



## Governance Committee Agenda

### REGULAR MEETING

**TUESDAY, NOVEMBER 27, 2018**

**TIME: 10:30 A.M. OR IMMEDIATELY FOLLOWING ADJOURNMENT OF REGULAR BOARD MEETING**

### MEETING LOCATION:

LACERS Ken Spiker Boardroom  
202 West First Street, Suite 500  
Los Angeles, CA 90012-4401

Chair: Nilza R. Serrano

Committee Members: Elizabeth L. Greenwood  
Cynthia M. Ruiz

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office  
Retirement Services Division

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, 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) 473-7169.

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION
- II. APPROVAL OF MINUTES FOR THE GOVERNANCE COMMITTEE MEETING OF AUGUST 28, 2018, AND POSSIBLE COMMITTEE ACTION
- III. TRIENNIAL BOARD POLICY REVIEW: PUBLIC COMMENT, BOARD COMMUNICATIONS, THIRD PARTY MARKETER COMPLIANCE AND POSSIBLE COMMITTEE ACTION
- IV. DISCUSSION OF PROPOSED GOVERNANCE GOAL INITIATIVES
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Governance Committee meeting is not scheduled at this time, and will be announced upon scheduling.
- VII. ADJOURNMENT



## ***Board of Administration Agenda***

### **SPECIAL MEETING**

**TUESDAY, NOVEMBER 27, 2018**

**TIME: 10:30 A.M. OR IMMEDIATELY  
FOLLOWING ADJOURNMENT  
OF REGULAR BOARD MEETING**

### **MEETING LOCATION:**

LACERS Ken Spiker Boardroom  
202 West First Street, Suite 500  
Los Angeles, CA 90012-4401

President:	Cynthia M. Ruiz
Vice President:	Elizabeth L. Greenwood
Commissioners:	Elizabeth Lee Sandra Lee Nilza R. Serrano Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Retirement Services Division
Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, 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, <u>five</u> or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 473-7169.	

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- V. OTHER BUSINESS
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- VII. ADJOURNMENT

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

LACERS Ken Spiker Boardroom  
202 West First Street, Suite 500  
Los Angeles, California

August 28, 2018

**Agenda of: Nov. 27, 2018  
Item No: II**

9:48 a.m.

<hr/> <b>PRESENT:</b>	<b>Chair:</b>	Nilza R. Serrano
	<b>Committee Member:</b>	Cynthia M. Ruiz
	<b>Commissioner:</b>	Sandra Lee
	<b>Manager-Secretary:</b>	Neil M. Guglielmo
	<b>Executive Assistant:</b>	Ani Ghoukassian
	<b>Legal Counselor:</b>	Anya Freedman
<b>ABSENT:</b>	<b>Committee Member:</b>	Elizabeth L. Greenwood

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

Commissioner Sandra Lee was present at the Governance Committee Meeting. Any votes taken will be taken by Committee Members only.

I

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

II

APPROVAL OF MINUTES FOR THE GOVERNANCE COMMITTEE MEETING OF JULY 10, 2018 AND POSSIBLE COMMITTEE ACTION – A Motion to approve the Minutes as presented was moved by Committee Member Ruiz, seconded by Chair Serrano, and adopted by the following vote: Committee Member Ruiz and Chair Serrano - Ayes, 2; Nays, None.

III

TRIENNIAL BOARD POLICY REVIEW: THE BOARD PROCEDURES, GUIDANCE FOR BOARD MEMBERS, CONTRACT ADMINISTRATION AND POSSIBLE COMMITTEE ACTION – Edeliza Fang,

Senior Management Analyst II with Administrative Services Division presented this item to the Committee. A Motion was moved by Committee Member Ruiz, and adopted by the following vote: Ayes, Committee Member Ruiz and Chair Serrano -2; Nays, None.

IV

OTHER BUSINESS – There was no further business discussed.

V

NEXT MEETING – The next Committee Meeting is not yet scheduled.

VI

ADJOURNMENT – There being no further business before the Committee the discussion ended at 9:55 a.m.

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Nilza R. Serrano  
Chairperson

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Neil M. Guglielmo  
Manager-Secretary



## *Report to Governance Committee*

From:   
Neil M. Guglielmo, General Manager

Agenda of: NOVEMBER 27, 2018

ITEM: III

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SUBJECT: TRIENNIAL BOARD POLICY REVIEW: PUBLIC COMMENT, BOARD COMMUNICATIONS, THIRD PARTY MARKETER COMPLIANCE AND POSSIBLE COMMITTEE ACTION

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### Recommendation

That the Committee approve the attached proposed updates to the LACERS Board Manual as follows:

- 1) Revision to the LACERS Board Governance Statement, Section 4.0: Board Procedures
- 2) Revision to the LACERS Board Administrative Policies, Section 1.0: Guidance for Board Members – Board Communications Policy
- 3) Affirmation of the LACERS Board Administrative Policies, Section 2.0: Contract Administration – Third Party Marketer Compliance Policy

### Discussion

As a best practice, LACERS performs a comprehensive review of its Board Governance Policies on a triennial basis. A schedule of review for the Board Governance and Administrative Policies of the LACERS Board Manual was adopted by the Board in March 2018. Staff's suggested updates or revisions are based on changes in applicable laws, standards of practice, and/or a review of issues that have arisen since the last update. These proposed modifications are presented to the respective committees and subsequently to the Board for adoption.

