



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING
TUESDAY, JANUARY 9, 2024

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

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

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

Disclaimer to Participants

Please be advised that all LACERS Board meetings are recorded.

LACERS Website Address/link:

www.LACERS.org

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

President: Annie Chao
Vice President: Sung Won Sohn

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

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office
Public Pensions General
Counsel Division

Notice to Paid Representatives

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

Request for Services

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[CLICK HERE TO ACCESS BOARD REPORTS](#)

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

- II. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- III. RECEIVE AND FILE ITEMS
 - A. [BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER](#)
 - B. [ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD](#)
- IV. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON DECEMBER 12, 2023
- V. CONSENT ITEM(S)
 - A. APPROVAL OF MINUTES FOR THE REGULAR MEETINGS OF [NOVEMBER 28, 2023](#) AND [DECEMBER 12, 2023](#) AND POSSIBLE BOARD ACTION
 - B. [APPROVAL OF DISABILITY RETIREMENT APPLICATION OF PETER CARDENAS AND POSSIBLE BOARD ACTION](#)
 - C. [APPROVAL OF DISABILITY RETIREMENT APPLICATION OF THOMAS HAMMERSLEY AND POSSIBLE BOARD ACTION](#)
- VI. BOARD/DEPARTMENT ADMINISTRATION
 - A. [ADOPTION OF 2024 EMPLOYEE MEMBER OF THE BOARD ELECTION CALENDAR AND POSSIBLE BOARD ACTION](#)
 - B. [FEE ADJUSTMENT AND CONTRACT EXTENSION WITH MOSS ADAMS, LLP \(MOSS ADAMS\) FOR ONE YEAR THROUGH JUNE 30, 2025 AND POSSIBLE BOARD ACTION](#)
- VII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS
 - B. [APPROVAL OF 3-YEAR CONTRACT WITH CENTERSQUARE INVESTMENT MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. REITS PORTFOLIO AND POSSIBLE BOARD ACTION](#)
 - C. [PROPOSED INVESTMENT POLICY REGARDING PRIVATE CREDIT INVESTMENTS AND POSSIBLE BOARD ACTION](#)

- D. [PROPOSED INVESTMENT POLICY REGARDING ENFORCEMENT ACTION AND LITIGATION REPORTING AND POSSIBLE BOARD ACTION](#)
- E. [NOTIFICATION OF COMMITMENT OF UP TO \\$50 MILLION IN WATERTON RESIDENTIAL PROPERTY VENTURE XV, L.P.](#)
- F. [NOTIFICATION OF COMMITMENT OF UP TO \\$25 MILLION IN KAYNE ANDERSON CORE REAL ESTATE, L.P.](#)

VIII. OTHER BUSINESS

IX. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, January 23, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

X. ADJOURNMENT

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-A

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

SERVICE RETIREMENTS

<u>Member Name</u>	<u>Service</u>	<u>Department</u>	<u>Classification</u>
Hart, William Jon	35	PW - St. Maint.	St Svcs Supvr
McCorry, Brandi	34	Dept. of Transportation	Traf Officer
Chang, Susan B	34	PW - Sanitation	W/Wtr Trmt Lab Mgr
Rossi, Daisy M	33	Library Dept.	Pr Accountant
Pringle, Weston S	33	Dept. of Transportation	Transp Engineer
Nguyen, Lan Pham	30	Dept. of Transportation	Transp Engineer
Gaston, Deborah Richele	28	Police Dept. - Civilian	Police Service Rep
Grimaldo, Jose L	27	Harbor Dept.	Gardener Caretaker
Kane, Daniel A	26	Dept. of Airports	Locksmith
Hall, Timothy R	26	PW - Sanitation	Welder
Rodriguez, Feliciano	25	Dept. of Airports	Custodian Airport
Anderson, Kevin C	24	City Attorney's Office	Deputy City Atty
Puhawan, Ramiro Almario	23	GSD - Materials Mgmt.	Buyer
Hernandez Barba, Anita Amalia	23	City Attorney's Office	Witness Service Coordinator
Lauri, Kimberly M	22	Dept. of Airports	Sr Systems Analyst
Carpenter, Ulric D	19	Dept. of Bldg. & Safety	Sr Build Mech Inspectr
Pulley, Gerald Ray	18	Police Dept. - Civilian	Sr Admin Clerk
Perka, David Jonathan	17	GSD - Public Bldgs.	Constr & Maint Supv
Odom, Duane M	15	Dept. of Transportation	Parking Mtr Technician
Stafford, Cynthia Ann	15	PW - Admin Div.	Sr Mgmt Analyst
Placencia, Maria Guadalupe	11	Dept. of Rec. & Parks	Child Care Associate
Tavera, George A	11	Dept. of Bldg. & Safety	Sr Electrical Inspector
Trujillo, Antonio A	9	Dept. of Rec. & Parks	Special Prog Asst
Arora, Naresh C	9	Dept. of Transportation	Transp Engrg Assc
Erlich, Gregory Neil	9	Council - As Needed	Council Aide
Garcia, Juan F	9	Dept. of Rec. & Parks	Special Prog Asst
Flint, Deborah A	4	Dept. of Airports	Gen Mgr Airports
Culp, Brencce Kirsten	2	Council - As Needed	Legislative Analyst

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-A

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased

TIER 1

Acosta, Virginia Navarro

Beneficiary/Payee

Erlinda N Acosta for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Estrella A Lucero for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Adams, Mary F

Prennella Johnson for the payment of the
Accrued But Unpaid Continuance Allowance

Aguilar, Rafael H

Irma E Ortiz for the payment of the
Burial Allowance

Alaniz, Filiberto S

Natalie N Alaniz for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance
Unused Contributions

Alvarez, Ronald S

Nennet V Alvarez for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Amamoto, Joseph J	Elyse Aochi for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Arroyo, Grace	Ingrid B. Harper for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Michael A Arroyo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Blakley, Benjamin Payne	Joyce Smith for the payment of the Accrued But Unpaid Continuance Allowance
Bolhayon, Victor D	Jacques T Bolhayon for the payment of the Accrued But Unpaid Continuance Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance
Buesch, Audrey Patricia	Steven Carl Buesch for the payment of the Accrued But Unpaid Continuance Allowance
Calipes, Cesar B	Preciosa Calipes Fuentes for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Cazzassa, Virginia Lee	Loretta Ruth Petronsky for the payment of the Unused Contributions

Claytor, Joan Lorraine	Jeffrey Jay Claytor for the payment of the Accrued But Unpaid Disability Continuance Allowance
Cloyd, Robert L	Mattie J Cloyd for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Cordero, Teresita Ong	Franklin O Cordero for the payment of the Accrued But Unpaid Larger Annuity Allowance Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Culpepper, Conservatee, Ruth M	Christopher Baker for the payment of the Accrued But Unpaid Service Retirement Allowance
Dillinger, Eleanor	Judith Ann Keeler for the payment of the Accrued But Unpaid Continuance Allowance
Duvall, Dana D	John Leslie Snelling for the payment of the Accrued But Unpaid Service Retirement Allowance
El Fadly, A A	Amro Abdel Hamid El Fadly for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
England, Kathleen	Glenn H England for the payment of the Accrued But Unpaid Continuance Allowance

Franz, Thelma B Patrick John Franz for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Gottlieb, Norman A Faye M Gottlieb for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Govea, Joseph Shirley S. Govea for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Greenwood, Patricia Inez Sean A Sanford for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Halajian, Vrejouhi S. Shoghig Halajian for the payment of the
Accrued But Unpaid Continuance Allowance

Harris, Paul L Mary J Davidson for the payment of the
Burial Allowance

Hernandez, Leticia Antonio H Gurrola for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Hernandez, Lydia E Melissa Lopez for the payment of the
Accrued But Unpaid Continuance Allowance

Hinrichs, Patricia S	Oscar Aquino for the payment of the Accrued But Unpaid Continuance Allowance
Hsu, James S	Suann Chen for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hurd, Bertha Ann	Parisha Kinsey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Imlay, Thezin	Maneeya J Imlay for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Jones, Rose Marie	Lisa Ann Macleod for the payment of the Accrued But Unpaid Continuance Allowance
Kaya, Winston T	Chris Y Kaya for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Keehmer, William E	Marie Ann Corey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Kell, Lonnie E	Ryan C Kell for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Kroner, William L	Linda Arlene Kroner for the payment of the Accrued But Unpaid Service Retirement Allowance
Ladieu, Roberta M	Roberta De Joya for the payment of the Accrued But Unpaid Continuance Allowance
Lozano, Octavio J	Robert O. Lozano for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Marrero, Victor Alvaro	Catherine A Marrero for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mclaurin, Doris E	Tanisha Davis for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Metzler, David T.	Jeanne Paulus for the payment of the Accrued But Unpaid Continuance Allowance
Packard, Robert F	Bette J. Packard for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Pattison, Ethel L Le Valley Pattison for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance
Unused Contributions

Perez, Mary L George Perez Jr for the payment of the
Accrued But Unpaid Continuance Allowance

Georgina Perez-Unger for the payment of the
Accrued But Unpaid Continuance Allowance

Perry, Chester A Sara P Perry for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Pino, Donald J Vincent Pino for the payment of the
Accrued But Unpaid Vested Retirement Allowance
Burial Allowance

Plunkett, John F Brian J Plunkett for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Kurt Gregory Plunkett for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Ponce, Filena D Martin Lira Hernandez for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Radzvilla, Ruth M	Douglas M Scherrer for the payment of the Accrued But Unpaid Continuance Allowance
Rainey, Reames W	Virginia I Rainey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Reaux, Forest	Joyce M Reaux for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Reed, James W	Maria A Reed for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Rossitter, Hugo Stephen	Vivienne B Rossitter for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Sandoval, Ruben A	Alicia Monsevais for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Shipp, Jean V	Jo Danielle Kelly for the payment of the Accrued But Unpaid Continuance Allowance
Singh, Thomasena	Bradleigh H Horton for the payment of the Accrued But Unpaid Service Retirement Allowance

Sumiye, Jean Y	Carie A Sumiye for the payment of the DRO Lump Sum
Summers, Walter J	Andrea Summers for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Tamashiro, Dorothy H	Lawrence Sadao Tamashiro for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Tanouye, Kazi Kazuko	Debra Slike for the payment of the Accrued But Unpaid Continuance Allowance
True, Cheryl D	Saladin True for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Turner, Arthur	Adonis Turner for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Raedon Turner for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Rafela Turner for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Van, Duong Saec	Cindy Lyn Van So for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance

Veneracion, Perla S	Raymund S Veneracion for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wade, Benny M	Joyce L Barnes for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wayne, Rosa M	Rosa M. Wayne Living Trust Dtd 5/16/1998 for the payment of the Accrued But Unpaid Continuance Allowance
Wilson, Clarence	Alisha Wilson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Felisha Wilson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wilson, Nancy J	Cynthia Peterson for the payment of the Accrued But Unpaid Continuance Allowance Jeffrey C Wilson for the payment of the Accrued But Unpaid Continuance Allowance
Woods, Charles Henry	Charles & Audrey Woods Family Trust Dated 3/31/05 for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Yasui, Beatrice

Estate Of Beatrice Yasui for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Yoder, Laurel J

Larry L Yoder for the payment of the
Accrued But Unpaid Continuance Allowance

TIER 3
NONE

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM III-A

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased

TIER 1

Active

Beneficiary/Payee

Buchanan, Kelbon D
(Deceased Active)

Janice Bloomer-Buchanan For Royal Tryon for the payment of the
Accumulated Contributions

Chagolla, Toni J
(Deceased Active)

Tiana Marie Newberry for the payment of the
Accumulated Contributions

Chau, Cuong C
(Deceased Active)

Van Ngo for the payment of the
Accumulated Contributions

Coronado, Alfonso
(Deceased Active)

Lorena Yamilleth Coronado for the payment of the
Vested Retirement Survivorship Allowance

Davis, Faye E
(Deceased Active)

Andrew Carter for the payment of the
Accumulated Contributions

Myra Rocio for the payment of the
Accumulated Contributions

Ranieca Sengmany for the payment of the
Accumulated Contributions

King, Joseph Wayne
(Deceased Active)

Maria G King for the payment of the
Service Retirement Survivorship Allowance

Mc Kinzy, Maurice R
(Deceased Active)

Takara Alena Mc Kinzy for the payment of the
Accumulated Contributions
Limited Pension

Owens, Michael Thomas
(Deceased Active)

Estate Of Michael T Owens for the payment of the
Accumulated Contributions

Tatum, Rowland
(Deceased Active)

Raina Tatum for the payment of the
Accumulated Contributions

TIER 3

Bailey, Robert
(Deceased Active)

Patricia De Guzman for the payment of the
Accumulated Contributions

Moreno, Nicholas Armando
(Deceased Active)

Erika Moreno for the payment of the
Accumulated Contributions
Limited Pension

Disclaimer: The names of members who are deceased may appear more than once due to multiple beneficiaries being paid at different times.

**LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD**

RESTRICTED SOURCES

The Board's Ethical Contract Compliance Policy was adopted in order to prevent and avoid the appearance of undue influence on the Board or any of its Members in the award of investment-related and other service contracts. Pursuant to this Policy, this notification procedure has been developed to ensure that Board Members and staff are regularly apprised of firms for which there shall be no direct marketing discussions about the contract or the process to award it; or for contracts in consideration of renewal, no discussions regarding the renewal of the existing contract.

Name	Description	Inception	Expiration	Division
Box, Inc.	Electronic Document Management System Migration Study	N/A	N/A	Administration
Levi, Ray & Shoup, Inc.	PensionGold Version 3 - Maintenance and Support Agreement	May 24, 2017	February 28, 2024	Administration
Languages4You Translation Agency	Interpretation & Translation Services	N/A	N/A	Communication & Stakeholder Relations
Anthem	Medical HMO & PPO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Kaiser	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
SCAN	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
United Healthcare	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Delta Dental	Dental PPO and HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Anthem Blue View Vision	Vision Services Contract	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback

**LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD**

Name	Description	Inception	Expiration	Division
BlackRock Institutional Trust Company, N.A.	Multi Passive Index Portfolio Management	November 1, 2022	October 31, 2027	Investments
CenterSquare Investment Management, Inc.	Active U.S. REITs	April 1, 2018	March 31, 2024	Investments

**LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD**

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Medical Plans	Alignment Health Plan, Anthem Blue Cross, Blue Shield of California, Humana, Kaiser Foundation Health Plan, Inc., SCAN Health Plan, UnitedHealthcare Insurance Company	March 10, 2023	April 21, 2023	Health, Wellness, & Buyback
Master Trust / Custodial Services and Securities Lending	The Northern Trust Company, State Street Bank and Trust Company	September 11, 2023	November 28, 2023	Investments

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

November 28, 2023

10:35 a.m.

