

**ATTACHMENT 2 TO SCHEDULE B**  
**SECURITIES LENDING AUTHORIZATION AGREEMENT**  
**(the "Agreement")**  
**BETWEEN THE BOARD OF ADMINISTRATION OF THE LOS ANGELES CITY**  
**EMPLOYEES' RETIREMENT SYSTEM ("System") AND THE NORTHERN**  
**TRUST COMPANY (the "Agent")**

***INVESTMENT MANAGER GUIDELINES FOR CUSTOM NON-CASH  
COLLATERAL ACCOUNT***

**Non-Cash Collateral Guidelines**

Listed below are the Non-Cash Collateral Guidelines specifying collateralization levels and eligible Non-Cash Collateral.

Agent will make use of market standard settlement methods for Non-Cash Collateral, including the use of a tri-party custodian. Any cash held intra-day or temporarily overnight at a tri-party custodian with respect to Non-Cash Collateral arising directly from Loans is a balance sheet obligation of the bank used by your custodian.

Capitalized terms used but not defined herein shall have the meanings given to them in the Addendum or the Agreement, as applicable.

**Collateralization Levels**

Initial collateralization levels for all Loans will not be less than 102% of the Market Value of the Borrowed Securities, or not less than 105% if the Borrowed Securities and the Non-Cash Collateral are denominated in different currencies. Initial Non-Cash Collateral will be received prior to, or simultaneously with, delivery of loaned securities.

Marking to market is performed every business day subject to de minimis rules of change in value, and, pursuant to the Borrowing Agreements, the Borrower is required to deliver additional Non-Cash Collateral when necessary so that the total Non-Cash Collateral held by Agent for all Loans to the Borrower of all Participating Lenders will at least equal the Market Value of all the Borrowed Securities of all Participating Lenders loaned to the Borrower. If the Borrowed Securities and the initial Non-Cash Collateral are denominated in the same currency, additional Non-Cash Collateral may be denominated in a currency different from that of the original Non-Cash Collateral, but Non-Cash Collateral levels shall be maintained throughout the Loan as if all Non-Cash Collateral were denominated in the same currency as the Borrowed Securities.

## Eligible Instruments

Eligibility of Non-Cash Collateral is determined at the time of receipt of such Non-Cash Collateral.

- Obligations issued or guaranteed by countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organization ("NRSRO"), or by these countries' local governments, agencies, instrumentalities or authorities ("Government and Agency Instruments").
- Obligations issued by Supranational entities
- Corporate debt securities, including convertible securities and excluding commercial paper, issued by U.S. and non-U.S. corporations and which match the currency of the borrowed securities
- Equity securities which are part of any of the following indices:

Australia S&P/ASX 200	Hong Kong Hang Seng
Canada S&P/TSX 60	Japan Nikkei 225
German DAX 30	United Kingdom FTSE 100
EURO STOXX 50	United States S&P 500
France CAC 40	United States Russell 1000
	United States Russell 3000

- Obligations issued or guaranteed by countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organization ("NRSRO"), or by these countries' local governments, agencies, instrumentalities or authorities ("Government and Agency Instruments") may be accepted as Collateral for all types of loanable securities.
- Equity and convertible securities may only be accepted (interchangeably) as Collateral for equity and convertible securities loans. Corporate debt securities, other than convertible securities, may only be accepted as Collateral for loans of corporate debt securities (other than convertible securities).

## Credit Quality

- Government and Agency Instruments and Supranational Instruments are restricted to those obligations with a long-term rating (or issued by an issuer that is rated with respect to a class of long-term obligations or a comparable long-term obligation) of AA- or higher (or the

equivalent) at time of receipt by at least two Nationally Recognized Statistical Rating Organization ("NRSRO").

- Corporate debt securities are restricted to those obligations with a long-term rating (or issued by an issuer that is rated with respect to a class of long-term obligations or a comparable long-term obligation) of AA (or the equivalent) or higher by at least two NRSROs. If there are more than two NRSRO ratings, then all ratings must be AA (or the equivalent) or higher.
- In the event that any security is downgraded below the requirements set forth by the above credit quality guidelines, the Agent shall, within five business days, notify Lender and present remedial action to restore collateral credit quality requirements.

### **Diversification**

- Eligible Instruments shall be accepted subject to internal diversification limits (which may include, without limitation, issuer or liquidity restrictions) as may be established for each Instrument type by Agent's appropriate risk committee from time to time. The Agent shall disclose said internal diversification limits upon request by the Lender.


### **THE NORTHERN TRUST COMPANY**

By: 

Title: Senior Vice President

Date: June 11, 2020

### **BOARD OF ADMINISTRATION LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

By:   
Neil M. Guglielmo, General Manager

Date: 06/12/2020