LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, DECEMBER 11, 2018

TIME: 10:00 A.M.

MEETING LOCATION:

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

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, 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) 473-7169.

I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION

II. APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF NOVEMBER 27, 2018 AND POSSIBLE BOARD ACTION

III. BOARD PRESIDENT VERBAL REPORT

IV. GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS

B. UPCOMING AGENDA ITEMS

V. CONSENT AGENDA

A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER

B. MARKETING CESSATION NOTIFICATION

C. MONTHLY REPORT ON SEMINARS AND CONFERENCES (OCTOBER 2018)

D. RECEIVE AND FILE – COMMISSIONER WILKINSON BOARD EDUCATION EVALUATION ON STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS (SACRS) FALL 2018 CONFERENCE, INDIAN WELLS, CALIFORNIA, NOVEMBER 13-16, 2018

E. RECEIVE AND FILE – EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2018

F. TRAVEL AUTHORITY – COMMISSIONER SUNG WON SOHN; MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT) PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS; JUNE 17-21, 2019 AND POSSIBLE BOARD ACTION

G. PROPOSED REVISIONS TO LACERS CONFLICT OF INTEREST CODE AND POSSIBLE BOARD ACTION

VI. COMMITTEE REPORT(S)

A. GOVERNANCE COMMITTEE VERBAL REPORT ON THE MEETING OF NOVEMBER 27, 2018

VII. BOARD/DEPARTMENT ADMINISTRATION

A. RECEIVE AND FILE – PRESENTATION OF LACERS' AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2018 BY BROWN ARMSTRONG

B. TRIENNIAL BOARD POLICY REVIEW: PUBLIC COMMENT, BOARD COMMUNICATIONS, THIRD PARTY MARKETER COMPLIANCE AND POSSIBLE BOARD ACTION

VIII. LEGAL/LITIGATION

A. REQUEST FOR PROPOSALS FOR OUTSIDE COUNSEL WITH EXPERTISE IN HEALTH LAW AND DATA PRIVACY AND POSSIBLE BOARD ACTION

B. UPDATED ENGAGEMENT LETTER WITH MORGAN LEWIS & BOCKIUS LLP FOR REPRESENTATION IN TRIBUNE BANKRUPTCY LITIGATION AND POSSIBLE BOARD ACTION

C. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTIONS 54956.9(a) AND (d)(1) IN ORDER TO CONFER WITH LEGAL COUNSEL REGARDING PENDING LITIGATION IN THE FOLLOWING CASES: *IN RE TRIBUNE COMPANY FRAUDULENT CONVEYANCE LITIGATION*, MDL NO. 11 MD 2296 (S.D.N.Y.) (SULLIVAN, J.) (ON APPEAL TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT, CASE NUMBER: 13-3992.); *KIRSCHNER v. FITZSIMONS*, NO. 12-cv-02652 (S.D.N.Y.) (SULLIVAN, J.)

IX. DISABILITY RETIREMENT APPLICATION(S)

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

B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF GREGORY KEKAHUNA AND POSSIBLE BOARD ACTION

X. INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT

B. PRESENTATION BY TORREYCOVE, LLC OF THE PRIVATE EQUITY PROGRAM PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING JUNE 30, 2018

C. NOTIFICATION OF COMMITMENT OF UP TO $25 MILLION IN THE BARING ASIA PRIVATE EQUITY FUND VII, L.P.

D. NOTIFICATION OF COMMITMENT OF UP TO $15 MILLION IN POLARIS GROWTH FUND I, L.P.

E. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN ABRY ADVANCED SECURITIES FUND IV, L.P.

F. NOTIFICATION OF COMMITMENT OF UP TO $25 MILLION IN TCV X, L.P.

G. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN HELLMAN & FRIEDMAN CAPITAL PARTNERS IX, L.P.

H. NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN VISTA EQUITY PARTNERS FUND VII, L.P.

I. PRESENTATION BY NEPC, LLC REGARDING ACTIVE VERSUS PASSIVE INVESTMENT MANAGEMENT

J. DISCLOSURE REPORT OF FEES, EXPENSES, AND CARRIED INTEREST OF ALTERNATIVE INVESTMENT VEHICLES FOR THE FISCAL YEAR ENDING JUNE 30, 2018, PURSUANT TO GOVERNMENT CODE SECTION 7514.7

XI. OTHER BUSINESS

XII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, January 8, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XIII. ADJOURNMENT

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

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

November 27, 2018

10:07 a.m.

Agenda of: **Dec. 11, 2018**

Item No: **II**

PRESENT:	President:	Cynthia M. Ruiz
	Commissioners:	Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
	Legal Counsel:	Miguel Bahamon
ABSENT:	Vice President:	Elizabeth L. Greenwood

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

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF NOVEMBER 13, 2018 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of November 13, 2018 was moved by Commissioner Wilkinson, seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

Item VIII-C taken out of order.

VIII

INVESTMENTS

C. PRESENTATION BY LACERA REGARDING PRINCIPLES FOR RESPONSIBLE INVESTING (PRI) – Scott Zdrazil, Senior Investment Officer with Los Angeles County Employees Retirement Association, presented this item to the Board.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz requested an article in the State Association of County Retirement Systems magazine discussing Artificial Intelligence be shared with the Board Members.

IV

GENERAL MANAGER VERBAL REPORT

A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, discussed the following items:

- 2019 Premium rates were inadvertently applied to about 1,500 members. The error was caught in time by staff and there was no impact to members' payroll. A report back will be made to the Board at the next meeting.
- The Notice of Intention to amend the Conflict of Interest Code comment period is November 12, 2018 to December 11, 2018.
- The 115 Trust file is currently with the City Administrative Officer.
- Conducted formal business plan initiatives with staff and will continue in December.
- Continuing to work with staff on the Strategic Plan initiatives.
- Budget preparation for Fiscal Year 2019-20 will begin in December.

B. UPCOMING AGENDA ITEMS – President Ruiz requested education for the Board Members in the 1st quarter of 2019 with presentations by the healthcare providers. Commissioner Sohn requested education on investments for the Board and an educational series on technology and Artifical Intelligence. Neil M. Guglielmo, General Manager, announced that staff is working with Information Technology Agency on providing live audio of the Board Meetings to the public.

V

CONSENT AGENDA

A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – The report was received by the Board and filed.

B. MARKETING CESSATION NOTIFICATION – The report was received by the Board and filed.

VI

COMMITTEE REPORT(S)

A. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE MEETING OF NOVEMBER 27, 2018 – Commissioner Wilkinson reported that the Committee was provided with a LACERS *Well* update, report on the Alex software, and report on Open Enrollment.

B. AUDIT COMMITTEE AND INTERNAL AUDIT CHARTER UPDATES AND POSSIBLE BOARD ACTION – Rahoof "Wally" Oyewole, Departmental Audit Manager, presented this item to the Board. Commissioner Elizabeth Lee moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

VII

BENEFITS ADMINISTRATION

A. PROPOSED 2019 HEALTHCARE PREMIUM RATES FOR LAFPP MEMBERS AND POSSIBLE BOARD ACTION – Alex Rabrenovich, Chief Benefits Analyst, presented this item to the Board. Commissioner Wilkinson moved approval of the following Resolution:

LACERS UNITEDHEALTHCARE LAFPP SUBGROUP PREMIUMS FOR PLAN YEAR 2019

RESOLUTION 181113-A

WHEREAS, the Los Angeles Administrative Code establishes that the Los Angeles City Employees' Retirement System (LACERS) provide health and welfare programs for retired employees and their eligible dependents;

WHEREAS, Los Angeles Administrative Code Section 4.1100 states that the Board shall contract for suitable plans for LACERS retired Members and Los Angeles Fire and Police Pensions (LAFPP) retired Members who were enrolled in a health plan administered by the Personnel Department on December 31, 1999;

WHEREAS, in 1999, when LACERS took over from the Personnel Department the administration of retiree group health plans for its Members, health plan subgroups were created to allow retired sworn members of Los Angeles Fire and Police Pensions LAFPP that were enrolled in one of the Personnel Department's retiree health plans to continue their coverage under a LACERS plan as a retiree;

WHEREAS, on August 28, 2018, the Board approved the 2019 LACERS health plan premiums, some of which contained a premium reserve component to help offset future premium spikes and smooth the medical cost trend rate;

WHEREAS, the LACERS UnitedHealthcare (UHC) plan has an LAFPP subgroup, of which currently, there are eight people enrolled, and its 2019 premiums contain a premium reserve component;

WHEREAS, discussions were held with LAFPP regarding the 2019 premiums and it was agreed that their members would pay a premium without the reserve component;

WHEREAS, on November 27, 2018, the Board of Administration approved staff's recommendation to establish UHC LAFPP subgroup premiums without the premium reserve component;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby adopts the following 2019 premiums for LAFPP members enrolled in the UHC LAFPP subgroup:

- Single-party: $250.55

- Two-party: $501.10

- Family: $751.65

Which motion was seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

VIII

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, $16.84 Billion as of November 26, 2018. Mr. June discussed the following items:

- RFP for Private Credit Strategies to be released on December 10, 2018.
- Investment Manager firm Panagora placed on watch status about one week ago. Will continue to monitor for the next year.
- Received additional letter from former Toys R Us employee for support from the LACERS Board on the Trust created for the employees laid off from Toys R Us. The Board requested additional information regarding this request.
- Future Board Agenda items are Private Equity Portfolio Performance Review, Private Equity Notifications, Annual Report on Private Equity and Real Estate fees, expenses, and carried interest, education on Active versus Passive Investment Management, and discussion on becoming a PRI Signatory.

B. PRESENTATION BY NEPC, LLC OF THE PORTFOLIO PERFORMANCE REVIEW REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2018 – Carolyn Smith, Partner with NEPC, presented this item to the Board. Commissioner Serrano requested a wider universe for page 32 of the presentation.

IX

OTHER BUSINESS – Commissioner Serrano asked if any LACERS members were effected by the wildfires. Neil M. Guglielmo, General Manager, stated there were two members that were known to have been effected. Karen Freire, Chief Benefits Analyst, reported that staff will attempt to cross reference the list of missing to the LACERS member list, as suggested by Commissioner Serrano.

Item I taken out of order.

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – Neil M. Guglielmo, General Manager, annouced that there were no public comment cards received.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, December 11, 2018 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XI

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 12:02 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-A

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

SERVICE RETIREMENTS

Member Name	Service	Department	Classification
Aker, Bruce C	26	PW - Sanitation	W/Wtr Trmt Mech
Arambulo, Jose D	16	PW - Sanitation	Env Compliance Insp
Artiga, Carlos Eduardo	3	Dept. of Rec. & Parks	Recreation Asst
Baca, Natividad	25	PW - Engineering	Sr Administrative Clerk
Bailey, Lance C	22	EWDD	Management Analyst
Boyd, Ronald J	6	Harbor Dept.	Port Warden
Brown, William S	8	Dept. of Rec. & Parks	Special Prog Asst
Campbell, Shirley A	10	PW - Sanitation	Sr Administrative Clerk
Caputa, Timothy D	30	GSD - Materials Mgmt.	Warehouse & T/R Wkr
Chan, Kei Wah	29	Harbor Dept.	Infor Syst Mgr
Cooke, C	5	Police Dept. - Civilian	Criminalist
Corbine, Robert	2	Dept. of Airports	Airport Guide
Deth, William	30	GSD - Standards	Matl Tst Engrg Assc
Esparza, Erlinda M	6	Library Dept.	Administrative Clerk
Flores, Sabino E	7	GSD - Fleet Svcs.	Parkg Attendant
Foley, Betsy Kay	15	Harbor Dept.	Marine Envir Supv
Forland, John S	38	Dept. of Animal Svcs.	Sr Mgmt Analyst
Gee, Robin Frederica	9	ITA	Cable Tv Product Mgr
Goldberg, Joseph E	35	Fire Dept. - Civilian	Programmer/Analyst
Haidar, Ghassan A	31	PW - Engineering	Envrmntl Engineer
Haskett, Jon M	32	PW - Engineering	Pr Civil Engineer
Hedley, Jane M	12	Library Dept.	Administrative Clerk
Hernandez, Filiberto	30	Dept. of Rec. & Parks	Gardener Caretaker
Hewawitharana, Srimal P	35	City Planning Dept.	Environmental Spec
Jadali, Ray Reza	28	PW - Engineering	Sr Constr Estimator
Jones, Carol	19	Personnel Dept.	Accounting Rec Supvr
Karbon, Mark Gerard	12	Dept. of Rec. & Parks	Pr Park Svcs Attendant
Klann, Harry	28	Police Dept. - Civilian	Supvsg Criminalist
Kuo, Albert	9	Police Dept. - Civilian	Laboratory Tech
Langsfeld, Peter Eugene	14	City Attorney's Office	Deputy City Atty
Lott, Darryl R	33	Harbor Dept.	Pile Driver Worker
Lowe, Maxine L	9	Dept. of Transportation	Crossing Guard
Ly, Kim	12	Dept. of Rec. & Parks	Special Prog Asst
Magdaleno, Juan Manuel	9	Dept. of Transportation	Crossing Guard
Martinez, Jenny A	28	ITA	Sr Administrative Clerk
Mattingly, Sonja P	33	Dept. of Airports	Ch Management Analyst

Mobley, Denise Y	6 Library Dept.	Messenger Clerk
Moore, Christopher Lee	28 Police Dept. - Civilian	Reprographic Oper
Mora, Baltazar	20 GSD - Materials Mgmt.	Pr Storekeeper
Moriarty, Jeffrey	9 PW - Accounting	Sr Accountant
Munoz, Amelia Marie	26 Controller's Office	Accounting Clerk
Norman, Charles E	34 City Planning Dept.	Sr Systems Analyst
Ortega, George A	30 Dept. of Airports	Arpt Supt Of Oper
Otey, Rose C	1 Library Dept.	Admin Clerk
Palacio, Duane Alan	23 Dept. of Rec. & Parks	Carpenter
Palomino, Josephine Rabanal	35 Controller's Office	Financial Mgmt Spec
Paz, Antonio	14 Dept. of Airports	Custodian Airport
Pearson, Viveca Elaine	13 Dept. of Transportation	Traf Officer
Ramirez, Alicia	36 Dept. of Rec. & Parks	Gardener Caretaker
Reysen, Phyllis	12 PW - Contract Admin	Administrative Clerk
Sanchez, Jesus Luis	18 PW - Sanitation	Project Assistant
Santiago, Mizrain	5 Dept. of Rec. & Parks	Special Prog Asst
Sauceda, Nazario	29 PW - St. Maint.	Dir Bur Of St Services
Saul, Marita Noreen	18 ITA	Sr Computer Operator
Sotos, Catherine Wirthlin	30 Police Dept. - Civilian	Sr Police Serv Rep
Stewart, Thaddeus Walker	35 Police Dept. - Civilian	Forensic Prnt Spec
Takahata, Kathy Mari	30 Police Dept. - Civilian	Info System Mgr
Tiffany, Charles Louis	34 Police Dept. - Civilian	Sr Detention Officer
Trujillo, Edward	32 PW - Special Proj	St Svcs Supvr
Vila, Marianne	32 Dept. of Rec. & Parks	Payroll Supervisor
Williamson, Michael Daniel	29 PW - Sanitation	W/Wtr Trmt Oper
Yuzuki, Susan G	11 Dept of Bldg & Safety	Struct Engr Assoc

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-A

Pursuant to the authority delegated to the General Manager under Board Rule GMA 1, General Manager Authorization, adopted by the Board of Administration on June 14, 2016, the following benefit payments have been approved by the General Manager:

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Baker, Herbert J	Raymond L Baker for the payment of the Burial Allowance
Bass, D L	Barbara J Bass for the payment of the Burial Allowance
Beitler, Dennis A	Brett A Beitler for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Holly D Kastner for the payment of the Accrued But Unpaid Service Retirement Allowance
	Shelley J Beitler for the payment of the Accrued But Unpaid Service Retirement Allowance
Cunningham, Regina L (Deceased Active)	Howard Cunningham for the payment of the Limited Pension
Cupples, Arthur L	Janet S Cupples for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Daniels, Lessie L	Sheryl Broyles for the payment of the Accrued But Unpaid Continuance Allowance
Dowe, Hanlon R	Mary Lou Rogers-Dowe for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Dymond, Simmons	Lynn Lawrence for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Escandon, Ignacio A	James Escandon for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Yolanda Palacios for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Estrada, Adeline	Benjamin Estrada for the payment of the Accrued But Unpaid Continuance Allowance
Frisbie, Chester L	Carol A Frisbie for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Gong, Alice C (Deceased Active)	Nicholas Thomas Gong for the payment of the Accumulated Contributions

Grade, Herbert V	Andrea Hebets for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Greene, Eugene M (Deceased Active)	Lynn A Greene for the payment of the Service Retirement Survivorship Allowance
Grider, Charles	Marphia Myles for the payment of the Burial Allowance
Gutierrez, Raymond	Mario Gutierrez for the payment of the Burial Allowance
Hansen, Joan P	Robert A Hansen for the payment of the Accrued But Unpaid Continuance Allowance
Johnson, Laymon	Charlene J Johnson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Jones, James L	Jyme Watson for the payment of the Accrued But Unpaid Service Retirement Allowance
Ladieu, Leonard M	Roberta M Ladieu for the payment of the Burial Allowance

Lagemann, Emanuel	Mark Lagemann for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Lamar, Joseph W (Deceased Active)	Chantell Ulett Stewart Gibson for the payment of the Disability Retirement Survivorship Allowance
Mayeda, Satoru	Steve M Izuhara for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Merrick, Freda H	Dale F Merrick for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Daniel P Merrick for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Duane Merrick for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Omo, Paul D	David S Omo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Paulo, Sharon K	Keonaona Celeste Paulo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
	Redina A Puentes for the payment of the Accrued But Unpaid Service Retirement Allowance Unused Contributions

Riley, Allen Jerome	Pamela Lowery Pitts Stewart for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Sase, Hugo V	Sadako Sase for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Smith, Clara L	Sharon Taylor for the payment of the Accrued But Unpaid Continuance Allowance
Sorensen, Ejlef H	Erik D Sorensen for the payment of the Accrued But Unpaid Service Retirement Allowance Karen S Abbott for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Spencer, Craig W	Craig N Spencer for the payment of the Accrued But Unpaid Service Retirement Allowance
Terry, Jacob	Mary Terry for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Vicuna, Daniel	Patricia Vicuna for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Wayman, Donald A	Wendy J Wayman for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Weise, Norma E	Roger Weise for the payment of the Accrued But Unpaid Service Retirement Allowance
Woods, Charles A	Janine Woods-Long for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Loretta R Rogers for the payment of the Accrued But Unpaid Service Retirement Allowance

TIER 3

None

Agenda of: DECEMBER 11, 2018

Item No: V-B

MARKETING CESSATION REPORT
NOTIFICATION TO THE BOARD

The Board's Marketing Cessation Policy was adopted in order to prevent and avoid the appearance of undue influence on the Board or any of its Members in the award of investment related and other service contracts. Pursuant to this Policy, this notification procedure has been developed to ensure that Board Members and staff are regularly apprised of firms for which there shall be no direct marketing discussions about the contract or the process to award it; or for contracts in consideration of renewal, no discussions regarding the renewal of the existing contract.

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

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

ATTACHMENT 1

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
INVESTMENTS							
1	AEGON USA Investment Management, LLC	Active U.S. High Yield Fixed Income	4/1/2016	3/31/2019	Investment Committee to consider renewal on December 11, 2018	12/7/2018	3/31/2019
ADMINISTRATIVE SERVICES							
2	Travers Cresa	Real Estate Services	Pending	Pending	Board awarded new contract on 11/28/2017; Contract under review for execution.	10/1/2017	11/30/2018
CITY ATTORNEY							
3	Reed Smith	Outside Tax Counsel	Pending	Pending	Board awarded new contract on 9/11/2018; Contract under review for execution.	6/27/2018	12/11/2018
4	Ice Miller	Outside Tax Counsel	Pending	Pending	Board awarded new contract on 9/11/2018; Contract under review for execution.	6/27/2017	12/11/2018
5	Bernstein Litowitz & Grossman	Litigation	Pending	Pending	Board approved engaging firm on 11/13/18. Contract in process of exxecution.	7/23/2018	1/30/2019

ATTACHMENT 1

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END
			HEALTH BENEFITS ADMINISTRATION				
6	Anthem 2019	Medical HMO & PPO	1/1/2019	12/31/2019	Board approved on 8/28/2018; Contract under review for execution.	9/30/2018	3/31/2019
7	Kaiser 2019	Medical HMO	1/1/2019	12/31/2019	Board approved on 8/28/2018; Contract under review for execution.	9/30/2018	3/31/2019
8	SCAN 2019	Medical HMO	1/1/2019	12/31/2019	Board approved on 8/28/2018; Contract under review for execution.	9/30/2018	3/31/2019
9	UnitedHealthcare 2019	Medical HMO	1/1/2019	12/31/2019	Board approved on 8/28/2018; Contract under review for execution.	9/30/2018	3/31/2019
10	Delta Dental 2019	Dental PPO and HMO	1/1/2019	12/31/2019	Board approved on 8/28/2018; Contract under review for execution.	9/30/2018	3/31/2019
11	Anthem Blue View Vision 2019	Vision Services Contract	1/1/2019	12/31/2019	Board approved on 8/28/2018; Contract under review for execution.	9/30/2018	3/31/2019

*RESTRICTED PERIOD

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

ATTACHMENT 1

CONTRACTS UNDER CONSIDERATION FOR RENEWAL

NO.	VENDOR / CONSULTANT	DESCRIPTION	INCEPTION DATE	EXPIRATION DATE	MARKETING CESSATION STATUS	RESTRICTED PERIOD*	
						START	END

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

ATTACHMENT 2

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONTRACTS LIST FOR THE DECEMBER 11, 2018 BOARD MEETING

ACTIVE RFPs AND RFQs*

NO.	DESCRIPTION	MARKETING CESSATION STATUS AND VENDOR RESPONSES
INVESTMENTS		
1	Private Credit Mandate Search	**RFP Release Date:** December 10, 2018
		Submission Deadline: January 18, 2019
		Status: In progress
		List of Respondents: NA
2	Outside Tax Counsel	**RFP Release Date:** June 27, 2018
		Submission Deadline: July 20, 2018
		Status: Board awarded contracts to Reed Smith, LLP and Ice Miller, LLP.
		List of Respondents: Best Best & Krieger, Attorneys At Law, Ice Miller, LLP, Kutak Rock, and Reed Smith, LLP

* RESTRICTED PERIOD FOR REQUEST FOR PROPOSAL OR REQUEST FOR QUALIFICATIONS:

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

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

Agenda of:	**DEC. 11, 2018**
Item No:	**V-C**

MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF OCTOBER 2018)

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 MEMBER:

President Cynthia M. Ruiz
Vice President Elizabeth L. Greenwood

Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Sung Won Sohn
Commissioner Michael R. Wilkinson

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
BOARD MEMBER EDUCATION EVALUATION FORM

Board Member Name:	Michael R. Wilkinson
Conference/Seminar Title	SACRS Fall Conference
Date	November 13-16, 2018
Location (City/State)	Indian Wells, CA
TOTAL EDUCATION HOURS:	**15 hours**
Level of complexity of the Conference/Seminar:	☐ **Introductory** ☒ **Intermediate** ☐ **Advanced** ☐ **Others:** ________
Conference/Seminar Category:	☒ **Finance/Investments** ☒ **Benefits (Retirement/Healthcare)** ☒ **Legislative/Fiduciary Law** ☒ **Corporate Governance** ☐ **Others:** ________

SEMINAR CONTENT

Please provide an evaluation on the quality of the conference or seminar and its relevance to you as a Board member.

1. What letter grade would you give to the overall educational value of the conference/seminar? ***Rate seminar with A (excellent), B (very good), C (good), D (not beneficial).***	A ☒ B ☐ C ☐ D ☐ Comments: Very good with useful information for California pension plans.
2. Would you recommend your fellow trustees attend this conference?	Never ☐ At least Once ☐ Annually ☒ Every other year ☐ Other ☐ Comments: ________
3. Do you feel the conference was a good use of your time?	☒ Yes ☐ No Why? ________
4. Are there other conferences addressing this subject area that you feel would be a better investment than this conference?	☐ Yes ☒ No Please provide the name/title of the recommended conference: ________

Additional Comments:
Very helpful to be able to discuss common issues with trustees from other systems.

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **DECEMBER 11, 2018**

ITEM: **V-E**

SUBJECT: **EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2018**

Recommendation

That the Board receive and file this report.

Discussion

A report of Board and staff travel expenditures is provided to the Board on a quarterly basis pursuant to the Board Education and Travel Policy. The total travel expenditure for the quarter ending September 30, 2018 was $16,085, or 9.1% of the $176,605 total budget for FY 2018-19.

	FY 2018-19	Quarter Ending 09/30/18		FY 2018-19 Total	
	Budget	Amount	Budget %	Amount	Budget %
Board	$ 30,000.00	$ 3,968.33	13.2%	$ 3,968.33	13.2%
Staff	$ 74,655.00	$ 4,837.48	6.5%	$ 4,837.48	6.5%
Investment Administration	$ 71,950.00	$ 7,279.19	10.1%	$ 7,279.19	10.1%
Total	$176,605.00	$ 16,085.00	9.1%	$ 16,085.00	9.1%

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

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

NG:DWN:MJ:LB

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL REPORT
FOR THE PERIOD JULY 1, 2018 TO SEPTEMBER 30, 2018

BOARD MEMBER	TRAVEL EXPENDITURES QE 09/30/18	TRAVEL EXPENDITURES YTD AS OF 09/30/18	ANNUAL MAX. AMT./TRUSTEE*	BALANCE TO ANNUAL MAX. LIMIT
CYNTHIA RUIZ	$ 1,140.12	$ 1,140.12	$ 10,000.00	$ 8,859.88
ELIZABETH GREENWOOD	1,387.52	1,387.52	10,000.00	8,612.48
ELIZABETH LEE	1,440.69	1,440.69	10,000.00	8,559.31
SANDRA LEE	-	-	10,000.00	10,000.00
NILZA SERRANO	-	-	10,000.00	10,000.00
SUNG WON SOHN	-	-	10,000.00	10,000.00
MICHAEL WILKINSON	-	-	10,000.00	10,000.00
TOTAL BOARD MEMBERS' TRAVEL EXP. & ANNUAL LIMIT	**$ 3,968.33**	**$ 3,968.33**	**$ 70,000.00**	**N/A**
TOTAL BOARD MEMBERS' TRAVEL EXPENSE BUDGET (%)	**13.2%**	**13.2%**		

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURE REPORT
FOR THE PERIOD JULY 1, 2018 TO SEPTEMBER 30, 2018

NAME	ORGANIZATION	CONFERENCE TITLE	LOCATION	START DATE	END DATE	REGISTRATION	AIRFARE	LODGING	OTHER TRAVEL EXP.	TOTAL EXPENSE
ELIZABETH GREENWOOD	VALUE EDGE ADVISORS	2018 PUBLIC FUNDS FORUM	LAGUNA BEACH, CA	09/04/18	09/06/18	$ 345.00	$ -	$ 845.70	$ 196.82	$ 1,387.52
CYNTHIA RUIZ	PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) ASSOCIATION	PRI IN PERSON 2018	SAN FRANCISCO, CA	09/12/18	09/14/18	-	171.35	696.52	272.25	1,140.12
ELIZABETH LEE	CONEXUS FINANCIAL	FIDUCIARY INVESTORS SYMPOSIUM	STANFORD, CA	09/29/18	10/02/18	-	162.40	1,026.84	251.45	1,440.69
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 1ST QUARTER ENDING 09/30/18:						$ 345.00	$ 333.75	$ 2,569.06	$ 720.52	$ 3,968.33
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 2ND QUARTER ENDING 12/31/18:						$ -	$ -	$ -	$ -	$ -
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 3RD QUARTER ENDING 03/31/19:						$ -	$ -	$ -	$ -	$ -
BOARD MEMBERS' EDUCATION AND RELATED TRAVEL EXPENDITURES FOR THE 4TH QUARTER ENDING 06/30/19:						$ -	$ -	$ -	$ -	$ -
YTD TRAVEL EXPENDITURES / ANNUAL BUDGET FOR BOARD EDUCATION AND TRAVEL (AMOUNT & %):						$3,968.33		$30,000.00		13.2%
YTD BOARD MEMBERS' TRAVEL EXPENDITURES / ANNUAL BUDGET FOR ALL DEPARTMENT TRAVEL (AMOUNT & %):						$3,968.33		$176,605.00		2.2%

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
STAFF EDUCATION AND RELATED TRAVEL EXPENDITURE REPORT
FOR THE PERIOD JULY 1, 2018 TO SEPTEMBER 30, 2018

NAME	ORGANIZATION	CONFERENCE TITLE	LOCATION	START DATE	END DATE	REGISTRATION	AIRFARE	LODGING	OTHER TRAVEL EXP.	TOTAL EXPENSE
BRIAN CHA*	LRS RETIREMENT SOLUTIONS	PENSIONGOLD TEAMING CONFERENCE 2018	SPRINGFIELD, IL	09/17/18	09/20/18	$ -	$ 377.00	$ 362.73	$ 164.25	$ 903.98
AUDREY DYMALLY*	LRS RETIREMENT SOLUTIONS	PENSIONGOLD TEAMING CONFERENCE 2018	SPRINGFIELD, IL	09/17/18	09/20/18	-	388.40	362.73	109.00	860.13
LAURIE TRAN*	LRS RETIREMENT SOLUTIONS	PENSIONGOLD TEAMING CONFERENCE 2018	SPRINGFIELD, IL	09/17/18	09/20/18	-	377.00	362.73	212.61	952.34
CLIFF LIM*	LRS RETIREMENT SOLUTIONS	PENSIONGOLD TEAMING CONFERENCE 2018	SPRINGFIELD, IL	09/17/18	09/20/18	-	377.00	362.73	262.06	1,001.79
TANEDA LARIOS*	LRS RETIREMENT SOLUTIONS	PENSIONGOLD TEAMING CONFERENCE 2018	SPRINGFIELD, IL	09/17/18	09/20/18	-	388.40	362.73	368.11	1,119.24
TOTAL STAFF TRAVEL EXPENDITURES FOR THE 1ST QUARTER ENDING 09/30/18:						$ -	$ 1,907.80	$ 1,813.65	$ 1,116.03	$ 4,837.48
TOTAL STAFF TRAVEL EXPENDITURES FOR THE 2ND QUARTER ENDING 12/31/18:						$ -	$ -	$ -	$ -	$ -
TOTAL STAFF TRAVEL EXPENDITURES FOR THE 3RD QUARTER ENDING 03/31/19:						$ -	$ -	$ -	$ -	$ -
TOTAL STAFF TRAVEL EXPENDITURES FOR THE 4TH QUARTER ENDING 06/30/19:						$ -	$ -	$ -	$ -	$ -
YTD TRAVEL EXPENDITURES / ANNUAL BUDGET FOR STAFF TRAVEL (AMOUNT & %):						$4,837.48		$74,655.00		6.5%
YTD STAFF TRAVEL EXPENDITURES / ANNUAL BUDGET FOR ALL DEPARTMENT TRAVEL (AMOUNT & %):						$4,837.48		$176,605.00		2.7%

*Registration fees for three (3) out of five (5) attendees, $2,700.00, were paid out from Training Budget Account. Two registrations are free of charge.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT ADMINISTRATION AND RELATED TRAVEL EXPENDITURE REPORT
FOR THE PERIOD JULY 1, 2018 TO SEPTEMBER 30, 2018

NAME	ORGANIZATION	CONFERENCE TITLE	LOCATION	START DATE	END DATE	REGISTRATION	AIRFARE	LODGING	OTHER TRAVEL EXP.	TOTAL EXPENSE
JIMMY WANG	BAIRD ADVISORS AND NUEBERGER BERMAN	DUE DILIGENCE	MILWAUKEE, WI AND CHICAGO, IL	07/09/18	07/11/18	$ -	$ 531.60	$ 453.18	$ 360.60	$ 1,345.38
BRYAN FUJITA	PACIFIC PENSION & INVESTMENT INSTITUTE (PPI)	SUMMER ROUNDTABLE 2018	LA JOLLA, CA	07/11/18	07/13/18	900.00	-	586.04	95.20	1,581.24
JIMMY WANG	LM CAPITAL GROUP	DUE DILIGENCE	SAN DIEGO, CA	08/30/18	08/30/18	-	-	-	164.57	164.57
EDUARDO PARK*	ASANA PARTNERS	APFI ANNUAL INVESTOR MEETING	CHARLOTTE, NC	09/04/18	09/05/18	-	1,056.90	-	142.44	1,199.34
RODNEY JUNE	TORREYCOVE CAPITAL PARTNERS, LLC	DUE DILIGENCE	SAN DIEGO, CA	09/06/18	09/06/18	-	-	-	64.00	64.00
BRYAN FUJITA	TORREYCOVE CAPITAL PARTNERS, LLC	DUE DILIGENCE	SAN DIEGO, CA	09/06/18	09/06/18	-	-	-	64.00	64.00
WILKIN LY	TORREYCOVE CAPITAL PARTNERS, LLC	DUE DILIGENCE	SAN DIEGO, CA	09/06/18	09/06/18	-	-	-	64.00	64.00
RODNEY JUNE	PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) ASSOCIATION	PRI IN PERSON 2018	SAN FRANCISCO, CA	09/12/18	09/14/18	1,799.00	150.40	637.26	210.00	2,796.66
INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 1ST QUARTER ENDING 09/30/18:						**$ 2,699.00**	**$ 1,738.90**	**$ 1,676.48**	**$ 1,164.81**	**$ 7,279.19**
INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 2ND QUARTER ENDING 12/31/18:						**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 3RD QUARTER ENDING 03/31/19:						**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES FOR THE 4TH QUARTER ENDING 06/30/19:						**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
YTD TRAVEL EXPENDITURES / ANNUAL BUDGET FOR INVESTMENT ADMINISTRATION TRAVEL EXPENDITURES (AMOUNT & %):						**$7,279.19**		**$71,950.00**		**10.1%**
YTD INVESTMENT ADMIN. TRAVEL EXPENDITURES / ANNUAL BUDGET FOR ALL DEPARTMENT TRAVEL (AMOUNT & %):						**$7,279.19**		**$176,605.00**		**4.1%**

*As covered under LACERS contract with Asana Partners, $1,056.90 of airfare will be reimbursed by Asana.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

Agenda of: **DECEMBER 11, 2018**

From: Neil M. Guglielmo, General Manager

ITEM: **V-F**

SUBJECT: **TRAVEL AUTHORITY – COMMISSIONER SUNG WON SOHN; MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT) PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT, CAMBRIDGE, MASSACHUSETTS; JUNE 17-21, 2019 AND POSSIBLE BOARD ACTION**

Recommendation:

That the Board authorize Commissioner Sohn to attend the MIT Professional Certificate Program in Real Estate Finance and Development on June 17-21, 2019 (travel dates June 16-22, 2019) in Cambridge, Massachusetts; and authorize the reimbursement of up to $11,000.00 for Commissioner Sohn for reasonable expenses in connection with participation.

Discussion:

Commissioner Sohn has expressed interest in attending the above-mentioned educational conference, and this Board report is prepared on his behalf. Commissioner Sohn has also been provided a copy of LACERS Board Education and Travel Policy.

Commissioner Sohn attended the following three courses for the MIT Professional Certificate Program, Real Estate Finance: Fundamentals, Evaluating Real Estate Markets, and Real Estate Finance: Advanced in Fiscal Year 2017-18. In order to qualify for the Professional Certificate in Real Estate Finance and Development, Commissioner Sohn must complete the two remaining courses, Commercial Real Estate Development and Global Real Estate Markets.

Pursuant to the Board Education and Travel Policy (Policy), Board approval is necessary for this travel request because this conference was not pre-approved with the adoption of the Approved List of Educational Seminars for Fiscal Year 2018-19, and the total cost for Commissioner Sohn's attendance exceeds $10,000.00. In order to adhere to the Board's Policy and not exceed Commissioner Sohn's yearly maximum, any portion over $10,000.00 will be deducted from his allotted amount in Fiscal Year 2019-20.

Strategic Plan Impact Statement:

As stipulated in the Policy, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties.

For Fiscal Year 2018-19, Commissioner Sohn has an education travel balance of $10,000.00.

This report was prepared by Ani Ghoukassian, Commission Executive Assistant.

Attachments: 1) Estimate of Reimbursable Expenses
2) Tentative Schedule/Agenda
3) Proposed Resolution

Attachment 1

CITY OF LOS ANGELES
Intra-Departmental Correspondence

DATE: November 29, 2018

TO: Accounting Section
City Employees' Retirement System

FROM: Ani Ghoukassian, Commission Executive Assistant II
Board of Administration

SUBJECT: ESTIMATE OF REIMBURSABLE EXPENSES

Name of Attendee Title	SUNG WON SOHN, Commissioner LACERS Board of Administration	
Event	Professional Certificate Program in Real Estate Finance and Development	
Organization	Massachusetts Institute of Technology (MIT)	
Date(s) of Event	June 17-21, 2019 (Travel dates June 16-22, 2019)	
Location of Event	Cambridge, Massachusetts	
ESTIMATED EXPENSES:	Registration (Net 15% discount + $275.00 application candidacy fee):	$6,650.00
	Hotel: $385.00 per night (6 nights) w/tax	$2,310.00
	Commercial Airline (Roundtrip LAX to Boston/Logan):	$343.00
	Meal/Incidental Allowances: $71 per day x 5 days $53.25 x 2 day (travel days)	$461.50
	Taxi: Hotel to Conference (roundtrip)	$120.00
	Miscellaneous: ($30 per day) x 7 days	$210.00
	TOTAL ESTIMATE:	**$10,094.50**

(http://web.mit.edu) PROFESSIONAL EDUCATION

PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT

Recent global developments, coupled with economic conditions, have demonstrated that one cannot understand financial markets and the economy without understanding real estate markets and underwriting real estate risk. The Professional Certificate in Real Estate Finance and Development provides an unparalleled opportunity for professionals and executives to obtain state-of-the-art insights and skills about the key factors and investment strategies driving real estate markets. By joining our professional program, you will further your understanding of the real estate development process.

Our real estate professional courses will provide real value to a global audience of executives and knowledge-thirsty professionals, and will provide training opportunities for large organizations seeking to educate and inspire their most talented employees.

REGISTER FOR UPDATES (http://professional.mit.edu/updates-cpre)

CERTIFICATE PROGRAM OVERVIEW

An MIT Professional Education and MIT Center for Real Estate Professional Certificate is a formal recognition of your professional development and commitment to life-long learning. Pursuing a Professional Certificate allows you to further your knowledge and skills in an accelerated, convenient format. Our courses run each summer over a two-week period. This program will help focus your development on a set of competencies that will allow you to have an immediate and lasting impact on your organization's future.

To qualify for the Professional Certificate in Real Estate Finance and Development, participants must complete the following five required courses within a two-year period:

- Real Estate Finance: Fundamentals June 10-11, 2019, $3000
  W. Torous
- Evaluating Real Estate Markets June 12, 2019, $1500
  W. Wheaton
- Real Estate Finance: Advanced June 13-14, 2019, $3000
  D. Geltner
- Commercial Real Estate Development June 17-19, 2019, $4500
  C. Gordon, W. T. McGrath
- Global Real Estate Markets June 20-21, 2019, $3000
  A. Saiz

MIT Center for Real Estate industry partners receive discounts as part of their membership benefits. **Find out if your firm is an industry partner**, and if it is, please contact Lisa Thoma at **lthoma@mit.edu** to confirm you have the latest discount code. **Please use this code when you register, as discounts cannot be applied retroactively.**

Take advantage of a special multi-program discount by registering for all five courses in a single season. Apply via the **Application for Candidacy**. MIT Professional Education's fee for all five courses is $15,000 USD (not including the non-refundable $275 application for candidacy fee); by enrolling in the entire certificate program in a single year, you will receive a 15 percent discount for a total cost of $12,750 USD, a savings of $2,250 USD. **Further discounts cannot be applied.**

« Back to Top

HOW TO APPLY

The certificate program is now closed for 2018.

« Back to Top

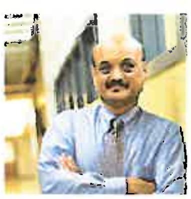
COLLABORATION BETWEEN MIT PROFESSIONAL EDUCATION AND THE MIT CENTER FOR REAL ESTATE

MIT's world-class status and strong cross-disciplinary and innovative culture creates courses that explore the art and science of the real estate profession, using expert knowledge drawn from MIT's School of Architecture and Planning, Department of Economics, and Sloan School of Management, as well as from the MIT Center for Real Estate's own top-ranked graduate degree (http://mitcre.mit.edu/masters-program/about-the-program) and research program.

In addition, the collaboration between the MIT Center for Real Estate (http://mitcre.mit.edu/) and MIT Professional Education provides an exciting opportunity for real estate professionals worldwide to expand their global network.

ALBERT SAIZ

Albert Saiz, director of the MIT Center for Real Estate and Daniel Rose Associate Professor of Urban Economics and Real Estate, notes, "The collaboration between the MIT Center for Real Estate and MIT Professional Education opens an exciting opportunity for real estate professionals, investors, policy-makers, and executives worldwide. Our new joint program provides an unparalleled opportunity for a cohort of professionals and executives to obtain state-of-the art insights about key factors and investment strategies driving real estate markets, and to deepen their understanding of the development process. MIT professors and lecturers are not only globally-renowned thought leaders, researchers, and sought-after consultants in these topics, but also great lecturers. MIT and the intellectually-exciting and vibrant city of Cambridge (Massachusetts) provide the perfect environment for summer learning in this two-week program."



BHASKAR PANT

Bhaskar Pant, executive director of MIT Professional Education, states, "We are very excited to offer this new program from MIT's Center for Real Estate as part of MIT Professional Education's portfolio of summer Short Programs aimed at a wide array of working professionals around the globe."

"Our audience is increasingly multi-disciplinary," he added. "As technical leaders, our participants need to be competent in finance and management matters and vice versa; and knowledge in real estate finance and development is particularly critical to many due to the pivotal role that real estate plays in the capital outlay and operational aspects of most enterprises today. With the addition of this Certificate Program in Real Estate Finance and Development to our portfolio, we eagerly look forward to serving an even more diverse set of professionals and executives from an array of industry sectors from around the world."

« Back to Top

WHAT YOU CAN EXPECT

- World-renowned, in-demand faculty and speakers chosen for their consulting and expertise
- Cutting-edge research and curriculum connected to industry
- Accelerated two-week action-learning format offered in the summer
- Networking opportunities with leading real estate professionals from the US and around the world
- Dynamic experience in the Cambridge/Boston area

- Groups from the same company and location with five or more registrations in the same year receive a 15% discount for all courses included in the Real Estate Certificate Program. Please contact shortprograms@mit.edu for details

« Back to Top

JOINT CERTIFICATE BENEFITS

Participants who enroll in the Real Estate Finance and Development Program will receive:

MIT Professional Education Benefits:

- A 15 percent discount on future MIT Professional Education courses
- Invitations to special events, networking opportunities, and future courses
- Updates on faculty research, new programs, and MIT initiatives via our newsletter
- Membership in the exclusive MIT Professional Education Alumni Group on LinkedIn
- Each course is eligible for MIT Professional Education Continuing Education Units (CEUs)

MIT Center for Real Estate Benefits

- Insider subscription to the *MIT Technology Review* for one year after earning the Professional Certificate
- Access to our password-protected portal, containing exclusive content, for one year after earning the Professional Certificate

« Back to Top

COURSE OF STUDY

Prerequisites

At least three years of experience working within the real estate industry and/or built environment is strongly recommended, as well as a bachelor's degree.

Required Courses

The certificate program must be completed within two years. Enroll in the entire five course program at once for a special discount. Individual course registrations will open per the registration timeline above.

« Back to Top

TARGET AUDIENCE

- Real Estate Professionals
- Investors
- Policy-Makers
- Executives

This certificate program is applicable to a wide range of professionals across the real estate, banking, finance/investment, and insurance industries. Specifically, the program may be of interest to fund managers, investment portfolio managers, financial advisors, investment bankers, fixed-income analysts, financial risk managers, global financial market specialists, and professionals working in macroeconomic policy. This program can be valuable to anyone dealing with global financial markets and real estate investments.

« Back to Top

ESTIMATED COST

Courses are priced individually and participants must pay the course fee at the time of enrollment. The Professional Certificate program is $15,000 USD (not including the non-refundable $275 application for candidacy fee). By enrolling in the entire certificate program in a single year, you will receive a 15 percent discount for a total cost of $12,750 USD, a savings of $2,250 USD. **Further discounts cannot be applied**. Program and course fees include tuition, materials, and some meals. Fees do not include accommodations. Please note that program and course dates, fees, and faculty are subject to change without notice.

« Back to Top

SCHOLARSHIPS

To support the professional practice of public agencies and external non-profit organizations, the MIT Center for Real Estate encourages leadership and development by offering two partial need-based scholarships to professionals in these important areas.

Note: All 2018 scholarships have been awarded and are no longer available.

« Back to Top

DESTINATION

MIT (http://mit.edu/) is located in the intellectual, exciting, and vibrant city of Cambridge, Massachusetts, nestled next to the state capital of Boston and right on the Charles River. MIT is located in Kendall Square, an innovation hub with more startups than any other place in the world (for example, at CIC (http://cic.us/)). Take time to visit historic Boston while here—catch a Red Sox game, go whale watching, visit world-class museums, take a boat ride on the Charles River, visit Quincy Market, or explore other local area colleges. TripAdvisor's Best of Boston Tourism (http://www.tripadvisor.com/Tourism-g60745-Boston_Massachusetts-Vacations.html) list may be a good resource.

« Back to Top

FREQUENTLY ASKED QUESTIONS

Should I bring my laptop or tablet?
Yes, we are going green—please be sure to bring your laptop or tablet as materials will not be printed and handed out during the courses. Participants will not have access to MIT computers and materials will only be provided electronically. However, you will have access to the MIT wireless network (http://kb.mit.edu/confluence/display/istcontrib/The+MIT+GUEST+Wireless+Network) .

Are these the same courses that I took through the MIT Center for Real Estate Professional Development Institute?
Yes; these courses were previously offered directly through the Center for Real Estate Professional Development Institute (PDI). The course "Understanding Real Estate Markets" has been renamed "Evaluating Real Estate Markets" and shortened to one day, although the main content remains the same.

Why are these courses being offered through MIT Professional Education?
The two groups are collaborating together to streamline the process for all participants.

Will I receive a certificate?
Yes, you will receive an MIT Professional Education certificate of completion upon the successful conclusion of each course. Additionally we offer a Professional Certificate in Real Estate Finance and Development in collaboration with the MIT Center for Real Estate. Additional information is available on our certificates page.

Where will I register on the first morning of the course?
You will receive an email a few weeks prior to the start of the course containing this information, as well as other important information.

Are there online versions of these courses?
MIT Professional Education does not currently offer any online courses in real estate. You can see our current online offerings on our Digital Programs page.

Will I receive MIT credit for these courses?
MIT Professional Education - Short Programs offers CEUs (Continuing Education Units) to participants and, at the end of the program, awards each participant an MIT Professional Education Certificate of Completion. If you are interested in earning MIT academic credit you may want to consider the Advanced Study Program. If you are interested in a degree program, the MIT Center for Real Estate offers a Master's of Science in Real Estate Development (http://mitcre.mit.edu/masters-program/about-the-program) .

Will I have homework?
In most cases reading material will be available for download in advance of the course start date. Participants should pay

special attention to the confirmation email sent two to three weeks before the course starts for any instructions regarding advance reading and/or other types of assignments.

Will I be considered an alumnus/a of MIT?
MIT Alumni status is restricted to graduates of MIT degree programs. Participants of MIT Professional Education programs become MIT Professional Education alumni.

Whom do I pay—MIT CRE or MIT PE?
Please pay MIT Professional Education through the information provided on your invoice.

How do I pay?
You can pay with a variety of options, including checks, credit cards, wire transfers, and purchase orders. Please note that international wire transfers often include secondary bank fees that you must add to the transaction. In all cases, you will receive a receipt by email once we have confirmed payment. See the Admissions (http://web.mit.edu/professional/short-programs/enrolling.html) page for more information.

I need to cancel my registration. Are there any fees?
Yes, we do attach fees should you cancel your participation. The fee increases as the program start date approaches. See the Admissions page for details regarding our cancellation policy.

Can I transfer my registration to another course?
Yes, but transferring an acceptance from one course to another must be approved in advance by the Short Programs office as additional fees may apply. Please contact us to request a transfer.

I will be too busy to attend. Can my company send someone else in my place?
Yes, but the Short Programs office must be notified and your substitute must submit an application. Please contact us to request a substitution.

I was admitted and have paid, but cannot attend this year. Can I come next year instead?
Admission and tuition cannot be deferred to a subsequent year; however, you may cancel your registration and reapply the following year. The Admissions page details our cancellation policy.

If I have any questions not addressed on the website, whom should I contact?
We welcome you to contact us at shortprograms@mit.edu with any questions you have regarding our real estate courses, the Certificate Program in Real Estate Finance and Development, or any of our courses or other programs.

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(http://web.mit.edu)

(http://web.mit.edu) PROFESSIONAL EDUCATION

COMMERCIAL REAL ESTATE DEVELOPMENT

Designed to analyze the real estate development process primarily from the perspective of the equity participant, the Commercial Real Estate Development course concentrates on the identification and evaluation of critical assumptions related to the financial feasibility, construction, and financing of economically viable commercial real estate developments. Inherent risk factors, and ways to manage risk, are also explored.

Read More

Lead Instructor(s): Chris Gordon, W. Tod McGrath

Dates: Jun 17, 2019 - Jun 19, 2019

Course Length: 3 Days

Course Fee: $4,500

CEUs: 1.9

Application Deadlines

REGISTER FOR UPDATES

Registration for the 2018 session has closed. We'll open for the 2019 session this fall.

PARTICIPANT TAKEAWAYS

WHO SHOULD ATTEND

PROGRAM OUTLINE

Monday, June 18, 2018

8:00-9:00: Registration / Breakfast
9:00-10:30: Dirigo International case
10:30-10:45: Coffee Break
10:45-12:00: Dirigo International case (continued)
12:00-1:00: Lunch Break
1:00-2:30: Discussion of permitting goals and processes from the perspective of the municipality and permit granting authorities.
2:30-2:45: Break / Refreshments Served
2:45-4:30: Discussion of permitting strategies (and how to execute those strategies) from the developer's perspective

Tuesday, June 19, 2018

8:00-9:00: Breakfast
9:00 – 10:30: Discussion of challenges and strategies associated with mixed-use development
10:30-10:45 Coffee Break
10:45-12:00: Discussion of the financial structure of joint ventures: preferred returns, promoted interests, development fees, capital calls, and completion guarantees. Introduction of a capital markets-based framework for determining "fair" profit splits.
12:00-1:00: Lunch Break
1:00-2:45: Breakout session with counsel to discuss required changes to the form Joint Venture Agreement
2:45-3:00: Break / Refreshments Served
3:00-5:00: Continued discussion with counsel followed by moderated negotiation of the form Joint Venture Agreement

Wednesday, June 20, 2018

8:00-8:30: Breakfast
8:30-10:00: Discussion of how to choose an appropriate construction contracting method
10:00-10:15: Coffee Break

10:15-12:00: Discussion of other project delivery issues and strategies
12:00-1:00: Lunch Break
1:00-2:30: Managing a Real Estate Investment Trust (REIT): Key Insights from Douglas T. Linde, Boston Properties' President and Director
2:30-2:45: Break / Refreshments Served
2:45-4:30: North Station case study

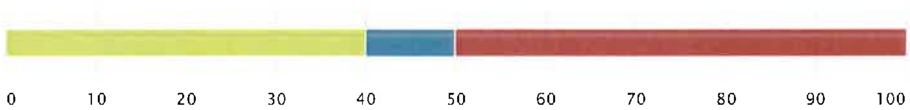
COURSE SCHEDULE

PARTICIPANTS' COMMENTS

INSTRUCTORS

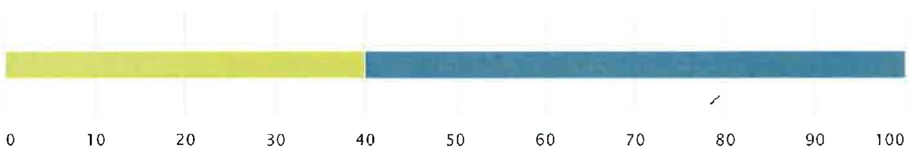
LOCATION

CONTENT



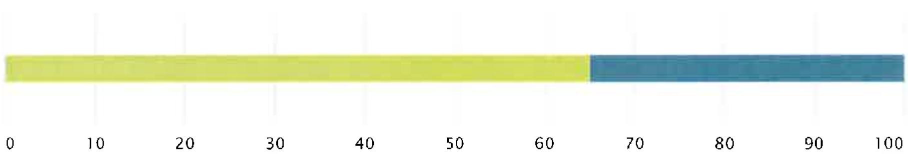
- Fundamentals: Core concepts, understandings, and tools (40%)
- Latest Developments: Recent advances and future trends (10%)
- Industry Applications: Linking theory and real-world (50%)

DELIVERY METHODS



- Lecture: Delivery of material in a lecture format (40%)
- Discussion or Groupwork: Participatory learning (60%)

LEVELS



- Introductory: Appropriate for a general audience (65%)
- Specialized: Assumes experience in practice area or field (35%)

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Digital Plus Programs
Advanced Study Program

(http://web.mit.edu) PROFESSIONAL EDUCATION

GLOBAL REAL ESTATE MARKETS

The Global Real Estate Markets course will provide enrollees with a global comparative view of real estate investment fundamentals. We will cover the main drivers of real estate values across countries and their forecast. Attendees will learn to underwrite real estate prices by studying the key determinants of construction costs and the value of land and location. From the macroeconomic perspective, attendees to this class will obtain an understanding of how changes in financial markets, international capital inflows, the local cost of capital, and changes in trade deficit or surplus affect current and future real estate markets.

Read More

Lead Instructor(s): Albert Saiz

Dates: Jun 20, 2019 - Jun 21, 2019

Course Length: 2 Days

Course Fee: $3,000

CEUs: 1.2

Application Deadlines

REGISTER FOR UPDATES

Registration for the 2018 session has closed. We'll open for the 2019 session this fall.

