

Investment Committee Agenda

REGULAR MEETING

TUESDAY, APRIL 9, 2024

TIME: 10:30 A.M. OR IMMEDIATELY FOLLOWING THE REGULAR BOARD MEETING

MEETING LOCATION:

LACERS Boardroom
977 N. Broadway
Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee 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 Committee 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 Committee 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 public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.board@lacers.org.

Chair: Elizabeth Lee

Committee Members: Annie Chao
Gaylord "Rusty" Roten

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

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

Notice to Paid Representatives

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

Request for Services

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 855-9348 and/or email at lacers.board@lacers.org.

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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA
- II. [APPROVAL OF MINUTES FOR THE MEETING OF MARCH 12, 2024 AND POSSIBLE COMMITTEE ACTION](#)
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [INVESTMENT MANAGER CONTRACT WITH BAIN CAPITAL SENIOR LOAN FUND, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. BANK LOANS PORTFOLIO AND POSSIBLE COMMITTEE ACTION](#)
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 14, 2024, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- VII. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

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FOLLOWING THE REGULAR
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President: Annie Chao
Vice President: Sung Won Sohn

Commissioners: Thuy T. 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
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- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. APPROVAL OF MINUTES FOR THE MEETING OF MARCH 12, 2024 AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. INVESTMENT MANAGER CONTRACT WITH BAIN CAPITAL SENIOR LOAN FUND, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. BANK LOANS PORTFOLIO AND POSSIBLE COMMITTEE ACTION
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, May 14, 2024, at 10:30 a.m., or immediately following the Board Meeting in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.
- VII. ADJOURNMENT

MINUTES OF THE REGULAR MEETING
INVESTMENT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

March 12, 2024

12:53 p.m.

PRESENT:	Chair	Elizabeth Lee
	Committee Member:	Annie Chao Gaylord "Rusty" Roten
	Legal Counselor:	Joshua Geller
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Chair Lee asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there were no public comment cards submitted.

II

APPROVAL OF MINUTES FOR THE MEETING OF FEBRUARY 13, 2024 AND POSSIBLE COMMITTEE ACTION – Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee-3; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, discussed the following item:

- Distribution of IC forward calendar
- Update on Bank Custodian Search including staff conducting due diligence on semi-finalist firms

IV

INVESTMENT MANAGER CONTRACT WITH LOOMIS, SAYLES & COMPANY, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE CORE FIXED INCOME PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Committee for 5 minutes. Committee Member Chao moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

V

INVESTMENT MANAGER CONTRACT WITH DIMENSIONAL FUND ADVISORS LP REGARDING THE MANAGEMENT OF A U.S. TREASURY INFLATION PROTECTED SECURITIES (TIPS) PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Jeremiah Paras, Investment Officer I, presented and discussed this item with the Committee for 20 minutes. Committee Member Roten moved approval, and adopted by the following vote: Ayes, Committee Members Chao, Roten, and Chair Lee -3; Nays, None.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, April 9, 2024, at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Boardroom at 977 N. Broadway, Los Angeles, CA 90012-1728.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 1:20 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



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

MEETING: APRIL 9, 2024
ITEM: IV

Neil M. Guglielmo

SUBJECT: INVESTMENT MANAGER CONTRACT WITH BAIN CAPITAL SENIOR LOAN FUND, L.P. REGARDING THE MANAGEMENT OF AN ACTIVE U.S. BANK LOANS PORTFOLIO AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a three-year contract renewal with Bain Capital Senior Loan Fund, L.P. for management of an active U.S. bank loans portfolio.

Executive Summary

Bain Capital Credit, LP (Bain) has managed an active U.S. bank loans portfolio for LACERS since June 2015. LACERS' portfolio was valued at approximately \$274 million as of February 29, 2024. Bain's current contract expires on June 30, 2024. Bain is in compliance with the LACERS Manager Monitoring Policy. Staff and NEPC, LLC (NEPC), LACERS' General Fund Consultant, recommend a three-year contract renewal with Bain.