The following policy revisions are recommended:

#### *Board Procedures (Article I, Section 4.0)*

It is proposed to add language to Subsection 4.1 – General to provide guidance to members of the public when addressing the Board or Committee, including when comment may be heard, the duration of comments, and the handling of written comments.

#### *Board Communications Policy (Article II, Section 1.3)*

The proposed policy update reflects the recent availability of audio recordings of the LACERS Board meetings posted on LACERS' website. Public inquiries regarding actions and votes by the Board will

routinely be referred to publicly available records, including the Board audio recording, as opposed to a Board spokesperson.

*Third Party Marketer Compliance Policy (Article II, Section 2.2)*

There were no issues of note requiring changes since the last policy update. A minor edit for clarification was made.

The specific changes are found in the two attachments to this report: (A) a redline version of the policies showing proposed modifications to the existing language, and (B) a clean version of the proposed policies accepting the changes to the redline version.

Upon the Committee's finalization of these proposed Board Policies, they will be presented to the Board for further consideration and approval.

*Strategic Plan Impact Statement*

The review of the Board Governance Statement and Policies conforms with the LACERS Strategic Plan Board Governance Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

This report was prepared by Edeliza Fang, Senior Management Analyst, Administrative Services Division.

NMG:TB:DWN:EF

ATTACHMENTS: A) Board Policies – Redline Version  
B) Board Policies – Clean Version

## Section 1.0 GUIDANCE FOR BOARD MEMBERS

Section Affirmed: October 22, 2013; Revised: May 14, 2013, February 25, 2014, June 14, 2016, August 28, 2018, November 27, 2018

### 4.1 GENERAL

#### A. Procedural Standard

The Board and its Committees shall operate under Robert's Rules of Order unless statutes or Board action provide otherwise.

#### B. Board Actions

Actions of the Board require four votes. The Los Angeles City Charter §503(c) requires that "Each board shall exercise the powers conferred upon it by the Charter by order or resolution adopted by a majority of its members. Action of the board shall be attested by the signatures of the President or Vice President, or two members of the board, and by the signature of the secretary of the board."

#### C. Board Meeting Presiding Officer

Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the General Manager/Manager-Secretary will open the meeting and call for nominations of a President Pro Tempore from the members present to serve the duration of the meeting.

#### D. Committee Assignments

Committee assignments are to be determined by the President or Acting President, who shall also name the Committee Chair. An alternate will be appointed for each Committee to serve in the absence of Committee Members. Additional alternates may be appointed on an as-needed basis by the Board President.

#### E. Committee Meeting Schedule and Attendance

All Committee meetings of the Board shall be open to all Board members, but only Committee Members may vote. Committee meetings shall be scheduled to occur on the same day as regular Board meetings whenever possible.

#### F. Closed Sessions

Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board.

#### G. Closed Session Discussions and Decisions

Pursuant to Section 54957.2, Chapter 9 of the California Government Code (The Ralph M. Brown Act), the legislative body of a local agency may, by ordinance or resolution, designate a clerk or other officer or employee of the local agency who shall then attend each closed session of the legislative body and keep and enter in a minute book a record of topics discussed and decisions made at the meeting. The Executive Assistant to the Board of Administration shall be designated to serve in this capacity; and the General Manager/Manager-Secretary is designated as the alternate.

#### H. Board Member Compensation

Members of the Board shall be compensated for attendance at all Regular and Special meetings of the Board at a rate of \$50 per meeting with a maximum of \$250 per month, except when such Special meeting is concurrently scheduled as a meeting of a Committee of the Board.

**Section 1.0 GUIDANCE FOR BOARD MEMBERS****I. Board Meeting Schedule and Location**

The Board hereby approves the official meeting time for Regular Meetings of the LACERS Board of Administration as 10 a.m. on the second and fourth Tuesdays of each month, in the LACERS Boardroom at 202 West First Street, Suite 500, as the official place for Regular Meetings. All Board and Committee meetings are open to the public, with the exception of “closed session” meeting items.

