance (ORRAA)</p> <p>Elisabeth Lind, Managing Director, Private Client Practice, Cambridge Associates</p> <p>Olivier Raybaud, Managing Director, SWEN Blue Ocean</p> <p>Erik Bjørstad, Director Impact Investing, FERD</p>
16.45	<i>5-min switchover break</i>			
	The next phase of hydrogen	Education, Edtech and impact: a	Climate resilience & adaptation:	Circular economy and plastics:

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<p>16.50</p>	<p>opportunities</p> <ul style="list-style-type: none"> • Is the scaling of hydrogen as an alternative fuel destined to always be in the future? • How is the hydrogen economy progressing globally? • What assets are hydrogen-focused funds targeting? • What are the key challenges and bottlenecks in the scaling of hydrogen as an alternative fuel? 	<p>burgeoning sub asset class</p> <ul style="list-style-type: none"> • How is the future of work evolving and what will it mean for education and reskilling? • What is the impact potential in education-focused funds? • What is the returns landscape in the education sector? • How can institutional capital best engage with edtech and education? <p>Jenny Wang, Principal, Owl Ventures</p> <p>Silke Horackowa, Co-Founder & Partner, Tilia Impact Ventures</p>	<p>overview of investment opportunities</p> <ul style="list-style-type: none"> • Is climate adaption largely an infrastructure investment story? • How is funding for climate adaptation taking place currently, what's the volume of capital dedicated towards it? • What are some of the best examples of prudent climate adaption around the world? • What is the landscape of investors that are exploring climate resilience solutions? <p>Craig Davies, CEO, Cadlas</p> <p>Jay Koh, co-founder & Managing Director, The Lightsmith Group</p>	<p>the next big wave of impact opportunities</p> <ul style="list-style-type: none"> • What is the return opportunity in circular economy? • What technologies are driving progress in materials recycling and reuse? • What the regulatory trends in sustainable consumption and waste? • Why are big corporates making substantial investments in circularity? <p>Davey Kho, Senior Portfolio Manager, Private Equity & Infrastructure, MN</p> <p>Paul Lamacraft, Senior Private Equity Investment Director, Schroders Capital</p> <p>Sally Beken, Founder, UK Circular Plastics Network</p>
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17.35 Evening networking reception

Day two - Wednesday 15th May 2024

7.30 Networking breakfast and registration

	Stream A	Stream B
8.30-9.30	<p>GP workshop: How to fundraise for an impact fund</p> <p><i>Off-the-record, interactive workshop</i></p> <ul style="list-style-type: none"> • How are impact funds finding the current fundraising environment? • What tactics and propositions are working with investors and which are not? • What new types of investors are entering the market? • How to raise capital with limited fund track record? <p>Marieke Spence, Executive Director, Impact Capital Managers</p> <p>Amy Nelson, Chief Strategy Officer, Rethink Capital Partners</p>	<p>LP workshop: Impact allocator breakfast and working group (invite only)</p> <p><i>Off-the-record, interactive workshop</i></p> <ul style="list-style-type: none"> • What filters are investors using to screen bad impact investments? • What are the best practices for engaging with impact fund managers? • How are different investors doing due diligence? • How important is verification of impact claims? <p>Urs Bitterling, Chief Sustainability Officer, Cubera Private Equity</p> <p>Jonny Page, Head of Social and Impact Investment, Esmee Fairbairn Foundation</p> <p>Barbara Wokurka, Head of Impact Investing, FINVIA</p>

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	Jyoti Aggarwala, Principal, Private Capital Raise	Chaired by Paige Nicol, Director, Europe & Asia, Bluemark
09.30-9.45	Short morning break	
9.45-10.30	<p>Best practices and lessons learnt: how to do a good impact report?</p> <ul style="list-style-type: none"> • Is reporting being done for reporting's sake? • How are advances and innovation in impact benchmarking being felt in the reporting sphere? • How are LPs using reports and what can be done to increase transparency? • How rigorous are verification practices by LPs into impact funds? • What frameworks are leading impact funds using to demonstrate impact and how comparable are these from an investor's perspective? <p>Manuela Cedarmas, Senior Portfolio Manager, Investcorp-Tages</p> <p>Mike McCreless, Executive Director, Impact Frontiers</p> <p>Jocelyne Ozdoba, Sustainability Director, BLUE LIKE AN</p>	<p>Impact debt funds: a good time for credit?</p> <ul style="list-style-type: none"> • With interest rates high, what are the opportunities in credit investments in an impact context? • Which funds have impact debt products and in what impact context are they being applied? • How do credit strategies differentiate themselves from an impact perspective? • How influential can credit be to the achievement of impact goals? <p>Anjali S. Varma, Principal Syndications Officer, Head of the Managed Co-Lending Portfolio Program, IFC</p>

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	ORANGE Sustainable Capital	
10.30-11.00	Networking break	
11.00-11.45	<p>Sustainable finance regulations: the reality vs the ideal</p> <ul style="list-style-type: none"> • In this session we'll explore what the current regulatory environment is, how funds are dealing with it and debate what would be the ideal from the perspective of investors. • What regulations are being felt by funds at the moment (e.g. SFDR)? • What regulatory environment would be more conducive to foster sustainable and impact investments? • How are different regimes (EU, US, UK) approaching sustainable finance regulation, and what are the implications for impact funds? • Is the Inflation Reduction Act in the US and New-Green-Deal-type legislation something likely to be replicated in other jurisdictions? <p>Dan D'Ambrosio, Partner, Kirkland & Ellis</p>	<p>Elevator pitches: The best up-and-coming managers across impact investment themes</p> <p>In this new format session, you'll be hearing from some of the most innovative and exciting emerging managers in the global impact space. We'll hear a set of 5-minute pitches from five of the most exciting managers we've found in the impact market, followed by an open Q+A with the speakers facilitated by the chair.</p> <p>We are committed to providing a platform for new managers that are doing exceptional work but may not have the profile or track record just yet, the presenters will only be from funds with less than 5 years in the market and selected by our LP advisory board as being noteworthy for their innovative and unique investment propositions.</p>
	<p>100% impact: a deep dive into the perspective of impact-first allocators</p>	<p>Impact secondaries: what's the theory of change?</p> <ul style="list-style-type: none"> • What is driving continued activity of impact secondaries?

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11.45-12.30	<ul style="list-style-type: none">• What are the investment priorities of different impact-first investors?• Which investment opportunities will they pursue that more institutional investors, such as pensions, may not?• Is the pool of impact-first capital growing?• How do impact-first investors think about the risk, return and impact dimensions of a fund? <p>Priya Parrish, Partner and Chief Investment Officer, Impact Engine</p> <p>Amanda Feldman, Managing Director, Head of Impact Engagement, Sonen Capital</p>	<ul style="list-style-type: none">• Is the increase in secondaries activity in impact investing a good thing?• What is the outlook for secondaries in LP-leds and continuation funds for 2024?• What opportunities do secondary structures and vehicles present for impact managers? <p>Nicolas Muller, Managing Director (Head of Funds & Co-Investments), Blue Earth Capital AG</p> <p>Emelie Norling, Impact Director, Summa Equity</p> <p>Marta Hervás Melgarejo, Investment Director - Private Equity & Impact Investing, Arcano Partners</p>
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12.30 Lunch

13:30 **Presentation: Impact fundraising over the past year**

This is a data breakdown of fundraising in the impact market in the last 12 months.

- Who are the biggest funds and allocators in impact investing?
- What are the most significant trends in allocation to impact investing?

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- Which strategies and themes are gaining the most capital?
- To what extent is the denominator effect impacting impact?

13.45 **Panel #8: Debate: The impact label provides a fundraising advantage in the current market?**

This is an Oxford-style debate in which we'll have two speakers for the proposition and two speakers against, with audience voting on their views at the start and at the end of the session.

The substance of the debate is whether the 'impact label' is advantageous or a hindrance for fundraising across different regions. This is a question that goes to the heart of what impact investing represents, how it is likely to evolve in the future as a market, what is driving interest in impact products from institutional investors, and intersects with topical issues such as the fiduciary duty debate being felt in the US.

With:

Andreas Nilsson, Managing Director Impact Team, **Golding Capital Partners**

Michele Giddens, Co-founder and co-CEO, **Bridges Fund Management**

Mark Berryman, Managing Director of Impact Investing, **Caprock**

Chaired by Heike Schmitz, Partner, **Herbert Smith Freehills**

14:45 **Keynote presentation: Climate tech phase 2.0: How the industry has evolved in climate tech's second wave**

In this keynote session we look analyse and learn from history to plot the way forward for climate investing and decarbonisation investing. In this keynote presentation from leading investment house, Cambridge Associates, we'll explore questions such as:

- What was the impairment ratios of clean-tech companies to the broader PE/VC benchmark during the first cleantech wave?
- What lessons can be learnt from the 2005-2011 clean-tech phase 1.0 bubble?

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- How has the industry evolved in climate/clean-tech's second wave?

Joshua Featherby, Managing Director, Pension Practice, **Cambridge Associates**

15:15 **Panel #9: Exploring the next frontiers of impact innovation & management**

- How are funds due diligencing for impact, and how are they measuring impact performance within their portfolio companies?
- To what extent are funds differentiating between the different 'shades' of impact across their portfolio?
- What approach are funds using to measure and reduce carbon emissions in their portfolio?
- A lot of resources are poured into impact management: is there a leaner model for understanding impact outcomes?
- Where is innovation still needed in impact management?

Alasdair Maclay, Chief Strategy Officer, **Global Steering Group for Impact Investment (GSG)**

Nina Kraus, Principal, Global Fund Investment, **Hamilton Lane**

Samantha Steele, Director, Private Markets, **Russell Investments**

16.00 Closing remarks

16.10 End of conference

March 27, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Joint Organizational Governance Committee
Vivian Gray, Chair
Patrick Jones, Vice Chair
Keith Knox
Herman Santos
Debbie Martin
Shawn Kehoe
Les Robbins
JP Harris

FOR: April 3, 2024 Board of Retirement Meeting
April 10, 2024 Board of Investments Meeting

SUBJECT: Ethics and Compliance as Strategic Priorities:
LACERA Ethics and Compliance Program Framework

RECOMMENDATION

That the Board of Retirement and Board of Investments refer the proposed Ethics and Compliance Program Charter to the Audit Committee for further development, and then return it to the Boards for final approval.

LEGAL AUTHORITY

Establishment of LACERA's Ethics and Compliance Program (Program) is one of the goals of the 2023-2028 Board of Retirement Strategic Plan. Ethics and compliance impact the entire organization. Therefore, the authority for the approval of the Ethics and Compliance Program Charter includes several of LACERA's governing bodies. The Board of Retirement reviewed and discussed the proposed Charter at its January 3, 2024 meeting and referred the issue to the Joint Organizational Governance Committee (JOGC) for consideration.

The referral to the JOGC was appropriate because the JOGC includes in its scope recommendations to the Board of Retirement and the Board of Investments regarding "Joint Board Policy Development for system-wide policies such as ethics, conflict of interest . . ." (JOGC Charter, Sections 4, 7.2.) At its February 29, 2024 meeting, the JOGC made some comments on the proposed Charter and voted to recommend to the Board

of Retirement and Board of Investments that they refer the Charter to the Audit Committee for further development, and then return it to the Boards for final approval.

This path through LACERA's Board governance process is consistent with applicable governing documents. The Boards have jointly adopted a Code of Ethical Conduct and a Conflict of Interest Code comprehensively addressing organizational compliance and ethics, but without a dedicated and accountable oversight process for ethics and compliance. The proposed Program Charter will address this gap by creating and defining a dedicated ethics and compliance risk management process, as explained in detail below and in the attached Presentation and proposed Charter.

The authority for the Boards to refer the Ethics and Compliance Program Charter to the Audit Committee is found in the committee's Charter. The Charter states that the Audit Committee was established to:

assist the Boards in fulfilling their fiduciary oversight duties for the:

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

(Audit Committee Charter, Section II.)

The Audit Committee's responsibilities include "Organizational Governance" and assessing the adequacy of LACERA's "System of Compliance" by:

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

(Audit Committee Charter, Section VII(E)(4).) The JOGC's recommendation that the Boards refer the Ethics and Compliance Program Charter to the Audit Committee is in line with the Audit Committee's responsibility for receiving reports on compliance matters and for reviewing the effectiveness of compliance controls.

The Audit Committee will be responsible for refining the Ethics and Compliance Program Charter and recommending it to the joint Boards for final approval. The Audit Committee

may also revise its existing Audit Committee Charter incorporating specific language describing the elements of the Committee's new responsibility for oversight, with the Boards and the CEO, of the Ethics and Compliance Program.

This review process will include both Boards and their joint committees in the approval of the Ethics and Compliance Program with respect to their respective areas of authority and oversight. The process and the Program will support the ethics and compliance needs of the entire organization, building upon and expanding the existing organizational responsibilities of the Audit Committee (which will be renamed the Audit, Compliance, Risk, and Ethics (ACRE) Committee) and the overall oversight of the Boards and the Chief Executive Officer.

DOCUMENTS

The supporting documents for the JOGC's consideration of this item are:

Attachment A – Presentation

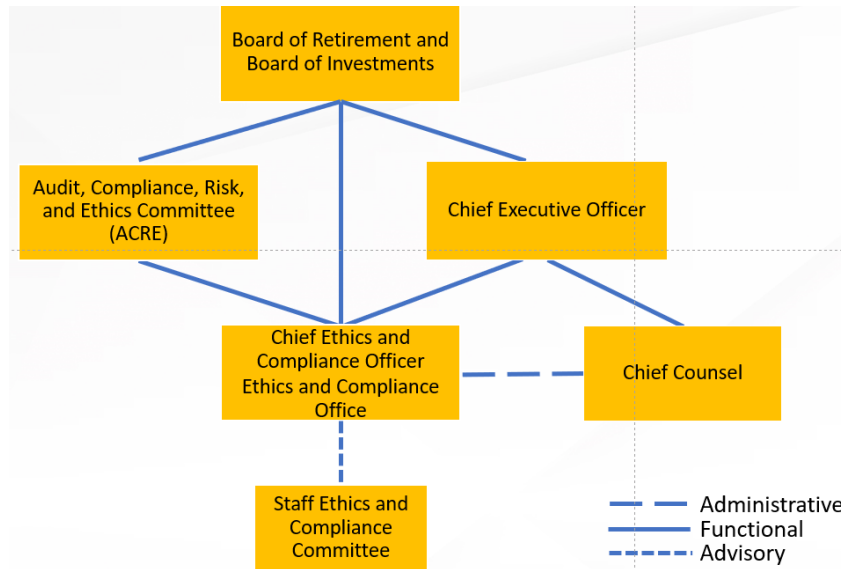
Attachment B – Proposed Ethics and Compliance Program Charter

Attachment C – Redlined Charter. The redline shows changes from the version of the Charter considered by the JOGC at its February 29, 2024 meeting based on the JOGC's comments.

SUMMARY

This new Ethics and Compliance Program will be part of management, and the Chief Ethics and Compliance Officer will functionally report to, and the Program will be overseen by, the Boards, the Audit Committee, and the CEO. The Program will enhance the ability of the Boards, the Audit Committee, and the CEO to oversee ethics and compliance risks within LACERA's operations. This new program will be separate from but complementary to Internal Audit, which is independent and outside of management to provide assurance as to the adequacy of management's controls. Internal Audit will have the ability to audit the Ethics and Compliance Program.

The organizational chart for the Ethics and Compliance Program is below, showing solid-line direct functional oversight by the ACRE Committee, the Boards, and the CEO. The Program will be located administratively in the Legal Office because of synergies given the highly legal nature of LACERA's operations. The relationship with Legal is shown by a dotted line. However, the Chief Ethics and Compliance Officer will report directly and independently to the ACRE Committee, Boards, and the CEO.



DISCUSSION

Discussion of the issues is set forth in detail in the staff presentation (Attachment A). The presentation includes:

1. Management's Perspective
2. Ethics and Compliance are Strategic Concepts
 - A. Ethics Comes First
 - B. Compliance is a Requirement
 - C. Authority supporting Need for an Ethics and Compliance Risk Management Process
3. LACERA's Proposed Ethics and Compliance Program
4. Outside Counsel Perspective
5. Internal Audit Perspective
6. Next Steps

The presentation explains that ethics and compliance are strategic concepts for LACERA that create significant risks if not addressed and that, if addressed, will have tangible business value to LACERA in performing its Mission for our members. The presentation reviews the supporting research and legal authority to demonstrate an ethics and compliance program is a best practice in not only the pension industry but across mature organizations. The presentation reviews the proposed LACERA Ethics and Compliance Program Charter. Finally, the presentation includes information from LACERA's Executive Office, outside ethics and compliance counsel Rebecca Walker, of Kaplan & Walker LLP, and LACERA's Chief Audit Executive, Richard Bendall, as to their perspectives.

The comments by from the Board of Retirement at its January 3, 2024 meeting and the JOGC at its February 29, 2024 meeting covered three primary areas.

First, the Board of Retirement and JOGC asked questions concerning the role of the Boards and the placement of the Ethics and Compliance Office in the Legal Division, with the Chief Ethics and Compliance Officer (CECO) reporting *administratively* to the Chief Counsel. The revised Charter expands and clarifies the CECO will report *functionally* to the Boards, the ACRE Committee, and the Chief Executive Officer (CEO). This is clear throughout the attached Charter. The CEO will be the CECO's appointing authority, and the CEO will seek the ACRE Committee and Boards' input and approval on hiring, firing, and disciplining, and on the CECO's annual performance evaluation. The CECO will have the independent authority to directly report to the CEO, ACRE Committee, and the Boards. The reporting relationship of the CECO to Chief Counsel is for administrative support. The JOGC requested a solid line be added from the CECO to the Boards to confirm the Boards' oversight role of the Program. The organizational chart provided with this memo includes a solid line from the CECO (and Ethics and Compliance Office) to the Boards as well as to the ACRE Committee and the CEO.

The presentation (at Attachment A – Slide 22) shows that some of LACERA's peer systems provide a lead oversight role for General Counsel. Slide 22 also shows that, in some systems, the reporting relationship runs to the CEO, the Deputy CEO, or Chief Operating Officer. In some of these systems, the line of reporting is combined with other functions, including Legal, and still involves counsel. The proposed LACERA Program is most similar to the latter group given the strong functional oversight role of the CEO, the ACRE Committee, and the Boards.

Second, the Board of Retirement asked whether the ethics and compliance function is duplicative of Internal Audit or could weaken Internal Audit. At the January 2024 Board of Retirement meeting and at the February 2024 JOGC meeting, Mr. Bendall stated that an ethics and compliance program is a necessary part of a mature risk management system and additive to Internal Audit. The attached presentation includes slides from Mr. Bendall further explaining Internal Audit's perspective. (Attachment A – Slides 28-29.) In addition, the proposed Charter has been revised to clarify that ethics and compliance is a management responsibility, not an independent assurance function like Internal Audit.

Third, the Board of Retirement asked whether it is necessary to incur the cost of an ethics and compliance function. The attached presentation (Attachment A – Slides 12-16) includes the legal and other authority providing that a dedicated ethics and compliance function is a best practice in organizational governance and should be adequately resourced. This authority includes: (1) the fiduciary duties of loyalty and prudence owed by the Boards under the California Constitution and CERL (Slide 12); (2) The Institute of Internal Auditors' *Three Lines Model* of risk management (Slide 13); (3) the Federal Sentencing Guidelines for Organizations (Slide 14); (4) the Securities and Exchange Commission in its investigation of public pension systems (Slide 15); and (5) the trend among peer pension systems (Slide 16). LACERA's ethics and compliance counsel and advisor Rebecca Walker will be present at the Board meetings to provide her input if

requested (see Attachment A – Slides 25-27). The cost of the Program is necessary to comply with these best practices in the management of LACERA's ethics and compliance risks. Additionally, the Program is a form of organizational protection as the Federal Sentencing Guidelines provide that a well-designed, adequately resourced Program may serve to mitigate any potential liability in the event of an investigation (Slide 14).

The proposed Charter has been revised in Attachments B and C to address all three of these comments and to further confirm the Charter's alignment with LACERA's fiduciary duty, legal and other authorities, and best practices.

CONCLUSION

Creation of an organization-wide LACERA Ethics and Compliance Program is a step in the development of a separate formal and independent ethics and compliance function within management and in the maintenance of a strong culture of ethics and compliance as provided in the Board of Retirement's Strategic Plan. The Program will assist the CEO, senior leaders, the Audit Committee, and the Boards in their oversight of ethics and compliance. The Program will be subject to regular review and evaluation, particularly in its initial stages. The Program will be complementary to the separate independent assurance responsibilities of Internal Audit.

The JOGC recommends that the Board of Retirement and Board of Investments refer the proposed Ethics and Compliance Program Charter to the Audit Committee for further development, and then return it to the Boards for final approval.

Attachments

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan

ATTACHMENT A
Presentation

Ethics and Compliance as Strategic Priorities: LACERA Ethics and Compliance Program Framework

Board of Retirement Meeting
Board of Investments Meeting
April 3 and 10, 2024



1. The Strategic Plan and Management's Perspective
2. Ethics and Compliance are Strategic Concepts
 - A. Ethics Comes First
 - B. Compliance is a Requirement
 - C. Authority supporting Need for an E&C Risk Management Process
3. LACERA's Proposed Ethics and Compliance Program
4. Outside Counsel Perspective
5. Internal Audit Perspective
6. Next Steps

Board of Retirement Strategic Plan



On July 6, 2023, the Board of Retirement approved its 2023-2028 Strategic Plan. The Plan includes as one of its five goals:



Strategic Priority 4: Compliance and Enterprise Risk Management

Adopt and implement compliance and enterprise risk frameworks aimed at mitigating risk and vulnerabilities

With respect to ethics and compliance, the Plan's objective is:

4.1 Develop an enterprise compliance plan and program to ensure adherence to established processes, procedures, policies, and governing rules and regulations

Management supports the Program as an important and necessary step forward in LACERA's ethics and compliance risk management.

On January 3, 2024, the Board of Retirement reviewed the proposed Ethics and Compliance Program Charter, provided input, and referred it to the JOGC as the next step in achieving this priority of the Strategic Plan. On February 29, 2024, the JOGC provided input and voted to recommend that the Boards forward the Program to the Audit Committee for further development, subject to final approval by the Boards.




Ethics and Compliance are Strategic Concepts

- > Ethics**
- > Compliance**
- > Authority for E&C Program**


Ethics and Compliance are Strategic in Three Dimensions



Ethics and Compliance are:

 **Ways of Thinking and Acting** that are essential to LACERA's fiduciary duties of prudence and loyalty and its Mission to produce, protect, and provide the promised benefits to our members

 **Risks** to LACERA if not followed

 **Process** to support the Boards and management in:

- Oversight of important aspects of LACERA's operations
- Providing encouragement and support to the entire organization with regard to ethics and compliance
- Risk mitigation

Ethics Comes First



“Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to always **do the right thing**, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and its Mission to produce, protect, and provide the promised benefits to our members.

Ethics comes first because decisions must be based on what *should* be done under applicable standards, not just what *can* be done.



Ethics is the **compass** when navigating decisions.

A vertical graphic titled 'Values' with a background image of a forest and a lake. It lists six values with brief descriptions: Accountability, Collaboration, Inclusivity, Innovation, Integrity, and Transparency. The LACERA logo is at the bottom left of the graphic.

Values

Accountability
We take responsibility for our actions and operate with the highest standards of professionalism and respect in fulfilling our mission and duty as prudent stewards of the pension funds.

Collaboration
We are One LACERA. We promote unity by successfully working together across all levels of the organization to deliver on our strategic priorities and objectives.

Inclusivity
We welcome all individuals, honoring and respecting their unique stories and perspectives, and celebrating the value that diversity adds to the organization in meeting our mission and strategic priorities.

Innovation
We cultivate a creative, forward-thinking approach in seeking out new ideas and novel solutions to continually improve our operations and the member experience.

Integrity
We earn trust by our dedication to honesty, fairness, and ethical conduct in the service of our members and each other.

Transparency
We clearly communicate our knowledge, ideas, and expertise in an open, fair, and honest environment, resulting in better organizational outcomes and decision-making.

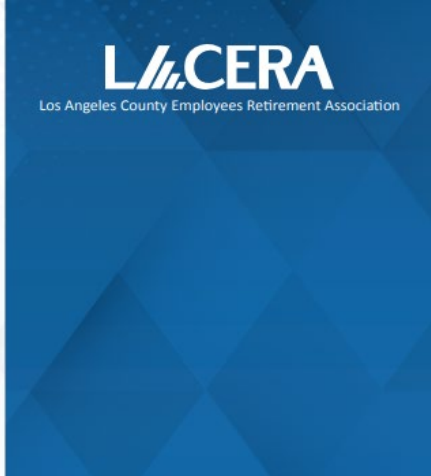
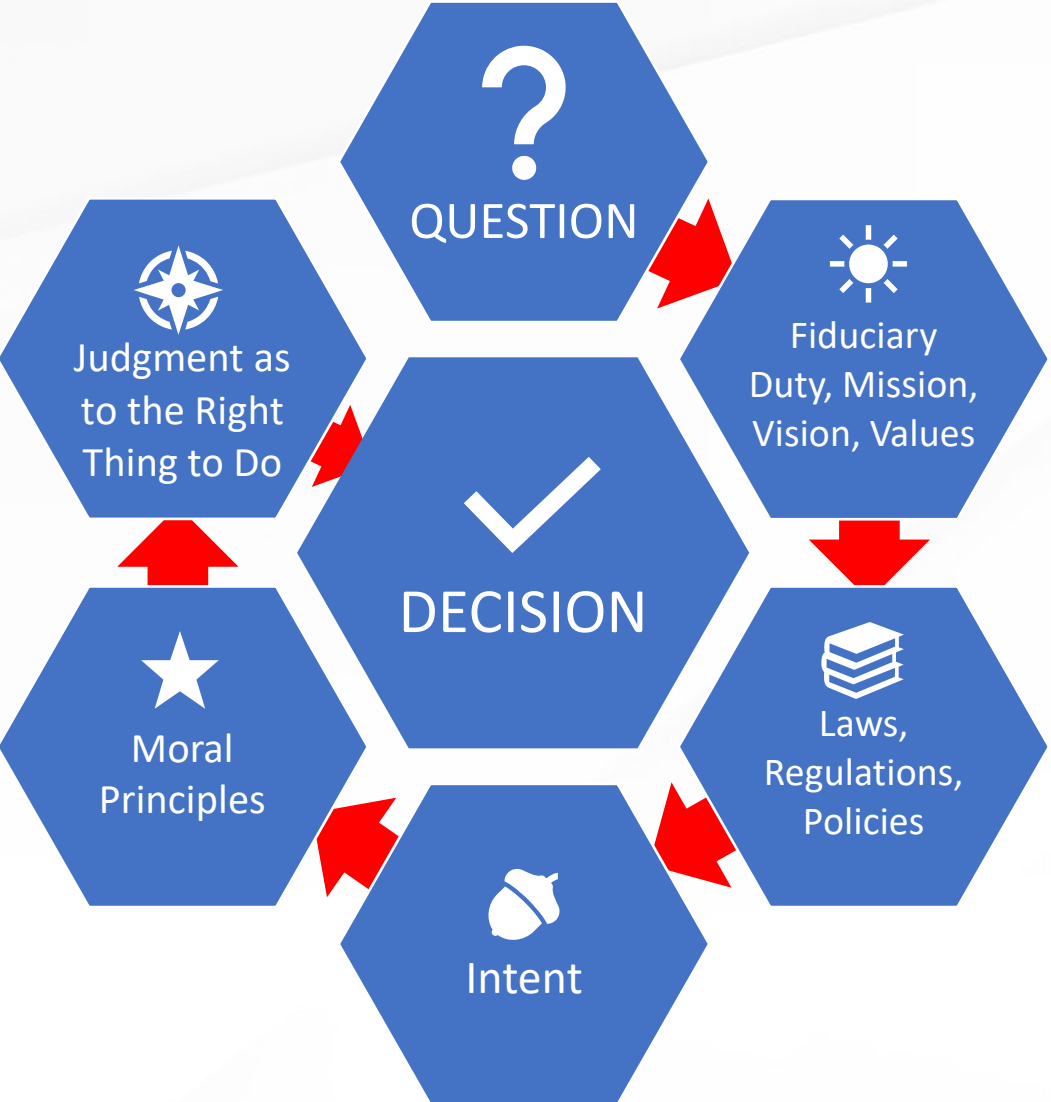
The LACERA logo, consisting of three slanted parallel lines of increasing height from left to right, positioned at the bottom left of the graphic.

Ethical Decision-Making

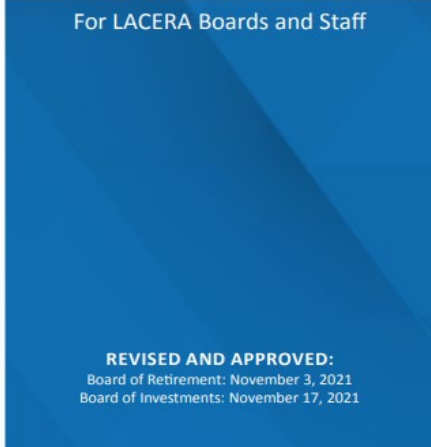


“Ethics is knowing the difference between what you have a right to do and what is right to do.”

-U.S. Supreme Court Justice Potter Stewart



CODE OF ETHICAL CONDUCT





Misconduct/Violations of Laws, Regulations, Policies, and Procedures

Shading of Standards

- Just within the line of compliance, but not consistent with ethical standards and norms
- Such conduct:
 - Increases the perception of being unethical,
 - Increases the risk of claims of violations, and
 - Weakens the fabric of ethics in the organization, and
 - Increases the risk of misconduct or substandard conduct in the performance of LACERA's fiduciary duty to members and beneficiaries
- Examples of Being Compliant but Unethical
 - Taking an allowed advantage or benefit that is not necessary to achieve business objective as fiduciaries

Acting Contrary to Public Service and Fiduciary Duty to Members and Beneficiaries

Business Case for Ethics as a Priority



Research* supports that strong ethics programs result in:

- ✓ Improved staff experience because an ethical culture fosters feelings of trust, purpose, and teamwork:
 - Enhanced staff morale and engagement
 - Aid in staff retention/loyalty and recruitment
- ✓ Improved organizational performance following from the positive effect on staff:
 - Improved productivity and efficiency
 - Increased member service and satisfaction
 - More innovation and adaptability to new initiatives
 - Reputational gains with all stakeholders
- ✓ Reduced misconduct, claims, and lawsuits; protection for trustees/management; increased internal reporting that in turn reinforces the other positive effects; and reduced organizational costs from misconduct and claims
- ✓ Improved Board and management oversight of and response to ethical issues

*Harvard Business Review, Gartner, numerous industry organizations, and other sources

Compliance is a Requirement



“Compliance” means adhering to the laws, regulations, policies, and procedures that govern LACERA – following the rules.

Compliance Risks

- ✘ Misconduct/Violation of Applicable Legal and Policy Standards
- ↑↓ Inconsistent Adherence and Interpretation of Standards
- 👥 Absence of Board and Management Awareness of Noncompliance
- 🧭 Lack of Understanding of Role of Ethics, Leading to Compliant but Unethical Conduct

Business Case for Compliance as a Priority



Research* supports that strong compliance structures lead to:

- ✓ Reduced misconduct, claims, and lawsuits; trustees/management protected when claims do arise; increased internal reporting reinforcing the other positive effects; and reduced organizational costs from misconduct and claims
- ✓ Greater Board and management knowledge and oversight of and response to compliance issues; proactive risk identification and mitigation, rather than reacting to problems after they have occurred, leading to improved organizational performance
- ✓ Improved staff experience from trust based on understanding and uniformity of standards and consistent treatment
- ✓ Additional benefits when compliance is linked to ethics as described on Slide 9

*Harvard Business Review, KPMG, Gartner, numerous industry organizations, and other sources

Authority for Ethics and Compliance Program –

(1) Fiduciary Duty of Oversight under Constitution, CERL



The Boards have “plenary authority and fiduciary responsibility for investment of moneys and administration of the system,” subject to:



DUTY OF LOYALTY “(b) ... solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries ...”



