LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Investment Committee Agenda

REGULAR MEETING

TUESDAY, OCTOBER 11, 2022

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

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 Investment Committee's October 11, 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# 161 624 2107

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

Chair:	Elizabeth Lee
Committee Members:	Nilza R. Serrano Janna Sidley
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counselor:	City Attorney's Office Public Pensions General Counsel Division

Notice to Paid Representatives

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

Request for Services

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

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

Disclaimer to Participants

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

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

CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'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 AUGUST 9, 2022 AND POSSIBLE COMMITTEE ACTION

III. CHIEF INVESTMENT OFFICER VERBAL REPORT

IV. PRIVATE CREDIT CONSULTANT SEMI-FINALIST INTERVIEWS AND POSSIBLE COMMITTEE ACTION

V. SECURITIES LENDING PROGRAM MODIFICATIONS AND POSSIBLE COMMITTEE ACTION

VI. PROXY VOTING ACTIVITY REPORT FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2022

VII. BROKERAGE ACTIVITY REPORT FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2022

VIII. OTHER BUSINESS

IX. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, November 8, 2022, at 10:30 a.m., or immediately following the Board Meeting, 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/Committee meetings while response to public health concerns relating to the novel coronavirus continue.

X. ADJOURNMENT

Board of Administration Agenda

SPECIAL MEETING

TUESDAY, OCTOBER 11, 2022

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

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President:	Nilza R. Serrano
Vice President:	Elizabeth Lee
Commissioners:	Annie Chao Thuy T. Huynh Janna Sidley Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

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X. ADJOURNMENT

Agenda of: **<u>Oct. 11, 2022</u>**

Item No: **<u>II</u>**

MINUTES OF THE SPECIAL 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 Investment Committee's August 9, 2022 meeting was conducted via telephone and/or videoconferencing.

August 9, 2022

12:24 p.m.

PRESENT via Videoconferencing:	Chair:	Sung Won Sohn
	Committee Member:	Elizabeth Lee Nilza R. Serrano
	Commissioner:	Janna Sidley
	Legal Counselor:	Josh Geller
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian

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

Commissioner Sidley joined the meeting, and this was a Special Meeting of the Board of Administration. Any votes were taken by Investment Committee members only.

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'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** – Chair Sohn asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

APPROVAL OF MINUTES FOR THE MEETING OF JULY 12, 2022 AND JULY 14, 2022 POSSIBLE COMMITTEE ACTION – Committees Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Elizabeth Lee, Serrano, and Chair Sohn -3; Nays, None.

III

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

- Investment Committee Meeting Forward Calendar
- Staff to continue to work on the Private Credit Consultant RFP with firm interviews being held at a future IC Meeting

IV

PRESENTATION BY BARROW, HANLEY, MEWHINNEY & STRAUSS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. DEVELOPED MARKETS VALUE EQUITIES PORTFOLIO – Randolph Wrighton, Portfolio Manager, TJ Carter, Portfolio Manager, and James Carpenter, Client Portfolio Manager, with Barrow Hanley Global Investors, presented and discussed this item with the Committee for 25 minutes.

V

ANNUAL REPORT ON LACERS EMERGING INVESTMENT MANAGER PROGRAM – Rod June, Chief Investment Officer, and Bryan Fujita, Investment Officer III, and Ricky Mulawin, Management Analyst, presented and discussed this item with the Committee for 15 minutes.

VI

OTHER BUSINESS – There was no other business.

VII

NEXT MEETING: The next Regular Meeting of the Investment Committee is scheduled for Tuesday, September 13, 2022, at 10:30 a.m. or immediately following the Board Meeting, 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/Committee meetings while responding to public health concerns relating to the novel coronavirus continue.

VIII

ADJOURNMENT – There being no further business before the Committee, Chair Sohn adjourned the meeting at 1:04 p.m.

Sung Wohn Sohn
Chair

Neil M. Guglielmo
Manager-Secretary

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: OCTOBER 11, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: IV**

SUBJECT: **PRIVATE CREDIT CONSULTANT SEMI-FINALIST INTERVIEWS AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee:

1. Interview Aksia, LLC and Meketa Investment Group, Inc. as the semi-finalist candidates for the Private Credit Consultant search; and

2. Select and recommend one or more finalists to the Board for possible interviews and consideration for hire.

Executive Summary

The Board-approved request for proposal (RFP) for a private credit consultant opened on January 24, 2022, and closed on March 25, 2022. A total of four proposals were received, all of which met the minimum qualifications and were evaluated by staff. On June 14, 2022, the Committee advanced Aksia, LLC (Aksia), Meketa Investment Group, Inc. (Meketa), and NEPC, LLC (NEPC) as semi-finalists for further due diligence. Based on staff's due diligence, staff have deemed Aksia and Meketa as capable of providing LACERS with the scope of services pursuant to the RFP.

Discussion

Background
The Board approved a new asset allocation on May 11, 2021, that expanded LACERS' exposure to private credit over time to a new target of 5.75%. This plan called for increased diversification of LACERS' private credit into higher yielding strategies such as opportunistic or distressed lending to achieve a target private credit portfolio return of 6.1%. While somewhat more complex, combining multiple strategies can improve portfolio performance through a range of market conditions by enabling expert investment managers to take advantage of the best opportunities available.

LACERS' increased allocation to private credit and corresponding expansion into new private credit strategies to achieve targeted returns will require significant time, attention, and resources from both staff and the consultant. Staff believes that outsourced assistance to identify the best-in-class managers and to construct a resilient and dynamic portfolio is justified by potential alpha generation as well as identifying risks that drive credit cycles, such as interest rate shocks, recessions, and foreign currency crises. The Board concurred with staff's recommendation to conduct a search for a private credit consultant on December 14, 2021, and the search opened on January 24, 2022, and closed on March 25, 2022.

At its meeting of June 14, 2022, the Committee considered staff's evaluation report of the four firms that submitted proposals and concurred with the staff recommendation to advance Aksia, Meketa, and NEPC for further due diligence.

Additional Due Diligence Activities
Staff conducted due diligence meetings at the headquarters of Aksia, Meketa, and NEPC to confirm information provided in the RFP responses and further understand each firm's resources and capabilities. During these meetings, staff interviewed various professionals on topics including, but not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, consulting philosophy and strategy, deal sourcing and due diligence process, risk management, compliance and controls, and technology.

Further, staff conducted reference checks on the three semi-finalists to gain additional insights from current clients. Based on staff's due diligence, staff have deemed Aksia and Meketa as capable of providing LACERS with the scope of services pursuant to the RFP.

Strategic Plan Impact Statement

The private credit consultant assists LACERS in building a diversified private credit portfolio to help the fund optimize long-term risk adjusted returns (Goal IV). Implementing a competitive bidding process by issuing an RFP is in line with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared By: Robert King, Investment Officer II, Investment Division

NMG/RJ/BF/WL/RK:rm

Attachments: 1) Presentation by Aksia, LLC
2) Presentation by Meketa Investment Group, Inc.

Aksia Private Credit Overview

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ("LACERS")

October 2022

Aksia

www.aksia.com

Contents

Aksia Presentation Team

Mike Krems
Partner,
Portfolio Advisory
Mike.Krems@aksia.com

- Senior member of Portfolio Advisory team
- Over 20 years of private equity, credit, and co-investment experience
- San Diego, CA based

Trevor Jackson
Managing Director,
Portfolio Advisory
Trevor.Jackson@aksia.com

- Senior member of Portfolio Advisory team
- Over 23 years experience working with institutional clients on alternative and traditional portfolios
- Los Angeles, CA based

Tim Nest
Head of Private Credit Research
Partner,
Investment Research
Timothy.Nest@aksia.com

- Head of global private credit research team (US, Europe, Asia)
- Over 22 years experience in alternative investments
- New York, NY based

All references to Aksia herein refer to Aksia LLC, together with its wholly owned subsidiaries (collectively, “Aksia”).

Aksia Overview

Aksia – At A Glance

Global Alternatives Platform

$271bn
of AUA[1]

100+
Institutional Clients[1]

$18bn
of AUM[1]

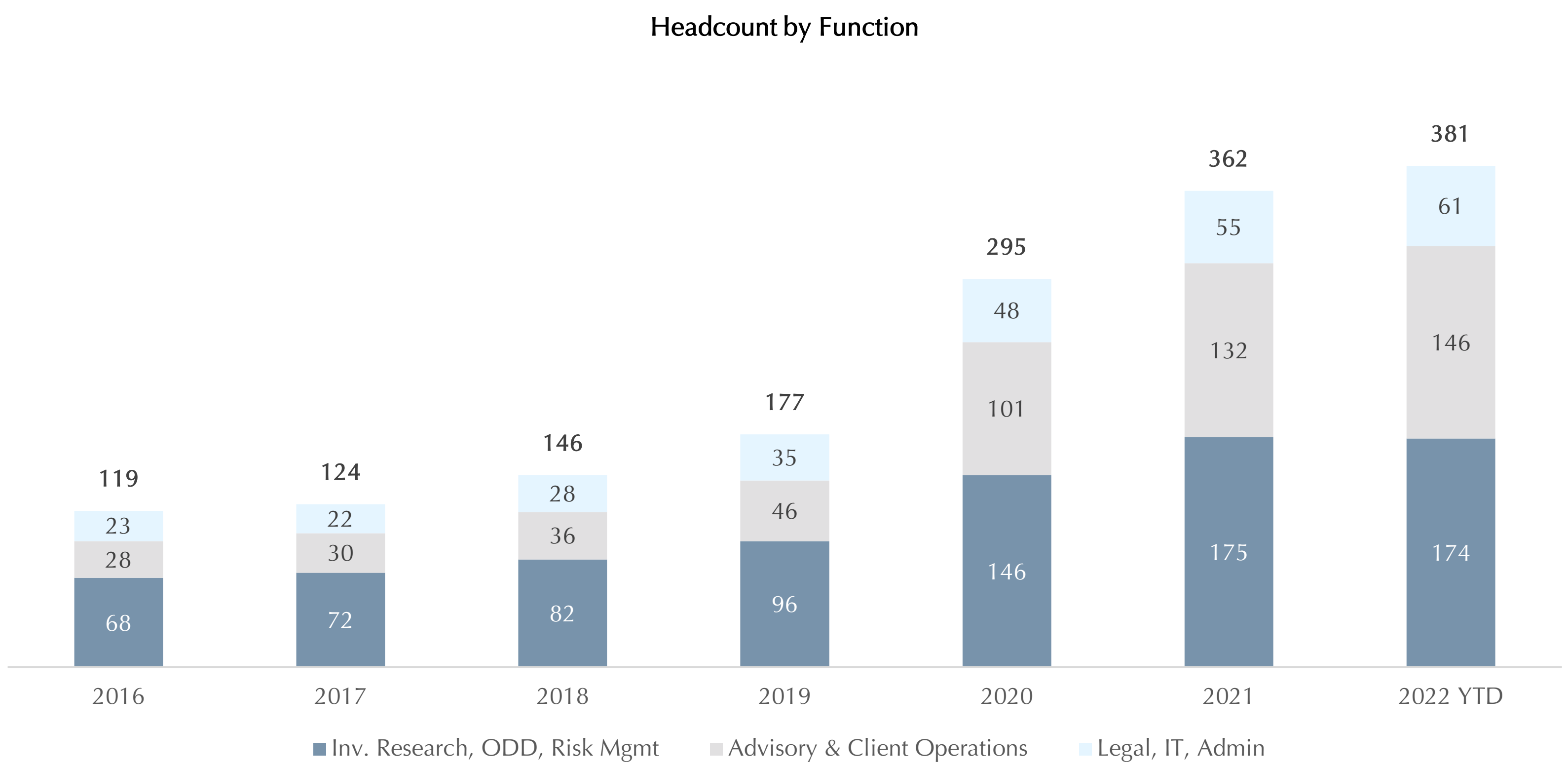
381
Professionals[2]

>3,800
Due Diligence Reports[3]

3.7
Staff to Client Ratio[1]

[1]As of June 30, 2022. AUA/AUM is defined as NAV plus unfunded commitments. Represents investments currently tracked and monitored by Aksia's Client Operations team. AUM includes fully discretionary accounts and accounts where the client retains veto authority. [2]As of September 1, 2022. [3]As of March 31, 2022. Due diligence has been performed (IDD, ODD, or Insight Report).

Headcount Growth

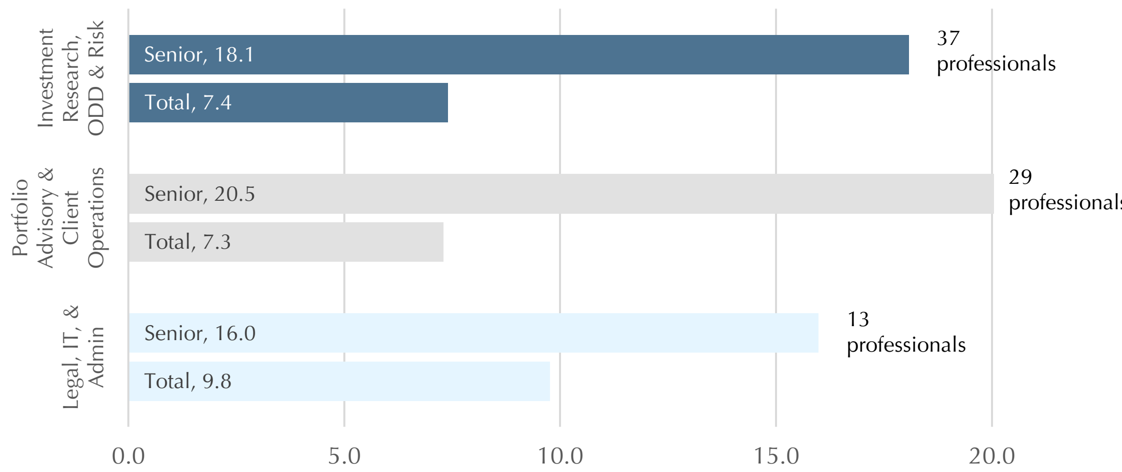


As of September 1, 2022. In 2020, 70 employees joined Aksia as a result of company acquisitions.

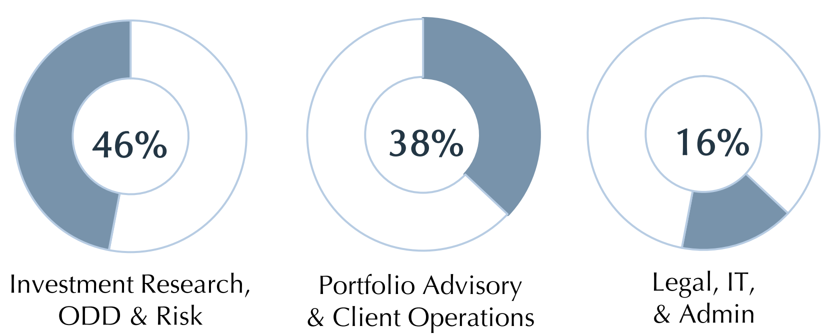
Our Professionals

Team	Size
Investment Research	76
Operational Due Diligence	60
Risk Management	38
Portfolio Advisory	48
Client Operations	98
Legal & Compliance	9
Information Technology	24
Administration	28
	381

Aksia Professionals' Average Industry Experience (Years)



