



**Board of Administration Agenda**

**REGULAR MEETING**

**TUESDAY, JULY 23, 2019**

**TIME: 10:00 A.M.**

**MEETING LOCATION:**

LACERS Ken Spiker Boardroom  
202 West First Street, Suite 500  
Los Angeles, California 90012-4401

Live Board Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.

President:	Cynthia M. Ruiz
Vice President:	Vacant
Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Lita Payne
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF JULY 9, 2019 AND POSSIBLE BOARD ACTION](#)
- III. DISABILITY RETIREMENT APPLICATION(S)
  - A. CONSIDERATION OF SERVICE-CONNECTED SURVIVORSHIP FOR SURVIVING SPOUSE OF DECEASED MEMBER CLAYTON KADEKAWA AND POSSIBLE BOARD ACTION (HEARING)
  - B. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF DAVID BAEK AND POSSIBLE BOARD ACTION (HEARING)**

- C. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF KAREN DEAN AND POSSIBLE BOARD ACTION**
- IV. BOARD PRESIDENT VERBAL REPORT
- V. GENERAL MANAGER VERBAL REPORT
  - A. [REPORT ON DEPARTMENT OPERATIONS](#)
  - B. UPCOMING AGENDA ITEMS
  - C. RECEIPT OF THE CITY'S CONTRIBUTION FOR FISCAL YEAR 2020
- VI. RECEIVE AND FILE ITEMS
  - A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JUNE 2019
  - B. [LACERS CUSTOMER SERVICE SURVEY SEMI-ANNUAL REPORT, JANUARY – JUNE 2019](#)
- VII. BOARD GOVERNANCE
  - A. ELECTION OF BOARD OFFICERS FOR FISCAL YEAR 2019-20 AND POSSIBLE BOARD ACTION
  - B. [POLICY ON MEMBER SOLICITATION AND DISTRIBUTION AND POSSIBLE BOARD ACTION](#)
  - C. [TRIENNIAL BOARD POLICY REVIEW: MISSION, VISION, GUIDING PRINCIPLES, STRATEGIC GOALS; AND STRATEGIC PLANNING POLICY AND POSSIBLE BOARD ACTION](#)
- VIII. BENEFITS ADMINISTRATION
  - A. [WEBSITE REDESIGN PROJECT STATUS UPDATE](#)
- IX. COMMITTEE REPORT(S)
  - A. GOVERNANCE COMMITTEE VERBAL REPORT ON THE MEETING OF JULY 9, 2019
  - B. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF JULY 9, 2019
- X. BOARD/DEPARTMENT ADMINISTRATION
  - A. PRESENTATION BY WILLIS TOWERS WATSON REGARDING CYBER LIABILITY INSURANCE

- B. [YEAR-END REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING JUNE 2019](#)

XI. INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT
- B. [FINALIST FIRMS OF THE PRIVATE CREDIT INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION](#)
- C. [INVESTMENT MANAGER CONTRACT WITH AXIOM INTERNATIONAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE GROWTH EMERGING MARKETS EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)
- D. [INVESTMENT MANAGER CONTRACT WITH OBERWEIS ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)
- E. [INVESTMENT MANAGER CONTRACT WITH PANAGORA ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)
- F. [INVESTMENT MANAGER CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS VALUE PORTFOLIO AND POSSIBLE BOARD ACTION](#)

XII. OTHER BUSINESS

- XIII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, August 13, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIV. ADJOURNMENT

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

LACERS Ken Spiker Boardroom  
202 West First Street, Fifth Floor  
Los Angeles, California

July 9, 2019

10:08 a.m.

<b>Agenda of: <u>July 23, 2019</u></b>
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<b>Item No: <u>II</u></b>
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PRESENT:	President:	Cynthia M. Ruiz
	Vice President:	Vacant
	Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	(left at 12:12 p.m.) Anya Freedman (arrived at 12:13 p.m.) James Napier
ABSENT:	Commissioner	Sung Won Sohn

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Ruiz asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which there was one public comment card received from Mr. Declan Walsh, member of the public with SEIU-UHW. Mr. Walsh discussed Agenda Item V-E – Legislative Update of July 2019.

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF JUNE 25, 2019 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of June 25, 2019 was moved by Commissioner Serrano, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -5; Abstention, Commissioner Chao -1; Nays, None.

III



BOARD PRESIDENT VERBAL REPORT – President Ruiz welcomed Commissioner Annie Chao to the LACERS Board of Administration. President Ruiz stated that she will be working on Commissioner Committee assignments for FY 20.

IV

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, discussed the following items:

- Welcomed Commissioner Annie Chao to the LACERS Board of Administration.
- Introduced the new head of Administrative Services Office, Isaias Cantu.
- Discussed new Trustee Handbooks for each Commissioner.
- Staff will provide Legislative Update at the Board Meeting.
- LACERS has recently provided a breakdown of prior year expenses to the Revenue Commission.
- Receipt of City Contributions is expected by July 15<sup>th</sup>.
- Member letter to the Board sent via email from David and Carol Ream.

B. UPCOMING AGENDA ITEMS – Mr. Guglielmo stated the following would be on an upcoming Board agenda:

- July 23, 2019 Board - Website Redesign project update.
- July 23, 2019 Board – Business Plan Initiatives for FY 2019-20.
- July 23, 2019 Board – Cybersecurity Insurance, Willis Towers Watson is scheduled to present.
- August Benefits Administration Committee and Board – 2020 Retiree Health Insurance Renewals and Subsidy/Reimbursement amounts.

V

RECEIVE AND FILE ITEMS

- A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – The report was received by the Board and filed.
- B. MARKETING CESSATION NOTIFICATION – The report was received by the Board and filed.
- C. COMMISSIONER SOHN BOARD EDUCATION EVALUATION ON MIT CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MA; JUNE 17-21, 2019 – The report was received by the Board and filed.
- D. COMMISSIONER ELIZABETH LEE BOARD EDUCATION EVALUATION ON IFEBP CERTIFICATE OF ACHIEVEMENT IN PUBLIC PLAN POLICY PENSIONS PART I AND PART II, BOSTON, MA; JUNE 18-21, 2019 – The report was received by the Board and filed.

E. LEGISLATIVE UPDATE OF JULY 2019 – Dale Wong-Nguyen, Chief Benefits Analyst and Chhintana Kurimoto, Management Analyst with Administrative Services Division presented this item to the Board. After discussion, the report was received by the Board and filed.

VI

CONSENT AGENDA

A. TRAVEL AUTHORITY – COMMISSIONER CYNTHIA M. RUIZ; PRINCIPLES FOR RESPONSIBLE INVESTMENT IN PERSON 2019, PARIS, FRANCE; SEPTEMBER 10-12, 2019 AND POSSIBLE BOARD ACTION – Mr. Tom Moutes, retiree and LACERS member, discussed this item and asked the Board to deny this travel request. After discussion, Commissioner Serrano moved approval of the following Resolution:

**TRAVEL AUTHORITY  
PRINCIPLES FOR RESPONSIBLE INVESTMENT IN PERSON 2019  
SEPTEMBER 10-12, 2019  
PARIS, FRANCE**

**RESOLUTION 190709-A**

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Principles for Responsible Investment (PRI) in Person 2019 in Paris, France is an international travel request, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Ruiz is hereby authorized to attend the PRI in Person 2019 from September 10-12, 2019 in Paris, France.

BE IT FURTHER RESOLVED, that the reimbursement of up to \$7,500 is hereby authorized for reasonable expenses in connection with participation.

Which motion was seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

VII

BOARD/DEPARTMENT ADMINISTRATION

A. CONTRACT AWARD TO SEGAL CONSULTING FOR ACTUARIAL SERVICES AND POSSIBLE BOARD ACTION – Dale Wong-Nguyen, Chief Benefits Analyst with Administrative

Services Division presented this item to the Board. Commissioner Chao moved approval of the following Resolution:

**CONTRACT WITH SEGAL CONSULTING  
FOR ACTUARIAL CONSULTING SERVICES**

**RESOLUTION 190709-B**

WHEREAS, LACERS desires to engage the services of a consulting actuary to provide expert technical actuarial services, included but not limited to: (1) Consulting and advising the Board as to those matters or questions of an actuarial nature, including educational sessions for the Board, recommendations to improve LACERS' funding, and reconciling LACERS' data file; (2) Annual valuations of the retirement benefits and health subsidy benefits; (3) an Experience Study; (4) Asset & Liability Study of the Family Death Benefit Program; (5) Annual financial reporting disclosures; and, (6) Other annual studies relating to the cost-of-living, and six-year illustrations requested by the City Administrative Officer. Also included are ad-hoc services such as cost studies, presentations, funding policy reviews, and benefit calculations;

WHEREAS, LACERS issued a Request for Proposal for Actuarial Services on March 15, 2019 and received three proposals for the consulting actuary engagement by the May 8, 2019 deadline;

WHEREAS, Segal Consulting was selected by a review panel as the best qualified firm to meet LACERS' needs;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves a contract with Segal, and authorizes the General Manager to execute the necessary documents, within the following terms, subject to City Attorney review:

CONSULANT	Segal Consulting
TERM	August 1, 2019 to July 31, 2022
AMOUNT	\$1,500,000

Which motion was seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

VIII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, report on the portfolio value, \$17.728. Mr. June discussed the following items:
- 1-year unaudited return ending June 30, 2019 was 6.14% gross of fees and 5.95% net of fees.
  - Application for PRI Signatory has been submitted, waiting for response.
  - Future agenda items: Four Investment Manager Contracts, Private Credit Investment Manager Finalists Recommendations from Investment Committee.

Mr. June introduced the Investment Divisions new Intern, Ms. Citlalli Vivar, hired through the Girls Who Invest.

- B. **PRESENTATION BY TORREYCOVE, LLC REGARDING PRIVATE EQUITY INVESTMENT MANAGEMENT** – David Fann, President, Heidi Poon, Senior Vice President, and Jeff Goldberger, Senior Vice President, with TorreyCove presented this education to the Board.

President Ruiz recessed the Regular Meeting at 12:01 p.m. for a break. President Ruiz reconvened the Regular Meeting at 12:12 p.m. and convened in Closed Session at 12:13 p.m. James Napier, Deputy City Attorney, was present during the Disability Retirement Application discussion and remained for the duration of the Regular Board Meeting.

IX

DISABILITY RETIREMENT APPLICATION(S)

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF LINDA CHEATHAM AND POSSIBLE BOARD ACTION**

President Ruiz reconvened the Regular Meeting at 12:15 p.m. and announced that the Board unanimously approved the Disability Retirement Application of Linda Cheatham.

X

OTHER BUSINESS – There was no other business

XI

NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, July 23, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIII

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 12:16 p.m.

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Cynthia M. Ruiz  
President

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Neil M. Guglielmo  
Manager-Secretary

Agenda of: JULY 23, 2019

Item No: VI-A

**MONTHLY REPORT ON SEMINARS AND CONFERENCES  
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS  
(FOR THE MONTH OF JUNE 2019)**

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 MEMBER:**

President Cynthia M. Ruiz  
Vice President Elizabeth L. Greenwood

Commissioner Elizabeth Lee  
Commissioner Sandra Lee  
Commissioner Nilza R. Serrano  
Commissioner Sung Won Sohn  
Commissioner Michael R. Wilkinson

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



**REPORT TO BOARD OF ADMINISTRATION**

**MEETING: JULY 23, 2019**

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

**ITEM: VI – B**

*Lite Payne to NMG*

**SUBJECT: LACERS CUSTOMER SERVICE SURVEY SEMI-ANNUAL REPORT, JANUARY – JUNE 2019**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this report.

**Executive Summary**

This report contains results from the various customer service surveys taken by LACERS Members from January – June 2019. Results are positive with an overall satisfaction rate of 96.4% for the three paper surveys provided at LACERS events and seminars. LACERS is exploring the use of web-based surveys and issued one electronic survey for a recent LACERS *Well* event.

**Discussion**

In 2014, LACERS implemented a departmental customer service initiative to continuously build and improve service delivery externally to LACERS Members, as well as internally among LACERS staff. This initiative emphasizes improving customer service and communication skills, while supporting the promotion of LACERS' Guiding Principles.

As part of this effort, LACERS disseminated and compiled results from the following four surveys during a six-month period, from January through June 2019:

- *Customer Service Satisfaction Survey*: for group counseling, counseling appointments, and walk-ins;
- *Retired Member Workshop Satisfaction Survey*: for events such as Open Enrollment Meetings or Wellness Workshops;
- *Active Member Seminar Satisfaction Survey*: for events held for current City of Los Angeles employees, such as the Planning for Retirement Seminars; and,

- *Retired Member Wellness Event Satisfaction Survey*: electronic survey for LACERS Well Picnic and Volunteer Fair.

*Paper Surveys*

Each of the paper surveys allows respondents to score the criteria on a rating scale from “7” to “1,” with “7” being “Very Satisfied” and “1” being “Very Unsatisfied.” The rating scale appears below.

<b>Very Satisfied</b>	<b>Satisfied</b>	<b>Somewhat Satisfied</b>	<b>Uncertain</b>	<b>Somewhat Unsatisfied</b>	<b>Unsatisfied</b>	<b>Very Unsatisfied</b>
<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

Additionally, several yes/no questions were asked on the Active Member Seminar Satisfaction Surveys and are recorded on the corresponding table.

Below are summaries of the satisfaction ratings for each of the three main hard copy surveys. Satisfaction percentages are based on the number of responses provided for each criterion and not the overall number of surveys completed. In compiling results, respondent ratings were only counted as having met LACERS’ customer satisfaction goal (“Met Goal”) if the scores were at or above the “Satisfied” rating of 6.

<b>CUSTOMER SERVICE SATISFACTION SURVEY*</b>								
(12) Group Counseling Workshops								
<b>CRITERIA</b>	<b>% of Members Who Met Goal</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
The service you received at the front desk	<b>88.9%</b>	<b>83.3%</b>	<b>5.6%</b>	-	<b>5.6%</b>	-	-	<b>5.6%</b>
		<b>15</b>	<b>1</b>	-	<b>1</b>	-	-	<b>1</b>
The service you received from the LACERS representative that met with you	<b>97.5%</b>	<b>79.7%</b>	<b>17.8%</b>	<b>2.2%</b>	-	<b>0.3%</b>	-	-
		<b>259</b>	<b>58</b>	<b>7</b>	-	<b>1</b>	-	-
How LACERS benefits and processes were explained	<b>95.5%</b>	<b>72.4%</b>	<b>22.9%</b>	<b>3.1%</b>	<b>0.3%</b>	<b>0.9%</b>	-	<b>0.3%</b>
		<b>234</b>	<b>74</b>	<b>10</b>	<b>1</b>	<b>3</b>	-	<b>1</b>
Overall LACERS experience	<b>94.8%</b>	<b>70.7%</b>	<b>24.1%</b>	<b>4.3%</b>	<b>0.3%</b>	<b>0.3%</b>	-	<b>0.3%</b>
		<b>232</b>	<b>79</b>	<b>14</b>	<b>1</b>	<b>1</b>	-	<b>1</b>

\*Percentages do not add up to an even hundred percent due to rounding.

## RETIRED MEMBER WORKSHOP SATISFACTION SURVEY\*

(3) Wellness Extravaganzas, (3) Purpose Workshops, (3) Technology Workshop, and (1) Medicare Workshop

CRITERIA	% of Members Who Met Goal	7	6	5	4	3	2	1
		Location of workshop	93.2%	74.0%	19.2%	4.9%	0.8%	0.4%
		392	102	26	4	2	-	4
Workshop materials	94.0%	68.1%	26.0%	4.6%	1.2%	0.2%	-	-
		343	131	23	6	1	-	-
Knowledge of medical plan representatives	90.9%	60.1%	30.8%	4.0%	5.1%	-	-	-
		258	132	17	22	-	-	-
Knowledge of LACERS staff	95.5%	74.7%	20.8%	3.1%	1.2%	-	0.2%	-
		363	101	15	6	-	1	-
Quality of presentations	96.9%	73.0%	23.9%	2.3%	0.2%	-	0.6%	-
		381	125	12	1	-	3	-
Overall quality of workshop	96.7%	75.7%	21.0%	2.1%	-	0.8%	0.4%	-
		392	109	11	-	4	2	-

\*Percentages do not add up to an even hundred percent due to rounding.



**ACTIVE MEMBER SEMINAR SATISFACTION SURVEY\***

(18) Planning for Retirement Seminars

CRITERIA	% of Members Who Met Goal	7	6	5	4	3	2	1
		Seminar Materials	98.8%	86.2%	12.6%	0.8%	0.2%	-
		432	63	4	1	-	-	1
Knowledge of presenter	99.5%	89.2%	10.4%	0.5%	-	-	-	-
		395	46	2	-	-	-	-
Quality of presentation	99.4%	87.9%	11.5%	0.6%	-	-	-	-
		435	57	3	-	-	-	-
Overall quality of the seminar	99.4%	86.3%	13.1%	0.4%	-	0.2%	-	-
		430	65	2	-	1	-	-
		Yes		No				
By the end of the seminar, did you have a better understanding of the subject matter presented?		99.6%		0.4%				
		459		2				
Did the seminar meet your expectations?		98.9%		1.1%				
		457		5				
Would you recommend this seminar to other employees?		100%		0%				
		434		0				

\*Percentages do not add up to an even hundred percent due to rounding.

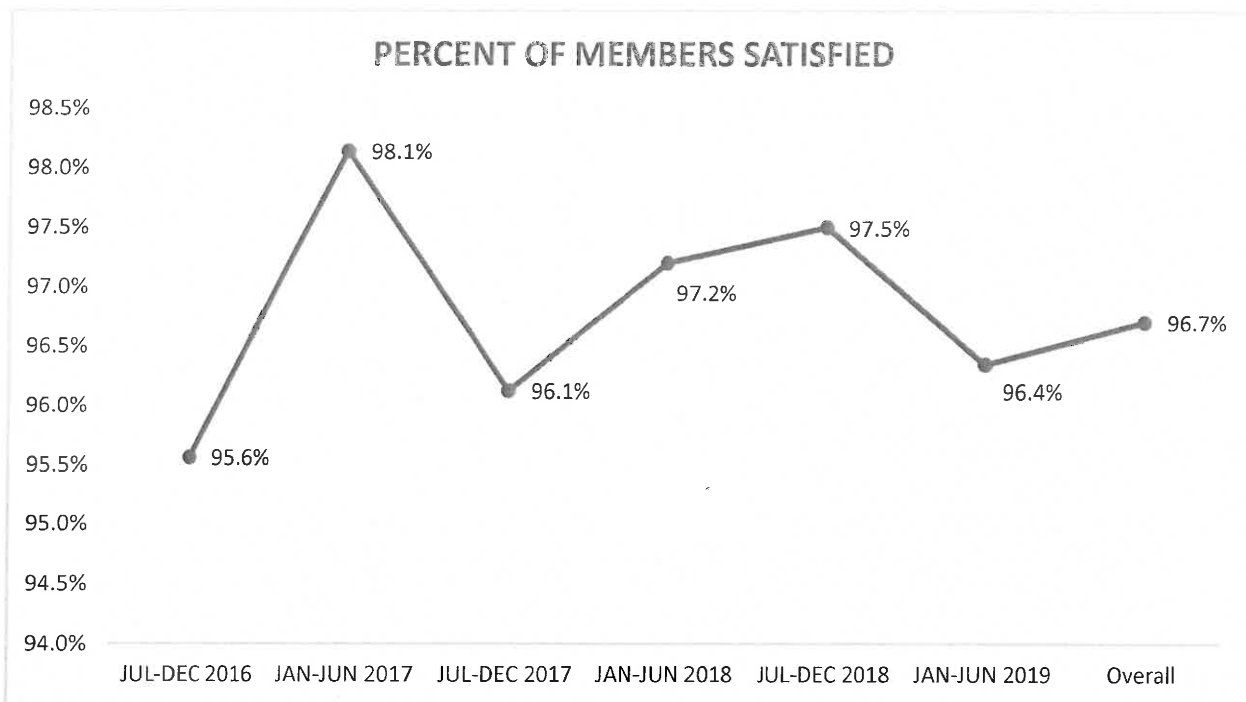
These results reflect very good Member satisfaction with LACERS' services, materials, and quality, content, and location of presentations. The percentage of participating Members who met LACERS' customer satisfaction goal of self-identifying as "Satisfied" or "Very Satisfied" ranged from 88.9% for "The service you received at the front desk" to 99.4.% for "Overall quality of the seminar" and "Quality of presentation."

By compiling survey results, staff can report the overall number and percentage of satisfied responses. The following table reflects individual ratings marked six (6) and above and five (5) and above (includes those marked as "Somewhat Satisfied") across all surveys and all rating criteria for the current reporting period.

**JANUARY – JUNE 2019**  
**OVERALL SATISFACTION RATES**

	<b>SATISFIED RESPONSES</b>	<b>TOTAL RESPONSES</b>	<b>OVERALL % OF MEMBERS SATISFIED</b>
<b>6 OR ABOVE</b>	5,704	5,920	96.4%
<b>5 OR ABOVE</b>	5,850	5,920	98.8%

LACERS continues to provide a high level of customer service based on these ratings from Members. The graph below depicts the compiled individual ratings results since July of 2016. These results show that 96.7% of the individual ratings across surveys and criteria (29,972 individual ratings out of 30,992) were marked “Satisfied” with ratings of 6 or above.



Many positive comments were written on the surveys, such as:

“It was just the right amount of information;”

“The entire staff was friendly and extremely helpful and resourceful;” and

“Thank you very much the experience was very enjoyable.”

## *Electronic Survey*

Also, our first electronic Satisfaction Survey was emailed to Retired Members after the June LACERS Well Picnic and Volunteer Fair in an effort to try various reporting technologies. Because the format and rating scale of this survey was different than the standard paper surveys, the results are reported separately in Attachment 1.

Approximately 94% indicated they would recommend the event to a friend and 86% indicated that the event was Very Good to Excellent.

## *Follow up*

Comments were reviewed to identify areas of attention and while there were no identified trends found in the comments, staff did notice that the most unsatisfied survey responses referenced the length of the group counseling. Staff continuously looks for new opportunities to provide better customer services and has recently began providing lunch at these sessions. Staff is also exploring ways to expedite the process using technology via the upcoming new LACERS' website launch in late 2019/early 2020. Additionally, staff is exploring options for more web-based experiences with our Wellness and Planning for Retirement Seminars to help alleviate the negative comments that are received in regards to locations of events not being near where Members reside.

In order to advance LACERS' commitment to provide a high level of customer service, LACERS will continue to:

- Find new and innovative ways to gather data via online surveys;
- Invite Member feedback on operations and customer interactions;
- Forward any survey comments to relevant employees;
- Identify and act on Member concerns; and
- Discuss identified issues at quarterly Customer Service Committee meetings.

## **Strategic Plan Impact Statement**

The customer service satisfaction survey is an important tool that assesses whether LACERS is reaching its Strategic Plan goal of providing Outstanding Customer Service.

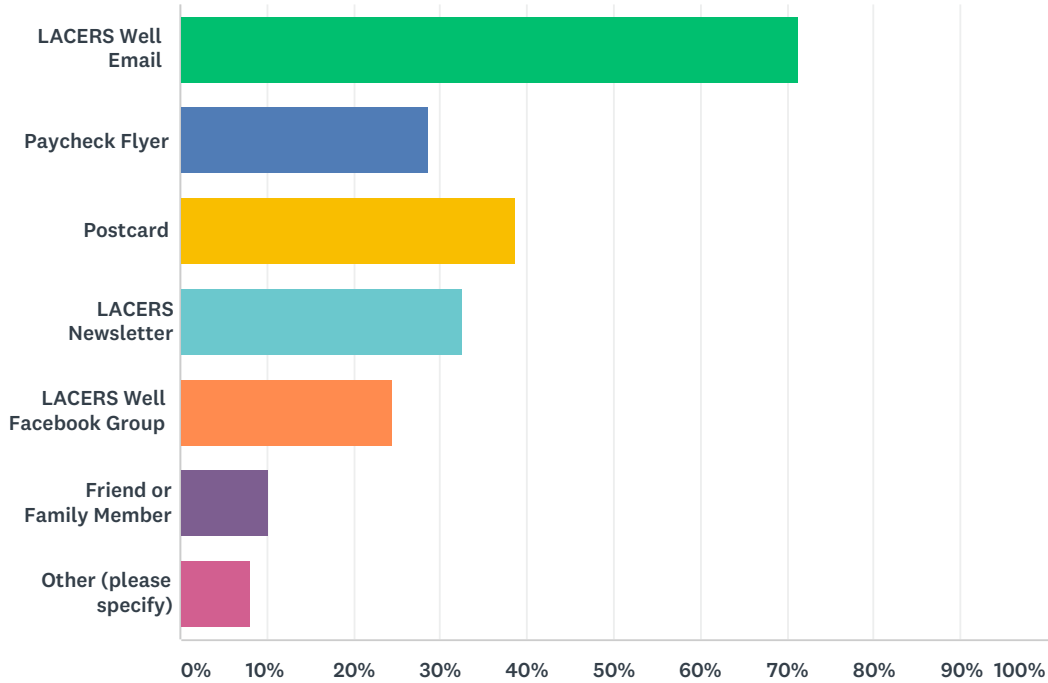
Prepared By: Heather Ramirez, Senior Management Analyst I

NMG/AR:TKL:HR:hr

Attachment: LACERS Well Picnic and Volunteer Feedback Survey Results

How did you hear about this event? Check all that apply.

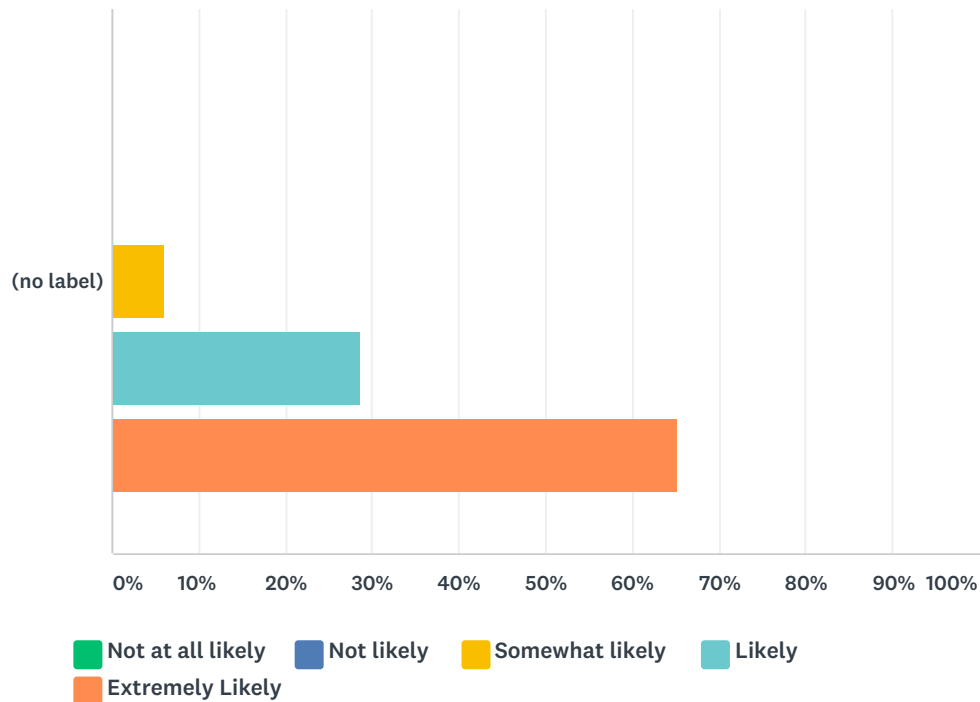
Answered: 49 Skipped: 1



ANSWER CHOICES	RESPONSES	
LACERS Well Email	71.43%	35
Paycheck Flyer	28.57%	14
Postcard	38.78%	19
LACERS Newsletter	32.65%	16
LACERS Well Facebook Group	24.49%	12
Friend or Family Member	10.20%	5
Other (please specify)	8.16%	4
Total Respondents: 49		

## How likely is it that you would recommend the event to a friend or family member?

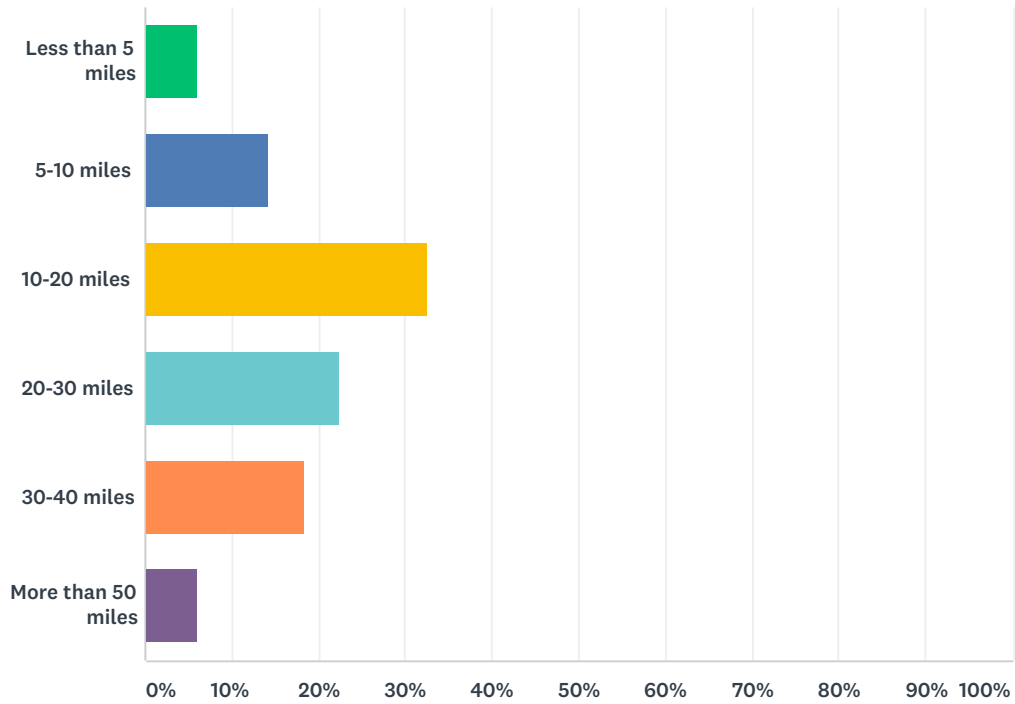
Answered: 49 Skipped: 1



	NOT AT ALL LIKELY	NOT LIKELY	SOMEWHAT LIKELY	LIKELY	EXTREMELY LIKELY	TOTAL	WEIGHTED AVERAGE
(no label)	0.00%	0.00%	6.12%	28.57%	65.31%	49	4.59
	0	0	3	14	32		