Discussion

Background

The Board hired Bain, formerly known as Sankaty Advisors, LLC (Sankaty Advisors), in February 2015 to manage an active U.S. bank loans portfolio via a commingled fund vehicle called the Bain Capital Senior Loan Fund, L.P. (SLF). The strategy is benchmarked against the Credit Suisse Leveraged Loan Index and seeks to outperform its benchmark by utilizing proprietary research and analytics to identify mispriced bank loans. The portfolio management team is led by Head of U.S. Liquid Credit Andrew Carlino, along with three additional portfolio managers: Kimberly Harris, Nathaniel Whittier, and Viva Hyatt. LACERS' portfolio was valued at \$274 million as of February 29, 2024. The current contract expires on June 30, 2024.

Organization

Bain was founded as Sankaty Advisors in 1998 and is the credit-focused subsidiary of Bain Capital, LP, a global private equity firm. Bain is 100% employee-owned and is headquartered in Boston. The firm has approximately 800 employees worldwide, of which over 100 are investment professionals. As of September 30, 2023, Bain and its affiliates managed \$69.6 billion in credit-related strategies with approximately \$15.1 billion in bank loans and multi-asset credit, \$22.5 billion in structured credit, \$12.3

billion in private credit, and \$19.8 billion in distressed and special situations. As of February 29, 2024, the SLF had approximately \$1.3 billion in total assets.

Due Diligence

Bain's investment philosophy, strategy, and process have not changed over the contract period. In April 2022, John Wright and Andrew Carlino, then co-heads of the firm's Liquid and Structured Credit business, were named Global Head of Credit and Head of U.S. Liquid Credit, respectively. Messrs. Carlino and Wright are long tenured Bain professionals who have been with the firm since 2000 and 2002, respectively. These organizational changes did not have any adverse material impact on Bain's management of the SLF. Bain is currently in compliance with the LACERS Manager Monitoring Policy.

Performance

As presented in the table below, as of February 29, 2024, Bain outperformed its benchmark across the 3-Month, 1-Year, 5-Year, 7-Year and Since Inception time periods, but underperformed its benchmark over the 3-Year time period.

Annualized Performance as of 2/29/2024 (Net-of-Fees)						
	3-Month	1-Year	3-Year	5-Year	7-Year	Since Inception ¹
Bain Capital Senior Loan Fund, L.P.	3.38	11.91	5.48	5.40	5.02	4.82
Credit Suisse Leveraged Loan Index	3.31	11.37	5.55	5.10	4.81	4.75
<i>% of Excess Return</i>	<i>0.07</i>	<i>0.54</i>	<i>-0.07</i>	<i>0.30</i>	<i>0.21</i>	<i>0.07</i>

¹Performance inception date 6/30/15.

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

Calendar Year Performance as of 2/29/2024 (Net-of-Fees)										
	1/1/24-2/29/24	2023	2022	2021	2020	2019	2018	2017	2016	7/1/15 - 12/31/15
Bain Capital Senior Loan Fund, L.P.	1.67	14.07	-3.71	7.27	4.95	7.75	0.68	4.62	9.46	-3.70
Credit Suisse Leveraged Loan Index	1.68	13.04	-1.06	5.40	2.78	8.17	1.14	4.25	9.88	-3.16
<i>% of Excess Return</i>	<i>-0.01</i>	<i>1.03</i>	<i>-2.65</i>	<i>1.87</i>	<i>2.17</i>	<i>-0.42</i>	<i>-0.46</i>	<i>0.37</i>	<i>-0.42</i>	<i>-0.54</i>

Fees

LACERS pays Bain an effective fee of 36 basis points (0.36%), which is approximately \$986,000 annually based on the value of LACERS' assets as of February 29, 2024. The fee ranks in the 10th percentile of fees charged by similar managers in the eVestment database (i.e., 90% of like-managers have higher fees). Since inception, LACERS has paid Bain a total of \$6 million in investment management fees.

General Fund Consultant Opinion

NEPC concurs with this recommendation.

Strategic Plan Impact Statement

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

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

NMG/RJ/WL/JP:rm

Attachment: 1. Consultant Recommendation – NEPC



To: Los Angeles City Employees' Retirement System Investment Committee
From: NEPC, LLC
Date: April 9, 2024
Subject: Bain Capital Credit – Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System (LACERS) renew the contract that is currently in place with Bain Capital Credit ('Bain') for a period of three years from the date of contract expiry.

