

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

LACERS Ken Spiker Boardroom
202 West First Street, Fifth Floor
Los Angeles, California

September 26, 2017

10:08 a.m.

Agenda of: OCT. 10, 2017

Item No: II-A

PRESENT:	President:	Jaime L. Lee
	Vice President:	Michael R. Wilkinson
	Commissioners:	(left at 2:26 p.m.) Annie Chao (left at 1:29 p.m.) Cynthia M. Ruiz Nilza R. Serrano Sung Won Sohn
	Manager-Secretary:	(left at 1:29 p.m.) Thomas Moutes Lita Payne
	Executive Assistant:	Bella Cabulong (Acting)
	Legal Counsel:	(left at 2:07 p.m.) Anya J. Freedman (arrived at 2:07 p.m) Alan Maning
ABSENT:	Commissioner:	Elizabeth L. Greenwood

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

I

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

II

CONSENT AGENDA

- A. **APPROVAL OF MINUTES FOR REGULAR BOARD MEETINGS OF AUGUST 22, 2017 AND SEPTEMBER 12, 2017 AND SPECIAL BOARD MEETINGS OF AUGUST 29, 2017 AND POSSIBLE BOARD ACTION.** A Motion to approve the minutes was moved by Commissioner Ruiz, seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Sohn, Vice President Wilkinson, and President Lee -6; Nays, None.

- B. RECEIVE AND FILE – MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR AUGUST 2017. – This report was received by the Board and filed.

III

COMMITTEE REPORT

- A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF SEPTEMBER 12, 2017 – Commissioner Sohn gave a verbal report of the Investment Committee meeting: Representatives from Bain Capital Senior Loan Fund L.P. presented an overview of their firm, loan strategy overview and investment process; staff gave a brief performance overview of Panagora Asset Management, Inc.; and there was continued discussion of the LACERS Investment Policy manual.

IV

ACTUARIAL PROGAM

- A. CONTINUED CONSIDERATION OF PROPOSED ASSUMPTION CHANGES BASED ON ECONOMIC ASSUMPTIONS REVIEW AND POSSIBLE BOARD ACTION – Paul Angelo, Segal Consulting presented a report reflecting summarized information from prior meetings on this topic, as well as some additional information. After some discussion, a Motion was moved by Vice President Wilkinson and seconded by Commissioner Chao to accept the inflation assumption rate of 2.75% and investment return assumption of 7.00%; however, this motion failed on a vote of 2-4 on the following vote: Ayes: Commissioner Chao and Vice President Wilkinson; Nays, Commissioners Ruiz, Serrano, Sohn, and President Lee. After further discussion, a Second Motion was made to adopt an inflation assumption rate of 3.00%, an investment return assumption of 7.25%, and to conduct a full actuarial study in 2018 to include both economic and demographic assumptions, was moved by Vice President Wilkinson and seconded by Commissioner Sohn, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Sohn, Vice President Wilkinson, and President Lee -6; Nays, None
- B. ASSUMPTIONS FOR THE JUNE 30, 2017 RETIREE HEALTH ACTUARIAL VALUATION AND POSSIBLE BOARD ACTION – Paul Angelo, Segal Consulting, and Assistant General Manager Li Hsi presented recommended assumptions for the June 30, 2017 health plan valuations. After hearing the staff recommendation to adopt the actuarial assumptions for the June 30, 2017 retiree health actuarial valuation and direct the consulting actuary to treat the 40% excise tax under Affordable Care Act in the same manner for funding purposes as is required under the new GASB rule for accounting and financial reporting purposes, a Motion was moved by Commissioner Ruiz, and seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Ruiz, Serrano, Sohn, Vice President, Wilkinson, and President Lee -6; Nays, None.

These three items were taken out of order.

VII

CLOSED SESSION

President Lee adjourned the Regular Meeting at 12:12 p.m. to convene in Closed Session.

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

- B. **CLOSED SESSION PURSUANT TO SUBDIVISIONS (a) AND (d)(1) OF GOVERNMENT CODE SECTION 54956.9 TO CONFER WITH, AND/OR RECEIVE ADVICE FROM, LEGAL COUNSEL REGARDING PENDING LITIGATION, AND POSSIBLE BOARD ACTION. CASE: *AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, ET AL. v. CITY OF LOS ANGELES, ET AL.* (SUPERIOR COURT OF CALIFORNIA, COUNTY OF LOS ANGELES CASE NO. BS166535)**
- C. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE APPOINTMENT OF A GENERAL MANAGER FOR LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

President Lee adjourned the Closed Session Meeting at 12:35, and recessed for a lunch break.