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

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – President Chao asked if any persons wanted to make a general public comment to which there were four public comment cards received. The following members of the public made comments with respect to LACERS investment in Advent International and in support of restaurant/hotel workers: Jordan Fein, Maritza Villeda, Jesus Gonzalez, and Damaris Rivera.

II

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:
- Increase in hate crimes and discrimination
 - 10 Freeway Fire and Transit Impacts
 - Discretionary COLA Update
 - IRMAA Status
 - New Safety Measures at LACERS Headquarters

- City MOU regarding Employee Parking and Commute Options
- Core Strengths Training
- Health Benefits Administration updates
- Communications and Stakeholders Relations updates
- Upcoming Events

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

- Board Meeting on December 12, 2023 – Education and travel expenditure report

III

RECEIVE AND FILE ITEMS

A. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR OCTOBER 2023 – This report was received by the Board and filed.

IV

Commissioner Sidley moved approval of Consent Agenda Item IV-A, seconded by Commissioner Lee, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, Vice President Sohn, and President Chao -7. Nays, None.

CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF OCTOBER 24, 2023 AND POSSIBLE BOARD ACTION

V

COMMITTEE REPORT (S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON NOVEMBER 14, 2023 – Commissioner Lee stated the Committee approved the Private Equity Program 2024 Strategic Plan and the contract with Axiom Investors, LLC. The Committee also received the Brokerage Activity Report for the period July 1, 2022 to June 30, 2023 and the Committee continued the proposed investment policy regarding private credit investments and the investment program governance and review processes.

B. GOVERNANCE COMMITTEE VERBAL REPORT FOR THE MEETING ON NOVEMBER 28, 2023 – Commissioner Sidley stated the Committee discussed the Board Education and Travel Policy and the Committee’s direction will be brought to the full Board for consideration.

VI

President Chao recessed the Regular meeting at 11:06 a.m. to convene in closed session.

CLOSED SESSION

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO KAYNE ANDERSON CORE REAL ESTATE, L.P. AND POSSIBLE BOARD ACTION

President Chao reconvened the Regular meeting at 11:14 a.m.

VII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Wilkin Ly, Investment Officer III, reported on the portfolio value of \$22.01 billion as of November 24, 2023. Wilkin Ly discussed the following items:

- VIX at 12.69
- Total exposure to Israel around \$137 million
- Russian exposure is still muted at \$991 thousand
- China Technology exposure is at \$24.3 million
- Jeff Goldberger and Trevor Jackson from Aksia presenting the Q2 2023 private equity portfolio performance report
- Aksia will present the 2024 private equity program strategic plan that was presented at the Investment Committee on November 14th
- One-year contract extension for Axiom Investors LLC
- Future Agenda Items: Q3 2023 total portfolio performance report by NEPC, Q2 2023 real estate portfolio performance report by Townsend, and the annual AB2833 report on fees from our alternative investment vehicles

B. PRESENTATION BY AKSIA LLC OF THE PRIVATE EQUITY PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING JUNE 30, 2023 – Trevor Jackson, Managing Director, and Jeff Goldberger, Managing Director, with Aksia LLC, presented and discussed this item with the Board for 30 minutes.

Commissioner Lee left the Board meeting at 12:00 p.m.

C. PRESENTATION BY AKSIA LLC OF THE PRIVATE EQUITY PROGRAM 2024 STRATEGIC PLAN AND POSSIBLE BOARD ACTION – Trevor Jackson, Managing Director, and Jeff Goldberger, Managing Director, Aksia LLC, presented and discussed this item with the Board for 15 minutes. Commissioner Roten moved approval, seconded by Vice President Sohn, and adopted by the following vote: Ayes, Commissioners Huynh, Roten, Sidley, Wilkison, Vice President Sohn, and President Chao -6; Nays, none.

D. APPROVAL OF 1-YEAR CONTRACT EXTENSION WITH AXIOM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EMERGING MARKETS GROWTH EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION – Ellen Chen, Investment Officer III, presented and discussed this item with the Board for five minutes. Commissioner Wilkinson moved approval of the following Resolution:

**CONTRACT EXTENSION
AXIOM INVESTORS, LLC
ACTIVE NON-U.S. EMERGING MARKETS GROWTH EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 231128-B

WHEREAS, LACERS' current one-year contract extension with Axiom Investors, LLC (Axiom) for active non-U.S. emerging markets growth equities portfolio management expires on December 31, 2023; and,

WHEREAS, a one-year contract extension will provide the necessary time to evaluate Axiom's performance with its stated growth strategy relative to its benchmark; and,

WHEREAS, on November 28, 2023, the Board approved the Investment Committee's recommendation to approve a one-year contract extension.

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

<u>Company Name:</u>	Axiom Investors, LLC
<u>Service Provided:</u>	Active Non-U.S. Emerging Markets Growth Equities Portfolio Management
<u>Effective Dates:</u>	January 1, 2024 through December 31, 2024
<u>Duration:</u>	One year
<u>Benchmark:</u>	MSCI Emerging Markets Index
<u>Allocation as of September 30, 2023:</u>	\$268 million

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

- E. NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN ALTARIS HEALTH PARTNERS VI, L.P. – This report was received by the Board and filed.

VIII

OTHER BUSINESS – There was no other business.

IX

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, December 12, 2023, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

X

ADJOURNMENT – There being no further business before the Board, President Chao adjourned the Meeting at 12:08 p.m.

Annie Chao
President

Neil M. Guglielmo
Manager-Secretary

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

December 12, 2023

10:12 a.m.

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

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – President Chao asked if any persons wanted to make a general public comment to which there was no public comment cards received.

II

GENERAL MANAGER VERBAL REPORT

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

- City Financial Status Report
- Vacancies in LACERS and across the City
- Discretionary COLA Update
- Safety Measures at LACERS Headquarters
- 977 HVAC System
- LACERS LEAPS Leadership Program
- Retirement Services Division

- Health Benefits Administration updates
- Communications and Stakeholders Relations updates
- Upcoming Events

B. UPCOMING AGENDA ITEMS – There were no items discussed.

III

RECEIVE AND FILE ITEMS

- A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER. – This report was received by the Board and filed.
- B. ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD – This report was received by the Board and filed.
- C. EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2023 – This report was received by the Board and filed.

IV

COMMITTEE REPORT(S)

- A. AUDIT COMMITTEE VERBAL REPORT FOR THE MEETING ON DECEMBER 12, 2023 – Commissioner Huynh stated the Committee was presented and approved the LACERS' Audited Financial Statements for Fiscal Year Ended June 30, 2023 by external auditor Moss Adams LLP. She stated that this item will be presented to the full board on this agenda.

V

Commissioner Lee moved approval of Consent Agenda Items V-A and V-B, seconded by Commissioner Sidley, and adopted by the following vote: Ayes, Commissioners Huynh, Lee, Roten, Sidley, Wilkinson, Vice President Sohn, and President Chao -7; Nays, None.

CONSENT ITEM(S)

- A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF NOVEMBER 14, 2023 AND POSSIBLE BOARD ACTION
- B. PRESENTATION OF LACERS' AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2023 BY EXTERNAL AUDITOR MOSS ADAMS LLP AND POSSIBLE BOARD ACTION

VI

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 \$22.208 billion as of December 11, 2023. Rod June discussed the following items:

- VIX at 12.41
 - Policy – Investment Committee is reviewing two policies:
 - a. Private Credit Policy
 - b. Enforcement Action and Litigation Policy
 - Bank Custodian Search – Received two proposals: Northern Trust and State Street
 - Garcia Hamilton – Fixed Income Manager – removed from watch status based on NEPC recommendation and staff concurrence
 - Russian exposure – \$687,968, 0.3 bps
 - China exposure - \$240 million, 1.0 bps; China Tech - \$24 million, 10 bps
 - Israel exposure - \$138 million, 63 bps
 - Future Agenda Items: Private Credit Policy, Enforcement Action and Litigation Reporting Policy, Manager Contract (Centersquare, REITS mandate), Private Market Notifications (two), and Active vs Passive Education
- B. PRESENTATION BY NEPC, LLC OF THE PORTFOLIO PERFORMANCE REVIEW FOR THE QUARTER ENDING SEPTEMBER 30, 2023 – Carolyn Smith, Partner, and Kevin Novak, Principal, with NEPC LLC, presented and discussed this item with the Board for 45 minutes.
- C. PRESENTATION BY TOWNSEND HOLDINGS LLC OF THE PRIVATE REAL ESTATE PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING JUNE 30, 2023 – Felix Fels, Associate Partner, and Haya Daawi, Associate, with Townsend Holdings LLC, presented and discussed this item with the Board for 25 minutes.
- D. DISCLOSURE REPORT OF FEES, EXPENSES, AND CARRIED INTEREST OF ALTERNATIVE INVESTMENT VEHICLES FOR THE FISCAL YEAR ENDING JUNE 30, 2023 PURSUANT TO GOVERNMENT CODE SECTION 7514.7 – This report was received by the Board and filed.

President Chao recessed the Regular Meeting at 11:40 a.m. to convene in Closed Session discussion.

VII

LEGAL/LITIGATION

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A) AND (D) (1) TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGRADING PENDING LITIGATION (ONE CASE): NATIONAL ASSOCIATION OF PRIVATE FUND MANAGERS, ET AL. V. SECURITIES AND EXCHANGE COMMISSION (U.S. Ct. App. 5TH Cir. Case No. 23-60471) AND POSSIBLE BOARD ACTION**
- B. **CLOSED SESSION TO CONFER WITH AND RECEIVE ADVICE FROM LEGAL COUNSEL PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a),(d)(2), AND (e)(1) AND POSSIBLE BOARD ACTION**

President Chao reconvened the Regular Meeting at 12:10 p.m.

VIII

OTHER BUSINESS – There was no other business.

IX

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, January 9, 2024, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

X

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

Annie Chao
President

Neil M. Guglielmo
Manager-Secretary



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

MEETING: JANUARY 9, 2024
ITEM: V - B

SUBJECT: **APPROVAL OF DISABILITY RETIREMENT APPLICATION FOR PETER CARDENAS AND POSSIBLE BOARD ACTION**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the disability retirement benefit for Peter Cardenas based on his claimed disabling conditions.

Background

Peter Cardenas (Applicant) is a Wastewater Collection Worker II with the Department of Public Works, Bureau of Sanitation, with 12.23365 years of City Service. The Applicant applied for disability retirement on June 3, 2022, 47 months outside of the normal filing period. The application was accepted due to the Applicant's open Workers' Compensation claim with the City of Los Angeles.

The Applicant's last day on active payroll was August 9, 2018. If approved, the Applicant's retirement effective date will be August 10, 2018.

Accommodation

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

Fiscal Impact

Upon approval, the Applicant would receive a disability allowance of approximately \$2,110.00 per month, and a retroactive payment covering an approximate 65-month period for an estimated amount of \$137,150.00.

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

FS:LYS:cr
Attachments: Proposed Resolution

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR PETER CARDENAS

PROPOSED RESOLUTION

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

WHEREAS, Physicians 1, 2, and 3 examined and concluded Peter Cardenas is unable to perform his usual and customary duties as a Wastewater Collection Worker II with the City of Los Angeles;

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

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

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



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

MEETING: JANUARY 9, 2024
ITEM: V - C

SUBJECT: APPROVAL OF DISABILITY RETIREMENT APPLICATION FOR THOMAS HAMMERSLEY AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the disability retirement benefit for Thomas Hammersley based on his claimed disabling conditions.

Background

Thomas Hammersley (Applicant) is a Mechanical Repairer with the Department of Recreation and Parks, with 18.71480 years of City Service. The Applicant applied for disability retirement on September 27, 2022, 10 months outside the normal filing period. The application was accepted due to the Applicant's settled Workers' Compensation claim with the City of Los Angeles.

The Applicant's last day on active payroll was December 10, 2020. If approved, the Applicant's retirement effective date will be December 11, 2020.

Accommodation

Because Physicians 1 opined no accommodations would allow the Applicant to return to work, no inquiries were made with the employing department.

Fiscal Impact

Upon approval, the Applicant would receive a disability allowance of approximately \$2,534.00 per month, and a retroactive payment covering an approximate 37-month period for an estimated amount of \$93,750.00.

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

FS:LYS:cr
Attachments: Proposed Resolution

APPROVAL OF DISABILITY RETIREMENT BENEFIT FOR THOMAS HAMMERSLEY

PROPOSED RESOLUTION

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

WHEREAS, Physicians 1, 2, and 3 examined and concluded Thomas Hammersley is unable to perform his usual and customary duties as a Mechanical Repairer with the City of Los Angeles;

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

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

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



LACERS
 LA CITY EMPLOYEES'
 RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: JANUARY 9, 2024

ITEM: VI-A

SUBJECT: ADOPTION OF 2024 EMPLOYEE MEMBER OF THE BOARD ELECTION CALENDAR AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the proposed calendar for the 2024 Election of the Employee Member of the Board for the term ending June 30, 2029, and direct the General Manager to proceed accordingly.

Discussion

The attached calendar has been prepared in collaboration with the staff of the City Clerk – Election Division, and in accordance with Ordinance 178442, which sets forth the procedure for the City Clerk to administer and conduct elections for Employee Members of the LACERS Board of Administration.

Upon adoption of the Election Calendar, the Commission Executive Assistant will initiate preparation of all required materials such as formal notification to the City Clerk’s Office and the General Manager of the Personnel Department, nominating petitions, and forms for submitting candidate qualification statements.

