



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING
TUESDAY, MAY 24, 2022
TIME: 10:00 A.M.
MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's May 24, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public
Information to call-in to listen and or participate:
Dial: (669) 254-5252 or (669) 216-1590
Meeting ID# 160 585 5224

- Instructions for call-in participants:**
- 1- Dial in and enter Meeting ID
 - 2- Automatically enter virtual "Waiting Room"
 - 3- Automatically enter Meeting
 - 4- During Public Comment, **press *9** to raise hand
 - 5- Staff will call out the last 3-digits of your phone number to make your comment

Information to listen only: 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).

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

Notice to Paid Representatives

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

Request for Services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), 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) 855-9348** and/or email at ani.ghokassian@lacers.org.

Disclaimer to Participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*
- II. [APPROVAL OF MINUTES FOR THE REGULAR MEETING OF APRIL 26, 2022 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR APRIL 2022](#)
- VI. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON MAY 10, 2022
 - B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON MAY 24, 2022
- VII. BOARD/DEPARTMENT ADMINISTRATION
 - A. [FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON AND POSSIBLE BOARD ACTION](#)
 - B. [PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2022-23 AND POSSIBLE BOARD ACTION](#)
 - C. [977 N. BROADWAY PROJECT REPORT FOR THE QUARTER ENDING MARCH 31, 2022](#)
- VIII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS
 - B. [REAL ESTATE FISCAL YEAR 2022-23 STRATEGIC PLAN AND POSSIBLE BOARD ACTION](#)

- C. INVESTMENT MANAGER CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE BOARD ACTION
- D. INVESTMENT MANAGER CONTRACT WITH STATE STREET GLOBAL ADVISORS REGARDING THE MANAGEMENT OF A PASSIVE GLOBAL INDEX STRATEGY AND POSSIBLE BOARD ACTION
- E. ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE BOARD ACTION
- F. NOTIFICATION OF COMMITMENT OF UP TO \$25 MILLION IN LIGHTBAY INVESTMENT PARTNERS II, L.P. AND POSSIBLE BOARD ACTION
- G. NOTIFICATION OF COMMITMENT OF UP TO \$80 MILLION IN THOMA BRAVO FUND XV, L.P.
- H. NOTIFICATION OF COMMITMENT OF UP TO \$45 MILLION IN THOMA BRAVO DISCOVER FUND IV, L.P.
- I. NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN HG SATURN 3 A L.P.
- J. NOTIFICATION OF COMMITMENT OF UP TO \$30 MILLION IN 1315 CAPITAL III, L.P.
- K. NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN FRANCISCO PARTNERS VII, L.P.
- L. NOTIFICATION OF COMMITMENT OF UP TO \$17.5 MILLION IN FRANCISCO PARTNERS AGILITY III, L.P.
- M. AUTHORIZATION FOR GENERAL MANAGER, CHIEF INVESTMENT OFFICER, OR THEIR DESIGNEE(S) TO ACT ON BEHALF OF LACERS AT INSTITUTIONAL LIMITED PARTNERSHIPS ASSOCIATION (ILPA) ELECTIONS, INCLUDING BOARD OF DIRECTOR ELECTIONS, BYLAW AMENDMENTS, AND OTHER ADMINISTRATIVE MATTERS, AND POSSIBLE BOARD ACTION

IX. OTHER BUSINESS

- X. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, June 14, 2022 at 10:00 a.m. at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XI. ADJOURNMENT

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

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's April 26, 2022 meeting will be conducted via telephone and/or videoconferencing.

April 26, 2022

10:00 a.m.

PRESENT via Videoconferencing:	President:	Cynthia M. Ruiz
	Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Michael R. Wilkinson
	Legal Counselor:	Anya Freedman
PRESENT at LACERS Office:	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
ABSENT:	Vice President:	Sung Won Sohn

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

II

APPROVAL OF MINUTES FOR THE REGULAR MEETING AND THE SPECIAL MEETING OF MARCH 22, 2022 AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz thanked all for the successful 2nd Emerging Manager Symposium held on April 20th. President Ruiz also shared that LACERS will continue to hold virtual Board and Committee Meetings until July 2022 and no final decision has been made yet on reconstituting in-person Board meetings. President Ruiz congratulated Commissioner Sandra Lee for her achievement on the Top 50 Women Leaders of Los Angeles 2022 list.

Item I taken out of order.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* – **PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – President Ruiz asked if any persons wanted to make a general public comment to which there were two responses. Beverly Ortiz and Susan Drury, with the non-profit organization Climate Finance Action, made comments on Item VIII-D, Proxy Voting Policy.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- Budget
 - City Banking Transition
 - Liability Insurance
 - Administrative Professionals Appreciation Day
 - Emerging Manager Symposium
 - Retirement Services update
 - Health Benefits Administration update
 - Member Services update
 - Upcoming events: Seminars & Demos, Continuing Monthly Wellness Events
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, advised the Board of the following item:
- 977 N. Broadway Project Report for the Quarter Ending March 31, 2022
- C. PRESENTATION OF PRELIMINARY MANAGEMENT AUDIT RESULTS – Mr. Guglielmo provided the Board with a brief overview of the preliminary results and advised that staff will update the Board when the final results are published. He also thanked Melani Rejuso, Departmental Audit Manager, for her contribution to this report.
- D. INTRODUCTION OF NEW DEPUTY CITY ATTORNEY FOR PUBLIC PENSIONS GENERAL COUNSEL DIVISION SERVING LACERS – Anya Freedman, Assistant City Attorney, introduced the newest member to the Public Pensions General Counsel Division, Alexandra de Rivera. Ms. de Rivera introduced herself to the Board.

V

RECEIVE AND FILE ITEMS

- A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR FEBRUARY 2022 – This report was received by the Board and filed.
- B. FISCAL YEAR 2021-22 EDUCATION AND TRAVEL EXPENDITURE REPORT AS OF MARCH 31, 2022– This report was received by the Board and filed.
- C. ANNUAL CONTRACTOR DISCLOSURE COMPLIANCE REPORT FOR CALENDAR YEAR 2021– Neil M. Guglielmo, General Manager, and Melani Rejuso, Departmental Audit Manager, provided the Board with a briefing on this report. This report was received by the Board and filed.

VI

COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE MEETING VERBAL REPORT FOR THE MEETING ON APRIL 12, 2022 – Commissioner Serrano stated the Committee approved Townsend Holdings LLC as LACERS’ Real Estate Consultant and the Investment Manager contract with Oberweis Asset Management, Inc.

VII

BOARD/DEPARTMENT ADMINISTRATION

- A. MID-YEAR SUPPLEMENTAL BUDGET ADJUSTMENTS FOR FISCAL YEAR 2021-22 AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

**PROPOSED RESOLUTION
FISCAL YEAR 2021-22
MID-YEAR BUDGET ADJUSTMENTS**

RESOLUTION 220426-A

WHEREAS, on May 25, 2021, the Board adopted LACERS' departmental budget for the fiscal year 2021-22 in the amount of \$33.4 million, including \$16.7 million for Salaries General, reflecting a 9% salary savings rate;

WHEREAS, the City had postponed raises to prevent proposed layoffs through agreements with City employee unions in Fiscal Year 2020-21, recent agreements to the MOU with unions would provide a 4.77% cash payout based on the hourly rate of April 23, 2022's payroll annualized, thereby necessitating an estimated \$152,000 in preparation of the cash payout;

WHEREAS, multiple LACERS staff have retired including several senior-level staff, which has partially contributed to the deficit;

WHEREAS, a portion of the Salaries General account shortfall can be offset from savings in the Salaries As-Needed account due to turnover and vacancies in As-Needed staffing;

WHEREAS the Board has full control over the LACERS budget pursuant to the Los Angeles City

Charter;

NOW THEREFORE, BE IT RESOLVED, that the Board:

1. Approve a Supplemental Appropriation of \$720,000 to Fund 800, LACERS Administrative Budget, Salaries General (APPR 161010) for Fiscal Year 2021-22;
2. Authorize the General Manager to increase the Salaries General (APPR 161010) by an additional \$280,000 with corresponding decrease to the Salaries As-Needed (APPR 161070) budgetary appropriations accounts for Fiscal Year 2021-22;
3. Authorize the General Manager to correct any typographical or technical errors in this document.

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.

B. CONTRACT AWARD TO SEGAL FOR ACTUARIAL SERVICES AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

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

RESOLUTION 220426-B

WHEREAS, LACERS desires to engage the services of a consulting actuary to provide expert technical actuarial services, including 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 & Liabilities Study of the Family Death Benefit Program and Larger Annuity Program; (5) Annual financial reporting disclosures; (6) Other annual studies relating to the cost-of-living; and, (7) Any additional reporting requirements that may become necessary during the contracted period. 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 January 31, 2022 and received four proposals for the consulting actuary engagement by the March 9, 2022 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 Consulting, and authorizes the General Manager to execute the necessary documents, within the following terms, subject to City Attorney review:

CONSULTANT	Segal Consulting
TERM	August 1, 2022 to July 31, 2025

AMOUNT \$1,500,000

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

C. CONTRACT EXTENSION WITH PENSIONX FOR WEBSITE MAINTENANCE AND SUPPORT SERVICES AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

**CONTRACT AMENDMENT WITH
PENSIONX
FOR WEBSITE DESIGN AND SUPPORT SERVICES**

RESOLUTION 220426-C

WHEREAS, on March 12, 2019, the Board approved contracting with PENSIONX (formerly DIGITAL DEPLOYMENT INC.) for website design and support services for the contract term beginning April 1, 2019 through April 30, 2022, not to exceed \$188,750;

WHEREAS, on November 9, 2021, the contract between LACERS and PENSION X was amended to increase the contract amount not-to-exceed \$208,750;

WHEREAS, PensionX completed the website redesign in July 2019, and is the exclusive provider of website maintenance and support services to the websites it designs;

WHEREAS, it is LACERS' desire to continue providing ease of access to information and resources to its members, and as such, ongoing website maintenance and support services are required;

NOW, THEREFORE, BE IT RESOLVED, that the General Manager is hereby authorized to negotiate and execute a contract amendment subject to satisfactory business and legal terms; and to make any necessary clerical, typographical, or technical corrections to this document.

<u>Company Name:</u>	PENSIONX (Formerly DIGITAL DEPLOYMENT INC.)
<u>Service Provided:</u>	Website Design Website Maintenance and Support
<u>Term Dates:</u>	April 1, 2019 through April 30, 2023
<u>Total Expenditure Authority:</u>	\$232,750

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.

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Rod June, Chief Investment Officer, reported on the portfolio value of \$22.20 billion as of April 25, 2022. Mr. June discussed the following items:
- Acknowledgment of Board, staff, consultants, and Miriam Rivera of Ulu Ventures for their efforts towards the Emerging Manager Symposium
 - Elon Musk buying Twitter, LACERS has exposure through an S&P 500 index account with a current market value of \$4.1 million
 - Ellen Chen, Investment Officer I, competed for, and received a paygrade advancement to Investment Officer II
 - Pertaining to the Russian and Ukraine conflict update: No material changes in holdings due to Russian stock market being closed to foreign investors. LACERS' emerging market small cap manager was able to sell some global depository receipt positions on a European exchange
 - Upcoming Agenda Items: ESG Education, Proposed SEC Rule on Climate-Related Disclosures, Consent to Investment Management Contract Change, Real Estate Notification
- B. REAL ESTATE CONSULTANT FINALIST INTERVIEW AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

**CONTRACT FOR
TOWNSEND HOLDINGS LLC
REAL ESTATE CONSULTING SERVICES**

RESOLUTION 220426-D

WHEREAS, on August 24, 2021, the Board authorized a Request for Proposal for Real Estate Consulting Services; and,

WHEREAS, on January 11, 2022, the Investment Committee approved Townsend Holdings LLC and StepStone Group Real Estate LP as semi-finalist candidates; and,

WHEREAS, staff conducted due diligence on the two semi-finalist candidates; and,

WHEREAS, on April 12, 2022, the Investment Committee interviewed the semi-finalist candidates to understand the capabilities of each firm and subsequently recommended Townsend Holdings LLC to the Board for consideration for hire; and,

WHEREAS, on April 26, 2022, the Board approved the Investment Committee's recommendation for a five-year contract with Townsend Holdings LLC.

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

Company Name: Townsend Holdings LLC
Service Provided: Real Estate Consulting Services
Effective Dates: July 1, 2022 through June 30, 2027
Duration: Five years
Fee: Year 1 – \$225,000
Year 2 – \$225,000
Year 3 – \$225,000
Year 4 – \$225,000
Year 5 – \$225,000

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

- C. 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 – Commissioner Serrano moved approval of the following Resolution:

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

RESOLUTION 220426-E

WHEREAS, LACERS' current three-year contract term with Oberweis Asset Management, Inc. (Oberweis) for active non-U.S. small cap equities portfolio management expires on December 31, 2022; and,

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

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

WHEREAS, on April 26, 2022, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Oberweis.

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

Company Name: Oberweis Asset Management, Inc.
Service Provided: Active Non-U.S. Small Cap Equities Portfolio Management

Effective Dates: January 1, 2023 through December 31, 2025

Duration: Three years

Benchmark: MSCI EAFE Small Cap Index

Allocation as of
March 31, 2022: \$275 million

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.

D. DISCUSSION OF PROPOSED AMENDMENTS TO LACERS PROXY VOTING POLICY AND POSSIBLE BOARD ACTION – Bryan Fujita, Investment Officer III, presented and discussed this item with the Board. After a 20-minute discussion, Commissioner Serrano moved approval including additional direction to strengthen LACERS’ position on climate accountability, item 1.16, in the policy, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

IX

OTHER BUSINESS – There was no other business.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, May 10, 2022, at 10:00 a.m. at LACERS, 202 W. 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XI

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting at 11:25 a.m., in Memoriam for the recent passing of active member Todd Gaydowski who served more than 30 years as a City employee.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

Agenda of: MAY 24, 2022

Item No: V-A

**MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF APRIL 2022)**

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

BOARD MEMBERS:

President Cynthia M. Ruiz
Vice President Sung Won Sohn

Commissioner Annie Chao
Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Michael R. Wilkinson

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
	Nothing to Report		



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VII-A

SUBJECT: FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve continuing to hold LACERS Board and Committee meetings via teleconference and/or videoconference, under Government Code Sections 54953(e)(1)(B)-(C) and 54953(e)(3)(A) and (B)(i).

Discussion

LACERS is committed to preserving public access and participation in meetings of the Board of Administration. All LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business. The Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions. The COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active: COVID-19 remains a public health concern in Los Angeles, with substantial or high levels of community transmission.

The Board met via teleconference on October 12, 2021, and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees.

Strategic Plan Impact Statement

The Board's action on this item aligns with the LACERS Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Ani Ghoukassian, Commission Executive Assistant II

Attachment: Proposed Resolution

CONTINUE HOLDING LACERS BOARD AND COMMITTEE MEETINGS
VIA TELECONFERENCE AND/OR VIDEOCONFERENCE

PROPOSED RESOLUTION

WHEREAS, LACERS is committed to preserving public access and participation in meetings of the Board of Administration; and

WHEREAS, all LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business; and

WHEREAS, the Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions; and

WHEREAS, the COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active; and

WHEREAS, on October 12, 2021, the Board met via teleconference and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, the Board has reconsidered the circumstances of the State of Emergency; and

WHEREAS, COVID-19 remains a public health concern in Los Angeles, with substantial or high levels of community transmission;

NOW THEREFORE, BE IT RESOLVED that pursuant to Government Code Section 54953(e)(1)(B)-(C), the Board finds that holding Board and Committee meetings in person would present imminent risks to the health or safety of attendees.

BE IT FURTHER RESOLVED that pursuant to Government Code Section 54953(e)(3)(A) and (B)(i), the Board finds that the COVID-19 State of Emergency continues to directly impact the ability of Board and Committee members to meet safely in person.



REPORT TO BOARD OF ADMINISTRATION

MEETING: MAY 24, 2022

From: Neil M. Guglielmo, General Manager

ITEM: VII – B

Neil M. Guglielmo

SUBJECT: PROPOSED BUDGET, PERSONNEL, AND ANNUAL RESOLUTIONS FOR FISCAL YEAR 2022-23 AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

- 1) Adopt the Proposed Budget, Personnel, and Annual Resolutions for Fiscal Year 2022-23 (FY23);
- 2) Delegate authority to the General Manager to transfer between budget appropriation accounts in alignment with City thresholds, not to exceed the intra-departmental transfer amount of \$59,296 for Fiscal Year 2021-22, or as updated by the City Administrative Officer; and
- 3) Authorize the General Manager to make technical corrections to the budget including the update of the Final City Contribution based on the Adopted City covered payroll.

Executive Summary

The FY23 Administrative Expense Budget presented for approval is \$40.5 million, an increase of \$752,191 over the March Proposed Preliminary Budget (Preliminary Budget) presented to the Board on March 22, 2022, and an overall increase of \$7.1 million, or 21.4%, over the prior year base budget.

The notable increase from the Preliminary Budget in the Administrative Expense Budget is in Personnel Services driven by Memorandum of Understanding (MOU) negotiated cash payouts, and Cost-of-Living (COLA) increases. There are no changes to position authorities from the Preliminary Budget. An updated Headquarters (HQ) operating budget reflects an increase of \$23,840 over the Preliminary Budget placeholder figure of \$1.5 million. The HQ proposed Year 1 Capital Improvements, of a 10-Year Capital Improvement Plan, has increased from \$462,000 to \$527,047. Details of the Capital Improvement Plan are listed in Performance Budget Report (Attachment 1, page 28). Investment Management Fees and Expenses have slightly decreased from the Preliminary Budget by \$104,000.

	FY23	FY22	\$ change	% change
City Contribution	\$ 763,866,451 (estimate)	\$ 715,507,022	\$ 48,359,429	6.8
Investment Management Fee & Expense	106,932,414	95,652,261	11,280,153	11.8
Administrative Expense	40,538,982	33,392,154	7,146,828	21.4

Regular Position Authorities	187	177	10	5.7
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The FY23 City Contribution is revised to \$763.9 million, an increase of \$52.8 million over the estimated City Contribution presented in March, due to the increase in City’s covered payroll for FY23, as reflected in the Mayor’s Proposed Budget. Upon adoption of the Final City Budget in June by the Mayor and City Council, the City Contribution will be adjusted accordingly.

Discussion

Detailed discussion of the proposed budget is provided in the attached report. The below table summarizes changes between the March Preliminary Budget and the May Proposed Budget.

Administrative Expenses	FY23 May Proposed Budget	FY23 March Preliminary Budget	\$ change	% change
Personnel Services	\$ 30,685,890	\$ 30,063,381	\$ 622,509	2.1
Professional Services	5,515,753	5,431,117	84,636	1.6
Informational Technology	1,691,610	1,685,864	5,746	0.3
Training & Related Travel	275,660	259,660	16,000	6.2
Office Expenses	2,370,069	2,346,769	23,300	1.0

Highlights of changes from the March Preliminary Budget to the May Proposed Budget for adoption include:

Administrative Expense Budget

Personnel Services – net increase of \$622,509

- Full-time salaries, increased by \$577,152. This includes an obligatory increase to salaries and benefits for staff.
 - MOU cash payouts: The second payment installment of 4.77% cash payout of the annual salary to eligible staff scheduled to be paid on November 4, 2022 is estimated to be \$105,528
 - MOU 3% additional COLA increase of \$576,412
 - \$104,788 decrease due to the salary step turnover effect
- \$83,847 increase in Part-time salaries reflecting additional COLAs and adjustments
- \$38,490 decrease in Employee Benefits

Professional Services – net increase of \$84,636

- Increase operating and capital expenses for the new Headquarters of \$88,887
 - \$23,840 increase in HQ Operating Expenses
 - \$65,047 increase in HQ Capital Expenses
 - Interiors: \$40,000 increase in window film installation on all floors

- Fire & Life Safety: \$17,000 increase for jockey pump installation
- Capital Project Oversight: \$19,579 increase towards a 4% contractual fee
- Miscellaneous Reductions: \$11,532 reductions in Fire & Life Safety and Electrical expenses
- \$41,250 reduction to the Actuarial budget due to actuarial contract costs being less than projected
- \$12,000 increase in Benefit Payroll Processing Services due to projected rate increases
- \$24,999 net increase in potential HQ legal services

Information Technology – net increase of \$5,746

- \$2,223 for LACERS shared cost for the City’s Human Resource and Payroll System (HRP) Project
- \$1,005 for incremental expenses for Box.com and Monday.com software licenses
- \$2,518 adjusted increase for intranet modernization based on most recent quote

Training and Related Travel – net increase of \$16,000

- Re-instituting of training, conferences, and related travel due to in-person conferences and training to be re-established in FY23

Office Expenses – net increase of \$23,300

- \$5,000 re-instatement of streaming and recording equipment
- \$300 for additional membership dues
- \$18,000 for Security Guard Check-In Services through the remaining LA Times office lease of 2022

The following initiatives may be brought forward later in the fiscal year as funding requirements have not been determined for recently prescribed work.

- Summary Plan Description Legal Review
- City Banking Transition – LACERS Shared Costs

Investment Management Fee and Expense Budget

Investment Management Fees and Expenses decreased from the Preliminary Budget by \$104,000 due in part to reductions in the Investment Consulting Fee and Other Investment Expense.

- \$15,000 increase in General Fund Consulting
- \$50,000 reduction in Real Estate Consulting
- \$5,000 reduction in Northern Trust
- \$60,000 reduction in Private Credit Consulting
- \$4,000 reduction in Pitchbook Subscription

Staff uses several approaches to mitigate investment fees including issuing competitive public market request for proposals where consideration is provided in proposal scoring to management fees; and staff continues to negotiate lower fees for investment managers whose contracts are nearing expiration. For private market investments, LACERS relies on its respective private equity and private real estate consultants to negotiate the lowest fee structures possible. LACERS staff and consultants review active and passive management strategies, and explore opportunities using cost-effective passive management where it is appropriate to do so. Due to these efforts, the ratio of management fees paid by LACERS to Assets Under Management has consistently ranked favorably in comparison to peers.

Additionally, the following changes were made to the Performance Budget report (Attachment 1):

- Inclusion of the Investment Fee Rate Overview (page 35)
- Inclusion of additional information on Investment Fee increases (page 36)

Strategic Plan Impact Statement

This budget includes funding for FY23 initiatives to meet LACERS seven strategic goals.

Prepared By: Chhintana Kurimoto, Management Analyst, Lisa Li, Management Assistant, the Administration Bureau: Isaias Cantú, Andy Chiu, Vikram Jadhav, John Koontz, Lin Lin, Wally Oyewole, JoAnn Peralta, Kristen Szanto. In collaboration, and with special thanks to Department senior managers and Assistant General Managers for the thought and leadership that went into this budget.

NMG/TB/CK

Attachments: 1. LACERS Performance Budget Report for Fiscal Year 2022-23
 2. Proposed Budget, Personnel, and Annual Resolutions

LACERS PERFORMANCE BUDGET

FISCAL YEAR 2022-23
BOARD PRESENTATION OF MAY 24, 2022



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INTRODUCTION & BUDGET OVERVIEW 01

This section introduces the current budget environment and three major areas of LACERS' budget as well as the Board's role in the Administrative Expense Budget, City Contribution, and Investment Management Fees and Expenses.

ADMINISTRATIVE EXPENSE BUDGET 03

This section details the operating budget of the department. It includes costs for LACERS' personnel, professional services, information technology infrastructure and projects, office expenses, and Board & staff training/travel.

ANNUAL BUSINESS PLAN FOR FY 2022-23 09

This section provides an overview of the programs, projects, and business plan initiatives (BPI) in LACERS' annual workplan.

CITY CONTRIBUTION 31

This section provides insight to the City Contribution which funds the cost of the LACERS' defined benefit, LACERS' health and welfare programs, the Limited Term Retirement Plan for Elected Officials, the Excess Benefit Program, and the optional Family Death Benefit Program.

INVESTMENT MANAGEMENT FEES & EXPENSES 34

This section provides an overview of the costs associated with the administration of LACERS Investment Program.



INTRODUCTION

The LACERS Fiscal Year 2022-23 (FY23) Budget continues to meet challenges as we navigate the ongoing effects of the COVID-19 pandemic, but is met with great hope as we prepare to begin occupancy of our new headquarters building and look to resume some normal operations. As such, this budget restores much of what had been previously reduced, including reflecting our intent to return to work and resume travel, but without letting go of the many new developments and tools that came out of response to the pandemic, which are now an ongoing part of LACERS' business operations, such as utilization of the cloud and other mobile workforce tools. In many ways this is a rebuilding budget wherein LACERS is emerging as a post-pandemic organization and is further making needed investments in staff that will pay dividends into the future. Addressing long standing staffing needs, recognizing changing working circumstances and increasing workload, prioritizing staff development and communication, and striving for a more inclusive and equitable workplace are key fundamentals that will translate into improved business continuity, staff knowledge and retention, and ultimately improved Member services.

This year's budget outlines proposals to continue improving areas in:

- Workforce development
- Staff hybrid remote and in-office working capability
- Our Members' Experience

The FY23 Business Plan will continue to focus on several key initiatives including the move to the new headquarters as we anticipate occupying the new building, as well as growth of internal Diversity, Equity and Inclusion efforts and investment in staff development and internal communication, information security efforts, and the continued integration of Environmental, Social and Governance investing principles.

	FY23	FY22	\$ CHANGE	% CHANGE
City Contribution	\$ 763,866,451	\$ 715,507,022	\$ 48,359,429	6.8
Investment Management Fees & Expenses	106,923,414	95,652,261	11,271,153	11.8
Administrative Expense	40,538,982	33,392,154	7,144,310	21.4
Health Care Fund Administrative Expense	1,013,000	934,000	79,000	8.5
Regular Position Authorities	187	177	10	5.7

BUDGET OVERVIEW

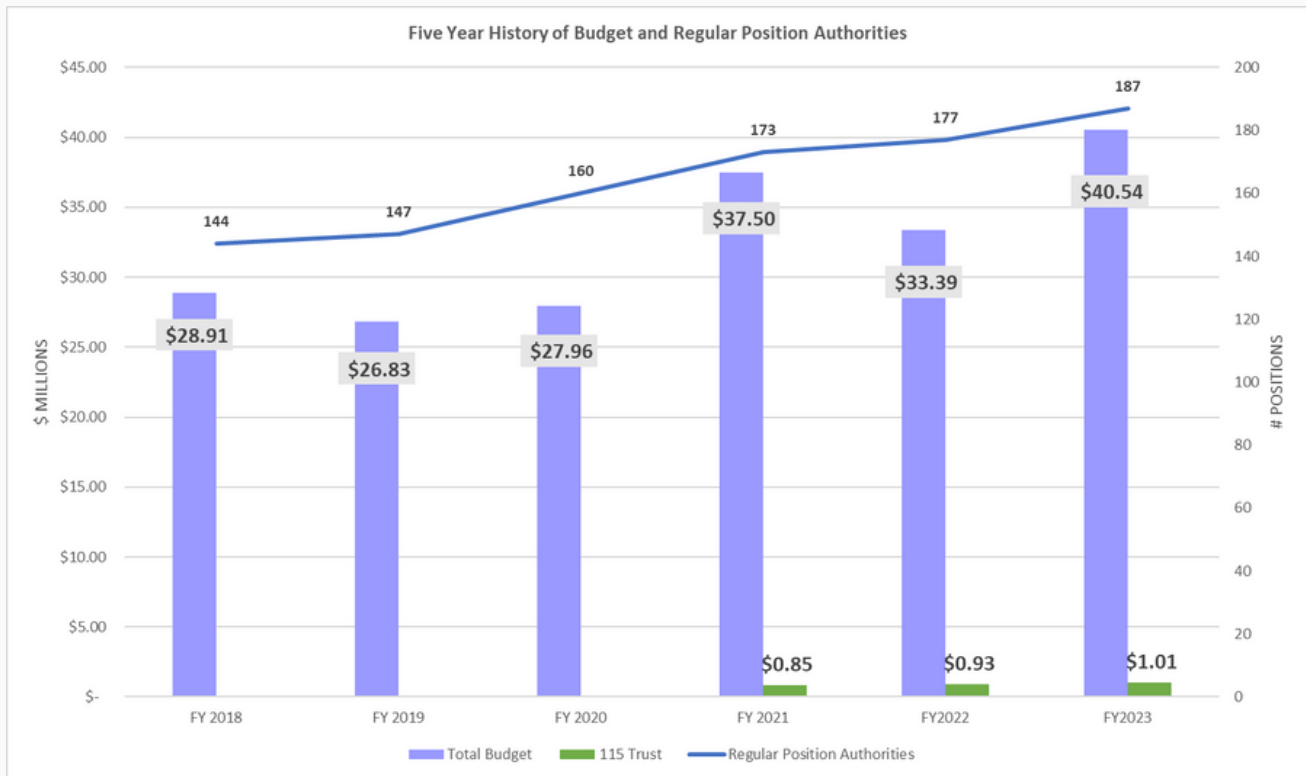
The LACERS Board approves an annual budget which estimates the cost of maintaining the Retirement System. LACERS' budget is transmitted to the Mayor for inclusion in the City's proposed budget, which is due to City Council by April 20, and finalized in June for the fiscal year beginning July 1st. The Board's approval of the Administrative and Investment Expense budget establishes the General Manager's expenditure authority for the fiscal year.

LACERS' budget is comprised of the Administrative Expense Budget, the Health Care Fund Budget ("115 Trust"), the Investment Management Fees and Expenses Budget, and the City's contribution to the LACERS Retirement Trust Fund and 115 Trust Fund. Key decisions made by the Board throughout the year will determine certain aspects of the budget. This includes the adoption of the actuarial valuation in November which sets the annual contribution rate (a percentage of City payroll) that the City will provide to LACERS to fund the retirement benefits for City employees. The Board approves investment contracts throughout the year which set fee rates used to establish the Investment Management Fee Budget. In March and May of each year, the Board considers programs and annual business plan initiatives to fund for the coming fiscal years reflected in the Administrative Expense Budget.

An overview of the components of the LACERS' budget, with the Board's discretionary decisions is reflected as follows:

CITY CONTRIBUTION	=	CONTRIBUTION RATE Adopted in LACERS Valuation	x	CITY'S COVERED PAYROLL As Adopted by City Council
INVESTMENT MANAGEMENT FEES	=	ASSET MANAGEMENT FEES Established in LACERS-Approved Investment Contracts	x	ASSUMED MARKET VALUE OF ASSETS Based on Capital Market Assumptions
ADMINISTRATIVE EXPENSE	=	OBLIGATORY CHANGES Salary Increases, Cost-of-Living Increases, Retirement & Benefit Costs, Lease Cost, Legal Fees	+	APPROVED DISCRETIONARY CHANGES New Positions, Programs & Initiatives; Service Enhancements, Salary Savings Rate
HEALTH CARE FUND ADMINISTRATIVE EXPENSE	=	OBLIGATORY CHANGES Approved Third-Party Administrator, Audit Contract Fees		APPROVED DISCRETIONARY CHANGES Program Enhancements

ADMINISTRATIVE EXPENSE BUDGET



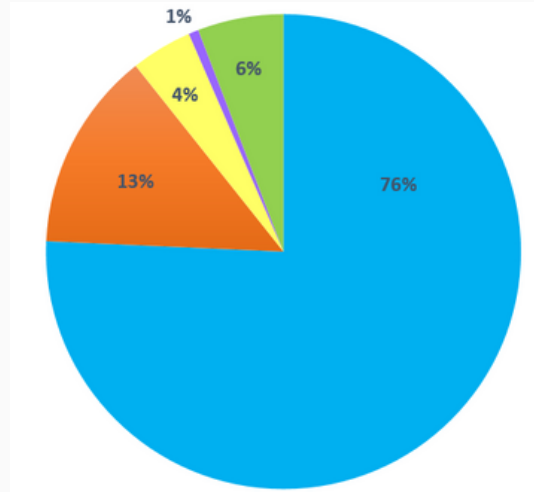
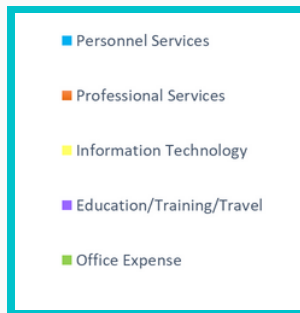
The Administrative Expense Budget of \$40.54 million reflects a net increase of \$7.14 million, or 21.4% over the Fiscal Year 2021-22 (FY22) base budget. Obligatory changes to the budget account for \$5.5 million in increases over the FY22 adopted budget. This includes \$1.2 million in Employee benefit and pension costs, \$0.8 million for cost of living adjustments and cash payouts, and \$2.4 million to restore salary savings and fully-fund positions partially funded in FY22 (See Summary of Changes table, page 4). Obligatory costs are offset by the adoption of a 5% salary savings rate equivalent to \$1.0 million, and \$0.4 million in one-time and various expense reductions. The Budget invests \$1.8 million in core services (excludes personnel costs), and \$3.1 million to fund two on-going Business Plan Initiatives (BPI): Headquarters Move and City Separation Incentive Program Closeout, as well as three new BPIs: Governance Initiative, High Performing Workforce Initiative, and Investment's Environmental, Social and Governance efforts. (See 2022-23 Business Plan, pages 22, 24, 26, 30)

SUMMARY OF CHANGES

Category Item	Dollars	Positions	
		Regular	Substitute
21-22 Adopted Budget	\$ 33,392,154	177	23
Obligatory Changes	5,489,105	-	-
Full funding of Partially Funded Positions	893,269	-	-
Restoration of Salary Savings	1,513,365	-	-
Cost-of-Living Adjustment	839,449	-	-
Salary Rate Increases, Turnover, Excess Sick Pay	991,818	-	-
Part-Time Salaries	45,114	-	-
LACERS' Employer Share of Retirement Contributions	765,000	-	-
LACERS' Share of Employee Benefits	385,100	-	-
LACERS' Share of City Attorney and Outside Legal Counsel	55,990	-	-
Deletion of One-Time Funding	(2,008,608)	-	-
Deletion of Funding for Substitute Authorities	(1,779,561)	-	(23)
Deletion of Funding for One-Time Services, Expenses, & Equipment	(229,047)	-	-
Efficiencies to Services	(1,162,155)	-	-
Salary Savings Rate Adjustment [5%]	(1,013,909)	-	-
Expense Account Savings	(148,246)	-	-
Continuation of Services	1,749,211	-	-
Investment Program Expenses	38,760	-	-
Benefits Administration Expenses	1,529,252	6	12
General Administration & Support Expenses	181,199	-	-
New/Enhanced Services	3,079,275	-	-
CSIP Closeout	60,000	-	-
Governance and Cybersecurity	172,302	1	-
High Performance Workforce Initiative	310,323	1	-
Investment Private Equity Staffing	208,489	2	-
Headquarters Move Initiative	2,328,161	-	-
Total Changes	\$ 7,146,828	10	(11)
2022-23 Proposed Budget	\$ 40,538,982	187	12

ADMINISTRATIVE EXPENSE BUDGET CONT.

FY23 ALLOCATION OF EXPENSES



This budget year invests heavily in Personnel resources, while completing the Headquarters and several Information Technology projects. In the five major categories of expense, Personnel Services expenses account for 76% of the FY23 budget, and 62.1% of the budget increase. Professional Services expense make up 13% of the budget and 35.2% of the increase, followed by Office Expense at 6% of the budget, -0.4% decrease; Technology at 4% of the budget, 1.6% of the increase, and finally Education/Training and Travel at less than 1% of the budget allocation and change in 1.4% of the budget.

The Administrative Budget Detail includes the following notable items:

- Salaries increases by 19.1%, or \$3.3M and Employee Benefits increases by 13.8%, or \$1.15M. The increase in the Employee Benefits coincide with the increase in requested positions and reduced salary savings (from 9% to 5%).
- Overtime decreases by 4.2%, or \$21,404 in part due to additional position requests.
- Training and Related Travel increases by 40.2%, or \$35,425 for Employee Development and 75.3%, or \$65,350 for Conferences and Travel as in-person training and conferences are being re-established. This includes due-diligence travel by the Investment Division.
- Actuarial Services increases by 9.4%, or \$35,218 primarily due to the Triennial Experience Study to be conducted in FY23.
- Other Consulting Services increases significantly by 882.3%, or \$2.3M, primarily attributed to the Headquarters Move Business Plan Initiative budget which brings onto budget the move and the building's ongoing operating expenses. The Headquarters budget details are referenced on page 26.
- Computer Software expenses increases by 64.3%, or \$221,126. The expense covers various areas in strengthening information security and Business Plan Initiatives including the Headquarters Move Initiative and the High Performing Workforce Initiative.
- Board Member Election expense of \$48,600 is a one-time expense for preparation and funding of the election in FY23.

ADMINISTRATIVE EXPENSE BUDGET CONT.

Additional items to note include:

- The Office Lease has a reduction of \$238,000 due to the LA Times lease term through the end of March 2023.
- The budget for the LACERS Health Care Fund (“115 Trust”) Administrative Expense is shown in the table following the Administrative Expense Budget. These expenses are paid by the Administrative Expense Budget and reimbursed by the 115 Trust. The 115 Trust Fund was established in 2018 to better manage the future costs and decrease the future tax liability of the LACERS health and welfare benefits. The 115 Trust Budget pays for administrative expenses including third party fees charged for the administration of Self-Funded Dental benefit claims, audit fee, legal counsel cost and the Fund’s share in the overall administrative expenses of LACERS. The Proposed 115 Trust Budget of \$1,013,000 is an increase of \$79,000 or 8.5% over last fiscal year.
- This budget invests in the continuation of 12 substitute authority positions, regularization of 3 substitute authority positions, and 7 new regular positions. The purpose of these positions is detailed beginning on page 13.
- The Budget funds current programs underway including the core programs in Benefit Administration, Investment Administration, and General Administration and Support, as well as four initiatives in the FY23 Business Plan including the Headquarters Move Initiative; the High Performing Workforce Initiative; Environmental, Social, and Governance Investing, and Board Governance centered on strategic planning.

DETAIL OF ADMINISTRATIVE EXPENSES

	City Account Number	FY2022-23 Proposed Budget	FY2021-22 Adopted Budget	Budget \$ Change	Budget % Change
FUND 800: ADMINISTRATIVE EXPENSE BUDGET					
Personnel Services					
601	Salaries	101	\$ 20,686,136	\$ 17,374,559	\$ 3,311,577 19.1%
602	Overtime	109	486,854	508,258	\$ (21,404) -4.2%
605	Employee Benefits	175	9,512,900	8,362,800	\$ 1,150,100 13.8%
Personnel Services Total			\$ 30,685,890	\$ 26,245,617	\$ 4,440,273 16.9%
Professional Services					
611	Actuarial Service	304	\$ 411,500	\$ 376,282	\$ 35,218 9.4%
612	Audit Services	304	231,500	200,000	\$ 31,500 15.8%
613	Legal Services	304	1,178,616	1,117,122	\$ 61,494 5.5%
614	Disability Services	304	200,000	200,000	\$ - 0.0%
615	Other Consulting	304	2,522,137	256,750	\$ 2,265,387 882.3%
616	Benefit Payroll Processing Servs.	304	272,000	247,200	\$ 24,800 10.0%
617	Retiree Health Adm. Consultant	304	700,000	600,000	\$ 100,000 16.7%
Professional Services Total			\$ 5,515,753	\$ 2,997,354	\$ 2,518,399 84.0%
Information Technology					
622	Pension Adm. System Vendor	304	\$ 470,068	\$ 470,497	\$ (429) -0.1%
623	Computer Hardware	730	222,100	305,297	\$ (83,197) -27.3%
624	Computer Software	601	565,025	343,899	\$ 221,126 64.3%
625	Computer Maint. & Support	601	344,899	330,646	\$ 14,253 4.3%
626	Other Computer Consulting	304	89,518	124,400	\$ (34,882) -28.0%
Information Technology Total			\$ 1,691,610	\$ 1,574,739	\$ 116,871 7.4%
Training & Related Travel					
604	Employee Development	601	\$ 123,495	\$ 88,070	\$ 35,425 40.2%
634	Conferences & Travel	213	152,165	86,815	\$ 65,350 75.3%
Training & Related Travel Total			\$ 275,660	\$ 174,885	\$ 100,775 57.6%
Office Expenses					
606	Transportation Expenses	331	\$ 11,000	\$ 9,500	\$ 1,500 15.8%
631	Printing and Binding	212	190,500	163,500	\$ 27,000 16.5%
632	Postage	601	185,200	180,900	\$ 4,300 2.4%
633	Telephone and Utilities	601	60,600	61,200	\$ (600) -1.0%
635	Office Lease	304	1,215,750	1,453,750	\$ (238,000) -16.4%
636	Office Equipment Services	304	85,000	64,725	\$ 20,275 31.3%
651	Petty Cash	601	12,000	8,000	\$ 4,000 50.0%
652	Board Member Election Expense	601	48,600	-	\$ 48,600 0.0%
653	Furniture and Other Equipment	730	25,000	20,800	\$ 4,200 20.2%
655	Other Office Expense	601	141,510	162,360	\$ (20,850) -12.8%
656	Membership Dues & Subscriptions	601	140,409	130,824	\$ 9,585 7.3%
658	Promotional Supplies	601	5,000	4,000	\$ 1,000 25.0%
659	Insurance Expense	304	249,500	140,000	\$ 109,500 78.2%
Office Expenses Total			\$ 2,370,069	\$ 2,399,559	\$ (29,490) -1.2%
TOTAL ADMINISTRATIVE EXPENSE BUDGET			\$ 40,538,982	\$ 33,392,154	\$ 7,146,828 21.4%
FUND 871: 115 TRUST EXPENSE BUDGET					
612	Audit and Consulting CPA	304	10,000	10,000	- 0.0%
613	Legal	304	30,000	60,000	\$ (30,000) -50.0%
660	Self-Funded Insurance Admin Fee	304	973,000	864,000	\$ 109,000 12.6%
TOTAL 115 TRUST EXPENSE BUDGET			\$ 1,013,000	\$ 934,000	\$ 79,000 8.5%

SUMMARY OF CHANGES IN PERSONNEL

This table provides a look at the distribution and movement of personnel in the department among its business units.

