



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Board of Administration Agenda

REGULAR MEETING

TUESDAY, FEBRUARY 8, 2022

TIME: 10:00 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's February 8, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to listen and or participate:

Dial: (669) 254-5252 or (669) 216-1590

Meeting ID# 161 532 7894

Instructions for call-in participants:

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press *9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

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

President: Cynthia M. Ruiz
Vice President: Sung Won Sohn

Commissioners: Annie Chao
Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Michael R. Wilkinson

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghokassian

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

Notice to Paid Representatives

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

Request for Services

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

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

Disclaimer to Participants

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD*
- II. [APPROVAL OF MINUTES FOR THE MEETING OF JANUARY 11, 2022 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
 - A. [ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD](#)
 - B. [BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER](#)
 - C. [COMMISSIONER SUNG WON SOHN EDUCATION EVALUATION ON HARVARD EXECUTIVE EDUCATION: LEADERSHIP DECISION MAKING: OPTIMIZING PERFORMANCE, VIRTUAL; JANUARY 10-21, 2022](#)
 - D. [COMMISSIONER ANNIE CHAO EDUCATION EVALUATION ON PACIFIC CENTER FOR ASSET MANAGEMENT \(PCAM\) MEETING; VIRTUAL; JANUARY 20, 2022](#)
 - E. [COMMISSIONER CYNTHIA M. RUIZ EDUCATION EVALUATION ON PACIFIC CENTER FOR ASSET MANAGEMENT \(PCAM\) MEETING; VIRTUAL; JANUARY 20, 2022](#)
- VI. BOARD/DEPARTMENT ADMINISTRATION
 - A. [FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON, AND POSSIBLE BOARD ACTION](#)
- VII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. [PRESENTATION ON ACTIVE VERSUS PASSIVE INVESTMENT MANAGEMENT](#)
- VIII. LEGAL/LITIGATION

- A. [APPROVAL OF CONTRACTS WITH BEST BEST & KRIEGER LLP, ICE MILLER LLP, AND WELLINGTON GREGORY LLP FOR OUTSIDE TAX COUNSEL SERVICES; AND POSSIBLE BOARD ACTION](#)
- B. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (A) AND (D)(4) TO CONFER WITH AND RECEIVE ADVICE FROM LEGAL COUNSEL REGARDING THE INITIATION OF LITIGATION (ONE CASE) AND POSSIBLE BOARD ACTION**
- C. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A) AND (D)(1) TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGARDING PENDING LITIGATION (TWO CASES): IN RE ASHINC CORP, ET AL. V. YUCAIPA AMERICAN ALLIANCE FUND I, LLC, ET AL. (D. DEL. CASE NO. 12-11564) AND YOUNGMAN V. YUCAIPA AMERICAN ALLIANCE FUND I, LLC, ET AL. (LASC CASE NO. 21STCV37137) AND POSSIBLE BOARD ACTION**

IX. **DISABILITY RETIREMENT APPLICATION(S)**

- A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF JOHN MADRID AND POSSIBLE BOARD ACTION**

X. **OTHER BUSINESS**

- XI. **NEXT MEETING:** The next Regular meeting of the Board is scheduled for Tuesday, February 22, 2022 at 10:00 a.m. at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XII. **ADJOURNMENT**

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

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's January 11, 2022 meeting will be conducted via telephone and/or videoconferencing.

January 11, 2022

10:00 a.m.

PRESENT via Videoconferencing:	President:	Cynthia M. Ruiz
	Commissioners:	Annie Chao Elizabeth Lee Sandra Lee Nilza R. Serrano Michael R. Wilkinson
	Manager-Secretary:	Neil M. Guglielmo
	Legal Counselor:	Anya Freedman
	Executive Assistant:	Ani Ghoukassian
ABSENT:	Vice President:	Sung Won Sohn

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

II

APPROVAL OF MINUTES FOR THE SPECIAL MEETING OF DECEMBER 8, 2021 AND REGULAR MEETING OF DECEMBER 14, 2021 AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.

Item I was taken out of order.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL*

BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT – PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD – President Ruiz asked if any persons wanted to make a general public comment to which there were no responses. President Ruiz shared that the Commissioners did receive a written public comment that was also shared with LACERS staff.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz wished everyone a Happy New Year.

IV

GENERAL MANAGER VERBAL REPORT

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

- Plan Actuary RFP
- COVID impacts to LACERS
- 977 Broadway building update
- Separation Incentive Program
- Annual Excess Benefit Members
- Service Purchase Case Backlog
- Anthem Transition
- 2022 Wellness Program Planning
- January 2022 Wellness Newsletter
- Retirement Application Portal Member Survey
- Seminars for Active Members
- Wellness Events

B. UPCOMING AGENDA ITEMS – No items were discussed.

C. RECOGNITION OF SERVICE FOR BRUCE BERNAL – Neil M. Guglielmo, General Manager, Dale Wong-Nguyen, Assistant General Manager, Karen Freire, Chief Benefits Analyst, and the Commissioners recognized Bruce Bernal for his service to LACERS and City of Los Angeles.

V

RECEIVE AND FILE ITEMS

A. ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD – This report was received by the Board and filed.

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

C. MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR NOVEMBER 2021 – This report was received by the Board and filed.

VI

COMMITTEE REPORT(S)

- A. INVESTMENT COMMITTEE MEETING VERBAL REPORT FOR THE MEETING ON DECEMBER 14, 2021 – Commissioner Serrano stated the Committee heard a presentation by Northern Trust.

VII

BOARD/DEPARTMENT ADMINISTRATION

- A. FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON, AND POSSIBLE BOARD ACTION – Commissioner Elizabeth Lee moved approval of the following Resolution:

**CONTINUE HOLDING LACERS BOARD AND COMMITTEE MEETINGS
VIA TELECONFERENCE AND/OR VIDEOCONFERENCE**

RESOLUTION 220111-A

WHEREAS, LACERS is committed to preserving public access and participation in meetings of the Board of Administration; and

WHEREAS, all LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business; and

WHEREAS, the Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions; and

WHEREAS, the COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active; and

WHEREAS, on October 12, 2021, the Board met via teleconference and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, the Board has reconsidered the circumstances of the State of Emergency; and

WHEREAS, COVID-19 remains a public health concern in Los Angeles, with high levels of community transmission;

NOW THEREFORE, BE IT RESOLVED that pursuant to Government Code Section 54953(e)(1)(B)-(C), the Board finds that holding Board and Committee meetings in person would present imminent risks to the health or safety of attendees.

BE IT FURTHER RESOLVED that pursuant to Government Code Section 54953(e)(3)(A) and (B)(i), the Board finds that the COVID-19 State of Emergency continues to directly impact the ability of Board and Committee members to meet safely in person.

Which motion was seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, 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 of \$23.73 billion as of January 10, 2022. Mr. June discussed the following items:
- PRI Board of Directors Election results
 - Emerging Manager Symposium will be held in April
 - Real Estate Consultant RFP semi-finalists to be announced at January 11, 2022, Investment Committee Meeting
 - New asset allocation and performance dashboard templates are on LACERS.org
 - National Association of Securities Professionals will hold their annual Day of Education in Private Equity on Thursday, March 24, 2022
 - Future Agenda Items: Consent of DDJ to be acquired by Polen Capital, General Fund Consultant Contract, and RFP for Transition Management Services
- B. LACERS AND LAFPP JOINT LETTER RESPONSE TO CITY COUNCIL REGARDING CF 21-1116 FACEBOOK AND CF 21-1460 UNILEVER EXPOSURES – Neil M. Guglielmo, General Manager, Rod June, Chief Investment Officer, and Bryan Fujita, Investment Officer III, discussed this item with the Board for 15 minutes. The Board expressed support for the General Manager to finalize the letter and submit it to council.
- C. CONTINUED DISCUSSION OF THE RESPONSIBLE INVESTMENT POLICY AND POSSIBLE BOARD ACTION – Rod June, Chief Investment Officer, and Ellen Chen, Investment Officer I, discussed this item with the Board. Commissioner Elizabeth Lee moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, and President Ruiz -6; Nays, None.
- D. UPDATE ON TRANSITION FROM LIBOR TO SECURED OVERNIGHT FINANCING RATE – Bryan Fujita, Investment Officer III, discussed this item with the Board and the report was received by the Board and filed.

