

Investment Committee Agenda

REGULAR MEETING

TUESDAY, DECEMBER 13, 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 December 13, 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# 161 830 5871

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 Ghokassian

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.ghokassian@lacers.org.

Disclaimer to Participants

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

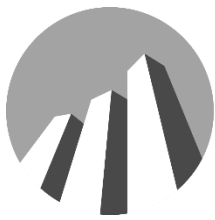
Information to listen only: Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

LACERS Website Address/link:

www.LACERS.org

[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 SPECIAL MEETING OF [NOVEMBER 3, 2022](#) AND REGULAR MEETING OF [NOVEMBER 8, 2022](#) AND POSSIBLE COMMITTEE ACTION
- III. CHIEF INVESTMENT OFFICER VERBAL REPORT
- IV. [PRESENTATION BY NORTHERN TRUST REGARDING SECURITIES LENDING ACTIVITY REPORT FOR THE PERIOD JULY 1, 2021 TO JUNE 30, 2022](#)
- V. [CONTRACT WITH INSTITUTIONAL SHAREHOLDER SERVICES INC. REGARDING PROXY VOTING SERVICES AND POSSIBLE COMMITTEE ACTION](#)
- VI. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.81 TO CONSIDER A COMMITMENT TO NB PARTNERS FUND IV, LP AND POSSIBLE COMMITTEE ACTION**
- VII. OTHER BUSINESS
- VIII. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, January 10, 2023, 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.
- IX. ADJOURNMENT



Board of Administration Agenda

SPECIAL MEETING

TUESDAY, DECEMBER 13, 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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- IX. ADJOURNMENT

MINUTES OF THE SPECIAL MEETING
INVESTMENT COMMITTEE
 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 November 3, 2022 meeting was conducted via telephone and/or videoconferencing.

November 3, 2022

9:00 a.m.

PRESENT via Videoconferencing: Chair:	Elizabeth Lee
Committee Member:	Nilza R. Serrano Janna Sidley
Legal Counselor:	Miguel Bahamon
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian

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

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 Lee asked if any persons wished to speak on matters within the Committee's jurisdiction, to which there was no response.

II

TRANSITION MANAGER SEMI-FINALIST INTERVIEWS WITH ABEL NOSER, LLC; BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A.; CITIGROUP GLOBAL MARKETS INC.; THE NORTHERN TRUST COMPANY; AND RUSSELL INVESTMENTS IMPLEMENTATION SERVICES, LLC AND POSSIBLE COMMITTEE ACTION – Rod June, Chief Investment Officer, and James Wang, Investment Officer I, provided the Committee with an introduction to this item.

Michael Iannucci, Managing Director & Head of Transition Management, Peter Weiler, Co-Chief Executive Officer, Doris Pradieu, Senior Vice President Transition Management, Kevin Yu, Senior Vice President Transition Management, and Mary Davidson, Senior Vice President Client Services, with Abel Noser, LLC, presented and discussed their presentation with the Committee for 30 minutes.

Jon Platt, Director-Head of Transition Management Product Strategy for North America, and John Planek, Vice President-Transition Management Product Strategy, with BlackRock Institutional Trust Company, N.A., presented and discussed their presentation with the Committee for 30 minutes.

Chair Lee recessed the meeting at 10:18 a.m., for a break and reconvened the meeting at 10:19 a.m.

William Cobbett, Head of Transition Management, Jerome Hogan, Program Manager, Patrick Roth, Program Manager-Vice President, and Perry-King Tita, Program Manager-Analyst, with Citigroup Global Markets, Inc., presented and discussed their presentation with the Committee for 45 minutes.

Amanda Williams, Northern American Regional Practice Lead-Transition Management, Chris Honold, Strategist-Transition Management, Laura Rogers, Portfolio Manager-Transition Management, and Brendan McMahon, Relationship Management and Business Development-Transition Management, with Northern Trust Company, Inc., presented and discussed their presentation with the Committee for 40 minutes.

Travis Bagley, Director-Transition Management, and Doug Miller, Director-Relationship Management, with Russell Investments Implementation Services, LLC, presented and discussed their presentation with the Committee for 30 minutes.

The Committee discussed the presentations with staff and Committee Member Serrano moved approval, and adopted by the following vote: Ayes, Committee Members Serrano, Sidley, and Chair Lee -3; Nays, None.

III

OTHER BUSINESS – There was no other business.

IV

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 responding to public health concerns relating to the novel coronavirus continue.

V

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 12:24 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary

MINUTES OF THE REGULAR MEETING
INVESTMENT COMMITTEE
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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November 8, 2022

12:39 p.m.

PRESENT via Videoconferencing:	Chair:	Elizabeth Lee
	Committee Member:	(left at 1:10 p.m.) Janna Sidley
	Legal Counselor:	Miguel Bahamon
	Manager-Secretary:	Neil M. Guglielmo
	Executive Assistant:	Ani Ghoukassian
ABSENT:	Committee Member:	Nilza R. Serrano

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

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 Lee 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 OCTOBER 11, 2022 AND POSSIBLE COMMITTEE ACTION – Committee Member Sidley moved approval, and adopted by the following vote: Ayes, Committee Member Sidley and Chair Lee -2; Nays, None.

Items IV and VI taken out of order.

IV

PRESENTATION BY AKSIA CA LLC OF THE PRIVATE EQUITY PROGRAM 2023 STRATEGIC PLAN AND POSSIBLE COMMITTEE ACTION – Trevor Jackson, Managing Director, and Jeff Goldberger, Managing Director, with Aksia CA LLC, presented and discussed this item with the Committee for 15

minutes. Committee Member Sidley moved approval, and adopted by the following vote: Ayes, Committee Member Sidley, and Chair Lee -2; Nays, None.