DIVISION/SECTION	2021-22 Adopted Budget Regular Authorities	Proposed Changes				2022-23 Proposed Budget Regular Authorities	2022-23 Proposed Substitute Authorities		
		Reallocate	Transfers	Regularize Substitute Authorities	New		Cont.	New	Total
Executive	7					7			
Investments	12				+2	14			
Human Resources	5				+1	6			
Internal Audit	3					3			
Retirement Services	48		-6		+3	45	+3		3
Health, Wellness, and Buyback	22		+12	+3		37	+8		8
Member Services	17					17	+1		1
Member Stewardship Section	8		+6			14			
Administration	26		-12		+1	15			
Fiscal Management	15					15			
Systems	11					11			
Systems Operations Support	3					3			
TOTAL	177	0	0	3	7	187	12	0	12

Note two organizational transfers to better align resources:

- Service Purchase Section to Health, Wellness and Buyback from Administration Division
 - Additional Administration position reflects one new position to support cybersecurity
- Member Processing Unit to Member Stewardship Section from Retirement Services Division

ANNUAL BUSINESS PLAN FOR FY 2022-23

Department Programs

Annual Work Plan and Business Plan Initiatives for FY23

INVESTMENTS ADMINISTRATION

Positions: 14 Regular

Admin Budget: \$2,211,715

- Environmental, Social, and Governance Investment Policy Implementation
- Broadening Emerging Managers program
- Conduct peer benchmarking of the Investment Program

BENEFITS ADMINISTRATION

Positions: 99 Regular | 12 Substitute
Authorities

Admin Budget: \$11,533,587

- Separation Incentive Program - Year 3 (Audit and Evaluation)
- Employee Development - Succession Planning
- Expansion of Retirement Application Portal
- Health Carrier Contracts Requests for Proposals
- Assessment of Self-Funding for Medical Plan
- Medicare Operational Compliance Review

GENERAL ADMINISTRATION AND SUPPORT

Positions: 74 Regular

Admin Budget: \$16,490,099

- Headquarters Move Initiative - Year 3
- Governance and Cybersecurity
 - Strategic Planning
 - LACERS Symposium
 - Strengthening Cybersecurity
- High Performing Workforce Initiative
 - Learning Management
 - Diversity, Equity and Inclusion
 - Employee Intranet

FY23 BUSINESS PLAN-BENEFITS ADMINISTRATION

BENEFITS OPERATIONS OPTIMIZATION

Introduction to Multi-Year Service Level Enhancements for Retirement Services Division and Health, Wellness, & Buyback Division

The Proposed Fiscal Year 2022-23 Business Plan for Benefits Administration continues the multi-year effort to optimize Benefits Operations to meet the strategic goals of outstanding customer service and timely and accurate delivery of benefits. This effort began with the launch of a modern Pension Administration System (PAS) in March 2018, followed by process reengineering to align business functions efficiently with the new system. A year-long review of benefit operations resulted in an organizational restructuring in Fiscal Year 2019-20. In March 2020, two years since the new system replacement, efficiency gains from the PAS and reorganization were fully realized. Retirement Services Division, and Health Benefits & Wellness Division proceeded to identify additional strategies to strengthen Benefits Operations for the long-term. A review of workload indicators showed a consistent increase in retirement caseload, survivorship caseload, covered lives, call volume and various key data points which outpaced increases in staffing. The past approach of doing more with less, was exhausted and no longer sustainable. LACERS initiated a plan to incrementally add staff to meet current service levels, incorporating seven new regular positions in the Fiscal Year 2020-21 budget, just before the Global Public Health Emergency. In the following fiscal year, resources were focused on completing the City Separation Incentive Program with 19 temporary positions activated for that effort. Still, some progress was made to augment on-going benefits work with three additional regular positions in Fiscal Year 2021-22.

We resume this effort in Fiscal Year 2022-23 in a work environment significantly changed from what we had known. Aside from the external public health, political, social and financial issues which may have further impacts to LACERS, we will be operating in a new office space, under a hybrid telecommute plan, and working with a "new" team consisting of many benefits staff in new roles resulting from the cascade effect of senior managers who have retired. The Benefits Operations staffing plan will need to remain flexible and continue to be assessed annually. Our hope is to achieve some normalcy in FY23, and to have a sound basis to set new standards for staffing levels to meet future needs.

Based on our experience of the past two years, in addition to workload indicators, there is justification to support the continued effort to expand staffing in the coming fiscal year with six new regular positions and twelve substitute authority positions; then in the following fiscal year, regularizing some of the substitute authority positions and adding one position to reduce call wait times, and another position to support in-person Wellness events. The proposed staffing increases will address the following risks.

FY23 BUSINESS PLAN-BENEFITS ADMINISTRATION

Recent and Future Retirements of LACERS' Benefits Operations Staff

In the current fiscal year, six experienced personnel retired from LACERS, all with expertise in Benefit Operations, including an Assistant General Manager, Division Chief, and Assistant Division Chief. In Fiscal Year 2022-23 sixteen benefits personnel are eligible to retire, increasing to 23 in Fiscal Year 2023-24. In the next five years, most of the key senior staff in Retirement Services, will be eligible to retire, as well as individuals in critical positions in the Health, Wellness and Buyback Division. Benefits knowledge takes 1-2 years to develop, therefore building in sufficient time for knowledge transfer to help newer staff develop the skills and knowledge they will need as future supervisors and managers is imperative and time sensitive.

Care, Retention, and Recruitment of Knowledge Workers

Benefits operations is reliant on knowledge workers. The pandemic has prompted people to reassess their priorities and purpose. To retain our greatest asset, institutional knowledge, requires that employees have a balanced workload, including dedicated time for knowledge transfer; that they are performing at their classification and challenged with projects that give them new experience and skills; and employees can engage in activities that allow them to strengthen and shape their bond with the culture of the organization.

Our multi-year staffing plan will improve on several challenges including: retention, recruitment, staff burnout/morale issues due to high workload; and classifications performing lower-level assignments, working continuous overtime, and an inability to take time off due to staffing shortages. The plan also moves toward replacing temporary help with regular positions to create staff longevity, minimize retraining costs, and mitigate loss of experience.

Benefit Complexity and Overlapping Special Projects

Since 2009, benefits administration has been complicated by changes in plan design, increased legal and regulatory requirements, and the challenges that come along with system implementations and new technology. Subject matter experts participate in discussions, and preparation for implementation of such changes as well as on-going implementation. Often externally initiated, these projects were not properly resourced, reliant on resources being shifted away from core benefits processing work and oversight. Multiple, successive, and overlapping projects have simply added to the workload and complexity of benefits administration.

FY23 BUSINESS PLAN-BENEFITS ADMINISTRATION

YEAR(S)	LIST OF PROJECTS
2009-2015	IRS Voluntary Compliance Program Plan Determination Letters & Tax Compliance Project
2009-2010	Early Retirement Incentive Program (ERIP) retiring over 3,000 in a six-month period
2010-2011	Citywide Layoff Project
2011	Tier 1 members' Health Subsidy Increase Vesting Rights Benefits Change
2011	Alive and Well Project
2011-2018	Pension Administration Project (PAS) Requirements Gathering and Implementation
2013	Defense of Marriage Act overturned by Supreme Court. Implement change to non-imputable health subsidy dollars for cost of same sex marriage
2011-2014	Tier 2 Discussions & Adoption (was later converted to Tier 1) - Benefits Change
2013-2015	GSD Office of Public Safety Transfer to LAPD
2014	Suspension of reciprocity with Water and Power Employees Retirement Plan (WPERP) Benefits Change
2015	Affordable Care Act for children under the age of 26. Implementation of eligible dependents
2015-2017	Tier 3 Discussions & Adoption - Benefits Change
2016	Alive and Well Project
2016-2018	Tier 1 Enhanced for Airport Peace Officers, Discussion & Adoption - Benefits Change
2016-2017	Ontario Airport Transfer
2018	Personnel Flex Benefit Refund Project
2018	Establishment of the Post Employment Health Care Fund, also known as the 115 Trust Fund. The establishment of this new fund created an additional complexity in administering benefits.
2019	Self-funding of Delta Dental HMO/PPO and Blue View Vision transitioned from a Full Insurance Program
2020-2022	City, Airport & Harbor Separation Incentive Programs to retire close to 1,800 members

FY23 BUSINESS PLAN | BENEFITS ADMINISTRATION

SERVICE LEVEL ENHANCEMENT | RETIREMENT SERVICES

FY23 NEW POSITIONS/CONT. SUBAUTHORITIES	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 1 Administrative Clerk (New Regular), Service Retirement Unit • 1 Benefits Analyst (Continue Substitute Authority), Service Retirement Unit • 2 Benefit Specialists (Continue Substitute Authority), Service Retirement Unit • 1 Senior Benefits Analyst 1 (New Regular), Survivor Benefits Unit • 1 Accounting Clerk (New Regular), Legal Processing Unit 	<p>These additional staff will augment existing staff to achieve the RSD FY23 goals to:</p> <p>Service Retirement Unit</p> <ul style="list-style-type: none"> • Process 100% of the retirement applications on time Baseline: 1,100; Target: 1,100 • Complete retirements for 100% of valid applicants Baseline: 985; Target: 985 • Complete 1,000 SIP Audits • Complete 600 Case Audit Reviews <p>Survivor Benefits Unit</p> <ul style="list-style-type: none"> • Process up to 1,000 death cases • Audit 50% of the death case • Oversee implementation of the new Tier 1 Enhanced benefits <p>Legal Processing Unit</p> <ul style="list-style-type: none"> • Process up to 250 legal authority documents • Process up to 50 wage assignments • Handle up to 900 correspondence

SERVICE RETIREMENT UNIT

The Administrative Clerk position in the Service Retirement Unit will allow for restructuring additional clerical functions to support the new Retirement Application Portal to improve efficiencies. The proposed Benefits Analyst will act in the capacity of expeditor/troubleshooter to assist and resolve complex or problematic cases, identify potential problem cases, monitor aging reports, identify workflow challenges and assist with supervisory and training duties.

Three Benefit Specialist positions were provided in the FY2021-22 budget to complete audits of the Separation Incentive Program retirements. Due to funding constraints, the Benefits Specialist positions were left unfilled. Two Benefit Specialist subauthority positions will complete the outstanding SIP Audits, other case audits, and assist with workload associated with the increase in retirements, case complexity and additional tasks created in moving to a primarily electronic processing format.

FY23 BUSINESS PLAN | BENEFITS ADMINISTRATION

SERVICE LEVEL ENHANCEMENT | RETIREMENT SERVICES

Survivor Benefits Unit Caseload

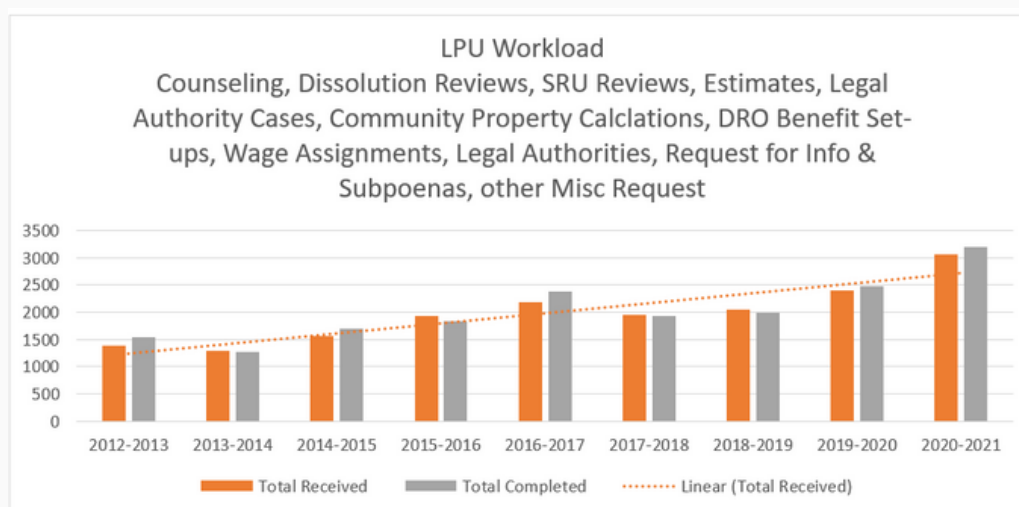
	Total Staff	Active Death Cases	Retired Death Cases	Survivor Death Cases	Total Caseload	% Changes	Average 3 Beneficiaries	Average 2 Benefits Payable
2016	7	88	481	202	771		2313	4626
2017	9	73	481	230	784	2%	2352	4704
2018	6	95	517	237	849	8%	2547	5094
2019	7	80	489	198	767	(-10%)	2301	4602
2020	8	107	574	240	921	20%	2763	5529
2021	6	116	635	252	1003	9%	3009	6018

SURVIVOR BENEFITS UNIT

The complexity of survivor benefits warrants a Senior Benefits Analyst I dedicated to the unit to perform high-level case review, case auditing, and provide training, guidance, and direction to staff on survivorship issues. The position will improve overall unit processing efficiency, increase case closure performance, and reduce case backlogs.

LEGAL PROCESSING UNIT

The Accounting Clerk Trainee is a full-time permanent position that will replace the need for several part-time staff supporting the unit. The position is part of City of Los Angeles Bridge program, which provides an alternate means of entry to civil service through a training position.



FY23 BUSINESS PLAN | BUYBACK SERVICES

SERVICE LEVEL ENHANCEMENT | SERVICE PROCESSING SECTION

FY23 NEW POSITIONS/CONT. SUBAUTHORITIES

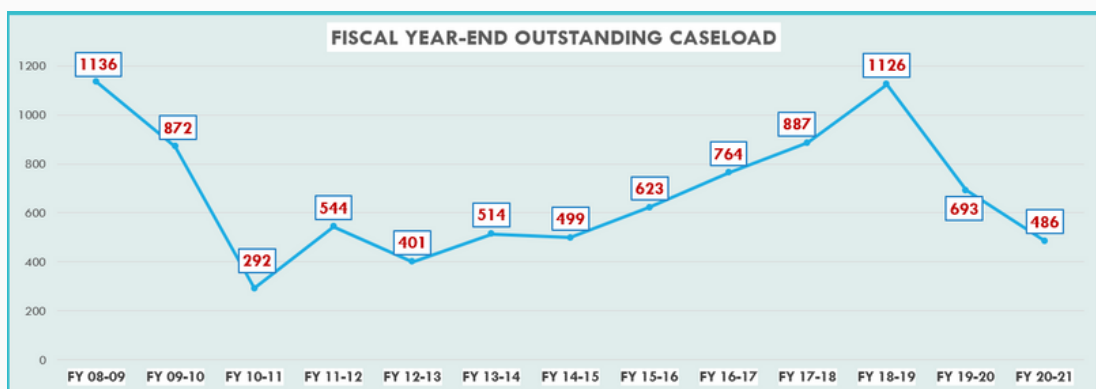
- 1 Benefits Analyst, (Regularize Substitute Authority)
- 1 Benefits Specialists, (Regularize Substitute Authority)
- 1 Benefits Specialists, (Continue Substitute Authority)
- 1 Accounting Clerk, (Continue Substitute Authority)

PERFORMANCE OBJECTIVES

These additional staff will:

- Reduce Member wait time from 8 months to 5 months at the end of the FY
- Reduce the Outstanding Caseload from 424 to 99

In July 2020, the Service Processing Section (SPS) had a caseload count of 1,146 causing Members to wait over 12 months to complete their service purchases. In anticipation of additional service purchase requests generated from the Separation Incentive Programs, five limited appointment positions were added to SPS. By July 2021, the total case count was reduced to 471, with 188 of those being aged cases (six months or more in the queue). As of December 2021, the total case count was reduced further to 324, with 15 aged cases, and average wait times of six months. Continuing four of the five positions in the coming year will ensure proper staffing levels to meet the incoming service purchase applications and further reduce the long-standing backlog.



FY23 BUSINESS PLAN | HEALTH BENEFITS & WELLNESS

SERVICE LEVEL ENHANCEMENT | HEALTH BENEFITS & WELLNESS

FY23 NEW POSITIONS/CONT. SUBAUTHORITIES

- 1 Benefits Specialist, (Regularize Substitute Authority), Health Advocacy
- 1 Benefits Specialist, (Continue Substitute Authority), Health Advocacy
- 1 Benefits Specialist, (Continue Substitute Authority), Health Plan Enrollment Unit
- 1 Senior Benefits Analyst, (Continue Substitute Authority), Health Administration
- 1 Management Assistant, (Continue Substitute Authority), Account Reconciliation
- 1 Sr. Project Coordinator, (Continue Substitute Authority), Wellness
- 1 Administrative Clerk, (Continue Substitute Authority), Wellness

PERFORMANCE OBJECTIVES

These additional staff will:

- Process health benefit enrollments for up to 1,000 new retirees
- Process up to 8,000 health benefit enrollments of retirees and dependents
- Process up to 11,000 Medicare enrollments
- Handle up to 14,000 Member calls related to retiree health benefits
- Administer medical, dental, and vision benefit subsidies and claims for up to 23,000 covered lives

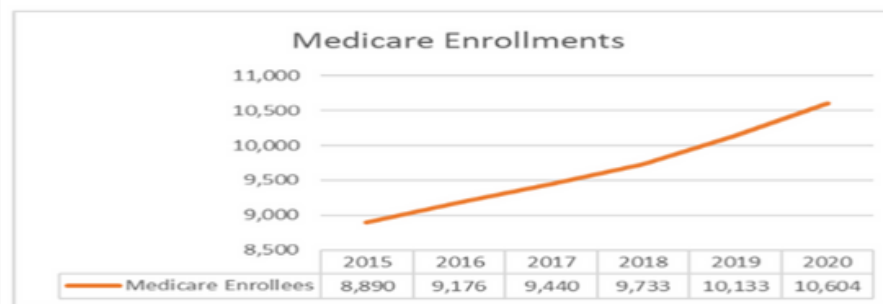
HEALTH ADVOCACY UNIT

The Advocacy Unit provides counseling to retiring members and processes required retirement paperwork to ensure members are placed on payroll timely. The unit of five, including two substitute authority positions, provide support with answering daily inquiries to retired members and investigating claims issues. The Advocacy Unit is experiencing a high volume of requests for services. Continuation of two Benefit Specialist positions (one regular authority, one substitute authority) are needed to meet the current workload.



FY23 BUSINESS PLAN | HEALTH BENEFITS & WELLNESS

SERVICE LEVEL ENHANCEMENT | HEALTH BENEFITS & WELLNESS



HEALTH ENROLLMENT UNIT

Continuation of the Benefits Specialist substitute authority position is needed to support the increase in medical plan covered lives. The Annual Open Enrollment invites approximately 23,000 Retired Members, survivors, and dependents to review and consider changing their health plans for the coming calendar year. Open Enrollment activities rally the entire health division staff toward completion of this time sensitive activity, as all changes must be entered in time for the December retiree payroll, when the first premium payment for January plan coverage is made. There can be no delay or backlogs in this work of the Health Division as a lapse in health plan coverage can create a serious impact on Member's ability to access health care, and any lack of diligence on our part creates a risk for LACERS should the lack of access result in serious harm to the Member.

HEALTH ADMINISTRATION

This Senior Benefits Analyst I was approved in Fiscal Year 2021-2022 to assist with succession planning in the Health Division. Recently the Division Manager retired with over 15 years of institutional knowledge in the administration of health benefits, followed shortly by the Assistant Division Manager. The most experienced Senior Manager on the team with more than 20 years of experience is retirement eligible. The loss of institutional knowledge from these high-level positions is detrimental in the administration of health benefits. By continuing the sub-authority, Health Division will have an additional Senior Analyst to gain institutional knowledge and assist with management tasks.

ACCOUNTS RECONCILIATION UNIT

Continuation of the existing Management Assistant sub authority is needed to meet the on-going workload in Account Reconciliation Unit to analyze and confirm health carrier billings, calculate health benefit premiums and rates, process Medicare subsidies, and process Medical Premium Reimbursement applications and claims.

WELLNESS

The Wellness Program promotes retiree well being through socialization and participation in Wellness events. The program's current staffing allows for the continuation of current virtual offerings. Given the uncertainty of whether in-person events can be held, expansion of the program offering is deferred. However it is a goal of the program to resume in person socialization and connection when it is safe to do so and to serve as a seasoned, data-driven "best practice" in retiree wellness, which ultimately improves Member health outcomes. The Wellness Program also seeks to expand into a nationally recognized retirement wellness program by partnering with other retirement systems for knowledge-sharing, and senior community influencers for promotions and business sponsorships. In Fiscal Year 2023-24, or sooner if there is sufficient funding, it is recommended to add another Benefits Analyst to build the program for excellence in retiree wellness programming and extend the LACERS brand.

FY23 BUSINESS PLAN | MEMBER SERVICES

SERVICE LEVEL ENHANCEMENT | MEMBER SERVICES

FY23 CONTINUE SUBAUTHORITY POSITION

- 1 Benefits Analyst, (Continue Substitute Authority)

PERFORMANCE OBJECTIVES

This additional staff will augment existing staff to achieve the Member Services Team FY23 goals to:

- Reach 1,300 YouTube Subscribers
- Post 25 additional YouTube videos

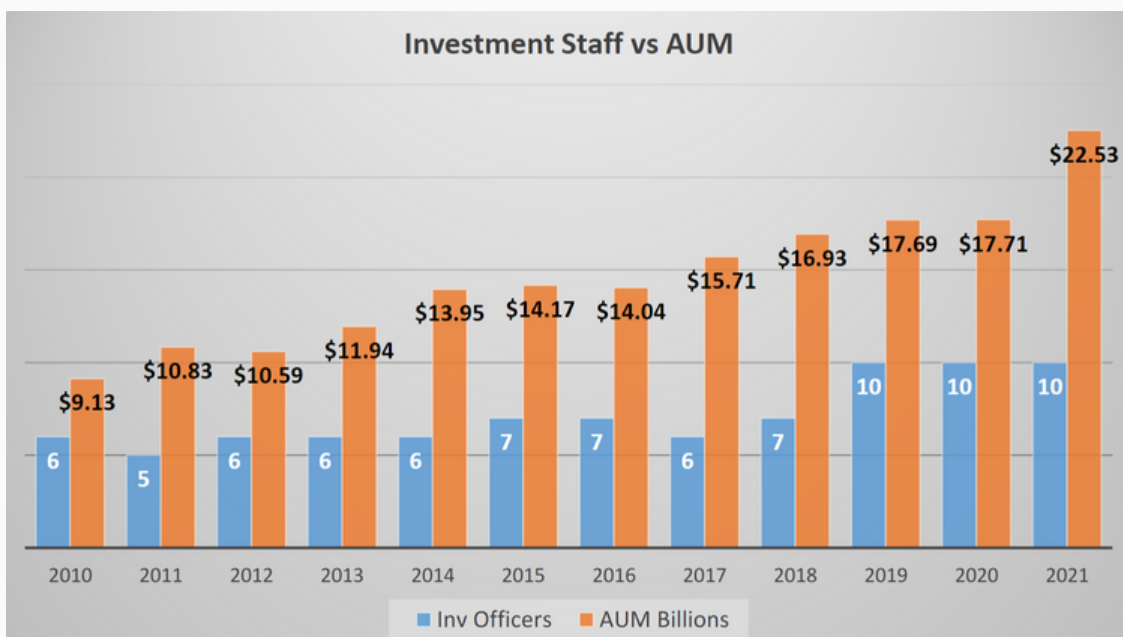
This Benefits Analyst position is an integral part of the Member Engagement Team which has expanded its offerings through scripting, editing, and recording videos for the LACERS YouTube channel (27 videos posted to date FY22 and 94 in total). The Benefit Analyst conducts virtual seminars and represents LACERS at in-person special events (conducted 37 to date and on pace to exceed last year by 10%); serves as the lead on the Retirement Application Portal design, build, implementation, and Phase 2 enhancements; and provides continuous service to our internal partners on technology and other necessary support.

FY23 BUSINESS PLAN-ENHANCEMENTS SUBAUTHORITY POSITIONS

SERVICE LEVEL ENHANCEMENT | INVESTMENT

FY23 NEW POSITIONS	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • 1 Investment Officer II (New Regular), Private Markets Unit • 1 Administrative Clerk (New Regular), Private Markets Unit 	<p>These additional staff in the Private Markets Unit will:</p> <ul style="list-style-type: none"> ○ Support increasing Private Equity allocation workload ○ Coordinate Investment Internship and Fellowship Programs ○ Support new Investment Program objectives in: <ul style="list-style-type: none"> ▪ Environmental, Social, Governance Program ▪ Emerging Manager Program

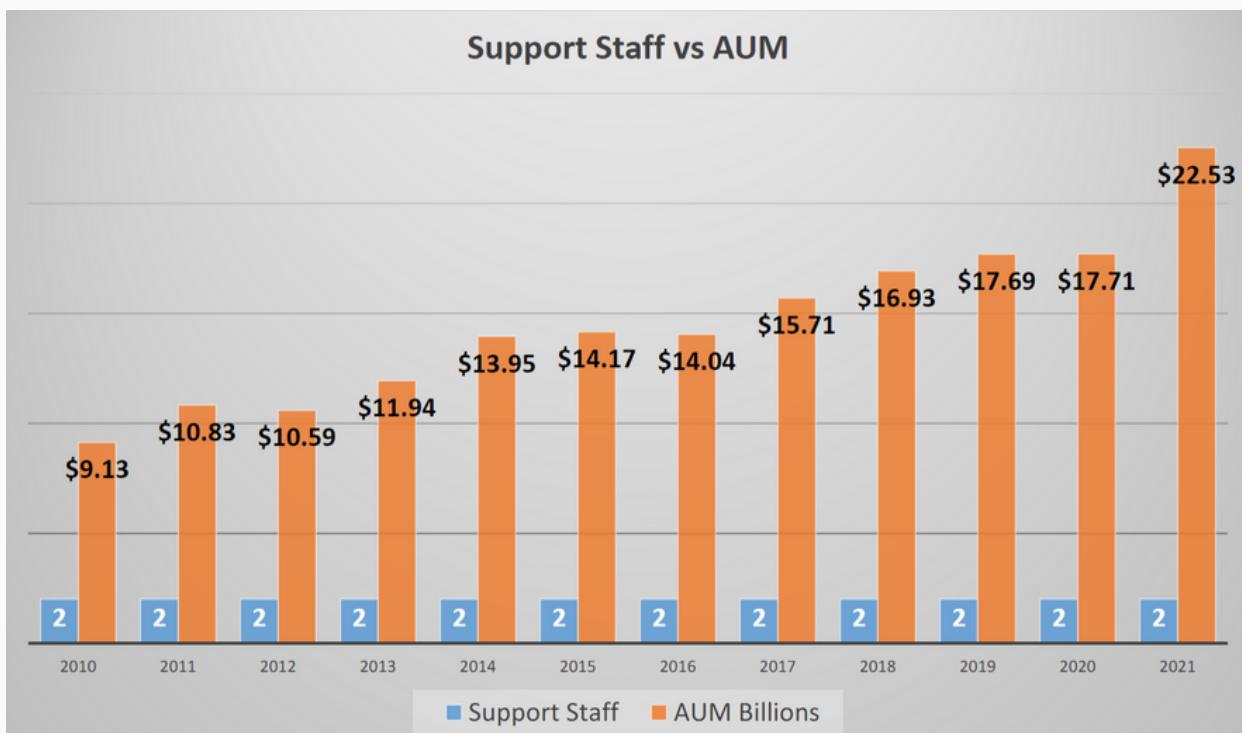
The Investment Officer II will manage the Environmental, Social, Governance (ESG) and Emerging Manager (EM) Programs, including investment Diversity, Equity, Inclusion (DEI) efforts, and coordination of the Girls Who Invest (GWI) internship and Investment Management Fellowship Program (IMFP). Due to the dynamic and complex investment initiatives and programs that this position would oversee, an Investment Officer II is requested in order to recognize the caliber of investment professional and long-term program consistency needed for this unique and specialized position.



FY23 BUSINESS PLAN-ENHANCEMENTS SUBAUTHORITY POSITIONS

SERVICE LEVEL ENHANCEMENT | INVESTMENT

An Administrative Clerk will support the entire division with an emphasis and priority to support the clerical needs of Private Markets Unit, support of the ESG Risk Officer (including the ESG Program, DEI Initiatives, and EM Program), and serve as a back up to the Senior Administrative Clerk. The presence and emphasis on ESG has increased since becoming a PRI signatory plus the increase of the Private Equity policy target rising to 16% from 14%. This has led to a greater number of capital calls, stock distributions, setting up new accounts with the bank custodian, registering LACERS on the general partner's data portal to download documents and notices, and assisting Investment Officers in processing consents and partnership amendments, and contracting processing. This position would also assist in processing time-sensitive CPRA requests and updates on the LACERS website, and support the Division's succession plan.



FY23 BUSINESS PLAN-ENHANCEMENTS NEW REGULAR POSITIONS

SERVICE LEVEL ENHANCEMENT | GENERAL ADMINISTRATION

FY23 NEW POSITIONS	PERFORMANCE OBJECTIVES
<ul style="list-style-type: none"> • Personnel Director I (New Regular), Human Resources Unit • Cybersecurity Analyst (New Regular), Administration Division 	<ul style="list-style-type: none"> • Personnel Director will meet the hiring and human resource needs of LACERS including: <ul style="list-style-type: none"> ◦ Overseeing an ongoing Diversity, Equity and Inclusion Initiative • Cybersecurity Analyst will manage LACERS Cybersecurity Program including: <ul style="list-style-type: none"> ◦ Cybersecurity Strategic Roadmap implementation ◦ Ongoing event monitoring

The Personnel Director will report to the General Manager and oversee the Human Resources Unit (HRU) comprised of five staff. This position will provide greater oversight and more sufficient staffing levels to meet the needs of a growing department and more complex operating environment spurred by COVID and remote work. Adding a position to HRU will also free up a Senior Personnel Analyst to focus on growing internal efforts in Diversity, Equity and Inclusion, as well as to assist in representing LACERS' interests in other HR related City mandates.

A Cybersecurity Analyst position will report to the Executive Officer working across all departmental lines to facilitate and monitor a departmentwide cybersecurity program. This position will provide ongoing systems monitoring independent of the Systems Division, including overseeing implementation of LACERS' cybersecurity strategic roadmap. It is anticipated to utilize a new Cybersecurity Analyst classification in development by the City; however, if the new classification is not available to LACERS in the new fiscal year, an alternate position will be used in conjunction with a selective certification for cybersecurity credentialed individuals.

BPI: GOVERNANCE

ADVANCES THE STRATEGIC PLAN GOAL TO UPHOLD GOOD GOVERNANCE PRACTICES WHICH AFFIRM TRANSPARENCY, ACCOUNTABILITY, AND FIDUCIARY DUTY

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$40,000	
Strategic Planning	\$25,000	
Symposium	\$15,000	



PURPOSE

In accordance with LACERS' Strategic Planning Policy and Board mandate, LACERS shall conduct a strategic planning session every three to five years. The last strategic planning process was conducted in FY 2019 and the initiatives have largely been achieved. Coupled with the challenging circumstances of the time and ongoing transformation of the department, LACERS is due for another Strategic Planning session in FY23. Conducting strategic planning every few years ensures that LACERS mission, motto, guiding principles, goals and objectives are aligned. This process helps assess current situations and any opportunities to further enhance or reaffirm LACERS mission and vision. In addition, LACERS is due for its triennial Board policy review following the strategic planning process, which will help inform policy updates. A governance consultant will help guide LACERS to realize any efficiencies/inefficiencies, opportunities, threats, and innovation within the organization.

Further, next year LACERS is planning for a Pension Symposium. A Symposium focused on LACERS and the retirement industry is informative and provides transparency for the Board and the public. The last LACERS Pension Symposium was held in 2017 and as much has changed, a new forum for sharing Retirement industry topics and trends would come at an opportune time.

BPI: GOVERNANCE (CONT.)

DELIVERABLES

- Conduct of a Board Strategic Plan session and Plan documentation
- Review and update of Board policies
- Hosting of a Pension Symposium for the public

BPI: HIGH PERFORMING WORKFORCE

ADVANCES THE STRATEGIC PLAN GOALS TO RECRUIT, RETAIN, MENTOR, EMPOWER, AND PROMOTE A HIGH PERFORMING WORKFORCE; INCREASE ORGANIZATION EFFECTIVENESS, EFFICIENCY, AND RESILIENCY

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$310,323	1
Learning Management	\$44,000	
Diversity, Equity, and Inclusion (DEI)	\$245,805	1
Intranet	\$20,518	



PURPOSE

LACERS has steadily been making investments in becoming a high performance workplace, but one of the most important factors in creating a high performance workplace is instilling a high-development culture – one that values the growth of individuals.

Per research done by Gallup, organizations that have made a strategic investment in employee development see a two-fold increase in employee retention and significant increase in productivity, as marked by profitability. As a government entity, profitability is not a concern, but the ability of our employees to take action and produce more efficiently is.

At LACERS, we can take the step of investing employee development by focusing on increasing employee engagement. Through the DEI initiative, we intend to surface the needs of all employees, express clearly the needs of the organization, and create pathways for growth into leadership, for employees of all types. By focusing on development of a LACERS learning management system and Intranet, we can reinforce the cultural values of LACERS, connect employees with one another, and connect employees back to the larger organization.

By meeting employees' basic needs with clear expectations, sincere recognition, the right materials and the right equipment, we can make strides in creating a highly driven workforce that meets the needs of the organization and our Members.

BPI: HIGH PERFORMING WORKFORCE (CONT.)

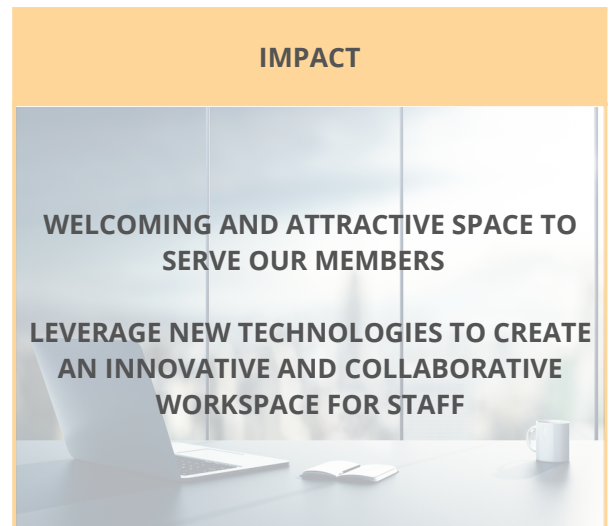
METRICS

- Conduct and collect DEI surveys and establish baselines to measure progress
- Measure participation in training programs
- Hire a position to lead and consultant to develop DEI efforts in LACERS
- Create up to 10 unique learning pathways in the LMS
- Launch the Intranet and develop internal communications function, integrate various new communication platforms into single channel

BPI: HEADQUARTERS MOVE

ADVANCES THE STRATEGIC PLAN GOALS TO PROVIDE ORGANIZATIONAL EFFECTIVENESS, EFFICIENCY, AND RESILIENCY; OUTSTANDING CUSTOMER SERVICE

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$2,612,651	
Insurance	\$128,500	
Systems	\$73,827	
Property Management	\$1,523,840	
Capital Expense	\$527,047	
HQ Move and Other Expenses	\$359,437	



PURPOSE

- Providing a work environment that supports employee performance and well-being allowing LACERS to attract, retain, and develop the best employees in the City of Los Angeles.
- Designing a workplace that promotes innovation, creativity, collaboration, and security using technology and design.

The "Headquarters Move" BPI is a multi-phased initiative and this upcoming fiscal year focuses on continuing preparation for staff occupancy at the new headquarters building and providing a welcoming space to serve our Members. Moreover, this BPI includes LACERS' work to transition from the old to the new headquarters and the work required to surrender the old headquarters as outlined in LACERS' lease agreement.

METRICS



Seismic &
Structural
Reinforcement



Internal
Demolition



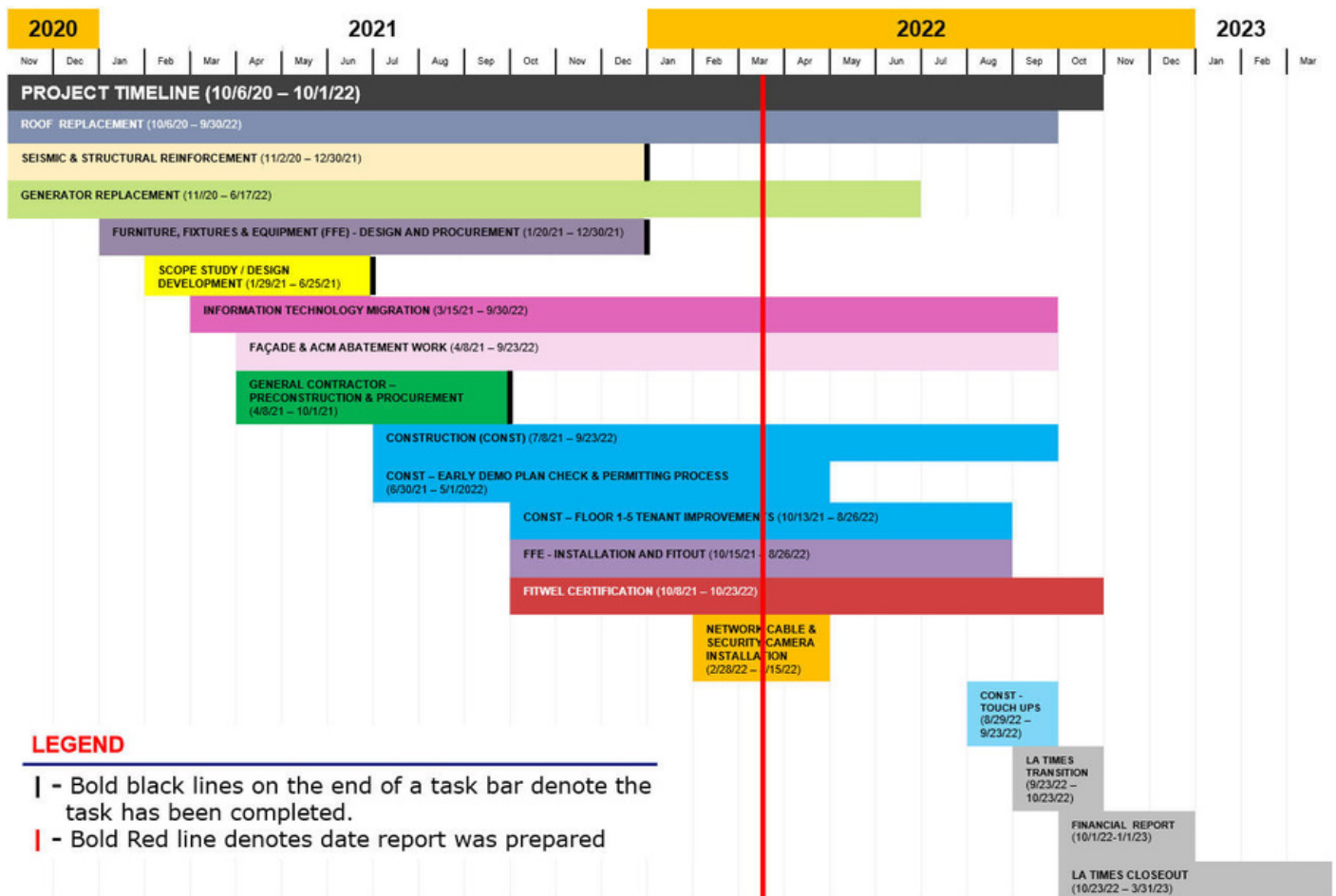
Identify
Vendors to
Perform Work



Office Furniture
& Fixtures

BPI: HEADQUARTERS MOVE (CONT.)

TIMELINE



BPI: HEADQUARTERS MOVE (CONT.)

10 YEAR CAPITAL PLAN

Once LACERS has finalized the transition to the 977 building, LACERS will implement a 10-Year Capital Plan that ensures proactive planning of capital expenditures and establishes spending priorities and overall capital improvement goals.

The plan prioritizes performing routine evaluations of the building's mechanical and structural resilience. This includes tracking the lifespan of the building's HVAC system, elevator lift, generators, and electrical components. Modernization of the mentioned systems and implementing eco-friendly technology are also part of the 10-Year Capital Plan. As new technology becomes available, LACERS will evaluate how to incorporate these technologies into the HQ to promote sustainability and reduce our energy costs. This plan will also include routine reviews of how our LACERS HQ serves our Members and staff and promotes human health and wellbeing.

For FY23, LACERS proposes the following work be funded as part of the 10-Year Capital Plan:

FY23 CAPITAL PLAN BUDGET REQUEST		
Category	Property Component	Expense
Site Improvement	<u>Water Intrusion</u> : Joint sealants along base of building have deteriorated allowing water to enter between sidewalk and edge of building. Sealants should be removed and replaced.	\$15,000
Parking Garage	<u>Floor Cracking</u> : Cracking in the concrete parking garage floor slabs has been observed in many areas. As a precautionary measure wider cracks in traffic lanes, along with cracks that could permit water infiltration, should be filled with a semi-rigid epoxy or urethane sealant to minimize water infiltration to the steel reinforcing.	\$20,000
	<u>Wall Cracking</u> : The garage walls need to be inspected and the cracks that appear to be the most likely source of water infiltration need to be sealed by epoxy injecting the cracks. To maintain good long-term structural conditions, it is recommended that the parking garage walls be reinspected every 3-years.	\$10,000
	<u>Miscellaneous Repairs</u> : Various repairs to the floor slabs of the parking garage where bollards were previously installed, other concrete patchwork, or poor drainage in the parking garage.	\$25,000
	<u>Electric Car Charging Stations</u> : Work with DWP to install electric car charging stations in parking garage	\$60,000
Interiors	<u>Window Film</u> : Installation of window film on all floors to reduce heat gain and glare.	\$60,000

BPI: HEADQUARTERS MOVE (CONT.)

CAPITAL PLAN (CONT.)