Strategic Plan Impact Statement

Adoption of the 2024 Employee Member of the Board Election Calendar meets the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Ani Ghoukassian, Commission Executive Assistant II

Attachment: Proposed 2024 Employee Member of the Board Election Calendar

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)

2024 ELECTION CALENDAR
Office of Employee-Member of the Board of Administration

Term Ending June 30, 2029

January 16 (Tue.)	LACERS shall formally notify the Office of the City Clerk – Election Division (Election Division), and the General Manager of the Personnel Department of the election, and forward notices of the upcoming election and nominating procedure to all Departments.
January 19 (Fri.)	<p>Nominating Petitions will be available in-person only at the LACERS Office, 977 N. Broadway, Los Angeles, CA 90012, during regular office hours of 7:00 a.m. to 4:00 p.m., Monday to Friday. Candidates may email Lacers.Board@lacers.org to pick-up and file Nominating Petitions. Appointments are not required, but are recommended.</p> <p>A candidate must be nominated by petition with a minimum of 100 but no more than 200 valid signatures from active LACERS members in order to qualify for the election ballot.</p>
February 2 (Fri.)	<p>The deadline to file Nominating Petitions will be at 5:00 p.m., at the LACERS Office, 977 N. Broadway, Los Angeles, CA 90012. Candidates who will be dropping off a packet between 4:00 p.m. and 5:00 p.m. must email Lacers.Board@lacers.org, by 9:00 a.m., at least one day prior, in order to coordinate staffing for after hours.</p> <p>Interested candidates have the option to submit a typewritten statement of qualifications (not to exceed 250 words) to be enclosed with the official ballot and voting instructions, and an occupational ballot designation to appear on the ballot under the candidate's name. Any candidate who does not submit a statement of qualifications or an occupational ballot designation by the Nominating Petition filing deadline shall be considered to have declined to file, and the sections for the statement of qualifications or occupational ballot designation shall be left blank.</p>
February 6 (Tue.)	A public drawing of letters to determine the random alphabetical order of appearance of the candidates' last names on the ballot will be conducted at 9:00 a.m., at the Election Division, 555 Ramirez St, Los Angeles, CA 90012. The public may request access to observe the randomized drawing via livestream by emailing Clerk.ElectionAdmin@lacity.org .
March 13 (Wed.)	A Notice of Election with a sample ballot shall be posted in the Election Division, specifying the election date, names of each qualifying candidate, voting eligibility rules, and voting instructions. The Notice of Election will be forwarded to all Departments.
March 26 (Tue.)	<p>An official ballot, voting instructions, and statement of qualifications will be mailed to the home address of each eligible voter. An identification envelope and return envelope will also be included in the ballot packet.</p> <p>Ballots may be deposited in any United States postal mailbox or at the Election Division no later than 5:00 p.m. on April 12, 2024, the day of the election. The voter shall enclose the voted ballot in the identification envelope provided, with the voter's name, mailing address, last four digits of their Social Security Number, signature, and date of signature. The identification envelope containing the voted ballot and voter information shall be returned in the return envelope provided.</p>

<p>April 5 (Fri.) through April 12 (Fri.)</p>	<p>New employees having become active LACERS members on or after March 11, 2024, may present themselves at the Election Division during regular office hours of 8:00 a.m. to 5:00 p.m., Monday to Friday, to obtain an official ballot no earlier than April 5, 2024, and no later than 5:00 p.m., on April 12, 2024. New Employees must present a Personnel Department – issued Certificate verifying their eligibility to vote. The certificate can be obtained at the City Personnel Department, Employment Verification Section, 700 East Temple Street, Los Angeles, CA 90012.</p> <p>Any eligible voter who has inadvertently damaged, spoiled, lost, or did not receive an official ballot may obtain a replacement ballot upon filing a signed Affidavit of Loss/No-Receipt at the Election Division no later than April 12, 2024, or by contacting them at (213) 978-0444 or Clerk.ElectionAdmin@lacity.org.</p>
<p>April 9 (Tue.)</p>	<p>Each candidate, along with up to two (2) observers, may observe that ballots are properly cast, and votes are properly counted at the Election Division. The names of all designated observers and candidates who wish to attend shall be presented to the Election Division no later than 5:00 p.m. Candidates/designees will have the option to observe in-person or virtually via Zoom.</p>
<p>April 12 (Fri.) ELECTION DAY</p>	<p>The last day for any eligible voter who has not cast a ballot may do so in person at the Election Division during the regular office hours.</p>
<p>April 16 (Tue.)</p>	<p>The ballot will be counted and tallied at the Election Division starting at 9:00 a.m. The candidate who receives at least 50% plus one of all votes cast shall be elected to the position of Employee-Member of the Board ending June 30, 2029. If no candidate receives a majority of all votes cast, a runoff election will be conducted on May 20, 2024, for the two candidates receiving the highest number of votes.</p>
<p>April 19 (Fri.)</p>	<p>Any challenges to the proceedings, acts, or omissions that may be material to the election shall be filed by written notice to the Election Division no later than 5:00 p.m. The Election Division will review the protests and submit a report of findings and recommendations to the LACERS Board of Administration within 14 calendar days after the date of election.</p>
<p>April 24 (Wed.)</p>	<p>Last day for the Election Division to furnish the official certified results of the election to the LACERS Board of Administration.</p>
	<p>RUNOFF IF NECESSARY</p>
<p>April 23 (Tue.)</p>	<p>A Notice of Election with a sample ballot shall be posted in the Election Division specifying the election date, names of each qualifying candidate, voting eligibility rules, and voting instructions. The Notice of Election will be forwarded to all Departments.</p>
<p>May 1 (Wed.)</p>	<p>An official ballot, voting instructions, and statement of qualifications will be mailed to the home address of each eligible voter. An identification envelope and return envelope will also be included in the ballot packet.</p> <p>Ballots may be deposited in any United States postal mailbox or at the Election no later than 5:00 p.m., on May 20, 2024, the day of the election. The voter shall enclose the voted ballot in the identification envelope provided, with the voter's name, mailing address, last four digits of their Social Security Number, signature, and date of signature. The identification envelope containing the voted ballot and voter information shall be returned in the return envelope provided.</p>

<p>May 13 (Mon.) through May 20 (Mon.)</p>	<p>New employees having become active LACERS members on or after April 8, 2024, may present themselves at the Election Division during regular office hours of 8:00 a.m. to 5:00 p.m., Monday to Friday, to obtain an official ballot no earlier than May 13, 2024, and no later than 5:00 p.m., on May 20, 2024. New employees must present a Personnel Department – issued Certificate verifying their eligibility to vote. The certificate can be obtained at the City Personnel Department, Employment Verification Section.</p> <p>Any eligible voter who has inadvertently damaged, spoiled, lost or did not receive an official ballot may obtain a replacement ballot upon filing a signed Affidavit of Loss/No-Receipt at the Election Division no later than May 20, 2024, or by contacting them at (213) 978-0444 or Clerk.ElectionAdmin@lacity.org.</p>
<p>May 17 (Fri.)</p>	<p>Each candidate, along with up to two (2) observers, may observe that ballots are properly cast and votes are properly counted at the Election Division. The names of all designated observers and candidates who wish to attend shall be presented to the Election Division no later than 5:00 p.m. Candidates/designees will have the option to observe in-person or virtually via Zoom.</p>
<p>May 20 (Mon.) RUNOFF ELECTION DAY</p>	<p>The last day for any eligible voter who has not cast a ballot may do so in person at the Election Division during the regular office hours.</p>
<p>May 22 (Wed.)</p>	<p>The ballots will be counted and tallied at the Election Division starting at 9:00 a.m. The candidate who receives a plurality of all votes cast shall be declared elected to the position of Employee-Member of the Board ending June 30, 2029.</p>
<p>May 28 (Tue.)</p>	<p>Any challenges to the proceedings, acts, or omissions that may be material to the election shall be filed by written notice to the Election Division no later than no later than 5:00 p.m. The Election Division will review the protests and submit a report of findings and recommendations to the LACERS Board of Administration within 14 calendar days after the date of election.</p>
<p>June 3 (Mon.)</p>	<p>Last day for the Election Division to furnish the official certified results of the election to the LACERS Board of Administration.</p>



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: JANUARY 9, 2024

ITEM: VI-B

**SUBJECT: FEE ADJUSTMENT AND CONTRACT EXTENSION WITH MOSS ADAMS LLP
(MOSS ADAMS) FOR ONE YEAR THROUGH JUNE 30, 2025 AND POSSIBLE
BOARD ACTION**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Make a determination that it would be undesirable and impractical for LACERS to conduct a new competitive bid process, pursuant to City Charter Section 371(e)(10);
2. Approve an extension of LACERS' contract with Moss Adams for one final year starting July 1, 2024 and ending June 30, 2025 for financial and other audit services, which includes an annual audit fee adjustment of \$3,000; and
3. Authorize the General Manager to approve and execute the necessary amendments to Moss Adams' contract, subject to the approval of the City Attorney as to form.

Summary

In February 2020, LACERS issued an RFP (*Request for Proposals*) for the annual audit of LACERS' financial statements. The competitive process resulted in the award of contract to Moss Adams, for a period of three years or from July 1, 2020 through June 30, 2023, with an option to renew for two additional years as indicated on the RFP.

City Charter Section 371 (e) (.10) Subject to the requirements of Section [1022](#), contracts (including without limitation those, as determined by the contracting authority, for the performance of professional, scientific, expert, technical or other special services), where the contracting authority finds that the use of competitive bidding would be undesirable, impractical or impossible or where the common law otherwise excuses compliance with competitive bidding requirements.

Last January 10, 2023, the Board approved to extend Moss Adams contract for one year through June 30, 2024. This year, we are proposing to extend the same contract for one last year giving Moss Adams a total of five years in contract-period. This is consistent with industry practices of retaining external auditors for a minimum of five years to become more familiar with the auditees' unique processes and increase the overall efficiency, accuracy, and reliability of financial audit process and resulting reports.

More importantly, the proposed extension will avoid delay in the issuance of LACERS' and the City's Annual Comprehensive Financial Reports (ACFR) for the period ended June 30, 2024. The one-year extension from July 1, 2024 to June 30, 2025 includes an annual audit fee adjustment of \$3,000, subject to the limitations of the Administrative Code.

According to Los Angeles Administrative Code section 10.5(a), subject to very limited exceptions, amendments to City contracts that would have the effect of extending the contract beyond three years in length, must be approved by the City Council unless the annual amount of services to be provided during each additional year of the contract does not exceed the limit established by Administrative Code section 10.5(b)(2). The maximum annual increase for Fiscal Year 23-24 is \$187,496. The annual total cost for the proposed extension period is well below that limit, estimated to be \$128,000.

LACERS management has determined that it will be impractical and undesirable to conduct a competitive bid and start a new contract with another auditor, considering Moss Adams LLP has only been under contract with LACERS since 2020, and LACERS' staff are satisfied with Moss Adams' work to date. So far, Moss Adams has been effective in their role as LACERS' financial auditor. The former financial auditor had been with LACERS for more than 12 years before they were replaced by Moss Adams.

The table below shows Moss Adams' Annual audit fees for the current contract period expiring in 2024, and for the proposed extended contract period through June 30, 2025.

MOSS ADAMS ANNUAL FINANCIAL AUDIT FEES

CURRENT CONTRACT					PROPOSED EXTENDED PERIOD
	FY2020 AUDIT	FY2021 AUDIT	FY2022 AUDIT	FY2023 AUDIT	Financial Audit Fees
					FY2024 AUDIT
LACERS Financial Audit	\$80K	\$81k	\$82K	\$83K	\$84K
977 Financial Audit			\$29.5K	\$30.5K	\$31.5K

(note: LACERS fees above include 115 Trust Acct. audit fee of \$10K. but excludes GASB 68/75 Allocation audit fee of \$12.5K per yr.)

Strategic Alignment

Financial Statements audits are consistent with the Board's Governance Goal to "uphold good governance practices which affirm transparency, accountability and fiduciary duty."

Prepared By: Maria Melani Rejuso, Departmental Audit Manager

NMG/MR

Attachments: 1. Proposed Board Resolution

CONTRACT EXTENSION WITH MOSS ADAMS LLP (MOSS ADAMS) FOR FINANCIAL AND OTHER AUDIT SERVICES

PROPOSED RESOLUTION

WHEREAS, LACERS currently has a four-year contract from July 1, 2020 to June 30, 2024 with Moss Adams, LLP (Moss Adams) to provide financial and other audit services;

WHEREAS, LACERS implemented a competitive bidding process in 2020 that resulted in the selection of Moss Adams to provide audit services;

WHEREAS, Moss Adams provided audit services and required audit reports related to LACERS financial statements, 115 Trust Account (Health/Dental accounts), and employers' (City, Airports and Harbor) allocations and pension amounts;

WHEREAS, LACERS continues to require a competent Financial Auditor for the purpose of providing audited financial information for annual actuarial valuation and for the issuance of LACERS' and the City's Annual Comprehensive Financial Reports;

WHEREAS, Charter Section 371(e)(10) provides exemption from the competitive bidding process for contracts that are "undesirable, impractical or impossible";

WHEREAS, the quality and reliability of audit reports increase over time as an auditor becomes more familiar with the subject matter of its audits, and industry best practices recommend retaining an auditor for at least five years;

WHEREAS, conducting a competitive bidding process requires the expenditure of LACERS resources and trust funds and devotion of time by LACERS' Board of Administration;

WHEREAS, the foregoing supports a finding that conducting a competitive bidding process at this time is undesirable and impractical;

WHEREAS, LACERS requires financial auditing services related to its ownership of the headquarters building located at 977 North Broadway Boulevard; and

WHEREAS, LACERS and Moss Adams LLP are both amenable to amending the current contract and extending it for one final year.

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

1. Make a determination that a competitive bidding process for financial and other audit services would not be advantageous pursuant to City Charter Section 371(e)(10);

2. Approve a one-year extension to LACERS' contract with Moss Adams LLP for financial and other audit services, for the period beginning July 1, 2024, and ending June 30, 2025. The period extension includes an annual fee adjustment of \$3,000;
3. Authorize the General Manager to approve and execute the necessary contract amendment documents with Moss Adams LLP, subject to the approval of the City Attorney as to form, and make any necessary clerical, typographical, or technical corrections to this document.