VI

INVESTMENT MANAGER CONTRACT WITH AXIOM INVESTORS, LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EMERGING MARKETS GROWTH EQUITIES PORTFOLIO AND POSSIBLE COMMITTEE ACTION – Bryan Fujita, Investment Officer III, and Ellen Chen, Investment Officer II, presented and discussed this item with the Committee for five minutes. Committee Member Sidley moved approval, and adopted by the following vote: Ayes, Committee Member Sidley, and Chair Lee -2; Nays, None.

III

CHIEF INVESTMENT OFFICER VERBAL REPORT – Bryan Fujita, Investment Officer III, discussed the following items:

- Investment Committee Meeting Forward Calendar

V

PRESENTATION BY POLEN CAPITAL CREDIT, LLC REGARDING THE MANAGEMENT OF AN ACTIVE HYBRID HIGH YIELD FIXED INCOME/U.S. FLOATING RATE BANK LOAN PORTFOLIO – John Sherman, Portfolio Manager, and Bill Porter, Senior Relationship Manager, with Polen Capital Credit, LLC, presented and discussed this item with the Committee for 20 minutes.

Committee Member Sidley left the meeting at 1:10 p.m.

VII

OTHER BUSINESS – There was no other business.

VIII

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IX

ADJOURNMENT – There being no further business before the Committee, Chair Lee adjourned the meeting at 1:11 p.m.

Elizabeth Lee
Chair

Neil M. Guglielmo
Manager-Secretary

NORTHERN TRUST

LACERS

Securities Lending Activity Report

For the Period July 1, 2021 to June 30, 2022

Don Anderson
Senior Vice President
Global Securities Lending



NORTHERN TRUST

BIOGRAPHY



Don Anderson is a Senior Vice President at The Northern Trust Company, Chicago. Don is a Senior Relationship Manager for Northern Trust Global Securities Lending, specializing in the Public Funds and Taft Hartley segments. He is responsible for ensuring that securities lending clients receive quality and coordinated services from our operations, trading and investment areas. Don also leads sales and marketing efforts within the same segments.

Prior to joining the Securities Lending team, Don spent two years as a Senior Investment Consultant and six years as a Division Manager within Northern Trust's Investment Risk & Analytical Services Group. Before joining Northern Trust, Don spent ten years with other custodial organizations, primarily in the field of investment performance and analytics.

Don holds a B.A. degree in economics from the University of Illinois and an M.B.A. from Northern Illinois University.

Donald Anderson
Corporate & Institutional Services
312-444-5386
dsa3@ntrs.com



BIOGRAPHY



Brad Pedersen
Asset Management
312-557-2725
BTP2@ntrs.com

Brad Pedersen, CFA is a Vice President at the Northern Trust Company, Chicago, and is the Director of Securities Lending Cash Reinvestment within the Short Duration Fixed Income Team of Northern Trust Asset Management (NTAM). His responsibilities include executing overall strategy for the Short Duration Funds, specifically the Securities Lending cash collateral, as well as oversight for the portfolio management team. Brad also serves on the Securities Lending Collateral Committee, an oversight board for the Securities Lending Product. Brad also has responsibility for the Repurchase Agreement program for Northern Trust Asset Management across all money market portfolios.

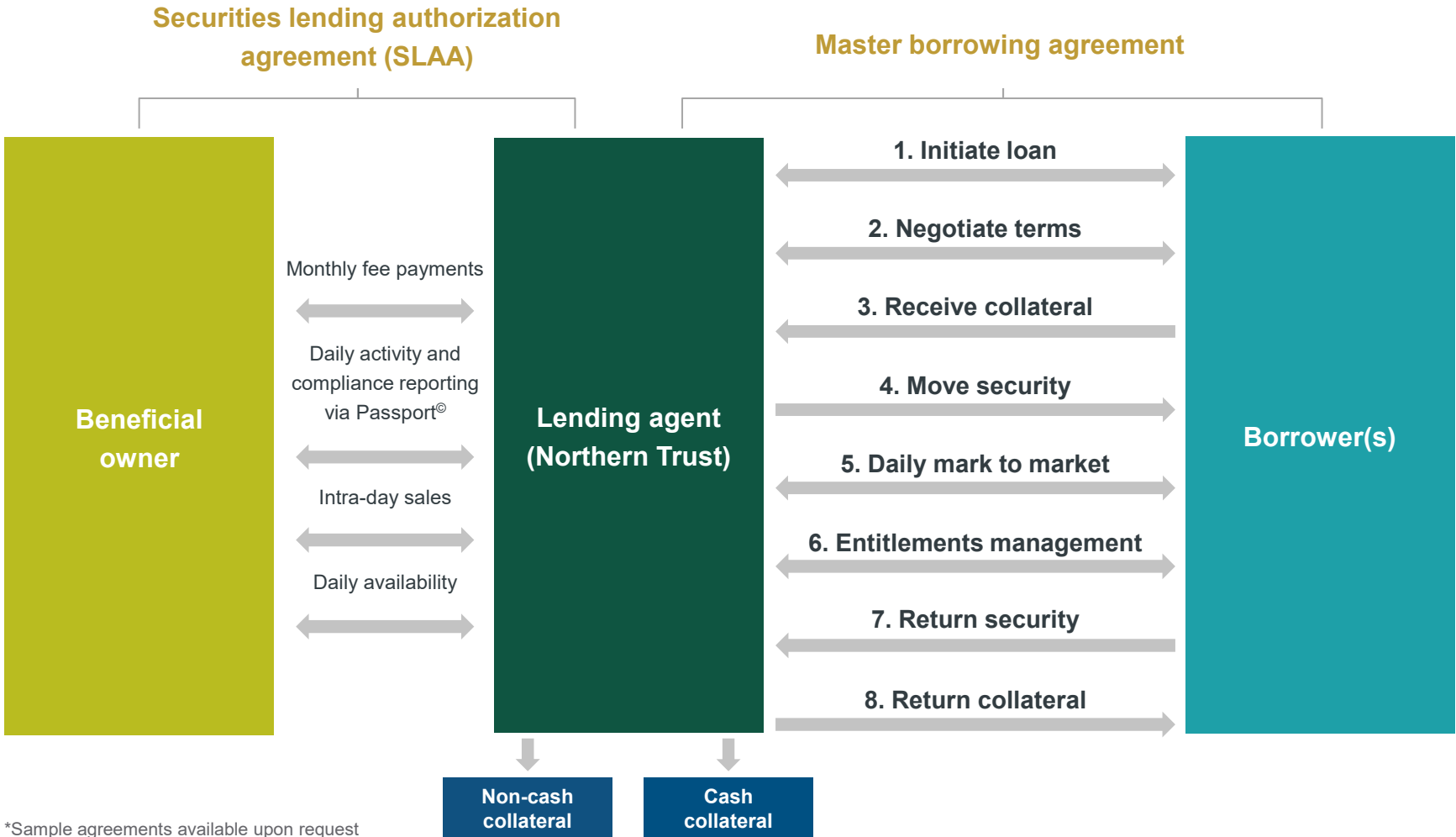
Prior to his current role, Brad functioned as a Senior Relationship Manager with both the Large Corporate Client segment, as well as Northern Trust's Investment Manager Liaison Group.