**J. Public Comment**

The Board shall provide a member of the public the opportunity to address the Board or Committee on any item under its jurisdiction as follows:

1. Agenda Items – With respect to any item which is already on the agenda, the public shall be allowed the opportunity to comment at the commencement of the Board or Committee meeting. The Board/Committee Meeting Presiding Officer may request to have the speaker give their public comment prior to the agenda item to be addressed. The public shall also be given an opportunity to comment on closed session items prior to adjournment into closed session.
2. Non-Agenda Items – Members of the public shall have the right to address the Board on items which are within the subject matter jurisdiction of the Board. Except as otherwise permitted by the Ralph M. Brown Act, no deliberation of action may be taken by the Board concerning a non-agenda item, except that members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a question for clarification; or (3) provide a reference to staff for factual information. Furthermore, the Board may take action to direct staff to place a matter of business on a future agenda.

Each speaker giving a public comment shall be allotted two minutes per agenda item or new matter which is to be enforced by the Board/Committee Meeting Presiding Officer. The allotted time may be adjusted at the discretion of the Presiding Officer.

Written public comment addressing items on the meeting agenda shall be distributed to members of the Board or Committee prior to the beginning of the meeting but shall not be read out loud into the record by Board Members or LACERS’ staff during the meeting as a matter of course. All submitted public comments, including public comment cards, shall be posted with the Board meeting documents on LACERS’ website.

**4.2 AGENDAS**

- A. The Commission Executive Assistant shall prepare an Agenda for each Board meeting which incorporates a consent agenda, new business, items previously requested by Board Member(s) for inclusion, as well as those items deferred from previous meeting(s) categorized in the order to be determined in concurrence with the General Manager and Board President.
- B. The consent agenda shall consist of approval of the minutes of the past meeting(s) and routine “receive and file” items which are presumed to be non-controversial, and which do not involve the investment of assets. The Board President and General Manager may concur on additional items to be routinely placed on the consent agenda. A Board Member may at any Board meeting, remove an item from the consent agenda for further discussion.

**Section 1.0 GUIDANCE FOR BOARD MEMBERS**

- C. Items presented in the Board President's Report, General Manager's Report, Chief Investment Officer Report, or other requested Manager's Report, may be provided verbally without a written report.
- D. Informational items (i.e. "Receive and file" items):
  - 1. At Committee meetings – Shall be supported by a written report and presented by Staff or consultants, unless otherwise instructed by the Committee.
  - 2. At Board meetings – Shall be supported by a written report and presented by Staff or consultants upon request of any Board Member. The Staff or consultant should sit at the table and make a presentation only when cued or requested by the Board President.
- E. All Board Members shall receive in advance of each meeting copies of all Committee agendas, regular meeting agendas, and all support documentation.
- F. Committee reports: Following each Committee meeting in which a recommendation for action to the full Board is taken, the Staff, in consultation with the Committee Chair, will to the degree possible, prepare the Committee's report to include a brief summary of the proposed Committee recommendation and attach the Staff's report to the Committee report.
- G. Materials supplied to Board Members shall be numbered to facilitate locating items under discussion.

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**4.3 MINUTES**

- A. Minutes of the meetings of the Board shall conform in general to the format outlines in the "Trustees' Handbook" published by the International Foundation of Employee Benefit Plans.
- B. At each Board meeting, Board Members shall have the opportunity to review and approve the minutes of the previous meeting(s) before the President affixes his signature upon approval by the Board.
- C. The Minutes shall be prepared with letter-size paper for review before approval, and ~~that~~ the historical record of approved and signed minutes shall be maintained electronically with all appropriate considerations for security and accessibility as required by law.

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**4.4 ELECTION**

The Election of Board Officers for the then current fiscal year is generally held on the second meeting of July each year, or when a Board Officer seat becomes vacant. The Board shall elect one of its members to the office of President, and one to the office of Vice President. The Board Officers shall hold office for one year and until replaced by the election of a successor or re-elected at the next Election, unless their membership on the Board expires sooner.

At the appointed time, the General Manager/Manager-Secretary shall call for nominations for the office of President. After nominations have concluded, the General Manager/Manager-Secretary shall call for the Ayes and Nays from among the Members of the Board for each candidate

## Section 1.0 GUIDANCE FOR BOARD MEMBERS

nominated. Upon one candidate securing a majority vote, the General Manager/Manager-Secretary shall announce that the office of President is filled until the newly elected Member is replaced or re-elected at the next election.

The General Manager/Manager-Secretary shall then call for nominations for the office of Vice President and repeat the election procedure described above until one candidate secures a majority vote, at which time the office of Vice President may be deemed filled.

### 1.1 BOARD COMMUNICATIONS POLICY

*Adopted: June 14, 2011; Revised: March 24, 2015; Affirmed: August 28, 2018; Revised: November 27, 2018*

**Introduction:** In the process of managing and administering the Los Angeles City Employees' Retirement System, the LACERS Board of Administration may encounter various legal, ethical, and logistical issues involving communication with its stakeholders and with outside parties. To provide a framework for addressing these issues, the intent of this policy governing Board communications is to ensure that such communications are well-coordinated, effectively managed, responsive, and timely.

