



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING
TUESDAY, JULY 25, 2023
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.

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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:	Vacant
Vice President:	Elizabeth Lee
Commissioners:	Annie Chao Thuy Huynh Gaylord "Rusty" Roten Janna Sidley Sung Won Sohn 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.

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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. BOARD PRESIDENT VERBAL REPORT
- III. BOARD ELECTION
 - A. ELECTION OF BOARD OFFICERS FOR FISCAL YEAR 2023-24 AND POSSIBLE BOARD ACTION
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
 - C. [RECEIPT OF THE CITY'S CONTRIBUTION FOR FISCAL YEAR 2023-24](#)
 - D. INTRODUCTION OF CITY ATTORNEY SUMMER LAW CLERKS
- V. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JUNE 2023](#)
- VI. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON JULY 11, 2023
 - B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON JULY 25, 2023
- VII. CONSENT ITEM(S)
 - A. [APPROVAL OF MINUTES FOR THE REGULAR MEETING OF JUNE 27, 2023 AND POSSIBLE BOARD ACTION](#)
 - B. [GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION](#)
- VIII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS
 - B. [PRESENTATION BY THE CFA INSTITUTE REGARDING ESG CONSIDERATIONS IN THE INVESTMENT PROCESS](#)

C. [APPROVAL OF 3-YEAR CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. DEVELOPED MARKETS VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION](#)

D. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO WATERTON RESIDENTIAL PROPERTY VENTURE XV, L.P. AND POSSIBLE BOARD ACTION**

IX. DISABILITY RETIREMENT APPLICATION(S)

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


X. OTHER BUSINESS

XI. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, August 8, 2023 at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

XII. ADJOURNMENT

Board Mtg: 07/25/23
Item: IV-C

Date: July 14, 2023

To: Neil M. Guglielmo, General Manager 

From: Jo Ann Peralta, Department Chief Accountant IV
Fiscal Management Division

SUBJECT: RECEIPT OF CITY'S CONTRIBUTIONS FOR FISCAL YEAR 2023-24

The purpose of this memorandum is to advise you of the receipt of the employer's contribution to LACERS of \$814,440,563 and the disposition of those funds by the Fiscal Management Division.

The net payment reflects the City's contribution toward LACERS' Members retirement and postemployment healthcare benefits for the Fiscal Year (FY) 2024, a credit adjustment for a true-up of the advance payment of contributions made for the prior fiscal year, and adjustments shifting the cost of Airport Peace Officers' enhanced benefits to the Los Angeles World Airports (LAWA).

The City has paid in full the required contributions for FY 2024 calculated based on the City's final covered payroll of \$1,792,162,282 for Tier 1 and \$902,263,599 for Tier 3, and applying the contribution rates for payment on July 15, 2023, of 34.07% for Tier 1 and 31.45% for Tier 3 as adopted by the Board. The payment also includes the employer share of other costs consisting of the Family Death Benefit Plan (FDBP), the Limited Term Retirement Plan (LTRP) and the Excess Benefit Plan (EBP).

The five City entities contributed to the full required contributions¹, and the disposition of those funds are as follows:

- On Wednesday, July 12, 2023, the Office of the City Administrative Officer (CAO) disbursed \$675,823,739 to LACERS from the proceeds of Tax Revenue Anticipation Note (TRAN) issuance. Of this amount, \$593,257,299 and \$81,301,344 were wired to LACERS' Benefit Payment and Healthcare Trust (115 Trust) accounts in Northern Trust respectively on Wednesday, July 12, 2023. The balance of \$1,265,095 remains with the City Treasury for the administration of the LTRP and EBP.
- On Thursday, July 6, 2023, the LAWA paid \$97,227,550 to LACERS. Of this amount, \$86,132,988 and \$10,919,896 were wired to LACERS' Benefit Payment and Healthcare Trust accounts in Northern Trust respectively on Tuesday, July 11, 2023. The balance of \$174,666 remains with the City Treasury for the administration of LTRP and EBP.

- On Wednesday, July 5, 2023, the Harbor Department paid \$30,259,414 to LACERS. Of this amount, \$26,681,097 and \$3,523,695 were wired to LACERS' Benefit Payment and Healthcare Trust accounts in Northern Trust respectively on Tuesday, July 11, 2023. The balance of \$54,622 remains with the City Treasury for the administration of the LTRP and EBP.
- On Thursday, July 13, 2023, the Los Angeles Fire and Police Pensions (LAFPP) paid \$4,330,615 to LACERS. Of this amount, \$3,821,622 and \$500,699 were wired out to LACERS' Benefit Payment and Healthcare Trust accounts in Northern Trust respectively on Friday, July 14, 2023. The balance of \$8,294 remains with City Treasury for the administration of the LTRP and EBP.
- LACERS' share of the required contribution totals \$6,799,245. Of this amount, \$813,008 was wired out to LACERS' Healthcare Trust account in Northern Trust on Friday, July 14, 2023. Funds totaling \$1,488 and \$10,834 were transferred to LTRP account (Fund 900) and the EBP account (Fund 901), respectively. The remaining amount of \$5,973,915 remained in City Retirement fund (Fund 800). The total contribution was recorded as expenditure incurred and revenue earned in FY 2024 excluding the contribution true-up adjustment of \$470,331 pertaining to the prior fiscal year's contribution, reflected as addition to expenditure and revenue for the FY 2023.

Please refer to the summary attached.

TB:JP

Attachment: Summary of City Contributions and Disposition for Fiscal Year 2023-24

¹ LACERS coordinated with respective departments to streamline the City Contribution process in accordance with the recent changes in banking and process requirements by departments involved in this transaction including Office of Finance and Office of the Controller. For Fiscal Year 2024, the payment deadline was set on or before Thursday, July 13, 2023 in order to wire out contributions to LACERS' Custodian bank on or before Friday, July 14, 2023 and have the funds available for LACERS' Investment on the next business day.

LACERS
SUMMARY OF CITY CONTRIBUTIONS AND DISPOSITIONS
For the Fiscal Year 2023-24

Description	General Fund (CAO)	Airports (LAWA)	Harbor	LAFPP	LACERS *	Total
Retirement Plan:						
FY 24 Actuarial Contributions	\$ 656,541,349	\$ 91,294,291	\$ 28,906,714	\$ 4,369,488	\$ 6,426,765	\$ 787,538,607
Adjustment: Enhanced Benefits	(3,498,705)	3,721,148	(163,302)	(24,362)	(34,779)	-
FDBP Contributions	42,587	5,880	1,839	279	415	51,000
Total	\$ 653,085,231	\$ 95,021,319	\$ 28,745,251	\$ 4,345,405	\$ 6,392,401	\$ 787,589,607
LTRP & EBP Contributions	1,265,096	174,666	54,622	8,294	12,322	1,515,000
FY 23 True-Up	(59,827,932)	(8,888,331)	(2,064,154)	(523,783)	(418,486)	(71,722,686)
Retirement Contributions Due	\$ 594,522,395	\$ 86,307,654	\$ 26,735,719	\$ 3,829,916	\$ 5,986,237	\$ 717,381,921
Healthcare Plan:						
FY 24 Actuarial Contributions	\$ 89,391,322	\$ 12,224,358	\$ 3,758,184	\$ 574,268	\$ 864,853	\$ 106,812,985
Adjustment: Enhanced Benefits	-	-	-	-	-	-
Total	\$ 89,391,322	\$ 12,224,358	\$ 3,758,184	\$ 574,268	\$ 864,853	\$ 106,812,985
FY 23 True-Up	(8,089,978)	(1,304,462)	(234,489)	(73,569)	(51,845)	(9,754,343)
Healthcare Contributions Due	\$ 81,301,344	\$ 10,919,896	\$ 3,523,695	\$ 500,699	\$ 813,008	\$ 97,058,642
Total Contributions Received	\$ 675,823,739	\$ 97,227,550	\$ 30,259,414	\$ 4,330,615	\$ 6,799,245	\$ 814,440,563
Date Received	07/12/23	07/06/23	07/05/23	07/13/23	N/A *	
Disposition of Funds:						
Wired to NT Acct 93688 (Benefit Payment)	593,257,299	86,132,988	26,681,097	3,821,622	N/A *	709,893,006
Wired to NT Acct 4483228 (Healthcare Trust)	81,301,344	10,919,896	3,523,695	500,699	813,008	97,058,642
Date Wired	07/12/23	07/11/23	07/11/23	07/14/23	07/14/23	
Transfer to Limited Term Retirement Plan	152,814	21,098	6,598	1,002	1,488	183,000
Transfer to Excess Benefit Plan	1,112,282	153,568	48,024	7,292	10,834	1,332,000
Retained in LACERS Fund 800	-	-	-	-	5,973,915	5,973,915
Total Fund Disposed	\$ 675,823,739	\$ 97,227,550	\$ 30,259,414	\$ 4,330,615	\$ 6,799,245	\$ 814,440,563

* LACERS is only required to wire out of \$813,008 Healthcare Plan contributions to LACERS' Healthcare Trust (115 Trust) account with Northern Trust (NT) and interfund transfer of \$12,322 to LTRP and EBP funds. 115 Trust account with NT was opened in December 2018 to avoid comingling of 115 funds with any other funds as required. \$5,973,915 of LACERS contributions will remain in LACERS City retirement account.