Headcount by Function Type



Aksia's Global Pan-Alts Platform

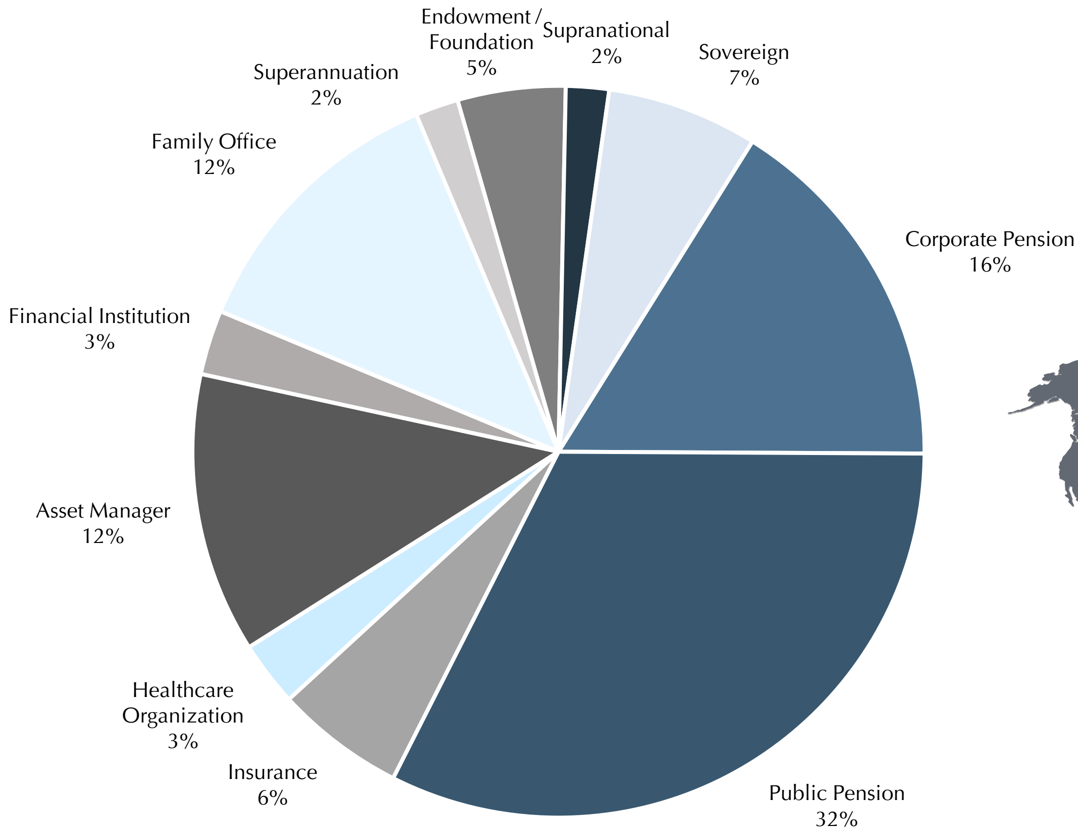
Aksia

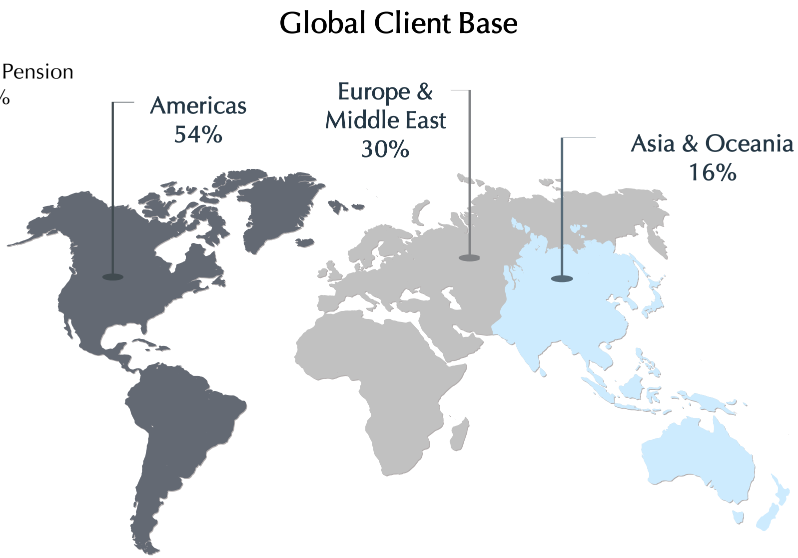
Hedge Funds	Private Credit	Private Equity	Real Assets	Real Estate
Active since 2006	Active since 2008	Active since 2011	Active since 2012	Active since 2009[1]
AUA: $63bn	AUA: $80bn	AUA: $98bn	AUA: $21bn	AUA: $9bn
AUM: $7bn	AUM: $9bn	AUM: $2bn	AUM: $32mm	AUM: $6mm

As of June 30, 2022. AUA/AUM is defined as NAV plus unfunded commitments. Represents investments currently tracked and monitored by Aksia's Client Operations team. AUM includes fully discretionary accounts and accounts where the client retains veto authority. [1]Includes experience from Aksia Chicago's predecessor firm.

Aksia

Aksia's Clients are Experienced Institutional Investors





As of June 30, 2022.

Advisory Services Overview

Aksia

Top-Down Advisory Process

Asset Class Investment Committee

- Formulate Aksia's top-down sector & strategy themes
- Evaluate market conditions, identify opportunity set
- Investment Due Diligence Ratings

Portfolio Advisory Team

- Collaborative: frequent contact, investment discussions, ad hoc projects
- Assigned portfolio team
- Assist with policy review, program design, portfolio planning and strategic initiatives

Research

- Investment research led by Sector heads (Partners, Managing Directors or Senior Vice Presidents)
- Manager sourcing, investment due diligence, operational due diligence
- Stringent operational due diligence

Risk Management

- Risk Team and related Risk Committees
- Fund and portfolio level risk exposures
- Attribution and trend analyses

Private Credit – Pipeline Management and Planning

Numerous resources and teams used to help track and manage client investment activities and objectives

	Select Aksia Support	Teams Involved: Research	Teams Involved: Advisory	Teams Involved: Data
Strategic Planning	Pacing model, annual planning sessions, Board reviews	✓	✓	
Themes Generation	Annual Outlook, deep dive presentations, ad-hoc research calls	✓	✓	
Proposal Screening	"MAX" PC fund screener tools, client proposal tracking, monthly emails pipeline updates	✓	✓	✓
Pipeline Prioritization	Capital raise updates, discounts/fee deals, GP call/meeting notes, screening and due diligence reports all housed in "MAX". Regular or ad hoc client pipeline calls.	✓	✓	✓

Aksia

Approaches to Portfolio Construction

Fixed Income Substitute:

Diversified positions in senior lending strategies - often a combination of corporate and real estate debt strategies

- Direct Lending
- Real Estate Credit
- Real Assets Credit

Core + Satellite:

Concentrated positions in direct lending and/or cross asset complemented with smaller holdings in specialized strategies

Core

- Direct Lending (mostly senior U.S. and Europe)
- Real Estate Credit
- Real Assets Credit

Satellite

- Structured Credit
- Mezzanine
- Distressed
- Special Situations
- Specialty Finance

Opportunistic:

Diversified across various collateral types with a bias towards niche opportunities

- Direct Lending
- Distressed & Special Situations
- Specialty Finance
- Real Estate Credit
- Real Assets Credit
- Mezzanine

Private Credit Portfolio Considerations

Aksia

Thematic Approach

- Top-down sector themes determined by research observations with advisory guidance
- Flexibility to be opportunistic

Risk Considerations

- Geography: US, Europe, Asia, Emerging Markets
- Collateral type: corporate cash flow, real estate, real assets, consumer
- External leverage: unlevered, fund leverage, securitization
- Vintage year
- Company/asset size
- Structural seniority: senior, mezzanine, preferred

Co-Investments*

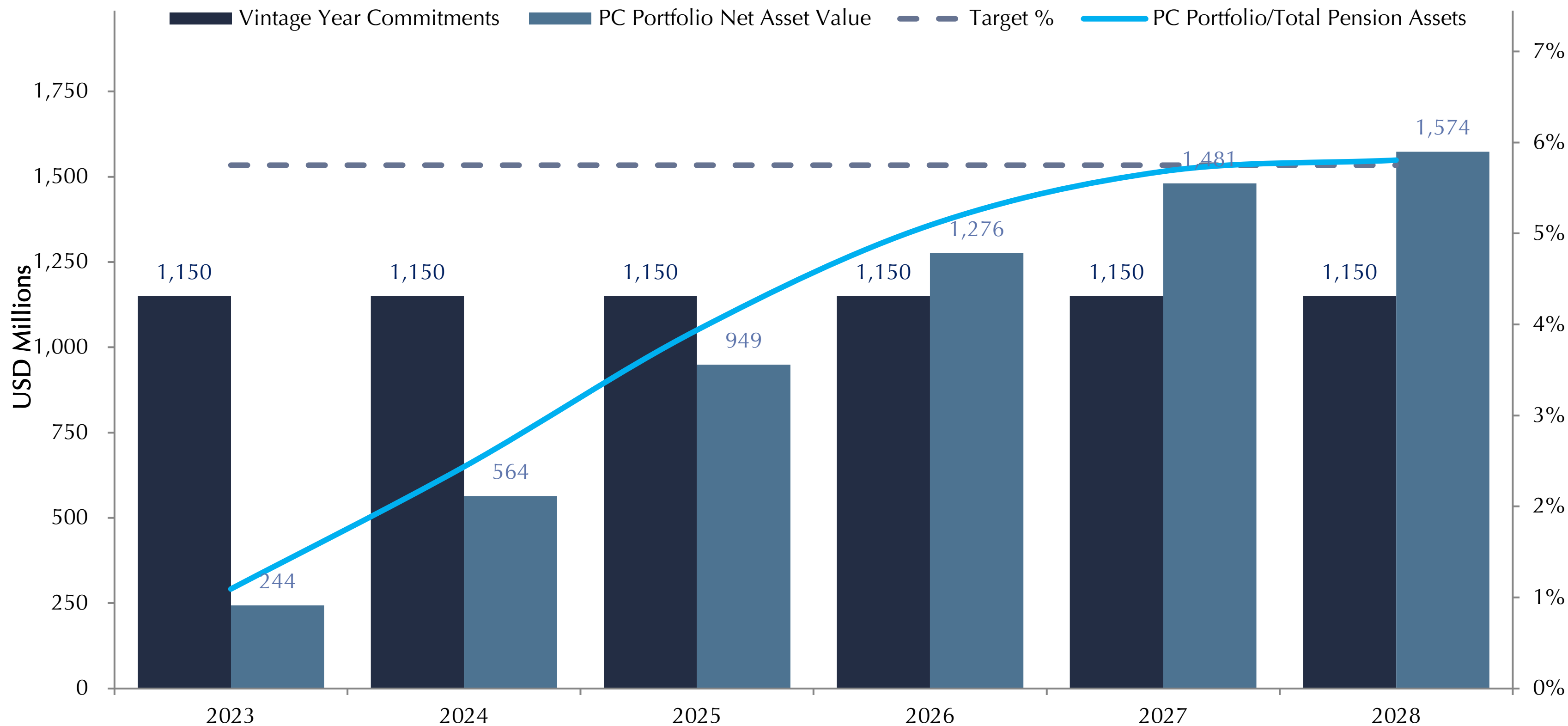
- Aksia takes a fundamentally oriented approach to co-investments, emphasizing the following key factors:
  - Investments where Aksia believes the GP has demonstrated expertise and edge
  - GPs where Aksia has conviction in the relevant team and strategy
- Aksia also believes that co-investments can be effectively used to reduce the overall fees in a portfolio and to opportunistically weight primary fund portfolios

Additional Considerations

- Diversity and inclusion
- First time funds
- Additional economics associated with primary fund commitments

*Note that Co-Investment services are added services that may be subject to additional fees, depending on scope to be mutually agreed upon.

Projected Private Credit NAV



		2023	2024	2025	2026	2027	2028
Private Credit	Net Asset Value	244	564	949	1276	1481	1574
	Uncalled Capital	1129	1783	2189	2420	2553	2629
	% of Total Pension Assets	1.09%	2.44%	3.94%	5.09%	5.68%	5.81%

* For illustrative purposes. Projection includes current SMA commitments and a total portfolio value of approx. $20.6B as of June 30, 2022.
NO RELIANCE ON FORECASTS: Any projections, forecasts or market outlooks provided herein should not be relied upon as events which will occur and no assurances can be given that a particular strategy will perform in a manner consistent with its historical characteristics, or that forecasts, expected volatility or market impact projections will be accurate. Use of this reference material does not assure any level of performance or guarantee against loss of capital. Neither Aksia nor any of its representatives make any representation or warranty, express or implied, as to the accuracy or completeness of the information provided herein. Neither Aksia nor any of its representatives shall have any liability relating to or resulting from the use of this reference material or any errors therein. Please see pages 26 and 27 which are integral to reviewing this data.

Projected Private Credit Commitment Schedule

Aksia

		Annual Commitment ($m)	Private Credit Portfolio Allocation	Total Portfolio Allocation
	Private Credit	1,150	100.00%	5.75%
Core Direct Lending (40% - 70%) RE / RA Credit (20% - 40%)	**Direct Lending** *U.S. Direct Lending* *European Direct Lending*	460	40.0%	2.3%
	Real Estate Credit *U.S. CRE Core Lending* *U.S. CRE Transitional Lending* *European CRE Lending*	115	10.0%	0.6%
	Real Assets Credit *Infrastructure Lending* *Energy Credit*	115	10.0%	0.6%
Satellite Specialty Finance (0 - 25%) Distressed/Special Situations (0 - 30%)	**Specialty Finance** *Consumer & SME Lending* *Venture Lending* *Litgation Finance*	230	20.0%	1.2%
	Distressed Debt & Special Situations *Corporate Distressed* *Capital Solutions*	230	20.0%	1.2%

* Information for illustrative purposes. Indicative target ranges would be driven by opportunity set and skill sets of available managers and respective investment terms. Projection includes current SMA commitments and a total portfolio value of approx. $20.6B as of June 30, 2022.

Private Credit Coverage & Research

Aksia Private Credit

Private Credit Market Footprint	Global Credit Team	Broad Coverage
$80bn AUA[1] **$9bn** AUM[1]	**23** Private Credit Investment Research Professionals[3]	**85+** PC Sub-strategies
Client Investments in **>620** Unique Programs[1]	**27** Private Credit Risk Professionals[3]	**59%** Program Size <$1bn[2] **52%** Global or Outside U.S.[2]
Due Diligence on **>820** PC Opportunities[2]	**7 Offices** Deep Research Coverage & Local Presence Across Global Markets[3]	**~$9.7bn** of Co-investments Sourced LTM[4]

[1]As of June 30, 2022. AUA/AUM is defined as NAV plus unfunded commitments. Represents investments currently tracked and monitored by Aksia's Client Operations team. AUM includes fully discretionary accounts and accounts where the client retains veto authority. A program is defined as a group of funds managed by the same manager which pursue a similar investment strategy, leverage, and/or investor pooling. [2]As of March 31, 2022. Due diligence has been performed (IDD, ODD, or Insight Report). Coverage by geography and fund size is representative of the universe of investment programs on which Aksia has conducted due diligence. [3]As of September 1, 2022. Professionals that spend some or all of their time covering Private Credit strategies. Number of offices includes Operational Due Diligence professionals. [4]As of March 31, 2022. Based on initial communications with Managers. From co-investments received in the last twelve months ended March 31, 2022, Aksia has invested in 9 deals totaling approximately $54.4mm.

Aksia

Private Credit Team Resources

23 Private Credit Investment Research

Tim Nest, Partner
Head of Private Credit
22+ years of experience

Dan Krivinskas, Partner
Head of Real Estate
20+ years of experience

Brian Goldberg, Managing Director
Head of Event Driven & Multi-Strategy
16+ years of experience

Maiko Nanao, Managing Director
Investment Research, Asia
23+ years of experience

Ping Xu, Co-Head of Hong Kong Office
19+ years of experience

Alex Goldman, Vice President
7+ years of experience

Michael Mahan, Senior Associate
5+ years of experience

Ergian Xhokola, Senior Associate
6+ years of experience

Leo Fletcher-Smith, Managing Director
Head of European Private Credit Strategy
15+ years of experience

Joshua Hemley, Managing Director
Head of Credit Co-Investments
14+ years of experience

Antonis Antypas, Managing Director
Global Head of Analytics
14+ years of experience

Thomas Bernhardt, Senior Vice President
22+ years of experience

Filip Malaric, Vice President
8+ years of experience

Jeff Waters, Senior Associate
11+ years of experience

3 Associates | 6 Analysts

60 Operational Due Diligence

Simon Fludgate, Partner
Head of Operational Due Diligence
28+ years of experience

41 Portfolio Advisory

Patrick Adelsbach, Partner
Co-Head, Advisory Americas
24+ years of experience

Michelle Davidson, Partner
Co-Head, Advisory Americas
35+ years of experience

Mike Krems, Partner
Private Equity Portfolio Strategies
20+ years of experience

27 Risk Management

Dan Quiat
Head of Private Markets Risk
8+ years of experience

92 Client Operations

Kara King, Partner
Head of Client Operations & Risk Management
31+ years of experience

As of September 1, 2022. Includes Investment Research, Portfolio Advisory, Risk Management and Client Operations professionals that spend some or all of their time covering Private Credit strategies. Operational Due Diligence professionals are generalists and cover all asset classes.

