

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

January 8, 2019

10:01 a.m.

Agenda of: Jan. 22, 2019

Item No: II

PRESENT:	President:	Cynthia M. Ruiz
	Vice President:	(arrived at 10:28 a.m.) Elizabeth L. Greenwood
	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:	Anya Freedman

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

I

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

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF DECEMBER 11, 2018 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of December 11, 2018 was moved by Commissioner Serrano, seconded by Commissioner Sohn, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz discussed the fluctuating markets and reminded everyone that LACERS is not reactive and LACERS investment strategies are for long term. President Ruiz also announced that starting with today the LACERS Board Meetings can be heard live using Council Phone.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager discussed the following items:
- LACERS Board Meetings can be heard on Council Phone.
 - 94% of Airport Peace Officers have paid for the Advanced Tier 1 Benefits by the deadline of January 7, 2019.
 - 115 Trust Account with Northern Trust was opened on Friday, January 4, 2019.
 - 1099's are being processed; After the PAS implementation, there has been less exceptions.
 - Staff and attendees enjoyed LACERS Holiday Party.
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, stated the following future agenda item:
- January 22, 2019 – Status report on change of LACERS Office Hours
 - January 22, 2019 – Board Rules for adoption
 - Benchmarking
 - New Website development
 - Wi-fi in common areas at LACERS
 - ALEX software tool to expand

President Ruiz thanked Mr. Guglielmo for the Commissioner training plan that is forthcoming and specific to each Commissioner.

V

RECEIVE AND FILE ITEMS

- 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 REPORTS(S)

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF DECEMBER 11, 2018 – Commissioner Sohn stated the Committee received a presentation by Robert W. Baird & Co. Northern Trust, and discussed the Investment Manager Contract with Aegon USA.

VII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$16.46 Billion as of January 7, 2019. Mr. June discussed the following items:
- 1 year unaudited return ending December 31, 2018 is negative 3.92%.
 - Real estate portfolio performance and Aegon USA Investment on the Board agenda today.
 - Future Agenda items include: Several investment manager contracts and a presentation by NEPC on ESG factors.
- B. PRESENTATION BY THE TOWNSEND GROUP OF THE REAL ESTATE PROGRAM PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING JUNE 30, 2018 – Felix Fels with Townsend Group presented this item to the Board.
- C. INVESTMENT MANAGER CONTRACT WITH AEGON USA INVESTMENT MANAGEMENT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Operating Officer and Jimmy Wang, Investment Officer I, presented this item to the Board. Vice President Greenwood moved approval of the following Resolution:

CONTRACT EXTENSION
 AEGON USA INVESTMENT MANAGEMENT, LLC
 ACTIVE U.S. HIGH YIELD FIXED INCOME PORTFOLIO MANAGEMENT

RESOLUTION 190108-A

WHEREAS, LACERS current three-year contract with Aegon USA Investment Management, LLC (AUIM) for active U.S. high yield fixed income portfolio management expires on March 31, 2019; and,

WHEREAS, AUIM has been “On-Watch” for organizational reasons since October 5, 2017, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, AUIM has shown progress toward compliance with the Policy during the “On-Watch” period; and,

WHEREAS, on January 8, 2019, the Board approved the Investment Committee’s recommendation for a one-year contract extension; and,

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

<u>Company Name:</u>	Aegon USA Investment Management, LLC
<u>Service Provided:</u>	Active U.S. High Yield Fixed Income Portfolio
<u>Effective Date:</u>	April 1, 2019 through March 31, 2020

Duration: One year

Benchmark: Bloomberg Barclays U.S. Corporate High Yield 2%
Capped Index

Allocation as of
November 30, 2018: \$376 million

Which motion was seconded by Commissioner Sohn, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -7; Nays, None.

VIII

DIVISION SPOTLIGHT

- A. MANAGEMENT AND OFFICE SERVICES SECTION – DOCUMENT MANAGMENT – John Koontz, Senior Management Analyst, Julie Guan, Management Assistant, and Veronica Flores, Senior Administrative Clerk, presented this item to the Board.

IX

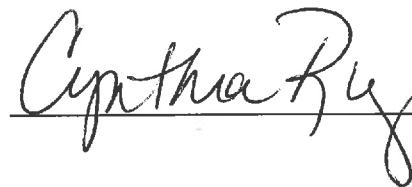
OTHER BUSINESS – Anya Freedman, Assistant City Attorney, advised that the RFP for outside council law firm has been published on BAVN and the proposals are due on January 28, 2019.

X

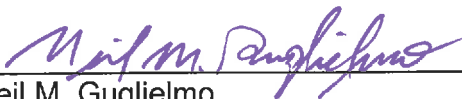
NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, January 22, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XI

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 11:13 a.m. in honor of Los Angeles Harbor Commissioner David Arian, who passed away on January 2, 2019.



Cynthia M. Ruiz
President



Neil M. Guglielmo
Manager-Secretary