



**LACERS**  
 LA CITY EMPLOYEES'  
 RETIREMENT SYSTEM



**Board of Administration Agenda**

**REGULAR MEETING**  
**TUESDAY, FEBRUARY 27, 2024**  
**TIME: 10:00 A.M.**  
**MEETING LOCATION:**  
 LACERS Boardroom  
 977 N. Broadway  
 Los Angeles, California 90012

**Important Message to the Public**

An opportunity for the public to address the Board in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Board or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via one-way audio on Council Phone by calling (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside) or (310) 547-CITY (San Pedro Area).

**Disclaimer to Participants**

Please be advised that all LACERS Board meetings are recorded.

**LACERS Website Address/link:**

[www.LACERS.org](http://www.LACERS.org)

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board in advance of the meeting may be viewed by clicking on LACERS website at [www.LACERS.org](http://www.LACERS.org), at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a non-exempt record related to an item on the agenda, please call (213) 855-9348 or email at [lacers.board@lacers.org](mailto:lacers.board@lacers.org).

President: Annie Chao  
 Vice President: Sung Won Sohn  
 Commissioners: Thuy Huynh  
 Elizabeth Lee  
 Gaylord "Rusty" Roten  
 Janna Sidley  
 Michael R. Wilkinson  
 Manager-Secretary: Neil M. Guglielmo  
 Executive Assistant: Ani Ghoukassian  
 Legal Counsel: City Attorney's Office  
 Public Pensions General  
 Counsel Division

**Notice to Paid Representatives**

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at [ethics.lacity.org/lobbying](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

**Request for Services**

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[CLICK HERE TO ACCESS BOARD REPORTS](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. GENERAL MANAGER VERBAL REPORT
  - A. REPORT ON DEPARTMENT OPERATIONS
  - B. UPCOMING AGENDA ITEMS
- III. RECEIVE AND FILE ITEMS
  - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JANUARY 2024](#)
  - B. [SEMI-ANNUAL REPORT ON BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING DECEMBER 31, 2023](#)
  - C. [2023 ANNUAL REPORT ON LACERS' ORGANIZATION DIVERSITY SURVEY](#)
- IV. COMMITTEE REPORT(S)
  - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON FEBRUARY 13, 2024
  - B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON FEBRUARY 27, 2024
- V. CONSENT ITEM(S)
  - A. [APPROVAL OF MINUTES FOR THE MEETING OF JANUARY 23, 2024 AND POSSIBLE BOARD ACTION](#)
  - B. [APPROVAL OF DISABILITY RETIREMENT APPLICATION OF KIM TATARSKY AND POSSIBLE BOARD ACTION](#)
- VI. BOARD/DEPARTMENT ADMINISTRATION
  - A. [2024 LACERS WELL UPDATE, WORKPLAN, BUDGET, WELLNESS FUNDS POLICY AND POSSIBLE BOARD ACTION](#)
  - B. [COST-OF-LIVING ADJUSTMENT FOR JULY 2024 AND POSSIBLE BOARD ACTION](#)
  - C. [CONTRACT WITH LANGUAGES4YOU TRANSLATION AGENCY FOR TRANSLATION, INTERPRETATION, AND TRANSCRIPTION SERVICES AND POSSIBLE BOARD ACTION](#)
  - D. [APPROVAL OF 5-YEAR CONTRACT RENEWAL WITH LEVI, RAY & SHOUP, INC. FOR CONTINUED MAINTENANCE AND SUPPORT OF LACERS' PENSION ADMINISTRATION SYSTEM AND POSSIBLE BOARD ACTION](#)
- VII. INVESTMENTS
  - A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS

- B. PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE BOARD ACTION
- C. APPROVAL OF 3-YEAR CONTRACT WITH ROBERT W. BAIRD & CO. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION
- D. APPROVAL OF 3-YEAR CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION
- E. NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN CLEARLAKE CAPITAL PARTNERS VIII, L.P.
- F. NOTIFICATION OF COMMITMENT OF UP TO \$30 MILLION IN FS EQUITY PARTNERS IX, L.P.
- G. NOTIFICATION OF COMMITMENT OF UP TO \$15 MILLION IN GENERAL CATALYST GROUP XII – CREATION, L.P.
- H. NOTIFICATION OF COMMITMENT OF UP TO \$15 MILLION IN GENERAL CATALYST GROUP XII – IGNITION, L.P.
- I. NOTIFICATION OF COMMITMENT OF UP TO \$22.5 MILLION IN GENERAL CATALYST GROUP XII – ENDURANCE, L.P.
- J. NOTIFICATION OF COMMITMENT OF UP TO \$7.5 MILLION IN GENERAL CATALYST GROUP XII – HEALTH ASSURANCE, L.P.
- K. NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN MBK PARTNERS FUND VI, L.P.
- L. NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN 3 BOOMERANG CAPITAL I, LP
- M. NOTIFICATION OF COMMITMENT OF UP TO \$35 MILLION IN PLATINUM EQUITY SMALL CAP FUND II, L.P.

VIII. LEGAL/LITIGATION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) AND (d)(1) TO CONFER WITH AND RECEIVE ADVICE FROM LEGAL COUNSEL REGARDING PENDING LITIGATION (ONE CASE), THOMAS CRAWLEY V. LOS ANGELES CITY EMPLOYEE’S RETIREMENT SYSTEM (LACERS); CITY OF LOS ANGELES (U.S.D.C., C.D. Cal. Case No.: 2:24-cv-00638-FLA-RAO), AND POSSIBLE BOARD ACTION**

IX. OTHER BUSINESS

- X. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, March 12, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.
- XI. ADJOURNMENT

**Agenda of: FEB. 27, 2024**  
**Item No: III-A**

**MONTHLY REPORT ON SEMINARS AND CONFERENCES  
 ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS  
 (FOR THE MONTH OF JANUARY 2024)**

In accordance with Section V.H.2 of the approved Board Education and Travel Policy, Board Members are required to report to the Board, on a monthly basis at the last Board meeting of each month, seminars and conferences they attended as a LACERS representative or in the capacity of a LACERS Board Member which are either complimentary (no cost involved) or with expenses fully covered by the Board Member. This monthly report shall include all seminars and conferences attended during the 4-week period preceding the Board meeting wherein the report is to be presented.

**BOARD MEMBERS:**

President Annie Chao  
 Vice President Sung Won Sohn

Commissioner Thuy Huynh  
 Commissioner Elizabeth Lee  
 Commissioner Gaylord "Rusty" Roten  
 Commissioner Janna Sidley  
 Commissioner Michael R. Wilkinson

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
	<b>NOTHING TO REPORT</b>		



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

*Dale Wong Nguyen*

**MEETING: FEBRUARY 27, 2024**

**ITEM: III - B**

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**SUBJECT: SEMI-ANNUAL REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD  
ENDING DECEMBER 31, 2023**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Board receive and file this report.

**Executive Summary**

This semi-annual report of the business plan initiatives (BPIs) for Fiscal Year 2023-24 presents progress on five priority initiatives during the reporting period from July to December 2023, with four continuing initiatives and one new initiative.

**Discussion**

The Language Access Plan BPI continues to build upon a framework to expand accessibility of benefits related information to LACERS Members. Last fiscal year, the Governance BPI initiated a search for Board Governance Consulting services and began the Triennial Board Policy Review. This fiscal year, the Governance BPI began engagement with the onboarded Consultants to develop a new Strategic Plan and is completing the review of all existing Board Governance and Administrative policies, with the commencement of developing new policies in the 3<sup>rd</sup> and 4<sup>th</sup> quarter. The Workforce Diversity, Equity, and Inclusion (DEI) BPI has launched a LACERS Fellowship program with its first cohort of senior staff as an initial step in resolving organizational and leadership gaps. The Environmental, Social, and Governance (ESG) Investing BPI continues to mitigate risk and optimize returns by implementing an ESG Program. The City Human Resources and Payroll (HRP) System Implementation BPI is discussed in greater detail below.

The following page provides a brief snapshot of each BPI. See Attachment for a detailed dashboard view of each BPI.

**Governance BPI - off-target**

*SET THE COURSE FOR RISK MANAGEMENT AND STRATEGIC VISION FOR THE NEXT 3 TO 5 YEARS*

**Team Leads:** Edwin Avanesian & John Koontz

- Project sponsor: Todd Bouey
- Total FY24 project budget: \$150,000
- Project duration: July 2022 and ongoing

**Language Access Plan BPI - on-target**

*PROVIDING TIMELY AND MEANINGFUL LANGUAGE ACCESS, INCLUDING THE DEAF AND HARD OF HEARING, TO PROGRAMS, SERVICES, INFORMATION, AND PARTICIPATORY PROCESSES*

**Team Leads:** Amelia Herrera-Robles & Lisseth Grande

- Project sponsor: Dale Wong-Nguyen
- Total FY24 project budget: \$40,000
- Project duration: July 2022 and ongoing

**Environmental, Social, and Governance Investing (ESG) BPI - on-target**

*ENHANCING LACERS INVESTMENT PORTFOLIO GUIDED BY THE RESPONSIBLE INVESTMENT POLICY AND ESG RISK FRAMEWORK*

**Team Leads:** James Wang

- Project sponsor: Rod June
- Total FY24 project budget: \$18,125
- Project duration: July 2021 and ongoing

**Workforce, Diversity, Equity, and Inclusion (DEI) BPI - on-target**

*ALIGN ORGANIZATION AND STAFF ON PERFORMANCE NEEDS AND SUPPORT REQUIREMENTS TO ENABLE PROFESSIONAL GROWTH*

**Team Leads:** Vikram Jadhav

- Project sponsor: Neil Guglielmo
- Total FY24 project budget: \$65,000
- Project duration: September 2021 and ongoing

**City HRP System Implementation BPI – needs intervention**

*GO-LIVE OF THE HUMAN RESOURCES AND PAYROLL SYSTEM WITH DEPLOYMENT OF PAYROLL FUNCTIONALITIES, INTEGRATED WITH THE PENSION SOFTWARE*

**Team Lead(s):** Andy Chiu

- Project sponsor: Todd Bouey
- Total FY24 project budget: \$120,000
- Project duration: July 2021 and ongoing

While BPI's are primarily going as planned, the At-Risk initiative is the City's implementation of the Human Resources and Payroll project, which serves as the City's next payroll management system. LACERS relies on payroll processes and data maintained by the City in order to administer retirement benefits for City employees.

In October 2023, staff formally reported concerns to the Board on the status of the City's Human Resources and Payroll system implementation, indicating that postponement was needed as well as additional staff resources to mitigate potential issues. The Board was supportive of the concerns and since then LACERS has gotten substitute authority positions authorized and the City has extended the go live date of the Payroll system (Phase 2) by six months to this June. LACERS has also escalated concerns through HRP sponsors which has led to improved support in the form of additional City contractor resources assigned to LACERS interface development and benefits administering departments in general.

Unfortunately, despite these positives there are still many obstacles to success. Though position authorities have been established for LACERS to hire staff in anticipation of significant payroll errors at go live of the HRP project, due to lack of sufficient hiring lists through the Personnel Department, hiring has been delayed and it's possible that positions may not be filled for several more months.

Although the City has provided more contractor resources to support benefits administration needs of City departments, LACERS as of yet has not received working interface files from the City, nor has the Phase 1 interface issues been resolved, a persisting issue since Phase 1 go live in May 2022 that has required LACERS staff to manually work around the system in supporting Excess Benefits payments to retired Members.

In addition to these concerns, and numerous others, another primary concern is the number of payroll errors LACERS continues to see, though it is possible given that the City benchmark for payroll accuracy is just 95 percent, that significant numbers of errors could persist even beyond the launch of Phase 2 of the HRP system.

Besides continuing to persist in trying to push to get as much work done as possible, LACERS is also in dialogue with a number of other City departments with similar and unique challenges related to HRP and share a common concern as to the readiness of the HRP system by June 2024. LACERS and these other City departments are working on communications to City leadership and the HRP Steering Committee to advocate that the City needs to look more holistically at what constitutes success and the decision to go live beyond just achieving 95 percent payroll accuracy.



## **Strategic Plan Impact Statement**

The BPI Program seeks to enhance the Strategic Plan Goal of greater organizational effectiveness, efficiency, and resiliency.

Prepared By: Lisa Li, Management Analyst

NMG/TB/EA/CK/LL

Attachment: Semi-Annual Report of Business Plan Initiatives Fiscal Year 2023-24 for the reporting period ending December 31, 2023

BOARD Meeting: 02/27/24  
Item: III-B  
ATTACHMENT

FISCAL YEAR 2023-24

# BUSINESS PLAN INITIATIVES

Semi-Annual Report of Business Plan Initiatives  
for the Period Ending December 31, 2023

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APPENDIX A – BUSINESS PLAN INITIATIVE TEMPLATE

# LACERS GOALS



## **CUSTOMER SERVICE**

To provide outstanding customer service

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## **BENEFITS DELIVERY**

To deliver accurate and timely Member benefits

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## **HEALTH AND WELLNESS**

Improve value and minimize costs of Members' health and wellness benefits

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## **INVESTMENT**

To optimize long-term risk adjusted returns through superior investments

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## **GOVERNANCE**

To uphold good governance practices which affirm transparency, accountability, and fiduciary duty

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## **ORGANIZATION**

To increase organizational effectiveness, efficiency, and resiliency

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## **WORKFORCE**

To recruit, retain, mentor, empower, and promote a high-performing workforce

# EXECUTIVE SUMMARY DASHBOARD



## INITIATIVES

## GOALS

## STATUS

## EXECUTIVE SPONSORS

## INITIATIVE LEADS

1. Governance	Governance	Off-Track	Todd Bouey	Edwin Avanesian & John Koontz
2. Language Access Plan	Customer Service, Benefits Delivery, Governance, & Organization	On-Track	Dale Wong-Nguyen	Tiffany Obembe, Gabriel J. Perez, & Heather Ramirez
3. Environmental, Social, and Governance Investing	Governance & Investment	On-Track	Rod June	James Wang
4. Workforce Diversity, Equity, and Inclusion	Organization & Workforce	On-Track	Neil Guglielmo	Vikram Jadhav
5. City HRP System Implementation	Organization	Need Intervention	Todd Bouey	Andy Chiu



**INITIATIVE:** GOVERNANCE  
**DIVISION(S)/SECTION:** ADMINISTRATION  
**STRATEGIC GOAL(S):** GOVERNANCE

**STATUS:** OFF-TRACK

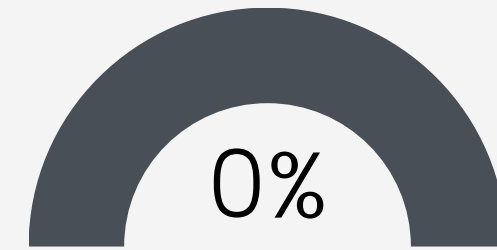
**REPORT MONTHS:** JULY 2023 – DECEMBER 2023

**LEAD(S):** EDWIN AVANESSIAN, JOHN KOONTZ

**TEAM:** CHHINTANA KURIMOTO, LISA LI

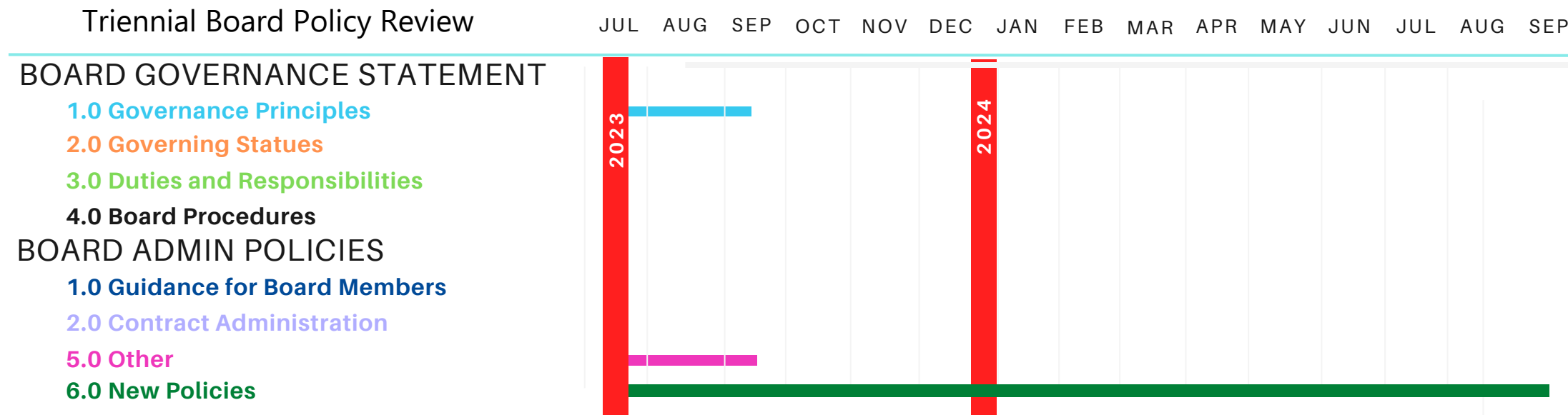
**BUDGET**

Appropriation: \$150,000  
Expense: \$0  
Unspent: \$150,000



**INITIATIVE PURPOSE:** SET THE COURSE FOR RISK MANAGEMENT AND STRATEGIC VISION FOR THE NEXT 3 TO 5 YEARS.

**KEY METRICS**



**PROGRESS**

- Engagement with Consultants to perform Strategic Planning Facilitation with Board Commissioners and Staff.
- On track to complete the review of all existing Board Governance and Administrative Policies by the end of the 3rd quarter of FY24.

**CHALLENGES**

- Staying within the Strategic Planning timeline established as competing priorities arise, rearranging schedules due to staff unavailability to meet, and lengthy contracting process.
- Board discussions on individual Board policies may potentially require more than the one meeting contemplated in the schedule review timeline.

**NEXT STEPS**

- Strategic Plan Consultants to provide results from Board Commissioner and Staff interviews.
- Continue discussions on implementing new policies for Board to review.

**MILESTONES**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Plan	TOS issued to Consultants for Strategic Planning	Engagement with Consultants		New Strategic Plan Goes Live
Triennial Board Policy Review	Complete Review of all Existing Board Governance and Administrative Policies		Initiate Discussions with City Attorney and Board on New Policies	

**INITIATIVE:** LANGUAGE ACCESS PLAN

**DIVISION(S)/SECTION:** COMMUNICATIONS & STAKEHOLDER RELATIONS

**STRATEGIC GOAL(S):** CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE & ORGANIZATION

**STATUS:** **ON-TRACK**

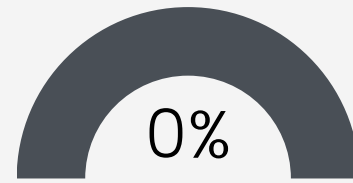
**REPORT MONTHS:** JULY 2023-DECEMBER 2023

**LEAD(S):** TANEDA K. LARIOS

**TEAM:** LISSETH GRANDE, AMELIA HERRERA-ROBLES, AND CARLOS JOVEL JR

**BUDGET**

Appropriation: \$40,000  
Expense: \$0  
Unspent: \$40,000

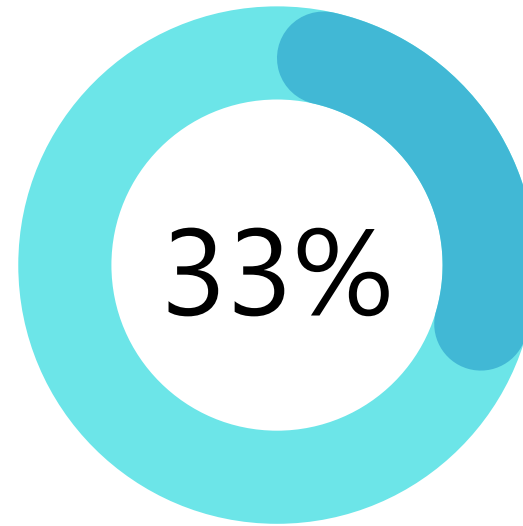


**INITIATIVE PURPOSE:** CREATE A LACERS LANGUAGE ACCESS PLAN (LAP) THAT GOVERNS THE PROCESS FOR PROVIDING MULTILINGUAL SERVICES TO OUR THRESHOLD POPULATIONS. THIS WILL RESOLVE ACCESS ISSUES TO INFORMATION AND FUTHER OUR COMMITMENT TO SERVING ALL PERSONS WITHIN OUR DIVERSE POPULATION.

KEY METRICS



Spanish Language Bilingual Staff - Premium Levels 1 & 2 have been identified and confirmed



Translation of LACERS Documents to Spanish

PROGRESS

- A LAP Workplan has been designed to implement and prioritize tasks.
- Five forms have been translated and are in the review stage.
- Staff training presentation has been developed and is to be delivered to Spanish Bilingual Bonus Staff.
- Tracking board/tools & forms have been developed.

CHALLENGES

- The perpetual review and feedback for the LAP from Community Investment For Families Department (CIFD) may pose implementation challenges.
- The lack of contract between Languages4You and LACERS.
- Some of the equipment from ITA is damaged.

NEXT STEPS

- LACERS LAP Staff Training on policies and procedures scheduled February 2024.
- Assess and Resubmit 2nd LAP Review to CIFD.
- Finalize SP Glossary of Terms, Forms Presentations, Job Aides, etc.
- Finalize/execute Translation Vendor Contract.
- Complete translation for forms in Spanish batch 2 (8 forms) by April 2024.

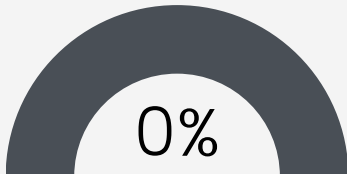
MILESTONES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LAP 1st Draft Revision	✓			
LAP Liaison- Benefits Analyst Recruitment		✓		
Translation of Forms (5) to Spanish		✓		
Translation, Interpretation and Transcription Vendor Contract			✓	

**INITIATIVE:** ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING  
**DIVISION(S)/SECTION:** INVESTMENTS  
**STRATEGIC GOAL(S):** GOVERNANCE & INVESTMENT

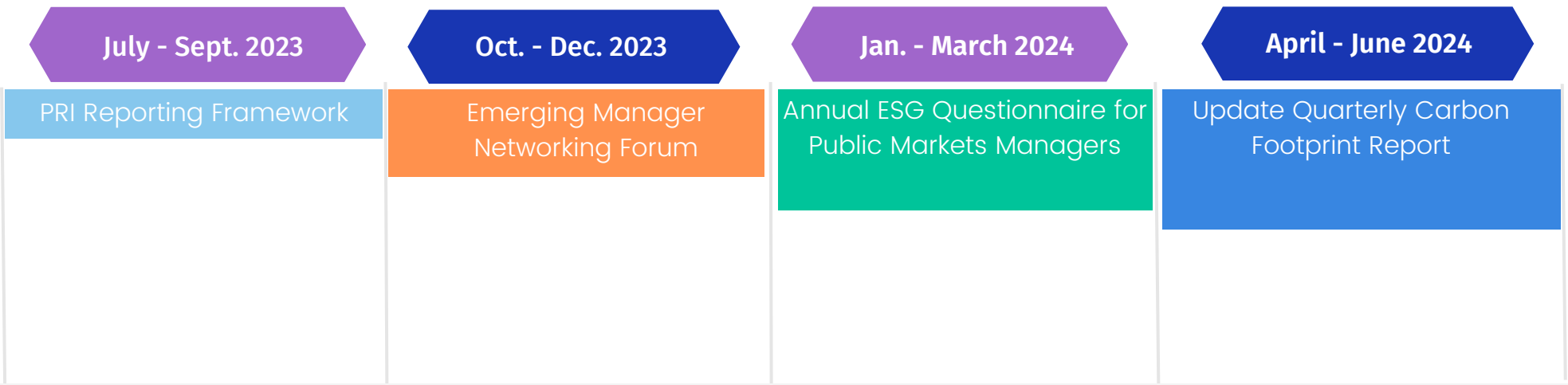
**STATUS:** **ON-TRACK**  
**REPORT MONTHS:** JULY 2023 – DECEMBER 2023  
**LEAD(S):** JAMES WANG  
**TEAM:** CLARK HOOVER, JEREMIAH PARAS

**BUDGET**  
 Appropriation: \$18,125  
 Expense: \$0  
 Unspent: \$18,125



**INITIATIVE PURPOSE:** ENHANCE THE LONG-TERM RISK ADJUSTED RETURNS OF THE LACERS INVESTMENT PORTFOLIO THROUGH THE IMPLEMENTATION OF A ROBUST ESG PROGRAM GUIDED BY A COMPREHENSIVE RESPONSIBLE INVESTMENT POLICY, AN ESG RISK FRAMEWORK, THE PRINCIPLES FOR RESPONSIBLE INVESTMENT, AND DIRECTIONS OF THE BOARD.

**KEY METRICS**



**PROGRESS**

- Updated and reviewed ESG questions to further incorporate ESG Risk Factors into the investment manager selection process.
- Staff served on ESG panels, participated in several meetings exchanging ESG ideas with other institutional investors and industry organizations.

**CHALLENGES**

- Cost and availability issues. Staff is exploring various vendors for the development of LACERS ESG database and reporting functionalities.
- Keeping up with new guidelines established by industry organizations and staying ahead of potential ESG issues.

**NEXT STEPS**

- Continue developing fossil fuel exposure reporting with MSCI.
- Continue discussions with PRI on reporting and data portal updates and to review PRI Questionnaire results for LACERS.

<b>MILESTONES</b>	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Emerging Manager Networking Forum		Complete		
Evaluation of additional third-party ESG analytical tools and resources	Ongoing	Ongoing	Ongoing	Ongoing
Development of analysis and metrics reporting from MSCI ESG Manager	Ongoing	Ongoing	Ongoing	Ongoing
Review of PRI and ESG Risk Framework Action Plans and delegation of subtasks	Complete			
Review PRI Assessment and Transparency Report			Targeted for Completion	
Review of Emerging Investment Manager Policy (to incorporate graduation/transition classification)			Targeted for Completion	
Update of Annual ESG Questionnaire for public markets managers		Complete		
PRI Reporting				TBD
Review and amend the Responsible Investing Policy				Targeted for Completion
Review and amend the Proxy Voting Policy			Targeted for Completion	




**INITIATIVE:** WORKFORCE DEI  
**DIVISION(S)/SECTION:** EXECUTIVE / HUMAN RESOURCES  
**STRATEGIC GOAL(S):** ORGANIZATION & WORKFORCE

**STATUS:** **ON-TRACK**  
**REPORT MONTHS:** JULY 2023 – DECEMBER 2023  
**LEAD(S):** VIKRAM JADHAV  
**TEAM:** LIN LIN

**BUDGET**

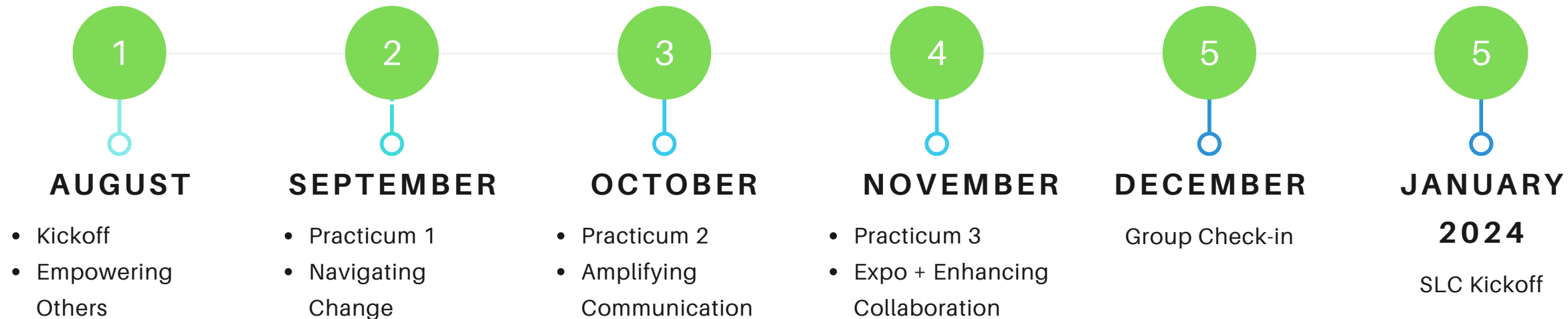
Appropriation:	\$65,000
Expense:	\$65,000
Unspent:	\$0



INITIATIVE PURPOSE: ALIGN ORGANIZATION AND STAFF ON PERFORMANCE NEEDS AND SUPPORT REQUIREMENTS TO ENABLE PROFESSIONAL GROWTH.

KEY METRICS

**2023 Senior Leaders Roadmap**



PROGRESS

- Successfully completed Phase 1 of program. Milestones included:
  - DiSC Profiles of Senior Management.
  - Completion of all sessions and modules by Senior Management.
  - Presentation of group projects on Employee Engagement initiatives by Senior Management to Executive team.

CHALLENGES

- Uncovering various blockers preventing deepened engagement from staff, inclusive of:
  - Communication Challenges.
  - Retiring senior staff.
  - Models for follow-up outside of program.

NEXT STEPS

- Senior Leadership Committee kickoff.
- Budget for Phase 2 and 3:
  - Phase 2 to target next level of leadership staff within LACERS.
  - Phase 3 to target the balance of staff .

MILESTONES

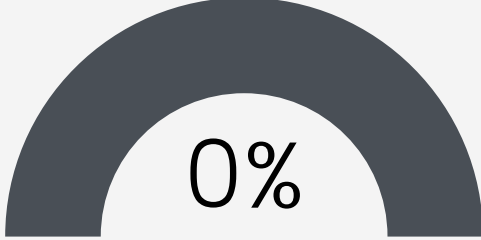
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sessions	3 sessions completed	Remaining Sessions Completed		

**INITIATIVE:** CITY HRP SYSTEM IMPLEMENTATION  
**DIVISION(S)/SECTION:** ADMIN / DATA UNIT  
**STRATEGIC GOAL(S):** ORGANIZATION EFFECTIVENESS, EFFICIENCY, AND RESILIENCY

**STATUS:** INTERVENTION NEEDED  
**REPORT MONTHS:** JULY 2023 - DECEMBER 2023  
**LEAD(S):** ANDY CHIU  
**TEAM:** LAUREN MCCALL, JASON LEUNG, THOMAS MA

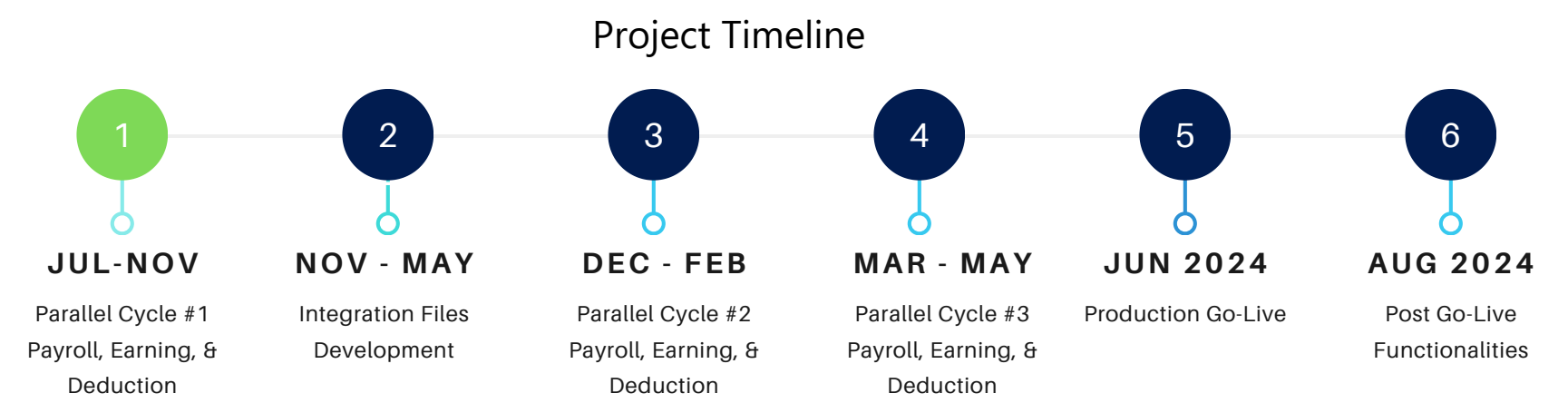
**BUDGET**

Appropriation: \$120,000  
Expense: \$0  
Unspent: \$120,000  
\*\$139k spent on PAS development to date

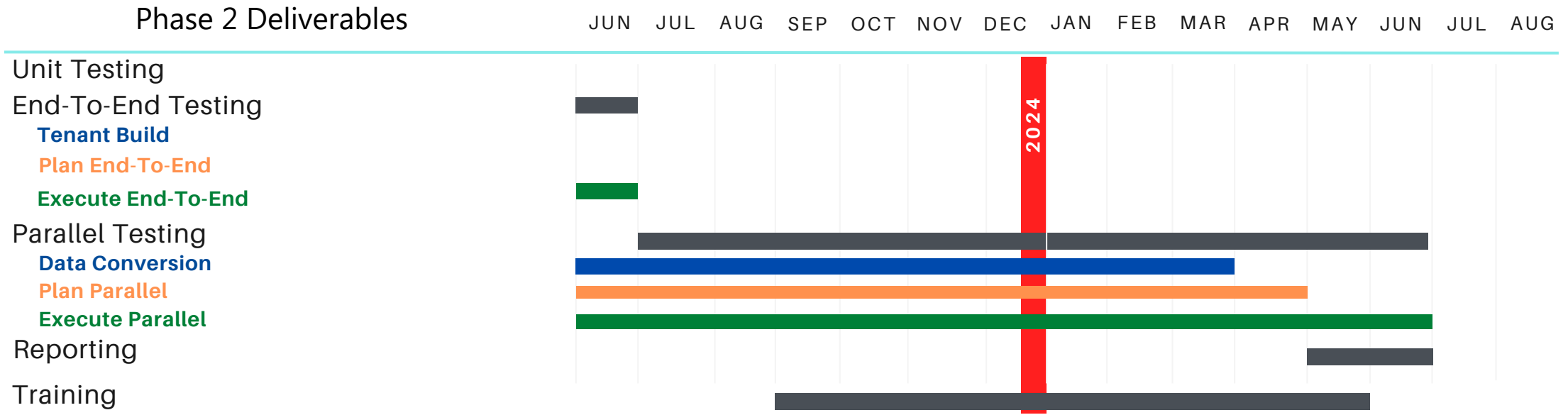


**INITIATIVE PURPOSE:** GO-LIVE OF THE HUMAN RESOURCES & PAYROLL (HRP) PLATFORM WITH DEPLOYMENT OF PAYROLL FUNCTIONALITIES, INTEGRATED WITH THE PENSION SOFTWARE.