Aksia

Private Credit Coverage

Direct Lending

U.S. Direct Lending
- Senior
- Opportunistic
- LMM (sponsored)
- LMM (non-sponsored)
- Private BDCs
- Industry Focused
- Revolvers

European Direct Lending
- Senior
- Opportunistic
- LMM
- Country-Specific Funds

Emerging Markets Lending
- Asian
- African
- CEE/Middle East
- Latin American
- Pan-EM

Global Direct Lending

Distressed Debt & Special Situations

Corporate Distressed
- Stress / Distressed Trading
- Influence / Control
- Diversified Distressed

Opportunistic Structured Credit
- 3rd Party CLO Equity
- Captive CLO Equity
- CLO Debt
- CLO Multi
- Consumer ABS
- CMBS/CRE
- Esoteric ABS
- European Structured Credit
- RMBS
- Structured Credit Multi-Sector

Real Estate Distressed

NPLs

Capital Solutions

PC Special Situations

Distressed for Control

Specialty Finance

Consumer & SME Lending
- Marketplace Finance
- Lender/Platform Finance

Factoring & Receivables

Regulatory Capital Relief

Music/Film/Media Royalties

Oil & Gas Minerals Royalties

Metals Royalties

Healthcare Lending & Royalties
- Healthcare Lending
- Healthcare Royalties

Venture Lending

Insurance Linked Credit
- Diversified
- Life Insurance
- Non-Life

Litigation Finance
- Litigation Finance
- Merger Appraisal Rights

PE Portfolio Finance

Stretch ABL

Rediscount Lending

Diversified Specialty Finance

Real Estate Credit

U.S. CRE Core Lending

U.S. CRE Transitional Lending
- Large Loan
- Middle Market
- Small Balance
- Opportunistic

U.S. CRE Bridge Lending
- Large Loan
- Middle Market
- Small Balance

European CRE Lending
- Bridge
- Transitional
- Core

Emerging Markets CRE Lending

CRE Structured Credit
- Agency CRE B-Piece
- Non-Agency CRE B-Piece

Residential Mortgages
- Residential NPLs
- Single Family Rental
- Mortgage Servicing Rights
- Residential Origination

Real Assets Credit

Infrastructure Lending
- Senior Focus
- Sub-IG Focus
- Mezz Focus

Energy Credit
- Energy Lending
- Energy Mezzanine Lending
- Opportunistic

Trade Finance

Metals & Mining Finance

Agricultural Credit

Transportation
- Aviation Lending
- Maritime Lending
- Road & Rail Lending
- Transportation Lending (Multi)

Mezzanine

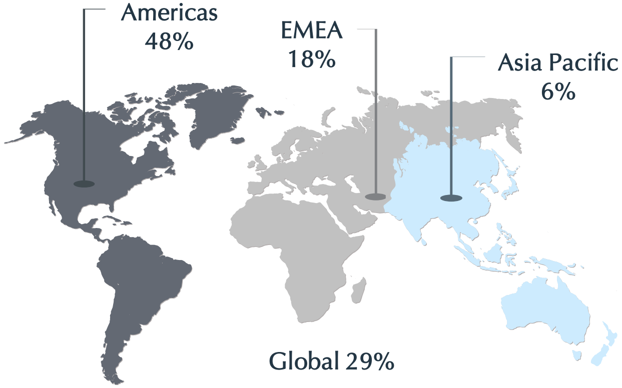
U.S. Mezzanine
- Upper Middle Market
- Middle Market
- Lower Middle Market

European Mezzanine

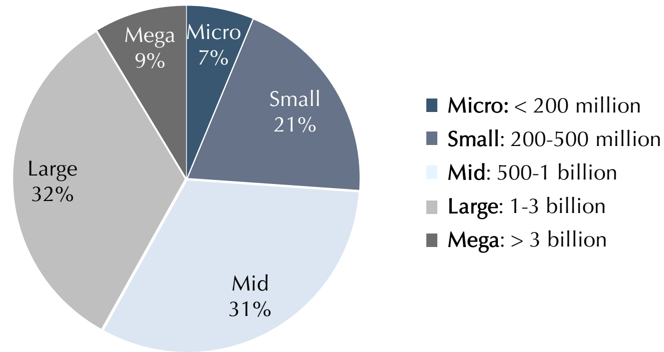
Structured Equity

Private Credit Research

Geographies



Fund Sizes



	Preliminary Review[1]	Further Review[2]	Due Diligence Report[3]
Direct Lending	952	666	235
Mezzanine	184	138	29
Distressed Debt & Special Situations	1,218	778	291
Specialty Finance	516	307	118
Real Assets Credit	234	145	58
Real Estate Credit	455	281	98
Total[4]	**3,559**	**2,315**	**829**

1. *Received fund materials*
2. *Conducted at minimum an initial call or meeting*
3. *Due diligence has been performed (IDD, ODD, or Insight Report)*
4. *Access to a fund manager's confidential information may be subject to Aksia's receipt of such manager's consent to disclose confidential information to the client*

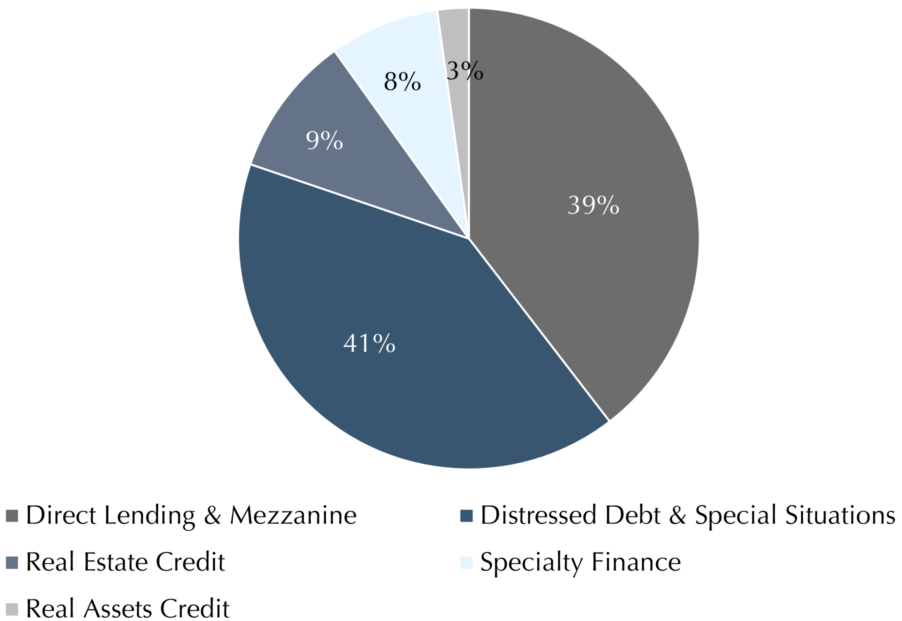
As of March 31, 2022. Coverage by geography and fund size is representative of the universe of investment programs (where a program is defined as a group of funds managed by the same manager which pursue a similar investment strategy, leverage, and/or investor pooling) on which Aksia has conducted due diligence (IDD, ODD, or Insight Report).

Private Credit Fee Deals

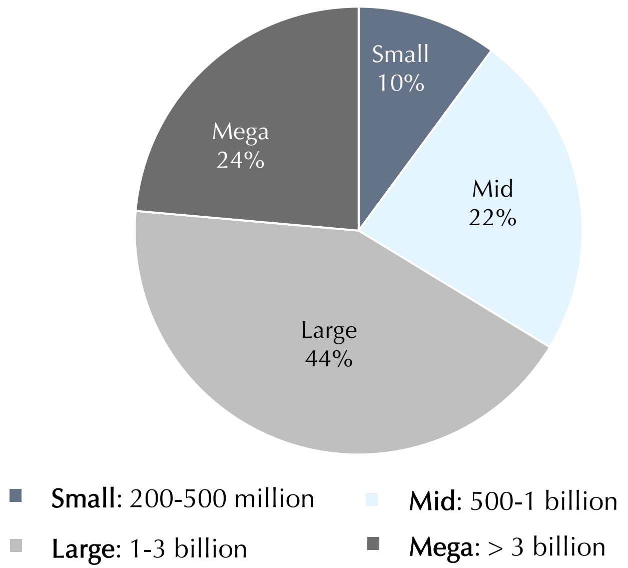
- Aksia has a structured program for actively negotiating fee discounts generally based on aggregating advisory clients' investments
- All fee discounts flow 100% to clients
- Fee discounts are generally made available to eligible clients to view via MAX

Currently negotiated deals by:

Sector



AUM



Aksia's active negotiated private credit fee deals as of March 31, 2022. Fee deals are only available to advisory clients who subscribe to our client operations and accounting support services. Sector and AUM breakout is by program. A program is defined as a group of funds managed by the same manager which pursue a similar investment strategy, leverage, and/or investor pooling.

Private Credit Thematic Investment Approach

Defensive
"Late Cycle Positioning"

Structural Protections
- Levered Sr. Middle Market Loans (US/Eur)
- Transitional RE Debt *(Large Cap/Major Markets)*
- Asset-backed Loans ("Stretch ABL")
- Infrastructure Debt

Optionality
- "Opportunistic Credit"
- Flexible "Special Situations" Mandate
- Dislocations Trigger

Low Correlation
- Royalties

Specialist Niche
"Opportunistic Diversifiers"

Growth Sector Focus
- Growth Debt to Tech/SW Cos.
- Venture Debt (Tech Focus)
- Healthcare – Structured Solutions

Structured
- Regcap focus

Hard Assets
- Bridge to Agency Multi-family

Emerging Opportunities
- Structured Secondaries
- NAV Loans / Portfolio Finance
- "Hybrid" Capital Solutions

Dislocations
"Current and Emerging Stresses"

"Covid Clean-up"
- Opportunistic / Rescue Lending CRE
- Re-performing RE Loans
- ABL Retail
- Mid-market Capital Solutions

Emerging Opportunities
- Asia Special Situations Lending (China / India focus)
- NPLs (Europe and Asia)
- Chinese Development Loans

The above represents Aksia's market observations. Observations are subject to change.

Select Emerging Manager Private Credit Client Support

- Support private credit clients with their emerging manager programs
- Work with thought-leading institutional LPs on impact, ESG and diversity matters
- Source and evaluate opportunities across the private credit market including anchor investments, start-up platforms, and other bespoke investment partnership arrangements

Selected Relevant Accounts[1]

US Public Pension: Niche Private Credit

- $489 million total PC AUM[2]
- Focus on niche strategies, earlier stage GPs, and diverse GPs
- Active across primaries, secondaries, and co-investments

US Public Pension: Opportunistic Credit

- $13.6 billion total PC AUA[2]
- Support allocations to emerging and diverse GPs
- Strong ESG focus with bespoke portfolio requirements

US Public Pension: Private Credit Portfolio

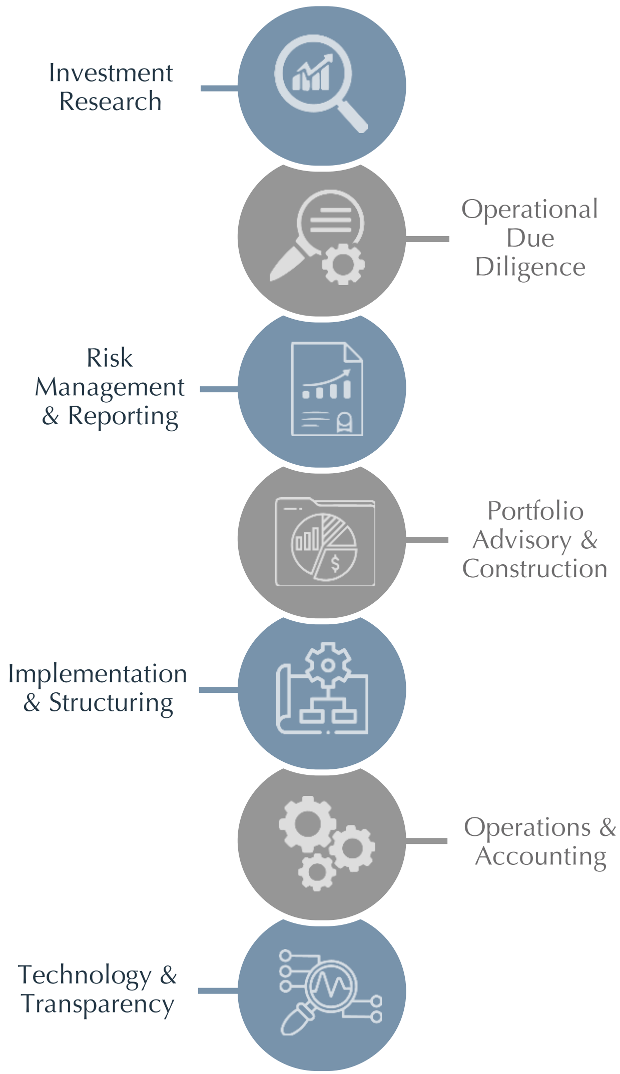
- $8.9 billion total PC AUA[2]
- Support allocations to emerging and diverse GPs in client's Emerging Manager program
- Manage a custom vehicle focused on Asia private credit

European Institution: Direct Lending (ESG focus)

- $1.27 billion total PC AUM[2]
- Manage senior middle market debt focused investment vehicle
- Significant ESG overlay to underwriting and portfolio monitoring
- Bespoke reporting and other terms negotiated for underlying accounts

For illustrative purposes only. [1]Partnerships included are chosen to portray a representative group of investment mandates and are not intended to be an exhaustive list of Aksia's relationships and strategies. [2]Data as of March 31, 2022, intended to represent the full private credit program and not just the emerging manager portion.

Aksia Key Points



Aksia provides comprehensive and well staffed support for Advisory clients.

- Dedicated Portfolio Advisory team for each client
- Full back-office support available including onboarding of legacy portfolio
- Online access to manager research, portfolio accounting, risk analytics, etc.
- Direct access to Aksia research professionals globally
- Reviews of client portfolio by relevant senior investment professionals not directly involved in the relationship
- Aksia's high staff-to-client ratio allows for quick response and resourcing via client requested special projects

Disclaimers

NO OFFERING: These materials do not in any way constitute an offer or a solicitation of an offer to buy or sell funds, private investments or other securities mentioned herein. These materials are provided only in contemplation of Aksia's research and/or advisory services. These materials shall not constitute advice or an obligation to provide such services.

RELIANCE ON TOOLS AND THIRD PARTY DATA: Certain materials utilized within this presentation reflect and rely upon information provided by fund managers and other third parties which Aksia reasonably believes to be accurate and reliable. Such information may be used by Aksia without independent verification of accuracy or completeness, and Aksia makes no representations as to its accuracy and completeness. Any use of the tools included herein for analyzing funds is at your sole risk. In addition, there is no assurance that any fund identified or analyzed using these tools will perform in a manner consistent with its historical characteristics, or that forecasts, expected volatility or market impact projections will be accurate.

NOT TAX, LEGAL OR REGULATORY ADVICE: The Intended Recipient is responsible for performing his, her or its own reviews of any private investment fund it may invest in including, but not limited to, a thorough review and understanding of each fund's offering materials. The Intended Recipient is advised to consult his, her or its tax, legal and compliance professionals to assist in such reviews. Aksia does not provide tax advice or advice concerning the tax treatments of a private investment fund's holdings of assets or an investor's allocations to such private investment fund. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

PRIVATE INVESTMENT FUND DISCLOSURE: Investments in private investment funds involve a high degree of risk and investors could lose all or substantially all of their investment. Any person or institution investing in private investment funds must fully understand and be willing to assume the risks involved. Some private investment funds may not be suitable for all investors. Private investment funds may use leverage, hold illiquid positions, suspend redemptions indefinitely, modify investment strategy and documentation without notice, short sell securities, incur high fees and contain conflicts of interests. Private investment funds may also have limited operating history, lack transparency, manage concentrated portfolios, exhibit high volatility, depend on a concentrated group or individual for investment management or portfolio management and lack any regulatory oversight. Past performance is not indicative of future results.

RECOMMENDATIONS: Any Aksia recommendation or opinion contained in these materials is a statement of opinion provided in good faith by Aksia and based upon information which Aksia reasonably believes to be true. Recommendations or opinions expressed in these materials reflect Aksia's judgment as of the date shown, and are subject to change without notice. Except as otherwise agreed between Aksia and the Intended Recipient, Aksia is under no future obligation to review, revise or update its recommendations or opinions.

AVAILABILITY OF FEE DEALS: There are no guarantees that Aksia will or is likely to successfully negotiate fee deals for one or more investments in a particular investor's account. The availability of a negotiated fee deal may change, and no assurances can be given that a fee deal will be available and/or in effect at the time of an investor's investment. The ability to grant an investor the benefit of a fee deal rests solely with the relevant manager. Investors are solely responsible for ensuring that any managers' reduced fees applicable to the investor through its relationship with Aksia or otherwise have been appropriately applied. Aksia will not be liable for any loss incurred due to a manager's failure to apply a fee reduction or appropriately rebate the investor, or for Aksia's failure to notify the manager that the investor is a client of Aksia and as such entitled to a discount or its failure to notify the investor that it is no longer entitled to a discount.