Background

The Board approved Bain Capital Credit as a manager within Credit Opportunities on February 24, 2015 and the performance inception date is July 1, 2015. As of February 29, 2024, Bain managed \$273.8 million, or 1.2% of Plan assets in the Senior Loan Fund product. The performance objective is to outperform the Credit Suisse Leveraged Loans index annualized over a full market cycle (normally three-to-five years).

Bain Capital Credit, LP was founded in 1998 as Sankaty Advisors ('Sankaty') by Jonathan Lavine, Co-Managing Partner of Bain Capital and Chief Investment Officer of Bain Capital Credit, LP as the credit investing arm of Bain Capital. In April of 2016, Sankaty was rebranded to Bain Capital Credit, LP (the 'firm') as part of a larger effort to rebrand their business lines under the Bain name. The firm is 100% employee owned and has approximately \$180 billion in assets under management with \$1.3 billion of that comprising the Senior Loan Fund product. The firm is a credit specialist managing roughly \$15 billion in bank loans and multi-asset credit, \$22.5 billion in structured credit, \$12 billion in direct lending and \$19.8 billion in distressed and special situations. Bain Capital Credit, LP's ultimate owner is Bain Capital Holdings, LP. The limited partners of Bain Capital Holdings, LP are its U.S. Managing Directors. As of December 31, 2023, Bain Capital Credit had 783 employees, 104 of whom are investment professionals.



Bain seeks to construct diversified portfolios of high-quality companies and to add value through superior security selection and default avoidance. By employing a very large team of industry experts, Bain can add value by investing in issues and issuers that peer firms choose not to follow due to: 1) a lack of resources; or 2) firm size being so large such that the position would not have a meaningful impact on the portfolio. Bain employs a bottom-up approach to credit investing. Bain differentiates itself in its investment process by heavily emphasizing industry level research, where most peers begin at the company level. Portfolio positioning will tilt towards industries with attractive characteristics, such as high barriers to entry, low cyclicalities, and diverse profit drivers. Within industries, analysts seek to identify the top companies by assessing product, pricing, customers, and costs with the goal of answering the simple question – "Does anyone care if this company goes away?" A thorough credit analysis is performed on companies where there is a potential investment opportunity. Analysts evaluate credits via a multi-factor assessment of leverage, free cash flow relative to debt, enterprise/liquidation value, and covenant structure. Creditor agreements also undergo a third-party legal assessment, which provides an independent evaluation of security structure.

Bain takes a team-based approach to managing the Senior Loan Strategy. The primary individuals involved with overseeing the commingled funds and related separate accounts in the senior loan strategy are Andy Carlino (Co-Head of Liquid Credit), Kim Harris, Viva Hyatt, and Nate Whittier. Kim Harris and Viva Hyatt serve as lead portfolio managers for the loan fund and separate accounts. John Wright (Global Head of Credit), Stephanie Walsh, and Dom Debonis are primarily responsible for managing US CLO's and Structured Credit portfolios. Gauthier Reymondier oversees European CLO's and European Loan funds. The teams work collaboratively together which provides critical redundancies and back in the event of a departure or retirement.

Performance

Referring to Exhibit 1, as of February 29, 2024, the portfolio has matched the benchmark since inception (4.8% vs. 4.8%). In the past year, ended February 29, 2024 the portfolio outperformed the benchmark by 0.5% (11.9% vs. 11.4%). Referring to Exhibit 2, since inception ended December 31, 2023, the Bain Senior Loan Fund, LP has outperformed the Credit Suisse Leveraged Loan Index by 0.07%, returning 4.71%, net of fees, and ranked in the 12th percentile of its peer group. Since inception, the portfolio has an information ratio of 0.07 and active risk, as measured by tracking error of 0.95%. In the one-year period ended December 31, 2023, the portfolio outperformed the index by 1.03% (14.07% vs. 13.04%) and ranked 12th in its peer group.

Referring to Exhibit 3, much of the recent outperformance is due to holdings in the Auto, Airlines, Aerospace & Defense and Healthcare sectors. Positions in Telecom, Gaming & Leisure and Software/Ent Services detracted from performance.

Fees

The portfolio has an asset-based fee of 0.36% or 36 basis points annually. This fee ranks in the 10th percentile of its peers in the eVestment Floating-Rate Bank Loan Universe. In other words, 90% of the 81 products included in the peer universe have a higher fee than the LACERS account.