President Lee reconvened the Regular Meeting at 12:53 p.m. and announced that the Disability Retirement Application of Fernando Perez was unanimously approved and that the Board consulted with Legal Counsel and the Personnel Department on the appointment of a General Manager.

V

INVESTMENTS

- A. **CHIEF INVESTMENT OFFICER VERBAL REPORT – Chief Investment Officer (CIO) Rod June reported on the portfolio value, last week hit a new high watermark of \$16.77 billion; reporting as of yesterday, \$16.7 billion; this week he will be meeting several emerging managers with New American Alliance, a Latino-based investment organization; on October 11th and 12th, he will be meeting with the National Association of Investment Companies, an emerging manager organization, in Washington, D.C.; future board meeting items, the total Portfolio Performance Review for the period ending June 30, 2017, and the Private Equity Consultant RFP; Juan Aguirre, former investment intern, accepted a job offer from J.P. Morgan in Delaware.**
- B. **PRESENTATION BY PORTFOLIO ADVISORS, LLC OF THE PRIVATE EQUITY PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2016 - Todd Hughes, Managing Director and Liz M. Campbell, Senior Vice President presented an overview of the LACERS Private Equity portfolio and performance. After some discussion by the Board, the report was received by the Board and filed.**
- C. **INVESTMENT MANAGER CONTRACT WITH PANAGORA ASSET MANAGEMENT, INC. REGARDING THE MANAGEMENT OF AN ACTIVE DOMESTIC U.S. SMALL CAP VALUE EQUITY PORTFOLIO AND POSSIBLE BOARD ACTION – Bryan Fujita, Chief Investment Officer and Eduardo Park presented the Board Report. After some discussion by the Board, Commissioner Serrano moved to approve the staff recommendation, but for only two years and with staff to attempt to renegotiate the fees, and approval of the following resolution:**

**CONTRACT RENEWAL
PANAGORA ASSET MANAGEMENT, INC.
ACTIVE DOMESTIC SMALL CAP VALUE EQUITY PORTFOLIO MANAGEMENT**

RESOLUTION 170926-C

WHEREAS, LACERS' current three-year contract with PanAgora Asset Management, Inc. (PanAgora) for active domestic small cap value equity portfolio management expires on January 31, 2018; and,

WHEREAS, PanAgora is in compliance with the LACERS Manager Monitoring Policy; and,

WHEREAS, a contract renewal with PanAgora will allow LACERS to maintain a diversified exposure to domestic small cap value equities; and,

WHEREAS, on September 26, 2017, the Board approved the Investment Committee's recommendation for a multi-year contract renewal with PanAgora; and,

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

<u>Company Name:</u>	PanAgora Asset Management, Inc.
<u>Service Provided:</u>	Active Domestic Small Cap Value Equity Portfolio Management
<u>Effective Dates:</u>	February 1, 2018 through January 31, 2020
<u>Duration:</u>	Two years
<u>Benchmark:</u>	Russell 2000 Value Index
<u>Allocation as of August 31, 2017:</u>	\$113.5 million

Which motion was seconded by Commissioner Chao; and adopted by the following vote: Ayes, Commissioners Chao, Serrano, Sohn, Vice President Wilkinson, and President Lee -5; Nays, None

- D. REVIEW OF LACERS INVESTMENT POLICY MANUAL AND POSSIBLE BOARD ACTION – No action taken. After some discussion, the Board directed the return of the Investment Policy to the Investment Committee for further review.

VI

CONTRACTS

- A. CONTRACTS – AMENDMENT NO. 3 TO CONTRACT NO. 4075 WITH LINEA SOLUTIONS, INC. AND POSSIBLE BOARD ACTION – Dale Wong, Chief Benefits Analyst and Brian Cha, Management Analyst presented an overview of the contract and staff recommendation. After some discussion by the Board, Commissioner Serrano moved approval of the following resolution:

CONTRACT AMENDMENT NO. 3 WITH
LINEA SOLUTIONS, INC.
FOR PROJECT MANAGEMENT SERVICES
OVERSEEING THE PENSION ADMINISTRATION SYSTEM PROJECT

RESOLUTION 170926-D

WHEREAS, Linea Solutions, Inc. ("Linea") has been under contract with LACERS since June 1, 2011, facilitating and providing expert advice on the selection of the new pension administration system (PAS) and providing project management services during the implementation phases of the PAS project; and

WHEREAS, the PAS project's final delivery date has been extended several times due to various reasons including contract negotiations, changes in scope of work, and additional time added for quality assurance; and

WHEREAS, it is LACERS' desire to continue utilizing Linea's project management services for the duration of the PAS project, inclusive of the new system go-live date of March 1, 2018, through the one year warranty period; and