FY23 CAPITAL PLAN BUDGET REQUEST		
Category	Property Component	Expense
Elevators	<u>Door Controls</u> : The two traction elevators were upgraded with new machines and controllers in 2009. Door controls now need to be upgraded.	\$18,000
	<u>Auto-Rescue Upgrade</u> : In case of a power outage the installation of this upgrade will safely bring passengers to the nearest landing and open the elevator doors for passenger's release.	\$132,468
Electrical	<u>PM Results</u> : Rebuild components in the electrical system based on the results of the Switchboard PM performed.	\$65,000
	<u>Motor Control Center (MCC)</u> : Replace/rebuild components of the MCC based on age and useful service life.	\$25,000
Fire & Life Safety	<u>Fire Sprinkler System - Bracing</u> : All feed and cross mains should be provided longitudinal bracing as required by NFPA 13.	\$50,000
	<u>Fire Sprinkler System - Bracing</u> : Branch line restraint splay wires should be replaced with wires at a 45 degree angle to comply with NFPA 13 Section 9.3.6.1.	\$10,000
	<u>Jockey Pump Installation</u> : Required by L.A. Code to install jockey pump to increase the lifespan of the fire pump when operating.	\$17,000
Capital Project Oversight	<u>Contractual Fee</u> : 4% increase in contractual fees for capital project oversight.	\$19,579
TOTAL		\$527,047

BPI: ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING

ADVANCES THE STRATEGIC PLAN GOALS TO PROVIDE GOVERNANCE PRACTICES WHICH AFFIRM TRANSPARENCY, ACCOUNTABILITY, AND FIDUCIARY DUTY

FY23 BUDGET REQUEST		
	Expense	Positions
Total Request	\$27,750	1**
PRI Membership	\$14,000	
MSCI ESG Research Software	\$13,750*	

*Investment Budget

**Position costs not reflected



PURPOSE

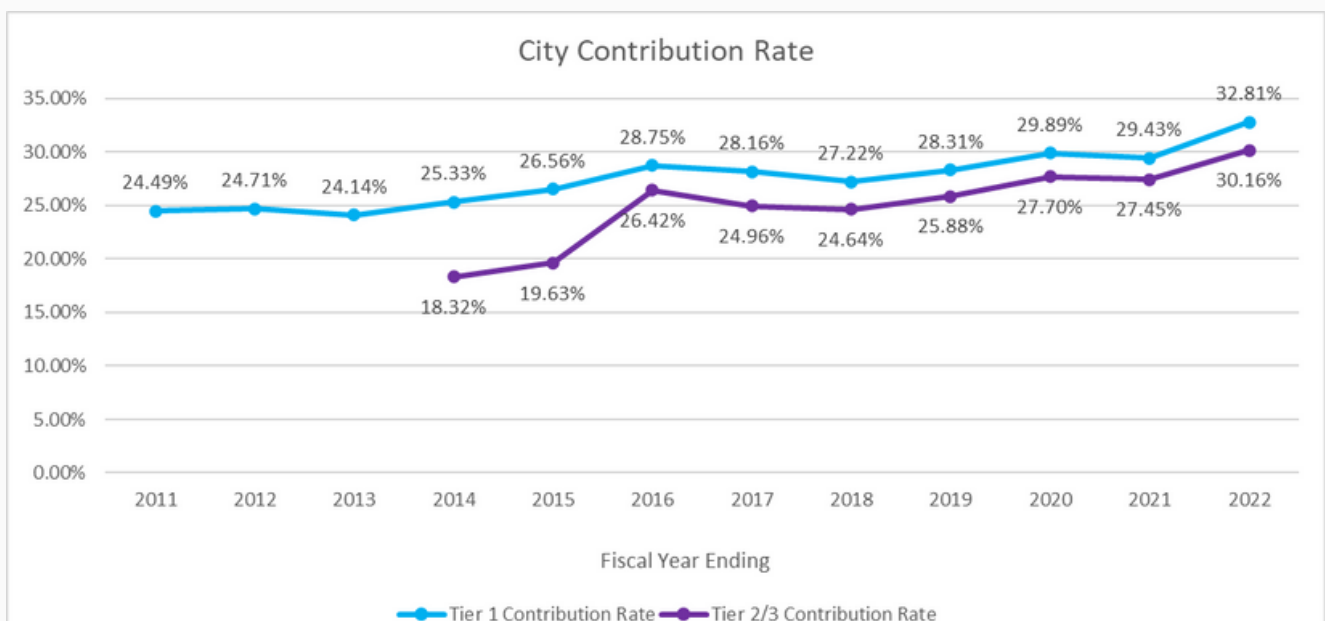
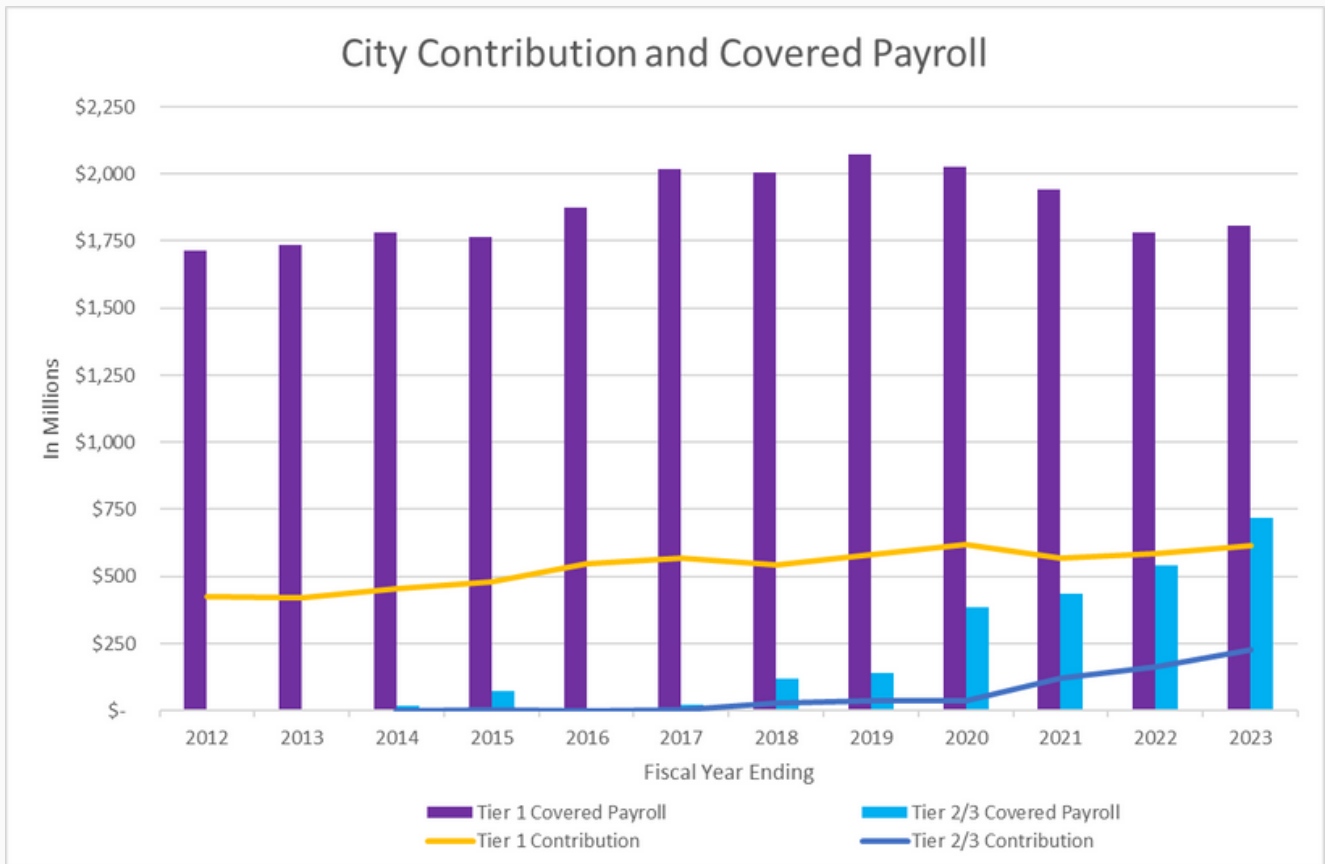
- Enhance the long-term risk adjusted returns of the LACERS investment portfolio through the implementation of a robust Environmental, Social, and Governance (ESG) Program guided by a comprehensive Responsible Investment Policy, and ESG Framework, and the Principles for Responsible Investment (PRI).
- Additional resource of a designated Investment Officer II position to facilitate implementation of the ESG Program pursuant to the PRI Action Plan, ESG Risk Framework and Board directives, as well as contributes toward the LACERS DEI initiatives and expansion of the Emerging Manager Program.

DELIVERABLES

- Consolidation of PRI and ESG Risk Framework Action Plans into a single comprehensive ESG action plan document

CITY CONTRIBUTION

The City Contribution is a percentage of the City's covered payroll. Over a ten-year period, both factors in calculating the contribution amount: (1) City payroll and (2) contribution rate have been on an upward trend. This corresponds to an increasing City contribution amount.



CITY CONTRIBUTION (CONTINUED)

	FY23	FY22	% CHANGE
Total	\$ 763,866,451	\$ 715,507,022	6.8
Retirement and Health Benefits	837,626,811	748,034,421	4.9
True-up Adjustment	(75,194,360)	(34,089,399)	120.6
Family Death Benefit Plan	47,000	71,000	-33.8
Excess Benefit Plan	1,332,000	1,464,000	-9.0
Limited Term Retirement	55,000	27,000	103.7

The City contributes funding for four plans administered by LACERS: Retirement and Health Benefits, the Excess Benefit Plan, the Family Death Benefit Plan, and the Limited Term Retirement Plan.

City contribution rates toward retirement and health benefits for LACERS Members are set by the Board upon adoption of the annual actuarial valuations. Stated in the form of a percentage of covered payroll, the amount of the City's contribution is determined on the final covered payroll adopted in the City's budget. The FY23 City Contribution reflected above is based on last fiscal year's final covered payroll and will change when the final covered payroll for FY23 is known. As of now, the estimate is based on the FY22 final covered payroll of \$1.8 billion for Tier 1 Members and rate of 33.93%; and a covered payroll of \$717 million and rate of 31.35% for Tier 3 Members. A credit adjustment of \$75,194,360 is applied toward the FY23 contribution to LACERS. This credit amount represents a true-up of the Fiscal Year 2021-22 contribution -- the difference between the contributions paid on July 15, 2021 based on the budgeted covered payroll amount and the actual payroll toward the end of the Fiscal Year. The City is also required by statute to make employer contributions for the Family Death Benefit Plan, the Excess Benefit Plan, and the Limited Term Retirement Plan.

Family Death Benefit Plan

Approximately 2,155 Active Members are opted into the Family Death Benefit Plan which provides an additional benefit to qualifying surviving minor children, or widow/widower over age 60 if the Member dies while an active City employee. The City's contribution to the Family Death Benefit is equivalent to a match of the Member's contribution of \$1.90 per month for FY23. This monthly amount is established pursuant to a biennial study of the full actuarial costs of the benefit as required by the Los Angeles Administrative Code.

CITY CONTRIBUTION (CONTINUED)

Excess Benefit Plan

The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC), currently \$245,000¹ for 2022. In 2022, there are 48 LACERS Members who receive their monthly LACERS' retirement benefit up to the limit allowable by the IRC, and the remainder of their benefit is paid separately by City funds. The City's cost of this program is the projected amount of the benefits that will be paid from the City's account for FY23, plus reasonable administrative expenses.

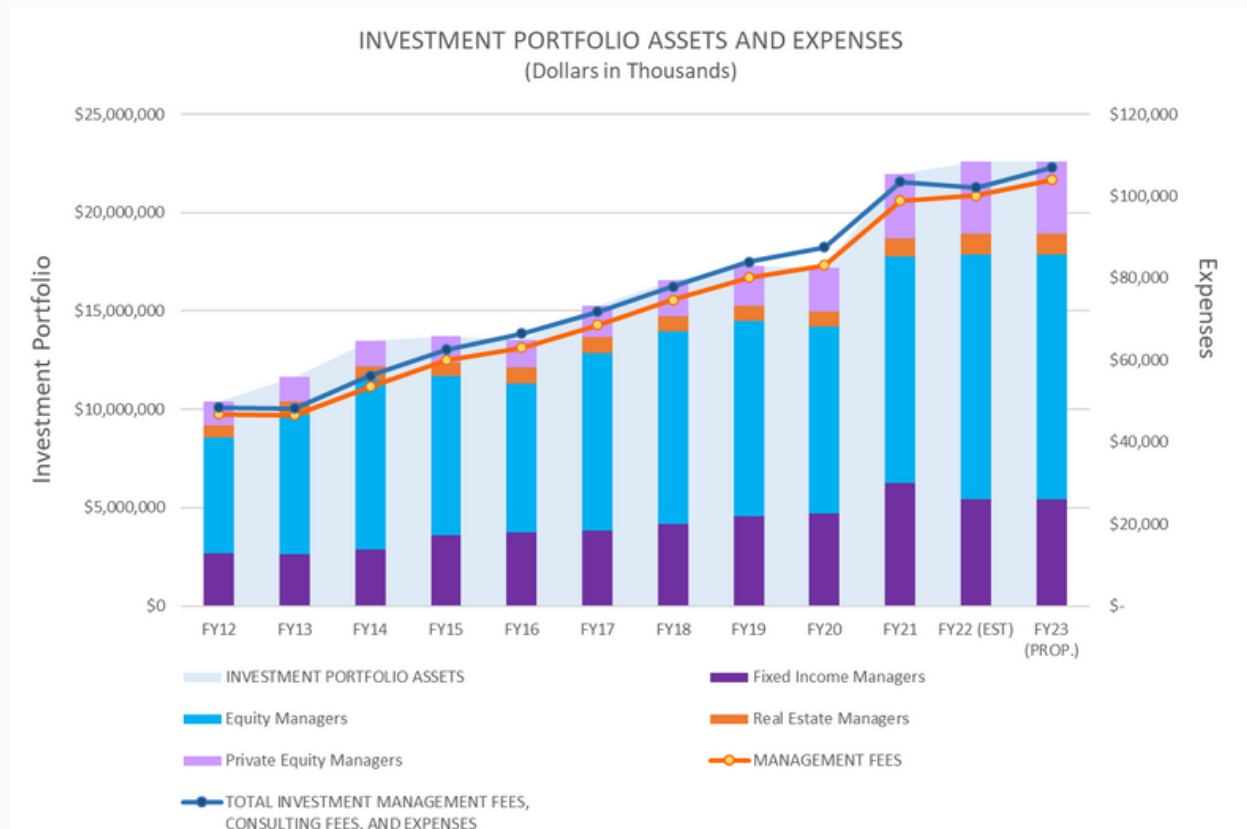
Limited Term Retirement Plan (LTRP)

The LTRP provides elected officials, who serve four-year terms, the option of participating in a defined contribution plan until they have completed the five years of City service needed to vest in the defined benefit plan. The City provides a contribution to LTRP Members at the same rate as the employer contribution to the LACERS defined benefit plan. There are currently two LTRP Members in the plan.

¹-----

This represents the unadjusted Excess Benefit limit. The individual limit must be adjusted based on the age of the Member at retirement, years of City service, service purchases, and calculated on a single-life annuity basis.

INVESTMENT MANAGEMENT FEES AND EXPENSES



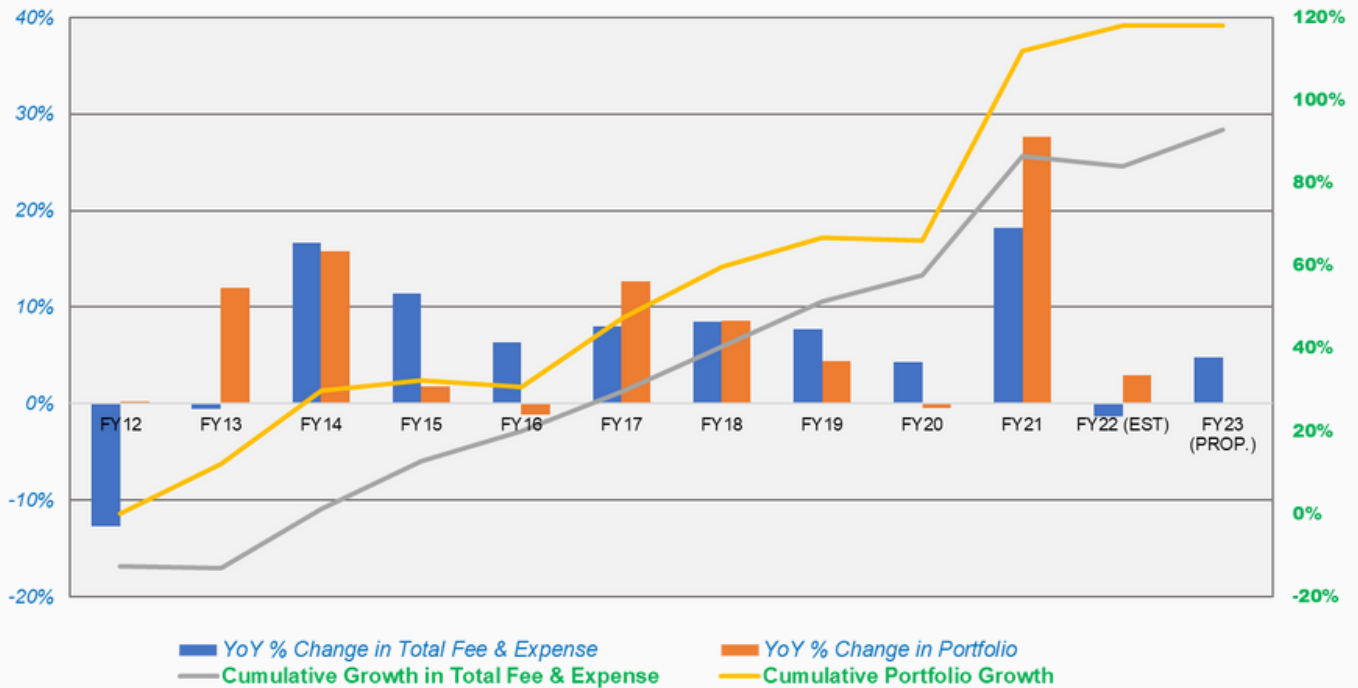
IN THE PAST TEN-YEAR PERIOD, OVERALL FEES HAVE INCREASED ALONG WITH THE INCREASE IN PORTFOLIO VALUE.

The Investment Management Fees are largely asset-based fees established in the respective contracts with investment managers hired by LACERS. Investment consulting fees are flat fees paid to our General Fund consultant, our Private Equity consultant, and our Real Estate consultant. Other expenses include research and services which support administration of the investment program.

	FY23	FY22	\$ CHANGE	% CHANGE
Total	\$ 106,923,414	\$ 95,652,261	\$ 11,271,652	11.8
Investment Management Fees	104,026,264	93,652,851	10,373,413	11.1
Investment Consulting Fees	2,532,000	1,740,500	791,500	45.5
Other Investment Expenses	365,150	258,910	106,240	41.0

INVESTMENT FEE RATE OVERVIEW

10-Year Management Fees and Expenses (%)



	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Fixed Income and Equity Fee Rate	0.22%	0.20%	0.20%	0.22%	0.23%	0.21%	0.23%	0.21%	0.21%	0.20%	0.20%	0.20%
Real Estate Fee Rate	1.40%	1.33%	1.42%	2.13%	1.33%	1.08%	1.05%	1.24%	1.47%	1.61%	1.21%	1.29%
Private Equity Fee Rate	1.57%	1.50%	1.60%	1.52%	1.88%	2.02%	1.92%	1.97%	1.91%	1.48%	1.41%	1.46%
Total Fee as a % of Portfolio	0.45%	0.40%	0.40%	0.44%	0.47%	0.45%	0.45%	0.46%	0.48%	0.45%	0.44%	0.46%
Total Fee & Expense as a % of Portfolio	0.47%	0.41%	0.42%	0.46%	0.49%	0.47%	0.47%	0.49%	0.51%	0.47%	0.45%	0.47%

INVESTMENT MANAGEMENT FEES AND EXPENSES

The 2022-23 Investment Management Fees & Expenses Budget increased by \$11.3 million or 11.8%. This includes:

- \$9.6 million from new commitments of over \$380M to Private Equity and Real Estate.
- \$0.8 million in net increase for Public Equity due to asset reallocation and increased market value.
- \$0.8 million due to increase in Real Estate and Private Equity Legal Consulting, as well as estimated amount for the new Private Credit Consulting.
- \$0.1 million increase in other expenses such as the new Private Equity Benchmark license, ESG Research Software and CEM Benchmarking.

Investment management fees have increased for several reasons:

1) Assets under management (AUM) have increased and so has the total fees paid to investment managers, which are based almost exclusively on asset size managed.

Example: LACERS AUM from June 30, 2020 (at \$17.69 billion) and June 30, 2021 (at \$22.54 billion) represented a \$4.85 billion difference equating to an approximate 27.4% increase in AUM. That additional asset growth naturally leads to more assets subject to management fees.

2) LACERS asset allocation policy has increased exposure to more complex investment strategies with higher fee structures to attain performance objectives to help achieve LACERS' 7% assumed rate of return in a long-term downward trending return environment. Investment strategies subject to exposure increases during the 2021 asset allocation study included:

- 2% to private equity
- 2% to private credit
- 1% to U.S. large cap public equities
- 1% to U.S. small/mid cap public equities
- 1% to emerging markets

These resulted in revised asset allocation policy targets of 16.0%, 5.75%, 15.0%, 6.0%, and a 6.67%, respectively. (Decreases in exposures included various fixed income and non-US developed equities strategies.)

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

**PROPOSED BUDGET
AND
PERSONNEL RESOLUTIONS**

Fiscal Year 2022 - 23

Presented May 24, 2022

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES³

Actual 2020-21	Adopted Budget 2021-22	Estimated 2021-22¹		Budget Appropriation 2022-23²
RECEIPTS				
\$ 659,689,020	\$ 715,507,022	\$ 725,524,035	City Contributions (see Schedule 1).....	\$ 763,866,451
259,217,329	269,850,000	250,000,000	Member Contributions.....	262,500,000
67,168	71,000	68,000	Family Death Benefit Plan Member Contributions.....	47,000
10,923,779	11,520,000	12,165,000	Self-Funded Dental Insurance Premium.....	12,840,000
918,708	660,000	986,000	Member Insurance Premium Reserve.....	1,296,000
379,258,551	362,560,000	340,000,000	Earnings on Investments.....	350,200,000
2,113,011,755	--	220,000,000	Gain on Sale of Investments.....	--
<u>\$ 3,423,086,310</u>	<u>\$ 1,360,168,022</u>	<u>\$ 1,548,743,035</u>	Total Receipts.....	<u>\$ 1,390,749,451</u>
EXPENDITURES				
\$ 1,066,341,253	\$ 1,170,660,000	\$ 1,172,000,000	Retirement Allowances.....	\$ 1,277,000,000
989,654	1,156,000	884,000	Family Death Benefit Plan Allowance.....	884,000
136,902,985	149,800,000	148,500,000	Retired Medical & Dental Subsidy.....	160,380,000
15,810,471	18,000,000	17,300,000	Retired Medicare Part B Reimbursements.....	20,412,000
8,232,476	8,590,000	8,890,000	Self-Funded Dental Insurance Claims.....	10,437,000
15,285,377	15,609,000	14,000,000	Refund of Member Contributions.....	15,400,000
2,298,471	2,684,000	2,000,000	Refund of Deceased Retired Accum. Contributions.....	2,200,000
31,791,154	33,392,154	33,393,120	Administrative Expense	40,538,982
759,296	864,000	852,000	Self-Funded Insurance Administrative Fee.....	973,000
101,556,101	95,652,261	102,137,086	Investment Management Fees and Expenses.....	106,923,414
<u>\$ 1,379,967,238</u>	<u>\$ 1,496,407,415</u>	<u>\$ 1,499,956,206</u>	Total Expenditures.....	<u>\$ 1,635,148,396</u>
<u>2,043,119,072</u>	<u>(136,239,393)</u>	<u>48,786,829</u>	Increase (Decrease) in Fund Balance.....	<u>(244,398,945)</u>
<u>\$ 3,423,086,310</u>	<u>\$ 1,360,168,022</u>	<u>\$ 1,548,743,035</u>	Total Expenditures and Increase (Decrease) in Fund Balance.....	<u>\$ 1,390,749,451</u>

1. The City Contributions amount for the FY 2021-22 Estimated Budget was based on the City's final covered payroll of \$2,356,383,016 and included the application of a net credit adjustment for FY 2020-21 of \$34,089,399 deducted from FY 2021-22 contribution payment. The credit adjustment represents a true-up of the FY 2020-21 City contribution.

2. The preliminary City Contributions amount for FY 2022-23 is based on the Mayor's Proposed Budget City final covered payroll of \$2,523,215,028 and includes a credit adjustment of \$75,194,360 for the true-up of FY 2021-22 contributions which will be deducted from the FY 2022-23 contribution payment. The preliminary City Contribution budget amount will be finalized upon the receipt of adopted City covered payroll information from the City for FY 2022-23.

3. The above Statement contains LACERS combined Receipts and Expenditures including the 115 Trust.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

**DETAIL OF RECEIPTS AND EXPENDITURES
115 TRUST FUND**

Actual 2020-21	Adopted Budget 2021-22	Estimated 2021-22		Appropriation 2022-23
RECEIPTS				
\$ 103,454,114	\$ 95,829,221	\$ 97,346,611	City Contributions (see Schedule 1).....	\$ 89,961,357
10,923,779	11,520,000	12,165,000	Self-Funded Insurance Premium.....	12,840,000
918,708	660,000	986,000	Member Insurance Premium Reserve.....	1,296,000
5,423,939	7,115,000	7,729,167	Earnings on Investments.....	7,115,000
31,126,776	--	4,120,975	Gain on Sale of Investments.....	--
<u>\$ 151,847,316</u>	<u>\$ 115,124,221</u>	<u>\$ 122,347,753</u>	Total Receipts.....	<u>\$ 111,212,357</u>
EXPENDITURES				
\$ 8,232,476	\$ 8,590,000	\$ 8,890,000	Self-Funded Insurance Claims.....	\$ 10,437,000
759,296	864,000	852,000	Self-Funded Insurance Administrative Fee.....	973,000
			Administrative Expense	
105	70,000	1,000	Contracts.....	40,000
517,945	642,000	625,510	Share of Department Adm. Expenses.....	921,570
1,485,675	1,877,000	1,913,000	Investment Management Expense.....	2,431,000
<u>\$ 10,995,497</u>	<u>\$ 12,043,000</u>	<u>\$ 12,281,510</u>	Total Expenditures.....	<u>\$ 14,802,570</u>
140,851,819	103,081,221	110,066,243	Increase in Fund Balance.....	96,409,787
<u>\$ 151,847,316</u>	<u>\$ 115,124,221</u>	<u>\$ 122,347,753</u>	Total Expenditures and Increase in Fund Balance.....	<u>\$ 111,212,357</u>

Note: All 115 Trust Receipts and Expenditures above are included in the LACERS Combined STATEMENT OF RECEIPTS AND EXPENDITURES on page 2.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE 1 -- CITY CONTRIBUTIONS

ACTUARIAL REQUIREMENTS

To fund the liabilities of the System for future service as required in Article XI Section 1158 and 1160 of the City Charter in accordance with the actuarial valuation of those liabilities as of June 30, 2021 as follows:

	Health (115 TR)	Retirement	Total
Tier 1 33.93% of \$1,806,158,959 total actuarial salary of Tier 1 members for fiscal year 2022-23	\$ 68,092,192	\$ 544,737,542	\$ 612,829,734
Tier 3 31.35% of \$717,056,069 total actuarial salary of Tier 3 members for fiscal year 2022-23	31,693,878	193,103,199	224,797,077
Subtotal	<u>\$ 99,786,070</u>	<u>\$ 737,840,741</u>	<u>\$ 837,626,811</u>
Family Death Benefit Plan (FDBP) To match the estimated total amount contributed by Family Death Benefit Plan members in accordance with the provisions of Section 4.1090 of the Administrative Code.		47,000	47,000
Excess Benefit Plan Fund (EBP) To fund retirement benefits in excess of the limits set by Internal Revenue Code Section 415 (b) in accordance with the provisions of Section 4.1800 of the Administrative Code.		1,332,000	1,332,000
Limited Term Retirement Plan Fund (LTRP) To fund the Defined Contribution Plan for elected City officials in accordance with the provisions of Section 4.1850 of the Administrative Code.		<u>55,000</u>	<u>55,000</u>
Total City Contributions	\$ 99,786,070	\$ 739,274,741	\$ 839,060,811
True-up Adjustment: Credit of difference in City contributions for FY 2021-22 based on estimated covered payroll on July 15, 2021 and actual covered payroll up to February 26, 2022.	<u>(9,824,713)</u>	<u>(65,369,647)</u>	<u>(75,194,360)</u>
Total City Contributions After True Up	<u>\$ 89,961,357</u>	<u>\$ 673,905,094</u>	<u>\$ 763,866,451</u>

City Contributions by Funding Source:

	Total Covered Payroll	Contributions						Total
		Tier 1 (33.93%)	Tier 3 (31.35%)	Shared Cost for FDBP/EBP/LTP	Tier 1 True-Up	Tier 3 True-Up	FY22 True-Up Adjustments	
General Fund (TRAN)	\$ 2,110,225,622	\$ 498,540,803	\$ 197,770,345	\$ 1,199,289	\$ (61,173,490)	\$ (4,825,594)	\$ (65,999,084)	\$ 631,511,353
Airports	289,184,533	79,575,980	20,481,427	164,350	(2,558,399)	(5,212,574)	(7,770,973)	92,450,784
Harbor	90,798,372	26,047,783	4,254,811	51,603	(1,502,169)	175,905	(1,326,264)	29,027,933
LACERS	19,082,101	4,825,515	1,494,608	10,845	30,916	48,852	79,768	6,410,736
LAFPP	13,924,400	3,839,653	795,886	7,913	(277,318)	99,511	(177,807)	4,465,645
Total	\$ 2,523,215,028	\$ 612,829,734	\$ 224,797,077	\$ 1,434,000	\$ (65,480,460)	\$ (9,713,900)	\$ (75,194,360)	\$ 763,866,451

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE 2 -- ADMINISTRATIVE EXPENSE

Expenditures 2020-21	Adopted Budget 2021-22	Estimated Expenditures 2021-22		Budget Appropriation 2022-23
			SALARIES	
\$ 17,685,900	\$ 16,670,841	\$ 17,877,410	General	\$ 19,937,304
468,868	703,718	415,118	As Needed	748,832
526,569	508,258	453,845	Overtime	486,854
<u>\$ 18,681,337</u>	<u>\$ 17,882,817</u>	<u>\$ 18,746,373</u>	Total Salaries	<u>\$ 21,172,990</u>
			EXPENSE	
\$ 52,693	\$ 163,500	\$ 121,418	Printing and Binding	\$ 190,500
--	86,815	52,291	Travel	152,165
7,338,434	8,362,800	8,315,627	Employee Benefits	9,512,900
--	9,500	2,084	Transportation Expense	11,000
4,083,430	5,250,726	4,777,598	Contracts	7,625,589
1,068,698	1,309,899	1,129,261	Office and Administrative	1,626,738
<u>\$ 12,543,255</u>	<u>\$ 15,183,240</u>	<u>\$ 14,398,279</u>	Total Expense	<u>\$ 19,118,892</u>
			EQUIPMENT	
\$ 566,563	\$ 326,097	\$ 248,468	Furniture, Office and Technical Equipment	\$ 247,100
<u>\$ 566,563</u>	<u>\$ 326,097</u>	<u>\$ 248,468</u>	Total Equipment	<u>\$ 247,100</u>
<u>\$ 31,791,154</u>	<u>\$ 33,392,154</u>	<u>\$ 33,393,120</u>	Total Administrative Expense	<u>\$ 40,538,982</u>

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT MANAGEMENT FEES AND EXPENSES: FY 2022-23**

	BUDGET		EXPENSE		BUDGET
	FY 2021-22		FY 2021-22		FY 2022-23
1 Baird Advisors	\$ 793,641	\$	679,462	\$	677,700
2 LM Capital	357,945		-		-
3 Loomis Sayles	933,078		826,468		830,050
4 Neuberger Berman	7,951		-		-
5 State Street (Fixed Income Index)	150,231		287,142		246,029
6 Garcia Hamilton & Associates	571,688		514,832		514,401
7 Income Research & Management	630,032		547,276		548,484
8 JP Morgan	666,700		578,011		576,896
9 Bain Capital (formerly Sankaty)	990,354		877,825		882,955
10 Prudential LAC99)	1,597,647		1,625,374		1,550,220
11 DDJ Capital	901,895		1,477,628		1,467,150
12 Benefit Street Prts LLC	415,995		363,844		481,192
13 Loomis Sayles	944,017		1,082,595		1,062,978
14 Wellington	1,792,921		2,321,840		2,444,715
15 Crescent	364,960		995		571,157
16 Monroe	364,960		109,357		787,881
17 Granahan	873,543		670,560		596,252
18 EAM Investors	1,047,726		735,382		767,221
19 Principal Global	821,374		986,733		1,125,158
20 Rhumblin (S&P 500)	227,149		210,788		208,036
21 Rhumblin (Russell 2000)	14,419		15,670		18,500
22 Rhumblin (Russell 2000 Value)	-		8,831		8,685
23 Copeland Cap Mgmt	1,070,004		1,071,827		1,142,392
24 Segall	604,466		554,239		594,169
25 Axiom International	2,751,460		2,382,141		2,055,500
26 Barrow, Hanley, Mewhinney & Strauss	2,316,767		2,371,391		2,593,608
27 Dimensional Fund Advisor (Emerging Mkt)	1,962,982		1,889,853		1,835,844
28 Lazard Asset Management	2,998,069		2,823,230		2,949,082
29 MFS Institutional Advisors	2,387,305		2,456,169		2,358,107
30 Oberweis Asset Management	2,703,078		2,472,240		2,191,888
31 State Street Global (Non-US Index)	455,188		469,827		451,642
32 State Street EMG Mkt C	151,478		151,934		141,732
33 State Street EAFE SC	128,032		129,403		122,824
34 Wasatch	2,136,510		2,259,048		2,121,214
35 Centersquare (REITS)	1,003,721		1,705,937		1,819,122
36 Dimensional Fund Advisor (TIPS)	453,305		607,791		647,258
37 Real Estate Managers	10,823,164		12,779,224		13,653,663
38 Private Equity Managers	47,239,100		52,064,280		53,982,560
Subtotal - Investment Management Fee	\$ 93,652,851	\$	100,109,147	\$	104,026,264
39 ESG Consultant	\$ 55,000	\$	-	\$	-
40 General Fund Consulting	465,000		465,000		480,000
41 Private Equity Consulting	762,500		761,694		775,000
42 Real Estate Consulting	215,000		215,000		225,000
43 Real Estate & Private Equity Legal Consulting	220,000		325,000		689,000
44 Northern Trust	23,000		18,000		23,000
45 Private Credit Consulting					340,000
Subtotal - Investment Consulting Fee	\$ 1,740,500	\$	1,784,694	\$	2,532,000
46 Bloomberg Financial Services	\$ 44,500	\$	27,835	\$	32,000
47 Tax Accounting Services	110,000		110,000		110,000
48 Institutional Shareholder Services	71,910		71,910		130,000
49 Pitchbook Subscription	22,500		23,500		23,500
50 Pacific Center for Asset Management	10,000		10,000		10,000
51 Cambridge Associates Private Equity Benchmark License					5,500
52 CEM Benchmark					40,000
53 MSCI ESG Research Software					13,750
53 Bloomberg News					400
Subtotal - Other Investment Expense	\$ 258,910	\$	243,245	\$	365,150
Total Investment Management Fees and Expenses	\$ 95,652,261	\$	102,137,086	\$	106,923,414

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED PERSONNEL RESOLUTION
FISCAL YEAR 2022-23

WHEREAS, the Board of Administration of the Los Angeles City Employees' Retirement System has the responsibility and authority to establish the number and types of positions to be utilized by the Los Angeles City Employees' Retirement System;

NOW, THEREFORE, BE IT RESOLVED, that:

1. Effective July 1, 2022, the positions listed in the attached schedule of Positions and Salaries are hereby authorized within the Los Angeles City Employees' Retirement System. The class code numbers, classifications and salaries as set forth herein are hereby determined to be appropriate in accordance with existing City laws and ordinances, and applicable Memoranda of Understanding, as appropriate. Further, the employment of the designated number of persons in each code and classification as set forth herein is hereby authorized.
2. Memoranda of Understanding approved by the City Council shall be considered to be incorporated into this Resolution where appropriate. Salaries established under approved Memoranda of Understanding shall apply to all classes of employees therein noted. The provisions of each of the Memoranda of Understanding shall take precedence over any conflicting provision contained in this Resolution, but only for those employees in classes to which the Memoranda of Understanding apply.
3. One Assistant General Manager (Class Code 9269), when designated by the General Manager to assume the additional administrative and supervisory duties of Executive Officer, shall be compensated at the fourth premium level rate above the appropriate step rate or premium level rate of the incumbent. Upon approval of the General Manager, one additional Assistant General Manager (Class Code 9269) may receive salary up to the fourth premium level rate above the appropriate step rate of the prescribed salary range. This compensation is pensionable.
4. Upon approval of the General Manager, substitute authority positions may be filled using any class approved and established by the Board of Civil Service Commissioners. This approval shall specify the period during which the position shall be filled.
5. Upon approval of the General Manager, persons may be employed in any class approved and established by the Board of Civil Service Commissioners in-lieu of a vacant position if the in-lieu employment is consistent with City policies and procedures for such employment.
6. The General Manager shall have the authority to correct any clerical or typographical errors in this document.

Tuesday, May 24, 2022

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
POSITIONS AND SALARIES: FY 2022-23**

(a) Regular Positions

FY22	FY23	Change	MOU	Class Code	Class Title	Salary Range
3	3	0	1	1513	ACCOUNTANT	\$ 60,593 - \$ 88,531
12	13	1	3	1223	ACCOUNTING CLERK	\$ 53,870 - \$ 78,780
1	1	0	20	1119	ACCOUNTING REC SUPVR II	\$ 71,722 - \$ 104,838
9	11	2	3	1358	ADMINISTRATIVE CLERK	\$ 41,384 - \$ 60,552
2	2	0	36	9414	ASST GM LACERS	\$ 155,054 - \$ 226,964
26	28	2	1	9108	BENEFITS ANALYST	\$ 80,408 - \$ 117,575
32	35	3	20	1203	BENEFITS SPECIALIST	\$ 60,948 - \$ 89,094
3	2	-1	36	9151	CH BENEFITS ANALYST	\$ 135,448 - \$ 198,005
1	1	0	36	9147	CH INVESTMENT OFCR	\$ 197,002 - \$ 288,039
0	1	1	36	9182	CH MANAGEMENT ANALYST	\$ 135,448 - \$ 198,005
1	1	0	1	9734	COMMISSION EXEC ASST II	\$ 77,172 - \$ 112,856
0	1	1	0	1444	CYBER SECURITY ANALYST	TBD - TBD
1	1	0	36	1610	DEPARTMENTAL AUDIT MGR	\$ 135,448 - \$ 198,005
1	1	0	36	1593	DEPT CHIEF ACCT IV	\$ 135,448 - \$ 198,005
1	1	0	37	1117	EXEC ADMIN ASST II	\$ 66,774 - \$ 97,614
1	1	0	37	1117	EXEC ADMIN ASST III	\$ 71,618 - \$ 104,671
1	0	-1	20	1555	FISCAL SYSTEMS SPEC I	\$ 96,737 - \$ 141,399
0	1	1	20	1555	FISCAL SYSTEMS SPEC II	\$ 112,981 - \$ 165,202
1	1	0	0	9150	GM-LACERS	\$ 188,129 - \$ 333,454
1	1	0	36	1409	INFO SYSTEM MGR II	\$ 135,448 - \$ 198,005
1	1	0	1	1625	INTERNAL AUDITOR III	\$ 91,182 - \$ 133,297
1	1	0	1	1625	INTERNAL AUDITOR IV	\$ 112,981 - \$ 165,202
3	3	0	0	9146	INVESTMENT OFFICER I	\$ 105,047 - \$ 153,551
4	5	1	0	9146	INVESTMENT OFFICER II	\$ 130,875 - \$ 191,323
2	2	0	0	9146	INVESTMENT OFFICER III	\$ 164,513 - \$ 240,516
6	6	0	1	9184	MANAGEMENT ANALYST	\$ 77,172 - \$ 112,856
1	1	0	20	1129	PERS RECORDS SUPV	\$ 64,915 - \$ 94,941
1	1	0	1	1731	PERSONNEL ANALYST	\$ 77,172 - \$ 112,856
0	1	1	63	1714	PERSONNEL DIR I	\$ 121,605 - \$ 177,814
1	1	0	20	1525	PR ACCOUNTANT I	\$ 87,570 - \$ 128,057
1	1	0	20	1525	PR ACCOUNTANT II	\$ 92,394 - \$ 135,114
1	1	0	20	1201	PRINCIPAL CLERK	\$ 60,948 - \$ 89,094
2	2	0	8	1431	PROGRAMMER/ANALYST III	\$ 83,436 - \$ 121,960
1	1	0	8	1431	PROGRAMMER/ANALYST V	\$ 97,259 - \$ 142,192
1	1	0	36	1800	PUB INFO DIRECTOR I	\$ 95,463 - \$ 139,582
10	11	1	20	9109	SENIOR BENEFITS ANALYST I	\$ 98,804 - \$ 144,447
7	7	0	20	9109	SENIOR BENEFITS ANALYST II	\$ 122,294 - \$ 178,795
2	2	0	20	1523	SR ACCOUNTANT I	\$ 70,302 - \$ 102,813
3	3	0	20	1523	SR ACCOUNTANT II	\$ 76,191 - \$ 111,394
20	18	-2	3	1368	SR ADMINISTRATIVE CLERK	\$ 51,030 - \$ 74,646
2	2	0	20	9171	SR MGMT ANALYST I	\$ 94,962 - \$ 138,852
1	1	0	20	9171	SR MGMT ANALYST II	\$ 117,575 - \$ 171,925
1	1	0	64	9167	SR PERSONNEL ANALYST I	\$ 94,962 - \$ 138,852
1	1	0	64	9167	SR PERSONNEL ANALYST II	\$ 117,575 - \$ 171,925
1	1	0	20	1597	SR SYSTEMS ANALYST I	\$ 91,308 - \$ 133,506
1	1	0	20	1597	SR SYSTEMS ANALYST II	\$ 112,981 - \$ 165,202
3	2	-1	1	1596	SYSTEMS ANALYST	\$ 77,172 - \$ 112,856
0	1	1	21	1455	SYSTEMS PROGRAMMER I	\$ 119,016 - \$ 140,063
1	1	0	21	1455	SYSTEMS PROGRAMMER II	\$ 103,105 - \$ 150,732
1	1	0	21	1455	SYSTEMS PROGRAMMER III	\$ 111,708 - \$ 163,323
<u>177</u>	<u>187</u>	<u>10</u>				

(b) To be Employed As Needed in Such Numbers as Required:

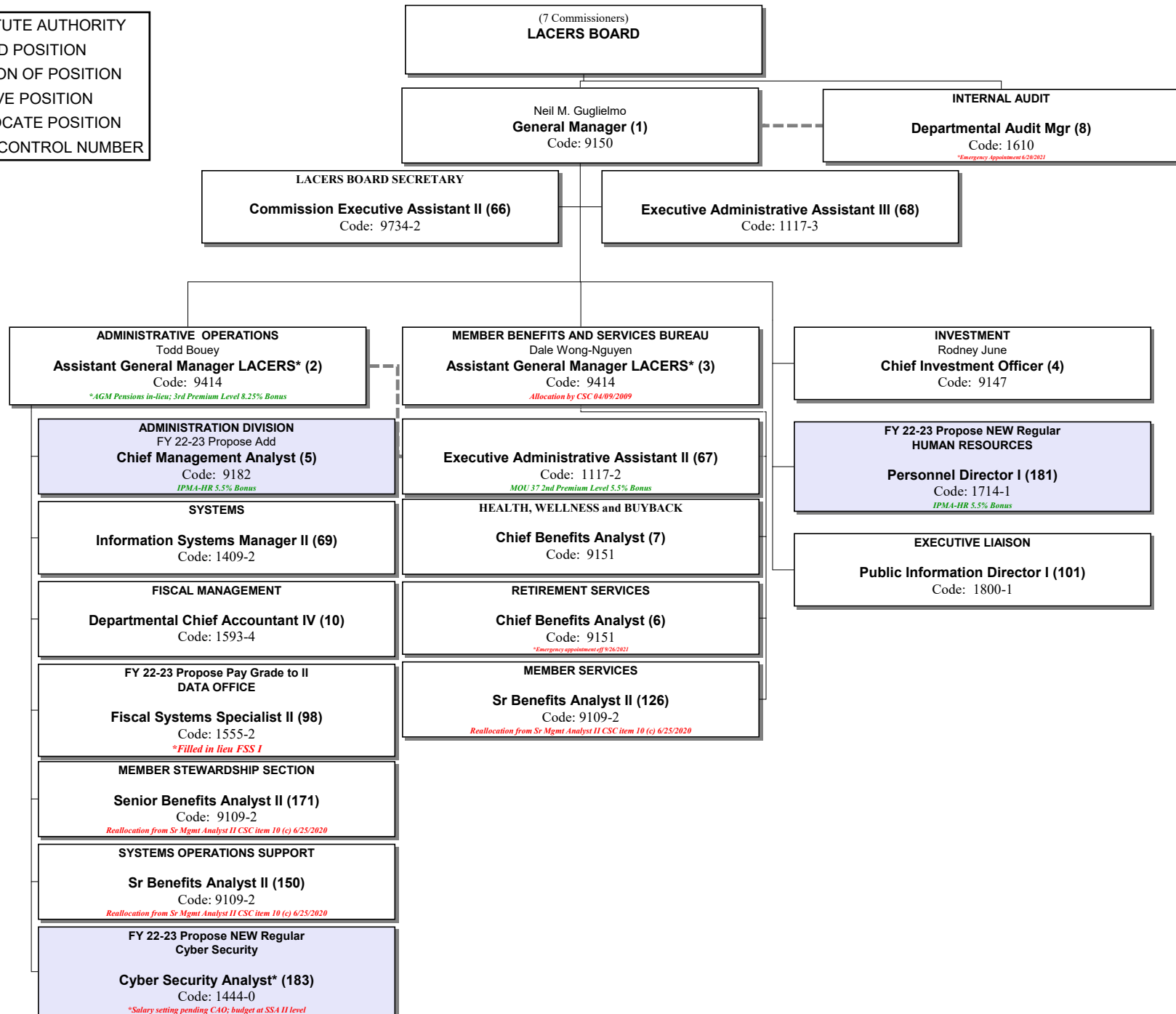
- 1133 RETIREMENT RELIEF WORKER
- 1358 ADMINISTRATIVE CLERK
- 1501 STUDENT WORKER
- 1502 STUDENT PROFESSIONAL WORKER
- 1535 ADMINISTRATIVE INTERN I
- 1535 ADMINISTRATIVE INTERN II
- 1538 SR PROJECT COORDINATOR
- 1596 SYSTEMS ANALYST
- 9184 MANAGEMENT ANALYST
- 9269 ASSISTANT GENERAL MANAGER PENSIONS