Brad received a B.S. degree in Marketing from Miami University of Ohio. He is a CFA Charterholder and a member of the CFA Society of Chicago.

Brad also attained the Financial Industry Regulatory Authority (FINRA) Series 6 license, the Certified Retirement Services Professional (CRSP) designation from the Institute of Certified Bankers (ICB), the Plan Administrator designation (Levels 1 and 2) from the American Society of Pension Actuaries (ASPA) and the Certified Plan Administrator designation from the National Institute of Pension Administrators (NIPA).

SECURITIES LENDING TRANSACTION PROCESS

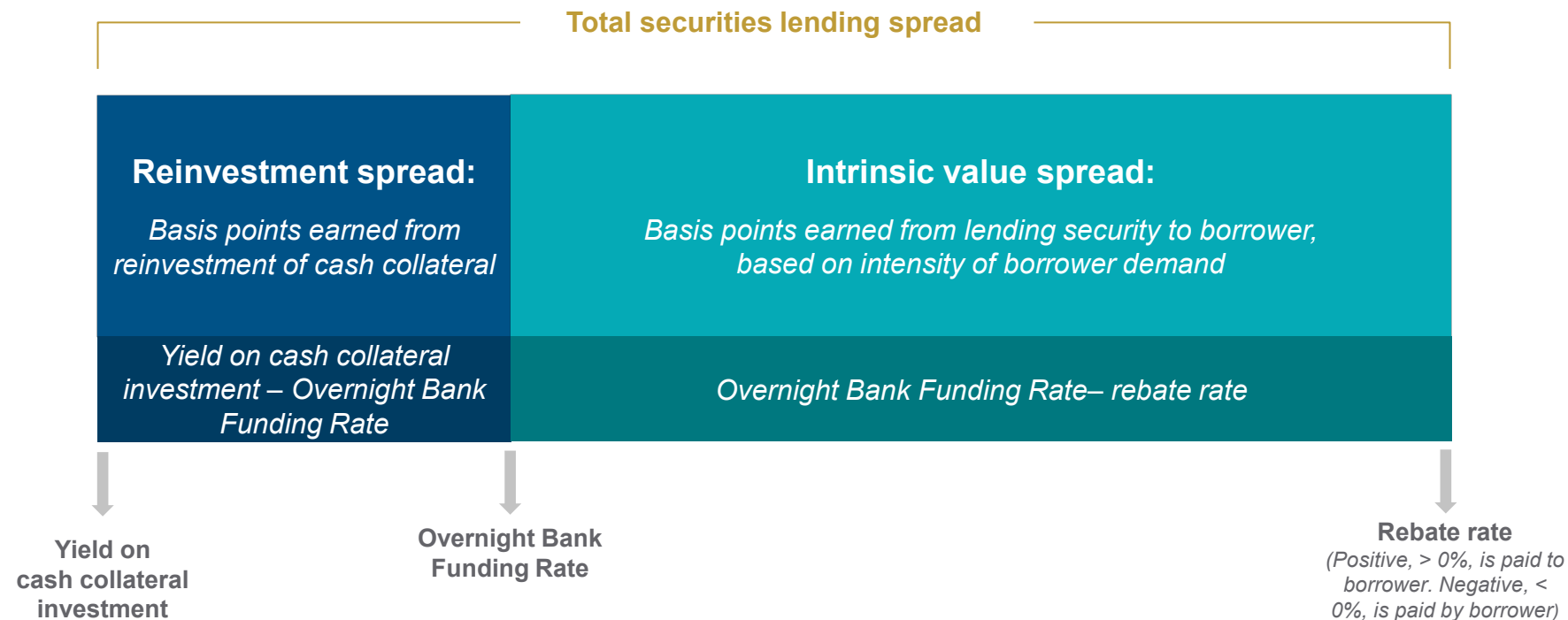
The life cycle of a loan



*Sample agreements available upon request

SECURITIES LENDING INCOME COMPONENTS

Understanding how securities lending income is generated.



