



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING
TUESDAY, AUGUST 22, 2023

TIME: 10:00 A.M.

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

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

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

Disclaimer to Participants

Please be advised that all LACERS Board meetings are recorded.

LACERS Website Address/link:

www.LACERS.org

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

President: Annie Chao
Vice President: Sung Won Sohn

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

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

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

Notice to Paid Representatives

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

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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- III. DISABILITY RETIREMENT APPLICATION(S)
 - A. CONSIDERATION OF DISABILITY RETIREMENT APPLICATION FOR RAUL RODRIGUEZ AND POSSIBLE BOARD ACTION
- IV. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JULY 2023](#)
- V. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE MEETING ON AUGUST 8, 2023
 - B. GOVERNANCE COMMITTEE VERBAL REPORT FOR THE MEETING ON AUGUST 22, 2023
- VI. BOARD/DEPARTMENT ADMINISTRATION
 - A. [FISCAL YEAR-END REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING JUNE 30, 2023](#)
- VII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS
 - B. [APPROVAL OF 3-YEAR CONTRACT WITH WELLINGTON MANAGEMENT COMPANY LLP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE BOARD ACTION](#)
 - C. [MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING REQUEST FOR PROPOSAL AND POSSIBLE BOARD ACTION](#)
 - D. [PRI ACTION PLAN AND ESG RISK FRAMEWORK STATUS AND UPDATES AND POSSIBLE BOARD ACTION](#)

- E. [ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM FOR THE PERIOD ENDING DECEMBER 31, 2022](#)
- F. [NOTIFICATION OF COMMITMENT OF UP TO \\$25 MILLION IN OCEANSOUND PARTNERS FUND II, LP](#)
- G. [NOTIFICATION OF COMMITMENT OF UP TO \\$20 MILLION IN ULU VENTURES FUND IV, L.P.](#)
- H. [NOTIFICATION OF COMMITMENT OF UP TO \\$30 MILLION IN ICG STRATEGIC EQUITY FUND V \(USD\) LP](#)
- I. [NOTIFICATION OF COMMITMENT OF UP TO \\$35 MILLION IN GENSTAR CAPITAL PARTNERS XI, L.P.](#)
- J. [NOTIFICATION OF COMMITMENT OF UP TO \\$25 MILLION IN GENSTAR XI OPPORTUNITIES FUND I, L.P.](#)
- K. [NOTIFICATION OF COMMITMENT OF UP TO \\$5 MILLION IN MAYFIELD SELECT III, A DELAWARE LIMITED PARTNERSHIP](#)
- L. [NOTIFICATION OF COMMITMENT OF UP TO \\$5 MILLION IN MAYFIELD XVII, A DELAWARE LIMITED PARTNERSHIP](#)
- M. [NOTIFICATION OF COMMITMENT OF UP TO \\$40 MILLION IN KPS SPECIAL SITUATIONS FUND VI, LP](#)
- N. [NOTIFICATION OF COMMITMENT OF UP TO \\$20 MILLION IN KPS SPECIAL SITUATIONS MID-CAP FUND II, LP](#)

VIII. OTHER BUSINESS

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

- X. ADJOURNMENT

Agenda of: AUG. 22, 2023

Item No: IV-A

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

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

BOARD MEMBERS:

President Annie Chao
Vice President Sung Won Sohn

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

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
	NOTHING TO REPORT		



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

MEETING: AUGUST 22, 2023
ITEM: VI – A

SUBJECT: FISCAL YEAR-END REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING JUNE 30, 2023

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this report.

Executive Summary

The LACERS Strategic Plan is achieved through various Board sponsored initiatives that move the organization toward established strategic goals. Highlights of the annual achievements under each goal are provided within this report and the attached Business Plan Initiative (BPI) report details the year-end status of nine initiatives adopted into the Business Plan for Fiscal Year 2022-23 (FY23). Four BPIs from FY23 will continue into Fiscal Year 2023-24 (FY24), five initiatives are ongoing but will not continue as BPIs while one new BPI is added: City Human Resources and Payroll (HRP) System Implementation.

Business Plan Initiatives	
FY23	FY24
<ul style="list-style-type: none"> • Governance – continuing in FY24 • Member Service Modernization – *ongoing • Headquarters Move – *ongoing • Workforce Diversity, Equity, and Inclusion (DEI) – continuing in FY24 • Environmental, Social, and Governance (ESG) Investing – continuing in FY24 • Knowledge Transfer – *ongoing • Language Access Plan – continuing in FY24 • Member Service Metrics – *ongoing • Diversity in Hiring – *ongoing 	<ul style="list-style-type: none"> • Governance • Workforce Diversity, Equity, and Inclusion (DEI) • Environmental, Social, and Governance (ESG) Investing • Language Access Plan • City Human Resources and Payroll (HRP) System Implementation

**Ongoing but not continuing as a BPI in FY24*

Discussion

LACERS FY23 BPIs and accomplishments, along with introduction of the FY24 BPIs, are all discussed herein.

Business Plan Initiatives and Achievements for FY23

LACERS has demonstrated significant progress and success outlined in the FY23 BPI dashboards and summarized below.

Governance

LACERS successfully held a virtual Pension Symposium in February 2023. A survey was conducted after the symposium, with many attendees responding positively to the symposium topics. The Board Governance Consulting Services RFQ concluded with the Board's approval of three firms for the Board Governance Consulting Services bench list. The first anticipated engagement in FY24 for board governance consulting services is for strategic planning services. The Triennial Board Policy review continues to progress according to the timeline.

Member Service Modernization

LACERS launched a Retirement Application Portal (RAP) Phase 2 and Amazon Connect for the purpose of including enhancements to create a better experience for staff and Members at the outset of the pandemic. Improvements and opportunities for expansion of each were identified for implementation this past year. RAP enhancement testing was completed and implemented in the production environment on July 25, 2023. Although met with delays, the Amazon Connect expansion has begun with an anticipated completion date in August 2023.

Headquarters Move

LACERS has successfully transitioned into the new building in March of 2023. While many milestones have been achieved in furnishing and outfitting the building for occupancy, LACERS is focused on the remaining tenant improvement areas such as strengthening building security access, improving the air conditioning system, completing building inspections, and obtaining final permits.

Workforce Diversity Equity, and Inclusion

Aligning with our strategic goal in recruiting, mentoring, and promoting a high-performing workforce, LACERS initiated efforts to implement Diversity, Equity, and Inclusion (DEI) strategies. LACERS partnered with the Experience Institute for Fellowship Consulting Services to develop a LACERS Fellowship program that will guide discovery on frameworks for professional success at LACERS. The project launched with its first cohort of management staff in August continuing into FY24.

Environmental, Social, and Governance Investing

In 2022, the Board approved LACERS' Responsible Investment Policy, designed to align with the broader mission and goals of the Principles for Responsible Investment (PRI) organization and support the six PRI principles. LACERS' ongoing efforts to engage with the Emerging Manager community resulted in two successful Emerging Manager events: Fall 2022 Emerging Manager Symposium and Spring 2023 Emerging Manager Networking Forum. The ESG initiative continues to make significant

strides by evaluating and monitoring the implementation of LACERS ESG Programs, such as developing LACERS ESG Risk Framework and contributing to PRI DEI due diligence questionnaires.

Knowledge Transfer

A two-phased training program was developed to facilitate the knowledge transfer from outgoing senior staff to incoming senior staff to ensure business continuity. In FY23, Retirement Services Division completed 12 training sessions and the Health, Wellness, and Buyback Division completed 25 training sessions. This initiative will continue as an ongoing effort but will not move forward as a BPI for FY24.

Member Services Metrics

LACERS sought to amend the Member Service Agreement (MSA) with defined metrics that would allow real-time tracking of service level delivery to Members. An array of metrics were identified, with two items of the MSA being proposed for adjustment to reflect changes in LACERS operations. This initiative is largely completed, pending Executive review and adoption.

Language Access Plan

Prompted by Executive Directive 32, LACERS created the Language Access Plan initiative to expand Members' access to information by procuring translation and interpretation services. LACERS Language Access Plan has been developed for implementing these services and is currently pending review by the Office of Immigrant Affairs/Community Investment for Families Division (CIFD).

Diversity In Hiring

In efforts to diversify Investment hiring in the City, LACERS is leading the creation of an Investment Associate class in the Bridge to Jobs Program. The initial draft of the class description was created in collaboration with other Pension Peers as part of the engagement process and will be submitted to LACERS Human Resources Unit and the Personnel Department for further review. This initiative continues to be an ongoing effort.

The year-end report on the nine Business Plan Initiatives for FY23 is attached.

Other LACERS Goals Accomplishments

Highlights of other department accomplishments toward LACERS Strategic Goals include:

Outstanding Customer Service

- Increased Member education seminars and engagement sessions by 23%.
- Resumption of Department Personnel Director webinars and in-person meetings with Members.
- Launched new webinars for Legal Processing Unit and Disability.
- The Member Service Center (MSC) established benchmarks, tracked Member data, monitored trends, created phone prompts on the 800-phone line, and utilized artificial intelligence to ensure effective communication and service.

Accurate and Timely Delivery of Benefits

- Service Processing Section (SPS) maintained aging cases at zero and wait time to 5 months.

- Retirement Services Division counseled close to 300 members from six elected offices (five Council districts and the Mayor’s Office), and provided individual counseling to the Mayor, the City Attorney, and the Controller.

Value Health and Wellness Benefits

- Health Enrollment processed 8,000+ enrollment transactions.
- Health Premium Savings:
 - Assumed Actuarial Medical Trend Rate (AAMTR) at 7.5% versus LACERS at 0.92% for 2023.
- Switching the Delta Dental PPO from a fully-insured plan to a self-fund plan in 2019 has resulted in LACERS retaining approximately \$4.6 million in surplus premiums through 2022.
 - Projected 2023 savings of \$460K from self-insured Delta Dental PPO Plan.
 - Projected 2023 savings of \$83K from self-insured Anthem Blue View Vision.
- Wellness received 2,831 program participants with 92% surveyed indicating “Very Satisfied”.
- Health Enrollment and Advocacy units coordinated the creation of a counseling checklist for efficiency in counseling sessions and enrollment document gathering.

Superior Investments

- Held a LACERS Emerging Manager Networking Forum in June 2023.
- Hosted one Emerging Investment Manager Symposium in the Fall of 2022, providing an opportunity for emerging managers to meet with Board and staff to discuss the LACERS Emerging Investment Program.

Good Governance

- Completed the Health Insurance Portability and Accountability Act (HIPAA) regulatory compliance review.

Organizational Effectiveness, Efficiency, and Resiliency

- Completion of HQ Building Project with staff officially moved in on March 6, 2023.
- Finalized the work related to the termination of LACERS' lease agreement with Onni.
- Continued technical cybersecurity assessments on LACERS applications and systems.
- Initiated transition to a cloud-based Central Repository.

High-Performing Workforce

- Deployment of new LACERS intranet.
- Hired 2 employees from the Targeted Local Hire Program and 2 employees from Bridge to Job Program this year for a total of 23 and 8 respectively since program inception.

Business Plan Initiatives for FY24

In the current fiscal year (FY24), five major initiatives are established, and work has started on each as further described below.

Governance

This is a continuing initiative from FY23 to affirm LACERS mission, values, and goals are aligned. LACERS plans to secure a consultant for strategic planning facilitation in the Fall of 2023. The Board Policy review will continue into FY24 with the focus on the implementation of new policies.

Workplace Diversity, Equity, Inclusion (DEI)

LACERS expands on the DEI initiative to foster employee development, promote equity in opportunity, and strengthen cross-divisional relationships in the workplace. With the fellowship program launched in FY23, LACERS seeks to incorporate newfound knowledge into the new learning management system in FY24.

Environmental, Social, and Governance Investing

LACERS continues to evaluate its ESG Program in accordance with its Responsible Investment Policy and the ESG Risk Framework and PRI Action Plan, which are strategic and operational roadmaps based on the six Principles of Responsible Investment. FY24 priorities continue to focus on LACERS ESG-related matters and LACERS DEI initiatives.

Language Access Plan

LACERS continues to improve the Member experience by expanding accessibility to benefits-related information to LACERS Members, including those that are not fluent in English. The second year of this initiative seeks to implement necessary translation and interpretation tasks for Board meetings, summary plan descriptions, and the reception kiosk.

City Human Resources and Payroll (HRP) System Implementation

The HRP system Phase 1, which consisted of its Human Resources operations, went live in May 2022. Phase 2 consists of payroll operations, making it LACERS utmost priority that all HRP functionalities are performing as expected. The expected implementation is December 2023.

A semi-annual report on the progress of these BPIs will be provided in January/February 2024.

Strategic Plan Impact Statement

The BPI Program seeks to enhance the Strategic Plan Goal of greater organizational effectiveness, efficiency, and resiliency.

Prepared By: Chhintana Kurimoto, Management Analyst

NMG/TB/EA/LL/CK

Attachment: Fiscal Year-End Report of Business Plan Initiatives for the period ending June 30, 2023

FY2023 Business Plan Initiatives

*Fiscal Year-End Report of Business Plan Initiatives
for the Period Ending June 30, 2023*



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LACERS Goals

- **Customer Service** - To provide outstanding customer service
- **Benefits Delivery** - To deliver accurate and timely Member benefits
- **Health and Wellness** - Improve value and minimize costs of Members' health and wellness benefits
- **Investment** - To optimize long-term risk adjusted returns through superior investments
- **Governance** - To uphold good governance practices which affirm transparency, accountability, and fiduciary duty
- **Organization** - To increase organizational effectiveness, efficiency, and resiliency
- **Workforce** - To recruit, retain, mentor, empower, and promote a high-performing workforce



Executive Summary Dashboard

 Completed
 On-Track

 Off-Track
 Need Intervention

	INITIATIVES	GOALS	STATUS	EXECUTIVE SPONSORS	INITIATIVE LEADS
1	Governance	Governance		Todd Bouey	Edwin Avanesian & John Koontz
2	Member Service Modernization	Customer Service, Benefits Delivery, & Organization		Dale Wong-Nguyen	Tiffany Obembe, Gabriel J. Perez, & Heather Ramirez
3	Headquarters Move	Customer Service, Benefits Delivery, & Organization		Todd Bouey	Isaias Cantu & Horacio Arroyo
4	Workforce Diversity, Equity, and Inclusion	Organization & Workforce		Neil Guglielmo	Vikram Jadhav
5	Environmental, Social, and Governance Investing	Governance & Investment		Rod June	James Wang
6	Knowledge Transfer	Customer Service, Benefits Delivery, Organization, & Workforce		Dale Wong-Nguyen	Ferralyn Sneed, Delia Hernandez, Audrey Dymally, & Stephanie Smith
7	Language Access Plan	Customer Service, Benefits Delivery, Governance, & Organization		Neil Guglielmo	Taneda Larios
8	Member Service Metrics	Customer Service & Organization		Neil Guglielmo, Todd Bouey, & Dale Wong-Nguyen	Taneda K. Larios & Vikram Jadhav
9	Diversity in Hiring	Workforce		Neil Guglielmo & Rod June	Clark Hoover & Vikram Jadhav

INITIATIVE: GOVERNANCE

DIVISION(S)/SECTION: ADMINISTRATION / PROJECT MANAGEMENT OFFICE / MEMBER SERVICES

STRATEGIC GOAL(S): GOVERNANCE

STATUS: ON-TRACK

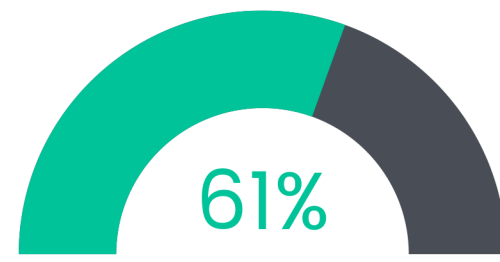
REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): EDWIN AVANESSIAN, JOHN KOONTZ

TEAM: CHHINTANA KURIMOTO, LISA LI, KHIA MOORE, NATHAN HERKELRATH, GABRIEL PEREZ, TIFFANY OBEMBE, HEATHER RAMIREZ, AND TANEDA K. LARIOS

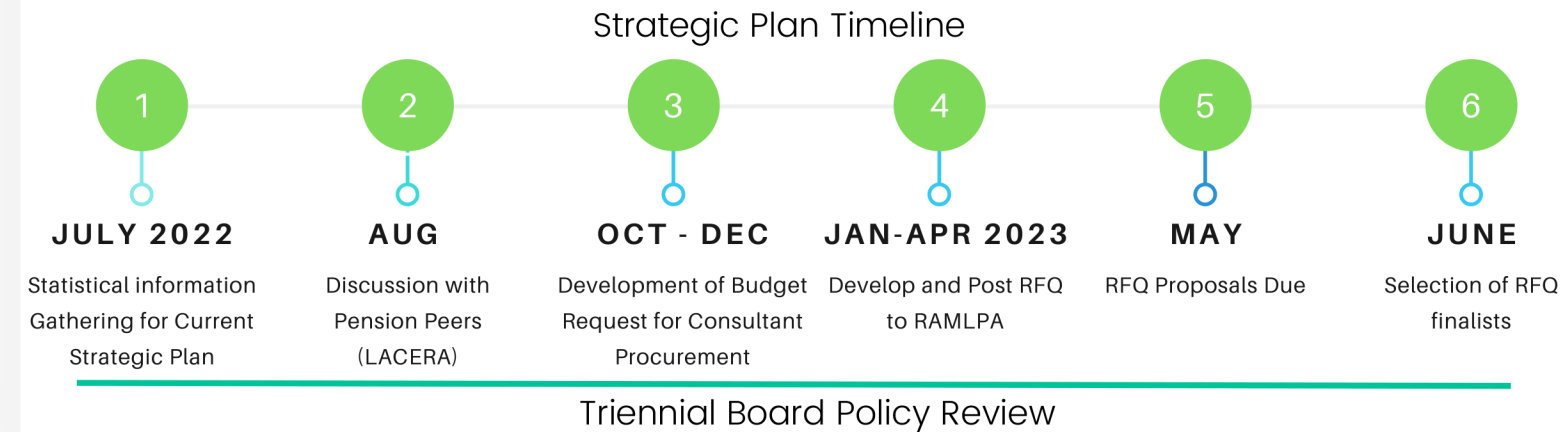
INITIATIVE PURPOSE: SET THE COURSE FOR RISK MANAGEMENT AND STRATEGIC VISION FOR THE NEXT 3 TO 5 YEARS.

BUDGET

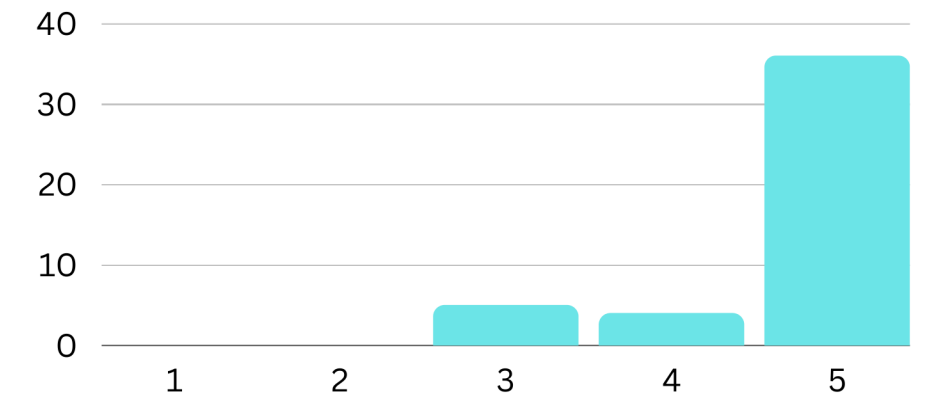


Appropriation	\$40,000
Expense:	\$15,500
Unspent:	\$24,500

KEY METRICS



- Pension Symposium**
- Based on 51 survey responses received after the Pension Symposium.
 - 22% of Retired Members enjoyed The Future of Medicare presentation the most, followed by Pension Administration and Asset Allocation at 15%.
 - 26% of Active Members enjoyed the Retirement Experience presentation the most, followed by Focus on Member Experience at 22%.
 - Members rated an average of 4.6/5 for the Pension Symposium.

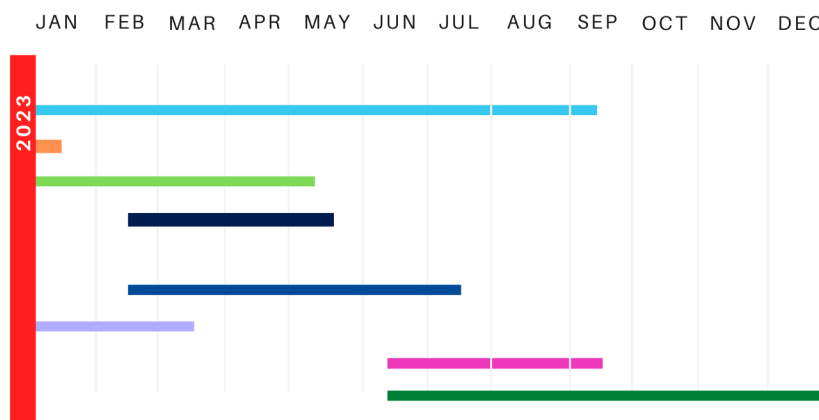


AREAS OF IMPROVEMENT

Improvement Area	Progress
Organization	Schedule has been created to list key deadlines for each task.
Flexibility	Increased flexibility towards meeting and reporting frequencies.
Quality of Work	Routine reviews of each major task to ensure that work is completed accurately and aligning with LACERS' mission.

BOARD GOVERNANCE STATEMENT

- 1.0 Governance Principles
 - 2.0 Governing Statutes
 - 3.0 Duties and Responsibilities
 - 4.0 Board Procedures
- BOARD ADMIN POLICIES**
- 1.0 Guidance for Board Members
 - 2.0 Contract Administration
 - 5.0 Other
 - 6.0 New Policies



MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Strategic Plan	2019 Strategic Plan Stats Gathered	Submission of Strategic Plan Budget Package	Development of RFQ	RFQ Posted to RAMPLA and selected RFQ finalists
Symposium	Tentative Agenda Created	Speakers Secured	Host Symposium	N/A
Triennial Board Policy Review	Perform Internal Policy Review	Initiate Policy Review Process with Board	Continue Policy Review Process with the Board	Continue Policy Review Process with the Board

INITIATIVE: GOVERNANCE

DIVISION(S)/SECTION: ADMINISTRATION / PROJECT MANAGEMENT OFFICE / MEMBER SERVICES

STRATEGIC GOAL(S): GOVERNANCE

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): EDWIN AVANESSIAN, JOHN KOONTZ

TEAM: CHHINTANA KURIMOTO, LISA LI, KHIA MOORE, NATHAN HERKELRATH, GABRIEL PEREZ, TIFFANY OBEMBE, HEATHER RAMIREZ, AND TANEDA K. LARIOS

INITIATIVE PURPOSE: SET THE COURSE FOR RISK MANAGEMENT AND STRATEGIC VISION FOR THE NEXT 3 TO 5 YEARS

PROGRESS

Strategic Plan

LACERS has established a bench list of qualified firms to provide Board Governance Consulting Services and is currently in the process of securing and finalizing the contracts. The first engagement of services will be the facilitation of the strategic planning process.

Pension Symposium

LACERS successfully held a virtual Pension Symposium on February 22, 2023 educating our Members on topics related to the national perspective of public pensions, risks to public pension funds, aspects of investments, retirement, and what's happening at LACERS.

Triennial Board Policy Review

LACERS presented the Board with a plan and timeline for performing the triennial review of the Board Policy. The plan and timeline were adopted by the Board on November 8, 2022. Since, progress on the Triennial Board Policy Review has remained on schedule including Board review of Sections 2.0. Work on the review is scheduled to continue until September of 2024.

CHALLENGES

Strategic Plan

As there are three firms on the bench list, the contract onboarding process will take up a certain amount of time to ensure contract compliance before LACERS can engage in board governance consulting services.

CHALLENGES CONTINUED

Pension Symposium

In preparation of anticipated questions during the Pension Symposium, LACERS staff prepared advance responses to potential questions. For questions that required additional follow-up, staff posted the list of all questions and responses on the LACERS website. Although the Pension Symposium was successful, there were challenges in securing backup presenters as one of the scheduled presenters were unable to attend due to unforeseen circumstances.

Triennial Board Policy Review

As the review continues, the principal challenge LACERS can anticipate would involve extended discussion of a specific topic that might delay the timeline. Although prolonged discussions may extend the timeline, the product of these discussions are in the long-term policy interests of the Board and LACERS.

NEXT STEPS

Strategic Plan

The Fiscal Year 2023-24 budget package was approved for \$150K, Admin team will move forward to develop a Task Order Solicitation (TOS) that will fully meet LACERS' requirements for a strategic plan. Staff will also continue to compile any past information that LACERS had conducted for the development of the 2019 strategic plan, so there may be a point of reference that the consultant can start off with when working with staff. LACERS secured a bench of qualified consultants for Board Governance Consulting Services and it is anticipated that a TOS for Strategic Planning services will be released in August FY24.

Pension Symposium

The Pension Symposium held virtually on February 22, 2023, had 394 total attendees. 51 attendees responded to a survey on their experience with the Symposium. Between a rating from 1 to 5, with 5 being best, satisfaction with the symposium averaged 4.6 with an average of 4.5 satisfaction rate for the presentations. Highly rated presentations included "Retirement Experience" from Active employees' responses and "The Future of Medicare" from Retired employees' responses. LACERS will take in consideration of these survey results when planning for the next Pension Symposium.

Triennial Board Policy Review

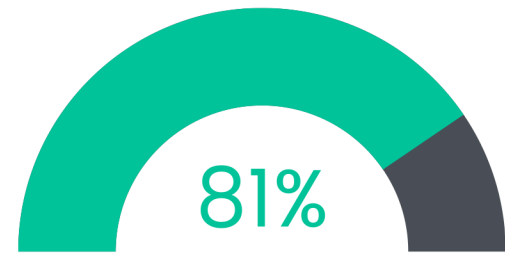
The Board's Policy Review is scheduled to continue over the course of two fiscal years including FY23 and FY24. Future reviews include Sections 1, 2, and 5 of the Board Administration Policies (BAP), before advancing into the development of new policies to be added to the Board Governance Manual.

INITIATIVE: MEMBER SERVICE MODERNIZATION
DIVISION(S)/SECTION: COMMUNICATIONS & STAKEHOLDER RELATIONS DIVISION
STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, & ORGANIZATION

STATUS: OFF-TRACK
REPORT MONTHS: JULY 2022 - JUNE 2023
LEAD(S): TIFFANY OBEMBE, GABRIEL J PEREZ, AND HEATHER RAMIREZ
TEAM: JENNIFER ROMERO, GINA HENDERSON, SANDRA JAMES, NATHAN HERKELRATH, CARLOS JOVEL JR., KHIA MOORE

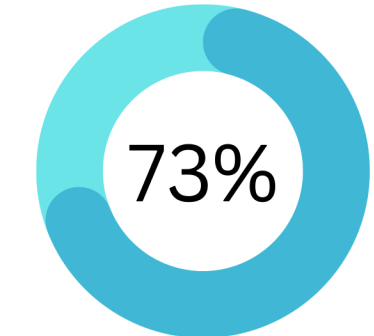
INITIATIVE PURPOSE: THE RETIREMENT APPLICATION PORTAL (RAP) WILL PROVIDE MORE EFFICIENCY FOR OUR STAFF, AND A BETTER USER EXPERIENCE FOR MEMBERS. AMAZON CONNECT ACROSS THE DEPARTMENT WILL ALLOW US TO PROVIDE BETTER CUSTOMER SERVICE THROUGH THE TOOLS BUILT IN.

BUDGET



Appropriation	\$75,000
Expense:	\$61,042
Unspent:	\$13,958

KEY METRICS



73%
OF ELIGIBLE USERS RETIRED THROUGH RAP IN FY 22/23

AREAS OF IMPROVEMENT

Improvement Area	Progress
Amazon Connect	
Coordination	Due to competing priorities, coordination and support posed challenges to implementation in early 2023. Therefore, began implementation in July 2023 and implementation will be completed in August 2023.
Implementation	Additional testing was conducted in June and July 2023 to ensure a smooth implementation

Improvement Area	Progress
RAP Phase 2	
Collaboration	Increased flexibility towards meeting frequencies and new channels of communication created
Box Testing	Additional input from units to identify bugs and reduce code drops and versioning for system stability

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Retirement Application Portal (RAP)	Established and Approved Statement of Work (SOW) with Box.com	Prioritize fixes and enhancements begin	Continue with Box in 2 week sprints, with testing in Demo environment	Final testing and Code drop into Production Environment. Completed July 25, 2023
Department-wide Amazon Connect	Testing of Quick Connect functionality	Draft proposal for Executive review	Delayed Implementation due to LACERS Headquarters Move	Staff Training and Platform Implementation Conducted in July and August 2023

INITIATIVE: MEMBER SERVICE MODERNIZATION

DIVISION: COMMUNICATIONS & STAKEHOLDER RELATIONS

STRATEGIC GOAL(S): OUTSTANDING CUSTOMER SERVICE; ACCURATE AND TIMELY DELIVERY OF MEMBER BENEFITS; INCREASE ORGANIZATIONAL EFFECTIVENESS, EFFICIENCY, AND RESILIENCY

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): GABRIEL PEREZ, TIFFANY OBEMBE, HEATHER RAMIREZ

TEAM: JENNIFER ROMERO, GINA HENDERSON, SANDRA JAMES, NATHAN HERKELRATH, CARLOS JOVEL JR., KHIA MOORE

INITIATIVE PURPOSE: THE RETIREMENT APPLICATION PORTAL (RAP) WILL PROVIDE MORE EFFICIENCY FOR OUR STAFF, AND A BETTER USER EXPERINCE FOR MEMBERS. AMAZON CONNECT ACROSS THE DEPARTMENT WILL ALLOW US TO PROVIDE BETTER CUSTOMER SERVICE THROUGH THE TOOLS BUILT IN.

PROGRESS

RAP

- The final code drop was implemented on July 25, 2023. RAP Phase 2 is officially complete.

Amazon Connect

- The timing of the LACERS Headquarters move pushed the priority of completing this project behind two months. However, final completion is expected by August 2023.

CHALLENGES

RAP

- To incorporate all the units, a Phase 2 Team channel was created where updates were provided weekly to keep them in the loop, and as-needed where unit input was required.
- Box had difficulty not being able to duplicate all of the bugs reported. Unit input was necessary in order for LACERS to provide as much documentation as possible of the reported issues and ensure that the bugs were fixed.
- To reduce the number of code drops and splintering of applications, versioning was applied to the demo environment, which allowed testing at each sprint without negatively affecting the sample applications in the test environment.
- To minimize the impact on the live environment, the project culminated in a single code drop at the completion.

Amazon Connect

- With the extended move to the new LACERS Headquarters building, the priority temporarily shifted away from this project. However, in July 2023, after being established at the new LACERS Headquarters, staff was able to begin implementation with an expected completion date in August 2023.

NEXT STEPS

RAP

- RAP phase 2 is complete. Staff will monitor progress made to determine when it will be feasible to implement future RAP improvements and accessibility. Ideally, Tier 1 Enhanced, Deferred Vested, and Tier 3 will be included with future enhancements.

Amazon Connect

- Early July 2023: all Member facing units were notified via email that an informal onboarding meeting for Amazon Connect would take place at the end of the month. The notification provided a schedule for when units will have their designated training period and instructions on equipment they should look into purchasing (headsets). This also gave them time to inform their staff of the new software that will be coming and to prepare any questions they may have for the meeting.

INITIATIVE: MEMBER SERVICE MODERNIZATION

DIVISION(S)/SECTION: COMMUNICATIONS & STAKEHOLDER RELATIONS DIVISION

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, & ORGANIZATION

REPORT MONTHS: JANUARY 2023 – AUGUST 2023

LEAD(S): TIFFANY OBEMBE, GABRIEL J PEREZ, AND HEATHER RAMIREZ

TEAM: JENNIFER ROMERO, GINA HENDERSON, SANDRA JAMES,
NATHAN HERKELRATH, CARLOS JOVEL JR., KHIA MOORE

INITIATIVE PURPOSE: THE RETIREMENT APPLICATION PORTAL (RAP) WILL PROVIDE MORE EFFICIENCY FOR OUR STAFF, AND A BETTER USER EXPERIENCE FOR MEMBERS. AMAZON CONNECT ACROSS THE DEPARTMENT WILL ALLOW US TO PROVIDE BETTER CUSTOMER SERVICE THROUGH THE TOOLS BUILT IN.

NEXT STEPS CONT.

Amazon Connect Cont.

Late July 2023: The Introductory onboarding meeting took place. A brief overview of the system was provided, and questions were answered.

August 2023: Official onboarding will occur by units/groups according to the following schedule:

- August 1: Service Purchasing Section
- August 8: Health and Wellness
- August 15: Service Retirement Unit
- August 27: Member Processing Unit, Legal Processing Unit, Disability Retirement Unit, Survivor Benefits Unit, and Benefits Determination Unit

By the end of August 2023, all Member facing units will have been successfully onboarded, and thus the BPI will be completed.

INITIATIVE: HQ MOVE

DIVISION(S)/SECTION: ADMINISTRATION/ADMINISTRATION SERVICES OFFICE

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, & ORGANIZATION

STATUS: **OFF-TRACK**

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): ISAIAS CANTÚ AND HORACIO ARROYO

TEAM: KRISTEN SZANTO

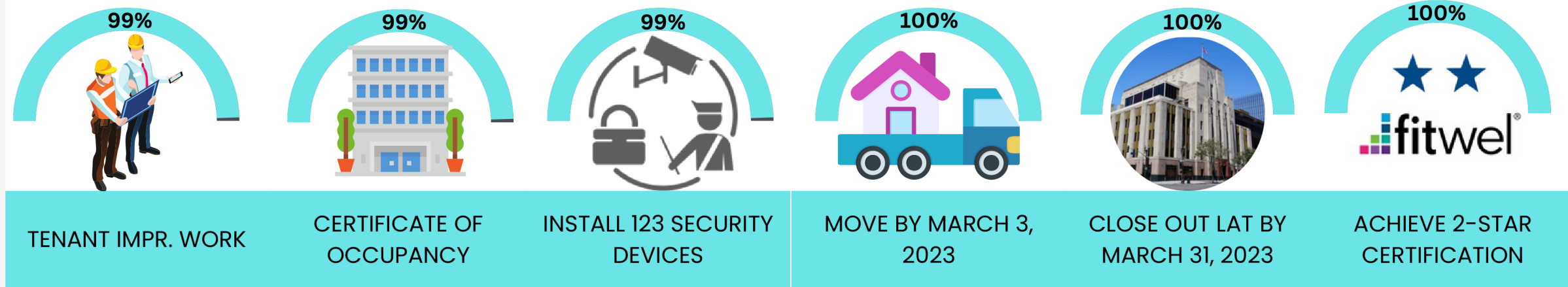
INITIATIVE PURPOSE: THE HEADQUARTERS (HQ) MOVE INITIATIVE SEEKS TO RELOCATE LACERS TO ITS NEW HOME AT 977 N BROADWAY. WITH CONSTRUCTION UNDERWAY, THE PROJECT INVOLVES CONSULTANTS, CONTRACTORS, AND KEY LACERS REPRESENTATIVES THAT WORK TOGETHER TO BUILD LACERS' NEW HOME FOR STAFF AND MEMBERS.

BUDGET

APPROPRIATION: \$21,593,773
 EXPENSE: \$21,377,395
 UNSPENT: \$ 216,378

99%

KEY METRICS



AREAS OF IMPROVEMENT

Improvement Area	Progress
Streamline review with LADBS and LAFD	Established direct lines of communications with both departments
Anticipate supply-chain delays	Purchased alternative products for items with long lead times
Improve functionality of installed A/V equipment	Coordinating with vendor on programming, training, and troubleshooting activities

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Complete Tenant Improvement Work	Floors 3-5 completed	Floors 1 and 2 completed	Completed T.I. scope; began punch-walk list	Closed T.I. project scopes
Furnish Building	Furniture received in warehouse	Workstation furniture installed; Board room table assembled	All workstation furniture installed	All common area furniture installed
Move LACERS Staff and Operations	Contract with move vendor	Complete significant move on Dec 22	Completed final move from LAT to 977	Decommission complete and LAT lease deposit received
FitWel Certification	Gather submission documents	Submit application; received 1-Star points;	Achieved 2-Star point certification	Ordered FitWell decals
Pass all Building Inspections to Achieve Occupancy	Fire Pump permitting delays	Parking striping and security gate delays	Temporary Certificate of Occupancy received	LAFD corrections ongoing; delays to final LADBS sign-off
Install Building Security Devices	Security cameras installed	Card readers delayed; gate permitting delay	All cameras and card readers installed/configured	Access cards delayed

INITIATIVE: HQ MOVE

DIVISION(S)/SECTION: ADMINISTRATION /ADMINISTRATIVE SERVICES OFFICE (ASO)

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, & ORGANIZATION

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): ISAIAS CANTÚ AND HORACIO ARROYO

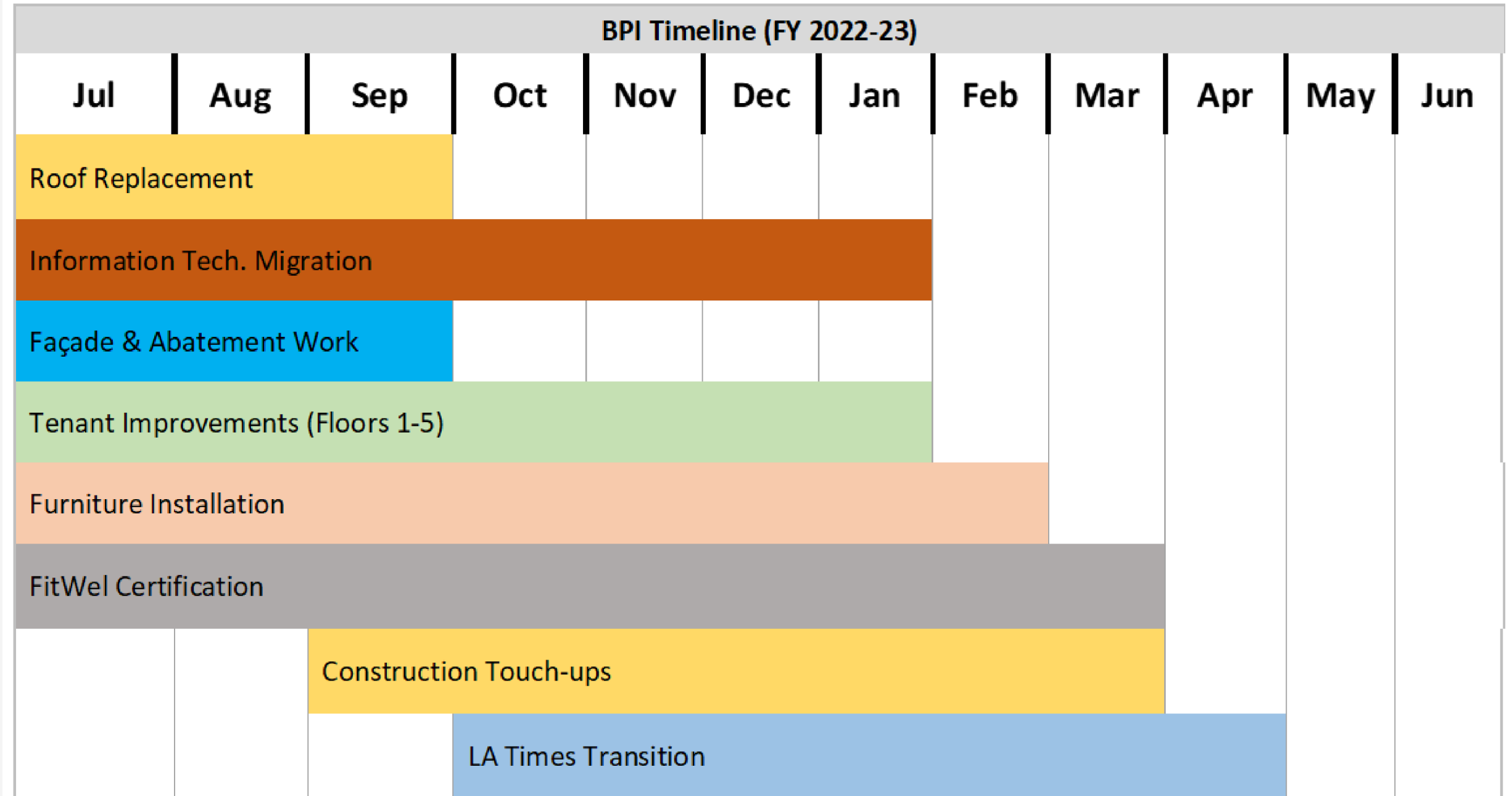
TEAM: KRISTEN SZANTO

INITIATIVE PURPOSE: THE HEADQUARTERS (HQ) MOVE INITIATIVE SEEKS TO RELOCATE LACERS TO ITS NEW HOME AT 977 N BROADWAY. WITH CONSTRUCTION UNDERWAY, THE PROJECT INVOLVES CONSULTANTS, CONTRACTORS, AND KEY LACERS REPRESENTATIVES THAT WORK TOGETHER TO BUILD LACERS' NEW HOME FOR STAFF AND MEMBERS.