FY21	FY22	Change	MOU	Class Code	Class Title	Salary Range
<u>7</u>	<u>7</u>	<u>0</u>	N/A	0101-2	COMMISSIONER	\$50 PER MEETING
7	7	0				

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

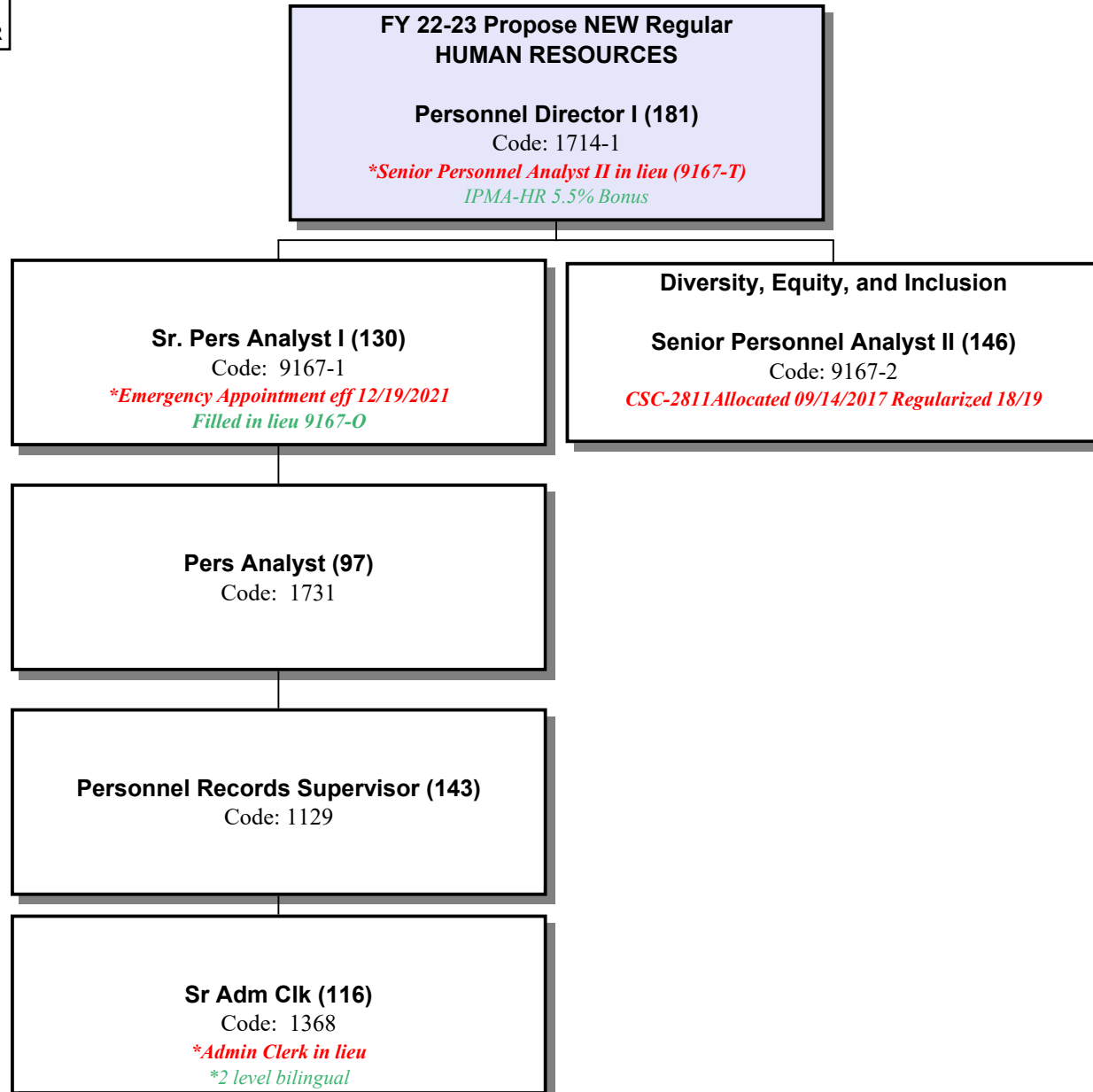
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	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



UPDATED 5/16/2022







LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

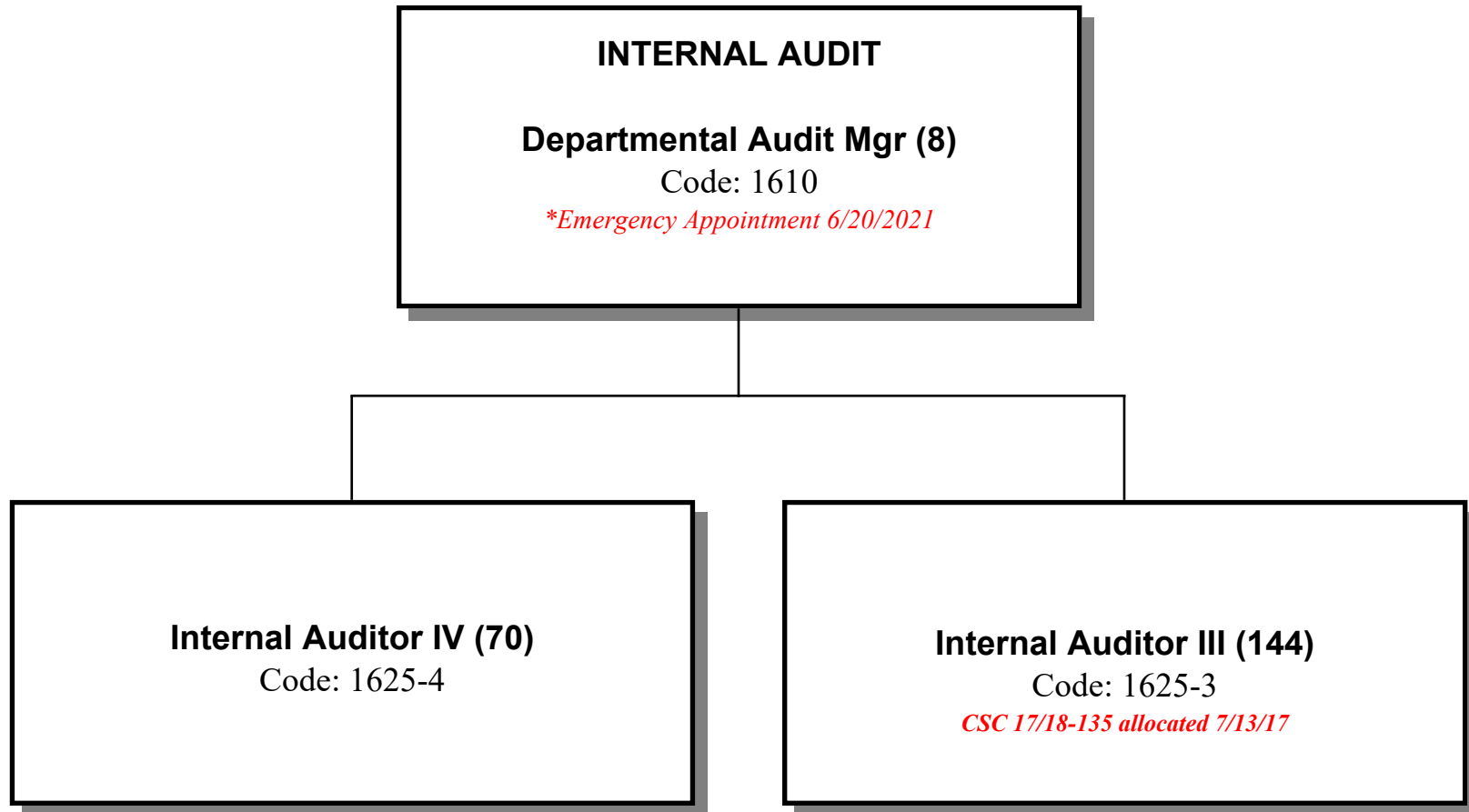
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- ADD POSITION
- DELETION OF POSITION
- MOVE POSITION
- REALLOCATE POSITION
- POSITION CONTROL NUMBER



UPDATED 5/16/2022

LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

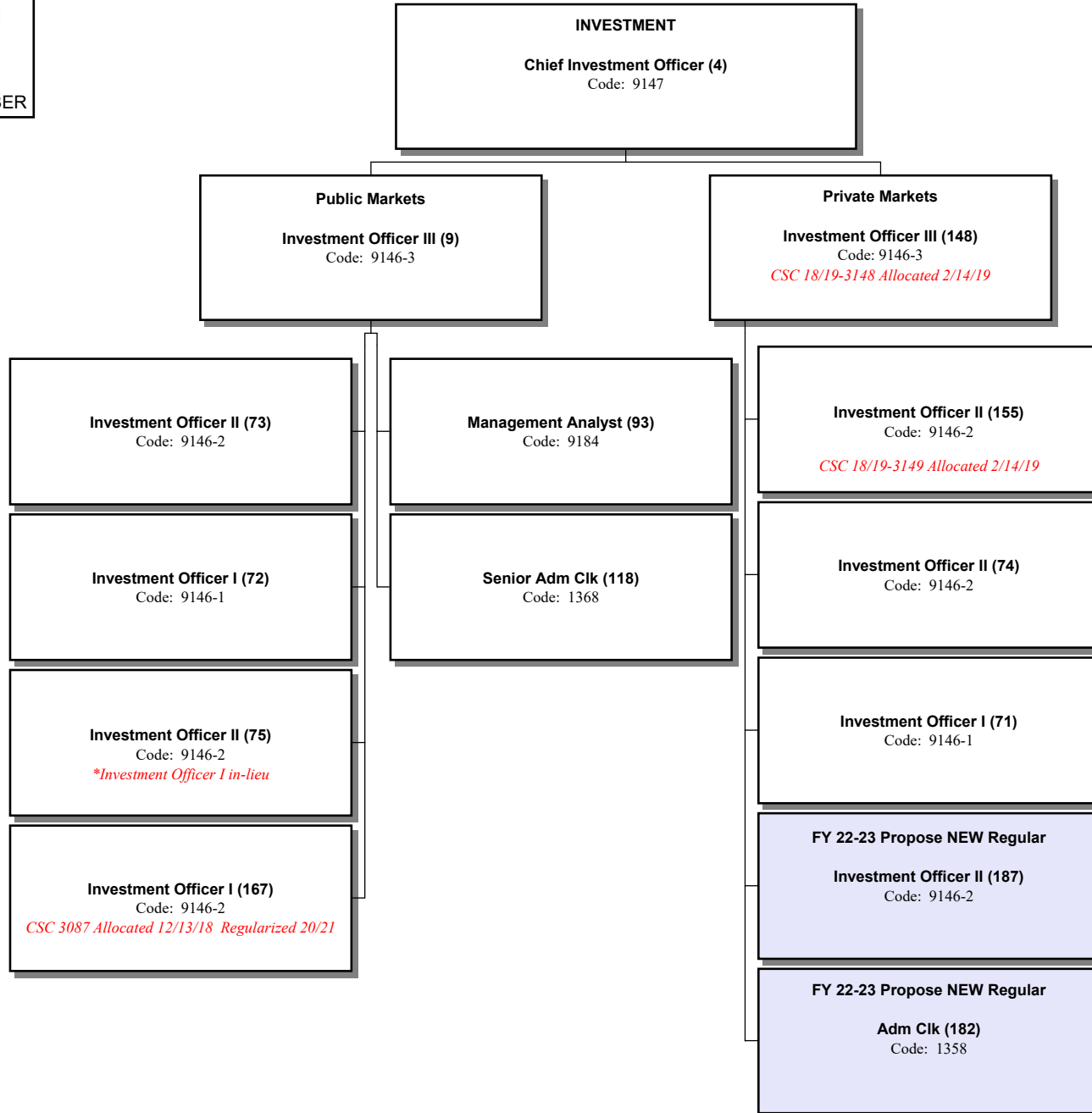
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	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER

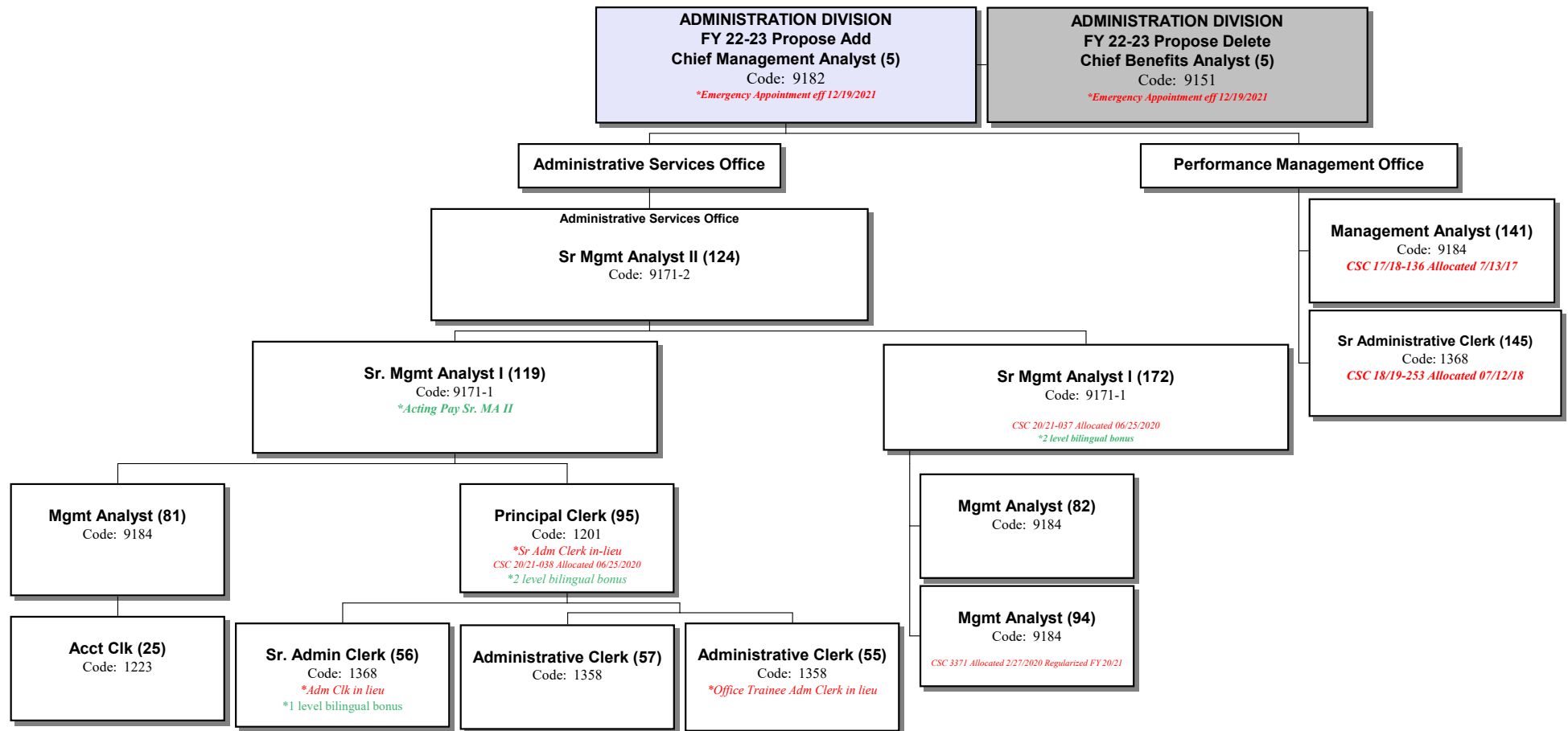


UPDATED 5/16/2022

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

SUBSTITUTE AUTHORITY
 ADD POSITION
 DELETION OF POSITION
 MOVE POSITION
 REALLOCATE POSITION
 POSITION CONTROL NUMBER

MEMBER STEWARDSHIP SECTION

Senior Benefits Analyst II (171)
 Code: 9109-2
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020

Active Member Accounts

Sr Benefits Analyst I (170)
 Code: 9109-1
*Benefits Analyst in lieu
 CSC 20/21-041 Allocated 6/25/20*

Member Stewardship

Benefits Analyst (163)
 Code: 9108
CSC 2213 Allocated 6/25/15

**FY 22-23 Move from RSD to Member Stewardship
 Membership Processing Unit**

Benefits Analyst (76)
 Code: 9108
*Benefits Specialist in lieu eff 1/2/2022
 Reallocate from Mgmt Analyst CSC item 10(c) 6/25/2020*

Benefits Analyst (96)
 Code: 9108
*CSC 20/21-040 Allocated 06/25/2020
 Benefits Specialist in lieu eff 1/2/2022

Benefits Specialist (29)
 Code: 1203

Sr Adm Clk (115)
 Code: 1368

Benefits Specialist (30)
 Code: 1203

Benefits Specialist (16)
 Code: 1203
CSC 19/20-060 Allocated 06/27/19

Adm Clk (62)
 Code: 1358

Adm Clk (63)
 Code: 1358

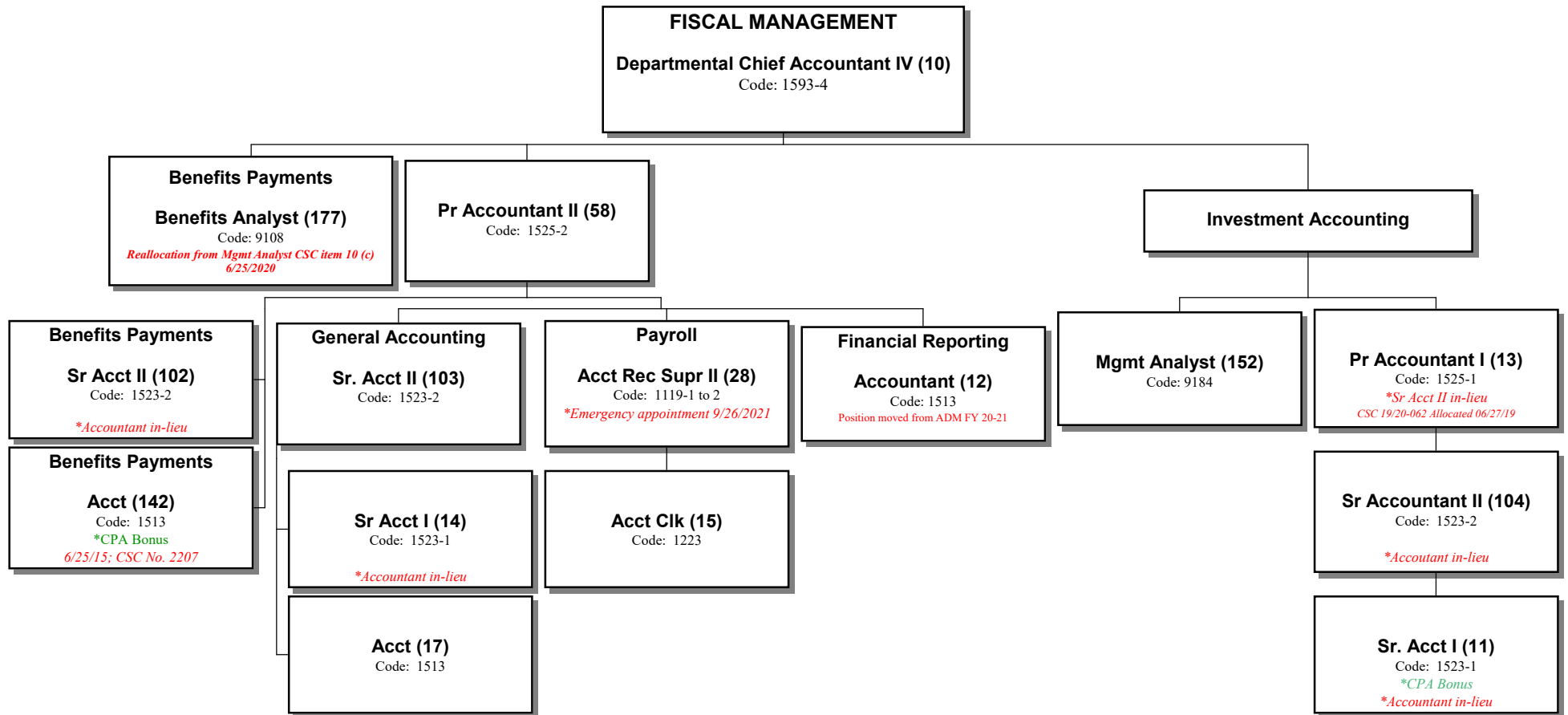
Adm Clk (64)
 Code: 1358
**Office Trainee Adm Clerk in lieu*

Adm Clk (65)
 Code: 1358







LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER

SYSTEMS OPERATIONS SUPPORT

Sr Benefits Analyst II (150)

Code: 9109-2

Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020

Benefits Analyst (80)

Code: 9108

Move from AMA&MSU to SOS FY21-22

**Benefits Specialist in lieu eff 1/2/2022*

Sr Benefits Analyst I (166)

Code: 9109-1

**Emergency appointment eff. 10/11/2020*

Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020

LACERS
CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER

SYSTEMS
Information Systems Manager II (69)
 Code: 1409-2

Network & Data Support
Sys Programmer III (139)
 1455-3

Application Development Unit

Application Support

Systems Programmer II (132)
 Code: 1455-2

FY 22-23 Propose Delete
Sys Analyst (135)
 Code: 1596
Hold Vacant to fund sub 382

FY 22-23 Propose Add
Systems Programmer I (382 to 135)
 Code: 1455-1
Temporary sub activated 10/4/2021

Programmer/Analyst V (100)
 Code: 1431-5
**Programmer/Analyst IV In-lieu*

Sr Sys Analyst II (133)
 Code: 1597-2

Programmer/Analyst III (134)
 Code: 1431-3

Sr Sys Analyst I (131)
 Code: 1597-1

Programmer/Analyst III (138)
 Code: 1431-3
CSC 17/18-140 Allocated 7/13/17
Hold vacant to fund sub 382

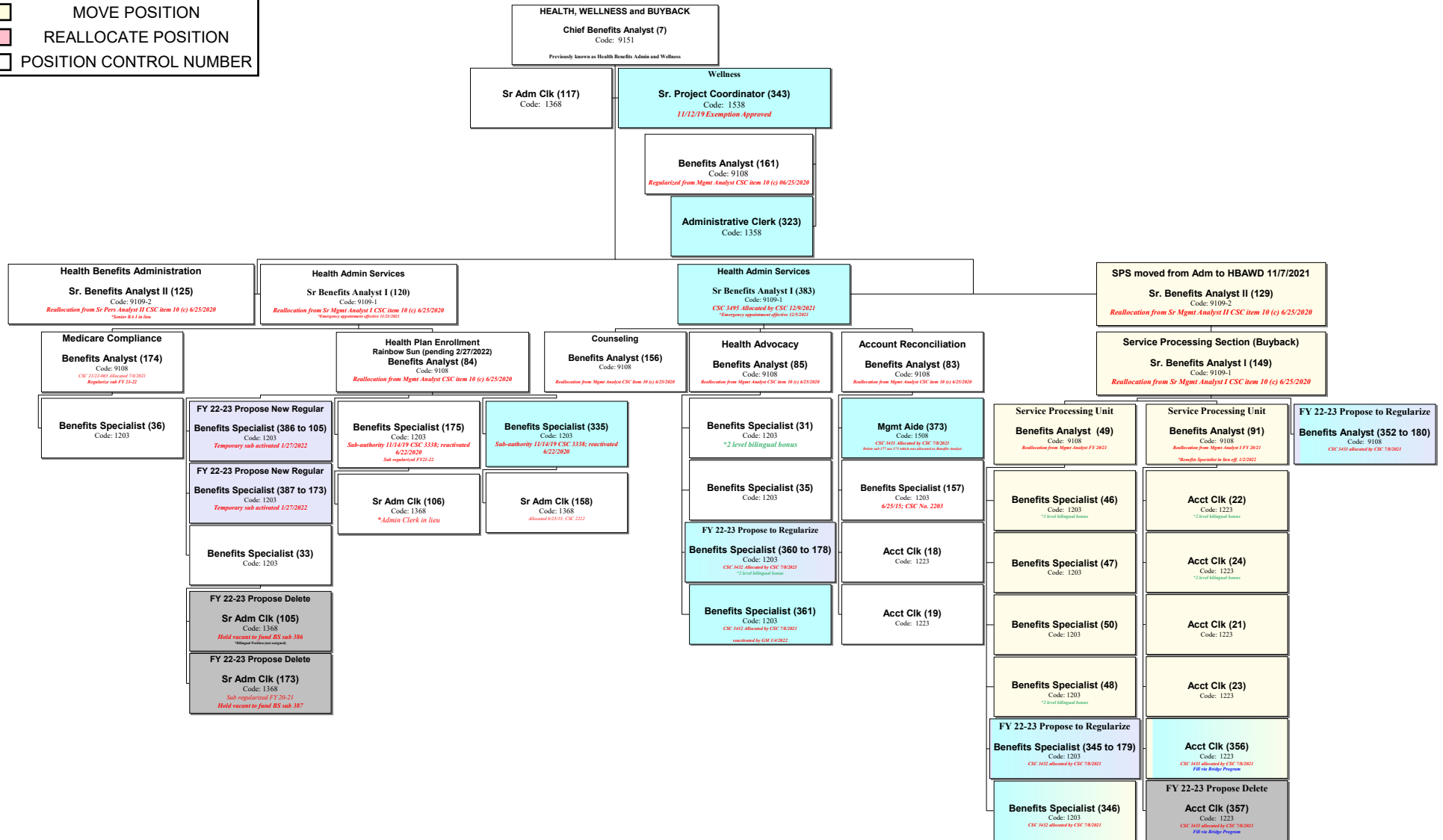
Sys Analyst (137)
 Code: 1596

Sys Analyst (136)
 Code: 1596

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER



LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

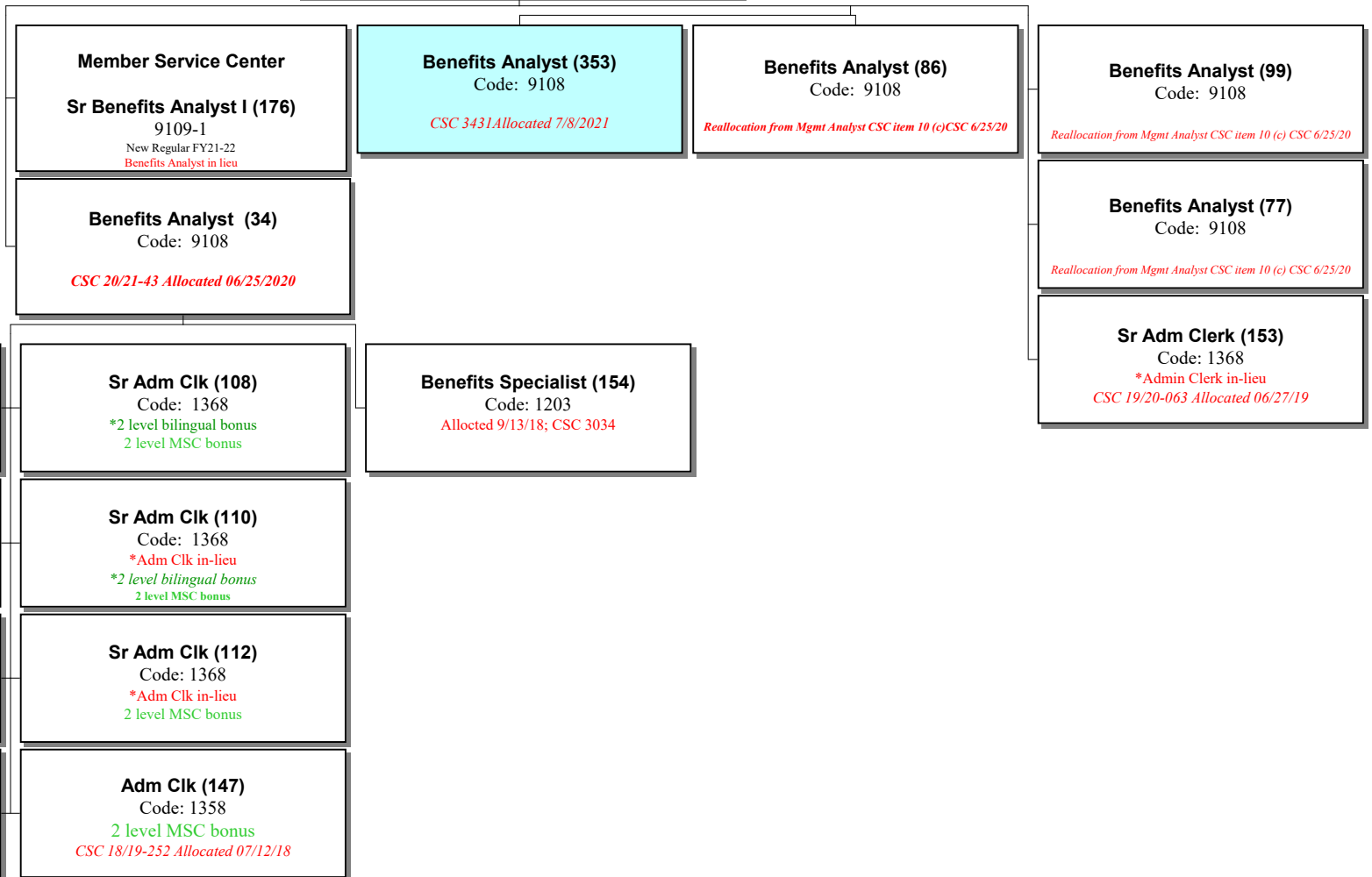
	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER

MEMBER SERVICES

Sr Benefits Analyst II (126)
Code: 9109-2
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020
**2 level bilingual bonus*

Member Engagement

Sr Benefits Analyst I (121)
Code: 9109-1
Reallocation from Sr Mgmt Analyst I CSC item 10 (c) CSC 6/25/20



UPDATED 5/16/2022

LACERS

CONCEPTUAL ORGANIZATIONAL CHART FY 2022/2023

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION
	POSITION CONTROL NUMBER

RETIREMENT SERVICES
Chief Benefits Analyst (6)
Code: 9151
**Emergency appointment eff 9/26/2021*

Sr Adm Clk (114)
Code: 1368

Member Counseling
Sr Benefits Analyst II (127)
Code: 9109-2
**Acting Pay & 2 level bilingual bonus
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020
Emergency appointment eff. 7/19/2020

Member Support
Sr Benefits Analyst II (128)
Code: 9109-2
Reallocation from Sr Mgmt Analyst II CSC item 10 (c) 6/25/2020

FY 22-23 Propose NEW Regular Survivor Benefits Unit
Sr Benefits Analyst I (185)
Code: 9109-1

Sr Benefits Analyst I (169)
Code: 9109-1
**Emergency appointment eff 11/21/2021
CSC 3021-041 Allocated 06/25/2020*

Disability Retirement Unit
Sr Benefits Analyst I (122)
Code: 9109-1
Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020

Member Support
Sr Benefits Analyst I (123)
Code: 9109-1
**Emergency appointment eff. 7/19/2020
Reallocation from Sr Mgmt Analyst I CSC item 10 (c) 6/25/2020*

Member Support
Sr Benefits Analyst I (162)
Code: 9109-1
**Emergency appointment eff. 7/19/2020
Sub reallocated and regularized from Sr Mgmt Analyst I CSC item*

Survivor Benefits Unit
Benefits Analyst (79)
Code: 9108
*Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020
2 level bilingual bonus

Service Retirement Unit
Benefits Analyst (89)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020

Service Retirement Unit
Benefits Analyst (354)
Code: 9108
CSC 3431 Allocated 7/8/2021

Benefits Analyst (140)
Code: 9108
*CSC 17-18-138 allocated 7/13/17
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

Legal Processing Unit
Benefits Analyst (87)
Code: 9108
**1 level bilingual bonus
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

Benefits Determination Unit
Benefits Specialist (51)
Code: 1203
**2 level bilingual*

Benefits Determination Unit
Benefits Analyst (92)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020

Benefits Specialist (160)
Code: 1203
*CSC 3226 Allocated 04/25/19
2 level bilingual bonus

Benefits Specialist (151)
Code: 1203
CSC 3225 Allocated 04/25/19

Benefits Specialist (41)
Code: 1203
Propose Bilingual FY 20-21

Benefits Analyst (90)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020

Benefits Analyst (78)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020

Benefits Specialist (52)
Code: 1203

FY 22-23 Propose NEW Regular Benefits Analyst (42)
Code: 9108

Benefits Specialist (38)
Code: 1203

Benefits Specialist (32)
Code: 1203

Benefits Specialist (350)
Code: 1203
CSC 3432 Allocated 7/8/2021

Sr Adm Clk (61)
Code: 1368
CSC 1718-139 allocated 7/13/17

Benefits Analyst (159)
Code: 9108
**Mgmt Asst in-line, allocated 6/25/15; CSC No 2214
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020*

Benefits Specialist (53)
Code: 1203

Benefits Specialist (39)
Code: 1203
**1 level bilingual bonus*

Benefits Specialist (37)
Code: 1203
**1 level bilingual bonus*

Benefits Specialist (351)
Code: 1203
CSC 3432 Allocated 7/8/2021

Benefits Analyst (88)
Code: 9108
Reallocation from Mgmt Analyst CSC item 10 (c) 6/25/2020

Benefits Specialist (54)
Code: 1203

Benefits Specialist (113)
Code: 1203
CSC 16-17-042; 7/14/16

Benefits Specialist (40)
Code: 1203
**2 level bilingual bonus*

Sr Adm Clk (168)
Code: 1368
*CSC 3285 Allocated 07/25/19
Regularized FY 20/21*

FY 22-23 Propose NEW Regular Acct Clk (184)
Code: 1223
Fill in lieu with Accounting Clerk Trainee (Bridge)

FY 22-23 Propose Delete Benefits Specialist (42)
Code: 1203

Benefits Specialist (45)
Code: 1203
Temporary loan from DRU to SBU 3/2/2022

Benefits Specialist (43)
Code: 1203
**1 level bilingual bonus*

Adm Clk (60)
Code: 1358

Acct Clk (26)
Code: 1223

Acct Clk (164)
Code: 1223
**2 level bilingual bonus
Regularized FY 20/21*

Benefits Specialist (44)
Code: 1203

FY 22-23 Propose NEW Regular Acct Clk (186)
Code: 1358

Acct Clk (27)
Code: 1223

Benefits Specialist (165)
Code: 1203
Regularized FY 20/21

Acct Clk (20)
Code: 1223

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED RESOLUTION

DELEGATION OF AUTHORITY TO THE GENERAL MANAGER
TO APPROVE TRANSFERS BETWEEN APPROPRIATION ACCOUNTS
FOR FISCAL YEAR 2022-23

WHEREAS, the Fiscal Year 2022-23 Budget aims to limit budget overages and appropriations are conservatively budgeted, greater flexibility to move funds between appropriation accounts will help mitigate impacts of the budget tightening;

WHEREAS, Charter Section 343(b) and Administrative Code Section 5.36, provides authority to the head of the department, the LACERS Board of Administration, to transfer between budget appropriation accounts, within limits prescribed by the City Administrative Officer, the most current at \$59,296 in 2021-22;

WHEREAS, on May 24, 2022, the Board has approved the 2022-23 Budget and desires that the General Manager have the flexibility to move funds between appropriation accounts in order to meet priorities in the most efficient and timely manner;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby delegates authority to the General Manager to transfer between budget appropriation accounts not to exceed the City thresholds.

May 24, 2022

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

PROPOSED RESOLUTION

AUTHORIZATION FOR
DEPARTMENTAL EXEMPLARY STAFF RECOGNITION PROGRAM
FISCAL YEAR 2022-23

WHEREAS, on March 11, 2003, the Board established a departmental Exemplary Staff Recognition Program to provide a framework for team building and recognition throughout the Department;

WHEREAS, the Board endeavors to continue the program in order to recognize employees for their efforts, and to identify role models who communicate the standards established through our guiding principles;

WHEREAS, funds for program-related expenditures during the 2022-23 Fiscal Year have been included in the FY 2022-23 Departmental budget in order to continue the program; and

WHEREAS, the Controller's Office requires an annual Board Resolution confirming the establishment of the program in order to process future payments of related expenses;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby confirms the permanent establishment of the LACERS Exemplary Staff Recognition Program, and authorizes program-related expenditures for Fiscal Year 2022-23 not to exceed \$4,000.

May 24, 2022



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VII-C

SUBJECT: 977 N. BROADWAY PROJECT REPORT FOR THE QUARTER ENDING MARCH 31, 2022

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this update report on the 977 N. Broadway Project and the attached presentation.

Executive Summary

Presented to the LACERS Board of Administration (“Board”) is the 977 N. Broadway Project Report for the Quarter Ending March 31, 2022. This is the third quarterly report issued since the Board approved the Fiscal Year 2021-22 Capital Budget and Operating Expense Budget for LACERS’ new Headquarters (HQ) Building on June 8, 2021.

Discussion

The attached report provides detailed updates on the progress and status of the 977 N. Broadway Project.

Strategic Plan Impact Statement

Ownership in 977 North Broadway advances the Board Governance Goal and Organization Goal by being a cost-effective investment in the long-term as compared to leasing and provides LACERS with complete control over its administrative facilities adding to the organization’s efficiency, effectiveness, and resiliency.

Prepared By: Isaias Cantú, Chief Management Analyst

NMG/TB:ic

Attachments: 1. 977 N. Broadway Project Report for the Quarter Ending March 31, 2022

BOARD Meeting: 05/24/22
Item VII-C
Attachment 1



LACERS

977 N. BROADWAY PROJECT REPORT FOR THE QUARTER ENDING MARCH 31, 2022

For Los Angeles City Employees' Retirement System



TABLE OF CONTENTS

- Executive Summary
- Capital Project Summary
- Project Timeline
- Property Status Summary
- Financial Overview



EXECUTIVE SUMMARY

The Headquarters Move Project made significant progress on exterior and interior work, addressed prior budgeting challenges, and continued efforts to resolve permitting requirements.

Project Timeline

- LACERS occupancy of the building is projected for the 2nd Quarter of FY22-23, an anticipated delay of approximately 12 weeks since the last quarterly update (which forecasted 1st Quarter of FY22-23).
- Working through the permitting processes has been the primary driver of the extended construction schedule.
- An updated timeline is provided in this presentation.

Budget

- LACERS has spent 28.68% of the Capital Budget for the 977 N. Broadway Project to date.
- Efforts by LACERS and its partners to mitigate effects of supply-chain disruption on budget and project schedule continued.
- Tracking unbudgeted expenses against contingency funds including project schedule extensions, architectural add service adjustments, general contractor change orders, contractual general condition costs, and material cost increases caused by permitting delays.

Completed Milestones

- Completion of scaffolding and ACM abatement scopes.
- Furniture, Fixtures and Equipment, design and procurement completed.
- Established 10-Year Capital Plan for performing routine evaluations of the building's mechanical and structural resilience.
- Completed permitting for 2nd floor, which was taken out of the original package pending tenant vacating space, but now outpaces the main submission.
- 100% of the Seismic Strengthening construction work has been completed.



CAPITAL PROJECT SUMMARY

Cost Control

- Realigning project priorities to stay within approved budget.
- Re-utilizing unspent budgeted funds from completed Seismic Strengthening package back into a contingency fund.
- Regular communications with contractors, vendors, manufacturers, and suppliers to prepare for and mitigate supply-chain disruptions and material cost increases.

Construction Milestones

- 100% of the Seismic Strengthening has been completed.
- Pre-construction for make-ready work was completed.
- Completion of scaffolding for the façade and completion of ACM abatement.
- Completion of Fixture, Furniture and Equipment design scope.
- Stand-alone permit for Level 2 construction approved, enabling work to continue on this level while the remaining Architectural permit package is under extended review.

Technology Milestones

- **Setup Preliminary Network Environment (Jan-Feb 2022):** LACERS received network equipment early in the calendar year, and collaborated with our network vendor on the setup of the preliminary network environment. Primarily, this preliminary setup includes routers, firewalls, and network switches which provides basic computing connectivity.
- **Point-to-Point Connectivity (Feb-Mar 2022):** LACERS completed the setup of the point-to-point connectivity from the new headquarter to destinations inclusive of the current building, and the City's Information Technology Agency. The connectivity ensures LACERS can proceed with server migration within the latter half of the calendar year.
- **Technology Walkthrough & Bi-Weekly Meetings (Feb 2022):** Alongside the construction phase of the technology-related areas, LACERS and technology partners scheduled continuous bi-weekly meetings inclusive of onsite walkthroughs. These meetups ensure communication of all details, gaps, and overlaps between the technology efforts.
- **Network Infrastructure, Shipment (Mar 2022):** In preparation for the build-out of the Server Room and satellite closets, LACERS has procured and received most of the network infrastructure components within the first quarter of the calendar year. These components are inclusive of the server racks, core switches, wireless access points, and uninterruptible power supplies.