DUTY OF PRUDENCE “(c) ... 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 a public pension system.

-- California Constitution, Art. XVI, Section 17; see CERL, Government Code §31595

Loyalty and Prudence require that the Boards have a process to oversee the ethical and compliant operation of LACERA and respond to ethics and compliance risks and issues. The fiduciary duty of oversight also applies to management and staff.

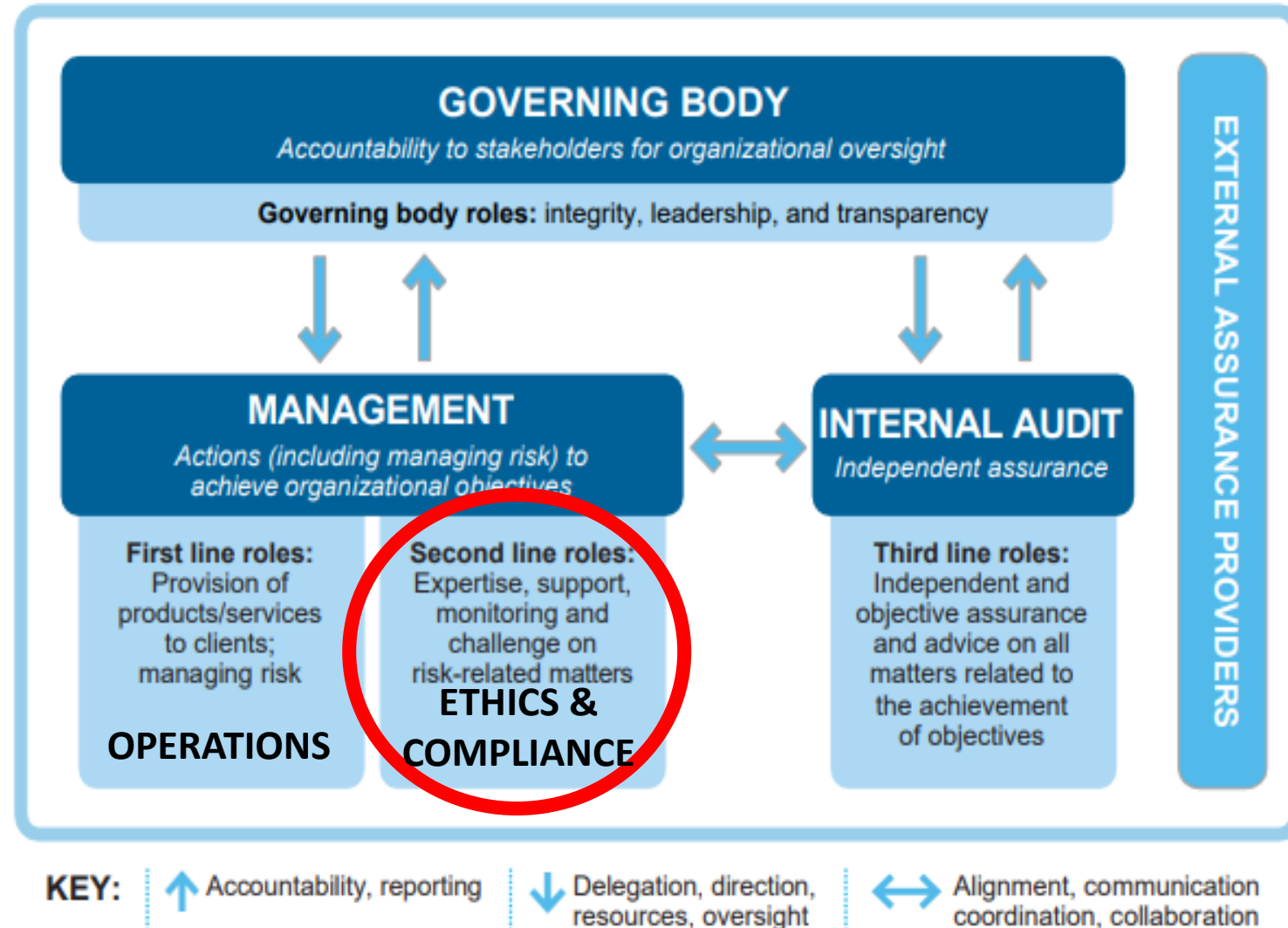
Authority for Ethics and Compliance Program –

(2) The Institute of Internal Auditors' *Three Lines Model*



The Institute of Internal Auditors' *Three Lines Model*:

- Under this model, compliance is the second line under management and the Boards as a separate function to provide support in the management of risk associated with ethical conduct and compliance in LACERA's operations.
- The first line under management is delivery of services in LACERA's divisions ethically and in compliance with applicable requirements.
- The third line is Internal Audit, which provides independent assurance as to LACERA's controls in addressing risk and is complementary to the first and second lines.



Based on IIA's Three Lines Model (2020)

13

Authority for Ethics and Compliance Program –

(3) Guidance under Federal Sentencing Guidelines



In 1991, Federal Sentencing Guidelines for Organizations were promulgated, creating the first broad-based incentive for organizations to establish ethics and compliance programs. The Guidelines promise reduced fines following criminal violations if an organization has an effective ethics and compliance program. The Department of Justice continues to issue guidance in this area, most recently in 2023. This guidance is recognized as a best practices roadmap:



Is the Program Well-Designed?

- Risk Assessment
- Policies and Procedures
- Training and Communication
- Reporting
- Investigation Process
- Third-Party Management



Is the Program Adequately Resourced?

- Commitment and Oversight by Boards and Management
- Autonomy and Resources
- Consequence Management



Does the Program Work in Practice?

- Continuous Improvement, Testing, and Review of Program
- Investigation of Misconduct
- Identification, Analysis, and Remediation of Misconduct

As the Department of Justice has stated, “Beyond compliance structures, policies, and procedures, it is important for a company to **create and foster a culture of ethics and compliance** with the law. The effectiveness of a compliance program requires a high-level commitment by company leadership to implement a culture of compliance from the top.”

Authority for Ethics and Compliance Program –

(4) Securities and Exchange Commission



In 2008, the SEC issued a report of its investigation of potential securities laws violations by The Retirement Systems of Alabama (RSA) relating to use of material, nonpublic information (MNPI). The report reminded pension funds of their responsibilities under federal laws and warned them that they assume a greater risk of violations if they do not have adequate compliance policies and procedures in place.

“We issue this Report to remind investment managers, public and private, of their obligation to comply with the federal securities laws and the risks they undertake by operating without an adequate compliance program. **RSA's conduct could have been prevented with appropriate policies, procedures and training.**”

Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The Retirement Systems of Alabama, <https://www.sec.gov/litigation/investreport/34-57446.htm>.

Authority for Ethics and Compliance Program – (5) Developing Practice among Peer Public Pensions



Systems

An increasing number of LACERA's peer public pension systems have ethics and compliance programs, plans, and staff. For example:



37 Act Systems:

CCCERA

OCERS

SDCERA



Other California Systems:

CalPERS

CalSTRS

SDCERS



Other Systems:

Florida State Board of Administration

Iowa Public Employees' Retirement System

MassPRIM

Oregon Public Employees Retirement System

State of Michigan Investment Board

State of Wisconsin Investment Board

Teacher Retirement System of Texas

Tennessee Consolidated Retirement System

Virginia Retirement System

Washington State Investment Board

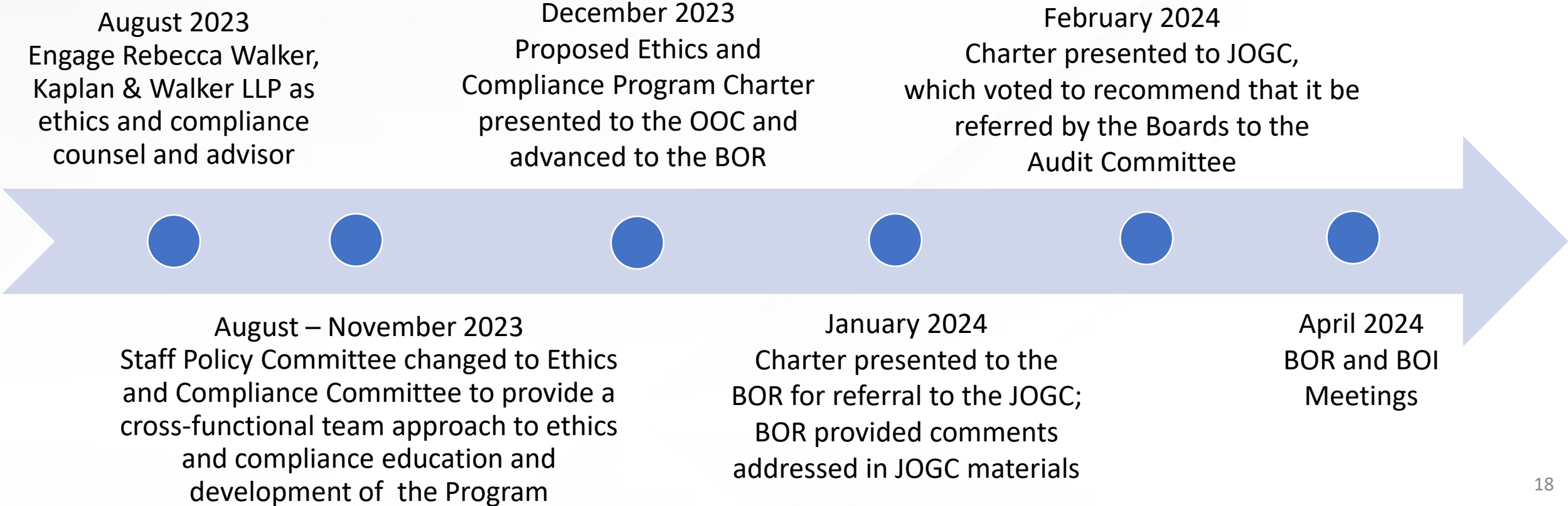


LACERA's Proposed Ethics and Compliance Program

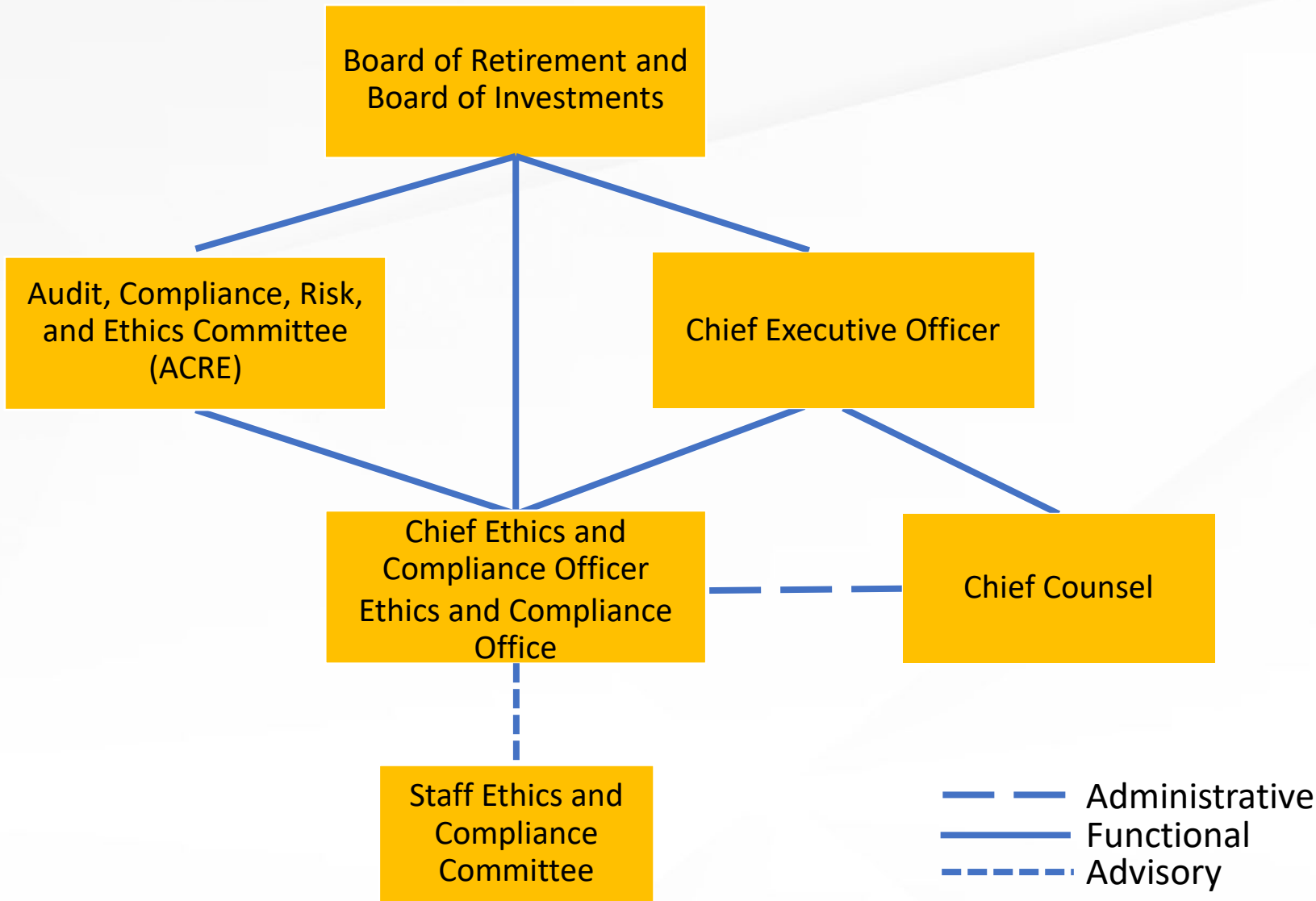
Progress



The approved BOR Strategic Plan provides that the first step in addressing compliance is to form a working group across divisional lines to develop a compliance charter. The attached Charter was developed with review by the staff Ethics and Compliance Committee and other management and staff input.



Proposed Ethics and Compliance Structure



Under the attached proposed Program Charter:

The Chief Ethics and Compliance Officer will have independent authority to report functionally to the Audit Committee (to be renamed the Audit, Compliance, Risk and Ethics (ACRE) Committee), the Boards, and the CEO. The Chief Ethics and Compliance Officer will report administratively to Chief Counsel.

The Chief Ethics and Compliance Officer will lead an Ethics and Compliance Office within the Legal Division and will rely on the staff Ethics and Compliance Committee for advice and to share and receive information to enhance staff engagement and culture.

Roles of ACRE Committee, Boards, CEO, and Chief Counsel



- **ACRE Committee** – The Committee:
 - Provides functional oversight of the Program
 - Receives reporting of information on ethics and compliance issues and concerns to enable the Committee to monitor the Program and respond
 - Provides input and approval on the hiring, firing, discipline, and annual performance evaluation of the Chief Ethics and Compliance Officer
- **Boards** – Provide functional oversight of the Program, receive reports and recommendations from the ACRE Committee and directly from the Chief Ethics and Compliance Officer, and respond to ethics and compliance issues; input and approval on Chief Ethics and Compliance Officer hiring, firing, discipline and annual performance evaluation
- **CEO** – Provides functional oversight of the Program, receives regular reporting on ethics and compliance issues, and responds to issues as indicated; reports are also made to senior leaders as needed; hiring, firing, and discipline and annual performance evaluation with ACRE Committee and Board input and approval
- **Chief Counsel** – Provides administrative oversight and support of the Chief Ethics and Compliance Officer and the E&C Program within the Legal Office

Roles of Managers, Supervisors, and Staff



- **Managers and supervisors** have a duty to communicate and model ethical standards and to follow all laws, regulations, policies, procedures, and business practices, including LACERA's Code of Ethical Conduct. They are to promote a culture of ethics and compliance by providing a space to report concerns without retaliation.
- **Staff members**, including permanent staff, temporary workers, and contractors, are responsible to perform day-to-day work with the highest ethical standards and to follow all laws, regulations, policies, procedures, and business practices, including the Code of Ethical Conduct. Staff has a duty to report concerns.

Peer System Reporting Lines for E&C



General Counsel is also Chief Compliance Officer:

SDCERS

Teacher Retirement System of Texas

State of Michigan Investment Board

Compliance Reports to General Counsel or in Legal Office:

OCERS

SDCERA (also has direct CEO involvement)

CalPERS

CalSTRS

Iowa Public Employees' Retirement System

(compliance officers in Legal Division)

State of Wisconsin Investment Board

Compliance Reports to Executive Director/CEO:

CCCERA

Florida State Board of Administration

Oregon Public Employees Retirement System

(combined with Internal Audit and Risk)

Virginia Retirement System

Compliance Overseen by Deputy Director/COO:

MassPRIM (General Counsel oversees legal compliance)

Tennessee Consolidated Retirement System

(counsel leads combined Legal, Compliance, and Internal Audit unit)

Washington State Investment Board



LACERA's proposed Program is on this side of the spectrum because of its strong ACRE Committee, Board, and CEO functional oversight

Scope of Program Activities



- Program will provide a structure for ethics and compliance support for all of LACERA
- Based on LACERA's needs and best practices, the Chief Ethics and Compliance Officer will be responsible for the following activities:
 - Ethics and Compliance Program Framework
 - Ethics and Compliance Risk Assessment
 - Monitoring of Ethics and Compliance in LACERA's Operations and Business Practices
 - Review of Policies and Procedures
 - Vendor/Third Party Ethics, Compliance, and Risk
 - Privacy
 - Training, Communications, and Incentives relating to Ethics and Compliance Issues
 - Channels for Staff to Report Ethics and Compliance Concerns
 - Investigation, Response, Remedial Measures, and Commitment to Non-Retaliation
 - Measure Organizational Culture of Ethics and Compliance
 - Regular Reporting to the CEO, Senior Leaders, ACRE Committee, and Boards
 - Annual Self-Assessment and Review of Program, including Internal Audit and External Review

Program Responsibilities and Accountability



In addition to implementation of the E&C Program, the Chief E&C Officer will have the responsibility and accountability to regularly report to the ACRE Committee, Boards, CEO, and senior leaders regarding:

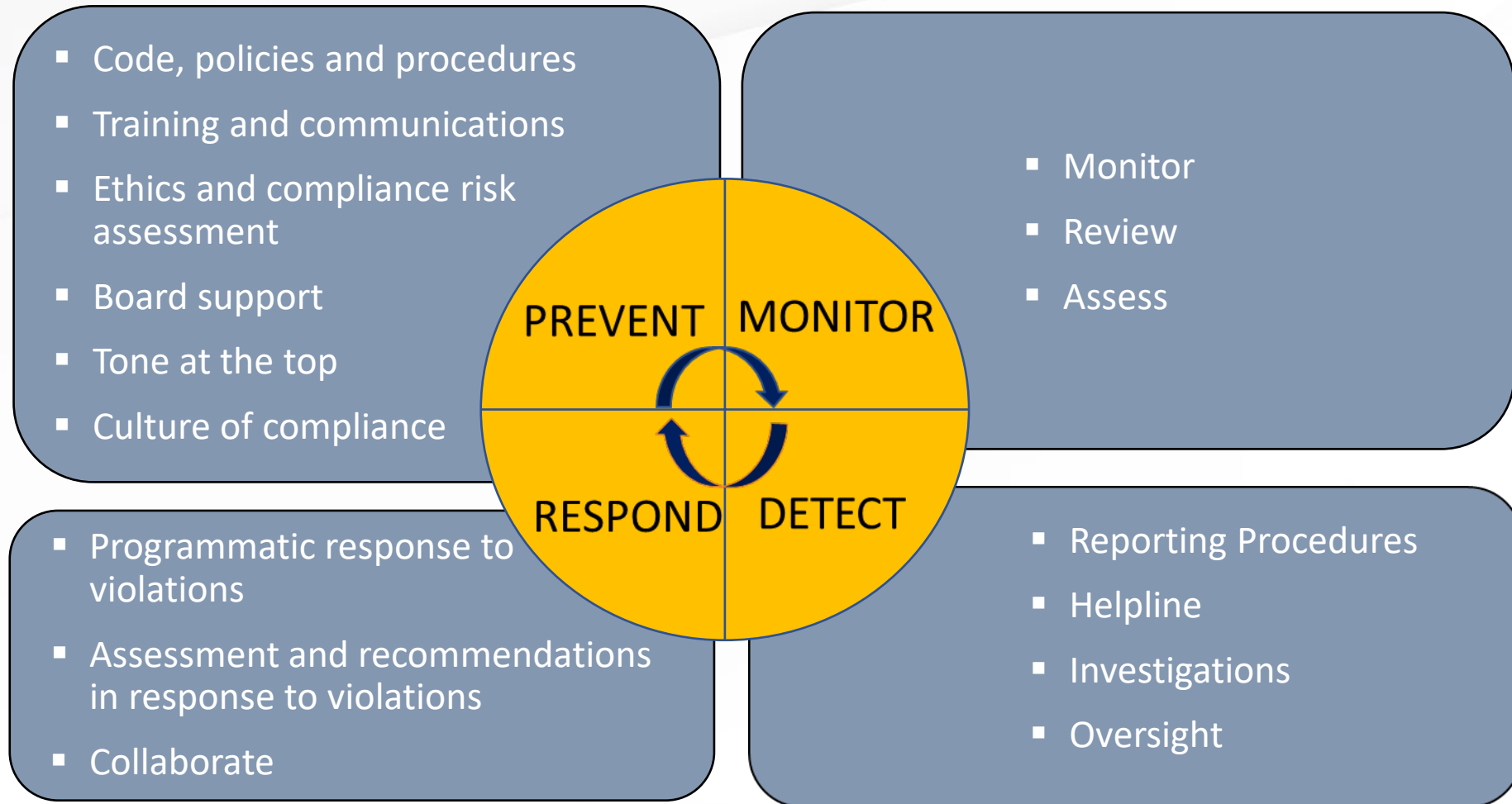
- Selection, training, and development of Ethics and Compliance Office staff
- Development of processes for LACERA staff input and involvement in the Program, including the staff Ethics and Compliance Committee
- Annually present E&C Program work plan for approval to the ACRE Committee, Boards, and CEO
- Annually provide a budget for the Program
- Provide quarterly reports to the ACRE Committee, Boards, and CEO on:
 - Investigations
 - Policies and procedure review
- Provide annual reports on:
 - The status of the Program and LACERA's overall ethics and compliance performance
 - Privacy of member information and other organizational information
 - Self-assessment and Program reviews



Outside Counsel Perspective

Rebecca Walker, Kaplan & Walker LLP
Ethics and Compliance Counsel and Advisor

Ethics and Compliance Program Structure





Level of Oversight Will Vary with Risk Ownership

Levels of Oversight by Ethics & Compliance (“EC”)



Direct Ownership

- EC owns and defines policies & procedures
- EC establishes controls, which may be implemented centrally or regionally/locally
- EC defines and monitors metrics



Shared Ownership

- Risk owner defines policies and procedures in collaboration with EC
- Risk owner establishes controls, while EC tests design and effectiveness of the controls on a periodic basis
- EC agrees with risk owners on metrics to be reported on a defined cadence (monthly)
- EC provides significant support to risk owners



Moderate Oversight

- EC agrees with risk owners on metrics to be reported on a defined cadence (at least quarterly)
- EC provides moderate compliance oversight evaluation support to risk owners



Minimal Oversight

- Only significant issues/regulatory inquiries are escalated
- Limited metrics may be reported on a defined cadence (at least annually)

When EC assumes direct or shared ownership of compliance risks

1. Higher-level legal risks
2. No clear owner
3. EC has appropriate expertise
4. Need for objectivity
5. Need for centralized approach to controls



Internal Audit Perspective

Richard Bendall

Chief Audit Executive

Internal Audit Perspective on the Additive Value of a Formal Ethics and Compliance Function



1. Governance Risk and Control (GRC) Maturity

- Moving the mark from Initial/Repeatable to Defined/Managed and ultimately to Optimized
- Other specific enhancements to the control environment include:
 - ✓ Enhanced risk assessment
 - ✓ Improved control environment
 - ✓ Increased transparency and accountability
 - ✓ Early detection of issues
 - ✓ Regulatory alignment
 - ✓ Stakeholder confidence
 - ✓ Cost savings
 - ✓ Continuous improvement
 - ✓ Strategic alignment

2. Support for Audit Activities

- A well-established ethics and compliance function provides valuable documentation and evidence that can support Internal Audit activities, helping to focus and streamline audit processes and enhance their effectiveness



Next Steps

Next Steps



At its February 29, 2024 meeting, JOGC recommended that the Boards forward the proposed Ethics and Compliance Program Charter to the Audit Committee for further development to be returned to the Boards for final approval.



ATTACHMENT B

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Ethics and Compliance Program Charter

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. STATEMENT OF PURPOSE

The LACERA Ethics and Compliance Program (Program) promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures across the organization.

At LACERA, ethics comes first. “Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund’s fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. “Compliance” means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA’s compliance – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, the Board of Retirement and Board of Investments, and management in performing their duty of oversight by providing an independent structure for assessment, mitigation, and reporting of LACERA’s ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA’s operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA’s ethics and compliance controls.

II. AUTHORITY

LACERA’s Program is established under [Article XVI, Section 17 of the California Constitution](#) and [California Government Code Section 31595 of the County Employees Retirement Law of 1937 \(CERL\)](#) in furtherance of the Boards’ fiduciary duty of prudence and loyalty, which requires oversight of the organization’s ethics and compliance. The Program is consistent with LACERA’s Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the [Board of Retirement’s “2023-2028 Strategic Plan”](#) for LACERA and is supported by best practices in the public pension community.

The Program is consistent with [The Institute of Internal Auditors’ “Three Lines Model” publication \(2020\)](#), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA’s operational divisions. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the [United States Sentencing Commission's Sentencing Guidelines for Organizations \(2023\)](#), which is the most influential of applicable compliance program standards, and the [U.S. Department of Justice "Evaluation of Corporate Compliance Programs" \(March 2023\)](#), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- The ACRE Committee approves this Charter, under authority granted by the Board of Retirement and Board of Investments (Boards) in the ACRE Committee Charter.
- The ACRE Committee, the Board of Retirement and Board of Investments, and the Chief Executive Officer (CEO) oversee the Program, with reporting as provided in this Charter and in the ACRE Committee Charter.
- The Program resides in a separate Ethics and Compliance Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ACRE Committee, both Boards, and the CEO.
 - Functionally, the CECO reports to the ACRE Committee, both Boards, and the CEO with respect to the activities of the Program as provided in this Charter and the ACRE Committee Charter to facilitate the ACRE Committee, Board, and CEO oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee and the Boards will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, firing, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; and approve the Ethics and Compliance Office budget for inclusion in LACERA's annual administrative budget.
 - Administratively, the Chief Ethics and Compliance Officer reports to the Chief Counsel, who will support the day to day operations of the Ethics and Compliance Office and serve as a resource and provide guidance to the CECO on ethics and compliance issues when requested by the CECO. The CECO has direct and independent access to the ACRE Committee, both Boards, and the CEO.
- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of such a conflict, the CECO will consult with the ACRE Committee and/or the Boards. In the event the CECO has a

conflict, the Chief Counsel – or the CEO if Chief Counsel has a conflict – will confer with the ACRE Committee and/or the Boards as to the proper handling of the matter.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**

The Program independently and objectively performs the following functions:

- A. Establish and maintain the Program as a sound and durable structure in LACERA;
- B. Conduct ethics and compliance risk assessments;
- C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
- D. Review and provide input on ethics and compliance-related policies and procedures;
- E. Promote third-party/vendor risk management practices;
- F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession;
- G. Provide ethics and compliance training and communications;
- H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
- I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;
- J. Measure and promote an organizational culture of ethics and compliance;
- K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and
- L. Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.

- **Consulting and Advisory Objectives.**

The Program will work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential ethics and compliance risks and make recommendations regarding ethics and compliance controls.

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- Charters. The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.
- Best Practices and Education. The Program incorporates best practices among public pension ethics and compliance programs and is designed and

implemented considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.

- *Independence and Objectivity.* The Program operates independently and objectively. Annually, the CECO will assure the CEO, the ACRE Committee, and the Boards that the Program is operating independently and without interference or conflicts of interest. The CECO will immediately disclose to the CEO, the ACRE Committee, and the Boards all actual or attempted interference with the Program and all conflicts of interest.
- *Collaboration.* The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

The CECO and Ethics and Compliance Office staff, with strict accountability for confidentiality and the safeguarding of records and information, are authorized to have full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within information technology systems or databases, physical properties, and personnel pertinent to carrying out the work of the Program, excluding the work papers of Internal Audit. All LACERA staff are required to cooperate with and assist the CECO and the Ethics and Compliance Office in connection with work in the scope of the Program's roles and responsibilities.

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the Ralph M. Brown Act and other applicable laws, regulations, policies, and procedures.

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee or the Boards.

- A. *Ethics and Compliance Program Framework.* The Program will be adequately resourced and staffed within the Ethics and Compliance Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and by providing staff input and support. The Program will also use other methods to promote and obtain staff input, involvement, and engagement.
- B. *Ethics and Compliance Risk Assessment.* The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and key risk indicators. Assessment findings will be reported to the CEO, other senior leaders, the ACRE Committee, and the Boards, along with recommendations on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.
- C. *Monitoring.* The Program will review and monitor LACERA's relevant operations, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.
- D. *Review of Policies and Procedures.* The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:
1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
 2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
 3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures and recommend new policies and procedures as indicated.
 4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.
- E. *Vendor/Third-Party Ethics, Compliance, and Risk Management.* The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to

procurement and contracting, background checks, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.

- F. Privacy. The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.
- G. Training, Communications, and Incentives. The Program will provide risk-based compliance training and communications to the ACRE Committee, the Boards, the CEO, and staff on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.
- H. Channels for Staff to Report Ethics and Compliance Concerns. The Program will provide and monitor channels through which staff and others will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.
- I. Program Investigation, Response, and Commitment to Non-Retaliation. The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.
- J. Measure Organizational Culture of Ethics and Compliance. The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.
- K. Reporting. The Program will report to the ACRE Committee, the Boards, and CEO concerning the Program's status and operations, including information to facilitate oversight of the Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to senior leaders as needed

relating to ethics and compliance issues under their authority.

- L. Self-Assessment and Review of Program. The Program will conduct an annual self-assessment against the requirements of this Charter, best practices, and key performance indicators to provide quality assurance and improvement of the Program. The ACRE Committee and the Boards will also undertake a periodic independent review of the Program. The Internal Audit Division, when and as it deems appropriate within its authority, may independently review the adequacy of the Program as a system of control for ethics and compliance risks.

VIII. ACCOUNTABILITY OF THE PROGRAM

Under the leadership of the CECO, the Program shall be accountable to the ACRE Committee, Boards, and the CEO for the following:

- A. Program Staff. Select, train, develop, and retain competent Ethics and Compliance Office staff that collectively have the ability to meet the requirements of this Charter. Staff development procedures and changes in Program staff will be reported to the ACRE Committee and the Boards.
- B. LACERA Staff Input, Involvement, and Reporting. Develop a process for staff input into the Program, which will be reported to the ACRE Committee and the Boards. The process will include an Ethics and Compliance Committee (ECC) consisting of a cross-section of LACERA senior leaders to serve an advisory function to the CECO. The ECC will meet monthly to discuss ethics and compliance issues, review policies and procedures, maintain a list of ethics and compliance training opportunities, and discuss Program implementation issues.
- C. Annual Work Plan. Annually develop a written Program work plan, which is presented to the CEO and the ACRE Committee for review and approval and provide quarterly status reports thereafter. The approved work plans will also be provided to the Boards.
- D. Program Budget. Annually obtain approval from the ACRE Committee of a budget for the Ethics and Compliance Office for inclusion in the administrative budget approved by the Boards.
- E. Risk Assessment. Report to the ACRE Committee and the Boards the results of all risk assessments and key risk indicators.
- F. Investigations. Provide written reports to the ACRE Committee, Boards, and CEO of alleged ethics and compliance risks, concerns, and violations that are received, the results of any investigations, the recommended response, and the outcome.