**LACERS' Official Spokesperson(s) for Administrative Matters:** The General Manager and/or his/her designee shall be the official representative for LACERS for any communication or presentation of LACERS' administration of programs, services, or investments provided to its stakeholders, including but not limited to the following:

- LACERS Members and their Beneficiaries
- Retiree associations
- Labor unions
- City officials, including elected officials
- Other outside parties
- General public
- Media

Note: "Media," for purposes of this policy, is defined as radio, television, newspapers, newsletters, magazines, websites, blogs, social media, and other related outlets and modes of public communication transmitted verbally and/or in writing.

The General Manager may provide factual information verifying that committee or Board actions have taken place, but shall not provide information regarding why he/she believes the committee or Board voted a certain way. If such questions arise, the General Manager may refer ~~the inquiry to the Board President and/or refer~~ the inquiring party to the committee/Board report, ~~and/or~~ meeting minutes, ~~and/or audio file posted on the website.~~

**LACERS Official Spokesperson regarding Board Decisions:** The Board President shall serve as the spokesperson for the Board on all issues pertaining to decisions and direction given by the Board other than factual, publicly available information related to decisions made by the Board, which may be answered by Board Members and the General Manager. The Board President also shall serve as the spokesperson for the Board regarding pending or potential Board decisions. The Board President may delegate the general duty of spokesperson to another Board Member or to the General Manager as he/she sees fit.

## Section 1.0 GUIDANCE FOR BOARD MEMBERS

Board Members shall refrain from publishing any written material and/or making any statements to the media or outside parties which purports to represent LACERS' policies or initiatives on any matter or subject before the Board has formally adopted a policy or position on the matter or subject. However, this policy shall not be interpreted to preclude Board Members, as private citizens, from expressing their personal views.

Board Members who publish articles and/or participate in speaking engagements while identifying themselves as trustees of LACERS may provide factual, publicly available information without any disclaimer. If the Board Member wants to express views other than adopted Board positions, he/she shall state that the views they are expressing are their personal views and are not LACERS' official position, and/or that they are not acting in an official capacity for LACERS.

Board Members should avoid expressing personal opinions and/or speculation as to the motivations of any Board Member's actions on LACERS' behalf.

**Timely Responses to Media Inquiries:** Board Members may receive inquiries directly from the media regarding pending or potential Board decisions or LACERS' actions. To ensure a timely response in such instances, the Board Members immediately shall refer or transmit such inquiries to the Board President or General Manager pursuant to the policy above for appropriate action.

**Press Releases:** The Board President and the Board Vice President shall review and approve press releases developed by LACERS' staff prior to any dissemination to any media contact or outlet.

**Section 2.0 CONTRACT ADMINISTRATION****2.1 THIRD PARTY MARKETER COMPLIANCE POLICY**

*Adopted: June 8, 2010; Revised December 14, 2010; Affirmed: November 27, 2018*

~~This Policy supersedes any previously adopted policy and is effective immediately upon adoption.~~

**Purpose**

The purpose of this policy is to maximize transparency and avoid actual or perceived conflicts of interest when LACERS considers investment proposals in order to ensure that system investment decisions are made solely on the merits of the investment opportunity by individuals that owe a fiduciary duty to the system. This policy requires firms submitting proposals for consideration by LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations in the event that a contract between the firm and LACERS is secured. This Policy is intended to apply broadly to all investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract. The Board has determined, in good faith, that the adoption of this Policy is consistent with its fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution.

**I. Disclosure of Payments Made to Placement Agents**

Each External Manager shall provide to LACERS the required information listed below within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

- A. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by LACERS.
- B. A resume for each Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience. If any such person is a former LACERS Board member, employee or Consultant or the member of an immediate family of any such person, this fact shall be specifically noted. When an entity is retained as a Placement Agent, any officer, director or employee actively providing placement agent services with regard to LACERS or receiving more than 15% of the placement agent fees should provide information required by this subsection.
- C. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent, including the nature, timing and value thereof.
- D. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only a subset of prospective clients.
- E. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or any similar regulatory agency in a country other than the United States, and the details of that registration or an explanation as to why no registration is required.

## Section 2.0 CONTRACT ADMINISTRATION

- F. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with the City of Los Angeles, State of California or national government.