KEY METRICS



**Phase 2 Deliverables**



**MILESTONES**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Parallel Cycle #1	Deduction Testing	Deduction Testing		
Parallel Cycle #2		Gross Salary Testing	Deduction Testing	
Integration Files		Guidebook	INT046, INT093, INT123	Deployment
Training		Pre-Training	Online Training	Staff Training

**PROGRESS**

- Guidebook.** Developed supplemental reference for INT046 design document with various scenarios and actual coding.
- Deduction Testing.** Resolved over 96% of exceptions from 30K down to 1,137, comprised of health defrayal, ERIP, death benefit, and retirement contribution.
- Integration Files.** Over 75% data mapped for INT046 transmittal file, and approximately 90% programming completed for INT123 deduction interface.

**CHALLENGES**

- Limited Resource.** Integration files are developed in-house, mostly handled by a single staff in the HRP team, resulting in slower progress and response timeliness.
- Project Planning.** Deferred project go-live, and abrupt transition from Parallel Cycle #1 to Parallel Cycle #2 without proper planning, requiring staff to complete a data load of PP1 & PP2 within a short timeframe.
- Testing & Support.** Limited activities in resolving the deduction defects, as 50 support tickets were submitted, but only 3 defects were resolved.
- Data Integrity.** Data conversion has not been completed, resulting in missing and inaccurate data, alongside deferral of test scenarios.

**NEXT STEPS**

- Resource Expansion.** Additional resources are allocated for subsequent quarters, with expectation for timely development of integration files.
- Parallel Cycle #2.** User testing transition from compensation to deductions in near term as related to PP1 & PP2.

**INITIATIVE:** CITY HRP SYSTEM IMPLEMENTATION  
**DIVISION(S)/SECTION:** ADMIN / DATA UNIT  
**STRATEGIC GOAL(S):** ORGANIZATIONAL EFFECTIVENESS, EFFICIENCY & RESILIENCY

**REPORT MONTHS:** JULY 2023 – DECEMBER 2023  
**LEAD(S):** ANDY CHIU  
**TEAM:** LAUREN MCCALL, JASON LEUNG, THOMAS MA

INITIATIVE PURPOSE: GO-LIVE OF THE HUMAN RESOURCES & PAYROLL (HRP) PLATFORM WITH DEPLOYMENT OF PAYROLL FUNCTIONALITIES, INTEGRATED WITH THE PENSION SOFTWARE.

### PROGRESS

In response to an HRP update report in October, the Board supported staff aims of seeking additional staffing resources and postponement of HRP launch date. Now, the HRP Team has deferred project go-live to June 2024. With the additional six months, LACERS shall continue working strenuously on various work streams such as parallel testing, data conversion, and integration files. Mostly, the project is going well with many recent accomplishments.

#### Guidebook

LACERS crafted a supplemental reference guide for INT046 titled, "INT046 Guidebook." The guidebook details the data maps, salary calculations, and various scenarios, alongside actual coding. The document of over thirty pages, is referenced by HRP Team, for programming the integration file.

#### Parallel Cycle #1

Parallel testers made great progress in the second quarter. Parallel Cycle #1 started with 30K exceptions, reduced to 4%, or 1,137 exceptions as the balance in the latest report on December 2023.

#### Integration Files

Integration files progressed nicely during the latter part of the calendar year. For INT046, over 75%, or 66 data have been successfully mapped from HRP. Mainly, INT046 is the lifeblood of the pension software, comprised of payroll information for active members. The HRP Team has completed over 90% of programming for INT123, which synchronizes voluntary deductions and service purchase contracts from pension software to HRP.

### CHALLENGES

LACERS faced many challenges in Parallel Cycle #1, with expectation of resolving these issues in near term, as the HRP Team intends to expand necessary resources in subsequent quarters.

#### Limited Resource.

INT046 was developed in-house and mostly handled by one ITA staff. This limited resource resulted in deficiencies with producing complex programming of various scenarios relating to salaries and adjustments.

#### Project Planning.

The transition to Parallel Cycle #2 was abrupt, providing testers limited time to react and prepare. The process lacked proper planning, requiring LACERS to quickly produce a data load of PP1 & PP2, for Parallel Cycle #2.

#### Testing & Support.

Over 50 support tickets were submitted during Parallel Cycle #1. However, only 3 tickets were reviewed and resolved, despite the great progress in reducing the number of exceptions.

#### Data Integrity.

The parallel process was met with missing and inaccurate data for various members. The integrity of data impacts parallel tests, and integration files.

### NEXT STEPS

LACERS will continue to prioritize work activities, and fulfill roles as necessary for the various work streams.

- Resource Expansion. HRP has established additional resources for development of the integration files. LACERS shall work closely with the assigned HRP engineer in development of the INT046 file. Additionally, Board has supported supplemental staffing for HRP pre and post go live support, though hiring has been delayed due to lack of adequate city hiring lists
- Parallel Cycle #2. LACERS participation in compensation review, and deduction testing for PP1 and PP2. Parallel Cycle #2 involves data load, with LACERS review of the processed pay inputs.

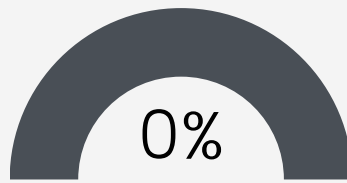
**INITIATIVE:** [NAME OF BUSINESS PLAN INITIATIVE]  
**DIVISION(S)/SECTION:** [DIVISION NAME/SECTION UNIT]  
**STRATEGIC GOAL(S):** [ASSOCIATED STRATEGIC GOAL AREAS]

COMPLETED
ON-TRACK
OFF-TRACK
INTERVENTION NEEDED

**STATUS:** **ON TRACK**  
**REPORT MONTHS:** [REPORTING MONTHS AND YEAR]  
**LEAD(S):** [FIRST AND LAST NAMES]  
**TEAM:** [FIRST AND LAST NAMES]

**BUDGET**

Appropriation:	\$40,000
Expense:	\$0
Unspent:	\$40,000



INITIATIVE PURPOSE: [BRIEF DESCRIPTION]

KEY METRICS

[Provide measurements of successful implementation]

MILESTONES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
[Milestone #1]				
[Milestone #2]				
[Milestone #3]				
[Milestone #4]				

PROGRESS

- [Part of narrative. What has been done so far during the reporting months?]

CHALLENGES

- [Part of narrative. What challenges have been encountered during the reporting months? Consider the operational or business impact and recommendation of a solution or action.]

NEXT STEPS

- [Part of narrative. What are the next steps in advancing the BPI?]



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

*Neil M. Guglielmo* for NMG

**MEETING: FEBRUARY 27, 2024**

**ITEM: III - C**

**SUBJECT: ANNUAL REPORT ON LACERS' ORGANIZATION DIVERSITY SURVEY**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this report regarding the statistical findings of the Organization Diversity Survey (ODS) data collected from investment managers responding to an investment procurement solicitation within calendar year 2023<sup>1</sup> from private market investment partners.

**Executive Summary**

LACERS has prepared the Annual Report of the Emerging Investment Manager ODS in accordance with Board Manual Article III – Board Investment Policies, Section 4.0; IX (E) and (F). The information can be used by the Board to further LACERS' research objectives.

Due to the lack of investment procurement solicitations conducted in the 2023 calendar year, this ODS report includes analysis from a smaller sample size of six respondents that includes surveys from executed contracts in 2022 that were received late in February 2023 and were not previously reported.

**Discussion**

On February 23, 2021, the Governance Committee considered and concurred with the staff's proposed revisions to the LACERS Emerging Investment Manager Policy (Policy) governing the use of the ODS. On May 25, 2021, the LACERS Board voted to amend the LACERS Emerging Investment Manager Policy to codify the use of the ODS.

In collecting the data for this report, LACERS utilized the ODS and the ODS Guidelines as adopted by the Board and set forth in Board Manual Article III – Board Investment Policies, Section 4.0; IX (E). The ODS is attached to this report as Attachment 2. The data was secured in a password-protected folder managed by Administration Division staff and access was restricted from individuals who were part of the procurement selection process for each mandate and who might have a perceived conflict of interest. In preparing the statistical data for this report, LACERS protected each firm's response to

<sup>1</sup> This report includes responses received during the 2023 Calendar Year and three additional survey responses from Calendar Year 2022 that were received late and not previously reported in the 2022 ODS Board Report.

prevent information from being disclosed to individuals who were part of the procurement selection process.

In calendar year 2023, LACERS received a total of five surveys. The data used in this report includes three additional surveys from firms contracted in 2022 that did not arrive within the calendar year and could not be incorporated in the previous annual ODS report. Of the eight surveys received, two were deemed “unusable” and not included in this report due to an incompatible ODS survey format or had been modified by the firms to include additional fields or categories. The inclusion of the atypical data categories would have produced varying data outcomes potentially skewing the results by creating inconsistent and outlying data categories year after year.

Additionally, to protect the identity of a sole Real Estate Consultant that submitted a survey response, all six surveys are reported under the Private Market Investment Management Mandate to comply with the anonymity provision as stated by Board Manual Article III – Board Investment Policies, Section 4.0; IX (E)(7).

In summary, the number of surveys reflected in the data are as follows:

<b>Private Market Investment Manager Mandate Surveys</b>	<b>Count</b>
Previously unreported Calendar Year 2022 survey responses	3
Survey responses received in Calendar Year 2023	5
- Omitted survey responses due to incompatible survey responses	-2 <sup>2</sup>
<b>Total</b>	<b>6</b>

The pool of ODS respondents was limited for Calendar Year 2023 as no Request for Proposals or other solicitations were made during this year. Additionally, the completion of these surveys is optional for investment managers.

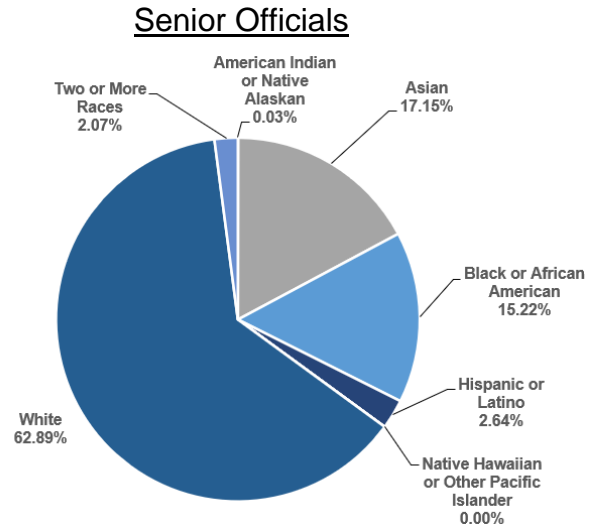
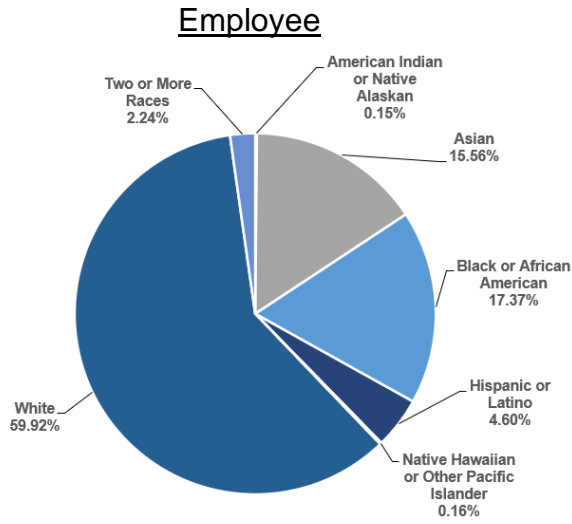
The following graphs represent the data collected for the average<sup>3</sup> ethnic and gender diversity of their employees, executives, and ownership.

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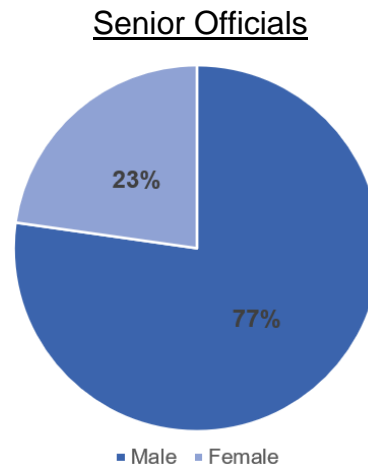
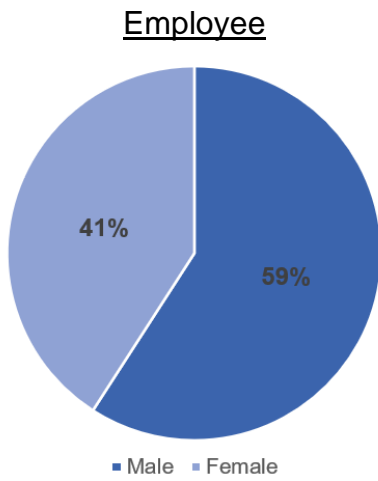
<sup>2</sup> Two non-ODS survey responses were received but they were excluded from this data as they did not contain the same categories.

<sup>3</sup> Average was calculated by calculating each manager’s percent of each DEI category (i.e. Ethnicity, Gender). Thereafter, the percents for an individual subcategory were added up and divided by the number of surveys received. For example, LACERS would calculate ethnic composition percentages for Firm A. Thereafter, LACERS added up the percentage of Hispanic/Latino employees for Firms A, B, C, D, and E. The sum of this percentage would then be divided by five as there are five firms that responded (for the purposes of this example). The result would be the average used for the graphs.

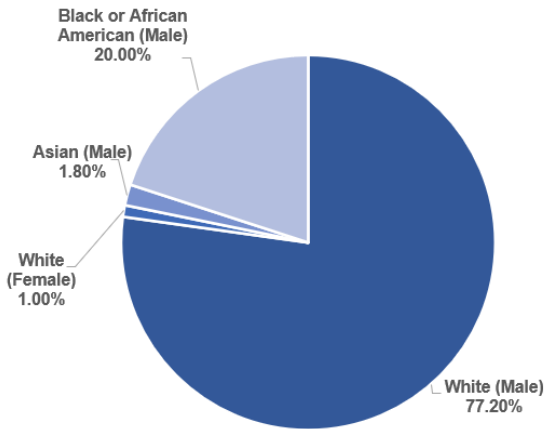
## Average Ethnic Diversity (6 Surveys)



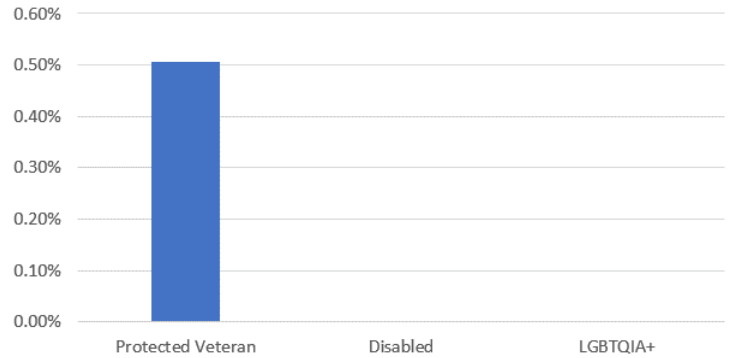
## Average Gender Diversity (6 Surveys)



### Average Ownership Diversity (5 Surveys)



### Average Number of Employees With Veteran/Disability/LGBTQIA+ Status (6 Surveys)



### DEI Recruitment Programs/Strategy

In terms of the data collected from the surveys for all mandates specific to written DEI programs, most of the firms responded as having established a formal DEI policy or highlighted efforts to incorporate DEI initiatives. These included practices such as the creation of a DEI board or committee, establishing partnerships with DEI organizations and professional networks, convening forums to identify DEI challenges, and contracting with employment agencies that specialize in DEI-focused recruitment.

### Strategic Plan Impact Statement

The provision of the Annual Report of the Emerging Investment Manager ODS aligns with the Strategic Plan Goals to optimize long-term risk-adjusted investment returns (Goal IV), to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V), and to maximize organizational effectiveness and efficiency (Goal VI).

Prepared By: Horacio Arroyo, Senior Management Analyst II

NMG/TB/RJ/EA:ha

- Attachments: 1. Organization Diversity Guidelines  
2. Organization Diversity Survey



**Section 4 EMERGING INVESTMENT MANAGER POLICY**

documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.

- d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's capital.\*
- g) Minimum Fund Size: The Fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.\*
- h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower. LACERS' commitment in the strategy for second- and third-time institutional funds shall not exceed 20% of the projected final fund closing size or \$40 million, whichever is lower.

*\*Excludes co-investments or sidecar investments.*

**D. Provisions for Post-Emerging Firms****1. Public Markets**

LACERS expects that successful emerging investment management firms will grow beyond the maximum \$2 billion in assets under management. An emerging investment manager firm under contract to LACERS that successfully grows its assets under management and meets the minimum investment manager search criteria may be considered for a larger-sized mandate subject to (at minimum) meeting the Manager Search and Selection Criteria provided in the LACERS Manager Search and Selection Policy (Section VII of this document).

**2. Private Markets**

LACERS expects that successful emerging investment management firms will grow beyond raising first-, second-, and third-time partnership funds. Opportunities for participating in subsequent funds may be considered provided that the strategy meets the criteria of LACERS' Private Equity Investment Policy, Private Real Estate Investment Policy, Credit Opportunities Strategy Statement, or another asset class policy unique to a respective private markets mandate.

**E. Research, Education and Outreach**

The Board believes that research and education are essential components of formulating approaches and developing outreach programs to reach the broadest number of qualified investment managers to participate in LACERS investment manager searches.

#### Section 4 EMERGING INVESTMENT MANAGER POLICY

To achieve this end, the Board may direct Staff to conduct research to include (but not limited to) the issuance of surveys and questionnaires, attendance at educational conferences and academically-sponsored events, and participation in discussions with industry experts and peer organizations.

The Board has identified the use of LACERS' Organization Diversity Survey (ODS) as one particular tool that can be useful in the gathering information to further LACERS' research objectives. The ODS is attached to this policy as Exhibit 1. In conducting research using the ODS, LACERS Board and Staff will adhere to the ODS Guidelines set forth below:

1. Request in an investment procurement solicitation that each participating firm complete and submit an ODS prior to the RFP submission deadline; and for private market investments, request on a best efforts basis that each general partner complete and submit an ODS prior to, or within a reasonable period following, LACERS' participation in its fund closing;
2. Direct each firm to return the completed ODS to an email address under the Administrative Services Division (ASD) of LACERS (or other designated division or unit outside the Investment Division);
3. Ensure that each ODS remains in a secured and password-protected folder known only to designated ASD staff and that an appropriate firewall be maintained to control access;
4. Examine collected ODS's once all contracts within a specific mandate have been executed;
5. Authorize the General Manager or designee to assign particular LACERS staff to review ODS's and conduct analyses of collected data once all contracts within a specific mandate have been executed;
6. Limit access to the ODS to particular individuals (Board members, General Manager, Chief Investment Officer, and other such staff as determined by the General Manager) who are part of a mandate's procurement selection process so as to avoid real or perceived conflicts of interest;
7. Protect the identity of each firm's ODS to those individuals named in ODS Guideline #6 and from public disclosure;
8. Report statistical findings of ODS's collected data within the last calendar year as part of the Annual Report of the Emerging Investment Managers reporting requirement under Section F.7 of this Policy or more frequently as directed by the Board or General Manager.

#### **F. Reporting**

Staff will report to the Board on the status of Emerging Investment Managers hired and retained on an annual calendar year basis. The annual report will include:

1. Names of Emerging Investment Manager firms hired during the calendar year.
2. Dollar amounts awarded to Emerging Managers.

**Section 4 EMERGING INVESTMENT MANAGER POLICY**

3. Report of Emerging Investment Manager Goals Metrics pursuant to Section IX.B of this Policy.
4. List of all investment manager searches.
5. Staff and consultant efforts to increase the visibility of LACERS Emerging Investment Manager searches and Emerging Investment Manager representation within the total Fund portfolio.
6. Individual manager performance.
7. General trends and statistical findings of collected ODS's of the previous calendar year and other appropriate time periods.

**Section 4 EMERGING INVESTMENT MANAGER POLICY – EXHIBIT 1**

**Los Angeles City Employees' Retirement System  
 Organization Diversity Survey (ODS)**

The ODS is used for statistical purposes and is separate and apart from the RFP selection process. The surveys are opened and examined by LACERS staff only after the contract(s) is(are) awarded for the mandate. Please refer to the LACERS Emerging Investment Manager Policy, Section E, for more information on the use of the ODS.

**Organization Information**

Firm Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Base of Operations (City/State/Country): \_\_\_\_\_  
 This completed ODS is connected with the following RFP search (if applicable): \_\_\_\_\_  
 Firm AUM in \$000,000: \_\_\_\_\_

As of Date: \_\_\_\_\_

**Organization Workforce Composition**

Total Number of Firm Employees: \_\_\_\_\_  
 Number of U.S.-Based Employees: \_\_\_\_\_

**Instructions:** Provide employee count under the applicable Race/Ethnicity and Gender (columns) and under the applicable workforce category (rows). Grand total should equal total number of firm employees. For Veteran Status, Disability Status and LGBTQIA+ Status, provide employee count as classifiable under these statuses and under the applicable workforce category.

	American Indian or Native Alaskan		Asian		Black or African American		Hispanic or Latino		Native Hawaiian or Other Pacific Islander		White		Two or More Races		TOTAL		Veteran Status	Disability Status	LGBTQIA+ Status	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Protected Veteran	Disabled	LGBTQIA+	
Exec / Sr Officials & Managers															0	0				
Investment Professionals															0	0				
<b>SUBTOTAL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Professionals - Operations, Compliance, etc.															0	0				
Professional - Sales / Marketing & Client Services															0	0				
Administrative Support, Office/Clerical															0	0				
Other Non-Professionals															0	0				
<b>SUBTOTAL</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>TOTALS</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	0		0		0		0		0		0		0		0					
	0																			

**Section 4 EMERGING INVESTMENT MANAGER POLICY – EXHIBIT 1**

**Board of Directors Composition**

Number of Directors on the Firm's Board of Directors: \_\_\_\_\_

**Instructions:** Provide Board Director count under the applicable Race/Ethnicity and Gender (columns). Grand total should equal total number of Directors on the Board of Directors. For Veteran Status, Disability Status and LGBTQIA+ Status, provide Director count as classifiable under these statuses.

	American Indian or Native Alaskan		Asian		Black or African American		Hispanic or Latino		Native Hawaiian or Other Pacific Islander		White		Two or More Races		TOTAL		Veteran Status	Disability Status	LGBTQIA+ Status
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Protected Veteran	Disabled	LGBTQIA+
<b>Board Members</b>															0	0			
<b>TOTALS</b>	0		0		0		0		0		0		0		0				

**American Indian or Native Alaskan** A person having origins in any of the original peoples of North and South America (including Central America), and who maintain tribal affiliation or community attachment.  
**Asian** A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian Subcontinent, including, but not limited to, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand and Vietnam.  
**Black or African American** A person having origins in any of the black racial groups of Africa.  
**Hispanic or Latino** A person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race.  
**Native Hawaiian or Other Pacific Islander** A person having origins in any of the peoples of Hawaii, Guam, Samoa or other Pacific Islands.  
**White** A person having origins in any of the original peoples of Europe, the Middle East or North Africa.

**Firm Ownership**

Percentage of Firm Owned by Employees: \_\_\_\_\_

**Instructions:** Provide percentage of employee ownership under the applicable Race/Ethnicity and Gender. Grand total should equal percentage of firm owned by employees. For Veteran Status, Disability Status and LGBTQIA+ Status, provide percentage of ownership of employees as classifiable under these statuses.

	American Indian or Native Alaskan		Asian		Black or African American		Hispanic or Latino		Native Hawaiian or Other Pacific Islander		White		Two or More Races		TOTAL		Veteran Status	Disability Status	LGBTQIA+ Status
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Protected Veteran	Disabled	LGBTQIA+
<b>Employee Ownership (Percentage)</b>															0.00%	0.00%			
<b>TOTALS</b>	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%				

**Section 4 EMERGING INVESTMENT MANAGER POLICY – EXHIBIT 1**

**Questionnaire**

**Is the firm majority-owned by women, racial or ethnic minorities, or other underrepresented groups? Please identify ownership composition in the space below.**

Response:

**Does the firm focus recruitment of women, racial or ethnic minorities, or other underrepresented populations particularly for senior-level positions? Please discuss successes and/or challenges in the space below.**

Response:

**Does the firm have a written Diversity and Inclusion Recruiting Program/Strategy? (i.e. outreach, hiring, mentoring and/or scholarship programs designed to create a pipeline of minority and women professional talent to the firm or promotion of such groups to senior-level positions within the firm). If Yes, please list initiatives or actions carried out by the firm under this program/strategy in the space below.**

Response:

**Please provide any additional explanation to the completion of the ODS and/or the aforementioned questions in the space below.**

Response:

**Contact Information**

Completed by: \_\_\_\_\_

Position/Title: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Date Completed: \_\_\_\_\_

MINUTES OF THE REGULAR MEETING  
**BOARD OF ADMINISTRATION**  
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

January 23, 2024

10:00 a.m.

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PRESENT:	Vice President:	Sung Won Sohn
	Commissioners:	Thuy Huynh Elizabeth Lee Gaylord "Rusty" Roten Janna Sidley Michael R. Wilkinson
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
Absent:	President:	Annie Chao

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*The Items in the Minutes are numbered to correspond with the Agenda.*

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Vice President Sohn asked if any persons wanted to make a general public comment to which there were eight public comment cards received. Samuel Portillo, member of the public, shared his experience and issues in making a medical reimbursement inquiry. The following members of the public made public comments with respect to LACERS investment in Advent International and in support of restaurant/hotel workers: Jordan Fein, Evelyn Rodriguez, Cecilia Alvarado, Mayra Velasquez, Eddie Diaz, Kevin Noble, and Robin Lynch.

II

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- Discretionary COLA Update
  - LACERS Employees Parking and Commute Options Update
  - Abstentions Council File status

- Benefit Operations Update
- Actuarial Program Update
- Departmental Budget Update
- Human Resources Payroll System Project Update
- Headquarters Update

B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board of the following items:

- Board meetings in February 2024: COLA, Organizational Diversity Survey, NEPC key person change and process
- Benefits Administration Committee meeting in February: Board Rules update

### III

#### RECEIVE AND FILE ITEMS

- A. MONTHLY REPORT ON SEMINARS AND CONFERENCES NOVEMBER AND DECEMBER 2023 – This report was received by the Board and filed.
- B. ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND POPULAR ANNUAL FINANCIAL REPORT (PAFR) FOR FISCAL YEAR ENDED JUNE 30, 2023 – This report was received by the Board and filed.

### IV

#### COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE VERBAL FOR THE MEETING ON JANUARY 9, 2024 – Commissioner Lee stated that the Committee approved the contract with Garcia Hamilton & Associates, L.P. and the contract with Income Research & Management. She also shared that the Committee tabled the item on the Investment Program Governance and Review Processes.

### V

Commissioner Sidley moved approval of Consent Agenda Items V-A and V-B, seconded by Commissioner Lee, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.

#### CONSENT ITEM(S)

- A. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF LATONYA DAWSON AND POSSIBLE BOARD ACTION

#### **APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR LATONYA DAWSON**

#### **RESOLUTION 240123-A**

WHEREAS, the General Manager presented certain medical reports and other evidence, and reported that the application filed was in regular and proper form;



WHEREAS, Physicians 1, 2, and 3 examined and concluded LaTonya Dawson is unable to perform her usual and customary duties as a Security Officer with the City of Los Angeles;

WHEREAS, after some discussion and consideration of the evidence received, it was the finding and determination of this Board that LaTonya Dawson is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing her duties as a Security Officer;

WHEREAS, an investigation of the employment record established the age, final compensation, and period of continuous service in accordance with the Los Angeles Administrative Code, and such disability is not the result of the Applicant's intemperance or willful misconduct; and,

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for LaTonya Dawson based upon her claimed disabling condition.

B. APPROVAL OF DISABILITY RETIREMENT APPLICATION OF MICHAEL WARD POSSIBLE BOARD ACTION

**APPROVAL OF DISABILITY RETIREMENT BENEFIT  
FOR MICHAEL WARD**

**RESOLUTION 240123-B**

WHEREAS, the General Manager presented certain medical reports and other evidence, and reported that the application filed was in regular and proper form;

WHEREAS, Physicians 1, 2, and 3 examined and concluded Michael Ward is unable to perform his usual and customary duties as a Polygraph Examiner with the City of Los Angeles;

WHEREAS, after some discussion and consideration of the evidence received, it was the finding and determination of this Board that Michael Ward is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing his duties as a Polygraph Examiner;

WHEREAS, an investigation of the employment record established the age, final compensation, and period of continuous service in accordance with the Los Angeles Administrative Code, and such disability is not the result of the Applicant's intemperance or willful misconduct; and,

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for Michael Ward based upon his claimed disabling condition.

VI

BOARD/DEPARTMENT ADMINISTRATION

A. TRIENNIAL BOARD POLICY REVIEW: ARTICLE II, SECTION 1.2 BOARD EDUCATION AND TRAVEL POLICY AND POSSIBLE BOARD ACTION. John Koontz, Sr. Management Analyst I, presented this item to the Board. After a 30-minute discussion, the Board provided the following direction:

- 1- Commissioner Sidley moved to leave the international travel policy as written, seconded by Commissioner Sohn, and adopted by the following vote: Ayes, Commissioners Huynh, Roten, Sidley, and Vice President Sohn -4; Nays, Commissioners Lee and Wilkinson -2.
- 2- Commissioner Sidley moved to keep the current budget of \$10,000 per Commissioner per fiscal year, seconded by Vice President Sohn, and adopted by the following vote: Ayes, Commissioners, Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.
- 3- Commissioner Sidley moved to approve the new process in adding items to the Pre-Approved list of Seminars, seconded by Wilkinson, and adopted by the following vote: Ayes, Commissioners, Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.
- 4- Commissioner Sidley moved to rescind the Wharton School's exemption from the \$10,000 limit per Commissioner, seconded by Commissioner Lee, and adopted by the following vote: Ayes, Commissioners Lee, Sidley, Wilkinson, and Vice President Sohn -4; Nays, Commissioners Huynh and Roten -2.

## VII

### INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Rod June, Chief Investment Officer, reported on the portfolio value of \$22.62 billion as of January 22, 2024. Rod June discussed the following items:
  - Unaudited Return 1 Year ending Dec 31, 2023 + 11.49
  - Russia Exposure - \$688K, 0.3 bps
  - China Exposure - \$203 million, 90 bps; China Tech Only, \$21.6 million, 10 bps,
  - Israel Exposure - \$140.6 million, 63 bps
  - Future Board Item – Introduction to Asset Allocation and Capital Market Assumptions
- B. APPROVAL OF 3-YEAR CONTRACT WITH GARCIA HAMILTON & ASSOCIATES, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Board for 5 minutes. Commissioner Lee moved approval of the following Resolution:

**CONTRACT RENEWAL  
GARCIA HAMILTON & ASSOCIATES, L.P.  
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

**RESOLUTION 240123-C**

WHEREAS, LACERS' current three-year contract with Garcia Hamilton & Associates, L.P. (GHA) for active core fixed income portfolio management expires on April 30, 2024; and,

WHEREAS, GHA is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with GHA will allow the LACERS total portfolio to maintain a diversified exposure to the active core fixed income market; and,

WHEREAS, on January 23, 2024, the Board approved the Investment Committee’s recommendation to approve a three-year contract renewal with GHA.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Garcia Hamilton & Associates, L.P.
<u>Service Provided:</u>	Active Core Fixed Income Portfolio Management
<u>Effective Dates:</u>	May 1, 2024 through April 30, 2027
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Bloomberg U.S. Aggregate Bond Index
<u>Allocation as of December 31, 2023:</u>	\$376 million

Which motion was seconded by Commissioner Roten, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.

C. APPROVAL OF 3-YEAR CONTRACT WITH INCOME RESEARCH AND MANAGEMENT REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Board for 3 minutes. Commssioner Lee moved approval of the following Resolution:

**CONTRACT RENEWAL  
INCOME RESEARCH & MANAGEMENT  
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT**

**RESOLUTION 240123-D**

WHEREAS, LACERS’ current three-year contract with Income Research & Management (IRM) for active core fixed income portfolio management expires on April 30, 2024; and,

WHEREAS, IRM is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with IRM will allow the LACERS total portfolio to maintain a diversified exposure to the active core fixed income market; and,

WHEREAS, on January 23, 2024, the Board approved the Investment Committee’s recommendation to approve a three-year contract renewal with IRM.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

Company Name: Income Research & Management  
Service Provided: Active Core Fixed Income Portfolio Management  
Effective Dates: May 1, 2024 through April 30, 2027  
Duration: Three years  
Benchmark: Bloomberg U.S. Aggregate Bond Index  
Allocation as of  
December 31, 2023: \$452 million

Which motion was seconded by Commissioner Roten, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, and Vice President Sohn -6; Nays, None.

D. PRESENTATION BY NEPC, LLC ON ACTIVE VERSUS PASSIVE INVESTMENT MANAGEMENT – Carolyn Smith, Partner, with NEPC, LLC, presented and discussed this item with the Board for 40 minutes.

VIII

OTHER BUSINESS – There was no other business.

IX

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, February 13, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

X

ADJOURNMENT – There being no further business before the Board, Vice President Sohn adjourned the Meeting at 12:13 p.m.

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Sung Won Sohn  
Vice President

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Neil M. Guglielmo  
Manager-Secretary



REPORT TO BOARD OF ADMINISTRATION  
From: Ferralyn Sneed, Chief Benefits Analyst

MEETING: FEBRUARY 27, 2024  
ITEM: V - B

SUBJECT: APPROVAL OF DISABILITY RETIREMENT APPLICATION FOR KIM TATARSKY AND POSSIBLE BOARD ACTION

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That, pursuant to Los Angeles Administrative Code § 4.1008(b), the Board approves the disability retirement application for Kim Tatarsky based on her claimed disabling condition and the supporting medical evidence contained in the administrative record, which includes reports by three licensed, practicing physicians.

**Background**

Kim Tatarsky (Applicant) is a Custodian at the Department of General Services, with 12.19530 years of City Service. The Applicant applied for disability retirement on December 27, 2022, 25 months outside of the normal filing period. The application was accepted due to the Applicant's open Workers' Compensation claim with the City of Los Angeles.

The Applicant's last day on active payroll was November 26, 2019. If approved, the Applicant's retirement effective date will be November 27, 2019.

**Accommodation**

Because Physicians 1 and 2 opined the Applicant is disabled with no form of accommodation that would allow the Applicant to return to work, no inquiries were made with the employing department.

**Fiscal Impact**

Upon approval, the Applicant would receive a disability retirement allowance of approximately \$1,371.00 per month, and a retroactive payment covering 52 months period of approximately \$71,315.00.