- G. Policies and Procedures. Provide written quarterly reports to the ACRE Committee of any policy and procedure review and to the Boards on review related to their areas of authority.
- H. Vendor/Third-Party Ethics, Compliance, and Risk Management. Provide quarterly reports to the ACRE Committee on vendor/third-party ethics and compliance risks and organizational management and response and to the Boards related to their areas of authority.
- I. Annual Ethics and Compliance Report. Provide a written annual report to the ACRE Committee and the Boards regarding the status of the Program, the approved work plan, consulting, or advisory engagements, and LACERA's overall ethics and compliance performance. The report will document exceptions to ethics and compliance standards and the basis for the exceptions.
- J. Annual Privacy Report. Provide a written annual report to the ACRE Committee and the Boards regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.
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- L. Self-Assessment and Program Review. Provide the CEO, other senior leaders, and the ACRE Committee and the Boards with a written report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

Every LACERA manager, supervisor, and staff member, temporary worker, and contractor has a significant role in implementing and supporting the Program and in promoting ethical and compliant conduct in the organization.

- A. Managers and Supervisors. Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

Additional manager and supervisor responsibilities include, but are not limited to: collaborating with the Program on identification of ethics and compliance risks and the development of risk mitigation strategies; participating in compliance monitoring and control implementation to strengthen compliance; encouraging staff to identify and report ethics and compliance risks or violations; monitoring for retaliation; ensuring LACERA's commitment to nonretaliation; communicating with division staff about ethics and compliance; participating in ethics and compliance training; ensuring staff complete ethics and compliance training; encouraging employees to review and use the Code of Ethical Conduct and helping them understand their responsibilities under the Code; and escalating issues or reports of suspected misconduct to an appropriate resource.

- B. *Staff Members*. Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not comply with laws, regulations, policies, procedures, and business practices. Every LACERA staff member, temporary worker, and contractor is responsible and accountable for completing all assigned ethics and compliance training.

X. **RESOURCES**

- A. [Board of Retirement's "2023-2028 Strategic Plan"](#)
B. [Article XVI, Section 17 of the California Constitution](#)
C. [California Government Code Section 31595](#)
D. [The Institute of Internal Auditors' "Three Lines Model" publication \(2020\)](#)
E. [United States Sentencing Commission's *Sentencing Guidelines for Organizations* \(2023\)](#)
F. [U.S. Department of Justice "Evaluation of Corporate Compliance Programs" \(March 2023\)](#)

XI. **CHARTER REVIEW**

This Charter shall be annually reviewed by the ACRE Committee and the Boards until the Program is fully operational and the Ethics and Compliance Office is developed and staffed. Once those milestones are met, review shall be every three years by the ACRE Committee, unless otherwise indicated.

ATTACHMENT C

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Ethics and Compliance Program Charter

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. STATEMENT OF PURPOSE

The LACERA Ethics and Compliance Program (Program) promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures across the organization.

At LACERA, ethics comes first. “Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund’s fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. “Compliance” means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA’s compliance – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, the Board of Retirement and Board of Investments, and management in performing their duty of oversight by providing an independent structure for assessment, mitigation, and reporting of LACERA’s ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA’s operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA’s ethics and compliance controls.

II. AUTHORITY

LACERA’s Program is established under [Article XVI, Section 17 of the California Constitution](#) and [California Government Code Section 31595 of the County Employees Retirement Law of 1937 \(CERL\)](#) in furtherance of the Boards’ fiduciary duty of prudence and loyalty, which requires oversight of the organization’s ethics and compliance. The Program is consistent with LACERA’s Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the [Board of Retirement’s “2023-2028 Strategic Plan”](#) for LACERA and is supported by best practices in the public pension community.

The Program is consistent with [The Institute of Internal Auditors’ “Three Lines Model” publication \(2020\)](#), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA’s operational divisions. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the [United States Sentencing Commission's Sentencing Guidelines for Organizations \(2023\)](#), which is the most influential of applicable compliance program standards, ~~and~~ ~~the~~ [U.S. Department of Justice "Evaluation of Corporate Compliance Programs" \(March 2023\)](#), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- The ACRE Committee approves this Charter, under authority granted by the Board of Retirement and Board of Investments (Boards) in the ACRE Committee Charter.
- The ACRE Committee, ~~the Board of Retirement and Board of Investments~~, and the Chief Executive Officer (CEO) oversee the Program, with reporting ~~to the Boards~~ as provided in this Charter and in the ACRE Committee Charter.
- The Program resides in a separate Ethics and Compliance Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ACRE Committee, ~~both Boards~~, and the CEO.
 - Functionally, the CECO reports to the ACRE Committee, ~~both Boards~~, and ~~the~~ CEO with respect to the activities of the Program as provided in this Charter ~~and the ACRE Committee Charter~~ to facilitate the ~~CEO and~~ ACRE Committee, ~~Board, and CEO's~~ oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee ~~and the Boards~~ will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, firing, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; and approve the Ethics and Compliance Office budget for inclusion ~~by the Boards~~ in LACERA's annual administrative budget.
 - Administratively, ~~the Chief Counsel Ethics and Compliance Officer~~ reports to the Chief Counsel, who will ~~support the day to day operations of the Ethics and Compliance Office and~~ serve as a resource and provide guidance to the CECO on ethics and compliance issues ~~as when~~ requested by the CECO ~~and support the day to day operations of the Ethics and Compliance Office~~. The CECO has direct and independent access to the ~~CEO, ACRE Committee, and~~ both Boards, ~~and the CEO~~.
- The CEO and Chief Counsel will not be involved in any matter as to which they

have a conflict of interest. In the event of such a conflict, the CECO will consult with the ACRE Committee and/or the Boards. In the event the CECO has a conflict, the Chief Counsel – or the CEO if Chief Counsel has a conflict – will confer with the ACRE Committee and/or the Boards as to the proper handling of the matter.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**

The Program independently and objectively performs the following functions:

- A. Establish and maintain the Program as a sound and durable structure in LACERA;
- B. Conduct ethics and compliance risk assessments;
- C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
- D. Review and provide input on ethics and compliance-related policies and procedures;
- E. Promote third-party/vendor risk management practices;
- F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession;
- G. Provide ethics and compliance training and communications;
- H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
- I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;
- J. Measure and promote an organizational culture of ethics and compliance;
- K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and
- L. Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.

- **Consulting and Advisory Objectives.**

The Program will work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential ethics and compliance risks and make recommendations regarding ethics and compliance controls.

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- Charters. The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.

- *Best Practices and Education*. The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.
- *Independence and Objectivity*. The Program operates independently and objectively. Annually, the CECO will assure the CEO, ~~and~~ the ACRE Committee, and the Boards that the Program is operating independently and without interference or conflicts of interest. The CECO will immediately disclose to the CEO, ~~and~~ the ACRE Committee, and the Boards all actual or attempted interference with the Program and all conflicts of interest.
- *Collaboration*. The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. **AUTHORITY FOR ACCESS**

The CECO and Ethics and Compliance Office staff, with strict accountability for confidentiality and the safeguarding of records and information, are authorized to have full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within information technology systems or databases, physical properties, and personnel pertinent to carrying out the work of the Program, excluding the work papers of Internal Audit. All LACERA staff are required to cooperate with and assist the CECO and the Ethics and Compliance Office in connection with work in the scope of the Program's roles and responsibilities.

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the Ralph M. Brown Act and other applicable laws, regulations, policies, and procedures.

VII. **SCOPE OF PROGRAM ACTIVITIES**

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee or

the Boards.

- A. *Ethics and Compliance Program Framework.* The Program will be appropriately adequately resourced and staffed within the Ethics and Compliance Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and by providing staff input and support. The Program will also use other methods to promote and obtain staff input, involvement, and engagement.
- B. *Ethics and Compliance Risk Assessment.* The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and key risk indicators. Assessment findings will be reported to the CEO, other senior leaders, ~~and~~ the ACRE Committee, and the Boards, along with recommendations on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.
- C. *Monitoring.* The Program will review and monitor LACERA's relevant operations, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.
- D. *Review of Policies and Procedures.* The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:
1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
 2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
 3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures and recommend new policies and procedures as indicated.
 4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.
- E. *Vendor/Third-Party Ethics, Compliance, and Risk Management.* The Program will review and monitor ethics and compliance controls for vendor management

and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, background checks, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.

- F. Privacy. The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.
- G. Training, Communications, and Incentives. The Program will provide risk-based compliance training and communications to the ACRE Committee, the Boards, the CEO, and staff on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.
- H. Channels for Staff to Report Ethics and Compliance Concerns. The Program will provide and monitor channels through which staff and others will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.
- I. Program Investigation, Response, and Commitment to Non-Retaliation. The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.
- J. Measure Organizational Culture of Ethics and Compliance. The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.
- K. Reporting. The Program will report to the ACRE Committee, the Boards, and CEO concerning the Program's status and operations, including information to

facilitate oversight of the Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to ~~the Boards and~~ senior leaders as needed relating to ethics and compliance issues under their authority.

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and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

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April 1, 2024

TO: Trustees – Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

Jude Pérez 
Deputy Chief Investment Officer

FOR: April 10, 2024 Board of Investments Meeting

SUBJECT: **LACERA Pension Trust Strategic Asset Allocation**

RECOMMENDATION

Approve the Strategic Asset Allocation (“SAA”) Option B, on page 11 of Meketa Investment Group’s presentation and within **Chart 1** of this memorandum, for the LACERA Pension Trust (“Pension” or “Pension Trust”).

SUMMARY

This memo details why the recommended Option B is a prospective improvement over the current Board of Investments (“BOI” or “Board”) approved strategic asset allocation (“Policy Allocation”). The analysis reviews Option B considering the Policy Allocation through a review of allocation options, portfolio characteristics, risk and return considerations, and implementation challenges. Furthermore, the recommendation is the result of incorporating Board feedback and evaluating the merits of alternatives for the past several months.

Select observations about Option B are noted below:

- Maintains a well-diversified portfolio consistent with LACERA’s Investment Beliefs;
- Provides a greater probability of achieving LACERA’s 7.00% target return compared to LACERA’s current Policy Allocation;
- Delivers a higher modeled Sharpe ratio¹ net-of-fees than the Policy Allocation;
- Is a mix of assets that the LACERA team could implement in the next 12-24 months; and
- Maintains a sufficient degree of liquidity to accommodate expenses and benefit payments.

¹ Sharpe ratio measures excess return per unit of volatility or risk compared to the risk-free rate.

BACKGROUND

One of the BOI’s core responsibilities is setting LACERA’s SAA, as part of a regular, periodic review and consistent with LACERA policies. The SAA is the key driver of long-term risk and returns for the Pension Trust, and therefore, is a vital component as LACERA pursues its mission to produce, protect, and provide the promised benefits to our members. Furthermore, LACERA’s Investment Beliefs express two key tenants on SAA:

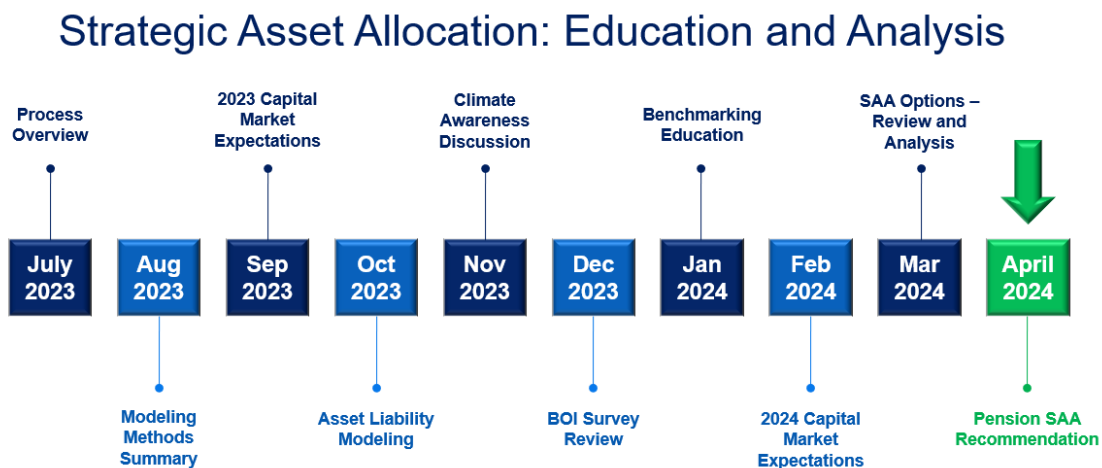
- 1. Long-term strategic asset allocation will be the primary determinant of LACERA’s risk/return outcomes; and**
- 2. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection.**

The Investment Policy Statement (“IPS”) states that 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 review the Pension Trust’s overall portfolio structure. The goal is to select an asset allocation that optimizes risk and return for the Pension that is consistent with LACERA’s investment goals, considering long-term capital market assumptions. With input from staff, and Meketa Investment Group (“Meketa”), the SAA study enables the BOI to explore alternatives to the current Policy Allocation while considering LACERA’s investment goals and the prevailing market conditions.

ANALYSIS

Over the past ten months, the BOI has deliberated over the Pension Trust’s strategic asset allocation. Topics that have been discussed included, but were not limited to, asset-liability management, how climate risks may impact the SAA, two discussions on capital market expectations, and the implications of investing in a market environment where interest rates have increased. The BOI also participated in and discussed findings of a survey to help design the objectives and framework for the SAA study.

A timeline of all topics covered to date is below:



In February 2024, the BOI approved Meketa's capital market assumptions for LACERA's Pension Trust asset allocation models. After that approval, Meketa worked with staff to present a review of the asset allocation process and potential options to the BOI at the March 2024 meeting. These potential allocation options were discussed in the context of relative risk tolerance levels and other preferences.

Attached is Meketa's presentation on the Pension Trust Asset Allocation Study. The four proposed asset allocation options are outlined on page 11 of Meketa's presentation. In response to Board requests and discussions during SAA education sessions, the analysis has been expanded to include scenarios that exclude China. Each proposed option now has a corresponding "ex-China" version that can be found on page 13 of the presentation. The key finding regarding the ex-China options is that they have minimal impact. While they do involve slight adjustments to the weights within each functional category and/or sub-asset class, these changes do not meaningfully affect the overall performance of the portfolio. Therefore, the return, volatility, and Sharpe ratio of each ex-China option remain the same as the corresponding unmodified option.

It is a useful exercise to quantitatively model the impact of exposure to China as part of the SAA analysis. This analysis reinforces LACERA's investment belief in risk evaluation. As outlined in our policy: "LACERA will evaluate risk holistically, incorporating quantitative measures and qualitative assessments in managing its portfolio." This includes, but is not limited to, investment risks like macroeconomic, geographic, currency, and political risks. It should be observed that as the SAA is implemented, China is one of a myriad of potential risks that the Pension faces. Additionally, LACERA's Pension is constructed with a global perspective and to exclude one of the world's largest economies also means the exclusion of a vast number of securities that are linked to China via sales or supply chains.

Staff considers each proposed allocation option on page 11 as a potential improvement to the current Policy Allocation that could enhance LACERA's investment objectives as defined in the IPS. While each option presents different strengths and limitations, and when considering the various analysis conducted as part of the SAA study, Option B provides a well-rounded approach to achieving LACERA's investment objectives. LACERA's Investment Beliefs, as mentioned above, express the core principles that can guide SAA decisions. These include "long-term strategic asset allocation will be the primary determinant of LACERA's risk/return outcomes" and "diversification across different risk factors is necessary for risk reduction." Option B is consistent with these beliefs. Its diversified structure, as modeled, is projected to reduce potential losses while maintaining long-term return potential, resulting in an improvement over the current Policy Allocation: Option B is modeled with a slightly higher Sharpe ratio expectation (0.42) when compared to the current Policy Allocation (0.41), which represents a modest improvement in risk-adjusted return expectations.

Compared to LACERA's current allocations, the proposed options reduce risk assets in Growth and Real Assets and increase categories with moderate return potential and stronger downside protection, like Credit and Risk Mitigation ("Risk Mitigation"). Furthermore, the model outputs add to Investment Grade Bonds at various levels of significance. The reduction of risk assets to increase Credit and Risk Mitigation is applied in every allocation option and is further explained in the functional category discussion that follows. The weightings for each asset category in the current and proposed options are detailed in **Chart 1** below and on page 11 of

Meketa’s presentation. Additionally, all options recommend simplifying the Credit allocation by combining the “Liquid” and “Illiquid” sub-asset classes into a single “Credit” category.

As previously discussed, the allocation to Investment Grade Bonds in each model scenario is increased. An important observation is that of the four policy options, Options C and D, more than double the weight to Investment Grade Bonds, translating to a potential dollar increase from ~\$5.5 billion to approximately \$12-\$17 billion. However, these options raise practical implementation concerns:

1. **Liquidity Considerations:** The options may require substantial sales in other, potentially less liquid asset classes. To accomplish this within a three-year timeframe could be operationally challenging and cost/benefit ineffective.
2. **Interest Rate Sensitivity:** The models are based on current economic assumptions, specifically that interest rates will remain stable. However, a significant decrease in rates could negatively impact returns since Investment Grade Bond yields would decline.
3. **Return Impact:** Options C and D exhibit the lowest probability of achieving the targeted 7% actuarial return across all time periods. Furthermore, Option D projects a lower return than the current policy portfolio.

Chart 1
Asset Allocation Policy Options

Asset Allocation Policy Options¹

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth	53.0	48.0	48.0	48.0	42.0
Global Equity	32.0	29.0	29.0	29.0	24.0
Private Equity	17.0	17.0	17.0	17.0	16.0
Non-Core Real Estate	4.0	2.0	2.0	2.0	2.0
Credit	11.0	13.0	13.0	13.0	10.0
Real Assets and Inflation Hedges	17.0	16.0	15.0	11.0	12.0
Core Real Estate	6.0	5.0	5.0	4.0	3.0
TIPS	3.0	3.0	3.0	2.0	3.0
Natural Resources	3.0	3.0	3.0	2.0	3.0
Infrastructure	5.0	5.0	4.0	3.0	3.0
Risk Reduction & Mitigation	19.0	23.0	24.0	28.0	36.0
Investment Grade Bonds	7.0	10.0	13.0	15.0	22.0
Long-term Government Bonds	5.0	2.0	2.0	3.0	3.0
Hedge Funds	6.0	10.0	8.0	9.0	10.0
Cash Equivalents	1.0	1.0	1.0	1.0	1.0
Overlays and Hedges	0.0	0.0	0.0	0.0	0.0
<i>Expected Return (10 years)</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.2</i>
<i>Standard Deviation</i>	<i>12.4</i>	<i>12.4</i>	<i>12.2</i>	<i>12.0</i>	<i>10.8</i>
<i>Sharpe Ratio</i>	<i>0.41</i>	<i>0.41</i>	<i>0.42</i>	<i>0.42</i>	<i>0.44</i>
<i>Percent Illiquid</i>	<i>47.0</i>	<i>50.0</i>	<i>47.0</i>	<i>46.0</i>	<i>43.0</i>

¹ Expected return and standard deviation are based upon Meketa Investment Group’s Annual Capital Markets Expectations. Throughout this document, returns for periods longer than one year are annualized.

Growth

Across all policy options, Growth experiences a reduction in weight when compared to the current Policy Allocation. Growth, as a category, falls from its existing 53% policy allocation to 48% (scenarios A, B, and C) or to 42% (scenario D). In all options, Non-Core Real Estate falls by 2%, Global Equity drops to 29% (scenarios A, B, and C) or 24% (scenario D) and Private Equity falls by 1% (scenario D). The main factor contributing to the decrease in Global Equity, and consequently the Growth category, is to reduce the overall Pension Trust's return volatility through a significant increase in Risk Mitigation. LACERA's IPS states that the Growth category's role is "to be the primary driver of long-term total returns." Importantly, each portfolio is designed to allow the Growth category to achieve this objective.

Credit

For the Credit category, all policy options, except Option D, increases its weight by 2%. The Policy Allocation to Credit is 11% and it grows to 13% in Options A, B, and C, but falls by 1% in Option D. The three scenarios where Credit increases reflects the attractive long-term expectations of the asset class. As modeled, the increase to Credit improves the risk-adjusted returns of the category and the Pension Trust. Also, across all proposed allocation options, the sub-asset categories in Credit (which currently consists of Liquid Credit and Illiquid Credit) are consolidated to a uniform Credit category to reduce granularity and provide enhanced flexibility for sub-asset class implementation. Overall, each policy option allows Credit to fulfill its defined role within the IPS, which is "to produce current income and moderate long-term total returns."

Real Assets

For the Real Assets category, all proposed policy options register a decrease in weight in relation to the Policy Allocation. The current policy allocates 17% to Real Assets while Option A is modeled with 16%, Option B falls to 15%, Option D is reduced to 12%, and Option C, at 11%, is the scenario with the largest reduction. At the sub-asset class level, Treasury Inflation-Protected Securities ("TIPS") and Natural Resources stay at their 3% current weight or drop by 1% (scenario C). Real Estate falls from 6% to 5% (scenarios A and B), to 4% (scenario C), or to 3% (scenario D). Infrastructure holds to its current weight of 5% for scenario A and falls to 4% (scenario B) and 3% (scenarios C and D), respectively. LACERA's IPS states that the role of Real Assets is "to provide income as well as a hedge against inflation." Despite the decrease in weight, this category is expected to fulfill its stated objective.

Risk Mitigation

Of the four functional categories, Risk Mitigation experiences the largest increase in allocation compared to the current Policy Allocation and across all portfolio options. The Policy Allocation weight to Risk Mitigation is 19% and increases by 4-17% across the four policy options. The weight for Investment Grade Bonds increases across all options, ranging from 3% to 15% more than the current allocation of 7%. Option A allocates 10%, Option B has 13%, Option C rises to 15%, and Option D allocates the highest at 22%. The weight to Hedge Funds also increases from the current 6%, increasing by 2% to 4%. The weight increases to 8% (scenario B), 9% (scenario C), or 10% (scenarios A and D). The allocation to Cash remains at 1% across each portfolio option and the 5% current weight to Long-term Government Bonds decreases by 2-3%. Options C and D see a 2% reduction, while Options A and B fall by 3%. Despite the

variation in proposed adjustments across options, the category is positioned to uphold the IPS stated objective to “generate a modest level of return while also reducing total Fund risks.”

Important to observe is that the most significant allocation shift for the Pension Trust in all modeled scenarios is the increase to Investment Grade Bonds. As discussed with the Board over the past several months, with interest rates at increased levels compared to the last SAA study three years ago, there has been a corresponding increase in the future expected returns of Investment Grade Bonds. For several years, the diminishing returns in more traditional investments pushed investors, including LACERA, towards the private markets in search of higher yields. This shift was a response to a prolonged period of declining interest rates and future expected returns. Now, however, the increase in Investment Grade Bond return expectations presents a new opportunity for portfolio allocations to decrease risk without sacrificing target returns. The current environment allows for a reassessment, where securing the actuarial return does not necessitate allocating into as many higher-risk investments as it had in the most recent previous SAA studies LACERA has conducted.

Another noteworthy aspect related to the changing interest rate environment and its impact on fixed income allocations is the proposed reduction in Long-term Government Bonds across all policy options. These bonds, with maturities ranging from 10 to 30 years, carry greater interest rate risk. Consequently, all modeled scenarios decrease their weight.

Individual Allocation Option Characteristics

Although each allocation option has the potential to improve the portfolio compared to the current Policy Allocation, some may be sub-optimal or present implementation challenges. Below are notes on options A, C, and D, all of which are not being recommended. Details on the recommended Option B follows.

- Option A decreases Growth and Real Assets by 5% and 1%, respectively. This option decreases the Global Equity allocation by 3% and Non-Core Real Estate by 2%. The only change to Real Assets is a decrease in Real Estate by 1%. In this scenario, Credit receives an additional 2% and Risk Mitigation increases 4%. The 4% lift in Risk Mitigation comes from a 3% addition to Investment Grade Bonds, a 4% increase to Hedge Funds, and a 3% reduction in Long-term Government Bonds. The expected return and volatility (as measured by standard deviation) match the current policy mix. Therefore, there is no modeled improvement to the Sharpe Ratio. Option A, unlike the other options, shows no improvement in risk/return metrics compared to the modeled Policy Allocation. Additionally, it allocates the highest weight to illiquid assets across all scenarios.
- Similar to all modeled alternatives, Option C reduces Growth and Real Assets to increase Credit and Risk Mitigation. Within Growth, Global Equity and Non-Core Real Estate fall by 3% and 2%, respectively. The Real Assets weight is trimmed by 6% through 1-2% reductions to all sub-categories. The allocation to Credit expands by 2% and Risk Mitigation increases by 9%. Cash is steady at 1% and despite a 2% reduction in Long-term Government Bonds, the Risk Mitigation weight grows through a 3% increase to Hedge Funds and an 8% addition to Investment Grade Bonds. This scenario is modeled to match the current policy return, however, the volatility decreases, and the resultant Sharpe ratio increases to (0.42) versus (0.41) for the Policy Allocation.

- Option D includes the largest changes to its asset mix. The combined reduction of the Growth, Credit, and Real Asset categories is 17% which is reallocated to Risk Mitigation. Growth falls by 11% through a decrease across all sub-asset classes. For this scenario, Global Equity declines to 24% and Private Equity and Non-Core Real Estate are also reduced by 1% and 2%, respectively. Real Assets decreases by 5% through a 3% reduction in Core Real Estate and a 2% decline in Infrastructure. Also, this is the only option that experiences a decline to the Credit category. Notably, the combined reduction to Growth, Real Assets, and Credit is made to raise Risk Mitigation by 17%, and mostly through a significant increase to Investment Grade Bonds (+15%). Option D involves a substantial shift in the portfolio allocation, particularly for a long-lived, cash flow negative pension fund like LACERA. Staff believes this option is not optimal in terms of risk and return. This is evidenced by its modeled return metrics. Option D is the only alternative with a lower projected return than the current policy and the lowest probability of achieving the Pension's actuarial return target (see **Chart 3**, below). Additionally, it is important to note that implementing this option would entail significant changes to the current asset allocation. The feasibility of achieving a cost-effective implementation within the next three years is uncertain.

Commentary on Risk-Adjusted Returns for Option B

The recommended scenario, Option B, constitutes a well-balanced portfolio that exhibits improved risk/return characteristics versus the current Policy Allocation. Option B reduces Growth and Real Assets by 5% and 2%, respectively. This scenario decreases Global Equity (-3%) and Non-Core Real Estate (-2%), and within Real Assets, Core Real Estate and Infrastructure are trimmed. Option B increases Credit by 2% and Risk Mitigation by 5%. Within Risk Mitigation, Investment Grade Bonds receives 6% of additional allocation, Long-term Government Bonds falls by 3%, and Hedge Funds increases by 2%.

Overall, the shifts to this portfolio are modest, yet maintains the expected return for the portfolio at the current policy level of 7.5%, and with lower volatility. The volatility of the Policy Allocation is modeled to be 12.4% and falls to 12.2% for Option B. This leads to an improved Sharpe ratio (0.42) over the current Policy Allocation (0.41), as modeled. Importantly, because the shifts to the asset mix for Option B are “moderate,” the allocation can be implemented within a reasonable timeframe (12-24 months). In addition, Option B is comparable with, or performs better than the Policy Allocation across diverse sets of analysis, including stress and scenario tests, Value at Risk, Economic Regime Management metrics, and Climate Risk Analysis. These measurements are discussed in further detail below.

Modern Portfolio Theory, Probability Analysis, Value at Risk, Stress-Testing, and Economic Regime Management

The Modern Portfolio Theory (“MPT”)-Based Risk Analysis in **Chart 2** covers three distinct points of analysis. The top third of the page includes model outputs for each portfolio, demonstrating the worst return for one, five, ten, and twenty years. For those same periods, the middle of the page estimates the probability of experiencing negative returns, while the bottom third of the page provides the probability of achieving the Pension Trust's 7.0% target return.

The shifts in the proposed allocation for Option B is modeled to match or improve on MPT-based risks when compared to the current Policy Allocation. Option B is modeled to provide comparable or improved downside protection for the worst-case scenario returns for one-, five-, ten-, and twenty-year periods and experiences a lower probability of experiencing negative returns when compared to the current policy portfolio. Additionally, Option B has a higher probability of achieving the target return of 7.0% than the current allocation.

Chart 2
MPT-Based Risk Analysis: Probability of Achieving LACERA’s Target Return of 7%

MPT-Based Risk Analysis					
Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Worst Case Returns ¹					
One Year (annualized)	-17.6	-17.6	-17.3	-16.9	-15.1
Five Years (annualized)	-4.6	-4.6	-4.4	-4.2	-3.4
Ten Years (annualized)	-1.3	-1.2	-1.1	-1.0	-0.5
Twenty Years (annualized)	1.2	1.3	1.3	1.4	1.7
Probability of Negative Returns					
One Year	26.6	26.4	26.2	25.8	24.5
Five Years	8.1	7.9	7.7	7.4	6.1
Ten Years	2.4	2.3	2.2	2.0	1.5
Twenty Years	0.3	0.2	0.2	0.2	0.1
Probability of >7% Return					
One Year	51.2	51.4	51.4	51.4	50.5
Five Years	52.8	53.2	53.0	53.1	51.2
Ten Years	53.9	54.6	54.3	54.4	51.7
Twenty Years	55.6	56.4	56.0	56.2	52.4

When considering worst-case scenarios in **Chart 3**, the recommended Option B presents a balanced allocation as its modeled results are neither the riskiest nor least risky option across all scenarios. Option B does present improved results compared to the current Policy Allocation in most negative scenarios. The concept of Option B being balanced is also true when reviewing MPT-based outcome expectations for positive scenarios (Meketa’s presentation page 21). Scenario B provides comparative positive returns for historical economic and market scenarios that exhibit the strongest returns.