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: JANUARY 9, 2024
ITEM: VII - B

SUBJECT: APPROVAL OF 3-YEAR CONTRACT WITH CENTERSQUARE INVESTMENT MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. REITS PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve a three-year contract renewal with CenterSquare Investment Management LLC (CenterSquare) for management of an active U.S. REITS (Real Estate Investment Trust Securities) portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On December 12, 2023, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with CenterSquare. The firm has managed an active U.S. REITS portfolio for LACERS since April 2015; the current contract expires on March 31, 2024. LACERS' portfolio was valued at approximately \$489 million as of November 30, 2023. CenterSquare is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid CenterSquare a total of \$8.1 million in investment management fees.

Staff provided a review of the organization, investment strategy, performance, and fees. Staff also disclosed recent firm-level personnel changes within CenterSquare, which staff and NEPC, LLC continue to assess and monitor. The Committee observed the outsized absolute returns for calendar years 2021 and 2022. The 42.13% return of the of the portfolio in 2021 was driven by a significant recovery from the impact of the Covid-19 pandemic from the year prior. The portfolio retracted -23.50% in 2022 as rising interest rates pulled back REITS valuations. Staff noted during the meeting that both

calendar year returns are not only consistent with, but also outperformed, the benchmark. Following the discussion, the Committee concurred with the staff recommendation.

Strategic Plan Impact Statement

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

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

NMG/RJ/WL/JP:rm

Attachments: 1. Investment Committee Recommendation Report dated December 12, 2023
 2. Proposed Resolution



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: DECEMBER 12, 2023
ITEM: V

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH CENTERSQUARE INVESTMENT MANAGEMENT LLC REGARDING THE MANAGEMENT OF A U.S. REITS PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with CenterSquare Investment Management LLC for management of an active U.S. REITS (Real Estate Investment Trust Securities) portfolio.

Executive Summary

CenterSquare Investment Management LLC (CenterSquare) has managed an active U.S. REITS portfolio for LACERS since April 2015. LACERS' portfolio was valued at approximately \$437 million as of October 31, 2023. CenterSquare's current contract expires on March 31, 2024. Staff and NEPC, LLC (NEPC), LACERS General Fund Consultant, recommend a three-year contract renewal with CenterSquare.

Discussion

Background

The Board hired CenterSquare in January 2015 to manage an active U.S. REITS portfolio benchmarked against the FTSE NAREIT All Equity REITS Index. CenterSquare utilizes proprietary research and analytics to identify mispriced investment opportunities in the public REITS market. These securities provide high current income, liquidity, and real estate sector diversification. The portfolio management team is led by Dean Frankel, Global Head of Real Estate Securities. Mr. Frankel has 26 years of real estate experience, all of which have been at CenterSquare. LACERS' portfolio was valued at approximately \$437 million as of October 31, 2023. The current contract expires on March 31, 2024.

Organization

CenterSquare was founded in 1987 and is privately held with the management team owning a 47.6% equity stake and Lovell Minnick Partners, a private equity firm, owning a 49.2% equity stake. Other external partners account for the remaining 3.2%. The firm currently has 96 employees and is headquartered in Plymouth Meeting, Pennsylvania, with offices in London and Singapore. As of the

most recent quarter ending September 30, 2023, CenterSquare managed approximately \$12.2 billion of total assets, with \$6.3 billion of assets in the U.S. REITS strategy.

Due Diligence

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an onsite meeting at CenterSquare’s headquarters on October 17, 2023, that included interviews with key personnel across the organization. Staff concluded that CenterSquare’s investment philosophy, strategy, and process have not changed materially since the most recent contract renewal. Staff did note a number of firm-level personnel changes over the course of the contract period though none were deemed to have created any adverse impact on the management of the strategy. In mid-November, CenterSquare informed its clients that President and Chief Investment Strategist Scott Crowe had resigned from the firm. Staff and NEPC are currently assessing the impact of this personnel departure.

Representatives of CenterSquare most recently presented a portfolio review to the Investment Committee on June 13, 2023.

Performance

As of October 31, 2023, CenterSquare outperformed its benchmark over all time periods, except the 3-month period, as presented in the table below.

Annualized Performance as of 10/31/2023 (Net-of-Fees)						
	3-Month	1-Year	3-Year	5-Year	7-Year	Since Inception ¹
CenterSquare	-12.99	-6.72	4.08	4.52	4.56	4.82
FTSE NAREIT All Equity Index	-12.94	-7.89	2.76	2.69	3.34	3.56
<i>% of Excess Return</i>	<i>-0.05</i>	<i>1.17</i>	<i>1.32</i>	<i>1.83</i>	<i>1.22</i>	<i>1.26</i>

¹Inception date 4/15/15

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

Calendar Year Performance as of 10/31/2023 (Net-of-Fees)									
	1/1/23 - 10/31/23	2022	2021	2020	2019	2018	2017	2016	4/15/15 - 12/31/15
CenterSquare	-7.79	-23.50	42.13	-0.58	29.74	-4.80	9.12	8.35	2.80
FTSE NAREIT All Equity Index	-8.56	-24.95	41.30	-5.12	28.66	-4.04	8.67	8.63	0.58
<i>% of Excess Return</i>	<i>0.77</i>	<i>1.45</i>	<i>0.83</i>	<i>4.54</i>	<i>1.08</i>	<i>-0.76</i>	<i>0.45</i>	<i>-0.28</i>	<i>2.22</i>

CenterSquare is in compliance with the LACERS Manager Monitoring Policy.

Fees

LACERS pays CenterSquare an effective fee of 39 basis points (0.39%), which is approximately \$1.7 million annually based on the value of LACERS' assets as of October 31, 2023. The fee ranks in the 13th percentile of fees charged by similar REITS managers in the eVestment database (i.e., 87% of like-managers have higher fees). Since inception, LACERS has paid CenterSquare a total of \$8.05 million in investment management fees as of October 31, 2023.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

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

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

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: December 12, 2023

Subject: CenterSquare Investment Management, Inc.

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the investment management contract in place with CenterSquare Investment Management Inc. ('CenterSquare') for a period of 3 years from the date of contract expiry.

Background

CenterSquare has been an active U.S. Real Estate Investment Trust (REIT) manager for LACERS since April 2015. As of September 30, 2023, CenterSquare managed \$450.3 million, or 2.1%, of Plan assets. The performance objective is to outperform the FTSE NAREIT All Equity REITs Index, net of fees, annualized over a full market cycle (normally three-to-five years).

CenterSquare was founded in 1987 to provide private real estate investment management services to institutional investors and has been managing U.S. listed real estate securities portfolios since 1995. Since January 2, 2018, CenterSquare has been owned by its employees and private equity firm Lovell Minnick after a buyout from owner BNY Mellon, who bought the firm in 2006. Employees at CenterSquare own 49% of the firm while Lovell Minnick owns the remaining 48% and 3% is owned by external parties. The firm manages approximately \$12.15 billion on behalf of over 159 clients with 96 employees located in Pennsylvania, London and Singapore.

The philosophy of the U.S. Real Estate Securities portfolio is based on three principles: first, that attractive relative valuations provide both downside protection and potential for upside growth; second, that REITs are 'hybrid' investments that should be valued on a number of factors, only one of which is a company's underlying real estate value; and third, that REITs are capable of trading at implied real estate valuations which are materially different from the private real estate market. The result is a portfolio that allows CenterSquare to compare valuations across the REIT universe on a like-for-like basis over time, and identify over- and underpriced stocks across sectors, regions, and the investment universe as a whole.

Scott Crowe, President and Chief Investment Strategist, resigned from the firm in early November, 2023. Mr. Crowe's primary role was leading the firm's capital raising efforts (Capital Markets) and coordinating thought leadership. Scott Maguire, Head of Investor Relations, will be taking over Capital Markets, a position he held from 2007-2018. Coordination of thought leadership will move to Uma Moriarity who was promoted to Senior Investment Strategist in 2022. While Scott did not have any day-to-day investment responsibility, his participation on various investment committees will be passed to Rob Holuba, Managing Director, Jeff Reder, Managing Director and Uma Moriarity. NEPC is currently reviewing these recent changes in the firm's leadership, though Mr. Crowe's departure has no direct operational impact on the LACERS portfolio that we know of. NEPC's

research team will continue to monitor events at CenterSquare to ensure there are no adverse impacts to the LACERS portfolio.

Performance

Referring to Exhibit 1, as of September 30, 2023, since inception (May 2015) the portfolio has outperformed its index by 1.3%, returning 5.7%, net of fees and the strategy ranked in the 9th percentile in its peer universe. Over the last five years, the portfolio has outperformed its benchmark by 1.7%, returning 4.5% and ranked in the 20th percentile in its peer group. In the last three years, the portfolio outperformed its benchmark by 1.3% and ranked in the 45th percentile while over the last one year the portfolio outperformed its index by 0.4% returning -1.3% and ranked in the 84th percentile.

Referring to Exhibit 2, the portfolio has added value on a cumulative basis against its benchmark since inception. The portfolio has benefitted from relative outperformance in the Healthcare sector which is their largest sector overweight. The firm maintains that valuations in senior housing and skilled nursing names are attractive and the portfolio has benefitted from this exposure in the shorter-run. An overweight to Data Centers also added to cumulative positive relative returns. Alternative Housing continues to generate stable positive returns through Single Family Rental names which are benefiting from a slowdown in housing sales.

Fees

The portfolio has an asset-based fee of 0.39% (39 basis points) annually. This fee ranks in the 13th percentile among its peers in the eVestment US REIT Universe. In other words, 87% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

CenterSquare has outperformed the index since May 2015 and has shown consistent outperformance throughout the years. Their risk-aware investment philosophy, strong investment process and stock selection skill are the basis for continued confidence in the portfolio. NEPC recommends a three-year contract renewal from time of contract expiry.

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





Exhibit 1: Performance Summary Net of Fees as of September 30, 2023

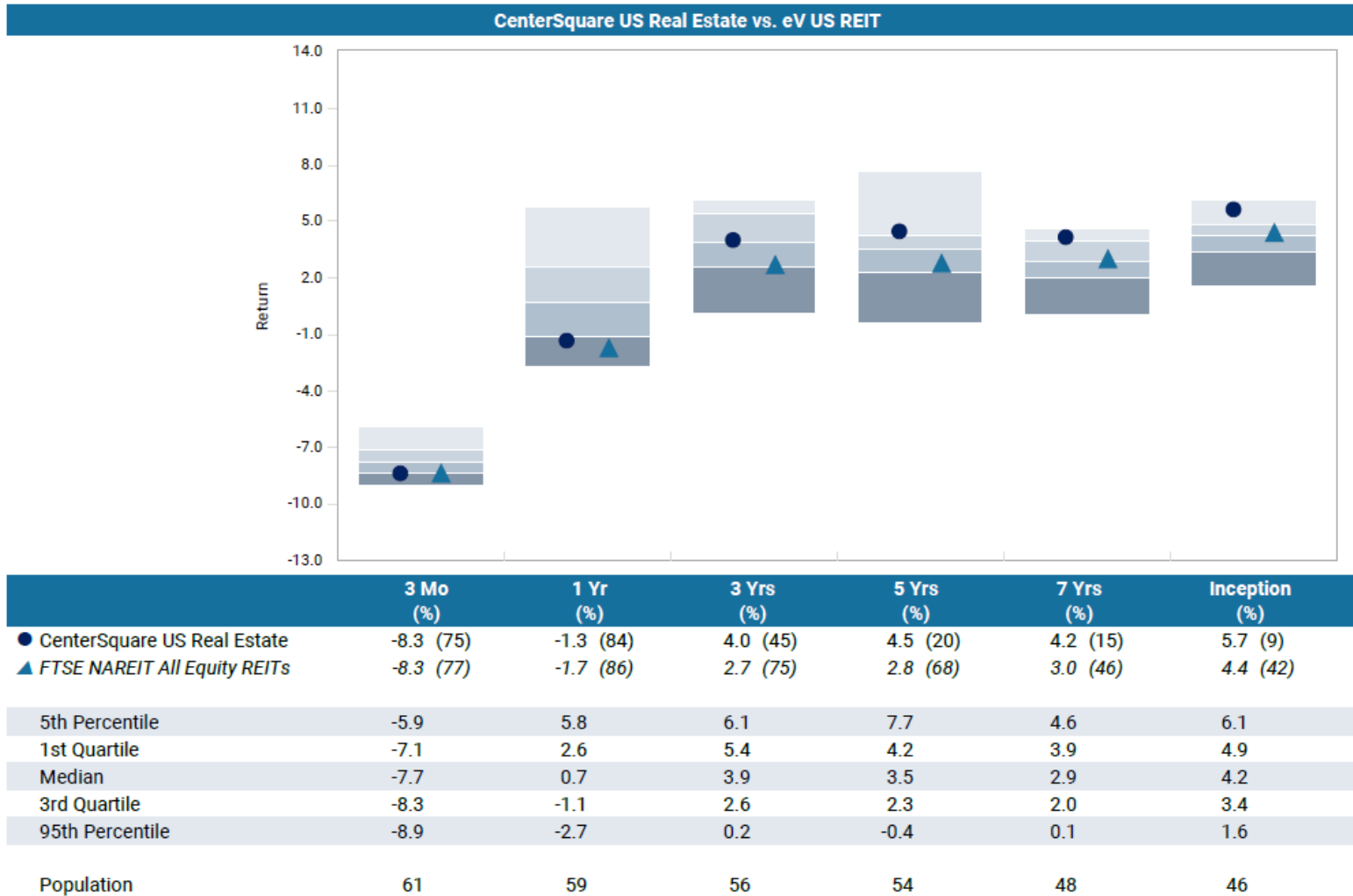
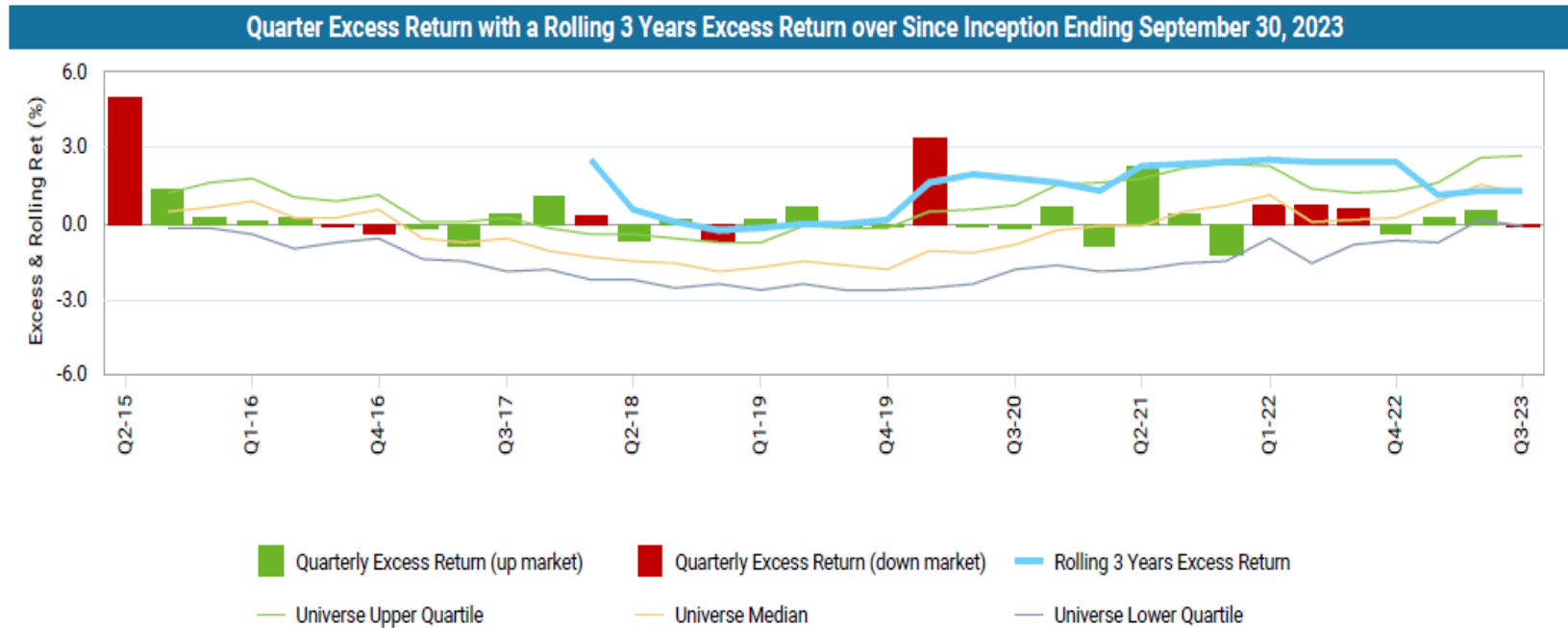