Prepared By: Carol Rembert, Benefits Analyst, Retirement Services Division  
Lady Y. Smith, Sr. Benefits Analyst I, Retirement Services Division

FS:LYS:cr

Attachments: Proposed Resolution

**APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR KIM TATARSKY**

**PROPOSED RESOLUTION**

WHEREAS, the General Manager presented certain medical reports and other evidence, and reported that the application filed was in regular and proper form;

WHEREAS, Physicians 1, 2, and 3 examined and concluded Kim Tatarsky is unable to perform her usual and customary duties as a Custodian with the City of Los Angeles;

WHEREAS, after some discussion and consideration of the evidence received, it was the finding and determination of this Board that Kim Tatarsky is incapacitated pursuant to the definition in Los Angeles Administrative Code § 4.1008(b) and not capable of performing her duties as a Custodian;

WHEREAS, an investigation of the employment record established the age, final compensation, and period of continuous service in accordance with the Los Angeles Administrative Code, and such disability is not the result of the applicant's intemperance or willful misconduct; and,

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the disability retirement benefit for Kim Tatarsky based on her claimed disabling condition.



**REPORT TO BOARD OF ADMINISTRATION**

**From: Benefits Administration Committee**

Michael R. Wilkinson, Chair  
Thuy Huynh  
Sung Won Sohn

**MEETING: FEBRUARY 27, 2024**

**ITEM: VI-A**

**SUBJECT: 2024 LACERS WELL UPDATE, WORKPLAN, BUDGET, WELLNESS FUNDS POLICY, AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board approve the following:

1. Proposed 2024 Wellness Budget;
2. Proposed Wellness Funds Policy; and
3. Delegate authority to the General Manager or designee to make adjustments to the 2024 Wellness Budget including transfers between Wellness budget accounts.

**Executive Summary**

The mission of the LACERS Wellness Program, LACERS *Well*, is to enhance the quality of life and retirement for LACERS Members by providing resources and activities that promote optimal health and wellness. Since implementation in 2012, this innovative retiree wellness initiative strived to engage LACERS Retired Members in managing lifestyle-related health risks through informational seminars, workshops, and activities. Today's LACERS *Well* promotes five pillars of the program: purpose, health, financial wellness, social engagement, and community, and is augmented with a network of LACERS *Well* Champions, including Retired Members who voluntarily lead various types of activities for other LACERS Members in their communities or assist at various LACERS *Well* events. Ultimately, the goal of the program is to help retired Members better manage their health, so they are able to have a more fulfilling retirement, while minimizing long-term healthcare costs.

**Discussion**

At the February 27, 2024 Benefits Administration Committee meeting preceding the Board meeting, the LACERS *Well* staff presented the 2024 LACERS *Well* update and workplan along with recommendations regarding the proposed Wellness Funds Policy and 2024 Wellness Budget as described in the attached Committee report (Attachment 1). Should the Committee approve staff's

recommendation, this report on the proposed 2024 LACERS *Well* Budget, LACERS *Well* Policy, and General Manager delegated authority will move forward to the Board for approval.

As presented in the Benefits Administration Committee report, LACERS *Well* provides programs to Retired Members throughout the year that are funded annually by the health plan carriers. The proposed policy objective is to provide guidance on the reporting and usage of funds for expenses related to wellness. The Calendar Year 2024 LACERS *Well* Budget establishes the use of these funds in accordance with the proposed Wellness Funds Policy.

Occasionally, program offerings and expenses are subject to change after the adoption of the budget. In order to meet the priorities of LACERS *Well* in the most efficient and timely manner, staff recommends the Board delegate authority to the General Manager to make adjustments to the 2024 Wellness Budget including transfers between Wellness budget accounts.

### **Strategic Plan Impact Statement**

The LACERS *Well* program supports the LACERS Strategic Plan Goal of improving value and minimizing costs of our Health and Wellness Program by educating Members about and encouraging use of resources available through the health insurance carriers and communities.

Prepared By: Kristal Baldwin, Benefits Analyst, Health, Wellness and Buyback Division

NMG/DWN/KF/kb

Attachments: 1. February 27, 2024 Benefits Administration Committee Report  
2. Proposed 2024 Wellness Budget  
3. Proposed Wellness Funds Policy  
4. Proposed Board Resolution





**REPORT TO BENEFITS ADMINISTRATION COMMITTEE MEETING: FEBRUARY 27, 2024**  
**From: Neil M. Guglielmo, General Manager** **ITEM: III**

*Neil M. Guglielmo*

**SUBJECT: 2024 LACERS WELL UPDATE, WORKPLAN, BUDGET, WELLNESS FUNDS POLICY, AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee forward a recommendation to the Board to approve the following:

1. Proposed 2024 Wellness Budget;
2. Proposed Wellness Funds Policy; and
3. Delegate authority to the General Manager or designee to make adjustments to the 2024 Wellness Budget including transfers between Wellness budget accounts.

**Executive Summary**

The mission of the LACERS Wellness Program, LACERS *Well*, is to enhance the quality of life and retirement for LACERS Members by providing resources and activities that promote optimal health and wellness. Since implementation in 2012, this innovative retiree wellness initiative strived to engage LACERS Retired Members in managing lifestyle-related health risks through informational seminars, workshops, and activities. Today's LACERS *Well* promotes five pillars of the program: purpose, health, financial wellness, social engagement, and community, and is augmented with a network of LACERS *Well* Champions, including Retired Members who voluntarily lead various types of activities for other LACERS Members in their communities or assist at various LACERS *Well* events. Ultimately, the goal of the program is to help retired Members better manage their health, so they are able to have a more fulfilling retirement, while minimizing long-term healthcare costs.

**Discussion**

Funding for the LACERS *Well* program is provided by LACERS health insurance carriers. The program seeks to enhance the overall health, well-being, and quality of life for LACERS Members through the participation in our wellness program.

In 2023, LACERS *Well* achieved the following:

- Facilitated eight (8) in-person workshops/events
- 3,846 Members participated in LACERS *Well*/Champion activities

- 6,174 Member interaction touchpoints took place via email inquiry, phone calls, mailers, social media, and carrier surveys
- Arranged and assisted in three Open Enrollment in-person events with the Health Unit
- 21 Champion volunteers facilitated activities
- Established six (6) non-profit and senior agency partnerships
- Hosted the 2023 Carrier Summit on October 30, 2023

In 2024, LACERS *Well* desires to achieve the following:

- Increase program participation to 4,500
- Increase webinars/classes to 100
- Facilitate 12 in-person workshops/events
- Recruit 30 new Champion volunteers to the program
- Establish seven (7) new non-profit or senior agency partnerships

### ***Proposed Strategic Plan Initiatives***

LACERS *Well* is exploring other opportunities that extend outreach and augments the current offerings, and increases the value of LACERS *Well* to our Members. Further, in order for LACERS' benefits staff to be supported in administering retirement and health benefits, the Wellness Program is exploring training opportunities offered by various non-profits that specialize in senior plan offerings. Thus, the Wellness Program is proposing two initiatives, as part of LACERS Strategic Plan. The objective of the proposed strategic plan initiatives is to focus on building collaborations with the health plan carriers, non-profit organizations, and other agencies to expand wellness services and activities for the prevention and management of Member's chronic conditions, educating Members on ways to maintain their health, and informing them about their health plan programs and benefits. More information will be provided in the future, as the Strategic Plan process is under way.

### ***2024 Wellness Workplan***

For calendar year 2024, LACERS *Well*'s workplan includes continuing the in-person and virtual offerings of the previous year and adding additional new programming. LACERS *Well* will continue to provide technology classes, exercise classes, brain health classes, and various Champion programs throughout the year. Some of the new programs offered in 2024 include: summer dance classes; lunch and learn meetings with the health plan carriers; and fitness center events. The focus of LACERS *Well* for this year is to gradually enhance programming and Member participation.

### ***Wellness Budget Proposal***

From 2012 to 2024, the Wellness Initiative was funded by contributions from the carriers for Open Enrollment and Wellness activities, at the discretion of LACERS. In 2024, the health plan carriers provided a total amount of \$388,500 for the program, bringing the total account balance to \$1,117,814.37 as of December 31, 2023.

A budget of \$388,500 is proposed, based on carrier committed amounts, to fund the activities of the 2024 Wellness workplan. The proposed budget is a 39% increase over last year's budget. The actual

expenditures for 2023 were \$240,310.66. The Board's review and approval of the proposed Wellness budget provides transparency and improved control over the use of the Wellness funds.

### ***Wellness Funds Policy***

The proposed policy establishes the purpose of the Wellness Funds and provides guidance on the reporting and usage of funds for expenses related to wellness. Annually, a proposed budget to support the annual workplan will be submitted to the Board for consideration.

### **Strategic Plan Impact Statement**

The LACERS *Well* program supports the LACERS Strategic Plan Goal of improving value and minimizing costs of our Health and Wellness Program by educating Members about and encouraging use of resources available through the health insurance carriers and communities.

Prepared By: Kristal Baldwin, Benefits Analyst, Health, Wellness and Buyback Division

NMG/DWN/KF/kb

Attachments: 1. 2024 LACERS *Well* Update, Workplan, Budget & Policy Presentation  
2. Proposed 2024 Wellness Budget  
3. Proposed Wellness Funds Policy  
4. Proposed Board Resolution



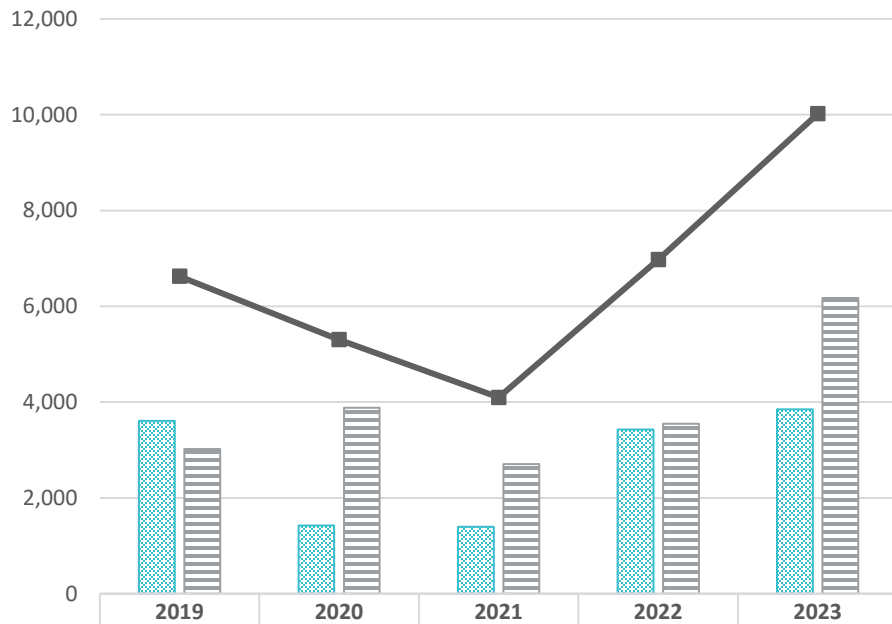
LACERS WELL

# 2024 LACERS Well Update, Workplan, Budget, Policy



# 2023 Wellness Program Accomplishments & 2024 Plans

Wellness Participation and Touchpoints



	2019	2020	2021	2022	2023
Wellness Program Member Participation	3,605	1,422	1,394	3,427	3,846
Wellness Interaction "Touchpoints"	3,021	3,880	2,703	3,545	6,174
Totals	6,626	5,302	4,097	6,972	10,020



## 2023 Accomplishments

- Return of in-person LACERS Well activities and events
- 3,846 Member Participation + 6,174 Interaction Touchpoints
- Arranged and assisted in the three 2024 Open Enrollment in-person meetings with Health Advocacy
- Planned and hosted the 2023 Carrier Summit on Oct. 30, 2023



## 2024 Plans

- Expand in-person LACERS Well event portfolio
- Health Management Initiative
- Non-Profit Organization Outreach Initiative

# LACERS Well In-Person & Virtual Events

**2024 Wellness Theme: Move, Learn, and Grow Together**

## In-Person

- LACERS Workshops
- 5k Hike-Walk-Run
- Community Health Fairs
- Fitness Center Events
- Lunch & Learn Meetings
- Summer Dance Series

## Virtual/Online

- Technology Class
- Brain Health Class
- Fitness Class
- new*
- Aging Well Class
- Kaiser Wellbeing Webinars
- Mental Wellness Webinars
- Anthem Benefit Webinars

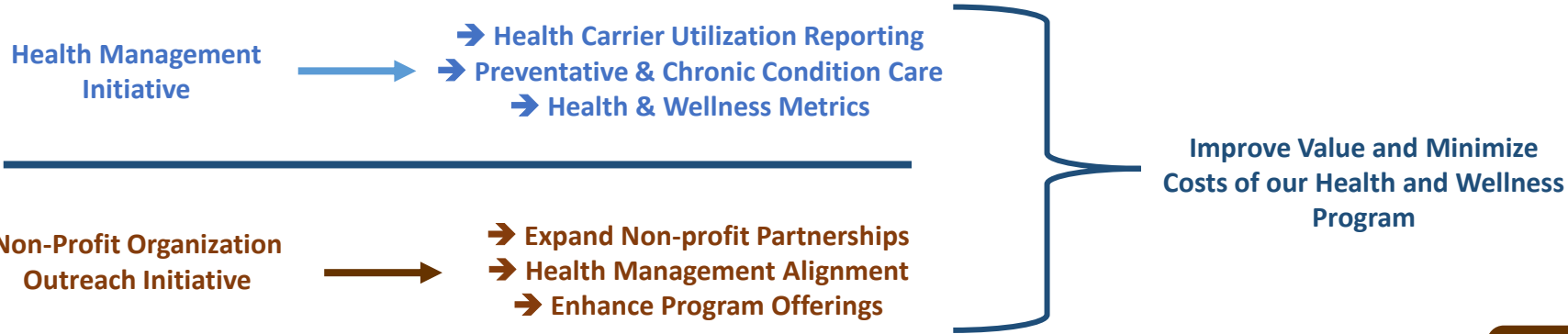
### Purposeful Living Campaign

The LACERS Well wellness program’s mission is to enhance the quality of life and retirement for Members by providing resources and activities that promote optimal health and wellness. The wellness program continues to promote Purposeful Living based on five essential elements of overall well-being: Purpose, Health, Financial Wellness, Social Engagement, and Community.

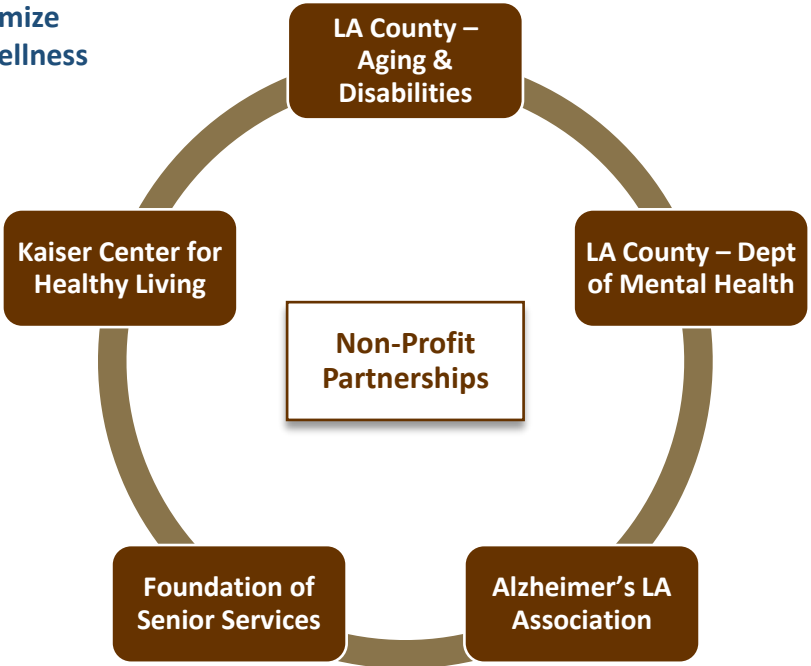


# Proposed Strategic Plan Initiatives Fiscal Year 2024

Focus on preventing and managing diabetes, hypertension, and depression



Anthem Blue Cross	Kaiser Permanente	UnitedHealthcare	SCAN Health Plan
<ul style="list-style-type: none"> <li>Silver Sneakers Fitness Program</li> <li>Educational Marketing Plan &amp; Webinars</li> </ul>	<ul style="list-style-type: none"> <li>Healthy Balance, a CDC certified Diabetes Prevention Program</li> <li>Wellbeing Webinars on Healthy Eating and Managing Weight</li> </ul>	<ul style="list-style-type: none"> <li>Let's Move Program</li> </ul>	<ul style="list-style-type: none"> <li>In-house Medical Directors/Physicians for Webinars</li> </ul>



# Wellness Strategic Plan Initiative Support

## Objective

Collaborate with health plan carriers, non-profit organizations, and other agencies to expand wellness services and activities for preventing and managing Member's chronic conditions, educating Members on ways to maintain their health, and informing them about their health plan programs and benefits.

## Benefits

- Align resources to scale programming
- Support Member education, assistance and participation
- Integrate health management in wellness programming

## Next Steps

- Identify health carrier & non-profit resources & reporting
- Define metrics for reporting and enhance existing dashboard

## Team Leader

- Stephanie Smith, LACERS

## HWABD Management Support

- Karen Freire, LACERS
- James Kawashima, LACERS

## Executive Sponsor

Dale Wong-Nguyen

## Support

- LACERS Wellness Team
- Keenan and Associates
- Health Plan Carriers
- Non-Profit Organizations





# Wellness Program Results & Goals



## 2023 Results

- 3846 Program Participants
- 86 Webinars/Classes
- 8 In-Person Workshops/Events
- 21 Champion Volunteers
- 6 Non-profit or Senior Agency Partnerships

## 2024 Goals

- 4500 Program Participants
- 100 Webinars/Classes
- 12 In-Person Workshops/Events
- 30 Champion Volunteers
- 7 Non-profit or Senior Agency Partnerships

**Note:** The Wellness Program seeks to help minimize health care costs, in addition to addressing challenges with aging through the health care management and non-profit strategic initiatives in collaboration with local agency support from LACDMH, LACAD, ALZLA, etc.



# 2024 Wellness Workplan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Aging Well Discussion group – 1 <sup>st</sup> Wednesdays	Yellow											
Mom’s Computer Technology Classes – 2 <sup>nd</sup> Wednesdays	Light Blue											
Fitness Made Simple Exercise Class – 3 <sup>rd</sup> Wednesdays	Yellow											
Anthem Benefit Webinars – 4 <sup>th</sup> Wednesdays	Light Blue											
Champion Program In-Person & Virtual Activities	Yellow											
Brain Health Classes – 4 <sup>th</sup> Wednesdays	Light Blue											
Kaiser Well-Being Webinars	Yellow											
SilverSneakers Fitness Center Events (Anthem Members)				Light Blue								
Silver&Fit/Active&Fit Fitness Center Events (Kaiser Members)				Yellow								
ACDMHC – Financial Scams, Preserving Memory, Holiday Blues					Light Blue						Light Blue	
Golden Future 50+ Senior Expo						Yellow						
Coping with Grief & Loss Webinar					Light Blue							Light Blue
Fitness 5k Hike/Walk/Run						Yellow						
Summer Dance Classes							Light Blue					
Mom’s Computer Technology Workshop							Yellow					
SCAN-Kaiser Lunch and Learn Meetings								Light Blue				
Financial & Estate Planning Workshop									Yellow			
Carrier Summit-Champion Meeting										Light Blue		
Open Enrollment Virtual Meetings										Yellow		
Open Enrollment In-Person Meetings											Light Blue	
Wellness Retiree Newsletter			Yellow			Yellow			Yellow			Yellow

# Wellness Budget Proposal

Annually, health plan carriers make contributions to fund the LACERS Well program at the beginning of the calendar year. In 2024, health carriers have committed the amounts below for the program.

Health Carrier	2024 Wellness Funding Commitment (Calendar Year)
Anthem	\$200,000
Kaiser	\$150,000
SCAN	\$20,000
UHC	\$8,500
Delta Dental	\$10,000
<b>Total</b>	<b>\$388,500</b>

**Note:** LACERS Health Carrier Account (HCA) balance as of 12/31/23 is \$1,117,814.37.

The proposed 2024 budget is as follows:

Account/Expense	Budget
Fitness Events: Fitness Summit, Fitness Center Events, Summer Dance Classes, Fitness 5k Hike/Walk/Run	\$12,000
Workshops: Technology, Estate & Financial Planning	\$7,000
Community Events (Golden Future 50+ Expo)	\$1,000
Informational Meetings: Meet the Doctor – Lunch & Learn Meetings	\$5,000
Champion Meetings/Activities	\$5,000
Carrier Summit/Champion Appreciation Lunch	\$4,000
Wellness Staff Activities (Guiding Principles)	\$4,000
Passport to Health Initiatives (Gift Cards via Keenan)	\$3,000
Mom’s Computer – Elijah Dittersdorf	\$10,000
Personal Wellness Corporation (PWC) – Sean Foy	\$14,000
Foundation for Senior Services (FFSS)	\$5,000
Open Enrollment Meetings	\$70,000
Mailings (Newsletters)	\$10,000
HWABD Trainings and Conferences	\$5,000
Promotional Items	\$10,000
Salaries and Overtime	\$165,000
Mileage	\$225
Contingency (15%)	\$58,275
<b>Total</b>	<b>\$388,500</b>

# **Wellness Funds Policy (Attachment 3)**



**LACERS WELL**

**QUESTIONS?**



**PROPOSED 2024 LACERS WELL BUDGET**

<b>Account/Expense</b>	<b>Budget</b>
1000: Fitness Events (Fitness Center, Dance, 5K)	\$12,000
2000: Workshops (Technology, Estate & Financial Planning), Community Events (Golden Future 50+ Expo), Informational Meetings (Meet the Doctor – Lunch & Learn Meetings)	\$7,000
3000: Community Events (Golden Future 50+ Expo),	\$1,000
4000: Informational Meetings (Meet the Doctor – Lunch & Learn Meetings) and Carrier Summit Meetings	\$9,000
5000: Champion Meetings/Wellness Staff Activities	\$9,000
6000: Passport to Health Initiatives (Gift Cards via Keenan)	\$3,000
7000: Mom’s Computer – Elijah Dittersdorf	\$10,000
8000: Personal Wellness Corporation (PWC) – Sean Foy	\$14,000
9000: Foundation for Senior Services (FFSS)	\$5,000
10000: Open Enrollment Meetings	\$70,000
11000: Mailings (Newsletters)	\$10,000
12000: Promotional Items	\$10,000
13000: Training	\$5,000
14000: Salaries, Overtime, Mileage, Contingency (15%)	\$223,500
<b>Total</b>	<b>\$388,500</b>

## 2023 LACERS WELL BUDGET AND EXPENSES

Account/Expense	Budget	Actual Expenses
1000: Extravaganza/Summit	\$5,750	\$5,728.15
2000: Workshops (AMP, Tech, Estate Planning, etc.)	\$21,700	\$20,168.88
3000: Picnic/Fitness 5K Hike/Walk/Run	\$1,800	\$1,769.36
4000: Champions Meetings/Events/Gala	\$1,500	\$0.00
5000: Carrier Summit/Staff Appreciation	\$3,500	\$0.00
6000: Passport to Health (Gift Card via Keenan)	\$2,650	\$2,429.50
7000: Mom's Computer – Elijah Dittersdorf	\$20,000	\$9,600.00
8000: PWC – Sean Foy	\$20,000	\$15,000.00
9000: Foundation for Senior Services (FFSS)	\$1,800	\$840.00
10000: Open Enrollment	\$52,000	\$39,090.92
11000: Mailing	\$0	\$0.00
12000: Promotional Items	\$8,300	\$5,683.85
13000: Purchasing Card Expenses	\$0	\$0.00
14000: Salaries	\$140,000	\$140,000
<b>Total</b>	<b>\$279,000</b>	<b>\$240,310.66</b>

## SECTION 4.0 BENEFITS ADMINISTRATION

### 4.1 WELLNESS FUNDS POLICY

(Resolution: #\_\_\_; Adopted: February 27, 2024)

#### Introduction

Wellness programs are playing an increasingly key role in retiree health management. LACERS' primary fiduciary duty is to act in the best interest of the Members, and secondarily to defray the cost of administering the system. Improving the health of retired Los Angeles City employees benefits the retirees with a better quality of life, and healthier Members require less costly health services, thereby helping to contain the costs of administering the retiree health plan.

In 2012, LACERS' adopted a Strategic Plan Initiative to compel health carriers to track and provide meaningful data on health plan utilization of our Members. This data informs how LACERS can design its health plan to maximize utilization and provide value to our Members. The data also reports on diseases such as diabetes, high blood pressure, depression, that are impacted by lifestyle habits. Seeing the unique position as retirees' lifelong partner, the LACERS Well program was launched, funded by health carrier contributions, aiming to improve retiree health and wellness and thereby reduce the frequency and severity of costly chronic health conditions.

#### I. Objectives of the Wellness Funds Policy

- A. Establish the purpose for use of the Wellness Funds.
- B. Acknowledge the LACERS Wellness Account is funded from the health carriers under contract, and is separate from the LACERS 115 Trust, the 401(h) account, and LACERS Retirement Trust fund.
- C. Create transparency in the use of the funds through the adoption of this policy and annual adoption of the Wellness workplan and budget.
- D. Delegate to the General Manager and deputies, the responsibility to establish financial controls over these funds, establish written procedures, assign additional duties, and establish monitoring.

#### II. Wellness Program Funding

- A. The LACERS Well program seeks funding for its initiatives through carrier provided funds negotiated in the RFP and annual premium renewal process. The program is also seeking other alternative funding and is open to development or exploration of other non-City funding sources, such as grants or private partnerships with non-profit agencies.
- B. LACERS' goal is to achieve and maintain a balanced budget in which future costs/expenses are fully paid using Wellness funds from carrier-sponsored funding, augmented by LACERS' allocated Wellness budget during the annual budget process.
- C. Current appropriations for all funds are limited to the sum of available cash balances estimated to be received in the current budget calendar year. Cash balances could include past years unused or reserve funds.
- D. Expenditures for mandated and priority programs are to be made against current funding sources and not fully dependent upon LACERS funds.



## ARTICLE II. BOARD ADMINISTRATIVE POLICIES

### SECTION 4.0 BENEFITS ADMINISTRATION

- E. To the extent possible, current program offerings will be funded by current funds provided by carriers.
- F. On an annual basis, the Wellness Unit will submit a budget using projected funds provided by carriers with 15% set aside reserve for unanticipated expenses.

#### **III. Acceptable Funding Usage**

- A. Wellness Funds shall be used to provide and promote healthy lifestyle activities for Members.
- B. Wellness Funds may be used on salaries for staff of the Wellness Program.
- C. Wellness Funds may be used to provide LACERS staff Wellness education and activities.
- D. Wellness Funds may be used to support meetings and activities with our Wellness partners, including Open Enrollment.

#### **IV. Annual Reporting and Budget Adoption**

- A. Annually, or as needed, a Wellness Program Workplan Report and proposed budget will be provided to the Board for adoption.

**2024 BUDGET AND POLICIES FOR LACERS WELLNESS PROGRAM AND  
DELEGATION OF AUTHORITY TO THE GENERAL MANAGER**

**PROPOSED RESOLUTION**

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) developed the LACERS *Well* program to support and improve the health of Retired Members;

WHEREAS, the health plan carriers provide annual funding to the LACERS *Well* programs;

WHEREAS, LACERS *Well* has contracted with vendors to provide services and activities to help Retired Members better manage their health while minimizing long-term healthcare costs;

WHEREAS, the Calendar Year 2024 Wellness Program budget provides funds for expenditures related to wellness events;

WHEREAS, the LACERS Wellness Funds Policy provides guidance on the usage of wellness funds to support the overall objective of the program;

WHEREAS, Charter Section 343(b) and Administrative Code Section 5.36, provides authority to the head of the department, the LACERS Board of Administration, to transfer between budgetary items, within limits prescribed by the City Administrative Officer;

WHEREAS, the Board is authorized to delegate to the General Manager to move funds in order to meet priorities in the most efficient and timely manner;

NOW, THEREFORE, BE IT RESOLVED, that the Board:

1. Approve the 2024 LACERS *Well* Budget;
2. Approve the LACERS Wellness Funds Policy;
3. Delegate authority to the General Manager or designee to make adjustments to the 2024 Wellness Budget including transfers between Wellness budget accounts.

February 27, 2024

**PROPOSED 2024 LACERS WELL BUDGET**

<b>Account/Expense</b>	<b>Budget</b>
1000: Fitness Events (Fitness Center, Dance, 5K)	\$12,000
2000: Workshops (Technology, Estate & Financial Planning), Community Events (Golden Future 50+ Expo), Informational Meetings (Meet the Doctor – Lunch & Learn Meetings)	\$7,000
3000: Community Events (Golden Future 50+ Expo),	\$1,000
4000: Informational Meetings (Meet the Doctor – Lunch & Learn Meetings) and Carrier Summit Meetings	\$9,000
5000: Champion Meetings/Wellness Staff Activities	\$9,000
6000: Passport to Health Initiatives (Gift Cards via Keenan)	\$3,000
7000: Mom's Computer – Elijah Dittersdorf	\$10,000
8000: Personal Wellness Corporation (PWC) – Sean Foy	\$14,000
9000: Foundation for Senior Services (FFSS)	\$5,000
10000: Open Enrollment Meetings	\$70,000
11000: Mailings (Newsletters)	\$10,000
12000: Promotional Items	\$10,000
13000: Training	\$5,000
14000: Salaries, Overtime, Mileage, Contingency (15%)	\$223,500
<b>Total</b>	<b>\$388,500</b>

## 2023 LACERS WELL BUDGET AND EXPENSES

Account/Expense	Budget	Actual Expenses
1000: Extravaganza/Summit	\$5,750	\$5,728.15
2000: Workshops (AMP, Tech, Estate Planning, etc.)	\$21,700	\$20,168.88
3000: Picnic/Fitness 5K Hike/Walk/Run	\$1,800	\$1,769.36
4000: Champions Meetings/Events/Gala	\$1,500	\$0.00
5000: Carrier Summit/Staff Appreciation	\$3,500	\$0.00
6000: Passport to Health (Gift Card via Keenan)	\$2,650	\$2,429.50
7000: Mom's Computer – Elijah Dittersdorf	\$20,000	\$9,600.00
8000: PWC – Sean Foy	\$20,000	\$15,000.00
9000: Foundation for Senior Services (FFSS)	\$1,800	\$840.00
10000: Open Enrollment	\$52,000	\$39,090.92
11000: Mailing	\$0	\$0.00
12000: Promotional Items	\$8,300	\$5,683.85
13000: Purchasing Card Expenses	\$0	\$0.00
14000: Salaries	\$140,000	\$140,000
<b>Total</b>	<b>\$279,000</b>	<b>\$240,310.66</b>

**SECTION 4.0 BENEFITS ADMINISTRATION****4.1 WELLNESS FUNDS POLICY**

(Resolution: #\_\_\_; Adopted: February 27, 2024)

**Introduction**

Wellness programs are playing an increasingly key role in retiree health management. LACERS' primary fiduciary duty is to act in the best interest of the Members, and secondarily to defray the cost of administering the system. Improving the health of retired Los Angeles City employees benefits the retirees with a better quality of life, and healthier Members require less costly health services, thereby helping to contain the costs of administering the retiree health plan.

In 2012, LACERS' adopted a Strategic Plan Initiative to compel health carriers to track and provide meaningful data on health plan utilization of our Members. This data informs how LACERS can design its health plan to maximize utilization and provide value to our Members. The data also reports on diseases such as diabetes, high blood pressure, depression, that are impacted by lifestyle habits. Seeing the unique position as retirees' lifelong partner, the LACERS Well program was launched, funded by health carrier contributions, aiming to improve retiree health and wellness and thereby reduce the frequency and severity of costly chronic health conditions.

**I. Objectives of the Wellness Funds Policy**

- A. Establish the purpose for use of the Wellness Funds.
- B. Acknowledge the LACERS Wellness Account is funded from the health carriers under contract, and is separate from the LACERS 115 Trust, the 401(h) account, and LACERS Retirement Trust fund.
- C. Create transparency in the use of the funds through the adoption of this policy and annual adoption of the Wellness workplan and budget.
- D. Delegate to the General Manager and deputies, the responsibility to establish financial controls over these funds, establish written procedures, assign additional duties, and establish monitoring.

**II. Wellness Program Funding**

- A. The LACERS Well program seeks funding for its initiatives through carrier provided funds negotiated in the RFP and annual premium renewal process. The program is also seeking other alternative funding and is open to development or exploration of other non-City funding sources, such as grants or private partnerships with non-profit agencies.
- B. LACERS' goal is to achieve and maintain a balanced budget in which future costs/expenses are fully paid using Wellness funds from carrier-sponsored funding, augmented by LACERS' allocated Wellness budget during the annual budget process.
- C. Current appropriations for all funds are limited to the sum of available cash balances estimated to be received in the current budget calendar year. Cash balances could include past years unused or reserve funds.
- D. Expenditures for mandated and priority programs are to be made against current funding sources and not fully dependent upon LACERS funds.

## ARTICLE II. BOARD ADMINISTRATIVE POLICIES

### SECTION 4.0 BENEFITS ADMINISTRATION

- E. To the extent possible, current program offerings will be funded by current funds provided by carriers.
- F. On an annual basis, the Wellness Unit will submit a budget using projected funds provided by carriers with 15% set aside reserve for unanticipated expenses.

#### **III. Acceptable Funding Usage**

- A. Wellness Funds shall be used to provide and promote healthy lifestyle activities for Members.
- B. Wellness Funds may be used on salaries for staff of the Wellness Program.
- C. Wellness Funds may be used to provide LACERS staff Wellness education and activities.
- D. Wellness Funds may be used to support meetings and activities with our Wellness partners, including Open Enrollment.

#### **IV. Annual Reporting and Budget Adoption**

- A. Annually, or as needed, a Wellness Program Workplan Report and proposed budget will be provided to the Board for adoption.

**2024 BUDGET AND POLICIES FOR LACERS WELLNESS PROGRAM AND  
DELEGATION OF AUTHORITY TO THE GENERAL MANAGER**

PROPOSED RESOLUTION

WHEREAS, the Los Angeles City Employees' Retirement System (LACERS) developed the LACERS *Well* program to support and improve the health of Retired Members;

WHEREAS, the health plan carriers provide annual funding to the LACERS *Well* programs;

WHEREAS, LACERS *Well* has contracted with vendors to provide services and activities to help Retired Members better manage their health while minimizing long-term healthcare costs;

WHEREAS, the Calendar Year 2024 Wellness Program budget provides funds for expenditures related to wellness events;

WHEREAS, the LACERS Wellness Funds Policy provides guidance on the usage of wellness funds to support the overall objective of the program;

WHEREAS, Charter Section 343(b) and Administrative Code Section 5.36, provides authority to the head of the department, the LACERS Board of Administration, to transfer between budgetary items, within limits prescribed by the City Administrative Officer;

WHEREAS, the Board is authorized to delegate to the General Manager to move funds in order to meet priorities in the most efficient and timely manner;

NOW, THEREFORE, BE IT RESOLVED, that the Board:

1. Approve the 2024 LACERS *Well* Budget;
2. Approve the LACERS Wellness Funds Policy;
3. Delegate authority to the General Manager or designee to make adjustments to the 2024 Wellness Budget including transfers between Wellness budget accounts.