IX

LEGAL/LITIGATION

- A. BOARD EDUCATION: FIDUCIARY LEADERSHIP IN INVESTMENT CONTRACTING (PART 2)
– Anya Freedman, Assistant City Attorney, presented this education to the Board for one hour.

President Ruiz recessed the Regular Meeting at 12:25 p.m. to convene in Closed Session.

- B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A) AND (D)(1) TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGARDING PENDING LITIGATION (TWO CASES): IN RE ASHINC CORP, ET AL. V. YUCAIPA AMERICAN ALLIANCE FUND I, LLC, ET AL. (D. DEL. CASE NO. 12-11564) AND YOUNGMAN V. YUCAIPA AMERICAN ALLIANCE FUND I, LLC, ET AL. (LASC CASE NO. 21STCV37137), AND POSSIBLE BOARD ACTION**

President Ruiz reconvened the Regular Meeting at 12:34 p.m.

X

OTHER BUSINESS – There was no other business.

XI

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, January 25, 2022, at 10:00 a.m. at LACERS, 202 W. 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XII

ADJOURNMENT – There being no further business before the Board, President Ruiz adjourned the Meeting at 12:35 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

**LACERS’ ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD**

RESTRICTED SOURCES

The Board’s Ethical Contract Compliance 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.

Name	Description	Inception	Expiration	Division
Agility Recovery	Business Continuity Services	September 20, 2021	September 19, 2022	Administration
K&L Gates LLP	Outside Investment & Real Estate Counsel	N/A	N/A	City Attorneys
Bernstein Litowitz Berger & Grossmann LLP	Securities Monitoring	November 13, 2018	February 28, 2022	City Attorneys
Bleichmar Fonti & Auld LLP	Securities Monitoring	March 1, 2018	February 28, 2022	City Attorneys
Anthem	Medical HMO & PPO	January 1, 2022	December 31, 2022	Health Benefits Administration
Kaiser	Medical HMO	January 1, 2022	December 31, 2022	Health Benefits Administration
SCAN	Medical HMO	January 1, 2022	December 31, 2022	Health Benefits Administration
United Healthcare	Medical HMO	January 1, 2022	December 31, 2022	Health Benefits Administration
Delta Dental	Dental PPO and HMO	January 1, 2022	December 31, 2022	Health Benefits Administration
Anthem Blue View Vision	Vision Services Contract	January 1, 2022	December 31, 2022	Health Benefits Administration
Mom’s Computer, Inc	Technology, Virtual Meeting, and Video Support Services	January 1, 2022	December 31, 2022	Health Benefits Administration
Personal Wellness Corporation	Fitness Class Webinar Coaching & Training Services	January 1, 2022	December 31, 2022	Health Benefits Administration

Also viewable online [here](#).

**LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD**

CEM Benchmarking, Inc.	Investment Benchmarking Services	January 1, 2022	December 31, 2022	Investments
Box, Inc.	Retirement Application Portal Custom Consulting Services	December 1, 2021	November 30, 2022	Systems

Also viewable online [here](#).

**LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD**

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Real Estate Consultant	Aksia LLC, ORG Portfolio Management LLC, RCLCO Fund Advisors, RVK, Inc., StepStone Group LP, The Townsend Group	September 8, 2021	November 8, 2021	Investments
Passive U.S., Non-U.S., and Global Index Strategies Search	Blackrock, Inc., Mellon Investments Corporation, Northern Trust Securities, Inc., RhumbLine Advisers, State Street Global Advisors, Xponance, Inc.	September 9, 2021	November 9, 2021	Investments
Actuarial Consulting Services		January 28, 2022	March 9, 2022	Administration

Also viewable online [here](#).

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

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

SERVICE RETIREMENTS

<u>Member Name</u>	<u>Service</u>	<u>Department</u>	<u>Classification</u>
Lorenzana, Leticia Elliot	43	Harbor Dept.	Personnel Dir
Cardamone, Janie Marie	41	Harbor Dept.	Sr Mgmt Analyst
Albers, Frank Henry	41	Harbor Dept.	Sr Mgmt Analyst
Henkhaus, Teresa	40	Harbor Dept.	Pr Constr Inspector
Koeller, Vincent L	37	LACERS	Benefits Specialist
Walsh, David M	37	Harbor Dept.	Ch Harbor Engineer
Morimoto, Masashi	37	Harbor Dept.	Dir Of Port Mrktng
Ishimaru, Cindy K	37	Harbor Dept.	Exec Admin Asst
Dominguez, Alfonso S	36	Harbor Dept.	Sr Constr Inspector
Rumpf, Marshall Alan	36	Dept. of Bldg. & Safety	Sr Build Mech Inspectr
Bautista, Kathleen M	36	Harbor Dept.	Sr Administrative Clerk
Huerta, Julie Wichmann	35	Harbor Dept.	Sr Mgmt Analyst
Velasquez, Joe	35	Dept. of Bldg. & Safety	Sr Build Inspector
Yogi, Phyllis Junko	34	Harbor Dept.	Sr Personnel Analyst
Story, Michael D	33	Police Dept. - Civilian	Security Officer
Mc Clung, Darren Charles	33	Harbor Dept.	Survey Party Chief
Gallegos, Leonard	33	Harbor Dept.	Constr Inspector
Yoshioka, Steve K	33	Harbor Dept.	Sr Constr Inspector
Richard, Tracy R	33	Police Dept. - Civilian	Management Analyst
Gomez, Rafael	33	Dept. of Airports	Garage Attendant
Grossi, Chris	32	Harbor Dept.	Sr Civil Engineer
Hollis, Robert L	32	Dept. of Airports	Security Officer
Rabrenovich, Alexander	32	LACERS	Ch Benefits Analyst
Evans, Andre Dion	31	Dept. of Transportation	Traf Officer
Martinez, Alfonso	31	Police Dept. - Civilian	Municipal Police Officer
Dawson, Michael Patrick	31	Harbor Dept.	Sr Electrcl Inspector
Globus, Regner	31	Harbor Dept.	Property Manager
Bondoc, Catherine C	30	EWDD	Dept Chief Acct
Harvey, Douglas E	30	PW - St. Maint.	St Svcs Supvr
Karimi, Zeinab	30	Harbor Dept.	Data Base Architect
Wong, Hak Ning	30	Harbor Dept.	Port Electrical Mechanic
Shu, Xiao Qiu	30	Library Dept.	Librarian
Lopez, Gabriel	30	PW - Special Proj Constr	Plumber
Frey, Thomas M	29	Dept. of Rec. & Parks	Sr Park Maint Supvr
Sharp, Michael Robert	28	Harbor Dept.	Port Electrical Mechanic
Wei, Kelvin K	27	Harbor Dept.	Programmer/Analyst

Comisari, Albert E	26	Dept. of Bldg. & Safety	Build Inspector
Wong, Chun Kwok	24	Dept. of Transportation	Trans Engineer
Livera, Shawnie L	23	Police Dept. - Civilian	Police Service Rep
Fowler, Frankie Bernice	23	Police Dept. - Civilian	Sr Administrative Clerk
Jones, Renell Marie	22	PW - Sanitation	Administrative Clerk
Fuentes, Beatrice	22	Dept. of Bldg. & Safety	Administrative Clerk
Rauhut, Richard Roy	21	Harbor Dept.	Port Pilot
Shelly, Robert Thomas	20	Dept. of Bldg. & Safety	Sr Build Mech Inspectr
Blue, Yolanda T	20	Dept. of Airports	Maintenance Laborer
Nguyen, Thomas Michael	20	Harbor Dept.	Systems Programmer
Rafols, Oliva	20	EWDD	Pr Accountant
Aguilera, Daniel Phillip	19	City Attorney's Office	Deputy City Atty
Navarro, Miguel	19	PW - Clean Water	W/Wtr Coll Worker
Cappa, Mary Ann	19	Library Dept.	Librarian
Lam, Kenneth C	19	ITA	Commun Engrg Assoc
Shelton, Earl D	18	Dept. of Airports	Security Officer
Tsovanyan, Gagik	18	ITA	Commun Electrician
Felix, Rosario	17	PW - Sanitation	Administrative Clerk