Exhibit 2: Excess Return Since Inception Net of Fees as of September 30, 2023



CONTRACT RENEWAL
CENTERSQUARE INVESTMENT MANAGEMENT LLC
ACTIVE U.S. REAL ESTATE INVESTMENT TRUST SECURITIES
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with CenterSquare Investment Management LLC (CenterSquare) for active U.S. REITS (Real Estate Investment Trust Securities) portfolio management expires on March 31, 2024; and,

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

WHEREAS, a contract renewal with CenterSquare will allow the LACERS total portfolio to maintain a diversified exposure to the U.S. REITS markets; and,

WHEREAS, on January 9, 2024, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with CenterSquare.

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>	CenterSquare Investment Management LLC
<u>Service Provided:</u>	Active U.S. REITS Portfolio Management
<u>Effective Dates:</u>	April 1, 2024 through March 31, 2027
<u>Duration:</u>	Three years
<u>Benchmark:</u>	FTSE NAREIT All Equity REITS Index
<u>Allocation as of November 30, 2023:</u>	\$489 million

January 9, 2024



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: JANUARY 9, 2024
ITEM: VII - C

SUBJECT: PROPOSED INVESTMENT POLICY REGARDING PRIVATE CREDIT INVESTMENTS AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board consider and provide comments regarding the proposed Private Credit Investment Policy.

Discussion

On December 12, 2023, the Committee considered the attached proposed investment policy revision regarding the selection of managers for LACERS' private credit portfolio. The Committee heard from Investment Staff and Trevor Jackson, of Aksia LLC (Aksia), LACERS' Private Credit Consultant.

The Board approved a new asset allocation on May 11, 2021, that expanded LACERS' exposure to private credit over time to a new target of 5.75% from 3.75%. The expansion of the private credit program, based on attractive expected return assumptions, called for increased exposure into higher yielding strategies such as opportunistic or distressed lending to achieve improved portfolio yield and resilience under a variety of market conditions.

This proposal would make the private credit manager selection process similar to the existing private equity discretion in-a-box model. The advantages of this approach include a potential for receiving first close discounts, increasing likelihood of receiving the full allocation requested during the commitment process, and improving access to funds that are in high demand with truncated closing deadlines.

The proposed attached policy authorizes Staff, in conjunction with the Private Credit Consultant, to effect investments in amounts up to and including \$150 million. Aksia has determined that this amount is consistent with: LACERS' program size; prudent risk management that limits exposure to individual underlying portfolio companies; and fund sizes available in the market. While it will be infrequent that LACERS will need to consider investments exceeding this amount, the policy includes Board approval of any investment exceeding \$150 million.

Strategic Plan Impact Statement

The Private Credit Investment Policy assists LACERS in building a diversified private credit portfolio to help the fund optimize long-term risk adjusted returns (Goal IV). Development of a detailed policy with key risk guidelines is also consistent with Goal V (uphold good governance which affirm transparency, accountability, and fiduciary duty).

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

NMG/RJ/WL/EC/CH:rm

Attachment: 1. Investment Committee Recommendation Report dated December 12, 2023



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: DECEMBER 12, 2023
ITEM: VI

SUBJECT: CONTINUED DISCUSSION OF PROPOSED INVESTMENT POLICY REGARDING PRIVATE CREDIT INVESTMENTS AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee review the proposed Private Credit Investment Policy and recommend to the Board the proposed investment policy amendments.

Discussion

The Board approved a new asset allocation on May 11, 2021, that expanded LACERS' exposure to private credit over time to a new target of 5.75% from 3.75%. The expansion of the private credit program, based on attractive expected return assumptions, called for increased exposure into higher yielding strategies such as opportunistic or distressed lending to achieve improved portfolio yield and resilience under a variety of market conditions. To assist with the development of this portfolio, the Board authorized a search for a private credit consultant which concluded with the selection of Aksia LLC (Aksia).

On September 12, 2023, the Committee considered draft policy revisions with a non-discretionary manager selection process, wherein the process for selecting funds would consist of a recommendation by the private credit consultant and staff for approval by the LACERS Board. The Committee was supportive of this policy recommendation, but wished to consider an alternative policy consistent with industry best practices that would provide discretion to staff and the private credit consultant.

On November 14, 2023, the Committee considered a draft policy proposal for the private credit manager selection process to resemble LACERS' existing private equity discretion in-a-box model. The advantages of this approach include a potential for receiving first close discounts, increasing likelihood of receiving the full allocation requested during the commitment process, and improving access to funds that are in high demand with truncated closing deadlines. The Committee asked Staff to return with a revised policy that addressed members' concerns about the investment structures used to make private credit investments and to more clearly articulate the permitted investment amount thresholds and the process by which risks associated with private credit investments are identified and addressed. The Committee also requested additional clarity to distinguish between the types of investment structures permitted under the policy and how individual investment transactions would be memorialized for legal purposes.

The proposed attached policy authorizes Staff, in conjunction with the Private Credit Consultant, to effect investments in amounts *up to and including \$150 million*.¹ Any investment exceeding \$150 million recommended by the Private Credit Consultant will require Board approval, regardless of whether or not staff agree or disagree with the consultant recommendation. Aksia has determined that this amount is consistent with industry best practices given: LACERS program size; prudent risk management that limits exposure to individual underlying portfolio companies; and, fund sizes available in the market.

The revised policy also more clearly address risks associated with private credit investments including those connected with the various structures by which to execute the strategy, such as a commingled vehicle, fund-of-one, separately managed account (SMA), etc.

In order to clarify the proposed policy amendments, staff made subsequent changes to the following sections in the investment policy: 1) Credit Opportunities; 2) Emerging Managers; 3) Private Credit; and 4) Private Equity. Upon the Board's adoption of the Private Credit Investment Policy, staff may make additional minor administrative edits to be incorporated in the revised version of the LACERS Investment Policy.

Strategic Plan Impact Statement

The Private Credit Investment Policy assists LACERS in building a diversified private credit portfolio to help the fund optimize long-term risk adjusted returns (Goal IV). Development of a detailed policy with key risk guidelines is also consistent with Goal V (uphold good governance which affirm transparency, accountability, and fiduciary duty.)

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

NMG/RJ/WL/EC/CH:rm

Attachments: 1. Proposed Investment Policy Statement Changes (Redlined Version)
 2. Proposed Investment Policy Statement Changes (Clean Version)

¹ Any investments of \$150,000,000.01 and greater would require Board approval.

Section 1 INVESTMENT POLICY

- (2) No more than 40%, in aggregate, invested in securities of non-U.S. issuers.
- (3) No more than 20% of the portfolio invested in loans or bonds that are not first lien secured debt and no more than 10% invested in non-secured debt.
- (4) No more than 30% of the portfolio's holdings in loans or bonds with a Moody's issue rating of Caa1 or lower.
- (5) No securities shall be purchased on margin or sold short.

Emerging Markets Debt Bonds

- (1) The total portfolio's average rating will be BBB/Baa or better by Moody's or Standard & Poor's.
- (2) No more than 5% of any single portfolio will be invested in any one issuer, with the exception of U.S. Treasury or Federal Agency issues.
- (3) No more than 30%, in aggregate, invested in out of benchmark securities.
- (4) No more than 10%, in aggregate, invested in U.S. and non-U.S. developed markets bonds
- (5) No securities shall be purchased on margin or sold short.

Direct Lending

- ~~(1) Portfolio will consist of low to middle market (<\$75 million EBITDA) senior secured or unitranche direct loans.~~
- ~~(2) At least 70% of the portfolio will be invested in senior secured loans.~~
- ~~(3) No more than 10% of the portfolio will be invested in unitranche loans.~~

Private Credit

This portfolio is expected to provide portfolio diversification and additional return to the System's portfolio. Examples of private credit holdings will include but are not limited to direct lending, specialty finance, distressed debt / special situations, mezzanine, real estate credit, and real assets credit. The Private Credit Investment Policy is within Section X of this document.

C. Private Equity

This portfolio is expected to provide portfolio diversification and additional return to the System's public markets portfolio. Examples of private equity holdings will include venture capital, leveraged buyouts, ~~distressed debt~~, and special situations funds. The Private Equity Investment Policy is within Section ~~X~~XI of this document.

D. Real Assets

The objective of the asset class is to provide one or more of the following contributions over the long term (i.e., market cycle or longer) to the LACERS total investment program:

Section 4 EMERGING INVESTMENT MANAGER POLICY

- f) Maximum LACERS' Allocation: At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.
2. Private Market Asset Classes – Private Equity, Real Assets (not including Real Estate), Credit Opportunities
- a) Institutional Fund: First-, second-, or third-time institutional fund for a General Partner.
- b) Maximum Fund Size: A first-time institutional fund [for private equity or venture capital](#) may have investor commitments of no more than \$750 million, \$1 billion for a second-time institutional fund, and \$1.25 billion for a third-time institutional fund. [A first-time institutional fund for private credit may have investor commitments of no more than \\$1 billion, \\$1.5 billion for a second-time institutional fund, and \\$2.0 billion for a third-time institutional fund.](#)
- c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
- d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's committed capital.*
- g) Minimum Fund Size: The Fund shall have a minimum fund size of \$100 million in committed capital inclusive of LACERS' pending commitment.* For a venture capital fund strategy, the Fund shall have a minimum fund size of \$75 million in committed capital inclusive of LACERS' pending commitment.*
- h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower.

**Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – Private Real Estate

- a) Institutional Fund: First-, second-, or third-time institutional fund for a given General Partner.
- b) Maximum Fund Size: The institutional fund may have investor commitments of no more than \$2 billion.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

X. PRIVATE CREDIT INVESTMENT POLICY

A. Introduction

This Private Credit Investment Policy (“Private Credit Policy”) sets forth guidelines that provide a general framework for selecting, building, and managing LACERS’ investments in private credit, including direct lending, specialty finance, distressed debt and special situations (including distressed debt and mezzanine strategies), real estate credit, real assets credit, co-investments, secondary market transactions, and other privately structured investments with the return and risk characteristics of private credit.

B. Investment Objectives

1. Return

On a relative basis, the return objective for the LACERS’ private credit portfolio (“Private Credit Portfolio”) is 200 bps over the CS Leveraged Loan Total Return Index net of fees, expenses, and carried interest.

Returns are measured over the life of the portfolio and become meaningful for periods past the J-Curve. Performance will be measured using standard industry metrics such as IRR (internal rate of return), TVPI (total value to paid in capital), and MOIC (multiple on invested capital.) Additionally, the IRR performance in the first few years of a partnership’s life may be negative due to the J-curve effect.

2. Risk

Private Credit investments are generally illiquid and have a long-term holding period. When invested alongside publicly traded assets, the asset class increases diversification and reduces risk at the System level. Nonetheless, LACERS expects that the Private Credit Consultant will take all appropriate measures to assume risks that are sufficiently compensated by expected return. Staff shall review the Private Credit Consultant’s evaluation and assessment of risk in the Annual Private Credit Strategic Plan. Such measures include, but are not limited to, diversification (as detailed in Section X.D.3 below) and due diligence.