PARTICIPANT TAKEAWAYS

WHO SHOULD ATTEND

PROGRAM OUTLINE

Thursday

8:00 am - 9:00 am: Registration

9:00 am - 10:30 am: Review the relative pricing in global markets, land values and construction costs, and what are determinants of regional construction costs

10:30 am - 10:45 am: Break

10:45am - noon: Study the impact of foreign capitals on local real estate markets, rental yields: determinants, macroeconomic conditions and real estate pricing

Noon - 1:00 pm: Lunch

1:00 pm - 2:30 pm: Review Commodities trade and real estate prices, as well as look at forecasting of real estate values in a country/region

2:30 pm - 2:45 pm: Break

2:45 pm - 4:30 pm: Commercial Real Estate Products: Characteristics and differences across countries, as well as look at residential real estate: characteristics and differences across the markets

Friday

8:30 am - 9:00 am: Check-in

9:00 am - 10:30 am: Look at leverage in real estate investments: Macroeconomic determinants, also look at the comparative financial markets: depth and regulatory environment

10:30 am - 10:45 am: Break

10:45 am - noon: Discuss different ownership structures across countries, the institutional differences and their impact on real estate business, transparency and depth of investable markets, as well as due diligence and local relationships

Noon - 1:00 pm: Lunch

1:00 pm - 2:30 pm: Learn about currency risk and hedging, and comparative risk analysis: country and asset-country risk, portfolio approach: variances and covariances across countries in asset markets, international real estate trusts (REIT)

2:30 pm - 2:45 pm: Break

2:45 pm -4:00 pm: REIT portfolio strategies: net asset value, beta covariences, and also the secondary debt markets: global MBS, CMBS, RMBS, and CDO

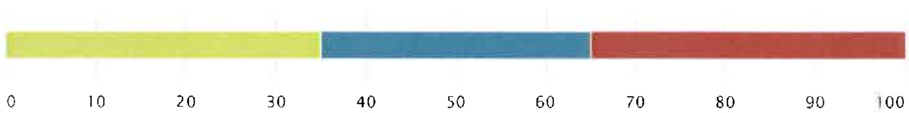
COURSE SCHEDULE

INSTRUCTORS

LINKS & RESOURCES

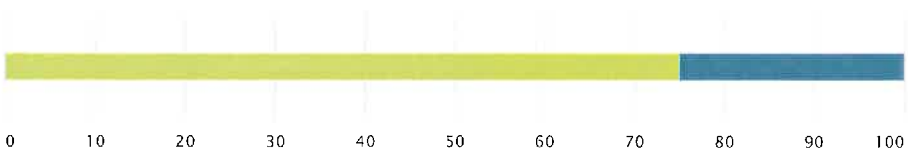
LOCATION

CONTENT



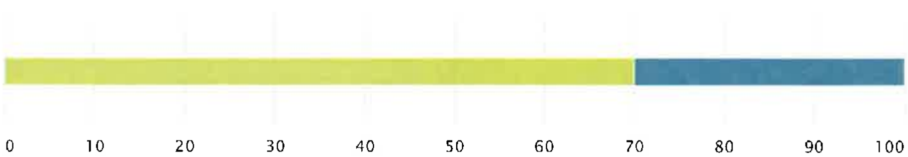
- Fundamentals: Core concepts, understandings, and tools (35%)
- Latest Developments: Recent advances and future trends (30%)
- Industry Applications: Linking theory and real-world (35%)

DELIVERY METHODS



- Lecture: Delivery of material in a lecture format (75%)
- Discussion or Groupwork: Participatory learning (25%)

LEVELS



- Introductory: Appropriate for a general audience (70%)
- Specialized: Assumes experience in practice area or field (30%)

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SITEMAP

Who We Are Short Programs

Attachment 3

TRAVEL AUTHORITY
MASSACHUSETSS INSTITUTE OF TECHNOLOGY PROFESSIONAL CERTIFICATE PROGRAM IN REAL ESTATE FINANCE AND DEVELOPMENT
JUNE 11-15, 2018
BOSTON, MASSACHUSETTS

PROPOSED RESOLUTION

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Massachusetts Institute of Technology (MIT) Professional Certificate Program in Real Estate Finance and Development in Cambridge, Massachusetts is not included in the Approved List of Educational Seminars authorized by the Board Education and Travel Policy for Fiscal Year 2018-19, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Sohn is hereby authorized to attend the MIT Professional Certificate Program in Real Estate Finance and Development on June 17-21, 2019, in Cambridge, Massachusetts.

BE IT FURTHER RESOLVED, that the reimbursement of up to $11,000.00 for Commissioner Sohn is hereby authorized for reasonable expenses in connection with participation.

December 11, 2018

LACERS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **December 11, 2018**

ITEM: **V-G**

SUBJECT: **PROPOSED REVISIONS TO LACERS CONFLICT OF INTEREST CODE AND POSSIBLE BOARD ACTION**

Recommendation

That the Board approve the proposed revisions to LACERS Conflict of Interest Code and disclosure categories as presented respectively in Attachments B and C of this report.

Discussion

Under state law and Executive Directive No. 7 promulgated by Mayor Antonio R. Villaraigosa, every even year City agencies must review their Conflict of Interest (COI) and identify any staffing changes that must be incorporated.

The General Manager's verbal report on November 27, 2018 provided the Board with an update as to LACERS' notice of intention to amend the COI. Notification to current filers and potential filers was sent on November 9, 2018 regarding the 30 day written comment period commencing on November 12, 2018 and terminating on December 11, 2018. Any interested person may request a public hearing on this matter no later than 15 days prior to the close of the written comment period. As of November 26, 2018, no request for public hearing was requested, therefore no public hearing is necessary.

Commissioner Wilkinson requested either a redline version or a summary of information as to what was changed. In LACERS' current *Schedule A - COI Designated Positions*, specific divisions and pay grades were identified based on the work performed by an individual. The COI requires anyone employed in the identified class to be a filer. The proposed COI takes into consideration the duties of the class specification rather than the duties of an individual. All pay grades and divisions for identified classifications were removed. New classes added are: Departmental Audit Manager, Departmental Chief Accountant, Fiscal Systems Specialist, Information Systems Manager, and Senior Personnel Analyst. Investment/Money Manager is proposed to be merged into the category of Consultant which will help resolve the periodic issue of whether Investment/Money Managers are required to complete ethics training. By merging them into the category of consultant it makes it clear that they must complete ethics training.

The proposed *Schedule B - Disclosure Categories* is completely changed in that LACERS' current disclosure categories has five categories, whereas the proposed has 18 categories. The Ethic's Commission recommended the changes to LACERS' disclosure categories in an attempt to provide uniformity with the City's standard Schedule B.

The current COI (Attachment A), the proposed designated positions (Attachment B), and proposed disclosure categories (Attachment C) are attached for reference.

This report was prepared by Lin Lin, Departmental Personnel Director, Executive Division.

NG:LL

Attachments: A) LACERS current COI code
B) Proposed Designated Filers
C) Proposed Disclosure Categories

ATTACHMENT A

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONFLICT OF INTEREST CODE – SCHEDULE A
List of Designated Financial Disclosure Filing Positions

Position Title	Disclosure Category
Members, Board of Administration	1
General Manager – LACERS	1
Assistant General Manager – LACERS	1
Chief Investment Officer	1
Investment Officer II	1
Investment Officer I	1
Investment/Money Manager	1
Internal Auditor IV	1
Chief Management Analyst (Admin. Services Division)	1
Principal Accountant (Chief Accounting Employee)	2
Senior Management Analyst II (Departmental Services Section)	2, 3, 4, 5
Senior Systems Analyst II	3
Chief Benefits Analyst (Health Benefits Admin. Division)	4
Senior Management Analyst II (Health Benefits Admin. Division)	4
Chief Benefits Analyst (Retirement Services Division)	4
Senior Management Analyst II (Benefits Processing Section)	4
Senior Management Analyst I (Executive Office – Strategic Planning)	4
Senior Management Analyst I (Executive Office – Member Communications)	5
Consultant	*

* Whether any individual is a consultant shall be determined by the Executive Director, who also determines which of the above categories is applicable to that consultant.

LOS ANGELES CITY
ETHICS COMMISSION

FEB 08 2017

RECEIVED

Agency Report of: New Positions

A Public Document

California Form 804

1. Agency Name (Also include, Division, Department, or Region (if applicable))

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)

☐ Amendment

Date of Original Filing: January 27, 2017 (month, day, year)

Agency Contact (Last Name, First Name, Title)

PERRY, RUTH, SENIOR MANAGEMENT ANALYST II

Area Code/Phone Number

(213) 473-7175

E-mail

RUTH.PERRY@LACERS.ORG

2. New Position Information

Position Title/Classification and Job Summary	Assigned Category	OR Disclosure Requirement	Assuming/Start Date (Optional)
DEPT AUDIT MANAGER	1		Start 07 / 01 / 12 (d / m / yr)
INVESTMENT OFFICER III	1		Start 07 / 01 / 12 (d / m / yr)
INFORMATION SYSTEMS MGR	3		Start 07 / 01 / 11 (d / m / yr)
DEPT CHIEF ACCOUNTANT III	2		Start 07 / 01 / 10 (d / m / yr)
			Start ___ / ___ / ___ (d / m / yr)
			Start ___ / ___ / ___ (d / m / yr)
			Start ___ / ___ / ___ (d / m / yr)

3. Verification

I have read and understand FPPC Regulations 18701 and 18734. I have verified that the disclosure assignment(s) set forth above, is in accordance with its provisions.

[redacted]

RUTH PERRY	SR MGMT ANALYST II	01/27/17
Print Name	Title	(month, day, year)

Comment: (Use this space or an attachment for any additional information.)

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CONFLICT OF INTEREST CODE – SCHEDULE B
List of Disclosure Categories

General Provision
A designated employee is required to disclose that he or she is a director, officer, partner, trustee, employee, or holds any position of management in a business entity if he or she would be required to disclose income from that entity. Income includes loans and gifts.

Category 1
As required by State law (Government Code §87200), positions in this classification must disclose all investments, income, and interests in real property as defined in this Conflict of Interest Code.

Category 2
A. Any investment in, income from, or business positions with any person or business entity engaged in providing accounting or auditing services.

B. Any investment in, income from, or business positions with any person or business entity engaged in actuarial evaluations and/or manufacturing, selling, maintaining, or distributing computer hardware or software pertaining to benefits administration, record keeping, investments, or accounting.

Category 3
A. Any investment in, income from, or business positions with any person or business entity which manufactures, sells, maintains, or distributes computer systems, hardware and/or software application products, or provides computer consulting services.

B. Any investment in, income from, or business positions with any person or business entity that markets computer-based training services or management services.

Category 4
A. Any investment in, income from, or business positions with any person or business entity engaged in providing healthcare services or healthcare consultant services, actuarial services, auditing services, or pension fund consulting services.

B. Any investment in, income from, or business positions with any person or business entity engaged in providing medical evaluation reports.

Category 5

Any investment in, income from, or business positions with any person or business entity engaged in providing printing services or media production services.

ATTACHMENT B

City of Los Angeles

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Conflict of Interests Code

DESIGNATED POSITIONS
(Schedule A)

Position Title	**Disclosure Category**
Assistant General Manager	1
Chief Benefits Analyst	8
Chief Investment Officer	*
Consultant	**
Departmental Audit Manager	1
Departmental Chief Accountant	1
Fiscal Systems Specialist	6
General Manager	*
Information Systems Manager	2
Internal Auditor	1
Investment Officer	1
Member, Los Angeles City Employees' Retirement System Board	*
Senior Management Analyst	8
Senior Personnel Analyst	8

* Government Code Section 87200 *et seq.* requires that all filers in this classification disclose all investments, business positions, income, and interests in real property.

** Consultants/New Positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitation:

The General Manager may determine in writing that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict of interests code. (Gov. Code Section 81008.)

ATTACHMENT C

City of Los Angeles

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Conflict of Interests Code
DISCLOSURE *CATEGORIES*
(Schedule B)

An individual whose position is identified in the Designated Positions section (Schedule A) of an agency's conflict of interests code is a filer and must disclose each economic interest identified below for the disclosure category associated with the individual's position. Disclosure must be made by filing the California Form 700 on specified schedules.

The definitions for investments, business positions, sources of income, interests in real property, doing business, gifts, and other terms may be found in the California Political Reform Act, its associated regulations, and the instructions for the California Form 700. The term "division" means a subset of the filer's agency and, depending on the agency's structure, may also be known as a department, group, office, section, or other similar term used to indicate a subordinate unit of the agency.

Economic interests must be disclosed for the applicable reporting period. In general, the following types of Form 700 filings have the following reporting periods:

Annual:	January 1 through December 31 of the previous calendar year.
Assuming Office:	the date the filer assumes office for investments, business positions, and interests in real property; for income, the 12 months immediately preceding the date the filer assumes office.
Leaving Office:	the last date covered by the filer's most recent filing through the date the filer left the designated position.

Reporting periods may vary in individual circumstances and for other types of filings and should be verified with the Ethics Commission.

Category 1

Any investment, business position, source of income, or interest in real property.

Category 2

A. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's agency;

   2. Provided or sought to provide services, goods, or equipment to the filer's agency; or

3. Was a party or sought to become a party to a written agreement with the filer's agency.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's agency or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's agency provided a review, recommendation, or referral.

Category 3

A. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's agency.

B. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's agency or is located within 500 feet of such property.

Category 4

A. Any income from an individual, or an immediate family member of an individual, who was employed by or applied for any position within the filer's agency.

B. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees in the filer's agency.

C. Any investment in, business position with, or income from a source that did any of the following:

1. Provides the type of services, goods, or equipment used by the filer's division;

2. Provided or sought to provide services, goods, or equipment to the filer's division; or

3. Was a party or sought to become a party to a written agreement with the filer's division.

D. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 5

A. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's agency;

   2. Provided or sought to provide services, goods, or equipment to the filer's agency; or

   3. Was a party or sought to become a party to a written agreement with the filer's agency.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's agency or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's agency provided a review, recommendation, or referral.

E. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's agency.

F. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's agency or is located within 500 feet of such property.

Category 6

A. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's agency;

   2. Provided or sought to provide services, goods, or equipment to the filer's agency; or

   3. Was a party or sought to become a party to a written agreement with the filer's agency.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's agency or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's agency provided a review, recommendation, or referral.

E. Any income from an individual, or an immediate family member of an individual, who was employed by or applied for any position within the filer's agency.

F. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees in the filer's agency.

G. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 7

A. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's agency.

B. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's agency or is located within 500 feet of such property.

C. Any income from an individual, or an immediate family member of an individual, who was employed by or applied for any position within the filer's agency.

D. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees in the filer's agency.

E. Any investment in, business position with, or income from a source that did any of the following:

1. Provides the type of services, goods, or equipment used by the filer's division;

2. Provided or sought to provide services, goods, or equipment to the filer's division; or

3. Was a party or sought to become a party to a written agreement with the filer's division.

F. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 8

A. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's agency;

   2. Provided or sought to provide services, goods, or equipment to the filer's agency; or

   3. Was a party or sought to become a party to a written agreement with the filer's agency.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's agency or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's agency provided a review, recommendation, or referral.

E. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's agency.

F. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's agency or is located within 500 feet of such property.

G. Any income from an individual, or an immediate family member of an individual, who was employed by or applied for any position within the filer's agency.

H. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees in the filer's agency.

I. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 9

A. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's division;

2. Provided or sought to provide services, goods, or equipment to the filer's division; or

3. Was a party or sought to become a party to a written agreement with the filer's division.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's division or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the City when the filer's division provided a review, recommendation, or referral.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's division provided a review, recommendation, or referral.

Category 10

A. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's division.

B. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's division or is located within 500 feet of such property.

Category 11

A. Any income from an individual, or immediate family member of an individual, who was employed by or applied for any position with the filer's agency when the filer's division provided a review, recommendation, or referral.

B. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees and for whom the filer's division provided a review, recommendation, or referral.

C. Any investment in, business position with, or income from a source that did any of the following:

1. Provides the type of services, goods, or equipment used by the filer's division;

2. Provided or sought to provide services, goods, or equipment to the filer's division; or

3. Was a party or sought to become a party to a written agreement with the filer's division.

D. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 12

A. Any investment in, business position with, or income from a source that did any of the following:

1. Provides the type of services, goods, or equipment used by the filer's division;
2. Provided or sought to provide services, goods, or equipment to the filer's division; or
3. Was a party or sought to become a party to a written agreement with the filer's division.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's division or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency when the filer's division provided a review, recommendation, or referral.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's division provided a review, recommendation, or referral.

E. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's division.

F. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's division or is located within 500 feet of such property.

Category 13

A. Any investment in, business position with, or income from a source that did any of the following:

1. Provides the type of services, goods, or equipment used by the filer's division;
2. Provided or sought to provide services, goods, or equipment to the filer's division; or
3. Was a party or sought to become a party to a written agreement with the filer's division.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's division or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency when the filer's division provided a review, recommendation, or referral.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's division provided a review, recommendation, or referral.

E. Any income from an individual, or immediate family member of an individual, who was employed by or applied for any position with the filer's agency when the filer's division provided a review, recommendation, or referral.

F. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees and for whom the filer's division provided a review, recommendation, or referral.

G. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 14

A. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's division.

B. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's division or is located within 500 feet of such property.

C. Any income from an individual, or immediate family member of an individual, who was employed by or applied for any position with the filer's agency when the filer's division provided a review, recommendation, or referral.

D. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's division;

   2. Provided or sought to provide services, goods, or equipment to the filer's division; or

   3. Was a party or sought to become a party to a written agreement with the filer's division.

E. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees and for whom the filer's division provided a review, recommendation, or referral.

F. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 15

A. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's division;

   2. Provided or sought to provide services, goods, or equipment to the filer's division; or

   3. Was a party or sought to become a party to a written agreement with the filer's division.

B. Any interest in real property that was involved in a contracting decision made by or pending with the filer's division or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency when the filer's division provided a review, recommendation, or referral.

D. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's division provided a review, recommendation, or referral.

E. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's division.

F. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's division or is located within 500 feet of such property.

G. Any income from an individual, or immediate family member of an individual, who was employed by or applied for any position with the filer's agency when the filer's division provided a review, recommendation, or referral.

H. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees and for whom the filer's division provided a review, recommendation, or referral.

I. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to the filer's agency or its employees when the filer's division provided a review, recommendation, or referral.

Category 16

A. Any income from an individual, or an immediate family member of an individual, who was employed by or applied for any position within the City when the filer's division provided a review, recommendation, or referral.

B. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees and for whom the filer's division provided a review, recommendation, or referral.

C. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's division;

   2. Provided or sought to provide services, goods, or equipment to the filer's division; or

   3. Was a party or sought to become a party to a written agreement with the filer's division.

D. Any investment in, business position with, or income from a source that provided or sought to provide benefits, services, goods, or equipment to City employees and for which the filer's division provided a review, recommendation, or referral.

E. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in a personnel, investigative, enforcement, claim, or litigation matter that involved the filer's division.

Category 17

A. Any investment in, business position with, or income from a source that was involved as a party, participant, or representative in an investigative, enforcement, claim, litigation, regulatory, legislative, permitting, or licensing issue made by or pending with the filer's agency.

B. Any interest in real property that was involved in an enforcement, regulatory, legislative, permitting, or licensing decision made by or pending with the filer's agency or is located within 500 feet of such property.

C. Any investment in, business position with, or income from a source that did any of the following:

   1. Provides the type of services, goods, or equipment used by the filer's division;

   2. Provided or sought to provide services, goods, or equipment to the filer's division; or

3. Was a party or sought to become a party to a written agreement with the filer's division.

D. Any interest in real property that was involved in a contracting decision made by or pending with the filer's division or is located within 500 feet of such property.

E. Any investment in, business position with, or income from a source that rented, leased, subrented, sublet, purchased, or sold real property or facilities to or from the filer's agency when the filer's division provided a review, recommendation, or referral.

F. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's division provided a review, recommendation, or referral.

Category 18

A. Any income from an individual, or an immediate family member of an individual, who was employed by or applied for any position within the filer's agency.

B. Any investment in, business position with, or income from a source that represented or sought to represent an employee or group of employees in the filer's agency.

C. Any investment in, business position with, or income from a source that did any of the following:

1. Provides the type of services, goods, or equipment used by the filer's division;

2. Provided or sought to provide services, goods, or equipment to the filer's division; or

3. Was a party or sought to become a party to a written agreement with the filer's division.

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E. Any interest in real property that was involved in a contracting decision made by or pending with the filer's division or is located within 500 feet of such property.

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G. Any investment in, business position with, or income from a source that applied for or received a grant from or provided grant funding to the City when the filer's division provided a review, recommendation, or referral.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

Rahoof Oyewole

From: Rahoof "Wally" Oyewole, Departmental Audit Mgr.

Agenda of: **DECEMBER 11, 2018**

ITEM: **VII-A**

SUBJECT: **RECEIVE AND FILE – PRESENTATION OF LACERS' AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2018 BY BROWN ARMSTRONG ACCOUNTANCY CORPORATION**

Recommendation:

That the Board receive and file the audited financial statements for Fiscal Year ended June 30, 2018.

Discussion:

The auditors from Brown Armstrong Accountancy Corporation (Brown Armstrong) have completed the audit of LACERS' financial statements for the Fiscal Year ended June 30, 2018. Brown Armstrong has issued unmodified ("clean") opinion, indicating that the financial statements fairly present LACERS' fiduciary net position, and changes in fiduciary net position for the year ended June 30, 2018 in conformity with generally accepted accounting principles.

Other than the primary opinion report, Brown Armstrong also issued two additional reports, as required by professional standards:

1. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*
    - The results of the auditors' tests did not identify any deficiencies in internal control that they consider to be material weaknesses. Their tests also disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

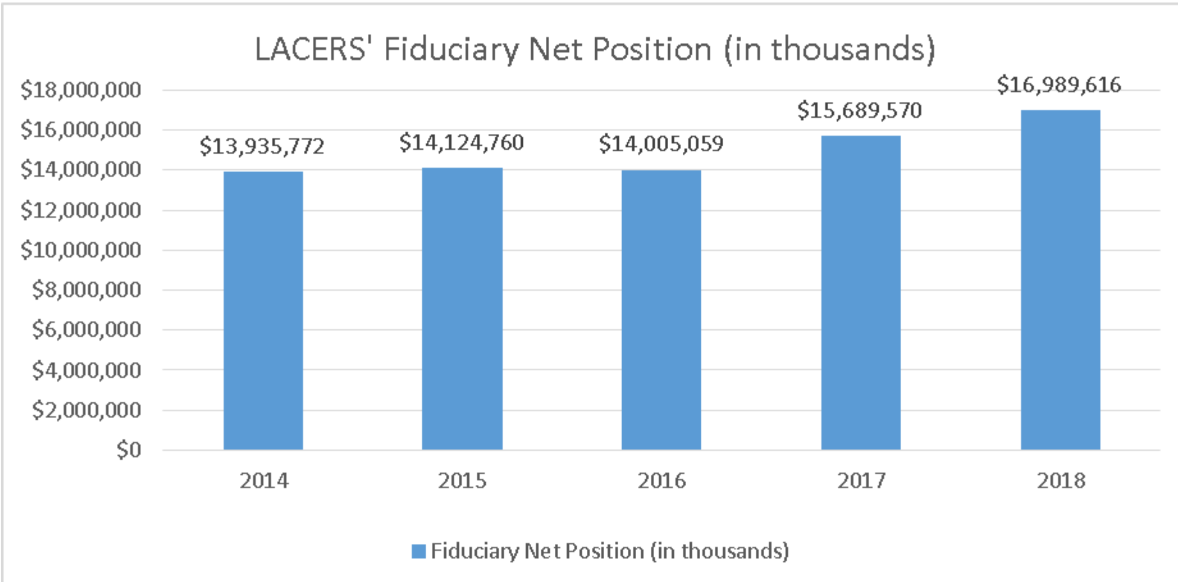
2. Required Communication to the Audit Committee and the Board of Administration in Accordance with Professional Standards stating that:
    - Key factors and assumptions used to estimate fair market values of investments, Net Pension Liability, and Net OPEB Liability are reasonable.
    - The auditors did not encounter difficulties or other matters warranting communication to the Audit Committee or the Board.

The Engagement Partner from Brown Armstrong will present their audit results to the Board.

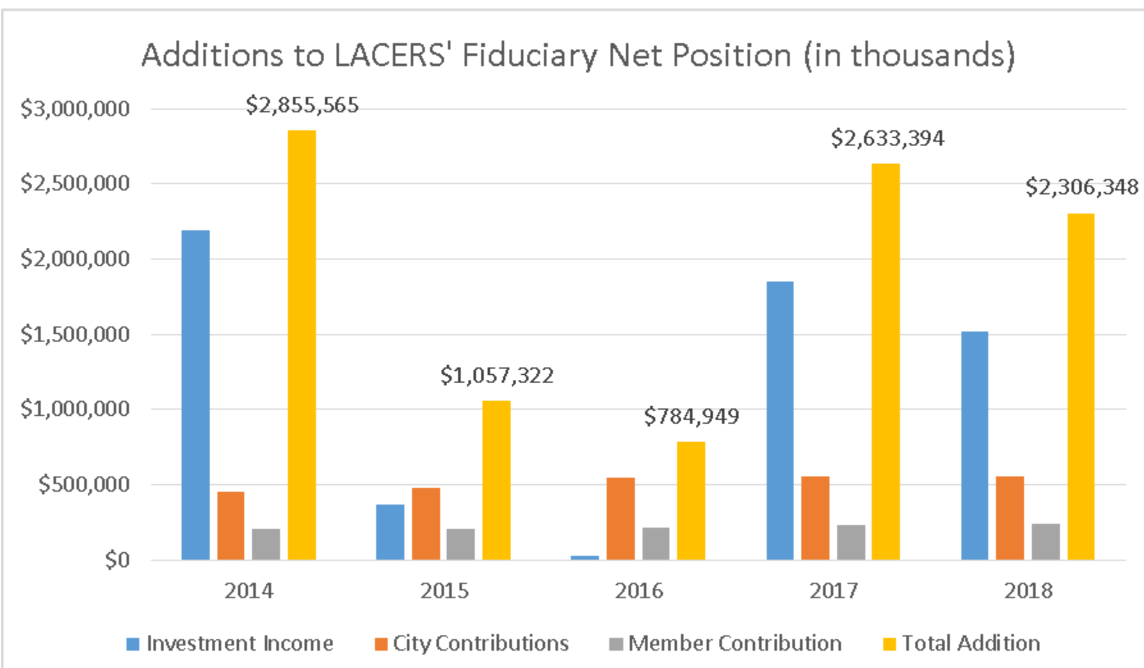
Financial Highlights

The following are the highlights from the LACERS' financial statements as of June 30, 2018:

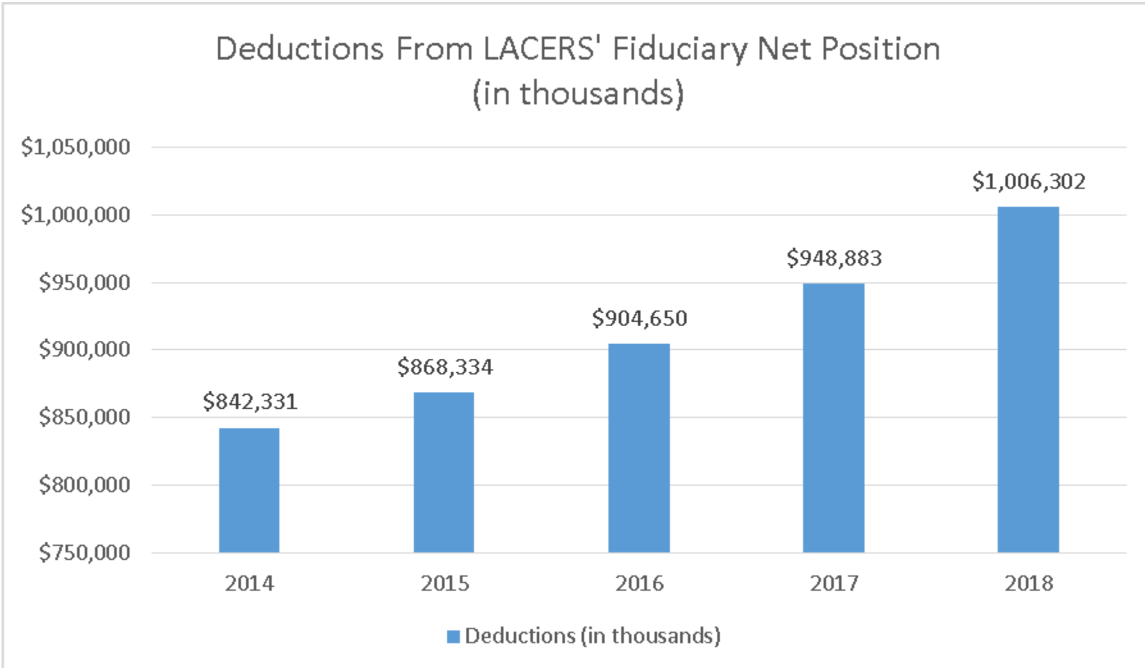
- LACERS' Fiduciary Net Position as of June 30, 2018 was approximately $17 billion, representing an increase of approximately $1.3 billion (8.3%) over the prior fiscal year. As indicated in the chart below, Fiduciary Net Position has increased $3.1 billion (21.9%) since 2014.



- Additions to the fiduciary net position during the fiscal year totaled $2.3 billion, comprising $1.5 billion in investment income, $551.2 million in City contributions and $236.2 million in Member contributions.



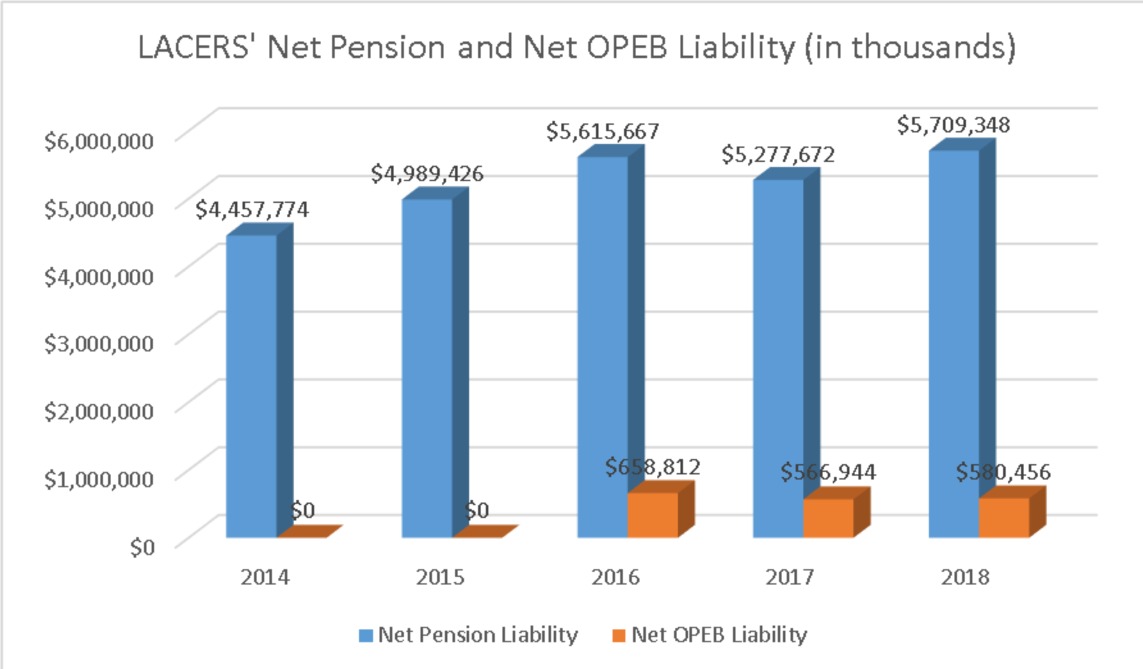
- Deductions from the fiduciary net position during the fiscal year for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses totaled $1.0 billion. The increase in deductions is primarily due to increase in benefit payments.



- LACERS' Net Pension Liability (NPL) for the Retirement Plan was $5.7 billion as of June 30, 2018. NPL is the difference between the Total Pension Liability (TPL) and the Plan Fiduciary Net Position. Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans,* requires pension plans to measure and disclose NPL in the notes to the financial statements. Compared with the previous fiscal year, the NPL increased by $432 million.

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requires pension plans to also measure and disclose Net Other Postemployment Benefits (OPEB) Plan Liability in the notes to the financial statements. Similar to NPL, Net OPEB Liability (NOL) is determined on a market value basis, and is the difference between Total OPEB Liability and the Plan Fiduciary Net Position. LACERS' NOL for the Postemployment Health Care Plan was $580.4 million as of June 30, 2018, an increase of $13.5 million from previous fiscal year.

  The chart on the next page shows the NPL and NOL trend from 2014-2018.



- Finally, based on actuarial valuations as of June 30, 2018, the funded ratios based on market values of assets, were 71.4% and 82.2% for the Retirement Plan and Postemployment Health Care Plan, respectively.

This report was prepared by Rahoof "Wally" Oyewole, Departmental Audit Manager, Internal Audit Section.

RWO

Attachments: A) Brown Armstrong Presentation Agenda
B) Brown Armstrong Reports to Audit Committee and the Board
C) LACERS' Audited Financial Statements for Fiscal Year Ended June 30, 2018

ATTACHMENT A

Los Angeles City Employees' Retirement System

Results of the June 30, 2018 Fiscal Year End Financial Statement Audit

Brown Armstrong

Accountancy Corporation

4200 Truxtun Avenue, Suite 300 | Bakersfield, CA 93309 | 661.324.4971 | Fax 661.324.4997

www.bacpas.com

Presented By: Rosalva Flores, CPA
Partner

Brooke Baird, CPA
Manager

December 11, 2018

Board of Administration
Los Angeles City Employees' Retirement System
202 W. First Street, Suite 500
Los Angeles, California 90012-4401

We are pleased to have the opportunity to present to you the results of our audit of the Los Angeles City Employees' Retirement System (LACERS) financial statements for the year ended June 30, 2018.

We look forward to presenting this information and addressing your questions.

Sincerely,

Rosalva Flores, Partner
Brooke Baird, Manager
Brown Armstrong Accountancy Corporation

BROWN ARMSTRONG

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Agenda

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Scope of Services

- Audit of LACERS financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

- Other communications required by professional standards including:
  - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
  - Required Communication to the Audit Committee and Board of Administration

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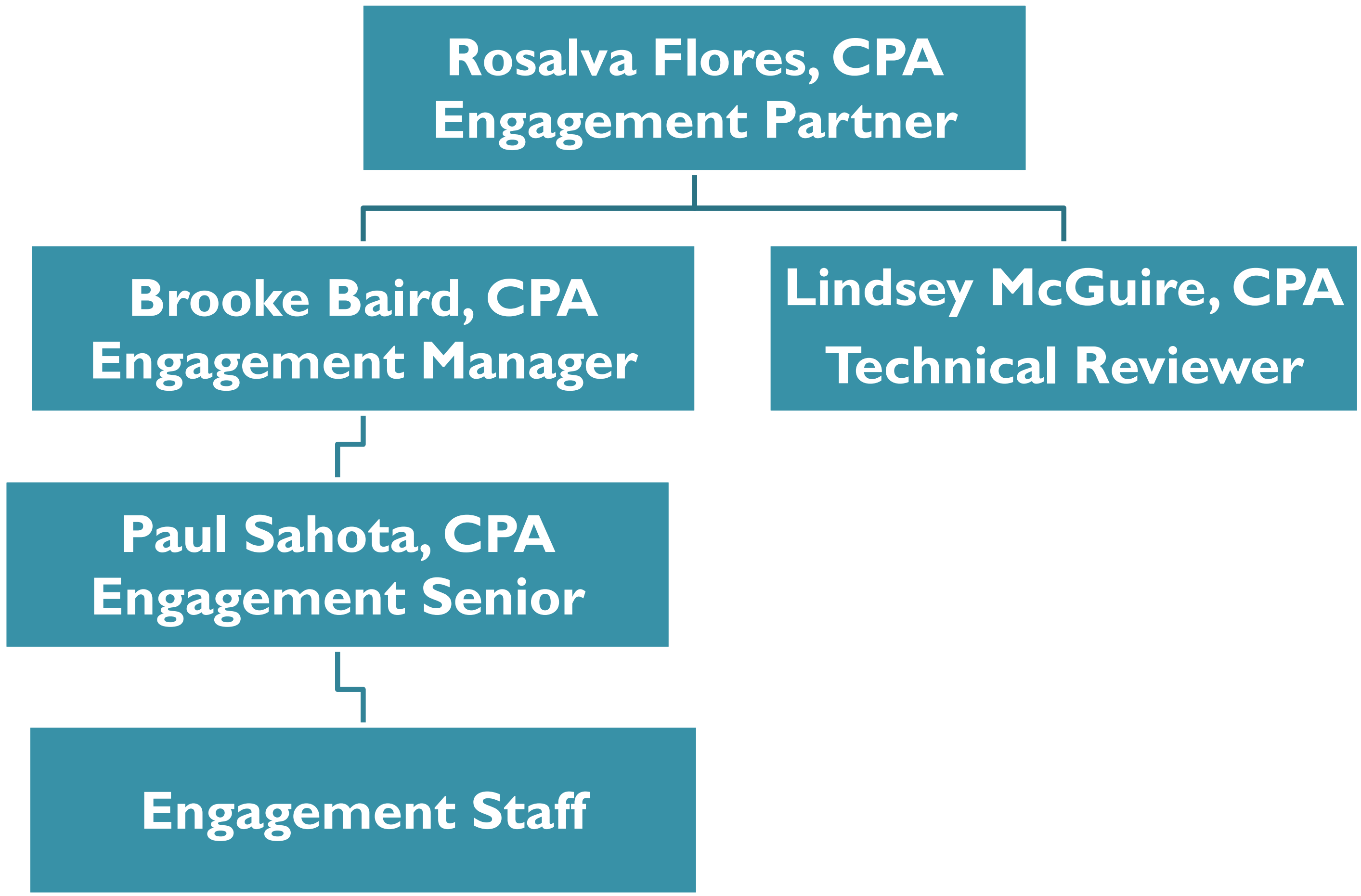
The Engagement Team



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Audit by Phase

Phase I	Phase II	Phase III	Phase IV
←	Audit Planning	→	
	Interim Field Work	**Final Field Work**	**Completion**
Familiarize ourselves with operating environment	Assess internal control environment	Plan and perform substantive audit procedures	Perform completion procedures
Perform risk assessment procedures	Perform Statement on Auditing Standards (SAS) 99 (fraud evaluation) procedures	Conduct final analytical review	Draft internal control management letter comments
Determine planning materiality	Identify internal control strengths and weaknesses	Consider audit evidence sufficiency	Draft Reports
Perform preliminary analytical review	Evaluate design and implementation of selected controls	Conclude on critical accounting matters	Draft management letter
Develop Audit Plan	Test controls over financial reporting and administration		Conduct Exit Conference with management, including discussion of proposed audit adjustments, internal control and compliance findings, and management letter
Identify significant audit areas	Understand accounting and reporting activities		Issue auditor's reports and management letter
Determine nature and extent of audit procedures			
Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary			
Confirmation of account balances			

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Audit Timeline/Critical Dates List

Items	Due Date	Status
AUDITOR to provide population request to LACERS	Wednesday, June 27, 2018	Complete
AUDITOR to provide interim information request list to LACERS	Wednesday, June 27, 2018	Complete
LACERS to provide AUDITOR with populations and information for interim fieldwork testing	Friday, July 13, 2018	Complete
Beginning of interim audit fieldwork at LACERS' office.	Monday, July 30, 2018	Complete
Items on interim fieldwork information request lists due	Monday, July 30, 2018	Complete
LACERS to provide trial balance and statements as of 5/31/18	Monday, July 30, 2018	Complete
AUDITOR to provide templates for custodian, investment managers, legal, and actuary confirmations	Week of July 30, 2018	Complete
Expected completion of interim fieldwork	Friday, August 3, 2018	Complete
AUDITOR to provide year-end information request list	Friday, August 10, 2018	Complete

Brown Armstrong
Certified Public Accountants

Audit Timeline/Critical Dates List (cont.)

Items	Due Date	Status
Custodian, investment managers, legal, and actuary confirmations returned to AUDITOR for emailing	Friday, August 10, 2018	Complete
Custodian, investment managers, and actuary confirmations due to AUDITOR and send 2nd Request via email	Friday, August 24, 2018	Complete
LACERS to provide AUDITOR with 6-30-18 trial balance	Thursday, September 6, 2018	Complete
Beginning of final fieldwork at LACERS' office	Monday September 10, 2018	Complete
Items on final fieldwork information request lists due	Monday September 10, 2018	Complete
Expected completion date of fieldwork	Week of September 17, 2018	Complete
Legal confirmations due to AUDITOR	Monday, September 24, 2018	Complete
Exit teleconference call with LACERS to go over results of fieldwork	Thursday, September 27, 2018	Complete
AUDITOR will provide authorization to release numbers to ACTUARY	Friday, September 28, 2018	Complete
LACERS to provide AUDITOR with draft cash and investment note/schedules	Wednesday, October 10, 2018	Complete

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Audit Timeline/Critical Dates List (cont.)

Items	Due Date	Status
AUDITOR to provide LACERS with draft financial section of CAFR	Friday, October 12, 2018	Complete
LACERS to provide AUDITOR with actuarial valuation reports	Tuesday, November 13, 2018	Complete
LACERS to provide AUDITOR with MD&A and suggested changes to draft	Wednesday, November 14, 2018	Complete
AUDITOR to provide LACERS with drafts of reports, including findings and recommendations	Friday, November 16, 2018	Complete
LACERS to provide AUDITOR with responses to findings and recommendations	Tuesday, November 20, 2018	Complete
AUDITOR to provide soft copy of signed Audited Financial Statements (for Annual Report to State)	Tuesday, November 27, 2018	Complete
AUDITOR to deliver 30 bound copies of the audit report to LACERS	Thursday, November 29, 2018	Complete
AUDITOR to present Financial Section at LACERS Board Meeting	Tuesday, December 11, 2018	
LACERS to provide AUDITOR with draft of entire CAFR	Tuesday, December 18, 2018	
AUDITOR will provide all recommendations, revisions, and suggestions for improvement to the CAFR	Thursday, December 20, 2018	
LACERS to submit CAFR to GFOA (information only) - No action	Wednesday, December 26, 2018	

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Significant Risk Areas

Area of Significance	Brown Armstrong's Response
Revenue recognition	•Test of controls was performed over contribution amounts as part of participant data •Substantive analytics were performed
Management override of controls	•An understanding of controls over journal entries was obtained and a detailed testing of journal entries was performed •Inquiries performed with individual involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries
Information Technology (IT)	•Walkthrough performed over General Controls •Full scope was performed in the current year since LACERS implemented a new pension administration system during the audit period. We expanded our tests to include controls related to data conversion and validation, change management, software development, logical security and access related to the new system. We have already discussed our comments and suggestions to strengthen controls with management. We will review the status of these comments during our next audit engagement.

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Significant Audit Areas

Area of Significance	Brown Armstrong's Response
Investments and related earnings	•Walkthrough of controls performed •High level analytics performed on investment income •Confirmation with custodian, managers, and consultants •Reviewed GASB Statement No. 72 valuation inputs •Obtained audited financial statements and SOC reports for traditional investments and valuation methodologies, appraisals, etc. for private equity and real estate
Participant data and actuary	•Walkthrough and test of controls •Confirmed with the actuary •Testing of participant data, including active and terminated members, and employer payroll •Testing of OPEB participant data including determining eligibility of benefits •GASB Statements No. 67/68 •GASB Statement No. 74
Employer and employee contributions	•Walkthrough and test of controls •High level analytics
Benefit payments	•Walkthrough and test of controls •High level analytics

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Audit Adjustments Proposed

Adjustment in private equity and real estate investments resulting from the lag in reporting due to timing of information.	**$65 million and $11 million, respectively**

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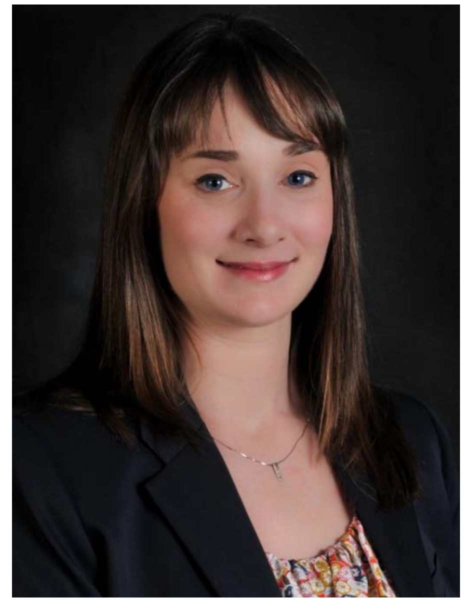
Audit Opinions Issued

Report	Opinion or Required Communication
Report on Financial Statements (Opinion)	Unmodified
Report on Internal Control Structure and Compliance with Laws and Regulations Over Financial Reporting and on Compliance and Other Matters	•No noncompliance noted •No material weaknesses, significant deficiencies, or control deficiencies
Required Communication to the Audit Committee and Board of Administration in Accordance with Statement on Auditing Standards (SAS) 114	•Significant estimates •Proposed Audit Adjustments

Questions? / Thank Staff



Rosalva Flores | Principal
Brown Armstrong Accountancy Corporation
4200 Truxtun Avenue, Suite 300
Bakersfield, California 93309
Tel: 661-324-4971 | Email: rflores@bacpas.com

Brooke DeCuir-Baird, CPA | Audit Manager
Brown Armstrong Accountancy Corporation
4200 Truxtun Avenue, Suite 300
Bakersfield, California 93309
T: 661-324-4971 | Email: bbaird@bacpas.com

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ATTACHMENT B

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

REPORT TO THE AUDIT COMMITTEE AND BOARD OF ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

TABLE OF CONTENTS

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE
23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee and Board of Administration of
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Angeles City Employees' Retirement System (LACERS), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively compromise LACERS' basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACERS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACERS' internal control. Accordingly, we do not express an opinion on the effectiveness of LACERS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LACERS' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACERS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERS' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 27, 2018

BROWN ARMSTRONG
Certified Public Accountants

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE
23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

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REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE AND BOARD OF ADMINISTRATION IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Audit Committee and Board of Administration of
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited the financial statements of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our scope of services outline to you dated October 23, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LACERS are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by LACERS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting LACERS' basic financial statements were:

- Management's estimate of the fair value of investments which is derived by various methods as explained in the notes to the basic financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- The recommended rates for employer contributions and net pension and net postemployment healthcare (OPEB) liabilities are based on the actuarial valuations including actuarially-presumed interest rate and assumptions which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. We evaluated the key factors and assumptions used to develop the employer contribution amounts and net pension and net OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Note 1 – *Description of LACERS and Significant Accounting Policies* and Note 6 – *Cash and Short-Term Investments and Investments* were derived from LACERS' investment policy. The estimated fair value of investments was derived by various methods as detailed in the notes to the basic financial statements.

- Additionally, the disclosures related to the net pension and net OPEB liabilities and actuarial methods and assumptions in Note 2 – *Retirement Plan Description* and Note 3 – *Postemployment Health Care Plan Description* were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Audit Management Issues
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Professional standards require us to accumulate all misstatements identified during the audit, if any, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the adjustments identified as a result of our audit procedures made by management and related to the lag in reporting of the private equity and real estate investments due to information not sufficiently timely for adjusting the financial statements.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the Management Representation Letter dated November 27, 2018.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the LACERS' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LACERS' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the Management Discussion and Analysis (MD&A); the Retirement Plan's Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns; and the Postemployment Health Care Plan's Schedule of Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses and Schedule of Investment Fees and Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We were not engaged to report on the introductory, investment, actuarial, and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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This report is intended solely for the information and use of the Audit Committee, Board of Administration, and management of LACERS, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 27, 2018

LACERS
SUMMARY OF PROPOSED AUDIT ADJUSTMENTS CORRECTED BY MANAGEMENT
6/30/2018

	Increase in Fiduciary Net Position (in 000's)
Difference from timing of investments due to lag in fair value reporting for:	
Private Equity	$ 64,949
Real Estate	10,847
Total Increase in Fiduciary Net Position	$ 75,796

ATTACHMENT C

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ATTACHMENT C

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Table of Contents

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG
Certified Public Accountants

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE
23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Retirement Plan and Postemployment Health Care Plan Statement of Fiduciary Net Position of the Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of June 30, 2018, and the related Retirement Plan and Postemployment Health Care Plan Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise LACERS basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LACERS preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERS internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement Plan and Postemployment Health Care Plan of LACERS as of June 30, 2018, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of LACERS that collectively comprise LACERS basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used in the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited LACERS June 30, 2017 financial statements, and our report dated November 21, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of LACERS internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERS internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS, the Plan, or the System) fiduciary net position as of June 30, 2018 was $16,989,616,000, an increase of $1,300,046,000 or 8.3% over the prior fiscal year.
- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, and net investment income, were $2,306,348,000, a 12.4% decrease from the prior fiscal year.
- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*
- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.
- Net investment income for this fiscal year was $1,518,879,000, representing an 18.1% decrease compared with an investment income of $1,854,901,000 for the previous reporting period.
- The total deductions from the fiduciary net position were $1,006,302,000, a 6.1% increase from the prior fiscal year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.
- The System's Net Pension Liability (NPL) for the retirement benefits was $5,709,348,000 as of June 30, 2018. NPL, an important measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the Plan fiduciary net position. As the Plan fiduciary net position is equal to the market value of the System's assets, NPL is determined on a market value basis, and it fully reflects the Plan's investment performance (9.2% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL increased by $431,676,000.
- The System's Net Other Postemployment Benefits (OPEB) Plan Liability for the postemployment health care benefits was $580,456,000 as of June 30, 2018. Net OPEB Liability (NOL) is an important measure required by GASB Statement No. 74. NOL is determined on a market value basis, and is the difference between the Total OPEB Liability (TOL) and the Plan fiduciary net position (market value of the System's assets). NOL reflects the Plan's investment performance (9.2% rate of return, gross of fees) for this fiscal year. As compared with the previous fiscal year, the NOL increased by $13,512,000.
- The Plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 71.4%, which is the same as the funded ratio on a market value basis reported in the actuarial valuation for the retirement benefits.
- The Plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 82.2%, which is the same as the funded ratio on a market value basis reported in the actuarial valuation for the postemployment health care benefits.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data on LACERS operations.

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 12 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 13 provides a view of current year additions to, and deductions from, the fiduciary net position.

Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 14 - 35 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Retirement Plan, and the Schedule of Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 36 - 44 of this report.

Supplemental Schedules

The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 45 and 46 of this report.

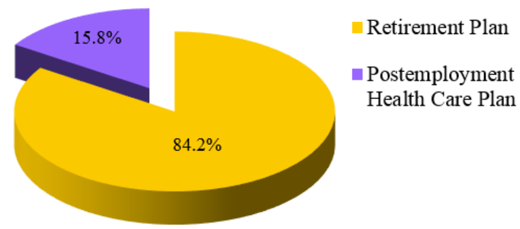
Management's Discussion and Analysis

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2018 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$14,313,245	84.2%
Postemployment Health Care Plan	2,676,371	15.8
Fiduciary Net Position	$16,989,616	100.0%



Fiduciary Net Position

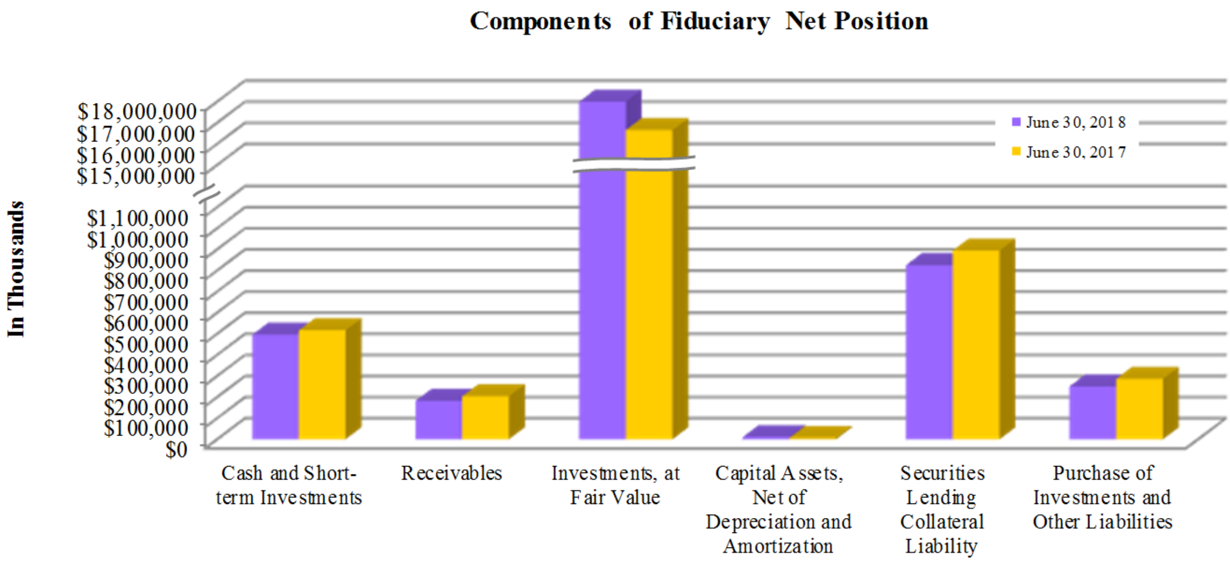
The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2018 and 2017 (dollars in thousands):

	June 30, 2018	June 30, 2017	Change	
Cash and Short-Term Investments	$ 470,390	$ 491,514	$ (21,124)	(4.3) %
Receivables	157,483	178,907	(21,424)	(12.0)
Investments, at Fair Value	17,357,845	16,122,440	1,235,405	7.7
Capital Assets, Net of Depreciation and Amortization	9,185	6,490	2,695	41.5
Total Assets	17,994,903	16,799,351	1,195,552	7.1
Securities Lending Collateral Liability	795,076	863,691	(68,615)	(7.9)
Purchase of Investments and Other Liabilities	210,211	246,090	(35,879)	(14.6)
Total Liabilities	1,005,287	1,109,781	(104,494)	(9.4)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 16,989,616	$ 15,689,570	$ 1,300,046	8.3 %

Management's Discussion and Analysis

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Fiduciary net position increased by $1,300,046,000, or 8.3%, during this fiscal year.