Chart 3 MPT-Based Risk Analysis: Worst Case Returns and Probability of Negative Returns

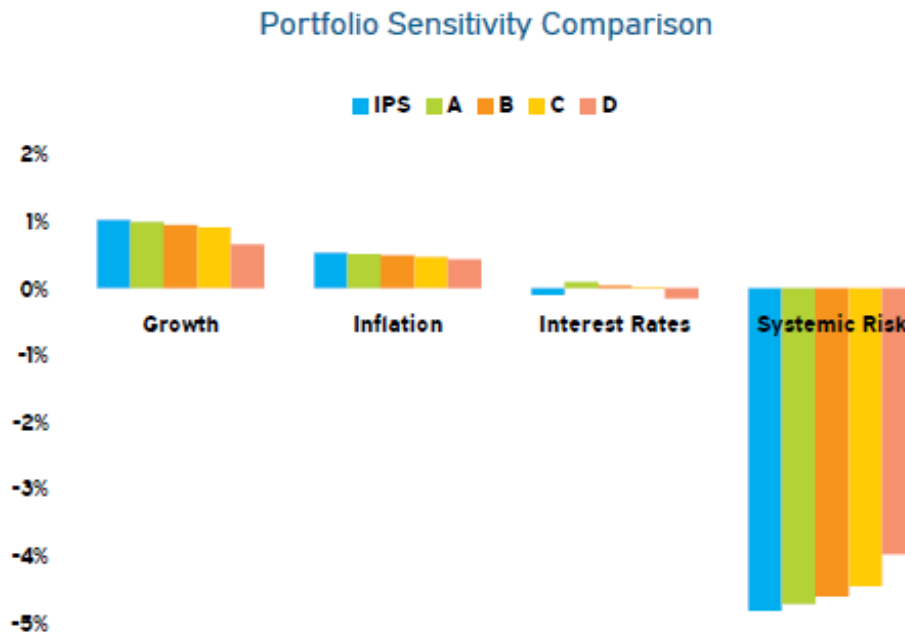
Historical Negative Scenario Analysis (Cumulative Return)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Post-COVID Rate Hikes (Jan 2022-Oct 2023)	-5.6	-4.0	-4.6	-5.4	-6.5
COVID-19 Market Shock (Feb 2020-Mar 2020)	-14.4	-14.6	-14.4	-14.1	-12.4
Global Financial Crisis (Oct 2007-Mar 2009)	-23.0	-22.7	-22.2	-21.7	-17.9
TMT Bubble Burst (Apr 2000-Sep 2002)	-8.9	-8.9	-8.6	-8.3	-3.6
LTCM (Jul-Aug 1998)	-6.1	-5.8	-5.6	-5.6	-4.7
Early 1990s Recession (Jun-Oct 1990)	-3.9	-4.2	-4.0	-3.9	-2.9
Crash of 1987 (Sep - Nov 1987)	-8.1	-7.7	-7.6	-7.6	-6.1
Volcker Recession (Jan - Mar 1980)	-2.8	-2.9	-3.1	-3.4	-3.9
Stagflation (Jan 1973 - Sep 1974)	-15.8	-16.1	-15.8	-15.7	-12.6

In addition to the MPT analysis, Value at Risk results and stress tests are provided. The Value at Risk evaluations on page 19 indicate that Option B improves on the current policy and registers similar results as compared to Options A, C, and D. The stress test results on pages 22 to 23 of Meketa’s presentation model the performance impact of negative and positive market movements on all scenarios. Option B’s returns are in-line with or improve on the current policy allocation for both the negative scenarios. And given the reduction in risk assets for all scenarios, including Option B, they perform well in strong up-markets, but understandably, does not outperform the current portfolio allocation.

Pages 25 to 26 include Meketa’s Economic Regime Management (“ERM”) analysis. The ERM approach is used to evaluate and measure market dynamics that drive the majority of observed return and volatility differences across various asset classes and portfolios. **Chart 4** provides the sensitivity and potential impact of growth, inflation, interest rate, and systemic risk factors for each model portfolio. The largest risk factors across the current and model portfolios are growth and systemic (or market-wide) downside risks. Consistent with analysis discussed in this memo, Option B presents a balanced option versus other model portfolios and is modeled to improve on the Policy Allocation.

Chart 4
Economic Regime Management: Market Factor Impact on Portfolio Options



CLIMATE SCENARIO CONSIDERATIONS

Building upon analysis that LACERA and Meketa developed during the last SAA study, the current SAA review assessed climate change's potential impact on LACERA's investments. This analysis provides Trustees with insights and highlights future considerations that may influence the risk-return profile of each SAA option. The goal is for LACERA's SAA to be "climate aware." This includes using available data and analytical tools to identify climate-related financial risks and opportunities as part of the SAA review process. The analysis is covered on pages 28 to 35 of Meketa's presentation.

Chart 5 includes modeled results for all scenarios across three dimensions:

- Temperature change scenarios: The financial implications of limiting warming to either 3.0 degrees Celsius or 1.5 degrees Celsius above pre-industrial temperatures, informed by the various physical impacts and implied policy measures constraining current trajectories.
- Technological opportunities scenario: The financial consequences – including upside opportunities – of technological innovation reducing carbon intensity by an assumed rate of 3% per year.
- Policy change scenarios: The financial implications of a price on carbon being implemented over the next decade, assuming a uniform \$100/tCO₂.

In addition to the analysis presented on Chart 5, Meketa also conducted climate analysis utilizing a model approach based on the Network for Greening Financial Systems ("NGFS").

NGFS is a global network of financial supervisory authorities and central banks that work together to develop best practices for climate risk management and promote sustainability in the financial sector. The NGFS has developed six climate scenarios that consider a range of climate risk integration, encompassing an orderly transition to a low-carbon future to a limited/high-emissions scenario.

Both of Meketa’s analyses indicate that projected returns decline minimally across all climate scenarios and allocation options compared to the current Policy Allocation. Additionally, volatility, as measured by standard deviation, remains similar or decreases for all policy options.

Meketa also models scenarios for each asset class (see page 30). This analysis indicates that there is moderate return variability in outcomes, with several asset classes more impacted than others. These results indicate the utility to also apply a careful climate lens to investment decisions on asset class structure reviews and implementation, particularly among asset classes where there is a notable range of impacts between financial risks and rewards illuminated through scenario analyses.

Chart 5
Climate Analysis: Scenario Outcomes

Meketa Scenario Outcome

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth/Equity	53	48	48	48	42
Credit	11	13	13	13	10
Real Assets	17	16	15	11	12
Risk Mitigating	19	23	24	28	36
<i>Expected Return (20 years)</i>	8.6	8.6	8.5	8.5	8.1
<i>Standard Deviation</i>	12.4	12.4	12.2	12.0	10.8
Return					
<i>1.5 Degree</i>	8.1	8.1	8.1	8.0	7.7
<i>3 Degree</i>	8.4	8.4	8.3	8.3	8.0
<i>Technology Scenario (Efficiency Gain)</i>	8.2	8.2	8.2	8.2	8.0
<i>Policy Scenario</i>	8.0	8.0	7.9	7.9	7.7
Standard Deviation					
<i>1.5 Degree</i>	13.1	13.1	12.8	12.6	11.3
<i>3 Degree</i>	12.7	12.7	12.5	12.3	11.0
<i>Technology Scenario (Efficiency Gain)</i>	12.9	12.9	12.7	12.4	11.0
<i>Policy Scenario</i>	13.4	13.3	13.1	12.9	11.4

IMPLEMENTATION

If the BOI approves the recommended SAA Option B, the expected implementation process would last between one to two years. The timeframe depends on two key factors: the complexity of the changes and the liquidity of the affected asset classes. Subsequent to any Board approval, Meketa and staff will present the BOI with an updated IPS reflecting the new

target allocations, benchmarks, and rebalancing ranges. A timeline for implementation of the Pension Trust Asset Allocation is listed in **Table 1** below.

Table 1
Tentative Asset Allocation Implementation Timeline

Next Steps	Target Date for Completion
Determine the appropriate target ranges and benchmarks for the Pension Trust Asset Allocation	May 2024
Update Investment Policy Statement	June 2024
Transition to updated Strategic Asset Allocation	July 2024 – June 2026

Staff will provide the Board with periodic status updates on the implementation process.

CONCLUSION

LACERA's 2024 SAA study for the Pension Trust has identified four potential allocation options, each with its own advantages and drawbacks. As detailed in this memorandum, staff recommends Board approval of SAA Option B for the Pension Trust.

Attachment

Los Angeles County Employees Retirement Association

April 2024

Pension:
Asset Allocation Review and
Risk Analysis

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Introduction

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.
- In order to determine the strategic asset allocation for the Pension Fund, LACERA conducts a comprehensive asset allocation study every three years, or at the Board’s request.
- The objective of this presentation is to provide asset allocation recommendations for the Board’s consideration based on feedback received from prior sessions and collaboration with LACERA staff.
- Meketa believes LACERA currently utilizes a well diversified asset allocation that is aligned with LACERA’s mission and thus all of the recommended policies represent modest adjustments to the current asset allocation.

Background

- Meketa and LACERA staff have collaborated on a multi-meeting approach to the Strategic Asset Allocation Review.
- The intent of this approach was to provide the Board with education on a number of related topics and to allow for Board feedback to shape the recommendations. The presentations are outlined below:
 - August 2023: SAA Introduction and Process Timeline
 - September 2023: Capital Market Expectations Education and Review
 - October 2023: Asset Liability Modeling Education
 - November 2023: Climate Risk Analysis
 - December 2023: Strategic Asset Allocation Optimization Parameters and Risk Metrics Education
 - January 2024: Benchmark Education and Review of LACERA Asset Category Benchmarks
 - February 2024: Strategic Asset Allocation Review highlights and 2024 Capital Market Expectations
 - Action: The Board Approved use of Meketa’s 2024 Capital Market Expectations
 - March 2024: Review of Asset Allocation Options (“Neighborhoods”)
- The current meeting is focused on Board approval of LACERA’s strategic asset allocation.
- Future meetings will involve Board review and approval of:
 - Asset Class ranges
 - Updated Investment Policy Statement
 - Benchmarks

Pension Asset Allocation Overview

Asset Allocation

What is Asset Allocation?

→ Asset allocation refers to the distribution of assets across a number of asset classes that exhibit different correlations with each other. Each asset class exhibits a unique combination of risk and reward. The expected and realized long-term returns vary by asset class, as does the interim volatility of those returns. Some asset classes, like equities, exhibit high degrees of volatility, but also offer high returns over time. Other asset classes, like cash, experience very little volatility, but offer limited return potential.

Why is Asset Allocation important?

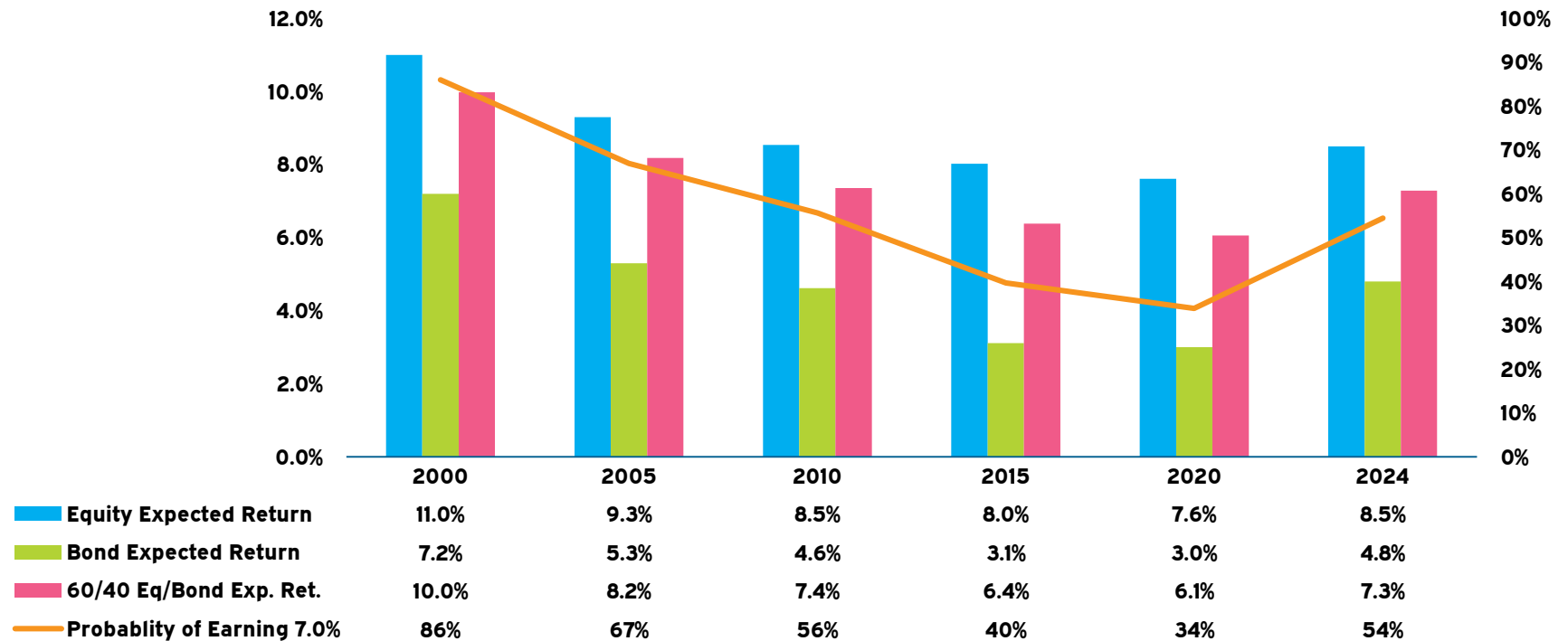
→ The distribution of assets across various asset classes exerts a major influence on the return behavior of the aggregate pool over short and long time periods.

How does Asset Allocation affect aggregate performance?

→ In addition to exhibiting unique characteristics, each asset class interacts differently with other asset classes. Because of low correlations, the likelihood that any two asset classes will move together in the same direction is limited, with the movement of one asset class often offsetting another's. Combining asset classes allows investors to control more fully the aggregate risk and return of their portfolios, and to benefit from the reduction in volatility that stems from diversification.

Secular Decline in Returns: An Inflection Point?¹

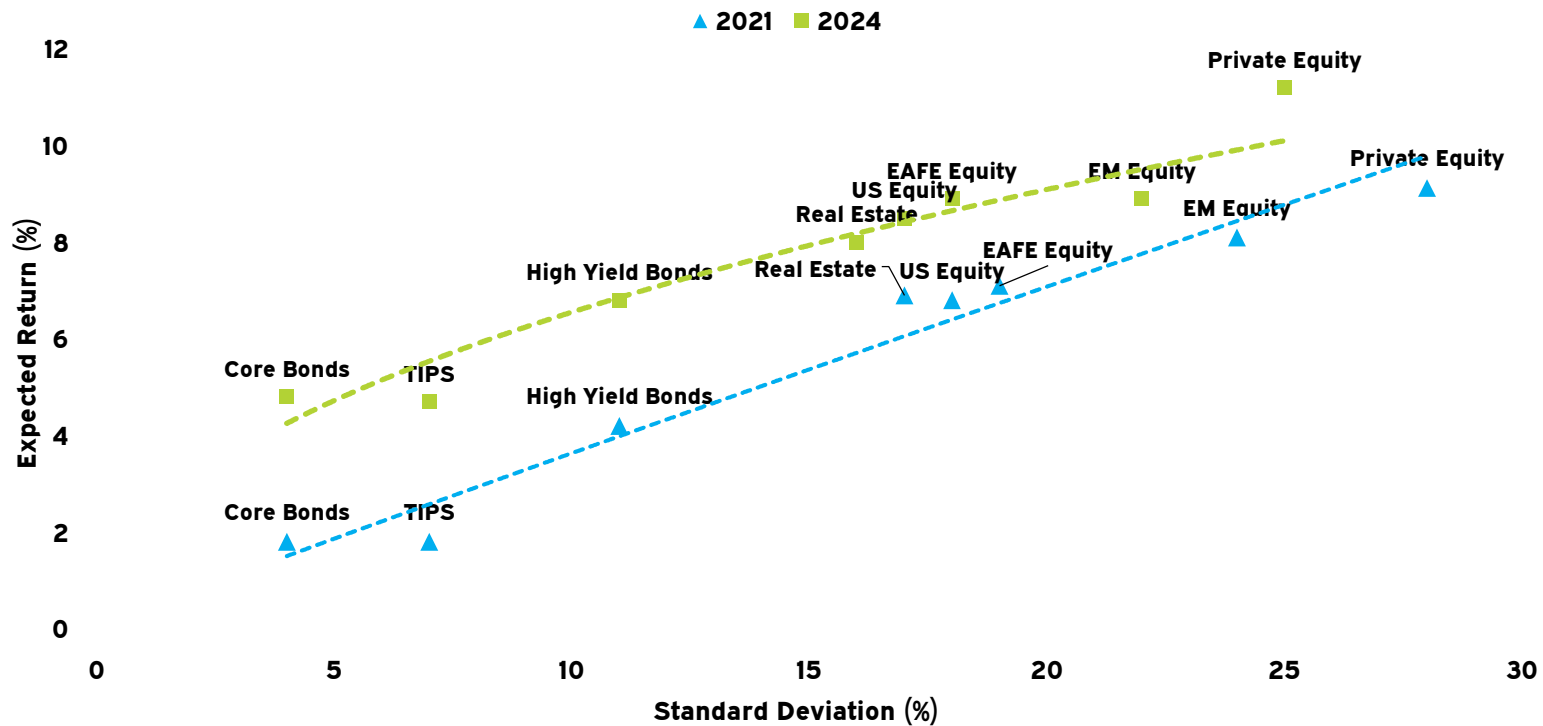
Secular Decline in Returns



¹ Source: Bloomberg. Data is as of December 31, 2023.

The Big Picture: Higher Return for Similar Risk¹

- 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.



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

Pension Asset Allocation Policy Options

Asset Allocation Policy Options¹

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth	53.0	48.0	48.0	48.0	42.0
Global Equity	32.0	29.0	29.0	29.0	24.0
Private Equity	17.0	17.0	17.0	17.0	16.0
Non-Core Real Estate	4.0	2.0	2.0	2.0	2.0
Credit	11.0	13.0	13.0	13.0	10.0
Real Assets and Inflation Hedges	17.0	16.0	15.0	11.0	12.0
Core Real Estate	6.0	5.0	5.0	4.0	3.0
TIPS	3.0	3.0	3.0	2.0	3.0
Natural Resources	3.0	3.0	3.0	2.0	3.0
Infrastructure	5.0	5.0	4.0	3.0	3.0
Risk Reduction & Mitigation	19.0	23.0	24.0	28.0	36.0
Investment Grade Bonds	7.0	10.0	13.0	15.0	22.0
Long-term Government Bonds	5.0	2.0	2.0	3.0	3.0
Hedge Funds	6.0	10.0	8.0	9.0	10.0
Cash Equivalents	1.0	1.0	1.0	1.0	1.0
Overlays and Hedges	0.0	0.0	0.0	0.0	0.0
<i>Expected Return (10 years)</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.2</i>
<i>Standard Deviation</i>	<i>12.4</i>	<i>12.4</i>	<i>12.2</i>	<i>12.0</i>	<i>10.8</i>
<i>Sharpe Ratio</i>	<i>0.41</i>	<i>0.41</i>	<i>0.42</i>	<i>0.42</i>	<i>0.44</i>
<i>Percent Illiquid</i>	<i>47.0</i>	<i>50.0</i>	<i>47.0</i>	<i>46.0</i>	<i>43.0</i>

¹ Expected return and standard deviation are based upon Meketa Investment Group's Annual Capital Markets Expectations. Throughout this document, returns for periods longer than one year are annualized.

Asset Allocation Policy Options

- As discussed during the February BOI meeting and highlighted above, the rise in interest rates has led to a significant upward shift in capital market expectations across most asset classes.
- While Strategic Asset Allocation Reviews are conducted with a long-term view, it is important to note that market conditions continually change (sometimes rapidly) and with Fixed Income assets in particular there is notable re-investment risk if the interest rate environment shifts lower.
- A, B and C are all modest optimizations of the IPS. The expected return of these portfolios is the same as the IPS while B and C modestly reduce the standard deviation.
 - The primary set of trade-offs among recommended portfolios A, B and C is percentage allocated to Risk Reduction and Mitigation compared to Real Assets and Inflation Hedges.
 - We have also modeled options A, B, and C while excluding China from the Emerging Markets category. The overall portfolio risk/return characteristics do not change with this modification.
- D has a slightly lower return and risk profile when compared to the IPS and options A, B, and C.
 - D has a lower exposure to Growth Assets than the other recommended portfolios.
 - Similar to A, B, and C, we have also modeled D while excluding China from the Emerging Markets category and as was the case with the other examples, the overall risk/return characteristics do not change noticeably.
- A secondary difference among the recommended portfolios is the amount allocated to illiquid categories, which range from a high of 50% to a low of 43% (A to D). Meketa believes all of the recommended portfolios have sufficient liquidity to meet LACERA's obligations even under significant stress scenarios.

Asset Allocation: China

	IPS (%)	A (%)	A ex China (%)	B (%)	B ex China (%)	C (%)	C ex China (%)	D (%)	D ex China (%)
Growth	53.0	48.0	48.0	48.0	48.0	48.0	48.0	42.0	42.0
Credit	11.0	13.0	13.0	13.0	13.0	13.0	13.0	10.0	10.0
Real Assets and Inflation Hedges	17.0	16.0	16.0	15.0	15.0	11.0	11.0	12.0	12.0
Risk Reduction & Mitigation	19.0	23.0	23.0	24.0	24.0	28.0	28.0	36.0	36.0
Overlays and Hedges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Expected Return (10 years)</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.2</i>	<i>7.2</i>
<i>Standard Deviation</i>	<i>12.4</i>	<i>12.4</i>	<i>12.4</i>	<i>12.2</i>	<i>12.2</i>	<i>12.0</i>	<i>12.0</i>	<i>10.8</i>	<i>10.8</i>
<i>Sharpe Ratio</i>	<i>0.41</i>	<i>0.41</i>	<i>0.41</i>	<i>0.42</i>	<i>0.42</i>	<i>0.42</i>	<i>0.42</i>	<i>0.44</i>	<i>0.44</i>
<i>Percent Illiquid</i>	<i>47.0</i>	<i>50.0</i>	<i>50.0</i>	<i>47.0</i>	<i>47.0</i>	<i>46.0</i>	<i>46.0</i>	<i>43.0</i>	<i>43.0</i>

- At the Board’s request, we have also modeled options A, B, C and D while excluding China from the Emerging Markets category. The overall portfolio risk/return characteristics do not change with this modification.
- LACERA’s Investment Beliefs state that “LACERA operates in a global financial marketplace, and as such, LACERA believes that in order to diversify its risk broadly, it is vital that LACERA possess a global perspective.”
- No material differences are observable for the ex-China portfolios based on Meketa’s 2024 Capital Market Assumptions and MPT-based analytics.

Pension Diversification and Risk Analysis

Diversification

- The primary motive for diversifying a portfolio is to reduce risk.
- Diversification is the sole “free lunch” available to investors. That is, it represents the only way to reduce risk without reducing expected returns.
- Therefore, investments should be allocated across multiple classes of assets, based in part on the expected correlation of their returns.
- Within each asset type, investments should be distributed across strategies and risk factors to further reduce volatility.

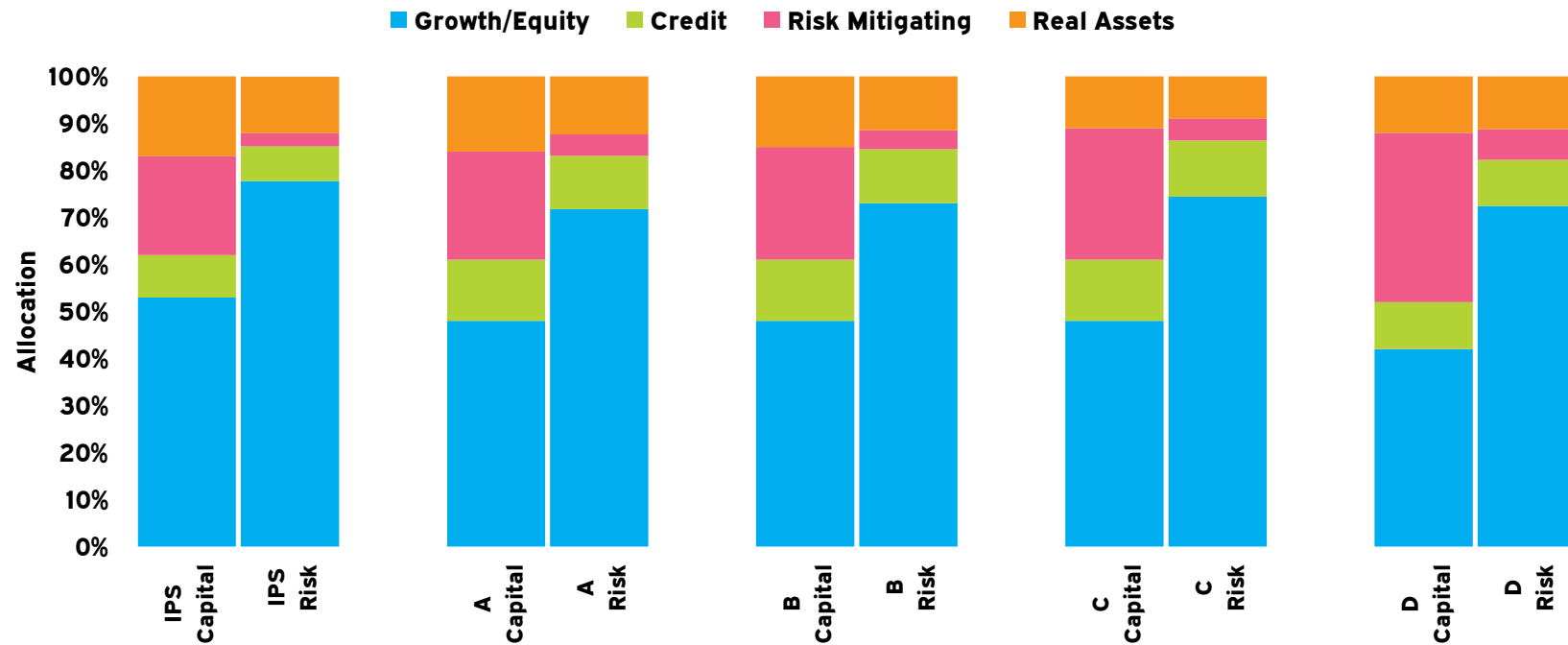
Types of Risk Analysis Addressed

- Risk budgeting¹
- Attributes overall portfolio risks to specific asset classes
- Highlights the source and scale of portfolio-level risk.
- MPT-based risk analytics
- Includes worst-case return expectations and Value at Risk (VaR)²
- Relies on assumptions underlying Modern Portfolio Theory (MPT)
- Convexity
- Examines a portfolio's sensitivity to upside and downside market movements
- Scenario analysis
- Stress tests policy portfolios using actual historical examples
- Stress tests policy portfolios under specific hypothetical scenarios
- Economic Regime Management
- Climate Risk Analysis

¹ Risk budgeting seeks to decompose the aggregate risk of a portfolio into different sources (in this case, by asset class), with risk defined as standard deviation.

² VaR is a risk measure that estimates the maximum loss on a portfolio over a given time horizon and a given confidence level (usually 95% or 99%).

Risk Budgeting Analysis¹ (Capital Allocation vs. Risk Allocation)



→ Across all of the portfolios, the growth category is the predominant source of Total Fund risk.

¹ Risk allocation is calculated by multiplying the weight of the asset class by its standard deviation and its correlation with the total portfolio and then dividing this by the standard deviation of the total portfolio.

MPT-Based Risk Analysis

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Worst Case Returns ¹					
One Year (annualized)	-17.6	-17.6	-17.3	-16.9	-15.1
Five Years (annualized)	-4.6	-4.6	-4.4	-4.2	-3.4
Ten Years (annualized)	-1.3	-1.2	-1.1	-1.0	-0.5
Twenty Years (annualized)	1.2	1.3	1.3	1.4	1.7
Probability of Negative Returns					
One Year	26.6	26.4	26.2	25.8	24.5
Five Years	8.1	7.9	7.7	7.4	6.1
Ten Years	2.4	2.3	2.2	2.0	1.5
Twenty Years	0.3	0.2	0.2	0.2	0.1
Probability of >7% Return					
One Year	51.2	51.4	51.4	51.4	50.5
Five Years	52.8	53.2	53.0	53.1	51.2
Ten Years	53.9	54.6	54.3	54.4	51.7
Twenty Years	55.6	56.4	56.0	56.2	52.4

- The IPS has the largest potential losses in negative scenarios and a higher probability of experiencing losses.
- Portfolios A through D show declining level of losses and lower probability of experiencing negative returns.
- Portfolio D has a lower probability of achieving returns greater than 7% than the other portfolios.

¹ "Worst Case Returns" refers to the 99.7th percentile return.

Value at Risk¹

Scenario	IPS	A	B	C	D
VaR (%):					
1 month	-7.7	-7.7	-7.5	-7.4	-6.6
3 months	-12.4	-12.4	-12.2	-12.0	-10.7
6 months	-16.4	-16.4	-16.1	-15.7	-14.0

Conditional Value at Risk¹

Scenario	IPS	A	B	C	D
CVaR (%):					
1 month	-8.8	-8.8	-8.7	-8.5	-7.7
3 months	-14.4	-14.4	-14.2	-13.9	-12.5
6 months	-19.2	-19.2	-18.9	-18.5	-16.5

→ As measured by VaR and CVaR, there are declining levels of value at risk from the IPS through portfolio C, but the differences are modest (~1% or less).

→ The D portfolio exhibits a lower risk profile on these measures.

¹ 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.

Historical Negative Scenario Analysis
(Cumulative Return)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Post-COVID Rate Hikes (Jan 2022-Oct 2023)	-5.6	-4.0	-4.6	-5.4	-6.5
COVID-19 Market Shock (Feb 2020-Mar 2020)	-14.4	-14.6	-14.4	-14.1	-12.4
Global Financial Crisis (Oct 2007-Mar 2009)	-23.0	-22.7	-22.2	-21.7	-17.9
TMT Bubble Burst (Apr 2000-Sep 2002)	-8.9	-8.9	-8.6	-8.3	-3.6
LTCM (Jul-Aug 1998)	-6.1	-5.8	-5.6	-5.6	-4.7
Early 1990s Recession (Jun-Oct 1990)	-3.9	-4.2	-4.0	-3.9	-2.9
Crash of 1987 (Sep - Nov 1987)	-8.1	-7.7	-7.6	-7.6	-6.1
Volcker Recession (Jan - Mar 1980)	-2.8	-2.9	-3.1	-3.4	-3.9
Stagflation (Jan 1973 - Sep 1974)	-15.8	-16.1	-15.8	-15.7	-12.6

- Each policy portfolio has different sensitivity to the factors driving the negative historical scenarios.
- The lower risk profile of the D portfolio leads to better risk mitigation across all scenarios except those tied to sharp rate increases (the Post-Covid Rate Hikes and Volcker Recession).

Historical Positive Scenario Analysis
(Cumulative Return)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Covid Recovery (Apr 2020-Dec 2021)	51.7	51.1	50.3	49.5	44.8
GFC Recovery (Mar 2009-Nov 2009)	25.7	26.6	26.4	26.3	23.9
Great Moderation (Apr 2003-Feb 2004)	24.4	23.6	23.2	23.2	20.8
TMT Bubble (Oct 1998-Mar 2000)	45.2	45.4	44.6	44.3	39.9
Plummeting Dollar (Jan 1986-Aug 1987)	38.6	36.3	36.3	36.2	33.1
Volcker Recovery (Aug 1982-Apr 1983)	26.0	24.5	25.0	25.6	24.9
Bretton Wood Recovery (Oct 1974-Jun 1975)	22.7	21.8	21.9	22.1	20.0

→ The IPS and portfolios A through C provided notably strong returns during the positive historical scenario periods.

Stress Testing: Impact of Market Movements
(Expected Return under Stressed Conditions)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
10-year Treasury Bond rates rise 100 bps	3.3	3.4	3.2	2.9	2.2
10-year Treasury Bond rates rise 200 bps	-1.9	-1.9	-2.0	-2.4	-2.9
10-year Treasury Bond rates rise 300 bps	-3.3	-3.6	-3.8	-4.1	-5.0
Baa Spreads widen by 50 bps, High Yield by 200 bps	0.5	0.1	0.2	0.3	0.7
Baa Spreads widen by 300 bps, High Yield by 1000 bps	-18.7	-18.9	-18.6	-18.3	-16.3
Trade Weighted Dollar gains 10%	-2.5	-2.9	-2.8	-2.8	-2.5
Trade Weighted Dollar gains 20%	-0.1	-1.0	-0.7	-0.6	-0.3
U.S. Equities decline 10%	-4.9	-5.0	-4.9	-4.9	-4.1
U.S. Equities decline 25%	-15.1	-15.1	-14.8	-14.6	-12.9
U.S. Equities decline 40%	-22.6	-21.9	-21.6	-21.2	-18.9

- Each policy portfolio has a different sensitivity to four major risk factors: interest rates, credit spreads, currency fluctuations, and equity values.
- The Fund’s primary risk factors would continue to be an equity market decline and a widening of credit spreads, no matter the policy.
- The D portfolio exhibits stronger risk mitigation in declining equity market scenarios, but is also more sensitive to the rising rate scenarios.