## How far did you travel to this event?

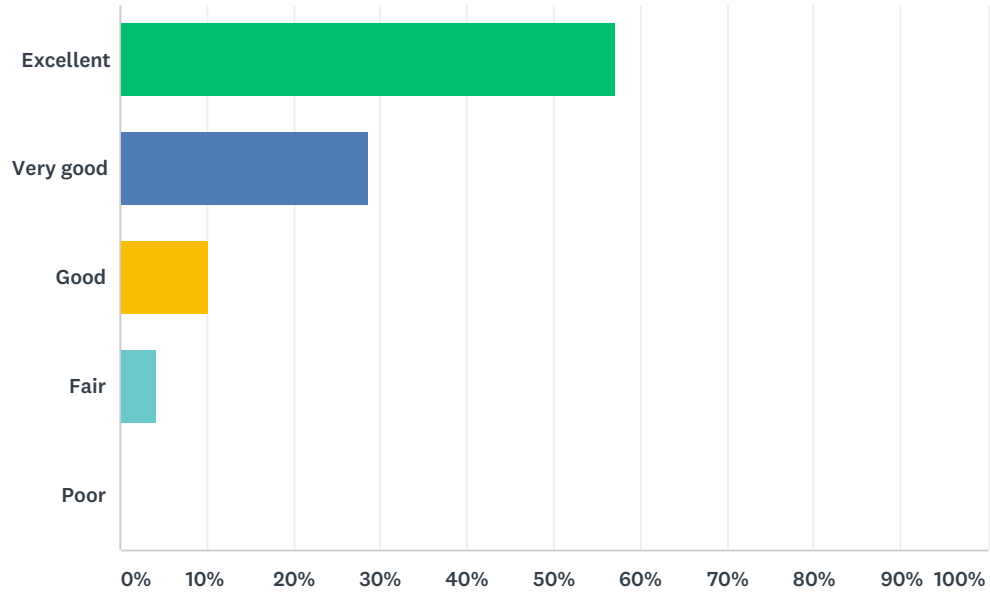
Answered: 49 Skipped: 1



ANSWER CHOICES	RESPONSES	
Less than 5 miles	6.12%	3
5-10 miles	14.29%	7
10-20 miles	32.65%	16
20-30 miles	22.45%	11
30-40 miles	18.37%	9
More than 50 miles	6.12%	3
<b>TOTAL</b>		<b>49</b>

## Overall, how would you rate the event?

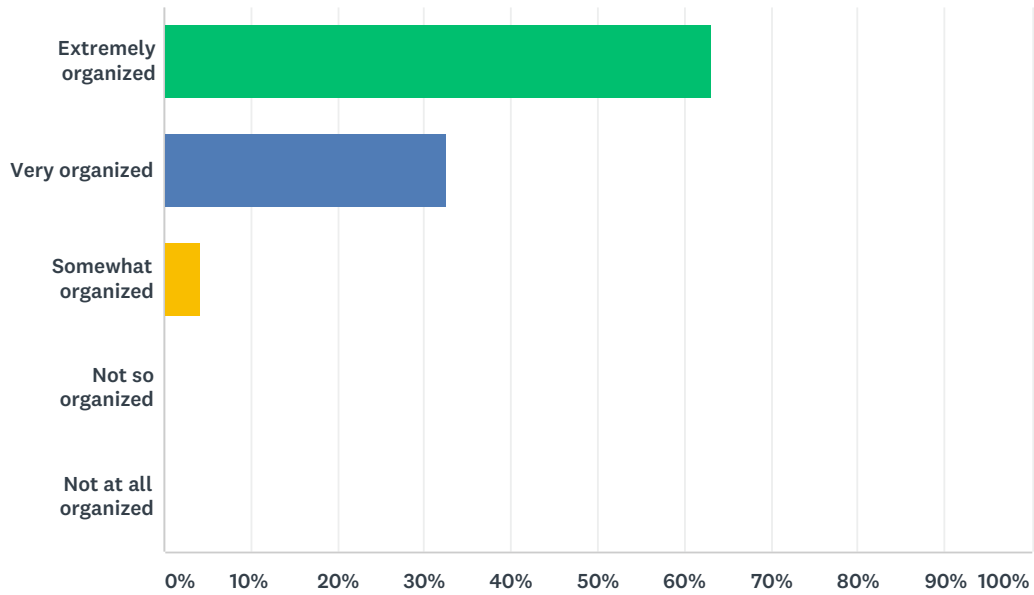
Answered: 49 Skipped: 1



ANSWER CHOICES	RESPONSES	
Excellent	57.14%	28
Very good	28.57%	14
Good	10.20%	5
Fair	4.08%	2
Poor	0.00%	0
<b>TOTAL</b>		<b>49</b>

## How organized was the event?

Answered: 49 Skipped: 1

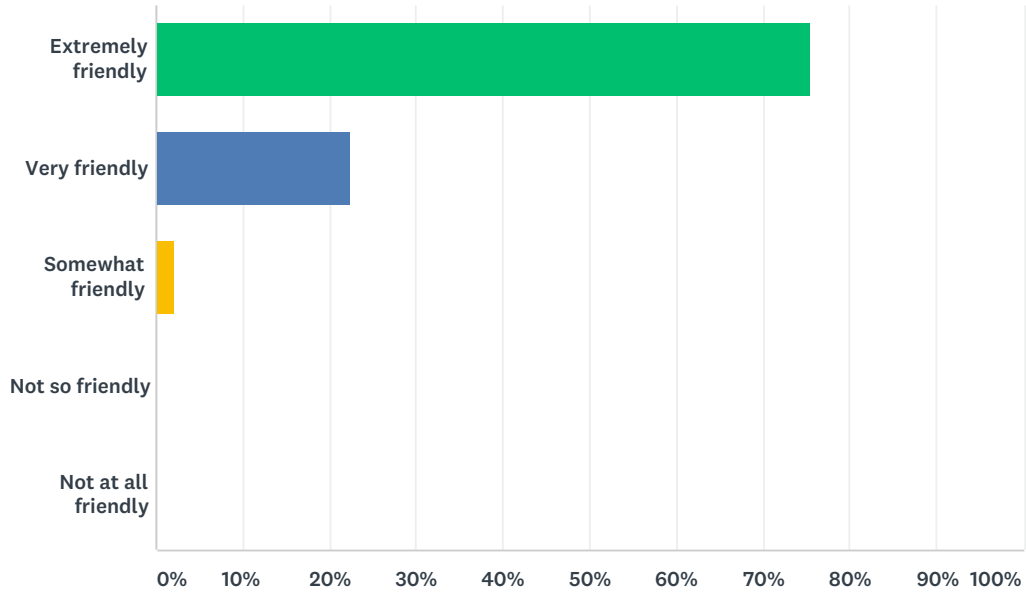


ANSWER CHOICES	RESPONSES	
Extremely organized	63.27%	31
Very organized	32.65%	16
Somewhat organized	4.08%	2
Not so organized	0.00%	0
Not at all organized	0.00%	0
<b>TOTAL</b>		<b>49</b>



## How friendly was LACERS staff?

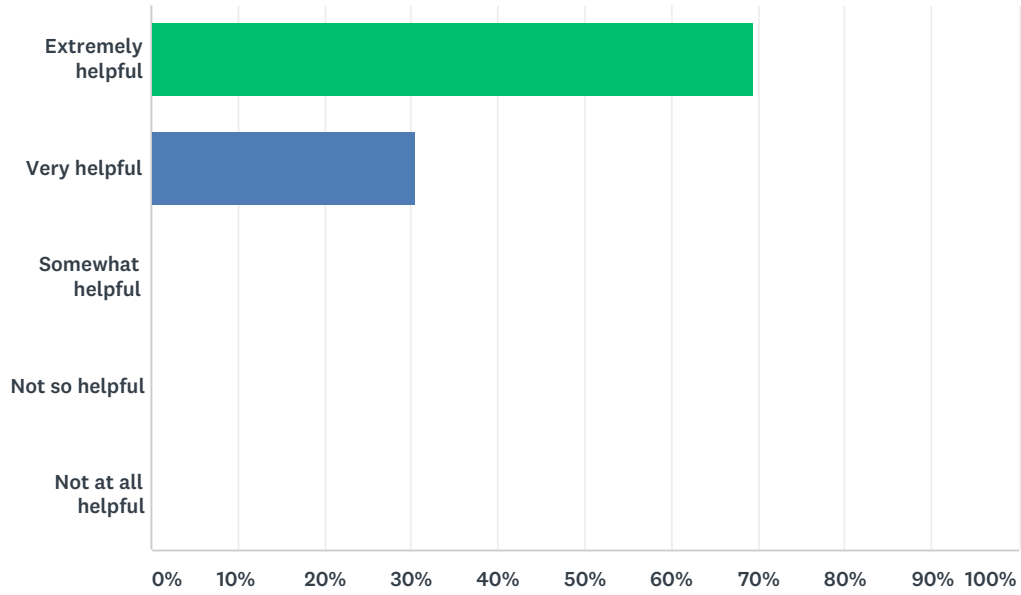
Answered: 49 Skipped: 1



ANSWER CHOICES	RESPONSES	
Extremely friendly	75.51%	37
Very friendly	22.45%	11
Somewhat friendly	2.04%	1
Not so friendly	0.00%	0
Not at all friendly	0.00%	0
<b>TOTAL</b>		<b>49</b>

## How helpful was LACERS staff?

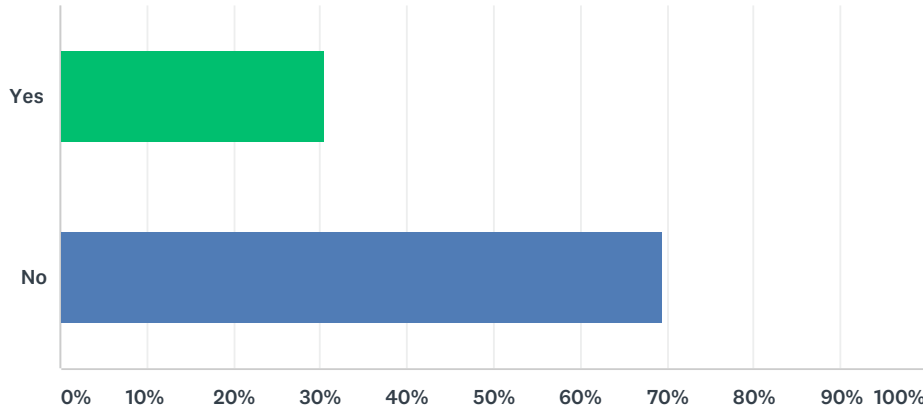
Answered: 49 Skipped: 1



ANSWER CHOICES	RESPONSES	
Extremely helpful	69.39%	34
Very helpful	30.61%	15
Somewhat helpful	0.00%	0
Not so helpful	0.00%	0
Not at all helpful	0.00%	0
<b>TOTAL</b>		<b>49</b>

# Did you sign up to volunteer for an organization while at this event?

Answered: 49 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	30.61%	15
No	69.39%	34
TOTAL		49



**REPORT TO BOARD OF ADMINISTRATION**

**From: Governance Committee**  
 Cynthia M. Ruiz, Chair  
 Nilza R. Serrano  
 Michael R. Wilkinson

**MEETING: JULY 23, 2019**  
**ITEM: VII-B**

**SUBJECT: POLICY ON MEMBER SOLICITATION AND DISTRIBUTION AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board adopt the Member Solicitation and Distribution Policy.

**Executive Summary**

This policy was developed to limit third-party exposure to LACERS Members and staff regarding the selling of goods or services, distribution of promotional materials, and use of LACERS resources.

**Discussion**

Staff presented to the Committee the attached draft policy on Member Solicitation and Distribution. After discussion, the Committee agreed to forward the policy to the Board for approval.

**Strategic Plan Impact Statement**

This policy supports LACERS Strategic Plan goal of providing excellent customer service by shielding Members from organizations or individuals that would like to promote or sell something at LACERS events or on LACERS' premises.

Prepared By: Alex Rabrenovich, Health Benefits Administration and Communications Division  
 Karen Freire, Retirement Services Division

CMR/AR:ar

Attachments: 1. July 9, 2019 Governance Committee Report



Board Meeting: 07/23/19  
Item VII-B  
Attachment 1



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

**MEETING: JULY 9, 2019**  
**ITEM: IV**

*Neil M. Guglielmo*

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**SUBJECT: POLICY ON MEMBER SOLICITATION AND DISTRIBUTION AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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**Recommendation**

That the Committee recommend to the Board adoption of the Member Solicitation and Distribution Policy.

**Executive Summary**

This policy was developed to limit third-party exposure to LACERS Members and staff regarding the selling of goods or services, distribution of promotional materials, and use of LACERS resources.

**Discussion**

At its April 23, 2019 meeting, the Board requested that staff develop a policy to address representation of outside organizations at LACERS Member events. Because LACERS has limited the organizations that attend Member events, the Board was concerned that some organizations may have an unfair advantage over others by having greater exposure to Members.

Staff, working with the Office of the City Attorney, has drafted a policy on solicitation and distribution, which addresses organization attendance at Member events, visits to the LACERS workplace, distribution of promotional materials, and use of LACERS resources.

Staff is seeking approval of or feedback regarding the draft policy.

**Strategic Plan Impact Statement**

This policy supports LACERS Strategic Plan goal of providing excellent customer service by shielding Members from organizations or individuals that would like to promote or sell something at LACERS events or on LACERS' premises.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst and Karen Freire, Chief Benefits Analyst

NMG/AR:ar

Attachments: 1. Policy on Member Solicitation and Distribution

## **Policy on Member Solicitation and Distribution**

### **Purpose and Application**

LACERS' primary duty of loyalty is to LACERS Members and their beneficiaries. As a department of the City of Los Angeles, and to improve the services provided to LACERS' Members, LACERS also may facilitate the exchange of information with other City departments and with the City's stakeholders, including representatives of labor and nonprofit organizations.

This policy furthers LACERS' fiduciary responsibilities of loyalty and impartiality and its obligation to efficiently and securely administer benefits for LACERS Members and beneficiaries. This policy also supports LACERS' goal of remaining neutral in regards to providing outside agencies with direct access to LACERS Members.

This policy governs solicitation, distribution of written material, and entry into LACERS premises and work areas, for all organizations outside of LACERS. This policy applies to all LACERS events and counseling sessions, and it applies to all vendors and/or outside organizations and individuals who seek access to LACERS Members and beneficiaries at these events.

Exclusions: This policy does not apply to normal business contacts by contractors with whom LACERS has entered into a formal contract; contacts and communications with LACERS contractors and potential bidders are governed by other LACERS policies and procedures. This policy does not apply to permitted activities and contacts authorized by other laws, including but not limited to provisions of the City Charter and Administrative Code, the California Labor Code, and the Meyers-Millias-Brown Act.

### **Policy**

- Solicitation and sales are prohibited in any LACERS work area, and during any LACERS event, except as authorized under this policy.
- No organization, business or individual may be allowed to set-up, solicit, post, or distribute materials, or use LACERS resources or systems at any time at any LACERS events, counseling sessions, or work areas without the written approval of LACERS Management.
- In considering a request for approval by an organization, LACERS Management shall consider, but shall not be limited to considering: the organization's status as a non-profit and whether the organization has been approved to receive deductions from monthly payments administered by the City or LACERS.



- LACERS' resources or systems may not be used for the purposes of sales or solicitations without the express written permission of LACERS Management.
- City of Los Angeles employees are prohibited from engaging in solicitation during work time and from distributing or posting any promotional materials in any work area of LACERS at any time, including non-work time, except that postings that comply with other applicable policies on designated employee bulletin boards will be permitted.
- LACERS may provide information on behalf of outside organizations at LACERS events, subject to the approval of LACERS Management, within the parameters designated below. LACERS is not responsible for maintaining changes to this information. It is up to the organization to contact LACERS to request any updates to previously-provided information.

The following information may be provided, subject to the approval of LACERS Management:

- Name of Organization
- Organization e-mail
- Organization phone number and/or fax
- A brief paragraph describing the organization and benefits of membership, if any, not to exceed four printed lines of text.

## Definitions

For the purpose of this policy

**Solicitation** refers to canvassing, soliciting or seeking to obtain membership in or support for any organization, requesting contributions, and posting or distributing any materials (as defined below) on LACERS premises or using LACERS resources (including but not limited to bulletin boards, postings, postcards, chalking, leaflets, computers, mail, e-mail and telecommunications systems, photocopiers, fax, telephone lists and network systems, and databases, supplies or other workplace equipment).

**Sales** means selling, purchasing or offering goods and services for sale or purchase, distributing advertising materials, circulars or product samples, or engaging in any other conduct relating to any outside commercial interest or personal or professional economic benefit.

**Materials** means handbills, flyers, posters, pamphlets, petitions, promotional items, and the like of any kind.

**Work time** means the period of time during working hours when an employee is engaged in or is expected to be engaged in service on behalf of LACERS. Work time does not include the employee's lunch period or work breaks or other periods where the employee is not on duty.

**Work area** means those areas of LACERS' premises in which regular LACERS activity takes place including but not limited to offices, rented facilities, and event venues.

**LACERS Management** means the LACERS Board of Administration, General Manager, or the General Manager or Board's authorized designee.



**REPORT TO BOARD OF ADMINISTRATION**

**From: Governance Committee**  
Nilza R. Serrano, Chair  
Cynthia M. Ruiz  
Vacant

**MEETING: JULY 23, 2019**  
**ITEM: VII-C**

**SUBJECT: TRIENNIAL BOARD POLICY REVIEW: MISSION, VISION, GUIDING PRINCIPLES, STRATEGIC GOALS; AND STRATEGIC PLANNING POLICY AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board approve the attached proposed updates to the LACERS Board Manual as follows:

- 1) Revision to the LACERS Board Governance Statement, Section 1.4: Mission, Vision, Guiding Principles, Strategic Goals
- 2) Revision to the LACERS Board Administrative Policies, Section 5.2: Strategic Planning Policy

**Executive Summary**

The Governance Committee is in support of staff's proposed revisions to the Board Governance Statement and the Board Administrative Policies concerning LACERS' mission, vision, guiding principles, strategic goals, and the Strategic Planning Policy. The suggested changes are the result of the ongoing triennial review of the LACERS Board Governance Policies. The remaining policy to be reviewed, which will complete this triennial process, is the Board Education and Travel Policy.

**Discussion**

On July 9, 2019, the Committee considered the proposed revisions to the *Board Governance Statement* and the *Board Administrative Policies*. The Committee supports staff's recommendation to modify *Section 1.4: Mission, Vision, Guiding Principles, Strategic Goals* to correspond with the elements contained in the new LACERS Strategic Plan adopted by the Board in February 2019. In addition, the Committee supports staff's suggested updates to *Section 5.2: Strategic Planning Policy* regarding the

lifespan of the strategic plan, revising the lifecycle from three years to three-to-five years and other related language.

### **Strategic Plan Impact Statement**

The review of the Board Governance Statement and Board Administrative Policies of the LACERS Board Manual conforms to the Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Edeliza Fang, Senior Management Analyst II

NMG/DWN:EF

Attachment: 1. Board Policies – Redline Version  
2. Board Policies – Clean Version



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

**MEETING: JULY 9, 2019**  
**ITEM: III**

*Life Payee for NMG*

**SUBJECT: TRIENNIAL BOARD POLICY REVIEW: MISSION, VISION, GUIDING PRINCIPLES, STRATEGIC GOALS; AND STRATEGIC PLANNING POLICY AND POSSIBLE COMMITTEE ACTION**

**ACTION:**  **CLOSED:**  **CONSENT:**  **RECEIVE & FILE:**

**Recommendation**

That the Committee consider the following:

- 1) Proposed revision to the LACERS Board Governance Statement, Section 1.4: Mission, Vision, Guiding Principles, Strategic Goals
- 2) Proposed revision to the LACERS Board Administrative Policies, Section 5.2: Strategic Planning Policy

**Executive Summary**

This report continues the triennial review of the LACERS Board Governance Policies. Staff recommends revisions to the Board Governance Statement and the Board Administrative Policies concerning LACERS' mission, vision, guiding principles, strategic goals, and the Strategic Planning Policy. The remaining policy to be reviewed is the Board Education and Travel Policy which will complete the triennial review of the Board Governance Policies.

**Discussion**

As part of the comprehensive triennial review of the LACERS Board Governance Policies, staff proposes revisions to Section 1.4: Mission, Vision, Guiding Principles, Strategic Goals to correspond with LACERS' new Strategic Plan which was adopted by the Board in February 2019. LACERS participated in a strategic planning process in the latter part of 2018 and engaged with Board Members, executive and senior management staff, Commission support staff, Active and Retired Members, Office of the City Attorney staff, and LACERS' employees to obtain feedback on their vision of the organization's future. The update of the Strategic Plan, which includes enhancements to LACERS' mission, vision, guiding principles, and strategic goal areas, is the result of this collaborative effort. The proposed updates to the Board Governance Statement of the Board Manual are in accordance with the adopted LACERS Strategic Plan.

Additionally, staff reviewed Section 5.2: Strategic Planning Policy of the Board Manual and proposes the revision to the lifespan of the strategic plan. Because the process involved in the update of the strategic plan is comprehensive and the direction of the Strategic Plan may remain relevant to the Board for a period greater than three years, staff proposes that the life cycle of the plan be revised from every three years to a range of three-to-five years. In the event that there are any needed changes to the strategic plan document, the Board has the opportunity to consider and approve revisions during the plan's annual review or on an as-needed basis.

There are two attachments to this report: (A) a redline version of the policies showing only the proposed changes, and (B) a clean version of the proposed policies accepting the changes to the redline version. Upon the Committee's finalization of the proposed revised Mission, Vision, Guiding Principles, Strategic Goals section of the Board Governance Statement as well as the Strategic Planning Policy of the Board Administrative Policies, they will be presented to the Board for further consideration and approval.

### **Strategic Plan Impact Statement**

The review of the Board Governance Statement and the Board Administrative Policies of the LACERS Board Manual conforms with the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Edeliza Fang, Senior Management Analyst II

NMG/DWN:EF

Attachments: 1. Board Policies – Redline Version  
2. Board Policies – Clean Version

## 1.4 Mission, Vision, **Motto**, Guiding Principles, Strategic Goals

*Adopted: March 12, 2013; Revised: July 9, 2019*

### Vision Statement

~~LACERS aspires to be valued by our Members for excellence in all we do.~~ Trusted by our Members and partners for excellence, innovation, professionalism, and transparency.

### Mission Statement

~~To establish a trustworthy lifelong relationship serving our Members through reliable and efficient delivery of benefits funded by prudent investment of plan assets.~~ To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members.

### Motto

*"Securing Your Tomorrows"*

### Guiding Principles

We are inspired by our mission to establish a trustworthy lifelong relationship serving our Members. Our Guiding Principles embody the traits that we as an organization value and espouse to be necessary in our every interaction to meet this mission. When faced with a decision, the desired path is that which best emulates our Guiding Principles.

#### **Character**

~~As a member of the LACERS team, we must continually seek to present a character that demonstrates honesty, integrity, prudence, superior judgment, and transparency. Character personifies who we are, what we represent, and defines our reputation. It shapes attitude, controls demeanor, and establishes commitment. It is individually personal and unique, and leaves a lasting impression upon people with whom we interact. Character provides the best assurance to LACERS Members that their retirement benefits are secure today and tomorrow.~~

#### **Professionalism** – *Be the best you can be*

~~A successful LACERS employee strives to be a consummate professional who demonstrates commitment to his or her work, expert knowledge and skill, and the initiative to share and enhance that body of knowledge. Professionals act with integrity in all endeavors, remaining businesslike, rational, and polite no matter the situation. As our Members rely on us to be professional, we dedicate ourselves to seeking answers and solving problems with a positive attitude. We demonstrate professionalism by exhibiting qualities of honesty, integrity, accountability, and good character. We take pride in producing high-quality work and delivering excellent customer service to our Members while maintaining composure in challenging situations. We are committed to professional growth to better serve the Department and our Members.~~

#### **Innovation** – *Seek continuous improvement*

~~We strive to continuously improve our operational process by being open-minded and by encouraging, promoting, implementing, and valuing new ideas and solutions to better serve our Members in the delivery of retirement benefits. We are committed to leveraging technology to efficiently administer and achieve LACERS' strategic goals.~~

## Section 5.0 OTHER

**Respect** – *Treat others as you would like to be treated*

~~A successful LACERS team member treats our Members, co-workers, and others with respect. We appreciate and consider everyone's beliefs, experience, knowledge, opinions, and values without judgment, and respond in a manner that facilitates collaboration toward the common goal of an excellent Member experience. We value, appreciate, and recognize everyone's ideas, perspectives, experiences, knowledge, and opinions without judgment. We treat our Members, co-workers, and others with politeness, courtesy, civility, and thoughtfulness. We do not compromise people's privacy as it is their right.~~

**Kindness & Caring** – *Be nice*

~~A successful LACERS team member performs their work guided by the principle of kindness and with it practices patience, listens carefully, and responds to our members, co-workers and others in a friendly, open, and considerate manner. How we treat each other will ultimately affect how we treat our Members. We demonstrate kindness and caring by showing empathy, friendliness, helpfulness, and patience toward our Members, co-workers, and others. We respond to our Members and others in a respectful and considerate manner without regard to expecting anything in return.~~

**Teamwork** – *Work as a team whenever possible*

~~At LACERS, teamwork is the foundation for effective communication, exchange of ideas, and success of the organization. We are committed to the collaborative efforts and trusting relationships we have within LACERS. Our partnership of professionalism and active participation makes us effective and efficient in achieving our common goal of service to our Members, and to each other. We value and support the growth, development, and contribution of each employee. We encourage their participation in team efforts whenever possible and collaborate with others for a better result. Doing so will produce the highest quality of service for our Members and stakeholders.~~

**Strategic Goals**

- ~~I. Outstanding customer service~~
- ~~II. Accurate and timely delivery of member benefits~~
- ~~III. Maximize value and minimize costs of our health and welfare program~~
- ~~IV. Achieve satisfactory long-term risk-adjusted investment returns~~
- ~~V. Uphold good governance practices which affirm transparency, accountability, and fiduciary duty~~
- ~~VI. Maximize organizational effectiveness and efficiency~~
- ~~VII. Recruit, mentor, empower, and promote a high-performing workforce~~
  - I. Customer Service – To provide outstanding customer service
  - II. Benefits Delivery – To deliver accurate and timely Member benefits
  - III. Health and Wellness – To improve value and minimize costs of Members' health and wellness benefits
  - IV. Investment – To optimize long-term risk-adjusted returns through superior investments
  - V. Governance – To uphold good governance practices which affirm transparency, accountability, and fiduciary duty
  - VI. Organization – To increase organizational effectiveness, efficiency, and resiliency
  - VII. Workforce – To recruit, retain, mentor, empower, and promote a high-performing workforce

*Related Policy: Strategic Planning Policy*



Section 5.0 OTHER

## Section 5.0 OTHER

**5.2 STRATEGIC PLANNING POLICY**

*Adopted: March 12, 2013; Revised: July 9, 2019*

The Board and executive management of LACERS recognize that the best way to be efficient and orderly in fulfilling the legal responsibilities and Mission of the organization is through strategic planning. By adopting this policy, the Board states its intention to engage with management in a regular, systematic planning process to continually improve benefits administration, assess customer service, enhance investment performance, and evaluate new opportunities to fulfill the Mission of LACERS.

The purpose of this policy is to establish a framework for long range strategic planning that will guide shorter term (annual) business plans of the organization. Establishment of the strategic plan establishes general parameters within which decisions will be made while the business plan focuses resources on high value activities within those parameters.

**The principles that the Board has adopted for strategic planning are:**

- The LACERS strategic plan is developed through the cooperative efforts of the Board and **executive** management consisting of a strategic planning process and the resulting written strategic plan document.
- The strategic plan will be a rolling three-**to-five**-year plan which is initially established but allows for updates annually or as needed within the said three-**to-five**-year period.
- **An annual strategic plan review will be brought by the General Manager to the Board for review and evaluation and will consist of:**
  1. **A written progress report under the plan**
  2. **Discussion of new initiatives**
  3. **Discussion of significant changes in the direction of the System**
  4. **Affirmation or revisions to the strategic plan elements**
  5. **In year three and four of the strategic plan, the Board may consider engaging in a strategic planning session**
- The Board and management ~~will engage may conduct in~~ a **triennial strategic planning session, which includes including** an environmental scan (SWOT analysis) in year three or four, but no later than year five, ~~and establishing/reaffirming the LACERS mission, vision, guiding principles, and three year goals.~~
- ~~An annual strategic plan review will be brought by the General Manager to the Board for review and evaluation and will consist of:~~
  1. ~~A written progress report under the plan~~
  2. ~~Discussions of new initiatives~~
  3. ~~Discussions of significant changes in direction of the System~~
- Input from staff, stakeholders, and other interested parties will be solicited throughout the year.
- When the strategic plan has been updated, it will be communicated to the entire staff of LACERS and to other stakeholders.
- The Board's consensus view of progress under the plan will be one factor among others in the performance assessment of the General Manager.

**The Board is responsible for:**

- Reaching consensus and adopting the **triennial strategic plan** for LACERS, including the vision, mission, guiding principles and **strategic** goals.

## Section 5.0 OTHER

- Assessing the System's strengths and weaknesses as well as the opportunities and threats in the LACERS' environment through a strategic planning session facilitated preferably by a consultant/third party.
- Reviewing and reaching consensus on priorities under each goal and initiative.
- Approving an operational budget that takes into account the upcoming year's initiatives under the strategic plan.
- Monitoring the impact and progress of initiatives toward achieving the strategic plan goals through various methods of reporting or review which satisfy the Board's responsibility to ensure proper management of the System. This could include the Board establishing a schedule to receive detailed reports on each individual initiative on a rotating basis; assigning oversight of goals to committees and requesting their regular view of initiatives under their goal; adding a statement at the conclusion of every Board report which indicates how the item relates to a strategic plan goal; and if the item is an initiative, that its progress as an initiative also be reported.
- The Board will review the *Strategic Planning Policy* at least every three years to ensure that it remains relevant and appropriate.

**The General Manager is responsible for:**

- Preparing for or engaging a consultant to facilitate the *triennial strategic planning session* for the Board and executive management.
- Drafting the initial long-range strategic plan that reflects the consensus view of the Board as to the mission, vision, motto, guiding principles, and strategic goals of the department.
- Developing and managing the annual business plan to include strategies/initiatives for the achievement of the strategic plan goals.
- Closely monitoring progress under the plan by assigning responsibility to staff, consultants, and others, to develop detailed action plans that include timelines and budgets for the purpose of determining progress on the initiatives.
- Preparing progress reports for the Board annually and as needed.
- Preparing a timely written report to the Board to keep them apprised of any major issues with progress on a strategic initiative.
- Surveying the Board periodically to ensure they are receiving a satisfactory level of reporting on the strategic plan. Scheduling an *annual strategic planning review* for the purpose of adopting an annual business plan and updating the vision, mission, motto, guiding principles, and strategic goals, if needed.
- Seeking input from staff and stakeholders about key strategic issues prior to the *triennial strategic planning session* and *annual strategic plan review*.
- Identifying critical issues, business risks, opportunities, and needs of LACERS.
- Recommending to the Board any modifications that should be made to the plan.