Net Increase (Decrease) in Fiduciary Net Position

The increase in fiduciary net position during the reporting period was the net effect of factors that either added to or deducted from the fiduciary net position. The following table summarizes the changes in fiduciary net position during the report year, as compared with the prior year (dollars in thousands):

	June 30, 2018	June 30, 2017	Change	
Additions	$ 2,306,348	$ 2,633,394	$ (327,047)	(12.4) %
Deductions	1,006,302	948,883	57,419	6.1
Net Increase in Fiduciary Net Position	1,300,046	1,684,511	(384,466)	(22.8)
Fiduciary Net Position, Beginning of Year	15,689,570	14,005,059	1,684,511	12.0
Fiduciary Net Position, End of Year	$ 16,989,616	$ 15,689,570	$ 1,300,046	8.3 %

Management's Discussion and Analysis

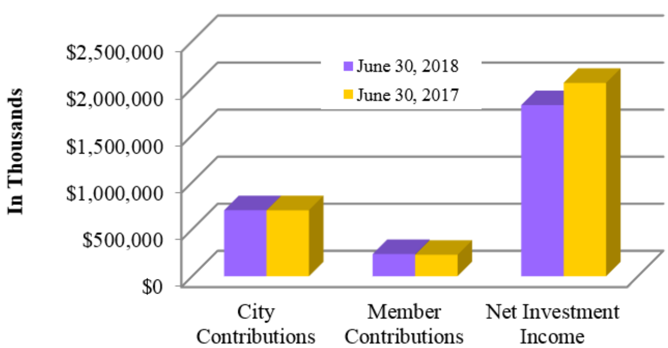
Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Additions to Fiduciary Net Position

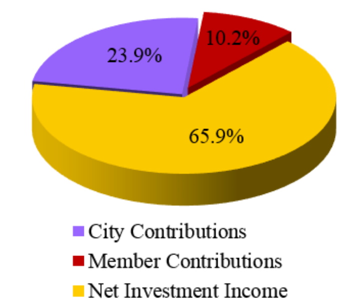
The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2018 and 2017 (dollars in thousands):

	June 30, 2018	June 30, 2017	Change
City Contributions	$ 551,247	$ 550,961	0.1 %
Member Contributions	236,222	227,532	3.8
Net Investment Income	1,518,879	1,854,901	(18.1)
Additions to Fiduciary Net Position	$ 2,306,348	$ 2,633,394	(12.4) %

Additions to Fiduciary Net Position



Allocation of Total Additions June 30, 2018



The additions to LACERS fiduciary net position include three main items that constitute the funding sources of LACERS benefits: City Contributions, Member Contributions, and Net Investment Income.

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were $551,247,000 during the fiscal year. The total increase of $286,000 (or 0.1%) over the prior fiscal year was due to a higher payroll base (approximately 4.3% increase in payroll). The total City contributions include a true-up credit adjustment, a reduction from the advance payment of $23,746,000 to reconcile the difference of the City's contributions based on projected payroll against actual payroll. This true-up amount, which included accrued interest at 7.25%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 26.79% (21.88% for the Retirement Plan and 4.91% for the Postemployment Health Care Plan), which is 1.13% lower than the prior fiscal year at 27.92%. The actual contribution to the Retirement Plan in the amount of $450,195,000 was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. The actual contribution to the Postemployment Health Care Plan in the amount of $100,909,000 was equal to 100% of the Actuarially Determined Contribution of the employer, as defined by GASB Statement No. 74.

Management's Discussion and Analysis

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Additions to Fiduciary Net Position (Continued)

In fiscal year 2017-18, Member contributions were $236,222,000, which was $8,690,000 or 3.8% greater than the prior year. The primary cause of the increased contributions was the increase in number of Members and their salaries during the fiscal year.

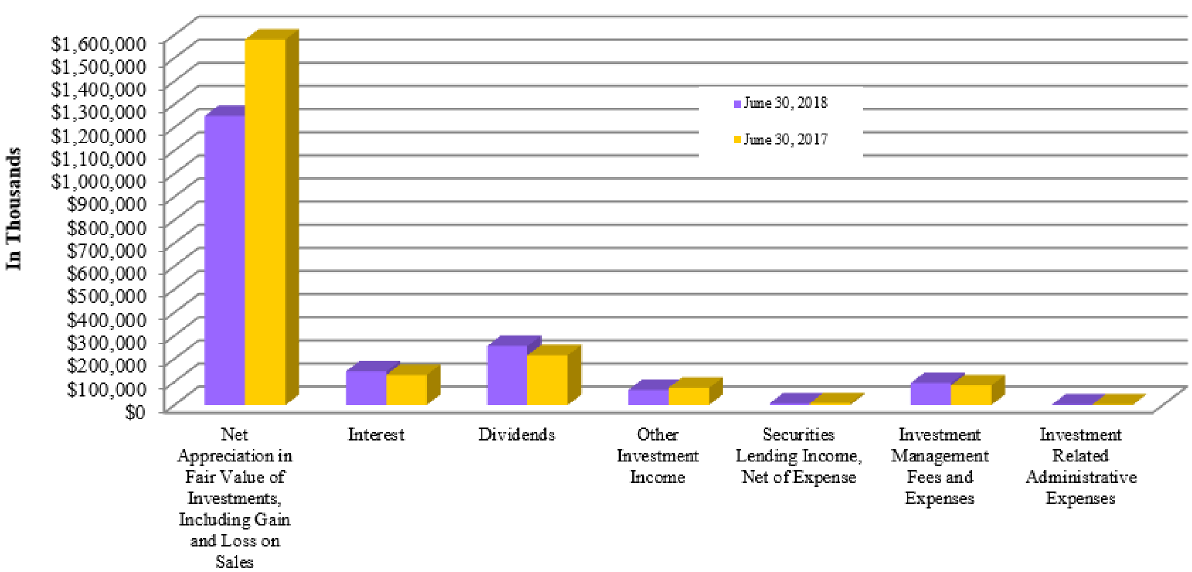
The net investment income was $1,518,879,000, which included $1,206,714,000 of net appreciation in the fair value of investments. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management fees and expenses for the fiscal years ended June 30, 2018 and 2017 (dollars in thousands):

	June 30, 2018	June 30, 2017	Change
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	$ 1,206,714	$ 1,556,934	(22.5) %
Interest	107,942	102,138	5.7
Dividends	220,106	195,794	12.4
Other Investment Income	55,094	64,037	(14.0)
Securities Lending Income, Net of Expense	6,959	7,842	(11.3)
Sub-Total	1,596,815	1,926,745	(17.1)
Less: Investment Management Fees and Expenses	(76,213)	(69,969)	8.9
Investment Related Administrative Expenses	(1,723)	(1,875)	(8.1)
Net Investment Income	$ 1,518,879	$ 1,854,901	(18.1) %

Investment Income and Expenses



Management's Discussion and Analysis

Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $1,518,879,000, as compared with the income of $1,854,901,000 for the previous fiscal year (18.1% decrease). The primary cause of the decrease of investment income was a lower net appreciation, including gain and loss on sales, in the fair value of the investments of $1,206,714,000 as compared with the previous fiscal year's amount of $1,556,934,000. Major U.S. and non-U.S. equity indices achieved strong returns during the fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 14.8%; the Standard & Poor's 500 Index, a gauge of U.S. large capitalization equities, returned 14.4%. In the non-U.S. markets, the MSCI World Ex-U.S. Index, which tracks non-U.S. equities in developed markets, returned 7.3%; MSCI Emerging Markets Index returned 8.2%. With the passage of Assembly Bill No. 2833 in January 2017, private equity and real estate funds have provided more detailed disclosure on fees, expenses, and carried interest. The net appreciation as reported reflects a deduction for carried interest in the amount of $48,196,000, which represents a profit share that the general partners of these funds received as a compensation after the performance of the funds achieved agreed-upon return level.

Interest income derived from bonds and other fixed income securities increased by $5,804,000 (5.7%), which was attributed primarily to an increase in LACERS fixed income holdings relative to the previous fiscal year.

Dividend income derived from equities increased by $24,312,000 (12.4%) due to an increase in public equity holdings relative to the previous fiscal year.

Other investment income, primarily derived from private equity and private real estate partnership investments, decreased by $8,943,000 (14.0%) to $55,094,000 in the current fiscal year. This decrease was attributed to a slowdown of partnership distributions during the current fiscal year.

LACERS earns additional investment income by lending the securities to borrowers through its custodian bank. The borrowers provide cash or non-cash collateral to LACERS custodian bank. To earn income for LACERS, the custodian bank invests the cash collateral pledged by borrowers on behalf of LACERS in short-term fixed-income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the reporting year, LACERS securities lending income (net of expense) decreased by $883,000 (11.3%) from a year ago due to lower borrower demand for securities held in the LACERS portfolio.

Investment management fees, expenses, and investment related administrative expenses increased by $6,092,000 (8.5%) from the prior fiscal year. This increase corresponded with the increase in the fair value of LACERS investments over the fiscal year.

Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position

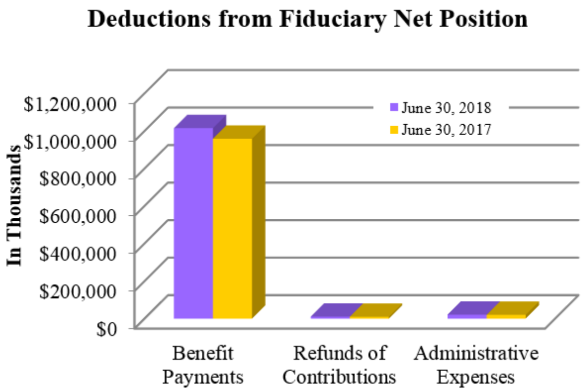
The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2018 and 2017 (dollars in thousands):

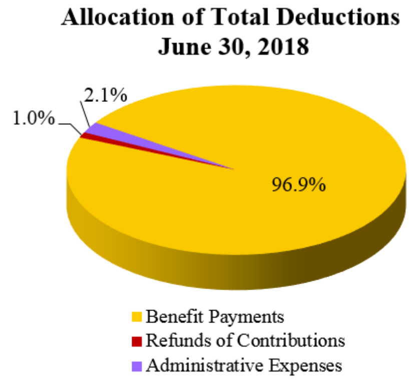
	June 30, 2018	June 30, 2017	Change
Benefit Payments	$ 975,112	$ 918,837	6.1%
Refunds of Contributions	10,412	9,803	6.2
Administrative Expenses	20,778	20,243	2.6
Deductions from Fiduciary Net Position	$ 1,006,302	$ 948,883	6.1%

Management's Discussion and Analysis

Financial Analysis (Continued)

Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position (Continued)





LACERS deductions from fiduciary net position in the reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $57,419,000 or 6.1% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by $56,275,000 or 6.1%. The benefit payments for the Retirement Plan increased by $47,811,000 (6.0%) mainly due to the annual cost of living adjustments (COLA) (approximately 1.9% increase on average with a maximum of 3.0%); an increased number of retirees and beneficiaries; the average retirement allowance of newly retired Members being higher than those of the deceased Members who were removed from the retirement payroll; and a $1,335,000 one-time payment to the Los Angeles Fire and Police Pension System (LAFPP) representing Retirement Plan benefits of 42 Airport Peace Officers who opted to transfer to LAFPP in January 2018 (refer to Note 2 – Retirement Plan Description on pages 16 - 17). Payments for Postemployment Health Care Plan benefits also increased by $8,465,000 (7.1%). This increase was mainly due to the increase of the maximum health insurance subsidy from $1,737 to $1,791 per month based on the higher renewed medical premium rates for the calendar year 2018; the higher basic Medicare Part B premium reimbursement for the eligible Members; the increased number of retired Members and their dependents eligible for medical subsidy; and a $517,000 one-time payment to LAFPP for the Postemployment Health Care Plan benefits of 42 Airport Peace Officers who opted to transfer to LAFPP. However, the increase caused by these factors was lessened by the one-time defrayal of $4,010,000 from a postemployment health care provider for the return of excess premium stabilization reserves during this reporting period.

The refunds of Member contributions increased by $609,000 (6.2%) from the prior fiscal year's $9,803,000 mainly due to the refunds of $1,170,000 Member contributions of 42 Airport Peace Officers who transferred to the LAFPP (refer to Note 2 – Retirement Plan Description on pages 16 - 17).

LACERS administrative expenses increased by $535,000 or 2.6% from the prior fiscal year. This increase was primarily due to salary factors such as granted COLA increases and LACERS share of employer contributions to employee retirement and OPEB benefits. In addition, due to the amortization of capitalized costs of the LACERS Pension Administration System, much higher depreciation expenses were reported in this year's administrative expenses.

Requests for Information

This financial report is designed to provide a general overview of LACERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Section
PO Box 512218
Los Angeles, CA 90051-0218

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2018 with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2018 Total	2017 Total
Assets				
Cash and Short-Term Investments	$ 396,290	$ 74,100	$ 470,390	$ 491,514
Receivables				
Accrued Investment Income	48,220	9,017	57,237	52,777
Proceeds from Sales of Investments	72,672	13,589	86,261	112,601
Other	11,782	2,203	13,985	13,529
Total Receivables	132,674	24,809	157,483	178,907
Investments, at Fair Value				
U.S. Government Obligations	988,611	184,856	1,173,467	946,935
Municipal Bonds	2,129	398	2,527	4,280
Domestic Corporate Bonds	700,560	130,995	831,555	921,082
International Bonds	460,764	86,156	546,920	561,188
Other Fixed Income	871,072	162,878	1,033,950	868,775
Bank Loans	4,547	850	5,397	6,361
Opportunistic Debts	92,614	17,317	109,931	90,404
Domestic Stocks	3,963,597	741,136	4,704,733	4,216,604
International Stocks	4,278,603	800,038	5,078,641	4,803,077
Mortgages	357,725	66,889	424,614	390,496
Government Agencies	34,593	6,469	41,062	33,690
Derivative Instruments	843	157	1,000	2,360
Real Estate	675,353	126,281	801,634	834,848
Private Equity	1,522,628	284,710	1,807,338	1,578,649
Securities Lending Collateral	669,828	125,248	795,076	863,691
Total Investments	14,623,467	2,734,378	17,357,845	16,122,440
Capital Assets				
Furniture, Computer Hardware and Software (Net of Depreciation and Amortization)	7,738	1,447	9,185	6,490
Total Assets	15,160,169	2,834,734	17,994,903	16,799,351
Liabilities				
Accounts Payable and Accrued Expenses	34,513	6,454	40,967	37,588
Accrued Investment Expenses	8,808	1,647	10,455	10,779
Purchases of Investments	133,775	25,014	158,789	197,723
Securities Lending Collateral	669,828	125,248	795,076	863,691
Total Liabilities	846,924	158,363	1,005,287	1,109,781
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	**$ 14,313,245**	**$ 2,676,371**	**$ 16,989,616**	**$ 15,689,570**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2018 with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2018 Total	2017 Total
Additions				
Contributions				
City Contributions	$ 450,338	$ 100,909	$ 551,247	$ 550,961
Member Contributions	236,222	-	236,222	227,532
Total Contributions	686,560	100,909	787,469	778,493
Investment Income				
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	986,069	220,645	1,206,714	1,556,934
Interest	90,593	17,349	107,942	102,138
Dividends	184,730	35,376	220,106	195,794
Other Investment Income	46,239	8,855	55,094	64,037
Securities Lending Income	6,870	1,315	8,185	9,225
Less: Securities Lending Expense	(1,002)	(224)	(1,226)	(1,383)
Sub-Total	1,313,499	283,316	1,596,815	1,926,745
Less: Investment Management Fees and Expenses	(62,277)	(13,936)	(76,213)	(69,969)
Investment Related Administrative Expenses	(1,408)	(315)	(1,723)	(1,875)
Net Investment Income	1,249,814	269,065	1,518,879	1,854,901
Total Additions	1,936,374	369,974	2,306,348	2,633,394
Deductions				
Benefit Payments	847,031	128,081	975,112	918,837
Refunds of Contributions	10,412	-	10,412	9,803
Administrative Expenses	16,394	4,384	20,778	20,243
Total Deductions	873,837	132,465	1,006,302	948,883
Net Increase in Fiduciary Net Position	1,062,537	237,509	1,300,046	1,684,511
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits				
Beginning of Year	13,250,708	2,438,862	15,689,570	14,005,059
End of Year	**$ 14,313,245**	**$ 2,676,371**	**$ 16,989,616**	**$ 15,689,570**

The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

1. Description of LACERS and Significant Accounting Policies

General Description

The Los Angeles City Employees' Retirement System (LACERS, the Plan, or the System) is under the exclusive management and control of its Board of Administration (the Board), whose authority is granted by statute in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. The Board has seven members. Four members, one of whom shall be a retired Member of the System, shall be appointed by the Mayor subject to the approval of the City Council. Two members shall be active employee Members of the System elected by active employee Members. One shall be a retired Member of the System elected by retired Members of the System. Elected Board members serve five-year terms in office, with no term limits. The System is a Department of the Municipality of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles Annual Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 16 - 25 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Members who entered the System prior to February 21, 2016 are Tier 1 Members of LACERS. On or after February 21, 2016, new Members become Members of LACERS Tier 3 (refer to Note 2 – Retirement Plan Description on pages 17 - 18, and Note 3 – Postemployment Health Care Plan Description on page 21 for each tier's eligibility requirements and benefits provided).

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP) as outlined by the Governmental Accounting Standards Board (GASB). The financial statements are maintained on the accrual basis of accounting. Contributions from the employer and Members were recognized when due pursuant to formal commitments and contractual requirements. Benefits, refunds, and other expenses are recognized when due and payable. The accompanying financial statements include information from the prior year summarized for comparative purpose only. Such information does not include sufficient detail to constitute a presentation in accordance with US GAAP.

Investments

Investment Policies

Funds of the System are invested pursuant to the System's investment policy, established by the Board, in compliance with Article XI Section 1106(d) of the City Charter. The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The System's investment portfolio is composed of domestic and international equities, domestic and international bonds, bank loans, derivative instruments, real assets, private equity, and short-term investments. During the reporting period, there were no significant investment policy changes.

As of June 30, 2018, the Board's adopted asset allocation policy was as follows:

Asset Class	Target Allocation
Domestic and International Equities	46.00%
Domestic and International Bonds	13.75
Private Equity	14.00
Real Assets	13.00
Short-Term Investments	1.00
Credit Opportunities	12.25
Total	100.00%

Fair Value of Investments

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, stocks, and private equities are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with industry practice. The fair value determined as such is also reviewed and evaluated by the Board's real estate consultant. The private equity funds ("partnership investment"), which are managed by third party investment managers, are valued on a quarterly and/or annual basis at their net asset value as reported by the investment managers under US GAAP. US GAAP requires that assets be reported at fair value in accordance with Accounting Standards Codification Topic 820 – *Fair Value Measurement and Disclosures.* The fair values of derivative instruments are determined using available market

Notes to the Basic Financial Statements

1. Description of LACERS and Significant Accounting Policies (Continued)

Investments (Continued)

information. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. LACERS investment strategy, as it relates to the debt portfolio, is mainly to achieve market appreciation and not to hold bonds to their maturities.

The provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*, require investments to be measured at fair value as well as to classify the inputs used to determine fair value based on a three-level fair value hierarchy. This information is presented in Note 6 on pages 30 - 32.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Fiduciary Net Position under Receivables and labeled as Proceeds from Sales of Investments, and amounts payable for purchases are reported under (Current) Liabilities and labeled as Purchases of Investments. Dividend income is recorded on the ex-dividend date. Interest income is reported at the stated interest rate as earned, and any premiums or discounts on debt securities are not amortized. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of LACERS pension plan investment. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

For the future contracts, an initial margin is required to open a position and maintain the collateral requirement until the position is closed. LACERS reports the collateral for the future contracts in the short-term investments.

Concentrations

The investment portfolio as of June 30, 2018, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments

For the fiscal year ended June 30, 2018, the aggregate annual money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan on LACERS investments, net of investment expenses, was 9.55%.

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI) on pages 39 and 44, respectively.

Receivables

As of June 30, 2018, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

Prior to July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment, were recorded and expensed in the year acquired. Effective July 1, 2001, these purchases were capitalized upon acquisition if the cost of purchase was $5,000 or more, and depreciated over five years using the straight-line method.

In order to comply with the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, certain costs for developing LACERS new Pension Administration System (PAS), a customized software solution critical to LACERS core operations, had been capitalized. The total capitalized cost for the PAS project up to its completion in February 2018 was $9,098,000, and it will be amortized over 15 years using the straight-line method.

Administrative Expenses

All administrative expenses are funded from LACERS fiduciary net position, which represents accumulated investment earnings and contributions from the City and the Members net of payments.

Reserves

As provided in the Los Angeles City Charter, LACERS is maintained on a reserve basis, determined in accordance with recognized actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Reserves for the Retirement Plan

Member Contributions (Mandatory) – To provide for individual accounts of Members consisting of Active Member mandatory contributions to the Retirement Plan and interest credited to Members' accounts, less refunds of Members contributions and transfers to the Annuity reserve.

Notes to the Basic Financial Statements

1. Description of LACERS and Significant Accounting Policies (Continued)

Reserves (Continued)

Reserves for the Retirement Plan (Continued)

Member Contributions (Voluntary) – To provide for individual accounts of Members participating in the larger annuity program of Active Member voluntary contributions and interest/investment return credited to Members' accounts, less refunds of Member contributions (voluntary) and transfers to the Larger Annuity reserve.

Basic Pensions – To provide for the City's guaranteed portion of retirement benefits consisting of City contributions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to retired Members.

Annuity – To provide for the Members' share of retirement benefits consisting of Members' mandatory contribution balances transferred at retirement; investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments; less payments to retired Members.

Larger Annuity – To provide for the Larger Annuity benefit consisting of Members' voluntary contribution balances transferred at retirement including Internal Revenue Service (IRS) Section 457 deferred compensation and other rollovers; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to participating retired Members.

Family Death Benefit Plan (FDBP) – To pay benefits under the Family Death Benefit Plan administered by LACERS consisting of Active Member voluntary contributions; matching City contributions; and investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to beneficiaries.

Reserve for the Postemployment Health Care Plan

To provide health care benefits for retirees consisting of City contributions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to insurance providers and reimbursements to retired Members.

Reserve balances as of June 30, 2018, were as follows (in thousands):

Reserves for the Retirement Plan		
Member Contributions:		
- Mandatory	$ 2,391,394	
- Voluntary	6,986	
Basic Pensions	11,311,879	
Annuity	531,958	
Larger Annuity	54,407	
FDBP	16,621	$ 14,313,245
Reserve for the Postemployment Health Care Plan		2,676,371
Total Reserves		$ 16,989,616

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

2. Retirement Plan Description

Plan Administration and Membership

LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits.

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, certain Port Police officers of the Harbor, and certain Airport Peace Officers of the Airports who elected to opt out of LACERS. Upon transferring all active Tier 2 Members to Tier 1 as of February 21, 2016, Membership to Tier 1 is now closed to new entrants unless a Member meets one of the exceptions allowed in the Ordinance (No. 184134). Eligible employees hired on or after February 21, 2016 become Members of Tier 3.

Notes to the Basic Financial Statements

2. Retirement Plan Description (Continued)

Plan Administration and Membership (Continued)

As of June 30, 2018, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	18,460
Non-vested	7,582
	26,042
Inactive:	
Non-vested	5,158
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,870
Retired	19,379
Total	53,449

Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member who has five or more years of continuous City service terminates employment, the Member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

Eligibility Requirement and Benefits Provided

Tier 1
Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly pensionable salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit. Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Tier 1 – Enhanced Benefits
In November 2016, voters approved a ballot measure resulting in approximately 550 sworn Airport peace officers provided an election to opt-out of the LACERS Plan and transfer to the Los Angeles Fire and Police Pension (LAFPP) Plan as its Tier 6 Members.

On March 28, 2017, the City Council adopted an ordinance (No. 184853) to amend the Los Angeles Administrative Code (LAAC) authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer into Tier 6 of LAFPP Plan or to remain in LACERS Plan with enhanced benefits. All new APO hired after that date would be enrolled in LAFPP Tier 6. Under the ordinance, APO Members who elect to remain in LACERS would be Tier 1 Members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.30% (versus 2.16% for all other Tier 1 Members), contingent upon a mandatory additional contribution payment of $5,700 required by LAAC Section 4.1002(e)(2) to LACERS before January 8, 2019, or prior to the Member's retirement date, whichever is earlier.

On January 7, 2018, the enhanced benefits became effective, with 503 APO Members electing to remain Members of LACERS and 42 APO Members transferring to LAFPP. As of June 30, 2018, 116 APO Members paid their mandatory additional contribution of $5,700, inclusive of 31 APO Members who retired with the enhanced benefits.

Tier 3
Plan Members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provided that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Plan Members also are eligible to retire with an age-based reduced benefit before reaching age 60 with 30 or more years of City service with a retirement factor of 2.0%. If the Member is age 55 or older with 30 years of service at the time of retirement, his or her retirement

Notes to the Basic Financial Statements

2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

allowance will not be subject to reduction on account of age. However, if the Member is younger than age 55 with 30 years of service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, the System also provides Tier 3 Members enhanced retirement benefits with a 2.0% retirement factor if the Member retires at age 63 with at least 10 years of service, or a retirement factor of 2.1% if the Member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the Member's retirement factor (1.5% - 2.1%), with the Member's Final Average Compensation (FAC) based on the Member's pensionable salary for the last 36 months or any other 36 consecutive months designated by the Member, and by the Member's years of service credit (SC) as follows:

Age at Retirement	Required Years of Service	Retirement Benefit(1)
Under 55	30 Years	2.0% x FAC x Yrs. of SC(2)
55 and Over	30 Years	2.0% x FAC x Yrs. of SC
60 and Over	10 Years	1.5% x FAC x Yrs. of SC
63 and Over	10 Years	2.0% x FAC x Yrs. of SC
63 and Over	30 Years	2.1% x FAC x Yrs. of SC

(1) Retirement allowance may not exceed 80% of final compensation except when benefit is based solely on the annuity component funded by the Member's contributions.

(2) A reduction factor will be applied based on age at retirement.

Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

There were no Tier 3 Members who retired during this reporting period.

Cost of Living Adjustment

Retirement allowances are indexed annually for inflation. The Board has authority to determine, no later than May 1st of each year, the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a Cost of Living Adjustment (COLA) to the benefits of eligible Members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 Members or 2.0% for Tier 3 Members. For Tier 1 Members, the COLA percentage greater than 3.0% is banked for future use.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2018, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 22.21% of projected payroll, based on the June 30, 2016 actuarial valuation. Upon closing the fiscal year 2017-18, LACERS re-calculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2017. As a result, employer contributions received for the Retirement Plan were $19,980,000 more than required, and this amount was credited to the employer toward employer contributions for fiscal year 2018-19. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 21.88% for fiscal year 2017-18.

Member Contributions

Tier 1

The current contribution rate for Tier 1 Members is 11% of their pensionable salary including: 1) a 1% increase in the Member contribution rate pursuant to 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first); and 2) 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance.

Notes to the Basic Financial Statements

2. Retirement Plan Description (Continued)

Member Contributions (Continued)

Tier 3

The contribution rate for Tier 3 Members is 11% of their pensionable salary including 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 Members do not pay ERIP contribution, therefore, Tier 3 Members' contribution rate will not drop down when Tier 1 Members cease to pay the 1% ERIP contribution.

Net Pension Liability

In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Family Death and Larger Annuity Benefits. As of June 30, 2018, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 19,944,578
Plan Fiduciary Net Position [1]	14,235,230
Plan's Net Pension Liability	$ 5,709,348
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.4%

(1) Plan fiduciary net position was $14,313,245,000 as of June 30, 2018 without excluding amounts associated with Family Death and Larger Annuity Benefits.

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2018, are summarized below:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Method – assuming a closed group (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation assumption at 3.00% and the real across-the-board salary increase assumption of 0.50%.
Annual COLAs	3.00% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017.
Percent Married / Domestic Partner	76% of male participants and 50% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Notes to the Basic Financial Statements

2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2018 and June 30, 2017.

The projection of cash flows used to determine the discount rate assumed plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make "all" projected future benefit payments for current plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2018 and June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuation as of June 30, 2018.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.3%
U.S. Small Cap Equity	5.00	6.1
Developed Int'l Large Cap Equity	17.00	6.7
Developed Int'l Small Cap Equity	3.00	7.1
Emerging Market Equity	7.00	8.9
Core Bonds	13.75	1.0
High Yield Bonds	2.00	3.1
Bank Loans	2.00	3.0
Emerging Market Debt	4.50	3.4
Private Debt	3.75	5.5
Private Real Estate	7.00	4.7
Real Estate Investment Trust (REIT)	0.50	5.9
Treasury Inflation Protected Securities (TIPS)	3.50	1.0
Commodities	1.00	3.4
Public Real Assets	1.00	4.8
Private Equity	14.00	9.0
Cash	1.00	0.0
Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2018, calculated using the discount rate of 7.25%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$8,449,879	$5,709,348	$3,451,003

Notes to the Basic Financial Statements

3. Postemployment Health Care Plan Description

Plan Administration and Membership

LACERS administers, and provides single-employer postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan regardless of their membership tiers. These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s).

As of June 30, 2018, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses(1)	15,144
Vested terminated Members entitled to, but not yet receiving benefits(2)	1,401
Active Members	26,042
Total	42,587

(1) Total participants including married dependents and dependent children currently receiving benefits are 20,288.
(2) Includes terminated Members due a refund of employee contributions.

Eligibility Requirement and Benefits Provided

To be eligible for LACERS postemployment healthcare benefits, Member must: 1) be at least age 55; 2) have at least 10 whole years of service with LACERS; and 3) be enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

The maximum subsidies are set annually by the Board. Effective February 21, 2016, healthcare benefit eligibility requirements have changed for the Members who have periods of part-time service. Such Members are now eligible to participate in the LACERS retiree medical programs with a 10 whole years of service, even if some or all of that service was part-time, provided that the Member meets the eligibility requirements. Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Plan Members are entitled to the System's postemployment healthcare benefits after the retired Member's death. During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2018, all active Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap (refer to Member Contributions of Note 2 – Retirement Plan Description on page 18).

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2018, was 4.92% of projected payroll, based on the June 30, 2016 actuarial valuation.

Upon closing the fiscal year 2017-18, LACERS re-calculated employer contribution rate using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2017. As a result, employer contributions for Postemployment Health Care Plan were $3,766,000 more than required, and this amount was returned to the employer as a credit toward employer contribution for fiscal year 2018-19. Based on the actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 4.90%.

Notes to the Basic Financial Statements

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability

As of June 30, 2018, the components of the net OPEB liability were as follows (in thousands):

Total OPEB Liability	$ 3,256,827
Plan Fiduciary Net Position	(2,676,371)
Plan's Net OPEB Liability	$ 580,456
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.2%

Significant Assumptions

The total OPEB liability as of June 30, 2018 was determined by actuarial valuation as of June 30, 2018. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation, and healthcare cost trend rates in the valuation year of June 30, 2018, are summarized below:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.50% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2017 (July 1, 2014 through June 30, 2017)
Long-Term Expected Rate of Return	7.25%
Inflation	3.00%
Salary Increase	Range from 3.90% to 10.00% based on years of service, including inflation assumption at 3.00%.
Mortality Table for Retirees and Beneficiaries	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017.
Mortality Table for Disabled Retirees	Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Participation	50% of inactive Members are assumed to receive a subsidy for a City approved health carrier. 100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Notes to the Basic Financial Statements

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2018-2019 and later years are:

First Fiscal Year (July 1, 2018 through June 30, 2019)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.50%	4.29%
Anthem Blue Cross HMO	(1.75%)	N/A
Anthem Blue Cross PPO	3.50%	3.25%
UHC Medicare HMO	N/A	3.25%

Fiscal Year 2019 - 2020 and later	
Fiscal Year	Trend (Approx.)
2019 - 2020	6.87%
2020 - 2021	6.62%
2021 - 2022	6.37%
2022 - 2023	6.12%
2023 - 2024	5.87%
2024 - 2025	5.62%
2025 - 2026	5.37%
2026 - 2027	5.12%
2027 - 2028	4.87%
2028 - 2029	4.62%
2029 - 2030 and later	4.50%

Dental Premium Trend to be applied is 4.00% for all years.

Medicare Part B Premium Trend for the 2018-19 fiscal year will be calculated based on the actual increase in premium from 2018 to 2019. 4.00% for years following the 2019 calendar year.

Notes to the Basic Financial Statements

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25% as of June 30, 2018 and June 30, 2017. As contributions that are required to be made by the City to amortize the Unfunded Actuarial Accrued Liability in the funding valuation are determined on an actuarial basis, the future Actuarially Determined Contributions (ADC) and current Plan assets, when projected in accordance with the method prescribed by GASB Statement No. 74, are expected to be sufficient to make all benefit payments to current plan Members.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuation as of June 30, 2018.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	14.00%	5.3%
U.S. Small Cap Equity	5.00	6.1
Developed Int'l Large Cap Equity	17.00	6.7
Developed Int'l Small Cap Equity	3.00	7.1
Emerging Market Equity	7.00	8.9
Core Bonds	13.75	1.0
High Yield Bonds	2.00	3.1
Bank Loans	2.00	3.0
Emerging Market Debt	4.50	3.4
Private Debt	3.75	5.5
Private Real Estate	7.00	4.7
Real Estate Investment Trust (REIT)	0.50	5.9
Treasury Inflation Protected Securities (TIPS)	3.50	1.0
Commodities	1.00	3.4
Public Real Assets	1.00	4.8
Private Equity	14.00	9.0
Cash	1.00	0.0
Total	100.00%	

Notes to the Basic Financial Statements

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of LACERS as of June 30, 2018, calculated using the discount rate of 7.25%, as well as what LACERS net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 1,048,382	$ 580,456	$ 198,029

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of LACERS as of June 30, 2018, as well as what LACERS net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates(1)	1% Increase
$ 144,918	$ 580,456	$1,151,433

(1) Current healthcare cost trend rates: 6.87% graded down to 4.50% over 10 years for Non-Medicare medical plan costs, and 6.37% graded down to 4.50% over eight years for Medicare medical plan costs. The 2020-2021 premium increases include additional estimated increases of 1.00% (non-Medicare) and 0.50% (Medicare) from the impact of the Health Insurance Tax (HIT). 4.00% for all years for Dental and Medicare part B subsidy cost.

4. Contributions Required and Contributions Made

LACERS switched to the Entry Age cost method beginning from the June 30, 2012 actuarial valuation to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL) which is the difference between LACERS actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

The total contributions to LACERS for the year ended June 30, 2018, in the amount of $787,469,000 ($686,560,000 for the Retirement Plan and $100,909,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 450,195	$ 100,909
FDBP	143	-
Total City Contributions	450,338	100,909
Member Contributions	236,222	-
Total Contributions	$ 686,560	$ 100,909

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $450,195,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $100,909,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of $236,222,000 were made toward the Retirement Plan and the voluntary Family Death Benefit Plan.

5. Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 36 - 39 for the Retirement Plan and pages 40 - 44 for the Postemployment Health Care Plan.

Notes to the Basic Financial Statements

6. Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of LACERS funds, and should discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2018, for the Retirement Plan and Postemployment Health Care Plan included approximately $2,509,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $467,881,000 for a total of $470,390,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2018, short-term investments included collective STIF of $86,079,000, international STIF of $133,360,000, and future contracts initial margin and collaterals of $248,443,000.

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts and options, and rights and warrants, are recorded in the Statement of Fiduciary Net Position with a net positive value of $1,000,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income. LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2018, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ 180,587	$ 1,057	$ (1,104)
Equity Index	16,278	111	243
Foreign Exchange	(25,500)	(299)	(300)
Interest Rate	(5,064)	(173)	(181)
Currency Forward Contracts	234,346	(65)	(4)
Currency Options	N/A	198	(71)
Right / Warrants	N/A	171	57
Total Value		$ 1,000	$ (1,360)

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2018, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 84,057	2.86 %
AA	1,447,300	49.25
A	147,895	5.03
BBB	488,161	16.61
BB	245,712	8.36
B	337,064	11.47
CCC	34,995	1.19
CC	-	0.00
C	1,079	0.04
D	607	0.02
Not Rated	152,102	5.18
	2,938,972	100.00%
U.S. Government Guaranteed Securities(1)	1,230,277	
Total Fixed Income Securities(2)	$ 4,169,249	

(1) Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities which had the AA+ rating.
(2) Derivatives instrument of $(173) are included.

Notes to the Basic Financial Statements

6. Cash and Short-Term Investments and Investments (Continued)

Credit Risk – Derivatives

Derivatives are subject to credit risk that the counterparty to a contract will default. LACERS is exposed to credit risk on reported assets of the investment derivatives that are traded over the counter. The credit risk of exchange traded derivatives for future contracts is considered minimal because the exchange clearing house is the counterparty and guarantees the performance.

LACERS permits investment managers, under the terms of individual guidelines, to use derivative instruments as set forth in each manager's investment guidelines to control portfolio risk. It is the responsibility of these investment managers to actively monitor counterparties on their financial safety and ensure compliance with the investment restrictions. LACERS has no general investment policy with respect to netting arrangements or collateral requirements. However, these individual investment managers have set up the arrangements with the counterparties to net off the positive and negative contracts with the same counterparty in case of the counterparty's default.

As of June 30, 2018, without respect to netting arrangements, LACERS maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is $2,839,000. All counterparties of these investment derivatives had the credit rating of "A" or "AA" assigned by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2018, LACERS has exposure to such risk in the amount of $31,308,000 or 0.52% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 11 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, LACERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not insured, are not registered in LACERS name, and are held by the counterparty, or the counterparty's trust department or agent but not in LACERS name. As of June 30, 2018, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Concentration of Credit Risk

The investment portfolio as of June 30, 2018, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

6. Cash and Short-Term Investments and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations as of June 30, 2018 is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 85,268	1.12
Bank Loans	5,397	0.23
Commercial Mortgage-Backed Securities	46,791	4.66
Corporate Bonds	1,031,566	5.48
Government Agencies	71,807	4.58
Government Bonds	801,489	6.74
Government Mortgage-Backed Securities	377,823	4.81
Index Linked Government Bonds	596,477	7.17
Municipal/Provincial Bonds	7,360	2.89
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	1,563	1.03
Opportunistic Debts	109,931	0.19
Other Fixed Income (Funds)	1,033,950	6.02
Derivative Instruments	(173)	12.60
Total Fixed Income Securities	$ 4,169,249	

Highly-Sensitive Investments

Highly-sensitive investments are certain debt investments whose terms may cause their fair value to be highly-sensitive to market interest rate changes. Terms include embedded options, coupon multipliers, benchmark indexes, and reset dates. LACERS asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of LACERS asset-backed investments by investment type (in thousands):

Investment Type	Fair Value
Asset-Backed Securities	$ 85,268
Commercial Mortgage-Backed Securities	46,791
Government Agencies	71,807
Government Mortgage-Backed Securities	377,823
Non-Government Backed C.M.O.s	1,563
Total Asset-Backed Investments	$ 583,252

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 27% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

Notes to the Basic Financial Statements

6. Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2018, which represent 28.5% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivative Instruments	Other Investments	Total Fair Value in USD
Australian dollar	$ 135	$ 168,808	$ 7,170	$ (7)	$ -	$ 176,106
Brazilian real	(1,783)	60,803	214	229	-	59,463
British pound sterling	1,228	689,123	-	142	181	690,674
Canadian dollar	2,164	197,732	-	15	-	199,911
Chilean peso	(4,444)	7,748	-	250	-	3,554
Chinese yuan renminbi	(956)	-	-	23	-	(933)
Colombian peso	(1,791)	5,290	-	(4)	-	3,495
Czech koruna	418	3,085	-	82	-	3,585
Danish krone	38	63,142	-	-	-	63,180
Egyptian pound	39	3,325	-	-	-	3,364
Euro	4,009	1,211,417	21,646	755	88,825	1,326,652
Hong Kong dollar	829	423,026	-	21	-	423,876
Hungarian forint	(3,197)	2,199	-	118	-	(880)
Indian rupee	8,064	111,055	-	3	-	119,122
Indonesian rupiah	6,285	17,912	-	15	-	24,212
Israeli new shekel	(4,262)	12,822	-	104	-	8,664
Japanese yen	1,729	830,939	-	97	-	832,765
Malaysian ringgit	628	30,007	1,559	-	-	32,194
Mexican peso	2,504	28,172	523	(66)	-	31,133
New Taiwan dollar	1,568	140,800	-	293	-	142,661
New Zealand dollar	337	10,925	2,502	-	-	13,764
Norwegian krone	491	51,224	2,543	-	-	54,258
Peruvian nuevo sol	1,301	-	-	2	-	1,303
Philippine peso	(3,111)	8,293	-	34	-	5,216
Polish zloty	(1,997)	10,323	-	119	-	8,445
Qatari rial	-	4,904	-	-	-	4,904
Russian ruble	3,168	14,131	-	6	-	17,305
Singapore dollar	(1,613)	69,011	-	1	-	67,399
South African rand	(1,522)	64,309	5,422	15	-	68,224
South Korean won	(2,743)	168,508	-	83	-	165,848
Swedish krona	20	99,079	-	-	-	99,099
Swiss franc	(2,048)	260,613	-	74	-	258,639
Thai baht	(741)	31,239	-	187	-	30,685
Turkish lira	1,594	13,490	-	-	-	15,084
United Arab Emirates dirham	-	1,914	-	-	-	1,914
Total Investments Held in Foreign Currency	$ 6,341	$ 4,815,368	$ 41,579	$ 2,591	$ 89,006	$ 4,954,885

Notes to the Basic Financial Statements

6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements

LACERS follows GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application*. GASB 72 addresses accounting and financial reporting issues related to fair value measurements and disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in either a government's principal or the most advantageous market at the measurement date.

The System's investments are measured and reported within the fair value hierarchy established by US GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

Schedule of Investments by Fair Value Hierarchy

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 or 3 of the fair value hierarchy are valued using a matrix pricing technique based on the availability of the market price, the pricing source and type, and the country of incorporation of the securities. The hierarchy levels are determined based on the level of corroborative information obtained from other market sources to assert that the prices provided represent observable data.

Private equity funds classified in Level 3 of the fair value hierarchy are valued based on the availability of market price of the underlying assets, and using either a discounted cash flow or Comparable Company Analysis with internal assumptions. Real estate funds classified in Level 2 or 3 of the fair value hierarchy are valued based on periodic appraisals in accordance with industry practice.

The exchange traded Future Contracts classified in Level 1 of the fair value hierarchy are valued using a daily settlement when available or as a daily mark to market. The Foreign Exchange Contracts classified in Level 2 of the fair value hierarchy are valued using independent pricing services including London Close mid-evaluation, WM/Reuters Company, Bloomberg, and Thomson Reuters.

Certain investments which do not have a readily determinable fair value have been valued at the Net Asset Value (NAV) per share (or its equivalent) provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with US GAAP requirements. These investments are not categorized within the fair value hierarchy but disclosed in the Investments Measured at the NAV on page 31.

Notes to the Basic Financial Statements

6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2018 (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt securities:				
Government Bonds	$ 1,397,966	$ -	$ 1,397,966	$ -
Government Agencies	71,808	-	71,808	-
Municipal/Provincial Bonds	7,360	-	7,360	-
Corporate Bonds	1,118,397	-	1,117,321	1,076
Bank Loans	5,397	-	5,397	-
Government Mortgage Bonds	377,823	-	377,823	-
Commercial Mortgage Bonds	46,791	-	46,791	-
Opportunistic Debts	13,616	-	-	13,616
Total Debt Securities	3,039,158	-	3,024,466	14,692
Equity Securities:				
Common Stock:				
Basic Industries	1,238,136	1,237,912	112	112
Capital Goods Industries	551,108	550,914	-	194
Consumer & Services	2,191,161	2,190,664	-	497
Energy	853,206	853,066	-	140
Financial Services	1,678,531	1,678,497	-	34
Health Care	1,017,635	1,017,540	-	95
Information Technology	1,756,797	1,755,023	-	1,774
Real Estate	435,519	435,460	-	59
Miscellaneous	7,026	5,020	251	1,755
Total Common Stock	9,729,119	9,724,096	363	4,660
Preferred Stock	42,317	42,317	-	-
Stapled Securities	11,938	9,809	2,129	-
Total Equity Securities	9,783,374	9,776,222	2,492	4,660
Private Equity Funds	136,552	-	-	136,552
Real Estate Funds	111,465	-	110,242	1,223
Total Investments by Fair Value Level	$ 13,070,549	$ 9,776,222	$ 3,137,200	$ 157,127
Investments Measured at the NAV:				
Common Fund Assets	1,033,950			
Private Equity Funds	1,670,786			
Real Estate Funds	690,169			
Opportunistic Debts	96,315			
Total Investments Measured at the NAV	3,491,220			
Total Investments Measured at Fair Value(1)	$ 16,561,769			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ 696	$ 696	$ -	$ -
Foreign Exchange Contracts (liabilities)	(65)	-	(65)	-
Rights/Warrants	369	167	199	3
Total Investment Derivative Instruments	$ 1,000	$ 863	$ 134	$ 3

(1) Excluded investment derivative instruments of $1,000,000 which is shown separately.

Notes to the Basic Financial Statements

6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Investments Measured at the NAV: (in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets [(1)]	$ 1,033,950	$ -	Daily	2 days
Private Equity Funds [(2)]	1,670,786	774,191	N/A	N/A
Real Estate Funds [(3)]	690,169	34,629	Daily, Quarterly	1-90 days
Opportunistic Debts [(4)]	96,315	-	Monthly	30 days
Total Investments Measured at the NAV	3,491,220	$ 808,820		

(1) Common fund assets - This investment type includes one fund that primarily invests in U.S. bonds. The fair value of the investment has been determined using a practical expedient based on the investments' NAV per share (or its equivalent). This investment can be redeemed daily, with a two-day advance redemption notice period.

(2) Private equity funds - This investment type includes 186 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 28 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Seven investments, representing approximately 70.2% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. There is no intention to redeem any of these seven investments in the near future. Twenty-one investments, representing approximately 29.8% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 99% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 1% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. It is expected that this fund will be liquidated fully over the next three years.

7. Securities Lending Agreement

Under authority granted by the City Charter, LACERS has entered into various short-term arrangements with its custodian to lend securities to various brokers. There are no restrictions on the amount of securities that may be lent, and the custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Minimum collateralization is 102% of the fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral is invested in a separate account comprised of money market or high quality short-term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair values on the Statement of Fiduciary Net Position.

As of June 30, 2018, LACERS had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to LACERS as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities. The value of the invested collateral may fall below the value of the cash collateral pledged by the borrowers, and may impair LACERS ability to return cash collateral to the borrowers upon the redemption of loans. In this event, LACERS would be required to make up the deficiency in collateral and would incur a loss.

All securities loans can be terminated on demand by either LACERS or the borrower. Because of this nature, their duration did not generally match the duration of the investment made with the cash collateral. LACERS cannot pledge or sell non-cash collateral unless the borrower defaults.

The following table represents the fair value of securities on loan and cash/non-cash collateral received as of June 30, 2018 (in thousands):

Securities on Loan	Fair Value of Securities on Loan	Cash/Non-Cash Collateral Received
U.S. Government and Agency Securities	$ 426,027	$ 435,948
Domestic Corporate Fixed Income Securities	137,145	140,723
International Fixed Income Securities	97,385	103,495
Domestic Stocks	426,234	437,096
International Stocks	563,588	600,872
Total	$ 1,650,379	$ 1,718,134

Notes to the Basic Financial Statements

7. Securities Lending Agreement (Continued)

As of June 30, 2018, the fair value of the securities on loan was $1,650,379,000. The fair value of associated collateral was $1,718,134,000 ($795,076,000 of cash collateral and $923,058,000 of non-cash collateral). Non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. LACERS income and expenses related to securities lending were $8,185,000 and $1,226,000, respectively, for the year ended June 30, 2018.

8. Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives on page 27).

As of June 30, 2018, LACERS had outstanding commodities, equity index, and interest rate future contracts with an aggregate notional amount of $191,801,000, and foreign exchange future contract with a negative notional amount of $25,500,000 due to its short position. In addition, at June 30, 2018, LACERS had outstanding forward purchase commitments with a notional amount of $234,346,000 and offsetting forward sales commitments with notional amounts of $234,346,000, which expire through February 2019. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $248,443,000 as of June 30, 2018.

9. Operating Lease

The System leases building facilities under a non-cancelable operating lease that expires in March 2023, at which time a three-year renewal option is available. This lease also contains provisions for the System to pay its prorated share of subsequent increases in operating costs and taxes over the base rate established during the initial year of the lease.

The future minimum lease commitments are as follows as of June 30, 2018:

Fiscal Year 2019	$ 775,000
Fiscal Year 2020	806,000
Fiscal Year 2021	1,003,000
Fiscal Year 2022	1,043,000
Fiscal Year 2023	813,000

10. Commitments and Contingencies

As of June 30, 2018, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,159,053,000, including agreements for acquisition not yet initiated.

The Patient Protection and Affordable Care Act (PPACA) of 2010 contains a provision that would impose a 40% excise tax on the annual value of high-cost health plans that exceed certain dollar thresholds beginning in 2022 (deferred from year 2020). If there is no change in the law or LACERS plan provisions between now and 2022, and if the current medical cost trend stays substantially the same during the same period, some of LACERS postemployment health care benefits will be subject to the excise tax in 2022 and thereafter. Recently released GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires the inclusion of the excise tax in the liability. The Statement No. 75 is effective for fiscal years beginning after June 15, 2017 for employer reporting. The impact of potential excise tax imposed by the Affordable Care Act (ACA) and related statutes on certain health plans in calculating the contribution rates for the employer have been reflected in the valuation for fiscal year June 30, 2018. However, due to the deferred starting date for projected ACA excise tax, the previous year's projected amount was recalculated, and the net impact lowered the Unfunded Actuarial Accrued Liability (UAAL) by 0.02% of pay.

11. Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through November 27, 2018, which was the date of management's review.

Establishment of LACERS Health Care Fund

On November 9, 2018, the City Council approved Ordinance No. 185829 to amend Article 1 of Chapter 11, Division 4 of the Los Angeles Administrative Code to establish the LACERS Health Care Fund for

Notes to the Basic Financial Statements

11. Subsequent Events (Continued)

Establishment of LACERS Health Care Fund (Continued)

the sole purpose of funding the retiree healthcare benefits for eligible LACERS retirees and beneficiaries.

The City and the Board of LACERS shall enter into a written trust agreement for the LACERS Health Care Fund sometime on or before July 15, 2019. The LACERS Health Care Fund shall provide an alternative funding mechanism, in addition to or in lieu of the existing 401 (h) account described in LAAC Section 4.1102 for funding benefits under the health and welfare programs. The LACERS Health Care Fund is intended to qualify for federal tax exemption under Section 115 of the Internal Revenue Code. Because health benefits paid out of the LACERS Health Care Fund are not required to be subordinate to the Plan retirement benefits, the LACERS Health Care Fund would not become taxable if the Plan health benefits surpass the 25% threshold. Second, the LACERS Health Care Fund gives LACERS more flexibility to invest premium surpluses to provide for smoothing should healthcare premiums considerably increase in the future. Currently, the Health Care Coverage Account cannot receive full refunds of excess premiums from insurance providers. However, the LACERS Health Care Fund can receive full premium surplus refunds from insurance providers; therefore, the System can invest these funds at a higher rate of return than the insurance providers' reserve account interest rate.

Establishment of Self-Funded LACERS Dental PPO Plan

Effective January 1, 2019, LACERS existing fully-insured Delta Dental PPO Plan will be replaced with LACERS self-funded Delta Dental PPO Plan. Although, Delta will continue to administer the plan for a fee, LACERS will set and collect premiums from enrolled Members and pay billed claims to Delta. With this arrangement, LACERS bears financial risk if claims cost exceed collected premiums. This change does not affect the maximum dental subsidy amount to the eligible retired Members.

ATTACHMENT C

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan

The schedules included in the Required Supplementary Information for the Retirement Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, Los Angeles City Employees' Retirement System (LACERS, the Plan, or the System) presented information only for those years for which information is available:

1) Schedule of Net Pension Liability
2) Schedule of Changes in Net Pension Liability and Related Ratios
3) Schedule of Investment Returns

Additional years will be displayed in the future as they become available.

Schedule of Net Pension Liability [1]
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2018	2017	2016	2015	2014	2013
Total Pension Liability	$ 19,944,578	$ 18,458,188	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan Fiduciary Net Position	(14,235,230)	(13,180,516)	(11,809,329)	(11,920,570)	(11,791,079)	(10,154,486)
Plan's Net Pension Liability	$ 5,709,348	$ 5,277,672	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.4%	71.4%	67.8%	70.5%	72.6%	68.2%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

Note to Schedule:

Refer to the notes to the Schedule of Changes in Net Pension Liability and Related Ratios.

Required Supplementary Information
Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2018	2017	2016	2015	2014	2013
Total Pension Liability						
Service cost	$ 352,283	$ 340,759	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,332,878	1,302,278	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	25,173	-	-	-	-	-
Differences of expected and actual experience	144,224	(146,474)	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	483,717	340,718	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(851,885)	(804,089)	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	1,486,390	1,033,192	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	18,458,188	17,424,996	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 19,944,578	$ 18,458,188	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position						
Contributions-employer	$ 450,195	$ 453,356	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	230,757	221,829	206,377	202,463	203,975	197,722
Net investment income	1,243,817	1,517,545	29,358	306,980	1,810,782	1,268,939
Benefit payments, including refunds of Member contributions	(851,885)	(804,089)	(770,318)	(740,567)	(721,153)	(701,400)
Administrative expenses	(17,699)	(17,454)	(17,204)	(15,860)	(12,372)	(13,281)
Others [2]	(471)	-	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	1,054,714	1,371,187	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	13,180,516	11,809,329	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 14,235,230	$ 13,180,516	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 5,709,348	$ 5,277,672	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	71.4%	71.4%	67.8%	70.5%	72.6%	68.2%
Covered payroll	$ 2,057,565	$ 1,973,049	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered payroll	277.5%	267.5%	299.2%	271.8%	247.3%	272.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits).

(2) On July 1, 2015, the System segregated Members' voluntary larger annuity contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by the System's actuarial consultant. The Reserve balance for Larger Annuity Contributions as of June 30, 2015 was $5,200,000. On July 1, 2017, the System reallocated $471,000 of interest from the Reserve for Mandatory Member Contributions into the Reserve for Voluntary Member Contributions.

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018 calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 17). Enhanced benefits became effective as of January 7, 2018.

Required Supplementary Information
Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios (Continued)

Change of Assumptions: The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability for fiscal years ended on June 30, 2014 is primarily due to the lowered assumed investment rate of return from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries while the June 30, 2017 increase is primarily due to the lowered assumed investment rate of return from 7.50% to 7.25%.

The June 30, 2018 calculations reflected changes in the actuarial assumptions adopted by the Board on August 14, 2018 based on the triennial experience study for the period from July 1, 2014 through June 30, 2017, including revising the mortality tables from static to generational to reflect future mortality improvement, contributing to increased total pension liability.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	$274,555	$274,555	$ -	$1,832,796	15.0%
2010	258,643	258,643	-	1,827,864	14.2
2011	303,561	303,561	-	1,678,059	18.1
2012	308,540	308,540	-	1,715,197	18.0
2013	346,181	346,181	-	1,736,113	19.9
2014	357,649	357,649	-	1,802,931	19.8
2015	381,141	381,141	-	1,835,637	20.8
2016	440,546	440,546	-	1,876,946	23.5
2017	453,356	453,356	-	1,973,049	23.0
2018	450,195	450,195	-	2,057,565	21.9

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Actuarial Cost Method (individual basis).