CAPITAL PROJECT SUMMARY

Permitting

- Permit applications submitted to LADBS for Tenant Improvement
 - Electrical work - Approved
 - HVAC - Approved
 - Mechanical - Approved
 - Plumbing – Approved
 - Architectural – **Pending Approval**
- Emergency Generator
 - Structural work for back-up natural gas generator – Approved
 - Diesel generator - Approved
- Permit application for Level 2, as a stand-alone package (for all scopes) – Approved
- Permit applications submitted to SCAQMD to operate
 - New diesel generator - Approved

Supply-Chain Disruption

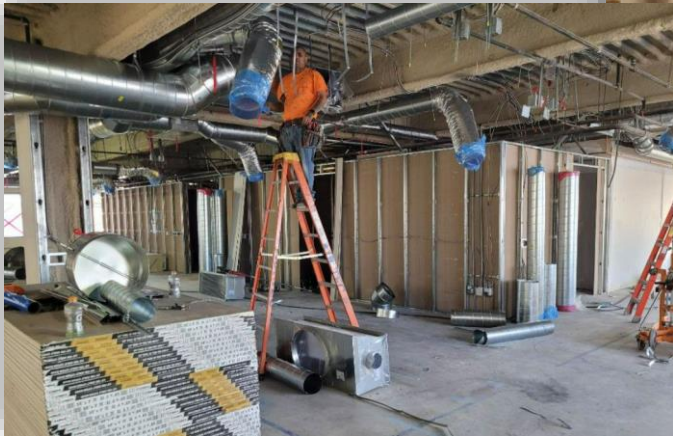
- Supply-chain disruptions are creating a strain on the project and volatile price increases from all vendor and supply companies.
- LACERS is working with partners to mitigate these impacts on the budget and supply lead times by exploring temporary equipment, alternate supplies, prioritizing the early release of bids for material with long lead times, reaching out to our suppliers, and adjusting the construction sequencing.





CAPITAL PROJECT SUMMARY

Progress in the **interior** included the completion of demolition work, framing of walls, and installation of rough HVAC and electrical in areas permitted to do so.



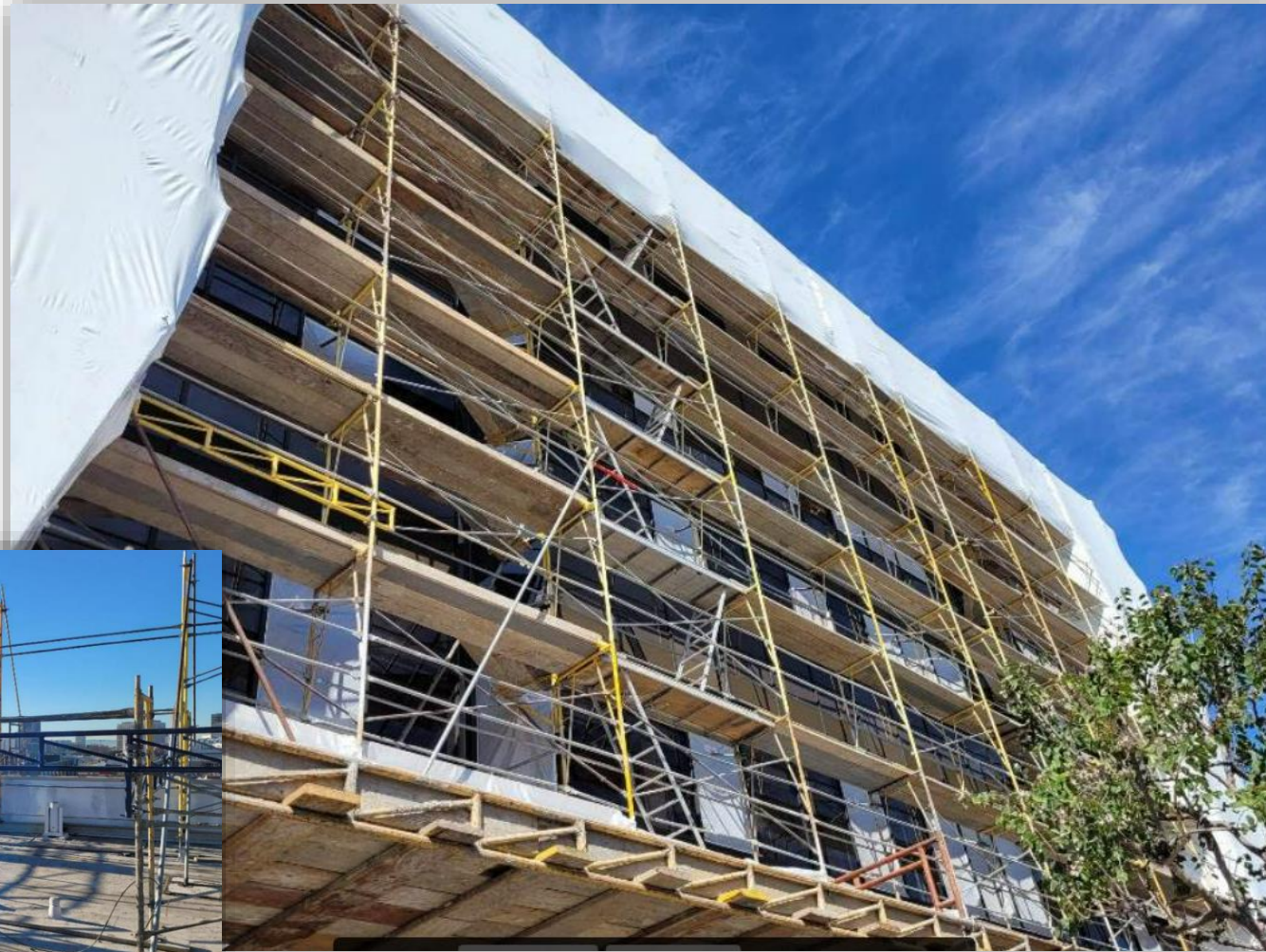
CAPITAL PROJECT SUMMARY

Progress in the **interior** included the completion of demolition work, framing of walls, and installation of rough HVAC and electrical in areas permitted to do so.



CAPITAL PROJECT SUMMARY

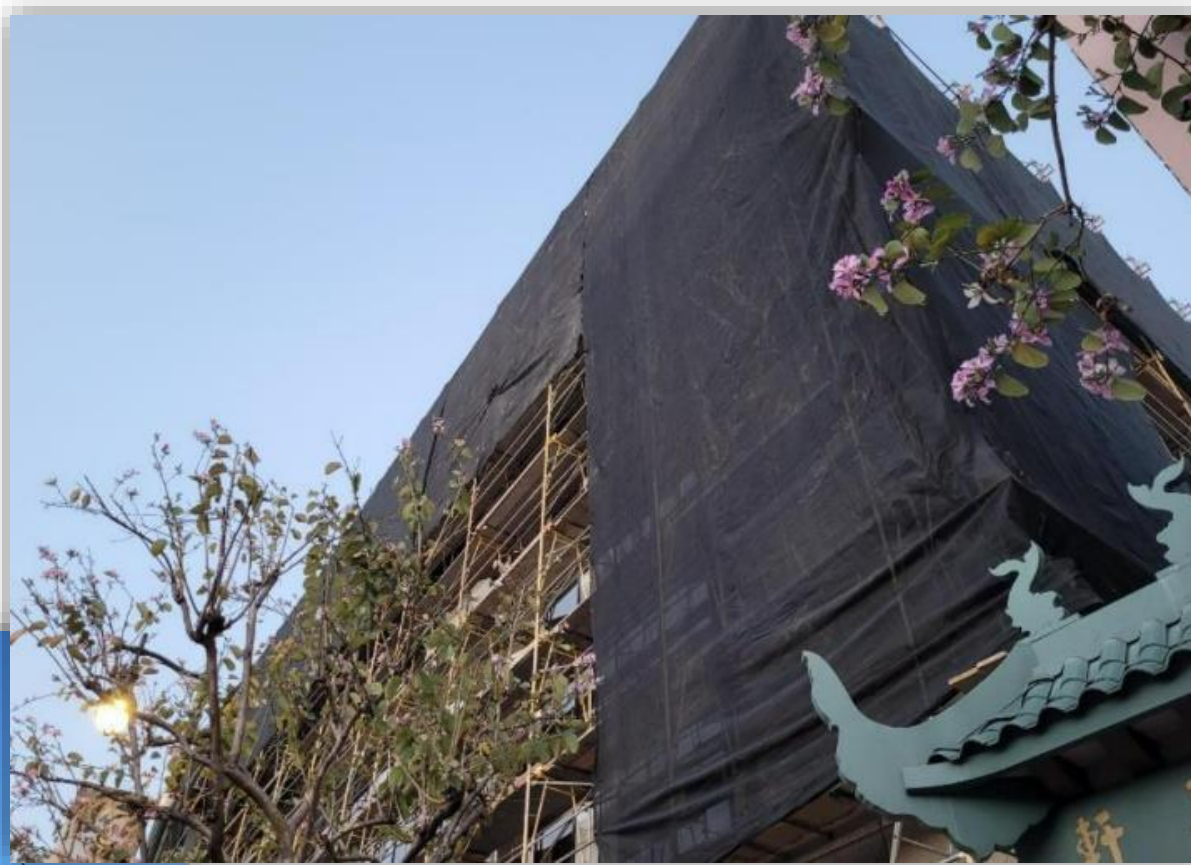
Progress in the **exterior** included the completion of scaffolding – an impressive engineering feat, requiring cantilevering from the rooftop, as ground support for the scaffolding is not available on two sides of the building.





CAPITAL PROJECT SUMMARY

Progress in the **exterior** included completing the ACM abatement in sealed environments for the protection of the surrounding neighborhood.



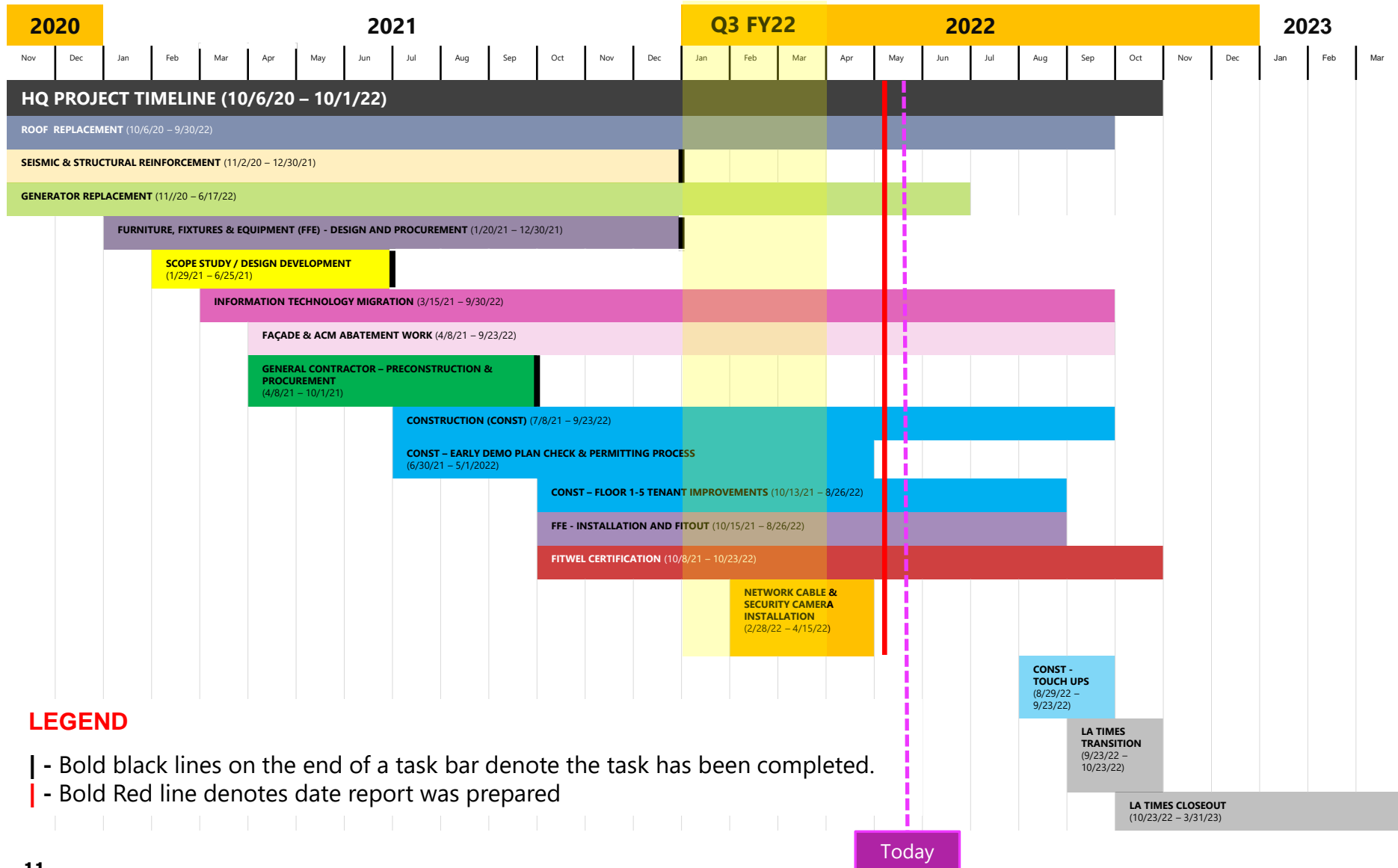
CAPITAL PROJECT SUMMARY

Progress in the **exterior** included the **diesel generator pad** and decommissioning of the obsolete **gas generator**.





PROJECT TIMELINE



LEGEND

- | - Bold black lines on the end of a task bar denote the task has been completed.
- | - Bold Red line denotes date report was prepared

PROPERTY STATUS SUMMARY

Property Management:

- The fire pump replacement is complete. Upon inspection, the inspector highly recommended for a Jockey Pump to be installed in conjunction with pump. Property Management performing final review of proposals and will schedule the work as budgeted in FY23-Q1.
- Established a 10-Year Capital Plan for ongoing maintenance and improvement for the facility.

Tenant/Vacancy Status

- The only Lease remaining at the property is with AT&T for placement of cellular antennas on the roof of the building which will continue to remain active with no plans to terminate.
- The AT&T rent payments are being received.



FINANCIAL OVERVIEW

FY 2021/22 Q3 Financial Status Report (January – March 2022)

Budget	Budgeted Amount	Actuals FYTD	% Budgeted Amount Expended FYTD	Budget Variance Comments
Operating	\$1,292,058	\$857,230.43	66.35%	
Capital	\$19,707,987	\$5,433,751	27.57%	
Total	\$21,000,045	\$6,290,981	29.96%	

NOTE: The data presented in this chart reflect expenses paid out through our Property Management Account.



977 N BROADWAY

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

202 W. FIRST STREET, SUITE 500

LOS ANGELES, CA 90012

(800) 779-8328 / RTT: (888) 349-3996

LACERS.ORG





REPORT TO BOARD OF ADMINISTRATION

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

MEETING: MAY 24, 2022
ITEM: VIII - B

SUBJECT: REAL ESTATE FISCAL YEAR 2022-23 STRATEGIC PLAN AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the Real Estate Fiscal Year 2022-23 Strategic Plan.

Discussion

On May 10, 2022, the Committee considered the attached report regarding the Real Estate Fiscal Year 2022-23 Strategic Plan. The Committee heard a presentation from Chae Hong, Felix Fels, and Prashant Tewari of The Townsend Group (Townsend), LACERS' Real Estate Consultant. The plan, developed by Townsend with input from staff, establishes strategic objectives and investment plan recommendations for the Fiscal Year 2022-23. The Committee inquired about the current market for real estate emerging investment managers, as well as the niche property types that have developed as a result of the COVID-19 pandemic. Based on this discussion, the Committee concurred with the staff recommendation to adopt the plan. Townsend will be present at the Board meeting of May 24, 2022, should the Board desire to hear a presentation of the plan.

Strategic Plan Impact Statement

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

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

NMG/RJ/BF/WL/EP:rm

Attachment: 1. Investment Committee Recommendation Report dated May 10, 2022



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

MEETING: MAY 10, 2022
ITEM: IV

SUBJECT: REAL ESTATE FISCAL YEAR 2022-23 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board the adoption of the Real Estate Fiscal Year 2022-23 Strategic Plan.

Discussion

The Townsend Group (Townsend), LACERS' Real Estate Consultant, with input from staff, has developed the proposed Real Estate Fiscal Year 2022-23 Strategic Plan, which considers strategic objectives and investment plan recommendations for the next fiscal year. Staff has reviewed the plan and recommends its adoption. Townsend will present the proposed plan.

Strategic Plan Impact Statement

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

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

NMG/RJ/BF/WL/EP:rm

Attachments: 1. Executive Summary – The Townsend Group
2. Proposed Real Estate Strategic Plan – The Townsend Group

MEMORANDUM

TO: The Board of Los Angeles City Employees' Retirement System

DATE: May 2022

SUBJECT: Real Estate Strategic & Investment Plan for Fiscal Year 2022-2023 – Executive Summary

FROM: The Townsend Group

Executive Summary

The purpose of this report is to review the Los Angeles City Employees' Retirement System ("LACERS" or the "System") Real Estate Strategic Plan ("Strategic Plan") and outline the corresponding Real Estate Investment Plan ("Investment Plan"). The Investment Plan includes actions which will help LACERS to capitalize on current market opportunities while still meeting the guidelines set forth in the proposed Strategic Plan.

Townsend was re-engaged by LACERS's Board in 2014 to serve as its real estate consultant. Since that time, Townsend has worked with LACERS Staff to successfully transition the Portfolio to reflect a more conservative risk profile. The investment strategy from 2014 to-date has emphasized \$305 million of investments into Core funds and \$585 million into tactical Non-Core funds.

In April 2018, LACERS Board adopted changes to its Asset Allocation targets, as advised by its general consultant. The impact to real estate was to increase the target from 5.0% of Total Plan Assets to 7.0% of Total Plan Assets. In May 2021, the Board elected to maintain a 7.0% real estate allocation with the adoption of the new asset allocation.

FY 2022-2023 Investment Recommendations

The LACERS Program (the "Program") has a 7.0% allocation target (with an allowable range of $\pm 2.0\%$). As of September 30, 2021, the market value of the Portfolio was \$947 million on a committed and funded basis (4.1% of Total Plan Assets). With the combination of the recently approved increased allocation to real estate, and planned liquidations, LACERS will need to deploy significant capital in order to reach its 7.0% allocation target over the coming years.

Townsend recommends the following 2022-2023 Goals to LACERS for consideration:



LACERS Annual Investment Plan FY 2022-2023	
Core Capital	Up to \$200 M
Non-Core Capital	Up to \$250 M
Total Annual Commitments	Up to \$450 M

Core Portfolio Goals

- Commit to high conviction, specialist funds that can provide LACERS access to attractive property types with high expected risk-adjusted returns (e.g. multifamily, life sciences, etc.).
- Right-size existing Open-End fund exposures.
- Identify opportunities to rebalance the Core portfolio to optimize fees, increase exposure to outperforming managers and desired property types.
- Turn on Dividend Reinvestment Plan (“DRIP”) for Kayne Anderson Core Fund, Lion Industrial Trust, and Prime Property Fund and turn off DRIP for Invesco Core Real Estate to right-size exposures.

Non-Core Portfolio Goals

- Increase commitment size for high conviction opportunities to \$60-\$75 million.
- Focus on Buy-rated funds with high conviction managers.
- Consider adding to and diversifying industrial and multifamily exposures further (e.g. through adding new regions or differentiated strategies).
- Explore complementary exposures such as life sciences, cold storage, data centers or single family residential if attractive fund options exist.
- Continue to evaluate Emerging Managers that are an appropriate fit for LACERS’ portfolio, without compromising returns.
 - Review LACERS’ Emerging Manager Policy with Townsend Investment Committee and Due Diligence Team.
 - Re-evaluate Emerging Manager universe and policy parameters as necessary.



- Townsend will work with staff in ensuring that emerging investment manager criteria reflects the current market and fundraising environment.
- Consider funds that engage emerging managers as operating partners through joint ventures.
 - This would increase the opportunity set by including emerging managers that may not be raising commingled funds and build a pipeline of potential future fund launches.

END OF INVESTMENT RECOMMENDATIONS



Real Estate Portfolio

Fiscal Year 2022-2023 Investment Plan





Table of Contents

- A. Real Estate Market Outlook
- B. Executive Summary
- C. LACERS Real Estate Program Overview
- D. LACERS 2022-2023 Investment Plan
- E. Sourcing and Deal Flow

A. Real Estate Market Outlook

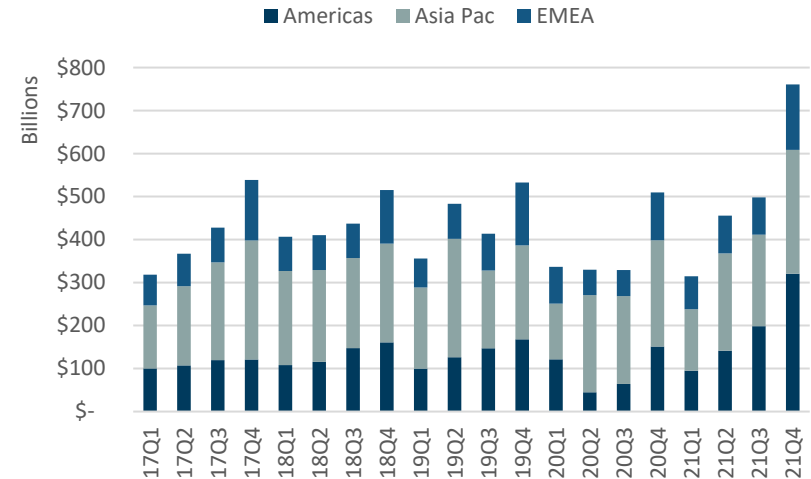


Real Estate Transaction Activity and Capital Markets Remain Robust



- Investor interest in real estate continues to grow with Q4 2021 investment volume marking a new high
- Real estate allocations among large institutional investors are growing and retail investors are also embracing the asset class
- More recently, the apartment and industrial sectors began accounting for more than 50% of investment activity in real estate
- Investors continue to look for dislocated values in other sectors like office, hotels, and senior housing
- In addition, there is a growing interest in non-traditional sectors like single family rentals, cold storage, life sciences, data centers, medical business offices, and studios
- The capital raising activity remained brisk during 2021 with the large managers gathering most of the assets in the industry, but many sector and regional focused managers have also been successful in raising capital

Global Transaction Volume - All Property Types



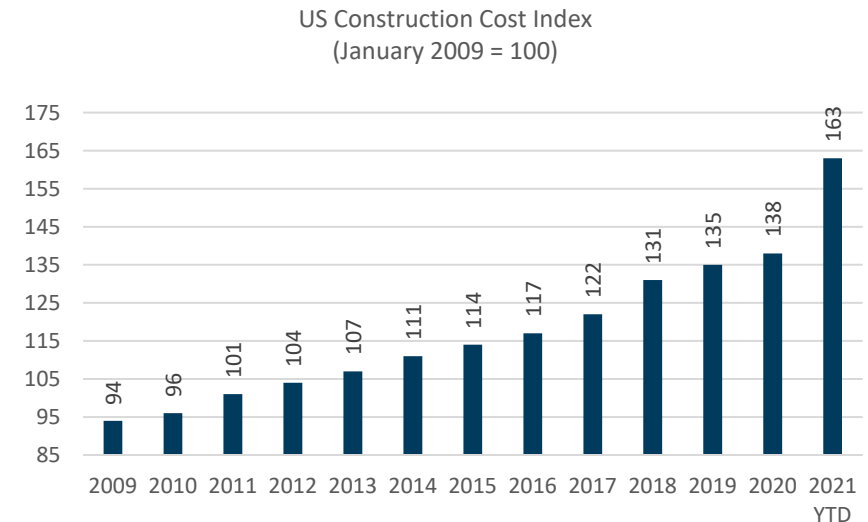
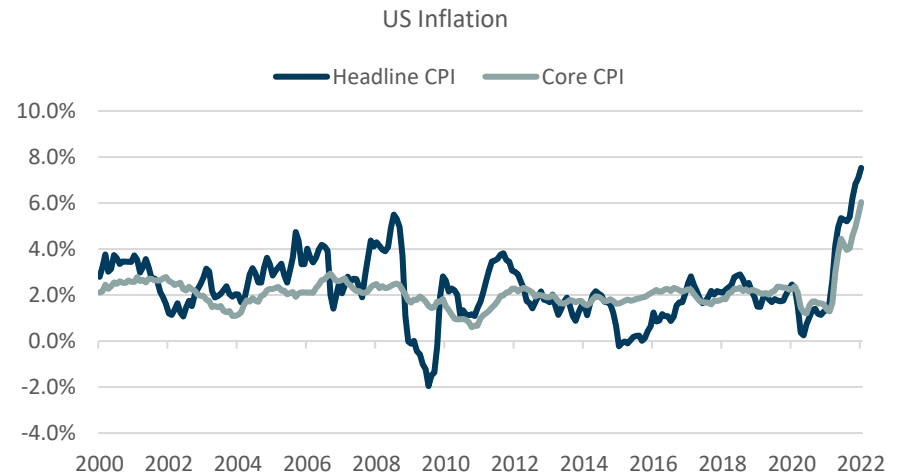
Real Estate Dry Powder (USD Billions)				
Strategy	2011	2019	2020	2021
Opportunistic	74.7	135.1	131.1	120.4
Value Add	39.7	98.0	112.0	95.1
Debt	17.0	60.6	67.2	70.5
Core	6.7	26.4	35.9	33.5
Core-Plus	9.7	16.7	27.0	22.3
Distressed	10.6	12.2	10.2	15.5
Secondaries	2.5	9.1	10.9	8.4
Fund of Funds	6.9	4.3	5.4	6.1
Co-Investment	0.5	2.8	4.0	2.7
Total	168.3	365.2	403.7	374.5

• Source: The Townsend Group, Real Capital Analytics (February 2022)

• Townsend’s views are as of the date of this publication and may be changed or modified at any time and without notice. Past performance is not indicative of future results.

United States: Inflationary Pressures A Positive Tailwind For Real Estate

- The strong global economic rebound has stoked inflation beyond economists' expectations and persistent supply chain disruption has been slow to resolve
- Commercial real estate construction has been particularly impacted by supply chain disruption and witnessed material prices increases well beyond CPI
- Key materials inputs for commercial and residential construction have seen substantial price increases, including Lumber, Copper, and Steel. Continued skilled labor shortages are leading to a backlog among subcontractors and additional costs and/or lead times for newer projects
- The combination of the above factors is driving meaningful increases in replacement cost for existing assets and presenting a headwind for new supply in a real estate market with historically low vacancy rates across in demand sectors
- Real estate provides an inflationary hedge, and the trend is already prevalent in industrial, apartment, and life sciences in terms of rising rent growth. However, not all sectors will benefit from hedge. Office fundamentals likely to remain weak in the near-term



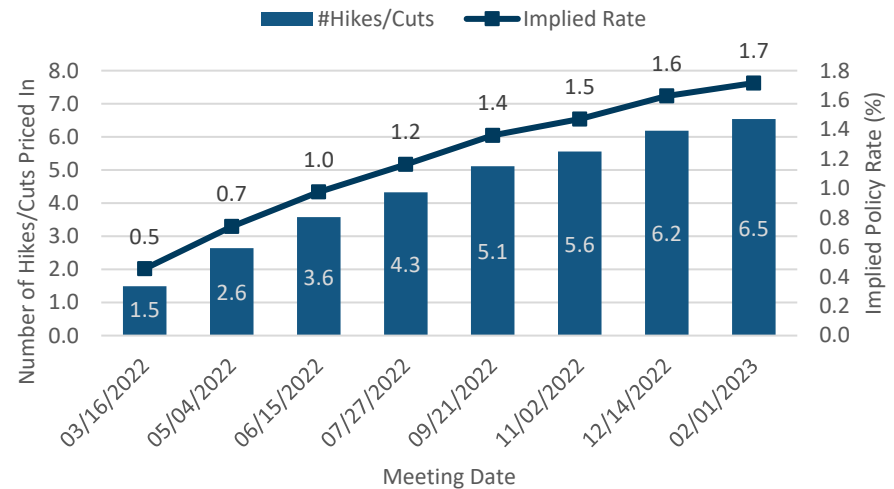
Source: The Townsend Group, St. Louis Fed, Mortenson. (February 2022)

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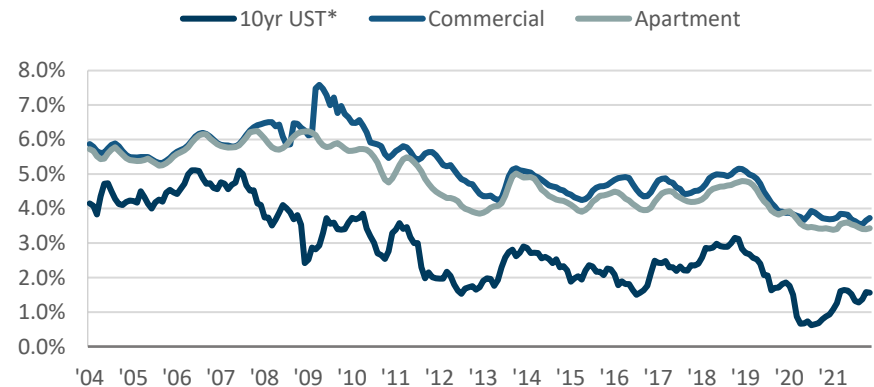
United States: Rising Interest Rates & Impact on Real Estate

- Rising interest rates will have a negative impact on economics and restrict investors from higher loan-to-value ratios that they had gotten comfortable with in the past
- Operating costs in various real estate sectors could go up, limiting profitability on the operating side. Investors need to be mindful of sustainable growth
- Mortgage rates compressed to below 3.5% as of year-end 2021, but rates are anticipated to rise
- Rising mortgage rates to hurt the ownership market, but can help the apartment and single-family rental sectors
- A rise in rates will impact bond market pricing and may tilt asset allocation in favor of real estate
- Above all, in light of the Russia/Ukraine crisis, investors need to consider the uncertainty in interest rates as the central banks struggle to balance inflation against slowing economic growth; income generating strategies offer a good balance in such volatile macro-backdrop

Implied Overnight Rate & Number of Hikes/Cuts
 February 2022 (Bloomberg)



Mortgage Rates



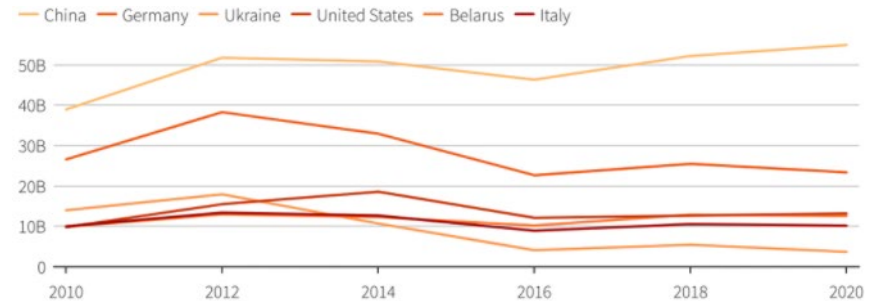
• Source: Bloomberg, Real Capital Analytics (February 2022)

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Russia/Ukraine Crisis: Risks To Global Growth And Inflation

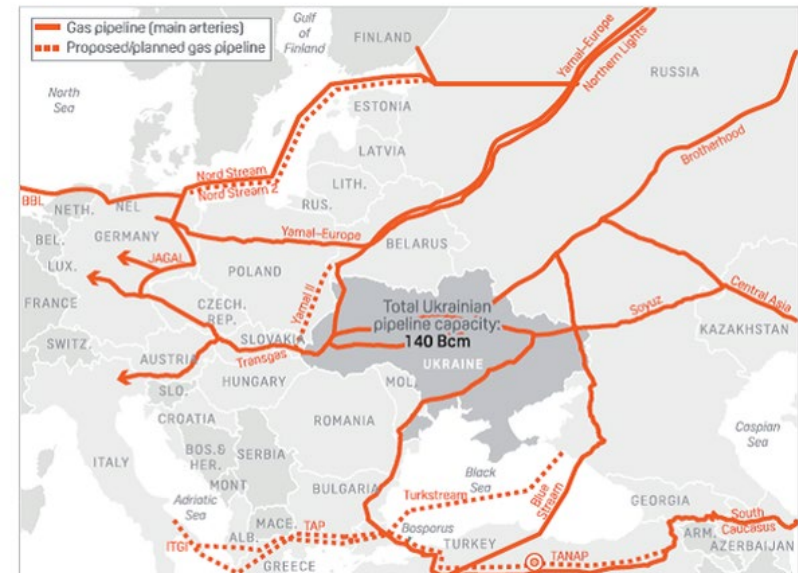
- Global macroeconomic fundamentals were strong prior to Russia’s invasion of Ukraine
- Financial linkages between Russia and the developed countries were weak prior to the crisis with China being the only major country to increase its exports to Russia
- However, Russia does play an important role in the global energy markets with its oil and gas exports
- Rise in energy cost will feed the already building inflationary pressures and risks slowing the global economic growth
- Central banks will have the difficult task of balancing inflationary pressures on one hand, and preventing a significant slowdown to post-pandemic economic recovery, leading to heightened macroeconomic volatility
- In major part, due to higher political risk, Townsend had not been actively advising investing in Russia, therefore, the current direct exposure remains insignificant
- On the margin, Europe, given its direct dependency on Russian gas, is likely to be more affected by this crisis
- Commercial real estate, especially the lower to moderate risk strategies, can offer leverage into the growth within select sectors, while at the same time offer protection against unexpected inflation

Top Exporters To Russia



Note: Figures denominated in billions of U.S. dollars
 Source: World Bank; U.N. Comtrade

EUROPE’S GAS PIPELINE TIES TO RUSSIA



Global Real Estate Investment Themes

1

Evolution of the Global Supply Chain

Expansion/modernization across the supply chain, including bulk distribution, last mile, and specialized distribution real estate

E-COMMERCE PENETRATION

Logistic infrastructure and technology continue to evolve in response to a continued increase in consumer e-commerce preference

Same day delivery offerings have attracted many more products being bought through e-commerce; Amazon now offering millions of products for same-day delivery in many large cities

ABSORPTION AND NEW SUPPLY

Vacancy rates continue to fall as net absorption levels continue to be high despite rising completions

Given that absorption levels are forecast to remain high, investors may consider investment in select development opportunities

Relative value may exist in secondary markets witnessing population growth as supply chain infrastructure is built out



2

Evolving Work-Life Balance and Work-From-Home

Employee preference for flexibility to work from home, driven by pandemic restrictions and strong labor market

WORK-FROM-HOME

Back to office remains limited and cautious across many major cities

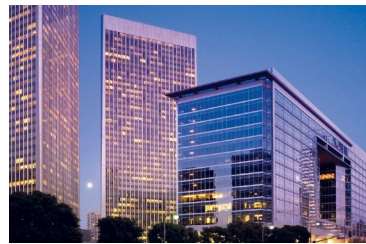
Cities in Asia/Continental Europe have slightly higher rate of employees back in the office, while US/UK markets are more negatively impacted

Office vacancy rates may not peak until 2023-2024 and rent growth is not forecast to gain significant momentum until then

RECOVERY AND RELATIVE VALUE

Select cities like US coastal markets and key Asian markets like Tokyo, Shanghai, Seoul, etc. are leading in-office employment growth in 2022 as they begin to recover

High-quality, long-leased assets continue to see favorable pricing while value-add pricing varies. The NCREIF Office weighted cap rate was 4.4% as of 3Q21, up from 4.1% pre-pandemic



3

Dislocation in Select Property Types

Risk mitigation through avoidance of cyclical real estate sectors and those impacted by pandemic

HOTELS

While RevPARs have recovered significantly, lodging recovery continues to be uncertain

Travel restrictions, technological improvements, and increased adoption of conferencing technologies may impair business travel recovery

Air travel has rebounded since the beginning of 2021 (80% of pre-covid travel levels)

RETAIL

Retail sales have recovered more than footfall leading to higher sales productivity per visit

Strip center/grocery anchored occupancy levels seemed to have bottomed and rent growth for good quality assets is anticipated to improve

While mall fundamentals are also improving, the valuations of good quality malls remain high relative to the inherent risk



• Source: The Townsend Group, NCREIF, (February 2022)

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Global Real Estate Investment Themes (Cont.)

4

Emergence of Niche Property Types

Niche strategies may offer stable income, differentiated demand dynamics, and upside potential through operating efficiencies

COLD STORAGE

Growth in e-commerce, trend toward fresh food, and rising population has led to a steady tailwind of demand

Half of all US cold storage capacity built prior to 1990. (AEW Research)

Vacancy is sub 4.0%, while new supply is only growing by an annual rate of 1.0%

PRODUCTION STUDIOS

Specialized space that often includes a mix of studio and office space for writers, producers, and supporting staff

Tenants typically sign short-term leases, but recently, creators such as Netflix and Amazon have signed longer-term leases

Fundamentals are driven by growth in content consumption



5

Housing Shortage and Suburban Migration

Shortage of affordable housing stock across most global developed markets

Migration to less urban markets due to remote work and anticipated tax savings

APARTMENT

Per NCREIF, US apartment vacancy was 5.1% in the third quarter 2021, down from 7.4% pre-pandemic

Internationally, the opportunity set is limited, but select opportunities exist in Europe and Japan

SINGLE FAMILY RENTAL

Predominantly a US based opportunity

WFH and demand for larger living space have driven home prices up by +24% since the pandemic, straining homeownership affordability

Single family rental in less urban markets, resulting in 10%+ growth on new leases and over 5% growth in renewals for US REITs

Select opportunities emerging in Australia, and to less extent in the UK



6

Aging Population and Complemental Strategies

Demographics driving demand for healthcare, life sciences, medical office, and senior housing

SENIOR HOUSING AND HEALTHCARE

During the pandemic in the US, occupancy declined from 87% to 75%; recently, though, the occupancy levels have slightly rebounded

Over the next 10 years, growth in global population aged 65-74 and age 75+ are forecast to increase significantly, leading to more opportunities in senior housing markets like Europe, Japan and healthcare in Australia

LIFE SCIENCES ASSETS

Life Sciences R&D continues to see accelerating growth in funding from an array of sources, including VCs, public funding, and corporates

In the US, the nominal cap rates for life sciences (4.5%) and medical office (5.2%) remain attractive, given high rent growth outlook

Select opportunities emerging in Europe and Asia, but those markets are less institutionalized



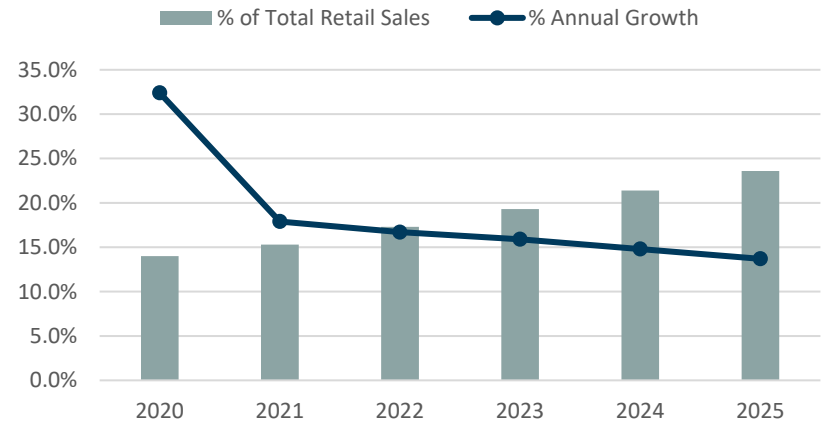
• Source: The Townsend Group, AEW Research, NCREIF (February 2022)

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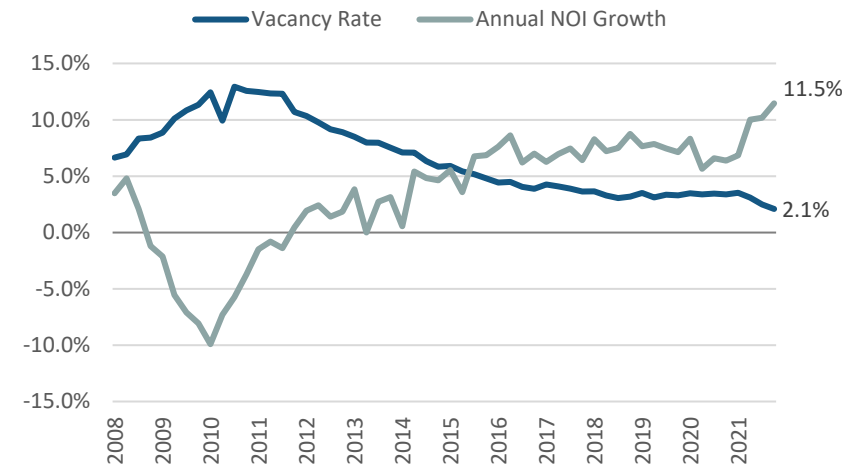
United States: Evolving Global Supply Chain

- Logistics infrastructure and technology continue to evolve in response to continued growth of e-commerce
- Same day delivery capabilities are increasing the number and variety of products being bought via e-commerce; Amazon is now offering millions of products for same-day delivery in many cities
- Vacancy rates continue to fall as net absorption levels continue to be high despite rising completions
- Expectation of continued growth in rents has led to cap rate compression reducing forecast total returns but given the high growth rate, the risks are also commensurately lower
- Higher cash returns are feasible on product located in secondary cities; due to increasing adoption of work-from-home, the once secondary cities are witnessing population growth supporting investment in logistic assets in these locations
- Given that absorption levels are anticipated to remain high, investors may want to consider investment in select development opportunities

U.S. E-Commerce Growth Projections



US Industrial Operating Fundamentals

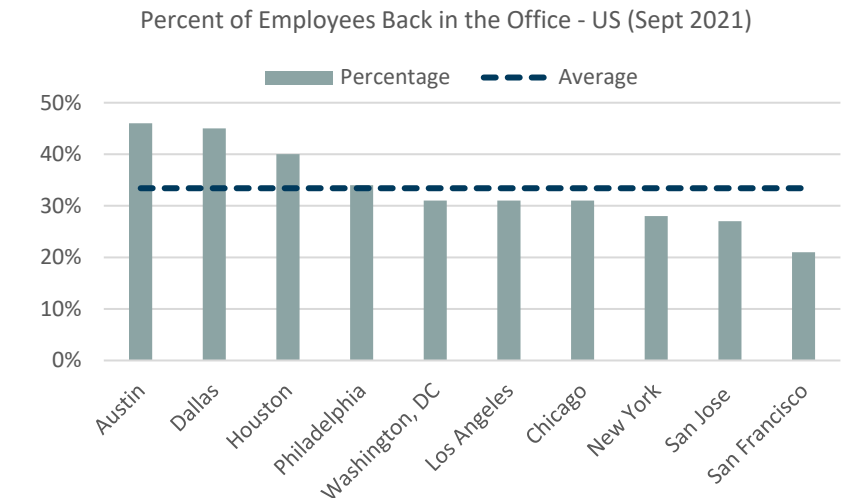
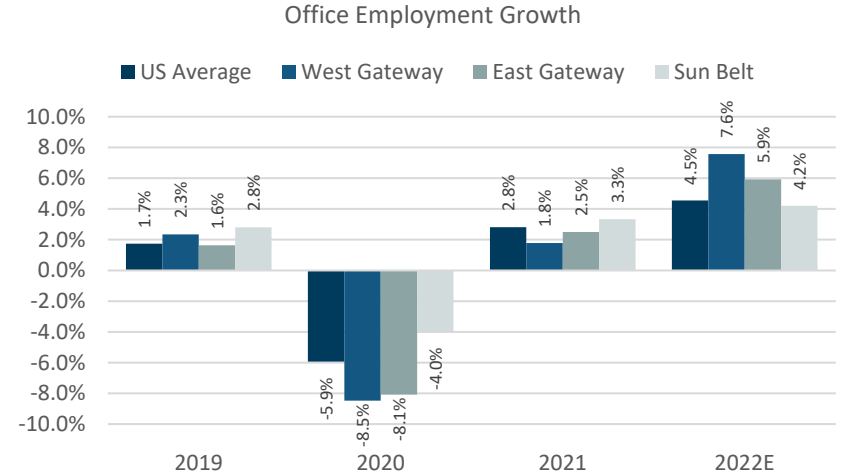


• Source: The Townsend Group, NCREIF, eMarketer (December 2021)

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United States: Work-From-Home

- Back to office preferences remain cautious across all the major US cities; cities in the south have slightly higher rate of employees back in the office
- Office vacancy rates may not peak until early 2023/24 and rent growth is not forecast to gain significant momentum until then
- Gateway markets may face longer recovery period versus non-gateway and Sunbelt markets
- Per NCREIF, US office vacancy was 13% in the third quarter 2021, up from 10% pre-pandemic
- Office employment is increasing, with the West (Los Angeles, San Francisco) and East (Boston, New York City, DC) gateway markets for in-office employment growth forecast in 2022. Sun Belt employment growth was least impacted in 2020.
- High-quality, long-leased office properties continue to see favorable pricing while value-add pricing varies. Per NCREIF, the US Office market weighted cap rate was 4.4% as of third quarter 2021, up from 4.1% pre-pandemic



Source: The Townsend Group, GreenStreet, NCREIF, Cushman & Wakefield. (February 2022)

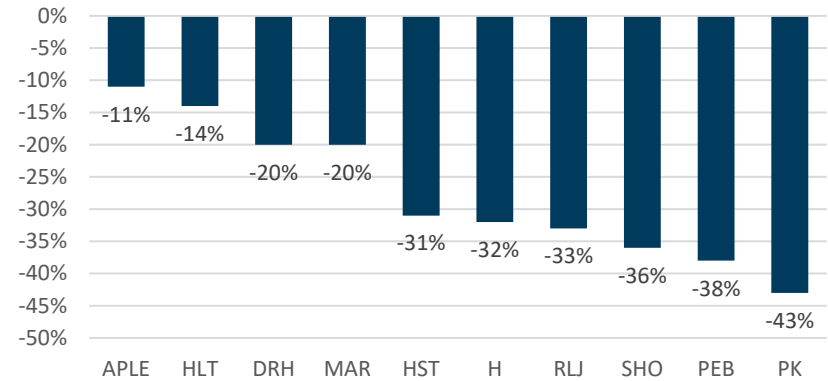
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United States: Property Type Dislocation

HOTELS

- While RevPars have recovered significantly, lodging recovery continues to be uncertain
- Travel restrictions, technological improvements, and increased adoption of conferencing technologies by major employers may permanently replace future business travel
- Air travel has significantly rebounded since the beginning of 2021 with the vaccine rollout. Current air travel figures are at approximately 80% of pre-covid travel levels.