The *Strategic Planning Policy* shall be reviewed by the Board at least every three years to ensure that it remains relevant and appropriate.

Section 1.0 GOVERNANCE PRINCIPLES

**1.4 Mission, Vision, Motto, Guiding Principles, Strategic Goals**

*Adopted: March 12, 2013; Revised: July 9, 2019*

**Vision Statement**

Trusted by our Members and partners for excellence, innovation, professionalism, and transparency.

**Mission Statement**

To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members.

**Motto**

*“Securing Your Tomorrows”*

**Guiding Principles**

We are inspired by our mission to establish a trustworthy lifelong relationship serving our Members. Our Guiding Principles embody the traits that we as an organization value and espouse to be necessary in our every interaction to meet this mission. When faced with a decision, the desired path is that which best emulates our Guiding Principles.

***Professionalism – Be the best you can be***

We demonstrate professionalism by exhibiting qualities of honesty, integrity, accountability, and good character. We take pride in producing high-quality work and delivering excellent customer service to our Members while maintaining composure in challenging situations. We are committed to professional growth to better serve the Department and our Members.

***Innovation – Seek continuous improvement***

We strive to continuously improve our operational process by being open-minded and by encouraging, promoting, implementing, and valuing new ideas and solutions to better serve our Members in the delivery of retirement benefits. We are committed to leveraging technology to efficiently administer and achieve LACERS' strategic goals.

***Respect – Treat others as you would like to be treated***

We value, appreciate, and recognize everyone's ideas, perspectives, experiences, knowledge, and opinions without judgment. We treat our Members, co-workers, and others with politeness, courtesy, civility, and thoughtfulness. We do not compromise people's privacy as it is their right.

***Kindness & Caring – Be nice***

We demonstrate kindness and caring by showing empathy, friendliness, helpfulness, and patience toward our Members, co-workers, and others. We respond to our Members and others in a respectful and considerate manner without regard to expecting anything in return.

***Teamwork – Work as a team whenever possible***

We value and support the growth, development, and contribution of each employee. We encourage their participation in team efforts whenever possible and collaborate with others for a better result. Doing so will produce the highest quality of service for our Members and stakeholders.

Section 1.0 GOVERNANCE PRINCIPLES

**Strategic Goals**

- I. Customer Service – To provide outstanding customer service
- II. Benefits Delivery – To deliver accurate and timely Member benefits
- III. Health and Wellness – To improve value and minimize costs of Members' health and wellness benefits
- IV. Investment – To optimize long-term risk adjusted returns through superior investments
- V. Governance – To uphold good governance practices which affirm transparency, accountability, and fiduciary duty
- VI. Organization – To increase organizational effectiveness, efficiency, and resiliency
- VII. Workforce – To recruit, retain, mentor, empower, and promote a high-performing workforce

*Related Policy: Strategic Planning Policy*

## Section 5.0 OTHER

**5.2 STRATEGIC PLANNING POLICY***Adopted: March 12, 2013; Revised: July 9, 2019*

The Board and executive management of LACERS recognize that the best way to be efficient and orderly in fulfilling the legal responsibilities and Mission of the organization is through strategic planning. By adopting this policy, the Board states its intention to engage with management in a regular, systematic planning process to continually improve benefits administration, assess customer service, enhance investment performance, and evaluate new opportunities to fulfill the Mission of LACERS.

The purpose of this policy is to establish a framework for long range strategic planning that will guide shorter term (annual) business plans of the organization. Establishment of the strategic plan establishes general parameters within which decisions will be made while the business plan focuses resources on high value activities within those parameters.

**The principles that the Board has adopted for strategic planning are:**

- The LACERS strategic plan is developed through the cooperative efforts of the Board and executive management consisting of a strategic planning process and the resulting written strategic plan document.
- The strategic plan will be a rolling three-to-five-year plan which is initially established but allows for updates annually or as needed within the said three-to-five-year period.
- An annual strategic plan review will be brought by the General Manager to the Board for review and evaluation and will consist of:
  - A written progress report under the plan
  - Discussion of new initiatives
  - Discussion of significant changes in the direction of the System
  - Affirmation or revisions to the strategic plan elements
  - In year three and four of the strategic plan, the Board may consider engaging in a strategic planning session
- The Board and management may conduct a *strategic planning session*, including an environmental scan (SWOT analysis) in year three or four, but no later than year five.
- Input from staff, stakeholders, and other interested parties will be solicited throughout the year.
- When the strategic plan has been updated, it will be communicated to the entire staff of LACERS and to other stakeholders.
- The Board's consensus view of progress under the plan will be one factor among others in the performance assessment of the General Manager.

**The Board is responsible for:**

- Reaching consensus and adopting the *strategic plan* for LACERS, including the vision, mission, guiding principles and strategic goals.
- Assessing the System's strengths and weaknesses as well as the opportunities and threats in the LACERS' environment through a strategic planning session facilitated preferably by a consultant/third party.
- Reviewing and reaching consensus on priorities under each goal and initiative.
- Approving an operational budget that takes into account the upcoming year's initiatives under the strategic plan.



## Section 5.0 OTHER

- Monitoring the impact and progress of initiatives toward achieving the strategic plan goals through various methods of reporting or review which satisfy the Board's responsibility to ensure proper management of the System. This could include the Board establishing a schedule to receive detailed reports on each individual initiative on a rotating basis; assigning oversight of goals to committees and requesting their regular view of initiatives under their goal; adding a statement at the conclusion of every Board report which indicates how the item relates to a strategic plan goal; and if the item is an initiative, that its progress as an initiative also be reported.
- The Board will review the *Strategic Planning Policy* at least every three years to ensure that it remains relevant and appropriate.

**The General Manager is responsible for:**

- Preparing for or engaging a consultant to facilitate the *strategic planning session* for the Board and executive management.
- Drafting the initial long-range strategic plan that reflects the consensus view of the Board as to the mission, vision, motto, guiding principles, and strategic goals of the department.
- Developing and managing the annual business plan to include strategies/initiatives for the achievement of the strategic plan goals.
- Closely monitoring progress under the plan by assigning responsibility to staff, consultants, and others, to develop detailed action plans that include timelines and budgets for the purpose of determining progress on the initiatives.
- Preparing progress reports for the Board annually and as needed.
- Preparing a timely written report to the Board to keep them apprised of any major issues with progress on a strategic initiative.
- Surveying the Board periodically to ensure they are receiving a satisfactory level of reporting on the strategic plan. Scheduling an *annual strategic planning review* for the purpose of adopting an annual business plan and updating the vision, mission, motto, guiding principles, and strategic goals, if needed.
- Seeking input from staff and stakeholders about key strategic issues prior to the *strategic planning session* and *annual strategic plan review*.
- Identifying critical issues, business risks, opportunities, and needs of LACERS.
- Recommending to the Board any modifications that should be made to the plan.

The *Strategic Planning Policy* shall be reviewed by the Board at least every three years to ensure that it remains relevant and appropriate.



# DIGITAL DEPLOYMENT



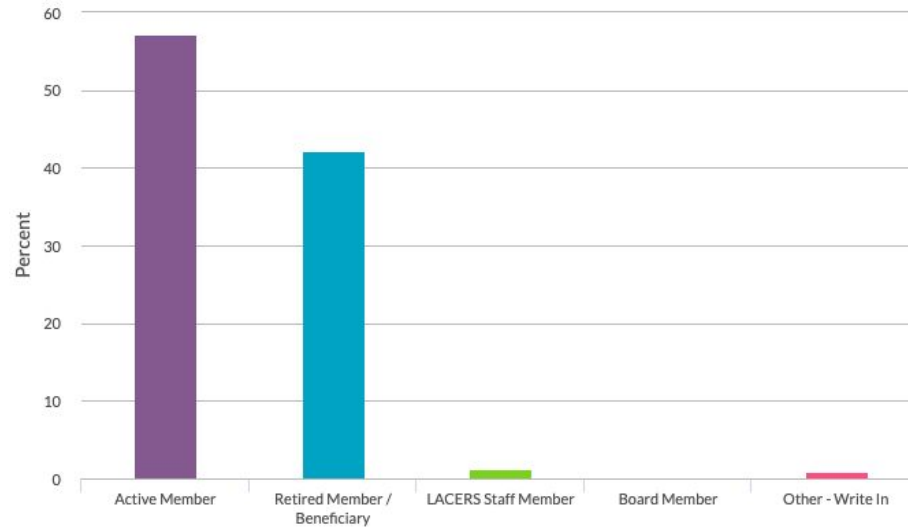


# Los Angeles City Employees' Retirement System

Website Project

## SURVEY RESULTS

# Who we heard from



### 2,004 Survey responses:

- **1,138** Active Member, **842** Retired Member / Beneficiary, **26** LACERS Staff Member, **2** Board Member, **18** Write-in
- **Write-in:** Beneficiary/Family, Former Staff, Retiree, etc.

## SURVEY RESULTS

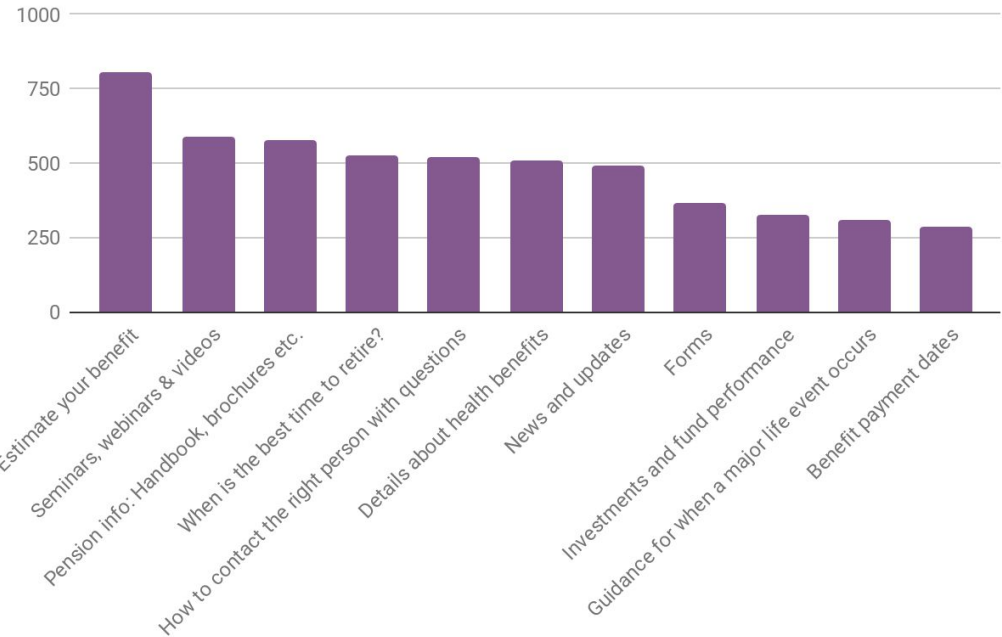
# How often do you visit the website?



Members and Retirees typically access the website sparingly (most said once a month or once a year). Site usage tends to increase as a member transitions to retirement.

## SURVEY RESULTS

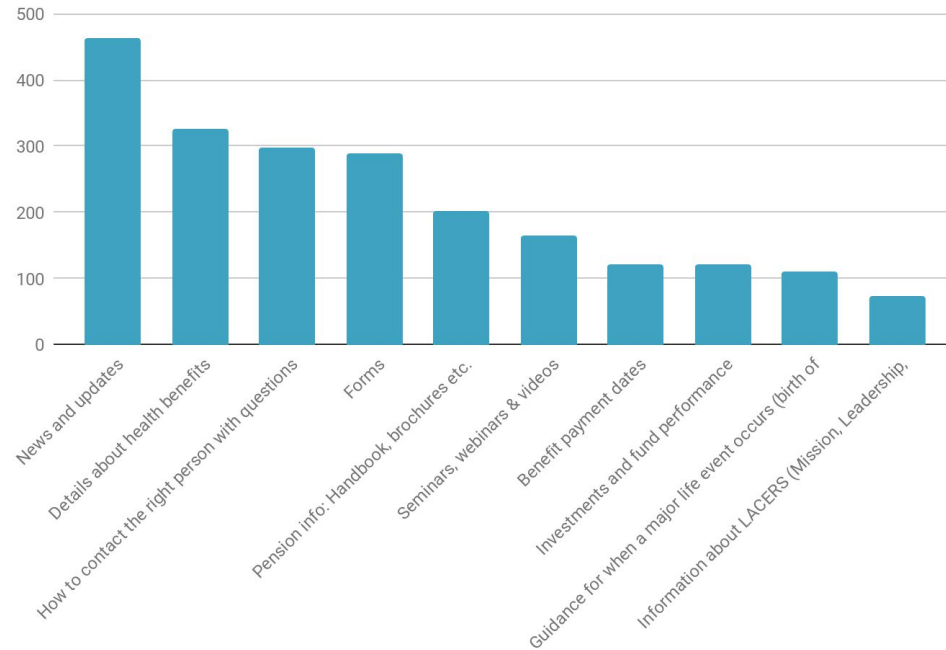
### What are active members most interested in doing on the new website?



We can assist active members by making it easy to estimate their benefit, find educational resources about their retirement so they can plan accordingly, keep them informed about latest updates, streamline access to key forms, and offering guidance for when key life events occur.

## SURVEY RESULTS

### What are retired members most interested in doing on the new website?



We can assist retired members by keeping them informed of the latest updates, providing easy access to details about their health benefits, enhancing self-service through forms, handbooks and materials, sharing quick access to payment dates, and helping them feel confident about the performance of the fund.

## SURVEY RESULTS

# Additional Suggestions

- ▶ Please make your website mobile responsive...
- ▶ **Until this survey, I had not noticed the Well portion on the website.** The website could use a layout that has certain features stand out. Right now, all the icons just seem to blend into each other, nothing stands out.
- ▶ As I usually go onto the website with an objective, the websites format has not been a big consideration. However, it would be nice to not have everything so crammed together and forced onto the home page..
- ▶ **The monthly newsletter is very informative.** That is where I get a lot of good info from.
- ▶ Some information is duplicated, like various locations to log onto MyLACERS. There is excessive unnecessary words, like the comments under I Want To. When I go to Lacers.org it should ask me only two things. Am I an active or retired member so I don't have to look at everything that doesn't apply to me. Also, how healthy are our funds. Are we at 90% of being fully funded?
- ▶ **When redesigning the web site include layman's language** and ability to access information without going through many steps to achieve the information. And a contact telephone number specific to that department.
- ▶ **Keep it simple and functional. Easy access to info is more important to me than it looking pretty!**
- ▶ Keep up the good work.

## ANALYTICS ANALYSIS

# Top Content

Page Title	Pageviews	Unique Pageviews	Avg. Time on Page	Entrances	Bounce Rate	% Exit
Homepage	161,376	131,387	0:02:19	116,491	49.21%	46.68%
Retired Member Homepage	17,614	13,517	0:01:10	4,533	31.63%	23.78%
Your Retirement Benefit - Calc	16,090	11,455	0:02:50	4,846	47.01%	48.46%
Active Member Homepage	15,863	12,881	0:01:20	2,343	43.02%	23.32%
Seminars	14,063	8,660	0:01:20	1,261	39.73%	18.72%
Board & Committee Meeting Agenda	12,913	9,695	0:02:41	3,183	69.53%	52.29%
Forms for Retired Members	11,660	8,946	0:04:04	1,788	59.40%	51.09%
RFP and Qualifications	10,002	8,031	0:01:05	4,851	69.41%	46.33%
Search Results	9,934	9,423	0:01:29	893	44.90%	23.97%
Forms for Active Members	9,081	7,075	0:03:56	991	62.26%	46.94%

- Visitors frequently access the homepage and jump to their audience-specific section of the site (retire member, active member).
- Tools like the calculator, seminars, and forms are highly utilized so it will be important to ensure these are easy to access on the site.
- Board & committee information will also be important to highlight on the site.

## ANALYTICS ANALYSIS

# Homepage performance & opportunities

The homepage is one of the most visited page on your site. The average visitor spent 2:20 on the page. Nearly half the visitors to this page bounce or exit from the page (likely to visit MyLACERS).

## Top LACERS Destinations from homepage

- Active member - 10%
- Retired Member - 9%
- Retirement Seminars - 8%
- Calculator - 7%
- Board Meetings, Agendas - 6%

## Opportunities

- Simplify and focus content the homepage so visitors can easily find what they need.
- Offer visual quick links to top member destinations.
- Establish a mobile-first responsive design so visitors can find what they need on any device.





# Active Members

Active members is the 4th most popular page on the site. Visitors spend roughly 1:20 on the page before seeking out forms, estimations, seminars or other educational offerings.

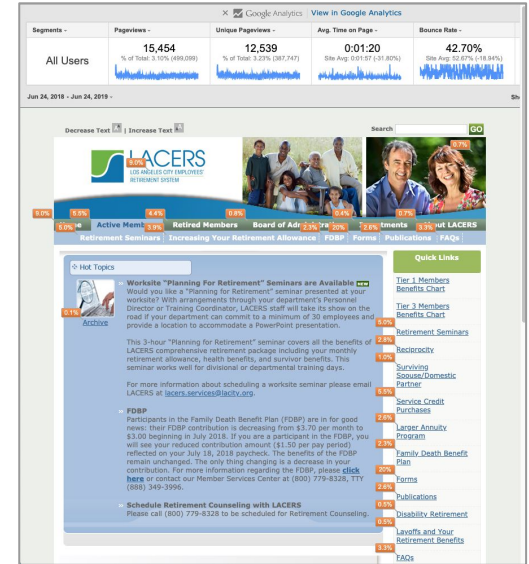
## Top Destinations

- Forms - 20%
- Calculator - 17%
- Home - 10%
- Service Credit Purchase - 6%
- Seminars - 5%

## Opportunities

- Make it easier for members to self-serve by bringing key plan details and descriptions into the site. Simplify the process of finding out what tier I belong to and what that means for my long term planning. Continue making it easy to access forms and engage in seminars to find answers. Active members tend to visit the site a bit less frequently.

## ANALYTICS ANALYSIS



# Retirees & Beneficiaries

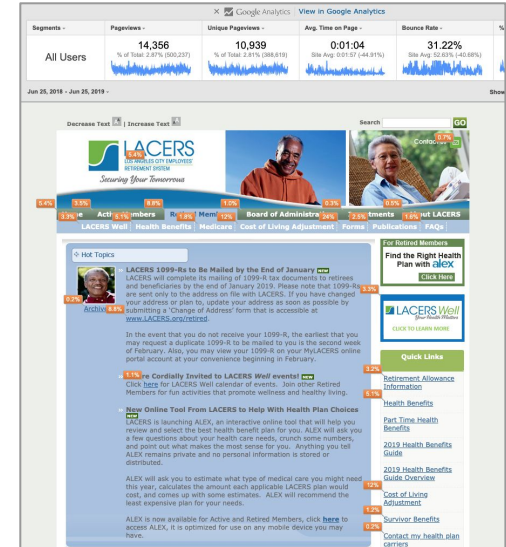
Retired members is the 2nd most popular page on the site. Visitors spend roughly 1:10 on the page before seeking out forms, COLA updates, health benefit information .

## Top Destinations

- Forms - 26%
- COLA - 14%
- Home - 6%
- Health Benefits - 6%
- Open Enrollment - 4%

## Opportunities

- Make it easy for retirees and beneficiaries to educate themselves, find details about their health benefits, stay on top of their payment schedule, learn about COLA updates, download forms, and self-serve via MyLACERS. LACERS Well content appears to be quite robust but under-utilized. Making this easier to find within the retirees section will be key.



ANALYTICS  
ANALYSIS

## ANALYTICS ANALYSIS

# How are people viewing your site?

### Desktop 73%

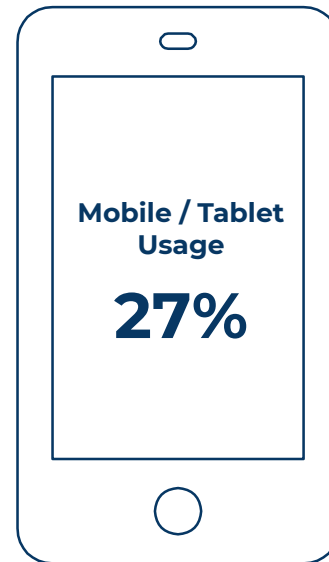
- Avg Time on Page: 3:26
- Pages/Session: 2.8

### Mobile 21%

- Avg Time on Page: 1:54
- Pages/Session: 2

### Tablet 6%

- Avg Time on Page: 2:04
- Pages/Session: 2.2



Currently, the majority of visitors are viewing your site on a desktop device. We're excited to see how a mobile-first design and content strategy affects device usage.

## EXPLORE EXERCISES

# Overall Takeaways

- ▶ Create a modern, engaging, responsive website that reflects LACERS mission & its commitment to its membership.
- ▶ Create an information architecture that is intuitive and user-friendly so people can find what they need with minimal clicks.
- ▶ Create a mobile-first, responsive design.
- ▶ Educate members about their retirement plan (handbook, brochures, seminars, resources)
- ▶ Provide members with the tools to self serve (download important forms, log in to MyLACERS, obtain an estimate, manage beneficiaries, etc.).
- ▶ Highlight your helpful instructional videos and FAQs.
- ▶ Make it easy to share key news and updates about the plan so people can feel informed and confident in their retirement security.
- ▶ Enhance the lives of LACERS retirees by making it easy to access key health benefit information and guiding them to LACERS Well content.
- ▶ Proactively helps members understand what to do when key life events occur (death, divorce, termination, change in employment, planning for retirement, etc.)
- ▶ Encourage visitors to self serve via MyLACERS member portal.
- ▶ Provide exceptional customer service through the site and make it is easy to contact LACERS when a question arises.



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

**MEETING: JULY 23, 2019**  
**ITEM: X – B**

*List Payroll for NMG*

**SUBJECT: YEAR-END REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING JUNE 2019**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board receive and file this report.

**Executive Summary**

This report provides the status of Business Plan Initiatives (BPIs) for the Fiscal Year Ending (FYE) 2019, and presents BPIs for the new FYE 2020. A number of priority projects advancing LACERS' strategic goals are designated as BPIs. Through diligent staff work effort to deliver results, furthered by monthly reporting and support meetings with the Executive and senior management team, five of the ten FYE 2019 initiatives have achieved desired milestones and are transitioning from a BPI to ongoing operational work. One FYE 2019 BPI (Contractor Disclosure) has progressed and will continue as an initiative outside of the BPI process. For FYE 2020, the remaining four initiatives continue as BPIs, and five new initiatives are added to the program. The attached report provides a detailed fiscal year-end status report of the BPIs as of June 30, 2019.

**Discussion**

LACERS' strategic plan goals are achieved through a series of initiatives, generally developed in conjunction with the annual budget process, and if prioritized as a BPI are presented and discussed in a performance management approach by the BPI Team, inclusive of the General Manager, Chief Investment Officer, Assistant General Managers, senior managers, and the leads of each initiative. In September 2018, the Executive team identified ten BPIs to drive the strategic goals of the Department in FYE 2019. Below is a summary status of the FYE 2019 BPI; detailed dispositions for each of the below BPIs can be found in the attached "Business Plan Initiatives Fiscal Year End 2019 Dashboards for the reporting period ending June 2019."

### FYE 2019 Business Plan Initiatives

<b>Goal</b>	<b>Initiative</b>	<b>Status</b>
<i>Customer Service</i>	Website Redesign	Continuing BPI
<i>Benefit Delivery</i>	ALEX Software	Completed; Operational
<i>Health &amp; Wellness</i>	LACERS Well – Purpose Campaign	Completed; Operational
<i>Investment</i>	Active vs. Passive Investing	Completed; Operational
	Asset Allocation	Continuing BPI
<i>Board Governance</i>	Contractor Disclosure	Continuing Operations
<i>Organization</i>	Performance Management	Completed; Operational
	Cybersecurity Plan	Completed; Operational
	Emergency Preparedness	Continuing BPI
<i>Workforce</i>	Recruitment & Retention	Continuing BPI

Earlier this month of July 2019, LACERS' management staff met to review and discuss the BPI program status and next steps. Key takeaways from that meeting include a desire to continue to expand the program and tools into other areas of the office and expose more LACERS' staff to this management practice, as well as to begin broadening responsibility for the budget among divisions and to provide more centralized internal discussion of key metrics and indicators. Various staff presentations were heard to help determine which FYE 2019 BPIs should continue to be elevated and which new initiatives merited BPI status. The FYE 2020 BPIs, as proposed by staff and supported by Executive management, represent a blend of continuing multi-year initiatives combined with a number of new initiatives funded in the 2019-20 LACERS Adopted Budget. Many of the below FYE 2020 BPIs will be comprised of a number of sub-initiatives aimed at achieving the overarching strategic goal.

### FYE 2020 Business Plan Initiatives

<b>Goal</b>	<b>Initiative</b>	<b>Description</b>
<i>Customer Service</i>	Website Redesign	Continued from FYE 2019
	Web Counseling	Develop a web-based counseling program for greater ease of access to Members

	Multi-Channel Outreach	Utilize new types of media to allow Members to receive communications in multiple ways
<i>Benefit Delivery</i>	Member Self-Service Options – Phase 1	Develop the infrastructure necessary to make more services directly available to Members online
	Government Service Buyback Calculator	Provide Members with the ability to estimate the costs of their Government Service Buyback, allowing them to plan ahead for this expense
<i>Health &amp; Wellness</i>	LACERS <i>Well</i> – Financial Wellness	Educate Members on how to build and maintain their financial standing
<i>Investment</i>	Asset Allocation	Continued from FYE 2019
<i>Organization</i>	Emergency Preparedness	Continued from FYE 2019
<i>Workforce</i>	Recruitment & Retention	Continued from FYE 2019

A mid-year status report on FYE 2020 BPIs through December 2019 will be presented to the Board by February 2020. While BPIs represent significant high visibility strategic initiatives undertaken by the Department, there are many other significant initiatives and achievements of LACERS' staff for FYE 2019. Though not a comprehensive list, below are additional initiatives achieved by staff and deserving of acknowledgement for all those who continue to serve our Members daily while innovating to find better, more efficient ways to operate and deliver services.

- ✓ Adopted a new Strategic Plan with significant stakeholder engagement.
- ✓ Instituted organizational realignment to realize operational efficiencies resultant from the implementation of the pension administration system.
- ✓ Contracted for a 0.8% reduction in annual Health Plan premium costs, substantially below the 2019 assumed medical trend rate of 7%.
- ✓ Established a 115 Trust for Retiree Health contributions, ensuring ongoing tax compliance and providing a mechanism to better manage retiree health costs.
- ✓ Instituted a self-insured dental Preferred Provider Organization plan
- ✓ Implemented Tier 1 Enhanced benefits negotiated by the City for 469 Airport Peace Officers.
- ✓ Established a Member Experience Commitment including our service philosophy, service level commitments, and specific initiatives to better serve our Members.
- ✓ Realized a number of Member Experience improvements including customer call backs, provision of an onsite computer kiosk, provision of virtual remote interpretation services, and accessibility of Board meetings live via Council Phone.
- ✓ Offering LACERS Members a Power of Attorney template and notary service to facilitate ease of administration of their retirement benefits.

- ✓ Launched a transparency initiative on the Mayor's open data portal, publishing 15-years of robust high-demand year end reporting data.

### **Strategic Plan Impact Statement**

The BPI Program seeks to enhance the strategic goal toward greater organizational effectiveness, efficiency, and resiliency.