Amortization Method: Level Percent of Payroll.

Amortization Period: Multiple layers – closed amortization period.
Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.

Asset Valuation Method: Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2018 to combine the unrecognized returns and losses of prior years as of June 30, 2017 into one layer and recognize it evenly over six years from fiscal year 2017-18 through fiscal year 2022-23.

Required Supplementary Information
Retirement Plan

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Actuarial Assumptions:

Investment Rate of Return	7.25%
Inflation	3.00%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases[1]	Ranges from 3.90% to 10.00% based on years of service.
Cost of Living Adjustment[2]	Tier 1: 3.00% Tier 3: 2.00%
Mortality	Healthy: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017. Disabled: Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017.

(1) Includes inflation at 3.00% as of June 30, 2018, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

(2) Actual increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 3.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	9.3%	12.6%	0.2%	2.6%	18.2%

Note to Schedule:

The rates of investment returns for the fiscal years 2015 and 2016 were much lower compared to other fiscal years. It reflected the impact of divergent and volatile global markets on LACERS investment portfolio over these reporting periods.

Required Supplementary Information
Postemployment Health Care Plan

The schedules included in the Required Supplementary Information for the Postemployment Health Care Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, Los Angeles City Employees' Retirement System (LACERS, the Plan, or the System) presented information only for those years for which information is available:

1) Schedule of Net OPEB Liability
2) Schedule of Changes in Net OPEB Liability and Related Ratios
3) Schedule of Investment Returns

Additional years will be displayed in the future as they become available.

Schedule of Net OPEB Liability
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2018	2017	2016
Total OPEB Liability	$ 3,256,827	$ 3,005,806	$ 2,793,689
Plan Fiduciary Net Position	(2,676,371)	(2,438,862)	(2,134,877)
Plan's Net OPEB Liability	$ 580,456	$ 566,944	$ 658,812
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	82.2%	81.1%	76.4%

Note to Schedule:

Refer to the note to the Schedule of Changes in Net OPEB Liability and Related Ratios.

Required Supplementary Information
Postemployment Health Care Plan

Schedule of Changes in Net OPEB Liability and Related Ratios
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2018	2017	2016
Total OPEB Liability			
Service cost	$ 74,611	$ 68,385	$ 62,360
Interest	218,686	210,170	199,078
Changes of benefit terms	948	-	17,215
Differences between expected and actual experience(1)	(7,321)	19,666	(22,013)
Changes of assumptions	92,178	33,512	-
Benefit payments	(128,081)	(119,616)	(109,940)
Net change in total OPEB liability	251,021	212,117	146,700
Total OPEB liability-beginning	3,005,806	2,793,689	2,646,989
Total OPEB liability-ending (a)	$ 3,256,827	$ 3,005,806	$ 2,793,689
Plan fiduciary net position			
Contributions-employer	$ 100,909	$ 97,457	105,983
Net investment income (loss)	269,380	330,708	(344)
Benefit payments	(128,081)	(119,616)	(109,940)
Administrative expense	(4,699)	(4,564)	(4,528)
Net change in Plan fiduciary net position	237,509	303,985	8,829
Plan fiduciary net position-beginning	2,438,862	2,134,877	2,143,706
Plan fiduciary net position-ending (b)	$ 2,676,371	$ 2,438,862	$ 2,134,877
Plan's net OPEB liability-ending (a)-(b)	$ 580,456	$ 566,944	$ 658,812
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	82.2%	81.1%	76.4%
Covered payroll	$ 2,057,565	$ 1,973,049	$ 1,876,946
Plan's net OPEB liability as a percentage of covered payroll	28.2%	28.7%	35.1%

(1) After the GASB Statement No. 74 valuation report was issued for the fiscal year June 30, 2017, the System's consulting actuary reclassified $12,450,000 of OPEB liability from the *Changes of Assumption* (revised from $45,962,000 to $33,512,000) to the *Differences Between Expected and Actual Experience* (revised from $7,216,000 to $19,666,000). However, this reclassification did not affect the recommended employer contribution rates or results of the OPEB valuation in total.

Required Supplementary Information
Postemployment Health Care Plan

Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on page 21) while the June 30, 2018 increase is primarily as a result of the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 17) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Changes of Assumptions: The OPEB liability from the changes of assumptions for the fiscal year ended June 30, 2017 is primarily due to the lowered assumed investment rate of return, from 7.50% to 7.25%, while the June 30, 2018 increase is primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2014 through June 30, 2017), including revising the mortality tables from static to generational.

Required Supplementary Information
Postemployment Health Care Plan

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	$ 95,122	$ 95,122	$ -	$1,832,796	5.2%
2010	96,511	96,511	-	1,827,864	5.3
2011	107,396	107,396	-	1,678,059	6.4
2012	115,209	115,209	-	1,715,197	6.7
2013	72,916	72,916	-	1,736,113	4.2
2014	97,841	97,841	-	1,802,931	5.4
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9
2018	100,909	100,909	-	2,057,565	4.9

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Actuarial Cost Method (level percent of payroll).

Amortization Method: Level Percent of Payroll.

Amortization Period: Multiple layers – closed amortization period.
Actuarial gains/losses are amortized over 15 years. Non-health related assumptions or method changes are amortized over 20 years. Health related assumptions or method changes are amortized over 15 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.

Asset Valuation Method: Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2018 to combine the unrecognized returns and losses of prior years as of June 30, 2017 into one layer and recognize it evenly over six years from fiscal year 2017-18 through fiscal year 2022-23.

Actuarial Assumptions:

Investment Rate of Return	7.25%
Inflation	3.00%
Real Across-the-Board Salary Increase	0.50%

Required Supplementary Information
Postemployment Health Care Plan

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases(1)	Ranges from 3.90% to 10.00% based on years of service.
Mortality	Healthy: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017. Disabled: Headcount-Weighted RP-2014 Disabled Retiree Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2017.

(1) Includes inflation at 3.00% as of June 30, 2018, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

	2018	2017
Annual money-weighted rate of return, net of investment expenses	10.8%	15.2%

Note to Schedule:

The required disclosure about factors that significantly affect trends in the money-weighted rate of return is not provided as the rate was not available prior to fiscal year 2017. As additional years' money-weighted rate of return become available, the System will disclose factors that significantly affect trends in the rate of return.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2018
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 9,571	$ 2,141	$ 11,712
Employee Benefits and Development	3,729	834	4,563
Total Personnel Services	13,300	2,975	16,275
Professional Services:			
Actuarial	280	63	343
Audit	76	17	93
Legal Counsel	482	108	590
Disability Evaluation	143	32	175
Retirees' Health Admin Consulting	-	715	715
Benefit Payroll Processing	203	45	248
Total Professional Services	1,184	980	2,164
Information Technology:			
Computer Hardware and Software	325	73	398
Computer Maintenance and Support	191	43	234
Total Information Technology	516	116	632
Leases:			
Office Space	696	156	852
Office Equipment	34	8	42
Total Leases	730	164	894
Other Expenses:			
Fiduciary Insurance	28	6	34
Educational and Due Diligence Travel	47	11	58
Office Expenses	276	62	338
Depreciation	313	70	383
Total Other Expenses	664	149	813
Total Administrative Expenses	$ 16,394	$ 4,384	$ 20,778

Schedule of Investment Fees and Expenses
For the Fiscal Year Ended June 30, 2018
(In Thousands)

		Assets Under Management		Fees and Expenses
Retirement Plan				
Investment Management Fees:				
Fixed Income Managers	$	3,512,761	$	4,840
Equity Managers		8,242,897		21,029
Subtotal Investment Management Fees		11,755,658		25,869
Other Investment Fees and Expenses:				
Private Equity Consulting Fees		N/A		654
Real Estate Consulting Fees		N/A		176
Other Consulting Fees		N/A		388
Investment Related Administrative Expenses		N/A		1,408
Subtotal Other Investment Fees and Expenses		N/A		2,626
Postemployment Health Care Plan				
Investment Management Fees:				
Fixed Income Managers		656,835		1,083
Equity Managers		1,541,304		4,704
Subtotal Investment Management Fees		2,198,139		5,787
Other Investment Fees and Expenses:				
Private Equity Consulting Fees		N/A		146
Real Estate Consulting Fees		N/A		39
Other Consulting Fees		N/A		87
Investment Related Administrative Expenses		N/A		315
Subtotal Other Investment Fees and Expenses		N/A		587
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$	13,953,797	$	34,869
Private Equity Managers' Fees and Expenses:				
Retirement Plan	$	1,522,628	$	28,311
Postemployment Health Care Plan		284,710		6,333
Total Private Equity Managers' Fees and Expenses	$	1,807,338	$	34,644
Real Estate Managers' Fees and Expenses:				
Retirement Plan	$	675,353	$	6,883
Postemployment Health Care Plan		126,281		1,540
Total Real Estate Managers' Fees and Expenses	$	801,634	$	8,423
Total Assets Under Management and Fees and Expenses	$	16,562,769[1]	$	77,936[2]

(1) Excluding Security Lending Collateral assets of $795,076,000. Total Investments including Security Lending Collateral was $17,357,845,000.

(2) Included Investment Management Fees and Expenses of $76,213,000 and Investment Related Administrative Expenses of $1,723,000.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

From: Governance Committee
Nilza R. Serrano, Chairperson
Elizabeth L. Greenwood
Cynthia M. Ruiz

Agenda of: **DECEMBER 11, 2018**

ITEM: **VII-B**

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: PUBLIC COMMENT, BOARD COMMUNICATIONS, THIRD PARTY MARKETER COMPLIANCE AND POSSIBLE BOARD ACTION**

Recommendation

That the Board approve the attached proposed updates to the LACERS Board Manual as follows:

1) Revision to the LACERS Board Governance Statement, Section 4.0: Board Procedures
2) Revision to the LACERS Board Administrative Policies, Section 1.0: Guidance for Board Members – Board Communications Policy
3) Affirmation of the LACERS Board Administrative Policies, Section 2.0: Contract Administration – Third Party Marketer Compliance Policy

Discussion

On November 27, 2018, the Committee considered the proposed revisions to the *Board Governance Statement* and the *Board Administrative Policies*, as well as the proposed affirmation of the *Third Party Marketer Compliance Policy*, as part of the triennial Board Policy Review. The Committee concurred with the staff report and recommends Board approval of the policy affirmation and policy revisions proposed therein.

Strategic Plan Impact Statement

The review of the Board Governance Statement and Board Administrative Policies of the LACERS Board Manual conforms to the Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

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

NMG:TB:DWN:EF

Attachment: Governance Committee Recommendation Report dated November 27, 2018

ATTACHMENT

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Governance Committee

Agenda of: **NOVEMBER 27, 2018**

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

SUBJECT: **TRIENNIAL BOARD POLICY REVIEW: PUBLIC COMMENT, BOARD COMMUNICATIONS, THIRD PARTY MARKETER COMPLIANCE AND POSSIBLE COMMITTEE ACTION**

Recommendation

That the Committee approve the attached proposed updates to the LACERS Board Manual as follows:

1) Revision to the LACERS Board Governance Statement, Section 4.0: Board Procedures
2) Revision to the LACERS Board Administrative Policies, Section 1.0: Guidance for Board Members – Board Communications Policy
3) Affirmation of the LACERS Board Administrative Policies, Section 2.0: Contract Administration – Third Party Marketer Compliance Policy

Discussion

As a best practice, LACERS performs a comprehensive review of its Board Governance Policies on a triennial basis. A schedule of review for the Board Governance and Administrative Policies of the LACERS Board Manual was adopted by the Board in March 2018. Staff's suggested updates or revisions are based on changes in applicable laws, standards of practice, and/or a review of issues that have arisen since the last update. These proposed modifications are presented to the respective committees and subsequently to the Board for adoption.

The following policy revisions are recommended:

Board Procedures (Article I, Section 4.0)
It is proposed to add language to *Subsection 4.1* – *General* to provide guidance to members of the public when addressing the Board or Committee, including when comment may be heard, the duration of comments, and the handling of written comments.

Board Communications Policy (Article II, Section 1.3)
The proposed policy update reflects the recent availability of audio recordings of the LACERS Board meetings posted on LACERS' website. Public inquiries regarding actions and votes by the Board will

routinely be referred to publicly available records, including the Board audio recording, as opposed to a Board spokesperson.

Third Party Marketer Compliance Policy (Article II, Section 2.2)
There were no issues of note requiring changes since the last policy update. A minor edit for clarification was made.

The specific changes are found in the two attachments to this report: (A) a redline version of the policies showing proposed modifications to the existing language, and (B) a clean version of the proposed policies accepting the changes to the redline version.

Upon the Committee's finalization of these proposed Board Policies, they will be presented to the Board for further consideration and approval.

Strategic Plan Impact Statement

The review of the Board Governance Statement and Policies conforms with the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

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

NMG:TB:DWN:EF

ATTACHMENTS: A) Board Policies – Redline Version
B) Board Policies – Clean Version

Section 1.0 GUIDANCE FOR BOARD MEMBERS

Section Affirmed: October 22, 2013; Revised: May 14, 2013, February 25, 2014, June 14, 2016, August 28, 2018, December 11, 2018

4.1 GENERAL

A. **Procedural Standard**
The Board and its Committees shall operate under Robert's Rules of Order unless statutes or Board action provide otherwise.

B. **Board Actions**
Actions of the Board require four votes. The Los Angeles City Charter §503(c) requires that "Each board shall exercise the powers conferred upon it by the Charter by order or resolution adopted by a majority of its members. Action of the board shall be attested by the signatures of the President or Vice President, or two members of the board, and by the signature of the secretary of the board."

C. **Board Meeting Presiding Officer**
Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the General Manager/Manager-Secretary will open the meeting and call for nominations of a President Pro Tempore from the members present to serve the duration of the meeting.

D. **Committee Assignments**
Committee assignments are to be determined by the President or Acting President, who shall also name the Committee Chair. An alternate will be appointed for each Committee to serve in the absence of Committee Members. Additional alternates may be appointed on an as-needed basis by the Board President.

E. **Committee Meeting Schedule and Attendance**
All Committee meetings of the Board shall be open to all Board members, but only Committee Members may vote. Committee meetings shall be scheduled to occur on the same day as regular Board meetings whenever possible.

F. **Closed Sessions**
Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board.

G. **Closed Session Discussions and Decisions**
Pursuant to Section 54957.2, Chapter 9 of the California Government Code (The Ralph M. Brown Act), the legislative body of a local agency may, by ordinance or resolution, designate a clerk or other officer or employee of the local agency who shall then attend each closed session of the legislative body and keep and enter in a minute book a record of topics discussed and decisions made at the meeting. The Executive Assistant to the Board of Administration shall be designated to serve in this capacity; and the General Manager/Manager-Secretary is designated as the alternate.

H. **Board Member Compensation**
Members of the Board shall be compensated for attendance at all Regular and Special meetings of the Board at a rate of $50 per meeting with a maximum of $250 per month, except when such Special meeting is concurrently scheduled as a meeting of a Committee of the Board.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

I. **Board Meeting Schedule and Location**

The Board hereby approves the official meeting time for Regular Meetings of the LACERS Board of Administration as 10 a.m. on the second and fourth Tuesdays of each month, in the LACERS Boardroom at 202 West First Street, Suite 500, as the official place for Regular Meetings. All Board and Committee meetings are open to the public, with the exception of "closed session" meeting items.

J. **Public Comment**

The Board shall provide a member of the public the opportunity to address the Board or Committee on any item under its jurisdiction as follows:

1. Agenda Items – With respect to any item which is already on the agenda, the public shall be allowed the opportunity to comment at the commencement of the Board or Committee meeting. The Board/Committee Meeting Presiding Officer may request to have the spreaker give their public comment prior to the agenda item to be addressed. The public shall also be given an opportunity to comment on closed session items prior to adjournment into closed session.
2. Non-Agenda Items – Members of the public shall have the right to address the Board on items which are within the subject matter jurisdiction of the Board. Except as otherwise permitted by the Ralph M. Brown Act, no deliberation of action may be taken by the Board concerning a non-agenda item, except that members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a question for clarification; or (3) provide a reference to staff for factual information. Furthermore, the Board may take action to direct staff to place a matter of business on a future agenda.

Each speaker giving a public comment shall be allotted two minutes per agenda item or new matter which is to be enforced by the Board/Committee Meeting Presiding Officer. The allotted time may be adjusted at the discretion of the Presiding Officer.

Written public comment addressing items on the meeting agenda shall be distributed to members of the Board or Committee prior to the beginning of the meeting but shall not be read out loud into the record by Board Members or LACERS' staff during the meeting as a matter of course. All submitted public comments, including public comment cards, shall be posted with the Board meeting documents on LACERS' website.

4.2 AGENDAS

A. The Commission Executive Assistant shall prepare an Agenda for each Board meeting which incorporates a consent agenda, new business, items previously requested by Board Member(s) for inclusion, as well as those items deferred from previous meeting(s) categorized in the order to be determined in concurrence with the General Manager and Board President.

B. The consent agenda shall consist of approval of the minutes of the past meeting(s) and routine "receive and file" items which are presumed to be non-controversial, and which do not involve the investment of assets. The Board President and General Manager may concur on additional items to be routinely placed on the consent agenda. A Board Member may at any Board meeting, remove an item from the consent agenda for further discussion.

C. Items presented in the Board President's Report, General Manager's Report, Chief Investment Officer Report, or other requested Manager's Report, may be provided verbally without a written report.

D. Informational items (i.e. "Receive and file" items):

1. At Committee meetings – Shall be supported by a written report and presented by Staff or consultants, unless otherwise instructed by the Committee.
2. At Board meetings – Shall be supported by a written report and presented by Staff or consultants upon request of any Board Member. The Staff or consultant should sit at the table and make a presentation only when cued or requested by the Board President.

E. All Board Members shall receive in advance of each meeting copies of all Committee agendas, regular meeting agendas, and all support documentation.

F. Committee reports: Following each Committee meeting in which a recommendation for action to the full Board is taken, the Staff, in consultation with the Committee Chair, will to the degree possible, prepare the Committee's report to include a brief summary of the proposed Committee recommendation and attach the Staff's report to the Committee report.

G. Materials supplied to Board Members shall be numbered to facilitate locating items under discussion.

4.3 MINUTES

A. Minutes of the meetings of the Board shall conform in general to the format outlines in the "Trustees' Handbook" published by the International Foundation of Employee Benefit Plans.

B. At each Board meeting, Board Members shall have the opportunity to review and approve the minutes of the previous meeting(s) before the President affixes his signature upon approval by the Board.

C. The Minutes shall be prepared with letter-size paper for review before approval, and ~~that~~ the historical record of approved and signed minutes shall be maintained electronically with all appropriate considerations for security and accessibility as required by law.

4.4 ELECTION

The Election of Board Officers for the then current fiscal year is generally held on the second meeting of July each year, or when a Board Officer seat becomes vacant. The Board shall elect one of its members to the office of President, and one to the office of Vice President. The Board Officers shall hold office for one year and until replaced by the election of a successor or re-elected at the next Election, unless their membership on the Board expires sooner.

At the appointed time, the General Manager/Manager-Secretary shall call for nominations for the office of President. After nominations have concluded, the General Manager/Manager-Secretary shall call for the Ayes and Nays from among the Members of the Board for each candidate nominated. Upon one candidate securing a majority vote, the General Manager/Manager-Secretary shall announce that the office of President is filled until the newly elected Member is replaced or re-elected at the next election.

The General Manager/Manager-Secretary shall then call for nominations for the office of Vice President and repeat the election procedure described above until one candidate secures a majority vote, at which time the office of Vice President may be deemed filled.

1.1 BOARD COMMUNICATIONS POLICY

Adopted: June 14, 2011; Revised: March 24, 2015; Affirmed: August 28, 2018; Revised: November 27, 2018

Introduction: In the process of managing and administering the Los Angeles City Employees' Retirement System, the LACERS Board of Administration may encounter various legal, ethical, and logistical issues involving communication with its stakeholders and with outside parties. To provide a framework for addressing these issues, the intent of this policy governing Board communications is to ensure that such communications are well-coordinated, effectively managed, responsive, and timely.

LACERS' Official Spokesperson(s) for Administrative Matters: The General Manager and/or his/her designee shall be the official representative for LACERS for any communication or presentation of LACERS' administration of programs, services, or investments provided to its stakeholders, including but not limited to the following:

- LACERS Members and their Beneficiaries
- Retiree associations
- Labor unions
- City officials, including elected officials
- Other outside parties
- General public
- Media

Note: "Media," for purposes of this policy, is defined as radio, television, newspapers, newsletters, magazines, websites, blogs, social media, and other related outlets and modes of public communication transmitted verbally and/or in writing.

The General Manager may provide factual information verifying that committee or Board actions have taken place, but shall not provide information regarding why he/she believes the committee or Board voted a certain way. If such questions arise, the General Manager may refer ~~the inquiry to the Board President and/or refer~~ the inquiring party to the committee/Board report, ~~and/or~~ meeting minutes, and/or audio file posted on the website.

LACERS Official Spokesperson regarding Board Decisions: The Board President shall serve as the spokesperson for the Board on all issues pertaining to decisions and direction given by the Board other than factual, publicly available information related to decisions made by the Board, which may be answered by Board Members and the General Manager. The Board President also shall serve as the spokesperson for the Board regarding pending or potential Board decisions. The Board President may delegate the general duty of spokesperson to another Board Member or to the General Manager as he/she sees fit.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

Board Members shall refrain from publishing any written material and/or making any statements to the media or outside parties which purports to represent LACERS' policies or initiatives on any matter or subject before the Board has formally adopted a policy or position on the matter or subject. However, this policy shall not be interpreted to preclude Board Members, as private citizens, from expressing their personal views.

Board Members who publish articles and/or participate in speaking engagements while identifying themselves as trustees of LACERS may provide factual, publicly available information without any disclaimer. If the Board Member wants to express views other than adopted Board positions, he/she shall state that the views they are expressing are their personal views and are not LACERS' official position, and/or that they are not acting in an official capacity for LACERS.

Board Members should avoid expressing personal opinions and/or speculation as to the motivations of any Board Member's actions on LACERS' behalf.

Timely Responses to Media Inquiries: Board Members may receive inquiries directly from the media regarding pending or potential Board decisions or LACERS' actions. To ensure a timely response in such instances, the Board Members immediately shall refer or transmit such inquiries to the Board President or General Manager pursuant to the policy above for appropriate action.

Press Releases: The Board President and the Board Vice President shall review and approve press releases developed by LACERS' staff prior to any dissemination to any media contact or outlet.

Section 2.0 CONTRACT ADMINISTRATION

2.1 THIRD PARTY MARKETER COMPLIANCE POLICY

Adopted: June 8, 2010; Revised December 14, 2010; Affirmed: November 27, 2018

~~This Policy supersedes any previously adopted policy and is effective immediately upon adoption.~~

Purpose

The purpose of this policy is to maximize transparency and avoid actual or perceived conflicts of interest when LACERS considers investment proposals in order to ensure that system investment decisions are made solely on the merits of the investment opportunity by individuals that owe a fiduciary duty to the system. This policy requires firms submitting proposals for consideration by LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations in the event that a contract between the firm and LACERS is secured. This Policy is intended to apply broadly to all investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract. The Board has determined, in good faith, that the adoption of this Policy is consistent with its fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution.

I. Disclosure of Payments Made to Placement Agents

Each External Manager shall provide to LACERS the required information listed below within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

A. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by LACERS.
B. A resume for each Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience. If any such person is a former LACERS Board member, employee or Consultant or the member of an immediate family of any such person, this fact shall be specifically noted. When an entity is retained as a Placement Agent, any officer, director or employee actively providing placement agent services with regard to LACERS or receiving more than 15% of the placement agent fees should provide information required by this subsection.
C. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent, including the nature, timing and value thereof.
D. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only a subset of prospective clients.
E. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or any similar regulatory agency in a country other than the United States, and the details of that registration or an explanation as to why no registration is required.

F. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with the City of Los Angeles, State of California or national government.

II. Disclosure of Campaign Contributions by Placement Agent to the Board

A. Any Placement Agent, prior to acting as a Placement Agent in connection with any potential LACERS' investment, shall disclose to the Board all campaign contributions made by the Placement Agent to any elected member of the Board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to an elected member of the Board during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

B. Any Placement Agent, prior to acting as Placement Agent in connection with any potential LACERS investment, shall disclose to the Board all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any member of the Board, staff, or consultant during the prior 24-month period. Additionally, any subsequent gift given by the Placement Agent to any member of the Board, staff, or consultant during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

III. Definitions

A. ***Consultant*** refers to individuals or firms, and includes key personnel of consultant firms who are contractually retained or have been appointed to a pool by the system to provide investment advice to the system but who do not exercise investment decisions.

B. ***External Manager*** means either of the following:
   1. A person who is seeking to be, or is retained by LACERS to manage a portfolio of securities or other assets for compensation.
   2. A person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to LACERS.

C. ***Person*** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

D. ***Placement Agent***
   1. A person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another Placement Agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to LACERS or an Investment Vehicle, either directly or indirectly.
   2. Notwithstanding paragraph (1), an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.
   3. For the purpose of this section, an "Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either , either domestic or foreign, constituting or managed by an External Manager in which LACERS is the majority investor that is organized in order to invest with, or retain the investment management services of, other External Managers.

Section 2.0 CONTRACT ADMINISTRATION

IV. Requirement of Placement Agent to File Reports and Comply with Requirements Imposed on Lobbyist

A. A person acting as a Placement Agent in connection with any potential system investment made by LACERS, shall file applicable reports and comply with any applicable requirements imposed on lobbyist under the Los Angeles Municipal Code Section 48.01 et seq.

B. This section does not apply to an individual who is an employee, officer, director, equity holder, partner, member or trustee of an External Manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested or held by the External Manager.

~~V. Policy History~~

~~A. Adopted on June 8, 2010~~

~~B. Revised on December 14, 2010~~

Section 1.0 GUIDANCE FOR BOARD MEMBERS

Section Affirmed: October 22, 2013; Revised: May 14, 2013, February 25, 2014, June 14, 2016, August 28, 2018, December 11, 2018

4.1 GENERAL

A. **Procedural Standard**
The Board and its Committees shall operate under Robert's Rules of Order unless statutes or Board action provide otherwise.

B. **Board Actions**
Actions of the Board require four votes. The Los Angeles City Charter §503(c) requires that "Each board shall exercise the powers conferred upon it by the Charter by order or resolution adopted by a majority of its members. Action of the board shall be attested by the signatures of the President or Vice President, or two members of the board, and by the signature of the secretary of the board."

C. **Board Meeting Presiding Officer**
Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the General Manager/Manager-Secretary will open the meeting and call for nominations of a President Pro Tempore from the members present to serve the duration of the meeting.

D. **Committee Assignments**
Committee assignments are to be determined by the President or Acting President, who shall also name the Committee Chair. An alternate will be appointed for each Committee to serve in the absence of Committee Members. Additional alternates may be appointed on an as-needed basis by the Board President.

E. **Committee Meeting Schedule and Attendance**
All Committee meetings of the Board shall be open to all Board members, but only Committee Members may vote. Committee meetings shall be scheduled to occur on the same day as regular Board meetings whenever possible.

F. **Closed Sessions**
Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board.

G. **Closed Session Discussions and Decisions**
Pursuant to Section 54957.2, Chapter 9 of the California Government Code (The Ralph M. Brown Act), the legislative body of a local agency may, by ordinance or resolution, designate a clerk or other officer or employee of the local agency who shall then attend each closed session of the legislative body and keep and enter in a minute book a record of topics discussed and decisions made at the meeting. The Executive Assistant to the Board of Administration shall be designated to serve in this capacity; and the General Manager/Manager-Secretary is designated as the alternate.

H. **Board Member Compensation**
Members of the Board shall be compensated for attendance at all Regular and Special meetings of the Board at a rate of $50 per meeting with a maximum of $250 per month, except when such Special meeting is concurrently scheduled as a meeting of a Committee of the Board.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

I. **Board Meeting Schedule and Location**

The Board hereby approves the official meeting time for Regular Meetings of the LACERS Board of Administration as 10 a.m. on the second and fourth Tuesdays of each month, in the LACERS Boardroom at 202 West First Street, Suite 500, as the official place for Regular Meetings. All Board and Committee meetings are open to the public, with the exception of "closed session" meeting items.

J. **Public Comment**

The Board shall provide a member of the public the opportunity to address the Board or Committee on any item under its jurisdiction as follows:

1. <u>Agenda Items</u> – With respect to any item which is already on the agenda, the public shall be allowed the opportunity to comment at the commencement of the Board or Committee meeting. The Board/Committee Meeting Presiding Officer may request to have the spreaker give their public comment prior to the agenda item to be addressed. The public shall also be given an opportunity to comment on closed session items prior to adjournment into closed session.
2. <u>Non-Agenda Items</u> – Members of the public shall have the right to address the Board on items which are within the subject matter jurisdiction of the Board. Except as otherwise permitted by the Ralph M. Brown Act, no deliberation of action may be taken by the Board concerning a non-agenda item, except that members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a question for clarification; or (3) provide a reference to staff for factual information. Furthermore, the Board may take action to direct staff to place a matter of business on a future agenda.

Each speaker giving a public comment shall be allotted two minutes per agenda item or new matter which is to be enforced by the Board/Committee Meeting Presiding Officer. The allotted time may be adjusted at the discretion of the Presiding Officer.

Written public comment addressing items on the meeting agenda shall be distributed to members of the Board or Committee prior to the beginning of the meeting but shall not be read out loud into the record by Board Members or LACERS' staff during the meeting as a matter of course. All submitted public comments, including public comment cards, shall be posted with the Board meeting documents on LACERS' website.

4.2 AGENDAS

A. The Commission Executive Assistant shall prepare an Agenda for each Board meeting which incorporates a consent agenda, new business, items previously requested by Board Member(s) for inclusion, as well as those items deferred from previous meeting(s) categorized in the order to be determined in concurrence with the General Manager and Board President.

B. The consent agenda shall consist of approval of the minutes of the past meeting(s) and routine "receive and file" items which are presumed to be non-controversial, and which do not involve the investment of assets. The Board President and General Manager may concur on additional items to be routinely placed on the consent agenda. A Board Member may at any Board meeting, remove an item from the consent agenda for further discussion.

C. Items presented in the Board President's Report, General Manager's Report, Chief Investment Officer Report, or other requested Manager's Report, may be provided verbally without a written report.

D. Informational items (i.e. "Receive and file" items):

1. At Committee meetings – Shall be supported by a written report and presented by Staff or consultants, unless otherwise instructed by the Committee.
2. At Board meetings – Shall be supported by a written report and presented by Staff or consultants upon request of any Board Member. The Staff or consultant should sit at the table and make a presentation only when cued or requested by the Board President.

E. All Board Members shall receive in advance of each meeting copies of all Committee agendas, regular meeting agendas, and all support documentation.

F. Committee reports: Following each Committee meeting in which a recommendation for action to the full Board is taken, the Staff, in consultation with the Committee Chair, will to the degree possible, prepare the Committee's report to include a brief summary of the proposed Committee recommendation and attach the Staff's report to the Committee report.

G. Materials supplied to Board Members shall be numbered to facilitate locating items under discussion.

4.3 MINUTES

A. Minutes of the meetings of the Board shall conform in general to the format outlines in the "Trustees' Handbook" published by the International Foundation of Employee Benefit Plans.

B. At each Board meeting, Board Members shall have the opportunity to review and approve the minutes of the previous meeting(s) before the President affixes his signature upon approval by the Board.

C. The Minutes shall be prepared with letter-size paper for review before approval, and the historical record of approved and signed minutes shall be maintained electronically with all appropriate considerations for security and accessibility as required by law.

4.4 ELECTION

The Election of Board Officers for the then current fiscal year is generally held on the second meeting of July each year, or when a Board Officer seat becomes vacant. The Board shall elect one of its members to the office of President, and one to the office of Vice President. The Board Officers shall hold office for one year and until replaced by the election of a successor or re-elected at the next Election, unless their membership on the Board expires sooner.

At the appointed time, the General Manager/Manager-Secretary shall call for nominations for the office of President. After nominations have concluded, the General Manager/Manager-Secretary shall call for the Ayes and Nays from among the Members of the Board for each candidate nominated. Upon one candidate securing a majority vote, the General Manager/Manager-Secretary shall announce that the office of President is filled until the newly elected Member is replaced or re-elected at the next election.

The General Manager/Manager-Secretary shall then call for nominations for the office of Vice President and repeat the election procedure described above until one candidate secures a majority vote, at which time the office of Vice President may be deemed filled.

1.1 BOARD COMMUNICATIONS POLICY

Adopted: June 14, 2011; Revised: March 24, 2015; Affirmed: August 28, 2018; Revised: November 27, 2018

Introduction: In the process of managing and administering the Los Angeles City Employees' Retirement System, the LACERS Board of Administration may encounter various legal, ethical, and logistical issues involving communication with its stakeholders and with outside parties. To provide a framework for addressing these issues, the intent of this policy governing Board communications is to ensure that such communications are well-coordinated, effectively managed, responsive, and timely.

LACERS' Official Spokesperson(s) for Administrative Matters: The General Manager and/or his/her designee shall be the official representative for LACERS for any communication or presentation of LACERS' administration of programs, services, or investments provided to its stakeholders, including but not limited to the following:

- LACERS Members and their Beneficiaries
- Retiree associations
- Labor unions
- City officials, including elected officials
- Other outside parties
- General public
- Media

Note: "Media," for purposes of this policy, is defined as radio, television, newspapers, newsletters, magazines, websites, blogs, social media, and other related outlets and modes of public communication transmitted verbally and/or in writing.

The General Manager may provide factual information verifying that committee or Board actions have taken place, but shall not provide information regarding why he/she believes the committee or Board voted a certain way. If such questions arise, the General Manager may refer the inquiring party to the committee/Board report, meeting minutes, and/or audio file posted on the website.

LACERS Official Spokesperson regarding Board Decisions: The Board President shall serve as the spokesperson for the Board on all issues pertaining to decisions and direction given by the Board other than factual, publicly available information related to decisions made by the Board, which may be answered by Board Members and the General Manager. The Board President also shall serve as the spokesperson for the Board regarding pending or potential Board decisions. The Board President may delegate the general duty of spokesperson to another Board Member or to the General Manager as he/she sees fit.

Section 1.0 GUIDANCE FOR BOARD MEMBERS

Board Members shall refrain from publishing any written material and/or making any statements to the media or outside parties which purports to represent LACERS' policies or initiatives on any matter or subject before the Board has formally adopted a policy or position on the matter or subject. However, this policy shall not be interpreted to preclude Board Members, as private citizens, from expressing their personal views.

Board Members who publish articles and/or participate in speaking engagements while identifying themselves as trustees of LACERS may provide factual, publicly available information without any disclaimer. If the Board Member wants to express views other than adopted Board positions, he/she shall state that the views they are expressing are their personal views and are not LACERS' official position, and/or that they are not acting in an official capacity for LACERS.

Board Members should avoid expressing personal opinions and/or speculation as to the motivations of any Board Member's actions on LACERS' behalf.

Timely Responses to Media Inquiries: Board Members may receive inquiries directly from the media regarding pending or potential Board decisions or LACERS' actions. To ensure a timely response in such instances, the Board Members immediately shall refer or transmit such inquiries to the Board President or General Manager pursuant to the policy above for appropriate action.

Press Releases: The Board President and the Board Vice President shall review and approve press releases developed by LACERS' staff prior to any dissemination to any media contact or outlet.

Section 2.0 CONTRACT ADMINISTRATION

2.1 THIRD PARTY MARKETER COMPLIANCE POLICY

Adopted: June 8, 2010; Revised December 14, 2010; Affirmed: November 27, 2018

Purpose

The purpose of this policy is to maximize transparency and avoid actual or perceived conflicts of interest when LACERS considers investment proposals in order to ensure that system investment decisions are made solely on the merits of the investment opportunity by individuals that owe a fiduciary duty to the system. This policy requires firms submitting proposals for consideration by LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations in the event that a contract between the firm and LACERS is secured. This Policy is intended to apply broadly to all investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract. The Board has determined, in good faith, that the adoption of this Policy is consistent with its fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution.

I. Disclosure of Payments Made to Placement Agents

Each External Manager shall provide to LACERS the required information listed below within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

A. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by LACERS.
B. A resume for each Placement Agent detailing the person’s education, professional designations, regulatory licenses, and investment and work experience. If any such person is a former LACERS Board member, employee or Consultant or the member of an immediate family of any such person, this fact shall be specifically noted. When an entity is retained as a Placement Agent, any officer, director or employee actively providing placement agent services with regard to LACERS or receiving more than 15% of the placement agent fees should provide information required by this subsection.
C. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent, including the nature, timing and value thereof.
D. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only a subset of prospective clients.
E. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or any similar regulatory agency in a country other than the United States, and the details of that registration or an explanation as to why no registration is required.
F. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with the City of Los Angeles, State of California or national government.

Section 2.0 CONTRACT ADMINISTRATION

II. Disclosure of Campaign Contributions by Placement Agent to the Board

A. Any Placement Agent, prior to acting as a Placement Agent in connection with any potential LACERS' investment, shall disclose to the Board all campaign contributions made by the Placement Agent to any elected member of the Board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to an elected member of the Board during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

B. Any Placement Agent, prior to acting as Placement Agent in connection with any potential LACERS investment, shall disclose to the Board all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any member of the Board, staff, or consultant during the prior 24-month period. Additionally, any subsequent gift given by the Placement Agent to any member of the Board, staff, or consultant during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

III. Definitions

A. ***Consultant*** refers to individuals or firms, and includes key personnel of consultant firms who are contractually retained or have been appointed to a pool by the system to provide investment advice to the system but who do not exercise investment decisions.

B. ***External Manager*** means either of the following:
   1. A person who is seeking to be, or is retained by LACERS to manage a portfolio of securities or other assets for compensation.
   2. A person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to LACERS.

C. ***Person*** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

D. ***Placement Agent***
   1. A person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another Placement Agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to LACERS or an Investment Vehicle, either directly or indirectly.
   2. Notwithstanding paragraph (1), an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.
   3. For the purpose of this section, an "Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either , either domestic or foreign, constituting or managed by an External Manager in which LACERS is the majority investor that is organized in order to invest with, or retain the investment management services of, other External Managers.

Section 2.0 CONTRACT ADMINISTRATION

IV. Requirement of Placement Agent to File Reports and Comply with Requirements Imposed on Lobbyist

A. A person acting as a Placement Agent in connection with any potential system investment made by LACERS, shall file applicable reports and comply with any applicable requirements imposed on lobbyist under the Los Angeles Municipal Code Section 48.01 et seq.
B. This section does not apply to an individual who is an employee, officer, director, equity holder, partner, member or trustee of an External Manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested or held by the External Manager.

TorreyCove
CAPITAL PARTNERS

CALIFORNIA
10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS
222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Private Equity Portfolio Performance Report
As of June 30, 2018

WWW.TORREYCOVE.COM

TorreyCove
CAPITAL PARTNERS

- Summary of Activity - 2015 to 2017
- Summary of Activity - 2018 (YTD 9/30/18)
- Overall Comments & Key Statistics

TorreyCove
CAPITAL PARTNERS

SUMMARY OF ACTIVITY - 2015 TO 2017

- From 2015 to 2017, LACERS committed approximately $958.0 million to 51 different private equity funds

- Commitments have largely been focused on the Buyouts sub-sector, followed by Growth Equity and Venture Capital

2015 - Summary of Activity

- LACERS committed a total of $310.0 million to 16 different funds
  - Approximately 40% dedicated to Buyouts
  - Approximately 20% dedicated to Growth Equity
  - Approximately 15% dedicated to Venture Capital
  - Approximately 15% dedicated to Distressed
  - Approximately 10% dedicated to Natural Resources

2016 - Summary of Activity

- LACERS committed a total of $327.4 million to 19 different funds
  - Approximately 70% dedicated to Buyouts
  - Approximately 10% dedicated to Growth Equity
  - Approximately 10% dedicated to Venture Capital
  - Approximately 5% dedicated to Credit/Distressed
  - Approximately 5% dedicated to Other

2017 - Summary of Activity

- LACERS committed a total of $321.8 million to 16 different funds
  - Approximately 60% dedicated to Buyouts
  - Approximately 10% dedicated to Growth Equity
  - Approximately 20% dedicated to Venture Capital
  - Approximately 10% dedicated to Natural Resources

TorreyCove
CAPITAL PARTNERS

SUMMARY OF ACTIVITY - 2018 (YTD 9/30/18)

❖ 2018 - Summary of Activity

- As of September 30, 2018 LACERS committed a total of $317.5 million to 13 different funds
  - Buyouts - $207.5 million committed across 8 funds
  - Credit / Distressed - $65.0 million committed across 2 funds
  - Growth Equity - $35.0 million committed across 2 funds
  - Venture Capital - $10.0 million committed to 1 fund

Closing Date	Fund	Fund Size ($'s mn)[1]	New or Existing Relationship	Investment Strategy	Commitment Amount ($'s mn)
2/6/18	1315 Capital Fund II, L.P.	$250	Existing	VC – Late Stage	$10.0
2/7/18	Mill Point Capital Partners, L.P.	$325	New	Buyout - Small	$10.0
2/13/18	American Securities Fund VIII, L.P.	$7,000	Existing	Buyout - Large	$40.0
2/16/18	Thoma Bravo Discover Fund II, L.P.	$1,750	Existing	Buyout - Medium	$10.0
5/15/18	Ascribe Opportunities IV, L.P.	$1,250	Existing	Credit / Distressed	$25.0
5/31/18	Platinum Equity Small Cap Fund, L.P.	$1,500	Existing	Buyout - Medium	$22.5
6/21/18	Thoma Bravo Fund XIII, L.P.	$11,500	Existing	Buyout - Large	$30.0
7/10/18	The Baring Asia Private Equity Fund VII, L.P.	$5,500	Existing	Buyout - Large	$25.0
7/30/18	ABRY Advanced Securities Fund IV, L.P.	$1,500	Existing	Credit / Distressed	$40.0
8/1/18	Polaris Growth Fund I, L.P.	$175	Existing	Growth Equity	$10.0
8/31/18	TCV X, L.P.	$2,500	Existing	Growth Equity	$25.0
8/31/18	Vista Equity Partners VII, L.P.	$15,000	Existing	Buyout - Large	$40.0
9/28/18	Hellman & Friedman Capital Partners IX, L.P.	$15,000	Existing	Buyout - Large	$30.0
	Total:				**$317.5**

1. Based on target fund size.

OVERALL COMMENTS & KEY STATISTICS

- LACERS private equity program is underweight compared to its 14.0% target and has largely been cash flow positive over the past few years
- Overall, LACERS has a relatively well diversified private equity portfolio that is diversified by geography, industry, and vintage year

Exposure

- Since inception, LACERS has committed a total of $4.3 billion to 247 different funds
- As of June 30, 2018, the Private Equity program had a fair market value of $1.8 billion
- Total plan assets as of June 30, 2018 were $16.9 billion
  - Private Equity exposure was 10.9% as of June 30, 2018
  - The Private Equity exposure target is currently 14.0%

Cash Flow Profile

- The Private Equity Portfolio has been cash flow positive overall from 2015 to 2017
  - Cash flow positive in 2015 and 2017
  - Cash flow negative in 2016

Diversification

- Geographic Diversification: Approximately 80% of investments focused on N. America
- Sector Diversification: Diversified across sectors, with Information Technology representing the largest exposure
- Vintage Year Diversification: Well diversified across vintage years

Performance Since Inception

- The Aggregate Portfolio has generated a Net IRR of 11.3% and a TVPI[1] of 1.55x
  - The Core Portfolio has generated a Net IRR of 11.8% and a TVPI[1] of 1.58x
  - The Specialized Portfolio has generated a Net IRR of 2.1% and a TVPI[1] of 1.12x

1. TVPI: (Cumulative Distributions + Fair Market Value) / Cumulative Contributions (including fees outside of commitment)

Private Equity Portfolio Performance Review As of June 30, 2018

Aggregate Portfolio Summary as of June 30, 2018

- In 2018, LACERS increased its private equity exposure target from 12.0% to 14.0%
- As of June 30, 2018 the aggregate portfolio's fair market value of $1.8 billion represents 10.9% of Total Plan Assets

Aggregate Portfolio Private Equity Exposure Summary	
Total Plan Market Value	$16,935,458,097
Private Equity Exposure Target (%)	14.0%
Private Equity Exposure Target ($)	$2,370,964,133
Current Private Equity Exposure (%)	10.9%
Fair Market Value	$1,843,871,512

TorreyCove
CAPITAL PARTNERS

PRIVATE EQUITY PERFORMANCE REVIEW

Aggregate Portfolio Summary

- LACERS has committed $4.3 billion to 247 partnerships managed by 121 sponsors since the inception of its private equity program in 1995
- Contributions to and distributions from the aggregate portfolio since inception totaled $3.3 billion and $3.2 billion, respectively
- The aggregate portfolio has generated a total value multiple of 1.55x and a Net IRR since inception of 11.3%

Aggregate Portfolio Snapshot $'s in millions			
Portfolio Since Inception	6/30/2018	6/30/2017	Net Change
Partnerships	247	236	11
Active	209	208	1
Inactive	38	28	10
Sponsors	121	118	3
Commitment	$4,271	$4,068	$203
ITD Contributions	$3,280	$3,013	$267
Unfunded Commitment	$1,056	$1,099	($43)
ITD Distributions	$3,231	$2,913	$318
Fair Market Value	$1,844	$1,622	$222
Fair Market Value + Distributions	$5,075	$4,535	$540
TVPI	1.55x	1.51x	0.04x
Net IRR	11.3%	11.0%	0.3%

Core & Specialized Portfolio Summaries

- The Core Portfolio accounts for 95.5% of Commitments and 96.4% of the Fair Market Value of the aggregate portfolio
- Both the Core Portfolio and Specialized Portfolio saw performance improvement year over year
- Core Portfolio Net IRR increased by 20 bps while the Specialized Portfolio Net IRR increased by 30 bp
- Distributions outpaced contributions in both the Core and Specialized Portfolios

Core Portfolio Snapshot $'s in millions			
Portfolio Since Inception	6/30/2018	6/30/2017	Net Change
Partnerships	224	213	11
Active	191	187	4
Inactive	33	26	7
Sponsors	106	103	3
Commitment	$4,080	$3,876	$203
ITD Contributions	$3,093	$2,827	$266
Unfunded Commitment	$1,051	$1,093	($41)
ITD Distributions	$3,087	$2,789	$298
Fair Market Value	$1,778	$1,542	$236
Fair Market Value + Distributions	$4,865	$4,330	$534
TVPI	1.58x	1.54x	0.04x
Net IRR	11.8%	11.6%	0.2%

Specialized Portfolio Snapshot $'s in millions			
Portfolio Since Inception	6/30/2018	6/30/2017	Net Change
Partnerships	23	23	0
Active	18	21	-3
Inactive	5	2	3
Sponsors	21	21	0
Commitment	$191	$191	$0
ITD Contributions	$187	$186	$1
Unfunded Commitment	$4	$6	($2)
ITD Distributions	$144	$124	$20
Fair Market Value	$66	$80	($14)
Fair Market Value + Distributions	$210	$205	$5
TVPI	1.12x	1.10x	0.02x
Net IRR	2.1%	1.8%	0.3%

Performance by Strategy

- The Buyout sub-sector represents the aggregate portfolio's largest exposure by fair market value at 53.4%
  - The Buyout sub-sector has outperformed other sub-sectors with a Net IRR & TVPI since inception of 12.4% and 1.67x, respectively
- The Venture Capital sub-sector represents the aggregate portfolio's second largest exposure by fair market value at 15.0%
  - The Venture Capital sub-sector has generated a Net IRR & TVPI since inception of 7.5% and 1.42x, respectively
- The Natural Resources sub-sector, with a fair market value representing 9.8% of the aggregate portfolio, has underperformed relative to other sub-sectors, with a Net IRR & TVPI since inception of 7.2% and 1.22x, respectively

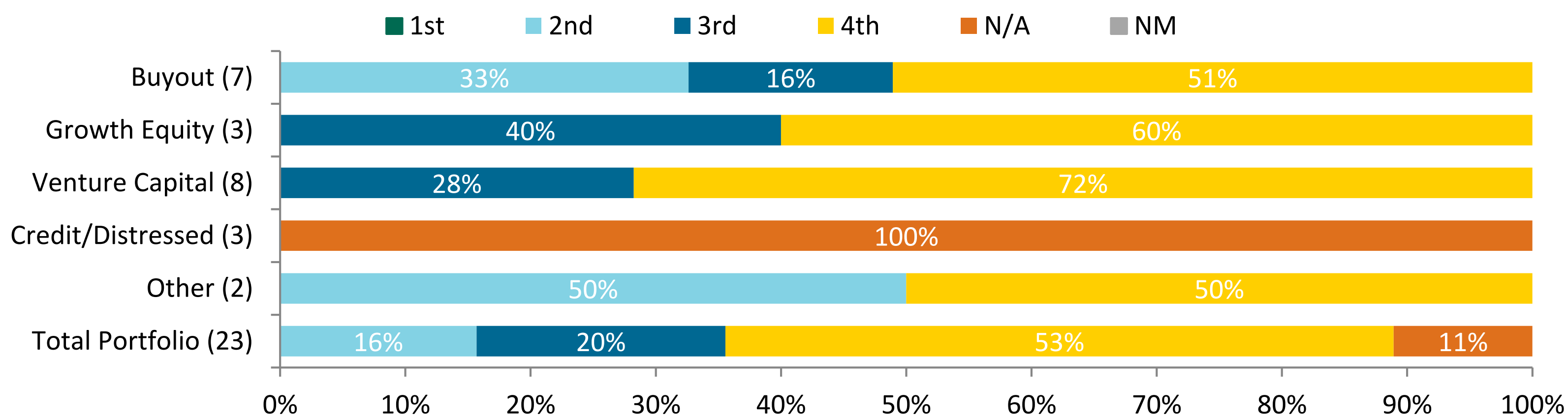
Strategy	Commitment	% of Total	Fair Market Value	% of Total	TVPI	IRR
Buyout	$2,527,837,511	59.2%	$983,786,893	53.4%	1.67x	12.4%
Growth Equity	$291,326,000	6.8%	$236,662,014	12.8%	1.55x	11.7%
Venture Capital	$532,300,702	12.5%	$277,392,278	15.0%	1.42x	7.5%
Credit/Distressed	$519,531,007	12.2%	$134,653,865	7.3%	1.35x	9.9%
Natural Resources	$330,000,000	7.7%	$181,057,051	9.8%	1.22x	7.2%
Other	$70,000,000	1.6%	$30,319,411	1.6%	1.55x	10.1%
Total	4,270,995,220	100.0%	1,843,871,512	100.0%	1.55x	11.3%

Performance by Strategy and Sub-Strategy

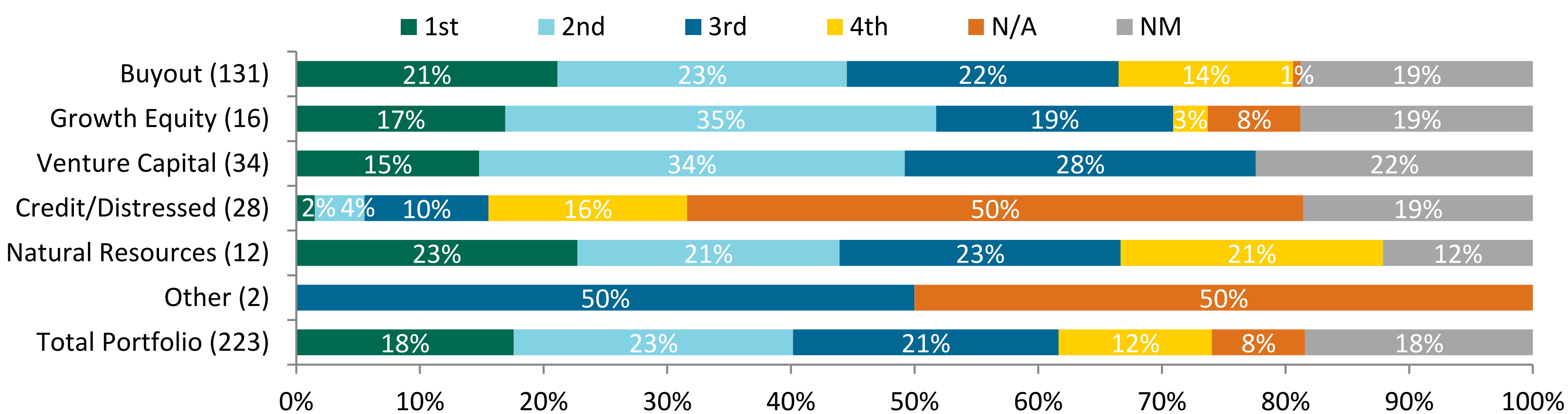
Strategy	Sub-Strategy	Commitment	Contributions	Percentage Called	Distributions	Percentage Distributed	Fair Market Value	TVPI	IRR
Buyout	Large	$1,106,069,004	$874,359,770	79.1%	$1,079,928,837	97.6%	$425,773,735	1.72x	15.0%
	Medium	$1,221,167,946	$946,414,985	77.5%	$1,066,927,248	87.4%	$506,921,294	1.67x	11.5%
	Small	$200,600,561	$113,168,815	56.4%	$87,444,438	43.6%	$51,091,864	1.22x	4.5%
Buyout	**Total**	**$2,527,837,511**	**$1,933,943,570**	**76.5%**	**$2,234,300,522**	**88.4%**	**$983,786,893**	**1.67x**	**12.4%**
Growth Equity	Growth Equity	$291,326,000	$228,851,794	78.6%	$118,817,966	40.8%	$236,662,014	1.55x	11.7%
Growth Equity	**Total**	**$291,326,000**	**$228,851,794**	**78.6%**	**$118,817,966**	**40.8%**	**$236,662,014**	**1.55x**	**11.7%**
Venture Capital	Early Stage	$113,750,000	$83,014,396	73.0%	$97,467,470	85.7%	$78,084,015	2.11x	43.2%
	Late Stage	$135,000,000	$98,966,386	73.3%	$47,724,367	35.4%	$64,895,695	1.14x	2.9%
	Multi-Stage	$283,550,702	$246,329,012	86.9%	$186,661,809	65.8%	$134,412,568	1.30x	5.2%
Venture Capital	**Total**	**$532,300,702**	**$428,309,794**	**80.5%**	**$331,853,645**	**62.3%**	**$277,392,278**	**1.42x**	**7.5%**
Credit/Distressed	Credit	$40,000,000	$20,684,904	51.7%	$5,626,747	14.1%	$20,526,165	1.28x	9.6%
	Distressed	$444,531,007	$337,747,987	76.0%	$338,051,779	76.0%	$110,883,866	1.37x	10.4%
	Mezzanine	$35,000,000	$25,139,232	71.8%	$25,918,769	74.1%	$3,243,834	1.16x	4.0%
Credit/Distressed	**Total**	**$519,531,007**	**$383,572,122**	**73.8%**	**$369,597,295**	**71.1%**	**$134,653,865**	**1.35x**	**9.9%**
Natural Resources	Energy	$330,000,000	$258,347,655	78.3%	$133,379,269	40.4%	$181,057,051	1.22x	7.2%
Natural Resources	**Total**	**$330,000,000**	**$258,347,655**	**78.3%**	**$133,379,269**	**40.4%**	**$181,057,051**	**1.22x**	**7.2%**
Other	Fund of Funds	$20,000,000	$19,144,381	95.7%	$24,184,193	120.9%	$7,707,880	1.67x	7.8%
	Secondaries	$50,000,000	$28,111,898	56.2%	$18,900,286	37.8%	$22,611,531	1.48x	16.6%
Other	**Total**	**$70,000,000**	**$47,256,279**	**67.5%**	**$43,084,479**	**61.5%**	**$30,319,411**	**1.55x**	**10.1%**
Total	Total	$4,270,995,220	$3,280,281,213	76.8%	$3,231,033,177	75.7%	$1,843,871,512	1.55x	11.3%

Benchmarking by Strategy

Specialized Portfolio



Core Portfolio



Note: All quartiles are based on Cambridge Associates data as of June 30, 2018. The strategy quartile distributions exclude: (a) funds where corresponding benchmark data is not available from Cambridge Associates, (b) funds where the first capital call date is younger than two years and (c) funds where total exposure is equal to zero. Cambridge Associates data is continually updated and subject to change.