PROGRESS

The Headquarters Move Project has accomplished the following:

- Design Scope
- Building Enclosure Work
- New Roof Installation
- Abatement Work
- Seismic Strengthening
- Server Room Buildout and Turnover
- Carpet and Flooring Installation
- Installation of New Backup Diesel Generator
- Relocation from LA Times (LAT) to 977
- Decommissioned LAT and Lease Surrendered
- Installation of Workstation Furniture
- Building Painting Scope
- Lighting Systems installation
- Achieved 2-Star FitWel Certification



INITIATIVE: HQ MOVE

DIVISION(S)/SECTION: ADMINISTRATION/ADMINISTRATIVE SERVICES OFFICE

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, & ORGANIZATION

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): ISAIAS CANTÚ AND HORACIO ARROYO

TEAM: KRISTEN SZANTO

INITIATIVE PURPOSE: THE HEADQUARTERS (HQ) MOVE INITIATIVE SEEKS TO RELOCATE LACERS TO ITS NEW HOME AT 977 N BROADWAY. WITH CONSTRUCTION UNDERWAY, THE PROJECT INVOLVES CONSULTANTS, CONTRACTORS, AND KEY LACERS REPRESENTATIVES THAT WORK TOGETHER TO BUILD LACERS' NEW HOME FOR STAFF AND MEMBERS.

CHALLENGES

- **PERMITTING DELAYS** - Significant delays have been encountered through LAFD/LADBS inspections of the Fire Pump Replacement, Breezeway Gate, Parking Space Requirements, and Fire & Life Safety requirements. These delays prevented the transition of operations and migration of staff from LAT to 977, triggered supplemental permitting obligations, caused contract extensions with vendors, and resulted in additional project expenses.
- **SUPPLY CHAIN DELAYS** - The COVID-19 supply-chain delay continues to impact the project in the ability to secure security devices (card readers and related equipment). Certain furniture pieces and technology components also delayed the completion of the furniture installation scope.
- **ADDITIONAL COSTS** - The 977 HQ Project delays continue to trigger additional costs that require the commitment of contingency funds to pay for consultant work, contract extensions, permit fees, and equipment/supply costs.

NEXT STEPS



Coordinate with LAFD and LADBS Depts.

To identify efficient solutions and timeframes to remaining permitting concerns.



New Building, New Badge

Design a LACERS badge for 977 employees as part of the building's new card reader access control system



New Tech Trainings

Following the turnover of the building, LACERS will be trained on AV, security, and conferencing solutions



Fine-tune A/V Equipment

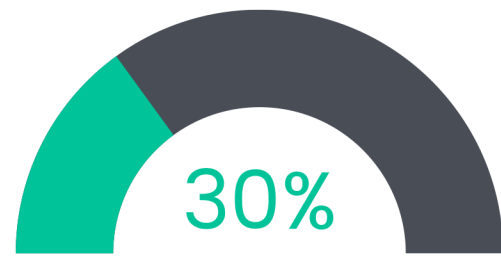
Additional resources will be dedicated to improving the functionality of the A/V equipment.

INITIATIVE: WORKFORCE DEI
DIVISION(S)/SECTION: EXECUTIVE / HUMAN RESOURCES
STRATEGIC GOAL(S): ORGANIZATION & WORKFORCE

STATUS: **ON TRACK**
REPORT MONTHS: JULY 2022 – JUNE 2023
LEAD(S)/TEAM: VIKRAM JADHAV

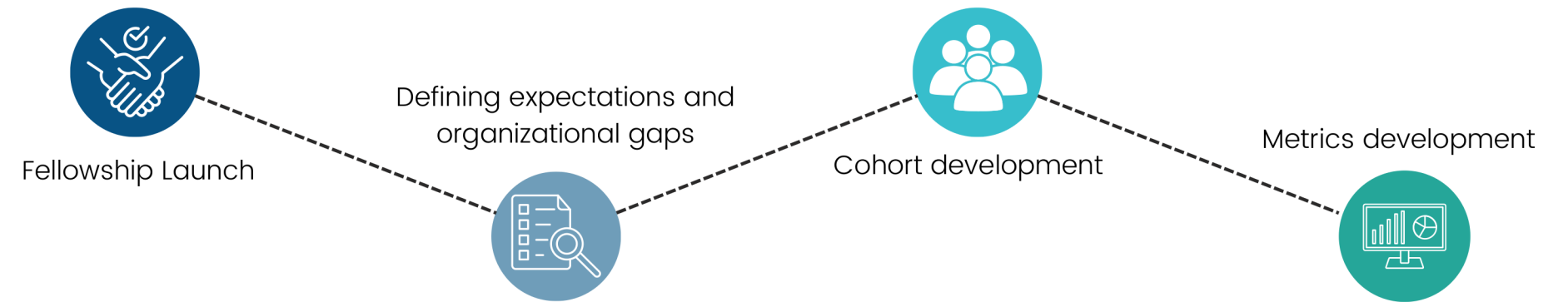
INITIATIVE PURPOSE: IDENTIFY PROCESS AND LEADERSHIP GAPS CURRENTLY INHIBITING ORGANIZATIONAL EFFECTIVENESS AND RESILIENCY WHILE PROMOTING A HIGH-PERFORMING WORKFORCE THROUGH A COHORT BASED PROGRAM DESIGNED TO ADDRESS PROFESSIONAL GROWTH NEEDS OF STAFF

BUDGET



Appropriation	\$75,000
Expense:	\$22,500
Unspent:	\$42,500

KEY METRICS



First year of the Fellowship launch with Senior Managers and Executive in defining expectations and organizational gaps, while setting parameters for growth opportunities within the department.

Employee sentiment will be baselined at the start of the program and will be measured on a bi-annual basis to measure progress along a variety of categories. Creation of these metrics is on-going.

AREAS OF IMPROVEMENT

Improvement Area	Progress
Identify organizational and leadership gaps	Senior Manger specific cohort
Identify and resolve employee growth needs	Staff specific cohort
Mentor and retain future staff	Create learning materials for future use
Resolve organizational and leadership gaps for employee growth	Roadmap for necessary interventions

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Project Charter	Established initiative goals and objectives		N/A	N/A
Request for Proposal	Develop RFP	RFP Release and Vendor Selection	N/A	N/A
Staff Interviews and Assessments	N/A	N/A	Interviews conducted with all Sr. Managers	N/A
Project Launch	N/A	N/A	N/A	Project Launch with first cohort of Management Staff

INITIATIVE: WORKFORCE DEI
DIVISION(S)/SECTION: EXECUTIVE/HUMAN RESOURCES
STRATEGIC GOAL(S): ORGANIZATION & WORKFORCE

REPORT MONTHS: JULY 2022 – JUNE 2023
LEAD(S)/TEAM: VIKRAM JADHAV

INITIATIVE PURPOSE: IDENTIFY PROCESS AND LEADERSHIP GAPS CURRENTLY INHIBITING ORGANIZATIONAL EFFECTIVENESS AND RESILIENCY WHILE PROMOTING A HIGH-PERFORMING WORKFORCE THROUGH A COHORT BASED PROGRAM DESIGNED TO ADDRESS PROFESSIONAL GROWTH NEEDS OF STAFF

PROGRESS

Experience Institute has been chosen as the vendor to develop and lead the fellowship program. Select senior staff were selected to engage in interviews with the Vendor for program assessments and design.

With the sentiments from the interviews gathered in mind, the program launched towards the end of Q4.

CHALLENGES

As an organization, our goal is to be clear with staff on professional expectations of LACERS employees, but also to create pathways and opportunities for all staff to advance in their careers. If executed as designed, we intend to see:

- Employees defining their goals and their professional brand as aligned with LACERS
- The LACERS organization adjusting management practices in alignment with staff needs
- Greater transparency of considerations used by the organization to promote staff
- Specialized training resources to help staff meet their career and earnings goals

NEXT STEPS

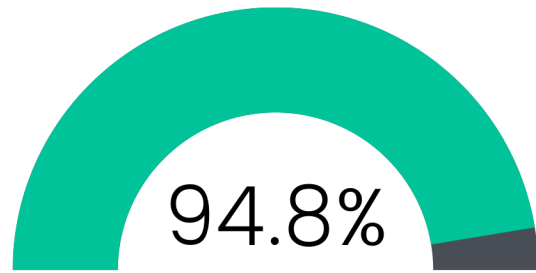
With the program launched and slated to run through November 2023, staff will continue to engage with the program on a weekly basis to develop organization and staff expectations.

INITIATIVE: ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING
DIVISION(S)/SECTION: INVESTMENTS
STRATEGIC GOAL(S): GOVERNANCE & INVESTMENT

STATUS: **ON TRACK**
REPORT MONTHS: JULY 2022 – JUNE 2023
LEAD(S): JAMES WANG
TEAM: CLARK HOOVER, JEREMIAH PARAS

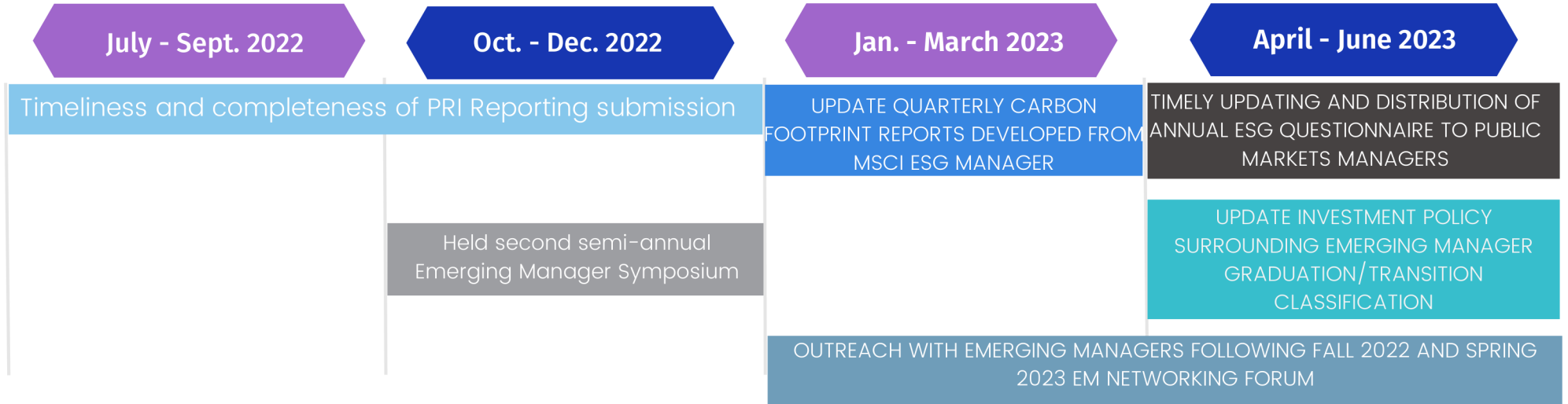
INITIATIVE PURPOSE: ENHANCE THE LONG-TERM RISK ADJUSTED RETURNS OF THE LACERS INVESTMENT PORTFOLIO THROUGH THE IMPLEMENTATION OF A ROBUST ESG PROGRAM GUIDED BY A COMPREHENSIVE RESPONSIBLE INVESTMENT POLICY, AN ESG RISK FRAMEWORK, THE PRINCIPLES FOR RESPONSIBLE INVESTMENT, AND DIRECTIONS OF THE BOARD.

BUDGET



Appropriation	\$18,125
Expense:	\$17,183
Unspent:	\$942

KEY METRICS



AREAS OF IMPROVEMENT

Improvement Area	Progress
Further incorporate ESG Risk Factors into the investment manager selection and monitoring processes	Staff updated and reviewed ESG questions in TFPs including Custodian Bank Search RFP
Continue to develop LACERS ESG investment risk exposure reporting through internal and third-party software.	Developing fossil fuel exposure reporting with MSCI.
Continue to develop LACERS ESG database and reporting functionalities.	Staff is exploring various vendors.
Expand network of like-minded institutional investors and organizations to collaborate on ESG matters.	Staff served on six ESG panels, participated in several meetings exchanging ESG ideas with other institutional investors and industry organizations.
Review and update Responsible Investment Policy, ESG Risk Framework Action Plan, Proxy Voting Policy, and PRI Action Plan.	The PRI Action Plan ESG Risk Framework, and Proxy Voting Policy are planned to be brought back to the Board in Q1 FY 24

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Fall 2022 Emerging Manager Symposium	Completed 11/2022			
Evaluation of additional third-party ESG analytical tools and resources	Ongoing	Ongoing	Ongoing	Ongoing
Development of analysis and metrics reporting from MSCI ESG Manager	Ongoing	Ongoing	Ongoing	Ongoing
Review of PRI and ESG Risk Framework Action Plans and delegation of subtasks	Ongoing	Ongoing	Ongoing	Ongoing
Review PRI Assessment and Transparency Report				Completed
Review of Emerging Investment Manager Policy (to incorporate graduation/transition classification)				Targeted for Q1 FY 24
Update of Annual ESG Questionnaire for public markets managers				Completed
PRI Reporting				Report starting Q1 FY 24
Spring 2023 Emerging Manager Networking Forum				Completed

INITIATIVE: ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING

DIVISION(S)/SECTION: INVESTMENTS

STRATEGIC GOAL(S): GOVERNANCE & INVESTMENT

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): JAMES WANG

TEAM: CLARK HOOVER, JEREMIAH PARAS

INITIATIVE PURPOSE: ENHANCE THE LONG-TERM RISK ADJUSTED RETURNS OF THE LACERS INVESTMENT PORTFOLIO THROUGH THE IMPLEMENTATION OF A ROBUST ESG PROGRAM GUIDED BY A COMPREHENSIVE RESPONSIBLE INVESTMENT POLICY, AN ESG RISK FRAMEWORK, THE PRINCIPLES FOR RESPONSIBLE INVESTMENT, AND DIRECTIONS OF THE BOARD.

PROGRESS

- Staff updated and reviewed ESG questions in the manager selection and monitoring processes
- Developing useful ESG reporting with MSCI
- Expand access to additional ESG related databases
- Staff served on six ESG panels and participated in several meetings exchanging ESG ideas with other institutional investors and industry organizations
- Continue to engage in thought leadership in the ESG space. For example, developing LACERS ESG Risk Framework and contributing to PRI DEI due diligence questionnaires.
- PRI case study on LACERS' ESG Risk Framework

CHALLENGES

- Keeping up with new guidelines established by industry organizations such as PRI
- Challenges to compare against benchmarks due to lack of data
- Cost and availability issues; Staff is exploring various vendors
- Travel and operational constraints to attend further meetings
- Staying ahead of what potential ESG issues could be material to LACERS

NEXT STEPS

- Identify ESG risk factors that are most relevant to investment returns and incorporate into manager selection process
- Continue to explore LACERS ESG exposure metrics and identify best metrics to capture
- Continue to develop LACERS ESG reporting and explore further data sources and vendors
- Continue to engage ESG organizations and attend future ESG conferences
- Continue to explore LACERS DEI initiatives
- Explore ESG based strategies from current and potential investment managers
- Continue to update ESG questionnaires based on PRI guidelines
- Explore progress measures for environmental, social, and governance aspects in LACERS portfolio

INITIATIVE: KNOWLEDGE TRANSFER

DIVISION(S)/SECTION: RETIREMENT SERVICES DIVISION (RSD)

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, ORGANIZATION, & WORKFORCE

STATUS: **ON-TRACK**

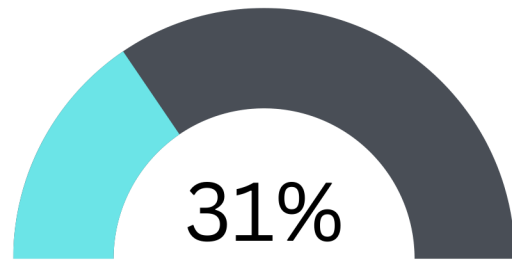
REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): FERRALYN SNEED, DELIA HERNANDEZ, AUDREY DYMALLY

TEAM: LADY Y. SMITH, ESTELLA PRIEBE, SUSANN HERNANDEZ, CAROL REMBERT

INITIATIVE PURPOSE: DEPLOY A TWO-PHASED APPROACH FOR INSTITUTIONAL KNOWLEDGE TRANSFER FROM RETIRING SENIOR STAFF TO NEW AND CURRENT STAFF. THIS BPI IS A CROSS-DIVISIONAL COLLABORATION BETWEEN DIVISIONS WITHIN THE BENEFITS ADMINISTRATION, THEREFORE, THE BUDGET FOR THIS INITIATIVE IS SHARED.

BUDGET



Appropriation	\$7,500
Expense	\$2,300
Unspent	\$5,200

KEY METRICS

RSD	
Subject Area	# of Staff
Training Kickoff	38
Plan Authoritative Documents	47
Vesting and Eligibility	47
Tier 1 Enhanced and Public Safety Group	42

BDU	
Subject Area	# of Staff
Cost of Living Adjustment	8
Disposable Income after Support	8
Calculating In-Kind Community Property	8
Post Retirement In-Kind Community Property	8
Calculating Remaining Contributions	8

SBU	
Subject Area	# of Staff
Reporting a Death	8
Initiating Contact with Survivors	8
Understanding LACERS Benefits	7
Calculating Remaining Contributions	8

AREAS OF IMPROVEMENT

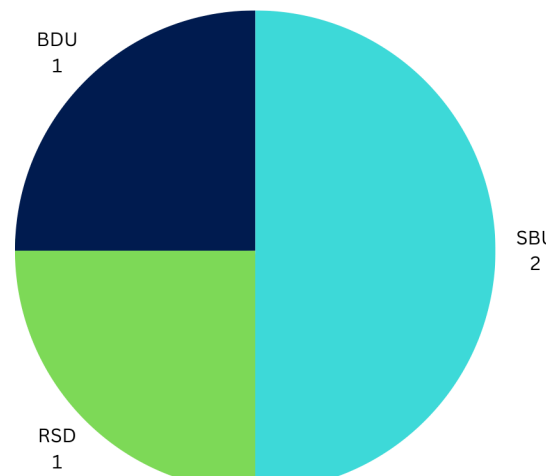
Improvement Area

Progress

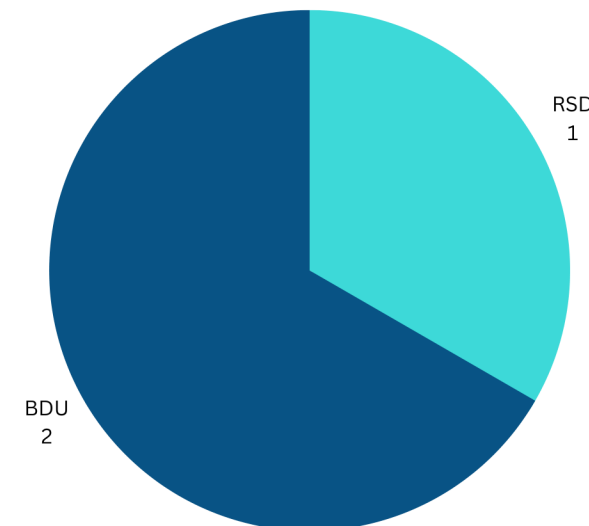
Develop RFP for Knowledge Transfer Vendor	Board approved \$20,000 expenditure in January 2023 to retain vendor
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MILESTONES OF KEY ACTIVITIES

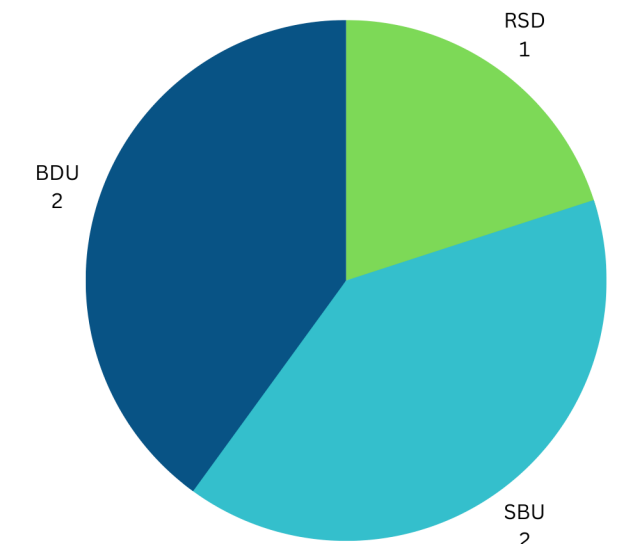
APRIL 2023 - # COMPLETED TRAININGS



MAY 2023 - # COMPLETED TRAININGS



JUNE 2023 - # COMPLETED TRAININGS



INITIATIVE: KNOWLEDGE TRANSFER

DIVISION(S)/SECTION: HEALTH, WELLNESS, AND BUYBACK DIVISION (HWABD)

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, ORGANIZATION, & WORKFORCE

STATUS: **ON-TRACK**

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): KAREN FREIRE, RAINBOW SUN, ANNI QUACH

TEAM: MARICEL MARTIN, LOURDES QUINTOS, JAMES KAWASHIMA, ADA LOK, GLEN MALABUYOC, EDELIZA FANG, MARGARET DRENK

INITIATIVE PURPOSE: DEPLOY A TWO-PHASED APPROACH FOR INSTITUTIONAL KNOWLEDGE TRANSFER FROM RETIRING SENIOR STAFF TO NEW AND CURRENT STAFF. THIS BPI IS A CROSS-DIVISIONAL COLLABORATION BETWEEN DIVISIONS WITHIN THE BENEFITS ADMINISTRATION, THEREFORE, THE BUDGET FOR THIS INITIATIVE IS SHARED.

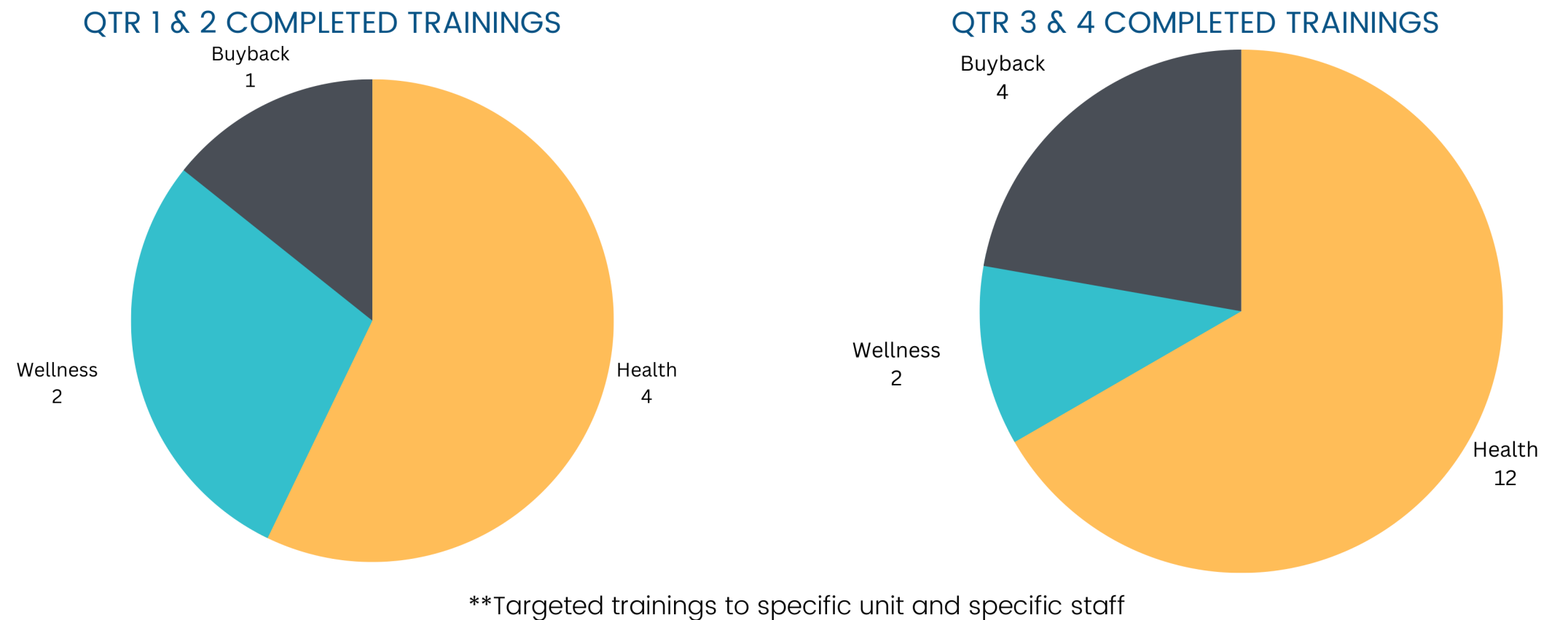
BUDGET

Please see budget in RSD's Knowledge Transfer Dashboard as this is a shared budget.

AREAS OF IMPROVEMENT

Improvement Area	Progress
Develop knowledge management application to provide on demand training for all future staff while reducing strain on Senior Managers	Board approved \$20,000 expenditure in January 2023 to retain vendor

KEY METRICS



MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Completed Trainings	Health: RFP Health Consulting, Budget, Annual Renewal, Underwriting Wellness: RFP Health Consulting, Annual Renewal SPS: Buyback		Health: Health Counseling, Health Forms, Plan Authoritative Documents, multiple cross-trainings, City Exams, 3 RSD-hosted & 2 carrier-hosted Wellness: City Exams, LACERS Well Event Planning Training SPS: Cross-Training, Health Counseling, City Exams	
Proposed Trainings for FY24	Organizational Skills & Culture	Strategic Planning & Methodologies	Understanding Geriatrics	Benefits Administration

INITIATIVE: KNOWLEDGE TRANSFER

DIVISION(S)/SECTION: RSD AND HWABD

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, ORGANIZATION, & WORKFORCE

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): FERRALYN SNEED, DELIA HERNANDEZ, AUDREY DYMALLY, AND STEPHANIE SMITH

TEAM: LADY Y. SMITH, ESTELLA PRIEBE, SUSANN HERNANDEZ, CAROL REMBERT, RAINBOW SUN, ANNI QUACH, MARICEL MARTIN, JAMES KAWASHIMA, ADA LOK, GLEN MALABUYOC, EDELIZA FANG, MARGARET DRENK

INITIATIVE PURPOSE: DEPLOY A TWO-PHASED APPROACH FOR INSTITUTIONAL KNOWLEDGE TRANSFER FROM RETIRING SENIOR STAFF TO NEW AND CURRENT STAFF. THIS BPI IS A CROSS-DIVISIONAL COLLABORATION BETWEEN DIVISIONS WITHIN BENEFITS ADMINISTRATION, THEREFORE, THE BUDGET FOR THIS INITIATIVE IS SHARED.

PROGRESS

The Team deployed a series of trainings to staff with senior personnel currently building out training manuals for Tier 1 and Tier 1E, planned for in the near future.

To ensure institutional knowledge is captured by the organization for use of future staff, a proposal to build out a knowledge base in the cloud was approved by the Board in January 2023.

Rather than pursue a contract in FY 22-23, LACERS has elected to develop and release an RFP in FY 23-24.

CHALLENGES

The Silicon Valley Bank closure severely impacted the selected vendor forcing LACERS to reconsider its approach. Instead of pursuing a vendor hampered by financial insecurity, LACERS staff elected to pursue an RFP to find a more suitable vendor.

NEXT STEPS

Develop and release an RFP to select a vendor for an AI enabled knowledge base to capture training protocols and procedures.

INITIATIVE: LANGUAGE ACCESS PLAN

DIVISION(S)/SECTION: COMMUNICATIONS & STAKEHOLDER RELATIONS

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE, & ORGANIZATION

STATUS: ON - TRACK

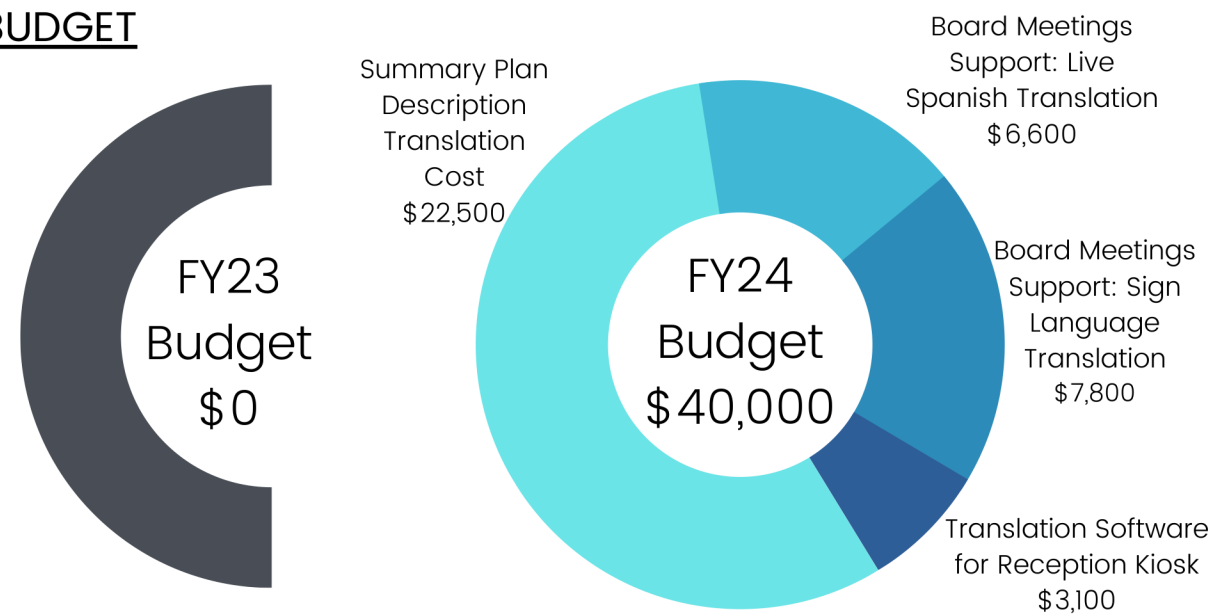
REPORT MONTHS: JULY 2022 - JUNE 2023

LEAD(S): TANEDA K. LARIOS

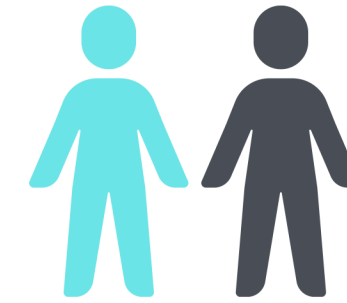
TEAM: HEATHER RAMIREZ, TIFFANY OBEMBE, CARLOS JOVEL JR., AMELIA HERRERA-ROBLES, AND JESUS NAVARRO

INITIATIVE PURPOSE: CREATE A LACERS LANGUAGE ACCESS PLAN (LAP) THAT GOVERNS THE PROCESS FOR PROVIDING MULTILINGUAL SERVICES TO OUR THRESHOLD POPULATIONS. THIS WILL RESOLVE ACCESS ISSUES TO INFORMATION AND FURTHER OUR COMMITMENT TO SERVING ALL PERSONS WITHIN OUR DIVERSE POPULATION.

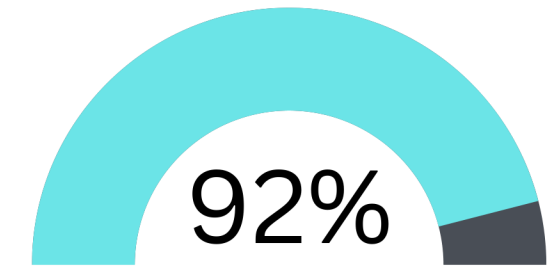
BUDGET



KEY METRICS



Spanish and American Sign Language have been identified as the most requested services



Survey response rate from 2nd-level bilingual staff

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Language Access Plan	<ul style="list-style-type: none"> Review Mayoral Directive Determine first steps 	<ul style="list-style-type: none"> Develop Spanish Glossary of Terms Prepare and send Survey for LACERS Bilingual Staff Submit Future Budget Request 	<ul style="list-style-type: none"> Submit Final Plan to Executive Team Submit Final Plan to Office of Immigrant Affairs/CIFD new Lead Agency for Bass Administration 	<ul style="list-style-type: none"> Develop Plan for Implementation and Prioritize Translation Tasks

AREAS OF IMPROVEMENT

Improvement Area	Progress
Staffing	In the process of filling a key vacant position to begin work. Currently utilizing staff across various units to accomplish tasks

INITIATIVE: LANGUAGE ACCESS PLAN

DIVISION(S)/SECTION: COMMUNICATIONS & STAKEHOLDER RELATIONS

STRATEGIC GOAL(S): CUSTOMER SERVICE, BENEFITS DELIVERY, GOVERNANCE, & ORGANIZATION

REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): TANEDA K. LARIOS

TEAM: HEATHER RAMIREZ, TIFFANY OBEMBE, AMELIA HERRERA-ROBLES, CARLOS JOVEL JR., AND JESUS NAVARRO

INITIATIVE PURPOSE: CREATE A LACERS LANGUAGE ACCESS PLAN (LAP) THAT GOVERNS THE PROCESS FOR PROVIDING MULTILINGUAL SERVICES TO OUR THRESHOLD POPULATIONS. THIS WILL RESOLVE ACCESS ISSUES TO INFORMATION AND FURTHER OUR COMMITMENT TO SERVING ALL PERSONS WITHIN OUR DIVERSE POPULATION.

PROGRESS

The team has met twice a month to review the Language Access Plan Mayoral Directive during the second quarter. During the third quarter, the Language Access Plan was submitted to the Executive Team and the final plan was submitted to the Office of Immigrant Affairs/CIFD, the new Lead Agency for the Bass Administration.

CHALLENGES

- The LACERS HQ move to 977, inevitably created staff resources as a challenge. The team distributed a survey to gather information on translation requests received from Members. However, the team had to follow up more than what is typical to achieve the desired result.
- Staff vacancies in key positions have placed a burden for the remaining staff. This will delay implementation of larger efforts until sufficiently staffed.

NEXT STEPS

Immediate next steps are to:

- Respond to feedback from CIFD on the LACERS LAP
- Translate the ADA in Spanish to place on Board and Committee agendas
- Generate a Bilingual Waiver Forms Folder on Box.com
- Develop an internal dashboard to track non-member translation activity
- Develop a Spanish Planning for Retirement Seminar for Tier 1 & Tier 3
- Cross-reference the Four-Factor Analysis as outlined in the Citywide Language Access Plan Template to determine which applications, forms and documents and health insurance benefits will require resources and immediate access

INITIATIVE: MEMBER SERVICES METRICS

DIVISION(S)/SECTION: ALL

STRATEGIC GOAL(S): CUSTOMER SERVICE & ORGANIZATION

STATUS: OFF-TRACK

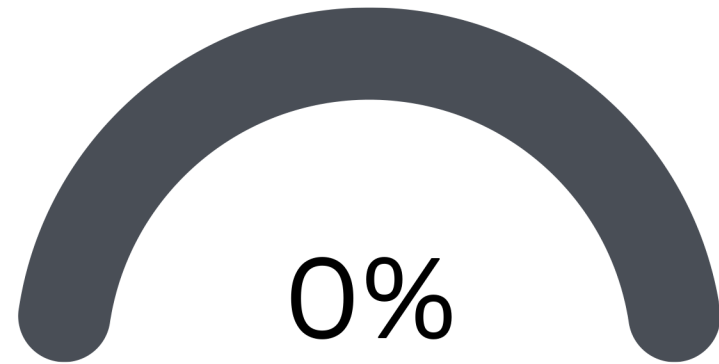
REPORT MONTHS: JULY 2022 – JUNE 2023

LEAD(S): TANEDA K. LARIOS, AND VIKRAM JADHAV

TEAM: AUDREY DYMALLY, CARLOS JOVEL, KHIA MOORE, LAUREN MCCALL, NATHAN HERKELRATH, SANDRA FORD-JAMES

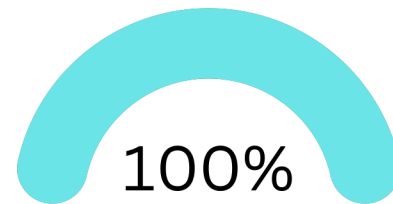
INITIATIVE PURPOSE: UPDATE THE CURRENT MEMBER SERVICE AGREEMENT WITH DEFINED METRICS THAT WOULD ENABLE REAL TIME TRACKING AND DASHBOARDING TO FACILITATE RESOURCE AND BUDGET NEEDS.

BUDGET – Not Applicable

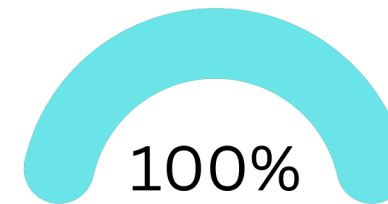


KEY METRICS

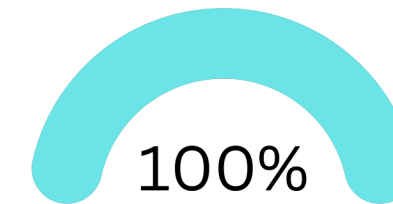
Establish Committee



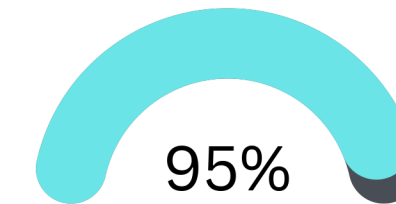
Survey Responses Recv'd



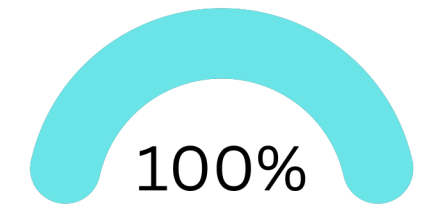
Adopt Metrics



Revise MSA



Create Dashboards



AREAS OF IMPROVEMENT

Improvement Area	Progress
Non-responsive participants	Routine Follow-up, Further escalation

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Unit Metrics	Establish roles, Create plan	Develop Survey, Hold Unit Feedback Mtg	Send/Collect/Analyze Survey Responses	Finalize Metrics with Exec Approval
Service Commitments	Review Service Level Agreements	Create Plan for Revision	Identify New Metrics Based on Surveys	Finalize MSA w/Exec approval and publish

INITIATIVE: MEMBER SERVICES METRICS
DIVISION(S)/SECTION: ALL
STRATEGIC GOAL(S): CUSTOMER SERVICE

REPORT MONTHS: JULY 2022–JUNE 2023
LEAD(S): TANEDA K. LARIOS AND VIKRAM JADHAV
TEAM: AUDREY DYMALLY, CARLOS JOVEL, KHIA MOORE, LAUREN MCCALL,
NATHAN HERKELRATH, SANDRA FORD–JAMES

INITIATIVE PURPOSE: UPDATE THE CURRENT MEMBER SERVICE AGREEMENT WITH DEFINED METRICS THAT ENABLE REAL-TIME TRACKING AND DASHBOARDING TO FACILITATE RESOURCING AND BUDGETING NEEDS.

PROGRESS

The survey was completed in late January 2023 by all 18 units designated as having a member service impact. BPI Team Members were assigned to review and analyze a set of unit submissions, including discussing the findings with the unit designees. Each member presented their findings during the BPI biweekly meetings, where they received additional guidance and feedback. Once completed, the Team submitted their final findings and recommendation on a template that was developed during the review process. The areas repeatedly stated in the submissions were the desire for more communication, training on technology, and adjusting processes to achieve enhanced service to internal partners and Members.

The current Member Service Level Agreement was reviewed and it was determined that the stated goals were largely sufficient to maintain excellent customer service and that only slight changes were needed to bring it current. Two items are proposed to be replaced by more current expressions of those items, and another is to be amended. The following is the proposed revised agreement:

- LACERS will answer all calls on average within five (5) minutes
- LACERS will respond to emails within one (1) business day
- LACERS will respond to voicemails within one (1) business day
- If a question or request takes longer than one business day to respond to, the responsible staff member will establish regular touchpoints with the Member to assure them that they are continuing to work on their question and/or request
- LACERS will achieve a first-call resolution rate of 75% for all Member inquiries.
- LACERS will provide same-day communication via the lacers.org website, our mainline, and any other available channel regarding any disruption to service or benefits and include alternative options for service

CHALLENGES

- Participation was a challenge due to various factors.

