



**Board of Administration Agenda**

**REGULAR MEETING**

**TUESDAY, JUNE 11, 2019**

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

**MEETING LOCATION:**

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

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

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|                      |  |
|----------------------|--|
| President:           | Cynthia M. Ruiz  |
| Vice President:      | Elizabeth L. Greenwood   |
| Commissioners:       | Elizabeth Lee<br>Sandra Lee<br>Nilza R. Serrano<br>Sung Won Sohn<br>Michael R. Wilkinson |
| Manager-Secretary:   | Neil M. Guglielmo  |
| Executive Assistant: | Ani Ghokassian   |
| Legal Counsel:       | City Attorney's Office<br>Retirement Benefits Division                                   |

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF MAY 28, 2019 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
  - A. REPORT ON DEPARTMENT OPERATIONS
  - B. UPCOMING AGENDA ITEMS
  - C. RECOGNITION OF SERVICE FOR STEVE GEDESTAD, KEENAN & ASSOCIATES
- V. RECEIVE AND FILE ITEMS

A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER

B. MARKETING CESSATION NOTIFICATION

VI. BOARD/DEPARTMENT ADMINISTRATION

A. EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDING MARCH 31, 2019

B. SERVICE AGREEMENT WITH EMERGENCY MANAGEMENT & SAFETY SOLUTIONS FOR EMERGENCY SIMULATION EXERCISE AND POSSIBLE BOARD ACTION

C. CONSIDERATION OF GOVERNMENTAL SIDE-A FIDUCIARY LIABILITY INSURANCE AND POSSIBLE BOARD ACTION

VII. BENEFITS ADMINISTRATION

A. HEALTH EDUCATION WRAP-UP

B. JELLYVISION CONTRACT AMENDMENT AND POSSIBLE BOARD ACTION

C. BOARD EDUCATION: ENHANCED BENEFIT DISABILITY AND ACTIVE DEATH HEARING PROCESS TRAINING

VIII. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. PRIVATE REAL ESTATE PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2018

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

D. INVESTMENT MANAGER CONTRACT WITH MFS INSTITUTIONAL ADVISORS, INC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH PORTFOLIO AND POSSIBLE BOARD ACTION

E. INVESTMENT MANAGER CONTRACT WITH AJO, LP REGARDING THE MANAGEMENT OF AN ACTIVE LARGE CAP VALUE PORTFOLIO 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 SYLVIA CASTANEDA AND POSSIBLE BOARD ACTION**

X. OTHER BUSINESS

XI. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, June 25, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XII. ADJOURNMENT

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

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

May 28, 2019

10:04 a.m.

**Agenda of: June 11, 2019**

**Item No: II**

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|          |                             |  |
|----------|-----------------------------|--|
| PRESENT: | Vice President:             | Elizabeth L. Greenwood   |
|          | Commissioners:              | Elizabeth Lee<br>Nilza R. Serrano<br>Sung Won Sohn<br>Michael R. Wilkinson |
|          | Manager-Secretary:          | Neil M. Guglielmo  |
|          | Acting Executive Assistant: | Erin Knight  |
|          | Legal Counsel:              | Anya Freedman  |
| ABSENT:  | President:                  | Cynthia M. Ruiz  |
|          | Commissioner:               | Sandra Lee   |

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – Vice President Greenwood asked if there were any persons who wished to speak on matters within the Board's jurisdiction, to which there was no response and no public comment cards were received.

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF MAY 14, 2019 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of May 14, 2019 was moved by Commissioner Serrano, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and Vice President Greenwood -5; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – There was no report.

IV



## GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, discussed the following items:
- Website redesign contract is in effect and a survey to all stakeholders, including Board Members, will be issued on May 29, 2019.
  - Staff continues to build Cyber resiliency.
  - LACERS has informed Transparent CA that a revised report is in process.
  - A LACERS Team participated in the United Way's Home Walk in Downtown LA.
  - 16 members participated in the LACERS *Well* Champion-led Descanso Gardens visit.
  - City Personnel Department's Wellness Program, Live Well, will be offering a wellness fair on Tuesday, June 11, 2019, with LACERS staff participating.
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, stated the following future agenda items:
- June 11, 2019 - Board Health Training/wrap-up
  - June 11 or June 25, 2019 – Governmental Side A Policy
  - July 2019 – Actuarial Proposals

V

## RECEIVE AND FILE ITEMS

- A. MONTHLY REPORT ON SEMINARS AND CONFERENCES (APRIL 2019) – The report was received by the Board and filed.

VI

## COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF MAY 14, 2019 – Commissioner Serrano reported that the Committee heard a presentation from AQR Capital Management and reviewed investments with BHMS, Lazard Asset Management, and MFS Institutional Advisors.

VII

## CONSENT AGENDA

- A. FY 2019-20 TRAINING PROGRAM AND PRE-APPROVED LIST OF EDUCATIONAL SEMINARS AND POSSIBLE BOARD ACTION – Neil Guglielmo, General Manager, presented this item to the Board. Vice President Greenwood recommended the following conferences be added to the Pre-Approved List of Educational Seminars for FY 2019-20: UN PRI-Domestic, Pacific Pension & Investment Institute Conference, and the RFK Compass Conference. Commissioner Serrano moved approval with the additional conferences, seconded by

Commissioner Elizabeth Lee and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and Vice President Greenwood -5; Nays, None.

## VIII

### BENEFITS ADMINISTRATION

- A. FAMILY DEATH BENEFIT PLAN – CONSIDERATION OF BENEFIT CONTINUATION FOR MAURICE D. AUSTIN II AND POSSIBLE BOARD ACTION – Ferralyn Sneed, Senior Management Analyst II with Retirement Services Division presented this item to the Board. Commissioner Wilkinson moved approval, seconded by Commissioner Serrano and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and Vice President Greenwood -5; Nays, None.

## IX

### INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$17.267 Billion as of May 24, 2019. Mr. June discussed the following items:
- Mr. June will be attending the Hispanic Heritage Foundation Investors Forum in Oakland, CA on June 6, 2019.
  - Future agenda items: Private Real Estate Performance and several Investment Manager Contracts.
- B. PRESENTATION BY NEPC, LLC OF THE PORTFOLIO PERFORMANCE REVIEW REPORT FOR THE QUARTER ENDING MARCH 31, 2019 – Kevin Novak, Consultant and Carolyn Smith, Partner with NEPC presented this item to the Board.

Vice President Greenwood recessed the Regular Meeting at 11:31 a.m. for a break and reconvened the Regular Meeting at 11:40 a.m.

- C. PRIVATE CREDIT MANDATE UPDATE AND IMPLEMENTATION AND POSSIBLE BOARD ACTION – Oliver Fadly, Consultant with NEPC presented this item to the Board. Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Wilkinson, and Vice President Greenwood -4; Nays, Commissioner Sohn -1.
- D. PRESENTATION BY TORREYCOVE, LLC OF THE PRIVATE EQUITY PROGRAM PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2018 – David Fann, President, Heidi Poon, Senior Vice President, and Jeff Goldberger, Senior Vice President with TorreyCove presented this item to the Board.
- E. NOTIFICATION OF COMMITMENT OF UP TO €34.9 MILLION (APPROXIMATELY \$40 MILLION) IN GILDE BUY-OUT FUND VI C.V. – The notification was received.

- F. NOTIFICATION OF COMMITMENT OF UP TO \$13.25 MILLION IN SPARK CAPITAL VI, L.P. – The notification was received.
- G. NOTIFICATION OF COMMITMENT OF UP TO \$26.75 MILLION IN SPARK CAPITAL GROWTH FUND III, L.P. – The notification was received.
- H. NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN HARVEST PARTNERS VIII, L.P. – The notification was received.
- I. NOTIFICATION OF COMMITMENT OF UP TO \$50 MILLION IN GENSTAR CAPITAL PARTNERS IX, L.P. – The notification was received.
- J. NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN DEFY PARTNERS II, L.P. – The notification was received.
- K. TACTICAL ASSET ALLOCATION PLAN AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer and Jimmy Wang, Investment Officer I presented this item to the Board. Commissioner Sohn moved approval, seconded by Commissioner Serrano and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and Vice President Greenwood -5; Nays, None.

Vice President Greenwood recessed the Regular Meeting at 1:38 p.m. for a break. Vice President Greenwood reconvened the Regular Meeting at 1:41 p.m. and convened in Closed Session at 1:42 p.m.

**L. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO BROADVIEW REAL ESTATE PARTNERS, L.P. AND POSSIBLE BOARD ACTION**

X

DISABILITY RETIREMENT APPLICATION(S)

- A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF KATHERINE FARRINGTON AND POSSIBLE BOARD ACTION**
- B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF EDITH ROQUE AND POSSIBLE BOARD ACTION**

Vice President Greenwood reconvened the Regular Meeting at 1:53 p.m. and announced that the Board unanimously approved the Disability Retirement Applications of Katherine Farrington and Edith Roque.

XI

LEGAL/LITIGATION

A. EXTENSION OF INVESTMENT AND REAL ESTATE COUNSEL CONTRACT WITH NOSSAMAN LLP AND APPROVAL OF REQUEST FOR PROPOSAL FOR INVESTMENT AND REAL ESTATE COUNSEL AND POSSIBLE BOARD ACTION – Anya Freedman, Assistant City Attorney, presented this item to the Board. Commissioner Serrano moved approval, seconded by Commissioner Elizabeth Lee and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Serrano, Sohn, Wilkinson, and Vice President Greenwood -5; Nays, None.

Commissioner Elizabeth Lee left the Regular Board Meeting at 1:56 p.m.

XII

OTHER BUSINESS – Vice President Greenwood discussed the homelessness, piles of trash, and possible diseases causing health issues. She requested staff to bring forward a plan to address this issue.

XIII

NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, June 11, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIV

ADJOURNMENT – There being no further discussion before the Board, Vice President Greenwood adjourned the meeting at 1:59 p.m.

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Elizabeth L. Greenwood  
Vice-President

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Neil M. Guglielmo  
Manager-Secretary

## BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-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>   |
|---------------------------|----------------|-------------------------|-------------------------|
| Aflaki, Roshanak          | 29             | PW - Sanitation         | Sanitation Wstwater Mgr |
| Agravante, Leon F         | 29             | LA Housing Dept.        | Sr Auditor              |
| Armijo, Diana Elizabeth   | 30             | Dept. of Transportation | Sr Traffic Supv         |
| Arredondo, Annette        | 38             | Police Dept. - Civilian | Sr Mgmt Analyst         |
| Arzadon, Nicanor Azurin   | 15             | PW - Sanitation         | Laboratory Tech         |
| Atwell, Bradley Jay       | 23             | PW - Engineering        | Architectural Assoc     |
| Autran, Francisco H       | 30             | Dept. of Rec. & Parks   | Gardener Caretaker      |
| Baldwin, Stephen Ernest   | 24             | Fire Dept. - Civilian   | Mech Helper             |
| Barajas, Octavio          | 31             | PW - Sanitation         | Ref Coll Truck Oper     |
| Brimsey, Arletta M        | 32             | City Attorney's Office  | Deputy City Atty        |
| Casey, Mark J             | 30             | Dept. of Bldg. & Safety | Pr Inspector            |
| Chavez, Julia             | 32             | LA Housing Dept.        | Housing Plng/Econ Anlst |
| Corral, Andy              | 20             | Dept. of Rec. & Parks   | Gardener Caretaker      |
| Covington, Valerie D      | 30             | Police Dept. - Civilian | Police Service Rep      |
| Cristo, Patricia          | 14             | Library Dept.           | Administrative Clerk    |
| Cromer, Andrew K          | 32             | Dept. of Bldg. & Safety | Pr Inspector            |
| Dalaten, Josephine Alviar | 25             | Personnel Dept.         | Personnel Analyst       |
| Dane, Orel J              | 6              | Dept. of Rec. & Parks   | Special Prog Asst       |
| Daneri, Dominic T         | 20             | Dept. of Bldg. & Safety | Sr Build Mech Inspectr  |
| Daniels, Debbie Lee       | 32             | Police Dept. - Civilian | Supvsg Criminalist      |
| De Anda, Raul C           | 48             | Dept. of Transportation | Signal System Supvr     |
| De Oca, John Montes       | 20             | ITA                     | Commun Electrician      |
| Dial, Juan                | 8              | LA Housing Dept.        | Fin Developmnt Off      |
| Drew, Robert C            | 19             | GSD - Bldg. Fac Mgmt.   | Custodian               |
| Echano, Ciriaco L         | 18             | Dept. of Airports       | Accountant              |
| Ellison, Kathleen P       | 30             | Library Dept.           | Sr Librarian            |
| Escamilla, Jesus A        | 16             | Dept. of Transportation | Transp Engrg Assc       |
| Fajardo, Alfredo A        | 35             | GSD - Bldg. Svcs.       | Sr Build Operatng Engr  |
| Fermin, Anabella N        | 32             | Police Dept. - Civilian | Management Analyst      |
| Fleischer, Georgia A      | 30             | GSD - Purchasing        | Sply Svs Payment Clerk  |
| Fong, Lilly L             | 17             | ITA                     | Sr Mgmt Analyst         |
| Friedman, Martin Howard   | 32             | Dept. of Rec. & Parks   | Tree Surgeon            |
| Fulton, Gina Rae          | 13             | Police Dept. - Civilian | Sr Administrative Clerk |
| Garcia, Reynaldo Vicente  | 32             | GSD - Fleet Services    | Helicopter Mech Supv    |

|                            |                            |                         |
|----------------------------|----------------------------|-------------------------|
| Georgescu, Ecaterina       | 31 PW - Engineering        | Geo Info Systems Sp     |
| Gonzaga Sitton, Rizamari C | 0.9 Mayor's Office         | Mayoral Aide            |
| Gracia, Martha Arabella    | 33 Police Dept. - Civilian | Sr Administrative Clerk |
| Guevara, Janice Lynn       | 31 Dept. of Airports       | Exec Asst Airports      |
| Hardy, Catherine Jewel     | 31 Police Dept. - Civilian | Police Service Rep      |
| Harper, William M          | 31 Dept. of Rec. & Parks   | Plumber Supervisor      |
| Harvey, Garth A            | 15 Dept. of Airports       | Custodian Airport       |
| Hill, Amabel F             | 30 Office of Finance       | Tax Complnce Ofcr       |
| Hwang, Feng Lian T         | 32 ITA                     | Accounting Clerk        |
| Jimenez, Griselda          | 33 GSD - Purchasing        | Sply Svs Payment Clerk  |
| Kemp, Lori L               | 32 City Attorney's Office  | Deputy City Atty        |
| Lee, Esther S              | 34 GSD - Purchasing        | Sply Svs Payment Clerk  |
| Lee, Tony S                | 7 Hyperion Treat Plant     | Plant Equipment Trainee |
| Lewis, Henry C             | 19 Dept. of Airports       | Custodian Airport       |
| Lipaite, Livija            | 16 Cultural Affairs        | Art Instructor          |
| Lowe, Ronald Alden         | 8 Mayor's Office           | Mayoral Aide            |
| Lu, Cathy A                | 25 Library Dept.           | Librarian               |
| Macauley, Lisa Marie       | 18 PW - Sanitation         | W/Wtr Trmt Oper         |
| Madani, Hamid              | 25 PW - Engineering        | Civil Engrg Assoc       |
| Mason, Jacquelyn R         | 31 City Attorney's Office  | Deputy City Atty        |
| Mc Fadden, Irene Dennis    | 32 Police Dept. - Civilian | Police Service Rep      |
| Michel, Rosie Maria        | 38 Personnel Dept.         | Personnel Dir           |
| Mikkelson, Dante N         | 10 Fire Dept. - Civilian   | Heavy Duty Equip Mech   |
| Miller, Stephen Ellis      | 4 Fire Dept. - Civilian    | Indep Asr Fire Comm.    |
| Moore, Josephine           | 38 City Attorney's Office  | Legal Secretary         |
| Moreno, Olivia             | 12 Dept. of Airports       | Custodian               |
| Noel, William J            | 23 Dept. of Rec. & Parks   | Equipmnt Operator       |
| Nosrat, Solie              | 28 ITA                     | Systems Programmer      |
| O Kelley-Hendricks, Katie  | 31 Dept. of Rec. & Parks   | Recreation Fac Dir      |
| Owens Sanchez, Elaine E    | 30 Office of the CAO       | Sr Admin Analyst        |
| Packard, Michael R         | 38 Dept. of Bldg. & Safety | Ch Inspector            |
| Park, Debra Ann            | 26 Police Dept. - Civilian | Administrative Clerk    |
| Pezeshkian, Vahan Hovnan   | 33 Dept. of Transportation | Transp Engineer         |
| Piper, Ronald A            | 46 Dept. of Transportation | Signal System Electrcn  |
| Presberg, Steven E         | 30 Personnel Dept.         | Sr Personnel Analyst    |
| Puchalski, Thomas D        | 24 Fire & Police Pensions  | Sr Mgmt Analyst         |
| Ramirez, Maria Y           | 16 Dept. of Airports       | Custodian Airport       |
| Razepoor, Nasser           | 29 PW - Engineering        | Structural Engineer     |
| Robottom, Suzette A        | 26 Dept. of Airports       | Sr Personnel Analyst    |
| Russell, Adrienne Cecilia  | 30 Dept. of Transportation | Traf Officer            |
| Segura, Francine Loretta   | 12 Police Dept. - Civilian | Administrative Clerk    |
| Shanto, Michael P          | 32 Dept. of Rec. & Parks   | Aquatic Facility Mgr    |
| Sharaf, Cary               | 17 Dept. of Airports       | Arpt Supt Of Oper       |

|                            |                             |                        |
|----------------------------|-----------------------------|------------------------|
| Shepherd, David T          | 30 City Attorney's Office   | Deputy City Atty       |
| Spires, Teresa Lynnet      | 37 Police Dept. - Civilian  | Management Analyst     |
| Steele, Timothy L          | 21 PW - Special Proj Constr | Masonry Worker         |
| Sy Su, Eden U              | 8 Dept. of Rec. & Parks     | Administrative Clerk   |
| Sy Su, Ramon G             | 28 PW - Accounting          | Sr Accountant          |
| Taylor, Robert M           | 32 ITA                      | Systems Programmer     |
| Tolentino, Nicanor C       | 30 PW - Sanitation          | Civil Engrg Assoc      |
| Tomines, Aida Baquiran     | 30 Controller's Office      | Sr Accountant          |
| Tonnies, Jeanette L        | 32 Zoo Dept.                | Veterinary Technician  |
| Tran, Van Nguyet           | 29 City Attorney's Office   | Sr Legal Clerk         |
| Tsui, Vincent W            | 23 LACERS                   | Accounting Rec Supvr   |
| Valdivia, Teresa           | 1 Dept. of Rec. & Parks     | Special Prog Asst      |
| Vasquez, Ruben B           | 30 Personnel Dept.          | Personnel Dir          |
| Ventura, Richard M         | 16 Dept. of Bldg. & Safety  | Build Mech Inspector   |
| Washington, Jamesina L     | 30 Dept. of Transportation  | Traf Officer           |
| Wilder, Robyn L            | 27 Fire & Police Pensions   | Ch Benefits Analyst    |
| Wilson, Clarence           | 12 Dept. of Rec. & Parks    | Plumber                |
| Wong, Amphorn              | 30 PW - Sanitation          | Sr Env Compliance Insp |
| Woo, Phan                  | 34 Police Dept. - Civilian  | Administrative Clerk   |
| Wu, Sheree Chiali          | 15 LACERS                   | Programmer/Analyst     |
| Yamauchi, Collin Yoshihiro | 29 Police Dept. - Civilian  | Supvsg Criminalist     |
| Yasaki, Kenneth Bruce      | 28 Police Dept. - Civilian  | Police Service Rep     |
| Youssef, Bolganin Zaki     | 24 Police Dept. - Civilian  | Forensic Prnt Spec     |
| Zovak, Douglas Albert      | 30 PW - Sanitation          | Equipmnt Operator      |

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-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

Beneficiary/Payee

**TIER 1**

Adler, Beverly

Kimberley Lynn Adler for the payment of the  
Accrued But Unpaid Continuance Allowance

Babel, Linda L

Connie Cindala Anderson for the payment of the  
Burial Allowance

Badgley, Helen F

Cynthia Anne Moskos for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Lanette Cecile Pawly for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Batiste, Clabert S

Jeanette C Batiste for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Bell, Lovely Elayne

Derrick Paul Dedmon for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance



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|---------------------------|--|
| Biessels, Maria H         | Vincent Paul Nixon for the payment of the<br>Accrued But Unpaid Service Retirement Allowance   |
| Boughton, Bruce O         | Martime Colette, Founder of the Wildlife Waystation for the<br>payment of the<br>Accrued But Unpaid Service Retirement Allowance       |
| Burke, Earl S             | Diane Elizabeth Mc Cartney for the payment of the<br>Burial Allowance<br><br>Sandra C Burke for the payment of the<br>Burial Allowance |
| Chavez, Diane E           | Sandra Claire Sandoval for the payment of the<br>Accrued But Unpaid Continuance Allowance  |
| Chen, Maria C             | Tsung H Chen for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance                             |
| Clayton, Geraldine Foster | Loya L Brown for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance                             |
| Codron, Joseph            | Arthur James Codron for the payment of the<br>Accrued But Unpaid Continuance Allowance   |

|                                      |   |
|--------------------------------------|---|
| Coleman, Pauline D                   | Cheryl C Matthews for the payment of the<br>Accrued But Unpaid Vested Retirement Allowance<br>Burial Allowance  |
| Davis, Thomas J                      | Ann Earline Davis for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance   |
| Dion, Gregory T<br>(Deceased Active) | Heather Ann Markham for the payment of the<br>Accumulated Contributions   |
| Dominguez, Richard J                 | David Gerard Dominguez for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance<br><br>Michael Anthony Dominguez for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance<br><br>Richard Martin Dominguez for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance |
| Fernandez, Nancy I                   | Christee Ann Fernandez for the payment of the<br>Accrued But Unpaid Service Retirement Allowance<br>Burial Allowance  |
| Fields, Valerie S                    | Jana L Fields Uslan for the payment of the<br>Burial Allowance  |
| Futamase, Mary Yone                  | June T Futamase for the payment of the<br>Accrued But Unpaid Continuance Allowance  |

Garcia, Emil O Delia Yolanda Garcia for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Garcia, Esther T Irene G Benavidez for the payment of the  
Accrued But Unpaid Continuance Allowance

Haertel, Dart Edward Josie Lee Haertel for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Hallman, Leona P Carole Marilyn Casten for the payment of the  
Accrued But Unpaid Continuance Allowance

Haro, Carmen A Katrina Haro Garcia for the payment of the  
Accrued But Unpaid Continuance Allowance

Hendrix, Ardis L Henrietta Dona Hendrix for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Hill, Gladys B Roland Barnett for the payment of the  
(Deceased Active) Accumulated Contributions

Huerta, Rafael L Evangelina Huerta for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

|                      |   |
|----------------------|---|
| Imai, Mary Kimie     | Eschol Eugene Davis for the payment of the Burial Allowance   |
| Ingram, James        | Fannie Mae Ingram for the payment of the Burial Allowance   |
| Jennings, Patricia J | Leia Louise Schulze for the payment of the Accrued But Unpaid Continuance Allowance<br>Michael Allen Jennings for the payment of the Accrued But Unpaid Continuance Allowance   |
| Keeble, Renee E      | Bobby Letrell Bellamy for the payment of the Burial Allowance   |
| Kusnick, Beatrice    | Roberta Michelle Mertan for the payment of the Accrued But Unpaid Disability Continuance Allowance  |
| Lee, Ansy            | Anita Lee for the payment of the Accrued But Unpaid Service Retirement Allowance<br>Dandy Lee for the payment of the Accrued But Unpaid Service Retirement Allowance<br>Julie Inggawati Lie for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance |
| Lunn, Thomas J       | Robert Joseph Ellis for the payment of the Burial Allowance   |

Martinez, Daniel R

Marilyn Jane Martinez for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Mc Elhone, Rodney C  
(Deceased Active)

Mariah Anne Mc Elhone for the payment of the  
Accumulated Contributions

Selena Marie Mc Elhone for the payment of the  
Accumulated Contributions

Mccloud, Ronald

Lawriecce Williams for the payment of the  
Accrued But Unpaid Disability Retirement Allowance  
Burial Allowance

Mcintosh, Richard F

Joyce C Mcintosh for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Neale, Michael L

Scott Thomas Neale for the payment of the  
Accrued But Unpaid Disability Retirement Allowance

Travis Lee Neale for the payment of the  
Accrued But Unpaid Disability Retirement Allowance  
Burial Allowance

Nelson, William A

Adam Jason Nelson for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Robert William Nelson for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Noble, Morris

Janice Jerril Noble for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Mary Lee Noble for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Ong, Henry Y

Matthew Steven Black for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Recendez, Robert F

Robyn Michele Recendez Metcalf for the payment of the  
Burial Allowance

Reed, Raynetta

Barry Lee Reed for the payment of the  
Accrued But Unpaid Disability Continuance Allowance

Roberson, Annette  
(Deceased Active)

Antoine Diwight Roberson for the payment of the  
Accumulated Contributions

Roldan, Sederio R

Jonathan Michael Roldan for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Ronge, Stephen M

Amparo Ronge for the payment of the  
Accrued But Unpaid Disability Retirement Allowance  
Burial Allowance

|                                       |   |
|---------------------------------------|---|
| Rosendahl, William Joseph             | Christopher James Rosendahl for the payment of the Burial Allowance                                       |
| Smith, Donna M                        | Mary Harmon Mix for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance   |
| Smith, Rubye L                        | Stephen Craig Smith for the payment of the Accrued But Unpaid Service Retirement Allowance                |
| Smith, Conservatee, Earsolene         | James Edward Smith for the payment of the Accrued But Unpaid Continuance Allowance                        |
| Snyder, Scott A<br>(Deceased Active)  | Dustin Michael Snyder for the payment of the Accumulated Contributions                                    |
| Sobel, Kenneth P                      | Gloria Rose Sobel for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance |
| Solomon, Adinah                       | Ron S Solomon for the payment of the Accrued But Unpaid Service Retirement Allowance                      |
| Talan, Leonard S<br>(Deceased Active) | Alexander Martin Talan for the payment of the Accumulated Contributions                                   |

Thomas, Joseph C

Lisa Jayne Butler for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Tokuyama, Masao

Kazuko Tokuyama for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Tomboc, Sally L

Flora Tomboc Corpuz for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance  
Unused Contributions

Tucker, Raymond Nelson

Lois Ilene Tucker for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Waggoner, Thelaine

Eric William Kieselhorst for the payment of the  
Burial Allowance  
Unused Contributions

Wakefield, Ann

Katherine Wakefield Serrano-Fish for the payment of the  
Accrued But Unpaid Continuance Allowance

Williams, Robert D

Williams Family Trust for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance



Williams, Thaddeus

Rutha Mae Williams for the payment of the  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

Woo, Takai

Richard E Woo, Trustee of the Revocable Living Trust of  
Edward Woo and Takai Woo  
Accrued But Unpaid Service Retirement Allowance  
Burial Allowance

**TIER 3**

None



*Securing Your Tomorrows*

**Agenda of: JUNE 11, 2019**

**Item No: V-B**

## **MARKETING CESSATION REPORT NOTIFICATION TO THE BOARD**

The Board's Marketing Cessation 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.

Firms listed in Attachments 1 and 2 are subject to limited communications with Board Members and staff pursuant to the Policy and will appear and remain on the list, along with the status, from the first publicized intention to contract for services through the award of the contract. Lists of current LACERS contracts are on file in the Board office and are available upon request.

Attachments: 1) Contracts Under Consideration for Renewal  
2) Active RFPs and RFQs

**CONTRACTS UNDER CONSIDERATION FOR RENEWAL**

| NO.                                   | VENDOR / CONSULTANT                      | DESCRIPTION                                       | INCEPTION DATE | EXPIRATION DATE | MARKETING CESSATION STATUS   | RESTRICTED PERIOD* |            |
|---------------------------------------|--|---|----------------|-----------------|--|--------------------|------------|
|                                       |  |   |                |                 |  | START              | END        |
| <b>INVESTMENTS</b>                    |  |   |                |                 |  |                    |            |
| 1                                     | Barrow, Hanley, Mewhinney & Strauss, LLC | Active Non-U.S. Equities Developed Markets Value  | 10/1/2013      | 9/30/2019       | Investment Committee to consider contract on 6/11/19.                          | 5/10/2019          | 12/31/2019 |
| 2                                     | Lazard Asset Management, LLC             | Active Non-U.S. Equities Developed Markets Core   | 10/1/2013      | 9/30/2019       | Board to consider contract on 6/11/19.   | 5/10/2019          | 12/31/2019 |
| 3                                     | MFS Institutional Advisors, Inc.         | Active Non-U.S. Equities Developed Markets Growth | 10/2/2013      | 9/30/2019       | Board to consider contract on 6/11/19.   | 5/10/2019          | 12/31/2019 |
| 4                                     | AJO, LP                                  | Active Large Cap Value Equities                   | 11/1/2010      | 10/31/2019      | Investment Committee to consider contract on 6/11/19.                          | 6/7/2019           | 1/31/2020  |
| <b>ADMINISTRATIVE SERVICES</b>        |  |   |                |                 |  |                    |            |
| 5                                     | Cresa                                    | Real Estate Services                              | Pending        | Pending         | Board awarded new contract on 11/28/2017; Contract under review for execution. | 10/1/2017          | 6/1/2019   |
| <b>HEALTH BENEFITS ADMINISTRATION</b> |  |   |                |                 |  |                    |            |
| 6                                     | Anthem 2019                              | Medical HMO & PPO                                 | 1/1/2019       | 12/31/2019      | Board approved on 8/28/2018; Contract under review for execution.              | 1/1/2019           | 12/31/2019 |

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM    ATTACHMENT 1  
 CONTRACTS LIST FOR THE JUNE 11, 2019 BOARD MEETING

**CONTRACTS UNDER CONSIDERATION FOR RENEWAL**

| NO.   | VENDOR / CONSULTANT          | DESCRIPTION              | INCEPTION DATE | EXPIRATION DATE | MARKETING CESSATION STATUS  | RESTRICTED PERIOD* |            |
|---|------------------------------|--------------------------|----------------|-----------------|---|--------------------|------------|
|   |                              |                          |                |                 |   | START              | END        |
| <b>HEALTH BENEFITS ADMINISTRATION (CONTINUED)</b> |                              |                          |                |                 |   |                    |            |
| 7   | Kaiser 2019                  | Medical HMO              | 1/1/2019       | 12/31/2019      | Board approved on 8/28/2018; Contract under review for execution. | 1/1/2019           | 12/31/2019 |
| 8   | SCAN 2019                    | Medical HMO              | 1/1/2019       | 12/31/2019      | Board approved on 8/28/2018; Contract under review for execution. | 1/1/2019           | 12/31/2019 |
| 9   | United Healthcare 2019       | Medical HMO              | 1/1/2019       | 12/31/2019      | Board approved on 8/28/2018; Contract under review for execution. | 1/1/2019           | 12/31/2019 |
| 10  | Delta Dental 2019            | Dental PPO and HMO       | 1/1/2019       | 12/31/2019      | Board approved on 8/28/2018; Contract under review for execution. | 1/1/2019           | 12/31/2019 |
| 11  | Anthem Blue View Vision 2019 | Vision Services Contract | 1/1/2019       | 12/31/2019      | Board approved on 8/28/2018; Contract under review for execution. | 1/1/2019           | 12/31/2019 |

**\*RESTRICTED PERIOD**

**Start Date** - The estimated start date of the restricted period is three (3) months prior to the expiration date of the current contract. No entertainment or gifts of any kind should be accepted from the restricted source as of this date. Firms intending to participate in the Request for Proposal process are also subject to restricted marketing and communications.

**End Date** - The estimated end date of the restricted period is three (3) months following the expiration date of the current contract. For investment-related contracts, the estimated end date is normally six (6) months following the expiration of the current contract. For health carrier contracts, the estimated end date is normally one (1) year following the expiration of the current contract. Estimated dates are based on contract negotiation periods from prior years.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM      **ATTACHMENT 2**  
 CONTRACTS LIST FOR THE JUNE 11, 2019 BOARD MEETING

**ACTIVE RFPs AND RFQs\***

| NO.                | DESCRIPTION                   | MARKETING CESSATION STATUS AND VENDOR RESPONSES  |
|--------------------|-------------------------------|--|
| <b>INVESTMENTS</b> |                               |  |
| 1                  | Private Credit Mandate Search | <b>RFP Release Date:</b> December 10, 2018   |
|                    |                               | <b>Submission Deadline:</b> January 18, 2019   |
|                    |                               | <b>Status:</b> Alcentra Limited; Bain Capital Credit, LP; Benefit Street Partners L.L.C.; Crescent Capital Group LP; Monroe Capital LLC; and THL Credit Advisors LLC approved by Investment Committee as semi-finalists for further due diligence.   |
|                    |                               | <b>List of Respondents:</b><br>Alcentra Limited, Barings LLC, MB Global Partners, LLC, Backcast Partners Management LLC, BlackRock, Inc., CLSA Capital Partners (HK) Limited, Cross Ocean Adviser LLP, Clearwater Capital Partners (Fiera Capital Corporation), Guggenheim Partners, LLC, Goldman Sachs Asset Management, L.P., Pemberton Capital Advisors LLP, Kayne Anderson Capital Advisors, L.P., Maranon Capital, L.P., Bain Capital Credit, LP, Breakwater Management LP, Carlyle Global Credit Investment Management L.L.C., Crescent Capital Group LP, MV Credit Partners LLP, New Mountain Capital, LLC, Park Square Capital USA LLC, Tor Investment Management (Hong Kong) Limited, AlbaCore Capital LLP, Muzinich & Co., Inc., Kartesia Management S.A., Medalist Partners, LP, NXT Capital Investment Advisers, LLC, Owl Rock Capital Partners, PennantPark Investment Advisers, PIMCO Investments LLC, Deerpath Capital Management, LP, Brightwood Capital Advisors, Magnetar Capital LLC, MC Credit Partners LP, Oaktree Capital Management, L.P., THL Credit Advisors LLC, White Oak Global Advisors, LLC, Benefit Street Partners L.L.C., EntrustPermal / Blue Ocean GP LLC, Willow Tree Credit Partners LP, Monroe Capital LLC, Runway Growth Capital LLC, Stellus Capital Management, LLC |

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
 CONTRACTS LIST FOR THE JUNE 11, 2019 BOARD MEETING

**ACTIVE RFPs AND RFQs\***

| NO. | DESCRIPTION                            | MARKETING CESSATION STATUS AND VENDOR RESPONSES  |
|-----|--|--|
| 2   | U.S. Small Cap Equities Mandate Search | <p><b>RFP Release Date:</b> February 25, 2019</p> <p><b>Submission Deadline:</b> April 12, 2019</p> <p><b>Status:</b> In progress</p> <p><b>List of Respondents:</b> 361 Capital, LLC, Aberdeen Standard Investments Inc., Acuitas Investments, LLC, Alliance Bernstein AB, Allianz Global Investors AllianzGI, AltraVue Capital, LLC , American Century Investment Mangement, Inc., AMI Asset Mangement Corporation, Anchor Capital Advisors LLC, Ariel Investments, LLC, Aristotle Capital Boston, LLC, Axiom Investors , Baron Capital, Barrow, Hanley, Mewhinney, Strauss, LLC, Bernzott Capital Advisors, Bivium Capital Partners, LLC, BlackRock, Inc., BMO Global Asset Management, BNP Paribas Asset Management USA Inc, Boston Advisors, LLC, Boston Partners Global Investors, Inc., Bridge City Capital, LLC, Cadence Capital Management LLC, Capital Impact Advisors, LLC, Capital Prospects LLC, Ceredex Value Advisors LLC, Dimensional Fund Advisors LP, Driehaus Capital Management LLC, Eagle Asset Management, EAM Investors, LLC, EARNEST Partners, LLC, Eastern Shore Capital Management, a Division of Moody Aldrich Partners, LLC, Eaton Vance Management, Elk Creek Partners LLC, Falcon Point Capital, LLC, Federated MDTA, LLC, FIAM LLC, Fisher Investments, Franklin Advisers, Inc., Frontier Capital Management Company, LLC, Goldman Sachs Asset Management, Granahan Investment Management , Granite Investment Partners, LLC, Great Lakes Advisors, LLC, GW&amp;K Investment Mangement, LLC Hotchkis and Wiley Capital Management, LLC, Investment Counselors of Maryland, LLC, Jacobs Levy Equity Management, Inc., Jennison Associates, JP Morgan, Kayne Anderson Rudnick Investment Mangement, LLC, Legato Capital Management, LLC, Legion Partners Asset Management, LLC, Lisanti Capital Growth, LLC, LMCG Investments, Loomis, Sayles &amp; Company, L.P., Los Angeles Capital Management and Equity Research, Inc., Macquarie Investment Management, Manulife Asset Management, Matarin Capital Management, Mellon Investments Corporation, MFS Institutional Advisors, Inc., Monarch Partners Asset Management, LLC, Morgan Stanley Investment Management, Neuberger Berman, NewSouth Capital Management, Inc., Next Century Growth Investors, LLC, Northern Trust Investments, Inc., OFI Global Institutions, Inc., Pacific Ridge Capital Partners, LLC, Pacific View Asset Management, LLC, Pailsade Capital Management, L.L.C, PanAgora Asset Management, Inc., Peregrine Capital Mangement, LLC, Perkins investment Management LLC, Pier Capital, LLC, PIMCO, Portolan Capital Management LLC, Principal Global, Pzena Investment Management, QMA LLC, Ranger Investment Management, LP, Riverbridge Partners, LLC, RockCreek, Rothschild &amp; Co Asset Management, Sapien Investments, LLC, Schroder Investment Management North America Inc., Segall Bryant &amp; Hamill, Seizert Capital Partners, Smith Asset Management Group, Snyder Capital Management, L.P., Summit Creek Advisors, LLC, Systematic Financial Mangement, L.P., T. Rowe Price Associates, Inc., Teton Advisors, Inc., THB Asset Management, Tygh Capital Management, Vantagepoint Discovery, Victory Capital Management Inc., Voya Investment Management, Walkthausen &amp; Co., LLC, Wasatch Advisors, Weatherbie Capital, LLC, Wedge Capital Management, Wellington Management Company LLP, Wells Fargo Asset Management, Westfield Capital Mangement Company, L.P., William Blair Investment Management, LLC, WisdomTree Asset Management, Inc., Zacks Investment Management</p> |



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
 CONTRACTS LIST FOR THE JUNE 11, 2019 BOARD MEETING

ATTACHMENT 2

ACTIVE RFPs AND RFQs\*

| NO. | DESCRIPTION  | MARKETING CESSATION STATUS AND VENDOR RESPONSES  |
|-----|--|--|
| 3   | High Yield Fixed Income and Hybrid High Yield Fixed Income / U.S. Floating Rate Bank Loan Mandate Search | <p><b>RFP Release Date:</b> February 25, 2019</p> <p><b>Submission Deadline:</b> April 12, 2019</p> <p><b>Status:</b> In progress</p> <p><b>List of Respondents:</b> Ares Management LLC, Arena Capital Advisors, LLC, Guggenheim Partners Investment Management, LLC, Aegon Asset Management US, MacKay Shields LLC, Post Advisory Group, LLC, Diamond Hill Capital Management, Inc., AXA Investment Managers, Pacific Asset Management, Mesirow Financial Investment Management, Inc., DDJ Capital Management, LLC, Par-Four Investment Management, LLC, PGIM Fixed Income, Beach Point Capital Management LP, KKR Credit, Barrings LLC, Eaton Vance Management, Brigade Capital Management, LP, Morgan Stanley Investment Management, Lord, Abnett &amp; Co. LLC, BlackRock, Inc., L &amp; S Advisors, Inc., Mellon Investments Corporation, Seix Investment Advisors LLC, Legal &amp; General Investment Management, Principal Global, Bain Capital Credit, LP, Princeton Asset Management, LLC, Symphony Asset Management, LLC, PIMCO, The Capital Group Companies, Inc., Loomis, Sayles &amp; Company, L.P., Credit Suisse Asset Management, LLC, J.P. Morgan Asset Management, Hotchkis and Wiley Capital Management, LLC, Northern Trust, CVC Credit Partners, LLC</p> |
| 4   | Outside Health Law and Data Privacy Counsel  | <p><b>RFP Release Date:</b> January 7, 2019</p> <p><b>Submission Deadline:</b> January 28, 2019</p> <p><b>Status:</b> In progress</p> <p><b>List of Respondents:</b> Clark Hill PLC, Foley &amp; Lardner LLP, Groom Law Group Chartered, Hanson Bridgett LLP, Lewis Brisbois Bisgaard &amp; Smith LLP, Nossaman LLP, Orrick Herrington &amp; Sutcliffe LLP, Polsinelli LLP, Reed Smith LLP</p>   |
| 5   | Actuarial Consulting Services  | <p><b>RFP Release Date:</b> March 15, 2019</p> <p><b>Submission Deadline:</b> May 8, 2019</p> <p><b>Status:</b> In process</p> <p><b>List of Respondents:</b> Cheiron, Gabriel, Roeder, Smith &amp; Company, Milliman, The Segal Company.</p>  |
| 6   | Disability Medical Evaluations Services  | <p><b>RFP Release Date:</b> March 29, 2019</p> <p><b>Submission Deadline:</b> April 30, 2019</p> <p><b>Status:</b> In process</p> <p><b>List of respondents:</b> Genex, Mitchell MCN, National Disability Evaluations, QTC.</p>  |

PROPOSAL OR REQUEST FOR QUALIFICATIONS:

**Start Date** - The restricted period commences on the day the Request for Proposal is released.

**End Date** - The restricted period ends on the day the contract is executed.



**Report to Board of Administration**

Agenda of: **JUNE 11, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VI-A**

**SUBJECT: EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDING MARCH 31, 2019**

Recommendation

That the Board receive and file this report.

Discussion

A report of Board and staff travel expenditures is provided to the Board on a quarterly basis pursuant to the Board Education and Travel Policy. The total travel expenditure for the quarter ending March 31, 2019 was \$12,920.89 or 6.8% of the \$190,605.00 total budget for FY 2018-19.

|                           | FY 2018-19<br>Budget | Quarter Ending 03/31/19 |             | FY 2018-19 Total    |              |
|---------------------------|----------------------|-------------------------|-------------|---------------------|--------------|
|                           |                      | Amount                  | Budget %    | Amount              | Budget %     |
| Board                     | \$ 30,000.00         | \$ 408.85               | 1.4%        | \$ 5,846.90         | 19.5%        |
| Staff                     | \$ 88,655.00         | \$ 5,533.74             | 6.2%        | \$ 28,624.26        | 32.3%        |
| Investment Administration | \$ 71,950.00         | \$ 6,978.30             | 9.7%        | \$ 25,624.83        | 35.6%        |
| <b>Total</b>              | <b>\$190,605.00</b>  | <b>\$ 12,920.89</b>     | <b>6.8%</b> | <b>\$ 60,095.99</b> | <b>31.5%</b> |

The attached report details the travel expenses for educational conferences attended by Board Members; investment due diligence visits conducted by Investment Division staff; and educational conferences and training courses attended by Los Angeles City Employees' Retirement System (LACERS) staff during the FY 2018-19. The reported costs include registration and airfare expenditures paid directly by LACERS, as well as the amount reimbursed to Board Members and staff.

This report was prepared by Mikyong Jang, Departmental Chief Accountant IV.

NG:DWN:MJ:LB

Attachment: LACERS Board and Staff Education, Training, Investment Administration Related Travel Quarterly Expenditure Report



**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL REPORT  
FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019**

| BOARD MEMBER   | TRAVEL EXPENDITURES |                       | ANNUAL MAX.<br>AMT./TRUSTEE* | BALANCE TO<br>ANNUAL MAX.<br>LIMIT |
|--|---------------------|-----------------------|------------------------------|------------------------------------|
|  | QE 03/31/19         | YTD<br>AS OF 03/31/19 |                              |                                    |
| CYNTHIA RUIZ   | \$ 173.85           | \$ 1,313.97           | \$ 10,000.00                 | \$ 8,686.03                        |
| ELIZABETH GREENWOOD  | 235.00              | 1,622.52              | 10,000.00                    | 8,377.48                           |
| ELIZABETH LEE  | -                   | 1,440.69              | 10,000.00                    | 8,559.31                           |
| SANDRA LEE   | -                   | -                     | 10,000.00                    | 10,000.00                          |
| NILZA SERRANO  | -                   | -                     | 10,000.00                    | 10,000.00                          |
| SUNG WON SOHN  | -                   | 272.40                | 10,000.00                    | 9,727.60                           |
| MICHAEL WILKINSON  | -                   | 1,197.32              | 10,000.00                    | 8,802.68                           |
| <b>TOTAL BOARD MEMBERS' TRAVEL EXP. &amp; ANNUAL LIMIT</b> | <b>\$ 408.85</b>    | <b>\$ 5,846.90</b>    | <b>\$ 70,000.00</b>          | <b>N/A</b>                         |
| <b>TOTAL BOARD MEMBERS' TRAVEL EXPENSE BUDGET (%)**</b>    | <b>1.4%</b>         | <b>19.5%</b>          |                              |                                    |

\*Annual maximum travel expenditures limit per trustee is set at \$10,000.