TorreyCove Capital Partners

PRIVATE EQUITY PERFORMANCE REVIEW

Vintage Year Performance

- Aggregate portfolio performance exceeded the Cambridge Associates Benchmark median returns for 17 of the 22 reported vintage years

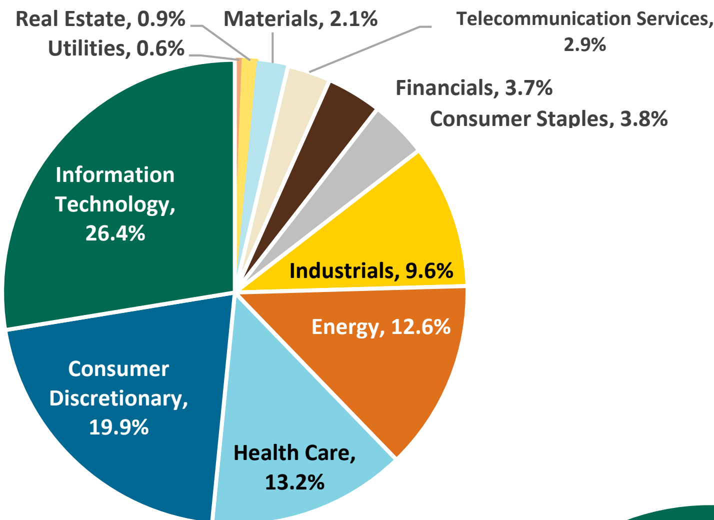
Vintage Year	Commitment	% of Total	Fair Market Value	% of Total	TVPI	Net IRR	Median Benchmark	Top Quartile Benchmark
1995	$15,000,000	0.4%	-	0.0%	2.18x	17.7%	16.2%	33.7%
1996	$59,680,144	1.4%	-	0.0%	1.96x	15.7%	11.4%	26.5%
1997	$26,000,000	0.6%	-	0.0%	2.25x	25.3%	11.5%	25.6%
1998	$59,527,473	1.4%	$767,713	0.0%	1.38x	5.7%	8.2%	15.4%
1999	$200,642,708	4.7%	$689,187	0.0%	1.24x	4.2%	2.9%	11.8%
2000	$162,153,037	3.8%	$6,507,068	0.4%	1.74x	13.1%	4.4%	14.1%
2001	$53,300,000	1.2%	$3,642,368	0.2%	1.77x	16.1%	11.2%	22.1%
2002	$27,920,417	0.7%	-	0.0%	1.79x	10.1%	12.4%	23.8%
2003	$124,743,460	2.9%	$7,139,126	0.4%	2.08x	18.9%	10.7%	18.4%
2004	$127,070,132	3.0%	$23,117,359	1.3%	1.73x	13.2%	7.6%	13.7%
2005	$193,477,209	4.5%	$15,825,861	0.9%	1.53x	7.8%	5.6%	10.3%
2006	$321,468,520	7.5%	$74,697,163	4.1%	1.40x	6.0%	6.3%	10.9%
2007	$235,490,548	5.5%	$78,573,679	4.3%	1.64x	11.0%	7.9%	12.7%
2008	$264,170,447	6.2%	$126,802,461	6.9%	1.78x	14.1%	8.8%	14.2%
2009	$45,000,000	1.1%	$27,827,807	1.5%	1.50x	10.1%	12.2%	18.7%
2010	$175,000,000	4.1%	$75,735,958	4.1%	1.48x	11.4%	11.8%	17.4%
2011	$251,470,874	5.9%	$246,105,700	13.3%	1.79x	16.3%	13.1%	18.8%
2012	$205,914,286	4.8%	$181,141,996	9.8%	1.61x	17.2%	12.3%	19.4%
2013	$225,000,000	5.3%	$223,478,530	12.1%	1.42x	13.2%	12.4%	17.8%
2014	$325,000,000	7.6%	$305,795,208	16.6%	1.47x	17.0%	12.8%	20.8%
2015	$275,625,875	6.5%	$213,663,741	11.6%	1.32x	17.8%	12.5%	21.4%
2016	$342,121,713	8.0%	$180,299,451	9.8%	1.13x	12.5%	10.6%	21.3%
2017	$360,218,377	8.4%	$47,233,229	2.6%	NM	NM	NM	NM
2018	$95,000,000	4.6%	$4,827,908	0.3%	NM	NM	NM	NM
Total	4,270,995,220	100.0%	1,843,871,512	100.0%	1.55x	11.3%	9.8%	17.3%

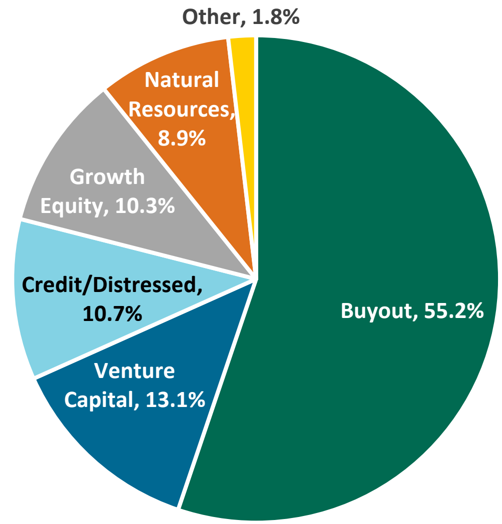
Note: Performance of investments held less than two years is generally not meaningful and therefore Net IRRs and TVPIs have been excluded, however, they are included in the totals.

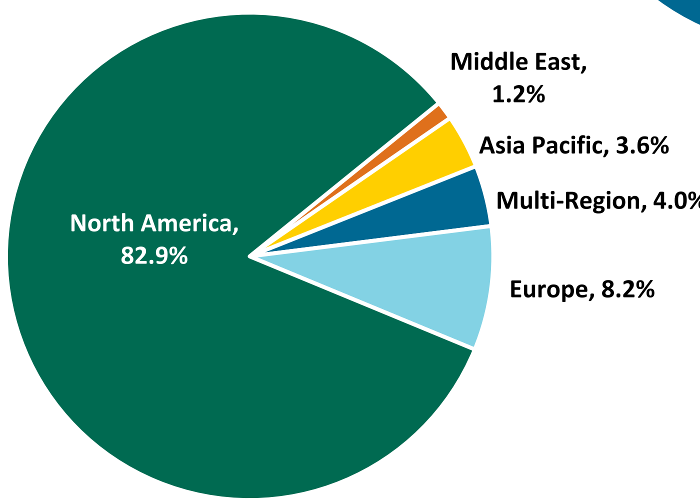
TORREYCOVE CAPITAL PARTNERS

PRIVATE EQUITY PERFORMANCE REVIEW

Portfolio Diversification







Note: Strategy graph is based on fund-level data. Industry and Geography graphs are based on underlying portfolio companies.

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PRIVATE EQUITY PERFORMANCE REVIEW

Portfolio Performance

Aggregate Portfolio (Core & Specialized Managers) of $4.3 billion of closed commitments has been grouped into vintage year buckets

- "Mature" bucket ($132.4 million of fair market value with vintage years ranging from 1995-2006)
    - There was minimal change year over year with respect to TVPI and Net IRR and there is little potential for growth or decline to occur in these investments given the small Fair Market Value relative to other buckets
- "Maturing" bucket ($555.0 million of fair market value with vintage years ranging from 2007-2011)
    - There was significant change year over year with respect to TVPI and Net IRR and there is still potential for growth or decline to occur in these investments
    - The bulk of the near term distributions are expected to come from the "Maturing" bucket
- "Developing" bucket ($1,144.2 million of fair market value with vintage years ranging from 2012-2018)
    - There was significant change year over year with respect to TVPI and Net IRR and there is still potential for growth or decline to occur in these investments
    - The bulk of the near term contributions are expected to come from the "Developing" bucket

$'s in millions

Vintage Years	LTM Contributions	ITD Contributions	LTM Distributions	ITD Distributions	Fair Market Value	6/30/2017 TVPI	6/30/2018 TVPI	6/30/2017 Net IRR	6/30/2018 Net IRR
Mature (1995-2006)	$0.8	$1,354.6	$64.5	$2,034.7	$132.4	1.59x	1.60x	10.3%	10.2%
Maturing (2007-2011)	$7.0	$915.6	$154.9	$979.2	$555.0	1.61x	1.68x	13.0%	13.0%
Developing (2012-2018)	$256.1	$1,006.8	$98.3	$217.1	$1,144.2	1.50x	1.36x	13.0%	15.4%
Total Portfolio	$263.9	$3,277.0	$317.7	$3,231.0	$1,831.6	1.51x	1.55x	11.0%	11.3%

Five Largest Sponsors by Exposure

- The top five sponsors by exposure account for 18.7% of aggregate portfolio exposure and 12.2% of aggregate portfolio commitments

Firm	Number of Funds	Commitment	% Total Comm	Exposure (FMV + Unfunded)	% Exposure	TVPI	Net IRR
Vista Equity Partners[1]	6	$145,000,000	3.4%	$166,406,627	5.7%	1.96x	23.3%
EnCap Investments	4	$120,000,000	2.8%	$106,862,424	3.7%	1.19x	8.1%
Thoma Bravo	5	$90,000,000	2.1%	$105,805,256	3.6%	1.58x	21.2%
Advent International	3	$85,000,000	2.0%	$84,094,647	2.9%	1.74x	18.0%
Technology Crossover Ventures[2]	4	$79,500,000	1.9%	$79,799,800	2.8%	2.02x	15.7%
Total	22	$519,500,000	12.2%	$542,968,753	18.7%	1.74x	18.0%

1. *LACERS committed an additional $40.0 million to Vista Equity Partners VII, L.P. after June 30, 2018*
2. *LACERS committed an additional $25.0 million to TCV X, L.P. after June 30, 2018*

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PRIVATE EQUITY PERFORMANCE REVIEW

Annual Net Cash Flow Summary

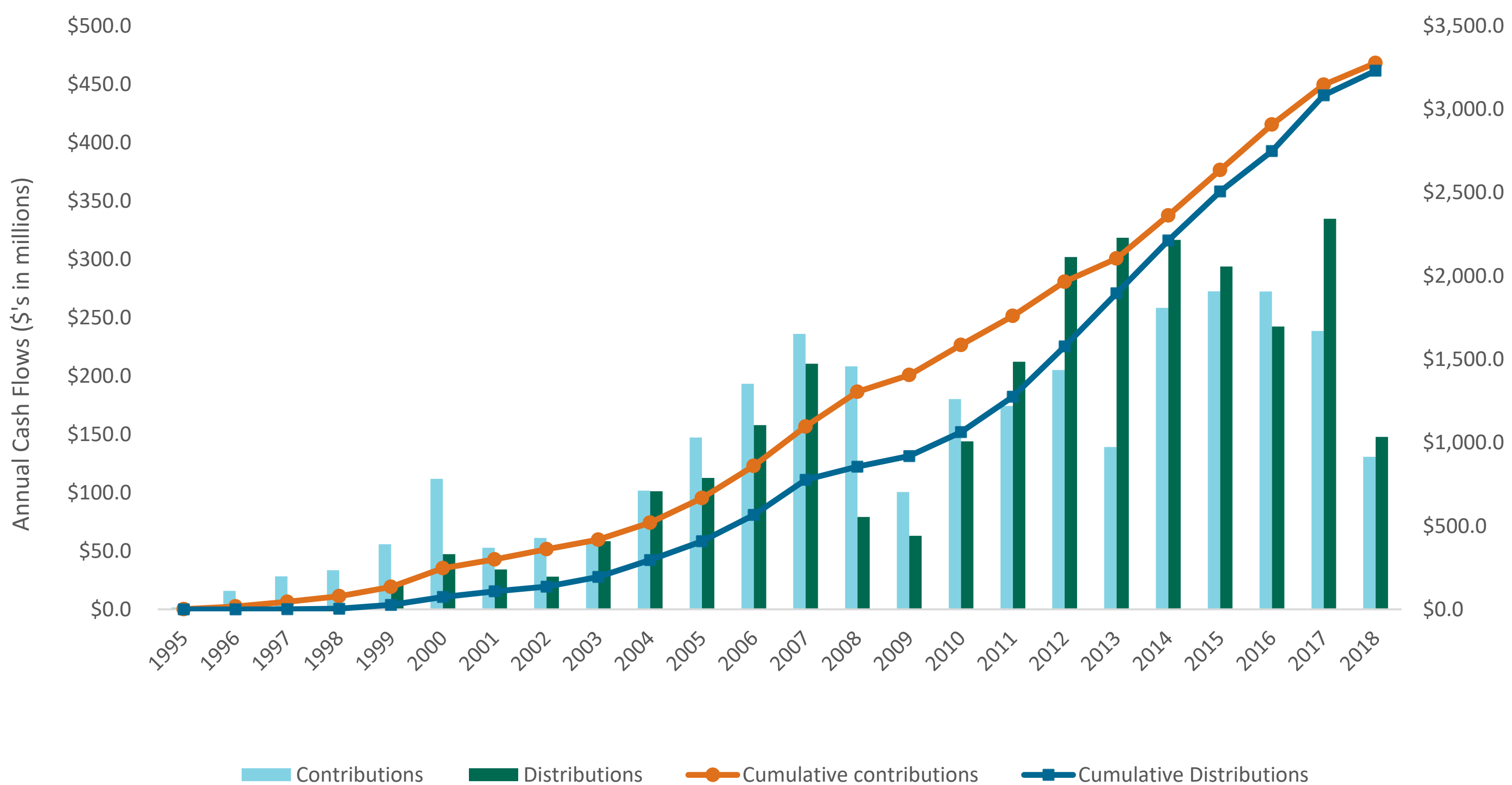
- Over the 24 year period that LACERS has contributed to private equity investments, LACERS portfolio saw 16 years of contributions outpacing distributions, representing 66.7% of the time

- With the exception of 2016, annual portfolio distributions have outpaced contributions since 2011, representing a cash flow positive profile

Year	Contributions	Distributions	Cumulative Net Cash Flow
$'s in millions			
1995	$1.5	-	($1.5)
1996	$15.8	$0.1	($15.8)
1997	$28.3	$0.9	($27.3)
1998	$33.6	$3.3	($30.3)
1999	$55.9	$22.7	($33.2)
2000	$111.8	$47.3	($64.5)
2001	$52.8	$34.2	($18.6)
2002	$61.2	$28.0	($33.2)
2003	$57.7	$58.4	$0.8
2004	$101.7	$101.2	($0.5)
2005	$147.2	$112.7	($34.6)
2006	$193.3	$157.9	($35.4)
2007	$236.1	$210.5	($25.6)
2008	$208.2	$79.2	($129.1)
2009	$100.6	$63.1	($37.5)
2010	$180.2	$144.0	($36.2)
2011	$174.2	$212.1	$37.9
2012	$205.1	$301.9	$96.8
2013	$139.2	$318.4	$179.2
2014	$258.4	$316.6	$58.2
2015	$272.5	$293.8	$21.3
2016	$272.4	$242.4	($30.0)
2017	$238.6	$334.6	$96.0
2018	$134.1	$147.8	$13.7
Total	**$3,280.3**	**$3,231.0**	**($49.2)**

Aggregate Portfolio Cash Flow Summary

- Cumulative contributions and distributions totaled $3,280.3 million and $3,231.0 million, respectively



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Appendix

- Core Portfolio Summary as of 6/30/18
- Specialized Portfolio Summary as of 6/30/18

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CAPITAL PARTNERS

CORE PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
1315 Capital Fund	Venture Capital	Late Stage	2015	10,000,000	6,325,000	-	6,869,869	6.1%	Portfolio Advisors
1315 Capital Fund II	Venture Capital	Late Stage	2018	10,000,000	-	-	-	-	Portfolio Advisors
ABRY Advanced Securities Fund III	Credit/Distressed	Credit	2014	20,000,000	10,501,524	1,203,008	12,771,176	11.9%	Portfolio Advisors
ABRY Heritage Partners	Buyout	Small	2016	10,000,000	2,314,796	-	2,700,419	12.1%	Portfolio Advisors
ABRY Partners VIII	Buyout	Medium	2014	25,000,000	21,910,259	6,540,996	20,079,691	9.4%	Portfolio Advisors
ABRY Senior Equity V	Credit/Distressed	Mezzanine	2016	10,000,000	2,150,737	6,874	2,171,856	2.5%	Portfolio Advisors
ACON Equity Partners III	Buyout	Medium	2012	20,000,000	15,764,905	4,578,984	16,299,279	7.5%	Hamilton Lane
ACON-Bastion Partners II	Buyout	Medium	2006	5,000,000	4,721,150	8,004,396	750,963	13.2%	Hamilton Lane
Advent International GPE VI A	Buyout	Medium	2008	20,000,000	20,000,000	32,456,901	10,220,008	17.4%	Hamilton Lane
Advent International GPE VII B	Buyout	Large	2012	30,000,000	28,200,000	16,860,028	35,330,338	19.9%	Hamilton Lane
Advent International GPE VIII B-2	Buyout	Large	2016	35,000,000	17,202,500	-	18,946,801	9.9%	Portfolio Advisors
AION Capital Partners	Credit/Distressed	Credit	2012	20,000,000	10,183,379	4,423,739	7,754,989	7.3%	Hamilton Lane
Alchemy Plan (City of Angels)	Buyout	Medium	1999	38,194,245	40,196,637	49,698,167	181,362	5.5%	Pathway
American Securities Partners VII	Buyout	Medium	2016	25,000,000	13,840,806	103,123	15,067,810	8.2%	Portfolio Advisors
American Securities Partners VIII	Buyout	Large	2018	40,000,000	-	-	-	-	Portfolio Advisors
Angeles Equity Partners I	Credit/Distressed	Distressed	2015	10,000,000	1,611,580	107,332	873,963	(22.1%)	Portfolio Advisors
Apollo Investment Fund IV	Buyout	Large	1998	5,000,000	4,989,241	8,320,973	6,386	8.5%	Pathway
Apollo Investment Fund VI	Buyout	Large	2006	15,000,000	14,372,999	21,020,053	3,183,526	8.8%	Hamilton Lane
Apollo Investment Fund VII	Buyout	Large	2008	20,000,000	17,124,166	30,571,681	4,715,220	23.4%	Hamilton Lane
Apollo Investment Fund VIII	Buyout	Large	2013	40,000,000	30,773,125	5,738,125	35,940,235	15.4%	Hamilton Lane
Ascribe Opportunities Fund II	Credit/Distressed	Distressed	2010	20,000,000	30,118,423	28,380,137	8,376,422	7.4%	Hamilton Lane
Ascribe Opportunities Fund III	Credit/Distressed	Distressed	2014	30,000,000	33,099,364	31,457,789	8,417,862	17.7%	Hamilton Lane
Ascribe Opportunities Fund IV	Credit/Distressed	Distressed	2018	25,000,000	-	-	-	-	Portfolio Advisors
Astorg VI	Buyout	Medium	2015	25,625,875	12,324,516	-	13,875,648	13.0%	Portfolio Advisors
Astra Partners I	Buyout	Small	2017	10,000,000	-	-	1,431,749	-	Portfolio Advisors
Austin Ventures VII	Venture Capital	Multi-Stage	1999	17,000,000	17,000,000	13,537,839	178,514	(2.8%)	Pathway
Austin Ventures VIII	Venture Capital	Multi-Stage	2001	8,300,000	8,300,000	13,367,650	420,489	6.9%	Pathway
Avenue Europe Special Situations Fund II	Credit/Distressed	Distressed	2011	28,323,908	28,305,005	26,642,712	5,697,214	3.7%	Hamilton Lane
Avenue Special Situations Fund IV	Credit/Distressed	Distressed	2006	10,000,000	10,000,000	13,828,999	-	8.3%	Hamilton Lane
Avenue Special Situations Fund V	Credit/Distressed	Distressed	2007	10,000,000	9,950,262	13,312,819	-	11.5%	Hamilton Lane

CORE PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Bain Capital Asia Fund III	Buyout	Large	2016	15,000,000	8,018,222	2,863,820	7,586,936	48.1%	Portfolio Advisors
Bain Double Impact Fund	Buyout	Small	2016	10,000,000	960,344	-	627,973	(18.2%)	Portfolio Advisors
Baring Asia Private Equity Fund VI	Buyout	Medium	2015	25,000,000	13,134,210	981,113	17,338,556	17.7%	Portfolio Advisors
BC European Capital IX	Buyout	Large	2011	18,146,966	17,952,780	10,693,218	15,748,149	12.1%	Hamilton Lane
BC European Capital X	Buyout	Large	2017	31,651,237	7,520,927	-	6,934,684	(13.9%)	Portfolio Advisors
BDCM Opportunity Fund IV	Credit/Distressed	Distressed	2015	25,000,000	19,505,919	3,602,568	19,733,233	13.5%	Portfolio Advisors
Blackstone Capital Partners V & V-S	Buyout	Large	2005	19,718,296	19,254,259	30,565,334	1,959,191	8.0%	Hamilton Lane
Blackstone Capital Partners VI	Buyout	Large	2011	20,000,000	18,320,861	8,898,081	21,107,311	14.4%	Hamilton Lane
Blackstone Energy Partners	Natural Resources	Energy	2011	25,000,000	23,439,074	10,998,451	27,820,565	14.4%	Hamilton Lane
Blue Sea Capital Fund I	Buyout	Small	2013	10,000,000	6,881,088	-	7,725,796	5.8%	Portfolio Advisors
Brentwood Associates Private Equity VI	Buyout	Medium	2017	25,000,000	452,150	-	20,958	(99.8%)	Portfolio Advisors
Carlyle Partners IV	Buyout	Large	2005	20,000,000	19,631,268	39,330,180	564,091	13.0%	Pathway
Carlyle Partners V	Buyout	Large	2007	30,000,000	26,609,560	44,734,591	5,790,924	13.9%	Hamilton Lane
CenterGate Capital Partners I	Buyout	Small	2015	10,000,000	2,290,270	62,277	2,010,042	(8.0%)	Portfolio Advisors
CGW Southeast Partners III	Buyout	Small	1996	8,680,144	8,680,144	14,736,448	-	9.2%	Pathway
CGW Southeast Partners IV	Buyout	Medium	1999	10,000,000	8,707,914	13,398,877	-	8.3%	Pathway
Charterhouse Capital Partners IX	Buyout	Large	2008	18,105,408	16,830,650	18,772,797	4,649,711	11.4%	Hamilton Lane
Charterhouse Capital Partners VIII	Buyout	Large	2006	19,706,859	19,639,870	18,827,486	40,083	(0.6%)	Hamilton Lane
Chisholm Partners IV	Buyout	Small	1999	9,000,000	8,841,055	9,376,669	-	0.7%	Pathway
CHP III	Venture Capital	Early Stage	2006	15,000,000	15,000,000	10,297,313	15,111,549	7.9%	Hamilton Lane
CHS Private Equity V	Buyout	Medium	2005	20,000,000	20,145,530	35,206,573	93,872	9.8%	Pathway
Coller International Partners VI	Other	Secondaries	2011	25,000,000	18,074,505	18,872,758	9,629,913	15.7%	Hamilton Lane
CVC Capital Partners VII	Buyout	Large	2017	28,567,140	-	-	213,080	-	Portfolio Advisors
CVC European Equity Partners	Buyout	Large	1996	10,000,000	9,686,071	24,345,254	-	23.2%	Pathway
CVC European Equity Partners II	Buyout	Large	1998	9,218,055	9,212,371	22,076,376	-	18.9%	Pathway
CVC European Equity Partners III	Buyout	Large	2001	15,000,000	14,776,341	41,619,578	1,072,953	41.0%	Pathway
CVC European Equity Partners IV	Buyout	Large	2005	26,008,211	23,210,339	46,503,294	35,261	16.8%	Hamilton Lane
CVC European Equity Partners V	Buyout	Large	2008	18,815,039	18,345,439	28,138,817	8,471,204	16.6%	Hamilton Lane
DEFY Partners I	Venture Capital	Early Stage	2017	10,000,000	2,100,000	-	1,932,477	(19.1%)	Portfolio Advisors
DFJ Growth 2013	Growth Equity	Growth Equity	2013	25,000,000	23,626,311	1,250,000	33,566,938	13.2%	Portfolio Advisors

TorreyCove Capital Partners

CORE PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
DFJ Growth III	Growth Equity	Growth Equity	2017	15,000,000	5,130,000	-	5,267,593	5.1%	Portfolio Advisors
DFJ Venture XII	Venture Capital	Early Stage	2016	10,000,000	4,325,000	-	4,466,223	3.2%	Portfolio Advisors
EIG Energy Fund XVI	Natural Resources	Energy	2013	25,000,000	21,018,638	6,782,887	18,956,255	10.6%	Hamilton Lane
EnCap Energy Capital Fund IX	Natural Resources	Energy	2012	30,000,000	27,224,336	15,481,820	22,563,422	14.7%	Hamilton Lane
EnCap Energy Capital Fund VIII	Natural Resources	Energy	2010	15,000,000	13,596,102	7,326,359	5,188,030	(2.4%)	Hamilton Lane
EnCap Energy Capital Fund X	Natural Resources	Energy	2015	35,000,000	24,481,173	3,143,838	25,068,780	11.4%	Portfolio Advisors
Encap Energy Capital Fund XI	Natural Resources	Energy	2017	40,000,000	3,326,634	-	2,666,883	(41.3%)	Portfolio Advisors
Energy Capital Partners II	Natural Resources	Energy	2009	20,000,000	14,831,024	18,391,228	5,798,739	12.2%	Hamilton Lane
Energy Capital Partners III	Natural Resources	Energy	2014	40,000,000	33,963,487	740,931	40,086,781	11.3%	Hamilton Lane
Enhanced Equity Fund	Buyout	Small	2006	10,000,000	10,000,000	10,725,294	50,915	1.1%	Hamilton Lane
Enhanced Equity Fund II	Buyout	Small	2010	10,000,000	9,570,165	4,772,714	505,379	(22.0%)	Hamilton Lane
Essex Woodlands Health Ventures Fund IV	Venture Capital	Late Stage	1998	4,000,000	4,000,000	5,120,696	761,327	7.7%	Pathway
Essex Woodlands Health Ventures Fund V	Venture Capital	Late Stage	2000	10,000,000	10,000,000	10,591,086	2,720,891	5.3%	Pathway
Essex Woodlands Health Ventures Fund VI	Venture Capital	Multi-Stage	2004	15,000,000	14,587,500	15,250,922	6,017,885	4.4%	Pathway
FIMI Opportunity V	Buyout	Medium	2012	20,000,000	18,194,334	3,028,545	33,710,189	24.5%	Hamilton Lane
First Reserve Fund X	Natural Resources	Energy	2004	20,000,000	20,000,000	36,485,800	68,612	31.1%	Pathway
First Reserve Fund XI	Natural Resources	Energy	2006	30,000,000	30,000,000	19,873,029	2,037,396	(7.0%)	Hamilton Lane
First Reserve Fund XII	Natural Resources	Energy	2008	25,000,000	25,556,035	11,917,872	4,775,768	(9.2%)	Hamilton Lane
Gilde Buy-Out Fund V	Buyout	Medium	2016	27,121,713	11,915,117	-	11,939,298	0.2%	Portfolio Advisors
Glendon Opportunities Fund	Credit/Distressed	Distressed	2014	20,000,000	14,990,996	-	18,900,248	8.0%	Portfolio Advisors
Glendon Opportunities Fund II	Credit/Distressed	Distressed	2018	40,000,000	-	-	-	-	Portfolio Advisors
Golder, Thoma, Cressey, Rauner Fund V	Buyout	Medium	1997	10,000,000	10,000,000	18,226,074	-	11.0%	Pathway
Green Equity Investors V	Buyout	Large	2007	20,000,000	18,268,906	30,014,011	14,148,143	20.0%	Hamilton Lane
Green Equity Investors VI	Buyout	Large	2012	20,000,000	17,875,114	8,907,740	20,955,130	16.6%	Hamilton Lane
Green Equity Investors VII	Buyout	Large	2017	25,000,000	9,293,606	98,997	9,333,389	2.2%	Portfolio Advisors
GTCR Fund IX-A	Buyout	Medium	2006	15,000,000	14,288,203	23,834,337	1,781,377	13.7%	Hamilton Lane
GTCR Fund VI	Buyout	Medium	1998	10,000,000	10,000,000	8,890,791	-	(3.8%)	Pathway
GTCR Fund VII	Buyout	Medium	2000	18,750,000	18,609,375	43,841,047	-	21.8%	Pathway
GTCR Fund VII-A	Buyout	Medium	2000	6,250,000	4,140,625	11,565,815	-	83.1%	Pathway
GTCR Fund VIII	Buyout	Medium	2003	20,000,000	18,520,960	30,595,343	1,622,681	22.3%	Pathway

TorreyCove Capital Partners

CORE PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
GTCR Fund XII-AB	Buyout	Medium	2017	40,000,000	992,000	352,669	(112,456)	(100.0%)	Portfolio Advisors
H&F Spock 1	Buyout	Large	2018	-	3,255,896	-	3,587,243	54.8%	Hamilton Lane
Halifax Capital Partners II	Buyout	Small	2005	10,000,000	8,070,115	10,662,197	731,806	8.5%	Hamilton Lane
Harvest Partners VII	Buyout	Medium	2016	20,000,000	10,813,583	-	11,130,374	3.7%	Portfolio Advisors
Hellman & Friedman Capital Partners V	Buyout	Large	2004	10,463,972	9,931,388	26,499,548	153,939	27.8%	Pathway
Hellman & Friedman Capital Partners VI	Buyout	Large	2006	20,000,000	19,344,481	34,884,375	1,503,936	13.1%	Hamilton Lane
Hellman & Friedman Capital Partners VII	Buyout	Large	2011	20,000,000	19,022,356	18,357,821	27,198,965	24.8%	Hamilton Lane
Hellman & Friedman Capital Partners VIII	Buyout	Large	2016	20,000,000	13,281,329	806,969	14,558,582	26.5%	Portfolio Advisors
High Road Capital Partners II	Buyout	Small	2013	25,000,000	13,689,105	4,215,237	17,872,341	18.7%	Hamilton Lane
Highbridge Principal Strategies Senior Loan II	Credit/Distressed	Distressed	2010	50,000,000	40,883,273	47,651,965	-	7.9%	Pathway
Hony Capital Fund V	Buyout	Large	2011	25,000,000	23,868,741	-	31,847,961	7.5%	Hamilton Lane
Incline Equity Partners IV	Buyout	Small	2017	10,000,000	991,999	-	736,164	(49.3%)	Portfolio Advisors
Insight Venture Partners IX	Growth Equity	Growth Equity	2015	25,000,000	23,557,588	1,874,430	35,582,201	27.7%	Portfolio Advisors
Insight Venture Partners VIII	Growth Equity	Growth Equity	2013	20,000,000	19,585,777	4,679,486	29,989,377	15.6%	Hamilton Lane
Institutional Venture Partners XV	Venture Capital	Late Stage	2015	20,000,000	16,400,000	2,189,047	17,304,610	11.6%	Portfolio Advisors
InterWest VI	Venture Capital	Early Stage	1996	5,000,000	5,000,000	14,858,749	-	49.0%	Pathway
J.H. Whitney IV	Buyout	Medium	1999	22,448,463	22,448,463	9,422,111	-	(10.9%)	Pathway
J.H. Whitney V	Buyout	Medium	2000	9,957,358	11,558,159	22,375,756	-	23.3%	Pathway
J.H. Whitney VI	Buyout	Medium	2005	15,000,000	14,847,374	12,899,148	1,760,958	(0.2%)	Hamilton Lane
J.H. Whitney VII	Buyout	Medium	2010	25,000,000	23,526,143	18,640,073	20,714,813	14.0%	Hamilton Lane
Kelso Investment Associates VI	Buyout	Medium	1998	4,309,418	4,309,418	5,982,794	-	9.3%	Pathway
Kelso Investment Associates VII	Buyout	Medium	2003	18,000,000	17,120,087	29,027,380	427,205	12.6%	Pathway
Kelso Investment Associates VIII	Buyout	Medium	2007	20,000,000	18,903,590	16,263,270	9,356,950	6.8%	Hamilton Lane
Khosla Ventures IV	Venture Capital	Early Stage	2011	20,000,000	19,620,000	11,510,534	34,050,048	21.4%	Hamilton Lane
KKR 1996 Fund	Buyout	Large	1996	25,000,000	26,194,438	46,838,314	-	13.2%	Pathway
KKR 2006 Fund	Buyout	Large	2006	30,000,000	30,270,606	42,618,670	9,873,151	9.0%	Hamilton Lane
KKR European Fund II	Buyout	Large	2005	15,000,000	15,494,458	20,882,945	137,538	4.7%	Hamilton Lane
KPS Special Situations Fund IV	Buyout	Medium	2014	25,000,000	9,261,264	3,450,389	8,616,889	23.5%	Hamilton Lane
Levine Leichtman Capital Partners III	Buyout	Medium	2003	20,000,000	21,392,254	33,239,814	134,179	10.0%	Hamilton Lane
Levine Leichtman Capital Partners IV	Buyout	Medium	2008	20,000,000	16,347,477	25,189,490	7,749,300	19.5%	Hamilton Lane

CORE PORTFOLIO SUMMARY
AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Levine Leichtman Capital Partners V	Buyout	Medium	2013	30,000,000	25,107,308	5,449,120	28,645,552	11.3%	Hamilton Lane
Lindsay Goldberg & Bessemer II	Buyout	Large	2006	20,000,000	18,903,424	26,461,618	703,736	7.2%	Hamilton Lane
Lindsay Goldberg III	Buyout	Large	2008	20,000,000	19,111,407	21,335,750	5,141,288	8.7%	Hamilton Lane
Longitude Venture Partners III	Venture Capital	Late Stage	2016	10,000,000	2,753,365	-	2,276,762	(33.3%)	Portfolio Advisors
Madison Dearborn Capital Partners III	Buyout	Medium	1999	16,000,000	16,000,000	24,398,778	-	8.6%	Pathway
Madison Dearborn Capital Partners IV	Buyout	Medium	2000	25,000,000	25,174,337	47,037,524	1,140,193	14.2%	Pathway
Menlo Ventures IX	Venture Capital	Multi-Stage	2001	20,000,000	20,000,000	18,873,731	2,148,926	0.8%	Pathway
Menlo Ventures VII	Venture Capital	Multi-Stage	1997	5,000,000	5,000,000	23,552,033	-	135.8%	Pathway
Menlo Ventures VIII	Venture Capital	Multi-Stage	1999	18,000,000	18,000,000	8,980,234	-	(8.9%)	Pathway
Mill Point Capital Partners	Buyout	Small	2017	10,000,000	2,168,773	-	2,196,981	5.8%	Portfolio Advisors
Nautic Partners V	Buyout	Medium	2000	15,000,000	14,426,866	29,568,149	871,811	17.0%	Pathway
New Enterprise Associates 13	Venture Capital	Multi-Stage	2009	15,000,000	14,475,000	11,809,185	13,600,191	13.1%	Hamilton Lane
New Enterprise Associates 15	Venture Capital	Multi-Stage	2015	20,000,000	15,500,000	1,772,951	22,001,142	23.6%	Portfolio Advisors
New Enterprise Associates 16	Venture Capital	Multi-Stage	2017	25,000,000	6,562,500	-	6,482,300	(2.4%)	Portfolio Advisors
New Mountain Partners III	Buyout	Large	2007	20,000,000	18,627,706	24,391,331	12,993,853	13.1%	Hamilton Lane
New Water Capital	Buyout	Small	2015	10,000,000	3,966,551	-	3,588,200	(7.4%)	Portfolio Advisors
NewBridge Asia IV	Buyout	Medium	2005	10,000,000	9,846,880	21,674,988	383,638	16.9%	Hamilton Lane
NGP Natural Resources XI	Natural Resources	Energy	2014	25,000,000	20,911,152	2,237,054	26,025,820	22.9%	Portfolio Advisors
NMS Fund III	Buyout	Small	2017	10,000,000	1,270,923	-	1,089,424	(25.6%)	Portfolio Advisors
Nordic Capital V	Buyout	Medium	2003	14,043,460	14,304,054	42,229,277	387,338	20.8%	Pathway
Oak HC-FT Fund	Venture Capital	Late Stage	2014	10,000,000	8,549,709	4,549,787	7,957,369	20.1%	Portfolio Advisors
Oak HC-FT Fund II	Venture Capital	Late Stage	2017	10,000,000	777,042	-	631,504	(35.4%)	Portfolio Advisors
Oak Investment Partners XII	Venture Capital	Multi-Stage	2006	15,000,000	15,000,000	11,096,391	3,969,544	0.1%	Hamilton Lane
Oaktree Opportunities Fund X	Credit/Distressed	Distressed	2015	7,500,000	4,500,000	92,949	5,960,409	22.4%	Portfolio Advisors
Oaktree Opportunities Fund Xb	Credit/Distressed	Distressed	2018	17,500,000	437,500	-	435,425	(13.5%)	Portfolio Advisors
OCM Opportunities Fund	Credit/Distressed	Distressed	1996	11,000,000	10,972,896	18,030,431	-	10.3%	Pathway
OCM Opportunities Fund II	Credit/Distressed	Distressed	1997	11,000,000	11,000,000	16,628,641	-	8.5%	Pathway
OCM Opportunities Fund III	Credit/Distressed	Distressed	1999	10,000,000	10,000,000	15,071,474	-	11.9%	Pathway
OCM Opportunities Fund IV	Credit/Distressed	Distressed	2001	10,000,000	10,000,000	16,503,319	-	28.4%	Pathway
OCM Opportunities Fund V	Credit/Distressed	Distressed	2004	7,100,000	7,100,000	11,605,788	100,246	14.1%	Pathway

TORREYCOVE CAPITAL PARTNERS

CORE PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
OCM Opportunities Fund VII	Credit/Distressed	Distressed	2007	10,000,000	10,000,000	13,144,585	709,286	7.5%	Hamilton Lane
OCM Opportunities Fund VIIb	Credit/Distressed	Distressed	2008	10,000,000	9,000,000	14,968,181	624,317	16.6%	Hamilton Lane
Olympus Growth Fund IV	Buyout	Medium	2003	7,700,000	7,660,045	11,831,606	-	8.5%	Pathway
Onex Partners	Buyout	Large	2003	20,000,000	18,998,955	54,594,401	3,312,428	38.4%	Pathway
Palladium Equity Partners IV	Buyout	Medium	2012	25,000,000	20,628,702	10,897,861	18,385,178	16.0%	Portfolio Advisors
Palladium Equity Partners V	Buyout	Medium	2017	25,000,000	-	-	(606,071)	-	Portfolio Advisors
Permira Europe III	Buyout	Large	2004	21,506,160	21,515,354	36,794,711	98,606	26.1%	Pathway
Permira Europe IV	Buyout	Large	2006	14,935,115	14,664,448	22,029,813	1,840,184	8.8%	Hamilton Lane
Pharos Capital Partners II-A	Buyout	Medium	2004	5,000,000	5,000,000	3,192,707	3,113,986	3.5%	Hamilton Lane
Platinum Equity Capital Partners III	Buyout	Large	2012	25,000,000	19,102,952	19,695,879	18,387,307	34.2%	Hamilton Lane
Platinum Equity Capital Partners IV	Buyout	Large	2016	15,000,000	7,566,898	437,520	8,769,520	39.6%	Portfolio Advisors
Platinum Equity Small Cap Fund	Buyout	Medium	2018	22,500,000	972,000	-	836,948	(100.0%)	Portfolio Advisors
Polaris Venture Partners V	Venture Capital	Multi-Stage	2006	15,000,000	14,700,000	13,719,222	10,625,261	8.4%	Hamilton Lane
Polaris Venture Partners VI	Venture Capital	Multi-Stage	2010	15,000,000	13,125,000	4,487,139	25,388,330	23.6%	Hamilton Lane
Polaris Venture Partners VII	Venture Capital	Multi-Stage	2014	25,000,000	20,250,000	2,557,033	24,475,091	14.3%	Portfolio Advisors
Polaris Venture Partners VIII	Venture Capital	Multi-Stage	2016	10,000,000	3,300,000	-	3,338,350	1.5%	Portfolio Advisors
Providence Debt Fund III	Credit/Distressed	Distressed	2013	30,000,000	28,765,436	6,598,164	30,094,354	9.0%	Hamilton Lane
Providence Equity Partners V	Buyout	Large	2005	18,000,000	16,415,524	20,190,547	581,636	3.4%	Pathway
Providence Equity Partners VI	Buyout	Large	2007	30,000,000	28,585,019	29,860,316	10,255,057	5.7%	Hamilton Lane
Providence TMT Debt Opportunity Fund II	Credit/Distressed	Distressed	2010	20,000,000	16,265,944	24,160,827	1,757,296	10.6%	Hamilton Lane
Richland Ventures III	Venture Capital	Late Stage	1999	18,000,000	18,000,000	15,261,276	-	(3.0%)	Pathway
Searchlight Capital II	Buyout	Medium	2015	25,000,000	11,287,486	2,351,981	14,728,022	30.3%	Portfolio Advisors
SG Growth Partners III	Growth Equity	Growth Equity	2015	10,000,000	9,777,331	623,285	12,205,504	15.4%	Portfolio Advisors
SG Growth Partners IV	Growth Equity	Growth Equity	2017	10,000,000	2,583,238	-	2,587,094	0.7%	Portfolio Advisors
Spark Capital	Venture Capital	Early Stage	2005	9,000,000	8,820,000	11,937,038	470,766	8.4%	Hamilton Lane
Spark Capital Growth Fund	Growth Equity	Growth Equity	2014	10,000,000	9,800,000	-	12,210,190	9.2%	Portfolio Advisors
Spark Capital Growth Fund II	Growth Equity	Growth Equity	2017	15,000,000	3,600,000	-	3,223,256	(17.2%)	Portfolio Advisors
Spark Capital II	Venture Capital	Early Stage	2008	9,750,000	9,750,000	34,636,671	5,040,646	51.7%	Hamilton Lane
Spark Capital III	Venture Capital	Early Stage	2011	10,000,000	10,000,000	12,884,850	9,894,069	28.8%	Hamilton Lane
Spire Capital Partners III	Buyout	Small	2013	10,000,000	6,747,152	454,138	7,824,011	8.7%	Portfolio Advisors

CORE PORTFOLIO SUMMARY
AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
SSG Capital Partners II	Credit/Distressed	Distressed	2012	15,914,286	14,884,992	12,019,155	7,756,164	8.2%	Hamilton Lane
StepStone Secondary Opportunities III	Other	Secondaries	2016	25,000,000	10,037,393	27,528	12,981,618	22.8%	Portfolio Advisors
Sunstone Partners I	Growth Equity	Growth Equity	2015	7,500,000	2,976,411	-	2,912,074	(2.6%)	Portfolio Advisors
TA X	Growth Equity	Growth Equity	2006	6,000,000	6,186,689	7,896,689	110,923	5.2%	Hamilton Lane
TA XI	Growth Equity	Growth Equity	2010	20,000,000	19,650,000	29,760,580	13,805,688	22.3%	Hamilton Lane
TA XII	Growth Equity	Growth Equity	2016	25,000,000	12,812,500	3,250,000	13,866,287	29.3%	Portfolio Advisors
TCV IX	Growth Equity	Growth Equity	2016	10,000,000	3,324,000	-	3,649,041	13.7%	Portfolio Advisors
TCW Crescent Mezzanine Partners IV	Credit/Distressed	Mezzanine	2006	10,000,000	8,712,805	9,974,965	25,382	2.9%	Hamilton Lane
TCW Crescent Mezzanine Partners V	Credit/Distressed	Mezzanine	2007	10,000,000	9,286,605	12,015,578	661,510	9.8%	Hamilton Lane
Technology Crossover Ventures V	Venture Capital	Multi-Stage	2004	19,500,000	19,334,250	28,758,136	6,522,405	10.7%	Pathway
Technology Crossover Ventures VII	Growth Equity	Growth Equity	2008	20,000,000	19,680,000	37,464,086	20,111,038	24.5%	Hamilton Lane
Technology Crossover Ventures VIII	Growth Equity	Growth Equity	2014	30,000,000	25,443,410	2,320,481	37,798,976	18.1%	Hamilton Lane
The Resolute Fund	Buyout	Medium	2002	20,000,000	18,978,049	48,217,383	-	17.0%	Pathway
Thoma Bravo Discover Fund II	Buyout	Medium	2018	10,000,000	-	-	(31,708)	-	Portfolio Advisors
Thoma Bravo Fund XI	Buyout	Medium	2014	15,000,000	13,285,043	4,524,542	22,763,654	25.4%	Portfolio Advisors
Thoma Bravo Fund XII	Buyout	Large	2016	25,000,000	15,764,036	1,795	17,548,839	8.8%	Portfolio Advisors
Thoma Bravo Fund XIII	Buyout	Large	2018	30,000,000	-	-	-	-	Portfolio Advisors
Thoma Bravo Special Opportunities Fund II	Buyout	Medium	2015	10,000,000	9,040,274	1,736,929	13,611,488	20.8%	Portfolio Advisors
Thoma Cressey Fund VI	Buyout	Medium	1998	5,000,000	4,845,000	4,995,064	-	0.4%	Pathway
Thomas H. Lee Equity Fund V	Buyout	Medium	2000	15,000,000	15,260,867	26,333,190	-	14.2%	Pathway
Tibbar Holdings, LLC (FKA TH Lee IV)	Buyout	Medium	1998	7,000,000	6,314,197	5,484,109	-	(2.6%)	Pathway
TPG Growth II	Buyout	Medium	2011	30,000,000	27,738,409	20,113,555	38,482,995	20.7%	Hamilton Lane
TPG Partners III	Buyout	Large	1999	25,000,000	22,442,286	56,548,095	59,042	24.4%	Pathway
TPG Partners IV	Buyout	Large	2003	25,000,000	27,436,973	52,341,858	1,255,295	15.4%	Pathway
TPG Partners V	Buyout	Large	2006	28,726,546	31,415,182	38,167,729	5,111,400	5.1%	Hamilton Lane
TPG Partners VI	Buyout	Large	2008	22,500,000	24,179,896	27,288,396	9,708,258	10.7%	Hamilton Lane
TPG Star	Buyout	Medium	2006	20,000,000	21,228,723	24,896,346	8,116,334	10.0%	Hamilton Lane
Trident Capital Fund-V	Buyout	Medium	2000	14,369,679	14,001,728	23,671,586	581,950	8.7%	Pathway
Trident Capital Fund-VI	Buyout	Medium	2004	8,500,000	8,500,000	5,871,603	5,496,286	3.5%	Pathway
Upfront VI	Venture Capital	Early Stage	2017	20,000,000	3,396,613	-	3,204,220	(21.3%)	Portfolio Advisors

TorreyCove
CAPITAL PARTNERS

CORE PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
VantagePoint Venture Partners IV	Venture Capital	Multi-Stage	2000	15,000,000	15,000,000	13,092,215	1,120,226	(0.8%)	Pathway
Vestar Capital Partners IV	Buyout	Medium	1999	17,000,000	16,585,106	29,278,416	270,269	13.5%	Pathway
Vista Equity Partners Fund III	Buyout	Medium	2007	25,000,000	23,062,882	57,925,893	6,981,697	27.3%	Hamilton Lane
Vista Equity Partners Fund IV	Buyout	Medium	2011	30,000,000	24,747,118	28,523,474	24,628,511	18.5%	Hamilton Lane
Vista Equity Partners Fund V	Buyout	Medium	2014	40,000,000	31,582,115	-	60,347,708	22.5%	Portfolio Advisors
Vista Equity Partners Fund VI	Buyout	Large	2016	30,000,000	21,857,401	-	24,413,226	8.6%	Portfolio Advisors
Vista Foundation Fund II	Buyout	Medium	2013	10,000,000	6,441,963	-	12,863,672	18.2%	Hamilton Lane
Vista Foundation Fund III	Buyout	Medium	2016	10,000,000	4,394,813	-	4,259,536	(3.4%)	Portfolio Advisors
Welsh, Carson, Anderson & Stowe IX	Buyout	Medium	2000	15,000,000	14,850,000	24,680,230	-	11.2%	Pathway
Welsh, Carson, Anderson & Stowe VII	Buyout	Medium	1995	15,000,000	15,000,000	32,633,357	-	17.7%	Pathway
Welsh, Carson, Anderson & Stowe VIII	Buyout	Medium	1998	15,000,000	15,000,000	19,322,526	-	3.1%	Pathway
Weston Presidio Capital IV	Growth Equity	Growth Equity	2000	17,826,000	17,537,531	20,785,513	71,997	3.3%	Pathway
Wynnchurch Capital Partners IV	Buyout	Medium	2014	10,000,000	3,761,949	13,566	5,343,753	29.0%	Portfolio Advisors
Yucaipa American Alliance Fund II	Buyout	Medium	2008	20,000,000	20,000,936	8,877,990	26,307,004	9.1%	Hamilton Lane
Total				**4,079,733,553**	**3,093,123,560**	**3,086,767,368**	**1,777,963,678**	**11.8%**	

TorreyCove
CAPITAL PARTNERS

SPECIALIZED PORTFOLIO SUMMARY AS OF 6/30/2018

Fund	Strategy	Sub-Strategy	Vintage Year	USD Commitment	USD ITD Contributions	USD ITD Distributions	USD Fair Market Value	Net IRR	Recommended by
Angeleno Investors III	Venture Capital	Late Stage	2009	10,000,000	9,849,271	834,012	8,428,877	(1.5%)	PCA
Ares Special Situations Fund	Credit/Distressed	Distressed	2008	10,000,000	10,166,166	17,497,244	-	13.1%	PCA
Carpenter Community BancFund-A	Buyout	Small	2008	10,000,000	9,692,231	14,683,885	2,000,665	8.5%	PCA
Craton Equity Investors I	Growth Equity	Growth Equity	2007	10,000,000	9,973,980	1,067,621	130,089	(30.4%)	PCA
DFJ Element	Venture Capital	Multi-Stage	2006	8,000,000	7,846,106	2,829,351	2,147,431	(5.7%)	PCA
DFJ Frontier Fund II	Venture Capital	Early Stage	2007	5,000,000	5,002,783	1,342,314	3,914,017	0.8%	PCA
Element Partners Fund II	Venture Capital	Late Stage	2008	10,000,000	9,361,465	1,432,357	11,311,551	5.3%	PCA
NGEN Partners II	Venture Capital	Multi-Stage	2005	7,750,702	7,750,702	515,126	-	(49.0%)	PCA
NGEN Partners III	Venture Capital	Multi-Stage	2008	10,000,000	10,597,954	2,462,651	5,976,483	(4.2%)	PCA
Nogales Investors Fund II	Buyout	Medium	2006	4,100,000	3,603,436	390,176	8,410	(24.1%)	PCA
Palladium Equity Partners III	Buyout	Medium	2004	10,000,000	9,895,753	16,707,408	1,543,175	11.6%	PCA
Reliant Equity Partners	Buyout	Small	2002	7,920,417	8,008,449	55,772	-	(100.0%)	PCA
Rustic Canyon/Fontis Partners Fund I	Growth Equity	Growth Equity	2005	5,000,000	3,671,248	1,927,182	813,945	(4.5%)	PCA
Saybrook Corporate Opportunity Fund	Credit/Distressed	Distressed	2007	6,192,813	6,190,231	6,746,700	1,447,427	8.3%	PCA
Sector Performance Fund	Buyout	Medium	2007	9,297,735	9,502,443	8,466,553	-	(2.9%)	PCA
Spire Capital Partners II	Buyout	Small	2007	10,000,000	9,025,654	17,699,807	-	15.6%	PCA
St. Cloud Capital Partners II	Credit/Distressed	Mezzanine	2007	5,000,000	4,989,085	3,921,352	385,085	(3.5%)	PCA
StarVest Partners II	Venture Capital	Late Stage	2007	5,000,000	4,944,279	992,133	3,039,838	(3.3%)	PCA
Stepstone Pioneer Capital I	Other	Fund of Funds	2004	10,000,000	9,751,911	13,027,103	2,219	5.1%	PCA
StepStone Pioneer Capital II	Other	Fund of Funds	2006	10,000,000	9,392,470	11,157,090	7,705,661	9.9%	PCA
Sterling Venture Partners II	Venture Capital	Late Stage	2005	8,000,000	8,006,256	6,753,973	3,593,097	3.9%	PCA
Vicente Capital Partners Growth Equity Fund (fka KH Growth Equity)	Growth Equity	Growth Equity	2007	10,000,000	9,935,781	5,918,614	8,759,803	7.5%	PCA
Yucaipa American Alliance Fund I	Buyout	Medium	2005	10,000,000	10,000,000	7,837,384	4,700,062	4.0%	PCA
Total				**191,261,667**	**187,157,653**	**144,265,808**	**65,907,834**	**2.1%**	

TorreyCove Capital Partners

DISCLAIMERS

A Message Regarding the Performance Information Presented Herein

TorreyCove Capital Partners ("TorreyCove" or the "Firm") is an independent employee owned limited liability company. TorreyCove is a non-discretionary registered investment adviser with the Securities and Exchange Commission.

Note that TorreyCove Capital Partners LLC is still in the process of transitioning and verifying LACERS Private Equity Portfolio data and the information in this presentation is subject to revision. This report is provided for information purposes only. It does not constitute legal, securities, tax, or investment advice. These materials are not intended as an offer to sell, or the solicitation of an offer to purchase, any security. This presentation may not be copied or distributed, in whole or in part, without the prior written consent of TorreyCove. PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.