NEXT STEPS

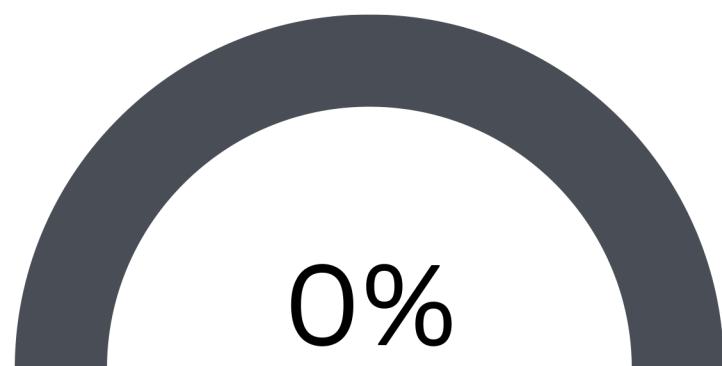
- This task is largely complete. The only outstanding task is to finalize a Service Metrics Dashboard.

INITIATIVE: DIVERSITY IN HIRING
DIVISION(S)/SECTION: INVESTMENTS
STRATEGIC GOAL(S): WORKFORCE

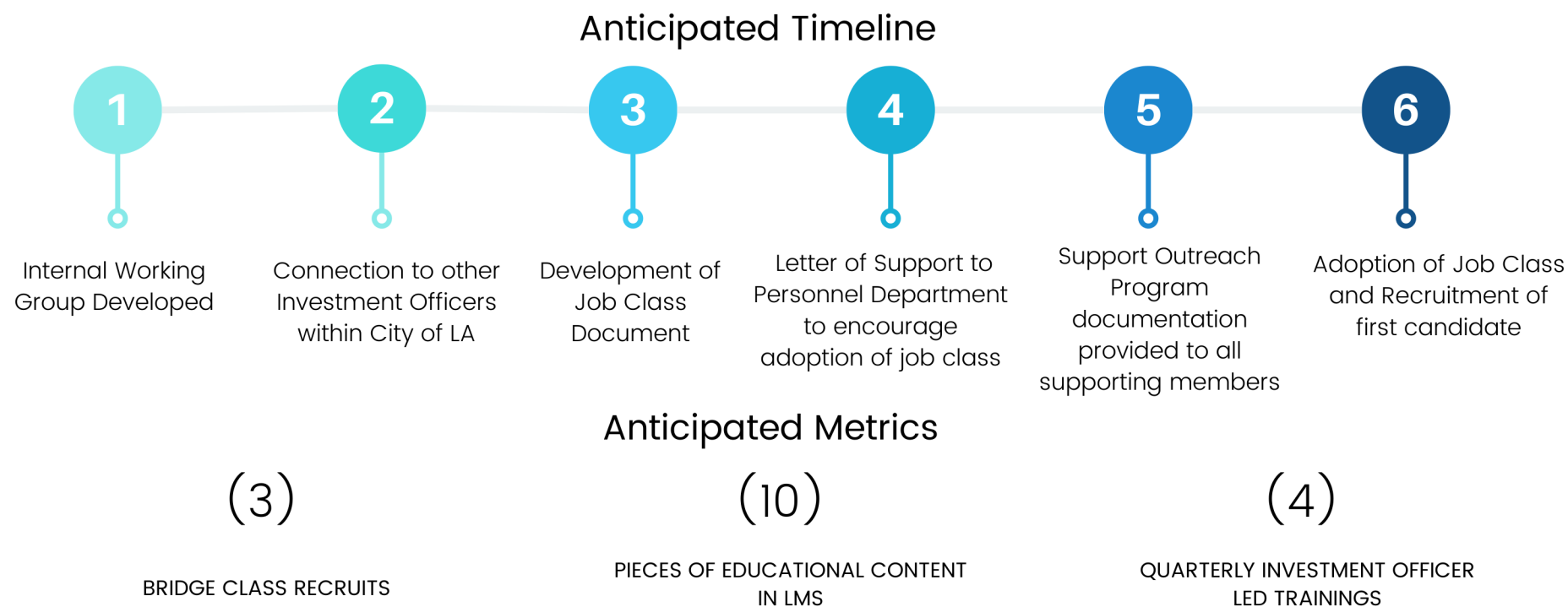
STATUS: ON-TRACK
REPORT MONTHS: JULY 2022 – JUNE 2023
LEAD(S)/TEAM: CLARK HOOVER AND VIKRAM JADHAV

INITIATIVE PURPOSE: DEVELOP INVESTMENT ASSOCIATE BRIDGE CLASS TO RECRUIT NON-TRADITIONAL CANDIDATES AND DEVELOP DIGITAL LEARNING PROGRAM AND EDUCATIONAL OPPORTUNITIES FOR BRIDGE CLASS STAFF TO MATRICULATE INTO THE INVESTMENT OFFICER CLASS

BUDGET - Not Applicable



KEY METRICS



AREAS OF IMPROVEMENT

Improvement Area	Progress
Bridge Class Templates	Retrieve current examples of bridge job class specifications
Pension Plans Engagement	Form coalition to demonstrate pension wide interest in developing a Bridge Class

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Form working group	LACERS internal working group formed.			
Engagement with Pension Peers			Ongoing	Ongoing
Research and Requirements Gathering for Bridge Job Class Specification			Completed	
Draft of Bridge Class Job Description				Completed

INITIATIVE: DIVERSITY IN HIRING
DIVISION(S)/SECTION: INVESTMENTS
STRATEGIC GOAL(S): WORKFORCE

REPORT MONTHS: JUNE 2022 – JUNE 2023
LEAD(S)/TEAM: CLARK HOOVER AND VIKRAM JADHAV

INITIATIVE PURPOSE: DEVELOP INVESTMENT ASSOCIATE BRIDGE CLASS TO RECRUIT NON-TRADITIONAL CANDIDATES AND DEVELOP DIGITAL LEARNING PROGRAM AND EDUCATIONAL OPPORTUNITIES FOR BRIDGE CLASS STAFF TO MATRICULATE INTO THE INVESTMENT OFFICER CLASS

PROGRESS

The research and requirements gathering phase was concluded in Q3. However, while in progress it has also launched the engagement process with other Pension Peers to discuss the pertinent requirements of the Investment Associate Bridge job class, while also attempting to rallying support for such a class.

The initial draft of the Bridge Job Class description was created in Q4 and is currently pending review by the entirety of the working group. Feedback will continue to be incorporated to finalize the job class description before submitting it to HR for review.

CHALLENGES

- Developing wide spread support across City to create Bridge Class
- Recruiting throughout the City for qualified Bridge Class candidates
- Adoption of Bridge Class specifications into City job classes

NEXT STEPS

- Finalize internal draft of Bridge Class Job Description
- Submit to HR for review
- Finalize changes and submit to Personnel Department

INITIATIVE: [NAME OF BUSINESS PLAN INITIATIVE]
DIVISION(S)/SECTION: [DIVISION NAME/SECTION UNIT]
STRATEGIC GOAL(S): [ASSOCIATED STRATEGIC GOAL AREAS]



STATUS: **ON TRACK**
REPORT MONTHS: [REPORTING MONTHS AND YEAR]
LEAD(S): [FIRST AND LAST NAMES]
TEAM: [FIRST AND LAST NAMES]

INITIATIVE PURPOSE (BRIEF DESCRIPTION)

BUDGET

[Appropriation]
 [Expense]
 [Unspent]

KEY METRICS

[Provide measurements of successful implementation]

AREAS OF IMPROVEMENT

Improvement Area	Progress
[Organization]	
[Flexibility]	

MILESTONES OF KEY ACTIVITIES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
[Milestone #1]				
[Milestone #2]				
[Milestone #3]				
[Milestone #4]				



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: AUGUST 22, 2023
ITEM: VII - B

SUBJECT: APPROVAL OF 3-YEAR CONTRACT WITH WELLINGTON MANAGEMENT COMPANY LLP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve a three-year contract renewal with Wellington Management Company LLP (Wellington) for management of an active emerging market debt portfolio.
2. Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

On August 8, 2023, the Committee considered the attached staff report (Attachment 1) recommending a three-year contract renewal with Wellington. The firm has managed an active emerging market debt portfolio for LACERS since February 2021; the current contract expires on November 30, 2023. LACERS' portfolio was valued at approximately \$452 million as of June 30, 2023. Wellington is in compliance with the LACERS Manager Monitoring Policy. Since inception, LACERS has paid Wellington a total of \$4.6 million in investment management fees.

Staff provided a review of the organization, investment strategy, performance, and fees. The Committee inquired if staff had engaged in discussions with Wellington about a possible reduction in investment management fees. Staff noted Wellington's position that its effective fee rate remains competitive. As of June 30, 2023, on a net of fees basis, the manager's performance over the year-to-date and the one-year performance periods place it in the top quartile of its peer group. Following the discussion, the Committee concurred with the staff recommendation.

Strategic Plan Impact Statement

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

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

NMG/RJ/WL/JP:rm

Attachments: 1. Investment Committee Recommendation Report dated August 8, 2023
 2. Proposed Resolution



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

A handwritten signature in blue ink, appearing to read "Neil M. Guglielmo", is written over the printed name.

MEETING: AUGUST 8, 2023
ITEM: V

SUBJECT: INVESTMENT MANAGER CONTRACT WITH WELLINGTON MANAGEMENT COMPANY LLP REGARDING THE MANAGEMENT OF AN ACTIVE EMERGING MARKET DEBT PORTFOLIO AND POSSIBLE COMMITTEE ACTION

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

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Wellington Management Company LLP for management of an active emerging markets debt portfolio.

Executive Summary

Wellington Management Company LLP (Wellington) has managed an active emerging markets debt portfolio for LACERS since February 2021. LACERS' portfolio was valued at \$452 million as of June 30, 2023. Wellington is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal.

Discussion

Background

Wellington manages an active emerging markets debt portfolio for LACERS benchmarked against a custom benchmark consisting of a 50% weighting to the J.P. Morgan Emerging Market Bond Index (JPM EMBI) Global Diversified Index and a 50% weighting to the J.P. Morgan Government Bond Index-Emerging Markets (JPM GBI-EM) Global Diversified Index. Wellington's investment process begins with a thorough assessment of global economics and market conditions in order to develop a market outlook that sets the overall risk of the portfolio. An assessment of countries' ability and willingness to service external debt is formalized by a Wellington-developed country score that is used to identify relative value opportunities for the portfolio. The firm utilizes bottom-up corporate credit research, local debt analysis, and yield curve management to determine credit attractiveness. In addition, currency is considered with significant magnitude that warrants its own sector allocation strategy.

The Blended Opportunistic Emerging Markets Debt investment team is led by Senior Managing Director and Fixed Income Manager, Kevin Murphy (36 years industry experience), with support from portfolio manager Michael Henry (27 years industry experience) and macro strategist Gillian Edgeworth (20 years industry experience). They lead a team of ten portfolio managers, supported by a team of 31

specialists that include four macro strategists, six corporate credit analysts, and five quantitative research analysts. LACERS' portfolio was valued at \$452 million as of June 30, 2023.

The Board hired Wellington through the 2019-2020 Active Emerging Markets Debt search process and authorized a three-year contract on September 8, 2020; the contract became effective on December 1, 2020. The current contract expires on November 30, 2023. Representatives of Wellington most recently presented a portfolio review to the Investment Committee on February 14, 2023.

Organization

Wellington is a private limited liability partnership owned by 199 partners, all of whom are fully active in the business of the firm. The firm has a total of 3,178 employees and is headquartered in Boston. As of June 30, 2023, the firm managed over \$1.2 trillion in total assets with over \$6.2 billion in the Blended Opportunistic Emerging Markets Debt strategy.

Due Diligence

Staff conducts routine due diligence of the manager that includes quarterly portfolio reviews and ad hoc investment discussions. LACERS staff last conducted an onsite meeting at Wellington's headquarters on April 11, 2023, that included interviews with key personnel across the organization. Staff concluded that Wellington's investment philosophy, strategy, and process have not changed materially over the contract period. As to the January 2022 retirement of Lead Portfolio Manager, James Valone, staff and NEPC were satisfied with the firm's organized transition to Kevin Murphy.

Due diligence discussions also addressed previously disclosed non-direct portfolio organizational and staffing changes including changes to the CEO, co-heads of Investment Strategy, CFO, and several other operational and administrative positions, none of which were deemed to have created any adverse impact on the management of the strategy.

Performance

As of June 30, 2023, Wellington outperformed its benchmark over the 3-month, 1-year, 2-year, and since inception time periods, as presented in the table below.

Annualized Performance as of 6/30/2023 (Net-of-Fees)				
	3-Month	1-Year	2-Year	Since Inception 2/5/2021
Wellington	2.75	11.60	-5.50	-4.95
50% JPM EMBI Global Diversified Index/50% JPM GBI-EM Global Diversified Index	2.35	9.41	-6.58	-5.89
<i>% of Excess Return</i>	<i>0.40</i>	<i>2.19</i>	<i>1.08</i>	<i>0.94</i>

Calendar year returns are presented as supplemental information in the following table.

Calendar Year Performance as of 6/30/2023 (Net-of-Fees)			
	1/1/2023- 6/30/2023	2022	2/5/2021- 12/31/2021
Wellington	6.78	-13.44	-4.20
50% JPM EMBI Global Diversified Index/50% JPM GBI-EM Global Diversified Index	5.94	-14.75	-4.26
<i>% of Excess Return</i>	<i>0.84</i>	<i>1.31</i>	<i>0.06</i>

Wellington is in compliance with the LACERS Manager Monitoring Policy.

Fees

LACERS pays Wellington an effective fee of 49 basis points (0.49%), which is approximately \$2.2 million annually based on the value of LACERS’ assets as of June 30, 2023. This fee ranks in the 57th percentile of fees charged by similar managers in the eVestment database (i.e., 43% of like-managers have higher fees). Since inception, LACERS has paid Wellington a total of \$4.6 million in investment management fees as of June 30, 2023.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

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

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

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System Investment Committee

From: NEPC, LLC

Date: August 8, 2023

Subject: Wellington Management Company LLP

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew the contract with Wellington Management Company LLP ('Wellington') for a period of three years from the date of contract expiry.

Background

Wellington has been an investment manager for LACERS since February 5, 2021 and manages an emerging markets fixed income portfolio within the Credit Opportunities asset class. As of June 30, 2023, Wellington managed \$451.9 million, or 2.1% of Plan assets. The portfolio is benchmarked against a 50:50 split between the JPM EMBI Global Diversified Index and the JPM GBI-EM Global Diversified Index. The portfolio has a performance objective of outperforming the benchmark, net of fees, annualized over a full market cycle (normally three-to-five years). The portfolio is currently in good standing according to LACERS' manager monitoring policy.

Wellington traces its history back to 1928. As of March 31, 2023 the firm had \$1.18 trillion in assets under management ('AUM') and focused on investments across asset classes including global equities, fixed income, currencies and commodities. Wellington is an independent, private partnership. The Managing Partners are responsible for the governance of the partnership. Headquartered in Boston, Massachusetts, Wellington has offices in Chicago, Illinois; Radnor, Pennsylvania; San Francisco, California; Beijing; Frankfurt; Hong Kong; London; Luxembourg; Singapore; Sydney; Tokyo; Toronto; and Zurich.

The lead portfolio manager on the LACERS portfolio is Kevin Murphy, Portfolio Manager and he is supported by Michael Henry, Portfolio Manager and Gillian Edgeworth, Macro Strategist. Wellington's Emerging Markets Debt team relies on dedicated research analysts which includes macro strategists, fixed income credit analysts and fixed income strategists. The macro strategists are responsible for having a view on country fundamentals, local rates, and local currencies. They express their recommendations on a graduated scale: Top Perform, Outperform, Market weight, Underperform, Sell. The corporate analysts use a similar framework. Country fundamental assessments are core to the research process and incorporate both quantitative and fundamental factors. The fixed income strategists maintain and enhance the quantitative models that are a critical component of the research process. The research team is located in a small number of global offices, with the majority of the analysts based in Boston.

The portfolio's investment philosophy is based upon three principles. First, that emerging markets must be approached from a global perspective. Second, market inefficiencies can be exploited by using proprietary quantitative and fundamental research and a disciplined investment process.

Third, the risks associated with investing in emerging markets must be managed across multiple dimensions.

The investment process begins with an assessment of global economics and market conditions. Wellington combines top-down macroeconomic analysis with detailed bottom-up research to identify key secular trends, assess cyclical risks and compare valuations across sectors and markets to determine the outlook for emerging markets debt and currency markets. This market outlook helps determine the overall risk level of the portfolio. The team then employs proprietary quantitative techniques and fundamental research to analyze the drivers of sovereign, corporate, currency, and local debt markets across approximately 80 emerging markets countries.

The portfolio managers are responsible for constructing the LACERS portfolio with Kevin Murphy having final responsibility. They review the best ideas that come out of the research process and select the positions best suited to meet the overall portfolio objectives established. Typically, the investment horizon on a holding is three-to- twelve months. The portfolio will invest across the full opportunity set in emerging markets debt including sovereign and corporate debt of emerging markets countries, as well as local-currency denominated debt on both a hedged and an unhedged basis.

Performance

Referring to Exhibit 2, as of June 30, 2023, since the portfolio's inception date of March 1, 2021, the portfolio has outperformed its benchmark by 1.1% and ranked in the 51st percentile in its peer group. In the past one-year, ended June 30, 2023, the portfolio has outperformed the benchmark by 2.2% and ranked in the 22nd percentile in its peer group. Referring to Exhibit 1, evaluating Wellington's performance over longer periods of time using Wellington's composite data sourced from eVestment, the composite has outperformed over all time periods. Since March 1, 2009, the portfolio has outperformed by 1.1%, over the last 10 years the portfolio outperformed by 0.7% and over the last 5 years the portfolio outperformed 0.6%.

Referring to Exhibit 3, outperformance since inception has been driven by the last five quarters with the portfolio exhibiting some meaningful down-market outperformance in the third quarter of 2022. Within the third quarter of 2022, Russian debt which had not been trading since the invasion of Ukraine rebounded in pricing. More broadly, security selection, developed market duration positioning and emerging markets local duration positioning has driven outperformance.

Fees

The portfolio has an asset-based fee of 0.49% annually. This fee ranks in the 57th percentile among its peers in the eVestment Global Emerging Markets Fixed Income – Blended Currency universe. In other words, 43% of the products included in the peer universe have a lower fee than the LACERS account.

Conclusion

Wellington has performed in-line with expectations and has outperformed the benchmark since inception. The firm and portfolio management team has exhibited stability in team and investment process. NEPC recommends a contract extension for a period of three years from the period of contract expiry.

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

Exhibit 1: Wellington Blended Opportunistic Emerging Markets Debt Net of Fees Composite as of June 30, 2023

Firm Name	Returns - MRQ (06/2023)	Returns - 1 Year (06/2023)	Returns - 3 Years (06/2023)	Returns - 5 Years (06/2023)	Returns - 10 Years (06/2023)	Returns - Since Inception 14.33 Years 03/2009 - 06/2023
Wellington Management Company LLP	2.92	10.99	-1.64	1.02	1.85	5.72
50% JPM EMBI GD/50% JPM GBI-EM GD	2.35	9.41	-2.24	0.47	1.18	4.60
<i>Excess</i>	<i>0.57</i>	<i>1.58</i>	<i>0.60</i>	<i>0.56</i>	<i>0.67</i>	<i>1.13</i>

Source: eVestment and NEPC





Exhibit 2: Universe Performance Comparison Net of Fees Ending June 30, 2023

Note: Universe is considered preliminary

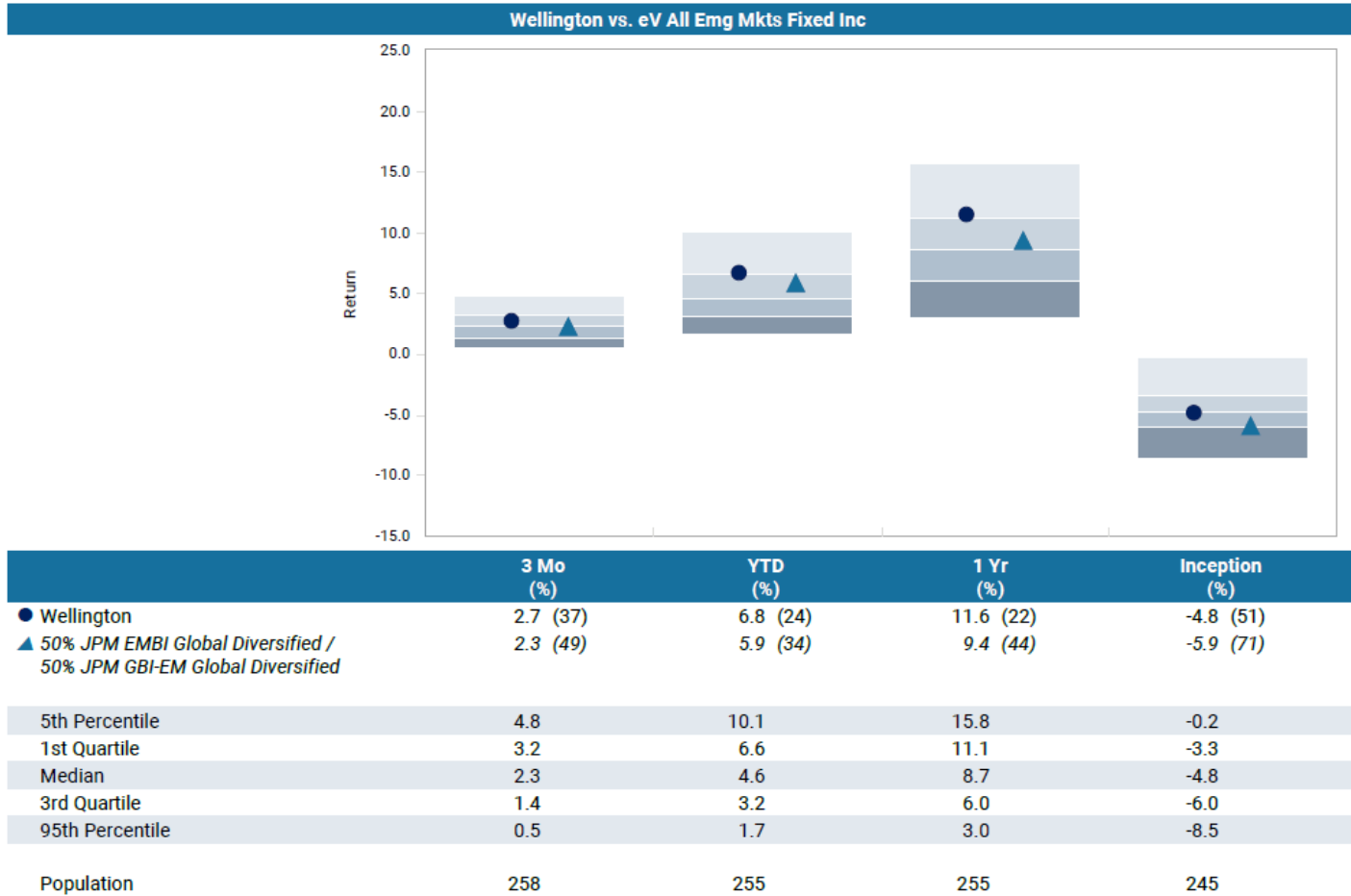
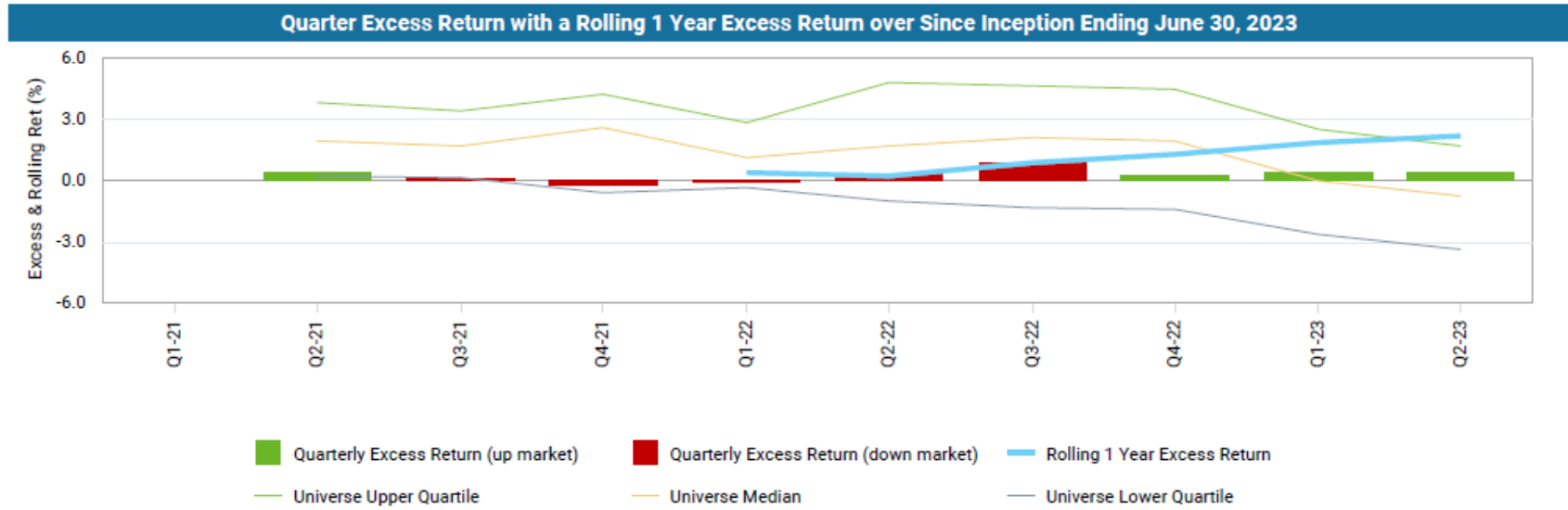


Exhibit 3: Cumulative Excess Performance Net of Fees Ending June 30, 2023



CONTRACT RENEWAL
WELLINGTON MANAGEMENT COMPANY LLP
ACTIVE EMERGING MARKET DEBT PORTFOLIO MANAGEMENT

PROPOSED RESOLUTION

WHEREAS, LACERS' current three-year contract with Wellington Management Company LLP (Wellington) for active emerging market debt portfolio management expires on November 30, 2023; and,

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

WHEREAS, a contract renewal with Wellington will allow the LACERS total portfolio to maintain a diversified exposure to emerging market debt; and,

WHEREAS, on August 22, 2023, the Board approved the Investment Committee's recommendation to approve a three-year contract renewal with Wellington.

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>	Wellington Management Company LLP
<u>Service Provided:</u>	Active Emerging Market Debt Portfolio Management
<u>Effective Dates:</u>	December 1, 2023 through November 30, 2026
<u>Duration:</u>	Three years
<u>Benchmark:</u>	50% J.P. Morgan Emerging Market Bond Index Global Diversified Index and 50% J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index
<u>Allocation as of June 30, 2023:</u>	\$452 million

August 22, 2023



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

MEETING: AUGUST 22, 2023
ITEM: VII - C

Neil M. Guglielmo

SUBJECT: MASTER TRUST/CUSTODIAL SERVICES AND SECURITIES LENDING REQUEST FOR PROPOSAL AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Approve the proposed draft Master Trust/Custodial Services and Securities Lending Request for Proposal (RFP), substantially in the form attached hereto, and the process for evaluating candidates;
2. Authorize the General Manager to advertise the RFP in various print and digital media, as presented in this report.

Discussion

Background

The custodian bank provides comprehensive services including, but not limited to, securities safekeeping, settlement, valuation, and lending; performance measurement; foreign exchange; collection of income; the processing of benefit payments; administration of a limited term retirement plan; and providing a management/accounting and information retrieval system.

The Northern Trust Company (Northern Trust) has provided LACERS custodial and securities lending services since 1991. Northern Trust has maintained its mandates through competitive bidding processes in 1997, 2006 and most recently in 2014. The Board's current contracts with Northern Trust expire on July 31, 2024. Consistent with LACERS' contracting practices, staff requests that the Board initiate a competitive bidding process to reassess the marketplace for these services.

The open and competitive RFP process will require Northern Trust to submit an RFP response and compete in the RFP process to maintain its current mandates. In the case that the existing LACERS custodian and securities lending program manager is not reselected through the RFP process, its current contracts will be subject to termination.

Proposed Candidate Evaluation Process – Board, Investment Committee, and Staff Roles

The roles of the Board, Investment Committee, and staff related to the custodian bank search process are outlined below:

Board:

- Evaluate and select custodian bank and securities lending manager from the list of finalist candidates.

Investment Committee:

- Consider and approve staff's list of semi-finalist candidates.
- Interview qualifying semi-finalist candidates.
- Select finalist candidates for Board evaluation.

Staff:

- Evaluate and score all candidates that meet the minimum qualifications. Evaluation and scoring will be based on the criteria set forth in the RFP.
- Provide the Investment Committee with an evaluation report and list of the semi-finalist candidates.
- Evaluate and conduct due diligence on all semi-finalist candidates.
- Develop a list of qualifying semi-finalist candidates for Investment Committee consideration and interview based on due diligence findings.

RFP and Proposed Timeline of Events

Attached is a proposed RFP (Attachment 1) for the Board's consideration. Consistent with the anticipated RFP timeline, staff expects the search process to be completed by the second quarter of 2024, plus a contracting period of up to two months, as presented in the following table:

Step	Responsibility	Activity	Proposed Target Date
1	Board	Master Trust/Custodial Services and Securities Lending RFP authorization	Tuesday, August 22, 2023
2	Staff	Public release of RFP	Monday, September 11, 2023
3	Proposers	Due date for questions from proposers	Friday, September 29, 2023 4:00 pm PT
4	Staff	LACERS' responses to questions posted	Friday, October 20, 2023 4:00 pm PT
5	Proposers	Deadline to submit proposals	Tuesday, November 28, 2023 4:00 pm PT

6	Staff	<p>Review all proposals and dismiss candidates that do not meet the minimum qualifications</p> <p>Report to Investment Committee on total number of proposals received and number of qualified candidates. Score proposals of qualified candidates</p> <p>Create evaluation report and develop a list not to exceed three semi-finalist candidates</p>	4th Quarter 2023 to 1st Quarter 2024
7	Investment Committee	Review staff's evaluation report and consider the list of semi-finalist candidates for further due diligence	1st Quarter 2024
8	Staff	<p>Conduct due diligence on semi-finalists</p> <p>Develop a list of qualifying semi-finalist candidates for further consideration by Investment Committee</p>	1st Quarter 2024
9	Investment Committee	<p>Interview qualifying semi-finalist candidates</p> <p>Select finalist candidates for Board evaluation</p>	1st Quarter 2024 to 2nd Quarter 2024
10	Board	<p>Evaluate finalist candidates</p> <p>Award contracts</p>	2nd Quarter 2024
11	Staff	Contract negotiations and execution	2nd Quarter 2024

The RFP will be published on the LACERS website. Additionally, staff will conduct outreach to potential bidders through widely-read print and electronic media and through LACERS' RFP/RFI Subscription Service database. The Northern Trust Company, the existing LACERS custodian and securities lending program manager will also be notified to rebid for its current mandates.

Strategic Plan Impact Statement

The RFP for master trust/custodial services and securities lending program management assists the fund with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing a RFP is in line with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Jeremiah Paras, Investment Officer I, Investment Division
Ricky Mulawin, Management Analyst, Investment Division

NMG/RJ/WL/JP/RM

Attachment: 1. Proposed Master Trust/Custodial Services and Securities Lending Request for Proposal



LACERS

**LA CITY EMPLOYEES'
RETIREMENT SYSTEM**

**MASTER TRUST / CUSTODIAL SERVICES
AND SECURITIES LENDING
REQUEST FOR PROPOSAL**

**INITIATION: SEPTEMBER 11, 2023
RESPONSE DEADLINE: NOVEMBER 28, 2023**



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I. INTRODUCTION AND BACKGROUND

INTRODUCTION

The Los Angeles City Employees' Retirement System (LACERS) is soliciting proposals to provide comprehensive domestic and international master trust/custodial services (acting in the capacity of a plan fiduciary) including, but not limited to, securities safekeeping, securities lending, settlement, valuation and lending; performance measurement; foreign exchange; collection of income; the processing of benefit payments; administration of a 'limited term' retirement plan; and providing a management/accounting and information retrieval system. LACERS requires separate bids for custody with securities lending and custody without securities lending (unless securities lending is not offered). All firms meeting the minimum qualifications outlined in Section III of this RFP are invited to respond.

The LACERS Board of Administration intends to award five-year full-service contracts to one firm. In the event the proposal selected through the RFP process is only for custodial services and does not cover securities lending management, a separate procurement process will be considered.

The Northern Trust Company, the existing LACERS custodian and securities lending program manager, is required to submit an RFP response and compete in the RFP process to maintain its current mandates. In the case that the incumbent custodian and securities lending program manager is not reselected through the RFP process, its current contracts will be subject to termination.

BACKGROUND

LACERS is a defined benefit public retirement system established by City Charter in 1937 to provide retirement benefits to the civilian employees of the City of Los Angeles. Currently LACERS provides services to over 25,000 active employees and benefits to over 22,000 retirees and their beneficiaries. LACERS is governed by the Board of Administration, which consists of seven commissioners - four appointed by the Mayor of Los Angeles and three elected by active and retired members of LACERS.

As of June 30, 2023, LACERS total investment portfolio was valued at \$21.58 billion with target allocations as follows:

Asset Class	Amount (\$ billion)	Target
U.S. Equity	4.31	21.00%
Non-U.S. Equity	5.46	26.00%
Core Fixed Income	2.98	11.25%
Credit Opportunities	1.82	12.75%
Private Equity	4.07	16.00%
Real Assets	2.77	12.00%
Cash	0.17	1.00%



LACERS predominantly invests in separate accounts, commingled vehicles, and limited partnerships. LACERS follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting to reflect the overall operations of LACERS.

For further information about the LACERS portfolio, please refer to the LACERS Investment Policy located on the LACERS website at

https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1641834541

II. SCOPE OF SERVICES

The proposer must be able to provide all of the services listed below unless otherwise indicated:

A. ACCOUNTING

1. Trade date multi-currency (local and US dollars) accounting for all securities and full accrual accounting for all assets.
2. Accounting for the following:
 - a. Dividends and interest, corporate actions (including mergers, acquisitions, tenders, stock splits and dividends, warrants and spin-offs)
 - b. Securities lending
 - c. Domestic and international fixed income and equity portfolios
 - d. Equity real estate and mortgage loan portfolios
 - e. Futures and multi-currency derivatives
 - f. Private placements, including domestic and non-US limited partnerships for equity, credit, hedge funds, and other alternative investments
 - g. Real assets
3. Payable date posting for dividends, bond interest and principal, interest and paydown on mortgage pass-through certificates, and interest income purchased for fixed income securities.
4. Accounting must be on a fiscal year basis (July 1 - June 30).
5. A secondary pricing source for comparison to the primary source for pricing securities.
6. Investments must be reported at cost and market value. Gains and losses on securities sold must be recognized on the basis of the average cost of the securities.
7. Provide daily positions with ability to post both accrued trades and settled trades and cash equivalents.



8. The proposer confirms that all information concerning holdings and transactions will be available for inquiry, download or print capabilities.
9. Provide assistance and support for fair value disclosures related to Government Accounting Standards Board (GASB) Statement No 72, Fair Value Measurement and Application, reflected in LACERS Annual Comprehensive Financial Report.
10. Master Trust Accounting - basis for allocating net assets, net investment income, and gains and losses to three or more participating plans (e.g., sub-accounts) in the master trust.

B. SECURITIES SETTLEMENT

1. Participating member and access to securities settlement through DTC, Federal Reserve wire system, PTC, and at other depositories (both domestic and international).
2. The ability to settle physically held securities.
3. The ability to execute foreign exchange transactions.
4. Provision of buy-fail float and contractual settlement date posting of sales.
5. Trade data must be electronically accessible by LACERS, its investment managers, and consultants.

C. CASH MANAGEMENT

1. Provide a Short Term Investment Fund (STIF) for daily cash sweeps.
2. Provide for same day settlement of cash trades, such as physical, DTC, and Fed wireable repo and term purchases.
3. Transfer cash between accounts, make and accept wire transfers of funds (including provision of Fed reference numbers upon request), and accept fund contributions via ACH.
4. Set up a separate 115 Trust account that will be used to process related ACH and wire transfers to vendors and accept self-funded premiums and employer contributions.

D. SECURITIES LENDING

Provide securities lending services for eligible domestic and international securities.

1. Establish a list of eligible borrowers and a maximum amount that may be borrowed by each borrower. Conduct ongoing reviews of borrowers' qualifications.



2. Require that all loans of securities be collateralized by either cash or securities deemed acceptable under LACERS' custom collateral guidelines.
3. Require competitive market levels of collateralization for domestic and international securities, including accrued income.
4. Monitor collateral levels daily. Obtain additional collateral if mark-to-market values fall below acceptable levels.
5. Collect all interest or other distributions with respect to all loaned securities.
6. Make available a daily report of collateral, identifying daily collateral required and pledged, and a monthly report on securities lending activity and outstanding loans, including amounts by borrowers.
7. Provide indemnification against borrower default.
8. Allow for and cooperate with a third-party securities lending custodian (if requested) and associated vendors.

E. TAX RECLAIMS, CORPORATE ACTIONS, CLASS ACTIONS AND PROXY PROCESSING

1. In a timely manner, provide annual reports, proxy voting cards, and proxy statements to LACERS' proxy voting agent.
2. Timely notification to LACERS' investment managers of corporate actions regarding conversion privileges, issuance of rights, mergers, tender offers, reorganizations, and other actions requiring decisions by LACERS' investment managers.
3. Timely notification of class action litigation and provision of the necessary securities information to LACERS.
4. File claims for securities class action awards and monitor collection of the amounts to which the Plan is entitled.
5. Audit securities litigation claims submissions to ensure timely filing of accurate proofs of claim on behalf of LACERS in all class actions in which LACERS may participate in a class member, and in any SEC distribution funds in which LACERS may be eligible for a distribution.
6. Work with LACERS' outside securities monitoring counsel to facilitate counsel's monitoring, reporting, and evaluation of class actions in which LACERS is an affected class member.
7. Process tax withholding, reclaim, and process monitoring and reporting, including support with current tax profile maintenance.
8. Analysis and pursuit of additional relief at source or tax reclaim under double tax treaties.



9. Analysis and pursuit of additional tax exemption under local laws.

F. PENSION PAYROLL DISBURSEMENTS

1. Establish and maintain zero-balance accounts linked to the Master Trust cash account to process monthly pension payroll disbursements via check and ACH payments to existing retirees and beneficiaries (approximately 23,500), and future retirees of some or all of LACERS' plans; as well as one-time and manual payments to retirees, beneficiaries and terminated members.
2. Provide related banking services including but not limited to controlled disbursements, payee positive pay, zero-balance accounts, bank reconciliations for all disbursement accounts, ACH sending capabilities, and access to the bank's web-based inquiry system to obtain and inquire relevant information and process transactions such as stop payments, wires and fund transfers along with access to electronic reporting and communications.
3. Receive electronic transmission/payment files for payroll checks and direct deposit payments and provide acknowledgment for the receipt of payment files.
4. Provide printing and mailing fulfillment services for payroll checks and direct deposit statements including inserts as necessary.
5. Provide paid check file and other electronic files needed for pension system update and payment reconciliations.
6. Process ACH reclamation, deletion, reversal and recall transactions.
7. Provide electronic bank statements and relevant reconciliation reports.
8. Provide paid check imaging, storage and retrieval services.
9. Process payment of plan expenses as requested by LACERS.

G. LIMITED TERM RETIREMENT PLAN

1. Support a 401A retirement plan for a small number of limited term City employees to include but not necessarily limited to 15 City Council Members and the Mayor of the City of Los Angeles.
2. Provide access to an "800" phone number, and/or electronic portal with a chat feature or the like that provides staff the answers to Limited Term Plan questions.
3. Provide investment options sufficient to meet the investment options requirements of the Internal Revenue Service for like plans. Such options should provide a suite of strategy funds with various risk/return profiles including (but not limited to) U.S. and non-U.S. public equities, fixed income, a 60/40 equity/bond fund or equivalent, and a



money market fund. A separate brokerage service as one of the investment options will be considered.