### **II. Disclosure of Campaign Contributions by Placement Agent to the Board**

- A. Any Placement Agent, prior to acting as a Placement Agent in connection with any potential LACERS' investment, shall disclose to the Board all campaign contributions made by the Placement Agent to any elected member of the Board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to an elected member of the Board during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.
- B. Any Placement Agent, prior to acting as Placement Agent in connection with any potential LACERS investment, shall disclose to the Board all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any member of the Board, **staff, or consultant** during the prior 24-month period. Additionally, any subsequent gift given by the Placement Agent to any member of the Board, **staff, or consultant** during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

### **III. Definitions**

- A. **Consultant** refers to individuals or firms, and includes key personnel of consultant firms who are contractually retained or have been appointed to a pool by the system to provide investment advice to the system but who do not exercise investment decisions.
- B. **External Manager** means either of the following:
  - 1. A person who is seeking to be, or is retained by LACERS to manage a portfolio of securities or other assets for compensation.
  - 2. A person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to LACERS.
- C. **Person** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.
- D. **Placement Agent**
  - 1. A person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another Placement Agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to LACERS or an Investment Vehicle, either directly or indirectly.
  - 2. Notwithstanding paragraph (1), an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.
  - 3. For the purpose of this section, an "Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either , either domestic or foreign, constituting or managed by an External Manager in which LACERS is the majority investor that is organized in order to invest with, or retain the investment management services of, other External Managers.

Section 2.0 CONTRACT ADMINISTRATION

**IV. Requirement of Placement Agent to File Reports and Comply with Requirements Imposed on Lobbyist**

- A. A person acting as a Placement Agent in connection with any potential system investment made by LACERS, shall file applicable reports and comply with any applicable requirements imposed on lobbyist under the Los Angeles Municipal Code Section 48.01 et seq.
- B. This section does not apply to an individual who is an employee, officer, director, equity holder, partner, member or trustee of an External Manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested or held by the External Manager.

**V. Policy History**

- A. ~~Adopted on June 8, 2010~~
- B. ~~Revised on December 14, 2010~~

## Section 1.0 GUIDANCE FOR BOARD MEMBERS

*Section Affirmed: October 22, 2013; Revised: May 14, 2013, February 25, 2014, June 14, 2016, August 28, 2018, November 27, 2018*

### **4.1 GENERAL**

#### **A. Procedural Standard**

The Board and its Committees shall operate under Robert's Rules of Order unless statutes or Board action provide otherwise.

#### **B. Board Actions**

Actions of the Board require four votes. The Los Angeles City Charter §503(c) requires that "Each board shall exercise the powers conferred upon it by the Charter by order or resolution adopted by a majority of its members. Action of the board shall be attested by the signatures of the President or Vice President, or two members of the board, and by the signature of the secretary of the board."

#### **C. Board Meeting Presiding Officer**

Board meetings shall be convened and presided over by the President of the Board. In the absence of the President, the Vice President shall assume all responsibilities and authority of the President. In the absence of both the President and Vice President, the General Manager/Manager-Secretary will open the meeting and call for nominations of a President Pro Tempore from the members present to serve the duration of the meeting.

#### **D. Committee Assignments**

Committee assignments are to be determined by the President or Acting President, who shall also name the Committee Chair. An alternate will be appointed for each Committee to serve in the absence of Committee Members. Additional alternates may be appointed on an as-needed basis by the Board President.

#### **E. Committee Meeting Schedule and Attendance**

All Committee meetings of the Board shall be open to all Board members, but only Committee Members may vote. Committee meetings shall be scheduled to occur on the same day as regular Board meetings whenever possible.

#### **F. Closed Sessions**

Closed sessions of the Board and its Committees shall be limited to Board Members and only those other persons who are required by the Board.

#### **G. Closed Session Discussions and Decisions**

Pursuant to Section 54957.2, Chapter 9 of the California Government Code (The Ralph M. Brown Act), the legislative body of a local agency may, by ordinance or resolution, designate a clerk or other officer or employee of the local agency who shall then attend each closed session of the legislative body and keep and enter in a minute book a record of topics discussed and decisions made at the meeting. The Executive Assistant to the Board of Administration shall be designated to serve in this capacity; and the General Manager/Manager-Secretary is designated as the alternate.

#### **H. Board Member Compensation**

Members of the Board shall be compensated for attendance at all Regular and Special meetings of the Board at a rate of \$50 per meeting with a maximum of \$250 per month, except when such Special meeting is concurrently scheduled as a meeting of a Committee of the Board.

**Section 1.0 GUIDANCE FOR BOARD MEMBERS****I. Board Meeting Schedule and Location**

The Board hereby approves the official meeting time for Regular Meetings of the LACERS Board of Administration as 10 a.m. on the second and fourth Tuesdays of each month, in the LACERS Boardroom at 202 West First Street, Suite 500, as the official place for Regular Meetings. All Board and Committee meetings are open to the public, with the exception of “closed session” meeting items.

**J. Public Comment**

The Board shall provide a member of the public the opportunity to address the Board or Committee on any item under its jurisdiction as follows:

1. Agenda Items – With respect to any item which is already on the agenda, the public shall be allowed the opportunity to comment at the commencement of the Board or Committee meeting. The Board/Committee Meeting Presiding Officer may request to have the speaker give their public comment prior to the agenda item to be addressed. The public shall also be given an opportunity to comment on closed session items prior to adjournment into closed session.
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Written public comment addressing items on the meeting agenda shall be distributed to members of the Board or Committee prior to the beginning of the meeting but shall not be read out loud into the record by Board Members or LACERS’ staff during the meeting as a matter of course. All submitted public comments, including public comment cards, shall be posted with the Board meeting documents on LACERS’ website.