February 27, 2024



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

*Neil M. Guglielmo*

**MEETING: FEBRUARY 27, 2024**

**ITEM: VI - B**

**SUBJECT: COST-OF-LIVING ADJUSTMENT FOR JULY 2024 AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board adopt a 3% cost-of-living-adjustment with excess 0.5% banked for Tier 1 and Tier 1 Enhanced Members, and a 2% cost-of-living adjustment with no bank for Tier 3 Members, as detailed in the attached schedule prepared by LACERS' consulting actuary, to be effective July 1, 2024.

**Executive Summary**

On July 1 of each year, eligible retired Members and beneficiaries may receive a cost-of-living adjustment (COLA) to their benefits, determined in accordance with the Los Angeles Administrative Code (LAAC). The COLA is based on the average annual percentage change in the Consumer Price Index (CPI) for the Los Angeles area for the previous calendar year and is subject to the limitations in the LAAC § 4.1022 for Tier 1 and § 4.1080.17 for Tier 3. According to the Federal Bureau of Labor Statistics, the annual average CPI for the Los Angeles area increased 3.5% in 2023. However, due to LAAC limitations, Tier 1 and Tier 1 Enhanced will receive 3% COLA with excess 0.5% banked, while Tier 3 will receive 2% COLA with no bank effective July 1, 2024.

**Discussion**

In any given year, Tier 1 and Tier 1 Enhanced Members are eligible for a maximum increase of 3% COLA (LAAC § 4.1022 for Tier 1)<sup>1</sup>. In addition, Tier 1 and Tier 1 Enhanced participants are entitled to receive and accumulate the excess amount (known as "Excess COLA") whenever the CPI change is greater than the maximum limit of 3% in any year. Based on the 3.5% CPI increase for 2023, Tier 1 and Tier 1 Enhanced participants will receive the maximum 3% increase, with the remaining excess COLA of 0.5% (i.e., 3.5%-3.0%) banked for future use. Since Tier 3 COLA benefit is capped at 2.0% (LAAC § 4.1080.17) and there is no banked benefit, Tier 3 participants will receive 2% COLA effective July 1, 2024.

<sup>1</sup> Tier 1 Enhanced Members are Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain in Tier 1 with LACERS after January 6, 2018



The COLA benefits effective July 1, 2024 are summarized in the table below, and are further detailed in the attached letter from LACERS' consulting actuary.

<b>Membership</b>	<b>Initial Retirement Date</b>	<b>COLA Limitation</b> (LAAC § 4.1022 & § 4.1080.17 )	<b>COLA Effective July 1, 2024</b>
Tier 1 and Tier 1 Enhanced participants and beneficiaries	On or before July 1, 2023	<ul style="list-style-type: none"> <li>• 3.0% maximum increase</li> <li>• Excess COLA will be banked (i.e., added to existing accumulated COLA balance, see attached schedule).</li> </ul>	3%
Tier 1 and Tier 1 Enhanced participants and beneficiaries with less than one full year of retirement	July 2, 2023 to June 30, 2024	<ul style="list-style-type: none"> <li>• Prorated COLA increase of 1/12th for each full month of retirement</li> <li>• Excess will not be banked for less than one full year of retirement</li> </ul>	1/12th of 3.0% each full month retired
Tier 3 participants and beneficiaries	On or before July 1, 2023	<ul style="list-style-type: none"> <li>• 2% maximum increase</li> <li>• No COLA Bank</li> </ul>	2%
Tier 3 participants and beneficiaries with less than one full year of retirement	July 2, 2023 to June 30, 2024	<ul style="list-style-type: none"> <li>• Prorated COLA increase of 1/12th for each full month of retirement</li> <li>• No COLA Bank</li> </ul>	1/12th of 2.0% each full month retired

**Strategic Plan Impact Statement**

The Board's action on this item aligns with the Benefit Delivery Goal by ensuring accurate payment of benefits in accordance with plan documents codified in the Los Angeles Administrative Code.

Prepared By: Jo Ann Peralta, Departmental Chief Accountant IV

NG:TB:JP

Attachment 1: Segal Letter dated January 23, 2024 with COLA schedule



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary  
T 415.263.8283  
ayeung@segalco.com

ATTACHMENT  
BOARD Meeting:2/27/24

180 Howard Street  
Suite 1100  
San Francisco, CA 94105-6147  
segalco.com

## Via Email

January 23, 2024

Mr. Neil Guglielmo  
General Manager  
Los Angeles City Employees' Retirement System  
977 N. Broadway  
Los Angeles, CA 90012-1728

**Re: Los Angeles City Employees' Retirement System (LACERS)  
Cost-of-living bank as of July 1, 2024**

Dear Neil:

We have prepared a schedule showing the accumulated banked benefits for the System's retirees and beneficiaries reflecting the cost-of-living adjustments as of July 1, 2024.

The annual average CPI increased from 310.782 in 2022 to 321.583 in 2023, an increase of 3.5% (rounded to the nearest one-tenth of one percent). This figure was determined by using the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach-Anaheim Area, as published by the Bureau of Labor Statistics.

Note that participants with membership dates on and after February 21, 2016 were placed in Tier 3, unless the participant qualified for Tier 1 membership. Participants in Tier 3 are entitled to a maximum of 2% COLA provision after retirement (instead of a maximum of 3% COLA provision for Tier 1 and Tier 1 Enhanced<sup>1</sup>). In addition, excess COLA will not be banked under the Tier 3 provision and all Tier 3 retirees and beneficiaries will receive the same COLA regardless of retirement date.

The schedule in Exhibit 1 contains four columns for Tier 1 and Tier 1 Enhanced participants:

- Column 1 Accumulated Banked Benefits as of July 1, 2023. This data was obtained from a similar schedule we prepared last year.
- Column 2 Actual average CPI increase of 3.5%.
- Column 3 Cost-of-living increase granted as of July 1, 2024, for a full year of retirement.
- Column 4 Accumulated Banked Benefits as of July 1, 2024.  
(Column (1) + Column (2) - Column (3), but limited to no less than 0%)

<sup>1</sup> Tier 1 Enhanced is for all Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018, and who paid their mandatory additional contribution of \$5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier.

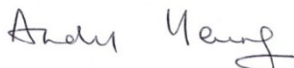
As shown in Exhibit 1, the cost-of-living increase as of July 1, 2024 for Tier 1 and Tier 1 Enhanced participants with an initial retirement date on or before June 30, 2023 is the full 3.0% maximum increase permitted by the Administrative Code. The difference between 3.5% and 3.0%, or 0.5%, will increase the accumulated bank for each of these participants for future COLA increases.

For Tier 1 and Tier 1 Enhanced participants with an initial retirement date between July 1, 2023 and June 30, 2024, the full cost-of-living increase as of July 1, 2024 will be 3.0% but COLA benefits for partial year retirements will be pro-rated. The accumulated bank for these participants will be 0% as of July 1, 2024.<sup>1</sup>

For Tier 3 participants, the cost-of-living increase as of July 1, 2024 will be 2.0% regardless of retirement date as shown in Exhibit 2.<sup>2</sup>

Please give us a call if you have any questions.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary

bts/hy  
Enclosures

cc: Edwin Avanesian  
Todd Bouey

<sup>1</sup> Except for July 1, 2023 retirees, whose accumulated banks as of July 1, 2024 will be 0.5%.

<sup>2</sup> COLA benefits for partial year retirements between July 1, 2023 and June 30, 2024 are pro-rated.

# Los Angeles City Employees' Retirement System Cost-of-Living Increases and Accumulated Banked Benefits as of July 1, 2024

Tier 1 and Tier 1 Enhanced Participants  
(Maximum Annual COLA of 3%)

Initial Retirement Date	July 1, 2023 Accumulated Banked Benefits (1)	Increase in Annual Average CPI <sup>1</sup> (2)	COLA <sup>2</sup> (3)	July 1, 2024 Accumulated Banked Benefits (4)
On or Before 07/01/1978	19.700%	3.500%	3.000%	20.200%
07/02/1978 to 07/01/1979	15.450%	3.500%	3.000%	15.950%
07/02/1979 to 08/01/1979	10.844%	3.500%	3.000%	11.344%
08/02/1979 to 09/01/1979	11.039%	3.500%	3.000%	11.539%
09/02/1979 to 10/01/1979	11.233%	3.500%	3.000%	11.733%
10/02/1979 to 11/01/1979	11.428%	3.500%	3.000%	11.928%
11/02/1979 to 12/01/1979	11.622%	3.500%	3.000%	12.122%
12/02/1979 to 01/01/1980	11.817%	3.500%	3.000%	12.317%
01/02/1980 to 02/01/1980	12.011%	3.500%	3.000%	12.511%
02/02/1980 to 03/01/1980	12.206%	3.500%	3.000%	12.706%
03/02/1980 to 04/01/1980	12.400%	3.500%	3.000%	12.900%
04/02/1980 to 05/01/1980	12.594%	3.500%	3.000%	13.094%
05/02/1980 to 06/01/1980	12.789%	3.500%	3.000%	13.289%
06/02/1980 to 07/01/1980	12.983%	3.500%	3.000%	13.483%
07/02/1980 to 06/30/2018	5.200%	3.500%	3.000%	5.700%
07/01/2018 to 06/30/2021	5.200%	3.500%	3.000%	5.700%
07/01/2021 to 06/30/2022	4.400%	3.500%	3.000%	4.900%
07/01/2022 to 06/30/2023	0.000%	3.500%	3.000%	0.500%
07/01/2023 <sup>3</sup> to 06/30/2024		3.500%	3.000%	0.000%

<sup>1</sup> Based on ratio of 2023 annual average CPI to 2022 annual average CPI for the Los Angeles - Long Beach - Anaheim Area.

<sup>2</sup> COLA benefits for partial year retirements are pro-rated.

<sup>3</sup> Only those retirees (or continuing survivors) whose benefits commenced on July 1 and continued through June 30 receive a COLA bank in years of excess CPI. For initial retirement dates starting July 1, 2018 and later, the COLA bank for a July 1 retiree (or continuing survivor) is shown on the row above that retiree's (or continuing survivor's) retirement date. For example, the July 1, 2023 COLA bank for a July 1, 2018 retiree (or continuing survivor) is 5.200% (i.e., from the 07/02/1980 to 06/30/2018 row) and such retiree (or continuing survivor) would receive a July 1, 2024 COLA of 3.000%. The July 1, 2024 COLA bank for such retiree (or continuing survivor) would be increased to 5.700%.

# Los Angeles City Employees' Retirement System Cost-of-Living Increases as of July 1, 2024

Tier 3 Participants  
(Maximum Annual COLA of 2%)

Initial Retirement Date	Increase in Annual Average CPI <sup>1</sup> (1)	COLA <sup>2</sup> (2)
On or Before 06/30/2024	3.500%	2.000%

<sup>1</sup> Based on ratio of 2023 annual average CPI to 2022 annual average CPI for the Los Angeles - Long Beach - Anaheim Area.

<sup>2</sup> COLA benefits for partial year retirements are pro-rated.



**REPORT TO BOARD OF ADMINISTRATION**

From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**

**ITEM: VI - C**

**SUBJECT: CONTRACT WITH LANGUAGES4YOU TRANSLATION AGENCY FOR TRANSLATION, INTERPRETATION, AND TRANSCRIPTION SERVICES AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

1. Approve a three-year contract with Languages4You Translation Agency for a period beginning February 27, 2024, and ending February 26, 2027, not to exceed \$75,000; and
2. Authorize the General Manager to negotiate and execute the three-year contract and all necessary documents subject to City Attorney review.

**Executive Summary**

On December 16, 2021, Mayor Eric Garcetti signed Executive Directive 32 (ED 32), calling for the creation of a foundational policy to strengthen the City’s language access and ensure meaningful access to programs and services for English Language Learners (ELL). To this end, ED 32 requires all City Departments to create individualized Department Language Access Plans that outline their commitment to providing timely and meaningful access to programs, services, information, and civic participatory processes for ELL constituents.

Though LACERS’ service population includes primarily actively employed and retired City employees with small ELL populations, our benefits may expand to spouses, domestic partners, children, and other beneficiaries and dependents who may benefit from more comprehensive access. Additionally, the participant demographic at our Board meetings can be broad and wide-reaching due to the diversity of our investments. As such, and in compliance with ED 32, LACERS has created a Language Access Plan (LAP) to provide timely and meaningful access to meetings and benefit information for ELL Members, beneficiaries, and stakeholders. As this work is ongoing, LACERS now seeks the Board’s approval to proceed and engage with Languages4You Translation Agency to support staff in the necessary scope of work related to the assessment and implementation stage.

## **Discussion**

LACERS seeks to contract with Languages4You Translation Agency to provide vital support in the implementation, assessment, and updates to support the strengthening of the City's Language Access Program.

LACERS presently offers various channels for Members, beneficiaries, and stakeholders to express their language requirements independently. Our utmost priority is meeting the requirements of our Members. In gauging the extent of language needs concerning information and services in other languages, we conducted surveys among our Member-facing units (Member Service Center, Service Retirement, Legal Processing, Disability, Health and Wellness, Service Purchase, Member Engagement, and Survivor Benefits) who serve as primary sources for gathering this vital data as the organization's frontline for customer service. Currently, LACERS has a dedicated queue accessible to Members, beneficiaries, and stakeholders via the 800 main line to support the consistent demand for the Spanish language as indicated by our data. This queue is staffed by certified level 2 bilingual staff who handle in-person and written interpretation and translation requests at the front counter, via email, and fax.

Currently, LACERS employs 25 certified bilingual staff members proficient in Spanish. They are divided into Premium Level 1 verbal translators and Premium Level 2 verbal and written translators and interpreters. These bilingual speakers are distributed across the organization and are equipped to support LACERS with adequate capacity to address the needs of Members, beneficiaries, and stakeholders seeking verbal Spanish translation. However, requests for document and form translation may necessitate additional resource allocation beyond current capabilities, depending on the complexity and length of the materials requested. Internal translation of documents and forms can be facilitated by staff members eligible for the Premium Level 2 Bilingual Bonus, provided that the documents meet specific criteria in terms of length and content. Documents of considerable length or containing legally binding terms are best suited for referral to a third-party translation vendor. Examples of such documents include Summary Plan Descriptions (Tier 1 and Tier 3), which serve as comprehensive documents outlining benefit eligibility, survivor benefits, and other retirement benefits.

In its Fiscal Year 2023-24 budget, the Board authorized \$40,000 for services in anticipation of the scope of work related to interpretation, translation, and transcription. The assessment and implementation phase of the LACERS LAP is in progress, and fulfilling the LACERS LAP work parameters will require a formalized contract. To comply with the competitive bidding process requirements for these services, LACERS will be piggybacking off the L.A. City Clerk's recent Request for Proposal (RFP) process for translation and interpretation services. The resulting vendor contract will support the complexity or length of translation or interpretation requests to ensure Member satisfaction and guarantee ELL constituents' inclusion. Furthermore, contracted vendors and/or interpreters receive sufficient professional training and experience in their field to provide quality language services as requested and take part in ongoing professional development. Given the need to provide technical simultaneous interpretation services during the recent Board meetings and in preparation for the assessment and implementation phase of the LACERS LAP, LACERS seeks Board approval for Contract No. 4272 for a contract term of three years with an expenditure limit of \$75,000.

## **Strategic Plan Impact Statement**

The LACERS LAP contract supports the Strategic Plan Goal of organizational effectiveness, efficiency, and resiliency.

Prepared By: Amelia Herrera-Robles, Public Information Director

NMG/DW:ahr/tkl

Attachments: 1. Proposed Resolution



**APPROVAL OF CONTRACT WITH LANGUAGES4YOU FOR TRANSLATION,  
INTERPRETATION AND TRANSCRIPTION SERVICES**

**PROPOSED BOARD RESOLUTION**

**WHEREAS**, the City desires to utilize the services of a qualified firm to provide interpreting and translation services and related matters, which are handled by the Los Angeles City Employees' Retirement System; and

**WHEREAS**, the City of Los Angeles, Office of the City Clerk issued a Request for Qualifications (RFQ) on January 12, 2023, for Interpretation and Translation Services, which included and exceeded the scope of services the Department requires; and

**WHEREAS**, it is in the City's best interest to take advantage of the City's recent procurement and award of contract process to the extent that it is relevant to the Department's requirements and hire the City's selected contractor, Lanugages4You, Contract Number 144013, for the services stated therein; and

**WHEREAS**, the Parties wish to enter into an agreement pursuant to which the Contractor agrees, for consideration and upon the terms and conditions provided within the contract, to perform the services stated therein;

**NOW, THEREFORE BE IT RESOLVED**, that the General Manager is authorized to negotiate and execute the Contract, subject to City Attorney approval as to form, and consistent with the following service and terms:

Company Name:       LANGUAGES4YOU  
Service Provided:     TRANSLATION, INTERPRETATION AND TRANSCRIPTION SERVICES  
Effective Dates:      February 27, 2024, through February 26, 2027  
Duration:             Three Years  
Estimated Cost:       \$75,000



**REPORT TO BOARD OF ADMINISTRATION**

**From: Neil M. Guglielmo, General Manager**

*Neil M. Guglielmo*

**MEETING: FEBRUARY 27, 2024**

**ITEM: VI-D**

**SUBJECT: APPROVAL OF 5-YEAR CONTRACT RENEWAL WITH LEVI, RAY & SHOUP, INC. FOR CONTINUED MAINTENANCE AND SUPPORT OF LACERS' PENSION ADMINISTRATION SYSTEM AND POSSIBLE BOARD ACTION.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

1. Make a finding that, pursuant to Los Angeles City Charter section 371(e)(10), competitive bidding for services to provide maintenance and support of LACERS' Pension Administration System is undesirable and impractical; and
2. Approve a five-year contract extension with Levi, Ray & Shoup, Inc. (LRS) for continued maintenance and support services of LACERS' Pension Administration System (PAS), PensionGold (PG).

**Executive Summary**

Following a robust procurement process which included competitive bids from qualified vendors, LACERS first contracted with Levi, Ray & Shoup (LRS) to upgrade LACERS' Pension Administration System (PAS) on March 1, 2013. LACERS went live with the updated PAS, PensionGold Version 3, on March 1, 2018. LACERS' 1-year warranty period for the newly implemented PAS began at the go-live date of March 1, 2018, and ended on February 28, 2019. Following the 1-year warranty period, starting March 1, 2019, LACERS contracted with LRS for a five-year agreement to provide maintenance and support services (contract #4110). This five-year agreement is scheduled to expire on February 29, 2024, and LACERS has an ongoing need for continued services of a similar nature. Staff recommends the LACERS Board extend the maintenance and support agreement with LRS for an additional five-year period beginning March 1, 2024, through February 28, 2029. LACERS staff use the PAS daily, and the PAS supports all of LACERS' critical functions that relate to the administration of member benefits.

LRS developed and implemented the upgraded PAS using their proprietary development platform and tools, and, following final implementation, the firm has spent the past five years providing maintenance

and support services to LACERS. Switching to a new vendor would be difficult, if not impossible, and doing so would also risk significant disruption to LACERS' core mission of timely delivery of benefits, not to mention unforeseeable expenses. Therefore, it is neither desirable nor practical for the LACERS Board to procure these services through a competitive bidding process. Because the Board's plenary authority granted by the California Constitution and City Charter expressly encompasses the administration of retirement benefits, the Board is not bound by Los Angeles Administrative Code section 10.5(b) (2), and the Board does not require City Council approval to extend this contract without first conducting a competitive bidding process.

The recommended extension of LACERS' maintenance and support agreement also incorporates the estimated fees of third-party products currently associated with the routine operations of LACERS' PAS. These fees were previously established outside of the existing maintenance and support contract (#4110) through a separate software agreement with LRS. Fees for the associated third-party products (Agile Point, ActiveReports Server, VMWare, Veeam) are also estimated through calendar year 2028 when the extended maintenance and support agreement is set to end.

The cost of the current maintenance and support agreement with LRS, which began on March 1, 2018, and is set to end on February 29, 2024, is approximately \$2,204,862. Under the proposed agreement, the total cost for the renewed maintenance and support contract, beginning on March 1, 2024, and ending February 28, 2029, is estimated at \$2,563,487.

## **Discussion**

### *Background*

Under the current maintenance and support contract (#4110), LACERS pays an annual fee for ongoing maintenance and support of the PensionGold software, PensionGold technical architecture Enterprise Solutions Framework (ESF), and the PensionGold development toolset.

Maintenance services include:

- Enhancements or fixes to product defects in the base software for clients currently under PensionGold software maintenance. These releases are provided at no additional cost to clients who are current on their maintenance and support services fees.
- Electronic Software Download – LRS will supply all PensionGold Version 3 Software and associated Third Party Software builds, fixes, updates, versions, and document guides through electronic download utilizing secured File Transfer Protocol (FTP) site.
- Applying those Fixes and Modifications selected by LACERS from Enhancements supplied by LRS, within an agreed upon timeframe.
- Telephone support from 7:00 AM to 6:00 PM current U.S. Central Time, Monday through Friday, excluding LRS holidays, to address questions regarding the usage of the PensionGold Software.
- Updated Documentation. With each new release, and in some cases fixes, LRS will provide updates to the on-line help documentation and/or Procedures Guide as appropriate.

- LRS will store a copy of the Licenses Software and track all changes or additions made by LRS to the Licenses Software.
- Regulatory changes which affect all base software clients, and which affect current regulatory functionality contained within the base software (i.e. IRS, 1099-R, IRC415(b) changes).
- Access to the PensionGold Client Portal. The PensionGold Client Portal is a place for the PensionGold Product Support Team and clients to share information.

LACERS has also elected to have LRS' PensionGold Product Support team provide additional support services on an as needed, "time and material" basis to assist LACERS with software configurations and/or customization of any nature.

Such support services consist of:

- Development and application of modifications and/or configurations to the PAS.
- Fixes related to a failure of the licensed software to perform according to its documentation if the failure is not caused by LRS or an LRS subcontractor.
- Any mutually agreed Modification to the Licenses Software after the Acceptance Date.

LACERS is electing to continue with their currently selected service option, option 2A, for their renewed maintenance and support agreement with LRS through February 28, 2029. Under this option, LRS will continue supporting the PensionGold Version 3 software and maintain responsibility for services including, but not limited to:

- Answering general and exploratory questions related to PensionGold Version 3.
- Maintenance of the PensionGold software technical architecture (ESF) and the PensionGold software development toolset.
- Applying any product fixes or enhancements from new releases selected by LACERS.
- Technical environments that are needed for the development, testing, and promotion of software assets from LRS' production environment to the LACERS test environment.

### *Implementation of Audit Recommendations*

In 2022, LACERS' Internal Audit unit partnered with Grant Thornton, LLP to review and assess LACERS' processes associated with PensionGold Version 3. Grant Thornton LLP's evaluation covered both positive aspects of LACERS' existing procedures as well as areas for possible improvement. Observations from the audit were presented before the Board on July 11, 2023, and appropriate action plans in response to the auditor's recommendations were approved for implementation.

Levi, Ray & Shoup, Inc. has agreed to incorporate the bulleted items into their renewed maintenance and support agreement with LACERS in response to the following audit recommendations provided by Grant Thornton LLP.

- Keep software development workflow documentation updated to reflect the current environment.
  - Attachment 1 (Custom Development), Attachment 2 (Applying Base Product Release Items) and Attachment 3 (PensionGold Development Training) of the contract will each be deleted and replaced with a new Attachment 1, the PIR Flow Diagram, which is appended hereto as Attachment 3.
- The established maintenance policy that includes Service Level Agreements (SLAs) regarding timeframes for acknowledging resolution and completion of Problem Incident Reports (PIRs) does not include outcomes or remediation efforts for instances when SLAs are not met, adequate timeframes for emergencies or specific descriptions of PIR classifications.
  - The current maintenance and support agreement states, that in any given year, LRS will waive the 3% increase in Maintenance and Support fees if both parties mutually agree that LRS has not provided a reasonable level of quality and responsiveness in answering general questions or met the requirements of the Problem Resolution Table. No changes will be made regarding the 3% waiver relative to LRS not providing a reasonable level of quality and responsiveness in the renewed agreement.
  - Furthermore, LRS has agreed to reduce the Problem Closure Time Frame for errors categorized as “Emergency” from 180 days to 90 days.

All other recommendations provided by Grant Thornton, LLP are expected to be resolved either through an existing work item with LRS or internally by LACERS under an appropriate management action plan previously approved by the Board.

*Fees*

The maintenance fee and additional services hourly rate for the period beginning on March 1, 2024, and ending February 28, 2029, shall be set forth as stated in the table below:

Begin Date	End Date	PensionGold M&S Fee	Time & Material Hourly Rate	Bulk Services Rate/Hr.
3/1/2024	2/28/2025	\$292,490.10	\$155.00	\$150.00
3/1/2025	2/28/2026	\$307,114.61	\$155.00	\$150.00
3/1/2026	2/28/2027	\$319,399.19	\$160.00	\$155.00
3/1/2027	2/29/2028	\$332,175.16	\$160.00	\$155.00
3/1/2028	2/28/2029	\$345,462.16	\$165.00	\$160.00

\*LRS provides a discount on the hourly rate for a volume of Support Service hours purchased that exceeds 250 hours.

Business Continuance Services and Third-Party Products shall be provided at the below listed rates:

Calendar Year When Payment is Due	Business Continuance Planning Services Annual fee (3/1 - 2/28)	AgilePoint Workflow Maintenance Annual fee (9/16 - 9/15)	VMWare* Annual fee (10/18 - 10/17)	Veeam* Annual fee (10/2- 10/1)
Calendar Year 2024	\$14,758.87	\$9,212.70	TBD*	TBD*
Calendar Year 2025	\$15,201.64	\$9,673.34	TBD*	TBD*
Calendar Year 2026	\$15,657.69	\$10,157.00	TBD*	TBD*
Calendar Year 2027	\$16,127.42	\$10,664.85	TBD*	TBD*
Calendar Year 2028	\$16,611.24	\$11,198.09	TBD*	TBD*

\*Pricing for these years has not yet been established by the manufacturer. As a reseller of these products, LRS is therefore unable to quote a set price for these products in these years. LRS expects the price of these products to increase approximately 5% per year, as is industry standard.

**Strategic Plan Impact Statement**

This request supports the Benefit Delivery and Organizational goal of the LACERS Strategic Plan to deliver accurate and timely Member benefits as well as maximizing organizational effectiveness, efficiency, and resiliency through technology.

Prepared By: Brian Cha, Senior Benefits Analyst I

NMG/TB:bc

- Attachments: 1. Proposed Resolution  
 2. LACERS Maintenance and Support Agreement Amendment  
 3. Process Workflow Documentation

**CONTRACT AMENDMENT  
WITH LEVI, RAY & SHOUP, INC.  
PENSIONGOLD PENSION ADMINISTRATION SOFTWARE SERVICES**

**PROPOSED RESOLUTION**

WHEREAS, LACERS implemented its upgraded pension administration software, known as PensionGold Version 3, on March 1, 2018 and acquired other functions and services such as maintenance and support related to PensionGold Version 3 from Levi, Ray & Shoup, Inc. beginning on March 1, 2019; and

WHEREAS, the current five-year term of LACERS’ contract with Levi, Ray & Shoup, Inc. for maintenance, support, and business continuance planning services expires on February 29, 2024 and it is desirable to extend the existing contract with Levi, Ray & Shoup, Inc. for five additional years from March 1, 2024 to February 28, 2029 to include the following rates and services:

1. Maintenance and Support Services Fees: Invoiced annually per rates (PensionGold M&S Fee) provided in table below for a total of \$1,596,641.22 over the span of a five-year contract set to terminate on February 28, 2029.
2. Further customizations/Additional Services: LRS will provide a discount on the hourly rate for a volume of Support Services hours purchased that exceeds 250 hours; Billed at \$150 per hour for years 1-2, \$155 per hour for years 3-4, and \$160 per hour for year 5 of the contract.

Begin Date	End Date	PensionGold M&S Fee	Time & Material Hourly Rate	Bulk Services Rate/Hr.
3/1/2024	2/28/2025	\$292,490.10	\$155.00	\$150.00
3/1/2025	2/28/2026	\$307,114.61	\$155.00	\$150.00
3/1/2026	2/28/2027	\$319,399.19	\$160.00	\$155.00
3/1/2027	2/29/2028	\$332,175.16	\$160.00	\$155.00
3/1/2028	2/28/2029	\$345,462.16	\$165.00	\$160.00

3. Business Continuance Planning Services Fee: Invoiced annually per rates (Business Continuance Planning Services Annual Fee) provided in table below for a total cost of \$78,356.86 over the span of a five-year contract set to terminate on February 28, 2029.
4. Third Party Product Fees: Includes fees for the following third-party products that are associated with various system processes related to the PensionGold Version 3 software:

- a. AgilePoint Workflow Maintenance
- b. VMWare
- c. Veeam

Calendar Year When Payment is Due	Business Continuance Planning Services Annual fee (3/1 - 2/28)	AgilePoint Workflow Maintenance Annual fee (9/16 - 9/15)	VMWare* Annual fee (10/18 - 10/17)	Veeam* Annual fee (10/2- 10/1)
Calendar Year 2024	\$14,758.87	\$9,212.70	\$7,472.00	\$4,758.80
Calendar Year 2025	\$15,201.64	\$9,673.34	TBD*	TBD*
Calendar Year 2026	\$15,657.69	\$10,157.00	TBD*	TBD*
Calendar Year 2027	\$16,127.42	\$10,664.85	TBD*	TBD*
Calendar Year 2028	\$16,611.24	\$11,198.09	TBD*	TBD*

\*Pricing for these years has not yet been established by the manufacturer. As a reseller of these products, LRS is therefore unable to quote a set price for these products in these years. LRS expects the price of these products to increase approximately 5% per year, as is industry standard.

Thus, LACERS estimates the total cost of third-party products fees included in this contract (AgilePoint, VMWare, Veeam) to be \$118,488.87.

WHEREAS, Levi, Ray & Shoup Inc. developed and implemented the upgraded PensionGold Version 3 system using its proprietary development platform and switching to a new vendor for maintenance and support services would be difficult and risks significant disruption to LACERS’ ability to provide timely delivery of benefits and unforeseeable expenses. Therefore, it is neither desirable nor practical for the LACERS Board to procure these services through a competitive bidding process.

NOW, THEREFORE BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following service and terms:

- Company Name: Levi, Ray & Shoup, Inc.
- Service Provided: Maintenance and Support Services for LACERS’ Pension Administration System
- Effective Dates: March 1, 2024, through February 28, 2029
- Duration: Five Years
- Estimated Cost: \$2,563,486.95

February 27, 2024



## AMENDMENT

This document is an Amendment to the Proprietary Software Maintenance Agreement (“Agreement”) dated March 1, 2013, between the Los Angeles City Employees’ Retirement System (“LACERS,” “CITY” or “CLIENT”) and Levi, Ray & Shoup, Inc. (“LRS,” “CONTRACTOR” or “VENDOR”) (individually a “Party” and collectively the “Parties”).

Under the Agreement LACERS purchased Software Maintenance and Support, as contemplated in the Agreement. The warranty period ended on February 28, 2019, and the subsequent maintenance term continued for a period of five years, concluding on February 29, 2024. LACERS and LRS wish to renew the Agreement for a five (5) year term. This Amendment identifies the mutually agreed upon additions and changes to the Agreement to effectuate this extension. This Amendment shall be effective as of March 1, 2024.

LRS and Customer therefore hereby agree as follows:

1. All capitalized terms shall have the same meaning as set forth in the Agreement, or as defined herein.
2. The Parties agree to modify Section 7 (ORDER OF PRECEDENCE) of the Agreement by replacing it in its entirety with the following new Section 7:

### 7 ORDER OF PRECEDENCE

The CONTRACTOR’S proposal, the LACERS Request for Proposal (RFP), and certain documents presented by CONTRACTOR and/or LACERS that modify the CONTRACTOR’S proposal and LACERS’ RFP are hereby incorporated into this Agreement. In the event that there is a conflict or ambiguity within the text of this document and any other incorporated documents, the order of precedence shall be:

- 1) The provisions in the body of this Contract and Exhibit P
  - 2) LACERS Confidentiality and Non-Disclosure Policy (Exhibit N, Appendix A)
  - 3) Standard Provisions for City Contracts (Rev. 9/22)
  - 4) Maintenance and Support Options: Option 2A-PGRS Supports PensionGold (Exhibit H)
  - 5) Vendor Best and Final Offer (Exhibit G)
  - 6) Vendor Proposal (Exhibit D)
  - 7) LACERS’ Request for Proposal (RFP)
3. The Parties agree to modify Exhibit N (General Conditions and Compliance Documents) of the Agreement as follows:

Appendix B (Standard Provisions for City Contracts (Rev. 03/09)) is deleted and replaced in its entirety with Appendix B (Standard Provisions for City Contracts (Rev. 9/22)), a copy of which is attached hereto.

4. The Parties agree to the following Maintenance Fee schedule:

**Maintenance Fee.** The Maintenance Fee and Additional Services hourly rates for the period beginning March 1, 2024 and ending February 28, 2029 shall be set forth in the table below:

Begin Date	End Date	PensionGold M&S Fee	Time & Material Hourly Rate	Bulk Services Rate/Hr.
3/1/2024	2/28/2025	\$292,490.10	\$155.00	\$150.00
3/1/2025	2/28/2026	\$307,114.61	\$155.00	\$150.00
3/1/2026	2/28/2027	\$319,399.19	\$160.00	\$155.00
3/1/2027	2/29/2028	\$332,175.16	\$160.00	\$155.00
3/1/2028	2/28/2029	\$345,462.16	\$165.00	\$160.00

5. The Parties agree that LACERS is selecting the following option for Maintenance and Support Services:

Option 2A: LACERS can continue to have LRS support the PensionGold Version 3 Software as described in Maintenance and Support Options: Option 2A – PGRS Support PensionGold (Exhibit H).

Because LACERS is now electing to have LRS support PensionGold Version 3 Software, the Parties further agree to modify Exhibit H (Maintenance and Support Services Agreement, LACERS Maintenance and Support Options, Option 2A - PGRS Supports PensionGold) as follows:

Attachment 1 (Custom Development), Attachment 2 (Applying Base Product Release Items) and Attachment 3 (PensionGold Development Training) will each be deleted and replaced with a new Attachment 1, the PIR Flow Diagram, which is appended hereto as Attachment 1.