This analysis covers the significant events that have occurred with respect to the limited partnership investments, co-investments, and direct investments, as they apply, in the portfolio (collectively referred to as "investment(s)"). TorreyCove monitors the portfolio's investments in various partnerships. To complete this independent analysis, TorreyCove requested and then collected information from representatives of the portfolio and the individual partnerships as well as the portfolio's custodian where applicable. Further, this review relies upon information received during its preparation, as well as the facts, assumptions and valuation approach contained herein, which have been reviewed with the portfolio administrator staff. TorreyCove has not independently verified this information. TorreyCove has accurately relayed the information received in its independent analysis of the portfolio's performance and current portfolio valuation. The portfolio's performance is summarized using all or a selection of the following portfolio performance calculation methods: distribution to paid-in multiple, internal rate of return, total value to paid-in multiple, and time-weighted rate of return. Subsequent analysis will reflect future developments, as well as refine the analysis of past activities as TorreyCove receives new or revised information.

VALUATION AND J-CURVE EFFECT

For individual investment return purposes, investments are typically marked-to-market using comparable public market valuations or third-party transactions. Publicly traded partnership investments are typically marked-to-market. In general, the valuation policies of the portfolio's general partners appear to be in line with FASB ASC 820-10, Fair Value Measurements. Generally, the first few years of an investment's life demonstrate low or negative returns. These returns are not very meaningful due to the fact that management fees have not been offset by capital gains typically generated by more mature portfolio companies (termed the J-curve effect). Reports are available that are customized based on the portfolio administrator's definition of meaningful data.

TorreyCove Capital Partners

DISCLAIMERS

A Message Regarding the Performance Information Presented Herein

IRRs for realized investments with remaining interest, public investments and unrealized investments have been calculated assuming that the remaining interest has been sold as of the date indicated at the public or unrealized value. There can be no assurance that these investments will ultimately be realized for such value. Investment returns set forth herein may be significantly affected by the values of unrealized investments, particularly in light of current market conditions.

The investment results for any particular client of TorreyCove may differ significantly from the investment results presented herein due to different holding periods, different weighting of the portfolio, different acquisition dates, different fees and incentive amounts, and a more limited history of investments, among other factors. Accordingly, IRRs presented herein are not necessarily representative of the IRRs achieved by TorreyCove for all of its clients as a whole or all of its clients individually.

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **DECEMBER 11, 2018**

ITEM: **X-C**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $25 MILLION IN THE BARING ASIA PRIVATE EQUITY FUND VII, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation
Portfolio Advisors, LLC (Portfolio Advisors), LACERS' previous Private Equity Consultant, recommended a commitment of up to $25 million in The Baring Asia Private Equity Fund VII, L.P. (the Fund), a large buyout strategy managed by Baring Private Equity Asia GP VII, L.P. (Baring Asia or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. Due to the expiration of Portfolio Advisors' contract with LACERS, the attached consultant report (Attachment A), was produced by TorreyCove Capital Partners, LLC (TorreyCove), LACERS' current Private Equity Consultant.

Background
Baring Asia was founded in 1997, when Baring Private Equity Ltd hired Jean Eric Salata to create a regional private equity program in Asia. The GP has over $16 billion in committed capital across six funds. The firm consists of approximately 150 employees, and has offices in Hong Kong, Shanghai, Beijing, Mumbai, Delhi, Singapore, Tokyo, and Jakarta.

Baring is an existing general partner relationship for LACERS. LACERS previously committed $25,000,000 to The Baring Asia Private Equity Fund VI, L.P. (2015 vintage), which has earned a net IRR of 17.7%.[1, 2]

Investment Thesis
Baring Asia makes minority and control-oriented buyout investments in middle market companies domiciled in the Asia Pacific region. Target companies are generally market leaders that are experiencing strong growth, driven by macroeconomic trends in the Asia Pacific region and require equity financing. These companies are in the business services; governance, risk, & compliance; education & information services; financial services; and healthcare sectors. The GP strives to enhance the value of portfolio companies by working with management to pursue new market opportunities, identifying strategic acquisitions, and improving operations. The GP intends to build a diversified fund

with portfolio companies with enterprise values in the range of $300 million to $1.5 billion. 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 does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with Portfolio Advisors' previous 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 The Baring Asia Private Equity Fund VII, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS achieve satisfactory long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:ap

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

[1]*Performance as of June 30, 2018*
[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).*

ATTACHMENT A

TORREYCOVE
CAPITAL PARTNERS

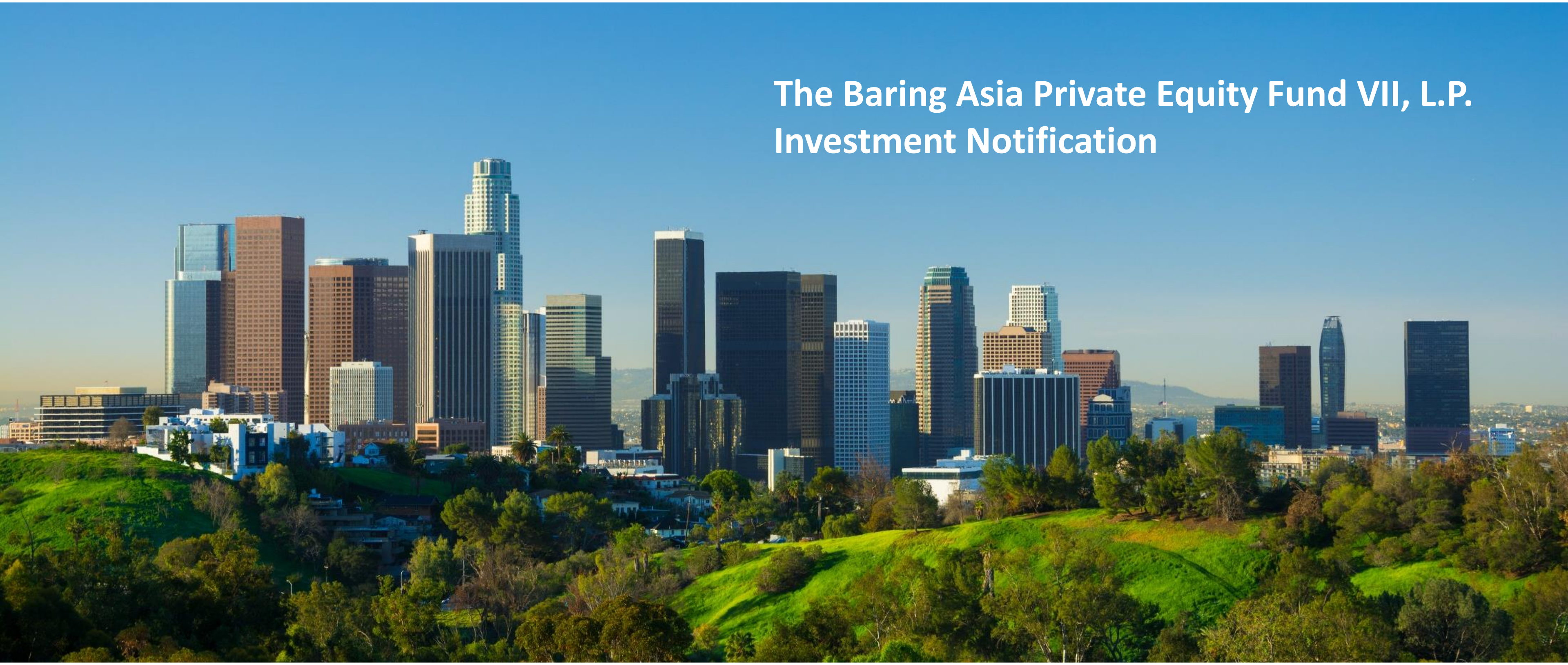
CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

The Baring Asia Private Equity Fund VII, L.P.
Investment Notification



TorreyCove
CAPITAL PARTNERS

The Baring Asia Private Equity Fund VII, L.P.

ATTACHMENT A

Fund Information

- **General Partner:** Baring Private Equity Asia Group Limited
- **Fund:** The Baring Asia Private Equity Fund VII, L.P.
- **Firm Founded:** 1997
- **Strategy:** Buyouts
- **Sub-Strategy:** Large Buyouts
- **Geography:** Asia Pacific
- **Team:** 29 Officials/Managers, Over 160 Total Employees
- **Senior Partners:** Jean Eric Salata, Kenneth Cheong, Gordon Shaw, Jack Hennessey, Dar Chen, Kosmo Kalliarekos
- **Office Locations:** Hong Kong, Beijing (China), Shanghai (China), Mumbai (India), New Delhi (India), Singapore, Tokyo (Japan), and Jakarta (Indonesia).
- **Industries:** Education, Business Services, IT Services, Consumer, Financial Services, Healthcare, Industrial
- **Recommendation:** Up to $25 million (Recommended by Portfolio Advisors)

Investment Highlights

- Experienced and cohesive investment team
- Significant experience investing across the Asia Pacific region
- Exposure to higher growth markets across Asia

The Baring Asia Private Equity Fund VII, L.P.

- **Firm and Background**
  - Founded in 1997, Baring Asia has grown to include more than 160 professionals operating from eight different offices across emerging and developed Asia.
  - The Firm has 56 investment professionals focused on private equity, 17 of which are Managing Directors.

- **Investment Strategy**
  - Focus on making buyout investments in mid and large-cap buyouts, typically targeting companies with an enterprise value of $500 million and above.
  - Provide investors with broad-based exposure to the higher rates of economic growth in Asia, but with a lower level of risk than investing in the public markets.
  - Focus on seven primary sectors: Education, Business Services, IT Services, Consumer, Financial Services, Healthcare, Industrial.
  - Focus on investing in companies that have: (i) a leading position with a sustainable competitive advantage and high barriers to entry; (ii) strong industry growth prospects; (iii) consistent operating performance with demonstrated predictable cash flows; and (iv) strong, experienced management teams.
  - Focus on driving value creation through operational improvement, leveraging the Firm’s dedicated in-house Operations Team of seven full-time professionals with industry experience.

TORREYCOVE CAPITAL PARTNERS

DISCLOSURES

NOTE THAT TORREYCOVE CAPITAL PARTNERS LLC WAS NOT THE CONSULTANT AT THE TIME OF THE DUE DILIGENCE ON AND RECOMMENDATION OF INVESTMENT IN THE FUND (“FUND”) DISCUSSED IN THESE MATERIALS. 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 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.

ATTACHMENT B

Vendor **Baring Private Equity Asia**
Address **Suite 3801, Two International Finance Centre, 8 Finance Street, Central, Hong Kong**

Date Completed: **May 8, 2018**

Category **Private Equity**

TOTAL COMPOSITION OF WORK FORCE

Occupation	African American Full Time	Hispanic Full Time	Asian or Pacific Islander Full Time	American Indian/ Alaskan Native Full Time	Caucasian (Non Hispanic) Full Time	Total Employees Full Time	Percent (%) Minority Full Time	Gender Male Full Time	Gender Female Full Time
Officials & Managers	0	0	18	0	11	**29**	**62.07%**	26	3
Professionals	0	0	90	0	10	**100**	**90.00%**	69	31
Technicians	0	0	3	0	0	**3**	**100.00%**	3	0
Sales Workers	0	0	0	0	0	**0**	**0.00%**	0	0
Office/Clerical	0	0	24	0	0	**24**	**100.00%**	0	24
Semi-Skilled	0	0	0	0	0	**0**	**0.00%**	0	0
Unskilled	0	0	0	0	0	**0**	**0.00%**	0	0
Service Workers	0	0	0	0	0	**0**	**0.00%**	0	0
Other	0	0	0	0	0	**0**	**0.00%**	0	0
Total	**0**	**0**	**135**	**0**	**21**	**156**	**86.54%**	**98**	**58**

ATTACHMENT C

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $25 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $40 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $25 million for new partnerships, and up to $40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $25 million in new partnerships, or over $40 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $25 million for new managers, or over $40 million in follow-on funds. • With staff concurrence, approve investment of up to $25 million for new partnerships, and up to $40 million in follow-on funds. • Provide investment analysis report for each new investment. • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports.	• 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 distributions. • Review Private Equity Consultant's recommendations on amendments. • Execute amendments to agreements and consents.	• 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.

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **DECEMBER 11, 2018**

ITEM: **X-D**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $15 MILLION IN POLARIS GROWTH FUND I, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation
Portfolio Advisors, LLC (Portfolio Advisors), LACERS' previous Private Equity Consultant, recommended a commitment of up to $15 million in Polaris Growth Fund I, L.P. (the Fund), a growth equity strategy managed by Polaris Growth Fund GP I, L.L.C. (Polaris or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. Due to the expiration of Portfolio Advisors' contract with LACERS, the consultant report (Attachment A), was produced by TorreyCove Capital Partners, LLC (TorreyCove), LACERS' current Private Equity Consultant.

Background
Polaris was founded in 1996 by Jon Flint, Terry McGuire, and Stephen Arnold, all of whom previously had been affiliated with Burr, Egan, Deleage & Co. The senior partners for the Fund are Bryce Youngren and Dan Lombard. The GP has $4.3 billion of assets under management, consists of 37 employees, and has offices in Boston (headquarters), New York, and San Francisco.

Polaris is an existing general partner relationship for LACERS. LACERS previously committed a total of $65 million to the following Polaris-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR[1,2]
Polaris Venture Partners V, L.P.	2006	$15 million	8.4%
Polaris Venture Partners VI, L.P.	2010	$15 million	23.6%
Polaris Venture Partners VII, L.P.	2014	$25 million	14.3%
Polaris Venture Partners VIII, L.P.	2016	$10 million	1.5%

Investment Thesis
Polaris invests in early stage and growth stage companies within the technology and healthcare sectors, where the GP has specific expertise. The GP focuses on companies with business models that offer solutions such as subscription-based software services, biotechnology platforms, and healthcare delivery systems. The GP adds value to portfolio companies by working with management to pursue new market opportunities, identifying strategic acquisitions targets, and augmenting company and board leadership. For the Fund, the GP intends to build a diversified portfolio of companies that will be based primarily in North America. 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 does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with Portfolio Advisors' previous 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 Polaris Growth Fund I, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS achieve satisfactory long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:ap

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

[1]Performance as of June 30, 2018
[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).

ATTACHMENT A

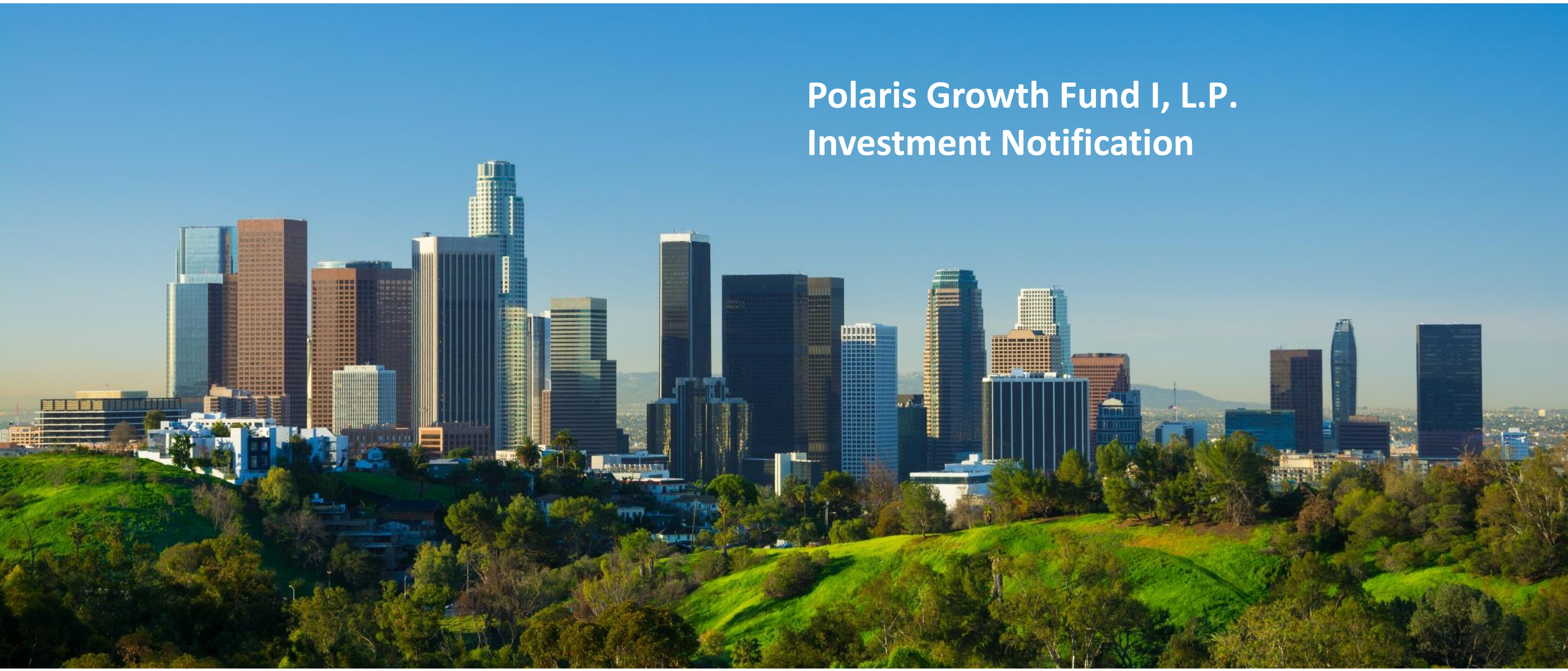
TORREYCOVE
CAPITAL PARTNERS

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923



Polaris Growth Fund I, L.P.
Investment Notification

Polaris Growth Fund I, L.P.

ATTACHMENT A

Fund Information

- **General Partner:** Polaris Partners
- **Fund:** Polaris Growth Fund I, L.P.
- **Firm Founded:** 1996
- **Strategy:** Growth Equity
- **Sub-Strategy:** Growth Equity
- **Geography:** North America
- **Team:** 4 Officials/Managers, 37 Total Employees
- **Senior Partners:** Bryce Youngren and Dan Lombard
- **Office Locations:** Boston (MA), New York (NY), and San Francisco (CA)
- **Industries:** Software and technology-enabled services companies across a variety industries
- **Recommendation:** Up to $15 million (Recommended by Portfolio Advisors)

Investment Highlights

- Experienced and cohesive investment team
- Significant experience making majority growth investments in software and technology-enabled services companies
- Strong, consistent returns over time across other funds within the platform

Polaris Growth Fund I, L.P.

Firm and Background

- Founded in 1996, Polaris Partners has grown to include more than 20 investment professionals across the Firm's three offices in Boston, San Francisco, and New York.
- The Growth Team will be led by Bryce Youngren and Dan Lombard. They will be supported by a team of five investment professionals as well as the broader Polaris platform.
- Bryce Youngren has been making the growth investments at Polaris since 2003. In early 2015, Dan Lombard joined the firm from H.I.G Growth Partners.

Investment Strategy

- Focus on majority levered recapitalizations of technology companies.
- Invest between $10 and $30 million of equity per deal.
- Invest in companies that provide mission-critical solutions, have strong customer retention levels, and high levels of recurring revenue.
- Invest with founders looking for partial liquidity and an investment partner that can work collaboratively with them to expand their business.
- Three key tenets of the Fund's strategy: (1) expand the companies' addressable markets into new products, industry verticals and geographies, (2) professionalize the management team and operations, and (3) sell the company to larger private equity firms and strategic acquirers.

TORREYCOVE CAPITAL PARTNERS

DISCLOSURES

ATTACHMENT A

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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.

ATTACHMENT B

Polaris Growth Managem
One Marina Park Drive,
Boston, MA 02210

Date Completed:	May 4, 2018

Category

TOTAL COMPOSITION OF WORK FORCE

Occupation	African American Full Time	Hispanic Full Time	Asian or Pacific Islander Full Time	American Indian/ Alaskan Native Full Time	Caucasian (Non Hispanic) Full Time	Total Employees Full Time	Percent (%) Minority Full Time	Gender Male Full Time	Gender Female Full Time
Officials & Managers	0	0	1	0	3	**4**	**25.00%**	4	0
Professionals	0	1	0	0	24	**25**	**4.00%**	19	6
Technicians	0	0	0	0	0	**0**	**0.00%**	0	0
Sales Workers	0	0	0	0	0	**0**	**0.00%**	0	0
Office/Clerical	0	0	0	0	8	**8**	**0.00%**	0	8
Semi-Skilled	0	0	0	0	0	**0**	**0.00%**	0	0
Unskilled	0	0	0	0	0	**0**	**0.00%**	0	0
Service Workers	0	0	0	0	0	**0**	**0.00%**	0	0
Other	0	0	0	0	0	**0**	**0.00%**	0	0
						0			
Total	**0**	**1**	**1**	**0**	**35**	**37**	**5.41%**	**23**	**14**

ATTACHMENT C

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $25 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $40 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $25 million for new partnerships, and up to $40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $25 million in new partnerships, or over $40 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $25 million for new managers, or over $40 million in follow-on funds. • With staff concurrence, approve investment of up to $25 million for new partnerships, and up to $40 million in follow-on funds. • Provide investment analysis report for each new investment. • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports.	• 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 distributions. • Review Private Equity Consultant's recommendations on amendments. • Execute amendments to agreements and consents.	• 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.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **DECEMBER 11, 2018**

ITEM: **X-E**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN ABRY ADVANCED SECURITIES FUND IV, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation

Portfolio Advisors, LLC (Portfolio Advisors), LACERS' previous Private Equity Consultant, recommended a commitment of up to $40 million in ABRY Advanced Securities Fund IV, L.P. (the Fund), a distressed credit strategy managed by ABRY ASF Investors IV, L.P. (ABRY or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. Due to the expiration of Portfolio Advisors' contract with LACERS, the attached consultant report (Attachment A), was produced by TorreyCove Capital Partners, LLC (TorreyCove), LACERS' current Private Equity Consultant.

Background

ABRY was founded in 1989 by Andrew Banks and Royce Yudkoff. Prior to the firm's inception, Mr. Banks and Mr. Royce worked together for 28 years at Bain & Company, an international consulting firm with a media practice for which they shared significant responsibility. The GP has $12 billion of assets under management, consists of 87 employees, and is based in Boston.

ABRY is an existing general partner relationship for LACERS. LACERS previously committed a total of $65 million to the following ABRY-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR[1,2]
ABRY Advanced Securities III, L.P.	2014	$20 million	11.9%
ABRY Heritage Partners, L.P.	2016	$10 million	12.1%
ABRY Partners VIII, L.P.	2014	$25 million	9.4%
ABRY Senior Equity V, L.P.	2016	$10 million	2.5%

Investment Thesis
The Fund will invest primarily in senior bank loans issued by high quality, non-investment grade companies in the media, communications, information and business services sectors. The loans are utilized by private equity sponsors and portfolio companies in the following types of transactions: leveraged buyouts; growth and acquisition financings; recapitalizations; and refinancings. The GP will acquire these investments through a combination of fund capital and external financing. The investments are primarily first and second lien debt securities purchased in the primary and secondary markets.

Placement Agent
The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with Portfolio Advisors' previous 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 ABRY Advanced Securities Fund IV, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS achieve satisfactory long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:ap

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

[1]*Performance as of June 30, 2018*
[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).*

ATTACHMENT A

TorreyCove Capital Partners

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

ABRY Advanced Securities Fund IV, L.P.
Investment Notification

TorreyCove
CAPITAL PARTNERS

ABRY Advanced Securities Fund IV, L.P.

ATTACHMENT A

Fund Information

- **General Partner:** ABRY Partners
- **Fund:** ABRY Advanced Securities Fund IV, L.P.
- **Firm Founded:** 1989
- **Strategy:** Distressed / Credit
- **Sub-Strategy:** Credit
- **Geography:** North America
- **Team:** 37 Senior Executives/Management, 87 Total Employees
- **Senior Partners:** Jay Grossman and C.J. Brucato (Co-CEO's)
- **Office Locations:** Boston (Massachusetts)
- **Industries:** Media, Communications, and Business and Information Services
- **Recommendation:** Up to $40.0 million (Recommended by Portfolio Advisors)

Investment Highlights

- Experienced and cohesive team
- Well-established senior debt platform
- Strong historical returns across multiple credit environments

ABRY Advanced Securities Fund IV, L.P.

Firm and Background

- ABRY was formed in 1989 and now comprises 47 investment professionals and 20 Partners based out of the Firm's sole office in Boston.
- Formal succession plan in 2011 brought Peggy Koenig and Jay Grossman into the top leadership positions at the Firm. Today, C.J. Brucato is Co-CEO alongside Mr. Grossman, with Ms. Koenig as Chair.

Investment Strategy

- Purchase syndicated bank loan interests financed through a Total Return Swap structure.
- Loans are predominantly floating rate and first lien; however, the Fund may invest in other parts of the capital structure, such as second lien debt, unsecured debt, and equity.
- Invest between $10 and $150 million per deal.
- Invest in companies that exhibit compelling revenue growth, cash flow margins, and liquidity.
- Other credit factors considered include subordinated capital, collateral, competitive positioning, management capabilities, and covenant protections, among others.

TorreyCove Capital Partners

DISCLOSURES

ATTACHMENT A

NOTE THAT TORREYCOVE CAPITAL PARTNERS LLC WAS NOT THE CONSULTANT AT THE TIME OF THE DUE DILIGENCE ON AND RECOMMENDATION OF INVESTMENT IN THE FUND ("FUND") DISCUSSED IN THESE MATERIALS. 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 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.

ATTACHMENT B

LACERS
DIVERSITY PROFILE--External Managers
Summary Listing as of November 16, 2018
Total Fund

All data should be for Full-Time employees and is as of the most current date available by the managers. Original document placed in manager's legal file.
Other Minorities are classified as American Indian, Alaskan Native, Asian/Pacific Islander.
Note: if a female is also a minority, the employee is listed as an African American, Hispanic/Latino or Other Minority, not as a female, and not under both.

Manager	Asset Class	Work Group	Total Employees	Person with a Disability	Non-Minority Female	African American	Hispanic/ Latino	Other Minority	Total Minorities, Females & Persons w/a Disability
ABRY Partners II, LLC	Private Equity- LBO	Senior Executives/Mngt[1]	37	0	3	2	0	4	9
		Investment Professionals (Excluding Traders) [2]	41	0	10	0	1	8	19
		Investment Professionals (Traders)	0	0	0	0	0	0	0
		Other Professionals (Excluding Sales/Marketing & Client Services)	0	0	7	0	0	1	8
		Sales/Marketing & Client Services	0	0	0	0	0	0	0
		Office/Clerical [3]	9	0	9	0	0	0	9
		Technicians	0	0	0	0	0	0	0
		Other Non-Professionals	0	0	0	0	0	0	0
Total			**87**	**0**	**29**	**2**	**1**	**13**	**45**

[1] Includes the following titles: Founder, CEO, Managing Partner, Partner, Principal, Senior Operations, CFO, VP of Finance, Controller, CCO/Counsel, CTO

[2] Includes the following titles: Senior Vice President, Vice President, Associate, Loan Analyst, Office Manager, Accounting Manager, Tax Manager, Senior Staff Accountant, Staff Accountant

[3] Includes the following titles: Executive Assistant, Accounting Assistant, Receptionist

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $25 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $40 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $25 million for new partnerships, and up to $40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $25 million in new partnerships, or over $40 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $25 million for new managers, or over $40 million in follow-on funds. • With staff concurrence, approve investment of up to $25 million for new partnerships, and up to $40 million in follow-on funds. • Provide investment analysis report for each new investment. • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports.	• 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 distributions. • Review Private Equity Consultant's recommendations on amendments. • Execute amendments to agreements and consents.	• 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.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

Agenda of: **DECEMBER 11, 2018**

From: Neil M. Guglielmo, General Manager

ITEM: **X-F**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $25 MILLION IN TCV X, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation
Portfolio Advisors, LLC (Portfolio Advisors), LACERS' previous Private Equity Consultant, recommended a commitment of up to $25 million in TCV X, L.P. (the Fund), a growth equity strategy managed by Technology Crossover Management X, L.P. (TCV or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. Due to the expiration of Portfolio Advisors' contract with LACERS, the attached consultant report (Attachment A), was produced by TorreyCove Capital Partners, LLC (TorreyCove), LACERS' current Private Equity Consultant.

Background
TCV was founded in 1995 by Jay Hoag and Rick Kimball, who were previously affiliated with Chancellor Capital Management and Montgomery Securities, respectively. The GP has $10 billion of assets under management and has invested in over 240 companies across nine funds. TCV consists of 86 employees and has offices in Menlo Park (headquarters), New York, and London.

TCV is an existing general partner relationship for LACERS. LACERS previously committed a total of $79.5 million to the following TCV-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR[1,2]
TCV V, L.P.	2004	$19.5 million	10.7%
TCV VII, L.P.	2008	$20 million	24.5%
TCV VIII, L.P.	2014	$30 million	18.1%
TCV IX, L.P.	2016	$10 million	13.7%

Investment Thesis
TCV seeks to partner with quality management teams to make growth equity investments in high-growth technology businesses with differentiated products and services. TCV adds value by addressing capital needs of growth stage companies, assisting with strategic direction, and recruiting key executives and advisors. The GP will invest throughout the life-cycle of portfolio companies and will target equity investments between $30 million to $200 million. 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 does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with Portfolio Advisors' previous 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 TCV X, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS achieve satisfactory long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:ap

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

[1]*Performance as of June 30, 2018*
[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).*

ATTACHMENT A

TorreyCove
CAPITAL PARTNERS

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

TCV X, L.P.
Investment Notification

TorreyCove
CAPITAL PARTNERS

TCV X, L.P.

ATTACHMENT A

Fund Information

- **General Partner:** TCV
- **Fund:** TCV X, L.P.
- **Firm Founded:** 1995
- **Strategy:** Growth Equity
- **Sub-Strategy:** Growth Equity
- **Geography:** North America
- **Team:** Over 80 Total Employees
- **Senior Partners:** Jay Hoag, Jake Reynolds, Woody (Christopher) Marshall, Tim McAdam, Dave Yuan, Ted Coons, John Doran, Kapil Venkatachalam, Nathan Sanders, and Ric Fenton
- **Office Locations:** Menlo Park (California), New York (New York), and London (U.K.)
- **Industries:** Technology
- **Recommendation:** Up to $25 million (Recommended by Portfolio Advisors)

Investment Highlights

- Experienced investment team with low turnover
- Long-standing history within the venture and technology community
- Strong returns combined with low loss ratios across five most recent funds

TCV X, L.P.

- **Firm and Background**
  - Founded in 1995, TCV has grown to include more than 40 investment professionals across the Firm's three offices in Menlo Park, New York, and London.
  - Co-Founder Rick Kimball has transitioned to a Special Advisor role while Co-Founder Jay Hoag remains a General Partner and continues to be the clear leader of the Firm.

- **Investment Strategy**
  - Focus on market leading technology companies, primarily in the growth stage with revenue growing 30% to 50% annually.
  - Team is devoted solely to its growth equity flagship platform.
  - Invest between $30 and $200 million of equity per deal.
  - Invest primarily in minority transactions with selective exposure to PIPEs and control deals.
  - Construct a portfolio of 20 to 30 investments in technology companies, specifically those involved in various themes surrounding software, enterprise IT, services, and the internet.
  - Take active roles in portfolio companies via board seats and/or regular communication with management teams.

DISCLOSURES

NOTE THAT TORREYCOVE CAPITAL PARTNERS LLC WAS NOT THE CONSULTANT AT THE TIME OF THE DUE DILIGENCE ON AND RECOMMENDATION OF INVESTMENT IN THE FUND ("FUND") DISCUSSED IN THESE MATERIALS. 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.

ATTACHMENT B

Vendor TCV
Address 250 Middlefield Road, Menlo Park, CA

Date Completed: July 2, 2018

Category

TOTAL COMPOSITION OF WORK FORCE

Occupation	African American Full Time	Hispanic Full Time	Asian or Pacific Islander Full Time	American Indian/ Alaskan Native Full Time	Caucasian (Non Hispanic) Full Time	Total Employees Full Time	Percent (%) Minority Full Time	Gender Full Time Male	Gender Full Time Female
Officials & Managers	0	0	0	0	0	**0**	**0.00%**	0	0
Professionals	1	1	14	0	53	**69**	**23.19%**	50	19
Technicians	0	0	0	0	0	**0**	**0.00%**	0	0
Sales Workers	0	0	0	0	0	**0**	**0.00%**	0	0
Office/Clerical	0	5	2	0	10	**17**	**41.18%**	3	14
Semi-Skilled	0	0	0	0	0	**0**	**0.00%**	0	0
Unskilled	0	0	0	0	0	**0**	**0.00%**	0	0
Service Workers	0	0	0	0	0	**0**	**0.00%**	0	0
Other	0	0	0	0	0	**0**	**0.00%**	0	0
Total	**1**	**6**	**16**	**0**	**63**	**86**	**26.74%**	**53**	**33**

ATTACHMENT C

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $25 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $40 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $25 million for new partnerships, and up to $40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $25 million in new partnerships, or over $40 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $25 million for new managers, or over $40 million in follow-on funds. • With staff concurrence, approve investment of up to $25 million for new partnerships, and up to $40 million in follow-on funds. • Provide investment analysis report for each new investment. • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports.	• 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 distributions. • Review Private Equity Consultant's recommendations on amendments. • Execute amendments to agreements and consents.	• 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.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **DECEMBER 11, 2018**

ITEM: **X-G**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN HELLMAN & FRIEDMAN CAPITAL PARTNERS IX, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation
Portfolio Advisors, LLC (Portfolio Advisors), LACERS' previous Private Equity Consultant, recommended a commitment of up to $40 million in Hellman & Friedman Capital Partners IX, L.P. (the Fund), a buyout strategy managed by Hellman & Friedman Investors IX, L.P. (Hellman & Friedman or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. Due to the expiration of Portfolio Advisors' contract with LACERS, the attached consultant report (Attachment A), was produced by TorreyCove Capital Partners, LLC (TorreyCove), LACERS' current Private Equity Consultant.

Background
Hellman & Friedman was founded in 1984 and is currently led by Philip Hammarskjold and Patrick Healy. To date, the GP has raised over $35 billion of committed capital across eight institutional funds. The firm consists of over 100 employees, and has offices in San Francisco (headquarters), New York, and London.

Hellman & Friedman is an existing general partner relationship for LACERS. LACERS previously committed a total of $70.5 million to the following Hellman & Friedman-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR[1,2]
Hellman & Friedman V, L.P.	2004	$10.5 million	27.8%
Hellman & Friedman VI, L.P.	2006	$20 million	13.1%
Hellman & Friedman VII, L.P.	2011	$20 million	24.8%
Hellman & Friedman VIII, L.P.	2016	$20 million	26.5%

Investment Thesis
The Fund invests in select industries such as software, financial services, business & information services, healthcare, internet & media, energy & industrials, and retail & consumer. Within these industries, the GP seeks middle to large capitalization companies that typically have attributes such as strong brand names, predictable recurring revenue, pricing power, high levels of free cash flow, attractive returns on capital, and steady growth profiles. Hellman & Friedman 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 that will consist primarily of U.S.-based companies. 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 does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with Portfolio Advisors' previous 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 Hellman & Friedman Capital Partners IX, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS achieve satisfactory long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:ap

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

[1]*Performance as of June 30, 2018*
[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).*

ATTACHMENT A

TorreyCove Capital Partners

CALIFORNIA
10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS
222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Hellman & Friedman Capital Partners IX, L.P.
Investment Notification

TorreyCove Capital Partners

Hellman & Friedman Capital Partners IX, L.P.

ATTACHMENT A

Fund Information

- **General Partner:** Hellman & Friedman
- **Fund:** Hellman & Friedman Capital Partners IX, L.P.
- **Firm Founded:** 1984
- **Strategy:** Buyouts
- **Sub-Strategy:** Large Buyouts
- **Geography:** Primarily North America
- **Team:** Over 100 Total Employees
- **Senior Partners:** Philip Hammarskjold, Patrick Healy, David Tunnell, and Allen Thorpe
- **Office Locations:** San Francisco (CA), New York (NY), and London (U.K.)
- **Industries:** Technology, financial services, business services, healthcare, industrials, and consumer
- **Recommendation:** Up to $40 million (Recommended by Portfolio Advisors)

Investment Highlights

- Significant organizational stability with a wide-ranging investment team
- Successful history of making control-oriented investments of North American and Western European companies.
- Strong, consistent returns over time with low loss ratios

Hellman & Friedman IX, L.P.

- **Firm and Background**
  - Founded in 1984, Hellman & Friedman today comprises a team of 23 Partners, who are supported by a nine Directors, eight Principals, and 25 Associates across the Firm's main office in San Francisco and other offices in New York and London.
  - Since inception, the Firm has successfully implemented three leadership transitions and is undergoing a fourth transition.

- **Investment Strategy**
  - The Firm has invested across a broad range of industries with dedicated sector teams for software, financial services, business & information services, healthcare, internet & media, energy & industrials, and retail & consumer.
  - Focus on its single product offering of mid-to-large cap buyouts primarily in North America and Western Europe.
  - Invest between $500 million and $3 billion of equity per deal.
  - Filters for strong management teams and defensible market positions in growing industries with the ability to generate high levels of free cash flow from recurring revenues.
  - Build a concentrated portfolio of approximately 10 to 12 investments to allow for greater selectivity.

DISCLOSURES

ATTACHMENT A

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ATTACHMENT B

Workforce composition data omitted due to confidentiality obligations.

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $25 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $40 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $25 million for new partnerships, and up to $40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $25 million in new partnerships, or over $40 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $25 million for new managers, or over $40 million in follow-on funds. • With staff concurrence, approve investment of up to $25 million for new partnerships, and up to $40 million in follow-on funds. • Provide investment analysis report for each new investment. • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
Investment Monitoring	• Review quarterly, annual, and other periodic monitoring reports.	• 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 distributions. • Review Private Equity Consultant's recommendations on amendments. • Execute amendments to agreements and consents.	• 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.

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Report to Board of Administration

Agenda of: **DECEMBER 11, 2018**

From: Neil M. Guglielmo, General Manager

ITEM: **X-H**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO $40 MILLION IN VISTA EQUITY PARTNERS FUND VII, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation

Portfolio Advisors, LLC (Portfolio Advisors), LACERS' previous Private Equity Consultant, recommended a commitment of up to $40 million in Vista Equity Partners Fund VII, L.P. (the Fund), a buyout strategy managed by Vista Equity Partners Fund VII GP, L.P (Vista or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. Due to the expiration of Portfolio Advisors' contract with LACERS, the attached consultant report (Attachment A), was produced by TorreyCove Capital Partners, LLC (TorreyCove), LACERS' current Private Equity Consultant.

Background

Vista was founded in 2000 by Robert Smith and Brian Sheth. The GP specializes in enterprise software investments across various industries. The firm has $44 billion in commitments, over 200 employees, and offices located in Austin (headquarters), Chicago, New York City, Oakland, and San Francisco.

Vista is an existing general partner relationship for LACERS. LACERS previously committed a total of $145 million to the following Vista-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR[1,2]
Vista Equity Partners Fund III, L.P.	2007	$25 million	27.3%
Vista Equity Partners Fund IV, L.P.	2011	$30 million	18.5%
Vista Equity Partners Fund V, L.P.	2014	$40 million	22.5%
Vista Equity Partners Fund VI, L.P.	2016	$30 million	8.6%
Vista Foundation Fund II, L.P.	2013	$10 million	18.2%
Vista Foundation Fund III, L.P.	2016	$10 million	-3.4%

Investment Thesis
Vista targets enterprise software investments located in North America across a range of industries that include Enterprise Software, Data, and Technology-Enabled Solutions. The GP invests in businesses that develop and provide mission-critical software under long-term contracts, resulting in recurring revenues and high profit margins. Vista adds value by leveraging its dedicated operations team and implementing its proprietary processes to drive operational change within each portfolio company. For the Fund, the GP intends to build a diversified fund of portfolio companies with equity investments of $500 million to $1 billion per transaction. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise software firms.

Placement Agent
The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation
Staff concurred with Portfolio Advisors' previous 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 Vista Equity Partners Fund VII, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS achieve satisfactory long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:ap

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

[1]Performance as of June 30, 2018
[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).

ATTACHMENT A

TorreyCove
CAPITAL PARTNERS

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Vista Equity Partners Fund VII, L.P.
Investment Notification

Vista Equity Partners Fund VII, L.P.

ATTACHMENT A

TorreyCove Capital Partners

Fund Information

- **General Partner:** Vista Equity Partners
- **Fund:** Vista Equity Partners Fund VII, L.P.
- **Firm Founded:** 2000
- **Strategy:** Buyouts
- **Sub-Strategy:** Large Buyouts
- **Geography:** Primarily North America
- **Team:** 82 Officials/Managers, Over 200 Total Employees
- **Senior Partners:** Robert Smith, Brian Sheth, David Breach, Michael Fosnaugh, Monti Saroya, Christian Sowul, Mark Teillon, Betty Hung, Nadeem Syed, and Martin Taylor
- **Office Locations:** Austin (TX), San Francisco (CA), Oakland (CA), Chicago (IL), and New York City (NY)
- **Industries:** Enterprise Software, Data, and Technology-Enabled Solutions
- **Recommendation:** Up to $40 million (Recommended by Portfolio Advisors)

Investment Highlights

- Experienced and cohesive investment team
- Significant experience investing in enterprise software businesses
- Strong, consistent returns over time with low loss ratios

Vista Equity Partners VII, L.P.

Firm and Background

- Founded in 2000, Vista has grown to include more than 110 investment professionals across the Firm's five offices in Austin, New York, Oakland, Chicago, and San Francisco.
- Co-Founders Robert Smith and Brian Sheth remain actively involved with the Firm today.
- Vista's flagship funds represent the Firm's largest platform in terms of investment professionals and assets under management.

Investment Strategy

- Acquire controlling interests in upper middle-market and large cap companies within the enterprise software, data, and technology-enabled solutions space.
- Invest in companies primarily headquartered primarily in North America and to a lesser degree Western Europe.
- Invest in companies in which the Firm believes it can drive operational change.
- Invest in companies that provide mission-critical solutions, have strong customer retention levels, and high levels of recurring revenue.
- Make investments of between $500 million and $1 billion into companies with enterprise values of between $750 million and $10 billion.
- Leverage Vista Consulting Group's 100+ consultants to drive value and operational change within portfolio companies.

DISCLOSURES

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ATTACHMENT B

Vendor Vista Equity Partners

Address

Date Completed: July 3, 2018

Category

TOTAL COMPOSITION OF WORK FORCE										
Occupation	**African American Full Time**	**Hispanic Full Time**	**Asian or Pacific Islander Full Time**	**American Indian/ Alaskan Native Full Time**	**Two or More Races Full Time**	**Caucasian (Non Hispanic) Full Time**	**Total Employees Full Time**	**Percent (%) Minority Full Time**	**Gender Male Full Time**	**Gender Female Full Time**
Officials & Managers	4	1	13	0	1	63	**82**	**21.95%**	62	20
Professionals	0	4	21	0	2	58	**85**	**29.41%**	50	35
Technicians	0	3	2	0	0	6	**11**	**45.45%**	11	0
Sales Workers	0	0	0	0	0	0	**0**	**0.00%**	0	0
Office/Clerical	1	2	3	0	0	33	**39**	**15.38%**	1	38
Semi-Skilled	0	0	0	0	0	0	**0**	**0.00%**	0	0
Unskilled	0	0	0	0	0	0	**0**	**0.00%**	0	0
Service Workers	0	0	0	0	0	0	**0**	**0.00%**	0	0
Other	0	0	0	0	0	0	**0**	**0.00%**	0	0
							0			
Total	**5**	**10**	**39**	**0**	**3**	**160**	**217**	**24.88%**	**124**	**93**

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	• Select Private Equity Consultant. • Approve asset class funding level. • Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges.	• With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.	• With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	• Review investment analysis reports. • Review and approve investments in new management groups of amounts greater than $25 million prior to investment. • Review and approve investments in follow-on partnerships of amounts greater than $40 million prior to investment.	• Refer investments and forward to Private Equity Consultant for preliminary screening. • Conduct meetings with potential new investments prior to recommending to the Board, if practical. • In conjunction with Private Equity Consultant, invest up to $25 million for new partnerships, and up to $40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. • In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over $25 million in new partnerships, or over $40 million in follow-on funds. • Execute agreements.	• Conduct extensive analysis and due diligence on investments. • Recommend for Board approval investments over $25 million for new managers, or over $40 million in follow-on funds. • With staff concurrence, approve investment of up to $25 million for new partnerships, and up to $40 million in follow-on funds. • Provide investment analysis report for each new investment. • Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. • Coordinate meetings between staff, Board, and general partner upon request. • Negotiate legal documents.
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ACTIVE VS. PASSIVE INVESTMENT MANAGEMENT

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

December 11, 2018

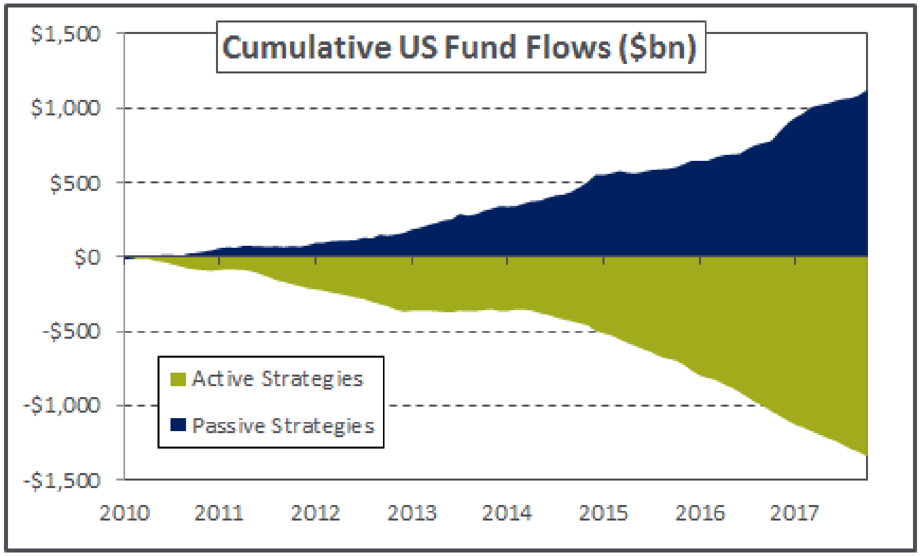
AGENDA

INDEX MANAGEMENT TRENDS

NEPC, LLC

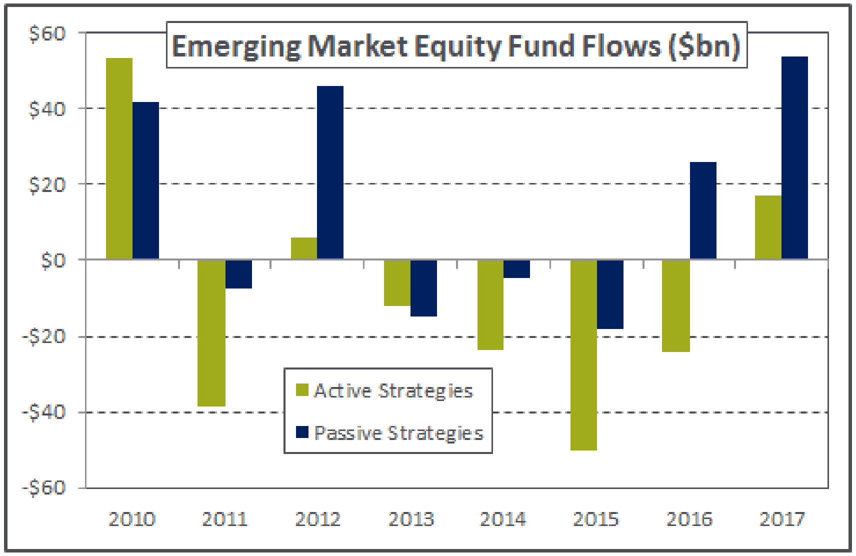
SHIFT AWAY FROM ACTIVE MANAGEMENT

Move to passive has risen sharply in recent years



Dollars have moved to passive US strategies…

…and to passive Emerging Market strategies



Source: EPFR Global as of 10/31/2017

INDEX FUND STATISTICS

Index fund assets grew 13% during the past year ending 6/30/2018[1]

Year	US Institutional tax-exempt assets (Trillions)	Total assets (Trillions)
2011	2.34	6.06
2012	2.30	6.16
2013	2.72	7.31
2014	3.24	9.04
2015	3.33	9.87
2016	3.39	9.86
2017	3.85	11.83
2018	4.27	13.37

Index assets totaled $13.4 Trillion

- US Equities - $6.4 T
- International Equities - $2.7 T
- Global Equities - $1.2 T
- Domestic Fixed Income - $1.8 T
- Global/Int'l Fixed Income - $1.1 T
- Other - $218 B

Top Ten Index Managers

- **BlackRock - $4.2 trillion**
- **Vanguard Group - $3.9 trillion**
- **State Street Global - $2.0 trillion**
- **Northern Trust - $572 billion**
- **Legal & General - $458 billion**
- **Geode Capital - $392 billion**
- **BNY Mellon - $336 billion**
- **Invesco - $236 billion**
- **Charles Schwab - $187 billion**
- **Nuveen - $139 billion**

[1]Source: *Pensions and Investments* annual survey of managers of index assets

ACTIVE MANAGEMENT NOT HELPING

Part of the move to passive can be explained by underperformance of active management

Data from Standard & Poor's Indices Versus Active (SPIVA) paints a grim picture for active management with few funds outperforming the benchmark

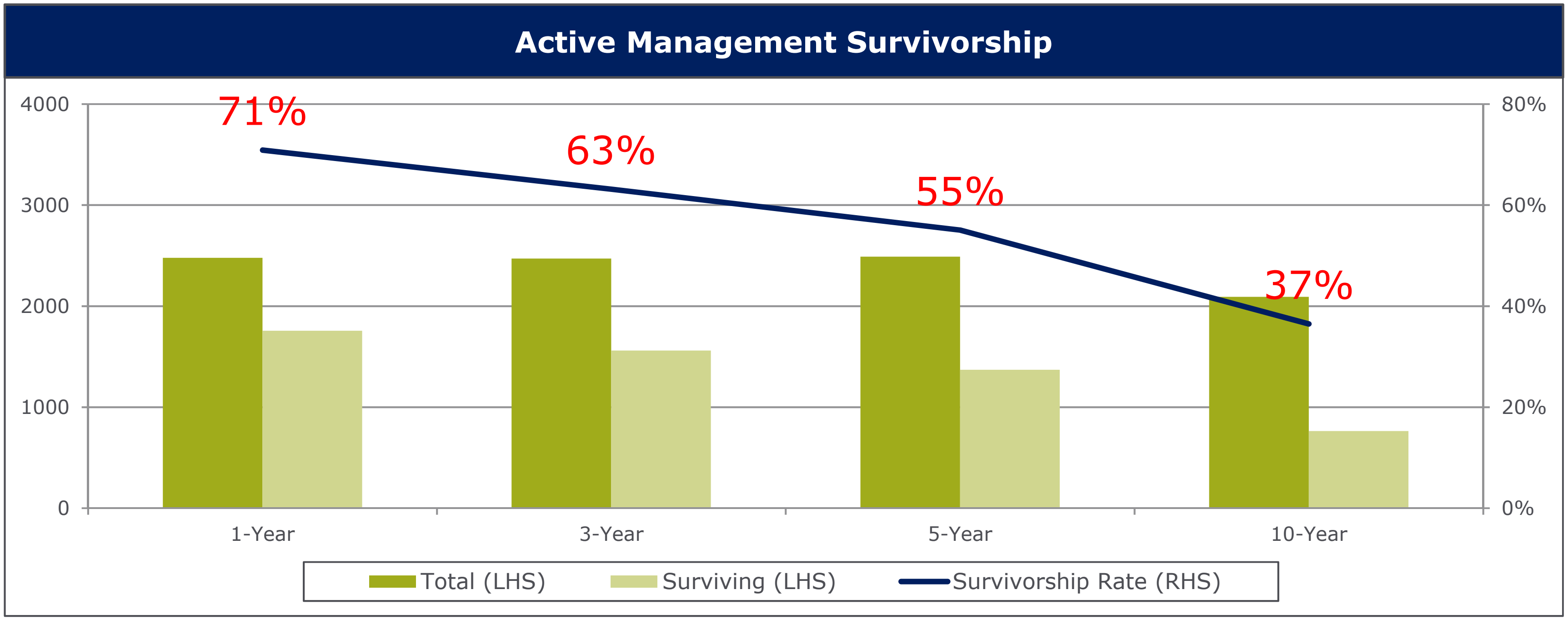
Table below shows the percentage of time that the S&P 500 index *beats* active U.S. large cap equity managers

Fund Type	Index	One Year	Three Years	Five Years	Ten Years
US Large Cap	S&P 500	64%	79%	77%	89%

Data as of 6/30/2018

Source: SPIVA, CRSP

WHO IS STILL THERE? LARGE CAP EXAMPLE



	1-Year	3-Year	5-Year	10-Year
Total Funds	2477	2470	2489	2092
Surviving Funds	1756	1560	1370	763
Survivorship Rate	**71%**	**63%**	**55%**	**37%**

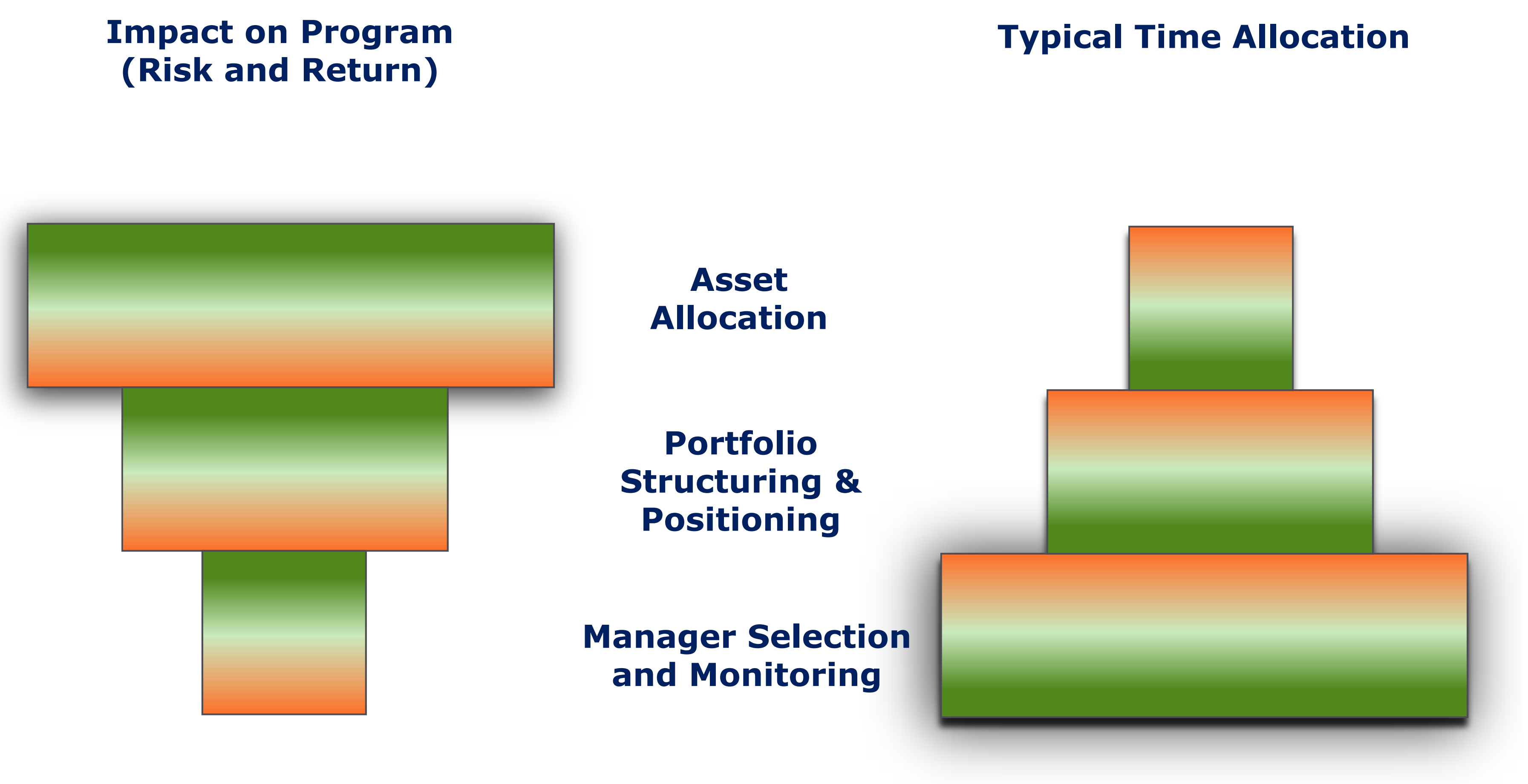
Time Period: Data for period ending March 2017; Source: Morningstar

PHILOSOPHY

NEPC PHILOSOPHY

- **In general, we believe there are opportunities to add value through active investment decision-making while recognizing the limits in some asset classes**
- **We seek to help clients build the most efficient portfolio that meet their unique risk and return objectives**
  - Most NEPC clients use a mix of active and passive strategies
- **We believe that, over time, there will exist opportunities to improve performance through superior strategy, structure, and implementation**
- **We seek to add value to client decision-making at each step in the process:**
  - Asset allocation
  - Portfolio structuring and positioning
  - Investment selection and monitoring
- **It is critical for plan sponsors to focus resources on the highest value-added components of the investment management process**
  - In recognition of scarce resources for an investment program

A CHALLENGE OF INVESTMENT PROGRAM MANAGEMENT



NEPC

THERE IS NO ONE "RIGHT" ANSWER

- **Depends on investment program characteristics**
  - Governance structure and available resources
    - Time and effort to oversee active management
    - Seek excess return in all components of plan structure
    - Ability to be patient with short-term underperformance

- **Depends on asset class**
  - Focus active risk, management fees, and time budget on:
    - Most inefficient markets
    - Less constrained mandates

- **Depends on market environment**
  - Active and passive management involve biases that will drive periods of over- and under-performance

ACTIVE VS. PASSIVE – INTUITIVE HYPOTHESIS

- **Characteristics of more efficient investment categories:**
  - Smaller, more homogeneous opportunity set
  - Well-researched
  - Highly liquid
  - Tightly constrained
  - Inexpensive index vehicles and derivatives readily available
- **Examples:**
  - U.S. large cap stocks
  - U.S. bonds

*Active management **less** likely to add value*

- **Characteristics of less efficient investment categories:**
  - Larger, more heterogeneous opportunity set
  - Not well-researched
  - Poor/intermittent liquidity
  - Less constrained
  - Index vehicles and derivatives unavailable, expensive
  - Inefficient index construction
- **Examples:**
  - U.S. small cap stocks
  - Non-U.S. stocks
  - High yield bonds
  - U.S. bonds
  - Alternatives

*Active management **more** likely to add value*

ACTIVE VS. PASSIVE FRAMEWORK

Asset Class	Market Efficiency	Diversity of Opportunity Set	Active Constraints	Excess Return Expectation	Ease of Indexing	Comments/Recommendation
US Large Cap Stocks	High	Low	High	Low	High	Most obvious choice for indexing
US Small Cap Stocks	Moderate	Moderate	Moderate	Moderate	Moderate	In general seek active; can index core exposure
Non-US Developed Stocks	Moderate	Moderate	High	Moderate	Moderate	In general seek active; can index core exposure
Emerging Market Stocks	Moderate	Moderate	Moderate	Moderate	Moderate	In general seek active
Core Bonds (Gov't/Credit)	High/Moderate	Low/Moderate	High	Low / Moderate	Moderate	Evaluate index components; potentially seek active in less efficient sectors
Emerging Market Bonds	Moderate	Moderate	Moderate	Moderate	Low	Seek active
High Yield/Bank Loans	Low	High	Moderate	Moderate	Low	Seek active
Hedge Funds	Low	High	Low	High	Low	Hedge fund beta replication emerging, but unproven; seek active
Private Equity	Low	High	Low	High	N/A	Must use active
Real Estate	Low	High	Low	High	N/A	Must use active

WHAT DOES THE DATA SAY?