4. Handle all of the reporting including member statements and make such statements accessible to LACERS staff within three weeks of closing period.

H. TECHNOLOGY

1. Provide a web-enabled or internet-based system with access to management information and accounting systems with the capability of providing the following information:
 - a. Current and historical performance
 - b. Current and historical prices, market values, and exchange rates in effect at times of pricing international securities
 - c. Composite portfolios
 - d. Current and historical transactions by security; by account; by asset class
 - e. Online access to current and historical holdings in any aggregate
 - f. Customized reports as required
 - g. Online inquiry of payments status
 - h. Ad hoc query and reporting
2. Provide state-of-the-art back-up systems to minimize loss of data, minimize system downtime, provide instant availability of information.
3. Provide disaster recovery and business continuity services in the event of a disaster or disruption, inclusive of periodic testing of system recovery.
4. Ability to provide data feeds or application interfaces utilized by external system for risk aggregation or analytical reporting.
5. Daily download of portfolio holdings which includes the receipt of periodic cash payments from equity real estate holdings, alternative investments, and cash flows from LACERS.
6. Provide staff with the ability to review all externally managed portfolios, and perform an automated reconciliation to asset positions and income accruals on a monthly basis.
7. Provide daily trade dated asset allocation reports of individual portfolio market values by asset class.
8. Provide a system which makes cash projections by account. Said projections should incorporate STIF balances, dividend and interest income, maturities, income from trade settlements, corporate actions, or other known cash flows.
9. Provide a system which automatically populates capital call and management fee requests from private equity and real estate managers.



10. Provide LACERS external managers with access to investment data for the purposes of reconciliation.
11. Provide a compliance system to confirm and report that the total LACERS portfolio, asset classes, and individual managers are within LACERS policy and investment manager guidelines.
12. Provide a risk analytics system to provide client access to quantitative risk and portfolio characteristic metrics (e.g., active risk/standard deviation, investment manager correlations, tracking error, Value at Risk, P/E, dividend yield, returns and/or holdings-based investment manager style analysis).

I. REPORT REQUIREMENTS

1. Provide audited monthly holding reports to be received no later than 10 working days after month-end.
2. Provide accurate monthly, quarterly, and year-to-date reports on all transactions, income, and other pertinent investment data, in a format acceptable to LACERS, no later than 10 working days after the end of each month.
3. Provide monthly reports in a format acceptable to LACERS.
4. Provide other reports as may be requested by LACERS.
5. At a minimum, all reports will comply with the Department of Labor reporting requirements.
6. Provide annually the Statement on Auditing Standards "SSAE 18" report on processing of transactions by service organizations.
7. Provide certification that the reported information is complete and accurate.
8. Monthly and annual securities lending reports.
9. Reports of daily transactions including domestic trades affirmed, unaffirmed, failing, pending, etc.
10. Performance measurement, attribution, and other analytic reports.
11. Provide fiscal year end (June 30) reports to comply with Government Accounting Standards Board (GASB) reporting requirements, including, but not limited to, GASB Statement Nos. 28, 40, 53, 67 and 72.
12. Ensure that the 115 Trust account transactions are included in all the consolidated reports as a separate account as well as in the applicable GASB reports.



J. PERSONNEL

1. Proposer shall assign appropriate personnel as liaison to LACERS accounting and investments and make assigned personnel available as needed.
2. Proposer must make presentations as required to the Board to discuss services related to LACERS, including but not limited to a regular master custody services update presentation and the annual securities lending activity presentation.
3. Proposer shall provide the personnel to facilitate audit access to LACERS' staff or its designated agents for the purpose of verifying the integrity of proposer's operations for the LACERS account and all data input and output in case such an audit is deemed necessary.

III. **MINIMUM QUALIFICATIONS**

A proposing firm (Proposer) must meet all of the following minimum qualifications to LACERS satisfaction to be given further consideration. The Proposer must complete the *Minimum Qualification Certification (Attachment 2)* substantiating that the Proposer satisfies all minimum qualifications and requirements. Failure to satisfy each of the minimum qualifications may result in the immediate rejection of the proposal.

CUSTODY

- A. The candidate must have at least \$500 billion in tax-exempt master trust/master custody assets as of June 30, 2023. This amount must include at least \$10 billion in international equity and fixed income.
- B. As of June 30, 2023, the candidate must have provided custody services for a minimum of ten (10) years.
- C. The account manager assigned must have had a minimum of five (5) years experience in the master trust/custody field with at least three (3) years experience at the responding firm. The transition team leader and his/her assistant must have worked together on at least one (1) prior major conversion of an account with market value in excess of \$5 billion consisting of multiple asset classes.

SECURITIES LENDING

- A. If submitting a proposal, the candidate must have at least \$100 billion in securities lending lendable base on an agency basis as of June 30, 2023.
- B. As of June 30, 2023, the candidate must have provided securities lending services for a minimum of ten (10) years.
- C. The account manager assigned must have had a minimum of five (5) years experience in the securities lending field with at least three (3) years experience at the responding firm.



INSURANCE COVERAGE

The firm must carry the following insurance coverage or must have applied for it by the contract execution date:

- Errors and Omissions (Professional Liability)
- General Liability
- Workers' Compensation and Employer's Liability
- Financial Crime/Fidelity Bond
- Cyber Risk

Coverage amounts must be considered prudent according to LACERS' specific requirements and shall be consistent with current market standards. LACERS reserves the right to require a higher and/or additional insurance coverage if it deems necessary.

All minimum qualifications, except for insurance coverage, must be met as of November 28, 2023 – 4:00 P.M. Pacific Time (PT).

IV. PROPOSED SCHEDULE

RFP Available to Prospective Proposers:	September 11, 2023
Written Questions Submission by email:	September 29, 2023 - 4:00 p.m. PT
Should a firm need further clarification on the questions or specifications contained in the RFP, the Proposer must e-mail questions to lacers.invest@lacers.org . The <u>subject line</u> of the e-mail should show the name of your firm and "2023 Master/Trust Custodial Services and Securities Lending RFP."	
Response to Written Questions posted on LACERS website, www.lacers.org :	October 20, 2023 - 4:00 p.m. PT
Final Date for Proposal Submission:	November 28, 2023 - 4:00 p.m. PT
Evaluation Period	4th Quarter 2023 to 1st Quarter 2024
Interview of Finalists	2nd Quarter 2024
Contract Start Date	2nd Quarter 2024 (tentative)

V. SUBMISSION REQUIREMENTS

1. **Response Format.** To be eligible for evaluation, a proposal must adhere strictly to the format set forth below. Failure to do so may result in disqualification. Proposers must



address each of the required sections indicated below. Completeness, clarity and brevity are stressed in proposals.

Within each section of the proposal, the proposer should address the items in the RFP in the order in which they appear in the RFP. Furthermore, repeat and bold-type each question number and question in the RFP before providing your answer.

Responses to the RFP in the Word document should be in standard 12-point Arial font (or its equivalent), non-bold and non-italicized. All questions requesting asset values must be stated in US Dollars only.

All forms, the RFP Questionnaire, and the electronic versions in Word and Excel provided in this RFP must be completely filled out. If a question does not apply to you, please write in “not applicable” and then state the reason why the question does not apply to your firm.

The content and sequence of the proposal must be as follows:

<u>Section</u>	<u>Title</u>
I	Cover Page
II	Table of Contents
III	Letter of Transmittal
IV	Required Documents

I. Cover Page

Title for cover page: “**2023 Master Trust/Custodial Services and Securities Lending RFP**”.

II. Table of Contents

Immediately following the cover page, there must be a comprehensive Table of Contents of the material included in the proposal. The Table of Contents must clearly identify the proposal section/subsection and the applicable page numbers.

III. Letter of Transmittal

A letter of transmittal must accompany all responses to this RFP and placed as the first page of the proposal. The letter of transmittal must further state that the proposal is valid for nine (9) months subsequent to the proposal due date.

The letter of transmittal MUST:

- identify the proposal as “**2023 Master Trust/Custodial Services and Securities Lending RFP**”;
- identify the submitting organization;
- identify the name and title of the person authorized by the organization to contractually obligate the organization;
- identify the names, titles, telephone numbers, and e-mail addresses of persons to be contacted for clarification;
- certify that your firm has fully complied with all provisions of the RFP and that all statements are true and accurate, and that the firm has not knowingly made any false or misleading statements in its proposal;
- be signed by a person authorized to contractually obligate the organization.



IV. Required Documents

1. Company Questionnaire (*see Attachment 1*)
2. Minimum Qualification Certification (*see Attachment 2*)
3. RFP Questionnaire (*see Attachment 3*) including requested Exhibits:
 - A. Most recent audited financial statements, Auditor's Report on the Internal Control Structure, and Audit Report of Policies and Procedures Placed in Operation (Question 10)
 - B. Internal Control and Risk Management materials (Question 23)
 - C. STIF description and documentation (Question 80)
 - D. Cash Overlay program materials (Question 108)
 - E. Securities Lending reporting (Question 159)
 - F. Cash Collateral Reinvestment Portfolio investment vehicles description and guidelines (Question 166)
 - G. Record Retention Policy (Question 219)
 - H. Conflict of Interest Policy (Question 230)
 - I. Environmental, Social and Governance (ESG) Policy (Question 245)
 - J. Diversity, Equity and Inclusion (DEI) Policy (Question 248)
 - K. List of Specific Responses Marked as CONFIDENTIAL (Question 259)
- Custody with securities lending** - Answer all questions.
- Custody with no securities lending** - Answer all questions except Section Q – Securities Lending.
4. Fee Proposal (*see Attachment 4*).
5. Compliance Documents (*see Attachment 5 – PDF format*):
 - A. Warranty/Affidavit.
 - B. Proposer Disclosure Form.
 - C. Bidder Certification – City Ethics Commission Form 50.
 - D. Bidder Certification – City Ethics Commission Form 55.
 - E. Gender Equity Disclosure Form.
 - F. Sexual Harassment Policy Disclosure Form.

As instructed in Attachment 5 – General Conditions and Compliance, do not include the completed Organization Diversity Survey (ODS) as part of the RFP response. The completed ODS must be separately uploaded to the following link:

<https://lacers.app.box.com/f/279a89bd1e6447098377af4d45d50fa1>

2. **Word (or PDF) and Excel Electronic Versions.** Please provide the proposal and the responses in Microsoft Word (or PDF) and in Microsoft Excel.

The Excel spreadsheet containing questions and answers to the RFP must be submitted in the format specified in the downloaded Excel RFP Questionnaire and saved with a file name using the prescribed file name format found in the spreadsheet. We strongly advise against copy and paste answers from the Word document directly to the Excel document as it may change the integrity of the formatted Excel cells.



Note that the Excel spreadsheet may have maximum word limits that are not necessarily found in the Word document. In such cases, we would expect respondents to summarize the answers while maintaining the same meaning and consistency with the Word document responses, where applicable. **Please carefully follow the instructions located in the first tab of the formatted Excel spreadsheet.**

3. **Authorization to Bind Organization.** Proposals must be signed by an individual with the authority to bind the Proposer organization and the authority of the individual signing must be stated thereon (see "Company Questionnaire" form).
4. **Confidentiality of Responses.** The word **CONFIDENTIAL** should be stamped and must be clearly designated on every page in the proposal containing proprietary or trade secret information. Proposers should be aware that LACERS is subject to the Public Records Act, but will endeavor to keep these materials private.
5. **Deadline.** All materials from the final proposals must be emailed to lacers.invest@lacers.org by 4:00 P.M. Pacific Time (PT) on Tuesday, November 28, 2023. Date and time will be recorded on the proposals upon their arrival. Late proposals (Word document and Excel response form) will not be considered. It is the responsibility of the proposer to ensure that all materials are received by LACERS by time and date deadlines.

VI. EVALUATION PROCESS

1. Minimum Qualifications Evaluation.

LACERS will only evaluate proposals from firms that meet all of the minimum qualifications as specified in Section III of this RFP. Proposals from firms that fail to meet all of the minimum qualifications will not be considered.

2. Proposal Evaluation.

Proposals from firms that satisfy all of the minimum qualifications will be evaluated and ranked categories by a review committee comprised of LACERS staff members based on the following:

- Organization
- Experience, depth, and strength of team
- Ability of firm to provide the services referred to in this RFP
- Maintenance and upkeep of operational infrastructure, including innovation and investments in teams, processes, and technology
- Pricing and value
- Other factors LACERS determines to be relevant

A semifinalist list, consisting of no more than the three highest scoring firms, will be established.



3. Due Diligence and Reference Checks.

LACERS staff will conduct due diligence and reference checks on semifinalist firms for further evaluation.

4. Interviews.

Semifinalist firms that satisfactorily pass LACERS due diligence and reference checks will be considered finalists and invited to interview with LACERS Board of Administration and Investment Committee. In evaluating finalists, the Board may consider, but is not limited to, factors such as a firm's service offerings, quality and experience of the firm and team, philosophy and approach, reasonableness of fees, etc.

5. Award of Contract.

The LACERS Board of Administration intends to award five-year full-service contracts to one firm. In the event the proposal selected through the RFP process is only for custodial services and does not cover securities lending management, a separate search for a securities lending provider will be considered.



ATTACHMENT 1

COMPANY QUESTIONNAIRE

Proposer Firm Name

Organization's Legal Name

Type of Business (Corporation, Partnerships, Individual, etc.)

Website Address

Headquarters Address

Address of Office Managing the Account (if different)

RFP Contact Name

Telephone Number

Email Address

RFP Back-up Contact Name

Telephone Number

Email Address

Signer (authorized to contractually bind the Organization)

Date

Name and Title of Authorized Signer (Please print)

Signer (authorized to contractually bind the Organization)

Date

Name and Title of Authorized Signer (Please print)



ATTACHMENT 2

MINIMUM QUALIFICATIONS CERTIFICATION

Proposer Firm Name

The Proposer must substantiate that the firm satisfies **all**, except insurance coverage, of the minimum qualifications stated in Section III of this RFP, to LACERS' satisfaction, to be given further consideration. The statement must contain sufficient information as prescribed to assure LACERS of its accuracy. **Failure to satisfy each of the minimum qualifications as specifically stated in the Minimum Qualifications Certification at the time that RFP is submitted, based on LACERS' sole judgment, will result in the immediate rejection of the proposal.**

The signature of the authorized representative of the proposer firm represents and warrants that the proposer has met **all**, except insurance coverage, of the minimum qualifications by November 28, 2023. The insurance coverage requirements must be met by contract execution date.

Authorized Signature

Print Name

Title

Date



ATTACHMENT 3

REQUEST OF PROPOSAL (RFP) QUESTIONNAIRE

Please indicate which proposal you are participating in (select one only):

- Custody with Securities Lending
- Custody with No Securities Lending

A. BACKGROUND AND ORGANIZATION

1. Legal Name of Entity:

Name of firm:
 Address:
 Contact:
 Phone:
 Fax:
 E-mail:
 Website:

- 2. Provide a brief history of your firm and your master trust/custody, and securities lending operations (if applicable based on your proposal selection). What approach or specific services distinguish you from your competitors?
- 3. Provide details of the financial condition of your firm. Describe any material changes in the last five (5) years. Please list the S&P and/or Moody's ratings of your commercial paper (if applicable), and ratings on long term debt. What is the proposer's exposure to derivative instruments, both in notional and net exposure and as a percent of total capital?
- 4. List your firm's lines of business and approximate contributions of each business to your organization's total revenue and operating income. If your firm is an affiliate or subsidiary of an organization, list the lines of business of the parent firm and identify the percentage of the parent firm's total revenue that your subsidiary or affiliate generates.

Lines of Business	Revenue	Operating Income
Total		

5. Describe your plans for managing the future growth of your firm in terms of:



- a. Total number of accounts that will be accepted including the number of clients, the type of clients (e.g., publics, Taft-Hartley, corporate) and/or upper limit of assets under custody that are assigned to the proposed relationship manager.
 - b. Total assets that will be accepted by the custodian.
 - c. Plans for additions to professional staff and approximate timing in relation to anticipated growth in the number of accounts or assets.
6. Briefly describe the organizational structure of your firm and the Master Trust/Master Custody Department/Securities Lending units.
- a. Provide organization charts which clearly show the operating interrelationships and authority within the master trust/custody, securities lending service unit, FX unit, and within the organization. Be sure to show the reporting relationships between the administrative/relationship manager group, the accounting/reporting group, and the trade settlement groups and control structures. Describe the procedures used to ensure continuity of service during vacations or other absences within each group.
 - b. Are account teams formed by function or by client? Explain.
 - c. Do you have a separate administrative group for public funds? If yes, explain the difference.
7. Summarize your business plans for master trust/custody, securities lending services and/or FX for the next three (3) years, including plans for mergers/acquisitions. What support does senior management provide in the search for improvement in master trust/custody?
8. What are the Public Funds Master Custody, or securities lending, department's gross revenues? Is this department profitable? What percentage of your company's profit was contributed by this department in the last three (3) calendar years?

2020	Gross Revenue	Profitable (Y/N)	Contribution to Total Company Profit (%)
Public Fund Master Custody Department			
Securities Lending Department			
FX Department			
2021	Gross Revenue	Profitable (Y/N)	Contribution to Total Company Profit (%)
Public Fund Master Custody Department			
Securities Lending Department			
FX Department			
2022	Gross Revenue	Profitable (Y/N)	Contribution to Total Company Profit (%)
Public Fund Master Custody Department			
Securities Lending Department			
FX Department			



9. Are you willing to be subject to the laws of the jurisdiction of the State of California and the jurisdiction of its court system in the administration of this contract?
10. Provide a copy of your most recent audited financial statements, the Auditor's Report on the Internal Control Structure and the Audit Report of Policies and Procedures Placed in Operation, in accordance with Statement of Auditing Standards No. 70 relating to your custodial accounts. Label this as **Exhibit A**.
11. Briefly describe insurance coverage. List any deductibles involved. How does the firm ensure that it has the proper insurance coverage and that such policies are renewed in a timely fashion?

Type	Carrier	Carrier Rating	Levels and Limits	Deductibles	Expiration
Errors and Omissions					
General Liability					
Workers Compensation					
Financial Crime/Fidelity Bond					
Fiduciary Liability					
Directors and Officers					
Cyber Risk					

12. Are there any anticipated ownership changes and/or influences of parent organization(s)? Have there been any such changes within the past three (3) years? If yes, please describe.
13. Insert response as indicated to the following questions (responses should reflect information as of RFP submission date).

A. Registered Investment Advisor? (Y/N)	
B. Exempt from SEC registration? (Y/N)	
C. GIPS compliant? (Y/N)	
D. Attestation firm/auditor	

B. PERSONNEL

14. Who should be contacted regarding any questions about the information contained in your response to this RFP?

	Name/Title/Address	Phone	Email
RFP Contact			
Client Service			

15. In addition to completing the table below, provide biographical sketches and an organization chart of key individuals in charge of master trust/custody services, the person responsible for our overall relationship and day to day services and back-up, the investment management liaison contact, and accounting/reporting contacts. Will you designate an individual to act as a consultant for our online services? Are the same people responsible for US and non-US assets? If domestic, foreign, commingled or



other accounts are handled by different groups, provide an organization chart for each group and a brief description of key people's responsibilities.

Key Individuals	Title/Role	Firm Experience	Industry Experience

16. How do you determine the number of accounts assigned to each administrator? How many accounts are assigned to the account administrator who would be assigned to LACERS' account and what are the current total assets under administration for this individual? Include an estimated upper threshold limit of clients and/or assets? How do you measure the performance of your professional staff? Do you typically promote from within? Under what conditions would you hire an outsider?

17. Provide the following information on personnel turnover in the primary client service, master trust/custody, securities lending, and FX for the last three (3) calendar years (2020-2022) and the first six (6) months of 2023, differentiating between individuals leaving the firm and those transferring to other departments within the firm:

Position Titles	2020			2021			2022			2023 YTD		
	Gain	Transfer	Loss	Gain	Transfer	Loss	Gain	Transfer	Loss	Gain	Transfer	Loss

18. Describe training you provide to the client after conversion is completed. Also, describe ongoing educational sessions, user conferences, publications or other means you have for keeping clients fully educated on changes and enhancements within your custody environment, and for providing a forum for new ideas and needs.

C. CLIENTS

19. Provide the number of your master trust/master custody clients, both domestic and international. Report the aggregate value of the total assets in your custody in US\$ millions as of June 30, 2023. For the aggregate amount reported, separately classify US dollar denominated and foreign currency denominated assets.



20. Please provide the following information on the 10 largest client relationships included above:

	Client Name	Client Type (corporate, public, endowment)	Years retained as Custodian	Total Asset Value in USD (\$mm)	Domestic, international or global custody
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

21. Provide the number of master trust/master custody accounts (domestic and international) gained or lost by year in the past three (3) calendar years and the first six (6) months of 2023. Report the corresponding aggregate values for the total assets in US\$ millions. Provide a brief explanation for the account(s) lost.

	2020		2021		2022		2023 YTD	
	Gain	Loss	Gain	Loss	Gain	Loss	Gain	Loss
Total Number of Accounts								
Total Assets (\$mm)								
Number of Public Fund Accounts								
Public Fund Assets (\$mm)								

22. Please provide the names, contact persons, phone numbers, email addresses, and amount of assets custodied, of your five largest U.S. public pension clients with at least \$10 billion in assets custodied. We may contact all, some or none of the provided references. Please secure advanced approval. What is the median size public pension fund custody client?

D. INTERNAL CONTROLS AND RISK MANAGEMENT

23. Describe the risk controls that ensure accuracy of the processing and reporting of the master trust/master custody department, securities lending department, and/or FX department. Identify the internal and external entities that audit, regulate and/or review your custody services. Briefly discuss the frequency and scope of audits performed during the last three (3) years. Include a copy of any formal policies, and provide a



relational organization chart for this function. Include a copy of any formal policies, and provide a relational organization chart for this function. Label this as **Exhibit B**.

24. Discuss your policy for managing market and credit risk associated with deposits (including the ratio of retail deposits to institutional client deposits) and investments, including repurchase agreements and derivatives in Short Term Investment Fund (STIF) and reinvestment of securities lending cash collateral, and FX.
25. Describe your liquidity risk management process. How do you manage interest rate risk as it pertains to liquidity? If your firm is an affiliate or subsidiary of an organization, describe the compliance safeguards in place between the firm and the lines of business of the parent firm, as it pertains to protecting the liquidity of the custody operations.
26. Describe the results of the bank's most recent stress test. Provide details pertaining to the bank's capital adequacy and how these satisfy regulatory framework requirements. Describe the bank's ongoing efforts to address Basel IV requirements.

E. ADMINISTRATION AND CLIENT RELATIONS

27. Describe in detail your client relations process including:

- a. Formal and informal oral and written communications
- b. Inquiry and problem resolution processes
- c. Transmitting information on available services
- d. Training in the use of the services and access systems
- e. Quality Assurance process

28. How do administrators ensure that master trust/custody services are provided to a client in accordance with proper standards of care, regulatory requirements, and the executed agreement for service?

F. INVESTMENT MANAGER LIAISON

29. Describe your process for interfacing with your clients and their investment managers for trade settlement. Separately (if different processes) describe the differences in processing trade settlements between domestic and international custody, including a discussion of the following:

- a. Dedicated staff positions and responsibilities
- b. Modes and means of trade instruction communication and validation
- c. Cash management support
- d. Mode, timing and content of reports provided them
- e. Inquiry and problem resolution processes
- f. Reconciliation and audit procedures
- g. Support for managers located outside the US

30. Describe other functions handled or support provided by your investment management liaison group.



G. SECURITIES PROCESSING AND CUSTODY

31. Describe your trade affirmation services/systems. Describe your procedures for processing trade instructions for domestic and international securities, settling purchases and sales, identifying any distinctions for a) different asset classes, b) physical and book entry, and c) domestic and international.
32. Are there any restrictions as to the types of securities which may be held in safekeeping? If so, what are they? How do you handle the safekeeping of physical securities?
33. Provide a list of sub-custodian relationships, including the length of time they have served in this capacity. How frequently and by what means do you communicate trade instructions to sub-custodians? How are sub-custodians selected and monitored?
34. Are assets held by you and your sub-custodians segregated in such a manner that they are not subject to the claims of creditors against your organization and the sub-custodians' organizations?
35. Describe your domestic and international safekeeping network (encompassing developed, emerging, frontier, and standalone markets). How many markets are currently covered in your sub-custodian network? Describe your firm's experience in documentation for opening international markets. How does your firm assist with the set-up, implementation, and monitoring of country-specific authorities in such markets?
36. Discuss the distinctions in the level of control over the work by your foreign branches and subsidiaries versus sub-custodians who contract with your organization. How do you control for the difference?
37. Discuss your procedures for tracking failed trades, reporting failed trades to clients and investment managers, and resolving failed trades, including aging statistics. Is there a standard report of failed transactions outstanding? How long will fails continue to show up on your 'fails' report?
38. What is your fail rate for securities sold or purchased, by country, for each of the last three (3) years? What percentage of these fails were the fault of the custodian?
39. What depositories do you not actively participate in?
40. List any other services that you will provide to LACERS or its external investment managers.
41. What are your policies regarding actual vs contractual settlement for domestic and international securities? What do you recommend?
42. What controls or systems are currently in place to ensure that account activity is within the policy limits set by the client?



43. What methods are available to send trade instructions to you? What type of time restrictions do you require for domestic and global accounts?

H. INVESTMENT GUIDELINES COMPLIANCE AND MONITORING

44. How does your system integrate investment guideline compliance into the automated trading process and actively monitor transactions and portfolio composition?

45. Do you have different levels and compliance monitoring that you provide? Please describe all types of compliance monitoring you currently provide. Are there additional costs or fees for each level for your compliance monitoring services?

46. Is compliance monitoring performed for all asset classes? Is it performed daily? Is it on a post-trade or pre-trade basis? Is compliance tracking available online?

47. Are derivatives monitoring, risk control and compliance check services available to clients?

I. TAX RECLAIMS, CORPORATE ACTIONS, CLASS ACTIONS AND PROXY PROCESSING

48. Describe the processing of tax claims on foreign income, including:

- a. Sources of information
- b. Procedures for maintaining information on current treaty provisions
- c. Processing steps for:
 - i. Filing to establish status for exemptions and reclamation
 - ii. Filing reclamations for tax refunds
 - iii. Collecting refunds
- d. Identification of party responsible for each processing step
- e. Procedures for accruing, reporting, aging and posting of reclaimable tax
- f. Detail reported to clients

49. Describe relevant experience providing tax reclaim services to U.S. public pension funds.

50. Is there a minimum recovery amount before a tax reclaim is filed?

51. Does your firm maintain any differentiated or preferential access and/or relationships with foreign tax offices? If so, please describe fully and how such access and/or relationships provide value to clients.

52. Provide the number of employees or professionals involved in tax reclaim services.

53. Describe your procedures for ascertaining domestic and international entitlements and accruals for corporate actions (stock splits, stock dividends, spin-offs, mergers/acquisitions, tenders, calls, warrants, maturities, etc.).

54. Describe in detail your process for providing notice to clients of corporate actions requiring their decisions and notification from them prior to processing, including:



- a. All sources of information on terms of elections, U.S., and non-U.S.
 - b. Methods of notifying clients.
 - c. Deadline requirements for client response.
 - d. Methods of receipt of instruction from clients (including online access).
 - e. Procedures for implementing client elections.
 - f. Method and mode of relaying instructions to sub-custodians.
 - g. Procedures for controlling sub-custodians' timely and appropriate action; and
 - h. Provide information on your procedures and timing for posting income receipts and capital changes to client accounts.
55. How do you measure accuracy and timeliness of receipts of US and non-US income and capital changes reported by your depositories, agents and sub-custodians?
56. What controls are in place to prevent missed filings on class actions, and whether controls are automated or manual? Are there any dollar or qualitative thresholds in place (or can be put in place) that determine which class actions will or will not be filed? How often are such filings reviewed? What kinds of reports are generated for the client to allow review of class action activity and settled claims?
57. Describe the extent of limitation of your class action monitoring and claims filing services:
- Is class action monitoring and filing of claims performed in-house or subcontracted?
 - Are you willing to file all claims with class periods that predate the conversion using data supplied by a third-party service provider?
 - Describe your process for coordinating with outside monitoring services for class actions and provide information on additional fees charged for this service.
 - Are there any cut-off date requirements specified with respect to class action processing?
 - Describe any differences in how you manage the filing and monitoring of U.S. versus non-U.S. class actions.
58. Specific to proxy services, please answer the following:
- Briefly describe the custodian's proxy services for domestic and foreign securities, including providing proxy notification, monitoring, etc. Include a list of the various sources the custodian uses for corporate meeting announcement.
 - Describe your process for sending share positions to a third party. Do you have the capabilities to transmit holding information on a daily, weekly, or monthly basis?
 - Please describe your share reconciliation process including shares held on record date, shares on loan, and shares entitled to vote on meeting date. How are clients notified of any discrepancies identified through a share reconciliation process?
 - Are you able to recall shares on loan or coordinate with third party lending agents to recall shares are on loan prior to record date to participate in the proxy process?
 - Describe your process for monitoring and ensuring Powers of Attorney are in place and current. How often are power of attorney forms reviewed for expirations? How far in advance of Power of Attorney expirations do you notify clients for rectification?



- Provide a list of which countries/markets/securities for which you or your sub-custodians cannot/will not represent LACERS at local meetings due to operational issues, share blocking requirements, or re-registration requirements (requiring LACERS to pay additional fees to sub-custodian or other 3rd party to represent LACERS for vote to be counted). As part of your response to the above, please specify which markets comprising the MSCI ACWI Index you do not offer coverage for all constituent securities? For any markets where you do not provide coverage, what is the process for a client to execute a proxy vote?
- Provide a list of proxy services which would be considered additional or add-on services to standard services.

59. Please name the proxy voting agent(s) your firm works with. Describe your firm's working relationship with each.

J. DISBURSEMENT SERVICES

60. Do you provide disbursement services for check/ACH advice printing, ACH payments, and wire transfers based on clients' payment files?

- Does the above disbursement service support international ACH payments? If so, please provide countries and currencies covered, associated fees, processing time as well as any specific compliance requirements or documentation needed to ensure compliance with international regulations? Can international ACH payments be processed based on client payment files? Describe other ways that you can accommodate bulk payments and/or recurring international ACH payments other than through the client payment files.

61. Describe the methods by which clients' payment files are transmitted to you.

- Do you confirm payment files transmitted are received? How?
- Describe security measures used to prevent and detect transmission of duplicate files.

62. How much lead-time is needed before the printed checks/ACH advices are mailed out?

63. Describe your typical arrangements for applying the funds in the custodial accounts to pay for the disbursements. Do they include zero-balance checking accounts?

64. Describe the security features of the checks printed by you.

- If you do not print the checks, where is your vendor's printing facility located?
- Describe years of business with the current printing vendor and their check printing services to their major customers.
- Provide a sample of check and ACH Advise statement.
- Are checks processed through a presort facility? If so, please describe the controls in place to ensure accurate and timely check processing.

65. Can your system perform the following:



- Allow payments of withholding taxes to the Federal/State authorities through ACH debits? Is your system capable of providing alerts to user for all ACH debits/payments processed that exceed ACH limit set? If so, please describe.
- Provide services to allow ACH payments/wire transfers through templates stored in your system instead of clients' payment files?
- Can your clients request stop payment and/or cancel the stop payment of checks via online? If so, what is the effective duration of stopped checks?
- Do you allow special handling of checks, such as having certain checks pulled and sent by express delivery to designated addresses? If so, do you process it manually or process by reading mail handling code specified in the file?
- Do you allow for print and mail inserts to be sent to all or a subset of payees along with the checks or ACH remittance advices?
- Can your disbursement services include positive pay and ACH debit protection? If so, describe the procedure and lead time required to resolve such issues?

66. How can your clients request deletion of ACH payments before the settlement date? How can your clients request reversing ACH payments after the settlement date? Can it be requested via ACH reclamation file? How will the result/action from this request be communicated to the client?

67. Describe the available reports and downloadable files associated with the disbursement services:

- Do they include daily checks-paid files?
- Are they accessible online?

68. Do you have an Internet-based online application for the disbursement services? If so, describe the online services available, and the security features of the application.

69. Can you provide clients with images of cashed checks via online platform, CD/DVD, and/or other media formats? Can you reproduce CD/DVD if it is damaged or lost? How long do you normally maintain check information /image in your system?

70. Are there fees/costs of services for the disbursement services your firm provides?

- Provide a list of recurring services items and its fees, and specify if at fixed rates (regardless of volume) or at variable rates (varies by volume).
- List chargeable non-recurring services associated with Integrated Disbursement services.

71. Do you provide clients with an after-hours phone number to handle urgent requests?

72. Describe your business continuity plan in processing our payroll files on scheduled time in case of any emergency situation with your bank. Are you able to accept electronic/payment files from LACERS' authorized vendor in an emergency situation?

K. LIMITED TERM RETIREMENT PLAN



73. As part of the required scope of services necessary to bid on this RFP, describe your experience supporting a 401A Defined Contribution retirement plan for a small number of limited term employees and whether this is administered solely in-house or parts or all of it are outsourced to a third-party provider.
74. Describe your experience providing/developing Plan Document(s).
75. Describe how LACERS staff and its Limited Term members can access custodian staff if they have questions such as access to an "800" phone number, a website portal, etc.
76. Describe your experience providing investment options to 401A Defined Contribution type participants, and the process of participants' selection of the investment options. Are you capable or do you have means to provide a self-directed brokerage account to participants of the Plan?
77. What reports are provided to participants, to LACERS, and when do the reports become available?
78. Describe the process of setting up and administering the plan and its associated costs.

L. CASH MANAGEMENT

79. Is there an automatic cash sweep into STIF? If so, how does it work? Do you propose to use the same STIF for the securities lending cash collaterals or a different STIF for this purpose? How do you establish or determine the STIF rate? Does the rate differ from client to client? If so, why?
80. Provide a description of domestic STIFs that are available, including their guidelines and fees appropriate for LACERS' overnight investments. Describe any defaults, asset write-downs, cash infusions to preserve principal value or other problems that have occurred in the funds since their inception. Provide annual performance numbers net of fees going back five (5) years from June 30, 2023, using a bond equivalent yield. Provide a fee schedule for STIF in basis points. Is there daily liquidity? For each commingled STIF proposed, identify the purpose of the fund and provide documentation. Label this as **Exhibit C**.
81. If a client overdraws an account for an overnight investment, will the client be charged the STIF rate for the overdraft?
82. If the bank erroneously debits an account overnight, at what rate will the bank reimburse the client for the overnight use of client funds at the STIF rate?
83. How often is STIF interest accrued and when is it credited?
84. What is your time deadline for a wire to be credited the same day? What is the time deadline for initiating wires?



85. Please describe the cash management section and provide biographies of the people involved in managing the STIF.
86. Have any of your short-term investment funds defaulted during the past three (3) years? If so, please describe the circumstances of the default, recovery of the investment, allocation of loss, etc. Did any participants incur a loss? Were adjustments made to your investment guidelines/policies to avoid a similar problem?
87. Does your reporting system provide daily investable cash positions in local and translated US dollars (using current exchange rates)?
88. What provisions are there for the investment of non-dollar balances? Are there minimum balances required and if so, what are they?
89. What is your policy on the collection and crediting of domestic and foreign dividend and interest payments? When are the funds credited and available for use? Provide a country-by-country analysis.

M. FOREIGN EXCHANGE

90. Describe your foreign exchange operations and capabilities. Please include in your discussion whether you are able to process third party exchange and any charges associated with executing foreign exchange transaction; the location of the primary foreign exchange desk and foreign exchange operations and their relationship to master custody; the hours of operation for the order takers and execution facilities; the number of people involved, timing requirements and response time, and currencies exchanged.
91. Do you perform FX transactions on a principal/agency basis?
92. How does your organization demonstrate the competitiveness of your foreign exchange?
93. How does your firm ensure the custodial clients achieve best execution?
94. Will your firm use a competitive bidding structure to execute FX Transactions?
95. Will your organization be able to provide performance reporting or best execution reports for FX transactions?
96. Is there online access to foreign exchange information?
97. Is your organization able to provide a "time-stamped" FX trade and disclose at what price your firm valued the FX Trade?
98. What percentage of your custody and trust clients utilize your firm for FX transactions versus a third party?



99. What if any, business risk does your firm assume as part of its exchange services?
100. Are security trades treated differently than repatriation of dividends, corporate actions, and other periodic receipts?
101. Describe the level of transparency provided to clients on all transactions.
102. Describe your standing instruction process and program options.
103. Describe your compensation resulting from an exchange.
 - a. Is there a standard fixed spread?
 - b. Does the spread vary by currency type?
 - c. Can a client or investment manager negotiate the spread based on volume?
104. Please explain the process for batching, netting, pricing and execution according to each different set of instructions currently in place across separate accounts/types of transactions.
105. What level of discretion does the custodian allow the plan or investment manager in election of foreign exchange brokerage services?
106. Can you provide execution cost transparency for foreign exchange execution on behalf of a client similar to those conducted by brokerage entities? If yes, please provide the basis point cost and dollar cost (spreads and commissions) on the basis of total foreign exchange transaction dollar volume over each of the past five (5) years, along with the calculation methodologies of these cost components.
107. What is the menu of services and pricing of those services with your foreign exchange broker dealer?

N. CASH OVERLAY PROGRAM

108. Do you administer a cash overlay management program? If so, please describe your program options including who will be managing the program, program description and program fees. Attach any cash overlay program materials. Label this as **Exhibit D**.
109. Do you currently provide the cash overlay management program to at least five (5) U.S.-based institutional clients (each with a market value of total plan assets market exceeding \$5 billion)? Please summarize by client type (meeting this size criteria) the services being provided and number of clients.
110. What is the average incremental return on this strategy? What is the most appropriate benchmark(s) for your overlay strategy?



111. How frequently will the data from this operation be updated (daily, weekly, and monthly)?
112. Describe the benefits and risks involved in an overlay strategy in your risk management process.
113. Have any of your clients ever suffered a loss to the total portfolio from the overlay strategy?
114. How long has your firm provided this service to public fund clients? How many of your public fund clients are currently utilizing this strategy?
115. Provide a list of three (3) references from public funds clients that you currently provide overlay services to.

O. ACCOUNTING AND REPORTING

116. Describe your accounting services for the following domestic and international securities and transactions:
 - a. Dividends and interest, corporate actions, including mergers, acquisitions, tenders, stock splits and dividends, warrants and spin-offs
 - b. Fixed income and equity portfolios
 - c. Real estate portfolios
 - d. Private placements, including domestic and non-US limited partnerships for equity, credit, hedge funds, and other alternative investments
 - e. Foreign currency investments
 - f. Financial futures, forward contracts, options, and other derivatives
 - g. Real assets
117. Does your system report or accommodate trade date, contractual settlement date, actual settlement, or a combination? Are there any other methodologies available? Please explain.
118. Do your domestic and international account databases share the same operating platform? reporting structure? location? Are they integrated?
119. Describe your procedures and basis (e.g., average cost) for computing and reporting realized and unrealized gains and losses, for both currency and market, for US and non-US denominated securities.
120. Describe your process of computing and posting fail float, and your procedures for minimizing loss of STIF interest due to sell fails. Define any distinctions by security classification, country or other characteristics.
121. Provide information on your domestic and international primary and supplementary pricing sources including a description of your methods for pricing:



- a. Publicly traded, liquid securities, and securities which are normally not available from pricing services such as domestic and international stock warrants, 144A securities, limited partnerships, etc.
 - b. Domestic and international derivative products, including forward currency contracts.
122. Do you have the ability to price each portfolio including accrual items on demand, at least monthly (capacity to price publicly traded securities daily, others monthly)? Do asset valuations include accrued income and pending transactions?
 123. Are holdings and transactions reported at both cost and market value?
 124. Do the available reports include a reconciliation of the portfolio at the report beginning date and report ending date?
 125. Describe the reports or data you provide to the clients for GASB 28, GASB 40, and GASB 53 disclosures. What provisions are in place for future GASB requirements? How do you prepare for new GASB requirements?
 126. What procedures do you have in effect to flag and investigate unusual or significant pricing changes from the previous day? How are valuation differences resolved between the external investment managers and the custodian? What is the average time to resolve pricing differences on a seasoned asset backed security?
 127. What is your source and how do you account for mortgage paydown information? Do you maintain a record of the original face amount purchased?
 128. How soon after receipt are the principal payments from mortgage-backed securities credited to the account? Describe any guarantees your firm offers.
 129. How do you record capital calls and distributions related to private equity, private credit, real estate partnerships, and other private market investment vehicles? Do you keep soft copies of call and distribution notices from partnerships?
 130. What standard reports are provided by your system - monthly, quarterly, annually and by exception? Do your standard reports include a report of domestic and international pending trade settlement and pending tax reclaims? Do you provide both summary and detailed level reports? Provide a sample of each from actual accounts.
 131. Can you provide customized reports to meet LACERS needs?
 132. Do you provide multi-currency reporting? If yes, please describe. Does the report identify: country, industry, and security levels? Are reports available for the entire account as well as individual manager portfolios? Do you have the capacity to report in the local currency and translate to the reporting currency?
 133. What steps are taken to take the reports from unaudited to fully audited? What reconciliations are performed?