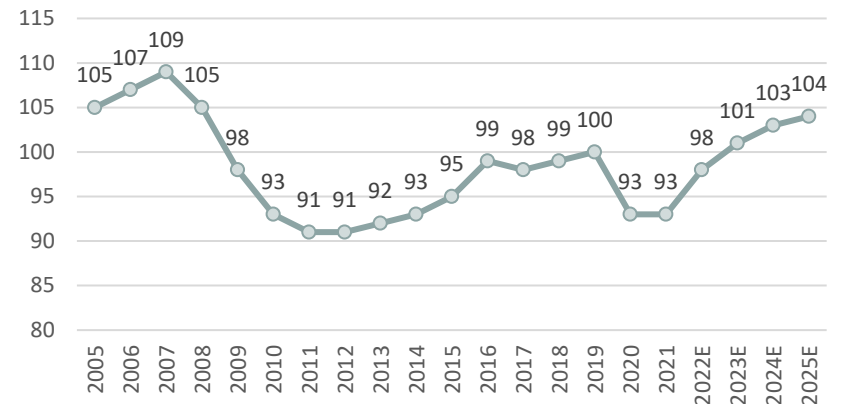
3Q21 REIT Hotel RevPAR Decline (vs 3Q19)



RETAIL

- Retail sales have recovered more than footfall leading to higher sales productivity per visit
- Strip center occupancy levels seemed to have bottomed and the same store rent growth for good quality assets is anticipated to grow
- While mall fundamentals are also improving, the valuations of good quality malls continue to be high

Strip Center Indexed Market RevPAF Growth ('19 Indexed to 100)



Source: The Townsend Group, GreenStreet (February 2022)

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United States: Emerging Niche Property Types

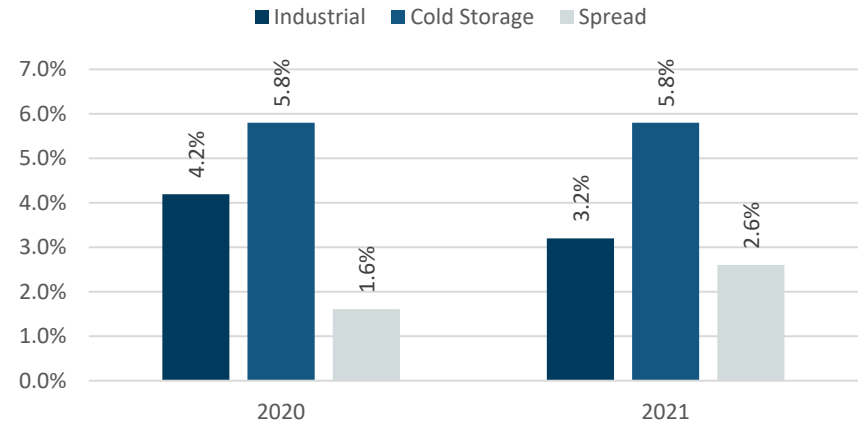
COLD STORAGE

- Growth in e-commerce, trend toward fresh food, and rising population has led to a steady tailwind of demand
- Technological advancements (RFIDs, robotics, etc.) have improved the margins of the operators
- Much of the existing stock is aging, with half of all cold storage capacity build prior to 1990
- Supply has been limited as the facilities are expensive and operations are complex
- Vacancy is sub 4%, while new supply is only growing by an annual rate of 1.0%

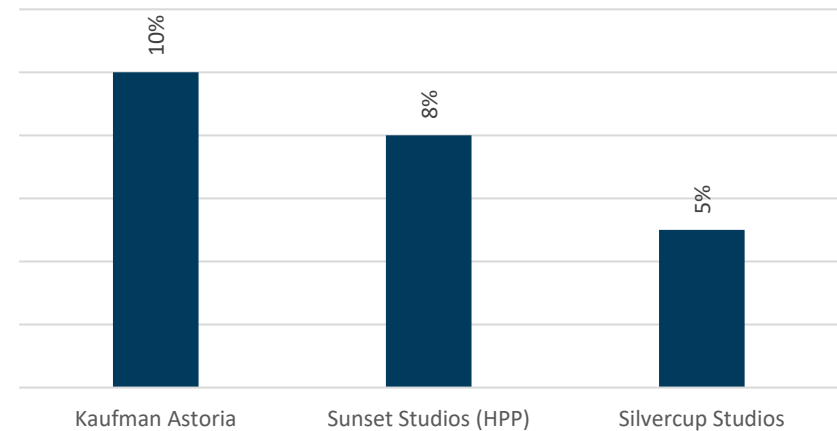
STUDIO

- Typically developed in warehouse space and utilized for television, film, and commercial production. Typically includes a mix of studio and office space for writers, producers, and supporting staff
- Capex is typically very low, with all build outs paid by the tenant. Tenants typically sign short-term leases, but in some cases, creators such as Netflix and Amazon sign longer-term leases
- Largest studio markets today include Los Angeles, New York City, London, Toronto, Vancouver, Chicago, and Atlanta
- Sector fundamentals are being driven by growth in content consumption. Average time watching video content per day in the US grew by 28% between 2010 and 2020

Nominal Cap Rates



Studio Rent Growth Annualized 2016-2019



• Source: The Townsend Group, Green Street, NCREIF, TREP and Broker Research (February 2022)

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United States: Housing Supply

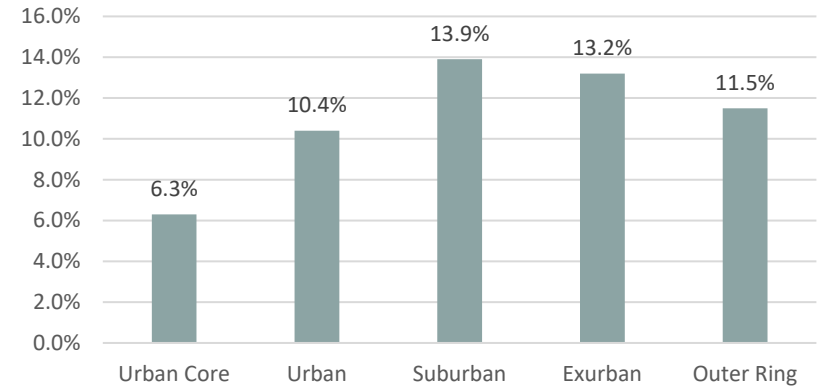
APARTMENT

- Per NCREIF, US apartment vacancy was 5.1% in the third quarter 2021, down from 7.4% pre-pandemic
- US apartment rent growth is forecast to be +7.1% in 2021 and +6.6% in 2022. GreenStreet is forecasting average annual RevPAF growth of +4.5% for 2021-2025

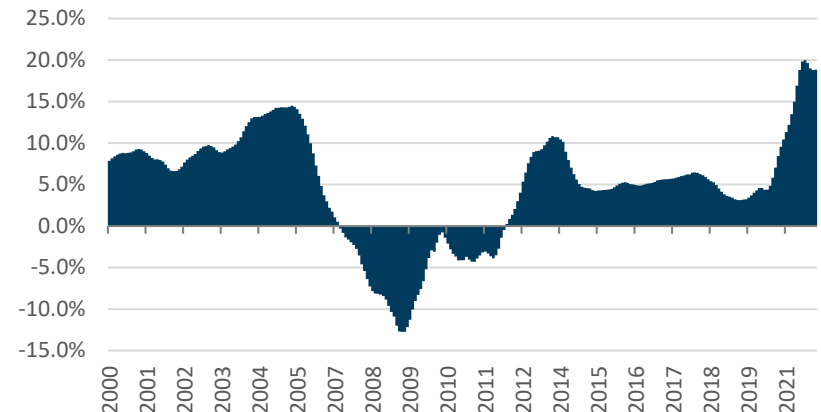
SINGLE FAMILY RENTAL (SFR)

- WFH and the consumer demand for larger living space have driven US Home Prices by +24% since the start of the pandemic, boosting demand for multifamily rentals
- \$60 billion has been raised or committed for build-to-rent housing as of September 2021
- Only 2.2% of SFR was owned by institutional operators in 2021; significant room for further institutionalization
- SFR REITs have seen 10%+ growth on new leases and over 5% growth on renewals

Current Annual Effective Rent Growth
 (As of Q3 2021)*



S&P Case-Shiller U.S. National Home Price Index
 Annual % Price Appreciation



Source: The Townsend Group, NCREIF, Clarion Partners, CBRE, GreenStreet, Zelman & Associates, JP Morgan Asset Management, Cortland Partners, RealPage Axiometrics (February 2022)

*Select US Markets

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United States: Aging of Population

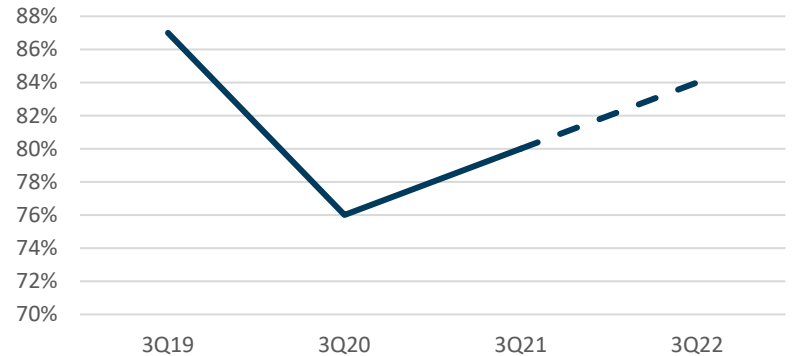
SENIOR HOUSING

- During Covid-19, the asset class suffered disproportionately relative to other sectors with occupancy declining from 87% to 75%; recently, though, occupancy levels have started to rebound
- Over the next 10 years, population aged 65-74 and age 75+ are forecasted to increase by +2 million and +11 million, respectively
- Core/core plus independent living assets offer 140-200 bps cap rate premium over multifamily assets

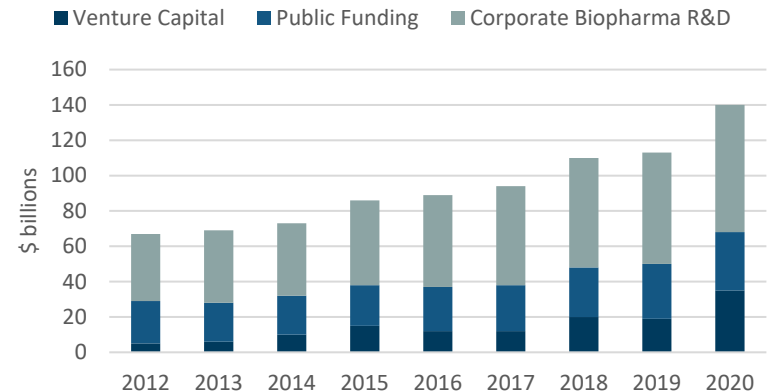
LIFE SCIENCES ASSETS

- Pharmaceuticals and biotech sectors are witnessing significant capital from venture capital, public funding, and corporates, leading to a strong growth in adequate facilities in key research centers around the US
- Nominal cap rates for life sciences (4.5%) and medical office (5.2%) remain attractive; the lower cap rates in life sciences are supported by higher rent growth of +13.7% YoY growth as of 2Q 2021

Healthcare Same-Store Occupancy - Avg. of Ventas and Welltower



US Life Sciences R&D Funding by Source (3Q 2021)



• Source: The Townsend Group, GreenStreet, Clarion Partners (February 2022)

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B. Executive Summary



Executive Summary

LACERS Annual Investment Plan 2022-2023 – Total New Commitments of up to \$450 million

Private Real Estate Portfolio

Core Portfolio – Up to \$200M

- Commit capital to new and existing core and/or core plus funds to rebalance the portfolio and adjust for return and risk purposes.
- Review and adjust DRIP (Dividend Reinvestment Plan) for several open-end fund holdings to gradually re-balance exposures.

Non-Core Portfolio - Up to \$250M

- Commit capital to several new investments at increased amounts ranging between \$50 million and \$75 million.
 - Consider smaller commitment amounts for highly concentrated funds, niche strategies, or small fundraises as per LACERS sizing policies.

C. LACERS Real Estate Program Overview



LACERS Real Estate Program Overview

(Data as of September 30, 2021)

	Market Value (\$ millions)*	% LACERS Plan*
LACERS Total Plan Assets	23,313	
Real Estate Target	1,632	7.0%
RE Market Value:		
Core	656	
Non-Core	272	
Timber	18	
Total RE Market Value	947	4.1%
Unfunded Commitments	415	1.8%
RE Market Value & Unfunded Commitments	1362	5.8%
Remaining Allocation	270	1.2%

*Figures may not add due to rounding. Unfunded commitments exclude \$50 million commitment to TPG Real Estate Partners IV which closed in 2Q 2022.

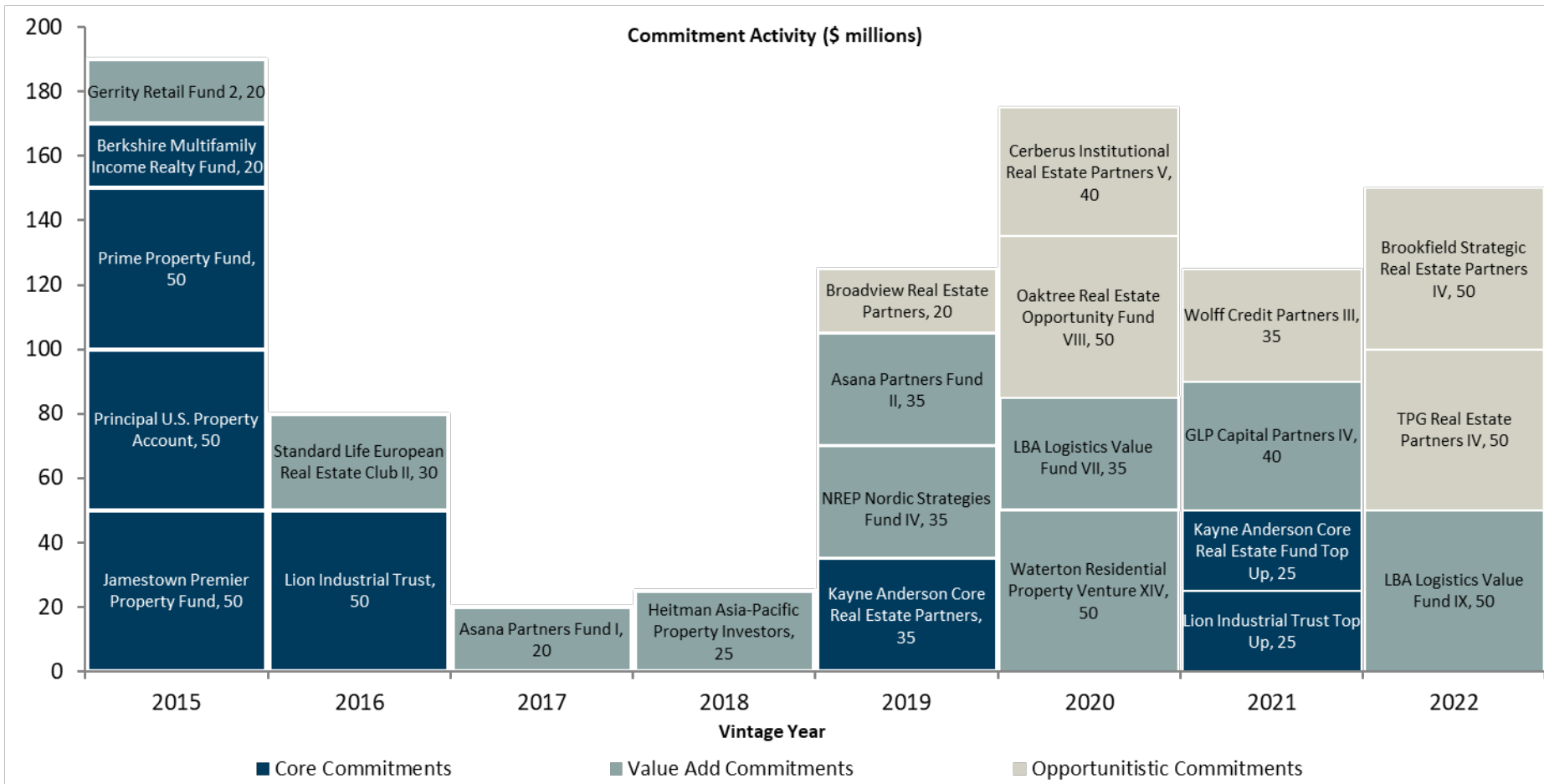
LACERS Real Estate Program Overview (continued)

	Strategic Targets		Portfolio Composition (9/30/2021)*	
	Target Allocation	Tactical Range	Market Value	Market Value & Unfunded Commitments
Core	60%	40% - 80%	69.3%	51.6%
Non-Core	40%	20% - 60%	28.7%	47.0%
<i>Value Add Portfolio</i>	<i>N/A</i>	<i>N/A</i>	<i>18.5%</i>	<i>25.9%</i>
<i>Opportunistic Portfolio</i>	<i>N/A</i>	<i>N/A</i>	<i>10.3%</i>	<i>21.1%</i>
Timber	N/A	N/A	1.9%	1.3%

- In May 2014, the Board approved the strategic targets displayed above in order to reflect a more conservative risk profile going forward. At the time, the Portfolio had 30% exposure to Core and 70% exposure to Non-Core.
- As of 9/30/21 LACERS is overweight to its Core and underweight to its Non-Core target allocation but within the respective tactical ranges. Unfunded commitments will bring exposures closer to long-term targets.

*Figures may not add due to rounding. Unfunded commitments exclude \$50 million commitment to TPG Real Estate Partners IV which closed in 2Q 2022.

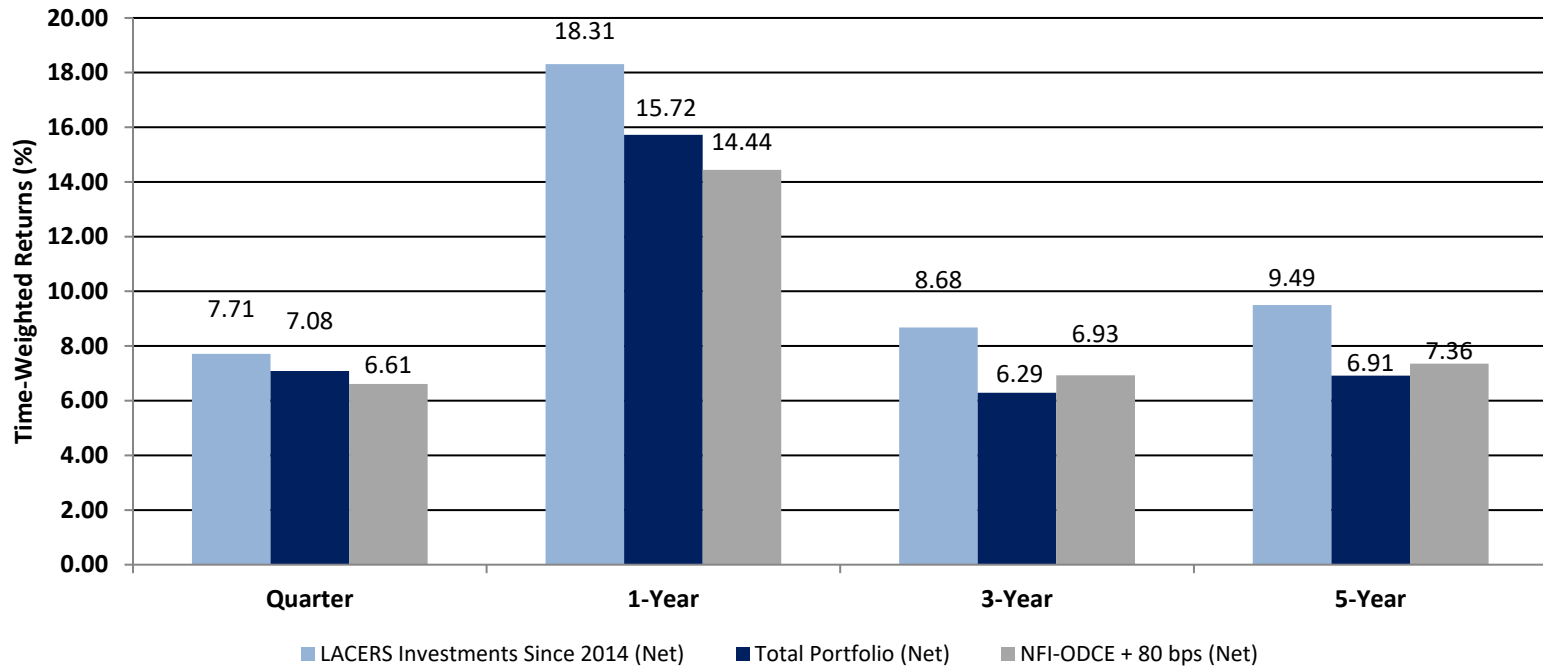
LACERS Commitment History



- LACERS has committed \$890 million since 2014 while under advisement of Townsend.
- LACERS is currently in the redemption queue for Berkshire Multifamily Income Realty Fund (payments expected in 2022) and Jamestown Premier Property Fund (payments expected in 2023/2024).
- Vintage year classifications are based on LACERS' first capital call (or expected capital call), though commitments may have been approved in prior years.

LACERS New Investment Performance

LACERS Investments Since 2014 vs. Total Real Estate Portfolio vs. NFI-ODCE + 80 bps
As of 9/30/21



- Investments recommended since the contract start date in 2014 have consistently outperformed the Total Portfolio and the LACERS benchmark.

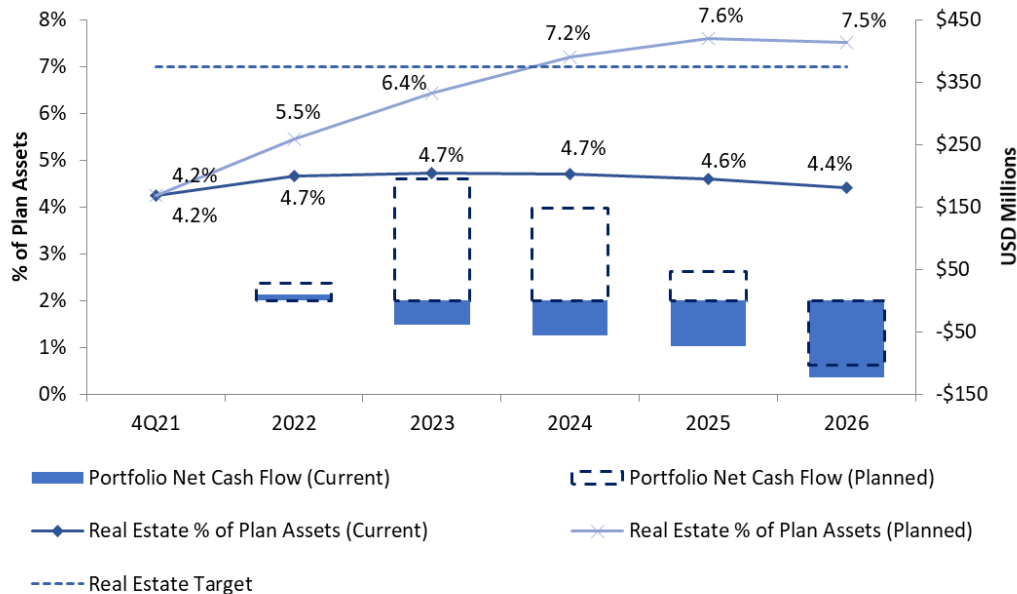
D. LACERS 2022-2023 Investment Plan



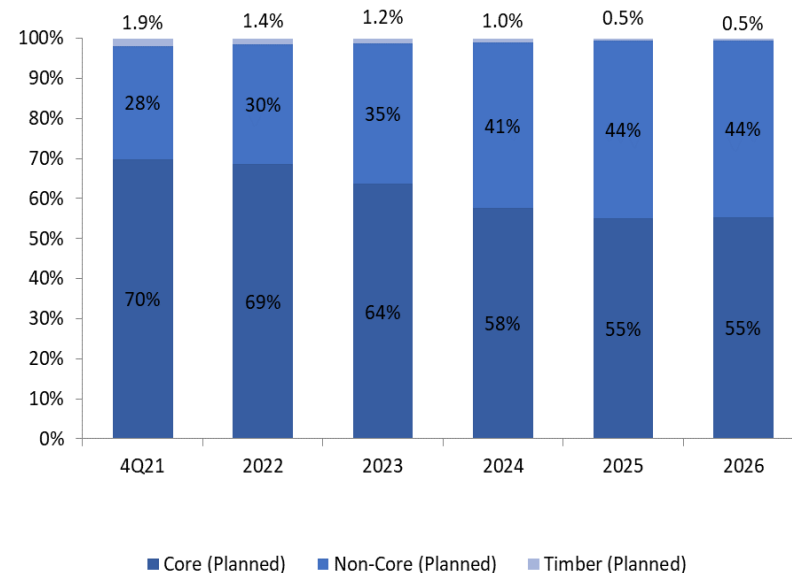
LACERS Real Estate Portfolio Projections

- To build future private portfolio projections for LACERS, Townsend collected forecasted capital calls and distributions from all managers in LACERS' portfolio.
- The 'Planned' Real Estate Portfolio below includes new commitments needed to reach the target allocation and the 60% Core / 40% Non-Core target.
- The real estate portfolio is currently projected to be slightly overweight after 2024; however, Townsend will re-adjust annual pacing assumptions and investment planning as needed to maintain and reach targets and respond to changing market environments.

Real Estate % of Total Plan Assets (All Planned Commitments)



Risk Sector Allocation Change



*For pacing purposes, 4Q21 figures may include 3Q21 data for certain investments that had not provided 4Q21 data at time of submission.

LACERS 2022-2023 Investment Plan – Core Portfolio

- **Commit up to \$200 million* to existing and new Core/Core Plus funds.**
 - Commit to high conviction, specialist funds that can provide LACERS access to attractive property types with high expected risk-adjusted returns (e.g. multifamily, life sciences, etc.).
 - Right-size existing Open-End fund exposures.
 - Identify opportunities to rebalance the Core portfolio to optimize fees, increase exposure to outperforming managers and desired property types.
 - Turn on Dividend Reinvestment Plan (“DRIP”) for Kayne Anderson Core Fund, Lion Industrial Trust, and Prime Property Fund and turn off DRIP for Invesco Core Real Estate to right-size exposures.

*Does not include the \$80 million remaining uncommitted from last fiscal year’s investment plan, for a total of up to \$280 million to be committed.

LACERS 2022-2023 Investment Plan – Non-Core Portfolio

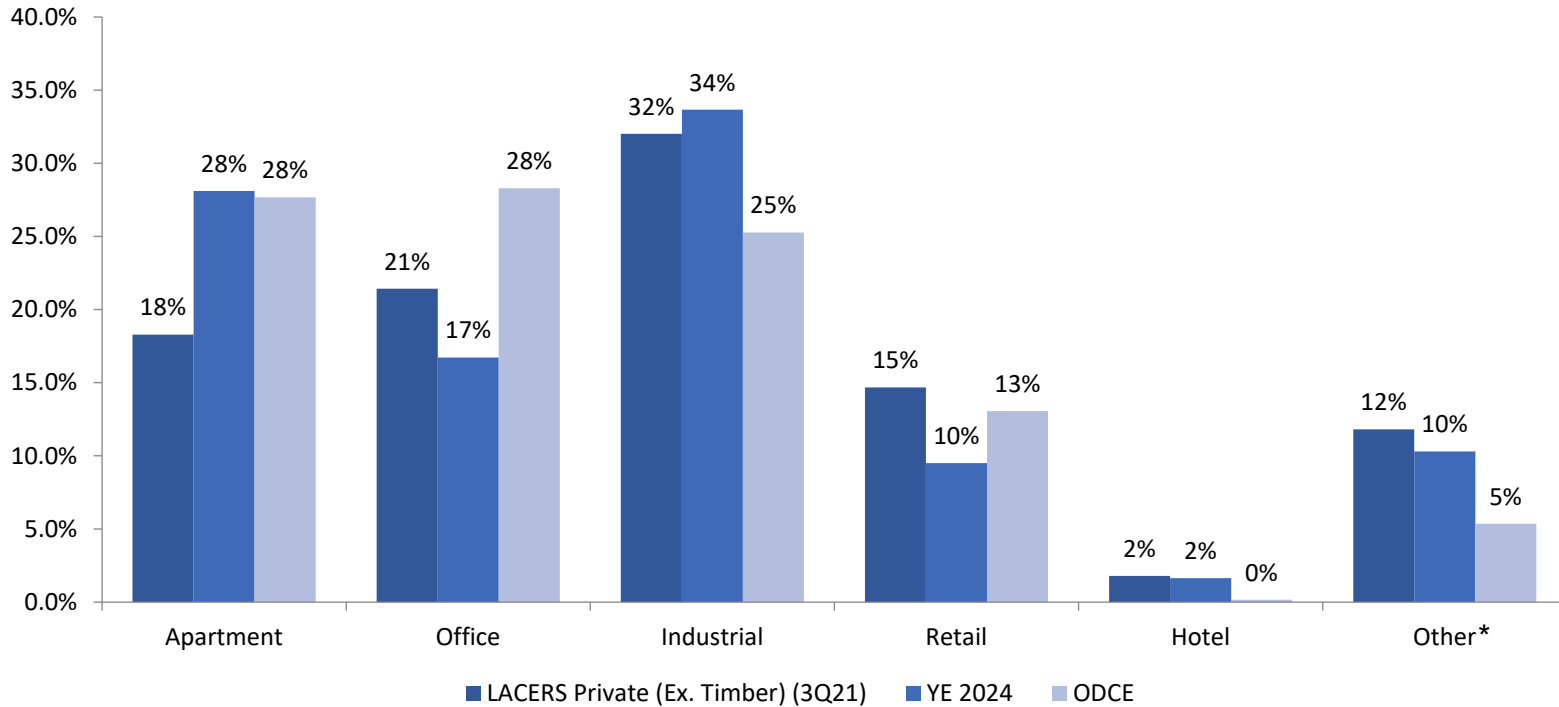
- **Commit up to \$250 million* to several non-core funds.**
 - Increase commitment size for high conviction opportunities to \$60-\$75 million.
 - Focus on Buy-rated funds with high conviction managers.
 - Consider adding to and diversifying industrial and multifamily exposures further (e.g. through adding new regions or differentiated strategies).
 - Explore complementary exposures such as life sciences, cold storage, data centers or single family residential if attractive fund options exist.

- **Continue to evaluate Emerging Managers that are an appropriate fit for LACERS' portfolio, without compromising returns.**
 - Review LACERS' Emerging Manager Policy with Townsend Investment Committee and Due Diligence Team.
 - Re-evaluate Emerging Manager universe and policy parameters as necessary.
 - Townsend will work with staff in ensuring that emerging investment manager criteria reflects the current market and fundraising environment.
 - Consider funds that engage emerging managers as operating partners through joint ventures.
 - This would increase the opportunity set by including emerging managers that may not be raising commingled funds and build a pipeline of potential future fund launches.

*In addition to the already approved \$50 million commitment to TPG Real Estate Partners IV.

LACERS Diversification Projections

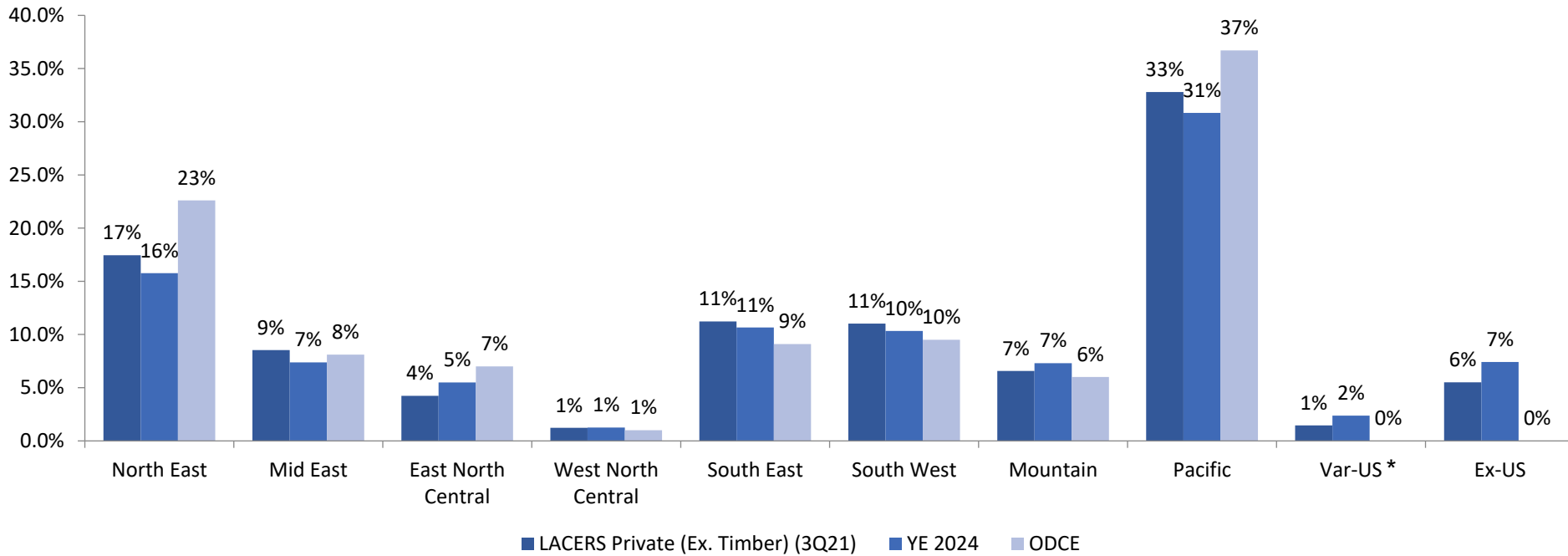
Private Real Estate Exposure - Property Type Diversification
Private Portfolio (Ex. Timber)



*'Other' reflects properties that do not fit into the traditional classifications (apartment, industrial, office, retail), such as medical office, senior housing, self-storage, student housing, and other property types.

LACERS Diversification Projections

LACERS Projected Geographic Diversification
Private Portfolio (Ex. Timber)



*Var-US includes any investments that are not directly tied to specific regions, such as real estate debt investments through Torchlight or entity-level investments through Almanac.

E. Sourcing & Deal Flow



Manager Sourcing & Due Diligence

Core and Core Plus Fund Sourcing and Selection

- Townsend's dedicated open-end fund team reviews and monitors the open-end universe on a monthly and quarterly basis.
- Townsend also evaluates Core closed-end funds, though fewer exist.
- Comprehensive review, evaluation and selection process:
 - Sourcing and evaluation of new fund launches,
 - Quarterly data collection and analysis,
 - On-site meetings and quarterly reviews,
 - Advisory board participation,
 - Ongoing platform assessment,
 - Continual due diligence.

Manager Sourcing & Due Diligence

Non-Core Fund Sourcing and Selection

- In addition to the work completed for open-end commingled funds (evaluation process outlined on the previous page), Townsend is continuously analyzing the universe of Non-Core closed-end funds available for investment.
- Detailed due diligence follows a three-phase due diligence process:
 - Sourcing and evaluation of new fund launches.
 - On-site due diligence meetings.
 - Evaluation of investment characteristics includes, but is not limited to the following:
 - *Executive Summary*: Strategy Overview, Comparative Advantages, Potential Issues and Concerns.
 - *Strategy*: Overview, Leverage, Investment Guidelines, Pipeline.
 - *Sponsor*: Organizational Background/History, Turnover, Compensation, and Retention.
 - *Investment Process*: Overview, Investment Committee, Affiliate Transactions, Limited Partner Advisory Committee, Exclusivity and Allocations, Valuations.
 - *Fund Structure*: Key Terms, Fees and Distributions, Analysis of Fees.
 - *Performance*: Detailed Summary of Prior Vehicles, Vintage Year Comparison, Dispersion of Returns, Investment Highlights.
- Ongoing due diligence includes fund coverage, investment monitoring, reporting, advisory board representation and client advocacy.

Emerging Manager Sourcing Process

Emerging Manager Sourcing

- Townsend focuses on identifying emerging managers during its sourcing and monitoring process.
 - Network and establish new relationships through regular sourcing channels, outreach and conference attendance.
 - Seek new and unique opportunities that align with Townsend View of the World.
 - Uncover experienced niche operating partners interested in raising third-party capital.
 - Oversight and management of dedicated Emerging Manager programs across the firm.
 - Maintain active pipeline of Emerging Manager candidates.
 - Actively vetting new owner/operators as potential Emerging Manager candidates.

LACERS Emerging Manager Efforts

- Majority of Emerging Manager opportunity set is in the Non-Core segment:
 - 2014-2015: 50% of LACERS Non-Core commitments qualified under the LACERS Emerging Manager Program.
 - 2016: In 2H2016, Townsend conducted a LACERS-specific Emerging Manager search resulting in the recommendation of a \$20 million Non-Core commitment to Asana Partners I, which was approved by the Board in August 2016.
 - A \$35 million commitment to Asana Partners II was recommended and approved in 2018.
 - 2019: A \$20 million commitment to Broadview Real Estate Partners was approved by the Board.
- In 2021, LACERS updated its Emerging Manager Policy to the following:
 - The fund size may not be larger than \$2 billion.
 - First, second or third institutional fund for a given General Partner.
 - The firm must have been in existence for a minimum of one year (6 months if all senior staff come from an established manager as part of a spin-out).
 - The team must have a minimum track record of five years.
 - No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
 - No Limited Partner can represent more than 30% of the total Fund's capital.
 - The fund shall have a minimum fund size of \$150 million in committed capital inclusive of LACERS pending commitment.
 - For first-time institutional funds, LACERS commitment shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower (20% or \$40 million for second- and third-time institutional funds).

Disclosures



Disclosures

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Tax considerations, margin requirements, commissions and other transaction costs may significantly affect the economic consequences of any transaction concepts referenced in this commentary and should be reviewed carefully with one’s investment and tax advisors. Certain assumptions may have been made in this commentary as a basis for any indicated returns. No representation is made that any indicated returns will be achieved. Differing facts from the assumptions may have a material impact on any indicated returns. Past performance is not necessarily indicative of future performance. The price or value of investments to which this commentary relates, directly or indirectly, may rise or fall. This commentary does not constitute an offer to sell any security or the solicitation of an offer to purchase any security. Investing involves risk including possible loss of principal

NOTE REGARDING PROJECTIONS AND FORWARD-LOOKING STATEMENTS: The information provided in this report contains estimates, return data and valuations that are based upon assumptions and projections. Such estimates and assumptions involve judgments with respect to, among other things, future economic and competitive conditions; real estate market conditions; occupancy and rental rates; and the like, which may not be realized and are inherently subject to significant uncertainties and changes, all of which are difficult to predict and many of which are beyond the control of the General Partner and Townsend Holdings LLC d/b/a The Townsend Group (“Townsend”) and the investment managers of any indirect fund investments. Accordingly, no assurance can be given that such projections will be realized, and actual conditions, operations and results may vary materially from those set forth herein. The Limited Partner is cautioned that the predictions and other forward-looking statements reflected in this report involve risks and uncertainty, including without limitation, risks incident to investment in real estate and to investment in “non-core” real estate funds. In light of the foregoing factors, actual returns and results are likely to differ substantially from the forward-looking statements contained in this report, and the Limited Partner is cautioned not to place undue reliance on such forward-looking statements and projections. The words “estimate,” “anticipate,” “expect,” “predict,” “believe” and like expressions are intended to identify forward-looking statements. Investors should make their own investment decisions without relying on this document. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this document.

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Disclosures and Definitions

GENERAL DISCLOSURES

There can be no assurance that any account will achieve results comparable to those presented. Past performance is not indicative of future results. Investing involves risk, including possible loss of principal.

Returns reflect the equal-weighted returns calculated during the periods indicated. Note: If including Core, this is value-weighted. In addition, the valuations reflect various assumptions, including assumptions of actual unrealized value existing in such investments at the time of valuation. As a result of portfolio customization/blending and other factors, actual investments made for your account may differ substantially from the investments of portfolios comprising any indices or composites presented.

Due to the customized nature of Townsend's client portfolios, the performance stated may be considered "hypothetical" as it does not reflect the experience of individual client portfolios, but rather aggregate client positions in the stated investment strategy.