Reinvestment spread + Intrinsic value spread = **Total securities lending spread**
 Total securities lending spread x Loan volume = **Total gross securities lending income**

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%)	<u>\$(1,250)</u>
5	Net client earnings	\$2,917

Cash Loan

The \$25 million market value loan is for 30 days collateralized with cash (Overnight Bank Funding Rate at 4.00%)

1	Receive cash collateral valued at \$25,500,000 (102%)	
2	Cash collateral invested in a collateral pool at yield of 4.10%	\$87,125
3	Rebate paid to borrower at rate of 3.80%	\$(80,750)
4	Gross Revenue (gross spread 30 bps)	\$6,375
5	Monthly lender's fee (@ 30%)	<u>\$(1,913)</u>
6	Net client earnings	\$4,462

Gross Spread = Lending Spread + Investment Spread

Lending Spread = OBFR – Rebate Rate

Investment Spread = Reinvestment Yield – OBFR

*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.

Global Securities Lending

Designed to enhance the return of an overall investment program without interfering with the investment strategy

We strive to extract the highest amount of intrinsic value from each loan, while mitigating risk for the benefit of our clients.

Who We Are

A core business within Northern Trust and an industry leader in terms of size, scale and innovation.

- 450 clients from 31 countries
- \$1.3 trillion of lendable securities*
- \$163 billion of loans outstanding*
- 74 approved borrowers at parent level

What We Do

- Cash Management
- Risk Management
- Customized participation and collateral selection
- Lend in 35 countries and 54 markets worldwide Equity & Fixed Income markets
- 24-hour trading
 - Supported by our single, multi-currency proprietary platform
 - Locations in Hong Kong, London, Toronto, Sydney and Chicago

Who We Serve

- Corporations
- Endowments and Foundations
- Public Funds
- Mutual Funds
- Insurance
- Government
- Taft Hartley



*Average for September 2022, Source: Northern Trust

MANAGING RISK

Risk management is instrumental to our program

Borrower

Borrower defaults and collateral is not sufficient to cover

Mitigating factors:

- Credit review of borrowers
- Over-collateralization /Daily marking
- Indemnification
- Risk analysis tools

Trade Settlement

Fund sells securities and borrower doesn't return in time for trade to settle

Mitigating Factors:

- Timely communication
- Automated reallocations
- Trade settlement protection

Cash Collateral Reinvestment

Cash collateral investment becomes impaired or decreases in value

Mitigating Factors:

- Client approved guidelines
- Dedicated team of fixed income research analysis
- Daily automated compliance

Interest Rate

Loan rebate rate exceeds earnings on cash collateral investments

Mitigating Factors:

- Weekly gap analysis
- Shared risk
- Stress testing of portfolio

RISK MANAGEMENT OVERSIGHT

Risk management begins at the business level supported by senior level independent groups

Securities Lending Risk Council

- Provides senior management business oversight. Responsible for risk, compliance and control governance activities.
- Also monitors loan allocation process, cash collateral NAV, interest rate risk and loan/collateral stress testing.

Capital Markets Credit Committee

- Monitors the financial viability of borrowers
- Sets limits for Northern Trust's balance sheet and securities lending program
- Approves limits for counterparty groups, counterparties and specific products

Collateralized Product Risk Committee

- Approves all collateral types, margin levels, and credit risk factors. Reviews borrower exposures and risk profiles.
- Establishes loan/collateral product limits and undertakes periodic stress testing.

Credit & Liquidity Risk Management Committee, Securities Approval Group

- Approves cash investment credit issuers, counterparties, and instruments
- Provides guidance and oversight of investment risk associated with cash reinvestment activity

TECHNOLOGY

Strong performance achieved through a single, global trading platform

Industry Trade Platform

- Facilitate quick and accurate matching of borrower needs with our supply
- Allow our trading team to focus on higher value trades

Data Providers

- Compare our program against the industry and our clients against their peers
- Provide industry data to improve loan pricing decisions

Global Securities Lending (GSL)

Proprietary trading system

Electronic links with custody, depository systems and industry trade platform

Automates the vast majority of loans

Cash Collateral Management

- Aladdin
- Northern Trust Investments Short Duration team manages cash collateral
- Passport® reporting available for cash collateral positions and characteristics

Passport® reporting

Earnings

At loan level, security level, asset class, account level, and entity level.

Borrower Exposure

Market Value and collateral value by borrower

Collateralization

Collateralization levels, cash and noncash holdings

CUSTOMIZED TO MEET YOUR RISK AND RETURN OBJECTIVES

Collateral options tailored to LACERS' risk level

- Cash: Separately Managed Account
 - Principal preservation, liquidity management, competitive yield
 - Guidelines updated November 2022
 - Managed by Northern Trust Asset Management
- Non-cash: held in a separate account
 - Includes: US Treasuries and Agencies, highly rated OECD debt, major equity indices

Reporting

- Quarterly market update calls
- Monthly borrower ratings update
- Annual GASB Reporting

Additional Customization Alternatives

- Asset class, country limits, seasonal restrictions, minimum return parameters
- Borrower-specific caps or restricting certain borrowers from your program entirely