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

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

Retired

Adams, Jamesetta

Lorenzo R Adams for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Baker, Ashton E

Kea Ingram for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Blount, Paul C

Margaret R Porter for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Bluhm, Robert A

Kenneth Scott Ribail for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Burkley, Larry D

Brenda Joyce Burkley for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Carter, Mary Ester Zachary V Carter for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance
Unused Contributions

Castaneda, Sylvia Williams Dennis Martin Lauengco for the payment of the
Burial Allowance

Corrales, Rosa Maria Hector Arrieta for the payment of the
Accrued But Unpaid Service Retirement Allowance

Crawford, Lee J Anthony Troy Crawford for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Diane Colette Bell for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Sherry D Crawford for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Patricia A Crawford-Moore for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

De Angelis, S Helgard De Angelis for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

De La Cruz, Juanita Helen C Francisco for the payment of the
Accrued But Unpaid Continuance Allowance

Dejam, Dariush	Ladan Dejam for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Shayon Dejam for the payment of the Burial Allowance
Duran, Ray A	Julie J Duran for the payment of the Accrued But Unpaid Service Retirement Allowance Ruben A Duran for the payment of the Burial Allowance
Edwards, Lynn B	Monique J Edwards for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Edwards, Robert	Loren Sabastian Hale for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Enriquez, Francisco H	Francisco Enriquez Santa Cruz for the payment of the Burial Allowance Gilberto Enriquez for the payment of the Burial Allowance
Foster, Jacqueline H	Monica L Foster for the payment of the Accrued But Unpaid Continuance Allowance

Gysin, Louis Clifford	Susan Elizabeth McClain Gysin for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hawley, James P	Sarah Ellen Hawley for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Jarasa, Pedro P	Benjamin Jarasa for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Joel, Jeffrey Eric	Judith Ann Joel for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Jones, Evelyn M	Billy R Jones for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Kolacinski, Brian L	Suzanne Kolacinski for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Kramer, Robert W	Barbara B Kramer for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Lawrence, Virgil R	Angela Crow for the payment of the Accrued But Unpaid Service Retirement Allowance
	Lori Nelson for the payment of the Accrued But Unpaid Service Retirement Allowance
Lee, Elza A	Eddie R Lee for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Little, Rebecca	Resha Burton for the payment of the Accrued But Unpaid Survivorship Retirement Allowance
Mackey, Albert L	Donna J Mackey for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Manalang, Eva Rafols	Norberto Lintag Manalang for the payment of the Accrued But Unpaid Service Retirement Allowance
Martinez, John	Richard Martinez for the payment of the Burial Allowance
Maruoka, Alice K	Richard Ken Maruoka for the payment of the Accrued But Unpaid Continuance Allowance
Masing, Mary Ann	Sergio Galvan for the payment of the Burial Allowance

Mcdermott, Robert J Gloria Maria Mcdermott for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Mcmullen, Cynthia R Ricky Bentley for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Montiel, Tommy H Nieves Montiel for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Morrisette, Loell J Luz Morrisette for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

O Brien, Roberta A Tamara A Fischer for the payment of the
Accrued But Unpaid Continuance Allowance

Padiangan, Raymond
Inchanum Jennifer Padiangan for the payment of the
Accrued But Unpaid Continuance Allowance

Parayno, Emilda A Jordan P Nogot for the payment of the
Burial Allowance

Rios, Rodolfo	<p>Amelia Renee Rios Daggett for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance</p> <p>Rodolfo Rios for the payment of the Accrued But Unpaid Service Retirement Allowance</p>
Schiavoni, Richard S	<p>Juanita M Schiavoni for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance</p>
Seig, Rodna E	<p>Carolyn Watson for the payment of the Accrued But Unpaid Continuance Allowance</p>
Shea, John D	<p>Michael Shea for the payment of the Accrued But Unpaid Continuance Allowance</p> <p>Tiffany Shea for the payment of the Accrued But Unpaid Continuance Allowance</p>
Steinberg, Harriet	<p>Stephanie Scheckner for the payment of the Accrued But Unpaid Continuance Allowance</p>
Strang, Gerald E	<p>Walda Strang for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance</p>
Tanaka, Sumiko	<p>Naomi Ikeda-Hackett for the payment of the Accrued But Unpaid Continuance Allowance</p>

Theus, Gipson L	Beverly D Hunt for the payment of the Burial Allowance
Trani, Bernadette	Rose Marie Castagnola for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Urban, Jean W	Michael A Urban for the payment of the Accrued But Unpaid Continuance Allowance
Vazquez, Mary Helen	Nicole Vazquez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Vega, Albert G	Helen B Vega for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Walton, Marion L	Donita L Walton for the payment of the Accrued But Unpaid Continuance Allowance Rodrick Walton for the payment of the Accrued But Unpaid Continuance Allowance
Widdis, Kenneth R	Barbara J Widdis for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Williams, Erwin C David K Williams for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Douglas C Williams for the payment of the
Accrued But Unpaid Service Retirement Allowance
Burial Allowance

Williams, Melva F Leah Nicole Williams for the payment of the
Accrued But Unpaid Continuance Allowance

Willingham, Clinton L Michael Brent Lavett for the payment of the
Accrued But Unpaid Service Retirement Allowance

Won, Lucille K Lisa Faye Polzien for the payment of the
Accrued But Unpaid Continuance Allowance

TIER 3
NONE

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

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

<u>Deceased</u> <u>TIER 1</u> <u>Active</u>	<u>Beneficiary/Payee</u>
Arevalo, Adolfo H (Deceased Active)	Rosa Linda Gonzalez for the payment of the Limited Pension
Hernandez, Amaury (Deceased Active)	Edith Amaya for the payment of the Accumulated Contributions
Gonzales, David Darryl (Deceased Active)	Estate Of David Darryl Gonzales for the payment of the Accumulated Contributions
Liwanag, Armando Magdangal (Deceased Active)	Marlene C Liwanag for the payment of the DRO Lump Sum
Marquez, Vivian Guingania (Deceased Active)	Joseph F Fortaleza for the payment of the Service Retirement Survivorship Allowance
Massey, Darren P (Deceased Active)	John Massey for the payment of the Accumulated Contributions Lois Deann Massey for the payment of the Accumulated Contributions

Nguyen, Phuong Hien
(Deceased Active)

Kathy Kim Phuong Nguyen for the payment of the
Service Retirement Survivorship Allowance

TIER 1 Enhanced

Active

Marksbury, Andrew D
(Deceased Active)

Monica Marksbury for the payment of the
Tier 1 Enhanced Service Retirement Survivorship Allowance

TIER 3

Active

Lewis, Mary Claire
(Deceased Active)

Latasha Charmaine Brewster for the payment of the
Accumulated Contributions

Simone Shantel Brewster for the payment of the
Accumulated Contributions

Tyneisha R Brewster for the payment of the
Accumulated Contributions

Torres, Arturo
(Deceased Active)

Angel Torres for the payment of the
Accumulated Contributions

David Torres for the payment of the
Accumulated Contributions

Disclaimer: The names of members who are deceased may appear more than once due to multiple beneficiaries being paid at different times.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
TRAVEL/CONFERENCE EVALUATION REPORT**

Name of Attendee: Sung Won Sohn	
Title of Conference/Seminar: Harvard Kennedy School Leadership Program	
Location: via Zoom	No. of Education Hours: 50 hours
Event Sponsor: Harvard Kennedy School	Date(s) Held: Jan 10-Jan 21

Report for:

- Travel
 Conference/Seminar Attendance Only

I. Nature/Purpose of Travel (if applicable):
via Zoom

II. Significant Information Gained:

How to make good decisions using decision science and behavioral economics

III. Benefits to LACERS:

How to make good decisions using decision science and behavioral economics.
There are many applications to the investment decision process.

