

**ATTACHMENT 1 TO SCHEDULE B
SECURITIES LENDING AUTHORIZATION AGREEMENT
(the "Agreement")**

**BETWEEN THE BOARD OF ADMINISTRATION OF THE LOS ANGELES CITY
EMPLOYEES' RETIREMENT SYSTEM ("System") AND THE NORTHERN
TRUST COMPANY (the "Agent")**

***INVESTMENT MANAGER OBJECTIVES AND GUIDELINES FOR CUSTOM CASH
COLLATERAL ACCOUNT / COLLATERAL ACCOUNT ('THE SHORT TERM
INVESTMENT ACCOUNT')***

INVESTMENT OBJECTIVE

To seek to maximize current income to the extent consistent with safety of principal, maintenance of liquidity and the investment standards set forth below. The Short Term Investment Account (the "Fund") is intended as a separate account for the investment of U.S.-dollar based cash Collateral received by Agent.

Upon the effective date of these guidelines, the Lender and Agent hereby acknowledge that there may be certain assets in the Fund that would not meet these guidelines if newly purchased at this time ("Transition Assets"), though these assets were in compliance with the relevant guidelines at the time of purchase. The Lender and Agent hereby agree that Agent may, at its sole discretion, hold Transition Assets until maturity, unless otherwise directed by Lender.

Cash Collateral Guidelines

Listed below are the cash Collateral guidelines specifying eligible investments, credit quality standards, and diversification, maturity and liquidity requirements. Subject to the above, all requirements, including diversification, listed in these guidelines are effective at the time of purchase of any security or instrument as a cash Collateral investment. Agent will make use of market standard settlement methods for cash investments including the use of a tri-party custodian as approved by Agent's appropriate risk committee. Settlement through a tri-party custodian may result in cash collateral.

INVESTMENT GUIDELINES

1. Eligible Investments:

- (a) Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and custodial receipts with respect thereto.

- (b) Obligations of domestic or foreign commercial banks, including Agent (or branches thereof where deposits with branches are general obligations of the parent bank) and bank holding companies, including, but not limited to, commercial paper, bankers' acceptances, certificates of deposit, time deposits, notes and bonds. Obligations of foreign commercial banks shall only be acceptable from issuers domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").
- (c) Obligations of U.S. and foreign corporations, including, but not limited to, commercial paper, notes, bonds and debentures. Asset backed commercial paper is excluded from eligible investments.
- (d) Obligations issued by foreign governments. The issuing country shall have a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").
- (e) Units of the Northern Institutional Liquid Assets Portfolio.
- (f) Repurchase agreements with counterparties approved by the Agent's appropriate credit committee at the time of purchase where the Collateral is held by Agent or for the account of Agent by an agent or subcustodian of Agent or a central bank, depository, or a third party custodian, and which is fully collateralized by investments described in paragraph (a) above and having a market value, including accrued interest, equal to or greater than the amount invested in the repurchase agreement. Initial collateralization will be at 102%, except cash collateral shall be collateralized at 100%.
- (g) In the case of each investment (a) through (f) above: (i) All investments shall be denominated in U.S. dollars, and (ii) investments may include variable and floating rate instruments. Variable and floating rate instruments will be limited to those securities with reference indexes of Federal Funds Effective, Federal Funds Open, SOFR, OBFR, 1 Month LIBOR and 3 Month LIBOR and which are structured such that the spread relationship between the security coupon rate and index reference rate is constant.

2. Credit Quality:

- (a) Investments and reinvestments in commercial paper and other short-term obligations shall be limited to obligations (or issuers) with a rating of A1/P1/F1 or higher (or the equivalent) at the time of purchase by any two of the Nationally Recognized Statistical Rating Organizations ("NRSROs") that have assigned a rating to such security (or issuer).