\*\* Calculated as a percentage of the \$30,000 FY19 budget allocation for Board Travel.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURE REPORT  
FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019**

| NAME  | ORGANIZATION   | CONFERENCE TITLE              | LOCATION          | START DATE | END DATE | REGISTRATION      | AIRFARE          | LODGING             | OTHER TRAVEL EXP. | TOTAL EXPENSE      |
|---|--|-------------------------------|-------------------|------------|----------|-------------------|------------------|---------------------|-------------------|--------------------|
| ELIZABETH GREENWOOD   | VALUE EDGE ADVISORS  | 2018 PUBLIC FUNDS FORUM       | LAGUNA BEACH, CA  | 09/04/18   | 09/06/18 | \$ 345.00         | \$ -             | \$ 845.70           | \$ 196.82         | \$ 1,387.52        |
| CYNTHIA RUIZ  | PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) ASSOCIATION                  | PRI IN PERSON 2018            | SAN FRANCISCO, CA | 09/12/18   | 09/14/18 | -                 | 171.35           | 696.52              | 272.25            | 1,140.12           |
| ELIZABETH LEE   | CONEXUS FINANCIAL  | FIDUCIARY INVESTORS SYMPOSIUM | STANFORD, CA      | 09/29/18   | 10/02/18 | -                 | 162.40           | 1,026.84            | 251.45            | 1,440.69           |
| SUNG WON SOHN*  | COUNCIL OF INSTITUTIONAL INVESTORS (CII)                                 | CII FALL 2018 CONFERENCE      | BOSTON, MA        | 10/24/18   | 10/27/18 | -                 | 272.40           | -                   | -                 | 272.40             |
| MICHAEL WILKINSON   | STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS)                   | SACRS 2018 FALL CONFERENCE    | INDIAN WELLS, CA  | 11/13/18   | 11/16/18 | 130.00            | -                | 811.62              | 255.70            | 1,197.32           |
| CYNTHIA RUIZ**  | CALIFORNIA ASSOCIATION OF PUBLIC EMPLOYEES' RETIREMENT SYSTEMS (CALAPRS) | CALAPRS GENERAL ASSEMBLY 2019 | MONTEREY, CA      | 03/03/19   | 03/05/19 | -                 | 173.85           | -                   | -                 | 173.85             |
| ELIZABETH GREENWOOD***  | COUNCIL OF INSTITUTIONAL INVESTORS (CII)                                 | CII SPRING 2019 CONFERENCE    | WASHINGTON, DC    | 03/03/19   | 03/07/19 | -                 | -                | -                   | 235.00            | 235.00             |
| <b>BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 1ST QUARTER ENDING 09/30/18:</b>      |  |                               |                   |            |          | <b>\$ 345.00</b>  | <b>\$ 333.75</b> | <b>\$ 2,569.06</b>  | <b>\$ 720.52</b>  | <b>\$ 3,968.33</b> |
| <b>BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 2ND QUARTER ENDING 12/31/18:</b>      |  |                               |                   |            |          | <b>\$ 130.00</b>  | <b>\$ 272.40</b> | <b>\$ 811.62</b>    | <b>\$ 255.70</b>  | <b>\$ 1,469.72</b> |
| <b>BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 3RD QUARTER ENDING 03/31/19:</b>      |  |                               |                   |            |          | <b>\$ -</b>       | <b>\$ 173.85</b> | <b>\$ -</b>         | <b>\$ 235.00</b>  | <b>\$ 408.85</b>   |
| <b>YTD TRAVEL EXPENDITURES / ANNUAL BUDGET FOR BOARD EDUCATION AND TRAVEL (AMOUNT &amp; %)****:</b>       |  |                               |                   |            |          | <b>\$5,846.90</b> |                  | <b>\$30,000.00</b>  |                   | <b>19.5%</b>       |
| <b>YTD BOARD MEMBERS' TRAVEL EXPENDITURES / ANNUAL BUDGET FOR ALL DEPARTMENT TRAVEL (AMOUNT &amp; %):</b> |  |                               |                   |            |          | <b>\$5,846.90</b> |                  | <b>\$190,605.00</b> |                   | <b>3.1%</b>        |

\*Traveler cancelled the trip due to change of conference date and location, however, airfare was non-refundable.

\*\*Travel was cancelled but airfare of \$173.85 was non-transferrable and non-refundable. Airline issued a credit memo for \$161.85 (net of \$12 service fee) with expiry date of 02/14/20.

\*\*\*Commissioner Greenwood was invited as a speaker for the conference.

\*\*\*\* Calculated as a percentage of the \$30,000 FY19 budget allocation for Board Travel.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
STAFF EDUCATION AND RELATED TRAVEL EXPENDITURE REPORT  
FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019**

| NAME                  | ORGANIZATION   | CONFERENCE TITLE   | LOCATION          | START DATE | END DATE | REGISTRATION | AIRFARE   | LODGING   | OTHER TRAVEL EXP. | TOTAL EXPENSE |
|-----------------------|--|--|-------------------|------------|----------|--------------|-----------|-----------|-------------------|---------------|
| BRIAN CHA*            | LRS RETIREMENT SOLUTIONS                                   | PENSIONGOLD TEAMING CONFERENCE 2018                              | SPRINGFIELD, IL   | 09/17/18   | 09/20/18 | \$ -         | \$ 377.00 | \$ 362.73 | \$ 164.25         | \$ 903.98     |
| AUDREY DYMALLY*       | LRS RETIREMENT SOLUTIONS                                   | PENSIONGOLD TEAMING CONFERENCE 2018                              | SPRINGFIELD, IL   | 09/17/18   | 09/20/18 | -            | 388.40    | 362.73    | 109.00            | 860.13        |
| LAURIE TRAN*          | LRS RETIREMENT SOLUTIONS                                   | PENSIONGOLD TEAMING CONFERENCE 2018                              | SPRINGFIELD, IL   | 09/17/18   | 09/20/18 | -            | 377.00    | 362.73    | 212.61            | 952.34        |
| CLIFF LIM*            | LRS RETIREMENT SOLUTIONS                                   | PENSIONGOLD TEAMING CONFERENCE 2018                              | SPRINGFIELD, IL   | 09/17/18   | 09/20/18 | -            | 377.00    | 362.73    | 262.06            | 1,001.79      |
| TANEDA LARIOS*        | LRS RETIREMENT SOLUTIONS                                   | PENSIONGOLD TEAMING CONFERENCE 2018                              | SPRINGFIELD, IL   | 09/17/18   | 09/20/18 | -            | 388.40    | 362.73    | 368.11            | 1,119.24      |
| FERRALYN SNEED        | INTERNATIONAL FOUNDATION OF EMPLOYEE BENEFIT PLANS (IFEBP) | 64TH ANNUAL EMPLOYEE BENEFITS CONFERENCE                         | NEW ORLEANS, LA   | 10/12/18   | 10/17/18 | 2,455.00     | 416.40    | 1,536.40  | 413.75            | 4,821.55      |
| ANN SEALES            | INTERNATIONAL FOUNDATION OF EMPLOYEE BENEFIT PLANS (IFEBP) | 64TH ANNUAL EMPLOYEE BENEFITS CONFERENCE                         | NEW ORLEANS, LA   | 10/12/18   | 10/17/18 | 2,455.00     | 416.40    | 1,536.40  | 380.00            | 4,787.80      |
| TANEDA LARIOS**       | INTERNATIONAL FOUNDATION OF EMPLOYEE BENEFIT PLANS (IFEBP) | 64TH ANNUAL EMPLOYEE BENEFITS CONFERENCE                         | NEW ORLEANS, LA   | 10/12/18   | 10/17/18 | 2,455.00     | 416.40    | -         | -                 | 2,871.40      |
| CARMELITA PAYNE       | NOSSAMAN LLP   | NOSSAMAN'S 2018 FIDUCIARIES' FORUM                               | SAN FRANCISCO, CA | 10/18/18   | 10/19/18 | 380.00       | 211.66    | 336.52    | 134.31            | 1,062.49      |
| RAHOOF OYEWOLE        | ASSOCIATION OF PUBLIC PENSION FUND AUDITORS (APPFA)        | APPFA PROFESSIONAL DEVELOPMENT CONFERENCE                        | PHILADELPHIA, PA  | 11/04/18   | 11/07/18 | 425.00       | 535.14    | 555.06    | 240.46            | 1,755.66      |
| HEATHER RAMIREZ       | LACERS   | 2019 OPEN ENROLLMENT MEETING & LACERS WELL'S SILVERSNEAKERS OPEN | LAS VEGAS, NV     | 11/06/18   | 11/08/18 | -            | 262.11    | 151.40    | 171.25            | 584.76        |
| TIFFANY OBEMBE        | LACERS   | 2019 OPEN ENROLLMENT MEETING & LACERS WELL'S SILVERSNEAKERS OPEN | LAS VEGAS, NV     | 11/06/18   | 11/08/18 | -            | 126.97    | 151.40    | 167.00            | 445.37        |
| WENDY JOHNSON         | LACERS   | 2019 OPEN ENROLLMENT MEETING                                     | LAS VEGAS, NV     | 11/07/18   | 11/08/18 | -            | -         | 75.70     | 311.49            | 387.19        |
| MARIA SALAMANCA       | LACERS   | 2019 OPEN ENROLLMENT MEETING                                     | LAS VEGAS, NV     | 11/07/18   | 11/08/18 | -            | -         | 75.70     | 391.06            | 466.76        |
| VIRGINIA LOPEZ        | LACERS   | 2019 OPEN ENROLLMENT MEETING                                     | LAS VEGAS, NV     | 11/07/18   | 11/08/18 | -            | -         | 75.70     | 110.00            | 185.70        |
| ALEXANDER RABRENOVICH | LACERS   | 2019 OPEN ENROLLMENT MEETING                                     | LAS VEGAS, NV     | 11/07/18   | 11/08/18 | -            | -         | 75.70     | 375.42            | 451.12        |

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
STAFF EDUCATION AND RELATED TRAVEL EXPENDITURE REPORT  
FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019**

| NAME   | ORGANIZATION   | CONFERENCE TITLE              | LOCATION        | START DATE | END DATE | REGISTRATION       | AIRFARE             | LODGING            | OTHER TRAVEL EXP.  | TOTAL EXPENSE       |
|--|--|-------------------------------|-----------------|------------|----------|--------------------|---------------------|--------------------|--------------------|---------------------|
| BRUCE BERNAL   | LACERS   | 2019 OPEN ENROLLMENT MEETING  | LAS VEGAS, NV   | 11/07/18   | 11/08/18 | -                  | -                   | 75.70              | 357.54             | 433.24              |
| JOSHUA GELLER  | NATIONAL ASSOCIATION OF PUBLIC PENSION ATTORNEYS (NAPPA)                 | NAPPA 2019 WINTER SEMINAR     | TEMPE, AZ       | 02/19/19   | 02/21/19 | 485.00             | 179.96              | 511.04             | 182.97             | 1,358.97            |
| ANYA FREEDMAN  | NATIONAL ASSOCIATION OF PUBLIC PENSION ATTORNEYS (NAPPA)                 | NAPPA 2019 WINTER SEMINAR     | TEMPE, AZ       | 02/21/19   | 02/22/19 | 555.00             | 187.96              | 255.52             | 125.05             | 1,123.53            |
| NEIL M. GUGLIELMO****  | CALIFORNIA ASSOCIATION OF PUBLIC EMPLOYEES' RETIREMENT SYSTEMS (CALAPRS) | CALAPRS GENERAL ASSEMBLY 2019 | MONTEREY, CA    | 03/03/19   | 03/05/19 | -                  | 130.26              | -                  | -                  | 130.26              |
| CARMELITA PAYNE****  | CALIFORNIA ASSOCIATION OF PUBLIC EMPLOYEES' RETIREMENT SYSTEMS (CALAPRS) | CALAPRS GENERAL ASSEMBLY 2019 | MONTEREY, CA    | 03/03/19   | 03/05/19 | -                  | 630.55              | 510.04             | 287.27             | 1,427.86            |
| NEIL M. GUGLIELMO*****   | C40 CITIES   | C40 DIVEST-INVEST FORUM       | LONDON, ENGLAND | 03/18/19   | 03/22/19 | -                  | 1,025.43            | -                  | 467.69             | 1,493.12            |
| <b>TOTAL STAFF TRAVEL EXPENDITURES FOR THE 1ST QUARTER ENDING 09/30/18:</b>                      |  |                               |                 |            |          | <b>\$ -</b>        | <b>\$ 1,907.80</b>  | <b>\$ 1,813.65</b> | <b>\$ 1,116.03</b> | <b>\$ 4,837.48</b>  |
| <b>TOTAL STAFF TRAVEL EXPENDITURES FOR THE 2ND QUARTER ENDING 12/31/18:</b>                      |  |                               |                 |            |          | <b>\$ 8,170.00</b> | <b>\$ 2,385.08</b>  | <b>\$ 4,645.68</b> | <b>\$ 3,052.28</b> | <b>\$ 18,253.04</b> |
| <b>TOTAL STAFF TRAVEL EXPENDITURES FOR THE 3RD QUARTER ENDING 03/31/19:</b>                      |  |                               |                 |            |          | <b>\$ 1,040.00</b> | <b>\$ 2,154.16</b>  | <b>\$ 1,276.60</b> | <b>\$ 1,062.98</b> | <b>\$ 5,533.74</b>  |
| <b>***YTD TRAVEL EXPENDITURES / ANNUAL BUDGET FOR STAFF TRAVEL (AMOUNT &amp; %):</b>             |  |                               |                 |            |          | <b>\$28,624.26</b> | <b>\$88,655.00</b>  | <b>32.3%</b>       |                    |                     |
| <b>YTD STAFF TRAVEL EXPENDITURES / ANNUAL BUDGET FOR ALL DEPARTMENT TRAVEL (AMOUNT &amp; %):</b> |  |                               |                 |            |          | <b>\$28,624.26</b> | <b>\$190,605.00</b> | <b>15.0%</b>       |                    |                     |

\* Registration fees for three (3) out of five (5) attendees, \$2,700.00, were paid out from Training Budget Account. Two registrations are included in the contract with LRS.

\*\* Travel was cancelled. Registration credit of \$2,405 were used by Board Commissioner and staff on their travel on June and July 2019.

Airfare is non-transferrable and non-refundable. Out of \$416.40, \$404.40 was issued as a credit to the traveler with an expiration on July 20, 2019.

\*\*\* Includes a budgetary transfer of \$14,000, made on July 9, 2018, for City Attorney staff travel, resulting in an overall increase of the staff travel budget to \$88,655.

\*\*\*\* Travel was cancelled or changed but applicable airline credit was received and available for use by the traveler on or before the credit expiration date.

\*\*\*\*\* Airfare in the amount of \$1,013.43 and airport transfer cost of \$33.18 was reimbursed by C40 Cities on April 18, 2019.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT ADMINISTRATION AND RELATED TRAVEL EXPENDITURE REPORT  
FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019**

| NAME           | ORGANIZATION  | CONFERENCE TITLE   | LOCATION                      | START DATE | END DATE | REGISTRATION | AIRFARE   | LODGING   | OTHER TRAVEL EXP. | TOTAL EXPENSE |
|----------------|---|--|-------------------------------|------------|----------|--------------|-----------|-----------|-------------------|---------------|
| JIMMY WANG     | BAIRD ADVISORS AND NUEBERGER BERMAN                     | DUE DILIGENCE  | MILWAUKEE, WI AND CHICAGO, IL | 07/09/18   | 07/11/18 | \$ -         | \$ 531.60 | \$ 453.18 | \$ 360.60         | \$ 1,345.38   |
| BRYAN FUJITA   | PACIFIC PENSION & INVESTMENT INSTITUTE (PPI)            | SUMMER ROUNDTABLE 2018                                       | LA JOLLA, CA                  | 07/11/18   | 07/13/18 | 900.00       | -         | 586.04    | 95.20             | 1,581.24      |
| JIMMY WANG     | LM CAPITAL GROUP  | DUE DILIGENCE  | SAN DIEGO, CA                 | 08/30/18   | 08/30/18 | -            | -         | -         | 164.57            | 164.57        |
| EDUARDO PARK*  | ASANA PARTNERS  | APFI ANNUAL INVESTOR MEETING                                 | CHARLOTTE, NC                 | 09/04/18   | 09/05/18 | -            | 1,056.90  | -         | 142.44            | 1,199.34      |
| RODNEY JUNE    | TORREYCOVE CAPITAL PARTNERS, LLC                        | DUE DILIGENCE  | SAN DIEGO, CA                 | 09/06/18   | 09/06/18 | -            | -         | -         | 64.00             | 64.00         |
| BRYAN FUJITA   | TORREYCOVE CAPITAL PARTNERS, LLC                        | DUE DILIGENCE  | SAN DIEGO, CA                 | 09/06/18   | 09/06/18 | -            | -         | -         | 64.00             | 64.00         |
| WILKIN LY      | TORREYCOVE CAPITAL PARTNERS, LLC                        | DUE DILIGENCE  | SAN DIEGO, CA                 | 09/06/18   | 09/06/18 | -            | -         | -         | 64.00             | 64.00         |
| RODNEY JUNE    | PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) ASSOCIATION | PRI IN PERSON 2018   | SAN FRANCISCO, CA             | 09/12/18   | 09/14/18 | 1,799.00     | 150.40    | 637.26    | 210.00            | 2,796.66      |
| EDUARDO PARK   | PENSION REAL ESTATE ASSOCIATION (PREA)                  | PREA'S 28TH ANNUAL INSTITUTIONAL INVESTOR CONFERENCE         | BOSTON, MA                    | 10/02/18   | 10/05/18 | 110.00       | 431.40    | 753.08    | 289.43            | 1,583.91      |
| RODNEY JUNE    | POLARIS PARTNERS  | POLARIS LIMITED PARTNER MEETING                              | BOSTON, MA                    | 10/03/18   | 10/05/18 | -            | 488.40    | 290.99    | 169.60            | 948.99        |
| RODNEY JUNE    | GCM GROSVENOR & AEGON                                   | GCM GROSVENOR SMALL AND EMERGING MANAGERS CONFERENCE & AEGON | CHICAGO, IL                   | 10/09/18   | 10/11/18 | -            | 341.40    | 327.66    | 196.35            | 865.41        |
| EDUARDO PARK** | TORCHLIGHT INVESTORS                                    | 2018 ANNUAL INVESTMENT SUMMIT                                | NEW YORK, NY                  | 10/15/18   | 10/17/18 | -            | 699.41    | -         | 286.71            | 986.12        |
| BRYAN FUJITA   | NOSSAMAN LLP  | NOSSAMAN'S 2018 FIDUCIARIES' FORUM                           | SAN FRANCISCO, CA             | 10/18/18   | 10/19/18 | 425.00       | 230.41    | 336.52    | 157.95            | 1,149.88      |
| RODNEY JUNE    | COUNCIL OF INSTITUTIONAL INVESTORS (CII)                | CII FALL 2018 CONFERENCE                                     | NEW YORK, NY                  | 10/22/18   | 10/25/18 | -            | 376.40    | 899.74    | 263.53            | 1,539.67      |
| WILKIN LY      | NATIONAL ASSOCIATION OF INVESTMENT COMPANIES (NAIC)     | NAIC 2018 ANNUAL PRIVATE EQUITY & HEDGE FUND CONFERENCE      | CHICAGO, IL                   | 10/24/18   | 10/25/18 | -            | 602.40    | 315.81    | 177.62            | 1,095.83      |
| EDUARDO PARK   | INSTITUTIONAL LIMITED PARTNERS ASSOCIATION (ILPA)       | 14TH ANNUAL ILPA SUMMIT 2018                                 | NEW YORK, NY                  | 11/06/18   | 11/08/18 | -            | 596.40    | 472.64    | 335.11            | 1,404.15      |

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT ADMINISTRATION AND RELATED TRAVEL EXPENDITURE REPORT  
FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019**

| NAME   | ORGANIZATION  | CONFERENCE TITLE                                  | LOCATION          | START DATE | END DATE | REGISTRATION       | AIRFARE            | LODGING            | OTHER TRAVEL EXP.  | TOTAL EXPENSE       |
|--|---|---|-------------------|------------|----------|--------------------|--------------------|--------------------|--------------------|---------------------|
| BRYAN FUJITA   | INVESCO   | 2018 INVESCO REAL ESTATE GLOBAL CLIENT CONFERENCE | LA JOLLA, CA      | 11/07/18   | 11/08/18 | -                  | -                  | -                  | 91.69              | 91.69               |
| RODNEY JUNE  | KPS CAPITAL PARTNERS, LP  | 2018 ANNUAL INVESTORS MEETING                     | KEY BISCAYNE, FL  | 11/07/18   | 11/09/18 | -                  | 384.60             | -                  | 143.67             | 528.27              |
| RONALD AUBERT  | STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS)                                    | SACRS 2018 FALL CONFERENCE                        | INDIAN WELLS, CA  | 11/14/18   | 11/15/18 | 120.00             | -                  | 270.54             | 54.00              | 444.54              |
| RODNEY JUNE  | BECHTEL CORP.   | PENSIONS WEST MEETING                             | SAN FRANCISCO, CA | 12/07/18   | 12/07/18 | -                  | 252.18             | -                  | 85.00              | 337.18              |
| WILKIN LY  | SPARK CAPITAL & GENSTAR CAPITAL   | DUE DILIGENCE                                     | SAN FRANCISCO, CA | 12/12/18   | 12/12/18 | -                  | 286.40             | -                  | 105.30             | 391.70              |
| WILKIN LY  | INSTITUTIONAL LIMITED PARTNERS ASSOCIATION (ILPA)   | 2019 ILPA INSTITUTE - MODULE 3                    | SAN FRANCISCO, CA | 01/15/19   | 01/17/19 | 1,499.00           | 178.40             | 743.68             | 149.70             | 2,570.78            |
| WILKIN LY***   | TA ASSOCIATES & THOMA BRAVO, LLC  | DUE DILIGENCE                                     | SAN FRANCISCO, CA | 01/25/19   | 01/25/19 | -                  | 264.60             | -                  | 84.30              | 348.90              |
| RODNEY JUNE  | TEACHER RETIREMENT SYSTEM OF TEXAS (TRST) AND EMPLOYEES RETIREMENT SYSTEM OF TEXAS (ERST) | 2019 TEXAS EMERGING MANAGER CONFERENCE            | AUSTIN, TEXAS     | 02/06/19   | 02/07/19 | -                  | 284.00             | 195.92             | 136.56             | 616.48              |
| BRYAN FUJITA   | PENSIONS WEST   | DUE DILIGENCE                                     | OAKLAND, CA       | 03/01/19   | 03/01/19 | -                  | 280.59             | -                  | 89.00              | 369.59              |
| BRYAN FUJITA   | CALIFORNIA ASSOCIATION OF PUBLIC EMPLOYEES' RETIREMENT SYSTEMS (CALAPRS)                  | CALAPRS GENERAL ASSEMBLY 2019                     | MONTEREY, CA      | 03/04/19   | 03/05/19 | -                  | 382.60             | 255.02             | 185.45             | 823.07              |
| RODNEY JUNE  | SEIZING EVERY OPPORTUNITY (SEO)   | SEO ALTERNATIVE INVESTMENTS                       | NEW YORK, NY      | 03/06/19   | 03/07/19 | -                  | 366.60             | 316.54             | 181.00             | 864.14              |
| RODNEY JUNE  | TCV, LUMINATE CAPITAL PARTNERS, FRANCISCO PARTNERS (FP)                                   | DUE DILIGENCE                                     | SAN FRANCISCO, CA | 03/14/19   | 03/15/19 | -                  | 176.96             | 253.40             | 185.38             | 615.74              |
| WILKIN LY  | THOMA BRAVO   | DUE DILIGENCE                                     | SAN FRANCISCO, CA | 03/26/19   | 03/27/19 | -                  | 294.60             | 336.64             | 138.36             | 769.60              |
| <b>INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 1ST QUARTER ENDING 09/30/18:</b>                          |   |   |                   |            |          | <b>\$ 2,699.00</b> | <b>\$ 1,738.90</b> | <b>\$ 1,676.48</b> | <b>\$ 1,164.81</b> | <b>\$ 7,279.19</b>  |
| <b>INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 2ND QUARTER ENDING 12/31/18:</b>                          |   |   |                   |            |          | <b>\$ 655.00</b>   | <b>\$ 4,689.40</b> | <b>\$ 3,666.98</b> | <b>\$ 2,355.96</b> | <b>\$ 11,367.34</b> |
| <b>INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 3RD QUARTER ENDING 03/31/19:</b>                          |   |   |                   |            |          | <b>\$ 1,499.00</b> | <b>\$ 2,228.35</b> | <b>\$ 2,101.20</b> | <b>\$ 1,149.75</b> | <b>\$ 6,978.30</b>  |
| <b>YTD TRAVEL EXPENDITURES / ANNUAL BUDGET FOR INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES (AMOUNT &amp; %):</b> |   |   |                   |            |          | <b>\$25,624.83</b> |                    | <b>\$71,950.00</b> |                    | <b>35.6%</b>        |

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM  
 INVESTMENT ADMINISTRATION AND RELATED TRAVEL EXPENDITURE REPORT  
 FOR THE PERIOD JULY 1, 2018 TO MARCH 31, 2019

| NAME  | ORGANIZATION | CONFERENCE TITLE | LOCATION | START DATE | END DATE | REGISTRATION | AIRFARE | LODGING      | OTHER TRAVEL EXP. | TOTAL EXPENSE |
|---|--------------|------------------|----------|------------|----------|--------------|---------|--------------|-------------------|---------------|
| YTD INVESTMENT ADMIN. TRAVEL EXPENDITURES / ANNUAL BUDGET FOR ALL DEPARTMENT TRAVEL (AMOUNT & %): |              |                  |          |            |          | \$25,624.83  |         | \$190,605.00 |                   | 13.4%         |

\* Airfare in the amount of \$1,056.90 was reimbursed by Asana Partners on 03/07/19.

\*\* Airfare in the amount \$699.41 was reimbursed by Torchlight Investors on 04/15/19.

\*\*\*Includes an erroneous service fee of \$12, which was subsequently credited back by Citibank on Feb 2019 Statement.





**Report to Board of Administration**

Agenda of: **JUNE 11, 2019**

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

ITEM: **VI-B**

**SUBJECT: SERVICE AGREEMENT WITH EMERGENCY MANAGEMENT & SAFETY SOLUTIONS FOR EMERGENCY SIMULATION EXERCISE AND POSSIBLE BOARD ACTION**

Recommendation

1. Make a determination, under City Charter Section 1022, that work under the proposed contract is performed more feasibly by independent contractors rather than by City employees;
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

LACERS' Department Emergency Plan and Business Continuity Plan (BCP) were developed to ensure that mission-critical functions continue without interruption even in the aftermath of a disruptive event such as an earthquake, fire, or flood. An effective Department Emergency Plan and BCP require periodic testing, evaluation, and improvement in order to adjust to an ever-changing operational landscape. A tabletop exercise is a way of walking through the established emergency procedures to test the plan and evaluate the readiness of staff in responding to an emergency.

In the fall of 2016, LACERS conducted a tabletop exercise to practice our emergency readiness. The focus of that exercise was on incident management and the actions staff are to take in the first few days of an emergency, such as attending to the safety of staff and evaluating the effects the emergency may have had on operations.

LACERS seeks to take the next step and evaluate the department's procedures for BCP activation. Activation of the BCP involves re-establishing computer connectivity, siting and opening an alternate facility, and getting the department back in the business of providing mission-essential functions to our Members. Staff will follow the developed BCP procedures and a consultant will evaluate actions taken to determine if changes to the procedures and/or training are needed.

Staff recommends entering an agreement with Emergency Management & Safety Solutions (EMSS) for the emergency simulation exercise. Emergency Management & Safety Solutions facilitated a tabletop exercise for LACERS in 2016, which was very informative for participating staff. EMSS also



provided a comprehensive, written assessment with specific recommendations on how to strengthen our program. The use of EMSS for the next simulation would enable LACERS staff to tap into the consultant's knowledge of our strengths and weaknesses from the 2016 exercise, and provide a context from which they can better assess the growth of our emergency program.

The total cost for the services to be provided for this emergency simulation exercise is \$22,600, with \$15,820 coming from the current year budget, and the balance of \$6,780 coming from the FY2019-20 budget.

*Strategic Plan Impact Statement*

This request to authorize an agreement to provide design, facilitation, and after-action reporting services to Emergency Management & Safety Solutions conforms to the Benefit Delivery goal to deliver accurate and timely Member benefits, and to the Organization objective to continue to mature an effective enterprise risk management program of the LACERS Strategic Plan.

This report was prepared by Dan Goto, Management Analyst, and John Koontz, Senior Management Analyst, of the Administration Division.

NMG:TB:DWN:EF:JK:DG

Attachment: Proposed Resolution

SERVICE AGREEMENT FOR  
EMERGENCY MANAGEMENT & SAFETY SOLUTIONS  
EMERGENCY SIMULATION EXERCISE FACILITATION SERVICES

PROPOSED RESOLUTION

WHEREAS, LACERS' Department Emergency Plan and Business Continuity Plan (BCP) were developed to ensure that mission-critical functions continue without interruption even in the aftermath of a disruptive event such as an earthquake, fire, or flood;

WHEREAS, an effective Department Emergency Plan and BCP require periodic testing, evaluation, and improvement in order to adjust to an ever-changing operational landscape;

WHEREAS, Emergency Management & Safety Solutions (EMSS) facilitated a simulation exercise for LACERS in 2016 that was focused on incident management immediately following an emergency event;

WHEREAS, LACERS seeks to take the next step and evaluate the department's procedures for BCP activation through a simulation exercise;

WHEREAS, LACERS staff lacks the expertise necessary to perform this work;

WHEREAS, LACERS was highly satisfied with the past services provided by EMSS and wish to engage them again for the simulation exercise on BCP activation.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves an agreement with Emergency Management & Safety Solutions to facilitate a tabletop/emergency simulation exercise; and, authorizes the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

|                          |   |
|--------------------------|---|
| <u>Company Name:</u>     | Emergency Management & Safety Solutions             |
| <u>Service Provided:</u> | Emergency Simulation Exercise Facilitation Services |
| <u>Contract Amount:</u>  | Not to exceed \$22,600                              |
| <u>Duration:</u>         | Six Months  |

June 11, 2019



**Report to Board of Administration**

Agenda of: **JUNE 11, 2019**

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

ITEM: **VI-C**

**SUBJECT: CONSIDERATION OF GOVERNMENTAL SIDE-A FIDUCIARY LIABILITY INSURANCE AND POSSIBLE BOARD ACTION**

Recommendation

That the Board:

- 1) Obtain a two-year Governmental Side-A liability insurance policy from Euclid Specialty/Hudson Insurance Company; and,
- 2) Authorize the General Manager to negotiate and execute the necessary documents.

Discussion

LACERS has procured Governmental Side-A Liability insurance coverage since May 2014. The policy serves to protect the personal assets of the LACERS' directors, officers, trustees, managers, comptroller, and in-house counsel against claims alleging an error, omission, act, misstatement, misleading statement, neglect or breach of duty in their respective capacities or any matter claimed against them solely by reason of their serving in such capacities. LACERS' most recent coverage, a two-year policy with RLI Insurance Company with a \$10 million limit of liability and an annual premium of \$37,500, expired on May 23, 2019. In March 2019, staff requested LACERS' insurance broker, Willis Towers Watson (WTW), to solicit renewal quotes. The solicitation yielded only one response. As such, staff requested WTW to solicit additional quotations.

At the May 14, 2019 meeting, the Board authorized the extension of the policy for one month from May 23, 2019 to June 23, 2019 for a pro-rated premium of \$2,869 to allow time for WTW to reach out to other carriers for additional quotes and for staff to perform a review of the renewal quotations received. In addition, the Board instructed staff to provide a recommendation at a future meeting and request WTW to make a presentation of their updated proposal.

Jeanne Blasher of WTW will be presenting the insurance quotes received from LACERS' current carrier, RLI Insurance Company, and from Euclid Specialty/Hudson Insurance Company (Euclid/Hudson) for the Board's consideration. Both proposals have a yearly limit of liability of \$10 million which is consistent with our current insurance policy. Staff reviewed the two quotations and recommends that LACERS bind coverage with Euclid/Hudson. The renewal program under Euclid/Hudson provides a competitive annual premium of \$33,500 which is \$4,000 less than LACERS' current premium. Euclid/Hudson also offers 100% allocation of defense costs which provides legal defense for all counts regardless of whether or not all

allegations are covered under the policy. In addition, Euclid/Hudson offers a renewal guarantee endorsement which provides automatic renewal terms, locking in the expiring policy's premium rate for the second year so long as no claims were filed in the first year of coverage.

*Strategic Plan Impact Statement:*

This consideration to renew the current Governmental Side-A insurance coverage supports the Organization Goal of increasing organizational effectiveness, efficiency, and resiliency.

This report was prepared by Edeliza Fang, Senior Management Analyst, Administrative Services Division.

NMG:TB:DWN:EF

Attachment: Willis Towers Watson Proposal



An aerial photograph of a city, likely Los Angeles, showing a dense urban landscape with various buildings, roads, and parking lots. Overlaid on this image are several semi-transparent architectural renderings of modern buildings, including a prominent white, curved structure and a large, multi-story building with a green roof. The text is positioned in the upper left corner of the image.

# Los Angeles City Employees Retirement System

## Directors & Officers Liability Proposal

June 23, 2019 to June 23, 2020

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# Executive Summary

## D&O Insurance Program

Willis Towers Watson is pleased to present the Directors and Officers Liability (Side A) insurance renewal proposal to Los Angeles City Employees Retirement System for the 6/23/2019 – 6/23/2020 term.

We negotiated renewal terms with the incumbent carrier RLI (via CRC) for a total premium of \$42,400, which is down from their initial quote at \$53,111. This is a premium increase of \$8,650 or +25.6% over the expiring premium of \$33,750. While the premium did increase this year, it is primarily due to the growth in plan assets which are up 21% since the account was last underwritten – at \$16.9B now compared to \$14B. In addition, there has been an uptick in claim activity for this class of business. We are seeing an increase in D&O rates in the marketplace overall, and specifically in California – due to increased D&O claim frequency and costs.

In addition to RLI, we also approached the following markets on your behalf -- Chubb, Everest, Markel, One Beacon, and RSUI. All carriers declined to quote due to size and/or class of business.

As requested, we approached Euclid for terms during the one month extension. Initially, they were unwilling to provide terms as they have quoted your account many times in the past and have provided competitive terms but never won the business. After quite a bit of negotiation, we were able to secure a very competitive option from Euclid (via CRC) for \$33,500. This would essentially be a flat renewal premium over the expiring RLI program.

There are no outstanding subjectivities in order to renew with RLI. If you decide to move coverage to Euclid, we will need to have the RLI renewal application resigned and currently dated prior to binding. Please note that both the RLI and Euclid terms are subject to no material change in the risk between the quote and policy inception.

# Marketing Summary

The following markets were approached for terms on your behalf:

| Carrier          | Line of Business | Response | Limit               | Retention/<br>Attachment | Commission | Premium   |
|------------------|------------------|----------|---------------------|--------------------------|------------|---|
| RLI (via CRC)    | D&O (Side A)     | Quoted   | D&O: \$10M (Side A) | D&O: \$0                 | 13%        | \$42,400 (\$42,000 Premium + \$400 Broker Fee)                    |
| Euclid (via CRC) | D&O (Side A)     | Quoted   | D&O: \$10M (Side A) | D&O: \$0                 | 12.5%      | \$33,500 (\$33,000 Premium + \$400 Broker Fee + \$100 Policy Fee) |



# Program Details – RLI Terms

## Current Program



**Total Limit: \$10,000,000**  
**Total Premium: \$33,750**

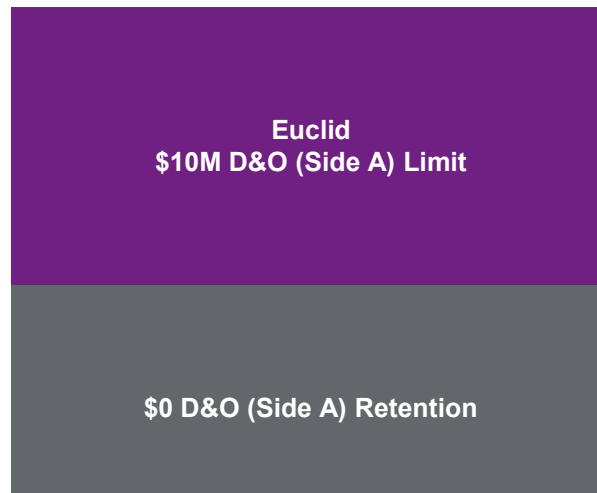
## Renewal Program



**Total Limit: \$10,000,000**  
**Total Premium: \$42,400**

# Program Details – Euclid Terms

## Proposed Program



**Total Limit: \$10,000,000**

**Total Premium: \$33,500**

# RLI Program versus Euclid Program Comparison

| Coverage Provisions | RLI Renewal Program   | Euclid Renewal Program   |
|---------------------|---|--|
| Limit of Liability  | \$10,000,000 Aggregate for all Non-Indemnified Loss, including Defense Expenses <ul style="list-style-type: none"> <li>• \$100,000 Access Fund <b>Additional</b> Limit of Liability</li> <li>• \$100,000 Reputational Protection Sublimit of Liability</li> </ul>   | \$10,000,000 Aggregate for all Non-Indemnified Loss, including Defense Expenses <ul style="list-style-type: none"> <li>• \$100,000 Access Fund <b>Sublimit</b> Limit of Liability</li> <li>• \$100,000 Reputational Protection Sublimit of Liability</li> </ul>  |
| Retention           | \$0   | \$0  |
| Premium             | \$42,400  | \$33,500   |
| Program Details     | <ul style="list-style-type: none"> <li>• Admitted Carrier – RLI Insurance Company</li> <li>• Rated A+ XI by A.M. best</li> <li>• Claims Made Policy Form; DIC Form</li> <li>• Pay on behalf of wording</li> <li>• <b>Not Duty to Defend</b></li> <li>• Prior or Pending Litigation Date – 05/23/2014</li> <li>• ERP – 1 year at 150% additional premium</li> <li>• 60 day post policy reporting window</li> <li>• Notice of Circumstances allowed</li> <li>• Policy is non-rescindable and fully severable</li> <li>• True Worldwide coverage</li> <li>• Waiver of Recourse/Subrogation – AP is flat charge of \$175</li> <li>• <b>Renewal Guarantee Endorsement not available</b></li> </ul> | <ul style="list-style-type: none"> <li>• Admitted Carrier – Hudson Insurance Company</li> <li>• Rated A XV by A.M. Best</li> <li>• Claims Made and Reported Policy Form; DIC Form</li> <li>• Pay on behalf of wording</li> <li>• <b>Duty to Defend</b></li> <li>• <b>100% allocation of defense costs</b></li> <li>• Prior or Pending Litigation Date – 05/23/2014</li> <li>• ERP – 1 year for 100% additional premium</li> <li>• 90 day post policy reporting window</li> <li>• Notice of Circumstances allowed</li> <li>• Policy is non-rescindable and fully severable</li> <li>• True Worldwide Coverage</li> <li>• Insured has choice of counsel but must be approved by carrier</li> <li>• Waiver of Recourse/Subrogation – AP is \$25 per board member</li> <li>• <b>Renewal Guarantee Endorsement – no claims</b></li> </ul> |

# Renewal Coverage Overview – RLI Terms

|                        |  |
|------------------------|--|
| <b>Effective Date</b>  | 05/23/2019   |
| <b>Expiration Date</b> | 05/23/2020   |
| <b>Policy Form</b>     | Executive Plus Directors and Officers Liability Policy – EPDO 100 (08/15) / EPDO 101 (08/15) |
| <b>Carrier Name</b>    | RLI Insurance Company (via CRC)  |

|                   |  |
|-------------------|--|
| <b>Coverage</b>   | Directors and Officers Liability (D&O) – Side A Only   |
| <b>Limits</b>     | <p><b>D&amp;O (Side A)</b></p> <p>\$10,000,000 – Aggregate Limit of Liability</p> <ul style="list-style-type: none"> <li>• \$100,000 Access Fund Additional Limit</li> <li>• \$100,000 Reputational Protection Sublimit</li> </ul> |
| <b>Retentions</b> | <p><b>D&amp;O</b></p> <p>\$0 Each Claim</p>  |
| <b>Premium</b>    | \$42,400 (\$42,000 Premium + \$400 Broker Fee)   |
| <b>Commission</b> | 13%  |

# Endorsements

|   |   |
|---|---|
| RIL 2133C (01/15) - Notice - Terrorism Risk Insurance Act                     | Terrorism (TRIA) coverage notice  |
| RIL 110A (01/08) - Supplemental Declarations                                  | Declarations pages  |
| EPG 900 (01/15) - Cap on Losses From Certified Acts of Terrorism              | Terrorism coverage cap notice   |
| EPDO 672 (08/15) - Amend Insuring Clause 1. a.                                | NEW – Broadens part a. (iii) of Insuring Clause 1 to add “or voids or attempts to void” the Underlying Insurance  |
| EPDO 679 (08/15) - Amend Notice/Claim Reporting Provisions                    | Amends the notice provision to add 60 day notice requirement after the end of the Policy Period or Discovery Period (if purchased)                                  |
| EPDO 693 (08/15) - Plan Fiduciary Endorsement                                 | Amends definition of Wrongful Act to include any actual or alleged breach by any Insured Person as a fiduciary of any employee benefit plan sponsored by the Entity |
| MNU-EPDO 200 (01/17) - Prior or Pending Litigation Date                       | Adds Prior or Pending Litigation Date of 5/23/2014  |
| MNU-EPDO 203 (01/17) - Liberalization Clause for Renewed or Replaced Policies | Adds liberalization clause allowing for broader coverage from the expiring policy to apply to this current policy, if applicable                                    |
| MNU-EPDO 215 (01/17) - Amend Definition of Claim (IV)                         | NEW – Broadens and adds to definition of Claim  |
| MNU-EPDO 230 (01/17) - Amend Section 19. Other Insurance and Indemnification  | Broadens other Insurance and indemnification provisions by clarifying the policy language   |
| MNU-EPDO 249 (01/17) - Amend Representations; Severability Endorsement        | NEW – Amends representations and severability provisions to clarify and provide more specific policy language   |

# Endorsements

|  |  |
|--|--|
| MNU-EPDO 250 (01/17) - Amend Conduct Exclusion (VII)                       | NEW – Amends the conduct exclusion-profit exclusion to now reference “in any underlying action” which provides further limitation when the exclusion will apply                        |
| MNU-EPDO 257 (01/17) - Amend Definition of Loss (Statutory Attorney's Fee) | NEW – Amends definition of Loss to include statutory attorney's fees, where insurable  |
| RIL 200 (10/00) - Attention Policyholder                                   | Carrier's intentional fraud notice   |
| UW 20334 (10/11) - State of California - Notice to Policyholder            | California state notice advising that return premium to be reduced by up to 10% of the pro rata return premium if the policy is cancelled prior to the end of the policy period        |
| UW 20342 (03/12) - Policyholder Notice - OFAC                              | Trade and economic sanctions notice  |
| ILF 0001C (04/16) - Signature Page - Commercial Lines                      | Carrier's signature page   |
| MNU-EPDO-127 - Waiver of Recourse End. - A/P of \$175.00                   | Removes Insurer's rights of recovery against any Insured Person for an additional premium of \$175   |
| MNU-EPDO-203 - Liberalization End  | Duplicate  |
| MNU-EPDO-302 - Amend Outside Position Endorsement (II)                     | NEW – Broadens the definition of Outside Entity to remove the language requiring such service is rendered with the knowledge and consent of, at the direction or request of the Entity |

# Renewal Coverage Overview – Euclid Terms

|                        |   |
|------------------------|---|
| <b>Effective Date</b>  | 0623/2019   |
| <b>Expiration Date</b> | 06/23/2020  |
| <b>Policy Form</b>     | The Defender Side A DIC Insurance Policy Form – ESM-HFP-8675309 (07/2008) |
| <b>Carrier Name</b>    | Euclid Specialty/Hudson Insurance Company (via CRC)                       |
| <b>Coverage</b>        | Directors and Officers Liability (D&O) – Side A Only                      |
| <b>Limits</b>          | <b>D&amp;O (Side A)</b><br>\$10,000,000 – Aggregate Limit of Liability    |
| <b>Retentions</b>      | <b>D&amp;O</b><br>\$0 Each Claim  |
| <b>Premium</b>         | \$33,500 (\$33,000 Premium + \$400 Broker Fee + \$100 Policy Fee)         |
| <b>Commission</b>      | 12.5%   |

# Endorsements

|   |   |
|---|---|
| ESM-HFP-SA-E01 – The Euclid Specialty Modified Side A Duty to Defend Policy Endorsement | Euclid Side A D&O enhancement endorsement which provides several enhancements to the base form including amending defense provision to Duty to Defend |
| ESM-HFP-SA-E03 – Renewal Guarantee Endorsement  |   |
| ESM-HFP-SA-E06 – Pending or Prior Litigation Date Endorsement (03/23/2013)              | Adds Prior or Pending Litigation Date of 5/23/2014  |



# Important Notices

## **WILLIS COMMISSION**

Willis Towers Watson negotiates commission rates with certain insurers on a corporate level. If the rate on your placement is lower than the negotiated rate, Willis Towers Watson will collect the difference directly from the insurer. These payments will not increase the cost of your insurance or otherwise impact your premium or rates. Details of these arrangements where there is compensation beyond the base compensation detailed in your Quote Proposal can be found at:

[http://www.willis.com/About\\_Willis/The\\_Willis\\_Way/Commission\\_Rates/](http://www.willis.com/About_Willis/The_Willis_Way/Commission_Rates/).

## **INTERMEDIARY/WHOLESALER**

In our search for your insurance coverage, we used the following wholesaler: CRC Insurance Services.

## **WILLIS STANDARD TERMS & CONDITIONS DISCLOSURE**

This proposal is presented in conjunction with the Brokerage Terms, Conditions and Disclosures for US Property & Casualty Retail Accounts which is enclosed.

# Order to Bind

Please review this proposal and advise of any changes or questions you may have. To request the binding of coverage, please complete and sign the following or contact me with your binding instructions.

As recommended by Willis Towers Watson in the Financial Summary

-or-

As follows

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\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Printed Name

# Brokerage Terms, Conditions & Disclosures

WillisTowersWatson 

## Brokerage Terms, Conditions & Disclosures

Your decision to purchase insurance coverages, products, and/or services through Willis Towers Watson is subject to the following terms and conditions.

### 1. General Terms and Conditions

1.1. **Fees Exclusive of Taxes.** Any fees or rates quoted or estimated will be exclusive of income tax or of any sales, ad valorem, value added tax or any similar tax unless such tax is required to be included pursuant to a statutory requirement. If required, we will add the relevant tax to the invoice, separately stated, and remit such tax to the appropriate authority.

1.2. **Our Responsibilities.** We will provide the services in a professional manner with reasonable skill and care and in accordance with all laws and regulations applicable to us. We will assign to the project team, members of our staff with adequate education, training and experience to perform the tasks assigned to them. We will use reasonable endeavors to meet any agreed timetable.