IV. Additional Comments:

This is one of the best programs I have ever attended and learned a great deal.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
TRAVEL/CONFERENCE EVALUATION REPORT**

Name of Attendee: Annie Chao	
Title of Conference/Seminar: Pacific Center for Asset Management Annual Meeting	
Location: Virtual	No. of Education Hours: 8
Event Sponsor: Pacific Center for Asset Management	Date(s) Held: 1/20/22

Report for:

- Travel
- Conference/Seminar Attendance Only

I. Nature/Purpose of Travel (if applicable):
Virtual Conference

II. Significant Information Gained:
Presentation and discussions on various research topics in asset management.

III. Benefits to LACERS:
Since the research is funded and approved by PCAM, the thoughts have practical application for how public pension plans investments.

IV. Additional Comments:

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS)
TRAVEL/CONFERENCE EVALUATION REPORT**

Name of Attendee: Cynthia Ruiz	
Title of Conference/Seminar: PCAM	
Location: Zoom	No. of Education Hours: 3
Event Sponsor:	Date(s) Held: 1/20/22

Report for:

- Travel
 Conference/Seminar Attendance Only

I. Nature/Purpose of Travel (if applicable):

N/A

II. Significant Information Gained:

PCAM does research & Data collection

III. Benefits to LACERS:

Helps us make decisions & set policy based on data

IV. Additional Comments:

Great information



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

Neil M. Guglielmo

MEETING: FEBRUARY 8, 2022

ITEM: VI-A

SUBJECT: FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board approve continuing to hold LACERS Board and Committee meetings via teleconference and/or videoconference, under Government Code Sections 54953(e)(1)(B)-(C) and 54953(e)(3)(A) and (B)(i).

Discussion

LACERS is committed to preserving public access and participation in meetings of the Board of Administration. All LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business. The Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions. The COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active: COVID-19 remains a public health concern in Los Angeles, with high levels of community transmission.

The Board met via teleconference on October 12, 2021, and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees.

Strategic Plan Impact Statement

The Board's action on this item aligns with the LACERS Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Ani Ghoukassian, Commission Executive Assistant II

Attachment: Proposed Resolution

CONTINUE HOLDING LACERS BOARD AND COMMITTEE MEETINGS
VIA TELECONFERENCE AND/OR VIDEOCONFERENCE

PROPOSED RESOLUTION

WHEREAS, LACERS is committed to preserving public access and participation in meetings of the Board of Administration; and

WHEREAS, all LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business; and

WHEREAS, the Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions; and

WHEREAS, the COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active; and

WHEREAS, on October 12, 2021, the Board met via teleconference and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, the Board has reconsidered the circumstances of the State of Emergency; and

WHEREAS, COVID-19 remains a public health concern in Los Angeles, with high levels of community transmission;

NOW THEREFORE, BE IT RESOLVED that pursuant to Government Code Section 54953(e)(1)(B)-(C), the Board finds that holding Board and Committee meetings in person would present imminent risks to the health or safety of attendees.

BE IT FURTHER RESOLVED that pursuant to Government Code Section 54953(e)(3)(A) and (B)(i), the Board finds that the COVID-19 State of Emergency continues to directly impact the ability of Board and Committee members to meet safely in person.

Active Versus Passive Investment Management

PRESENTERS:

JAMES WANG – INVESTMENT OFFICER I
JEREMIAH PARAS – INVESTMENT OFFICER I



LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM



Agenda

- Active Versus Passive Refresher and Framework
- Current Trends
- What's the Right Mix for LACERS?
- Asset Class Characteristics
- LACERS Study
- Public Pension Plan Comparison
- Summary
- Appendix



Active Versus Passive Refresher



What is Active Management?

Focuses on asset selection by investment managers

Seeks to outperform the index

May include assets not in the index

Takes active risk versus the index

Higher fees versus passive strategies



What is Passive Management?

Tracking strategy designed to replicate an index

Seeks to match performance of the index

Only includes assets in the index

Takes no active risks versus the index

Lower fees versus active strategies



Active Versus Passive Framework

When is active management more likely to add more value?

- Larger, more heterogenous opportunity sets
- Less researched securities
- Less liquid securities
- Indexing and derivatives not available or are expensive
- Examples:
 - U.S. Small Cap Equity
 - Core Fixed Income
 - Emerging Market Debt
 - Private Markets

When is passive management more likely to add more value?

- Smaller, more homogeneous opportunity sets
- Better researched securities
- More liquid securities
- Indexing and derivatives cheaply available
- Examples:
 - U.S. Large Cap Equity



Current Trends

- The long term trend of shifting to passive funds continues.
- In December 2021, Bloomberg reported actively managed U.S. mutual funds and ETFs totaled 55.1% of the \$26.9 trillion in total reported AUM. Passive funds held 44.9% of total AUM.
- A year earlier, the totals were 57.3% active and 42.7% passive.





What's the Right Mix of Active and Passive Management for LACERS?

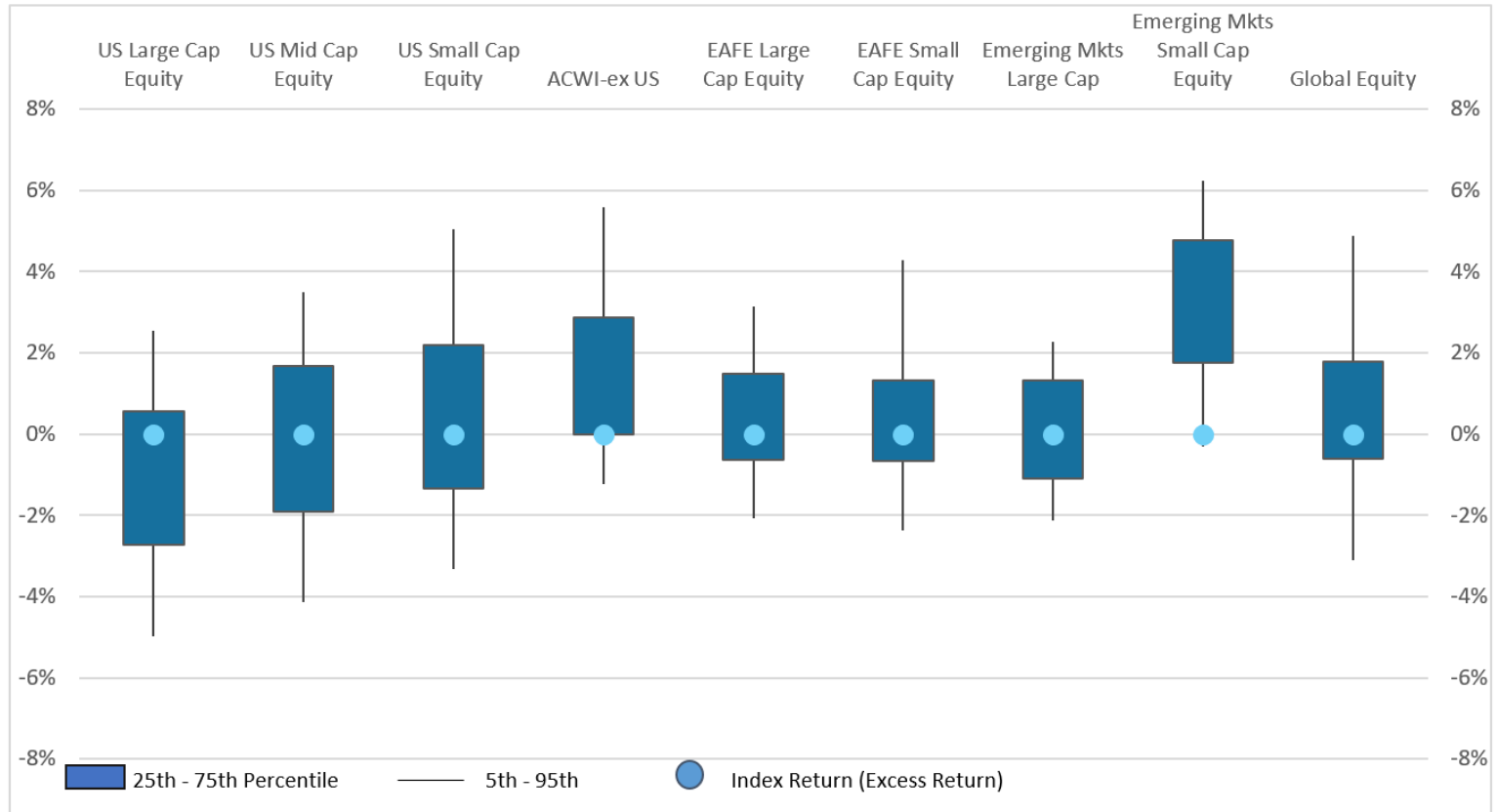
- Depends on Board preferences and investment program characteristics:
 - Investment return objectives and risk tolerance
 - Beliefs about active management
 - Resources – Board and staff time and management fees
- Depends on the asset class:
 - Leverage active management in inefficient asset classes and less constrained mandates with more investment options
- Depends on market environments:
 - Active and passive strategies may have periods of over- and under- performance