Prepared By: Todd Bouey, Assistant General Manager and Dale Wong-Nguyen, Chief Benefits Analyst, Administration Division

NMG/TB/DWN

Attachments: Business Plan Initiatives Fiscal Year End 2019 Dashboards for the reporting period ending June 2019



# LACERS

Los Angeles City Employees' Retirement System

## BUSINESS PLAN INITIATIVES FISCAL YEAR END 2019

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Dashboards for the Reporting Period Ending June 2019



**PREPARED FOR**

**THE LACERS BOARD OF ADMINISTRATION**

**July 23, 2019**

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Recruitment & Retention | 8

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### APPENDIX

Business Plan Initiative Template | 15

The  
Top

10

# EXECUTIVE SUMMARY DASHBOARD

COMPLETED
ON TRACK
OFF TARGET
NEEDS INTERVENTION

## BUSINESS PLAN INITIATIVES

INITIATIVES, GOALS & EXECUTIVE SPONSORS		JUNE STATUS	INITIATIVE LEADS
1	<b>PERFORMANCE MANAGEMENT</b> ORGANIZATION EFFICIENCY, EFFECTIVENESS, RESILIENCY Executive Sponsor: Todd Bouey		Lead: Dale Wong-Nguyen
2	<b>WEB REDESIGN</b> OUTSTANDING CUSTOMER SERVICE Executive Sponsor: Lita Payne		Lead: Thomas Ma & Taneda Larios
3	<b>CYBERSECURITY PLAN</b> ORGANIZATION EFFICIENCY, EFFECTIVENESS, RESILIENCY Executive Sponsor: Todd Bouey		Lead: Thomas Ma & Dale Wong-Nguyen
4	<b>EMERGENCY PREPAREDNESS</b> ORGANIZATION EFFICIENCY, EFFECTIVENESS, RESILIENCY Executive Sponsor: Todd Bouey		Lead: John Koontz
5	<b>CONTRACTOR DISCLOSURE</b> GOVERNANCE Executive Sponsor: Neil Guglielmo		Lead: Rahoof Oyewole & Melani Rejuso
6	<b>RECRUITMENT &amp; RETENTION</b> HIGH PERFORMING WORKFORCE Executive Sponsor: Neil Guglielmo		Lead: Lin Lin
7	<b>ALEX SOFTWARE</b> OUTSTANDING CUSTOMER SERVICE Executive Sponsor: Lita Payne		Lead: Alex Rabrenovich
8	<b>LACERS WELL - PURPOSE CAMPAIGN</b> MINIMIZE HEALTH CARE COSTS Executive Sponsor: Lita Payne		Lead: Alex Rabrenovich
9 & 10	<b>ASSET ALLOCATION - ACTIVE VERSUS PASSIVE INVESTING</b> ACHIEVE PERFORMANCE/RISK OBJECTIVES Executive Sponsor: Rod June		Lead: Bryan Fujita

# PERFORMANCE MANAGEMENT

Strategic Goal: ORGANIZATION

REPORTING MONTH: **JUNE 2019**  
STATUS: **COMPLETED**

LEAD(S): DALE WONG-NGUYEN  
DIVISION(S)/SECTION(S): ADMINISTRATIVE SERVICES

## INITIATIVE SUMMARY

Implement a Performance Management System comprised of:

- Business Plan (BP)
- Strategic Plan (SP)
- Performance Budget (PB)
- Operational Benchmarking (OB)

## ISSUES / CHALLENGES

None

## MILESTONES / ACHIEVEMENTS

### Q1/FY19

- ✓ BP: Initiative Dashboard launch – Sept
- ✓ SP: Strategic Plan Consultant selection - Sept

### Q2/FY19

- ✓ OB:CEM (Benefits) contract approval - Oct
- ✓ SP: Board Strategic Planning Retreat - Oct
- ✓ SP: Stakeholder input – Oct, Nov, Dec
- ✓ SP: Develop Strategic Initiatives – Nov

### Q3/FY19

- ✓ BP: Business Plan Update to Board – Feb
- ✓ SP: Board approval of Strategic Plan – Feb
- ✓ SP: Guiding Principles survey - Mar
- ✓ PB: FY20 Budget discussed with Board- Mar

### Q4/FY19

- ✓ OB: CEM survey begins – April
- ✓ PB: City Budget Hearing Presentation - April
- ✓ PB: FY20 Board approval of Budget – May

### Q4/FY19

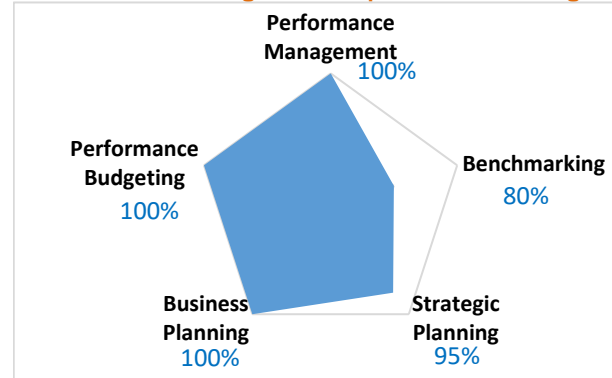
- ✓ SP: Finalize Guiding Principle statements – June
- ✓ OB: Submit CEM Benchmarking data - June

## BUDGET

Appropriation:	\$88,000
Expense:	(\$80,000)
Unspent:	\$8,000

## KEY INDICATORS

### Performance Management Implementation Progress



## KEY DEPENDENCIES/ASSUMPTIONS

- Staff & time resources to lead this effort
- Divisions meet timelines
- CEM benchmarking contract – funding, final execution of contract

- Performance Management at 100% = 100% commitment to this initiative
- 100% Strategic Planning is achieved when plan is adopted by the Board & promotion in office is initiated
- 100% Benchmarking is achieved upon receipt of final report
- 100% Business Planning is achieved when all FY19 initiatives complete first dashboard for monthly reporting & report is made to the Board
- 100% Performance budgeting is achieved when new budget process is implemented and adopted.

## DELIVERABLES / TIMEFRAME

### FY20

- BP: Year-end Business Plan Report to Board – July
- SP: Publish Strategic Plan - July
- OB: Receive Operational Benchmarking Report – August

SEP

OCT

NOV

DEC

JAN

FEB

MAR

APR

MAY

JUN

# LACERS WEB REDESIGN – PHASE 1

Strategic Goal: **CUSTOMER SERVICE**

REPORTING MONTH: **JUNE 2019**  
STATUS: **ON TRACK**

LEAD(S): **TANEDA LARIOS/THOMAS MA**  
DIVISION(S)/SECTION(S): **Member Engagement/Systems**

## INITIATIVE SUMMARY

Systems and Member Engagement are co-leads on technical and business requirements/development of a new LACERS internet site focused on the following key priorities:

- A New Website with Prevailing Design
- Functionality and Usability
- Scalability (Desktop/Mobile)
- Ease of Use/Approachability
- Integration of Social Media Platforms
- Content Management System
- Supportability

## BUDGET

**Appropriation: \$0**

**Expense: \$0**

**Unspent: \$0**

\* \$221,000 funded in FY2019-20

## KEY DEPENDENCIES/ASSUMPTIONS

- Fund availability
- Staffing resources
- Board approval
- Leverage existing agreement

## ISSUES / CHALLENGES

- Internal operational requirements compete for personnel resources
- Adequate testing and readiness
- Data conversion issues and delays

## KEY INDICATORS

**JUNE 2019**

Baseline:

### Key Indicators

- Web Analytics (Comparison of Legacy)
  - Total Visitors
  - Most Accessed Pages
  - Unique Users
- Operational Efficiencies
  - Service Center Reports
  - User Administration & Maintenance
- Member Satisfaction & Ratings
  - Accessibility
  - Ease of Use
- Compliance
  - 508 & ADA
  - Penetration Testing & Security

[Exhibit A: Website Metrics](#)

### Compliance

- Website must be compliant with Federal laws requiring accessibility to all users regardless of disability status (Federal §508-compliant and ADA-compliant)
- Penetration testing and security

## MILESTONES / ACHIEVEMENTS

### Q1/FY19

- ✓ Form Working Group
- ✓ Gather & Codify Requirements
- ✓ Review Existing Contracts

### Q2/FY19

- ✓ Develop Project Plan – Dec

### Q3/FY19

- ✓ Proposals received from five vendors
- ✓ Appoint team leads and proposal raters
- ✓ Board report for approval of contractual services
- ✓ Vendor selection & reference check
- ✓ Finalize budget needs
- ✓ Preliminary scope of work & deliverables
- ✓ Establish regular meeting schedule
- ✓ Confirm roles of working group
- ✓ Project manager identified

### Q4/FY19

- ✓ Execute contract – May
- ✓ Project kick-off – May
- ✓ Conduct surveys & focus groups – May/Jun
- ✓ Establish video sharing site – Jun
- ✓ SMS texting account – Jun
- ✓ Requirements gathering – Jun
- ✓ Provide orientation to contractor – Jun

## DELIVERABLES / TIMEFRAME

### FY20

- Design prototype & selection
- Board presentation
- Content review
- Content migration & data conversion
- Train internal staff on new site
- User and Member testing
- Penetration testing
- Soft launch
- Go live of new internet site

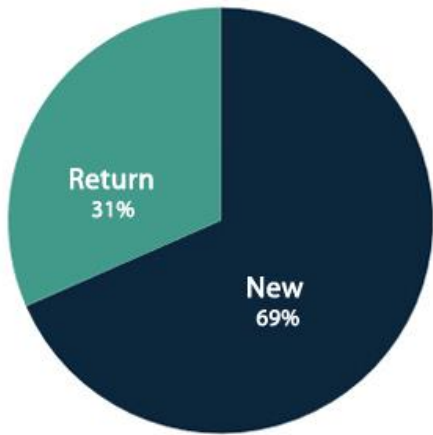
SEP  
OCT  
NOV  
DEC  
JAN  
FEB  
MAR  
APR  
MAY  
JUN

**BUSINESS PLAN INITIATIVE FY 2018-19**  
**Exhibit A**

June 2019 Website Metrics

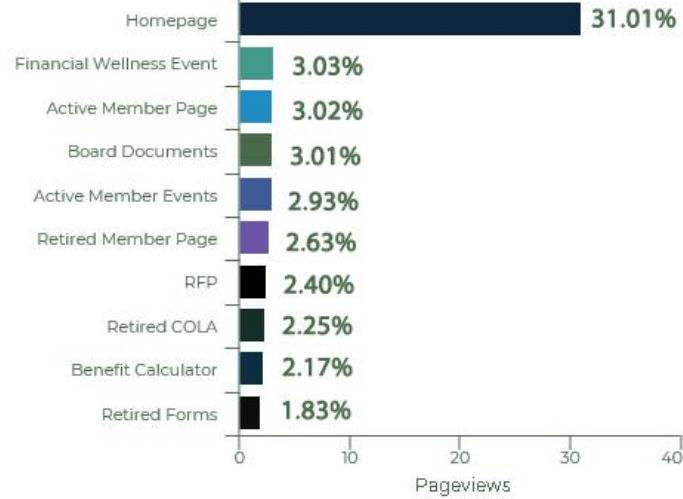
**WEBSITE USERS**

Total Visitors: 10,505



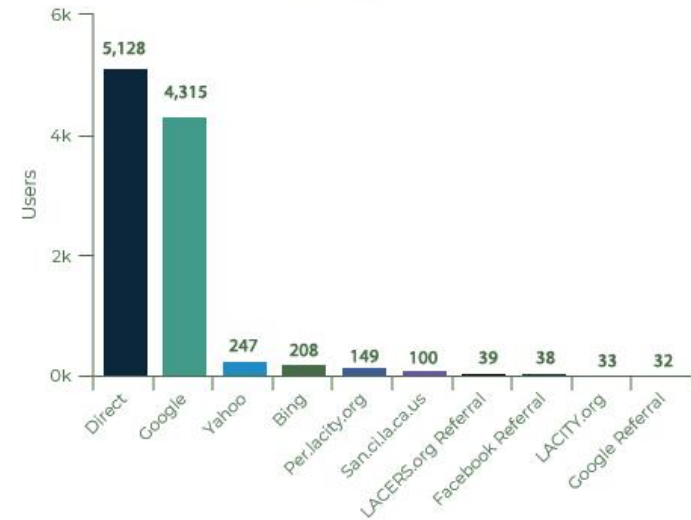
**TOP ACCESS PAGES**

Total Pageviews: 42,131



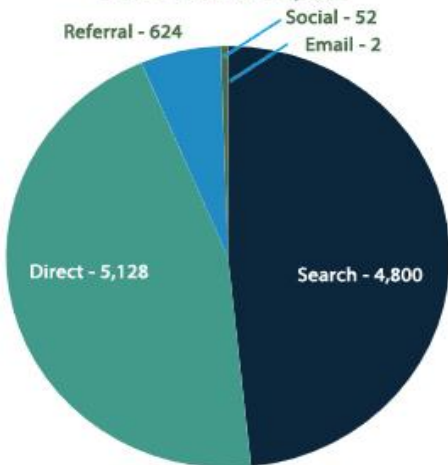
**TRAFFIC SOURCE**

Total Users: 10,505



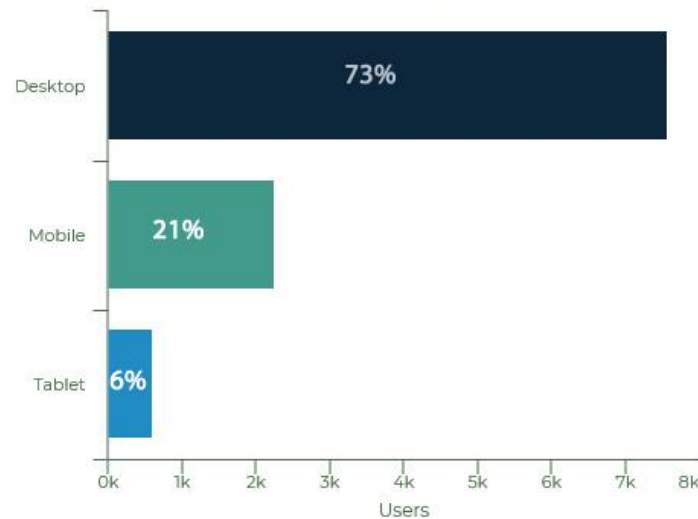
**CHANNELS**

Total Users: 10,505



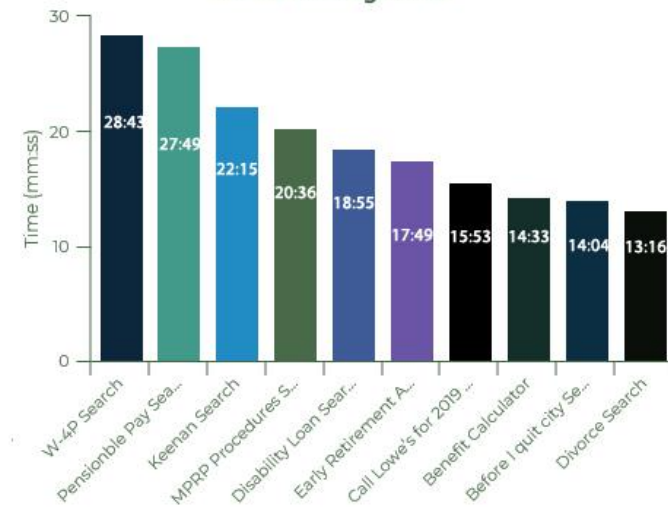
**DEVICES**

Total Users: 10,505



**AVERAGE TIME ON PAGE**

Overall Average: 1:59



# CYBERSECURITY

Strategic Goal: ORGANIZATION

REPORTING MONTH: **JUNE 2019**  
STATUS: **COMPLETED**

LEAD(S): THOMAS MA & DALE WONG-NGUYEN  
DIVISION(S)/SECTION(S): SYSTEMS/ADMINISTRATIVE SERVICES/INTERNAL AUDIT

## INITIATIVE SUMMARY

The Ad-Hoc Cybersecurity Committee and the Cybersecurity Working Group (Internal Audit & Administrative Services Division) shall develop and implement strategies to build our organization's cyber resilience in the following key areas:

- INFRASTRUCTURE [I]
- GOVERNANCE [G]
- PREPAREDNESS [P]
- RESPONSE [R]

## ISSUES / CHALLENGES

- Internal operational requirements compete for personnel resources
- Difficulty recruiting & retaining qualified IT staffing
- Gartner's recommendation for a project lead who can dedicate 25% of their time to this effort

## MILESTONES / ACHIEVEMENTS

- Q1/FY19**
- ✓ Cyber Working Group Meeting #4 – Aug
  - ✓ Tech-Tips: Kicked off with "Email phishing"
- Q2/FY19**
- ✓ Formalize objectives; scope & deliverables
  - ✓ Identified knowledge resource - Gartner
  - ✓ Selected City's Insurance Broker
  - ✓ Tech-Tips Issued (USB charging, passwords)
  - ✓ CALAPRS, IT Round Table (USB & Email)
  - ✓ Finalize Member Notification Template, CA – Nov
  - ✓ Domain Infrastructure Migration – Nov
  - ✓ USB Lockdown – Nov
  - ✓ Gartner subscription – PO signed - November
  - ✓ Tech-Tips Issued (Software Updates) –Dec
  - ✓ Gartner Subscription & Roadmap Kick Off – Dec
  - ✓ Cybersecurity Ad-Hoc Committee Update – Dec
  - ✓ Commissioners Support FY20 Cyber Ins - Dec
- Q3/FY19**
- ✓ Email Reverse Proxy Migration - Jan
  - ✓ IT Network Staff, Fulfillment of Vacancy
  - ✓ Tech-Tips Issued (Wireless Access Points) – Jan
  - ✓ Tech-Tips Issued (Workstation Security) – Feb
  - ✓ Tech-Tips Issued (Physical Security) – Mar
  - ✓ Prelim Solicitation of Cyber Insurance – Feb
  - ✓ Intra-Firewall Upgrade – Mar
  - ✓ Review & Adopt CIS Framework - Mar
- Q4/FY19**
- ✓ Tech-Tips Issued (Spring Cleaning) – May
  - ✓ Tech-Tips Issued (Password Management) – May
  - ✓ Tech-Tips Issued (Mailbox Cleanup & Archiving) – Jun
  - ✓ Tech-Tips Issued (Think Before You Click) - Jun
  - ✓ Vulnerability Scan System - May
  - ✓ Email Phishing Test – May
  - ✓ Cyber Training – Jun
  - ✓ Cyber Charter & Policies - Jun
  - ✓ Workstation OS Upgrade – Jun

## BUDGET

<b>Appropriation:</b>	<b>\$221,000</b>
<b>Expense:</b>	<b>\$121,000</b>
<b>Unspent:</b>	<b>\$100,000</b>

\* \$100k - Cyber Liability insurance budgeted for FY20

## KEY INDICATORS

CYBER CATEGORY	TOTAL SCORE
 <b>PATCHING</b>	<b>100%</b>
 <b>TRAINING</b>	<b>98%</b>
 <b>E-MAIL PHISHING</b>	<b>89%</b>
 <b>CYBER POLICIES</b>	<b>60%</b>
 <b>INFRASTRUCTURE</b>	<b>60%</b>

## KEY DEPENDENCIES / ASSUMPTIONS

- Staffing resources
- Funding for Cyber Liability insurance
- Identification of risk assessment framework

- Information security policy to reference city-wide and departmental established cybersecurity policies
- Ten infrastructure layers are slated for enhancement

## DELIVERABLES / TIMEFRAME

- FY20**
- Cyber infrastructure
  - Web security upgrade
  - Cyber Liability insurance, Board Presentation
  - Framework/self-assessment tool/timeline
  - Ransomware Response Plan
  - Cybersecurity tabletop exercise
  - Server OS upgrade



# EMERGENCY PREPAREDNESS

REPORTING MONTH: **JUNE 2019**  
 STATUS: **OFF TARGET**

Strategic Goal: **ORGANIZATION**  
 LEAD(S): **JOHN KOONTZ**  
 DIVISION(S)/SECTION(S): **ADMINISTRATIVE SERVICES DIVISION**

## INITIATIVE SUMMARY

Encompassing both Life Safety and Business Continuity concerns, this initiative drives LACERS' investment in emergency planning, disaster recovery, and staff's ongoing training and exercises of those plans.

Key activities include:

- Emergency Preparedness and Response Training
- Department Emergency Plan/Business Continuity Plan (BCP) Update
- Tabletop Exercise of the BCP
- Security Door Installation Project

## ISSUES / CHALLENGES

- The Security Door Project has been put on hold pending the execution of a lease for additional space within the Onni Times Square complex. This new space would move the bulk of our "public" operations outside of the secured perimeter of our suite, thus achieving the same goal as this project. If we succeed in securing this additional space, the Security Door Project will be cancelled in its entirety.
- We are currently working with LADOT and GSD to identify City parking lots where we could potentially set up our mobile disaster recovery sites. Once determined, MOUs will be drafted to formalize our agreements.

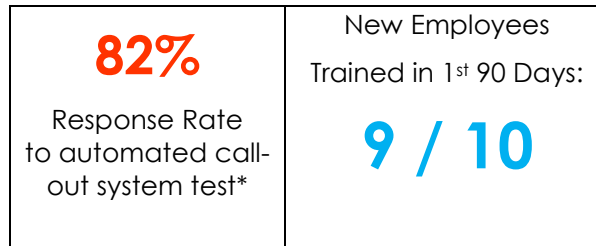
## MILESTONES / ACHIEVEMENTS

- Q1/FY19**
- ✓ CPR/AED Training – Jul
  - ✓ Security Door Project: Design Approval – Sep
- Q2/FY19**
- ✓ Fire Evacuation Drill – Oct
  - ✓ Issue Emergency Tip: "Drop, Cover, Hold On" – Oct
  - ✓ Earthquake Drill – Oct
  - ✓ Walkie Talkie Testing/Training – Oct
- Q3/FY19**
- ✓ Submit annual update of Dept. Emergency Plan to Emergency Management Dept./Mayor –Jan
  - ✓ MIR3 Callout System Annual Test – Mar
- Q4/FY19**
- ✓ Entered into a disaster recovery MOU with LAFPP
  - ✓ Updated our disaster recovery MOU with SFERS

## BUDGET

<b>Appropriation:</b>	<b>\$49,885</b>
<b>Expense:</b>	<b>\$21,760</b>
<b>Unspent:</b>	<b>\$28,125</b>

## KEY INDICATORS



\* Percent of individuals who successfully received and responded to the automated test notification sent during the 2019 exercise

## DELIVERABLES / TIMEFRAME

### FY20

- CERT (ERT Team) Training – Jul
- Officer-In-Charge Incident Mgmt. Training – Sept
- BCP Tabletop Exercise (Earthquake) – Sept
- Develop MOUs with LADOT and GSD for parking lot locations where we could potentially set up mobile disaster recovery sites.

## KEY DEPENDENCIES / ASSUMPTIONS

- Staff assigned as the Emergency Response Team can be released to attend training

## CORRECTIVE ACTIONS

Improvements in the employee response rates for the automated call-out test are needed as responses were received outside the established timeframe and multiple communication channels created confusion. Instructions and education of employees will precede the next call-out test.

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# CONTRACTOR DISCLOSURE POLICY

REPORTING MONTH: **JUNE 2019**  
STATUS: **ON TRACK**

Strategic Goal: **BOARD GOVERNANCE**  
LEAD(S): **RAHOOF OYEWOLE/ MELANI REJUSO**  
DIVISION(S)/SECTION(S): **INTERNAL AUDIT**

## INITIATIVE SUMMARY

Internal Audit proposes implementing a Contractor Disclosure Policy. The policy will require contractors to disclose any conflicts of interest- whether actual, potential, or perceived. It will also help prevent any forms of impropriety or the appearance of impropriety, provide transparency and confidence in LACERS' decision-making process, and ensure investment and procurement decisions are made solely on the merits of goods or services to be provided by contractors.

## ISSUES / CHALLENGES

- Compliance issues – there is a risk that some contractors may fail to disclose or provide partial disclosure for fear of losing their contracts

## MILESTONES / ACHIEVEMENTS

### Q2/FY19

- ✓ Obtain concurrence from Committee & Board
- ✓ Draft disclosure policy
- ✓ Develop contractor disclosure reporting form

### Q3-Q4/FY19

- ✓ Policy concept was presented to the Audit Committee on 3/26; Committee directed staff to move forward with drafting a contractor disclosure reporting policy
- ✓ Internal Audit drafted disclosure reporting policy
- ✓ Audit Committee approved draft policy on 5/14
- ✓ Staff revised draft policy based on Committee's feedback
- ✓ Internal Audit requests comments from Investment Divisions and LACERS' Consultants

## BUDGET

Internal Audit section currently has one vacancy in FY 2019-20 budget that will need to be filled to get this project started.

Future budget request may be needed.

## KEY INDICATORS

Baseline:

Number of contracts that will be subject to the Contractor Disclosure Policy & Reporting requirements:

PRIVATE EQUITY	215
REAL ESTATE	48
OTHER INVESTMENT	36
NON-INVESTMENT	32
	----
<b>TOTAL</b>	<b>331</b>

## DELIVERABLES / TIMEFRAME

### Q1/FY20

- Drafted disclosure reporting policy anticipated to be scheduled for a future Board meeting.
- If adopted by the Board, develop reporting form & instructions

### Q2/FY20

- Compile a database of all contractors that will be subject to the new disclosure policy
- Notify all affected contractors/consultants

### Q3/FY20

- Send first requests for disclosures and certifications
- Track responses
- Evaluate responses and report findings to the Board

## KEY DEPENDENCIES / ASSUMPTIONS

- Audit Committee & Board approval
- Staffing resources
- Timely notification of contractors and consultants

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# RECRUITMENT & RETENTION – PHASE 1

REPORTING MONTH: **JUNE 2019**  
 STATUS: **OFF TARGET**

Strategic Goal: **HIGH PERFORMANCE WORKFORCE**  
 LEAD(S): **LIN LIN**  
 DIVISION(S)/SECTION(S): **HUMAN RESOURCES**

## INITIATIVE SUMMARY

Human Resources Unit is the lead for LACERS in the goal of recruiting, mentoring, empowering, and promoting a high performing workforce. Reporting will be focused on the following key priorities:

- Employee Evaluations
- Training
- Tuition Reimbursement
- Targeted Local Hire Program
- Creation of Benefits Analyst & Senior Benefits Analyst Classifications

## BUDGET

<b>Appropriation:</b>	<b>\$71,500</b>
<b>Expense:</b>	<b>\$12,448</b>
<b>Unspent:</b>	<b>\$59,102</b>

Tuition Reimbursement \$35,000  
 6 participants – amount reimbursed \$35,253

CALAPRS \$35,500  
 7 participants Mgmt Academy - \$21,000  
 5 participants SCPMA - \$495  
 Time Management Training \$3,200  
 Cultural Competency \$1,350

## KEY DEPENDENCIES/ASSUMPTIONS

- Fund availability
- Staffing resources
- Board approval

## ISSUES / CHALLENGES

- Timely return of evaluations
- Timely completion of mandatory training
- Class creation is dependent on approval from other City departments

## KEY INDICATORS

	FISCAL YEAR 2018-19			
	Q1	Q2	Q3	Q4
New Employee mandatory training	100%	100%	100%	100%

- ✓ Provided on-going support and guidance to LACERS supervisors and management on Annual and Probationary evaluations.
- ✓ Achieved timely 100% submission rate for probationary evaluations.

## CORRECTIVE ACTIONS

- Increased Executive mandate to complete evaluations on a timely basis
- Provision of regular status updates to Division Managers to manage progress

## MILESTONES / ACHIEVEMENTS

	FISCAL YEAR 2018-19			
	Q1	Q2	Q3	Q4
Distribution of Annual Evaluations	14	19	28	22
Distribution of Probationary Evaluations	4	13	9	17

- ✓ In partnership with the Personnel Department and LAFPP, LACERS coordinated efforts to create the Benefits Analyst and Senior Benefits Analyst classifications. Both classes were approved by the Civil Service Commission September 27, 2018.

## DELIVERABLES / TIMEFRAME

### FY20

- ✓ Distribution and follow up on evaluations (monthly)
- ✓ Assign mandatory training for new employees (within 14 days of start date)
- ✓ New Employee Orientation (quarterly)
- ✓ Minimum 1 training class for all staff (quarterly)
- ✓ Minimum 1 training class for supervisors (quarterly)
- ✓ Minimum 4 hours of training for all staff (annually)
- ✓ Recommend Targeted Local Hire (TLH) for qualified positions (as vacancies occur)
- ✓ Follow up regarding progress of class creation (monthly)

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## INITIATIVE SUMMARY

Provide Member support in making health plan decisions by implementing the ALEX software for LACERS Members:

- Review and signing of 3-year contract
- Ensure that benefits are accurately reflected
- Includes correct premiums, subsidies, and deductions
- Spanish version
- Communicate the launch
- Launch by Open Enrollment (Oct. 15, 2018)

## BUDGET

<b>Appropriation:</b>	<b>\$185,000</b>
<b>Expense:</b>	<b>\$185,000</b>
<b>Unspent:</b>	<b>\$0</b>

## KEY DEPENDENCIES / ASSUMPTIONS

- Timing of contract approval
- Staffing and staff availability

## ISSUES / CHALLENGES

None

## KEY INDICATORS

### Survey Feedback

"How helpful was this medical section for you?"



Choice	Count	%
Extremely helpful	6	42.9%
Very helpful	3	21.4%
Somewhat helpful	3	21.4%
Not very helpful	1	7.1%
Not at all helpful	1	7.1%

"Do you feel like you have a better understanding of how your medical benefits work now?"



Choice	Count	%
Yes, definitely	7	29.2%
Yes, a little	9	37.5%
Maybe	2	8.3%
No, not really	4	16.7%
No, definitely not	2	8.3%

## MILESTONES / ACHIEVEMENTS

### Q1/FY19

- ✓ Contract approval by Board – Jul
- ✓ Contract executed – Aug
- ✓ First Release – Sep
- ✓ Feedback of First Release – Sep
- ✓ Feedback of Spanish Version – Sep
- ✓ Feedback for Second Release – Sep

### Q2/FY19

- ✓ Feedback for Release 3 – Oct
- ✓ ALEX launched – Oct
- ✓ Promote ALEX in Open Enrollment packet (on envelope and in the Open Enrollment Overview and 2019 Health Benefits Guide)
- ✓ Promote ALEX in October paycheck flyer
- ✓ Send Mid-Open Enrollment via e-blast to retired Members
- ✓ Promote ALEX in retirement packets

### Q3/FY19

- ✓ Prepare quarterly report on ALEX utilization
- ✓ Continue communications of ALEX
- ✓ Request FY20 budget for ALEX

### Q4/FY19

- ✓ Prepare quarterly report on ALEX utilization
- ✓ Continue communications of ALEX
- ✓ Begin discussions with Jellyvision about updates for the new contract year

## DELIVERABLES / TIMEFRAME

- ✓ Project Completed

# LACERS WELL PURPOSE CAMPAIGN

Strategic Goal: **MINIMIZE HEALTH CARE COSTS**

REPORTING MONTH: **JUNE 2019**  
STATUS: **COMPLETED**

LEAD(S): **ALEX RABRENOVICH**  
DIVISION(S)/SECTION(S): **HEALTH BENEFITS ADMINISTRATION**

## INITIATIVE SUMMARY

Create a campaign to promote our Members finding a sense of purpose in retirement as a motivator to stay healthy and seek preventive care:

- Available to all Members, near and far
- Measurable outcomes
- Includes written materials, workshops, and online programs
- Survey Members to identify Member needs/wants and those that would like assistance

## BUDGET

<b>Appropriation:</b>	<b>\$488,000</b>
<b>Expense:</b>	<b>\$166,069</b>
<b>Unspent:</b>	<b>\$321,931</b>

\* Calendar Year funding provided through health plan carriers

## KEY DEPENDENCIES / ASSUMPTIONS

- Assistance from Member Outreach and Education
- Availability of venues/expert speakers
- Funding from carriers is easily accessible

## ISSUES / CHALLENGES

None at this time

## KEY INDICATORS

	2019 Participation (through July)
<b>I. Wellness Initiatives</b>	
Passport to Health (passports received)	743
Member Wellness Program Survey (responses)	1538
<b>II. LACERS Well Signature Events</b>	
Extravaganzas: Living Your Life to the Fullest (attended)	485
Purpose workshop series (Graduated, attended minimum of 4 sessions out of 5)	95
Technology workshops (attended)	118
Feel Like A Million online platform (registered and participated)	129
Volunteer Picnic (attended)	188
Facebook (additional enrollments this year)	81
<b>III. Champion Program</b>	
Champion-led events	115
Champion leads	20
Champion-led *touch points	657

- Extravaganza participation up 44% over the prior year

## MILESTONES / ACHIEVEMENTS

### Q1/FY19

- ✓ Meet with a Purpose speaker – Aug
- ✓ Meet with a Purpose expert – Sep
- ✓ Finalize the 2019 Plan

### Q2/FY19

- ✓ Approval of 2019 Plan by BAC – Nov
- ✓ Confirm extravaganza locations and dates in three regions. Develop agenda, confirm key note speaker, finalize other presenters
- ✓ Design Wellness newsletter and prepare for printing (focus on Living Life to Fullest)
- ✓ Approval of LACERS Well Survey by GM
- ✓ Draft materials for campaign introductory packet, which will be mailed out in February
- ✓ 5-week workshops – confirm two of three locations, finalize instructors and discussions
- ✓ Schedule implementation calls for Feel Like a Million (FLAM)
- ✓ Champion Volunteer Picnic scheduled for 6/20 at Point Fermin Park in San Pedro.