The work product we produce in the course of providing the services (the "**Work Product**") will not infringe any intellectual property right of any third party. Unless otherwise expressly agreed in writing, we do not accept any fiduciary or trust responsibilities or related liability in connection with the performance of the services. We do not provide legal, accounting or tax advice.

1.3. **Your Responsibilities.** You will provide us, in a timely manner, with all documentation, information, access to your personnel, access to your premises (if applicable) and cooperation reasonably required to provide the services. Any delay or failure to provide such documentation, information, access to your personnel or cooperation may result in: (a) a revision to any agreed timetable; and (b) if we are required to perform any additional work as a result, in additional fees being charged. We will rely on the documentation and information provided by you or your representatives and we do not take responsibility for verifying the accuracy or completeness of it. You may rely only upon our final Work Product and not on any drafts or oral statements made by us in the course of performing the services.

1.4. **Intellectual Property Rights and Work Product.** You will retain ownership of all original data and materials provided to us by you or your representatives, and the intellectual property rights in that data and materials. You will have the right to use, reproduce and adapt the copies of the Work Product for internal purposes within your organization. We will retain the intellectual property rights in the Work Product, and the skills, know-how and methodologies used or acquired by us during the course of providing any of the services.

The services, including the Work Product, are provided solely for the intended purpose, and may not be referenced or distributed to any other party without our prior written consent. You may distribute the Work Product to your affiliates, provided that you ensure that each such affiliate complies with these Terms, Conditions, & Disclosures, as if it were a party to them, and you remain responsible for such compliance.

You will not refer to us or include any of the Work Product in any shareholder communication or in any offering materials (or fairness opinion provided by your professional advisers) prepared in connection with the public offering or private placement of any security, unless otherwise agreed in writing.

1.5. **Confidentiality and Data Privacy.** Each party (the "**Recipient**") will protect all confidential information which the other party (the "**Discloser**") provides to it (whether orally, in writing or in any other form) ("**Confidential Information**") using the same standards as the Recipient applies to its own comparable confidential information, but in no event less than reasonable measures. Confidential Information will not include information that is: (a) already known to the Recipient at the time of disclosure; (b) in the public domain or publicly available; (c) provided to it by a third party who is under no such obligation of confidentiality; (d) independently developed by it; or (e) is required to be disclosed by court order, regulatory authority or other legal process, provided that prior to disclosing any Confidential Information, the Recipient will, if permitted by law, notify, and cooperate with the Discloser, at Discloser's expense, to lawfully limit and/or obtain appropriate protective orders with respect to such portion(s) of the Confidential Information which is the subject of any such required disclosure. Each party may disclose Confidential

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Information to its legal advisers to protect its own legitimate interests or to comply with any legal or regulatory requirements.

In the course of providing the services, the parties acknowledge that you may provide us with information about an identifiable individual or information which relates to a natural person and allows that person to be identified, including your customer or employee information ("**Personal Data**"). It is further acknowledged that we are a global business and that we may transmit your information, including Personal Data, within our global network of offices to our affiliates and providers of IT outsourcing who will be subject to appropriate data protection standards. You represent that Willis Towers Watson is authorized to receive and possess any such Personal Data and that you have obtained any necessary consents from third parties, including the individual to which such Personal Data relates, that may be required for us to use the Personal Data for the purposes of providing the services. Irrespective of where we receive or hold Personal Data on your behalf, we will take appropriate technical, physical and organizational/administrative measures to protect it against accidental or unlawful destruction or accidental loss or unauthorized alteration, disclosure or access. Each party will comply with the provisions and obligations imposed on it by applicable data privacy legislation and regulations.

You agree that we may maintain, process and transfer your Confidential Information and Personal Data in order to perform the services, and for other reasonable ancillary purposes, unless you instruct otherwise.

In addition, you hereby grant us permission to use data we receive from you or your representatives in the course of the services for use in industry benchmarking studies, trend analyses and research. We may use the results of these studies, analyses and research for various purposes, including articles and studies for distribution to our other clients and prospects. Any such articles or studies will not disclose your participation or mention the inclusion of your information to any other party. Any findings from these studies that may show individual participant results will be on a blinded basis, and not attribute any finding to a specific participant.

1.6. **Nonconforming Services.** If the services do not conform to the requirements agreed between the parties, you will notify us promptly and we will re-perform any non-conforming services at no additional charge or, at our option, refund the portion of the fees paid with respect to such non-conforming services. The re-performance of the services or refund of the applicable fees is intended to provide an adequate remedy for any failure on our part to adhere to the requirements agreed between the parties for the performance of services.

1.7. **Indirect Damages.** In no event shall we or any of our affiliates and our and their respective employees, directors, officers, agents and subcontractors be liable for any incidental, special, punitive, or consequential damages of any kind (including, without limitation, loss of income, loss of profits, or other pecuniary loss), except to the extent such liability may not be excluded as a matter of law.

1.8. **Joint Liability.** Where we are jointly liable to you with another party, we will to the extent permitted by law only be liable for those losses that correspond directly with our share of responsibility for the losses in question.

1.9. **Third Parties.** We accept no responsibility for any consequences arising from any third party relying on the Work Product. If we agree to provide the Work Product to a third party, you are responsible for ensuring that the third party is made aware of the fact that they are not entitled to rely upon it. You agree to reimburse us for all costs (including reasonable legal fees) that we incur in responding to any requests or demands from third parties, pursuant to legal process or otherwise, for data or information related to the services.

1.10. **Force Majeure.** Neither party will be liable for any delay or non-performance of its obligations caused by an event beyond its control (a "**Force Majeure Event**") provided that the party affected gives prompt notice in writing to the other party of such Force Majeure Event and uses all reasonable endeavors to continue to perform its obligations. Either party may terminate any Statement of Work or Service Agreement by written notice to the other with immediate effect if such Force Majeure Event continues for more than 3 months.

1.11. **Miscellaneous.** These Term, Conditions & Disclosures, together with any signed agreement between us applicable to the same services, set out the complete and exclusive statement of agreement and

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# Brokerage Terms, Conditions & Disclosures

## WillisTowersWatson

understanding between the parties, which supersedes and excludes all prior or contemporaneous proposals, understandings, agreements or representations, whether oral or written, with respect to your purchase of insurance. To the extent there is a conflict between these Terms, Conditions & Disclosures and a separately negotiated and signed agreement between you and Willis Towers Watson for the same services, the relevant portions of the signed agreement will control. Any modifications or amendments to any MSA, Statement of Work, a Service Agreement, or a change to the services must be in writing and agreed by the parties. Should any provisions of an MSA, Statement of Work, Service Agreement, or any of the Terms, Conditions, & Disclosures be declared void, illegal or otherwise unenforceable, the remainder will survive unaffected.

Neither party may assign or delegate any of its rights or obligations to any third party without the prior written consent of the other party. Notwithstanding the foregoing, either party may assign or delegate any of its rights and obligations to an affiliate. We reserve the right to employ subcontractors to assist in providing services and to pass to them any information and materials they need to perform their work. Where we use affiliates or subcontractors to provide the services, we will remain ultimately responsible for the provision of the services.

Neither party will have any liability in respect of any statement (except in the case of fraud where the liability of each party to the other will be unlimited) made by such party or on its behalf to the other party which is not contained in an applicable Statement of Work, Service Agreement, or these Terms, Conditions, & Disclosures and each party acknowledges that it has not entered into any Statement of Work, or Service Agreement or will enter into a Statement of Work or Service Agreement, in reliance on any representation by the other party which is not contained in the MSA, the applicable Statement of Work, Service Agreement, or these Terms, Conditions & Disclosures.

We do not tolerate unethical behavior either in our own activities or in those with whom we seek to do business. We will comply with applicable laws, regulations, and rules.

- 1.12. **Sanctions and Export Control.** Sanctions and export control laws from the EU, United States, Canada, and other government authorities prohibit companies, including Willis Towers Watson, from conducting business in certain jurisdictions or with certain individuals. The restrictions may differ based on your business activity, ownership structure, and the location or nationality of your employees. Please inform us of any insurance or service requirements you have which touch upon goods, countries, entities or individuals subject to any sanctions or export controls. We will comply with all applicable sanctions and export control laws, and we are not responsible for actions taken by third parties based on their own sanctions or export control constraints.

To comply with applicable anti-money laundering regulations there are times when we may ask clients to confirm (or reconfirm) their identity. We may need to do this at the time you become a client or have been one for some time or for example, when checking details on proposal forms and transferring claims payments. This information may be shared with other subsidiaries of Willis Towers Watson PLC and where we deem necessary with regulatory or law enforcement bodies. Please note that we are prohibited from disclosing to you any report we may make based on knowledge or suspicion of money laundering, including the fact that such a report has been made.

We have systems that protect our clients and ourselves against fraud and other crime and we may utilize the services of third parties in order to identify and verify clients. Client information can be used to prevent crime and trace those responsible. We may check your details against financial crime databanks. If false or inaccurate information is provided, we may be obliged to pass such details to relevant regulatory agencies that may use this information.

- 1.13. **Dispute Resolution.** The parties agree to work in good faith to resolve any disputes arising out of or in connection with the services provided under these Terms, Conditions & Disclosures. If a dispute cannot be resolved it will be submitted to non-binding mediation to be conducted by Judicial Arbitration and Mediation Services (JAMS) before either party pursues other remedies hereunder. If the mediation does not resolve the dispute and a party or both parties wish to pursue other remedies, the parties agree that their legal dispute will be resolved without a jury trial and agree not to request or demand a jury trial. To the fullest extent permitted by applicable law, the parties hereby irrevocably waive any right they may have to demand a jury trial.

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## WillisTowersWatson

To the extent the foregoing jury trial waiver is not enforceable under the governing law, except as provided below, any dispute arising out of or in connection with these Terms, Conditions & Disclosures which the parties are unable to resolve between themselves or through mediation as provided above, will be resolved by binding arbitration in the state as provided for in paragraph 14 below, or other mutually agreed location, before a panel of three arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Under these circumstances, the arbitration proceeding will be the sole and exclusive means for resolving any dispute between the parties, except for any dispute involving the ownership or use of work product or intellectual property, provided that either party may seek an injunction or other equitable relief if such action is necessary to avoid irreparable damage or to preserve the status quo. Each party will have the right to select one of the arbitrators and the two arbitrators so selected will agree on the choice of the third arbitrator. Each party will bear the expenses of the arbitrator it selects and one-half of the expenses of the third arbitrator and other costs related to the arbitration. Judgment on the award rendered by the arbitrators will be final and binding, and may be entered in any court having jurisdiction thereof. The arbitration proceeding will be confidential.

- 1.14. **Governing Law.** Any controversy, dispute or claim of any kind between the parties will be governed by and interpreted in accordance with the laws of the jurisdiction where the Willis Towers Watson office principally responsible for providing the services to you under the particular Statement of Work is located, without regard to any provisions governing conflicts of laws; provided that if such office is located outside of Canada or the US, the governing law will be that of the State of New York, without regard to any provisions governing conflicts of laws.

1.15. **Additional Provisions Applicable Only to Health and Benefits Services.**

1.15.1. If and to the extent that any portion of Willis Towers Watson's compensation is to be paid by or on behalf of any employee health or other welfare benefit plan ("Plan"), including commissions derived from Plan assets, then you will secure the approval of the applicable Plan fiduciaries for such portion of our compensation. You, and if applicable, the Plan fiduciaries, and not Willis Towers Watson, will determine whether any payment utilizing, or deriving from, Plan assets is appropriate. Willis Towers Watson will provide details concerning its charges to enable you, and if applicable, the Plan fiduciaries to make such determinations, but any information that Willis Towers Watson provides to you with its invoices or otherwise should not be construed as advice regarding the appropriate use of Plan assets. You, and if applicable, the Plan fiduciaries are encouraged to consult with legal counsel regarding such matters. Unless you tell us otherwise, in providing our services we will assume that the employee welfare benefits you provide to your employees and with respect to which we provide services have been wrapped into a single Plan. To the extent that you or your Plan enter into an Administrative Services Only contract with a Third Party Administrator pursuant to which Willis Towers Watson receives a directed fee, you represent that all administrative fees are paid by you out of your general assets and will not be charged to the Plan.

1.15.2. Willis Towers Watson is not being engaged as a fiduciary or to provide investment advice and does not and will not perform or assume any fiduciary or trust responsibilities or liability in connection with the performance of the services. You agree that the services to be performed by Willis Towers Watson under an applicable Statement of Work are ministerial and not fiduciary in nature, that Willis Towers Watson has no discretionary authority or control with respect to the management or administration of your employee benefit plan(s) or any Plan assets, that Willis Towers Watson is not providing any advice with respect to products that may have an investment component, and that Willis Towers Watson's compensation has not been set at levels intended to compensate it for assuming fiduciary liability. You retain full responsibility for decisions to purchase or not purchase insurance policies, all claims for benefits against the Plan and any other discretionary decisions by the Plan or any fiduciary, trustee, Plan administrator, or Plan committee.

1.15.3. You agree that any enrollment or census data provided to Willis Towers Watson shall be provided by you in your role as an employer. You agree that you are responsible for your own access to and use of employee data, and that all persons whom you direct or request Willis Towers Watson to share employee data with are authorized to receive the employee data.

1.15.4. In the event that you and/or any of the employee benefit plans sponsored by you need to enter into business associate agreements with Willis Towers Watson to satisfy the requirements of the

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2019-03-29 Brokerage Terms, Conditions & Disclosures (Canada & US)

# Brokerage Terms, Conditions & Disclosures

## WillisTowersWatson

Health Insurance Portability and Accountability Act, the regulations implementing that Act (the "Standards for Privacy of Individually Identifiable Health Information," codified at 45 C.F.R. parts 160 and 164), or any other similar law, the parties will execute an agreement in compliance with these requirements.

### 2. Brokerage Terms and Conditions

- 2.1. The services we provide to you will rely in significant part on the facts, information and direction provided by you or your authorized representatives. In order to make our relationship work, we must each provide the other with accurate and timely facts, information and direction as is reasonably required. You must provide us with complete and accurate information regarding your loss experience, risk exposures, and changes in the analysis or scope of your risk exposures and any other information reasonably requested by us or insurers. It is important that you advise us of any changes in your business operations that may affect our services or your insurance coverages. Therefore, all information which is material to your coverage requirements or which might influence insurers in deciding to accept your business, finalizing the terms to apply and/or the cost of cover, or deciding to pay a claim, must be disclosed. Failure to make full disclosure of material facts might potentially allow insurers to avoid liability for a particular claim or to void the policy. This duty of disclosure applies equally at renewal or modification of your existing coverage and upon placement of new lines of coverage. You agree that Willis Towers Watson will not be responsible for any consequences arising from any delayed, inaccurate or incomplete information.
- 2.2. An insurer quote is an offer to provide coverage. Offers can be modified or withdrawn prior to your acceptance through your order to bind coverage. The quote itself is not a legally binding commitment or a confirmation of actual coverage. Should you choose to bind coverage, we will secure a formal commitment, typically in the form of a binder on a form issued or approved by the insurer(s) at issue. The quotes we will provide to you are based upon the information that you have provided to us. If you discover that previously submitted information is inaccurate or incomplete, please advise us immediately so that we can attempt to revalidate terms with insurers.
- 2.3. At the time of binding, we review the financial soundness of the insurers we recommend to provide your coverages based on publicly available information, including that produced by well-recognized rating agencies. Upon request, we will provide you with our analysis of such insurers. We do not guarantee or warrant the solvency of any insurer or any intermediary that we may use to place your coverage.
- 2.4. If you have a multi-year policy, it is important that you understand the limitations associated with the coverage options and the possibility that the financial strength of the insurer may change throughout the term of the policy. We recommend that you review the insurer's ratings for any downgrades during the term of this multi-year policy.
- 2.5. The final decisions with respect to all matters relating to your insurance coverages, risk management, and loss control needs and activities are yours. We will procure the insurance coverage chosen by you, including the limits you choose, prepare or forward insurance binders, if applicable, and review and transmit policies to you.
- 2.6. We will review all binders, policies and endorsements to confirm their accuracy and conformity to negotiated specifications and your instructions and advise you of any errors in, or recommended changes to, such documents. You agree that you will also review all such documents and promptly advise us of any questions you have or of any document or provision which you believe may not be in accordance with your instructions as soon as possible, and in no event longer than two weeks, after you receive them. Your coverage is defined by the terms and conditions detailed in your insurance policies and endorsements. Your review of these documents, and any review you may seek from outside legal counsel or insurance consultants, is expected and essential.
- 2.7. We will inform you of the reporting requirements for claims, including where claims should be reported and the method of reporting to be used, if applicable. Please carefully review any claims-reporting instructions or information we provide. Failure to timely and properly report a claim may jeopardize coverage for the claim. In addition, you should retain copies of all insurance policies and coverage documents as well as claims-reporting instructions after termination of the policies because in some cases you may need to report claims after termination of a policy.

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- 2.8. Our compensation may be revised if you request a change in the coverages and/or services during the term of this Agreement and we enter into a written agreement documenting any change in coverages, services and compensation.
- 2.9. If your insurance risks are in more than one jurisdiction, we, where required, will work with you and insurers to determine the allocation of premium between applicable jurisdictions, and the amount of insurance premium tax payable in each jurisdiction. In providing such services, Willis Towers Watson is acting in its capacity as an insurance broker, not as your tax advisor. You should seek your own advice in relation to such tax laws where you consider it necessary. We will not be liable to you should the apportionment of premium or amount of tax payable under the policy be challenged by any tax authority. In addition, we will not be liable to you should the insurers fail, or refuse, to collect and pay such insurance premium tax to the relevant authorities.
- 2.10. You will provide immediately available funds to pay premiums by the dates specified in the insurance policies, invoices, or other payment documents. Failure to pay premium on time may prevent coverage from incepting or result in cancellation of coverage by the insurer. You agree that we are not responsible for any consequences arising from any delay or failure by you to pay the amount due by the indicated date.
- 2.11. You may use a premium finance company, property appraiser, structured settlement firm or other similar service provider in connection with the insurance coverages we place for you. Premium finance options are not always available, but where they are, Willis Towers Watson currently works with industry leading finance providers for this service. Where permitted by law, we receive a fee for the services we provide those companies. These services include, but are not limited to, processing the premium finance applications and marketing and sales support they do not have. If you would like more information about the fee we receive, please let us know.
- 2.12. We will handle any premiums you pay through us and any funds which we receive from insurers or intermediaries for payment or return to you in accordance with applicable province/territory, state and federal insurance laws and regulations and province/territory and state unclaimed property laws. We may transfer your funds directly to insurers or to third parties such as wholesale brokers, excess and surplus lines brokers, or managing general agents to carry out transactions for you.
- 2.13. Where we collect funds from you, you agree that we may receive and retain interest on such funds from the date we receive the funds until we pay them to the insurers, intermediaries, or other third parties in the course of providing services, or until we return them to you after we receive such funds.
- 2.14. The following may be applicable where U.S. risks are insured with or through a foreign insurer or intermediary. The Foreign Account Tax Compliance Act (FATCA) is a U.S. law aimed at foreign financial institutions and other financial intermediaries (including insurance companies and intermediaries such as brokers) to prevent tax evasion by U.S. citizens and residents through offshore accounts. In order to comply with FATCA, insurance companies and intermediaries must meet certain legal requirements. Insurance placed with an insurance company that is not FATCA compliant may result in a 30% withholding tax on your premium. Where FATCA is applicable to you, in order to avoid this withholding tax, Willis Towers Watson will only place your insurance with FATCA-compliant insurers and intermediaries for which no withholding is required unless you instruct us to do otherwise and provide your advance written authorization to do so. If you do instruct Willis Towers Watson to place your insurance with a non-FATCA compliant insurer or intermediary, you may have to pay an additional amount equivalent to 30% of the premium covering U.S.-sourced risks to cover the withholding tax. If you instruct us to place your insurance with a non-FATCA compliant insurer but you do not agree to pay the additional 30% withholding if required, we will not place your insurance with such insurer. Please consult your tax adviser for full details of FATCA.
- 2.15. Unless otherwise provided in writing, you agree that we may use your company name and logo in marketing materials and for internal Willis Towers Watson use.
- 2.16. Unless otherwise agreed in writing, in the event of termination, we will be entitled to receive and retain any commissions payable under the terms of our commission agreements with the insurers in relation to policies placed by us, whether or not the commissions have been received by us.

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- 2.17. Our obligation to render services under the agreement ceases on the effective date of termination of the agreement. Nevertheless, we will take reasonable steps to assist in the orderly transition of matters to you or to a new insurance broker. Claims and premium or other adjustments may arise after our relationship ends, and we have no responsibility to handle these things after our relationship ends. Such items are normally handled by the insurance broker serving you at the time the claim or adjustment arises. However, we will consider providing such services after the termination of this agreement for mutually agreed additional compensation. Nevertheless, we will process all remaining deposit premium installments on the policy(ies) in effect at the time of change.
  - 2.18. The insurance market is complex, and there could be other relationships which are not described in this document which might create conflicts of interest. If a conflict arises for which there is no practicable way of complying with this commitment, we will promptly inform you and withdraw from the engagement, unless you wish us to continue to provide the services and provide your written consent. Please let us know in writing if you have concerns or we will assume that you understand and consent to our providing our services pursuant to these Terms, Conditions & Disclosures.
- 3. Brokerage Disclosures**
- 3.1. If a Willis Towers Watson affiliate or office located outside of Canada or the United States serves as an intermediary in the placement of your coverages, it will also earn and retain compensation for providing those services, which compensation may not be included in the fee.
  - 3.2. The compensation that will be paid to Willis Towers Watson will vary based on the insurance contract it sells. Depending on the insurer and insurance contract you select, compensation may be paid by the insurer selling the insurance contract or by another third party. Such compensation may be contingent and may vary depending on a number of factors, including the insurance contract and insurer you select. In some cases, other factors such as the volume of business Willis Towers Watson provides to the insurer or the profitability of insurance contracts Willis Towers Watson provides to the insurer also may affect compensation. Willis Towers Watson may accept this compensation in locations where it is legally permissible, and meets standards and controls to address conflicts of interest. Whether or how much insurers may pay in such compensation does not play any role in Willis Towers Watson's placement recommendations on behalf of its clients. If you prefer that we not accept this compensation related to your policy, please notify us in writing and we will request that your insurer(s) exclude your business from their payment calculations.
  - 3.3. Upon request, Willis Towers Watson will provide you with additional information about the compensation Willis Towers Watson expects to receive based in whole or in part on your purchase of insurance, and (if applicable) the compensation expected to be received based in whole or in part on any alternative quotes presented to you.
  - 3.4. To the extent Willis Towers Watson is compensated by commissions paid to us by insurers, they will be earned for the entire policy period at the time we place policies for you. We will be paid the commission percentage stated for the placement of your insurance as indicated, and will receive the same commission percentage for all subsequent renewals of this policy unless a different commission percentage is disclosed to you, or unless the insurer changes its commission rates, in which case the new commission rate will be disclosed to you before placement of the policy.
  - 3.5. Willis Towers Watson may place your insurance or other business with members of a panel of insurers or other vendors. Willis Towers Watson develops panels of insurers and vendors in certain market segments. Participating insurers and vendors are reviewed on a variety of factors. Commission or fee rates on panel placements may be higher than rates paid on business placed outside of the panel process. Willis Towers Watson discloses its commission rates to clients on quotes obtained through the panel process prior to binding the coverage. In some instances, insurers or vendors pay an administration or management fee to participate in the panel process or for additional reporting. In some instances, Willis Towers Watson may earn a referral fee for referring your business to certain vendors.
  - 3.6. In some cases the use of a wholesale broker may be beneficial to you. We will not directly or indirectly place or renew your insurance business through a wholesale broker unless we first disclose to you in writing any compensation we or our corporate parents, subsidiaries or affiliates will receive as a result.

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- 3.7. If wholesalers, underwriting managers or managing general agents have a role in providing insurance products and services to you, they will also earn and retain compensation for their role in providing those products and services. If any such parties are corporate parents, subsidiaries or affiliates of ours, any compensation we or our corporate parents, subsidiaries or affiliates will receive will be included in the total compensation we disclose to you. If such parties are not affiliated with us, and if you desire more information regarding the compensation those parties will receive, please contact us and we will assist you in obtaining this information.
  - 3.8. Commission schedules and other compensation arrangements related to our services on your behalf may change over time and may not always be congruent with your specific policy period. Willis Towers Watson will provide you with accurate information to the best of our knowledge when information is presented to you, but it is possible that compensation arrangements may change over time. We will update you on any changes to our compensation prior to your renewal, and will do so at any time upon your request.
  - 3.9. As an insurance intermediary, we normally act for you. However, we or our corporate parents, subsidiaries or affiliates may also provide services to insurers for which we may earn compensation. These services may include, for example, (a) acting as a managing general agent, program manager or in other similar capacities which give us binding authority enabling us to accept business on their behalf and immediately provide coverage for a risk; (b) arranging lineslips or similar facilities which enable an insurer to bind business for itself and other insurers; (c) managing lineslips for insurers; or (d) providing third party administration and other services to insurers. Contracts with these insurers may grant us certain rights or create certain obligations regarding the marketing of insurance products provided by the insurers. We may place your insurance business under such a managing general agent's agreement, binding authority, lineslip or similar facility when we reasonably consider that these match your insurance requirements/instructions. When we intend to do so, we will inform you and disclose that we will receive compensation related to these services. In addition, these services may include providing services to insurers as a client. For example, we or they may provide consulting, brokerage, outsourced administration, or reinsurance services to insurer clients. In such cases, we or they will be compensated separately for the services provided to those insurer clients. Some of these insurer clients may happen to be insurers with whom we place your insurance coverages. The services provided to you and the services provided to our insurer clients are separate and any compensation earned for the services provided to insurer clients are separate from and in addition to the compensation we earn for the services we provide you under this Agreement.
  - 3.10. We are members of a major international group of companies. In addition to the commissions received by us from insurers for placement of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties (some of which may be owned in whole or in part by our corporate parents or affiliates), may earn and retain usual and customary commissions for their role in providing insurance products or services to you under their separate contracts with insurers or reinsurers.
- 4. Disclosures Applicable Only to Property and Casualty Placements (Not applicable to Health and Benefits Placements)**
- 4.1. Willis Towers Watson negotiates commission rates with certain insurers on a corporate level. If the rate on your placement is lower than the negotiated rate, Willis Towers Watson will collect the difference directly from the insurer. These payments will not increase the cost of your insurance or otherwise impact your premium or rates. Details of these arrangements where there is compensation beyond the base compensation detailed in your Quote Proposal can be found at: [http://www.willis.com/About\\_Willis/The\\_Willis\\_Way/Commission\\_Rates](http://www.willis.com/About_Willis/The_Willis_Way/Commission_Rates).
  - 4.2. A separate business unit within the Willis Towers Watson Group, FINMAR Market Services, provides a wide range of services direct to certain insurers that write business for FINEX Global clients. A separate fee is paid to FINMAR Market Services by insurers for the delivery of these services to them. This fee is calculated within a range of 2.75% and 7.5% (plus VAT, if applicable) of the overall premiums placed depending on the scale of services provided. Unless otherwise stated, premiums paid by the clients of FINEX Global will not be increased as a result of these arrangements.
  - 4.3. If a surplus lines insurer (sometimes referred to as an excess lines insurer, non-admitted insurer, or non-licensed insurer) was used to quote your coverage, its premium rates, coverage terms and policy forms

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# Brokerage Terms, Conditions & Disclosures

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are not regulated by your home state, province or territory, as applicable, and you will be required to pay an additional surplus plus lines premium tax which is on top of the premium. Also, in the event of the insurer's insolvency you will not be indemnified by any government guaranty fund for unpaid claims.

- 4.4. In addition to any other terms governing the use of your information as provided herein or in any other master services agreement, statement of work, or other agreement, you agree that we may use your information and, if applicable, receive remuneration for such use, as described below. We may:
  - 4.4.1. aggregate and anonymise your information and may disclose to third parties certain anonymized or industry-wide statistics or other information which may include information relating to you, but that we will not, without your consent, reveal any information specific to you other than on an aggregated and anonymized basis and as part of an industry or sector-wide comparison;
  - 4.4.2. use your information to engage certain insurers in periodic discussions to gauge insurers' capabilities and interest in potentially quoting your business at a future date. Such discussions could be specific to your account or part of a discussion about a portfolio of accounts and typically increase the effectiveness and efficiency of our future marketing efforts on your behalf when you desire alternative bids;
  - 4.4.3. share information concerning your insurance arrangement with insurers or their agents where this is necessary to enable insurers to decide whether to participate in insuring your risk or to participate in any arrangement made by Willis Towers Watson whereby participating insurers agree to insure (wholly or partly) a portfolio of risks without necessarily making underwriting decisions on a case by case basis for individual risks within such portfolio;
  - 4.4.4. use any information you provide, without further notice to you, for the purpose of: (1) prospecting facultative reinsurance business from prospective insurer clients; (2) placing facultative reinsurance on behalf of our insurer clients; (3) marketing facultative reinsurance with prospective reinsurers on behalf of our insurer clients.

## 5. Language

- 5.1. It is the express wish of the parties that this Agreement and any related documents be drawn up in the English language. Les parties confirment qu'il est leur volonté expresse et réciproque que ce contrat et tout document qui s'y rattache soient rédigés en anglais.

## 6. Inquiries and Complaints

- 6.1. Your satisfaction is important to us. If you have questions or complaints, please inform the person who handles your business or contact the head of our office. Alternatively, you may call toll free 1-866-704-5115.

## About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 39,000 employees in more than 120 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at [willistowerswatson.com](http://willistowerswatson.com).





*Report to Board of Administration*

*Neil M. Guglielmo*

Agenda of: **JUNE 11, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VII-B**

**SUBJECT: JELLYVISION CONTRACT AMENDMENT AND POSSIBLE BOARD ACTION**

Recommendation

That the Board approve amending contract 4184 to increase the maximum amount of the contract from \$185,000 to \$210,000 to account for any customizations requested by staff to improve the Member experience of the ALEX software.

Discussion

LACERS entered into a contract with The Jellyvision Labs, Inc. (Jellyvision) on August 15, 2018, to provide the ALEX online benefits counselor software to assist Members in their health plan selections. The program provides a wide array of information to Members regarding types of health plans, premium costs, and anticipated out-of-pocket costs. However, the standard program might not be able to address some of the differences that exist between various organizations and may require customizations. These customizations increase the cost.

Currently, the program does not address coverage costs of two or more parties with differing Medicare eligibility very clearly. Comments provided by Members have raised this concern. In order to correct this issue, program customizations are necessary, which will increase the cost of the program by approximately \$6,000.

The contract requires Board approval to increase the maximum amount of annual fees paid to Jellyvision. To allow for this correction and any other future needed customizations, staff is recommending that the maximum amount of the contract be increased \$25,000, from \$185,000 to \$210,000.

*Strategic Plan Impact Statement*

This item relates to strategic plan goal 1, Customer Service, by ensuring that Members have access to the most accurate and helpful health benefit information.

This report was prepared by Alex Rabrenovich, Chief Benefits Analyst, Health Benefits Administration and Communications Division.

NMG:AR:ar

Attachment: A) Contract Amendment  
B) Contract Cover Page

**CONTRACT 4184 AMENDMENT NO. 1  
BETWEEN THE BOARD OF ADMINISTRATION OF  
THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM AND  
THE JELLYVISION LABS, INC.**

Whereas the parties have an existing Contract 4184, effective August 15, 2018, pursuant to which The Jellyvision Labs, Inc. ("hereinafter referred to as "Jellyvision") has agreed to provide Software Licensing, Hosting, and Analytics Services to the Board of Administration of the Los Angeles City Employees' Retirement System (hereinafter referred to as "the Board"); and the parties now desire to increase the contract limit to account for any additional customizations LACERS staff may request to improve the Member experience in using the software.

Therefore, Contract 4184 is hereby amended as follows:

1. Section III. FEES, Subsection B: to increase the maximum amount of the contract from \$185,000 to \$210,000;
2. Section III. FEES, Subsection C: Additional fees above \$210,000 shall not be incurred without prior LACERS Board approval.

All provisions of Contract 4184 not in conflict with this amendment shall remain in full force and effect.

*(Signature Page to Follow)*

**FINAL EXECUTION AND SIGNATORIES OF CONTRACT AMENDMENT**

Final execution of this contract amendment shall be the date the final signatory of the contract is made, subject to warranty by the individuals whose signature appears below that he/she has full authority to execute this Contract on behalf of the party on whose behalf he has affixed his signature to this Contract; and subject to satisfactory completion of compliance documents delineated in the contract.

THE JELLYVISION LABS, INC.

BOARD OF ADMINISTRATION, LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

By: \_\_\_\_\_  
Kurt Hirsch, Chief Financial Officer

By: \_\_\_\_\_  
Neil M. Guglielmo, General Manager

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Approved as to form and legality:

MICHAEL N. FEUER, City Attorney

By: \_\_\_\_\_  
Assistant/Deputy City Attorney

Date: \_\_\_\_\_

# CONTRACT 4184

for

Software Licensing, Hosting, and Analytics Services

between

***The Jellyvision Labs, Inc.***

and

The Board of Administration  
Los Angeles City Employees' Retirement System  
Los Angeles, California

Effective August 15, 2018  
Through August 15, 2019







**TOWNSEND**<sup>®</sup>  
GROUP

an Aon company

Real Estate Portfolio

# Performance Review

As of December 31, 2018



## Portfolio Funding Status

- The following slides provide a review of key information pertaining to the Los Angeles City Employees' Retirement System ("LACERS") Real Estate Portfolio (the "Portfolio") through December 31, 2018. A detailed performance report is also provided as **Exhibit A**.
- The System is below its 7.0% target to Real Estate as of year-end on a funded and committed basis.
- As of April 2018, LACERS increased its real estate target to 7%. The new target was applied as of 2Q18 and is reflected in this report.

|   | Market Value<br>(\$ millions)* | % LACERS Plan* |
|---|--------------------------------|----------------|
| <b>LACERS Total Plan Assets</b>                   | 16,274                         |                |
| <b>Real Estate Target</b>                         | 1,139                          | 7.0%           |
| RE Market Value:                                  |                                |                |
| Core  | 553                            |                |
| Non-Core  | 211                            |                |
| Timber  | 21                             |                |
| <b>Total RE Market Value</b>                      | 785                            | 4.8%           |
| Unfunded Commitments                              | 126                            | 0.8%           |
| <b>RE Market Value &amp; Unfunded Commitments</b> | 911                            | 5.6%           |
| <b>Remaining Allocation</b>                       | 228                            | 1.4%           |

\*Figures may not add due to rounding.

## Real Estate Portfolio Composition

|                                | Strategic Targets |                  | Portfolio Composition (12/31/2018)* |                                     |
|--------------------------------|-------------------|------------------|-------------------------------------|-------------------------------------|
|                                | Target Allocation | Tactical Range   | Market Value                        | Market Value & Unfunded Commitments |
| <b>Core</b>                    | <b>60%</b>        | <b>40% - 80%</b> | <b>70.5%</b>                        | <b>60.7%</b>                        |
| <b>Non-Core</b>                | <b>40%</b>        | <b>20% - 60%</b> | <b>26.9%</b>                        | <b>37.0%</b>                        |
| <i>Value Add Portfolio</i>     | <i>N/A</i>        | <i>N/A</i>       | <i>12.8%</i>                        | <i>22.0%</i>                        |
| <i>Opportunistic Portfolio</i> | <i>N/A</i>        | <i>N/A</i>       | <i>14.0%</i>                        | <i>15.0%</i>                        |
| <b>Timber</b>                  | <b>N/A</b>        | <b>N/A</b>       | <b>2.7%</b>                         | <b>2.3%</b>                         |

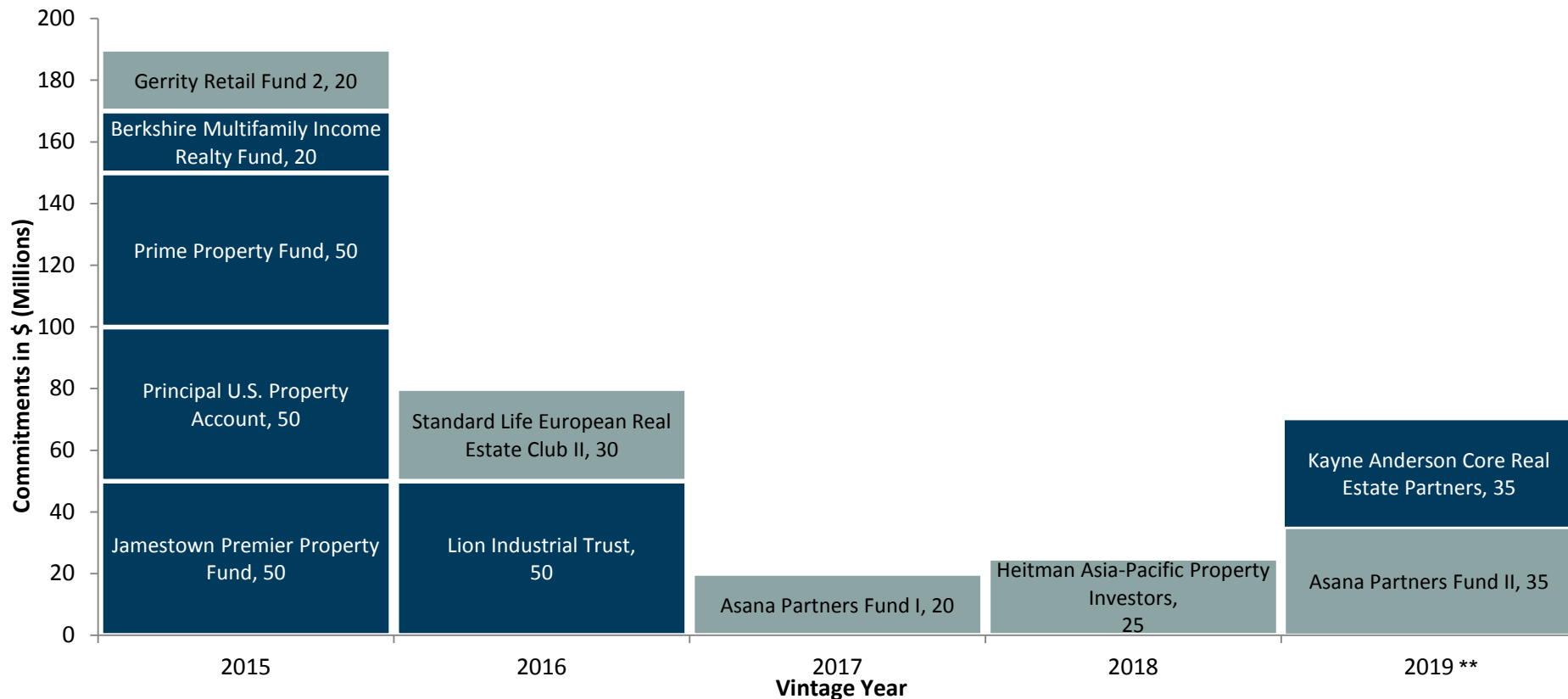
- In May 2014, the Board approved the strategic targets displayed above in order to reflect a more conservative risk profile going-forward. At the time, the Portfolio had 30% exposure to Core and 70% exposure to Non-Core.
- Since 2014, in an effort to transition the Portfolio, the LACERS Board has approved \$255 million in Core commitments\*\*, which have all been funded to date, with the exception of Kayne Anderson Core Real Estate Fund.
- The LACERS Board approved \$95 million in Non-Core investments\*\* since 2014. These investments focused on Value Add strategies with pre-specified portfolios, embedded value and/or an element of current income.
- On a funded and committed basis, the LACERS Core and Non-Core allocations are in line with the strategic targets.
- The Core Portfolio utilizes 25.7% leverage, measured on a loan-to-value (LTV) basis, well below the 40.0% constraint.
- The Non-Core Portfolio has a 55.2% LTV ratio, well below the 75.0% constraint.

\*Figures may not add due to rounding.

\*\* As of 12/31/2018



## LACERS Commitment Activity – Last Five Years



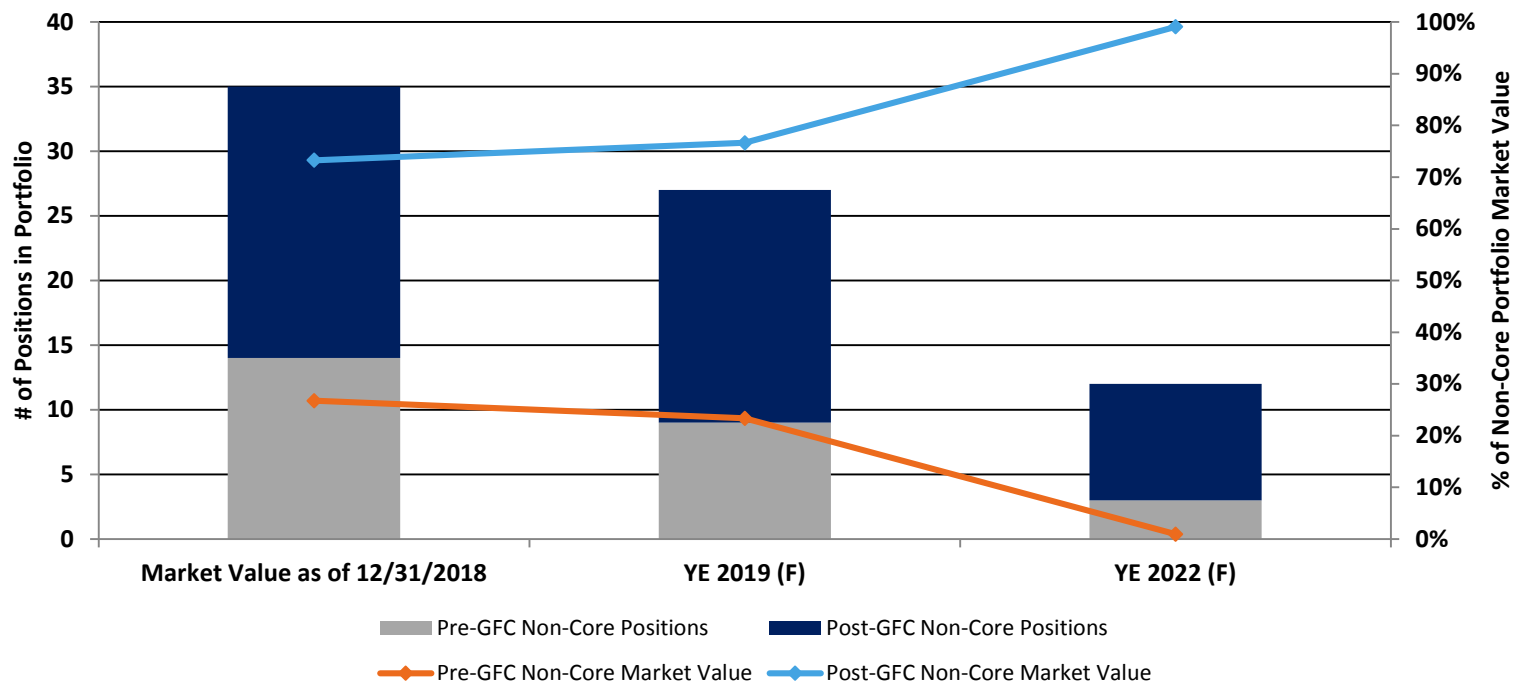
- LACERS has committed \$410 million since 2014, of which \$385 million (94%) have been Townsend-initiated activities since 2015\*.
- Two Non-Core commitments since 2015 (Gerrity and Asana) met LACERS' Emerging Manager guidelines.
- In the Core Open-End Commingled Fund (OECF) space, there are currently no managers meeting these guidelines.
- Vintage year classifications are based on LACERS' first capital call (or expected capital call), though commitments may have been approved in prior years.

\*Commitment amounts as of 4Q18.

\*\*During the quarter, the Board approved commitments to Kayne Anderson Core Real Estate Fund and Asana Partners Fund II. Capital is expected to be called in 2019.

## Projected Non-Core Liquidations

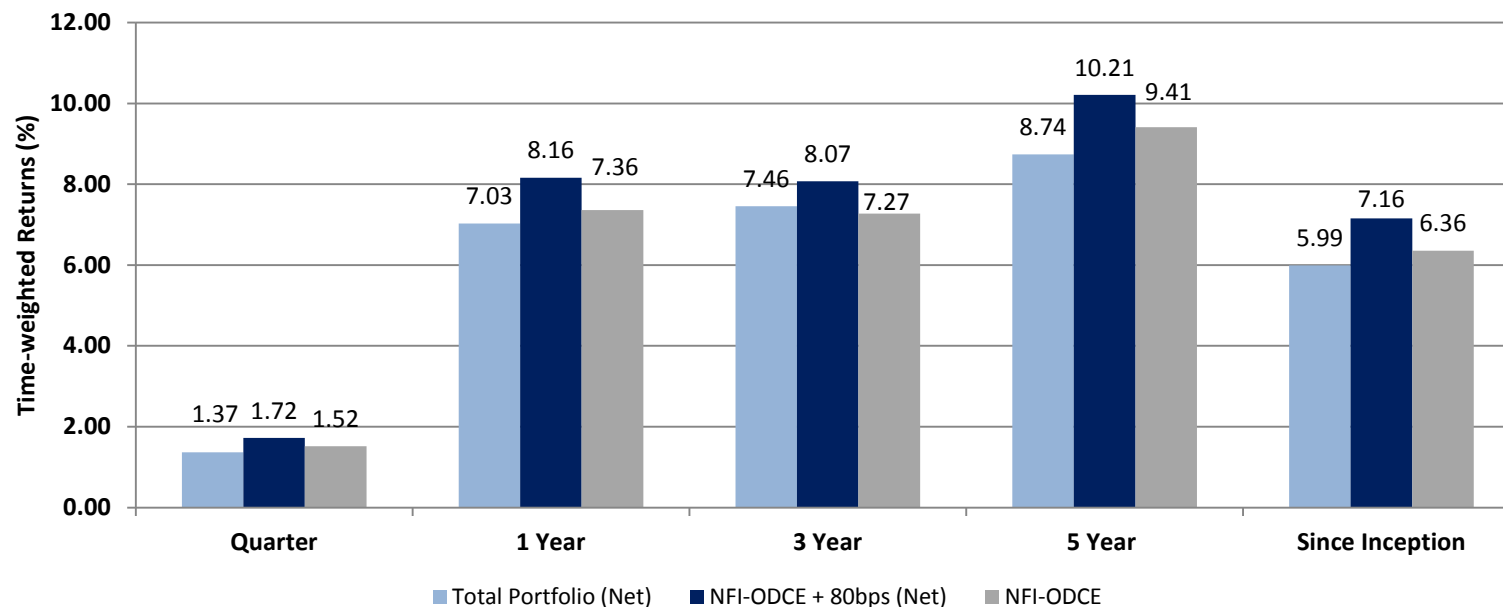
Non-Core Investments - Pre-GFC vs. Post-GFC Vintage Years



- By year-end 2019, 9 out of 35 Non-Core funds are projected to liquidate, while one Non-Core commitment is projected to be funded over the same time-frame. Through year-end 2022, 22 Non-Core positions are expected to liquidate.
- The number of Pre-Global Financial Crisis (“Pre-GFC”) Non-Core positions is also projected to decrease significantly over the next few years. Only 9 of the Non-Core investments made before the Global Financial Crisis are projected to remain through year-end 2019 (three through year-end 2022). As of 12/31/18, there are still 14 Pre-GFC Non-Core positions in the portfolio.
- The Non-Core Portfolio, which currently consists of 26.7% Pre-GFC investments on a market value basis, is projected to be made up of almost entirely Post-GFC investments by year-end 2022 (99.1% of projected market value).