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**4.2 AGENDAS**

- A. The Commission Executive Assistant shall prepare an Agenda for each Board meeting which incorporates a consent agenda, new business, items previously requested by Board Member(s) for inclusion, as well as those items deferred from previous meeting(s) categorized in the order to be determined in concurrence with the General Manager and Board President.
- B. The consent agenda shall consist of approval of the minutes of the past meeting(s) and routine “receive and file” items which are presumed to be non-controversial, and which do not involve the investment of assets. The Board President and General Manager may concur on additional items to be routinely placed on the consent agenda. A Board Member may at any Board meeting, remove an item from the consent agenda for further discussion.

**Section 1.0 GUIDANCE FOR BOARD MEMBERS**

- C. Items presented in the Board President's Report, General Manager's Report, Chief Investment Officer Report, or other requested Manager's Report, may be provided verbally without a written report.
- D. Informational items (i.e. "Receive and file" items):
  - 1. At Committee meetings – Shall be supported by a written report and presented by Staff or consultants, unless otherwise instructed by the Committee.
  - 2. At Board meetings – Shall be supported by a written report and presented by Staff or consultants upon request of any Board Member. The Staff or consultant should sit at the table and make a presentation only when cued or requested by the Board President.
- E. All Board Members shall receive in advance of each meeting copies of all Committee agendas, regular meeting agendas, and all support documentation.
- F. Committee reports: Following each Committee meeting in which a recommendation for action to the full Board is taken, the Staff, in consultation with the Committee Chair, will to the degree possible, prepare the Committee's report to include a brief summary of the proposed Committee recommendation and attach the Staff's report to the Committee report.
- G. Materials supplied to Board Members shall be numbered to facilitate locating items under discussion.

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**4.3 MINUTES**

- A. Minutes of the meetings of the Board shall conform in general to the format outlines in the "Trustees' Handbook" published by the International Foundation of Employee Benefit Plans.
- B. At each Board meeting, Board Members shall have the opportunity to review and approve the minutes of the previous meeting(s) before the President affixes his signature upon approval by the Board.
- C. The Minutes shall be prepared with letter-size paper for review before approval, and the historical record of approved and signed minutes shall be maintained electronically with all appropriate considerations for security and accessibility as required by law.

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**4.4 ELECTION**

The Election of Board Officers for the then current fiscal year is generally held on the second meeting of July each year, or when a Board Officer seat becomes vacant. The Board shall elect one of its members to the office of President, and one to the office of Vice President. The Board Officers shall hold office for one year and until replaced by the election of a successor or re-elected at the next Election, unless their membership on the Board expires sooner.

At the appointed time, the General Manager/Manager-Secretary shall call for nominations for the office of President. After nominations have concluded, the General Manager/Manager-Secretary shall call for the Ayes and Nays from among the Members of the Board for each candidate

## Section 1.0 GUIDANCE FOR BOARD MEMBERS

nominated. Upon one candidate securing a majority vote, the General Manager/Manager-Secretary shall announce that the office of President is filled until the newly elected Member is replaced or re-elected at the next election.

The General Manager/Manager-Secretary shall then call for nominations for the office of Vice President and repeat the election procedure described above until one candidate secures a majority vote, at which time the office of Vice President may be deemed filled.

### 1.1 BOARD COMMUNICATIONS POLICY

*Adopted: June 14, 2011; Revised: March 24, 2015; Affirmed: August 28, 2018; Revised: November 27, 2018*

**Introduction:** In the process of managing and administering the Los Angeles City Employees' Retirement System, the LACERS Board of Administration may encounter various legal, ethical, and logistical issues involving communication with its stakeholders and with outside parties. To provide a framework for addressing these issues, the intent of this policy governing Board communications is to ensure that such communications are well-coordinated, effectively managed, responsive, and timely.

**LACERS' Official Spokesperson(s) for Administrative Matters:** The General Manager and/or his/her designee shall be the official representative for LACERS for any communication or presentation of LACERS' administration of programs, services, or investments provided to its stakeholders, including but not limited to the following:

- LACERS Members and their Beneficiaries
- Retiree associations
- Labor unions
- City officials, including elected officials
- Other outside parties
- General public
- Media

Note: "Media," for purposes of this policy, is defined as radio, television, newspapers, newsletters, magazines, websites, blogs, social media, and other related outlets and modes of public communication transmitted verbally and/or in writing.

The General Manager may provide factual information verifying that committee or Board actions have taken place, but shall not provide information regarding why he/she believes the committee or Board voted a certain way. If such questions arise, the General Manager may refer the inquiring party to the committee/Board report, meeting minutes, and/or audio file posted on the website.