6. The Parties agree that Exhibit P, the section entitled “Business Continuance Services,” will be deleted in its entirety and replaced with the following:

Business Continuance Services and Third-Party Products shall be provided at the below listed rates:

Calendar Year When Payment is Due	Business Continuance Planning Services Annual fee (3/1 - 2/28)	AgilePoint Workflow Maintenance Annual fee (9/16 - 9/15)	VMWare* Annual fee (10/18 - 10/17)	Veeam* Annual fee (10/2- 10/1)
Calendar Year 2024	\$14,758.87	\$9,212.70	\$7,472.00	\$4,758.80
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Calendar Year 2028	\$16,611.24	\$11,198.09	TBD*	TBD*

\*Pricing for these years has not yet been established by the manufacturer. As a reseller of these products, LRS is therefore unable to quote a set price for these products in these years.

LRS expects the price of these products to raise approximately 5% per year, as is industry standard.

7. The Parties agree that Exhibit P, the chart labeled "Problem Resolution Table" will be deleted in its entirety and replaced with the following:

Error Priority	LRS Acknowledgement Time Frame	LRS Response Time Frame	Problem Closure Time Frame
Emergency	1 Day	2 Days	90 Days
Non-Emergency	2 Days	45 Days	Next Appropriate Release
New Feature Suggestion	3 Days	90 Days	Next Appropriate Release

8. It is understood and agreed by the Parties that this Amendment addresses only the modifications to the sections of the Agreement identified above. As such, this Amendment does not replace or alter any other portion of the Agreement, or any other agreements between the Parties.
9. Should the terms and conditions of this Amendment conflict with the terms and conditions of the Agreement, the terms and conditions of this Amendment shall control and prevail. In all other respects, the Agreement, as amended herein, remain in full force and effect.

In witness whereof, the parties hereto have signed this Amendment on the date set forth below.

**LEVI, RAY & SHOUP, INC. (LRS)**

**LACERS (CLIENT)**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Dan McCain

Name: \_\_\_\_\_

Title: Director, Product Support

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# PIR Flow Diagram – LRSRS is responsible for all releases (Internal and at LACERS)

BOARD Meeting: 02/27/24

Item: VI-D

ATTACHMENT 3

Draft

Status – Draft  
Sub Status – N/A  
PIR created by customer to identify problem or other request.

Proposed

The following sub statuses may be used for special circumstances:

- Waiting on Customer
- On Hold

Review

Status – Proposed  
Sub Status – N/A  
PIR submitted to LRSRS for review and consideration.

Status – Active  
Sub Status – In Review  
Review PIR and gather additional information.

Defect

Customer Update

Draft

Status – Active  
Sub Status – In Review  
Update PIR with Resolution

Resolve

Return

Resolve

## LRS Environments

Status – Active  
Sub Status – In Progress  
Set Development Due Date field and assign to resource for resolution.

Status – Active  
Sub Status – Merge  
Assigned to release manager for merge to MAIN.

Status – Active  
Sub Status – System Testing  
PIR is ready for system testing.

System Testing

Status – Active  
Sub Status – Rework  
PIR failed system testing. Assigned to resource for rework.

Release

Release

## LRS Environments

Status – Active  
Sub Status – Pending Release  
Ready for release processing, pending assignment.

Status – Active  
Sub Status – Release Testing  
PIR has been released to internal PROD and is ready for release testing.

Release Testing

Status – Active  
Sub Status – Failed Release Testing  
PIR failed release testing. Assigned to resource to address release issues.

Status – Active  
Sub Status – Passed Release Testing  
PIR passed release testing. Ready for release to customer environment(s).

Return

Return

## LACERS Environments

Status – Resolved  
Sub Status – Client Retest  
Return to LACERS for validation and/or testing (PGTest).

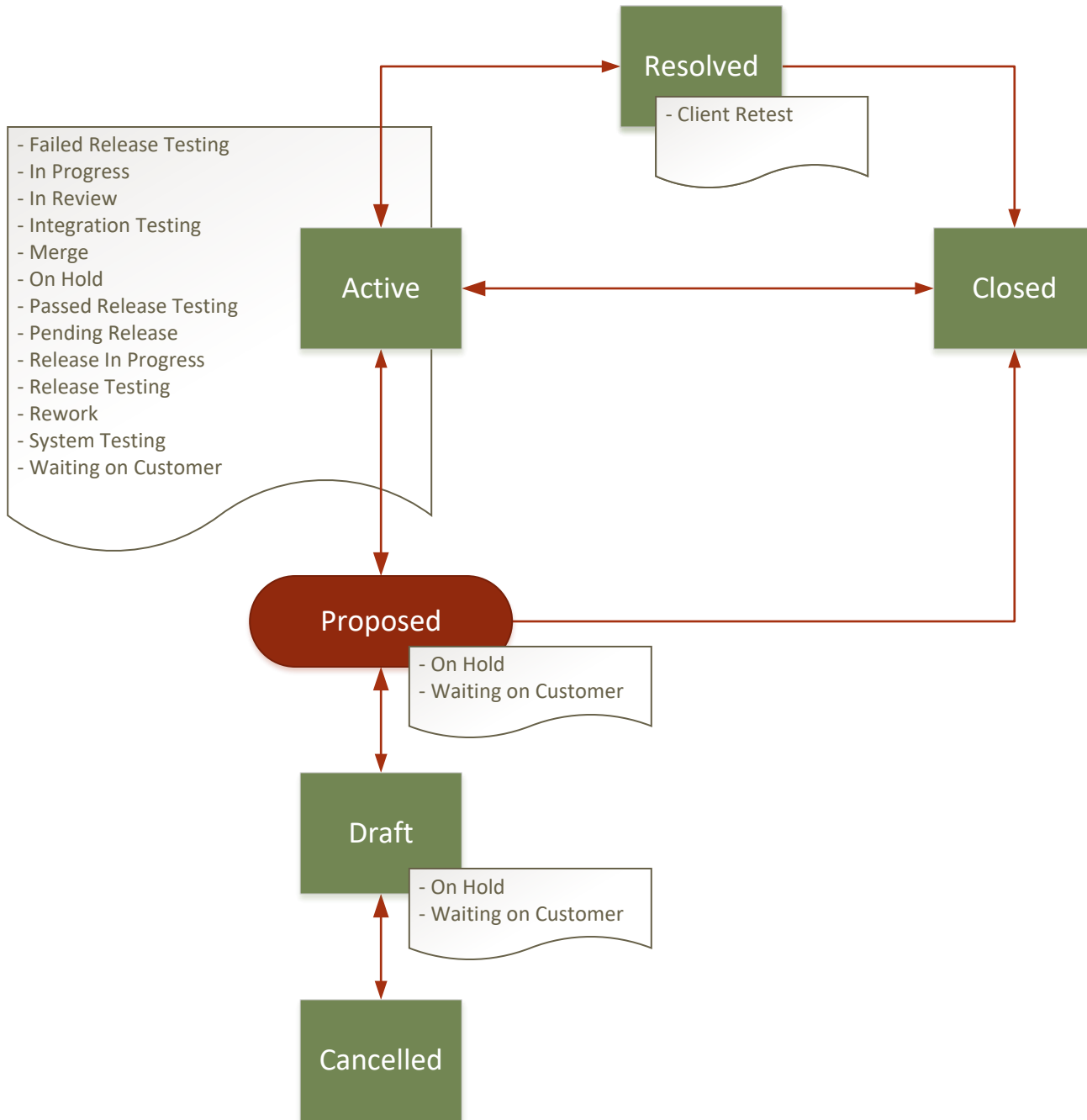
LACERS Testing

Status – Closed  
Sub Status – N/A  
Upon releasing to PGPROD and closing the associated Release Item, this PIR is closed.

Resolve

OR

Review





**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Elizabeth Lee, Chair  
Annie Chao  
Gaylord "Rusty" Roten

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - B**

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**SUBJECT: PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

**Recommendation**

That the Board adopt the Private Credit Program 2024 Strategic Plan.

**Discussion**

On February 13, 2024, the Committee considered the attached report regarding the Private Credit Program 2024 Strategic Plan. The Committee heard a presentation from Michael Krems and Trevor Jackson of Aksia LLC (Aksia), LACERS' Private Credit Consultant. The plan, developed by Aksia with input from staff, establishes strategic objectives and investment plan recommendations for calendar year 2024. Aksia will be present at the Board meeting of February 27, 2024, should the Board desire to hear a presentation of the proposed plan.

**Strategic Plan Impact Statement**

The annual private credit strategic plan assists the Board in building a diversified private credit and total fund portfolio and aligns with the Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV) and promoting good governance practices (Goal V).

Prepared By: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/WL/EC/CH:rm

Attachment: 1. Report to Investment Committee Dated February 13, 2024



**REPORT TO INVESTMENT COMMITTEE**  
**From: Neil M. Guglielmo, General Manager**

**MEETING: FEBRUARY 13, 2024**  
**ITEM: IV**

*Neil M. Guglielmo*

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**SUBJECT: PRESENTATION BY AKSIA LLC OF THE PRIVATE CREDIT PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

**Recommendation**

That the Committee recommend to the Board the adoption of the Private Credit Program 2024 Strategic Plan.

**Discussion**

Aksia LLC (Aksia), LACERS' Private Credit Consultant, with input from staff, has developed the proposed Private Credit Program 2024 Strategic Plan, which considers strategic objectives and investment plan recommendations for calendar year 2024. Staff has reviewed the plan and recommends its adoption. Aksia will present the proposed plan.

**Strategic Plan Impact Statement**

The annual private credit strategic plan assists the Board in building a diversified private credit and total fund portfolio and aligns with the Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV) and promoting good governance practices (Goal V).

Prepared by: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/WL/EC/CH:rm

Attachment: 1. LACERS Private Credit Program 2024 Strategic Plan – Aksia LLC

Aksia LLC

LACERS Private Credit Program  
2024 Strategic Plan  
February 2024



[www.aksia.com](http://www.aksia.com)

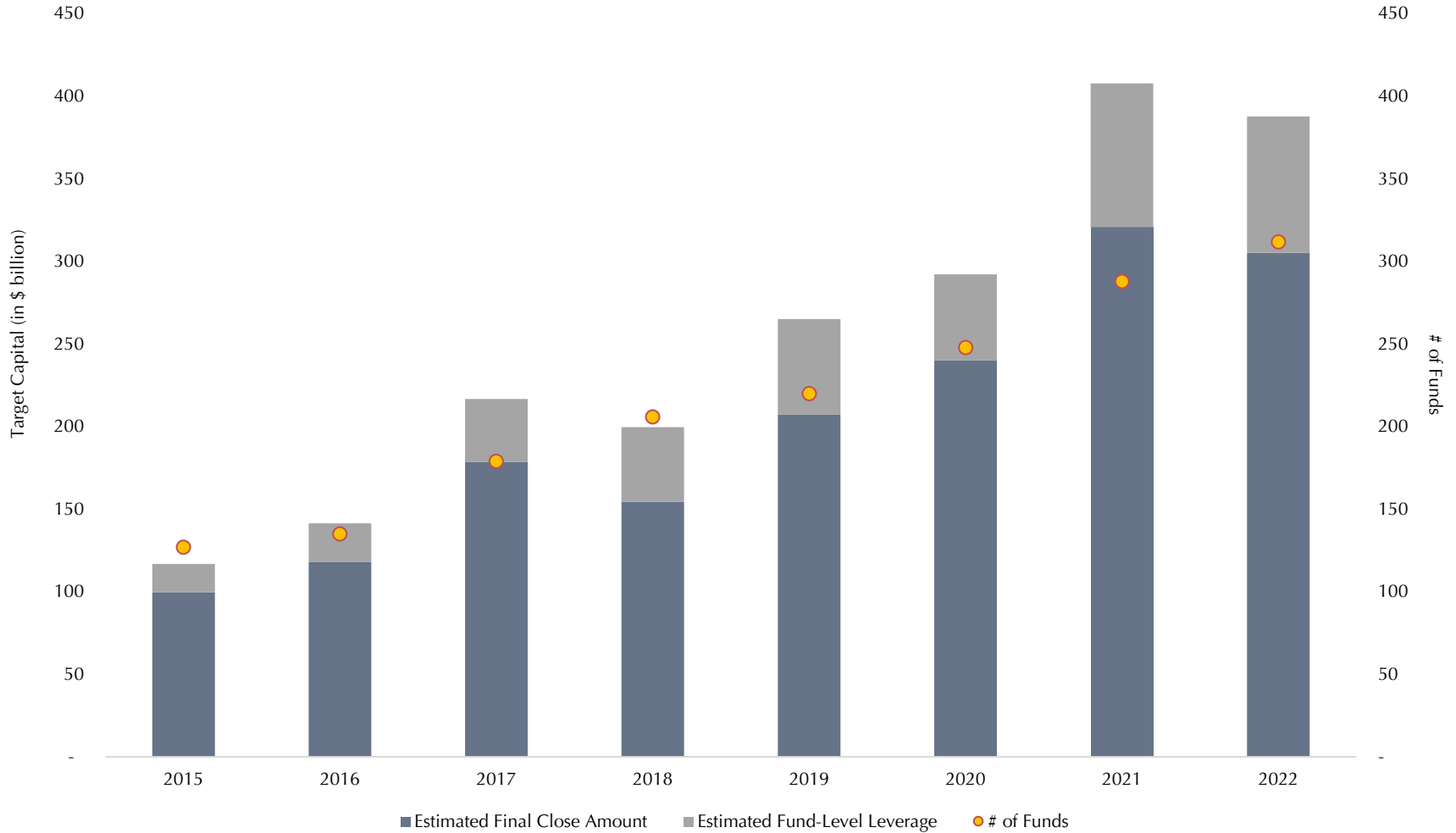


## Table of Contents

- Private Credit Market Overview
- Portfolio Construction and Pacing
- 2024 Strategic Recommendations

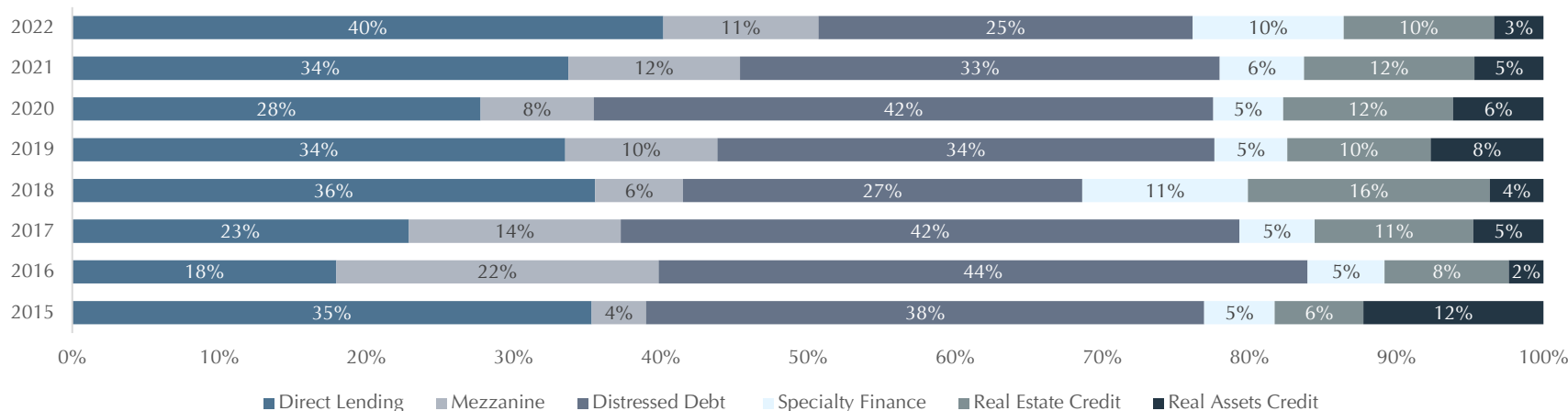
# Private Credit Capital Raise Update

2015-2022 Private Credit Fundraise

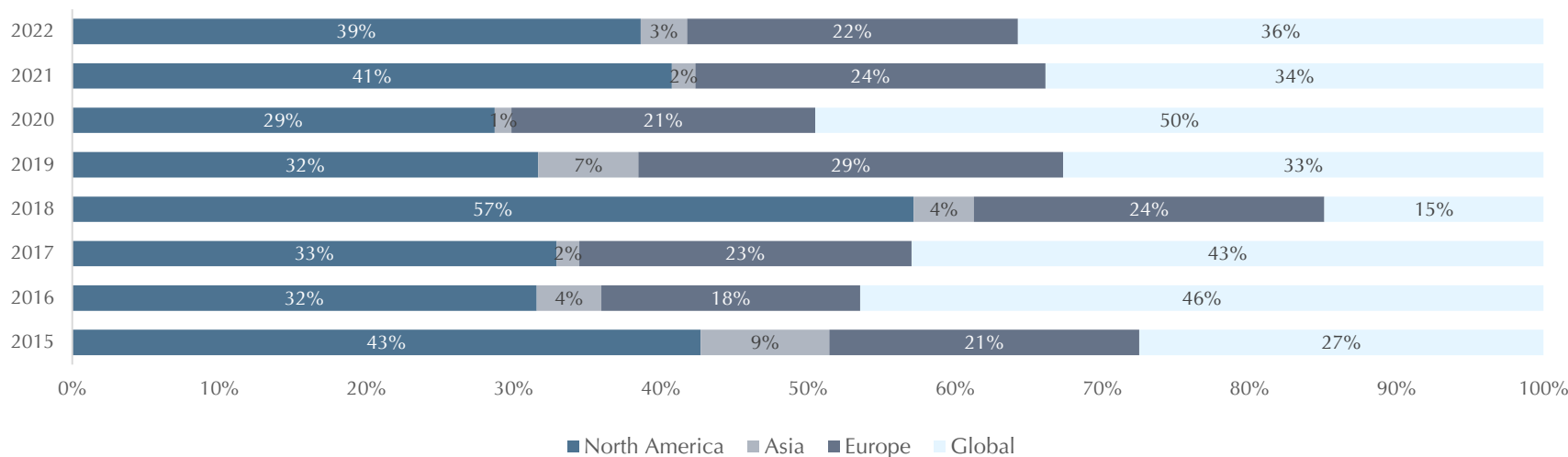


## Private Credit Capital Raise Update

% by Sector

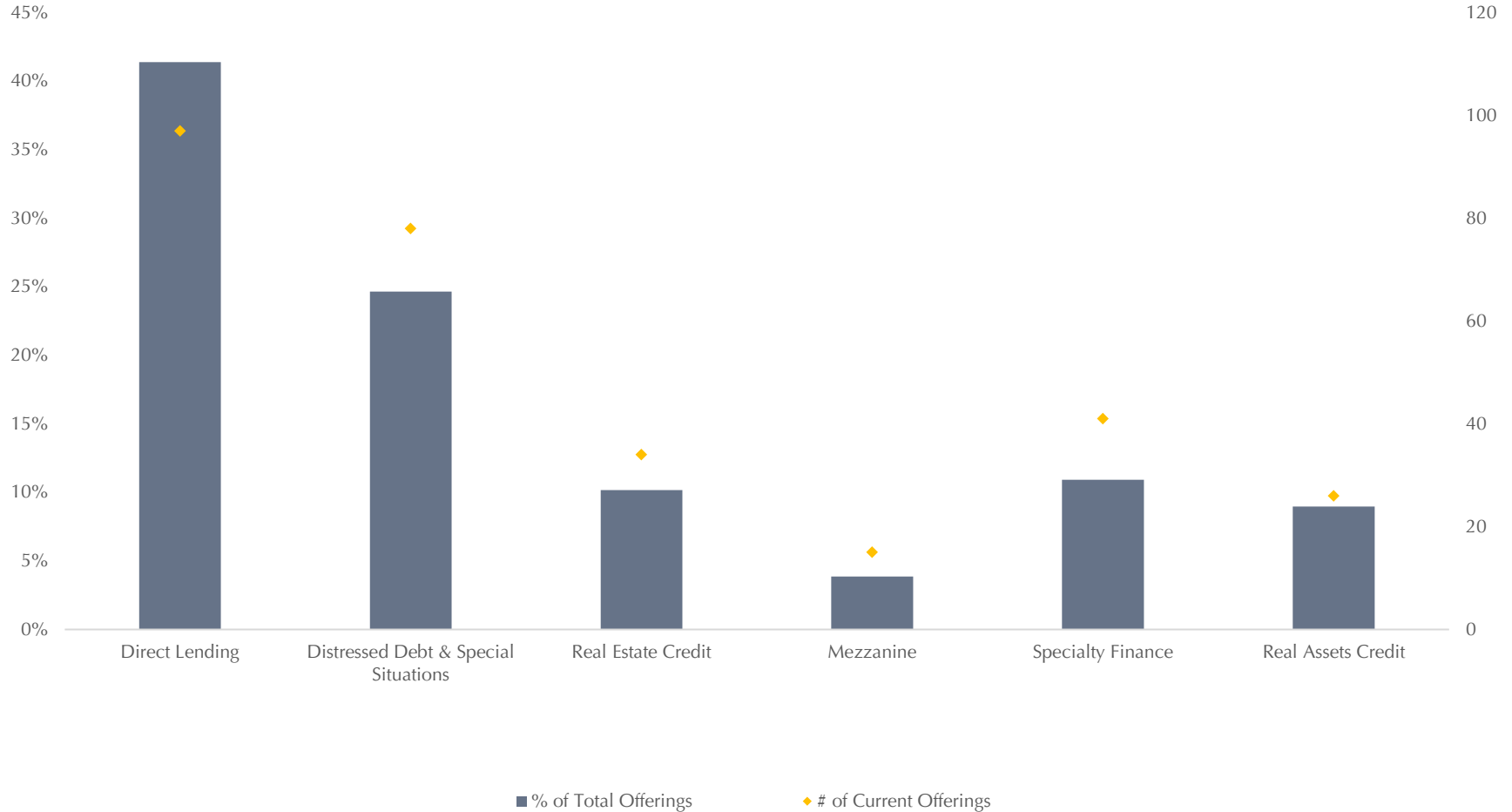


% by Region



# Private Credit Capital Raise Update

Active Capital Raises by Sector  
as of January 2023



## Private Credit Capital Raise Update

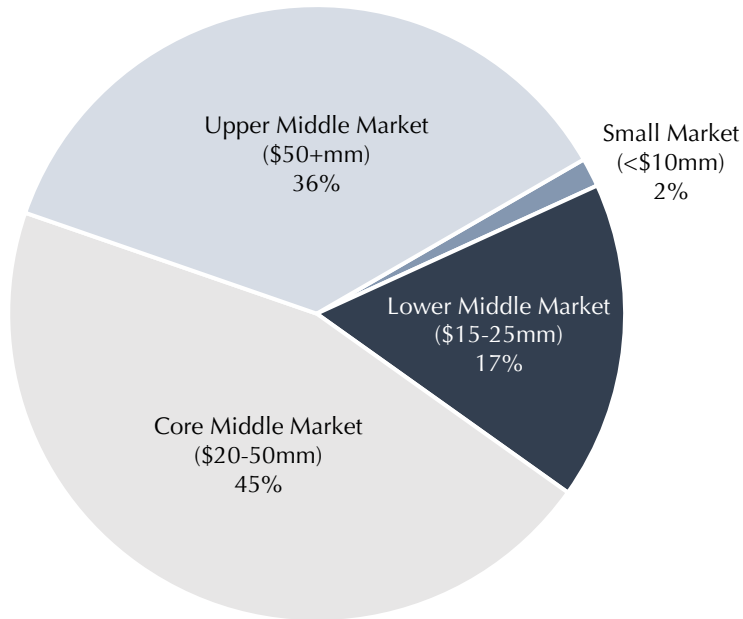
<i>2017-2020 Fundraise</i>		<i>2021 Fundraise</i>	
<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>	<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>
Direct Lending	13.9	Direct Lending	15.0
Distressed Debt & Special Situations	12.0	Distressed Debt & Special Situations	13.0
Mezzanine	14.3	Mezzanine	17.3
Real Assets Credit	14.2	Real Assets Credit	18.9
Real Estate Credit	15.6	Real Estate Credit	13.5
Specialty Finance	14.8	Specialty Finance	15.7
<b><i>Private Credit</i></b>	<b><i>13.7</i></b>	<b><i>Private Credit</i></b>	<b><i>14.8</i></b>

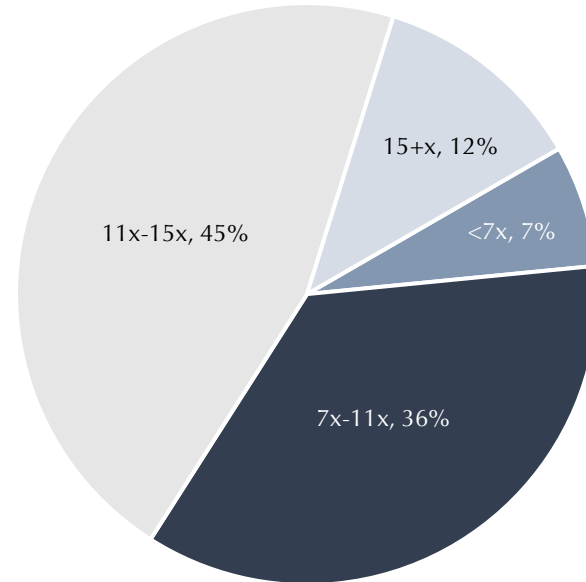
<i>2022 Fundraise</i>		<i>Difference 2021-2022</i>	
<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>	<i>Strategy</i>	<i>Average of Fundraise Period (in months)</i>
Direct Lending	16.5	Direct Lending	1.5
Distressed Debt & Special Situations	14.4	Distressed Debt & Special Situations	1.4
Mezzanine	15.2	Mezzanine	(2.1)
Real Assets Credit	15.4	Real Assets Credit	(3.6)
Real Estate Credit	15.3	Real Estate Credit	1.9
Specialty Finance	14.6	Specialty Finance	(1.0)
<b><i>Private Credit</i></b>	<b><i>15.3</i></b>	<b><i>Private Credit</i></b>	<b><i>0.5</i></b>

## Investment Activity – 2022/2023 GP Detail

EBITDA Range Target (Avg.)



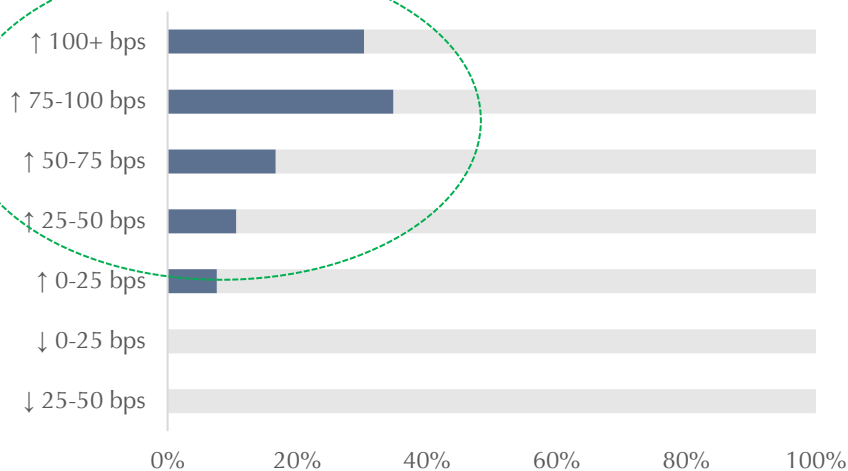
Valuation Range of Target Companies (Avg.)



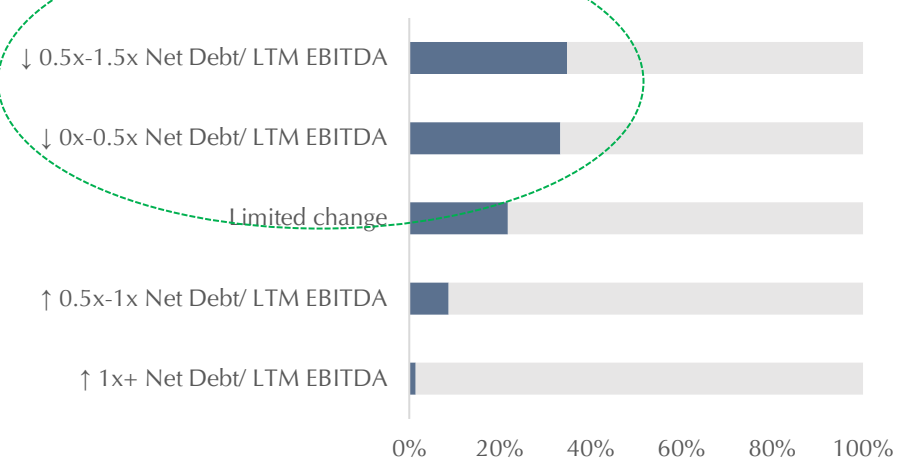
- 65 direct lending participants responded to our questionnaire this year across the U.S., Europe and Asia. Collectively, we believe that this group represents a large percentage of industry activity

## 2022 Lending Environment

Average Spread Change vs. End of 2021



Average Total Net Leverage Change vs End of 2021



- Terms are largely moving in favor of lenders, although the extent of pricing and structural shifts have been inconsistent across the space
- Upper middle market transactions have seen the most significant repricing as borrowers have been unable to access the broadly syndicated loan market
- These spread and leverage improvements come at a time when base rates have increased dramatically, making all-in returns for senior direct lending deals often 10%+ on an unlevered basis

## Portfolio Objectives and Guidelines

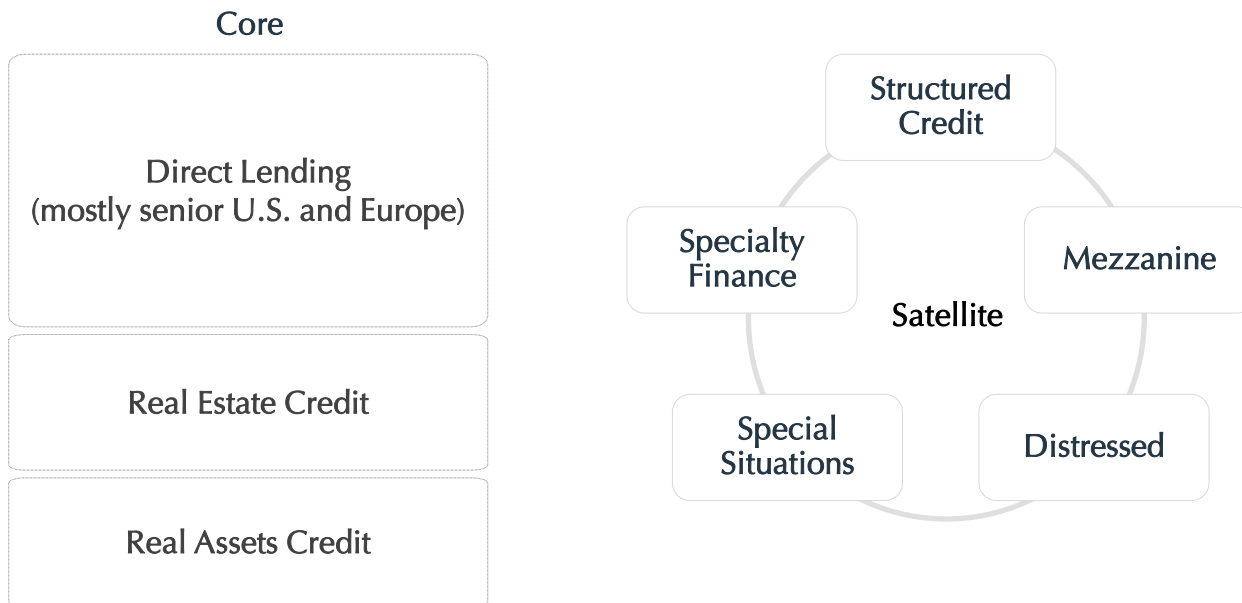
<b>Asset/Strategy Mix</b>	Diversified exposure to Private Credit strategies including: <ul style="list-style-type: none"> <li>• Corporate Lending (Senior Focus)</li> <li>• Real Estate &amp; Real Assets Lending</li> <li>• Distressed &amp; Special Situations</li> <li>• Specialty Finance</li> </ul>
<b>Target Portfolio Size</b>	Approximately 5.75% of LACERS’ plan assets
<b>Target Commitment Size</b>	\$50mm - \$150mm allocation sizes to 5-6 active GPs
<b>Fund Structures</b>	Commingled and Evergreen structures
<b>Net Return Target</b>	8-10%
<b>Benchmark</b>	Credit Suisse Leveraged Loan Index + 200bps
<b>Geographic Diversity</b>	Primarily U.S./North America, some Europe
<b>Other Considerations</b>	<ul style="list-style-type: none"> <li>• Complement existing private credit exposure</li> <li>• Take advantage of first close discounts and aggregation discounts</li> <li>• Source and evaluate emerging managers (target at least 10% of portfolio over time)</li> </ul>



DIRECT LENDING	DISTRESSED DEBT & SPECIAL SITUATIONS	SPECIALTY FINANCE	REAL ESTATE CREDIT	REAL ASSETS CREDIT	MEZZANINE
<b>U.S. Direct Lending</b> Senior Opportunistic LMM (sponsored) LMM (non-sponsored) Private BDCs Industry Focused Revolvers	<b>Corporate Distressed</b> Stress / Distressed Trading Influence / Control Diversified Distressed	<b>Consumer &amp; SME Lending</b> Marketplace Finance Lender/Platform Finance	<b>U.S. CRE Core Lending</b>	<b>Infrastructure Lending</b> Senior Focus Sub-IG Focus Mezz Focus	<b>U.S. Mezzanine</b> Upper Middle Market Middle Market Lower Middle Market
<b>European Direct Lending</b> Senior Opportunistic LMM Country-Specific Funds	<b>Opportunistic Structured Credit</b> 3 <sup>rd</sup> Party CLO Equity Captive CLO Equity CLO Debt CLO Multi Consumer ABS CMBS/CRE Esoteric ABS European Structured Credit RMBS Structured Credit Multi-Sector	<b>Rediscount Lending</b>	<b>U.S. CRE Transitional Lending</b> Large Loan Middle Market Small Balance Opportunistic	<b>Energy Credit</b> Energy Lending Energy Mezzanine Lending Opportunistic	<b>European Mezzanine</b>
<b>Emerging Markets Lending</b> Asian African CEE/Middle East Latin American Pan-EM	<b>Real Estate Distressed</b>	<b>Factoring &amp; Receivables</b>	<b>U.S. CRE Bridge Lending</b> Large Loan Middle Market Small Balance	<b>Trade Finance</b>	<b>Structured Equity</b>
<b>Global Direct Lending</b>	<b>NPLs</b>	<b>Regulatory Capital Relief</b>	<b>European CRE Lending</b> Bridge Transitional Core	<b>Metals &amp; Mining Finance</b>	
	<b>Capital Solutions</b>	<b>Music/Film/Media Royalties</b>	<b>Emerging Markets CRE Lending</b>	<b>Agricultural Credit</b>	
	<b>PC Special Situations</b>	<b>Oil &amp; Gas Minerals Royalties</b>	<b>CRE Structured Credit</b> Agency CRE B-Piece Non-Agency CRE B-Piece	<b>Transportation</b> Aviation Lending Maritime Lending Road & Rail Lending Transportation Lending (Multi)	
	<b>PC Secondaries</b>	<b>Metals Royalties</b>	<b>Residential Mortgages</b> Residential NPLs Single Family Rental Mortgage Servicing Rights Residential Origination		
		<b>Healthcare Lending &amp; Royalties</b> Healthcare Lending Healthcare Royalties			
		<b>Venture Lending</b>			
		<b>Technology Lending</b>			
		<b>Financial Services Credit</b>			
		<b>Insurance Linked Credit</b> Diversified Life Insurance Non-Life			
		<b>Litigation Finance</b> Litigation Finance Merger Appraisal Rights			
		<b>PE Portfolio Finance</b>			
		<b>Stretch ABL</b>			
		<b>Diversified Specialty Finance</b>			