Conclusion

The Bain Senior Loan Fund, LP has outperformed the index since inception ended February 29, 2024 as well as outperforming over shorter periods of time. The Bain portfolio is a diversified, bottom-up fundamental bank loan strategy with flexibility to invest across the capital structure and geographies. 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

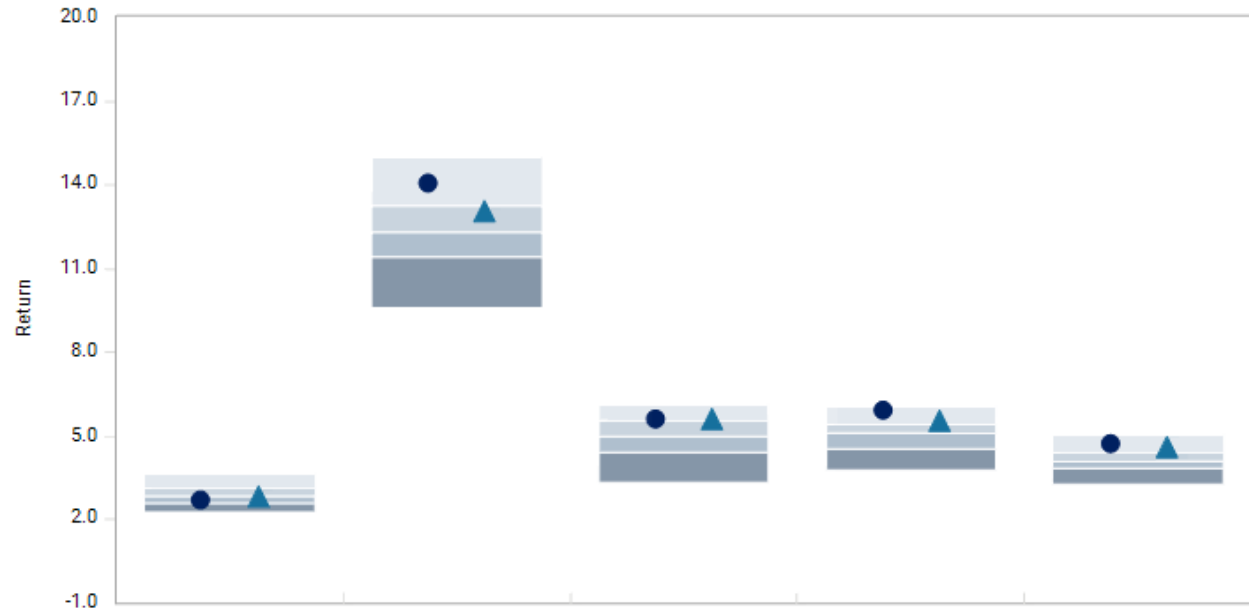
	Ending February 29, 2024	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	Inception
	Market Value (\$)	(%)	(%)	(%)	(%)	(%)	(%)
Bain Capital Senior Loan Fund, LP	273,785,911	3.4	1.7	11.9	5.5	5.4	4.8
Credit Suisse Leveraged Loans Index		3.3	1.7	11.4	5.5	5.1	4.8
<i>Excess</i>		<i>0.1</i>	<i>0.0</i>	<i>0.5</i>	<i>0.0</i>	<i>0.3</i>	<i>0.0</i>



NEPC, LLC

Exhibit 2

Bain Capital Senior Loan Fund, LP vs. eV US Float-Rate Bank Loan Fixed Inc
 Ending December 31, 2023



	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Inception (%)
● Bain Capital Senior Loan Fund, LP	2.72 (65)	14.07 (12)	5.62 (18)	5.91 (10)	4.71 (12)
▲ Credit Suisse Leveraged Loan Index	2.85 (50)	13.04 (35)	5.64 (16)	5.56 (20)	4.64 (14)
5th Percentile	3.67	15.02	6.14	6.08	5.08
1st Quartile	3.14	13.26	5.55	5.43	4.44
Median	2.85	12.33	5.01	5.11	4.10
3rd Quartile	2.58	11.43	4.39	4.56	3.83
95th Percentile	2.26	9.62	3.32	3.77	3.26
Population	92	90	83	82	75



Exhibit 3