Stress Testing: Impact of Positive Market Movements
(Expected Return under Positive Conditions)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
10-year Treasury Bond rates drop 100 bps	2.4	2.0	2.1	2.3	2.5
10-year Treasury Bond rates drop 200 bps	8.8	7.9	8.1	8.4	8.4
10-year Treasury Bond rates drop 300 bps	11.6	10.2	10.6	11.1	11.3
Baa Spreads narrow by 30bps, High Yield by 100 bps	7.0	7.0	6.8	6.7	6.0
Baa Spreads narrow by 100bps, High Yield by 300 bps	10.5	11.4	11.3	11.0	10.2
Trade Weighted Dollar drops 10%	6.1	6.1	6.0	5.9	5.6
Trade Weighted Dollar drops 20%	17.3	16.0	16.1	16.4	15.4
U.S. Equities rise 10%	6.2	6.0	5.9	5.9	5.4
U.S. Equities rise 30%	13.5	12.9	12.8	12.8	11.6

→ There are varying degrees of sensitivities of the portfolios across the positive hypothetical scenarios.

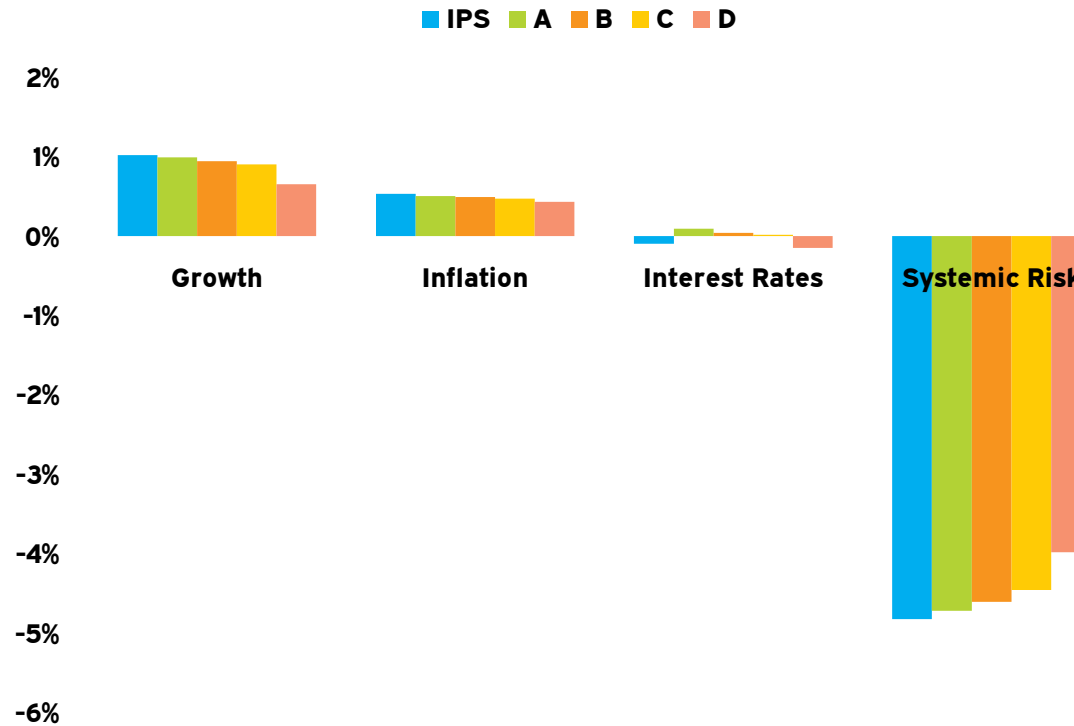
→ The D portfolio underperforms the other policies except in the declining interest rate scenarios.

Economic Regime Management[®]

Economic Regime Management

- The Economic Regime Management (ERM) approach focuses on understanding the dynamics of the most important macro level forces that drive returns across asset classes.
- We find the most important factors to be:
 - Interest Rate Surprise – Unexpected changes in the 10 year interest rate (related to Duration).
 - Inflation Surprise – Unexpected changes in the CPI growth rate.
 - Growth Surprise – Unexpected changes in the Real GDP growth rate.
 - Systemic Risk – “System-wide” risk that propagates through all asset classes (e.g., 2008).
- We focus on surprises because expectations matter.
 - What was considered “low” inflation in the 1970s would be considered “high” today.
- These factors explain the majority of volatility across asset classes.
 - Understanding these dynamics explain the “why” not just the “what.”

Portfolio Sensitivity Comparison



→ The chart above shows the resulting change in portfolio return given a one standard deviation event in the respective risk factor.

→ There is more sensitivity in Growth and Systematic Risk because these sources of risk tend to have higher expected returns than the other risk factors.

Climate Risk Analysis

Climate Risk Analysis

- Climate data provides an additional lens of analysis for Trustees to evaluate as the Board deliberates its upcoming strategic asset allocation.
- Forward looking scenario analysis is a useful tool for evaluating risk and opportunities associated with climate change. This approach provides allocators with a “big picture” estimation of potential impacts and allows us to investigate a broader range of potential outcomes.
- The long-term nature of the risks associated with climate change led us to utilize our 20 year forecasts rather than our 10-year forecast which were utilized for the majority of the Strategic Asset Allocation Review modelling.
- Data analytics indicate that energy transition and climate change can impact LACERA’s portfolio performance.
- LACERA’s approach to “climate-aware investing” utilizes both a top-down (SAA) and bottom up-approach (structure reviews and strategy selection).
- Meketa and LACERA staff began collaborating on this “climate-aware” approach in 2020 as part of the 2021 Strategic Asset Allocation review. The scenarios presented here represent further refinements to the modelling done in 2021 and also include scenarios from The Network for Greening Financial Systems (“NGFS”).

Climate Risk: Meketa Scenario Descriptions

- 3- & 1.5-Degree Temperature Rise Scenarios: These scenarios evaluate cases consistent with global temperatures rising to the indicated temperatures by 2100 (we are at ~1.1 degree rise currently).
 - The 1.5 degree scenario represents a fairly aggressive mitigation of climate change while 3 degrees is generally consistent with current emissions trends continuing with minimal mitigation.
- Technology Scenario: This scenario evaluates cases with a 3% improvement (i.e., reduction) in carbon intensity of electricity generation over the next decade.
- Policy Scenario: This scenario evaluates cases with rises in oil and natural gas prices consistent with a \$100/tCO₂ carbon tax implemented over the next decade while removing cases where fossil fuel reserve owners had increasing profits.

Asset Class Return: Meketa Scenarios

20 Year Expected Return	20 Year Expected Return (%)	1.5 Degree (%)	3 Degree (%)	Technology Scenario (Efficiency Gain) (%)	Policy Scenario (%)
Global Equity	8.70	8.36	8.74	8.20	7.93
Private Equity	11.20	10.64	11.00	10.96	9.86
Investment Grade Bonds	4.80	4.77	4.83	5.56	4.89
Core Private Real Estate	6.90	5.87	6.15	6.10	5.53
Infrastructure (Public)	9.10	8.58	8.90	8.73	8.50
Liquid Credit	6.75	6.76	7.04	6.65	6.44
Natural Resources	10.21	9.05	9.69	9.12	9.68

Meketa Scenario Outcome

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth/Equity	53	48	48	48	42
Credit	11	13	13	13	10
Real Assets	17	16	15	11	12
Risk Mitigating	19	23	24	28	36
<i>Expected Return (20 years)</i>	8.6	8.6	8.5	8.5	8.1
<i>Standard Deviation</i>	12.4	12.4	12.2	12.0	10.8
Return					
<i>1.5 Degree</i>	8.1	8.1	8.1	8.0	7.7
<i>3 Degree</i>	8.4	8.4	8.3	8.3	8.0
<i>Technology Scenario (Efficiency Gain)</i>	8.2	8.2	8.2	8.2	8.0
<i>Policy Scenario</i>	8.0	8.0	7.9	7.9	7.7
Standard Deviation					
<i>1.5 Degree</i>	13.1	13.1	12.8	12.6	11.3
<i>3 Degree</i>	12.7	12.7	12.5	12.3	11.0
<i>Technology Scenario (Efficiency Gain)</i>	12.9	12.9	12.7	12.4	11.0
<i>Policy Scenario</i>	13.4	13.3	13.1	12.9	11.4

- Each of the policy options has a lower expected return in the climate scenarios modeled here.
- The actions that would need to be taken to limit a rise in temperature to 1.5 degrees (and the consequent hit to economic growth), cause it to have a larger negative impact on expected returns than the 3 degree scenario.
- Severe policy actions may be harmful to economic growth and thus also produce lower expected returns.

Meketa NGFS Approach

- The Network for Greening Financial Systems (“NGFS”) is an international organization made up of 121 financial supervisory authorities and central banks, focused on developing best practices for the environmental and climate risk management in the financial sector.
 - They provide six scenarios ranging from orderly net zero transitions to “hot house” scenarios.
- Meketa’s approach to NGFS modeling is similar to its traditional approach, differing in only one respect:
 - Instead of generating ways the world **could** look, we assume certain variables **will** look like the NGFS’ forecasts and generate simulations based on those assumptions.
 - Suitable variables have both a forecast and historical data (so we can measure historical relationships).
- We hold 11 variables constant in our NGFS scenarios.
 - Financial: World GDP, Coal / Gas / Oil Prices and Consumptions, Total Energy Consumption and Non-Carbon Energy Consumption
 - Physical: Flood Costs, Tropical Storm Costs

Meketa NGFS Approach (continued)

	Scenario Name	Temp Target	Description
Orderly	Net Zero 2050	1.4°C	Immediate and smooth climate policies implemented, gradually becoming more stringent to limit warming to 1.5 degrees C. Subdued physical and transition risk.
	Below 2°C	1.6°C	Gradual increase of more stringent climate policies leading to 67% chance of limiting warming to below 2 degrees C. Subdued physical and transition risk.
Disorderly	Divergent Net Zero	1.4°C	Achieves net zero around 2050 with high cost driven by fractured policies across sectors. Minimal physical risk and high transition risk.
	Delayed Transition	1.6°C	Assumes annual emissions do not decrease until 2030 and then move to rapid decline strict policies. Minimal physical risk and high transition risk.
"Hot House"	Nationally Determined Contribution	2.6°C	All pledged climate and emission targets by countries are achieved. Moderately high physical risk and low transition risk
	Current Policies	3.0°C+	Currently implemented climate and emission policies are preserved. High physical risk and low transition risk.

NGFS 2024

2024	Baseline 20-Yr CME (%)	NGFS: Below 2° (%)	NGFS: Current Policies (%)	NGFS: Delayed Transition (%)	NGFS: Divergent Net Zero (%)	NGFS: Nationally Determined Contribution \$ (%)	NGFS: Net Zero 2050 (%)
Global Equity	8.70	-0.31	1.30	0.38	-0.84	0.01	-0.29
Private Equity	11.20	-0.35	1.37	0.47	-1.06	0.02	-0.33
Investment Grade Bonds	4.80	0.07	0.37	0.22	0.18	0.16	0.14
Core Private Real Estate	6.90	-0.08	-0.10	-0.13	-0.74	-0.24	-0.43
Infrastructure (Public)	9.10	-0.08	-1.27	-0.75	-1.48	-0.70	-1.03
Liquid Credit	6.75	-0.41	-0.08	-0.55	-0.60	-0.35	-0.72
Natural Resources	10.21	-0.22	-0.28	-1.05	-1.22	-1.00	-0.84

NGFS Scenario Outcome

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth/Equity	53.0	48.0	48.0	48.0	42.0
Credit	9.0	13.0	13.0	13.0	10.0
Real Assets	17.0	16.0	15.0	11.0	12.0
Risk Mitigating	21.0	23.0	24.0	28.0	36.0
<i>Expected Return (20 years)</i>	<i>8.6</i>	<i>8.6</i>	<i>8.5</i>	<i>8.5</i>	<i>8.1</i>
<i>Standard Deviation</i>	<i>12.4</i>	<i>12.4</i>	<i>12.2</i>	<i>12.0</i>	<i>10.8</i>
Return					
<i>NGFS: Below 2°</i>	<i>8.4</i>	<i>8.4</i>	<i>8.3</i>	<i>8.3</i>	<i>8.0</i>
<i>NGFS: Current Policies</i>	<i>9.3</i>	<i>9.2</i>	<i>9.2</i>	<i>9.2</i>	<i>8.8</i>
<i>NGFS: Delayed Transition</i>	<i>8.8</i>	<i>8.6</i>	<i>8.6</i>	<i>8.6</i>	<i>8.2</i>
<i>NGFS: Divergent Net Zero</i>	<i>8.0</i>	<i>7.9</i>	<i>7.9</i>	<i>7.9</i>	<i>7.6</i>
<i>NGFS: Nationally Determined Contrib. \$</i>	<i>8.6</i>	<i>8.5</i>	<i>8.4</i>	<i>8.4</i>	<i>8.1</i>
<i>NGFS: Net Zero 2050</i>	<i>8.3</i>	<i>8.2</i>	<i>8.2</i>	<i>8.2</i>	<i>7.9</i>

→ The results are more mixed across the NGFS Scenarios.

- The Current Policies and Delayed Transition Scenarios indicate higher expected returns than the baseline forecasts.
- The remaining scenarios reduce the expected returns of the portfolio options, similar to the Meketa Scenarios.
- The Divergent Net Zero Scenario has the largest potential negative impact across all of the portfolio options.

Summary & Next Steps

Summary & Next Steps

Summary:

- The purpose of this presentation was to provide asset allocation policy options for the Board's review and approval.
- Meketa collaborated with LACERA staff to incorporate feedback from the Board and to refine the options discussed at the March meeting.
- Meketa believes LACERA currently utilizes a well diversified asset allocation that is aligned with LACERA's mission and thus all of the recommended policies represent modest adjustments to the current asset allocation.

Next Steps:

- Approve Pension Trust strategic asset allocation policy (April).
- Review and approve benchmarks (May).
- Review and approve updated Investment Policy Statement (June).

Appendices

Notes and Disclaimers

- ¹ The returns shown in the Policy Options and Risk Analysis sections rely on estimates of expected return, standard deviation, and correlation developed by Meketa Investment Group. To the extent that actual return patterns to the asset classes differ from our expectations, the results in the table will be incorrect. However, our inputs represent our best unbiased estimates of these simple parameters.
- ² The returns shown in the Policy Options and Risk Analysis sections use a lognormal distribution, which may or may not be an accurate representation of each asset classes' future return distribution. To the extent that it is not accurate in whole or in part, the probabilities listed in the table will be incorrect. As an example, if some asset classes' actual distributions are even more right-skewed than the lognormal distribution (i.e., more frequent low returns and less frequent high returns), then the probability of the portfolio hitting a given annual return will be lower than that stated in the table.
- ³ The standard deviation bars in the chart in the Risk Analysis section do not indicate the likelihood of a 1, 2, or 3 standard deviation event—they simply indicate the return we expect if such an event occurs. Since the likelihood of such an event is the same across allocations regardless of the underlying distribution, a relative comparison across policy choices remains valid.

You understand and agree that this document is partly based on analysis conducted using Meketa's the Asset Allocation Tool ("AAT"), an interactive tool created by Meketa Investment Group, Inc. ("Meketa") for informational purposes only and is not intended to provide, and should not be relied on for, accounting, legal, tax, or investment advice. The tool generates outcomes that are hypothetical in nature and should not be considered as providing advice on which investments to buy or sell. Results may vary with each use and over time. Specifically, the results may vary if the user modifies the inputs or there are changes to the capital markets assumptions. Information contained herein is subject to change at any time without notice.

The majority of the underlying data is updated annually, with a significant portion based on our capital markets expectations (CMEs). The CME include forecasts for each asset class over a 10-year and 20-year horizon for expected return, standard deviation, and covariance. These forecasts do not represent predictions for any fund or strategy. These forecasts are forward-looking projections based upon the reasonable beliefs of Meketa and are not a guarantee of future performance. Forward-looking projections relate only to the date they are made, and Meketa assumes no duty to and does not generally undertake to update forward-looking statements outside of our standard annual CME update. Further, forward-looking projections are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking projections.

Historical data published herein may be simulated or backdated using reasonable beliefs of available historical data and, in such instances, no allowance has necessarily been made for trading costs, management fees, implementation shortfalls or other costs, are not indicative of any specific investment, are unmanaged and cannot be invested in directly. Note there are specific modules and information in the tool that provide modeling analysis that includes reasonable assumptions, management fees, active management, etc. Past performance, including simulated or backdated performance, is no guarantee of future performance, and actual investment results will likely differ. Any information and data pertaining to an index contained in this document relate only to the index itself and not to any asset management product based on the index. All information and data are generally based on information and data from third party sources. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, hypothetical results do not represent actual trading, but are based on the historical returns of the selected investments, indices or investment classes and various assumptions of past and future events.

All projections provided are estimates and are in US dollar terms, unless otherwise specified, and are based on data as of the dates indicated. Given the complex risk-reward trade-offs involved, one should always rely on judgment in addition to any analysis in setting strategic allocations to any or all of the asset classes specified. All information shown is based on both quantitative and qualitative analysis developed by Meketa. The asset class and strategy assumptions contained herein are primarily passive – they do not consider the impact of active management, though a specific

model in the tool is designed to contemplate the use of active management. References to future returns are not promises of actual returns a client portfolio may achieve. Assumptions, opinions, and estimates are provided for illustrative purposes only. Forecasts of financial market trends that are based on current market conditions or historical data constitute a judgment and are subject to change without notice. We do not warrant their accuracy or completeness. There is no assurance that any of the market values displayed will be attained.

The return characteristics and behavior of asset classes are represented by broad-based indices that have been selected because they are well known and are easily recognizable by investors. The AAT does not favor certain asset classes. The AAT is intended to illustrate the possible trade-offs between portfolios composed of various assets. The behavior modeled for an asset class may differ from an actual portfolio. For example, investments made for a portfolio may differ significantly in terms of security holdings, industry weightings, and asset allocation, from those of the asset class. Further, other asset classes not considered may have characteristics similar or superior to those being analyzed by the AAT.

No investment process is risk free and there is no guarantee of profitability; investors may lose some or all of their investments. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification does not guarantee a profit or protect against loss. Asset classes vary significantly in projected returns and volatility.

Our models and assumptions utilize data from various vendors, including MSCI, S&P, Russell, FTSE, NCREIF, Bloomberg, Oxford Economics, FRED, etc. No model or assumptions are sponsored, endorsed, or promoted by any vendor, and vendors bear no liability.


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Contact meketaadv@meketa.com for a copy of the Meketa current Form ADV Part 2A or Part 2B. Meketa's Form ADV Part 1A is available through the SEC's public website.


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April 1, 2024

TO: Trustees – Board of Investments

FROM: Jonathan Grabel 
Chief Investment Officer

Jude Pérez 
Deputy Chief Investment Officer

Esmeralda V. del Bosque 
Principal Investment Officer

FOR: April 10, 2024 Board of Investments Meeting

SUBJECT: **OPEB Master Trust Strategic Asset Allocation**

RECOMMENDATION

Approve the Strategic Asset Allocation (“SAA”) Option D, on page 7 of Meketa Investment Group’s presentation and within **Chart 1** of this memorandum, for the OPEB Master Trust (“OPEB Trust” or “Trust”).

SUMMARY

This memo explores how the recommended option may enhance the current Board-approved strategic asset allocation (“Policy Allocation”) for the OPEB Trust, taking into account various allocation strategies, portfolio analysis, and practical implementation considerations. Importantly, the recommendation results presented in this memo represent the culmination of a 10-month process that involved comprehensive discussions on several SAA topics relevant to both the Pension Fund (“Pension”) and OPEB Trust, incorporating feedback from the Board.

Key observations related to the recommended Option D include:

- Maintains a well-diversified portfolio that aligns with LACERA’s Investment Beliefs;
- Obtains the same modeled probability of achieving the OPEB Trust’s target return of 6.00% as the current allocation, and with moderately less volatility;
- Delivers the highest modeled Sharpe ratio¹, net-of-fees among the current and modeled allocations;
- Results in adequate liquidity to meet potential Los Angeles County and Court requests for healthcare-related withdrawals; and
- Acknowledges the continued implementation of the 18% allocation to private market mandates, which was approved in the last SAA for the OPEB Trust (2021).

¹ Sharpe ratio measures excess return per unit of volatility or risk compared to the risk-free rate.

BACKGROUND

A primary duty of the Board of Investments (“Board” or “BOI”) is setting the OPEB Trust SAA as part of a regular, periodic review and consistent with LACERA policies. The SAA is the key driver of long-term risk and returns and is, therefore, a vital component to establishing the SAA. Furthermore, LACERA’s Investment Beliefs express two key tenants on SAA:

- 1. Long-term strategic asset allocation will be the primary determinant of LACERA’s risk/return outcomes; and**
- 2. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection.**

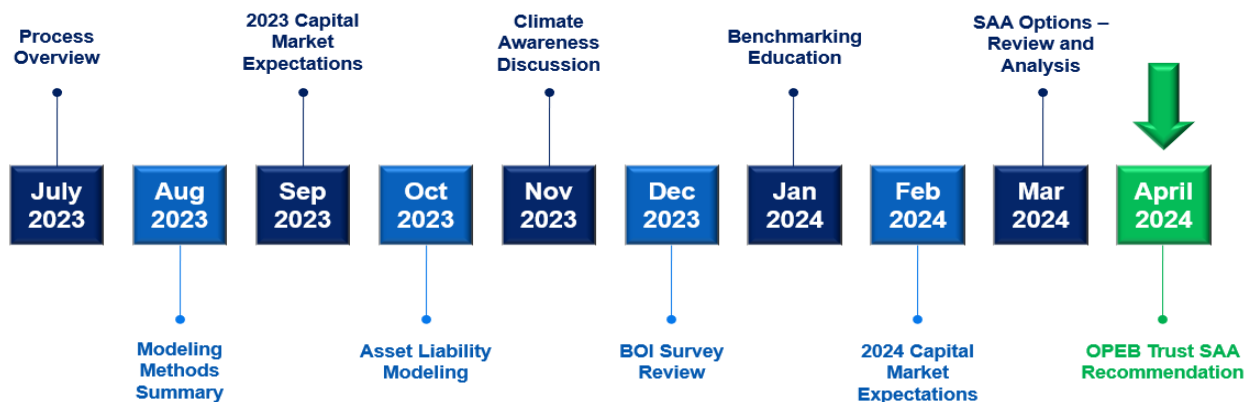
Per the OPEB Trust Investment Policy Statement (“IPS”), the Board reviews the Trust’s asset allocation triennially, or more frequently if required. The objective of the SAA process is to assess the Trust’s overall portfolio structure and select an asset allocation that balances risk and return in line with the Trust’s actuarial return and a long-term outlook on the capital markets. With input from staff and the Meketa Investment Group (“Meketa”), the SAA study provides the BOI with the opportunity to explore alternatives to the existing Policy Allocation, considering the Trust’s investment objectives and current market trends.

ANALYSIS

Over the past 10 months, in parallel with the Pension SAA review, the Board has engaged in discussions on a variety of topics relevant to the OPEB Trust SAA. These discussions have covered modeling methods employed in SAA analysis, two discussions on capital market expectations, as well as the implications of investing in a market environment where interest rates have increased. Additionally, the BOI contributed to a survey aimed at shaping the objectives and structure of the SAA studies for both the Pension and the Trust.

A timeline of all topics covered to date is below:

Strategic Asset Allocation: Education and Analysis



It is worth highlighting two discussions that formulated the recommendation today: At the February 2024 BOI meeting, the BOI approved Meketa's capital market expectations to be used in the asset allocation models for LACERA's Pension and OPEB Trusts. Following that approval, Meketa worked with staff to model various efficient portfolios or "neighborhood" options for the Pension and OPEB Trust. At the March 2024 Board meeting, staff and Meketa reviewed and discussed those options with the BOI.

Attached is Meketa's presentation on the OPEB Trust Asset Allocation Study. The proposed asset allocation options are outlined on page 7 of Meketa's presentation.

The primary difference between the current OPEB Trust allocation and the proposed new options is the reduction of Real Assets to bolster the weight of Risk Reduction and Mitigation ("Risk Mitigation") through an increase to Investment Grade Bonds. All options propose the adoption of a fifth functional category, Overlays and Hedges, for rebalancing the Trust to policy weights and for targeted risk management. Additionally, all options recommend simplifying the Credit allocation by merging the "Liquid" and "Illiquid" sub-asset classes into a single "Credit" category.

Important to note is that all proposed policy allocation options at the functional category level are within a few percentage points of each other. That is because the most significant change to the OPEB Trust allocation occurred during the last SAA study in 2021. At that time, the BOI adopted an 18% allocation to private market asset classes, including Private Equity, Private Real Estate, Illiquid Credit, Private Natural Resources, and Private Infrastructure. Because the OPEB Trust's private market allocations are under implementation, all policy options essentially maintain the private market allocation weights steady.

Since the Board adopted the OPEB Trust private market allocation, an RFP for a multi-asset, private market separate account manager was completed. The BOI hired Hamilton Lane Advisors as the discretionary manager for the mandate in August 2022 with a five-year plan to reach the 18% private market allocation. Initial funding commenced in the second quarter of 2023. As of February 2024, the OPEB held \$28.6 million in private market exposure, with additional capital committed to private vehicles which have not yet been deployed. The implementation timeline is on target.

It is worth highlighting that the differences between policy Options A through D are minimal, and all are modeled to have the same expected return, have slight variations in volatility, and therefore, similar modeled Sharpe ratios. It is Option D, the recommended Policy Allocation, which has the most improved risk-adjusted return expectations: Option D's modeled Sharpe ratio is (0.42) as compared to the current policy (0.40) and the three other policy options (0.41).

The observation should also be made that all policy portfolios allocate at least 80% to liquid assets. This allows the OPEB Trust to meet potential Los Angeles County and Court requests for healthcare-related cash needs if necessary.

The weightings of each asset category for the current and proposed allocation options are detailed below within **Chart 1** and on page 7 of Meketa's presentation.

Chart 1 Asset Allocation Policy Options

Asset Allocation Policy Options¹

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth	45.0	47.0	46.0	45.0	45.0
Global Equity	40.0	42.0	41.0	40.0	40.0
Private Equity	5.0	5.0	5.0	5.0	5.0
Credit	18.0	16.0	16.0	17.0	16.0
Real Assets and Inflation Hedges	20.0	13.0	13.0	14.0	13.0
Real Estate	8.0	5.0	5.0	6.0	5.0
TIPS	6.0	4.0	4.0	4.0	4.0
Natural Resources	4.0	2.0	2.0	2.0	2.0
Infrastructure	2.0	2.0	2.0	2.0	2.0
Risk Reduction & Mitigation	17.0	24.0	25.0	24.0	26.0
Investment Grade Bonds	10.0	18.0	20.0	17.0	19.0
Long-term Government Bonds	5.0	4.0	3.0	5.0	5.0
Cash Equivalents	2.0	2.0	2.0	2.0	2.0
Overlays and Hedges	0.0	0.0	0.0	0.0	0.0
<i>Expected Return (10 years)</i>	6.8	6.8	6.8	6.8	6.8
<i>Standard Deviation</i>	11.2	10.8	10.7	10.6	10.5
<i>Sharpe Ratio</i>	0.40	0.41	0.41	0.41	0.42
<i>Percent Illiquid</i>	20.0	21.0	21.0	20.0	21.0

¹ Expected return and standard deviation are based upon Meketa Investment Group's Annual Capital Markets Expectations. Throughout this document, returns for periods longer than one year are annualized.

Growth

Per the OPEB Trust IPS, the role of Growth is to "... produce a sufficiently high level of long-term growth to provide the promised benefits." Growth consists of Private Equity and public Global Equity. As previously mentioned, all scenarios hold Private Equity to the current allocation weight. As such, the proposed target policy weights for Growth are in a tight range, from 45-47%. Two scenarios mimic the current policy (scenarios C and D), and two allocations apportion 1-2% more weight to Global Equity (scenarios A and B). Staff observes that because the differences between all scenarios is minimal, and the impact to the return/risk profile is not significant.

Credit

Similar to Growth, the overall weight to Credit's current allocation of 18% varies slightly across all scenarios, ranging from 16-18%. Compared to the current Policy Allocation, the proposed allocations reduce the weight to Credit across all scenarios by 1-2% and consolidate the sub-asset classes of Liquid and Illiquid Credit into a single line – 'Credit'. Combining the two sleeves, reduces unnecessary granularity, and provides increased implementation flexibility. Overall, the proposed changes enhance the Credit portfolio's ability to achieve its stated goal 'to produce moderate long-term total returns that provide diversification from public equities.'

Real Assets

Compared to the current Policy Allocation, all scenarios show a decreased weight for the Real Assets category. The current policy weight to Real Assets is 20%, and the proposed scenarios

reduce the weight to 13% (scenarios A, B, and D) or 14% (Scenario C). Real Estate decreases to 6% (scenario C) or to 5% (scenarios A, B, and D). For all options, Treasury Inflation-Protected Securities (“TIPS”) falls from 6% to 4% and Natural Resources as well as Infrastructure hold a 2% weight. All scenarios position the Real Assets allocation to fulfill its stated role within the OPEB Trust IPS to “provide a hedge against unanticipated inflation and improve total fund diversification due to anticipated low correlation of returns with other asset classes.”

Risk Mitigation

The largest proposed change to the OPEB Trust current allocation is within the Risk Mitigation category. The stated role of the OPEB’s Risk Mitigation category is to “... provide diversification and risk reduction” to the Trust. The current 17% Policy Allocation weight for Risk Mitigation increases from 24%-26% across the various scenarios. Cash continues to be held at a 2% weight for all portfolios, and Long-Term Government Bonds either match the current 5% weight (scenarios C and D), falls to 4% (scenario A), or falls to 3% (scenario B).

For all model portfolio options, there is a significant increase to Investment Grade Bonds. The current weight to Investment Grade Bonds is 10% and the proposed scenarios lift the allocation to 17%- 20%. The additional allocation to Investment Grade Bonds is not surprising. With interest rates at increased levels compared to the last SAA study three years ago, there has been a corresponding increase in the future expected returns for this sub-asset class. For several years, the diminishing returns in more traditional investments pushed investors, like LACERA, towards the private markets in search of higher yields. This shift was largely a response to a prolonged period of declining interest rates and future expected returns. Now, however, the portfolio has the opportunity to reduce risk without sacrificing target returns. Increasing Investment Grade Bonds enhances the OPEB Trust’s long-term return stability while offering significant diversification benefits to the Risk Mitigation category and the overall portfolio. For the majority of allocation options, the impact of adding these assets provides a diversification effect that lowers expected portfolio volatility and has an equal or higher Sharpe ratio expectation when compared to the current Policy Allocation.

Overlays and Hedges

A notable addition to the proposed OPEB Trust Policy Allocation is the introduction of a fifth functional category – Overlays and Hedges. Incorporating this functional category will align the OPEB Trust allocation with that of the LACERA Pension. The purpose of the category is to assist in adhering to total plan policy allocation targets, meet asset class-specific objectives, and manage portfolio risks. Overlays and Hedges is not a return-seeking functional category; therefore, it is assigned a 0% weight. Given the maturity and growing size of the OPEB Trust, it is an opportune time to add the category as a mechanism for rebalancing the OPEB Trust to BOI-approved policy weights, as needed.

Individual Allocation Option Characteristics

The points that follow highlight differences in asset classes, exposures, return expectations, and volatility (as measured by standard deviation) for scenarios A, B, and C versus the current Policy Allocation. A discussion on the recommended Option D follows.

