

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

June 11, 2019

10:01 a.m.

Agenda of: June 25, 2019

Item No: II

PRESENT:	President:	Cynthia M. Ruiz
	Vice President:	(arrived at 10:57 a.m.) 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:	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 one public comment card received. Mr. Quinn Williams, member of the public, spoke about Platinum Equity.

Item III was taken out of order.

III

BOARD PRESIDENT VERBAL REPORT – President Ruiz stated that Mayor Garcetti has recommended her for another term on the LACERS Board. President Ruiz attended the Hispanic Heritage Foundation Investors Forum in Oakland on June 6, 2019 and she will begin online training with PRI.

II

APPROVAL OF MINUTES FOR REGULAR BOARD MEETING OF MAY 28, 2019 AND POSSIBLE BOARD ACTION – A motion to approve the Regular Board Meeting minutes of May 28, 2019 was moved by Commissioner Serrano, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

IV

GENERAL MANAGER VERBAL REPORT

- A. REPORT ON DEPARTMENT OPERATIONS – Neil M. Guglielmo, General Manager, discussed the following items:
- Website Redesign - In relation to the Web Redesign Initiative, a user survey was sent out to all Members and stakeholders on Wednesday, May 29, 2019.
 - The City Personnel Department's Wellness Program, LiveWell, is offering a wellness fair on Tuesday, June 11th, at City Hall East.
 - The LACERS *Well* Union Station Tour on May 24th was attended by 10 members.
 - LACERS staff have successfully partnered with ITA to set up a new account, lacers.youtube, with features to establish a LACERS YouTube channel.
 - LACERS staff have also coordinated the establishment of an online account for testing SMS messaging (text messaging) for outreach to Members and to be integrated with our new website.
 - Governmental Finance Officers' Association held their annual conference at the Los Angeles Convention Center May 19-22 with many first time participants from LACERS' staff.
 - LACERS Retirement Contributions.
 - LACERS Workspace Standards - As we continue the process of negotiating additional leased space in the building, we are also looking to establish workspace standards, as informed by the City's standards, appropriate for LACERS and modern workplace needs recognizing changes in technology and ergonomics.
 - LACERS Symposium 2019 – Estimated to be late October.
 - LACERS Administrative and Investments Benchmarking – LACERS staff are providing survey responses to CEM for this benchmarking effort.
 - Five-year Management Audit of the City's Pension Plans.
- B. UPCOMING AGENDA ITEMS – There were no upcoming agenda items discussed.
- C. RECOGNITION OF SERVICE FOR STEVE GEDESTAD, KEENAN & ASSOCIATES – Neil M. Guglielmo, General Manager presented Mr. Gedestad a certificate of appreciation signed by the LACERS Board Members recognizing his service as the LACERS' health and welfare consultant and congratulating him on his retirement.

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.

VI

BOARD/DEPARTMENT ADMINISTRATION

A. EDUCATION AND TRAVEL EXPENDITURE REPORT FOR THE QUARTER ENDING MARCH 31, 2019 – The report was received by the Board and filed.

B. SERVICE AGREEMENT WITH EMERGENCY MANAGEMENT & SAFETY SOLUTIONS FOR EMERGENCY SIMULATION EXERCISE AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

**SERVICE AGREEMENT FOR
EMERGENCY MANAGEMENT & SAFETY SOLUTIONS
EMERGENCY SIMULATION EXERCISE FACILITATION SERVICES**

RESOLUTION 190611-A

WHEREAS, LACERS’ Department Emergency Plan and Business Continuity Plan (BCP) were developed to ensure that mission-critical functions continue without interruption even in the aftermath of a disruptive event such as an earthquake, fire, or flood;

WHEREAS, an effective Department Emergency Plan and BCP require periodic testing, evaluation, and improvement in order to adjust to an ever-changing operational landscape;

WHEREAS, Emergency Management & Safety Solutions (EMSS) facilitated a simulation exercise for LACERS in 2016 that was focused on incident management immediately following an emergency event;

WHEREAS, LACERS seeks to take the next step and evaluate the department’s procedures for BCP activation through a simulation exercise;

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

WHEREAS, LACERS was highly satisfied with the past services provided by EMSS and wish to engage them again for the simulation exercise on BCP activation.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves an agreement with Emergency Management & Safety Solutions to facilitate a tabletop/emergency simulation exercise; and, authorizes the General Manager to approve and execute the necessary documents, subject to satisfactory business and legal terms.