134. How frequently do you reconcile your domestic and international records with depositories and your sub-custodians - cash, securities and corporate actions? Is this reconciliation manual or automated?
135. Will you provide domestic and international monthly audited portfolio statements as required by LACERS after the close of business each month? (At a minimum, reports must be available within 10 working days after the close of the period.) In what formats do you provide monthly and cumulative year to date reports? Provide a sample of your portfolio statements.
136. Describe your domestic and international online systems for clients and their external investment managers with regard to the type of data available [i.e., pending trades, accounting information, asset lists by account (cost and market value in local currency and US dollars), transaction history, summary of account market values for the portfolio, portfolio performance, and securities on loan]. When is this data available by electronic delivery, for view, download of standard or customized reports, download of raw data and report writer access?
137. Do you have the means to track and report management fees paid to private equity, private real estate and private credit managers? If yes, provide details.
138. Do you have the means to track and report placement fees incurred by private equity, private real estate and private credit managers? If yes, provide details.
139. Do you offer Application Programming Interface (API) tools that allow retrieval of accounting related information? If yes, provide details.

P. PERFORMANCE MEASUREMENT

140. Do you have a dedicated performance and analytics group? Please describe. What is the typical client-to-staff ratio? What is the average number of years of professional performance management and analytics experience? Describe the resources available to support the staff analyzing the data.
141. How many months of holdings and transactions data do you maintain for performance calculation purposes?
142. Describe the performance evaluation services and performance analytics available for US and for non-US holdings. Are these services available online? If the reports are available online, can they be customized? Which reports are available as part of this proposal? Which service would we have to pay for separately?
143. Can you compare rates of return of our managers vs. those of a substantial universe of comparable funds (public and private investment managers)? What universes do you offer? How many managers are tracked on your performance database? List and describe the categories.
144. List indices available and their earliest dates of data availability. Which index providers are included as part of this proposal? What are the incremental costs for index



providers not included in this proposal? Which index providers require a separate agreement with the Plan? Do you provide access to outside databases requiring subscription agreements?

145. Are you able to run both dollar weighted and time weighted rates of return? Are the market values used in performance calculations adjusted for accruals?
146. How frequently are performance measurement analytics done, and how soon are reports based on fully audited numbers available following period-end? Are private investment performance data (e.g., real estate and private equity) reconciled with managers and/or consultant?
147. If you provide both domestic and international performance, are the systems integrated or are different systems utilized for generating domestic and international performance?
148. Describe the process for revising returns after the books have been closed. When are corrections deemed necessary?

Q. SECURITIES LENDING

Revenue Projections:

149. Describe anything that differentiates your style of lending that would complement the returns expected from lending our portfolio. Describe anything that would limit or restrict those returns. Why should LACERS choose your firm as its securities lending agent?
150. What is the dollar size of your securities lending operation? Do you have any capacity limitations on your program? If so, please explain.
151. What has your earnings track record been with your existing clients?
152. What is the securities lending split between your clients and you?
153. List the asset classes or types of securities you do NOT lend. Why do you not lend them?
154. Provide a list of tax issues for each country that you lend in that LACERS should be aware of.
155. Describe your loan allocation system. Do you provide equal opportunity to all participating clients to lend their securities?
156. State whether you will act as principal or agent. If you act as principal, how do you control for conflict of interest?
157. How are recalls and income collection handled for securities out on loan?



158. Will you guarantee that loaned securities will be available for delivery if notification of sale is made to you on trade date plus 1? If the borrower fails to return the loaned security(ies) by settlement date, do you reimburse your clients for lost STIF income or for any additional costs which might result from a buy-in?
159. Describe your reporting for securities lending. Is securities lending data available online? How much report format flexibility is available? Provide copies of your securities lending reports. Label as **Exhibit E**.

Credit Considerations:

160. Who are your securities lending borrowers and how are they selected and monitored? Do the borrowers have a minimum credit rating and if so, what? How often are they reviewed?
161. Can a client select, eliminate or limit loans to a given borrower? On a given security?
162. What are your collateral requirements and how are they determined and monitored? How do they compare to regulatory, industry and other standards, i.e., are they stricter, looser, etc.? Describe your procedure and frequency of marking to market your securities on loan.
163. What indemnification do you provide clients with respect to risk of counterparty default?
164. Have your clients ever sustained a loss as the result of your securities lending activities? If yes, please explain and include the magnitude of the loss. Did you cover the loss(es)?

Cash Collateral Reinvestment Portfolio Parameters:

165. What are your collateral reinvestment portfolio objectives and how are they determined?
166. What investment vehicles are eligible for reinvestment of securities lending cash collateral? Provide the returns and guidelines for these Funds. Also provide summaries of the options, including risk/return parameters. Label as **Exhibit F**.
167. What are the duration/maturity limitations pertaining to individual investments and the overall cash collateral reinvestment portfolio for these vehicles?
168. What credit standards are applied to the cash collateral reinvestment portfolio and how are they monitored?
169. What protection do you provide clients with respect to collateral reinvestment dealer default, or market loss?

Third Party Security Lending Providers (as applicable):



170. Would you allow an independent bank/advisor to manage the securities lending program? Can you support a collateral investment manager of the lender's choice?
171. Have you ever entered into a sub-custodian agreement to facilitate the above?
172. What controls would you require with this type of arrangement?
173. Identify which third party security lenders you have electronic links with. What problems have you had in that capacity? Which third party agents have you had the most difficulty with?
174. For third party security lending agents, please answer the Background and Organization, Client, Personnel and Internal Controls and Risk Management sections (Sections A through D) of this RFP Questionnaire as they relate to securities lending. For custodians, please answer those questions separately if the answers are different for your security lending business.
175. If an unbundled arrangement (separate securities lending agent from custodian) is implemented, are vendor's proposed levels of indemnification impaired, not applicable, compromised, limited or contractually constrained? Please describe in full and list all levels of indemnification impacted whether enforceable or impaired.
 - a. Borrower/Counterparty Risk and Default (Inability to Recall, Failure to deliver Income, Failure to post adequate margins, etc.)
 - b. Collateral Investment Risk
 - c. Trade Settlement Risk
 - d. Operational Negligence
 - e. Currency and Sovereign Risk

SECURITIES LENDING ESTIMATED REVENUE CALCULATION:

Revenue Projections*:

Estimated daily average lendable base:	\$ _____
Estimated daily average securities out on loan (A): (Utilization Rate = ____%)	\$ _____
Projected average rebate rate (at current market levels):	____%
Projected reinvestment rate (at current market levels):	____%
Projected yield spread on securities lent (B):	____%
Percentage of lendable income to LACERS (Split %) (C):	____%
<u>Annual Revenue Estimate:</u> (A) x (B) x (C) x 365:	\$ _____



*To complete this form, use LACERS' 6/30/2023 portfolio holdings and assume adoption of LACERS' securities lending program cash and non-cash collateral guidelines (provided by LACERS as supplementary files to this RFP). Please provide a description of any assumptions made to come to the estimate of the revenue from securities lending.

R. TECHNOLOGY

176. Briefly describe your computer system's capacity and the volume of transactions which can be processed in a day. Also briefly describe the primary and secondary hardware and data processing configurations which serve your operations.
177. Does the firm utilize third-party or in-house resources for IT? If so, please describe these arrangements and the extent to which outside businesses are engaged in the technology strategy and where they enter the processes described in the systems enhancements and services.
178. Describe the firm's data center security and overall security architecture of the technology, inclusive of processes relating to vulnerability scans, penetration tests, alongside security compliances. Are the cyber and information security protocols audited and by whom? Has your firm been subject to any data breaches resulting from illegal or unknown sources accessing the firm's information systems? What actions were taken to remedy or address each data breach occurrence? What procedures are in place to protect clients when using information platforms provided by the custodian, including multi-step authentication? Do you carry cybersecurity insurance and what are the terms of that policy?
179. What is the IT vision over the next five (5) years in terms of technological competitiveness and processing capabilities? Please describe any investments in technology which might become necessary because of recent acquisitions. Is AI (Artificial Intelligence) currently utilized or part of the roadmap, and to what extent of AI is provided to client services?
180. What was the percentage of downtime during the past two (2) years by systems that are proposed to serve LACERS needs? The number of occurrences? What were the primary causes and how were the problems corrected? How long was the average amount of down time per occurrence? Do you provide 24-hour support?
181. Is the software web-based platform? Describe the front-end and back-end technology, indicate any use of open-source software, include the software version, and hardware specifications.
182. When was the software to be used for the LACERS account developed? Was it developed internally or externally? How long has the current system been in place?
183. Differentiating between domestic master trust/custody and non-US master trust/custody systems, what has been the investment in systems development for the



master trust/custody systems for each of the past five (5) years? Discuss both the amount budgeted and what was purchased. What are your systems development plans for the next five (5) years? What do you believe is the largest deficiency in your system? How are you going to address this?

184. Please describe any investments which might become necessary because of recent acquisitions of other master trust/custodial firms.
185. How do you receive and provide information electronically to the client or third-party vendors? Include a description of client interface technical requirements (i.e., Operating system, web browser, version, and other software). Explain the reporting technology, how it is implemented in your system, and application interface capabilities. Describe the levels of services provided.
186. What equipment or software is necessary for LACERS staff to receive online services? Is this equipment provided, maintained, and upgraded as part of your service?
187. What is the commitment to customer support, and the hours of operation (availability in California time) for your online systems?
188. Describe the approach in implementing high availability of the proposed solution using such methodology as load balancing and/or clustering.
189. Describe your disaster recovery plan. Provide an estimate of the maximum elapsed time before the restoration of processing to LACERS' transactions in the event of disaster to the custodian's primary processing facility. What is the frequency of disaster recovery tests? Were there any deficiencies noted in the last test? Describe your plan to process until restoration of your system is complete. Describe what you could do for us in the event of a physical disaster in Los Angeles.
190. Describe your process for file back-up and off-site storage, including frequency and location.
191. Describe your process of incorporating program changes into your operating system and application systems. How often (and for how long during each occurrence) is your system brought down for maintenance?
192. Describe your compliance system to monitor the total LACERS fund, asset classes, and individual investment managers against LACERS policies and investment manager guidelines? Can LACERS staff actively interface with this system on your online web portal? List the kinds of monitoring reports that are available.
193. Describe your risk analytics system and the kinds of specific output available to the client at the total fund level, asset class level, and individual managers. Can LACERS staff actively interface with this system on your online web portal? Describe the reports that are available to LACERS staff and the frequency of such reports.

S. TRANSITION/CONVERSION



194. Provide a detailed task listing and schedule on how you would approach the conversion process, including actions required on the part of LACERS and the time frame to complete each task. Clearly describe the conversion process: who is responsible for coordinating activities, who must participate and what activities must occur. Detail the type and amount of resources required from LACERS.
195. Would you convert the historical performance and transaction data from the former custodian?
196. What dedicated resources (personnel, equipment, training, consultants, etc.) procedures and controls will you provide or recommend in the transition/conversion period to ensure that the conversion process is completed successfully in a timely and accurate manner?
197. Give a detailed description of your last comparable conversion, including the details of specific problems that occurred and the solutions instituted.
198. Provide a summary of the problems which you might reasonably expect to occur during this conversion and your approaches to those anticipated problems. Are there any blackout periods associated with the conversion?
199. Describe the process for transfer of physical securities. How do you handle historical data during the conversion process?
200. How do you handle transactions and claims that are in process during the transition or conversion process?
201. What costs would be associated with a conversion?
202. What key concerns for LACERS or differentiation factors do you see for each of your top five (5) competitors for:
 - a. Custody
 - b. Third party securities lending

Concerns or differentiation may include pricing; technology; reliability; user friendliness; capability; firm stability; client service; staffing; personnel turnover; size fit; product availability; reputation in the marketplace, etc.

T. LEGAL AND COMPLIANCE

203. Do you maintain an in-house legal staff? If yes, describe its role, staff profile, and the number of employees assigned to the department. If not, list the names of the external firms you use.
 - a. If maintaining in-house legal staff, describe its role, staff profile, and the number of employees assigned to the department.
 - b. If utilizing external counsel, list the names of the firms you use and for how long you have used each firm.



204. In the past 10 years, has the firm, its officers or principals or any affiliate ever:
- a. been the focus of a non-routine Securities and Exchange Commission (SEC) inquiry or investigation or a similar inquiry or investigation from any similar federal, state or self-regulatory body or organization,
 - b. been a party to or settled any litigation concerning breach of fiduciary responsibility or other investment related matters, or
 - c. submitted a claim to your error & omission, fiduciary liability and/or fidelity bond insurance carrier(s)?
- If 'yes' to any of the above, please provide details and the current status or disposition.
205. Has any employee of the firm been convicted of a misdemeanor or felony in the past five (5) years? Please explain.
206. Please summarize any pending or anticipated litigation against the firm, its employees, or partners, involving allegations of sexual harassment or sexual misconduct.
207. Who is your compliance provider? In-house? External? How long? Please provide contact information.
208. Who is responsible for compliance within your firm? Who does that person report to within the organization?
209. What regulatory bodies is your firm registered with?
210. What internal resources are dedicated to overseeing operational or business risk within the firm (e.g., compliance, risk committee, governance committee, internal audit, etc.)?
211. Do the management oversight and governance functions include independent representatives (e.g., outside Board members or audit committee members)? Please describe.
212. Do you maintain a front-end and/or back-end compliance system for client guideline monitoring?
213. Does the firm have a Code of Ethics or a written code of conduct or set of standards for professional behavior? If so, how is employee compliance monitored?
214. Describe how your internal control procedures effectively prevent conflicts of interest in employee, proprietary and client discretionary trading.
215. Do you have an Employee Trading Policy for personal accounts? How is it implemented and enforced? Please describe how your internal control procedures effectively prevent conflicts of interest in employee, proprietary and client discretionary trading.



- 216. Discuss your firm-wide compliance training and education initiatives.
- 217. Describe how your organization communicates compliance and regulatory policies/procedures.
- 218. Describe your firm's soft dollar policy and how soft dollar activity is monitored/controlled.
- 219. Describe the firm's records retention policy. Please provide a copy of the policy as **Exhibit G**.
- 220. In what format are records retained electronically and/or hard copy?
- 221. Describe the firm's policies and procedures surrounding privacy of information. Discuss current controls surrounding how the facility and access to critical/sensitive information is secured.
- 222. Describe e-mail surveillance policies and procedures.
- 223. Describe how software version control is implemented, and how updates and upgrades are coordinated.
- 224. Is there any indication that your Board members or senior management/governing members have recently resigned for reasons that raise questions about the entity or about the conduct or attitudes of remaining management?
- 225. How does your firm prevent an override of internal controls? Does the management have the ability to override controls?

U. STANDARDS OF CONDUCT

- 226. Disclose any financial or other relationship you have or have had with any LACERS Board member, consultant, or LACERS employees. If there are no conflicts of interest, please state, "There are no conflicts of interest to report."
- 227. Disclose any gifts (meals, tickets, anything of value over \$50, etc.) that you have given to any LACERS Board member, consultant, or LACERS employee in the last 12 months. If 'Yes', please disclose them using the format below:

No.	Date (mm/dd/yyyy)	Given to	Description of Gifts ¹	Value (US\$)

1 Gifts could be in the form of meals, tickets, paid travel, anything of value over \$50, etc.

- 228. Describe any potential conflicts of interest your firm may have in the management of this account. Include any activities of affiliated or parent organizations, brokerage



activities or investment banking activities. Include any other pertinent activities, actions, or relationships not specifically outlined in this question.

229. Describe any financial relationships that exist with other organizations such as brokerage firms, insurance companies, commercial banks, investment banks, investment management firms, etc.
230. Do you have any written policies or procedures to address conflicts of interest, including but not limited to the payment of fees or other consideration from other clients, relationships, or entities that may compromise your fiduciary duty to your clients? If so, please provide a copy as **Exhibit H**.
231. Does your firm utilize/compensate one or more external placement agents in any of your institutional investment offerings? If so, please provide details on (i) how much assets and under what mandates the placement agent(s) was/were utilized and (ii) the compensation structure agreed upon between your firm and each placement agent (iii) in what capacity they are used in relation to this search.
232. Has your firm paid any unregistered third-parties such as placement agents to solicit government business?
233. Has your firm paid any unregistered third parties such as placement agents with respect to this proposal?
234. Has your firm, any employees of your firm, or any associate of your firm made any campaign contribution to any elected officials, and/or candidate for an elected office, or candidate for any elected office in the State of California in the last two-year period? If yes, please explain.

V. AUDIT

235. Provide the name, address and contact of your independent auditors or accounting firm. In addition, explain the nature of the services they provide to your firm.
236. Has your firm used any other auditor prior to the current auditor? If so, why was a change made? When was it made?
237. Provide a copy of the latest ADV Part I and Part II, and Statement of Auditing Standards "SSAE 18", if available, for the most recent year-end.
238. Describe the type of SSAE 18 report issued by the proposer and discuss its implications. Does your firm issue Service Organization Control (SOC) reports? If so, how often?
239. Does your firm have an internal audit department?
240. How often is the firm audited? Briefly discuss the scope of audits performed during the last three (3) years.



241. Has the firm received any letters of control deficiencies (e.g., SAS 112 letters) from its auditors within the last five (5) years?
242. What procedures do you have that ensure adequate internal controls are in place? What areas of your firm or operations are covered by internal control reports? Are these reports audited?
243. Is your firm in compliance with Sarbanes Oxley, and all necessary NACHA requirements for transactions that are performed electronically (EFTs, ACHs, California Privacy Laws, and others)? Have you implemented changes to be in compliance with these obligations?

W. ENVIRONMENTAL, SOCIAL & GOVERNANCE AND DIVERSITY, EQUITY & INCLUSION

244. Is your firm a signatory to the Principles for Responsible Investment (PRI)? If yes, then what year did your firm become a signatory?
245. Does your firm have an Environmental, Social & Governance (ESG) Policy (or equivalent policy)? If yes, then please attach as **Exhibit I**.
246. Can custody implement rules and enact parameters to capture and flag assets within the Plan's portfolio which have been deemed risky under ESG considerations? Is custody able to implement a watch list and a security identification program for risky assets? What reporting options are available for ESG-related alerts?
247. Provide a description of ESG data services and analytics provided. What data points are collected, tracked, and can be reported at portfolio and composite level? Are the ESG data analytics integrated into other data and portfolio analytics services the firm provides? If so, please provide a description of services and ESG data availed in each.
248. Please describe your firm's policies, programs, and/or initiatives to promote Diversity, Equity and Inclusion (DEI). If available, please include the policy as part of **Exhibit J**.
249. Please describe any programs and/or initiatives your firm has adopted to mentor under-represented groups in your firm. Provide examples of such staff who have promoted up or out of the organization under such a program.
250. Please describe any partnerships and programs that seek to do business with under-represented or emerging firms.
251. Please provide any additional information that your firm believes might prove relevant to the Plan's diversity concerns.

X. OTHER

252. Describe the firm's policy or position regarding requests pursuant to the Freedom of Information Act and other public disclosure laws.



253. Please describe your business continuity plan. Have you ever had to activate any parts the plan? If so, describe the effectiveness of the plan and any post-activity modifications to that plan.
254. What is your firm's view on blockchain technology as it relates to custody? How is your firm preparing for blockchain adoption? How has your firm used or is planning to use blockchain technologies?
255. Does your firm offer digital asset custody services? If yes, describe these services and how these fit into the overall business framework. Describe the firm's relationship with other parties in the digital assets ecosystem.
256. Are you able to receive and sell securities related to partnership stock distributions from private fund managers? If yes, describe your process. What kind of authorization do you need to sell the securities? How soon can the shares be sold once received? Describe the pricing model for this service. What protocols are in place to prevent potential conflicts of interest with affiliates, such as asset management, as securities are sold under this service?
257. Do you have the capacity to monitor and process capital calls for the plan's private fund managers and the degree of automation? What system is in place to minimize missed capital calls? Describe any additional authorizations or requirements needed in order for you to administer capital call management. Describe the pricing model for this service.
258. Following the regional banking crisis in March 2023, describe any action taken by your firm, including policy changes. What other novel risk scenarios are currently on the firm's risk management dashboard? Describe, if any, action taken by your firm to address these risks scenarios.
259. Attach as **Exhibit K** a list (including page numbers) of the questions and corresponding responses in this RFP that you have marked CONFIDENTIAL pursuant to the General Conditions document referenced in Attachment 5.
260. Please use this question to elaborate on any areas that you believe merit additional attention.



ATTACHMENT 4

FEE PROPOSAL

 Proposer Firm Name

Proposing firm is required to provide fee proposals for both custody with limited term retirement plan administration and custody without limited term retirement plan administration. Under each setting, the proposing firm is further required to provide separate fee proposals for programs with securities lending and without securities lending unless securities lending is not being proposed by the firm.

Once a firm has been selected, negotiations of the fee may become necessary in order to account for the size of LACERS' portfolio, LACERS' requirements and any clarification of other issues. In no case will the negotiations result in a fee which is higher than the fee contained in this proposal.

In preparing the fee schedule, proposer must consider the requirements described in this RFP. The following should be taken into consideration:

1. The fees are to be proposed in U.S. Dollars.
2. All services will be paid quarterly in arrears.
3. Are the fees quoted below negotiable?

*Include the proposed securities lending income split (with indemnification)

Global Custodian WITH Limited Term Retirement Plan

	<u>WITH Securities Lending</u>	<u>WITHOUT Securities Lending</u>
Flat Retainer Fee Quote	\$ -	\$ -
Securities Lending Proposed Split (%) LACERS/Manager*	_____	_____
Additional Fees:		
Integrated Disbursements	\$ -	\$ -
Fees for STIF options (Basis Point)	_____	_____
Quarterly Performance Measurement	\$ -	\$ -
Others (write in description)	\$ -	\$ -



Global Custodian WITHOUT Limited Term Retirement Plan

	<u>WITH</u> <u>Securities Lending</u>	<u>WITHOUT</u> <u>Securities Lending</u>
Flat Retainer Fee Quote	\$ -	\$ -
Securities Lending Proposed Split (%) LACERS/Manager*	_____	
Additional Fees:		
Integrated Disbursements	\$ -	\$ -
Fees for STIF options (Basis Point)	_____	_____
Quarterly Performance Measurement	\$ -	\$ -
Others (write in description)	\$ -	\$ -



ATTACHMENT 5

GENERAL CONDITIONS AND COMPLIANCE

All Proposers are to review the following documents:

1. Appendix A - General Conditions
 - Attachment 1 - Confidentiality & Non-Disclosure of Member Information
 - Attachment 2 - RFP Warranty/Affidavit
 - Attachment 3 - Ethical Contract Compliance Policy
 - Attachment 4 - Ethical Contract Compliance Proposer Disclosure Form
 - Attachment 5 - Bidder Certification – City Ethics Commission Form 50
 - Attachment 6 - Bidder Certification – City Ethics Commission Form 55
 - Attachment 7 - Form 700 Filers
2. Appendix B - Standard Provisions for City Contracts
3. Appendix C - Additional Forms
 - Attachment 1 – Gender Equity Disclosure Form
 - Attachment 2 – Sexual Harassment Policy Disclosure Form
 - Attachment 3 – Organization Diversity Survey (ODS)

Please refer to the LACERS Emerging Investment Manager Policy within the LACERS Investment Policy Manual for further details regarding the ODS. The policy is located on LACERS website at:

https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1627588543

All Proposers are to complete the following **forms** and include as Attachment 5 of your response:

1. Warranty/Affidavit (Appendix A, Attachment 2). The document must be signed and notarized.
2. Proposer Disclosure Form (Appendix A, Attachment 4).
3. Bidder Certification – City Ethics Commission Form 50 (Appendix A, Attachment 5). Please leave BAVN number section blank.
4. Bidder Certification – City Ethics Commission Form 55 (Appendix A, Attachment 6). Please leave BAVN number section blank.
5. Gender Equity Disclosure Form (Appendix C, Attachment 1).



6. Sexual Harassment Policy Disclosure Form (Appendix C, Attachment 2).

Additionally, all proposers are requested to complete an Organization Diversity Survey (ODS). The ODS is for information gathering purposes only and will not affect scoring of proposals. **Do not include the completed ODS form as part of Attachment 5 of your RFP response.** Pursuant to the LACERS Emerging Investment Manager Policy, completed ODS forms are to be submitted separately to:

<https://lacers.app.box.com/f/279a89bd1e6447098377af4d45d50fa1>

FAILURE TO COMPLY WITH THE INSTRUCTIONS FOR COMPLETING AND SUBMITTING THE ABOVE DOCUMENTS MAY DEEM YOUR PROPOSAL AS NON-RESPONSIVE AND REMOVE YOUR PROPOSAL FROM FURTHER CONSIDERATION.



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

MEETING: AUGUST 22, 2023
ITEM: VII - D

Neil M. Guglielmo

SUBJECT: PRI ACTION PLAN AND ESG RISK FRAMEWORK STATUS AND UPDATES AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board adopt the updated Principles for Responsible Investment (PRI) Action Plan and the updated ESG Risk Framework.

Executive Summary

As a signatory of the PRI, LACERS has committed to incorporate environmental, social, and governance (ESG) factors into investment decisions and the investment process. An annual review of the PRI Action Plan (PRI Plan) and ESG Risk Framework Action Plan demonstrates LACERS' support of and commitment to ESG and the six Principles for Responsible Investment.

Discussion

On April 9, 2019, the Board of Administration approved becoming a signatory of the PRI; LACERS officially became a PRI signatory on September 3, 2019.

Responsible investing incorporates ESG factors into investment decisions and the investment process to better manage risks and generate sustainable, long-term outperformance. As a signatory, LACERS has agreed to consider ESG factors by abiding by the PRI. The six PRI are:

- **Principle One:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle Two:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle Three:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle Four:** We will promote acceptance and implementation of the Principles within the investment industry.

- **Principle Five:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle Six:** We will each report on our activities and progress towards implementing the Principles.

As a signatory, LACERS is expected to meet several minimum responsibilities, including:

1. Adopting a responsible investment policy that covers at least 50% of assets under management;
2. Assigning staff to implement the responsible investment policy;
3. Having the backing of senior-level management;
4. Developing accountability mechanisms;
5. Completing the PRI annual report; and,
6. Submitting an annual signatory fee.

To ensure that LACERS continues to progress and continually develop its responsible investment program, staff developed an operational PRI Plan that was initially adopted by the Board on November 19, 2019, and reviewed by the Board on July 13, 2021 and August 9, 2022. The PRI Plan outlines several administrative, operational, and policy initiatives that LACERS may pursue over the next two years. The PRI Plan is also color-coded to designate specific initiatives and recurring activities that are: 1) policy considerations; 2) operational; 3) research questions or discussions; and 4) collaborative or promotional. The Plan is not an exhaustive list of ESG initiatives that LACERS could pursue, but a feasible set of initiatives that will allow LACERS to maintain a commitment to PRI.

On April 27, 2021, Board approved the LACERS ESG Risk Framework (Framework) as a response to the Los Angeles City Council's approved motion (C.F. 19-1577) requesting the Board to provide a report addressing certain climate risks. The Framework (Attachment 4) has been updated to reflect that the Responsible Investment (RI) policy has since been adopted and replaced the Geopolitical Policy and to reflect updated fossil fuel exposure. The Framework includes a Framework Action Plan (Framework Plan), an operational plan similar to the PRI Plan, that highlights administrative, operational, and policy initiatives that LACERS may pursue over the next two years to ensure that staff continues to address ESG risks.

The PRI Plan and Framework Plan are updated annually near fiscal year end to reflect progress against specific objectives, disclosure of new ESG information and issues, and changes in Board priorities.

During Fiscal Year 2022-2023, LACERS accomplished the following key responsibilities identified in the August 9, 2022, PRI Plan (Attachment 1) and the Framework Plan (Attachment 3):

1. Hosted the third Emerging Manager (EM) Symposium on November 16, 2022, and the Inaugural Emerging Manager Networking Forum on June 8, 2023;
2. Reviewed with the Board, LACERS' 2021 PRI Annual Transparency and Assessment Report on February 14, 2023;
3. Continued to monitor engagement efforts with portfolio companies, including Meta Platforms, Inc.;

4. Enhanced efforts to promote LACERS' ESG Program, including participating on six ESG panels at conferences, and contributing to the PRI Case Study: [LACERS: Implementing an ESG risk framework](#);
5. Attended 97 ESG related meetings, 32 ESG related conferences, and spent 382 hours working on ESG related projects; and
6. Continued to develop analytics and metrics from MSCI's ESG Manager software to evaluate the carbon footprint of the LACERS investment portfolio.

The updated PRI Plan (Attachment 2) and updated Framework Plan (Attachment 4) propose several key responsibilities and initiatives for Fiscal Year 2023-2024 and Fiscal Year 2024-2025, including:

1. Reviewing and refining the LACERS Responsible Investment Policy;
2. Streamlining the PRI Annual Report process;
3. Exploring ESG criteria for future manager and fund evaluation and implementing ESG questions during the due diligence process;
4. Including an acknowledgement by public markets investment managers of the LACERS Responsible Investment Policy in investment management guidelines; and
5. Provide the Board and Staff with continued education on ESG. For example, the CFA Institute ESG education to the Board on July 25, 2023 and ESG education to Staff on July 27, 2023.

Staff will continue to work on the Fiscal Year 2023-2024 key responsibilities and initiatives outlined in both Plans, and return to the Board with an updated PRI Plan and updated Framework Plan in the first quarter of Fiscal Year 2024-2025.

Strategic Plan Impact Statement

LACERS' membership and adoption of the Principles for Responsible Investment and the consideration of ESG issues as risk factors align with the Strategic Plan Goals to optimize long-term risk adjusted investment returns (Goal IV) and to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V)

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

NMG/RJ/WL/EC:rm

- Attachments:
1. PRI Action Plan as of August 9, 2022
 2. Updated PRI Action Plan as of August 22, 2023
 3. ESG Risk Framework Action Plan as of April 27, 2021
 4. Updated ESG Risk Framework and Action Plan as of August 22, 2022
 5. Redlined ESG Risk Framework and Action Plan as of August 22, 2022

PRI Action Plan - August 9, 2022

Color Guide: Green = Policy Consideration Blue = Operational Orange = Research Question/Discussion Purple = Collaboration, Promotion

PRI Action Plan	FY 2022-23				FY2023-24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Administrative Priorities	PRI Action Plan Status and ESG Risk Framework Action Plan Update to Board		Revise Action Plans as Needed		PRI Action Plan Status and ESG Risk Framework Action Plan Update to Board		Revise Action Plans as Needed	
	Evaluate Climate Transition Impact and Present Options to Board							
	Streamline PRI Tracking and Reporting System							
	Attend PRI Conference				Attend PRI Conference			
Principle One:	<i>We will incorporate ESG issues into investment analysis and decision-making processes</i>							
Update Investment Policy	Review and Revise RI Policy as Needed							
Manager Selection Processes	Work With Consultant to Determine How to Evaluate Effectiveness of ESG Strategies and Fiscal Impact							
	Explore ESG Criteria for Future Manager and Fund Evaluation							
	Implement ESG Questions during Search Process, Due Diligence of Prospective and Incumbent Managers							
ESG / Impact Fund Investment	Discuss Integration of ESG and Responsible Investment Policy with Asset Allocation and Risk Budgeting Framework							
	Research Active & Passive ESG Investment Strategies for Possible Inclusion in Asset Allocation							
Principle Two:	<i>We will be active owners and incorporate ESG issues into our ownership policies and procedures</i>							
Proxy Voting Guidelines	Evaluate Proxy Voting Guidelines and Amend Policy to align with Responsible Investment Policy							
Corporate Engagement	Provide Annual Proxy Voting Report to Board							
	Engage in Shareholder Advocacy and Collaborate on Specific Shareholder Issues and Proposals							
	Partner with ESG-Related Organizations and Actively Contribute and Participate Within Those Organizations							
Streamline ESG evaluation of investments	Engagement on ESG Issues and Assess Exposure Risks Based on Board Priorities and Responsible Investment Policy							
	Track and Monitor ESG Exposure							
	Request Investment Managers to Report ESG Activity on a Periodic Basis							
Track ESG data of Private Market Investments	Encourage GPs to Adopt ESG Decision-Making Framework							
	Evaluate Options for Understanding ESG Impacts of Current and Future Private Market Exposures							
	Consider ESG Disclosure in Side Letter Agreements							
Principles Four & Five:	<i>We will promote acceptance and implementation of the Principles within the investment industry & We will work together to enhance our effectiveness in implementing the Principles</i>							
Participate in ESG/RI Trade Associations	Attend PRI, ESG, RI Workshops and Events							
	Participate in ESG-Focused Advocacy Organizations and Explore Leadership Roles							
Participate in governance and policy discussions	Educate Peer Plans, Local Officials, and Members About LACERS RI Policy							
	Collaborate with Partner ESG Organizations on Evolving ESG Issues and Policies							
Principle Six:	<i>We will report on our activities and progress towards implementing the Principles</i>							
Annual PRI Reporting	Prepare for PRI Reporting				Complete PRI Report			
					Prepare for PRI Reporting			
Create accountability measures for ESG reporting	Monitor Tracking of PRI-Aligned ESG Efforts							
	Research and Implement Best Practices for ESG Data Management and Validation							

PRI Action Plan - August 22, 2023

Color Guide:

Green = Policy Consideration

Blue = Operational

Orange = Research Question/Discussion

Purple = Collaboration, Promotion

PRI Action Plan	FY 2023-24				FY2024-25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Administrative Priorities	PRI Action Plan Status and ESG Risk Framework Action Plan Update to Board		Revise Action Plans as Needed		PRI Action Plan Status and ESG Risk Framework Action Plan Update to Board		Revise Action Plans as Needed	
	Evaluate Climate Transition Impact and Present Options to Board							
	Streamline PRI Tracking and Reporting System							
	Attend PRI Conference				Attend PRI Conference			
Principle One:	<i>We will incorporate ESG issues into investment analysis and decision-making processes</i>							
Update Investment Policy	Review and Revise RI Policy as Needed							
	Work With Consultant to Determine How to Evaluate Effectiveness of ESG Strategies and Fiscal Impact							
Manager Selection Processes	Explore ESG Criteria for Future Manager and Fund Evaluation							
	Implement ESG Questions during Search Process, Due Diligence of Prospective and Incumbent Managers							
	Discuss Integration of ESG and Responsible Investment Policy with Asset Allocation and Risk Budgeting Framework							
ESG / Impact Fund Investment	Research Active & Passive ESG Investment Strategies for Possible Inclusion in Asset Allocation							
Principle Two:	<i>We will be active owners and incorporate ESG issues into our ownership policies and procedures</i>							
Proxy Voting Guidelines	Evaluate Proxy Voting Guidelines and Amend Policy to align with Responsible Investment Policy							
	Provide Annual Proxy Voting Report to				Provide Annual Proxy Voting Report to			
Corporate Engagement	Engage in Shareholder Advocacy and Collaborate on Specific Shareholder Issues and Proposals							
	Partner with ESG-Related Organizations and Actively Contribute and Participate Within Those Organizations							
	Engagement on ESG Issues and Assess Exposure Risks Based on Board Priorities and Responsible Investment Policy							
Principle Three:	<i>We will seek appropriate disclosure on ESG issues by the entities in which we invest</i>							
Streamline ESG evaluation of investments	Track and Monitor ESG Exposure							
	Request Investment Managers to Report ESG Activity on a Periodic Basis							
Track ESG data of Private Market Investments	Encourage GPs to Adopt ESG Decision-Making Framework							
	Explore Options for Understanding ESG Impacts of Current and Future Private Market Exposures							
	Consider ESG Disclosure in Side Letter Agreements							
Principles Four & Five:	<i>We will promote acceptance and implementation of the Principles within the investment industry & We will work together to enhance our effectiveness in implementing the Principles</i>							
Participate in ESG/RI Trade Associations	Attend PRI, ESG, RI Workshops and Events							
	Participate in ESG-Focused Advocacy Organizations and Explore Leadership Roles							
Participate in governance and policy discussions	Educate Peer Plans, Local Officials, and Members About LACERS RI Policy							
	Collaborate with Partner ESG Organizations on Evolving ESG Issues and Policies							
Principle Six:	<i>We will report on our activities and progress towards implementing the Principles</i>							
Annual PRI Reporting	Complete PRI Report		Prepare for PRI Reporting		Complete PRI Report		Prepare for PRI Reporting	
	Monitor Tracking of PRI-Aligned ESG Efforts							
Create accountability measures for ESG reporting	Research and Implement Best Practices for ESG Data Management and Validation							

LACERS Fiscal Year 2022-23 ESG Risk Framework Proposed Action Plan

Board-Level Priorities	Staff-Level Priorities		
	Policy and Programs	Operational	ESG Collaboration
Review and approve as needed the LACERS Responsible Investment Policy	Review LACERS Responsible Investment Policy and include updates; present to Board for review and approval	<p>Incorporate ESG Risk Factors into the investment manager selection process including RFP questionnaires, scoring of proposals, due diligence, and monitoring</p> <p>Develop specific Responsible Investment Statements for each asset class and Responsible Investment Guidelines for each LACERS investment manager, as appropriate</p>	<p>Collaborate with partner ESG organizations including PRI and Pacific Center for Asset Management at the University of California at San Diego</p>
Review and approve proposed changes to ESG Risk Framework Action Plan	Review ESG Risk Framework Action Plan and include updates; present to Board for review and approval	<p>Work towards determining effectiveness of ESG-focused investing to include (but not limited to) index strategies ex-fossil fuels and actively managed investment strategies that pursue renewable energy sources and/or reduce reliance on thermal coal and thermal coal-related businesses</p>	<p>Actively participate in ESG industry events</p>
Review and approve modifications to the Proxy Voting Policy	Review Proxy Voting Policy; propose modifications for Committee and Board review and approval	<p>Explore third-party watch lists of companies that are deemed by the Board to be misaligned with LACERS Responsible Investment Policy or other Board directives including exposure to thermal coal</p>	<p>Engage in shareholder advocacy and collaborate on specific shareholder issues and proposals as needed</p>
Support partnership with organizations and entities that are aligned with LACERS beliefs regarding responsible investment, sustainability, and ESG risk factors	<p>Consider including climate transition provisions of LACERS Responsible Investment Policy</p> <p>Update PRI Action Plan</p>	<p>Track and monitor exposure to investment holdings that may be misaligned with LACERS Responsible Investment Policy</p> <p>Request investment managers to report ESG activity as provided in LACERS Responsible Investment Policy and PRI reporting requirements; encourage private markets general partners to adopt ESG decision-making frameworks</p>	<p>Collaborate with members of the Los Angeles Diversity & Inclusion Roundtable</p>
Consider engagements with companies to effectuate company-level climate transition using LACERS' influence and clout as a multibillion-dollar asset owner		<p>Monitor shareholder and governance issues</p> <p>Track proxy votes</p>	
Support greater transparency and reporting around ESG corporate reporting		<p>Provide PRI Action Plan progress report to the Board</p>	
Support greater corporate reporting transparency on ESG risk factors			
Support greater corporate board diversity			

LACERS Fiscal Year 2023-24 ESG Risk Framework Proposed Action Plan

Board-Level Priorities	Staff-Level Priorities		
	Policy and Programs	Operational	ESG Collaboration
<p>Review and approve updates to LACERS ESG Risk Framework Action Plan for FY 2023-24</p> <p>Review and approve proposed changes to LACERS Responsible Investment Policy</p> <p>Continue to support and seek new partnership with organizations and entities that are aligned with LACERS beliefs regarding responsible investment, sustainability, and ESG risk factors</p> <p>Continue to engage with companies to effectuate company-level climate transition</p> <p>Advocate for continued support of ESG investment factors and transparency around corporate ESG reporting</p>	<p>Provide ESG Risk Framework Action Plan and PRI Action Plan progress reports to the Board</p> <p>Revise ESG Action Plans based on ESG Consultant and staff recommendations</p> <p>Review LACERS Responsible Investment Policy; recommend possible changes</p> <p>Consider the appropriateness of ESG-focused investing to include (but not limited to) index strategies ex-fossil fuels and actively managed investment strategies that pursue renewable energy sources and/or reduced reliance on thermal coal and thermal coal-related businesses</p> <p>Consider the application of Diversity, Equity & Inclusion factors in the LACERS Investment Program</p>	<p>Continue to track and monitor exposure to investment holdings that may be misaligned with LACERS Responsible Investment Policy</p> <p>Continue to request investment managers to report ESG activity as provided in LACERS Responsible Investment Policy and PRI reporting requirements</p> <p>Consider distributing and collecting ESG survey of current private equity and real estate holdings and new partnerships on an ongoing basis</p> <p>Incorporate ESG into investment analysis and decision making plus integration and scoring of ESG risk responses in actively managed investment mandates</p> <p>Continue to explore impact investment strategies to include (but not limited to) ESG-focused index strategies and actively managed investment strategies that pursue renewable energy sources and/or reduce reliance on coal and coal-related businesses</p> <p>Consider provisions of the LACERS Responsible Investment Policy to address companies that may be subject to climate transition provisions</p> <p>Work with consultant to determine how to evaluate effectiveness of ESG strategies and fiscal impact</p> <p>Continue to track proxy votes</p> <p>Explore measurement approaches to determine ESG impact on the investment portfolio</p>	<p>Continue to collaborate with partner ESG organizations including PRI and Pacific Center for Asset Management at the University of California at San Diego</p> <p>Continue to actively participate in ESG industry events</p> <p>Continue to engage with other PRI signatories and like-minded organizations that support ESG issues</p> <p>Collaborate with members of the Los Angeles Diversity & Inclusion Roundtable</p>

ESG RISK FRAMEWORK

As an evolving responsible investor, the Los Angeles City Employees' Retirement System (LACERS), recognizes that environmental, social, and governance (ESG) risk factors can impact portfolio performance. LACERS' ESG Risk Framework is designed as a comprehensive, integrated approach to considering and addressing ESG risk factors within the LACERS Investment Program with an emphasis on guidance and implementation activities and initiatives at the operational level.