Agenda of: JULY 25, 2023

Item No: V-A

**MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF JUNE 2023)**

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

BOARD MEMBERS:

Commissioner Thuy Huynh

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
June 7, 2023	2nd Annual Southern California Institutional Forum	Markets Group	Beverly Hills, CA

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

June 27, 2023

10:00 a.m.

PRESENT:	President:	Vacant
	Vice President:	Elizabeth Lee
	Commissioners:	Thuy Huynh Janna Sidley (arrived at 10:04 a.m.) Sung Won Sohn Michael R. Wilkinson
	Legal Counselor:	Anya Freedman
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
ABSENT:	Commissioner	Annie Chao

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

I

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

II

ELECTION TO FILL UNEXPIRED TERM OF THE VACANT OFFICE OF THE BOARD PRESIDENT PURSUANT TO LOS ANGELES CITY CHARTER SECTION 503(A) AND POSSIBLE BOARD ACTION – Neil M. Guglielmo, General Manager, advised that the nominations for Board President were being considered. Commissioner Wilkinson nominated Commissioner Chao and Commissioner Huynh nominated Vice President Lee. Mr. Guglielmo called for the vote on the nomination of Commissioner Chao as President: Ayes, Commissioner Wilkinson -1; Nays, Commissioners Huynh, Sidley and Vice President Lee -3. Commissioner Chao did not receive the majority vote. Mr. Guglielmo called for the vote on the nomination of Vice President Lee as President: Ayes, Commissioner Huynh, Sidley, and Vice President Lee -3; Nays, Commissioner Wilkinson -1. Vice President Lee did not receive the majority vote. The Board Officer election will be continued to the next Board meeting.

III

IF VACANCY CREATED IN OFFICE OF THE VICE PRESIDENT BY BOARD ACTION ON AGENDA ITEM II, ELECTION TO FILL UNEXPIRED TERM OF BOARD VICE PRESIDENT, PURSUANT TO LOS ANGELES CITY CHARTER SECTION 503(A) AND POSSIBLE BOARD ACTION – No action was taken on this item and it will be continued to the next Board meeting.

Commissioner Sohn joined the Regular meeting at 10:04 a.m.

Vice President Lee recessed the Regular meeting at 10:04 a.m. to convene in closed session.

IV

DISABILITY RETIREMENT APPLICATION(S)

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

V

- A. ANNUAL LITIGATION REPORT: CLOSED SESSION PURSUANT TO SUBDIVISIONS (a), (d)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH AND/OR RECEIVE ADVICE FROM LEGAL COUNSEL REGARDING PENDING LITIGATION IN THE FOLLOWING THREE (3) CASES, AND POSSIBLE BOARD ACTION:**
- a. In re ASHINC Corp, et al. v. Yucaipa American Alliance Fund I, LLC, et al. (Bankr. D. Del., Case No. 12-11564);**
 - b. Youngman v. Yucaipa American Alliance Fund I, LLC, et al. (LASC, Case No. 21STCV37137); and**
 - c. American Federation of State, County, and Municipal Employees et al. v. City of Los Angeles et al. (LASC, Case No. BS 166535)**

Vice President Lee reconvened the Regular meeting at 10:33 a.m. and announced that the Board unanimously approved the Disability Retirement Application of Jesse Rodriguez.

VI

BOARD PRESIDENT VERBAL REPORT – Vice President Lee recognized LACERS staff and the Commissioners leadership with all the FY23 accomplishments.

VII

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, advised the Board of the following items:**
- Security breach affecting CalPERS records
 - IRMAA outreach

- Emergency Preparedness
- HQ updates
- Retirement Services updates
- Health Benefits Administration updates
- Communications and Stakeholder Relations updates
- Upcoming events

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

- July 11th Board: Consideration of Board Governance Consulting Services Finalists, Medical Plan RFP results, and Dental and Vision contract renewals.
- July 25th Governance Committee: Triennial Board Policy Review Continuation

VIII

RECEIVE AND FILE ITEMS

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

IX

COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON JUNE 13, 2023 – Vice President Lee stated the Committee heard a presentation by Centersquare Investment Management LLC. Vice President Lee added that the Committee approved contracts with Lazard Asset Management LLC, Polen Capital Credit, LLC, and Aksia CA LLC.

B. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT FOR THE MEETING ON JUNE 27, 2023 – Commissioner Wilkinson stated the Committee approved the 2024 dental and vision contract renewals and medical plans request for proposal results.

X

Commissioner Sohn moved approval of Consent Agenda Item X-A, seconded by Commissioner Sidley, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, Wilkinson, Vice President Lee -5; Nays, None.

CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE MEETING OF MAY 23, 2023 AND POSSIBLE BOARD ACTION

XI

BOARD/DEPARTMENT ADMINISTRATION

- A. CONSIDERATION OF PROPOSED ASSUMPTION CHANGES BASED ON THE ACTUARIAL EXPERIENCE STUDY DURING THE PERIOD OF JULY 1, 2019 THROUGH JUNE 30, 2022 AND POSSIBLE BOARD ACTION – Paul Angelo, Actuary, and Andy Yeung, Actuary, with Segal Consulting, presented and discussed this item with the Board for 20 minutes. Commissioner Sohn chose to abstain. Commissioner Wilkinson moved approval, seconded by Commissioner Huynh, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, Wilkinson, and Vice President Lee -5; Nays, None.
- B. STATUS OF LACERS IMPLEMENTATION PLAN AS IT RELATES TO RECOMMENDATIONS PROVIDED IN THE CITY’S 2022 MANAGEMENT AUDIT AND POSSIBLE BOARD ACTION – Melani Rejuso, Departmental Audit Manager, presented this item to the Board. Commissioner Sohn moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, Wilkinson, and Vice President Lee -5; Nays, None.

XII

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 \$21.461 billion as of June 26, 2023. Mr. June discussed the following items:
- Volatility Index at 13.65
 - Staff working on private credit policy
 - Girls Who Invest Intern starts on July 5, 2023
 - Future Agenda Items: Performance for Private Equity, Performance for Real Estate, and Bank Custodian RFP

Mr. June shared that Russian exposure for LACERS was 1.5 basis points

- B. APPROVAL OF 3-YEAR CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE BOARD ACTION – Ellen Chen, Investment Officer II, presented this item to the Board. Commissioner Sidley moved approval of the following Resolution:

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

RESOLUTION 230627-B

WHEREAS, LACERS’ current three-year contract with Lazard Asset Management LLC (Lazard) for active non-U.S. equities developed markets core portfolio management expires on September 30, 2023; and,

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

WHEREAS, a contract renewal with Lazard will allow the LACERS total portfolio to maintain a diversified exposure to non-U.S. developed markets core equities; and,

WHEREAS, on June 27, 2023, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Lazard.

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

<u>Company Name:</u>	Lazard Asset Management LLC
<u>Service Provided:</u>	Active non-U.S. equities developed markets core Portfolio Management
<u>Effective Dates:</u>	October 1, 2023 through September 30, 2026
<u>Duration:</u>	Three years
<u>Benchmark:</u>	MSCI EAFE Index
<u>Allocation as of May 31, 2023:</u>	\$550 million

Which motion was seconded by Commissioner Huynh, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, Wilkinson, and Vice President Lee -5; Nays, None.

C. APPROVAL OF 1-YEAR CONTRACT WITH POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO AND POSSIBLE BOARD ACTION – Jeremiah Paras, Investment Officer I, presented this item to the Board. Commissioner Huynh moved approval of the following Resolution:

**CONTRACT EXTENSION
POLEN CAPITAL CREDIT, LLC
ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO
MANAGEMENT**

RESOLUTION 230627-C

WHEREAS, LACERS' current three-year contract with Polen Capital Credit, LLC (Polen Credit) for management of an active hybrid high yield fixed income/U.S. floating rate bank loan portfolio expires on August 31, 2023; and,

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

WHEREAS, a contract extension with Polen Credit will allow the LACERS total portfolio to maintain a diversified exposure to the active high yield fixed income and U.S. floating rate bank loan markets; and,

WHEREAS, on June 27, 2023, the Board approved the Investment Committee’s recommendation to approve a one-year contract extension with Polen Credit.