**LACERS Official Spokesperson regarding Board Decisions:** The Board President shall serve as the spokesperson for the Board on all issues pertaining to decisions and direction given by the Board other than factual, publicly available information related to decisions made by the Board, which may be answered by Board Members and the General Manager. The Board President also shall serve as the spokesperson for the Board regarding pending or potential Board decisions. The Board President may delegate the general duty of spokesperson to another Board Member or to the General Manager as he/she sees fit.

## Section 1.0 GUIDANCE FOR BOARD MEMBERS

Board Members shall refrain from publishing any written material and/or making any statements to the media or outside parties which purports to represent LACERS' policies or initiatives on any matter or subject before the Board has formally adopted a policy or position on the matter or subject. However, this policy shall not be interpreted to preclude Board Members, as private citizens, from expressing their personal views.

Board Members who publish articles and/or participate in speaking engagements while identifying themselves as trustees of LACERS may provide factual, publicly available information without any disclaimer. If the Board Member wants to express views other than adopted Board positions, he/she shall state that the views they are expressing are their personal views and are not LACERS' official position, and/or that they are not acting in an official capacity for LACERS.

Board Members should avoid expressing personal opinions and/or speculation as to the motivations of any Board Member's actions on LACERS' behalf.

**Timely Responses to Media Inquiries:** Board Members may receive inquiries directly from the media regarding pending or potential Board decisions or LACERS' actions. To ensure a timely response in such instances, the Board Members immediately shall refer or transmit such inquiries to the Board President or General Manager pursuant to the policy above for appropriate action.

**Press Releases:** The Board President and the Board Vice President shall review and approve press releases developed by LACERS' staff prior to any dissemination to any media contact or outlet.

**Section 2.0 CONTRACT ADMINISTRATION****2.1 THIRD PARTY MARKETER COMPLIANCE POLICY**

*Adopted: June 8, 2010; Revised December 14, 2010; Affirmed: November 27, 2018*

**Purpose**

The purpose of this policy is to maximize transparency and avoid actual or perceived conflicts of interest when LACERS considers investment proposals in order to ensure that system investment decisions are made solely on the merits of the investment opportunity by individuals that owe a fiduciary duty to the system. This policy requires firms submitting proposals for consideration by LACERS to disclose the identity of all Placement Agents and/or individuals by whom the firm was referred to LACERS, and further indicate those so identified that stand to receive fees or other considerations in the event that a contract between the firm and LACERS is secured. This Policy is intended to apply broadly to all investment partners with whom LACERS does business, including, but not limited to, private equity funds, real estate funds, and infrastructure funds, as well as investment managers retained pursuant to a contract. The Board has determined, in good faith, that the adoption of this Policy is consistent with its fiduciary responsibilities as described in Section 17 of Article XVI of the California Constitution.

**I. Disclosure of Payments Made to Placement Agents**

Each External Manager shall provide to LACERS the required information listed below within 45 days of the time investment discussions are initiated by the External Manager or LACERS but in any event prior to the completion of due diligence. Any changes to the information provided to LACERS must be disclosed within 14 calendar days of the occurrence of the change in information. In the case of amendments to an existing agreement, this information is required prior to execution of the amendment.

- A. A statement whether the External Manager, or any of its principals, employees, agents or affiliates has compensated or agreed to compensate, directly or indirectly, any person or entity to act as a Placement Agent in connection with any investment by LACERS.
- B. A resume for each Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience. If any such person is a former LACERS Board member, employee or Consultant or the member of an immediate family of any such person, this fact shall be specifically noted. When an entity is retained as a Placement Agent, any officer, director or employee actively providing placement agent services with regard to LACERS or receiving more than 15% of the placement agent fees should provide information required by this subsection.
- C. A description of any and all compensation of any kind provided, or agreed to be provided, to the Placement Agent, including the nature, timing and value thereof.
- D. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only a subset of prospective clients.
- E. A statement whether the Placement Agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or any similar regulatory agency in a country other than the United States, and the details of that registration or an explanation as to why no registration is required.
- F. A statement whether the Placement Agent, or any of its affiliates, is registered as a lobbyist with the City of Los Angeles, State of California or national government.

## Section 2.0 CONTRACT ADMINISTRATION

### **II. Disclosure of Campaign Contributions by Placement Agent to the Board**

- A. Any Placement Agent, prior to acting as a Placement Agent in connection with any potential LACERS' investment, shall disclose to the Board all campaign contributions made by the Placement Agent to any elected member of the Board during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to an elected member of the Board during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.
- B. Any Placement Agent, prior to acting as Placement Agent in connection with any potential LACERS investment, shall disclose to the Board all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any member of the Board, staff, or consultant during the prior 24-month period. Additionally, any subsequent gift given by the Placement Agent to any member of the Board, staff, or consultant during the time the Placement Agent is receiving compensation in connection with a system investment shall also be disclosed.