## Total Portfolio Performance

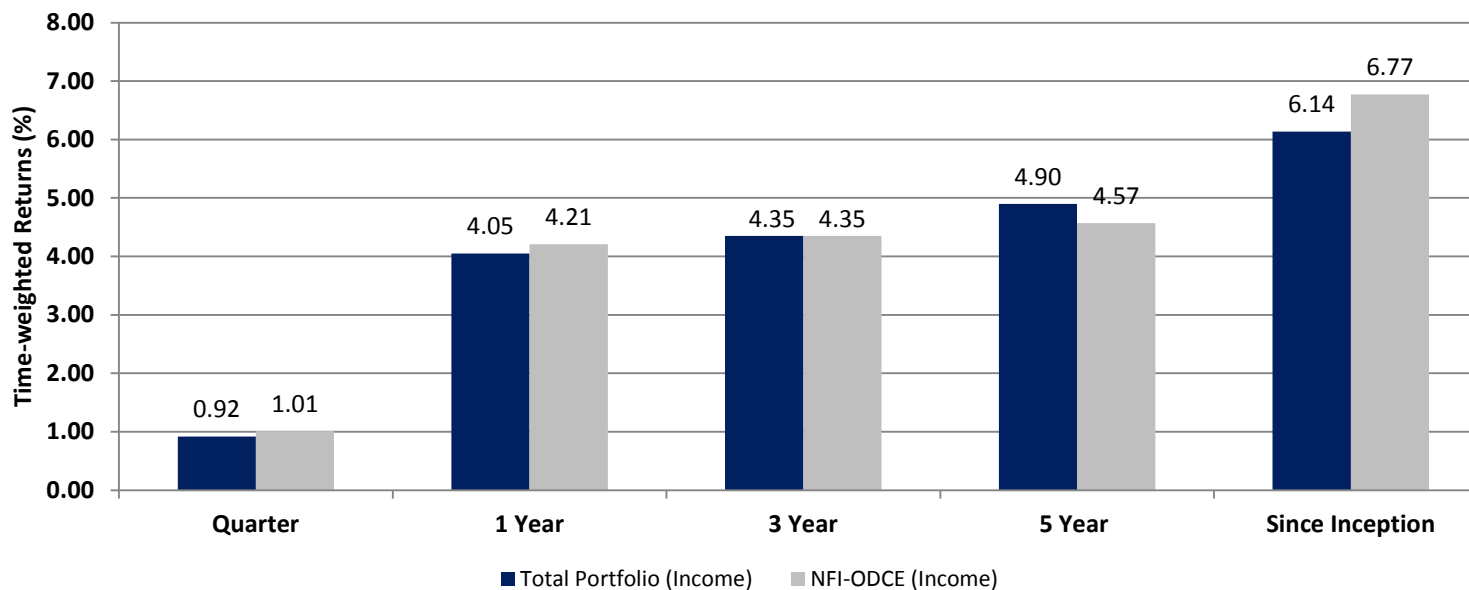
LACERS Total Real Estate Portfolio vs. NFI-ODCE + 80 bps



- The benchmark for the LACERS Total Real Estate Portfolio is the NCREIF Fund Index of Open-End Diversified Core Equity funds (NFI-ODCE) + 80 basis points (“bps”), measured over 5-year time periods, net of fees (defined below). LACERS has underperformed across all periods, mostly due to weak performance of Non-Core legacy funds. Improving relative performance is driven by recent investment activity.
- When the LACERS benchmark was restructured in 2014, Townsend advised the Board that it could take up to five years for outperformance to begin, given the heavy concentration in Non-Core legacy funds that were expected to underperform until liquidation.
- The NFI-ODCE is a Core index that includes Core open-end diversified funds with at least 95% of their investments in US markets. The NFI-ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical (back to 1978) and current basis (25 active vehicles), utilizing approximately 21.5% leverage.
  - The 80 basis point (“bps”) premium is a reflection of the incremental return expected from Non-Core exposure in the Portfolio, which is not included in the NFI-ODCE.

## Total Portfolio Income Performance

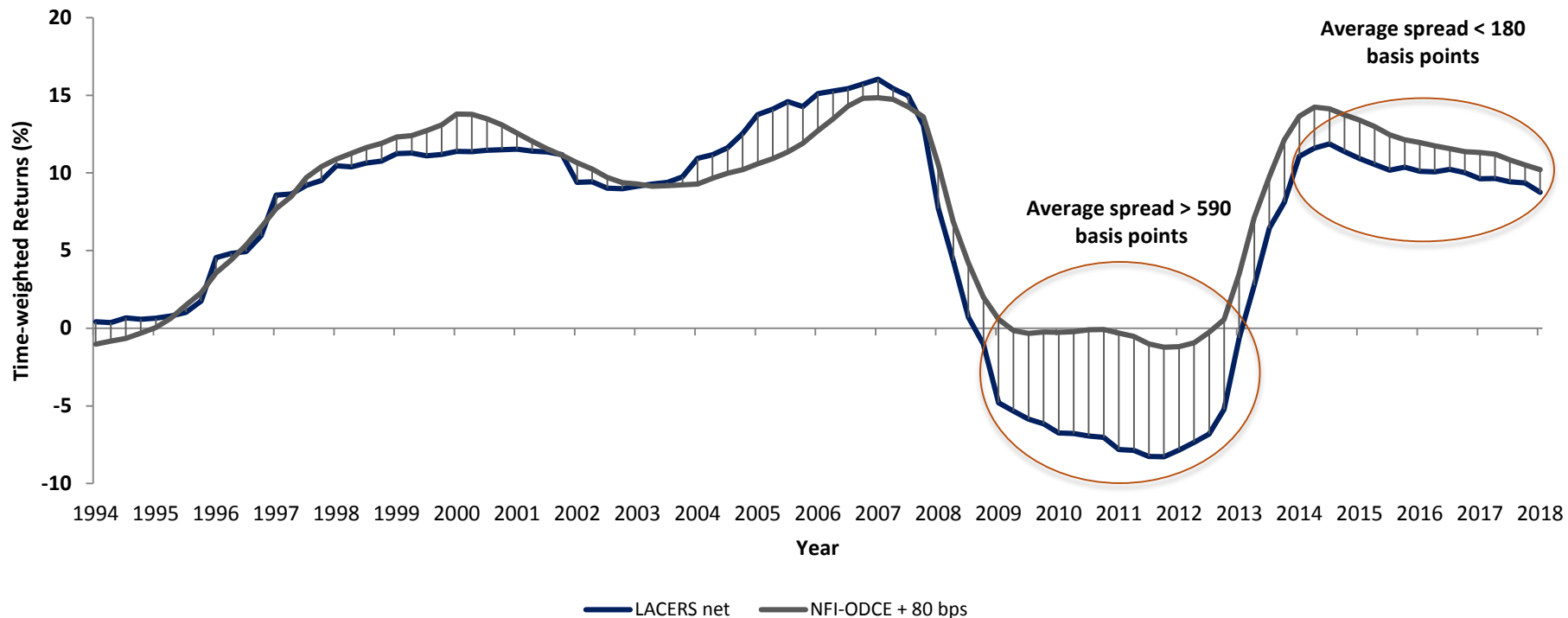
LACERS Income Return vs. NFI-ODCE



- As outlined in the Real Estate Strategic Plan, a primary objective for real estate is to generate income for the LACERS program.
- Historically, real estate has generated returns comprised primarily of income.
- The income return for the LACERS Portfolio performed above the income return of the NFI-ODCE over the 5-year period, underperforming over all other periods. Recent underperformance on an income basis is attributable to poor absolute income performance in the Opportunistic portfolio.

# Improving Relative Total Portfolio Performance

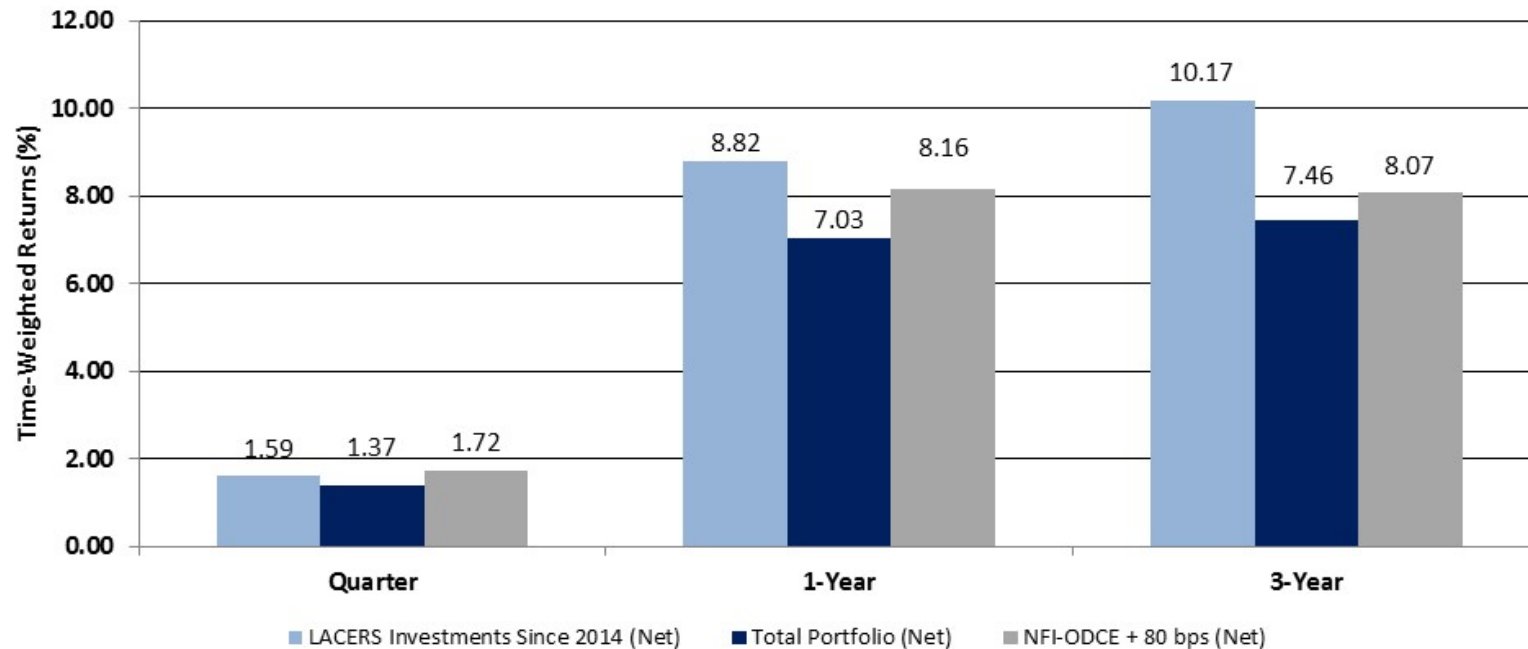
LACERS Rolling Five Year Net Returns vs. NFI-ODCE + 80 bps



- The chart above displays rolling 5-year time-weighted returns for the Total LACERS Portfolio, net of fees, relative to the benchmark.
- While LACERS continues to underperform the benchmark on a rolling 5-year basis, LACERS' average spread to the benchmark is trending downwards. Performance should continue to improve as accretive investments approved since 2014 continue to fund into the Portfolio and legacy investments fully liquidate. The number of positions in the Portfolio is projected to decline by roughly 20% through year-end 2019.
- Townsend also analyzed this performance trend by strategy within the LACERS Portfolio. The same trend existed by strategy but Core holdings tracked the benchmark closer than Non-Core strategies.

## Post-GFC Investments Accretive to Performance

LACERS Investments Since 2014 vs. Total Real Estate Portfolio vs. NFI-ODCE + 80 bps



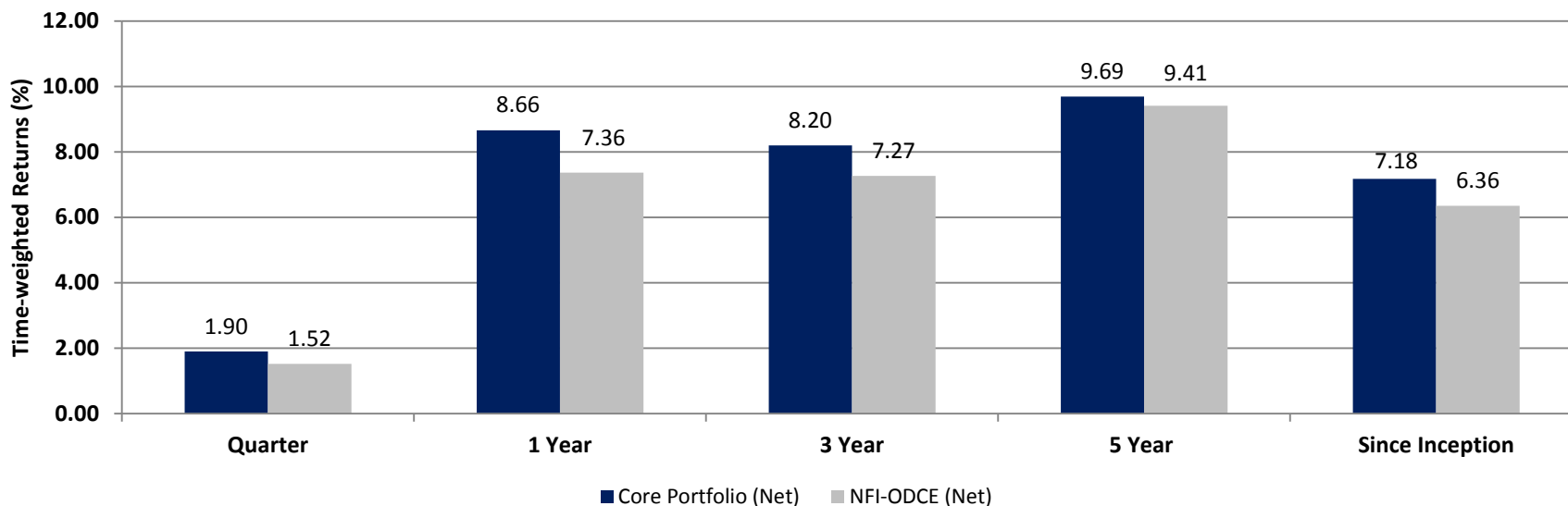
- Since 2014, Townsend has recommended ten\* investments to LACERS staff and nine (including two emerging managers) ultimately were brought forth for Board recommendation. The first of these investments to call capital was Jamestown Premier Property Fund in 3Q15. Core investments include Berkshire, Jamestown, Lion Industrial Trust, Prime, Principal, and Kayne Anderson Core\*\*. Non-Core investments include Gerrity, Standard Life, Asana I and Asana II, and Heitman Asia.
- Performance of Townsend-advised investments since 2014 exceeds performance of the Total Portfolio and the benchmark over the trailing 1-year and 3-year periods, but underperforms the benchmark over the recent quarter, largely due to currency effects and J-curve from the funding of Heitman Asia. These investments are expected to drive performance going forward.

\*As of 4Q18.

\*\* Expected to call capital in 2019.

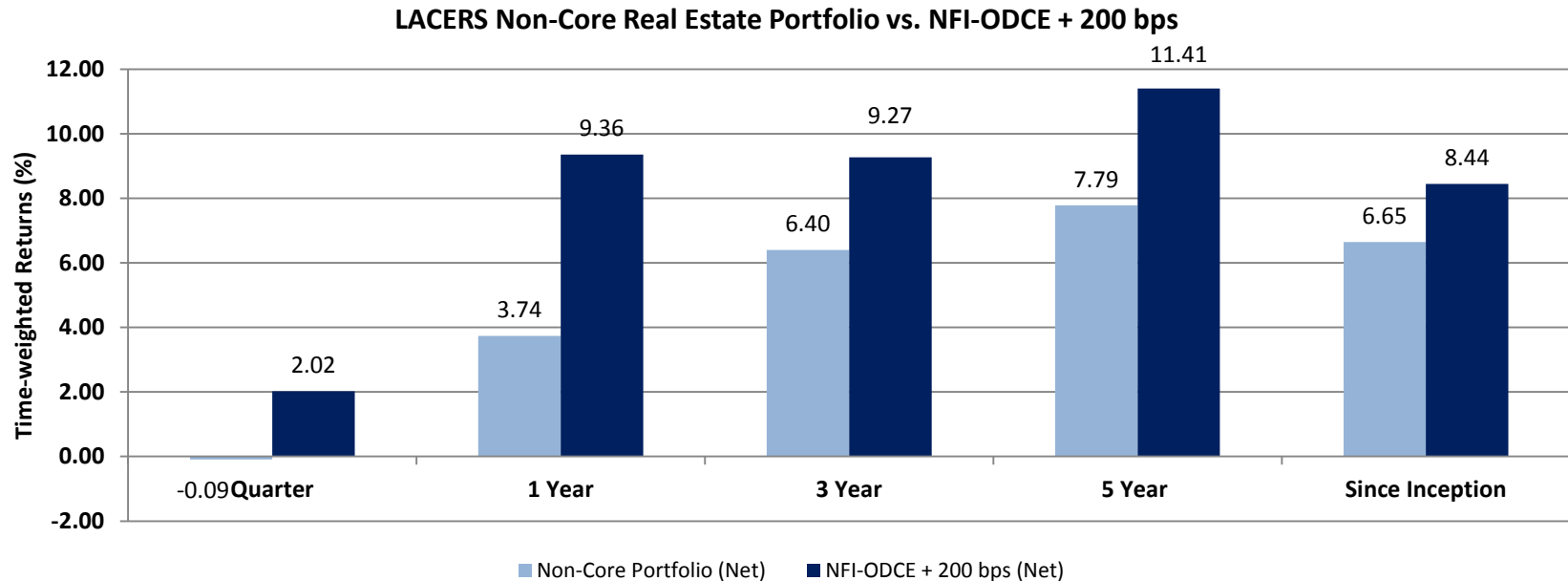
## Relative Performance by Strategy: Core

LACERS Core Real Estate Portfolio vs. NFI-ODCE



- The LACERS Core benchmark is the NFI-ODCE, measured over 5-year time periods, net of fees.
- The Core Portfolio has outperformed the benchmark over all periods.
- On a dollar-return basis, Invesco Core Real Estate and Lion Industrial Trust were the largest contributors to Core performance over the quarter, outperforming the NFI-ODCE by 56 bps and 186 bps respectively.
- On an absolute-return basis, CIM VI and Lion Industrial Trust generated the greatest returns, delivering a 6.0% and 3.4% net return over the quarter, respectively.
- Berkshire, CMCT, Jamestown Premier Property Fund , JPM SPF and Principal USPSA lagged the NFI-ODCE, with underperformance ranging from 42 to 81 bps.
- Over the trailing year, outperformance on both a dollar and absolute return basis was driven by the strong returns of Lion Industrial Trust and Invesco Core Real Estate, which outperformed the NFI-ODCE by 852 basis points and 162 basis points respectively.

## Relative Performance by Strategy: Non-Core

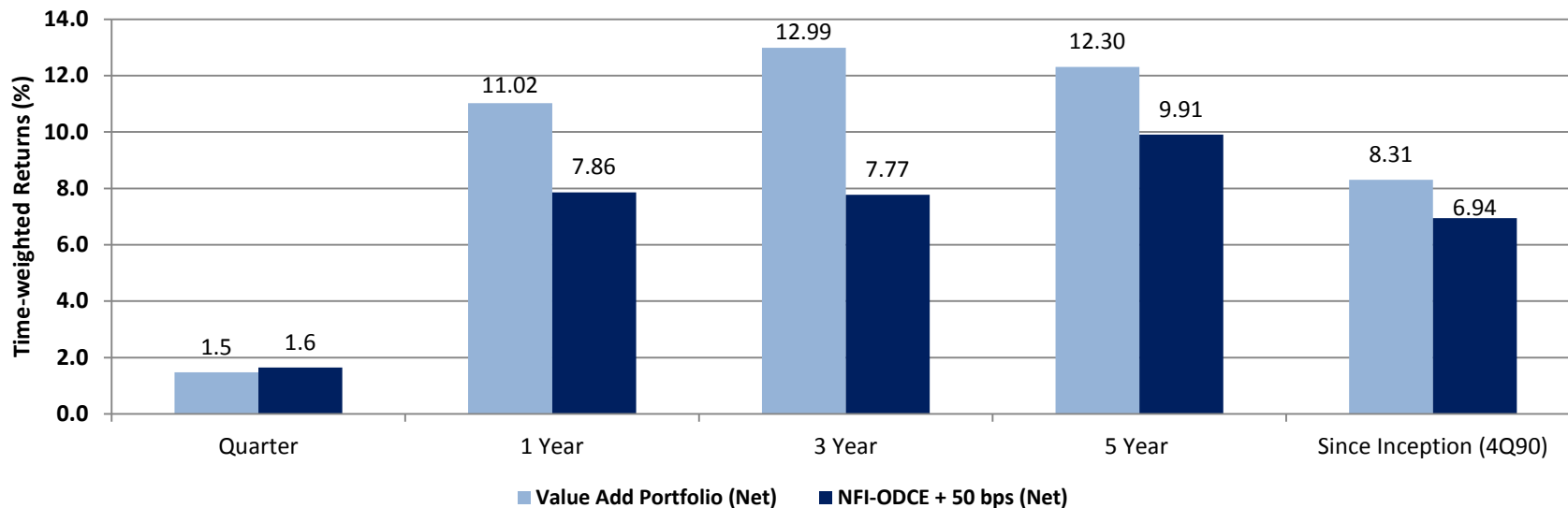


- The LACERS Non-Core benchmark is the NFI-ODCE + 200 bps, measured over 5-year time periods, net of fees. The 200 bps premium is a reflection of the incremental return expected from additional risk inherent in Non-Core strategies.
- The Non-Core Portfolio underperformed the NFI-ODCE + 200 bps benchmark over all periods. Underperformance over longer time periods is mostly due to Non-Core legacy funds that are due to liquidate over the next few years. As discussed on page 5, there are currently 14 Non-Core funds in the portfolio that were committed to before the Global Financial Crisis. As these funds liquidate and approved investments are funded, Non-Core portfolio performance is expected to improve.
- The Value Add Portfolio has achieved strong absolute and relative annualized returns, while the Opportunistic Portfolio has been the main reason for Non-Core underperformance. Both are discussed in more detail on the following pages.



## Relative Performance by Strategy: Non-Core — Value Add

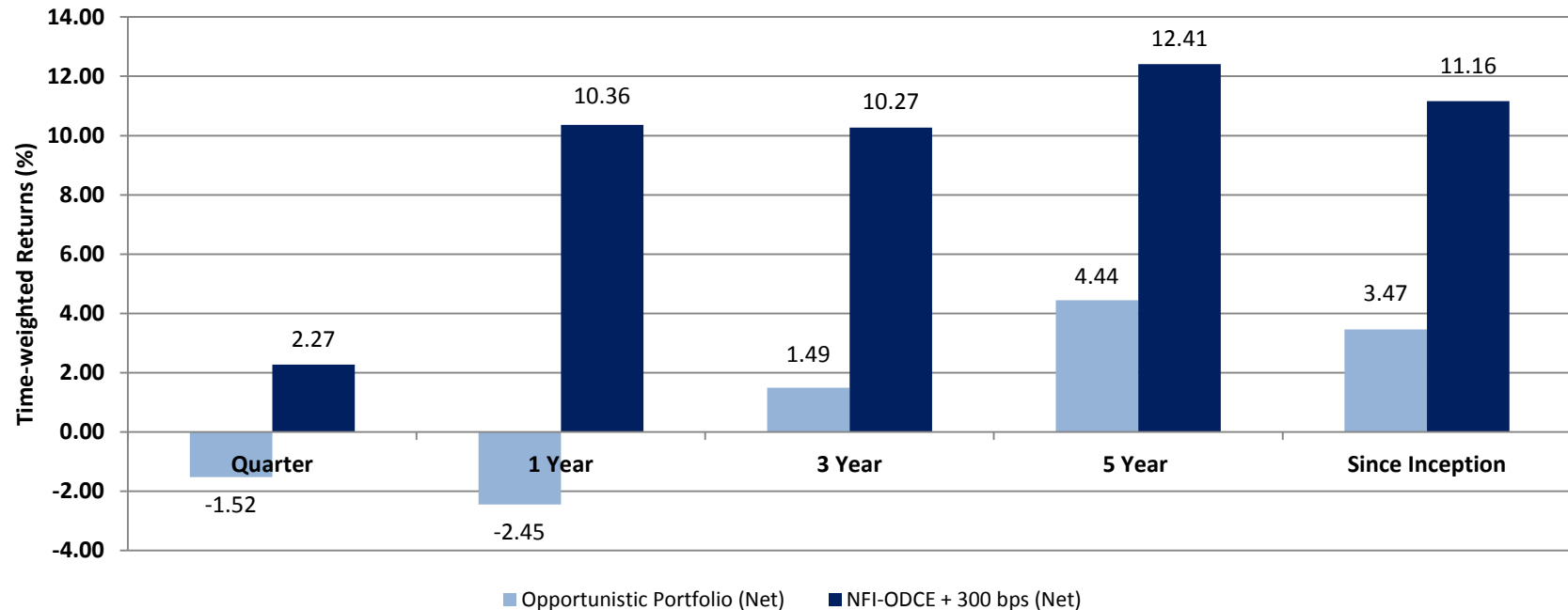
LACERS Value Add Real Estate Portfolio vs. NFI-ODCE + 50 basis points



- The LACERS Value Add benchmark is the NFI-ODCE + 50 bps, measured over 5-year time periods, net of fees. The 50 bps premium is a reflection of the incremental return expected from additional risk inherent in Value Add strategies
- The Value Add Portfolio outperformed the NFI-ODCE + 50 bps benchmark over all periods except the recent quarter, with significant outperformance over the 1-year and 3-year periods.
- Asana Partners Fund I, which outperformed its benchmark by 336 bps over the quarter, was the strongest driver of performance on an absolute-return and dollar-return basis. This was followed by Mesa West Real Estate Income Fund III, which outperformed its benchmark by 302 basis points. Standard Life Investments European Real Estate Club II and Heitman Asia-Pacific Property Investors were the largest detractors from performance.
  - Underperformance for Standard Life was driven by USD/EUR currency translation effects, resulting in negative quarterly and 1-year returns.
  - For Heitman Asia, underperformance was due to J-curve effects in which management fees on committed capital represented a significant proportion of current NAV.
- Over the trailing year, four out of eight active Value Add investments outperformed the benchmark.

## Relative Performance by Strategy: Non-Core — Opportunistic

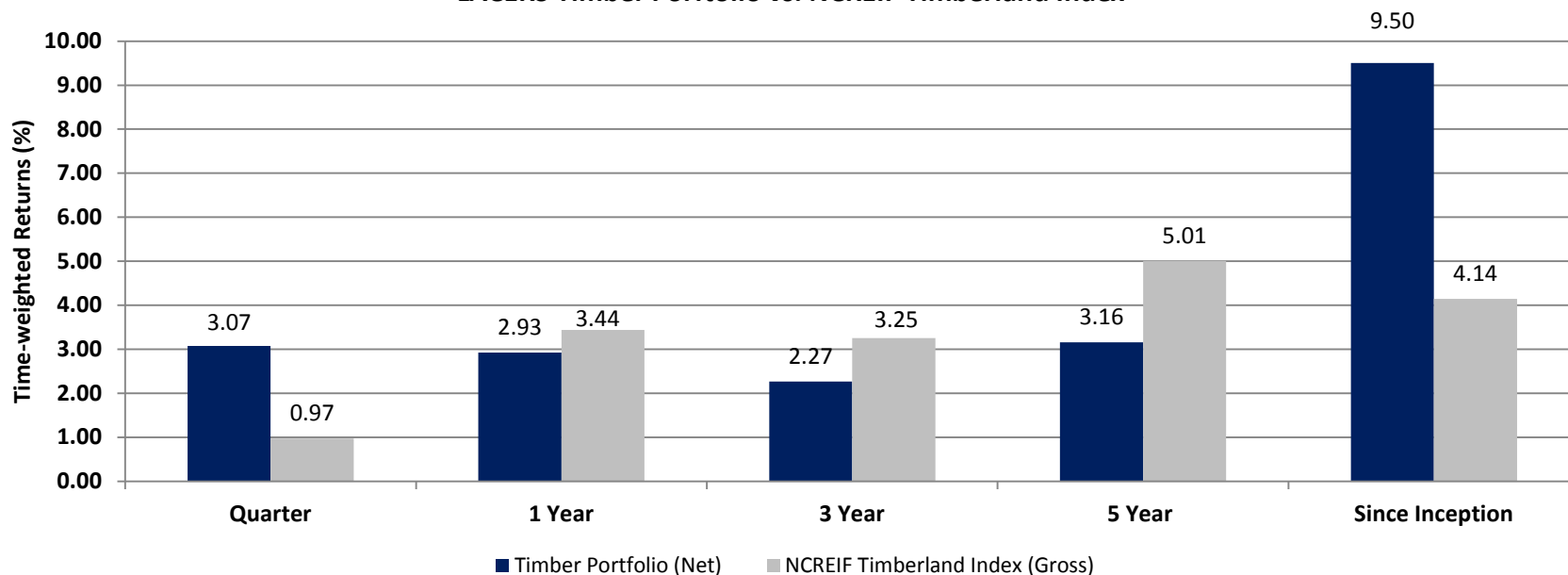
LACERS Opportunistic Portfolio vs. NFI-ODCE + 300 bps



- The LACERS Opportunistic benchmark is the NFI-ODCE + 300 bps, measured over 5-year time periods, net of fees. The 300 bps premium is a reflection of the incremental return expected from additional risk inherent in Opportunistic strategies.
- The Opportunistic Portfolio underperformed the NFI-ODCE + 300 bps benchmark across all time periods. Underperformance over long time periods is mostly due to legacy funds that are due to liquidate over the next few years.
- There are currently 14 Opportunistic funds in the portfolio that were committed to before the Global Financial Crisis. As these funds liquidate and approved investments are funded Opportunistic portfolio performance is expected to improve.
- The only two outperforming Opportunistic funds over the trailing year are Bryanston Retail Opportunity Fund (1254 basis points above benchmark) and Torchlight Debt Opportunity Fund IV (33 basis points).

## Relative Performance by Strategy: Timber

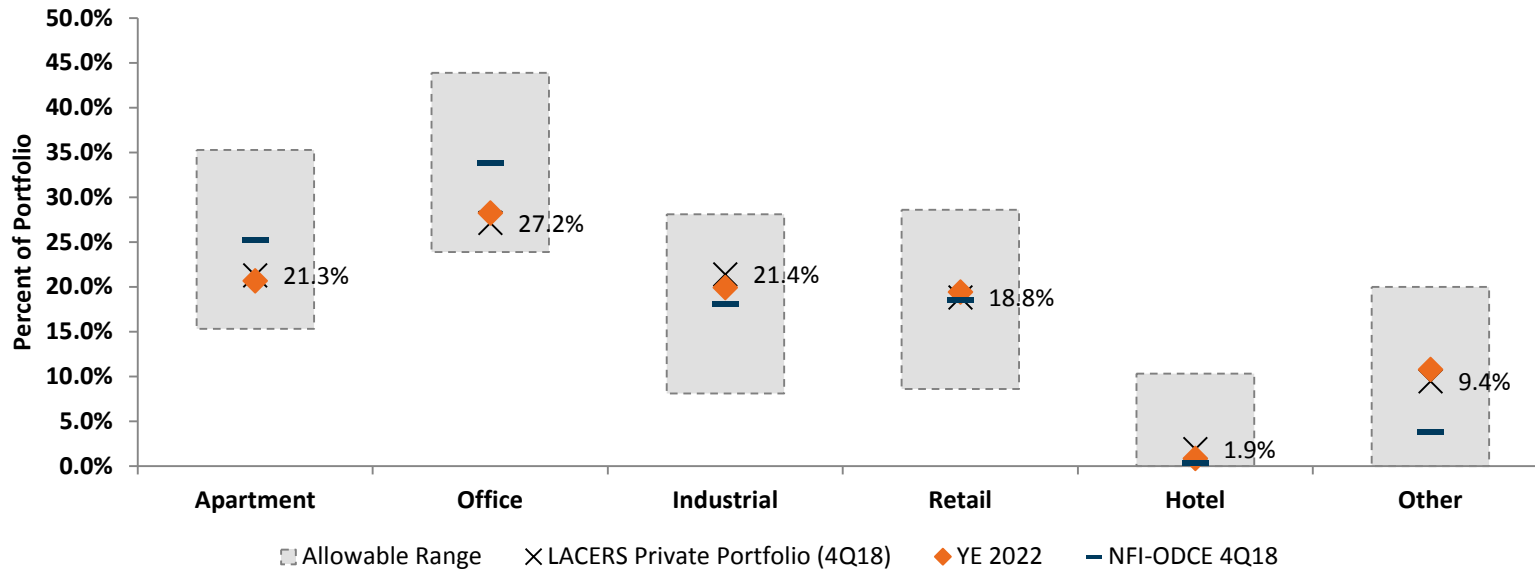
LACERS Timber Portfolio vs. NCREIF Timberland Index



- The Timber Portfolio, net of fees, significantly outperformed its benchmark, the NCREIF Timberland Index, gross of fees, over the quarter (210 bps) and since inception (536 bps). The portfolio underperformed the benchmark over all other periods.
- Outperformance over the long-term is mostly related to strong performance of Hancock ForesTree V, which was fully liquidated by year-end 2015.
- The LACERS active timberland investment is Hancock Timberland IX. The Fund's assets are located in the United States (86%, split between the South and the Northwest) and Chile (14%). The Northeast region was the strongest performing region in the NCREIF Timberland Index over the quarter.
- Income returns for timber investments tend to be infrequent and are realized through harvest. To date, there has been no meaningful income from the fund due to limited harvest activity during a period of lower timber prices. This has impacted total returns.
- Further, all assets in Hancock Timberland IX are appraised at year-end, which is why appreciation usually remains relatively flat from the first quarter through the third quarter of each year. The effect of year-end appraisals is demonstrated in the annualized returns and the current quarter.

# Real Estate Portfolio Diversification

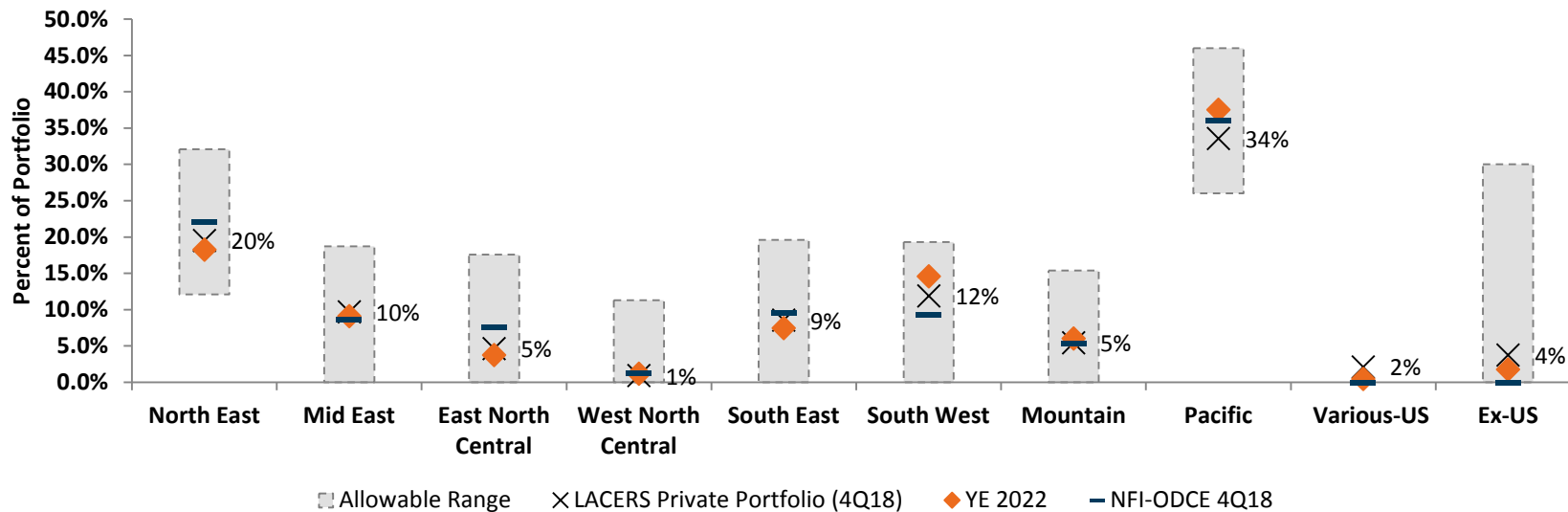
Private Real Estate Portfolio (Ex. Timber) - Property Type Diversification  
4Q18 vs. Projected Year-End 2022 Exposure



- The diversification of the Private Portfolio is measured against the diversification of the NFI-ODCE  $\pm 10.0\%$  with up to 20.0% of the Portfolio allowed in "Other". Currently, the "Other" category includes investments in alternative property types including Self Storage, Student Housing, Senior Housing, For Sale Residential, and Land.
- Among the "Other" property types, LACERS' portfolio has the greatest exposure to Self-Storage (1.33%), Land (1.21%), Student Housing (0.46%), and Healthcare (0.30%)

# Real Estate Portfolio Diversification

**Private Real Estate Portfolio (Ex. Timber) – Geographic Diversification**  
4Q18 vs. Projected Year-End 2022 Exposure



- The diversification goal of the Private Portfolio is to be well diversified across the US. The only constraint is a 30.0% maximum allocation to Ex-US investments. NFI-ODCE diversification is provided as a benchmark.
- The LACERS Projected Private Portfolio (YE 2022) includes all commitments approved by the Board through 12/31/18.
- The Portfolio currently has an aggregate exposure to the Los Angeles metropolitan area of 8.0%, with a 4.2% exposure to Los Angeles City. The NFI-ODCE's exposure to the Los Angeles metropolitan area is 10.6%\*\*.
- The 4.4% Ex-US exposure can be broken out into three large regional exposures: Asia (1.8%), Europe (1.5%), and Emerging Americas (0.6%).