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>	Polen Capital Credit, LLC
<u>Service Provided:</u>	Active Hybrid High Yield Fixed Income/U.S. Floating Rate Bank Loan Portfolio Management
<u>Effective Dates:</u>	September 1, 2023 through August 31, 2024
<u>Duration:</u>	One year
<u>Benchmark:</u>	50% of the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index and 50% of the Credit Suisse Leveraged Loan Index
<u>Allocation as of May 31, 2023:</u>	\$231 million

Which motion was seconded by Commissioner Sidley, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, Wilkinson, and Vice President Lee -5; Nays, None.

D. APPROVAL OF 5-YEAR PRIVATE EQUITY CONSULTANT CONTRACT WITH AKSIA CA LLC AND POSSIBLE BOARD ACTION – Commissioner Huynh moved approval of the following Resolution:

**CONTRACT RENEWAL
AKSIA CA LLC
PRIVATE EQUITY CONSULTING SERVICES**

RESOLUTION 230627-D

WHEREAS, LACERS’ current five-year contract with AKSIA CA LLC (Aksia) for general consulting services expires on July 24, 2023; and,

WHEREAS, Aksia has provided a satisfactory level of service in meeting LACERS’ needs and objectives; and,

WHEREAS, on June 27, 2023, the Board approved the Investment Committee’s recommendation for five-year contract renewal with Aksia.

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

Company Name: Aksia CA LLC

Services Provided: Private Equity Consulting Services

Effective Dates: July 25, 2023 through July 24, 2028

Duration: Five years

Fee: Year 1 - \$825,000

Year 2 - \$860,000

Year 3 - \$895,000

Year 4 - \$930,000

Year 5 - \$970,000

Which motion was seconded by Commissioner Sidley, and adopted by the following vote: Ayes, Commissioners Huynh, Sidley, Sohn, Wilkinson, and Vice President Lee -5; Nays, None.

XIII

OTHER BUSINESS – There was no other business.

XIV

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, July 11, 2023, at 10:00 a.m., in the LACERS Boardroom, at 977 N. Broadway, Los Angeles, California 90012-1728.

XIV

ADJOURNMENT – There being no further business before the Board, Vice President Lee adjourned the Meeting at 12:44 p.m.

Elizabeth Lee
Vice President

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: JULY 25, 2023

ITEM: VII - B

SUBJECT: GENERAL MANAGER DESIGNEE SIGNATURE AUTHORITY AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the proposed General Manager Designee Signature Authority Resolution, effective upon adoption, superseding prior delegations.

Discussion

The General Manager has the authority to administer the affairs of the department as its Chief Administrative Officer inclusive of certification of expenditures pursuant to the Los Angeles City Charter (LACC) Section 509, and authority to execute contracts delegated by the Board. The Board may also delegate authority, under LACC Section 511(a), to the necessary deputies, assistants, and employees of the department and define their duties. In the event that the General Manager is absent or unable to act, assigning signature authority to General Manager Designees would assure that business transactions are addressed promptly and ensure the continuity of services.

Staffing changes necessitate the update of the General Manager Designee Signature Authority. This resolution reflects the following personnel due to job classification or division assignment changes.

- Lin Lin, Personnel Director I

Strategic Plan Impact Statement

The update of the General Manager Designee Signature Authority supports the Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty. Additionally, it corresponds with the Strategic Plan Organizational Goal of maximizing organizational effectiveness and efficiency.

Prepared By: Lisa Li, Management Assistant, Administration Division

NMG/TB/EA:LL

Attachment: Signature Authority for General Manager Designees Proposed Resolution

SIGNATURE AUTHORITY
FOR GENERAL MANAGER DESIGNEES

PROPOSED RESOLUTION

WHEREAS, the Board may delegate authority to the necessary deputies, assistants, and employees of the department and define their duties under Los Angeles City Charter (LACC) Section 511(a); and,

WHEREAS, the General Manager is authorized under LACC Section 509 to administer the affairs of the department as its Chief Administrative Officer; and,

WHEREAS, the General Manager determines it is in the best interest of the department to ensure department business is transacted expeditiously on occasions when they are absent or unable to act through the assignment of signature authorities over specific areas of expertise;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the signature authority resolution for the General Manager designees. If practicable, designees shall seek verbal concurrence from the General Manager. Authority is assigned to the position, rather than the individual. This resolution shall be endorsed by the designees, and should there be a change in personnel, a new endorsement certificate may be made and kept on file in the Board office; filed with any other necessary office of City government; or any agencies involved in processing LACERS' investment transactions and custodial responsibilities for the securities of LACERS. The proposed resolution will supersede any previously adopted resolutions related to General Manager Designee signature authority and is effective upon adoption.

1. Assistant General Manager(s) – for the approval of contracts in compliance with the contracting limitations established in the LACC; approval of expenditures; and approval of benefit payments and related transactions;
2. Chief Management Analyst of Administration Division (AD) – for the approval of contracts in compliance with the contracting limitations established in the LACC; for the approval of expenditures within the authorized AD budget, Performance Management Office budget, and the Actuarial program budget. The Chief Management Analyst may delegate to the Senior Management Analysts I and II in the Administrative Services Office the approval of expenditures within the established thresholds specified in the memorandum submitted to the Chief Accounting Employee of LACERS.

3. Chief Benefits Analyst of Health, Wellness, and Buyback Division (HWABD) – for the approval of retiree health and buyback-related benefits within the limits of Board Rule GMA-1; and approval of expenditures within the authorized HWABD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the HWABD the approval of expenditures within the authorized HWABD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the Service Purchase Section the approval and execution of service purchase transactions including agreements with Members and certifications of service; and delegate to the Senior Benefits Analysts I and II in the Health Benefits Administration the signature authority for transactions related to the payment of approved retiree health benefits.
4. Chief Benefits Analyst of Retirement Services Division (RSD) – for the approval of retirement benefits authorized under Board Rule GMA-1; and approval of expenditures within the authorized RSD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the RSD the approval of expenditures within the authorized RSD budget.
5. Chief Benefits Analyst of Communications and Stakeholder Relations Division (CSRD) – for the approval of expenditures within the authorized CSRD budget. The Chief Benefits Analyst may further delegate to the Senior Benefits Analysts I and II in the CSRD the approval of expenditures within the established CSRD budget.
6. Information Systems Manager – for the approval of expenditures within the authorized Systems Division budget.
7. Chief Investment Officer or Investment Officer III – for the approval of investment transactions required within the scope of the contracts approved by the Board; and approval of expenditures within the authorized Investment Division budget.
8. Personnel Director or Senior Personnel Analyst II – for the approval of expenditures within the authorized Human Resources budget. The Personnel Director or Senior Personnel Analyst II may delegate to the Senior Personnel Analyst I in Human Resources Unit the approval of expenditures within the established Human Resources budget.
9. Departmental Audit Manager – for the approval of expenditures within the authorized Internal Audit budget.
10. Member Stewardship Section (MSS) Manager or Senior Benefits Analyst II – comprised of Active Member Accounts (AMA) and the Member Processing Unit (MPU) – for the approval of expenditures within the authorized budget. The MSS Senior Benefits Analyst II may further delegate to the Senior Benefits Analysts I the approval of expenditures within the established MSS budget.
11. Systems Operations Support Manager (SOS) or Senior Benefits Analyst II – for the approval of expenditures within the authorized SOS budget. The SOS Manager or Senior Benefits Analyst II may delegate to the Senior Benefits Analyst I in the SOS section the approval of expenditures within the established SOS budget.

Endorsed: _____
Todd Bouey
Assistant General Manager

Endorsed: _____
Dale Wong-Nguyen
Assistant General Manager

Endorsed: _____
Ferralyn Sneed
Chief Benefits Analyst of Retirement Services Division

Endorsed: _____
Karen Freire
Chief Benefits Analyst of Health, Wellness, and Buyback Division

Endorsed: _____
Taneda Larios
Chief Benefits Analyst of Communications and Stakeholder Relations Division

Endorsed: _____
Rodney June
Chief Investment Officer

Endorsed: _____
Edwin Avanesian
Chief Management Analyst of Administration Division

Endorsed: _____
Melani Rejuso
Departmental Audit Manager

Endorsed: _____
Thomas Ma
Information System Manager II

Endorsed: _____
Wilkin Ly
Investment Officer III

Endorsed: _____
Delia Hernandez
Senior Benefits Analyst II

Endorsed: _____
Audrey Dymally
Senior Benefits Analyst II

Endorsed: _____
Edeliza Fang
Senior Benefits Analyst II

Endorsed: _____
Margaret Drenk
Senior Benefits Analyst II

Endorsed: _____
Heather Ramirez
Senior Benefits Analyst II

Endorsed: _____
Lauren McCall
Senior Benefits Analyst II

Endorsed: _____
Isaias Cantú
Senior Management Analyst II

Endorsed: _____
Lin Lin
Personnel Director I

Endorsed: _____
Brittany Cotton
Senior Benefits Analyst I

Endorsed: _____
Ada Lok
Senior Benefits Analyst I

Endorsed: _____
Glen Malabuyoc
Senior Benefits Analyst I

Endorsed: _____
James Kawashima
Senior Benefits Analyst I

Endorsed: _____
Lourdes Quintos
Senior Benefits Analyst I

Endorsed: _____
Maricel Martin
Senior Benefits Analyst I

Endorsed: _____
Tiffany Obembe
Senior Benefits Analyst I

Endorsed: _____
Brian Cha
Senior Benefits Analyst I

Endorsed: _____
Kevin Hirose
Senior Benefits Analyst I

Endorsed: _____
Sevan Simonian
Senior Benefits Analyst I

Endorsed: _____
Horacio Arroyo
Senior Management Analyst I

Endorsed: _____
John Koontz
Senior Management Analyst I



CFA Institute ESG Training for LACERS Los Angeles City Employees' Retirement System