C. Scope

The Private Credit Policy establishes the framework for the management of the Private Credit Portfolio. The Private Credit Consultant ~~concurrence, with Staff concurrence,~~ shall propose and seek LACERS’ approval of new investments subject to Section F of the Private Credit Policy, monitor and advise on the sale of existing Private Credit investments and provide recommendations and program advice in accordance with the Private Credit Policy. ~~The Private Credit Policy establishes the framework for the management of the Private Credit Portfolio.~~ The Private Credit Consultant will be evaluated annually as consultant for the Private Credit Portfolio based upon the following factors: portfolio performance; quality of analytical and technical work; expertise in the Private Credit asset class; responsiveness to requests from the LACERS Board of Administration (“Board”) and LACERS Investment

Section 5 PRIVATE CREDIT INVESTMENT POLICY

Staff (“Staff”); availability to attend Board meetings and meetings with Staff with reasonable advance notice; consulting and advising on LACERS’ portfolio, including information on selected Private Credit related topics; identifying and mitigating risks; and proactively informing Staff of new investment opportunities or risks in the marketplace.

The Private Credit Consultant will evaluate and recommend investment transactions pursuant to the roles and responsibilities defined in Section X.F. With a recommendation from the Private Credit Consultant, Staff may effect investments in partnerships and new commitments in managed accounts up to and including \$150 million. With Staff concurrence, recommended investments in excess of these amounts must be presented to the Board for approval. Non-U.S. dollar commitments to Private Credit partnerships shall be equal or less than the maximum U.S. dollar-equivalent limits as of the day Staff concurs with the Private Credit Consultant. However, non-U.S. dollar commitments to Private Credit partnerships may exceed the U.S. dollar currency equivalent maximum commitment limits after the date of Staff’s concurrence due to foreign currency exchange rate fluctuations and require no further Board approval.

D. Investment Guidelines

1. Eligible Investments

LACERS will invest in limited partnership interests of pooled vehicles as well as separate accounts, funds of one (or similar structures together with a limited number of other LPs), special purpose vehicles (SPVs), and other investment structures such as limited liability companies, investment trusts, separate accounts, and other corporate structures (unless otherwise stated in this Policy) covering the broad spectrum of private investments as follows:

- a) Private credit partnerships – Investments in direct lending, specialty finance, distressed debt and special situations (including distressed debt and mezzanine strategies), real estate credit, real assets credit, co-investments, secondary market transactions;
- b) Direct co-investments – Investments made alongside general partners directly in underlying assets and securities, usually with discounted management fees and carried interest. Co-investments may be structured as securities held directly by LACERS (“direct co-investments”) or as an interest in a vehicle managed by a General Partner that invests in such underlying assets and securities.

Direct co-investments shall be made on the same or better terms as provided to the Limited Partnership that is investing in the same transaction.

Co-investing can increase concentration risk because the company in which the limited partner is investing directly may also be a company held in a private credit or private equity fund in which the limited partner has also invested. Therefore, the Private Credit Consultant will monitor co-investments for concentration risk and recommend adjustments in the private credit portfolio as needed in order to adequately manage such risk.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

The Private Credit Consultant will address concentration risk in the Annual Private Credit Strategic Plan.

It may be necessary for LACERS to incur due diligence costs, expenses (including legal counsel), and break-up fees on potential co-investments. The estimated magnitude of these items shall be reasonable and consistent with industry standards.

- c) Secondary market purchases – Purchases of private credit related interests in which one or more of the original parties sells their ownership stake(s) or interests, as a single interest or a pool of interests. Such interests can take the form of: 1) Limited Partnership Interests; 2) Co-investments; 3) General Partner interests; 4) Separately Managed Accounts; 5) Direct Ownership of Portfolio Companies; or 6) a combination of the above.

It may be necessary for LACERS to incur due diligence costs, expenses (including legal counsel and broker-dealers), and break-up fees on potential secondary transactions. The estimated magnitude of these items shall be reasonable and consistent with industry standards.

- d) LACERS will also consider sales of partnership fund interests on the secondary market or to other limited partner(s) or potential buyer(s).
- e) Other privately structured investments deemed appropriate within LACERS' risk profile as determined by the Private Credit Consultant. Staff and the Private Credit Consultant shall manage the diversification risks as specified in section X.D.3. for SPVs and other investment structures and address the concentration risks in the Annual Private Credit Strategic Plan. In addition, there will be consideration of the level of ongoing information transparency provided by the manager with the goal of including a market-standard level of information rights.

2. Limitation on Percent of Partnership's Total Commitment

LACERS' commitment to any given partnership shall not exceed 15% of total commitments (by all limited partners and any other investors including the GP, excluding any co-investments) in that partnership. This limitation shall not apply to specially constructed partnerships (such as a fund of one or two); or separately managed accounts (SMAs) where LACERS is the sole limited partner.

3. Diversification

LACERS will seek to appropriately diversify the Private Credit Portfolio in order to manage risk based on the following guidelines:

- a) Manager Concentration: New commitments may not cause exposure to any one manager to be more than 30% of the Private Credit target allocation.
- b) Fund Concentration: New commitments may not cause exposure to any

Section 5 PRIVATE CREDIT INVESTMENT POLICY

single comingled fund to be more than 15% of the Private Credit target allocation.

- c) Co-Investment & Secondaries Concentration: Up to 25% of the Private Credit Portfolio's total exposure (fair market value plus unfunded commitments) may consist of co-investments and secondary opportunities.
- d) Vintage Diversification: The Private Credit Consultant with oversight from Staff shall appropriately diversify the Portfolio across vintage years when possible.
- e) Geographic Diversification: The Private Credit Consultant with oversight from Staff shall appropriately diversify the Portfolio with respect to geographic distribution.
- f) Industry Sector Concentration: The Private Credit Consultant shall monitor Portfolio investments with respect to GICS industry sector exposure with the understanding that industry sector exposure at an investment fund level will be managed at the discretion of the general partner.

In addition to the diversification criteria listed above, LACERS' Board will adopt optimal sub-asset allocation targets, which will be updated pursuant to the Annual Private Credit Strategic Plan-~~Annual Private Credit Strategic Plan.~~

4. Leverage

LACERS may consider funds which utilize fund or strategy level leverage. As leverage is a significant risk factor, it must be considered as part of each investment and evaluated on a case-by-case basis.

5. Illiquidity

Private credit investments are not designed to meet the short-term liquidity needs of LACERS. The investments in this asset class are illiquid until the general partner, subject to the provisions of the partnership agreement, decides to sell fund investments and distribute proceeds to limited partners.

6. Distributions

Staff is responsible for managing the final disposition of distributions from partnerships.

E. Review of Investment Guidelines

The Private Credit Consultant and Staff periodically will review the above private credit investment guidelines at least once every three years and recommend changes if necessary.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

F. Roles and Responsibilities

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

Section 5 PRIVATE CREDIT INVESTMENT POLICY

Roles and Responsibilities continued

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

Section 6 PRIVATE EQUITY INVESTMENT POLICY

XI. PRIVATE EQUITY INVESTMENT POLICY

A. Introduction

~~A. Introduction~~

This Private Equity Investment Policy (“Private Equity Policy”) sets forth guidelines that provide a general framework for selecting, building, and managing LACERS’ investments in private equity, including corporate finance/buyout, special situations (including ~~distressed debt~~, distressed turnaround ~~and mezzanine strategies~~), venture capital and growth equity, co-investments, secondary market transactions, and other privately structured investments with the return and risk characteristics of private equity.

B. Investment Objectives

1. Return

On a relative basis, the return objective for the LACERS’ private equity portfolio (“Private Equity Portfolio”) is to outperform the Cambridge Associates Global Private Equity and Venture Capital Index net of fees, expenses, and carried interest.

Returns are measured over the life of the partnership and become meaningful for periods past the J-Curve. The valuation methodology used by general partners should conform to industry and regulatory standards. Performance will be measured using standard industry metrics such as IRR (internal rate of return), TVPI (total value to paid in capital), and MOIC (multiple on invested capital.) Additionally, the IRR performance in the first few years of a partnership’s life may be negative due to the J-curve effect.

2. Risk

Private equity investments are illiquid and have a long-term holding period. When invested alongside publicly traded assets, the asset class increases diversification and reduces risk at the System level. Nonetheless, LACERS expects that the Private Equity Consultant will take all appropriate measures to assume risks that are sufficiently compensated by expected return. Such measures include, but are not limited to, diversification (as detailed in Section ~~XI~~.D.3 below) and due diligence.

C. Scope

The Private Equity Consultant, with Staff concurrence, shall ~~propose~~select new investments, monitor and advise on the sale of existing private equity investments, and provide recommendations and program advice in accordance with the Private Equity Policy. The Private Equity Policy establishes the framework for the management of the Private Equity Portfolio. The Private Equity Consultant will be evaluated annually as consultant and investment manager for the Private Equity Portfolio based upon the following factors: portfolio performance; quality of analytical and technical work; expertise in the private equity asset class; responsiveness to requests from the LACERS Board of Administration (“Board”) and LACERS Investment Staff (“Staff”); availability to attend Board meetings and meetings with Staff with reasonable advance notice; consulting and advising on LACERS’ portfolio, including

Section 6 PRIVATE EQUITY INVESTMENT POLICY

information on selected private equity related topics; identifying and mitigating risks; and proactively informing Staff of new investment opportunities or risks in the marketplace.

The Private Equity Consultant will evaluate and recommend investment transactions pursuant to the roles and responsibilities defined in Section ~~XI~~.F. With Staff concurrence on a recommendation from the Private Equity Consultant, LACERS may effect investments in partnerships up to and including \$150 million. With Staff concurrence, recommended investments in excess of these amounts must be presented to the Board for approval. Non-U.S. dollar commitments to private equity partnerships shall be equal or less than the maximum U.S. dollar-equivalent limits as of the day Staff concurs with the Private Equity Consultant. However, non-U.S. dollar commitments to private equity partnerships may exceed the U.S. dollar currency equivalent maximum commitment limits after the date of Staff's concurrence due to foreign currency exchange rate ~~fluctuations, and~~ fluctuations and require no further Board approval.

D. Investment Guidelines

1. Eligible Investments

LACERS will invest in limited partnership interests of pooled vehicles as well as separate accounts, funds of one (or similar structures together with a limited number of other LPs), special purpose vehicles (SPVs), and other investment structures such as limited liability companies, investment trusts, separate accounts, and other corporate structures (unless otherwise stated in this Policy) covering the broad spectrum of private investments as follows:

- a) Private equity partnerships – Investments in corporate finance/buyout, special situations, venture capital and growth equity, secondaries, and co-investment funds. Special situations is a broad investment strategy, which includes ~~mezzanine investments that arise from unique circumstances such as bankruptcies, restructurings, and distressed debt partnerships, fund-of-funds (both direct and secondary), industry focused, and multi-stage partnerships spin-offs;~~ bankruptcies, restructurings, and
- b) Direct co-investments – Investments made alongside general partners directly in underlying assets and securities, usually with discounted management fees and carried interest. Co-investments may be structured as securities held directly by LACERS (“direct co-investments”) or as an interest in a vehicle managed by a General Partner that invests in such underlying assets and securities.

Direct co-investments shall be made on the same or better terms as provided to the Limited Partnership that is investing in the same transaction.

Co-investing can increase concentration risk because the company in which the limited partner is investing directly may also be a company held in a private equity fund in which the limited partner has also invested. Therefore, the Private Equity Consultant will monitor co-investments for concentration risk and recommend adjustments in the private equity portfolio as needed in order

Section 6 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.

Section 6 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 <u>greater than</u> \$50 million. • Review and approve the sale of any one existing partnership fund on the secondary market exceeding-greater than \$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 <u>greater than</u> \$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 <u>greater than</u> \$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 <u>recommendations</u> to Staff recommendations pertaining to the sale of existing partnership funds on the secondary market exceeding-greater than \$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.

Section 1 INVESTMENT POLICY

- (2) No more than 40%, in aggregate, invested in securities of non-U.S. issuers.
- (3) No more than 20% of the portfolio invested in loans or bonds that are not first lien secured debt and no more than 10% invested in non-secured debt.
- (4) No more than 30% of the portfolio's holdings in loans or bonds with a Moody's issue rating of Caa1 or lower.
- (5) No securities shall be purchased on margin or sold short.

Emerging Markets Debt Bonds

- (1) The total portfolio's average rating will be BBB/Baa or better by Moody's or Standard & Poor's.
- (2) No more than 5% of any single portfolio will be invested in any one issuer, with the exception of U.S. Treasury or Federal Agency issues.
- (3) No more than 30%, in aggregate, invested in out of benchmark securities.
- (4) No more than 10%, in aggregate, invested in U.S. and non-U.S. developed markets bonds
- (5) No securities shall be purchased on margin or sold short.

Private Credit

This portfolio is expected to provide portfolio diversification and additional return to the System's portfolio. Examples of private credit holdings include but are not limited to direct lending, specialty finance, distressed debt / special situations, mezzanine, real estate credit, and real assets credit. The Private Credit Investment Policy is within Section X of this document.

C. Private Equity

This portfolio is expected to provide portfolio diversification and additional return to the System's public markets portfolio. Examples of private equity holdings will include venture capital, leveraged buyouts, and special situations funds. The Private Equity Investment Policy is within Section XI of this document.

D. Real Assets

The objective of the asset class is to provide one or more of the following contributions over the long term (i.e., market cycle or longer) to the LACERS total investment program:

Section 4 EMERGING INVESTMENT MANAGER POLICY

- f) Maximum LACERS' Allocation: At the time of hire, funding in the investment strategy shall not exceed 20% of the total strategy AUM at the time of actual funding.
2. Private Market Asset Classes – Private Equity, Real Assets (not including Real Estate), Credit Opportunities
- a) Institutional Fund: First-, second-, or third-time institutional fund for a General Partner.
- b) Maximum Fund Size: A first-time institutional fund for private equity or venture capital may have investor commitments of no more than \$750 million, \$1 billion for a second-time institutional fund, and \$1.25 billion for a third-time institutional fund. A first-time institutional fund for private credit may have investor commitments of no more than \$1 billion, \$1.5 billion for a second-time institutional fund, and \$2.0 billion for a third-time institutional fund.
- c) Formation Date: The firm, if formed as a result of an organizational spin-out of at least a majority of the key investment team senior-level professionals, must have been in existence for a minimum of six months based on the entity's legal formation documents; otherwise the firm must have been in existence for a minimum of one year based on the entity's legal formation documents.
- d) Track Record: The firm must have a minimum track record of five years. Any firm with a track record of less than five years may utilize track records established at prior firms when performance can be clearly attributed to the emerging firm's key individuals and/or the specific team associated with the strategy being considered.
- e) Firm Ownership: No person or entity, other than the principals and/or employees of the firm, shall own more than forty-nine percent (49%) interest of the firm.
- f) LP Concentration: No Limited Partner can represent more than 30% of the total Fund's committed capital.*
- g) Minimum Fund Size: The Fund shall have a minimum fund size of \$100 million in committed capital inclusive of LACERS' pending commitment.* For a venture capital fund strategy, the Fund shall have a minimum fund size of \$75 million in committed capital inclusive of LACERS' pending commitment.*
- h) Maximum LACERS' Commitment: LACERS' commitment in the strategy being considered shall not exceed 10% of the projected final closing fund size or \$30 million, whichever is lower.

