



Board of Administration Agenda

REGULAR MEETING

TUESDAY, FEBRUARY 26, 2019

TIME: 10:00 A.M.

MEETING LOCATION:

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

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

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.

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 Ghokassian
Legal Counsel:	City Attorney's Office Retirement Benefits Division

- I. PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION
- II. [APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF FEBRUARY 12, 2019 AND POSSIBLE BOARD ACTION](#)
- III. BOARD PRESIDENT VERBAL REPORT
- IV. GENERAL MANAGER VERBAL REPORT
 - A. REPORT ON DEPARTMENT OPERATIONS
 - B. UPCOMING AGENDA ITEMS
- V. RECEIVE AND FILE ITEMS
 - A. [MONTHLY REPORT ON SEMINARS AND CONFERENCES FOR JANUARY 2019](#)

- B. OPEN ENROLLMENT CLOSEOUT REPORT
- VI. CONSENT AGENDA
 - A. [COST-OF-LIVING ADJUSTMENT FOR JULY 2019 AND POSSIBLE BOARD ACTION](#)
- VII. COMMITTEE REPORT(S)
 - A. INVESTMENT COMMITTEE VERBAL REPORT ON THE MEETING OF FEBRUARY 12, 2019
- VIII. INVESTMENTS
 - A. CHIEF INVESTMENT OFFICER VERBAL REPORT
 - B. [NOTIFICATION OF COMMITMENT OF UP TO \\$15 MILLION IN ROARK CAPITAL PARTNERS V, L.P. AND UP TO \\$10 MILLION IN ROARK CAPITAL PARTNERS II SIDECAR, L.P.](#)
 - C. [NOTIFICATION OF COMMITMENT OF UP TO \\$40 MILLION IN ABRY PARTNERS IX, L.P.](#)
 - D. [NOTIFICATION OF COMMITMENT OF UP TO €34.9 MILLION \(APPROXIMATELY \\$40 MILLION\) IN ASTORG VII, L.P.](#)
 - E. [CONTRACT WITH CEM BENCHMARKING INC. AND POSSIBLE BOARD ACTION](#)
- IX. DIVISION SPOTLIGHT
 - A. HEALTH DIVISION – ENROLLMENT UNIT
- X. DISABILITY RETIREMENT APPLICATION(S)
 - A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF BLANCA GONZALEZ AND POSSIBLE BOARD ACTION**
 - B. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF LOUIS HERRON AND POSSIBLE BOARD ACTION**
- XI. CLOSED SESSION
 - A. **CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 TO CONFER WITH REAL PROPERTY NEGOTIATOR AND POSSIBLE BOARD ACTION.**
PROPERTY: 202 WEST FIRST STREET, LOS ANGELES, CA 90012;
AGENCY NEGOTIATORS: JAMES N. TRAVERS, DENNIS SMITH

**NEGOTIATING PARTIES: LACERS, ONNI TIMES SQUARE UNDER NEGOTIATION:
PRICE AND TERMS OF PAYMENT FOR PROPOSED LEASE**

**B. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)(1):
GENERAL MANAGER 2018-19 PERFORMANCE EVALUATION AND POSSIBLE
BOARD ACTION**

XII. BOARD/DEPARTMENT ADMINISTRATION

A. CONSIDERATION OF 2018-19 GENERAL MANAGER'S MERIT PAY AND POSSIBLE
BOARD ACTION

B. [REQUEST FOR PROPOSALS FOR ACTUARIAL SERVICES AND POSSIBLE
BOARD ACTION](#)

XIII. OTHER BUSINESS

XIV. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, March 12, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XV. ADJOURNMENT

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

February 12, 2019

10:10 a.m.

Agenda of: Feb. 26, 2019

Item No: II

PRESENT:	President:	Cynthia M. Ruiz
	Vice President:	Elizabeth L. Greenwood <small>(arrived at 10:28 a.m.)</small>
	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:	Anya Freedman

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

I

PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION – President Ruiz 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 public comment cards were received.

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF JANUARY 22, 2019 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of January 22, 2019 was moved by Commissioner Serrano, seconded by Commissioner Elizabeth Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz discussed that Vice President Greenwood has been on the news lately regarding the typhus issue. Neil M. Guglielmo, General Manager, stated that employee, member, and the public's health is most important when dealing with this issue.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager discussed the following items:
- Looking at ways to improve member experience.
 - City of Los Angeles will be going through ADA Compliance Review.
 - Working with Segal Consulting on the Larger Annuity Program.
 - 115 Trust update.
 - Excess Benefits Payments and retro pay automation to the Controller.
 - Starting January 28, 2019 online appointments available for Wellness events, Technology events, and walks.
 - 6-year financial illustration, working with Segal consulting.
 - Staff working on reports from new PAS system
- B. UPCOMING AGENDA ITEMS – Neil M. Guglielmo, General Manager, stated the following future agenda items:
- Actuarial RFP coming soon.
 - Fiscal year 19-20 budget going to the Board in March.
 - Spotlight on Health Benefits Division-Enrollment Unit being presented to the Board on February 26, 2019.
 - Open Enrollment results for 2019.

V

RECEIVE AND FILE ITEMS

- A. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER – The report was received by the Board and filed.
- B. MARKETING CESSATION NOTIFICATION – The report was received by the Board and filed.
- C. LACERS CUSTOMER SERVICE SURVEY SEMI-ANNUAL REPORT, JULY – DECEMBER 2018 – The report was received by the Board and filed.