July 2023

DEBORAH KIDD, CFA

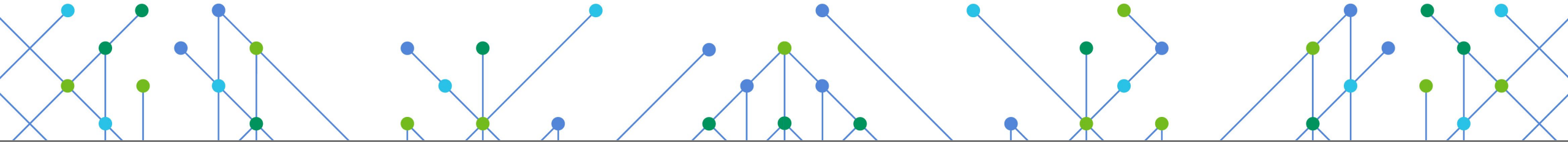
Board Meeting: 7/25/23
Item VIII-B

Deborah Kidd, CFA, is a Director with the Global Industry Standards team at CFA Institute. She contributes to the development, maintenance, and promotion of CFA Institute industry codes and standards with a focus on the Global ESG Disclosure Standards for Investment Products. Before joining CFA Institute in 2019, Deborah wrote extensively about performance attribution and manager due diligence for the CIPM *Investment Risk and Performance* publication. Prior to joining CFA Institute, Deborah was a fixed income portfolio manager for institutional and public funds with Boyd Watterson Asset Management, LLC. Deborah also served for ten years as a board member of CFA Society Cleveland. Deborah has a Bachelor of Arts degree from Ursuline College and is a CFA charterholder.



ABOUT CFA INSTITUTE

MISSION STATEMENT



GLOBAL INVESTMENT PERFORMANCE
STANDARDS (GIPS®)

ASSET MANAGER CODE™

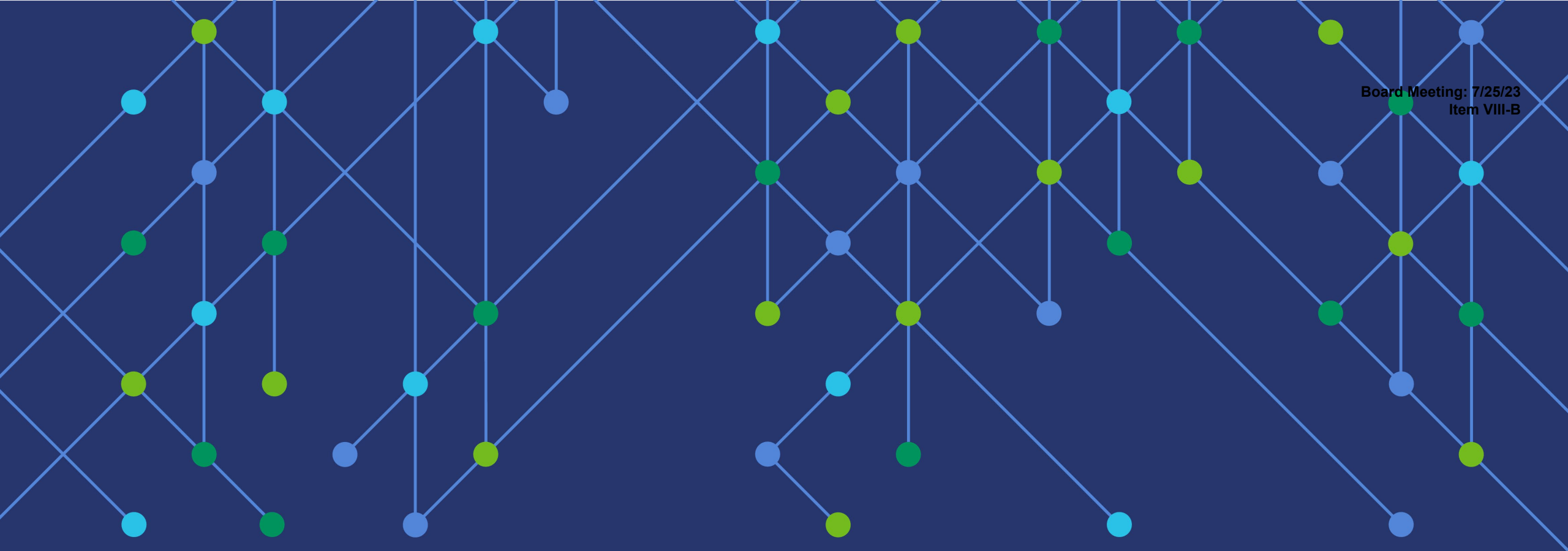
GIPS® STANDARDS FOR FIDUCIARY
MANAGEMENT PROVIDERS TO UK
PENSION SCHEMES

PENSION TRUSTEE CODE OF CONDUCT

CODE OF ETHICS AND STANDARDS OF
PROFESSIONAL CONDUCT

ENDOWMENTS CODE OF CONDUCT

DIVERSITY, EQUITY, AND INCLUSION
CODE OF CONDUCT



Board Meeting: 7/25/23
Item VIII-B

-
- ESG
 - Sustainable
 - Responsible Investing
 - Green
 - Ethical Investing
 - Socially Responsible Investing

Environmental

Conservation of the natural world

- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

Social

Consideration of people & relationships

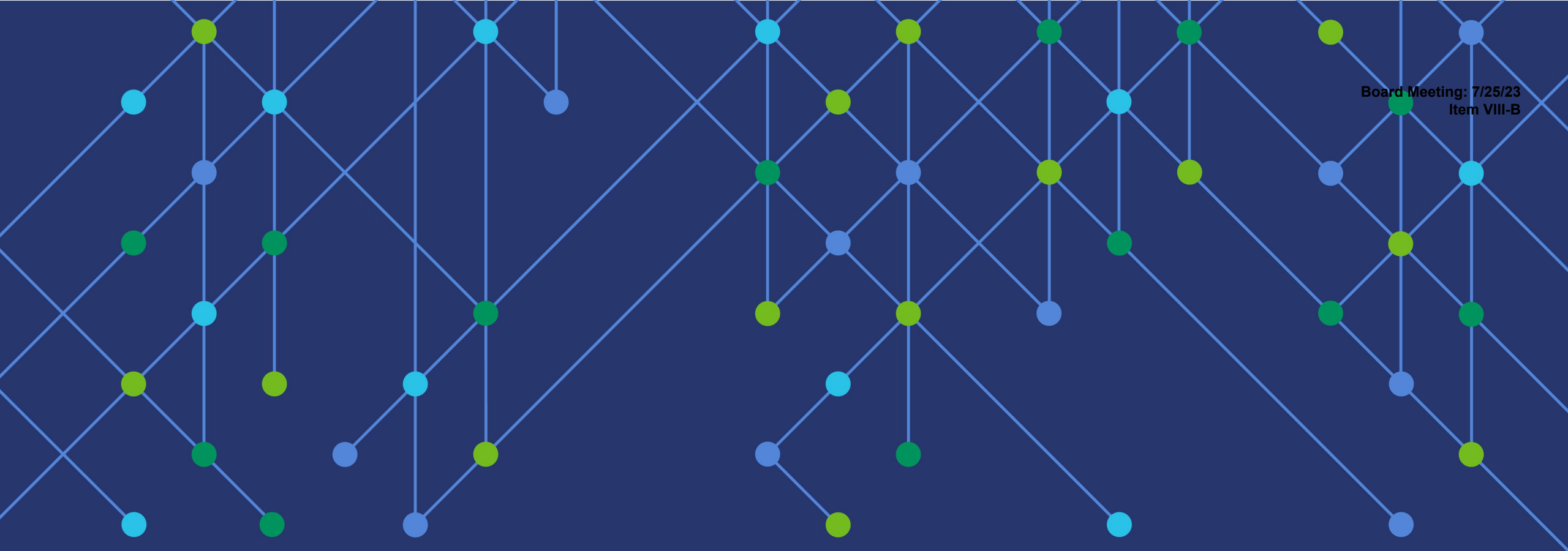
- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards

Governance

Standards for running a company

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower schemes

	Risk	Return	Constraints	Impact
Purpose	<ul style="list-style-type: none"> Improve risk-adjusted returns 	<ul style="list-style-type: none"> Take advantage of large-scale, long-term social or environmental trends 	<ul style="list-style-type: none"> Establish ESG-related boundaries for the types of investments that will be made 	<ul style="list-style-type: none"> Contribute to a specific environmental or social outcome while also earning a return
Type of investment product	<ul style="list-style-type: none"> Funds/strategies that research, analyze, and combine financially material ESG information along with other types of information in the investment process 	<ul style="list-style-type: none"> Funds/strategies that intentionally construct and hold a portfolio of investments based on forecasted growth for certain products and services 	<ul style="list-style-type: none"> Funds/strategies that intentionally construct and hold a portfolio of investments that have certain ESG characteristics or that exclude investments with certain ESG characteristics 	<ul style="list-style-type: none"> Funds/strategies that have specific, real-world environmental and/or social objectives in addition to investment objectives
Types of investments	<ul style="list-style-type: none"> All investments are eligible 	<ul style="list-style-type: none"> Investments limited to those that support the investment hypothesis Typically more concentrated than other investment products 	<ul style="list-style-type: none"> Investments are constrained by security selection and portfolio construction criteria. Broad industry/sector exposure may be maintained or may exclude certain industries 	<ul style="list-style-type: none"> Often private investments
Potential performance impact	<ul style="list-style-type: none"> Intended to enhance performance by reducing ESG-related risks and identifying opportunities 	<ul style="list-style-type: none"> Trends may not play out as expected Risks may be concentrated 	<ul style="list-style-type: none"> Constraining the universe may affect performance 	<ul style="list-style-type: none"> May be trade-offs between impact and financial objectives



Board Meeting: 7/25/23
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- ESG Integration – inclusion of ESG information in financial analysis
- Exclusionary Screening – excluding companies with certain ESG-related characteristics
- Best-in-Class Screening – investing in companies according to ESG ranking criteria
- Thematic – investing in companies that exploit long-term or macroeconomic ESG trends
- Impact – investing to generate measurable social and/or environmental outcomes and solutions

Three Components of ESG Integration:

- The ongoing process of considering environmental, social, and governance information
- along with other types of information within the investment analysis and decision-making process
- with the aim of reducing financial risks and improving financial returns.

“ESG Integration” should not be used as an “umbrella term” to refer to all ESG approaches, including but not limited to screening, best-in-class, responsible, sustainable, impact, and thematic.

ESG Integration Techniques:

- In asset allocation and portfolio construction, techniques include scenario analysis, sensitivity analysis, and benchmark-relative weighting.
- In equity security analysis, techniques include adjustments to the income statement, balance sheet, or cash flow statement; adjustments to forecasted financials; and adjustments to model assumptions and valuation multiples.
- In fixed-income security analysis, techniques include adjustments to credit assessments, forecasted financial ratios, and credit spreads.

Opportunities

- Investee company influence and control leads to greater opportunity for value creation
- Risks can be identified through the due diligence process and reduced in pre-investment negotiations
- Lack of standardized information and disclosures can provide opportunities for greater returns relative to peers

Challenges

- More difficult to access ESG information
- Information is less standardized
- Can increase cost of due diligence
- Influence can depend on degree of ownership

- **Consider All Material Information.** CFA Institute Standards of Professional Conduct require CFA® charterholders to conduct appropriate research and investigation of *all material information* relevant to their investment analyses and portfolio management decisions, recommendations, or actions.
- **Including Material ESG Factors.** CFA Institute believes this requirement includes the integration of material ESG information/considerations, i.e., material ESG factors as an important component of a complete and thorough financial analysis for any actively managed investment portfolio.
- **We Encourage All Investment Professionals to Consider Material ESG Factors.** More broadly, CFA Institute encourages all investment professionals to consider material ESG factors, where relevant, as an important part of the analytical and investment decision-making process, regardless of investment style, asset class, or investment approach.
- **Integration of ESG Factors is Not a Violation or Obligation of the CFA Institute Duty of Care Standards.** Integrating ESG factors into the investment analysis process is left to the professional judgment of the investment professional and as directed by the client. Such integration is consistent with a manager's professional duty to consider all relevant material information in the investment analysis and decision-making process.

Board Meeting: 7/25/23
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- On 1 November 2021, CFA Institute issued the Global ESG Disclosure Standards for Investment Products, the first global voluntary **standards for disclosing how an investment product considers ESG issues in its objectives, investment process, and stewardship activities.**
- The Standards were developed through a transparent, collaborative process that was informed by two rounds of public consultation and guided by volunteer investment professionals.
- The Standards seek to address “greenwashing” as well as the difficulties that investors face when trying to understand, evaluate, and compare investment products that incorporate one or more ESG approaches.
- The Standards have been designed to accommodate the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world.
- Global standards like the Global ESG Disclosure Standards for Investment Products play an important role, alongside regulation, in shaping industry practices.

Current State of Disclosures

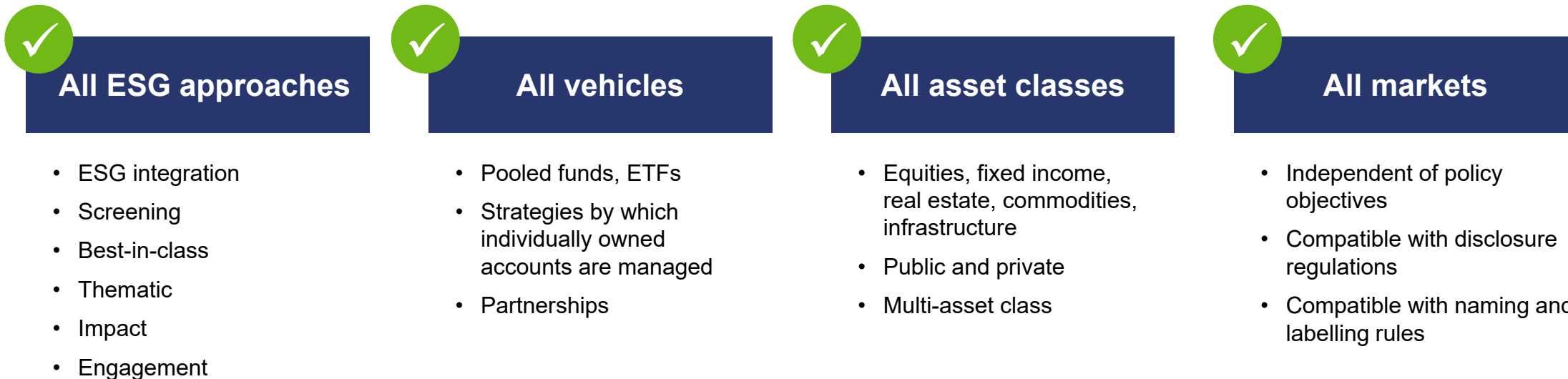
- Factsheets, Product Profiles
- Websites
- Regulatory Filings
- Prospectuses
- 3rd party databases
- Due diligence
- Pitch books
- Undisclosed