NON REGULATORY ASSETS UNDER MANAGEMENT

As of September 30, 2021, Townsend had assets under management of approximately \$21.6 billion. When calculating assets under management, Townsend aggregates net asset values and unfunded commitments on a quarterly basis. Townsend relies on third parties to provide asset valuations, which typically takes in excess of 90 days after the quarter end. Therefore, assets under management have been calculated using September 30, 2021 figures where available but may also include June 30, 2021 figures. Assets under management are calculated quarterly and includes discretionary assets under management and non-discretionary client assets where the client's contractual arrangement provides the client with the ability to opt out of or into particular transactions, or provides other ancillary control rights over investment decision-making (a/k/a "quasi-discretionary"). Regulatory AUM is calculated annually and can be made available upon request.

ADVISED ASSETS

As of September 30, 2021, Townsend provided advisory services to clients who had real estate/real asset allocations exceeding \$137.9 billion. Advised assets includes real estate and real asset allocation as reported by our clients for whom Townsend provides multiple advisory services—including strategic and underwriting advice for the entire portfolio. Advised assets are based on totals reported by each client to Townsend or derived from publicly available information. Advised assets are calculated quarterly. Select clients report less frequently than quarterly in which case we roll forward prior quarter totals

TREA STRATEGIES (NON-CORE) employ a global non-core multi strategy approach with 50% or more of the investments invested in non primary fund investments such as co-investments, joint ventures, secondaries and clubs. Strategies are diversified by geography, sector, property type, manager and vintage year.

CORE-PLUS STRATEGIES (CORE) employ a global core/core plus multi strategy approach investing in primary funds, joint ventures, co-investments, secondaries, direct investments, debt strategies and REITs. Strategies are diversified by geography, sector, property type, manager and vintage year.

SEPARATE ACCOUNTS includes all Townsend active discretionary accounts which invest in a variety of investment styles and structures.

Disclosures and Definitions

The NFI-ODCE Index is a capitalization-weighted, gross of fees, time-weighted return index with an inception date of 1/1/1978. Published reports may also contain equal-weighted and net of fees information. Open-end funds are generally defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests, thereby providing a degree of potential investment liquidity. The term Diversified Core Equity style typically reflects lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable US operating properties (as defined herein). The NFI-ODCE is a quasi-managed index based on the periodic review by the Index Policy Committee ("IPC") of the index's criteria thresholds.

The S&P 500 Index is an unmanaged market capitalization weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

The Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

Index figures do not reflect deduction of fees, expenses, or taxes. One cannot invest directly in an index.

Value-Added: Funds that generally include a mix of core investments and others that will have less reliable income streams. The portfolio as a whole is likely to have moderate lease exposure and moderate leverage. As a result, such portfolios should achieve a significant portion of the return from appreciation and are expected to exhibit moderate volatility.

Opportunistic: Funds of preponderantly non-core investments that are expected to derive most of their returns from appreciation and/or which may exhibit significant volatility in returns. This may be due to a variety of characteristics such as exposure to development, significant leasing risk, high leverage, or a combination of risk factors.



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: MAY 24, 2022
ITEM: VIII - C

SUBJECT: INVESTMENT MANAGER CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve a one-year contract extension with Lazard Asset Management LLC for management of an active non-U.S. equities developed markets core portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On May 10, 2022, staff presented the attached report (Attachment 1) to the Committee recommending a one-year contract extension with Lazard Asset Management (Lazard). Lazard has managed an active non-U.S. equities developed markets core portfolio for LACERS since November 2013. The contract became effective on October 1, 2013, and the current contract term expires on September 30, 2022. LACERS' portfolio was valued at \$538 million as of April 30, 2022. Since inception, LACERS has paid Lazard a total of \$22.3 million in investment management fees as of December 31, 2021.

The firm was placed on "On Watch" status as of August 27, 2021, for an initial one-year period ending August 26, 2022, due to a breach of the performance criteria of the LACERS Manager Monitoring Policy (Policy). Over the last three calendar quarters of the watch period, Lazard's performance has been in compliance with the Policy. The one-year contract extension would allow Lazard the time to complete the one-year watch period. Staff and NEPC, LLC, LACERS' General Fund Consultant, would continue to closely monitor Lazard's performance and reassess the firm's watch status at the end of the watch

period pursuant to the Policy. Following the presentation of the report and a discussion with staff, the Committee concurred with the recommendation.

Strategic Plan Impact Statement

A contract extension with Lazard will allow the fund to maintain a diversified exposure to 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 is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Ellen Chen, Investment Officer II, Investment Division

NMG/RJ/BF/EC:rm

Attachments: 1. Investment Committee Recommendation Report dated May 10, 2022
 2. Proposed Resolution



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

MEETING: MAY 10, 2022
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with Lazard Asset Management LLC for management of an active non-U.S. equities developed markets core portfolio.

Executive Summary

Lazard Asset Management (Lazard) has managed an active non-U.S. equities developed markets core portfolio for LACERS since November 2013. LACERS' portfolio was valued at \$567 million as of March 31, 2022. The firm was placed on "On Watch" status as of August 27, 2021, for an initial one-year period for breaching the performance criteria of the LACERS Manager Monitoring Policy (based on performance as of June 30, 2021). Over the last three calendar quarters of the watch period, Lazard's performance has been in compliance with the Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a one-year contract extension to allow Lazard the time to complete the one-year watch period ending August 26, 2022, and to improve performance.

Discussion

Background

Lazard has managed an active non-U.S. equities developed markets core portfolio for LACERS since November 2013, and is benchmarked against the MSCI EAFE Index. Lazard employs a fundamental research-driven investment strategy to identify companies with strong or improving financial productivity at attractive valuations. The strategy is co-led by Mark Little, Managing Director, who has 30 years of industry experience and by Robin Jones, Managing Director, who has 20 years of experience. The three other members of the team include John Reinsberg, Deputy Chairman, International and Global Strategies (41 years of experience); Michael Bennett, Managing Director (36 years of experience); and Jimmie Bork, Director (11 years of experience). LACERS portfolio was valued at \$567 million as of March 31, 2022.

Lazard was hired through the 2013 Active Non-U.S. Equities Developed Markets Manager search process and an initial three-year contract was authorized by the Board on June 11, 2013. The contract became effective on October 1, 2013 and was renewed for three-year terms on June 28, 2016, and on June 11, 2019; the current contract expires on September 30, 2022. Lazard representatives Thomas Franzese and Michael Bennett most recently presented a portfolio review to the Committee on August 10, 2021.

Organization

Lazard, a subsidiary of Lazard Freres & Co., manages approximately \$240 billion across various equity and fixed income strategies for institutional and individual clients as of December 31, 2021. Lazard has offices in 17 countries across North America, Europe, Asia Pacific, and the Middle East, with over 900 employees including over 300 investment professionals. As of December 31, 2021, the firm managed over \$95.7 billion in total non-U.S. equity assets, with \$21.8 billion in the International Strategic Equity strategy (Lazard's product name for the strategy LACERS is invested in).

Due Diligence

On February 1, 2022, Robin Jones was promoted to co-lead of the strategy and Jimmie Bork joined the team as a portfolio manager. Robin's promotion formalized his long-time partnership with Mark Little as leaders of the strategy. Jimmie joined Lazard in 2016 and further strengthens the team's investment capabilities; he also serves as a co-lead portfolio manager for Lazard's Global Equity Income strategy and a member of the Global Strategic Equity team.

Lazard announced on April 6, 2022, that Ashish Bhutani, Chief Executive Officer (CEO) of Lazard, will be retiring on June 1, 2022, at which point he will leave the Board of Lazard Inc; he will remain as Chairman of Asset Management and Vice Chairman of Lazard until the end of 2022 to ensure a smooth transition. Evan Russo, who has served as Chief Financial Officer (CFO) of Lazard since 2017, will become Lazard's new CEO. Evan has 15 years of experience in leadership positions at Lazard. Prior to becoming CFO, he was a co-head of the Capital Markets and Capital Structure Advisory business. Staff and NEPC have determined that these organizational changes should not have a material adverse impact to the strategy and management of LACERS' assets.

There have been no other changes to Lazard's organizational structure, key personnel, investment philosophy, strategy, and process since the last contract renewal in 2019.

Performance

As of April 30, 2022, Lazard has underperformed the benchmark over the 3-month, 1-year, 2-year, 3-year, and 7-year periods and has outperformed over the benchmark over the 5-year and since inception period, as presented in the table below.

Annualized Performance as of 4/30/22 (Unaudited and Net-of-Fees)							
	3-Month	1-Year	2-Year	3-Year	5-Year	7- Year	Since Inception*
Lazard	-8.72	-13.48	12.30	3.05	5.57	3.41	4.18
MSCI EAFE ND	-7.53	-8.15	13.35	4.44	4.77	3.52	3.74
<i>% of Excess Return</i>	<i>-1.19</i>	<i>-5.33</i>	<i>-1.05</i>	<i>-1.39</i>	<i>0.80</i>	<i>-0.11</i>	<i>0.44</i>

*Performance inception date: November 5, 2013

Due to Lazard’s strategy of investing in companies with attractive fundamentals such as high free cash flow, high return on equity, and low valuations, the strategy has a slight value style tilt which has resulted in the underperformance relative to the benchmark in recent years.

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

Calendar Year Performance									
	2021	2020	2019	2018	2017	2016	2015	2014	11/5/13-12/31/13
Lazard	7.30	11.50	20.56	-10.77	27.25	-4.95	0.48	-0.25	4.24
MSCI EAFE ND	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81	-4.90	3.23
<i>% of Excess Return</i>	<i>-3.96</i>	<i>3.68</i>	<i>-1.45</i>	<i>3.02</i>	<i>2.22</i>	<i>-5.95</i>	<i>1.29</i>	<i>4.65</i>	<i>1.01</i>

Pursuant to the LACERS Manager Monitoring Policy, Lazard was placed “On Watch” for an initial one-year period effective August 27, 2021. The following Policy watch list criteria triggered the “On Watch” status based on the performance as of June 30, 2021:

1. Annualized net performance below peer median performance for trailing 5 years
2. Annualized net Information Ratio trailing 5 years relative to its benchmark is below 0.20

Subsequent to being placed on the watch list, Lazard’s performance had returned to compliance with the Policy as of the quarters ending September, 30, 2021, December 31, 2022, and March 31, 2022; Lazard’s watch list evaluation period ends on August 26, 2022. In light of Lazard’s improving performance since being placed on watch, staff recommends a one-year extension to the contract to allow Lazard time to complete the watch period. Upon completion, staff and NEPC will reevaluate Lazard’s performance and determine whether to maintain or remove Lazard from the watch list, or bring forth a recommendation to the Committee to terminate the contract pursuant to the Policy.

Fees

LACERS pays Lazard an effective fee of 52 basis points (0.52%), which is approximately \$2.95 million annually based on the value of LACERS' assets as of March 31, 2022. The fee ranks in the 46th percentile of fees charged by similar managers in the eVestment database (i.e. 54% of like-managers have higher fees). Staff is currently in negotiations with Lazard to obtain a more favorable fee structure. Since inception, LACERS has paid Lazard a total of \$22.3 million in investment management fees as of December 31, 2021.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Lazard will allow LACERS 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: Ellen Chen, Investment Officer II, Investment Division.

NMG/RJ/BF/EC:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: May 10, 2022

Subject: Lazard Asset Management, LLC – Contract Extension

Recommendation

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

Background

Lazard 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 has a performance inception date of December 1, 2013. As of March 31, 2022, Lazard managed \$567.2 million, or 2.5% of Plan assets. The performance objective is to outperform the MSCI EAFE Index, net of fees, annualized over a full market cycle (normally three-to-five years). The Lazard account is currently on Watch as of August 2021 due to performance.

Lazard Asset Management is a wholly-owned subsidiary of Lazard Ltd, which went public in 2005. Lazard has \$240.3 billion in assets (as of December 31, 2021). About 30% of the firm is owned by Lazard employees and the rest is publicly owned. Lazard has more than 300 investment personnel and offices in over 20 cities around the globe. They offer investment solutions across the public and alternative investments landscape.

The LACERS account sits within the Lazard International Strategic Equity product, which is a multi-capitalization strategy. The strategy typically invests in 50-70 securities of non-US companies, including those from emerging markets. The benchmark is the MSCI EAFE Index. The portfolio is managed by five portfolio managers, however, day to day the portfolio is run by Mark Little, Portfolio Manager/Analyst and Robin Jones, Portfolio Manager/Analyst and Jimmie Bork, Portfolio Manager/Analyst. Messrs. Little, Jones and Bork run the product on a day to day basis from the firm's London office and have been with the firm for 25, 20 and 6 years, respectively. Michael Bennett Portfolio Manager/Analyst, John Reinsberg, Deputy Chairman International and Global Strategies, act in client facing roles on the strategy and work from the firm's New York City office.

Lazard employs a bottom-up approach to equity investing. The process seeks to invest in companies that exhibit three characteristics of financial productivity: high and compounding free cash flow, high return on equity, and low valuation. The research process focuses on 1) understanding a company's path to profitability and management's role in sustaining it, and 2) validating the company's accounting statements to verify profitability. Idea generation can come from a variety of sources. Dedicated analysts research industry trends and the long-term impact on profitability. They assess the impact of strategic or management change and seek to identify companies that are earning less than their potential or that have valuations that imply a significant

change in returns. In addition, screens on pricing multiples are used by the strategy team to identify ideas at the sector and industry levels. Depending on the groups, different valuation metrics are emphasized. For non-cyclical stocks, they look at Price/Earnings, for financials Price/Book, for capital intensive Price/Cash Flow, and for deep cyclical Price/Sales. They will consider absolute cheapness and relative cheapness.

Portfolio construction is driven by stock selection. The portfolio management team builds the portfolio by selecting one stock at a time. Inclusion of a stock in the portfolio is primarily dependent on a new idea's attractiveness relative to existing portfolio holdings. Sector and regional exposures are a residual of the investment process.

Performance

Referring to Exhibit 1 Performance Summary Net of Fees Ended March 31, 2022, since December 1, 2013 (the first full month of performance after the account inception date of November 5, 2013) the strategy has outperformed the MSCI EAFE Index by 0.2%, returning 4.7%, net of fees. The portfolio ranked in the 86th percentile in its peer universe since inception. In the five-year period ended March 31, 2022, the portfolio outperformed the index by 0.8% and ranked in the 53rd percentile in its peer universe. Over the last three-year and one-year period ended March 31, 2022 the portfolio has underperformed its benchmark by 1.8% and 6.2% respectively. Underperformance in the past three-years, ended March 31, 2022, has been driven by stock selection and the value style tilt in the portfolio. Broadly, the portfolio tends to underperform in market environments like that seen in 2021 where there was a large performance difference between growth and value stocks. On a regional basis, stock selection across Continental Europe and Japan detracted from performance. On an economic sector basis, stock selection across the Consumer Discretionary, Consumer Staples and Utilities sectors detracted from performance.

Fees

The portfolio has an asset-based fee of 0.52% (52 basis points) annually. This fee ranks in the 46th percentile among its peers in the eVestment All EAFE Universe. In other words, 54% of the products in the peer universe have a higher fee than the LACERS account.

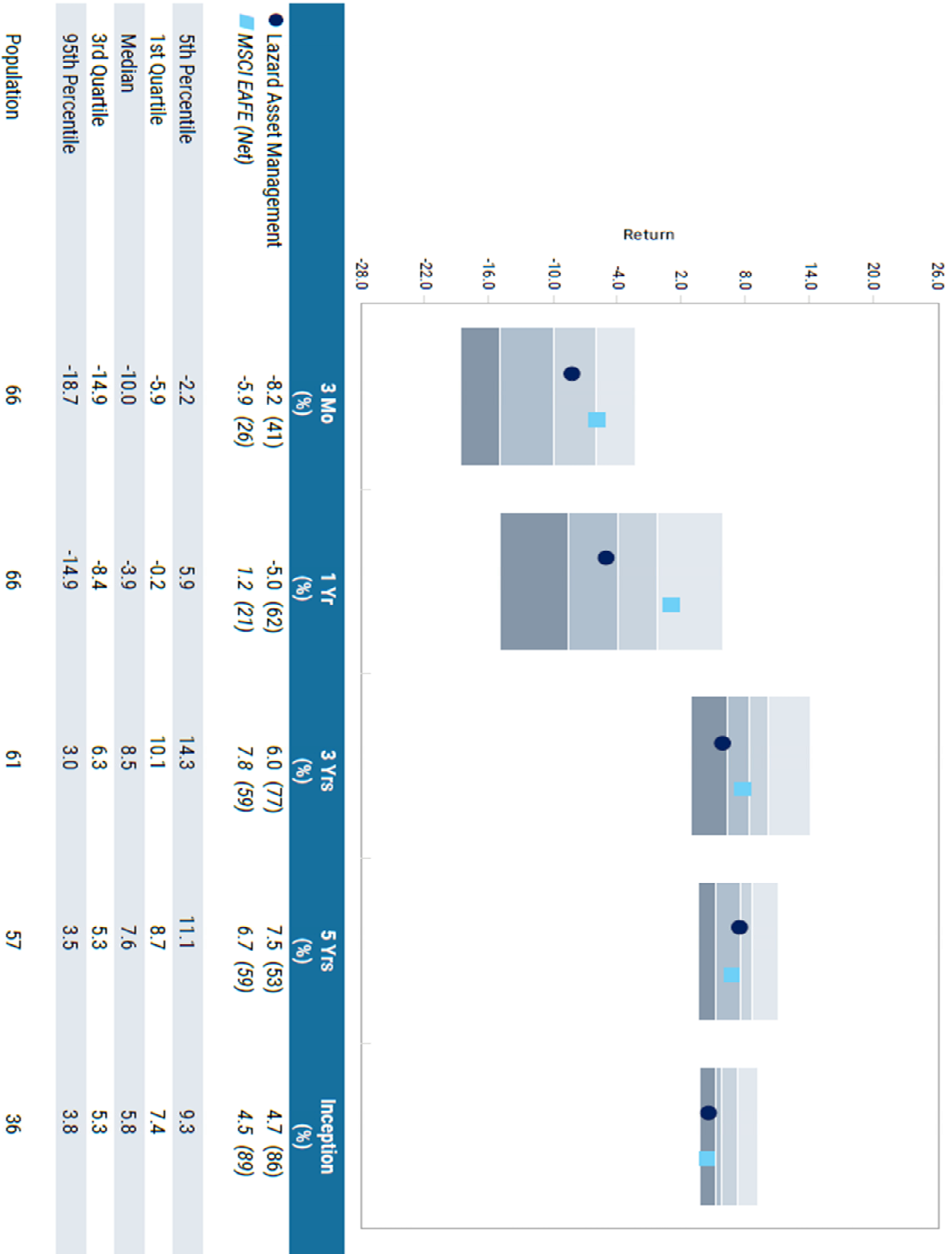
Conclusion

Lazard has performed well against its benchmark over longer time periods including over the past five-years and since inception. The firm has had a well-established, stable team in place, in addition to executing well against its stated investment objectives. With an investment process and philosophy that prioritizes financially productive and inexpensively valued companies, the portfolio is subject to periods of underperformance when the performance disparity between growth and value stocks is wide. NEPC recommends a contract extension for a period of one year from the period of contract expiry.

The following table provides specific net of fees performance information, as referenced above.



Exhibit 1: Performance Summary Net of Fees Ended March 31, 2022



CONTRACT EXTENSION
LAZARD ASSET MANAGEMENT LLC
ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Lazard Asset Management LLC (Lazard) for active non-U.S. equities developed markets core portfolio management expires on September 30, 2022; and,

WHEREAS, Lazard was placed on "On Watch" status on August 27, 2021, for an initial one-year period expiring on August 26, 2022, for breaching the performance criteria of the LACERS Manager Monitoring Policy (based on performance as of June 30, 2021); and

WHEREAS, Lazard's performance has been in compliance with the Policy over the last three calendar quarters of the watch period; and,

WHEREAS, a contract extension will provide Lazard time to complete the watch period in consideration of Lazard's improving performance; and,

WHEREAS, on May 24, 2012 the Board approved the Investment Committee's recommendation for a one-year contract extension with Lazard.

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>	Lazard Asset Management LLC
<u>Service Provided:</u>	Active Non-U.S. Equities Developed Markets Core Portfolio Management
<u>Effective Dates:</u>	October 1, 2022 through September 30, 2023
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI EAFE Index
<u>Allocation as of April 30, 2022:</u>	\$ 538 million

May 24, 2022



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: MAY 24, 2022
ITEM: VIII - D

SUBJECT: INVESTMENT MANAGER CONTRACT WITH STATE STREET GLOBAL ADVISORS REGARDING THE MANAGEMENT OF A PASSIVE GLOBAL INDEX STRATEGY AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve a one-year contract extension with State Street Global Advisors for management of a passive MSCI World ex-U.S. Investable Markets Index portfolio to allow time for the completion of the 2021-2022 U.S., Non-U.S., and Global Index Strategies investment manager search.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On May 10, 2022, staff presented the attached report (Attachment 1) to the Committee recommending a one-year contract extension with State Street Global Advisors (SSgA). The firm currently manages a passive MSCI World ex-U.S. Investable Markets Index portfolio for LACERS. The contract became effective on July 1, 1993, and the current contract term expires on June 30, 2022. LACERS' portfolio was valued at \$1.9 billion as of April 30, 2022. From July 1, 1997 (oldest accounting record date) to December 31, 2021, LACERS paid SSgA a total of \$6.4 million in investment management fees.

SSgA is currently in compliance with the LACERS Manager Monitoring Policy and is a semi-finalist firm in the 2021-2022 U.S., Non-U.S., and Global Index Strategies investment manager search currently in progress. The one-year contract extension would allow time to complete the manager search while maintaining portfolio exposure to the strategy. Following the presentation of the report, the Committee concurred with the recommendation.

Strategic Plan Impact Statement

A contract extension with State Street Global Advisors will allow the fund to maintain a diversified exposure to non-U.S. equities 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 is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Ellen Chen, Investment Officer II, Investment Division

NMG/RJ/BF/EC:rm

Attachments: 1. Investment Committee Recommendation Report dated May 10, 2022
 2. Proposed Resolution



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

MEETING: MAY 10, 2022
ITEM: VI

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH STATE STREET GLOBAL ADVISORS REGARDING THE MANAGEMENT OF A PASSIVE GLOBAL INDEX STRATEGY AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a one-year contract extension with State Street Global Advisors for management of a passive MSCI World ex-U.S. Investable Markets Index portfolio to allow time for the completion of the 2021-2022 U.S., Non-U.S., and Global Index Strategies investment manager search.

Executive Summary

State Street Global Advisors ("SSgA") has managed a passive MSCI World ex-U.S. Investable Markets Index (IMI) portfolio for LACERS since November 2007. The strategy has outperformed its benchmark for all periods since inception and is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC ("NEPC"), LACERS' General Fund Consultant, recommend a one-year contract extension to allow time for the completion of the 2021-2022 U.S., Non-U.S., and Global Index Strategies investment manager search and the transition of assets if needed. The current contract expires on June 30, 2022.

Discussion

Background

In July 1993, the Board hired SSgA to manage a passive MSCI EAFE (Europe, Australasia, and Far East) Index strategy separate account to gain exposure to the non-U.S. developed equities markets. This mandate subsequently was transitioned to an MSCI World ex-U.S. IMI strategy in November 2007 to gain exposure to Canada in addition to the EAFE countries. SSgA's strategy replicates the securities in the MSCI World ex-U.S. IMI, resulting in a portfolio that has a similar risk-return profile as the index. The strategy is managed by Mark Krivitsky, who has 29 years of experience with SSgA. The backup portfolio manager is Kala O'Donnell, who has 26 years of experience with SSgA. The market value of LACERS' portfolio was approximately \$2 billion as of March 31, 2022.

In April 2012, the Board authorized an investment search for multiple passive strategies. As a result of this search, the Board retained SSgA to manage the MSCI World ex-U.S. IMI strategy and several other passive strategies for LACERS on an as-needed basis. The current contract for the MSCI World ex-U.S. IMI strategy was executed on July 1, 2014, and expires on June 30, 2022.

LACERS is currently conducting an investment manager search for the MSCI World ex-U.S. IMI strategy, along with various other index strategies, as part of the 2021-2022 U.S., Non-U.S., and Global Index Strategies search. SSgA is a semi-finalist candidate in this search. Accordingly, staff recommends that the current contract with SSgA be extended for one year to maintain exposure to this passive strategy until the search is completed and to allow time for the transition of assets should SSgA not be rehired for this mandate.

Organization

SSgA is headquartered in Boston and is the asset management business of State Street Corporation (NYSE ticker symbol STT). SSgA has 526 investment professionals and 2,339 total employees around the world as of December 31, 2021. SSgA managed approximately \$4 trillion in total assets with \$10 billion of assets in the MSCI World ex-U.S. IMI strategy as of December 31, 2021.

Due Diligence

Lynn Blake, Chief Investment Officer (CIO), Global Equity Beta Solutions (GEBS), retired in September 2021 after a 34-year career at SSgA. Upon Lynn's retirement, John Tucker was promoted to the role of CIO, GEBS. John began his career at SSgA in 1990 and has held several senior roles within GEBS over the past 20 years. Prior to his promotion, John served as Chief Operating Officer of Investments. Staff and NEPC have deemed these organizational changes to have no material adverse impact to LACERS' portfolio. SSgA investment philosophy, strategy, and process have not changed since the last contract renewal.

Performance

On an annualized basis as of March 31, 2022, SSgA has outperformed the benchmark, for all time periods as presented in the table below. The excess return of the strategy primarily results from differences in foreign country withholding tax rates applied to the benchmark and LACERS. The benchmark uses the highest withholding tax rates on dividends to determine the amount available for reinvestment. LACERS generally is subject to reduced or zero withholding tax rates, resulting in higher dividend amounts reinvested and higher performance relative to the index.

Annualized Performance as of 3/31/22 (Net-of-Fees)									
	3-Month	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	Since 11/30/07 ¹	Since Inception ^{2,3}
SSgA	-4.99	2.84	24.09	9.37	7.82	6.21	6.95	3.29	5.89
MSCI World ex-U.S. IMI ⁴	-5.18	2.31	23.25	8.69	7.22	5.69	6.46	2.80	5.69
<i>% of Excess Return</i>	<i>0.19</i>	<i>0.53</i>	<i>0.84</i>	<i>0.68</i>	<i>0.60</i>	<i>0.52</i>	<i>0.49</i>	<i>0.49</i>	<i>0.20</i>

¹ Performance mandate changed from MSCI EAFE Index (8/31/93 to 11/30/07) to MSCI World ex U.S. IMI (11/30/07 to present)

² Since inception date: 8/31/93

³ Performance is a blend of MSCI EAFE Index (8/31/93 to 11/30/07) and the MSCI World ex-US IMI (11/30/07 to present); strategy and index performance data since inception on 8/31/93 provided by SSgA and are gross of investment fees. LACERS custodian bank does not maintain performance records for this strategy prior to 1998

⁴ Net Dividends Index - reflects reinvestment of dividends after the deduction of withholding taxes

SSgA's calendar year performance is presented in the table below.

Calendar Year Performance as of 12/31/21 (Net-of-Fees)															
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	12/1/07-12/31/07 ^{5,6}
SSgA	12.86	9.41	23.36	-14.22	25.52	3.37	-1.57	-4.10	22.04	17.03	-12.34	10.73	35.61	-43.24	-2.01
MSCI World ex-U.S. IMI ²	12.39	8.32	22.91	-14.68	25.17	2.95	-1.95	-4.45	21.57	16.55	-12.66	10.66	35.35	-44.00	-2.03
<i>% of Excess Return</i>	<i>0.47</i>	<i>1.09</i>	<i>0.45</i>	<i>0.46</i>	<i>0.35</i>	<i>0.42</i>	<i>0.38</i>	<i>0.35</i>	<i>0.47</i>	<i>0.48</i>	<i>0.32</i>	<i>0.07</i>	<i>0.26</i>	<i>0.76</i>	<i>0.02</i>

⁵ Performance since changing mandate to the MSCI World ex U.S. IMI (11/30/07 to present)

⁶ Net Dividends Index

SSgA is in compliance with the LACERS Manager Monitoring Policy.

Fees

LACERS pays SSgA an effective fee of 2.24 basis points (0.0224%), which is approximately \$448,000 annually based on the value of LACERS' assets as of March 31, 2022. The fee ranks in the first percentile of fees charged by similar managers in the eVestment database (i.e. 99% of like-managers have higher fees). LACERS paid SSgA a total of \$6.4 million in investment management fees from July 1, 1997 (oldest accounting record available) to December 31, 2021.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with State Street Global Advisors will allow LACERS to maintain a diversified exposure to the non-U.S. equities 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: Ellen Chen, Investment Officer II, Investment Division.

NMG/RJ/BF/EC:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: May 10, 2022

Subject: State Street Global Advisors – Contract Extension

Recommendation

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

Background

LACERS currently has two contracts with SSgA including one that covers the index management of a portfolio tied to the MSCI World ex U.S. benchmark. SSgA was hired in September of 1993 to manage this portfolio on behalf of LACERS. As of March 31, 2022, the value of the portfolio was \$2.04 billion.

SSgA has managed this portfolio with minimal tracking error. The portfolio has an asset-based fee of 0.02% annually. This fee ranks in the first percentile among other non-U.S. developed market index fund providers.

The contract for this mandate is set to expire June 30, 2022. We are requesting a one-year extension in order to provide enough time for the Board to finalize the current search for multi-asset index management.

CONTRACT EXTENSION
STATE STREET GLOBAL ADVISORS
PASSIVE MSCI WORLD EX-U.S. IMI INDEX
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current five-year contract term with State Street Global Advisors (SSgA) for passive MSCI World ex-U.S. Investable Markets Index (IMI) portfolio management expires on June 30, 2022; and,

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

WHEREAS, a one-year contract extension with SSgA will allow the fund to maintain a diversified exposure to the non-U.S. equities markets while allowing time for the completion of the 2021-2022 U.S., Non-U.S., and Global Index Strategies investment management search; and,

WHEREAS, on May 24, 2022, the Board approved the Investment Committee's recommendation to approve a one-year contract extension with SSgA.

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>	State Street Global Advisors
<u>Service Provided:</u>	Passive MSCI World ex-U.S. IMI Index Portfolio Management
<u>Effective Dates:</u>	July 1, 2022 through June 30, 2023
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI World ex-U.S. IMI Index
<u>Allocation as of April 30, 2022:</u>	\$1.9 billion

May 24, 2022



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: MAY 24, 2022
ITEM: VIII - E

SUBJECT: ADAPTIVE ASSET ALLOCATION POLICY STATUS UPDATE AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board renew the Adaptive Asset Allocation Policy for fiscal year 2022-2023.

Discussion

The LACERS Rebalancing Policy and AAAP (Sections V.G and V.H of the Investment Policy Manual) authorize staff to conduct adaptive rebalancing. The AAAP, initially adopted by the Board on May 28, 2019, and revised on October 26, 2021, addresses the goals and objectives of adaptive asset allocation, roles and responsibilities of parties involved, decision-making and implementation framework, and reporting requirements. Pursuant to Section VII of the AAAP, the CIO must report annually on all adaptive rebalances initiated in the current fiscal year and provide a recommendation to modify, continue, or cease the AAAP for the next fiscal year for the Committee’s consideration and subsequently for Board approval.

On May 10, 2022, the Committee considered the attached AAAP status update and renewal recommendation report and discussed the report with staff. Through April of fiscal year 2021-2022, staff has not identified any opportunities to invoke the AAAP and no adaptive rebalances have been initiated. The Committee inquired about the process of allocating the forthcoming annual City contribution across the investment portfolio. Staff responded that the contribution would be invested in manner that maintains the portfolio near the asset allocation policy targets with a possibility of retaining a portion of the contribution in cash for operational needs. Following the discussion with staff, the Committee concurred with the recommendation to renew the AAAP in its current form for fiscal year 2022-2023.

Strategic Alignment

Renewing the Adaptive Asset Allocation Plan aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV) and to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/BF/JW:rm

Attachment: 1. Investment Committee Recommendation Report dated May 10, 2022



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

MEETING: MAY 10, 2022
ITEM: VII

Neil M. Guglielmo

SUBJECT: ADAPTIVE ASSET ALLOCATION POLICY AND STATUS REPORT AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a renewal of the Adaptive Asset Allocation Plan for Fiscal Year 2022-2023.

Executive Summary

This report provides an annual update on adaptive rebalancing pursuant to the LACERS Rebalancing Policy and Adaptive Asset Allocation Plan (AAAP) under Sections V.G and V.H of the Investment Policy Manual. No adaptive rebalances have been initiated through April of fiscal year 2021-2022. Staff recommends renewal of the AAAP for fiscal year 2022-2023.

Discussion

The LACERS Rebalancing Policy and AAAP (Sections V.G and V.H of the Investment Policy Manual) authorize staff to conduct adaptive rebalancing. The AAAP, initially adopted by the Board on May 28, 2019, and revised on October 26, 2021, addresses the goals and objectives of adaptive asset allocation, roles and responsibilities of parties involved, decision-making and implementation framework, and reporting requirements.

Pursuant to Section VII of the AAAP, the CIO must provide an annual report to the Investment Committee of all adaptive rebalances initiated in the current fiscal year and provide recommendations to modify, continue, or cease the AAAP. Through April of fiscal year 2021-2022, staff has not identified any opportunities to invoke the AAAP and no adaptive rebalances have been initiated. Staff will continue to monitor market conditions and the investment portfolio for opportunities to adaptively rebalance and recommends a renewal of the AAAP in its current form for fiscal year 2022-2023.

LACERS' Internal Auditor has reviewed this report pursuant to Section II of the AAAP.

Strategic Plan Impact Statement

Renewing the Adaptive Asset Allocation Plan aligns with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV) and to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/BF/JW:rm

Attachment: 1. Rebalancing Policy and Adaptive Asset Allocation Plan

Adaptive Asset Allocation Policy

G. Rebalancing

The investment portfolio shall, on an ongoing basis in accordance with market fluctuations, be rebalanced to remain within the range of targeted allocations and distributions among investment advisors. The Board has a long-term investment horizon and utilizes an asset allocation that encompasses a strategic, long-run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.

Rebalancing is not primarily intended to be used for tactical asset allocation. The Board will not attempt to time the rise or fall of the investment markets by moving away from long-term targets because (1) market timing may result in lower returns than buy-and-hold strategies; (2) there is little or no evidence that one can consistently and accurately predict market timing opportunities; and (3) rebalancing too often may result in excessive transaction costs. However, the Board may authorize staff to rebalance assets within or among asset classes without breaching Board-established asset allocation policy threshold bands. Such rebalancing would be subject to an annually approved Adaptive Asset Allocation Plan (AAAP) in order to enhance incremental performance, protect portfolio value, or improve the risk-return profile of the portfolio. The Board will consider the approval of a new AAAP or renewal of an existing AAAP within three months prior to the start of each fiscal year. The approved AAAP will be effective on July 1 of each year. Should the Board choose not to renew an AAAP, the existing AAAP may continue to be implemented; however, new AAA positions may not be introduced until a continuance of the existing AAAP or new AAAP is approved by the Board.

The Board delegates the responsibility of rebalancing to the Chief Investment Officer, who will seek the concurrence of the General Fund Consultant. Rebalancing generally will occur when the market values of asset classes (e.g., equities, fixed income, etc.) or sub-asset classes (e.g., large cap value, emerging markets, etc.) exceed their respective thresholds as established by the Board's approved asset allocation and asset class risk budgets.

The portfolio will be monitored daily, but reviewed by senior investment staff (i.e., Chief Investment Officer or Chief Operating Officer) at the beginning of each month to determine the need to rebalance asset classes or sub-asset classes within approved policy bands. Rebalancing will be conducted in a timely manner, taking into consideration associated costs and operational circumstances and market conditions. Rebalancing will be accomplished by using routine cash flows, such as contributions and benefit payments, by reallocating assets across asset classes, investment mandates, and investment managers.

Asset classes temporarily may remain outside of their ranges due to operational and implementation circumstances to include, but not limited to, illiquidity that prevents immediate rebalancing of certain asset classes such as private equity and private real estate; potential asset shifts pending in the portfolio over the next 12 months such as hiring/termination of a manager(s); an asset allocation review of the entire portfolio; or a structural review of a given asset class.

The Chief Investment Officer shall inform the Board in a timely manner of all rebalancing activity.

H. Adaptive Asset Allocation Plan

TABLE OF CONTENTS

- I. Purpose and Scope
- II. Roles and Responsibilities
- III. Terminology
- IV. Adaptive Asset Allocation Considerations
- V. Implementation
- VI. Risk Management Guidelines
- VII. Annual Review of the Adaptive Asset Allocation Plan
- VIII. Appendix

I. Purpose and Scope

The Adaptive Asset Allocation Plan (AAAP) is an addendum to Section I.V.G of the Investment Policy.

On February 12, 2019, the Board of Administration (“Board”) of the Los Angeles City Employees’ Retirement System (LACERS) approved revisions to the Investment Policy, which included a revision to the Rebalancing Policy (Section I.V.G). Specifically, a provision was added for Tactical Asset Allocation (TAA). Under the TAA section, staff is authorized to initiate tactical rebalancing pursuant to the Tactical Asset Allocation Plan (TAAP).

On October 26, 2021, the Board approved renaming TAA to Adaptive Asset Allocation (AAA) and the TAAP to the Adaptive Asset Allocation Plan (AAAP).

The Board believes that LACERS Total Fund (Total Fund) is best managed when additional tools are available for staff to address a dynamic and rapidly changing investment market. Adaptive Asset Allocation, pursuant to the Rebalancing Policy and procedures found in the AAAP, is designed to supplement and complement the Rebalancing Policy by adding flexibility to rebalancing decisions within a prudent, decision-making framework based on market and/or internal operational conditions. Rebalancing decisions—strategic and tactical—will be based on the principles of prudence, care, and risk mitigation.

More specifically, the AAAP provides additional approaches to the rebalancing of asset classes within established asset class policy target ranges. Rebalancing under the AAAP must achieve at least one of the following objectives: 1) Enhance Total Fund value; 2) Protect Total Fund value; or 3) Enhance the risk/return profile of the Total Fund pursuant to the Asset Allocation Policy and Risk Budget.

II. Roles and Responsibilities

The Board of Administration

The Board authorizes, provides oversight, and approves amendments to the AAAP. The Board delegates to staff the implementation of AAA within the adopted Rebalancing Policy, Asset Allocation Policy, and Risk Budget. The Board will review and approve the AAAP on or before July 1 of each year.

Adaptive Asset Allocation Policy

Investment Committee

The Investment Committee reviews AAAP status reports if applicable, conducts an annual performance evaluation of the AAAP, and recommends amendments to the Board.

Chief Investment Officer

The Chief Investment Officer (CIO) is responsible for the implementation of an Adaptive Asset Allocation rebalancing pursuant to the AAAP. The CIO will review recommendations from staff and the General Fund Consultant to determine if an Adaptive Rebalance is appropriate. The CIO is also responsible for unwinding any previously-initiated Adaptive Actions as may be necessary. The CIO along with staff is responsible for observing economic and market indicators, assessing internal operational conditions, and working with the General Fund Consultant (and seeking advisement of other Investment Consultants under contract as may be necessary) to seek concurrence with an Adaptive Action Proposal. The CIO will apprise the Board within 30 days of initiating an Adaptive Rebalance.

General Fund Consultant

The General Fund Consultant reviews the CIO's proposed Adaptive Action, and either concurs, amends, or disagrees with the proposed decision within seven business days of presentation of the Adaptive Rebalance Proposal.

Internal Auditor

The Internal Auditor shall review the CIO's annual AAAP report, as provided in Section VII of this plan, prior to presenting the report to the Investment Committee.

III. Terminology

Adaptive Factors – External landscape observations that include economic, market, and valuation factors plus internal operational factors, all of which are to be considered when developing an Adaptive Rebalance Proposal (see Appendix A).

Adaptive Objectives – The driving force that underpins justification for an Adaptive Rebalance. Objectives may include: 1) Enhance Total Fund value; 2) Protect Total Fund value; and 3) Enhance the Risk/Return Profile of the Total Fund.

Adaptive Rebalance Proposal – A written Adaptive Rebalance plan to address one specific Adaptive Asset Allocation (AAA) Rebalance project. The Adaptive Rebalance Proposal shall consider the provisions found in AAAP Sections IV, V, VI, and VII.

Adaptive Rebalance – One or more individual tactical movements of capital between or among asset classes to achieve one or more Adaptive Objectives. An Adaptive Rebalance may take one to 12 months to implement; up to an additional 12 months may be provided if an Adaptive Reversal is included in an Adaptive Rebalance Proposal.

Adaptive Action – One specific, individual movement of capital that adjusts asset holdings due to movements of cash, in-kind asset transfers, or use of derivatives. Derivatives may be used as an alternative to cash or in-kind asset transfers to obtain the equivalent changes

Adaptive Asset Allocation Policy

in exposure(s), if derivatives are expected to produce more favorable economic and/or risk enhancements. Derivatives may not be used as a form of leverage.

Adaptive Reversal – An optional component of an Adaptive Rebalance Proposal, an Adaptive Reversal is a specific and time-bound plan to partially or fully unwind an Adaptive Rebalance once economic or market conditions, or internal operations, stabilize. An Adaptive Reversal can be an integral component of an Adaptive Rebalance Proposal and may take up to 12 additional months to achieve full implementation.

IV. Adaptive Asset Allocation Considerations

LACERS is a long-term strategic investor and implements the Asset Allocation Policy. AAA allows LACERS flexibility to adjust exposures to established asset classes to achieve one of several aforementioned AAA Objectives. AAA Factors that are considered when contemplating an Adaptive Rebalance include (but are not restricted to): stage of the economic cycle; abrupt or trending market or capital dislocations; excessive or deep under valuations of specific or broad asset types within the Total Fund or in the market; and internal operational factors.

V. Implementation

Implementation of an Adaptive Action will comply with the following procedures, as they may apply:

1. External Landscape Evaluation – Economic market outlook, including economic indicators, monetary and fiscal policies, geo-political events, Federal Reserve Bank actions, interest rates, inflation, etc.
2. Internal Operational Evaluation – Actual asset allocation of the Total Fund compared to policy targets, asset class movements and trends, portfolio valuations, operational cash, future, pending, or existing RFP manager searches and hiring of investment managers, pending investment manager terminations, market and economic landscape commentary or information from investment managers, and compliance with existing Investment Policy
3. General Fund Consultant Discussion and Concurrence (and discussion with other contracted Investment Consultants as warranted)
4. Written Adaptive Rebalance Proposal should include the following decision considerations (as appropriate):
 - a. External Landscape and Internal Operational Evaluations;
 - b. Projected Impact on Asset Allocation and Asset Classes;
 - c. Projected Impact on Total Fund addressing Adaptive Objectives:
 - i. Enhancement to Total Fund Value; and/or
 - ii. Protection of Total Fund Value; and/or
 - iii. Enhanced Risk/Return Profile and Compliance to Risk Budget
 - d. Projected Quantitative Outcomes including measurable Performance and Risk Metric improvements and Capital Preservation amounts;
 - e. Financial Considerations - Funds directly impacted by an Adaptive Rebalance; Proposed Implementation Timing and Transactional Costs; Benchmark to evaluate performance; Monitoring Schedule
 - f. Adaptive Reversal (Partial or Full) as needed

Adaptive Asset Allocation Policy

5. Implementation of Adaptive Action pursuant to the written Adaptive Rebalance Proposal and AAAP Risk Management Guidelines.
6. Report to the Board within 30 days of initiating a Adaptive Rebalance
7. Quarterly Status Reporting of Adaptive Rebalancing implementation
8. Internal Monthly Rebalancing and Compliance Staff Reviews per the Rebalancing Policy (Section I.V.G of the LACERS Investment Policy)
9. Annual Investment Committee Review of AAAP based on CIO Report as provided in Section VII of this plan
10. Annual Board Renewal, Modification, or Repeal of AAAP based on Investment Committee Report as provided in Section VII of this plan

VI. Risk Management Guidelines

The following guidelines are designed to help the CIO manage the implementation of the AAA Policy within a prudent risk-management framework.