SECURITIES LENDING



CASH COLLATERAL REINVESTMENT

- Global central banks are reacting to decades-high inflation levels
- Interest rates continue to increase meaningfully from most of the largest central banks
- Strong employment statistics allow for rapid rate increases
- Central banks are weighing the risks of causing a recessionary environment with the risk of losing containment on inflation – and choosing to control inflation above other concerns
- The Fed has hiked 375 basis points thus far this year, and Federal Funds futures expectations are indicating another almost 100-125 basis points of tightening before a potential pause



EQUITY DEMAND

- Global stocks suffered another punishing quarter with investor focused on inflation and the resulting monetary policy response from central banks. The major US indices notched a three-quarter losing streak for the first time since the third quarter of 2009.
- In the general collateral space, hedge fund de-risk trend ongoing resulting in volume reduction. Market volatility, market uncertainty and reduced trading volumes were primary catalysts. Specials demand continues to center around supply chain challenges, inflation and increasing borrowing costs. Corporate activity also supported some lending demand, with M&A and capital raising events attracting hedge fund interest
- Sectors that continue to attract strong hedge fund short interest include the consumer discretionary, Fintech, electric vehicle and real estate sectors. Exchange Traded Funds (ETFs) remain a good source of borrower demand, strong demand seen for Fixed Income, US Equity Index linked and China Exposure ETFs.



FIXED INCOME DEMAND

- FOMC hike 75bps for a third straight meeting, taking the Fed fund range to 3.00-3.25% for the first time since 2008. Treasury yields continue to rise with Fed maintaining hawkish rhetoric in order to combat inflationary pressures. The current environment is producing increased US treasury specials trading activity and revenue opportunities
- The European Central Bank maintain hawkish actions, hiking by 75bps during the quarter to 0.75%. However, the unintended consequences of monetary tightening became clear later in the period as markets struggled to adjust to a positive interest rate regime. This has increased the number of sovereign bonds trading special in securities finance activity
- The Bank of England lifted the base rate by 50bps to 2.25% in September. However, extreme volatility rocked UK financial markets as a package of tax cuts by the new Chancellor knocked confidence, and pushed sterling to 1.035 versus the dollar. Gilts remain well-sought from our borrowing counterparts.

INVESTMENT PROFILE: LACERS CUSTOM CASH COLLATERAL FUND

JUNE 30, 2022

◆ Asset Allocation & Characteristics Report

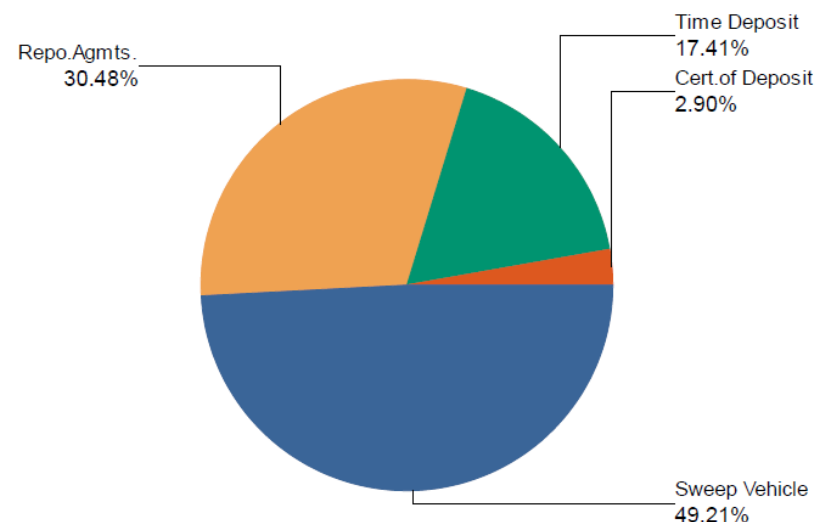
LACERSCF - LACERS Custom Fund - USD

Characteristics	
Total Book Value (in USD)	516,802,460
Weighted Average Maturity (Interest Reset Date)	1 Days
Weighted Average Maturity (Maturity Date)	1 Days
Average Equivalent Quality Rating	A1+
Total Number of Issues	13

Quality Distribution	Percentage
A1+ (SHORT TERM)	36.28%
A1 (SHORT TERM)	14.51%
Cash Equiv (LONG TERM)	49.21%