### Q4/FY19

- ✓ 5-Week Purpose Workshops in three locations concluded the week of April 28. Average attendance per session and location was 31. Surveys and pre/post-assessments indicated positive impact overall.
- ✓ Extravaganza videos and Audio Recordings of workshop presentations along with PowerPoints posted to LACERS Well Page
- ✓ LACERS Well survey results received and a report will be prepared to summarize the results
- ✓ FLAM was launched on 4/29; 241 registrations; 72 participants have reached Tier 1, 62 participants have reached Tier 2, and 55 participants have reached Tier 3 in reward incentives. 47 have earned 1 million virtual dollars!
- ✓ Volunteer Picnic on 6/20 had 184 in attendance
- ✓ Working with Employee Benefits for a joint Financial Planning event in Ontario on August 3; the event filled up (374 spaces reserved) in a matter of hours on the day the email went out. We have a waiting list of 141.
- ✓ Held carrier summit with representatives from each health plan to discuss results and next steps on June 21.

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# LACERS ASSET ALLOCATION AND ACTIVE VS PASSIVE

Strategic Goal: **ACHIEVE PERFORMANCE/RISK OBJECTIVES**

REPORTING MONTH: **JUNE 2019**  
STATUS: **ON TRACK**

LEAD(S): **BRYAN FUJITA/ROD JUNE**  
DIVISION(S)/SECTION(S): **INVESTMENT DIVISION**

## INITIATIVE SUMMARY

The Investment Division implements the Asset Allocation Policy approved by the Board. The Board seeks to achieve its return target of 7.25% over long periods of time by assuming prudent levels of risk as prescribed in the Risk Budget. The key priorities are:

- Launch appropriate investment manager searches
  - Issue RFPs and manage the selection process pursuant to Investment Policy
  - Negotiate contract terms and conditions
  - Hire fund managers and rebalance the portfolio
  - Monitor investment managers pursuant to Investment Policy
  - Report search and manager status to the Investment Committee and Board
- Active versus Passive
  - Provide Board education
  - Discuss active and passive exposures with in risk/return framework
  - Implement passive exposure changes as approved by the Board

## ISSUES / CHALLENGES

- Implementation may change depending on Board and Investment Committee priorities
- Investment Division Staffing to complete manager searches according to proposed schedule
- Pending and approved Investment Policy changes could lead to modification of implementation schedule

## MILESTONES / ACHIEVEMENTS

- Q1/FY19**  
✓ Board authorization of RFPs – Oct
- Q2/FY19**  
✓ Launch Private Credit RFP – Dec  
✓ Provide Active versus Passive Education – Dec
- Q3/FY19**  
✓ Launch U.S. Small Cap Equities RFP – Feb  
✓ Launch High Yield/Bank Loans RFP – Feb
- Q4/FY19**  
✓ Launch Emerging Markets Small Cap RFP – Jun  
✓ Launch Emerging Market Debt RFP – Jun  
✓ Implement Passive Exposure Changes – Jun

## KEY INDICATORS

### See Exhibits

- Exhibit A – Asset Class Exposure Actual versus Target
- Exhibit B – Asset Class Exposure Trend Past 12 Months
- Exhibit C – Active vs. Passive Trend Past 12 Months

## DELIVERABLES / TIMEFRAME

- FY20**
- Complete Private Credit RFP – July
  - Launch Core Fixed Income RFP – Aug
  - Complete U.S. Small Cap Equities RFP – Sept
  - Complete High Yield/Bank Loans RFP – Oct
  - Complete Emerging Markets Small Cap RFP – Nov
  - Complete Emerging Market Debt RFP – Nov
  - Complete Core Fixed Income RFP – Jan

## BUDGET

<b>Appropriation:</b>	<b>\$39,200</b>
<b>Expense:</b>	<b>\$9,714</b>
<b>Unspent:</b>	<b>\$29,486</b>

## KEY DEPENDENCIES / ASSUMPTIONS

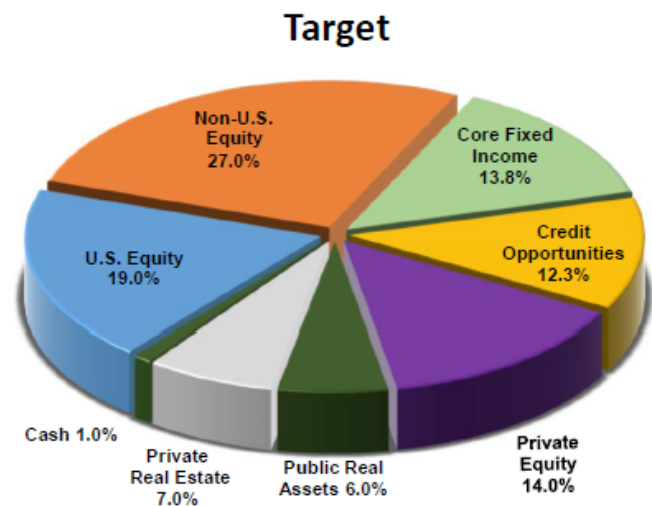
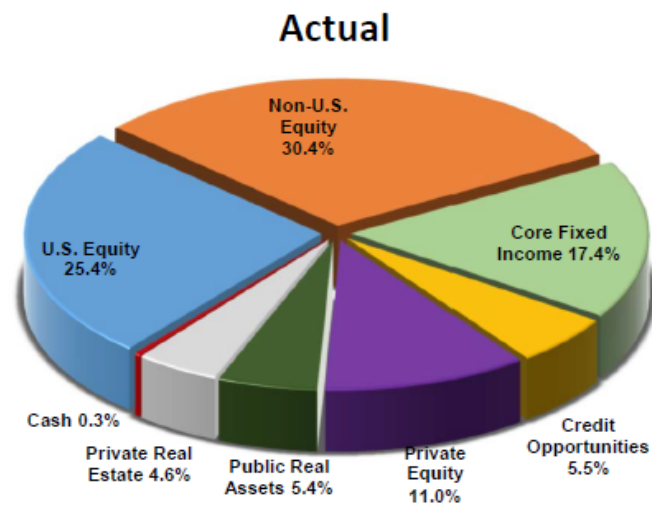
- Board and Investment Committee priorities
- Staffing and Consultant resources
- Qualified investment managers respond to RFPs
- Selection process pursuant to Manager Search and Selection Policy remains substantially unchanged

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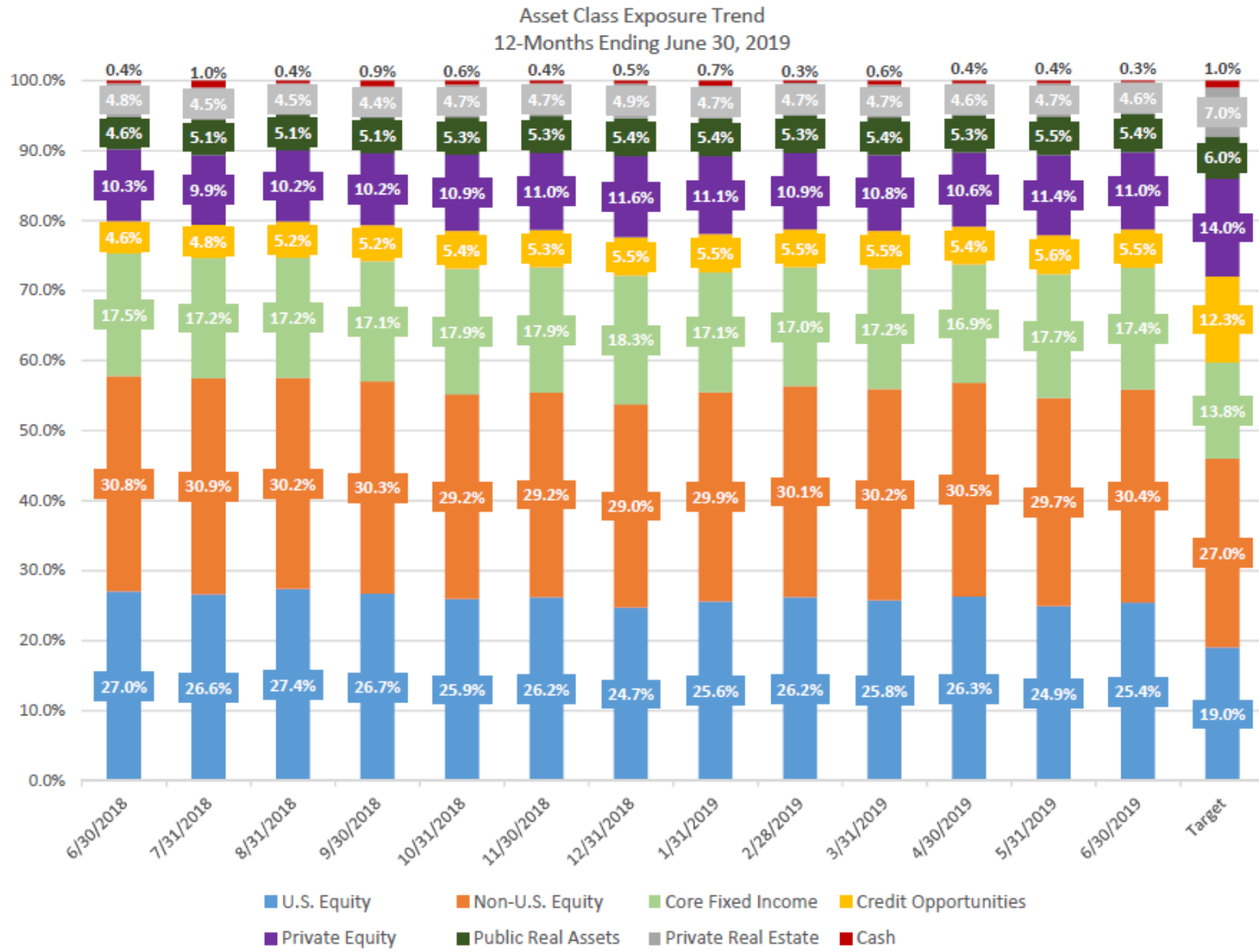
## LACERS Investment Portfolio

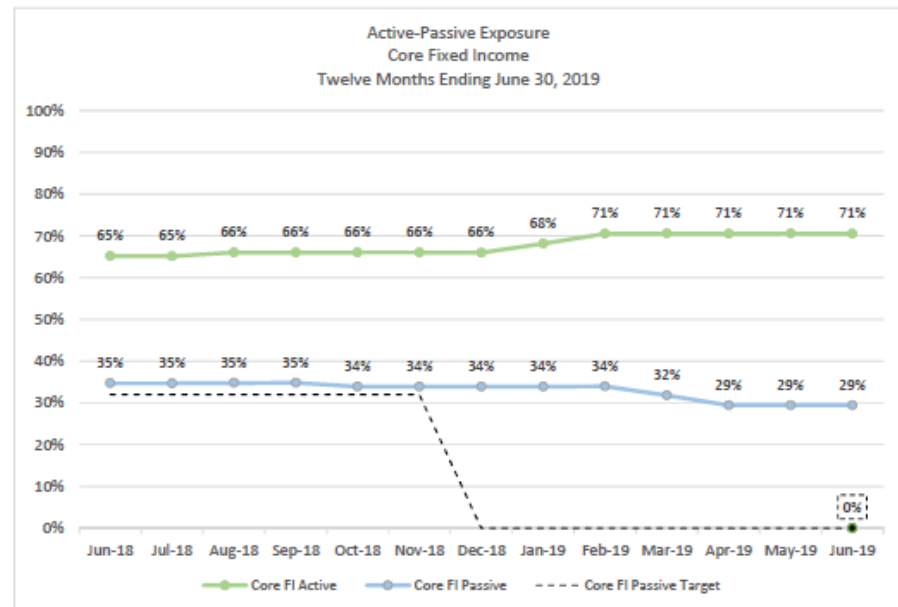
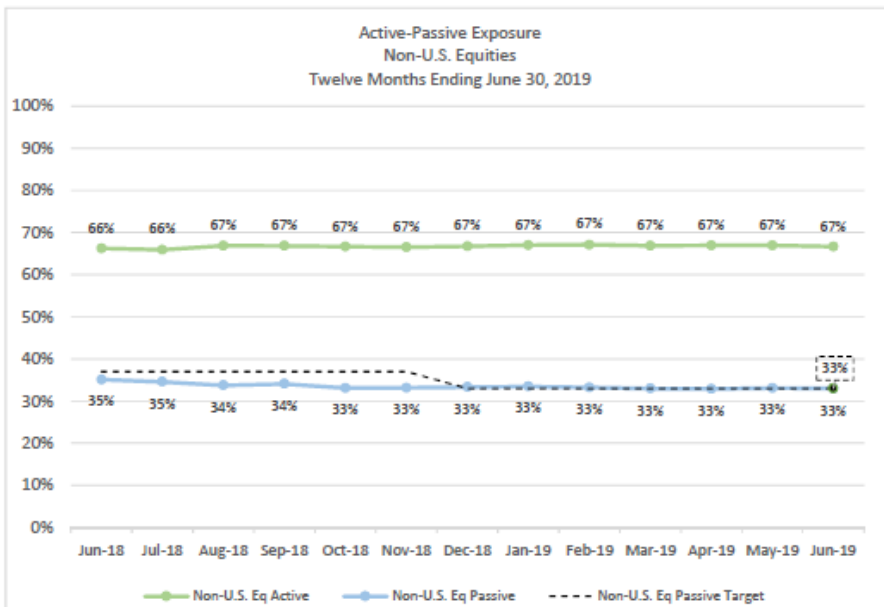
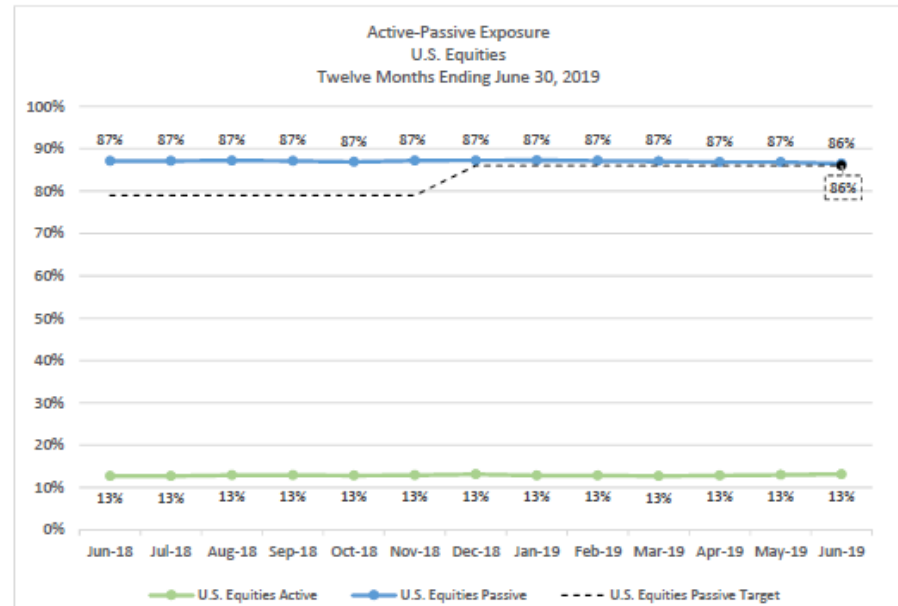
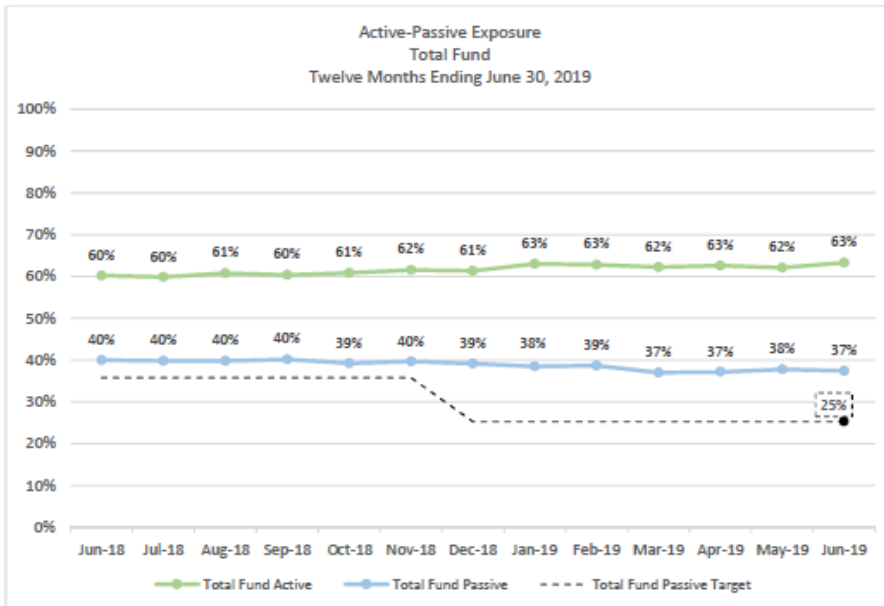
ASSET CLASS BY MARKET VALUE & ALLOCATION						
Asset Class	as of ► June 30, 2019					
	Actual (\$ B)	Actual (%)	Target (%)	Actual-Target*	Min (%)	Max (%)
U.S. Equity	4.50	25.4%	19.0%	6.4%	12.0%	26.0%
Non-U.S. Equity	5.38	30.4%	27.0%	3.4%	18.0%	36.0%
Core Fixed Income	3.07	17.4%	13.8%	3.6%	10.8%	16.8%
Credit Opportunities	0.97	5.5%	12.3%	-6.8%	8.3%	16.3%
Private Equity	1.95	11.0%	14.0%	-3.0%	N/A	N/A
Public Real Assets	0.96	5.4%	6.0%	-0.6%	4.0%	8.0%
Private Real Estate	0.81	4.6%	7.0%	-2.4%	N/A	N/A
Cash	0.06	0.3%	1.0%	-0.7%	0.0%	2.0%
<b>TOTAL FUND</b>	<b>17.69</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>N/A</b>	<b>N/A</b>

\*Current asset allocation targets approved in April 2018. Transition to new targets in progress.











APPENDIX A. BUSINESS PLAN INITIATIVE TEMPLATE

Shade the cells according to status:

COMPLETED
ON TRACK
OFF TARGET
INTERVENTION NEEDED

<b>[NAME OF BUSINESS PLAN INITIATIVE]</b>		Strategic Goal: [ASSOCIATED STRATEGIC GOAL]
REPORTING MONTH: [REPORTING MONTH] [YEAR]		LEAD(S): [FIRST AND LAST NAME(S)]
STATUS: [ON TRACK] [OFF TARGET] [INTERVENTION NEEDED]		DIVISION(S)/SECTION(S): [DIV./SECTION NAME]

**INITIATIVE SUMMARY**

[Provide 1-2-line description of initiative. Bullet the major components.]

- [Component 1]
- [Component 2]
- [Component 3]

**ISSUES / CHALLENGES**

[Identify any current or future barriers to the achievement of deliverables. Keep it brief.]

**MILESTONES / ACHIEVEMENTS**

**Q1/FY19**

✓ [List key tasks/milestones in current or completed quarters. If complete, use check mark bullet.]

**Q2/FY19**

✓ [List key tasks/milestones in current or completed quarters. If complete, use check mark bullet.]

**BUDGET**

**Appropriation:**      \$[whole dollars]

**Expense:**              \$[whole dollars]

**Unspent:**              \$[whole dollars]

[Add budget notes here]

[Budget should reflect expenses, excluding salaries, unless requesting new positions mid-year.]

**KEY INDICATORS**

[Provide quantitative measurements of successful implementation. Graphical representations are encouraged]

Survey Feedback

*"How helpful was this medical sector for you?"*

*"Do you feel like you have a better understanding of how your medical benefits work now?"*



**KEY DEPENDENCIES / ASSUMPTIONS**

- [Bullet assumptions of certain resources or prioritizations that are required for timely implementation of this initiative.]
- [For example: Funding availability, staffing availability, other resource availability, key cooperation.]

**CORRECTIVE ACTIONS**

[Box displayed for those BPI with Status of "OFF TARGET" or "INTERVENTION NEEDED." List strategies that will be taken to move BPI back on track.]

**DELIVERABLES / TIMEFRAME**

**Q3/FY19**

□ [List key upcoming deliverables/milestones in this quarter. Use the box bullet.]

**Q4/FY19**

□ [List key upcoming deliverables/milestones in this quarter. Use the box bullet.]

**FY20**

□ [List key upcoming deliverables/milestones in future fiscal year or add future quarters. If needed, use the box bullet.]

Side bar represents the status over the months in the FY. Change the color accordingly.

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**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Sung Won Sohn, Chair  
Elizabeth Lee  
Nilza R. Serrano

**MEETING: JULY 23, 2019**  
**ITEM: XI-B**

**SUBJECT: FINALIST FIRMS OF THE PRIVATE CREDIT INVESTMENT MANAGER SEARCH AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board approve:

- 1) Benefit Street Partners L.L.C. and Monroe Capital LLC as finalists for the U.S. portion of the Private Credit Mandate search; and
- 2) Alcentra Limited and Crescent Capital Group LP as finalists for the non-U.S. portion of the Private Credit Mandate search; and
- 3) Awarding contracts to Benefit Street Partners L.L.C. and Alcentra Limited with initial commitments of \$100 million each; and
- 4) Awarding contracts to Monroe Capital LLC and Crescent Capital Group LP and commit capital at a future date as determined by the Committee and Board; and
- 5) Authorizing the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Executive Summary**

The Board approved a Request for Proposal process to evaluate the current marketplace for private credit investment managers on October 9, 2018. On June 11, 2019, the Investment Committee (Committee) interviewed Benefit Street Partners L.L.C. (Benefit Street) and Monroe Capital LLC (Monroe) as finalists for the U.S. portion of the search; and Alcentra Limited (Alcentra) and Crescent Capital Group LP (Crescent) as finalists for the non-U.S. portion of the search. The Committee further instructed staff to explore options to fund the finalist candidates. After exploring all of the options, staff recommended awarding contracts to all four finalists and initially funding \$100 million each to Benefit Street and Alcentra. Funding for Crescent and Monroe will be determined at a later date. On July 9, 2019, the Committee concurred with the staff recommendation.

## **Discussion**

### *Background*

The Board approved a Request for Proposal (RFP) process to evaluate the current marketplace for private credit investment managers on October 9, 2018. Based upon the asset allocation targets approved by the LACERS Board on April 10, 2018, approximately \$670 million (3.75% of total fund assets) was to be allocated to this mandate. LACERS seeks one or more qualified private credit managers for a separately managed account(s) and/or commingled fund(s). Funding will be derived principally from a reduction to core fixed income allocations. The search opened on December 10, 2018, and closed on January 18, 2019. The RFP was published on LACERS' website and NEPC, LLC's (NEPC) website. The search was advertised in the Pensions and Investments and Emerging Manager Monthly publications. The RFP was also advertised online through the following organizations: Association of Asian American Investment Managers, National Association of Investment Companies, and New America Alliance. A total of 49 proposals were received, representing 43 firms; and 31 firms met the minimum qualifications (MQs) required to participate in the search, including three emerging investment managers.

On March 12, 2019, the Investment Committee (Committee) reviewed and concurred with staff and NEPC's recommendation to advance Benefit Street Partners L.L.C. (Benefit Street), Monroe Capital LLC (Monroe), and THL Credit Advisors LLC (THL) as semi-finalists for the U.S. portion of the search; and Alcentra Limited (Alcentra), Bain Capital Credit, LP (Bain), and Crescent Capital Group LP (Crescent) as semi-finalists for the non-U.S. portion of the search. Staff subsequently conducted on-site due diligence meetings at each of the semi-finalists' offices.

On May 28, 2019, the Board approved the Private Credit Mandate Update and Implementation Plan (Implementation Plan), which provided the pacing plan to deploy capital over time to manage investment risk within this sub-asset class. The Implementation Plan was developed in order to address the Committee's concern about immediately allocating the entire \$670 million to this mandate in light of the late stage of the market cycle. The Implementation Plan revised the allocation of this specific RFP from \$670 million to \$200 million: \$100 million each to a U.S. and non-U.S. strategy. The remaining balance will be deployed over the course of the next few years pursuant to the Implementation Plan.

On June 11, 2019, the Committee interviewed Benefit Street and Monroe as finalists for the U.S. portion of the Private Credit Mandate search; and Alcentra and Crescent as finalists for the non-U.S. portion of the search. After interviewing the finalist firms, the Committee directed staff to explore the option of retaining all four finalist firms while initially funding Alcentra and Benefit Street. In light of the current position in the market cycle, the Committee preferred Alcentra and Benefit Street for initial funding due to their diversified portfolio approach and investments in the core middle market space.

On July 9, 2019, the Committee reconvened to discuss staff's findings and concurred with the recommendation of the attached staff report (Attachment 1). Crescent and Monroe indicated their willingness to contract with LACERS while being funded at later dates, as determined by the

Committee. This option maximizes LACERS flexibility to deploy assets to the lower middle market private credit space with Crescent and Monroe without going through the entire RFP process at a future point. Unlike many other private market strategies (e.g. private equity), no management fees will accrue until the private credit investment managers are funded.

*General Fund Consultant Opinion*

NEPC, LLC, LACERS' General Fund Consultant concurs with this recommendation.

**Strategic Plan Impact Statement**

The Private Credit Mandate allows the fund to maintain a diversified exposure to Credit Opportunities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). Completing the competitive bidding process and the discussion of investment managers' strategies are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division

RJ/BF/WL/JW:sg

Attachments: 1. Investment Committee Recommendation Report dated July 9, 2019  
2. Overview Matrix of U.S. Private Credit Finalists  
3. Overview Matrix of Non-U.S. Private Credit Finalists  
4. Proposed Resolutions



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

**MEETING: JULY 9, 2019**  
**ITEM: IV**

*Neil M. Guglielmo*

**SUBJECT: CONTINUED DISCUSSION OF PRIVATE CREDIT INVESTMENT MANAGER SEARCH FINALISTS AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee recommend to the Board:

- 1) Benefit Street Partners L.L.C. and Monroe Capital LLC as finalists for the U.S. portion of the Private Credit Mandate search;
- 2) Alcentra Limited and Crescent Capital Group LP as finalists for the non-U.S. portion of the Private Credit Mandate search;
- 3) Award contracts to Benefit Street Partners L.L.C. and Alcentra Limited with initial commitments of \$100 million each; and
- 4) Award contracts to Monroe Capital LLC and Crescent Capital Group LP and commit capital at a future date as determined by the Committee and Board.

**Executive Summary**

The Board approved a Request for Proposal process to evaluate the current marketplace for private credit investment managers on October 9, 2018. On June 11, 2019, the Committee interviewed Benefit Street Partners L.L.C. (Benefit Street) and Monroe Capital LLC (Monroe) as finalists for the U.S. portion of the search; and Alcentra Limited (Alcentra) and Crescent Capital Group LP (Crescent) as finalists for the non-U.S. portion of the search. The Committee further instructed staff to explore options to fund the finalist candidates. After exploring all the options, staff recommends moving all four candidates forward while initially funding \$100 million each to Benefit Street and Alcentra. Funding for Crescent and Monroe will be determined at a later date.

**Discussion**

*Background*

On June 11, 2019, the Committee interviewed Benefit Street and Monroe as finalists for the U.S. portion of the Private Credit Mandate search; and Alcentra and Crescent as finalists for the non-U.S. portion of the search. After interviewing the finalist firms, the Committee directed staff to explore the option of retaining all four finalist firms while initially funding Alcentra and Benefit Street with \$100 million each,

as outlined in the Private Credit Mandate Update and Implementation Plan approved by the Board on May 28, 2019. Alcentra and Benefit Street invest in the middle market space; whereas Crescent and Monroe invest in the lower market space.

In light of the current position in the market cycle, the Committee preferred Alcentra and Benefit Street for initial funding due to their investments into larger companies with a more diversified portfolio approach. Crescent and Monroe have indicated their willingness to cooperate with LACERS in being funded at later dates, as determined by the Committee. No management fees will accrue until the investment managers are funded. This option maximizes LACERS flexibility to deploy assets to the lower middle market private credit space without going through the entire RFP process at a future point.

*General Fund Consultant Opinion*

NEPC, LLC, LACERS' General Fund Consultant concurs with this recommendation.

**Strategic Plan Impact Statement**

Private Credit Mandate allows the fund to maintain a diversified exposure to Credit Opportunities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division

RJ/BF/WL/JW:sg

**Overview Matrix of U.S. Private Credit Finalists**

as of 9/30/2018

<b>Firm Information</b>	<b>Benefit Street Partners L.L.C.</b>	<b>Monroe Capital LLC</b>
Ownership Structure	100% owned by Franklin Templeton	100% employee owned
Year Founded	2008	2004
Investment Region	U.S.	U.S.
Main Address	9 West 57th Street, Suite 4920 New York, NY 10019	311 South Wacker Drive, 64th Floor Chicago, IL
Additional Offices	Houston, Providence, Raleigh, Charlotte, San Francisco	Atlanta, Boston, Dallas, Los Angeles, New York, San Francisco
Assets Under Management	\$26.4 billion	\$7 billion as of 1/1/2019
Private Credit Assets Under Management	\$12.3 billion	\$7 billion as of 1/1/2019
Number of Existing Private Credit Funds and Separate Accounts	Five commingled private debt funds that have been raised in the past and seven private debt separate accounts. Benefit Street Partners is also the manager of a Business Development Corporation.	Ten private credit capital funds including four separately managed accounts. One Business Development Company and seven collateralized loan obligation funds.
Number of Employees	192	103
<b>Strategy Information</b>		
Industry Focus	Diversified	Diversified
Geographic Focus	North America	North America
Target Deal Size	1% - 2% of total assets	\$10 million to \$75 million
Number of Target Investments	75 to 100	TBD depending on length and size of fund
Strategy Description	The Fund will seek to provide LACERS with current income and long-term capital appreciation by primarily originating senior secured loans for middle and upper-market ("core middle market") companies located in the United States. The majority of these companies will have EBITDA between \$25 million and \$75 million. The strategy will target sponsored and nonsponsored companies.	The Fund will seek to provide LACERS with current income and long-term capital appreciation by originating senior secured loans in lower-middle market companies located in North America. The Fund will primarily invest in U.S. companies with less than \$30 million in EBITDA that require financing to fund a corporate event such as a buyout, refinancing, recapitalization, ownership transfer, or acquisition.