1. An Adaptive Rebalance may be initiated when the actual market value weighting of an asset class exceeds 70% of the range from its target weighting to its established bands.
2. An Adaptive Rebalance Proposal shall not exceed 50% of the excess valuation that is over- or under-weight to its policy target at the time the decision to rebalance is made.
3. An Adaptive Rebalance should be completed within 12-24 months of initiation, except in the case of a partial or full reversal of the original Adaptive Rebalance, which may extend the Adaptive Rebalance up to an additional 12 months.
4. An Adaptive Rebalance may be suspended after the first Adaptive Action is completed if such single Adaptive Action or subsequent Adaptive Actions achieves the Adaptive Objective(s) within the Adaptive Rebalance Proposal pursuant to an Adaptive Rebalancing Proposal.
5. An Adaptive Rebalance Proposal may be modified or suspended by the CIO upon the concurrence of the General Fund Consultant if market conditions or other external landscape factors change or strategic asset class rebalances are necessary that disrupt the orderly implementation of the Adaptive Rebalance Proposal, or when internal operations such as liquidity needs would have a material impact on the Adaptive Rebalance Proposal such that the Adaptive Objectives are no longer achievable within the established Adaptive Rebalance Proposal timeframe due to material changes in the original market assumptions, operational factors, or risk levels.
6. A specific Adaptive Rebalance should not be initiated if it will cause another asset class to breach its regular Asset Allocation policy upper or lower rebalance threshold.
7. The General Fund Consultant must concur with the Adaptive Rebalance Proposal prior to initiation.

VII. Annual Review of the AAAP

Annual AAAP Review by the Investment Committee

The CIO will prepare an annual report of all Adaptive Rebalance Proposals that were initiated in the current fiscal year, the current status of Adaptive Rebalances and Adaptive

Adaptive Asset Allocation Policy

Actions, and the projected and actual impact of the Adaptive Rebalance(s) including (but not restricted to) performance, capital preservation, and/or risk factors. Staff may also include recommendations to modify, continue or cease the AAAP. The Annual AAAP Review will be presented to the Investment Committee no later than the month of April of each year.

The Investment Committee will determine if the AAAP requires any modifications including repeal. The Investment Committee recommendations will be then sent to the Board of Administration for approval.

Annual AAAP Approval or Repeal by the Board of Administration

The Board of Administration shall review and approve, modify, or repeal the AAAP prior to the beginning of each Fiscal Year.

If the AAAP is repealed, staff may not enter any new Adaptive Rebalances; except Adaptive Reversals that were contemplated in the Adaptive Rebalance Proposal may be implemented according to the implementation sequence of the Adaptive Actions.

VIII. APPENDIX

External Landscape and Internal Operational Considerations

- a. *Economic Cycle Consideration* - An Adaptive Action may be appropriate based on the economic cycle, as illustrated below:

Early Stage Phase - The early stage of the economic cycle is characterized by recovering growth in the gross domestic product (GDP), profit margins, and consumer confidence. Credit and inflation in the economy are typically flat while interest rates start to rise. Stocks tend to be trading at more attractive levels compared to longer term historical averages.

Early to Mid-Cycle Stage Phase - During the early and mid-cycle phases, equities have the potential to outperform. AAA may attempt to take advantage of expansion stages by shifting exposure to public equities and reducing exposures to core fixed income assets.

Later and Recession Stage Phases - During late and recession stages, equities have potential to underperform risk-off assets. AAA may attempt to protect the Total Fund by reducing public equities and increasing fixed income assets.

- b. *Market Stages Consideration*

The economy oscillates between stages of expansion (early and middle stages) and contraction (late and recession stages). The early stage of the economic cycle is characterized by recovering growth in the gross domestic product (GDP), profit margins, and consumer confidence. Credit and inflation in the economy are typically flat while interest rates start to rise. Stocks tend to be trading at more attractive levels compared to longer term historical averages.

Adaptive Asset Allocation Policy

During the mid-cycle period of the economic cycle, the economy generally experiences expansion in GDP, credit growth, profit margins, and consumer confidence. Interest rates and inflation are typically stable during this period. Stocks tend to recover to levels in-line with long term average valuations.

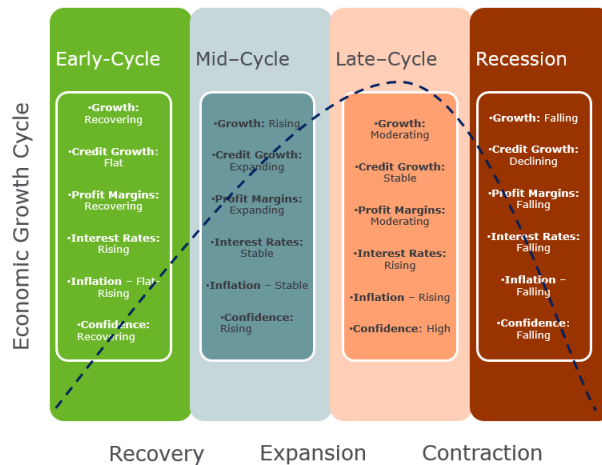
In the late-cycle period of the economic cycle, the economy typically experiences moderation in GDP growth, profit margins, and credit expansion. Consumer confidence is high and both interest rates and inflation are on the rise. Stocks trade at the higher band of long term averages while volatility tends to be higher than the earlier parts of the cycle.

Finally, during the recession stage of the economic cycle, excesses are purged from the system. GDP, credit, profit margins, interest rates, inflation and consumer confidence are all falling. During this phase of the market, volatility in the stock market increases dramatically while prices tend to fall to below average valuations.

c. *Assessment of Market Conditions*

Staff will evaluate and assess if the market is Early-Cycle, Mid-Cycle, Late-Cycle or in a Recession on a quarterly basis.

This assessment will be based on the factors listed in the chart below.



d. *Economic and Market Risk Assessment*

Staff will address one or more of the economic, financial, and market indicators.

- Growth: Year-over-year growth in GDP
- Credit Growth: Year-over-year growth in total credit
- Profit Margins: Corporate profit margins
- Interest Rates: Short, Long, Yield Curve
- Inflation: Consumer Price Index
- Confidence Levels: Consumer Sentiment Index
- Additional factors such as commodity and currency trends, unemployment statistics, building permits, sales, and manufacturing statistics.

Adaptive Asset Allocation Policy

e. *Asset Valuations*

Staff will address the relevant market valuation indicators to include (but not restricted to):

- Current to Long-Term Historical Valuations reflected in Price to Earnings, Price to Book, and Dividend Yields
- Interest rate spreads, duration
- Growth versus Value

f. *Internal Operational Considerations*

Staff will evaluate factors to include (but not restricted to):

- Benefits and Consequences of initiating an Adaptive Action versus strategic rebalancing against asset allocation upper and lower policy target thresholds
- Liquidity Impact

I. Evaluation of Policy

The Investment Policy Statement shall be reviewed by the Board at least annually, with the assistance of the Staff and investment consultant(s), and revised as necessary.



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - F

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$25 MILLION IN LIGHTBAY INVESTMENT PARTNERS II, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$25 million in LightBay Investment Partners II, L.P.

Executive Summary

LightBay Investment Partners II, L.P. will focus on investing in North American lower middle market businesses that operate in service-based industries of healthcare, consumer services, and business.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$25 million in LightBay Investment Partners II, L.P. (the Fund), a buyout strategy managed by LightBay Capital (the Firm or LightBay). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

LightBay was founded in 2016 by Nav Rahemtulla and Adam Stein. The co-founders worked together for 15 years at Ares Management's Private Equity Group. LightBay has 15 professionals and is based in Los Angeles.

LightBay is a new general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy.

Investment Thesis

LightBay will deploy a similar strategy to the Firm's prior fund. The Fund will seek to provide flexible capital solutions of \$50 million to \$250 million in equity to North American lower middle market businesses operating in the service-based industries of healthcare, consumer, and business services. LightBay seeks to partner with companies that are market leaders or innovative disruptors with strong employee engagement, high returns on invested capital, and meaningful growth opportunities.

Placement Agent

The GP engaged UBS Securities LLC as the placement agent for this fund.

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in LightBay Investment Partners II, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/CH:rm

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

Aksia LLC

LightBay Investment Partners II, L.P.
Investment Notification



www.aksia.com

LightBay Investment Partners II, L.P.

General Partner	LightBay Capital (“LightBay” or the “Firm”)
Fund	LightBay Investment Partners II, L.P. (“Fund II” or the “Fund”)
Firm Founded	2016
Strategy	North American Buyouts
Sub-Strategy	North American Buyouts
Geography	North America
Team	~15 professionals
Senior Partners	Nav Rahemtulla and Adam Stein
Office Locations	Los Angeles, CA
Industries	Healthcare, Consumer, & Business Services
Target Fund Size	\$800.0 million
LACERS Investment	\$25.0 million

Investment Highlights

- LightBay is a spinout of Ares Management where Nav Rahemtulla and Adam Stein (the “Co-Founders”) had invested together for 15 years while dedicated to the private equity offering, Ares Corporate Opportunities Funds.
- The Firm is a reputable emerging manager with a strong private equity pedigree and a cohesive senior team.
- The Co-Founders have an established track record at Ares where Rahemtulla served as the Head of Healthcare and Stein was the Head of Consumer & Retail.
- The Firm’s debut fund has some strong early performers and completed its first exit in December 2021.

LightBay Investment Partners II, L.P.

Firm and Background

- LightBay is a Los Angeles-based private equity firm that was founded in 2016 by Nav Rahemtulla and Adam Stein, who had previously worked at Ares. The Firm raised its debut fund in 2018 and has continued to grow the team throughout its operating history.
- The Firm is led by the Co-Founders as well as four additional Partners - Ben Herman, David Burcham, David Leeney (Business Development), and Stella Ho (CCO) - who are supported by an additional ~10 investment professionals.

Investment Strategy

- LightBay has utilized a similar strategy to the one implemented by the Co-Founders during their time at Ares, albeit at the lower end of the market.
- Fund II will provide flexible capital solutions to North American lower middle market businesses that operate within three service-based industries including healthcare services, consumer services, and business services.
- The Firm will construct a portfolio of six to nine investments in companies that require between \$50 and \$250.0 million of total equity.
- The Firm has the ability to invest through a combination of traditional transaction structures such as leveraged buyouts and structured equity as well as more complex special situations, which include distressed debt-for-control, primary rescue capital injections, and in and out-of-court balance sheet reorganizations.
- Utilizing dedicated sector teams, LightBay prefers to partner with quality but undercapitalized businesses with the opportunity to facilitate growth through a combination of operational levers and add-on acquisitions.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

THESE MATERIALS ARE NOT INTENDED AS AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITY. THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL AND DISCUSSION PURPOSES ONLY. THE INFORMATION HEREIN IS NOT INTENDED TO BE COMPLETE AND THE DESCRIPTION OF THE FUND IN THESE MATERIALS IS QUALIFIED IN IN ITS ENTIRETY BY THE TERMS AND INFORMATION CONTAINED IN THE FUND'S OFFERING DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE FUND'S PRIVATE PLACEMENT MEMORANDUM, PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT ("GOVERNING DOCUMENTS"). NOTHING HEREIN CONSTITUTES OR SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE.

THE INFORMATION HEREIN IS NOT INTENDED TO PROVIDE, AND SHOULD NOT BE RELIED UPON FOR, ACCOUNTING, TAX OR LEGAL ADVICE. YOU SHOULD CONSULT YOUR TAX, LEGAL AND/OR ACCOUNTING ADVISERS ABOUT ANY MATTERS DISCUSSED HEREIN.

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - G

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$80 MILLION IN THOMA BRAVO FUND XV, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$80 million in Thoma Bravo Fund XV, L.P.

Executive Summary

Thoma Bravo Fund XV, L.P. will focus on control buyouts of large software companies and technology-enabled businesses.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$80 million in Thoma Bravo Fund XV, L.P. (the Fund), a software and technology-focused buyout strategy managed by Thoma Bravo, LLC (Thoma Bravo or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

Thoma Bravo, LLC is a successor to Golder Thoma & Co. (Golder Thoma), which was founded in 1980 by Stanley Golder and Carl Thoma. Golder Thoma subsequently became Golder, Thoma, Cressey, Rauner (GTCR). In 1998, GTCR split into two firms, one of which was Thoma Cressey Equity Partners (TCEP), formed by Carl Thoma, Bryan Cressey, and Lee Mitchell. In 2008, TCEP was renamed Thoma Bravo after the addition of Orlando Bravo and the departure of Mr. Cressey. The GP has approximately 130 professionals and offices in Chicago (headquarters), San Francisco, Miami, and Dubai.

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

Fund	Vintage Year	Commitment	Net IRR^{1 2}
Thoma Bravo XI, L.P.	2014	\$15 million	31.8%
Thoma Bravo Special Opportunities Fund II, L.P.	2015	\$10 million	20.6%
Thoma Bravo Fund XII, L.P.	2016	\$25 million	18.8%
Thoma Bravo Discover Fund II, L.P.	2018	\$10 million	42.4%
Thoma Bravo Fund XIII, L.P.	2018	\$30 million	57.5%
Thoma Bravo Discover Fund III, L.P.	2020	\$20 million	16.4%
Thoma Explore Fund, L.P.	2020	\$10 million	100.3%
Thoma Bravo Fund XIV, L.P.	2021	\$30 million	-8.1%

LACERS also committed to seven funds managed by GTCR and one fund managed by TCEP.

Investment Thesis

The GP focuses on making investments in highly fragmented industries, with an emphasis on infrastructure software and technology-enabled services. Thoma Bravo XV, L.P. focuses on large corporate buyouts, whereas Thoma Bravo Discover Fund IV, L.P. focuses on upper middle market buyouts.

Prior to making an investment, the GP identifies operational improvements, which are implemented upon the closing of the investment. Subsequently, the GP seeks to acquire follow-on investments to increase the company's market share and efficiency. Together, these initiatives are intended to transform a company into a larger, more profitable and valuable business that is attractive to public markets and potential buyers. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Thoma Bravo Fund XV, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/EP:rm

¹ Performance as of June 30, 2021

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

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

Aksia LLC

Thoma Bravo Fund XV, L.P.
Investment Notification



www.aksia.com

Thoma Bravo Fund XV, L.P.

General Partner	Thoma Bravo, L.P. (“Thoma Bravo” or the “Firm”)
Fund	Thoma Bravo Fund XV, L.P. (“Fund XV” or the “Fund”)
Firm Founded	1980
Strategy	North American Buyouts
Sub-Strategy	North American Buyouts
Geography	North America
Team	~130 professionals
Senior Partners	Seth Boro, Orlando Bravo, Scott Crabill, Lee Mitchell, Holden Spaht, and Carl Thoma
Office Locations	Chicago, IL; San Francisco, CA; Miami, FL; and Dubai, United Arab Emirates
Industries	Software and Tech-enabled Services
Target Fund Size	\$22.0 billion
LACERS Investment	\$80.0 million

Investment Highlights

- The six Managing Partners are skilled and experienced private equity investors with a long tenure of working together.
- The domain expertise and networks brought by Thoma Bravo’s sector teams are valuable in identifying compelling segments of each sector, sourcing opportunities, conducting diligence, and executing on value creation activities.
- Thoma Bravo has invested in the software sector for nearly 20 years and completed more than 300 total software acquisitions including add-ons.
- Thoma Bravo’s recent Flagship Funds have generated strong performance.

Thoma Bravo Fund XV, L.P.

Firm and Background

- Thoma Bravo is a leading private equity firm focused on investing in software and tech-enabled services companies.
- Thoma Bravo's roots trace back to its predecessor, Golder Thoma & Co., which was originally founded in 1980 by Stanley Golder and Carl Thoma. From 1980 to 2007, the original firm underwent multiple name and ownership changes as partners joined, were promoted, and split off. In 2008, the Firm was renamed Thoma Bravo when it was decided that it would focus on investing in software and non-healthcare services companies.
- The Firm is led by six managing partners – Carl Thoma, Orlando Bravo, Scott Crabill, Seth Boro, Lee Mitchell, and Holden Spaht – who are supported by an additional ~125 investment and operational professionals and ~25 operating partners.

Investment Strategy

- Fund XV will seek to make control-oriented investments in software and tech-enabled businesses in the application, infrastructure, and security software industries, which may serve a variety of underlying end markets, including education, insurance, finance, communications, media, marketing, security services, asset management, and automotive.
- The Fund will pursue more mature, cash-flowing (even negative cash-flowing) companies that stand to benefit from operational improvements and add-on acquisitions. Targeted companies often operate in consolidating and/or fragmented industries and have high quality, typically recurring, revenue, and offer critical products or services with relatively high switching costs.
- Thoma Bravo's approach to value creation focuses on operational improvement and strategic M&A.
- Fund XV will target 12 to 15 portfolio investments with investment sizes typically greater than \$900.0 million across traditional buyouts, take-privates, and carve-out transactions.

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - H

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$45 MILLION IN THOMA BRAVO DISCOVER FUND IV, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$45 million in Thoma Bravo Discover Fund IV, L.P.

Executive Summary

Thoma Bravo Discover Fund IV, L.P. will focus on control buyouts of upper middle market software companies and technology-enabled businesses.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$45 million in Thoma Bravo Discover Fund IV, L.P. (the Fund), a software and technology-focused buyout strategy managed by Thoma Bravo, LLC (Thoma Bravo or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

Thoma Bravo, LLC is a successor to Golder Thoma & Co. (Golder Thoma), which was founded in 1980 by Stanley Golder and Carl Thoma. Golder Thoma subsequently became Golder, Thoma, Cressey, Rauner (GTCR). In 1998, GTCR split into two firms, one of which was Thoma Cressey Equity Partners (TCEP), formed by Carl Thoma, Bryan Cressey, and Lee Mitchell. In 2008, TCEP was renamed Thoma Bravo after the addition of Orlando Bravo and the departure of Mr. Cressey. The GP has approximately 130 professionals and offices in Chicago (headquarters), San Francisco, Miami, and Dubai.

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

Fund	Vintage Year	Commitment	Net IRR^{1 2}
Thoma Bravo XI, L.P.	2014	\$15 million	31.8%
Thoma Bravo Special Opportunities Fund II, L.P.	2015	\$10 million	20.6%
Thoma Bravo Fund XII, L.P.	2016	\$25 million	18.8%
Thoma Bravo Discover Fund II, L.P.	2018	\$10 million	42.4%
Thoma Bravo Fund XIII, L.P.	2018	\$30 million	57.5%
Thoma Bravo Discover Fund III, L.P.	2020	\$20 million	16.4%
Thoma Explore Fund, L.P.	2020	\$10 million	100.3%
Thoma Bravo Fund XIV, L.P.	2021	\$30 million	-8.1%

LACERS also committed to seven funds managed by GTCR and one fund managed by TCEP.

Investment Thesis

The GP focuses on making investments in highly fragmented industries, with an emphasis on infrastructure software and technology-enabled services. Thoma Bravo Discover Fund IV, L.P. focuses on upper middle market corporate buyouts, whereas Thoma Bravo Fund XV, L.P. focuses on large corporate buyouts.

Prior to making an investment, the GP identifies operational improvements, which are implemented upon the closing of the investment. Subsequently, the GP seeks to acquire follow-on investments to increase the company's market share and efficiency. Together, these initiatives are intended to transform a company into a larger, more profitable and valuable business that is attractive to public markets and potential buyers. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Thoma Bravo Discover Fund IV, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/EP:jp:rm

¹ Performance as of June 30, 2021

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

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

Aksia LLC

Thoma Bravo Discover Fund IV, L.P.
Investment Notification



www.aksia.com

Thoma Bravo Discover Fund IV, L.P.

General Partner	Thoma Bravo, L.P. (“Thoma Bravo” or the “Firm”)
Fund	Thoma Bravo Discover Fund IV, L.P. (Fund IV” or the “Fund”)
Firm Founded	1980
Strategy	North American Buyouts
Sub-Strategy	North American Buyouts
Geography	North America
Team	~130 professionals
Senior Partners	Seth Boro, Orlando Bravo, Scott Crabill, Lee Mitchell, Holden Spaht, and Carl Thoma
Office Locations	Chicago, IL; San Francisco, CA; Miami, FL; and Dubai, United Arab Emirates
Industries	Software and Tech-enabled Services
Target Fund Size	\$5.0 billion
LACERS Investment	\$45.0 million

Investment Highlights

- The six Managing Partners are skilled and experienced private equity investors with a long tenure of working together.
- The domain expertise and networks brought by Thoma Bravo’s sector teams are valuable in identifying compelling segments of each sector, sourcing opportunities, conducting diligence, and executing on value creation activities.
- Thoma Bravo has invested in the software sector for nearly 20 years and completed more than 300 total software acquisitions including add-ons.
- Thoma Bravo’s recent Discover Funds have generated strong performance.

Thoma Bravo Discover Fund IV, L.P.

Firm and Background

- Thoma Bravo is a leading private equity firm focused on investing in software and tech-enabled services companies.
- Thoma Bravo's roots trace back to its predecessor, Golder Thoma & Co., which was originally founded in 1980 by Stanley Golder and Carl Thoma. From 1980 to 2007, the original firm underwent multiple name and ownership changes as partners joined, were promoted, and split off. In 2008, the Firm was renamed Thoma Bravo when it was decided that it would focus on investing in software and non-healthcare services companies.
- The Firm is led by six managing partners – Carl Thoma, Orlando Bravo, Scott Crabill, Seth Boro, Lee Mitchell, and Holden Spaht – who are supported by an additional ~125 investment and operational professionals and ~25 operating partners.

Investment Strategy

- Fund IV will seek to make control-oriented investments in software and tech-enabled businesses in the application, infrastructure, and security software industries, which may serve a variety of underlying end markets, including education, insurance, finance, communications, media, marketing, security services, asset management, and automotive.
- Fund IV will target upper middle market businesses that stand to benefit from operational improvements and add-on acquisitions. Targeted companies often operate in consolidating and/or fragmented industries and have high quality, typically recurring, revenue, and offer critical products or services with relatively high switching costs.
- Thoma Bravo's approach to value creation focuses on operational improvement and strategic M&A.
- Fund IV will target 11 to 15 portfolio investments with investment sizes typically ranging between \$300 to \$700 million across traditional buyouts, take-privates, and carve-out transactions.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

THESE MATERIALS ARE NOT INTENDED AS AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITY. THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL AND DISCUSSION PURPOSES ONLY. THE INFORMATION HEREIN IS NOT INTENDED TO BE COMPLETE AND THE DESCRIPTION OF THE FUND IN THESE MATERIALS IS QUALIFIED IN IN ITS ENTIRETY BY THE TERMS AND INFORMATION CONTAINED IN THE FUND'S OFFERING DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE FUND'S PRIVATE PLACEMENT MEMORANDUM, PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT ("GOVERNING DOCUMENTS"). NOTHING HEREIN CONSTITUTES OR SHOULD NOT BE CONSTRUED AS INVESTMENT ADVICE.

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: MAY 24, 2022
ITEM: VIII - I

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN HG SATURN 3 A L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$40 million in Hg Saturn 3 A L.P.

Executive Summary

Hg Saturn 3 A L.P. will focus on making upper middle market control investments in software and technology-enabled services primarily in Northern Europe.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$40 million in Hg Saturn 3 A L.P. (the Fund), a buyout strategy managed by Hg Pooled Management Limited (the Firm or Hg). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

Hg is led by its three senior managing partners, Nic Humphries, Justin von Simson, and Matthew Brockman. Prior to joining Hg, Mr. Humphries was at Barclays Private Equity, Mr. von Simpson was at Goldman Sachs, and Mr. Brockman was at Apax Partners.

The firm has more than \$40 billion in funds under management and approximately 280 employees in London (headquarters), Munich, and New York City. Hg's portfolio of software and technology businesses have an aggregate enterprise value of greater than \$100 billion.

Hg is an existing general partner relationship for LACERS with commitments of €17.5 million to Hg Genesis 9 A L.P. and \$20 million to Hg Saturn 2 A L.P., which are both 2020 vintage funds and do not have meaningful performance data yet.

Investment Thesis

Using a similar strategy to the Firm's flagship Genesis fund, Hg will target larger upper middle market software and technology-enabled service companies domiciled primarily in Northern Europe. Targeted companies provide mission critical software or services using a subscription or repeat revenue model. Transactions typically will take the form of leveraged buyouts, carve-outs, and privatizations. Hg focuses on value creation through organic revenue growth. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Hg Saturn 3 A L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/BF/WL/CH:rm

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

Aksia LLC

Hg Saturn 3 A L.P.
Investment Notification



www.aksia.com

Hg Saturn 3 A L.P.

General Partner	Hg Pooled Management Limited (the “Firm,” “Hg,” or “HgCapital”)
Fund	Hg Saturn 3 A L.P. (the “Fund”)
Firm Founded	2000
Strategy	European Buyouts
Sub-Strategy	European Buyouts
Geography	Primarily Northern Europe
Team	~35 professionals on the Saturn platform
Senior Partners	Nic Humphries (Senior Partner), Justin von Simson, Matthew Brockman (Managing Partners)
Office Locations	London, Munich, New York
Industries	Software and technology-enabled services
Target Fund Size	\$8.5 billion
LACERS Investment	\$40.0 million

Investment Highlights

- Hg has a reputation as one of the first European private equity firms dedicated to investing in software and technology-enabled service businesses.
- The Saturn platform has a large and cohesive senior team that has worked together through multiple economic cycles.
- The Firm focus on providing mission critical software and services provides some level of downside protection in turbulent economic times.
- Multiple platforms based on deal size enable the Firm to fully canvas the European software market.
- Strong historical performance of the Saturn platform’s lead, Nic Humphries.

Hg Saturn 3 A L.P.

Firm and Background

- HgCapital began as the private equity arm of Mercury Asset Management in the 1990s and spun-out in 2000. The Firm pursued a generalist strategy until Nic Humphries (TMT sector lead) was promoted to CEO in 2009 and narrowed the investment scope to software and services companies.
- Today, the broader Hg team is still led by Nic Humphries who is supported by two Managing Partners that have an average tenure of over 17 years at the Firm.
- The Firm maintains three fund platforms that target controlling buyouts of small (Mercury), medium (Genesis), and large (Saturn) software and services companies in the European middle market.
- The Saturn platform is led by Nic Humphries and Justin von Simson who are supported by a dedicated team of ~35 investment professionals that includes six Partners, five Directors, eight Principals, 10 Associates, and five Analysts.

Investment Strategy

- The Saturn platform will target co-control buyouts of upper middle market and large market software and services companies domiciled in Northern Europe, particularly the U.K., the DACH region, the Nordic region, and the Benelux region. The Firm will also pursue U.S. businesses that may benefit from expanding into Europe.
- The portfolio will be comprised of approximately 10 software and services companies with enterprise values of \$1.5 billion or more.
- Equity checks will generally range between \$750 million and \$1.5 billion, and the General Partner anticipates there will continue to be a notable amount of co-investment opportunities for limited partners.
- Transactions will typically take of the form of leveraged buyouts, carve-outs, and take-privates.

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

Investment Selection	Role of the Board	Role of Staff	Role of the Private Equity Consultant
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LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - J

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$30 MILLION IN 1315 CAPITAL III, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$30 million in 1315 Capital III, L.P.

Executive Summary

1315 Capital III, L.P. focuses on growth-stage investments in healthcare services, medical technologies, and pharmaceutical services companies.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$30 million in 1315 Capital III, L.P. (the Fund), a growth equity strategy managed by 1315 Capital, LLC (the GP or 1315). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

1315 was founded in 2014 by Adele Oliva and Michael Koby. Prior to founding the firm in 2014, Ms. Oliva was the Co-Head of U.S. Healthcare at Apax Partners, and Mr. Koby was a Managing Director at Palm Ventures where he led healthcare investing. Additional partners at 1315 include Jessica Hou, Edward Chan, and Matthew Reber. The GP employs 10 investment professionals and is headquartered in Philadelphia.

1315 is an existing general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to LACERS Emerging Investment Manager Policy. LACERS previously committed \$20 million to the following 1315-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR ^{1,2}
1315 Capital Fund	2015	\$10 million	18.3%
1315 Capital Fund II	2018	\$10 million	22.2%

Investment Thesis

1315 provides expansion and growth capital to commercial-stage healthcare services, medical technology, and therapeutics/pharmaceutical services companies. The Fund seeks to identify businesses where management teams can rapidly grow small platform companies in a capital efficient manner. The GP adds value to portfolio companies by developing business strategy, recruiting talent, optimizing operations, and mitigating technology and regulatory risks. Exit strategies include initial public offerings or sales to strategic/financial partners, such as other private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in 1315 Capital Fund III, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Robert King, Investment Officer II

NMG/RJ/BF/WL/RK:rm

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

¹ Performance as of June 30, 2021

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

Aksia LLC

1315 Capital III, L.P.
Investment Notification



www.aksia.com

1315 Capital III, L.P.

General Partner	1315 Capital, LLC (“1315” or the “Firm”)
Fund	1315 Capital III, L.P. (“Fund III” or the “Fund”)
Firm Founded	2014
Strategy	Growth Equity
Sub-Strategy	Growth Equity
Geography	North America
Team	~10 investment professionals and ~5 Operating Partners
Senior Partners	Adele Oliva and Michael Koby
Office Locations	Philadelphia, PA
Industries	Healthcare
Target Fund Size	\$350.0 million
LACERS Investment	\$30.0 million

Investment Highlights

- The team is led by Adele Oliva and Michael Koby, who both have extensive investment experience in the healthcare industry.
- The five Partners at the Firm have an average of 22 years of experience across investment banking, private equity, and the medical field, and they have been part of 1315 Capital for an average of approximately 5.5 years.
- The Firm’s Operating Partners are established healthcare industry executives that are experts in their respective fields.
- The Firm maintains a large network of over 500 healthcare leaders, including entrepreneurs, who are active in their respective fields and they are expected to help source deals.

1315 Capital III, L.P.

Firm and Background

- The Firm was founded in 2014 by Adele Oliva and Michael Koby. Today they are supported by three additional Partners, two Principals, one Vice president, one Associate, and six Operating Partners.
- Prior to founding 1315 Capital, Adele Oliva served as a Partner and Co-Head of US Healthcare at Apax Partners while Michael Koby spent six years as a Principal at a healthcare focused private equity firm.
- In addition to Fund III, the Firm is raising 1315 Capital Early Growth Fund, with a target of \$150.0 million. The Firm will take a one-team approach with all professionals sourcing and executing transactions for Fund III and the Early Growth Fund.

Investment Strategy

- The Fund will seek to create a portfolio of 11 to 14 investments with initial investments ranging from \$15.0 million to \$30.0 million, with the total investment size ranging from \$20.0 million to \$40.0 million.
- The Fund will focus on expansion and growth investments (both minority and majority positions) across healthcare services, medical technologies, and therapeutics & pharmaceutical services companies.
- The Fund will focus on commercial-stage companies generally with at least \$10.0 million of net revenue (TTM) at the time of initial investment that could scale, either as a standalone investment or as part of a platform, to over \$50.0 million of revenue.
- The Fund will generally pursue three types of deals: Jumpstarts, Growth Investments, and Growth Buyouts. A “Jumpstart” investment is formed by pairing a commercial-stage asset, either an entire business or individual products, with a management team with a successful track record in the field.

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - K

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN FRANCISCO PARTNERS VII, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

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

Executive Summary

Francisco Partners VII, L.P. will invest in middle market and large capitalization technology and technology-enabled businesses in North America and Western Europe.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$50 million in Francisco Partners VII, L.P. (the Fund), a buyout strategy managed by Francisco Partners Management, L.P. (the GP or Francisco). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

Francisco Partners was founded in 1999 to pursue investments in the technology sector. Today the firm is led by Dipanjan Deb and 10 other partners. The GP employs more than 100 professionals and is headquartered in San Francisco, with additional offices in New York City and London.

Francisco is a new general partner relationship for LACERS.

Investment Thesis

The Fund will make control-oriented investments in technology and technology-enabled businesses located in North America, Western Europe, and Israel requiring more than \$200 million in equity. Francisco also offers another strategy (Francisco Partners Agility III, L.P.) that focuses on similar investments requiring less than \$200 million in equity. Targeted subsectors include software/services,

security/systems, internet, healthcare information technology, financial technology/payments, and communications. The Fund will have a flexible mandate that allows it to invest in both growth and value-oriented opportunities. The GP adds value to portfolio companies through an active management approach, seeking to improve operational efficiency, augment management teams, and achieve strategic objectives. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Francisco Partners VII, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Robert King, Investment Officer II

NMG/RJ/BF/WL/RK:rm

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

Aksia LLC

Francisco Partners VII, L.P.
Investment Notification



www.aksia.com

Francisco Partners VII, L.P.

General Partner	Francisco Partners Management, L.P. (“Francisco Partners” or the “Firm”)
Fund	Francisco Partners VII, L.P. (“Fund VII” or the “Fund”)
Firm Founded	1999
Strategy	North American Buyouts
Sub-Strategy	North American Buyouts
Geography	North America and Europe
Team	~100 professionals and ~30 Francisco Partners Consulting professionals
Senior Partners	Dipanjan (“DJ”) Deb, Ezra Perlman, Deep Shah, David Golob, Chris Adams, Jason Brein, Peter Christodoulou, Brian Decker, Andrew Kowal, Petri Oksanen, and Matt Spetzler
Office Locations	San Francisco, New York, and London
Industries	Technology
Target Fund Size	\$10.0 billion
LACERS Investment	\$50.0 million

Investment Highlights

- CEO DJ Deb, co-presidents Ezra Perlman and Deep Shah, and CIO David Golob, along with seven additional investment partners, bring considerable private equity experience and Firm tenure.
- Francisco Partners has invested in the technology and software sectors for over 20 years and completed more than 275 total technology-related acquisitions, including add-ons.
- The Firm’s captive consulting group is a valuable resource to both the investment team and portfolio companies.
- Francisco Partner’s recent Flagship Funds have generated strong performance.

Francisco Partners VII, L.P.

Firm and Background

- Francisco Partners is a leading private equity sponsor focused on investing in the technology sector.
- Since its founding in 1999, the Firm has established an additional private equity investment platform (the “Agility Funds”) as well as a credit platform.
- Francisco Partners has ~100 employees across its three offices and is augmented by Francisco Partners Consulting (“FPC”), its captive consulting group with ~30 professionals that assist with value creation efforts.

Investment Strategy

- Fund VII will seek to make control-oriented investments in middle market and large cap technology and technology-enabled businesses.
- The Firm expects to build a portfolio consisting of 20 to 25 companies and will generally focus on investments for which the initial equity commitment is greater than \$200.0 million.
- The Fund will focus on investing in specific subsectors within the technology industry, including: software/services, security/systems, internet, healthcare IT, financial technology/payments, and communications.
- The Fund has a flexible investment mandate that allows it to invest in both growth and value-oriented opportunities.
- Transactions typically take the form of traditional buyouts, growth equity investments, divisional carve outs, structured investments, and take privates.

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ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - L

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$17.5 MILLION IN FRANCISCO PARTNERS AGILITY III, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$17.5 million in Francisco Partners Agility III, L.P.

Executive Summary

Francisco Partners Agility III, L.P. will invest in lower middle market technology and technology-enabled businesses in North America and Western Europe.

Discussion

Consultant Recommendation

Aksia CA LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$17.5 million in Francisco Partners Agility III, L.P (the Fund), a buyout strategy managed by Francisco Partners Management, L.P. (the GP or Francisco). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2022 Strategic Plan adopted by the Board on December 14, 2021.

Background

Francisco Partners was founded in 1999 to pursue investments in the technology sector. Today the firm is led by Dipanjan Deb and 10 other partners. The GP employs more than 100 professionals and is headquartered in San Francisco, with additional offices in New York City and London.

Francisco is a new general partner relationship for LACERS.

Investment Thesis

The Fund will make investments in technology and technology-enabled businesses located in North America, Western Europe, and Israel requiring less than \$200 million in equity. Francisco also offers another strategy (Francisco Partners VII, L.P.) that focuses on similar investments requiring greater than \$200 million in equity. Targeted subsectors include software/services, security/systems, internet,

healthcare information technology, financial technology/payments, and communications. The Fund will have a flexible mandate that allows it to invest in both growth and value-oriented opportunities. The GP adds value to portfolio companies through an active management approach, seeking to improve operational efficiency, augment management teams, and achieve strategic objectives. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Francisco Partners Agility III, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2022 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Robert King, Investment Officer II

NMG/RJ/BF/WL/RK:rm

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

Aksia LLC

Francisco Partners Agility III, L.P.
Investment Notification



www.aksia.com

Francisco Partners Agility III, L.P.

General Partner	Francisco Partners Management, L.P. (“Francisco Partners” or the “Firm”)
Fund	Francisco Partners Agility III, L.P. (“Agility III” or the “Fund”)
Firm Founded	1999
Strategy	North American Buyouts
Sub-Strategy	North American Buyouts
Geography	North America and Europe
Team	~100 professionals and ~30 Francisco Partners Consulting professionals
Senior Partners	Dipanjan (“DJ”) Deb, Ezra Perlman, Deep Shah, David Golob, Chris Adams, Jason Brein, Peter Christodoulou, Brian Decker, Andrew Kowal, Petri Oksanen, and Matt Spetzler
Office Locations	San Francisco, New York, and London
Industries	Technology
Target Fund Size	\$2.25 billion
LACERS Investment	\$17.5 million

Investment Highlights

- CEO DJ Deb, co-presidents Ezra Perlman and Deep Shah, and CIO David Golob, along with seven additional investment partners, bring considerable private equity experience and Firm tenure.
- Francisco Partners has invested in the technology and software sectors for over 20 years and completed more than 275 total technology-related acquisitions, including add-ons.
- The Firm’s captive consulting group is a valuable resource to both the investment team and portfolio companies.
- Francisco Partner’s recent Flagship Funds and Agility Funds have generated strong performance.

Francisco Partners Agility III, L.P.

Firm and Background

- Francisco Partners is a leading private equity sponsor focused on investing in the technology sector.
- Since its founding in 1999, the Firm has established multiple investment platforms, including the Flagship Funds, the Agility Funds, and a credit platform.
- Francisco Partners has ~100 employees across its three offices and is augmented by Francisco Partners Consulting (“FPC”), its captive consulting group with ~30 professionals that assist with value creation efforts.

Investment Strategy

- Agility III will seek to make control-oriented investments in lower middle market technology and technology-enabled businesses.
- The Firm expects to build a portfolio consisting of 12 to 18 companies and will generally focus on investments for which the initial equity commitment is less than \$200.0 million.
- The Firm will focus on investing in specific subsectors within the technology industry, including: software/services, security/systems, internet, healthcare IT, financial technology/payments, and communications.
- The Fund has a flexible investment mandate that allows it to invest in both growth and value-oriented opportunities.
- Transactions typically take the form of traditional buyouts, growth equity investments, divisional carve outs, structured investments, and take privates.

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ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
 LA CITY EMPLOYEES'
 RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: MAY 24, 2022

ITEM: VIII - M

SUBJECT: AUTHORIZATION FOR GENERAL MANAGER, CHIEF INVESTMENT OFFICER, OR THEIR DESIGNEE(S) TO ACT ON BEHALF OF LACERS AT INSTITUTIONAL LIMITED PARTNERSHIPS ASSOCIATION (ILPA) ELECTIONS, INCLUDING BOARD OF DIRECTOR ELECTIONS, BYLAW AMENDMENTS, AND OTHER ADMINISTRATIVE MATTERS, AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Authorize the General Manager, Chief Investment Officer, or their designee(s) to vote either in person or by proxy ballot at future Institutional Limited Partners Association (ILPA) elections when time constraints as outlined in this report prevent staff from bringing election recommendations to the Board for their consideration and vote preferences; and
2. Direct staff to report back to the Board how LACERS staff casted its vote at such elections.

Executive Summary

LACERS has been an active member of the ILPA for approximately 20 years. ILPA is a trade organization that represents the interests of its limited partner membership within the private equity industry. As a membership organization, ILPA periodically holds elections to determine its Board of Directors and other administrative actions such as amending ILPA bylaws. A slate of Board of Directors is determined by the ILPA Governance Committee. LACERS staff typically brings such election items to the Board for their consideration and decision. In some instances, the announcement of such elections does not provide staff sufficient time to evaluate and analyze a slate of board directors or other ballot proposals and subsequently schedule it at the next Board meeting for consideration and action. In order to permit LACERS to participate in such elections under the aforementioned timing conditions, staff requests delegated authority to determine how LACERS should vote on such matters, and then act on casting its vote preferences either in person at an ILPA meeting or via proxy voting ballot. When staff invokes this delegated authority to vote at ILPA elections, staff will report back to the Board at its next meeting how staff casted its vote(s).

Discussion

Staff received an announcement on May 18, 2022, that the ILPA Governance Committee had released its slate of proposed Board of Directors from the ILPA. The slate of proposed Board of Directors for the period covering 2022-2023 include:

Chair, Alison Nankivell, Business Development Bank of Canada
Vice Chair, Teia Merring, USS Investment Management*
Treasurer, Michael Aswad, Robert Wood Johnson Foundation
Secretary, Joe Topley, Ontario Teachers' Pension Plan

Sarah Farrell, Allstate Investments, LLC**
Alicia Gregory, Future Fund
John Hershey, Oregon State Treasury
Rune Jepsen, Queensland Investment Corporation
George Long, VESTCOR*
Adrian Ohmer, The Kresge Foundation**
Scott Ramsower, Teacher Retirement System of Texas
Greg Ruiz, California Public Employees' Retirement System
Margot Wirth, California State Teachers' Retirement System*
Swee Hong Yap, Fremont Capital**

* Re-Standing Director

** New Director

The current LACERS voting process includes bringing such ballot items to the Board for their consideration and vote preferences. However, the timing of the announcement of this board director slate and deadline to cast its vote does not allow staff to conduct a proper desk review and provide a recommendation to the Board in time to meet the imposed vote deadline of June 8, 2022. In order to allow LACERS to evaluate the slate of proposed board directors and to participate in this election, staff requests approval of the requested delegation of authority that will authorize staff to cast its vote by the prescribed deadline and announce how LACERS casted its vote in this election during the CIO's verbal report at the Board meeting of June 14, 2022. Staff requests standing delegated authority when future ILPA elections occur under the aforementioned time constraints.

Strategic Plan Impact Statement

Participating in ILPA elections and its governance processes helps to improve limited partner interests in the private equity industry and upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Rod June, Chief Investment Officer, Investment Division

NMG/RJ/BF/WL/JP:rm