Industry/Sector Distribution	Percentage
Banking Ind.	69.52%
Broker/Dealer	30.48%

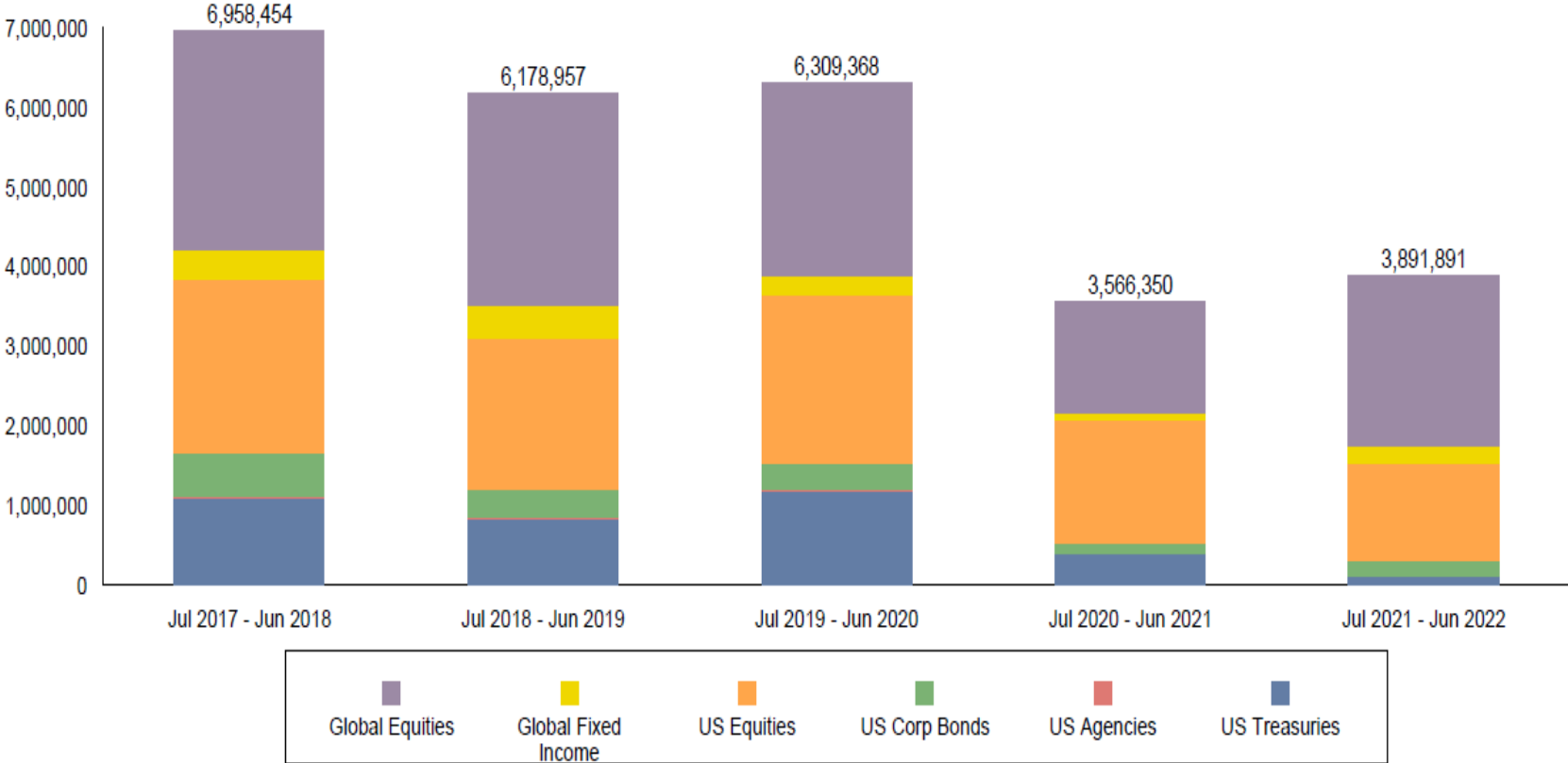
Cash Collateral Asset Class Breakdown



NOTE: This information was created using the best unaudited data available to us and may not be completely reliable, accurate, or timely. Data is prepared on a settled basis, which may differ from traded basis data on the Cash Collateral Holdings report. "Traded Basis" reflects pending trades.

HISTORICAL EARNINGS SUMMARY

◆ LOS ANGELES CITY EMPLOYEES



PERFORMANCE SCORECARD: LENDING & INVESTMENT BREAKDOWN

Northern Trust Securities Lending

Performance Scorecard - Lending and Investment Breakdown

From July, 2021 to June, 2022

(USD) **

Page 1 of 1

◆ LOS ANGELES CITY EMPLOYEES

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)			Spread (bps)			Gross BP Return (bp) *	Net Earnings (USD)		
	Avg. on Loan	Avg. Available		Lending	Investment	Total	Lending	Investment	Overall		Lending	Investment	Total
US Treasuries	126,583,093	2,191,082,680	5.8%	128,275	11,403	139,678	10.0	0.9	10.9	0.6	109,072	9,699	118,771
US Agencies	0	57,731,514	0.0%	0	0	0	0.0	0.0	0.0	0.0	0	0	0
US Corp Bonds	136,463,178	1,015,030,547	13.4%	203,757	27,545	231,302	14.7	2.0	16.7	2.2	173,341	23,445	196,786
US Equities	499,353,738	5,495,161,713	9.1%	1,416,488	22,263	1,438,750	28.0	0.4	28.4	2.6	1,204,674	18,960	1,223,634
Global Sovereign	50,438,931	534,350,430	9.4%	140,488	4,824	145,312	27.5	0.9	28.4	2.7	119,431	4,102	123,533
Global Agencies	3,578,346	52,914,676	6.8%	8,056	440	8,496	22.2	1.2	23.4	1.6	6,850	375	7,224
Global Corp Bonds	37,144,831	393,812,237	9.4%	85,883	6,942	92,825	22.8	1.8	24.6	2.3	73,027	5,907	78,933
Global Equities	296,240,117	4,383,644,375	6.8%	2,511,207	9,740	2,520,947	83.6	0.3	83.9	5.7	2,134,720	8,289	2,143,009
Total	1,149,802,234	14,123,728,172	8.1%	4,494,154	83,157	4,577,311	38.6	0.7	39.3	3.2	3,821,115	70,775	3,891,891

When cash is taken as collateral on applicable loans, Rebates are based on an industry [standard] overnight benchmark rate.

* Gross Basis Point Return equals On Loan Spread multiplied by % on Loan. GBPR is the measure of total return on a given asset class or portfolio.