Asset Class Characteristics

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 <u>general</u> seek active; can index core exposure
Non-US Developed Stocks	Moderate	Moderate	High	Moderate	Moderate	In <u>general</u> seek active; can index core exposure
Emerging Market Stocks	Moderate	Moderate	Moderate	Moderate	Moderate	In <u>general</u> seek active; can index core exposure
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

Equity Asset Class Dispersion

10 Year Excess Return Net of Fees





LACERS Study

- Staff conducted independent exploratory studies on LACERS past investment experience with active management
- Methodology:
 - Used available LACERS annual returns for active managers to calculate time-weighted performance metrics
 - Used performance data of Russell indices as benchmarks
 - Only U.S. Equity was considered in the active versus passive portion of the study due to data limitations
- Staff found evidence that active strategies outperformed U.S. Small Cap Equity while underperformed in U.S. Large Cap Equity (see appendix).
 - LACERS U.S. Small Cap Equity annualized return of 10.85% vs. market return of 8.18%^
 - LACERS U.S. Large Cap Equity annualized return of 6.08% vs. market return of 6.78%^

^ Data from 1998 through 2020

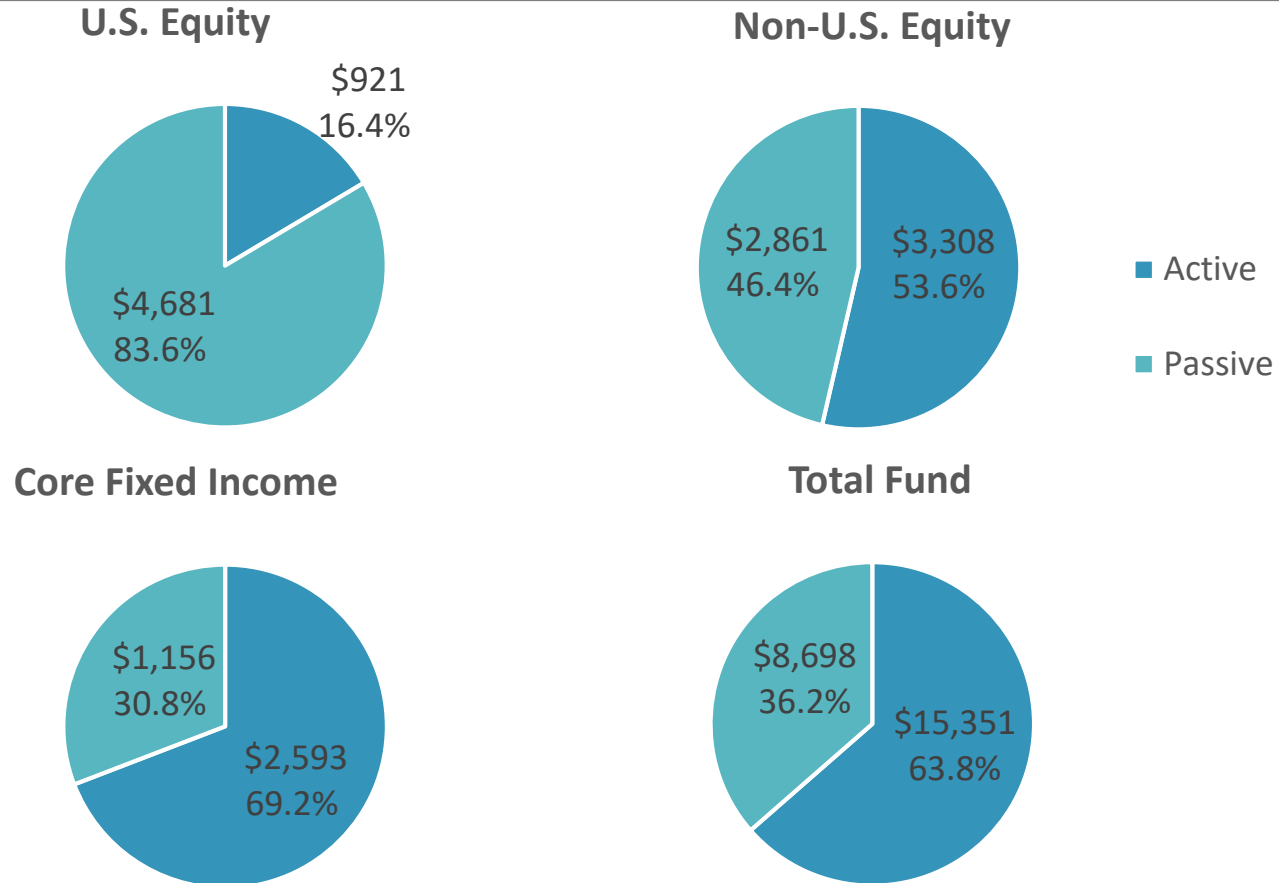
LACERS Historical Passive Exposure



^Passive Core Fixed Income Strategy Inception date: 7/29/2014



LACERS Active and Passive Exposure as of 12/31/21 (\$ in millions)

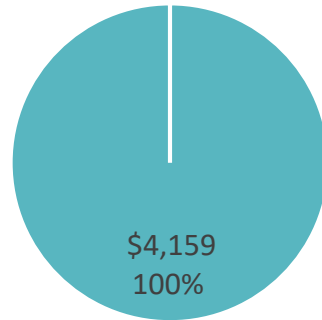


Note: Credit Opportunities, Private Equity, Real Assets, and Cash asset classes are actively managed and therefore are not shown.

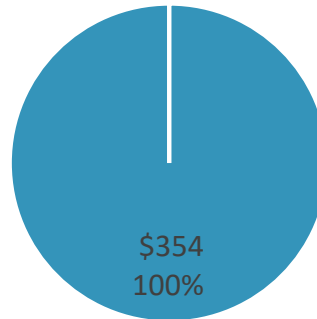


Equity and Fixed Income Active and Passive Exposure as of 12/31/21 (\$ in millions)