## Exhibit A: Performance Flash Report



| Portfolio Composition (\$) |               |      |              |      |                      |      |                      |      |
|----------------------------|---------------|------|--------------|------|----------------------|------|----------------------|------|
| Total Plan Assets          | Allocation    |      | Market Value |      | Unfunded Commitments |      | Remaining Allocation |      |
| 16,274,000,000             | 1,139,180,000 | 7.0% | 784,930,038  | 4.8% | 126,092,993          | 0.8% | 228,156,969          | 1.4% |

| Performance Summary        | Quarter (%) |      | 1 Year (%) |      | 3 Year (%) |      | 5 Year (%) |      |
|----------------------------|-------------|------|------------|------|------------|------|------------|------|
|                            | TGRS        | TNET | TGRS       | TNET | TGRS       | TNET | TGRS       | TNET |
| LACERS                     | 1.6         | 1.4  | 8.4        | 7.0  | 8.8        | 7.5  | 10.3       | 8.7  |
| NFI-ODCE + 80 basis points | 2.0         | 1.7  | 9.1        | 8.2  | 9.0        | 8.1  | 11.2       | 10.2 |

| Funding Status (\$)            | Investment Vintage Year | Commitment Amount  | Funded Amount      | Unfunded Commitments | Capital Returned   | Market Value       | Market Value (%) | Market Value + Unfunded Commitments (%) |
|--------------------------------|-------------------------|--------------------|--------------------|----------------------|--------------------|--------------------|------------------|---|
| <b>Core Portfolio</b>          | <b>1989</b>             | <b>378,867,553</b> | <b>438,647,517</b> | <b>0</b>             | <b>134,732,134</b> | <b>553,092,715</b> | <b>70.5</b>      | <b>60.7</b>                             |
| <b>Non-Core Portfolio</b>      | <b>1990</b>             | <b>848,539,228</b> | <b>792,694,134</b> | <b>126,092,993</b>   | <b>708,393,707</b> | <b>210,952,967</b> | <b>26.9</b>      | <b>37.0</b>                             |
| Value Added Portfolio          | 1990                    | 293,531,885        | 208,496,788        | 99,659,821           | 177,794,412        | 100,847,886        | 12.8             | 22.0                                    |
| Opportunistic Portfolio        | 1996                    | 555,007,343        | 584,197,345        | 26,433,171           | 530,599,294        | 110,105,083        | 14.0             | 15.0                                    |
| <b>Timber Portfolio</b>        | <b>1999</b>             | <b>20,000,000</b>  | <b>18,601,851</b>  | <b>0</b>             | <b>1,768,278</b>   | <b>20,884,356</b>  | <b>2.7</b>       | <b>2.3</b>                              |
| <b>Total Current Portfolio</b> |                         |                    |                    |                      |                    |                    |                  |   |
| LACERS                         | 1989                    | 1,247,406,781      | 1,249,943,502      | 126,092,993          | 844,894,119        | 784,930,038        | 100.0            | 100.0                                   |

| Funding Status (\$)                                    | Investment<br>Vintage Year | Commitment<br>Amount | Funded<br>Amount     | Unfunded<br>Commitments | Capital<br>Returned | Market<br>Value    | Market<br>Value (%) | Market Value<br>+ Unfunded<br>Commitments (%) |
|--|----------------------------|----------------------|----------------------|-------------------------|---------------------|--------------------|---------------------|---|
| <b>Core</b>  |                            |                      |                      |                         |                     |                    |                     |   |
| Berkshire Multifamily Income Realty Fund               | 2015                       | 20,000,000           | 20,000,000           | 0                       | 2,183,521           | 24,387,811         | 3.1                 | 2.7   |
| CIM Commercial Trust Corporation ("CMCT")              | 2014                       | 40,000,000           | 46,417,723           | 0                       | 33,251,200          | 21,941,867         | 2.8                 | 2.4   |
| CIM VI (Urban REIT), LLC                               | 2012                       | 25,000,000           | 25,000,000           | 0                       | 4,922,581           | 32,070,603         | 4.1                 | 3.5   |
| INVESCO Core Real Estate                               | 2004                       | 63,867,553           | 114,568,945          | 0                       | 55,869,930          | 178,257,257        | 22.7                | 19.6  |
| Jamestown Premier Property Fund                        | 2015                       | 50,000,000           | 50,804,012           | 0                       | 24,479,294          | 39,032,858         | 5.0                 | 4.3   |
| JP Morgan Strategic Property Fund                      | 2005                       | 30,000,000           | 30,421,882           | 0                       | 2,858,499           | 68,915,689         | 8.8                 | 7.6   |
| Lion Industrial Trust - 2007                           | 2016                       | 50,000,000           | 51,434,954           | 0                       | 5,188,046           | 67,828,655         | 8.6                 | 7.4   |
| Prime Property Fund                                    | 2015                       | 50,000,000           | 50,000,000           | 0                       | 5,979,062           | 56,686,386         | 7.2                 | 6.2   |
| Principal U.S. Property Account                        | 2015                       | 50,000,000           | 50,000,000           | 0                       | 0                   | 63,971,589         | 8.1                 | 7.0   |
| <b>Core</b>  | <b>1989</b>                | <b>378,867,553</b>   | <b>438,647,516</b>   | <b>0</b>                | <b>134,732,133</b>  | <b>553,092,715</b> | <b>70.5</b>         | <b>60.7</b>                                   |
| <b>Timber</b>  |                            |                      |                      |                         |                     |                    |                     |   |
| Hancock Timberland XI                                  | 2012                       | 20,000,000           | 18,601,851           | 0                       | 1,768,278           | 20,884,356         | 2.7                 | 2.3   |
| <b>Timber</b>  | <b>1999</b>                | <b>20,000,000</b>    | <b>18,601,851</b>    | <b>0</b>                | <b>1,768,278</b>    | <b>20,884,356</b>  | <b>2.7</b>          | <b>2.3</b>                                    |
| <b>Value Added</b>                                     |                            |                      |                      |                         |                     |                    |                     |   |
| Almanac Realty Securities VI                           | 2012                       | 25,000,000           | 15,475,571           | 0                       | 14,686,555          | 7,029,880          | 0.9                 | 0.8   |
| Asana Partners Fund I                                  | 2017                       | 20,000,000           | 14,410,965           | 5,589,035               | 0                   | 17,398,308         | 2.2                 | 2.5   |
| Asana Partners Fund II                                 |                            | 35,000,000           | 0                    | 35,000,000              | 0                   | -126,921           | 0.0                 | 3.8   |
| Cornerstone Enhanced Mortgage Fund I                   | 2012                       | 25,000,000           | 13,436,224           | 11,563,777              | 17,238,663          | 72,334             | 0.0                 | 1.3   |
| DRA Growth and Income Fund VII                         | 2011                       | 25,000,000           | 26,640,000           | 0                       | 40,639,061          | 14,319,440         | 1.8                 | 1.6   |
| DRA Growth and Income Fund VIII                        | 2014                       | 25,000,000           | 29,113,108           | 981,481                 | 16,395,604          | 20,811,793         | 2.7                 | 2.4   |
| Gerrity Retail Fund 2                                  | 2015                       | 20,000,000           | 16,857,641           | 3,220,213               | 2,979,759           | 17,543,357         | 2.2                 | 2.3   |
| Heitman Asia-Pacific Property Investors                | 2018                       | 25,000,000           | 5,489,688            | 19,510,312              | 0                   | 4,857,296          | 0.6                 | 2.7   |
| JP Morgan Alternative Property Fund                    | 2006                       | 25,000,000           | 25,000,000           | 0                       | 18,465,738          | 271,351            | 0.0                 | 0.0   |
| Mesa West Real Estate Income Fund III                  | 2013                       | 25,000,000           | 18,939,181           | 22,521,430              | 20,311,299          | 4,016,034          | 0.5                 | 2.9   |
| Standard Life Investments European Real Estate Club II | 2015                       | 28,531,885           | 28,134,410           | 1,273,574               | 23,040,290          | 14,646,868         | 1.9                 | 1.7   |
| The Realty Associates Fund IX, L.P.                    | 2010                       | 15,000,000           | 15,000,000           | 0                       | 24,037,444          | 8,145              | 0.0                 | 0.0   |
| <b>Value Added</b>                                     | <b>1990</b>                | <b>293,531,885</b>   | <b>208,496,788</b>   | <b>99,659,822</b>       | <b>177,794,413</b>  | <b>100,847,885</b> | <b>12.8</b>         | <b>22.0</b>                                   |
| <b>Total Current Portfolio</b>                         |                            |                      |                      |                         |                     |                    |                     |   |
| <b>LACERS</b>  | <b>1989</b>                | <b>1,247,406,781</b> | <b>1,249,943,501</b> | <b>126,092,993</b>      | <b>844,894,118</b>  | <b>784,930,038</b> | <b>100.0</b>        | <b>100.0</b>                                  |



| Funding Status (\$)                                    | Investment<br>Vintage Year | Commitment<br>Amount | Funded<br>Amount     | Unfunded<br>Commitments | Capital<br>Returned | Market<br>Value    | Market<br>Value (%) | Market Value<br>+ Unfunded<br>Commitments<br>(%) |
|--|----------------------------|----------------------|----------------------|-------------------------|---------------------|--------------------|---------------------|--|
| <b>Opportunistic</b>                                   |                            |                      |                      |                         |                     |                    |                     |  |
| Apollo CPI Europe I                                    | 2006                       | 25,533,001           | 22,385,238           | 1,705,228               | 11,493,929          | 579,629            | 0.1                 | 0.3  |
| Bristol Value II, L.P.                                 | 2012                       | 20,000,000           | 20,658,467           | 5,371,846               | 10,699,878          | 14,600,835         | 1.9                 | 2.2  |
| Bryanston Retail Opportunity Fund                      | 2005                       | 10,000,000           | 4,271,584            | 5,885,919               | 9,569,780           | 4,252,711          | 0.5                 | 1.1  |
| California Smart Growth Fund IV                        | 2006                       | 30,000,000           | 31,522,663           | 33,153                  | 32,810,109          | 3,440,484          | 0.4                 | 0.4  |
| Canyon Johnson Urban Fund II                           | 2005                       | 10,000,000           | 8,988,718            | 1,011,296               | 3,974,652           | 34,109             | 0.0                 | 0.1  |
| CIM Real Estate Fund III                               | 2007                       | 15,000,000           | 16,763,475           | 0                       | 20,587,454          | 8,045,202          | 1.0                 | 0.9  |
| CityView LA Urban Fund I                               | 2007                       | 25,000,000           | 61,482,527           | 0                       | 73,781,337          | 45,851             | 0.0                 | 0.0  |
| Colony Investors VIII                                  | 2007                       | 30,000,000           | 28,963,224           | 1,023,167               | 12,378,404          | 604,788            | 0.1                 | 0.2  |
| DRA Growth and Income Fund VI                          | 2007                       | 25,000,000           | 16,788,945           | 0                       | 26,505,778          | 1,849,217          | 0.2                 | 0.2  |
| Genesis Workforce Housing Fund II                      | 2006                       | 20,000,000           | 19,999,316           | 0                       | 29,109,871          | -52,685            | 0.0                 | 0.0  |
| Integrated Capital Hospitality Fund                    | 2009                       | 10,000,000           | 6,006,797            | 0                       | 2,728,129           | 2,210,031          | 0.3                 | 0.2  |
| LaSalle Asia Fund II                                   | 2005                       | 25,000,000           | 24,016,560           | 0                       | 25,752,817          | 233,115            | 0.0                 | 0.0  |
| Latin America Investors III                            | 2008                       | 20,000,000           | 20,686,689           | 0                       | 3,886,924           | -145,576           | 0.0                 | 0.0  |
| Lone Star Fund VII                                     | 2011                       | 15,000,000           | 14,075,468           | 924,533                 | 24,557,560          | 149,917            | 0.0                 | 0.1  |
| Lone Star Real Estate Fund II                          | 2011                       | 15,000,000           | 13,291,475           | 1,708,525               | 19,978,366          | 597,499            | 0.1                 | 0.3  |
| RECP Fund IV, L.P.                                     | 2008                       | 40,000,000           | 50,677,619           | 1,815,895               | 26,742,051          | 35,616,252         | 4.5                 | 4.1  |
| Southern California Smart Growth Fund                  | 2004                       | 10,000,000           | 18,836,734           | 68,213                  | 17,604,871          | 970,940            | 0.1                 | 0.1  |
| Stockbridge Real Estate Fund II                        | 2006                       | 30,000,000           | 30,000,000           | 0                       | 4,049,560           | 10,377,900         | 1.3                 | 1.1  |
| The Buchanan Fund V                                    | 2007                       | 30,000,000           | 27,000,000           | 3,000,000               | 25,794,507          | 205,960            | 0.0                 | 0.4  |
| Torchlight Debt Opportunity Fund II                    | 2007                       | 25,000,000           | 24,703,453           | 0                       | 21,432,489          | 881,722            | 0.1                 | 0.1  |
| Torchlight Debt Opportunity Fund III                   | 2009                       | 25,000,000           | 24,890,796           | 0                       | 38,123,630          | 0                  | 0.0                 | 0.0  |
| Torchlight Debt Opportunity Fund IV                    | 2013                       | 24,474,342           | 24,483,106           | 0                       | 25,233,012          | 9,795,634          | 1.2                 | 1.1  |
| Tuckerman Group Residential Income & Value Added Fund  | 2004                       | 25,000,000           | 26,542,525           | 0                       | 25,874,723          | 444,858            | 0.1                 | 0.0  |
| Walton Street Real Estate Fund V                       | 2006                       | 25,000,000           | 25,000,001           | 0                       | 13,999,328          | 5,239,994          | 0.7                 | 0.6  |
| Walton Street Real Estate Fund VI                      | 2009                       | 25,000,000           | 22,161,966           | 3,885,396               | 23,930,135          | 10,126,695         | 1.3                 | 1.5  |
| <b>Opportunistic</b>                                   | <b>1996</b>                | <b>555,007,343</b>   | <b>584,197,346</b>   | <b>26,433,171</b>       | <b>530,599,294</b>  | <b>110,105,082</b> | <b>14.0</b>         | <b>15.0</b>                                      |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b> | <b>1989</b>                | <b>1,227,406,781</b> | <b>1,231,341,650</b> | <b>126,092,993</b>      | <b>843,125,840</b>  | <b>764,045,682</b> | <b>97.3</b>         | <b>97.7</b>                                      |
| <b>Non-Core Portfolio</b>                              | <b>1990</b>                | <b>848,539,228</b>   | <b>792,694,134</b>   | <b>126,092,993</b>      | <b>708,393,707</b>  | <b>210,952,967</b> | <b>26.9</b>         | <b>37.0</b>                                      |
| <b>Total Current Portfolio</b>                         |                            |                      |                      |                         |                     |                    |                     |  |
| <b>LACERS</b>  | <b>1989</b>                | <b>1,247,406,781</b> | <b>1,249,943,501</b> | <b>126,092,993</b>      | <b>844,894,118</b>  | <b>784,930,038</b> | <b>100.0</b>        | <b>100.0</b>                                     |

| Returns (%)  | Market Value (\$)  | Quarter          |                  |                   |                   | 1 Year     |            |             |             | 3 Year     |            |             |             |
|--|--------------------|------------------|------------------|-------------------|-------------------|------------|------------|-------------|-------------|------------|------------|-------------|-------------|
|  |                    | INC <sup>2</sup> | APP <sup>2</sup> | TGRS <sup>2</sup> | TNET <sup>2</sup> | INC        | APP        | TGRS        | TNET        | INC        | APP        | TGRS        | TNET        |
| <b>Core</b>  |                    |                  |                  |                   |                   |            |            |             |             |            |            |             |             |
| Berkshire Multifamily Income Realty Fund               | 24,387,811         | 1.0              | -0.4             | 0.6               | 0.5               | 4.0        | 2.0        | 6.2         | 5.6         | 4.3        | 3.0        | 7.3         | 6.6         |
| CIM Commercial Trust Corporation ("CMCT") <sup>1</sup> | 21,941,867         | 1.6              | -5.6             | -4.0              | -4.0              | 3.2        | -3.8       | -0.6        | -0.6        | 2.9        | -1.0       | 1.8         | 1.8         |
| CIM VI (Urban REIT), LLC                               | 32,070,603         | 0.8              | 5.5              | 6.3               | 6.0               | 3.6        | 6.6        | 10.4        | 8.9         | 3.8        | 2.1        | 6.0         | 5.0         |
| INVESCO Core Real Estate                               | 178,257,257        | 0.9              | 1.3              | 2.2               | 2.1               | 3.8        | 5.4        | 9.4         | 9.0         | 3.8        | 5.1        | 9.0         | 8.6         |
| Jamestown Premier Property Fund                        | 39,032,858         | 0.8              | 0.4              | 1.2               | 1.2               | 3.4        | 6.2        | 9.7         | 7.7         | 4.3        | 6.9        | 11.4        | 9.0         |
| JP Morgan Strategic Property Fund                      | 68,915,689         | 0.9              | 1.0              | 1.9               | 1.7               | 3.9        | 4.0        | 8.0         | 7.0         | 4.2        | 3.6        | 7.9         | 6.8         |
| Lion Industrial Trust - 2007                           | 67,828,655         | 1.3              | 2.7              | 4.0               | 3.4               | 5.1        | 13.1       | 18.7        | 15.9        | 5.4        | 10.2       | 16.0        | 13.6        |
| Prime Property Fund                                    | 56,686,386         | 0.9              | 1.3              | 2.2               | 2.0               | 3.9        | 5.0        | 9.1         | 8.0         | 4.1        | 5.5        | 9.8         | 8.6         |
| Principal U.S. Property Account                        | 63,971,589         | 1.1              | 0.4              | 1.5               | 1.2               | 4.6        | 4.3        | 9.1         | 8.1         | 4.8        | 4.5        | 9.4         | 8.4         |
| <b>Core</b>  | <b>553,092,715</b> | <b>1.0</b>       | <b>1.1</b>       | <b>2.1</b>        | <b>1.9</b>        | <b>4.0</b> | <b>5.6</b> | <b>9.8</b>  | <b>8.7</b>  | <b>4.1</b> | <b>4.9</b> | <b>9.2</b>  | <b>8.2</b>  |
| <b>Timber</b>  |                    |                  |                  |                   |                   |            |            |             |             |            |            |             |             |
| Hancock Timberland XI                                  | 20,884,356         | 0.3              | 3.0              | 3.3               | 3.1               | 0.8        | 3.0        | 3.9         | 2.9         | 0.0        | 3.1        | 3.1         | 2.3         |
| <b>Timber</b>  | <b>20,884,356</b>  | <b>0.3</b>       | <b>3.0</b>       | <b>3.3</b>        | <b>3.1</b>        | <b>0.8</b> | <b>3.0</b> | <b>3.9</b>  | <b>2.9</b>  | <b>0.0</b> | <b>3.1</b> | <b>3.1</b>  | <b>2.3</b>  |
| <b>Value Added</b>                                     |                    |                  |                  |                   |                   |            |            |             |             |            |            |             |             |
| Almanac Realty Securities VI                           | 7,029,880          | 2.0              | -2.7             | -0.7              | -0.9              | 7.7        | -5.4       | 2.0         | 1.3         | 7.3        | -1.6       | 5.7         | 4.9         |
| Asana Partners Fund I                                  | 17,398,308         | 0.2              | 6.4              | 6.7               | 5.0               | 0.6        | 25.7       | 26.4        | 18.7        |            |            |             |             |
| Asana Partners Fund II                                 | -126,921           |                  |                  |                   |                   |            |            |             |             |            |            |             |             |
| Cornerstone Enhanced Mortgage Fund I                   | 72,334             | N/A              | N/A              | N/A               | N/A               | N/A        | N/A        | N/A         | N/A         | N/A        | N/A        | N/A         | N/A         |
| DRA Growth and Income Fund VII                         | 14,319,440         | 0.5              | 4.7              | 5.2               | 4.4               | 8.3        | 35.0       | 45.3        | 37.5        | 9.6        | 26.4       | 37.8        | 31.2        |
| DRA Growth and Income Fund VIII                        | 20,811,793         | 2.6              | 0.3              | 2.9               | 2.4               | 11.9       | 2.0        | 14.1        | 11.3        | 11.9       | 2.3        | 14.4        | 11.6        |
| Gerrity Retail Fund 2                                  | 17,543,357         | 1.4              | -1.8             | -0.5              | -0.8              | 6.9        | 5.3        | 12.4        | 10.6        | 8.5        | 5.6        | 14.4        | 11.9        |
| Heitman Asia-Pacific Property Investors                | 4,857,296          | -3.1             | 0.8              | -2.2              | -2.5              |            |            |             |             |            |            |             |             |
| JP Morgan Alternative Property Fund <sup>4</sup>       | 271,351            | N/A              | N/A              | N/A               | N/A               | N/A        | N/A        | N/A         | N/A         | N/A        | N/A        | N/A         | N/A         |
| Mesa West Real Estate Income Fund III                  | 4,016,034          | 5.7              | 0.0              | 5.7               | 4.7               | 15.8       | 0.0        | 15.8        | 12.8        | 13.3       | -0.1       | 13.2        | 10.6        |
| Standard Life Investments European Real Estate Club II | 14,646,868         | 0.0              | -2.8             | -2.7              | -2.9              | 5.8        | -7.4       | -2.0        | -2.7        | 2.7        | 9.5        | 12.3        | 11.4        |
| The Realty Associates Fund IX, L.P. <sup>4</sup>       | 8,145              | N/A              | N/A              | N/A               | N/A               | N/A        | N/A        | N/A         | N/A         | N/A        | N/A        | N/A         | N/A         |
| <b>Value Added</b>                                     | <b>100,847,885</b> | <b>1.2</b>       | <b>1.0</b>       | <b>2.2</b>        | <b>1.5</b>        | <b>7.3</b> | <b>6.5</b> | <b>14.1</b> | <b>11.0</b> | <b>7.6</b> | <b>7.7</b> | <b>15.7</b> | <b>13.0</b> |
| <b>Total Portfolio</b>                                 |                    |                  |                  |                   |                   |            |            |             |             |            |            |             |             |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>0.9</b>       | <b>0.7</b>       | <b>1.6</b>        | <b>1.4</b>        | <b>4.0</b> | <b>4.3</b> | <b>8.4</b>  | <b>7.0</b>  | <b>4.4</b> | <b>4.3</b> | <b>8.8</b>  | <b>7.5</b>  |
| <b>Indices</b>   |                    |                  |                  |                   |                   |            |            |             |             |            |            |             |             |
| NFI-ODCE (Core)  |                    | 1.0              | 0.7              | 1.8               | 1.5               | 4.2        | 4.0        | 8.3         | 7.4         | 4.4        | 3.8        | 8.2         | 7.3         |
| NFI-ODCE + 80 bps (Total Portfolio)                    |                    |                  |                  | 2.0               | 1.7               |            |            | 9.1         | 8.2         |            |            | 9.0         | 8.1         |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                |                    |                  |                  | 2.3               | 2.0               |            |            | 10.3        | 9.4         |            |            | 10.2        | 9.3         |
| NFI -ODCE + 50 bps (Value Add)                         |                    |                  |                  | 1.9               | 1.6               |            |            | 8.8         | 7.9         |            |            | 8.7         | 7.8         |
| NFI -ODCE + 300 bps (Opportunistic)                    |                    |                  |                  | 2.5               | 2.3               |            |            | 11.3        | 10.4        |            |            | 11.2        | 10.3        |
| NCREIF Timberland Property Index "NTI"                 |                    | 0.8              | 0.2              | 1.0               |                   | 3.2        | 0.2        | 3.4         |             | 2.9        | 0.4        | 3.3         |             |

\* Net IRR and Equity Multiple may be missing due to hard coded data.

<sup>1</sup> Originally CIM IV. Data shown only reflects performance since the formation of CMCT. Combined, CIM IV/CMCT has achieved a 6.3% net IRR nad 1.3x net equity multiple since inception (1Q06).

<sup>2</sup> INC: Income Return; APP: Appreciation Return; TGRS: Total Gross Return; TNET: Total Net Return. Please refer to Exhibit C for more detailed definitions.

<sup>3</sup> Negative Market Value represents fees owed to the manager. No capital had been called as of quarter-end.

<sup>4</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

| Returns (%)  | Market Value (\$)  | 5 Year      |            |             |             | Inception  |            |             |            | TWR Calculation Inception | Net IRR*    | Equity Multiple* |
|--|--------------------|-------------|------------|-------------|-------------|------------|------------|-------------|------------|---------------------------|-------------|------------------|
|  |                    | INC         | APP        | TGRS        | TNET        | INC        | APP        | TGRS        | TNET       |                           |             |                  |
| <b>Core</b>  |                    |             |            |             |             |            |            |             |            |                           |             |                  |
| Berkshire Multifamily Income Realty Fund               | 24,387,811         |             |            |             |             | 4.3        | 3.0        | 7.3         | 6.6        | 1Q16                      | 9.9         | 1.3              |
| CIM Commercial Trust Corporation ("CMCT") <sup>1</sup> | 21,941,867         | 3.3         | 0.7        | 4.0         | 4.0         | 3.3        | 0.7        | 4.0         | 4.0        | 1Q14                      | 4.6         | 1.2              |
| CIM VI (Urban REIT), LLC                               | 32,070,603         | 4.0         | 5.0        | 9.2         | 7.8         | 3.8        | 6.3        | 10.3        | 8.9        | 3Q12                      | 8.0         | 1.5              |
| INVESCO Core Real Estate                               | 178,257,257        | 4.0         | 6.6        | 10.8        | 10.4        | 5.2        | 3.1        | 8.4         | 7.9        | 4Q04                      | 7.8         | 2.0              |
| Jamestown Premier Property Fund                        | 39,032,858         |             |            |             |             | 4.3        | 7.7        | 12.3        | 9.8        | 3Q15                      | 9.8         | 1.3              |
| JP Morgan Strategic Property Fund                      | 68,915,689         | 4.7         | 5.1        | 9.9         | 8.9         | 5.3        | 2.3        | 7.7         | 6.7        | 4Q05                      | 6.8         | 2.4              |
| Lion Industrial Trust - 2007                           | 67,828,655         |             |            |             |             | 5.4        | 10.2       | 16.0        | 13.6       | 1Q16                      | 13.7        | 1.4              |
| Prime Property Fund                                    | 56,686,386         |             |            |             |             | 4.1        | 5.5        | 9.8         | 8.6        | 1Q16                      | 8.6         | 1.3              |
| Principal U.S. Property Account                        | 63,971,589         |             |            |             |             | 4.8        | 4.7        | 9.7         | 8.6        | 4Q15                      | 8.6         | 1.3              |
| <b>Core</b>  | <b>553,092,715</b> | <b>4.3</b>  | <b>6.1</b> | <b>10.6</b> | <b>9.7</b>  | <b>6.4</b> | <b>1.6</b> | <b>8.1</b>  | <b>7.2</b> | <b>1Q89</b>               | <b>6.0</b>  | <b>1.5</b>       |
| <b>Timber</b>  |                    |             |            |             |             |            |            |             |            |                           |             |                  |
| Hancock Timberland XI                                  | 20,884,356         | -0.2        | 4.2        | 4.0         | 3.2         | -0.4       | 6.0        | 5.6         | 4.8        | 2Q12                      | 4.3         | 1.2              |
| <b>Timber</b>  | <b>20,884,356</b>  | <b>-0.2</b> | <b>4.8</b> | <b>4.6</b>  | <b>3.2</b>  | <b>4.9</b> | <b>5.7</b> | <b>10.9</b> | <b>9.5</b> | <b>4Q99</b>               | <b>10.0</b> | <b>1.7</b>       |
| <b>Value Added</b>                                     |                    |             |            |             |             |            |            |             |            |                           |             |                  |
| Almanac Realty Securities VI                           | 7,029,880          | 7.5         | 3.3        | 10.9        | 9.5         | 8.5        | 5.4        | 14.1        | 12.1       | 1Q13                      | 13.2        | 1.4              |
| Asana Partners Fund I                                  | 17,398,308         |             |            |             |             | 1.1        | 24.5       | 25.7        | 16.9       | 2Q17                      | 19.0        | 1.2              |
| Asana Partners Fund II                                 | -126,921           |             |            |             |             |            |            |             |            | 2Q19                      | 0.0         | N/A              |
| Cornerstone Enhanced Mortgage Fund I                   | 72,334             | N/A         | N/A        | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | 4Q12                      | 9.2         | 1.3              |
| DRA Growth and Income Fund VII                         | 14,319,440         | 10.7        | 18.8       | 31.0        | 25.3        | 11.8       | 14.1       | 27.2        | 22.2       | 1Q12                      | 20.8        | 2.1              |
| DRA Growth and Income Fund VIII                        | 20,811,793         |             |            |             |             | 12.5       | 1.9        | 14.5        | 11.7       | 4Q14                      | 11.9        | 1.3              |
| Gerrity Retail Fund 2                                  | 17,543,357         |             |            |             |             | 8.4        | 5.1        | 13.9        | 11.1       | 4Q15                      | 9.5         | 1.2              |
| Heitman Asia-Pacific Property Investors                | 4,857,296          |             |            |             |             | -1.6       | -3.2       | -4.7        | -5.2       | 3Q18                      | -23.4       | 0.9              |
| JP Morgan Alternative Property Fund <sup>4</sup>       | 271,351            | N/A         | N/A        | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | 1Q06                      | -4.2        | 0.7              |
| Mesa West Real Estate Income Fund III                  | 4,016,034          | 13.0        | 0.1        | 13.1        | 10.1        | 13.0       | 0.1        | 13.2        | 9.5        | 4Q13                      | 8.7         | 1.3              |
| Standard Life Investments European Real Estate Club II | 14,646,868         |             |            |             |             | 2.7        | 9.5        | 12.3        | 11.4       | 1Q16                      | 14.1        | 1.3              |
| The Realty Associates Fund IX, L.P. <sup>4</sup>       | 8,145              | N/A         | N/A        | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | 3Q10                      | 10.4        | 1.6              |
| <b>Value Added</b>                                     | <b>100,847,885</b> | <b>7.7</b>  | <b>6.7</b> | <b>14.8</b> | <b>12.3</b> | <b>7.6</b> | <b>2.5</b> | <b>10.2</b> | <b>8.3</b> | <b>4Q90</b>               |             |                  |
| <b>Total Portfolio</b>                                 |                    |             |            |             |             |            |            |             |            |                           |             |                  |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>4.9</b>  | <b>5.2</b> | <b>10.3</b> | <b>8.7</b>  | <b>6.1</b> | <b>1.5</b> | <b>7.7</b>  | <b>6.0</b> | <b>1Q89</b>               |             |                  |
| <b>Indices</b>   |                    |             |            |             |             |            |            |             |            |                           |             |                  |
| NFI-ODCE (Core)  |                    | 4.6         | 5.6        | 10.4        | 9.4         | 6.8        | 0.6        | 7.4         | 6.4        | 1Q89                      |             |                  |
| NFI-ODCE + 80 bps (Total Portfolio)                    |                    |             |            | 11.2        | 10.2        |            |            | 8.2         | 7.2        | 1Q89                      |             |                  |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                |                    |             |            | 12.4        | 11.4        |            |            | 9.5         | 8.4        | 4Q90                      |             |                  |
| NFI -ODCE + 50 bps (Value Add)                         |                    |             |            | 10.9        | 9.9         |            |            | 8.0         | 6.9        | 4Q90                      |             |                  |
| NFI -ODCE + 300 bps (Opportunistic)                    |                    |             |            | 13.4        | 12.4        |            |            | 12.2        | 11.2       | 4Q96                      |             |                  |
| NCREIF Timberland Property Index "NTI"                 |                    | 2.8         | 2.1        | 5.0         |             | 3.3        | 0.8        | 4.1         |            | 4Q99                      |             |                  |

\* Net IRR and Equity Multiple may be missing due to hard coded data.

<sup>1</sup> Originally CIM IV. Data shown only reflects performance since the formation of CMCT. Combined, CIM IV/CMCT has achieved a 6.3% net IRR and 1.3x net equity multiple since inception (1Q06).

<sup>2</sup> INC: Income Return; APP: Appreciation Return; TGRS: Total Gross Return; TNET: Total Net Return. Please refer to Exhibit C for more detailed definitions.

<sup>3</sup> Negative Market Value represents fees owed to the manager. No capital had been called as of quarter-end.

<sup>4</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

| Returns (%)  | Market Value (\$)  | Quarter    |             |             |             | 1 Year     |             |             |             | 3 Year     |            |            |            |
|--|--------------------|------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|------------|------------|------------|------------|
|  |                    | INC        | APP         | TGRS        | TNET        | INC        | APP         | TGRS        | TNET        | INC        | APP        | TGRS       | TNET       |
| <b>Opportunistic</b>   |                    |            |             |             |             |            |             |             |             |            |            |            |            |
| Apollo CPI Europe I <sup>1</sup>                                   | 579,629            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Bristol Value II, L.P.   | 14,600,835         | -0.1       | 5.5         | 5.4         | 5.1         | 1.0        | 5.7         | 6.7         | 5.1         | 2.3        | 9.1        | 11.5       | 9.8        |
| Bryanston Retail Opportunity Fund                                  | 4,252,711          | 0.1        | 25.7        | 25.8        | 25.7        | 0.0        | 23.5        | 23.5        | 22.9        | -0.1       | -2.0       | -2.1       | -2.5       |
| California Smart Growth Fund IV                                    | 3,440,484          | 0.2        | -9.2        | -9.0        | -9.0        | 0.3        | -6.4        | -6.1        | -6.1        | 3.0        | 1.3        | 4.3        | 3.7        |
| Canyon Johnson Urban Fund II <sup>1</sup>                          | 34,109             | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| CIM Real Estate Fund III <sup>2</sup>                              | 8,045,202          | -0.5       | 1.5         | 1.0         | 0.7         | 5.7        | -0.3        | 5.9         | 4.5         | 6.4        | -0.4       | 6.4        | 5.0        |
| CityView LA Urban Fund I <sup>1</sup>                              | 45,851             | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Colony Investors VIII <sup>1</sup>                                 | 604,788            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| DRA Growth and Income Fund VI                                      | 1,849,217          | 4.1        | 0.0         | 4.1         | 2.0         | -3.9       | -0.2        | -4.1        | -6.7        | 3.8        | 0.0        | 3.8        | 1.3        |
| Genesis Workforce Housing Fund II <sup>1</sup>                     | -52,685            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Integrated Capital Hospitality Fund                                | 2,210,031          | -20.2      | -20.8       | -41.0       | -41.3       | -19.6      | -23.6       | -42.7       | -43.7       | -13.4      | -18.0      | -32.2      | -33.1      |
| LaSalle Asia Fund II <sup>1</sup>                                  | 233,115            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Latin America Investors III  | -145,576           | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Lone Star Fund VII <sup>1</sup>                                    | 149,917            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Lone Star Real Estate Fund II                                      | 597,499            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| RECP Fund IV, L.P.   | 35,616,252         | 0.9        | 3.4         | 4.3         | 4.2         | 1.1        | 1.0         | 2.1         | 1.6         | 1.8        | 5.8        | 7.7        | 6.3        |
| Southern California Smart Growth Fund <sup>2</sup>                 | 970,940            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Stockbridge Real Estate Fund II                                    | 10,377,900         | -0.1       | 0.0         | -0.1        | -0.1        | 0.0        | 0.6         | 0.6         | 0.2         | 0.5        | 4.7        | 5.1        | 4.5        |
| The Buchanan Fund V  | 205,960            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Torchlight Debt Opportunity Fund II                                | 881,722            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Torchlight Debt Opportunity Fund III <sup>1</sup>                  | 0                  | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Torchlight Debt Opportunity Fund IV                                | 9,795,634          | 1.5        | -3.3        | -1.8        | -0.1        | 7.9        | 6.6         | 14.8        | 10.7        | 9.2        | 4.4        | 13.9       | 10.6       |
| Tuckerman Group Residential Income & Value Added Fund <sup>1</sup> | 444,858            | N/A        | N/A         | N/A         | N/A         | N/A        | N/A         | N/A         | N/A         | N/A        | N/A        | N/A        | N/A        |
| Walton Street Real Estate Fund V                                   | 5,239,994          | 0.3        | -7.7        | -7.4        | -7.5        | 2.4        | -18.7       | -16.6       | -17.1       | 3.5        | -7.2       | -3.9       | -4.8       |
| Walton Street Real Estate Fund VI                                  | 10,126,695         | 1.4        | -4.6        | -3.3        | -3.5        | 4.3        | -0.2        | 4.2         | 3.1         | 3.2        | -0.7       | 2.5        | 1.3        |
| <b>Opportunistic</b>   | <b>110,105,082</b> | <b>0.4</b> | <b>-1.7</b> | <b>-1.3</b> | <b>-1.5</b> | <b>1.9</b> | <b>-2.9</b> | <b>-1.0</b> | <b>-2.4</b> | <b>3.0</b> | <b>0.0</b> | <b>3.0</b> | <b>1.5</b> |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b>             | <b>764,045,682</b> | <b>0.9</b> | <b>0.7</b>  | <b>1.6</b>  | <b>1.3</b>  | <b>4.1</b> | <b>4.3</b>  | <b>8.6</b>  | <b>7.1</b>  | <b>4.5</b> | <b>4.4</b> | <b>9.0</b> | <b>7.6</b> |
| <b>Non-Core Portfolio</b>  | <b>210,952,967</b> | <b>0.8</b> | <b>-0.5</b> | <b>0.3</b>  | <b>-0.1</b> | <b>4.4</b> | <b>1.4</b>  | <b>5.9</b>  | <b>3.7</b>  | <b>5.0</b> | <b>3.3</b> | <b>8.4</b> | <b>6.4</b> |
| <b>Total Portfolio</b>   |                    |            |             |             |             |            |             |             |             |            |            |            |            |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>0.9</b> | <b>0.7</b>  | <b>1.6</b>  | <b>1.4</b>  | <b>4.0</b> | <b>4.3</b>  | <b>8.4</b>  | <b>7.0</b>  | <b>4.4</b> | <b>4.3</b> | <b>8.8</b> | <b>7.5</b> |
| <b>Indices</b>   |                    |            |             |             |             |            |             |             |             |            |            |            |            |
| NFI-ODCE (Core)  |                    | 1.0        | 0.7         | 1.8         | 1.5         | 4.2        | 4.0         | 8.3         | 7.4         | 4.4        | 3.8        | 8.2        | 7.3        |
| NFI-ODCE + 80 bps (Total Portfolio)                                |                    |            |             | 2.0         | 1.7         |            |             | 9.1         | 8.2         |            |            | 9.0        | 8.1        |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                            |                    |            |             | 2.3         | 2.0         |            |             | 10.3        | 9.4         |            |            | 10.2       | 9.3        |
| NFI -ODCE + 50 bps (Value Add)                                     |                    |            |             | 1.9         | 1.6         |            |             | 8.8         | 7.9         |            |            | 8.7        | 7.8        |
| NFI -ODCE + 300 bps (Opportunistic)                                |                    |            |             | 2.5         | 2.3         |            |             | 11.3        | 10.4        |            |            | 11.2       | 10.3       |
| NCREIF Timberland Property Index "NTI"                             |                    | 0.8        | 0.2         | 1.0         |             | 3.2        | 0.2         | 3.4         |             | 2.9        | 0.4        | 3.3        |            |

\* Net IRR and Equity Multiple may be missing due to hard coded data.

<sup>1</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

<sup>2</sup> Broken time-weighted return since inception

| Returns (%)  | Market Value (\$)  | 5 Year     |            |             |            | Inception  |            |            |            | TWR Calculation Inception | Net IRR*   | Equity Multiple* |
|--|--------------------|------------|------------|-------------|------------|------------|------------|------------|------------|---------------------------|------------|------------------|
|  |                    | INC        | APP        | TGRS        | TNET       | INC        | APP        | TGRS       | TNET       |                           |            |                  |
| <b>Opportunistic</b>   |                    |            |            |             |            |            |            |            |            |                           |            |                  |
| Apollo CPI Europe I <sup>1</sup>                                   | 579,629            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 4Q06                      | -9.2       | 0.5              |
| Bristol Value II, L.P.   | 14,600,835         | 2.5        | 8.4        | 11.0        | 9.2        | 3.0        | 11.4       | 14.7       | 12.8       | 1Q13                      | 10.3       | 1.2              |
| Bryanston Retail Opportunity Fund                                  | 4,252,711          | 0.4        | 19.2       | 19.7        | 18.9       | 7.5        | 23.1       | 30.1       | 26.7       | 2Q05                      | 79.7       | 3.2              |
| California Smart Growth Fund IV                                    | 3,440,484          | 3.4        | 6.5        | 10.0        | 9.1        | 2.3        | -0.7       | 1.6        | -0.6       | 1Q07                      | 2.3        | 1.1              |
| Canyon Johnson Urban Fund II <sup>1</sup>                          | 34,109             | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 3Q05                      | -10.5      | 0.4              |
| CIM Real Estate Fund III <sup>2</sup>                              | 8,045,202          | 6.0        | 0.4        | 7.7         | 6.3        | -9.4       | N/A        | N/A        | N/A        | 1Q08                      | 10.3       | 1.7              |
| CityView LA Urban Fund I <sup>1</sup>                              | 45,851             | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 3Q07                      | 11.8       | 1.2              |
| Colony Investors VIII <sup>1</sup>                                 | 604,788            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 4Q07                      | -11.6      | 0.4              |
| DRA Growth and Income Fund VI                                      | 1,849,217          | 4.5        | 11.4       | 16.2        | 10.8       | 7.6        | 3.9        | 11.9       | 7.4        | 2Q08                      | 10.8       | 1.7              |
| Genesis Workforce Housing Fund II <sup>1</sup>                     | -52,685            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 2Q07                      | 8.7        | 1.5              |
| Integrated Capital Hospitality Fund                                | 2,210,031          | -7.5       | -10.3      | -19.3       | -20.2      | 2.2        | -2.0       | -3.0       | -4.8       | 3Q11                      | -4.7       | 0.8              |
| LaSalle Asia Fund II <sup>1</sup>                                  | 233,115            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 4Q05                      | 1.8        | 1.1              |
| Latin America Investors III  | -145,576           | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 1Q09                      | 0.0        | 0.2              |
| Lone Star Fund VII <sup>1</sup>                                    | 149,917            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 3Q11                      | 50.2       | 1.8              |
| Lone Star Real Estate Fund II                                      | 597,499            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 3Q11                      | 26.6       | 1.5              |
| RECP Fund IV, L.P.   | 35,616,252         | 2.0        | 5.5        | 7.6         | 6.0        | 3.4        | -6.3       | -3.1       | -6.9       | 4Q08                      | 4.0        | 1.2              |
| Southern California Smart Growth Fund <sup>2</sup>                 | 970,940            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 1Q05                      | -0.4       | 1.0              |
| Stockbridge Real Estate Fund II                                    | 10,377,900         | -0.3       | 8.8        | 8.5         | 7.5        | -9.3       | -9.3       | -17.6      | -19.9      | 4Q06                      | -7.4       | 0.5              |
| The Buchanan Fund V  | 205,960            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 3Q07                      | -0.6       | 1.0              |
| Torchlight Debt Opportunity Fund II                                | 881,722            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 1Q08                      | -1.3       | 0.9              |
| Torchlight Debt Opportunity Fund III <sup>1</sup>                  | 0                  | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 3Q09                      | 13.7       | 1.5              |
| Torchlight Debt Opportunity Fund IV                                | 9,795,634          | 9.5        | 3.8        | 13.5        | 10.4       | 9.5        | 3.8        | 13.6       | 10.5       | 4Q13                      | 10.4       | 1.4              |
| Tuckerman Group Residential Income & Value Added Fund <sup>1</sup> | 444,858            | N/A        | N/A        | N/A         | N/A        | N/A        | N/A        | N/A        | N/A        | 4Q04                      | -0.1       | 1.0              |
| Walton Street Real Estate Fund V                                   | 5,239,994          | 3.6        | -1.2       | 2.4         | 1.3        | 2.3        | -2.2       | 0.1        | -1.7       | 4Q06                      | -2.9       | 0.8              |
| Walton Street Real Estate Fund VI                                  | 10,126,695         | 3.1        | 3.8        | 7.0         | 5.8        | -9.6       | 14.9       | 2.4        | -2.5       | 3Q09                      | 9.0        | 1.5              |
| <b>Opportunistic</b>   | <b>110,105,082</b> | <b>4.0</b> | <b>2.2</b> | <b>6.3</b>  | <b>4.4</b> | <b>4.2</b> | <b>2.8</b> | <b>7.1</b> | <b>3.5</b> | <b>4Q96</b>               | <b>2.1</b> | <b>1.1</b>       |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b>             | <b>764,045,682</b> | <b>5.0</b> | <b>5.2</b> | <b>10.4</b> | <b>8.9</b> | <b>6.1</b> | <b>1.4</b> | <b>7.6</b> | <b>5.9</b> | <b>1Q89</b>               |            |                  |
| <b>Non-Core Portfolio</b>  | <b>210,952,967</b> | <b>5.6</b> | <b>4.2</b> | <b>9.9</b>  | <b>7.8</b> | <b>6.5</b> | <b>2.6</b> | <b>9.2</b> | <b>6.6</b> | <b>4Q90</b>               |            |                  |
| <b>Total Portfolio</b>   |                    |            |            |             |            |            |            |            |            |                           |            |                  |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>4.9</b> | <b>5.2</b> | <b>10.3</b> | <b>8.7</b> | <b>6.1</b> | <b>1.5</b> | <b>7.7</b> | <b>6.0</b> | <b>1Q89</b>               |            |                  |
| <b>Indices</b>   |                    |            |            |             |            |            |            |            |            |                           |            |                  |
| NFI-ODCE (Core)  |                    | 4.6        | 5.6        | 10.4        | 9.4        | 6.8        | 0.6        | 7.4        | 6.4        | 1Q89                      |            |                  |
| NFI-ODCE + 80 bps (Total Portfolio)                                |                    |            |            | 11.2        | 10.2       |            |            | 8.2        | 7.2        | 1Q89                      |            |                  |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                            |                    |            |            | 12.4        | 11.4       |            |            | 9.5        | 8.4        | 4Q90                      |            |                  |
| NFI -ODCE + 50 bps (Value Add)                                     |                    |            |            | 10.9        | 9.9        |            |            | 8.0        | 6.9        | 4Q90                      |            |                  |
| NFI -ODCE + 300 bps (Opportunistic)                                |                    |            |            | 13.4        | 12.4       |            |            | 12.2       | 11.2       | 4Q96                      |            |                  |
| NCREIF Timberland Property Index "NTI"                             |                    | 2.8        | 2.1        | 5.0         |            | 3.3        | 0.8        | 4.1        |            | 4Q99                      |            |                  |

\* Net IRR and Equity Multiple may be missing due to hard coded data.

<sup>1</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

<sup>2</sup> Broken time-weighted return since inception



| Returns (%)  | Market Value (\$)  | 2018        |             | 2017        |             | 2016        |             | 2015        |             | 2014        |             | 2013        |             | 2012        |             |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  |                    | TGRS        | TNET        | TGRS        | TNET        | TGRS        | TNET        | TGRS        | TNET        | TGRS        | TNET        | TGRS        | TNET        | TGRS        | TNET        |
| <b>Core</b>  |                    |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Berkshire Multifamily Income Realty Fund               | 24,387,811         | 6.2         | 5.6         | 5.4         | 4.7         | 10.4        | 9.5         |             |             |             |             |             |             |             |             |
| CIM Commercial Trust Corporation ("CMCT")              | 21,941,867         | -0.6        | -0.6        | 2.8         | 2.8         | 3.3         | 3.3         | 5.0         | 5.0         | 9.7         | 9.7         |             |             |             |             |
| CIM VI (Urban REIT), LLC                               | 32,070,603         | 10.4        | 8.9         | 5.2         | 3.7         | 2.6         | 2.4         | 13.4        | 11.0        | 15.0        | 13.5        | 6.8         | 5.4         | 13.8        | 13.1        |
| INVESCO Core Real Estate                               | 178,257,257        | 9.4         | 9.0         | 8.4         | 8.0         | 9.2         | 8.9         | 14.7        | 14.3        | 12.4        | 11.9        | 14.3        | 13.8        | 8.7         | 8.2         |
| Jamestown Premier Property Fund                        | 39,032,858         | 9.7         | 7.7         | 18.0        | 14.2        | 6.7         | 5.4         | 8.5         | 7.0         |             |             |             |             |             |             |
| JP Morgan Strategic Property Fund                      | 68,915,689         | 8.0         | 7.0         | 7.2         | 6.2         | 8.4         | 7.3         | 15.2        | 14.1        | 11.1        | 10.1        | 15.9        | 14.8        | 12.1        | 11.0        |
| Lion Industrial Trust - 2007                           | 67,828,655         | 18.7        | 15.9        | 14.4        | 12.3        | 14.9        | 12.8        |             |             |             |             |             |             |             |             |
| Prime Property Fund                                    | 56,686,386         | 9.1         | 8.0         | 9.9         | 8.8         | 10.4        | 9.2         |             |             |             |             |             |             |             |             |
| Principal U.S. Property Account                        | 63,971,589         | 9.1         | 8.1         | 9.1         | 8.1         | 10.1        | 9.0         | 3.0         | 2.8         |             |             |             |             |             |             |
| <b>Core</b>  | <b>553,092,715</b> | <b>9.8</b>  | <b>8.7</b>  | <b>9.2</b>  | <b>8.1</b>  | <b>8.7</b>  | <b>7.9</b>  | <b>13.4</b> | <b>12.7</b> | <b>11.8</b> | <b>11.3</b> | <b>13.3</b> | <b>12.5</b> | <b>9.6</b>  | <b>8.9</b>  |
| <b>Timber</b>  |                    |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Hancock Timberland XI                                  | 20,884,356         | 3.9         | 2.9         | 2.1         | 1.2         | 3.5         | 2.6         | 5.4         | 4.6         | 5.2         | 4.6         | 9.9         | 8.9         | 8.1         | 7.6         |
| <b>Timber</b>  | <b>20,884,356</b>  | <b>3.9</b>  | <b>2.9</b>  | <b>2.1</b>  | <b>1.2</b>  | <b>3.5</b>  | <b>2.6</b>  | <b>5.4</b>  | <b>4.5</b>  | <b>8.1</b>  | <b>4.5</b>  | <b>20.9</b> | <b>17.8</b> | <b>9.9</b>  | <b>8.9</b>  |
| <b>Value Added</b>                                     |                    |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Almanac Realty Securities VI                           | 7,029,880          | 2.0         | 1.3         | 0.4         | -0.3        | 15.2        | 14.3        | 23.5        | 21.2        | 15.2        | 12.8        | 31.6        | 26.1        |             |             |
| Asana Partners Fund I                                  | 17,398,308         | 26.4        | 18.7        | 18.1        | 10.8        |             |             |             |             |             |             |             |             |             |             |
| Asana Partners Fund II                                 | -126,921           |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Cornerstone Enhanced Mortgage Fund I                   | 72,334             | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| DRA Growth and Income Fund VII                         | 14,319,440         | 45.3        | 37.5        | 33.0        | 27.5        | 35.2        | 28.8        | 22.9        | 16.2        | 20.3        | 17.7        | 18.7        | 15.5        | 17.6        | 14.3        |
| DRA Growth and Income Fund VIII                        | 20,811,793         | 14.1        | 11.3        | 14.2        | 11.7        | 14.7        | 11.8        | 16.0        | 12.9        | 2.7         | 2.1         |             |             |             |             |
| Gerrity Retail Fund 2                                  | 17,543,357         | 12.4        | 10.6        | 9.8         | 7.6         | 21.4        | 17.7        | 1.7         | 0.6         |             |             |             |             |             |             |
| Heitman Asia-Pacific Property Investors                | 4,857,296          | -4.7        | -5.2        |             |             |             |             |             |             |             |             |             |             |             |             |
| JP Morgan Alternative Property Fund <sup>2</sup>       | 271,351            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Mesa West Real Estate Income Fund III                  | 4,016,034          | 15.8        | 12.8        | 12.6        | 10.1        | 11.2        | 8.8         | 13.0        | 10.2        | 13.3        | 8.7         | 3.2         | -0.6        |             |             |
| Standard Life Investments European Real Estate Club II | 14,646,868         | -2.0        | -2.7        | 33.8        | 32.6        | 8.1         | 7.1         |             |             |             |             |             |             |             |             |
| The Realty Associates Fund IX, L.P. <sup>2</sup>       | 8,145              | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| <b>Value Added</b>                                     | <b>100,847,885</b> | <b>14.1</b> | <b>11.0</b> | <b>18.5</b> | <b>15.9</b> | <b>14.6</b> | <b>12.1</b> | <b>14.5</b> | <b>11.7</b> | <b>12.6</b> | <b>10.9</b> | <b>9.5</b>  | <b>7.9</b>  | <b>17.1</b> | <b>15.6</b> |
| <b>Total Portfolio</b>                                 |                    |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>8.4</b>  | <b>7.0</b>  | <b>10.0</b> | <b>8.6</b>  | <b>8.1</b>  | <b>6.8</b>  | <b>11.2</b> | <b>9.5</b>  | <b>13.7</b> | <b>11.8</b> | <b>13.5</b> | <b>11.4</b> | <b>12.8</b> | <b>11.0</b> |
| <b>Indices</b>   |                    |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| NFI-ODCE (Core)  |                    | 8.3         | 7.4         | 7.6         | 6.7         | 8.8         | 7.8         | 15.0        | 14.0        | 12.5        | 11.5        | 13.9        | 12.9        | 10.9        | 9.8         |
| NFI-ODCE + 80 bps (Total Portfolio)                    |                    | 9.1         | 8.2         | 8.4         | 7.5         | 9.6         | 8.6         | 15.8        | 14.8        | 13.3        | 12.3        | 14.7        | 13.7        | 11.7        | 10.6        |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                |                    | 10.3        | 9.4         | 9.6         | 8.7         | 10.8        | 9.8         | 17.0        | 16.0        | 14.5        | 13.5        | 15.9        | 14.9        | 12.9        | 11.8        |
| NFI-ODCE + 50 bps (Value Add)                          |                    | 8.8         | 7.9         | 8.1         | 7.2         | 9.3         | 8.3         | 15.5        | 14.5        | 13.0        | 12.0        | 14.4        | 13.4        | 11.4        | 10.3        |
| NFI-ODCE + 300 bps (Opportunistic)                     |                    | 11.3        | 10.4        | 10.6        | 9.7         | 11.8        | 10.8        | 18.0        | 17.0        | 15.5        | 14.5        | 16.9        | 15.9        | 13.9        | 12.8        |
| NCREIF Timberland Index (Timber)                       |                    | 3.4         |             | 3.6         |             | 2.7         |             | 5.0         |             | 10.5        |             | 9.7         |             | 7.8         |             |

<sup>1</sup> Negative Market Value represents fees owed to the manager. No capital had been called as of quarter-end.