VI

BOARD/DEPARTMENT ADMINISTRATION

- A. AMENDMENT NO. 4 TO CONTRACT NO. 4075 WITH LINEA SOLUTIONS, INC. AND POSSIBLE BOARD ACTION – Brian Cha, Management Analyst and Todd Bouey, Assistant General Manager, presented this item to the Board. Commissioner Serrano moved approval of the following Resolution:

**CONTRACT AMENDMENT NO. 4 WITH
LINEA SOLUTIONS, INC.
FOR PROJECT MANAGEMENT SERVICES
OVERSEEING THE PENSION ADMINISTRATION SYSTEM PROJECT**

RESOLUTION 190212-A

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 and warranty phases of the PAS project; and

WHEREAS, it is LACERS’ desire to continue utilizing Linea’s project consultation and management services for the duration of the 2019 calendar year, inclusive of the new system’s support and maintenance phase, to provide system stabilization, enhancement management and transitional services; and

WHEREAS, Linea has agreed to continue providing their project consultation and management services through December 31, 2019 for a fixed monthly fee and transitioning to an hourly fee as the need for project oversight 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>	April 1, 2019 through December 31, 2019
<u>Total Expenditure Authority:</u>	\$336,888

Which motion was seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -7; Nays, None.

- B. SEMI-ANNUAL REPORT OF BUSINESS PLAN INITIATIVES FOR THE PERIOD ENDING DECEMBER 2018 – Staff presented this item to the Board.
- C. PROPOSED LACERS STRATEGIC PLAN AND POSSIBLE BOARD ACTION – Commissioner Sohn commented that outperformance means something higher than the average. Commissioner Serrano moved approval, seconded by Commissioner Sandra Lee, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -7; Nays, None.

COMMITTEE REPORT(S)

- A. GOVERNANCE COMMITTEE VERBAL REPORT ON THE MEETING OF JANUARY 22, 2019 – Commissioner Serrano stated the Committee was presented with minor changes to the Governance Policy.
- B. TRIENNIAL BOARD POLICY REVIEW: BOARD PROCEDURES, BOARD EDUCATION AND TRAVEL POLICY, CORPORATE GOVERNANCE ACTIONS RESPONSE PROTOCOL AND POSSIBLE BOARD ACTION – Edeliza Fang, Senior Management Analyst II, presented this item to the Board. Commissioner Serrano moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Wilkinson, Vice President Greenwood, and President Ruiz -6; Nays, None.
- C. BENEFITS ADMINISTRATION COMMITTEE VERBAL REPORT ON THE MEETING OF FEBRUARY 12, 2019 – Commissioner Wilkinson stated the Committee was presented with a report on the LACERS *Well* 2018.

VIII

BENEFITS ADMINISTRATION

- A. BOARD EDUCATION: HEALTH PLAN ADMINISTRATION OVERVIEW – Alex Rabrenovich, Chief Benefits Analyst, presented this education to the Board.

President Ruiz adjourned the Regular Meeting at 12:19 p.m. for a break and reconvened the Regular Meeting at 12:27 p.m.

IX

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$16.96 Billion as of February 11, 2019. Mr. June discussed the following items:
 - Active Small Cap Equity Search and High Yield Bank Loan Search RFP will be released on February 25, 2019
 - Future agenda items: Private Equity Notification, Real Estate Fund opportunities, and presentation by Council of Institutional Investors regarding ESG.

Item IX-D taken out of order.

- D. INVESTMENT POLICY MANUAL REVIEW AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Sohn and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -7; Nays, None.

Items XI-A and XII-A taken out of order.

XI

President Ruiz adjourned the Regular Meeting at 12:48 p.m. to convene in Closed Session. President Ruiz left the Regular Meeting at 1:02 p.m and Vice President Greenwood presided over the meeting.

CLOSED SESSION

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 TO CONFER WITH REAL PROPERTY NEGOTIATOR AND POSSIBLE BOARD ACTION.

PROPERTY: 202 WEST FIRST STREET, LOS ANGELES, CA 90012; AGENCY NEGOTIATORS: JAMES N. TRAVERS, DENNIS SMITH NEGOTIATING PARTIES: LACERS, ONNI TIMES SQUARE UNDER NEGOTIATION: PRICE AND TERMS PAYMENT FOR PROPOSED LEASE

XII

DISABILITY RETIREMENT APPLICATION(S)

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957(b) TO CONSIDER THE DISABILITY RETIREMENT APPLICATION OF MAYRA MARTINEZ AND POSSIBLE BOARD ACTION

Vice President Greenwood reconvened the Regular Meeting at 1:25 p.m. and announced that during Closed Session the Board conferred with the real property negotiator and unanimously approved the Disability Retirement Application of Mayra Martinez.

Commissioner Sandra Lee left the Regular Meeting at 1:25 p.m.

IX

INVESTMENTS

- B. REAL ESTATE PORTFOLIO REVIEW – Eduardo Park, Investment Officer I and Jennifer Young-Stevens with Townsend Group presented this item to the Board.
- C. PRESENTATION BY NEPC, LLC REGARDING TACTICAL ASSET ALLOCATION – Carolyn Smith with NEPC presented this item to the Board. The Board decided to defer further discussion on this item to a future Board Meeting.

X

LEGAL/LITIGATION

- A. BOARD EDUCATION: LEGAL FRAMEWORK FOR IMPLEMENTING ESG FACTORS INTO INVESTMENT STRATEGY – Miguel Bahamon, Deputy City Attorney, presented this item to the Board.

XIII

OTHER BUSINESS – Vice President Greenwood and staff discussed the emails from Jim Baker, Private Equity Stakeholder Project regarding the LACERS investments with American Securities, a private equity manager and Platinum Equity, a private equity manager.

XIV

NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, February 26, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XV

ADJOURNMENT – There being no further discussion before the Board, Vice President Greenwood adjourned the meeting in honor of Jason Kitahara, Management Analyst with LACERS at 2:32 p.m.