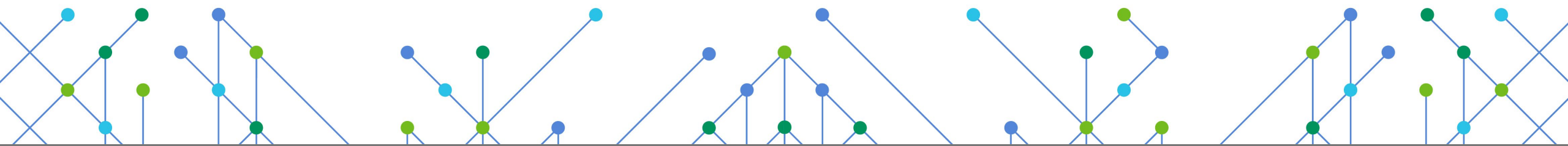
ESG Disclosure Statement

One Inclusive Document:
Complete, Consistent, Clear, Accessible



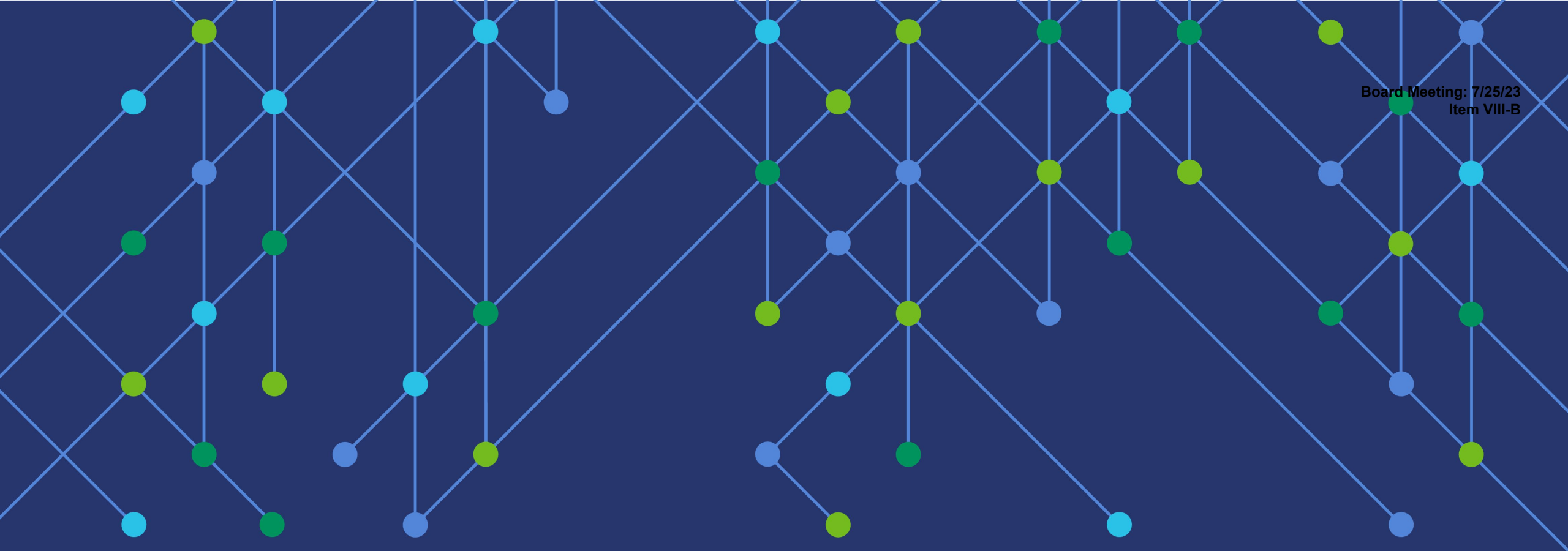


Investment managers apply the Standards on a product-by-product basis.

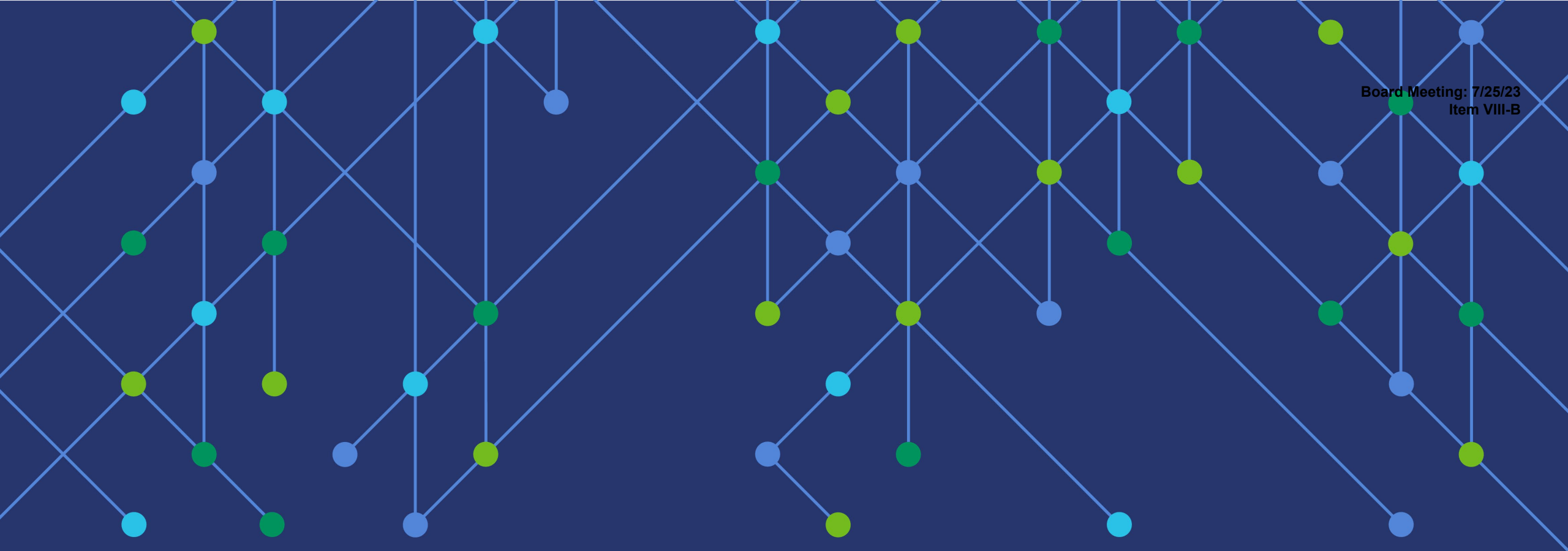


Systematic Consideration of Financially Material ESG Information in Investment Decisions

- 2.A.7 If financially material ESG information is systematically considered in investment decisions, then the INVESTMENT MANAGER MUST disclose:
- a. how financially material ESG information is typically identified;
 - b. how financially material ESG information is typically incorporated into investment decisions, differentiated by type of investment when necessary; and
 - c. exceptions in which financially material ESG information is not considered in investment decisions, if any.



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Board Meeting: 7/25/23
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REPORT TO BOARD OF ADMINISTRATION

From: Investment Committee
Elizabeth Lee, Chair
Janna Sidley
Thuy Huynh

MEETING: JULY 25, 2023
ITEM: VIII – C

SUBJECT: APPROVAL OF 3-YEAR CONTRACT WITH BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. DEVELOPED MARKETS VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

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

Discussion

On July 11, 2023, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with BHMS. The firm has managed an active non-U.S. developed markets value equities portfolio for LACERS since November 2013; the current contract expires on September 30, 2023. LACERS' account was valued at approximately \$551 million as of May 31, 2023. Since inception, LACERS has paid BHMS a total of \$22 million in investment management fees for the period ending March 31, 2023.

Staff discussed the organization, investment strategy, performance, and fees. Since August 2020, BHMS has experienced several organizational changes that has led the firm to being placed on watch status, which is set to expire on May 15, 2024. Despite these changes, performance has outpaced the benchmark over all time periods as of May 31, 2023. Since inception of LACERS' account, the strategy has produced 286 basis points of excess returns over the benchmark, net-of-fees.

In addition, BHMS has agreed to provide an effective fee discount of five basis points, lowering LACERS' effective fee to 45 basis points (0.45%). This new fee ranks in the 29th percentile of fees charged by similar managers in the eVestment database (i.e. 71% of like-managers have higher fees).

Strategic Plan Impact Statement

A contract renewal with BHMS will allow LACERS to maintain a diversified exposure to the non-U.S. equities developed markets, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's organization, strategy, performance, and management fee structure aligns with the Strategic Plan Goal to uphold good governance practices that affirm transparency, accountability, and fiduciary duty (Goal V).

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

NMG/RJ/WL/EC:jp:rm

Attachments: 1. Investment Committee Recommendation Report dated July 11, 2023
 2. Proposed Resolution



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

MEETING: JULY 11, 2023
ITEM: VI

Neil M. Guglielmo

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

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

Recommendation

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

Executive Summary

BHMS has managed an active non-U.S. developed markets value equities portfolio for LACERS since November 2013. LACERS' portfolio was valued at \$551 million as of May 31, 2023. BHMS' current contract expires on September 30, 2023. Performance returns of the strategy remain strong, outpacing the benchmark by 286 basis points net-of-fees since inception of LACERS' account. BHMS is currently on watch due to several organizational changes. Staff and NEPC, LLC, (NEPC) LACERS' General Fund Consultant, do not anticipate the organizational changes to have a material impact on the portfolio BHMS manages for LACERS and therefore recommend a three-year contract renewal.

Discussion

Background

BHMS has managed an active non-U.S. developed markets value equities portfolio for LACERS since November 2013, and is benchmarked against the MSCI EAFE Value Index. BHMS' fundamental research-based and value-oriented investment strategy emphasizes companies with low price-to-earnings ratios, low price-to-book ratios, and high dividend yields to provide a measure of protection in down markets, as well as participation in improving economic cycles. The portfolio is managed by Rand Wrighton, who has 23 years of industry experience, and Patrik Wibom, who has 18 years of industry experience. LACERS' portfolio was valued at \$551 million as of May 31, 2023.

BHMS was hired through the 2013 Active Non-U.S. Equities Developed Markets Manager Search and three-year contracts were authorized by the Board on June 11, 2013, and on June 28, 2016. The Board

subsequently authorized a one-year contract extension on July 23, 2019, and a three-year contract renewal on June 23, 2020. The current contract expires on September 30, 2023. BHMS representatives Rand Wrighton and James Carpenter most recently presented a portfolio review to the Committee on August 9, 2022.