<sup>2</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

| Returns (%)  | Market Value (\$)  | 2011        |             | 2010        |             | 2009         |              | 2008         |              | 2007        |             | 2006        |             |
|--|--------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
|  |                    | TGRS        | TNET        | TGRS        | TNET        | TGRS         | TNET         | TGRS         | TNET         | TGRS        | TNET        | TGRS        | TNET        |
| <b>Core</b>  |                    |             |             |             |             |              |              |              |              |             |             |             |             |
| Berkshire Multifamily Income Realty Fund               | 24,387,811         |             |             |             |             |              |              |              |              |             |             |             |             |
| CIM Commercial Trust Corporation ("CMCT")              | 21,941,867         |             |             |             |             |              |              |              |              |             |             |             |             |
| CIM VI (Urban REIT), LLC                               | 32,070,603         |             |             |             |             |              |              |              |              |             |             |             |             |
| INVESCO Core Real Estate                               | 178,257,257        | 16.9        | 16.4        | 16.7        | 16.1        | -32.2        | -32.6        | -4.6         | -5.0         | 13.6        | 13.1        | 19.2        | 18.6        |
| Jamestown Premier Property Fund                        | 39,032,858         |             |             |             |             |              |              |              |              |             |             |             |             |
| JP Morgan Strategic Property Fund                      | 68,915,689         | 15.9        | 14.8        | 14.1        | 13.0        | -26.5        | -27.4        | -8.1         | -9.0         | 16.6        | 15.6        | 16.6        | 15.5        |
| Lion Industrial Trust - 2007                           | 67,828,655         |             |             |             |             |              |              |              |              |             |             |             |             |
| Prime Property Fund                                    | 56,686,386         |             |             |             |             |              |              |              |              |             |             |             |             |
| Principal U.S. Property Account                        | 63,971,589         |             |             |             |             |              |              |              |              |             |             |             |             |
| <b>Core</b>  | <b>553,092,715</b> | <b>15.6</b> | <b>14.8</b> | <b>16.1</b> | <b>15.2</b> | <b>-26.4</b> | <b>-27.1</b> | <b>-4.9</b>  | <b>-5.6</b>  | <b>14.4</b> | <b>13.6</b> | <b>17.7</b> | <b>16.9</b> |
| <b>Timber</b>  |                    |             |             |             |             |              |              |              |              |             |             |             |             |
| Hancock Timberland XI                                  | 20,884,356         |             |             |             |             |              |              |              |              |             |             |             |             |
| <b>Timber</b>  | <b>20,884,356</b>  | <b>3.9</b>  | <b>4.2</b>  | <b>2.9</b>  | <b>2.7</b>  | <b>-7.4</b>  | <b>-5.5</b>  | <b>7.6</b>   | <b>6.5</b>   | <b>22.1</b> | <b>17.3</b> | <b>24.8</b> | <b>22.5</b> |
| <b>Value Added</b>                                     |                    |             |             |             |             |              |              |              |              |             |             |             |             |
| Almanac Realty Securities VI                           | 7,029,880          |             |             |             |             |              |              |              |              |             |             |             |             |
| Asana Partners Fund I                                  | 17,398,308         |             |             |             |             |              |              |              |              |             |             |             |             |
| Asana Partners Fund II <sup>1</sup>                    | -126,921           |             |             |             |             |              |              |              |              |             |             |             |             |
| Cornerstone Enhanced Mortgage Fund I                   | 72,334             |             |             |             |             |              |              |              |              |             |             |             |             |
| DRA Growth and Income Fund VII                         | 14,319,440         |             |             |             |             |              |              |              |              |             |             |             |             |
| DRA Growth and Income Fund VIII                        | 20,811,793         |             |             |             |             |              |              |              |              |             |             |             |             |
| Gerrity Retail Fund 2                                  | 17,543,357         |             |             |             |             |              |              |              |              |             |             |             |             |
| Heitman Asia-Pacific Property Investors                | 4,857,296          |             |             |             |             |              |              |              |              |             |             |             |             |
| JP Morgan Alternative Property Fund <sup>2</sup>       | 271,351            | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Mesa West Real Estate Income Fund III                  | 4,016,034          |             |             |             |             |              |              |              |              |             |             |             |             |
| Standard Life Investments European Real Estate Club II | 14,646,868         |             |             |             |             |              |              |              |              |             |             |             |             |
| The Realty Associates Fund IX, L.P. <sup>2</sup>       | 8,145              | N/A         | N/A         | N/A         | N/A         |              |              |              |              |             |             |             |             |
| <b>Value Added</b>                                     | <b>100,847,885</b> | <b>18.3</b> | <b>16.2</b> | <b>4.1</b>  | <b>1.8</b>  | <b>-38.5</b> | <b>-39.4</b> | <b>-20.7</b> | <b>-20.0</b> | <b>17.8</b> | <b>15.2</b> | <b>15.3</b> | <b>12.9</b> |
| <b>Total Portfolio</b>                                 |                    |             |             |             |             |              |              |              |              |             |             |             |             |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>12.6</b> | <b>10.8</b> | <b>13.0</b> | <b>10.3</b> | <b>-34.4</b> | <b>-35.9</b> | <b>-22.5</b> | <b>-23.6</b> | <b>14.5</b> | <b>11.3</b> | <b>20.2</b> | <b>17.4</b> |
| <b>Indices</b>   |                    |             |             |             |             |              |              |              |              |             |             |             |             |
| NFI-ODCE (Core)  |                    | 16.0        | 15.0        | 16.4        | 15.3        | -29.8        | -30.4        | -10.0        | -10.7        | 16.0        | 14.8        | 16.3        | 15.3        |
| NFI-ODCE + 80 bps (Total Portfolio)                    |                    | 16.8        | 15.8        | 17.2        | 16.1        | -29.0        | -29.6        | -9.2         | -9.9         | 16.8        | 15.6        | 17.1        | 16.1        |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                |                    | 18.0        | 17.0        | 18.4        | 17.3        | -27.8        | -28.4        | -8.0         | -8.7         | 18.0        | 16.8        | 18.3        | 17.3        |
| NFI-ODCE + 50 bps (Value Add)                          |                    | 16.5        | 15.5        | 16.9        | 15.8        | -29.3        | -29.9        | -9.5         | -10.2        | 16.5        | 15.3        | 16.8        | 15.8        |
| NFI-ODCE + 300 bps (Opportunistic)                     |                    | 19.0        | 18.0        | 19.4        | 18.3        | -26.8        | -27.4        | -7.0         | -7.7         | 19.0        | 17.8        | 19.3        | 18.3        |
| NCREIF Timberland Index (Timber)                       |                    | 1.6         |             | -0.1        |             | -4.7         |              | 9.5          |              | 18.4        |             | 13.7        |             |

<sup>1</sup> Negative Market Value represents fees owed to the manager. No capital had been called as of quarter end.

<sup>2</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

| Returns (%)  | Market Value (\$)  | 2018        |             | 2017        |             | 2016       |            | 2015        |            | 2014        |             | 2013        |             |
|--|--------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|------------|-------------|-------------|-------------|-------------|
|  |                    | TGRS        | TNET        | TGRS        | TNET        | TGRS       | TNET       | TGRS        | TNET       | TGRS        | TNET        | TGRS        | TNET        |
| <b>Opportunistic</b>   |                    |             |             |             |             |            |            |             |            |             |             |             |             |
| Apollo CPI Europe I <sup>1</sup>                                   | 579,629            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Bristol Value II, L.P.   | 14,600,835         | 6.7         | 5.1         | 17.1        | 15.3        | 11.0       | 9.1        | 8.2         | 6.1        | 12.4        | 10.6        | 35.0        | 33.0        |
| Bryanston Retail Opportunity Fund                                  | 4,252,711          | 23.5        | 22.9        | -22.1       | -22.4       | -2.5       | -2.8       | 144.0       | 142.1      | 7.3         | 5.8         | 50.5        | 47.5        |
| California Smart Growth Fund IV                                    | 3,440,484          | -6.1        | -6.1        | 14.3        | 12.8        | 5.9        | 5.4        | 20.3        | 19.2       | 17.9        | 16.2        | 13.1        | 11.6        |
| Canyon Johnson Urban Fund II <sup>1</sup>                          | 34,109             | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| CIM Real Estate Fund III   | 8,045,202          | 5.9         | 4.5         | 8.0         | 6.4         | 5.4        | 4.0        | 8.3         | 7.1        | 11.0        | 9.8         | 11.1        | 9.9         |
| CityView LA Urban Fund I <sup>1</sup>                              | 45,851             | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Colony Investors VIII <sup>1</sup>                                 | 604,788            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| DRA Growth and Income Fund VI                                      | 1,849,217          | -4.1        | -6.7        | 4.7         | 2.9         | 11.3       | 8.3        | 27.4        | 21.1       | 49.0        | 32.7        | 17.6        | 15.1        |
| Genesis Workforce Housing Fund II <sup>1</sup>                     | -52,685            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Integrated Capital Hospitality Fund                                | 2,210,031          | -42.7       | -43.7       | -17.6       | -18.7       | -34.0      | -34.6      | -14.6       | -15.2      | 28.2        | 27.2        | 12.1        | 11.0        |
| LaSalle Asia Fund II <sup>1</sup>                                  | 233,115            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Latin America Investors III  | -145,576           | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Lone Star Fund VII <sup>1</sup>                                    | 149,917            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Lone Star Real Estate Fund II <sup>1</sup>                         | 597,499            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| RECP Fund IV, L.P.   | 35,616,252         | 2.1         | 1.6         | 14.6        | 12.4        | 6.9        | 5.3        | 8.3         | 6.2        | 6.4         | 4.6         | 8.5         | 6.7         |
| Southern California Smart Growth Fund                              | 970,940            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Stockbridge Real Estate Fund II                                    | 10,377,900         | 0.6         | 0.2         | 21.2        | 20.6        | -4.7       | -5.5       | 3.9         | 2.6        | 24.4        | 22.8        | 46.5        | 43.7        |
| The Buchanan Fund V  | 205,960            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Torchlight Debt Opportunity Fund II                                | 881,722            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Torchlight Debt Opportunity Fund III <sup>1</sup>                  | 0                  | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Torchlight Debt Opportunity Fund IV                                | 9,795,634          | 14.8        | 10.7        | 15.2        | 11.3        | 11.8       | 9.8        | 12.0        | 9.8        | 13.9        | 10.4        | 3.6         | 3.0         |
| Tuckerman Group Residential Income & Value Added Fund <sup>1</sup> | 444,858            | N/A         | N/A         | N/A         | N/A         | N/A        | N/A        | N/A         | N/A        | N/A         | N/A         | N/A         | N/A         |
| Walton Street Real Estate Fund V                                   | 5,239,994          | -16.6       | -17.1       | 4.5         | 3.5         | 2.1        | 0.7        | 11.9        | 10.4       | 13.2        | 11.7        | 12.9        | 11.2        |
| Walton Street Real Estate Fund VI                                  | 10,126,695         | 4.2         | 3.1         | 9.2         | 7.9         | -5.4       | -6.6       | 13.5        | 12.2       | 14.8        | 13.4        | 16.0        | 14.3        |
| <b>Opportunistic</b>   | <b>110,105,082</b> | <b>-1.0</b> | <b>-2.4</b> | <b>7.5</b>  | <b>5.8</b>  | <b>2.8</b> | <b>1.3</b> | <b>7.2</b>  | <b>5.3</b> | <b>15.7</b> | <b>12.9</b> | <b>15.3</b> | <b>12.2</b> |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b>             | <b>764,045,682</b> | <b>8.6</b>  | <b>7.1</b>  | <b>10.2</b> | <b>8.8</b>  | <b>8.2</b> | <b>6.9</b> | <b>11.3</b> | <b>9.6</b> | <b>13.8</b> | <b>12.0</b> | <b>13.4</b> | <b>11.3</b> |
| <b>Non-Core Portfolio</b>  | <b>210,952,967</b> | <b>5.9</b>  | <b>3.7</b>  | <b>12.0</b> | <b>10.0</b> | <b>7.5</b> | <b>5.6</b> | <b>9.8</b>  | <b>7.6</b> | <b>14.7</b> | <b>12.2</b> | <b>13.6</b> | <b>10.9</b> |
| <b>Total Portfolio</b>   |                    |             |             |             |             |            |            |             |            |             |             |             |             |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>8.4</b>  | <b>7.0</b>  | <b>10.0</b> | <b>8.6</b>  | <b>8.1</b> | <b>6.8</b> | <b>11.2</b> | <b>9.5</b> | <b>13.7</b> | <b>11.8</b> | <b>13.5</b> | <b>11.4</b> |
| <b>Indices</b>   |                    |             |             |             |             |            |            |             |            |             |             |             |             |
| NFI-ODCE (Core)  |                    | 8.3         | 7.4         | 7.6         | 6.7         | 8.8        | 7.8        | 15.0        | 14.0       | 12.5        | 11.5        | 13.9        | 12.9        |
| NFI-ODCE + 80 bps (Total Portfolio)                                |                    | 9.1         | 8.2         | 8.4         | 7.5         | 9.6        | 8.6        | 15.8        | 14.8       | 13.3        | 12.3        | 14.7        | 13.7        |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                            |                    | 10.3        | 9.4         | 9.6         | 8.7         | 10.8       | 9.8        | 17.0        | 16.0       | 14.5        | 13.5        | 15.9        | 14.9        |
| NFI-ODCE + 50 bps (Value Add)                                      |                    | 8.8         | 7.9         | 8.1         | 7.2         | 9.3        | 8.3        | 15.5        | 14.5       | 13.0        | 12.0        | 14.4        | 13.4        |
| NFI-ODCE + 300 bps (Opportunistic)                                 |                    | 11.3        | 10.4        | 10.6        | 9.7         | 11.8       | 10.8       | 18.0        | 17.0       | 15.5        | 14.5        | 16.9        | 15.9        |
| NCREIF Timberland Index (Timber)                                   |                    | 3.4         |             | 3.6         |             | 2.7        |            | 5.0         |            | 10.5        |             | 9.7         |             |

<sup>1</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.



| Returns (%)  | Market Value (\$)  | 2012        |             | 2011        |             | 2010        |             | 2009         |              | 2008         |              | 2007        |             | 2006        |             |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
|  |                    | TGRS        | TNET        | TGRS        | TNET        | TGRS        | TNET        | TGRS         | TNET         | TGRS         | TNET         | TGRS        | TNET        | TGRS        | TNET        |
| <b>Opportunistic</b>   |                    |             |             |             |             |             |             |              |              |              |              |             |             |             |             |
| Apollo CPI Europe I <sup>1</sup>                                   | 579,629            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Bristol Value II, L.P.   | 14,600,835         |             |             |             |             |             |             |              |              |              |              |             |             |             |             |
| Bryanston Retail Opportunity Fund                                  | 4,252,711          | 40.1        | 37.2        | -4.3        | -7.2        | 20.9        | 18.3        | 12.8         | 10.2         | 73.9         | 69.4         | -43.1       | -45.5       | 112.8       | 98.1        |
| California Smart Growth Fund IV                                    | 3,440,484          | 19.9        | 18.3        | 26.7        | 24.6        | 20.1        | 17.0        | -34.6        | -38.0        | -46.3        | -48.6        | 3.0         | -2.5        |             |             |
| Canyon Johnson Urban Fund II <sup>1</sup>                          | 34,109             | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| CIM Real Estate Fund III   | 8,045,202          | 20.8        | 19.4        | 21.8        | 19.8        | 15.3        | -13.8       | -53.5        | -83.5        | -117.3       | -113.8       |             |             |             |             |
| CityView LA Urban Fund I <sup>1</sup>                              | 45,851             | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Colony Investors VIII <sup>1</sup>                                 | 604,788            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| DRA Growth and Income Fund VI                                      | 1,849,217          | 4.3         | 2.1         | 32.6        | 29.1        | 15.9        | 11.1        | -10.2        | -14.7        | -6.9         | -10.3        |             |             |             |             |
| Genesis Workforce Housing Fund II <sup>1</sup>                     | -52,685            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Integrated Capital Hospitality Fund                                | 2,210,031          | 96.8        | 87.9        | 6.0         | 2.6         |             |             |              |              |              |              |             |             |             |             |
| LaSalle Asia Fund II <sup>1</sup>                                  | 233,115            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Latin America Investors III  | -145,576           | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          |              |              |             |             |             |             |
| Lone Star Fund VII <sup>1</sup>                                    | 149,917            | N/A         | N/A         | N/A         | N/A         |             |             |              |              |              |              |             |             |             |             |
| Lone Star Real Estate Fund II <sup>1</sup>                         | 597,499            | N/A         | N/A         | N/A         | N/A         |             |             |              |              |              |              |             |             |             |             |
| RECP Fund IV, L.P.   | 35,616,252         | 23.4        | 21.1        | 2.4         | -1.4        | 12.5        | 4.3         | -45.6        | -54.8        | -40.0        | -40.0        |             |             |             |             |
| Southern California Smart Growth Fund                              | 970,940            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Stockbridge Real Estate Fund II                                    | 10,377,900         | 3.2         | 0.7         | 7.2         | 4.2         | 21.8        | 16.8        | -86.3        | -86.8        | -83.4        | -84.0        | -27.9       | -31.9       | 91.0        | 80.1        |
| The Buchanan Fund V  | 205,960            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         |             |             |
| Torchlight Debt Opportunity Fund II                                | 881,722            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          |             |             |             |             |
| Torchlight Debt Opportunity Fund III <sup>1</sup>                  | 0                  | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          |              |              |             |             |             |             |
| Torchlight Debt Opportunity Fund IV                                | 9,795,634          |             |             |             |             |             |             |              |              |              |              |             |             |             |             |
| Tuckerman Group Residential Income & Value Added Fund <sup>1</sup> | 444,858            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A          | N/A          | N/A          | N/A          | N/A         | N/A         | N/A         | N/A         |
| Walton Street Real Estate Fund V                                   | 5,239,994          | 9.5         | 7.8         | 10.1        | 8.0         | 48.0        | 44.0        | -27.8        | -31.1        | -47.7        | -48.7        | 10.3        | 8.6         | 7.2         | 6.6         |
| Walton Street Real Estate Fund VI                                  | 10,126,695         | 12.1        | 10.4        | 14.3        | 12.3        | 173.3       | 162.1       | -78.1        | -84.0        |              |              |             |             |             |             |
| <b>Opportunistic</b>   | <b>110,105,082</b> | <b>12.5</b> | <b>10.1</b> | <b>8.8</b>  | <b>6.5</b>  | <b>17.1</b> | <b>12.6</b> | <b>-39.0</b> | <b>-41.6</b> | <b>-36.6</b> | <b>-39.2</b> | <b>10.6</b> | <b>4.5</b>  | <b>31.4</b> | <b>24.5</b> |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b>             | <b>764,045,682</b> | <b>12.8</b> | <b>11.1</b> | <b>12.8</b> | <b>10.9</b> | <b>13.3</b> | <b>10.5</b> | <b>-35.1</b> | <b>-36.7</b> | <b>-23.1</b> | <b>-24.3</b> | <b>14.3</b> | <b>11.1</b> | <b>20.1</b> | <b>17.2</b> |
| <b>Non-Core Portfolio</b>  | <b>210,952,967</b> | <b>14.0</b> | <b>11.9</b> | <b>11.9</b> | <b>9.6</b>  | <b>12.2</b> | <b>8.5</b>  | <b>-38.8</b> | <b>-40.7</b> | <b>-30.0</b> | <b>-31.3</b> | <b>14.2</b> | <b>9.9</b>  | <b>21.1</b> | <b>17.1</b> |
| <b>Total Portfolio</b>   |                    |             |             |             |             |             |             |              |              |              |              |             |             |             |             |
| <b>LACERS</b>  | <b>784,930,038</b> | <b>12.8</b> | <b>11.0</b> | <b>12.6</b> | <b>10.8</b> | <b>13.0</b> | <b>10.3</b> | <b>-34.4</b> | <b>-35.9</b> | <b>-22.5</b> | <b>-23.6</b> | <b>14.5</b> | <b>11.3</b> | <b>20.2</b> | <b>17.4</b> |
| <b>Indices</b>   |                    |             |             |             |             |             |             |              |              |              |              |             |             |             |             |
| NFI-ODCE (Core)  |                    | 10.9        | 9.8         | 16.0        | 15.0        | 16.4        | 15.3        | -29.8        | -30.4        | -10.0        | -10.7        | 16.0        | 14.8        | 16.3        | 15.3        |
| NFI-ODCE + 80 bps (Total Portfolio)                                |                    | 11.7        | 10.6        | 16.8        | 15.8        | 17.2        | 16.1        | -29.0        | -29.6        | -9.2         | -9.9         | 16.8        | 15.6        | 17.1        | 16.1        |
| NFI-ODCE + 200 bps (Non-Core Portfolio)                            |                    | 12.9        | 11.8        | 18.0        | 17.0        | 18.4        | 17.3        | -27.8        | -28.4        | -8.0         | -8.7         | 18.0        | 16.8        | 18.3        | 17.3        |
| NFI-ODCE + 50 bps (Value Add)                                      |                    | 11.4        | 10.3        | 16.5        | 15.5        | 16.9        | 15.8        | -29.3        | -29.9        | -9.5         | -10.2        | 16.5        | 15.3        | 16.8        | 15.8        |
| NFI-ODCE + 300 bps (Opportunistic)                                 |                    | 13.9        | 12.8        | 19.0        | 18.0        | 19.4        | 18.3        | -26.8        | -27.4        | -7.0         | -7.7         | 19.0        | 17.8        | 19.3        | 18.3        |
| NCREIF Timberland Index (Timber)                                   |                    | 7.8         |             | 1.6         |             | 2.4         |             | -4.7         |              | 9.5          |              | 18.4        |             | 13.7        |             |

<sup>1</sup> Liquidating investment. Time-weighted returns are excluded as they are no longer meaningful.

| Quarterly Cash Flow Activity (\$)                      | Beginning Market Value | Contributions    | Distributions     | Withdrawals      | Gross Income     | Manager Fees     | Appreciation     | Ending Market Value | LTV (%)     |
|--|------------------------|------------------|-------------------|------------------|------------------|------------------|------------------|---------------------|-------------|
| <b>Core</b>  |                        |                  |                   |                  |                  |                  |                  |                     |             |
| Berkshire Multifamily Income Realty Fund               | 24,481,521             | 0                | 213,845           | 0                | 245,866          | 19,572           | -106,159         | 24,387,811          | 39.2        |
| CIM Commercial Trust Corporation ("CMCT")              | 22,969,251             | 0                | 112,945           | 0                | 377,825          | 0                | -1,292,264       | 21,941,867          | 31.1        |
| CIM VI (Urban REIT), LLC                               | 30,487,442             | 0                | 234,216           | 0                | 240,602          | 106,276          | 1,683,051        | 32,070,603          | 0.0         |
| INVESCO Core Real Estate                               | 174,643,233            | 1,478,131        | 1,520,162         | 0                | 1,602,531        | 154,347          | 2,207,871        | 178,257,257         | 23.9        |
| Jamestown Premier Property Fund                        | 38,996,941             | 58,495           | 494,965           | 0                | 319,449          | 13,534           | 166,471          | 39,032,858          | 40.3        |
| JP Morgan Strategic Property Fund                      | 67,793,906             | 0                | 0                 | 0                | 632,498          | 165,925          | 655,209          | 68,915,689          | 22.4        |
| Lion Industrial Trust - 2007                           | 65,927,697             | 172,736          | 503,134           | 0                | 832,277          | 382,209          | 1,781,288        | 67,828,655          | 33.9        |
| Prime Property Fund                                    | 56,136,126             | 0                | 553,267           | 0                | 532,983          | 150,999          | 721,543          | 56,686,386          | 17.7        |
| Principal U.S. Property Account                        | 63,183,732             | 0                | 0                 | 0                | 666,305          | 152,208          | 273,759          | 63,971,589          | 18.3        |
| <b>Core</b>  | <b>544,619,849</b>     | <b>1,709,362</b> | <b>3,632,534</b>  | <b>0</b>         | <b>5,450,336</b> | <b>1,145,070</b> | <b>6,090,769</b> | <b>553,092,715</b>  | <b>25.5</b> |
| <b>Timber</b>  |                        |                  |                   |                  |                  |                  |                  |                     |             |
| Hancock Timberland XI                                  | 20,450,073             | 0                | 194,316           | 0                | 58,261           | 46,905           | 617,243          | 20,884,356          | 0.0         |
| <b>Timber</b>  | <b>20,450,073</b>      | <b>0</b>         | <b>194,316</b>    | <b>0</b>         | <b>58,261</b>    | <b>46,905</b>    | <b>617,243</b>   | <b>20,884,356</b>   | <b>0.0</b>  |
| <b>Value Added</b>                                     |                        |                  |                   |                  |                  |                  |                  |                     |             |
| Almanac Realty Securities VI                           | 7,113,929              | 0                | 19,066            | 0                | 142,684          | 13,055           | -194,612         | 7,029,880           | 47.8        |
| Asana Partners Fund I                                  | 14,386,508             | 2,200,000        | 0                 | 0                | 34,467           | 267,256          | 1,044,589        | 17,398,308          | 48.7        |
| Asana Partners Fund II                                 | -60,754                | 0                | 0                 | 0                | -7,913           | 58,254           | 0                | -126,921            | 0.0         |
| Cornerstone Enhanced Mortgage Fund I                   | 71,526                 | 0                | 0                 | 0                | 673              | -135             | 0                | 72,334              | 0.0         |
| DRA Growth and Income Fund VII                         | 17,671,233             | 0                | 1,817,889         | 2,271,052        | 82,802           | 138,047          | 792,393          | 14,319,440          | 60.0        |
| DRA Growth and Income Fund VIII                        | 22,613,120             | 0                | 836,741           | 1,488,601        | 551,944          | 95,829           | 67,900           | 20,811,793          | 66.3        |
| Gerrity Retail Fund 2                                  | 15,977,257             | 1,975,872        | 280,346           | 0                | 226,646          | 50,827           | -305,246         | 17,543,357          | 56.5        |
| Heitman Asia-Pacific Property Investors                | 3,703,236              | 1,253,037        | 0                 | 0                | -120,844         | 10,421           | 32,287           | 4,857,296           | 46.0        |
| JP Morgan Alternative Property Fund                    | 270,780                | 0                | 0                 | 0                | 571              | 0                | 0                | 271,351             | 0.0         |
| Mesa West Real Estate Income Fund III                  | 6,491,503              | 0                | 63,801            | 2,657,984        | 301,651          | 55,335           | 0                | 4,016,034           | 59.0        |
| Standard Life Investments European Real Estate Club II | 15,091,562             | 0                | 0                 | 0                | 4,917            | 31,646           | -417,965         | 14,646,868          | 53.3        |
| The Realty Associates Fund IX, L.P.                    | 30,488                 | 0                | 22,241            | 0                | -127             | -25              | 0                | 8,145               | 0.0         |
| <b>Value Added</b>                                     | <b>103,360,388</b>     | <b>5,428,909</b> | <b>3,040,084</b>  | <b>6,417,637</b> | <b>1,217,471</b> | <b>720,510</b>   | <b>1,019,346</b> | <b>100,847,885</b>  | <b>41.0</b> |
| <b>Total Portfolio</b>                                 |                        |                  |                   |                  |                  |                  |                  |                     |             |
| <b>LACERS</b>  | <b>786,793,020</b>     | <b>7,726,207</b> | <b>12,224,074</b> | <b>8,130,411</b> | <b>7,205,909</b> | <b>2,131,024</b> | <b>5,690,406</b> | <b>784,930,038</b>  | <b>34.0</b> |

| Quarterly Cash Flow Activity (\$)                      | Beginning Market Value | Contributions    | Distributions     | Withdrawals      | Gross Income     | Manager Fees     | Appreciation      | Ending Market Value | LTV (%)     |
|--|------------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|---------------------|-------------|
| <b>Opportunistic</b>                                   |                        |                  |                   |                  |                  |                  |                   |                     |             |
| Apollo CPI Europe I                                    | 583,662                | 0                | 0                 | 0                | 2,955            | 0                | -6,988            | 579,629             | 0.0         |
| Bristol Value II, L.P.                                 | 13,428,965             | 587,936          | 115,429           | 0                | -8,909           | 38,868           | 747,140           | 14,600,835          | 38.3        |
| Bryanston Retail Opportunity Fund                      | 3,384,550              | 0                | 0                 | 0                | 2,030            | 4,078            | 870,209           | 4,252,711           | 64.5        |
| California Smart Growth Fund IV                        | 4,349,315              | 0                | 0                 | 522,683          | 6,451            | 0                | -392,599          | 3,440,484           | 0.0         |
| Canyon Johnson Urban Fund II                           | 34,453                 | 0                | 0                 | 0                | -344             | 0                | 0                 | 34,109              | 0.0         |
| CIM Real Estate Fund III                               | 7,993,161              | 0                | 0                 | 0                | -37,434          | 27,005           | 116,480           | 8,045,202           | 32.8        |
| CityView LA Urban Fund I                               | 49,625                 | 0                | 0                 | 0                | -3,814           | 0                | 40                | 45,851              | 0.0         |
| Colony Investors VIII                                  | 655,200                | 0                | 0                 | 0                | 591              | 0                | -51,003           | 604,788             | 0.0         |
| DRA Growth and Income Fund VI                          | 1,813,843              | 0                | 0                 | 0                | 75,126           | 39,752           | 0                 | 1,849,217           | 52.0        |
| Genesis Workforce Housing Fund II                      | -44,618                | 0                | 6,262             | 0                | -1,805           | 0                | 0                 | -52,685             | 0.0         |
| Integrated Capital Hospitality Fund                    | 3,768,149              | 0                | 0                 | 0                | -761,954         | 12,861           | -783,303          | 2,210,031           | 37.2        |
| LaSalle Asia Fund II                                   | 231,089                | 0                | 0                 | 0                | 2,026            | 0                | 0                 | 233,115             | 0.0         |
| Latin America Investors III                            | 2,556,044              | 0                | 0                 | 0                | -181,976         | 190,876          | -2,328,768        | -145,576            | 25.3        |
| Lone Star Fund VII                                     | 153,498                | 0                | 0                 | 0                | -113             | -4,114           | -7,582            | 149,917             | 59.4        |
| Lone Star Real Estate Fund II                          | 652,183                | 0                | 0                 | 68,417           | 14,457           | 4,644            | 3,919             | 597,499             | 39.0        |
| RECP Fund IV, L.P.                                     | 34,469,070             | 0                | 0                 | 317,136          | 321,703          | 21,250           | 1,163,865         | 35,616,252          | 37.2        |
| Southern California Smart Growth Fund                  | 1,869,836              | 0                | 0                 | 804,538          | 761              | 0                | -95,119           | 970,940             | 0.0         |
| Stockbridge Real Estate Fund II                        | 10,392,261             | 0                | 0                 | 0                | -5,436           | 8,808            | -117              | 10,377,900          | 48.2        |
| The Buchanan Fund V                                    | 2,735,779              | 0                | 2,579,810         | 0                | 77,140           | 8,078            | -19,070           | 205,960             | 0.0         |
| Torchlight Debt Opportunity Fund II                    | 1,799,720              | 0                | 1,598,558         | 0                | 665,840          | 0                | 14,720            | 881,722             | 0.0         |
| Torchlight Debt Opportunity Fund III                   | 152,719                | 0                | 148,832           | 0                | 1,022            | -972             | -5,881            | 0                   | 0.0         |
| Torchlight Debt Opportunity Fund IV                    | 10,718,852             | 0                | 908,249           | 0                | 160,267          | -167,145         | -342,381          | 9,795,634           | 24.4        |
| Tuckerman Group Residential Income & Value Added Fund  | 453,005                | 0                | 0                 | 0                | -7,659           | 488              | 0                 | 444,858             | 0.0         |
| Walton Street Real Estate Fund V                       | 5,667,329              | 0                | 0                 | 0                | 17,213           | 7,776            | -436,772          | 5,239,994           | 62.3        |
| Walton Street Real Estate Fund VI                      | 10,495,020             | 0                | 0                 | 0                | 141,703          | 26,286           | -483,742          | 10,126,695          | 57.3        |
| <b>Opportunistic</b>                                   | <b>118,362,710</b>     | <b>587,936</b>   | <b>5,357,140</b>  | <b>1,712,774</b> | <b>479,841</b>   | <b>218,539</b>   | <b>-2,036,952</b> | <b>110,105,082</b>  | <b>42.3</b> |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b> | <b>766,342,947</b>     | <b>7,726,207</b> | <b>12,029,758</b> | <b>8,130,411</b> | <b>7,147,648</b> | <b>2,084,119</b> | <b>5,073,163</b>  | <b>764,045,682</b>  | <b>34.6</b> |
| <b>Non-Core Portfolio</b>                              | <b>221,723,098</b>     | <b>6,016,845</b> | <b>8,397,224</b>  | <b>8,130,411</b> | <b>1,697,312</b> | <b>939,049</b>   | <b>-1,017,606</b> | <b>210,952,967</b>  | <b>50.5</b> |
| <b>Total Portfolio</b>                                 |                        |                  |                   |                  |                  |                  |                   |                     |             |
| <b>LACERS</b>  | <b>786,793,020</b>     | <b>7,726,207</b> | <b>12,224,074</b> | <b>8,130,411</b> | <b>7,205,909</b> | <b>2,131,024</b> | <b>5,690,406</b>  | <b>784,930,038</b>  | <b>34.0</b> |

| Property Type Diversification (%)                      | Apartment   | Office      | Industrial  | Retail      | Hotel      | Other        |
|--|-------------|-------------|-------------|-------------|------------|--------------|
| <b>Core</b>  |             |             |             |             |            |              |
| Berkshire Multifamily Income Realty Fund               | 100.0       | -           | -           | -           | -          | -            |
| CIM Commercial Trust Corporation ("CMCT")              | -           | 85.9        | -           | -           | 10.9       | 3.2          |
| CIM VI (Urban REIT), LLC                               | 60.1        | 26.2        | -           | 13.8        | -          | -            |
| INVESCO Core Real Estate                               | 30.2        | 33.0        | 16.8        | 18.3        | -          | 1.8          |
| Jamestown Premier Property Fund                        | -           | 63.2        | -           | 28.0        | -          | 8.8          |
| JP Morgan Strategic Property Fund                      | 22.5        | 37.2        | 14.1        | 25.5        | -          | 0.6          |
| Lion Industrial Trust - 2007                           | -           | -           | 100.0       | -           | -          | -            |
| Prime Property Fund                                    | 25.1        | 31.8        | 20.0        | 13.3        | -          | 9.7          |
| Principal U.S. Property Account                        | 14.9        | 40.3        | 21.6        | 15.9        | -          | 7.4          |
| <b>Core</b>  | <b>25.2</b> | <b>30.9</b> | <b>26.2</b> | <b>14.4</b> | <b>0.4</b> | <b>3.0</b>   |
| <b>Timber</b>  |             |             |             |             |            |              |
| Hancock Timberland XI                                  | -           | -           | -           | -           | -          | 100.0        |
| <b>Timber</b>  | -           | -           | -           | -           | -          | <b>100.0</b> |
| <b>Value Added</b>                                     |             |             |             |             |            |              |
| Almanac Realty Securities VI                           | -           | -           | -           | -           | -          | 100.0        |
| Asana Partners Fund I                                  | -           | -           | -           | 100.0       | -          | -            |
| Asana Partners Fund II                                 | -           | -           | -           | -           | -          | -            |
| Cornerstone Enhanced Mortgage Fund I                   | -           | -           | -           | -           | -          | -            |
| DRA Growth and Income Fund VII                         | 33.1        | 11.1        | 41.5        | 14.3        | -          | -            |
| DRA Growth and Income Fund VIII                        | 7.4         | 30.6        | 10.5        | 51.5        | -          | -            |
| Gerrity Retail Fund 2                                  | -           | -           | -           | 100.0       | -          | -            |
| Heitman Asia-Pacific Property Investors                | -           | 34.9        | -           | 28.7        | -          | 36.4         |
| JP Morgan Alternative Property Fund                    | -           | -           | -           | -           | -          | -            |
| Mesa West Real Estate Income Fund III                  | 30.0        | 54.4        | -           | -           | 15.6       | -            |
| Standard Life Investments European Real Estate Club II | -           | 55.2        | -           | 44.8        | -          | -            |
| The Realty Associates Fund IX, L.P.                    | -           | -           | -           | -           | -          | -            |
| <b>Value Added</b>                                     | <b>8.1</b>  | <b>17.9</b> | <b>9.0</b>  | <b>55.4</b> | <b>0.6</b> | <b>9.0</b>   |
| <b>Total Portfolio</b>                                 |             |             |             |             |            |              |
| <b>LACERS</b>  | <b>20.8</b> | <b>26.5</b> | <b>20.9</b> | <b>18.4</b> | <b>1.8</b> | <b>11.6</b>  |
| <b>Indices</b>   |             |             |             |             |            |              |
| <b>NFI-ODCE</b>  | <b>25.3</b> | <b>33.9</b> | <b>18.1</b> | <b>18.6</b> | <b>0.3</b> | <b>3.8</b>   |

| Property Type Diversification (%)                      | Apartment   | Office      | Industrial  | Retail      | Hotel       | Other       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Opportunistic</b>                                   |             |             |             |             |             |             |
| Apollo CPI Europe I                                    | -           | -           | -           | -           | -           | -           |
| Bristol Value II, L.P.                                 | 11.8        | 59.9        | -           | -           | -           | 28.4        |
| Bryanston Retail Opportunity Fund                      | -           | -           | -           | 100.0       | -           | -           |
| California Smart Growth Fund IV                        | 44.0        | -           | 51.1        | 0.7         | -           | 4.1         |
| Canyon Johnson Urban Fund II                           | -           | -           | -           | -           | -           | -           |
| CIM Real Estate Fund III                               | 12.1        | 13.7        | -           | 1.3         | 16.2        | 56.6        |
| CityView LA Urban Fund I                               | -           | -           | -           | -           | -           | 100.0       |
| Colony Investors VIII                                  | -           | -           | -           | 4.0         | -           | 96.0        |
| DRA Growth and Income Fund VI                          | -           | 61.6        | -           | 38.4        | -           | -           |
| Genesis Workforce Housing Fund II                      | -           | -           | -           | -           | -           | -           |
| Integrated Capital Hospitality Fund                    | -           | -           | -           | -           | 100.0       | -           |
| LaSalle Asia Fund II                                   | -           | -           | -           | -           | -           | -           |
| Latin America Investors III                            | -           | 15.3        | -           | -           | -           | 84.7        |
| Lone Star Fund VII                                     | -           | -           | -           | -           | -           | 100.0       |
| Lone Star Real Estate Fund II                          | -           | 43.8        | -           | 5.3         | -           | 50.8        |
| RECP Fund IV, L.P.                                     | 18.6        | 4.2         | 10.9        | -           | 13.1        | 53.2        |
| Southern California Smart Growth Fund                  | -           | -           | 100.0       | -           | -           | -           |
| Stockbridge Real Estate Fund II                        | -           | -           | -           | -           | -           | 100.0       |
| The Buchanan Fund V                                    | -           | -           | -           | -           | -           | -           |
| Torchlight Debt Opportunity Fund II                    | -           | 100.0       | -           | -           | -           | -           |
| Torchlight Debt Opportunity Fund III                   | -           | -           | -           | -           | -           | -           |
| Torchlight Debt Opportunity Fund IV                    | 19.6        | 13.8        | 6.8         | 30.9        | 17.3        | 11.6        |
| Tuckerman Group Residential Income & Value Added Fund  | -           | -           | -           | -           | -           | 100.0       |
| Walton Street Real Estate Fund V                       | -           | -           | -           | 2.5         | 18.3        | 79.2        |
| Walton Street Real Estate Fund VI                      | 3.5         | 2.4         | -           | 5.0         | 4.8         | 84.4        |
| <b>Opportunistic</b>                                   | <b>11.7</b> | <b>14.7</b> | <b>5.7</b>  | <b>8.1</b>  | <b>12.1</b> | <b>47.6</b> |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b> | <b>21.3</b> | <b>27.2</b> | <b>21.4</b> | <b>18.8</b> | <b>1.9</b>  | <b>9.4</b>  |
| <b>Non-Core Portfolio</b>                              | <b>9.9</b>  | <b>16.3</b> | <b>7.4</b>  | <b>31.8</b> | <b>6.3</b>  | <b>28.3</b> |
| <b>Total Portfolio</b>                                 |             |             |             |             |             |             |
| <b>LACERS</b>  | <b>20.8</b> | <b>26.5</b> | <b>20.9</b> | <b>18.4</b> | <b>1.8</b>  | <b>11.6</b> |
| <b>Indices</b>   |             |             |             |             |             |             |
| <b>NFI-ODCE</b>  | <b>25.3</b> | <b>33.9</b> | <b>18.1</b> | <b>18.6</b> | <b>0.3</b>  | <b>3.8</b>  |

| Geographic Diversification (%)                         | North East  | Mid East    | East North Central | West North Central | South East  | South West  | Mountain   | Pacific     | Var-US      | Ex-US       |
|--|-------------|-------------|--------------------|--------------------|-------------|-------------|------------|-------------|-------------|-------------|
| <b>Core</b>  |             |             |                    |                    |             |             |            |             |             |             |
| Berkshire Multifamily Income Realty Fund               | 5.8         | 8.8         | 11.1               | -                  | 25.8        | 12.3        | 8.0        | 28.2        | -           | -           |
| CIM Commercial Trust Corporation ("CMCT")              | -           | 17.1        | -                  | -                  | -           | 7.4         | -          | 75.5        | -           | -           |
| CIM VI (Urban REIT), LLC                               | 55.1        | 13.2        | -                  | -                  | -           | 19.4        | -          | 12.3        | -           | -           |
| INVESCO Core Real Estate                               | 17.5        | 6.7         | 2.5                | 0.8                | 2.6         | 15.1        | 10.4       | 44.4        | -           | -           |
| Jamestown Premier Property Fund                        | 33.0        | 35.8        | -                  | -                  | 2.8         | -           | -          | 28.4        | -           | -           |
| JP Morgan Strategic Property Fund                      | 22.3        | 7.1         | 4.8                | 0.1                | 5.9         | 14.2        | 3.1        | 42.6        | -           | -           |
| Lion Industrial Trust - 2007                           | 20.9        | 2.1         | 8.0                | 2.1                | 13.8        | 14.9        | 5.4        | 32.8        | -           | -           |
| Prime Property Fund                                    | 22.9        | 7.9         | 8.3                | 1.8                | 12.0        | 9.0         | 5.0        | 33.1        | -           | -           |
| Principal U.S. Property Account                        | 17.2        | 8.7         | 3.8                | 1.9                | 8.7         | 14.8        | 11.7       | 33.2        | -           | -           |
| <b>Core</b>  | <b>21.4</b> | <b>9.0</b>  | <b>4.2</b>         | <b>1.0</b>         | <b>7.0</b>  | <b>13.3</b> | <b>6.6</b> | <b>37.4</b> | -           | -           |
| <b>Timber</b>  |             |             |                    |                    |             |             |            |             |             |             |
| Hancock Timberland XI                                  | -           | -           | -                  | -                  | -           | -           | -          | 21.3        | 64.4        | 14.2        |
| <b>Timber</b>  | -           | -           | -                  | -                  | -           | -           | -          | <b>21.7</b> | <b>63.6</b> | <b>14.7</b> |
| <b>Value Added</b>                                     |             |             |                    |                    |             |             |            |             |             |             |
| Almanac Realty Securities VI                           | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0       | -           |
| Asana Partners Fund I                                  | 6.1         | 40.7        | -                  | -                  | 17.8        | 24.6        | -          | 10.8        | -           | -           |
| Asana Partners Fund II                                 | -           | -           | -                  | -                  | -           | -           | -          | -           | -           | -           |
| Cornerstone Enhanced Mortgage Fund I                   | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0       | -           |
| DRA Growth and Income Fund VII                         | -           | 7.3         | 2.6                | 1.1                | 36.5        | 38.2        | 2.1        | 12.2        | -           | -           |
| DRA Growth and Income Fund VIII                        | 5.0         | 5.6         | 38.6               | 4.6                | 20.2        | 10.3        | 2.5        | 13.2        | -           | -           |
| Gerrity Retail Fund 2                                  | -           | -           | -                  | -                  | -           | -           | -          | 100.0       | -           | -           |
| Heitman Asia-Pacific Property Investors                | -           | -           | -                  | -                  | -           | -           | -          | -           | -           | 100.0       |
| JP Morgan Alternative Property Fund                    | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0       | -           |
| Mesa West Real Estate Income Fund III                  | 27.2        | 24.9        | -                  | -                  | 27.6        | 6.9         | -          | 13.4        | -           | -           |
| Standard Life Investments European Real Estate Club II | -           | -           | -                  | -                  | -           | -           | -          | -           | -           | 100.0       |
| The Realty Associates Fund IX, L.P.                    | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0       | -           |
| <b>Value Added</b>                                     | <b>4.2</b>  | <b>11.4</b> | <b>7.1</b>         | <b>2.8</b>         | <b>13.0</b> | <b>14.8</b> | <b>4.9</b> | <b>20.2</b> | <b>6.7</b>  | <b>14.9</b> |
| <b>Total Portfolio</b>                                 |             |             |                    |                    |             |             |            |             |             |             |
| <b>LACERS</b>  | <b>19.1</b> | <b>9.4</b>  | <b>4.5</b>         | <b>0.9</b>         | <b>8.3</b>  | <b>11.6</b> | <b>5.3</b> | <b>33.3</b> | <b>3.6</b>  | <b>4.0</b>  |
| <b>Indices</b>   |             |             |                    |                    |             |             |            |             |             |             |
| <b>NFI-ODCE</b>  | <b>22.1</b> | <b>8.7</b>  | <b>7.6</b>         | <b>1.3</b>         | <b>9.6</b>  | <b>9.3</b>  | <b>5.4</b> | <b>36.0</b> | -           | -           |

| Geographic Diversification (%)                         | North East  | Mid East    | East North Central | West North Central | South East  | South West  | Mountain   | Pacific     | Var-US     | Ex-US       |
|--|-------------|-------------|--------------------|--------------------|-------------|-------------|------------|-------------|------------|-------------|
| <b>Opportunistic</b>                                   |             |             |                    |                    |             |             |            |             |            |             |
| Apollo CPI Europe I                                    | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Bristol Value II, L.P.                                 | 48.4        | -           | -                  | -                  | 43.1        | -           | 8.3        | 0.2         | -          | -           |
| Bryanston Retail Opportunity Fund                      | 16.8        | 0.0         | 9.8                | 0.2                | 1.6         | 11.8        | 13.3       | 46.5        | -          | -           |
| California Smart Growth Fund IV                        | -           | -           | -                  | -                  | -           | -           | -          | 100.0       | -          | -           |
| Canyon Johnson Urban Fund II                           | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| CIM Real Estate Fund III                               | 24.8        | -           | 13.6               | -                  | 37.7        | -           | 3.4        | 20.5        | -          | -           |
| CityView LA Urban Fund I                               | -           | -           | -                  | -                  | -           | -           | -          | 100.0       | -          | -           |
| Colony Investors VIII                                  | 0.3         | -           | -                  | -                  | -           | -           | -          | 89.3        | 6.3        | 4.0         |
| DRA Growth and Income Fund VI                          | 7.9         | -           | -                  | 7.6                | 53.7        | -           | 30.7       | -           | -          | -           |
| Genesis Workforce Housing Fund II                      | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Integrated Capital Hospitality Fund                    | -           | 61.6        | 24.8               | -                  | -           | 13.6        | -          | -           | -          | -           |
| LaSalle Asia Fund II                                   | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Latin America Investors III                            | -           | -           | -                  | -                  | -           | -           | -          | -           | -          | 100.0       |
| Lone Star Fund VII                                     | -           | 14.9        | -                  | -                  | 39.6        | 3.3         | -          | -           | 42.2       | -           |
| Lone Star Real Estate Fund II                          | -           | -           | -                  | -                  | -           | -           | -          | -           | 94.5       | 5.5         |
| RECP Fund IV, L.P.                                     | 29.4        | 24.8        | -                  | -                  | -           | 1.0         | 0.0        | 14.2        | -          | 30.6        |
| Southern California Smart Growth Fund                  | -           | -           | -                  | -                  | -           | -           | -          | 100.0       | -          | -           |
| Stockbridge Real Estate Fund II                        | -           | -           | -                  | -                  | -           | -           | -          | 100.0       | -          | -           |
| The Buchanan Fund V                                    | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Torchlight Debt Opportunity Fund II                    | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Torchlight Debt Opportunity Fund III                   | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Torchlight Debt Opportunity Fund IV                    | -           | -           | -                  | -                  | -           | -           | -          | -           | 100.0      | -           |
| Tuckerman Group Residential Income & Value Added Fund  | 100.0       | -           | -                  | -                  | -           | -           | -          | -           | -          | -           |
| Walton Street Real Estate Fund V                       | -           | 17.7        | -                  | -                  | 3.9         | -           | 4.4        | 19.2        | -          | 54.9        |
| Walton Street Real Estate Fund VI                      | 66.6        | 8.7         | 2.9                | 1.1                | 4.1         | 7.8         | -0.4       | 2.2         | -          | 6.8         |
| <b>Opportunistic</b>                                   | <b>24.8</b> | <b>11.8</b> | <b>2.7</b>         | <b>0.2</b>         | <b>11.3</b> | <b>1.9</b>  | <b>2.8</b> | <b>20.8</b> | <b>9.9</b> | <b>13.8</b> |
| <b>Private Real Estate Portfolio Only (ex. Timber)</b> | <b>19.5</b> | <b>9.7</b>  | <b>4.6</b>         | <b>0.9</b>         | <b>8.5</b>  | <b>11.9</b> | <b>5.4</b> | <b>33.6</b> | <b>2.1</b> | <b>3.8</b>  |
| <b>Non-Core Portfolio</b>                              | <b>14.1</b> | <b>11.5</b> | <b>5.8</b>         | <b>0.7</b>         | <b>13.1</b> | <b>7.7</b>  | <b>1.8</b> | <b>22.3</b> | <b>8.3</b> | <b>14.8</b> |
| <b>Total Portfolio</b>                                 |             |             |                    |                    |             |             |            |             |            |             |
| <b>LACERS</b>  | <b>19.1</b> | <b>9.4</b>  | <b>4.5</b>         | <b>0.9</b>         | <b>8.3</b>  | <b>11.6</b> | <b>5.3</b> | <b>33.3</b> | <b>3.6</b> | <b>4.0</b>  |
| <b>Indices</b>   |             |             |                    |                    |             |             |            |             |            |             |
| <b>NFI-ODCE</b>  | <b>22.1</b> | <b>8.7</b>  | <b>7.6</b>         | <b>1.3</b>         | <b>9.6</b>  | <b>9.3</b>  | <b>5.4</b> | <b>36.0</b> | <b>-</b>   | <b>-</b>    |

## Advisory Disclosures and Definitions

### Disclosure

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly<sup>1</sup> from the investment managers via a secure data collection site.