- Option A increases both Growth and Risk Mitigation, by 2% and 7%, respectively, with a commensurate decrease to Credit (-2%) and Real Assets (-7%). The Growth component

is increased through the additional allocation to Global Equity, and Credit is reduced. The more significant moves come from a 7% reduction in Real Assets via a decrease to Real Estate, TIPS, and Natural Resources with a requisite increase to Risk Mitigation via an 8% addition to Investment Grade Bonds and 1% reduction to Long-Term Government Bonds. This scenario generates a (0.41) Sharpe ratio due to its lower volatility of 10.8% versus the 11.2% volatility for the current policy.

- Option B reduces Real Assets and Credit by 7% and 2%, respectively. This option increases the Global Equity allocation, therefore, the Growth category by 1% and increases Risk Mitigation by 8%. Within the category, Investment Grade Bonds doubles in size to 20% from its current 10% allocation, and Long-term Government Bonds falls from 5% to 3%. The expected return for the portfolio is in line with the current policy mix, but the volatility is lower, leading to a Sharpe ratio (0.41) that is slightly better than the current Policy Allocation (0.40).
- Option C is modeled to have the same Sharpe ratio as Options A and B with an expected return of 6.8% and volatility of 10.6%. This portfolio holds the Growth category weight at 45%, the same as the current policy. Credit and Real Assets are reduced by 1% and 6%, respectively. Real Assets decreases by 6% through reductions to Real Estate, TIPS, and Natural Resources. For this scenario, the 7% increase to Risk Mitigation is solely due to the elevated allocation to Investment Grade Bonds.

Commentary on Risk-Adjusted Returns for Option D

Option D holds Growth at the current allocation and increases Risk Mitigation by 9% with a commensurate decrease to Real Assets (-7%) and Credit (-2%). Similar to Option A and B, sub-allocations within Real Assets are reduced. Of all options, Option D increases Risk Mitigation the most, adding 9% to Investment Grade Bonds.

All allocation options model the same return as the current policy and improve on the standard deviation, or volatility, to various degrees. Option D represents the Policy Allocation with the most consistent characteristics to benefit the Trust. This option matches the current Policy Allocation return of 6.8%, but with the highest decrease in volatility across all model portfolio's: Option D's standard deviation is modeled at 10.5% while the current portfolio is 11.2%. Importantly, Option D stands out for possessing the highest Sharpe ratio across all portfolios.

As noted previously, the expected return for Option D does not change when compared to the current Policy Allocation, however, this policy mix allows the Trust to meet its actuarial return, with moderately less risk, as modeled. It must be noted that the SAA is modeled without potential alpha that the investment manager may experience, so there is the potential for additional (or lesser) return through implementation. In addition, compared to the other options across various metrics, including stress and scenario tests, Value at Risk, and Economic Regime Management metrics, Option D is comparable and, often, is expected to fare better. These measurements are discussed in further detail below.

Modern Portfolio Theory, Probability Analysis, Value at Risk, Stress-Testing, and Economic Regime Management

The Modern Portfolio Theory ("MPT")-Based Risk Analysis in Chart 2 covers three distinct points of analysis. The top third of the page includes model outputs for each portfolio, demonstrating the

worst return for one, five, ten, and twenty years. For those same periods, the middle of the page estimates the probability of experiencing negative returns, while the bottom third of the page provides the probability of achieving the OPEB Trust’s 6.0% target return. Option D potentially provides better downside protection for the worst-case scenario returns for one-, five-, and ten-year periods, and matches or is comparable with all model portfolios. In addition, Option D presents the lowest chance of yielding negative returns. Regarding the potential to reach or exceed a 6% return, Option D compares favorably, equaling the performance outlook of the current policy and Option B. Although Option A slightly surpasses all portfolios in achieving the target return, it has a higher likelihood of yielding negative returns.

In addition to the MPT evaluations, various analyses including Value at Risk, scenario and stress tests, and Economic Regime Management are applied to each portfolio option to assess how each portfolio may respond to different economic and market conditions. The Value at Risk results on page 12 show that Option D matches or registers the lowest Value at Risk compared to the current policy and model portfolios. As for the scenario and stress test outcomes found on pages 13 to 16 of Meketa’s presentation, Option D fares better than all other scenarios for the vast majority of economic downturn and negative market conditions. This reinforces that Option D is the model portfolio most optimized for durability and protection for the OPEB Trust. Additionally, Option D’s gains are in-line with, but do not surpass the other portfolio options in positive market scenarios.

Lastly, on pages 18 to 19, Economic Regime Management (“ERM”) analysis is provided. The ERM approach is used to assess and measure market dynamics that drive most observed return and volatility differences across asset classes and portfolios. For the OPEB Trust, the largest risk factors across the current and model portfolios are unexpected changes in inflation and systemic, or market-wide downside risks. Consistent with the stress test scenarios, Option D fares the best across the current and model portfolios.

Chart 2
MPT-Based Risk Analysis: Worst Case Returns, Probability of Negative Returns and Achieving OPEB Trust’s Target Return of 6%

MPT-Based Risk Analysis

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Worst Case Returns¹					
One Year (annualized)	-16.1	-15.5	-15.3	-15.1	-15.0
Five Years (annualized)	-4.2	-3.8	-3.7	-3.7	-3.6
Ten Years (annualized)	-1.1	-0.8	-0.8	-0.7	-0.7
Twenty Years (annualized)	1.2	1.3	1.4	1.4	1.4
Probability of Negative Returns					
One Year	26.4	25.7	25.5	25.5	25.2
Five Years	7.9	7.2	7.1	7.0	6.8
Ten Years	2.3	2.0	1.9	1.8	1.7
Twenty Years	0.2	0.2	0.2	0.2	0.1
Probability of >6% Return					
One Year	52.8	52.9	52.8	52.7	52.8
Five Years	56.3	56.4	56.3	55.9	56.3
Ten Years	58.8	59.1	58.9	58.4	58.9
Twenty Years	62.4	62.7	62.5	61.7	62.4

IMPLEMENTATION

Should the Board approve the recommended Option D for the OPEB Trust Asset Allocation, the expected time to implement the new strategic asset allocation is 12 to 24 months. As explained in the Analysis section of this memo, the OPEB Trust is in year two of five in the build out of the private market assets allocation. Option D requires a reduction in Real Assets with a requisite increase to Risk Mitigation via Investment Grade Bonds. The assets that will be bought and sold to arrive at the new weights are public market assets, so in order to maintain policy weights at the functional category level, staff will be mindful of private market commitments that have yet to be drawn down.

Subsequent to any Board SAA approval, Meketa and staff will present the BOI with an updated IPS that reflects the changes in target allocation, benchmarks, and rebalancing ranges. A timeline for implementation of the OPEB Trust Asset Allocation is listed in **Table 1** below.

Table 1
Tentative Asset Allocation Implementation Timeline

Next Steps	Target Date for Completion
Determine benchmarks for the OPEB Trust Asset Allocation	May 2024
Update Investment Policy Statement	June 2024
Transition to updated Strategic Asset Allocation	July 2024 – June 2026

Staff will provide the Board with periodic status updates on the implementation process, as necessary.

CONCLUSION

LACERA's 2024 SAA study for the OPEB Trust has led to the four allocation options presented and discussed in this memorandum. Each allocation has its merits, and after a thorough assessment of the portfolios, staff recommends that the Board approve SAA Option D for the OPEB Trust.

Attachment

Los Angeles County Employees Retirement Association

April 2024

OPEB Trust:
Asset Allocation Review and
Risk Analysis

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Introduction

Introduction

- The Board of Investments (“The Board”) is responsible for establishing investment policy and determining the asset allocation for the OPEB Trust.
- 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.
- In order to determine the strategic asset allocation for the OPEB Trust, LACERA conducts a comprehensive asset allocation study every three years, or at the Board’s request.
- The objective of this presentation is to provide asset allocation recommendations for the Board’s consideration based on feedback received from prior sessions and collaboration with LACERA staff.
- Meketa believes the OPEB Trust currently utilizes a well diversified asset allocation that is aligned with LACERA’s mission and the unique attributes of the OPEB Trust and thus all of the recommended policies represent modest adjustments to the current asset allocation.

Background

- Meketa and LACERA staff have collaborated on a multi-meeting approach to the Strategic Asset Allocation Review.
- The intent of this approach was to provide the Board with education on a number of related topics and to allow for Board feedback to shape the recommendations. The presentations are outlined below:
 - August 2023: SAA Introduction and Process Timeline
 - September 2023: Capital Market Expectations Education and Review
 - October 2023: Asset Liability Modelling Education
 - November 2023: Climate Risk Analysis
 - December 2023: Strategic Asset Allocation Optimization Parameters and Risk Metrics Education
 - January 2024: Benchmark Education and Review of LACERA Asset Category Benchmarks
 - February 2024: Strategic Asset Allocation Review Highlights and 2024 Capital Market Expectations
 - Action: The Board approved use of Meketa’s 2024 Capital Market Expectations
 - March 2024: Review of Asset Allocation Options (“Neighborhoods”)
- The current meeting is focused on Board approval of LACERA’s strategic asset allocation.
- Future meetings will involve Board review and approval of:
 - Asset class ranges
 - Updated Investment Policy Statement
 - Benchmarks

OPEB Asset Allocation Policy Options

Asset Allocation Policy Options¹

	IPS (%)	A (%)	B (%)	C (%)	D (%)
Growth	45.0	47.0	46.0	45.0	45.0
Global Equity	40.0	42.0	41.0	40.0	40.0
Private Equity	5.0	5.0	5.0	5.0	5.0
Credit	18.0	16.0	16.0	17.0	16.0
Real Assets and Inflation Hedges	20.0	13.0	13.0	14.0	13.0
Real Estate	8.0	5.0	5.0	6.0	5.0
TIPS	6.0	4.0	4.0	4.0	4.0
Natural Resources	4.0	2.0	2.0	2.0	2.0
Infrastructure	2.0	2.0	2.0	2.0	2.0
Risk Reduction & Mitigation	17.0	24.0	25.0	24.0	26.0
Investment Grade Bonds	10.0	18.0	20.0	17.0	19.0
Long-term Government Bonds	5.0	4.0	3.0	5.0	5.0
Cash Equivalents	2.0	2.0	2.0	2.0	2.0
Overlays and Hedges	0.0	0.0	0.0	0.0	0.0
<i>Expected Return (10 years)</i>	<i>6.8</i>	<i>6.8</i>	<i>6.8</i>	<i>6.8</i>	<i>6.8</i>
<i>Standard Deviation</i>	<i>11.2</i>	<i>10.8</i>	<i>10.7</i>	<i>10.6</i>	<i>10.5</i>
<i>Sharpe Ratio</i>	<i>0.40</i>	<i>0.41</i>	<i>0.41</i>	<i>0.41</i>	<i>0.42</i>
<i>Percent Illiquid</i>	<i>20.0</i>	<i>21.0</i>	<i>21.0</i>	<i>20.0</i>	<i>21.0</i>

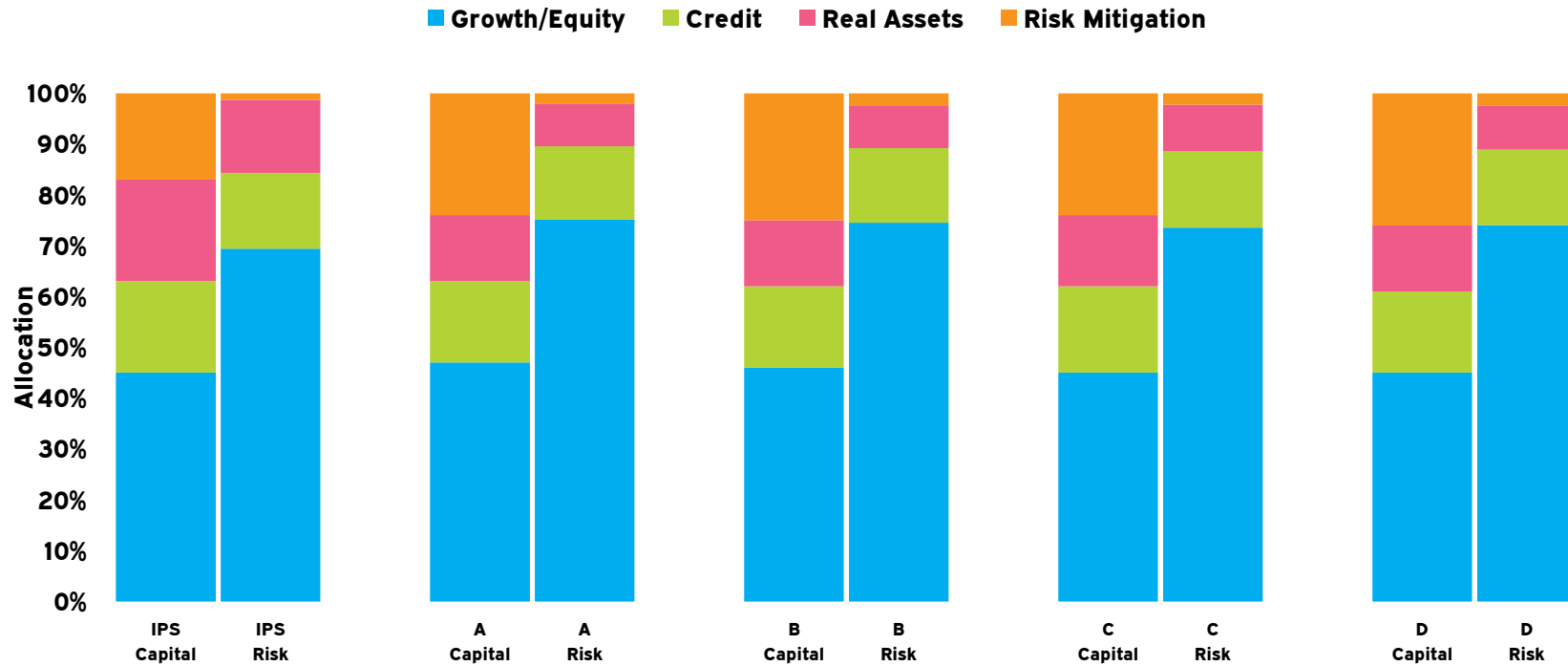
¹ Expected return and standard deviation are based upon Meketa Investment Group's Annual Capital Markets Expectations. Throughout this document, returns for periods longer than one year are annualized.

Asset Allocation Policy Options

- All of the asset allocation recommendations are modest optimizations of the Current Policy consistent with the discussion at the March meeting.
- It is important to note that several factors constrained the range of options for the OPEB Trust.
 - The OPEB Trust has only recently embarked on private market commitments so current allocation levels and prudent pacing (vintage year diversification) capped the limits of what is implementable and/or prudent in private market categories.
 - The transparency of future cash flows in a multi-sponsor trust is also an important consideration in accepting any additional illiquidity risk.
- Options A, B, C and D are structured to offer the same long-term return expectation as the current portfolio and are ordered in declining levels of risk as measured by standard deviation.

OPEB Diversification & Risk Analysis

Risk Budgeting Analysis¹ (Capital Allocation vs. Risk Allocation)



¹ Risk allocation is calculated by multiplying the weight of the asset class by its standard deviation and its correlation with the total portfolio and then dividing this by the standard deviation of the total portfolio

MPT-Based Risk Analysis

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Worst Case Returns ¹					
One Year (annualized)	-16.1	-15.5	-15.3	-15.1	-15.0
Five Years (annualized)	-4.2	-3.8	-3.7	-3.7	-3.6
Ten Years (annualized)	-1.1	-0.8	-0.8	-0.7	-0.7
Twenty Years (annualized)	1.2	1.3	1.4	1.4	1.4
Probability of Negative Returns					
One Year	26.4	25.7	25.5	25.5	25.2
Five Years	7.9	7.2	7.1	7.0	6.8
Ten Years	2.3	2.0	1.9	1.8	1.7
Twenty Years	0.2	0.2	0.2	0.2	0.1
Probability of >6% Return					
One Year	52.8	52.9	52.8	52.7	52.8
Five Years	56.3	56.4	56.3	55.9	56.3
Ten Years	58.8	59.1	58.9	58.4	58.9
Twenty Years	62.4	62.7	62.5	61.7	62.4

→ The IPS and Policy A have larger potential losses in negative scenarios and higher probabilities of experiencing losses compared to B, C and D.

→ All of the portfolios have comparable probabilities of achieving 6% over the various time horizons.

¹ "Worst Case Returns" refers to the 99.7th percentile return.

Value at Risk¹

Scenario	IPS	A	B	C	D
VaR (%):					
1 month	-6.9	-6.7	-6.6	-6.5	-6.5
3 months	-11.2	-10.8	-10.7	-10.5	-10.5
6 months	-14.8	-14.2	-14.0	-13.9	-13.7

Conditional Value at Risk¹

Scenario	IPS	A	B	C	D
CVaR (%):					
1 month	-8.0	-7.7	-7.6	-7.5	-7.5
3 months	-13.1	-12.6	-12.4	-12.3	-12.2
6 months	-17.4	-16.7	-16.5	-16.3	-16.2

→ As measured by VaR and CVaR, there are declining levels of value at risk from the IPS through portfolio D, but the differences are modest (~1% or less).

¹ 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.

Historical Negative Scenario Analysis¹
(Cumulative Return)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Post-COVID Rate Hikes (Jan 2022-Oct 2023)	-8.5	-8.0	-7.8	-8.3	-8.3
COVID-19 Market Shock (Feb 2020-Mar 2020)	-17.9	-17.1	-16.9	-16.7	-16.3
Global Financial Crisis (Oct 2007-Mar 2009)	-25.2	-23.7	-23.3	-22.9	-22.4
Popping of the TMT Bubble (Apr 2000-Sep 2002)	-9.6	-11.3	-10.6	-10.1	-9.7
LTCM (Jul-Aug 1998)	-6.8	-5.8	-5.7	-5.6	-5.5
Early 1990s Recession (Jun-Oct 1990)	-4.2	-4.5	-4.3	-4.6	-4.2
Crash of 1987 (Sep-Nov 1987)	-8.5	-8.3	-8.1	-7.9	-7.9
Volcker Recession (Jan-Mar 1980)	-4.6	-4.6	-4.6	-4.6	-4.8
Stagflation (Jan 1973-Sep 1974)	-16.0	-17.8	-17.2	-17.4	-16.9

→ Portfolios A through D generally perform the same or better than the current policy in negative historical scenarios except the Stagflation Scenario.

- The primary difference in the Stagflation Scenario was the performance of Commodities +140%.
- Portfolios A through D favor exposure to Private Natural Resources and Infrastructure over Commodities.

¹ See the Appendix for our scenario inputs. In periods where the ideal benchmark was not yet available we used the next closest benchmark(s) as a proxy.

Historical Positive Scenario Analysis¹
(Cumulative Return)

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
Covid Recovery (Apr 2020-Dec 2021)	47.0	45.4	44.8	44.1	43.9
Global Financial Crisis Recovery (Mar 2009-Nov 2009)	35.4	33.9	33.4	33.2	32.8
Best of Great Moderation (Apr 2003-Feb 2004)	26.7	25.6	25.2	24.9	24.8
Peak of the TMT Bubble (Oct 1998-Mar 2000)	31.9	31.9	31.4	30.6	30.8
Plummeting Dollar (Jan 1986-Aug 1987)	49.9	49.6	48.8	48.3	47.9
Volcker Recovery (Aug 1982-Apr 1983)	28.9	29.3	29.0	28.9	29.0
Bretton Wood Recovery (Oct 1974-Jun 1975)	23.6	23.9	23.5	23.4	23.2

→ The current IPS asset allocation performs the same or better than portfolios A through D in positive historical scenarios.

¹ See the Appendix for our scenario inputs. In periods where the ideal benchmark was not yet available we used the next closest benchmark(s) as a proxy.

Stress Testing: Impact of Negative Market Movements
(Expected Return under Negative Conditions)¹

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
10-year Treasury Bond rates rise 100 bps	3.0	2.8	2.7	2.6	2.5
10-year Treasury Bond rates rise 200 bps	-2.6	-2.7	-2.7	-2.8	-2.9
10-year Treasury Bond rates rise 300 bps	-4.3	-4.5	-4.5	-4.5	-4.8
Baa Spreads widen by 50 bps, High Yield by 200 bps	0.4	0.7	0.7	0.7	0.8
Baa Spreads widen by 300 bps, High Yield by 1000 bps	-19.9	-18.8	-18.6	-18.5	-18.1
Trade Weighted Dollar gains 10%	-4.1	-4.1	-4.0	-4.0	-3.9
Trade Weighted Dollar gains 20%	-1.7	-1.4	-1.4	-1.1	-1.1
U.S. Equities decline 10%	-4.6	-4.6	-4.5	-4.5	-4.4
U.S. Equities decline 25%	-14.8	-13.9	-13.7	-13.7	-13.4
U.S. Equities decline 40%	-23.9	-22.1	-21.7	-21.7	-21.3

- Each policy portfolio has a different sensitivity to four major risk factors: interest rates, credit spreads, currency fluctuations, and equity values.
- The OPEB Trust’s primary risk factors would continue to be an equity market decline and a widening of credit spreads, no matter the policy.
- Portfolios A through D exhibit stronger risk mitigation in the negative equity scenarios than the current policy.

¹ Assumes that assets not directly exposed to the factor are affected nonetheless. See the Appendix for further details.

Stress Testing: Impact of Positive Market Movements
(Expected Return under Positive Conditions)¹

Scenario	IPS (%)	A (%)	B (%)	C (%)	D (%)
10-year Treasury Bond rates drop 100 bps	2.0	2.0	2.0	2.1	2.1
10-year Treasury Bond rates drop 200 bps	10.3	10.2	10.0	10.2	10.2
10-year Treasury Bond rates drop 300 bps	13.5	13.4	13.1	13.5	13.6
Baa Spreads narrow by 30bps, High Yield by 100 bps	6.2	6.2	6.1	6.0	6.0
Baa Spreads narrow by 100bps, High Yield by 300 bps	13.3	12.7	12.6	12.7	12.4
Trade Weighted Dollar drops 10%	7.3	6.9	6.9	6.8	6.8
Trade Weighted Dollar drops 20%	19.9	20.0	19.6	19.5	19.6
U.S. Equities rise 10%	5.6	5.4	5.3	5.3	5.2
U.S. Equities rise 30%	13.6	13.4	13.2	13.1	13.0

- Each policy portfolio has marginally different sensitivity to declining rates.
- Portfolios A through D produce lower returns in the more extreme spread tightening scenario, but with spreads generally at record lows that scenarios should be discounted somewhat.
- The current IPS allocation performs modestly better in the strong equity rise scenario.

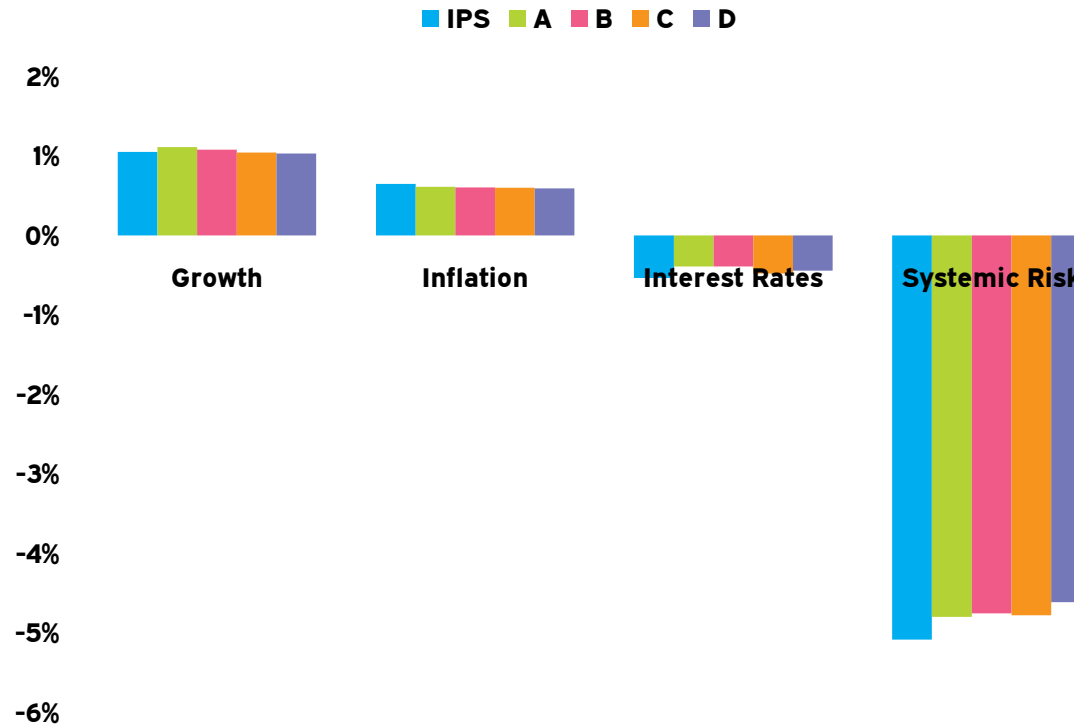
¹ Assumes that assets not directly exposed to the factor are affected nonetheless. See the Appendix for further details.

Economic Regime Management[®]

Economic Regime Management®

- The Economic Regime Management (ERM) approach focuses on understanding the dynamics of the most important macro level forces that drive returns across asset classes.
- We find the most important factors to be:
 - Interest Rate Surprise – Unexpected changes in the 10 year interest rate (related to Duration).
 - Inflation Surprise – Unexpected changes in the CPI growth rate.
 - Growth Surprise – Unexpected changes in the Real GDP growth rate.
 - Systemic Risk – “System-wide” risk that propagates through all asset classes (e.g., 2008).
- We focus on surprises because expectations matter.
 - What was considered “low” inflation in the 1970s would be considered “high” today.
- These factors explain the majority of volatility across asset classes.
 - Understanding these dynamics explain the “why” not just the “what.”

Portfolio Sensitivity Comparison



- The chart above shows the resulting change in portfolio return given a one standard deviation event in the respective risk factor.
- The largest risk sensitivities for the OPEB Trust portfolios are Growth and Systematic Risk. The recommended portfolios all marginally mitigate risk compared the current IPS.

Summary & Next Steps

Summary & Next Steps

Summary:

- The purpose of this presentation was to provide asset allocation policy options for the Board's review and approval.
- Meketa collaborated with LACERA staff to incorporate feedback from the Board and to refine the options discussed at the March meeting.
- Meketa believes the OPEB Trust currently utilizes a well diversified asset allocation that is aligned with LACERA's mission and the unique attributes of the OPEB Trust and thus all of the recommended policies represent modest adjustments to the current asset allocation.

Next Steps:

- Approve OPEB Trust strategic asset allocation policy (April)
- Review and approve benchmarks (May)
- Review and approve updated Investment Policy Statement (June)

Appendices

Notes and Disclaimers

- ¹ The returns shown in the Policy Options and Risk Analysis sections rely on estimates of expected return, standard deviation, and correlation developed by Meketa Investment Group. To the extent that actual return patterns to the asset classes differ from our expectations, the results in the table will be incorrect. However, our inputs represent our best unbiased estimates of these simple parameters.
- ² The returns shown in the Policy Options and Risk Analysis sections use a lognormal distribution, which may or may not be an accurate representation of each asset classes' future return distribution. To the extent that it is not accurate in whole or in part, the probabilities listed in the table will be incorrect. As an example, if some asset classes' actual distributions are even more right-skewed than the lognormal distribution (i.e., more frequent low returns and less frequent high returns), then the probability of the portfolio hitting a given annual return will be lower than that stated in the table.
- ³ The standard deviation bars in the chart in the Risk Analysis section do not indicate the likelihood of a 1, 2, or 3 standard deviation event—they simply indicate the return we expect if such an event occurs. Since the likelihood of such an event is the same across allocations regardless of the underlying distribution, a relative comparison across policy choices remains valid.

You understand and agree that this document is partly based on analysis conducted using Meketa's the Asset Allocation Tool ("AAT"), an interactive tool created by Meketa Investment Group, Inc. ("Meketa") for informational purposes only and is not intended to provide, and should not be relied on for, accounting, legal, tax, or investment advice. The tool generates outcomes that are hypothetical in nature and should not be considered as providing advice on which investments to buy or sell. Results may vary with each use and over time. Specifically, the results may vary if the user modifies the inputs or there are changes to the capital markets assumptions. Information contained herein is subject to change at any time without notice.

The majority of the underlying data is updated annually, with a significant portion based on our capital markets expectations (CMEs). The CME include forecasts for each asset class over a 10-year and 20-year horizon for expected return, standard deviation, and covariance. These forecasts do not represent predictions for any fund or strategy. These forecasts are forward-looking projections based upon the reasonable beliefs of Meketa and are not a guarantee of future performance. Forward-looking projections relate only to the date they are made, and Meketa assumes no duty to and does not generally undertake to update forward-looking statements outside of our standard annual CME update. Further, forward-looking projections are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking projections.

Historical data published herein may be simulated or backdated using reasonable beliefs of available historical data and, in such instances, no allowance has necessarily been made for trading costs, management fees, implementation shortfalls or other costs, are not indicative of any specific investment, are unmanaged and cannot be invested in directly. Note there are specific modules and information in the tool that provide modeling analysis that includes reasonable assumptions, management fees, active management, etc. Past performance, including simulated or backdated performance, is no guarantee of future performance, and actual investment results will likely differ. Any information and data pertaining to an index contained in this document relate only to the index itself and not to any asset management product based on the index. All information and data are generally based on information and data from third party sources. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, hypothetical results do not represent actual trading, but are based on the historical returns of the selected investments, indices or investment classes and various assumptions of past and future events.

All projections provided are estimates and are in US dollar terms, unless otherwise specified, and are based on data as of the dates indicated. Given the complex risk-reward trade-offs involved, one should always rely on judgment in addition to any analysis in setting strategic allocations to any or all of the asset classes specified. All information shown is based on both quantitative and qualitative analysis developed by Meketa. The asset class and strategy assumptions contained herein are primarily passive – they do not consider the impact of active management, though a specific

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The return characteristics and behavior of asset classes are represented by broad-based indices that have been selected because they are well known and are easily recognizable by investors. The AAT does not favor certain asset classes. The AAT is intended to illustrate the possible trade-offs between portfolios composed of various assets. The behavior modeled for an asset class may differ from an actual portfolio. For example, investments made for a portfolio may differ significantly in terms of security holdings, industry weightings, and asset allocation, from those of the asset class. Further, other asset classes not considered may have characteristics similar or superior to those being analyzed by the AAT.

No investment process is risk free and there is no guarantee of profitability; investors may lose some or all of their investments. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification does not guarantee a profit or protect against loss. Asset classes vary significantly in projected returns and volatility.

Our models and assumptions utilize data from various vendors, including MSCI, S&P, Russell, FTSE, NCREIF, Bloomberg, Oxford Economics, FRED, etc. No model or assumptions are sponsored, endorsed, or promoted by any vendor, and vendors bear no liability.

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March 28, 2024

TO: Trustees – Board of Investments

FROM: Vache Mahseredjian, CFA, CAIA, FRM, ASA ^{VM} Chad Timko, CFA, CAIA ^{CT}
Principal Investment Officer Senior Investment Officer

Krista Powell ^{KP} Quoc Nguyen, CFA ^{QN}
Investment Officer Investment Officer

Jason Choi, CFA ^{JC} Josiah Bezet ^{JB}
Senior Investment Analyst Senior Investment Analyst

FOR: April 10, 2024 Board of Investments Meeting

SUBJECT: **Risk Reduction and Mitigation Functional Category Investment Guidelines Review**

RECOMMENDATION

Reaffirm the Risk Reduction and Mitigation functional category investment guidelines, as outlined in the attached presentation.