- (b) With respect to bonds and other long-term obligations, investments and reinvestments shall be limited to obligations rated at the time of purchase in one of the two highest rating categories (within which there may be sub-categories or gradations indicating relative standing) by the NRSROs that have assigned a rating to such security.
- (c) Notwithstanding (a) and (b) above, Agent may invest assets of the Fund in the Northern Institutional Liquid Assets Portfolio.

3. Diversification:

- (a) Except for repurchase agreements and obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, a maximum of 3% of the value of the total assets of the Fund may be invested in securities of any one issuer. With respect to the Northern Institutional Liquid Assets Portfolio, holdings in excess of 3% of the value of total assets of the Fund are permitted, but should not exceed 25% without written permission from the client.
- (b) A maximum of 15% of the value of the total assets of the Fund may be invested in repurchase agreements with one counterparty.
- (c) A maximum of 15% of the value of the total assets of the Fund may be exposed to the risks of any one foreign country and a maximum of 25% of the value of the total assets of the Fund may be exposed to the risks of non-U.S. entities. This limitation is applicable to the obligations of all foreign issuers. Only entities domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO") are eligible for investment, subject to that restriction outlined in 1 (b) above.
- (d) Except for the banking industry, a maximum of 25% of the value of the total assets of the Fund may be invested in obligations of issuers having their principal business in the same industry. For such purposes, personal and business finance companies are considered to be in separate industries. Finance companies which are wholly-owned will be considered to be in the industries of their parents if their activities are primarily related to financing the operations of their parents.
- (e) Compliance with the credit quality and diversification requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.

4. Liquidity/Maturity:

- (a) A minimum of 20% of the value of the assets of the Fund should mature daily. Holdings of the Northern Institutional Liquid Assets Portfolio will be included in this calculation.

- (b) A minimum of 35% of the value of the assets of the Fund will mature within one month.
- (c) The interest rate sensitivity of the Fund will be limited to a maximum of 60 days.
- (d) The maximum final or average maturity of any variable or floating rate security will be limited to 60 days; the maximum final or average maturity of a fixed rate security will be limited to 60 days; and the maximum weighted average maturity (as herein defined) of the Fund will be limited to 60 days.
- (e) Compliance with the liquidity and maturity requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.
- (f) For the purposes of this Attachment 1, the "maturity" of a security or instrument shall be defined as the date when final payment is due, with these exceptions: (a) instruments issued or guaranteed by the U.S. Government or any agency or instrumentality thereof which have a variable rate of interest shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate, (b) variable rate instruments (other than those described in (a) above) shall be deemed to have a maturity equal to the longer of the period of time remaining until either, (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand or maturity, (c) floating rate instruments which incorporate a demand feature shall be deemed to have a maturity equal to the period of time remaining until the principal amount can be recovered through demand, (d) a repurchase agreement shall be deemed to have a maturity equal to the period of time remaining until the date on which the repurchase is scheduled to occur, or, if no date is specified but the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities.
- (g) For the purposes of this Attachment 1, the "interest rate sensitivity" of a security or instrument shall mean (a) in the case of a fixed rate security or instrument (i) the date on which final payment is due or (ii) the principal amount can be recovered through demand (if applicable) or (b) in the case of a floating or variable rate security or instrument, the shorter of the period of time remaining until either (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand (if applicable).

5. Trading Policy

Although the Fund will generally not engage in short-term trading, the Agent may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, Agent believes such disposition is in the best interest of the

fund. Subsequent to its purchase, a portfolio security or issuer thereof may be assigned a lower rating or cease to be rated. Such an event would not necessarily require the disposition of the security, if the continued holding of the security is determined to be in the best interest of the Fund. In any event, Lender will be notified within five business days when any security is downgraded below the minimum requirements set forth in these investment guidelines.

THE NORTHERN TRUST COMPANY

By: 

Title: Senior Vice President

Date: 11/1/2022

**BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM**

By: 

Neil M. Guglielmo, General Manager

Date: 11/03/2022