<sup>1</sup>In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

### Benchmarks

The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

### Footnotes to Returns (2) Tab

<sup>1</sup> 'Broken' TWR – In a series of quarterly returns for an investment line item, a single quarter of significant volatility and/or temporary negative market value will 'break' the time weighted calculation and period returns (including since inception) must start anew in a subsequent quarter. Depending upon the timing of the break, TWRs may never accurately reflect performance of the investment line item. Line item data continues to be reflected in the sub-portfolio and portfolio totals, however for the individual line item, the internal rate of return ("IRR") becomes a more appropriate data point for evaluation.

<sup>2</sup> Liquidating investment.



## Exhibit B: Real Estate Market Update



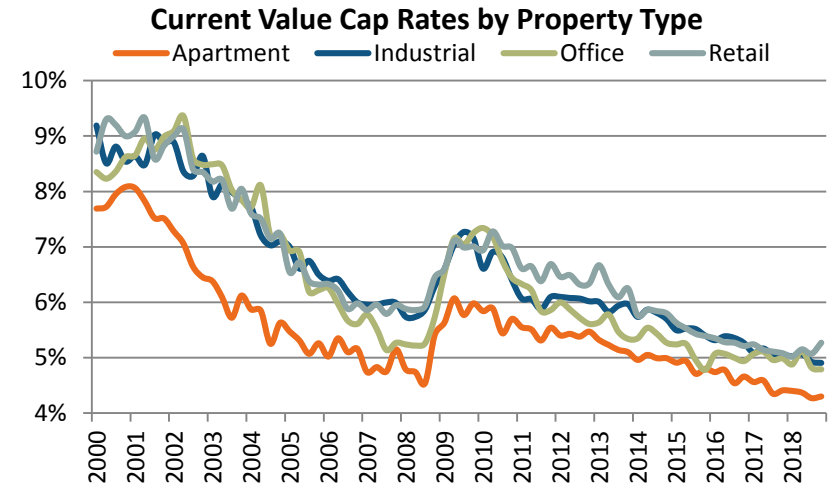
# United States Real Estate Market Update (4Q18)

## General

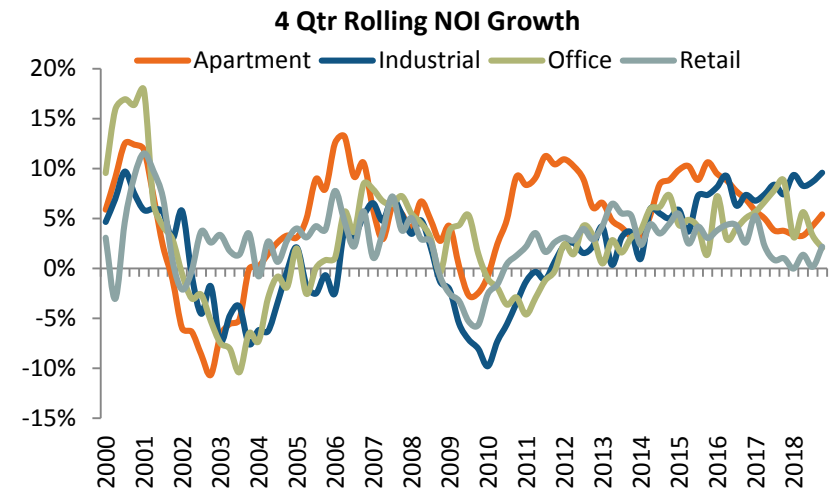
- The S&P 500 produced a gross total return of -13.1% during the Quarter, as markets dropped from tightening monetary policy, weak PMI data, and trade war rhetoric. The MSCI US REIT index produced a return of -6.7%. Consumer Sentiment fell to 98.3 and has continued to deteriorate subsequent to quarter end.
- Macro indicators for U.S. real estate continue to be positive; GDP grew at an annualized rate of 2.6% in the Fourth Quarter and headline CPI rose by 2.2% YoY, above the Fed's 2% target. As of Quarter-end, the economy has now experienced 99 consecutive months of job growth. The Federal Reserve has continued to tighten monetary policy, with the effective federal funds rate reaching 2.4% at Quarter-end. Subsequent to Quarter end, the Fed took on a more cautious approach to additional monetary tightening.

## Commercial Real Estate

- Private real estate market carrying values remained flat over the quarter. Transaction cap rates (5.3%) compressed during the quarter. While, current valuation cap rates remained flat across property sectors, with the exception of the retail sector cap rates which expanded by 20 bps.
- NOI growth by sector continued to deviate during the Quarter, with the industrial sector continuing to outpace the other traditional property types. While industrial has faced increasing supply, it continues to benefit from outsized demand tailwinds (e-commerce and economic growth).
- In the Fourth Quarter of 2018, \$30bn of aggregate capital was raised by Real Estate Funds. In 2018, Private Equity Real Estate Funds have raised \$134.5bn which is on pace with the prior 5 years.
- 10-year treasury bond yields dropped 37 bps to 2.69% during the quarter, and, subsequent to quarter end, have remained anchored around 2.7%. A combination of expansionary fiscal policy and tightening monetary policy have led to increasing short-term interest rates and a flattening yield curve.



Source: NCREIF



Source: NCREIF

# United States Property Matrix (4Q18)



## INDUSTRIAL

- As of 4Q18, industrial properties returned 3.4% and outperformed the NPI by 202 bps.
- Transaction volumes reached \$780.2 billion for the year, marking a 23.8% year-over-year increase. Large-scale portfolio sales made 2018 the largest overall historic year in terms of total activity. With 42.5% of transactions over \$150 million in size, it was an increasingly difficult year for investors trying to gain exposure.
- Annual Net absorption of 261.9 million sqft outpaced construction deliveries of 260.6 million sqft, basis. Absorption is beginning to slow as a result of limited availability, rather than overall demand for space.
- Vacancy remained stable at 4.9% , continuing to be at an all-time historic low. A asking rents continue to climb, but at a slower annual rate of 4.7%. Average asking rents have now increased 26.5% over the last five years.
- Logistics related occupiers accounted for 62% of leasing activity, up from 56% in 2016.

## MULTIFAMILY

- The apartment sector delivered a 1.3% return during the Quarter, underperforming the NPI by 3 bps.
- Transaction volume for 2018 reached \$167.5 billion, an increase of 15.1% year-over-year. The record breaking volume has made multifamily the most actively traded sector for the third straight year.
- Cross-border investment increased 29.3% for the year, reaching \$14.9 billion. Despite this increase, private domestic buyers totaled \$105.1 billion for the year, maintaining their designation as the largest share of acquisitions.
- Absorptions outpaced completions by 12.6%, causing vacancy to decline by 30 bps year-over-year to 4.6%. Increased demand has elevated rent growth to 4.2% on an annual basis.
- Deliveries have now decreased for five consecutive quarters, partially driven delays caused by labor shortages. This is forecasted to shift, with 2019 expected to deliver increased units and put pressure on supply-demand fundamentals in some markets.

## OFFICE

- The office sector returned 1.6% in 4Q18, 27 bps above the NPI return over the period.
- Transaction volumes increased by 5.0% in 2018, driven by larger asset sales. Annual sales volumes totaled \$132.0 billion for the year. Single asset transactions accounted for 78% of volume, the largest proportion over the past five years.
- Rental rates increased by 2.8% in 2018, with selective secondary markets experiencing growth as high as 12.0%. This was driven by a slight decrease in vacancy of 40 bps over the 12-month period.
- Investors are shifting attention to primary markets as they target lower risk markets with increased liquidity and longer-term hold assets that can endure through market cycles. Volumes in primary CBDs has increased 2.5% in 2018, while secondary markets have declined by 11.0% over the same period.
- Foreign investment declined by 5.2% in 2018, with increased activity in Europe, where borrowing costs have become more accommodative.

## RETAIL

- As of 4Q18, the retail sector delivered a quarterly return of -0.4%, performing 181 bps below the NPI.
- Transaction volumes totaled \$70.9 billion in 2018, driven by large entity-level transactions. Including these entity-level sales, annual sales growth increased 38.9%. Excluding the large portfolio sales, volume was down 18.0% year-over-year.
- Institutional investors continue to remain cautious, decreasing investment activity by 41.9% in 2018. Similarly, foreign investment decreased by 14.7% for a third consecutive year of declining investment.
- Despite the continued announcement of store closures, 12-month rental growth was 5.7%, largely driven by grocery-anchored centers. Growth is expected to slow heading into 2019.
- Absorption for the year totaled 16.8 million sqft, down 50.4% from 2017 as occupiers become increasing cautious with the overall footprint following numerous closures.

## Global Real Estate Market Update (4Q18)

- Global investment activity in 2018 exceeded expectations, with investment volumes reaching the highest levels since 2007. For the full year, the three most active cities were New York City, Los Angeles, and London, respectively.
- While investment volumes for the year were strong, there were signs of softening in the fourth quarter of 2018, with quarterly year-over-year investment and leasing volumes decreasing. This trend is expected to continue through 2019.
- Strong U.S. economic growth in 2018 bolstered its investment activity, with the fourth quarter 2018 being the strongest quarter since 2016..

### Global Total Commercial Real Estate Volume - 2017 - 2018

| \$ US Billions | % Change   |            |               | % Change    |             |             |
|----------------|------------|------------|---------------|-------------|-------------|-------------|
|                | Q4 2018    | Q4 2017    | Q4 18 - Q4 17 | 2018        | 2017        | 2018 - 2017 |
| Americas       | 151        | 122        | 24%           | 512         | 441         | 16%         |
| EMEA           | 106        | 139        | -24%          | 325         | 365         | -11%        |
| Asia Pacific   | 216        | 274        | -21%          | 847         | 822         | 3%          |
| <b>Total</b>   | <b>473</b> | <b>535</b> | <b>-12%</b>   | <b>1684</b> | <b>1629</b> | <b>3%</b>   |

Source: Real Capital Analytics, Inc., Q4' 18

### Global Outlook - GDP (Real) Growth % pa, 2019-2021

|                       | 2019       | 2020       | 2021       |
|-----------------------|------------|------------|------------|
| <b>Global</b>         | <b>3.4</b> | <b>3.4</b> | <b>3.0</b> |
| <b>Asia Pacific</b>   | <b>4.7</b> | <b>4.6</b> | <b>-</b>   |
| Australia             | 2.6        | 2.7        | -          |
| China                 | 6.2        | 6.0        | 5.8        |
| India                 | 7.2        | 7.3        | 7.4        |
| Japan                 | 0.8        | 0.5        | -          |
| <b>North America</b>  | <b>2.4</b> | <b>1.9</b> | <b>1.8</b> |
| US                    | 2.5        | 1.9        | 1.8        |
| <b>MENA*</b>          | <b>3.0</b> | <b>3.1</b> | <b>-</b>   |
| <b>European Union</b> | <b>1.6</b> | <b>1.7</b> | <b>-</b>   |
| France                | 1.3        | 1.4        | -          |
| Germany               | 1.2        | 1.5        | -          |
| UK                    | 1.4        | 1.5        | 1.7        |

\*Middle East North Africa

Source: Bloomberg

Note: 2021 projections are not yet available for certain regions

## Exhibit C: Glossary



# Cash Flow Statement

|                                |   |
|--------------------------------|---|
| <b>Beginning Market Value:</b> | <b>Value of real estate, cash and other holdings from prior period end.</b>   |
| Contributions:                 | Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements).  |
| Distributions:                 | Actual cash returned from the investment, representing distributions of income from operations.   |
| Withdrawals:                   | Cash returned from the investment, representing returns of capital or net sales proceeds.   |
| Ending Market Value:           | The value of an investment as determined by actual sales dollars invested and withdrawn plus the effects of appreciation and reinvestment; market value is equal to the ending cumulative balance of the cash flow statement (NAV). |
| Unfunded Commitments:          | Capital allocated to managers which remains to be called for investment. Amounts are as reported by managers.   |
| Remaining Allocation           | The difference between the ending market value + the unfunded commitments and the target allocation. This figure represents dollars available for allocation.   |

# Style Groups

|  |   |
|--|---|
| <b>The Style Groups consist of returns from commingled funds with similar risk/return investment strategies. Investor portfolios/investments are compared to comparable style groupings.</b> |   |
| Core:  | Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).  |
| Value-Added:   | Core returning investments that take on moderate additional risk from one or more of the following sources: leasing, re-development, exposure to non-traditional property types, the use of leverage (typically between 40% and 65%).   |
| Opportunistic:   | Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage (typically between 50% and 65% or higher), distressed properties. |

# Indices

|  |   |
|--|---|
| <b>Stylized Index:</b>                           | <b>Weights the various style group participants so as to be comparable to the investor portfolio holdings for each period.</b>  |
| Open-End Diversified Core Equity Index (“ODCE”): | A core index that includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets. The ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis (16 active vehicles). The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage. |
| NCREIF Timberland Index (“NTI”):                 | National Index comprised of a large pool of individual timber properties owned by institutions for investment purposes.   |
| NCREIF Property Index (“NPI”):                   | National Property Index comprised of core equity real estate assets owned by institutions.  |

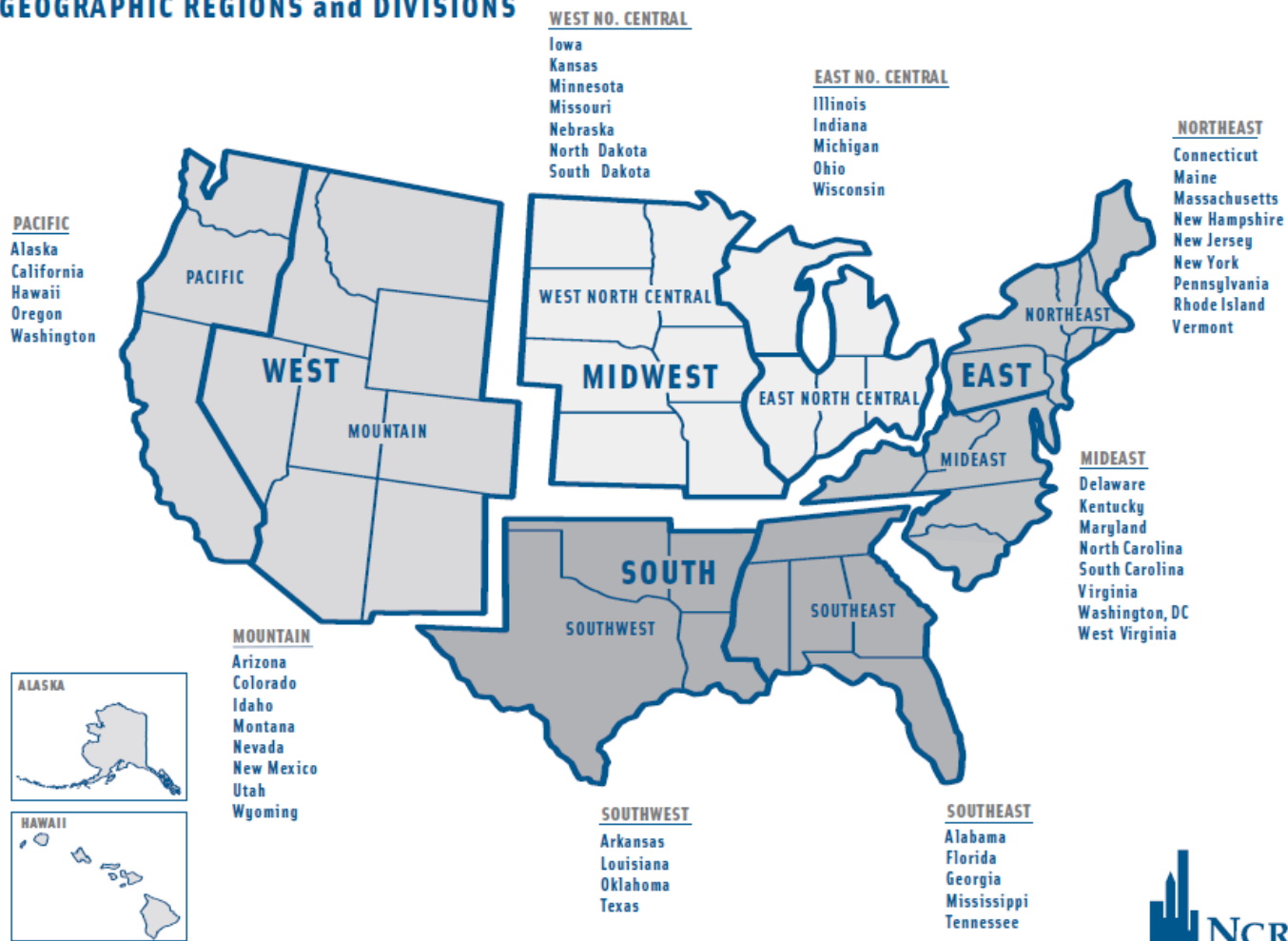


## Performance

|                                  |   |
|----------------------------------|---|
| <b>Income Return (“INC”):</b>    | <b>Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.)</b>   |
| Appreciation Return (“APP”):     | Increase or decrease in investment's value based on internal or third party appraisal, recognition of capital expenditures which did not add value or uncollectible accrued income, or realized gain or loss from sales.  |
| Total Gross Return (“TGRS”):     | The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager.   |
| Total Net Return (“TNET”):       | Total gross return less Advisor fees reported. All fees are requested (asset management, accrued incentives, paid incentives). No fee data is verified. May not include any fees paid directly by the investor as opposed to those paid from cash flows.  |
| Inception Returns <sup>1</sup> : | The total net return for an investment or portfolio over the period of time the client has funds invested. Total portfolio Inception Returns may include returns from investments no longer held in the current portfolio.  |
| Net IRR:                         | IRR after advisory fees, incentive and promote. This includes actual cash flows and a reversion representing the LP Net Assets at market value as of the period end reporting date.   |
| Equity Multiple:                 | The ratio of Total Value to Paid-in-Capital (TVPIC). It represents the Total Return of the investment to the original investment not taking into consideration the time invested. Total Value is computed by adding the Residual Value and Distributions. It is calculated net of all investment advisory and incentive fees and promote. |

<sup>1</sup> Portfolio level returns include historical returns of managers no longer with assets under management. All returns are calculated on a time-weighted basis.

## GEOGRAPHIC REGIONS and DIVISIONS





## ***Report to Board of Administration***

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

Agenda of: **JUNE 11, 2019**

ITEM: **VIII-C**

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

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### Recommendation

That the Board approve a three-year contract renewal with Lazard Asset Management LLC for management of an active non-U.S. equities developed markets core portfolio; and, authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

### Discussion

On May 14, 2019, the Committee considered the attached staff report (Attachment A) recommending a three-year contract renewal with Lazard Asset Management LLC (Lazard). The Board hired Lazard through the 2013 Active Non-U.S. Equities Developed Markets Manager search process and a three-year contract was authorized by the Board on June 11, 2013. Lazard was awarded a contract renewal on June 28, 2016. The current contract expires on September 30, 2019. The Committee discussed the investment strategy, performance, and fees. Lazard is in compliance with the LACERS Manager Monitoring Policy.

### *Strategic Plan Impact Statement*

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

This report was prepared by Barbara Sandoval, Investment Officer II, Investment Division.

RJ:BF:BS:sg

Attachments: A) Investment Committee Recommendation Report dated May 14, 2019  
B) Proposed Resolution

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## Report to Investment Committee

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

Agenda of: **MAY 14, 2019**

ITEM: **VI**

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

### Recommendation

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

### Discussion

#### *Background*

Lazard Asset Management LLC (Lazard) has managed an active non-U.S. equities developed markets core portfolio for LACERS since November 2013, and is benchmarked against the MSCI EAFE Index. Lazard employs a fundamental research-driven investment strategy to identify companies with strong or improving financial productivity at attractive valuations. The strategy is managed by a four-member team led by Mark Little, Managing Director, who has 27 years of industry experience. The three other members are John Reinsburg, Deputy Chairman, International and Global Strategies (38 years of experience); Michael Bennett, Managing Director (33 years of experience); and Robin Jones, Managing Director (17 years of experience). LACERS' portfolio was valued at \$587 million as of March 31, 2019.

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

#### *Organization*

Lazard, a subsidiary of Lazard Freres & Co., manages approximately \$211 billion across various equity and fixed income strategies for institutional and individual clients. Lazard has offices in 16 countries across North America, Europe, Asia Pacific, and the Middle East, with over 850 employees including over 275 investment professionals. As of March 31, 2019, the firm had over \$49 billion in total non-U.S. equity assets under management with \$14 billion in the non-U.S. equity strategy.

*Due Diligence*

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

*Performance*

As of March 31, 2019, Lazard has outperformed its benchmark, net-of-fees, for the 3-month, 1-year, 5-year, and since inception time periods with slight underperformance for the 3-year period as presented in the table below. Lazard is in compliance with the LACERS Manager Monitoring Policy.

| Annualized Performance as of 3/31/19 (Net-of-Fees) |         |        |        |        |         |                  |
|--|---------|--------|--------|--------|---------|------------------|
|  | 3-Month | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception* |
| Lazard   | 11.28   | -2.73  | 6.60   | 3.54   | n/a     | 4.29             |
| MSCI EAFE Index                                    | 9.98    | -3.71  | 7.27   | 2.33   | n/a     | 2.88             |
| % of Excess Return                                 | 1.30    | 0.98   | -0.67  | 1.21   | n/a     | 1.41             |

\*Inception date: 11/5/13

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

| Calendar Year Performance as of 3/31/19 (Net-of-Fees) |                |        |       |       |       |       |                  |
|---|----------------|--------|-------|-------|-------|-------|------------------|
|   | 1/1/19-3/31/19 | 2018   | 2017  | 2016  | 2015  | 2014  | 11/5/13-12/31/13 |
| Lazard  | 11.28          | -10.77 | 27.25 | -4.95 | 0.48  | -0.25 | 4.24             |
| MSCI EAFE Index                                       | 9.98           | -13.79 | 25.03 | 1.00  | -0.81 | -4.90 | 3.23             |
| % of Excess Return                                    | 1.30           | 3.02   | 2.22  | -5.95 | 1.29  | 4.65  | 1.01             |

*Fees*

LACERS pays Lazard an effective fee of 52 basis points (0.52%), which is approximately \$3,042,760 annually based on the value of LACERS' assets as of March 31, 2019. This fee ranks in the 44<sup>th</sup> percentile among its peers in the eVestment All EAFE Equity Universe (i.e., Lazard's fee is lower than 56% of peers).

*General Fund Consultant Opinion*

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

*Strategic Plan Impact Statement*

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

This report was prepared by Barbara Sandoval, Investment Officer II, Investment Division.

RJ:BF:BS:SG

Attachments: A) Consultant Recommendation – NEPC, LLC  
B) Workforce Composition

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** May 14, 2019  
**Subject:** Lazard Asset Management, LLC – Contract Extension

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**Recommendation**

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

**Background**

Lazard was hired into the Non-U.S. Equity asset class in 2013 to provide the Plan with public equity exposure across international developed countries/markets. The portfolio's strategy is benchmarked against the MSCI EAFE Index and has a performance inception date of November 5, 2013.

As of March 31, 2019, Lazard managed \$587.3 million, or 3.4% of Plan assets in an international developed markets separately managed account with an asset-based fee of 0.52% (52 basis points) annually. This fee ranks in the 44<sup>th</sup> percentile among its peers in the eVestment All EAFE Equity Universe. In other words, 56% of the 384 products included in the peer universe have a higher fee than the LACERS account. The performance objective is to outperform the MSCI EAFE Index, net of fees, annualized over a full market cycle (normally three-to-five years). The Lazard account is currently in good standing according to LACERS' manager monitoring policy.

Lazard's roots date back to the 1840s when members of the Lazard family immigrated to the United States and founded Lazard Frères & Co. in New Orleans as a dry goods merchant. The business relocated to San Francisco in 1851, where it expanded into banking and foreign exchange. That same year, Lazard Frères also established its New York office. In 1854, Lazard Frères & Co. opened an office in Paris and, in 1870, an office in London. In the late 1800s and early 1900s, these three "Houses of Lazard" emerged, advising clients on financial matters and forging relationships with governments and businesses. The three houses were separately managed but remained allied. In the latter part of the 20th century, Lazard expanded into new markets in financial advisory and asset management services. In 1953 Lazard Investors Ltd. began asset management operations in London, and in 1970 Lazard Asset Management made its New York debut.

In 2000, after more than 150 years of separate management, the three Houses of Lazard were merged into one entity. This was done in order to serve clients more effectively, as commerce became increasingly globalized. In 2005, under the leadership of Bruce Wasserstein, Lazard listed on the New York Stock Exchange, trading under the stock ticker

LAZ, but retained its significant employee ownership. In 2009, Kenneth Jacobs assumed the helm of Lazard and has led the firm since then.

The LACERS account sits within the Lazard International Strategic Equity product, which is a multi-capitalization strategy. The strategy typically invests in 40–60 securities of non-US companies, including those from emerging markets. The benchmark is the MSCI EAFE Index. The portfolio is managed by four portfolio managers, however, day to day the portfolio is run by Mark Little, Portfolio Manager/Analyst and Robin Jones, Portfolio Manager/Analyst. Messrs. Little and Jones run the product from a day to day basis from the firm's London office and have been with the firm for 26 and 16 years, respectively. Michael Bennett Portfolio Manager/Analyst and John Reinsberg, Deputy Chairman International and Global Strategies, act in client facing roles on the strategy and work from the firm's New York City office.

Lazard believes in a relative value investment philosophy which is based on sourcing excess returns through the process of bottom-up stock selection. This philosophy is implemented by assessing the trade-off between valuation and financial productivity for an individual security. Lazard believes that stock returns over time are driven by the sustainability and direction of financial productivity, balanced by valuation. To take advantage of these structural inefficiencies, Lazard portfolio manager/analysts and sector specialists collaborate on detailed fundamental analysis that is rooted in developing unique sources of insight and integrating knowledge across regions, sectors and asset classes.

Idea sourcing is a collaborative effort among Lazard's global investment resources. The International Strategic Equity team partners with Lazard's global sector specialists, regional portfolio manager/analysts to identify candidates for further analysis. Quantitative screening processes supplement a qualitative assessment of changing company fundamentals and are utilized to search for companies that appear to offer specific investment characteristics - attractively priced valuations (measured by price/earnings, price/book, price/cash flow, and price/sales, among others) relative to their improving or strong levels of financial productivity (measured by return on equity, return on assets, free cash flow yield and operating margins, among others). Sector specialists prepare an investment thesis for every company which is proposed as an investment idea for portfolios.

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

## **Performance**

Referring to Exhibit 1, since December 1, 2013 (the first full month of performance after the account inception date of November 5, 2013) the strategy has outperformed the MSCI EAFE Index by 1.41%, returning 4.00%, net of fees. The portfolio ranked in the 37<sup>th</sup> percentile in its peer universe since inception. The information ratio was 0.40 and active risk, as measured by tracking error was 3.5%. In the one-year period ended March 31, 2019, the portfolio outperformed the index by 0.98% and ranked in the 26<sup>th</sup> percentile in its peer universe. Outperformance in the trailing year, ended March 31, 2019, has been driven by stock selection in Financials and the Consumer Services sectors. On a global regions basis,

strong contributors included stock selection in Continental Europe and the United Kingdom and being under-weight Asia ex-Japan.

Since December 1, 2013, referring to Exhibit 2, historical relative cumulative performance has been strong on a quarterly basis when compared to the benchmark. The last half of 2016 and first quarter of 2017 the strategy did experience some meaningful underperformance as exposures to high quality stocks impeded performance. However, those drawdowns have been overcome by subsequent periods of outperformance over the course of 2017, 2018 and into 2019. Outperformance in 2017 through 2019 was driven by stock selection in Consumer Services and Information Technology.

**Conclusion**

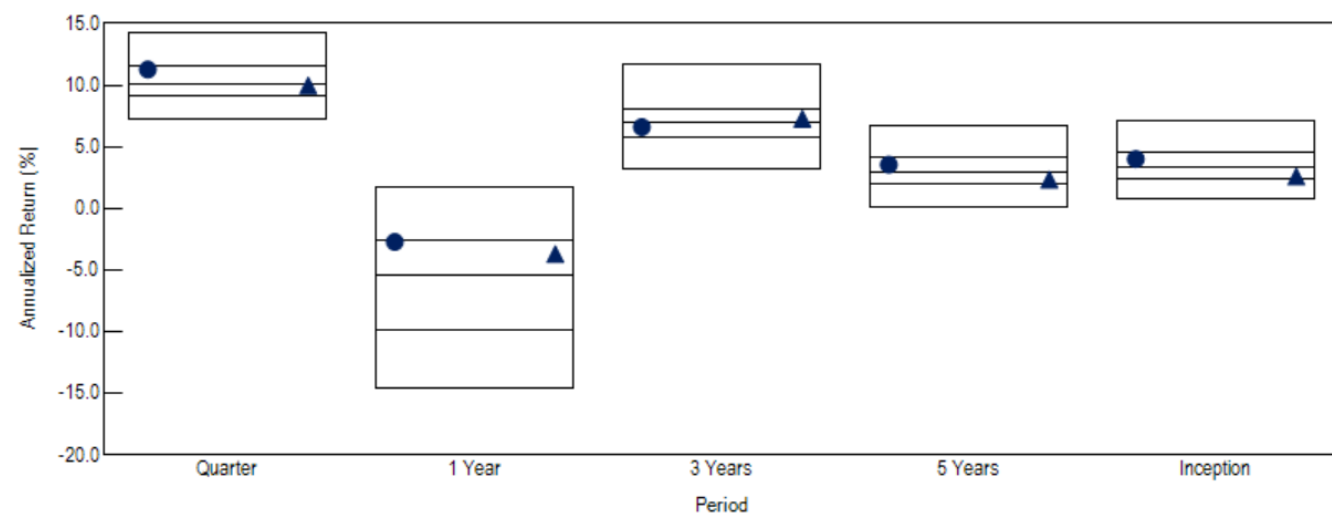
Lazard has performed well against its benchmark since inception and particularly well since the beginning of 2017. The firm has had a well-established, stable team in place, in addition to executing well against its stated investment objectives. With an investment process and philosophy that prioritizes financially productive and inexpensively valued companies, coupled with a vast pool of investment research professionals, this strategy remains a high-conviction manager at NEPC. NEPC recommends a contract extension for a period of three years from the period of contract expiry.

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



Exhibit 1

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

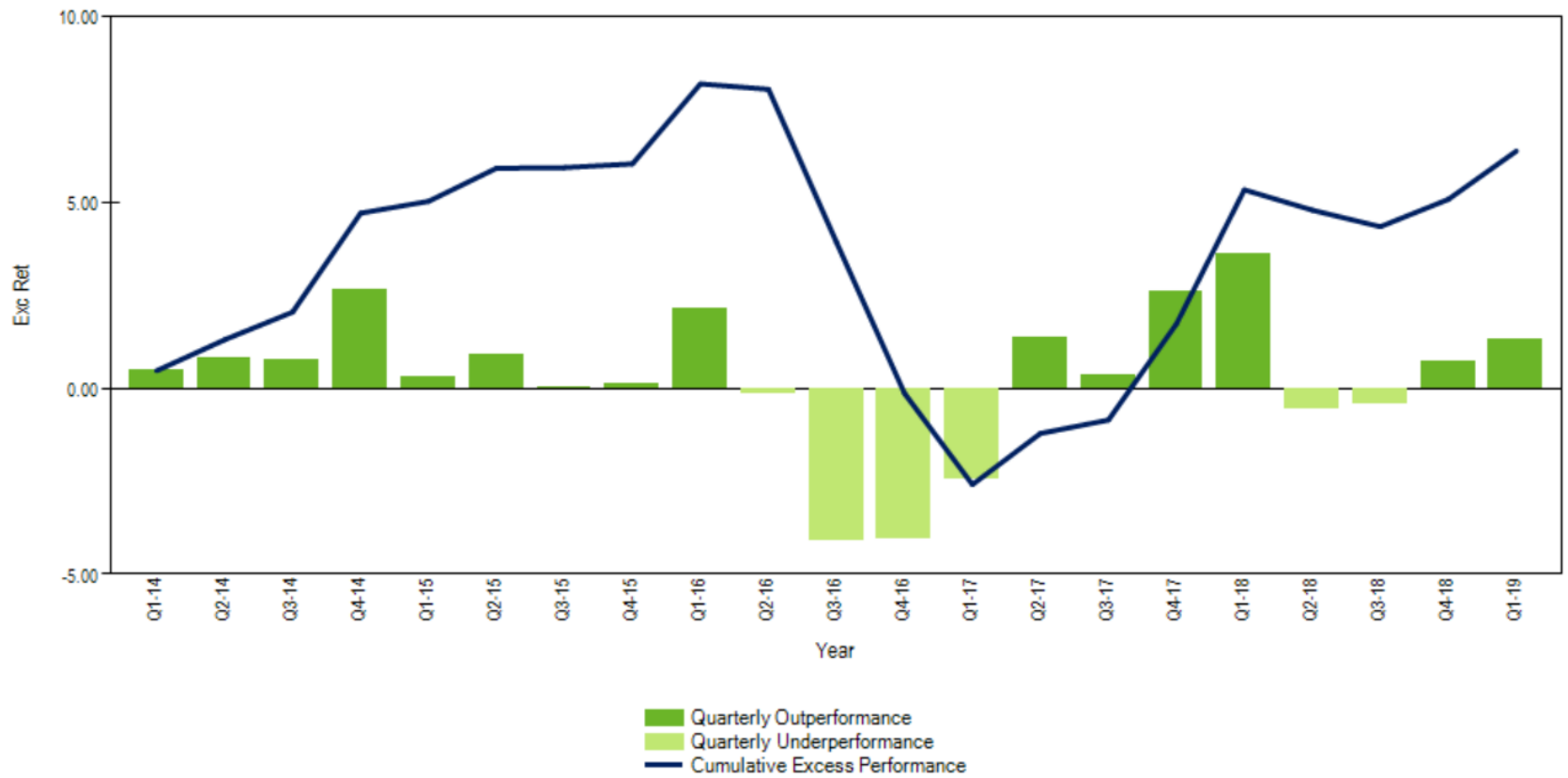


|                           | Return (Rank) |      |        |      |       |      |      |      |      |      |
|---------------------------|---------------|------|--------|------|-------|------|------|------|------|------|
| 5th Percentile            | 14.20         |      | 1.75   |      | 11.64 |      | 6.69 |      | 7.09 |      |
| 25th Percentile           | 11.57         |      | -2.61  |      | 8.11  |      | 4.09 |      | 4.58 |      |
| Median                    | 10.08         |      | -5.48  |      | 6.99  |      | 2.97 |      | 3.37 |      |
| 75th Percentile           | 9.14          |      | -9.86  |      | 5.73  |      | 2.03 |      | 2.42 |      |
| 95th Percentile           | 7.19          |      | -14.56 |      | 3.22  |      | 0.10 |      | 0.70 |      |
| # of Portfolios           | 241           |      | 234    |      | 225   |      | 197  |      | 194  |      |
| ● Lazard Asset Management | 11.28         | (29) | -2.73  | (26) | 6.60  | (61) | 3.54 | (36) | 4.00 | (37) |
| ▲ MSCI EAFE               | 9.98          | (54) | -3.71  | (35) | 7.27  | (44) | 2.33 | (68) | 2.59 | (68) |

Note: NEPC performance record starts from the first full month of performance.

Exhibit 2

Quarterly and Cumulative Excess Performance



Vendor **Lazard Asset Management LLC**  
 Address **30 Rockefeller Plaza, New York, NY 10112**

Date Completed: 4/22/19\*

Category **International Strategic Equity**

| TOTAL COMPOSITION OF WORK FORCE |                  |           |                           |                                |                          |                 |                      |                |                  |
|---------------------------------|------------------|-----------|---------------------------|--------------------------------|--------------------------|-----------------|----------------------|----------------|------------------|
| Occupation                      | African American | Hispanic  | Asian or Pacific Islander | American Indian/Alaskan Native | Caucasian (Non Hispanic) | Total Employees | Percent (%) Minority | Gender         |                  |
|                                 | Full Time        | Full Time | Full Time                 | Full Time                      | Full Time                | Full Time       | Full Time            | Male Full Time | Female Full Time |
| Officials & Managers            | 1                | 1         | 8                         | 0                              | 53                       | 63              | 15.87%               | 57             | 6                |
| Professionals                   | 1                | 13        | 51                        | 0                              | 153                      | 218             | 29.82%               | 151            | 67               |
| Technicians                     | 0                | 0         | 0                         | 0                              | 0                        | 0               | 0.00%                | 0              | 0                |
| Sales Workers                   | 4                | 5         | 7                         | 0                              | 105                      | 121             | 13.22%               | 75             | 46               |
| Office/Clerical                 | 7                | 4         | 5                         | 0                              | 22                       | 38              | 42.11%               | 2              | 36               |
| Semi-Skilled                    | 0                | 0         | 0                         | 0                              | 0                        | 0               | 0.00%                | 0              | 0                |
| Unskilled                       | 0                | 0         | 0                         | 0                              | 0                        | 0               | 0.00%                | 0              | 0                |
| Service Workers                 | 0                | 0         | 0                         | 0                              | 0                        | 0               | 0.00%                | 0              | 0                |
| Other                           | 1                | 4         | 32                        | 0                              | 43                       | 80              | 46.25%               | 55             | 25               |
| <b>Total</b>                    | <b>14</b>        | <b>27</b> | <b>103</b>                | <b>0</b>                       | <b>376</b>               | <b>520</b>      | <b>27.69%</b>        | <b>340</b>     | <b>180</b>       |

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

PROPOSED RESOLUTION

WHEREAS, LACERS current three-year contract with Lazard Asset Management LLC (Lazard) for active non-U.S. equities developed markets core portfolio management expires on September 30, 2019; and,

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

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

WHEREAS, on June 11, 2019 the Board approved the Investment Committee's recommendation for a three-year contract renewal with Lazard; and,

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

|   |   |
|---|---|
| <u>Company Name:</u>                        | Lazard Asset Management LLC   |
| <u>Service Provided:</u>                    | Active Non-U.S. Equities Developed Markets<br>Core Portfolio Management |
| <u>Effective Dates:</u>                     | October 1, 2019 through September 30, 2022                              |
| <u>Duration:</u>                            | Three years   |
| <u>Benchmark:</u>                           | MSCI EAFE Index   |
| <u>Allocation as of<br/>March 31, 2019:</u> | \$ 587 million  |

June 11, 2019



**LACERS**  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



## ***Report to Board of Administration***

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

Agenda of: **JUNE 11, 2019**

ITEM: **VIII-D**

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**SUBJECT: INVESTMENT MANAGER CONTRACT WITH MFS INSTITUTIONAL ADVISORS, INC. REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH PORTFOLIO AND POSSIBLE BOARD ACTION**

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### Recommendation

That the Board approve a three-year contract renewal with MFS Institutional Advisors, Inc. for management of an active non-U.S. equities developed markets growth portfolio; and, authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

### Discussion

On May 14, 2019, the Committee considered the attached staff report (Attachment A) recommending a three-year contract renewal with MFS Institutional Advisors, Inc. (MFS). The Board hired MFS through the 2013 Active Non-U.S. Equities Developed Markets Manager search process and a three-year contract was authorized by the Board on June 11, 2013. MFS was awarded a contract renewal on June 28, 2016. The current contract expires on September 30, 2019. The Committee discussed the investment strategy, performance, and fees. MFS is in compliance with the LACERS Manager Monitoring Policy.