The Framework presents a methodical process and step-based approach around five key priority points:

1. Investment Policy and ESG Governance
2. Integration of the Principles for Responsible Investment (PRI)
3. ESG Risk Exposures
4. ESG-Focused Investing
5. ESG Risk Framework Action Plan

Priority 1 – Investment Policy and ESG Governance¹

The Framework shall be designed and implemented according to LACERS' Investment Policy.

I. LACERS Investment Policy

The Investment Policy guides the investment management of plan assets. It is a living document that is regularly reviewed and updated to address emerging risks, new market opportunities, and changes to laws and regulations. The Investment Policy includes several focused sub-policies that address specific investment considerations. The sub-policies named below are most closely linked to LACERS' ESG Risk Framework.

A. Responsible Investment (RI) Policy

The RI policy is LACERS' master policy framework that addresses ESG issues that are consistent with the Board's fiduciary standards and the overarching Investment Policy. The primary purpose of this policy is to outline various forms of ESG risk and to identify strategic paths and actions that can add long-term value to LACERS investments.

B. Proxy Voting Policy

The Proxy Voting Policy provides LACERS' position and rationale for shareholder votes regarding ESG issues. As good corporate governance practices are widely

¹ Detailed information regarding the policies mentioned in Priority 1 can be found in the LACERS Investment Policy located at the following link: https://www.lacers.org/sites/main/files/file-attachments/iii_investment_policy_statement.pdf?1671043639

believed to increase shareholder value, public retirement systems across the country are becoming more active in encouraging good corporate governance practices among companies in which they own stock. If the Proxy Voting Policy is silent on an issue, LACERS defers to the recommendation of the System's proxy voting agent and relies on the agent's research expertise.

C. Emerging Investment Manager Policy

The objective of the Emerging Investment Manager Policy is to identify investment firms with the potential to add value to the LACERS investment portfolio that would otherwise not be identified by the standard LACERS investment manager search process. While these managers may not have as fully formalized ESG processes, LACERS' investment with such managers along with appropriate oversight of the portfolio will assist in formalizing and improving risk management for all key risks, including ESG risk factors.

Priority 2 – Integration of Principles for Responsible Investment (PRI)

LACERS became a PRI signatory on September 3, 2019, making a commitment to incorporate ESG risk factors into its decision-making process. LACERS has a duty to act in the best long-term interests of its plan beneficiaries. To ensure that LACERS continues to progress and further evolve its ESG program, an inaugural operational PRI Action Plan (Plan) was reviewed and approved by the Board on November 12, 2019 and is revised and approved annually. The Plan outlines administrative, operational, policy considerations, research initiatives, and collaborations that support the six PRI principles over a rolling two-year forward calendar.

Implementation of ESG under the PRI structure does not end with LACERS alone; LACERS is taking a multi-faceted approach to responsible investment through coordination with its investment partners. Many of LACERS' investment managers and investment consultants are also PRI signatories; these managers are also actively working to improve their identification and management of ESG risks in order to enhance portfolio returns. By leveraging its relationships with firms that are PRI signatories, LACERS is able to magnify its ESG impact more efficiently and effectively across a wider portion of its Investment Program.

Priority 3 – ESG Risk Exposures

LACERS' Investment Program is managed according to industry best-practices, which is articulated in its Investment Policy. LACERS believes that considering and managing ESG risk factors is consistent with its fiduciary duties. Exposures to certain industry

sectors or portions of industry sectors may expose LACERS to risk factors that are inadequately valued or misaligned with LACERS current policies.

LACERS has identified a number of risk exposures through its RI Policy and Proxy Voting Policy that can be segregated along E, S, and G categories (see expanded versions of these policies at https://www.lacers.org/sites/main/files/file-attachments/iii_investment_policy_statement.pdf?1671043639).

Environmental Risk Factors: include quality of air and water, climate change, and land protections.

Social Risk Factors: include human rights, civil liberties, respect for political rights, discrimination, and workers’ rights.

Governance Risk Factors: include (but not limited to) boards, audit, compensation, shareholder rights and takeover defenses, capital structure, corporate restructuring, social and environmental issues.

LACERS reviews its Proxy Voting Policy on a biennial basis to ensure that its voting positions are aligned with the goals and objectives of its RI Policy.

I. Responsibilities of Managing ESG Risk Factors

ESG risk factors must be managed continually and professionally in order to realize appropriate risk mitigation in an effective and resource-efficient manner. The following table provides for a delegation of responsibilities to support ESG risk factor management.

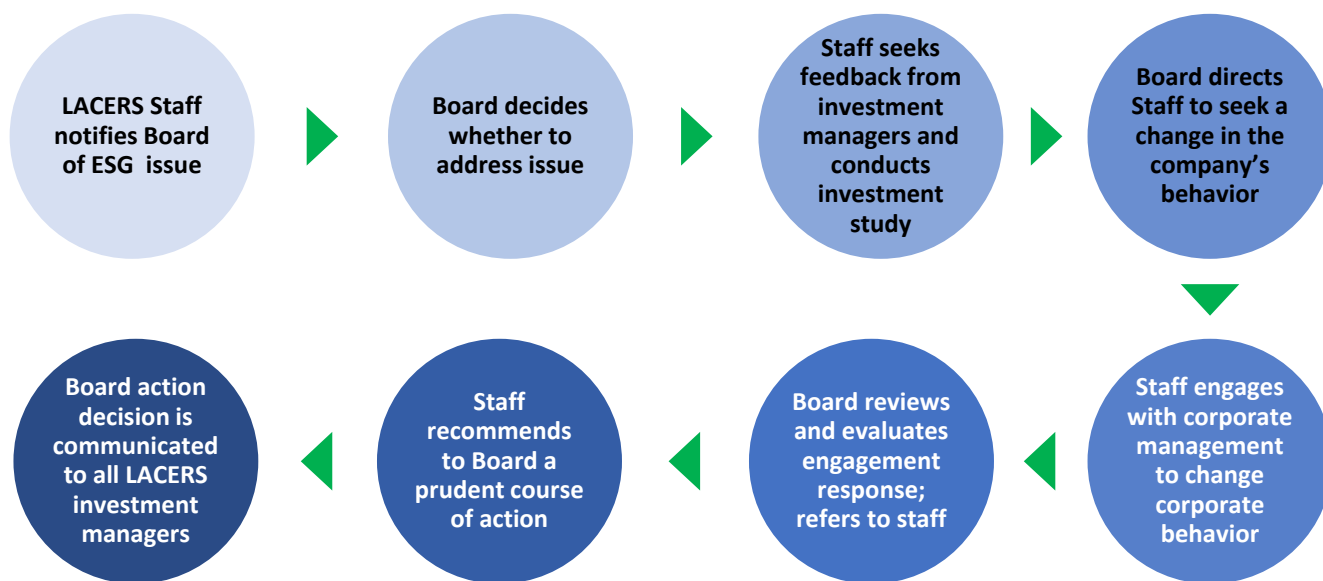
Board	Staff	Consultant	Bank Custodian
<p>Develop appropriate policies to ensure that ESG risk factors and investment opportunities are appropriately considered as part of the LACERS’ investment processes</p> <p>Review ESG status reports and provide further direction to staff</p> <p>Consider staff-recommended actions to address ESG risk factors that cannot be mitigated through existing delegated authority</p>	<p>Integrate ESG risk factors within current policy frameworks</p> <p>Communicate with investment consultants and investment managers regarding compliance with Responsible Investment Policy and PRI Action Plan</p> <p>Consider use of watch lists to assist with identification of high-level risk factor companies</p>	<p>Provide ESG education to the Board and staff</p> <p>Furnish research reports, customized reports, and other tools to understand current trends in ESG</p> <p>Provide methodology to rank external investment managers during a procurement solicitation</p>	<p>Place rules and parameters in place to capture and flag risky assets held in the Fund’s portfolio</p> <p>Help implement a watch list and security identification for risky assets</p> <p>Provide options on reports available for ESG related alerts</p>

II. ESG Risk Mitigation Process

Some ESG risk factors can be addressed and mitigated using a variety of policy, management, and Framework tools. Other ESG risk factors may require Board

intervention and guidance, especially in situations regarding heightened levels of corporate engagement or other issues that are not addressable by existing delegated authority. The diagram below summarizes an eight step process.

Summarized Process for Identifying and Mitigating ESG Risks²



III. Previous Divestment and Engagement Actions

LACERS has previously engaged with companies and investment managers that have been identified as being misaligned with LACERS' Investment Policy according to the aforementioned ESG risk mitigation process. Engagement activities with companies and other misaligned organizations have primarily been realized through a combination of heightened communication with companies, collaboration with like-minded investors, or presentations to the Board.

IV. Climate Transition

LACERS recognizes that a structured and methodical approach to climate transition is an important acknowledgment to a significant risk factor that could impact long-term risk-adjusted performance returns and financial sustainability. LACERS will evaluate its climate transition decisions upon five non-mutually exclusive actions:

A. Engagement – This action focuses on specific actions requested by LACERS of individual companies related to their governance; or advocating specific actions with government agencies to develop appropriate regulatory policies that support climate transition initiatives or positions.

² A detailed description of the process can be found on pages 91-93 of the LACERS Investment Policy. https://www.lacers.org/sites/main/files/file-attachments/iii_investment_policy_statement.pdf?1671043639

B. Collaboration – This action leverages the collective knowledge, experiences, clout, and asset base of like-minded investors to effectuate climate transition with specific companies or groups of similar companies. This path may be used in conjunction with engagement efforts to create a multi-pronged front of like-minded shareholders with a common climate transition cause and desired outcome.

C. Research – This action distinguishes facts from unproven beliefs, to answer questions related to the impact of ESG risk factors and climate transition, and integrates such facts and findings into discussions and deliberations that help facilitate Board investment decisions.

D. Strategic Asset Transition Initiatives - This action identifies specific investment strategies, mandates, or programs that facilitate LACERS' ability to effectuate change in its investment portfolio through asset transition based primarily on economic considerations, which may include tilts away from certain investment exposures, adding attractive opportunities that support ESG investment objectives, and/or exclusion of certain asset types from future investment.

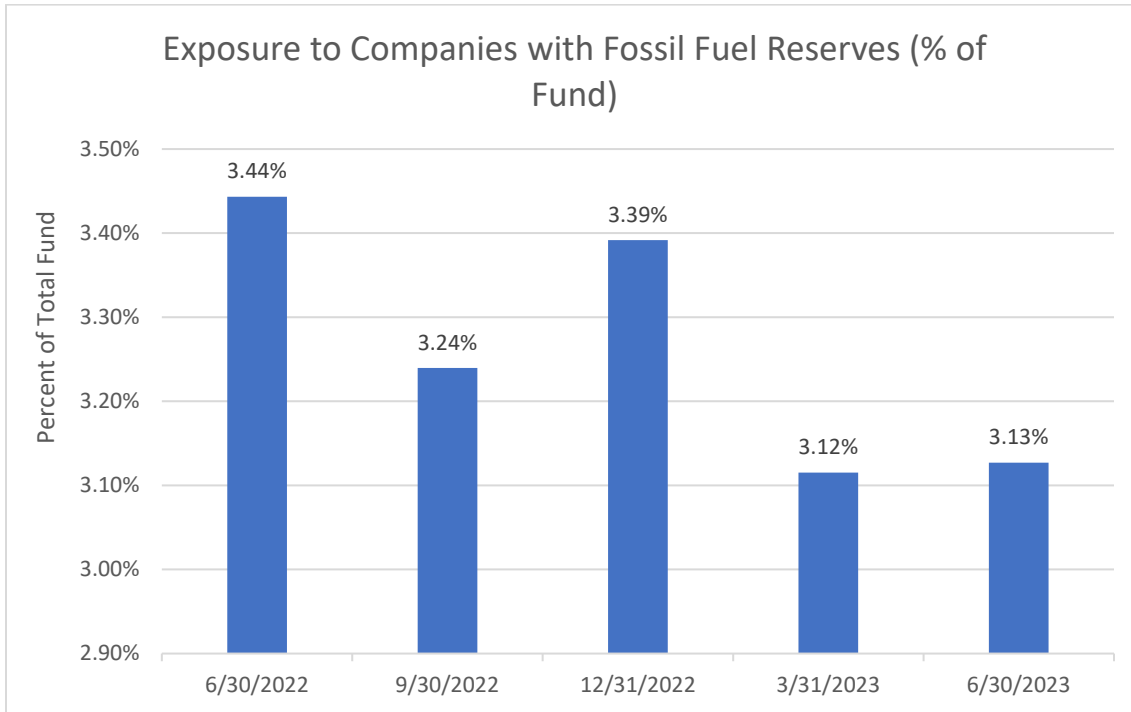
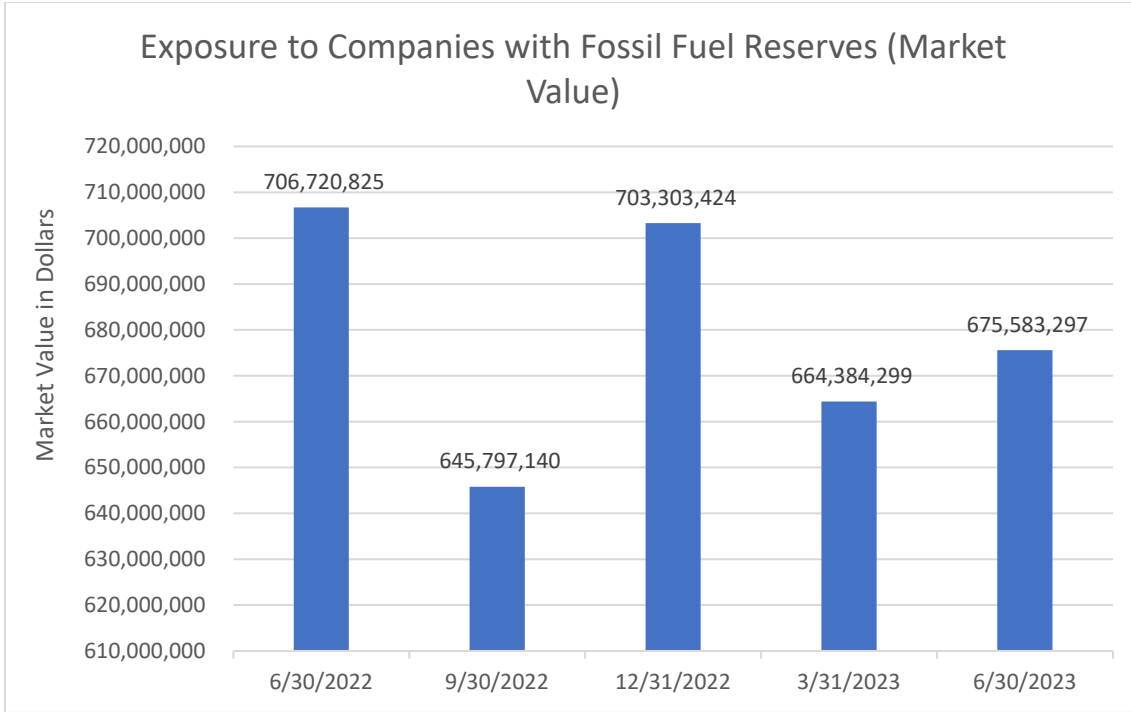
E. Responsible Investment Oversight and Periodic Reporting – Oversight and reporting keep the Board and staff apprised of progress and challenges facing the implementation and ongoing management of LACERS' ESG integration and responsible investing actions including corporate engagement and climate transition.

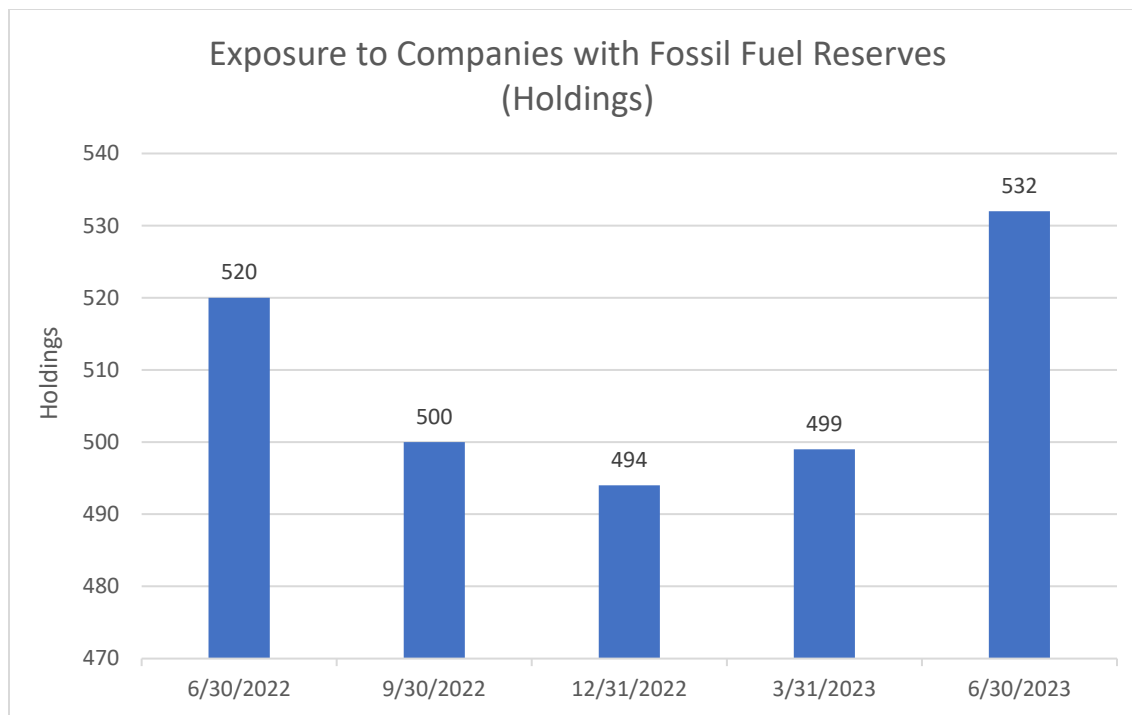
V. Fossil Fuel Exposure

LACERS recognizes that fossil fuel is a weakening segment of the energy industry whose growth prospects are in decline. LACERS believes that its limited holdings of fossil fuel companies (defined as companies with fossil fuel reserves) would be an appropriate starting point for corporate engagement as outlined in the aforementioned Climate Transition section.

A. LACERS Exposure and Historical Performance

As of June 30, 2023, the LACERS investment portfolio held 532 publicly traded companies that have fossil fuel reserves; these holdings represented approximately \$675.5 million (\$346.5 million in active funds and \$329 million in passive funds) in total market value, or approximately 3.13% (1.61% in active funds and 1.52% in passive funds) of the total investment portfolio.





B. Fossil Fuel Exposure Assessment

Staff, working with LACERS' investment consultant, will routinely assess on a quarterly basis the LACERS investment portfolio for holdings of publicly traded companies that have fossil fuel reserves, evaluate the financial risks stemming from such investments, and then engage with such companies that pose the greatest risk to LACERS investment portfolio. LACERS will also discuss with its actively-managed investment managers what plans are in place to transition fossil fuel holdings within the LACERS portfolio. Depending on the proposed actions of these investment managers, LACERS will determine an appropriate course of action based on its fiduciary responsibilities and provision of the Responsible Investment Policy.

Priority 4 – ESG-Focused Investing

LACERS believes that any consideration of a climate-based asset transition is in fact a two sided transaction – a replacement of one asset or set of assets traded for another asset or set of assets. LACERS may find it economically desirable to increase its ESG exposure to either offset questionable holdings or non ESG-related assets with one or more ESG-sensitive investment mandates or approaches, as described below.

I. Active Approaches to ESG

A key component of sustainable investing is active engagement with investee companies with the aim of encouraging and persuading companies to improve their ESG practices in order to provide better outcomes for all stakeholders. Additionally, active investment

management permits the investor to establish various criteria to include (but not limited to) the number of holdings, style preferences, weightings, and capitalization parameters.

In active sustainable fixed-income investing the argument is broadly the same. While debt investors do not own shares in companies, they often provide the primary or only source of capital to a company in the private sector, and even for certain countries. This gives active fixed income investors a better chance of effecting positive change.

II. Passive Approaches to ESG

Passive investment management is a rules-based approach that seeks to replicate the risk-return characteristics of a market index such as the S&P 500 and does not involve discretionary investment decisions. Staff recommends that full-replication passive strategies be exempt from security name exclusion due to portfolio management complexity and cost factors.

III. ESG-Focused Strategies

ESG-focused strategies refer to any investment strategy that makes ESG considerations an important factor when deciding whether or not to invest. LACERS, together with its investment consultants, will consider the appropriateness of such strategies through an economic risk lens and the financial impact on the LACERS Investment Program. Examples of such strategies may include portfolios that certify to standards such as sustainability, climate-focused, or ESG.

IV. Green Technology

LACERS has the ability to back venture capital managers who seek to place capital in carbon-reduction technologies, renewable energy, and other sustainability investment endeavors.

V. Emerging Investment Manager Program

Emerging investment managers refer to investment managers who have formed new investment management firms. Such managers are expected to meet the same rigorous investment criteria and standards such as a verifiable history of generating outsized performance, experienced senior investment team, proven and repeatable investment process, etc. LACERS will take into account other risk factors such as smaller staffing sizes, limited transaction sourcing, number of portfolio realizations, and access to capital raising networks.

Priority 5 - ESG Risk Framework Action Plan

LACERS has initiated several actions over the past several decades that reflect sensitivity towards ESG concerns and issues. In 2019, LACERS became an official signatory to the PRI. As a result of that signatory status, LACERS has developed investment manager selection questionnaires and due diligence checklists to more fully engage with prospective investment managers and those currently under contract.

In 2021, LACERS appointed an ESG Risk Officer to spearhead ESG priorities and to ensure a coordinated implementation of ESG risk factors among LACERS investment staff, investment managers, bank custodian, and other support vendors. This undertaking requires a carefully constructed plan to navigate a myriad of significant and material initiatives and practices to help achieve full implementation of ESG. LACERS will rely on its Framework to guide and facilitate the implementation and management of ESG within its Investment Program. The ESG Risk Framework Action Plans are presented on the following pages.

LACERS Fiscal Year 2023-24 ESG Risk Framework Action Plan

Board-Level Priorities	Staff-Level Priorities		
	Policy and Programs	Operational	ESG Collaboration
<p>Review and approve as needed the LACERS Responsible Investment Policy</p> <p>Review and approve proposed changes to ESG Risk Framework Action Plan</p> <p>Review and approve modifications to the Proxy Voting Policy</p> <p>Support partnership with organizations and entities that are aligned with LACERS beliefs regarding responsible investment, sustainability, and ESG risk factors</p> <p>Consider engagements with companies to effectuate company-level climate transition using LACERS' influence and clout as a multi-billion dollar asset owner</p> <p>Support greater transparency and reporting around ESG corporate reporting</p> <p>Support greater corporate reporting transparency on ESG risk factors</p> <p>Support greater corporate board diversity</p>	<p>Review LACERS Responsible Investment Policy and include updates; present to Board for review and approval</p> <p>Review ESG Risk Framework Action Plan and include updates; present to Board for review and approval</p> <p>Review Proxy Voting Policy; propose modifications for Committee and Board review and approval</p> <p>Update PRI Action Plan</p>	<p>Incorporate ESG Risk Factors into the investment manager selection process including RFP questionnaires, scoring of proposals, due diligence, and monitoring</p> <p>Develop specific Responsible Investment Statements for each asset class and Responsible Investment Guidelines for each LACERS investment manager, as appropriate</p> <p>Work towards determining the effectiveness of ESG-focused investing to include (but not limited to) index strategies ex-fossil fuels and actively-managed investment strategies that pursue renewable energy sources and/or reduce reliance on thermal coal and thermal coal-related businesses</p> <p>Explore third-party watch lists of companies that are deemed by the Board to be misaligned with LACERS Responsible Investment Policy or other Board directives including exposure to thermal coal</p> <p>Track and monitor exposure to investment holdings that may be misaligned with LACERS Responsible Investment Policy</p> <p>Request investment managers to report ESG activity as provided in LACERS Responsible Investment Policy and PRI reporting requirements; encourage private markets general partners to adopt ESG decision-making frameworks</p> <p>Monitor shareholder and governance issues</p> <p>Track proxy votes</p>	<p>Collaborate with partner ESG organizations including PRI and Kroner Center for Financial Research at the University of California at San Diego</p> <p>Actively participate in ESG industry events</p> <p>Engage in shareholder advocacy and collaborate on specific shareholder issues and proposals as needed</p> <p>Collaborate with members of the Los Angeles Diversity & Inclusion Roundtable</p>

LACERS Fiscal Year 2024-25 ESG Risk Framework Action Plan

Board-Level Priorities	Staff-Level Priorities		
	Policy and Programs	Operational	ESG Collaboration
<p>Review and approve updates to LACERS ESG Risk Framework</p> <p>Review and approve proposed changes to LACERS Responsible Investment Policy</p> <p>Continue to support and seek new partnership with organizations and entities that are aligned with LACERS beliefs regarding responsible investment, sustainability, and ESG risk factors</p> <p>Continue to engage with companies to effectuate company-level climate transition</p> <p>Advocate for continued support of ESG investment factors and transparency around corporate ESG reporting</p>	<p>Provide ESG Risk Framework and PRI Action Plan progress reports to the Board</p> <p>Revise ESG Action Plan based on ESG Consultant and staff recommendations</p> <p>Review LACERS Responsible Investment Policy; recommend possible changes</p> <p>Consider the appropriateness of ESG-focused investing to include (but not limited to) index strategies ex-fossil fuels and actively-managed investment strategies that pursue renewable energy sources and/or reduced reliance on thermal coal and thermal coal-related businesses</p> <p>Consider including climate transition provisions in LACERS Responsible Investment Policy</p> <p>Consider the application of Diversity, Equity & Inclusion factors in the LACERS Investment Program</p>	<p>Continue to track and monitor exposure to investment holdings that may be misaligned with LACERS Responsible Investment Policy</p> <p>Continue to request investment managers to report ESG activity as provided in LACERS Responsible Investment Policy and PRI reporting requirements</p> <p>Collect and monitor ESG reports issued by LACERS active private equity and real estate managers and for any new partnerships going forward</p> <p>Ensure ESG risk factors are considered in the investment philosophy and process for LACERS' actively managed investment mandates</p> <p>Continue to explore impact investment strategies including, but not limited to ESG-focused index strategies and actively-managed investment strategies that pursue renewable energy sources and/or reduce reliance on coal and coal-related businesses</p> <p>Work with consultant to determine how to evaluate effectiveness of ESG strategies and fiscal impact</p> <p>Continue to track proxy votes</p> <p>Explore measurement approaches to determine ESG impact on the investment portfolio</p>	<p>Continue to collaborate with partner organizations including PRI and Kroner Center for Financial Research at the University of California at San Diego</p> <p>Continue to actively participate in ESG industry events</p> <p>Continue to engage with other PRI signatories and like-minded organizations that support ESG issues</p> <p>Collaborate with members of the Los Angeles Diversity & Inclusion Roundtable</p>

~~PROPOSED~~ ESG RISK FRAMEWORK

As an evolving ~~and progressive~~ responsible investor, the Los Angeles City Employees' Retirement System (LACERS), recognizes that environmental, social, and governance (ESG) risk factors can impact portfolio performance. LACERS' ESG Risk Framework is designed as a comprehensive, integrated approach to considering and addressing ESG risk factors within the LACERS Investment Program with an emphasis on guidance and implementation activities and initiatives at the operational level.

The Framework presents a methodical process and step-based approach around five key priority points:

1. Investment Policy and ESG Governance
2. Integration of the Principles for Responsible Investment ([PRI](#))
3. ESG Risk Exposures
4. ESG-Focused Investing
5. ESG Risk Framework Action Plan

Priority 1 – Investment Policy and ESG Governance¹

The Framework shall be designed and implemented according to LACERS' Investment Policy.

I. LACERS Investment Policy

The Investment Policy guides the investment management of plan assets. It is a living document that is regularly reviewed and updated to address emerging risks, new market opportunities, and changes to laws and regulations. The Investment Policy includes several focused sub-policies that address specific investment considerations. The sub-policies named below are most closely linked to LACERS' ESG Risk Framework.

A. [Responsible Investment \(RI\) Policy](#)

[The RI policy is LACERS' master policy framework that addresses ESG issues that are consistent with the Board's fiduciary standards and the overarching Investment Policy. The primary purpose of this policy is to outline various forms of ESG risk and to identify strategic paths and actions that can add long-term value to LACERS investments.](#)

~~Geopolitical Risk Policy~~

~~The Geopolitical Risk Policy is intended to provide a framework, based on the role of nation states in the world, to address certain ESG-related geopolitical risk factors such~~

¹ Detailed information regarding the policies mentioned in Priority 1 can be found in the LACERS [Investment Policy Board Manual](#) located at the following link: https://www.lacERS.org/sites/main/files/file-attachments/iii_investment_policy_statement.pdf?1671043639https://www.lacERS.org/sites/main/files/file-attachments/lacERS_board_manual.pdf?1616608484

~~as climate change, discrimination, and workers' rights. This policy outlines a process for identifying and mitigating such risks within the LACERS portfolio.~~

B. Proxy Voting Policy

The Proxy Voting Policy provides LACERS' position and rationale for shareholder votes regarding ESG issues. As good corporate governance practices are widely believed to increase shareholder value, public retirement systems across the country are becoming more active in encouraging good corporate governance practices among companies in which they own stock. If the Proxy Voting Policy is silent on an issue, LACERS defers to the recommendation of the System's proxy voting agent and relies on the agent's research expertise. ~~Additionally, the System's current proxy voting agent, Institutional Shareholder Services (ISS), is a signatory to the PRI and incorporates these principles into its proxy analysis process. Therefore, when considering how to vote on certain ESG proposals not specifically addressed by LACERS' Proxy Voting Policy, investment staff relies on the research expertise and voting recommendations of ISS.~~

C. Emerging Investment Manager Policy

The objective of the Emerging Investment Manager Policy is to identify investment firms with the potential to add value to the LACERS investment portfolio that would otherwise not be identified by the standard LACERS investment manager search process. While these managers may not have as fully formalized ESG processes, LACERS' investment with such managers along with appropriate oversight of the portfolio will assist in formalizing and improving risk management for all key risks, including ESG risk factors.

~~**D. Responsible Investment Policy (under development)**~~

~~Staff, working with its general investment consultant, is developing a comprehensive Responsible Investment Policy. Staff envisions this policy to provide program guidance on integrating ESG more fully and comprehensively within LACERS' Investment Program including (but not limited to) defining roles and responsibilities including possible committee oversight; establishing aspirational goals and measurable program objectives; integration of the Principles for Responsible Investment within the LACERS organization, investment manager selection and monitoring, and due diligence standards; ESG impact measurement; defining standards and developing processes for LACERS' investment portfolios undergoing climate transition, and reporting standards and frequency. Staff anticipates the Responsible Investment Policy to be presented to the Board for consideration in FY2021-22.~~

Priority 2 – Integration of Principles for Responsible Investment (PRI)

LACERS became a PRI signatory on September 3, 2019, making a commitment to incorporate ESG risk factors into its decision-making process. LACERS has a duty to act in the best long-term interests of its plan beneficiaries. To ensure that LACERS continues to progress and further evolve its ESG program, an inaugural operational PRI Action Plan (Plan) was reviewed and approved by the Board on November 12, 2019 ~~with a~~ and is revised ~~Plan and~~ approved ~~on August 11, 2020~~ annually. The Plan outlines administrative, operational, ~~and~~ policy initiatives considerations, research initiatives, and collaborations that support the six PRI principles over a rolling ~~three~~ two-year forward calendar. ~~Many of these initiatives have been completed or are pending completion within the Investment Program.~~

Implementation of ESG under the PRI structure does not end with LACERS alone; LACERS is taking a multi-faceted approach to responsible investment through coordination with its investment partners. Many of ~~For example, many~~ LACERS' public market investment managers and investment consultants are also PRI signatories; these managers are also actively working to improve their identification and management of ESG risks in order to enhance portfolio returns. ~~In addition, all three of LACERS' investment consultants are PRI signatories.~~ By leveraging its relationships with firms that are PRI signatories, LACERS is able to magnify its ESG impact more efficiently and effectively across a wider portion of its Investment Program.

Priority 3 – ESG Risk Exposures

LACERS' Investment Program is managed according to industry best-practices, which is articulated in its Investment Policy. LACERS believes that considering and managing ESG risk factors is consistent with its fiduciary duties. Exposures to certain industry sectors or portions of industry sectors may expose LACERS to risk factors that are inadequately valued or misaligned with LACERS current policies.

LACERS has identified a number of risk exposures through its Geopolitical Risk Policy and Proxy Voting Policy that can be segregated along E, S, and G categories (see expanded versions of these policies at https://www.lacers.org/sites/main/files/file-attachments/iii_investment_policy_statement.pdf?1671043639 https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1616608481).

Environmental Risk Factors: include quality of air and water, climate change, and land protections.

Social Risk Factors: include human rights, civil liberties, respect for political rights, discrimination, and workers' rights.

Governance Risk Factors: include (but not limited to) boards, audit, compensation, shareholder rights and takeover defenses, capital structure, corporate restructuring, social and environmental issues.

LACERS ~~plans to review~~s its Proxy Voting Policy on a biennial basis ~~in FY2021-22~~ to ensure that its voting positions are aligned with the goals and objectives of its ~~pending~~ Responsible Investment Policy.

I. Responsibilities of Managing ESG Risk Factors

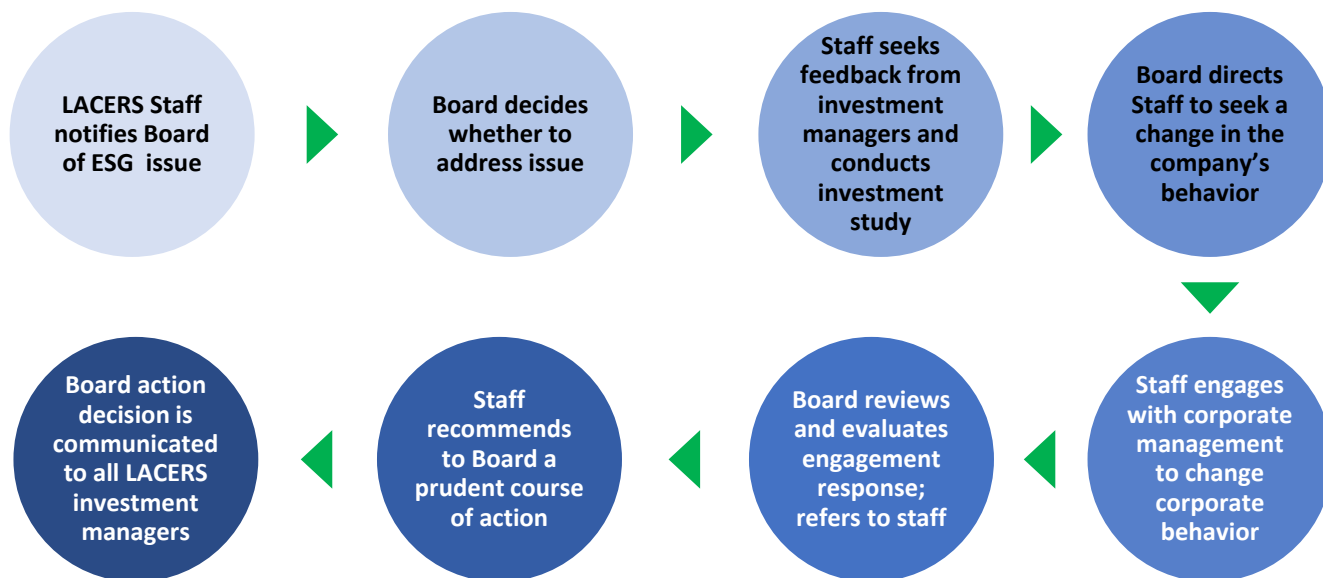
ESG risk factors must be managed continually and professionally in order to realize appropriate risk mitigation in an effective and resource-efficient manner. The following table provides for a delegation of responsibilities to support ESG risk factor management.

Board	Staff	Consultant	Bank Custodian
<p>Develop appropriate policies to ensure that ESG risk factors and investment opportunities are appropriately considered as part of the LACERS' investment processes</p> <p>Review ESG status reports and provide further direction to staff</p> <p>Consider staff-recommended actions to address ESG risk factors that cannot be mitigated through existing delegated authority</p>	<p>Integrate ESG risk factors within current and-to-be-developed policy frameworks</p> <p>Continue development of a Responsible Investment Policy</p> <p>Communicate with investment consultants and investment managers regarding compliance with Responsible Investment Policy and PRI Action Plan</p> <p>Consider use of watch lists to assist with identification of high-level risk factor companies</p>	<p>Provide ESG education to the Board and staff</p> <p>Assist in the development of a Responsible Investment Policy</p> <p>Furnish research reports, customized reports, and other tools to understand current trends in ESG</p> <p>Provide methodology to rank external investment managers during a procurement solicitation</p>	<p>Place rules and parameters in place to capture and flag risky assets held in the Fund's portfolio</p> <p>Help implement a watch list and security identification for risky assets</p> <p>Provide options on reports available for ESG related alerts</p>

II. ESG Risk Mitigation Process

Some ESG risk factors can be addressed and mitigated using a variety of policy, management, and Framework tools. Other ESG risk factors may require Board intervention and guidance, especially in situations regarding heightened levels of corporate engagement or other issues that are not addressable by existing delegated authority. The diagram below summarizes an seveneight step process ~~as articulated in the Geopolitical Risk Policy~~.

Summarized Process for Identifying and Mitigating ~~ESG Corporate Governance Geopolitical~~ Risks²



III. Previous Divestment and Engagement Actions

LACERS has previously engaged with companies and investment managers that have been identified as being misaligned with LACERS’ Investment Policy according to the aforementioned ~~geopolitical-ESG~~ risk mitigation process. Engagement activities with companies and other misaligned organizations have primarily been realized through a combination of heightened communication with companies, collaboration with like-minded investors, or presentations to the Board.

IV. Climate Transition

LACERS recognizes that a structured and methodical approach to climate transition is an important acknowledgment to a significant risk factor that could impact long-term risk-adjusted performance returns and financial sustainability. LACERS will evaluate its climate transition decisions upon five non-mutually exclusive actions:

A. Engagement – This action focuses on specific actions requested by LACERS of individual companies related to their governance; or advocating specific actions with government agencies to develop appropriate regulatory policies that support climate transition initiatives or positions.

B. Collaboration – This action leverages the collective knowledge, experiences, clout, and asset base of like-minded investors to effectuate climate transition with specific companies or groups of similar companies. This path may be used in conjunction with

² A detailed description of the process can be found on pages 1917-1938 of the LACERS [Investment Policy Board Manual](https://www.lacers.org/sites/main/files/file-attachments/iii_investment_policy_statement.pdf?1671043639). https://www.lacers.org/sites/main/files/file-attachments/lacers_board_manual.pdf?1616608481

engagement efforts to create a multi-pronged front of like-minded shareholders with a common climate transition cause and desired outcome.