Disclaimers

HYPOTHETICAL PERFORMANCE: Any hypothetical performance results have inherent limitations, since they do not represent actual trading. Results may under- or over-compensate for the impact, if any, of certain market factors, such as market disruptions, lack of liquidity and the effect of interest rates. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk on actual trading. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical simulated performance results and all of which can adversely affect actual trading results.

The hypothetical results should not be relied upon and do not represent, and are not necessarily indicative of, the results that may be achieved by actual trading. There are frequently sharp differences between the hypothetical performance results and the results subsequently achieved by any particular trading or investment program. The performance of the hypothetical portfolios included herein reflects the assumptions, views, and analytical methods of Aksia. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown herein.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS: No assurances can be given that a particular investment or portfolio will meet its investment objectives. Any projections, forecasts or market outlooks provided herein should not be relied upon as events which will occur. Past performance is not indicative of future results. Use of advanced portfolio construction processes, risk management techniques and proprietary technology does not assure any level of performance or guarantee against loss of capital.

MEKETA
INVESTMENT GROUP

Presentation to the Los Angeles City Employees' Retirement System

October 11, 2022

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

Our Team

Mary Bates
Managing Principal, Shareholder
Private Markets Consultant

- 21 years of industry experience
- Joined the firm in 2019 as part of the merger between Meketa and Pension Consulting Alliance (PCA), Joined PCA in 2017
- Private Markets Consultant focusing on private debt/credit investments, and broader alternatives programs
- Previous experience includes asset management and investment banking
- Member: Private Markets Research Committee
- BS from Indiana University, Kelley School of Business

Tad Fergusson, CFA
Managing Principal, Shareholder
Private Markets Consultant

- 28 years of industry experience
- Joined the firm in 2019 as part of the merger between Meketa and Pension Consulting Alliance (PCA), Joined PCA in 1997
- Lead or Co-Lead Consultant on various full-service private markets retainer clients
- Member: Private Markets Research Committee
- MBA in Finance and BS in Economics from the University of Oregon

John Haggerty, CFA
Managing Principal, Shareholder
Director of Private Market Investments

- 29 years of industry experience
- Joined the firm in 1996
- Chair: Private Markets Policy and Research Committees
- Member: Board of Directors, Executive Committee, ESG Investing, and Operational Due Diligence Committees
- Consultant for several public funds
- BA from Cornell University

Table of Contents

Firm Overview

Firm Overview

44
Years of Experience

239
Clients

$1.9 T
In Assets under Advisement

Top 10
Investment Consulting Firm Nationwide[2]

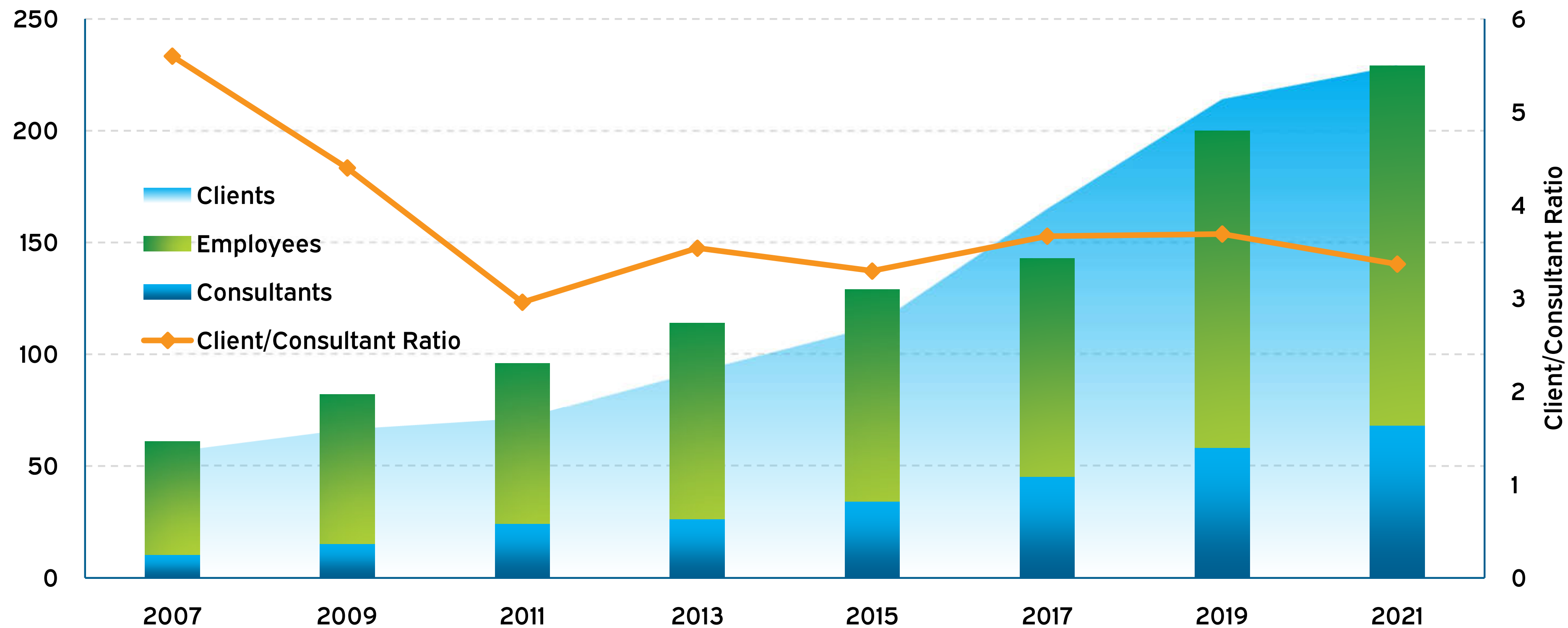
- Four decades of investment advisory experience.
  - Advising Defined Benefit and Defined Contribution plans, and Endowment/Foundations.
  - Working with Corporates, Endowments, Foundations, Healthcare, Taft-Hartley, Public, and Non-Profits.
- Over 200 clients.*
  - 49 OCIO/Discretionary clients.
  - 180 General Consulting clients.
  - Over 100 Private Market clients.
- Staff of 245, including 157 investment professionals.
  - 69 consultants and 48 analysts.
  - 49 investment operations.
  - 79 corporate & business administration.
- One Line of Business.
  - All revenue from advisory and consulting services.
  - No proprietary products.

[1] Overlap may occur as some clients have multiple mandates.
[2] Pension & Investments, November 30, 2021, *Largest Investment Consultants Listing*.

As of June 30, 2022.

Firm Overview – Our Commitment to Client Service

- We work directly with each client to meet their unique objectives.
- Low client to consultant ratio means we know our clients and their portfolios well.
- Timely and proactive advice has resulted in strong client retention.
  - Annual client retention rate has averaged 99% over the last 10 years.
- We are NOT flexible in our commitment to quality, our investment process, and dedication to service.



Firm Overview – Corporate Diversity & ESG

Community Stewardship and Social Responsibility

- The Corporate Responsibility Committee was created in 2009 and is led by Managing Principal, Colleen Smiley, with the support of eight additional senior professionals across different functions of the firm.

Corporate Diversity	ESG Investment Management
• Meketa is committed to corporate diversity. Women and/or minorities comprise: – 60% of our employees; – 48% of our leadership team; and – 45% of our shareholders. • 34% of our employees are multi-lingual, speaking 29 different languages or dialects • Community Relations & Volunteerism	• Diversity within Investment Manager Selection – Emerging and Diverse Manager Committee – As of December 31, 2021, approximately 5% of the assets where Meketa advises or participates in manager selection are invested in diverse owned firms. • ESG Disclosure and Rating • Promote ESG – Responsible Contractor Policy – Guidelines & Restrictions

- As a signatory of the United Nations-backed Principles for Responsible Investment Initiative (UNPRI), Meketa has joined a network of international investors working together to put the six Principles of Responsible investing into practice.

As of June 30, 2022.

Firm Overview – Proud to Serve Some of the Largest Public Pensions in the US

CalPERS

OREGON STATE TREASURY

STATE OF CONNECTICUT TREASURER'S OFFICE

Washington State Investment Board

S·U·R·S STATE UNIVERSITIES RETIREMENT SYSTEM

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

CALSTRS HOW WILL YOU SPEND YOUR FUTURE?

SRPS MARYLAND STATE RETIREMENT and PENSION SYSTEM

DISTRICT OF COLUMBIA RETIREMENT BOARD DCRB

ERS

THE GREAT SEAL OF THE STATE OF MINNESOTA 1858

Arizona State RETIREMENT SYSTEM

STATE OF NEW YORK COMPTROLLER

LACERA

Employees' Retirement System of the State of Hawaii

As of June 30, 2022. The above clients are representative only and not an endorsement by any client listed. It is not known whether the clients listed approve of Meketa or the services we provide.

Firm Overview – Private Markets Research Organization

John Haggerty, CFA Director of Private Markets	Christy Fields Head of Real Estate Portfolio Solutions

PRIVATE EQUITY	PRIVATE DEBT	REAL ASSETS *(Infrastructure and Natural Resources)*	REAL ESTATE

Consultants

Lisa Bacon, CAIA Private Markets Consultant	**Mary Bates** Private Markets Consultant	**Judy Chambers** Private Markets Consultant	**Gerald Chew, CAIA** Private Markets Consultant	**Jess Downer, CFA** Private Markets Consultant
Tad Fergusson, CFA Private Markets Consultant	**Steven Hartt, CAIA** Private Markets Consultant	**Colin Hill** Real Estate Consultant	**Molly LeStage** Private Markets Consultant	**Scott Maynard** Real Estate Consultant
Maya Ortiz de Montellano, CFA Private Markets Consultant	**Derek Proctor** Real Estate Consultant	**Reggie Ross** Real Estate Consultant	**Ethan Samson, JD** Private Markets Consultant	**Adam Toczylowski, CFA** Private Markets Consultant

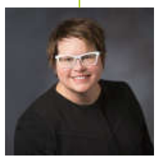
Analysts and Investment Associates

Chris Andrulis Real Estate Analyst	**Danny Chan, CFA** Sr. Private Markets Analyst	**Sarah Christo** Real Estate Analyst	**Sabrina Ciampa** Investment Associate	**Jed Constantino, CAIA** Sr. Private Markets Analyst
Bradley Dumais Private Markets Analyst	**Abigail Fischer** Real Estate Analyst	**Andrew Gilboard** Sr. Private Markets Analyst	**Jamie Hoffman** Investment Associate	**Paige Junker** Real Estate Performance Analyst
John McCarthy Private Markets Analyst	**Ryan Murray** Investment Associate	**Harrison Page** Private Markets Analyst	**Karen Reeves** Real Estate Analyst	**Luke Riela, CFA** Macro Research & Data Analytics
	Balaj Singh, CFA, CAIA Private Markets Analyst	**Benjamin Tyler** Investment Associate	**Cristen Xhama, CFA** Private Markets Analyst	

As of August 2022.

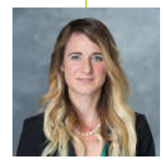
Firm Overview – Private Credit Research Committee

Private Credit Research Committee



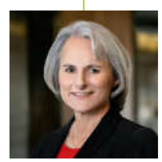
Mary Bates
Managing Principal
(21, 5)*

Amy Hsiang, CFA, CAIA
Managing Principal
(22, 1)*

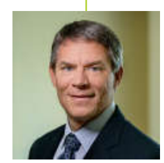


Maya Ortiz de Montellano, CFA
Senior Vice President
(20, <1)

Tad Fergusson, CFA
Managing Principal
(28, 25)*



Molly LeStage
Managing Principal
(29, 7)*



Steven Hartt, CAIA
Managing Principal
(35, 12)*

- All private credit decisions are vetted collectively by this 6-person committee who average 26 years of experience.

* (Years industry experience, years with firm)
Ms. Bates and Mr. Fergusson joined Meketa as part of the merger with PCA on March 15, 2019. Years with firm includes tenure at PCA.

Private Credit Overview

Private Credit Overview – Meketa Approach

Core Private Credit Beliefs

- Private credit is credit – i.e., avoid the left tails
- Diversification across collateral types matters
- Do not overcomplicate
  - Fewer managers, larger commitments
- Credit is cyclical; timing matters
- Build portfolios; do not maintain approved lists of managers
- Understand ALL costs

Private credit is a broad, diverse opportunity set comprised of both yield-oriented and capital appreciation strategies. Strategies vary widely by return expectation, collateral and liquidity. Programs can be designed as fixed income replacements or as absolute return portfolios or a combination.

Meketa works with clients to build customized programs as all client needs are unique.

Yield-Oriented	Capital Appreciation
Income focused strategies such as direct lending, specialty finance and royalties	Both performing and non-performing strategies such as opportunistic credit, European NPLs and corporate distressed

Private Credit Overview – Meketa Private Credit Universe

Direct Lending	Specialty Finance	Special Situations	Opportunistic
Capital Structure - First Lien - Unitranche - Second Lien - Mezzanine/Junior Debt	**Consumer** - Credit Cards - Student Loans - Auto Loans - Consumer Installment	**Distressed** - Corporate - Mortgage - Commercial Real Estate	**Royalties** - Music - Health Care - Intellectual Property
Geography - U.S. - Europe - Asia/Emerging Markets - Global	**Commercial** - Accounts Receivables - Trade Finance - Small Balance	**Capital Solutions**	**Litigation Finance**
Industry - Healthcare - Franchise - Technology	**Mortgage Credit** - Homebuilder Finance - Re-Performing Loans - Non-QM	**Non-Performing Loans**	**CLO Debt/Equity**
	Real Assets - Equipment Leasing - Aviation - Shipping - Solar/Renewables - Agriculture - Infrastructure		**Venture Debt**
			Portfolio Finance

Private Credit Overview – Private Credit Clients

- More than 50 clients with private credit allocations.
- 10 discretionary clients with private credit allocations.
- All client mandates are customized.

Representative Clients include:

S·U·R·S STATE UNIVERSITIES RETIREMENT SYSTEM

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

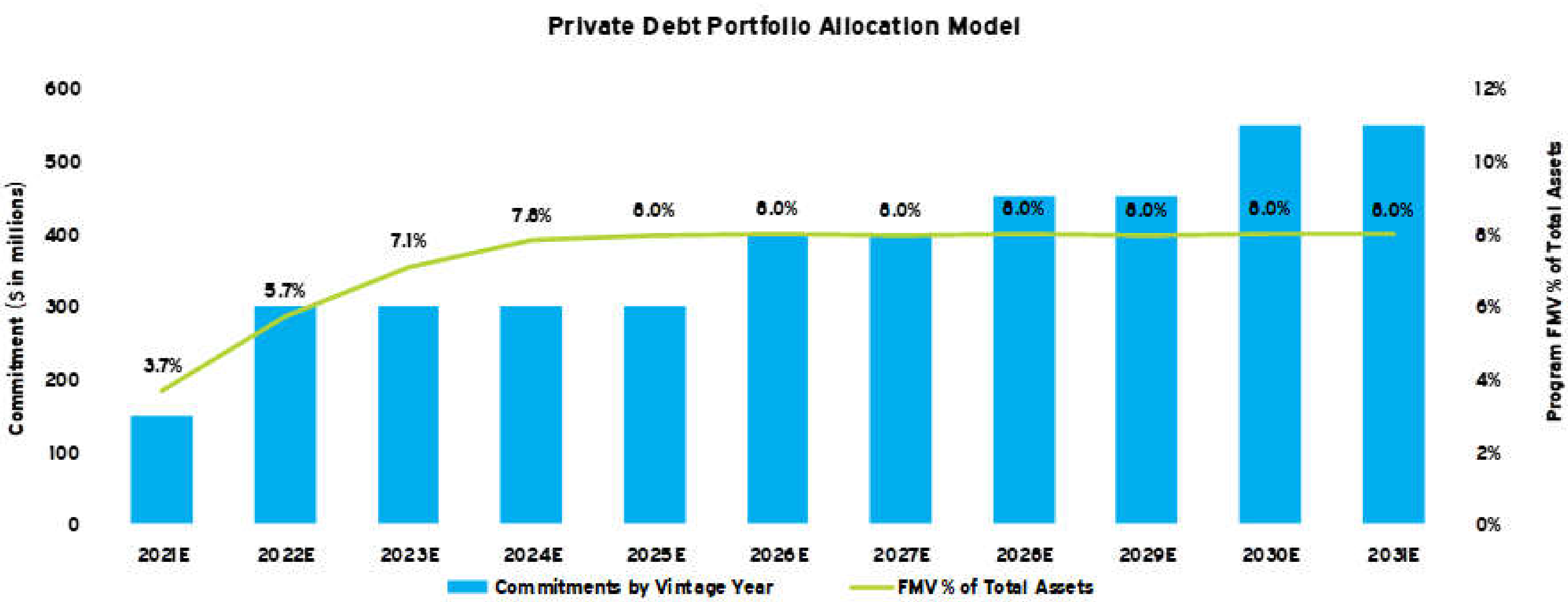
ARIZONA STATE RETIREMENT SYSTEM

DISTRICT OF COLUMBIA • DCRB • RETIREMENT BOARD

The above clients are representative only and not an endorsement by any client listed. It is not known whether the clients listed approve of Meketa or the services we provide.