Organization

BHMS is an investment management firm that specializes in long-only value investing and is majority owned by Perpetual Limited (Perpetual), an Australian financial services company (ASX ticker: PPT). BHMS is headquartered in Dallas and has 99 employees, including 46 investment professionals. As of March 31, 2023, the firm managed \$40 billion in total assets (11% increase in the past three years) with \$2.9 billion in the non-U.S. value equities strategy (81% increase in the past three years).

Due Diligence

Staff conducts routine due diligence of the manager. Since inception of the contract, routine due diligence meetings have been conducted in person and virtually. The most recent comprehensive onsite due diligence meeting at BHMS' headquarters was conducted on June 2, 2023; staff and NEPC found no adverse findings as result of this meeting.

BHMS has been on watch status for approximately the last three years due to several organizational changes. The initial watch status was triggered in August 2020 when the firm's previous majority owner, BrightSphere Investment Group, a public company listed on the New York Stock Exchange (NYSE ticker: BSIG), entered into an agreement to sell its entire equity interest in BHMS to Perpetual; the transaction closed in November 2020. Pursuant to the LACERS Manager Monitoring Policy, staff and NEPC placed BHMS on watch status for an initial one-year period to monitor the firm for any adverse impacts resulting from the ownership change.

Upon expiration of the initial watch period in August 2021, staff and NEPC extended BHMS' watch status for an additional one-year period to continue monitoring the ongoing integration of BHMS with Perpetual. Staff and NEPC had planned to remove BHMS from watch status in August 2022 after deeming Perpetual's acquisition of BHMS to have no material adverse impact on LACERS' portfolio. However, during the same month Perpetual announced its acquisition of Pental Group, an Australian-based firm that owns several investment management organizations, raising concerns about internal competition between Pental Group's strategies and BHMS' strategies. This event triggered another one-year extension to BHMS' watch period, effective August 25, 2022.

Subsequently, in May 2023, TJ Carter, one of three portfolio managers on the non-U.S. value equities strategy, announced his resignation from BHMS, triggering a third one-year extension to BHMS' watch period, effective May 16, 2023.

Staff and NEPC will continue to closely monitor BHMS through the end of the current watch period, but do not anticipate that the Pental Group acquisition nor the departure of TJ Carter will have adverse impacts to LACERS' portfolio. The strategies offered by the Pental Group are managed in styles that are different from BHMS' strategies. The acquisition should further enhance Perpetual's distribution capabilities and give BHMS further access to markets and prospective clients. Moreover, BHMS does not intend to fill the vacancy left by TJ Carter, who served as a co-portfolio manager for approximately

five years. The strategy continues to be managed Rand Wrighton, the lead portfolio manager and founding member of the strategy, and Patrik Wibom, a co-portfolio manager.

Performance

As of May 31, 2023, BHMS has outperformed the benchmark, net-of-fees, over all periods, as presented in the table below.

Annualized Performance as of 5/31/23 (Net-of-Fees)							
	3-Month	1-Year	2-Year	3-Year	5-Year	7-Year	Since Inception
BHMS	-0.38	2.59	2.37	18.00	5.84	7.66	4.83
MSCI EAFE VALUE ND	-2.59	0.08	-2.22	10.61	1.55	4.43	1.97
<i>% of Excess Return</i>	<i>2.21</i>	<i>2.51</i>	<i>4.59</i>	<i>7.39</i>	<i>4.29</i>	<i>3.23</i>	<i>2.86</i>

*Since Inception Date: November 30, 2013

Calendar year performance of LACERS' account is presented in the table below as supplemental information.

Calendar Year Performance as of 12/31/22 (Net-of-Fees)										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	11/30/13 to 12/31/13
BHMS	-0.93	14.71	3.75	26.12	-18.12	23.12	3.23	-6.56	-2.06	2.26
MSCI EAFE VALUE ND	-5.58	10.89	-2.63	16.09	-14.78	21.44	5.02	-5.68	-5.39	1.36
<i>% of Excess Return</i>	<i>4.65</i>	<i>3.82</i>	<i>6.38</i>	<i>10.03</i>	<i>-3.34</i>	<i>1.68</i>	<i>-1.79</i>	<i>-0.88</i>	<i>3.33</i>	<i>0.90</i>

Fees

LACERS pays BHMS an effective fee of 50 basis points (0.50%), which is approximately \$2.8 million annually based on the value of LACERS' assets as of May 31, 2023. The fee ranks in the 35th percentile of fees charged by similar managers in the eVestment database (i.e., 65% of like-managers have higher fees). For the new proposed contract period, staff negotiated a more favorable fee structure with BHMS, resulting in a new effective fee of 45 basis points (0.45%) that ranks in the 29th percentile of fees charged by similar managers in the eVestment database (i.e., 71% of like-managers have higher fees). Since inception, LACERS has paid BHMS a total of \$22 million in investment management fees for the period ending March 31, 2023.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

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

Prepared by: Ellen Chen, ESG Risk Officer, Investment Officer II, Investment Division.

NMG/RJ/BF/EC:jp:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: July 11, 2023

Subject: Barrow, Hanley, Mewhinney & Strauss, LLC

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract with Barrow, Hanley, Mewhinney & Strauss, LLC ('BHMS' or 'Barrow Hanley') for a period of three years from the date of contract expiry.

Background

BHMS has been an investment manager for LACERS since November 30, 2013 managing a non-U.S. developed markets portfolio within the Non-U.S. Equity asset class. As of May 31, 2023, BHMS managed \$550.7 million, or 2.6% of Plan assets. The portfolio is benchmarked against the MSCI EAFE Value Index and has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). BHMS portfolio is currently on Watch pursuant to the LACERS' manager monitoring policy and has been on Watch since August 2020. The portfolio was first placed on Watch on August 25, 2020 due to a change in the firm's ownership resulting from Perpetual Limited's acquisition of BHMS. The Watch status was extended on August 26, 2021 and August 25, 2022 due to additional organizational changes. On May 16, 2023, the Watch status was extended as the portfolio manager managing the strategy, TJ Carter left the firm.

BHMS was founded and registered with the SEC in July of 1979 to manage U.S. tax-exempt portfolios for institutional clients. In January of 1988, BHMS sold themselves to United Asset Management Corporation (UAM), a Boston-based holding company, listed on the New York Stock Exchange. On October 5, 2000, UAM was acquired by Old Mutual plc, an international financial services group based in London. Following the acquisition, Old Mutual plc renamed UAM, "Old Mutual Asset Management". In 2014, Old Mutual plc conducted an initial public offering of Old Mutual Asset Management. OM Asset Management plc rebranded as BrightSphere Investment Group plc in March 2018, following its separation from Old Mutual plc. BrightSphere Investment Group plc is a publicly-listed company traded on the New York Stock Exchange (Ticker symbol: BSIG). In late 2020, BrightSphere Investment Group sold its 75.1% holding in Barrow Hanley to Perpetual Limited, a publicly listed Australian financial services company. Many key employees, including portfolio managers and analysts, have economic ownership in BHMS through a limited partnership that owns a 24.9% equity interest in BHMS LLC.

The LACERS portfolio is managed by two portfolio managers, Rand Wrighton and Patrik Wiborn. Mr. Wrighton has been a lead portfolio manager on the strategy since 2006 and Mr. Wiborn has been with the firm since 2019. In March of 2018 David Hodges, Co-Portfolio Manager, retired after having built the non-US Value portfolio capability at BHMS with Mr. Wrighton. TJ Carter, who left the firm in 2023 was promoted into the portfolio manager role when David Hodges retired. In

addition, Charlie Radtke was brought aboard as a third Portfolio Manager. Mr. Radtke left the firm in September of 2018. Mr. Radtke had been with the firm for approximately a year and he did not have a significant impact on the names in the portfolio, therefore, a replacement has not been pursued.

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

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

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

Performance

Referring to Exhibit 1, as of May 31, 2023, since the portfolio's inception date of December 1, 2013¹, the portfolio has outperformed its benchmark by 3.1%. Over the last five years, the portfolio has outperformed the benchmark by 4.3% and over the last three years the portfolio has outperformed by 7.4%. Broadly, relative to the MSCI EAFE Value Index, stock selection is the key contributor to excess returns.

Referring to Exhibit 2, as of March 31, 2023, since inception the portfolio has outperformed its benchmark's return by 2.8% and ranked in the 9th percentile in its peer group. In the last five years, ended March 31, 2023, the portfolio also outperformed its benchmark return 4.5% and ranked in the

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

4th percentile in its peer group. Over the last three years the portfolio has outperformed its benchmark by 9.5% and ranked in the 3rd percentile in its peer group.

Referring to Exhibit 3, outperformance since 2020 has driven since inception cumulative results. In the past year, stock selection within the Industrials, Financials, and Consumer Discretionary sectors were the primary contributors to relative returns. Regionally, effective selection in continental Europe and emerging market holdings were key contributors to relative returns.