C. Research – This action distinguishes facts from unproven beliefs, to answer questions related to the impact of ESG risk factors and climate transition, and integrates such facts and findings into discussions and deliberations that help facilitate Board investment decisions.

D. Strategic Asset Transition Initiatives - This action identifies specific investment strategies, mandates, or programs that facilitate LACERS' ability to effectuate change in its investment portfolio through asset transition based primarily on economic considerations, which may include tilts away from certain investment exposures, adding attractive opportunities that support ESG investment objectives, and/or exclusion of certain asset types from future investment.

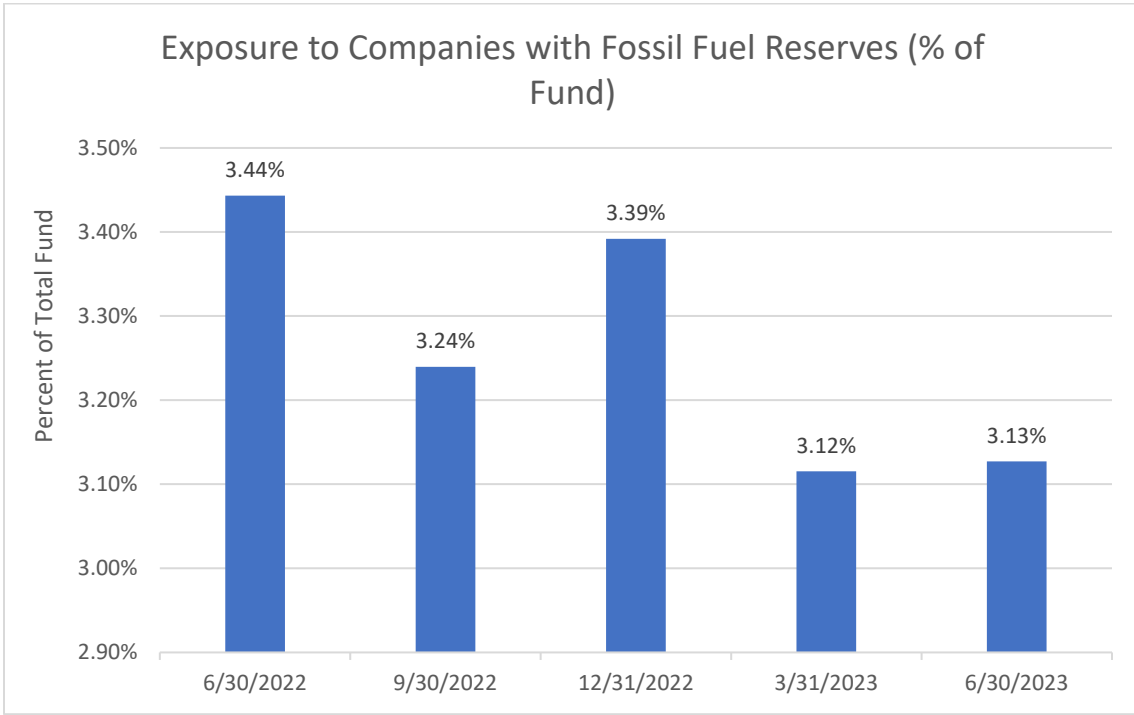
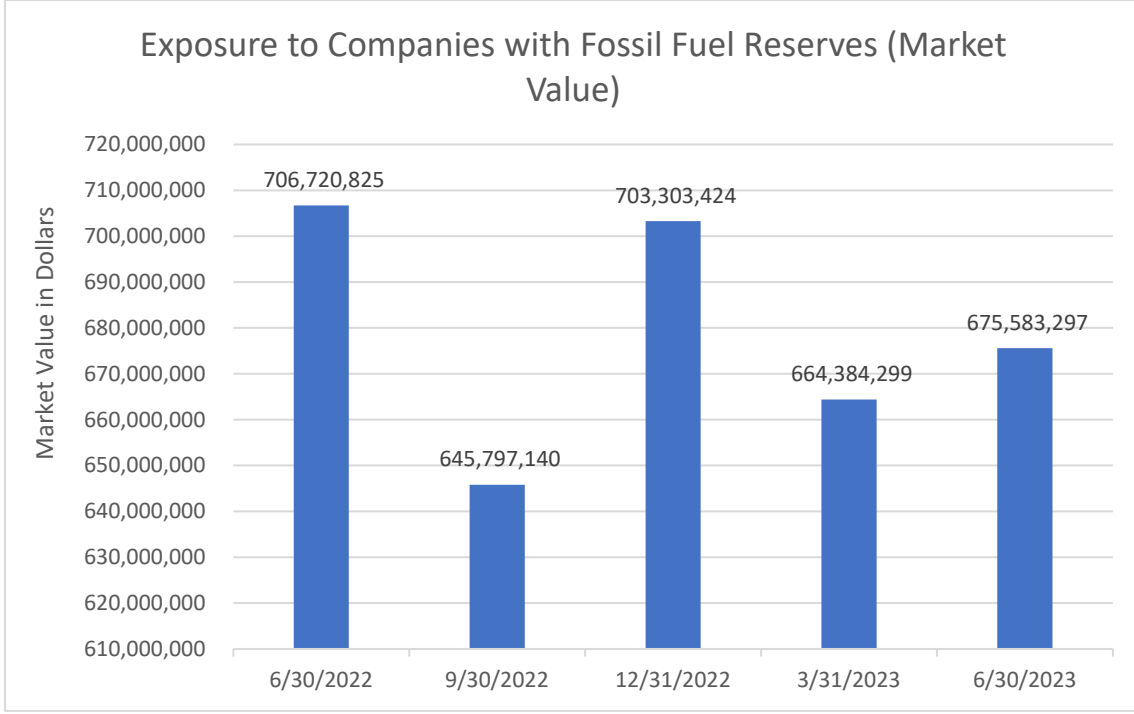
E. Responsible Investment Oversight and Periodic Reporting – Oversight and reporting keep the Board and staff apprised of progress and challenges facing the implementation and ongoing management of LACERS' ESG integration and responsible investing actions including corporate engagement and climate transition.

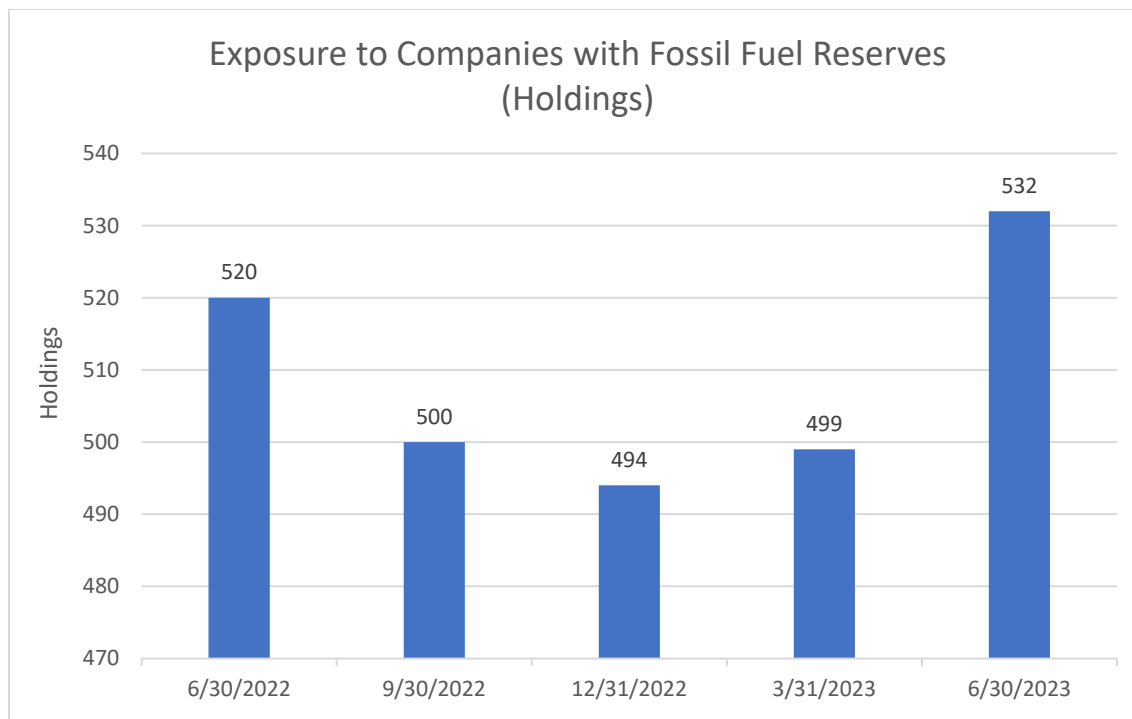
V. Fossil Fuel~~Coal~~ Exposure

LACERS recognizes that fossil fuel~~thermal coal~~ is a weakening segment of the energy industry whose growth prospects are in decline. LACERS believes that its limited holdings of fossil fuel~~thermal coal~~ companies (defined as companies with ~~thermal coal activities that constitute revenue dollars greater than 10% of the company's total revenue~~fossil fuel reserves) would be an appropriate starting point for corporate engagement as outlined in the aforementioned Climate Transition section.

A. LACERS Exposure and Historical Performance

As of ~~December 31~~June 30, 2020~~2023~~, the LACERS investment portfolio held ~~36~~53~~244~~ publicly traded companies that ~~derive at least 10% of revenues from thermal coal activities~~have fossil fuel reserves; these holdings represented approximately \$~~675~~14.5 million (\$346.5 million in active funds and \$329 million in passive funds) in total market value, or approximately ~~30.13~~07% (1.61% in active funds and 1.52% in passive funds) of the total investment portfolio. ~~As detailed in the following charts, a majority of this exposure was held in actively managed equity investment strategies. Over the last five years, these holdings have been additive to LACERS total investment portfolio performance returns; this is likely attributed to the ability of active managers to identify undervalued investments and/or those with continued growth and revenue prospects.~~





B. ~~Fossil Fuel~~Coal Exposure Assessment

Staff, working with LACERS’ investment consultant, will routinely assess on a quarterly basis the LACERS investment portfolio for holdings of publicly traded companies that ~~generate at least 10% of revenues from thermal coal~~ have fossil fuel reserves, evaluate the financial risks stemming from such investments, and then engage with such companies that pose the greatest risk to LACERS investment portfolio. LACERS will also discuss with its actively-managed investment managers what plans are in place to transition fossil fuel~~thermal coal~~ holdings within the LACERS portfolio. Depending on the proposed actions of these investment managers, LACERS will determine an appropriate course of action based on its fiduciary responsibilities and provision of the Responsible Investment Policy.

Priority 4 – ESG-Focused Investing

LACERS believes that any consideration of a climate-based asset transition is in fact a two sided transaction – a replacement of one asset or set of assets traded for another asset or set of assets. LACERS may find it economically desirable to increase its ESG exposure to either offset questionable holdings or non ESG-related assets with one or more ESG-sensitive investment mandates or approaches, as described below.

I. Active Approaches to ESG

A key component of sustainable investing is active engagement with investee companies with the aim of encouraging and persuading companies to improve their ESG practices in order to provide better outcomes for all stakeholders. Additionally, active investment management permits the investor to establish various criteria to include (but not limited to) the number of holdings, style preferences, weightings, and capitalization parameters.

In active sustainable fixed-income investing the argument is broadly the same. While debt investors do not own shares in companies, they often provide the primary or only source of capital to a company in the private sector, and even for certain countries. This gives active fixed income investors a better chance of effecting positive change.

II. Passive Approaches to ESG

Passive investment management is a rules-based approach that seeks to replicate the risk-return characteristics of a market index such as the S&P 500 and does not involve discretionary investment decisions. Staff recommends that full-replication passive strategies be exempt from security name exclusion due to portfolio management complexity and cost factors.

III. ESG-Focused Strategies

ESG-focused strategies refer to any investment strategy that makes ESG considerations an important factor when deciding whether or not to invest. LACERS, together with its investment consultants, will consider the appropriateness of such strategies through an economic risk lens and the financial impact on the LACERS Investment Program. Examples of such strategies may include portfolios that certify to standards such as sustainability, climate-focused, or ESG.

IV. Green Technology

LACERS has the ability to back venture capital managers who seek to place capital in carbon-reduction technologies, renewable energy, and other sustainability investment endeavors.

V. Emerging Investment Manager Program

Emerging investment managers refer to investment managers who have formed new investment management firms. Such managers are expected to meet the same rigorous investment criteria and standards such as a verifiable history of generating outsized performance, experienced senior investment team, proven and repeatable investment process, etc. LACERS will take into account other risk factors such as smaller staffing sizes, limited transaction sourcing, number of portfolio realizations, and access to capital raising networks.

~~VI. ESG Integration in the Interim~~

~~Forward-thinking, sophisticated investment managers already consider the impact of ESG factors as an enhancement to their investment process, and already build client investment portfolios with varying magnitudes of sustainability even when the client does not mandate it. This is a passive and interim solution that still provides a limited amount~~

~~of ESG risk factor consideration until LACERS is able to realize a more fully integrated ESG risk program.~~

Priority 5 - ESG Risk Framework Action Plan

LACERS has initiated several actions over the past several decades that reflect sensitivity towards ESG concerns and issues. In 2019, LACERS became an official signatory to the PRI. As a result of that signatory status, LACERS has developed investment manager selection questionnaires and due diligence checklists to more fully engage with prospective investment managers and those currently under contract.

In 2021, LACERS appointed an ESG Risk Officer to spearhead ESG priorities and to ensure a coordinated implementation of ESG risk factors among LACERS investment staff, investment managers, bank custodian, and other support vendors. This undertaking requires a carefully constructed plan to navigate a myriad of significant and material initiatives and practices to help achieve full implementation of ESG. LACERS will rely on its Framework to guide and facilitate the implementation and management of ESG within its Investment Program. The ESG Risk Framework Action Plans ~~for Fiscal Year 2021-22 and Fiscal Year 2022-23~~ are presented on the following pages.

LACERS Fiscal Year 2023-24 ESG Risk Framework ~~Proposed~~ Action Plan

Board-Level Priorities	Staff-Level Priorities		
	Policy and Programs	Operational	ESG Collaboration
<p>Review and approve as needed the LACERS Responsible Investment Policy</p> <p>Review and approve proposed changes to ESG Risk Framework Action Plan</p> <p>Review and approve modifications to the Proxy Voting Policy</p> <p>Support partnership with organizations and entities that are aligned with LACERS beliefs regarding responsible investment, sustainability, and ESG risk factors</p> <p>Consider engagements with companies to effectuate company-level climate transition using LACERS' influence and clout as a multi-billion dollar asset owner</p> <p>Support greater transparency and reporting around ESG corporate reporting</p> <p>Support greater corporate reporting transparency on ESG risk factors</p> <p>Support greater corporate board diversity</p>	<p>Review LACERS Responsible Investment Policy and include updates; present to Board for review and approval</p> <p>Review ESG Risk Framework Action Plan and include updates; present to Board for review and approval</p> <p>Review Proxy Voting Policy; propose modifications for Committee and Board review and approval</p> <p>Consider including climate transition provisions of LACERS Responsible Investment Policy</p> <p>Update PRI Action Plan</p>	<p>Incorporate ESG Risk Factors into the investment manager selection process including RFP questionnaires, scoring of proposals, due diligence, and monitoring</p> <p>Develop specific Responsible Investment Statements for each asset class and Responsible Investment Guidelines for each LACERS investment manager, as appropriate</p> <p>Work towards determining the effectiveness of ESG-focused investing to include (but not limited to) index strategies ex-fossil fuels and actively-managed investment strategies that pursue renewable energy sources and/or reduce reliance on thermal coal and thermal coal-related businesses</p> <p>Explore third-party watch lists of companies that are deemed by the Board to be misaligned with LACERS Responsible Investment Policy or other Board directives including exposure to thermal coal</p> <p>Track and monitor exposure to investment holdings that may be misaligned with LACERS Responsible Investment Policy</p> <p>Request investment managers to report ESG activity as provided in LACERS Responsible Investment Policy and PRI reporting requirements; encourage private markets general partners to adopt ESG decision-making frameworks</p> <p>Monitor shareholder and governance issues</p> <p>Track proxy votes</p>	<p>Collaborate with partner ESG organizations including PRI and Pacific Center for Asset Management Kroner Center for Financial Research at the University of California at San Diego</p> <p>Actively participate in ESG industry events</p> <p>Engage in shareholder advocacy and collaborate on specific shareholder issues and proposals as needed</p> <p>Collaborate with members of the Los Angeles Diversity & Inclusion Roundtable</p>

LACERS Fiscal Year 2024-25 ESG Risk Framework ~~Proposed~~ Action Plan

Board-Level Priorities	Staff-Level Priorities		
	Policy and Programs	Operational	ESG Collaboration
<p>Review and approve updates to LACERS ESG Risk Framework for FY 2023-24</p> <p>Review and approve proposed changes to LACERS Responsible Investment Policy</p> <p>Continue to support and seek new partnership with organizations and entities that are aligned with LACERS beliefs regarding responsible investment, sustainability, and ESG risk factors</p> <p>Continue to engage with companies to effectuate company-level climate transition</p> <p>Advocate for continued support of ESG investment factors and transparency around corporate ESG reporting</p>	<p>Provide ESG Risk Framework and PRI Action Plan progress reports to the Board</p> <p>Revise ESG Action Plan based on ESG Consultant and staff recommendations</p> <p>Review LACERS Responsible Investment Policy; recommend possible changes</p> <p>Consider the appropriateness of ESG-focused investing to include (but not limited to) index strategies ex-fossil fuels and actively-managed investment strategies that pursue renewable energy sources and/or reduced reliance on thermal coal and thermal coal-related businesses</p> <p><u>Consider including climate transition provisions in LACERS Responsible Investment Policy</u></p> <p>Consider the application of Diversity, Equity & Inclusion factors in the LACERS Investment Program</p>	<p>Continue to track and monitor exposure to investment holdings that may be misaligned with LACERS Responsible Investment Policy</p> <p>Continue to request investment managers to report ESG activity as provided in LACERS Responsible Investment Policy and PRI reporting requirements</p> <p>Distribute and eCollect <u>Collect and monitor ESG reports issued by survey of LACERS current active private equity and real estate managers holdings and for any new partnerships going forward on an ongoing basis</u></p> <p><u>Ensure ESG risk factors are considered in the investment philosophy and process for LACERS' Incorporate ESG into investment analysis and decision-making plus integration and scoring of ESG risk responses in</u> actively managed investment mandates</p> <p>Continue to explore impact investment strategies including, to include (but not limited to) ESG-focused index strategies and actively-managed investment strategies that pursue renewable energy sources and/or reduce reliance on coal and coal-related businesses</p> <p>Consider provisions of the LACERS Responsible Investment Policy to address companies that may be subject to climate transition provisions</p> <p>Work with consultant to determine how to evaluate effectiveness of ESG strategies and fiscal impact</p> <p>Continue to track proxy votes</p> <p>Explore measurement approaches to determine ESG impact on the investment portfolio</p>	<p>Continue to collaborate with partner ESG organizations including PRI and Pacific Center for Asset Management <u>Krone r Center for Financial Research</u> at the University of California at San Diego</p> <p>Continue to actively participate in ESG industry events</p> <p>Continue to engage with other PRI signatories and like-minded organizations that support ESG issues</p> <p>Collaborate with members of the Los Angeles Diversity & Inclusion Roundtable</p>



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

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

MEETING: AUGUST 22, 2023
ITEM: VII - E

**SUBJECT: ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM
FOR THE PERIOD ENDING DECEMBER 31, 2022**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this report.

Discussion

On August 8, 2023, staff presented to the Committee the Annual Report on LACERS Emerging Investment Manager Program. Staff discussed the Emerging Investment Manager Program Policy, names and dollar amounts awarded to Emerging Investment Managers, Emerging Investment Manager goal metrics, searches conducted in 2022, efforts to increase visibility and representation of Emerging Investment Managers, and corresponding performance data. The Committee expressed an interest in seeing additional performance metrics for LACERS Emerging Investment Managers in future reports.

Strategic Plan Impact Statement

The Emerging Investment Manager Policy aims to add value to the LACERS investment portfolio by hiring Emerging Investment Managers, consistent with Goal IV, which aims to optimize long-term risk adjusted investment returns. The presentation and discussion of the Policy's goals, metrics, manager outreach and manager performance are consistent with Goal V, which aims to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Ricky Mulawin, Management Analyst, Investment Division

NMG/RJ/WL/BS/RM

Attachment: 1. Investment Committee Report dated August 8, 2023



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: AUGUST 8, 2023
ITEM: VI

SUBJECT: ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Investment Committee receive and file this report.

Executive Summary

LACERS' Emerging Investment Manager Program aims to hire and retain Emerging Investment Managers in order to add value to the LACERS investment portfolio. This report highlights the Emerging Investment Manager firms hired, dollar amounts awarded, and staff and consultant efforts to increase Emerging Investment Manager representation in the LACERS investment portfolio in calendar year 2022. Staff will schedule the Annual Report on LACERS Emerging Investment Manager Program for Board review at a future meeting.

Discussion

Background

LACERS' Emerging Investment Manager Policy (Policy) was adopted on February 14, 2012, and was most recently revised on May 25, 2021. The Policy identifies guidelines and sets goals to hire and retain Emerging Investment Managers that would otherwise not be identified in the standard LACERS investment manager search process in order to add value to the LACERS investment portfolio. Smaller investment management firms may generate superior performance returns due to increased market flexibility associated with smaller asset bases. The Policy sets a goal of funding Emerging Investment Managers at no less than 10% of available capital and provides minimum criteria for firms to qualify as an Emerging Investment Manager.

Pursuant to the Policy, this annual report provides the status of the Emerging Investment Manager Program for the year ending December 31, 2022, including the following information:

1. Names and dollar amounts awarded to Emerging Investment Managers
2. Report of Emerging Investment Manager goal metrics
3. List of all investment manager searches

4. Staff and consultant efforts to increase the visibility of LACERS' investment manager searches and representation of Emerging Investment Managers in the LACERS investment portfolio
5. Performance data for funds managed by Emerging Investment Managers

1. Names and Dollar Amounts Awarded to Emerging Investment Managers in 2022

Manager	Style	Asset Class	Investment/Commitment	Consultant
Lightbay Investment Partners II, LP	Buyout - Small	Private Equity	\$25,000,000	Aksia CA LLC
1315 Capital III, LP	Growth Equity	Private Equity	\$30,000,000	Aksia CA LLC
L2 Point Opportunities I, LP	Mezzanine	Private Equity	\$30,000,000	Aksia CA LLC
Auldbrass Partners Secondary Opportunity Fund III, LP	Secondaries	Private Equity	\$20,000,000	Aksia CA LLC
Sunstone Partners III-Main, LP	Growth Equity	Private Equity	\$20,000,000	Aksia CA LLC

2. Emerging Investment Manager Goal Metrics

The Policy sets a goal for Emerging Investment Manager exposure in public and private market asset classes at no less than 10%.

Public Markets

For each public markets asset class, there are two metrics for measuring Emerging Investment Manager exposure: 1) Asset Class Metric: the total market value of Emerging Investment Managers within a respective asset class divided by the total market value of the respective asset class; and 2) Manager Search Metric: total dollars awarded to Emerging Investment Managers in a particular public asset class manager search divided by the total dollars awarded for the respective manager search.

In calendar year 2022, there were no public markets search initiated. The Passive U.S., Non-U.S., and Global Index Strategies, initiated in 2021, was completed in 2022; no contracts were awarded to Emerging Investment Managers.

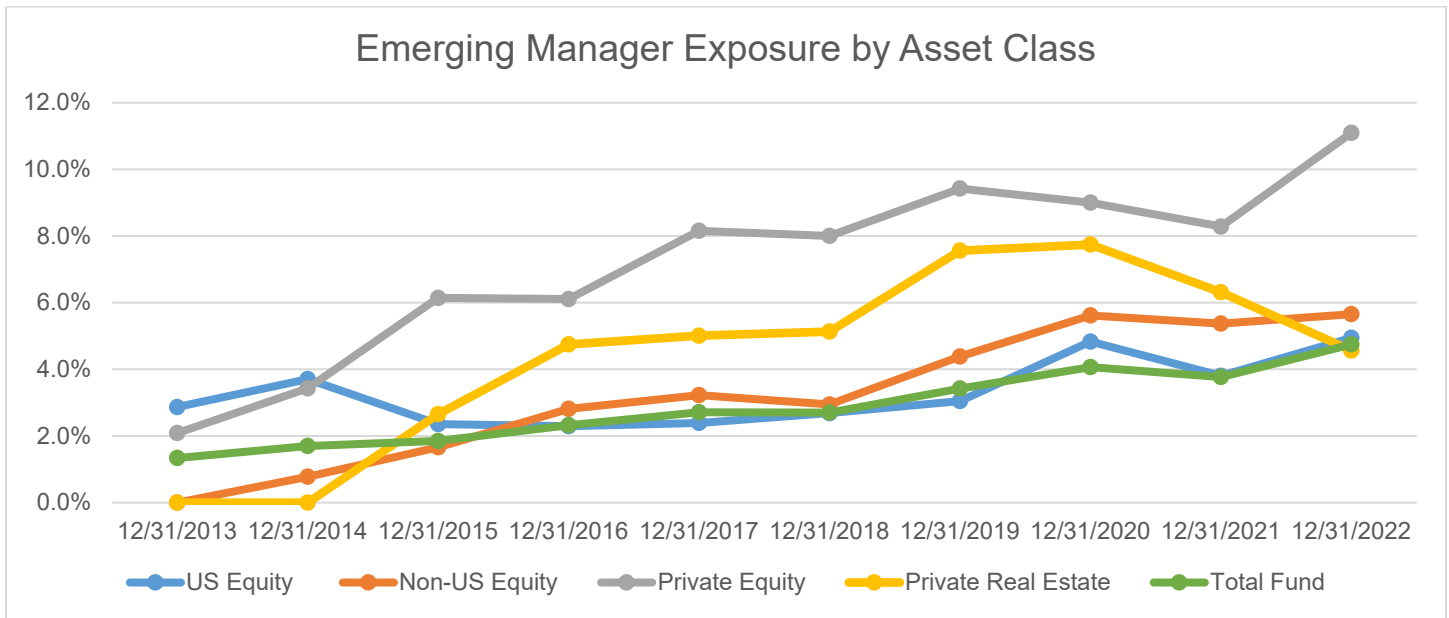
Public Market Asset Classes	Emerging Manager Exposure (Metric 1)	Public Markets Manager Searches (Metric 2)
U.S. Equity	4.9%	0.0%
Non-U.S. Equity	5.7%	0.0%
Core Fixed Income	0.0%	N/A
Credit Opportunities	0.0%	N/A
Public Real Assets	0.0%	N/A

Private Markets

For each private markets asset class, there are two metrics for measuring Emerging Investment Manager exposure: 1) Asset Class Metric: the total committed dollars of Emerging Investment Managers within a respective asset class divided by all the dollars within that respective asset class on a market value basis; and 2) Manager Search Metric: the total of all committed capital awarded to Emerging Investment Managers of completed searches within a respective private market asset class divided by all committed capital awarded within the respective private market asset class over a 36-month rolling period ending December 31, 2022.

Private Market Asset Classes	Asset Class (Metric 1)	Manager Search (Metric 2)
Private Equity	11.1%	9.3%
Private Real Estate	4.6%	0.0%

On a fund-number basis for the 36-month period ending December 31, 2022, LACERS authorized commitments to a total of 12 private equity Emerging Investment Managers out of 69 private equity funds (17%) and zero real estate Emerging Investment Managers out of 11 real estate funds (0%).



Asset Class	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
U.S. Equity	2.9%	3.7%	2.4%	2.3%	2.4%	2.7%	3.0%	4.8%	3.8%	4.9%
Non-U.S. Equity	0.0%	0.8%	1.5%	2.8%	3.2%	2.9%	4.4%	5.6%	5.4%	5.7%
Private Equity	2.1%	3.4%	6.1%	6.1%	8.2%	8.0%	9.4%	9.0%	8.3%	11.1%
Private Real Estate	0.0%	0.0%	2.7%	4.7%	5.0%	5.1%	7.6%	7.7%	6.3%	4.6%
Total Fund	1.3%	1.7%	1.8%	2.3%	2.7%	2.7%	3.4%	4.1%	3.8%	4.7%

3. Searches Conducted in 2022

Searches Initiated:

- N/A

Searches Completed:

- Passive U.S., Non-U.S., and Global Index Strategies Mandate Search – \$8.8 billion

4. Efforts to Increase Visibility and Representation of Emerging Investment Managers

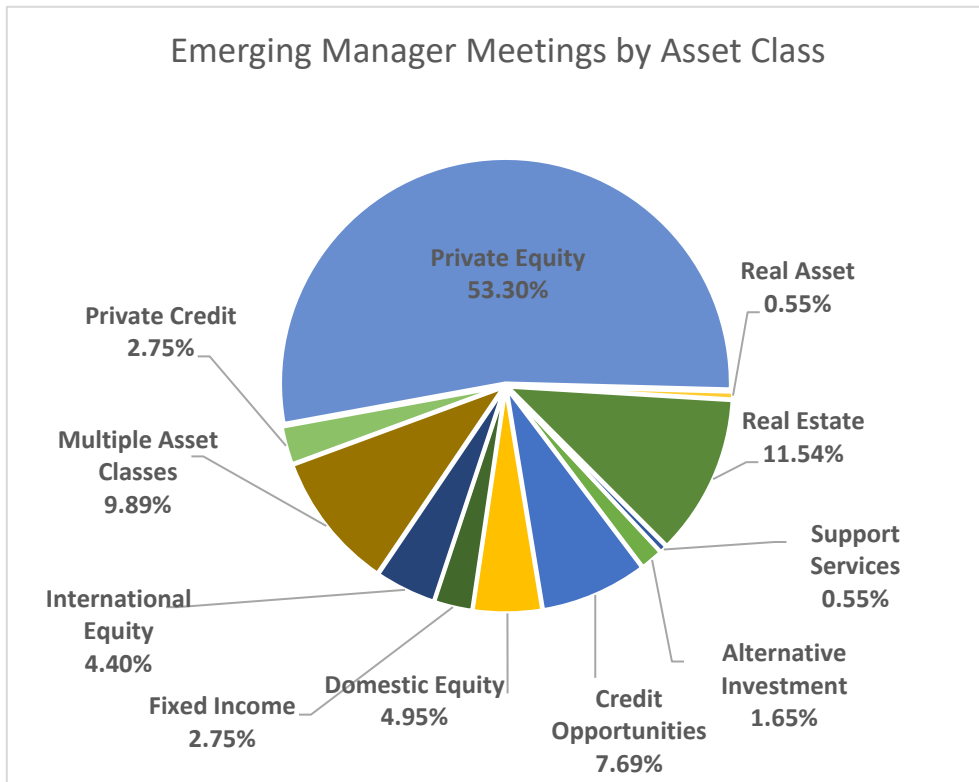
Staff

LACERS actively engages the emerging manager community to help achieve the policy objectives established by the Emerging Investment Manager Policy. During calendar year 2022, staff participated in the following emerging manager networking and meeting events:

2022 Emerging Manager Events	
January	Teacher Retirement System of Texas/Texas Employees Retirement System Emerging Manager Conference
April	LACERS Emerging Manager Symposium
June	GCM Grosvenor Emerging Manager Consortium
July	The Investment Diversity Exchange
August	Girls Who Invest
October	GCM Grosvenor Small and Emerging Managers Conference
November	LACERS Emerging Manager Symposium
November	Toigo Foundation
December	Institutional Allocators for Diversity Equity & Inclusion
December	Transact Global

In 2022, LACERS hosted Spring and Fall Emerging Manager Symposium events. These semi-annual events are designed to educate emerging managers about LACERS’ Emerging Manager Program and investment process. Both events were highly successful and well attended. The combined events had over 650 participants. Replays of the Spring and Fall symposiums which have been viewed 532 times as of July 26, 2023, are available on the LACERS YouTube channel: <https://www.youtube.com/lacersyoutube>

Additionally, staff regularly meets with emerging managers. During the calendar year 2022, staff held a total of 182 emerging manager meetings depicted by asset classes in the chart below.



Consultants

LACERS retains three investment consultants. The consultants’ respective emerging manager activities for the one-year period ending December 31, 2022, are summarized below.

Consultant	Meetings or Calls	Emerging Manager Conferences	Awarded to Emerging Managers
NEPC, LLC (General)	206	12	\$4.1 billion / 19 managers
Aksia CA LLC (Private Equity)	172	11	\$90 million / 4 managers
The Townsend Group (Real Estate)	80	12	\$805.7 million / 7 managers

Note: The definition of “Emerging Manager” for this matrix is based on the emerging investment manager criteria unique to each consultant.

5. Performance Data of LACERS Emerging Investment Managers (as of 12/31/2022)

Public Markets Managers Performance (Net-of-Fees)	Inception Date	One Year	Two Years	Three Years	Five Years	Since Inception
Oberweis Asset Management, Inc. ¹ MSCI EAFE Small Cap Index	Jan-2014	-37.28	-19.27	2.36	0.54	4.53
		-21.39	-6.97	-0.93	-0.04	3.76
<i>Excess Return</i>		-15.89	-12.30	1.43	0.58	0.77
EAM Investors LLC ² Russell 2000 Growth Index	Sep-2015	-31.11	-15.45	0.99	6.10	8.06
		-26.36	-12.98	0.65	3.51	7.47
<i>Excess Return</i>		-4.75	-2.47	0.34	2.59	0.59
Granahan Investment Management, Inc. ³ Russell 2000 Growth Index	Aug-2020	-31.38	-17.33	-	-	-2.77
		-26.36	-12.98	-	-	-0.83
<i>Excess Return</i>		-5.02	-4.35	-	-	-1.94

Public Markets Managers Peer Comparison	Universe	Number of Peers in Universe	5-Year Return % (Peer Rank)	5-Year Peer Median Return %	5-Year Sharpe Ratio (Peer Rank)	5-Year Sharpe Ratio Median
Oberweis Asset Management, Inc.	eV EAFE Small Cap Equity Net Median	72	0.54 (43 rd)	0.16	0.09 (29 th)	0.05
EAM Investors LLC	eV US Small Cap Growth Equity Net Median	157	6.10 (68 th)	7.69	0.31 (68 th)	0.37
Granahan Investment Management, Inc. ⁴	eV US Small Cap Growth Equity Net Median	157	18.56 (1 st)	7.69	0.57 (1 st)	0.37

Private Real Estate Emerging Fund Managers	Vintage Year	Net IRR ⁵	Return Multiple	Sourced By
Gerrity Retail Fund 2, LP	2015	4.1%	1.2x	Townsend Group
Asana Partners Fund I, LP	2017 ⁶	14.3%	1.8x	Townsend Group
Broadview Real Estate Partners Fund, LP	2019	11.4%	1.1x	Townsend Group

¹ Account funded on January 15, 2014. Manager no longer meets the LACERS definition of an emerging manager as firm assets under management exceed \$2 billion.

² Account funded on October 1, 2015. Manager no longer meets the LACERS definition of an emerging manager as firm assets under management exceed \$2 billion.

³ Account funded on October 1, 2020. Manager no longer meets the LACERS definition of an emerging manager as firm assets under management exceed \$2 billion.

⁴ Composite strategy performance was used to determine the 5-year peer rankings due to the limited track record of LACERS' accounts. Five-year data sourced from eVestment Small Cap Focused Growth composite provided by Granahan.

⁵ A private market fund typically yields a low or negative IRR during its early life "J Curve" period.

⁶ LACERS committed to fund in calendar year 2016.

Private Equity Emerging Fund Managers	Vintage Year	Net IRR ⁵	Return Multiple	Sourced By
High Road Capital Partners Fund II, LP	2013	14.8%	1.8x	Hamilton Lane
Blue Sea Capital Fund I, LP	2014	19.9%	2.3x	Portfolio Advisors
Oak HC/FT Partners, LP	2014	31.6%	4.1x	Portfolio Advisors
1315 Capital, LP	2015	17.6%	2.0x	Portfolio Advisors
New Water Capital Partners, LP	2015	13.5%	1.5x	Portfolio Advisors
Angeles Equity Partners I, LP	2015	19.6%	1.6x	Portfolio Advisors
CenterGate Capital Partners I, LP	2015	22.5%	1.7x	Portfolio Advisors
Sunstone Partners I, LP	2016	37.6%	2.8x	Portfolio Advisors
Defy Partners I, LP	2016 ⁷	11.7%	1.4x	Portfolio Advisors
NMS Fund III, LP	2017	27.4%	1.9x	Portfolio Advisors
Oak HC/FT Partners II, LP	2017	39.2%	2.9x	Portfolio Advisors
Astra Partners I, LP	2017	5.9%	1.2x	Portfolio Advisors
Mill Point Capital Partners, LP	2018	27.4%	2.1x	Portfolio Advisors
1315 Capital Fund II, LP	2018	23.2%	1.5x	Portfolio Advisors
DEFY Partners II, LP	2019	22.2%	1.4x	Aksia CA LLC
P4G Capital Partners I, LP	2019	-12.6%	0.9x	Aksia CA LLC
Sunstone Partners II, LP	2019	23.7%	1.2x	Aksia CA LLC
OceanSound Partners Fund, LP	2020	24.1%	1.5x	Aksia CA LLC
Builders VC Fund II, LP	2020	8.7%	1.1x	Aksia CA LLC
ULU Ventures Fund III, LP	2021	-1.7%	1.0x	Aksia CA LLC
Mill Point Capital Partners II, LP	2021	17.3%	1.1x	Aksia CA LLC
Avance Investment Partners, LP	2021	4.7%	1.0x	Aksia CA LLC
Biospring Partners Fund, LP	2021	-19.4%	0.9x	Aksia CA LLC
DEFY Partners III, LP	2021	-	0.8x	Aksia CA LLC
LightBay Investment Partners II, L.P.	2022	-	0.9x	Aksia CA LLC
1315 Capital III, L.P.	2022	-	-	Aksia CA LLC
L2 Point Opportunities I, L.P.	2022	-	1.0x	Aksia CA LLC
Auldbrass Partners Secondary Opportunity Fund III, L.P.	2022	-	0.4x	Aksia CA LLC
Sunstone Partners III-Main, LP	2022	-	-	Aksia CA LLC

⁷ LACERS committed to fund in calendar year 2017.

Strategic Plan Impact Statement

The Emerging Investment Manager Policy aims to add value to the LACERS investment portfolio by hiring Emerging Investment Managers, consistent with Goal IV, which aims to optimize long-term risk adjusted investment returns. The presentation and discussion of the Policy's goals, metrics, manager outreach and manager performance are consistent with Goal V, which aims to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Ricky Mulawin, Management Analyst, Investment Division

NMG/RJ/BF/BS/RM



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 22, 2023

ITEM: VII - F

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$25 MILLION IN OCEANSOUND PARTNERS FUND II, LP

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$25 million in OceanSound Partners Fund II, LP.

Executive Summary

OceanSound Partners Fund II, LP will focus on private equity investments primarily in the government technology, communications, industrial technology, and enterprise information technology sectors.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$25 million in OceanSound Partners Fund II, LP (the Fund), a private equity fund managed by OceanSound Partners, L.P. (OceanSound or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

The Firm was founded by Joe Benavides, Ted Coons, and Jeff Kelly in 2019 to invest in U.S. technology and technology-service companies operating in business-to-business and business-to-government end markets. Mr. Benavides previously worked with Mr. Coons at Blackstone and with Mr. Kelly at Veritas Capital. Collectively, they have nearly 40 years of experience investing in private equity. The Firm consists of 13 employees and maintains one office in New York City.

OceanSound is an existing general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy.

LACERS previously committed \$20 million to OceanSound Partners Fund, LP (2020 vintage), which has earned a net internal rate of return (IRR) of 24.1%^{1,2}.