ACTIVE VS. PASSIVE ANALYSIS – DATA

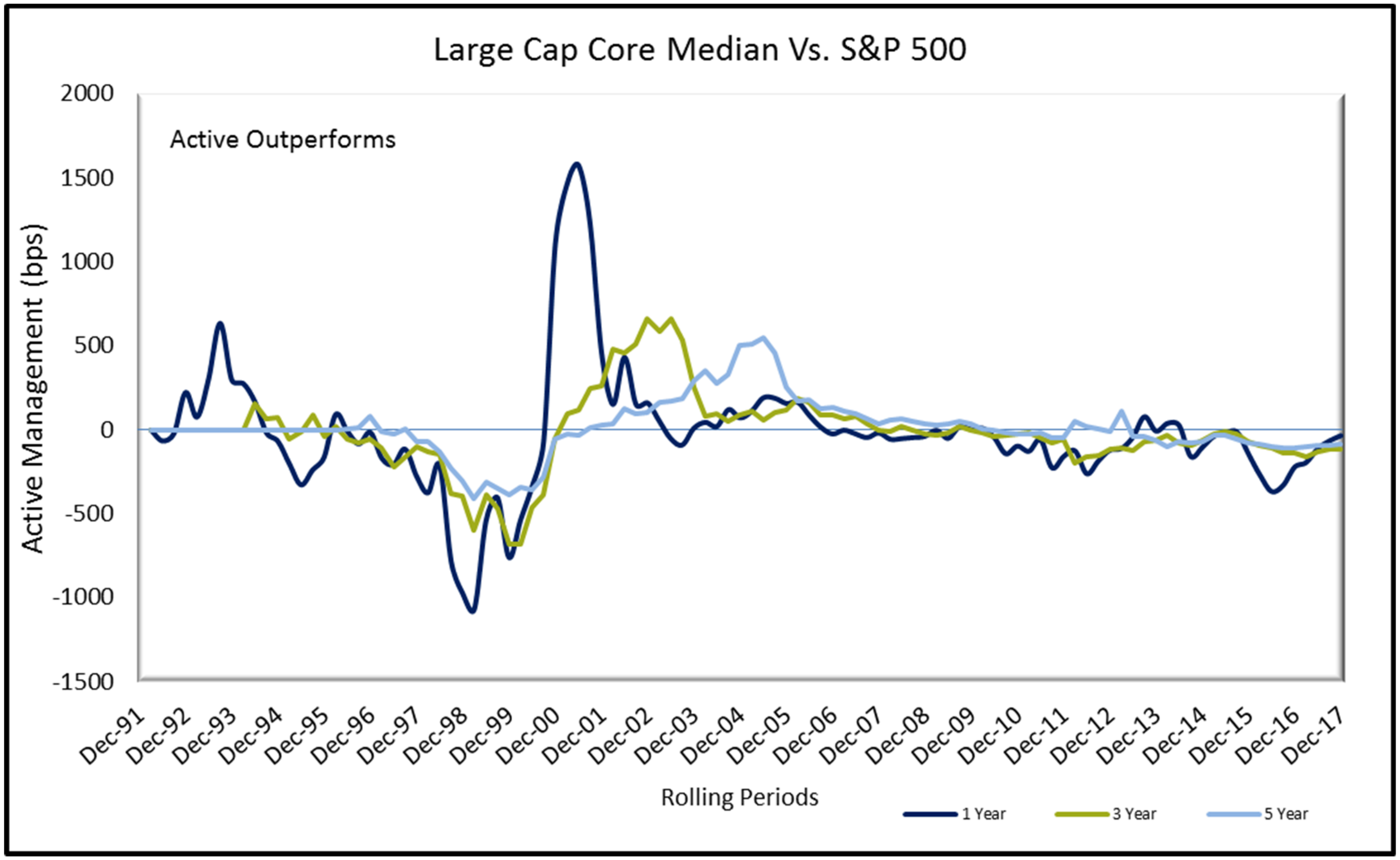
- **Evaluated performance of active managers over rolling 1, 3, and 5-year periods ending 12/31/17**
  - Net of fees*
  - Attempts to minimize "survivorship bias", particularly over one and three year periods
- **Evaluated ranking of indexes in universe over calendar year periods**
  - Net of fees*
  - Attempts to minimize "survivorship bias"
- **Used data from eVestment Alliance for 2012 and after.**
  - Encompasses over 10,000 investment products, 1,900 different investment firms
  - Industry's largest provider of traditional and hedge fund data
  - Data prior to 2012 is from the Independent Consultants Cooperative universe

* Fees from eVestment Alliance database and assumes $25 million mandate

ACTIVE VS. PASSIVE ANALYSES

- **Difficult to draw hard and fast conclusions despite many analyses performed over the years**
- **Analytical challenges include:**
  - Universe selection
  - Survivorship bias
  - Time period sensitivity
- **Analyses can be created to prove the case of the interested party**
- **Recommend taking retrospective analyses with a "grain of salt"**
- **Test intuitively consistent hypotheses**
- **Be wary of secular extremes that can lead to wrong conclusion at worst time**

U.S. LARGE CAP CORE EQUITY – ROLLING PERIODS



The median large cap core equity manager has outperformed the S&P 500, net of fees[1], in:

- 36 of 103 rolling one-year periods (or, 35% of the time)
- 35 of 95 rolling three-year periods (or, 37% of the time)
- 43 of 87 rolling five-year periods (or, 49% of the time)

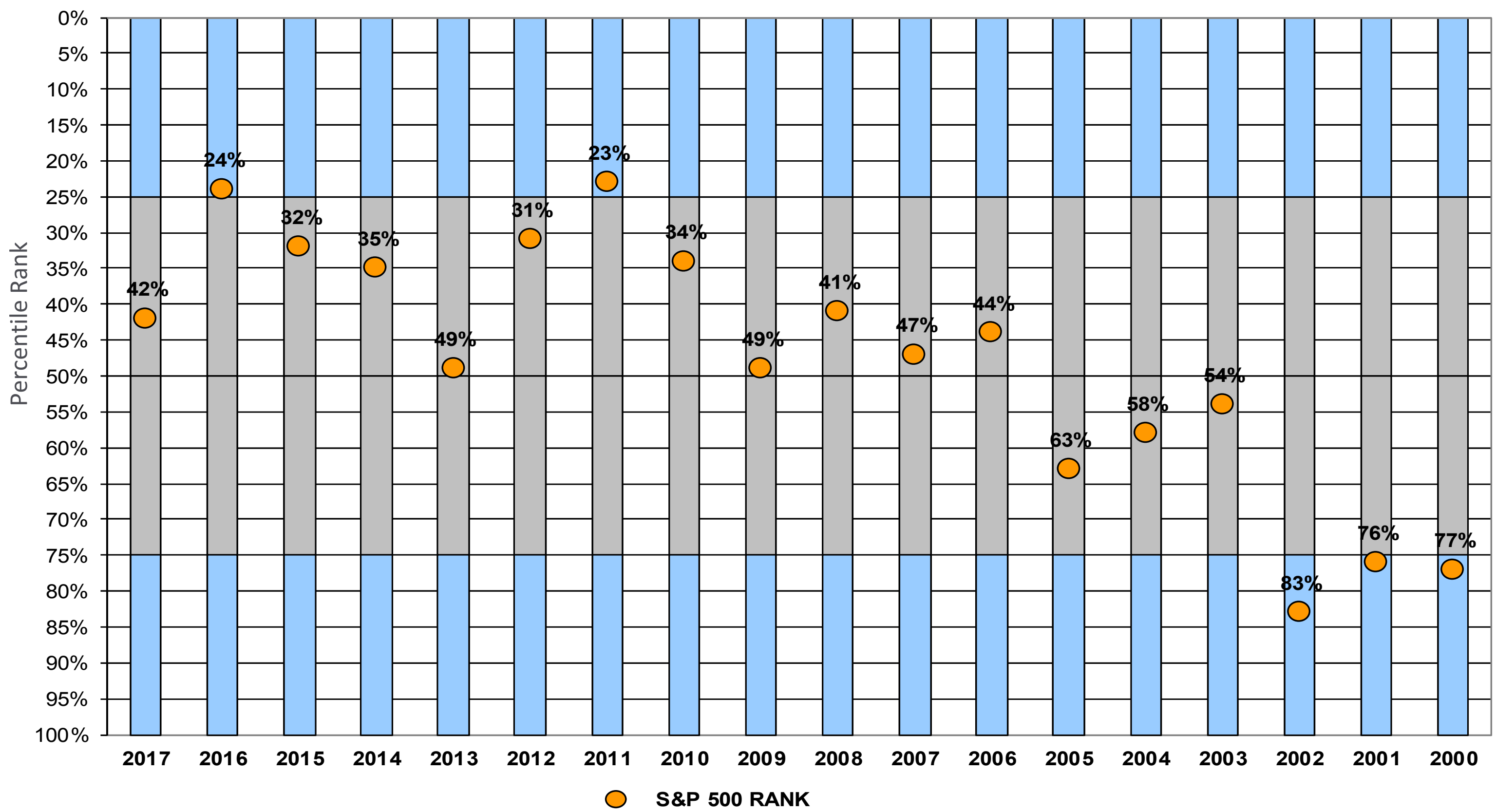
[1] Annualized net-of-fee results are calculated by subtracting the average manager fee, respective of asset class and style, from the eVestment or ICC gross-of-fee performance. The average manager fees used prior to 2009 were obtained from the 2008 eVestment Alliance manager fee study. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

[2] The universe data shown includes only actively managed portfolios. The minimum sample size used for each time period is 20 portfolios.

U.S. LARGE CAP CORE EQUITY – BENCHMARK RANK

S&P 500 Rankings

Annual Periods Ending December 31

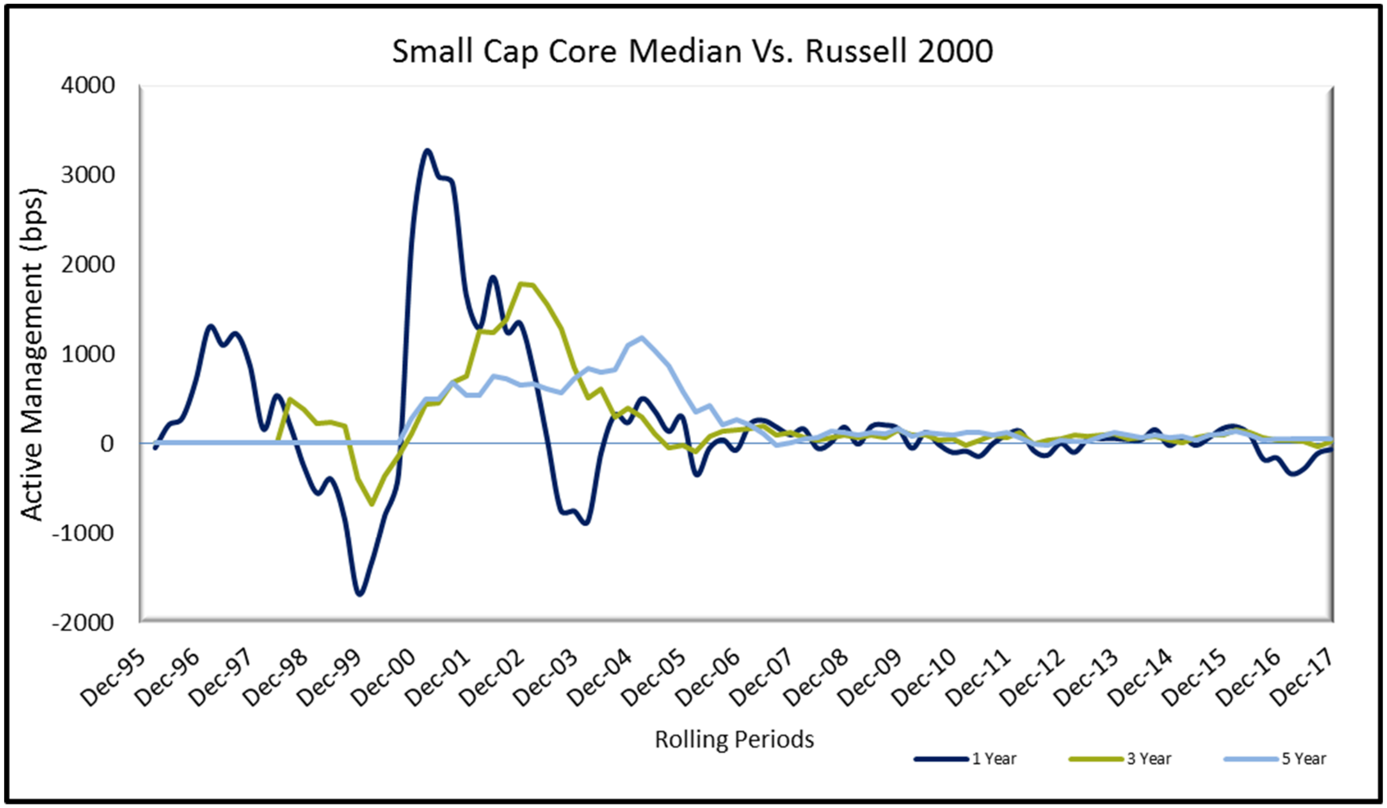


NEPC

The S&P 500 ranked below median 6 out of the last 18 years

[1] eVestment and ICC universes shown. Benchmark rankings are relative to the respective actively managed gross-of-fee universe. Rankings reflect the gross-of-fee results of the benchmark. For periods prior to 2009 results were calculated by adding the respective asset class and style annual fee as obtained from the 2008 eVestment Alliance manager fee study to the annual benchmark return. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

U.S. SMALL CAP CORE EQUITY – ROLLING PERIODS



The median small cap core equity manager has outperformed the Russell 2000, net of fees[1], in:

- 54 of 88 rolling one-year periods (or, 61% of the time)
- 68 of 78 rolling three-year periods (or, 87% of the time)
- 67 of 70 rolling five-year periods (or, 96% of the time)

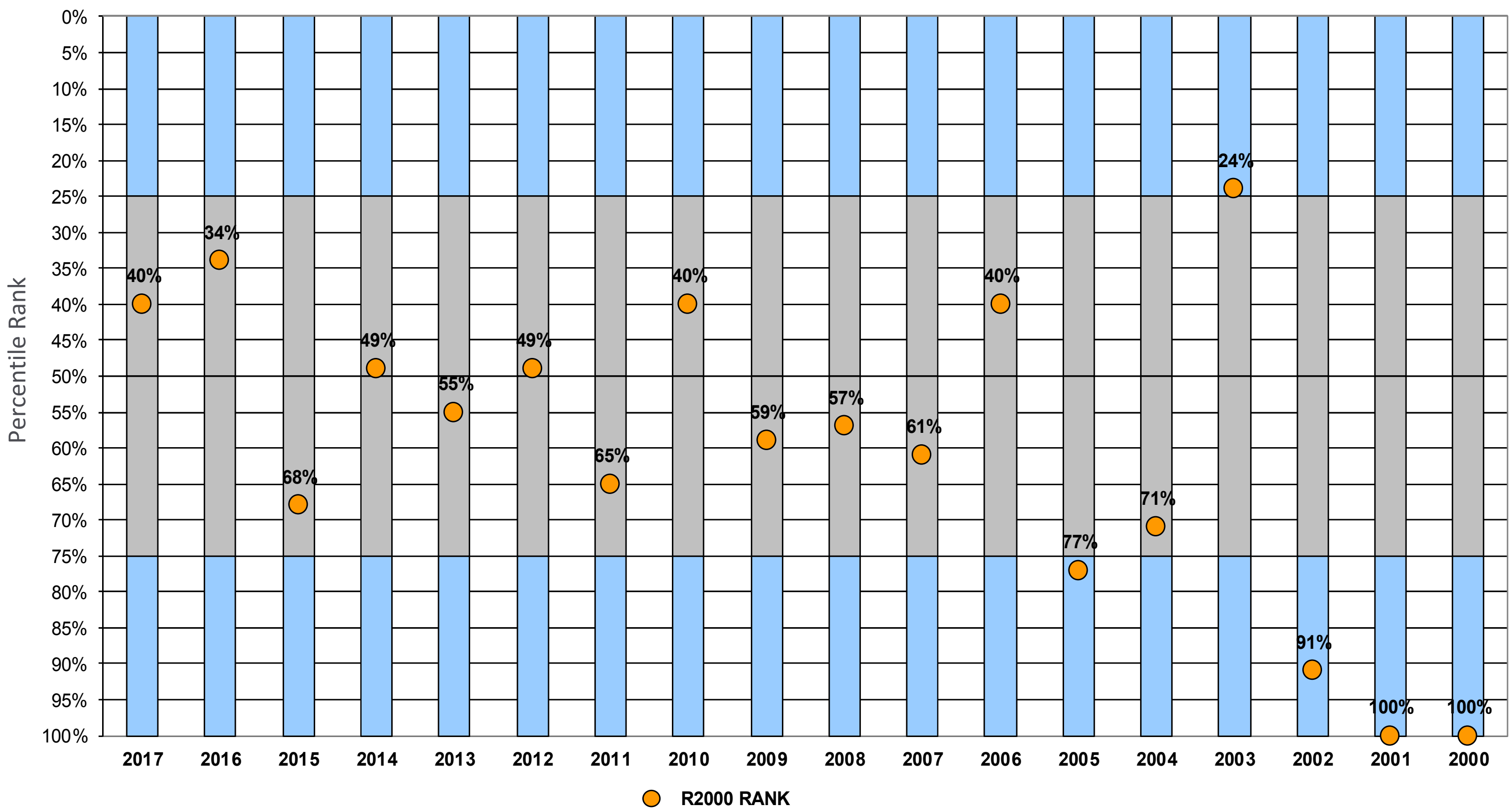
[1] Annualized net-of-fee results are calculated by subtracting the average manager fee, respective of asset class and style, from the eVestment or ICC gross-of-fee performance. The average manager fees used prior to 2009 were obtained from the 2008 eVestment Alliance manager fee study. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

[2] The universe data shown includes only actively managed portfolios. The minimum sample size used for each time period is 20 portfolios.

U.S. SMALL CAP CORE EQUITY – BENCHMARK RANK

Russell 2000 Rankings

Annual Periods Ending December 31

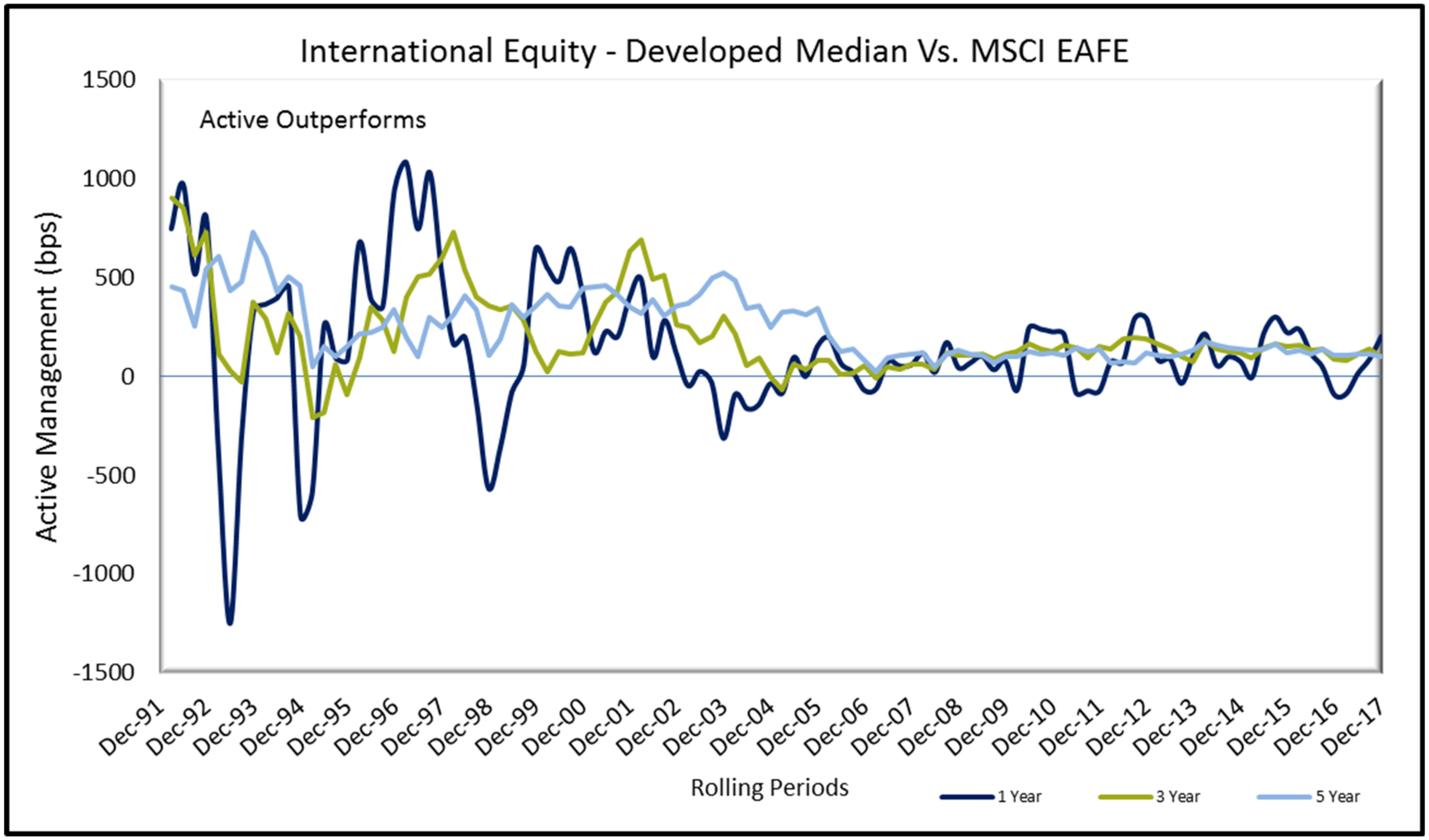


NEPC

The Russell 2000 ranked below median 11 out of the last 18 years

[1] eVestment and ICC universes shown. Benchmark rankings are relative to the respective actively managed gross-of-fee universe. Rankings reflect the gross-of-fee results of the benchmark. For periods prior to 2009 results were calculated by adding the respective asset class and style annual fee as obtained from the 2008 eVestment Alliance manager fee study to the annual benchmark return. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

INTERNATIONAL EQUITY – ROLLING PERIODS

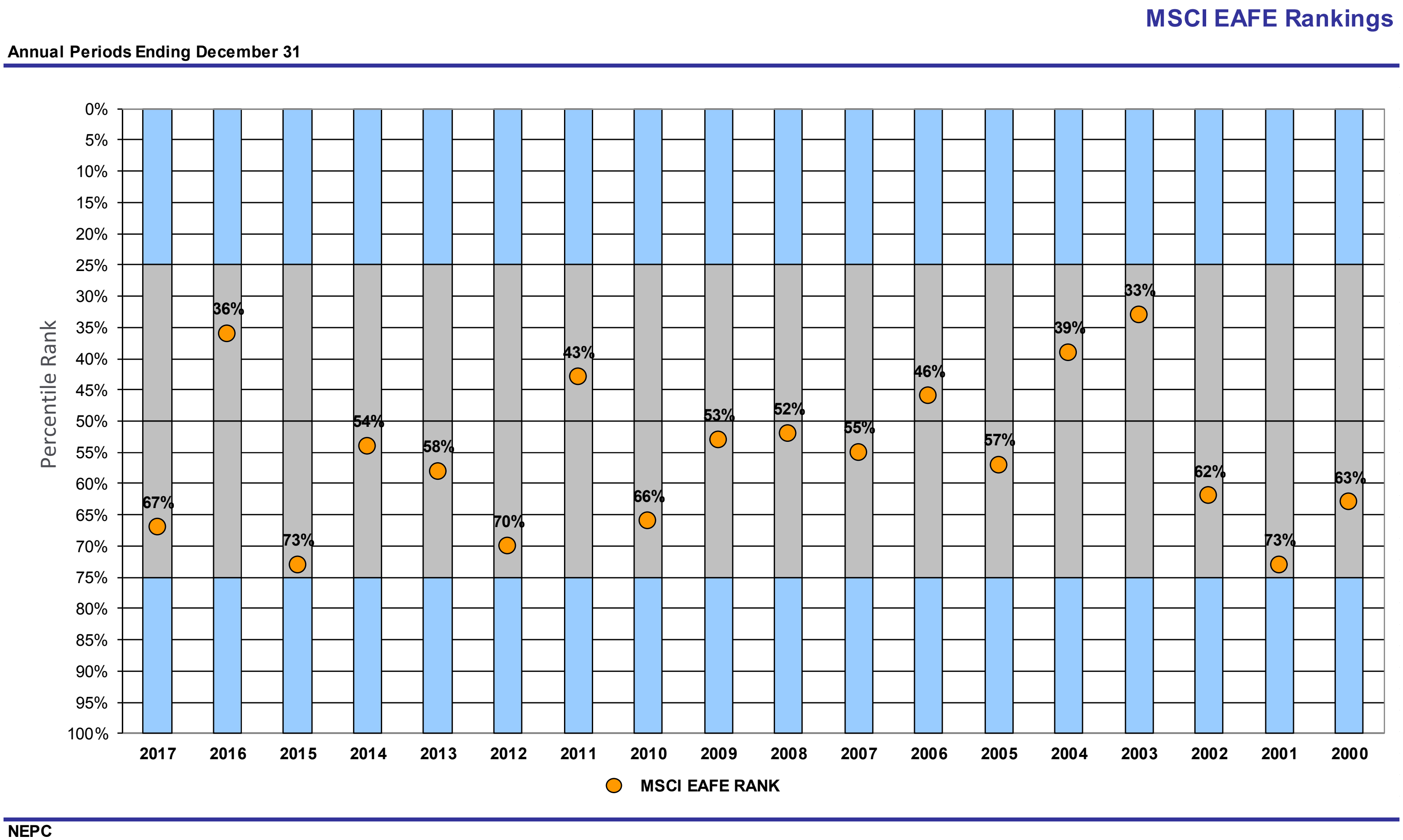


The median international equity developed manager has outperformed the MSCI EAFE, net of fees[1], in:

- 76 of 104 rolling one-year periods (or, 73% of the time)
- 97 of 104 rolling three-year periods (or, 93% of the time)
- 104 of 104 rolling five-year periods (or, 100% of the time)

[1] Annualized net-of-fee results are calculated by subtracting the average manager fee, respective of asset class and style, from the eVestment or ICC gross-of-fee performance. The average manager fees used prior to 2009 were obtained from the 2008 eVestment Alliance manager fee study. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.
[2] The universe data shown includes only actively managed portfolios. The minimum sample size used for each time period is 20 portfolios.

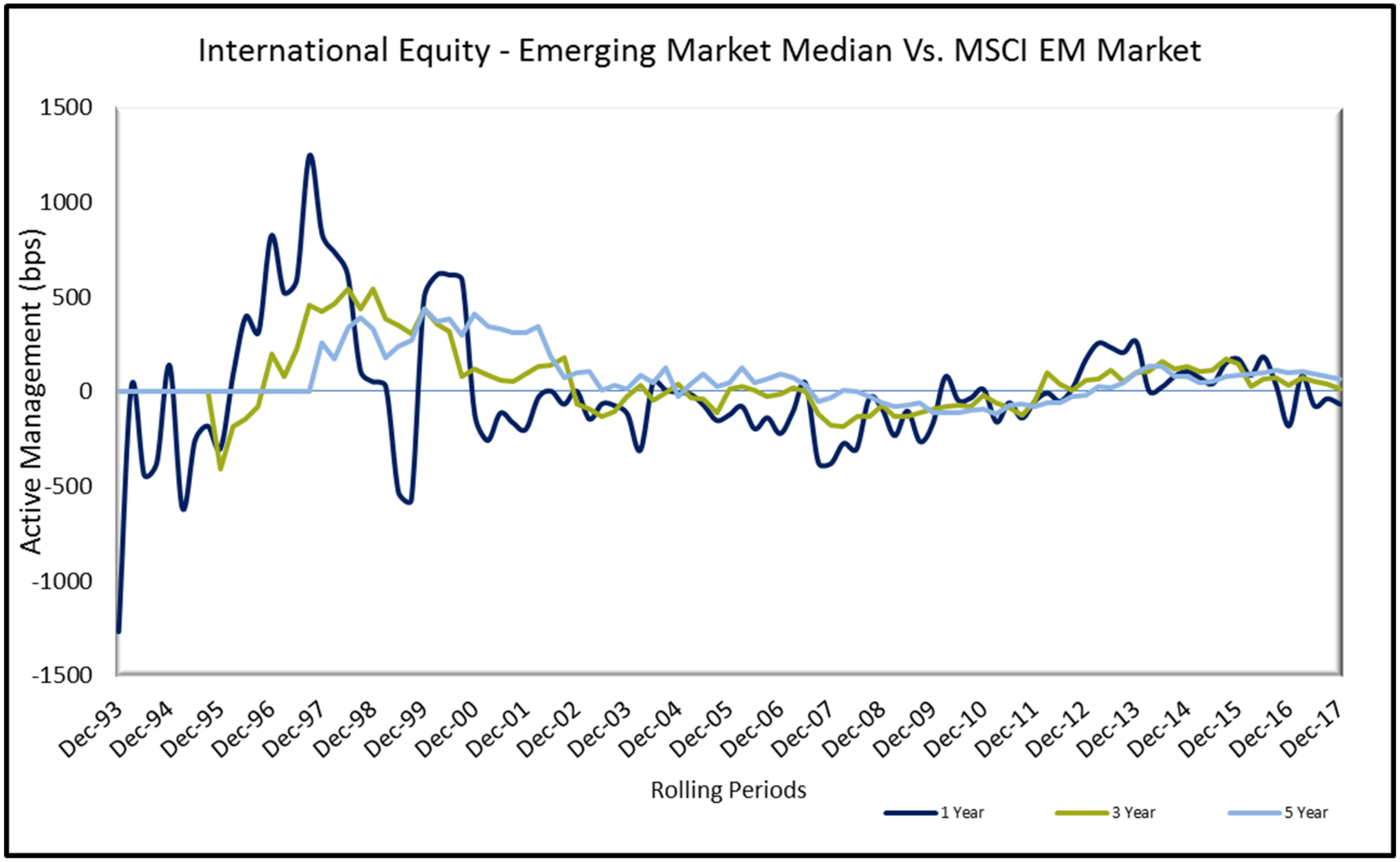
INTERNATIONAL EQUITY – BENCHMARK RANKS



MSCI EAFE ranked below median 13 out of the last 18 years

[1] eVestment and ICC universes shown. Benchmark rankings are relative to the respective actively managed gross-of-fee universe. Rankings reflect the gross-of-fee results of the benchmark. For periods prior to 2009 results were calculated by adding the respective asset class and style annual fee as obtained from the 2008 eVestment Alliance manager fee study to the annual benchmark return. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

EMERGING MARKETS – ROLLING PERIODS



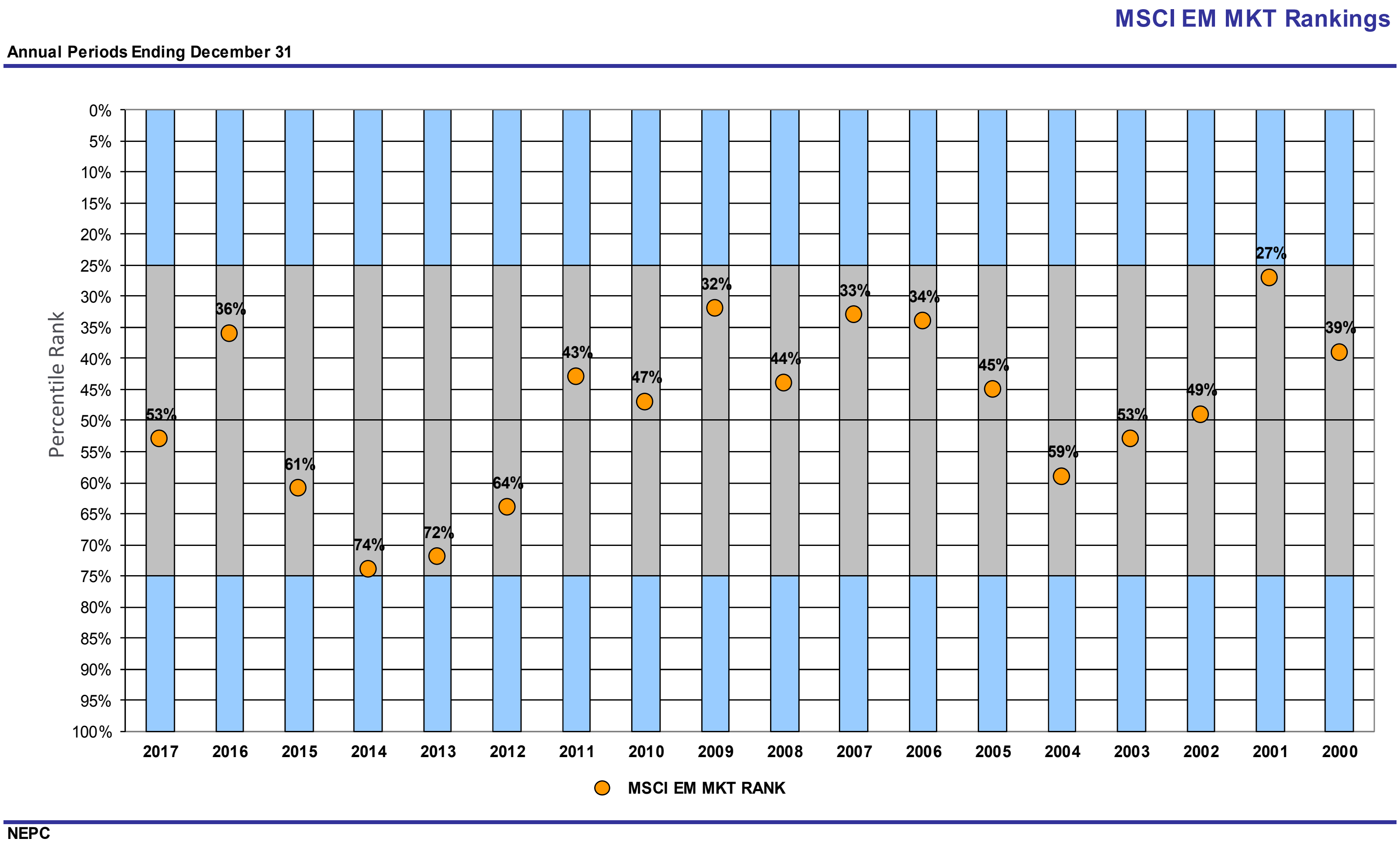
The median international equity emerging market manager has outperformed the MSCI EM Market, net of fees[1], in:

- 44 of 97 rolling one-year periods (or, 45% of the time)
- 54 of 89 rolling three-year periods (or, 61% of the time)
- 60 of 81 rolling five-year periods (or, 74% of the time)

[1] Annualized net-of-fee results are calculated by subtracting the average manager fee, respective of asset class and style, from the eVestment or ICC gross-of-fee performance. The average manager fees used prior to 2009 were obtained from the 2008 eVestment Alliance manager fee study. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

[2] The universe data shown includes only actively managed portfolios. The minimum sample size used for each time period is 20 portfolios.

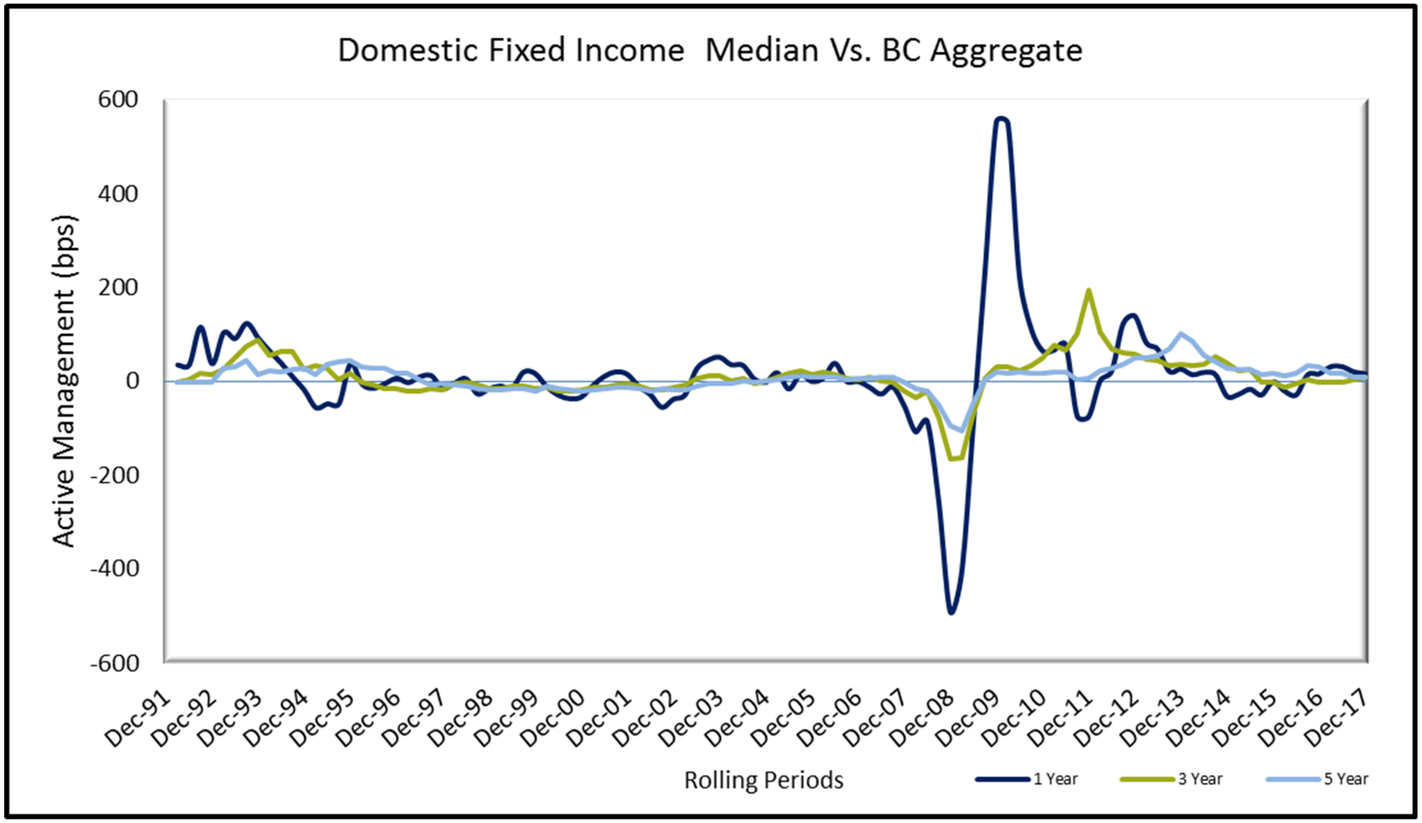
EMERGING MARKETS – BENCHMARK RANKS



MSCI EM Index ranked below median 7 out of the last 18 years

[1] eVestment and ICC universes shown. Benchmark rankings are relative to the respective actively managed gross-of-fee universe. Rankings reflect the gross-of-fee results of the benchmark. For periods prior to 2009 results were calculated by adding the respective asset class and style annual fee as obtained from the 2008 eVestment Alliance manager fee study to the annual benchmark return. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

DOMESTIC FIXED INCOME – ROLLING PERIODS



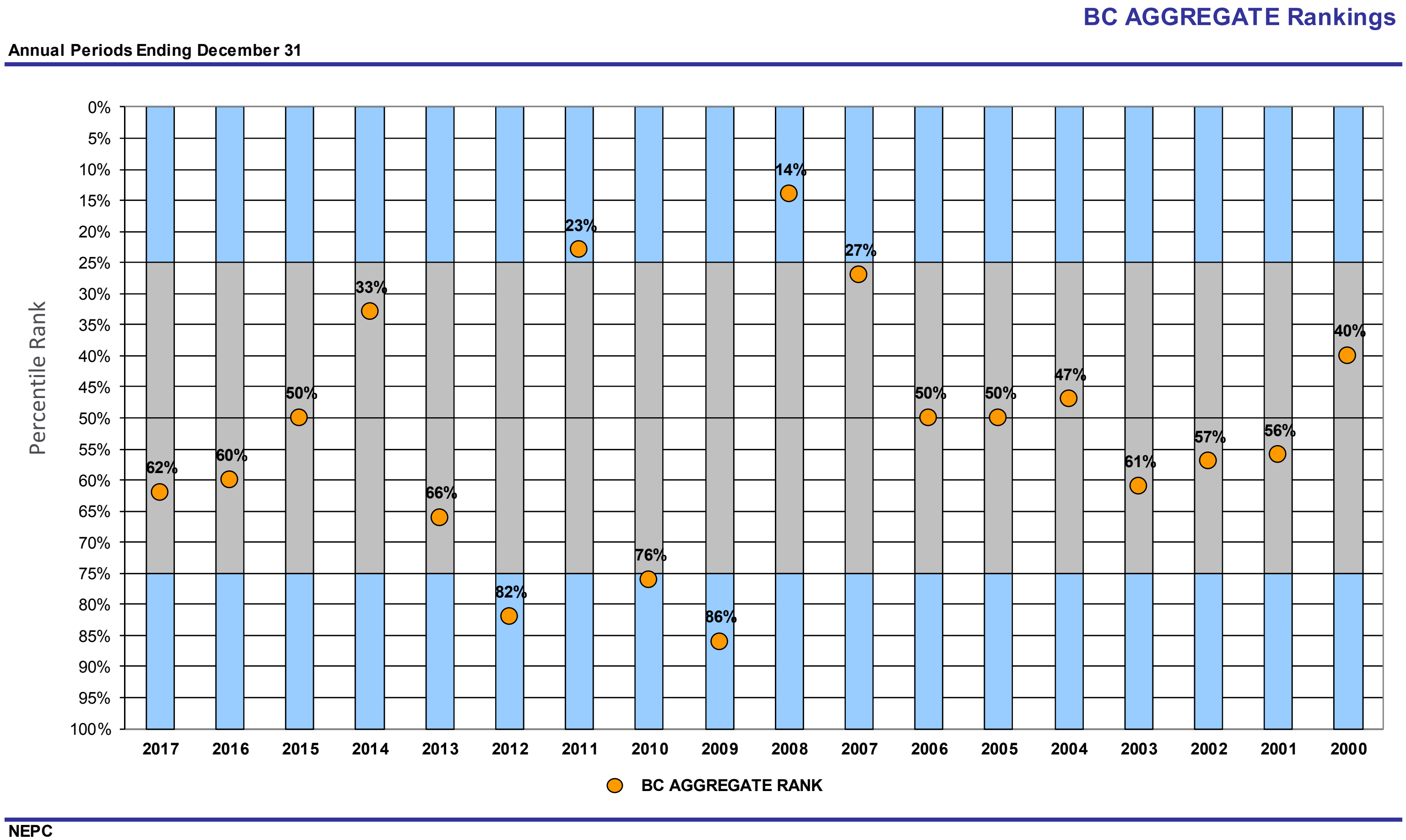
The median domestic fixed income manager has outperformed the BC Aggregate, net of fees[1], in:

- 59 of 104 rolling one-year periods (or, 57% of the time)
- 59 of 104 rolling three-year periods (or, 57% of the time)
- 65 of 100 rolling five-year periods (or, 65% of the time)

[1] Annualized net-of-fee results are calculated by subtracting the average manager fee, respective of asset class and style, from the eVestment or ICC gross-of-fee performance. The average manager fees used prior to 2009 were obtained from the 2008 eVestment Alliance manager fee study. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

[2] The universe data shown includes only actively managed portfolios. The minimum sample size used for each time period is 20 portfolios.

DOMESTIC FIXED INCOME – BENCHMARK RANKS



BC Aggregate ranked at or below median 12 out of the last 18 years

[1] eVestment and ICC universes shown. Benchmark rankings are relative to the respective actively managed gross-of-fee universe. Rankings reflect the gross-of-fee results of the benchmark. For periods prior to 2009 results were calculated by adding the respective asset class and style annual fee as obtained from the 2008 eVestment Alliance manager fee study to the annual benchmark return. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

ACTIVE VS. PASSIVE – OBSERVATIONS

- **Data appears broadly consistent with intuitive hypotheses:**
  - US Large cap stock managers exhibit lowest probability of active management outperformance; margins are relatively tight
  - Small cap, Non-US stocks exhibit higher probability of active management outperformance; margins are wider
    - Emerging markets stocks are an outlier – requires further consideration
  - Core fixed income demonstrated modest outperformance with exception of a big fall-off in 2008 followed by rebound in 2009 and 2010

- **Success of active management can appear cyclical**
  - Can be based on relative trends of performance related to biases of active strategies versus indexes
  - Lower probability of active management success in short-term periods does not preclude longer-term success
  - Trending nature of active management success indicates some alpha may be disguised as beta
    - Example of fixed income – *2008 vs. 2009*

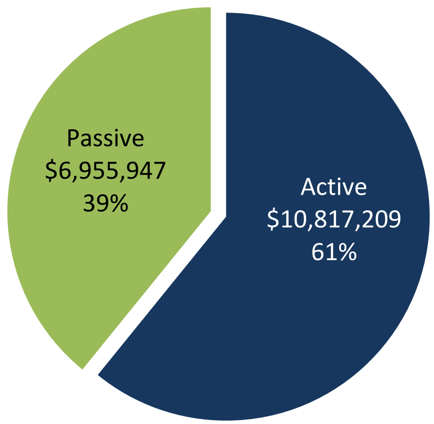
LACERS INDEX FUND USAGE

NEPC, LLC

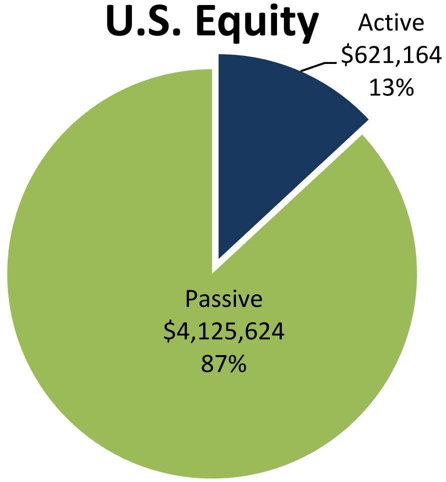
ACTIVE VS. PASSIVE MANAGER BREAKDOWN

Note: Market values shown in millions $(000).

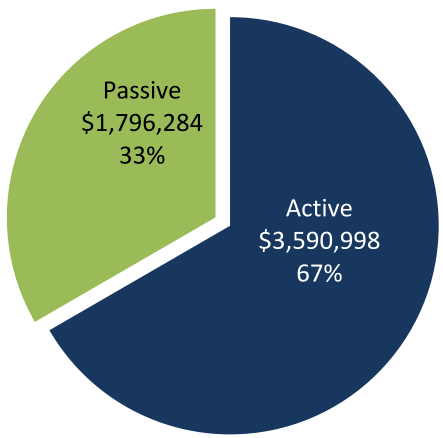
Total Fund



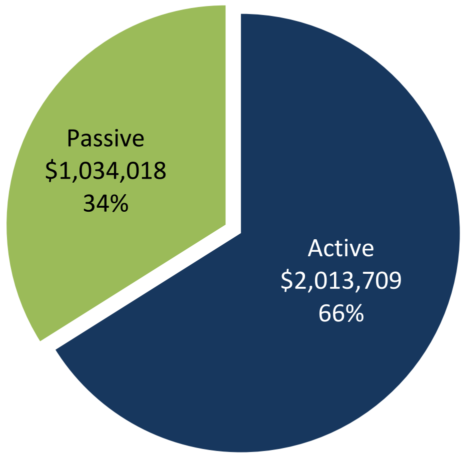
U.S. Equity



Non-U.S. Equity



Core Fixed Income

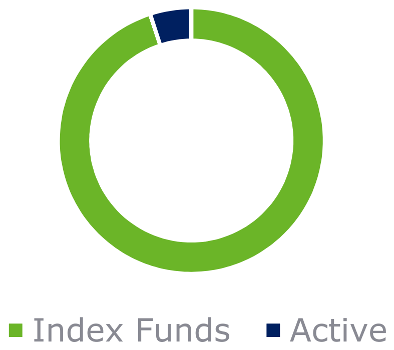


As of 9/30/2018

LACERS PASSIVE USAGE – U.S. EQUITY

Large Cap Active vs. Index Exposure

Large Cap Portfolios



Small/Mid Cap Active vs. Index Exposure

Small/Mid Cap Portfolios

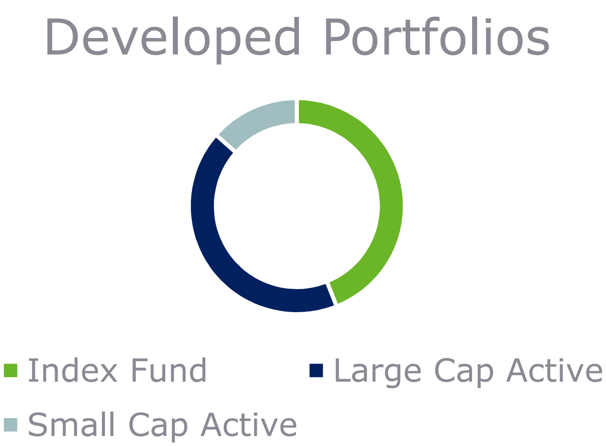
Observations/Recommendations

- **Heavy reliance on index funds within the U.S. equity allocation**
  - Large cap 95%
  - Small/Mid cap 56%
- **We are comfortable with the passive exposure to the large cap allocation**
  - Better use of governance budget spent on other asset classes
- **Some of the small cap index fund exposure represents a placeholder for active**
  - Managers terminated and assets temporarily held in index fund
  - Searches to be conducted in 2019

As of 9/30/2018

LACERS PASSIVE USAGE – NON-U.S. EQUITY

Developed Active vs. Index Exposure



Emerging Markets vs. Index Exposure

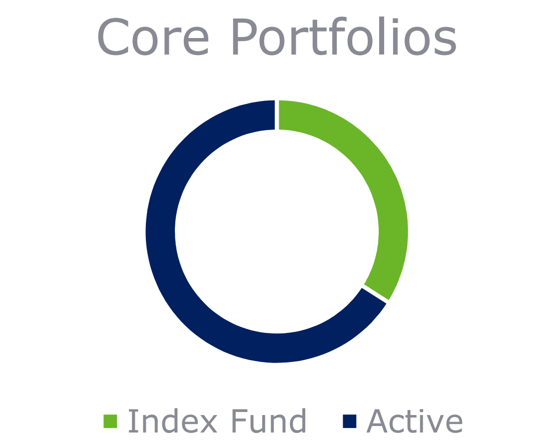
Observations/Recommendations

- **Overall 1/3 of the Non-U.S. Equity exposure is passive**
  - No index exposure for small cap
  - No index exposure for emerging markets
- **No passive investment within the Emerging Markets allocation**
- **We are comfortable with the level of index exposure in the Non-U.S. Equity allocation**

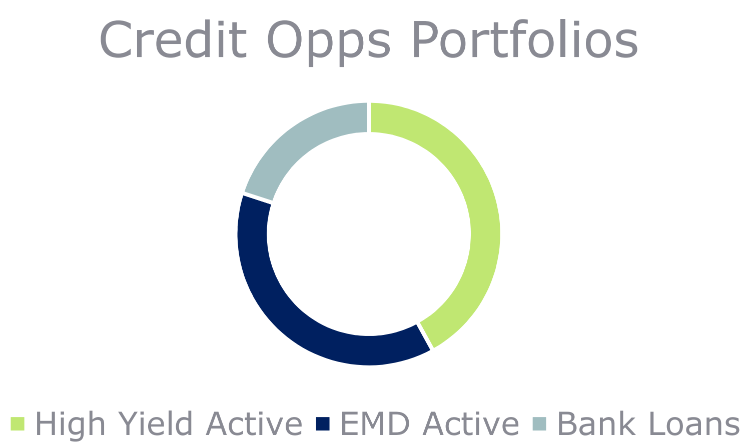
As of 9/30/2018

LACERS PASSIVE USAGE – FIXED INCOME

Core Active vs. Index Exposure



Credit Opportunities vs. Index Exposure



Observations/Recommendations

- **Board has approved risk budgeting and manager structure that allocates all of the Core allocation to active**
  - Current allocation to index fund represents 1/3 of Core allocation
- **The current Core managers have been able to consistently outperform the benchmark over time after fees**
  - Active investment management fees are extremely competitive
  - Guidelines restrict the use of out-of-benchmark holdings which also reduces the volatility of the core fixed income
  - We recognize past performance is no guarantee of future performance
- **LACERS does not use any passive management within the Credit Opportunities allocation**

As of 9/30/2018

WHAT ARE OTHERS DOING?