Cynthia M. Ruiz
President

Neil M. Guglielmo
Manager-Secretary

Agenda of: FEB. 26, 2019

Item No: V-A

**MONTHLY REPORT ON SEMINARS AND CONFERENCES
ATTENDED BY BOARD MEMBERS ON BEHALF OF LACERS
(FOR THE MONTH OF JANUARY 2019)**

In accordance with Section V.H.2 of the approved Board Education and Travel Policy, Board Members are required to report to the Board, on a monthly basis at the last Board meeting of each month, seminars and conferences they attended as a LACERS representative or in the capacity of a LACERS Board Member which are either complimentary (no cost involved) or with expenses fully covered by the Board Member. This monthly report shall include all seminars and conferences attended during the 4-week period preceding the Board meeting wherein the report is to be presented.

BOARD MEMBER:

President Cynthia M. Ruiz
Vice President Elizabeth L. Greenwood

Commissioner Elizabeth Lee
Commissioner Sandra Lee
Commissioner Nilza R. Serrano
Commissioner Sung Won Sohn
Commissioner Michael R. Wilkinson

DATE(S) OF EVENT	SEMINAR / CONFERENCE TITLE	EVENT SPONSOR (ORGANIZATION)	LOCATION (CITY, STATE)
	NOTHING TO REPORT		



Report to Board of Administration

Lit Payne Jr

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VI-A**

SUBJECT: COST-OF-LIVING ADJUSTMENT FOR JULY 2019 AND POSSIBLE BOARD ACTION

Recommendation

That the Board adopt a 3% cost-of-living adjustment for Tier 1 and Tier 1 Enhanced Members, and a 2% cost-of-living adjustment for Tier 3 Members, as detailed in the schedule prepared by LACERS' consulting actuary, to be effective July 1, 2019.

Discussion

On July 1 of each year, eligible Members and beneficiaries may receive a cost-of-living adjustment (COLA) to their benefits, as determined by the Board. The COLA is based on the average annual percentage change in the Consumer Price Index (CPI) for the Los Angeles area which is 3.8% for calendar year 2018, and subject to the limitations in the Los Angeles Administrative Code (LAAC) §4.1022 for Tier 1 and §4.1080.17 for Tier 3. The COLA benefits effective July 1, 2019, are summarized as follows, and are further detailed in the attached letter from LACERS' consulting actuary.

Membership	Initial retirement date	COLA Limitations ¹	COLA effective July 1, 2019
Tier 1 participants and beneficiaries	On or before July 1, 1980	<ul style="list-style-type: none"> • 3.0% maximum increase • Excess will be banked (Added to existing accumulated balance. See attached schedule) 	3.0%
Tier 1 and Tier 1 Enhanced participants and beneficiaries	July 2, 1980 to June 30, 2018	<ul style="list-style-type: none"> • 3.0% maximum increase • Excess will be banked (No prior accumulated balance. See attached schedule) 	3.0%
Tier 1 and Tier 1 Enhanced participants and beneficiaries with less than one full year of retirement	July 1, 2018 to June 30, 2019	<ul style="list-style-type: none"> • Prorated COLA increase of 1/12th for each full month of retirement • Excess will not be banked for less than one full year of retirement 	1/12 th of 3.0% each full month retired

Tier 3 participants and beneficiaries	On or before June 30, 2018	<ul style="list-style-type: none"> • 2.0% maximum increase • No COLA bank 	2.0%
Tier 3 participants and beneficiaries with less than one full year of retirement	July 1, 2018 to June 30, 2019	<ul style="list-style-type: none"> • Prorated COLA increase of 1/12th for each full month of retirement • No COLA Bank 	1/12 th of 2.0% each full month retired

¹ Tier 1 and Tier 1 Enhanced Members who received a benefit for a whole year, will receive the excess amount of 0.8% (known as "Excess COLA" which is the difference between CPI change of 3.8% for the year and 3% maximum) added to their COLA bank. In years when the CPI changes are less than 3%, the accumulated banked benefit is applied toward achieving the 3% maximum increase. Pursuant to LAAC §4.1080.17, the Tier 3 COLA benefit is capped at 2% and there is no banked benefit.

Strategic Plan Impact Statement

This action meets the Benefit Delivery Goal by ensuring accurate payment of benefits in accordance with the plan documents codified in the Los Angeles Administrative Code.

This report was prepared by Chhintana Kurimoto, Management Analyst, Administrative Services Division.

NG:TB:DWN:CK

Attachment: Segal Letter dated February 4, 2019 with COLA Schedule



180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263.8283 www.segalco.com

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary
ayeung@segalco.com

VIA E-MAIL & USPS

February 4, 2019

Mr. Neil Guglielmo
General Manager
Los Angeles City Employees' Retirement System
202 West First Street, Suite 500
Los Angeles, CA 90012-4401

**Re: Los Angeles City Employees' Retirement System (LACERS)
Cost-of-Living Bank as of July 1, 2019**

Dear Neil:

We have prepared a schedule showing the accumulated banked benefits for the System's retirees and beneficiaries reflecting the cost-of-living adjustments as of July 1, 2019.

The annual average CPI increased from 256.210 in 2017 to 265.962 in 2018, an increase of 3.8% (rounded to the nearest one-tenth of one percent). This figure was determined by using the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach-Anaheim Area.¹

Note that participants with membership dates on and after February 21, 2016 were placed in Tier 3, unless the participant qualified for Tier 1 membership. Participants in Tier 3 are entitled to a maximum of 2% COLA provision after retirement (instead of a maximum of 3% COLA provision for Tier 1 and Tier 1 Enhanced²). In addition, excess COLA will not be banked under the Tier 3 provision and all Tier 3 retirees and beneficiaries will receive the same COLA regardless of retirement date.

The schedule in Exhibit A contains four columns for Tier 1 and Tier 1 Enhanced participants:

Column 1. Accumulated Banked Benefits as of July 1, 2018. This data was obtained from a similar schedule we prepared last year.