WHEREAS, Linea has agreed to continue providing their project management services through March 31, 2019 for a fixed monthly fee and transitioning to an hourly fee as the project winds down; and

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

<u>Company Name:</u>	LINEA SOLUTIONS, INC.
<u>Service Provided:</u>	Pension Administration System Project Management Services
<u>Term Dates:</u>	October 1, 2017 through March 31, 2019
<u>Total Expenditure Authority:</u>	\$673,776

Which motion was seconded by Vice President Wilkinson; and adopted by the following vote: Ayes, Commissioners Serrano, Sohn, Vice President Wilkinson, and President Lee -4; Nays, None

These two items were taken out of order.

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- B. TRAVEL AUTHORITY – COMMISSIONER SUNG WON SOHN; WESTERN ECONOMIC ASSOCIATION 14TH INTERNATIONAL CONFERENCE, JANUARY 10-15, 2018, NEWCASTLE, AUSTRALIA AND POSSIBLE BOARD ACTION – A Motion to approve the following Resolution was moved by Commissioner Serrano:

**TRAVEL AUTHORITY
COMMISSIONER SUNG WON SOHN
WESTERN ECONOMIC ASSOCIATION - 14TH INTERNATIONAL CONFERENCE
JANUARY 11 – 14, 2018
NEWCASTLE, AUSTRALIA**

RESOLUTION 170926-A

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Western Economic Association – 14th International Conference is not included in the Approved List of Educational Seminars authorized by the Board Education and Travel Policy for Fiscal Year 2017-18, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Sohn are hereby authorized to attend the Western Economic Association International Conference on January 11 - 14, 2018 in Newcastle, Australia.

BE IT FURTHER RESOLVED, that the reimbursement of up to \$5,000 is hereby authorized for reasonable expenses in connection with participation.

Which motion was seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Serrano, Sohn, Vice President Wilkinson, and President Lee -4; Nays, None.

- C. TRAVEL AUTHORITY – COMMISSIONER ELIZABETH L. GREENWOOD; ROBERT F. KENNEDY 2017 COMPASS CONFERENCE, NEW YORK CITY, NEW YORK, NOVEMBER 14-15, 2017 AND POSSIBLE BOARD ACTION - A Motion to approve the following Resolution was moved by Commissioner Serrano:

**TRAVEL AUTHORITY
COMMISSIONER ELIZABETH GREENWOOD
ROBERT F. KENNEDY 2017 COMPASS CONFERENCE
NOVEMBER 14-15, 2017
NEW YORK CITY, NEW YORK**

RESOLUTION 170926-B

WHEREAS, Board approval is required for all international travel requests and travel not included in the Approved List of Educational Seminars;

WHEREAS, the Robert F. Kennedy 2017 Compass Conference is not included in the Approved List of Educational Seminars authorized by the Board Education and Travel Policy for Fiscal Year 2017-18, and therefore requires individual approval;

WHEREAS, the sound management of the assets and liabilities of a trust fund imposes a continuing need for all Board Members to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties;

THEREFORE, BE IT RESOLVED, that Commissioner Greenwood are hereby authorized to attend the Robert F. Kennedy 2017 Compass Conference on November 14-15, 2017 in New York City, New York.

BE IT FURTHER RESOLVED, that the reimbursement of up to \$2,000 is hereby authorized for reasonable expenses in connection with participation.

Which motion was seconded by Vice President Wilkinson, and adopted by the following vote: Ayes, Commissioners Serrano, Sohn, Vice President Wilkinson, and President Lee -4; Nays, None.

VIII

MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Lita Payne, Assistant General Manager reported that interviews for a Commission Executive Assistant were held and a new CEA is anticipated to be on board by the second meeting in October, 2017.
- B. UPCOMING AGENDA ITEMS - Assistant General Manager Payne reported that a quorum is still needed for a November 13th Board meeting so that LACERS' actuarial valuation can be considered and adopted. For the October 10th Board meeting, the agenda will include a RFP for private equity consultant and an executive overview of LACERS' Business Continuity Plan.

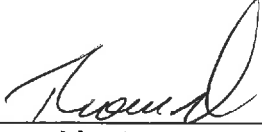
IX

OTHER BUSINESS – Vice President Wilkinson asked staff to look into additional education on passive investing, in conjunction with the asset allocation exercise.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, October 10, 2017, at 10:00 a.m., in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

ADJOURNMENT – There being no further discussion before the Board, the Board adjourned the meeting at 2:34 p.m.



Thomas Moutes
Manager-Secretary



Jaime L. Lee
President