BACKGROUND

Asset category structure reviews are generally approved by the Board on a biennial basis. In addition to identifying key investment themes and upcoming initiatives, each structure review contains investment guidelines that set forth Board-approved benchmarks, subcategory asset allocation ranges, geographic market allocation ranges, and any pertinent program parameters. The Board last approved the Risk Reduction and Mitigation structure review and investment guidelines in September of 2023. The next structure review is planned for September of 2025 or after the Board approves the 2024 Strategic Asset Allocation, to the extent changes need to be proposed to account for any new strategic asset allocation targets.

SUMMARY

In November of 2023, the Board approved a delegated authority framework that granted the Chief Investment Officer authority to approve investments that comply with the investment guidelines set forth in each asset category's structure review. This change prompted a review of existing investment guidelines by functional asset category. Upon review, staff is not proposing any changes to the guidelines for investment grade bonds, long-term government bonds, or hedge funds that the Board approved in September of 2023 as part of the structure review. However, the format of these respective asset

Trustees – Board of Investments

March 28, 2024

Page 2 of 2

category guidelines (included in **Attachment 1**) has been updated to align with the format of other recent Board-approved asset category guidelines.

Attachments 2 and 3 are investment guideline concurrence memorandums from both Meketa Investment Group, the Board's general consultant, and Albourne Group, the Board's hedge funds consultant.

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

VM:CT:cl



Attachment 1

Risk Reduction and Mitigation Investment Guidelines Review

Board of Investments Meeting
April 10, 2024

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¹ Subject to Board of Investments approval.

Risk Reduction & Mitigation – Portfolio Structure Timeline



Risk Reduction & Mitigation functional category at LACERA

2020 Mid-Cycle and Biennial Structure Reviews

- First consolidated structure review combining Cash, Investment Grade Bonds, and Hedge Funds in Risk Reduction and Mitigation category
- Review COVID impact to portfolio
- Review and refine cash, investment grade bonds, and hedge funds programs

2021 Amended Biennial Structure Review

- Terminated Investment Grade Bonds Core Plus mandates
- Launched a manager search for Long-Term U.S. Treasury Bonds to implement the new 5% allocation from the SAA
- Increased the Hedge Funds target allocation for the emerging manager program to 15% of the portfolio

Today

Risk Reduction and Mitigation Investment Guidelines Review

- Review investment guidelines

Delegated Authority Approved

- Delegated authority framework approved by BOI in November

Future Structure Review

- Planned in 2025; or sooner if needs surface



2021 Strategic Asset Allocation

- Decreased Risk Reduction & Mitigation from 24% to 19% allocation of total Fund
- Decreased Investment Grade Bonds allocation from 19% to 7% of total Fund
- Initiated Long-Term U.S. Treasury Bonds allocation to 5% of total Fund
- Increased Hedge Funds allocation to 6% of total Fund

2023 Biennial Structure Review

- Affirmed existing roles, objectives, and guidelines of Risk Reduction & Mitigation asset sub-categories
- Clarified definitions for the Hedge Funds emerging manager program
- Adopted proposed guidelines for Investment Grade Bonds and Long-Term U.S. Treasury Bonds

Upcoming

2024 Strategic Asset Allocation

- Completion expected in Q2 2024

← Ongoing implementation of initiatives consistent with the strategic asset allocation, strategic initiatives and structure reviews →

Delegated Authority Framework



1. Investment Policy Statement

- BOI approves IPS, including investment beliefs
- IPS defines the framework by which the BOI manages the assets of LACERA

2. Strategic Asset Allocation

- BOI approves SAA every three to five years or as needed
- Includes investment allocations and benchmark targets with defined asset categories

3. Asset Class Structure Reviews

- BOI approves investment guidelines for each functional asset category every two years or as needed
- Includes investment allocations, benchmark targets and investment guidelines for each asset category



4. Staff-Led Sourcing and Due Diligence

- Staff conducts due diligence and analysis on manager selection, rebalancing and terminations consistent with Board-approved Structure Review guidelines
- External consultants conduct independent due diligence

5. Internal Committee Approval and Consultant Concurrence

- Internal committee processes must adhere to well-defined and documented governance procedures
- Affirmative approval of internal committee is required for manager selection and termination of existing managers
- Concurrence from external consultant must be obtained for manager selection and termination

6. CIO Approval

- CIO may only approve investment-related actions that comply with the policies, SAA and guidelines approved by BOI
- Prior internal committee approval is required before CIO can approve new investments and terminations

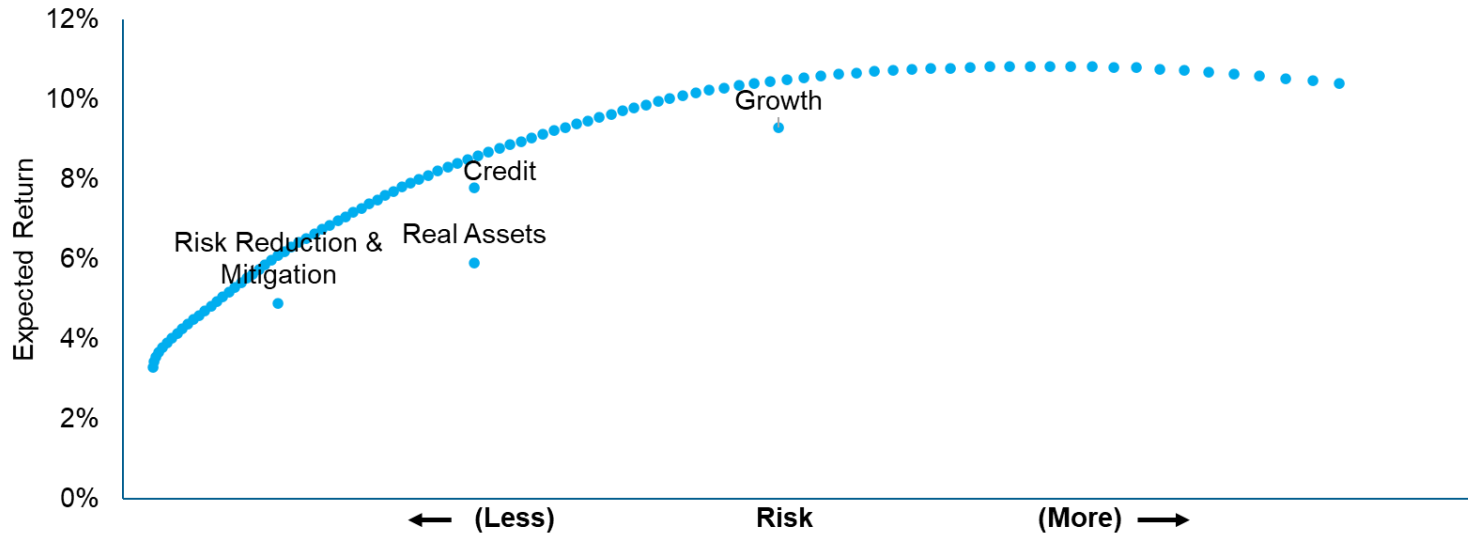
7. Continuous Board Oversight and Monitoring

- CIO-authorized investments promptly reported to BOI
- CIO-sourced investment opportunities require BOI review and approval
- Quarterly compliance monitor with delegation reports to BOI
- Quarterly and annual performance reporting and manager scorecards
- BOI oversight of programmatic topics such as fee reporting & T.I.D.E. updates
- Annual CIO performance review

Risk Reduction & Mitigation – Portfolio Role



Risk Reduction & Mitigation



- Source of liquidity
- Capital preservation
- Moderate income and total return
- Low correlation to growth risks

Cash

- Primary source of total Fund liquidity
- Capital preservation
- Cash and cash equivalent exposures

Investment Grade Bonds

- Secondary source of total Fund liquidity
- Capital preservation
- Moderate duration interest rate risk exposure

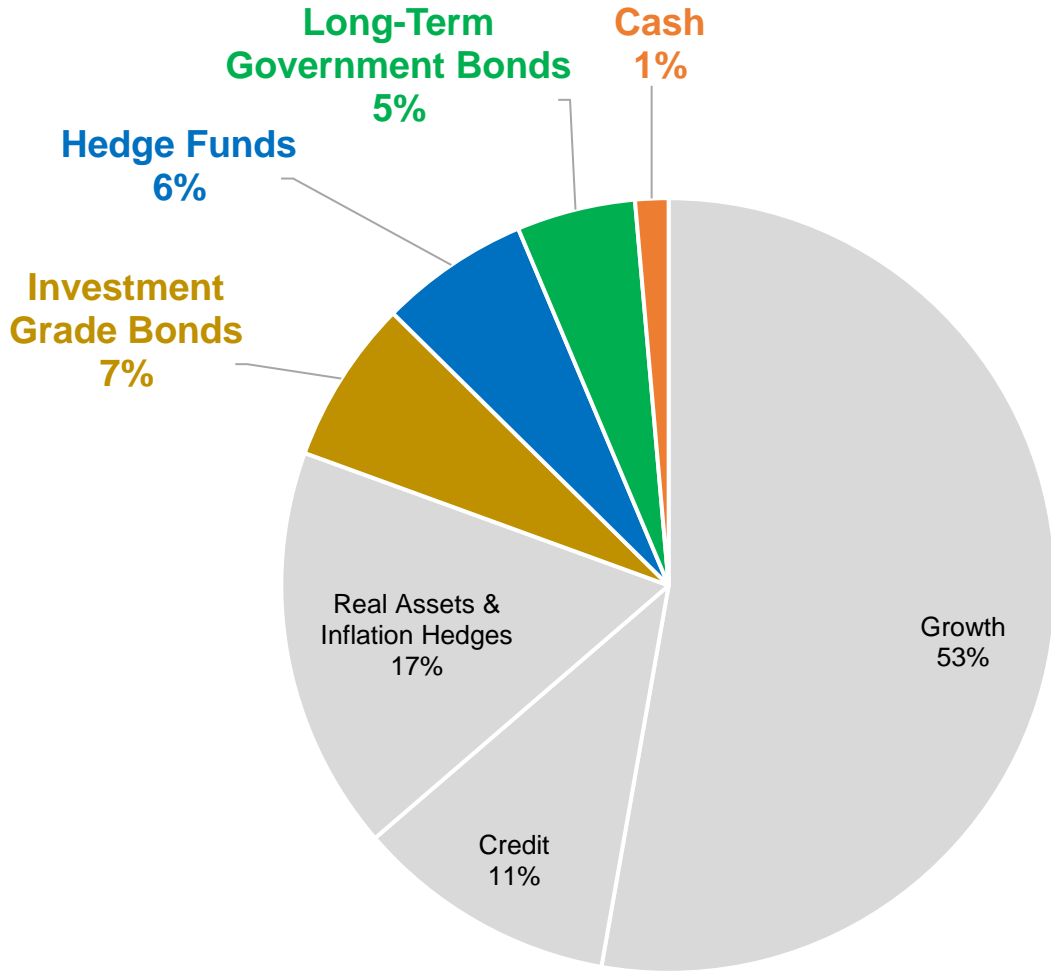
Long-Term Government Bonds

- Source of liquidity for the total Fund
- Negative historic correlation to growth assets
- Long duration interest rate risk exposure

Hedge Funds

- Reduce total Fund risk
- Enhance total Fund diversification
- Downside protection
- Low sensitivity to major markets

Risk Reduction & Mitigation – Portfolio Composition



Note: Weights based on Policy Targets.

Asset Class	Allocation	Policy Target	Over/Under	Target Range +/-	Target Range %	Benchmark
Risk Reduction & Mitigation	18.7%	19.0%	-0.3%	+/-6%	13-25%	Custom Blend
Investment Grade Bonds	6.9%	7.0%	-0.1%	+/-6%	1-13%	BBg U.S. Aggregate TR Index
Hedge Funds	6.3%	6.0%	+0.3%	+2%/-4%	2-8%	FTSE 3-Month U.S. Treasury Bill Index + 250 bps (1-Month lagged)
Long-Term Government Bonds	4.1%	5.0%	-0.9%	+/-5%	0-10%	BBg U.S. Long Treasury Bond Index
Cash	1.4%	1.0%	+0.4%	+2%/-1%	0-3%	FTSE 3-Month U.S. Treasury Bill Index

Note: Allocation weights are as of December 31, 2023.



Appendix: Complete Investment Guidelines¹

¹ Subject to Board of Investments approval.

Risk Reduction and Mitigation – Inv. Grade Bonds, Long-term Gov. Bonds Investment Guidelines



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

Functional Asset Class: Risk Reduction and Mitigation (Target Allocation 19% +/- 6% of Total Fund); Asset Class: Investment Grade Bonds (Target Allocation 7% +/- 6% of Total Fund), Long-term Government Bonds (Target Allocation 5% +/- 5% of Total Fund)		
Asset Category	Investment Grade Bonds	Long-term Government Bond
Benchmark	Bloomberg U.S. Aggregate Bond Index	Bloomberg Long U.S. Treasury Bond Index
Investment Objective	Closely achieve the total return and risk exposures of the investment grade bond market and benchmark	Closely achieve the total return and risk exposures of the long duration treasury market and benchmark
Sub-Asset Class (Allocation)	Investment Grade Bonds (7% Target +/- 6%)	Long-term Government Bonds (5% Target +/- 5%)
Passive Strategies ¹	70% Target (Allocation range 50% - 100%)	100% Target
Active Strategies ¹	30% Target (Allocation range 0% - 50%)	N/A
Prohibited Investments	Bonds from sectors not included in the index and purchasing securities on margin	Purchasing securities on margin and uncovered short sales
Eligible Investments	Investments consistent with the benchmark, which contains investment grade, U.S. dollar denominated, fixed rate taxable bonds. Index Sectors include U.S. Treasuries, government-related and corporate securities, agency Mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. Also eligible are exchange-traded funds benchmarked to the index, U.S. Treasury bond futures, and money market instruments	Investments consistent with the benchmark such as: U.S. Treasury securities, U.S. Treasury futures, U.S. Treasury bond exchange traded funds, money market securities and instruments, cash, and cash equivalents
Leverage	Not permitted	
Aggregate Duration	Benchmark duration +/- 0.3 years	

¹Passive and active strategy frameworks were approved by the Board of Investments in the 2023 Risk Reduction and Mitigation Structure Review and are being included here in the guidelines for clarification and affirmation

Risk Reduction and Mitigation – Hedge Funds



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

Functional Asset Class: Risk Reduction and Mitigation (Target Allocation 19% +/- 6% of Total Fund); Asset Class: Hedge Funds (Target Allocation 6% +2%/-4% of Total Fund)	
Benchmark	FTSE 3-Month US Treasury Bill + 250 bps (1-Month lagged)
Performance Objective/Target Return	Cash + 2.5%; with risk mitigation objectives as guided by the IPS and structure review
Sub-Asset Class (Allocation)	Hedge Funds (6% Target +2%/-4%)
Geographic Exposure	Maximum of 30% invested in non-developed markets
Manager Count	Approximately 10 each for the direct portfolio and the emerging manager portfolio
Partnership Size Limits	Less than 35% of a commingled fund structure; does not apply to managers defined as emerging
Leverage	10x when aggregating individual funds
Risk Target	2-7% standard deviation of program monthly returns on a 3-year trailing basis
Market Sensitivity	MSCI ACWI equity beta less than 0.2 for monthly returns on a 3-year trailing basis
Transparency	Position-level or risk-exposure data is required from managers
Liquidity	100% of capital within 5 years; at least 50% within 3 years
Side Pockets	Allowed with the reasonable expectation that no side pocket would last beyond 5 years
Emerging Manager Program	See following slide for emerging manager program details



Emerging Manager Program

Risk Reduction and Mitigation – Hedge Funds Emerging Manager Program (EMP)



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

Functional Asset Class: Risk Reduction and Mitigation (Target Allocation 19% +/- 6% of Total Fund); Asset Class: Hedge Funds (Target Allocation 6% +2%/-4% of Total Fund)

Benchmark	Hedge Funds: FTSE 3-Month US Treasury Bill + 250 bps (1-Month lagged)
Performance Objective/Target Return	Cash + 2.5%; with risk mitigation objectives as guided by the IPS and structure review
Program Framework	Evergreen separate account emerging manager program
Allocation Target and Range	15% target with a 10-20% range (of the Hedge Funds portfolio)
Emerging Manager Definition	<p>An emerging hedge funds manager meets the three following criteria at initial investment:</p> <ul style="list-style-type: none"> • Organization/team has less than \$500 million of assets under management; • Organization/team has managed external capital in an institutional vehicle for less than 3 years; and • Organization/team is at least 66% owned by managing principals and employees
Graduation Description	Graduation entails re-categorizing an investment from LACERA's emerging manager program to LACERA's primary portfolio that may adjust the size of the investment
Graduation Target Timeframe	3 – 7 years after an initial investment noting that this guideline is a target and a goal
Graduation Authority	Graduation would require approval like any new non-EMP investment as articulated in the IPS
Redemption Description	Redemption entails redeeming from an investment in lieu of holding it or a graduation event
Redemption Guideline	Absent graduation intentions for a particular investment, a redemption event should commence no later than 7 years after an initial investment noting that nuanced circumstances may delay the redemption

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



Recommendation

Reaffirm Risk Reduction and Mitigation asset category guidelines

Context (If Approved)

No changes are proposed to the Risk Reduction and Mitigation asset category guidelines that were approved by the Board of Investments in September 2023 as part of the biennial structure review process. The format of these guidelines have been updated to align with the format of other asset category guidelines approved by the Board in recent months to improve consistency and clarity of delegated authority framework approved by the Board in November 2023.

Glossary of Terms



Term	Definition
Asset Backed Securities (ABS)	Financial instruments that derive their value from an underlying pool of assets. These assets typically generate cash flow from debt, such as loans, leases, credit card balances, or receivables.
BBg U.S. Aggregate TR	Bloomberg U.S. Aggregate Bond Total Return Index, an index that constitutes broad market exposure to US investment grade bonds
BBg U.S. Long Treasury Bond	Bloomberg Long U.S. Treasury Bond Index, an index consisting of U.S. Treasury bonds with maturities greater than 10 years
Beta	A measure of the sensitivity of an asset to movements in the market or other benchmark; thus, a measure of its non-diversifiable or systematic risk. A beta of one 1.0 indicates that, on average, the asset is expected to move in tandem with the market or benchmark.
Commercial Mortgage Backed Securities (CMBS)	Investment products, similar to bonds, backed by mortgages on commercial properties, such as office buildings, hotels, malls, and apartment complexes
Correlation	A statistical measure of how closely related two variables are
Emerging Manager Program (“EMP”)	Seeks to identify and invest in independent firms that have less substantial assets under management or may lack a long-term investment performance record
FTSE 3-Month U.S. Treasury Bill	Financial Times Stock Exchange 3-month U.S. Treasury Bill Index, an index that tracks the daily performance of 3-month US Treasury bills
Mortgage Backed Securities (MBS)	Investment product, similar to bonds, backed by a bundle of home loans and other real estate debt
Net Asset Value (“NAV”)	The value of an asset minus any expenses and liabilities
Side Pocket	Type of account used in hedge funds used to hold typically less liquid assets. Side pocket holdings will benefit or affect current fund participants, and new entrants will not receive any benefits, nor losses, from those holdings

MEMORANDUM

TO: Each Member, Credit and Risk Mitigation Committee
FROM: Tim Filla, Aysun Kilic, and Imran Zahid
CC: Jon Grabel, CIO - LACERA
DATE: March 22, 2024
RE: Risk Reduction and Mitigation Category Investment Guidelines

The purpose of this memo is for Meketa Investment Group to reaffirm the investment guidelines for the Risk Reduction and Mitigation functional category specifically related to investment grade bonds and long-term government bonds.

Evaluation of Recommendation

In November 2023, LACERA's Board of Investments approved a revised Investment Policy Statement which formalized delegation of authority to the Chief Investment Officer and elevated structure reviews as a key component of Board of Investments oversight and direction setting. A critical aspect of the structure review process is reviewing and setting the guidelines which both inform and regulate the investment activity managed by LACERA's Chief Investment Officer and staff.

Staff recommendations include no proposed changes to the guidelines for investment grade bonds, and long-term government bonds as part of the Risk Reduction and Mitigation functional asset categories. Related to format, Staff has updated the guidelines document to align more closely with the updated version for the other functional categories that have been reviewed by the Board.

Reaffirming the proposed guidelines will create a bridge that is consistent with delegation of authority between the prior biennial structure review and a future structure review.

If you have any questions, please feel free to reach us at 760-795-3450. We look forward to speaking with you soon.

TF/AK/IZ/sf

LACERA Hedge Fund Investment Guidelines Concurrence Memo

March 22, 2024

To: Each Member
Board of Investments

From: James Walsh, G. Stephen Kennedy
Albourne America LLC

For: April 10, 2024 Board of Investments Meeting

Recommendation: Albourne America LLC (“Albourne”) recommends that the Board of Investments approve the 2024 guidelines of LACERA’s Hedge Fund Portfolio.

Background: Staff is presenting the 2024 Hedge Fund guidelines to the Board of Investments for its consideration and ultimately its approval. Albourne has reviewed the guidelines and agrees with reaffirmation and approval. The guidelines re-assert the Investment Role and Objectives as presented to the Credit and Risk Mitigation Committee in August 2023 and approved by the Board of Investments in September 2023, which emphasize diversification to overall plan, provide downside protection and to provide non-directional market risk exposures. The guidelines note that, with the approval the portfolio will continue to target a 6% Strategic Target Allocation. The current phase of portfolio is to continue adding bench Managers for potential inclusion.

Conclusion: LACERA’s Hedge Fund Portfolio guidelines outline the focus on risk mitigation and diversification within the current Strategic Asset Allocation.

Sincerely,



James Walsh
Head of Portfolio Group



G. Stephen Kennedy
Senior Analyst



LACERA Hedge Fund Investment Guidelines Concurrence Memo

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LACERA Hedge Fund Investment Guidelines Concurrence Memo

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FOR INFORMATION ONLY

March 15, 2024

TO: Trustees – Board of Investments

FROM: Scott Zdrazil 
Principal Investment Officer

FOR: April 10, 2024 Board of Investments Meeting

SUBJECT: **Council of Institutional Investors Member Ballot**

Please find attached confirmation that LACERA voted its ballot for the Council of Institutional Investors' (CII) members' business meeting that took place on March 4, 2024.

LACERA is a member of CII. CII's business meeting included voting items to elect public fund representatives to CII's board of directors and one proposed revision to CII's policy of good governance standards for public companies and at standard setting agencies.

The proposed policy revision asked CII members to approve policy guidance that encourages stock index providers to provide more advanced notice and greater transparency when they assess the corporate governance standards by which a publicly-listed company may be eligible for incorporation into the stock index. Staff votes business meeting items in adherence to LACERA's *Corporate Governance and Stewardship Principles* (Principles). LACERA supported the proposed policy modification for enhanced transparency so that investors have opportunities for comment into the structure of indexes that are commonly used for portfolio construction and benchmarking.

Per policy, LACERA votes for director nominees consistent with LACERA's Principles, taking into consideration a mix of professional backgrounds, skills, and attributes, as well as geographic and other dimensions of diversity. LACERA supported a slate consisting of three trustees along with investment, governance, and executive professionals with backgrounds relevant to serve as directors. Attached is LACERA's ballot, submitted in advance of the voting deadline.

Attachment

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

AssociationVoting online voting made simple **Voting Confirmation Receipt**

Hello Los Angeles County Employees Retirement Association,

You cast the following March 1, 2024 6:07 pm EST:

Ballot Item 1 - Approve proposed Statement on Index Provider Consultation Processes

For

Public Pension Fund Constituency Directors

Below are the 14 candidates running for the 9 seats designated for Public Pension Fund Member Representatives on CII's Board of Directors.

Drew Hambly
Tracy Harris
Aeisha Mastagni
Katy Hoffman
Michael McCauley
Yumi Narita
Michael Howard
Mitchell Vogel
Kyle Seeley

Thank you,

AssociationVoting.com
On behalf of Council of Institutional Investors

This message was sent from an automatic sender on the Council of Institutional Investors voting site. If you have questions or comments about this email, please contact AssociationVoting.com at support@associationvoting.com. Please include this message in all correspondence.

FOR INFORMATION ONLY

March 22, 2024

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: April 3, 2024 Board of Retirement Meeting
April 10, 2024 Board of Investments Meeting

SUBJECT: Succession Process Following the Retirement of BOR/BOI Trustee Knox
and BOI Trustee Santos

At the end of March 2024, both Trustee Keith Knox and Trustee Herman Santos retired after many years of public service on both Boards. Trustee Knox served as the ex officio member of the Board of Retirement (BOR) and Board of Investments (BOI) based on his position as the Los Angeles County Treasurer and Tax Collector (TTC). Trustee Santos, at the time of his retirement, served as the Third Member of the Board of Investments elected by general members. Both Trustee Knox and Trustee Santos also served on various board and joint board Committees.

This memo will summarize the process for filling their positions.

I. Ex Officio Member of Both Boards

A. Board Membership

Under the County Employees Retirement Law of 1937 (CERL), the sitting Los Angeles County Treasurer and Tax Collector is an ex officio member of both LACERA Boards. See Cal. Gov't Code §§ 31520.1, 31520.2. Membership on LACERA's Boards is automatically a part of the duties of the TTC position, and no action is required by LACERA. The Deputy TTC serves as the TTC's alternate.

Therefore, when Trustee Knox's successor is appointed by the Board of Supervisors, that person will become the ex officio member of both Boards. If there is an interim appointment pending selection of a permanent successor, the interim TTC will serve on the Boards. If there is any delay by the County in making interim or permanent appointments or in any other absence by the TTC, the Deputy TTC may serve on the LACERA Boards.

Trustee Knox was Vice Chair of the BOI at the time of his retirement. A new Vice Chair will be ratified by the BOI at its April 10, 2024 meeting in accordance with the BOI Board Officer Rotation Policy.

B. BOR and BOI Committee Membership

Trustee Knox was a member of the BOR's Operations Oversight Committee, Vice Chair of the BOI's Corporate Governance Committee, and alternate member of the BOI Real Assets Committee. These committee appointments were personal to Trustee Knox individually and are not filled by the Deputy TTC in his absence.

Under each Boards' Regulations or Bylaws, Charters, and the BOR's Standing Committee Charter, the Chairs of the Boards make appointments to the separate committees of their Board, including officer and alternate positions. Therefore, BOR Chair Kehoe will appoint a replacement for the Operations Oversight Committee, and BOI Chair Jones will appoint replacements for the Vice Chair of the Corporate Governance Committee and the alternate member of the Real Assets Committee.

C. Joint Committee Membership

Trustee Knox was also a member of two joint board committees – the Audit Committee and the Joint Organizational Governance Committee. Under the Audit Committee Charter, the TTC's membership on the Audit Committee is ex officio; therefore, the new interim and/or permanent TTC will fill Trustee Knox's position, and the Deputy TTC may sit in their absence. Under the JOGC Charter, Trustee Knox served on the JOGC because of his position as BOI Vice Chair; the TTC is not an ex officio member of that committee. The newly elected BOI Vice Chair will automatically serve on the JOGC in place of Trustee Knox.

II. Third Member of the Board of Investments

A. Board Membership, and General Member Elections

Under CERL, when there is a vacancy in an elected seat on the Board of Investments, an election to select a replacement shall be had at the earliest possible date. See Cal. Gov't Code § 31523.1. Under CERL, the County runs LACERA trustee elections. See Cal. Gov't Code §§ 31520.1, 31523.1. Assistant Executive Officer JJ Popowich contacted the County regarding the timing of an election. The County advised that, given the amount of time it takes to organize and conduct a general member election, the election to replace Trustee Santos will be folded into the already scheduled election in the summer of 2024, for seats that expire at the end of this year for both the BOR and BOI, which includes the Third Member seat vacated by Trustee Santos.

Trustee Santos's term of office was scheduled to end on December 31, 2024, which is less than six months from the expected date the replacement election will be held. Therefore, under Section 31523.1, the person who is elected for the Third Member seat may take office immediately upon certification of the election results and will serve the rest of Trustee Santos's term as well as the following three-year term. (Alternatively, if

the election is held more than six months before Trustee Santos's term is to end, then the newly elected trustee would only serve until December 31, 2024, and there be a separate Third Member election this year for the term beginning January 1, 2025. As noted above, we do not believe this alternate rule will apply given the County's expected timing for the election.)

Staff will update the Trustees on the election schedule and mechanics once the County has finalized its 2025 election plan. .

B. BOI Committee Membership

Trustee Santos was Chair of the BOI's Equity: Public/Private and a member of the Corporate Governance, Credit and Risk Mitigation, and Real Assets Committee. As stated above, each Board's Chair has the authority to make appointments to their Board's committees and committee officer and alternate positions. BOI Chair Jones will make an appointment to fill each of the BOI committee positions held by Trustee Santos.

C. Joint Committee Membership

Trustee Santos was elected by the BOI to the Audit Committee and the JOGC. The BOI will hold an election at its April 10, 2024 meeting to make new selections for the vacancies on those committees caused by Trustee Santos's retirement.

c: Santos H. Kreimann
Jonathan Gabel
Luis A. Lugo
JJ Popowich
Laura Guglielmo
Barry Lew

FOR INFORMATION ONLY

April 2, 2024

TO: Trustees,
Board of Investments

FROM: Christine Roseland *CR*
Senior Staff Counsel

FOR: April 10, 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 April 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
Michael Brogan
Lisa Garcia



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




	Project/ Investment	Description	Amount	Board Approval Or Report Out Date	Completion Status	% Complete	Notes
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.

*= This list does not include Real Estate separate account transactions, co-investments, consents and amendments and other investment related legal work that arise during the life of an investment unless it is a BOI approved item or is otherwise reported out.

FOR INFORMATION ONLY

March 25, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: April 3, 2024 Board of Retirement Meeting
April 10, 2024 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring. Bills on which LACERA has adopted a position are highlighted in yellow.

Reviewed and Approved:



Luis Lugo, Deputy Chief Executive Officer

Attachments

LACERA Legislative Report Index
LACERA Legislative Report

cc: Santos H. Kreimann
Luis Lugo
JJ Popowich
Laura Guglielmo
Steven P. Rice
Jon Gabel
Scott Zdrzil
Tony Roda, Williams & Jensen
Naomi Padron, MKP Government Relations

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1.

California Assembly Bill 148 (2023-2024)

CAA 148 | Budget | Pending | Fiscal Committee (Yes) | Urgency Clause (No) |
Senate Budget & Fiscal Review Committee

State Employment: State Bargaining Units: Agreements

Provides that existing law provides that a provision of a memorandum of understanding reached between the State employer and a recognized employee organization representing State civil service employees that requires the expenditure of funds does not become effective unless approved by the Legislature in the annual Budget Act.

Approves provisions of agreements entered into by the State employer and State Bargaining Units 1, 3, 4, 5, 11, 12, 13, 14, 15, 17, 19, 20, and 21. Appropriates funds.

Code:

An act ~~relating to the Budget Act of 2023.~~ to amend Sections 7522.34, 19829.9851, 19829.9852, 19829.9853, 19878.5, and 22944.5 of, and to add Sections 19829.9854, 20677.61, 20677.92, 20677.93, 20677.94, and 22871.10 to, the Government Code, relating to public employment, and making an appropriation therefor, to take effect immediately, bill related to the budget.

Status:

Sep 13, 2023: Re-referred to SENATE Committee on BUDGET AND FISCAL REVIEW.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

2.

California Assembly Bill 597 (2023-2024)

CAA 597 | [Freddie Rodriguez \(D-053\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | ASSEMBLY

Workers' Compensation: First Responders: Stress

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

Code:

An act to amend Section 3212.15 of the Labor Code, relating to workers' compensation.

Status:

Feb 1, 2024: From Committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

Feb 1, 2024: In ASSEMBLY. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

[+ Show full status history](#)



WORKERS_COMPENSATION

| No tags, commentary, or attachment applied

3.