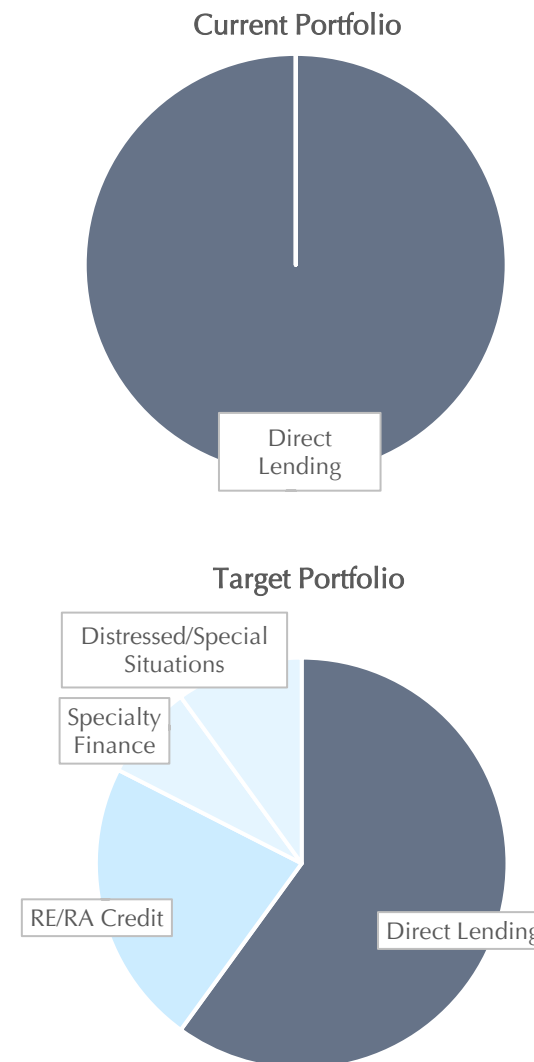
## Portfolio Construction Overview

**Core + Satellite:** *Concentrated positions in direct lending and/or cross asset complemented with smaller holdings in specialized strategies*



## Current and Target Portfolio Construction

		Strategy	Allocation %
Current Portfolio	Core	<b>Direct Lending</b> <i>U.S. Direct Lending (Monroe Capital, Benefit Street) European Direct Lending (Crescent Capital)</i>	100%
Target Portfolio	Core	<b>Direct Lending</b> <i>U.S. Direct Lending European Direct Lending</i>	40-70%
		<b>RE/RA Credit</b> <i>U.S. CRE Core Lending U.S. CRE Transitional Lending</i>	20-40%
	Satellite	<b>Specialty Finance</b> <i>(e.g., Consumer &amp; SME Lending, Venture Lending, Litigation Finance)</i>	0-25%
		<b>Distressed/Special Situations</b> <i>Corporate Distressed Capital Solutions</i>	0-30%

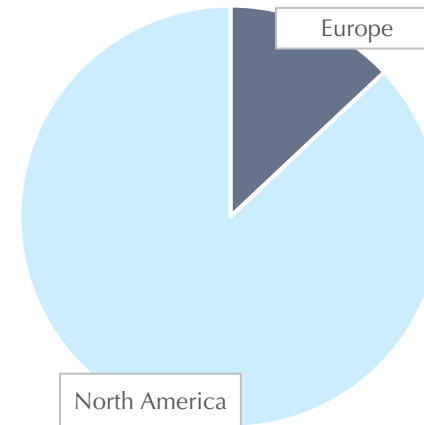


1 Indicative target ranges would be driven by opportunity set and skill sets of available managers and respective investment terms. Graphs are for illustrative purposes only.  
2 Data as of September 30, 2023

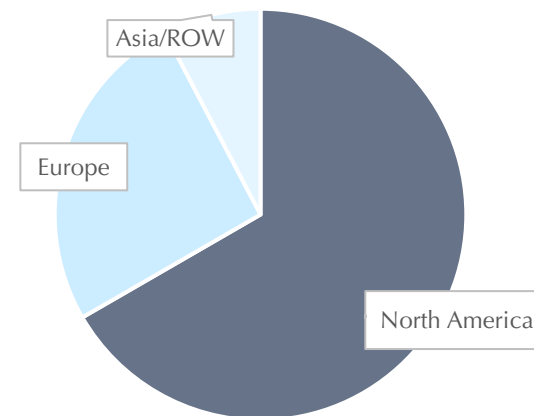
## Current and Target Portfolio Construction

		Strategy	Allocation %
Current Portfolio	Core	North America <i>(Monroe Capital, Benefit Street)</i>	87%
		Europe <i>(Crescent Capital)</i>	13%
Target Portfolio	Core	North America	40-70%
		Europe	20-40%
	Satellite	Asia/Rest-of-World	0-25%

Current Portfolio



Target Portfolio

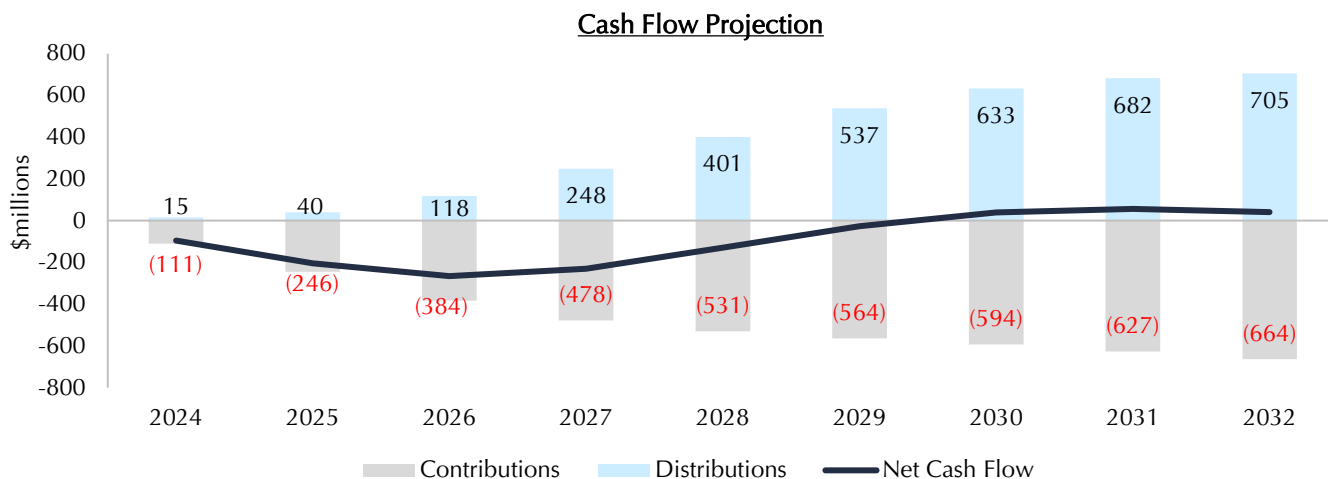
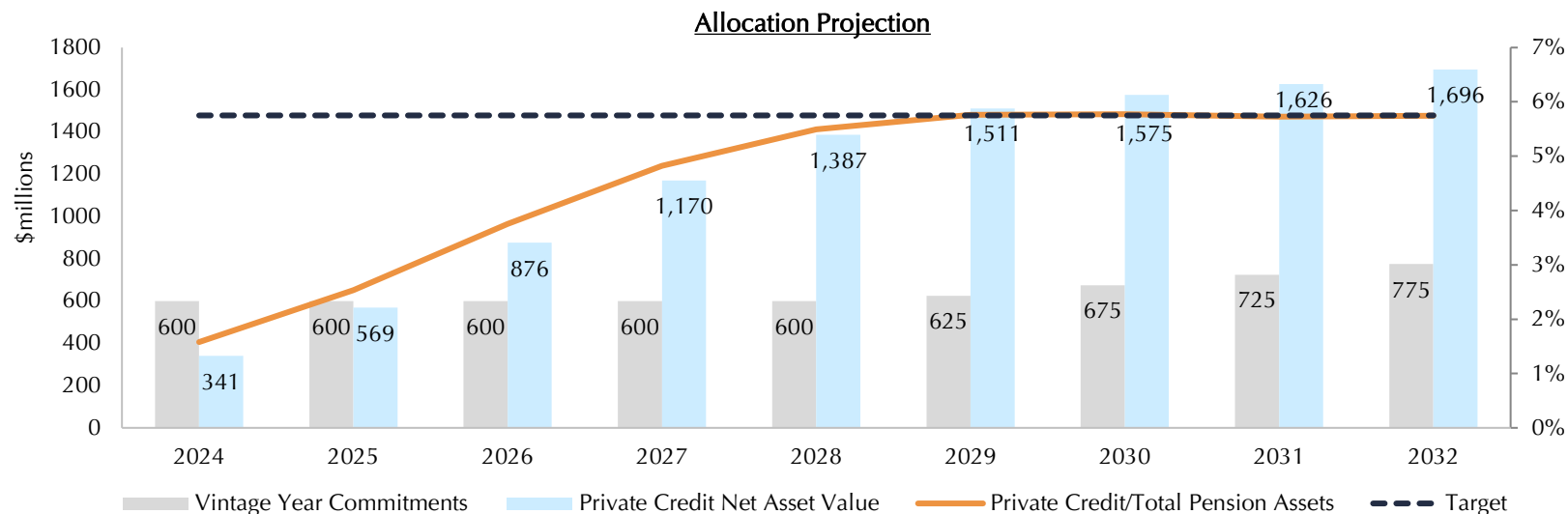


1 Indicative target ranges would be driven by opportunity set and skill sets of available managers and respective investment terms. Graphs are for illustrative purposes only.  
2 Data as of September 30, 2023

## Pacing Analysis Summary

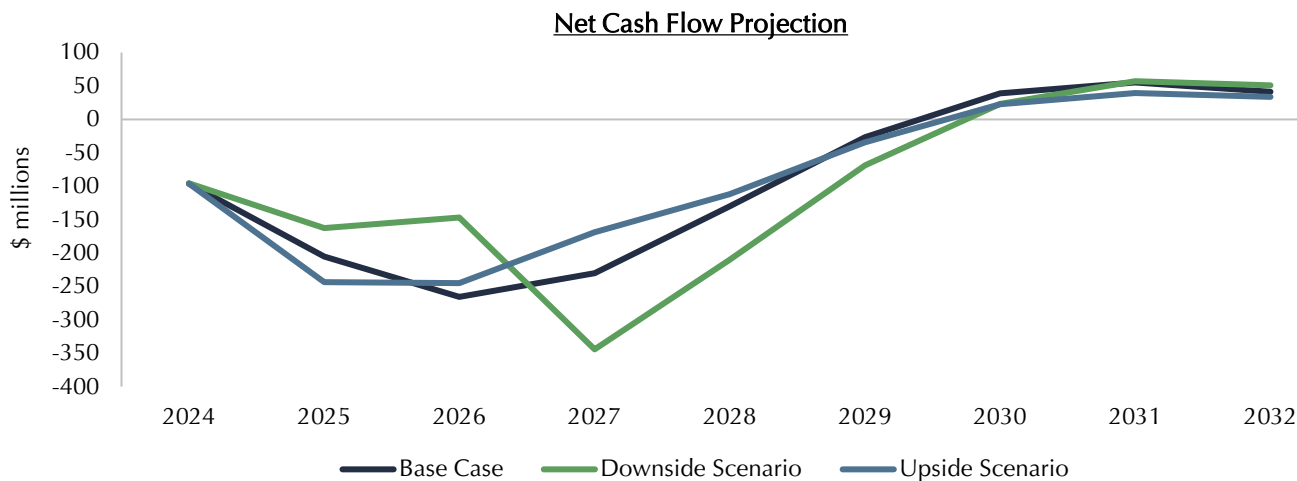
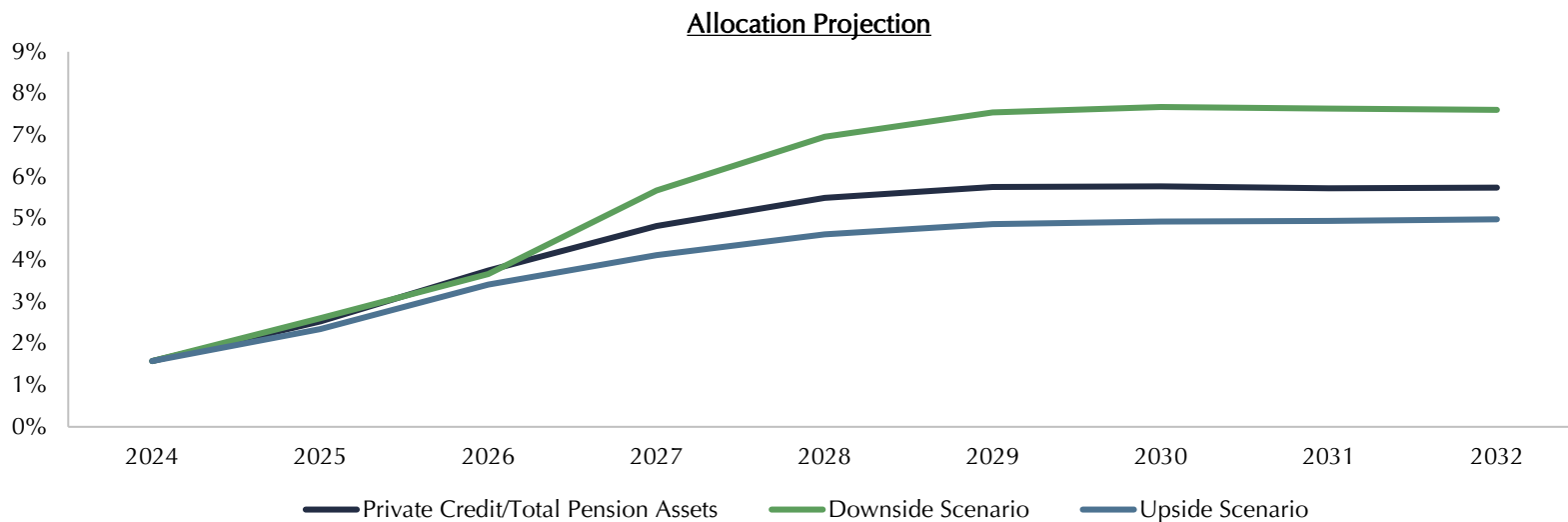
- Aksia recommends LACERS commit approximately \$500 million to \$700 million for 2024, with an expected target of \$600 million
- Aksia believes it is reasonable to consider a five-year aggregate total commitment target of \$3.0 billion as a base case scenario to achieve and maintain the target allocation of 5.75%
- We assume a LACERS plan value of \$21.6bn as of September 30, 2023
- This pacing plan uses LACERS' fund-level holdings information and Aksia's proprietary, private credit scenario assumptions
- Pursuant to the Private Credit Investment Policy, Aksia will revisit assumptions and allocation guidelines in the annual Private Credit Strategic Plan

## Pacing Analysis Detail – Base Case



NOTE: The assumptions shown as well as the pacing results they inform are based on Aksia’s experience with and expectations for the specified asset class, typical fund structures, and historical performance and cash flow profile. We believe these assumptions are reasonable and note that the results are intended to provide insights, not conclusions. In addition, Aksia does rely on client input to inform these assumptions and produce the pacing results. As such, the output shown can be changed to reflect additional assumptions that the client believes could be relevant to its portfolio considerations and appropriate to its risk tolerance.

## Pacing Analysis Detail – Base Case



NOTE: The assumptions shown as well as the pacing results they inform are based on Aksia’s experience with and expectations for the specified asset class, typical fund structures, and historical performance and cash flow profile. We believe these assumptions are reasonable and note that the results are intended to provide insights, not conclusions. In addition, Aksia does rely on client input to inform these assumptions and produce the pacing results. As such, the output shown can be changed to reflect additional assumptions that the client believes could be relevant to its portfolio considerations and appropriate to its risk tolerance.

## 2024 Commitment Recommendations | \$ in Millions

Strategy	Current Exposure <sup>1</sup>	Target	Annual Allocation	Commitment Range <sup>2</sup>
<b>Core</b>	<b>0%</b>	<b>70%-100%</b>	<b>\$350-\$700</b>	<b>\$50-\$150</b>
Direct Lending	100%	40%-70%		
Real Estate/Real Asset Credit	0%	20%-40%		
<b>Satellite</b>	<b>0%</b>	<b>0%-30%</b>	<b>\$0-\$210</b>	<b>\$30-\$100</b>
Specialty Finance	0%	0%-25%		
Distressed/Special Situations	0%	0%-30%		
Geography	Current Exposure <sup>1</sup>	Target	Annual Allocation	Commitment Range
<b>Core</b>	<b>100%</b>	<b>75%-100%</b>	<b>\$350-\$700</b>	<b>\$50-\$150</b>
North America	87%	40%-70%		
Europe	13%	20%-40%		
<b>Satellite</b>	<b>0%</b>	<b>0%-25%</b>	<b>\$0-\$175</b>	<b>\$30-\$75</b>
Asia	0%	0%-25%		
Rest-of-World	0%	0%-25%		
Emerging Managers	Current Exposure <sup>1</sup>	Target	Annual Allocation	Commitment Range
Emerging Managers	0%	10%+	\$50-\$70	\$20-\$30
<b>Total</b>			<b>\$500-\$700</b>	

- Proposed investment of \$500 million to \$700 million for 2024, with expected target of \$600 million
- Aksia believes it is reasonable to consider a five-year aggregate total commitment target of \$3.0 billion as a base case scenario

<sup>1</sup> Data as of September 30, 2023

<sup>2</sup> Emerging Manager commitment sizes will likely be smaller



## 2024 Recommendations & Considerations

- Focus on direct lending to take advantage of higher base rates
- Increase upper middle market exposure to take advantage of enhanced risk adjusted returns
- Evaluate distressed and opportunistic credit in dislocated markets
- Deploy at least 10% of commitments to emerging managers and niche strategies
- Diversify portfolio overall by size, strategy, geography in line with target exposures
- Target \$600m in commitments for 2024 with an approximate commitment range of \$500m to \$700m

# Appendix

## SWOT Analysis

### Strengths

- Legacy portfolio is comprised of quality managers
- Small number of relationships in legacy portfolio allows for high degree of selectivity in onboarding new manager relationships

### Weaknesses

- Private credit program is nascent and will require increased expertise in the asset class to further develop the program
- Lack of deep relationships in private credit space relative to other asset classes such as private equity

### Opportunities

- Slowdown in debt capital markets and bank financing is leading more corporate and non-traditional borrowers to private credit to raise capital
- Denominator effect has dampened private credit fundraising resulting in a positive supply/demand dynamic
- Higher base rates have improved risk-adjusted returns across the risk spectrum in private credit
- Attractive entry point for dislocated market segments including real estate and certain corporate sectors

### Threats

- Potential for spread widening and higher default risk as companies battle higher financing costs and pressure on margins and top-line revenue
- Risk of increased prepayment rates eroding returns in an expected falling interest rate environment

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**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Elizabeth Lee, Chair  
Annie Chao  
Gaylord "Rusty" Roten

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - C**

**SUBJECT: APPROVAL OF 3-YEAR CONTRACT WITH ROBERT W. BAIRD & CO., INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

1. Approve a three-year contract renewal with Robert W. Baird & Co., Inc. (Baird) for management of an active core fixed income portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Discussion**

On February 13, 2024, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with Baird. The firm has managed an active core fixed income portfolio for LACERS since June 2021; the current contract expires on May 31, 2024. LACERS' portfolio was valued at approximately \$640 million as of January 31, 2024. Baird is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid Baird a total of \$1.46 million in investment management fees.

Staff provided a review of the organization, investment strategy, performance, and fees. Staff touted the length of the relationship, noting that prior to the current mandate, Baird previously managed an active domestic core fixed income portfolio for LACERS between March 2005 and June 2021, which outperformed its benchmark by an annualized 53 basis points net-of-fees. Staff noted the performance of the current portfolio, which as of December 31, 2023, exhibits positive excess returns for all relevant time periods. Staff also highlighted Baird's effective fee of 11 basis points, which ranks in the 2nd percentile of fees in the manager's peer universe. Following the discussion, the Committee concurred with the staff recommendation.

## **Strategic Plan Impact Statement**

A contract renewal with Baird will allow the fund to maintain a diversified exposure to the active core fixed income market, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachments:   1. Investment Committee Recommendation Report dated February 13, 2024  
                  2. Proposed Resolution



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO INVESTMENT COMMITTEE**  
**From: Neil M. Guglielmo, General Manager**

*Neil M. Guglielmo*

**MEETING: FEBRUARY 13, 2024**  
**ITEM: VI**

---

**SUBJECT: INVESTMENT MANAGEMENT CONTRACT WITH ROBERT W. BAIRD & CO., INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

### **Recommendation**

That the Committee recommend to the Board a three-year contract renewal with Robert W. Baird & Co., Inc. for management of an active core fixed income portfolio.

### **Executive Summary**

Robert W. Baird & Co., Inc. (Baird) has managed an active core fixed income portfolio for LACERS since March 2005. LACERS' portfolio was valued at approximately \$642 million as of December 31, 2023. Baird's current contract expires on May 31, 2024. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with Baird.

### **Discussion**

#### *Background*

Baird manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. The investment process begins with an evaluation of the return potential of each sector. Baird then determines which issuers offer the best relative value within each sector. Available issues are then screened based on credit quality, attributes, structure, and liquidity. Credit research plays a fundamental role in the investment process and is a critical aspect of security selection. Yield curve positioning has also been a driver of the portfolio's performance over time. Co-CIOs Mary Ellen Stanek (44 years industry experience, 23 with Baird) and Warren Pierson (37 years industry experience, 23 with Baird), Senior Portfolio Manager Charles Groeschell (43 years industry experience, 23 with Baird) and Director of Research Jay Schwister (38 years industry experience, 18 with Baird) lead the firm's formulation of investment outlook and portfolio strategy. LACERS' portfolio was valued at \$642 million as of December 31, 2023.

Baird previously managed an active domestic core fixed income portfolio for LACERS between March 2005 and June 2021. This portfolio outperformed its benchmark, the Bloomberg U.S. Intermediate Government/Credit Bond Index, by an annualized 53 basis points net-of-fees. For its current mandate,

the Board hired Baird through the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on June 1, 2021. The current contract expires on May 31, 2024.

**Organization**

Baird has been privately held and employee-owned since 2004. Baird Advisors, the asset management unit of Baird, currently has 76 employees and is headquartered in Milwaukee, Wisconsin. As of December 31, 2023, Baird Advisors managed approximately \$131.5 billion of total assets, with \$57.6 billion of assets in the Core Bond Strategy.

**Due Diligence**

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at Baird’s headquarters on October 5, 2023, that included interviews with key personnel across the organization. Staff determined that Baird’s investment philosophy, strategy, and process have not changed materially since inception of the current contract. In October 2021, Warren Pierson was named Co-Chief Investment Officer of Baird Advisors. The announcement did not impact the day-to-day management of the strategy. Baird is in compliance with the LACERS Manager Monitoring Policy.

**Performance**

As of December 31, 2023, Baird outperformed its benchmark over the 3-Month, 1-Year, 2-Year and Since Inception time periods as presented in the table below.

<b>Annualized Performance as of 12/31/2023 (Net-of-Fees)</b>				
	3-Month	1-Year	2-Year	Since Inception <sup>1</sup>
Baird	7.10	6.52	-3.89	-2.76
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	-4.19	-3.17
<i>% of Excess Return</i>	<i>0.28</i>	<i>0.99</i>	<i>0.30</i>	<i>0.41</i>

<sup>1</sup>Inception date 6/17/2021

Calendar year performance is presented in the table below as supplemental information.

<b>Calendar Year Performance as of 12/31/2023 (Net-of-Fees)</b>			
	2023	2022	6/17/2021 - 12/31/2021
Baird	6.52	-13.29	0.83
Bloomberg U.S. Aggregate Bond Index	5.53	-13.01	0.38
<i>% of Excess Return</i>	<i>0.99</i>	<i>-0.28</i>	<i>0.45</i>



*Fees*

LACERS pays Baird an effective fee of 11 basis points (0.11%), which is approximately \$703,000 annually based on the value of LACERS' assets as of December 31, 2023. The fee ranks in the 2nd percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 98% of like-managers have higher fees). Since inception of its current mandate, LACERS has paid Baird a total of \$1.46 million in investment management fees.

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract renewal with Baird will allow the fund to maintain a diversified exposure to the active core fixed income market, and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



**To: Los Angeles City Employees' Retirement System Investment Committee**

**From: NEPC, LLC**

**Date: February 13, 2024**

**Subject: Baird Advisors**

---

### **Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract with Baird Advisors ('Baird') for a period of three years from the date of contract expiry.

### **Background**

Baird has been an investment manager for LACERS since March 2005 having managed an intermediate duration investment grade corporate and government bond portfolio until June 2021. The current core fixed income portfolio was funded on June 17, 2021. As of November 30, 2023, Baird managed \$619.1 million, or 2.8% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing according to LACERS' manager monitoring policy.

Baird Advisors was formed as an investment group within the larger Baird organization in the year 2000 by the former portfolio management team at Firststar Investment Research and Management Company. Baird traces its origins back to 1919 when the firm was the investment arm of First Wisconsin National Bank. In 1982, Northwestern Mutual purchased 80% of Baird and in 2004, Baird became employee-owned after completing its purchase from Northwestern Mutual. Today, Baird is a privately held full service financial services firm headquartered in Milwaukee, Wisconsin. The firm is 95% employee owned and Northwestern Mutual owns the remaining equity interest. More than 80% of Baird's 5,100 employees own firm stock and no single associate owns more than 5%. All eligible members of the Baird Advisors Portfolio Management Team have equity interest in Baird in the form of purchased shares. Assets under management at Baird Advisors is \$121.1 billion as of September 30, 2023.

The senior investment management team has a long tenure, led by co-CIO's Mary Ellen Stanek and CIO Warren Pierson, and includes senior members from credit research and portfolio construction. The team is charged with forming the investment outlook and overall portfolio strategy. All members of the team have 30+ years of experience. The senior leadership has been with the firm since the core bond product's inception.

Baird's investment philosophy is focused on discipline and risk control and the benchmark is a starting point. The portfolio invests in only USD cash bonds with a bottom-up focused approach. Duration is kept neutral. The goal is to be tortoise-like, grinding away in a structured fashion and slowly and consistently add value. The view is to avoid negative surprises while earning modest incremental return. Baird also views the portfolio as expected and necessary liquidity providers for their clients and constructs portfolios with this in mind. Baird provides a moderate risk, liquid, stable core fixed income offering to clients. By all accounts and expectations, the firm and team are stable

and staid, providing the traditional stability and liquidity of a high quality, spread-oriented, mid-tracking error core fixed income offering. The investment edge for Baird is caution and a focus on liquidity and stability through downside aversion. Portfolio management is conducted on a team basis. Portfolio shifts generally occur gradually as the team moves towards sectors where they see relative value, while also focusing on yield curve roll down. Generally, the edge is winning by grinding out excess income over time without undue idiosyncratic risk.

The Baird process relies on a constant focus and evaluation of the benchmark. The mindset is to maintain moderate active risk and not allow the portfolios to unintentionally drift from the benchmark, while maintaining a benchmark neutral duration posture. There are four areas of focus: yield curve positioning to maximize carry and roll down, relative value-based sector allocation, issue selection, and execution/t-cost minimization. The portfolio evolves gradually across these four components, primarily using cash flow to slowly reposition, minimizing trading costs. The portfolio is very liquid by nature. Risk management is more integrally process driven, than independent oversight oriented.

The portfolio tends to be well diversified with a focus on more stable and predictable cash flows. Corporate exposure is highly diversified, with position size decreasing with ratings. Corporate exposure also leans shorter than the benchmark. In securitized, the focus is on stability of cash flow. Structure and collateral analysis favor seasoned issues, lower loan-to-value and high-quality originators and servicers. Investments are solely in the most senior part of the respective cap structure. The securitized portion of the portfolio is always viewed as the second line of liquidity behind governments furthering the focus on quality and seniority. The portfolio does not use derivatives or leverage.

### **Performance**

Referring to Exhibit 1, as of November 30, 2023, since the portfolio's inception date of July 1, 2021<sup>1</sup>, the portfolio has outperformed its benchmark by 0.2%. Over the last one-year, the portfolio has outperformed the benchmark by 0.9% and year-to-date ended November 30, 2023 has outperformed by 0.8%. Referring to Exhibit 2, as of September 30, 2023, since inception the portfolio outperformed the benchmark by 0.2% and ranked in the 35<sup>th</sup> percentile in its peer group. Over the last one-year, the portfolio outperformed by 0.9% and ranked in the 20<sup>th</sup> percentile in its peer group.

Referring to Exhibit 3, as of December 31, 2023, over longer periods of time citing the Baird Core Bond investment product composite, since inception the portfolio has outperformed its benchmark's return by 0.5%. The portfolio has also outperformed its benchmark by 0.5% in the last ten-year and five-year periods.

Referring to Exhibit 4, in a challenging 2022, the portfolio generated both negative absolute and relative returns. Credit positioning was the biggest detractor to returns and underperformance was driven by a relative overweight to financials. Over the course of 2023 portfolio outperformance was driven by Baird's consistent positioning with an overweight to investment grade credit in the financials sector and an overweight to BBB rated credits. Yield curve positioning also contributed to outperformance against the benchmark.

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.

**Fees**

The portfolio has an asset-based fee of 0.11% annually. This fee ranks in the 2<sup>nd</sup> percentile among peers in the eVestment Core Fixed Income universe. In other words, 98% of the products included in the peer universe have a higher fee than the LACERS account.

**Conclusion**

Baird has outperformed its benchmark and has executed on its mandate in providing core bond asset management services. The firm, portfolio management team and strategy have been stable. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

Exhibit 1: Performance Comparison Net of Fees as of November 30, 2023

	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Inception	Inception Date
Baird Advisors Core Fixed Income	4.6	2.4	2.1	--	--	--	-4.7	Jul-21
Blmbg. U.S. Aggregate Index	4.5	1.6	1.2	--	--	--	-4.9	
<i>Over/Under</i>	<i>0.1</i>	<i>0.8</i>	<i>0.9</i>	--	--	--	<i>0.2</i>	

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.



Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2023

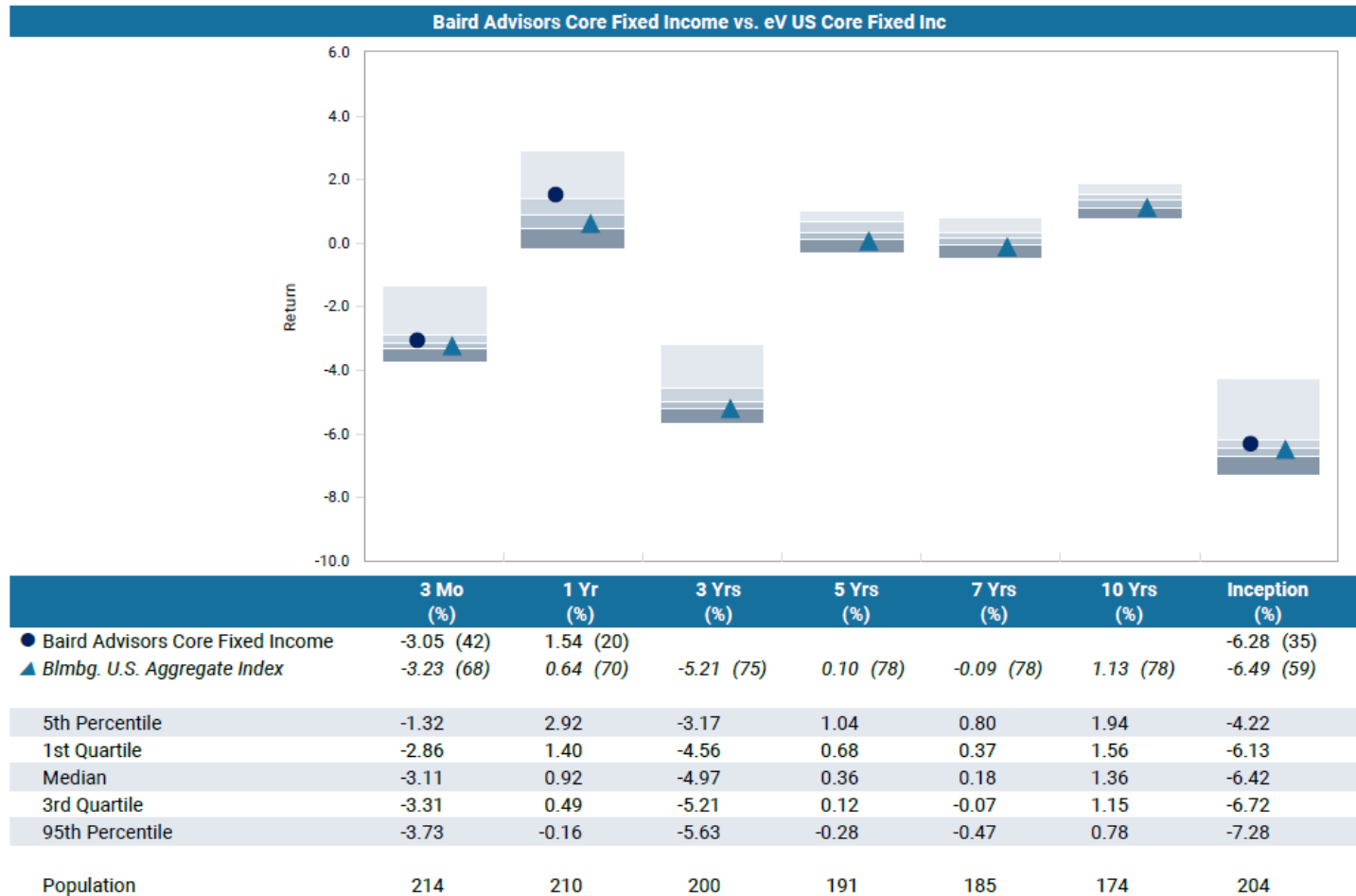
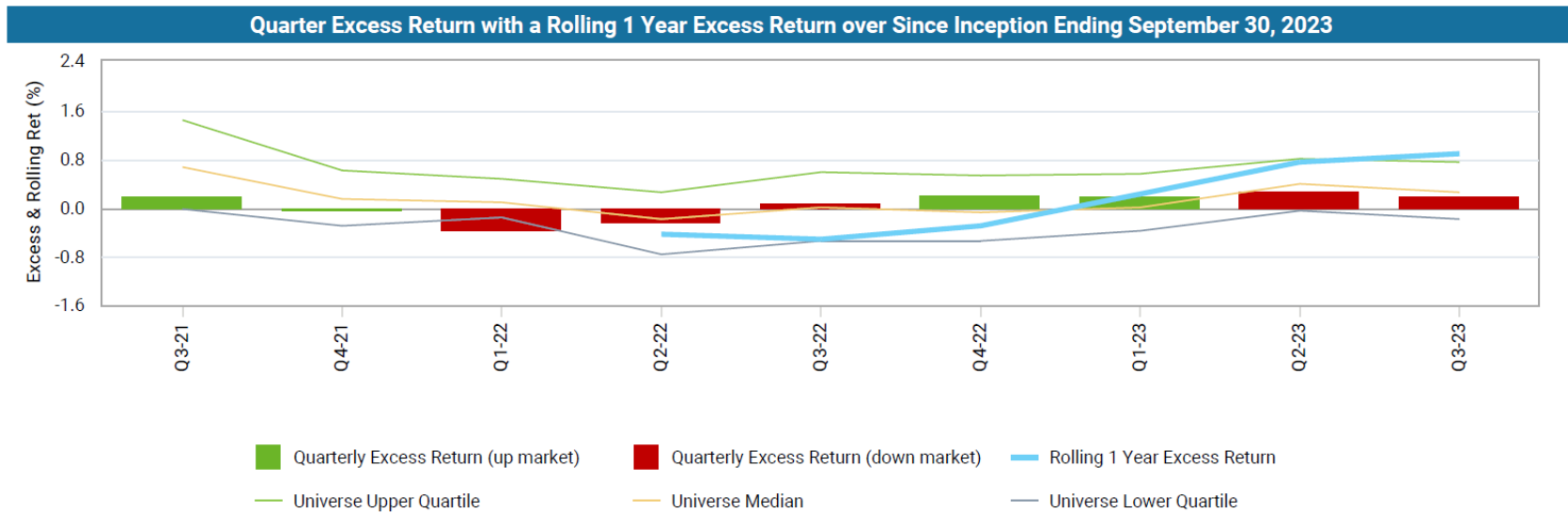


Exhibit 3: eVestment Composite Performance Net of Fees Ending December 31, 2023

Firm Name	Product Name	Returns - MRQ (12/2023)	Returns - YTD (12/2023)	Returns - 1 Year (12/2023)	Returns - 3 Years (12/2023)	Returns - 5 Years (12/2023)	Returns - 10 Years (12/2023)	Returns - Since Inception 21 Years 01/2003 - 12/2023
Baird Advisors	Core Bond	7.21	6.45	6.45	-3.13	1.58	2.26	3.75
Bloomberg Fixed Income Index	Bloomberg US Aggregate	6.82	5.53	5.53	-3.31	1.10	1.81	3.21
<i>Over/Under</i>		<i>0.39</i>	<i>0.92</i>	<i>0.92</i>	<i>0.18</i>	<i>0.47</i>	<i>0.45</i>	<i>0.54</i>

Exhibit 4: Cumulative Excess Performance Net of Fees Ending September 30, 2023



1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.