Private Credit Overview – Sample Private Credit Case Study *(for illustrative purposes only)*

- Focus on yield-oriented strategies. S&P/LSTA Leveraged Loan Index + 200 basis points.
  - *Performance 13.0% Net IRR a/o March 31, 2022.*
- Targeting 8% policy to private credit. Up from 6% target allocation.



This information is for illustrative purposes only and does not constitute an exhaustive explanation of the investment process, investment allocation strategies or risk management. All investments involve risk. There can be no guarantee that the strategies, tactics, and methods outlined in this example will be successful. Past Performance is not indicative of future performance.

Private Credit Overview – Program Implementation Overview

Program Design

Consider all sectors.

Seek a risk-return portfolio balance that meets expectations.

Diversify by strategy, region, vintage, risk profile.

Enhance Investment Policy Statement and update Strategic Plans.

Incorporate Environmental, Social, and Governance (ESG) best practices.

Investment Preferences

Specialized, niche strategies.

Distinguish between “beta” and “alpha” opportunities.

Seek repeatable return generation models; preference for in-house capabilities.

Avoid excessive use of leverage.

Price discipline (low basis) with realistic underwriting.

Partnership Due Diligence

Top managers with a strong alignment of interest.

Generally independently-managed organizations.

Avoidance of “asset gatherers”, emphasis on more focused organizations.

Operational resources.

Focus on ESG best practices and process implementation.

Legal, Compliance & Monitoring

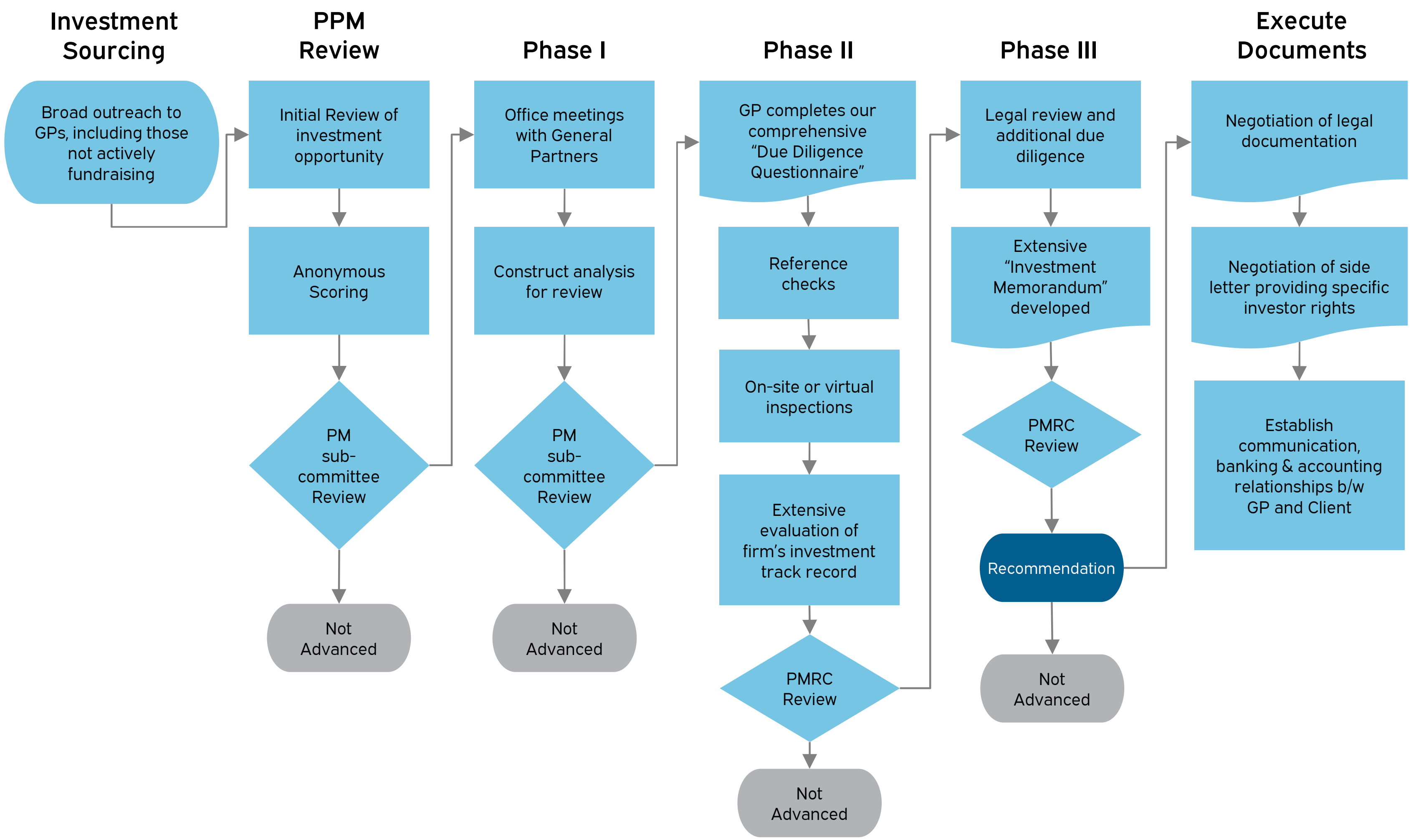
Review of partnership, co-investment or secondary P&S documents.

Analysts and Consultants assigned to follow each client investment.

Detailed reporting, with market and industry analysis.

Private Credit Overview – Due Diligence Process

We apply a rigorous review process to identify and evaluate the highest quality managers



Emerging & Diverse Manager Research Day

- Hosting two Emerging & Diverse Manager Research days annually.
- Emerging & Diverse managers of all investment strategies are encouraged to register.
- Targeting 50 manager meetings at each event.

Summary

Summary

Meketa is well positioned to serve as an Extension of LACERS' Staff for its Private Credit program.

- Experienced, stable team
  - Proposed team leads average over ~20 years of industry experience.
  - Deep sourcing network.
- Significant resources
  - ~50 Private Markets Team including Operational Due Diligence and Legal.
  - Leverage private equity, real estate, real assets, infrastructure expertise.
- Holistic view of private credit
- Efficient implementation
- Understanding of large institutional funds
  - Advise on $1.9 trillion on behalf of clients, advisory and discretionary.
- Customized, collaborative approach

Summary

Thank you for the opportunity to meet with you and present our capabilities.

We are excited about the prospect of serving the

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

and believe we would be a great fit for your organization.

It would be an honor and a privilege to serve as your investment consultant.

Contact

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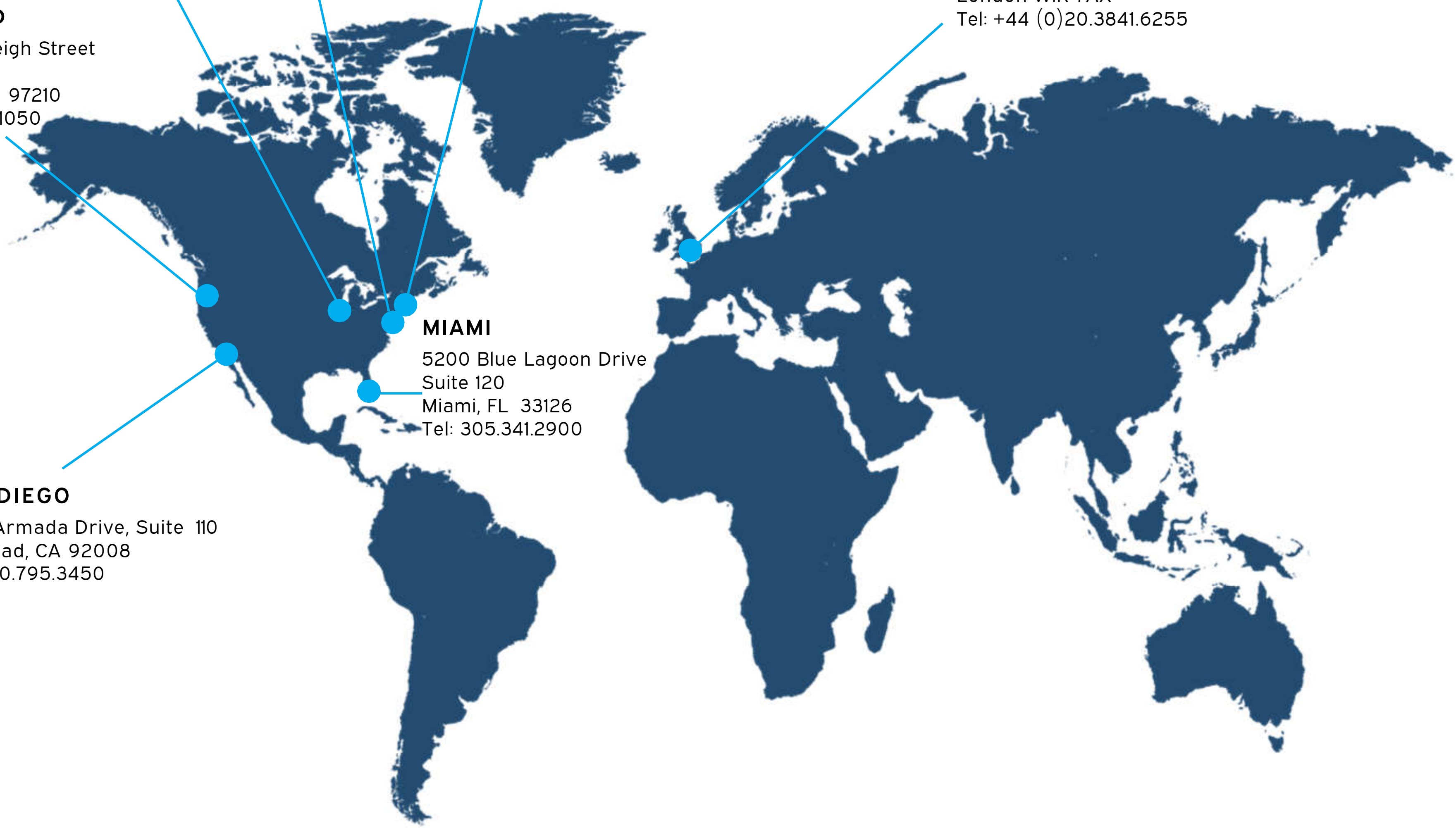
Suite 300A
Portland, OR 97210
Tel: 503.226.1050



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LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE | **MEETING: OCTOBER 11, 2022**
From: Neil M. Guglielmo, General Manager | **ITEM: V**

SUBJECT: **SECURITIES LENDING PROGRAM MODIFICATIONS AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee recommend to the Board amending the Securities Lending Program (SLP) Custom Cash Collateral Account Guidelines to:

1. Remove the Northern Trust Collective Short Term Investment Fund (Collective STIF) as an eligible investment and replace it with the Northern Institutional Liquid Assets Portfolio (NILAP).

2. Reduce the maximum percentage of the Custom Cash Collateral Account (Cash Collateral Account) that can be invested in NILAP from 50% to 25%.

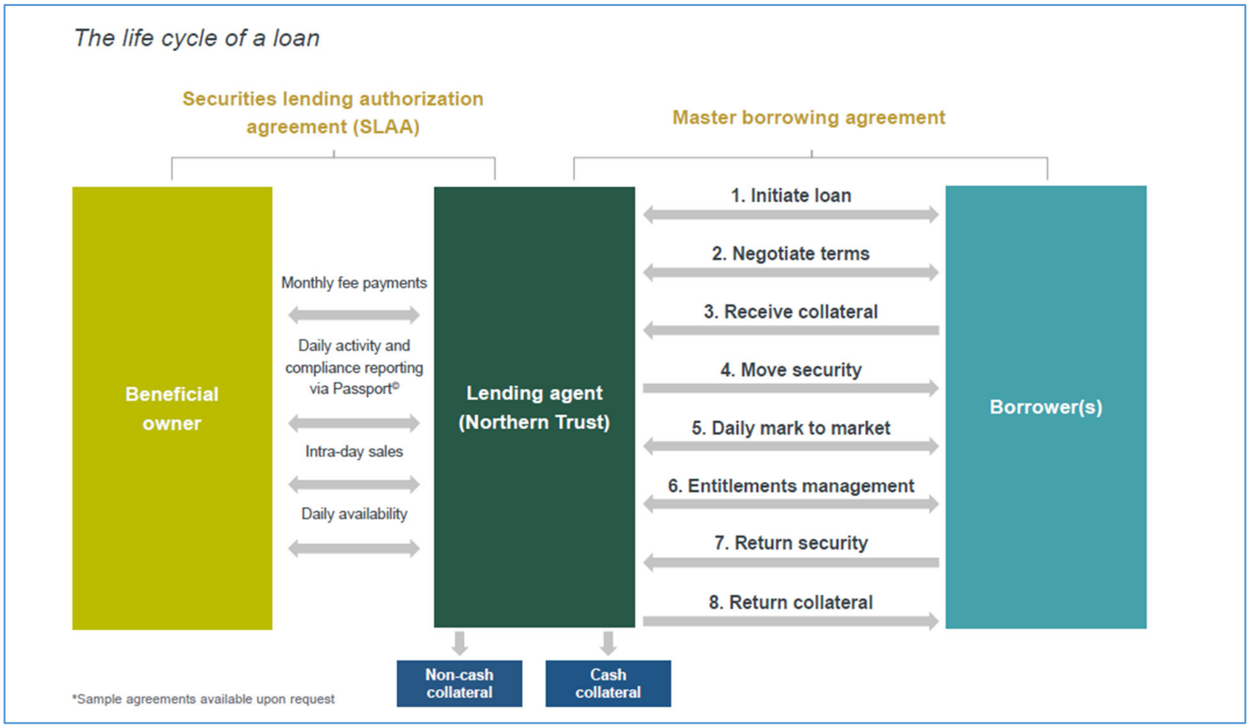
Executive Summary

The Northern Trust Company (Northern Trust), LACERS' Master Custodian Bank and SLP Agent, recently changed its cut-off time for sweeping cash into the Collective STIF, rendering it an unviable investment option for LACERS' Cash Collateral Account. Staff recommends the amendment of the SLP Custom Cash Collateral Account Guidelines to replace the Collective STIF with an alternate cash sweep vehicle, NILAP, as an eligible investment for the Cash Collateral Account. Staff also recommends revising the diversification guidelines to limit the percentage of the Cash Collateral Account that can be invested into the cash sweep vehicle to 25%.

Discussion

Background on LACERS' Securities Lending Program

The LACERS SLP seeks to generate income by lending public markets securities owned by LACERS to qualified borrowers. Securities loans are fully collateralized based on the fair value of the borrowed securities. Collateral received against the securities loans may be in the form of eligible securities (Non-Cash Collateral) or in the form of cash (Cash Collateral); income is earned differently based on collateral type. Under a Non-Cash Collateral lending structure, income is generated from fees paid by borrowers. Under a Cash Collateral lending structure, income is generated by investing the cash collateral in short-term investments held in a separately managed account (Cash Collateral Account). Northern Trust has served as the SLP agent (Agent) and as the investment manager of the Cash Collateral Account since 1991. The following diagrams provide a hypothetical illustration of the program structure and process in greater detail.



HOW REVENUE IS GENERATED

Example: Northern Trust lends $25 million of US Equity

Non-Cash Loan

The $25 million market value loan is for 30 days collateralized by a US Treasury.