¹ Formerly the Los Angeles-Riverside-Orange County Area.

² Tier 1 Enhanced is for all Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018.

Mr. Neil Guglielmo
February 4, 2019
Page 2

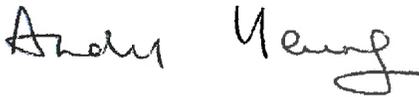
- Column 2.** Actual average CPI increase of 3.8%.
- Column 3.** Cost-of-living increase granted as of July 1, 2019.
- Column 4.** Accumulated Banked Benefits as of July 1, 2019.
(Column (1) + Column (2) - Column (3), but limited to no less than 0%)

As shown in Exhibit A, the cost-of-living increase as of July 1, 2019 for all Tier 1 and Tier 1 Enhanced participants is the full 3.0% maximum increase permitted by the Administrative Code. The difference between 3.8% and 3.0%, or 0.8%, will increase the accumulated bank for each of these participants for future COLA increases.

For Tier 3 participants, the cost-of-living increase as of July 1, 2019 will be 2.0% regardless of retirement date as shown in Exhibit B.

If you have any questions, please do not hesitate to call.

Sincerely,



Andy Yeung

MAM/bbf
Enclosures

cc: Todd Bouey
Lita Payne
Dale Wong-Nguyen

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
 COST-OF-LIVING INCREASES AND ACCUMULATED BANKED BENEFITS
 As of July 1, 2019**

**Exhibit A
 Tier 1 and Tier 1 Enhanced Participants**

Initial Retirement Date	July 1, 2018 Accumulated Banked Benefits (1)	Increase in the Annual Average CPI (2)	COLA (3)	July 1, 2019 Accumulated Banked Benefits (4)
On or Before 07/01/1978	15.000%	3.800%	3.000%	15.800%
07/02/1978 to 07/01/1979	10.750%	3.800%	3.000%	11.550%
07/02/1979 to 08/01/1979	6.144%	3.800%	3.000%	6.944%
08/02/1979 to 09/01/1979	6.339%	3.800%	3.000%	7.139%
09/02/1979 to 10/01/1979	6.533%	3.800%	3.000%	7.333%
10/02/1979 to 11/01/1979	6.728%	3.800%	3.000%	7.528%
11/02/1979 to 12/01/1979	6.922%	3.800%	3.000%	7.722%
12/02/1979 to 01/01/1980	7.117%	3.800%	3.000%	7.917%
01/02/1980 to 02/01/1980	7.311%	3.800%	3.000%	8.111%
02/02/1980 to 03/01/1980	7.506%	3.800%	3.000%	8.306%
03/02/1980 to 04/01/1980	7.700%	3.800%	3.000%	8.500%
04/02/1980 to 05/01/1980	7.894%	3.800%	3.000%	8.694%
05/02/1980 to 06/01/1980	8.089%	3.800%	3.000%	8.889%
06/02/1980 to 07/01/1980	8.283%	3.800%	3.000%	9.083%
07/02/1980 to 06/30/2018	0.000%	3.800%	3.000%	0.800%
07/01/2018 to 06/30/2019		3.800%	3.000%	0.800%

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COST-OF-LIVING INCREASES
As of July 1, 2019**

**Exhibit B
Tier 3 Participants**

	Increase in the Annual Average CPI	COLA
All Tier 3 Participants Retired on or before 06/30/2019	3.800%	2.000%



Report to Board of Administration

Lite Payne

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VIII-B**

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO \$15 MILLION IN ROARK CAPITAL PARTNERS V, L.P. AND UP TO \$10 MILLION IN ROARK CAPITAL PARTNERS II SIDECAR, L.P.

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$15 million in Roark Capital Partners V, L.P. and \$10 million in Roark Capital Partners II Sidecar, L.P. (the Funds), a buyout strategy managed by Roark Capital Management, LLC (Roark or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Investments 2019 Strategic Plan adopted by the Board on October 23, 2018.

Background

Roark was founded in 2001 by Neal Aronson. Prior to founding Roark, Mr. Aronson was the Co-Founder and Chief Financial Officer of U.S. Franchise Systems. Roark has raised approximately \$12 billion in equity since inception and currently has 61 employees in Atlanta (headquarters) and New York City. Roark is a new general partner relationship for LACERS.

Investment Thesis

Roark focuses on family-owned business transfers, management/corporate buyouts, recapitalizations, going-private transactions, and corporate divestiture. Target companies are generally market leaders that are experiencing strong growth, driven by macroeconomic trends in the North American region. These companies are in the food and restaurants, specialty retail, health and wellness, retail healthcare, business services, and education industries. The GP intends to leverage its experience, brand name, and network to source attractive deals for the Funds. The GP strives to enhance the value of portfolio companies by working with management to pursue new market opportunities, identifying strategic acquisitions, and improving operations. The primary difference between Roark Capital Partners V, L.P. and Roark Capital Partners II Sidecar, L.P. is that the sidecar fund will focus solely on the casual dining space. The GP intends to invest in portfolio companies with enterprise values in the range of \$100

million to \$1.5 billion. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation

Staff concurred with TorreyCove's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investments in Roark Capital Partners V, L.P. and Roark Capital Partners II Sidecar, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:sg

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box



ATTACHMENT A

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

A wide-angle photograph of the Los Angeles skyline, viewed from a grassy hillside. The foreground is filled with green grass and trees. The middle ground shows a dense cluster of skyscrapers, including the US Bank Tower. The background is a clear blue sky.