CONTRACT RENEWAL  
ROBERT W. BAIRD & CO., INC.  
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Robert W. Baird & Co., Inc. (Baird) for active core fixed income portfolio management expires on May 31, 2024; and,

WHEREAS, Baird is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with Baird will allow the LACERS total portfolio to maintain a diversified exposure to the active core fixed income market; and,

WHEREAS, on February 27, 2024, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Baird.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	Robert W. Baird & Co., Inc.
<u>Service Provided:</u>	Active Core Fixed Income Portfolio Management
<u>Effective Dates:</u>	June 1, 2024 through May 31, 2027
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Bloomberg U.S. Aggregate Bond Index
<u>Allocation as of January 31, 2024:</u>	\$640 million

February 27, 2024



**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Elizabeth Lee, Chair  
Annie Chao  
Gaylord "Rusty" Roten

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - D**

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**SUBJECT: APPROVAL OF 3-YEAR CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

**Recommendation**

That the Board:

1. Approve a three-year contract renewal with J.P. Morgan Investment Management Inc. (J.P. Morgan) for management of an active core fixed income portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Discussion**

On February 13, 2024, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with J.P. Morgan. The firm has managed an active core fixed income portfolio for LACERS since June 2021; the current contract expires on May 31, 2024. LACERS' portfolio was valued at approximately \$438 million as of January 31, 2024. J.P. Morgan is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid J.P. Morgan a total of \$1.13 million in investment management fees.

Staff provided a review of the organization, investment strategy, performance, and fees. Staff informed the Committee that J.P. Morgan experienced several personnel changes within its executive leadership over the course of the contract period, but none of the changes adversely impacted the day-to-day management of the strategy. Staff also provided an update to the manager's performance through January 31, 2024, which exhibits positive excess returns for all relevant time periods. Following the discussion, the Committee concurred with the staff recommendation.



## **Strategic Plan Impact Statement**

A contract renewal with J.P. Morgan will allow the fund to maintain a diversified exposure to the active core fixed income market and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachments:   1. Investment Committee Recommendation Report dated February 13, 2024  
                  2. Proposed Resolution



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO INVESTMENT COMMITTEE**  
From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 13, 2024**  
**ITEM: VII**

*Neil M. Guglielmo*

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**SUBJECT: INVESTMENT MANAGEMENT CONTRACT WITH J.P. MORGAN INVESTMENT MANAGEMENT INC. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

### **Recommendation**

That the Committee recommend to the Board a three-year contract renewal with J.P. Morgan Investment Management Inc. for management of an active core fixed income portfolio.

### **Executive Summary**

J.P. Morgan Investment Management Inc. (J.P. Morgan) has managed an active core fixed income portfolio for LACERS since June 2021. LACERS' portfolio was valued at approximately \$439 million as of December 31, 2023. J.P. Morgan's current contract expires on May 31, 2024. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with J.P. Morgan.

### **Discussion**

#### *Background*

J.P. Morgan Investment Management Inc., marketed under the name J.P. Morgan Asset Management, manages an active core fixed income portfolio for LACERS benchmarked against the Bloomberg U.S. Aggregate Bond Index. The strategy uses a bottom-up approach that is based on finding undervalued securities and sectors to provide incremental yield and total return versus the benchmark. The security selection process emphasizes the securitized sectors based upon the belief that the market is less efficient at pricing these securities. Duration management is the firm's primary risk control measure. While Richard Figuly (30 years industry experience, 29 years with the firm) serves as the lead portfolio manager for the J.P. Morgan Core Bond Strategy, the strategy is managed on a team basis to incorporate a range of opinions into the investment process. Team members include portfolio managers, traders, research analysts, and risk management professionals. LACERS' portfolio was valued at \$439 million as of December 31, 2023.

The Board hired J.P. Morgan through the 2019-2021 Active Core Fixed Income search process and authorized a three-year contract on January 26, 2021; the contract became effective on June 1, 2021. The current contract expires on May 31, 2024.

*Organization*

J.P. Morgan is a wholly-owned subsidiary of JP Morgan Chase & Co., a publicly-traded company (NYSE ticker symbol JPM). The firm has approximately 8,300 employees, over 1,300 of whom are investment professionals. As of December 31, 2023, J.P. Morgan managed approximately \$2.9 trillion of total assets, with \$85.8 billion of assets in the Core Bond strategy.

*Due Diligence*

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an extensive onsite meeting at J.P. Morgan's offices on October 18, 2023, that included interviews with key personnel across the organization. Staff determined that J.P. Morgan's investment philosophy, strategy, and process have not changed materially since contract inception. Effective October 2023, Kay Herr succeeded Steven Lear as the U.S. CIO of Global Fixed Income, Currency and Commodities. This transition was among a number of personnel changes within executive leadership over the course of the contract period, none of which were deemed to have created any adverse impact on the management of the strategy. J.P. Morgan is in compliance with the LACERS Manager Monitoring Policy.

*Performance*

As of December 31, 2023, J.P. Morgan outperformed its benchmark over the 1-Year, 2-Year and Since Inception time periods, but underperformed its benchmark over the 3-Month period, as presented in the table below.

<b>Annualized Performance as of 12/31/2023 (Net-of-Fees)</b>				
	3-Month	1-Year	2-Year	Since Inception <sup>1</sup>
J.P. Morgan	6.63	5.81	-3.59	-2.24
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	-4.19	-3.25
<i>% of Excess Return</i>	<i>-0.19</i>	<i>0.28</i>	<i>0.60</i>	<i>0.99</i>

<sup>1</sup>Inception date 6/22/2021

Calendar year performance is presented in the table below as supplemental information.

<b>Calendar Year Performance as of 12/31/2023 (Net-of-Fees)</b>			
	2023	2022	6/22/2021 - 12/31/2021
J.P. Morgan	5.81	-12.16	1.61
Bloomberg U.S. Aggregate Bond Index	5.53	-13.01	0.22
<i>% of Excess Return</i>	<i>0.28</i>	<i>0.85</i>	<i>1.39</i>

*Fees*

LACERS pays J.P. Morgan an effective fee of 14 basis points (0.14%), which is approximately \$612,000 annually based on the value of LACERS' assets as of December 31, 2023. The fee ranks in the 7th percentile of fees charged by similar core fixed income managers in the eVestment database (i.e., 93% of like-managers have higher fees). Since inception, LACERS has paid J.P. Morgan a total of \$1.13 million in investment management fees.

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract renewal with J.P. Morgan will allow the fund to maintain a diversified exposure to the active core fixed income market and aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



**To: Los Angeles City Employees' Retirement System Investment Committee**

**From: NEPC, LLC**

**Date: February 13, 2024**

**Subject: JP Morgan**

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### **Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract with JP Morgan ('JPM') for a period of three years from the date of contract expiry.

### **Background**

The JPM Core Bond portfolio was funded on June 22, 2021 to provide asset management services within LACERS' core fixed income allocation. As of November 30, 2023, JPM managed \$424.0 million, or 1.9% of Plan assets. The portfolio is benchmarked against the Bloomberg U.S. Aggregate Bond Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing according to LACERS' manager monitoring policy.

JP Morgan Asset Management ('JPMAM') manages assets for individuals, advisors and institutions with history dating back to 1863. JPMAM began its most recent period of development in the year 2000 with the establishment of their parent group, JP Morgan Chase or JPMC, following the merger of J.P. Morgan & Co. Incorporated and The Chase Manhattan Corporation. JPMC merged with Bank One Corporation in 2004. On May 1, 2023, JPMC acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation (FDIC). JPMAM is the brand name of the group of companies that constitute the investment management business of JPMC and its affiliates worldwide and has its headquarters in New York. JP Morgan Investment Management Inc., is an SEC-registered investment advisor and an indirect wholly owned subsidiary of JPMC, a publicly traded corporation that is listed on the New York Stock Exchange (Ticker: JPM). JPM has \$2.755 trillion in AUM as of September 30, 2023.

The JPM Core Bond portfolio is managed on a team basis to incorporate a range of opinions into the investment process. Team members include 10 portfolio managers, traders, research analysts and risk management professionals. All members of the team contribute new ideas. JPM believes that this open communication allows individuals on the team to expand their horizons and reach for creative new ideas that are then put through our disciplined process to determine if the idea adds value. Each portfolio manager takes the recommendations of the team and selects or sells the appropriate securities in their portfolios. Richard Figuly is the lead portfolio manager and has ultimate decision-making authority.

JPM believes inefficiencies in the fixed income market are pervasive and will continue. However, the identification of individual undervalued securities is difficult and requires advanced analytical skills and extensive experience to capitalize successfully on inefficiencies. JPM identifies inefficiencies through a combination of active investment management and disciplined risk control. The portfolio incorporates a bottom-up, value-oriented approach to fixed income investment

management and central to this approach is: Identifying securities that are priced inefficiently; Making sector allocation decisions based on a broad sector outlook, utilizing expected return and valuation analysis; Managing yield curve, with an emphasis on evaluating relative risk/reward relationships along the yield curve and; Managing portfolio duration used primarily as a risk control measure.

The investment process for the Strategy combines the consistent application of a value-oriented framework and the ongoing review, monitoring and control of key portfolio characteristics. Areas of emphasis in managing the strategy include security selection, sector allocation and yield curve and duration management in concert with the overall maintenance of a high-quality portfolio. Security selection the hallmark of the strategy whereby JPM identifies high-quality individual issues with an emphasis on identifying undervalued securities. Security selection includes all sectors of the Bloomberg U.S. Aggregate Index including: corporate bonds, mortgage-backed securities, asset-backed securities, treasury securities and agency bonds. Although the fixed income investment process is driven largely by a bottom-up approach emphasizing security selection, close attention is paid to sector and sub-sector valuations and weightings. Sectors are analyzed and their relative attractiveness is based on an assessment of economic and industry factors as well as supply and demand conditions.

### **Performance**

Referring to Exhibit 1, as of November 30, 2023, since the portfolio's inception date of July 1, 2021<sup>1</sup>, the portfolio has outperformed its benchmark by 0.4%. Over the last one-year, the portfolio has outperformed the benchmark by 0.5% and year-to-date ended November 30, 2023 has outperformed by 0.3%. Referring to Exhibit 2, as of September 30, 2023, since inception the portfolio outperformed the benchmark by 0.6% and ranked in the 19<sup>th</sup> percentile in its peer group. Over one-year, the portfolio outperformed by 0.4% and ranked in the 43<sup>rd</sup> percentile in its peer group.

Referring to Exhibit 3, as of December 31, 2023, over longer periods of time citing the JPM Core Bond investment product composite, since inception the portfolio has outperformed its benchmark's return by 0.4%. The portfolio has also outperformed its benchmark by 0.3% in the last ten-years and 0.5% in the last five-year period.

Referring to Exhibit 4, in a challenging 2022, the portfolio generated outperformance in a down market. Credit positioning and sector positioning in securitized assets contributed to outperformance. Over the course of 2023 portfolio outperformance was driven by credit and sector allocation.

### **Fees**

The portfolio has an asset-based fee of 0.14% annually. This fee ranks in the 7<sup>th</sup> percentile among peers in the eVestment Core Fixed Income universe. In other words, 93% of the products included in the peer universe have a higher fee than the LACERS account.

### **Conclusion**

JPM has outperformed its benchmark and has executed on its mandate in providing core bond asset management services. The firm, portfolio management team and strategy have been stable. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

The following tables provide specific performance information, net of fees referenced above.

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.

Exhibit 1: Performance Comparison Net of Fees as of November 30, 2023

	1 Month (%)	YTD (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)	Inception	Inception Date
JP Morgan Investment Management	4.3	1.9	1.7	--	--	--	-4.5	Jul-21
Blmbg. U.S. Aggregate Index	4.5	1.6	1.2	--	--	--	-4.9	
<i>Over/Under</i>	-0.2	0.3	0.5	--	--	--	0.4	

1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.



Exhibit 2: Universe Performance Comparison Net of Fees Ending September 30, 2023

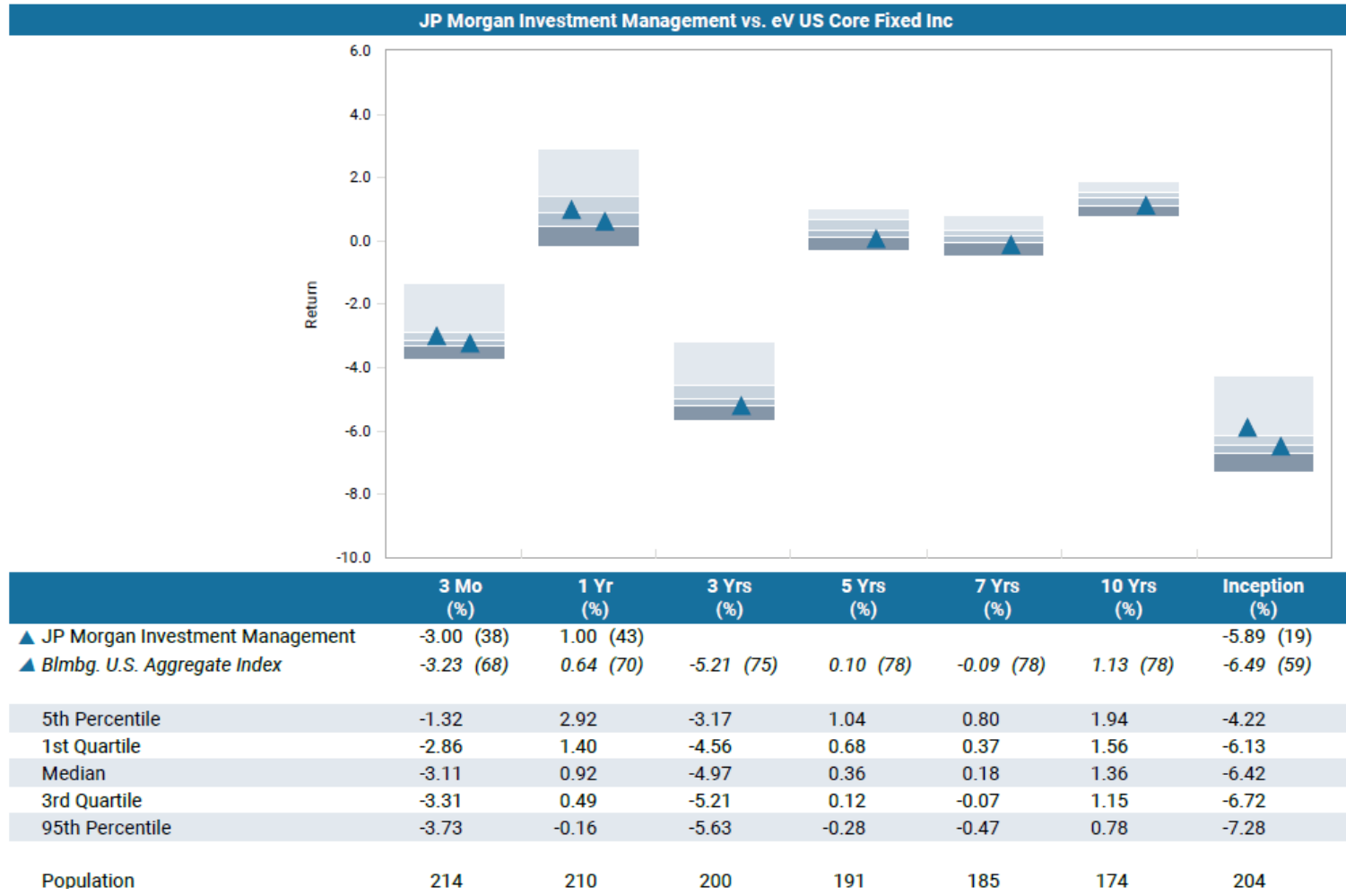
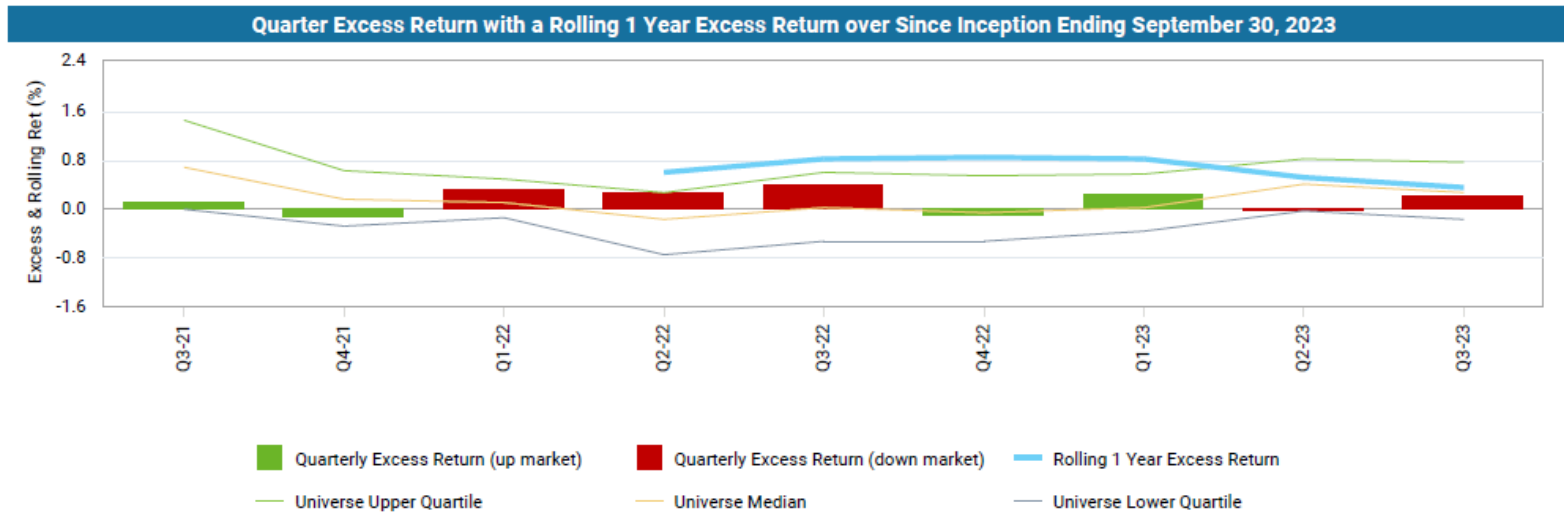




Exhibit 3: eVestment Composite Performance Net of Fees Ending December 31, 2023

Firm Name	Product Name	Returns - MRQ (12/2023)	Returns - YTD (12/2023)	Returns - 1 Year (12/2023)	Returns - 3 Years (12/2023)	Returns - 5 Years (12/2023)	Returns - 10 Years (12/2023)	Returns - Since Inception 38 Years 01/1986 - 12/2023
J.P. Morgan Investment Management Inc.	JPM Core Bond	6.42	6.02	6.02	-2.69	1.62	2.15	6.06
Bloomberg Fixed Income Index	Bloomberg US Aggregate	6.82	5.53	5.53	-3.31	1.10	1.81	5.61
<i>Over/Under</i>		-0.40	0.49	0.49	0.62	0.52	0.34	0.44

Exhibit 4: Cumulative Excess Performance Net of Fees Ending September 30, 2023



1 - Note, NEPC sets portfolio inception dates to the beginning of the next month if a portfolio is not funded on the first business day of the month.

CONTRACT RENEWAL  
J.P. MORGAN INVESTMENT MANAGEMENT INC.  
ACTIVE CORE FIXED INCOME PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with J.P. Morgan Investment Management Inc. (J.P. Morgan) for active core fixed income portfolio management expires on May 31, 2024; and,

WHEREAS, J.P. Morgan is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with J.P. Morgan will allow the LACERS total portfolio to maintain a diversified exposure to the active core fixed income market; and,

WHEREAS, on February 27, 2024, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with J.P. Morgan.

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to approve and execute a contract subject to satisfactory business and legal terms and consistent with the following services and terms:

<u>Company Name:</u>	J.P. Morgan Investment Management Inc.
<u>Service Provided:</u>	Active Core Fixed Income Portfolio Management
<u>Effective Dates:</u>	June 1, 2024 through May 31, 2027
<u>Duration:</u>	Three years
<u>Benchmark:</u>	Bloomberg U.S. Aggregate Bond Index
<u>Allocation as of January 31, 2024:</u>	\$438 million

February 27, 2024



**REPORT TO BOARD OF ADMINISTRATION**  
From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - E**

*Neil M. Guglielmo*

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN CLEARLAKE CAPITAL PARTNERS VIII, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$50 million in Clearlake Capital Partners VIII, L.P.

**Executive Summary**

Clearlake Capital Partners VIII, L.P. will focus on control investments in diversified large sized companies in North America.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$50 million in Clearlake Capital Partners VIII, L.P. (the Fund), a strategy managed by Clearlake Capital Group, L.P. (Clearlake or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

Clearlake is led by its two managing partners, Behdad Eghbali and José Feliciano, who co-founded the firm in 2006. Prior to forming Clearlake, Mr. Eghbali was at TPG Capital and Mr. Feliciano was at Tennenbaum Capital Partners. The firm has over \$75 billion in assets under management and its senior investment principals have led or co-led over 400 investments. Clearlake employs over 100 professionals and has offices in Santa Monica (headquarters) and Singapore.

Clearlake is an existing general partner relationship for LACERS, with previous commitments to the following funds:

<b>Fund Name</b>	<b>Vintage Year</b>	<b>Commitment Size</b>	<b>Net IRR<sup>1,2</sup></b>
Clearlake Capital Partners VI, L.P.	2020	\$30 million	26.2%
Clearlake Capital Partners VII, L.P.	2021	\$75 million	4.9%

***Investment Thesis***

Clearlake will seek to primarily make control-oriented investments in large sized companies operating within the industrials, software and technology-enabled services, and consumer sectors. The firm will invest across the corporate capital structure, including debt and equity, with a strategic focus on obtaining control or exerting significant influence over portfolio companies. Clearlake’s approach to value creation is predicated on implementation of the firm’s O.P.S. (Operations, People, and Strategy) framework to facilitate operational improvements and, ultimately, increase profitability. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

***Placement Agent***

The GP did not use a placement agent in connection with LACERS’ investment.

***Staff Recommendation***

Staff concurred with Aksia’s recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

**Strategic Plan Impact Statement**

Investment in Clearlake Capital Partners VIII, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/WL/EC/CH:rm

- Attachments:
1. Aksia Investment Notification
  2. Discretion in a Box

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<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS’ interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Aksia LLC

Clearlake Capital Partners VIII, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## Clearlake Capital Partners VIII, L.P.

General Partner	• Clearlake Capital Group (“Clearlake” or the “Firm”)
Fund	• Clearlake Capital Partners VIII, L.P. (“Fund VIII” or the “Fund”)
Firm Founded	• 2006
Strategy	• PE Special Situations
Sub-Strategy	• Distressed-for-Control & Special Situations
Geography	• North America
Team	• ~100 total professionals
Senior Partners	• José Feliciano and Behdad Eghbali
Office Locations	• Santa Monica (Headquarters), Singapore (Investor Relations)
Industries	• Technology, Industrials, Consumer
Target Fund Size	• \$15.0 billion
LACERS Commitment	• \$50.0 million

## Investment Highlights

- Clearlake has an experienced and cohesive senior investment team that has a broad range of experience spanning private equity, special situations, and distressed credit.
- The Firm brings significant expertise investing in its core sectors of technology and industrials.
- The Fund provides all-weather/value-oriented exposure in a market that is potentially more favorable than past vintages.
- Clearlake has demonstrated the ability to create significant value at portfolio companies through M&A.
- Clearlake’s prior Capital Partners funds have generated attractive overall and realized returns with a low loss ratio.

## Clearlake Capital Partners VIII, L.P.

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### Firm and Background

- Clearlake was founded in 2006 by Steven Chang, Behdad Eghbali, and José Feliciano.
- The Firm raised its inaugural Capital Partners fund in 2006 and since then has raised six additional Capital Partners funds, the latest of which closed in 2022.
- Clearlake launched its non-control strategy in 2015, Clearlake Opportunities Partners, as well as an overage fund to capitalize on market dislocations, Flagship Plus Partners, and its continuation fund series, Icon Partners, in 2020. Clearlake also acquired WhiteStar, a structured credit and CLO manager, in 2020.
- Today, Clearlake is led by Eghbali and Feliciano and has grown to over 100 professionals operating largely out of its headquarters in Santa Monica, CA.

### Investment Strategy

- Fund VIII will primarily make control-oriented investments in North American large and mega cap companies operating within the technology, industrial, and consumer sectors.
- The Fund's all-weather strategy provides it with the ability to invest across the capital structure in both equity and debt and in a variety of transactions, including value-oriented buyouts, special situations, carve-outs, take-privates, structured equity, and distressed-for-control, as well as various credit and public equity accumulations. As a result, Clearlake has been able to make investments in many portfolio companies at attractive creation value multiples
- Similar to previous funds, Clearlake will also recycle capital throughout the investment period which can enhance net return multiples adjusted for recycled capital.
- Post investment, Clearlake adds value through executing M&A and by implementing its O.P.S. framework which focuses on a portfolio company's operations, people, and strategy

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.**

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**NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.**



**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**LACERS**  
LA CITY EMPLOYEES'  
RETIREMENT SYSTEM



**REPORT TO BOARD OF ADMINISTRATION**  
**From: Neil M. Guglielmo, General Manager**

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - F**

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**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$30 MILLION IN FS EQUITY PARTNERS IX, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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### **Recommendation**

That the Board receive and file this notice of the commitment of up to \$30 million in FS Equity Partners IX, L.P.

### **Executive Summary**

FS Equity Partners IX, L.P. focuses on making control-oriented investments in consumer and distribution companies headquartered in North America. Areas of focus include retail, restaurants, direct marketing, e-commerce, consumer products, retail services and wholesale, business-to-business and specialty distribution.

### **Discussion**

#### *Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$30 million in FS Equity Partners IX, L.P. (the Fund), a buyout strategy managed by Freeman Spogli & Co. (the GP or Freeman Spogli). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

#### *Background*

Freeman Spogli was founded in 1983 by Bradford M. Freeman and Ronald P. Spogli and focuses on middle market companies within the consumer and distribution sectors. The partners of Freeman Spogli have an average tenure of 27 years. Since its founding, the firm has invested over \$5.7 billion of capital in 70 portfolio companies. The GP has more than 30 investment professionals who work across two offices based in Los Angeles (headquarters) and New York City.

Freeman Spogli is an existing general partner relationship for LACERS. LACERS previously committed \$25 million to FS Equity Partners VIII, L.P. (2019 vintage), which has earned a net internal rate of return (IRR) of 23.2%<sup>1,2</sup>.

#### *Investment Thesis*

The Fund will focus on making control-oriented investments into consumer and distribution companies headquartered in North America. Areas of focus include retail, restaurants, direct marketing, e-commerce, consumer products, retail services and wholesale, business-to-business and specialty distribution. Representative transaction types include management buyouts, leveraged recapitalizations, corporate carve-outs and equity investments. The Fund expects to invest in companies with enterprise values between \$100 million and \$750 million.

#### *Placement Agent*

The GP did not use a placement agent in connection with LACERS' investment.

#### *Staff Recommendation*

Staff concurred with Aksia's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

#### **Strategic Plan Impact Statement**

Investment in FS Equity Partners IX, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/WL/EC/CH:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box

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<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Aksia LLC

FS Equity Partners IX, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## FS Equity Partners IX, L.P.

General Partner	• Freeman Spogli & Co. (“Freeman Spogli” or the “Firm”)
Fund	• FS Equity Partners IX, L.P. (“Fund IX” or the “Fund”)
Firm Founded	• 1983
Strategy	• North American Buyouts
Sub-Strategy	• North American Middle Market Buyouts
Geography	• North America
Team	• ~34 Professionals
Senior Partners	• John Roth and Jon Ralph
Office Locations	• Los Angeles, New York
Industries	• Industry Specialist - Consumer and Distribution
Target Fund Size	• \$2.0 billion
LACERS Commitment	• \$30 million

## Investment Highlights

- Experienced leadership team with an average tenure of 27 years at the Firm
- Strong aggregate performance
- Significant experience in consumer and distribution sectors
- Consistent focus on acquiring businesses in the middle market

# FS Equity Partners IX, L.P.

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## Firm and Background

- Founded in 1983 as Riordan, Freeman & Spogli, named after its three original founders, Richard Riordan, Bradford Freeman, and Ronald Spogli; rebranded as Freeman Spogli & Co. after Riordan departed.
- The Firm initially focused on both private equity and venture capital transactions across a variety of sectors before pivoting its primary focus to more established companies in 1988
- Freeman Spogli underwent a leadership transition in 2016 where John Roth (CEO) and Jon Ralph (President & COO) took over the leadership of the Firm while the Co-Founders stepped up to Co-Chairman after reducing their involvement over a multi-fund horizon.
- Today, Roth and Ralph manage the Firm and are supported by five additional Partners. Spogli remains involved in an advisory capacity as the Chairmen while Freeman has further reduced his involvement, transitioning to Chairman Emeritus with the raise of Fund IX.

## Investment Strategy

- Fund IX will pursue control-oriented investments in North American middle market consumer and distribution businesses.
- The Fund will seek to acquire market leading product, service, and distribution businesses that primarily serve the home, food & beverage, automotive, and health and wellness end markets.
- The Firm has historically invested in retail, consumer products, e-commerce, consumer services, and restaurants. However, in recent years, there has been a shift in consumer spending from goods to services, which has led the Firm to favor service-based business models over product-oriented brick-and-mortar retail businesses.

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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**

**ITEM: VII - G**

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$15 MILLION IN GENERAL CATALYST GROUP XII – CREATION, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$15 million in General Catalyst Group XII – Creation, L.P.

**Executive Summary**

General Catalyst Group XII – Creation, L.P. will focus on early-stage venture capital investments to hatch innovative and transformative information technology companies in the consumer and enterprise sectors.

**Discussion**

*Consultant Recommendation*

Aksai LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$15 million in General Catalyst Group XII – Creation, L.P. (the Fund), a venture capital strategy managed by General Catalyst Group Management (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, New York, and London.

General Catalyst is an existing general partner relationship for LACERS, with previous commitments to the following funds:

<b>Fund Name</b>	<b>Vintage Year</b>	<b>Commitment Size</b>	<b>Net IRR<sup>1,2</sup></b>
General Catalyst Group X – Early Venture, L.P.	2020	\$10.0 million	27.8%
General Catalyst Group X – Endurance, L.P.	2020	\$11.7 million	0.0%
General Catalyst Group X – Growth Venture, L.P.	2020	\$16.7 million	4.7%
General Catalyst Group XI – Creation, L.P.	2021	\$13.0 million	7.4%
General Catalyst Group XI – Endurance, L.P.	2021	\$44.0 million	-3.8%
General Catalyst Group XI – Ignition, L.P.	2021	\$18.0 million	-7.0%

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company’s journey, from inception through the inflection phase. The Fund focuses on early-stage venture capital investments that seek to hatch innovative and transformative businesses. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

The GP did not use a placement agent in connection with LACERS’ investment.

### *Staff Recommendation*

Staff concurred with Aksia’s recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group XII – Creation, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS’ interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/WL/EC/EP:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box

Aksia LLC

General Catalyst Group XII - Creation, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## General Catalyst Group XII - Creation, L.P.