1	Receive non-cash collateral valued at **$25,500,000** (102%)	
2	Fee charged to borrower on the value of the loan (20 bps)	$4,167
3	Gross revenue (gross spread 20 bps) credited to client monthly	$4,167
4	Monthly lender's fee (@ 30%)	$1,250
5	**Net client earnings**	**$2,917**

Cash Loan

The $25 million market value loan is for 30 days collateralized with cash (federal funds at 2.00%)

1	Receive cash collateral valued at **$25,500,000** (102%)	
2	Cash collateral invested in a collateral pool at yield of 2.10%	$44,625
3	Rebate paid to borrower at rate of 1.80%	$(38,250)
4	Gross Revenue (gross spread 30 bps)	$6,375
5	Monthly lender's fee (@ 30%)	$1,913
6	**Net client earnings**	**$4,462**

**Fee split between Lender and agent referenced in the diagram is for illustrative purposes only. The current agreement entitles Northern Trust to 15% of program revenue, with LACERS earning the residual 85% of program revenue.*

The SLP is governed by the LACERS Securities Lending Policy (Policy) under the broader Investment Policy adopted April 26, 2022, and by customized collateral and investment guidelines. The Policy defines the SLP objective, scope, and the roles and responsibilities of the Board, staff, and Agent. Additionally, the Policy acknowledges risks from securities lending activities to include, but are not limited to, credit risk in the form of counterparty risk, market risk in the form of cash collateral reinvestment risk and interest rate risk, and operational risk in the form of trade settlement risk. The current agent indemnifies LACERS against counterparty defaults (failures to return borrowed securities); however, LACERS bears the risk of investing cash collateral, exposing LACERS to potential principal losses as a tradeoff to generating income from cash collateral.

The collateral and investment guidelines, which are negotiated by staff with general investment consultant input and approved by the General Manager, supplement the Policy and mitigate identified risks by setting standards for the type, level, and investment of collateral the Agent may accept on LACERS' behalf. The guidelines are set forth in two separate documents, one for Cash Collateral and the other for Non-Cash Collateral, which are attachments to the securities lending contract with the Agent. The Cash Collateral Account Guidelines address the eligible investments, credit quality, diversification, liquidity, and trading for LACERS' Cash Collateral Account. The Non-Cash Collateral Guidelines address collateralization levels, eligible collateral, credit quality, and diversification. Both the Cash Collateral Account Guidelines and the Non-Cash Collateral Guidelines were temporarily amended in 2020 to strengthen risk management under each lending structure due to economic and market uncertainties arising from the COVID-19 pandemic. In 2021, the Board permanently adopted the amendments to the Non-Cash Collateral Guidelines and affirmed the temporary Cash Collateral Account Guidelines to remain in effect. Staff is recommending a further tightening of the Cash Collateral Account Guidelines to reduce risk of the SLP due to a change in Northern Trust's cash sweep process and continued economic and market uncertainty. No changes are recommended for the Non-Cash Collateral guidelines.

Cash Sweep Vehicle Cut-off Change

Under the current Cash Collateral Account Guidelines, Collective STIF is designated as an eligible investment, subject to a cap of 50% of the value of the total assets of the Cash Collateral Account (with the balance of the account being invested in other eligible securities). The Collective STIF is a commingled fund comprised of high-quality money market instruments. It is designed specifically for Northern Trust's custody clients and serves as a daily sweep vehicle to invest clients' residual cash balances to earn an additional yield while preserving capital and maintaining liquidity. In the SLP, the Agent requires a sweep vehicle such as Collective STIF to effectively manage cash flows arising from cash collateral loan transactions. Prior to August 1, 2022, cash could be swept in and out of (invested or withdrawn from) Collective STIF until market close at 1 p.m. Pacific Time each business day, allowing the Agent to manage cash collateral loan transactions through the end of each trading day.

Effective August 1, 2022, Northern Trust changed the Collective STIF sweep cut-off time to 12 p.m. Pacific Time, one hour prior to market close, to be consistent with custody industry standards. This change rendered the Collective STIF incompatible with SLP operations because late day cash collateral loans transactions routinely occur post the new Collective STIF cut-off time until market close (between 12 p.m. and 1 p.m. Pacific Time). There is therefore a need for an alternate sweep vehicle for the Cash Collateral Account that allows investments and withdrawals until market close to settle late day securities loans and returns of collateral to borrowers. Northern Trust proposed two alternatives which staff conducted due diligence on: Northern Trust Collective Securities Lending Core Short Term Investment Fund (Core STIF) and NILAP. Both options cater specifically to securities lending cash collateral program clients and allow for end-of-day sweeps to accommodate late day loan transactions.

Option 1: Collective Securities Lending Core Short Term Investment Fund

Core STIF is a commingled fund that invests in high-quality money market instruments with the objective of generating a yield that maximizes the spread relative to the securities loans being made on clients' behalf while maintaining appropriate liquidity. Based on a review of the Core STIF legal documents and multiple meetings with Northern Trust, staff determined that the fund has an increased risk-return profile relative to Collective STIF. As presented in Attachment 2, the one-year net return as of August 31, 2022, was 0.73% for Core STIF versus 0.65% for Collective STIF; the weighted average maturity was 47 days for Core STIF versus 38 days for Collective STIF. The higher yield and longer average maturity of Core STIF primarily result from investments in term repurchase agreements (up to 90-day terms) collateralized by investment grade and high yield corporate debt, equities, and exchange traded funds (ETFs); such securities subject Core STIF to increased counterparty credit, market, and liquidity risks relative to Collective STIF, which prohibits term repurchase agreements. While Core STIF offers a higher yield than Collective STIF, authorizing Core STIF as an eligible investment for the Cash Collateral Account would incrementally increase the account's risk profile. Staff notes that Core STIF has guidelines in place to address the liquidity, credit quality and diversification of term repurchase agreements as well as conservative collateralization levels that provide an additional layer of credit risk mitigation. However, based on discussions with LACERS' general fund consultant and fixed income managers over a weakening economic environment and the state of credit markets, it is prudent to reduce risk in the Cash Collateral Account at this point of the market cycle and avoid taking the additional credit, market, and liquidity risks inherent in the Core STIF to minimize potential securities lending losses to LACERS.

Option 2: Northern Institutional Liquid Assets Portfolio

NILAP is a commingled fund operating as a government money market fund, which invests at least 99.5% in cash equivalents and securities issued or guaranteed as to principal and interest by the U.S. government or by its agencies and instrumentalities. NILAP is subject to the Securities and Exchange Commission's Rule 2a-7 strict requirements on the investment quality, maturity, diversification, and liquidity of government money market funds investments. These requirements include an investment restriction to U.S. dollar-denominated securities that represent minimal credit risks only, an individual security maximum maturity of 397 days, a maximum dollar-weighted average portfolio maturity of 60 calendar days, and a maximum dollar-weighted average portfolio life of 120 days. Rule 2a-7 also requires NILAP to hold at least 10% of its total assets in daily liquid assets and at least 30% of its total assets in weekly liquid assets. As presented in Attachment 2, relative to Core STIF and Collective STIF, NILAP offers superior liquidity with 92% of the portfolio currently invested in securities with overnight maturity and a fund weighted average maturity of eight days. Given its more conservative investment strategy and risk profile, NILAP's yield is lower than both Core STIF and Collective STIF. For the one year ending August 31, 2022, NILAP's net return was 0.54%, behind Collective STIF's net return of 0.65% and Core STIF's net return of 0.73%. NILAP is a prudent choice as a replacement for the Collective STIF considering a bearish economic and market outlook. NILAP would provide a higher degree of principal preservation while still meeting the operational liquidity needs of the Cash Collateral Account.

Cash Sweep Vehicle Cap
Under the current Cash Collateral Account Guidelines, the investment in the cash sweep vehicle is subject to a cap of 50% of the value of the total assets of the Cash Collateral Account. Over the past 24 months, the Cash Collateral Account has averaged $350 million in value; the allocation to the cash sweep vehicle meanwhile has averaged 46% of the Cash Collateral Account. Staff proposes tightening the cash sweep vehicle allocation cap to 25% of the value of the total assets of the Cash Collateral Account, or half the current allocation cap, to mitigate risks associated with being invested in a commingled fund. As of August 31, 2022, NILAP's total net portfolio assets currently stand at $1.4 billion. Based on the average value of the Cash Collateral Account, a cap of 25% would limit LACERS' investment in NILAP to no more than 10% of the fund's assets under management. Additionally, this lower cap would further diversify the Cash Collateral Account across other securities authorized by the guidelines while continuing to provide sufficient liquidity via a sweep vehicle to allow the Agent to settle late day securities loan transactions. A redline version of the Cash Collateral Guidelines that incorporates NILAP as an eligible investment and limits its allocation to 25% of the value of the Cash Collateral Account is attached as Attachment 3.

General Fund Consultant Recommendation
Staff's recommendations were based on a rigorous due diligence process which involved NEPC, LLC, LACERS' general fund consultant. NEPC concurs with staff's recommendations; refer to Attachment 6 for further details.

Staff will continue to evaluate the economic landscape for the appropriateness of maintaining a highly conservative risk profile with Cash Collateral Account Guidelines. Staff will report back to the Board in approximately one year, or sooner if deemed necessary, to provide an SLP update and possible recommendations regarding the Cash Collateral Account Guidelines.

<u>Strategic Plan Impact Statement</u>

The amendment of the guidelines to allow NILAP as an eligible investment under the LACERS SLP cash collateral investment account subject to an allocation limit of 25% of the account aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV). The parallel due diligence process also aligns with the Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

<u>Prepared By:</u> Jeremiah Paras, Investment Officer I, Investment Division

NMG/RJ/BF/JP:rm

Attachments: 1. NILAP Fact Sheet as of August 31, 2022

2. Comparison of Funds
3. Cash Collateral Guidelines – Proposed Revisions (Redline Version)
4. Cash Collateral Guidelines – Proposed Revisions (Clean Version)
5. Cash Collateral Guidelines – Current Board Approved Version
6. Consultant Recommendation – NEPC, LLC

NORTHERN INSTITUTIONAL

LIQUID ASSETS PORTFOLIO

MONEY MARKET

AS OF AUGUST 31, 2022

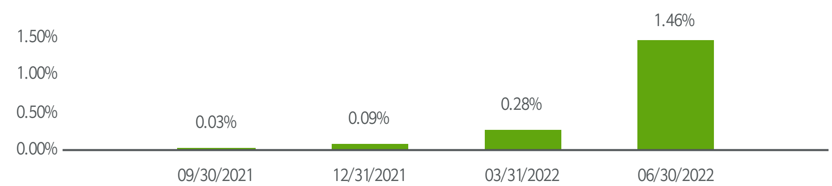
Investment Objective

The Portfolio seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments.

Investment Approach

The Portfolio invests in at least 99.5% in cash and securities issued or guaranteed as to principal and interest by the U.S. government or by its agencies and instrumentalities. The Portfolio seeks potentially higher yields than a portfolio that invests in only Treasury securities, while maintaining high credit quality. The Portfolio invests in repurchase agreements-securities sold to investors by financial institutions which have agreed to repurchase the securities at a pre-arranged price and time; these investments provide liquidity for the portfolio and may offer a possible yield advantage relative to other short-term securities.

7-DAY CURRENT YIELD HISTORY (LIQUID ASSETS PORTFOLIO)



MONTH-END 7-DAY CURRENT YIELD %*

2021					2022*						
Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
0.03	0.03	0.04	0.09	0.05	0.07	0.28	0.32	0.73	1.46	2.01	2.27

TOTAL RETURNS %	1-Year	3-Years	5-Years	10-Years	Since Inception
As of 8/31/22*	0.54	0.57	1.10	0.70	1.38

*The Fund also includes voluntary expense reimbursements that may change or end at anytime. Without the voluntary expense reimbursements, the 7-Day current yield as of August 31, 2022, would have been 2.14%. In the event the 7-Day current yield with waivers and the 7-Day current yield without waivers are equal, it would indicate there was no voluntary waivers necessary for the preceding 7-day period.

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here.

In the absence of applicable expense reimbursements and fee waivers, fund performance and returns since inception and dividends would have been reduced. Total return is based on net change in NAV assuming reinvestment of distributions.

Market Value NAV is calculated using current market quotations, or an appropriate substitute, to value a portfolio. This NAV is not currently being used for transacting purchase and sale activity. All purchase and sale activity is being transacted at the Amortized Cost NAV of $1.00.

You could lose money by investing in the Portfolio. Although the Portfolio seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Portfolio's sponsor has no legal obligation to provide financial support to the Portfolio, and you should not expect that the sponsor will provide financial support to the Portfolio at any time.

FUND OVERVIEW	
Inception Date	8/15/01
Total Net Portfolio Assets	$1.4 Billion
Minimum Investment	N/A
Cut Off Time - Purchases	3:00 p.m. CT
Cut Off Time - Redemptions	3:00 p.m. CT
Symbol	NILAP
CUSIP	665279105

RATING	
Standard & Poor's	AAAm

7-DAY CURRENT YIELD %	
Liquid Assets Portfolio*	2.27

QUALITY DISTRIBUTION %	
Tier 1	100.0

SECTOR DISTRIBUTION %	
Broker/Dealer	71.8
Government Agency	18.4
US Treasury	9.8

ANNUAL EXPENSE RATIOS %	
Gross Expense Ratio	0.14
Net Expense Ratio[1]	0.03

SECURITY DISTRIBUTION %	
Repurchase Agreements	71.8
Variable Rate Note/Bond	22.6
Fixed Rate Note/Bond	4.2
Discount Note/ Treasury Bill	1.4

All distribution calculations (Quality Distribution, Security Distribution, Maturity Distribution and Sector Distribution) are measured on a trade date basis and exclude uninvested cash from the market value used to compute the percentage calculations.

Please see back page for important investment considerations.

NOT FDIC INSURED	MAY LOSE VALUE	NO BANK GUARANTEE

NORTHERN INSTITUTIONAL

LIQUID ASSETS PORTFOLIO

MATURITY DISTRIBUTION %

Maturity Range	
Overnight	91.9
2 — 15 Days	2.5
16 — 30 Days	1.1
31 — 60 Days	0.4
61 — 97 Days	1.8
98 — 180 Days	1.1
271 — 366 Days	1.4
Weighted Average Maturity	8 Days
Weighted Average Life	79 Days

TOP ISSUERS %

Company	Net Assets
Bank of America Corp (Repo)	17.6
Barclays PLC (Repo)	17.2
JP Morgan Chase & Co (Repo)	15.5
Societe Generale SA (Repo)	15.2
Federal Farm Credit Banks Funding Corp	12.2
United States Treasury	9.6
Federal Home Loan Banks	5.8
Citigroup Inc (Repo)	4.9

PORTFOLIO MANAGEMENT

Refer to Northern Trust's website for more information on the Portfolio Management Team managing this fund.

DISCLOSURE

All data is as of date indicated and subject to change.

[1] Includes contractual expense reimbursements that, if not extended, will end on April 01, 2023. Unaudited as of August 31, 2022.

DEFINITIONS

7-day current yields are based on the relation between the fund's net asset value per share on the date indicated and the annualization of the funds net dividend income for the 7 days ended on the date indicated. The yields shown do not include capital gains and may, therefore, differ slightly from the actual distribution rate.
Ratings are subject to change. A Standard & Poor's principal stability fund rating, also known as "money market fund rating", is a forward-looking opinion about a fixed income fund's capacity to maintain stable principal (net asset value). When assigning a principal stability rating to a fund, Standard & Poor's analysis focuses primarily on the creditworthiness of the fund's investments and counterparties. and also its investments' maturity structure and management's ability and policies to maintain the fund's stable net asset value. Principal stability fund ratings are assigned to funds that seek to maintain a stable or an accumulating net asset value. A fund rated AAAm demonstrates extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk.

The fund is a managed portfolio and its holdings are subject to change.
The holdings percentages are based on net assets at the close of business on August 31, 2022 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.
Quality Distribution is determined as follows: A security is classified as Tier 1 when two or more of the three nationally recognized statistical rating agencies have assigned a rating in their top short-term ratings category (A1+ and A1 for Standard & Poor's, P1 for Moody's and F1+ and F1 for Fitch). A security is classified as Tier 2 when two or more of the ratings assigned to that security are below the top short-term ratings from the agencies (this would include ratings of A2 for Standard & Poor's, P2 for Moody's and F2 for Fitch). If a security has only two short-term ratings available, the lower rating is used to define the Tier; i.e. a split rating of A1/P2 is considered Tier 2. If only one short-term rating is available for a security, the Tier is determined by that one agency. A security is classified as Tier 3 if it does not meet the definition of Tier 1 or Tier 2, has two or more ratings below A2, P2, or F2 or if the security does not have a short-term rating.
The gross and net expense ratios are as of the most recent prospectus.
The Maturity Distribution data is measured using the lower of the stated maturity date or next interest rate reset date. The weighted average maturity (WAM) of a money market portfolio is the asset-weighted days until maturity of each security in the portfolio. The days until maturity for WAM are calculated using the lower of the stated maturity date or next interest rate reset date. The weighted average life (WAL) of a money market portfolio is the asset-weighted days until maturity of each security in the portfolio. The days to maturity for WAL are calculated using the lower of the stated maturity date or demand feature date.