PERFORMANCE SCORECARD: DATE RANGE COMPARISON

Northern Trust Securities Lending Performance Scorecard - Client (Date Range Comparison) (USD) **

Page 1 of 2

◆ LOS ANGELES CITY EMPLOYEES

Security Type	Market Value (USD)		% on Loan	Gross Earnings (USD)	On Loan Spread (bp)	Gross BP Return (bp) *	Net Earnings (USD)
	Avg. on Loan	Avg. Available					
From July, 2021 to June, 2022							
US Treasuries	126,583,093	2,191,082,680	5.8%	139,678	10.9	0.6	118,771
US Agencies	0	57,731,514	0.0%	0	0.0	0.0	0
US Corp Bonds	136,463,178	1,015,030,547	13.4%	231,302	16.7	2.2	196,786
US Equities	499,353,738	5,495,161,713	9.1%	1,438,750	28.4	2.6	1,223,634
Global Fixed Income	91,162,108	981,077,343	9.3%	246,633	26.7	2.5	209,690
Global Equities	296,240,117	4,383,644,375	6.8%	2,520,947	83.9	5.7	2,143,009
Total	1,149,802,234	14,123,728,172	8.1%	4,577,311	39.3	3.2	3,891,891
From July, 2020 to June, 2021							
US Treasuries	319,557,972	1,924,401,502	16.6%	474,949	14.7	2.4	403,788
US Agencies	977,993	103,326,482	0.9%	1,917	19.3	0.2	1,630
US Corp Bonds	51,719,250	1,031,484,273	5.0%	155,156	29.6	1.5	131,965
US Equities	503,326,047	5,128,944,631	9.8%	1,805,315	35.4	3.5	1,535,258
Global Fixed Income	33,440,372	1,848,194,075	1.8%	99,894	29.5	0.5	84,933
Global Equities	256,812,503	4,218,332,011	6.1%	1,657,148	63.6	3.9	1,408,776
Total	1,165,834,138	14,254,682,974	8.2%	4,194,379	35.5	2.9	3,566,350
Variance							
US Treasuries	-192,974,879	266,681,177	-10.8%	-335,270	-3.8	-1.8	-285,016
US Agencies	-977,993	-45,594,968	-0.9%	-1,917	-19.3	-0.2	-1,630
US Corp Bonds	84,743,928	-16,453,726	8.4%	76,146	-12.9	0.8	64,821
US Equities	-3,972,309	366,217,081	-0.7%	-366,565	-7.0	-0.9	-311,624
Global Fixed Income	57,721,736	-867,116,731	7.5%	146,740	-2.8	1.9	124,757
Global Equities	39,427,614	165,312,364	0.7%	863,800	20.3	1.8	734,233
Total	-16,031,904	-130,954,802	0.0%	382,933	3.8	0.3	325,541

PERFORMANCE SCORECARD: TOP TEN EARNING SECURITIES

Northern Trust Securities Lending

Page 1 of 1

Top 10 Net Earnings Report

From July 2021 To June 2022

◆ LOS ANGELES CITY EMPLOYEES

Rank	Security Name	CUSIP/SEDOL	Net Earnings	% Of Total Net Earnings	Market Value On Loan (USD)	Average % Utilization	Average Spread
1	VIVENDI SE	4834777	831,637.68	21.37	3,797,025.14	84.31	2,470.15
2	CRICUT INC CL A COM CL A COM	22658D100	149,390.10	3.84	1,138,495.59	93.89	1,466.57
3	VEOLIA ENVIRONNEMENT	BK9R6F8	120,132.87	3.09	12,923.72	87.28	102,134.23
4	KAKAOBANK CORP KRW5000	BNXKTM2	41,318.94	1.06	626,358.70	56.52	760.75
5	VISA INC COM CL A STK	92826C839	39,130.20	1.01	30,234,694.70	78.76	15.03
6	MFC ISHARES IBOX \$ HIGH YIELD CO	464288513	34,798.51	0.89	1,912,555.02	90.19	207.94
7	BASE INC NPV	BKRQ8Q2	28,800.29	0.74	1,588,843.47	85.49	205.94
8	ENGIE COMSTK	B0C2CQ3	25,504.04	0.66	2,699,941.38	15.80	106.92
9	VERTEX ENERGY INC COM	92534K107	24,484.24	0.63	214,437.73	94.34	1,287.77
10	VOLVO CAR AB SER'B'NPV	BMXC0X9	23,745.02	0.61	940,746.04	47.09	292.29
Sub Total Of Top 10 Securities			1,318,941.89	33.89	43,166,021.49	63.00	352.33
All Other			2,572,948.78	66.11	1,106,636,218.58	7.87	26.61
Total			3,891,890.67	100.00	1,149,802,240.07	8.14	38.75

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REPORT TO INVESTMENT COMMITTEE
From: Neil M. Guglielmo, General Manager

MEETING: DECEMBER 13, 2022
ITEM: V

Neil M. Guglielmo

SUBJECT: CONTRACT WITH INSTITUTIONAL SHAREHOLDER SERVICES INC. REGARDING PROXY VOTING SERVICES AND POSSIBLE COMMITTEE ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Committee recommend to the Board a five-year contract renewal with Institutional Shareholder Services Inc. for proxy voting services.

Executive Summary

Institutional Shareholder Services Inc. (ISS) provides bespoke proxy voting services to LACERS. The current contract with ISS expires on February 28, 2023. Staff and NEPC, LLC, (NEPC), LACERS' General Fund Consultant and ESG Consultant, recommend a five-year contract renewal. During the next contract period, staff will bring forth a recommendation to issue a Request for Information (RFI), Request for Proposal (RFP), or Request for Qualifications (RFQ) to reevaluate the marketplace of proxy voting service providers.