California Assembly Bill 738 (2023-2024)

CAA 738 | [Tom Lackey \(R-034\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | ASSEMBLY

State Actuarial Advisory Panel: Reports

Relates to existing law under which the State Actuarial Advisory Panel is required to report to the Legislature on or before February 1 of each year. Changes the deadline for that report to January 31 of each year.

Code:

An act to amend Section 7507.2 of the Government Code, relating to retirement.

Status:

Feb 1, 2024: From Committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

Feb 1, 2024: In ASSEMBLY. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

4.

California Assembly Bill 739 (2023-2024)

CAA 739 | [Tom Lackey \(R-034\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | ASSEMBLY

Public Retirement Systems: Defined Benefit Plans

Revises the conditions for suspending contributions to a public retirement system defined benefit plan to increase the threshold percentage amount of plan funding to more than 130%.

Code:

An act to amend Section 7522.52 of the Government Code, relating to public employees' retirement.

Status:

Feb 1, 2024: From Committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

Feb 1, 2024: In ASSEMBLY. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

5.

California Assembly Bill 817 (2023-2024)

CAA 817 | [Blanca Pacheco \(D-064\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | SENATE

Open Meetings: Teleconferencing: Subsidiary Body

Provides that the Ralph M. Brown Act requires, with specified exceptions, each legislative body of a local agency to provide notice of the time and place for its regular meetings. Provides that existing law authorizes the legislative body of a local agency to use alternate teleconferencing provisions during a proclaimed state of emergency. Authorizes, until specified date, a subsidiary body to use alternative teleconferencing provisions and imposes requirements for notice, agenda, and public participation.

Code:

An act to add and repeal Section 54953.05 ~~to~~ of the Government Code, relating to local government.

Status:

Jan 25, 2024: In ASSEMBLY. Read third time. Passed ASSEMBLY. *****To SENATE.

[+ Show full status history](#)

 BROWN_ACT

| No tags, commentary, or attachment applied

6.

California Assembly Bill 1020 (2023-2024)

CA A 1020 | [Timothy S. Grayson \(D-015\)](#) | Enacted | Fiscal Committee (No) | Urgency Clause (No) | Chaptered | Effective Dates: 01/01/2024

County Employees Retirement Law 1937: Disability

Requires the presumption that the member's heart trouble arose out of and in the course of employment to be extended following termination of service for a prescribed length of time not to exceed specified number of months.

Code:

An act to amend Section 31720.5 of, to add Sections 31720.92, 31720.93, 31720.94, 31720.95, 31720.96, and 31720.97 to, and to add and repeal Section 31720.91 of, the Government Code, relating to county employees' retirement.

[Approved by Governor October 08, 2023. Filed with Secretary of State October 08, 2023.]

Status:

Oct 8, 2023: Chaptered by Secretary of State. Chapter No. 2023-554

Oct 8, 2023: Signed by GOVERNOR.

[+ Show full status history](#)

 **DISABILITY_RET**

Tags:

Staff_Recommendation: Neutral

IBLC_Recommendation: Neutral

BOR_Position: Neutral

7.

California Assembly Bill 1107 (2023-2024)

CAA 1107 | [Devon J. Mathis \(R-033\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | ASSEMBLY

Workers' Compensation: Presumptive Injuries

Makes a workers' compensation system provision applicable to additional members and employees of the Department of Corrections and Rehabilitation, including members of the Office of Correctional Safety or the Office of Internal Affairs.

Code:

An act to amend Section 3212.15 of the Labor Code, relating to workers' compensation.

Status:

Feb 1, 2024: From Committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

Feb 1, 2024: In ASSEMBLY. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

[+ Show full status history](#)



WORKERS_COMPENSATION

| No tags, commentary, or attachment applied

8.

California Assembly Bill 1156 (2023-2024)

CAA 1156 | [Mia Bonta \(D-018\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | ASSEMBLY

Workers' Compensation: Hospital Employees

Defines injury, for a hospital employee who provides direct patient care in an acute care hospital, to include infectious diseases, cancer, musculoskeletal injuries, post-traumatic stress disorder, and respiratory diseases. Includes the 2019 novel coronavirus disease (COVID-19) from SARS-CoV-2 and its variants, among other conditions, in the definitions of infectious and respiratory diseases.

Code:

An act to add Sections 3212.21, 3212.22, 3212.24, 3212.26, and 3212.28 to the Labor Code, relating to workers' compensation.

Status:

Feb 1, 2024: From Committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

Feb 1, 2024: In ASSEMBLY. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

[+ Show full status history](#)



WORKERS_COMPENSATION

| No tags, commentary, or attachment applied

9.

California Assembly Bill 1246 (2023-2024)

CA A 1246 | [Stephanie Nguyen \(D-010\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Senate Inactive File

Public Employees' Retirement System Optional Settlement

Provides that existing law permits a member of the Public Employees' Retirement System to elect from among several other optional settlements for the purpose of structuring their retirement allowance. Permits a member who elected to receive a specified optional settlement at retirement, if the member's former spouse was named as beneficiary and a legal judgment awards only a portion of the interest in the retirement system to the member, to elect to add their new spouse as the beneficiary.

Code:

An act to amend Sections ~~21462 and 21481~~ 21462, 21481, and 75523 of the Government Code, relating to retirement.

Status:

Sep 11, 2023: In SENATE. From Special Consent Calendar. To Inactive File.

[+ Show full status history](#)

Hearing Dates:

04/01/2024 Senate Inactive File



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

10.

California Assembly Bill 1379 (2023-2024)

CAA 1379 | [Diane Papan \(D-021\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | ASSEMBLY

Open Meetings: Local Agencies: Teleconferences

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

Code:

An act to amend ~~Section 53908 of~~ and repeal Section 54953 of the Government Code, relating to local government.

Status:

Feb 1, 2024: From Committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

Feb 1, 2024: In ASSEMBLY. Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

[+ Show full status history](#)

 BROWN_ACT

| No tags, commentary, or attachment applied

11.

California Assembly Bill 1997 (2023-2024)

CAA 1997 | [Tina McKinnor \(D-061\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Public Employment and Retirement...

Teachers Retirement Law

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

Redefines annualized pay rate to mean the salary a person could earn during a school term in a position subject to membership if creditable service were performed for that position on a full-time basis, to be determined pursuant to a publicly available pay schedule.

Code:

An act to amend and repeal Section 22119.2 of, to amend, repeal, and add Sections 22104.8, 22115, 22119.3, 22119.5, 22121, 22170, 22317.5, 22701, and 22905 of, and to add Sections 22156.07, 22156.08, and 22324.5 to, the Education Code, relating to retirement, and making an appropriation therefor.

Status:

Mar 11, 2024: In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Mar 11, 2024: From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

[+ Show full status history](#)

Hearing Dates:

04/03/2024 Public Employment and Retirement



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

12.

California Assembly Bill 2153 (2023-2024)

CAA 2153 | [Josh Lowenthal \(D-069\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Judiciary Committee

California Public Records Act: Public Agency Employees

Requires each agency, upon receipt of a request for a copy of, or the inspection of, any personnel, medical, or similar records of a public agency employee or any record that would disclose a public agency employee's personal identity in connection with the performance of that employee's work duties, to promptly and prior to the release of the records, provide written notice of the request to that public agency employee.

Code:

An act to amend Section 7922.535 of the Government Code, relating to public records.

Status:

Feb 20, 2024: To ASSEMBLY Committee on JUDICIARY.

[+ Show full status history](#)



PUBLIC_RECORDS_ACT

| No tags, commentary, or attachment applied

13.

California Assembly Bill 2183 (2023-2024)

CA A 2183 | [Reginald B. Jones-Sawyer \(D-057\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | ASSEMBLY

Public Employees' Retirement Benefits: Compensation

Makes a nonsubstantive change to a provision of the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Code:

An act to amend Section 7522.32 of the Government Code, relating to public employees' retirement.

Status:

Feb 7, 2024: INTRODUCED.



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

14.

California Assembly Bill 2283 (2023-2024)

CA A 2283 | [Blanca Pacheco \(D-064\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) |
Assembly Judiciary Committee

Public Records: Employee Personnel Records: Notice

Requires a public agency that receives a request for the personnel records of one of the public agency's employees to provide written notice, as prescribed, to the employee within 48 hours of receipt of the request if specified conditions are met.

Code:

An act to add Section 7922.550 to the Government Code, relating to public records.

Status:

Feb 26, 2024: To ASSEMBLY Committee on JUDICIARY.

[+ Show full status history](#)



PUBLIC_EMPLOYMENT

| No tags, commentary, or attachment applied

15.

California Assembly Bill 2284 (2023-2024)

CA A 2284 | [Timothy S. Grayson \(D-015\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | Assembly Public Employment and Retirement...

County Employees' Retirement: Compensation

Authorizes a retirement system, to the extent it has not defined grade under specified circumstances, to define grade to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit, or other logical work-related grouping.

Code:

An act to amend Section 31461 of the Government Code, relating to retirement.

Status:

Feb 26, 2024: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)

 PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

16.

California Assembly Bill 2301 (2023-2024)

CA A 2301 | [Stephanie Nguyen \(D-010\)](#) and 4 Co-sponsors | Pending | Fiscal Committee (No) | Urgency Clause (Yes) | Assembly Public Employment and Retirement...

Sacramento Area Sewer District Pension Protection Act

Enacts the Sacramento Area Sewer District Pension Protection Act of 2024. Provides that the sewer district would assume the rights, obligations, and status previously occupied by the County of Sacramento with regard to the portion of the county safety plan, which is that portion of the county's defined benefit plan attributed to retirement system members and beneficiaries of the Sacramento Area Sewer District to, among other things, the replacement benefits program.

Code:

An act to add Article 4.6 (commencing with Section 31574) to Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code, relating to public employee retirement, and declaring the urgency thereof, to take effect immediately.

Status:

Mar 21, 2024: In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Mar 21, 2024: From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

[+ Show full status history](#)

Hearing Dates:

04/03/2024 Public Employment and Retirement

 PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

17.

California Assembly Bill 2302 (2023-2024)

CA A 2302 | [Dawn Addis \(D-030\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) |
Assembly Local Government Committee

Open Meetings: Local Agencies: Teleconferences

Relates to existing law which imposes prescribed restrictions on remote participation by a member of a legislative body of a local agency under alternative teleconferencing provisions. Revises the limits, instead prohibiting such participation for more than a specified number of meetings per year, based on how frequently the legislative body regularly meets.

Code:

An act to amend Section 54953 of the Government Code, relating to local government.

Status:

Feb 26, 2024: To ASSEMBLY Committee on LOCAL GOVERNMENT.

[+ Show full status history](#)

Hearing Dates:

04/10/2024 Local Government



BROWN_ACT

| No tags, commentary, or attachment applied

18.

California Assembly Bill 2350 (2023-2024)

CA A 2350 | [Josh Hoover \(R-007\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Local Government Committee

Open Meetings: School Boards: Emergencies: Notification

Authorizes a school board holding an emergency meeting to fulfill the premeeting notification requirement by email instead of by telephone. Provides that if the internet and telephone services are not functioning, the bill would similarly waive the premeeting notification requirement and require the postmeeting notification.

Code:

An act to amend Section 54956.5 of the Government Code, relating to open meetings.

Status:

Feb 26, 2024: To ASSEMBLY Committee on LOCAL GOVERNMENT.

[+ Show full status history](#)

 BROWN_ACT

| No tags, commentary, or attachment applied

19.

California Assembly Bill 2362 (2023-2024)

CA A 2362 | [Tom Lackey \(R-034\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | Assembly Public Employment and Retirement...

County Fire Service Retirement Law: Report

Requires the County Foresters, Firewardens, and County Fire Protection District Firemen's Retirement Board to report to the board of supervisors on or before February 1 each year.

Code:

An act to amend Section 32266 of the Government Code, relating to public retirement.

Status:

Feb 26, 2024: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

20.

California Assembly Bill 2421 (2023-2024)

CA A 2421 | [Evan Low \(D-026\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Public Employment and Retirement...

Employer-Employee Relations: Confidential Communication

Prohibits a local public agency employer, a state employer, a public school employer, a higher education employer, or the district from questioning any employee or employee representative regarding communications made in confidence between an employee and an employee representative in connection with representation relating to any matter within the scope of the recognized employee organization's representation.

Code:

An act to amend Sections 3506.5, 3519, 3543.5, and 3571 of the Government Code, and to amend Section 28858 of the Public Utilities Code, relating to employer-employee relations.

Status:

Feb 26, 2024: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)

Hearing Dates:

04/03/2024 Public Employment and Retirement



PUBLIC_EMPLOYMENT

| No tags, commentary, or attachment applied

21.

California Assembly Bill 2474 (2023-2024)

CA A 2474 | [Tom Lackey \(R-034\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | Assembly Public Employment and Retirement...

Retirement: County Employees Retirement Law of 1937

Relates to the County Employees Retirement Law of 1937. Authorizes the monthly warrant, check, or electronic fund transfer for the retirement allowance or benefit to be delivered to a prepaid account. Defines account of the retired member or survivor of a deceased retired member to include an account held in a living trust or an income-only trust.

Code:

An act to amend Sections 31452.6, 31590, 31680.2, 31680.3, and 31680.6 of, and to add Section 31680.9 to, the Government Code, relating to retirement.

Status:

Feb 26, 2024: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

22.

California Assembly Bill 2631 (2023-2024)

CAA 2631 | [Mike Fong \(D-049\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) |
Assembly Appropriations Committee

Local Agencies: Ethics Training

Requires the Fair Political Practices Commission, in consultation with the Attorney General, to create, maintain, and make available to local agency officials an ethics training course, as specified.

Code:

An act to amend Section 53235 of the Government Code, relating to local government.

Status:

Mar 20, 2024: From ASSEMBLY Committee on ELECTIONS: Do pass to Committee on APPROPRIATIONS.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

23.

California Assembly Bill 2715 (2023-2024)

CAA 2715 | [Tasha Boerner \(D-077\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | Assembly Local Government Committee

Ralph M. Brown Act: Closed Session

Authorizes a closed session of a legislative body of a local agency to consider or evaluate matters related to cybersecurity, as specified, provided that any action taken on those matters is done in open session.

Code:

An act to amend Section 54957 of the Government Code, relating to local government.

Status:

Mar 4, 2024: To ASSEMBLY Committee on LOCAL GOVERNMENT.

[+ Show full status history](#)

 BROWN_ACT

| No tags, commentary, or attachment applied

24.

California Assembly Bill 2770 (2023-2024)

CA A 2770 | Public Employment and Retirement | Pending | Fiscal Committee (Yes) | Urgency Clause (No)
| Assembly Public Employment and Retirement...

Public Employees Retirement

Relates to the Teachers Retirement System. Provides that existing law authorizes a member to request to purchase additional service credit and to redeposit accumulated retirement contributions returned to the member. Provides that existing law requires additional regular interest to be added to the contributions if the member is not employed to perform creditable service subject to coverage by the Defined Benefit Program on the date of the request to purchase additional credit. Revises interest calculation.

Code:

An act to amend Sections 22801, 23200, 23201, 23202, 24600, and 26004 of the Education Code, and to amend Sections 31628, 31720.91, 31783.5, 75521, 75553, 75570, and 75571.5 of the Government Code, relating to public employees' retirement.

Status:

Mar 11, 2024: In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Mar 11, 2024: From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

[+ Show full status history](#)

Hearing Dates:

04/03/2024 Public Employment and Retirement

PUBLIC_RETIREMENT

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

25.

California Assembly Bill 3025 (2023-2024)

CA A 3025 | [Avelino Valencia \(D-068\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) | Assembly Public Employment and Retirement...

County Employees Retirement: Disallowed Compensation

Requires a retirement system established under the County Employees Retirement Law of 1937, upon determining that the compensation reported for a member is disallowed compensation, to require the employer to discontinue reporting the disallowed compensation. Requires, for an active member, the retirement system to credit all contributions made on the disallowed compensation against future contributions to the benefit of the employer that reported the disallowed compensation.

Code:

~~An act to amend Section 31461 of the Government Code, relating to retirement.~~

An act to add Section 31541.2 to the Government Code, relating to county employees' retirement.

Status:

Mar 18, 2024: In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Mar 18, 2024: From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

Mar 18, 2024: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

26.

California Senate Bill 252 (2023-2024)

CAS 252 | [Lena A. Gonzalez \(D-033\)](#) and 3 Co-sponsors | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Assembly Public Employment and Retirement...

Public Retirement Systems: Fossil Fuels: Divestment

Prohibits the boards of the Public Employees' Retirement System and the State Teachers' Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company. Requires the boards to liquidate investments in a fossil fuel company on or before specified date. Suspends, temporarily, the liquidation provision upon a good faith determination by the board that certain conditions materially impact normal market mechanisms for pricing assets.

Code:

An act to amend Section 16642 of, and to add Section 7513.76 to, the Government Code, relating to public retirement systems.

Status:

June 8, 2023: To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)

 PUBLIC_INVESTMENT

| No tags, commentary, or attachment applied

27.

California Senate Bill 300 (2023-2024)

CAS 300 | [Kelly Seyarto \(R-032\)](#) and 3 Co-sponsors | Failed | Fiscal Committee (Yes) | Urgency Clause (No)
| SENATE

Public Employees Retirement: Fiscal Impact: Information

Requires the Legislative Analyst to prepare a pension fiscal impact analysis on any measure introduced on or after specified date that is referred to the Senate Labor, Public Employment and Retirement Committee, or any successor committee, as specified, and that requires a public retirement system to take prescribed action, including the divestiture of an existing investment.

Code:

An act to add ~~Section 20005~~ [Sections 7513.2 and 9144.5](#) to the Government Code, relating to public employees' retirement.

Status:

Feb 1, 2024: In SENATE. Returned to Secretary of Senate pursuant to Joint Rule 56.

[+ Show full status history](#)

 PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

28.

California Senate Bill 537 (2023-2024)

CAS 537 | [Josh Becker \(D-013\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (Yes) | Assembly Inactive File

Open Meetings: Multijurisdictional

Relates to the Ralph M. Brown Act. Expand the circumstances of just cause to apply to the situation in which an immunocompromised child, parent, grandparent, or other specified relative requires the member to participate remotely. Requires the legislative body to provide a record of attendance of the members of the legislative body, the number of community members in attendance in the teleconference meeting, and the number of public comments on its internet website after a teleconference meeting.

Code:

An act to amend Section 54953 of, and to add and repeal Section 54953.4 of, the Government Code, relating to local government, and declaring the urgency thereof, to take effect immediately.

Status:

Sep 14, 2023: In ASSEMBLY. To Inactive File.

[+ Show full status history](#)

Hearing Dates:

04/01/2024 Assembly Inactive File

 BROWN_ACT

| No tags, commentary, or attachment applied

29.

California Senate Bill 660 (2023-2024)

CAS 660 | [Marie Alvarado-Gil \(D-004\)](#) | Failed | Fiscal Committee (Yes) | Urgency Clause (No) | SENATE

Public Employees' Retirement Systems

Establishes the California Public Retirement System Agency Cost and Liability Panel, located in the Controller's office. Assigns responsibilities to the panel related to retirement benefit costs, including determining how costs and unfunded liability are apportioned to a public agency when a member changes employers within the same public retirement system or when a member concurrently retires with a specified number or more retirement systems that have entered into reciprocity agreements.

Code:

An act to ~~amend Section 20790 of~~ add Section 7514.9 to the Government Code, relating to public employees' retirement.

Status:

Feb 1, 2024: In SENATE. Returned to Secretary of Senate pursuant to Joint Rule 56.

[+ Show full status history](#)



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

30.

California Senate Bill 908 (2023-2024)

CAS 908 | [Dave Cortese \(D-015\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) | Senate Rules Committee

Fentanyl: Child Deaths

Provides that the State Department of Public Health administers the California Overdose Surveillance Dashboard that provides data on State and local-level drug-related overdose outcomes for the State. Requires the department to utilize its data to monitor and identify current trends of fentanyl-related deaths of children between specified ages. Requires the department to develop guidance and spread awareness of the trends to protect and prevent children from fentanyl exposure.

Code:

~~An act to add Section 9081 to, and to add Article 6 (commencing with Section 7928.500) to Chapter 14 of Part 5 of Division 10 of Title 1 of, the Government Code, relating to public records.~~

An act to add and repeal Section 11758.05 of the Health and Safety Code, relating to public health.

Status:

Mar 20, 2024: In SENATE. Read second time and amended. Re-referred to Committee on RULES.

Mar 20, 2024: From SENATE Committee on RULES with author's amendments.

Mar 20, 2024: To SENATE Committee on RULES.

[+ Show full status history](#)



PUBLIC_RECORDS_ACT

| No tags, commentary, or attachment applied

31.

California Senate Bill 962 (2023-2024)

CAS 962 | [Steve Padilla \(D-018\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (Yes) |
Senate Labor, Public Employment and Retirement...

San Diego Unified Port District: Employee Benefits

Approves a specified defined benefit formula applicable to employees of the San Diego Unified Port District.

Code:

An act relating to the public employee pension benefits, and declaring the urgency thereof, to take effect immediately.

Status:

Feb 14, 2024: To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)

 PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

32.

California Senate Bill 1034 (2023-2024)

CAS 1034 | [Kelly Seyarto \(R-032\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) |
Senate Judiciary Committee

California Public Records Act: State of Emergency

Revises the unusual circumstances under which the time limit may be extended to include the need to search for, collect, appropriately examine, and copy records during a state of emergency proclaimed by the Governor when the state of emergency has affected the agency's ability to timely respond to requests due to decreased staffing or closure of the agency's facilities. Relates to the California Public Records Act.

Code:

An act to amend Section 7922.535 of the Government Code, relating to public records.

Status:

Feb 14, 2024: To SENATE Committee on JUDICIARY.

[+ Show full status history](#)

Hearing Dates:

04/02/2024 Judiciary



PUBLIC_RECORDS_ACT

| No tags, commentary, or attachment applied

33.

California Senate Bill 1189 (2023-2024)

CAS 1189 | [Monique Limon \(D-019\)](#) | Pending | Fiscal Committee (No) | Urgency Clause (No) |
Senate Labor, Public Employment and Retirement...

County Employees Retirement Law of 1937

Authorizes a board of retirement to appoint a chief technology officer.

Code:

An act to amend Section 31522.10 of the Government Code, relating to retirement.

Status:

Feb 21, 2024: To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)

 RETIREMENT_PERSONNEL

| No tags, commentary, or attachment applied

34.

California Senate Bill 1240 (2023-2024)

CAS 1240 | [Marie Alvarado-Gil \(D-004\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (Yes) | Senate Labor, Public Employment and Retirement...

Public Employees Retirement System: Contracting

Relates to the Public Employees' Retirement System. Authorizes a successor agency for the El Dorado County Fire Protection District and the Diamond Springs Fire Protection District to provide employees the defined benefit plan or formula that those employees received from their respective employer prior to the annexation.

Code:

An act to add Section 20508.3 to the Government Code, relating to public employees' retirement, and declaring the urgency thereof, to take effect immediately.

Status:

Mar 21, 2024: In SENATE. Read second time and amended. Re-referred to Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

Mar 21, 2024: From ASSEMBLY Committee on LABOR AND EMPLOYMENT with author's amendments.

[+ Show full status history](#)

Hearing Dates:

04/10/2024 Labor, Public Employment and Retirement



PUBLIC_RETIREMENT

| No tags, commentary, or attachment applied

35.

California Senate Bill 1260 (2023-2024)

CAS 1260 | [Roger W. Niello \(R-006\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) |
Senate Rules Committee

High-Speed Rail: Third-Party Analysis

Provides that the State High-Speed Rail Act creates the High-Speed Rail Authority to develop and implement a high-speed train system in the State. Requires the Authority to approve and submit an independent third-party analysis, as contracted by the State Auditor, of the high-speed train system to the Director of Finance, the independent peer review group, and the policy committees with jurisdiction over transportation matters and the fiscal committees of both houses of the Legislature.

Code:

~~An act to add Section 7507.6 to the Government Code, relating to public employees' retirement administration.~~

[An act to add Section 2704.79 to the Streets and Highways Code, relating to high-speed rail.](#)

Status:

Mar 20, 2024: Re-referred to SENATE Committee on RULES.

[+ Show full status history](#)



RETIREMENT_PERSONNEL

| No tags, commentary, or attachment applied

36.

California Senate Bill 1379 (2023-2024)

CAS 1379 | [Bill Dodd \(D-003\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (Yes) | Senate Labor, Public Employment and Retirement...

Public Employees' Retirement Law: Reinstatement

Relates to existing law under which a retired member of PERS is generally subject to a limit of 960 hours of employment within a calendar or fiscal year for specified employers without reinstating in the system. Creates an exception to the limit for retired members hired by the City of Vallejo or the County of Solano to perform a function or functions regularly performed by a peace officer, any evidence or dispatch personnel, or any administrative or records personnel.

Code:

An act to amend, repeal, and add Sections 7522.56, 21221, and 21224 of the Government Code, relating to public retirement, and declaring the urgency thereof, to take effect immediately.

Status:

Feb 29, 2024: To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

[+ Show full status history](#)

Hearing Dates:

04/10/2024 Labor, Public Employment and Retirement



PUBLIC_EMPLOYMENT

| No tags, commentary, or attachment applied

37.

California Senate Bill 1441 (2023-2024)

CAS 1441 | [Ben Allen \(D-024\)](#) | Pending | Fiscal Committee (Yes) | Urgency Clause (No) |
Senate Judiciary Committee

Examination of Petitions Time Limitations

Requires an examination under the California Public Records Act to conclude no later than 60 days after it commenced the bill would also require the proponent to reimburse all costs incurred by the county elections official due to the examination within 30 days after the examination concludes.

Code:

An act to amend Section 7924.110 of the Government Code, relating to petitions.

Status:

Feb 29, 2024: To SENATE Committees on JUDICIARY and ELECTIONS AND CONSTITUTIONAL AMENDMENTS.

[+ Show full status history](#)

Hearing Dates:

04/02/2024 Judiciary



PUBLIC_RECORDS_ACT

| No tags, commentary, or attachment applied

38.

California Proposition TBD (2024)

CA 2024 6 | State ID: 1935.(21-0042A1) | Eligible for Ballot: 02/02/2023 | Qualification: 02/02/2023 | Election: 11/05/2024

Taxpayer Protection and Government Accountability Act

Requires, for new or increased state taxes currently enacted by two-thirds vote of Legislature, a statewide election and majority voter approval. Limits voters' ability to pass voter-proposed local special taxes by raising vote requirement to two-thirds. Eliminates voters' ability to advise how to spend revenues from proposed general tax on same ballot as the proposed tax. Expands definition of taxes.



BALLOT_INITIATIVES

| No tags, commentary, or attachment applied

39.

United States House Bill 82 (2023-2024)

US H 82 | [Garret Graves \(R-LA 06\)](#) and 310 Co-sponsors | Pending | House Ways and Means Committee

Pension Offset and Windfall Elimination Repeal

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

Status:

Jan 9, 2023: To HOUSE Committee on WAYS AND MEANS.

Jan 9, 2023: INTRODUCED.

[+ Show full status history](#)

Related:

[US H 4583](#) |

[US S 597](#) |

[US S 2280](#)

SOCIAL_SECURITY

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

40.

United States House Bill 957 (2023-2024)

US H 957 | [Abigail A. Spanberger \(D-VA 07\)](#) and 14 Co-sponsors | Pending | House Ways and Means Committee

Internal Revenue Code Retirement Plan Exclusion

Amends the Internal Revenue Code of 1986 to increase the amount excluded from gross income by reason of distributions from governmental retirement plans for health and long-term care insurance for public safety officers.

Status:

Feb 9, 2023: To HOUSE Committee on WAYS AND MEANS.

Feb 9, 2023: INTRODUCED.

[+ Show full status history](#)

HEALTHCARE

Tags:

Staff_Recommendation:

IBLC_Recommendation:

BOR_Position:

41.

United States House Bill 4260 (2023-2024)

US H 4260 | [Richard E. Neal \(D-MA 01\)](#) and 102 Co-sponsors | Pending | House Ways and Means Committee

Equitable Social Security Formula

Amends specified title of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

Status:

June 21, 2023: To HOUSE Committee on WAYS AND MEANS.

June 21, 2023: INTRODUCED.

[+ Show full status history](#)

SOCIAL_SECURITY

Tags:

Staff_Recommendation:

IBLC_Recommendation:

BOR_Position:

42.

United States House Bill 5342 (2023-2024)

US H 5342 | [Jodey Cook Arrington \(R-TX 19\)](#) and 30 Co-sponsors | Pending |
House Ways and Means Committee

Windfall Elimination Provision Replacement

Amends title II of the Social Security Act to replace the windfall elimination provision with a formula equalizing benefits for certain individuals with noncovered employment.

Status:

Sep 5, 2023: To HOUSE Committee on WAYS AND MEANS.

Sep 5, 2023: INTRODUCED.

[+ Show full status history](#)



SOCIAL_SECURITY

Tags:

Staff_Recommendation: Support

IBLC_Recommendation: Support

BOR_Position: Support

43.

United States Senate Bill 597 (2023-2024)

US S 597 | [Sherrod Brown \(D-OH\)](#) and 52 Co-sponsors | Pending | Senate Finance Committee

Government Pension Offset Repeal

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

Status:

Mar 1, 2023: To SENATE Committee on FINANCE.

Mar 1, 2023: In SENATE. Read second time.

Mar 1, 2023: INTRODUCED.

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BOR_Position:

**FOR INFORMATION ONLY**

March 20, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Ted Granger 
Chief Financial Officer

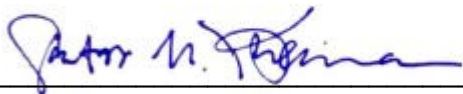
FOR: April 3, 2024 Board of Retirement Meeting
April 10, 2024 Board of Investments Meeting

SUBJECT : MONTHLY TRUSTEE TRAVEL & EDUCATION REPORT – FEBRUARY 2024

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 February 2024.

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
FEBRUARY 2024

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Alan Bernstein			
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
Vivian Gray			
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
	2 Edu - NCPERS 2024 Legislative Conference - Washington DC	01/22/2024 - 01/24/2024	Attended
	3 Edu - NIRS 15th Annual Retirement Policy Conference - Washington, DC	02/26/2024 - 02/27/2024	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
X	- Edu - Pension Bridge Private Credit Conference - San Diego CA	02/26/2024 - 02/27/2024	Canceled
David Green			
A	1 Edu - 2023 SuperInvestor International - Zürich Switzerland	11/14/2023 - 11/17/2023	Attended
Jason Green			
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
James Harris			
B	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended
Onyx Jones			
X	- Edu - NCPERS 2023 Fall Conference - Las Vegas NV	10/21/2023 - 10/25/2023	Canceled
Patrick Jones			
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
	- Edu - Los Angeles Black Heritage Real Estate Tour - Los Angeles CA	02/29/2024 - 02/29/2024	Attended

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

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Shawn Kehoe			
B	- Admin - Professional Peace Officers Association (PPOA) Offsite - Carlsbad CA	01/27/2024 - 01/27/2024	Attended
Keith Knox			
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
Nicole Mi			
A	1 Edu - NCPERS 2024 Legislative Conference - Washington DC	01/22/2024 - 01/24/2024	Attended
Wayne Moore			
A	1 Edu - NCPERS 2024 Legislative Conference - Washington DC	01/22/2024 - 01/24/2024	Attended
Les Robbins			
B	- Admin - RELAC Annual Luncheon - Alhambra CA	08/10/2023 - 08/10/2023	Attended
Gina Sanchez			
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
Herman Santos			
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
	3 Edu - NCPERS 2024 Legislative Conference - Washington DC	01/22/2024 - 01/24/2024	Attended
	4 Edu - NIRS 15th Annual Retirement Policy Conference - Washington, DC	02/26/2024 - 02/27/2024	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.



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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