**Excludes co-investments or sidecar investment vehicles.*

3. Private Market Asset Class – Private Real Estate

- a) Institutional Fund: First-, second-, or third-time institutional fund for a given General Partner.
- b) Maximum Fund Size: The institutional fund may have investor commitments of no more than \$2 billion.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

X. PRIVATE CREDIT INVESTMENT POLICY

A. Introduction

This Private Credit Investment Policy (“Private Credit Policy”) sets forth guidelines that provide a general framework for selecting, building, and managing LACERS’ investments in private credit, including direct lending, specialty finance, distressed debt and special situations (including distressed debt and mezzanine strategies), real estate credit, real assets credit, co-investments, secondary market transactions, and other privately structured investments with the return and risk characteristics of private credit.

B. Investment Objectives

1. Return

On a relative basis, the return objective for the LACERS’ private credit portfolio (“Private Credit Portfolio”) is 200 bps over the CS Leveraged Loan Total Return Index net of fees, expenses, and carried interest.

Returns are measured over the life of the portfolio and become meaningful for periods past the J-Curve. Performance will be measured using standard industry metrics such as IRR (internal rate of return), TVPI (total value to paid in capital), and MOIC (multiple on invested capital.) Additionally, the IRR performance in the first few years of a partnership’s life may be negative due to the J-curve effect.

2. Risk

Private Credit investments are generally illiquid and have a long-term holding period. When invested alongside publicly traded assets, the asset class increases diversification and reduces risk at the System level. Nonetheless, LACERS expects that the Private Credit Consultant will take all appropriate measures to assume risks that are sufficiently compensated by expected return. Staff shall review the Private Credit Consultant’s evaluation and assessment of risk in the Annual Private Credit Strategic Plan. Such measures include, but are not limited to, diversification (as detailed in Section X.D.3 below) and due diligence.

C. Scope

The Private Credit Policy establishes the framework for the management of the Private Credit Portfolio. The Private Credit Consultant shall propose and seek LACERS’ approval of new investments subject to Section F of the Private Credit Policy, monitor and advise on the sale of existing Private Credit investments and provide recommendations and program advice in accordance with the Private Credit Policy. The Private Credit Consultant will be evaluated annually as consultant for the Private Credit Portfolio based upon the following factors: portfolio performance; quality of analytical and technical work; expertise in the Private Credit asset class; responsiveness to requests from the LACERS Board of Administration (“Board”) and LACERS Investment Staff (“Staff”); availability to attend Board meetings and meetings with Staff with reasonable advance notice; consulting and advising

Section 5 PRIVATE CREDIT INVESTMENT POLICY

on LACERS' portfolio, including information on selected Private Credit related topics; identifying and mitigating risks; and proactively informing Staff of new investment opportunities or risks in the marketplace.

The Private Credit Consultant will evaluate and recommend investment transactions pursuant to the roles and responsibilities defined in Section X.F. With a recommendation from the Private Credit Consultant, Staff may effect investments in partnerships and new commitments in managed accounts up to and including \$150 million. With Staff concurrence, recommended investments in excess of these amounts must be presented to the Board for approval. Non-U.S. dollar commitments to Private Credit partnerships shall be equal or less than the maximum U.S. dollar-equivalent limits as of the day Staff concurs with the Private Credit Consultant. However, non-U.S. dollar commitments to Private Credit partnerships may exceed the U.S. dollar currency equivalent maximum commitment limits after the date of Staff's concurrence due to foreign currency exchange rate fluctuations and require no further Board approval.

D. Investment Guidelines

1. Eligible Investments

LACERS will invest in limited partnership interests of pooled vehicles as well as separate accounts, funds of one (or similar structures together with a limited number of other LPs), special purpose vehicles (SPVs), and other investment structures such as limited liability companies, investment trusts, separate accounts, and other corporate structures (unless otherwise stated in this Policy) covering the broad spectrum of private investments as follows:

- a) Private credit partnerships – Investments in direct lending, specialty finance, distressed debt and special situations (including distressed debt and mezzanine strategies), real estate credit, real assets credit, co-investments, secondary market transactions;
- b) Direct co-investments – Investments made alongside general partners directly in underlying assets and securities, usually with discounted management fees and carried interest. Co-investments may be structured as securities held directly by LACERS ("direct co-investments") or as an interest in a vehicle managed by a General Partner that invests in such underlying assets and securities.

Direct co-investments shall be made on the same or better terms as provided to the Limited Partnership that is investing in the same transaction.

Co-investing can increase concentration risk because the company in which the limited partner is investing directly may also be a company held in a private credit or private equity fund in which the limited partner has also invested. Therefore, the Private Credit Consultant will monitor co-investments for concentration risk and recommend adjustments in the private credit portfolio as needed in order to adequately manage such risk.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

The Private Credit Consultant will address concentration risk in the Annual Private Credit Strategic Plan.

It may be necessary for LACERS to incur due diligence costs, expenses (including legal counsel), and break-up fees on potential co-investments. The estimated magnitude of these items shall be reasonable and consistent with industry standards.

- c) Secondary market purchases – Purchases of private credit related interests in which one or more of the original parties sells their ownership stake(s) or interests, as a single interest or a pool of interests. Such interests can take the form of: 1) Limited Partnership Interests; 2) Co-investments; 3) General Partner interests; 4) Separately Managed Accounts; 5) Direct Ownership of Portfolio Companies; or 6) a combination of the above.

It may be necessary for LACERS to incur due diligence costs, expenses (including legal counsel and broker-dealers), and break-up fees on potential secondary transactions. The estimated magnitude of these items shall be reasonable and consistent with industry standards.

- d) LACERS will also consider sales of partnership fund interests on the secondary market or to other limited partner(s) or potential buyer(s).
- e) Other privately structured investments deemed appropriate within LACERS' risk profile as determined by the Private Credit Consultant. Staff and the Private Credit Consultant shall manage the diversification risks as specified in section X.D.3. for SPVs and other investment structures and address the concentration risks in the Annual Private Credit Strategic Plan. In addition, there will be consideration of the level of ongoing information transparency provided by the manager with the goal of including a market-standard level of information rights.

2. Limitation on Percent of Partnership's Total Commitment

LACERS' commitment to any given partnership shall not exceed 15% of total commitments (by all limited partners and any other investors including the GP, excluding any co-investments) in that partnership. This limitation shall not apply to specially constructed partnerships (such as a fund of one or two); or separately managed accounts (SMAs) where LACERS is the sole limited partner.

3. Diversification

LACERS will seek to appropriately diversify the Private Credit Portfolio in order to manage risk based on the following guidelines:

- a) Manager Concentration: New commitments may not cause exposure to any one manager to be more than 30% of the Private Credit target allocation.
- b) Fund Concentration: New commitments may not cause exposure to any

Section 5 PRIVATE CREDIT INVESTMENT POLICY

single comingled fund to be more than 15% of the Private Credit target allocation.

- c) Co-Investment & Secondaries Concentration: Up to 25% of the Private Credit Portfolio's total exposure (fair market value plus unfunded commitments) may consist of co-investments and secondary opportunities.
- d) Vintage Diversification: The Private Credit Consultant with oversight from Staff shall appropriately diversify the Portfolio across vintage years when possible.
- e) Geographic Diversification: The Private Credit Consultant with oversight from Staff shall appropriately diversify the Portfolio with respect to geographic distribution.
- f) Industry Sector Concentration: The Private Credit Consultant shall monitor Portfolio investments with respect to GICS industry sector exposure with the understanding that industry sector exposure at an investment fund level will be managed at the discretion of the general partner.

In addition to the diversification criteria listed above, LACERS' Board will adopt optimal sub-asset allocation targets, which will be updated pursuant to the Annual Private Credit Strategic Plan.

4. **Leverage**

LACERS may consider funds which utilize fund or strategy level leverage. As leverage is a significant risk factor, it must be considered as part of each investment and evaluated on a case-by-case basis.

5. **Illiquidity**

Private credit investments are not designed to meet the short-term liquidity needs of LACERS. The investments in this asset class are illiquid until the general partner, subject to the provisions of the partnership agreement, decides to sell fund investments and distribute proceeds to limited partners.

6. **Distributions**

Staff is responsible for managing the final disposition of distributions from partnerships.

E. **Review of Investment Guidelines**

The Private Credit Consultant and Staff periodically will review the above private credit investment guidelines at least once every three years and recommend changes if necessary.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

F. Roles and Responsibilities

	Role of the Board	Role of Staff	Role of the Private Credit Consultant
Strategy/Policy	<ul style="list-style-type: none"> • Select Private Credit Consultant. • Approve asset class funding level. • Review and approve the Private Credit Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> • In consultation with Private Credit 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 Credit Consultant. • Conduct meetings with existing managers periodically. • Attend annual partnership meetings when appropriate. • Fund capital calls and manage distributions. • Review Private Credit Consultant's recommendations on partnership amendments and consents. • Execute partnership amendments and consents. • Manage and approve the wind-down and/or dissolve private credit fund investment(s). • 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.

Section 5 PRIVATE CREDIT INVESTMENT POLICY

Roles and Responsibilities continued

	Role of the Board	Role of Staff	Role of the Private Credit Consultant
Investment Selection	<ul style="list-style-type: none"> • Review investment analysis reports. • Review and approve investments in partnerships of <i>amounts greater than \$150 million</i> prior to investment. • Review and approve the sale of any one existing partnership fund on the secondary market <i>greater than \$50 million</i> 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 Credit 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 Credit Consultant, invest <i>up to and including \$150 million</i> in partnerships without Board approval. • In conjunction with Private Credit Consultant, make recommendations to Board for approval for investments <i>greater than \$150 million</i>. • In conjunction with Private Credit Consultant, review and concur with approval of sale of existing partnership funds on the secondary market <i>up to and including \$50 million</i> 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 <i>greater than \$150 million</i>. • Propose investments of up to and including \$150 million for Staff concurrence. • Present recommendations to Staff pertaining to the sale of existing partnership funds on the secondary market greater than \$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.

Section 6 PRIVATE EQUITY INVESTMENT POLICY

XI. PRIVATE EQUITY INVESTMENT POLICY

A. Introduction

This Private Equity Investment Policy (“Private Equity Policy”) sets forth guidelines that provide a general framework for selecting, building, and managing LACERS’ investments in private equity, including corporate finance/buyout, special situations (including, distressed turnaround), venture capital and growth equity, co-investments, secondary market transactions, and other privately structured investments with the return and risk characteristics of private equity.

B. Investment Objectives

1. Return

On a relative basis, the return objective for the LACERS’ private equity portfolio (“Private Equity Portfolio”) is to outperform the Cambridge Associates Global Private Equity and Venture Capital Index net of fees, expenses, and carried interest.

Returns are measured over the life of the partnership and become meaningful for periods past the J-Curve. The valuation methodology used by general partners should conform to industry and regulatory standards. Performance will be measured using standard industry metrics such as IRR (internal rate of return), TVPI (total value to paid in capital), and MOIC (multiple on invested capital.) Additionally, the IRR performance in the first few years of a partnership’s life may be negative due to the J-curve effect.

2. Risk

Private equity investments are illiquid and have a long-term holding period. When invested alongside publicly traded assets, the asset class increases diversification and reduces risk at the System level. Nonetheless, LACERS expects that the Private Equity Consultant will take all appropriate measures to assume risks that are sufficiently compensated by expected return. Such measures include, but are not limited to, diversification (as detailed in Section XI.D.3 below) and due diligence.

C. Scope

The Private Equity Consultant, with Staff concurrence, shall propose new investments, monitor and advise on the sale of existing private equity investments, and provide recommendations and program advice in accordance with the Private Equity Policy. The Private Equity Policy establishes the framework for the management of the Private Equity Portfolio. The Private Equity Consultant will be evaluated annually as consultant and investment manager for the Private Equity Portfolio based upon the following factors: portfolio performance; quality of analytical and technical work; expertise in the private equity asset class; responsiveness to requests from the LACERS Board of Administration (“Board”) and LACERS Investment Staff (“Staff”); availability to attend Board meetings and meetings with Staff with reasonable advance notice; consulting and advising on LACERS’ portfolio, including

Section 6 PRIVATE EQUITY INVESTMENT POLICY

information on selected private equity related topics; identifying and mitigating risks; and proactively informing Staff of new investment opportunities or risks in the marketplace.

The Private Equity Consultant will evaluate and recommend investment transactions pursuant to the roles and responsibilities defined in Section XI.F. With Staff concurrence on a recommendation from the Private Equity Consultant, LACERS may effect investments in partnerships up to and including \$150 million. With Staff concurrence, recommended investments in excess of these amounts must be presented to the Board for approval. Non-U.S. dollar commitments to private equity partnerships shall be equal or less than the maximum U.S. dollar-equivalent limits as of the day Staff concurs with the Private Equity Consultant. However, non-U.S. dollar commitments to private equity partnerships may exceed the U.S. dollar currency equivalent maximum commitment limits after the date of Staff's concurrence due to foreign currency exchange rate fluctuations and require no further Board approval.