Discussion

Background

Since 1985, LACERS has contracted with ISS for proxy voting services for LACERS' U.S. and non-U.S. public equity holdings. Services include:

- Research reports and analyses on ballot items to be voted on at shareholder meetings;
- Management of proxy guidelines and implementation of custom vote recommendations according to the LACERS Proxy Voting Policy (Policy);
- Assistance with Policy development and revisions; and,
- Access to an electronic platform for voting proxy ballots and reviewing ISS' research reports.

On July 8, 2014, the Board authorized an RFI for proxy voting services to evaluate the current marketplace of providers. After reviewing the responses to the RFI, staff concluded that ISS offered the most comprehensive proxy voting services at the lowest cost. On December 23, 2014, the Board determined that conducting a separate RFP would not be practical or advantageous based on staff's analysis of the RFI responses and retained ISS as LACERS' proxy voting service provider. A new contract with ISS became effective on March 1, 2015 and was subsequently renewed by the Board for

a five-year term on January 23, 2018; the current contract with ISS expires on February 28, 2023. Staff recommends renewing the contract with ISS for another five-year term. During the next contract period, staff will bring forth a recommendation to issue an RFI, RFP, or RFQ for the Board's consideration to reevaluate the marketplace of proxy voting service providers, consistent with LACERS' contracting practices.

Organization

ISS is a provider of corporate governance and investment solutions to public pension plans and other investors. ISS has more than 2,600 employees located across 29 offices in 15 countries; the company is headquartered in Rockville, Maryland.

In February 2021, Deutsche Börse AG, an international securities exchange organization and market infrastructure provider, acquired a majority stake of approximately 80% in ISS, with the remaining stake in the firm owned by Genstar Capital, a private equity firm, and ISS management. ISS continues to operate with the same editorial independence that was in place prior to the acquisition. Deutsche Börse has committed to protecting the integrity of ISS' research and recommendations and non-interference policies have been created between the two companies. There have been no changes to ISS' executive management team as a result of the acquisition; Gary Retelny, Chief Executive Officer of ISS since 2011, continues to lead the company.

Analysis

ISS is one of the largest and longest tenured proxy voting agents. The company has over 35 years of proxy voting experience, provides comprehensive coverage of 115 global markets, and services approximately 3,400 clients. ISS has substantial global resources available to service LACERS' proxy voting needs, including in-house research staff and a proprietary electronic research and voting platform. Staff's interaction with the firm has been satisfactory and the client service representatives and research analysts have been attentive to staff's needs.

Fees

ISS has agreed to continue the current contractual fee of \$71,910 annually for the next five-year term considering LACERS' long-standing relationship as detailed in the following table. In addition, ISS will continue to waive any overage charges (variable charges for exceeding LACERS' contractual threshold of votes cast) throughout the duration of the contract.

One-Year Period	Fee
March 1, 2023 to February 28, 2024	\$71,910
March 1, 2024 to February 29, 2025	\$71,910
March 1, 2025 to February 28, 2026	\$71,910
March 1, 2026 to February 28, 2027	\$71,910
March 1, 2027 to February 28, 2028	\$71,910
Total fees for next five years:	\$359,550

Based on the last RFI conducted, the fees LACERS pays to ISS are well below market rate for the services provided. From March 1, 2015 (effective date of the current contract) to October 31, 2022, LACERS paid ISS total fees of \$569,288.

General Fund Consultant Recommendation

NEPC, LACERS' General Fund and ESG Consultant, concurs with this recommendation.

Strategic Plan Impact Statement

A contract renewal with Institutional Shareholder Services, Inc. is consistent with Goal V (uphold good governance practices which affirm transparency, accountability, and fiduciary duty).

Prepared by: Ellen Chen, ESG Risk Officer, Investment Officer II, Investment Division.

RJ/BF/EC:rm

Attachment: 1. Consultant Recommendation – NEPC, LLC



To: Los Angeles City Employees' Retirement System

From: NEPC, LLC

Date: November 30, 2022

Subject: Institutional Shareholder Services Contract Renewal

Recommendation

NEPC recommends Los Angeles City Employees' Retirement System ('LACERS') renew their contract with Institutional Shareholder Services ('ISS') for a period of five years from the date of contract expiry.

Background

LACERS has used ISS since 1985 as a proxy voting agent. ISS votes proxies for LACERS in accordance with applicable statutes and consistent with the Board Proxy Voting Policy found in section IX of the Fund's Investment Policy Statement. The Proxy Voting Policy supports the foundational elements of being a long-term asset owner by seeking to align the interests of the Fund as an investor in global capital markets across (but not limited to) governance and management issues, ESG, financial process and audit standards, executive compensation, shareholder rights, capital structure and corporate restructuring. Proxy votes cast by ISS are monitored by LACERS staff and reported to the Board annually. Investment staff relies on research expertise and voting recommendations of its proxy voting agent when LACERS' Proxy Voting Policy is either silent or not directly applicable to the issue as stated on the proxy ballot.

Firm Overview

Institutional Shareholder Services group of companies (ISS) was founded in 1985 to aid investors and companies in building long-term and sustainable growth by providing data, analytics and insight. ISS is majority owned by Deutsche Bourse Group, along with Genstar Capital and ISS management. ISS provides corporate governance and responsible investment solutions, market intelligence, fund services, and editorial content to institutional investors and corporations, globally. ISS has 2,600 employees worldwide across 29 global locations in 15 countries. ISS has approximately 3,400 clients.