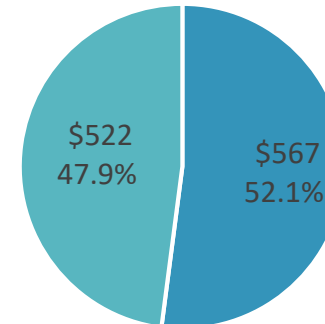
U.S. Large Cap Equity



U.S. Mid Cap Equity

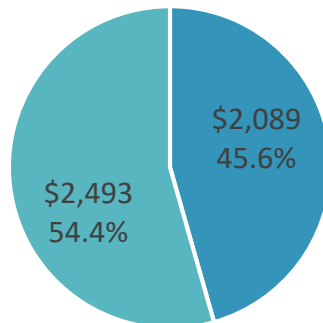


U.S. Small Cap Equity

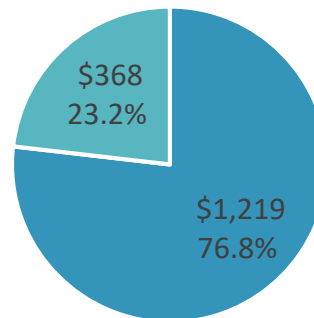


■ Active
■ Passive

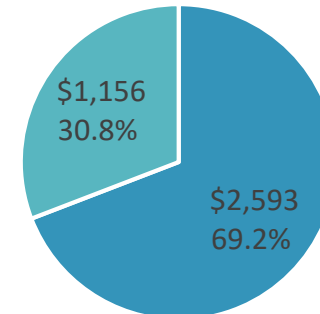
Non-U.S. Developed Market Equity



Emerging Market Equity



Core Fixed Income





Public Pension Plan Comparison

As of 9/30/2021	LACERS	Client A	Client B	Client C	Client D	Client E	Client F	Client G	Client H	Client I
Cash	0.4%	11.4%	1.8%	2.0%	0.0%	2.0%	7.4%	0.5%	2.1%	2.1%
US Equity	23.4%	23.4%	25.1%	24.8%	21.6%	17.9%	17.7%	10.1%	20.1%	28.7%
Non-US/Global Equity	26.0%	15.5%	17.8%	25.0%	20.2%	12.7%	19.7%	25.2%	15.9%	26.4%
Core Fixed Income	16.1%	3.6%	7.5%	15.9%	7.2%	4.9%	2.7%	8.0%	10.3%	13.7%
Other Fixed Income	7.9%	0.0%	0.0%	9.6%	21.5%	1.5%	8.8%	0.0%	7.3%	0.0%
Public Real Assets	7.4%	0.0%	0.0%	0.0%	7.8%	2.2%	0.0%	0.0%	3.6%	0.0%
Alternatives	<u>18.7%</u>	<u>46.0%</u>	<u>48.0%</u>	<u>22.7%</u>	<u>21.7%</u>	<u>58.8%</u>	<u>43.7%</u>	<u>56.0%</u>	<u>40.8%</u>	<u>29.0%</u>
	100.0%	99.9%	100.2%	100.0%	100.0%	100.0%	100.0%	100.0%	100.1%	99.9%
5 Year Return	10.93%	9.50%	10.50%	10.12%	7.50%	10.29%	10.20%	13.27%	10.79%	11.40%
5 Year Standard Deviation	8.83%	6.40%	6.70%	8.91%	8.60%	6.00%	6.70%	6.55%	6.99%	9.30%
5 Year Sharpe Ratio	1.1	1.3	1.4	1.0	0.8	1.5	1.4	1.9	1.4	1.1
Active	63.0%	64.9%	51.0%	94.0%	86.0%	72.0%	93.2%	94.1%	85.0%	53.9%
Passive	37.0%	35.1%	49.0%	6.0%	14.0%	28.0%	6.8%	5.9%	15.0%	46.1%
Total Assets (million)	\$23,313	\$17,080	\$49,802	\$6,580	\$6,312	\$16,047	\$13,931	\$36,168	\$34,948	\$7,722



Summary

- Market participants have increasingly moved towards greater passive allocations
- There are opportunities to add value through active strategies in certain asset classes
- How much active-passive exposure depends on factors such as:
 - Investment objectives and risk tolerance levels
 - Board's beliefs about active management and policies and procedures to select and maintain skilled managers
 - Appetite for higher active manager fees net of expected alpha
- LACERS utilizes active management where it is expected to add value
 - Equity: Domestic Small Cap and Non-U.S. Equity
 - Fixed Income: Core Fixed Income, High Yield, Emerging Market Debt
 - Real Assets
 - Private Credit and Private Equity
- LACERS asset allocation and active-passive structure positioned to meet LACERS investment objectives

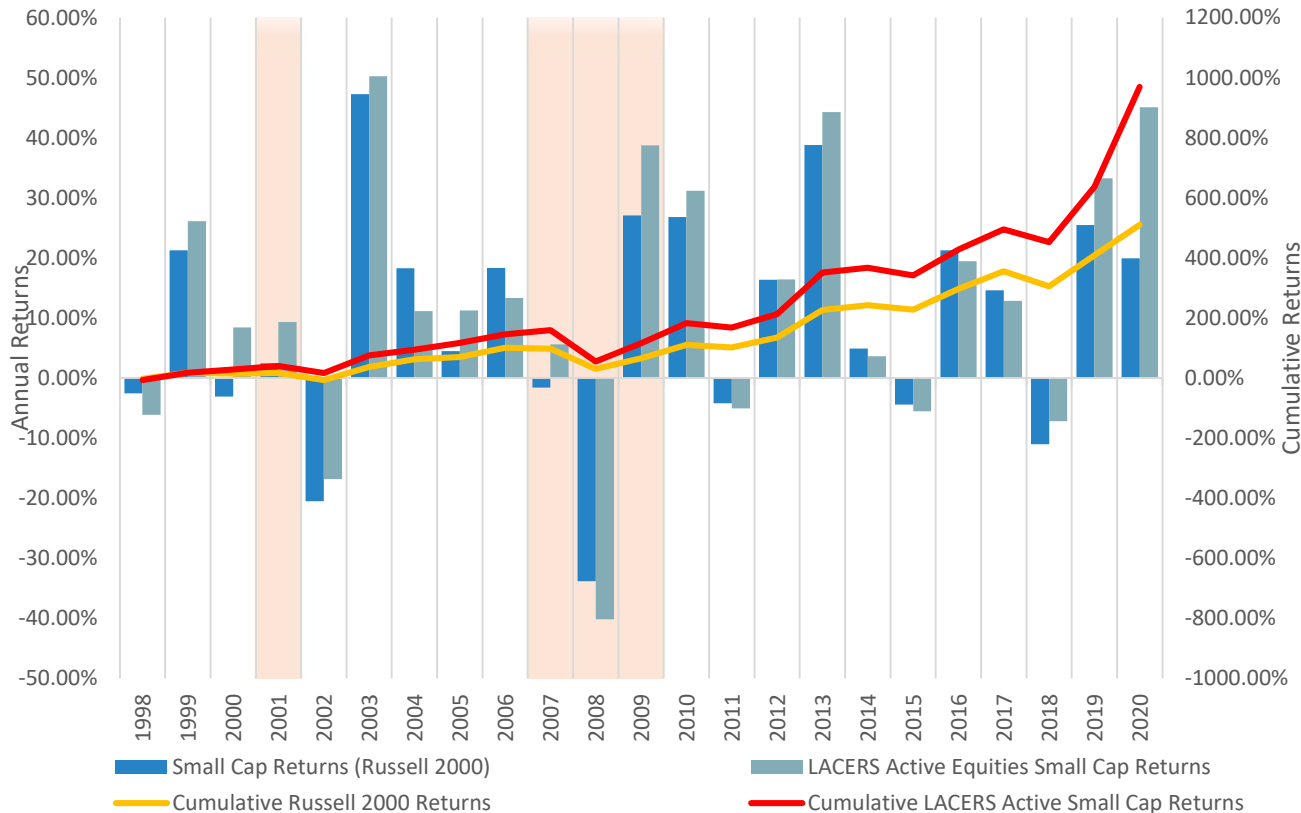
Appendix

- Active Small Cap versus Benchmark
- Active Large Cap versus Benchmark
- LACERS Active and Passive Exposure as of 12/31/21