### **III. Definitions**

- A. **Consultant** refers to individuals or firms, and includes key personnel of consultant firms who are contractually retained or have been appointed to a pool by the system to provide investment advice to the system but who do not exercise investment decisions.
- B. **External Manager** means either of the following:
  - 1. A person who is seeking to be, or is retained by LACERS to manage a portfolio of securities or other assets for compensation.
  - 2. A person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to LACERS.
- C. **Person** means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.
- D. **Placement Agent**
  - 1. A person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another Placement Agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker, or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to LACERS or an Investment Vehicle, either directly or indirectly.
  - 2. Notwithstanding paragraph (1), an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.
  - 3. For the purpose of this section, an "Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either , either domestic or foreign, constituting or managed by an External Manager in which LACERS is the majority investor that is organized in order to invest with, or retain the investment management services of, other External Managers.

Section 2.0 CONTRACT ADMINISTRATION

**IV. Requirement of Placement Agent to File Reports and Comply with Requirements Imposed on Lobbyist**

- A. A person acting as a Placement Agent in connection with any potential system investment made by LACERS, shall file applicable reports and comply with any applicable requirements imposed on lobbyist under the Los Angeles Municipal Code Section 48.01 et seq.
- B. This section does not apply to an individual who is an employee, officer, director, equity holder, partner, member or trustee of an External Manager who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested or held by the External Manager.



## Report to Governance Committee

From:  Neil M. Guglielmo, General Manager

Agenda of: NOVEMBER 27, 2018

ITEM: IV

SUBJECT: DISCUSSION OF PROPOSED GOVERNANCE GOAL INITIATIVES

### Recommendation

That the Committee review and consider prioritizing the proposed Governance Goal initiatives for inclusion in the new LACERS Strategic Plan.

### Discussion

LACERS is in the process of developing a new Strategic Plan which involves the review of the existing vision, mission, motto, guiding principles and strategic planning goals. In October 2018, a Board off-site meeting was held to begin this process. LACERS Board Members, LACERS senior management staff, representatives from the Office of the City Attorney, and Commission support staff were in attendance, as well as members from the general public. Our board governance consultant, Cortex Applied Research Inc., facilitated the exercise and led the group in reviewing the major components of the Strategic Plan. The strengths, weaknesses, opportunities, and threats of the department were evaluated as they related to current strategic plan goal areas: Customer Service, Benefit Delivery, Health and Welfare, Investments, Governance, Organizational, and Workforce. Break-out sessions were conducted to focus on each of the goal areas in developing key issues and objectives.

In early November 2018, LACERS senior management goal owners facilitated working group sessions with a broad representation of LACERS staff members in the next steps of the strategic planning process. Each session's discussion revolved around the key issues and objectives that were developed during the Board off-site meeting as well as the introduction of new suggestions by the working group attendees. The following is a compilation of the Governance Goal Objectives and initiatives that were proposed at both the Board off-site meeting and the Governance Goal working group session.

### Proposed Objectives:

- Establish fiduciary policies
  - Knowledgeable, engaged, independent-minded Board
  - Sound governance policy and process
- Promote transparency and accountability to stakeholders and fellow Commissioners

Proposed Initiatives:

- **Coordination of Board Member Education**
  - Develop an Individual Board Member Education Plan
  - Provide training onsite which may also be attended by key staff
  - Conduct a self-assessment of Board Member knowledge and understanding of issues involved across a spectrum of pension-related areas
  - Create a Board Member Training/Conference Calendar to avoid scheduling conflicts with Board meetings, potentially affecting quorum
  - Review and revise the Board Travel Evaluation Form to require more detail and additional feedback on the training/conference/seminar
- **Commitment to Professional Communication with All Stakeholders and Partners**
  - Ensure incorporation to on-boarding training/orientation
- **Exemplifying the LACERS Guiding Principles**
  - Provide refresher training
  - Place wall graphics of the guiding principles in common areas such as the Reception Room, hallways, and the Board Room
- **Alignment of On-going Board Education Topics with Pending Board Decisions**
  - Ensure that the Board receives relevant education/training prior to making Board decisions
- **Logging and Tracking of Board Requests**
  - Institute a tracking system for each Board request requiring staff action
- **Efficient Use of Board and Staff Time**
  - Reduce redundancy by not focusing on items previously vetted at the Committee level
  - Avoid holding up items in Committees

The proposed strategic planning goal objectives and initiatives will be included in the new Strategic Plan to be presented to the Board for adoption in February 2019.

*Strategic Plan Impact Statement*

The review of the proposed Governance Goal initiatives supports the LACERS Strategic Plan Board Governance Goal of upholding good governance practices which affirm transparency, accountability, and fiduciary duty.

This report was prepared by Edeliza Fang, Senior Management Analyst, Administrative Services Division.

NMG:TB:DWN:EF