### *Strategic Plan Impact Statement*

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

This report was prepared by Barbara Sandoval, Investment Officer II, Investment Division.

RJ:BF:BS:sg

Attachments: A) Investment Committee Recommendation Report dated May 14, 2019  
B) Proposed Resolution

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**LACERS**  
LOS ANGELES CITY EMPLOYEES'  
RETIREMENT SYSTEM



## Report to Investment Committee

Agenda of: **MAY 14, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VII**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH MFS INSTITUTIONAL ADVISORS, INC. REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH PORTFOLIO AND POSSIBLE COMMITTEE ACTION**

### Recommendation

That the Committee recommend to the Board a three-year contract renewal with MFS Institutional Advisors, Inc. for management of an active non-U.S. equities developed markets growth portfolio.

### Discussion

#### *Background*

MFS Institutional Advisors, Inc. (MFS) has managed an active non-U.S. equities developed markets growth portfolio for LACERS since October 2013, and is benchmarked against the MSCI World ex-U.S. Growth Index. MFS employs a research-based investment strategy that focuses on companies with long-term, above-average growth. The portfolio is managed by a team of portfolio managers including David A. Antonelli (31 years of experience), Matthew Barrett (23 years of experience), Kevin Dwan (21 years of experience), and Brett Fleishman (22 years of experience). LACERS' portfolio was valued at \$594 million as of May 31, 2019.

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

#### *Organization*

MFS is an investment management firm with offices in Boston, Hong Kong, London, Mexico City, Sao Paulo, Singapore, Sydney, Tokyo, and Toronto. The firm is majority owned by Sun Life Financial of Canada and has over 1,900 employees, with 274 investment professionals. As of March 31, 2019, the firm had over \$471 billion in total assets under management with over \$17 billion in the non-U.S. growth equity strategy.

#### *Due Diligence*

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

*Performance*

MFS has outperformed its benchmark, net-of-fees, for the one-year, three-year, five-year, and since inception time periods with slight underperformance for the 3-month period, as presented in the table below. MFS is in compliance with the LACERS Manager Monitoring Policy.

| Annualized Performance as of 3/31/19 (Net-of-Fees) |         |        |        |        |         |                  |
|--|---------|--------|--------|--------|---------|------------------|
|  | 3-Month | 1-Year | 3-Year | 5-Year | 10-Year | Since Inception* |
| MFS  | 12.31   | 4.27   | 10.88  | 6.23   | n/a     | 5.92             |
| MSCI World ex U.S. Growth Index                    | 12.41   | -0.82  | 7.42   | 3.67   | n/a     | 3.91             |
| % of Excess Return                                 | -0.10   | 5.09   | 3.46   | 2.56   | n/a     | 2.01             |

\*Inception date: 10/31/13

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

| Calendar Year Performance as of 3/31/19 (Net-of-Fees) |                |        |       |       |      |       |                   |
|---|----------------|--------|-------|-------|------|-------|-------------------|
|   | 1/1/19-3/31/19 | 2018   | 2017  | 2016  | 2015 | 2014  | 10/31/13-12/31/13 |
| MFS   | 12.31          | -8.91  | 32.00 | 1.93  | 1.90 | -4.52 | 1.97              |
| MSCI World ex U.S. Growth Index                       | 12.41          | -13.14 | 27.61 | -1.87 | 1.65 | -3.26 | 2.39              |
| % of Excess Return                                    | -0.10          | 4.23   | 4.39  | 3.80  | 0.25 | -1.26 | -0.42             |

*Fees*

LACERS pays MFS an effective fee of 42 basis points (0.42%), which is approximately \$2,500,139 annually based on the value of LACERS' assets as of March 31, 2019. This fee ranks in the 21<sup>st</sup> percentile among its peers in the eVestment EAFE All Cap Growth Universe (i.e., MFS's fee is lower than 79% of peers).

*General Fund Consultant Opinion*

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

*Strategic Plan Impact Statement*

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

This report was prepared by Barbara Sandoval, Investment Officer II, Investment Division.

RJ:BF:BS:SG

Attachments: A) Consultant Recommendation – NEPC, LLC  
B) Workforce Composition

**To:** Los Angeles City Employees' Retirement System Investment Committee  
**From:** NEPC, LLC  
**Date:** May 14, 2019  
**Subject:** MFS Investment Management – Contract Extension

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**Recommendation**

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

**Background**

MFS was hired into the Non-U.S. Equity asset class in 2013 to provide the Plan with public equity exposure across international developed countries/markets. The portfolio's strategy is benchmarked against the MSCI World ex USA Growth Index and has a performance inception date of October 31, 2013.

As of March 31, 2019, MFS managed \$594.0 million, or 3.4% of Plan assets in an international developed markets separately managed account with an asset-based fee of 0.42% (42 basis points) annually. This fee ranks in the 21<sup>st</sup> percentile among its peers in the eVestment EAFE All Cap Growth Universe. In other words, 79% of the 18 products included in the peer universe have a higher fee than the LACERS account. The performance objective is to outperform the MSCI World ex USA Index, net of fees, annualized over a full market cycle (normally three-to-five years). The MFS account is currently in good standing according to LACERS' manager monitoring policy.

Massachusetts Financial Services Company, commonly known as MFS Investment Management or MFS, has a history of money management dating back to 1924, when it created the first open-end U.S. mutual fund, Massachusetts Investors Trust. In 1932, MFS established one of the first in-house research departments in the investment management business. MFS and its predecessor organizations have been registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") since 1969, and began managing its first tax-exempt account in 1970. MFS subsequently formed a separate subsidiary, MFS Institutional Advisors, Inc., which registered as an investment adviser under the Advisers Act in 1994. MFS is a majority owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., which in turn is an indirect majority-owned subsidiary of Sun Life Financial, Inc. (a diversified financial services organization). MFS has been a subsidiary of Sun Life since 1982. While MFS operates with considerable autonomy, this partnership offers additional resources as it continues to expand its global research presence. As of December 31, 2018 the firm's assets under management were \$426.6 billion.



In 1996 MFS initiated an equity compensation program. The equity compensation program provides for the grant of long-term incentive awards to MFS senior management, investment personnel and other key employees who assist in the growth and financial success of the firm. The program permits the issuance of both restricted stock and stock options as equity-based awards up to a maximum of 20% of the fully diluted capital stock of MFS, and 2.5% of the fully diluted capital stock of MFS' immediate parent entity, Sun Life of Canada (US) Financial Services Holdings, Inc.

The International Growth Equity team includes Portfolio Managers David Antonelli, Matthew Barrett, and Kevin Dwan, and Institutional Portfolio Manager Brett Fleishman. David joined MFS in 1991 as a research analyst, was named portfolio manager in 1997 and assumed portfolio management responsibility for International Growth Equity in 2010. Matthew joined MFS in 2000 as an equity research analyst and joined the International Growth Equity team as a portfolio manager in 2015. Kevin joined MFS in 2005 as an equity research analyst and became a portfolio manager for International Growth Equity in 2012. Brett joined MFS in 2001 as a research analyst and has worked on the International Growth Equity strategy as an investment product specialist since 2002 and as an institutional portfolio manager since 2008.

The International Growth Equity team's investment process encompasses three critical steps: idea generation, fundamental research and analysis and portfolio construction. Idea generation reduces the investable universe to approximately 70-100 companies and is supported by the firm's global research platform. The analysts on the platform are organized into eight international sector teams that include capital goods, consumer cyclicals, consumer staples, energy, financial services, health care, technology, and telecommunications & cable. The sector-team structure facilitates the sharing of information across geographies, as well as asset classes, resulting process that aims to be highly collaborative and integrated leveraging all the research by MFS. The portfolio construction process is conducted based on bottom-up, fundamental research. MFS determines position size in the portfolio based on the security's upside potential as compared to its downside risk and level of conviction in the idea. Sector, industry, country and regional weightings are the residual of the bottom-up stock selection process, rather than the result of any top-down, macroeconomic outlook. Generally, no more than 5% has been held in a single issue at purchase, no more than 25% has been allocated to any one industry, and the portfolio has had a limit on out of benchmark names at 10%.

### **Performance**

Referring to Exhibit 1, since inception of the MFS portfolio on October 31, 2013, the strategy has outperformed the MSCI World ex USA Growth Index by 2.01%, returning 5.92%, net of fees. The portfolio ranked in the 12<sup>th</sup> percentile in its peer universe since October 31, 2013. The information ratio was 1.0 and active risk, as measured by tracking error was 2.1%. In the one-year period ended March 31, 2019, the portfolio outperformed the index by 5.09% and ranked 1<sup>st</sup> in its peer universe. Outperformance in the trailing year, ended March 31, 2019, has been driven by stock selection in the Consumer Discretionary and Information Technology sectors. On a global regions basis, strong contributors included stock selection in Europe Ex-United Kingdom and being under-weight Japan.

Since October 31, 2013, referring to Exhibit 2, historical relative performance has been consistent with minimal drawdowns and strong quarterly cumulative excess returns when compared to the benchmark. A portfolio construction process that results in a focus on quality companies with long-term above average growth potential has resulted in an experience for LACERS that is within the top decile of peer performance results.

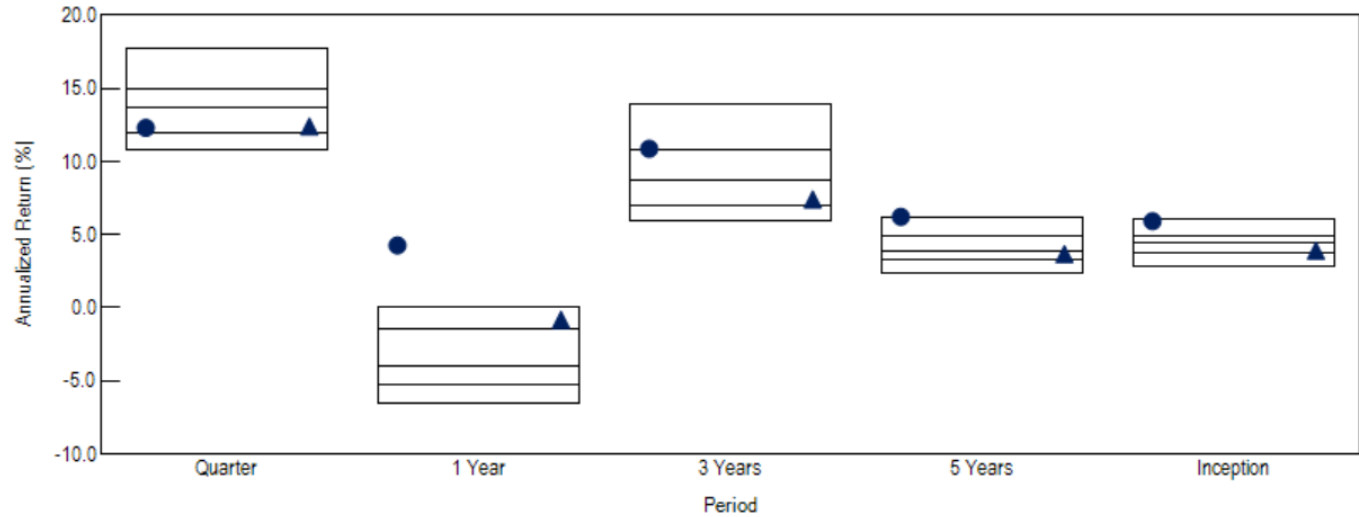
**Conclusion**

MFS has performed well against its benchmark since inception as well as in all trailing time periods. The firm has a well-established, stable team in place, in addition to executing well against its stated investment objectives. With an investment process and philosophy that prioritizes quality, growth and fundamental research, we believe the portfolio is well suited for long-term success. MFS has been a high-conviction manager at NEPC in the developed markets international equity space since 2011. NEPC recommends a contract extension for a period of three years from the period of contract expiry.

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

Exhibit 1

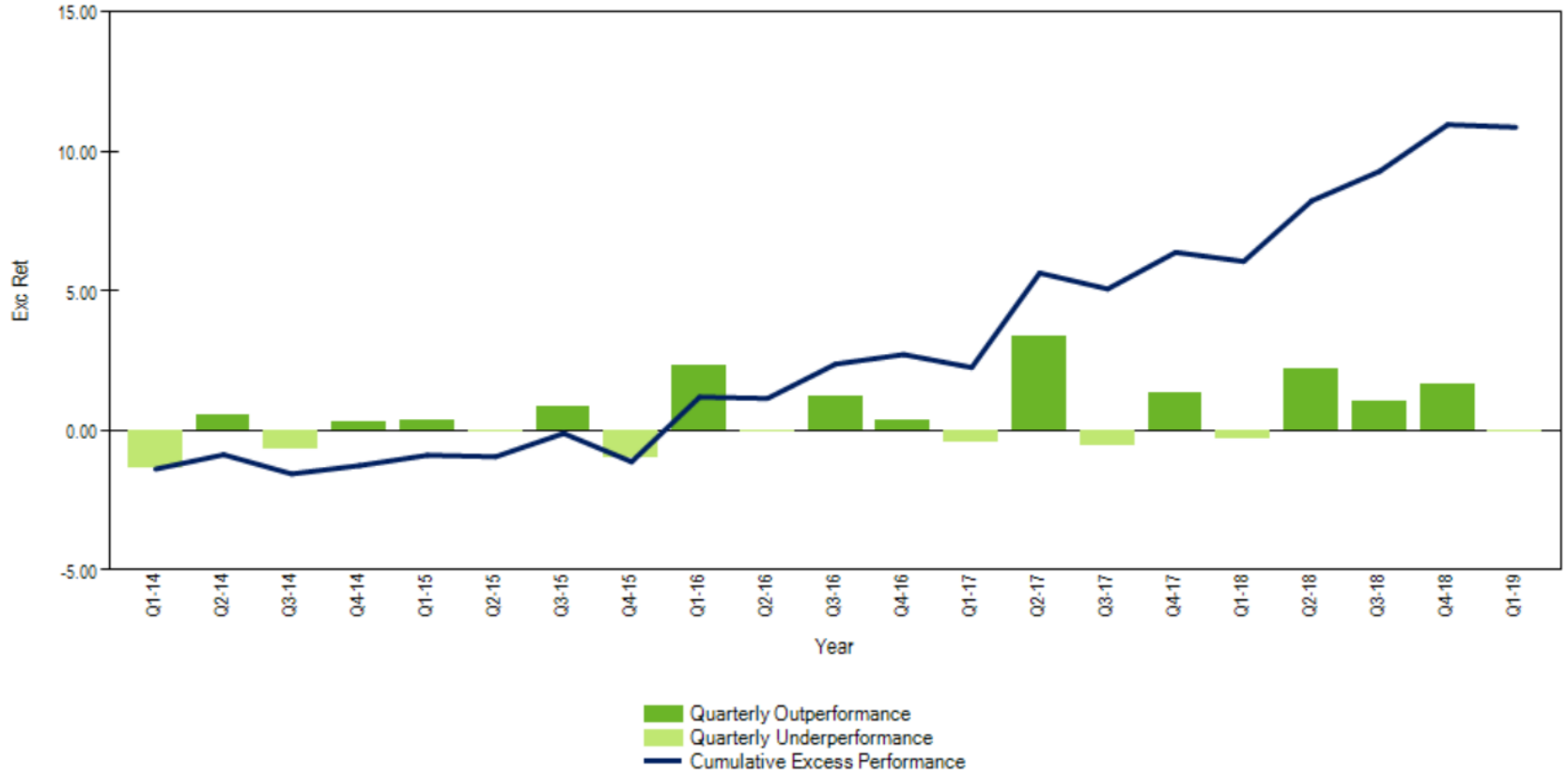
**eV EAFE All Cap Growth Net Return Comparison**  
Ending March 31, 2019



|                                   | Return (Rank) |        |         |         |           |         |        |         |         |           |
|-----------------------------------|---------------|--------|---------|---------|-----------|---------|--------|---------|---------|-----------|
|                                   | Quarter       | 1 Year | 3 Years | 5 Years | Inception | Quarter | 1 Year | 3 Years | 5 Years | Inception |
| 5th Percentile                    | 17.71         | 0.02   | 13.97   | 6.20    | 6.10      |         |        |         |         |           |
| 25th Percentile                   | 14.94         | -1.44  | 10.77   | 4.86    | 4.92      |         |        |         |         |           |
| Median                            | 13.67         | -3.97  | 8.68    | 3.83    | 4.41      |         |        |         |         |           |
| 75th Percentile                   | 11.95         | -5.25  | 6.94    | 3.27    | 3.73      |         |        |         |         |           |
| 95th Percentile                   | 10.78         | -6.48  | 5.90    | 2.39    | 2.79      |         |        |         |         |           |
| # of Portfolios                   | 14            | 13     | 12      | 11      | 11        |         |        |         |         |           |
| ● MFS Institutional Advisors      | 12.31         | (72)   | 4.27    | (1)     | 10.88     | (25)    | 6.23   | (5)     | 5.92    | (12)      |
| ▲ MSCI World ex USA Growth NR USD | 12.41         | (71)   | -0.82   | (11)    | 7.42      | (66)    | 3.67   | (56)    | 3.91    | (72)      |

Exhibit 2

Quarterly and Cumulative Excess Performance



Vendor **MFS Investment Management**  
 Address **111 Huntington Avenue**  
**Boston, MA 02199**

Date Completed: **April 24, 2019**  
 As of March 31, 2019

Category **Non-U.S. Developed Markets Equity Growth**

| <b>TOTAL COMPOSITION OF WORK FORCE</b> |                  |                  |                         |                         |                       |                    |                  |                    |                  |                  |
|--|------------------|------------------|-------------------------|-------------------------|-----------------------|--------------------|------------------|--------------------|------------------|------------------|
| <b>Occupation</b>                      | <b>African</b>   | <b>Hispanic</b>  | <b>Asian or</b>         | <b>American Indian/</b> | <b>Caucasian</b>      | <b>Two or More</b> | <b>Total</b>     | <b>Percent (%)</b> | <b>Gender</b>    |                  |
|  | <b>American</b>  | <b>Full Time</b> | <b>Pacific Islander</b> | <b>Alaskan Native</b>   | <b>(Non Hispanic)</b> | <b>Races</b>       | <b>Employees</b> | <b>Minority</b>    | <b>Male</b>      | <b>Female</b>    |
|  | <b>Full Time</b> | <b>Full Time</b> | <b>Full Time</b>        | <b>Full Time</b>        | <b>Full Time</b>      | <b>Full Time</b>   | <b>Full Time</b> | <b>Full Time</b>   | <b>Full Time</b> | <b>Full Time</b> |
| Officials & Managers                   | 6                | 8                | 24                      | 0                       | 323                   | 3                  | <b>364</b>       | <b>11.26%</b>      | 228              | 136              |
| Professionals                          | 25               | 21               | 109                     | 0                       | 635                   | 9                  | <b>799</b>       | <b>20.53%</b>      | 456              | 343              |
| Technicians                            | 0                | 0                | 0                       | 0                       | 1                     | 0                  | <b>1</b>         | <b>0.00%</b>       | 0                | 0                |
| Sales Workers                          | 3                | 6                | 7                       | 1                       | 262                   | 3                  | <b>282</b>       | <b>7.09%</b>       | 233              | 49               |
| Office/Clerical                        | 16               | 6                | 14                      | 0                       | 99                    | 3                  | <b>138</b>       | <b>28.26%</b>      | 64               | 74               |
| Semi-Skilled                           | 0                | 0                | 0                       | 0                       | 0                     | 0                  | <b>0</b>         | <b>0.00%</b>       | 0                | 0                |
| Unskilled                              | 0                | 0                | 0                       | 0                       | 0                     | 0                  | <b>0</b>         | <b>0.00%</b>       | 0                | 0                |
| Service Workers                        | 0                | 0                | 0                       | 0                       | 0                     | 0                  | <b>0</b>         | <b>0.00%</b>       | 0                | 0                |
| Other                                  | 0                | 0                | 0                       | 0                       | 0                     | 0                  | <b>0</b>         | <b>0.00%</b>       | 0                | 0                |
| <b>Total</b>                           | <b>50</b>        | <b>41</b>        | <b>154</b>              | <b>1</b>                | <b>1,320</b>          | <b>18</b>          | <b>1,584</b>     | <b>15.53%</b>      | <b>981</b>       | <b>602</b>       |

\* Please note that the legal and regulatory privacy requirements vary by region therefore this data is reflective of the MFS employees in the U.S. only (minus 35 employees who declined to identify their race).

CONTRACT RENEWAL  
MFS INSTITUTIONAL ADVISORS, INC.  
ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH  
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS current three-year contract with MFS Institutional Advisors, Inc. (MFS) for active non-U.S. equities developed markets growth portfolio management expires on September 30, 2019; and,

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

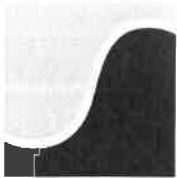
WHEREAS, a contract renewal with MFS will allow the fund to maintain a diversified exposure to the non-U.S. equities developed markets; and,

WHEREAS, on June 11, 2019 the Board approved the Investment Committee's recommendation for a three-year contract renewal with MFS; and,

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

|   |   |
|---|---|
| <u>Company Name:</u>                        | MFS Institutional Advisors, Inc.  |
| <u>Service Provided:</u>                    | Active Non-U.S. Equities Developed Markets<br>Growth Portfolio Management |
| <u>Effective Dates:</u>                     | October 1, 2019 through September 30, 2022                                |
| <u>Duration:</u>                            | Three years   |
| <u>Benchmark:</u>                           | MSCI World ex-U.S. Growth Index   |
| <u>Allocation as of<br/>March 31, 2019:</u> | \$594 million   |

June 11, 2019



**Report to Board of Administration**

*Neil M. Guglielmo*

From: Neil M. Guglielmo, General Manager

Agenda of: **JUNE 11, 2019**

ITEM: **VIII-E**

**SUBJECT: INVESTMENT MANAGER CONTRACT WITH AJO, LP REGARDING THE MANAGEMENT OF AN ACTIVE LARGE CAP VALUE EQUITIES PORTFOLIO AND POSSIBLE BOARD ACTION**

Recommendation

That the Board terminate the contract with AJO, LP for management of an active large cap value equities portfolio and redeploy the assets into the existing passive S&P 500 Index portfolio managed by RhumbLine Advisers Limited Partnership.

Discussion

*Background*

AJO, LP (AJO) has managed an active U.S. large cap value equities portfolio for LACERS since October 2001, and is benchmarked against the Russell 1000 Value Index. AJO uses a quantitative investment strategy that seeks to identify well-managed companies with cash profits, relatively low market valuations, positive price and earnings momentum, and favorable market sentiment. AJO also emphasizes efficient trading to minimize transaction costs. The portfolio management team consists of seven portfolio managers, including Ted Aronson, a founding principal of AJO. LACERS' portfolio was valued at \$183 million as of April 30, 2019.

AJO has been "On-Watch" for performance since June 30, 2016, pursuant to the LACERS Manager Monitoring Policy (Policy). On August 22, 2017, the LACERS Board approved a one-year extension to AJO's contract following an extension of the watch period by staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, due to AJO's improved performance. The strategy continued progressing toward compliance with the Policy over the following year. The watch period was extended another year and the Board approved a second one-year extension to AJO's contract on September 25, 2018. The current contract extension expires on October 31, 2019. As detailed in the Performance section of this report, AJO's overall relative performance has not improved through the approximate three-year watch period and continues to breach Policy criteria.

*Organization*

AJO is 100% employee-owned, has 67 employees, and is headquartered in Philadelphia with a satellite office in Boston. As of April 30, 2019, AJO managed approximately \$21 billion in total assets with \$12 billion in the U.S. large cap value equities strategy.

### Due Diligence

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

### Performance

In July 2016 (approximately three years ago), AJO was placed "On Watch" for an initial one-year period due to a breach of the following Policy criteria based on performance as of June 30, 2016:

1. Annualized net underperformance versus the benchmark over the trailing 5-year period.
2. Moving average net Information Ratio less than 0.20 over the trailing 5-year period.

Subsequently, AJO was granted two one-year extensions to its contract and watch period due to improving performance. As of April 30, 2019, the strategy continues to underperform its benchmark, net of fees, for all time periods except the since inception period as presented in the table below. AJO continues to breach the two Policy criteria.

| Annualized Performance as of 4/30/19 (Net-of-Fees) |         |        |        |        |        |        |        |         |                              |
|--|---------|--------|--------|--------|--------|--------|--------|---------|------------------------------|
|  | 3-Month | 1-Year | 2-Year | 3-Year | 4-Year | 5-Year | 7-Year | 10-Year | Since Inception <sup>^</sup> |
| AJO  | 5.59    | 2.77   | 7.29   | 9.77   | 5.75   | 6.51   | 10.73  | 13.00   | 8.17                         |
| Russell 1000 Value Index                           | 7.53    | 9.06   | 8.28   | 10.97  | 7.21   | 8.27   | 11.86  | 13.76   | 7.97                         |
| % of Excess Return                                 | -1.94%  | -6.29% | -0.99% | -1.20% | -1.46% | -1.76% | -1.13% | -0.76%  | 0.20%                        |

<sup>^</sup>Inception Date: 10/31/01

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

| Calendar Year Performance as of 4/30/19 (Net-of-Fees) |          |        |       |       |        |        |       |       |       |       |        |
|---|----------|--------|-------|-------|--------|--------|-------|-------|-------|-------|--------|
|   | YTD 2019 | 2018   | 2017  | 2016  | 2015   | 2014   | 2013  | 2012  | 2011  | 2010  | 2009   |
| AJO   | 14.29    | -11.74 | 16.22 | 9.68  | 0.00   | 9.06   | 38.25 | 17.62 | 2.61  | 15.74 | 15.20  |
| Russell 1000 Value Index                              | 15.90    | -8.27  | 13.66 | 17.34 | -3.83  | 13.45  | 32.53 | 17.51 | 0.39  | 15.51 | 19.69  |
| % of Excess Return                                    | -1.61%   | -3.47% | 2.56% | 7.66% | -3.83% | -4.39% | 5.72% | 0.11% | 2.22% | 0.23% | -4.49% |

In light of AJO's continued underperformance, staff and NEPC recommend termination of the contract and redeployment of the assets into the existing passive S&P 500 Index portfolio managed by RhumbLine Advisers Limited Partnership (RhumbLine). The annual fee for RhumbLine's passive strategy would be 0.5 basis points (0.005%), or approximately \$9,150 annually based on the value of LACERS' assets as of April 30, 2019. LACERS currently pays AJO an effective annual fee of 30 basis points (0.30%), or approximately \$549,000 annually.

Further, this proposed redeployment is consistent with a widely accepted view that U.S. large cap equities exposure should be implemented with passive management, as presented in the Active vs. Passive Investment Management education conducted by NEPC on December 11, 2018. The U.S. large cap equities market is highly efficient and competitive, resulting in a lower probability for outperformance by active managers in this market. Currently, the two other U.S. large cap equities strategies within LACERS' portfolio are passively managed.



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

*General Fund Consultant Opinion*

NEPC concurs with this recommendation.

*Strategic Plan Impact Statement*

A contract termination with AJO, LP and reallocation of the assets into a passively managed S&P 500 Index portfolio will allow the fund to maintain a diversified exposure to the U.S. large cap value equities market, which is expected to help optimize long-term risk adjusted investment returns (Goal IV). The discussion of the investment manager's profile, strategy, performance, and management fee structure are consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

This report was prepared by Barbara Sandoval, Investment Officer II, Investment Division.

RJ:BF:BS:sg

Attachments:       A) Consultant Recommendation – NEPC, LLC  
                          B) Proposed Resolution



**To:** Los Angeles City Employees' Retirement System Board of Administration  
**From:** NEPC, LLC  
**Date:** June 11, 2019  
**Subject:** AJO Partners – Large Cap Value Equities Contract Extension

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### **Recommendation**

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) terminate the contract that is currently in place with AJO Partners Ltd. ('AJO'). AJO has been on 'watch' since July 25, 2016 pursuant to the LACERS' Manager Monitoring Policy due to performance. Secondly, NEPC recommends simplifying the U.S. Equity program by moving the proceeds from AJO into a passively managed S&P 500 Index portfolio.

### **Background**

AJO has been an active equity manager for LACERS since October 31, 2001. As of April 30, 2019 AJO managed \$183.6 million, or 1.0% of Plan assets. The performance objective is to exceed the Russell 1000 Value Index, net of fees, by 2.0% over full market cycles; this objective has not been met over the trailing one-, three-, five- and 10-year trailing periods ended April 30, 2019. Additionally, the portfolio has trailed the benchmark for all time periods measured over the past ten years. AJO has been on 'watch' pursuant to LACERS Manager Monitoring Policy since June 25, 2016 for underperforming the benchmark in the five-year trailing return as well as having a negative five-year information ratio. NEPC does recognize that value-oriented strategies have underperformed the broader equity market significantly over that past 10 years, however, AJO's benchmark accounts for this by comparing portfolio investment returns to the Russell 1000 Value Index.

The firm is 100% employee-owned, with the founder Ted Aronson remaining an active owner and investment team member. Over the past ten years, Mr. Aronson has transitioned approximately 55% of the ownership of the firm to other active employees. In the past five years, there have been two Principal level departures from the team responsible for managing the portfolio, however, the two departures were un-related and we believe they have not negatively impacted the firm's resources or the investment process. The key individuals managing the product have been with AJO for at least 15 years with a significant portion being owners in the firm. The firm's business continuity plan and key-person risk planning appears to include a cogent succession plan for its founder.

The firm manages approximately \$21.5 billion on behalf of over 100 clients with approximately 67 employees; 57 individuals are located in Philadelphia and 10 are located in Boston. The firm's key client relationship types include public pension (37%), corporate/ERISA (28%), and pooled sub-advised mutual fund clients (25%) making up 90% of total AUM.



The philosophy and process employed to construct the portfolio has been consistently applied. AJO's stock selection process focuses on identifying companies with consistent earnings and free-cash-flow characteristics trading at attractive valuations based on price/book, price/sales and price/earnings criteria along with positive momentum and sentiment characteristics. The product's portfolio construction is designed to be sector-neutral to the benchmark weightings, but the product will maintain over- and under-weightings to industry categories that are driven by bottom-up stock selection.

### **Performance**

AJO has managed the portfolio for LACERS beginning in October of 2001. Since inception, the AJO portfolio has outperformed the Russell 1000 Value Index by 0.20%, net of fees, through March 31, 2019. In the five-year period ended March 31, 2019, the portfolio underperformed the index by 2.00% (5.72% vs. 7.72%), ranking in the 83<sup>rd</sup> percentile in the eVestment Large Cap Value Equity peer group of investment managers (please refer to Exhibit 1). The portfolio has an information ratio of -0.55 over the past five years. It is worth noting, that the five-year information ratio most recently turned negative in 2016 and recovered to near positive territory in the fourth quarter of 2017 and second quarter of 2018 (refer to Exhibit 2). Active risk, as measured by five-year tracking error versus the index since inception has been 3.52% oscillating between 2% and 4% on a rolling five-year basis over since inception.

In the last half of 2018 and through the first quarter of 2019, the portfolio experienced relatively large quarterly drawdowns when compared to the benchmark in addition to the first half of 2016 when the portfolio underperformed the Russell 1000 Value Index by 10.4% (-4.1% vs. 6.3%). During these time periods the market favored lower volatility stocks while ignoring valuation, momentum and other key factors that have historically generated excess return in security selection for AJO.

In the one year ended March 31, 2019 the portfolio underperformed the benchmark by 5.84% (-0.17% vs. 5.67%) and ranked in the 83<sup>rd</sup> percentile in its peer group. Ended April 30, 2019, the portfolio underperformed its benchmark by 6.29% (2.77% vs. 9.06%). Referring to Exhibit 3, on a cumulative basis the portfolio has added value quarterly since inception against its benchmark. Meaning, investment gains from periods of outperformance have not been eroded into negative territory by periods of strong underperformance on a cumulative basis relative to the benchmark since 2001.

It is worth noting that while AJO's benchmark agnostic approach can result in short-term periods of high volatility, it is this ability to be less constrained to a benchmark that served as part of the investment thesis for inclusion in the equity program. However, as the program has evolved and underperformance has persisted since June 2016, we believe that reorganizing the U.S. Equity allocation, and in particular, the Plan's large capitalization exposure to being primarily passively managed to an index makes strategic sense. This change may allow staff to focus their efforts on other parts of the portfolio that we have more conviction in from an active management perspective.

With respect to investment management fees, when compared to other large cap value managers at the same asset level, eVestment U.S. Large Cap Value, AJO falls between the



4<sup>th</sup> and 5<sup>th</sup> percentile, or in other words, 95% of the universe charges higher investment management fees.

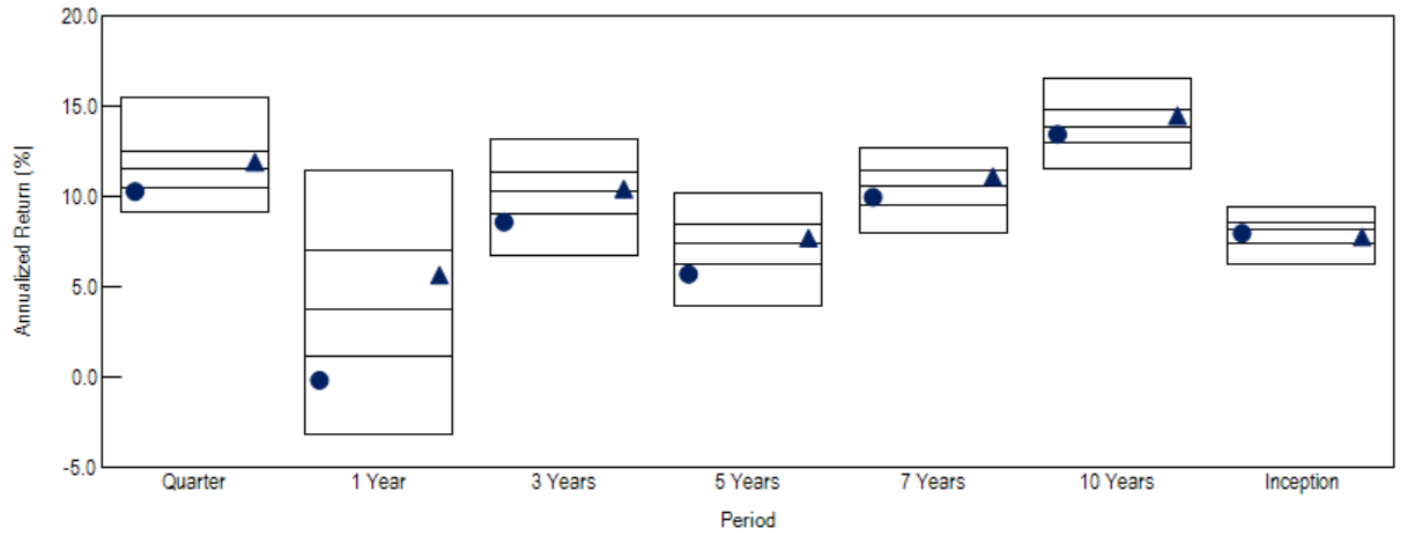
### **Conclusion**

AJO has struggled to outperform the index over long periods of time including the trailing one, three, five and 10 years ended April 30, 2019. Their consistent, repeatable investment process and quantitative benchmark agnostic strategy has led to modest positive cumulative performance since inception, however, we believe the persistent underperformance over the past decade has led us to question the role of active large capitalization value asset management within the U.S. Equity asset class. We believe that the Plan may be better served in focusing its efforts on higher conviction areas of the U.S. Equity program and that assets from AJO can be moved to passively managed index portfolio management.

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

Exhibit 1

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



|                            | Return (Rank) |       |        |       |         |       |         |      |         |      |          |      |           |      |
|----------------------------|---------------|-------|--------|-------|---------|-------|---------|------|---------|------|----------|------|-----------|------|
|                            | Quarter       |       | 1 Year |       | 3 Years |       | 5 Years |      | 7 Years |      | 10 Years |      | Inception |      |
| 5th Percentile             | 15.52         | 11.50 | 13.17  | 10.23 | 12.74   | 16.60 | 9.49    |      |         |      |          |      |           |      |
| 25th Percentile            | 12.56         | 7.01  | 11.39  | 8.47  | 11.50   | 14.82 | 8.55    |      |         |      |          |      |           |      |
| Median                     | 11.53         | 3.73  | 10.34  | 7.40  | 10.61   | 13.91 | 8.19    |      |         |      |          |      |           |      |
| 75th Percentile            | 10.52         | 1.11  | 9.03   | 6.28  | 9.54    | 12.98 | 7.44    |      |         |      |          |      |           |      |
| 95th Percentile            | 9.20          | -3.13 | 6.77   | 3.95  | 8.03    | 11.54 | 6.25    |      |         |      |          |      |           |      |
| # of Portfolios            | 244           |       | 239    |       | 235     |       | 226     |      | 203     |      | 183      |      | 88        |      |
| ● Aronson, Johnson & Ortiz | 10.31         | (79)  | -0.17  | (83)  | 8.61    | (84)  | 5.72    | (83) | 9.99    | (65) | 13.48    | (66) | 7.99      | (60) |
| ▲ Russell 1000 Value       | 11.93         | (41)  | 5.67   | (31)  | 10.45   | (47)  | 7.72    | (43) | 11.14   | (38) | 14.52    | (36) | 7.79      | (68) |



Exhibit 2

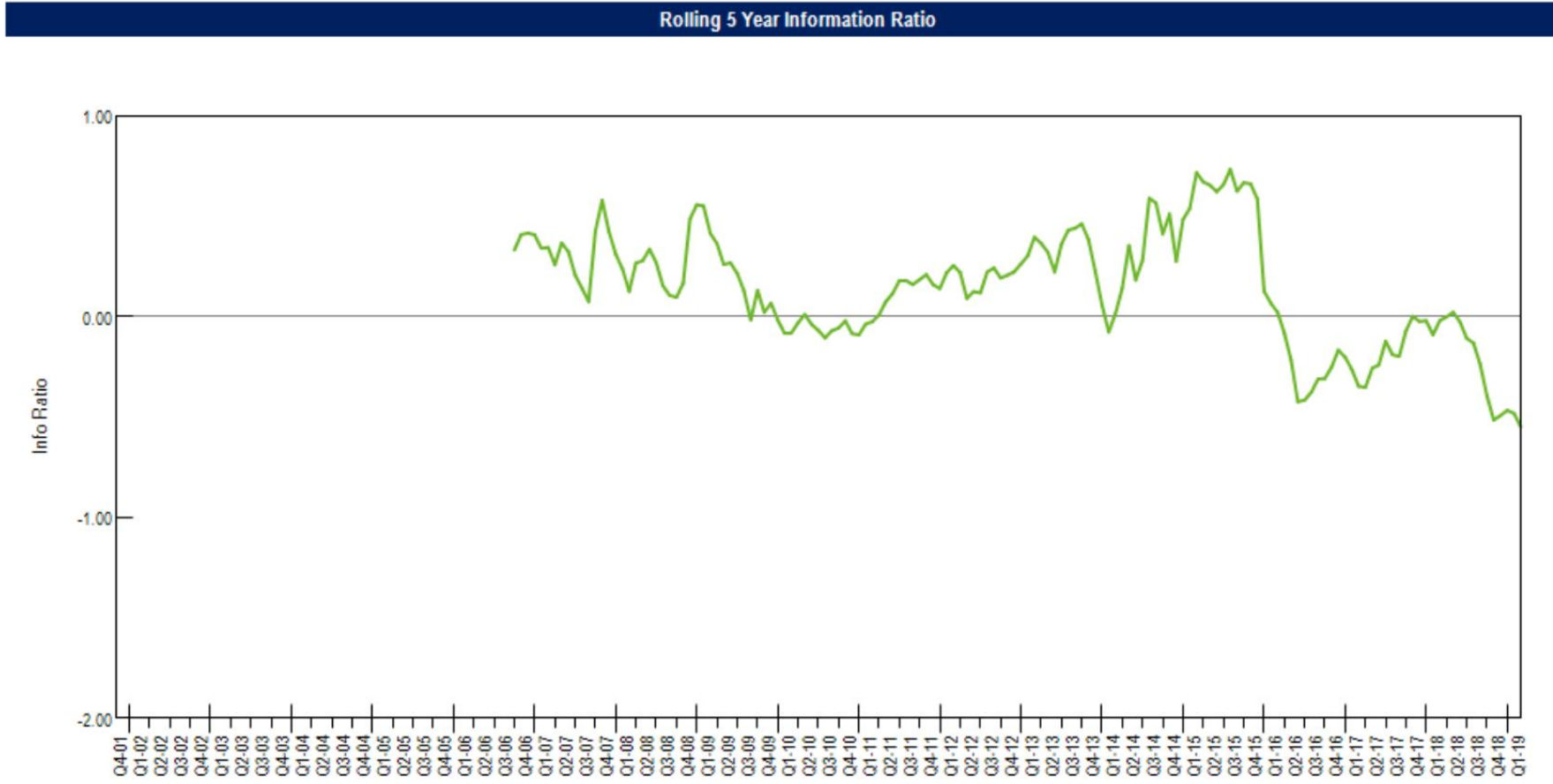
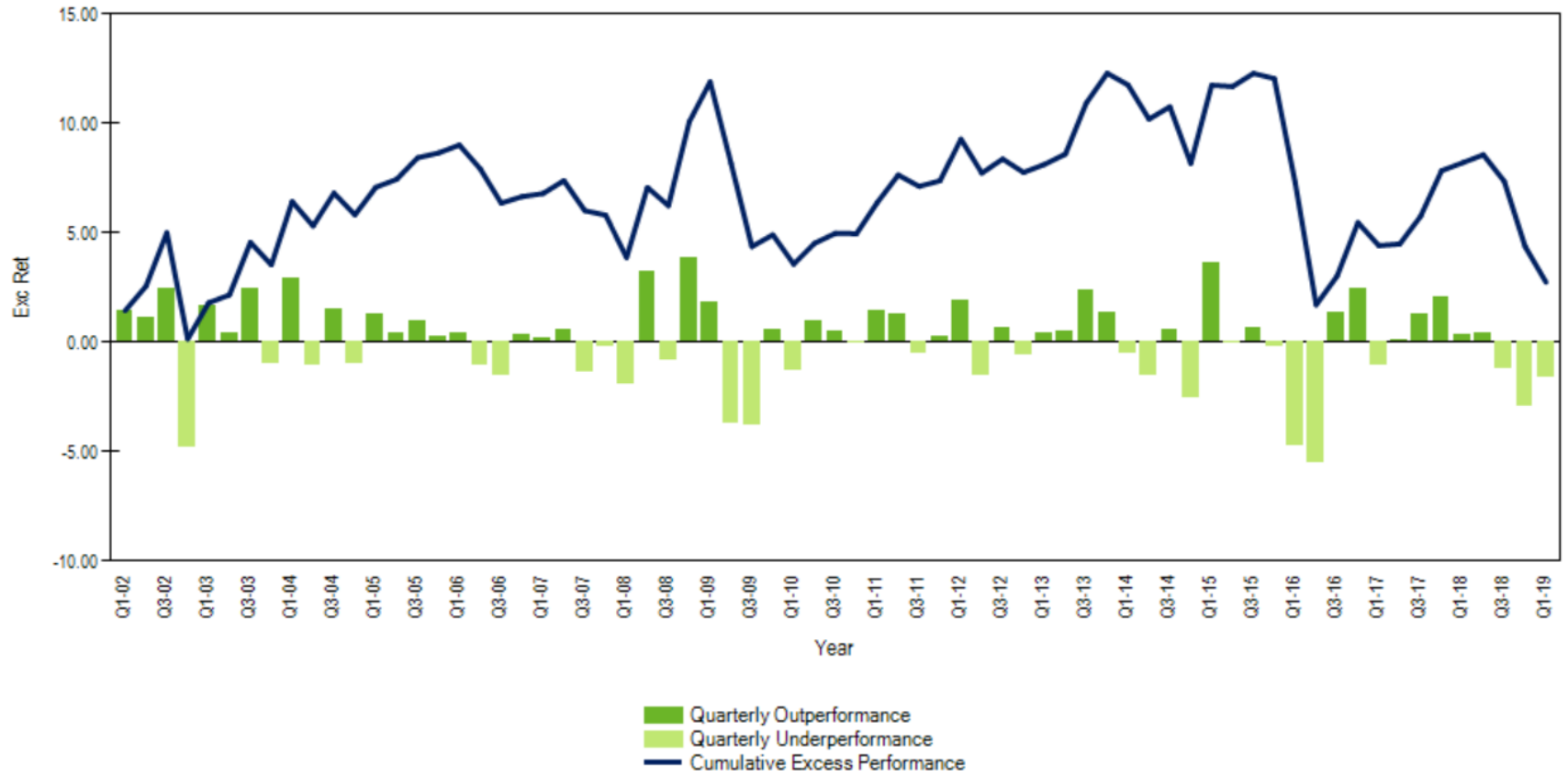


Exhibit 3

Quarterly and Cumulative Excess Performance



CONTRACT TERMINATION  
AJO, LP  
ACTIVE LARGE CAP VALUE EQUITIES  
PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS current one-year contract extension with AJO, LP (AJO) for active large cap value equities portfolio management expires on October 31, 2019; and,

WHEREAS, AJO was placed “On-Watch” in 2016, due to performance as of June 30, 2016, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, AJO demonstrated progress toward compliance with the Policy during the subsequent 2017 and 2018 “On-Watch” periods and the Board approved respective one-year contract extensions on August 22, 2017 and September 25, 2018; and,

WHEREAS, as of April 30, 2019, the strategy continues to underperform the benchmark for all time periods except since inception and breach Policy criteria; and,

WHEREAS, redeployment of the assets managed by AJO into the existing passively managed S&P 500 Index portfolio is consistent with the view that U.S. large cap equities exposure should be implemented with passive management, as presented in the Active vs. Passive Investment Management education conducted by NEPC, LLC, LACERS’ General Fund Consultant, on December 11, 2018;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby initiates the termination of the contract with AJO, LP and directs staff to initiate a withdrawal and redeployment of the assets into the existing passively managed S&P 500 Index portfolio managed by RhumbLine Advisers Limited Partnership.

June 11, 2019