Roark Capital Partners V, L.P. and Roark Capital Partners II Sidecar, L.P. Investment Notification



Fund Information

- **General Partner:** Roark Capital Management, LLC
- **Fund:** Roark Capital Partners V, L.P. + Roark Capital Partners II Sidecar, L.P.
- **Firm Founded:** 2001
- **Strategy:** Buyouts
- **Sub-Strategy:** Medium Buyouts
- **Geography:** North America
- **Team:** 10-person Managing Director group that is supported by 30+ additional investment professionals
- **Senior Partners:** Neal Aronson (Managing Partner)
- **Office Locations:** Atlanta (Georgia), New York City (New York)
- **Industries:** Consumer and Business Services
- **Recommendation:** \$25 million (\$15 million to Fund V and \$10 million to Sidecar)

Investment Highlights

- Experienced and cohesive investment team
- Strong, consistent returns over time
- Significant experience investing in consumer businesses, particularly those with franchise business models

Roark Capital Partners V, L.P. and Roark Capital Partners II Sidecar, L.P.

■ Firm and Background

- Founded in 2001 by Neal Aronson, who co-owned and operated U.S. Franchise Systems (a hotel franchisor) prior to starting Roark Capital Partners.
- Neal Aronson, Managing Partner and Founder, continues to lead the business today.
- Ezra Field and Erik Morris, Senior Managing Directors who have both been with the Firm for more than a decade, were recently appointed as Co-Chief Investment Officers.
- The Firm continues to operate out of its headquarters in Atlanta with an additional office in New York.

■ Investment Strategy

- Focus on leveraged control buyouts primarily in U.S.
- Invest between \$50 million and \$1.0 billion of equity per transaction in businesses with enterprise values between \$100 million and \$1.5 billion.
- A focus on two principal sectors: (i) consumer; and (ii) business services.
 - » Within consumer, a focus on: (i) food & restaurants; (ii) health & wellness; (iii) and specialty retail.
- A focus on acquiring primarily multi-unit businesses that employ a franchise business model.
- The Sidecar Fund will be focused exclusively on making investments in the casual dining sub-sector

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE.

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Vendor **Roark Capital Management, LLC**
 Address **1180 Peachtree St. NE**
Suite 2500
Atlanta, GA 30309
 Category **PE - Buyouts**

Date Completed: **October 10, 2018**

TOTAL COMPOSITION OF WORK FORCE									
<u>Occupation</u>	<u>African American Full Time</u>	<u>Hispanic Full Time</u>	<u>Asian or Pacific Islander Full Time</u>	<u>American Indian/ Alaskan Native Full Time</u>	<u>Caucasian (Non Hispanic) Full Time</u>	<u>Total Employees Full Time</u>	<u>Percent (%) Minority Full Time</u>	<u>Gender Full Time</u>	
								<u>Male</u>	<u>Female</u>
Officials & Managers	0	0	2	0	26	28	7.14%	26	2
Professionals	3	0	5	0	19	27	29.63%	23	4
Technicians	0	0	0	0	0	0	0.00%	0	0
Sales Workers	0	0	0	0	0	0	0.00%	0	0
Office/Clerical	0	0	0	0	6	6	0.00%	0	6
Semi-Skilled	0	0	0	0	0	0	0.00%	0	0
Unskilled	0	0	0	0	0	0	0.00%	0	0
Service Workers	0	0	0	0	0	0	0.00%	0	0
Other	0	0	0	0	0	0	0.00%	0	0
Total	3	0	7	0	51	61	16.39%	49	12

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	<ul style="list-style-type: none"> Select Private Equity Consultant. Approve asset class funding level. Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
Investment Selection	<ul style="list-style-type: none"> Review investment analysis reports. Review and approve investments in new management groups of amounts greater than \$25 million prior to investment. Review and approve investments in follow-on partnerships of amounts greater than \$40 million prior to investment. 	<ul style="list-style-type: none"> Refer investments and forward to Private Equity Consultant for preliminary screening. Conduct meetings with potential new investments prior to recommending to the Board, if practical. In conjunction with Private Equity Consultant, invest up to \$25 million for new partnerships, and up to \$40 million for follow-on funds without Board approval. If staff opposes, refer to Board for decision. In conjunction with Private Equity Consultant, make recommendations to Board for approval for investments over \$25 million in new partnerships, or over \$40 million in follow-on funds. Execute agreements. 	<ul style="list-style-type: none"> Conduct extensive analysis and due diligence on investments. Recommend for Board approval investments over \$25 million for new managers, or over \$40 million in follow-on funds. With staff concurrence, approve investment of up to \$25 million for new partnerships, and up to \$40 million in follow-on funds. Provide investment analysis report for each new investment. Communicate with staff regarding potential opportunities undergoing extensive analysis and due diligence. Coordinate meetings between staff, Board, and general partner upon request. Negotiate legal documents.
Investment Monitoring	<ul style="list-style-type: none"> Review quarterly, annual, and other periodic monitoring reports. 	<ul style="list-style-type: none"> Review quarterly, annual and other periodic monitoring reports prepared by the Private Equity Consultant. Conduct meetings with existing managers periodically. Attend annual partnership meetings when appropriate. Fund capital calls and distributions. Review Private Equity Consultant's recommendations on amendments. Execute amendments to agreements and consents. 	<ul style="list-style-type: none"> Maintain regular contact with existing managers in the portfolio to ascertain significant events within the portfolio. Recommend amendments and consents to staff for approval. Provide quarterly, annual, and other periodic monitoring reports.



Report to Board of Administration

Cita Payne m

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VIII-C**

SUBJECT: **NOTIFICATION OF COMMITMENT OF UP TO \$40 MILLION IN ABRY PARTNERS IX, L.P.**

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to \$40 million in ABRY Partners IX, L.P. (the Fund), a buyout strategy managed by ABRY Partners II, LLC (ABRY or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Investments 2019 Strategic Plan adopted by the Board on October 23, 2018.

Background

ABRY was founded in 1989 by Andrew Banks and Royce Yudkoff. Prior to the firm's inception, Mr. Banks and Mr. Yudkoff worked together for 28 years at Bain & Company, an international consulting firm with a media practice for which they shared significant responsibility. The GP has \$12 billion of assets under management, consists of 87 employees, and is based in Boston.