THE PORTFOLIO IS A SERIES OF NORTHERN INSTITUTIONAL FUNDS WHICH IS REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED. THIS MATERIAL MUST BE PRECEDED OR ACCOMPANIED BY A CURRENT PROSPECTUS.
Shares of the Portfolio are offered by Northern Institutional Funds (the "Trust") on a private placement basis in accordance with Regulation D under the Securities Act of 1933 exclusively to securities lending customers of TNTC and other affiliated entities.
Shares of the Northern Institutional Funds Liquid Assets Portfolio are not registered for sale and are not available for purchase by the general public. Information on this fact sheet is intended for shareholders and does not constitute an offer to sell or the solicitation of an offer to buy shares of the Portfolio. For additional information about their accounts, shareholders of the Portfolio may contact the Northern Institutional Funds Center at 800-637-1380.

NORTHERN INSTITUTIONAL FUNDS®

MANAGED BY
NORTHERN TRUST

P-091322-2423377-111222

NIF FCT LAP (9/22)

LACERS Securities Lending Program
Cash Collateral Investment Account Sweep Vehicle
Comparison of Funds (as of August 31, 2022)

	Collective STIF	Core STIF	NILAP
Net Assets	$27.8 billion	$18.3 billion	$1.4 billion
One Year Net Return	0.65%	0.73%	0.54%
Quality Distribution	Tier 1 - 100.0%	Tier 1 - 100.0%	Tier 1 - 100.0%
Maturity Distribution	Overnight 27.4% 2-15 Days 7.6% 16-30 Days 6.1% 31-60 Days 7.5% 61-97 Days 15.7% 98-180 Days 16.7% 181-270 Days 8.5% 271-366 Days 10.6%	Overnight 32.3% 2-15 Days 1.8% 16-30 Days 4.1% 31-60 Days 10.7% 61-97 Days 27.2% 98-180 Days 11.5% 181-270 Days 6.9% 271-366 Days 5.5%	Overnight 91.9% 2-15 Days 2.5% 16-30 Days 1.1% 31-60 Days 0.4% 61-97 Days 1.8% 98-180 Days 1.1% 271-366 Days 1.4%
Weighted Average Maturity	38 Days	47 Days	8 Days
Sector Distribution	Banking Industry 75.1% Broker/Dealer 17.0% Finance & Insurance 6.9% Financial Conduit 0.5% US Treasury 0.6%	Banking Industry 61.0% Broker/Dealer 32.6% Commercial & Industrial 1.0% Finance & Insurance 5.2% Government Agency 0.1% Other 0.1%	Broker/Dealer 71.8% Government Agency 18.4% US Treasury 9.8%
Security Distribution	Repurchase Agreements 15.6% Time Deposit 26.4% Commercial Paper ` 28.3% CD's – Certificate of Deposit 29.1% Variable Rate Note/Bond 0.6%	Repurchase Agreements 35.5% Time Deposit 14.7% Commercial Paper ` 20.8% CD's – Certificate of Deposit 28.1% Other 0.9%	Repurchase Agreements 71.8% Variable Rate Note/Bond 22.6% Fixed Rate Note/Bond 4.2% Discount Note/Treasury Bill 1.4%

ATTACHMENT 1 TO SCHEDULE B SECURITIES LENDING AUTHORIZATION AGREEMENT (the "Agreement") BETWEEN THE BOARD OF ADMINSTRATION OF THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ("System") AND THE NORTHERN TRUST COMPANY (the "Agent")

INVESTMENT MANAGER OBJECTIVES AND GUIDELINES FOR CUSTOM CASH COLLATERAL ACCOUNT / COLLATERAL ACCOUNT ('THE SHORT TERM INVESTMENT ACCOUNT')

INVESTMENT OBJECTIVE

To seek to maximize current income to the extent consistent with safety of principal, maintenance of liquidity and the investment standards set forth below. The Short Term Investment Account (the "Fund") is intended as a separate account for the investment of U.S.-dollar based cash Collateral received by Agent.

Upon the effective date of these guidelines, the Lender and Agent hereby acknowledge that there may be certain assets in the Fund that would not meet these guidelines if newly purchased at this time ("Transition Assets"), though these assets were in compliance with the relevant guidelines at the time of purchase. The Lender and Agent hereby agree that Agent may, at its sole discretion, hold Transition Assets until maturity, unless otherwise directed by Lender.

Cash Collateral Guidelines

Listed below are the cash Collateral guidelines specifying eligible investments, credit quality standards, and diversification, maturity and liquidity requirements. Subject to the above, all requirements, including diversification, listed in these guidelines are effective at the time of purchase of any security or instrument as a cash Collateral investment. Agent will make use of market standard settlement methods for cash investments including the use of a tri-party custodian as approved by Agent's appropriate risk committee. Settlement through a tri-party custodian may result in cash collateral.

INVESTMENT GUIDELINES

1. Eligible Investments:

(a) Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and custodial receipts with respect thereto.

(b) Obligations of domestic or foreign commercial banks, including Agent (or branches thereof where deposits with branches are general obligations of the parent bank) and bank holding companies, including, but not limited to, commercial paper, bankers' acceptances, certificates of deposit, time deposits, notes and bonds. Obligations of foreign commercial banks shall only be acceptable from issuers domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").

(c) Obligations of U.S. and foreign corporations, including, but not limited to, commercial paper, notes, bonds and debentures. Asset backed commercial paper is excluded from eligible investments.

(d) Obligations issued by foreign governments. The issuing country shall have a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").

(e) Units of the ~~NTGI Collective Short Term Investment Fund~~ Northern Institutional Liquid Assets Portfolio.

(f) Repurchase agreements with counterparties approved by the Agent's appropriate credit committee at the time of purchase where the Collateral is held by Agent or for the account of Agent by an agent or subcustodian of Agent or a central bank, depository, or a third party custodian, and which is fully collateralized by investments described in paragraph (a) above and having a market value, including accrued interest, equal to or greater than the amount invested in the repurchase agreement. Initial collateralization will be at 102%, except cash collateral shall be collateralized at 100%.

(g) In the case of each investment (a) through (f) above: (i) All investments shall be denominated in U.S. dollars, and (ii) investments may include variable and floating rate instruments. Variable and floating rate instruments will be limited to those securities with reference indexes of Federal Funds Effective, Federal Funds Open, SOFR, OBFR, 1 Month LIBOR and 3 Month LIBOR and which are structured such that the spread relationship between the security coupon rate and index reference rate is constant.

2. Credit Quality:

(a) Investments and reinvestments in commercial paper and other short-term obligations shall be limited to obligations (or issuers) with a rating of A1/P1/F1 or higher (or the equivalent) at the time of purchase by any two of the Nationally Recognized Statistical Rating Organizations ("NRSROs") that have assigned a rating to such security (or issuer).

(b) With respect to bonds and other long-term obligations, investments and reinvestments shall be limited to obligations rated at the time of purchase in one of the two highest rating categories (within which there may be sub-categories or gradations indicating relative standing) by the NRSROs that have assigned a rating to such security.

(c) Notwithstanding (a) and (b) above, Agent may invest assets of the Fund in the ~~NTGI Collective Short Term Investment Fund~~ Northern Institutional Liquid Assets Portfolio.

3. Diversification:

(a) Except for repurchase agreements and obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, a maximum of 3% of the value of the total assets of the Fund may be invested in securities of any one issuer. With respect to the ~~NTGI Collective Short Term Investment Fund~~ Northern Institutional Liquid Assets Portfolio, holdings in excess of 3% of the value of total assets of the Fund are permitted, but should not exceed ~~50~~ 25% without written permission from the client.

(b) A maximum of 15% of the value of the total assets of the Fund may be invested in repurchase agreements with one counterparty.

(c) A maximum of 15% of the value of the total assets of the Fund may be exposed to the risks of any one foreign country and a maximum of 25% of the value of the total assets of the Fund may be exposed to the risks of non-U.S. entities. This limitation is applicable to the obligations of all foreign issuers. Only entities domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO") are eligible for investment, subject to that restriction outlined in 1 (b) above.

(d) Except for the banking industry, a maximum of 25% of the value of the total assets of the Fund may be invested in obligations of issuers having their principal business in the same industry. For such purposes, personal and business finance companies are considered to be in separate industries. Finance companies which are wholly-owned will be considered to be in the industries of their parents if there activities are primarily related to financing the operations of their parents.

(e) Compliance with the credit quality and diversification requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.

4. Liquidity/Maturity:

(a) A minimum of 20% of the value of the assets of the Fund should mature daily. Holdings of the ~~NTGI Collective Short Term Investment Fund~~ Northern Institutional Liquid Assets Portfolio will be included in this calculation.

(b) A minimum of 35% of the value of the assets of the Fund will mature within one month.

(c) The interest rate sensitivity of the Fund will be limited to a maximum of 60 days.

(d) The maximum final or average maturity of any variable or floating rate security will be limited to 60 days; the maximum final or average maturity of a fixed rate security will be limited to 60 days; and the maximum weighted average maturity (as herein defined) of the Fund will be limited to 60 days.

(e) Compliance with the liquidity and maturity requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.

(f) For the purposes of this Attachment 1, the "maturity" of a security or instrument shall be defined as the date when final payment is due, with these exceptions: (a) instruments issued or guaranteed by the U.S. Government or any agency or instrumentality thereof which have a variable rate of interest shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate, (b) variable rate instruments (other than those described in (a) above) shall be deemed to have a maturity equal to the longer of the period of time remaining until either, (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand or maturity, (c) floating rate instruments which incorporate a demand feature shall be deemed to have a maturity equal to the period of time remaining until the principal amount can be recovered through demand, (d) a repurchase agreement shall be deemed to have a maturity equal to the period of time remaining until the date on which the repurchase is scheduled to occur, or, if no date is specified but the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities.

(g) For the purposes of this Attachment 1, the "interest rate sensitivity" of a security or instrument shall mean (a) in the case of a fixed rate security or instrument (i) the date on which final payment is due or (ii) the principal amount can be recovered through demand (if applicable) or (b) in the case of a floating or variable rate security or instrument, the shorter of the period of time remaining until either (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand (if applicable).

5. Trading Policy

Although the Fund will generally not engage in short-term trading, the Agent may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, Agent believes such disposition is in the best interest of the

fund. Subsequent to its purchase, a portfolio security or issuer thereof may be assigned a lower rating or cease to be rated. Such an event would not necessarily require the disposition of the security, if the continued holding of the security is determined to be in the best interest of the Fund. In any event, Lender will be notified within five business days when any security is downgraded below the minimum requirements set forth in these investment guidelines.

ATTACHMENT 1 TO SCHEDULE B
SECURITIES LENDING AUTHORIZATION AGREEMENT
(the "Agreement")
BETWEEN THE BOARD OF ADMINSTRATION OF THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ("System") AND THE NORTHERN TRUST COMPANY (the "Agent")

INVESTMENT MANAGER OBJECTIVES AND GUIDELINES FOR CUSTOM CASH COLLATERAL ACCOUNT / COLLATERAL ACCOUNT ('THE SHORT TERM INVESTMENT ACCOUNT')

INVESTMENT OBJECTIVE

To seek to maximize current income to the extent consistent with safety of principal, maintenance of liquidity and the investment standards set forth below. The Short Term Investment Account (the "Fund") is intended as a separate account for the investment of U.S.-dollar based cash Collateral received by Agent.

Upon the effective date of these guidelines, the Lender and Agent hereby acknowledge that there may be certain assets in the Fund that would not meet these guidelines if newly purchased at this time ("Transition Assets"), though these assets were in compliance with the relevant guidelines at the time of purchase. The Lender and Agent hereby agree that Agent may, at its sole discretion, hold Transition Assets until maturity, unless otherwise directed by Lender.

Cash Collateral Guidelines

Listed below are the cash Collateral guidelines specifying eligible investments, credit quality standards, and diversification, maturity and liquidity requirements. Subject to the above, all requirements, including diversification, listed in these guidelines are effective at the time of purchase of any security or instrument as a cash Collateral investment. Agent will make use of market standard settlement methods for cash investments including the use of a tri-party custodian as approved by Agent's appropriate risk committee. Settlement through a tri-party custodian may result in cash collateral.

INVESTMENT GUIDELINES

1. Eligible Investments:

(a) Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and custodial receipts with respect thereto.

(b) Obligations of domestic or foreign commercial banks, including Agent (or branches thereof where deposits with branches are general obligations of the parent bank) and bank holding companies, including, but not limited to, commercial paper, bankers' acceptances, certificates of deposit, time deposits, notes and bonds. Obligations of foreign commercial banks shall only be acceptable from issuers domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").

(c) Obligations of U.S. and foreign corporations, including, but not limited to, commercial paper, notes, bonds and debentures. Asset backed commercial paper is excluded from eligible investments.

(d) Obligations issued by foreign governments. The issuing country shall have a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").

(e) Units of the Northern Institutional Liquid Assets Portfolio.

(f) Repurchase agreements with counterparties approved by the Agent's appropriate credit committee at the time of purchase where the Collateral is held by Agent or for the account of Agent by an agent or subcustodian of Agent or a central bank, depository, or a third party custodian, and which is fully collateralized by investments described in paragraph (a) above and having a market value, including accrued interest, equal to or greater than the amount invested in the repurchase agreement. Initial collateralization will be at 102%, except cash collateral shall be collateralized at 100%.

(g) In the case of each investment (a) through (f) above: (i) All investments shall be denominated in U.S. dollars, and (ii) investments may include variable and floating rate instruments. Variable and floating rate instruments will be limited to those securities with reference indexes of Federal Funds Effective, Federal Funds Open, SOFR, OBFR, 1 Month LIBOR and 3 Month LIBOR and which are structured such that the spread relationship between the security coupon rate and index reference rate is constant.

2. Credit Quality:

(a) Investments and reinvestments in commercial paper and other short-term obligations shall be limited to obligations (or issuers) with a rating of A1/P1/F1 or higher (or the equivalent) at the time of purchase by any two of the Nationally Recognized Statistical Rating Organizations ("NRSROs") that have assigned a rating to such security (or issuer).

(b) With respect to bonds and other long-term obligations, investments and reinvestments shall be limited to obligations rated at the time of purchase in one of the two highest rating categories (within which there may be sub-categories or gradations indicating relative standing) by the NRSROs that have assigned a rating to such security.

(c) Notwithstanding (a) and (b) above, Agent may invest assets of the Fund in the Northern Institutional Liquid Assets Portfolio.

3. Diversification:

(a) Except for repurchase agreements and obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, a maximum of 3% of the value of the total assets of the Fund may be invested in securities of any one issuer. With respect to the Northern Institutional Liquid Assets Portfolio, holdings in excess of 3% of the value of total assets of the Fund are permitted, but should not exceed 25% without written permission from the client.

(b) A maximum of 15% of the value of the total assets of the Fund may be invested in repurchase agreements with one counterparty.

(c) A maximum of 15% of the value of the total assets of the Fund may be exposed to the risks of any one foreign country and a maximum of 25% of the value of the total assets of the Fund may be exposed to the risks of non-U.S. entities. This limitation is applicable to the obligations of all foreign issuers. Only entities domiciled incountries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO") are eligible for investment, subject to that restriction outlined in 1 (b) above.

(d) Except for the banking industry, a maximum of 25% of the value of the total assets of the Fund may be invested in obligations of issuers having their principal business in the same industry. For such purposes, personal and business finance companies are considered to be in separate industries. Finance companies which are wholly-owned will be considered to be in the industries of their parents if there activities are primarily related to financing the operations of their parents.

(e) Compliance with the credit quality and diversification requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.

4. Liquidity/Maturity:

(a) A minimum of 20% of the value of the assets of the Fund should mature daily. Holdings of the Northern Institutional Liquid Assets Portfolio will be included in this calculation.

(b) A minimum of 35% of the value of the assets of the Fund will mature within one month.

(c) The interest rate sensitivity of the Fund will be limited to a maximum of 60 days.

(d) The maximum final or average maturity of any variable or floating rate security will be limited to 60 days; the maximum final or average maturity of a fixed rate security will be limited to 60 days; and the maximum weighted average maturity (as herein defined) of the Fund will be limited to 60 days.

(e) Compliance with the liquidity and maturity requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.

(f) For the purposes of this Attachment 1, the "maturity" of a security or instrument shall be defined as the date when final payment is due, with these exceptions: (a) instruments issued or guaranteed by the U.S. Government or any agency or instrumentality thereof which have a variable rate of interest shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate, (b) variable rate instruments (other than those described in (a) above) shall be deemed to have a maturity equal to the longer of the period of time remaining until either, (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand or maturity, (c) floating rate instruments which incorporate a demand feature shall be deemed to have a maturity equal to the period of time remaining until the principal amount can be recovered through demand, (d) a repurchase agreement shall be deemed to have a maturity equal to the period of time remaining until the date on which the repurchase is scheduled to occur, or, if no date is specified but the agreement is subject to demand, the notice period applicable to a demand for the repurchase of the securities.