D. Investment Guidelines

1. Eligible Investments

LACERS will invest in limited partnership interests of pooled vehicles as well as separate accounts, funds of one (or similar structures together with a limited number of other LPs), special purpose vehicles (SPVs), and other investment structures such as limited liability companies, investment trusts, separate accounts, and other corporate structures (unless otherwise stated in this Policy) covering the broad spectrum of private investments as follows:

- a) Private equity partnerships – Investments in corporate finance/buyout, special situations, venture capital and growth equity, secondaries, and co-investment funds. Special situations is a broad investment strategy, which includes investments that arise from unique circumstances such as bankruptcies, restructurings, and spin-offs;
- b) Direct co-investments – Investments made alongside general partners directly in underlying assets and securities, usually with discounted management fees and carried interest. Co-investments may be structured as securities held directly by LACERS (“direct co-investments”) or as an interest in a vehicle managed by a General Partner that invests in such underlying assets and securities.

Direct co-investments shall be made on the same or better terms as provided to the Limited Partnership that is investing in the same transaction.

Co-investing can increase concentration risk because the company in which the limited partner is investing directly may also be a company held in a private equity fund in which the limited partner has also invested. Therefore, the Private Equity Consultant will monitor co-investments for concentration risk and recommend adjustments in the private equity portfolio as needed in order

Section 6 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.

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 greater than \$50 million. • Review and approve the sale of any one existing partnership fund on the secondary market greater than \$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. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments greater than \$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 greater than \$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 recommendations to Staff pertaining to the sale of existing partnership funds on the secondary market greater than \$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: Investment Committee
Elizabeth Lee, Chair
Annie Chao
Gaylord "Rusty" Roten

MEETING: JANUARY 9, 2024
ITEM: VII - D

SUBJECT: PROPOSED INVESTMENT POLICY REGARDING ENFORCEMENT ACTION AND LITIGATION REPORTING AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve the proposed Enforcement Action and Litigation Reporting Policy.

Discussion

On December 12, 2023, the Committee considered the attached proposed Enforcement Action and Litigation Reporting Policy (Policy) and procedures for disclosing and reporting investment manager and consultant conduct to the Board. After discussion with staff, the Committee recommended this policy to the Board for adoption.

The Policy will allow the Board to receive timely reports of investment manager or consultant conduct where the information would be deemed material to the Board in its role as an investor. The Policy balances keeping the Board informed about the professionals and organizations who manage LACERS' investments with the need to conserve the Board's time by screening out irrelevant information or immaterial incidents. Upon the Board's adoption of the Policy, staff may make additional minor administrative edits to be incorporated in the revised version of the LACERS Investment Policy and the Policy will be incorporated into all future Board investment contracts.

Strategic Plan Impact Statement

The Enforcement Action and Litigation Reporting Policy aligns with the Strategic Plan Goal 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, CFA, CAIA, Investment Officer I, Investment Division

NMG/RJ/WL/JW:rm

Attachment: 1. Investment Committee Recommendation Report dated December 12, 2023



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: DECEMBER 12, 2023
ITEM: VII

SUBJECT: ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee consider and provide comments regarding the proposed Enforcement Action and Litigation Reporting Policy.

Discussion

The proposed Enforcement Action and Litigation Reporting Policy (Policy) seeks to establish a process around guidelines, roles and responsibilities, and procedures for disclosing and reporting investment manager and consultant conduct to the Board. Disclosures would include material government enforcement actions, non-routine regulatory proceedings, disciplinary actions, and litigation involving investment managers and consultants contracted with the Board.

The Policy will allow the Board to receive timely reports of investment manager or consultant conduct where the information would be deemed material to the Board in its role as an investor. The Policy balances keeping the Board informed about the professionals and organizations who manage LACERS' investments with the need to conserve the Board's time by screening out irrelevant information or immaterial incidents. Upon the Board's adoption of the Policy, staff may make additional minor administrative edits to be incorporated in the revised version of the LACERS Investment Policy and the Policy will be incorporated into all future Board investment contracts.

Strategic Plan Impact Statement

The Enforcement Action and Litigation Reporting Policy aligns with the Strategic Plan Goal 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, CFA, CAIA, Investment Officer I, Investment Division

NMG/RJ/WL/JW:rm

Attachment: 1. Proposed Enforcement Action and Litigation Reporting Policy

XVIII – ENFORCEMENT ACTION AND LITIGATION REPORTING POLICY

A. PURPOSE

This policy ensures the Board is timely advised of material government enforcement actions, non-routine regulatory proceedings, disciplinary actions, and litigation involving investment managers and consultants (together referred to in this Policy as “investment contractors”) contracted with the Board so that the Board can make prudent decisions regarding the involved investment contractors. The purpose of this policy is to establish guidelines, roles and responsibilities, and procedures for when and how such information should be reported to the Board.

This Policy shall be incorporated into all investment contracts with the Board that incorporate the Board Investment Policies and is intended to clarify reporting duties to strengthen and supplement existing contractual obligations requiring reporting by the investment contractor to the Board.

B. MATERIALITY

1. Information shall be deemed “material” under this Policy (Sections XVIII(B)(1) and XVIII(B)(2)) when there is a substantial likelihood that a reasonable investor (here, the Board) would have considered the information important in evaluating the investment contractor’s advisory business or the integrity of its asset management operations, or other factors that might be relevant to the investor’s contracting decisions. Factors that may be considered when evaluating materiality include: (1) the proximity of the person(s) involved to the investment contractor’s advisory function and the services provided to LACERS; (2) the nature of the conduct and/or infraction that led to the enforcement action and/or litigation; (3) the severity of resulting sanctions or damages, if any; and (4) the likelihood that the conduct has caused harm to LACERS, or could cause such harm if repeated.
2. The General Manager shall be responsible for making materiality determinations under this Policy Section XVIII, in consultation with the City Attorney’s Public Pensions General Counsel Division (City Attorney). Examinations by the below-listed regulatory agencies, which are not prompted by specific allegations of wrongdoing and which have not resulted in evidence of material wrongdoing, will generally not be considered material for purposes of this Policy.

C. CHIEF INVESTMENT OFFICER COLLECTION AND REVIEW OF REPORTS REGARDING INVESTMENT MANAGER AND CONSULTANT CONDUCT

For all investment contractors contracted with the Board, the Chief Investment Officer and their designated investment staff member(s) shall collect and review reports and publicly reported information regarding:

1. Securities and Exchange Commission (SEC) enforcement actions;
2. Department of Justice enforcement actions;
3. State attorney general enforcement actions;
4. Other federal, state, local, or foreign agency enforcement actions;
5. Other financial industry disciplinary proceedings, including but not limited to FINRA and other self-regulatory non-governmental entities;
6. Criminal prosecution or investigation; or
7. Civil litigation or arbitration.

Such reports may consist of contractually-required investment contractor notifications, voluntary investment contractor notifications, required regulatory reports and forms submitted by investment contractors, investment consultant notifications, publicly reported information, and/or any other sources that provide such reports. Where investment contractor notifications are required by contract, investment contractors shall notify the Chief Investment Officer and/or their designated investment staff member(s) within three (3) days of the investment contractor having notice of such information, unless otherwise required by law.

D. ELEVATION OF REPORTS FROM THE CHIEF INVESTMENT OFFICER TO THE GENERAL MANAGER

The Chief Investment Officer shall evaluate the reports described in Section XVIII(C) for possible elevation to the General Manager. The Chief Investment Officer shall elevate reports to the General Manager when they contain any of the following attributes:

1. An investment contractor or a principal or employee thereof was charged with, convicted of, or pleaded guilty to a felony;
2. An investment contractor or a principal or employee thereof was charged with, convicted of, or plead guilty to a misdemeanor involving: investments or an investment-related business, or any fraud, false statements or omissions, theft, embezzlement, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

3. An investment contractor or a principal or employee thereof was charged with, or found to have been involved, in a violation of an investment-related statute, regulation, or rule;
4. An investment contractor or a principal or employee thereof was the cause of an investment-related business having its authorization to do business denied, suspended, revoked, or restricted;
5. A self-regulatory organization or commodities exchange: suspended or expelled from membership a principal of an investment contractor or an employee in a managerial position thereof; denied, suspended, revoked or restricted their authorization to do business; barred or suspended them from association with other self-regulatory organization or commodities exchange members; or otherwise restricted their activities;
6. The SEC, Commodity Futures Trading Commission, other federal regulatory agency, state regulatory agency, any foreign financial regulatory authority, self-regulatory organization, or commodities exchange charged or found that an investment contractor or a principal or employee thereof made a material false statement or omission, or was dishonest, unfair, or unethical or in material violation of the contractor's fiduciary or contractual duties to its clients;
7. The investment contractor provided the report as a contractually-required notification to the Board of any regulatory proceeding or material litigation relating to the investment contractor's business to which the investment contractor or any of its owners, principals or employees is a named party; or
8. An investment contractor or a principal or employee thereof was the subject of a civil self-regulatory, or administrative proceeding, or a litigation or arbitration claim alleging damages in excess of \$100,000, involving any of the following:
 - a) Any investment or an investment-related business or activity;
 - b) Fraud, material false statement or omission;
 - c) Theft, embezzlement, or other wrongful taking of property;
 - d) Bribery, perjury, forgery, counterfeiting, or extortion;
 - e) Dishonest, unfair, or unethical practices, or
 - f) Breach of fiduciary duty.

The Chief Investment Officer shall confer with the City Attorney for assistance in determining whether reports should be elevated to the General Manager pursuant to Section XVIII(D).

E. GENERAL MANAGER EVALUATION AND REPORTING TO THE BOARD

1. Upon receipt of reports described in Section XVIII(D), the General Manager shall evaluate them for possible reporting to the Board. The General Manager will report investment contractor conduct to the Board when such conduct is deemed to be material under this Policy, and/or because:
 - a) The General Manager believes that the conduct creates reputational risk to the Board and/or the Plan through their association with the investment contractor;
 - b) There is a substantial likelihood that the conduct may lead to media inquiries or other publicity, such that the Board should have in place a coordinated plan to respond to such inquiries, and/or the General Manager deems it prudent to inform the Board prior to such publicity to ensure the Board receives accurate and complete information;or
 - c) Upon request of one or more Commissioners.

As part of the evaluation process, the General Manager shall confer with the City Attorney and specialized outside counsel, as appropriate, and may seek additional information from the Chief Investment Officer.

2. When the General Manager determines that investment contractor conduct is required to be reported to the Board pursuant to Section XVIII(E)(1), the General Manager or their designee, through the Commission Executive Assistant, shall send separate emails to each Commissioner briefly summarizing the conduct and the contractual relationship between the investment contractor and the Plan. Such emails shall copy the Managing Assistant City Attorney, Public Pensions General Counsel Division and refer any follow up questions to the General Manager or the Managing Assistant City Attorney.
3. If the General Manager concludes that, in addition to the emails briefing Commissioners described in Section XVIII(E)(2) of this Policy, Board discussion at a public meeting would be in the best interest of the Plan, or is required to seek the Board's consideration and approval of recommended action(s), the General Manager shall confer with the Board President to schedule the item on the agenda for Board consideration and possible action at an upcoming Board meeting. Upon the request of the General

Manager, the City Attorney, with the assistance of specialized outside counsel, as appropriate, shall provide confidential attorney-client privileged written advice to the Board in connection with the General Manager's report to the Board on the item, including legal advice on the recommended Board action(s) to be taken by the Plan, if any.

4. Commissioners and staff members shall not respond to media inquiries regarding investment contractor conduct. Pursuant to the Board Communications Policy (Section 1.3 of the Board Administrative Policies), the General Manager and/or their designee will act as spokesperson for the Plan should the need arise.

If necessary, the Board President and the Board Vice President shall review and approve any final press release regarding investment contractor conduct prior to any dissemination and publication.

F. REPORTING REGARDING INVESTMENT CONTRACTOR CANDIDATES

Excepting section XVIII(E), this Policy shall apply to investment contractor candidates who have responded to Requests for Proposals (RFPs) and are eligible to contract with the Board. All investment contractor RFPs shall require applicants to provide reports summarizing any involvement in the previous five (5) years in any of the categories listed in Section XVIII(C).

Where an investment contractor candidate who has provided such a report is an RFP finalist, investment staff shall determine if the report is "material" such that it would need to be reported to the Board under this Policy if the Board awarded the candidate a contract. If investment staff determines that the report is material, staff shall include a brief summary of the report in the Board report presenting the finalist candidate to the Investment Committee and/or the Board. As part of the evaluation and reporting process for RFP finalist candidates, Investment staff shall consult with the City Attorney.



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

MEETING: JANUARY 9, 2024
ITEM: VII - E

Neil M. Guglielmo

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN WATERTON
RESIDENTIAL PROPERTY VENTURE XV, L.P.**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of a commitment of up to \$50 million in Waterton Residential Property Venture XV, L.P.

Discussion

On July 25, 2023 the Board, in closed session pursuant to Government Code Section 54956.81, approved a commitment of up to \$50 million in the following private real estate fund: Waterton Residential Property Venture XV, L.P. The investment closed on December 8, 2023. Board vote: Ayes 7 (Commissioners Thuy Huynh, Elizabeth Lee, Gaylord "Rusty" Roten, Janna Sidley, Michael R. Wilkinson, Vice President Sung Won Sohn, and President Annie Chao), Recusal 0, and Nays 0.

Strategic Plan Impact Statement

The commitment to Waterton Residential Property Venture XV, L.P. aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Jessica Chumak, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JC:rm



LACERS
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RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guadriello, General Manager

Neil M. Guadriello

MEETING: JANUARY 9, 2024

ITEM: VII - F

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$25 MILLION IN KAYNE ANDERSON
CORE REAL ESTATE, L.P.**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of a commitment of up to \$25 million in Kayne Anderson Core Real Estate, L.P.

Discussion

On November 28, 2023 the Board, in closed session pursuant to Government Code Section 54956.81, approved a commitment of up to \$25 million in the following private real estate fund: Kayne Anderson Core Real Estate, L.P. The investment closed on January 1, 2024. Board vote: Ayes 7 (Commissioners Elizabeth Lee, Gaylord "Rusty" Roten, Janna Sidley, Thuy Huynh, Michael R. Wilkinson, Vice President Sung Won Sohn, and President Annie Chao), Recusal 0, and Nays 0.

Strategic Plan Impact Statement

The commitment to Kayne Anderson Core Real Estate, L.P. aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Jessica Chumak, Investment Officer I, Investment Division

NMG/RJ/WL/EC/JC:rm