Investment Thesis

The GP will seek to make six to eight control-oriented investments in domestic, middle market businesses primarily within the government technology, communications, industrial technology, and enterprise information technology sectors. The GP anticipates that the vast majority of transactions will take the form of traditional buyouts, founder recapitalizations, and corporate carve-outs. The GP will target businesses that have positive cash flow and operate in large markets. Other characteristics of target businesses may include high barriers to entry, deeply rooted customer bases, regulatory protection, defensible cost structures, proprietary technology or specialized processes, or distribution capabilities that are difficult to replicate. The GP will focus on companies within subsectors that have displayed consistent growth across economic and political cycles such as cybersecurity, process automation, unmanned systems technology, healthcare information technology, and software.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investments in OceanSound Partners Fund II, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Robert King, CPA, Investment Officer II, Investment Division

NMG/RJ /WL/RK:rm

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

¹ Performance as of December 31, 2022

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

Aksia LLC

Oceansound Partners Fund II, LP
Investment Notification



www.aksia.com

OceanSound Partners Fund II, LP

General Partner	• OceanSound Partners, L.P. (the “Firm” or “Oceansound”)
Fund	• OceanSound Partners Fund II, LP (“Fund II” or the “Fund”)
Firm Founded	• 2019
Strategy	• Buyouts
Sub-Strategy	• Lower Middle Market Buyouts
Geography	• North America
Team	• 1 Managing Partner, 3 Partners, 3 Principals, 6 Senior Associates / Associates, 3 Executive Partners
Senior Partners	• Joe Benvides, Ted Coons, Jeff Kelly, and Ariel Garcia
Office Locations	• New York, NY
Industries	• Government technology, industrial and enterprise technology
Target Fund Size	• \$1.0 billion
Recommendation	• \$25.0 million

Investment Highlights

- Fund II represents an opportunity to continue supporting a spin-out firm that is led by a diverse founder.
- Two of the Firm’s senior professionals, Joe Benavides and Jeff Kelly, worked together previously as senior investment professionals at another private equity firm that focused on a similar strategy.
- The Firm’s ability and willingness to undertake highly complex transactions should help OceanSound avoid traditional competition from generalist private equity sponsors.

OceanSound Partners Fund II, LP

Firm and Background

- OceanSound was founded in 2019 by Joe Benavides, Ted Coons, and Jeff Kelly to invest in U.S. technology and technology enabled services companies operating in business-to-government and business-to-business end markets.
- Collectively, the Firm's senior professionals have over 40 years of combined private equity investment experience at institutions such as Veritas, Blackstone, H.I.G Capital, and Technology Crossover Ventures.
- The Firm currently employs 13 investment professionals, including a Managing Partner, three Partners, three Principals, two Senior Associates, and four Associates. OceanSound also maintains three Executive Partners that provide industry expertise to the Firm's investment professionals.

Investment Strategy

- The Fund will seek to make six to eight control-oriented investments in U.S. based technology companies, generally operating in regulated end markets such as defense and enterprise IT.
- Platform companies will have enterprise values between \$150.0 million and \$750.0 million with equity requirements greater than or equal to \$350.0 million
- OceanSound anticipates the vast majority of transactions will take the form of traditional buyouts, founder recapitalizations, and corporate carve outs
- Given the exposure to government related businesses, OceanSound is focused on companies serving bi-partisan priorities that have displayed growth across economic and political cycles

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



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

MEETING: AUGUST 22, 2023
ITEM: VII - G

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN ULU VENTURES FUND IV, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$20 million in Ulu Ventures Fund IV, L.P.

Executive Summary

Ulu Ventures Fund IV, L.P. will focus on seed and early-stage companies in enterprise, consumer, healthcare, sustainability, and blockchain sectors within North America.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$20 million in Ulu Ventures Fund IV, L.P. (the Fund) managed by Ulu Ventures (Ulu or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

Ulu Ventures is a seed and early-stage stage venture firm, based in Palo Alto, founded in 2008 by Miriam Rivera and Clint Korver. Ms. Rivera and Mr. Korver have worked as a business team for 17 years, initially co-founding a software development company and later co-founding Ulu. As of the end of 2022, Ulu has invested approximately \$142 million in 249 investments across all of its funds.

Prior to founding Ulu, Ms. Rivera was vice president/deputy general counsel at Google, which she joined in 2001 as the second attorney on staff. Ms. Rivera is co-founder, former co-president and a board member of Stanford Angels & Entrepreneurs; a Kauffman Fellow in venture capital; and a board member of the Kauffman Foundation. She serves on the Investment Committee of Acumen Fund America, an impact investment fund serving the needs of low-income Americans and on the Launch with GS Advisory Council, an initiative by Goldman Sachs to reduce the investing gap for Black and LatinX founders. Mr. Korver, prior to founding Ulu, was a serial entrepreneur, co-founding and leading

four Silicon Valley start-ups. He is a Kauffman Fellow in venture capital, has taught entrepreneurship in the Stanford School of Engineering; mentors at StartX, Stanford's accelerator; co-founded Stanford Angels & Entrepreneurs; and served as a Venture Partner at Crescendo Ventures.

Ulu Ventures is an existing general partner relationship for LACERS and meets the criteria as an Emerging Investment Manager pursuant to the LACERS Emerging Investment Manager Policy. LACERS previously committed \$10 million to Ulu Ventures Fund III, L.P. (2020 vintage), which has earned a net internal rate of return (IRR) of -1.7%.^{1,2}

Investment Thesis

Similar to its predecessor funds, Ulu Ventures Fund IV will invest in seed and early-stage software and internet companies primarily sourced through Stanford University and the Silicon Valley ecosystem. Fund IV will focus on making investments within the enterprise, consumer, healthcare, sustainability, and blockchain sectors. The GP will seek board seats in portfolio companies and collaborate with founders and board members. Ulu seeks to generate attractive returns using a disciplined, repeatable decision-making process that analyzes risk-reward trade-offs. To this end, Ulu has created a proprietary investment process that aims to reduce risk and increase returns. Ulu focuses on sourcing diverse teams including: women, Black, Latinx, Asian, and immigrant entrepreneurs, with over 80% of the portfolio companies having a diverse member on the founding team.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Ulu Ventures Fund IV, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL/CH:rm

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

¹ Performance as of December 31, 2022.

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

Aksia LLC

Ulu Ventures Fund IV, L.P.
Investment Notification



www.aksia.com

Ulu Ventures Fund IV, L.P.

General Partner	• Ulu Ventures
Fund	• Ulu Ventures Fund IV, L.P.
Firm Founded	• 2008
Strategy	• Venture Capital
Sub-Strategy	• Early-Stage
Geography	• North America
Team	• ~15 professionals
Senior Partners	• Miriam Rivera and Clint Korver
Office Locations	• Palo Alto
Industries	• Primarily enterprise, consumer, healthcare, sustainability, and blockchain
Target Fund Size	• \$350.0 million
LACERS Investment	• \$20.0 million

Investment Highlights

- Prior to founding Ulu Ventures, Miriam Rivera was vice president/deputy general counsel at Google, where she built the legal team from two professionals to over 150, served on boards and committees and negotiated partnership deals.
- The Co-Founders have strong ties to Stanford University and its ecosystem through leadership roles within the university. These leadership roles can provide a competitive advantage in accessing the Stanford ecosystem.
- Ulu utilizes its proprietary decision analysis tool to guide investment decisions. This enables Ulu to assess foreseeable risks for each investment and weigh the risk versus the return opportunity.

Ulu Ventures Fund IV, L.P.

Firm and Background

- Founded in 2008, Ulu Ventures is a seed-stage venture capital firm that is based in Palo, Alto, California.
- In 2008, Miriam Rivera and Clint Korver began investing their personal capital together in seed-stage technology companies between 2008 to 2015, now referred to as Ulu Fund I. Through Fund I, Rivera and Korver demonstrated their ability to identify and invest early in breakout companies.
- Ulu Ventures continues to be led by Rivera and Korver, but they have since been joined by an additional four Partners as well as Venture Partners, operational professionals, and junior investment professionals.

Investment Strategy

- The Fund will invest in seed-stage software and internet companies primarily sourced through Stanford University and Silicon Valley.
- The Fund will make at least 80 investments and the average initial check will be ~\$2.0 million. Ulu expects to take between 3.0% and 15.0% ownership in their portfolio companies. Furthermore, the Firm expects to lead seed investments slightly more than half of the time but to rarely lead Series A or later rounds.
- The Fund will focus on making investments within the enterprise, consumer, healthcare, sustainability, and blockchain sectors.
- Each investment, including follow-on investments, is subject to Ulu's proprietary decision analysis tool. The decision analysis process is intended to structure judgment and apply it intelligently to investments, avoiding cognitive biases that can be common in venture capital.

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 22, 2023

ITEM: VII - H

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$30 MILLION IN ICG STRATEGIC EQUITY FUND V (USD) LP

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$30 million in ICG Strategic Equity Fund V (USD) LP.

Executive Summary

ICG Strategic Equity Fund V (USD) LP will focus on GP-led transactions in the secondary private equity market.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$30 million in ICG Strategic Equity Fund V (USD) LP (the Fund), a private equity secondary fund managed by Intermediate Capital Group (ICG or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. The recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

ICG was founded in London in 1989, and as of June 30, 2023, it had \$82.1 billion of AUM and 582 employees in 16 countries. The ICG Strategic Equity Platform was launched to focus solely on GP-led secondaries transactions. The team consists of 25 investment professionals and is led by Ricardo Lombardi, Andrew Hawkins, Andrea Serra, and Rob Campbell.

ICG is an existing general partner relationship for LACERS. LACERS previously committed \$50 million to Strategic Equity Fund IV LP (2020 vintage), which has earned a net internal rate of return (IRR) of 36.3%^{1,2}.

Investment Thesis

The Fund will target GP-led transactions emphasizing single asset continuation vehicles, fund restructures, and opportunistically targeting direct portfolios, GP spinouts, and single asset co-investments. Secondary private equity transactions in the classical sense involve the transfer of ownership of a single LP interest in a private fund. In a “GP-led secondary” transaction, the GP proposes to transfer all or a portion of the assets managed by an existing fund into a new “continuation” fund that will be managed by the same private equity sponsor. This provides existing LPs with optional early liquidity or alternatively to continue their ownership of the assets transferred to the continuation vehicle. ICG will seek compelling opportunities in the GP-led secondary market by leveraging their pure-play experience. The Fund will be diversified in terms of sector and vintage but will be mainly concentrated in North America and Europe.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in ICG Strategic Equity Fund V (USD) LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL/EP:rm

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

¹ Performance as of December 31, 2022.

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

Aksia LLC

ICG Strategic Equity Fund V (USD) LP
Investment Notification



www.aksia.com

ICG Strategic Equity Fund V(USD) LP

General Partner	• Intermediate Capital Group PLC (the “Firm” or “ICG”)
Fund	• ICG Strategic Equity Fund V(USD) LP (“Fund V” or the “Fund”)
Firm Founded	• 1989
Strategy	• Private Equity Multi-Manager
Sub-Strategy	• Private Equity Secondaries
Geography	• North America and Europe
Team	• ~25 Investment Professionals*
Senior Partners	• Ricardo Lombardi, Andrew Hawkins, Andrea Serra, and Rob Campbell*
Office Locations	• New York, London*
Industries	• Broadly Diversified
Target Fund Size	• \$6.0 billion
LACERS Investment	• \$30.0 million

*Represents the ICG Strategic Equity (“ICGSE”) team, which is a division within the broader ICG platform.

Investment Highlights

- ICGSE has a cohesive senior team, with Ricardo Lombardi and Andrew Hawkins having worked together since 2007.
- The ICGSE team is able to leverage the broader ICG platform for many shared functions, such as finance, client management, compliance, legal, and information technology.
- The ICGSE funds were early investors in the GP-led secondary market and have generated good returns over time with a relatively low loss ratio.
- The overall GP-led secondary market has grown from ~\$9.0 billion of annual transaction volume in 2014 to ~\$68.0 billion in 2021.

ICG Strategic Equity Fund V, L.P.

Firm and Background

- ICG was established in London in 1989 with a focus on investing balance sheet capital in European subordinated debt. Starting in 1994, the Firm began investing and managing third party capital through managed investment accounts.
- The Firm has since grown into a global asset manager with four primary pillars, (i) Private Debt, (ii) Real Assets, (iii) Credit, and (iv) Structured & Private Equity. Today, ICG is a publicly traded company listed on the London Stock Exchange (LSE: ICP).
- In 2014, the ICGSE platform was launched to focus solely on GP-led transactions.
- The Fund will be managed by the ICGSE team - Ricardo Lombardi, Andrew Hawkins, Andrea Serra and Rob Campbell with the help of an additional group of ~20 investment professionals.

Investment Strategy

- Since inception, ICGSE has targeted GP-led transactions including single asset continuation vehicles, multi-asset continuation vehicles, fund restructures, direct portfolio lift outs, GP spinouts, and single asset co-investments.
- The Fund is expected to be comprised of 14 to 16 transactions that require equity checks between \$500.0 million and \$1.5 billion per investment.
- The Fund is expected to be diversified across sector, geography, and vintage year.
- The Fund will target transactions where there is strong alignment with the incumbent GP and where the manager is viewed as a buyer of the assets, rather than a seller. Furthermore, ICGSE will seek to be actively involved post-transaction and have board representation.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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

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

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: AUGUST 22, 2023
ITEM: VII - I

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$35 MILLION IN GENSTAR CAPITAL PARTNERS XI, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$35 million in Genstar Capital Partners XI, L.P.

Executive Summary

Genstar Capital Partners XI, L.P. will focus on control buyouts of high quality and growth-oriented, North American middle market and large businesses within the financial services, healthcare, industrials, and software sectors.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$35 million in Genstar Capital Partners XI, L.P. (the Fund), a middle market and large business buyout strategy managed by Genstar Capital LLC (Genstar or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

Genstar was founded in 1988 as a Canadian building materials and financial services company. Today, the firm is led by Jean-Pierre Conte, Ryan Clark, Rob Rutledge, Eli Weiss, and Antony Salewski. The San Francisco-based GP has approximately \$49 billion in assets under management and more than 70 total professionals.

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

Fund Name	Vintage Year	Commitment Size	Net IRR^{1,2}
Genstar Capital Partners IX	2019	\$25 million	37.8%
Genstar IX Opportunities Fund I	2019	\$25 million	29.6%
Genstar Capital Partners X	2021	\$32.5 million	8.5%
Genstar X Opportunities Fund I	2021	\$25 million	7.4%

Investment Thesis

Genstar focuses on investing in global middle market and large companies headquartered in North America within four sectors: financial services, healthcare, industrials, and software. Within these sectors, the GP seeks companies with attributes such as predictable recurring revenue, pricing power, high levels of free cash flow, attractive returns on capital, and steady growth. Genstar adds value to these companies by assisting management with major strategic, operational, and financial initiatives. The GP intends to build a concentrated portfolio of investments in founder-owned companies, public company orphans, corporate carve-outs, and traditional buyouts. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Genstar Capital Partners XI, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL/CH:rm

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

¹ Performance as of December 31, 2022.

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

Aksia LLC

Genstar Capital Partners XI, L.P.
Investment Notification



www.aksia.com

Genstar Capital Partners XI, L.P.

General Partner	• Genstar Capital LLC (the “Firm” or “Genstar”)
Fund	• Genstar Capital Partners XI, L.P. (“Fund XI” or the “Fund”)
Firm Founded	• 1988
Strategy	• North American Buyouts
Sub-Strategy	• North American Upper Middle Market Buyouts
Geography	• Primarily North America
Team	• ~70 Total Professionals
Senior Partners	• JP Conte, Ryan Clark, Rob Rutledge, Tony Salewski, and Eli Weiss
Office Locations	• San Francisco, CA
Industries	• Financial Services, Healthcare, Industrials, and Software
Target Fund Size	• \$11.0 billion
Recommendation	• \$35 million

Investment Highlights

- Genstar is led by five Managing Partners who have more than 100 years of combined private equity experience.
- Despite the success of its flagship funds, Genstar has yet to launch other strategies or branch into new business lines, continuing to pursue the strategy it has since inception.
- Genstar’s value creation playbook includes operational change, add-on and transformational M&A, and upgrades to management teams.
- Over time, the Firm has generated strong returns with relatively low loss ratios.

Genstar Capital Partners XI, L.P.

Firm and Background

- Genstar was formed in 1988 by the former senior executives of a Canadian building-materials and financial services business. Jean-Pierre (“JP”) Conte joined the Firm in 1995 and assumed leadership responsibilities as the founders retired. Conte assumed the role of Chairman in 2007 and over time delegated leadership responsibilities to other senior professionals, including Ryan Clark, who joined in 2004 and now serves as President.
- Genstar has grown over time raising incrementally larger private equity funds in addition to co-investment overage vehicles that co-invest alongside the flagship funds in larger investment opportunities.
- In addition to the Firm’s investment professionals, Genstar maintains a Strategic Advisory Board, an informal network of industry experts, consultants, and advisors who source opportunities, support diligence efforts, and execute value creation at portfolio companies.

Investment Strategy

- Fund XI will primarily invest in control opportunities in high quality and growth-oriented upper middle market and large cap companies located in North America.
- Targeted companies will operate within one of Genstar’s core sectors of focus – financial services, healthcare, industrials, and software.
- Value creation activities focus on driving portfolio company revenue and earnings growth through organic growth initiatives, executing add-on and transformational M&A, improving operations, and upgrading management teams.

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ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
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Investment Management and Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports and plans. Review Commitment Notification Reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and manage distributions. Review Private Equity Consultant's recommendations on partnership amendments and consents. Execute partnership amendments and consents. Manage and approve the wind-down and/or dissolve private equity fund investment(s) with private equity consultant's concurrence. Manage and execute the sale of partnership interest on the secondary market or to other limited partner(s) or potential buyer(s). Prepare Commitment Notification Reports for Board. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to Staff for approval. Provide quarterly, annual, and other periodic monitoring reports and plans.

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: AUGUST 22, 2023
ITEM: VII - J

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$25 MILLION IN GENSTAR XI OPPORTUNITIES FUND I, L.P.

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$25 million in Genstar XI Opportunities Fund I, L.P.

Executive Summary

Genstar XI Opportunities Fund I, L.P. will focus on control buyouts of high quality and growth-oriented, North American middle market and large businesses within the financial services, healthcare, industrials, and software sectors.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$25 million in Genstar XI Opportunities Fund I, L.P. (the Fund), a middle market and large business buyout strategy managed by Genstar Capital LLC (Genstar or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

Genstar was founded in 1988 as a Canadian building materials and financial services company. Today, the firm is led by Jean-Pierre Conte, Ryan Clark, Rob Rutledge, Eli Weiss, and Antony Salewski. The San Francisco-based GP has approximately \$49 billion in assets under management and more than 70 total professionals.

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

Fund Name	Vintage Year	Commitment Size	Net IRR^{1,2}
Genstar Capital Partners IX	2019	\$25 million	37.8%
Genstar IX Opportunities Fund I	2019	\$25 million	29.6%
Genstar Capital Partners X	2021	\$32.5 million	8.5%
Genstar X Opportunities Fund I	2021	\$25 million	7.4%

Investment Thesis

Genstar focuses on investing in global middle market and large companies headquartered in North America within four sectors: financial services, healthcare, industrials, and software. Within these sectors, the GP seeks companies with attributes such as predictable recurring revenue, pricing power, high levels of free cash flow, attractive returns on capital, and steady growth. The Fund will participate in larger deals alongside Genstar Capital Partners XI, L.P. when additional capital is needed, effectively serving as an overage vehicle with a lower fee schedule.

Genstar adds value to these companies by assisting management with major strategic, operational, and financial initiatives. The GP intends to build a concentrated portfolio of investments in founder-owned companies, public company orphans, corporate carve-outs, and traditional buyouts. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Genstar XI Opportunities Fund I, L.P. will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL/CH:rm

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

¹ Performance as of December 31, 2022.

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

Aksia LLC

Genstar XI Opportunities Fund I, L.P.
Investment Notification



www.aksia.com

Genstar XI Opportunities Fund I, L.P.

General Partner	• Genstar Capital LLC (the “Firm” or “Genstar”)
Fund	• Genstar XI Opportunities Fund I, L.P. (“Fund XI Opps” or the “Fund”)
Firm Founded	• 1988
Strategy	• North American Buyouts
Sub-Strategy	• North American Upper Middle Market Buyouts
Geography	• Primarily North America
Team	• ~70 Total Professionals
Senior Partners	• JP Conte, Ryan Clark, Rob Rutledge, Anthony Salewski, and Eli Weiss
Office Locations	• San Francisco, CA
Industries	• Financial Services, Healthcare, Industrials, and Software
Target Fund Size	• \$1.5 billion
Recommendation	• \$25 million

Investment Highlights

- Genstar is led by five Managing Partners who have more than 100 years of combined private equity experience.
- Despite the success of its flagship funds, Genstar has yet to launch other strategies or branch into new business lines, continuing to pursue the strategy it has since inception.
- Genstar’s value creation playbook includes operational change, add-on and transformational M&A, and upgrades to management teams.
- Over time, the Firm has generated strong returns with relatively low loss ratios.

Genstar Capital Partners XI Opportunities, L.P.

Firm and Background

- Genstar was formed in 1988 by the former senior executives of a Canadian building-materials and financial services business. Jean-Pierre (“JP”) Conte joined the Firm in 1995 and assumed leadership responsibilities as the founders retired. Conte assumed the role of Chairman in 2007 and over time delegated leadership responsibilities to other senior professionals, including Ryan Clark, who joined in 2004 and now serves as President.
- Genstar has grown over time raising incrementally larger private equity funds (collectively, the “Flagship Funds”) and companion co-investment overage vehicles to co-invest alongside the Flagship Funds in larger investment opportunities.
- In addition to the Firm’s investment professionals, Genstar maintains a Strategic Advisory Board, an informal network of industry experts, consultants, and advisors who source opportunities, support diligence efforts, and execute value creation at portfolio companies.

Investment Strategy

- Fund XI Opps is an overage vehicle that will co-invest alongside Fund XI in opportunities that exceed 10% of Fund XI’s aggregate commitments. Fund XI Opps does not have portfolio construction targets and investments will be made opportunistically.
- The Fund is expected to hold a smaller number of positions relative to Fund XI which will result in a more concentrated portfolio, though no single investment will exceed 33% of the vehicle’s aggregate commitments.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



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

MEETING: AUGUST 22, 2023
ITEM: VII - K

Neil M. Guglielmo

**SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$5 MILLION IN MAYFIELD SELECT III,
A DELAWARE LIMITED PARTNERSHIP**

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$5 million in Mayfield Select III, a Delaware Limited Partnership.

Executive Summary

Mayfield Select III, a Delaware Limited Partnership will focus on early-stage and follow-on venture capital investments in enterprise software, consumer, semiconductor, and human and planetary health companies located in the United States.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$5 million in Mayfield Select III, a Delaware Limited Partnership (Select III), a venture capital fund managed by Mayfield Fund (Mayfield or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

Mayfield is one of the oldest Silicon Valley venture capital firms, founded in 1969 by Thomas Davis, Jr. to focus on early-stage investments in technology companies in the United States. Select III is led by Navin Chaddha, Rajeev Batra, Ursheet Parikh, and Tejas Maniar. Mayfield operates from a single office in Menlo Park, California, with 15 investment professionals and \$3 billion under management.

Mayfield is a new general partner relationship for LACERS.

Investment Thesis

Select III will focus on a combination of new investments which are outside the Flagship Fund's (Mayfield XVII, a Delaware Limited Partnership) mandate and follow-on investments in Mayfield's existing portfolio companies. LACERS also committed to the Mayfield XVII, a Delaware Limited Partnership, which is their flagship fund. Mayfield invests in early-stage enterprise software, consumer, semiconductor, and human and planetary health companies located in the United States and Canada. Over its long history, Mayfield has invested in 550 companies, leading to 120 initial public offerings and 225 mergers and acquisitions. Mayfield adds value to portfolio companies by providing support in the key areas of talent, marketing, and business development.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Mayfield Select III, a Delaware Limited Partnership will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Robert King, CPA, Investment Officer II, Investment Division

NMG/RJ/WL/RK:rm

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

Aksia LLC

Mayfield Select III, a Delaware Limited Partnership Investment Notification



www.aksia.com

Mayfield Select III, a Delaware Limited Partnership

General Partner	• Mayfield
Fund	• Mayfield Select III, a Delaware Limited Partnership
Firm Founded	• 1969
Strategy	• Venture Capital
Sub-Strategy	• Late-Stage
Geography	• North America
Team	• 15+ professionals
Senior Partners	• Navin Chaddha, Rajeev Batra, Ursheet Parikh, and Tejas Maniar
Office Locations	• Menlo Park
Industries	• Primarily information technology and biology companies
Target Fund Size	• \$300.0 million
LACERS Investment	• \$5.0 million

Investment Highlights

- Mayfield has emerged as a well-known entity among entrepreneurs and other venture capital firms as a result of its strong track record, evolution of the team, and identifiable investments.
- The Firm’s five Senior Partners have an average tenure at Mayfield of 10 years, while Chaddha and Batra have invested alongside each other at Mayfield since 2007.
- The Firm has developed a team with unique experience and domain expertise within the targeted strategies that set the Firm apart from other venture firms.
- Mayfield Select Fund I and Fund II have generated strong returns since inception.

Mayfield Select III, a Delaware Limited Partnership

Firm and Background

- Mayfield, one of the oldest US venture capital firms, was founded in 1969 by Thomas Davis, Jr. to focus on early-stage investments. Since inception, the Firm has gone through multiple leadership changes and is currently led by the fourth generation of management.
- In 2016, the Firm launched its Select platform which is a follow-on vehicle for existing portfolio companies and new investments that may not fit the flagship mandate.
- The Select funds will be led by Navin Chadha, who is supported by three Directors, Rajeev Batra, Ursheet Parikh, and Tejas Maniar. Collectively, the four senior investment professionals make up the General Partner for the Fund.
- The investment team is further supported by a group of junior investment professionals, a portfolio service team, as well as finance, legal, and operations professionals.

Investment Strategy

- The Fund will provide Mayfield the opportunity to increase exposure to investments in Mayfield's existing portfolio companies, or companies in which the Firm has a high conviction but are outside the flagship fund's mandate.
- It's expected that the Fund will be allocated 50.0% to existing portfolio companies and 50.0% to new investments. Generally, investments in the Fund will be in companies with \$3.0 million to \$7.0 million in revenue, raising capital in Series A+, Series B, and Series C rounds.
- It is anticipated that Mayfield will invest the Fund over a 3 to 4-year period across 15 to 18 companies.
- Mayfield plans to continue to take board seats in most of the companies, play an active role as coach to founders, and leverage its portfolio services team to increase the impact of the portfolio.

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ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



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

MEETING: AUGUST 22, 2023
ITEM: VII - L

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$5 MILLION IN MAYFIELD XVII, A DELAWARE LIMITED PARTNERSHIP

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$5 million in Mayfield XVII, a Delaware Limited Partnership.

Executive Summary

Mayfield XVII, a Delaware Limited Partnership will focus on early-stage and follow on venture capital investments in enterprise software, consumer, semiconductor, and human and planetary health companies located in the United States.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$5 million in Mayfield XVII, a Delaware Limited Partnership (the Flagship Fund), a venture capital fund managed by Mayfield Fund (Mayfield or the GP). Fund management and incentive fees are comparable to similar strategies; the GP will invest alongside limited partners, providing alignment of interest. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

Mayfield is one of the oldest Silicon Valley venture capital firms, founded in 1969 by Thomas Davis, Jr. to focus on early-stage investments in technology companies in the United States. The firm is currently led by Navin Chaddha, Rajeev Batra, Ursheet Parikh, Patrick Salyer, and Arvind Gupta. Mayfield operates from a single office in Menlo Park, California, with 15 investment professionals and \$3 billion under management.

Mayfield is a new general partner relationship for LACERS.

Investment Thesis

The Flagship Fund will focus on early-stage venture capital investments in enterprise software, consumer, semiconductor, and human and planetary health companies located in the United States and Canada. LACERS has also committed to Mayfield Select III, a Delaware limited partnership, which focuses on follow-on investments in Flagship Fund companies as well as investments that fall outside of the mandate of the Flagship Fund. Over its long history, Mayfield has invested in 550 companies, leading to 120 initial public offerings and 225 mergers and acquisitions. Mayfield adds value to portfolio companies by providing support in the key areas of talent, marketing, and business development.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in Mayfield XVII, a Delaware Limited Partnership will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, and aligns with the Strategic Plan Goal of optimizing long-term risk adjusted investment returns (Goal IV).

Prepared By: Robert King, CPA, Investment Officer II, Investment Division

NMG/RJ/WL/RK:rm

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

Aksia LLC

Mayfield XVII, a Delaware Limited Partnership
Investment Notification



www.aksia.com

Mayfield XVII, a Delaware Limited Partnership

General Partner	• Mayfield
Fund	• Mayfield XVII, a Delaware Limited Partnership
Firm Founded	• 1969
Strategy	• Venture Capital
Sub-Strategy	• Early-Stage
Geography	• North America
Team	• 15+ professionals
Senior Partners	• Navin Chaddha, Rajeev Batra, Ursheet Parikh, Patrick Salyer, and Arvind Gupta
Office Locations	• Menlo Park
Industries	• Primarily information technology and biology companies
Target Fund Size	• \$500.0 million
LACERS Investment	• \$5.0 million

Investment Highlights

- Mayfield has emerged as a well-known entity among entrepreneurs and other venture capital firms as a result of its strong track record, evolution of the team, and identifiable investments.
- The Firm's five Senior Partners have an average tenure at Mayfield of 10 years, while Chaddha and Batra have invested alongside each other at Mayfield since 2007.
- The Firm has developed a team with unique experience and domain expertise within the targeted strategies that set the Firm apart from other venture firms.
- The Firm's flagship funds have generated first and second quartile returns since Fund XIII (2009 vintage).

Mayfield XVII, a Delaware Limited Partnership

Firm and Background

- Mayfield, one of the oldest US venture capital firms, was founded in 1969 by Thomas Davis, Jr. to focus on early-stage investments. Since inception, the Firm has gone through multiple leadership changes and is currently led by the fourth generation of management.
- Today, the Firm's flagship funds are led by Managing Director Navin Chaddha. Chaddha is supported by four additional Partners: Rajeev Batra, Ursheet Parikh, Patrick Salyer, and Arvind Gupta. Collectively, the five senior investment professionals make up the General Partner.
- The investment team is further supported by a group of junior investment professionals, a portfolio service team, as well as finance, legal, and operations professionals.

Investment Strategy

- The Fund will focus on making investments in early-stage information technology and biology companies, primarily in the U.S. Specifically, the Fund will focus on investing in enterprise, human health, planetary health, and emerging technologies.
- The Firm aims to participate in a company's first round of institutional capital; therefore, it will make investments in the earliest stage of the company's development, primarily the Seed, Series A, and Series B rounds. The General Partner's goal is to enter early and obtain minority ownership of 20%+.
- Mayfield deploys a people first, market second mind-set, where they focus on engaging with the entrepreneur to make sure they back the right founder. Mayfield considers whether the potential entrepreneurs share their values regarding the opportunity they are targeting, often leading to Mayfield investing with repeat entrepreneurs.
- Dedicated professionals within the portfolio services team assist the portfolio companies in the areas of business development, marketing, and building the management team.

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

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: AUGUST 22, 2023
ITEM: VII - M

Neil M. Guglielmo

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN KPS SPECIAL SITUATIONS FUND VI, LP

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$40 million in KPS Special Situations Fund VI, LP.

Executive Summary

KPS Special Situations Fund VI, LP will focus on making control investments in large and mega-cap manufacturing and industrial companies in North America.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$40 million in KPS Special Situations Fund VI, LP (the Fund), a buyout strategy managed by KPS Capital Partners, LP (the Firm or KPS). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

KPS is led by its three managing partners, Michael Psaros, David Shapiro, and Raquel Palmer. Prior to forming KPS in 1997, Mr. Psaros was at Bear, Stearns & Co., Mr. Shapiro was at Drexel Burnham Lambert, and Ms. Palmer was at Kidder, Peabody & Co. The Firm has \$12.7 billion in assets under management, ~100 professionals, and offices located in New York (headquarters), Chicago, Frankfurt, and Amsterdam.

LACERS has an existing general partner relationship with KPS and has made previous commitments to the following funds:

Fund Name	Vintage Year	Commitment Size	Net IRR ^{1,2}
KPS Special Situations Fund IV	2014	\$25 million	25.1%
KPS Special Situations Fund V	2020	\$40 million	30.6%
KPS Special Situations Mid-Cap Fund	2019	\$10 million	23.4%

Investment Thesis

KPS primarily invests in distressed opportunities including complex carve-outs, turnarounds, and restructurings. This fund may also pursue debt investment opportunities with an overall intent to control or influence such investments. The Firm has focused on its strategy since inception, targeting companies that stand to benefit from KPS' institutional knowledge in the basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment and general manufacturing industries. KPS believes its constructive relationship with major manufacturing, industrial, and service unions in North America and Europe is vital to successfully implementing its investment mandate. The firm takes a hands-on approach to value creation, focusing first on maximizing portfolio company efficiency in the areas of operating costs, utilization rates, and supply chain management. After operational enhancements are in place, KPS seeks to grow portfolio companies through geographic expansion, new product development, and add-on acquisitions. The Fund's exit strategy includes sales to strategic and financial buyers, supplemented with dividend recapitalizations.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in KPS Special Situations Fund VI, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL/JC:rm

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

¹ Performance as of December 31, 2022

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

Aksia LLC

KPS Special Situations Fund VI, LP
Investment Notification



www.aksia.com

KPS Special Situations Fund VI, LP

General Partner	• KPS Capital Partners (the “Firm” or “KPS”)
Fund	• KPS Special Situations Fund VI, LP (“Fund VI” or the “Fund”)
Firm Founded	• 1997
Strategy	• North American Buyouts
Sub-Strategy	• North American Large Cap Buyouts
Geography	• North America and Europe
Team	• ~100 Total Professionals
Senior Partners	• Michael Psaros, David Shapiro, Raquel Palmer
Office Locations	• New York, Chicago, Frankfurt, Amsterdam
Industries	• Industry Specialist – Industrials and Manufacturing
Target Fund Size	• \$8.0 billion
Recommendation	• \$40.0 million

Investment Highlights

- KPS has an experienced and cohesive senior investment team that is supported by a large group of junior investment professionals.
- The Fund offers turnaround / value exposure in a market that is potentially more favorable than past vintages.
- KPS brings significant industrial and manufacturing expertise that can be valuable when investing in cyclical industries.
- KPS has significant operational capabilities that should play a critical role in its ability to execute value creation.
- KPS’s prior flagship funds have generated attractive overall and realized returns.

KPS Special Situations Fund VI, LP

Firm and Background

- KPS was founded in 1997 by Eugene Keilin, Michael Psaros, and David Shapiro to pursue a traditional control-oriented, turnaround private equity strategy.
- The Firm raised its first institutional fund in 1998 and has since raised four additional flagship funds (in addition to a supplemental fund).
- The Firm launched a mid-cap strategy in 2019 to invest in lower middle market and middle market companies that have become subscale as the size of the flagship funds have increased.
- Today, KPS is led by Psaros, Shapiro, and Raquel Palmer and has grown to over 100 professionals operating out of its two New York offices as well as three additional offices in Chicago, Amsterdam, and Frankfurt.

Investment Strategy

- Fund VI will pursue a value-oriented strategy focused primarily on making control-oriented investments in North American large and mega-cap industrial and manufacturing businesses.
- Transaction types will include corporate carve-outs, turnarounds, bankruptcies, restructurings, take-privates, and other special situations. In addition, KPS may also pursue debt investments with the intent of gaining control or influence.
- Post-investment, KPS's investment and operating teams will take a hands-on approach to value creation at portfolio companies.

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ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

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



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: AUGUST 22, 2023

ITEM: VII - N

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$20 MILLION IN KPS SPECIAL SITUATIONS MID-CAP FUND II, LP

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board receive and file this notice of the commitment of up to \$20 million in KPS Special Situations Mid-Cap Fund II, LP.

Executive Summary

KPS Special Situations Mid-Cap Fund II, LP will focus on making lower middle-market and mid-market control investments in manufacturing and industrial turnaround situations in North America.

Discussion

Consultant Recommendation

Aksia LLC (Aksia), LACERS' Private Equity Consultant, recommended a commitment of up to \$20 million in KPS Special Situations Mid-Cap Fund II, LP (the Fund), a buyout strategy managed by KPS Capital Partners, LP (the Firm or KPS). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Program 2023 Strategic Plan adopted by the Board on November 22, 2022.

Background

KPS is led by its three managing partners, Michael Psaros, David Shapiro, and Raquel Palmer. Prior to forming KPS in 1997, Mr. Psaros was at Bear, Stearns & Co., Mr. Shapiro was at Drexel Burnham Lambert, and Ms. Palmer was at Kidder, Peabody & Co. The Firm has \$12.7 billion in assets under management, ~100 professionals, and offices located in New York (headquarters), Chicago, Frankfurt, and Amsterdam.

LACERS has an existing general partner relationship with KPS and has made previous commitments to the following funds:

Fund Name	Vintage Year	Commitment Size	Net IRR ^{1,2}
KPS Special Situations Fund IV	2014	\$25 million	25.1%
KPS Special Situations Fund V	2020	\$40 million	30.6%
KPS Special Situations Mid-Cap Fund	2019	\$10 million	23.4%

Investment Thesis

The Fund will target smaller businesses in the lower middle-market but will utilize the same investment strategy as the KPS flagship funds. KPS primarily invests in distressed opportunities including complex carve-outs, turnarounds, and restructurings. The Firm has focused on this strategy since inception, targeting companies that stand to benefit from KPS' institutional knowledge in the basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment and general manufacturing industries. KPS believes its constructive relationship with major manufacturing, industrial, and service unions in North America and Europe is vital to successfully implementing its investment mandate. The firm takes a hands-on approach to value creation, focusing first on maximizing portfolio company efficiency in the areas of operating costs, utilization rates, and supply chain management. After operational enhancements are in place, KPS seeks to grow portfolio companies through geographic expansion, new product development, and add-on acquisitions. The Fund's exit strategy includes sales to strategic and financial buyers, supplemented with dividend recapitalizations.

Placement Agent

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

Staff Recommendation

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

Strategic Plan Impact Statement

Investment in KPS Special Situations Mid-Cap Fund II, LP will allow LACERS to maintain exposure to private equity, pursuant to the Private Equity Program 2023 Strategic Plan, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

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

NMG/RJ/WL/JC:rm

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

¹ Performance as of December 31, 2022

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

Aksia LLC

KPS Special Situations Mid-Cap Fund II, LP Investment Notification



www.aksia.com

KPS Special Situations Mid-Cap Fund II, LP

General Partner	• KPS Capital Partners (the “Firm” or “KPS”)
Fund	• KPS Special Situations Mid-Cap Fund II, LP (“Mid-Cap II” or the “Fund”)
Firm Founded	• 1997
Strategy	• North American Buyouts
Sub-Strategy	• North American Middle Market Buyouts
Geography	• North America and Europe
Team	• ~100 Total Professionals
Senior Partners	• Michael Psaros, David Shapiro, Raquel Palmer
Office Locations	• New York, Chicago, Frankfurt, Amsterdam
Industries	• Industry Specialist – Industrials and Manufacturing
Target Fund Size	• \$1.5 billion
Recommendation	• \$20 million

Investment Highlights

- KPS has an experienced and cohesive senior investment team that is supported by a large group of junior investment professionals.
- The Fund offers turnaround / value exposure in a market that is potentially more favorable than past vintages.
- KPS brings significant industrial and manufacturing expertise that can be valuable when investing in cyclical industries.
- KPS has significant operational capabilities that should play a critical role in its ability to execute value creation.
- KPS’s prior Mid-Cap fund has generated attractive overall and realized returns.

KPS Special Situations Mid-Cap Fund II, LP

Firm and Background

- KPS was founded in 1997 by Eugene Keilin, Michael Psaros, and David Shapiro to pursue a traditional control-oriented, turnaround private equity strategy.
- The Firm raised its first institutional fund in 1998 and has since raised four additional flagship funds and a supplemental fund.
- The Firm launched its Mid-Cap strategy in 2019 to invest in lower middle market and middle market companies that have become subscale as the size of the Flagship Funds have increased.
- Today, the Mid-Cap strategy is led by partners Pierre de Villeméjane and Ryan Harrison with oversight from the Firm's senior leadership team. The mid-cap team operates from one of the Firm's two offices in New York.

Investment Strategy

- Mid-Cap II will pursue a value-oriented strategy focused primarily on making control-oriented investments in North American lower mid-market and mid-market industrial and manufacturing businesses.
- Transaction types will include corporate carve-outs, turnarounds, bankruptcies, restructurings, take-privates, and other special situations. In addition, KPS may also pursue debt investments with the intent of gaining control or influence.
- Post-investment, KPS's investment and operating teams will take a hands-on approach to value creation at portfolio companies.

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

ARTICLE III. BOARD INVESTMENT POLICIES

Section 5 PRIVATE EQUITY INVESTMENT POLICY

F. Roles and Responsibilities

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

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Section 5 PRIVATE EQUITY INVESTMENT POLICY

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