**Overview Matrix of Non-U.S. Private Credit Finalists**

as of 9/30/2018

<b>Firm Information</b>	<b>Alcentra Limited</b>	<b>Crescent Capital Group LP</b>
Ownership Structure	Majority owned by The Bank of New York Mellon Corporation	Majority employee owned
Year Founded	2002	1991
Investment Region	Non-U.S.	Non-U.S.
Main Address	160 Queen Victoria Street London, UK	25 Hanover Square London, UK**
Additional Offices	New York, Boston, San Francisco, Singapore, Hong Kong	Los Angeles, Boston, New York
Assets Under Management	\$37.6 billion as of 11/30/2018	\$24 billion
Private Credit Assets Under Management	\$34.8 billion*	\$13.6 billion
Number of Existing Private Credit Funds and Separate Accounts	Alcentra currently manages more than 70 vehicles dedicated to subinvestment grade credit strategies across open end funds, closed end funds, separately managed accounts, mutual funds, UCITS funds, exchange listed funds and collateralized loan obligations. Under the direct lending strategy there are 16 different funds including separately managed accounts	Since its inception, Crescent has raised over 20 private credit funds
Number of Employees	168	169
<b>Strategy Information</b>		
Industry Focus	Diversified	Diversified
Geographic Focus	Europe	Europe
Target Deal Size	€30 million (approx. \$33.5 million) to €200 million (approx. \$223.6 million)	€15 million (approx. \$16.8 million) to €75 million (approx. \$83.8 million)
Number of Target Investments	60 to 70	25+
Strategy Description	The Fund will seek to provide LACERS with current income and long-term capital appreciation by originating senior secured loans in lower-middle market companies located in Western Europe and opportunistically to non-European companies.	The Fund will invest in a diversified portfolio consisting principally of secured loans of private European companies. The Fund's investments may take for form of senior secured term loans, unitranche loans, second lien loans, or subordinated debt (including mezzanine and PIK securities) and the overall mix will have a bias towards more senior secured securities. The Fund will primarily target investments in the debt of mid-market European companies. Most investments will be in directly originated transactions. Occasionally, securities may be sourced in the secondary market. The Fund expects to mainly invest in primary transactions (including direct lending) although it may also invest in securities sourced in the secondary market.
*Includes private debt strategies such as syndicated loans, middle market loans, structured credit, special situations, multi-strategy. Direct lending globally is \$9.4 billion.		
**The firm's head office is located in Los Angeles, however the strategy would be managed out of the firm's London office.		



**CONTRACT AUTHORIZATION  
BENEFIT STREET PARTNERS L.L.C. PRIVATE CREDIT  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, on October 9, 2018, the Board of Administration (Board) authorized a Request for Proposal for the Private Credit Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, on March 12, 2019, the Investment Committee considered staff's and NEPC, LLC's (NEPC) evaluation report of the candidates and recommendation of Benefit Street Partners L.L.C., Monroe Capital LLC, and THL Credit Advisors LLC as semi-finalists for the U.S. portion of the search; and Alcentra Limited, Bain Capital Credit, LP, and Crescent Capital Group LP as semi-finalists for the non-U.S. portion of the search; and,

WHEREAS, staff and NEPC conducted further due diligence on the six semi-finalist candidates; and,

WHEREAS, on June 11, 2019, the Investment Committee interviewed Benefit Street Partners L.L.C. and Monroe Capital LLC as finalist candidates for the U.S. portion of the search; and Alcentra Limited and Crescent Capital Group LP as finalists for the non-U.S. portion of the search to understand the capabilities of each firm and recommended all four firms to the Board for consideration for hire; and,

WHEREAS, on July 23, 2019, the Board approved the Investment Committee's recommendation to award a contract to Benefit Street Partners L.L.C.; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes a contract with Benefit Street Partners L.L.C. as part of LACERS private credit mandate with an initial commitment of \$100 million; and, authorizes the General Manager to execute the necessary documents, subject to satisfactory business and legal terms.

July 23, 2019

**CONTRACT AUTHORIZATION  
ALCENTRA LIMITED PRIVATE CREDIT  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, on October 9, 2018, the Board of Administration (Board) authorized a Request for Proposal for the Private Credit Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, on March 12, 2019, the Investment Committee considered staff's and NEPC, LLC's (NEPC) evaluation report of the candidates and recommendation of Benefit Street Partners L.L.C., Monroe Capital LLC, and THL Credit Advisors LLC as semi-finalists for the U.S. portion of the search; and Alcentra Limited, Bain Capital Credit, LP, and Crescent Capital Group LP as semi-finalists for the non-U.S. portion of the search; and,

WHEREAS, staff and NEPC conducted further due diligence on the six semi-finalist candidates; and,

WHEREAS, on June 11, 2019, the Investment Committee interviewed Benefit Street Partners L.L.C. and Monroe Capital LLC as finalist candidates for the U.S. portion of the search; and Alcentra Limited and Crescent Capital Group LP as finalists for the non-U.S. portion of the search to understand the capabilities of each firm and recommended all four firms to the Board for consideration for hire; and,

WHEREAS, on July 23, 2019, the Board approved the Investment Committee's recommendation to award a contract to Alcentra Limited; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes a contract with Alcentra Limited as part of LACERS private credit mandate with an initial commitment of \$100 million; and, authorizes the General Manager to execute the necessary documents, subject to satisfactory business and legal terms.

July 23, 2019

**CONTRACT AUTHORIZATION  
MONROE CAPITAL LLC PRIVATE CREDIT  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, on October 9, 2018, the Board of Administration (Board) authorized a Request for Proposal for the Private Credit Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, on March 12, 2019, the Investment Committee considered staff's and NEPC, LLC's (NEPC) evaluation report of the candidates and recommendation of Benefit Street Partners L.L.C., Monroe Capital LLC, and THL Credit Advisors LLC as semi-finalists for the U.S. portion of the search; and Alcentra Limited, Bain Capital Credit, LP, and Crescent Capital Group LP as semi-finalists for the non-U.S. portion of the search; and,

WHEREAS, staff and NEPC conducted further due diligence on the six semi-finalist candidates; and,

WHEREAS, on June 11, 2019, the Investment Committee interviewed Benefit Street Partners L.L.C. and Monroe Capital LLC as finalist candidates for the U.S. portion of the search; and Alcentra Limited and Crescent Capital Group LP as finalists for the non-U.S. portion of the search to understand the capabilities of each firm and recommended all four firms to the Board for consideration for hire; and,

WHEREAS, on July 23, 2019, the Board approved the Investment Committee's recommendation to award a contract to Monroe Capital LLC; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes a contract with Monroe Capital LLC as part of LACERS private credit mandate with the commitment timing and dollar amount to be determined by the Investment Committee at a future date; and, authorizes the General Manager to execute the necessary documents, subject to satisfactory business and legal terms.

July 23, 2019

**CONTRACT AUTHORIZATION  
CRESCENT CAPITAL GROUP LP PRIVATE CREDIT  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, on October 9, 2018, the Board of Administration (Board) authorized a Request for Proposal for the Private Credit Mandate investment manager search pursuant to the asset allocation policy approved by the Board on April 10, 2018; and,

WHEREAS, on March 12, 2019, the Investment Committee considered staff's and NEPC, LLC's (NEPC) evaluation report of the candidates and recommendation of Benefit Street Partners L.L.C., Monroe Capital LLC, and THL Credit Advisors LLC as semi-finalists for the U.S. portion of the search; and Alcentra Limited, Bain Capital Credit, LP, and Crescent Capital Group LP as semi-finalists for the non-U.S. portion of the search; and,

WHEREAS, staff and NEPC conducted further due diligence on the six semi-finalist candidates; and,

WHEREAS, on June 11, 2019, the Investment Committee interviewed Benefit Street Partners L.L.C. and Monroe Capital LLC as finalist candidates for the U.S. portion of the search; and Alcentra Limited and Crescent Capital Group LP as finalists for the non-U.S. portion of the search to understand the capabilities of each firm and recommended all four firms to the Board for consideration for hire; and,

WHEREAS, on July 23, 2019, the Board approved the Investment Committee's recommendation to award a contract to Crescent Capital Group LP; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes a contract with Crescent Capital Group LP as part of LACERS private credit mandate with the commitment timing and dollar amount to be determined by the Investment Committee at a future date; and, authorizes the General Manager to execute the necessary documents, subject to satisfactory business and legal terms.

July 23, 2019



**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
 Sung Won Sohn, Chair  
 Elizabeth Lee  
 Nilza R. Serrano

**MEETING: JULY 23, 2019**  
**ITEM: XI-C**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH AXIOM INTERNATIONAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE GROWTH EMERGING MARKETS EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

- 1) Approve a one-year contract extension with Axiom International Investors, LLC for management of an active growth emerging markets equities portfolio.
- 2) Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Executive Summary**

On July 9, 2019, the Investment Committee (Committee) concurred with the staff recommendation for a one-year contract extension with Axiom International Investors, LLC (Axiom).

**Discussion**

On July 9, 2019, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with Axiom. Axiom was hired through the 2013 Active Growth Emerging Markets Equities manager search process and a three-year contract was authorized by the Board on July 23, 2013. Axiom was awarded a contract renewal on September 27, 2016. The current contract expires on September 30, 2019. The Committee discussed the investment strategy, performance, and fees. Axiom was placed "On Watch" for an initial one-year period effective April 17, 2019, due to performance.

## **Strategic Plan Impact Statement**

A contract extension with Axiom International Investors, LLC will allow the fund to maintain a diversified exposure to the non-U.S. equities emerging markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

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

RJ/BF/EP:sg

Attachments: 1. Investment Committee Recommendation Report dated July 9, 2019  
2. Proposed Resolution



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

MEETING: JULY 9, 2019  
ITEM: VI

*Neil M. Guglielmo*

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SUBJECT: INVESTMENT MANAGER CONTRACT WITH AXIOM INTERNATIONAL INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKETS GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

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### Recommendation

That the Committee recommend to the Board a one-year contract extension with Axiom International Investors, LLC for management of an active emerging markets equities growth portfolio.

### Executive Summary

Axiom International Investors, LLC (Axiom) has managed an active emerging markets growth equities portfolio for LACERS since March 2014. LACERS' portfolio is currently valued at \$408 million. Axiom was placed "On Watch" for an initial one-year period effective April 17, 2019, due to performance. In light of Axiom's "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff recommends a one-year contract extension and will monitor performance.

### Discussion

#### *Background*

Axiom International Investors, LLC (Axiom) has managed an active emerging markets growth equities portfolio for LACERS since March 2014, and is benchmarked against the MSCI Emerging Markets Growth Index. Axiom uses a fundamental research-driven investment strategy that focuses on companies with key growth drivers, such as company-specific improvements and favorable macro-economic and political factors. Such drivers tend to be indicators of positive company financial and stock price performance. The investment team consists of six professionals including co-portfolio managers Christopher Lively and Don Elefson, who have 33 and 37 years of experience, respectively. LACERS' portfolio was valued at \$408 million as of May 31, 2019.

Axiom was hired through the 2013 Active Emerging Market Growth Equities manager search process and a three-year contract was authorized by the Board on July 23, 2013. Axiom was awarded a contract renewal on September 27, 2016. The current contract expires on September 30, 2019.

*Organization*

Axiom is 100% employee-owned, with 50 employees, and is headquartered in Greenwich, Connecticut. As of May 31, 2019, Axiom managed over \$11 billion in total assets with \$5.8 billion in the emerging markets growth equity strategy.

*Due Diligence*

Axiom's investment philosophy, strategy, and process have not changed over the contract period.

*Performance*

As of May 31, 2019, Axiom has outperformed its benchmark, net-of-fees, over the last 3-month and 1-year time period but underperformed over the remaining time periods as presented in the table below.

<b>Annualized Performance, Unaudited as of 5/31/19 (Net-of-Fees)</b>						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception <sup>1</sup>
Axiom	-2.51	-10.43	1.59	9.31	2.19	2.59
MSCI EM Growth Index	-4.97	-11.83	1.90	10.01	2.92	3.53
% of Excess Return	2.46	1.40	-0.31	-0.70	-0.73	-0.94

<sup>1</sup>Inception Date: 3/31/14

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

<b>Calendar Year Performance, Unaudited as of 5/31/19 (Net-of-Fees)</b>						
	1/1/19-5/31/19	2018	2017	2016	2015	3/31/14-12/31/14
Axiom	5.98	-17.64	40.56	8.40	-12.44	-2.01
MSCI EM Growth Index	4.84	-18.26	46.80	7.59	-11.34	-0.30
% of Excess Return	1.14	0.62	-6.24	0.81	-1.10	-1.71

Pursuant to the LACERS Manager Monitoring Policy (Policy), Axiom was placed on "On Watch" status for an initial one-year period effective April 17, 2019. The following Policy watch list criteria triggered the "On Watch" status based on the performance as of March 31, 2019:

1. Annualized net underperformance relative to its benchmark for trailing 3 years.
2. Annualized net underperformance relative to its benchmark for trailing 5 years.
3. Annualized net Information Ratio trailing 5 years relative to its benchmark is below .20.

In May 2019, Axiom provided an update on the firm and performance to staff and discussed their plan of action to return to compliance with the Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, will monitor the portfolio's performance closely during the "On Watch" period.

*Fees*

LACERS pays Axiom an effective fee of 70 basis points (0.70%), which is approximately \$2.9 million annually based on the value of LACERS' assets as of May 31, 2019. This fee ranks in the 37<sup>th</sup> percentile



among its peers in the eVestment Global Emerging Markets All Cap Growth Equity Universe (i.e. Axiom's fee is lower than 63% of peers).

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract renewal with Axiom International Investors, LLC will allow the fund to maintain a diversified exposure to the non-U.S. equities emerging markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Eduardo Park, Investment Officer I, Investment Division.

RJ/BF/EP:sg

- Attachments:
1. Consultant Recommendation – NEPC, LLC
  2. Workforce Composition

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** July 9, 2019  
**Subject:** Axiom Investors - Contract Extension

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**Recommendation**

NEPC recommends the Los Angeles City Employees' Retirement System ('LACERS') extend the contract that is currently in place with Axiom Investors ('Axiom') for a period of one year from the date of contract expiry.

**Background**

Axiom was hired into the Non-U.S. Equity asset class in March 2014 to provide the Plan with public equity exposure across international emerging countries/markets. The portfolio's strategy is benchmarked against the MSCI Emerging Markets Growth Index and has a performance inception date of March 31, 2014.

As of May 31, 2019, Axiom managed \$407.5 million, or 2.4% of Plan assets in an international emerging markets separately managed account. The performance objective is to outperform the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance under the LACERS' Manager Monitoring Policy.

Axiom is an independent employee-owned investment management firm founded in 1998 by Andrew Jacobson. As of May 31, 2019 the firm had \$11.4 billion in assets under management and had 21 employees. Prior to forming Axiom, the investment team was responsible for developing and managing the international equity strategy at Columbus Circle Investors, a division of PIMCO Advisors LP. The Axiom Emerging Markets team is led by Chris Lively and co-portfolio manager Donald Elefson. José Morales joined the firm in 2017 as a portfolio manager. The portfolio managers split the emerging markets by region. Chris Lively retains final buy and sell authority, and ultimately decides portfolio positioning and stock weightings. The team also leverages a shared research platform across all of Axiom's non-U.S. equity products.

The Axiom investment philosophy is to invest in quality companies that are growing and evolving better and more rapidly than expected. Critical to the investment process is the ability to identify these changes in growth, prior to them being reflected in expectations or market valuations. Axiom employs a bottom-up, growth-oriented investment discipline that relies on detailed fundamental stock analysis to identify companies that are improving more quickly than generally expected. The primary emphasis is to isolate those companies that are likely to exceed expectations, which they do by identifying and monitoring the key business drivers of each stock. Key business drivers are essentially the leading indicators of stock price performance. Key drivers can include company specific, industry,

macroeconomic and political factors. For each of these drivers, they survey a wide variety of sources to determine investor expectations.

The universe is defined as securities that have a minimum market cap of \$1.0 billion, are covered by 1 or more brokerage analysts and have liquidity of over \$5 MM/day. About 80% of Axiom's new ideas are typically identified as a consequence of specific, positive, fundamental developments in a company's operations (e.g., favorable sales of a new product, a significant restructuring initiative or a change in industry conditions). Axiom also screens the investment universe on a variety of financial and technical factors to help identify new ideas for further detailed fundamental analysis. These factors include positive earnings growth, positive earnings estimate revisions, positive price movement and favorable valuation characteristics.

### **Performance**

As of May 31, 2019, since inception, the portfolio has underperformed its benchmark by 0.94% (2.59% vs 3.53%). Over the past year, ended May 31, 2019, the portfolio has outperformed the benchmark by 1.40% (-10.43% vs. -11.83%). Referring to Exhibit 1, since inception of the Axiom portfolio ended March 31, 2019, the portfolio ranked in the 52<sup>nd</sup> percentile among its peers and underperformed the benchmark by 1.45%. In the trailing one-year ended March 31, 2019, the portfolio ranked in the 69<sup>th</sup> percentile in its peer group underperforming its benchmark by 0.97%. Since inception, ended May 31, 2019, the information ratio was -0.35 and active risk, as measured by tracking error was 2.72%. Underperformance in the trailing five-years, ended May 31, 2019, was driven by stock selection primarily in the Communication Services and Financials sectors. Being underweight Information Technology also detracted from relative returns. On a country basis, security selection in Taiwan, Korea and South Africa were detractors relative to benchmark returns.

Referring to Exhibit 2, since inception, historical cumulative performance has been negative when compared to the benchmark. Security selection in the Information Technology, Industrials and Communication Services sectors have been responsible for cumulative negative returns since the first quarter of 2017.

### **Fees**

The portfolio has an asset-based fee of 0.70% annually. This fee ranks in the 37<sup>th</sup> percentile among its peers in the eVestment Global Emerging Markets All Cap Growth Equity Universe. In other words, 63% of the 45 products included in the peer universe have a higher fee than the LACERS account.

### **Conclusion**

Axiom has performed within the range of anticipated outcomes against its benchmark since inception, though has underperformed the benchmark. The strategy is a high conviction strategy at NEPC and the philosophy, investment process and team used to implement it have been stable. We believe in the long-term efficacy of a strategy that focuses on understanding the business fundamentals of companies that are growing faster than

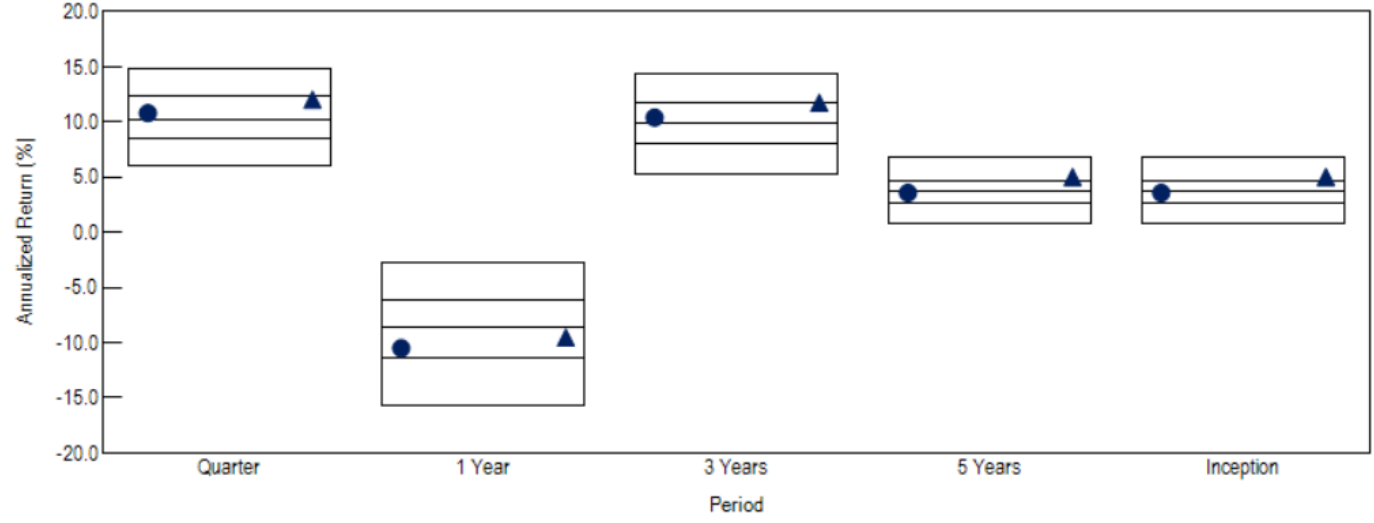
**BOARD Meeting: 07/23/19**  
**Item XI-C**  
**Attachment 1**

markets anticipate. NEPC recommends a contract extension for a period of one-year from the period of contract expiry.

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

Exhibit 1

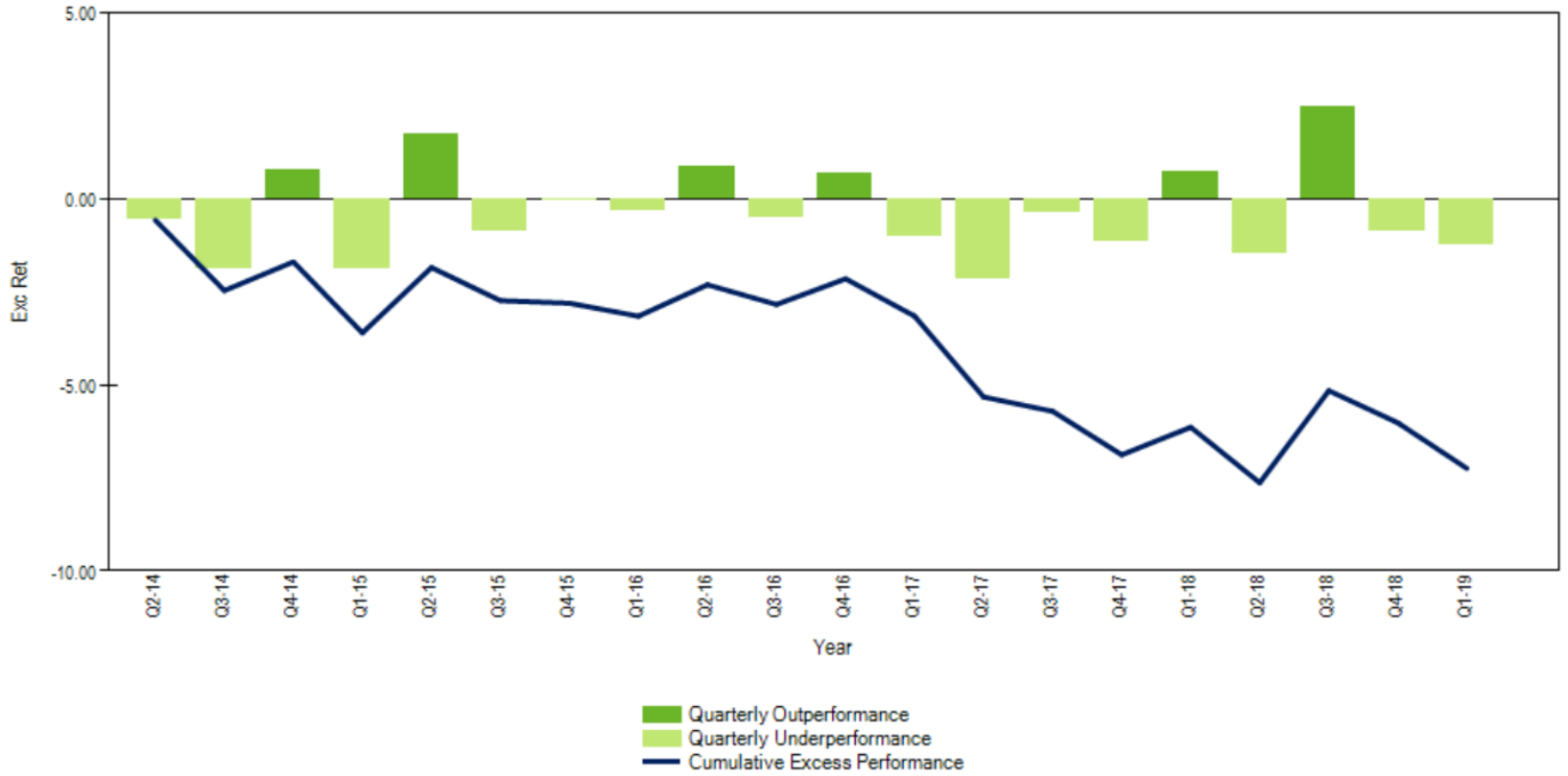
**eV Emg Mkts Equity Net Return Comparison**  
 Ending March 31, 2019



	Return (Rank)									
	Quarter	1 Year	3 Years	5 Years	Inception	Quarter	1 Year	3 Years	5 Years	Inception
5th Percentile	14.84	-2.80	14.36	6.86	6.86					
25th Percentile	12.38	-6.19	11.80	4.68	4.68					
Median	10.27	-8.63	9.86	3.70	3.70					
75th Percentile	8.59	-11.38	8.04	2.71	2.71					
95th Percentile	6.08	-15.67	5.33	0.87	0.87					
# of Portfolios	216	205	189	163	163					
● Axiom Emerging Markets	10.82	(41)	-10.49	(69)	10.41	(44)	3.59	(52)	3.59	(52)
▲ MSCI Emerging Markets Growth NR USD	12.04	(29)	-9.52	(59)	11.75	(26)	5.04	(20)	5.04	(20)

Exhibit 2

Quarterly and Cumulative Excess Performance



**BOARD Meeting: 07/23/19**  
**Item XI-C**  
**Attachment 1**

Vendor **Name: Axiom International Investors, LLC**  
 Address **Address: 33 Benedict Place**

Date Completed: May 2019

Category **Asset Class**

<b>TOTAL COMPOSITION OF WORK FORCE</b>									
<b>Occupation</b>	<b>African American Full Time</b>	<b>Hispanic Full Time</b>	<b>Asian or Pacific Islander Full Time</b>	<b>American Indian/Alaskan Native Full Time</b>	<b>Caucasian (Non Hispanic) Full Time</b>	<b>Total Employees Full Time</b>	<b>Percent (%) Minority Full Time</b>	<b>Gender Full Time</b>	
								<b>Male</b>	<b>Female</b>
Officials & Managers	0	1	3	0	11	15	26.67%	11	4
Professionals	0	2	2	0	26	30	13.33%	22	8
Technicians	0	0	0	0	0	0	0.00%	0	0
Sales Workers	0	0	0	0	4	4	0.00%	2	2
Office/Clerical	0	0	0	0	1	1	0.00%	0	1
Semi-Skilled	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0.00%	0	0
<b>Total</b>	<b>0</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>42</b>	<b>50</b>	<b>16.00%</b>	<b>35</b>	<b>15</b>

**CONTRACT EXTENSION  
AXIOM INTERNATIONAL INVESTORS, LLC  
ACTIVE GROWTH EMERGING MARKETS EQUITIES  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, LACERS current three-year contract with Axiom International Investors, LLC (Axiom) for active growth emerging markets equities portfolio management expires on September 30, 2019; and,

WHEREAS, on April 17, 2019, Axiom was placed on "On Watch" status pursuant to the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract extension with Axiom will allow the fund to maintain a diversified exposure to the non-U.S. equities emerging markets; and,

WHEREAS, on July 23, 2019, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with Axiom; and,

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>	Axiom International Investors, LLC
<u>Service Provided:</u>	Active Growth Emerging Markets Equities Portfolio Management
<u>Effective Dates:</u>	October 1, 2019 through September 30, 2020
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI Emerging Markets Growth Index
<u>Allocation as of June 30, 2019:</u>	\$436 million

July 23, 2019





**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Sung Won Sohn, Chair  
Elizabeth Lee  
Nilza R. Serrano

**MEETING: JULY 23, 2019**  
**ITEM: XI-D**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH OBERWEIS ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

- 1) Approve a three-year contract renewal with Oberweis Asset Management, Inc. for management of an active non-U.S. small cap equities portfolio.
- 2) Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Executive Summary**

On July 9, 2019, the Investment Committee (Committee) concurred with the staff recommendation for a three-year contract renewal with Oberweis Asset Management, Inc. (Oberweis).

**Discussion**

On July 9, 2019, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with Oberweis. Oberweis was hired through the 2013 Active Non-U.S. Small Cap Equities manager search process and a three year contract was authorized by the Board on August 13, 2013. Oberweis was awarded a contract renewal on September 27, 2016, and the current contract expires on December 31, 2019. The Committee discussed the investment strategy, performance, and fees. Oberweis is in compliance with the LACERS Manager Monitoring Policy.

## **Strategic Plan Impact Statement**

A contract renewal with Oberweis Asset Management, Inc. will allow the fund to maintain a diversified exposure to the non-U.S. developed market equities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division

RJ/BF/WL/JW:sg

Attachments:       1. July 9, 2019 Committee Report  
                          2. Proposed Resolution



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

**MEETING: JULY 9, 2019**  
**ITEM: VII**

*Neil M. Guglielmo*

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH OBERWEIS ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. SMALL CAP EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

**Recommendation**

That the Committee recommend to the Board a three-year contract extension with Oberweis Asset Management, Inc. for management of an active non-U.S. small cap equities portfolio.

**Executive Summary**

Oberweis Asset Management, Inc. (Oberweis) has managed an active non-U.S. small cap equities portfolio for LACERS since January 2014. At the time of hire, the firm qualified as an emerging investment manager. LACERS' portfolio is currently valued at \$162 million. The strategy has outperformed its benchmark since inception and is in compliance with the LACERS Manager Monitoring Policy.

**Discussion**

*Background*

Oberweis has managed an active non-U.S. small cap equities portfolio for LACERS since January 2014, and is benchmarked against the MSCI EAFE Small Cap Index. Oberweis employs a growth-biased, fundamental research-based approach to investing. The manager seeks companies that have reasonable valuations and the potential for revenue and earnings growth resulting from innovations in products or technology. The strategy is managed by Ralf Scherschmidt, Lead Portfolio Manager, who is supported by Jeff Papp, CFA, Assistant Portfolio Manager, Charles Hill-Wood, Equity Analyst, and four additional research specialists. LACERS' portfolio was valued at \$162 million as of May 31, 2019.

Oberweis was hired through the 2013 Active Non-U.S. Small Cap Equities Mandate search, and a three-year contract was authorized by the Board on August 13, 2013. The contract was renewed by the Board on September 27, 2016, and the current contract expires on December 31, 2019.

*Organization*

Oberweis is 100% employee-owned, and is headquartered in Lisle, IL with investment professionals based in New York City, Hong Kong, and the United Kingdom. At the time LACERS hired Oberweis, the firm qualified as an emerging investment manager pursuant to the LACERS Emerging Investment Manager Policy. The firm's total assets under management have grown to over \$3.2 billion, with \$2.7 billion in the non-U.S. small cap equities strategy, as of April 30, 2019.