<b>General Partner</b>	• General Catalyst Group Management (the “Firm”)
<b>Fund</b>	• General Catalyst Group XII Creation, L.P.
<b>Firm Founded</b>	• 1999
<b>Strategy</b>	• Venture Capital
<b>Sub-Strategy</b>	• Early Stage VC
<b>Geography</b>	• Primarily North America
<b>Team</b>	• ~50 investment professionals
<b>Senior Partners</b>	• Hemant Taneja, Joel Cutler, David Fialkow , Ken Chenault, Adam Valkin, and Deep Nishar
<b>Office Locations</b>	• Boston, Palo Alto, San Francisco, New York, London
<b>Industries</b>	• Information Technology
<b>Target Fund Size</b>	• \$1.5 billion
<b>LACERS Commitment</b>	• \$15.0 million

## Investment Highlights

- The Firm has developed a team with diverse experience, with operating, investment banking and primary investment experience.
- The Management Committee consists of Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault, Adam Valkin, and Deep Nishar, who have worked together at General Catalyst for an average of 14.5 years.
- The Firm seeks to invest across the life of portfolio companies, from inception through the company’s growth phase.
- Strong, consistent track record.

## General Catalyst Group XII - Creation, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow , Joel Cutler, John Simon, and Bill Fitzgerald. Fund I launched in 2000 with \$73.5 million of commitments and was seeded with a portfolio of holdings that were rolled from FC Capital Management. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- Today, the firm operates out of its offices in Boston, Palo Alto, San Francisco, New York City, and London, which gives the Firm an active presence in the “Centers of Innovation ” for entrepreneurship.
- General Catalyst is managed by Hemant Taneja, Joel Cutler, David Fialkow, and Ken Chenault, who represent the management committee. Hemant Taneja recently assumed the role of Managing Partner and is responsible for overseeing all day to day firm activities and major management decisions.

### Investment Strategy

- The Creation Fund will pursue investments using General Catalyst’s thematic insights to identify needs and then provide solutions through either hatching companies or transforming businesses in transactions that GC believes would not happen without GC.
- The Creation Fund will target investing in Seed, Series A, Series B, and Series C rounds.
- All initial investments (irrespective of stage of investments) that utilize the XIR Program structure or the hatch strategy will be made by the Creation Fund.
- The Firm will seek to make 35 to 40 investments in the Creation Fund with checks ranging from up to \$2.0 million in Seed rounds, \$10.0 million to \$15.0 million in Series A rounds, up to \$20.0 million in Series B rounds, and \$75-\$125 million in Series C+ rounds for target ownership of 20.0% to 30.0%.



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**INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY STATE OR OTHER SECURITIES LAWS OR THE LAWS OF ANY NON-U.S. JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD FOR INVESTMENT ONLY TO QUALIFYING INVESTORS PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS (INCLUDING NON-U.S. JURISDICTIONS) WHERE THE OFFERING WILL BE MADE. THERE WILL BE NO PUBLIC MARKET FOR INTERESTS IN THE FUND, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT. INTERESTS IN THE FUND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE NON-U.S. SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE TRANSFERABILITY OF THE INTERESTS WILL BE FURTHER RESTRICTED BY THE TERMS OF THE FUND'S GOVERNING DOCUMENTS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.**

**NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.**

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**

**ITEM: VII - H**

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$15 MILLION IN GENERAL CATALYST GROUP XII – IGNITION, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$15 million in General Catalyst Group XII – Ignition, L.P.

**Executive Summary**

General Catalyst Group XII – Ignition, L.P. will focus on early-stage venture capital investments in the Seed, Series A, and Series B rounds of information technology companies in the consumer and enterprise sectors.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$15 million in General Catalyst Group XII – Ignition, L.P. (the Fund), a venture capital strategy managed by General Catalyst Group Management (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, New York, and London.

General Catalyst is an existing general partner relationship for LACERS, with previous commitments to the following funds:

<b>Fund Name</b>	<b>Vintage Year</b>	<b>Commitment Size</b>	<b>Net IRR<sup>1,2</sup></b>
General Catalyst Group X – Early Venture, L.P.	2020	\$10.0 million	27.8%
General Catalyst Group X – Endurance, L.P.	2020	\$11.7 million	0.0%
General Catalyst Group X – Growth Venture, L.P.	2020	\$16.7 million	4.7%
General Catalyst Group XI – Creation, L.P.	2021	\$13.0 million	7.4%
General Catalyst Group XI – Endurance, L.P.	2021	\$44.0 million	-3.8%
General Catalyst Group XI – Ignition, L.P.	2021	\$18.0 million	-7.0%

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company’s journey, from inception through the inflection phase. The Fund focuses on early-stage venture capital investments in the Seed, Series A, and Series B rounds. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

The GP did not use a placement agent in connection with LACERS’ investment.

### *Staff Recommendation*

Staff concurred with Aksia’s recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group XII – Ignition, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS’ interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/WL/EC/EP:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box

Aksia LLC

General Catalyst Group XII - Ignition, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## General Catalyst Group XII - Ignition, L.P.

<b>General Partner</b>	• General Catalyst Group Management (the “Firm”)
<b>Fund</b>	• General Catalyst Group XII Ignition, L.P.
<b>Firm Founded</b>	• 1999
<b>Strategy</b>	• Venture Capital
<b>Sub-Strategy</b>	• Early Stage VC
<b>Geography</b>	• Primarily North America
<b>Team</b>	• ~50 investment professionals
<b>Senior Partners</b>	• Hemant Taneja, Joel Cutler, David Fialkow , Ken Chenault, Adam Valkin, and Deep Nishar
<b>Office Locations</b>	• Boston, Palo Alto, San Francisco, New York, London
<b>Industries</b>	• Information Technology
<b>Target Fund Size</b>	• \$1.5 billion
<b>LACERS Commitment</b>	• \$15.0 million

## Investment Highlights

- The Firm has developed a team with diverse experience, with operating, investment banking and primary investment experience.
- The Management Committee consists of Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault, Adam Valkin, and Deep Nishar, who have worked together at General Catalyst for an average of 14.5 years.
- The Firm seeks to invest across the life of portfolio companies, from inception through the company’s growth phase.
- Strong, consistent track record.



## General Catalyst Group XII - Ignition, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow , Joel Cutler, John Simon, and Bill Fitzgerald. Fund I launched in 2000 with \$73.5 million of commitments and was seeded with a portfolio of holdings that were rolled from FC Capital Management. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- Today, the firm operates out of its offices in Boston, Palo Alto, San Francisco, New York City, and London, which gives the Firm an active presence in the “Centers of Innovation ” for entrepreneurship.
- General Catalyst is managed by Hemant Taneja, Joel Cutler, David Fialkow, and Ken Chenault, who represent the management committee. Hemant Taneja recently assumed the role of Managing Partner and is responsible for overseeing all day to day firm activities and major management decisions.

### Investment Strategy

- The Ignition Fund will target investing in Seed, Series A, and Series B rounds.
- Target investments in the Ignition Fund will have less than \$20.0 million of annual run rate revenue and a valuation of less than \$500.0 million.
- The Firm will seek to make 40 to 50 investments in the Ignition Fund with checks ranging from \$250.0 thousand to \$2.5 million in Seed rounds, \$3.0 million to \$12.0 million in Series A rounds, and \$20.0 million to \$40.0 million in Series B rounds for target ownership of 15.0% to 25.0%.

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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**  
From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - I**

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**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$22.5 MILLION IN GENERAL CATALYST GROUP XII – ENDURANCE, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Board receive and file this notice of the commitment of up to \$22.5 million in General Catalyst Group XII – Endurance, L.P.

**Executive Summary**

General Catalyst Group XII – Endurance, L.P. will focus on growth opportunities in the Series C or later rounds of information technology companies in the consumer and enterprise sectors.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$22.5 million in General Catalyst Group XII – Endurance, L.P. (the Fund), a growth equity strategy managed by General Catalyst Group Management (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, New York, and London.

General Catalyst is an existing general partner relationship for LACERS, with previous commitments to the following funds:

<b>Fund Name</b>	<b>Vintage Year</b>	<b>Commitment Size</b>	<b>Net IRR<sup>1,2</sup></b>
General Catalyst Group X – Early Venture, L.P.	2020	\$10.0 million	27.8%
General Catalyst Group X – Endurance, L.P.	2020	\$11.7 million	0.0%
General Catalyst Group X – Growth Venture, L.P.	2020	\$16.7 million	4.7%
General Catalyst Group XI – Creation, L.P.	2021	\$13.0 million	7.4%
General Catalyst Group XI – Endurance, L.P.	2021	\$44.0 million	-3.8%
General Catalyst Group XI – Ignition, L.P.	2021	\$18.0 million	-7.0%

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company’s journey, from inception through the inflection phase. The Fund focuses on growth opportunities that are in the Series C or later rounds. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

The GP did not use a placement agent in connection with LACERS’ investment.

### *Staff Recommendation*

Staff concurred with Aksia’s recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group XII – Endurance, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS’ interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/WL/EC/EP:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box

Aksia LLC

General Catalyst Group XII - Endurance, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)



## General Catalyst Group XII - Endurance, L.P.

<b>General Partner</b>	• General Catalyst Group Management (the “Firm”)
<b>Fund</b>	• General Catalyst Group XII Endurance, L.P.
<b>Firm Founded</b>	• 1999
<b>Strategy</b>	• Growth Equity
<b>Sub-Strategy</b>	• North American Growth Equity
<b>Geography</b>	• Primarily North America
<b>Team</b>	• ~50 investment professionals
<b>Senior Partners</b>	• Hemant Taneja, Joel Cutler, David Fialkow , Ken Chenault, Adam Valkin, and Deep Nishar
<b>Office Locations</b>	• Boston, Palo Alto, San Francisco, New York, London
<b>Industries</b>	• Information Technology
<b>Target Fund Size</b>	• \$2.25 billion
<b>LACERS Commitment</b>	• \$22.5 million

## Investment Highlights

- The Firm has developed a team with diverse experience, with operating, investment banking and primary investment experience.
- The Management Committee consists of Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault, Adam Valkin, and Deep Nishar, who have worked together at General Catalyst for an average of 14.5 years.
- The Firm seeks to invest across the life of portfolio companies, from inception through the company’s growth phase.
- Strong, consistent track record.

## General Catalyst Group XII - Endurance, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow , Joel Cutler, John Simon, and Bill Fitzgerald. Fund I launched in 2000 with \$73.5 million of commitments and was seeded with a portfolio of holdings that were rolled from FC Capital Management. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- Today, the firm operates out of its offices in Boston, Palo Alto, San Francisco, New York City, and London, which gives the Firm an active presence in the “Centers of Innovation ” for entrepreneurship.
- General Catalyst is managed by Hemant Taneja, Joel Cutler, David Fialkow, and Ken Chenault, who represent the management committee. Hemant Taneja recently assumed the role of Managing Partner and is responsible for overseeing all day to day firm activities and major management decisions.

### Investment Strategy

- The Endurance Fund will target investing in Series C rounds and later.
- Target investments in the Endurance Fund will have greater than \$20.0 million of annual run rate revenue and a valuation of more than \$500.0 million.
- The Firm will seek to make 15 to 20 investments in the Endurance Fund with checks ranging from \$50 million to \$250 million for target ownership of less than 10.0%.

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**INTERESTS IN THE FUND HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ANY STATE OR OTHER SECURITIES LAWS OR THE LAWS OF ANY NON-U.S. JURISDICTION. THE INTERESTS WILL BE OFFERED AND SOLD FOR INVESTMENT ONLY TO QUALIFYING INVESTORS PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS (INCLUDING NON-U.S. JURISDICTIONS) WHERE THE OFFERING WILL BE MADE. THERE WILL BE NO PUBLIC MARKET FOR INTERESTS IN THE FUND, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT. INTERESTS IN THE FUND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND ANY APPLICABLE NON-U.S. SECURITIES LAWS, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE TRANSFERABILITY OF THE INTERESTS WILL BE FURTHER RESTRICTED BY THE TERMS OF THE FUND'S GOVERNING DOCUMENTS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE FUND FOR AN INDEFINITE PERIOD OF TIME.**

**NONE OF THE INFORMATION CONTAINED HEREIN WAS PREPARED BY THE FUND OR ANY UNDERLYING PORTFOLIO FUNDS IDENTIFIED HEREIN, IF ANY, THE GENERAL PARTNERS THEREOF OR ANY OF THEIR RESPECTIVE AFFILIATES. BY ACCEPTING THESE MATERIALS, YOU HEREBY ACKNOWLEDGE AND AGREE TO ALL OF THE TERMS AND CONDITIONS IN THESE DISCLOSURES.**

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**

**ITEM: VII - J**

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$7.5 MILLION IN GENERAL CATALYST GROUP XII – HEALTH ASSURANCE, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$7.5 million in General Catalyst Group XII – Health Assurance, L.P.

**Executive Summary**

General Catalyst Group XII – Health Assurance, L.P. will focus on consumer-centric, data-driven, cloud-based healthcare companies.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$7.5 million in General Catalyst Group XII – Health Assurance, L.P. (the Fund), a venture capital strategy managed by General Catalyst Group Management (the Firm or General Catalyst). Fund management and incentive fees are comparable to similar strategies and the Firm, as general partner, will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

General Catalyst was founded in 1999 and is led by senior partners, Ken Chenault, David Fialkow, Joel Cutler, and Hemant Taneja. Prior to joining General Catalyst, Mr. Chenault was the Chief Executive Officer of American Express, and Messrs. Fialkow, Cutler, and Taneja were entrepreneurs and business operators. The firm has offices in Cambridge, Massachusetts (headquarters), San Francisco, Palo Alto, New York, and London.

General Catalyst is an existing general partner relationship for LACERS, with previous commitments to the following funds:

<b>Fund Name</b>	<b>Vintage Year</b>	<b>Commitment Size</b>	<b>Net IRR<sup>1,2</sup></b>
General Catalyst Group X – Early Venture, L.P.	2020	\$10.0 million	27.8%
General Catalyst Group X – Endurance, L.P.	2020	\$11.7 million	0.0%
General Catalyst Group X – Growth Venture, L.P.	2020	\$16.7 million	4.7%
General Catalyst Group XI – Creation, L.P.	2021	\$13.0 million	7.4%
General Catalyst Group XI – Endurance, L.P.	2021	\$44.0 million	-3.8%
General Catalyst Group XI – Ignition, L.P.	2021	\$18.0 million	-7.0%

### *Investment Thesis*

General Catalyst targets primarily information technology companies in the consumer applications and enterprise software sectors. The Firm has focused on these sectors since inception, specializing in complex technologies and identifying disruptive companies. In addition, General Catalyst pursues digital transformation of major sectors in the economy, such as mobile data and telecommunication, outsource computing, software-as-a-service, social media, and artificial intelligence. General Catalyst implements a full investment stage model, investing throughout a startup company’s journey, from inception through the inflection phase. The Fund focuses on early-stage healthcare venture capital investments in the Seed, Series A, and Series B rounds. Exit strategies include initial public offerings and sales to strategic partners, such as other private equity firms or large enterprise firms.

### *Placement Agent*

The GP did not use a placement agent in connection with LACERS’ investment.

### *Staff Recommendation*

Staff concurred with Aksia’s recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

### **Strategic Plan Impact Statement**

Investment in General Catalyst Group XII – Health Assurance, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Investments 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS’ interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/WL/EC/EP:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box



Aksia LLC

# General Catalyst Group XII - Health Assurance, L.P. Investment Notification



[www.aksia.com](http://www.aksia.com)

## General Catalyst Group XII - Health Assurance, L.P.

<b>General Partner</b>	• General Catalyst Group Management (the “Firm”)
<b>Fund</b>	• General Catalyst Group XII Health Assurance, L.P.
<b>Firm Founded</b>	• 1999
<b>Strategy</b>	• Venture Capital
<b>Sub-Strategy</b>	• Early Stage VC
<b>Geography</b>	• Primarily North America
<b>Team</b>	• ~50 investment professionals
<b>Senior Partners</b>	• Hemant Taneja, Joel Cutler, David Fialkow , Ken Chenault, Adam Valkin, and Deep Nishar
<b>Office Locations</b>	• Boston, Palo Alto, San Francisco, New York, London
<b>Industries</b>	• Information Technology / Healthcare
<b>Target Fund Size</b>	• \$750.0 million
<b>LACERS Commitment</b>	• \$7.5 million

## Investment Highlights

- The Firm has developed a team with diverse experience, with operating, investment banking and primary investment experience.
- The Management Committee consists of Joel Cutler, David Fialkow, Hemant Taneja, Ken Chenault, Adam Valkin, and Deep Nishar, who have worked together at General Catalyst for an average of 14.5 years.
- The Firm seeks to invest across the life of portfolio companies, from inception through the company’s growth phase.
- Strong, consistent track record.

## General Catalyst Group XII - Health Assurance, L.P.

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### Firm and Background

- General Catalyst was founded in 1999 in Boston by David Fialkow , Joel Cutler, John Simon, and Bill Fitzgerald. Fund I launched in 2000 with \$73.5 million of commitments and was seeded with a portfolio of holdings that were rolled from FC Capital Management. The Firm subsequently launched its first institutional fund in 2001 with \$219.1 million in capital commitments.
- Today, the firm operates out of its offices in Boston, Palo Alto, San Francisco, New York City, and London, which gives the Firm an active presence in the “Centers of Innovation ” for entrepreneurship.
- General Catalyst is managed by Hemant Taneja, Joel Cutler, David Fialkow, and Ken Chenault, who represent the management committee. Hemant Taneja recently assumed the role of Managing Partner and is responsible for overseeing all day to day firm activities and major management decisions.

### Investment Strategy

- The Health Assurance Fund will execute the Firm’s early stage health assurance investment strategy by investing in consumer-centric, data-driven, cloud-based healthcare companies designed to help people stay healthy and avoid today’s “sick care” paradigm.
- The Health Assurance Fund will target investing in Seed, Series A, and Series B rounds.
- Target investments in the Health Assurance Fund will have less than \$20.0 million of annual run rate revenue and a valuation of less than \$500.0 million.
- The Firm will seek to make 40 to 50 investments in the Health Assurance Fund with checks ranging from \$500.0 thousand to \$50.0 million for target ownership of 10.0% to 25.0%.

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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**

From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**

**ITEM: VII - K**

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN MBK PARTNERS FUND VI, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this notice of the commitment of up to \$40 million in MBK Partners Fund VI, L.P.

**Executive Summary**

MBK Partners Fund VI, L.P. will focus on control-oriented investments in domestic consumption focused businesses within the telecom/media, consumer/retail, and financial services industries in South Korea, China and Japan.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$40 million in MBK Partners Fund VI, L.P. (the Fund), a buyout strategy managed by MBK Partners (the GP or MBK). Fund management and incentive fees are comparable to similar strategies. The GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

MBK was established in 2005 when Michael Kim led a spin-out of the Carlyle Group's Asian investment team, Carlyle Asia Partners. The 14 partners who lead the firm include Mr. Kim and three others who were part of the original spin-out from Carlyle. The firm has over \$30 billion in capital under management, 68 investment professionals, and offices in Seoul (headquarters), Beijing, Hong Kong, Shanghai, and Tokyo.

MBK is an existing general partner relationship with LACERS. LACERS previously committed \$40 million to MBK Partners Fund V, L.P. (2021 vintage), which has earned a net internal rate of return (IRR) of 40.7%<sup>1, 2</sup>.

#### *Investment Thesis*

MBK will target control-oriented investments in domestic consumption focused businesses within the telecom/media, consumer/retail, and financial services industries in South Korea, China, and Japan. This approach is consistent with the firm's previous funds. The GP transacts in management-led buyouts, corporate divestitures, public to private transactions, and add-on acquisitions. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

#### *Placement Agent*

The GP did not use a placement agent in connection with LACERS' investment.

#### *Staff Recommendation*

Staff concurred with Aksia's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

#### **Strategic Plan Impact Statement**

Investment in MBK Partners Fund VI, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2024 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Eduardo Park, Investment Officer II, Investment Division

NMG/RJ/WL/EC/EP:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box

<sup>1</sup> Performance as of June 30, 2023.

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds, and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).



Aksia LLC

MBK Partners Fund VI, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## MBK Partners Fund VI, L.P.

General Partner	• MBK Partners
Fund	• Fund VI
Firm Founded	• 2005
Strategy	• Asian Buyouts
Sub-Strategy	• Large cap and Upper Middle Market Buyout
Geography	• South Korea, Japan, China
Team	• 14 partners, 58 additional investment professionals
Senior Partners	• Michael Byungju Kim, Kwang Il Kim, James Yoon
Office Locations	• Seoul, Tokyo, Beijing, Hong Kong, Shanghai
Industries	• Consumer/Retail, Healthcare, Telecom/Media/Technology, and Financial Services
Target Fund Size	• \$8.0 billion
LACERS Commitment	• \$40.0 million

## Investment Highlights

- Strong Realized Performance and DPI
- Focused Investment Strategy in North Asia and Core Sectors
- Favorably Positioned in S. Korea
- Favorable Macro Tailwinds in Japan
- Deep GP Commitment and Broad Carry Allocation
- Large Co-Investment Potential

## MBK Partners Fund VI, L.P.

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### Firm and Background

- MBK was founded in 2005 when Michael ByungJu Kim (“Michael Kim”) led a spinout of senior investment professionals from Carlyle Asia
- Since inception, MBK has raised \$16.3 billion of capital across its five flagship funds focused on the buyout strategy and \$2.7 billion across two funds focused on Special Situations
- MBK Partners is led by a team of 14 Partners who have worked together for an average of 16 years. MBK Partners has one of the most stable investment teams with only 4 Partner and Managing Director level departures since inception.

### Investment Strategy

- Fund VI’s strategy will remain consistent with prior Buyout Funds, and the fund will seek to make control investments primarily in consumer/retail, healthcare, technology/media/telecom and financial services within the Core Geographies (South Korea, Japan, China).
- Fund VI will target companies with an Enterprise Value of \$750 million to \$1.5 billion, and seek equity investments of \$350 million to \$600 million per transaction
- Fund VI will target investing in three to four companies per year, equating to 13 to 15 investments total. The Fund will seek to achieve average holding periods of four to five years, targeting gross multiples between 2.0x and 3.0x for each investment.
- Ideal target businesses for MBK would be those that have strong stable cash flows and a market leading position in their core products (five out of nine portfolio companies in Fund V, and five out of 10 in Fund IV are the #1 player in their respective segment/geography)

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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>



**REPORT TO BOARD OF ADMINISTRATION**  
From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**  
**ITEM: VII - L**

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**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN 3 BOOMERANG CAPITAL I, LP**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Board receive and file this notice of the commitment of up to \$20 million in 3 Boomerang Capital I, LP.

**Executive Summary**

3 Boomerang Capital I, LP, will focus on making control investments in lower middle market healthcare companies in North America and Western Europe.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$20 million in 3 Boomerang Capital I, LP (the Fund), a buyout strategy managed by 3 Boomerang Capital (the GP or 3 Boomerang). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

3 Boomerang Capital was founded in 2022 by Adam Dolder and Adam Elberg, who serve as Managing Directors of the fund. Prior to forming the fund, Mr. Dolder was a Managing Director at Great Point Partners. Mr. Elberg was founder and CEO of Professional Physical Therapy. The firm has 10 professionals and is based in Greenwich, CT.

3 Boomerang is a new general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy.

### *Investment Thesis*

3 Boomerang will focus on a value-add approach in lower middle market healthcare space. This fund will seek a control-oriented strategy targeting companies with EBITDA between \$4 to \$14 million. The firm will focus on four sub sectors within the healthcare space: biopharma outsourcing, medical device and diagnostic manufacturing, information technology and tech enabled services, and alternate site care providers. The firm takes a hands-on approach to value creation, focusing on consolidation in a highly fragmented space. After operational enhancements are in place, 3 Boomerang seeks to grow portfolio companies through geographic expansion, eventually leading to an exit via acquisitions. While the fund plans to primarily focus on investments in North America, it has the flexibility of expanding investments to Western Europe.

### *Placement Agent*

The GP did not use a placement agent in connection with LACERS' investment.

### *Staff Recommendation*

Staff concurred with Aksia's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

### **Strategic Plan Impact Statement**

3 Boomerang Capital I, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Jessica Chumak, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JC:rm

Attachments:           1. Aksia Investment Notification  
                              2. Discretion in a Box



Aksia LLC

## 3 Boomerang Capital I, LP Investment Notification



[www.aksia.com](http://www.aksia.com)

## 3 Boomerang Capital I, LP

General Partner	• 3 Boomerang Capital (“3BC” or the “Firm”)
Fund	• 3 Boomerang Capital I (the “Fund” or “Fund I”)
Firm Founded	• 2022
Strategy	• North American Buyouts
Sub-Strategy	• Lower Middle Market
Geography	• North America
Team	• ~10 professionals
Senior Partners	• Adam Dolder, Adam Elberg, Steven Bressler
Office Locations	• Greenwich, CT
Industries	• Healthcare
Target Fund Size	• \$350.0 million
LACERS Commitment	• \$20.0 million

## Investment Highlights

- Experienced and cohesive team
- Strong historical deal experience
- Sector specialization and thematic approach
- Founder alignment and motivation

## 3 Boomerang Capital I, LP

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### Firm and Background

- 3BC is led by Co-Founders Adam Dolder and Adam Elberg who bring a mix of investing and operating experience. Dolder brings investment experience from Great Point Partners (“GPP”) where he served as Head / Co-Head of Private Equity for 16 years. Elberg was previously the founder and CEO of Professional Physical Therapy (“ProPT”) from 1999 to 2018, which he recapitalized alongside GPP in 2011.
- The Co-Founders are supported by Managing Director Steven Bressler, who was previously a Principal at Parthenon Capital, as well as one Principal, one Vice President, one Associate, and two Analysts.
- Dolder’s track record and management experience at GPP is a strong proof point for the Firm and investment strategy. His prior experience helping launch the private equity arm at GPP, recruiting and developing talent, and largely managing the day-to-day of the investment team also serves as a differentiator relative to other new firms.

### Investment Strategy

- The Fund will primarily invest in control-oriented investments in North American lower middle market healthcare businesses. 3BC will employ a strategy that is predicated on identifying niche opportunities across biopharmaceutical infrastructure and supply chain, medical devices and diagnostics, technology and tech-enabled services, and alternative site care.
- While the Fund will primarily target North American domiciled businesses, 3BC will maintain the flexibility to invest a small portion of capital in Europe, with a primary focus on companies in the U.K. and Western Europe.
- 3BC will seek to build a portfolio of nine to twelve platform investments. Target companies will be founder / entrepreneur-owned or carve outs and typically produce EBITDA within the range of \$4 million to \$14 million.

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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
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**REPORT TO BOARD OF ADMINISTRATION**

From: Neil M. Guglielmo, General Manager

**MEETING: FEBRUARY 27, 2024**

**ITEM: VII - M**

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**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$35 MILLION IN PLATINUM EQUITY  
SMALL CAP FUND II, L.P.**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Board receive and file this notice of the commitment of up to \$35 million in Platinum Equity Small Cap Fund II, L.P.

**Executive Summary**

Platinum Equity Small Cap Fund II, L.P. will focus on making lower middle-market control investments in value-oriented companies in North America and Europe.

**Discussion**

*Consultant Recommendation*

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$35 million in Platinum Equity Small Cap Fund II, L.P. (the Fund), a buyout strategy managed by Platinum Equity Advisors LLC (Platinum or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2024 Strategic Plan adopted by the Board on November 28, 2023.

*Background*

Platinum was founded by Tom Gores in 1995 to acquire small underperforming companies. The firm is now led by Gores as CEO and Chairman, alongside Co-Presidents, Jacob Kotzubei and Luis Samson. Platinum has \$47 billion in assets under management and offices in Beverly Hills (headquarters), New York, Boston, Greenwich, London, and Singapore.

Platinum is an existing general partner relationship for LACERS, with previous commitments to the following funds:

Fund Name	Vintage Year	Commitment Size	Net IRR <sup>1,2</sup>
Platinum Equity Capital Partners III, L.P.	2011	\$25 million	30.6%
Platinum Equity Capital Partners IV, L.P.	2016	\$15 million	23.5%
Platinum Equity Capital Partners V, L.P.	2019	\$50 million	23.1%
Platinum Equity Capital Partners VI, L.P.	2022	\$75 million	n.m.
Platinum Equity Small Cap Fund, L.P.	2018	\$22.5 million	26.9%

n.m. = not meaningful

### *Investment Thesis*

The Fund will focus on lower middle market transactions in underperforming businesses. Representative transaction types include corporate divestitures, special situations, and public-to-private company conversions. The GP will utilize its operational expertise in areas such as accounting and finance, human resources, information technology, and sales and marketing to stabilize the companies and improve valuations. This Fund will pursue companies across several sectors in North America and Europe and focus on similar operations-focused investments as the flagship fund, but in the lower middle market segment.

### *Placement Agent*

The GP did not use a placement agent in connection with LACERS' investment.

### *Staff Recommendation*

Staff concurred with Aksia's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

### **Strategic Plan Impact Statement**

Investment in Platinum Equity Small Cap Fund II, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2024 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Jessica Chumak, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JC:rm

Attachments:       1. Aksia Investment Notification  
                          2. Discretion in a Box

<sup>1</sup> Performance as of June 30, 2023

<sup>2</sup> Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).



Aksia LLC

Platinum Equity Small Cap Fund II, L.P.  
Investment Notification



[www.aksia.com](http://www.aksia.com)

## Platinum Equity Small Cap Fund II, L.P.

General Partner	• Platinum Equity Advisors (the “Firm” or “Platinum”)
Fund	• Platinum Equity Small Cap Fund II, L.P. (“Small Cap II” or the “Fund”)
Firm Founded	• 1995
Strategy	• North American Buyouts
Sub-Strategy	• North American Middle Market Buyouts
Geography	• North America and Europe
Team	• ~170 Professionals
Senior Partners	• Tom Gores, Jacob Kotzubei, Luis Samson
Office Locations	• Los Angeles, Boston, Greenwich, New York, London, Singapore
Industries	• Generalist
Target Fund Size	• \$1.75 billion (\$2.0 – 2.25 billion hard cap)
LACERS Commitment	• \$35 million

## Investment Highlights

- Experienced senior team who have long histories at the Firm and an average tenure of over 13 years
- Operationally driven approach to value creation with established significant in-house operational resources
- Value-oriented strategy focused on complex transactions and turnarounds
- Attractive Small Cap Track record

## Platinum Equity Small Cap Fund II, L.P.

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### Firm and Background

- Founded in 1995 by Tom Gores to acquire small, underperforming, software companies.
- The Firm raised its first institutional fund in 2004 and has since raised five additional Platinum Equity Capital Partners funds with over \$33.5 billion in capital commitments.
- Platinum Expanded beyond just investing the Flagship funds, having launched a small cap private equity strategy in 2018 and a credit fund in 2020.
- Platinum continues to be led by Gores as the CEO and Chairman along two Co-Presidents, Jacob Kotzubei and Luis Samson, and nine Partners, many of whom have worked at the Firm prior to its first institutional fundraise in 2004.
- Platinum has grown to over 300 professionals that operate out of its headquarters in Beverly Hills, CA.

### Investment Strategy

- Small Cap II will continue to implement the same strategy utilized by the Flagship funds, albeit at the lower end of the market.
- The mandate will focus on making control investments in underperforming, undermanaged, and undervalued small to mid-sized companies.
- Transaction types include buyouts, recapitalizations, turnarounds, buy-and-builds, and corporate carve-outs.
- Sector agnostic, targeting specific business characteristics and transaction dynamics.
- Flexibility to invest up to 35% of capital commitments into developed Europe.

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**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

**F. Roles and Responsibilities**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Strategy/Policy</b>	<ul style="list-style-type: none"> <li>• Select Private Equity Consultant.</li> <li>• Approve asset class funding level.</li> <li>• Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Help develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.</li> </ul>
<b>Investment Management and Monitoring</b>	<ul style="list-style-type: none"> <li>• Review quarterly, annual, and other periodic monitoring reports and plans.</li> <li>• Review Commitment Notification Reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant.</li> <li>• Conduct meetings with existing managers periodically.</li> <li>• Attend annual partnership meetings when appropriate.</li> <li>• Fund capital calls and manage distributions.</li> <li>• Review Private Equity Consultant's recommendations on partnership amendments and consents.</li> <li>• Execute partnership amendments and consents.</li> <li>• Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence.</li> <li>• Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Prepare Commitment Notification Reports for Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio.</li> <li>• Recommend amendments and consents to Staff for approval.</li> <li>• Provide quarterly, annual, and other periodic monitoring reports and plans.</li> </ul>

**Section 5 PRIVATE EQUITY INVESTMENT POLICY**

	<b>Role of the Board</b>	<b>Role of Staff</b>	<b>Role of the Private Equity Consultant</b>
<b>Investment Selection</b>	<ul style="list-style-type: none"> <li>• Review investment analysis reports.</li> <li>• Review and approve investments in partnerships of amounts greater than \$150 million prior to investment.</li> <li>• Review and approve direct co-investment opportunities that exceed \$50 million.</li> <li>• Review and approve the sale of any one existing partnership fund on the secondary market exceeding \$50 million in Fair Market Value.</li> <li>• Review and approve a simultaneous sale of multiple partnership fund interests in a packaged structure.</li> </ul>	<ul style="list-style-type: none"> <li>• Refer investments and forward to Private Equity Consultant for preliminary screening.</li> <li>• Conduct meetings with prospective or existing general partners representing new investment opportunities.</li> <li>• Conduct due diligence with general partners to better ascertain risk and return profile, as determined by the Chief Investment Officer.</li> <li>• In conjunction with Private Equity Consultant, invest up to and including \$150 million in partnerships without Board approval. If Staff opposes and Private Equity Consultant disagrees, refer to Board for decision.</li> <li>• In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$150 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with direct co-investment opportunities up to and including \$50 million.</li> <li>• In conjunction with Private Equity Consultant, review and concur with the approval of sale of existing partnership funds on the secondary market up to and including \$50 million in Fair Market Value.</li> <li>• General Manager or designee with signature authority will execute agreements and other legal or business documents to effectuate the transaction closing.</li> <li>• Ensure review of relevant fund documents by the City Attorney and/or external legal counsel.</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct appropriate analysis and due diligence on investments.</li> <li>• Prepare investment reports for Board consideration on investments exceeding \$150 million.</li> <li>• With Staff concurrence, approve investments of up to and including \$150 million.</li> <li>• With Staff concurrence, approve direct co-investment opportunities up to and including \$50 million.</li> <li>• Present to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding \$50 million in Fair Market Value. Such transactions shall be brought to the Board for review and approval.</li> <li>• Provide investment analysis reports for each new investment and for sales of partnership fund interest on the secondary market or to other limited partner(s) or potential buyer(s).</li> <li>• Communicate with Staff regarding potential investment opportunities undergoing analysis and due diligence.</li> <li>• Coordinate meetings with general partners at the request of Staff.</li> <li>• Advise on and negotiate investment terms.</li> </ul>