Fees

The portfolio has an asset-based fee of 0.50% annually. This fee ranks in the 35th percentile among its peers in the eVestment EAFE Value equity universe. In other words, 65% of the products included in the peer universe have a higher fee than the LACERS account.

Conclusion

While BHMS has been on Watch according to the LACERS manager monitoring policy during the past three years for organization-related events, the portfolio has performed according to expectations. The firm and portfolio management team has exhibited some instability over the past three years, and while this has been cause for increased monitoring of BHMS, has not resulted in negative outcomes for LACERS to date. NEPC recommends a contract renewal for a period of three years from the period of contract expiry.

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

Exhibit 1: Performance Comparison Net of Fees as of May 31, 2023

	3 Mo (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	Inception (%)	Inception Date
Barrow Hanley	-0.38	2.59	18.00	5.84	5.05	Dec - 2013
MSCI EAFE Value (Net)	-2.59	0.08	10.61	1.55	1.97	
<i>Excess</i>	<i>2.21</i>	<i>2.51</i>	<i>7.39</i>	<i>4.29</i>	<i>3.08</i>	



Exhibit 2: Universe Performance Comparison Net of Fees Ending March 31, 2023

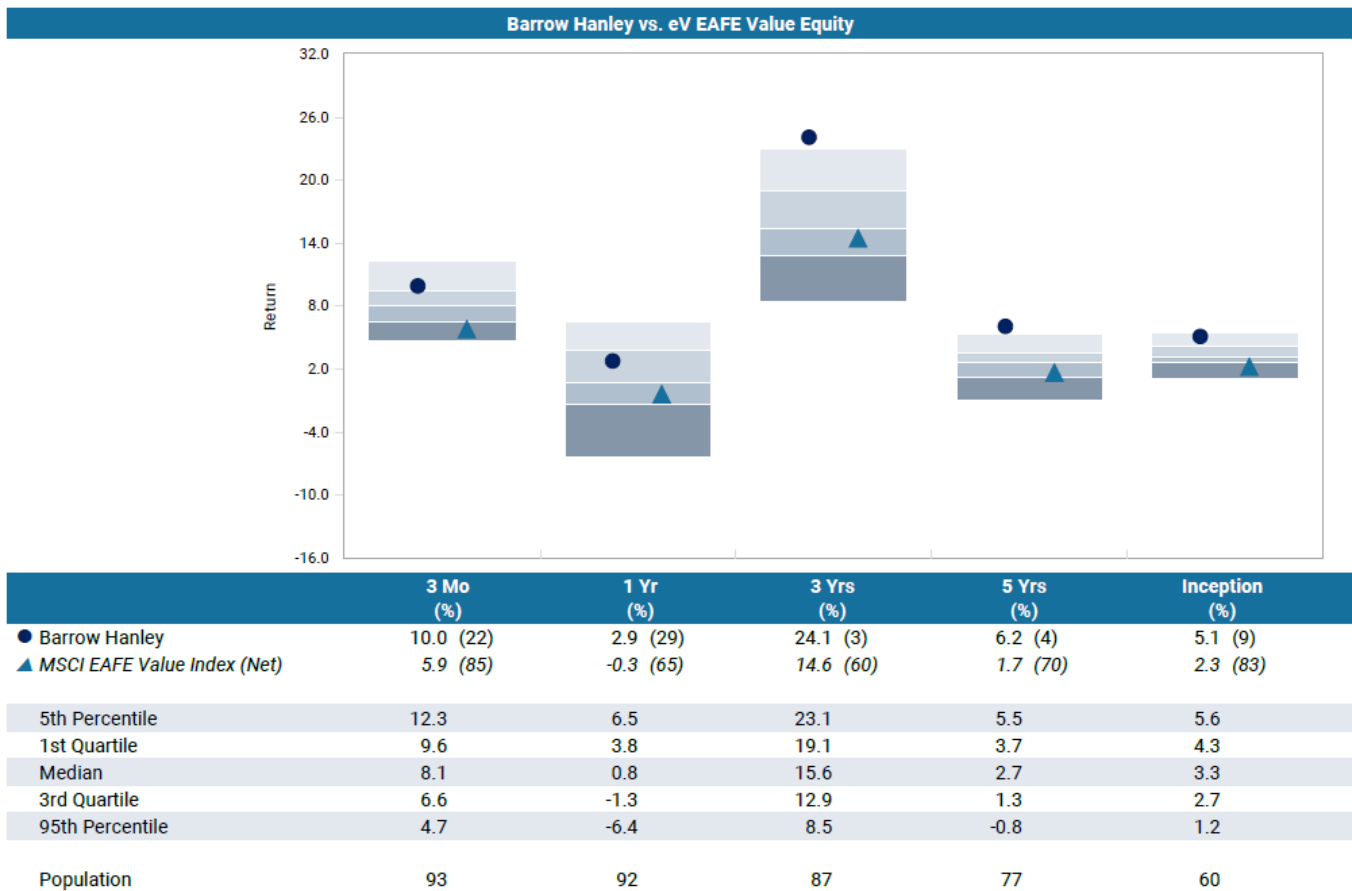
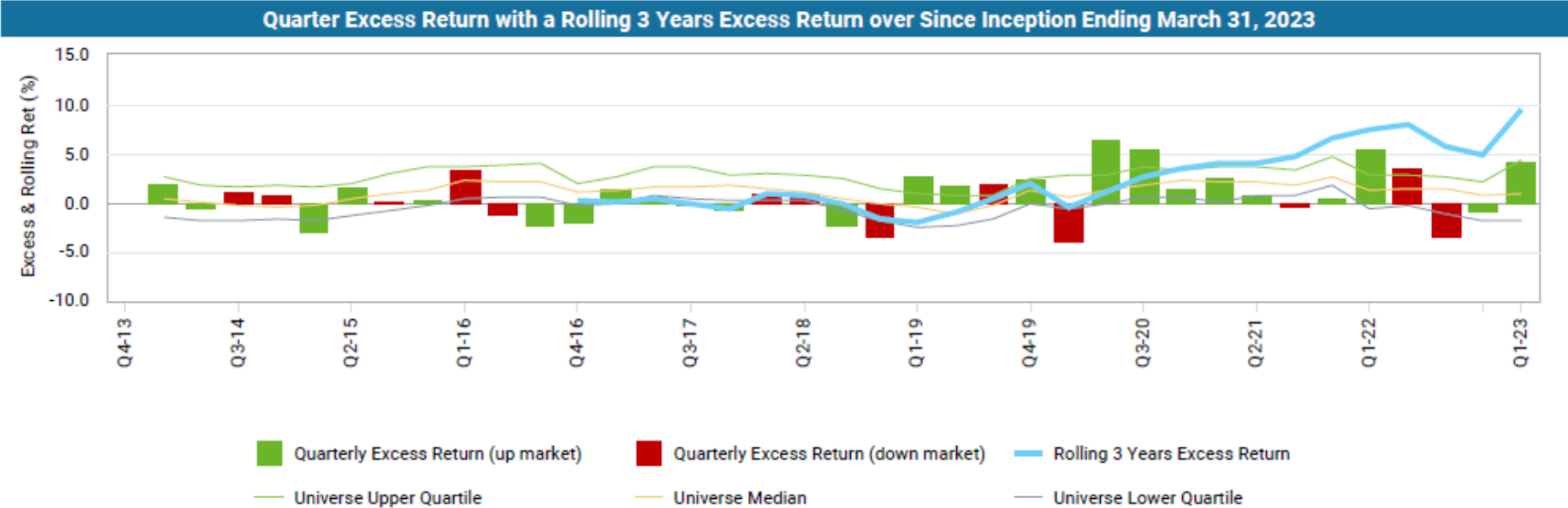


Exhibit 3: Cumulative Excess Performance Net of Fees Ending March 31, 2023



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

PROPOSED RESOLUTION

WHEREAS LACERS' current three-year contract with Barrow, Hanley, Mewhinney & Strauss, LLC (BHMS) for active non-U.S. developed markets value equities portfolio management expires on September 30, 2023; and,

WHEREAS, a contract renewal with BHMS will allow the LACERS total portfolio to maintain a diversified exposure to non-U.S. developed markets value equities; and,

WHEREAS, on July 25, 2023, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with BHMS.

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

<u>Company Name:</u>	Barrow, Hanley, Mewhinney & Strauss, LLC
<u>Service Provided:</u>	Active Non-U.S. Developed Markets Value Equities Portfolio Management
<u>Effective Dates:</u>	October 1, 2023 through September 30, 2026
<u>Duration:</u>	Three years
<u>Benchmark:</u>	MSCI EAFE VALUE ND Index
<u>Allocation as of May 31, 2023:</u>	\$551 million

July 25, 2023