*Due Diligence*

Oberweis' organizational structure, key personnel, investment philosophy, strategy, and process have not changed over the contract period.

*Performance*

As of May 31, 2019, Oberweis has outperformed its benchmark, net-of-fees, over all time periods except the 1-year period as presented in the table below. Oberweis is in compliance with the LACERS Manager Monitoring Policy.

Annualized Performance, Unaudited as of 5/31/19 (Net-of-Fees)						
	3-Month	1-Year	2-Year	3-Year	5-Year	Since Inception <sup>1</sup>
Oberweis	1.96	-12.39	1.84	6.00	5.36	5.83
MSCI EAFE Small Cap Index	-2.28	-11.91	0.50	5.64	3.84	4.66
% of Excess Return	4.24	-0.48	1.34	0.36	1.52	1.17

<sup>1</sup>Inception date as 1/14/14

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

Calendar Year Performance, Unaudited as of 5/31/19 (Net-of-Fees)						
	1/1/19-5/31/19	2018	2017	2016	2015	3/31/14-12/31/14
Oberweis	16.70	-23.77	41.49	-4.97	15.73	-5.75
MSCI EAFE Small Cap Index	7.97	-17.89	33.01	2.18	9.59	-8.04
% of Excess Return	8.73	-5.88	8.48	-7.15	6.14	2.29

*Fees*

LACERS currently pays Oberweis an effective fee of 89 basis points (0.89%), which is approximately \$1.4 million annually based on the value of LACERS' assets as of May 31, 2019. This fee ranks in the 89th percentile among its peers in the eVestment EAFE Small Cap Universe (i.e., Oberweis' fee is higher than 88% of peers).

*General Fund Consultant Opinion*

NEPC, LLC, LACERS' General Fund Consultant, concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract renewal with Oberweis Asset Management, Inc. will allow the fund to maintain a diversified exposure to the non-U.S. developed market equities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: James Wang, Investment Officer I, Investment Division

RJ/BF/WL/JW:sg

- Attachments:
1. Consultant Recommendation – NEPC, LLC
  2. Workforce Composition

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** July 9, 2019  
**Subject:** Oberweis Asset Management, Inc. - Contract extension

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**Recommendation**

NEPC recommends the Los Angeles City Employees' Retirement System ('LACERS') extend the contract that is currently in place with Oberweis Asset Management, Inc. ('OAM') for a period of three years from the date of contract expiry.

**Background**

OAM was hired into the Non-U.S. Equity asset class on January 1, 2014 to provide the Plan with public equity exposure across small capitalization international developed countries/markets. The portfolio's strategy is benchmarked against the MSCI EAFE Small Cap Index and has a performance inception date of January 31, 2014.

As of May 31, 2019, OAM managed \$162.4 million, or 1.0% of Plan assets in an international developed markets small cap separately managed account. The performance objective is to outperform the MSCI EAFE Small Cap Index, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently in good standing with the LACERS' manager monitoring policy.

OAM is an independent investment management firm founded in 1989 by James D. Oberweis. The firm is headquartered in suburban Chicago, with investment professionals based in Chicago, New York, Hong Kong, and the United Kingdom. In 1995, James W. Oberweis joined his father at OAM. In 1996, the firm added two new strategies, the Micro-Cap and Small-Cap Opportunities strategies. In 2001, James W. Oberweis became President of OAM, shortly before James D. Oberweis retired from the business in early 2002. In 2005, the firm expanded internationally by building out an Asia-focused team and launched the China Opportunities strategy. The firm is approximately 75% owned by employees and 25% owned by the Oberweis family. As of March 31, 2019, OAM had \$3.16 billion in assets under management.

The portfolio is managed by three investment professionals. The lead portfolio manager Ralf Scherschmidt is supported by Jeff Papp, Assistant Portfolio Manager and Charles Hill-Wood, Equity Analyst. The three are considered generalists covering a broad range of sectors in the portfolio. In addition, Messrs. Scherschmidt, Papp and Hill-Wood are supported by two dedicated research personnel on the International Team and two personnel on the Oberweis China Equity Team based in Hong Kong. The International Opportunities platform within which the Plan's portfolio is managed had a total AUM of \$2.7 billion as of March 31, 2019.

The strategy's investment philosophy is to identify smaller companies in the early stages of a meaningful change in business fundamentals which the market has not yet fully understood and therefore not yet correctly priced. They believe that understanding changes in fundamentals, earnings, cash flows and company net present values in advance of broad market digestion has a proven empirically supported alpha opportunity. To capture excess returns, the strategy in effect seeks to exploit two inefficiencies in capital markets. One is termed 'Post-Earnings Announcement Drift' which exists when investors do not consider or are slow to react to changes in business fundamentals that are contrary to their existing prior beliefs. Second, is driven by limited research coverage and readily available public information on companies in which they invest.

The investable universe generally consists of all developed market foreign companies (including ADRs) normally between \$300 million and \$5 billion in capitalization. The portfolio may invest up to 25% in non-benchmark names. Risk is managed relative to the benchmark with country allocations generally limited to 15% or three times the weighting in the index, whichever is greater. Sector allocations are limited to the greater of 200% of the index weighting or 50% of the portfolio's assets at market value and positions are reduced if the holding becomes greater than 7% of total portfolio value. The portfolio also considers liquidity management an important aspect of portfolio management and is monitored in an automated fashion on a pre-trade and post-trade basis through an order management system called, Eze Order Management System.

### **Performance**

Referring to Exhibit 1, since inception of the OAM portfolio on January 31, 2014, the strategy has outperformed the MSCI EAFE Small Cap Index by 0.61%, returning 5.92%, net of fees. The portfolio ranked in the 43<sup>rd</sup> percentile in its peer universe since January 31, 2014. The information ratio was 0.20 and active risk, as measured by tracking error was 6.23%. In the one-year period ended March 31, 2019, the portfolio underperformed the index by 4.06% and ranked in the 70<sup>th</sup> percentile in its peer universe. Underperformance in the trailing one-year, ended March 31, 2019, was driven by stock selection, primarily in the Information Technology and Health Care sectors. On a country basis, detractors from relative one-year performance have been stock selection in Japan, United Kingdom and Canada. Ended May 31, 2019, the portfolio has underperformed the benchmark by 0.48% in the trailing one-year and since inception has outperformed 1.17%. Security selection in Information Technology and Consumer Discretionary were the largest contributors to excess returns.

Since January 31, 2014, referring to Exhibit 2, historical cumulative performance has been positive when compared to the benchmark. Relative underperformance in the fourth quarter of 2016 and fourth quarter of 2018 have not been enough to erase the cumulative excess returns experienced since OAM was hired. Longer-term (three and five year) excess returns have been generated by security selection in the Information Technology, Consumer Discretionary and Financials sectors. From a country perspective, OAM has generated excess returns since inception by underweighting Hong Kong and overweighting China.

**Fees**

The portfolio has an asset-based fee of 0.89% (89 basis points) annually. This fee ranks in the 89<sup>th</sup> percentile among its peers in the eVestment EAFE Small Cap Universe. In other words, 88% of the 82 products included in the peer universe have a lower fee than the LACERS account.

**Conclusion**

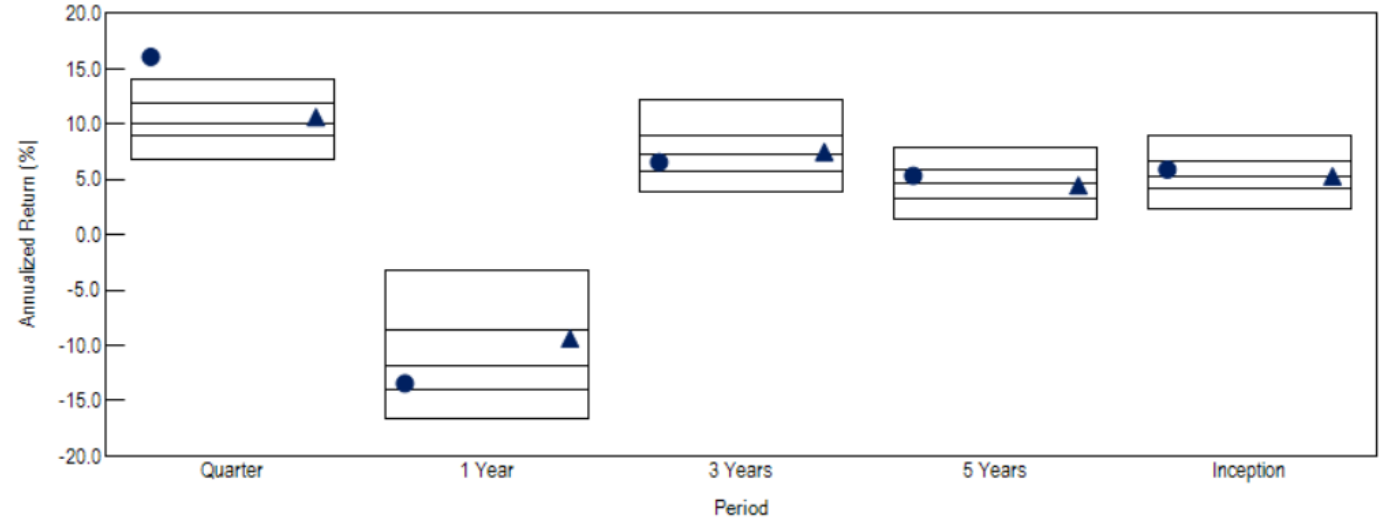
OAM has performed within the range of anticipated outcomes against its benchmark since inception and has generated returns above the benchmark for the Plan. This strategy is a high conviction strategy at NEPC and the philosophy, investment process and team used to implement it have been stable. We believe in the long-term efficacy of a strategy that focuses on understanding business fundamentals and executing this strategy within a less efficient portion of capital markets can lead to excess returns. NEPC recommends a contract extension 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

**eV EAFE Small Cap Equity Net Return Comparison**  
**Ending March 31, 2019**

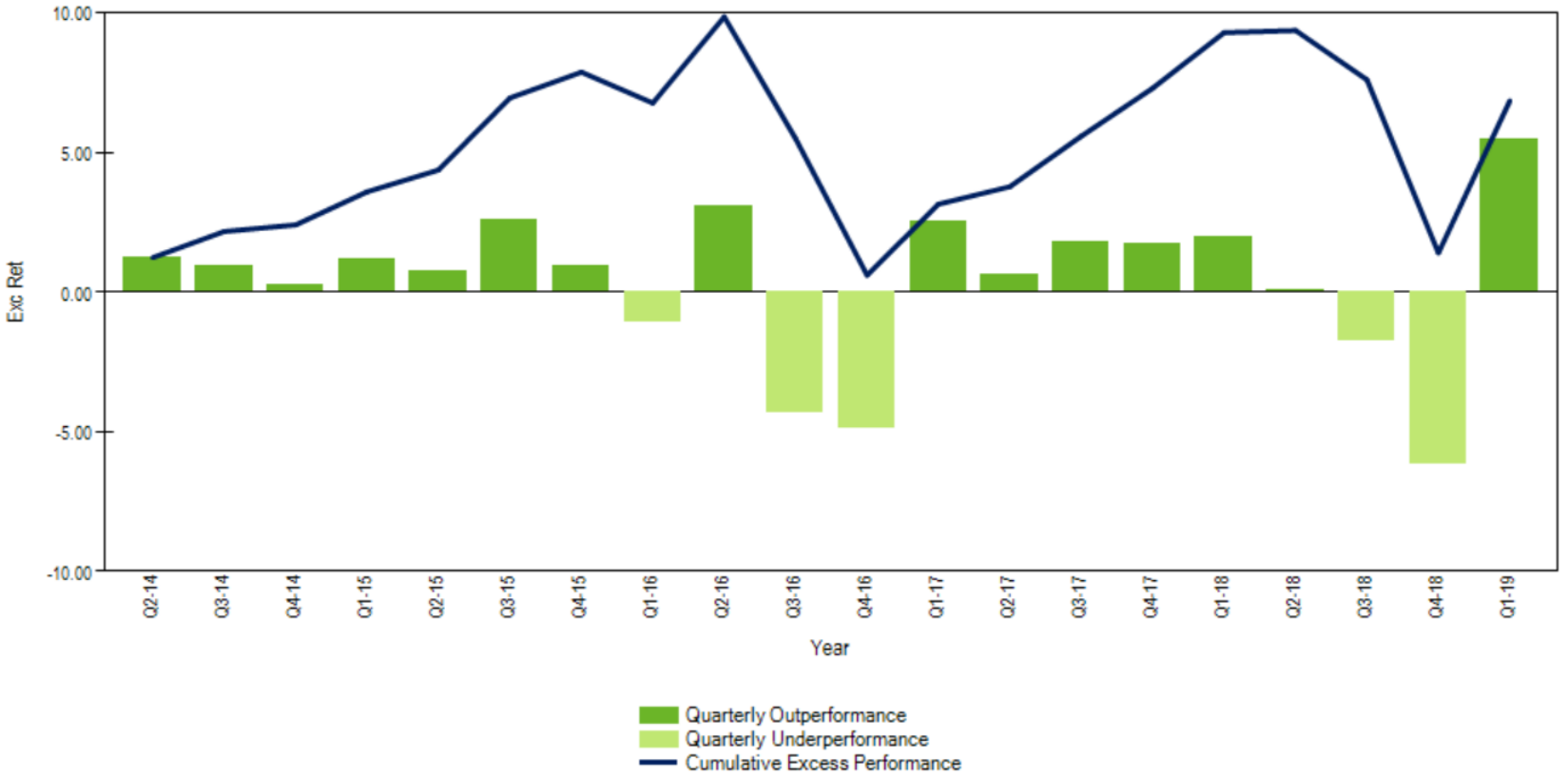


	Return (Rank)									
	Quarter	1 Year	3 Years	5 Years	Inception	Quarter	1 Year	3 Years	5 Years	Inception
5th Percentile	14.08	-3.18	12.19	7.94	8.95					
25th Percentile	11.87	-8.62	8.97	5.89	6.59					
Median	10.06	-11.89	7.31	4.69	5.32					
75th Percentile	8.93	-13.97	5.76	3.27	4.13					
95th Percentile	6.81	-16.55	3.82	1.44	2.37					
# of Portfolios	59	59	57	47	46					
● Oberweis Asset Mgmt	16.10 (2)	-13.42 (70)	6.58 (61)	5.36 (36)	5.92 (43)					
▲ MSCI EAFE Small Cap	10.65 (43)	-9.36 (29)	7.50 (48)	4.47 (53)	5.31 (51)					

Exhibit 2

BOARD Meeting: 07/23/19  
Item XI-D  
Attachment 1

Quarterly and Cumulative Excess Performance



Vendor: Oberweis Asset Management, Inc,  
 Address: 3333 Warrenville Road, Suite 500, Lisle, IL 60532

Date Completed: May 30, 2019

Strategy: International Opportunities  
 Category/Asset Class: Non-U.S. Developed Market Small-Cap Equities

**TOTAL COMPOSITION OF WORK FORCE**

<b>Occupation</b>	<b>African American Full Time</b>	<b>Hispanic Full Time</b>	<b>Asian or Pacific Islander Full Time</b>	<b>American Indian/Alaskan Native Full Time</b>	<b>Caucasian (Non Hispanic) Full Time</b>	<b>Total Employees Full Time</b>	<b>Percent (%) Minority Full Time</b>	<b>Gender Full Time</b>	
								<b>Male</b>	<b>Female</b>
Officials & Managers	0	0	1	0	8	9	11.11%	9	0
Professionals	0	0	6	0	5	11	54.55%	9	2
Technicians	0	0	0	0	1	1	0.00%	1	0
Sales Workers	0	0	1	0	2	3	33.33%	2	1
Office/Clerical	0	2	0	0	5	7	28.57%	4	3
Semi-Skilled	0	0	0	0	0	0	N/A	0	0
Unskilled	0	0	0	0	0	0	N/A	0	0
Service Workers	0	0	0	0	0	0	N/A	0	0
Other	0	0	0	0	0	0	N/A	0	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>21</b>	<b>31</b>	<b>32.26%</b>	<b>25</b>	<b>6</b>

**CONTRACT RENEWAL  
OBERWEIS ASSET MANAGEMENT, INC.  
ACTIVE NON-U.S. SMALL CAP EQUITIES  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, LACERS current three-year contract with Oberweis Asset Management, Inc. (Oberweis) for active non-U.S. small cap equities portfolio management expires on December 31, 2019; and,

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

WHEREAS, a contract renewal with Oberweis will allow the fund to maintain a diversified exposure to the non-U.S. equities developed markets; and,

WHEREAS, on July 23 2019, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Oberweis; and,

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>	Oberweis Asset Management, Inc.
<u>Service Provided:</u>	Active Non-U.S. Small Cap Equities Portfolio Management
<u>Effective Dates:</u>	January 1, 2020 through December 31, 2022
<u>Duration:</u>	Three years
<u>Benchmark:</u>	MSCI EAFE Small Cap Index
<u>Allocation as of June 30, 2019:</u>	\$168 million

July 23, 2019



**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Sung Won Sohn, Chair  
Elizabeth Lee  
Nilza R. Serrano

**MEETING: JULY 23, 2019**  
**ITEM: XI-E**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH PANAGORA ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

- 1) Terminate the contract with PanAgora Asset Management, Inc. for management of an active U.S. small cap value equities portfolio.
- 2) Redeploy the assets into the existing passive Russell 2000 Value Index portfolio managed by RhumbLine Advisers Limited Partnership.

**Executive Summary**

On July 9, 2019, the Investment Committee (Committee) concurred with the staff recommendation for termination of the contract with PanAgora Asset Management, Inc. (PanAgora) for management of an active U.S. small cap value equities portfolio and redeployment of the assets into the existing passive Russell 2000 Value Index portfolio managed by RhumbLine Advisers Limited Partnership.

**Discussion**

On July 9, 2019, the Committee considered the attached staff report (Attachment 1). PanAgora has managed an active U.S. small cap value equities portfolio for LACERS since February 2006. The Board approved a three-year contract renewal with PanAgora in 2014. A two-year contract extension with PanAgora was approved by the Board on September 26, 2017. The current contract expires on January 31, 2020. The Committee considered the investment strategy, performance, and fees. PanAgora was placed on "On-Watch" status for an initial one-year period effective November 20, 2018, due to performance.

PanAgora submitted a proposal to the active U.S. small cap investment manager search issued on February 25, 2019; the search is currently in progress. PanAgora's strategy was evaluated according to the LACERS Manager Search and Selection Policy and will not be proceeding beyond the initial scoring stage. Staff and NEPC, LLC, LACERS' General Fund Consultant, believe that a suitable replacement may be available from the current U.S. small cap investment manager search process.

### **Strategic Plan Impact Statement**

A contract termination with PanAgora and reallocation of the assets into a passively managed Russell 2000 Value portfolio will allow the fund to maintain a diversified exposure to the U.S. small cap value equities market, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

RJ/BF/BS:sg

Attachments: 1. Investment Committee Recommendation Report dated July 9, 2019  
2. Proposed Resolution



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

**MEETING: JULY 9, 2019**  
**ITEM: VIII**

*Neil M. Guglielmo*

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH PANAGORA ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. SMALL CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

**Recommendation**

That the Committee recommend to the Board:

- 1) Termination of the contract with PanAgora Asset Management, Inc. for management of an active U.S. small cap value equities portfolio.
- 2) Redeployment of the assets into the existing passive Russell 2000 Value Index portfolio managed by RhumbLine Advisers Limited Partnership.

**Executive Summary**

PanAgora Asset Management, Inc. (PanAgora) has managed an active U.S. small cap value equities portfolio for LACERS since February 2006. LACERS' portfolio is currently valued at \$106 million. PanAgora was placed "On-Watch" for an initial one-year period effective November 20, 2018, due to performance. PanAgora's overall relative performance has not improved and continues to breach Policy criteria. PanAgora submitted a proposal to LACERS U.S. small cap investment manager search issued on February 25, 2019 and did not receive a recommendation to proceed beyond the initial proposal evaluation stage.

**Discussion**

*Background*

PanAgora Asset Management, Inc. (PanAgora) has managed an active U.S. small cap value equities portfolio for LACERS since February 2006, and is benchmarked against the Russell 2000 Value Index. The small cap value equity strategy is part of PanAgora's "Dynamic Equity" suite of strategies, which use a quantitative investment model to exploit market inefficiencies. The Dynamic Equity investment philosophy consists of three components: 1) purchasing reasonably priced stocks; 2) purchasing companies that are managed well and operate efficiently; and 3) exploiting stock price momentum by considering market sentiments. The Dynamic Equity team is led by Jaime Lee, Ph.D. LACERS' portfolio was valued at \$106 million as of May 31, 2019.

Item XI-E

Attachment 1

The Board approved a three-year contract renewal with PanAgora in 2014. A two-year contract extension with PanAgora was approved by the Board on September 26, 2017. The current contract expires on January 31, 2020. As of November 20, 2018, PanAgora has been “On-Watch” for performance pursuant to the LACERS Manager Monitoring Policy (Policy). As detailed in the Performance section of this report, PanAgora’s overall relative performance has not improved and continues to breach three Policy criteria.

PanAgora submitted a proposal to the active U.S. small cap investment manager search issued on February 25, 2019; the search is currently in progress. PanAgora’s strategy was evaluated qualitatively and quantitatively according to the LACERS Manager Search and Selection Policy and will not be proceeding beyond the initial scoring stage. Staff and NEPC, LLC (NEPC), LACERS’ General Fund Consultant, believe that a suitable replacement may be available from the current U.S. small cap investment manager search process.

*Organization*

PanAgora has approximately 135 employees and is headquartered in Boston. The firm is owned by a combination of two parties: Power Financial Corporation Group of Companies (Power Financial) and PanAgora employees. Power Financial owns 80% of the firm while PanAgora employees own 20%. As of May 31, 2019, PanAgora managed \$46 billion of total firm assets, with \$123 million of assets in the small cap value equity strategy.

In 2015, Jaime Lee, Ph.D. joined the firm and assumed leadership of the Dynamic Equity team from George Mussalli, Chief Investment Officer, who now oversees all equity teams at PanAgora. Additionally, there has been some turnover and additions to the investment team over the past two years.

*Performance*

In November 2018, PanAgora was placed “On Watch” for an initial one-year period due to a breach of the following Policy watch list criteria have been triggered based on the performance as of September 30, 2018:

1. Annualized net underperformance relative to its benchmark for trailing 3 years
2. Annualized net underperformance versus the benchmark for trailing 5 years
3. Annualized net Information Ratio trailing 5 years relative to its benchmark below 0.20

As of May 31, 2019, PanAgora continues to underperform the benchmark over multiple time periods, particularly since inception, as presented in the table below. PanAgora continues to breach the Policy criteria.

Annualized Performance, Unaudited as of 5/31/19 (Net-of-Fees)									
	3-Month	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	10-Year	Since Inception <sup>1</sup>
PanAgora	-8.81	-15.16	-1.18	3.99	2.76	4.01	10.42	13.18	5.27
Russell 2000 Value Index	-7.44	-11.32	1.58	7.68	4.97	5.00	10.08	11.67	5.75
% of Excess Return	-1.37	-3.84	-2.76	-3.69	-2.21	-0.99	0.34	1.51	-0.48

<sup>1</sup>Inception date 2/28/06



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

Calendar Year Performance, Unaudited as of 5/31/19 (Net-of-Fees)										
	YTD 2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
PanAgora	4.84	-14.52	2.48	28.97	-4.15	7.75	41.91	19.50	-0.10	30.53
Russell 2000 Value Index	6.67	-12.86	7.84	31.74	-7.47	4.22	34.52	18.05	-5.50	24.50
% of Excess Return	-1.83	-1.66	-5.36	-2.77	3.32	3.53	7.39	1.45	5.40	6.03

In light of PanAgora's continued underperformance and LACERS current active small cap equities manager search, staff and NEPC recommend termination of the contract and redeployment of the assets into the existing passive Russell 2000 Value Index portfolio managed by RhumbLine Advisers Limited Partnership (RhumbLine). These assets would be held temporarily in the passive strategy until a new active small cap value manager is identified via the search. LACERS pays PanAgora an effective fee of 67 basis points (0.67%), which is approximately \$712,607 annually based on the value of LACERS' assets as of May 31, 2019. The annual fee for RhumbLine's passive strategy would be 0.5 basis points (0.005%), or approximately \$5,318 annually.

Should a contract termination be approved, staff will initiate the 30-day written notice of termination clause and transfer of assets as soon as practicable

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract termination with PanAgora and reallocation of the assets into a passively managed Russell 2000 Value portfolio will allow the fund to maintain a diversified exposure to the U.S. small cap value equities market, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Barbara Sandoval, Investment Officer II, Investment Division.

RJ/BF/BS:sg

Attachments: 1. Consultant Recommendation – NEPC, LLC

**BOARD Meeting: 07/23/19**  
**Item XI-E**  
**Attachment 1**

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** July 9, 2019  
**Subject:** PanAgora Asset Management, Inc. – Contract Extension

---

**Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) terminate the contract that is currently in place with PanAgora Asset Management, Inc. ('PanAgora') and to redeploy the assets to the Russell 2000 Value Index passively managed by Rhumblin Advisers.

**Background**

PanAgora was hired into the U.S. Equity asset class on February 28, 2006 to provide the Plan with public equity exposure across U.S. small capitalization markets. As of May 31, 2019, PanAgora managed \$106.4 million, or 0.6% of Plan assets. The performance objective is to outperform the Russell 2000 Value Index by at least 200 basis points, net of fees, annualized over a full market cycle (normally three-to-five years). The account is currently on Watch due to performance based on LACERS' Manager Monitoring Policy.

The firm is owned by a combination of two parties: Power Financial Corporation Group of Companies ('Power Financial') through Great-West Life of Canada/ Putnam Investments, and PanAgora employees. Power Financial owns 80% of the firm while PanAgora employees own 20%.

PanAgora has made a concerted effort to build out their Dynamic Equity Management Team. In 2015 Jaime Lee, Ph.D., Director, Equity joined the team and now leads the Dynamic Equity strategy. Jaime replaced George Mussalli, Chief Investment Officer and Head of Equity Research, who currently oversees PanAgora's broader equity group. More recently, the Dynamic Equity Management Team welcomed two new additions, Sevinc Cukurova, Ph.D., Analyst and Rohit Shrivastava, Portfolio Manager, who joined in May 2016 and August 2016, respectively. There was, however, one Senior Portfolio Manager departure in 2016, Jane Zhao and one Director level departure, Joel Feinberg, Equity Director in 2018. PanAgora's strategy is very much quantitatively driven and so the turnover mentioned above has not adversely impacted the team's resources or investment process.

The firm manages approximately \$45.8 billion on behalf of over 150 clients with approximately 135 employees, all located in Boston. The firm's Dynamic US Small Cap Value product has \$123 million in total AUM with one other U.S. based corporate pension client invested in the product. NEPC has grown uncomfortable with both the value of total assets and number of investors in the product. Though the firm has the economic base to

support the research and management of the strategy because it is quantitatively managed and shares the same investment process with many of PanAgora's other products, we have growing concern about the economics of running the small cap value product. From a client concentration perspective, LACERS represents approximately 86% of the strategy's assets, however, we recognize this has always been the case based on historical AUM.

PanAgora did submit a proposal to the small cap investment manager search issued on February 25, 2019. The strategy was scored according to the LACERS investment manager scoring policy incorporating both qualitative and quantitative measures resulting in our belief that a suitable replacement may be available.

The philosophy underpinning the Dynamic Small Cap Value portfolio is that behavioral biases of investors create pricing inefficiencies. PanAgora's quantitative approach is based on the premise that predictors of return vary for each individual stock, largely due to the fact that the 2,000 companies in the universe evolve at various paces through their life cycles. This fact necessitates a unique model be applied to each individual stock for analysis. The firm's proprietary Contextual Alpha Modeling process seeks to address this inconsistency in a systematic and repeatable process. Every stock in the universe is ranked based on PanAgora's unique "alpha score" and the highest ranking stocks will form the basis for consideration to be included in the portfolio. The strategy's performance is expected to be driven primarily by stock selection.

### **Performance**

Since inception, the PanAgora portfolio has underperformed the Russell 2000 Value Index by 0.48%, returning 5.27%, net of fees, through May 31, 2019. In the five-year period ended May 31, 2019, the portfolio underperformed the index by 0.99% (4.01% vs. 5.00%). Referring to Exhibit 1, ended March 31, 2019, since inception the portfolio underperformed by 0.40% and ranked in the 87<sup>th</sup> percentile in its peer group. In the one-year ended March 31, 2019, the portfolio underperformed 3.65% and ranked in the 60<sup>th</sup> percentile in its peer group. The portfolio has an information ratio of -0.15 and active risk as measured by tracking error was 3.20% since inception ending May 31, 2019.

Referring to Exhibit 2, on a cumulative basis, the portfolio has been eroding its cumulative gains from past periods since the first quarter of 2016 with underperformance in the past 11 of 12 quarters; note, underperformance in eight of the last 12 quarters is one rule in the LACERS Manager Monitoring Policy. Investment gains from periods of outperformance have been eroded and are negative since inception ending May 31, 2019.

### **Fees**

The PanAgora portfolio has an asset-based fee of 0.67% annually. The fee ranks in the 13<sup>th</sup> percentile among its peers in the eVestment U.S. Small Cap Value Equity Universe. In other words, 87% of the 218 products included in the peer universe have a higher fee than the LACERS account.