Active Small Cap versus Benchmark

Russell 2000 vs LACERS Active Equities Small Cap Returns

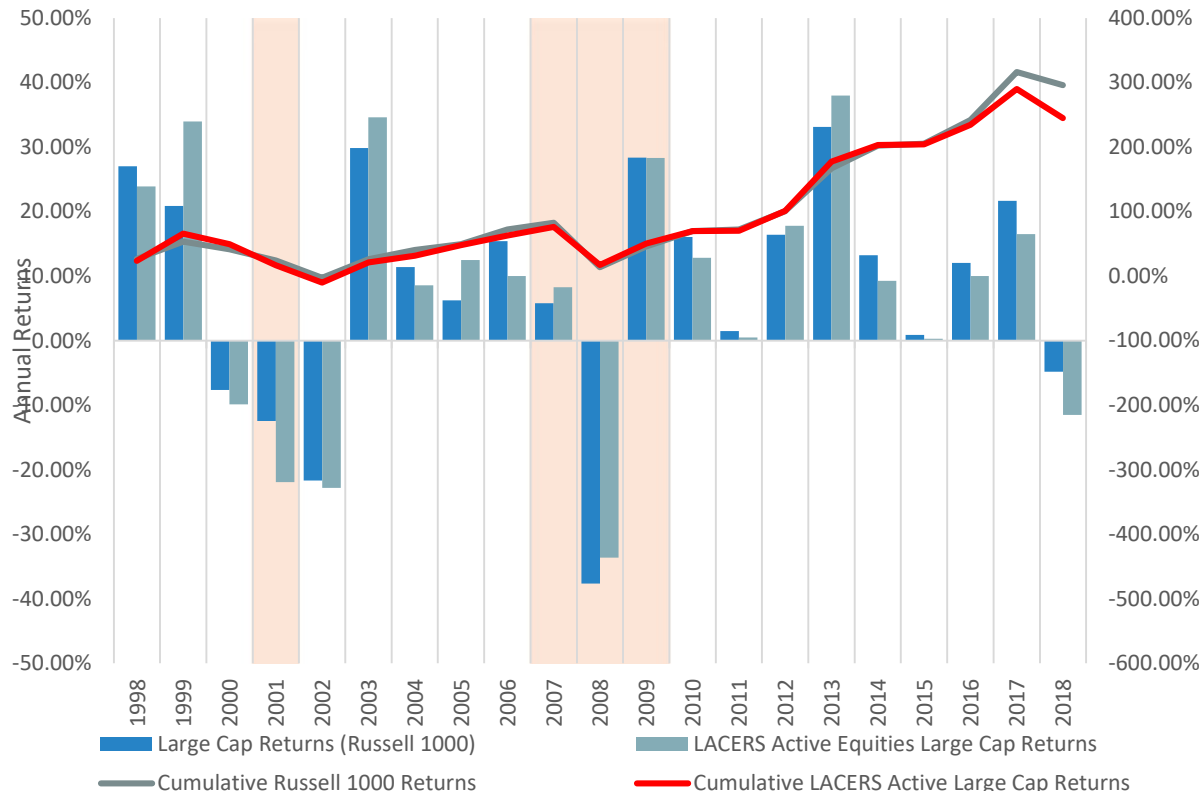


- LACERS cumulative outperformance of market on gross basis
- LACERS annualized return of 10.85% vs. market return of 8.18%.
- Active management in small cap value additive



Active Large Cap versus Benchmark

Russell 1000 vs LACERS Active Equities Large Cap Returns



- LACERS cumulative underperformance of market
- LACERS annualized return of 6.08% vs. market return of 6.78%.
- Passive management in large cap beginning 2018



LACERS Active and Passive Exposure as of 12/31/21

Asset Class	Active		Passive		Total	
	Market Value (\$mm)	Market Value (%)	Market Value (\$mm)	Market Value (%)	Market Value (\$mm)	Market Value (%)
U.S. Equity	920.8	3.8%	4,680.7	19.5%	5,601.5	23.3%
Large Cap	-	0.0%	4,158.7	17.3%	4,158.7	17.3%
Mid Cap	353.9	1.5%	-	0.0%	353.9	1.5%
Small Cap	566.9	2.4%	522.0	2.2%	1,088.9	4.5%
Non- U.S. Equity	3,307.7	13.8%	2,860.7	11.9%	6,168.4	25.6%
Developed Market	2,089.0	8.7%	2,493.1	10.4%	4,582.2	19.1%
Emerging Market	1,218.7	5.1%	367.6	1.5%	1,586.2	6.6%
Core Fixed Income	2,593.2	10.8%	1,156.4	4.8%	3,749.6	15.6%
Credit Opportunities	1,899.5	7.9%	-	0.0%	1,899.5	7.9%
Public Real Assets	1,827.9	7.6%	-	0.0%	1,827.9	7.6%
Private Equity	3,639.9	15.1%	-	0.0%	3,639.9	15.1%
Real Estate	986.0	4.1%	-	0.0%	986.0	4.1%
Cash	175.6	0.7%	-	0.0%	175.6	0.7%
Total	15,350.5	63.8%	8,697.8	36.2%	24,048.3	100.0%



MICHAEL N. FEUER
City Attorney

Board Mtg.: 02/08/22
Item No.: VIII-A

MEMORANDUM

To: Board of Administration
Los Angeles City Employees' Retirement System

From: Anya J. Freedman, Assistant City Attorney *AJF*
Miguel Bahamon, Deputy City Attorney *MBB*
Gina Di Domenico, Deputy City Attorney *GD*

Date: February 8, 2022

Re: Approval of Contracts with Outside Tax Counsel Firms Following RFP

Cc: Neil Guglielmo, General Manager

RECOMMENDATION

Our Office and LACERS Staff recommend that the Board:

Authorize the City Attorney's Office to negotiate, and the General Manager to execute on behalf of the Board, contracts with Best Best & Krieger LLP, Ice Miller LLP, and Wellington Gregory LLP, for Outside Tax Counsel to assist the City Attorney for a three-year term beginning in February 2022. The retention of Best Best & Krieger LLP would be conditioned on the firm obtaining any necessary conflict waivers.

INTRODUCTION AND EXECUTIVE SUMMARY

On October 26, 2021, the Board approved our recommended process for engaging Outside Tax Counsel, including the publication of a Request for Proposals (RFP).

We have completed that competitive solicitation process and now seek the Board's approval to establish a bench of three law firms:

1. Best Best & Krieger LLP;
2. Ice Miller LLP; and
3. Wellington Gregory LLP

This recommendation is the culmination of the RFP process. The RFP was issued on November

11, 2021, and we received timely responses from the three law firms listed above. Representatives from the Public Pensions General Counsel Division (PPGC Division) of the City Attorney's Office alongside Plan Staff evaluated the RFP responses and vetted qualified candidates through interviews conducted on January 4 and 5, 2022. Assistant General Manager Todd Bouey participated in the RFP evaluation and interview process on behalf of LACERS. At the conclusion of the interview process, LACERS Staff concurred with our conclusion that the three firms listed above are well-qualified to provide outside tax counsel services to the Plan and that each possesses certain strengths that complement the strengths of the other two firms. On January 27, 2022, the City Attorney's Office provided written approval of the retention of the three firms pursuant to Charter Section 275. We believe each firm would do an excellent job of serving our Office and the Plan in this critical area of law.

We recommend the Plan engage a bench of these three firms for three-year contracts. These firms would assist our Office to advise the Plan on tax matters, as needed, on a project-by-project basis. Consistent with our practice in managing outside counsel, we solicit not-to-exceed bids before assigning a project. We summarize below the need for engaging outside counsel with this expertise and the qualifications of the three recommended firms.

BACKGROUND

The PPGC Division serves as general counsel to the City's three independent pension plans: the Los Angeles City Employees' Retirement System (LACERS), the Los Angeles Fire and Police Pensions plan (LAFPP), and the Water and Power Employees' Retirement Plan.

Pursuant to City Charter Section 275, and with the joint approval of the Board and the City Attorney's Office, the PPGC Division has historically used outside counsel to assist us to advise and represent the Plan on tax law matters. Given the complexity and specialized nature of state and federal tax law affecting public pension plans, the PPGC Division relies on outside counsel with deep experience and expertise in these areas of tax law to enable our Office to provide the best possible legal advice and representation for the Plan and to allow the Board and Plan management to fulfill their fiduciary obligations.

The Plan currently has one outside tax counsel under contract, Ice Miller LLP, with that contract set to expire on September 20, 2022. The contract for the Plan's other outside tax counsel, Reed Smith LLP, was allowed to expire on September 20, 2021 when the two principal outside tax counsel attorneys for Reed Smith—Jennifer Kregel and Don Wellington, respectively—left Reed Smith to join other law firms. While both Plan Staff and the PPGC Division are satisfied with Ice Miller's work, in seeking the Board's approval to issue the RFP, we recommended that the Plan have a panel of at least two outside tax counsel so that the Plan could solicit competitive bids for projects and to ensure a deeper pool of expertise to answer the Plan's unique tax law questions.