ABRY is an existing general partner relationship for LACERS. LACERS previously committed a total of \$105 million to the following ABRY-sponsored funds:

Fund	Vintage Year	Commitment Amount	Net IRR ^{1,2}
ABRY Advanced Securities III, L.P.	2014	\$20 million	11.9%
ABRY Partners VIII, L.P.	2014	\$25 million	9.4%
ABRY Heritage Partners, L.P.	2016	\$10 million	12.1%
ABRY Senior Equity V, L.P.	2016	\$10 million	2.5%
ABRY Advanced Securities IV, L.P.	2018	\$40 million	n/a

Investment Thesis

ABRY invests in businesses within the media, communications, business and information services sectors. Target companies are characterized by continual evolution, driven by factors such as changes in technological advancement that creates ongoing investment opportunities. The GP pursues a range of investment types including acquisitions, growth investments, consolidation strategies, and cost reductions. Prior to making an investment, ABRY develops a strategic and operational plan, and subsequently implements this plan through active involvement in the management and leadership of its portfolio companies.

Placement Agent

The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation

Staff concurred with TorreyCove's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in ABRY Partners Fund IX, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:sg

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

¹Net internal rate of return as of June 30, 2018

²Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).



ATTACHMENT A

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

ABRY Partners IX, L.P. Investment Notification



Fund Information

- **General Partner:** ABRY Partners II, LLC
- **Fund:** ABRY Partners IX, L.P.
- **Firm Founded:** 1989
- **Strategy:** Buyouts
- **Sub-Strategy:** Medium Buyouts
- **Geography:** North America
- **Team:** 10-Person Partner group
- **Senior Partners:** Jay Grossman and C.J. Brucato (Co-CEO's)
- **Office Locations:** Boston (Massachusetts), London (U.K.)
- **Industries:** Media, Communications, and Business and Information Services
- **Recommendation:** Up to \$40.0 million

Investment Highlights

- Experienced and cohesive team
- Strong, consistent historical returns
- Significant experience investing in the Information Services and Communications sectors



ABRY Partners IX, L.P.

■ Firm and Background

- ABRY was formed in 1989 and has grown to include more than 50 investment professionals across four investment platforms.
- The Firm is headquartered in Boston and the vast majority of professionals are located in Boston, but the Firm also maintains a satellite office in London.
- Formal succession plan in 2011 brought Peggy Koenig and Jay Grossman into the top leadership positions at the Firm. Today, C.J. Brucato is Co-CEO alongside Mr. Grossman, with Ms. Koenig as Chair.

■ Investment Strategy

- Focus on investing between \$50 and \$200 million per transaction in companies with an enterprise value between \$250 and \$750 million.
- Focus on making control-oriented, leveraged buyouts while being able to selectively pursue minority investments with certain negative controls.
- Focus on companies operating within the media, communication, and information and business services industries.
- Focus on companies with steady revenue growth, attractive free cash flow characteristics, and clear opportunities for value creation.

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LACERS
DIVERSITY PROFILE--External Managers
Summary Listing as of November 16, 2018
Total Fund

All data should be for Full-Time employees and is as of the most current date available by the managers. Original document placed in manager's legal file.

Other Minorities are classified as American Indian, Alaskan Native, Asian/Pacific Islander.

Note: if a female is also a minority, the employee is listed as an African American, Hispanic/Latino or Other Minority, not as a female, and not under both.

Manager	Asset Class	Work Group	Total Employees	Person with a Disability	Non-Minority Female	African American	Hispanic/Latino	Other Minority	Total Minorities, Females & Persons w/a Disability
ABRY Partners II, LLC	Private Equity- LBO	Senior Executives/Mngt ¹	37	0	3	2	0	4	9
		Investment Professionals (Excluding Traders) ²	41	0	10	0	1	8	19
		Investment Professionals (Traders)	0	0	0	0	0	0	0
		Other Professionals (Excluding Sales/Marketing & Client Services)	0	0	7	0	0	1	8
		Sales/Marketing & Client Services	0	0	0	0	0	0	0
		Office/Clerical ³	9	0	9	0	0	0	9
		Technicians	0	0	0	0	0	0	0
		Other Non-Professionals	0	0	0	0	0	0	0
Total			87	0	29	2	1	13	45

¹ Includes the following titles: Founder, CEO, Managing Partner, Partner, Principal, Senior Operations, CFO, VP of Finance, Controller, CCO/Counsel, CTO

² Includes the following titles: Senior Vice President, Vice President, Associate, Loan Analyst, Office Manager, Accounting Manager, Tax Manager, Senior Staff Accountant, Staff Accountant

³ Includes the following titles: Executive Assistant, Accounting Assistant, Receptionist

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
Strategy/Policy	<ul style="list-style-type: none"> Select Private Equity Consultant. Approve asset class funding level. Review and approve the Private Equity Annual Strategic Plan which includes allocation targets and ranges. 	<ul style="list-style-type: none"> With Private Equity Consultant and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board. 	<ul style="list-style-type: none"> With staff and General Fund Consultant, develop policies, procedures, guidelines, allocation targets, ranges, assumptions for recommendation to the Board.
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Report to Board of Administration

Lite Payne

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VIII-D**

SUBJECT: NOTIFICATION OF COMMITMENT OF UP TO €34.9 MILLION (APPROXIMATELY \$40 MILLION) IN ASTORG VII, L.P.

Recommendation

That the Board receive and file this notice.