(g) For the purposes of this Attachment 1, the "interest rate sensitivity" of a security or instrument shall mean (a) in the case of a fixed rate security or instrument (i) the date on which final payment is due or (ii) the principal amount can be recovered through demand (if applicable) or (b) in the case of a floating or variable rate security or instrument, the shorter of the period of time remaining until either (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand (if applicable).

5. Trading Policy

Although the Fund will generally not engage in short-term trading, the Agent may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, Agent believes such disposition is in the best interest of the

fund. Subsequent to its purchase, a portfolio security or issuer thereof may be assigned a lower rating or cease to be rated. Such an event would not necessarily require the disposition of the security, if the continued holding of the security is determined to be in the best interest of the Fund. In any event, Lender will be notified within five business days when any security is downgraded below the minimum requirements set forth in these investment guidelines.

ATTACHMENT 1 TO SCHEDULE B
SECURITIES LENDING AUTHORIZATION AGREEMENT
(the "Agreement")
BETWEEN THE BOARD OF ADMINSTRATION OF THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM ("System") AND THE NORTHERN TRUST COMPANY (the "Agent")

INVESTMENT MANAGER OBJECTIVES AND GUIDELINES FOR CUSTOM CASH COLLATERAL ACCOUNT / COLLATERAL ACCOUNT ('THE SHORT TERM INVESTMENT ACCOUNT')

INVESTMENT OBJECTIVE

To seek to maximize current income to the extent consistent with safety of principal, maintenance of liquidity and the investment standards set forth below. The Short Term Investment Account (the "Fund") is intended as a separate account for the investment of U.S.-dollar based cash Collateral received by Agent.

Upon the effective date of these guidelines, the Lender and Agent hereby acknowledge that there may be certain assets in the Fund that would not meet these guidelines if newly purchased at this time ("Transition Assets"), though these assets were in compliance with the relevant guidelines at the time of purchase. The Lender and Agent hereby agree that Agent may, at its sole discretion, hold Transition Assets until maturity, unless otherwise directed by Lender.

Cash Collateral Guidelines

Listed below are the cash Collateral guidelines specifying eligible investments, credit quality standards, and diversification, maturity and liquidity requirements. Subject to the above, all requirements, including diversification, listed in these guidelines are effective at the time of purchase of any security or instrument as a cash Collateral investment. Agent will make use of market standard settlement methods for cash investments including the use of a tri-party custodian as approved by Agent's appropriate risk committee. Settlement through a tri-party custodian may result in cash collateral.

INVESTMENT GUIDELINES

1. Eligible Investments:

(a) Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities and custodial receipts with respect thereto.

(b) Obligations of domestic or foreign commercial banks, including Agent (or branches thereof where deposits with branches are general obligations of the parent bank) and bank holding companies, including, but not limited to, commercial paper, bankers' acceptances, certificates of deposit, time deposits, notes and bonds. Obligations of foreign commercial banks shall only be acceptable from issuers domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").

(c) Obligations of U.S. and foreign corporations, including, but not limited to, commercial paper, notes, bonds and debentures. Asset backed commercial paper is excluded from eligible investments.

(d) Obligations issued by foreign governments. The issuing country shall have a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO").

(e) Units of the NTGI Collective Short Term Investment Fund.

(f) Repurchase agreements with counterparties approved by the Agent's appropriate credit committee at the time of purchase where the Collateral is held by Agent or for the account of Agent by an agent or subcustodian of Agent or a central bank, depository, or a third party custodian, and which is fully collateralized by investments described in paragraph (a) above and having a market value, including accrued interest, equal to or greater than the amount invested in the repurchase agreement. Initial collateralization will be at 102%, except cash collateral shall be collateralized at 100%.

(g) In the case of each investment (a) through (f) above: (i) All investments shall be denominated in U.S. dollars, and (ii) investments may include variable and floating rate instruments. Variable and floating rate instruments will be limited to those securities with reference indexes of Federal Funds Effective, Federal Funds Open, SOFR, OBFR, 1 Month LIBOR and 3 Month LIBOR and which are structured such that the spread relationship between the security coupon rate and index reference rate is constant.

2. Credit Quality:

(a) Investments and reinvestments in commercial paper and other short-term obligations shall be limited to obligations (or issuers) with a rating of A1/P1/F1 or higher (or the equivalent) at the time of purchase by any two of the Nationally Recognized Statistical Rating Organizations ("NRSROs") that have assigned a rating to such security (or issuer).

(b) With respect to bonds and other long-term obligations, investments and reinvestments shall be limited to obligations rated at the time of purchase in one of the two highest rating categories (within which there may be sub-categories or gradations indicating relative standing) by the NRSROs that have assigned a rating to such security.

(c) Notwithstanding (a) and (b) above, Agent may invest assets of the Fund in the NTGI Collective Short Term Investment Fund.

3. Diversification:

(a) Except for repurchase agreements and obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities, a maximum of 3% of the value of the total assets of the Fund may be invested in securities of any one issuer. With respect to the NTGI Collective Short Term Investment Fund, holdings in excess of 3% of the value of total assets of the Fund are permitted, but should not exceed 50% without written permission from the client.

(b) A maximum of 15% of the value of the total assets of the Fund may be invested in repurchase agreements with one counterparty.

(c) A maximum of 15% of the value of the total assets of the Fund may be exposed to the risks of any one foreign country and a maximum of 25% of the value of the total assets of the Fund may be exposed to the risks of non-U.S. entities. This limitation is applicable to the obligations of all foreign issuers. Only entities domiciled in countries with a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations ("NRSRO") are eligible for investment, subject to that restriction outlined in 1 (b) above.

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(e) Compliance with the credit quality and diversification requirements of these guidelines shall be determined on the basis of values or ratings at the time of acquisition of any security.

4. Liquidity/Maturity:

(a) A minimum of 20% of the value of the assets of the Fund should mature daily. Holdings of the NTGI Collective Short Term Investment Fund will be included in this calculation.

(b) A minimum of 35% of the value of the assets of the Fund will mature within one month.

(c) The interest rate sensitivity of the Fund will be limited to a maximum of 60 days.

(d) The maximum final or average maturity of any variable or floating rate security will be limited to 60 days; the maximum final or average maturity of a fixed rate security will be limited to 60 days; and the maximum weighted average maturity (as herein defined) of the Fund will be limited to 60 days.

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5. Trading Policy

Although the Fund will generally not engage in short-term trading, the Agent may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, Agent believes such disposition is in the best interest of the

fund. Subsequent to its purchase, a portfolio security or issuer thereof may be assigned a lower rating or cease to be rated. Such an event would not necessarily require the disposition of the security, if the continued holding of the security is determined to be in the best interest of the Fund. In any event, Lender will be notified within five business days when any security is downgraded below the minimum requirements set forth in these investment guidelines.

THE NORTHERN TRUST COMPANY

By: Sandra L Lum

Title: Senior Vice President

Date: June 11, 2020

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

By: Neil M. Guglielmo
Neil M. Guglielmo, General Manager

Date: 06/12/2020

To: LACERS

From: NEPC, LLC

Date: September 28, 2022

Subject: Securities Lending Cash Management Option

Recommendation

The current cash portfolio (Northern Trust Collective Short Term Investment Fund) used as a cash sweep vehicle for the securities lending program has recently changed and will not be available for use in LACERS' securities lending program going forward.

After evaluation of the alternative cash sweep vehicles available to LACERS, we agree with staff's assessment to utilize the Northern Institutional Liquid Assets Portfolio. We also agree with the desire to decrease the allowable amount to be invested in the Liquid Assets Portfolio as a further risk mitigating measure.

Background

In general, we do not favor reaching for return within the cash collateral pool used in a securities lending program. NEPC believes that a securities lending program is a viable activity for institutional investors when viewed within the same risk and return framework that should govern all investment decisions. We believe that the investor can earn incremental returns on their assets while still maintaining the benefits of holding the securities (i.e., income and dividends).

We note that in the past when there have been issues with a securities lending program, most often the issue arises due to the underlying investments in the cash collateral pool used to secure assets on loan. In times of market stress, we have seen significant pricing pressure, and, in some instances, impairment.

During the global financial crisis in 2008, many of the traditional providers of liquidity to financial markets disappeared or significantly reduced the amount of capital they were willing to put at risk. We witnessed the "seizing up" of historically highly liquid segments of the global capital markets including high quality short-term securities such as A1/P1 commercial paper suddenly not trading.

Based on our review of the SL Core STIF fund, we believe that the use of this fund would modestly increase risk over the current program. The SL Core STIF fund allows for the use of equity, ETF and High Yield-backed repos and these instruments most likely would enhancement the cash return over time. Northern Trust has estimated the use of the SL Core STIF fund would result in a few basis points of return enhancement to the LACERS Custom Fund. We do not believe this level of return enhancement is enough to offset the risk of holding lower quality securities in the cash collateral pool.

Our preference is for the more conservatively managed fund option, the Northern Institutional Liquid Assets Portfolio. Per the prospectus of the fund, the fund intends on operating as a government money market fund with holdings restricted to high quality money market instruments posing minimal credit risk.

We note that the fund has $1.4 billion in assets as of 8/31/2022. Understanding that LACERS does not like to represent a large portion of any underlying investment product, we also support a reduction in the amount to be invested in the fund as a means of reducing business risk. LACERS should set up a process to regularly monitor the amount of assets in the fund to maintain the desired asset level.

Northern Trust has identified a "large shareholder risk" in the prospectus. It appears that a large investor, including Northern Trust, can purchase or redeem large amounts of shares of the fund. This could occur rapidly and have an impact on the NAV and/or liquidity of the fund. The language suggests that a large purchase or redemption could be the result of an asset allocation decision made by the Investment Advisor acting as a discretionary advisor or an affiliate of the Investment Advisor.

The fund does not have a stated levy or liquidity fee, nor does the fund implement a redemption gate when an investor sells all or a part of their holding. The fund could elect to distribute securities in lieu of cash and/or delay the delivery by up to seven days after a redemption request. The trust does request that any redemption order of $5 million or greater be communicated by 11:00 am Central time so they have time to evaluate how they will honor the request.

The Board of Trustees could elect to change any of its redemption procedures at any time. Understanding that the fund has been established for securities lending purposes, it would be wise to further understand the investor composition of the fund with a particular eye towards the amount of the fund that Northern Trust has discretion over.

The prospectus outlines a total fee of 0.14% which includes a management fee (0.10%) and other expenses (0.04%). The materials indicate that there is currently an expense reimbursement of 0.11% for a net fee of 0.03%. This suggests that Northern Trust has waived the investment management fee. We note that this has been a common practice in the low interest rate environment of the past several years in order for cash funds to avoid a negative yield. With interest rates increasing, the fund's yield has also increased and as of the end of August it has a seven-day yield of 2.27%. LACERS should expect that Northern Trust will charge the full 10 basis point management fee at some point in the near future.

Please let us know if you would like to discuss further.

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: OCTOBER 11, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VI**

SUBJECT: **PROXY VOTING ACTIVITY REPORT FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2022**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Committee receive and file this report.

Executive Summary

This report summarizes LACERS' proxy votes cast for the period of July 1, 2021, to June 30, 2022.

Discussion

Institutional Shareholder Services Inc. (ISS), LACERS' proxy voting agent, voted a total of 11,993 proxy ballots for 10,384 U.S. and non-U.S. company meetings for the period of July 1, 2021, to June 30, 2022. These totals comprise 3,527 ballots for 2,308 U.S. company meetings and 8,466 ballots for 8,076 non-U.S. company meetings.

Staff confirmed that all votes cast were in accordance with the LACERS Proxy Voting Policy. However, 154 proxy ballots (1.28%) were missed for reasons provided in the table below:

Number of Missed Ballots	Explanation
122	No Power of Attorney (POA) on file at local sub-custodian
15	Ballots received after cutoff & meeting changes
4	Do Not Vote instructions
2	Local sub-custodian did not provide proxy voting services
3	Voting requirement not met due to nationality
8	Miscellaneous
154	**Total missed ballots**

Of the 154 total missed ballots, 122 were missed due to POAs not being on file at the local sub-custodians in Brazil, Denmark, Egypt, Finland, Hungary, Luxembourg, Malta, and Sweden. Staff is currently working with Northern Trust, LACERS' custodian bank, to execute new POAs in these countries. In addition, staff has implemented an internal POA tracking system to better monitor POA filings and minimize missed ballots in the future.

Strategic Plan Impact Statement

The review of proxy voting information aligns with the Strategic Plan Goal to optimize long-term risk adjusted investment returns (Goal IV).

Prepared By: Ellen Chen, Investment Officer II, Investment Division

NMG/RJ/BF/EC:rm

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO INVESTMENT COMMITTEE **MEETING: OCTOBER 11, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VII**

SUBJECT: **BROKERAGE ACTIVITY REPORT FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2022**

ACTION: ☐ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☒

Recommendation

That the Committee receive and file this report.

Executive Summary

This report summarizes LACERS' brokerage activity for the period of July 1, 2021 to June 30, 2022.

Discussion

The LACERS Investment Policy, Section 1.V.C, states:

> Brokerage Policy
> The Board directs all investment managers trading public securities to utilize brokers who shall fulfill brokerage transactions for System assets in accordance with best execution. Subsequently, all LACERS public equity managers are to utilize commission recapture brokers on a best efforts basis. Commission recapture is a program designed to reduce fund expenses and increase cash flow by returning a portion of the commissions that external investment managers pay to brokers. Staff will provide to the Board an annual report summarizing commission and recapture activity for the fiscal year. The report will be presented within four months following the end of the fiscal year.

LACERS' investment managers are directed by policy and contract to use brokerage services that reduce trading costs and paid commissions that impact net performance. Commission recapture brokers are utilized to the extent that such brokers' costs are equal or less than the net cost of non-recapture broker. Pursuant to policy, LACERS' brokerage commissions paid and amounts recaptured for the period July 1, 2021 to June 30, 2022, are presented in Attachment 1 to this report.

Strategic Plan Impact Statement

Reviewing brokerage commissions is required by the LACERS Investment Policy and aligns with the Strategic Plan Goal to uphold good governance practices, which affirm transparency, accountability and fiduciary duty (Goal V).

Prepared By: Barbara Sandoval, Investment Officer II, Investment Division.

NMG/RJ/BF/BS:rm

Attachment: 1. LACERS' Commissions Paid and Recaptured, July 1, 2021 to June 30, 2022

LACERS' COMMISSIONS PAID AND RECAPTURED
July 1, 2021 to June 30, 2022

Asset Class/Manager	Strategy	Total Commissions Paid ($)	Recaptured Commissions ($)
Domestic Equities			
Copeland Capital Management, LLC	Small Cap Growth	108,914.16	
EAM Investors, LLC	Small Cap Growth	341,581.58	
Granahan Investment Management, Inc.	Small Cap Growth	46,675.29	
Principal Global Investors, LLC	Mid Cap Core	35,249.11	
RhumbLine Advisers Limited Partnership			
	S&P 500 Index	54,014.02	
	Russell 2000 Index	56,710.11	
	Russell 2000 Value Index	10,450.26	
Segall, Bryant, & Hamill, LLC	Small Cap Value	50,179.50	8,916.48
Sub-total		**$703,774.03**	**$8,916.48**
Non-U.S Equities			
Axiom Investors, LLC	Emerging Markets Growth	521,155.49	6,811.85
Barrow, Hanley, Mewhinney & Strauss, LLC	Developed Markets Value	311,612.09	
Dimensional Fund Advisors LP	Emerging Markets Value	62,093.23	
Lazard Asset Management LLC	Developed Markets Core	403,829.87	
MFS Institutional Advisors, Inc.	Developed Markets Growth	31,174.33	
Oberweis Asset Management, Inc.	Small Cap Core	584,330.53	
State Street Global Advisors Trust Company	MSCI World ex-U.S. Index	31,136.08	
Wasatch Advisors, Inc.	Emerging Markets Small Cap	322,917.00	
Sub-total		**$2,268,248.62**	**$6,811.85**

Asset Class/Manager	Strategy	Total Commissions Paid ($)	Recaptured Commissions ($)
Public Real Assets			
CenterSquare Investment Management LLC	U.S. REITS	393,391.81	
Sub-total		**$393,391.81**	
Other			
Liquidation of Stock Distributions		39,346.70	
Sub-total		**$39,346.70**	
Combined total		**$3,404,761.16**	**$15,728.33**