Under the Plan's 2018 outside tax counsel contracts, LACERS budgeted \$100,000 annually for services from each firm. When the Board approved one-year extensions for outside tax counsel on July 27, 2021, it also increased the expenditure limit for the extension period up to \$150,000 for each contract. While the Plan has not come close to spending that amount per year, budgetary flexibility is necessary to address larger tax projects and/or any unexpected tax issues that may arise. For example, LACERS plans to complete a tax compliance project with Ice Miller this fiscal

year, and has already received a not-to-exceed bid of \$15,000 for that project.

Below is a table summarizing the Plan's expenditures for outside tax counsel services for the past three years:

Firm Name	2019	2020	2021	Total
Ice Miller LLP	\$3,520	\$22,952	\$15,543	\$42,015
Reed Smith LLP	\$6,563	\$20,580	\$2,873	\$30,016

QUALIFICATIONS OF RECOMMENDED FIRMS

Ice Miller LLP

Ice Miller has assisted our office with tax counsel services since June 16, 2008, and has consistently provided high quality legal counsel. LACERS Staff expressed appreciation for the work Ice Miller has done for them over the last thirteen years. Led by Robert Gauss, they have by far the most wide-spread public pension tax practice of any law firm nationally and over the years have had numerous contacts with the highest levels of the IRS. They have been one of two principal outside tax counsel for all three City plans for the past fourteen years.

Their proposed hourly fees are \$480-550 for Partners, \$386-519 for Counsel, \$365 for Associates, and \$200 for Paralegals, and \$550 for their Actuary. These are the lowest fees charged to their governmental clients for these services, are discounted 15% from their standard hourly rates, contain a \$550 per hour cap for the attorneys with the highest hourly rates, and the Paralegal rate has been further discounted following negotiations with the PPGC Division to be competitive with the other responding firms. Additionally, Ice Miller has indicated it is willing to negotiate a blended rate or flat fee for certain projects.

Wellington Gregory LLP

Wellington Gregory is a new boutique firm led by a familiar face, Don Wellington. Mr. Wellington, the sole tax attorney at the two-person firm, previously advised the Plan on tax issues with his former firms, Steptoe & Johnson LLP and Reed Smith LLP. Mr. Wellington formerly worked as a lawyer in the U.S. Treasury Department and maintains contact with key staff members there, helping him stay current with regard to changes in the application of tax law. Mr. Wellington has been working with the Plan since 2012 and has consistently provided excellent and timely work on all of his projects, which includes the creation of an Internal Revenue Code Section 115 trust to replace and/or supplement the Plan's existing Internal Revenue Code Section 401(h) account as the mechanism for funding retiree health benefits. Wellington Gregory's hourly fee proposal is \$525, a 10% discount from the \$580 blended rate the Plan paid for Mr. Wellington's services under the old Reed Smith contract, and a nearly 50% discount from his 2018 non-governmental rate of \$1,030.

Best Best & Krieger LLP

Best Best & Krieger responded to our 2015 and 2018 RFPs. Isabel Safie is Best Best & Krieger's proposed lead counsel. Ms. Safie currently advises the Pasadena Fire and Police Retirement System on fiduciary and tax matters. Another Best Best & Krieger attorney, Jeff Chang, has four decades of experience in the areas of employee benefits and tax law. Mr. Chang has taught in the Masters of Taxation program at McGeorge School of Law in Sacramento. Best Best & Krieger provides an array of legal services to many California municipal entities, including the City of Los Angeles and some other retirement systems. Additionally, litigation attorneys from Best Best & Krieger currently represent LAFPP in a case regarding title to the plan's parking lot. While a relative newcomer compared to Ice Miller and Mr. Wellington, Plan Staff and the PPGC Division agree it would be helpful to have Best Best & Krieger on retainer to assist with California Franchise Tax Board issues.

One factor to consider regarding Best Best & Krieger's retention is that the firm has two potential conflicts of interest with the City related to its representation of the County of Los Angeles in two separate matters involving the City. In the first matter, Best Best & Krieger represents Los Angeles County Waterworks District 40 on a groundwater adjudication matter involving the City as an adverse or potentially adverse party. In the second matter, Best Best & Krieger represents the County in the matter known as the BKK Main Street Landfill relating to the County's Victoria Park in the City of Carson, in which the City is a potentially responsible party along with the County. Best Best & Krieger has previously obtained conflict waivers from the City and the County regarding these two matters, the Plan is not a party to these matters, and the City is not receiving tax advice from the firm. Should the Board approve Best Best & Krieger's retention as outside tax counsel, the firm's retention would be conditioned on it securing any necessary confirmation from the City and the County that the existing waivers would be applicable to this representation.

Best Best & Krieger's hourly rates are \$500 for Partners, \$425 for Of Counsel attorneys, \$275-350 for Associates, \$200 for Paralegals, and \$250 for their Pension Consultant.

A summary matrix of each firms' qualifications is attached for the Board's reference.

CONCLUSION

For these reasons, we recommend the Board approve Best Best & Krieger, Ice Miller, and Wellington Gregory for three-year contracts, consistent with the written approval of the City Attorney pursuant to Charter Section 275, and, for Best Best & Krieger, subject to the firm obtaining required conflict waivers.

Thank you for your consideration.

AJF/MGB:np

Enclosure

2021 - 2022 Outside Tax Counsel RFP - Candidate Matrix

FIRM	Best Best & Krieger	Ice Miller	Wellington Gregory
FIRM INFORMATION			
Firm profile	California Firm	East Coast/ Midwest Firm (no CA offices)	Los Angeles/DC boutique
Proposed lead & key team members	Isabel Safie (Riverside)	Robert Gauss, Audra Ferguson-Allen (Indianapolis)	Don Wellington (Los Angeles)
Current/prior relationship w / City pensions	Litigation counsel for LAFPP; Awarded tax counsel contract with WPERP but City could not resolve conflict waiver	Current tax counsel for 3 Plans	While firm is new, Don is former tax counsel to 3 Plans
Proposed fees	Partner: \$500/hr Of Counsel: \$425/hr Assoc.: \$350/hr Jr. Assoc.: \$275/hr Pension Consultant: \$250/hr Paralegal: \$200/hr	Partner: \$480-550/hr Counsel: \$386-515/hr Assoc: \$365/hr Paralegal: \$200/hr Willing to negotiate blended rate or flat fee for certain projects	\$525/hr
RFP REQUIREMENTS			
Legal advice on federal tax law matters	Yes	Yes	Yes
Legal advice on international tax law matters	None listed	Yes	Yes
Advising on tax law compliance and related accounting issues	Yes	Yes	Yes
Advising on matters related to the California Franchise Tax Board	Yes	No	Yes
Written recommendations for proposed amendments to provisions of the Los Angeles City Charter and Administrative Code and the Plans' policies and procedures to ensure compliance with qualification criteria of the Internal Revenue Code and constitutional law	Yes	Yes	Yes
Drafting and filing plan documents required for qualification under the Internal Revenue Code and applicable laws and regulations	Yes	Yes	Yes
Providing updates on proposed and final Internal Revenue Code or procedure changes that affect government pension plans	Yes	Yes	Yes

Other CA Plans represented	Long Beach Transit, Pasadena Fire & Police, SDCERS, SBCERS, CalPERS, CalSTRS, Oakland Municipal Employees' Retirement System (closed to new members), Golden Gate Transit	Contra Costa County, City of Fresno, Fresno Fire & Police, Kern County, Marin County, SDCERA, SF City and County, SF BART, San Jose Fire & Police, City of San Jose, Santa Clara Valley Transportation, Sonoma County, Ventura County	CalPERS, LACERA, Previously represented CalSTRS, SBCERS
Unique experience	Pension consultant	In-house actuary	Relationships with IRS and US Treasury Dept. from Don's previous work as Tax Counsel for Treasury Dept.
OTHER LEGAL CAPABILITIES			
Describe the relevant special services your firm provides, particularly those that may not be offered by other law firms.	None listed	Frequent publications regarding legal updates	None listed
Practice areas provided by entire firm beyond tax expertise	Full service law firm with significant experience advising CA municipal entities	Full service national law firm with numerous gov't defined benefit plan clients.	New 2-person law firm with employee benefits/ERISA, public pensions, and CA employment law practice areas