Discussion

Consultant Recommendation

TorreyCove Capital Partners LLC (TorreyCove), LACERS' Private Equity Consultant, recommended a commitment of up to €34.9 million (approximately \$40 million at the time of staff concurrence) in Astorg VII, L.P. (the Fund), a buyout strategy managed by Astorg Partners (Astorg or the GP). Fund management and incentive fees are comparable to similar strategies and the GP will invest alongside limited partners, providing alignment of interests. This recommendation is consistent with the Private Equity Investments 2019 Strategic Plan adopted by the Board on October 23, 2018.

Background

Astorg was founded in 1998 by Xavier Moreno and Thierry Timsit. Prior to founding Astorg, Mr. Moreno and Mr. Timsit worked together at the Suez Group, a French conglomerate, making small- to middle-market private equity investments in France. Joël Lacourte subsequently joined Astorg as a Managing Partner in 1999. Astorg currently has over €8 billion of assets under management and employs over 30 investment professionals located in Paris (headquarters), London, Frankfurt, Milan, and Luxembourg.

Astorg is an existing general partner relationship for LACERS. LACERS previously committed €22 million (approximately \$25 million at the time of staff concurrence) to Astorg VI, SLP (2015 vintage), which has earned a net internal rate of return (IRR) of 13.0%.^{1,2}

Investment Thesis

Astorg invests in established European middle-market companies with enterprise values from €200 million to over €1 billion. The GP prefers firms with good market positions, positive organic growth, and expansion potential. These target firms typically generate sustainable high margins through one or more of the following: leading market share, intellectual property rights, brand names, distinct technology or industrial expertise. After making an investment, the GP will assist the portfolio company with achieving growth objectives by augmenting management personnel and compensation, optimizing

capital structure, and assisting with growth and acquisition strategies. Exit strategies include initial public offerings and sales to financial institutions or strategic partners, such as other private equity firms or large enterprise firms.

Placement Agent

The GP does not outsource its fundraising and does not use placement agents.

Staff Recommendation

Staff concurred with TorreyCove's recommendation. The commitment has been consummated pursuant to the Discretion in a Box (Roles and Responsibilities) section of the Private Equity Investment Policy; no Board action is required.

Strategic Plan Impact Statement

Investment in Astorg VII, L.P. will allow LACERS to maintain exposure to private equity, which is expected to help LACERS optimize long-term risk adjusted investment returns (Goal IV).

This report was prepared by Wilkin Ly, Investment Officer II, Investment Division.

RJ:BF:WL:sg

Attachments: A) TorreyCove Investment Notification
B) Workforce Composition
C) Discretion in a Box

¹Performance as of June 30, 2018

²Performance data (1) does not necessarily accurately reflect the current or expected future performance of the Fund(s) or the fair value of LACERS' interest in the Fund(s), (2) should not be used to compare returns among multiple private equity funds and (3) has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner(s) or manager(s).



ATTACHMENT A

CALIFORNIA

10180 Barnes Canyon Road
Suite 200
San Diego, CA 92121

MASSACHUSETTS

222 Rosewood Drive
3rd Floor
Danvers, MA 01923

Astorg VII, L.P. Investment Notification

Fund Information

- **General Partner:** Astorg Partners
- **Fund:** Astorg VII, L.P.
- **Firm Founded:** 1998
- **Strategy:** Buyouts
- **Sub-Strategy:** Medium Buyouts
- **Geography:** Europe
- **Team:** Ten-person Partner group
- **Senior Partners:** Thierry Timsit (Managing Partner), François de Mitry (Managing Partner), and Joël Lacourte (Managing Partner)
- **Office Locations:** Paris (France), London (U.K.), Frankfurt (Germany), Milan (Italy), and Luxembourg
- **Industries:** Diversified, with experience in industrials, healthcare, and technology
- **Recommendation:** Up to € 34.9 million (approximately \$40.0 million)

Investment Highlights

- Experienced and cohesive investment team
- Strong, consistent returns over time
- Significant experience investing in businesses with a specific business model



Astorg VII, L.P.

■ Firm and Background

- Founded in 1998 as a spinout from the Suez Group, Astorg has grown to include more than 30 investment professionals across Europe.
- The investment team will continue to be led by Thierry Timsit, one of the original co-founders of the Firm.
- Mr. Timsit will be supported by two additional Managing Partners and seven Partners that have considerable experience investing together Astorg.
- Successfully transitioned over time from a French-only Firm to a regionally focused Firm.

■ Investment Strategy

- Focus on control-oriented leveraged buyouts primarily in France, Italy, the DACH region (Germany, Switzerland, Austria), the Benelux region (Belgium, Luxembourg, Netherlands), and the U.K.
- Invest between €100 and €400 million of equity per transaction.
- Focus on three principal sectors: (i) industrials; (ii) healthcare; and (iii) software.
- Focus on acquiring business-to-business companies that are leaders in a global niche.

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ATTACHMENT B

Astorg's response to LACERS Diversity Questionnaire:

"We are prevented by the European Union directive on data management from providing employee profiles by race or gender."

PRIVATE EQUITY INVESTMENT POLICY

Discretion in a Box (Roles and Responsibilities)

	Role of the Board	Role of Staff	Role of the Private Equity Consultant
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LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



Report to Board of Administration

Lita Payne

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VIII-E**

SUBJECT: CONTRACT WITH CEM BENCHMARKING INC. AND POSSIBLE BOARD ACTION

Recommendation

That the Board:

- 1) Make a determination, under City Charter Section 1022, that work under the proposed contract is performed more feasibly by independent contractors rather than by City employees;
- 2) Find that pursuant to City Charter Section 371(e)(10), the use of competitive bidding would be undesirable or impractical;
- 3) Approve payment of a one-time fee of \$35,000 for CEM Benchmarking Inc. to perform an objective cost and performance benchmarking analysis of the LACERS investment portfolio; and,
- 4) Authorize the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Discussion

Background

CEM Benchmarking Inc. (CEM) specializes in providing cost and performance benchmarking information to institutional investors such as public and private pension funds, endowments and foundations, and sovereign wealth funds. Since 1990, CEM has maintained a database of investment management and administration costs and investment performance for a global universe of funds that consists of over 350 funds, representing approximately \$12 trillion in total assets. CEM updates this database on an annual basis by issuing comprehensive surveys to its universe of funds; LACERS participates in this free survey each year.