Company Name: Emergency Management & Safety Solutions

Service Provided: Emergency Simulation Exercise Facilitation Services

Contract Amount: Not to exceed \$22,600

Duration: Six Months

Which motion was seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

- C. CONSIDERATION OF GOVERNMENTAL SIDE-A FIDUCIARY LIABILITY INSURANCE AND POSSIBLE BOARD ACTION – 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.

VII

BENEFITS ADMINISTRATION

- A. HEALTH EDUCATION WRAP-UP – Alex Rabrenovich, Chief Benefits Analyst with Health Benefits Administration and Communications Division, presented this item to the Board.
- B. JELLYVISION CONTRACT AMENDMENT AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval, seconded by Commissioner Wilkinson, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, and President Ruiz -6; Nays, None.

Vice President Greenwood arrived at the Regular Meeting at 10:57 a.m.

- C. BOARD EDUCATION: ENHANCED BENEFIT DISABILITY AND ACTIVE DEATH HEARING PROCESS TRAINING – Ferralyn Sneed, Senior Management Analyst II and Estella Priebe, Management Analyst, with Retirement Services and James Napier, Deputy City Attorney, presented this item to the Board.

VIII

INVESTMENTS

- A. CHIEF INVESTMENT OFFICER VERBAL REPORT – Rod June, Chief Investment Officer, reported on the portfolio value, \$17.462 Billion as of June 10, 2019. Mr. June discussed the following items:
- Emerging Market Small Cap and Emerging Market Debt Local Currency searches released on June 10th and will close on July 22nd.
 - Aegon leadership change at highest level and is on watch.
 - Mr. June will be attending the NASP Emerging Manager's Conference at the end of June.
 - Future agenda items: Investment Manager Contracts and Private Credit Investment Manager Finalists.
- B. PRIVATE REAL ESTATE PORTFOLIO PERFORMANCE REVIEW FOR THE PERIOD ENDING DECEMBER 31, 2018 – Jennifer Stevens, Partner with Townsend Group presented this item to the Board.

- C. INVESTMENT MANAGER CONTRACT WITH LAZARD ASSET MANAGEMENT LLC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

**CONTRACT RENEWAL
LAZARD ASSET MANAGEMENT LLC
ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS CORE
PORTFOLIO MANAGEMENT**

RESOLUTION 190611-B

WHEREAS, LACERS current three-year contract with Lazard Asset Management LLC (Lazard) for active non-U.S. equities developed markets core portfolio management expires on September 30, 2019; and,

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

WHEREAS, a contract renewal with Lazard will allow the fund to maintain a diversified exposure to the non-U.S. equities developed markets; and,

WHEREAS, on June 11, 2019 the Board approved the Investment Committee's recommendation for a three-year contract renewal with Lazard; and,

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

<u>Company Name:</u>	Lazard Asset Management LLC
<u>Service Provided:</u>	Active Non-U.S. Equities Developed Markets Core Portfolio Management
<u>Effective Dates:</u>	October 1, 2019 through September 30, 2022
<u>Duration:</u>	Three years
<u>Benchmark:</u>	MSCI EAFE Index
<u>Allocation as of March 31, 2019:</u>	\$ 587 million

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

- D. INVESTMENT MANAGER CONTRACT WITH MFS INSTITUTIONAL ADVISORS, INC REGARDING THE MANAGEMENT OF AN ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the following Resolution:

**CONTRACT RENEWAL
MFS INSTITUTIONAL ADVISORS, INC.
ACTIVE NON-U.S. EQUITIES DEVELOPED MARKETS GROWTH
PORTFOLIO MANAGEMENT**

RESOLUTION 190611-C

WHEREAS, LACERS current three-year contract with MFS Institutional Advisors, Inc. (MFS) for active non-U.S. equities developed markets growth portfolio management expires on September 30, 2019; and,