NEPC, LLC

PUBLIC PENSION USE OF PASSIVE MANDATES

- **Each public pension plan is unique and maintains varying governance structures and risk tolerances which can influence the use of passive management**
  - Risk tolerance, goals and objectives dictate asset allocation structure; higher allocations to more efficient asset classes likely result in higher use of passive management
  - A Board's tolerance for active manager risk (tracking error) also influences the use of passive mandates

- **To illustrate the broad range of implementation approaches, NEPC compiled the investment structures of current clients utilized in the InvestorForce Public DB $5-50B universe**
  - Nevada PERS (non-NEPC client) was also included as they are known to implement a significantly passive investment portfolio
    - Data taken from their website

- **As illustrated on the following slide, Plans with lower allocations to US equities and higher allocations to alternatives tend to utilize active managers to a greater degree**
  - Alternatives are generally more difficult, if not impossible, to invest in passively, therefore active management is necessary

COMPARATIVE INVESTMENT STRUCTURES

	LACERS	NV PERS	Client A	Client B	Client C	Client D	Client E	Client F	Client G	Client H	Client I	Client J	Client K
Cash	1%	0%	0%	0%	2%	0%	2%	3%	0%	1%	0%	0%	0%
US Equity	19%	42%	40%	26%	13%	28%	16%	0%	30%	19%	25%	15%	0%
Non-US/Global Equity	27%	18%	28%	24%	15%	25%	14%	40%	20%	14%	27%	15%	31%
Domestic Fixed Income	21%	28%	32%	13%	15%	20%	3%	20%	2%	24%	11%	6%	6%
Other Fixed Income	5%	0%	0%	0%	9%	0%	2%	0%	23%	2%	13%	10%	3%
Alternatives	27%	12%	0%	37%	46%	27%	63%	37%	25%	40%	24%	54%	60%
Expected Return	6.6%	5.5%	5.5%	6.5%	6.6%	6.0%	6.6%	6.3%	6.3%	6.5%	6.4%	6.3%	7.2%
Standard Deviation	13.1%	11.7%	12.2%	13.2%	13.2%	12.4%	12.3%	11.9%	13.6%	13.1%	13.2%	11.6%	10.5%
Sharpe Ratio	0.35	0.30	0.29	0.34	0.34	0.33	0.37	0.36	0.32	0.35	0.34	0.38	0.50
Active	61%	12%	59%	75%	92%	52%	87%	66%	88%	79%	98%	91%	87%
Passive	39%	88%	41%	25%	8%	48%	13%	34%	12%	21%	2%	9%	13%

Notes:
NEPC clients A-K are included in the InvestorForce Public DB $5-50B universe.
Asset allocations represent the strategic asset mix by plan.
Alternatives include: Private Credit, Private Equity, Real Estate, Real Assets, Hedge Funds and other Multi-Asset Strategies
Numbers may not add due to rounding.

CONCLUSION

NEPC, LLC

SUMMARY

- **The move to passive has increased materially in recent years**
  - Largely attributed to the combination of active manager underperformance and investor focus on reducing management fees
- **In general, we believe there are opportunities to add value through active investment decision-making**
  - Active management is more likely to add value in less-efficient areas of the capital markets, and vice versa
- **However, the question of whether to go active or passive is also heavily influenced by a number of other, unique factors including:**
  - The Board's time available to select and monitor active managers
  - Tolerance for active risk at the manager and Total Plan investment levels
  - Appetite for higher active manager fees when reasonable net of fee alpha is expected
- **We believe the current balance of active and passive mandates is appropriate given LACERS risk tolerance and governance structure**
  - Current active/passive implementation allows LACERS to:
    1. Take advantage of meaningful fee savings in more-efficient areas (i.e. US and non-US large cap equities)
    2. Provides for alpha potential in less-efficient areas
    3. Preserves staff and board time for less-efficient asset classes

APPENDIX

REVIEW OF LITERATURE – ACTIVE OUTPERFORMANCE

- **Jensen (1968) – Performance of Mutual Funds**
  - Little evidence mutual funds earn more excess return than would otherwise be attributable to luck or random chance
  - Return evidence is lackluster but some evidence to suggest funds may provide a socially desirable service by lowering insurable risk

- **Malkiel (1995) – Returns from Investing in Equity Mutual Funds 1971 to 1991**
  - Evidence survivorship bias may be much greater than previous literature supposes
  - Mean active alpha not statistically significantly different from zero regardless of net or gross of fees

- **Fama and French (2010) – Luck versus Skill in the Cross-Section of Mutual Fund Returns**
  - Funds on average underperform three-factor and four-factor benchmarks by the amount of costs
  - Hints of enhanced skill but no easy way to identify – possible that other market segments capture alpha but would imply negative alpha in another segment

REVIEW OF LITERATURE – PERSISTENCE

- **Sharpe (1966) – Mutual Fund Performance, and Jensen (1968)**
  - Positive but not significant correlation between performance in subsequent periods
  - Partially attributable to persistence of poor returns
- **Brown et al. (1992) – Survivorship Bias in Performance Studies**
  - Shows that survivorship bias can give appearance of persistence where evidence is not actually significant – must take a critical eye to previous studies
- **Elton et al. (1996) – The Persistence of Risk-Adjusted Mutual Fund Performance, and Brown and Goetzmann (1995) – Performance Persistence**
  - Addition of Fama-French three factor model to explain returns
  - Both find significant evidence of persistence in returns
    - Both find some concentration of persistence in poor returning funds
    - Elton et al. finds some evidence that a basket of active can outperform even after fees
- **Grinblatt et al (1995) – Momentum Investment Strategies…, and Carhart (1997) – On the Persistence of Mutual Fund Strategies**
  - Introduction of momentum as a contributor to outperformance (and persistence)
  - When correcting for momentum persistence only exists with significance in poor performing funds
- **Bollen and Busse (2004) – Short-Term Persistence in Mutual Fund Performance**
  - Finds evidence of statistically significant positive abnormal return persistence of funds ranked in top deciles in short time horizons
  - Caveat is that statistical significance may not translate to economic significance due to transaction costs

REVIEW OF LITERATURE – PREDICTION AND TIMING

- **Kacperzyk et al. (2005) – On the Industry Concentration of Actively Managed Equity Mutual Funds**
  - Finds substantial differentiation and levels of concentration across industries
  - Even when correcting for various risk-adjusted models (i.e. four-factor Carhart) there is robust evidence that concentrated portfolios outperform and exhibit better stock picking than diversified portfolios
- **Grinblatt and Titman (1993) – Performance Measurement Without Benchmarks**
  - Evaluates performance on basis of underlying holdings rather than benchmarks
  - Finds patterns in outperformance and persistence that seem to be predictable based on style of managers; in this case aggressive growth
- **Fama and French (2010)**
  - Uses Fama-French factors plus momentum as the benchmark and finds average underperformance roughly equivalent to fees
- **Baks et al. (2001) – Should Investors Avoid All Actively Managed Mutual Funds?…**
  - Uses Bayesian instead of frequentist method of performance evaluation and finds economically significant reason to invest in active managers
- **Pastor and Stambaugh (2002) – Investing in Equity Mutual Funds**
  - Uses framework that combines beliefs about pricing models and manager skill to construct maximized Sharpe Ratio portfolios
  - Finds that even investors with complete confidence in a pricing model and no confidence in manager skill have reason to include active funds in an optimal portfolio

DISCLOSURES

- The opinions presented herein represent the good faith views of NEPC as of the date of this presentation and are subject to change at any time.

- The comments provided herein should be considered a general overview and do not constitute investment advice, are not predictive of any future market performance, are not provided as a sales or advertising communication, and do not represent an offer to sell or a solicitation of an offer to buy any security.

- Information used to prepare this report was obtained directly from various external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within or the completeness of such information.

- All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

- NEPC does not provide legal, regulatory or tax advice. Please consult your attorney or tax advisor for assistance as needed.

- Past performance is no guarantee of future results.

DISCLAIMER

- Universe data prior to 2012 was provided by the Investment Consultants Cooperative universe. Universe data for 2012 and after was provided by eVestment Alliance.
- Annualized net-of-fee results are calculated by subtracting the average manager fee, respective of asset class and style, from the eVestment or ICC gross-of-fee performance.
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- For periods prior to 2009 results were calculated by adding the respective asset class and style annual fee as obtained from the 2008 eVestment Alliance manager fee study to the annual benchmark return. For periods after to 2009, the 2009 eVestment Alliance manager fee study was used.

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Report to Board of Administration

From: Neil M. Guglielmo, General Manager

Agenda of: **DECEMBER 11, 2018**

ITEM: **X-J**

SUBJECT: **DISCLOSURE REPORT OF FEES, EXPENSES, AND CARRIED INTEREST OF ALTERNATIVE INVESTMENT VEHICLES FOR THE FISCAL YEAR ENDING JUNE 30, 2018 PURSUANT TO GOVERNMENT CODE SECTION 7514.7**

Recommendation

That the Board receive and file this report.

Discussion

Background

California Government Code Section 7514.7 (enacted into law by the passage of Assembly Bill 2833) requires LACERS to obtain and disclose specific fee, expense, and other information relating to alternative investment vehicles within the LACERS investment portfolio. The disclosure must be made at least annually at a meeting open to the public. The law defines an alternative investment vehicle as a private equity fund, venture fund, hedge fund, or absolute return fund; LACERS considers private real estate funds to fall within the scope of the alternative investment vehicles definition. Pursuant to Section 7514.7, alternative investment vehicles must provide the following information for public disclosure by LACERS:

1. The fees and expenses that LACERS pays directly to the alternative investment vehicle, the management company or related parties.

2. LACERS' pro rata share of fees and expenses not included in (1) that are paid from the alternative investment vehicle to the management company or related parties.

3. LACERS' pro rata share of carried interest distributed by the alternative investment vehicle to the management company or related parties.

4. LACERS' pro rata share of aggregate fees and expenses paid by all of the portfolio companies held by the alternative investment vehicle to the fund manager or related parties.

5. The gross and net internal rate of return of the fund, since inception.

6. Any additional information described in the California Public Records Act [Government Code Section 6254.26 (b)]:

    i. The name, address, and vintage year of each alternative investment vehicle.
    ii. The dollar amount of the commitment made by LACERS to each alternative investment vehicle since inception.
    iii. The dollar amount of cash contributions made by LACERS to each alternative investment vehicle since inception.
    iv. The dollar amount, on a fiscal year-end basis, of cash distributions received by LACERS from each alternative investment vehicle.
    v. The dollar amount, on a fiscal year-end basis, of cash distributions received by LACERS plus remaining value of partnership assets attributable to LACERS investment in each alternative investment vehicle.
    vi. The net internal rate of return of each alternative investment vehicle since inception.
    vii. The investment multiple of each alternative investment vehicle since inception.
    viii. The dollar amount of the total management fees and costs paid on an annual fiscal year-end basis, by LACERS to each alternative investment vehicle.
    ix. The dollar amount of cash profit received by LACERS from each alternative investment vehicle on a fiscal year-end basis.

The law applies mandatorily to funds committed to on and after January 1, 2017. Through the fiscal year ending June 30, 2018, 26 private equity funds and one real estate fund within the LACERS portfolio were required by contract to comply with Section 7514.7.

The law is voluntary for funds committed to prior to January 1, 2017, and for which no new capital commitments have been made (pre-2017 funds), subject to LACERS using reasonable effort to acquire the information. LACERS' private equity and real estate consultants, TorreyCove Capital Partners, LLC and The Townsend Group, respectively, contacted all pre-2017 private equity funds (193 funds) and real estate funds (45 funds) requesting information in accordance with Section 7514.7. Of these funds, 95 private equity funds and 38 real estate funds provided the data.

The attached report contains LACERS alternative investments disclosures for the fiscal year ending June 30, 2018, pursuant to Section 7514.7.

This report was prepared by Eduardo Park, Investment Officer I, Investment Division.

RJ:BF:EP:ap

Attachments: A) Mandatory Disclosure Report for Private Equity Funds
B) Voluntary Disclosure Report for Private Equity Funds
C) Mandatory Disclosure Report for Real Estate Funds
D) Voluntary Disclosure Report for Real Estate Funds

ATTACHMENT A

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

MANDATORY DISCLOSURE BY FUNDS COMMITTED ON AND AFTER JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
1315 Capital Fund II	2929 Walnut Street, Suite 1240 Philadelphia, PA, 19104	2018	USD	-	-	-	-	10,000,000	-	-	-	-	-	-	-	-
American Securities Partners VIII	299 Park Avenue, 34th Floor New York, NY 10171	2018	USD	-	-	-	-	40,000,000	-	-	-	-	-	-	-	-
Ascribe Opportunities Fund IV	299 Park Avenue, 34th Floor New York, NY 10171	2018	USD	-	-	-	-	25,000,000	-	-	-	-	-	-	-	-
Astra Partners I	2099 Pennsylvania Ave NW Suite 625 Washington, DC 20006	2017	USD	113,425	-	-	-	10,000,000	-	1,431,749	-	1,431,749	-	-	-	-
BC European Capital X	40 Portman Square, London , United Kingdom	2017	EUR	463,353	-	-	-	31,651,237	7,520,927	6,934,684	-	6,934,684	-	-	-	0.92
Brentwood Associates Private Equity VI	11150 Santa Monica Blvd Suite 1200 Los Angeles, California	2017	USD	707,212	-	-	27,154	25,000,000	452,150	20,958	-	20,958	-	-	-	0.05
CVC Capital Partners VII	111 Strand London WC2R 0AG	2017	EUR	241,586	-	-	-	28,567,140	-	213,080	-	213,080	-	-	-	-
DEFY Partners I	2973 Woodside Road Woodside CA 94062	2017	USD	-	243,255	-	-	10,000,000	2,100,000	1,932,477	-	1,932,477	-	11.4%	-17.4%	0.92
DFJ Growth III	2882 Sand Hill Road, Suite 150 Menlo Park, California 94025	2017	USD	-	375,022	-	-	15,000,000	5,130,000	5,267,593	-	5,267,593	-	26.7%	5.1%	1.03
Encap Energy Capital Fund XI	1100 Louisiana, Suite 4900, Houston, TX 77002	2017	USD	662,442	-	-	-	40,000,000	3,326,634	2,666,883	-	2,666,883	-	-	-41.3%	0.80

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

MANDATORY DISCLOSURE BY FUNDS COMMITTED ON AND AFTER JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Glendon Opportunities Fund II	1620 26th Street, Suite 2000N Santa Monica, CA 90404	2018	USD	-	-	-	-	40,000,000	-	-	-	-	-	-	-	-
GTCR Fund XII-AB	300 N. LaSalle St., Suite 5600, Chicago, IL 60654	2017	USD	815,295	-	-	-	40,000,000	992,000	(112,456)	352,669	240,213	-	-	-	0.24
H&F Spock 1	One Maritime Plaza 12th Floor, San Francisco California, USA	2018	USD	-	-	-	-	-	3,255,896	3,587,243	-	3,587,243	-	-	-	-
Incline Equity Partners IV	625 Liberty Ave. Suite 2300, Pittsburgh, PA 15222	2017	USD	191,531	-	-	-	10,000,000	991,999	736,164	-	736,164	-	3.7%	-49.3%	0.74
Mill Point Capital Partners	555 Madison Avenue, 16th Floor, NY, NY 10022	2017	USD	92,516	7,843	-	103,962	10,000,000	2,168,773	2,196,981	-	2,196,981	-	31.0%	7.7%	1.01
New Enterprise Associates 16	1954 Greenspring Drive Suite 600 Timonium, MD 21093	2017	USD	262,513	-	-	-	25,000,000	6,562,500	6,482,300	-	6,482,300	309	MN	-	0.99
NMS Fund III	32 Old Slip, Suite 32D New York, NY 1005	2017	USD	105,513	-	-	-	10,000,000	1,270,923	1,089,424	-	1,089,424	-	-	-	0.86
Oak HC-FT Fund II	3 PICKWICK PLAZA, SUITE 302 GREENWICH, CT 06830	2017	USD	130,299	-	-	-	10,000,000	777,042	631,504	-	631,504	-	0.5%	-	0.81
Oaktree Opportunities Fund Xb	333 South Grand Ave, 28th Floor Los Angeles, CA 90071	2018	USD	1,649	-	-	-	17,500,000	437,500	435,425	-	435,425	(539)	-	-	1.00
Palladium Equity Partners V	1270 Avenue of the Americas, 31st Floor New York, NY 10020	2017	USD	-	500,000	-	-	25,000,000	-	(606,071)	-	(606,071)	-	-	-	-

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

MANDATORY DISCLOSURE BY FUNDS COMMITTED ON AND AFTER JANUARY 1, 2017
PRIVATE EQUITY FUNDS

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Platinum Equity Small Cap Fund	360 N Crescent Dr Beverly Hills, CA 90210	2018	USD	2,752	-	-	-	22,500,000	972,000	836,948	-	836,948	-	-	-	0.86
SG Growth Partners IV	402 West 13th Street New York, NY 10014	2017	USD	60,348	-	-	-	10,000,000	2,583,238	2,587,094	-	2,587,094	-	24.8%	0.7%	1.00
Spark Capital Growth Fund II	137 Newbury St. 8th Floor Boston, MA 02116	2017	USD	-	-	-	-	15,000,000	3,600,000	3,223,256	-	3,223,256	-	-	-	0.90
Thoma Bravo Discover Fund II	150 N. Riverside Plaza Suite 2800 Chicago, IL 60606	2018	USD	-	-	-	-	10,000,000	-	(31,708)	-	(31,708)	-	-	-	-
Thoma Bravo Fund XIII	150 N. Riverside Plaza, Suite 2800, Chicago, IL 60606	2018	USD	-	-	-	-	30,000,000	-	-	-	-	-	-	-	-
Upfront VI	1314 7th St Santa Monica, CA 90401	2017	USD	326,920	-	-	-	20,000,000	3,396,613	3,204,220	-	3,204,220	-	-	-	1.34

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
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VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
1315 Capital Fund	2929 Walnut Stret Suite 1240 Philadelphia, PA 19104	2015	USD	200,000	-	-	-	10,000,000	6,325,000	6,869,869	-	6,869,869	-	13.2%	6.2%	1.09
ABRY Advanced Securities Fund III	888 Boylston St 16th Floor Boston, MA	2014	USD	307,981	-	-	-	20,000,000	10,501,524	12,771,176	379,694	13,150,870	1,597,551	22.1%	11.9%	1.37
ABRY Heritage Partners	888 Boylston St 16th Floor Boston, MA	2016	USD	114,634	-	-	-	10,000,000	2,314,796	2,700,419	-	2,700,419	-	32.5%	14.5%	1.17
ABRY Partners VIII	888 Boylston St 16th Floor Boston, MA	2014	USD	543,264	-	-	-	25,000,000	21,910,259	20,079,691	4,049,511	24,129,201	451,498	17.8%	11.6%	1.28
ABRY Senior Equity V	888 Boylston St 16th Floor Boston, MA	2016	USD	156,203	-	-	-	10,000,000	2,150,737	2,171,856	6,874	2,178,730	-	26.9%	6.1%	1.01
ACON Equity Partners III	1133 Connecticut Avenue NW Suite 700 Washington, DC	2012	USD	183,231	-	1,333,478	-	20,000,000	15,764,905	16,299,279	3,698,475	19,997,754	1,980,110	11.2%	7.5%	1.32
ACON-Bastion Partners II	1133 Connecticut Avenue NW Suite 700 Washington, DC	2006	USD	-	1,245	16,027	-	5,000,000	4,721,150	750,963	4,929	755,892	(142,004)	19.1%	14.3%	1.85
Alchemy Plan (City of Angels)	Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL	1999	GBP	-	-	80,857	-	38,194,244	40,196,637	181,362	1,282,381	1,463,742	531,628	-	-	1.24
Angeleno Investors III	2029 Century Park East Suite 2980 Los Angeles, CA	2009	USD	-	122,884	-	-	10,000,000	9,849,271	8,428,877	130,002	8,558,879	(13,259)	4.9%	-1.4%	0.94
Angeles Equity Partners I	2425 Olympic Blvd Suite 660E Santa Monica, CA	2015	USD	-	118,151	-	-	10,000,000	1,611,580	873,963	23,548	897,511	-	-2.0%	-34.0%	0.61

Note: Report excludes funds that are not required to comply with Section 7514.7 and have opted not to provide such information upon request.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
BDCM Opportunity Fund IV	One Sound Shore Drive Suite 200, Greenwich Connecticut, USA	2015	USD	508,503	134,688	43,809	1,186	25,000,000	19,505,919	19,733,233	3,405,885	23,139,118	210,955	23.6%	12.1%	1.24
Carpenter Community BancFund-A	2 Park Plaza Suite 550, Irvine California, USA	2008	USD	48,358	-	-	535,285	10,000,000	9,692,231	2,000,665	6,545,843	8,546,508	4,177,000	10.1%	9.6%	1.72
CHP III	230 Nassau Street, Princeton New Jersey, USA	2006	USD	-	188,862	-	-	15,000,000	15,000,000	15,111,549	6,340,997	21,452,546	4,409,171	9.5%	8.0%	1.69
CHS Private Equity V	c/o Cardinal Partners, 230 Nassau Street, Princeton, NJ 08542	2005	USD	-	-	-	-	20,000,000	20,145,530	93,872	61,800	155,672	50,440	-	-	1.75
Craton Equity Investors I	315 S. Beverly Drive, PH, Beverly Hills, CA 90212	2007	USD	-	37,635	-	-	10,000,000	9,973,980	130,089	-	130,089	(2,447,971)	-	-30.4%	0.12
CVC European Equity Partners III	111 Strand London WC2R 0AG	2001	USD	-	-	-	-	15,000,000	14,776,341	1,072,953	-	1,072,953	(154,403)	40.0%	34.0%	2.89
CVC European Equity Partners V	111 Strand London WC2R 0AG	2008	EUR	51,560	-	-	2,289,802	18,815,039	18,345,439	8,471,204	4,335,707	12,806,910	9,388,968	26.4%	20.2%	2.00
DFJ Frontier Fund II	10250 Constellation Blvd. Suite 2900 Los Angeles, CA 90067	2007	USD	-	-	90,065	10,780	5,000,000	5,002,783	3,914,017	-	3,914,017	(389,902)	5.9%	0.8%	1.05
DFJ Growth 2013	2882 Sand Hill Road Suite 150 Menlo Park, California 94025	2013	USD	-	625,061	-	-	25,000,000	23,626,311	33,566,938	1,250,000	34,816,938	822,154	21.2%	13.2%	1.47
DFJ Venture XII	2882 Sand Hill Road Suite 150 Menlo Park, California 94025	2016	USD	-	250,000	-	-	10,000,000	4,325,000	4,466,223	-	4,466,223	-	17.0%	3.0%	1.03

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
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VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

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EIG Energy Fund XVI	1700 Pennsylvania Avenue NW Suite 800 Washington, D.C.	2013	USD	-	237,216	-	-	25,000,000	21,018,638	18,956,255	3,522,263	22,478,518	344,719	15.5%	10.6%	1.22
EnCap Energy Capital Fund IX	1100 Louisiana, Suite 4900, Houston, TX 77002	2012	USD	355,013	-	-	-	30,000,000	27,224,336	22,563,422	1,925,214	24,488,636	710,063	21.4%	14.7%	1.40
EnCap Energy Capital Fund VIII	1100 Louisiana, Suite 4900, Houston, TX 77002	2010	USD	102,617	-	-	-	15,000,000	13,596,102	5,188,030	1,501,876	6,689,906	196,890	-2.4%	-2.4%	0.92
Encap Energy Capital Fund X	1100 Louisiana, Suite 4900, Houston, TX 77002	2015	USD	261,706	-	-	-	35,000,000	24,481,173	25,068,780	568,206	25,636,986	334,081	19.8%	11.4%	1.15
Energy Capital Partners II	51 JFK Parkway, Suite 200, Short Hills, NJ 07078	2009	USD	96,886	-	-	-	20,000,000	14,831,024	5,798,739	3,312,331	9,111,070	1,935,740	19.0%	11.0%	1.63
Energy Capital Partners III	51 JFK Parkway, Suite 200, Short Hills, NJ 07078	2014	USD	430,171	-	-	-	40,000,000	33,963,487	40,086,781	710,163	40,796,944	464,815	21.0%	12.0%	1.20
Glendon Opportunities Fund	1620 26th Street, Suite 2000N Santa Monica, CA 90404	2014	USD	-	-	-	-	20,000,000	14,990,996	18,900,248	-	18,900,248	-	11.5%	8.0%	1.26
Halifax Capital Partners II	1133 Connecticut Ave., NW, Suite 300 Washington, DC 20036	2005	USD	30,740	-	-	-	10,000,000	8,070,115	731,806	83,593	815,399	83,593	18.0%	9.0%	1.41
J.H. Whitney VI	130 Main Street Floor 3 New Canaan, CT 06840	2005	USD	-	-	141,508	-	15,000,000	14,847,374	1,760,958	762,956	2,523,914	58,206	2.1%	-0.2%	0.99
J.H. Whitney VII	130 Main Street Floor 3 New Canaan, CT 06840	2010	USD	-	-	-	952,854	25,000,000	23,526,143	20,714,813	8,512,984	29,227,797	4,215,221	20.9%	14.0%	1.67

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KKR 2006 Fund	9 West 57th Street Suite 4200 New York, NY 10019	2006	USD	(39,822)	-	-	(811,896)	30,000,000	30,270,606	9,873,151	5,886,530	15,759,681	3,099,464	9.0%	9.0%	1.73
KKR European Fund II	9 West 57th Street Suite 4200 New York, NY 10019	2005	USD	(5,104)	-	-	(7,251)	15,000,000	15,494,458	137,538	21,783	159,321	29,006	4.8%	4.8%	1.36
Levine Leichtman Capital Partners III	345 North Maple Drive Suite 300 Beverly Hills, CA 90210	2003	USD	-	-	-	159,255	20,000,000	21,392,254	134,179	2,709,146	2,843,325	1,709,346	16.3%	9.8%	1.56
Levine Leichtman Capital Partners IV	345 North Maple Drive Suite 300 Beverly Hills, CA 90210	2008	USD	86,791	-	-	32,416	20,000,000	16,347,477	7,749,300	130,483	7,879,783	57,511	28.7%	19.7%	2.01
Levine Leichtman Capital Partners V	345 North Maple Drive Suite 300 Beverly Hills, CA 90210	2013	USD	359,926	-	-	-	30,000,000	25,107,308	28,645,552	2,859,763	31,505,315	-	17.6%	11.3%	1.36
Lindsay Goldberg & Bessemer II	630 Fifth Avenue, 30th Floor New York NY 10111	2006	USD	-	740	44,033	-	20,000,000	18,903,424	703,736	2,271,448	2,975,184	(2,038,294)	9.9%	7.5%	1.44
Lindsay Goldberg III	630 Fifth Avenue, 30th Floor New York NY 10111	2008	USD	-	78,573	-	625,224	20,000,000	19,111,407	5,141,288	6,834,324	11,975,612	2,961,858	15.3%	9.0%	1.39
Madison Dearborn Capital Partners IV	70 W Madison St. Ste 4600 Chicago, IL 60602	2000	USD	-	-	-	-	25,000,000	25,174,337	1,140,193	431,523	1,571,716	(400,298)	19.2%	14.1%	1.91
Menlo Ventures IX	2884 Sand Hill Road Suite 100 Menlo Park CA, 94025	2001	USD	-	-	-	-	20,000,000	20,000,000	2,148,926	487,534	2,636,460	(95,564)	6.6%	0.8%	1.05
Nautic Partners V	50 Kennedy Plaza, Floor 12 Providence, RI 02903	2000	USD	-	-	-	-	15,000,000	14,426,866	871,811	9,709	881,520	1,416	27.8%	17.1%	2.11

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NGEN Partners III	733 Third Avenue, 18th Floor New York, NY 10017	2008	USD	126,241	10,658	-	-	10,000,000	10,597,954	5,976,483	1,691,458	7,667,941	(224,383)	-1.9%	-3.7%	0.80
NGP Natural Resources XI	5221 N. O'Connor Blvd., 11th Floor, Irving, Texas 75039	2014	USD	353,154	-	-	-	25,000,000	20,911,152	26,025,820	373,269	26,399,089	34,920	34.0%	25.0%	1.35
Nordic Capital V	26 Esplanade, St Helier, Jersey, JE2 3QA, Channel Islands	2003	EUR	189	-	61,279	-	14,043,460	14,304,054	387,338	619,211	1,006,549	216,065	26.5%	20.0%	2.98
Oak HC-FT Fund	3 Pickwick Plaza, Suite 302 Greenwich, CT 06830	2014	USD	221,032	-	-	-	10,000,000	8,549,709	7,957,369	4,013,454	11,970,823	2,254,834	30.1%	20.2%	1.46
Oaktree Opportunities Fund X	333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	2015	USD	237,281	-	11,763	39	7,500,000	4,500,000	5,960,409	-	5,960,409	379,675	36.0%	22.7%	1.35
OCM Opportunities Fund III	333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	1999	USD	434	-	44,345	-	10,000,000	10,000,000	-	2,647	2,647	(6)	15.0%	9.0%	1.51
OCM Opportunities Fund IV	333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	2001	USD	68	-	-	-	10,000,000	10,000,000	-	1,628	1,628	691	13.0%	9.0%	1.65
OCM Opportunities Fund V	333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	2004	USD	1,757	-	16,823	-	7,100,000	7,100,000	100,246	80,618	180,864	(160,186)	18.4%	14.1%	1.65
OCM Opportunities Fund VII	333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	2007	USD	22,794	-	4,345	-	10,000,000	10,000,000	709,286	222,323	931,609	(682,774)	10.2%	7.5%	1.39
OCM Opportunities Fund VIIb	333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	2008	USD	15,914	-	50,176	-	10,000,000	9,000,000	624,317	203,332	827,649	119,004	21.9%	16.6%	1.73

Note: Report excludes funds that are not required to comply with Section 7514.7 and have opted not to provide such information upon request.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Palladium Equity Partners III	1270 Avenue of the Americas, 31st Floor New York, NY 10020	2004	USD	-	-	-	-	10,000,000	9,895,753	1,543,175	2,746,262	4,289,437	2,067,091	18.0%	11.9%	1.84
Palladium Equity Partners IV	1270 Avenue of the Americas, 31st Floor New York, NY 10020	2012	USD	191,929	191,929	-	1,343,033	25,000,000	20,628,702	18,385,178	9,226,001	27,611,179	6,813,358	23.4%	15.3%	1.42
Permira Europe III	80 Pall Mall London SW1Y 5ES United Kingdom	2004	EUR	2,571	-	30,963	-	21,506,160	21,515,354	98,606	141,242	239,848	(28,811)	-	23.7%	1.71
Permira Europe IV	80 Pall Mall London SW1Y 5ES United Kingdom	2006	EUR	1,670	-	359,980	1,590	14,935,115	14,664,448	1,840,184	1,749,674	3,589,858	847,088	-	11.0%	1.63
Pharos Capital Partners II-A	8 Cadillac Drive, Suite 180, Brentwood, TN 37027	2004	USD	-	-	-	-	5,000,000	5,000,000	3,113,986	179,691	3,293,677	14,665	8.4%	3.0%	1.26
Rustic Canyon/Fontis Partners Fund I	201 Santa Monica Boulevard, Suite 500, Santa Monica, CA 90401	2005	USD	-	8,522	-	-	5,000,000	3,671,248	813,945	-	813,945	(737,400)	-1.0%	-4.3%	0.75
Saybrook Corporate Opportunity Fund	11400 W. Olympic Blvd Suite 1400 Los Angeles, CA 90064	2007	USD	-	28,400	-	76,304	6,192,813	6,190,231	1,447,427	1,010,019	2,457,446	402,015	16.3%	8.1%	1.32
Searchlight Capital II	745 Fifth Avenue 27th Floor, New York New York, USA	2015	USD	499,458	-	40,104	-	25,000,000	11,287,486	14,728,022	2,351,981	17,080,003	49	31.0%	-	1.51
SG Growth Partners III	402 West 13th Street, New York, NY 10014	2015	USD	200,000	-	-	-	10,000,000	9,777,331	12,205,504	623,285	12,828,789	160,182	22.8%	15.4%	1.33
Spark Capital	137 Newbury St. 8th Floor Boston, MA 02116	2005	USD	-	-	-	-	9,000,000	8,820,000	470,766	-	470,766	(337,309)	17.0%	11.0%	1.41

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Spark Capital Growth Fund	137 Newbury St. 8th Floor Boston, MA 02116	2014	USD	-	-	-	-	10,000,000	9,800,000	12,210,190	-	12,210,190	(63,064)	17.9%	13.1%	1.25
Spark Capital II	137 Newbury St. 8th Floor Boston, MA 02116	2008	USD	-	-	-	-	9,750,000	9,750,000	5,040,646	-	5,040,646	95,541	72.1%	61.7%	4.07
Spark Capital III	137 Newbury St. 8th Floor Boston, MA 02116	2011	USD	-	-	330,984	-	10,000,000	10,000,000	9,894,069	1,515,214	11,409,283	1,299,683	43.8%	34.9%	2.28
Spire Capital Partners II	1500 Broadway, Suite 1811 New York, NY 10036	2007	USD	3,001	-	27,538	-	10,000,000	9,025,654	-	109,317	109,317	137,478	21.2%	15.6%	1.96
Spire Capital Partners III	1500 Broadway, Suite 1811 New York, NY 10036	2013	USD	160,914	-	-	-	10,000,000	6,747,152	7,824,011	148,099	7,972,110	-	14.3%	8.8%	1.23
SSG Capital Partners II	15 Queen's Road Gloucester Tower, The Landmark,Room 4202-4204, 42/F, Hong Kong	2012	USD	-	247,925	-	-	15,914,286	14,884,992	7,756,164	1,889,868	9,646,032	833,714	13.5%	8.5%	1.33
St. Cloud Capital Partners II	10866 Wilshire Blvd., Suite 1450, Los Angeles, CA 90024	2007	USD	-	7,939	-	-	5,000,000	4,989,085	385,085	966,964	1,352,049	(907,497)	0.0%	0.0%	0.86
StarVest Partners II	750 Lexington Avenue, New York, NY 10022	2007	USD	35,169	-	-	-	5,000,000	4,944,279	3,039,838	-	3,039,838	(4,782)	-3.2%	-3.2%	0.82
Stepstone Pioneer Capital I	4275 Executive Square Suite 500 La Jolla, CA 92037	2004	USD	6,530	-	-	-	10,000,000	9,751,911	2,219	2,975,253	2,977,472	(3,060,934)	-	5.1%	1.34
StepStone Pioneer Capital II	4275 Executive Square Suite 500 La Jolla, CA 92037	2006	USD	26,580	-	-	-	10,000,000	9,392,470	7,705,661	1,856,583	9,562,244	546,727	-	9.8%	2.01

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Sterling Venture Partners II	650 S. Exeter Street Suite 1000 Baltimore, MD 21202	2005	USD	51,657	-	-	19,922	8,000,000	8,006,256	3,593,097	508,621	4,101,718	(615,051)	9.1%	3.7%	1.29
Sunstone Partners I	400 S. El Camino Real, Suite 300, San Mateo CA 94402	2015	USD	172,747	-	-	-	7,500,000	2,976,411	2,912,074	-	2,912,074	996	-	-	0.98
TA X	200 Clarendon Street 56th Floor Boston, MA 02116	2006	USD	-	-	-	6,857	6,000,000	6,186,689	110,923	105,000	215,923	10,528	10.3%	5.2%	1.29
TA XI	200 Clarendon Street 56th Floor Boston, MA 02116	2010	USD	-	303,775	-	1,757,177	20,000,000	19,650,000	13,805,688	10,589,461	24,395,149	8,330,857	32.3%	22.3%	2.22
TA XII	200 Clarendon Street 56th Floor Boston, MA 02116	2016	USD	-	380,206	-	17,078	25,000,000	12,812,500	13,866,287	2,687,500	16,553,787	1,878,848	51.5%	29.3%	1.34
TCW Crescent Mezzanine Partners IV	865 South Figueroa Street Los Angeles, CA 90017	2006	USD	-	3,137	-	-	10,000,000	8,712,805	25,382	190,502	215,884	(1,419,482)	-	3.1%	1.15
TCW Crescent Mezzanine Partners V	865 South Figueroa Street Los Angeles, CA 90017	2007	USD	-	15,642	-	53,839	10,000,000	9,286,605	661,510	675,881	1,337,391	78,770	-	9.9%	1.37
Thoma Bravo Fund XI	150 N. Riverside Plaza Suite 2800 Chicago, IL 60606	2014	USD	-	-	-	101,038	15,000,000	13,285,043	22,763,654	4,524,542	27,288,196	-	-	-	2.05
Thoma Bravo Fund XII	150 N. Riverside Plaza Suite 2800 Chicago, IL 60606	2016	USD	-	-	-	61,329	25,000,000	15,764,036	17,548,839	-	17,548,839	-	-	-	1.11
Thoma Bravo Special Opportunities Fund II	150 N. Riverside Plaza Suite 2800 Chicago, IL 60606	2015	USD	-	-	-	59,586	10,000,000	9,040,274	13,611,488	1,736,929	15,348,417	-	-	-	1.70

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
TPG Growth II	301 Commerce Street Suite 3300 Fort Worth, TX 76102	2011	USD	-	-	-	-	30,000,000	27,738,409	38,482,995	10,286,945	48,769,940	-	27.0%	20.0%	2.11
TPG Partners IV	301 Commerce Street Suite 3300 Fort Worth, TX 76102	2003	USD	-	-	-	-	25,000,000	27,436,973	1,255,295	932,557	2,187,852	-	-	15.0%	1.95
TPG Partners V	301 Commerce Street Suite 3300 Fort Worth, TX 76102	2006	USD	-	-	-	-	28,726,546	31,415,182	5,111,400	4,081,705	9,193,105	-	6.0%	5.0%	1.38
TPG Partners VI	301 Commerce Street Suite 3300 Fort Worth, TX 76102	2008	USD	-	-	-	-	22,500,000	24,179,896	9,708,258	3,173,367	12,881,625	-	16.0%	11.0%	1.53
TPG Star	301 Commerce Street Suite 3300 Fort Worth, TX 76102	2006	USD	-	-	-	-	20,000,000	21,228,723	8,116,334	2,193,293	10,309,627	-	-	10.0%	1.56
Trident Capital Fund-V	400 S. El Camino Real Suite 300 San Mateo, CA 94402	2000	USD	-	3,500	-	-	3,781,680	3,374,683	153,155	2,101,333	2,254,488	22,500	-	8.1%	1.67
Trident Capital Fund-VI	400 S. El Camino Real Suite 300 San Mateo, CA 94402	2004	USD	-	7,989	-	-	8,500,000	8,500,000	5,496,286	1,252,497	6,748,783	1,179,278	-	3.5%	1.92
Vestar Capital Partners IV	245 Park Ave 41st Fl New York, NY 10167	1999	USD	-	-	-	-	17,000,000	16,585,106	270,269	33,534	303,803	-	19.7%	13.5%	0.95
Vicente Capital Partners Growth Equity Fund (fka KH Growth Equity)	11726 San Vicente Blvd Suite 300 Los Angeles, CA 90049	2007	USD	-	59,987	-	-	10,000,000	9,935,781	8,759,803	23,385	8,783,188	(55,662)	14.1%	7.6%	1.78
Vista Equity Partners Fund III	4 Embarcadero Center 20th Fl San Francisco, CA 94111	2007	USD	70,507	-	-	-	25,000,000	23,062,882	6,981,697	4,153,467	11,135,164	43,048	36.3%	27.8%	1.48

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
PRIVATE EQUITY FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Vista Equity Partners Fund IV	4 Embarcadero Center 20th Fl San Francisco, CA 94111	2011	USD	357,379	-	-	-	30,000,000	24,747,118	24,628,511	5,347,521	29,976,032	4,041,537	24.9%	18.9%	2.81
Vista Equity Partners Fund V	4 Embarcadero Center 20th Fl San Francisco, CA 94111	2014	USD	638,452	-	-	-	40,000,000	31,582,115	60,347,708	-	60,347,708	4,240	31.0%	22.1%	2.15
Vista Equity Partners Fund VI	4 Embarcadero Center 20th Fl San Francisco, CA 94111	2016	USD	367,685	-	-	-	30,000,000	21,857,401	24,413,226	-	24,413,226	-	14.4%	8.6%	1.91
Vista Foundation Fund II	4 Embarcadero Center 20th Fl San Francisco, CA 94111	2013	USD	213,143	-	448,241	-	10,000,000	6,441,963	12,863,672	-	12,863,672	1,877,922	26.2%	18.1%	1.12
Vista Foundation Fund III	4 Embarcadero Center 20th Fl San Francisco, CA 94111	2016	USD	192,335	-	-	-	10,000,000	4,394,813	4,259,536	-	4,259,536	-	8.3%	-3.1%	2.00

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

MANDATORY DISCLOSURE BY FUNDS COMMITTED ON AND AFTER JANUARY 1, 2017
REAL ESTATE FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Heitman Asia-Pacific Property Investors	Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands	2017	USD	-	-	-	-	25,000,000	3,312,391	2,874,831	-	-	-	-	-	-

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CA GOVERNMENT CODE §7514.7 DISCLOSURE REPORT FOR ALTERNATIVE INVESTMENT VEHICLES
FOR FISCAL YEAR ENDING JUNE 30, 2018

VOLUNTARY DISCLOSURE BY FUNDS COMMITTED TO PRIOR TO JANUARY 1, 2017
REAL ESTATE FUNDS

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Almanac Realty Securities VI	1140 Avenue of the Americas 17th Floor New York, NY 10036	2012	USD	-	87,152	84,834	-	25,000,000	15,475,569	9,032,488	1,248,103	21,845,985	171,407	19.0%	14.2%	1.40
Asana Partners Fund I	1616 Camden, Suite 210 Charlotte, NC 28203	2016	USD	78,914	897,930	404,299	NA	20,000,000	12,210,965	13,828,163	-	13,828,163	1,886,844	28.6%	18.4%	1.10
Berkshire Core Fund	One Beacon Street Suite 2400 Boston, MA 02108	2015	USD	156,327	3,919,785	442,130	-	20,000,000	20,000,000	24,316,715	696,779	25,013,494	(22,368)	-	11.0%	1.30
Bristol Value II, L.P.	400 Montgomery St. Suite 400 San Francisco, CA 94104	2011	USD	-	195,162	-	9,984	20,000,000	19,161,959	12,597,262	2,408,412	15,005,674	1,222,062	12.3%	10.4%	1.33
Bryanston Retail Opportunity Fund	35 E. Wacker Drive, Suite 2900 Chicago, IL 60601	2004	USD	-	-	42,285	7,840	10,000,000	4,114,081	3,390,045	-	-	-	106.7%	77.4%	2.30
California Smart Growth Fund IV	10100 Santa Monica Blvd Suite 1000 Los Angeles, CA 90067	2005	USD	-	91,797	-	-	30,000,000	31,522,663	4,237,295	3,967,015	8,204,310	222,776	5.1%	2.7%	1.18
Canyon - Johnson Urban Fund II	2000 Avenue of the Stars 11th Floor Los Angeles, CA 90067	2005	USD	-	-	-	-	10,000,000	8,988,704	34,454	-	34,454	5,596	-9.1%	-10.5%	0.44
Cornerstone Enhanced Mortgage Fund I	One Financial Plaza Suite 1700 Hartford, CT 06103-2604	2011	USD	42,460	1,298,687	-	534,994	25,000,000	13,436,223	1,194,651	4,282,746	17,304,984	197,292	10.7%	9.1%	1.29
CIM Urban REIT	4700 Wilshire Boulevard Los Angeles, CA 90010	2006	USD	-	1,044,112	-	-	40,000,000	40,000,000	22,845,515	7,506,325	30,351,840	2,151,705	7.6%	6.3%	1.65
Cityview LA Urban Fund I	1901 Avenue of the Stars Ste. 1950 Los Angeles, CA 90067	2007	USD	22,980	-	-	-	25,000,000	22,728,500	2,271,500	2,239,788	(188,507)	2,239,788	18.4%	13.4%	1.78
Colony Investors VIII	515 South Flower Street 44th Floor Los Angeles, CA 90071	2006	USD	-	11,622	-	-	30,000,000	28,976,833	656,577	1,763,348	13,035,129	156,258	-	-11.6%	0.55

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CPI Capital Partners Europe	9 West 57th Street New York, NY 10019	2006	EUR	-	9,555	-	-	20,000,000	15,540,000	505,705	(557,040)	592,131	(259,943)	4.5%	7.4%	0.60
DRA Growth and Income Fund VI	220 East 42nd Street, 27th Floor New York, NY 10017	2007	USD	-	28,931	122,443	-	25,000,000	16,788,945	1,798,993	26,505,778	28,304,771	1,624,188	14.0%	11.0%	1.70
DRA Growth and Income Fund VII	220 East 42nd Street, 27th Floor New York, NY 10017	2011	USD	-	337,149	-	-	25,000,000	26,640,000	20,598,579	10,524,869	31,123,448	(237,880)	24.0%	21.0%	2.10
DRA Growth and Income Fund VIII	220 East 42nd Street, 27th Floor New York, NY 10017	2014	USD	-	452,645	-	-	25,000,000	28,187,182	22,051,028	4,345,552	26,396,580	(41,814)	15.4%	12.0%	1.30
Genesis Workforce Housing Fund II	645 Madison Avenue New York, NY 10022	2007	USD	(56)	(475)	-	-	20,000,000	20,000,000	(44,621)	-	64,938	-	11.3%	8.7%	1.45
Hancock Timberland XI	197 Clarendon St., C-08-99, Boston, MA 02116-5010	2012	USD	-	92,646	-	1,907,128	20,000,000	18,601,851	1,398,149	242,895	20,575,399	(324)	3.7%	4.1%	1.20
IC Hospitality Fund	11150 Santa Monica Blvd Suite 1680 Los Angeles, CA 90025	2009	USD	78,060	808,773	-	-	6,805,437	6,006,797	4,355,253	-	4,355,253	-	4.6%	4.6%	1.20
Invesco Core Real Estate - U.S.A.	2001 Ross Ave, Suite 3400 Dallas, TX 75201	2004	USD	560,435	-	-	-	63,867,553	105,364,287	170,440,832	-	9,507,962,350	159,833	-	7.8%	2.00
Jamestown Premier Property Fund	675 Ponce de Leon Ave NE 7th Floor Atlanta, GA 30308	2011	USD	283,806	1,817,556	3,029,778	380,385	50,000,000	50,000,000	41,424,733	13,558,653	54,983,386	(2,116,883)	-	10.5%	1.23
JPMCB Alternate Property Fund	270 Park Avenue New York, NY 10017	2006	USD	-	-	-	-	25,000,000	25,000,000	-	-	-	53,363	2.6%	2.0%	-
JPMCB Strategic Property Fund	270 Park Avenue New York, NY 10017	2005	USD	619,617	8,124	-	3,990,000	30,000,000	30,000,000	-	-	-	106,193	8.0%	6.9%	2.30
Lion Industrial Trust	1717 McKinney Avenue Suite 1900 Dallas, TX 75202	2002	USD	780,117	8,954,768	-	174,394,310	50,000,000	50,000,000	65,927,697	(2,636,646)	(2,636,646)	(208,206)	16.0%	14.8%	1.32

Note: Report excludes funds that are not required to comply with Section 7514.7 and have opted not to provide such information upon request.

Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Lone Star Fund VII (U.S.)	888 7th Avenue 11th Floor New York, New York 10019	2010	USD	-	-	96,790	3,737	15,000,000	14,075,467	173,412	440,488	613,900	(354,391)	71.2%	49.3%	2.02
Lone Star Real Estate Fund II (U.S.)	888 7th Avenue 11th Floor New York, New York 10019	2010	USD	2,973	763,977	31,471	875	15,000,000	13,291,475	917,262	1,364,233	2,281,495	(99,987)	38.2%	26.0%	1.78
Mesa West Real Estate Income Fund III	11755 Wilshire Blvd Suite 2100 Los Angeles, CA 90025	2013	USD	136,624	NA	109,338	4,234,525	25,000,000	18,924,846	8,919,638	7,257,367	16,177,005	1,258,905	13.3%	9.5%	1.29
Paladin Realty Latin America Investors III	10880 Wilshire Boulevard Suite 950 Los Angeles, CA 90024	2008	USD	341,350	6,644,922	-	-	20,000,000	20,000,000	3,314,707	-	3,314,707	-	-	-	0.30
Prime Property Fund	1585 Broadway Avenue New York, NY 10036	2015	USD	(416,372)	-	-	-	50,000,000	-	56,136,126	1,629,732	-	(6,831,668)	-	8.8%	1.20
Principal U.S. Property Account	801 Grand Ave Des Moines, IA 50392	2015	USD	-	562,870	-	-	50,000,000	50,000,000	61,664,863	-	61,664,863	5,278,572	-	8.8%	1.23
Residential Income and Value Added Fund	4 International Drive, Suite 230 Rye Brook, NY 10573	2004	USD	-	610,116	-	3,935,979	25,000,000	26,064,010	916,875	25,409,679	26,326,554	(176,553)	-	20.0%	1.01
Southern California Smart Growth Fund I	10100 Santa Monica Blvd Suite 1000 Los Angeles, CA 90067	2004	USD	-	6,407	-	-	10,000,000	18,836,731	1,012,470	-	1,012,470	10,704	3.7%	0.5%	1.02
Standard Life Investments European Real Estate Club II	Bow Bells House 1 Bread Street London EC4M 9HH	2015	EUR	235,887	39,124	-	122,898	26,800,000	25,689,189	1,110,811	12,457,079	-	357,664	12.8%	11.9%	1.26
Stockbridge Real Estate Fund II	Four Embarcadero Center Suite 33 San Francisco, CA 94111	2005	USD	-	1,953,849	-	-	30,000,000	30,000,000	10,405,324	-	210,028,893	(1,659,791)	-6.9%	-7.6%	0.51
The Buchanan Fund V	3501 Jamboree Road Suite 4200 Newport Beach, CA 92660	2006	USD	-	46,043	-	-	30,000,000	27,000,000	2,743,550	873,717	3,617,267	52,517	0.9%	-0.7%	0.96
The Realty Associates Fund IX	28 State Street Boston MA 02109	2008	USD	4,283	426,182	519,940		15,000,000	15,000,000	92,165	2,485,171	2,577,336	(238,856)	13.3%	10.4%	1.60
Torchlight Debt Opportunity Fund II	280 Park Avenue New York, NY 10017	2006	USD	-	(33,066)	-	-	25,000,000	25,000,000	1,810,127	6,406,737	8,216,864	1,500,684	-0.7%	-1.9%	0.87

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Fund	Address	Vintage Year	Local Currency	Fees and expenses paid directly by LACERS Fiscal Year End	Fees and expenses paid from the Fund Fiscal Year End	Carried interest paid Fiscal Year End	Fees and expenses paid by all portfolio companies Fiscal Year End	$ Commitment	$ Contributions Since Inception	$ Remaining Value of LACERS Investment	$ Distributions Fiscal Year End	$ Distributions + Remaining Value of Partnership Fiscal Year End	$ Profit (Realized Gain/Loss) Fiscal Year End	Gross Internal Rate of Return Since Inception	Net Internal Rate of Return Since Inception	Investment Multiple Since Inception
Torchlight Debt Opportunity Fund III	280 Park Avenue New York, NY 10017	2008	USD	-	(35,556)	(780,170)	-	25,000,000	25,000,000	154,225	3,120,682	3,274,907	1,107,632	18.2%	13.5%	1.53
Torchlight Debt Opportunity Fund IV	280 Park Avenue New York, NY 10017	2012	USD	-	(308,484)	-	-	25,000,000	25,000,000	15,684,655	10,261,931	25,946,586	732,625	14.0%	10.6%	1.42

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