Utilizing its database, CEM will perform a customized benchmarking study of LACERS investment portfolio at a cost of \$35,000. CEM will provide a detailed report of investment performance, risk, and costs compared to a peer group of funds, similar in size and characteristics to LACERS, and to CEM's universe of funds. The information contained in this report would assist the Board and staff with managing LACERS' investment costs and performance, provide trend and research insights to support

decision making, and promote fund governance. LACERS previously contracted with CEM to conduct investment benchmarking studies for calendar years 2002 to 2008, 2013, and 2016.

Staff canvassed the market and was unable to identify other qualified firms that provide these services. Staff discussed the matter of utilizing CEM with the City Attorney's Office and was advised that consistent with the cited Charter Sections, a sole source contract would be appropriate based on the unique nature of CEM's services and the impracticality of engaging in a competitive bidding process in light of the relatively low contract amount.

Should the Board approve this contract, staff anticipates the CEM benchmarking study will be presented to the Board during the first quarter of fiscal year 2019 (third quarter of calendar year 2019).

Strategic Plan Impact Statement

Participation in the CEM benchmarking study will provide LACERS with a comparative analysis of investment management and administration services costs and performance to improve decision making. This is consistent with Goal IV (optimize long-term risk adjusted investment returns) and Goal V (uphold good governance practices).

This report was prepared by Bryan Fujita, Chief Operating Officer, Investment Division.

RJ:BF:sg

Attachments: A) Proposed Resolution

CONTRACT FOR
CEM BENCHMARKING INC.
INVESTMENT BENCHMARKING SERVICES

PROPOSED RESOLUTION

WHEREAS, the CEM Benchmarking Inc. (CEM) study will provide LACERS with an objective analysis of investment management and administration services costs and investment performance and risk;

WHEREAS, LACERS staff lacks the expertise necessary to perform this work;

WHEREAS, CEM has expertise in this area that is unique and such services cannot be acquired from any other provider;

WHEREAS, the one-time fee of \$35,000 covers the cost of the benchmarking study;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves payment of a one-time fee of \$35,000 to CEM to perform an objective investment cost and performance benchmarking analysis of the LACERS portfolio; and, authorizes the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

<u>Company Name:</u>	CEM Benchmarking Inc.
<u>Service Provided:</u>	Investment Benchmarking
<u>Duration:</u>	One-time occurrence

February 26, 2019



Report to Board of Administration

Life Payroll

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **XII-B**

SUBJECT: REQUEST FOR PROPOSAL FOR ACTUARIAL SERVICES AND POSSIBLE BOARD ACTION

Recommendations

That the Board authorize the General Manager to release a Request for Proposal (RFP), substantially in the form on file in the Board office, for an actuarial consultant, including a provision for a secondary consultant to conduct an actuarial audit, if necessary.

Discussion

An RFP to award a three-year agreement for a System Actuary beginning August 1, 2019, with a three-year option to renew, has been developed with an anticipated release of March 2019. Given that the current actuarial service performed by Segal Consulting was last competitively bid in 2012, it is prudent to solicit the current marketplace and consider proposals for actuarial services from all interested and qualified actuarial firms (Government Finance Officers Association Best Practices/Advisories, October 2012). Additionally, should the incumbent firm be selected as the best qualified firm, an actuarial audit would be recommended to be performed by a separate Audit Actuary, pursuant to actuarial standards of practice espousing audits when the same actuary has been retained for five years (Government Finance Officers Association Best Practices/Advisories, May 2014). LACERS' last actuarial audit was performed in June 2013.

The proposed RFP seeks proposals from qualified firms with in-depth knowledge, experience, and expertise in actuarial consultation for public pension plans. These required actuarial services will include, under a full service contract: (1) conducting valuations of plan assets and liabilities for retirement benefits, the health plan, the Family Death Benefit Insurance Plan, and the Larger Annuity Program; (2) assessment and disclosure of risks in accordance with Actuarial Standard of Practice No. 51; (3) preparing reports required under the Governmental Accounting Standards Board (GASB); (4) preparing an Experience Study of the retirement and health plans; (5) calculating the annual cost of living adjustment; and (6) providing actuarial consultation and advisory services. The selected actuary shall also make available services on an as-needed, fee basis, including: (1) funding policy reviews and recommendations; (2) additional actuarial calculations; (3) actuarial projections; or, (4) special studies, educational services, and presentations requested by LACERS Board or management.

The RFP also provides an option for LACERS to secure a second firm (Audit Actuary) which will perform a one-time actuarial audit to verify the reasonableness of assumptions used by the incumbent System Actuary, as well as validate the actuarial valuations, in the event the incumbent is

awarded to continue providing services. Staff will examine proposals and conduct due diligence reviews prior to the recommendation of the System Actuary to the Board. The Audit Committee will consider the proposals for the Audit Actuary and make a recommendation to the Board. The RFP will be advertised in the Daily Journal and made available on the Department's website and the Los Angeles Business Assistance Virtual Network (BAVN). The anticipated time of completion for the RFP process is approximately three months, and recommendation for contract award will be brought to the Board in June 2019, prior to expiration of the current contract on July 31, 2019.

Strategic Plan Impact Statement:

The expert services of an Actuary are essential to the administration of LACERS to ensure sound governance and contribute to ensuring accurate calculation of plan benefits. This action contributes toward meeting objectives under the Governance Goal and Benefit Delivery Goal.

This report was prepared by Chhintana Kurimoto, Management Analyst, Administrative Services Division.

NG:TB:DWN:CK