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

WHEREAS, a contract renewal with MFS will allow the fund to maintain a diversified exposure to the non-U.S. equities developed markets; and,

WHEREAS, on June 11, 2019 the Board approved the Investment Committee’s recommendation for a three-year contract renewal with MFS; and,

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

<u>Company Name:</u>	MFS Institutional Advisors, Inc.
<u>Service Provided:</u>	Active Non-U.S. Equities Developed Markets Growth Portfolio Management
<u>Effective Dates:</u>	October 1, 2019 through September 30, 2022
<u>Duration:</u>	Three years
<u>Benchmark:</u>	MSCI World ex-U.S. Growth Index
<u>Allocation as of March 31, 2019:</u>	\$594 million

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

- E. INVESTMENT MANAGER CONTRACT WITH AJO, LP REGARDING THE MANAGEMENT OF AN ACTIVE LARGE CAP VALUE PORTFOLIO AND POSSIBLE BOARD ACTION – Commissioner Serrano moved approval of the termination of the contract with AJO, LP and Commissioner Wilkinson moved approval to initiate a withdrawal and redeployment of the assets as detailed in the following Resolution:

**CONTRACT TERMINATION
AJO, LP
ACTIVE LARGE CAP VALUE EQUITIES
PORTFOLIO MANAGEMENT**

RESOLUTION 190611-D

WHEREAS, LACERS current one-year contract extension with AJO, LP (AJO) for active large cap value equities portfolio management expires on October 31, 2019; and,

WHEREAS, AJO was placed “On-Watch” in 2016, due to performance as of June 30, 2016, in accordance with the LACERS Manager Monitoring Policy (Policy); and,

WHEREAS, AJO demonstrated progress toward compliance with the Policy during the subsequent 2017 and 2018 “On-Watch” periods and the Board approved respective one-year contract extensions on August 22, 2017 and September 25, 2018; and,

WHEREAS, as of April 30, 2019, the strategy continues to underperform the benchmark for all time periods except since inception and breach Policy criteria; and,

WHEREAS, redeployment of the assets managed by AJO into the existing passively managed S&P 500 Index portfolio is consistent with the view that U.S. large cap equities exposure should be implemented with passive management, as presented in the Active vs. Passive Investment Management education conducted by NEPC, LLC, LACERS’ General Fund Consultant, on December 11, 2018;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Administration hereby initiates the termination of the contract with AJO, LP and directs staff to initiate a withdrawal and redeployment of the assets into the existing passively managed S&P 500 Index portfolio managed by RhumbLine Advisers Limited Partnership.

Which the motion to terminate the contract with AJO, LP was seconded by Commissioner Elizabeth Lee and the motion to for approval to initiate a withdrawal and redeployment of the assets was seconded by Commissioner Serrano, and adopted by the following vote: Ayes, Commissioners Elizabeth Lee, Sandra Lee, Serrano, Sohn, Wilkinson, Vice President Greenwood, and President Ruiz -7; Nays, None.

President Ruiz recessed the Regular Meeting at 12:03 p.m. for a break. President Ruiz reconvened the Regular Meeting at 12:12 p.m. and convened in Closed Session at 12:13 p.m.

IX

DISABILITY RETIREMENT APPLICATION(S)

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

President Ruiz reconvened the Regular Meeting at 12:14 p.m. and announced that the Board unanimously approved the Disability Retirement Application of Sylvia Castaneda.

X

OTHER BUSINESS – President Ruiz requested presentations regarding Artificial Intelligence and Block Chain.

XI

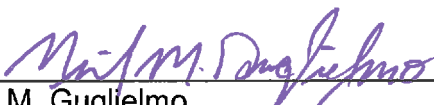
NEXT MEETING – The next Regular meeting of the Board is scheduled for Tuesday, June 25, 2019 at 10:00 a.m. in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401.

XII

ADJOURNMENT – There being no further discussion before the Board, President Ruiz adjourned the meeting at 12:15 p.m.



Cynthia M. Ruiz
President



Neil M. Guglielmo
Manager-Secretary