### **Conclusion**

**BOARD Meeting: 07/23/19**  
**Item XI-E**  
**Attachment 1**

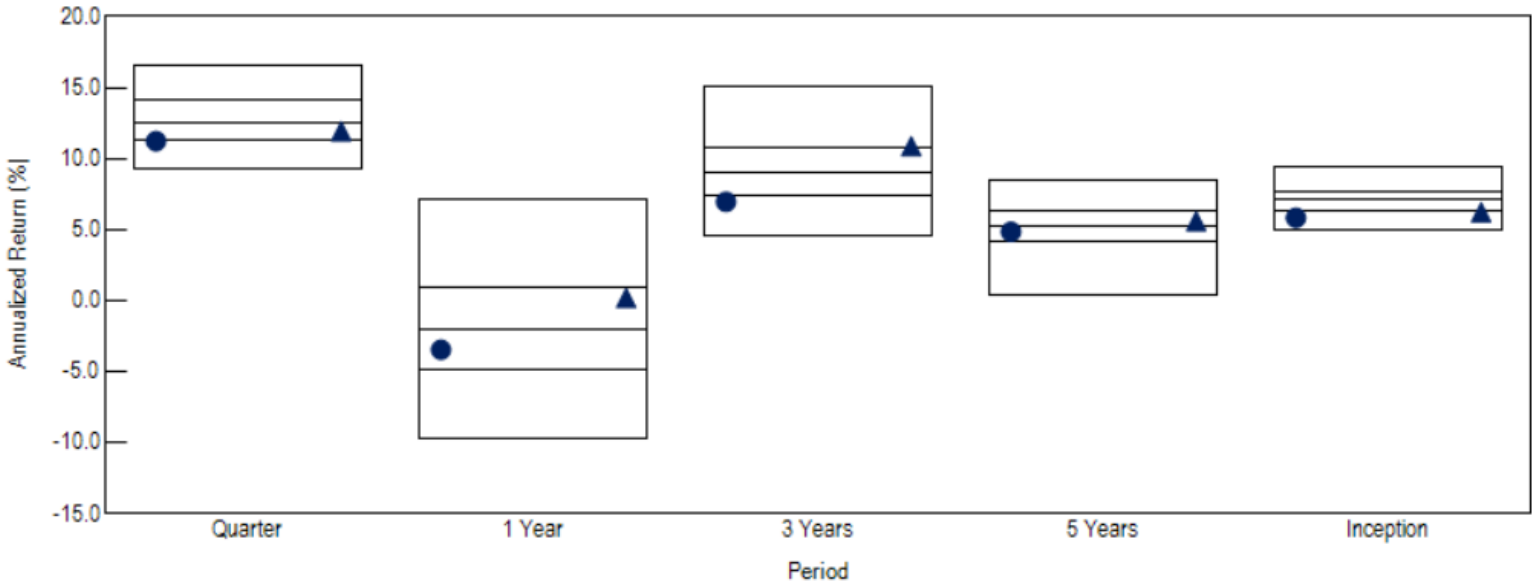
PanAgora has struggled to outperform the index since the beginning of 2016. While there has been turnover in the team, our belief is that the quantitative process is repeatable and stable though we are not convinced in the efficacy of its merits given years of underperformance and relatively low asset levels in the product despite the firm's focus on the team running the product. NEPC has also concluded that suitable replacement firms have been identified through the competitive bid process within which PanAgora's strategy was evaluated based on its quantitative and qualitative merits. The strategy is rated "neutral" by NEPC Research or a "three" on a one-to-five scale. The definition of a three rating within NEPC Research is *"The strategy lacks a compelling investment thesis. There are no significant concerns with the manager, but the strategy's weaknesses may offset the strengths."*

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

**BOARD Meeting: 07/23/19**  
**Item XI-E**  
**Attachment 1**

Exhibit 1

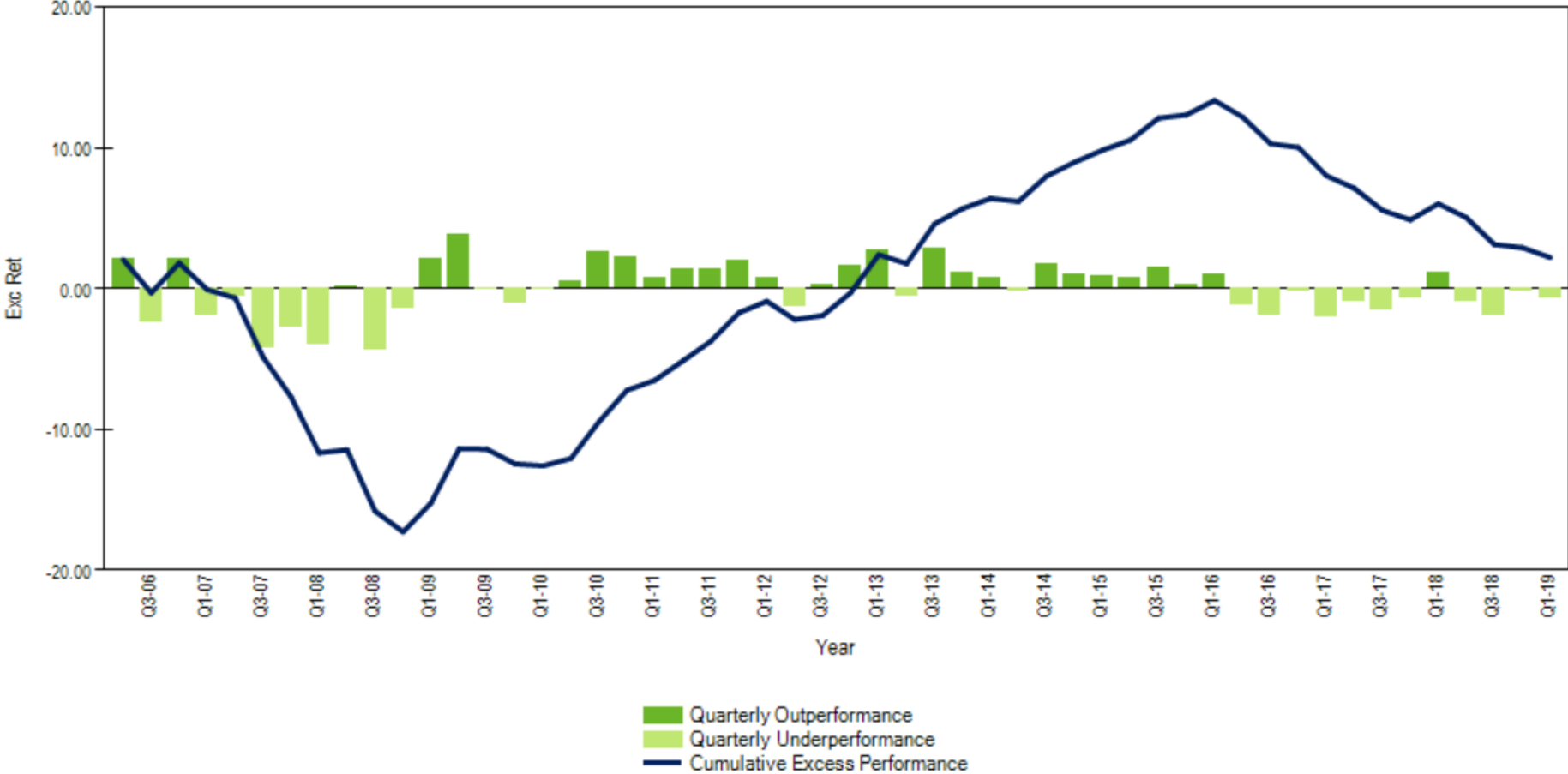
**eV US Small Cap Value Equity Net Return Comparison**  
**Ending March 31, 2019**



	Return (Rank)									
	Quarter		1 Year		3 Years		5 Years		Inception	
5th Percentile	16.59		7.07		15.08		8.42		9.42	
25th Percentile	14.07		0.93		10.82		6.34		7.68	
Median	12.56		-2.08		8.95		5.16		7.06	
75th Percentile	11.29		-4.85		7.43		4.10		6.35	
95th Percentile	9.27		-9.81		4.54		0.36		4.90	
# of Portfolios	167		164		159		149		92	
● PanAgora	11.22	(76)	-3.48	(60)	6.95	(81)	4.84	(64)	5.82	(87)
▲ Russell 2000 Value	11.93	(66)	0.17	(29)	10.86	(25)	5.59	(43)	6.22	(78)

Exhibit 2

Quarterly and Cumulative Excess Performance



**CONTRACT TERMINATION  
PANAGORA ASSET MANAGEMENT, INC  
ACTIVE U.S. SMALL CAP VALUE EQUITIES  
PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, LACERS current two-year contract extension with PanAgora Asset Management, Inc. (PanAgora) for active U.S. small cap value equities portfolio management expires on January 31, 2020; and,

WHEREAS, PanAgora was placed on “On-Watch” due to performance as of November 20, 2018, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, as of May 31, 2019, PanAgora’s overall relative performance has not improved and continues to breach three Policy criteria; and,

WHEREAS, PanAgora submitted a proposal to the active U.S. small cap investment manager search issued on February 25, 2019; and,

WHEREAS, PanAgora’s proposal was evaluated according to the LACERS Manager Search and Selection Policy and did not receive a recommendation to proceed beyond the initial scoring stage; and,

WHEREAS, staff and NEPC, LLC, LACERS’ General Fund Consultant, believe that a suitable replacement may be available from the current active U.S. small cap investment manager search process; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby authorizes the termination of the contract with PanAgora and directs staff to initiate a withdrawal and redeployment of the assets into the existing passively managed Russell 2000 Value Index portfolio managed by RhumbLine Advisers Limited Partnership.

July 23, 2019





**REPORT TO BOARD OF ADMINISTRATION**

**From: Investment Committee**  
Sung Won Sohn, Chair  
Elizabeth Lee  
Nilza R. Serrano

**MEETING: JULY 23, 2019**  
**ITEM: XI-F**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS VALUE PORTFOLIO AND POSSIBLE BOARD ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Board:

- 1) Approve a one-year contract extension with Barrow, Hanley, Mewhinney & Strauss, LLC for management of an active non-U.S. equities developed markets value portfolio.
- 2) Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

**Executive Summary**

On July 9, 2019, the Investment Committee (Committee) concurred with the staff recommendation for a one-year contract extension with Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS).

**Discussion**

On July 9, 2019, the Committee considered the attached staff report (Attachment 1) recommending a one-year contract extension with BHMS. BHMS was hired through the 2013 Active Non-U.S. Equities Developed Markets manager search process and a three-year contract was authorized by the Board on June 11, 2013. BHMS was awarded a contract renewal on June 28, 2016. The current contract expires on September 30, 2019. The Committee discussed the investment strategy, performance, and fees. BHMS was placed on "On Watch" status for an initial one-year period effective April 17, 2019, due to performance.

## **Strategic Plan Impact Statement**

A contract extension with Barrow, Hanley, Mewhinney & Strauss, LLC will allow the fund to maintain a diversified exposure to the non-U.S. equities developed markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division

RJ/BF/BS:sg

Attachments: 1. Investment Committee Recommendation Report dated July 9, 2019  
2. Proposed Resolution



**REPORT TO INVESTMENT COMMITTEE**

From: Neil M. Guglielmo, General Manager

*Neil M. Guglielmo*

MEETING: JULY 9, 2019

ITEM: V

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SUBJECT: CONTINUED DISCUSSION OF INVESTMENT MANAGER CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. DEVELOPED MARKETS VALUE EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

---

**Recommendation**

That the Committee recommend to the Board a one-year contract extension with Barrow, Hanley, Mewhinney & Strauss, LLC for management of an active non-U.S. developed markets value equities portfolio.

**Executive Summary**

Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS) has managed an active non-U.S. developed markets value equities portfolio for LACERS since November 2013. LACERS' portfolio is currently valued at \$484 million. BHMS was placed on "On Watch" for an initial one-year period effective April 17, 2019, due to performance. In light of BHMS "On Watch" status and consistent with the LACERS Manager Monitoring Policy, staff recommends a one-year contract extension and will closely monitor performance.

**Discussion**

***Background***

Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS) has managed an active non-U.S. developed markets value equities portfolio for LACERS since November 2013, and is benchmarked against the MSCI EAFE Value Index. BHMS' fundamental research-based and value-oriented investment strategy emphasizes companies with low price/earnings ratios, low price/book ratios, and high dividend yields to provide a measure of protection in down markets, as well as participation in improving economic cycles. The portfolio is managed by Rand Wrighton, who has 19 years of industry experience, and TJ Carter, who has 15 years of industry experience. LACERS' portfolio was valued at \$484 million as of May 31, 2019.

BHMS was hired through the 2013 Active Non-U.S. Developed Markets Equities Manager search process and a three-year contract was authorized by the Board on June 11, 2013. BHMS was awarded a contract renewal on June 28, 2016. The current contract expires on September 30, 2019.

#### Organization

BHMS is an investment management firm that specializes in long-only value investing. The firm is a majority owned affiliate of BrightSphere Investment Group (BSIG), a public company listed on the New York Stock Exchange (Ticker Symbol: BSIG). BSIG was formerly branded as OM Asset Management, plc. BHMS is headquartered in Dallas and has 98 employees. As of May 31, 2019, the firm had over \$72 billion in total assets under management with \$1.9 billion in the non-U.S. value equity strategy.

#### Due Diligence

BHMS' organizational structure, investment philosophy, strategy, and process have not changed over the contract period. In early 2018, David Hodges, Co-Portfolio Manager, retired after having built the non-U.S. value strategy at BHMS with Rand Wrighton, Co-Portfolio Manager. Mr. Wrighton continues to serve as portfolio manager alongside TJ Carter, who was promoted to portfolio manager following the retirement of Mr. Hodges.

#### Performance

BHMS has outperformed its benchmark, net-of-fees, since inception, and underperformed in the three-month, one-year, three-year, and five-year time periods as presented in the table below.

Annualized Performance, Unaudited as of 5/31/19 (Net-of-Fees)					
	3-Month	1-Year	3-Year	5-Year	Since Inception <sup>^</sup>
BHMS	-4.60	-12.62	3.31	-1.13	0.54
MSCI EAFE Value Index	-4.08	-8.23	4.81	-0.75	0.41
% of Excess Return	-0.52	-4.39	-1.50	-0.38	0.13

<sup>^</sup>Inception date: 11/30/13

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

Calendar Year Performance, Unaudited as of 5/31/19 (Net-of-Fees)							
	1/1/19-5/31/19	2018	2017	2016	2015	2014	11/30/13-12/31/13
BHMS	5.75	-18.12	23.12	3.23	-6.56	-2.06	2.26
MSCI EAFE Value Index	4.04	-14.78	21.44	5.02	-5.68	-5.39	1.36
% of Excess Return	1.71	-3.34	1.68	-1.79	-0.88	3.33	0.90

Pursuant to the LACERS Manager Monitoring Policy (Policy), BHMS was placed on "On Watch" status for an initial one-year period effective April 17, 2019. The following Policy watch list criteria triggered the "On Watch" status based on the performance as of March 31, 2019:

1. Annualized net underperformance relative to its benchmark for trailing 5 years.
2. Annualized net Information Ratio trailing 5 years relative to its benchmark is below .20.

**Attachment 1**

In March 2019, BHMS provided an update on the firm and performance to staff and discuss their plan of action to return to compliance with the Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, will closely monitor the portfolio's performance during the "On Watch" period.

*Fees*

LACERS pays BHMS an effective fee of 51 basis points (0.51%), which is approximately \$2.5 million annually based on the value of LACERS' assets as of May 31, 2019. This fee ranks in the 33rd percentile among its peers in the eVestment EAFE Value Universe (i.e., BHMS's fee is lower than 67% of peers).

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

**Strategic Plan Impact Statement**

A contract renewal with Barrow, Hanley, Mewhinney & Strauss, LLC will allow the fund to maintain a diversified exposure to the non-U.S. developed markets equities, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division.

RJ/BF/BS:sg

- Attachments:
1. Consultant Recommendation – NEPC, LLC
  2. Workforce Composition

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** July 9, 2019  
**Subject:** Barrow, Hanley, Mewhinney & Strauss, LLC - Contract extension

---

**Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) extend the contract that is currently in place with Barrow, Hanley, Mewhinney & Strauss, LLC ('BHMS') for a period of one year from the date of contract expiry.

**Background**

BHMS was hired into the Non-U.S. Equity asset class in 2013 to provide the Plan with public equity exposure across international developed countries/markets. The portfolio's strategy is benchmarked against the MSCI EAFE Value Index and has a performance inception date of November 30, 2013.

As of May 31, 2019, BHMS managed \$484.4 million, or 2.8% of Plan assets in an international developed markets separately managed account. The performance objective is to outperform the MSCI EAFE Value Index, net of fees, annualized over a full market cycle (normally three-to-five years). The BHMS account is currently on Watch due to performance according to LACERS' manager monitoring policy.

BHMS was founded and registered with the SEC in July of 1979 to manage U.S. tax-exempt portfolios for institutional clients. In January of 1988, BHMS sold themselves to United Asset Management Corporation (UAM), a Boston-based holding company, listed on the New York Stock Exchange. On October 5, 2000, UAM was acquired by Old Mutual plc, an international financial services group based in London. Following the acquisition, Old Mutual plc renamed UAM, "Old Mutual Asset Management". In 2014, Old Mutual plc conducted an initial public offering of Old Mutual Asset Management. OM Asset Management plc rebranded as BrightSphere Investment Group plc in March 2018, following its separation from Old Mutual plc. BrightSphere Investment Group plc is a publicly-listed company traded on the New York Stock Exchange (Ticker symbol: BSIG). Many key employees, including portfolio managers and analysts, have economic ownership in BHMS through a limited partnership that owns a 24.9% equity interest in BHMS LLC. The firm's assets under management were \$76 billion at March 31, 2019.

The portfolio is managed by two portfolio managers, Rand Wrighton and TJ Carter. Mr. Wrighton has been a lead portfolio manager on the strategy since 2006. In March of 2018 David Hodges, Co-Portfolio Manager, retired after having built the non-US Value portfolio capability at BHMS with Mr. Wrighton. TJ Carter was promoted into the portfolio manager role when David Hodges retired. In addition, Charlie Radtke was brought aboard as a third Portfolio Manager. Mr. Radtke left the firm in September of 2018. Mr. Radtke was with the

firm for approximately a year and he did not have a significant impact on the names in the portfolio, therefore, a replacement has not been pursued.

BHMS' approach to the equity market is based on the underlying philosophy that markets are inefficient. These inefficiencies can best be exploited through adherence to a value-oriented investment process dedicated to the selection of securities on a bottom-up basis. No attempt to time the market or rotate in and out of broad market sectors is attempted, as they believe that it is difficult, if not impossible, to add incremental value on a consistent basis by top-down or thematic market timing. BHMS stays fully invested with a defensive, conservative orientation, based on the belief that superior returns can be achieved while taking below-average risks. They implement this strategy by constructing portfolios of individual stocks that reflect value characteristics such as: price/earnings, price/book, and enterprise value/free cash flow ratios at or below the market (MSCI EAFE Index), and dividend yields at or above the market.

BHMS' value investing strategy emphasizes low price/earnings ratios, low price/book ratios, and high dividend yields as a way to add protection in down markets, as well as participation in improving economic cycles. Within a broad universe of more than 4,000 non-U.S. stocks, there are approximately 2,600 stocks with market capitalizations greater than \$1 billion with levels of liquidity that they consider sufficient. This subset of stocks is the starting point for their Non-US Value stock selection process. This universe is reduced to the least expensive portion of the universe resulting in approximately 250 stocks that receive the highest ranking by the screening model. These stocks are then placed on BHMS' Non-U.S. Security Guidance List. They then perform bottom-up, fundamental securities analysis on these stocks for potential inclusion in the Non-US Value portfolio. The Security Guidance List is reviewed weekly.

The firm seeks to build equally-weighted portfolios generally consisting of 50 to 70 stocks. While the "core" position size is approximately 2%, positions may be larger if the conviction level is unusually high or the target company's weight in the Index mandates a larger weight in order to generate sufficient alpha. However, no more than 5% of the portfolio, at market value, will be invested in any one security. Sector and country weightings are a residual of the bottom-up stock selection process and they may vary meaningfully at times from the respective weightings in the MSCI EAFE Index. Sector weightings are limited to an absolute weight of 40% of the portfolio. Individual country weightings are limited to 25%, at market value (ex-Japan and the UK). While the Non-US Value strategy is primarily invested in companies domiciled in developed non-U.S. markets, BHMS may, on an opportunistic basis, invest in companies domiciled in emerging markets, as defined by MSCI.

### **Performance**

Ending May 31, 2019, the portfolio has outperformed the benchmark since inception by 0.13% (0.54% vs. 0.41%). In the past year, ended May 31, 2019 the portfolio underperformed the benchmark by 4.39% (-12.62% vs. -8.23%). Referring to Exhibit 1, since inception of the BHMS portfolio on November 30, 2013 and ended March 31, 2019, the strategy has outperformed the MSCI EAFE Value Index by 0.30%, returning 1.41%, net of fees. The portfolio ranked in the 79<sup>th</sup> percentile in its peer universe since November 30, 2013. The information ratio was 0.09 and active risk, as measured by tracking error was

3.3%. In the one-year period ended March 31, 2019, the portfolio underperformed the index by 2.42% and ranked in the 59<sup>th</sup> percentile in its peer universe. Underperformance in the trailing one-year, ended March 31, 2019, has been driven by stock selection, primarily in the Financials sector. On a global regions basis, detractors from relative performance have been stock selection in Emerging Markets and Europe Ex-United Kingdom in addition to being overweight to North America.

Since December 1, 2013, referring to Exhibit 2, historical cumulative performance had been positive when compared to the benchmark until the second quarter of 2018. Relative outperformance in the first quarter of 2019 has resulted in positive cumulative performance versus the benchmark. This was primarily related to stock selection in Energy, Industrials and Consumer Discretionary sectors.

### **Fees**

The portfolio has an asset-based fee of 0.51% (51 basis points) annually. This fee ranks in the 33<sup>rd</sup> percentile among its peers in the eVestment EAFE Value Universe. In other words, 67% of the 75 products included in the peer universe have a higher fee than the LACERS account

### **Conclusion**

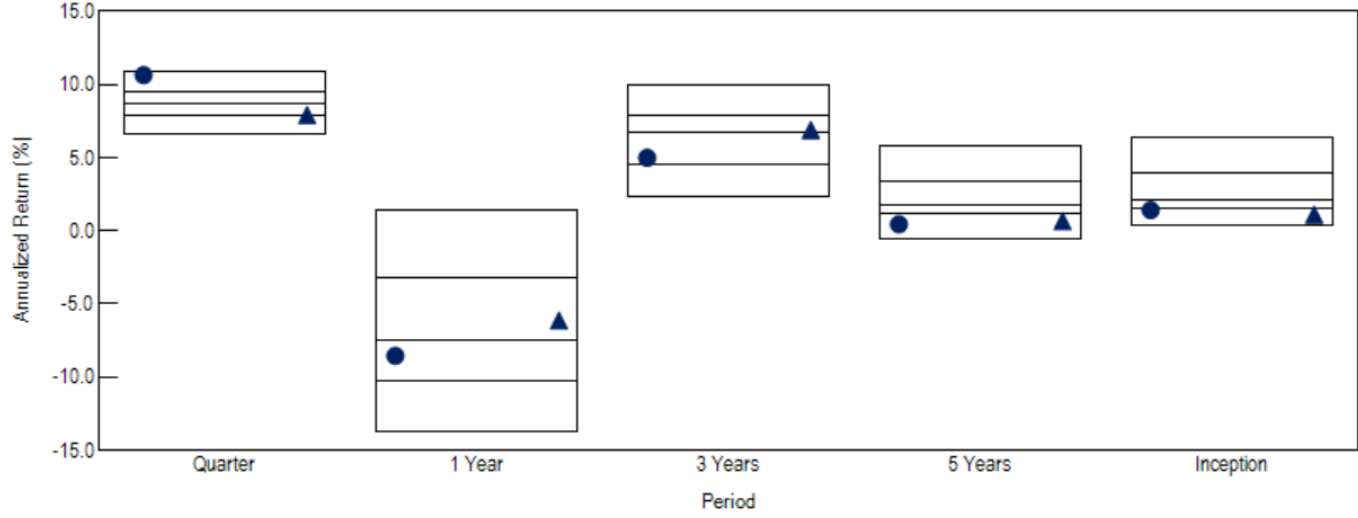
BHMS has performed within the range of anticipated outcomes against its benchmark since inception in a time period in which deep value equity investments have not been favored by markets. The firm has had some turnover in portfolio management, though a founding member of the team is still with the firm/product as the lead portfolio manager. The investment process and philosophy have remained intact, yet the portfolio has been unrewarded in the short-run. BHMS' international equity platform is rated as neutral by NEPC's research team. Note, a neutral rating means that the firm may be an acceptable investment but is simply not currently a 'preferred product'. NEPC recommends a contract extension for a period of one year from the period of contract expiry.

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



Exhibit 1

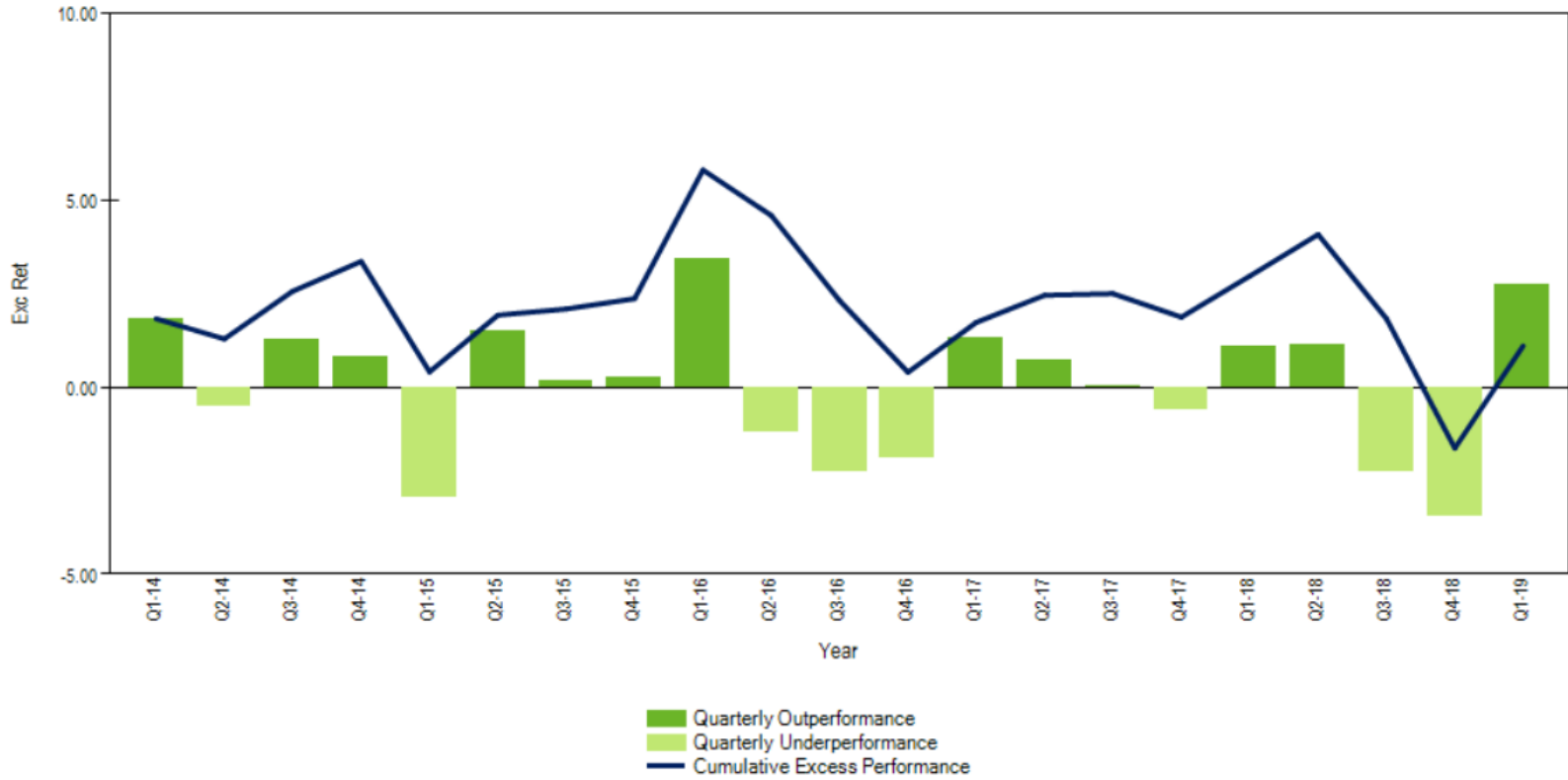
**eV EAFE Value Equity Net Return Comparison**  
**Ending March 31, 2019**



	Return (Rank)									
	Quarter		1 Year		3 Years		5 Years		Inception	
5th Percentile	10.88		1.41		10.02		5.83		6.42	
25th Percentile	9.46		-3.22		7.83		3.42		3.99	
Median	8.69		-7.45		6.71		1.77		2.13	
75th Percentile	7.91		-10.23		4.50		1.19		1.53	
95th Percentile	6.60		-13.69		2.37		-0.61		0.32	
# of Portfolios	52		50		48		43		42	
● Barrow Hanley	10.65	(11)	-8.55	(59)	5.00	(70)	0.45	(82)	1.41	(79)
▲ MSCI EAFE Value	7.92	(75)	-6.13	(45)	6.90	(47)	0.67	(80)	1.11	(80)

Exhibit 2

Quarterly and Cumulative Excess Performance



**BOARD Meeting: 07/23/19**  
**Item XI-F**  
**Attachment 1**

Vendor  
 Address

**Barrow, Hanley, Mewhinney & Strauss, LLC**  
**2200 Ross Avenue, 31st Floor**  
**Dallas, TX 75201**

**Date Completed: 3/31/19**

Category

**Non-U.S. Developed Markets Equities Value**

<b>BHMS TOTAL COMPOSITION OF WORK FORCE</b>										
<b>Occupation</b>	<b>African American Full Time</b>	<b>Hispanic Full Time</b>	<b>Asian or Pacific Islander Full Time</b>	<b>American Indian/ Alaskan Native Full Time</b>	<b>2 or More Races Full Time</b>	<b>Caucasian (Non Hispanic) Full Time</b>	<b>Total Employees Full Time</b>	<b>Percent (%) Minority Full Time</b>	<b>Gender</b>	
									<b>Male Full Time</b>	<b>Female Full Time</b>
Officials & Managers	0	0	0	0	0	4	4	0.00%	3	1
Professionals	0	2	6	0	1	49	58	15.52%	49	9
Technicians	1	1	0	0	0	2	4	50.00%	3	1
Sales Workers	2	0	0	0	0	4	6	33.33%	6	0
Office/Clerical	1	1	0	0	3	21	26	19.23%	3	23
Semi-Skilled	0	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0	0.00%	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>80</b>	<b>98</b>	<b>18.37%</b>	<b>64</b>	<b>34</b>

**CONTRACT EXTENSION  
BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC  
ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS  
VALUE PORTFOLIO MANAGEMENT**

**PROPOSED RESOLUTION**

WHEREAS, LACERS current three-year contract with Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS) for active non-U.S. equities developed markets value portfolio management expires on September 30, 2019; and,

WHEREAS, on April 17, 2019, BHMS was placed on "On Watch" status pursuant to the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract extension with BHMS will allow the fund to maintain a diversified exposure to the non-U.S. developed equities markets; and,

WHEREAS, on July 23, 2019, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with BHMS; and,

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>	Barrow, Hanley, Mewhinney & Strauss, LLC
<u>Service Provided:</u>	Active Non-U.S. Equities Developed Markets Value Portfolio Management
<u>Effective Dates:</u>	October 1, 2019 through September 30, 2020
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI EAFE Value
<u>Allocation as of June 30, 2019:</u>	\$523 million

June 23, 2019